

Contents

Daily Alerts

Results

Bajaj Finserv: 4Q was mixed bag, interesting times ahead
Adani Ports and SEZ: 4Q beat, strong guidance, enhanced disclosures key positives
Eternal: 4QFY25: Rapid scale-up of Blinkit continues
Varun Beverages: Good execution in India
Vedanta: Strong end to FY2025
Indus Towers: Strong quarter; delay in payouts was a letdown
Jindal Steel and Power: Earnings beat; well poised as key projects near completion
Phoenix Mills: Modest end to FY2025 heading into a year of consolidation
Vishal Mega Mart: Healthy 4Q print, driven by strong SSSG performance
Schaeffler India: Decent quarter
Federal Bank: A soft start as change begins to take shape
CRISIL: Ratings strong; non-ratings muted
Sona BLW Precision: Soft quarter on expected lines; order book ramp-up risks loom
Exide Industries: Another weak quarter
Bandhan Bank: MFI outlook turning favorable
Mindspace REIT: Improved performance on an expanded asset base
Star Health and Allied Insurance: The pain continues
Five Star Business Finance: Keeping the faith
CIE Automotive: Underperformance in domestic business continues
CEAT: Cost control drives beat; Camso acquisition remains overhang
Praj Industries: Weak execution, steady ordering, improving growth prospects
Ujjivan Small Finance Bank: The outperformance on asset quality continues
Equitas Small Finance Bank: Recovery has been slower than expected
SIS: 4QFY25: Reasonable print driven by India business

Results, Change in Reco

JSW Infrastructure: Another tepid, in-line print



Contents

Sector Alerts

ESG: Mercury hits a new high: Adaptation + mitigation in focus

IT Services: ERD services—amid headwinds

IT Services: CTSH—retains CY2025E revenue growth guidance

Quant Research: Alphabet Factor Portfolios: All-season continues to outperform; low vol—leader of the pack

Bajaj Finserv (BJFIN)

Diversified Financials

ADD

CMP(₹): 1,952

Fair Value(₹): 2,175

 Sector View: **Attractive**

NIFTY-50: 24,334

May 01, 2025

4Q was mixed bag, interesting times ahead

Bajaj Finserv's insurance businesses reported mixed performance among industry headwinds and transformation programs during 4QFY25/FY2025. With a 100% stake in insurance companies within the group and appointment of Rajeev Jain on the Board, we remain assertive about Bajaj Finserv's prospects to gain share and dominance. Retain ADD; FV of Rs2,175.

Life insurance: Margins catch up

Bajaj Life (BALIC) caught up on annual VNB margins (14.5%) in 4Q, with 400 bps yoy expansion in 4QFY25 due to high growth in protection, offsetting the drag due to higher ULIPs. The company will continue to go slow in the near term, focusing on agency transformation. Focus remains on diversification—Axis Bank, the largest partner, is 22% of the business. Operating RoEV for the year was moderate at 12.7%, tempered a bit by lower discounting marginal negative variance. We expect near-term APE growth below industry levels, as margins inch up over time.

General Insurance: Combined ratio moves up

Bajaj General (BAGIC) reported a 13% decline in GWP, flat on ex-crop and government businesses; adjusted for 1/n growth, this was 8% yoy versus 4% for the industry. The company remains aggressive in motor with 16% growth versus 7% growth across the industry; while the loss ratio in the OD business was rangebound, a sharp (2320 bps yoy) reduction likely reflects release from the TP pool. The health claims ratio declined 400 bps to 84.5%, as no government business was booked during the quarter. The crop/government business drives about 30% of the annual business, 18% in 4QFY25. With a higher share of retail businesses, overall claims ratio was down 290 bps to 65.4%, though high expenses/commissions led to a combined ratio of 104.8%, up 320 bps yoy.

Retain ADD; FV of Rs2,175

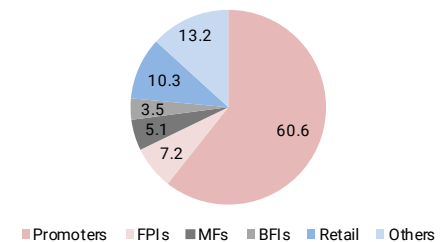
We remain assertive about Bajaj Finserv's ability to steer business to gain share and profitability. Bajaj Allianz Life is already going through a transformation program—revising the entire product suite and agency channel; auguring well for long-term franchise building, even as near-term APE growth may be low. Bajaj Allianz General has been a large player (6% market share) managing one of the most profitable motor businesses, with mid-to-high teen RoE. With a complete stake in the insurance ventures at the group and the group's star CEO, Rajeev Jain, joining the Board (though in a non-executive capacity), we expect the transformation exercise at group companies to gather momentum. Near-term business trajectory drives valuations, as we optimistically look forward. We retain ADD, with an SoTP-based FV of Rs2,175 (from Rs2,100). We value Bajaj Finance at our FV of Rs9,500, life insurance at 1.8X EV and general insurance business at 3.5X book/24X earnings, i.e., at a discount of about 30% to ICICI Lombard.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	1,952/2,175/ADD
52-week range (Rs) (high-low)	2,135-1,419
Mcap (bn) (Rs/US\$)	3,116/36.8
ADTV-3M (mn) (Rs/US\$)	4,351/51.4

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(3)	12	21
Rel. to Nifty	(6)	9	13
Rel. to MSCI India	(7)	10	15

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	67.2	83.5	103.7
EPS growth (%)	31.4	24.2	24.2
P/E (X)	29.0	23.4	18.8
P/B (X)	5.8	5.6	4.7
BVPS (Rs)	333.9	348.4	412.1
RoE (%)	22.8	24.5	27.3
Div. yield (%)	0.1	0.1	0.1
NII (Rs bn)	490	576	717
PPOP (Rs bn)	351	406	517
Net profits (Rs bn)	107	133	165

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Nischint Chawathe

M B Mahesh, CFA

Varun Palacharla

Abhijeet Sakhare

Ashlesh Sonje, CFA

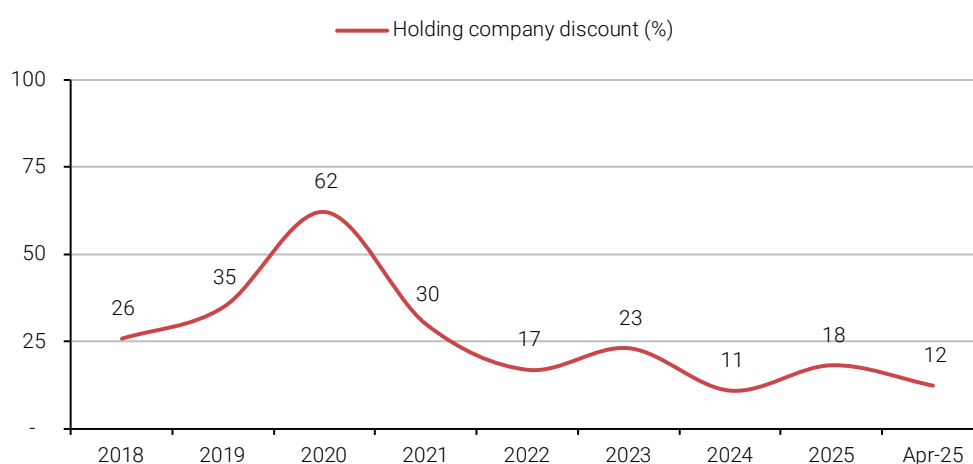
Nikhil Suresh

Exhibit 1: Sum-of-the-parts based valuation of Bajaj Finserv, March fiscal year-ends, March 2026E

	Value (Rs bn)	Share (%)	Value for Bajaj Finserv (Rs bn)	Value per share of Bajaj Finserv (Rs)	Share in SOTP (%)	Comments
Bajaj Allianz Life Insurance	538	75	363	228	10	1.8X EV
Bajaj Allianz General	545	75	368	231	11	3.5X book/24X earnings
Bajaj Finance	5,898	52	2,744	1,725	79	4.4X book
Total			3,475	2,184		

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Holding company discount for Bajaj Finserv's stake in Bajaj Finance, March fiscal year-ends, 2018-2025, April 2025



Source: Company, Kotak Institutional Equities estimates

Bajaj Life Insurance (BALIC)

- ▶ **Growth moderated in 4QFY25.** Bajaj Life's APE declined 6.4% yoy in 4QFY25, largely due to weak volumes in the agency channel (APE down 17% yoy). Recalibration of commission rates after the implementation of surrender value guidelines has likely led to weak volumes in the agency channel.
- ▶ **Bancassurance growth was strong.** Bancassurance APE was up 13% yoy during the quarter, supporting overall APE. Axis Bank's contribution to overall APE was 22% compared with the 57% share of Bancassurance.
- ▶ **Margins expanded sharply.** Management highlighted that it has recalibrated its product design and strategy to focus on profitability. This led to a moderate ~400 bps yoy expansion in VNB margins to 22% in 4QFY25. Resultantly, VNB was up 14.4% yoy, despite a 6.4% decline in APE.
 - The impact of surrender values on margin was negligible. The change in commission structures and product IRRs has likely offset the impact of higher surrender values.
- ▶ **Non-par growth picks up.** Non-par APE picked up 12% yoy in 4QFY25, likely due to the realignment of the bancassurance channel. ULIP volumes were flat yoy and share of APE remained elevated at 38%. **Retail protection growth was strong at 100% yoy, supporting margins.** Group protection NBP moderated 51% yoy. According to management, credit life volumes remained weak, owing to a slowdown in credit disbursements by partner banks.
- ▶ **Focus on profitability.** Management highlighted that it has changed product and commission structures to improve profitability. ULIPs now have higher rider attachment to improve the margin profile. Calibration in growth was also conscious to cull segments and cohorts with low profitability.
- ▶ **Margins to expand.** We expect VNB margin to further inch up to 14.7% in FY2026E (14.5% in FY2025) and 15% by FY2027E. APE growth will likely remain muted at 10% in FY2026E, as the distribution network gets adjusted to the new paradigm. In later years, APE growth will pick up to 18%. Resultantly, VNB will likely report a CAGR of 17% over FY2025-28E.
- ▶ **Operating RoEV to remain moderate.** We expect operating RoEV to remain moderate at 13.9-14.5% during FY2026-28E, driven by 15% APE CAGR and moderate VNB margin expansion. Operating variances will likely remain low at 26-30 bps of opening EV due to moderate gains on persistency and scale.

Exhibit 3: Bajaj Life Insurance—quarterly summary, March fiscal year-ends, 4QFY24-4QFY25, 2021-2025 (Rs mn)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY(%)	2021	2022	2023	2024	2025	YoY (%)
Gross business premium	81,830	50,180	65,440	63,610	92,370	13	120,248	161,270	194,620	230,430	271,600	18
New business premium	38,240	23,900	30,160	26,540	36,530	(4)	62,504	88,668	102,390	109,720	117,130	7
Individual APE	23,300	12,940	18,950	15,490	23,280	(0)	24,677	36,916	52,140	63,260	70,660	12
Group new business premium	14,940	10,960	11,210	11,050	13,250	(11)	37,827	51,752	50,250	46,460	46,470	0
Renewal premium	42,300	24,770	33,420	36,000	54,480	29	57,116	69,906	87,240	115,490	148,670	29
AUMs (Rs bn)	1,098	1,170	1,232	1,220	1,237	13	738	856	906	1,098	1,237	13

Source: Company, Kotak Institutional Equities

Sharp margin expansion in 4QFY25

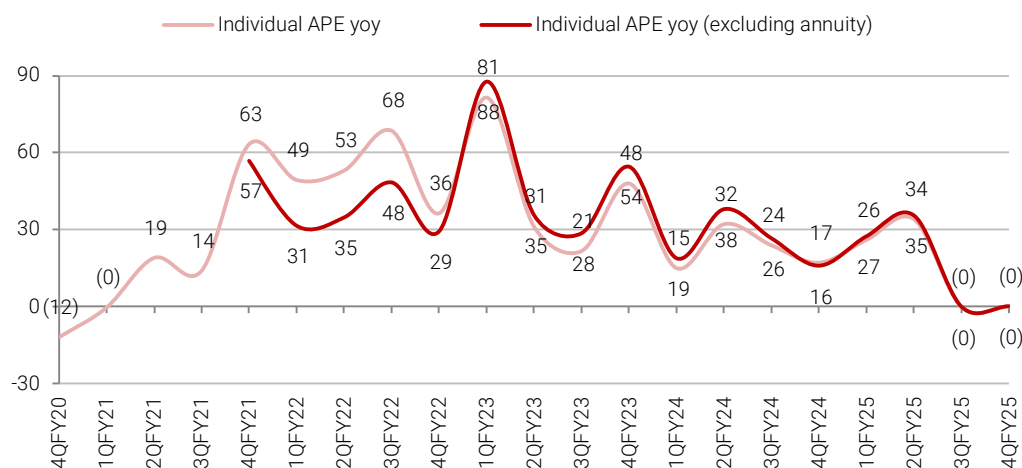
Exhibit 4: APE, VNB, VNB margin and IEV, March fiscal year-ends, 4QFY23-4QFY25, 2023-25 (Rs bn)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	2023	2024	2025	YoY (%)
APE	26.5	15.0	22.7	16.9	24.9	(6.4)	61.2	72.7	79.4	9.2
VNB	4.8	1.0	2.5	2.5	5.5	14.4	9.5	10.6	11.5	8.5
VNB margin (%)	18.1	6.9	10.8	15.1	22.1	400 bps	15.5	14.6	14.5	-9 bps
IEV	217	NA	230	NA	238	NM	186	217	238	9.5

Source: Company, Kotak Institutional Equities

Flat individual APE yoy in 4QFY25

Exhibit 5: Individual APE yoy growth, 4QFY20-4QFY25 (%)



Source: Company, Kotak Institutional Equities

Sharp rise in non-par and protection

Exhibit 6: Product mix for BALIC, March fiscal year-ends, 4QFY24-4QFY25, 2023-2025

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	2023	2024	2025	YoY (%)
APE mix (Rs mn)										
Individual	23,300	12,940	18,950	15,490	23,280	(0)	52,140	63,016	70,660	12
ULIP	9,320	6,082	9,475	6,816	9,312	(0)	16,275	24,505	31,684	29
Non-par savings	5,592	2,459	3,222	2,633	6,286	12	22,407	15,486	14,599	(6)
Core par	6,291	2,976	4,548	4,182	4,889	(22)	8,124	17,125	16,595	(3)
Annuity	1,398	647	758	775	1,397	(0)	3,645	3,499	3,576	2
Protection	699	776	758	1,084	1,397	100	1,690	2,400	4,016	67
Group	3,249	2,080	3,730	1,360	1,580	(51)	9,011	9,724	8,750	(10)
Total	26,549	15,020	22,680	16,850	24,860	(6)	61,151	72,740	79,410	9
APE mix (%)										
Individual	87.8	86.2	83.6	91.9	93.6	588 bps	85.3	86.6	89.0	235 bps
ULIP	35.1	40.5	41.8	40.4	37.5	235 bps	26.6	33.7	39.9	621 bps
Non-par savings	21.1	16.4	14.2	15.6	25.3	422 bps	36.6	21.3	18.4	-291 bps
Core par	23.7	19.8	20.1	24.8	19.7	-403 bps	13.3	23.5	20.9	-264 bps
Annuity	5.3	4.3	3.3	4.6	5.6	35 bps	6.0	4.8	4.5	-31 bps
Protection	2.6	5.2	3.3	6.4	5.6	299 bps	2.8	3.3	5.1	176 bps
Group	12.2	13.8	16.4	8.1	6.4	-588 bps	14.7	13.4	11.0	-235 bps

Source: Company, Kotak Institutional Equities

Weakness in agency drags down overall growth

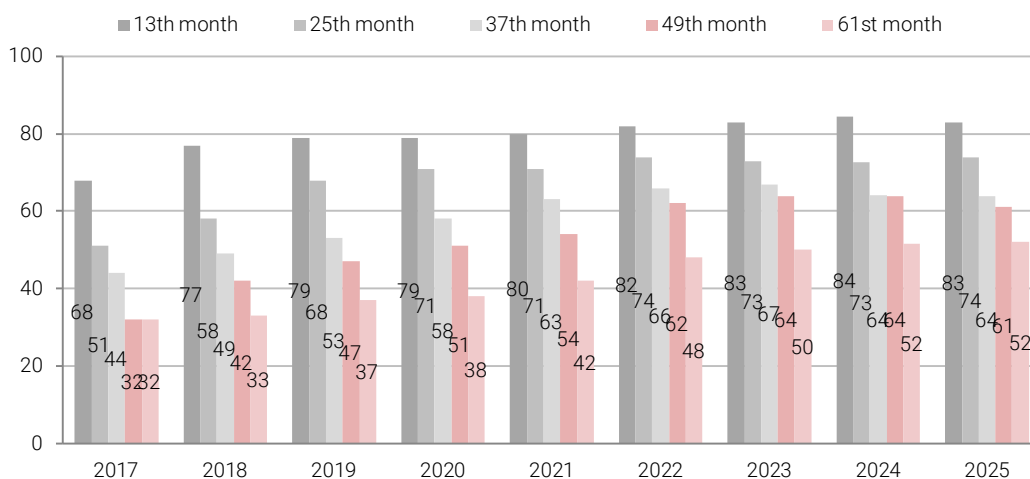
Exhibit 7: Channel mix for BALIC, March fiscal year-ends, 4QFY24-4QFY25, 2023-2025

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	2023	2024	2025	YoY (%)
Individual APE mix (Rs mn)										
Agency	8,530	5,450	7,520	5,480	7,050	(17)	21,199	25,469	25,500	0
Institutional	11,790	5,810	9,000	7,880	13,290	13	26,436	30,559	35,980	18
Others	2,980	1,680	2,420	2,130	2,940	(1)	4,506	7,242	9,170	27
Total	23,300	12,940	18,950	15,490	23,280	(0)	52,140	63,016	70,660	12
Individual APE mix (%)										
Agency	36.6	42.1	39.7	35.4	30.3	-633 bps	40.7	40.4	36.1	-433 bps
Institutional	50.6	44.9	47.5	50.9	57.1	649 bps	50.7	48.5	50.9	243 bps
Others	12.8	13.0	12.8	13.8	12.6	-16 bps	8.6	11.5	13.0	148 bps

Source: Company, Kotak Institutional Equities

Persistence improves across most buckets

Exhibit 8: Persistence, March fiscal year-ends, 2017-2025 (%)



Source: Company, Kotak Institutional Equities

VNB margins to inch up over the medium term

Exhibit 9: APE, VNB and VNB margin, March fiscal year-ends, 2018-2028E (Rs bn)

	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
APE	17.8	22.3	22.9	29.2	43.6	61.2	72.7	79.4	87.4	103.1	121.6
VNB	(0.2)	1.5	2.3	3.6	6.2	9.5	10.6	11.5	12.8	15.5	18.2
VNB margins (%)	(1.0)	6.9	9.9	12.3	14.2	15.5	14.6	14.5	14.7	15.0	15.0

Source: Company, Kotak Institutional Equities estimates

We expect operating RoEV to remain range-bound at 14-15%

Exhibit 10: EV walk, March fiscal year-ends, 2018-2028E (Rs bn)

	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Opening Embedded value (EV)	113	119	130	134	155	172	186	217	238	268	302
Assumption change	—	2	(0)	(1)	(1)	—	1	(1)	—	—	—
VNB (before over-run)	2	3	4	7	13	18	11	12	13	15	18
Acquisition expense overrun	(2)	(2)	(2)	(3)	(7)	(8)	—	—	—	—	—
Expected return in force	8	10	10	9	12	14	15	17	20	22	25
Operating variance	1	(0)	(1)	—	—	1	—	(1)	1	1	1
Investment varinace	(3)	(1)	(5)	9	1	(10)	9	(2)	1	1	1
Dividend payout	—	—	(1)	(2)	(1)	(3)	(5)	(5)	(5)	(5)	(5)
Closing EV	119	130	134	155	172	186	217	238	268	302	343
EVOP	9.3	12.7	10.9	12.6	17.5	24.9	27.0	27.6	33.0	38.2	43.8
RoEV (%)	5.3	9.5	3.5	15.6	11.0	7.7	16.9	9.6	12.4	13.0	13.3
Operating RoEV (%)	8.2	10.7	8.4	9.4	11.3	14.4	14.5	12.7	13.9	14.3	14.5

Source: Company, Kotak Institutional Equities estimates

Bajaj General Insurance (BAGIC)

- ▶ **Muted growth in 4Q.** BAGIC reported yoy flat GWP (ex-crop and govt health); even adjusting for the impact of 1/n rule growth, it was muted at 8% yoy. Weakness in commercial lines (down 10% yoy) and group health (down 21%) were likely reasons for muted growth during the quarter. Growth in the key retail segments of motor and retail health was strong at 14-16% yoy.
- ▶ **Commercial lines pricing to improve.** BAGIC reported a 10% yoy decline in commercial lines in 4QFY25, driven by a decline in fire (down 17% yoy) and marine (down 10% yoy). Management remains bullish on the segment and has guided for higher-than-industry growth in the segment.
- ▶ **Motor growth picked up.** Despite muted new vehicle sales, BAGIC has reported strong growth in motor premiums. OD was up 11% yoy and TP was up 19% yoy. Muted claims ratio in the TP segment has likely prompted the company to be bullish on growth. The addition of non-Bajaj OEMs has also aided in growth in the segment.
- ▶ **Pricing pressure in group health and crop business.** Management has called out pricing pressure in the group health and crop businesses, where prices have declined ~30% yoy. Pressure to adhere to EoM guidelines has likely led to elevated competitive intensity in these segments. Reinsurance tightening may lead to cap pricing in commercial lines, but crop and group health remain disrupted.
- ▶ **Claims ratio moderated.** A sharp decline in commercial lines and tender businesses has led to sharp 740 bps yoy and 1480 bps qoq to 62.9%. The expense ratio (similar to peers) was distorted by 1/n accounting of long-term policies, with no impact on P&L, as the lower inward commission on long-term policies nets off with higher payouts.
- ▶ **Combined ratio to normalize.** Elevated CAT losses and impact of 1/n rule led to a combined ratio of 99.3% in FY2025. We expect the expense ratio to normalize to 24% by FY2026E (24.7% in FY2025). Claims ratio will likely inch up to 75% (74.6% in FY2025), leading to 99% combined ratio in FY2026E.
- ▶ **Growth and profitability to pick up.** GWP growth will likely pick up to 12% in FY2026E, driven by a pick-up in commercial lines. In later years, growth should pick up for both BAGIC and industry to 15%, driven by a pick-up in the motor business. We bake in moderate operating efficiency gains of 10-20 bps per year in expense ratios over FY2027-28E. Loss ratios will likely remain stable over the medium term due to the interplay of (1) reduced pricing pressure in the motor OD business and (2) a higher share of commercial lines. Claims inflation in the TP business may drag loss ratios. Resultantly, RoE will remain range-bound at ~16%.

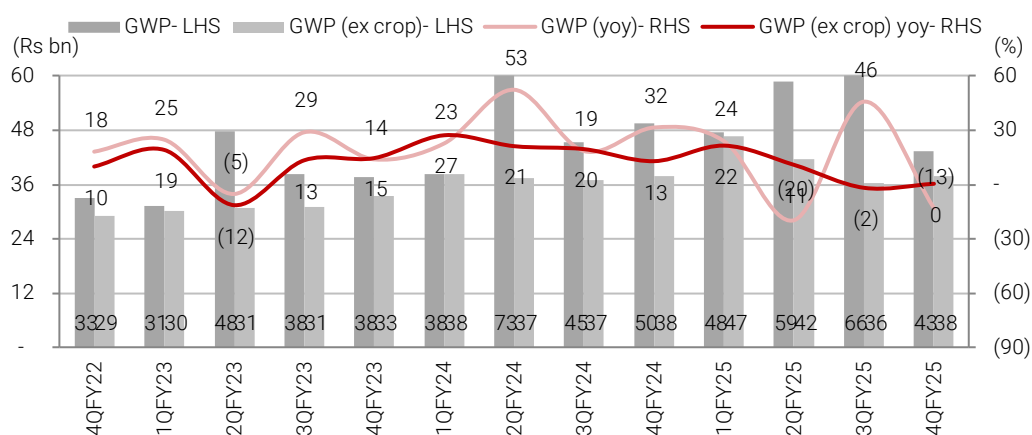
Exhibit 11: Bajaj General Insurance—quarterly summary, March fiscal year-ends, 4QFY24-4QFY25, 2021-2025 (Rs mn)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY(%)	2021	2022	2023	2024	2025	YoY (%)
Gross written premium	49,620	47,610	58,710	66,260	43,260	(13)	126,244	137,881	154,870	206,300	215,840	5
Net earned premium	23,380	22,320	26,600	24,030	22,700	(3)	74,362	77,793	80,180	88,840	95,650	8
Investment income	5,709	7,540	7,080	5,770	4,850	(15)	15,320	17,030	20,278	22,210	25,240	14
PAT	3,800	5,760	4,940	4,000	3,630	(4)	13,301	13,391	13,470	15,500	18,330	18
Combined ratio (%)	101.6	103.7	101.4	101.1	104.8	320 bps	96.9	99.6	100.5	99.9	99.9	0 bps
Claims ratio (%)	70.3	77.1	79.7	77.7	62.9	-740 bps	68.5	73.0	72.9	73.8	74.6	80 bps
Opex+commission rate (%)	31.3	26.6	21.7	23.4	41.9	1060 bps	28.4	26.6	27.6	26.1	25.3	-80 bps

Source: Company, Kotak Institutional Equities

Gross premium (ex-crop ex-govt health) declined 13% yoy in 4QFY25

Exhibit 12: GWP and yoy growth for BAGIC, March fiscal year-ends, 4QFY22-4QFY25



Source: Company, Kotak Institutional Equities

Retail segments grew faster

Exhibit 13: Segment-wise GWP growth for BAGIC, March fiscal year-ends, 4QFY24-4QFY25, 2023-2025 (%)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	2023	2024	2025	YoY (%)
GWP mix (Rs mn)										
P and C	12,120	18,850	9,930	9,960	10,930	(10)	36,900	48,870	49,670	2
Engineering	1,290	1,550	780	1,190	1,070	(17)	2,090	4,080	4,590	13
Fire	5,640	10,400	4,530	5,010	5,050	(10)	21,540	23,850	24,990	5
Liability	1,490	2,840	1,410	1,410	1,160	(22)	5,070	6,150	6,820	11
Marine	(110)	790	1,030	690	1,320	(1,300)	2,070	3,000	3,830	28
Other liability	3,810	3,270	2,180	1,660	2,330	(39)	6,130	11,790	9,440	(20)
Motor	15,250	14,410	14,840	16,510	17,640	16	53,480	58,480	63,400	8
Motor OD	6,770	7,730	7,540	7,940	7,510	11	23,510	26,990	30,720	14
Motor TP	8,480	6,680	7,300	8,570	10,130	19	29,970	31,490	32,680	4
Health	11,710	12,300	23,440	32,200	8,430	(28)	30,150	65,240	76,370	17
Retail	3,030	2,290	2,990	2,430	3,460	14	8,890	9,900	11,170	13
Group	6,280	9,130	12,470	6,030	4,970	(21)	18,950	27,640	32,600	18
Government	2,400	880	7,980	23,740	-	(100)	2,310	27,700	32,600	18
PA and travel	800	1,500	1,060	780	720	(10)	3,580	4,190	4,060	(3)
Crop	9,450	110	9,140	6,120	5,300	(44)	27,550	27,950	20,670	(26)
Others	290	440	300	690	240	(17)	3,210	1,570	1,670	6
Total	49,620	47,610	58,710	66,260	43,260	(13)	154,870	206,300	215,840	5
GWP mix (%)										
P and C	24.4	39.6	16.9	15.0	25.3	84 bps	23.8	23.7	23.0	-68 bps
Engineering	2.6	3.3	1.3	1.8	2.5	-13 bps	1.3	2.0	2.1	15 bps
Fire	11.4	21.8	7.7	7.6	11.7	31 bps	13.9	11.6	11.6	2 bps
Liability	3.0	6.0	2.4	2.1	2.7	-32 bps	3.3	3.0	3.2	18 bps
Marine	(0.2)	1.7	1.8	1.0	3.1	327 bps	1.3	1.5	1.8	32 bps
Other liability	7.7	6.9	3.7	2.5	5.4	-229 bps	4.0	5.7	4.4	-134 bps
Motor	30.7	30.3	25.3	24.9	40.8	1004 bps	34.5	28.3	29.4	103 bps
Motor OD	13.6	16.2	12.8	12.0	17.4	372 bps	15.2	13.1	14.2	115 bps
Motor TP	17.1	14.0	12.4	12.9	23.4	633 bps	19.4	15.3	15.1	-12 bps
Health	23.6	25.8	39.9	48.6	19.5	-411 bps	19.5	31.6	35.4	376 bps
Retail	6.1	4.8	5.1	3.7	8.0	189 bps	5.7	4.8	5.2	38 bps
Group	12.7	19.2	21.2	9.1	11.5	-117 bps	12.2	13.4	15.1	171 bps
Government	4.8	1.8	13.6	35.8	-	-484 bps	1.5	13.4	15.1	168 bps
PA and travel	1.6	3.2	1.8	1.2	1.7	5 bps	2.3	2.0	1.9	-15 bps
Crop	19.0	0.2	15.6	9.2	12.3	-679 bps	17.8	13.5	9.6	-397 bps
Others	0.6	0.9	0.5	1.0	0.6	-3 bps	2.1	0.8	0.8	1 bps

Source: Company, Kotak Institutional Equities

Moderation in claims ratio across most segments

Exhibit 14: Segment-wise claims ratio, March fiscal year-ends, 2019-2025, 4QFY24-4QFY25 (%)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (bps)	2020	2021	2022	2023	2024	2025	YoY (bps)
Fire	6	83	78	19	(1)	-700 bps	68	55	57	35	47	47	-80 bps
Marine cargo	89	55	109	57	62	-2650 bps	67	66	64	65	60	70	990 bps
Motor total	67	72	69	75	57	-980 bps	66	68	69	75	72	69	-330 bps
Motor OD	58	69	65	66	63	530 bps	68	54	65	71	64	66	220 bps
Motor TP	75	75	72	85	52	-2320 bps	65	78	71	77	78	71	-730 bps
Engineering	(15)	65	38	25	(5)	970 bps	53	36	50	40	42	30	-1130 bps
Personal accident	57	40	39	59	73	1590 bps	56	44	36	37	59	52	-650 bps
Health	89	85	96	92	84	-440 bps	86	82	96	78	88	90	210 bps
Crop	87	94	94	98	17	-7010 bps	92	68	73	96	89	76	-1300 bps
Overall	70	77	80	78	63	-740 bps	71	69	73	73	74	75	80 bps
Overall (excluding crop)	68	76	74	74	65	-290 bps	69	69	73	71	72	72	20 bps

Source: Company, Kotak Institutional Equities

Stable reserve releases over the past 4 years

Exhibit 15: BAGIC loss triangle—whole account excluding IMTPIP on net basis, as of March 31, 2025

	2015 or earlier	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
2015 or earlier	138,380	31,660	35,290	42,580	52,880	62,940	53,030	65,920	66,000	74,760	81,150	
2016	137,030	30,850	33,290	38,830	48,550	59,610	46,740	61,010	60,630	67,780	0	
2017	136,520	30,780	32,460	37,270	47,600	57,140	45,440	58,750	58,750	0	0	
2018	136,040	30,390	32,190	37,170	47,070	56,470	44,530	57,920	0	0	0	
2019	135,850	30,300	32,310	37,030	45,970	55,290	43,960	0	0	0	0	
2020	136,330	30,320	32,150	36,370	45,850	55,100	0	0	0	0	0	
2021	136,980	30,320	32,150	36,490	45,850	0	0	0	0	0	0	
2022	136,630	30,350	32,160	36,570	0	0	0	0	0	0	0	
2023	137,300	30,400	32,180	0	0	0	0	0	0	0	0	
2024	137,290	30,350	0	0	0	0	0	0	0	0	0	
2025	137,250	0	0	0	0	0	0	0	0	0	0	
Total	1,130	1,310	3,110	6,010	7,030	7,840	9,070	8,000	7,250	6,980		57,730
Release during FY												
2019	190	390	830	3750								5,160
2020	(480)	90	270	1560	4330							5,770
2021	(650)	(20)	(120)	100	950	3330						3,590
2022	350	0	160	140	530	2470	6290					9,940
2023	(670)	(30)	0	660	1100	670	1300	4910				7,940
2024	10	(50)	(10)	(120)	120	1180	910	2260	5370			9,670
2025	40	50	(20)	(80)	0	190	570	830	1880	6980		10,440

Source: Company, Kotak Institutional Equities

Exhibit 16: Bajaj General Insurance—key growth rates and ratios, March fiscal year-ends, 2020-2028E (%)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
YoY growth									
Net premium income	3.1	(7.5)	4.7	7.1	15.1	6.0	12.0	15.0	15.0
Premium earned- net	17.1	(9.4)	4.6	3.1	10.8	7.7	12.0	15.0	15.0
Claims	20.7	(12.2)	11.5	3.0	12.1	8.8	12.6	15.0	15.0
Operating expenses	28.4	(11.2)	(4.3)	34.9	(30.4)	2.6	10.7	15.0	15.0
Investment income	22.3	10.5	11.2	12.9	15.4	13.7	11.5	9.9	13.0
PBT	19.5	28.3	(1.5)	3.7	14.0	19.1	13.1	10.7	13.4
Tax	1.5	15.4	(8.2)	13.8	11.0	21.7	13.1	10.7	13.4
PAT	28.1	33.2	0.7	0.7	15.0	18.2	13.1	10.7	13.4
Key ratios									
Claims ratio	70.7	68.5	73.0	72.9	73.8	74.6	75.0	75.0	75.0
Commission ratio	1.1	0.7	1.2	(4.4)	6.7	6.0	5.5	5.3	5.2
Operating expenses ratio	28.9	27.8	25.4	32.0	19.3	18.7	18.5	18.5	18.5
Combined ratio	100.8	96.9	99.6	100.5	99.9	99.3	99.0	98.8	98.7
Yield on investment	7.9	7.5	7.3	7.5	7.8	8.0	8.0	7.8	7.8
Tax rate	27.4	24.7	23.0	25.2	24.6	25.1	25.1	25.1	25.1
RoE	18.1	20.3	17.3	15.0	15.2	15.9	16.0	15.6	15.7

Source: Company, Kotak Institutional Equities estimates

Exhibit 17: Bajaj General Insurance—financial summary, March fiscal year-ends, 2020-2028E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Income statement									
Net premium income	80,160	74,172	77,628	83,110	95,684	101,425	113,596	130,635	150,231
Premium earned- net	82,062	74,362	77,793	80,188	88,839	95,650	107,128	123,197	141,677
Claims	58,048	50,938	56,789	58,470	65,559	71,355	80,346	92,398	106,258
Net commission paid	916	494	943	(3,662)	6,439	6,085	6,248	6,924	7,812
Operating expenses	23,203	20,598	19,707	26,588	18,495	18,980	21,015	24,168	27,793
Investment income	13,865	15,320	17,030	19,234	22,205	25,240	28,154	30,936	34,943
PBT	13,760	17,653	17,385	18,026	20,550	24,470	27,673	30,644	34,758
Tax	3,772	4,352	3,994	4,546	5,046	6,142	6,946	7,692	8,724
PAT	9,988	13,301	13,391	13,480	15,503	18,328	20,727	22,952	26,034
Balance sheet									
Shareholders funds	59,517	71,329	83,486	95,886	108,413	121,783	137,847	155,635	175,811
Paid-up capital	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102
Reserves	58,414	70,227	82,384	94,783	107,311	120,681	136,745	154,533	174,709
Total liabilities	218,657	259,720	274,822	313,371	368,171	428,577	502,999	589,950	691,579
Other liabilities	162,236	184,476	186,600	215,307	253,435	302,294	360,151	428,815	510,268
Investments	183,046	224,774	242,280	270,017	301,680	331,150	372,712	420,509	475,475
Fixed assets	4,296	4,271	4,242	4,495	4,804	4,804	4,804	4,804	4,804
Other current assets	31,316	30,675	28,301	38,859	61,687	92,623	125,482	164,637	211,299
Total assets	218,658	259,720	274,822	313,371	368,171	428,577	502,999	589,950	691,579

Source: Company, Kotak Institutional Equities estimates

Exhibit 18: Bajaj Finserv—key growth rates and ratios, March fiscal year-ends, 2020-2027E (%)

	2020	2021	2022	2023	2024	2025	2026E	2027E
YoY growth								
Total income	28	11	13	20	34	9	18	22
Premium	23	5	22	14	(18)	15	16	17
Investment income	(83)	1,347	(78)	(115)	(1,924)	23	11	9
Expenses	34	10	13	14	36	5	18	20
PBT	2	19	14	49	27	15	26	24
PAT (post minority interest)	5	33	2	41	27	31	24	24
EPS	5	33	2	41	27	31	24	24
Loan book	26	4	30	27	35	26	26	25
Investments	12	24	5	14	13	10	11	12
Total assets	21	11	19	22	28	21	22	21
Policyholders funds	3	28	14	10	1	13	12	12
Shareholders funds	32	14	12	15	(13)	31	4	18
Key ratios								
PBT margin	15	16	16	20	19	20	22	22
Debt-equity (X)	4.0	3.6	4.0	4.6	7.2	6.8	8.4	8.8
RoA	2.6	2.8	2.7	3.3	3.4	3.1	3.2	3.3
RoE	12.2	13.3	12.0	14.8	18.7	22.8	24.5	27.3

Source: Company, Kotak Institutional Equities estimates

Exhibit 19: Bajaj Finserv—financial summary, March fiscal year-ends, 2020-2027E (%)

	2020	2021	2022	2023	2024	2025	2026E	2027E
Income statement								
Total income	543,515	605,916	684,390	820,720	1,103,830	1,204,223	1,416,812	1,722,553
Interest income	265,044	269,332	313,189	401,552	537,932	737,329	881,431	1,093,028
Bajaj Finance	229,704	233,034	272,772	355,502	549,695	696,809	856,769	1,063,372
Others	35,340	36,298	40,417	46,051	(11,763)	40,520	24,663	29,656
Insurance premium	244,986	257,598	314,298	359,133	294,457	338,573	393,500	460,273
Investment income	3,337	48,283	10,580	(1,555)	28,358	34,937	38,627	42,246
Other income	30,148	30,702	46,322	61,589	243,083	93,383	103,254	127,006
Expenses	460,505	507,291	571,680	652,621	890,161	932,838	1,099,443	1,317,436
Interest expenses	93,385	91,413	94,983	122,014	183,995	247,708	305,385	375,995
Provisions	41,204	59,789	48,899	32,310	46,336	79,660	88,158	111,489
Operating expenses	131,642	78,008	106,665	146,664	164,634	217,503	259,074	311,584
Commission expenses	22,061	26,144	34,420	42,382	69,706	36,038	43,410	53,048
Depreciation	4,568	4,985	5,627	6,778	9,001	8,827	10,148	11,668
Benefits paid	170,328	167,192	223,545	236,193	313,934	219,422	259,031	309,138
Change in reserve	(2,683)	79,761	57,542	66,280	102,555	123,680	134,237	144,514
PBT	83,017	98,623	112,706	168,111	213,750	244,959	309,845	385,032
Tax	23,081	24,950	29,571	46,016	57,797	64,694	86,207	106,910
PAT	59,936	73,674	83,135	122,095	155,954	180,265	223,638	278,122
Minority interest	26,245	28,969	37,568	57,923	74,476	73,204	90,618	112,952
PAT post minority interest	33,691	44,705	45,568	64,173	81,478	107,061	133,021	165,171
Shares (mn)	1,592	1,592	1,592	1,593	1,593	1,593	1,593	1,593
EPS (Rs)	21	28	29	40	51	67	84	104
BVPS (Rs)	197	225	253	291	255	334	348	412
Balance sheet								
Fixed assets	16,840	16,838	23,270	30,078	33,943	37,528	41,861	46,820
Loan book	1,417,428	1,470,999	1,918,531	2,427,496	3,281,489	4,139,614	5,221,839	6,533,800
Total assets	2,513,842	2,801,643	3,337,190	4,055,092	5,176,561	6,280,209	7,641,752	9,265,939
Borrowings	1,266,064	1,279,130	1,605,144	2,114,413	2,933,458	3,612,488	4,641,164	5,803,130
Policyholders funds	587,730	752,301	855,935	941,017	953,713	1,077,393	1,211,630	1,356,144
Total liabilities	2,005,228	2,218,703	2,673,990	3,279,111	4,349,023	5,227,656	6,484,551	7,902,405
Shareholders funds	313,013	358,300	402,468	464,073	405,898	531,726	554,818	656,302
Equity capital	1,592	1,592	1,592	1,593	1,593	1,593	1,593	1,593
Reserves	311,421	356,708	400,876	462,481	404,305	530,134	553,226	654,710
Minority interest	195,602	224,640	260,731	311,907	421,641	520,826	602,382	707,232

Source: Company, Kotak Institutional Equities estimates

Adani Ports and SEZ (ADSEZ)

Transportation

BUY

CMP(₹): 1,217

Fair Value(₹): 1,610

 Sector View: **Attractive**

NIFTY-50: 24,334

May 02, 2025

4Q beat, strong guidance, enhanced disclosures key positives

APSEZ reported a 4-7% beat in headline metrics, driven by both port and non-port operations. FY2025 PBT grew 23% yoy or 3X/8X APSEZ's/market's volume growth. APSEZ has guided for low-to-mid double-digit EBITDA growth and capex at broadly half of the EBITDA. More than the quantum, the extent of disclosures for current and next-year businesses was a positive surprise. We marginally increase estimates and FV to Rs1,610 (32% upside). APSEZ trades closer to the average pre-pandemic multiples at 13X one-year forward EV/EBITDA and remains a key top pick in the transportation space.

Strong beat; FY2025 PBT grows at 3X/8X APSEZ's/market's volume growth

APSEZ reported a strong 23%/24%/27% yoy growth in revenues/EBITDA/PBT, a 4-7% beat. The beat was driven by both port operations (restated and thus, a 3% beat) and a strong uptick in the marine/logistics businesses. The logistics business revenues almost doubled yoy. Full-year performance brings out the add-on growth in PBT versus volume growth—we compared PBT growth of 23% with 7.0%/3.5 volume growth for APSEZ/country. The divergence was driven by a combination of a strong pricing increase (4.5%), the impact of strong growth and the marine (partly inorganic) and logistics businesses. The net debt-to-EBITDA has declined to 1.9X levels.

Container bounces back to 42% share of volumes, drives all of FY2025 growth

The 7% yoy growth in FY2025 for APSEZ was driven fully by the container segment, which grew 20% yoy. The domestic container segment grew at 16% or 2.5X market growth and transshipment volumes grew ~70% versus >50% market growth. The container share of APSEZ's volumes increased to 42% from 37% yoy, higher than 41% in the pre-pandemic era. Most of its terminals now have a container terminal and the same would be a key area of investment for APSEZ. The Vizhinjam port exceeded 100,000 TEUs per month in March 2025, substantially exceeding (in its fourth month) the volumes of GPPV.

Guidance supportive on quantum and extent of disclosures

EBITDA growth guidance is in the range of 11-16% versus its 12-15% volume growth guidance. Note that the same potentially assumes some downward pressure on EBITDA/ton due to mix effects—higher overseas and transshipment business. The capex guidance of Rs110-120 bn is 0.5X EBITDA guidance, suggestive of healthy cash flow generation. The above guidance does not account for the Abbot Point transaction. More than the quantum, the disclosures around the guidance were a positive surprise (see Exhibit 6).

We marginally increase estimates and FV to Rs1,610; APSEZ is our top pick

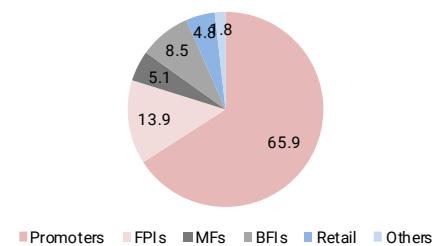
We increase our EBITDA estimates by 1-2% and marginally increase the FV to Rs1,610 from Rs1,600. Our DCF-based FV implies a one-year forward EV/EBITDA of 15X versus the pre-pandemic trading range of 10-16X. The same builds in the prospects of the non-ports business continuing to add to EBITDA growth. Retain BUY.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	1,217/1,610/BUY
52-week range (Rs) (high-low)	1,621-994
Mcap (bn) (Rs/US\$)	2,628/31.1
ADTV-3M (mn) (Rs/US\$)	3,581/42.3

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	3	11	(8)
Rel. to Nifty	(1)	7	(16)
Rel. to MSCI India	(1)	8	(14)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	52.5	62.8	70.6
EPS growth (%)	26.1	19.6	12.3
P/E (X)	23.2	19.4	17.2
P/B (X)	4.2	3.6	3.0
EV/EBITDA (X)	15.9	13.7	11.5
RoE (%)	19.7	19.9	18.9
Div. yield (%)	0.7	0.7	0.8
Sales (Rs bn)	311	360	416
EBITDA (Rs bn)	190	219	253
Net profits (Rs bn)	113	136	152

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Aditya Mongia

Deepak Krishnan

Sai Siddhardha P

Naman Jain

ADSEZ has reported a 23%/24%/27% revenue/EBITDA/PBT beyond our estimates by 4-7%, driven by both port and non-port operations
Exhibit 1: Adani Port and SEZ (consolidated), March fiscal year-ends, 4QFY25 (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	% change			FY2025	FY2024	% change	FY2026E	FY2025	% change
					vs est.	yoy	qoq						
Net operating income	84,884	81,517	68,965	79,636	4.1	23	(1.0)	310,786	267,106	16.4	360,350	310,786	15.9
Operating expenses	(23,079)		(17,965)	(21,325)				(80,698)	(71,163)		—	(80,698)	
Employee costs	(5,302)		(4,385)	(5,032)				(20,087)	(18,969)		—	(20,087)	
Admin and other exp.	(6,445)		(6,177)	(5,258)				(19,756)	(18,339)		—	(19,756)	
Total expenditure	(34,825)	(33,139)	(28,527)	(31,615)	5.1	22	10	(120,540)	(108,471)	11.1	(141,378)	(120,540)	17.3
EBITDA	50,060	48,378	40,439	48,021	3.5	24	(8.3)	190,246	158,634	20	218,972	190,246	15.1
Other income	2,812	2,814	3,034	2,236	(0)	(7)	26	13,047	14,994		12,225	13,047	
Interest expense	(6,754)	(8,062)	(6,766)	(7,587)	(16.2)	(0.2)	(11.0)	(27,780)	(27,844)		(25,715)	(27,780)	
Depreciation	(11,847)	(11,157)	(9,791)	(11,058)	6.2	21.0	7.1	(43,789)	(38,885)		(47,605)	(43,789)	
PBT	34,271	31,972	26,916	31,612	7.2	27.3	(10.7)	131,724	106,900	23	157,877	131,724	19.9
Tax expense	(5,088)	(5,042)	(3,262)	(5,015)	1	56.0	(23)	(19,684)	(15,346)		(22,224)	(19,684)	
PAT	29,182	26,931	23,654	26,597	8.4	23.4	(8.4)	112,040	91,554	22	135,653	112,040	21.1
Extraordinary items	(640)		(3,159)	(1,925)				(2,841)	(8,902)		—	(2,841)	
Share of associates & minority interest	1,600	(597)	(98)	532				1,726	(1,457)		(398)	1,726	
Reported PAT	30,142	26,333	20,397	25,205	14.5	47.8	0	110,925	81,195	37	135,255	110,925	22
Reported port volume (mn tonnes)	118	118	109	113	(0.07)	8.4	4.3	451	420	7.3	509	451	12.9
Reported domestic port revenue	60,620	60,710	53,150	59,940	(0.1)	14.1	1.1	227,400	203,430	11.8	257,568	227,400	13
Reported domestic port EBITDA	43,540	43,802	37,180	43,560	(0.6)	17.1	(0.0)	165,030	145,470	13.4	189,532	165,030	14.8
Port EBITDA margin (%)	71.8	72.1	70.0	72.7	-32 bps	187 bps	-85 bps	72.6	71.5	106 bps	73.6	72.6	101 bps

Key ratios (%)													
Gross margin	72.8		74.0	73.2	-114 bps	-249 bps		73.4				74.0	
Operating exp./ sales	27.2		26.0	26.8	114 bps	249 bps		26.6				26.0	
Employee costs/ sales	6.2		6.4	6.3	-11 bps	40 bps		7.1				6.5	
Admin and other exp./ sales	7.6		9.0	6.6	-136 bps	157 bps		6.9				6.4	
EBITDA margin	59.0	59.3	58.6	60.3	-37 bps	34 bps	-446 bps	61.2	59.4	182 bps	60.8	61.2	
PBT margin	40.4	39.2	39.0	39.7	115 bps	134 bps	-388 bps	42.4	40.0	236.3	43.8	42.4	
PAT margin	34.4	33.0	34.3	33.4	134 bps	8 bps	-251 bps	36.1	34.3	177.4	37.6	36.1	
Effective tax rate	14.8	15.8	12.1	15.9	-92 bps	273 bps	-212 bps	14.9	14.4	58.8	14.1	14.9	
EPS (Rs)	13.5	12.2	11.1	12.3	10.5	21.7	(8.3)	52.0	42.5	23	62.6	52.0	

Notes:

(a) Domestic port revenues and EBITDA have been revised for taking out Ocean Sparkle and reclassifying the same to Marine segment. Revenue contribution of the entity reclassified is ~Rs1.7 bn for 4Q

Source: Company, Kotak Institutional Equities estimates

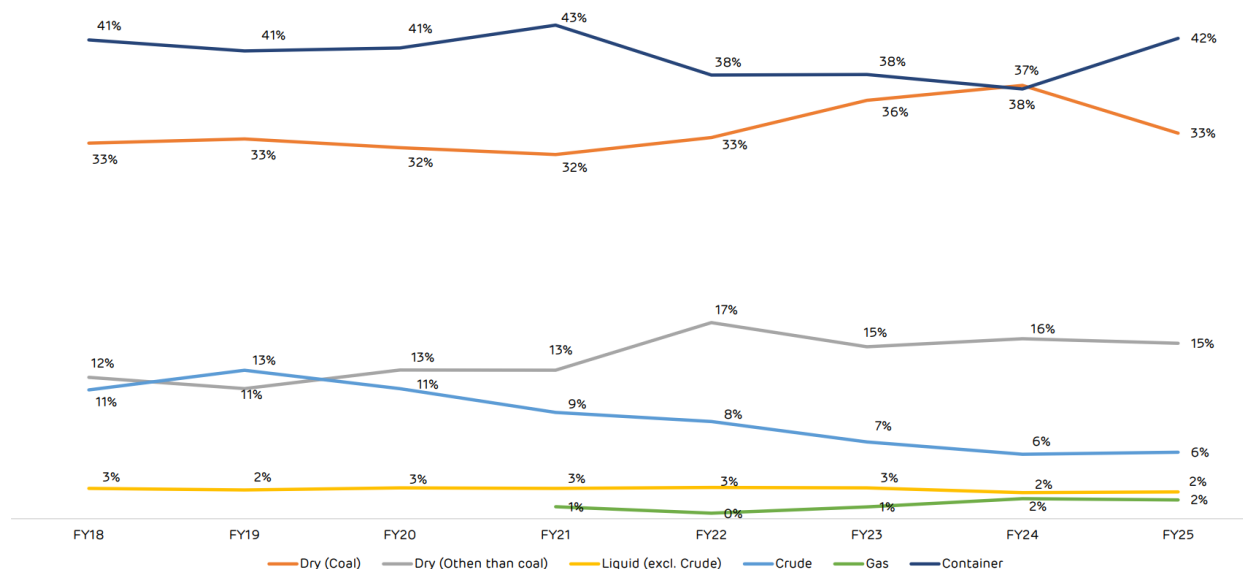
4QFY25 has seen a 3.6%/5.5% yoy growth in consolidated/domestic volumes
Exhibit 2: Quarterly trajectory of volumes of Adani's port assets, March fiscal year-ends, 3QFY22-4QFY25 (mn tons)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)
Mundra	37.1	37.4	42.5	38.5	36.0	38.0	41.5	44.5	47.8	45.9	51.1	50.0	48.8	50.7	2
Dahej	1.9	2.0	3.2	3.7	2.0	2.0	2.5	3.0	2.8	2.8	2.7	2.5	2.5	2.5	(11)
Hazira	6.1	5.9	6.7	6.2	6.0	6.0	6.7	7.3	6.2	6.1	6.8	6.9	7.1	6.5	15
Dhamra port	8.2	8.3	8.7	8.4	7.0	7.0	9.8	9.9	11.3	11.7	11.9	11.5	11.4	11.3	1
Krishnapatnam	8.6	9.4	12.4	12.6	10.0	13.0	16.2	13.2	14.2	15.6	15.4	14.1	12.6	13.0	(11)
Gangavaram	6.0	8.0	9.1	8.2	6.0	9.0	9.4	8.7	9.4	9.4	4.7	6.8	7.3	8.0	(22)
Haifa/International						2.6	2.6	3.1	2.8	2.8	1.6	6.0	6.0	6.0	114
Others	6.1	6.9	8.4	8.9	8.4	8.5	12.7	11.5	14.1	14.6	14.8	11.2	16.8	20.0	19
Total	74.0	78.0	91.0	86.5	75.4	86.1	101.4	101.2	108.6	108.9	109.0	109.0	112.5	118.0	3.6
YoY (%)	(3)	7	20	27	2	10	11	17	44	26	7	8	4	8	3.6

Source: Company, Kotak Institutional Equities

Container cargo mix improves to higher share of 42%, dry cargo mix is declining sequentially due to weak cargo growth at domestic ports

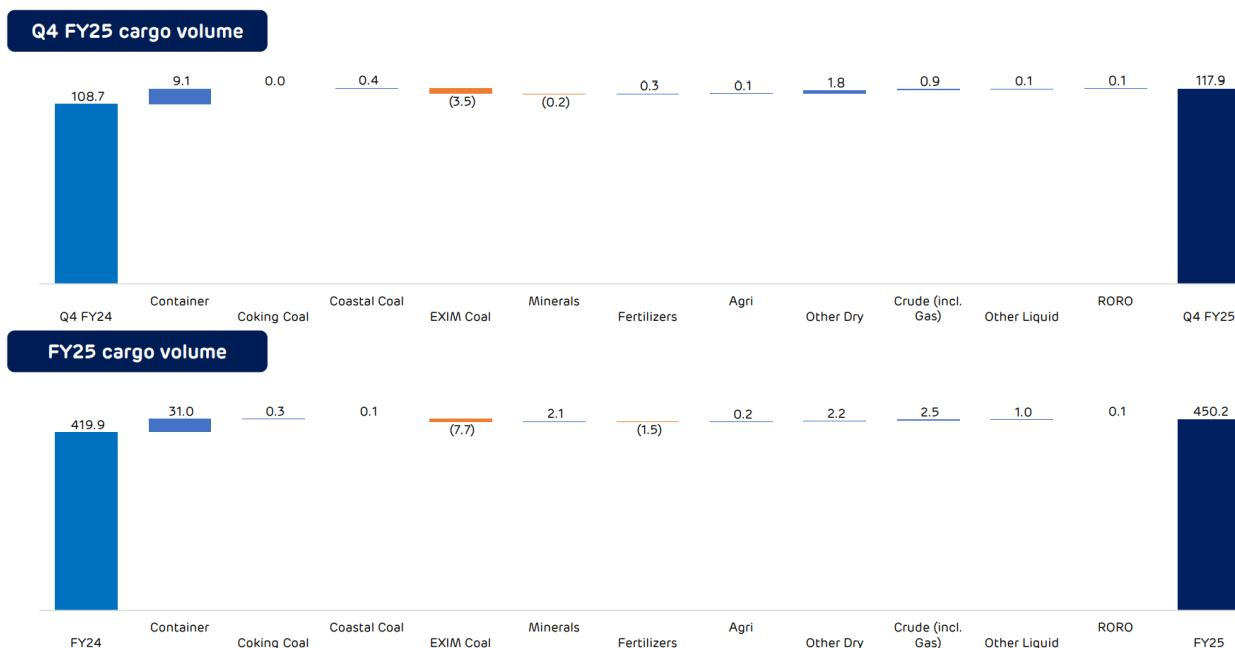
Exhibit 3: Evolution of cargo handling composition for Adani Ports, March fiscal year-ends, 2016-2025 (%)



Source: Company, Kotak Institutional Equities

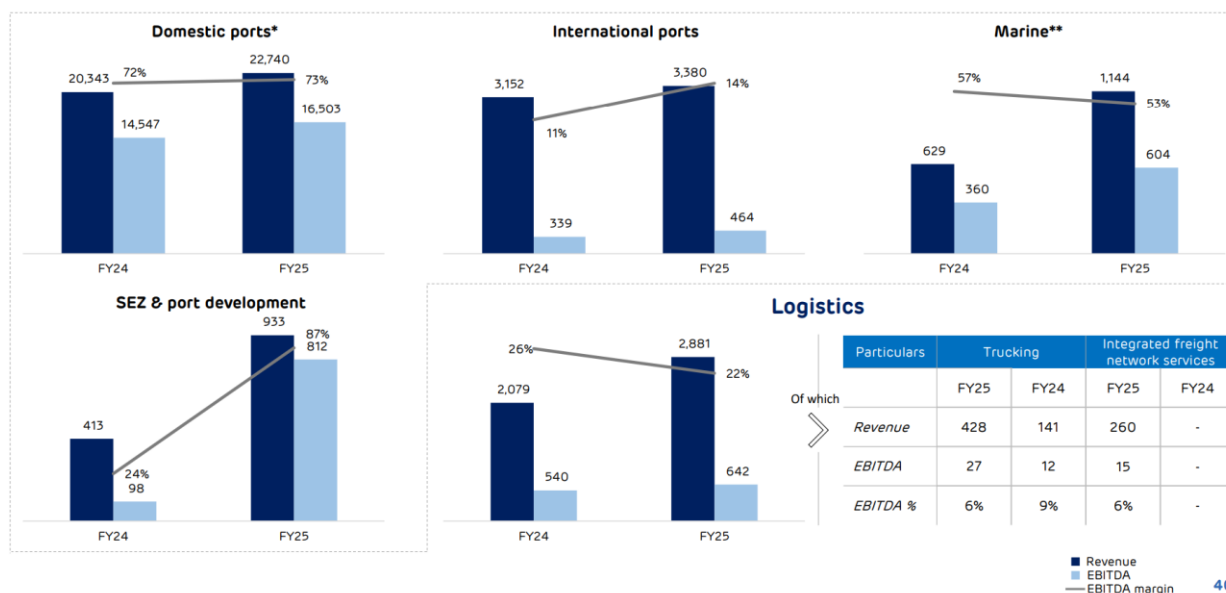
Container cargo taking lion's share in incremental volumes, in otherwise weak 4% yoy ports volume growth

Exhibit 4: Commodity-wise incremental cargo volume of APSEZ, March fiscal year-ends, FY2025 (MMT)

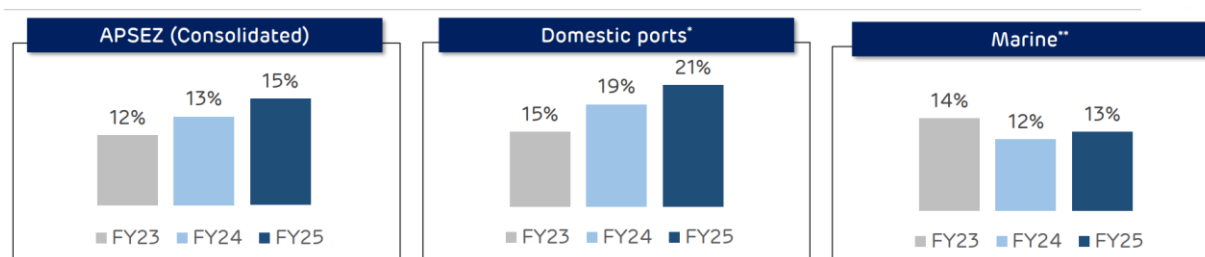


Source: Company, Kotak Institutional Equities

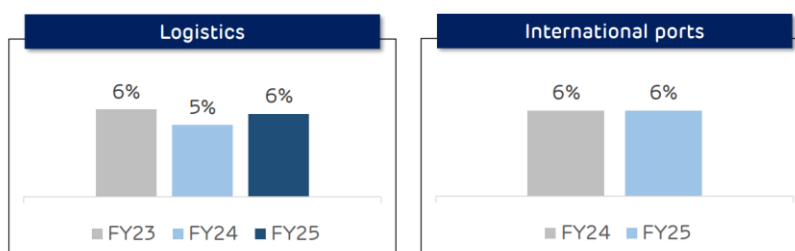
Exhibit 5: Revenue & EBITDA, RoCE of domestic ports, international ports, Marine business of ADSEZ (consol.), March fiscal year-ends, FY2024-25 (Rs bn)



*Domestic ports revenue and EBITDA excludes Ocean Sparkle Ltd. (now reported under marine). ** Includes third-party marine services (Ocean Sparkle Ltd., Astro Offshore and TAHID)



The following gestating businesses are expected to achieve threshold ROCE in 3-4 years



*14 ports & terminals - Mundra, Hazira, Dahej, Tuna, Dhamra, Kattupalli, Dighi, Murmugao, Ennore, Krishnapatnam, Karaikal, Gangavaram, Vizhinjam, Gopalpur, - aggregate of these operating company financials

** Exceptional items has suppressed ROCE for FY24 and FY25

Source: Company, Kotak Institutional Equities

Exhibit 6: ADSEZ consolidated guidance, March fiscal year-ends, FY2026

FY26 guidance



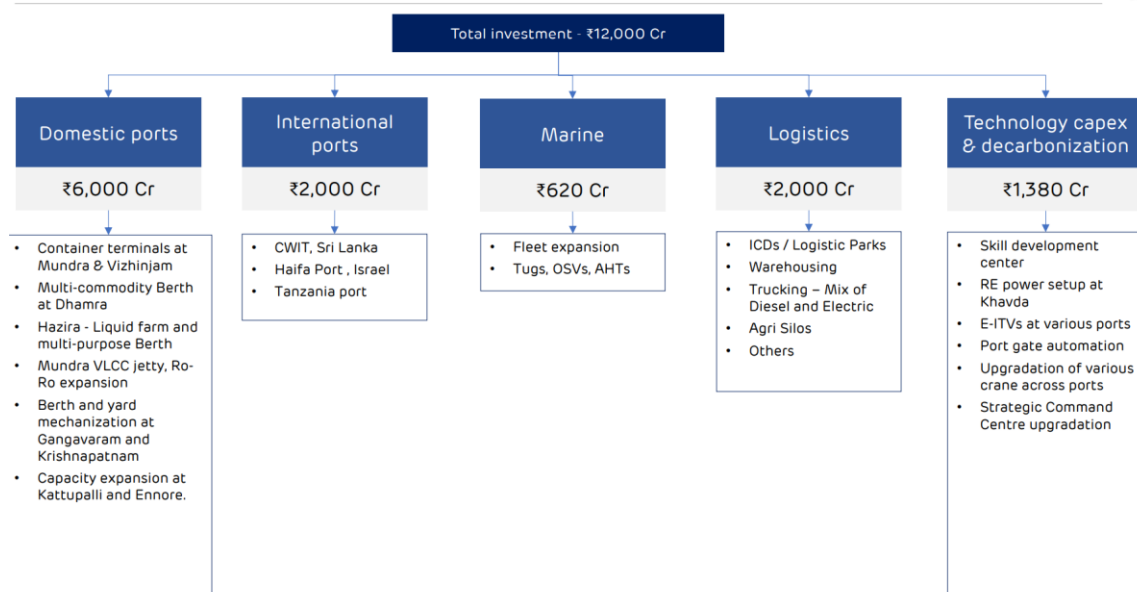
Revenue	₹36,000-38,000 Cr
EBITDA	₹21,000-22,000 Cr
Capex	₹11,000-12,000 Cr
Net debt to EBITDA	Policy up to 2.5x

- Port cargo volume: 505-515 MMT
- Trucking revenue will grow 3x-4x (FY25 – ₹428 Cr)
- Marine revenue will grow 2x (FY25 – ₹1,144 Cr)

Guidance excludes NQXT

51

FY26 capex guidance



53

Source: Company, Kotak Institutional Equities

Exhibit 7: ADSEZ capex themes

Capex themes



Domestic ports	- Construction of new terminals in existing ports (APSEZ anticipates bulk of its domestic growth from organic expansion in current ports) - Choice of commodity terminals will be driven by customer requirements and upcoming industrial projects in the region (greater orientation towards container ports vs. dry ports) - Capex aimed at enhancing the operating efficiency across ports - Investments to enhance port connectivity and evacuation infrastructure that will further enhance port volumes and efficiency
International ports	- Operational efficiency across all ports - Expand capacity in Colombo and Tanzania ports
Logistics	- Services platform - Investments in new trucks to enhance last-mile connectivity - Expand asset footprint – agri-silos, trains, MMLPs and warehouses
Marine	Fleet additions across OSL, Astro, TAHID
Technology capex & decarbonization initiatives	- Ongoing investments in digital layer that will cut across APSEZ's end-to-end value proposition (focusing on customer interface, remote asset and performance monitoring, middleware connecting various software and applications) - Skill development centers (e.g. simulation centers) - Carbon neutrality measures – use of renewable energy across ports and other carbon-neutral initiatives (EITVs inside ports) - Technology upgradation across existing equipments and processes

52

Source: Company, Kotak Institutional Equities

Exhibit 8: APSEZ new reporting lines

APSEZ new reporting lines



- Previously, international operations included international ports and international marine services. Going forward, APSEZ will report international ports revenue and EBITDA separately
- Consolidated marine services revenue and EBITDA will be reported separately
- APSEZ has recently started to report trucking revenue and EBITDA. Going forward, APSEZ will also report international freight network revenue and EBITDA

■ Current reporting
■ Additional new reporting

APSEZ has significantly expanded its marine business during the year. APSEZ has also expanded trucking operations and commenced international freight network services in FY25 (slides on marine, trucking and international freight network services to follow)

44

Source: Kotak Institutional Equities, Company

We increase estimates by 3-4%, driven by operations beyond ports

Exhibit 9: Estimates for Adani Ports and SEZ, March fiscal year-ends, 2020-27E (Rs bn)

	2020	2021	2022	2023	2024	2025	New estimates			Previous estimates		% revision		2025-28
							2026E	2027E	2028E	2026E	2027E	2026E	2027E	CAGR (%)
Volumes (mn tons)														
Mundra volume	142	149	154	157	181	201	218	233	246	218	235	(0)	(1)	7
Dahej port	6	6	8	11	11	11	11	12	13	11	12	-	-	
Hazira port	22	22	25	25	26	27	29	31	34	29	31	-	-	
Mormugao port	5	4	3	1	1	1	1	1	1	1	1	-	-	
Vizag port	2	2	2	2	2	2	2	2	2	3	3	(27)	(27)	
Kandla port	6	6	4	8	10	11	13	15	16	13	15	-	-	
Dhamra port	30	32	34	31	43	49	55	60	66	55	60	-	-	
Ennore + Kattupalli	13	11	12	20	22	24	26	27	31	31	35	(18)	(22)	
Krishnapatnam	—	19	40	48	59	59	65	72	79	68	75	(4)	(4)	
Gangavaram			30	33	37	27	35	41	47	35	41	-	-	
Haifa Ports				3	12	19	21	22	22	21	22	0	0	
Existing assets	225	250	312	339	405	432	476	517	559	486	530	(2)	(3)	9
Vizhinjam	—	—	—	—	—	7	16	24	31	5	9	198	155	
Dighi			1	1	1	2	4	6	9	4	6	-	-	
Other new assets			3	4	6	9	12	18	32	19	30	(36)	(40)	
Consolidated volumes	225	250	316	345	414	451	509	564	631	515	576	(1)	(2)	12
Consolidated financials														
Revenues	118,731	125,496	159,340	208,519	267,106	310,786	360,350	415,733	475,358	353,529	396,667	2	5	15
Port revenues	96,140	107,390	138,540	179,440	203,430	227,400	257,568	288,936	325,559	270,033	305,193	(5)	(5)	13
EBITDA	75,654	79,835	97,510	128,335	158,639	190,246	218,972	253,108	288,684	217,592	249,080	1	2	15
Port EBITDA	65,930	75,600	97,180	120,420	145,470	165,030	189,532	213,520	241,475	198,531	226,190	(5)	(6)	14
EBITDA margin (%)	63.7	63.6	61.2	61.5	59.4	61.2	60.8	60.9	60.7	61.5	62.8			
Port EBITDA margin (%)	68.6	70.4	70.1	67.1	71.5	72.6	73.6	73.9	74.2	73.5	74.1	6 bps	-22 bps	
PBT	59,333	55,910	66,099	83,701	106,905	131,722	157,877	187,266	217,211	157,455	186,541	0	0	18
Recurring PAT	54,693	42,790	57,741	82,389	90,009	113,764	136,289	153,238	176,961	132,391	147,989	3	4	16
Recurring EPS (Rs)	25	20	27	38	42	53	63	71	82	61	69	3	4	16

Source: Company, Kotak Institutional Equities estimates

We increase our FV to Rs1,610

Exhibit 10: One-year forward SoTP-based valuation of Adani Ports & SEZ

Entity	EV (Rs mn)	Net debt	Implied equity value	Stake (%)	Equity Value of stake	Value/share	Method
Mundra Port (excl. SEZ)	758,994	(409,446)	1,168,440	100%	1,168,440	541	FCFF
SEZ	56,639	—	56,639	100%	56,639	26	FCFF
CT3 (incl. CT-3 extension)	262,665	27,814	234,852	50%	117,426	54	FCFF
CT5	129,095	73,913	55,182	100%	55,182	26	FCFF
Dahej	75,861	(15,333)	91,194	74%	67,483	31	FCFF
Dhamra	343,746	(3,235)	346,981	100%	346,981	161	FCFF
Hazira	283,017	(31,121)	314,138	100%	314,138	145	FCFF
Vizhinjam			31,480	100%	31,480	15	1X equity
Kandla	19,030	18,839	3,701	100%	3,701	2	1X equity
Murmugao	(3,229)	19,126	1,159	100%	1,159	1	1X equity
Vizag			1,013	100%	1,013	0	1X equity
Ennore	20,894	3,865	17,029	51%	8,685	4	FCFF
Kattupalli	69,246	(1,806)	71,051	97%	68,920	32	FCFF
Krishnapatnam	452,436	(3,726)	456,162	100%	456,162	211	FCFF
Dighi	15,569	(5,461)	21,030	100%	21,030	10	FCFF
Gangavaram	282,122	(2,383)	284,506	100%	284,506	132	FCFF
Sarguja Rail	81,643	(8,554)	90,197	100%	90,197	42	14X EV/EBITDA
West container terminal (Sri Lanka)			56,849	51%	28,993	13	2X investment value
Adani Logistics	96,410	36,765	59,645	100%	59,645	28	15X EV/EBITDA
Ocean Sparkle			116,444	100%	116,444	54	FCFF
Haifa port acquisition			46,829	70%	32,780	15	FCFF
Others potential acquisition			69,522	100%	69,522	32	FCFF
Adani Harbour (marine revenues)	397,108	(169,682)	566,790	100%	566,790	262	14X EV/EBITDA
Investments not valued explicitly			23,129	100%	23,129	11	1X equity
Savings from investment in solar plant			56,000	100%	56,000	26	14X EV/EBITDA
Less : standalone debt+L&A		589,749	(589,749)	100%	(589,749)	(273)	
Total					3,456,696	1,610	

Source: Company, Kotak Institutional Equities estimates

Exhibit 11: Consolidated financials of Adani Ports & SEZ, March fiscal year-ends, 2016-27E (Rs mn)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Income statement												
Net sales	71,087	84,394	113,230	109,254	118,731	125,496	159,340	208,519	267,106	310,786	360,350	415,733
Total operating costs	(24,843)	(30,247)	(42,608)	(43,339)	(43,077)	(45,661)	(61,830)	(80,185)	(108,466)	(120,540)	(141,378)	(162,625)
EBITDA	46,243	54,147	70,621	65,916	75,654	79,835	97,510	128,335	158,639	190,246	218,972	253,108
Other income	7,327	10,401	10,109	13,623	18,614	19,702	21,548	15,535	14,994	13,045	12,225	12,103
Depreciation	(10,630)	(11,602)	(11,884)	(13,735)	(16,803)	(21,074)	(27,396)	(34,232)	(38,885)	(43,789)	(47,605)	(52,959)
Financial charges	(11,746)	(11,157)	(14,954)	(13,852)	(18,131)	(22,553)	(25,563)	(25,936)	(27,844)	(27,780)	(25,715)	(24,987)
Pre-tax profit	31,194	41,789	53,893	51,952	59,333	55,910	66,099	83,701	106,905	131,722	157,877	187,266
Taxation	(2,828)	(2,866)	(15,442)	(10,815)	(4,597)	(12,433)	(9,617)	(964)	(15,346)	(19,684)	(21,190)	(33,826)
Adjusted PAT (before exceptional items)	28,366	38,922	38,451	41,138	54,737	43,477	56,481	82,737	91,559	112,038	136,687	153,440
Extraordinary items	-	-	(1,552)	(690)	(16,850)	7,152	(10,453)	(29,287)	(8,902)	(2,841)	-	-
Minority interest	413	100	(163)	(545)	-	(544)	1,260	(826)	67	311	(398)	(202)
Share of profit from associates	193	93	-	(1)	(44)	(143)	-	478	(1,617)	1,416	-	-
Reported PAT post-minority interest	28,972	39,115	36,736	39,902	37,842	49,943	47,289	53,102	81,106	110,923	136,289	153,238
Adjusted EPS (Rs)	13.4	18.1	17.7	18.8	25.3	19.8	26.7	38.1	41.7	52.7	63.1	70.9
Balance sheet												
Shareholders funds	135,055	175,260	210,688	245,382	256,235	306,283	382,500	455,836	529,448	624,354	741,267	873,140
Share capital	4,142	4,142	4,142	4,142	4,064	4,064	4,225	4,320	4,320	4,320	4,320	4,320
Reserves and surplus	130,913	171,118	206,546	241,240	252,171	302,219	378,275	451,516	525,127	620,034	736,947	868,820
Loan funds	189,535	214,860	214,322	271,879	294,627	351,809	454,531	498,193	462,792	458,100	436,378	431,047
Deferred tax liability (net)	(12,015)	(17,759)	(11,681)	(8,124)	(9,227)	3,214	12,130	9,865	22,512	27,637	27,637	27,637
Total sources of funds	313,814	373,754	414,824	511,237	543,832	675,991	853,088	977,279	1,030,734	1,135,471	1,234,074	1,360,818
Total fixed assets	236,427	264,023	306,832	338,051	377,954	518,341	607,968	771,788	791,770	942,288	1,002,867	1,040,500
Investments	5,452	26,114	10,789	7,793	3,520	22,362	59,611	161,807	152,250	159,583	159,583	159,583
Cash and bank balance	12,782	19,768	29,677	59,673	73,139	47,008	104,921	42,488	76,319	66,060	58,324	145,649
Net current assets excl cash	59,153	63,850	67,527	105,720	89,219	85,878	64,656	(3,002)	9,004	(33,853)	11,908	13,694
Total application of funds	313,814	373,754	414,824	511,237	543,831	675,991	853,088	977,279	1,030,734	1,135,471	1,234,074	1,360,818
Cash flows												
Operating profit before working capital changes	45,312	60,122	73,144	71,042	72,605	80,202	99,751	136,218	162,991	190,618	218,972	253,108
Changes in working capital	(14,092)	(12,870)	(7,071)	317	9,909	4,084	6,735	(8,546)	(96)	(3,705)	(45,761)	(1,786)
Cash flow from operations	23,805	40,019	56,081	60,294	74,174	75,558	98,002	119,333	150,176	172,263	152,022	217,496
Capex	(21,102)	(36,871)	(26,978)	(28,867)	(35,584)	(19,497)	(35,815)	(89,210)	(74,163)	(79,982)	(108,184)	(90,592)
Free cash flows	2,703	3,148	29,104	31,427	38,590	56,061	62,187	30,123	76,013	92,281	43,838	126,904
Growth (%)												
Revenue growth	15.6	18.7	34.2	(3.5)	8.7	5.7	27.0	30.9	28.1	16.4	15.9	15.4
EBITDA growth	18.5	17.1	30.4	(6.7)	14.8	5.5	22.1	31.6	23.6	19.9	15.1	15.6
Recurring PAT growth	130.7	37.2	(1.2)	7.0	33.1	(20.6)	29.9	46.5	10.7	22.4	22.0	12.3
Key ratios												
EBITDA margin (%)	65.1	64.2	62.4	60.3	63.7	63.6	61.2	61.5	59.4	61.2	60.8	60.9
Recurring PAT margin (%)	39.9	46.1	34.0	37.7	46.1	34.6	35.4	39.7	34.3	36.0	37.9	36.9
Effective tax rate (%)	9.1	6.9	28.7	20.8	7.7	22.2	14.5	1.2	14.4	14.9	13.4	18.1
Net debt to equity (X)	1.3	1.1	0.9	0.9	0.9	1.0	0.9	1.0	0.7	0.6	0.5	0.3
Net debt to EBITDA (X)	3.8	3.6	2.6	3.2	2.9	3.8	3.6	3.6	2.4	2.1	1.7	1.1
BVPS (Rs)	65	85	102	118	126	151	181	211	245	289	343	404
RoE (%)	23.9	25.2	19.8	17.8	21.8	15.2	16.8	19.7	18.3	19.7	20.0	19.0
RoCE (%)	12.7	14.3	12.5	11.3	13.5	10.0	10.2	11.8	11.5	12.5	13.4	13.4

Source: Company, Kotak Institutional Equities estimates

Eternal (ETERNAL)

Internet Software & Services

BUY

CMP(₹): 233

Fair Value(₹): 280

Sector View: **Attractive**

NIFTY-50: 24,334

May 02, 2025

4QFY25: Rapid scale-up of Blinkit continues

Zomato's food delivery GOV growth came in at 16% yoy and was in line with estimates. Food delivery CM of 8.6% (versus 8.5% in 3QFY25) was in line with expectations. Blinkit's GOV grew a solid 134%/8.5% yoy/qoq, higher than estimates with lower losses than expected. Near-term losses notwithstanding, Blinkit remains best positioned to capitalize on rising quick commerce penetration. We upgrade Blinkit's revenue estimates to align with higher throughput and roll forward to June 2026E with a revised SoTP-based FV of Rs280 (Rs270 earlier). Retain BUY.

Food delivery GOV growth of 16% yoy, driven by MTUs, frequencies and AOV

Zomato's food delivery GOV growth came in at 16% yoy, broadly in line with our expectations. This was driven by MTU growth of 10.0% yoy, the remainder being led by higher frequencies and AOV. The restaurant take rate in the food delivery business was marginally up qoq (we compute the restaurant take rate at ~21.0% in 4Q versus ~20.9%) and the customer delivery take rate of 3.6% in 4Q was up by 10 bps qoq. CM, as a percentage of revenue, expanded by 10 bps qoq to 8.6%, in line with our expectations.

Blinkit: Revenue growth continues unabated

Q-commerce (QC) GOV grew a solid 8.5% qoq, driven by a 29% qoq in orders and a 5.9% qoq decrease in AOV. The take rate of 18.1% expanded by 20 bps sequentially. Dark store footprint of the business increased rapidly to 1,301 stores from 1,007 stores in 3Q, with Blinkit adding 294 new stores in the quarter. CM (% of GOV) expanded to 3.1% in 4QFY25 from 3.0% in 3QFY25, with EBITDA loss widening to Rs1.8 bn. Faster store additions and new customer acquisition are the key reasons for this loss.

Blinkit: On track to expand to 2,000 dark stores by Dec 2025

Zomato added 294 stores in 4QFY25 and is on track to achieve its target of 2,000 store count by December 2025. A higher proportion of the new stores are now being added outside of the top 8 cities. We expect Blinkit to add stores at a slightly elevated run-rate for the rest of CY2025. We believe this will result in a faster scale-up of revenues but lower near-term profitability. The company has also cautioned on rising competitive intensity in the quick commerce business. According to the company, the margin expansion in quick commerce could have been higher if not for the heightened competitive intensity.

Blinkit's profitability may remain subdued in the near term

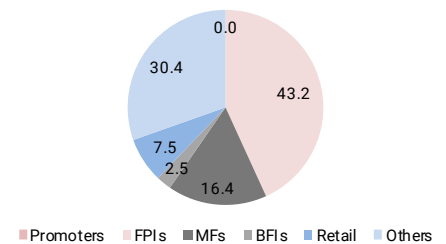
While Blinkit continues to ramp up ahead of expectations, we believe FY2026 may be a year of depressed profitability for the business due to steep store additions and high competitive intensity. We expect some price discipline to come in by FY2027, though visibility on the same remains low. While a good long-term bet, the stock may trade range-bound, given the unpredictability of the QC business profitability. Changes in estimates and roll-forward to June 2026 give a revised SoTP-based FV of Rs280 (Rs270 earlier). Retain BUY.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	233/280/BUY
52-week range (Rs) (high-low)	305-146
Mcap (bn) (Rs/US\$)	2,244/26.5
ADTV-3M (mn) (Rs/US\$)	13,508/159.6

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	15	6	20
Rel. to Nifty	12	2	13
Rel. to MSCI India	12	3	15

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	0.6	1.4	2.8
EPS growth (%)	51.2	148.0	92.1
P/E (X)	401.0	161.7	84.2
P/B (X)	7.0	6.6	6.2
EV/EBITDA (X)	317.2	134.9	61.1
RoE (%)	2.1	4.2	7.7
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	202	316	454
EBITDA (Rs bn)	6.4	15	32
Net profits (Rs bn)	5.3	13	26

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

Related Research

- [Eternal: Board approves foreign shareholding](#)
- [Eternal: 4QFY25E: Blinkit under margin](#)
- [Eternal: Analyzing competitive scenarios for](#)

[Full sector coverage on KINSITE](#)

Garima Mishra

Ishani Swain

4QFY25 food delivery GOV growth of 16% yoy and Blinkit GOV growth of 134% yoy

Exhibit 1: Consolidated quarterly financials of Zomato, March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			FY2025	FY2024	Yoy growth (%)	FY2026E	Yoy growth (%)
					KIE	yoy	qoq					
Revenue from operations	58,330	56,766	35,620	54,050	2.8	63.8	7.9	202,430	121,140	67.1	316,337	56.3
Purchase of stock in trade	(16,320)	(15,931)	(8,640)	(15,000)	2.4	88.9	8.8	(55,650)	(28,820)	93.1	(88,128)	58.4
Employee cost excl. ESOP	(5,330)	(4,885)	(3,200)	(4,720)	9.1	66.6	12.9	(17,600)	(11,440)	53.8	(26,638)	51.4
ESOP charge	(2,170)	(2,100)	(1,610)	(2,170)	3.3	34.8	-	(7,980)	(5,150)	55.0	(7,342)	(8.0)
Advertising expenses	(6,340)	(5,575)	(3,890)	(5,210)	13.7	63.0	21.7	(19,720)	(14,320)	37.7	(18,500)	(6.2)
Delivery charges	(15,520)	(15,550)	(11,180)	(14,500)	(0.2)	38.8	7.0					
Other expenses	(11,930)	(12,238)	(6,240)	(10,830)	(2.5)	91.2	10.2	(95,110)	(60,990)	55.9	(160,931)	69.2
Total expenses	(57,610)	(56,279)	(34,760)	(52,430)	2.4	65.7	9.9	(196,060)	(120,720)	62.4	(301,539)	53.8
EBITDA	720	487	860	1,620	47.7	(16.3)	(55.6)	6,370	420		14,798	
EBITDA margin (%)	1.2	0.9	2.4	3.0	38 bps	-119 bps	-177 bps	3.1	0.3	280 bps	4.7	153 bps
Adjusted EBITDA	2,890	2,587	2,470	3,790	11.7		(23.7)	14,350	5,570		22,140	
Finance costs	(560)	(450)	(200)	(430)	24.4	180.0	30.2	(1,540)	(720)	113.9	(1,559)	1.2
Depreciation and amortization expense	(2,870)	(2,841)	(1,400)	(2,470)	1.0	105.0	16.2	(8,630)	(5,260)	64.1	(11,754)	36.2
Other income	3,680	3,200	2,350	2,520	15.0	56.6	46.0	10,770	8,470	27.2	14,136	31.3
PBT	970	397	1,610	1,240	144.4		(21.8)	6,970	2,910	139.5	15,622	124.1
Tax expense	(580)	(100)	140	(650)				(1,700)	600		(2,343)	
PAT	390	297	1,750	590	31.3	(77.7)	(33.9)	5,270	3,510	50.1	13,278	152.0
Exceptional item	-	-	-	-				-	-		-	
Reported net profit (loss)	390	297	1,750	590	31.3	(77.7)	(33.9)	5,270	3,510	50.1	13,278	152.0
EPS	0.0	0.0	0.2	0.1				0.6	0.4		1.4	
Tax rate (%)	59.8	25.2	8.7	52.4				(24)	21		(15)	
Costs (% of revenues)												
COGS	28.0	28.1	24.3	27.8	-9 bps	372 bps	22 bps	27.5	23.8	370 bps	27.9	37 bps
Employee cost (incl. ESOP charge)	12.9	12.3	13.5	12.7	55 bps	-65 bps	11 bps	12.6	13.7	-106 bps	10.7	-189 bps
Employee cost (excl. ESOP charge)	9.1	8.6	9.0	8.7	53 bps	15 bps	40 bps	8.7	9.4	-75 bps	8.4	-27 bps
Advertising expenses	10.9	9.8	10.9	9.6	104 bps	-6 bps	122 bps	3.9	4.3	-31 bps	2.3	-162 bps
Delivery charges	26.6	27.4	31.4	26.8	-79 bps	-478 bps	-22 bps					
Other expenses	20.5	21.6	17.5	20.0	-111 bps	293 bps	41 bps	47.0	50.3	-336 bps	50.9	389 bps
Segment revenues (Rs bn)												
Food delivery	20.5	20.6	17.4	20.7	(0.5)	18.1	(0.9)	80.8	63.6	27.0	96.1	19.0
Hyperpure	18.4	17.5	9.5	16.7	4.9	93.5	10.1	62.0	31.7	95.3	99.2	60.1
Blinkit	17.1	15.6	7.7	14.0	9.7	122.2	22.2	52.1	23.0	126.2	106.1	103.8
Others	2.3	3.0	0.8	0.0	(23.1)	184.0		7.6	2.8	171.8	14.9	95.4
Total revenues	58.3	56.8	35.4	51.5	2.8	64.8	13.4	202.4	121.1	67.1	316.3	56.3
Adjusted revenues	61.9	60.2	38.7	57.5	2.8	59.8	7.7	215.8	135.5	59.3	332.8	54.2
Adjusted EBITDA	1.7	1.3	1.9	2.9	25.1	(14.9)	(42.1)	14.4	5.6	157.6	22.1	54.3
Food delivery business												
Food delivery business GOV (Rs bn)	97.8	98.3	84.4	99.1	(0.5)	15.9	(1.4)	386	322	19.9	458	18.4
Contribution margin (% of GOV)	8.6	8.6	7.5	8.5	-1 bps	110 bps	9 bps	8.0	6.9	109 bps	8.4	39 bps
Average MTU (mn)	20.9	-	19.0	20.5		10.0	2.0	20.8	18.4	12.8	23.1	11.1
Quick commerce business												
Quick commerce GOV (Rs bn)	94.2	86.9	40.3	78.0	8.5	133.9	20.8	283	125	126.8	576	103.8
Contribution margin (% of GOV)	3.1	2.2	3.9	3.0	89 bps	-86 bps	9 bps	3.4	2.1	124 bps	3.2	-14 bps
Average MTU (mn)	13.7	-	6.4	10.6		114.1	29.2	667	613	8.9	681	2.0

Source: Company, Kotak Institutional Equities estimates

MTU base grew ~9.0% yoy in 4QFY25 for food delivery business

Exhibit 2: Quarterly operating metrics of Zomato's food delivery business, March fiscal year-ends

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	yoy (%)
Average monthly active restaurants (000s)	208	207	209	215	226	238	254	270	276	292	306	314	20.5
Average monthly active delivery partners (000s)	319	341	330	316	352	410	419	418	469	498	480	444	14.6
Average monthly transacting users (mn)	16.7	17.5	17.4	16.6	17.5	18.4	18.8	19.0	20.0	20.7	20.5	20.9	9.0
GOV (Rs bn)	64.3	66.3	66.8	65.7	73.2	79.8	84.9	84.4	92.6	96.9	99.1	97.8	16.8
Yoy growth (%)	41.5	22.6	21.5	12.2	13.9	20.3	27.0	28.5	26.6	21.4	16.8	15.9	

Source: Company, Kotak Institutional Equities

Consolidated adjusted revenue growth of 60% yoy driven by growth in Blinkit

Exhibit 3: Segmental adjusted revenues and adjusted EBITDA of Zomato, March fiscal year-ends (Rs bn)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Yoy change (%)
Segment adjusted revenues (Rs bn)													
Food delivery	14.7	15.8	15.7	15.3	17.4	19.4	20.6	20.5	22.6	23.4	24.1	24.1	17.5
Hyperpure	2.7	3.3	4.2	4.8	6.2	7.5	8.6	9.5	12.1	14.7	16.7	18.4	93.5
Blinkit	-	1.4	3.0	3.6	3.8	5.1	6.4	7.7	9.4	11.6	14.0	17.1	122.2
Going-out	-	-	-	-	-	-	-	-	-	-	2.6	2.3	-
Other services	0.7	0.5	0.8	0.4	0.4	0.5	0.8	1.0	1.1	1.6	0.0	0.0	0.0
Total adjusted revenues	18.1	21.1	23.6	24.1	27.9	32.4	36.5	38.7	45.2	51.3	57.5	61.9	59.8
Segment adjusted EBITDA (Rs bn)													
Food delivery	(1.1)	0.0	0.2	0.8	1.8	2.0	2.5	2.8	3.1	3.4	4.2	4.3	-
Hyperpure	(0.4)	(0.5)	(0.5)	(0.5)	(0.4)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	-
Blinkit	-	(1.3)	(2.3)	(2.0)	(1.3)	(1.3)	(0.9)	(0.4)	(0.0)	(0.1)	(1.0)	(1.8)	-
Going-out	-	-	-	-	-	-	-	-	-	-	(0.2)	(0.5)	-
Other services	0.1	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.2)	0.1	0.2	0.0	(0.2)	-
Unallocated costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Total adjusted EBITDA	(1.5)	(1.9)	(2.7)	(1.8)	0.1	0.4	1.3	1.9	3.0	3.3	2.9	1.7	-
Segment adj. EBITDA (% of adj. revenues)													
Food delivery	(7.7)	0.1	1.5	5.1	10.4	10.5	12.2	13.4	13.9	14.6	17.5	17.8	435 bps
Hyperpure	(16.1)	(15.9)	(12.6)	(9.4)	(5.7)	(4.6)	(4.0)	(2.4)	(1.8)	(1.4)	(1.1)	(1.2)	122 bps
Blinkit	-	(92.6)	(75.5)	(56.0)	(34.6)	(24.8)	(13.8)	(4.8)	(0.3)	(0.7)	(7.4)	(10.4)	-561 bps
Going-out	-	-	-	-	-	-	-	-	-	-	(6.6)	(20.5)	-
Other services	9.0	(18.4)	(11.9)	(11.6)	(2.3)	(7.7)	(4.9)	(20.4)	10.0	11.4	25.0	nm	-
Total adjusted EBITDA	(8.3)	(9.1)	(11.2)	(7.3)	0.4	1.3	3.4	5.0	6.6	6.4	5.0	2.7	-235 bps

Source: Company, Kotak Institutional Equities

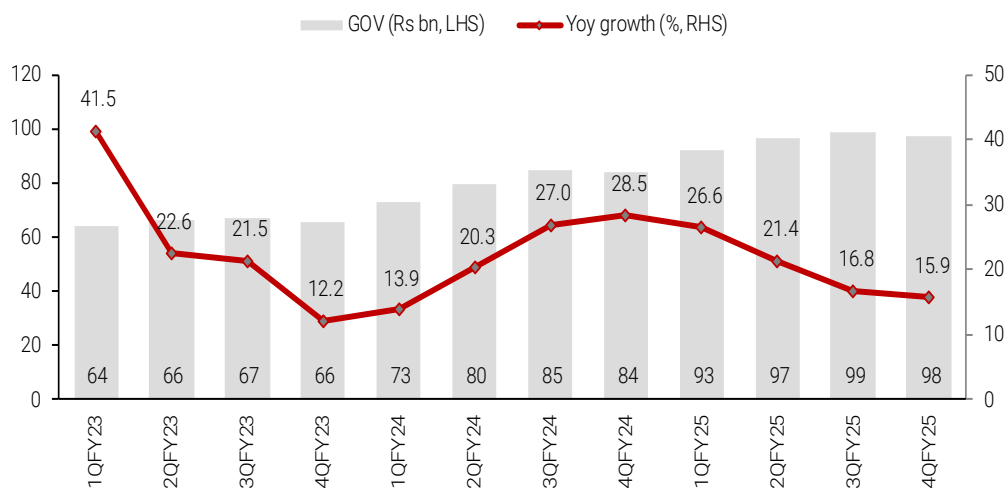
Exhibit 4: Computation of segmental revenues and food delivery business take rates of Zomato, March fiscal year-ends (Rs bn)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	qoq (%)	yoy (%)
Food delivery business GOV	64.3	66.3	66.8	65.7	73.2	79.8	84.9	84.4	92.6	96.9	99.1	97.8	(1.4)	15.9
Segment revenues														
Food delivery	10.7	11.4	11.5	11.7	13.7	15.5	17.0	17.4	19.4	20.1	20.7	20.5	(0.9)	18.1
Hyperpure	2.7	3.3	4.2	4.8	6.2	7.5	8.6	9.5	12.1	14.7	16.7	18.4	10.1	93.5
Blinkit	-	1	3	4	4	5	6	7.7	9	12	14.0	17.1	22.2	122.2
Other services	0.7	0.5	0.8	0.4	0.4	0.5	0.8	1.0	1.1	1.6	2.6	2.3	(12.5)	123.3
Total revenues	14.1	16.6	19.5	20.6	24.2	28.5	32.9	35.6	42.1	48.0	54.1	58.3	7.9	63.8
Add: Delivery charges collected from customers	4.0	4.5	4.1	3.6	3.7	3.9	3.2	3.1	3.1	3.3	3.4	3.6	4.1	14.1
Total revenues+delivery income	18.1	21.1	23.6	24.1	27.9	32.4	36.1	38.7	45.2	51.3	57.5	61.9	7.7	59.8
Take rates (%)														
Restaurant take rate for the food delivery segment	16.7	17.1	17.2	17.8	18.7	19.4	20.1	20.6	21.0	20.8	20.9	21.0	10 bps	39 bps
Delivery take rate for the food delivery segment	6.2	6.7	6.2	5.4	5.1	4.9	4.2	3.7	3.4	3.4	3.4	3.6	19 bps	-6 bps
Total take rate for the food delivery segment	22.9	23.8	23.4	23.3	23.8	24.3	24.3	24.3	24.4	24.1	24.3	24.6	29 bps	34 bps

Source: Company, Kotak Institutional Equities

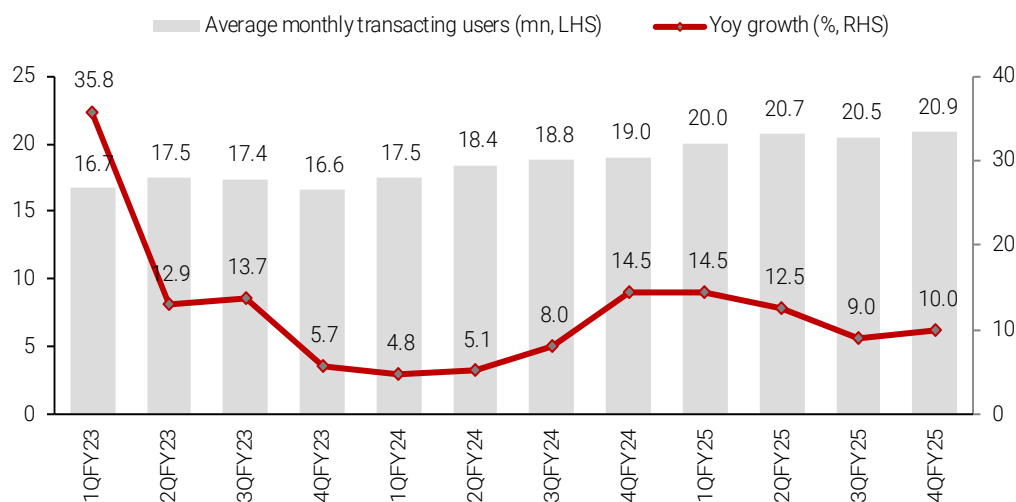
Food delivery GOV growth increased 16% yoy in 4Q, a deceleration from past trends

Exhibit 5: Gross order value (GOV) of Zomato food delivery, March fiscal year-ends (Rs bn)

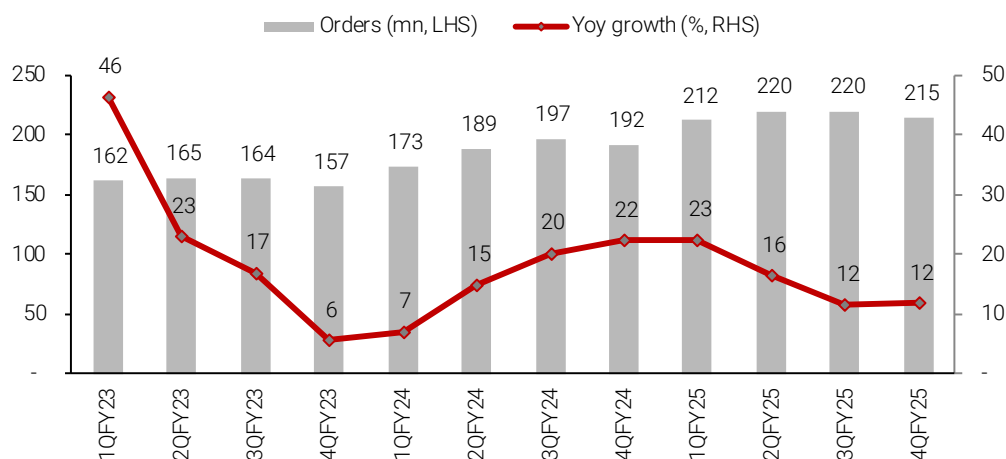


Source: Company, Kotak Institutional Equities

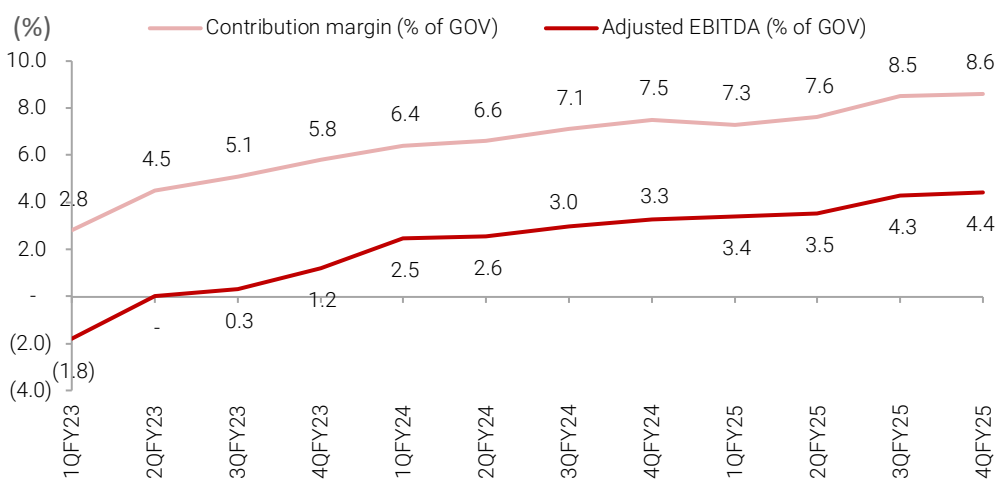
Exhibit 6: Average food delivery MTU trajectory of Zomato, March fiscal year-ends (mn)



Source: Company, Kotak Institutional Equities

Exhibit 7: Estimated food delivery orders of Zomato, March fiscal year-ends (mn)


Source: Company, Kotak Institutional Equities

Exhibit 8: Contribution and adjusted EBITDA of Zomato's food delivery business (% of GOV), March fiscal year-ends (%)


Source: Company, Kotak Institutional Equities

Exhibit 9: Unit economics of Zomato's food delivery, March fiscal year-ends (Rs per order)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Unit economics (Rs per order)												
Orders (mn)	162	165	164	157	173	189	197	192	212	220	220	215
AOV	397	403	407	418	422	422	430	439	436	440	450	455
Commission revenue per order	66	69	70	75	79	82	86	90	91	91	94	96
Delivery charges per order	24	27	25	23	21	21	18	16	15	15	15	17
Total revenues	91	96	95	97	100	102	104	107	106	106	110	112
-Commission revenue (%)	16.7	17.1	17.2	17.8	18.7	19.4	20.1	20.6	21.0	20.8	20.9	21.0
-Delivery charges (%)	6.2	6.7	6.2	5.4	5.1	4.9	4.2	3.7	3.4	3.4	3.4	3.6
Total costs	80	78	75	73	73	75	74	74	74	73	71	73
Delivery costs	60	59	56	54	55	56	57	57	59	57	56	56
Discounts + other variable costs	20	19	18	19	18	18	17	16	16	16	15	17
Contribution margin	11	18	21	24	27	28	31	33	32	33	38	39
Contribution margin (% of GOV)	2.8	4.5	5.1	5.8	6.4	6.6	7.1	7.5	7.3	7.6	8.5	8.6

Source: Company, Kotak Institutional Equities estimates

Fixed costs in the food delivery business have increased 16% yoy

Exhibit 10: Fixed cost calculation of food delivery business, March fiscal year-ends (Rs mn)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	qoq (%)	yoy (%)
Contribution margin of food delivery (%)	2.8	4.5	5.1	5.8	6.4	6.6	7.1	7.5	7.3	7.6	8.5	8.6		
GOV (Rs mn)	64,250	66,310	66,800	65,690	73,180	79,800	84,860	84,390	92,640	96,900	99,130	97,780	(1.4)	15.9
Contribution of food delivery	1,790	2,970	3,390	3,800	4,660	5,250	6,010	6,330	6,730	7,350	8,430	8,420	(0.1)	33.0
(-) Fixed costs of food delivery business	2,920	2,950	3,160	3,020	2,850	3,210	3,490	3,580	3,600	3,940	4,200	4,140	(1.4)	15.6
Fixed costs (% of GOV)	4.5	4.4	4.7	4.6	3.9	4.0	4.1	4.2	3.9	4.1	4.2	4.2		
Adjusted EBITDA of food delivery	(1,130)	20	230	780	1,810	2,040	2,520	2,750	3,130	3,410	4,230	4,280	1.2	

Source: Company, Kotak Institutional Equities

Exhibit 11: Net order value (NOV) of Zomato, March fiscal year-ends (Rs mn)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
NOV	71,890	79,280	82,810	84,430	82,100
GOV	84,390	92,640	96,900	99,130	97,780
NOV (% of GOV)	85	86	85	85	84
Contribution margin (% of GOV)	7.5	7.3	7.6	8.5	8.6
Contribution margin (% of NOV)	8.8	8.5	8.9	10.0	10.3
Adjusted EBITDA (% of GOV)	3.3	3.4	3.5	4.3	4.4
Adjusted EBITDA (% of NOV)	3.8	3.9	4.1	5.0	5.2

Source: Company, Kotak Institutional Equities

Blinkit: Solid growth momentum sustains

Exhibit 12: Key metrics of Blinkit, March fiscal year-ends

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Qoq (%)	Yoy (%)
Key operating metrics														
Orders (mn)	22.2	26.1	31.6	39.2	36.8	45.5	55.8	65.3	78.8	92.9	110.3	141.7	28.5	117.0
AOV (Rs)	528	568	553	522	582	607	635	617	625	660	707	665	(5.9)	7.8
MTUs (mn)	2.2	2.6	3.1	3.9	3.9	4.7	5.4	6.4	7.6	8.9	10.6	13.7	29.2	114.1
GOV per day per dark store (Rs000)	309	422	524	625	620	757	889	920	956	981	970	942	(2.9)	2.4
Orders per day per dark store (#)	590	775	949	1,130	1,044	1,203	1,345	1,349	1,340	1,277	1,191	1,184	(0.6)	(12.3)
Number of dark stores (#)	409	366	362	377	383	411	451	526	639	791	1,007	1,301	29.2	147.3
Key financial metrics														
GOV	11,720	14,820	17,490	20,460	21,400	27,600	35,420	40,270	49,230	61,320	77,980	94,210	20.8	133.9
Revenue	1,640	2,360	3,008	3,625	3,840	5,050	6,440	7,690	9,420	11,560	13,990	17,090	22.2	122.2
Take rate (%)	14.0	15.9	17.2	17.7	17.9	18.3	18.2	19.1	19.1	18.9	17.9	18.1	20 bps	-96 bps
Contribution	(2,030)	(1,080)	(790)	(560)	(140)	360	860	1,580	1,990	2,340	2,320	2,890	24.6	82.9
Adjusted EBITDA	(3,260)	(2,590)	(2,270)	(2,030)	(1,330)	(1,250)	(890)	(370)	(30)	(80)	(1,030)	(1,780)		
Contribution margin (% of GOV)	(17.3)	(7.3)	(4.5)	(2.7)	(0.7)	1.3	2.4	3.9	4.0	3.8	3.0	3.1	09 bps	-86 bps
Adjusted EBITDA (% of GOV)	(27.8)	(17.5)	(13.0)	(9.9)	(6.2)	(4.5)	(2.5)	(0.9)	(0.1)	(0.1)	(1.3)	(1.9)	-57 bps	-97 bps
Implied quarterly fixed costs of grocery delivery	-	-	-	-	1,190	1,610	1,750	1,950	2,020	2,420	3,350	4,670	39.4	139.5

Source: Company, Kotak Institutional Equities

Blinkit's CM was stable sequentially in 4QFY25
Exhibit 13: Unit economics of Blinkit, March fiscal year-ends, Rs per order

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Unit economics (Rs per order)												
Orders (mn)	22	26	32	39	37	46	56	65	79	93	110	142
AOV	528	568	553	522	582	607	635	617	625	660	707	665
Total revenues	63	76	95	78	90	96	101	103	105	110	112	106
Total take rates (%)	14.0	15.9	17.2	17.7	17.9	18.3	18.2	19.1	19.1	18.9	17.9	18.1
Total costs	154	117	120	93	93	88	85	79	79	84	91	85
Contribution margin	(91)	(41)	(25)	(14)	(4)	8	15	24	25	25	21	20
Contribution margin (% of GOV)	(17.2)	(7.2)	(4.5)	(2.7)	(0.7)	1.3	2.4	3.9	4.0	3.8	3.0	3.1

Source: Company, Kotak Institutional Equities

Exhibit 14: Net order value (NOV) of Blinkit, March fiscal year-ends (Rs mn)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
NOV	33,600	40,610	49,280	60,200	73,620
GOV	40,270	49,230	61,320	77,980	94,210
NOV (% of GOV)	83	82	80	77	78
Contribution margin (% of GOV)	3.9	4.0	3.8	3.0	3.1
Contribution margin (% of NOV)	4.7	4.9	4.7	3.9	3.9
Adjusted EBITDA (% of GOV)	(0.9)	(0.1)	(0.1)	(1.3)	(1.9)
Adjusted EBITDA (% of NOV)	(1.1)	(0.1)	(0.2)	(1.7)	(2.4)

Source: Company, Kotak Institutional Equities

Exhibit 15: Cash surplus of Zomato, March fiscal year-ends (Rs mn)

	3QFY23	4QFY24	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Adjusted EBITDA	(2,650)	(1,750)	120	410	1,250	1,940	2,990	3,300	2,850	1,650
(+) Treasury income received	1,170	2,300	3,290	370	1,360	1,160	2,550	2,270	1,430	1,950
(-) Capital expenditure incurred	(350)	(250)	(240)	(350)	(600)	(830)	(1,440)	(2,140)	(2,560)	(3,170)
(+) Other items	(130)	100	(910)	210	180	650	630	930	(280)	1,480
Cash (burn)/surplus	(1,970)	400	2,260	640	2,190	2,920	4,730	4,360	1,440	1,910
(+) (Increase)/ decrease in net working capital	1,140	(1,800)	250	1,240	350	(660)	(1,750)	(1,480)	(1,680)	(6,020)
(-) Consideration for acquired entertainment ticketing business	—	—	—	—	—	—	—	(20,140)	—	—
(+) Net proceeds from QIP	—	—	—	—	—	—	—	—	84,460	—
Change in cash	(830)	(1,400)	2,510	1,880	2,540	2,260	2,980	(17,260)	84,220	(4,110)
(+) Opening cash balance	115,460	114,630	113,230	115,730	117,610	120,150	122,410	125,390	108,130	192,350
Closing cash balance	114,630	113,230	115,730	117,610	120,150	122,410	125,390	108,130	192,350	188,240

Source: Company, Kotak Institutional Equities

Takeaways from the earnings release and call

- ▶ **Management commentary.** NOV (net order value) of the B2C businesses grew 53% yoy (5% qoq) to Rs174 bn in 4QFY25. On a like-for-like basis (excluding the impact of the acquisition of Paytm's entertainment ticketing business), NOV growth was 48% yoy (5% qoq). Hyperpure's revenue grew 93% yoy (10% qoq). Consolidated adjusted revenue grew 60% yoy (8% qoq) to Rs61 bn. On the profitability front, consolidated adjusted EBITDA declined 15% yoy to Rs16 bn in 4QFY25, largely on account of the accelerated investments in expanding the quick commerce store network, which was partly offset by the improvement in food delivery adjusted EBITDA margin.
 - **NOV.** Starting 4QFY25, Eternal will be reporting the net order value (NOV) in addition to GOV for the B2C businesses. NOV is equal to GOV less discounts. In the last few quarters, the share of non-grocery category products selling on the Blinkit platform has increased meaningfully. The products in these categories typically have MRP that is significantly higher than the normal market selling price of these products. This is leading to a widening gap between GOV (which is reported on MRP) and what the customer actually pays on Blinkit. NOV corrects for this anomaly.
- ▶ **Food delivery.** According to management, the slowdown in food delivery is driven by (1) sluggish demand environment (especially on discretionary spends), (2) a (temporary) shortage of delivery partners due to high demand of delivery partners in quick commerce in the last few months and (3) competition from quick delivery of packaged food from quick commerce leading to drop in demand for food delivery from restaurants. Management also highlighted that it (1) delisted ~19k restaurants from the platform and (2) there was one less day in 4QFY25 versus 4QFY24. Adjusting for these two factors, NOV growth could have been ~2% higher. There is no change in competitive intensity in food delivery.
 - **Zomato Quick and Everyday.** Management has shut down Zomato Quick and Everyday as it is not seeing the path to profitability in these without compromising on customer experience.
 - **Growth.** According to management, the 20% growth guidance is a long-term guidance and the growth rates may vary in the short term.
- ▶ **Quick commerce.** According to management, the increase in losses was expected and in line with the plan to pull-forward expansion of the store network. Blinkit added 294 net new stores in 4QFY25 (highest-ever net store addition in a single quarter). As of now, ~40% of the overall network of 1,301 stores are underutilized stores, opened in the last two quarters alone (216 in 3QFY25 and 294 in 4QFY25). Despite this, the contribution margin (which includes all expansion costs except capex) increased from sequentially 3.0% to 3.1% of GOV.
 - **Marketing.** Below Contribution, management has increased its investment in marketing to meaningfully accelerate the pace of new customer acquisition.
 - **Competition.** According to management, margin expansion, especially in the more mature parts of the network, could have been higher if not for the heightened competitive intensity. Management believes the competition is going to intensify further from here in the near term. Beyond just the early quick commerce players, there will also be competition from next day delivery companies as they invest more in faster deliveries, especially in non-grocery categories. Increased competition is seen in aggressive discounting, free deliveries, elevated marketing expenses and elevated last-mile expenses.
 - **Profitability.** In the near term, the losses will increase or decrease depending on how the pace of expansion and competitive intensity play out over the next few quarters. Management remains confident of the profit potential in this business in the steady state (5-6% of NOV); however, the pressure on margins will remain in the near term.
 - **Store expansion.** The company will share a new goal for store count closer to the end of 2025. Management noted significant competition in real estate in the markets it operates in. Incrementally, a larger proportion of new stores are being opened in non-top-8 cities and management is seeing good adoption of QC in these cities as well.

- **IOCC.** As an IOCC, Blinkit now has the option to own inventory in the quick commerce business, in addition to running a marketplace business. Management expects working capital investments in the context of the overall scale of the business to be fairly low. As per management, if Blinkit had owned 100% of the inventory in FY2025, it would have deployed less than Rs10 bn of working capital toward owning inventory (~5% of NOV). The investments will also yield a healthy ROCE given the incremental growth and margin opportunity. This will lead to some margin expansion, depending on how much of the NOV moves to the inventory ownership model. However, some or all of this margin expansion, might just offset the impact of competitive intensity in the sector.
- **Miscellaneous.** (1) There is no material change in the time taken for a new store to reach breakeven. (2) Management does not have any plans to do private labels.
- ▶ **Hyperpure.** The Hyperpure business comprises of restaurant and non-restaurant businesses. Non-restaurant business currently comprises B2B sales of mainly fresh food and staples to the sellers on the Blinkit marketplace. On the profitability front, this business operates near break-even but management is yet to figure out the true potential for long-term margins. This business has grown at 150%+ yoy in 4QFY25 with a near break-even adjusted EBITDA margin. On the other hand, the core restaurant business also continues to grow steadily at about 35-40% yoy with adjusted EBITDA margins of (-)3%.
- In the last few quarters, management has also been investing in multiple new offerings (new value-added product categories, express (<4 hour) deliveries, inter-city deliveries, 4P logistics services, etc.) to cater to the growing needs of restaurant partners. This has the potential to drive higher customer engagement (and eventually better profitability) over time.
- ▶ **District.** The transition to the District app has been on expected lines. In 4QFY25, about one-third of the going-out GOV was transacted through the District App. Management expects to complete the full transition in the next couple of quarters, post which it will make the going-out offering accessible only on the District app.

Earnings changes

We upgrade our FY2026-27 Blinkit revenue estimates by ~4-5% to align with increased revenue throughput as Blinkit continues to ramp-up ahead of expectations.

Exhibit 16: Key changes in estimates for Zomato, March fiscal year-ends, 2026-28E

	New estimates			Old estimates		Change (%)	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Total							
Revenue (Rs mn)	316,337	453,650	617,820	311,476	445,530	1.6	1.8
Revenue growth (%)	56	43	36	55	43		
EBITDA (Rs mn)	14,798	32,114	50,849	14,871	32,179	(0.5)	(0.2)
EBITDA margin (%)	4.7	7.1	8.2	4.8	7.2		
Adjusted EBITDA (Rs mn)	22,140	38,721	57,457	22,139	38,720	0.0	0.0
EBITDA margin (%)	7.0	8.5	9.3	7.1	8.7		
PBT (Rs mn)	15,622	30,833	48,853	15,621	30,833	0.0	0.0
Net Profit (Rs mn)	13,278	26,208	38,024	13,278	26,208	0.0	0.0
EPS (Rs)	1.4	2.8	4.0	1.4	2.8	0.0	0.0
Segmental revenues (Rs mn)							
Food delivery	96,140	114,682	136,447	96,140	114,682	0.0	0.0
Hyperpure	99,225	156,278	238,321	99,224	156,278	0.0	0.0
Blinkit	106,103	158,900	207,368	101,244	150,781	4.8	5.4
Others (dining out, Pro)	14,868	23,789	35,684	14,868	23,789	0.0	0.0
Segmental adjusted EBITDA (Rs mn)							
Food delivery	21,700	28,112	34,907	21,700	28,111	0.0	0.0
Hyperpure	(496)	781	2,383	(496)	781	0.0	0.0
Blinkit	1,084	9,590	19,453	1,084	9,590	0.0	0.0
Others (dining out, Pro)	(149)	238	714	(149)	238	nm	0.0

Source: Company, Kotak Institutional Equities estimates

Exhibit 17: SoTP-based Fair Value of Rs280/share

	Jun-26	
	Rs bn	Rs/sh
DCF-based valuation of the food delivery + going out business (Rs bn)	1,224	129
DCF-based valuation of Blinkit (Rs bn)	1,151	122
Valuation of investments (Rs bn)	13	1
Net debt (cash) (Rs bn)	(261)	(28)
Equity value of the company (Rs bn)	2,649	280
Fully diluted share count (mn)		9,468
Fair value (Rs/share)		280

Source: Company, Kotak Institutional Equities estimates

We model CAGR of 19% in food delivery GOV over FY2025-28E

Exhibit 18: Details of the assumptions for Zomato (consolidated), March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	CAGR (%) 2025-28E
India food delivery business										
GMV (Rs mn)	112,209	94,829	213,020	263,050	322,240	386,450	457,628	543,304	646,413	19
Commission earned - restaurants+consumers (%)	21.0	22.8	22.3	23.4	24.2	24.4	24.6	24.8	24.9	
Revenue from food delivery + delivery income (Rs mn)	23,600	21,600	47,600	61,460	77,920	94,180	112,559	134,808	161,087	20
Revenue from food delivery (Rs mn)	18,402	15,124	34,146	45,333	63,610	80,800	96,140	114,682	136,447	19
Contribution (% AOV)	(11.1)	5.3	1.6	4.8	6.9	8.0	8.4	8.6	8.6	
Blinkit business										
GMV (Rs mn)	6,327	6,643	6,975	64,490	124,690	282,740	576,252	840,176	1,082,147	56
Commission earned (%)	17.0	17.0	17.0	16.5	18.5	18.4	18.4	18.9	19.2	
Revenues incl. delivery income (Rs mn)	1,077	1,130	1,187	10,633	23,010	52,060	106,103	158,900	207,368	59
Contribution (% AOV)	(2.8)	(2.0)	(1.3)	(6.9)	2.1	3.4	3.2	4.0	4.7	
Segment revenues										
Food delivery (incl. delivery charges)	23,600	21,600	47,600	61,460	77,920	94,180	112,559	134,808	161,087	20
Food delivery (excl. delivery charges)	18,402	15,124	34,146	45,333	63,610	80,800	96,140	114,682	136,447	19
Hyperpure	1,076	1,991	5,376	15,061	31,720	61,960	99,225	156,278	238,321	57
Blinkit	-	-	-	8,058	23,010	52,060	106,103	158,900	207,368	59
Other services	6,569	2,823	2,402	2,342	2,800	7,610	14,868	23,789	35,684	67
Total	26,047	19,938	41,924	70,794	121,140	202,430	316,337	453,650	617,820	45
Segment EBITDA (Rs mn)										
Food delivery business	(22,839)	(2,223)	(7,657)	(44)	9,350	15,410	21,700	28,112	34,907	
Hyperpure	-	-	(1,391)	(1,810)	(1,000)	(430)	(496)	781	2,383	
Blinkit	-	-	-	(5,030)	(2,530)	(210)	1,084	9,590	19,453	
Other services	-	-	(679)	(162)	(250)	(420)	(149)	238	714	
Total EBITDA (excl. share based expenses)	(22,839)	(2,223)	(9,727)	(7,046)	5,570	14,350	22,140	38,721	57,457	
Share based expenses	(985)	(1,421)	(8,779)	(5,058)	(5,150)	(7,980)	(7,342)	(6,607)	(6,607)	
Reported EBITDA	(23,824)	(3,644)	(18,506)	(12,104)	420	6,370	14,798	32,114	50,849	
Adjusted EBITDA (% GMV)										
Food delivery	(20.4)	(2.3)	(3.6)	(0.0)	2.9	4.0	4.7	5.2	5.4	
Blinkit	-	-	-	(7.8)	(2.0)	(0.1)	0.2	1.1	1.8	
Yoy revenue growth (%)										
Food delivery (incl. delivery charges)		(8)	120	29	27	21	20	20	19	
Food delivery (excl. delivery charges)		(18)	126	33	40	27	19	19	19	
Hyperpure		85	170	180	111	95	60	57	52	
Blinkit					186	126	104	50	31	
Other services		(57)	(15)	(2)	20	172	95	60	50	
Total		(23)	110	69	71	67	56	43	36	

Source: Company, Kotak Institutional Equities estimates

We model revenue CAGR of 45% over FY2025-28E

Exhibit 19: Consolidated financial snapshot of Zomato, March fiscal year-ends, 2019-28E (Rs mn)

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Profit model										
Revenue from operations	13,126	26,047	19,938	41,924	70,794	121,140	202,430	316,337	453,650	617,820
EBITDA	(22,435)	(23,047)	(4,672)	(18,508)	(12,104)	420	6,370	14,798	32,114	50,849
Adjusted EBITDA	(21,435)	(22,062)	(3,251)	(9,727)	(7,046)	5,570	14,350	22,140	38,721	57,457
Depreciation and amortisation expense	(431)	(842)	(1,377)	(1,503)	(4,369)	(5,260)	(8,630)	(11,754)	(15,616)	(18,859)
EBIT	(22,866)	(23,889)	(6,049)	(20,011)	(16,473)	(4,840)	(2,260)	3,044	16,498	31,991
Other income	851	1,380	1,246	4,949	6,815	8,470	10,770	14,136	16,038	18,725
Finance costs	(87)	(126)	(101)	(120)	(487)	(720)	(1,540)	(1,559)	(1,703)	(1,862)
Profit before tax	(22,102)	(22,636)	(4,904)	(15,182)	(10,145)	2,910	6,970	15,622	30,833	48,853
Taxation	-	-	(13)	(20)	436	600	(1,700)	(2,343)	(4,625)	(10,829)
Profit after tax	(22,102)	(22,636)	(4,917)	(15,202)	(9,709)	3,510	5,270	13,278	26,208	38,024
Exceptional items	11,999	(1,220)	(3,248)	2,974	1	-	-	-	-	-
Reported PAT	(10,102)	(23,856)	(8,164)	(12,225)	(9,708)	3,510	5,270	13,278	26,208	38,024
Diluted EPS (Rs/share)	(2.4)	(5.1)	(1.7)	(1.5)	(1.1)	0.4	0.6	1.4	2.8	4.0
Balance sheet										
Shareholder's funds	25,994	7,098	80,987	165,055	194,598	204,130	303,170	323,173	354,859	398,363
Minority Interest	(314)	(65)	(57)	(66)	(66)	(70)	(70)	(70)	(70)	(70)
Total borrowings	13	15	14	-	404	-	-	-	-	-
Lease liabilities	1,029	717	712	703	4,662	7,490	20,450	13,493	14,783	16,203
Deferred tax liabilities	-	-	-	-	2,495	1,880	2,120	2,120	2,120	2,120
Total sources of funds	26,723	7,766	81,657	165,693	202,094	213,431	325,671	338,717	371,693	416,615
Fixed assets (tangible/intangible)	1,094	3,154	2,309	1,314	12,065	10,590	19,280	30,770	34,779	36,136
Cash and bank balances	2,387	3,599	45,030	3,923	2,181	7,310	36,140	60,861	96,028	146,749
Goodwill	1,885	12,093	12,478	12,093	47,166	47,170	57,370	57,370	57,370	57,370
RoU assets	919	668	605	642	4,272	6,900	19,180	12,903	14,193	15,613
Investments	21,446	3,239	22,052	147,874	138,752	147,160	187,050	187,050	187,050	187,050
Net working capital (ex-cash)	(1,287)	(1,526)	(871)	(824)	(3,504)	(7,910)	5,360	(11,528)	(19,018)	(27,592)
Deferred tax assets (net)	278	297	54	670	1,161	2,210	1,290	1,290	1,290	1,290
Other acquisition related liability	-	13,759	-	-	-	-	-	-	-	-
Total usage of funds	26,723	7,766	81,657	165,693	202,094	213,431	325,671	338,717	371,693	416,615
Cash flow										
Operating cash flow before working capital changes	(22,435)	(23,047)	(4,685)	(18,528)	(11,668)	1,020	4,670	12,455	27,489	40,020
Working capital changes	1,879	131	(7,567)	2,483	(1,759)	1,180	(10,930)	16,888	7,490	8,575
Net finance income (cost)	764	1,254	1,146	4,829	6,328	7,750	9,230	12,577	14,335	16,863
Cash flow from operations	(19,791)	(21,662)	(11,106)	(11,216)	(7,099)	9,950	2,970	41,920	49,313	65,458
Capital expenditure + acquisitions	(825)	610	(398)	(767)	(1,621)	(2,020)	(9,310)	(18,545)	(14,111)	(14,417)
Free cash flow	(20,616)	(21,052)	(11,504)	(11,983)	(8,720)	7,930	(6,340)	23,375	35,202	51,041
Key ratios/metrics										
Yoy revenue growth (%)	182	98	(23)	110	69	71	67	56	43	36
EBITDA margin (%)	(170.9)	(88.5)	(23.4)	(44.1)	(17.1)	0.3	3.1	4.7	7.1	8.2
RoAE (%)	(5.6)	(61.1)	(54.2)	(6.6)	(6.8)	(4.9)	1.4	1.7	3.9	7.0
RoACE (%)	(120.0)	(144.3)	(13.8)	(16.3)	(8.8)	(2.9)	(0.7)	0.8	4.1	6.6

Source: Company, Kotak Institutional Equities estimates

Varun Beverages (VBL)

Consumer Staples

ADD

CMP(₹): 522

Fair Value(₹): 570

Sector View: **Attractive**

NIFTY-50: 24,334

May 02, 2025

Good execution in India

VBL delivered a good 1Q, showing no impact from Campa's aggression and Coca-Cola's subsequent response this season. India volumes grew 15.5% yoy (up from 5% in 2H; 2-yr CAGR of 10%) and revenue/EBITDA grew 17%/23%; 1.8% yoy growth in realization and a 110-bps EBITDA margin expansion indicate limited promotions/pricing actions by VBL. International business performance was soft, with flat volumes (ex-SA/DRC). We cut CY2025-27E EPS by 3-5% as we factor in the recent call-off of TZ/GH acquisition and moderate expectations across the international portfolio. We roll over and revise FV to Rs570 (Rs585), valuing VBL at 49X June-26E PE (50X).

1QCY25: Good execution in India business partly offset by overseas weakness

VBL reported 29% yoy growth in revenues to Rs55.7 bn (in line), led by 30% volume growth (13% organic), taking total volume to 312.4 mn cases (KIE: 312 mn cases). Overall realization was down 1% yoy as 1.8% growth in India was offset by the consolidation of South Africa (lower realization). India/international (ex-SA/DRC) volumes grew 15.5%/flat yoy (KIE: 14%/flat yoy). BevCo/DRC volumes stood at 41/~4.5 mn cases. GM declined 170/150 bps yoy/qoq to 54.6%, partly due to low margins of own brand in the SA market. EBITDA at Rs12.65 bn (in line) grew 28% yoy (organic 19%), led by operational efficiencies. EBITDA margin declined 20 bps yoy to 22.7% (impacted by the 14.4% margin of SA). Interest expenses were down 56% yoy to Rs0.4 bn (KIE: Rs0.3 bn), primarily due debt repayment from QIP proceeds. D&A was up 45.3% yoy to Rs2.7 bn due to BevCo acquisition and new production facilities (India and DRC). Recurring EPS grew 30% yoy.

India: DD volume growth in CY2025E; Africa: growth outlook below expectation

VBL delivered robust volume growth, realization improvement and EBITDA margin expansion in India notwithstanding Campa's aggression (pricing and trade margins) and Coca-Cola's subsequent response (to Campa) this season. We note that Campa and Coca-Cola spent significantly more than Pepsi on marketing at Mahakumbh. VBL management reiterated its guidance of DD volume growth in India in CY2025E. We note that the June quarter base is high and hence we expect growth to moderate. International volumes were impacted by (1) the softness in Morocco (VBL's largest overseas market) due to early Ramadan this year (should recover in 2Q) and (2) persistent weakness in Zimbabwe following the transition to zero sugar portfolio after the sugar tax, (3) some challenges in DRC. SA volume growth was 13% (TTM basis) and EBITDA margin was 14.4% in 1QCY25 (seasonally strong quarter); the volume growth trajectory is a tad weaker than our high expectations, while margin improvement is tracking well.

We cut CY2025-27E EPS by 3-5% and revise FV to Rs570

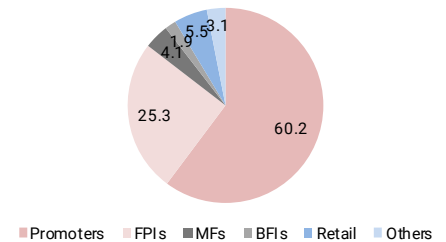
We cut CY2025-27E EPS by 3-5% as we exclude TZ/GH acquisition (called off for now; ~2% EPS impact) and moderate growth expectations across international businesses (DRC, SA and Zimbabwe). We roll over and revise FV to Rs570 (from Rs585), valuing VBL at 49X June-26E PE (50X).

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	522/570/ADD
52-week range (Rs) (high-low)	683-419
Mcap (bn) (Rs/US\$)	1,767/20.9
ADTV-3M (mn) (Rs/US\$)	4,741/56.0

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(3)	(3)	(12)
Rel. to Nifty	(7)	(6)	(19)
Rel. to MSCI India	(7)	(6)	(17)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	7.7	9.7	10.8
EPS growth (%)	21.2	26.6	11.5
P/E (X)	68.0	53.7	48.2
P/B (X)	10.6	9.1	7.8
EV/EBITDA (X)	37.5	32.4	29.1
RoE (%)	22.0	18.2	17.4
Div. yield (%)	0.1	0.2	0.3
Sales (Rs bn)	200	233	262
EBITDA (Rs bn)	47	54	60
Net profits (Rs bn)	26	33	37

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

Related Research

- [Varun Beverages: Reiterates DD domestic](#)
- [Varun Beverages: Competitive intensity on](#)
- [Varun Beverages: Acquires PepsiCo bottler in](#)

[Full sector coverage on KINSITE](#)

Jaykumar Doshi

Umang Mehta

Praneeth Reddy

Eesha Mohanty

Conference call takeaways

- ▶ **Growth outlook.** VBL's volume growth of ~30% yoy was driven by healthy volume growth in the domestic market (~15.5% yoy) and inorganic volume contribution from South Africa (added 41 mn cases) market. International volume (ex-SA) volume growth was soft, impacted by (1) weakness in Morocco (VBL's largest overseas market), partly due to the early Ramadan this year. VBL anticipates growth to rebound from the current quarter, (2) transition to zero sugar portfolio in Zimbabwe post sugar tax (will be in base from 2Q), and (3) operational challenges in the DRC market. India's net realization per case was up 1.8% yoy in 1Q, notwithstanding the increased consumer/trade promotions. However, consolidated blended net realization per case declined by 0.9% due to lower realization in the SA market.

VBL remains focused on sustaining healthy growth in both Indian and international markets, through deeper market penetration (strengthening last-mile distribution and deploying visi-coolers), strategic capacity expansion and continued investments in tech and sustainability. **Management reiterated its target to deliver double-digit growth in the Indian market annually.**

- ▶ **Margin outlook.** VBL's GM declined 170/150 bps yoy/qoq to 54.6% due to (1) low margins of own brand in the SA market, (2) reclassification of water costs from other expenses to COGS starting in 3QCY24 and (3) increase in salience of smaller packs. VBL's EBITDA margin declined 20 bps yoy to 22.7%, as the GM decline was offset by savings generated from operational improvements and operating leverage. VBL also noted that the introduction of high-volume packs at the same price (400 ml at Rs20) did not have any material impact on their margins in the current quarter, and it does not expect any significant disruption in the margin trajectory in the coming quarters.

On RM, VBL does not foresee any major headwinds, as crude prices continue to be favorable, while sugar prices have marginally increased. Management noted that its guidance for the India business has always been 21% EBITDA margin ("*don't give guidance of more than 21%*"), even as it has delivered higher margins in the past few quarters. However, it intends to achieve better than 21% margin through several initiatives, such as undertaking backward integration and deriving scale benefits from setting up large plants.

- ▶ **India** volume mix stood at 75%/7%/18% for CSD/juices/water in 1QCY25. VBL remains a strong market leader in the energy drinks space, and its hydration (Nimbooz) and value-added dairy segments have clocked 100%+ yoy growth in the current quarter. VBL launched Sting Gold in March and the initial response has been encouraging. It is on track to launch Jeera drink by the next quarter.
- **Competition.** Management noted that Pepsi continues to spend on marketing but chose not to spend aggressively in events such as IPL and Kumbh, where Campa focused significantly. VBL focused more on other areas such as increasing its go-to-market efforts, adding more chilling equipment, product portfolio management, etc. Management believes that there is enough room for everybody to grow as currently the category is reaching only 4 mn outlets, as against total 12 mn reach of FMCG industry. Competition efforts to launch new products at lower prices will help recruit more users and their efforts to add more chilling equipment will further drive category penetration, both resulting in faster growth of overall market. VBL highlighted that its business performance was not impacted by this increased competitive intensity, and expressed confidence in its ability to sustain double-digit growth and maintain healthy margins.
- ▶ **South Africa.** SA (BevCo) volumes grew 13% in the last 12 months of operations (under VBL). However, the growth was below its full potential, as VBL intentionally rationalized portfolio by discontinuing the non-profitable packs, and is consciously trying to reduce its reliance on MT. Consequently, LFL growth is much higher than the reported 13% growth, and VBL noted that it will take 1-2 years to fully ramp up operations in the SA market.

VBL's margin in SA market in the current quarter (peak season) stood at 14.4% (up from ~10% since the acquisition). The lower margin in the SA market (relative to the Indian market) was attributed to high salience from own brands. VBL noted that the efforts are underway to increase salience of Pepsi portfolio to enhance margins and net realization. Accordingly, it increased the contribution of Pepsi portfolio to 20% from 15% of BevCo's volumes since the acquisition. VBL is working on plans for backward integration in the territory. Given the potentially higher GT mix and backward integration, VBL aspires to increase SA margins to India levels in the future. However, in the near term, it intends to maintain margins at the current levels (~14%) for the full year.

- ▶ **Tanzania/Ghana updates.** VBL kept the contract agreement on hold, as paper work was not concluded in the stipulated time, resulting in VBL not receiving necessary clearances for the acquisition.
- ▶ **Zimbabwe.** Pepsi has 70% market share in Zimbabwe. The growth challenges are transient in nature and VBL expects the growth to come back to normal in the subsequent quarters.
- ▶ **Foods.** The distribution and sale of snacks have started in Zimbabwe and Zambia (currently importing goods from SA) from February 1, 2025.
- ▶ **Low/no-sugar portfolio.** The mix of low/no-sugar products rose to 59% of consolidated sales in 1Q (up from 52% in CY2024).
- ▶ **Capex/capacity utilization.** During the quarter, VBL commenced operations at new greenfield production facilities in Kangra (Himachal Pradesh) and Prayagraj (Uttar Pradesh), enabling capacity expansion before the peak summer season. The implementation of the other two greenfield production facilities in Bihar (will be commenced very soon) and Meghalaya (will be commenced by end of May) are on track. It has also established backward integration facilities at Prayagraj and DRC. VBL guided for a total capex of Rs31 bn for CY2025E.
- ▶ **Others.** (1) TN has been a market where small brands salience is as high as Pepsi and Coca Cola, (2) Sting is launched only in a few markets across Africa, and is doing well, (3) Sting is yet to be launched in some of the major markets such as South Africa, (4) the impact from the loss of Domino's account is negligible, and (5) in India, mid-calorie products (such as Sting) are gaining popularity, while zero sugar variants' salience remains very low.

Exhibit 1: VBL - Key changes to earnings model, December year-ends, 2025-27E (Rs mn)

Rs mn	Revised			Earlier			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenues	232,822	262,111	291,569	248,233	284,769	315,434	(6.2)	(8.0)	(7.6)
EBITDA	54,293	59,846	66,468	56,296	64,075	71,134	(3.6)	(6.6)	(6.6)
EBITDA margin (%)	23.3	22.8	22.8	22.7	22.5	22.6	64 bps	33 bps	25 bps
PAT	32,844	36,616	41,866	33,833	38,416	43,568	(2.9)	(4.7)	(3.9)
EPS (Rs/share)	9.7	10.8	12.4	10.0	11.4	12.9	(2.9)	(4.7)	(3.9)
Volumes (mn cases)	1,297	1,452	1,606	1,377	1,559	1,715	(5.8)	(6.9)	(6.3)
Realization (Rs/case)	184	185	187	186	189	190	(0.8)	(1.6)	(1.7)

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: VBL - Interim consolidated results, Calendar year-ends (Rs mn)

	1QCY25	1QCY25E	1QCY24	4QCY24	% chg.					
					vs KIE	yoy	qoq	CY2025E	CY2024	% yoy
Volume (mn cases)	312	312	240	215	0.2	30.1	45.2	1,124	914	23.0
Net operating income	55,669	56,131	43,173	36,888	(0.8)	28.9	50.9	200,077	160,426	24.7
Material cost	(25,291)	(25,243)	(18,875)	(16,202)	0.2	34.0	56.1	(89,047)	(74,049)	20.3
Gross Profit	30,379	30,889	24,298	20,686	(1.7)	25.0	46.9	111,029	86,377	28.5
Gross margin (%)	54.6	55.0	56.3	56.1	-46 bps	-171 bps	-151 bps	55.5	53.8	165 bps
Employee cost	(5,115)	(4,921)	(3,937)	(4,790)	3.9	29.9	6.8	(18,850)	(14,466)	30.3
Other expenditure	(12,624)	(13,301)	(10,473)	(10,096)	(5.1)	20.5	25.0	(45,068)	(35,816)	25.8
Total expenditure	(43,030)	(43,465)	(33,286)	(31,088)	(1.0)	29.3	38.4	(152,966)	(124,331)	23.0
EBITDA	12,640	12,667	9,888	5,800	(0.2)	27.8	117.9	47,111	36,095	30.5
EBITDA Margin (%)	22.7	22.6	22.9	15.7	13 bps	-20 bps	698 bps	23.5	22.5	104 bps
Other income	281	300	84	446	(6.5)	235.9	(37.1)	1,213	794	52.8
Interest	(411)	(288)	(937)	(1,090)	43.0	(56.1)	(62.3)	(4,504)	(2,681)	68.0
Depreciation	(2,725)	(2,725)	(1,875)	(2,608)	0.0	45.3	4.5	(9,474)	(6,809)	39.1
Pretax profits	9,784	9,954	7,159	2,548	(1.7)	36.7	283.9	34,346	27,398	25.4
Tax	(2,465)	(2,389)	(1,678)	(585)	3.2	46.9	321.3	(7,988)	(6,375)	25.3
PAT	7,319	7,565	5,481	1,963	(3.3)	33.5	272.8	26,358	21,023	25.4
Minority interest	(54)	(91)	(109)	(112)	(40.2)	(49.9)	(51.3)	(411)	(464)	(11.3)
Recurring PAT	7,265	7,474	5,373	1,851	(2.8)	35.2	292.4	25,946	20,559	26.2
EO item	-	-	-	-	-	-	-	-	-	-
Reported PAT	7,265	7,474	5,373	1,851	(2.8)	35.2	292.4	25,946	20,559	26.2
Recurring EPS (Rs/share)	2.1	2.2	1.7	0.5	(2.8)	29.9	292.4	8.0	6.3	25.8
Income tax rate (%)	25.2	24.0	23.4	23.0	-	-	-	23.3	23.3	-2 bps
Costs as a % of sales										
Material cost	45.4	45.0	43.7	43.9	45 bps	170 bps	150 bps	44.5	46.2	-166 bps
Employee cost	9.2	8.8	9.1	13.0	42 bps	6 bps	-380 bps	9.4	9.0	40 bps
Other expenditure	22.7	23.7	24.3	27.4	-102 bps	-159 bps	-470 bps	22.5	22.3	19 bps

Source: Company, Kotak Institutional Equities

Exhibit 3: VBL - Interim standalone results, Calendar year-ends (Rs mn)

	1QCY25	1QCY24	4QCY24	% chg.	
				yoy	qoq
Net sales	40,525	34,461	20,140	17.6	101.2
Net operating income	40,525	34,461	20,140	17.6	101.2
Material cost	(19,100)	(15,849)	(8,926)	20.5	114.0
Gross Profit	21,425	18,612	11,215	15.1	91.0
Gross margin (%)	52.9	54.0	55.7	-115 bps	-282 bps
Employee cost	(3,074)	(2,747)	(2,771)	11.9	10.9
Other expenditure	(8,248)	(7,657)	(5,212)	7.7	58.2
Total expenditure	(30,422)	(26,253)	(16,909)	15.9	79.9
EBITDA	10,103	8,209	3,231	23.1	212.7
EBITDA Margin (%)	24.9	23.8	16.0	110 bps	888 bps
Other income	598	326	1,539	83.4	(61.1)
Interest	(78)	(840)	(639)	(90.7)	(87.8)
Depreciation	(1,650)	(1,395)	(1,543)	18.3	6.9
Pretax profits	8,973	6,301	2,588	42.4	246.7
Tax	(2,193)	(1,608)	(502)	36.3	336.9
Recurring PAT	6,781	4,693	2,086	44.5	225.0
EO item	-	-	-	-	-
Reported PAT	6,781	4,693	2,086	44.5	225.0
Income tax rate (%)	24.4	25.5	19.4	-	-
Costs as a % of sales					
Material cost	47.1	46.0	44.3	114 bps	281 bps
Employee cost	7.6	8.0	13.8	-39 bps	-618 bps
Other expenditure	20.4	22.2	25.9	-187 bps	-553 bps

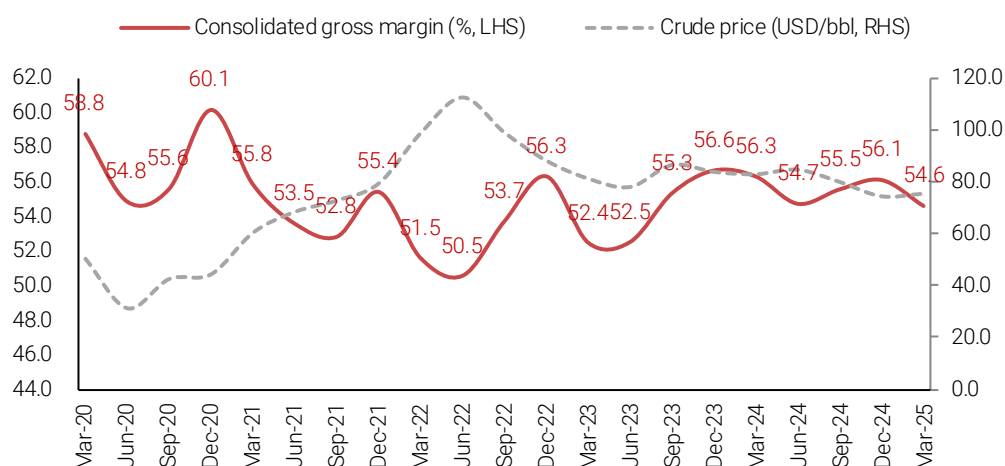
Source: Company, Kotak Institutional Equities

Exhibit 4: Key metrics of VBL's subsidiaries (consolidated minus standalone), Calendar year-ends (Rs mn, %)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Amount (Rs mn)													
Revenue	6,431	5,890	6,750	6,703	6,711	9,391	9,781	8,214	8,712	13,953	17,178	16,748	15,144
Gross profit	3,740	3,900	4,374	3,919	4,089	5,408	5,355	5,101	5,685	8,500	9,927	9,471	8,954
EBITDA	1,320	1,478	1,984	1,318	1,259	2,032	1,749	1,241	1,679	2,526	3,502	2,568	2,536
PAT	757	737	1,078	227	657	1,377	989	249	789	1,122	1,366	(123)	539
Metrics (%)													
Revenue growth	45.6	26.8	(1.8)	5.8	4.4	59.4	44.9	22.5	29.8	48.6	75.6	103.9	73.8
Gross margin	58.2	66.2	64.8	58.5	60.9	57.6	54.7	62.1	65.3	60.9	57.8	56.6	59.1
EBITDA margin	20.5	25.1	29.4	19.7	18.8	21.6	17.9	15.1	19.3	18.1	20.4	15.3	16.7
PAT margin	11.8	12.5	16.0	3.4	9.8	14.7	10.1	3.0	9.1	8.0	8.0	(0.7)	3.6

Source: Company, Kotak Institutional Equities

Exhibit 5: Quarterly trend in VBL's consolidated gross margin and crude oil price



Source: Bloomberg, Company, Kotak Institutional Equities

BevCo acquisition and DRC greenfield have boosted VBL's volume growth

Exhibit 6: VBL - Volume and Volume growth trends, Calendar year-ends (mn cases, %)

Volume (mn cases)																		
	1QCY20	2QCY20	3QCY20	4QCY20	1QCY21	2QCY21	3QCY21	4QCY21	1QCY22	2QCY22	3QCY22	4QCY22	1QCY23	2QCY23	3QCY23	4QCY23	1QCY24	2QCY24
CSD	76	89	89	55	106	118	108	68	126	219	133	85	160	232	159	106	169	307
Juice	8	8	6	4	11	11	8	6	13	26	11	7	16	23	11	8	18	32
Water	30	8	24	28	34	23	37	38	41	55	46	40	48	59	50	42	53	63
Total	114	105	120	87	151	152	153	112	180	300	190	132	224	314	220	156	240	402
Growth, yoy (%)																		
	1QCY20	2QCY20	3QCY20	4QCY20	1QCY21	2QCY21	3QCY21	4QCY21	1QCY22	2QCY22	3QCY22	4QCY22	1QCY23	2QCY23	3QCY23	4QCY23	1QCY24	2QCY24
CSD	19	(39)	3	6	39	33	21	24	19	85	23	25	27	6	20	25	6	32
Juice	33	(47)	(13)	(20)	38	38	29	50	18	138	38	17	23	(12)	-	14	13	39
Water	50	(77)	(22)	12	13	188	54	36	21	140	24	5	17	7	9	5	11	7
Total	27	(46)	(4)	6	32	45	28	29	19	97	24	18	24	5	16	18	7	28

Source: Company, Kotak Institutional Equities

Exhibit 7: VBL – Sales volume estimates, Calendar year-ends (mn cases, %)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
VBL volumes (mn cases)										
VBL India (mn cases)										
CSD	199	278	240	316	463	544	609	672	729	783
NCBs	21	32	25	33	53	55	65	73	83	94
Packaged water	54	93	73	105	136	138	147	163	181	201
Grand total	274	404	337	454	653	737	821	908	993	1,078
VBL International (mn cases)										
CSD	58	69	69	84	98	111	224	298	352	405
NCBs	1	1	2	3	4	4	4	5	6	7
Packaged water	8	18	17	28	47	61	74	86	101	116
Grand total	67	88	88	115	149	176	303	389	459	528
VBL India + International (mn cases)										
CSD	257	347	309	400	563	655	834	970	1,081	1,188
NCBs	22	33	27	36	57	59	69	79	89	101
Packaged water	61	111	90	133	182	199	221	249	282	317
Grand total	340	491	425	569	802	913	1,124	1,297	1,452	1,606
VBL India volume growth (yoy %)										
CSD	14.1	39.7	(13.9)	31.9	46.5	17.5	12.0	10.3	8.5	7.5
NCBs	52.5	56.1	(22.2)	34.1	59.3	3.4	18.0	13.0	13.0	13.0
Packaged water	49.8	73.9	(22.1)	44.1	29.9	1.2	6.5	11.0	11.0	11.0
Grand total	22.1	47.6	(16.4)	34.7	43.6	12.9	11.4	10.6	9.3	8.6
VBL International volume growth (yoy %)										
CSD	33.3	18.8	(0.8)	21.5	16.8	13.3	102.0	33.0	18.0	15.0
NCBs	(63.6)	10.0	(4.0)	59.2	26.0	5.3	10.0	20.0	18.0	15.0
Packaged water	(13.6)	131.6	3.5	63.4	69.8	29.8	22.0	15.0	18.0	15.0
Grand total	20.9	31.6	0.5	30.4	29.8	18.3	72.2	28.4	18.0	15.0
VBL India + International volume growth (yoy %)										
CSD	17.9	35.0	(11.1)	29.5	40.7	16.3	27.3	16.4	11.4	9.9
NCBs	32.8	54.0	(19.1)	35.9	56.5	3.5	17.5	13.4	13.3	13.1
Packaged water	37.3	81.1	(19.2)	47.7	37.3	9.3	11.3	12.3	13.4	12.4
Grand total	21.9	44.5	(13.4)	33.8	40.9	13.8	23.1	15.4	11.9	10.6

Source: Company, Kotak Institutional Equities

Exhibit 8: VBL - Consolidated profit & loss, balance sheet and cash flow, Calendar year-ends, 2018-27E (Rs mn)

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Profit model (Rs mn)									
Net operating revenues	71,296	64,501	88,232	131,731	160,426	200,077	232,822	262,111	291,569
EBITDA	14,477	12,019	16,546	27,881	36,095	47,111	54,293	59,846	66,468
Other income	425	370	679	388	794	1,213	1,772	2,054	2,550
Interest expense	(3,096)	(2,811)	(1,847)	(1,861)	(2,681)	(4,504)	(1,043)	(1,024)	(530)
Depreciation	(4,886)	(5,287)	(5,313)	(6,172)	(6,809)	(9,474)	(10,992)	(11,800)	(12,491)
Pretax profits	6,919	4,290	10,066	20,236	27,398	34,346	44,029	49,077	55,997
Tax	(2,241)	(52)	(2,606)	(4,735)	(6,375)	(7,988)	(10,819)	(12,077)	(13,727)
Minority Interest/share of profit from associates	11	(283)	(520)	(527)	(464)	(411)	(366)	(384)	(404)
Reported net income	4,690	3,955	6,941	14,974	20,559	25,946	32,844	36,616	41,866
Shares outstanding (mn) - FD	3,247.8	3,247.8	3,247.7	3,247.8	3,248.0	3,381.5	3,381.5	3,381.5	3,381.5
Fully Diluted EPS (Rs)	1.4	1.2	2.1	4.6	6.3	7.7	9.7	10.8	12.4
Balance sheet (Rs mn)									
Total shareholders' equity	33,284	35,240	40,799	51,024	69,365	166,098	195,001	226,125	261,711
Total borrowings	34,172	32,059	33,419	36,948	51,944	23,643	18,000	5,000	2,500
- Other borrowings	34,172	32,059	33,419	36,948	51,944	23,643	18,000	5,000	2,500
- PepsiCo deferred payout	—	—	—	—	—	—	—	—	—
Deferred tax liability	2,825	2,259	3,111	3,368	3,430	4,879	4,879	4,879	4,879
Total liabilities and equity	70,588	70,206	78,497	92,471	126,221	195,918	219,538	238,040	271,523
Net fixed assets including CWIP	65,429	64,754	68,074	75,389	103,314	145,684	164,923	177,708	190,833
Investments	0	0	0	0	211	595	595	595	595
Cash	1,711	1,901	3,366	2,853	4,599	24,501	25,469	27,846	44,899
Net current assets	3,448	3,551	7,057	14,230	18,097	25,138	28,551	31,891	35,196
Total assets	70,588	70,206	78,497	92,472	126,221	195,918	219,538	238,040	271,523
Free cash flow (Rs mn)									
Operating cash flow (excluding working capital)	13,903	11,228	15,002	23,752	30,643	40,505	43,612	47,918	52,901
Working capital	(851)	(1,108)	(2,687)	(5,852)	(6,735)	(6,694)	(3,413)	(3,340)	(3,305)
Capital expenditure (including PepsiCo payout)	(23,666)	(5,356)	(8,154)	(17,499)	(31,939)	(43,449)	(30,231)	(24,584)	(25,616)
Free cash flow	(10,614)	4,764	4,160	401	(8,031)	(9,638)	9,968	19,994	23,980
Key ratios (%)									
Sales growth	39.7	(9.5)	36.8	49.3	21.8	24.7	16.4	12.6	11.2
EBITDA growth	43.8	(17.0)	37.7	68.5	29.5	30.5	15.2	10.2	11.1
PAT growth	60.1	(15.7)	75.5	115.8	37.3	26.2	26.6	11.5	14.3
EBITDA margin	20.3	18.6	18.8	21.2	22.5	23.5	23.3	22.8	22.8
Gross margin	54.8	57.1	54.3	52.5	53.8	55.5	55.0	54.3	54.2
A&P (% of sales)	1.7	1.8	1.4	1.1	1.2	1.3	1.4	1.5	1.5
Employee cost (% of sales)	11.4	13.8	11.4	9.2	9.0	9.4	9.5	9.5	9.5
RoE (%)	17.6	11.5	18.3	32.6	34.2	22.0	18.2	17.4	17.2
RoCE (%)	10.5	9.2	10.9	18.8	19.8	17.4	15.3	15.4	15.5
ETR (%)	32.4	1.2	25.9	23.4	23.3	23.3	24.6	24.6	24.5
Net Debt	32,461	30,158	30,053	34,095	47,345	(858)	(7,469)	(22,846)	(42,399)
Key metrics/assumptions									
Total volumes (mn cases)	491	425	569	802	913	1,124	1,297	1,452	1,606
- India volumes (mn cases)	404	337	454	653	737	821	908	993	1,078
- International volumes (mn cases)	88	88	115	149	176	303	389	459	528
Total volume growth (%)	44.5	(13.4)	33.8	40.9	13.8	23.1	15.4	11.9	10.6
India volume growth (%)	47.6	(16.4)	34.7	43.6	12.9	11.4	10.6	9.3	8.6
India organic volume growth (%)	13.0	(25.9)	34.7	43.6	12.9	11.4	10.6	9.3	8.6
Realization per case (Rs)	148	154	157	167	179	182	184	185	187
EBITDA per case (Rs)	29.5	28.3	29.1	34.8	39.5	41.9	41.9	41.2	41.4

Source: Company, Kotak Institutional Equities estimates

Vedanta (VEDL)

Metals & Mining

REDUCE

 CMP(₹): **419**

 Fair Value(₹): **435**

 Sector View: **Cautious**

 NIFTY-50: **24,334**

May 02, 2025

Strong end to FY2025

VEDL's 4QFY25 consolidated EBITDA came higher than our estimates, mainly led by the aluminum and Indian zinc divisions. VEDL's expansion projects in the aluminum division—smelter, refinery and captive coal mines—should be commissioned over FY2026-27E and are witnessing marginal delays. Parent (VRL) debt concerns are now largely behind and guidance of a further US\$2 bn reduction by FY2027E is achievable. VEDL's demerger is expected to conclude by September 2025E. We trim earnings and FV, mainly led by weaker commodity prices amid global macro challenges. Maintain REDUCE.

4QFY25: Beat led by aluminum/zinc divisions

VEDL's consolidated adjusted EBITDA in 4QFY25 was at Rs114.7 bn (+31% yoy, +3.3% qoq), largely attributable to the aluminum/zinc divisions. Key divisional performance—(1) aluminum EBITDA of R46.6 bn (+55% yoy, +2.6% qoq), led by higher volumes and price premiums, partially offset by higher costs, (2) the O&G division's volume decline of 3.2% qoq ((-)18% yoy) with a marginal adjusted EBITDA rise of 0.9% qoq ((-)20% yoy) on cost optimization and (3) ZI's EBITDA improved 14% qoq, led by higher volumes (+50% yoy, +11% qoq) in 4QFY25.

Aluminum division—growth projects witnessing marginal delays

Growth projects are delayed by 1-2 quarters, but remain on track to be commissioned in phases through FY2026-27E. These include (1) capacity expansion to 2.8/3.1 mtpa by 1HFY26E/FY2027E, (2) backward integration with an increase in alumina refinery capacity to 5/6 mtpa by 1HFY26/28E and commissioning of captive coal/bauxite mines over FY2026-27E and (3) an increase in share of value-added sales from downstream assets. We estimate a 3- to 6-month delay across various projects, mainly due to pending regulatory approvals for the commissioning of mines (coal and bauxite) versus guidance. We estimate a margin of ~US\$999/1,082/1,154 per ton in FY2026/27/28E.

Parent's (VRL) leverage issues are behind

The parent Vedanta Resources (VRL) has deleveraged impressively in the past few quarters, with net debt (including ICL) of ~US\$5.3 bn, as of 4QFY25, from US\$6/7.3/10 bn in FY2024/23/22. Of this, US\$3.1 bn bonds outstanding have been restructured with longer maturities and 250 bps lower cost in the past four months, resulting in (1) improved credit ratings and (2) spreading out of maturities. VEDL expects to further reduce net debt by an additional US\$2 bn by FY2027E, without additional leverage at VEDL. We note that the concerns around high leverage and a funding gap are now behind.

Project delays drive lower earnings; maintain REDUCE

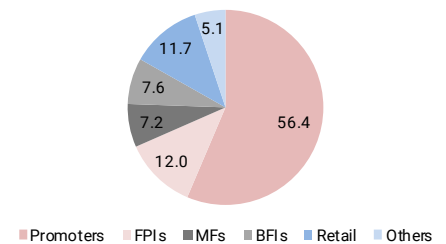
We cut the consolidated EBITDA by 9%/5% for FY2026E/27E, led by lower metal prices. Our FV decreases to Rs435 (from Rs465) on lower earnings at an unchanged 6X EV/EBITDA (attributable). The risk-reward appears balanced at current valuations. Maintain REDUCE.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	419/435/REDUCE
52-week range (Rs) (high-low)	527-362
Mcap (bn) (Rs/US\$)	1,639/19.4
ADTV-3M (mn) (Rs/US\$)	4,352/51.4

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(10)	(5)	5
Rel. to Nifty	(13)	(9)	(2)
Rel. to MSCI India	(13)	(8)	(0)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	35.4	41.2	48.6
EPS growth (%)	312.1	16.2	18.1
P/E (X)	11.8	10.2	8.6
P/B (X)	4.0	3.4	2.9
EV/EBITDA (X)	5.4	4.8	4.1
RoE (%)	38.5	36.0	36.3
Div. yield (%)	10.4	5.5	6.5
Sales (Rs bn)	1,530	1,610	1,774
EBITDA (Rs bn)	423	475	539
Net profits (Rs bn)	139	161	190

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Sumangal Nevatia

Siddharth Mehrotra

Keshav Kumar

VEDL's EBITDA beat was led by the aluminum/zinc divisions

Exhibit 1: Interim results of VEDL (consolidated), March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			FY2025	FY2024 % chg.)	FY2026E % chg.)	
					KIE	yoy	qoq				
Net sales	404,550	391,733	355,090	391,150	3	13.9	3.4	1,529,680	1,389,660	10	1,610,278
Total expenditure	(289,890)	(284,016)	(267,410)	(280,110)	2	8.4	3.5	(1,106,250)	(1,085,290)	2	(1,135,408)
Inc/(Dec) in stock	-	(5,746)	(5,410)	540	(100)	(100)	(100)	-	-	-	#DIV/0!
Raw materials	(139,250)	(111,138)	(104,640)	(127,460)	25	33.1	9.2	(490,220)	(444,070)	10	(503,141)
Staff cost	(8,370)	(8,019)	(7,550)	(9,040)	4	10.9	(7.4)	(35,030)	(33,000)	6	(35,953)
Power and fuel	(54,670)	(58,798)	(55,360)	(53,900)	(7)	(1.2)	1.4	(225,990)	(235,470)	(4)	(231,946)
Other expenditure	(87,600)	(100,315)	(94,450)	(90,250)	(13)	(7.3)	(2.9)	(355,010)	(372,750)	(5)	(364,367)
EBITDA	114,660	107,717	87,680	111,040	6.4	31	3.3	423,430	304,370	39	474,870
OPM (%)	28.3	27.5	24.7	28.4				27.7	21.9		29.5
Other income	7,610	6,000	5,840	6,800	27	30	12	36,750	25,500	44	52,675
Interest	(25,830)	(25,153)	(24,150)	(24,420)	3	7.0	5.8	(99,140)	(94,650)	5	(100,566)
Depreciation	(29,880)	(28,151)	(27,430)	(26,810)	6	8.9	11.5	(110,960)	(107,230)	3	(116,350)
Pretax profits	66,560	60,413	41,940	66,610	10	59	(0)	250,080	127,990	95	310,629
Extraordinaries	-	-	(2,010)	-				11,360	10,440	9	-
Tax	(16,960)	(16,916)	(17,200)	(17,850)	0	(1.4)	(5)	(56,100)	(63,060)	(11)	(93,189)
Net income before minority interest	49,600	43,498	22,730	48,760	14	118	2	205,340	75,370	172	217,440
Minority interest	(14,780)	(10,627)	(9,060)	(13,290)	39	63	11	(55,470)	(33,000)	68	(56,504)
PAT after minority interest	34,830	32,871	13,690	35,470	6	154	(2)	149,870	42,370	254	160,937
Adjusted PAT	34,830	32,871	15,700	35,470	6	122	(2)	138,520	31,950	334	160,937
EPS reported (Rs)	9.4	8.8	4.2	9.5				37.3	8.6	334	43.3
Ratios											
EBITDA margin (%)	28.3	27.5	24.7	28.4				27.7	21.9		29.5
Volume details ('000 tons)											
Copper mined metal content	44	44	31	44	-	42	-	149	197	(24)	149
Balco - aluminum	149	147	147	151	1	1	(2)	592	586	1	700
Zinc & Lead - mined metal content	274	270	274	256	1.5	-	7.0	1,052	1,033	2	1,104
Zinc International	51	50	34	46	2.0	50	10.9	179	209	(14)	231
VAL - aluminum	463	456	457	469	2	1.4	(1.2)	1,830	1,784	3	1,838
Aluminum volumes ('000 tons)	612	603	604	620	1.5	1.3	(1.3)	2,422	2,370	2.2	2,538
Cairn India (Kboepd)	96	96	118	99	-	(18)	(3.2)	103	128	(19)	100
Steel volumes (kt)	372	355	355	318	4.8	4.8	17.0	1,337	1,394	(4)	1,500
EBITDA (Rs mn)											
Copper	(490)	40	(120)	40	(1,325)	308	(1,325)	(1,120)	(690)	62	(1,312)
Aluminium	46,580	43,120	30,000	45,400	8.0	55	2.6	177,980	96,570	84	219,596
Zinc and lead	48,110	45,336	36,260	45,320	6.1	33	6.2	173,880	136,560	27	177,573
Power	1,310	1,553	2,240	1,310	(16)	(42)	-	7,370	9,710	(24)	8,956
Zinc International	4,040	3,506	590	3,540	15	585	14	13,210	6,930	91	13,271
Others	(1,630)	(2,445)	(1,840)	(1,790)		(11)	(9)	(9,810)	(13,880)	(29)	(8,000)
Iron Ore	3,110	3,430	5,580	3,750	(9.3)	(44)	(17)	10,060	16,760	(40)	15,232
Cairn India	12,120	11,623	15,130	12,010	4.3	(19.9)	0.9	46,640	50,160	(7)	39,756
Steel	1,510	1,553	(160)	1,460	(3)	(1,044)	3	5,220	2,250	132	9,797
Production costs											
Aluminium Jharsuguda (Rs/ton)	165,714	164,199	139,900	152,036	0.9	18	9.0	168,148	159,128	6	166,962
Aluminium Balco (Rs/ton)	200,301	191,705	149,000	179,164	4.5	34.4	11.8	137,264	137,293	(0)	130,753
Zinc International (US\$/ton)	1,263	1,182	1,673	1,182	6.9	(25)	6.9	1,471	1,446	2	1,337
Zinc India ex-royalty (US\$/ton)	994	1,138	1,051	1,041	(13)	(5.4)	(4.5)	1,052	1,117	(6)	1,006
Power - average cost (Rs/unit)	3.5	4.2	2.6	4.2	(15.9)	35	(15.9)	5.2	4.8	9	5.2

Source: Company, Kotak Institutional Equities estimates

Key takeaways from conference call

▶ Aluminum

- VEDL recorded aluminum volumes of 0.61 mn tons in 4QFY25 (+1.3% yoy, (-)1.3% qoq). FY2025 volumes stood at 2.4 mn tons (+0.8% yoy).
- EBITDA stood at Rs46.6 bn (+55 % yoy, +2.6% qoq) due to better prices/premiums, partially offset by higher alumina costs during the quarter.
- BALCO's smelter expansion of ~0.4mtpa should be completed by end-1QFY26.
- VAP volumes, at 0.34 mn tons, were the highest ever in a quarter. The company expects higher VAP share (70% target in FY2026E versus 55% in 4QFY25) to aid premiums in the coming years.
- CoP was higher in the quarter due to carry over of higher cost alumina in 4QFY25 and should normalize hereon. CoP guidance for FY2026E is US\$1,700-1,750/ton.

- The current sourcing of bauxite is through OMC/others (~50%) with the balance imported.
 - Captive alumina cost is US\$377/ton, around spot alumina prices of ~US\$350/ton. Captive costs to be lower at ~US\$340-350/ton after the volume ramp-up and captive bauxite mines.
 - Alumina/aluminum volume guidance for FY2026E is 3.0/2.5 mn tons.
 - Conversion costs were lower by ~US\$40/ton in 4QFY25 based on certain one-off write-backs, which would not continue.
 - VEDL expects US\$40-45/ton cost reduction in power costs in FY2026E.
- **Status of expansion projects.**
- Management expects train 2 of 1.5 mtpa alumina to be operational at Lanjigarh by end-1QFY26 (earlier 4QFY25), taking alumina capacity to 5 mtpa.
 - Captive alumina volumes to be 3.1 mn tons in FY2026E, with run-rate after expansion of 4 mn tons by 4QFY26E exit, according to the company. Full ramp-up to 5 mtpa capacity by end-FY2027E.
 - Current run-rate at the Lanjigarh alumina refinery is ~2 mtpa (versus 3.5 mtpa capacity). The company targets 55% captive alumina in 1QFY26E, implying 2.6 mtpa run-rate.
 - Capacity expansion at BALCO (from 0.4 mtpa to 1 mtpa) to be completed by end-1QFY26. Along with some volume debottlenecking projects, total capacity will be ~3.1 mn tons in FY2026/27E.
- **Mines.** The Sijimali bauxite mines are in the advanced stage of FC approval, with ~96% of land acquisition completed. VEDL expects to commence the mine by 3QFY26 (earlier 2QFY26) and contribute to ~25-30% of total bauxite requirements.
- VEDL will not miss aluminum production targets for want of bauxite, and has alternate plans in place if Sijimali approvals do not come through. However, the alternate plans were not specified.
 - The Ghoghralpalii coal mine of 20 mtpa capacity expected to be operational by end-FY2026.
 - The Kurloi coal mine (8 mtpa) is expected to be operational only by 3QFY26 (earlier 4QFY25).
- **Hindustan Zinc:** HZ's 4QFY25 EBITDA of Rs48.2 bn (32% yoy, 7.1% qoq) was higher than our estimate of Rs45.3 bn due to lower costs and higher zinc sales volumes in the quarter. Zinc-adjusted CoP further decreased to US\$994/ton ((-)5.4% yoy, (-)4.5% qoq), owing to better grades, better by-product realizations, soft coal prices, lower input commodity prices and supply of renewable power from the group captive arm.
- HZ expects to commence work on its phase 1 expansion to 1.5 mtpa capacity by 2HFY26, with a target completion of 2-3 years.
- **Oil & gas.** O&G division volume declined 3.2% qoq ((-)18% yoy) with the natural decline offset partially by infill wells. Adjusted EBITDA increased marginally by 0.9% qoq ((-)20% yoy) on cost optimization.
- Guidance for FY2026E, at 95-100 kboepd, suggests similar volumes as of 4QFY25 exit (96 kboepd). The current run-rate is expected to improve from 2QFY26E.
 - VEDL won 7/28 blocks in OALP-IX round focusing on the West Coast of India. VEDL wants to focus on OALP, given a higher EBITDA contribution and aims for 8-10% of OALP share by 4QFY26E and 20-25% OALP share in the next 18-24 months.
 - VEDL is seeking to monetize its northeastern oil discovery (~6 mmmboe) and has started a shale drilling campaign in Rajasthan.
- **Zinc International:** ZI's EBITDA improved 14% qoq, led by higher volumes (+50% yoy, +11% qoq) in 4QFY25.
- CoP stood at US\$1,263 per ton in 4QFY25 (US\$1,181 per ton in 3QFY25). VEDL expects normalized CoP for FY2026E in the US\$1,250-1,350 per ton range.
 - Production for FY2026E to be in the 235-265 kt range.

- Full normalization of volumes is expected in FY2027E after the Phase 2 completion by 4QFY26.
- ▶ **Steel and iron ore business.** Steel volumes improved (+4.8% yoy, +17% qoq) on seasonal tailwinds.
 - Production guidance from Karnataka/Odisha/Goa iron ore mines is 12.2-14.0 mn tons for FY2026E. Higher production is due to a ramp-up in Bicholim (Goa).
 - Hot metal volume guidance from ESL for FY2026E is 1.5-1.6 mn tons.
- ▶ **Power assets.** The Meenakshi power asset is partly operational at 300 MW. Balance 700 MW capacity is to be operational in 1HFY26.
- ▶ The Athena power asset is to be started in phases. Unit 1 of 600 MW scheduled for commissioning in 1HFY26, while Unit 2 of 600 MW is expected to start operations in March 2026.
 - The company does not have any PPAs. The power is sold through merchant sales. VEDL targets EBITDA of Rs2/unit from these assets. Cost per unit is ~Rs3.5 and VEDL expects realizations of Rs5.5-6.0/unit in the merchant power market.
- ▶ **Hedges.** For aluminum, 275 kt is hedged at US\$2,655/ton, while for Zinc International, 50 kt is hedged at US\$2,800/ton.
- ▶ An MoU for the copper smelter project in Saudi Arabia has been signed. The proposal is under study, after which a feasibility study will be undertaken. The project is still far away from any firm capex commitments.
- ▶ **Debt at VRL.** External debt is ~US\$4.9 bn, and VEDL expects it to reduce to US\$3 bn by end-FY2027E, without adding leverage at VEDL.
 - Total debt at VRL(inc. ICL) stands at ~US\$5.3 bn, as of 4QFY25 (stable qoq, ~US\$6 bn, as of FY2024) and is at the lowest levels in a decade.
 - Principal repayments due in FY2026E/FY2027E are US\$0.9/0.65 bn. Interest repayments due in FY2026/27E are ~US\$0.5/0.45 bn.
 - Total of US\$1.5 bn repayments in FY2026E will be from (1) a brand fee of ~US\$0.4 bn and (2) dividends of ~US\$0.8 bn. The balance requirement is to be refinanced.
 - VRL debt consists of US\$3 bn bonds, US\$1 bn bank loans and ~US\$0.9 bn through private credit and intercorporate loans of US\$0.4 bn.
 - Intercorporate loan (ICL) of ~US\$0.4 bn is to be paid in two tranches of US\$200 mn each in January/May 2026.
- ▶ **Konkola mines.** The current focus is on operationalizing and increasing volumes from assets. There are no restructuring plans for these mines under consideration; however, these cannot be ruled out for the future.
 - The company started production around September 2024, after reacquiring the asset. Management guidance for FY2026E is 150 kt (run-rate pre-liquidation).
 - VEDL reaffirmed its commitment to invest US\$1 bn over five years to develop the asset. FY2026E capex to be ~US\$300 mn.
- ▶ **Net debt.** Consolidated net debt decreased by Rs41 bn qoq in 4QFY25 to Rs532.5 bn.
- ▶ **Capex.** Growth capex guidance for FY2026E is US\$1.5-1.7 bn.
- ▶ **Demerger scheme.** Demerger scheme is on track. Shareholder and creditor approvals have been received, as of February 2025. The petition is before NCLT and management expects the demerger process to be complete by September 2025.

Exhibit 2: Volumes, cost details and EBITDA breakup of VEDL, March fiscal year-ends, 4QFY23-25 ('000 tons, Rs mn)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Change (%)	
										yoy	qoq
Volume details ('000 tons)											
Copper mined metal content	34	31	35	43	31	20	41	44	44	41.9	-
Balco - aluminum	144	146	147	147	146	146	149	150	147	0.7	(2.0)
Zinc & Lead - mined metal content	270	258	242	259	274	262	261	256	274	-	7.0
Refined Zinc	216	208	185	203	221	211	198	201	218	(1.4)	8.5
Zinc International	64	68	67	41	34	36	46	46	51	50.0	10.9
Jharsuguda aluminum	434	420	443	452	452	450	460	464	457	1.1	(1.5)
Aluminum volumes	578	566	590	599	598	596	609	614	604	1.0	(1.6)
EBITDA (Rs mn)											
Copper	500	(20)	(620)	70	(120)	(570)	(100)	40	(490)	308.3	(1,325.0)
Aluminium	19,380	18,170	19,670	28,730	30,000	44,410	41,590	45,400	46,580	55.3	2.6
Zinc and lead	43,270	33,140	30,730	35,490	36,260	39,030	41,190	45,320	48,110	32.7	6.2
Power	2,810	2,870	2,480	2,120	2,240	2,820	1,930	1,310	1,310	(41.5)	-
Zinc International	4,440	2,820	2,890	620	590	1,850	3,780	3,540	4,040	584.7	14.1
Others	810	(6,020)	(3,340)	(1,720)	(1,840)	(3,090)	(3,060)	(1,790)	(1,630)	(11.4)	(8.9)
Iron Ore	3,580	1,640	3,200	6,340	5,580	1,830	1,370	3,750	3,110	(44.3)	(17.1)
Cairn India	15,610	11,450	10,990	12,590	15,130	10,810	11,700	12,010	12,120	(19.9)	0.9
Steel	3,010	150	1,180	1,070	(160)	2,360	(120)	1,460	1,510	(1,043.8)	3.4
Consolidated EBITDA (Rs mn)	93,410	64,200	67,180	85,310	87,680	99,450	98,280	111,040	114,660	30.8	3.3
Production costs											
Aluminium Jharsuguda (Rs/ton)	167,600	155,600	147,200	141,200	139,900	139,000	139,500	152,036	165,714	18.5	9.0
Aluminium Balco (Rs/ton)	174,400	168,100	159,100	154,600	149,000	156,100	163,200	179,164	200,301	34.4	11.8
Zinc International (US\$/ton)	1,545	1,381	1,369	1,704	1,673	1,611	1,195	1,182	1,263	(24.5)	6.9
Zinc India ex-royalty (US\$/ton)	1,214	1,194	1,137	1,095	1,051	1,107	1,071	1,041	994	(5.4)	(4.5)
Power - average cost (Rs/unit)	2.2	2.4	2.4	2.8	2.6	2.7	2.8	4.2	3.5	35.3	(15.9)
Power - average realization (Rs/unit)	4.8	4.4	4.7	4.7	4.5	4.3	4.8	5.4	5.0	13.0	(5.6)

Source: Company, Kotak Institutional Equities estimates

VEDL's aluminum profitability improved qoq on higher LME and premia, partially offset by higher alumina costs
Exhibit 3: Aluminum realization, cost breakup and EBITDA on per ton basis, March fiscal year-ends, 4QFY23-25 ('000 tons, US\$/ton)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	% change	
										yoy	qoq
Vedanta's aluminum cost and margins											
Volumes ('000 tons)	578	566	590	599	598	596	609	614	604	1.0	(1.6)
LME aluminum price	2,420	2,266	2,159	2,190	2,199	2,520	2,520	2,590	2,638	20.0	1.9
Premium	149	180	201	179	166	198	198	262	301	81.3	14.9
Total realizations (US\$/ton)	2,569	2,446	2,360	2,369	2,365	2,718	2,718	2,852	2,939	24.3	3.1
Less: Costs (US\$/ton)	(2,178)	(2,055)	(1,957)	(1,791)	(1,767)	(1,803)	(1,803)	(1,985)	(2,060)	16.6	3.8
- Alumina costs	(730)	(773)	(697)	(707)	(688)	(774)	(774)	(982)	(1,094)	59.0	11.4
- Power costs	(758)	(642)	(625)	(597)	(617)	(563)	(563)	(541)	(543)	(12.0)	0.4
- Other hot metal costs	(571)	(517)	(493)	(431)	(406)	(379)	(379)	(355)	(374)	(7.9)	5.4
- Ingot conversion costs	(119)	(123)	(142)	(56)	(56)	(87)	(87)	(107)	(49)	(12.5)	(54.2)
EBITDA (US\$/ton)	391	391	403	578	598	915	915	867	879	47.0	1.4
Jharsuguda CoP (US\$/ton)	2,039	1,894	1,780	1,696	1,684	1,666	1,665	1,800	1,914	13.7	6.3
Balco CoP (US\$/ton)	2,121	2,047	1,924	1,857	1,794	1,871	1,948	2,121	2,313	28.9	9.1
Blended CoP (US\$/ton)	2,059	1,932	1,814	1,735	1,711	1,716	1,734	1,878	2,011	17.5	7.1

Source: Company, Kotak Institutional Equities estimates

Net debt decreased marginally by ~Rs41 bn qoq in 4QFY25

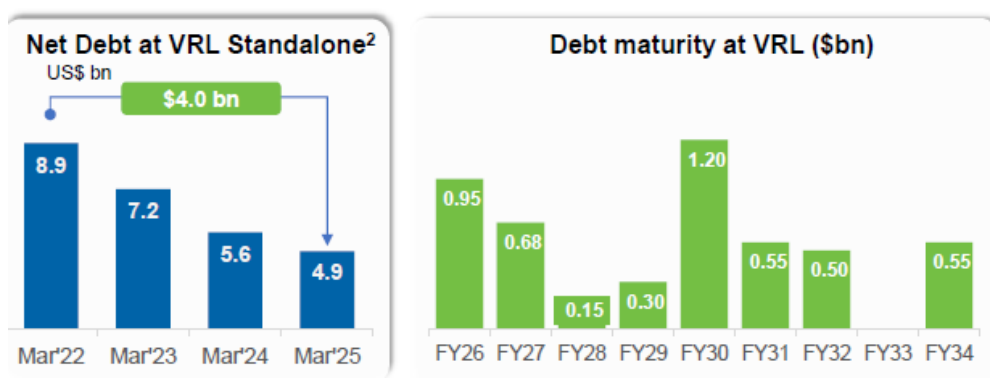
Exhibit 4: Net debt breakup of VEDL, March fiscal year-ends, 4QFY23-25 (Rs mn)

	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	(qoq change)
Standalone, wholly owned subsidiaries										
Vedanta Standalone	346,590	428,780	405,350	430,820	398,470	425,140	313,370	338,050	371,130	33,080
Talwandi Sabo	63,000	63,640	62,850	61,190	58,440	60,890	58,850	55,560	55,070	(490)
Cairn acquisition/other debt	10,520	12,520	8,080	9,600	6,440	9,120	5,930	(1,670)	(6,040)	(4,370)
Zinc International	(6,630)	(7,650)	(4,480)	(1,580)	600	3,300	8,670	15,890	17,270	1,380
THLZV (holdco of Zinc International)	-	68,870	74,000	73,960	73,840	73,910	74,350	76,000	27,960	(48,040)
Others	(5,000)	2,870	3,790	11,610	10,210	9,980	21,070	21,700	20,750	(950)
Electrosteel debt	19,730	21,040	18,850	19,070	15,240	14,790	13,660	12,790	12,700	(90)
Sub total	428,210	590,070	568,440	604,670	563,240	597,130	495,900	518,320	498,840	(19,480)
Zinc India	17,800	(3,790)	(700)	3,680	(17,310)	2,930	57,210	41,170	11,690	(29,480)
Balco	6,590	5,640	9,970	16,580	17,450	13,170	16,180	14,090	21,980	7,890
Other subsidiaries	24,390	1,850	9,270	20,260	140	16,100	73,390	55,260	33,670	(21,590)
Total net debt	452,600	591,920	577,710	624,930	563,380	613,230	569,290	573,580	532,510	(41,070)

Source: Company, Kotak Institutional Equities estimates

VRL has deleveraged substantially, along with dispersion in debt maturity over multiple years

Exhibit 5: Net debt, maturity profile for Vedanta Resources Limited (VRL), parent company of VEDL (US\$ bn)



Source: Company, Kotak Institutional Equities

Exhibit 6: VEDL, change in estimates, March fiscal year-ends, 2026-28E (Rs mn)

	Revised estimate			Previous estimate		Change (%)	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Prices (US\$/ton)							
Aluminum (LME prices)	2,550	2,600	2,625	2,550	2,625	—	(1)
Zinc (LME prices)	2,678	2,628	2,578	2,750	2,700	(3)	(3)
Lead (LME prices)	2,035	1,997	1,985	2,090	2,079	(3)	(4)
Vedanta Consolidated							
Net sales	1,610,278	1,773,772	1,919,271	1,793,056	1,873,356	(10)	(5)
EBITDA	474,870	538,948	591,099	524,313	568,596	(9)	(5)
PAT	160,937	190,117	226,755	173,882	191,062	(7)	(0)
EPS (Rs)	41.2	48.6	58.0	44.4	48.8	(7)	(0)
EBITDA							
VAL	156,542	174,677	202,050	158,305	175,147	(1)	(0)
Talwandi Sabo	7,493	7,493	7,493	9,288	9,288	(19)	(19)
Sterlite Energy	1,463	7,694	9,106	1,463	1,399	-	450
Iron ore	15,232	20,754	18,698	19,227	20,776	(21)	(0)
Copper	(1,312)	(1,255)	(1,427)	(327)	(269)	302	366
Steel	9,797	10,103	13,408	14,687	20,382	(33)	(50)
Zinc International	13,271	15,274	19,152	14,228	16,372	(7)	(7)
Cairn India	39,756	38,622	36,816	40,021	37,381	(1)	3
Vedl Standalone	234,243	265,362	297,297	250,893	276,439	(7)	(4)
Hindustan Zinc	177,573	186,126	191,700	194,442	202,807	(9)	(8)
BALCO	63,054	87,461	102,102	78,979	89,351	(20)	(2)
Attributable Vedl	381,646	430,762	473,782	417,364	453,629	(9)	(5)

Source: Company, Kotak Institutional Equities estimates

Exhibit 7: VEDL—key assumptions, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Commodity assumptions (US\$/ton)									
Zinc	2,410	2,425	3,260	3,287	2,483	2,878	2,678	2,628	2,578
Lead	1,950	1,867	2,280	2,104	2,122	2,045	2,035	1,997	1,985
Copper	6,750	6,750	9,703	8,535	8,372	9,500	9,500	9,500	9,500
Aluminium LME	1,760	1,807	2,777	2,468	2,208	2,527	2,550	2,600	2,625
Aluminium All-in	1,885	1,907	2,927	2,598	2,317	2,707	2,727	2,802	2,827
Iron Ore (Rs/ton)	2,549	3,690	6,167	3,850	3,298	3,376	3,170	2,933	2,936
Brent Crude (US\$/bbl)	61	45	80	96	83	85	85	80	80
USD:INR	70.9	74.2	74.5	80.7	82.8	84.6	86.6	88.5	90.0
Volumes (K tons)									
Zinc	680	724	777	821	817	827	873	903	909
Lead	180	216	192	211	216	225	231	239	245
Zinc International	204	175	195	274	209	179	231	256	306
Copper	101	109	133	164	197	149	149	149	149
Aluminium	1,922	1,982	2,269	2,285	2,370	2,422	2,538	2,738	2,929
Balco	579	582	582	564	586	592	700	900	1,000
VAL	1,343	1,400	1,687	1,721	1,784	1,830	1,838	1,838	1,929
Silver (HSL) (tons)	586	735	647	714	746	687	698	717	731
Cairn India ('000 boe/d)- Gross	173	162	161	143	128	103	100	95	91
Iron ore	6,600	6,300	6,800	5,700	6,200	5,400	8,300	8,575	8,652
Steel (ESL)	1,179	1,231	1,275	1,257	1,394	1,337	1,500	1,920	2,450

Source: Company, Kotak Institutional Equities estimates

We revise our Fair Value to Rs440/share (earlier Rs465) on March 2027E

Exhibit 8: SoTP-based Fair Value of VEDL, March 2027E basis (Rs mn)

	EBITDA (Rs bn)	Multiple (X)	EV (Rs bn)	Net debt (Rs bn)	Implied M Cap (Rs bn)	Vedanta's stake (%)	Holdco Discount %	Contribution Rs/ share
Partially owned Subsidiary								
Hindustan Zinc (at CMP)	186	7.5	1,396	25	1,371	63	20	178
BALCO	87	5.0	433	(5)	438	51	20	46
Oil & gas (DCF based value)								38
Other (Iron ore, Copper, Power, Steel, VAL, Zinc International)	227	5.0	1,134	451	683	100		174
Vedanta share price (Rs/share)								435
Fair Value of Vedanta (Rs/share)								435

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: VEDL (consolidated), profit model, balance sheet and cash flow model, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Profit model (Rs mn)									
Net sales	844,470	880,210	1,327,320	1,473,080	1,389,660	1,529,680	1,610,278	1,773,772	1,919,271
EBITDA	206,870	273,180	448,240	344,220	304,370	423,430	474,870	538,948	591,099
Other income	25,100	34,210	26,000	28,510	25,500	36,750	52,675	48,880	58,553
Interest	(49,770)	(52,100)	(47,970)	(62,250)	(94,650)	(99,140)	(100,566)	(100,566)	(96,874)
Depreciation	(90,930)	(76,380)	(88,950)	(105,550)	(107,230)	(110,960)	(116,350)	(122,291)	(128,232)
Profit before tax	91,270	178,910	337,320	204,930	127,990	250,080	310,629	364,971	424,547
Extraordinaries	(90,910)	(6,780)	(7,680)	(2,170)	10,440	11,360	—	—	—
Current tax	(17,880)	(20,660)	(92,550)	(57,700)	(63,060)	(56,100)	(93,189)	(109,491)	(127,364)
Deferred tax	(29,910)	(1,140)	—	—	—	—	—	—	—
Net income before minorities	(47,430)	150,330	237,090	145,060	75,370	205,340	217,440	255,480	297,183
Minority interest	(19,200)	(34,300)	(49,080)	(39,290)	(33,000)	(55,470)	(56,504)	(65,363)	(70,428)
Net income	(66,630)	116,030	188,010	105,770	42,370	149,870	160,937	190,117	226,755
Adjusted net income	24,270	122,800	195,690	107,910	31,950	138,520	160,937	190,117	226,755
EPS adjusted (Rs)	6.5	33.0	52.6	29.0	8.6	35.4	41.2	48.6	58.0
Balance sheet (Rs mn)									
Shareholder's funds	546,350	622,780	653,830	394,230	307,220	412,120	482,526	565,410	684,072
Borrowings	681,320	652,930	641,020	661,820	717,580	738,530	738,530	738,530	738,530
Minority Interest	171,120	151,380	173,210	100,040	113,470	125,410	146,245	175,034	208,570
Deferred tax liability	28,850	22,150	44,350	59,220	101,520	130,430	130,430	130,430	130,430
Current liabilities	408,580	407,730	471,410	738,460	668,280	626,440	631,812	642,708	652,405
Total liabilities	1,836,220	1,856,970	1,983,820	1,953,770	1,908,070	2,032,930	2,129,543	2,252,112	2,414,007
Net fixed assets	880,220	894,290	919,900	937,680	967,150	978,340	1,011,990	1,039,699	1,061,467
Capital work-in-progress	185,850	163,140	142,300	172,730	203,310	309,390	324,390	339,390	354,390
Goodwill	8,820	10,410	14,760	19,760	22,480	20,710	20,710	20,710	20,710
Cash and cash equivalents	377,610	326,140	324,950	218,900	152,090	207,490	244,619	302,503	408,073
Current assets	383,720	462,990	581,910	604,700	563,040	517,000	527,833	549,809	569,366
Total assets	1,836,220	1,856,970	1,983,820	1,953,770	1,908,070	2,032,930	2,129,543	2,252,112	2,414,007
Net debt	303,710	326,790	316,070	442,920	565,490	531,040	493,911	436,027	330,457
Free cash flow (Rs mn)									
Operating cash flow excl. working capital	149,150	202,030	344,550	229,360	242,770	297,690	281,115	328,891	366,862
Working capital changes	(9,390)	(15,710)	(47,660)	45,990	15,520	(6,650)	(5,462)	(11,079)	(9,860)
Cash flow from operations	139,760	186,320	296,890	275,350	258,290	291,040	275,653	317,811	357,002
Capital expenditure	(76,690)	(67,180)	(103,050)	(136,540)	(165,570)	(167,140)	(165,000)	(165,000)	(165,000)
Free cash flow	63,070	119,140	193,840	138,810	92,720	123,900	110,653	152,811	192,002
Ratios									
EV/EBITDA (Attributable)	—	—	—	—	—	—	—	—	—
P/E	64.2	12.7	8.0	14.4	48.8	11.8	10.2	8.6	7.2
P/B	2.9	2.5	2.4	4.0	5.1	4.0	3.4	2.9	2.4
Net debt/EBITDA (Attributable)	4.2	3.4	2.0	2.7	4.0	2.4	2.0	1.7	1.4
FCF yield (%)	4.6	8.9	13.6	10.0	7.1	9.0	10.0	12.3	15.3
Dividend yield (%)	0.9	2.3	10.7	24.2	7.0	10.4	5.5	6.5	6.6
Debt/equity (X)	1.2	1.0	1.0	1.7	2.3	1.8	1.5	1.3	1.1
Net debt/equity (X)	0.6	0.5	0.5	1.1	1.8	1.3	1.0	0.8	0.5
RoE (%)	4.2	21.0	30.7	20.6	9.1	38.5	36.0	36.3	36.3
Book Value	147	168	176	106	83	105	123	145	175

Source: Company, Kotak Institutional Equities estimates

Indus Towers (INDUSTOW)

Telecommunication Services

SELL

CMP(₹): **408**

Fair Value(₹): **385**

Sector View: **Attractive**

NIFTY-50: **24,334**
May 02, 2025

Strong quarter; delay in payouts was a letdown

Indus' 4QFY25 recurring EBITDA came in marginally ahead of our estimates on stronger rental revenue. The company has fully recovered all its undisputed overdues from Vodafone Idea (VI), which boosted reported earnings and FCF in FY2025. Indus has formed a subcommittee to decide on shareholder payout and did not declare any dividend for FY2025. We expect dividend payouts to resume from FY2026E, given its strong operating FCF yield and net cash balance sheet. Vi's fund-raise and long-term viability remain crucial for its network catch-up, a key re-rating catalyst for Indus. We revise FV to Rs385 on higher earnings and roll over. Maintain SELL.

4QFY25 results: Marginal beat at operating level

Indus' adjusted EBITDA at Rs41 bn (+10.4% yoy, +4.2% qoq) was 1.7% ahead of our estimates. Reported EBITDA of Rs43.2 bn (+6.2% yoy, +38% qoq) was lower than our estimate on slower-than-expected provision reversal of Rs2.2 bn (KIE: Rs5.2 bn). Net tower additions were 14,662 on the back of the Airtel Tower Portfolio (ATPF) acquisition in the last week of March 2025. Ex-ATPF, new tower additions stood at ~4,300 (4,985 in 3QFY25; KIE estimate of ~4,500). ARPT grew 1.1% qoq, and was lower (from ~2.5%) due to single-tenant skew in the ATPF acquisition. Network uptime stood at 99.98% (flat qoq).

Dividend payouts delayed

The company did not announce any dividend for FY2025, against our expectation of ~Rs15/share or 3.75% yield at CMP. The board has formed a subcommittee to evaluate appropriate modalities of cash distribution to shareholders. Management shared that the funding of the ATPF acquisition (Rs18-20 bn) through internal accruals was only an interim measure. The company has a payout policy of 100% of FCF and with VI's receivables issue behind it, we estimate a dividend yield of 6-7% over FY2026-28E at 90% payout.

FCF aided by past period collections

The company has recovered the entire undisputed overdues from VI in the last five quarters. Bad debt provisions for VI reduced to ~Rs3 bn as of March 2025 from the peak of Rs56 bn as of December 2023. Capex increased to ~Rs22 bn in the quarter (versus ~Rs12 bn qoq) due to strong tower additions and seasonality. Indus has become net cash (excluding leases) as of March 2025 at ~Rs11 bn, aided by the recovery of bad debts and moderate capex spends. We estimate strong operating FCF of 9.3%/9.6%/10.4% in FY2026E/27E/28E and an increase in shareholder payouts subsequently.

We raise earnings and revise FV to Rs385 on rollover

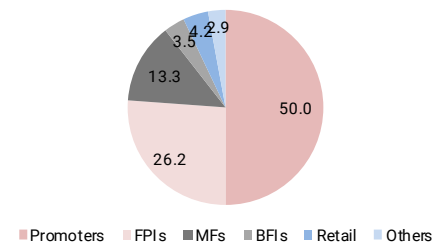
We increase our EBITDA estimates by 1.4%/0.8% on higher rentals based on recent trends. We build in a 5% CAGR in tenancies over FY2025-28E on VI's rollouts. Our DCF-based FV increases to Rs385 (from Rs355) as we roll forward to March 2027E. However, long-term growth may remain muted as densification would likely be in the form of loadings, leaner towers and enhanced competitive pressures.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	408/385/SELL
52-week range (Rs) (high-low)	461-292
Mcap (bn) (Rs/US\$)	1,077/12.7
ADTV-3M (mn) (Rs/US\$)	2,516/29.7

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	22	18	15
Rel. to Nifty	19	14	7
Rel. to MSCI India	18	15	9

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	23.2	25.0	27.7
EPS growth (%)	4.5	8.0	10.6
P/E (X)	17.6	16.3	14.7
P/B (X)	3.3	3.2	3.2
EV/EBITDA (X)	6.9	6.2	5.8
RoE (%)	20.5	20.1	21.8
Div. yield (%)	0.0	5.5	6.1
Sales (Rs bn)	301	327	349
EBITDA (Rs bn)	156	172	184
Net profits (Rs bn)	61	66	73

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Sumangal Nevatia

Siddharth Mehrotra

Keshav Kumar

Exhibit 1: Indus Towers – quarterly review, Ind-AS, March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			FY2025	FY2024	yoy	FY2026E	yoy
					KIE	yoy	qoq					
Service revenues	50,420	49,554	45,785	48,165	1.7	10.1	4.7	192,029	177,314	8.3	210,384	9.6
Energy reimbursements	26,851	28,406	26,147	27,309	(5.5)	2.7	(1.7)	109,199	108,692	0.5	117,024	7.2
Exit / one-off revenue	—	—	—	—	—	—	—	—	53	—	—	—
Reported revenue	77,271	77,961	71,932	75,474	(0.9)	7.4	2.4	301,228	286,059	5.3	327,408	8.7
Power and fuel	(28,266)	(29,406)	(26,725)	(28,253)	(3.9)	5.8	0.0	(114,450)	(111,499)	2.6	(123,024)	7.5
Employee expenses	(2,203)	(2,153)	(2,031)	(2,167)	2.3	8.5	1.7	(8,414)	(7,823)	7.6	(8,835)	5.0
Other costs	(5,826)	(6,097)	(6,072)	(5,714)	(4.4)	(4.1)	2.0	(22,732)	(21,884)	3.9	(23,950)	5.4
Bad debt provisions	2,264	5,243	3,612	30,241	—	—	—	50,868	766	—	—	—
Total operating costs	(34,031)	(32,413)	(31,216)	(5,893)	5.0	9.0	477.5	(94,728)	(140,440)	(32.5)	(155,808)	64.5
EBITDA	43,240	45,548	40,716	69,581	(5.1)	6.2	(37.9)	206,500	145,619	41.8	171,600	(16.9)
Adj EBITDA	40,976	40,305	37,104	39,340	1.7	10.4	4.2	155,632	144,800	7.5	171,600	10.3
Service EBITDA	42,391	41,305	37,682	40,284	2.6	12.5	5.2	160,883	147,607	9.0	177,600	10.4
Energy EBITDA	(1,415)	(1,000)	(578)	(944)	41.5	144.8	49.9	(5,251)	(2,807)	87.1	(6,000)	14.3
One-offs (Exit revenue/ provision write-offs)	2,264	5,243	3,612	30,241	—	—	—	50,868	819	—	—	—
D&A	(16,930)	(16,101)	(15,645)	(15,685)	5.2	8.2	7.9	(64,021)	(60,599)	5.6	(69,326)	8.3
EBIT	26,310	29,447	25,071	53,896	(10.7)	4.9	(51.2)	142,479	85,020	67.6	102,274	(28.2)
Net finance costs and other income	(2,680)	(3,090)	(182)	(1,708)	(13.3)	1,372.5	56.9	(10,942)	(3,743)	192.3	(13,979)	27.8
PBT	23,630	26,357	24,889	52,188	(10.3)	(5.1)	(54.7)	131,537	81,277	61.8	88,295	(32.9)
Provision for taxes	(5,273)	(5,314)	(5,455)	(4,596)	(0.8)	(3.3)	14.7	(19,503)	(20,671)	(5.6)	(22,224)	14.0
Recurring PAT	16,093	15,800	15,822	17,351	1.9	1.7	(7.3)	61,166	59,841	2.2	66,071	8.0
Exceptional items (post-tax)	1,698	3,932	2,709	22,681	—	—	—	38,151	575	—	—	—
Reported PAT	17,791	19,732	18,531	40,032	(9.8)	(4.0)	(55.6)	99,317	60,415	64.4	66,071	(33.5)
# of shares	2,638	2,638	2,695	2,638	—	—	—	2,638	2,695	(2.1)	2,638	—
Recurring EPS (Rs/share)	6.1	6.0	5.9	6.6	1.9	3.9	(7.3)	23.2	22.2	4.4	25.0	8.0
Key operating metrics												
Gross revenues (Rs mn)	77,271	77,961	71,932	75,474	(0.9)	7.4	2.4	301,228	286,006	5.3	327,408	8.7
Total towers (#)	249,305	239,136	219,736	234,643	4.3	13.5	6.2	249,305	219,736	13.5	263,305	5.6
Total tenants (#)	405,435	394,312	368,588	386,819	2.8	10.0	4.8	405,435	368,588	10.0	429,435	5.9
Tenancy ratio (end-period)	1.63	1.65	1.68	1.65	—	—	—	1.63	1.68	—	1.63	—
Sharing revenue per operator (Rs/month)	41,893	41,827	41,435	41,426	0.2	1.1	1.1	41,349	41,540	(0.5)	41,999	1.6
Sharing revenue per tower (Rs/month)	69,456	69,729	70,736	69,158	(0.4)	(1.8)	0.4	68,235	71,623	(4.7)	68,403	0.2
Margins (%)												
Overall EBITDA	53.0	51.7	51.6	52.1	133 bps	145 bps	91 bps	51.7	50.6	105 bps	52.4	75 bps
Service EBITDA (inc. one-offs)	84.1	83.4	82.3	83.6	72 bps	177 bps	44 bps	83.8	83.3	50 bps	84.4	64 bps
PAT	20.8	20.3	22.0	23.0	56 bps	(117)bps	(216)bps	20.3	20.9	(61)bps	20.2	(13)bps
Effective tax rate	24.7	25.2	25.6	20.9	—	—	—	24.2	25.7	—	25.2	—

Source: Company, Kotak Institutional Equities estimates

Earnings call takeaways

- ▶ **Tower /tenancy additions:** Indus' tower additions witnessed healthy addition of 14,662 on the back of the Airtel Tower Portfolio (ATPF) acquisition in the last week of March 2025. This consisted of 10,380 Macro towers and 2,226 Lean co-locations.
 - Ex-ATPF, new tower additions stood at ~4,300 (4,985 in 3QFY25).
 - Net tenants grew 4.8% qoq by 18,616 (+10% yoy, 7,583 qoq) on the back of ATPF with tenancy ratio declining qoq to 1.63 (1.65 qoq). The decline was largely on account of ATPF transaction, which had a single anchor tenant.
 - Ex-ATPF transaction, tenancy additions were ~8,800 for 4QFY25, implying EoP tenancy factor of 1.66.
 - Indus remains engaged with Vodafone Idea (VI) for its network catch up, which should boost tenancies, majorly from adding tenancy on existing single tenant towers.
 - Management guided towards a strong order book for tenants in FY2026E.
- ▶ **Airtel Tower Portfolio(ATPF) transaction.** Indus consummated the acquisition of ~12,600 towers (inc. lean towers) from Airtel during the last week of 4QFY25 via a slump sale.
 - Estimated purchase consideration for the transaction is ~Rs19.8 bn (Rs18-20 bn, of which Rs18.3 bn is paid and balance is in escrow subject to closing adjustments).

- Operating costs from the transaction are reflected from Nov 2025 (when Indus became a subsidiary of Bharti Airtel), while revenues are reflected only from March 2025 (transfer date) due to accounting standards for common control transactions.
- This has skewed performance metrics for the quarter. These should normalize in coming quarters.
- ▶ **Collections of prior-period bad debts:** Indus recorded a write-back of Rs2.3 bn prior-period bad debt provisions boosting reported margins.
 - Outstanding balance of Vodafone's doubtful receivables is Rs2.98 bn while total receivables (incl. trade receivables) from Vodafone is much higher.
 - Management expects VI's account to be regular post payment of all undisputed overdues in March 2025.
- ▶ **ARPT movement:** The average revenue per tenant (ARPT) grew 1.1% qoq, and was lower (versus management estimate of ~2.5%) due to the single-tenant skew in ATPF acquisition.
 - Future ARPT may be under pressure due to sharing discount on rollout of VI network at existing towers.
- ▶ Sharing revenues were higher by 4.7% qoq due to a combination of 1) colocation additions 2) loading growth 3) annual escalations and 4) year-end reconciliation benefits (estimated at ~2.1%)
- ▶ **Capex:** Capex increased qoq to Rs22.4 bn in 4QFY25 (Rs12.3 bn 3QFY25) on account of seasonality. The company prepares its infrastructure in the last quarter for upcoming monsoon season. The order book remains strong.
- ▶ 40,000 5G BTS have been rolled out in FY2025, bringing total 5G BTS count at ~475,000. The company expects this trend to continue and reflect in its revenues as loading charges on existing towers. No new 5G towers expected in the near term.
 - According to management, ~20% of capex is replacement capex (Rs8 bn upwards every year), while another 5-10% is used for other maintenance purposes.
- ▶ **Energy efficiency.** Indus further added ~1.3k solar sites in 4QFY25 to take the total solar sites count to ~29.9k as of 4QFY25.
- ▶ **Dividends:** The company has postponed the discussion on final dividend for FY2025.
 - The board has formed a subcommittee to evaluate appropriate modalities of cash distribution to shareholders.
 - Indus sees the use of internal accrual to pay for ATPF acquisition instead of debt as just a timing issue and plans to eventual fund it with debt.
- ▶ **Energy margins.** Energy margins moderated to -5.3% in 4QFY25 (-3.4% in 3QFY25). The company cited this increase as a one-off due to accounting standards on ATPF transaction, which distorted normalized energy margins of -2% during 4QFY25.

Exhibit 2: Key quarterly metrics, March fiscal year-ends 4QFY23 onward

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	qoq	YoY
Consolidated financials (Rs mn)											
Service revenues	42,499	43,345	43,389	44,795	45,785	46,366	47,078	48,165	50,420	4.7	10.1
Energy reimbursements	25,030	27,414	27,936	27,195	26,147	27,464	27,575	27,309	26,851	(1.7)	2.7
Gross revenues	67,529	70,759	71,325	71,990	71,932	73,830	74,653	75,474	77,271	2.4	7.4
EBITDA (Adj.)	34,676	35,665	35,550	36,481	37,104	37,444	37,872	39,340	40,976	4.2	10.4
EBIT	21,474	21,924	20,294	20,524	21,459	21,839	22,071	23,655	24,046	1.7	12
PBT	19,280	18,973	18,802	21,406	21,277	18,321	19,035	21,947	21,366	(2.6)	0
Recurring PAT	14,251	14,132	13,948	15,886	15,822	13,561	14,161	17,351	16,093		
Reported PAT	13,991	13,479	12,947	15,405	18,531	19,259	22,235	40,032	17,791	(55.6)	(4)
Operating FCF	11,548	5,350	3,980	1,628	7,272	17,553	25,453	48,695	12,574	(74)	73
Total capex	15,303	22,134	22,897	26,528	25,416	18,819	15,176	12,260	22,444	83	(12)
Maintenance capex	2,211	2,806	2,996	3,111	3,385	2,598	2,979	2,902	5,396	85.9	59.4
Adjusted funds from operations (AFFO)	9,337	2,544	984	(1,483)	3,887	14,955	22,474	45,793	7,178	(84.3)	85
Operating metrics											
EoP macro towers (#)	192,874	198,284	204,212	211,775	219,736	225,910	229,658	234,643	249,305	6.2	13.5
qoq macro tower net adds	3,482	5,410	5,928	7,563	7,961	6,174	3,748	4,985	14,662		
EoP macro colocations (#)	342,831	347,879	353,462	360,679	368,588	374,928	379,236	386,819	405,435	4.8	10.0
qoq macro colocation net adds (#)	3,396	5,048	5,583	7,217	7,909	6,340	4,308	7,583	18,616		
Macro colocation exits (#)	(512)	(518)	(840)	(655)	(429)	(310)	(239)	(328)	(375)		
qoq macro colocation gross addition (#)	3,908	5,566	6,423	7,872	8,338	6,650	4,547	7,911	18,991		
Tenancy ratio (end-period, X)	1.78	1.75	1.73	1.70	1.68	1.66	1.65	1.65	1.63		
EoP leaner colocations (#)	6,918	7,854	8,643	9,994	10,686	11,178	11,360	11,492	13,878	21	30
qoq leaner colocations added	1,235	936	789	1,351	692	492	182	132	2,386		

Notes:

AFFO = Operating FCF - maintenance capex

Source: Company, Kotak Institutional Equities estimates

Energy spreads were impacted by M&A related one-offs in 4QFY25
Exhibit 3: Trends in energy spreads, 4QFY23 onward (Rs mn)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Energy reimbursements	25,030	27,414	27,936	27,195	26,147	27,464	27,575	27,309	26,851
Power and fuel costs	(25,596)	(28,264)	(28,554)	(27,956)	(26,725)	(29,006)	(28,925)	(28,253)	(28,266)
Energy spread	(566)	(850)	(618)	(761)	(578)	(1,542)	(1,350)	(944)	(1,415)
Energy EBITDA margins (%)	(2.3)	(3.1)	(2.2)	(2.8)	(2.2)	(5.6)	(4.9)	(3.5)	(5.3)

Source: Company, Kotak Institutional Equities estimates

Indus' receivables decreased by ~Rs25 bn qoq in 4QFY25, net cash (ex-leases) stood at ~Rs10.8 bn

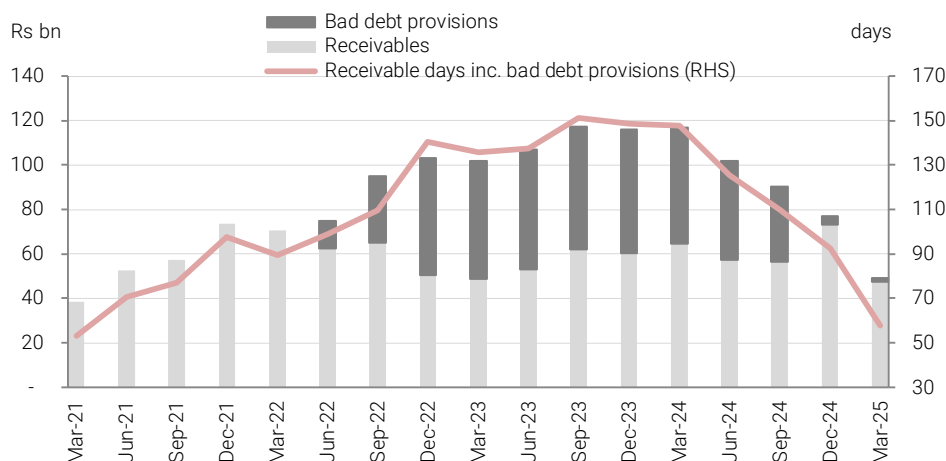
Exhibit 4: Consolidated balance sheet statement, March fiscal year-ends, last 10 quarters (Rs mn)

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Assets										
Net fixed assets										
Tangible assets	206,332	211,723	223,770	234,733	249,834	266,493	274,090	279,618	280,895	294,082
Intangible assets	231	231	176	176	151	132	127	432	418	380
CWIP	2,708	3,546	4,488	5,861	6,070	4,219	5,303	3,921	4,307	5,672
Right of use assets	109,794	111,882	112,234	114,819	117,559	126,377	131,762	136,987	140,932	149,337
Total	319,065	327,382	340,668	355,589	373,614	397,221	411,282	420,958	426,552	449,471
Deferred tax assets	12,778	12,218	12,341	12,245	11,393	10,756	8,531	4,967	32	23
Non-current investments	-	-	-	-	-	28	28	28	28	-
Other non-current financial assets	11,819	11,752	12,300	12,677	12,949	13,233	13,478	13,863	14,254	14,653
Other non-current assets	25,794	27,296	29,390	29,924	31,676	32,538	33,747	34,896	36,691	38,257
Current assets										
Current investments	6,722	2,756	5,658	2,754	-	-	5,004	2,650	-	14,861
Receivables	50,624	48,687	53,030	61,863	60,180	64,507	57,219	56,290	73,156	47,675
Cash and bank balances	538	224	305	744	1,408	631	3,497	256	15,392	18,561
Other current financial assets	32,686	32,518	35,805	41,208	35,872	35,768	39,686	44,662	39,835	38,839
Other current assets	2,204	2,891	3,708	4,549	3,051	3,994	4,226	5,155	10,984	9,362
Total current assets	92,774	87,076	98,506	111,118	100,511	104,900	109,632	109,013	139,367	129,298
Total assets	462,230	465,724	493,205	521,553	530,143	558,676	576,698	583,725	616,924	631,702
Liabilities and shareholders' equity										
Long-term borrowings	23,541	24,340	26,120	27,725	24,818	15,044	8,861	7,667	2,727	1,532
Deferred tax liabilities	-	-	-	-	-	-	-	-	2,650	4,072
Other long-term liabilities	5,838	5,717	6,010	7,202	9,731	11,885	12,833	13,323	14,058	15,334
Long-term provisions	18,261	18,738	19,376	20,095	20,870	21,592	22,259	22,836	23,471	24,656
Lease liabilities	143,546	144,723	145,537	149,133	152,396	162,192	167,996	174,069	178,539	188,934
Total long-term liabilities	191,186	193,518	197,043	204,155	207,815	210,713	211,949	217,895	221,445	234,528
Current liabilities										
Short-term borrowings	34,876	22,786	23,946	30,177	22,393	28,074	23,421	31,844	22,761	21,092
Trade payables	21,420	21,219	22,463	22,876	23,229	22,797	24,048	23,939	25,027	24,450
Other current liabilities	16,694	16,430	24,738	26,613	23,903	25,964	27,080	25,253	23,276	25,806
Short-term provisions	687	676	679	743	753	740	760	806	823	843
Total current liabilities	73,677	61,111	71,826	80,409	70,278	77,575	75,309	81,842	71,887	72,191
Total liabilities	264,863	254,629	268,869	284,564	278,093	288,288	287,258	299,737	293,332	306,719
Shareholder's equity										
Share capital	26,949	26,949	26,949	26,949	26,949	26,949	26,949	26,381	26,381	26,381
P&L balance	170,418	184,146	197,387	210,040	225,101	243,439	262,491	257,607	297,211	298,602
Total shareholder's equity	197,367	211,095	224,336	236,989	252,050	270,388	289,440	283,988	323,592	324,983
Total liabilities and shareholders' equity	462,230	465,724	493,205	521,553	530,143	558,676	576,698	583,725	616,924	631,702
Net debt (including leases)	194,703	188,869	189,640	203,537	198,199	204,651	191,749	210,646	188,607	178,136
Net debt (excluding leases)	51,157	44,146	44,103	54,404	45,803	42,459	23,753	36,577	10,068	(10,798)
Net debt (including leases) to LTM EBITDA	1.25	1.26	1.26	1.45	1.39	1.41	1.31	1.41	1.24	1.14
Net debt to Equity	0.99	0.89	0.85	0.86	0.79	0.76	0.66	0.74	0.58	0.55

Source: Company, Kotak Institutional Equities

Receivables/bad debt provision are largely behind VI as of FY2025

Exhibit 5: Receivables, Bad debt provisions and receivable days quarterly trends, Mar 2021 onward (Rs bn)



Source: Company, Kotak Institutional Equities estimates

Exhibit 6: Changes to estimates, March fiscal year ends, 2026-28E

	New estimates			Previous estimates		Change (%)	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Financials							
Revenues (Rs mn)	327,408	349,288	369,715	322,552	345,409	1.5	1.1
Service revenues (Rs mn)	210,384	224,019	236,926	205,384	219,163	2.4	2.2
Provision reversals	—	—	—	—	—		
EBITDA (ex-provision impact)	171,600	183,585	194,557	169,278	182,082	1.4	0.8
EBITDA margin (% on service revenues)	81.6	82.0	82.1	82.4	83.1		
Recurring PAT (Rs mn)	66,071	73,080	78,557	62,241	70,262	6.2	4.0
Recurring EPS (Rs/share)	25.0	27.7	29.8	23.6	26.6	6.2	4.0
Operational metrics (consolidated)							
# of towers	263,305	273,305	283,305	253,736	263,736	3.8	3.6
# of tenants	429,435	451,435	473,435	418,912	440,912	2.5	2.4
Tenancy ratio (X)	1.63	1.65	1.67	1.65	1.67	(1.2)	(1.2)
ARPT (Rs/month)	41,481	41,689	41,897	41,481	41,689	—	—

Source: Company, Kotak Institutional Equities estimates

We ascribe Rs385 Fair Value to Indus Towers in our DCF

Exhibit 7: Calculation of equity value using discounted cash flow analysis, March fiscal year-ends (Rs mn)

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Assumptions													
Average macro tenancies	368,588	405,435	429,435	451,435	473,435	483,435	489,435	494,435	499,435	503,435	506,435		
Net macro tenancy additions	25,757	36,847	24,000	22,000	22,000	10,000	6,000	5,000	5,000	4,000	3,000		
Sharing revenue per macro tenant (Rs/month)	41,173	41,275	41,481	41,689	41,897	42,086	42,254	42,402	42,529	42,635	42,721		
yoy (%)	3.2	0.2	0.5	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.2		
Revenue contribution from leaner sites (Rs mn)	1,514	2,233	3,038	4,298	5,738	8,280	10,710	13,680	17,100	20,925	24,975		
DCF model													
pre Ind-AS 116 EBITDA	110,066	116,714	130,323	139,981	148,776	134,492	137,823	140,710	143,426	146,047	166,712		
Adjusted tax expense	(18,700)	(18,746)	(22,224)	(24,581)	(26,424)	(23,887)	(24,479)	(24,991)	(25,473)	(25,939)	(29,609)		
Change in working capital	(10,445)	64,397	5,943	(2,584)	(1,575)	(1,423)	(1,459)	(1,489)	(1,518)	(1,546)	(1,765)		
Operating cash flow	80,921	162,365	114,043	112,816	120,778	109,182	111,886	114,229	116,434	118,563	135,339		
Capital expenditure	(89,529)	(67,840)	(59,454)	(47,211)	(47,767)	(48,495)	(38,368)	(37,199)	(38,536)	(37,124)	(34,441)		
Free cash flow	(8,608)	94,525	54,589	65,606	73,010	60,687	73,518	77,030	77,899	81,439	100,897	103,420	106,005
Discounted cash flow-now		94,525	48,958	52,771	52,654	39,252	42,647	40,076	36,337	34,070	37,857		
Discounted cash flow-1 year forward			54,589	58,839	58,727	43,766	47,552	44,684	40,528	37,988	42,211	38,803	
Discounted cash flow-2 year forward				65,606	65,480	48,814	53,020	49,823	45,188	42,370	47,065	43,266	39,773
		Now	+1-year	+2-years									
Discount rate (%)		11.5%	11.5%	11.5%									
Total PV of free cash flow		479,147	467,686	500,405									
Terminal value assumption													
Growth in perpetuity		2.5%	2.5%	2.5%	Sensitivity of 12-month fair value to WACC and perpetual growth								
FCF in terminal year		100,897	103,420	106,005	WACC (%)	Perpetual growth (%)							
Exit FCF multiple (X)		11.4	11.4	11.4			1.5%	2.00%	2.5%	3.00%	3.5%		
Exit EV/EBITDA multiple (X)		6.9	7.1	7.2		10.5%	383	394	406	420	436		
Terminal value		1,149,106	1,177,833	1,207,279		11.0%	374	384	395	407	421		
PV of terminal value		431,149	441,928	452,976		11.5%	366	375	385	396	408		
Enterprise value		910,296	909,614	953,380		12.0%	359	367	376	385	396		
Implied EV/EBITDA multiple		7.8	7.0	6.8		12.5%	352	359	367	376	386		
Net debt (ex leases)		42,459	(10,798)	(6,954)									
Equity value (Rs bn)		867,837	920,412	960,334									
Equity value (Rs/share)		322	349	364									
Shares outstanding (mn)		2,695	2,638	2,638									
Fair value of Indus Towers (Rs), including dividends		322	349	385									

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Consolidated financial statements, Indus Towers, March fiscal year-ends, 2020-28E (Rs mn)

	Pro forma for merged entity		2022	2023	2024	2025	2026E	2027E	2028E
	2020	2021							
Key financials									
Income statement									
Gross revenues	255,624	256,729	270,872	283,818	286,006	301,228	327,408	349,288	369,715
Service revenues	157,522	163,691	169,765	174,317	177,314	192,029	210,384	224,019	236,926
Power and fuel reimbursements	98,102	93,038	101,107	109,501	108,692	109,199	117,024	125,269	132,789
Provisions	—	—	—	(53,080)	766	50,868	—	—	—
EBITDA	125,868	130,969	149,007	96,686	145,566	206,500	171,600	183,585	194,557
Adjusted EBITDA	125,868	130,969	149,007	149,766	144,800	155,632	171,600	183,585	194,557
Adjusted EBITDA (pre Ind-AS)	99,162	102,998	119,207	118,804	110,066	116,714	130,323	139,981	148,776
EBIT	73,158	77,575	89,455	96,527	84,201	91,611	102,274	110,762	118,669
PBT	63,982	66,537	78,007	85,601	80,458	80,669	88,295	97,661	104,981
PAT	50,270	49,751	63,731	20,400	60,362	99,317	66,071	73,080	78,557
Recurring PAT	50,270	49,751	63,731	63,906	59,788	61,166	66,071	73,080	78,557
OPM (on gross,%)	49.2	51.0	53.8	52.8	50.6	51.7	52.4	52.6	52.6
OPM (on net,%)	79.2	81.4	85.4	84.2	83.0	83.3	84.0	84.2	84.3
EPS (Rs/share)	18.7	18.5	21.3	23.7	22.4	37.6	25.0	27.7	29.8
Recurring EPS (Rs/share)	18.7	18.5	21.3	74.3	22.2	23.2	25.0	27.7	29.8
Balance sheet									
Total Equity	177,081	158,770	221,505	211,095	270,388	324,983	331,590	338,898	346,754
Borrowings	76,372	69,703	54,868	47,126	43,118	22,624	17,624	24,624	31,624
Other liabilities	209,638	220,964	203,303	207,503	245,170	284,095	297,940	307,721	318,088
Total equity and liabilities	463,091	449,437	479,676	465,724	558,676	631,702	647,154	671,243	696,466
Net fixed assets	322,105	320,738	320,048	327,382	397,221	449,471	474,252	482,378	489,380
Cash and equivalents	25,205	22,859	26,323	2,980	631	33,422	24,578	34,166	46,436
Other assets	115,781	105,840	133,305	135,362	160,824	148,809	148,324	154,699	160,651
Total assets	463,091	449,437	479,676	465,724	558,676	631,702	647,154	671,243	696,466
Net Debt (ex lease liability)	34,165	46,844	28,545	44,146	42,459	(10,798)	(6,954)	(9,542)	(14,812)
Cash flow statement									
Operating cash flow	55,434	78,786	58,272	45,104	80,021	158,215	110,375	109,585	117,790
Capital expenditure	(28,807)	(31,507)	(28,697)	(31,681)	(84,465)	(62,571)	(59,454)	(47,211)	(47,767)
Other income	1,273	673	585	578	6,261	2,841	4,699	5,987	5,948
Free cash flow	27,900	47,952	30,160	14,001	1,817	98,485	55,620	68,361	75,971
AFFO (Adjusted Funds from Operations)			51,460	46,588	86,494	153,309	100,210	103,769	111,796
Key operating metrics									
End-period tower base (#)	169,002	179,225	185,447	192,874	219,736	249,305	263,305	273,305	283,305
End-period tenants (#)	311,111	322,438	335,791	342,831	368,588	405,435	429,435	451,435	473,435
Tenancy (X)	1.84	1.80	1.81	1.78	1.68	1.63	1.63	1.65	1.67
Rental/tenant/month (Rs)	42,555	41,209	41,617	41,063	41,173	40,868	41,393	41,573	41,661
Valuations and Ratios									
EV/EBITDA (pre-Ind AS)	11.4	11.1	9.5	9.6	10.4	9.1	8.2	7.6	7.1
P/E	21.9	22.1	17.3	53.9	18.2	10.8	16.3	14.7	13.7
P/B	6.2	6.9	5.0	5.2	4.1	3.3	3.2	3.2	3.1
EV/tower	6.7	6.4	6.1	5.9	5.2	4.3	4.1	3.9	3.7
FCF Yield (%)	2.5	4.4	2.7	1.3	0.2	9.1	5.2	6.3	7.1
AFFO Yield (%)			4.7	4.2	7.9	14.2	9.3	9.6	10.4
Div Yield (%)	2.6	4.9	2.7	—	—	—	5.5	6.1	6.6
RoAE (%)	31.2	29.6	33.5	9.4	25.1	33.4	20.1	21.8	22.9
RoACE (%)	27.2	24.1	26.8	27.0	21.9	21.0	22.0	23.3	23.9
Net debt/EBITDA	0.3	0.4	0.2	0.5	0.3	(0.1)	(0.0)	(0.1)	(0.1)

Source: Company, Kotak Institutional Equities estimates

Jindal Steel and Power (JSP)

Metals & Mining

BUY

CMP(₹): 896

Fair Value(₹): 1,150

 Sector View: **Cautious**

NIFTY-50: 24,334

May 02, 2025

Earnings beat; well poised as key projects near completion

JSP's 4QFY25 adjusted EBITDA came in 8% higher than our estimate, mainly led by higher volumes. JSP has received regulatory approval for its largest captive coal mine and commenced the pre-commissioning activity for its steel expansion project. We estimate a strong 31%/45% EBITDA/EPS CAGR over FY2025-28E as the company ramps up volumes and benefits from its various margin-accretive projects. Strong steel prices and muted costs should result in a margin uptrend in the coming quarters. We raise earnings and increase FV to Rs1,150. Maintain BUY.

4QFY25: EBITDA beat on higher volumes

JSP's consolidated EBITDA of Rs24.8 bn (-1.2% yoy, +16% qoq) was 7.7% higher than our estimates, mainly driven by higher volumes. Consolidated EBITDA of Rs11,651/ton (-6.8% yoy, +3.8% qoq) increased sequentially, led by a qoq decline in coking coal costs. Steel sales stood at 2.13 mn tons (+6.0% yoy, +12.1% qoq), with exports as a proportion of total sales at 3% (7% in 3QFY25). Net debt decreased by ~Rs16 bn to Rs120 bn as of 4QFY25, led by tight working capital management.

Crucial coal block gets approved, steel plant set to commission in 1HFY26E

JSP has also obtained all regulatory approvals for its largest captive coal block – Utkal B1 having 5.5 mtpa capacity. The company expects to start mining in 1HFY26 and ramp up to rated capacity in 2HFY26E. We estimate ~Rs1,500/ton savings and the coal block to potentially add ~9% to FY2025 EBITDA. Further, JSP expects to start production of hot metal from blast furnace-2 at Angul in 1QFY26E and produce liquid steel from 2QFY26E. Management has guided for 8.5-9 mn tons of steel sales for FY2026E, which we find conservative and estimate 9.5 mn ton (+19.4% yoy) steel volumes. We estimate JSP to deliver 19%/31%/45% CAGR steel volumes/EBITDA/EPS over FY2025-28E, benefitting from the completion of its ongoing expansion program.

Steel margins to improve with stronger prices and muted costs

Spot domestic HRC/primary rebar prices are up 9%/7% versus 4QFY25 and 1.7%/1.6% versus March 2025 exit, mainly led by the recent imposition of a 12% safeguard duty on flat steel. JSP expects coking coal cost reduction of US\$10-15/ton in 1QFY26, with iron ore trending with domestic steel prices. NMDC has, however, increased iron ore prices from May 2025, but we expect this to be the last leg of price hikes. We estimate JSP's EBITDA at ~Rs14,551/15,330/16,025 per ton in FY2026/27/28E versus Rs11,651 per ton in 4QFY25.

We increase earnings and Fair Value to Rs1,150 (Rs1,055 earlier)

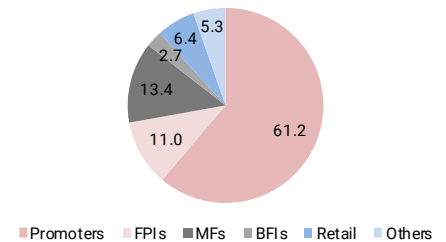
We increase EBITDA estimates by 6%/3%, factoring in the higher margins, based on higher steel prices and the early commissioning of captive coal blocks. Our Fair Value increases to Rs1,150 on an unchanged 6.5X EV/EBITDA, mainly due to higher earnings and lower debt. JSP remains our top BUY in the metals sector, given its strong earnings growth, superior balance sheet and attractive valuations.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	896/1,150/BUY
52-week range (Rs) (high-low)	1,097-723
Mcap (bn) (Rs/US\$)	914/10.8
ADTV-3M (mn) (Rs/US\$)	2,296/27.1

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(2)	13	(4)
Rel. to Nifty	(5)	10	(11)
Rel. to MSCI India	(6)	10	(9)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	40.4	71.7	95.3
EPS growth (%)	(30.7)	77.7	32.8
P/E (X)	22.2	12.5	9.4
P/B (X)	1.9	1.7	1.4
EV/EBITDA (X)	10.8	7.5	5.5
RoE (%)	9.0	14.4	16.5
Div. yield (%)	0.2	0.4	0.5
Sales (Rs bn)	498	619	744
EBITDA (Rs bn)	96	139	180
Net profits (Rs bn)	41	73	97

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Sumangal Nevatia

Siddharth Mehrotra

Keshav Kumar

Exhibit 1: Interim results of JSP (consolidated), March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			FY2025	FY2024	(%chg)	FY2026E	(%chg)
					KIE	yoy	qoq					
Net sales	131,831	123,667	134,870	117,507	6.6	(2.3)	12.2	497,650	500,268	(0.5)	619,028	24.4
Total expenditure	(107,014)	(100,627)	(109,745)	(96,178)	6.3	(2.5)	11.3	(401,948)	(398,260)	0.9	(480,486)	19.5
(Inc)/Dec in stock	(7,071)	-	(1,906)	(280)				-	-		-	
Raw material consumed	(57,048)	(53,860)	(60,700)	(51,211)	5.9	(6.0)	11.4	(235,598)	(220,200)	7.0	(291,433)	23.7
Staff costs	(2,983)	(3,087)	(3,612)	(3,087)	(3.4)	(17.4)	(3.4)	(11,843)	(12,880)	(8.1)	(12,791)	8.0
Other expenses	(39,911)	(43,680)	(43,527)	(41,600)	(8.6)	(8.3)	(4.1)	(154,507)	(165,180)	(6.5)	(176,263)	14.1
EBITDA	24,818	23,040	25,125	21,329	7.7	(1.2)	16.4	95,702	102,008	(6.2)	138,542	44.8
Other income	718	264	344	264	172.2	109.1	172.2	1,675	1,566	7.0	1,864	11.3
Net interest	(3,416)	(3,128)	(3,206)	(3,128)	9.2	6.5	9.2	(13,121)	(12,942)	1.4	(12,229)	(6.8)
Depreciation	(6,906)	(6,981)	(9,949)	(6,981)	(1.1)	(30.6)	(1.1)	(27,676)	(28,218)	(1.9)	(33,186)	19.9
Pretax profits	15,214	13,195	12,313	11,483	15.3	23.6	32.5	56,581	62,414	(9.3)	94,991	67.9
Total tax	(3,754)	(3,378)	(2,301)	(2,485)				(14,979)	(2,980)	402.7	(21,373)	42.7
Net income	(2,944)	9,817	9,333	9,508	(130.0)	(131.5)	(131.0)	28,548	59,434	(52.0)	73,618	157.9
Share of profit from associates	(92)	-	2	1				(91)	(1)		(91)	
Minority Interest	(358)	(4)	19	(4)				(336)	(49)		(346)	
Net income	(3,394)	9,813	9,354	9,505	(134.6)	(136.3)	(135.7)	28,121	59,384	(52.6)	73,182	160.2
Adjusted net income	11,011	9,821	10,034	8,995	12.1	9.7	22.4	41,176	59,384	(30.7)	73,182	77.7
Adjusted EPS (Rs/share)	10.8	10.1	9.8	8.8				40.4	58.2		71.7	
Ratios												
EBITDA margin (%)	19	19	19	18				19	20		22	
ETR (%)	25	26	19	22				(34)	(5)		(23)	
Sales Volume (mn tons)												
Steel sales	2.13	2.00	2.01	1.90	6.5	6.0	12.1	7.97	7.67	4.0	9.52	19.4
Operational details (Rs/ton)												
Blended realizations (Rs/ton)	61,893	61,833	67,099	61,846	0.1	(7.8)	0.1	62,419	65,244	(4.3)	65,016	4.2
EBITDA/ton (Rs/ton)	11,651	11,520	12,500	11,226	1.1	(6.8)	3.8	12,004	13,304	(9.8)	14,551	21.2
Cost (Rs/ton)	(50,241)	(50,313)	(54,599)	(50,620)	(0.1)	(8.0)	(0.7)	(50,416)	(51,940)	(2.9)	(50,465)	0.1

Source: Company, Kotak Institutional Equities estimates

Conference call highlights

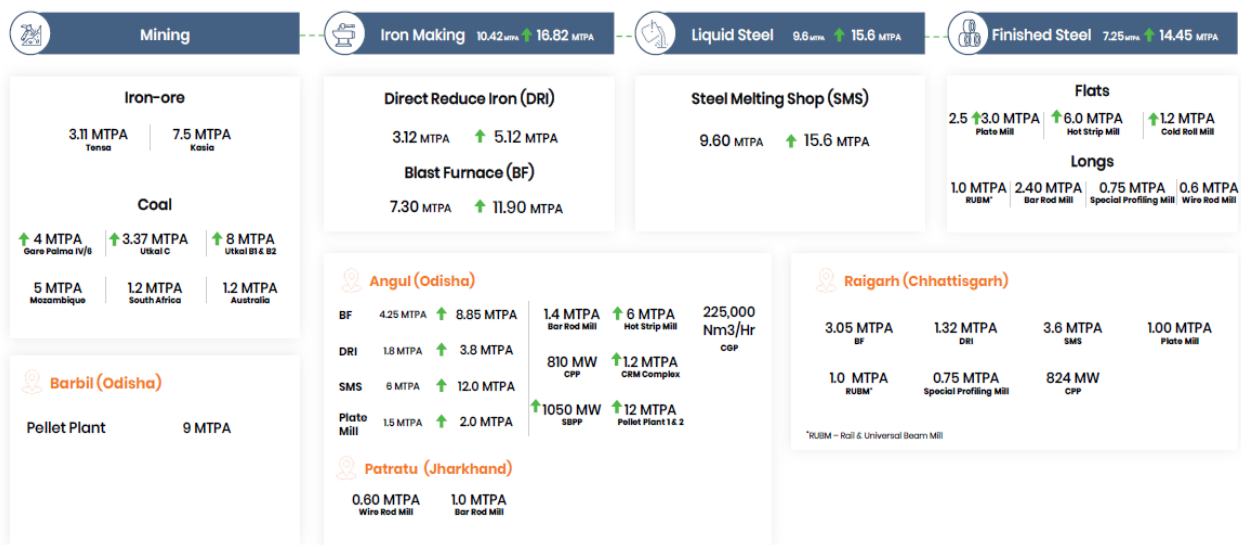
- Steel realizations.** Realizations were flat qoq ((-)-7.8% yoy) in 4QFY25. Uptick in domestic HRC prices on safeguard duty was offset by muted prices in primary rebar segment.
 - Spot HRC/rebar prices are 4-5% higher versus 4QFY25 average prices. However, the company refrained from giving guidance on prices.
- Safeguard Duty.** A duty of 12% has been imposed for 200 days effective April 21, 2025 on flat steel imports. JSP believes 12% duty is lower relative to other geographies that have imposed duties to deter Chinese imports.
- Volumes.** Management has guided for 9-10 mn tons of production and 8.5-9 mn tons of sales on conservative end in FY2026E.
 - Incremental production of 0.2-0.3/0.7-1.6 mn tons over FY2025 levels to be contributed from existing operations/new (Angul) expansions.
 - Exports for the quarter formed ~3% of overall sales (~7% in 3QFY25). Exports for FY2025 formed 9% of sales (6% in FY2024) Production volumes for 4QFY25/FY2025 stood at 2.11/8.12 mn tons with capacity utilization of 88%/85%.
 - Sales volumes increased 12% qoq to 2.13 mn tons (+6% yoy), led by higher production and inventory liquidation in 4QFY25. HRC sales in 4QFY25 stood at 350k tons.
 - Share of value-added products in total volumes was ~66% in 4QFY25 (63% in 3QFY25).
 - Flat/long products split for FY2025 stood at 40%/60%, which is expected to improve to 70%/30% by FY2026 exit, after the commissioning of all facilities.
- Project updates.** Gas stove has been lighted in BF-2 at Angul in 4QFY25 with hot metal production expected to start in 1QFY26E. BOF-2 is expected to be commissioned in 2QFY26.
 - Utkal B1 (EC of 5.5 mtpa) has received all the mine opening permissions and expects to commence operations in 1HFY26E with full volumes in FY2026E.

- Management reiterated the timeline for the commissioning of BOF-3 by 4QFY26E, with the full impact on volumes expected by end-FY2027E.
- The slurry pipeline is 82% complete and is expected to be commissioned in 2HFY26. 100% ROW has already been obtained.
- Management expects the commissioning of various lines in CRM complex (~0.4 mtpa capacity) in FY2026E (earlier 1QFY26).
- JSPL commissioned 1,710 TPD Air Separation Unit (ASU) in 4QFY25 with further ramp-up of the unit in progress.
- ▶ **Costs.** Management expects coking coal prices to reduce by ~US\$10-15/ton in 1QFY26E. Iron ore costs expected to follow trends in TMT (rebar) prices.
 - Management expects coal requirement of 10-11 mn tons in FY2026E to be fully met by captive mines (7.5 mn tons in FY2025 met from captive mines).
- ▶ **Dividend.** The board has announced a Rs2/share dividend, subject to shareholder approval.
- ▶ **Capex.** Total capex for 4QFY25/FY2025 stood at ~Rs23.1/106 bn, largely driven by expansion projects at Angul.
 - Management has spent Rs ~Rs259bn on previously announced growth capex projects as of 4QFY25, including sustenance/growth capex of Rs27.5/231.8 bn.
 - JSP has guided for capex(inc. sustenance capex) of Rs95.8/81.1/34.2 bn in FY2026/27/28E in current phase of expansion. Capex guidance to be provided on annual basis.
- ▶ **Allied Strips Ltd.** JSP acquired ASL in all cash deal of Rs2.17 bn in April 2025. ASL has capacity of 0.54/0.3 mtpa of HRPO/CRFH and CRCA, which are expected to increase VAP share.
- ▶ **Saradhapur Jalatap East coal block.** The company's acquisition of new coal block ties in with its long-term strategy to secure coal for use of syngas (via coal gasification) in upcoming DRI plants.
- ▶ **Net debt.** Declined to Rs119.6 bn as of 4QFY25 (Rs135.5 bn as of 3QFY25), indicating the near completion stage of ongoing projects as per management.
 - There was a reduction in working capital by Rs27/31 bn in 4QFY25/FY2025.
 - Net debt/EBITDA of 1.3X (1.4X in 3QFY25) remains below the upper limit of 1.5X as per the company's capital allocation policy.
 - As of 4QFY25, acceptances stood at Rs6.6/31.5 bn for revenue/capital account.
- ▶ **JSP Employee Benefit Trust.** The trust acquired 17.6 bn equity shares (9.35/5.71/2.6 bn in FY2022/23/24) until FY2024 to be granted as ESOPs. Shares acquired in FY2022 (9.35 bn shares) were sold by July 2024 at a net gain of Rs3.75 bn due to non-allocation of ESOPs.
 - The SEBI extended the timeline for the implementation of ESOP scheme until May 31, 2025, during which the company has to dispose non-allocated shares acquired in FY2023 (5.71 bn shares).
- ▶ **Exceptional items.** Exceptional items considered in 4QFY25 include 1) impairment loss of Rs10.92/0.14/0.13 bn in Wollongong Australia/Jindal Madagascar/Osho Madagascar, 2) credit loss allowance on loans of Rs1.11 bn in JSP Mauritius, 3) FX gain of Rs200 mn and 4) one-off expense of Rs2.31 bn.
 - One-off expense of Rs2.31 bn includes 1) provisions for GST input credits not realized 2) inventory clean ups 3) carbon credit purchases for Australia operations for prior periods 4) past deallocated mines and 5) old insurance receivables not realized.
 - The carrying value of Australian mines stands at ~US\$144 mn, which is not expected to be impaired further, according to per management.
 - Management expects to take the tax benefit from the impairment of mines in FY2026E.

Exhibit 2: JSP crude/finished steel capacity expansion, asset break up, March 2025



World-class assets – On the cusp of transformative expansion



Source: Company, Kotak Institutional Equities estimates

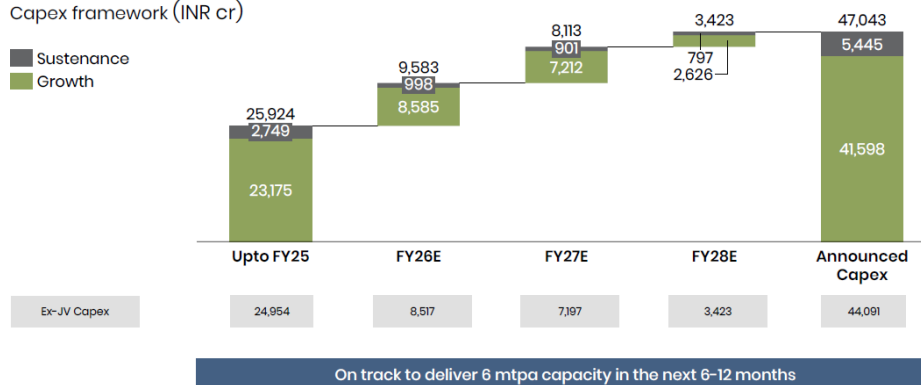
Exhibit 3: JSP's annual capex guidance, March 2025



Proposed Capex Framework from FY26 to FY28

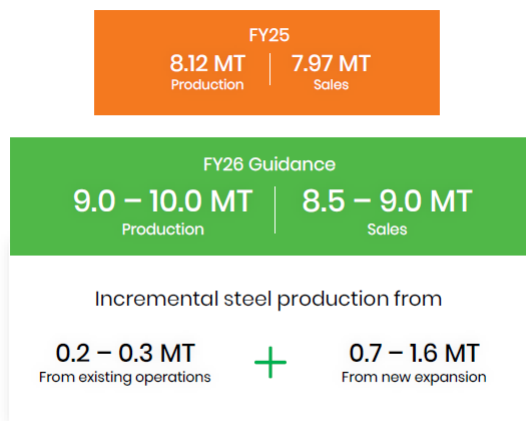
Capex framework (INR cr)

■ Sustenance
■ Growth



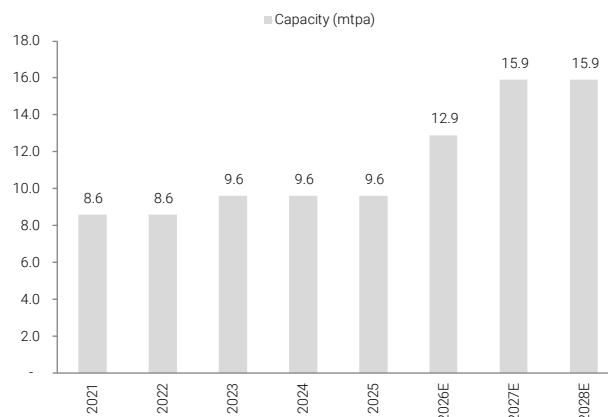
Source: Company presentation

Exhibit 4: Volume guidance by JSP for FY2026E, Mar 2025



Source: Company, Kotak Institutional Equities estimates

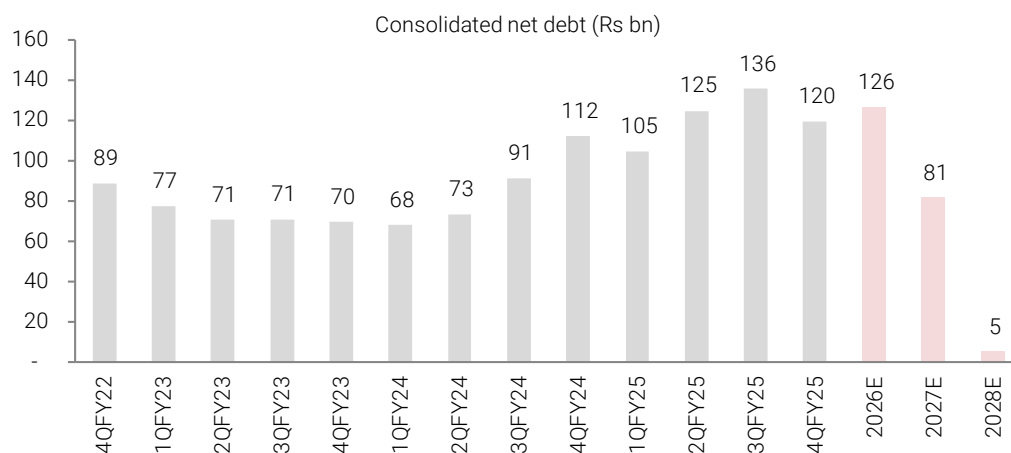
Exhibit 5: JSP crude steel capacity, March fiscal year-ends, 2021-28E (mtpa)



Source: Company, Kotak Institutional Equities estimates

JSP's net debt decreased by Rs16 bn qoq in 4QFY25

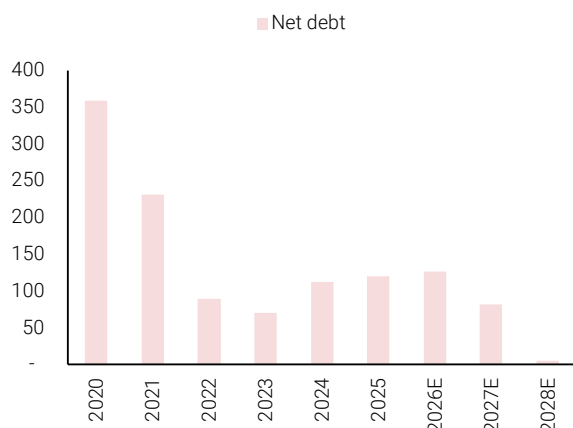
Exhibit 6: JSP's net debt, March fiscal year-ends, 4QFY22-25, 2026-28E (Rs bn)



Source: Company, Kotak Institutional Equities estimates

We expect net debt to remain capped in current capex phase

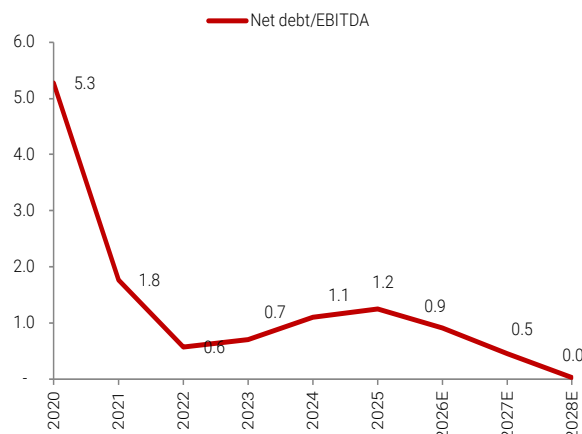
Exhibit 7: Net debt for JSP, March fiscal year-ends, 2020-28E (Rs bn)



Source: Company, Kotak Institutional Equities estimates

We estimate leverage to remain below 1.5X over FY2026-28E

Exhibit 8: Net debt/EBITDA for JSP, March fiscal year-ends, 2020-28E (X)



Source: Company, Kotak Institutional Equities estimates

Exhibit 9: JSP, changes in estimates, March fiscal year-ends, 2026-28E (Rs mn)

	Units	Revised estimates			Previous Estimates		(% change)	
		2026E	2027E	2028E	2026E	2027E	2026E	2027E
Consolidated								
Net sales	Rs mn	619,028	743,610	861,525	609,154	737,232	2	1
EBITDA	Rs mn	138,542	180,035	216,800	130,817	174,097	6	3
Adjusted PAT	Rs mn	73,182	97,219	125,328	64,739	93,921	13	4
Adjusted EPS	Rs/share	71.7	95.3	122.9	63.5	92.1	13	4
China HRC Price	US\$/ton	500	525	525	550	550	(9)	(5)
Total steel volumes (incl. semis)	mn tons	9.5	11.7	13.5	9.6	11.7	(1)	(0)
EBITDA	Rs/ton	14,551	15,330	16,025	13,621	14,821	7	3

Source: Company, Kotak Institutional Equities estimates

Exhibit 10: JSP, key assumptions, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Standalone (steel business)									
Capacity (mtpa)	8.6	8.6	8.6	9.6	9.6	9.6	12.9	15.9	15.9
Total steel sales (mn tons) (incl. semis)	6.1	7.3	7.6	7.7	7.7	8.0	9.5	11.7	13.5
Utilization	70%	85%	89%	80%	80%	83%	74%	74%	85%
Realization (Rs/ton)	43,289	45,753	64,701	66,311	65,244	62,419	65,016	63,317	63,681
Costs (Rs/ton)	33,754	27,820	45,019	53,960	51,940	50,416	50,465	47,987	47,656
Steel EBITDA (Rs/ton)	9,535	17,933	19,682	12,352	13,304	12,004	14,551	15,330	16,025

Source: Company, Kotak Institutional Equities estimates

We revise our Fair Value to Rs1,150 (Rs1,055 earlier) on March 2027E

Exhibit 11: Jindal Steel and Power, SoTP-based valuation, March 2027E basis (Rs bn)

Consolidated EBITDA (Rs bn)	180
Assigned multiple (X)	6.5
EV (Rs bn)	1,170
Net Debt (Rs bn)	126
CWIP (Rs bn)	131
Equity Value (Rs bn)	1,175
Share Count (mn)	1,020
Fair Value (Rs/share)	1,150

Source: Company, Kotak Institutional Equities estimates

Exhibit 12: JSP (consolidated), profit model, balance sheet and cash flow model, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)									
Net sales	304,646	345,405	510,856	527,112	500,268	497,650	619,028	743,610	861,525
EBITDA	68,147	130,913	155,134	99,349	102,008	95,702	138,542	180,035	216,800
Other income	262	5,320	504	571	1,566	1,675	1,864	1,651	1,492
Interest	(37,679)	(27,533)	(18,877)	(14,459)	(12,942)	(13,121)	(12,229)	(11,337)	(8,160)
Depreciation	(34,289)	(24,141)	(20,968)	(26,910)	(28,218)	(27,676)	(33,186)	(39,780)	(41,970)
Profit before tax	(4,652)	82,519	96,905	52,665	62,414	43,526	94,991	130,569	168,162
Taxes	(1,085)	(18,108)	(29,245)	(12,923)	(2,980)	(14,979)	(21,373)	(32,903)	(42,377)
Net profit	(5,737)	64,411	67,660	39,742	59,434	28,548	73,618	97,666	125,785
Adjusted PAT	(1,738)	63,558	86,615	37,625	59,384	41,176	73,182	97,219	125,328
Earnings per share (Rs)	(1.7)	62.3	84.9	36.9	58.2	40.4	71.7	95.3	122.9
Balance sheet (Rs mn)									
Equity	321,371	318,147	356,247	387,066	443,160	471,849	541,372	633,730	752,791
Deferred tax liability	16,190	11,542	11,356	17,652	19,733	58,546	58,546	58,546	58,546
Borrowings	368,709	293,096	128,620	124,353	158,963	178,420	178,420	128,420	38,420
Current liabilities	142,688	102,003	111,254	102,710	101,717	126,786	129,020	140,966	152,273
Total liabilities	897,419	778,404	694,943	694,419	787,152	858,394	930,496	985,156	1,025,891
Net fixed assets	687,718	518,747	422,440	408,035	457,897	474,023	565,837	651,058	659,087
Goodwill	6,098	5,001	4,480	554	554	554	554	554	554
Investments	1,430	11,555	1,524	1,420	1,496	4,960	4,960	4,960	4,960
Cash	9,519	61,522	39,860	54,822	46,933	58,850	52,130	47,114	33,296
Total assets	897,419	778,404	694,944	694,419	787,152	858,394	930,496	985,156	1,025,891
Net debt	359,190	231,574	88,760	69,531	112,030	119,570	126,290	81,306	5,123
Free cash flow (Rs mn)									
Operating cash flow excl. working capital	67,062	112,805	125,889	86,426	99,028	80,723	117,169	147,131	174,423
Working capital changes	15,127	(26,846)	200	5,797	(36,196)	31,460	(14,774)	(5,510)	(5,215)
Net finance cost/income	(37,416)	(22,213)	(18,374)	(13,888)	(11,376)	(11,446)	(10,365)	(9,686)	(6,668)
Cash flow from operations	44,772	63,746	107,716	78,335	51,456	100,738	92,030	131,935	162,540
Capital expenditure	(16,307)	(8,368)	(29,445)	(64,485)	(85,171)	(106,071)	(95,000)	(82,000)	(80,000)
Free cash flow	28,465	55,378	78,271	13,850	(33,715)	(5,333)	(2,970)	49,935	82,540
Ratios									
EV/EBITDA	18.7	8.7	6.5	9.9	10.1	10.8	7.5	5.5	4.2
P/E	(525.7)	14.4	10.5	24.3	15.4	22.2	12.5	9.4	7.3
P/B	2.8	2.9	2.6	2.4	2.1	1.9	1.7	1.4	1.2
FCF Yield	4.3	9.7	11.5	(0.7)	(4.5)	(1.9)	(0.3)	5.5	9.0
Book Value	315	312	349	379	434	463	531	621	738
Net debt/EBITDA	5.3	1.8	0.6	0.7	1.1	1.2	0.9	0.5	0.0
RoAE (%)	(0.9)	19.6	20.4	8.6	14.3	6.2	14.5	16.6	18.1
RoACE (%)	3.4	12.7	14.8	8.3	12.2	5.9	11.9	14.1	16.8

Source: Company, Kotak Institutional Equities estimates

Phoenix Mills (PHNX)

Real Estate

REDUCE

CMP(₹): **1,665**

Fair Value(₹): **1,570**

Sector View: **Attractive**

NIFTY-50: **24,334**
May 02, 2025

Modest end to FY2025 heading into a year of consolidation

Phoenix Mills reported a modest 15% yoy consumption growth in 4QFY25, aided by the four new malls (27% contribution)—consumption growth for mature malls was weak at 3.8% yoy. The hospitality segment saw healthy double-digit RevPAR growth, while the 2 mn sq. ft office portfolio saw a marginal drop in occupancy at 67%. Phoenix has received the occupancy certificate for 1.3 mn sq. ft of office space at Pune and Bengaluru; however, the earnings contribution would only start from 2HFY25. Phoenix has a strong pipeline of new assets (12 mn sq. ft), with land acquisitions in the past 12-15 months; however, most of the assets are still in the early stages of implementation and will contribute after FY2027. Valuations are full (26X FY2026E EV/EBITDA), and accordingly, we maintain our REDUCE with a revised SoTP-based FV of Rs1,570 (Rs1,600 earlier).

Weak consumption trends, residential revenues distort headline growth

Phoenix Mills reported consolidated revenues of Rs10.2 bn (-22% yoy, +4% qoq), EBITDA of Rs5.6 bn (-11% yoy, +1% qoq) and PAT of Rs2.7 bn (-17% yoy, +9% qoq) in 4QFY25, largely in line with our expectations. Adjusting for the residential segment, revenue and EBITDA growth was modest at 8% and 4% yoy, respectively. The hospitality business saw healthy earnings in 4QFY25, aided by double-digit RevPAR growth (+15% yoy for St. Regis), while the 2 mn sq. ft commercial portfolio saw a lower 67% occupancy (70% in 3QFY25). Blended EBITDA margin for 4QFY25 stood at 55.1%, flat qoq, but higher yoy, owing to the higher contribution from the residential segment in the base quarter. Revenues, EBITDA and PAT for FY2025 stood at Rs38 bn (-4% yoy), Rs21.6 bn (-1% yoy) and Rs11.6 bn (+6% yoy); adj. for the residential segment, revenue and EBITDA rose 16% yoy each.

Consumption at mature malls remains weak

Phoenix Mills reported 4QFY25 consumption of Rs32.5 bn (+15% yoy, -19% qoq), aided by Pallasio Lucknow (+10% yoy), PMC Pune (+7% yoy) and the four new malls—Citadel Indore (+10% yoy), Palladium Ahmedabad (+33% yoy), Mall of Millennium Pune (+86% yoy) and Mall of Asia Bengaluru (+92% yoy). These four new malls (commissioned in FY2023/2024) contributed 27% of 4QFY25 consumption. Adjusted for the same, consumption growth for the mature malls was weak at 3.8% yoy. Among the key malls, Palladium Mumbai saw 5% yoy increase, partly aided by the newly opened block (Dec 2024), PMC Mumbai saw 4% yoy growth, while PMC Chennai and PMC Bengaluru saw weak 1% yoy & (-) 2% growth in consumption. For FY2025, consumption of Rs137 bn rose 21% yoy.

Rich valuations and back-ended growth; maintain REDUCE

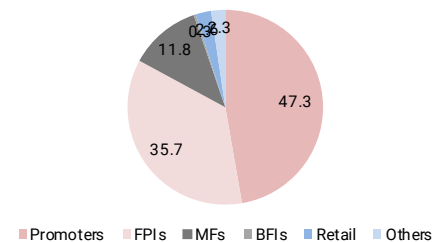
We like Phoenix Mills for its aggressive growth plans, great execution and healthy ramp-up of malls, which would be supplemented by growing office assets. However, the current valuations at 26X EV/EBITDA (FY2026E) are rich, considering the weakness in same-store growth as well as back-ended commissioning of new malls.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	1,665/1,570/REDUCE
52-week range (Rs) (high-low)	2,069-1,338
Mcap (bn) (Rs/US\$)	595/7.0
ADTV-3M (mn) (Rs/US\$)	1,155/13.7

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	1	1	6
Rel. to Nifty	(2)	(2)	(2)
Rel. to MSCI India	(2)	(2)	0

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	38.5	47.8	53.2
EPS growth (%)	9.0	24.3	11.4
P/E (X)	43.3	34.8	31.3
P/B (X)	5.7	4.9	4.3
EV/EBITDA (X)	26.8	20.7	17.8
RoE (%)	13.8	15.2	14.7
Div. yield (%)	0.2	0.2	0.2
Sales (Rs bn)	38	48	55
EBITDA (Rs bn)	24	30	34
Net profits (Rs bn)	14	17	19

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Murtuza Arsiwalla

Abhishek Khanna

Anshika Gupta

A more attractive entry point on valuations, and firm trends on same-store consumption would allow us to turn more constructive. Maintain REDUCE with a revised FV of Rs1,570 (Rs1,600 earlier) as we roll-forward to March 2027 valuations.

Having commissioned office space of 0.8 mn sq. ft at Hebbal Bengaluru and 0.52 mn sq. ft at Wakad Pune, Phoenix now expects to commission the balance 0.4 mn sq. ft at Bengaluru and office space of 0.6 mn sq. ft at Chennai in 2HFY26. The balance 0.7 mn sq. ft office space at Wakad, Pune should also follow toward end-FY2026. The earnings contribution from the newly commissioned offices of 1.3 mn sq. ft would start coming in from 2HFY26, with the full-year impact visible in FY2027 only. The new mall commissioning would only happen toward FY2027, starting with Kolkata, and then Surat.

Hospitality business remains healthy, office occupancy declines

The hospitality segment saw healthy operational trends, with the RevPAR at St. Regis Mumbai growing 15% yoy and Courtyard by Marriott, Agra growing 9% yoy. However, revenues of Rs1.7 bn (+4% yoy, flat qoq) and EBITDA of Rs850 mn (+12% yoy, +7% qoq) saw lower improvement, owing to lower F&B/other income. Commercial revenue was modest at Rs530 mn (+8% yoy, -2% qoq), with a lower occupancy of 67% (70% in 3QFY25). The commercial portfolio saw negligible leasing (0.02 mn sq. ft) in 4QFY25.

Earnings in 4QFY25 were impacted by lower residential revenue recognition during the quarter

Exhibit 1: Interim (consolidated) results for Phoenix Mills, March fiscal year-ends, 2024-26E (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	% Chg.			2025	2024	% Chg.	2026E	% Chg.
					KIE	yoy	qoq					
Revenues	10,163	10,055	13,059	9,751	1	(22)	4	38,136	39,777	(4)	47,838	25
Cost of material/construction/ inventory change	(718)	(949)	(3,075)	(549)	(24)	(77)	31	(2,104)	(5,212)	(60)	(4,211)	100
Employee expenses	(870)	(995)	(739)	(986)	(13)	18	(12)	(3,627)	(2,989)	21	(3,671)	1
Electricity	(486)	(548)	(242)	(516)	(11)	101	(6)	(2,137)	(1,618)	32	(1,954)	(9)
Other expenses	(2,493)	(2,139)	(2,736)	(2,171)	17	(9)	15	(8,577)	(8,189)	5	(7,827)	(9)
EBITDA	5,597	5,425	6,267	5,528	3	(11)	1	21,612	21,768	(1)	30,093	39
Depreciation / amortisation	(902)	(820)	(757)	(813)	10	19	11	(3,265)	(2,702)	21	(2,980)	(9)
EBIT	4,695	4,604	5,510	4,716	2	(15)	(0)	18,347	19,066	(4)	27,113	48
Other income	451	401	372	304	12	21	49	1,509	1,322	14	1,900	26
Finance cost	(941)	(1,110)	(995)	(1,029)	(15)	(5)	(9)	(2,137)	(3,959)	(46)	(2,669)	25
Pre-tax profits	4,205	3,896	4,886	3,991	8	(14)	5	17,718	16,429	8	26,344	49
Tax	(712)	(923)	(998)	(641)	(23)	(29)	11	(2,936)	(3,166)		(4,802)	64
Net income	3,493	2,973	3,888	3,349	18	(10)	4	14,782	13,263	11	21,542	46
Minority interests / associates	(777)	(638)	(621)	(862)				(3,173)	(2,271)		(4,456)	40
PAT (after minority interest)	2,716	2,335	3,267	2,488	16	(17)	9	11,609	10,992	6	17,087	47
Exceptional items	(27)	—	—	—				127—	—		—	
Key ratios												
Gross margin (%)	92.9	90.6	76.5	94.4				94.3	86.9		91.0	
EBITDA margin (%)	55.1	53.9	48.0	56.7				56.7	54.7		62.9	
PAT margin (%)	34.4	29.6	29.8	34.3				38.8	33.3		45.0	

Source: Company, Kotak Institutional Equities estimates

Segment-wise performance and other key highlights

- **Retail.** Phoenix Mills reported 4QFY25 consumption of Rs32.5 bn (+15% yoy, -19% qoq), taking the FY2025 consumption to Rs137 bn (+21% yoy). The consumption in 4QFY25 was aided by Pallasio Lucknow (+10% yoy), PMC Pune (+7% yoy) and the four new malls—Citadel Indore (+10% yoy), Palladium Ahmedabad (+33% yoy), Mall of Millennium Pune (+86% yoy) and Mall of Asia Bengaluru (+92% yoy). These four new malls (commissioned in FY2023/2024) contributed 27% of 4QFY25 consumption. Adj. for these, the consumption growth for the mature malls was weak at 3.8% yoy. Among the key malls, Palladium Mumbai saw a 5% yoy increase, partly aided by the newly opened block (Dec 2024), PMC Mumbai saw 4% yoy growth, while PMC Chennai and PMC Bengaluru saw a weak 1% yoy and (-) 2% growth in consumption.

On the weakness in consumption growth across key malls, management highlighted that it is revamping parts of PMC Bengaluru and Palladium, which have impacted occupancy and consumption. Commenting on the medium-term trends, management highlighted that it has seen a similar pattern of moderating consumption trends back in 2017-19, and it is working on premiumization and category upgradation to get back on better growth trends.

On a category-basis (like-for-like), management highlighted that for 4QFY25, better growth was seen in jewelry (13% of consumption, +19% yoy) and FEC and multiplexes (4% of consumption, +12% yoy). On the other hand, fashion & accessories (55% of consumption, +7% yoy), electronics (11% of consumption, +6% yoy), food & beverages (9% of consumption, +4% yoy), and hypermarkets (3% of consumption, +3% yoy) saw weaker growth.

We note that against the 21% yoy growth in consumption in FY2025, retail rental income was up 18% yoy at Rs19.5 bn, while retail EBITDA grew 20% yoy to reach Rs20 bn.

In 4QFY25, Phoenix commissioned 0.25 mn sq. ft additional gross leasable area at Phoenix Palladium, Mumbai with brands such as Uniqlo, Lifestyle, Bershka having opened their stores and others lined up for operations across five levels of retail.

► **Retail pipeline.** Phoenix has a large pipeline of new retail assets:

- Near-term retail pipeline includes 0.2 mn sq. ft of proposed expansion at Phoenix MarketCity Bangalore and 0.2 mn sq. ft of retail area at Lower Parel, Mumbai (Project Rise).
- The construction work at the 1 mn sq. ft retail projects at Kolkata is in progress, with completion targeted for FY2027.
- The 1 mn sq. ft mall in Surat is under development, with completion targeted for FY2027E.
- At the 3 mn sq. ft land parcel in Thane, Phoenix plans to build a retail mall of 1.2-1.4 mn sq. ft in Phase 1. It expects to get the approvals in the next few months, after which the construction would get started, targeted completion in FY2029. On the balance land parcel, management could build an office/hotel.
- It is yet to decide on the end-use for the recently acquired 1.3-1.4 mn sq. ft land parcel in Bengaluru (next to the existing PMC Mall). Phoenix had also acquired land at Coimbatore, Tamil Nadu (1 mn sq. ft) and Mohali, Punjab, where it plans to construct retail malls, although the plans are yet to be finalized.

► **Commercial.** The commercial revenue (2 mn sq. ft of area) stood at Rs530 mn (+8% yoy, -2% qoq) in 4QFY25, with tad lower occupancy of 67% (70% in 3QFY25). The total commercial revenue for FY2025 stood at Rs2.75 bn (+41% yoy). Management highlighted that it has commissioned the following assets in FY2025: (1) Phase 1 of 0.8 mn sq ft. at Asia Towers in Hebbel, Bengaluru and (2) Phase 1 of 0.5 mn sq ft. in Millennium Towers in Wakad, Pune.

► **Commercial pipeline.** We highlight that Phoenix Mills has a strong pipeline of commercial assets, which is expected to increase the leasable area from 3.3 mn sq. ft now (after the recent commissioning) to 7 mn sq. ft by FY2028. The pipeline includes:

- 0.4 mn sq. ft of office space at Asia Towers in Bangalore (Phase 2) expected to be commissioned by FY2026 end;
- 0.7 mn sq. ft of office space at Millennium Towers in Wakad, Pune (Phase 2) expected to come by FY2026 end;
- 0.6 mn sq. ft of office space (Palladium offices) at the existing malls in Chennai, with the completion targeted for 2HFY26 (postponed from earlier target of FY2025-end);
- 1.1 mn sq. ft of planned commercial space Art Exchange at Whitefield, Bengaluru with excavation and shoring works completed for Phase 1 (0.4 mn sq. ft)
- 1.1 mn sq. ft of office space at Project Rise in Lower Parel, Mumbai.

► Earnings contribution from the recently commissioned projects in the commercial portfolio will reflect from 2HFY26 only, with the full-year contribution visible in FY2027E.

- **Hospitality.** The hospitality segment saw an improvement, with revenue of Rs1.67 bn (+4% yoy, flat qoq), aided by an improvement in ARR and occupancy in St. Regis, Mumbai. EBITDA improved to Rs850 mn (+12% yoy) in 4QFY25, taking the FY2025 hotel EBITDA to Rs2.66 bn (+11% yoy). St. Regis contributed revenue of Rs1.5 bn (+4% yoy, +1% qoq) and EBITDA of Rs760 mn (+10% yoy, +6% qoq), led by an improvement in ARR to Rs22,542/day (+11% yoy, +5% qoq), with occupancy of 92% (84% in 3QFY25). Courtyard by Marriott, Agra was also strong, with revenues of Rs188 mn (+4% yoy, -4% qoq) and EBITDA of Rs86 mn (+35% yoy, +17% qoq). We highlight that the earnings contribution lagged the RevPAR improvement, owing to lower F&B/other revenues.
- **Residential.** Phoenix Mills sold inventory worth Rs770 mn in 4QFY25 (Rs2.1 bn in FY2025 compared to Rs5.7 bn in FY2024). Collections for the quarter stood at Rs540 mn (Rs2.1 bn for F20Y25 and Rs6.5 bn for FY2024). 4QFY25 saw modest residential revenue recognition at Rs960 mn; however, the FY2025 residential revenue of Rs1.2 bn fell short of the FY2024 revenue of Rs8.8 bn (down 85% yoy).
- **Debt.** Phoenix Mills' gross debt at the group level was stable at Rs44 bn, with net debt at Rs33 bn as of March 2025. Phoenix Mill's attributable net debt increased to Rs19 bn in 4QFY25 from Rs15.4 bn in 3QFY25.

Growth in retail revenues supported by new malls; healthy earnings for the hospitality business

Exhibit 2: Segment-wise interim results for Phoenix Mills, March fiscal year-ends, 2024-26E (Rs mn)

Revenues	4QFY25	4QFY24	3QFY25	% Chg.		2025	2024	% Chg.	2026E	% Chg.
				yoy	qoq					
Retail	6,995	6,412	7,376	9	(5)	29,051	23,661	23	33,318	15
Residential	960	4,540	160	(79)	500	1,263	8,704	(85)	4,824	282
Commercial	530	490	540	8	(2)	2,362	1,952	21	3,330	41
Hospitality & others	1,678	1,617	1,675	4	0	5,460	5,460	-	6,367	17
Revenues	10,163	13,059	9,751	(22)	4	38,136	39,777	(4)	47,838	25

Source: Company, Kotak Institutional Equities estimates

15% yoy overall consumption growth in 4QFY25; growth was weak at 3.8% yoy excluding the four new malls
Exhibit 3: Asset wise performance for Phoenix Mills, March fiscal year-ends, 2024-26E (Rs mn)

	4QFY25	4QFY24	3QFY25	% Chg.		2025	2024	% Chg.	2026E	% Chg.
				yoy	qoq					
Consumption										
Phoenix Palladium	5,400	5,140	6,440	5	(16)	22,310	22,243	0	26,326	18
Phoenix Marketcity Bengaluru	4,120	4,200	5,300	(2)	(22)	18,550	18,706	(1)	20,220	9
Phoenix Marketcity Pune	3,940	3,690	4,970	7	(21)	17,270	16,175	7	18,785	9
Phoenix Marketcity Mumbai	2,750	2,650	3,490	4	(21)	12,140	11,355	7	13,111	8
Phoenix Marketcity and Palladium Chennai	3,430	3,390	3,990	1	(14)	15,010	14,644	2	16,286	8
Phoenix Palassio Lucknow	2,820	2,560	3,630	10	(22)	11,970	10,470	14	13,206	10
Phoenix United Lucknow	530	520	640	2	(17)	2,220	2,098	6	2,393	8
Phoenix United Bareilly	600	580	670	3	(10)	2,360	2,208	7	2,522	7
Phoenix Citadel Indore	1,230	1,120	1,580	10	(22)	5,300	4,690	13	5,724	8
Phoenix Palladium Ahmedabad	1,900	1,430	2,350	33	(19)	7,590	4,601	65	9,108	20
Mall of the Millenium, Wakad, Pune	2,840	1,530	3,520	86	(19)	11,400	3,310	NA	13,110	15
Mall of Asia, Hebbel, Bengaluru	2,920	1,520	3,460	92	(16)	11,340	2,930	NA	13,381	18
Total	32,480	28,330	40,040	15	(19)	137,460	113,430	21	154,172	12
Rental										
Phoenix Palladium	990	960	1,020	3	(3)	3,950	3,830	3	5,982	51
Phoenix Marketcity Bengaluru	510	480	540	6	(6)	2,050	2,012	2	2,490	21
Phoenix Marketcity Pune	540	530	570	2	(5)	2,180	2,106	4	2,251	3
Phoenix Marketcity Mumbai	440	430	470	2	(6)	1,740	1,652	5	1,782	2
Phoenix Marketcity and Palladium Chennai	560	540	580	4	(3)	2,250	2,126	6	2,324	3
Phoenix Palassio Lucknow	360	350	370	3	(3)	1,420	1,329	7	1,489	5
Phoenix United Lucknow	80	80	90	-	(11)	337	340	(1)	358	6
Phoenix United Bareilly	70	70	70	-	-	262	250	5	285	9
Phoenix Citadel Indore	170	190	240	(11)	(29)	890	888	0	962	8
Phoenix Palladium Ahmedabad	320	210	330	52	(3)	1,220	850	44	1,188	(3)
Mall of the Millenium, Wakad, Pune	380	314	390	21	(3)	1,510	654	131	1,943	29
Mall of Asia, Hebbel, Bengaluru	390	330	400	18	(3)	1,670	560	198	2,165	30
Total	4,810	4,484	5,070	7	(5)	19,479	16,597	17	23,219	19
Revenue										
Phoenix Palladium	1,180	1,150	1,230	3	(4)	4,860	4,590	6	7,056	45
Phoenix Marketcity Bengaluru	730	670	770	9	(5)	2,960	2,732	8	3,482	18
Phoenix Marketcity Pune	790	750	810	5	(2)	3,140	2,946	7	3,295	5
Phoenix Marketcity Mumbai	650	610	690	7	(6)	2,650	2,370	12	2,765	4
Phoenix Marketcity and Palladium Chennai	850	740	880	15	(3)	3,440	3,065	12	3,615	5
Phoenix Palassio Lucknow	530	460	550	15	(4)	2,120	1,852	14	2,261	7
Phoenix United Lucknow	130	120	140	8	(7)	552	513	8	589	7
Phoenix United Bareilly	120	100	120	20	-	462	382	21	499	8
Phoenix Citadel Indore	300	280	390	7	(23)	1,480	1,338	11	1,599	8
Phoenix Palladium Ahmedabad	460	240	480	92	(4)	1,820	1,230	48	1,908	5
Mall of the Millenium, Wakad, Pune	590	458	620	29	(5)	2,330	948	146	3,273	40
Mall of Asia, Hebbel, Bengaluru	610	485	640	26	(5)	2,580	820	215	3,546	37
Total	6,940	6,063	7,320	14	(5)	28,394	22,786	25	33,889	19
EBITDA										
Phoenix Palladium	700	790	810	(11)	(14)	3,000	3,120	(4)	5,628	88
Phoenix Marketcity Bengaluru	560	515	540	9	4	2,200	2,090	5	2,524	15
Phoenix Marketcity Pune	620	560	610	11	2	2,430	2,210	10	2,549	5
Phoenix Marketcity Mumbai	480	460	480	4	-	1,900	1,660	14	1,992	5
Phoenix Marketcity and Palladium Chennai	610	540	600	13	2	2,430	2,260	8	2,574	6
Phoenix Palassio Lucknow	360	350	400	3	(10)	1,490	1,380	8	1,600	7
Phoenix United Lucknow	90	80	80	13	13	335	320	5	362	8
Phoenix United Bareilly	70	70	60	-	17	252	260	(3)	279	11
Phoenix Citadel Indore	150	190	210	(21)	(29)	840	850	(1)	927	10
Phoenix Palladium Ahmedabad	260	155	290	68	(10)	1,100	670	64	1,152	5
Mall of the Millenium, Wakad, Pune	390	290	370	34	5	1,430	560	155	2,234	56
Mall of Asia, Hebbel, Bengaluru	410	280	390	46	5	1,720	490	251	2,499	45
Total	4,700	4,280	4,840	10	(3)	19,127	15,870	21	24,321	27

Note: The Rental income for Palladium Mumbai also includes income generated from Phoenix House

Source: Company, Kotak Institutional Equities estimates

Rental growth of 8% yoy lagged the consumption growth at 15% yoy, owing to rent-free period for new leases

Exhibit 4: Asset-wise quarterly consumption, rental and health ratio trends for Phoenix Mills, March fiscal year-ends, 1QFY24-4QFY25 (Rs mn)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Consumption								
Phoenix Palladium	5,463	5,450	6,190	5,140	5,340	5,130	6,440	5,400
PMC Bangalore	4,746	4,610	5,150	4,200	4,540	4,590	5,300	4,120
PMC Pune	3,995	4,000	4,490	3,690	4,080	4,280	4,970	3,940
PMC Mumbai	2,685	2,710	3,310	2,650	3,010	2,890	3,490	2,750
PMC Chennai (incl. Palladium)	3,634	3,760	3,860	3,390	3,730	3,860	3,990	3,430
Phoenix Palladio Lucknow	2,403	2,464	3,043	2,560	2,740	2,780	3,630	2,820
PU Lucknow	508	480	590	520	540	510	640	530
PU Bareilly	508	500	620	580	560	530	670	600
Phoenix Citadel Indore	1,045	1,137	1,388	1,120	1,250	1,240	1,580	1,230
Palladium Ahmedabad	751	980	1,440	1,430	1,660	1,680	2,350	1,900
Phoenix Mall of the Millenium, Wakad		310	1,470	1,530	2,340	2,700	3,520	2,840
Mall of Asia, Hebbal, Bangalore			1,410	1,520	2,360	2,600	3,460	2,920
Total	25,738	26,401	32,961	28,330	32,150	32,790	40,040	32,480
Growth (yoy,%)	18	20	25	28	25	24	21	15
Rental								
Phoenix Palladium	910	930	930	930	966	920	990	970
PMC Bangalore	500	506	526	480	500	500	540	510
PMC Pune	516	520	540	530	530	540	570	540
PMC Mumbai	396	400	426	430	420	410	470	440
PMC Chennai (incl. Palladium)	516	530	540	540	560	550	580	560
Phoenix Palladio Lucknow	309	320	350	350	340	350	370	360
PU Lucknow	87	87	86	80	87	80	90	80
PU Bareilly	56	56	68	70	62	60	70	70
Phoenix Citadel Indore	228	240	230	190	230	250	240	170
Palladium Ahmedabad	190	220	230	210	280	290	330	320
Phoenix Mall of the Millenium, Wakad		70	270	314	380	360	390	380
Mall of Asia, Hebbal, Bangalore			230	330	480	400	400	390
Total	3,708	3,879	4,426	4,454	4,835	4,710	5,040	4,790
Growth (yoy,%)	20	17	33	32	30	21	14	8
Health Ratio (%)								
Phoenix Palladium	17	17	15	18	18	18	15	18
PMC Bangalore	11	11	10	11	11	11	10	12
PMC Pune	13	13	12	14	13	13	11	14
PMC Mumbai	15	15	13	16	14	14	13	16
PMC Chennai (incl. Palladium)	14	14	14	16	15	14	15	16
Phoenix Palladio Lucknow	13	13	12	14	12	13	10	13
PU Lucknow	17	18	15	15	16	16	14	15
PU Bareilly	11	11	11	12	11	11	10	12
Phoenix Citadel Indore	22	21	17	17	18	20	15	14
Palladium Ahmedabad	25	22	16	15	17	17	14	17
Phoenix Mall of the Millenium, Wakad		23	18	21	16	13	11	13
Mall of Asia, Hebbal, Bangalore			16	22	20	15	12	13
Total	14	15	13	16	15	14	13	15

Source: Company, Kotak Institutional Equities

Larger malls in Mumbai, Pune and Chennai have seen weak consumption growth in the last few quarters

Exhibit 5: Consumption growth by mall, March fiscal year-ends, 1QFY24-4QFY25 (% yoy)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Consumption growth (% yoy)								
Phoenix Palladium	9	9	-2	1	-2	-6	4	5
PMC Bangalore	11	4	-1	4	-4	0	3	-2
PMC Pune	7	5	3	7	2	7	11	7
PMC Mumbai	6	11	15	11	12	7	5	4
PMC Chennai (incl. Palladium)	13	11	5	10	3	3	3	1
Phoenix Palladio Lucknow	13	23	12	16	14	13	19	10
PU Lucknow	-9	-1	-1	0	6	6	8	2
PU Bareilly	14	22	10	11	10	6	8	3
Phoenix Mills	18	20	25	28	25	24	21	15

Source: Company, Kotak Institutional Equities

Fashion and electronics, which have a large contribution to consumption, have seen modest growth

Exhibit 6: Consumption-mix and growth by category, March fiscal year-ends, 1QFY24-FY2025 (%)

	1QFY24	1HFY24	9MFY24	FY2024	1QFY25	1HFY25	9MFY25	FY2025
Consumption mix (%)								
Fashion & Accessories	51	50	50	50	50	52	53	55
Electronics	12	12	12	12	12	12	11	11
Jewellery	11	12	12	12	13	13	14	13
Food & Beverages	11	11	10	10	10	10	10	9
FEC & Multiplex	4	5	4	4	4	3	4	4
Gourmet & Hypermarket	3	3	3	3	3	3	3	3
Others	9	8	9	9	9	7	5	5
Like-for-like consumption growth (% yoy)								
Fashion & Accessories	17	7	8	6	6	6	9	7
Electronics	2	-4	-3	-1	2	3	1	6
Jewellery	31	25	22	23	22	27	27	19
Food & Beverages	24	12	8	9	4	2	3	4
FEC & Multiplex	3	22	15	13	-6	-11	-3	12
Gourmet & Hypermarket	88	51	38	33	19	15	11	3
Others	16	6	4	3	3	-11	-15	6
Phoenix Mills	9	10	8	8	7	6	7	

Source: Company, Kotak Institutional Equities

Healthy RevPAR improvement for the hotels; earnings growth lagged due to lower F&B/other revenues

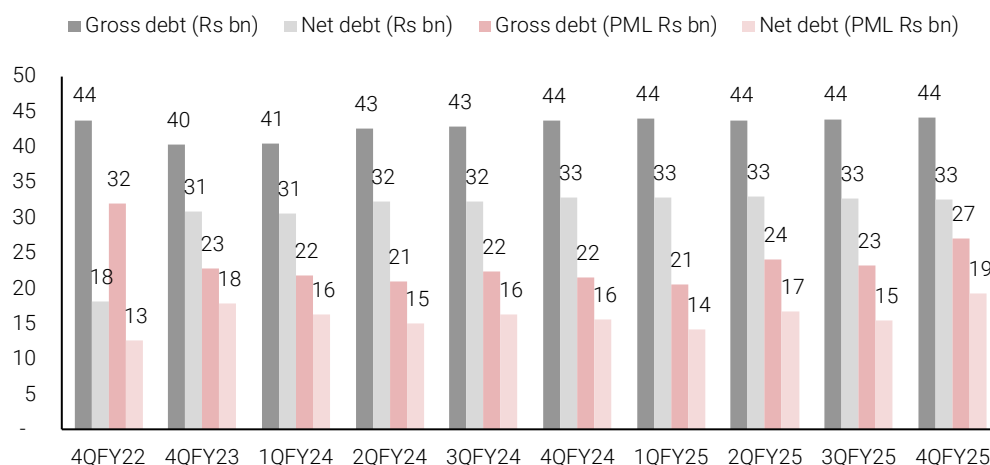
Exhibit 7: Performance of hospitality segment for Phoenix Mills, March fiscal year-ends, 2023-25E (Rs mn)

	4QFY25	4QFY24	3QFY25	% Chg.		2025	2024	% Chg.	2026E	% Chg.
				yoy	qoq					
St. Regis, Mumbai										
Revenue	1,490	1,434	1,480	4	1	5,240	4,907	7	5,694	9
EBITDA	760	690	720	10	6	2,480	2,230	11	2,810	13
Occupancy (%)	92	88	84	5	10	86	83	4	86	-
ARR (Rs)	23,542	21,199	22,343	11	5	19,958	18,247	9	21,954	10
RevPAR	21,541	18,555	18,768	15	15	17,232	15,145	13	18,880	10
Courtyard by Marriott, Agra										
Revenue	188	183	195	3	(4)	570	550	4	673	18
EBTIDA	86	60	73	43	18	181	160	13	255	41
Occupancy (%)	87	88	83	(1)	5	75	78	(4)	80	7
ARR (Rs)	6,982	6,351	7,468	10	(7)	5,987	5,278	13	6,466	8
RevPAR	6,105	5,589	6,198	9	(2)	4,488	4,218	6	5,173	15

Source: Company, Kotak Institutional Equities estimates

Phoenix Mills' attributable net debt increased in 4QFY25 after slight decline last quarter

Exhibit 8: Movement of gross debt for Phoenix Mills, March fiscal year-ends, 4QFY22-4QFY25 (Rs bn)



Source: Company, Kotak Institutional Equities

Commercial portfolio's occupancy decreased slightly to 67% in 4QFY25

Exhibit 9: Details of leasable area, leased area and occupancy for commercial assets, March fiscal year-ends, 1QFY22-4QFY25 (mn sq. ft, %)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Net leasable area																
Phoenix House	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.11	0.11
Centrium	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.11	0.11
Art Guild House	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63
Phoenix Paragon Plaza	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31
Fountainhead (Tower#1)	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Fountainhead (Tower#2)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Fountainhead (Tower#3)			0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41
Total	1.58	1.58	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Area leased																
Phoenix House	0.08	0.07	0.07	0.07	0.07	0.07	0.08	0.08	0.08	0.07	0.05	0.06	0.06	0.06	0.06	0.05
Centrium	0.08	0.06	0.06	0.06	0.07	0.08	0.08	0.08	0.08	0.08	0.08	0.10	0.08	0.08	0.08	0.06
Art Guild House	0.48	0.45	0.51	0.47	0.51	0.51	0.49	0.52	0.52	0.54	0.55	0.55	0.57	0.55	0.55	0.54
Phoenix Paragon Plaza	0.16	0.14	0.14	0.13	0.16	0.17	0.17	0.16	0.15	0.16	0.16	0.16	0.16	0.16	0.16	0.15
Fountainhead (Tower#1)	0.16	0.16	0.16	0.16	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Fountainhead (Tower#2)	0.06	0.1	0.12	0.12	0.13	0.13	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Fountainhead (Tower#3)					0.02	-	0.08	0.10	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Total	1.02	0.98	1.04	1.04	1.13	1.13	1.23	1.27	1.30	1.32	1.43	1.41	1.42	1.39	1.39	1.33
Occupancy																
Phoenix House	89	78	78	78	78	78	89	89	89	78	56	67	64	63	55	45
Centrium	67	50	50	50	58	67	67	67	67	67	67	83	64	64	73	55
Art Guild House	76	71	81	75	81	81	78	83	83	86	87	87	90	87	87	86
Phoenix Paragon Plaza	52	45	45	42	52	55	55	52	48	52	52	52	50	51	52	48
Fountainhead (Tower#1)	94	94	94	94	100	100	100	100	100	100	100	100	100	100	100	100
Fountainhead (Tower#2)	24	40	48	48	52	52	64	64	64	64	64	64	67	65	64	63
Fountainhead (Tower#3)					5	-	20	24	34	34	34	34	34	34	34	34
Total	65	62	52	52	57	57	62	64	65	66	72	70	71	69	70	67

Source: Company, Kotak Institutional Equities

Phoenix has added 53 acres of land in the last two years, for a consideration of Rs28.5 bn

Exhibit 10: Phoenix Mills' land acquisitions, March fiscal year-ends, 2023-25 (acres)

Acquisition	City	Land (acres)	Development
Dec-22	Surat	7.20	Retail
Feb-23	Kolkata	5.50	Residential
Nov-23	Thane	11.50	Retail-led mixed use
Apr-24	Bengaluru	6.60	Under-planning
Aug-24	Coimbatore	9.00	Retail
Sep-24	Chandigarh-Mohali	13.10	Retail-led mixed use
Total		52.90	

Source: Company, Kotak Institutional Equities estimates

Phoenix Mills has a pipeline of 12 mn sq. ft to be completed over the next few years

Exhibit 11: Details of under-construction and future projects (mn sq. ft)

Commissioning	City	Area (mn sq. ft)	Development
2026	One National Park, Chennai	0.60	Commercial
2026	Asia Towers, Bengaluru	0.40	Commercial
2026	Millenium Towers, Wakad	0.70	Commercial
2027	Kolkata	1.00	Retail
2028	Surat	1.00	Retail
2028	Thane	1.20	Retail
2029	Thane	1.80	Retail-led mixed use
	Phoenix Market City, Bengaluru	1.10	Commercial
	Project Rise, Lower Parel	1.10	Commercial
	Bengaluru	1.40	Under-planning
	Coimbatore	1.00	Retail
	Mohali	1.00	Retail-led mixed use
	Mumbai		Retail potential of 136 sq. mt
Total		12.30	

Source: Company, Kotak Institutional Equities estimates

We estimate retail consumption to grow at 16% CAGR over FY2024-27E

Exhibit 12: Key assumptions for retail, commercial and hotels business, March fiscal year-ends, 2020-27E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E
Retail + Commercial								
Leasable area (mn sq. ft)	7.3	8.2	8.7	10.8	13.2	13.4	15.9	19.0
Occupancy (%)	92	86	87	77	81	88	83	83
Retail consumption	69,025	33,301	50,109	92,224	113,430	137,460	154,172	177,213
Consumption growth (% yoy)	2	(52)	50	84	23	21	12	15
Rental (Rs mn)	11,178	6,501	9,531	14,591	18,155	21,529	26,104	30,596
Rental (Rs/sq. ft)	138	77	105	146	142	152	165	162
Hotels								
Hotel Keys	588	588	588	588	588	588	588	588
Occupancy (%)	74	31	55	80	81	82	84	84
ARR	9,958	5,865	6,276	11,870	14,166	15,784	17,114	18,312
RevPAR (Rs/day)	7,343	1,836	3,476	9,464	11,525	13,004	14,381	15,388

Source: Company, Kotak Institutional Equities estimates

We revise estimates to factor lower residential revenues in FY2025E and delay in commissioning of malls

Exhibit 13: Change in estimates for Phoenix Mills, March fiscal year-ends, 2026-28E (Rs mn)

	Revised estimates			Old estimates			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	47,838	55,492	59,230	47,663	53,720	NA	0	3	NA
EBITDA	30,093	34,338	38,125	29,674	32,440	NA	1	6	NA
PAT	17,087	19,028	22,318	16,431	17,702	NA	4	7	NA

Source: Company, Kotak Institutional Equities estimates

SoTP-based Fair Value of Rs1,600/share based on December 2026E earnings
Exhibit 14: SoTP of Phoenix Mills, March fiscal year-ends (Rs mn)

	Valuations (Rs mn)				Ownership (%)	Attributable value			Area (mn sq. ft)
	EBITDA	EV	Net debt	Equity		(Rs mn)	(Rs/share)	(%)	
Retail									
Operational									
HSP & Palladium, Mumbai	7,685	113,845	(21,592)	135,438	100	135,438	379	24	1.1
Phoenix MarketCity, Bengaluru	1,867	27,665	2,024	25,641	51	13,077	37	2	1.0
Phoenix MarketCity, Chennai	2,710	40,144	(1,537)	41,681	100	41,681	117	7	0.6
Phoenix MarketCity, Mumbai	2,263	33,522	(2,901)	36,423	74	26,793	75	5	1.3
Phoenix MarketCity, Pune	2,714	40,201	(5,811)	46,012	74	33,846	95	6	1.2
Phoenix United, Lucknow	386	5,724	(465)	6,189	100	6,189	17	1	0.4
Phoenix United, Bareilly	301	4,453	(84)	4,536	100	4,536	13	1	0.3
Phoenix Palassio, Lucknow	1,713	25,383	282	25,101	100	25,101	70	4	0.9
Phoenix Citadel, Indore	980	14,521	(2,198)	16,718	51	8,526	24	2	1.0
Palladium, Ahmedabad	1,222	18,098	8,288	9,810	50	4,905	14	1	0.7
Phoenix Millennium, Pune	2,326	34,453	1,604	32,849	51	16,753	47	3	1.2
Phoenix Mall of Asia, Hebbal, Bengaluru	2,453	36,337	(20)	36,357	51	18,542	52	3	1.2
Operational	26,618	394,347	(22,409)	416,755	80	335,387	938	60	10.9
Under construction									
Kolkata	2,430	28,695	322	28,373	50	14,187	40	3	1.0
Surat	2,343	27,672	4,840	22,832	50	11,416	32	2	1.0
Under construction	4,773	56,367	5,162	51,205	50	25,603	72	5	2.0
Future development									
Thane		6,000	-	6,000	100	6,000	17	1	3.0
Bengaluru		2,300	-	2,300	100	2,300	6	0	1.4
Coimbatore		3,702	-	3,702	67	2,484	7	0	1.0
Mohali		8,910	-	8,910	100	8,910	25	2	1.0
Palladium incremental FSI		5,850	-	5,850	100	5,850	16	1	1.5
Future development		26,762	-	26,762	95	25,544	71	5	7.9
Retail	31,391	477,476	(17,247)	494,722	78	386,534	1,081	69	20.8
Commercial									
Operational									
Phoenix Paragon Plaza	260	3,359	481	2,878	100	2,878	8	1	0.3
Fountainhead Tower	627	8,092	(548)	8,640	100	8,640	24	2	0.8
Art Guild House	672	8,665	-	8,665	74	6,374	18	1	0.6
Centrium	94	1,218	-	1,218	74	896	3	0	0.1
Phoenix House	96	1,237	-	1,237	100	1,237	3	0	0.1
East Court	30	392	-	392	74	289	1	0	0.0
Operational	1,780	22,963	(67)	23,031	88	20,314	57	4	2.0
Under construction									
Classic Mall	270	3,478	-	3,478	100	3,478	10	1	0.6
Phoenix MarketCity West, Wakad, Pune	956	9,839	-	9,839	51	5,018	14	1	1.4
Phoenix MarketCity, Hebbal, Bengaluru	740	8,521	-	8,521	51	4,345	12	1	1.2
Phoenix MarketCity, Bengaluru	1,008	11,616	-	11,616	51	5,924	17	1	1.1
Under construction	2,974	33,454	-	33,454	253	18,766	52	3	4.3
Future development									
Project Rise		59,400	-	59,400	100	59,400	166	11	1.1
Warehousing, Sohna		540	-	540	100	540	2	0	1.0
Future development		59,940	-	59,940	100	59,940	168	11	2.1
Commercial	4,754	116,357	(67)	116,424	85	99,019	277	18	8.4
Hotels									
The St. Regis	3,053	61,051	(5,989)	67,040	73	48,939	137	9	395
Courtyard by Marriot	279	4,188	300	3,888	100	3,888	11	1	193
Hotels	3,332	65,239	(5,689)	70,928	74	52,827	148	9	588
Residential									
One Bangalore West	2,063	6,369	(3,395)	9,764	100	9,764	27	2	-
Kessaku	556	5,806	(3,395)	9,201	100	9,201	26	2	-
Alipore, Kolkata	-	4,140	-	4,140	100	4,140	12	1	-
Residential	2,619	16,316	(6,789)	23,105	100	23,105	65	4	-
Grand total	42,096	675,387	(29,792)	705,179	80	561,485	1,570	100	29.2

Source: Company, Kotak Institutional Equities estimates

Steady growth in EPS aided by commissioning of new assets

Exhibit 15: Phoenix Mills: Profit model, balance sheet, cash model, March fiscal year-ends, 2020-27E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E
Profit model								
Net sales	19,411	10,733	14,835	26,383	39,777	38,136	47,838	55,492
EBITDA	9,671	4,942	7,339	15,189	21,768	23,749	30,093	34,338
Depreciation	(2,076)	(2,094)	(1,859)	(2,278)	(2,702)	(3,265)	(2,980)	(3,461)
EBIT	7,595	2,848	5,481	12,911	19,066	20,484	27,113	30,877
Interest	(3,478)	(3,478)	(2,945)	(3,412)	(3,959)	(2,137)	(2,669)	(2,723)
Other income	585	923	744	1,163	1,322	1,509	1,900	2,075
Pre-tax profits	4,702	292	3,280	10,662	16,429	19,856	26,344	30,230
Tax	(1,221)	47	(801)	(1,989)	(3,166)	(2,936)	(4,802)	(5,984)
Net income	3,481	339	2,480	8,673	13,263	16,920	21,542	24,246
Minority interests	(212)	187	(106)	(1,375)	(2,271)	(3,173)	(4,456)	(5,218)
PAT (after minority interest)	3,270	526	2,374	7,298	10,992	13,747	17,087	19,028
Reported PAT	3,347	526	2,374	13,350	10,992	13,874	17,087	19,028
Earnings per share (Rs)	10.7	1.5	6.6	20.4	30.8	38.5	47.8	53.2
Balance sheet								
Total equity	37,084	48,848	65,825	83,798	94,577	104,481	120,496	138,451
Minority interests	12,788	13,190	24,288	26,963	29,297	34,046	38,501	43,720
Total borrowings	41,075	36,537	39,821	42,593	46,119	46,631	48,531	46,831
Current liabilities	14,499	15,955	13,413	22,538	22,840	30,154	31,299	28,182
Total liabilities and equity	105,446	114,529	143,347	175,892	192,833	215,312	238,827	257,183
Net fixed assets	60,817	69,013	72,019	103,468	125,170	138,747	142,867	169,406
CWIP	15,341	12,740	20,486	22,947	15,033	31,428	37,128	20,828
Goodwill	3,711	3,711	3,058	6,176	6,203	5,917	5,917	5,917
Current assets	19,096	22,110	22,831	28,105	26,038	21,387	35,481	43,998
Investments	5,897	5,740	23,173	12,823	17,253	14,647	14,647	14,647
Deferred tax asset	585	1,215	1,779	2,373	3,136	3,187	2,787	2,387
Total assets	105,446	114,529	143,347	175,892	192,833	215,312	238,827	257,183
Free cash flow								
Operating cash flow excl. working capital	8,783	5,127	7,093	13,602	18,666	18,645	25,691	28,754
Working capital changes	(985)	2,173	713	(41)	2,951	2,191	4,135	(1,993)
Capital expenditure	(7,801)	(7,689)	(386)	(18,246)	(16,731)	(26,153)	(12,800)	(13,700)
Free cash flow	(3)	(389)	7,420	(4,685)	4,886	(5,317)	17,026	13,062
Ratios (%)								
Debt/equity	1.1	0.7	0.6	0.5	0.5	0.4	0.4	0.3
Net debt/equity (X)	1.1	0.6	0.5	0.4	0.4	0.4	0.2	0.1
Debt /EBITDA	4.2	7.4	5.4	2.8	2.1	2.0	1.6	1.4
Net debt/EBITDA	4.1	6.4	4.6	2.4	1.8	1.7	0.9	0.4
RoAE (%)	9.3	1.2	4.1	17.8	12.3	13.9	15.2	14.7
RoACE (%) (pre-tax)	8.5	3.0	4.8	9.1	11.8	11.5	13.8	14.1

Source: Company, Kotak Institutional Equities estimates

Vishal Mega Mart (VMM)

Retailing

ADD

CMP(₹): 118

Fair Value(₹): 125

Sector View: Neutral

NIFTY-50: 24,334

May 01, 2025

Healthy 4Q print, driven by strong SSSG performance

Vishal Mega Mart (VMM) reported consolidated revenue growth of 23.2% yoy, driven by adjusted SSSG of 13.7% and a 10.9% increase in retail area. GM print of 28.3% (KIE: 27.0%, 4QFY24: 26.4%) was driven by better sourcing and an increase in private label share. Strong SSSG performance drove solid yoy EBITDA margin expansion of 191 bps. Net profit was also sharply above estimates. VMM added 85 stores in FY2025, a sharp acceleration from 54 stores added in FY2024. We increase FY2026-27 EPS estimates by 3-5%. This coupled with roll forward drives a revised FV of Rs125. Retain ADD.

Revenue growth of 23% yoy, driven by store area addition and 13.7% SSSG

Vishal Mega Mart posted 4QFY25 consolidated revenue growth of 23.2% yoy, driven by a 10.9% increase in store area and strong adjusted SSSG of 13.7%. According to the company, its 4Q revenue performance was helped by the advancement of the Eid and Ugadi festivals. These festivals were in March this year versus April last year. Revenue mix remained largely unchanged in FY2025, with apparel accounting for ~44% of revenues, followed by FMCG at ~28% and general merchandise at ~28%. Vishal Mega Mart added 28 stores in 4QFY25 and 85 stores in FY2025, in line with our expectations.

GM up 182 bps yoy; EBITDA margins surprise

VMM's 4QFY25 GM of 28.3% was 126 bps higher than estimates and increased 182 bps yoy. According to the company, this was driven by better sourcing and increase in revenue contribution of private labels. The private label share of revenue increased from 71.8% in FY2024 to 73.1% in FY2025. Higher-than-expected GM and lower-than-expected operating costs drove yoy EBITDA margin expansion of 191 bps and yoy EBITDA growth of 43%. The pre-Ind AS EBITDA adjusted for ESOP grew by 39% yoy, implying benefits of operating leverage playing out during the year.

Expansion in new states; adding QC capabilities

VMM has added stores in Kerala and is targeting Maharashtra and Gujarat for future expansion. The company noted its progress in its quick-commerce initiative, which has now extended to 656 stores across 429 cities, with a registered user base of 8.7 mn. VMM offers two-hour quick deliveries with no extra charge for orders above Rs299; we believe this is to provide an alternative shopping channel for customers.

Retain ADD with revised FV of Rs125

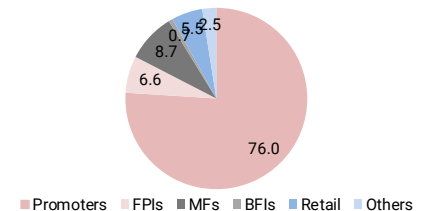
VMM's revenue trajectory is backed by a solid SSSG performance. The company's FY2025 revenue throughput of Rs9.2k/sq. ft is lower than that of peers such as DMart and Trent and has reasonable potential to increase with time. We upgrade FY2026-27 revenue estimates by 2% each and EPS estimates by 3-5% as we model higher SSSG and resultant higher margins. Earnings upgrade and roll forward to June drive a revised FV of Rs125 (Rs110 earlier). Retain ADD.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	118/125/ADD
52-week range (Rs) (high-low)	127-96
Mcap (bn) (Rs/US\$)	545/6.4
ADTV-3M (mn) (Rs/US\$)	2,006/23.7

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	14	0	0
Rel. to Nifty	10	0	0
Rel. to MSCI India	10	0	0

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	1.3	1.7	2.1
EPS growth (%)	33.8	27.5	25.7
P/E (X)	88.3	69.2	55.0
P/B (X)	8.7	7.7	6.8
EV/EBITDA (X)	35.0	28.4	23.2
RoE (%)	10.5	11.8	13.1
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	107	128	150
EBITDA (Rs bn)	15	19	22
Net profits (Rs bn)	6.3	8.1	10

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

Related Research

[→ Vishal Mega Mart: Leading diversified retailer](#)
[Full sector coverage on KINSITE](#)

Garima Mishra

Ishani Swain

VMM's 23.2% yoy revenue growth was driven by 10.2% increase in area and 13.7% adjusted SSSG
Exhibit 1: Consolidated quarterly financials of Vishal Mega Mart, March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			FY2025	FY2024	Yoy growth (%)	FY2026E	Yoy growth (%)
					KIE	yoy	qoq					
Net revenues	25,479	24,620	20,689	31,359	3.5	23.2	(18.8)	107,163	89,119	20.2	127,773	19.2
Total expenses	(21,908)	(21,693)	(18,184)	(26,309)	1.0	20.5	(16.7)	(91,862)	(76,633)	19.9	(109,127)	18.8
Purchase of stock-in-trade	(21,452)	(17,973)	(16,572)	(19,078)	19.4	29.4	12.4	(80,487)	(64,208)	25.4	(91,375)	13.5
Changes in inventory of stock in trade	3,174		1,353	(3,159)				3,851	(252)		–	
Employee expenses	(1,497)	(1,400)	(1,259)	(1,539)	6.9	18.9	(2.7)	(5,813)	(5,012)	16.0	(6,940)	19.4
ESOP expenses	(176)	(170)	3	(170)				(592)	(35)		(474)	(20.0)
Other operational costs	(1,957)	(2,150)	(1,708)	(2,364)	(9.0)	14.6	(17.2)	(8,820)	(7,126)	23.8	(10,338)	17.2
EBITDA	3,571	2,927	2,505	5,050	22.0	42.5	(29.3)	15,302	12,486	22.5	18,647	21.9
Adjusted EBITDA	2,081		1,198	3,942		73.7	(47.2)	10,333	7,448	38.7		
Finance costs	(493)	(340)	(363)	(315)	45.1	35.8	56.7	(1,492)	(1,435)	3.9	(1,681)	12.7
Depreciation and amortization expense	(1,707)	(1,450)	(1,362)	(1,407)	17.7	25.4	21.4	(5,902)	(5,173)	14.1	(6,970)	18.1
Other income	186	150	70	190	24.2	165.8	(2.1)	586	332	76.5	838	43.1
PBT	1,557	1,287	851	3,519	21.0	83.1	(55.7)	8,493	6,210	36.8	10,834	27.6
Tax expense	(406)	(328)	(239)	(892)				(2,173)	(1,590)	36.7	(2,773)	27.6
Net profit	1,151	959	612	2,627	20.0	88.0	(56.2)	6,320	4,620	36.8	8,060	27.5
Adjusted PAT	1,281		610	2,754		110.0	(53.5)	6,761	4,645	45.6		
EPS	0.3	0.2	0.1	0.6	17.5	84.1	(56.1)	1.3	1.0	33.8	1.7	27.5
Operational metrics												
Period-ending retail trading area (mn sq. ft)	12.2	12.2	11.0	11.8	(0.3)	10.9	3.4	12.2	11.0	11.2	13.5	10.7
Revenue per sq. ft annualized (Rs)	8,354	8,044	7,523	10,630	3.8	11.0	(21.4)	8,753	8,094	8.1	9,431	7.7
Store count (#)	696	696	611	668	-	13.9	4.2	696	611	13.9	786	12.9
Costs as proportion of revenue (%)												
COGS	71.7	73.0	73.6	70.9	-126 bps	-182 bps	83 bps	71.5	72.3	-82 bps	71.5	0 bps
Employee expense	5.9	5.7	6.1	4.9	19 bps	-21 bps	97 bps	5.4	5.6	-20 bps	5.4	1 bps
Other operational cost	7.7	8.7	8.3	7.5	-105 bps	-57 bps	14 bps	8.2	8.0	23 bps	8.1	-14 bps
Other ratios (%)												
Gross margin	28.3	27.0	26.4	29.1	126 bps	182 bps	-83 bps	28.5	27.7	82 bps	28.5	0 bps
EBITDA margin	14.0	11.9	12.1	16.1	213 bps	191 bps	-209 bps	14.3	14.0	27 bps	14.6	31 bps
PAT margin	4.5	3.9	3.0	8.4	62 bps	156 bps	-386 bps	5.9	5.2	71 bps	6.3	41 bps
Tax rate	26.1	25.5	28.0	25.3				25.6	25.6	-2 bps	25.6	1 bps

Note:

(a) Adjusted EBITDA is calculated pre-IND AS 116 and pre-ESOP expense. Adjusted PAT is calculated pre-ESOP expense.

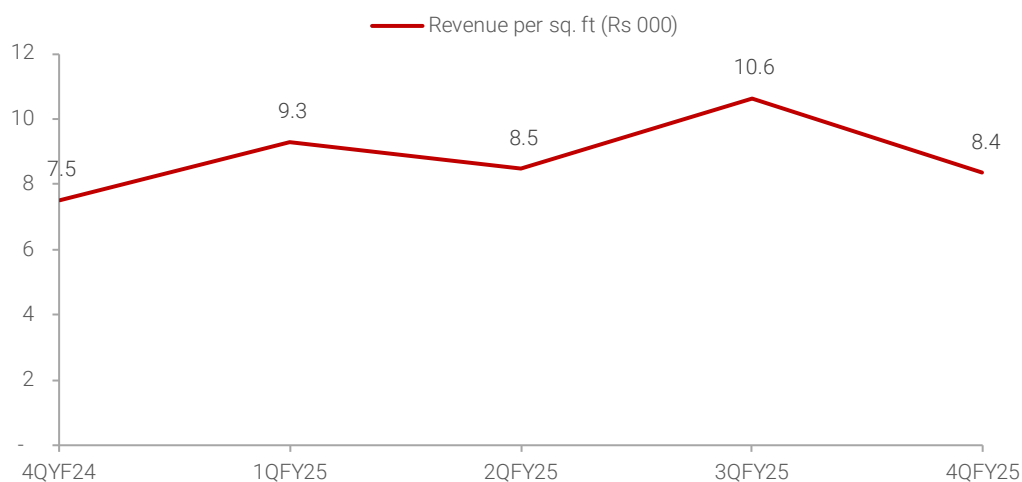
Source: Company, Kotak Institutional Equities estimates

Other key takeaways from results

- ▶ The 4QFY25 adjusted SSSG came in at 13.7%, an improvement vis-à-vis 3QFY25 SSSG of 10.8%. The FY2025 adjusted SSSG came in at 12.3%.
- ▶ VMM's own brands contributed to 73.1% of revenue in FY2025. The company has 26 brands within its portfolio with 6 brands reporting sales of more than Rs5 bn and 19 brands reporting sales of more than Rs1 bn.
- ▶ The company has a registered customer base of ~145 mn with ~95% of revenue coming from loyal customers in FY2025.
- ▶ The company added 90 stores (consolidated 5) in FY2025 to exit the year with 696 stores. ~72% of VMM's stores are in tier 2 cities and beyond.

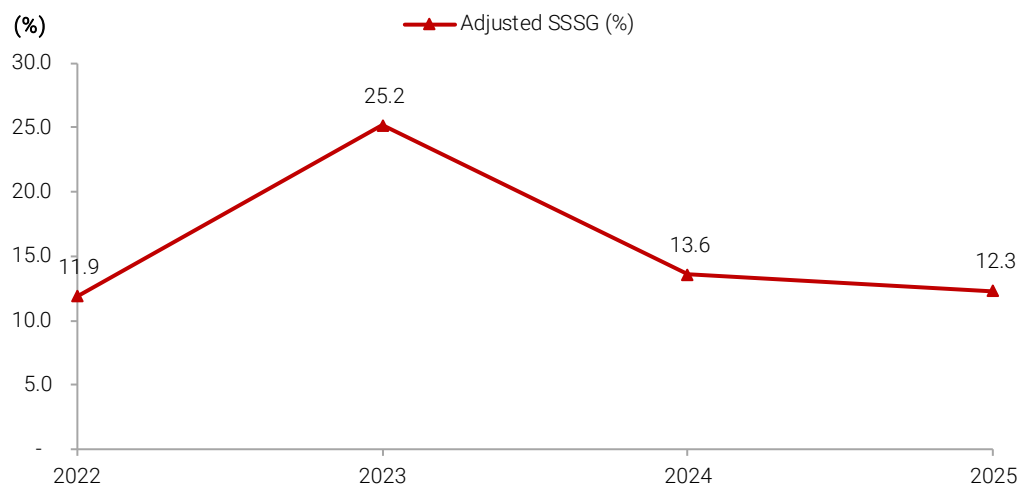
Revenue per sq. ft increased 12% yoy to Rs8.4k/sq. ft in 4Q

Exhibit 2: Consolidated revenue throughput of Vishal Mega Mart, March fiscal year-ends (Rs'000 per sq. ft)



Source: Company, Kotak Institutional Equities

Exhibit 3: Adjusted SSSG trend of Vishal Mega Mart, March fiscal year-ends (%)



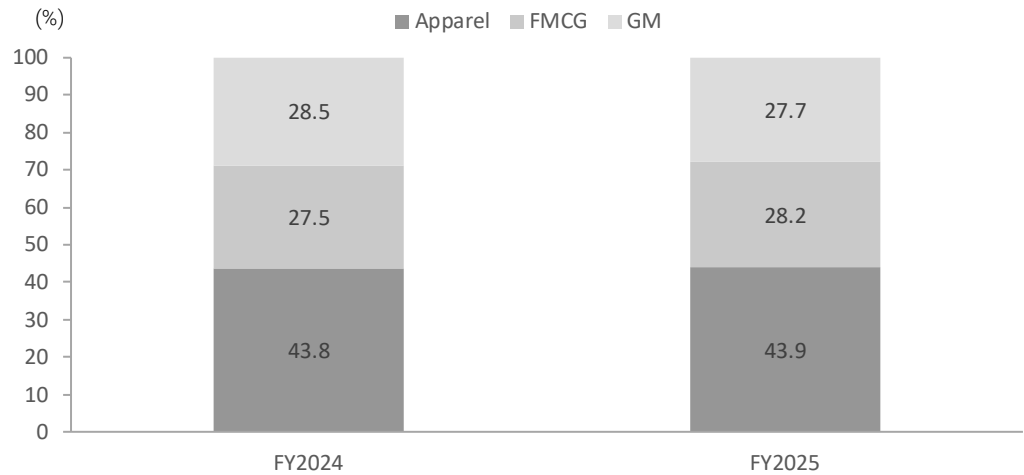
Note:

(a) Adjusted SSSG is calculated as the growth in net revenue of all stores that have been operational for at least 15 months at the beginning of each quarter during the year, adjusted to exclude stores that are temporarily non-comparable with the base due to refurbishment, cannibalization, area reduction, or any such event, which may make it incomparable with the base.

Source: Company, Kotak Institutional Equities

Revenue mix for Vishal Mega Mart was broadly steady in FY2025 compared with FY2024

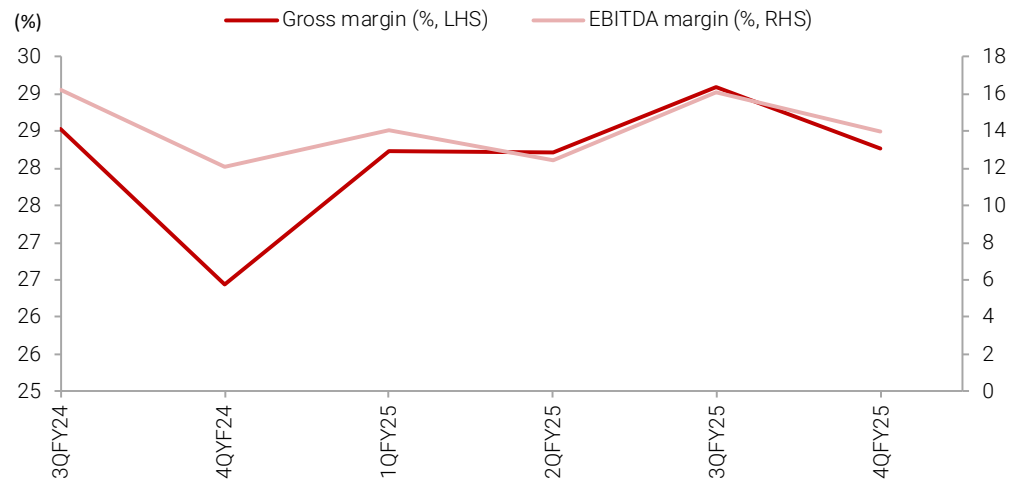
Exhibit 4: Revenue mix of Vishal Mega Mart, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

EBITDA margin came in at 14% and expanded by 191 bps yoy

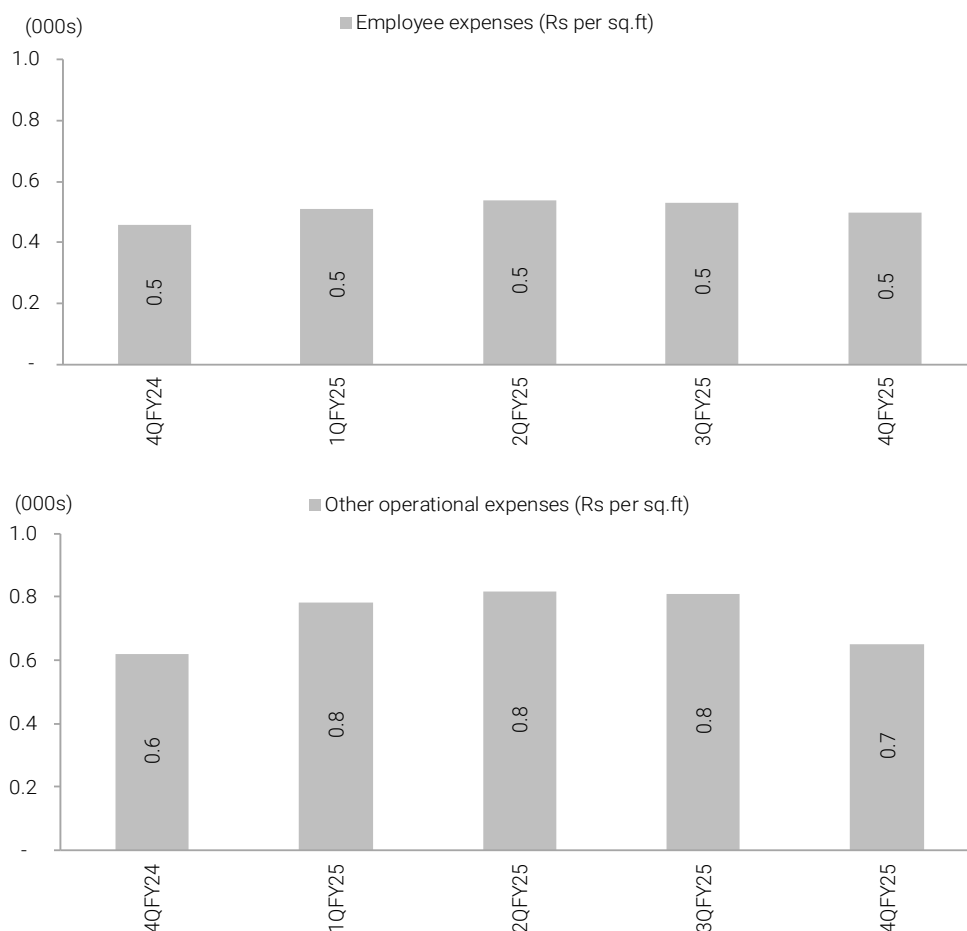
Exhibit 5: Quarterly margin trends for Vishal Mega Mart, March fiscal year-ends, 3QFY24-4QFY25 (%)



Source: Company, Kotak Institutional Equities

Employee costs witnessed growth of 19% yoy; other opex grew by 15% yoy

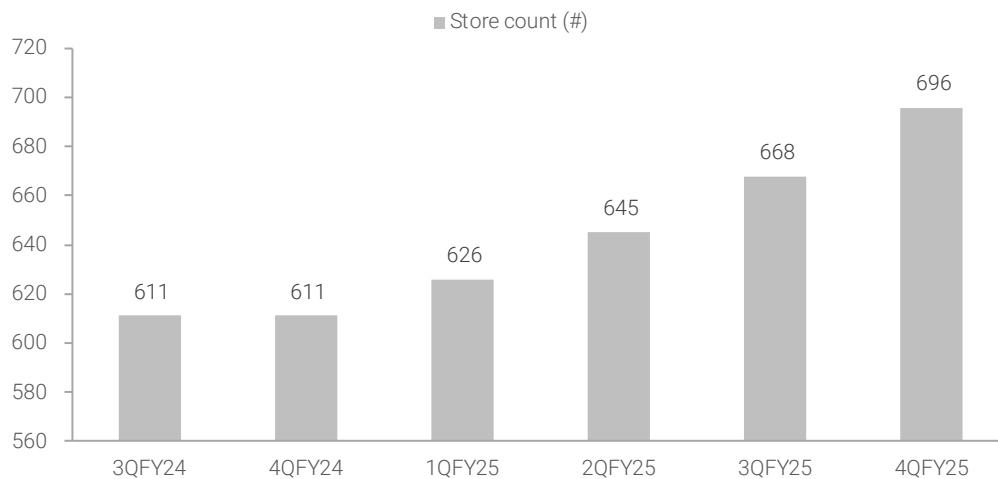
Exhibit 6: Annualized costs per sq. ft details of Vishal Mega Mart, March fiscal year-ends (Rs/sq. ft)



Source: Company, Kotak Institutional Equities

Vishal Mega Mart added 28 new stores in 4QFY25, taking total store count to 696

Exhibit 7: Period-ending store count of Vishal Mega Mart, March fiscal year-ends (#)



Source: Company, Kotak Institutional Equities

Vishal Mega Mart has been adding stores in the 13-15k sq. ft range

Exhibit 8: Store size details of Vishal Mega Mart, March fiscal year-ends

	1QFY25	2QFY25	3QFY25	4QFY25
Period-ending retail trading area (mn sq. ft)	11.2	11.5	11.8	12.2
Store count (#)	626	645	668	696
Size per store (sq. ft.)	17,891	17,829	17,665	17,529
Size per new store (sq. ft.)	13,333	15,789	13,043	14,286

Source: Company, Kotak Institutional Equities

Key takeaways from earnings call

- ▶ **Management commentary.** In 4QFY25, the company reported a revenue of Rs25.5 bn, with a yoy growth of 23%. The company reported 13.7% SSSG in the same period. The EBITDA was Rs3.6 bn and with a margin of 14.0%. In FY2025, the company reported a revenue of Rs107 bn with a yoy growth of 20.2%. The FY2025 EBITDA was Rs15 bn and with a margin of 14.3%, an expansion of 55 bps yoy. The company reported an SSSG of 12.3% in the full year.
 - The company opened 90 stores (and consolidated 5) in FY2025, taking the total store count to 696. The stores are spread across 458 cities in India, with a total retail area of ~12.2 mn sq ft.
 - The own brands, an important part of the business, contributed to 73.1% of the revenue in FY2025, an improvement of 135 bps over FY2024. The category mix remained broadly the same, with 43.9% contribution from apparel, 28.2% from general merchandise and 27.7% from FMCG.
 - Management wants to maintain margins at current levels and keep growing fast.
- ▶ **Gross margin.** The improvement in GM was driven by (1) greater sourcing leverage as the company grows, (2) an increase in private label contribution and (3) a shift in customers from lower price points to higher price points. These three factors drove an 80 bps expansion in gross margins in FY2025 over FY2024.
- ▶ **Private labels.** The purpose of private brands is to provide quality products at affordable prices. In the FMCG category, private label products form 35-36% of VMM's products by value and 60% by volume. Management noted that the FMCG business is very price-competitive, but VMM has an advantage as its products are ~40-50% lower than the market leader. The company does not intend to decrease discounting in its private labels across its categories.
 - The three largest private brands of VMM are (1) Brink, an apparel and general merchandise brand, which has doubled its revenue from FY2022 to FY2025—as of now, its revenue is significantly more than Rs10 bn, (2) the second-largest brand is Home Select, which offers general merchandise products—Home Select has grown more than 2X over FY2022-25 and its revenue is slightly short of Rs10 bn and (3) the third-largest brand is Yellow Hippo, a children's apparel and general merchandise brand.
- ▶ **Store expansion.** The company is focused on store expansion with management guiding toward similar net store addition as in FY2025 for the next 2-3 years. The company now has double-digit stores in Kerala and it continues to expand rapidly in Kerala. The company has also opened pilot stores in Gujarat and Maharashtra to test its viability in these two states.
 - As the company expands into tier 3 cities, the stores are of a smaller size to ensure the viability of the store. In smaller towns, the total revenue opportunity reduces compared with larger towns. The smaller store size is thus required to maintain VMM's revenue per sq. ft metric.
 - According to management, there are 50 towns in India with a population above 1 mn. Of these, there are 17 towns with a population above 1 mn that VMM is not currently present in. Management believes there is an opportunity to add 5 stores in existing towns and 10 stores in towns it is not present in. This gives VMM an opportunity to add 300-350 stores. There are also 1,220 towns with populations lower than 1 mn, which provides an opportunity of ~800 new stores.
 - Management noted the challenge of recruiting manpower in the industry as it rapidly opens new stores.

- **Pricing.** The company aims to maintain a competitive lowest opening price point across the entire category of products that it offers. This is to facilitate the upgradation of customers from unorganized stores and mom-and-pop stores to VMM. At the same time, VMM also offers products with higher prices to cater to its wide customer base. VMM also wants to attract customers who are more affluent and will shop at VMM for convenience.
- **Quick-commerce.** The quick-commerce (QC) initiative is now available to customers across 656 stores in 429 cities. The registered users on the QC platform increased to 8.7 mn. According to management, the response from tier 2 and tier 3 markets has been encouraging. The response has been better in areas where VMM is the only QC platform available, with QC contributing to 3-5% of a store's revenue. In markets where competitors are present, QC contributes to 1.5-2.0% of a store's revenue for VMM.
 - According to management, the QC business is close to being cash breakeven.
 - VMM delivers products from its stores. Customers can order products from nearby VMM stores through the VMM app. An order is delivered in under 30 minutes with free delivery above Rs299.

Misc. (1) The average bill size of VMM is Rs875 per bill and the number of bills is growing at 10% yoy on a same-store basis. (2) The company has not witnessed materially different SSSG in tier 1, tier 2 and tier 3 cities across any of its categories. (3) The company remains optimistic about the SSSG in the future. ►

Key changes to estimates

We upgrade FY2026-27 revenue estimates by 2% each and EPS estimates by 3-5% as we model higher SSSG and resultant higher margins.

We upgrade FY2026-27 EPS by 3-5%

Exhibit 9: Key changes to estimates of Vishal Mega Mart, March fiscal year-ends

	New estimates			Old estimates		% revision	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Total							
Revenue (Rs mn)	127,773	149,953	175,374	125,640	146,592	1.7	2.3
Revenue growth (%)	19	17	17	18	17		
Gross profit (Rs mn)	36,398	42,717	49,958	35,430	41,339	2.7	3.3
Gross margin (%)	28.5	28.5	28.5	28.2	28.2		
EBITDA (Rs mn)	18,647	22,436	26,480	17,930	20,989	4.0	6.9
EBITDA margin (%)	14.6	15.0	15.1	14.3	14.3		
PBT (Rs mn)	10,834	13,620	16,599	10,558	12,977	2.6	5.0
Net Profit (Rs mn)	8,060	10,133	12,350	7,855	9,655	2.6	5.0
EPS (Rs)	1.7	2.1	2.6	1.7	2.0	2.6	5.0
SSSG (%)	11.3	9.0	8.5	11.0	9.0		

Source: Company, Kotak Institutional Equities estimates

Our DCF-based FV of Vishal Mega Mart is Rs125 per share

Exhibit 10: DCF-based valuation of Vishal Mega Mart

	Rs bn	Rs/share
EV of VMM	566	120
Net debt	(23)	(5)
Equity value	589	125

Source: Company, Kotak Institutional Equities estimates

We model FY2025-28E revenue CAGR of 18% driven by SSSG of 9-11% and new store additions
Exhibit 11: Key assumptions of Vishal Mega Mart, March fiscal year-ends, 2022-28E (Rs mn)

	2022	2023	2024	2025	2026E	2027E	2028E
Revenue							
Net revenues (Rs mn)	55,885	75,860	89,119	107,163	127,773	149,953	175,374
Yoy growth (%)		36	17	20	19	17	17
SSSG (%)	11.9	25.2	13.6	12.3	11.3	9.0	8.5
Revenue per sq. ft (Rs)	6,131	7,862	8,404	9,199	9,892	10,490	11,113
Margins and ratios							
Gross margin (%)	28.2	27.2	27.7	28.5	28.5	28.5	28.5
EBITDA margin (%)	14.4	13.5	14.0	14.3	14.6	15.0	15.1
RoE (%)	4.2	6.0	7.7	9.3	10.4	11.4	12.1
RoCE (%)	3.9	6.1	7.9	9.2	10.3	11.0	11.4
Adjusted RoACE		31	38	34	29	26	24
Capital expenditure							
Period-ending store count (#)	501	557	611	696	786	886	991
New store additions (#)	—	56	54	85	90	100	105
Retail trading area (mn sq. ft)	9.1	10.2	11.0	12.2	13.5	15.0	16.5
Capital expenditure (Rs mn)	1,578	2,224	2,494	2,638	2,279	3,091	3,688
Working capital							
Inventory days (#)	79	72	60	63	63	62	62
Trade receivable days (#)	—	—	1	2	2	2	2
Trade payable days (#)	95	72	50	50	50	50	50

Source: Company, Kotak Institutional Equities estimates

We expect EPS CAGR of 25% over FY2025-28E for Vishal Mega Mart
Exhibit 12: Consolidated income statement, balance sheet and cash flow, March fiscal year-ends, 2022-28E (Rs mn)

	2022	2023	2024	2025	2026E	2027E	2028E
Profit model							
Revenue from operations	55,885	75,860	89,119	107,163	127,773	149,953	175,374
EBITDA	8,037	10,205	12,486	15,302	18,647	22,436	26,480
Adjusted EBITDA	8,159	10,288	12,521	15,894	19,121	22,673	26,716
Depreciation and amortisation expense	(4,056)	(4,614)	(5,173)	(5,902)	(6,970)	(8,203)	(9,602)
EBIT	4,103	5,674	7,348	9,992	12,151	14,470	17,114
Other income	653	329	332	586	838	1,403	2,120
Finance costs	(1,938)	(1,614)	(1,435)	(1,492)	(1,681)	(2,017)	(2,398)
Profit before tax	2,697	4,305	6,210	8,493	10,834	13,620	16,599
Taxation	(669)	(1,093)	(1,590)	(2,173)	(2,773)	(3,487)	(4,249)
Profit after tax	2,028	3,213	4,620	6,320	8,060	10,133	12,350
Reported PAT	2,028	3,213	4,620	6,320	8,060	10,133	12,350
Diluted EPS (Rs/share)	0.4	0.7	1.0	1.3	1.7	2.1	2.6
Weighted average number of shares - diluted (mn)	4,542	4,577	4,622	4,727	4,727	4,727	4,727
Balance sheet							
Shareholder's funds	48,252	51,561	56,218	64,013	72,143	82,331	94,680
Total borrowings	4,974	1,335	—	—	—	—	—
Lease liabilities	12,921	13,281	14,834	17,294	19,979	23,966	28,502
Total sources of funds	66,147	66,177	71,052	81,307	92,122	106,297	123,182
Fixed assets (tangible/intangible)	4,157	4,720	6,000	7,055	7,471	8,484	9,854
Capital work-in-progress	111	685	383	136	136	136	136
Investments	4,168	351	—	3,873	3,873	3,873	3,873
Goodwill	42,836	42,836	42,836	42,836	42,836	42,836	42,836
RoU assets	11,030	11,369	12,996	15,457	18,383	21,679	25,349
Cash and bank balances	2,158	1,692	1,189	4,637	11,361	20,469	31,484
Net working capital (ex-cash)	(524)	2,073	5,378	4,803	5,552	6,310	7,140
Deferred tax assets	2,036	2,161	2,182	2,313	2,313	2,313	2,313
Non-current tax assets (net)	99	129	40	151	151	151	151
Other non-current assets	74	160	48	46	46	46	46
Total usage of funds	66,147	66,177	71,052	81,307	92,122	106,297	123,182
Cash flow							
Operating cash flow before working capital changes	5,680	6,940	8,447	10,347	12,448	14,841	17,344
Working capital changes	(1,238)	(2,655)	(2,685)	507	(749)	(758)	(829)
Net finance cost/ income	(2,495)	(2,565)	(2,446)	(2,362)	(2,524)	(2,630)	(2,677)
Cash flow from operations	1,947	1,719	3,316	8,492	9,175	11,453	13,838
Capital expenditure	(1,575)	(2,187)	(2,463)	(2,610)	(2,279)	(3,091)	(3,688)
Free cash flow	372	(468)	854	5,883	6,896	8,362	10,150
Key ratios/metrics							
Revenue growth (%)	25.5	35.7	17.5	20.2	19.2	17.4	17.0
EBITDA margin (%)	14.4	13.5	14.0	14.3	14.6	15.0	15.1
RoAE (%)	4.2	6.0	7.8	9.2	10.5	11.3	11.8
RoACE (%)	3.9	6.1	7.9	9.2	10.2	10.8	11.1
Adjusted RoCE (%)	—	31.5	37.9	34.8	30.7	26.7	23.6

Source: Company, Kotak Institutional Equities estimates

Schaeffler India (SCHFL)

Automobiles & Components

REDUCE

CMP(₹): 3,473

Fair Value(₹): 3,250

 Sector View: **Cautious**

NIFTY-50: 24,334

April 30, 2025

Decent quarter

SCHFL reported 1QCY25 EBITDA of Rs3.9 bn, which outperformed our estimates by 8% due to better-than-expected gross margin. The export segment recovery came in ahead of our expectations. We remain constructive on the company's medium-term growth prospects, driven by content increase and the ramp-up of exports and the replacement segment; however, near-term demand trends in the domestic PV (including EVs) and CV segments are expected to remain weak. Retain REDUCE, as the CMP fully factors in all the positives, with a revised FV of Rs3,250 (from Rs3,100).

1QCY25 EBITDA outperformed our estimates

Schaeffler India reported 1QCY25 consolidated EBITDA of Rs3.9 bn (+19% yoy and +6% qoq), which outperformed our estimates by 8% due to better-than-expected gross margin, led by increased revenue from intercompany exports and offset by higher-than-expected other expenses. Revenues grew 16% yoy, driven by (1) a 13% yoy increase in the automotive technologies business (chassis, powertrain and e-mobility solutions), (2) a 23% yoy rise in export revenues due to a lower base, (3) a 12% yoy increase in vehicle lifetime solutions and (4) 12% increase in the bearing business (mobility and industrial bearings). EBITDA margin was at 18.1% (+50 bps yoy and +80 bps qoq), 50 bps above our estimates on account of a higher-than-expected gross margin print, led by a richer product mix. Gross margin increased 160 bps qoq in 1QCY25. Net profit was at Rs2.5 bn, 7% above our estimates.

Export segment demand shows recovery, but caution about global uncertainty

Bearings and industrial solutions (auto and industrial bearings) has seen growth due to increased collaborations across new industries and new product additions. We also expect the export upswing to continue, driven by increased business in Asia Pacific, along with expansion into new countries in Europe (~60% of exports), but the geopolitical situation remains key for sustained recovery. Additionally, in the Automotive Technologies sector, we expect further growth due to new additions to the portfolio, especially in the LCV and MHCV segments. Overall, we expect the company to deliver 10% revenue CAGR over CY2024-27E, despite slowing demand momentum in the automotive segment.

Increase our CY2025-27E EPS estimates by 2-4%; retain REDUCE

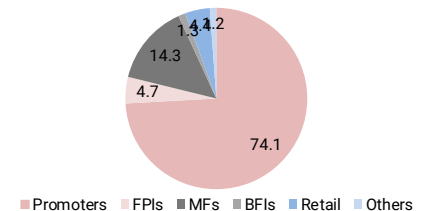
We have increased our CY2025-27E EPS estimates by 2-4% due to higher revenues from newer segments (e-mobility) and exports as well as an increase in EBITDA margin assumptions. We expect the near-term growth in the PV and CV segments to remain weak, which will weigh on the company's overall revenue growth. We remain optimistic about medium-term growth prospects, driven by (1) content increase due to the addition of e-mobility products, (2) the scale-up of the export business by foraying into new geographies in SEA and (3) product addition in the replacement market. We retain our REDUCE rating, with a revised FV of Rs3,250 (from Rs3,100) based on 40X June 2027E EPS (40X March 2027E EPS earlier).

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	3,473/3,250/REDUCE
52-week range (Rs) (high-low)	4,951-2,823
Mcap (bn) (Rs/US\$)	543/6.4
ADTV-3M (mn) (Rs/US\$)	216/2.6

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	3	1	(6)
Rel. to Nifty	(1)	(2)	(14)
Rel. to MSCI India	(1)	(2)	(11)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	60.1	70.2	76.8
EPS growth (%)	4.0	16.8	9.4
P/E (X)	57.8	49.5	45.2
P/B (X)	10.2	9.2	8.3
EV/EBITDA (X)	36.6	31.4	28.3
RoE (%)	18.5	19.5	19.2
Div. yield (%)	0.1	0.0	0.0
Sales (Rs bn)	82	92	101
EBITDA (Rs bn)	14	17	18
Net profits (Rs bn)	9.4	11	12

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Business wins momentum continues in automotive and industrial segments

During the quarter, the company continued to win orders in the automotive solutions, bearings and industrial solutions, and increased market coverage in the automotive aftermarket segment.

- ▶ In the Automotive Technology segment, the company won new business in the clutch systems product as a product portfolio, particularly in the commercial vehicle segment and the heavy-duty commercial vehicles as well. A number of the wins have already started to flow into series production, enabling them to sustain the growth in the space.
- ▶ In the bearing and industrial solutions segment, the company won a lot of business in the cylindrical roller bearing and ball bearings segments. It also won new businesses in the two-wheeler segment with new applications such as linear ball bearings, which is a new product line that it is now offering to a customer in the two-wheeler segment.
- ▶ In Vehicle Lifetime Solutions, the company resolved issues it had with product quality and packaging, and finally started to register sales of Rs10-15 mn in 1QCY25E itself. Moreover, it has launched quite a few white label products such as wipers for cars, lubricants, engine oil and brake fluid oils for automotive applications, as well as true forever grease. On the industrial side of the business, the company has had wins through increased collaboration with customers offering solutions as a part of the service offerings, especially in the food and beverage sectors.

Focus on optimizing long-term capital and judicious capital expenditure

The company has invested Rs6.9 bn in CY2024 in capital expenditure investment, amounting to around 9% of total CY2024 sales. The number in 1QCY25 has dropped to Rs825 mn, which is around 4% of the 1QCY25 sales. The company had invested aggressively in capital expenditure (Rs17-18 bn) in the past three years, including a new plant in Shoolagiri, which will be up and running in the 2HCY25E. Hence, the company is expected to realize the rewards of the investments going forward, which were made in the new plant and existing plants in Savli, Talegaon and Hosur. The focus of the company has shifted to capacity utilization. This reduction in capital expenditure has led to higher free cash flow for the company at Rs2.4 bn, increasing drastically yoy and 46% increase qoq.

Other key takeaways from the conference call

- ▶ Revenues grew 16% yoy, driven by (1) a 13% yoy increase in the automotive technologies business (chassis, powertrain and e-mobility solutions), (2) a 23% yoy increase in export revenues due to a lower base, (3) a 12% yoy increase in vehicle lifetime solutions and (4) a 12% yoy increase in the bearing business (mobility and industrial bearings). During the quarter, the company commenced the supply of e-axle components to EV PV customers, which also supported strong growth in the automotive technologies segment.
- ▶ The company generated FCF of Rs2.4 bn in 1QCY25 versus FCF of Rs1.6 bn in 4QCY24 versus FCF of Rs(-)256 mn in 4QCY23. FCF increased by Rs2.6 bn yoy in 1QCY25, owing to its focus shifting toward improved free cash flow generation, judicious capital expenditure and an improved working capital cycle.
- ▶ Schaeffler India highlighted that the outlook for wind energy turbine manufacturing is very strong. The company mentioned that it has seen a strong uptick, particularly due to the supplies in the wind segment going to wind equipment makers and gearbox manufacturers, who export the final product to a different market and the demand from the gearbox manufacturers has improved significantly.
- ▶ In addition, the company also saw some strong uptick in the off-road and construction equipment sectors. This is riding on the back of the government's infrastructure focus. This has also impacted the raw material sector positively, showing good improvement over the preceding quarter. In addition, the company has seen good project executions that have started to happen within the core industrial sectors, leading to a positive impact for the company.
- ▶ Koovers generated a revenue of Rs646 mn in 1QCY25. The company is planning to expand the Koovers operations across the country, along with improving the efficiency in each location it operates in and expects breakeven in the next 2-3 years. While the top-line is in line with the internal

expectations, the company will be focusing on bringing the EBIT margins in line with those expectations.

- Schaeffler India has started to shift bearing production lines into India from European countries as a part of its localization efforts. This has led to its localization ratio improving from 67-68% to 76% of the total volumes being made in India. These shifted lines will also serve as export bases to serve the markets it served earlier.

1QCY25 consolidated EBITDA outperformed our estimates by 8%, driven by the export segment

Exhibit 1: 1QCY25 interim results, calendar year-ends, 2024-25E (Rs mn, %)

		change (%)												
	1QCY25	1QCY25E	1QCY24	4QCY24	1QCY25E	1QCY24	4QCY24	CY2025E	CY2024	yoy (%)	CY2026E	CY2025E	yoy (%)	
Net sales	21,744	20,604	18,731	21,361	5.5	16.1	1.8	91,858	82,324	11.6	100,643	91,858	9.6	
Cost of materials consumed	(9,209)		(8,384)	(7,686)										
Purchase of stock-in-trade	(4,134)		(4,668)	(4,352)										
Changes in inventories	(136)		1,412	(1,544)										
Net raw material cost	(13,479)	(12,981)	(11,640)	(13,583)	3.8	15.8	(0.8)	(57,123)	(51,569)	10.8	(62,626)	(57,123)	9.6	
Employee expenses	(1,347)	(1,250)	(1,266)	(1,275)	7.8	6.4	5.7	(5,814)	(5,422)		(6,248)	(5,814)		
Other expenses	(2,989)	(2,750)	(2,527)	(2,800)	8.7	18.3	6.8	(12,174)	(10,879)		(13,343)	(12,174)		
Total expenses	(17,816)	(16,981)	(15,433)	(17,657)	4.9	15.4	0.9	(75,112)	(67,870)	10.7	(82,217)	(75,112)	9.5	
EBITDA	3,928	3,624	3,299	3,704	8.4	19.1	6.1	16,746	14,454	15.9	18,426	16,746	10.0	
Depreciation	(831)	(800)	(625)	(781)	3.9	33.0	6.4	(3,426)	(2,816)		(3,914)	(3,426)		
EBIT	3,097	2,824	2,674	2,923	9.7	15.8	6.0	13,320	11,638	14.5	14,512	13,320	8.9	
Other income	336	345	311	348	(2.8)	7.7	(3.6)	1,433	1,183		1,633	1,433		
Interest expense	(16)	(12)	(8)	(9)				(50)	(44)		(55)	(50)		
Profit before tax	3,417	3,157	2,977	3,262	8.3	14.8	4.8	14,703	12,778	15.1	16,090	14,703	9.4	
Extraordinary income/(losses)	—	—	—	—				—	—		—	—		
Tax expense	(901)	(802)	(780)	(889)				(3,735)	(3,389)		(4,087)	(3,735)		
Profit after tax	2,516	2,355	2,197	2,373	6.9	14.5	6.0	10,968	9,389	16.8	12,003	10,968	9.4	
Adjusted net profit	2,516	2,355	2,197	2,373	6.9	14.5	6.0	10,968	9,389	16.8	12,003	10,968	9.4	
No. of shares	156	156	156	156				156	156		156	156		
Adjusted EPS (Rs/share)	16.1	15.1	14.1	15.2	6.9	14.5	6.0	70.2	60.1	16.8	76.8	70.2	9.4	
Tax rate (%)	26.4	25.4	26.2	27.3				25.4	26.5		25.4	25.4		
As % of net revenues														
Raw material	62.0	63.0	62.1	63.6				62.2	62.6		62.2	62.2		
Gross margin	38.0	37.0	37.9	36.4				37.8	37.4		37.8	37.8		
Staff costs	6.2	6.1	6.8	6.0				6.3	6.6		6.2	6.3		
Other expenses	13.7	13.3	13.5	13.1				13.3	13.2		13.3	13.3		
EBITDA margin	18.1	17.6	17.6	17.3				18.2	17.6		18.3	18.2		
EBIT margin	14.2	13.7	14.3	13.7				14.5	14.1		14.4	14.5		
Revenue break-up (Rs mn)														
Automotive Technologies (Chassis, Powertrain and e-mobility)	6,942		6,106	6,495		13.7	6.9							
Vehicle lifetime solutions (Automotive aftermarket)	3,191		2,524	3,132		26.5	1.9							
Bearings and Industrial solutions - (Auto and industrial bearings)	8,494		7,573	9,136		12.2	(7.0)							
Intercompany exports and others (Exports)	3,117		2,529	2,597		23.2	20.0							
Total revenues	21,744		18,731	21,361		16.1	1.8							
Revenue break-up (%)														
Automotive Technologies - Chassis, Powertrain and e-mobility	31.9		32.6	30.4										
Vehicle lifetime solutions (Automotive aftermarket)	14.7		13.5	14.7										
Bearings and Industrial solutions - (Auto and industrial bearings)	39.1		40.4	42.8										
Intercompany exports and others (Exports)	14.3		13.5	12.2										
Total revenues	100.0		100.0	100.0										

Source: Company, Kotak Institutional Equities estimates

We have increased our CY2025-27E EPS estimates by 2-6%, led by higher export revenue growth and EBITDA margin assumptions

Exhibit 2: Earnings revision table of Schaeffler India, calendar year-ends, 2025-27E (Rs mn, %)

	New estimates			Old estimates			% change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Net sales	91,858	100,643	109,657	91,107	99,661	108,544	0.8	1.0	1.0
EBITDA	16,746	18,426	20,528	16,199	18,112	19,754	3.4	1.7	3.9
Margin (%)	18.2	18.3	18.7	17.8	18.2	18.2			
Net Profit	10,968	12,003	13,403	10,551	11,828	12,976	4.0	1.5	3.3
Standalone EPS	70.2	76.8	85.8	67.5	75.7	83.0	4.0	1.5	3.3

Source: Company, Kotak Institutional Equities estimates

We expect revenues to increase at a CAGR of 10% over CY2024-27E

Exhibit 3: Schaeffler India's segment-wise revenue breakup, calendar year-ends, 2018-27E (Rs mn, %)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2024-27E CAGR (%)
Revenues (Rs mn)											
Cars and trucks	17,087	14,815	13,334	20,367	25,721	28,640	31,210	34,035	37,086	40,412	9.0
Two-wheelers/Three-wheelers	4,409	4,870	4,840	5,121	5,502	5,930	7,223	7,879	8,435	9,031	7.7
Railways	2,833	3,006	2,104	2,735	3,146	3,303	4,129	4,872	5,457	6,111	14.0
Off-highway	1,355	949	854	1,494	1,344	1,613	1,936	2,130	2,300	2,484	8.7
Other industrial OEMs	3,848	4,618	3,463	5,368	5,905	6,200	7,750	8,912	9,804	10,784	11.6
Total revenues from supplies to OEMs	29,532	28,257	24,595	35,085	41,618	45,687	52,248	57,828	63,081	68,822	9.6
Automotive replacement	4,497	3,865	3,345	5,019	5,936	7,061	10,071	11,078	11,965	12,922	8.7
Industrial replacement	6,295	6,098	5,488	8,342	9,694	9,983	9,209	10,314	11,139	12,030	9.3
Total revenues from replacement market	10,792	9,963	8,833	13,361	15,630	17,043	19,280	21,392	23,104	24,952	9.0
Exports	4,642	4,723	3,651	6,228	9,717	8,292	9,466	11,169	12,845	14,129	14.3
Other operating income (includes service income)	649	664	539	931	1,710	1,486	1,330	1,469	1,613	1,753	9.6
Total revenues	45,615	43,606	37,618	55,605	68,674	72,509	82,324	91,858	100,643	109,657	10.0
Revenue mix (%)											
Cars and trucks	37.5	34.0	35.4	36.6	37.5	39.5	37.9	37.1	36.8	36.9	
Two-wheelers/Three-wheelers	9.7	11.2	12.9	9.2	8.0	8.2	8.8	8.6	8.4	8.2	
Railways	6.2	6.9	5.6	4.9	4.6	4.6	5.0	5.3	5.4	5.6	
Off-highway	3.0	2.2	2.3	2.7	2.0	2.2	2.4	2.3	2.3	2.3	
Other industrial OEMs	8.4	10.6	9.2	9.7	8.6	8.6	9.4	9.7	9.7	9.8	
Total revenues from supplies to OEMs	64.7	64.8	65.4	63.1	60.6	63.0	63.5	63.0	62.7	62.8	
Automotive replacement	9.9	8.9	8.9	9.0	8.6	9.7	12.2	12.1	11.9	11.8	
Industrial replacement	13.8	14.0	14.6	15.0	14.1	13.8	11.2	11.2	11.1	11.0	
Total revenues from replacement market	23.7	22.8	23.5	24.0	22.8	23.5	23.4	23.3	23.0	22.8	
Exports	10.2	10.8	9.7	11.2	14.1	11.4	11.5	12.2	12.8	12.9	
Other operating income (includes service income)	1.4	1.5	1.4	1.7	2.5	2.0	1.6	1.6	1.6	1.6	
Total revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Source: Company, Kotak Institutional Equities estimates

We expect Schaeffler India to deliver 12.6% EPS CAGR over CY2024-27E

Exhibit 4: Schaeffler India's financial summary, calendar year-ends, 2018-27E (Rs mn, %)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Profit model (Rs mn)										
Net sales	45,615	43,606	37,618	55,605	68,674	72,509	82,324	91,858	100,643	109,657
EBITDA	7,396	6,336	5,361	9,715	12,944	13,212	14,454	16,746	18,426	20,528
Other income	908	632	603	724	777	1,246	1,183	1,433	1,633	1,883
Interest	(70)	(35)	(52)	(37)	(36)	(43)	(44)	(50)	(55)	(55)
Depreciation	(1,485)	(1,587)	(1,940)	(1,972)	(2,065)	(2,230)	(2,816)	(3,426)	(3,914)	(4,389)
Extraordinary income/(losses)	(432)	(3)	—	—	150	(47)	—	—	—	—
Profit before tax	6,317	5,343	3,972	8,431	11,770	12,138	12,778	14,703	16,090	17,967
Tax	(2,119)	(1,666)	(1,062)	(2,140)	(2,978)	(3,148)	(3,389)	(3,735)	(4,087)	(4,564)
Reported net profit	4,198	3,676	2,910	6,291	8,792	8,990	9,389	10,968	12,003	13,403
Adj Net profit	4,500	3,679	2,910	6,291	8,680	9,025	9,389	10,968	12,003	13,403
Earnings per share (Rs)	28.8	23.5	18.6	40.2	55.5	57.7	60.1	70.2	76.8	85.8
Balance sheet (Rs mn)										
Equity	27,061	29,622	31,403	36,537	42,859	48,054	53,344	59,200	65,608	72,763
Deferred tax liability	—	—	—	—	—	—	—	—	—	—
Other long-term liabilities	394	455	674	630	574	511	555	555	555	555
Total Borrowings	577	—	—	—	—	—	—	—	—	—
Current liabilities	9,642	6,376	9,553	11,796	13,193	14,101	14,930	16,482	17,929	19,418
Total liabilities	37,674	36,452	41,630	48,963	56,626	62,665	68,829	76,237	84,092	92,736
Net fixed assets	8,924	10,608	11,663	11,589	13,721	18,497	23,364	24,438	25,523	26,134
Investments	—	—	—	—	—	—	—	—	—	—
Other long-term assets	2,112	3,197	2,707	3,215	3,665	2,284	2,106	2,106	2,106	2,106
Cash	8,476	8,354	12,459	14,157	15,545	15,857	13,500	17,232	21,084	26,122
Other current assets	18,161	14,293	14,802	20,002	23,695	26,027	29,859	32,462	35,379	38,374
Total assets	37,674	36,452	41,630	48,963	56,626	62,665	68,829	76,237	84,092	92,736
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	4,910	4,866	3,977	7,927	9,964	10,398	11,602	13,012	14,339	15,965
Working capital changes	(2,528)	231	2,515	(3,280)	(2,459)	(1,553)	(3,203)	(1,050)	(1,470)	(1,506)
Net financial income	582	473	511	453	609	946	847	1,383	1,578	1,828
Cash flow from operations	2,964	5,570	7,002	5,099	8,114	9,791	9,246	13,344	14,447	16,287
Capital expenditure	(2,439)	(3,199)	(2,377)	(1,826)	(4,788)	(6,619)	(7,426)	(4,500)	(5,000)	(5,000)
Free cash flow	525	2,372	4,626	3,274	3,326	3,172	1,820	8,844	9,447	11,287
Ratios										
Gross margin (%)	37.0	36.9	38.0	37.7	38.1	37.9	37.4	37.8	37.8	38.1
EBITDA margin (%)	16.2	14.5	14.3	17.5	18.8	18.2	17.6	18.2	18.3	18.7
PAT margin (%)	9.9	8.4	7.7	11.3	12.6	12.4	11.4	11.9	11.9	12.2
Net debt/equity (X)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)
Book value (Rs/share)	173	190	201	234	274	307	341	379	420	466
RoAE (%)	17.9	13.0	9.5	18.5	21.9	19.9	18.5	19.5	19.2	19.4
RoACE (%)	23.0	16.2	12.5	28.0	32.7	27.3	23.7	24.3	25.0	26.4

Source: Company, Kotak Institutional Equities estimates

Federal Bank (FB)

Banks

BUY

CMP(₹): 197

Fair Value(₹): 225

 Sector View: **Attractive**

NIFTY-50: 24,334

May 01, 2025

A soft start as change begins to take shape

Federal Bank reported a ~15% yoy earnings growth, led by a strong contribution from the non-interest income and lower provisions. NII growth was weak at 8% yoy. Asset quality is holding up relatively well, as slippages were at ~90 bps. Management started to slow down growth and shift the mix of assets and liabilities to build the NIM expansion thesis that would drive RoA improvement. A soft and less surprising start. Maintain BUY; FV unchanged.

Weaker NII growth offset by better non-interest income and lower provisions

Federal Bank reported ~15% yoy earnings growth due to a ~30% increase in operating profit. Revenue growth was healthy at 15% yoy, led by ~8% yoy NII growth. NIM was flat at 3.1%, even as lending spreads declined sharply qoq. Non-interest income growth was strong at 33% yoy, led by healthy fee income and recovery from written-off loans. Loans and deposit growth was at ~12% yoy. The gross NPL and net NPL ratios were down 5-10 bps qoq at 1.8% and 0.4%, respectively. The coverage ratio was at ~75%. Restructured loans were at 0.6% and slippages were lower at ~0.9%. Tax rate was lower at 22%.

The focus between the near-term and medium-term outlooks

The journey to transform the bank has begun. We have seen loan growth slowing down (slower growth in low-yield loans) and re-prioritizing NIM expansion (changes to pricing of loans and monitoring with higher frequency at various levels). While management is aspiring for growth ahead of the industry average, it looks like there will be a temporary slowdown until the adjustments are complete. We have a sectoral headwind of NIM compression (rate cycle) at a time when the bank is looking to expand it. This would imply that there could be quarters where the progression is slower than desired. The current management has presented a 12-point credible plan to improve RoA closer to frontline banks in 12 quarters. We are likely to compare the progress of the bank with this available yardstick. Disappointments, if any, in the short-term quarterly performance can be ignored, provided that these are led by events that are beyond the control of management and there are visible steps taken to ensure the durability of RoA improvement. Note that the bank continues to demonstrate exemplary performance on asset quality metrics. Hence, management has far fewer issues to solve.

Retain BUY—steady performance, but no near-term trigger to re-rate right away

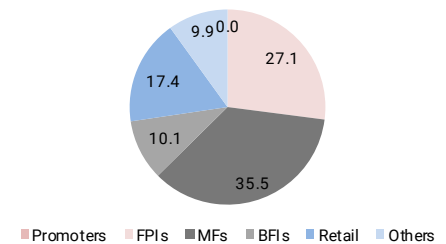
We maintain BUY with FV at Rs225 (unchanged), valuing the bank at ~1.4X book and 12X March FY2027 EPS for RoEs at 13%. Our assumptions do not build the NIM RoA expansion within the timelines that management is looking to aspire to. This implies that earnings have an adequate margin of comfort. A re-rating of Federal Bank is still some time away, as we need to have greater confidence in the path of RoA improvement. Near-term triggers are not many, as focus areas are driven largely by NIM expansion. Valuations are not too demanding either. Hence, the downside to any disappointment in any quarter is likely to be fairly negligible.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	197/225/BUY
52-week range (Rs) (high-low)	217-148
Mcap (bn) (Rs/US\$)	483/5.7
ADTV-3M (mn) (Rs/US\$)	1,494/17.7

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	2	5	21
Rel. to Nifty	(1)	2	13
Rel. to MSCI India	(2)	2	15

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	16.5	16.4	19.7
EPS growth (%)	8.0	(0.7)	20.0
P/E (X)	11.9	12.0	10.0
P/B (X)	1.5	1.4	1.2
BVPS (Rs)	131.9	145.1	160.3
RoE (%)	13.0	11.4	12.4
Div. yield (%)	0.6	1.2	1.5
NII (Rs bn)	95	100	116
PPOP (Rs bn)	61	65	79
Net profits (Rs bn)	41	40	48

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

M B Mahesh, CFA

Nischint Chawathe

Ashlesh Sonje, CFA

Abhijeet Sakhare

Varun Palacharla

Nikhil Suresh

Exhibit 1: Federal Bank—quarterly performance, March fiscal year-ends, 4QFY24-25 (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			Calc			Calc			2027E
					4QFY25E	4QFY24	3QFY25	2025	2024	(% chg.)	2026E	2025	(% chg.)	
Interest earned	66,484	67,577	59,784	68,087	(1.6)	11.2	(2.4)	263,653	221,883	18.8	283,088	263,653	7.4	313,523
Interest/discount on advances/bills	52,848	54,338	47,419	54,637	(2.7)	11.4	(3.3)	210,166	177,345	18.5	226,443	210,166	7.7	251,708
Income on Investments	11,504	11,402	10,326	11,474	0.9	11.4	0.3	45,418	36,916	23.0	47,733	45,418	5.1	53,371
Interest on balances / inter bank	1,198	952	984	1,126	25.9	21.8	6.5	4,430	3,389	30.7	8,912	4,430	101.2	8,444
Others	933	885	1,055	851	5.4	(11.6)	9.7					3,638		
Interest expended	42,709	43,965	37,832	43,774	(2.9)	12.9	(2.4)	168,973	138,948	21.6	183,266	168,973	8.5	197,805
Net interest income	23,774	23,612	21,951	24,313	0.7	8.3	(2.2)	94,680	82,935	14.2	99,822	94,680	5.4	115,719
Other Income	10,060	8,636	7,539	9,162	16.5	33.4	9.8	38,013	30,793	23.4	41,835	38,013	10.1	47,786
Sale of investments	460	810	420	1,000	(43.2)	9.5	(54.0)	2,650	2,470	7.3	2,000	2,650	(24.5)	2,000
Recovery of written off assets	1,590	300	920	600	430.0	72.8	165.0				-	5,420		
Others (Fee income)	7,520	6,998	5,730	7,120	7.5	31.2	5.6	27,980	22,390	25.0	37,534	27,980	34.1	43,139
Total income	33,834	32,248	29,490	33,475	4.9	14.7	1.1	132,692	113,728	16.7	141,658	132,692	6.8	163,504
Operating Expenses	19,180	17,813	18,386	17,781	7.7	4.3	7.9	71,681	61,983	15.6	76,256	71,681	6.4	84,284
Staff costs	7,838	7,823	8,869	7,832	0.2	(11.6)	0.1	30,827	28,231	9.2	33,096	30,827	7.4	36,423
Other operating expenses	11,342	9,990	9,518	9,949	13.5	19.2	14.0	40,854	33,752	21.0	43,160	40,854	5.6	47,861
Operating profit	14,654	14,435	11,104	15,695	1.5	32.0	(6.6)	61,011	51,745	17.9	65,402	61,011	7.2	79,221
Other Provisions and Contingencies	1,381	2,493	(946)	2,923	(44.6)	NM	(52.8)	7,331	1,961	273.8	11,417	7,331	55.7	14,441
NPL	1,400	2,200	(430)	3,430	(36.4)	NM	(59.2)	8,130	2,010	304.5	11,354	8,130	39.7	14,378
PBT	13,273	11,943	12,050	12,771	11.1	10.2	3.9	53,681	49,784	7.8	53,985	53,681	0.6	64,780
Provision for Taxes	2,971	2,896	2,987	3,217	2.6	(0.5)	(7.7)	13,162	12,578	4.6	13,766	13,162	4.6	16,519
Net Profit	10,302	9,046	9,063	9,554	13.9	13.7	7.8	40,519	37,206	8.9	40,219	40,519	(0.7)	48,261
Tax rate (%)	22	24	25	25	-187 bps	-240 bps	-281 bps	25	25	-75 bps	26	25	98 bps	26
PBT before provisions	14,654	14,435	11,104	15,695	1.5	32.0	(6.6)	61,011	51,745	17.9	65,402	61,011	7.2	79,221
EPS (Rs)	8		7	8				33	32	3.6	16	33		20
Key balance sheet items (Rs bn)														
Deposits	2,836	2,766	2,525	2,664	2.5	12.3	6.5	2,836	2,525	12.3	3,177	2,836	12.0	3,629
CA deposits	206		152	162		34.9	26.9							
SA deposits	652		590	641		10.6	1.6							
Reported CASA ratio (%)	30.2		29.4	30.2		85 bps	7 bps							
Term deposits	1,979		1,783	1,860		11.0	6.4							
NRE Deposits	833		760	797		9.6	4.5							
Advances (gross)	2,428	2,451	2,146	2,382	(1.0)	13.1	1.9	2,428	2,146	13.1	2,698	2,428	11.1	3,053
Retail	475		743	449		(36.0)	5.8							
Housing	299		280	296		6.6	1.0							
Mortgage	142		118	134		20.4	6.0							
Auto	86		73	85		17.8	1.6							
Personal	38		38	38		(1.5)	0.4							
Agri	387		281	396		37.8	(2.1)							
Business and commercial banking	463		386	448		20.0	3.3							
Corporate and others	1,490		1,017	1,485		46.5	0.3							
Investments	662	650	609	664	1.9	8.9	(0.3)	662	609	8.9	1	662	(99.9)	849
Asset quality details														
Gross NPA (Rs mn)	43,755		45,289	45,533		(3.4)	(3.9)	43,755	45,289	(3.4)	59,063	43,755	35.0	73,543
Gross NPL ratio (%)	1.8		2.1	2.0		-29 bps	-11 bps	1.8	2.1	-29 bps	2.2	1.8	31 bps	2.4
Net NPA (Rs mn)	10,404		12,553	11,312		(17.1)	(8.0)	10,404	12,553	(17.1)	16,449	10,404	58.1	21,224
Net NPL ratio (%)	0.4		0.6	0.5		-16 bps	-5 bps	0.4	0.6	-16 bps	0.6	0.4	17 bps	0.7
Restructured loans (standard, Rs bn)	14.3		20.3	15.6		(29.6)	(8.5)							
Restructured loans (%)	0.6		1.0	0.7		-36 bps	-7 bps							
Slippages (gross, Rs mn)	4,920	7,708	3,710	4,980		(36.2)	32.6	18,480	17,410	6.1	31,034	18,480	67.9	38,433
Slippage ratio (gross, %)	0.9	1.3	0.7	0.9		-48 bps	11 bps	0.9	1.0	-12 bps	1.3	0.9	42 bps	1.4
Slippages (net of R&U, Rs mn)	580		(790)	1,630		NM	(64.4)							
Slippage ratio (net of R&U, %)	0.2		(0.2)	0.4		40 bps	-30 bps							
Key calculated ratios (%)														
Yield on advances	8.8	9.0	9.0	9.3	-20 bps	-21 bps	-47 bps	9.2	9.0	14 bps	9.0	9.2	-22 bps	8.8
Yield on investment	6.9	6.9	7.0	7.0	0 bps	-5 bps	-7 bps	7.1	6.7	42 bps	7.0	7.1	-12 bps	6.9
Cost of deposit	5.7	6.5	5.7	6.0	-81 bps	-7 bps	-28 bps	6.3	6.0	34 bps	5.5	6.3	-80 bps	5.2
NIM	2.90	2.92	3.1	3.0	-1 bps	-19 bps	-13 bps	3.0	3.1	-8 bps	2.8	3.0	-20 bps	2.9
CD ratio	85.6	88.6	85.0	89.4	-303 bps	62 bps	-383 bps	85.6	85.0	62 bps	84.9	85.6	-66 bps	84.1
Credit cost	0.23	0.37	(0.08)	0.58	-14 bps	31 bps	-35 bps	0.4	0.1	27 bps	0.5	0.4	7 bps	0.7
Cost to income	56.7	55.2	62.3	53.1	145 bps	-566 bps	357 bps	54.0	54.5	-48 bps	53.8	54.0	-19 bps	51.5
Capital adequacy details (%)														
Capital adequacy ratio	16.4		16.1	15.2		27 bps	124 bps							
Tier I	15.0		14.6	13.8		43 bps	126 bps							
Key business parameters (#)														
Branches	1,589		1,504	1,550		5.7	2.5				1,669	1,589	5.0	1,749
ATMs	2,080		2,015	2,054		3.2	1.3				2,180	2,080	4.8	2,280

Source: Company, Kotak Institutional Equities estimates

Loan growth remains steady at ~13% yoy; share of corporate and agri loans high

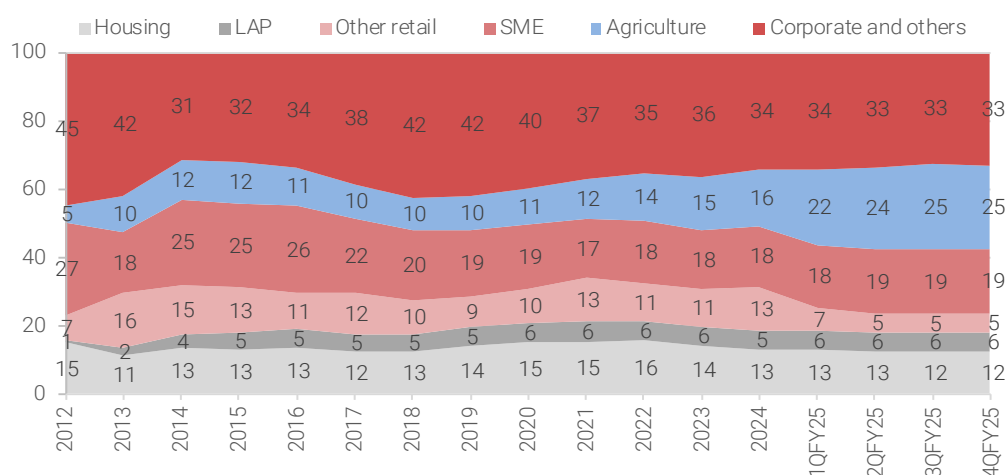
Federal Bank reported ~13% yoy loan growth. Growth yoy was headed by agri, corporate and business banking portfolios, while the retail loans increased ~10% yoy. Corporate book grew ~8% yoy. The high-yielding CV/CE book grew ~36% yoy and MFI loans also grew ~19% yoy.

Within retail, the growth in housing was healthy at ~7% yoy. The personal loans portfolio declined ~1% yoy, but remained flat qoq. The overall gold loan portfolio (including both retail and agri) grew ~38% yoy to stand at ~Rs387 bn. Starting 1QFY25, the bank has classified gold loans separately, taking them out from the retail and agri portfolios and aggregating them.

Management claims that it is shifting focus to middle-yielding loan segments rather than low-yielding segments such as home loans. After the RBI curbs were lifted, the credit card segment is performing well for the bank and management indicated that it is now confident of pursuing growth in the personal loan segment, while MFI will still remain a wait-and-watch for the bank.

Contribution of corporate loans has declined steadily over the years

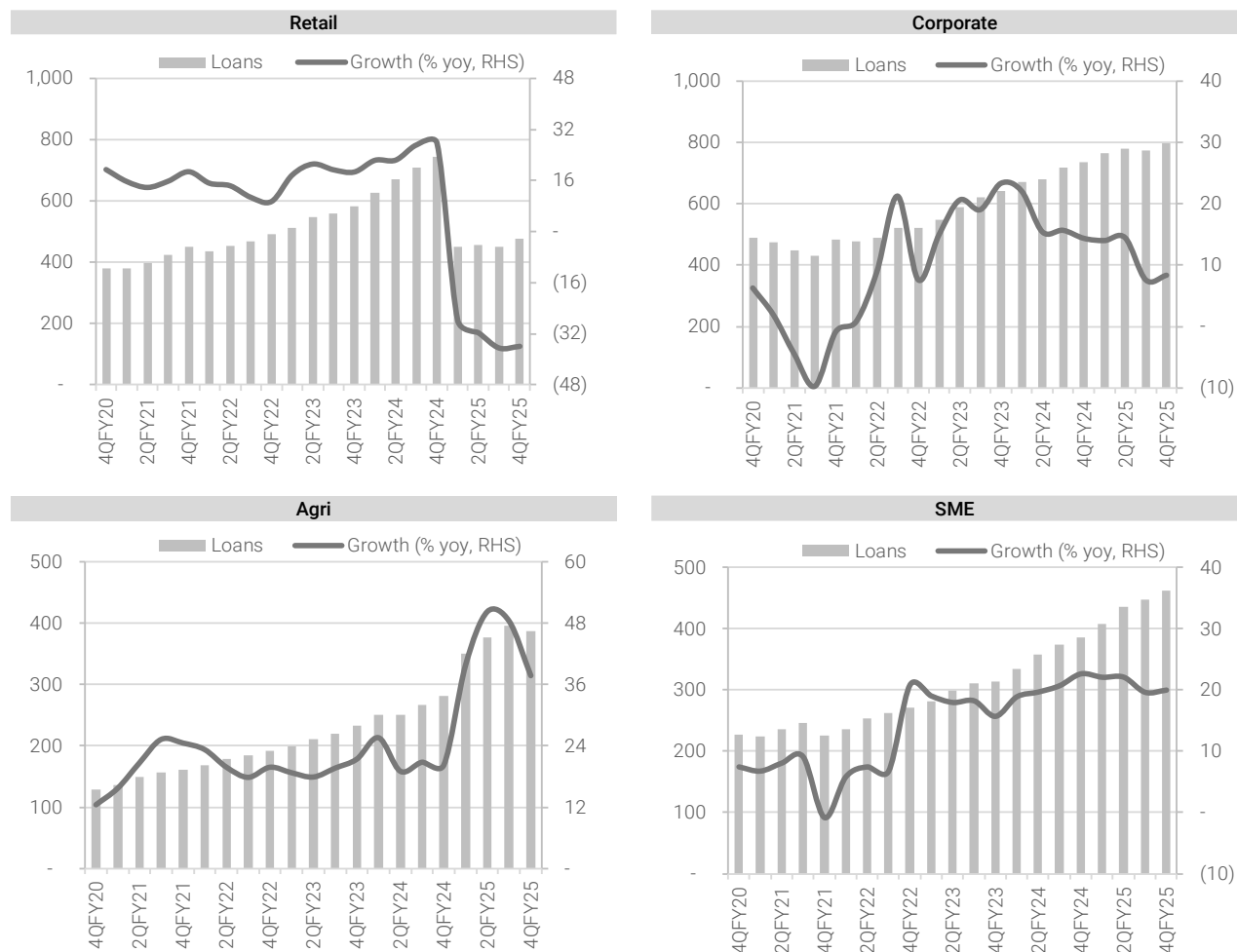
Exhibit 2: Breakup of loans, March fiscal year-ends (%)



Source: Company

Loan growth across segments has been showing increasing momentum

Exhibit 3: Loan growth across segments for Federal Bank, March fiscal year-ends (Rs mn)



Source: Company

Personal loan portfolio has experienced a sharp decline over the past three quarters

Exhibit 4: Loan growth across retail segments for Federal Bank, March fiscal year-ends (Rs mn)



Source: Company

Asset quality metrics were robust, credit costs declined sequentially

The headline asset quality position was relatively comfortable with no signs of worsening trends in any of the headline product portfolio. GNPL ratio declined ~10 bps qoq to 1.8% and net NPL ratio declined 5 bps qoq to ~0.4%. The restructured book declined 7 bps qoq at ~0.60% of advances. Provision coverage ratio stands at ~76% (improvement of ~100 bps qoq). Slippages stood at ~0.9% (annualized), where agri slippages showed a sequential uptick. Credit costs in 4QFY25 declined to 23 bps, much below the management guidance of 30 bps.

Slippages in the agricultural sector are primarily driven by high defaults in the MFI portfolio, which despite being a small segment and not actively grown, has seen slightly high slippages.

A total of Rs1.10-1.15 bn in corporate recoveries has been netted off against provisions for this quarter.

Net stressed assets stood at ~1% of loan book

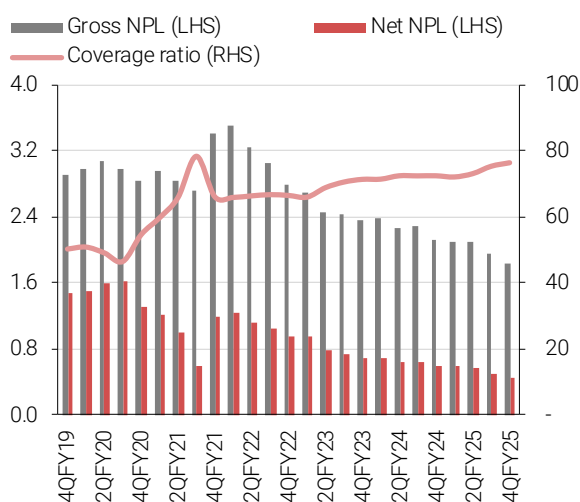
Exhibit 5: Stressed assets, March fiscal year-ends (Rs bn)

	2017	2018	2019	2020	2021	2022	2023	2024	1QFY25	2QFY25	3QFY25	4QFY25
Net stressed assets (Rs bn)												
NNPL	9.4	15.5	16.3	16.1	15.7	13.9	12.1	12.6	13.3	13.2	11.3	10.4
Restructured	12.8	7.9	6.0	4.0	16.2	35.4	28.3	20.3	18.3	16.4	15.6	14.3
Security Receipts	7.5	5.5	3.5	2.4	1.6	6.9	4.7	4.0	-	-	-	-
Total (incl. NNPL)	29.7	28.9	25.8	22.4	33.5	56.2	45.1	36.8	31.6	29.6	26.9	24.7
% of loan book	4.0	3.1	2.3	1.8	2.5	3.8	2.5	1.7	1.4	1.3	1.1	1.0

Source: Company

Calculated coverage ratio is at ~76% on GNPLs

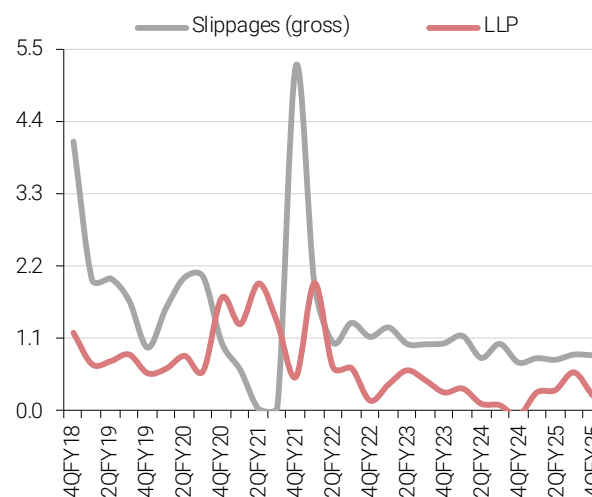
Exhibit 6: NPL and coverage ratio, March fiscal year-ends (%)



Source: Company

Loan loss provisions were at 23 bps of advances

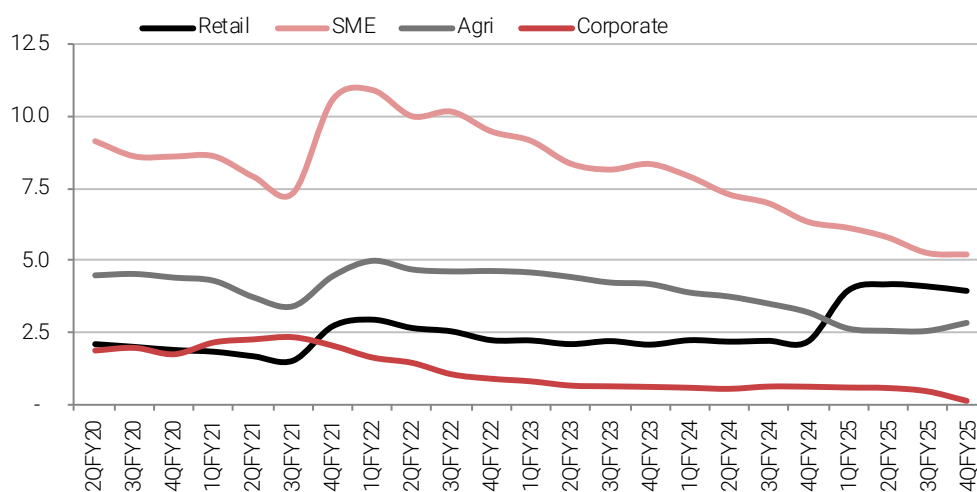
Exhibit 7: Loan loss provision and slippages ratio, March fiscal year-ends (% annualized)



Source: Company

NPL ratio in SME book is still quite high at ~5%, but has been trending downward for past few quarters

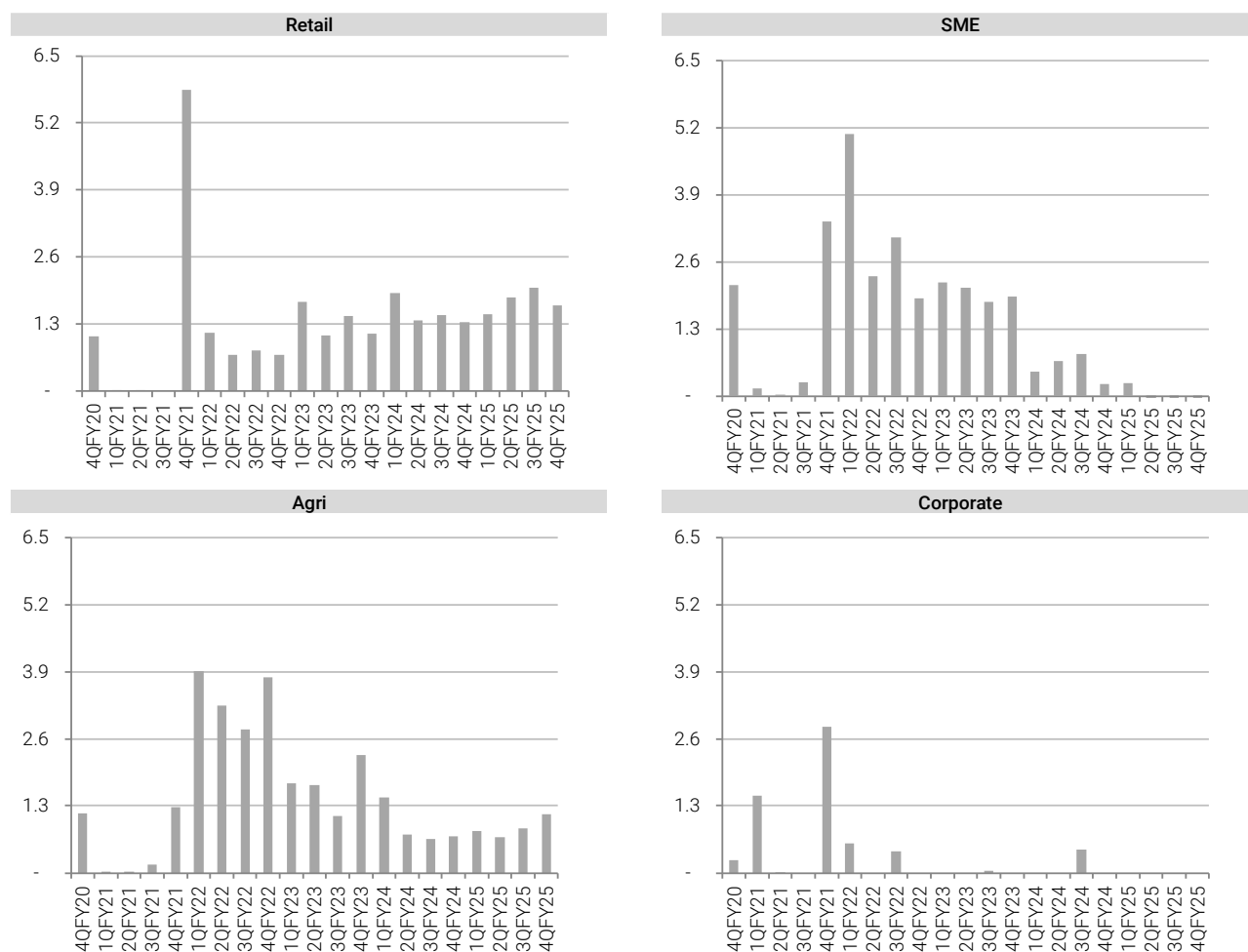
Exhibit 8: Segmental GNPL ratio for Federal Bank, March fiscal year-ends (%)



Source: Company

Slippages have inched up in retail and agri portfolios

Exhibit 9: Sector-wise slippage ratio (annualized) for Federal Bank, March fiscal year-ends (%)



Source: Company

Deposit growth was at 12% yoy, featuring strong CASA growth

Deposit growth stood at ~12% yoy. The CASA ratio has remained stable at ~30%, with no decline from previous levels. Term deposits grew ~11% yoy. CA deposits grew ~35% yoy, while SA deposits grew at ~11% yoy. NRE deposits make up ~30% of overall deposits for the bank and grew at a pace of ~10% yoy. The bank still enjoys a strong remittance market share, which stood at ~19% for FY2024.

Management attributed the strong growth in CA balances for 4QFY25 to a large inflow of remittances due to Eid on the last day of the quarter. However, it also noted that the average CA balance has been consistently high, indicating robust underlying trends.

The bank has a strong granular liability franchise. The share of top-20 depositors stands at 4.85%, and has dropped significantly from the 2QFY25 levels of 7.5%, which indicates a fairly granular deposit base.

In 4QFY25, wholesale deposits increased with the mix shifting from financial entities to more LCR-friendly and DICGC-friendly sources.

The bank swiftly reduced SA and TD rates following policy rate cuts, with management indicating a commitment to remain agile and competitive by implementing further rate transmissions as necessary.

Dominant presence in home state, especially in semi-urban areas

Exhibit 10: Bank-wise breakup of deposits and loans in Kerala, March fiscal year-ends, 1QFY24 (%)

	Deposits				Advances			
	Rural	Semi-Urban	Urban	Total	Rural	Semi-Urban	Urban	Total
Public sector banks	1.2	30.9	18.3	50.4	1.3	28.0	25.3	54.6
State Bank of India	0.6	18.1	10.2	29.0	0.5	12.0	10.0	22.5
Canara Bank	0.3	5.5	2.7	8.4	0.4	7.6	4.8	12.8
Others	0.3	7.4	5.4	13.0	0.4	8.5	10.5	19.3
Private sector banks	1.2	27.5	15.9	44.7	0.8	20.2	18.6	39.5
Federal Bank	0.5	13.9	3.5	17.9	0.3	7.5	3.5	11.3
South Indian Bank	0.4	5.6	2.1	8.1	0.2	3.4	1.9	5.5
Axis Bank	0.1	1.3	1.5	2.8	0.0	1.2	2.6	3.9
HDFC Bank	0.1	1.9	3.0	4.9	0.1	2.8	3.7	6.6
ICICI Bank	0.0	1.5	1.6	3.1	0.0	2.5	1.1	3.5
Others	0.1	3.4	4.4	7.9	0.1	2.8	5.9	8.8
Small Finance Banks	0.2	0.9	0.8	1.9	0.3	0.9	0.3	1.4
RRBs and Foreign Banks	0.2	2.5	0.4	3.0	0.3	3.8	0.3	4.4
Total commercial banks	2.8	61.8	35.4	100.0	2.6	52.9	44.5	100.0

Source: Company, SLBC

Federal Bank's deposit market share in home state of Kerala had steadily increased to ~18% as of 1QFY24

Exhibit 11: Bank-wise breakup of deposits and loans in Kerala, March fiscal year-ends (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	1QFY24
Deposit share in Kerala (%)											
Public sector banks	53.1	60.6	60.0	59.3	57.2	54.1	52.3	52.0	51.6	50.2	50.4
State Bank of India	29.4	33.1	33.5	33.2	32.1	30.8	29.5	29.5	29.8	28.8	29.0
Canara Bank	5.8	7.4	6.8	7.2	7.0	7.0	6.7	8.9	8.3	8.2	8.4
Others	17.8	20.0	19.6	18.9	18.1	16.3	16.0	13.5	13.6	13.2	13.0
Private sector banks	32.0	36.1	37.2	37.7	39.0	41.6	42.9	43.6	43.7	44.8	44.7
Federal Bank	11.8	14.1	14.7	15.5	16.3	17.1	17.5	17.9	17.8	17.9	17.9
South Indian Bank	7.3	8.3	8.3	8.4	8.2	8.5	8.8	8.4	8.5	8.0	8.1
Axis Bank	1.4	1.6	1.8	1.9	2.0	2.4	2.6	2.6	2.8	2.8	2.8
HDFC Bank	3.1	2.8	3.0	3.1	3.5	3.5	4.1	4.4	4.4	4.8	4.9
ICICI Bank	1.5	1.8	1.8	2.1	2.2	2.5	2.7	3.0	2.9	3.0	3.1
Others	6.8	7.6	7.5	6.8	6.8	7.7	7.2	7.4	7.4	8.4	7.9
Small Finance Banks	NA	NA	NA	NA	0.4	0.8	1.3	1.4	1.7	1.9	1.9
RRBs and Foreign Banl	15.0	3.3	2.9	3.0	3.4	3.4	3.5	3.0	3.0	3.0	3.0
Loans share in Kerala (%)											
Public sector banks	55.7	63.1	60.3	59.5	56.0	54.0	54.4	54.8	54.8	55.2	54.6
State Bank of India	26.0	28.9	27.5	26.7	23.1	22.1	22.0	22.8	22.6	23.4	22.5
Canara Bank	8.1	9.0	9.2	8.7	9.4	10.2	9.9	12.8	12.7	12.5	12.8
Others	21.7	25.2	23.7	24.0	23.5	21.6	22.5	19.2	19.5	19.3	19.3
Private sector banks	27.1	32.2	34.5	35.2	38.3	39.8	39.5	39.3	39.2	38.9	39.5
Federal Bank	8.6	10.5	11.1	10.8	11.5	11.5	11.5	11.5	11.3	11.0	11.3
South Indian Bank	5.5	6.3	6.9	7.1	7.8	7.8	7.8	6.7	6.1	5.5	5.5
Axis Bank	1.9	2.5	2.7	2.7	2.9	2.9	3.0	3.3	3.5	3.9	3.9
HDFC Bank	3.4	4.3	4.8	5.2	5.4	5.6	5.5	5.8	6.3	6.4	6.6
ICICI Bank	1.6	2.0	2.3	2.7	3.0	3.3	3.1	3.4	3.4	3.5	3.5
Others	6.0	6.6	6.6	6.6	7.8	8.6	8.6	8.5	8.7	8.7	8.8
Small Finance Banks	NA	NA	NA	NA	0.0	0.8	1.1	1.3	1.4	1.4	1.4
RRBs and Foreign Banl	17.6	4.8	5.1	5.4	5.7	5.4	5.0	4.7	4.5	4.4	4.4

Source: Company, SLBC

High share of NR deposits in overall deposit mix at 29%, as of 4QFY25

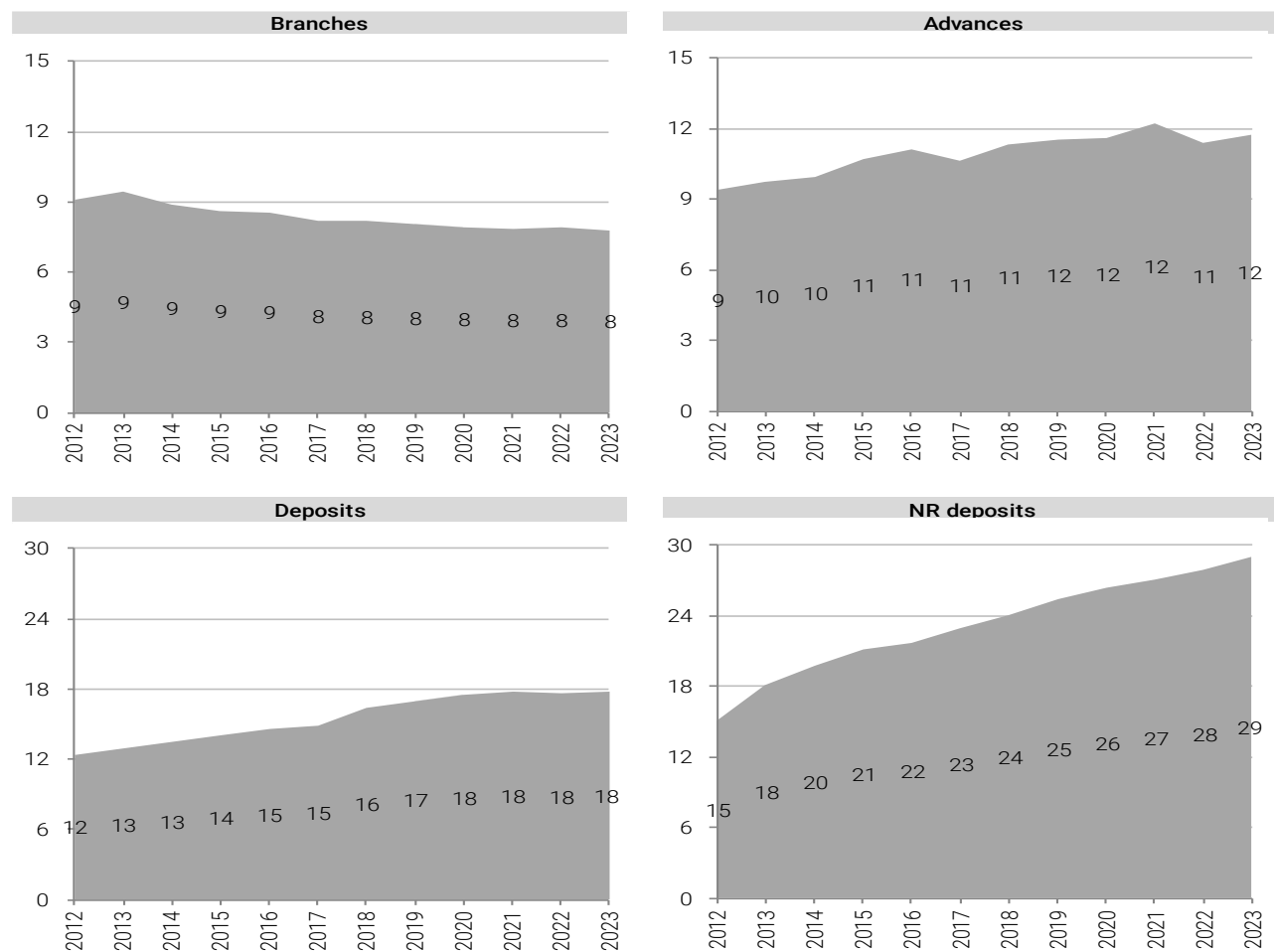
Exhibit 12: NRE deposits, March fiscal year-ends (Rs bn)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	1QFY25	2QFY25	3QFY25	4QFY25
Total deposits	576	597	708	792	977	1,120	1,350	1,523	1,726	1,817	2,134	2,525	2,661	2,691	2,664	2,836
NRE deposits	132	206	242	307	364	426	501	572	640	674	706	760	769	781	797	833
(% of total deposits)	22.8	34.6	34.2	38.8	37.3	38.0	37.1	37.6	37.0	37.1	33.1	30.1	28.9	29.0	29.9	29.4

Source: Company

Federal Bank's market share of deposits in Kerala has increased over the past decade

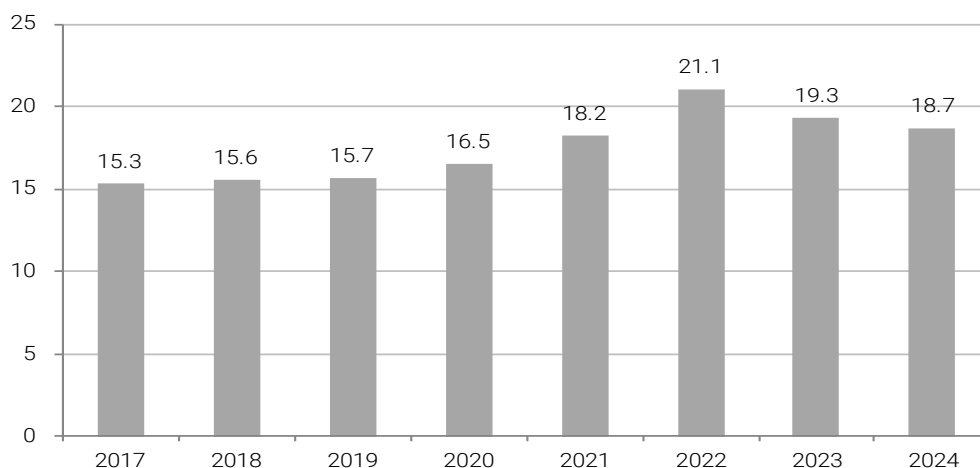
Exhibit 13: Market share of Federal Bank in Kerala on key business metrics, March fiscal year-ends, 2012-2023 (%)



Source: Company, SLBC

Remittance market share for Federal Bank stands at ~19%

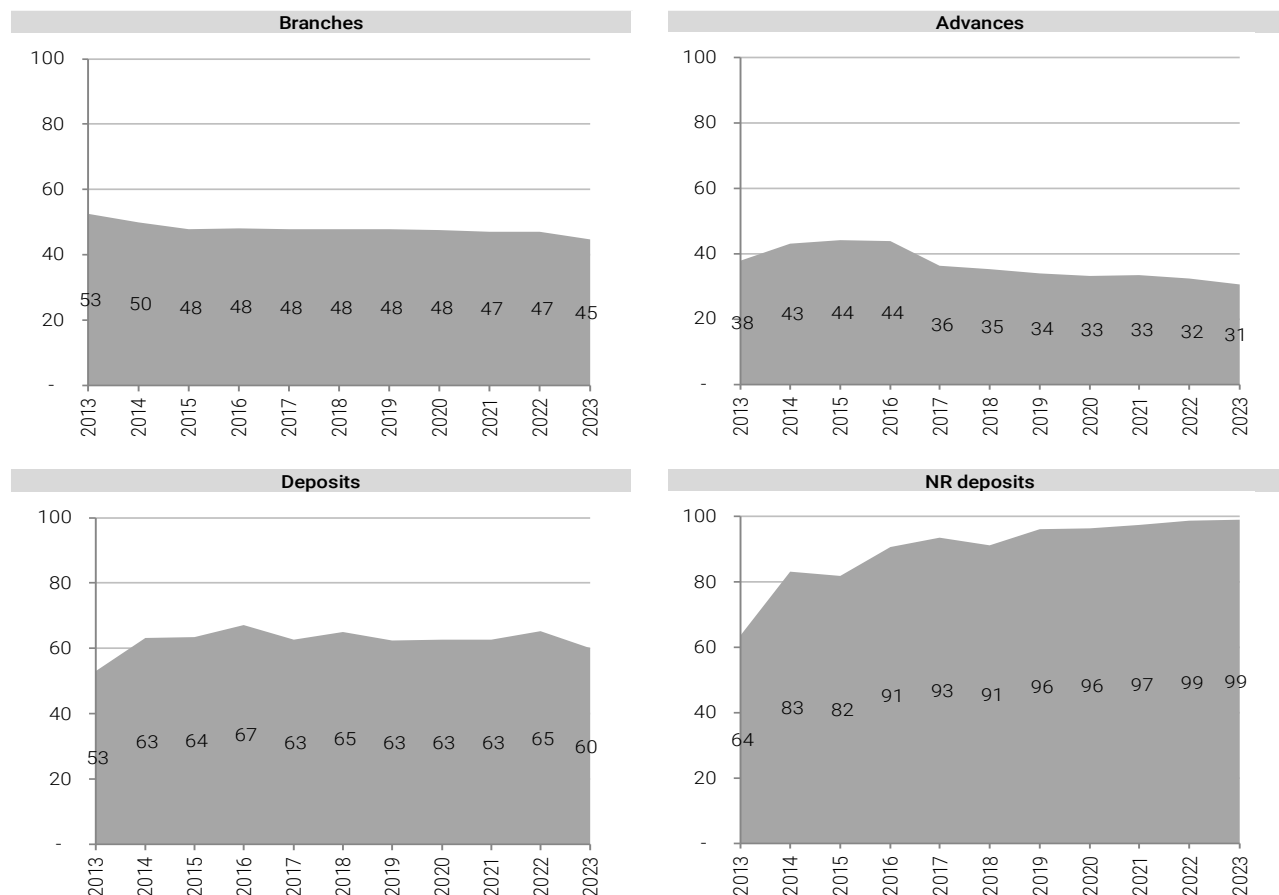
Exhibit 14: Remittance market share for Federal Bank, March fiscal year-ends (%)



Source: Company

Federal Bank sources ~60% of its deposits from Kerala

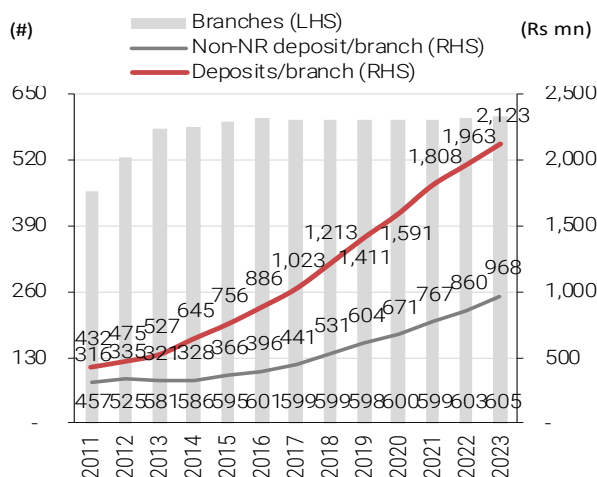
Exhibit 15: Share of Kerala in key business metrics for Federal Bank, March fiscal year-ends, 2013-2023 (%)



Source: Company, SLBC

High NR deposits drive higher average deposits per branch (~Rs2.1 bn) for Federal Bank in Kerala

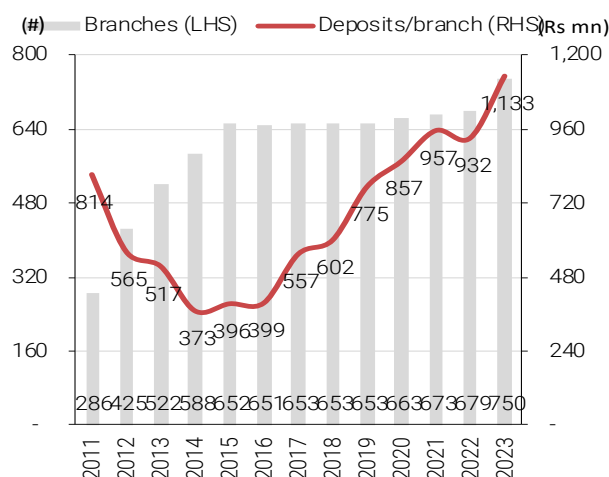
Exhibit 16: Total branches and deposits per branch inside Kerala, March fiscal year-ends (Rs mn)



Source: Company, SLBC

Average deposits per branch for Federal Bank outside Kerala has been lower at ~Rs1.1 bn

Exhibit 17: Total branches and deposits per branch outside Kerala, March fiscal year-ends



Source: Company, SLBC

Federal Bank accounts for >50% of NR deposits with private sector banks in Kerala

Exhibit 18: Market share in NRI deposits in Kerala, March fiscal year-ends, 1QFY24 (%)

1QFY24	Rural	Semi-Urban	Urban	Total
Public sector banks	0.9	29.6	11.2	41.7
State Bank of India	0.6	19.4	7.8	27.8
Canara Bank	0.2	6.0	1.5	7.7
Others	0.1	4.2	1.9	6.2
Private sector banks	1.5	38.1	16.7	56.3
Federal Bank	0.8	22.9	4.7	28.4
South Indian Bank	0.4	7.8	2.2	10.4
Axis Bank	0.0	0.8	2.9	3.7
HDFC Bank	0.1	1.7	3.0	4.7
ICICI Bank	0.0	2.0	1.7	3.7
Others	0.1	2.9	2.2	5.3
Small Finance Banks	0.1	0.7	0.5	1.4
RRBs and Foreign Bank	0.0	0.6	0.1	0.7
Total commercial bank	2.6	68.9	28.5	100.0

Source: Company, SLBC

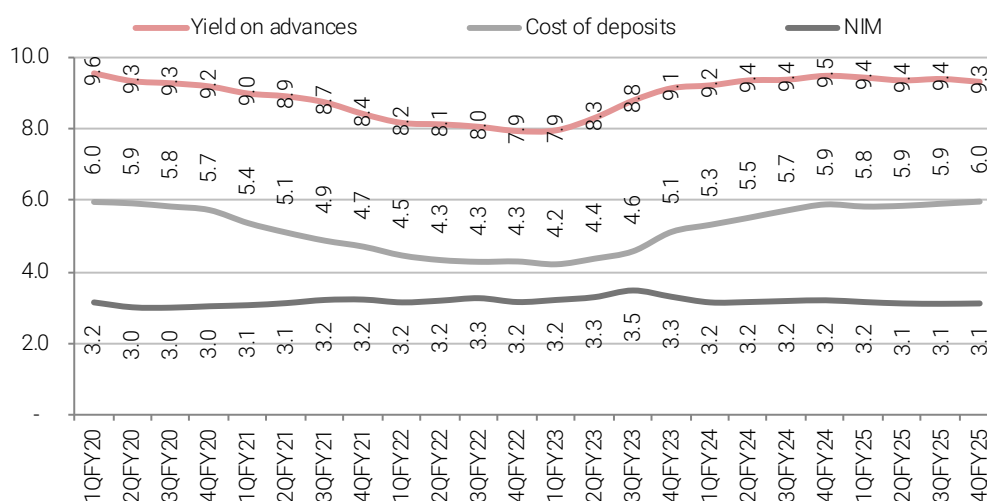
Other highlights for the quarter

- **NIM (reported) remained flat qoq at 3.1%.** Yield on advances dropped 10 bps qoq while the cost of deposits improved 5 bps qoq to 6.0%. The bank's CD ratio has declined to 85.6%. Margins are now a complex interaction of policy rate cuts and the strategy shift to middle-yielding loan segments along with the shift in deposit franchises. Management indicated that the normalization of NIMs due to the lead-lag effect of repricing can take 1,215 months.
- **Cost-income ratio increased ~400 bps qoq to ~57%.** Operating expenses for the bank grew ~4.3% yoy. The bank indicated that since branch expansion is a part of its strategy, the cost-income ratio is unlikely to see a meaningful improvement and the current levels are expected to continue for the next two years. Of the 85 branches opened during the financial year, 39 were launched in 4QFY25, contributing to the higher operating costs observed in the quarter.

- **Non-interest income growth held up at 33%, supported by an increase in fee income.** Non-interest income grew ~33% yoy, with fee income increasing ~31% yoy. Treasury profits increased 9.5% yoy and recovery from written-off assets was robust at Rs1.59 bn, with 73% growth yoy.
- **Capital position is healthy.** Tier-1 ratio stood at 15% in line with Basel-III norms, with overall capital adequacy at 16.4%.
- With the regulatory issues now resolved, the credit card business has resumed operations with the fintech partner Scapia. Currently, dialogues are ongoing at the RBI level and with other partners to explore other offerings, including OneCard.
- **Enhancing risk buffers.** LTV on gold loans has significantly decreased, aiming to optimize the LTV throughout the loan tenure, including accrued interest, so that it does not exceed 75% at any point.

NIM remained flat qoq as yield on advances came down 10 bps and cost of funds went up 6 bps qoq

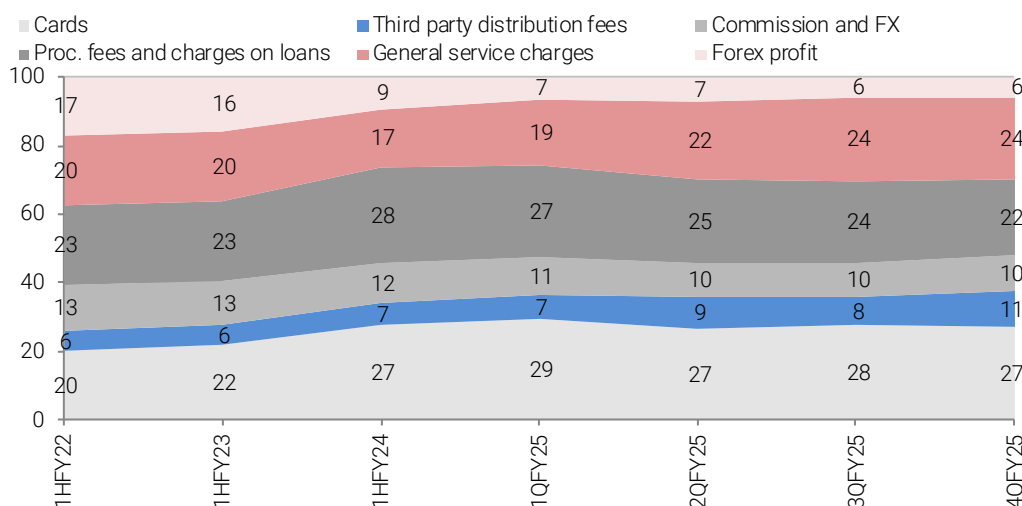
Exhibit 19: Margin-related metrics (reported), March fiscal year-ends (%)



Source: Company

Share of cards in overall fee income has increased over the years

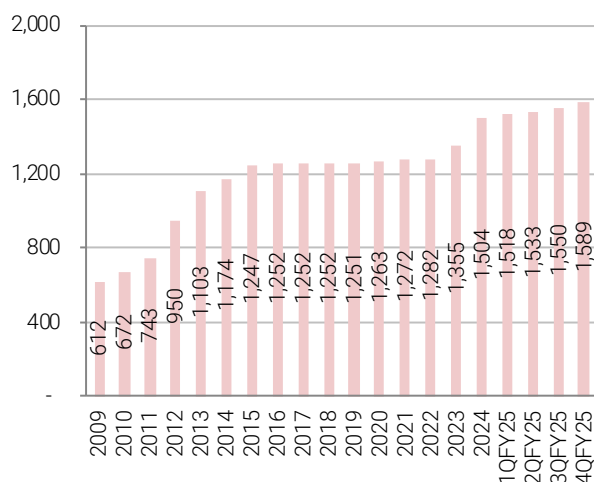
Exhibit 20: Non-interest income breakup (excluding treasury and recoveries from written-off accounts), March fiscal year-ends (%)



Source: Company

Branch expansion at the core of new strategy

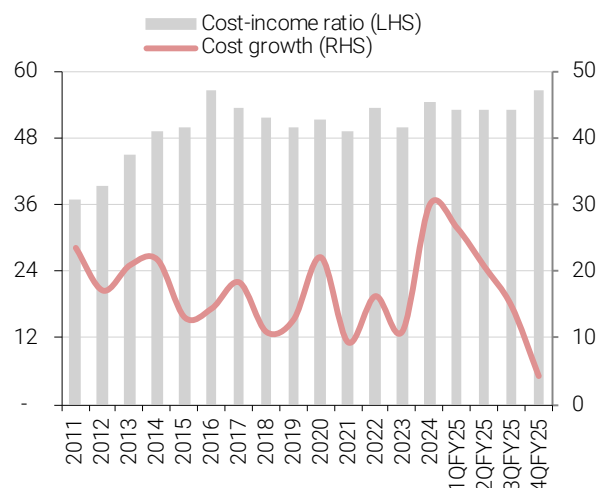
Exhibit 21: Total branches, March fiscal year-ends (#)



Source: Company

Cost-income ratio was 360 bps higher qoq

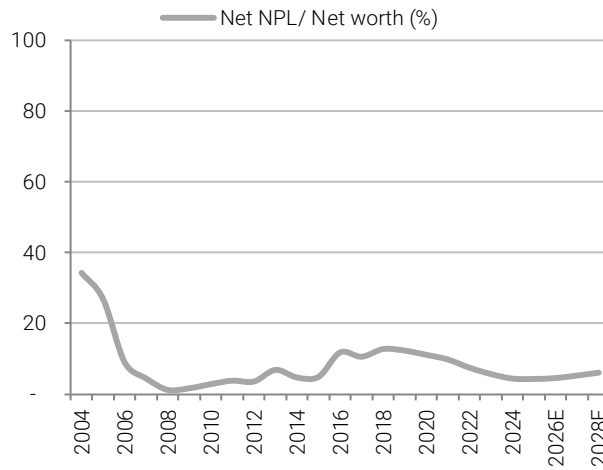
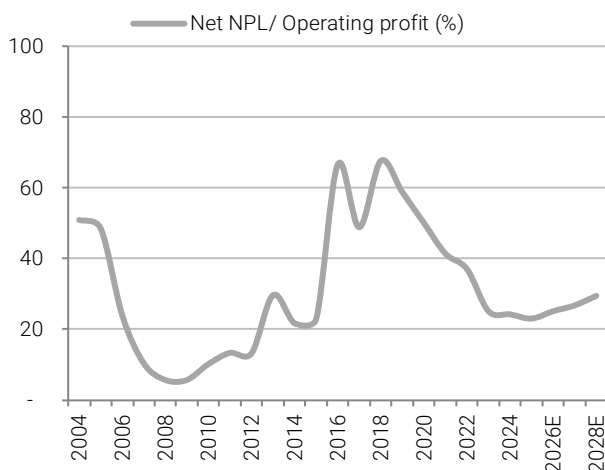
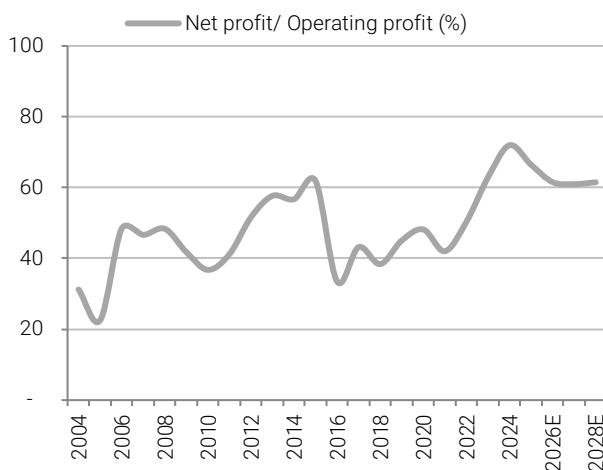
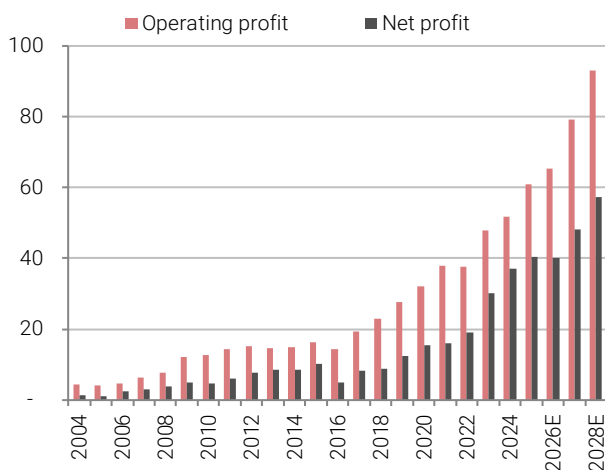
Exhibit 22: Cost-income ratio, March fiscal year-ends (%)



Source: Company

Conversion of operating profit to net profit has improved

Exhibit 23: Trends in operating profit, net profit, net NPL and net worth, March fiscal year-ends (%)

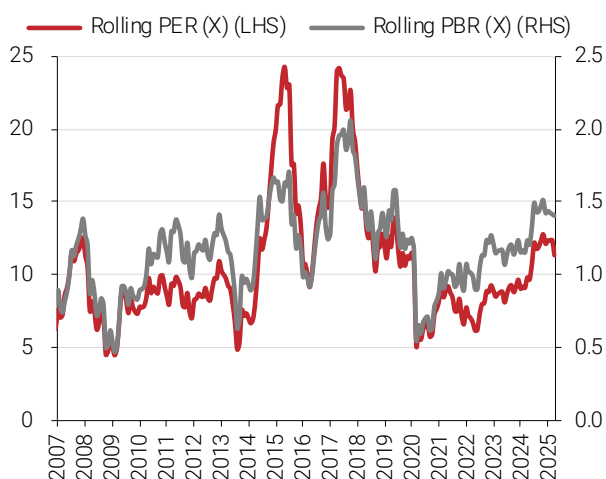


Source: Company, Kotak Institutional Equities estimates

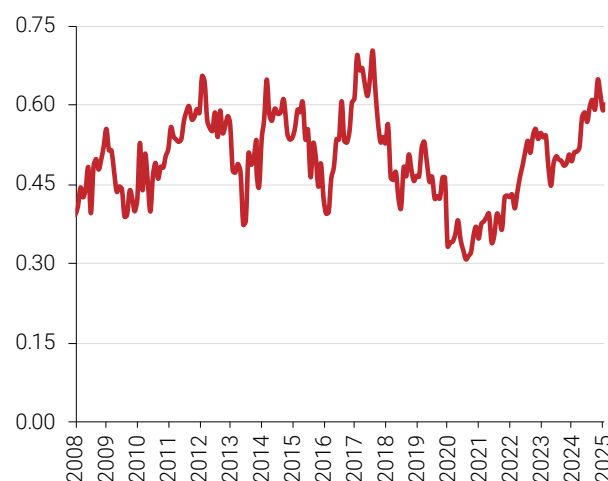
Exhibit 24: Old and new estimates, March fiscal year-ends (Rs mn)

	New estimates			Old estimates		% change	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Net interest income	99,822	115,719	131,273	101,728	116,063	(1.9)	(0.3)
NIM (%)	2.8	2.9	2.9	2.9	2.9	-9 bps	-3 bps
Loan growth (%)	14.9	13.2	12.9	13.5	13.2	143 bps	-2 bps
Loan loss provisions	11,354	14,378	16,255	11,386	14,336	(0.3)	0.3
Other income	41,835	47,786	54,629	39,796	45,441	5.1	5.2
Treasury income	2,000	2,000	2,000	2,000	2,000	-	-
Operating expenses	76,256	84,284	92,790	75,754	83,439	0.7	1.0
Employee expenses	33,096	36,423	40,070	32,986	36,310	0.3	0.3
Net profit	40,219	48,261	57,212	40,469	47,431	(0.6)	1.8
PBT-treasury+provisions	63,402	77,221	91,112	63,770	76,064	(0.6)	1.5
EPS (Rs)	16.4	19.7	23.3	16.6	19.5	(1.4)	0.9
Adjusted BVPS (Rs)	145.1	160.3	178.3	142.4	157.5	1.9	1.8
Slippage ratio (%)	1.3	1.4	1.4	1.3	1.4	0 bps	0 bps
Gross NPA (%)	2.2	2.4	2.6	2.2	2.4	-2 bps	-1 bps
Credit cost (%)	0.5	0.5	0.5	0.5	0.5	0 bps	0 bps
Cost-income ratio (%)	53.8	51.5	49.9	53.5	51.7	30 bps	-12 bps
RoA (%)	1.1	1.2	1.2	1.1	1.1	-1 bps	2 bps
RoE (%)	11.4	12.4	13.2	11.8	12.5	-40 bps	-11 bps

Source: Company, Kotak Institutional Equities estimates

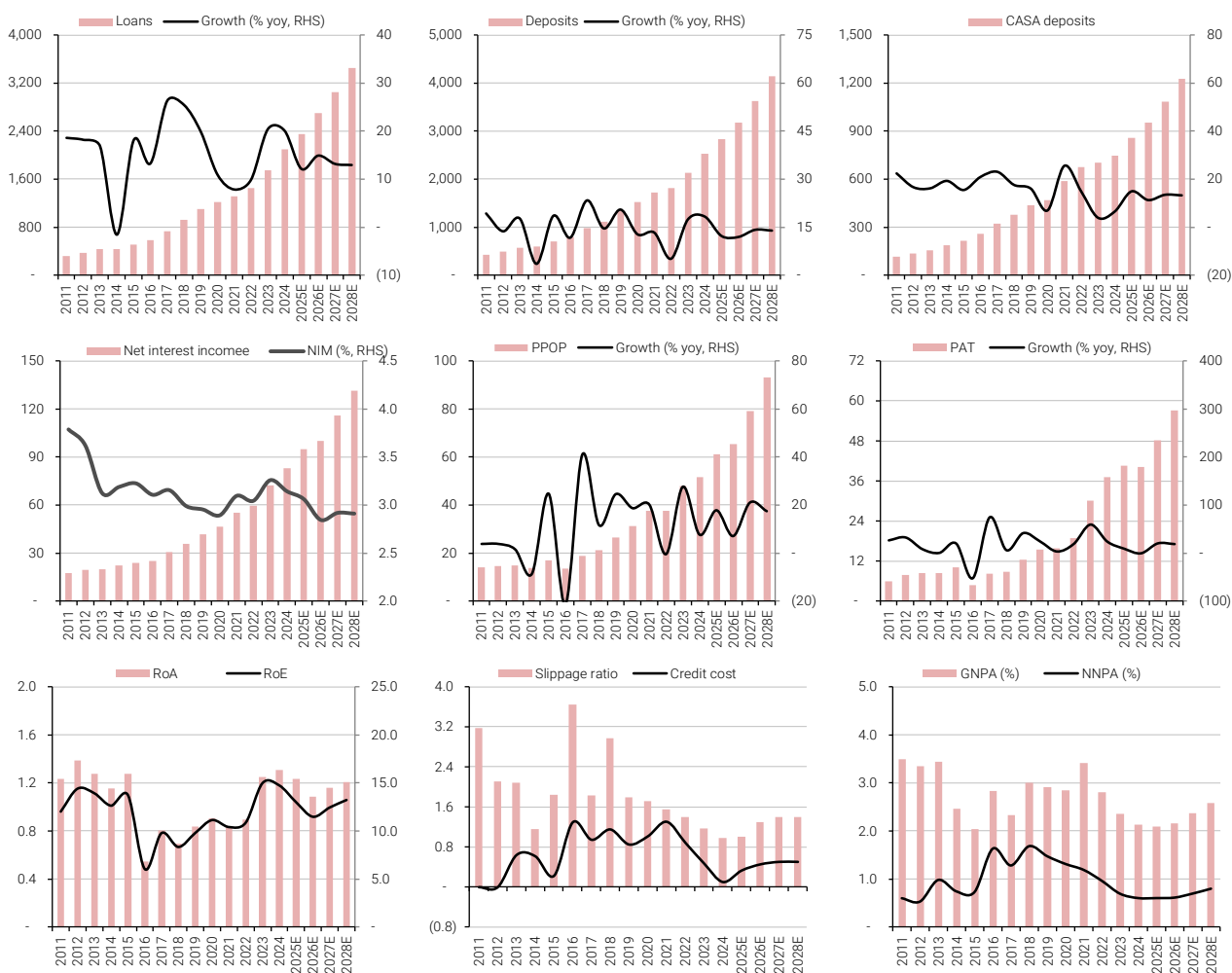
Federal Bank trades at 1.4X one-year forward book
Exhibit 25: Rolling 1-year forward PER and PBR (adjusted book) (X)


Source: Bloomberg, Company, Kotak Institutional Equities estimates

Federal Bank is trading at significant discount to private bank peers
Exhibit 26: Trading premium to private bank peers (X)


Source: Bloomberg, Company, Kotak Institutional Equities estimates

Exhibit 27: Federal Bank—summary of metrics, March fiscal year-ends



Source: Company, Kotak Institutional Equities estimates

Exhibit 28: Federal Bank—key growth rates and financial ratios, March fiscal year-ends (%)

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Growth rates (%)										
Net loan	19.9	10.9	7.9	9.9	20.4	20.0	12.1	14.9	13.2	12.9
Customer assets	19.8	11.1	8.4	9.3	20.7	20.3	11.8	14.6	12.9	12.8
Investments excluding CPs and debentures	11.6	16.9	3.4	6.5	21.4	21.3	10.8	10.5	20.0	19.5
Net fixed and leased assets	3.2	1.7	2.3	29.1	47.3	9.2	44.9	10.8	2.2	1.3
Cash and bank balance	9.4	24.9	55.8	7.2	(15.8)	7.2	62.7	(2.1)	9.6	9.8
Total assets	15.2	13.4	11.5	9.7	17.8	18.4	13.2	12.0	13.5	13.4
Deposits	20.5	12.8	13.4	5.2	17.4	18.3	12.3	12.0	14.2	14.0
Current	29.3	(5.9)	43.9	21.3	9.7	6.4	22.5	10.5	12.6	12.4
Savings	13.1	10.2	21.6	13.3	2.4	6.5	12.7	11.5	13.7	13.5
Fixed	22.8	15.7	8.0	0.3	25.4	24.2	11.2	12.3	14.6	14.3
Net interest income	16.6	11.3	19.0	7.7	21.3	14.7	14.2	5.4	15.9	13.4
Loan loss provisions	(5.4)	50.6	48.1	(25.2)	(38.2)	(74.2)	317.2	39.7	26.6	13.1
Total other income	16.6	43.0	0.7	7.4	11.5	32.2	23.4	10.1	14.2	14.3
Net fee income	25.8	23.5	4.8	23.7	40.5	40.0	20.0	12.0	15.0	15.0
Net exchange gains	39.1	1.2	(18.7)	24.8	22.8	(29.1)	(5.0)	15.0	15.0	15.0
Operating expenses	12.8	22.1	9.4	16.3	11.1	30.0	15.6	6.4	10.5	10.1
Employee expenses	10.9	28.6	14.8	14.1	(6.4)	29.9	9.2	7.4	10.1	10.0
Key ratios (%)										
Yield on average earning assets	8.1	8.2	7.7	7.0	7.6	8.4	8.5	8.1	7.9	7.7
Yield on average loans	9.0	9.2	8.5	7.8	8.4	9.2	9.5	9.0	8.8	8.5
Yield on average investments	6.6	6.6	6.6	6.3	6.5	6.9	7.3	7.0	6.9	6.8
Average cost of funds	5.4	5.6	4.8	4.1	4.4	5.9	5.9	5.6	5.4	5.1
Difference	2.7	2.6	2.9	2.9	3.1	2.5	2.7	2.5	2.5	2.6
Net interest income/earning assets	3.0	2.9	3.1	3.0	3.3	3.1	3.1	2.8	2.9	2.9
New provisions/average net loans	0.7	0.9	1.3	0.9	0.5	0.1	0.4	0.5	0.5	0.5
Interest income/total income	75.6	70.6	74.0	74.1	75.6	72.9	71.4	70.5	70.8	70.6
Fee income to total income	14.5	15.0	13.9	15.9	18.8	19.7	20.3	21.3	21.2	21.4
Fees income to PBT	42.0	48.7	48.5	50.6	44.6	45.0	50.1	55.8	53.5	51.9
Net trading income to PBT	5.5	26.5	27.8	12.0	0.9	5.5	4.9	3.7	3.1	2.6
Exchange income to PBT	12.4	11.7	9.1	9.5	7.3	4.2	3.7	4.3	4.1	4.0
Operating expenses/total income	50.0	51.3	49.4	53.3	49.9	54.5	54.0	53.8	51.5	49.9
Operating expenses/assets	1.9	2.0	1.9	2.0	2.0	2.2	2.2	2.1	2.0	2.0
Operating profit /AWF	1.2	0.9	0.9	1.1	1.8	1.8	1.6	1.5	1.6	1.7
Tax rate	34.8	24.1	25.6	25.5	25.6	25.3	25.0	25.5	25.5	25.5
Dividend payout ratio	22.3	-	8.8	20.0	7.0	7.9	15.0	15.0	15.0	15.0
Share of deposits										
Current	6.5	5.4	6.9	7.9	7.4	6.6	7.2	7.1	7.0	6.9
Fixed	67.6	69.3	66.0	62.9	67.1	70.4	69.8	70.0	70.2	70.4
Savings	25.9	25.3	27.1	29.2	25.5	22.9	23.0	22.9	22.8	22.7
Loans-to-deposit ratio	81.7	80.3	76.4	79.8	81.8	82.9	82.8	84.9	84.1	83.4
Equity/assets (EoY)	8.3	8.0	8.0	8.5	8.3	9.4	9.6	9.4	9.2	9.1
Asset quality trends (%)										
Gross NPL	2.9	2.8	3.4	2.8	2.4	2.1	2.1	2.2	2.4	2.6
Net NPL	1.5	1.3	1.2	1.0	0.7	0.6	0.6	0.6	0.7	0.8
Slippages	1.8	1.7	1.5	1.4	1.2	1.0	1.0	1.3	1.4	1.4
Provision coverage	50.1	54.5	65.9	66.3	71.2	72.3	71.7	72.1	71.1	69.7
Dupont analysis (%)										
Net interest income	2.8	2.7	2.9	2.8	3.0	2.9	2.9	2.7	2.8	2.8
Loan loss provisions	0.5	0.6	0.9	0.6	0.3	0.1	0.2	0.3	0.3	0.3
Net other income	0.9	1.1	1.0	1.0	1.0	1.1	1.2	1.1	1.1	1.2
Operating expenses	1.9	2.0	1.9	2.0	2.0	2.2	2.2	2.1	2.0	2.0
Invt. depreciation	0.1	0.0	0.0	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0
(1- tax rate)	65.2	75.9	74.4	74.5	74.4	74.7	75.5	74.5	74.5	74.5
RoA	0.8	0.9	0.8	0.9	1.3	1.3	1.2	1.1	1.2	1.2
Average assets/average equity	11.7	12.2	12.5	12.1	11.9	11.2	10.5	10.5	10.7	10.9
RoE	9.8	11.1	10.4	10.8	14.9	14.7	13.0	11.4	12.4	13.2

Source: Company, Kotak Institutional Equities estimates

Exhibit 29: Federal Bank—income statement and balance sheet, March fiscal year-ends (%)

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Income statement										
Total interest income	114,190	132,108	137,579	136,608	168,036	221,883	263,653	283,088	313,523	346,665
Loans	90,896	106,709	107,951	108,298	134,918	177,345	210,166	226,443	251,708	275,515
Investments	20,375	21,841	23,489	23,387	27,956	36,916	45,418	47,733	53,371	61,877
Cash and deposits	2,920	3,558	6,138	4,923	5,162	7,621	4,430	8,912	8,444	9,273
Total interest expense	72,427	85,618	82,242	76,988	95,715	138,948	168,973	183,266	197,805	215,391
Deposits from customers	67,426	81,004	78,047	73,329	86,130	127,858	155,157	165,515	178,123	194,040
Net interest income	41,763	46,489	55,337	59,620	72,322	82,935	94,680	99,822	115,719	131,273
Loan loss provisions	7,326	11,036	16,345	12,233	7,566	1,949	8,130	11,354	14,378	16,255
Net interest income (after prov.)	34,437	35,453	38,992	47,386	64,756	80,986	86,550	88,468	101,340	115,019
Other income	13,510	19,314	19,449	20,891	23,300	30,793	38,013	41,835	47,786	54,629
Net fee income	8,010	9,895	10,374	12,831	18,021	22,405	26,886	30,112	34,629	39,823
Net capital gains	2,284	6,078	6,088	3,029	297	2,755	2,650	2,000	2,000	2,000
Net exchange gains	2,357	2,385	1,940	2,420	2,971	2,106	2,001	2,301	2,646	3,043
Operating expenses	27,643	33,756	36,917	42,932	47,678	61,983	71,681	76,256	84,284	92,790
Employee expenses	13,778	17,724	20,342	23,206	21,730	28,231	30,827	33,096	36,423	40,070
Depreciation on investments	1,232	686	151	(16)	(67)	13	13	13	13	13
Pretax income	19,073	20,325	21,373	25,361	40,445	49,784	53,681	53,985	64,780	76,795
Tax provisions	6,634	4,898	5,470	6,463	10,339	12,578	13,162	13,766	16,519	19,583
Net Profit	12,439	15,428	15,903	18,898	30,106	37,206	40,519	40,219	48,261	57,212
% growth	41.5	24.0	3.1	18.8	59.3	23.6	8.9	(0.7)	20.0	18.5
PBT - Treasury + Provisions	25,347	25,969	31,781	34,550	47,647	48,989	58,361	63,402	77,221	91,112
% growth	23.5	2.5	22.4	8.7	37.9	2.8	19.1	8.6	21.8	18.0
Balance sheet										
Assets										
Cash and bank balance	100,668	125,746	195,914	210,103	176,887	189,629	308,590	302,231	331,199	363,680
Net value of investments	318,245	358,927	371,862	391,795	489,933	608,595	662,460	721,110	848,622	998,466
Govt. and other securities	273,508	317,607	327,826	348,661	423,955	518,404	575,529	637,142	767,322	919,566
Shares	2,402	4,360	4,458	4,543	5,525	5,955	5,955	5,955	5,955	5,955
Debentures and bonds	11,904	14,573	21,920	15,815	23,478	32,927	29,634	26,671	24,004	21,603
Net loans and advances	1,102,230	1,222,679	1,318,786	1,449,283	1,744,469	2,094,033	2,348,360	2,697,890	3,053,385	3,448,492
Fixed assets	4,720	4,800	4,911	6,339	9,340	10,201	14,780	16,375	16,731	16,953
Other assets	67,537	94,229	122,201	151,942	182,889	180,660	155,850	171,435	188,579	207,436
Total assets	1,593,400	1,806,380	2,013,674	2,209,463	2,603,518	3,083,118	3,490,040	3,909,041	4,438,515	5,035,028
Liabilities										
Deposits	1,349,543	1,522,901	1,726,445	1,817,006	2,133,860	2,525,340	2,836,470	3,176,788	3,628,676	4,136,172
Borrowings and bills payable	81,881	105,528	95,666	160,107	199,448	158,290	237,260	273,557	301,090	331,542
Other liabilities	29,245	32,775	30,327	44,412	55,048	80,034	82,100	90,310	99,341	109,275
Total liabilities	1,460,670	1,661,204	1,852,438	2,021,525	2,388,356	2,763,664	3,155,830	3,540,655	4,029,107	4,576,989
Paid-up capital	3,970	3,985	3,992	4,205	4,232	4,871	4,910	4,910	4,910	4,910
Reserves & surplus	128,760	141,191	157,244	183,733	210,830	286,073	329,290	363,476	404,498	453,128
Total shareholders' equity	132,730	145,176	161,236	187,938	215,062	290,944	334,200	368,386	409,408	458,038

Source: Company, Kotak Institutional Equities estimates

CRISIL (CRISIL)

Capital Markets

REDUCE

 CMP(₹): **4,453**

 Fair Value(₹): **4,300**

 Sector View: **Cautious**

 NIFTY-50: **24,334**

May 01, 2025

Ratings strong; non-ratings muted

CRISIL 16% yoy growth in PAT in 1QCY25, driven by moderate revenue growth (10% yoy) and lower expense growth (7% yoy). Discretionary budget cuts by global clients continue to impact non-ratings' revenue growth (2% yoy). Ratings (~33% yoy) delivered a strong quarter with stable margins (partly base effect). Our assumptions over CY2025-26E build sustained ratings' revenue growth (18%), along with recovery in the global business (10%). We await more reasonable valuations or visibility of stronger growth; retain REDUCE with an FV of Rs4,300 (earlier Rs4,200).

PAT growth of 16% yoy

CRISIL reported 16% yoy PAT growth, led by 10% yoy revenue growth, further supported by 7% yoy growth in overall expenses. EBIT grew ~15% yoy. EBIT margin increased ~300 bps yoy to 29%. Tax rate was stable yoy at 30%. We await more granular feedback on results and business trends at the annual analyst meet next week.

Ratings: ~33% yoy revenue growth; margins stable at ~50%

The Ratings division's revenues grew 33% yoy (6% qoq) in 1QCY25; its revenues include the domestic credit ratings business along with the captive S&P support. Strong revenue growth was led by domestic ratings' revenues growing 27% yoy in 4Q (~17% yoy growth in CY2024). We will look for some clarification from management on the strong ratings revenue growth, given that bond/CP issuances grew at 3/16% yoy, with bank credit growth also in the 11-12% range. S&P captive's growth was driven by new engagements and an increase in the delegation of ratings surveillance work from S&P Ratings. Since our initiation, we have held a positive view on the domestic credit ratings business, given the potential medium-term cyclical upswing, supporting ~17% revenue growth with rating margins (calculated) expanding to ~58% from 51-53% in FY2021-23.

Non-ratings: Revenue growth of 2% yoy; margins up

Non-ratings' (research, analytics and solutions) revenues grew 2% yoy, despite the low base of last year when revenues declined ~20% yoy (revenues down 1% yoy in CY2024). Reported segment margin improved ~200 bps yoy to 18%. Within non-ratings, the research & risk vertical has likely seen maximum drag due to curtailed discretionary spending. The rest of the sub-segments, i.e., benchmarking and market intelligence, saw relatively healthier growth trends. Recent revenue trends were weak also due to M&A, leading to client consolidation along with project completions. Lack of disclosures makes it challenging to forecast revenues for this segment; we build growth recovery of ~10% CAGR over FY2025-27E on a weak flat revenue growth base of CY2024.

Await valuation comfort or better growth visibility; retain REDUCE

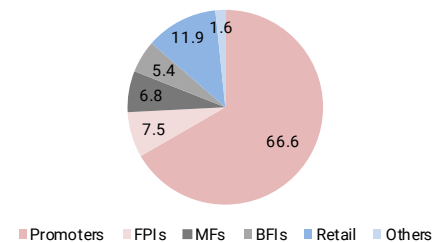
We make marginal upgrades to estimates and revise our SoTP-based FV to Rs4,300 (from Rs4,200), implying ~32X March 2027E. We retain a REDUCE rating, given the lack of valuation comfort in the context of low growth visibility in the international business, even as the domestic ratings business remains well-placed. The recent correction reduces the risk of an absolute downside, but a positive stance still eludes it.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	4,453/4,300/REDUCE
52-week range (Rs) (high-low)	6,955-3,880
Mcap (bn) (Rs/US\$)	326/3.8
ADTV-3M (mn) (Rs/US\$)	316/3.7

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	7	(18)	2
Rel. to Nifty	3	(22)	(5)
Rel. to MSCI India	3	(21)	(3)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	93.6	109.3	127.6
EPS growth (%)	3.9	16.8	16.7
P/E (X)	47.6	40.7	34.9
P/B (X)	12.7	11.4	10.3
EV/EBITDA (X)	35.8	31.7	27.1
RoE (%)	28.8	29.5	31.0
Div. yield (%)	1.3	1.6	1.9
Sales (Rs bn)	33	36	40
EBITDA (Rs bn)	9.1	10	12
Net profits (Rs bn)	6.8	8.0	9.3

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Abhijeet Sakhare

Nischint Chawathe

M B Mahesh, CFA

Varun Palacharla

Ashlesh Sonje, CFA

Nikhil Suresh

CRISIL: Results summary

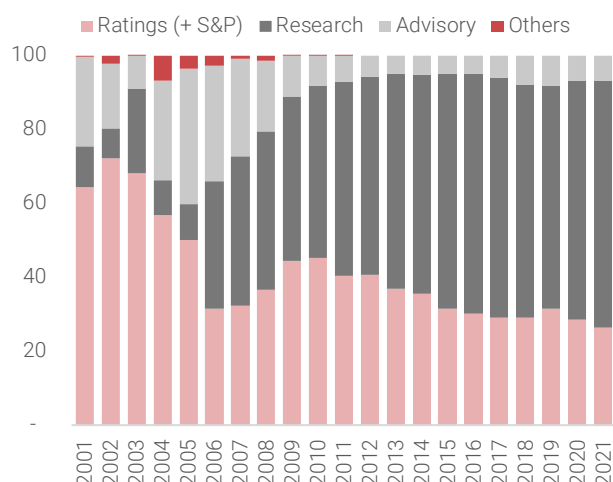
Exhibit 1: December year-ends, 2024-26E (Rs mn)

	1QCY25	1QCY25E	1QCY24	4QCY24	Change (%)			2025E	2024	YoY (%)	2025E
					vs KIE	YoY	QoQ				
Income statement (Rs mn)											
Revenue from operations	8,132	8,091	7,377	9,129	1	10	(11)	35,660	32,598	9.4	40,165
Ratings	2,679	2,500	2,022	2,539	7	33	6	12,283	9,092	35	14,232
Research, analytics & solutions	5,453	5,591	5,355	6,591	(2)	2	(17)	27,883	23,506	18.6	31,042
Other income	306	200	211	302	53	45	1	1,012	899	13	1,085
Total income	8,438	8,291	7,588	9,432	2	11	(11)	36,672	33,497	9.5	41,251
Operating expenses	5,812	5,631	5,456	6,258	3	7	(7)	25,381	23,469	8.1	28,164
Employee expenses	4,271	3,995	4,236	4,645	7	1	(8)	19,010	17,651	7.7	21,267
Other expenses	1,541	1,636	1,220	1,613	(6)	26	(4)	6,371	5,818	10	6,898
EBITDA	2,320	2,460	1,921	2,871	(6)	21	(19)	10,278	9,129	12.6	12,001
Depreciation expense	298	208	170	208	43	75	43	734	700	5	771
EBIT	2,022	2,252	1,751	2,663	(10)	15	(24)	9,544	8,429	13	11,230
Finance cost	56	20	7	20	178	693	178	42	64	(33.9)	44
PBT	2,273	2,432	1,955	2,945	(7)	16	(23)	10,514	9,265	13.5	12,271
Tax	674	584	578	698	16	17	(3)	2,523	2,424	4	2,945
PAT	1,598	1,848	1,377	2,247	(14)	16	(29)	7,990	6,841	16.8	9,326
Tax rate (%)	30	24	30	24				24	26		24
Key ratios (%)											
EBITDA margin	28.5	30.4	26.0	31.4				28.8	28.0		29.9
EBIT margin	24.9	27.8	23.7	29.2				26.8	25.9		28.0
Cost-income ratio	75.1	72.2	76.3	70.8				73.2	74.1		72.0
Segmental profit (Rs mn)											
Ratings	1,329		1,013	941		31	41	4,801	3,980	21	
Research, analytics & solutions	1,005		868	1,914		16	(47)	5,510	5,052	9	
Unallocable net income	(61)		73	89				203	232		
Segmental margin (%)											
Ratings	49.6		50.1	37.1				39.1	43.8		
Research, analytics & solutions	18.4		16.2	29.0				19.8	21.5		

Source: Company, Kotak Institutional Equities estimates

Share of ratings revenues has declined over the years

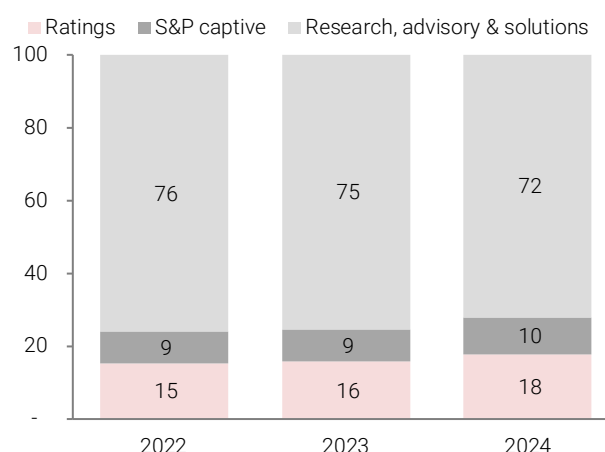
Exhibit 2: Revenue mix, December fiscal year-end, 2001-21 (%)



Source: Company, Kotak Institutional Equities

Ratings contributed only ~20% of revenues

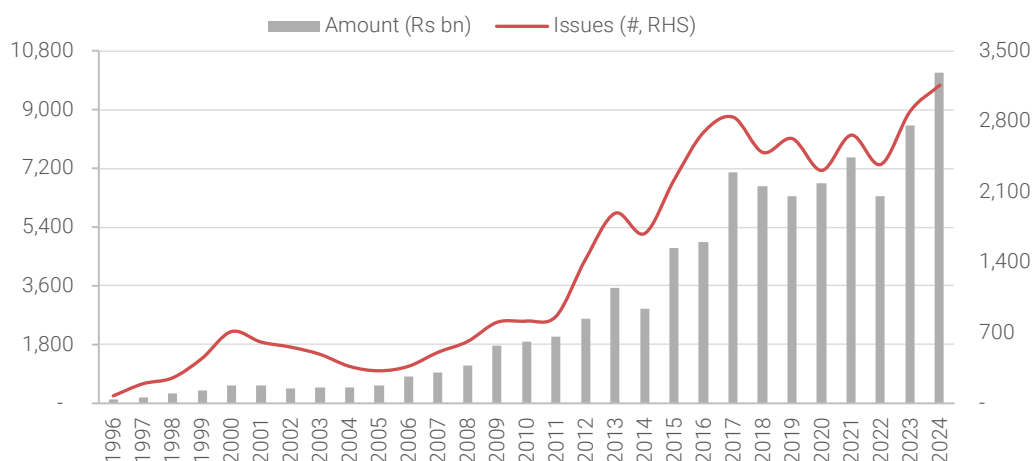
Exhibit 3: Revenue mix, December fiscal year-end, 2022-24 (%)



Source: Company, Kotak Institutional Equities

FY2023-24 have been strong years in issuances

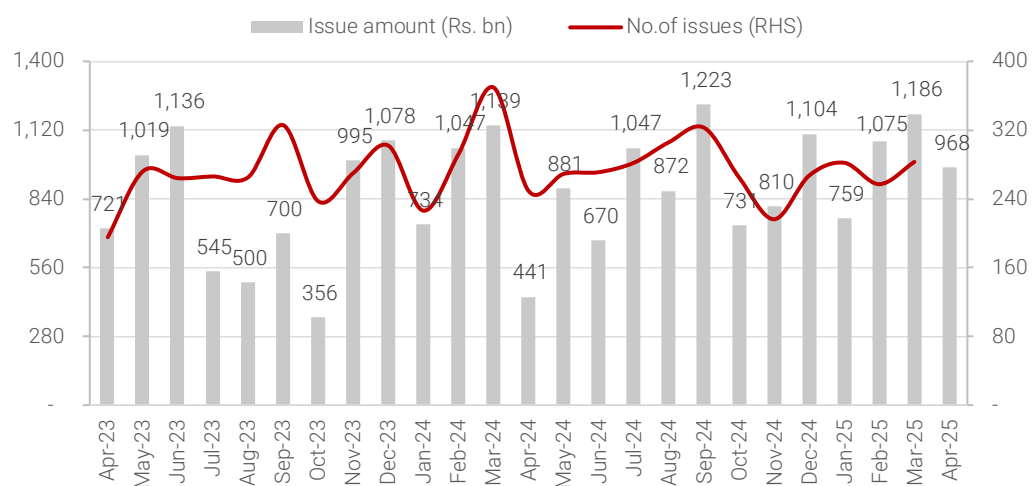
Exhibit 4: Amount of debt private placement issuances, 1996-24



Source: Prime Database, Kotak Institutional Equities

Monthly bond issuance trends

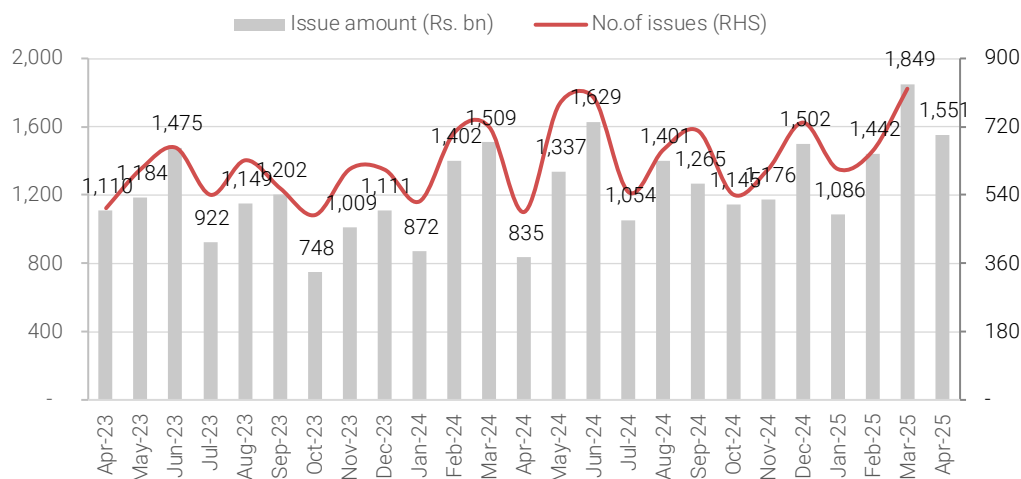
Exhibit 5: Bond private placements, number and amount of issuances, April 2022 onward



Source: Prime Database, Kotak Institutional Equities

Monthly CP issuance trends

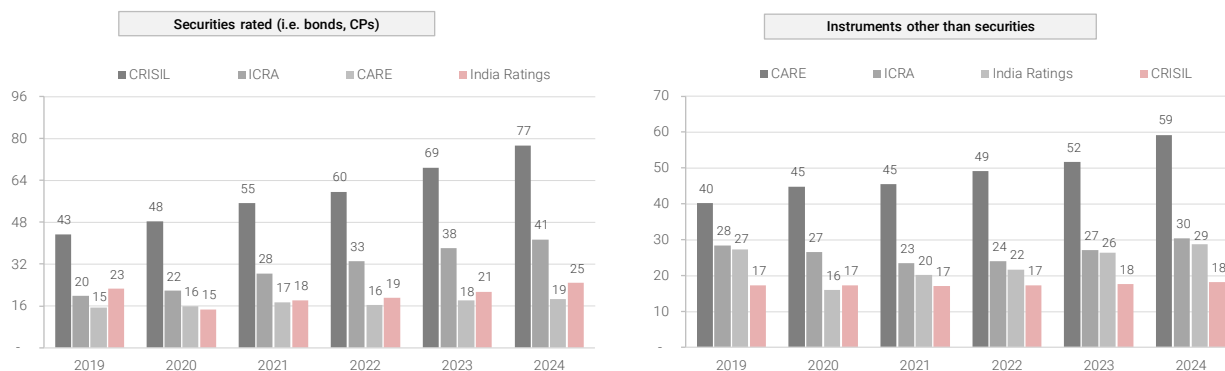
Exhibit 6: CP placements, number and amount of issuances, April 2022 onward



Source: Prime Database, Kotak Institutional Equities

CRISIL leads industry in bond ratings, whereas CARE leads in bank loan ratings

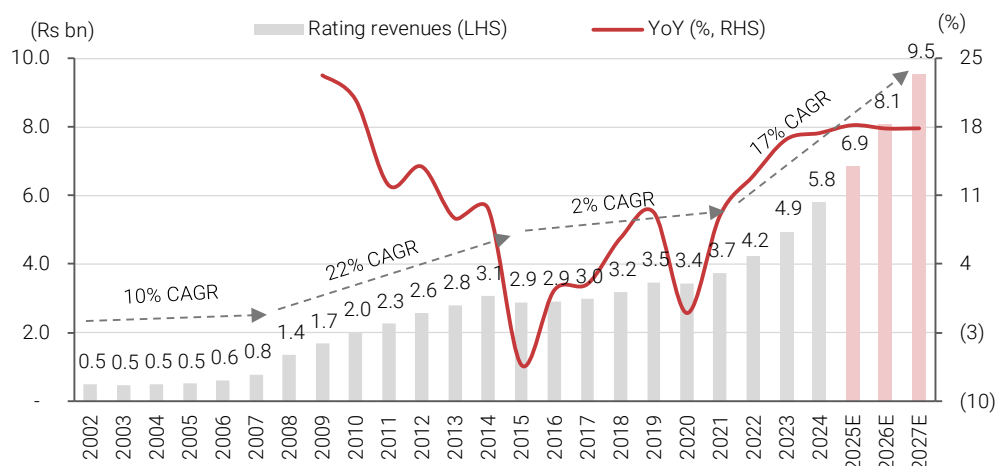
Exhibit 7: March fiscal year-ends, 2019-24 (Rs tn)



Source: Company, Kotak Institutional Equities

Ratings' revenues likely to increase at CAGR of ~18%

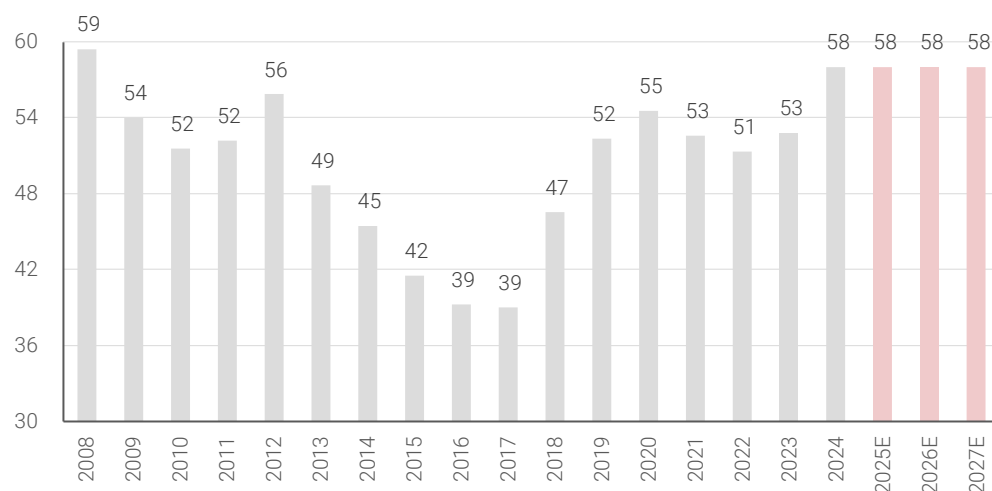
Exhibit 8: Rating revenue growth, December fiscal year-ends, 2002-26E



Source: Company, Kotak Institutional Equities estimates

Operating margins of Ratings business are strong

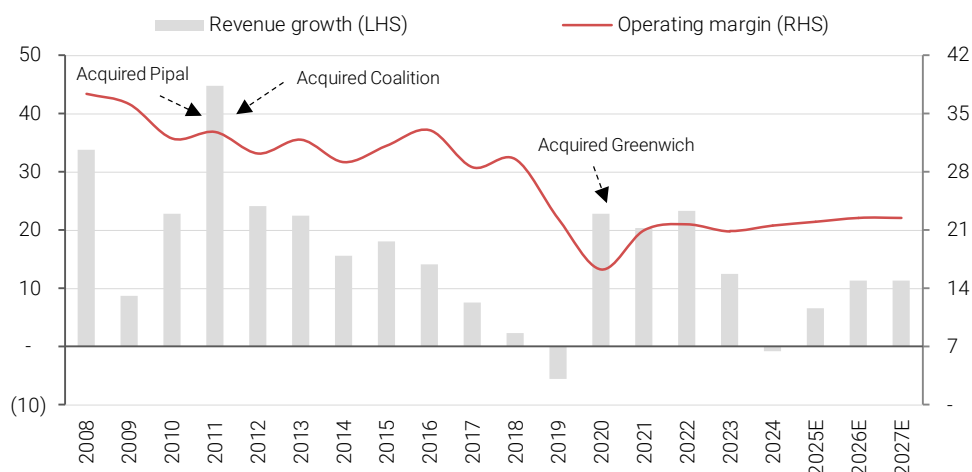
Exhibit 9: EBIT margin of Ratings, December fiscal year-ends, 2008-26E



Source: Company, Kotak Institutional Equities estimates

Research's revenue growth supported by M&A, but margins have trended down

Exhibit 10: Research segment margins, December fiscal year-ends, 2008-26E



Source: Company, Kotak Institutional Equities

Debt private placement—issue amount and breakup across CRAs

Exhibit 11: March fiscal year-ends, (Rs bn)

Issuance amount by rating agency (Rs bn)									Market share (%)			
	CRISIL	ICRA	CARE	India Ratings	Brickworks	SMERA	Not rated/known	Issue amount	CRISIL	ICRA	CARE	India Ratings
AAA												
2015	2,325	2,015	1,785	710				2,970	78	68	60	24
2016	1,883	1,437	1,648	734				2,835	66	51	58	26
2017	3,108	2,356	2,485	1,038				4,111	76	57	60	25
2018	3,093	2,506	2,267	1,245				4,076	76	61	56	31
2019	3,675	2,763	2,501	1,868				4,805	76	58	52	39
2020	4,145	2,895	2,819	2,378				5,200	80	56	54	46
2021	4,363	3,866	3,111	2,199				5,673	77	68	55	39
2022	3,166	2,410	2,039	1,291				4,098	77	59	50	31
2023	4,446	3,755	2,566	1,838				5,811	77	65	44	32
2024	5,288	3,604	2,847	2,379				6,726	79	54	42	35
2025	5,527	3,664	3,950	3,121		1		7,535	73	49	52	41
AA+/AA/AA-												
2015	376	534	524	245	76	-	-	1,287	29	41	41	19
2016	392	477	407	188	63	5	-	1,192	33	40	34	16
2017	590	750	724	535	363	9	-	2,068	29	36	35	26
2018	647	716	682	516	353	12	-	2,049	32	35	33	25
2019	335	372	397	208	162	34	-	1,195	28	31	33	17
2020	414	288	232	208	47	24	-	948	44	30	24	22
2021	674	392	418	460	96	28	-	1,453	46	27	29	32
2022	820	500	370	611	38	32	-	1,562	52	32	24	39
2023	870	494	379	675	13	194	-	1,691	51	29	22	40
2024	771	543	267	405	-	68	-	1,356	57	40	20	30
2025	888	694	595	803	-	138		1,994	45	35	30	40
Rest												
2015	67	132	120	61	228	1	173	683	10	19	18	9
2016	35	154	110	56	223	0	719	1,165	3	13	9	5
2017	84	206	125	132	339	1	639	1,180	7	17	11	11
2018	179	110	140	154	245	1	439	846	21	13	16	18
2019	89	152	94	55	185	3	411	788	11	19	12	7
2020	85	98	96	34	59	15	505	797	11	12	12	4
2021	83	129	104	33	229	27	159	544	15	24	19	6
2022	86	59	71	94	67	44	565	883	10	7	8	11
2023	80	86	184	123	3	47	788	1,190	7	7	16	10
2024	70	90	380	119	0	44	1,569	2,182	3	4	17	5
2025	140	78	157	86	1	34	1,281	1,626	9	5	10	5

Source: Kotak Institutional Equities

At our FV of Rs4,300, CRISIL will trade at ~32X March 2027E earnings

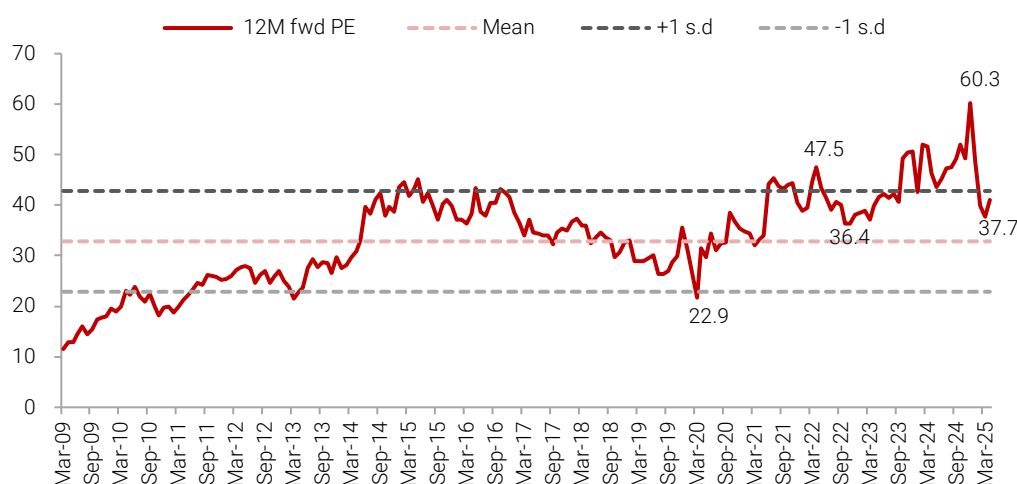
Exhibit 12: SoTP valuation for CRISIL, December 2025-26E

	Value (Rs bn)	Value per share (Rs)	Comments
Ratings	150	2,053	DCF-based; implies ~43X Dec-26E earnings
Research, analytics & solutions	105	1,441	Assign ~25X Dec-26E earnings; pegged to peers
Global analytics center (S&P captive)	10	142	Assign ~15X Dec-26E earnings
Cash	37	502	
Total	303	4,139	Implies ~32X Dec-26E EPS

Source: Company, Kotak Institutional Equities estimates

CRISIL is trading at P/E of around one standard deviation over mean since 2008

Exhibit 13: CRISIL's consensus 1-year forward P/E (X), 2008- 2025



Source: Bloomberg, Kotak Institutional Equities

Change in estimates

Exhibit 14: December year-ends, 2025-27E

	New estimates (Rs mn)			Old estimates (Rs mn)			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Key P&L items									
Revenue from operations	35,660	40,165	45,274	35,605	40,063	45,112	0	0	0
Ratings	10,608	12,283	14,232	10,553	12,181	14,070	1	1	1
Research, advisory & solutions	25,052	27,883	31,042	25,052	27,883	31,042	—	—	—
Other income	1,012	1,085	1,168	1,012	1,085	1,168	—	—	—
Total income	36,672	41,251	46,442	36,617	41,149	46,279	0	0	0
Expenses	26,158	28,980	32,200	26,158	28,980	32,200	—	—	—
Employee expenses	19,010	21,267	23,873	19,010	21,267	23,873	—	—	—
Other expenses	7,148	7,713	8,327	7,148	7,713	8,327	—	—	—
EBIT	9,544	11,230	13,120	9,489	11,128	12,958	1	1	1
PBT	10,514	12,271	14,241	10,459	12,169	14,079	1	1	1
Tax	2,523	2,945	3,418	2,510	2,921	3,379	1	1	1
PAT post minority interest	7,990	9,326	10,823	7,949	9,248	10,700	1	1	1
EPS (Rs)	109	128	148	109	127	146	—	—	—
Key ratios (%)									
Cost-to-income	71.3	70.3	69.3	71.44	70.43	69.58	(0)	(0)	(0)
EBIT margin	26.8	28.0	29.0	26.7	27.8	28.7	11 bps	18 bps	26 bps
RoE	29.5	31.0	32.2	29.4	30.8	31.9	15 bps	23 bps	31 bps

Source: Kotak Institutional Equities estimates

Consolidated income statement for CRISIL Ltd
Exhibit 15: December fiscal year-ends, 2020-26E (Rs mn)

	2020	2021	2022	2023	2024	2025E	2026E	2027E
Growth rates (%)								
Revenue from operations	14	16	20	13	4	9	13	13
Investment income	(36)	17	6	135	2	12	12	12
Total income	14	15	22	12	4	9	12	13
Operating expenses	22	12	19	10	2	8	11	11
Employee expense	22	20	21	13	1	8	12	12
PBT before exceptional items	(7)	25	30	17	7	13	17	16
PAT	3	31	21	17	4	17	17	16
EBIT	(7)	30	24	24	8	14	18	17
Key ratios								
Cost-income (%)	81	78	78	75	74	73	72	71
EBITDA margin (%)	26	27	26	28	28	29	30	31
EBIT margin (%)	20	22	23	25	26	27	28	29
Net profit margin (%)	17	20	20	20	20	22	23	23
Investment yield (%)	2.4	2.5	2.3	4.4	2.8	2.3	2.2	2.2
RoE (%)	29	32	33	33	29	30	31	32
Dividend payout ratio (%)	68	72	62	60	60	65	65	65
P&L								
Revenue from operations	19,818	23,007	27,687	31,395	32,598	35,660	40,165	45,274
Ratings	5,650	6,041	6,634	7,724	9,092	10,608	12,283	14,232
Research (old)	12,827	15,437	—	—	—	—	—	—
Advisory (old)	1,341	1,529	—	—	—	—	—	—
Research, Analytics and Solutions (new)	—	17,083	21,053	23,671	23,506	25,052	27,883	31,042
Operating expenses	(14,712)	(16,902)	(20,391)	(22,580)	(23,490)	(25,381)	(28,164)	(31,344)
Employee expense	(10,684)	(12,869)	(15,530)	(17,478)	(17,651)	(19,010)	(21,267)	(23,873)
Professional fees	(1,084)	(1,239)	(1,230)	(1,262)	(1,459)	(1,605)	(1,765)	(1,942)
Associate service fee	(1,316)	(1,226)	(1,322)	(1,476)	(1,322)	(1,454)	(1,600)	(1,760)
Other expenses	(1,627)	(1,568)	(2,309)	(2,364)	(3,058)	(3,312)	(3,533)	(3,769)
EBITDA	5,106	6,105	7,297	8,815	9,108	10,278	12,001	13,930
Depreciation and amortisation	(1,211)	(1,060)	(1,033)	(1,038)	(700)	(734)	(771)	(810)
EBIT	3,895	5,045	6,263	7,777	8,409	9,544	11,230	13,120
Other income	832	770	1,225	936	896	1,012	1,085	1,168
Finance costs	(144)	(89)	(64)	(37)	(40)	(42)	(44)	(47)
Exceptionals	—	458	—	—	—	—	—	—
Profit before tax	4,583	6,184	7,424	8,677	9,265	10,514	12,271	14,241
Tax	(1,036)	(1,526)	(1,780)	(2,093)	(2,424)	(2,523)	(2,945)	(3,418)
PAT	3,547	4,658	5,644	6,584	6,841	7,990	9,326	10,823
EPS (Rs)	49	64	77	90	94	109	128	148
Number of shares (# mn)	73	73	73	73	73	73	73	73

Source: Company, Kotak Institutional Equities estimates

Consolidated balance sheet for CRISIL Ltd

Exhibit 16: December fiscal year-ends, 2020-26E (Rs mn)

	2020	2021	2022	2023	2024	2025E	2026E	2027E
Balance sheet								
Share capital	73	73	73	73	73	73	73	73
Reserves and surplus	13,046	15,711	17,847	21,820	25,575	28,372	31,636	35,424
Shareholder's fund	13,118	15,784	17,920	21,893	25,648	28,445	31,709	35,497
Lease liabilities	2,241	1,321	835	473	2,500	2,700	2,916	3,149
Employee related payables & provisions	1,927	2,529	3,490	1,415	1,486	1,560	1,638	1,720
Trade payables	1,054	1,337	1,439	1,426	1,854	2,002	2,162	2,335
Provisions	976	952	1,159	1,415	1,588	1,667	1,750	1,838
Other liabilities	2,751	3,116	3,467	6,524	6,342	6,660	6,993	7,342
Total liabilities	8,948	9,255	10,390	11,253	13,770	14,589	15,459	16,384
Investment	6,463	8,402	8,742	13,343	25,262	28,467	32,152	36,391
Cash and bank balances	2,787	2,944	3,214	3,699	3,045	3,749	4,520	5,335
Trade receivables	3,074	3,985	7,588	6,724	5,498	5,773	6,061	6,365
Fixed assets	2,501	1,673	1,340	998	4,427	4,205	3,995	3,795
Goodwill on consolidation	3,759	3,727	3,798	4,208	4,246	4,246	4,246	4,246
Intangible assets	1,366	1,208	1,052	1,141	1,083	1,138	1,194	1,254
Other assets	1,660	2,729	2,459	2,908	(4,204)	(4,625)	(5,087)	(5,596)
Net assets	22,067	25,039	28,310	33,145	39,418	43,019	47,154	51,867
Key metrics/ratios								
Cash and cash equivalents	2,787	2,944	3,214	3,699	3,045	3,749	4,520	5,335
Gross borrowings	—	—	—	—	—	—	—	—
Net cash and cash equivalents	2,787	2,944	3,214	3,699	3,045	3,749	4,520	5,335
Receivable days	60	68	109	83	63	62	58	54
RoE (%)	29	32	33	33	29	30	31	32
RoIC (%)	33	38	47	50	47	53	60	67

Source: Company, Kotak Institutional Equities estimates

Consolidated cash flow statement

Exhibit 17: December fiscal year-ends, 2020-26E (Rs mn)

	2020	2021	2022	2023	2024	2025E	2026E	2027E
Cash flow statement								
PBT	4,583	6,184	7,424	8,677	9,265	10,514	12,271	14,241
Depreciation and amortisation expense	1,211	1,060	1,033	1,038	700	734	771	810
Other income, net	(109)	(708)	(566)	(900)	(856)	(970)	(1,041)	(1,121)
Working capital changes								
(Increase)/ Decrease in trade receivables	(474)	(960)	(2,165)	865	1,226	(275)	(289)	(303)
(Increase)/ Decrease in other assets	342	(1,057)	(368)	(458)	7,176	416	457	503
Increase/ (Decrease) in trade payables	153	421	112	(14)	428	148	160	173
Increase/ (Decrease) in other liabilities	548	1,060	1,297	1,237	62	471	494	519
Cash taxes paid	(1,250)	(1,970)	(2,205)	(2,442)	(3,134)	(2,523)	(2,945)	(3,418)
Cash flow from operations	5,005	4,031	4,564	7,804	7,651	8,515	9,879	11,404
(Purchase)/sale of fixed assets	(340)	270	(389)	(591)	(1,710)	(367)	(402)	(436)
(Purchase)/sale of investments	(2,888)	(1,153)	(228)	(2,676)	(2,143)	(2,193)	(2,600)	(3,071)
Interest income	62	74	40	144	109	1,012	1,085	1,168
Cash flow from investing	(3,167)	(809)	(577)	(3,124)	(3,745)	(1,548)	(1,917)	(2,339)
Dividends paid	(2,320)	(2,765)	(3,431)	(3,582)	(4,241)	(5,194)	(6,062)	(7,035)
Cash flow from financing	(2,651)	(2,910)	(3,683)	(4,077)	(4,418)	(5,236)	(6,106)	(7,082)
Free cash flow	3,976	3,221	3,545	6,587	5,719	8,105	9,433	10,921
Increase in cash and cash equivalents	(875)	238	264	460	(620)	719	771	815
Cash the beginning of the period	3,391	2,749	2,899	3,193	3,662	3,030	3,749	4,520
Cash at the end of the period	2,749	2,899	3,193	3,662	3,030	3,749	4,520	5,335

Source: Company, Kotak Institutional Equities estimates

Sona BLW Precision (SONACOMS)

Automobiles & Components

REDUCE

CMP(₹): **481**

Fair Value(₹): **450**

Sector View: **Cautious**

NIFTY-50: **24,334**
May 01, 2025

Soft quarter on expected lines; order book ramp-up risks loom

Sona Comstar's 4QFY25 adjusted EBITDA was 5% below our estimates, driven by the bunching up of other expenses. We expect the near-term revenue growth trajectory to remain subdued, owing to (1) muted demand trends in the BEV/CV/OHV segments in various developed markets, (2) uncertainty surrounding the EV policy in the US market and (3) pricing/margin pressures owing to Trump tariffs. Given the multiple uncertainties, program ramp-up may continue to face delays. **REDUCE** stays.

4QFY25 adjusted EBITDA was 5% below our expectations

Sona Comstar reported 4QFY25 EBITDA of Rs2.3 bn (down 5% yoy), 3% above our estimates on PLI accrual of the previous quarters. Adjusted for PLI (Rs190 mn), EBITDA came in 5% below our estimates. Adjusted revenues declined by 3% yoy (1% below our expectations), driven by a decline in revenues with its global EV OEM owing to model transition and weakness in global CV and OHV segments, partly offset by strong growth in the traction motor business. Adjusted EBITDA margin stood at 25.4% (-260 bps yoy), 110 bps below our estimates due to the bunching up of other expenses in the quarter. Adjusted gross margin fell 20 bps yoy due to inferior product mix, partly offset by PLI accrual. Reported PAT stood at Rs1.6 bn, 6% above estimates on higher other income.

The company won two new EV programs in 4QFY25

The company's order book stood at Rs242 bn as of March 2025 (includes new order wins of Rs17 bn in 4QFY25), out of which the EV segment order book stood at Rs187 bn (77% of order wins). In the BEV segment, the company won one new program from a high-end new-age EV OEM to supply rotor-embedded differential sub-assembly and epicyclic geartrain (Rs15.2 bn worth of lifetime order wins) and will start production from 4QFY26. Overall, the company's total tally of EV programs increased to 58 across 32 customers as of 4QFY25.

Fine-tune FY2026-27E EPS; retain **REDUCE** rating

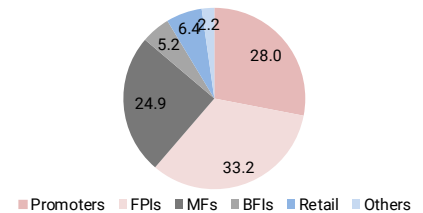
We have fine-tuned our FY2026-27E EPS as lower revenue growth assumptions were offset by higher PLI benefits. The company will have a limited direct impact of US tariffs as its customers have localization; however, we expect the near-term revenue growth trajectory to remain subdued, owing to: (1) US tariff-related uncertainty, which may result in delays in program launches, (2) muted demand trends in BEV/CV/OHV segments in various developed markets, (3) shortage of rare earth materials may hamper traction motor production and (4) policy uncertainty in the US market for EVs. The company might be protected from tariffs to a larger extent in the near term. However, in the medium term, it might be required to set up a plant in the US, which will change the margin profile and return ratio of the business. The company's reliance on its top-2 customers (35-45% of its revenues) remains a key risk. We retain our **REDUCE** rating with a revised FV of Rs450 (Rs430 earlier). We value the core business based on DCF methodology and the railway business at Rs40 per share.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	481/450/REDUCE
52-week range (Rs) (high-low)	769-380
Mcap (bn) (Rs/US\$)	299/3.5
ADTV-3M (mn) (Rs/US\$)	1,236/14.6

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	4	(5)	(23)
Rel. to Nifty	1	(8)	(31)
Rel. to MSCI India	1	(7)	(29)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	9.7	11.8	13.8
EPS growth (%)	9.6	21.1	16.8
P/E (X)	49.4	40.8	34.9
P/B (X)	5.3	4.8	4.3
EV/EBITDA (X)	28.5	25.7	21.9
RoE (%)	14.6	12.3	13.0
Div. yield (%)	0.3	0.5	0.6
Sales (Rs bn)	36	41	46
EBITDA (Rs bn)	9.8	11	13
Net profits (Rs bn)	6.2	7.3	8.5

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Marginal risk of market share loss for Sona Comstar; margin pressures may persist in the near term

The revised US auto tariff policy incentivizes by exempting highly localized vehicles and offering partial relief to domestically assembled models while imposing 25% tariffs on imported vehicles. This will help the company, given their higher reliance on domestic players, which will have a minimal impact of tariffs at the current juncture. It highlighted that 3% of its overall revenues remain at risk as the customer may shift its sourcing to local suppliers. As a result, we expect a marginal risk of market share loss for Sona Comstar, as the majority of the competitors have domestic manufacturing in the US in the medium term.

We believe that despite the 25% imposition of tariffs, Sona Comstar will have pricing advantage on account of efficient Indian operations, which will continue to keep its landed cost competitive. In addition, switching suppliers for differential assemblies will involve technical validation and lead-times, making it challenging for US OEMs. Sona Comstar's key competitors in the US in differential gears and assembly market include American Axle and Manufacturing (AAM), Dana Inc., GKN Automotive and Musashi Seimitsu Industry—most of them have manufacturing presence in the US. This will enable them to foster closer relationships with US OEMs, intensifying the competitive landscape in the region over the medium term. However, Sona Comstar may face near-term margin pressures, if it chooses to absorb part of the tariff for certain products.

Policy uncertainty in US, along with tariff war, will continue to weigh on EV segment growth prospects

The new US administration has decided to halt IRA (Inflation Reduction Act) fund disbursements, implying that the new electric vehicle purchases will not be eligible for tax credit of USD7.5k. The US government has already levied 25%/100% import duty on EV batteries and EVs, respectively, from China. We expect the prices of EVs to inch up in the near term, as the US government is planning to develop its own battery supply chain, which, in the near term, will raise the cost of procurement due to lower economies of scale. This can impede the sales growth of EV vehicles and overall EV transition. Coupled with it, tariffs will further result in higher cost of production even for domestic players. We believe the uncertainty around policies from the new US government will weigh on overall growth of Sona Comstar, which derives 41% of their revenues from the US market as of FY2025. Overall, there is a risk of slowdown in the US car market, which can further weigh on the company's growth prospects.

EV sales in European market to remain weak in the near term

EV sales in Europe declined 1% in CY2024 due to (1) expiry of incentives and (2) economic downturn in key markets such as Germany and France. China OEMs have been able to gain traction in the EV segment, with a market share of 11-12% in CY2024 (from 4% in CY2020), with the help of subsidies doled out by China across the value chain: (1) cheap land for factories, (2) tax breaks and (3) lower interest rates, etc. The imposition of higher tariff by the EU on EVs manufactured in China will significantly increase the cost of EVs in Europe in the near term until the supply chain is localized in Europe, which might delay the EV adoption in Europe. However, given the limited presence of the company with Chinese players, it can further lose share in the EU market, if the incremental growth is driven by Chinese OEMs in the EU.

Other key takeaways from the results and conference call

- ▶ In terms of power train segments, BEV revenues grew 8% yoy in 4QFY25, whereas non-BEV revenue declined by low-teens yoy. Product mix in FY2025: (1) Differential assembly - 27% (24% in FY2024), (2) Differential gears - 29% (32% in FY2024), (3) Micro Hybrid Motors - 21% (24% in FY2024), (4) Conventional Starter Motors - 9% (10% in FY2024), (5) Traction Motors - 8% (5% in FY2024), (6) Sensors and software - 2% (1% in FY2024), and (7) Others - 4% (4% in FY2024).
- ▶ Revenue growth was subdued in the quarter owing to (1) muted demand trends in Europe, which the company expects to remain weak in the near term, (2) slowdown in off-highway market demand in the US, (3) decline in production volumes in the CV segment in India, (4) transition of global EV customer to revamped model. The company highlighted that the recovery in revenues over 1HFY26E will more than make up for the lost revenues the current quarter.
- ▶ Geographical mix in FY2025 - (1) North America - 41% (40% in FY2024), (2) Europe - 24% (26% in FY2024), (3) India - 29% (28% in FY2024), (4) Asia (excluding India) - 6% (5% in FY2024) and (5) others - 0.3% (1% in FY2024).

- 4QFY25 adjusted EBITDA came in 5% below our modest estimates owing to weaker-than-expected revenue print and one-off costs in other expenses (50-60 bps)

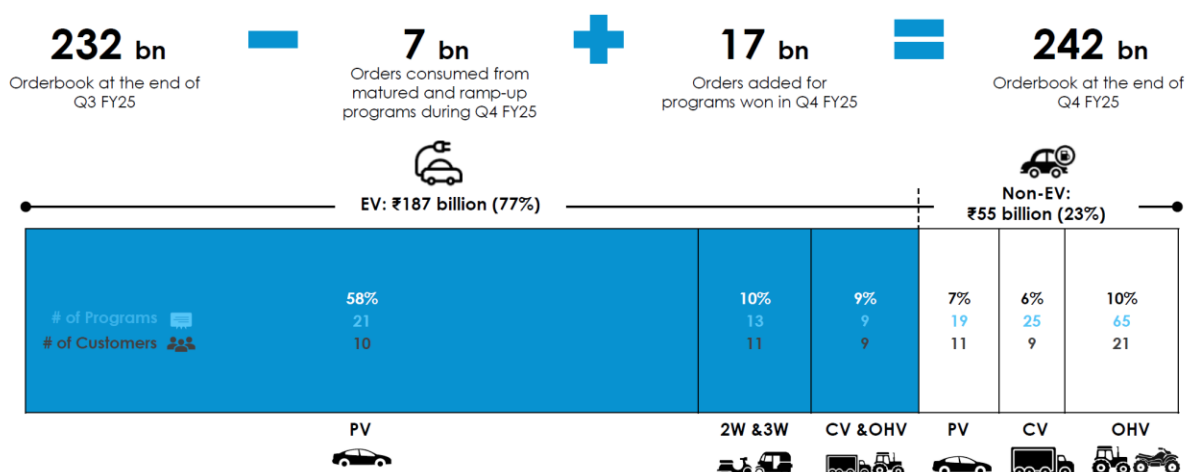
Exhibit 1: Sona BLW Precision Forging interim results, March fiscal year-ends (Rs mn)

					(% chg.)								
	4QFY25	4QFY25E	4QFY24	3QFY25	4QFY25E	4QFY24	3QFY25	FY2025	FY2024	Yoy (%)	FY2026E	FY2025	Yoy (%)
Total Income	8,684	8,579	8,853	8,680	1.2	(1.9)	0.1	35,545	31,850	11.6	40,548	35,545	14.1
Total Expenditure	(6,335)	(6,306)	(6,371)	(6,337)	0.5	(0.6)	(0.0)	(25,793)	(22,827)		(29,824)	(25,793)	
Raw materials	(3,764)	(3,845)	(3,858)	(3,826)	(2.1)	(2.5)	(1.6)	(15,447)	(13,741)		(17,961)	(15,447)	
Employee expense	(784)	(812)	(728)	(816)	(3.4)	7.7	(3.9)	(3,150)	(2,501)		(3,396)	(3,150)	
Other expenditure	(1,787)	(1,649)	(1,785)	(1,696)	8.4	0.1	5.4	(7,195)	(6,584)		(8,466)	(7,195)	
EBITDA	2,350	2,273	2,481	2,342	3.4	(5.3)	0.3	9,753	9,023	8.1	10,725	9,753	10.0
Depreciation	(646)	(660)	(598)	(666)	(2.1)	8.0	(2.9)	(2,544)	(2,202)		(2,909)	(2,544)	
Interest	(52)	(44)	(71)	(58)	17.5	(26.6)	(9.4)	(302)	(258)		(157)	(302)	
Other income	522	472	75	468				1,269	239		1,995	1,269	
PBT	2,173	2,040	1,886	2,087	6.5	15.2	4.1	8,176	6,803	20.2	9,653	8,176	18.1
Exceptional items	(26)	—	—	57				(193)	(87)		—	(193)	
Tax expense	(510)	(500)	(405)	(523)				(1,986)	(1,535)		(2,365)	(1,986)	
Minority interest	(4)	(4)	6	5				(15)	5		5	(15)	
Reported net profit	1,641	1,544	1,475	1,616	6.3	11.3	1.5	6,012	5,175	16.2	7,283	6,012	21.1
Adjusted net profit	1,659	1,544	1,487	1,552	7.4	11.6	6.9	6,157	5,240	17.5	7,283	6,157	18.3
Number of shares (mn)	618	618	583	618				618	583		618	618	
EPS	2.7	2.5	2.5	2.6	6.3	5.0	1.5	9.7	8.9	9.6	11.8	9.7	21.1
Adjusted EPS	2.7	2.5	2.5	2.5	7.4	5.3	6.9	10.0	9.0	10.9	11.8	10.0	18.3
Adjusted for previous quarters PLI (Rs mn)													
Revenue	8,494	8,579	8,853	8,680	(1.0)	(4.0)	(2.1)						
Gross profit	4,731	4,734	4,994	4,854	(0.1)	(5.3)	(2.5)						
Gross margin (%)	55.7	55.2	56.4	55.9									
EBITDA	2,160	2,273	2,481	2,342	(5.0)	(13.0)	(7.8)						
EBITDA margin (%)	25.4	26.5	28.0	27.0									
Ratios (%)													
RM as % of sales	43.3	44.8	43.6	44.1				43.5	43.1		44.3	43.5	
Employee cost as % of sales	9.0	9.5	8.2	9.4				8.9	7.9		8.4	8.9	
Other expenditure as % of sales	20.6	19.2	20.2	19.5				20.2	20.7		20.9	20.2	
EBITDA (%)	27.1	26.5	28.0	27.0				27.4	28.3		26.4	27.4	
Effective tax rate	23.5	24.5	21.5	25.1				24.3	22.6		24.5	24.3	

Source: Company. Kotak Institutional Equities estimates

The company has net order book of Rs242 bn, which will be executed in the next 10 years

Exhibit 2: Order book details, March fiscal year-ends, 2025-34E (Rs bn)



Source: Company, Kotak Institutional Equities

The company currently has 58 EV orders with an orderbook of Rs242 bn

Exhibit 3: EV order win details, March fiscal year-ends, 4QFY23-4QFY25 (Rs mn)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Number of EV programs in serial production	10	10	10	10	11	12	13	15	15
Number of EV programs in order book	32	36	38	43	43	43	43	42	43
Number of EV customers	26	27	28	30	30	31	32	32	32
EV orderbook (Rs bn)	166	171	171	190	179	184	180	176	187
Total orderbook (Rs bn)	215	220	221	240	226	233	231	232	242
Break-up of EV programs (serial production and orderbook) by region									
North America	12	14	15	17	18	18			
Europe	7	7	7	7	7	7			
Asia	4	4	4	4	4	5			
India	19	21	22	25	25	25			
Total EV programs	42	46	48	53	54	55			
Break-up of EV programs by products									
Driveline business	30	32	33	36	37	37			
Motor business	12	14	15	17	17	17			
Sensor and Software business	—	—	—	—	—	1			
Total EV programs	42	46	48	53	54	55			

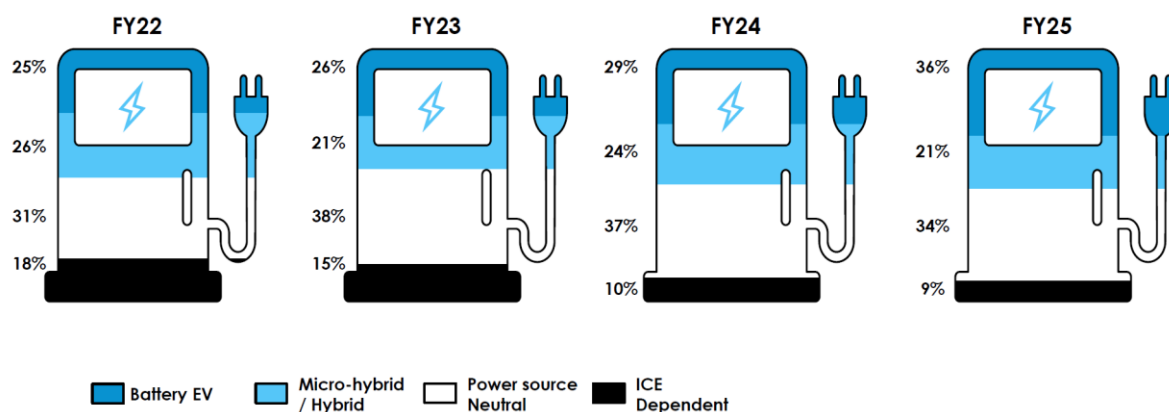
Notes:

(a) Net order book means the aggregate revenue from awarded programs which are either yet to start production or are yet to fully ramp up, in the next 10 years, after adjusting for the negative impact of all programs that are expected to reach end of life or be phased out. The company has also applied a discount to accommodate any unforeseen delays or changes in program launches that may happen in the future.

Source: Company, Kotak Institutional Equities

Battery EV mix improved to 36% in FY2025 versus 29% in FY2024

Exhibit 4: Revenue split by power train, March fiscal year-ends, 2022-25 (%)



Source: Company, Kotak Institutional Equities

Traction motor mix improved to 8% in FY2025 from 5% in FY2024

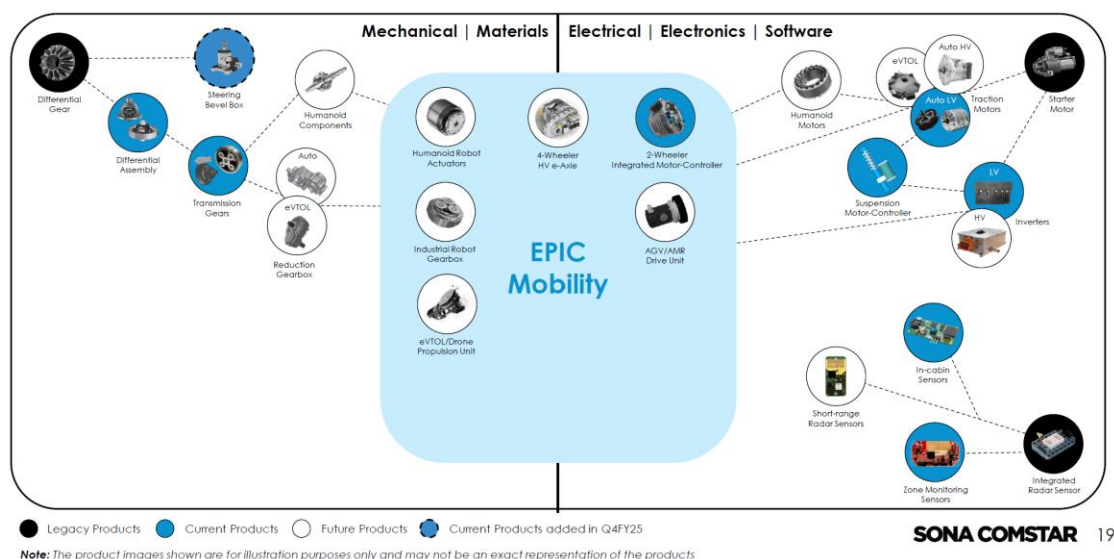
Exhibit 5: Revenue split by products, geography and vehicle type, March fiscal year-ends, 2018-25 (%)

	2018	2019	2020	2021	2022	2023	2024	2025
Revenue mix by products (%)								
Differential Assembly	4.3	4.5	5.6	17.6	27.0	23.0	24.0	27.0
Differential Gears	42.5	41.5	34.8	27.8	25.0	32.0	32.0	29.0
Micro Hybrid Starter Motors	10.3	17.0	29.5	26.7	26.0	21.0	24.0	21.0
Conventional Starter Motors	39.5	33.8	25.9	23.8	17.0	15.0	10.0	9.0
Traction Motors	—	—	—	—	1.5	4.0	5.0	8.0
Semiconductors & Embedded SW	—	—	—	—	—	—	1.0	2.0
Other Gears	2.4	2.3	3.3	2.8	2.5	4.0	3.0	3.0
Others	1.0	0.9	1.0	1.3	1.0	1.0	1.0	1.0
Net revenues from sales of goods	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Revenue mix by geography (%)								
North America	48.5	42.4	40.1	36.1	33.0	43.0	40.0	41.0
Europe	15.9	18.2	23.4	26.5	26.0	20.0	26.0	24.0
India	30.6	31.5	27.4	25.0	22.0	29.0	28.0	28.7
Asia excluding India	0.7	1.9	2.2	11.0	18.0	7.0	5.0	6.0
Others	4.4	5.9	6.9	1.4	1.0	1.0	1.0	0.3
Net revenues from sales of goods	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Revenue mix by vehicle segments (%)								
Passenger vehicle (PV)	62.6	62.0	65.2	68.4	68.0	69.0	70.0	71.0
Commercial vehicle (CV)	16.7	16.4	16.5	17.1	16.0	15.0	14.0	11.0
Off-highway vehicle (OHV)	20.6	21.5	18.1	14.4	15.0	12.0	10.0	7.9
2W/3W	0.1	0.2	0.2	0.1	1.0	4.0	5.0	8.8
Semiconductors & Embedded SW	—	—	—	—	—	—	1.0	1.3
Net revenues from sales of goods	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, Kotak Institutional Equities

The company added steering bevel box to their product portfolio during the quarter

Exhibit 6: Sona Comstar technology road map



Source: Company, Kotak Institutional Equities

The company is preparing to enter Humanoid Robot market in the coming years

Exhibit 7: Humanoid Robot key components



Components	Qty	% of BOM Cost
Frameless Torque & Coreless Motors	40-42	20-29%
Planetary Roller Screws	10-26	20-23%
Reducers & Gears	28-30	9-13%
Torque & Force Sensors	32-40	11-37%
Depth Camera & LiDAR Sensors		3-4%
Others		5-25%

53-60%
of the total BOM
Cost of \$35-50k of
Humanoid Robots,
we can target with our
Driveline and Motor
capabilities

Source: Company, Kotak Institutional Equities

We have fine-tuned our FY2026-27E consolidated EPS

Exhibit 8: Sona Comstar change in estimates, March fiscal year-end, 2026-27E (Rs mn, %)

	New estimates		Old estimates		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Net sales	40,548	46,289	40,591	46,648	(0.1)	(0.8)
EBITDA	10,725	12,514	10,816	12,591	(0.8)	(0.6)
EBITDA margin (%)	26.4	27.0	26.6	27.0		
Net profit	7,283	8,509	7,308	8,539	(0.3)	(0.3)
EPS (Rs)	11.8	13.8	11.8	13.8	(0.3)	(0.3)

Source: Company, Kotak Institutional Equities estimates

We value the business at Rs450 per share

Exhibit 9: Sona Comstar valuation, March fiscal year-end, 2026-27E

	Value per share (Rs)	Comments
Core business	410	DCF methodology
Railway business	40	15X FY2026E EPS
KIE fair value	450	

Source: Company, Kotak Institutional Equities estimates

We value the company at Rs410 per share

Exhibit 10: Sona Comstar DCF, March fiscal year-end, 2020-50E (Rs mn, %)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2050E	CAGR (%) FY2025-50E
BEV differential assembly industry assumptions											
Global PV volumes (mn units)	74.9	63.8	66.7	67.2	75.3	78.3	79.9	81.5	83.1	128.5	2.0
BEV PV volumes (mn units)	2.3	3.2	4.6	7.3	9.5	10.9	12.6	15.1	17.3	128.5	10.4
Non BEV PV volumes (mn units)	72.6	60.6	62.1	59.9	65.8	67.4	67.3	66.4	65.8	—	—
Differential assembly content in EV vehicle (USD)	80	80	100	100	110	115	127	139	153	238	3.0
Market size for differential assembly (USD mn)	184	256	460	730	1,045	1,256	1,589	2,098	2,654	30,594	13.6
Sona Comstar BEV differential assembly segment revenues (USD mn)	3	28	74	74	90	113	127	150	158	1,836	11.8
Sona Comstar market share in BEV differential assembly segment (%)	1.7	10.9	16.1	10.1	8.6	9.0	8.0	7.1	7.0	6.0	—
Domestic EV 2W/3W traction motor industry assumptions											
Domestic 2W/3W volumes (mn units)	17.4	15.5	14.7	15.8	18.4	19.8	20.8	22.0	23.4	30.0	1.7
Domestic EV 2W/3W volumes (mn units)	—	0.4	0.4	0.9	1.3	1.6	1.9	2.6	3.6	30.0	12.4
Domestic ICE 2W/3W volumes (mn units)	17.4	15.1	14.3	14.9	17.1	18.1	18.9	19.4	19.8	—	—
Traction motor content in 2W/3W EV vehicle (Rs)	15,000	15,000	15,000	15,000	15,000	15,000	15,300	15,606	15,918	24,609	2.0
Market size for 2W/3W EV traction motor (Rs bn)	—	6	5	13	19	24	29	41	57	739	14.6
Sona Comstar traction motor segment revenues (Rs mn)	—	—	203	1,027	1,541	2,741	3,800	5,500	7,500	110,835	15.9
Sona Comstar market share in domestic EV 2W traction motor segment (%)	—	—	4	7.7	8.2	11.3	13.1	13.4	13.2	15.0	—
Sona Comstar											
Differential gear segment revenues	2,928	4,759	5,693	9,244	10,787	10,965	11,842	12,662	13,539	91,736	8.9
Domestic 2W/3W EV traction motor revenues	—	—	203	1,027	1,541	2,741	3,800	5,500	7,500	110,835	15.9
BEV Differential assembly segment revenues	234	2,057	5,490	5,906	7,397	9,251	10,766	13,015	13,988	251,811	14.1
Active suspension system revenues	—	—	—	—	—	142	1,250	2,000	2,000	16,281	20.9
International non-EV revenues (starter motor business)	8,642	8,074	8,743	9,244	10,468	10,289	10,340	9,061	8,761	—	—
Software & sensors (Novelic)	—	—	—	—	319	533	746	1,045	1,463	12,451	13.4
Other segments (Equipmake)	—	—	—	—	—	—	—	1,000	1,050	13,979	—
Other operating revenues	397	774	1,177	1,128	1,339	1,623	1,804	2,006	2,231	16,875	10.2
Total revenues	12,201	15,663	21,306	26,550	31,850	35,545	40,548	46,289	50,532	513,967	11.3
EBIT											
EBIT (1-tax)	2,410	2,592	3,465	3,834	5,286	5,222	5,451	6,449	7,038	71,313	—
EBIT margin (%)	20.3	22.0	19.6	18.7	21.4	20.3	19.3	19.9	19.9	18.5	—
Depreciation	782	969	1,420	1,780	2,202	2,544	2,909	3,299	3,715	13,337	7.2
Change in working capital	504	(2,302)	185	(1,024)	1,488	(4,475)	(1,790)	(2,094)	(1,969)	(2,567)	—
Capex	(2,241)	(2,189)	(3,472)	(3,352)	(3,195)	(4,171)	(3,500)	(4,000)	(4,000)	(12,849)	—
Free cash flow	1,455	(930)	1,598	1,237	5,781	(880)	3,070	3,654	4,784	69,234	10.0
Discounted cash flow									4,394	5,255	—
WACC	12.0										
Terminal growth rate (%)	5.0										
Sum of cash flows	167,507										
Terminal value	78,832										
NPV of cash flows	246,339										
Net cash - As of March 2026 (Rs mn)	7,157										
KIE Fair value	410										

Source: Company, Kotak Institutional Equities estimates

We expect differential assemblies segment revenue to see 15% CAGR over FY2025-28E

Exhibit 11: Sona Comstar revenue forecast by segments, March fiscal year-end, 2019-28E (Rs mn, %)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	CAGR (%)	
											FY2018-25	FY2025-28E
Revenue by powertrain (Rs mn)												
Conventional Starter Motors	4,736	3,167	3,732	3,457	3,852	3,072	3,094	2,784	2,506	2,255	(6.1)	(10.0)
Hybrid Starter Motors	2,325	3,480	3,975	5,287	5,393	7,397	7,196	7,555	7,555	7,555	28.7	1.6
Domestic 2W/3W EV Motors	—	—	—	203	1,027	1,541	2,741	3,800	5,500	7,500	NA	39.9
Active suspension systems	—	—	—	—	—	—	142	1,250	2,000	2,000	NA	141.4
Differential Gears (includes other gears)	6,415	4,924	5,125	5,693	9,244	10,787	10,965	11,842	12,662	13,539	11.1	7.3
Differential Assemblies	174	234	2,057	5,490	5,906	7,397	9,251	10,766	13,015	13,988	84.5	14.8
Sensor and Software (Novelic)	—	—	—	—	—	319	533	746	1,045	1,463	NA	40.0
Others	—	—	—	203	257	308	343	370	400	432	NA	8.0
Net revenue from sales of goods	13,650	11,804	14,889	20,130	25,679	30,819	34,265	39,114	44,683	48,732	16.3	12.5
Other operating revenues	627	397	774	974	871	1,031	1,281	1,434	1,606	1,799	21.7	12.0
Total revenues	14,277	12,201	15,663	21,103	26,550	31,850	35,545	40,548	46,289	50,532	16.4	12.4
Revenue mix by powertrain (%)												
Conventional Starter Motors	33.2	26.0	23.8	16.4	14.5	9.6	8.7	6.9	5.4	4.5		
Hybrid Starter Motors	16.3	28.5	25.4	25.1	20.3	23.2	20.2	18.6	16.3	15.0		
Domestic 2W/3W EV Motors	—	—	—	1.0	3.9	4.8	7.7	9.4	11.9	14.8		
Active suspension systems	—	—	—	—	—	—	0.4	3.1	4.3	4.0		
Differential Gears (includes other gears)	44.9	40.4	32.7	27.0	34.8	33.9	30.8	29.2	27.4	26.8		
Differential Assemblies	1.2	1.9	13.1	26.0	22.2	23.2	26.0	26.6	28.1	27.7		
Sensor and Software (Novelic)	—	—	—	—	—	1.0	1.5	1.8	2.3	2.9		
Others	—	—	—	1.0	1.0	1.0	1.0	0.9	0.9	0.9		
Net revenue from sales of goods	95.6	96.7	95.1	95.4	96.7	96.8	96.4	96.5	96.5	96.4		
Other operating revenues	4.4	3.3	4.9	4.6	3.3	3.2	3.6	3.5	3.5	3.6		
Total revenue mix	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

Source: Company, Kotak Institutional Equities estimates

We expect EPS to record 15% CAGR over FY2025-28E

Exhibit 12: Financial summary of Sona Comstar, March fiscal year-ends, 2019-28E (Rs mn, %)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)										
Net sales	14,277	12,201	15,663	21,306	26,550	31,850	35,545	40,548	46,289	50,532
EBITDA	4,122	3,254	4,410	5,591	6,752	9,023	9,753	10,725	12,514	13,637
Other income	58	76	23	200	116	239	1,269	1,995	2,280	2,617
Depreciation	(722)	(782)	(969)	(1,420)	(1,780)	(2,202)	(2,544)	(2,909)	(3,299)	(3,715)
Interest	(198)	(269)	(325)	(183)	(169)	(258)	(302)	(157)	(205)	(205)
Profit before tax	3,260	2,279	3,139	4,189	4,919	6,803	8,176	9,653	11,290	12,333
Exceptional item	—	—	(139)	133	(34)	(87)	(193)	—	—	—
Income tax	(1,131)	(62)	(848)	(706)	(1,138)	(1,535)	(1,986)	(2,365)	(2,766)	(3,022)
Minority interest	—	—	—	—	—	5	(15)	5	15	15
Reported PAT	2,129	2,217	2,152	3,615	3,747	5,175	6,012	7,283	8,509	9,297
Adjusted PAT	2,129	2,217	2,256	3,516	3,772	5,240	6,157	7,283	8,509	9,297
Adjusted EPS	3.7	3.9	3.9	6.0	6.5	9.0	10.0	11.8	13.8	15.0
Balance sheet (Rs mn)										
Equity	12,599	11,779	13,759	20,003	22,902	28,001	56,447	62,279	69,101	76,553
Total borrowings	1,353	2,614	3,647	704	2,175	2,331	135	1,500	1,500	1,500
Deferred tax liability	1,523	1,077	941	884	876	1,261	1,252	1,252	1,252	1,252
Other long-term liabilities	1	1	1	2	2	509	2	2	2	2
Trade payables	1,393	1,162	2,241	2,190	2,489	2,981	3,238	3,694	4,217	4,604
Provisions	128	118	159	206	225	330	414	414	414	414
Other current liabilities	1,408	1,755	1,230	1,970	1,930	3,237	3,883	3,883	3,883	3,883
Total liabilities	18,406	18,507	21,979	25,958	30,598	38,649	65,371	73,023	80,369	88,208
Net fixed assets	8,589	9,790	11,240	13,557	15,029	19,624	21,949	22,540	23,241	23,525
Goodwill	1,758	1,758	1,758	1,758	1,758	3,518	3,518	3,518	3,518	3,518
Non-current investments	328	19	—	—	45	100	457	1,145	1,834	2,522
Other long-term assets	508	622	771	890	764	1,335	1,326	1,484	1,672	1,899
Inventories	1,838	1,962	3,056	3,634	3,229	3,475	3,487	3,978	4,541	4,957
Trade receivables	2,733	2,336	4,170	4,452	6,089	6,483	7,052	8,045	9,183	10,025
Cash	615	1,673	276	773	698	2,742	13,016	16,472	19,006	22,549
Other current assets	2,036	347	708	894	2,986	1,373	14,566	15,842	17,374	19,211
Total assets	18,406	18,507	21,979	25,958	30,598	38,649	65,371	73,023	80,369	88,208
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	2,937	3,089	3,498	5,336	5,963	7,572	8,308	8,360	9,748	10,615
Working capital changes	(247)	4	(2,070)	(890)	(630)	(644)	(556)	(2,461)	(2,899)	(2,936)
Net financial income	(168)	(238)	(296)	7	(49)	(43)	548	1,837	2,075	2,412
Cash flow from operations	2,522	2,855	1,131	4,453	5,284	6,885	8,299	7,736	8,924	10,091
Capital expenditure	(1,164)	(2,241)	(2,189)	(3,472)	(3,352)	(3,195)	(4,171)	(3,500)	(4,000)	(4,000)
Free cash flow	1,358	614	(1,058)	981	1,932	3,690	3,535	3,547	4,235	5,403
Ratios										
Gross margin	59.5	57.9	58.8	55.6	54.1	56.9	56.5	55.7	56.4	57.9
EBITDA margin (%) - including ESOP costs	28.9	26.7	28.2	26.2	25.4	28.3	27.4	26.4	27.0	27.0
EBITDA margin (%) - excluding ESOP costs	28.9	26.7	28.2	26.2	25.5	28.8	28.3	27.0	27.4	27.3
PAT margin (%)	14.9	18.2	14.4	16.5	14.2	16.5	17.3	18.0	18.4	18.4
Net debt/equity (X)	0.0	0.1	0.2	(0.0)	(0.0)	(0.0)	(0.4)	(0.4)	(0.4)	(0.4)
RoAE (%)	18.1	18.2	17.7	20.8	17.6	20.6	14.6	12.3	13.0	12.8
RoACE (%)	18.9	13.3	17.1	16.7	16.6	19.4	15.0	12.7	13.8	13.7
Adjusted RoACE (%) - excl. Goodwill and Customer Relationship	24.4	17.3	25.1	27.8	27.2	30.8	24.6	21.1	21.6	20.7

Source: Company, Kotak Institutional Equities estimates

Exide Industries (EXID)

Automobiles & Components

SELL

CMP(₹): 352

Fair Value(₹): 290

Sector View: **Cautious**

NIFTY-50: 24,334

April 30, 2025

Another weak quarter

Exide Industries reported 4QFY25 EBITDA of Rs4.7 bn (-10% yoy), 8% below our estimates due to a weak revenue print and RM headwinds. Underperformance in the lead acid business remains an area of concern. While the company is well-positioned to benefit from growing demand for LiB, we expect the profitability and return ratios to be under pressure due to (1) higher capex requirements, (2) B2B nature of the business, (3) commoditized nature and (4) dependency on partners for technical know-how (technology risk). Retain SELL with a revised FV of Rs290 (Rs300 earlier).

4QFY25 EBITDA 8% below our estimates

Exide Industries reported 4QFY25 standalone EBITDA of Rs4.7 bn (-10% yoy, +4% qoq), 8% below our estimates owing to a weaker-than-expected revenue print and RM headwinds. Standalone revenues were up by 3.7% yoy (KIE: +5% yoy), led by (1) double-digit yoy revenue growth in 2W and 4W automotive replacement segments and (2) strong demand in solar and industrial UPS segments, partly offset by (1) muted demand trends in the OEM segment and (2) decline in home UPS owing to a higher base. EBITDA margin came in at 11.2% (-170 bps yoy, -50 bps qoq), 80 bps below our estimates due to high RM prices (antimony). Net profit came in at Rs2.5 bn (-10% yoy) in 4QFY25, 14% below our estimates, partly due to a miss at the EBITDA level besides lower-than-expected other income.

Building 11 GWhr of LiB sales for Exide Industries by FY2029E

We are building in sales of 6 GWhr in 2027E and 11 GWhr in 2029E for the LiB segment for Exide Industries, which bakes in 100% utilization of the announced capacity by the company. We value the LiB business at Rs116 per share at 12X EV/EBIT multiple, which bakes in (1) 11 GWhr of sales in FY2029E and (2) 9% EBIT margin, implying post-tax RoCE of 11%, in line with global battery players. We believe it will be difficult for Exide Industries to achieve such high RoCEs on a sustainable basis at a substantially lower scale than global peers.

Cut our FY2026-27 EPS estimates by 5-9%; maintain SELL rating

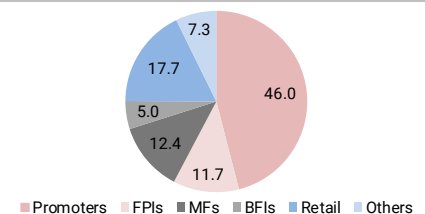
We have cut our FY2026-27 standalone EPS estimates by 5-9% on lower revenue assumptions, driven by the industrial segment and lower gross margin assumptions. The company's top-line growth remains muted, which is an area of concern. However, we expect the company to deliver steady performance in the medium term, led by growth in replacement and select industrial segments. In addition, we believe the company's lithium battery business will scale up over the coming years; however, we expect profitability and return ratios of the LiB business to remain under pressure due to (1) higher capex requirements and (2) the commoditized and B2B nature of the business. Maintain SELL rating with a revised FV of Rs290 (Rs300 earlier). We value the company's lead-acid battery business at Rs170/share, based on NPV of future cash flows, and the LiB business at Rs120/share at 12X EV/EBIT multiple. We are not factoring in the HDFC Life stake, assuming investment proceeds will fund the LiB business capex.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	352/290/SELL
52-week range (Rs) (high-low)	620-328
Mcap (bn) (Rs/US\$)	299/3.5
ADTV-3M (mn) (Rs/US\$)	1,044/12.3

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(2)	(6)	(26)
Rel. to Nifty	(6)	(10)	(33)
Rel. to MSCI India	(6)	(9)	(31)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	12.7	14.1	16.0
EPS growth (%)	2.3	11.0	14.1
P/E (X)	27.8	25.0	21.9
P/B (X)	2.1	1.9	1.8
EV/EBITDA (X)	15.7	14.5	12.9
RoE (%)	7.8	8.0	8.5
Div. yield (%)	0.6	0.7	0.7
Sales (Rs bn)	166	176	187
EBITDA (Rs bn)	19	21	23
Net profits (Rs bn)	11	12	14

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Other key updates during the quarter

- ▶ The company invested Rs10 bn as equity in FY2025 in EESL and another Rs3 bn investment as equity in EESL during April. With this, the total infused capital amounts to ~Rs36 bn till April 2025, which includes investments made in the erstwhile merged subsidiary EEPL.
- ▶ The construction works of the company's greenfield giga factory project to set up a capacity of 12 GWh in India in two phases are going on in full swing and it is likely to complete the first phase of the project (6 GWh) soon. The company is identifying and onboarding domestic and international suppliers and making continuous efforts to onboard large customers across mobility, industrial and stationary applications.
- ▶ The company announced a final dividend of Rs2 per share during FY2025.
- ▶ **FY2025 round-up:** The company had a weak FY2025 with revenue growth of 3.5% yoy and EBITDA growth of 1.2% yoy. Muted demand was driven by weak OEM demand trends and slowdown in select industrial segments. EBITDA margin declined by 30 bps to 11.4%, driven by RM headwinds. The company generated negative FCF of Rs137 mn in FY2025 mainly due to higher investments in EESL and adverse working capital. Subsidiary performance (battery pack business) remained muted with 12% yoy decline in revenues and EBITDA loss of Rs951 mn (loss of Rs531 mn in FY2024) in FY2025.

4QFY25 EBITDA was 7.7% below our estimates owing to weaker-than-expected revenue print and gross margin

Exhibit 1: Interim results, March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	change (%)			FY2025	FY2024	Yoy (%)	FY2026E	FY2025	Yoy (%)
					4QFY25E	4QFY24	3QFY25						
Net sales	41,594	42,110	40,094	38,486	(1.2)	3.7	8.1	165,881	160,292	3.5	175,824	165,881	6.0
Raw materials	(28,604)	(28,513)	(26,860)	(26,178)	0.3	6.5	9.3	(113,891)	(110,684)	2.9	(121,063)	(113,891)	6.3
Staff costs	(2,614)	(2,767)	(2,426)	(2,619)	(5.5)	7.7	(0.2)	(10,558)	(9,827)	7.4	(11,191)	(10,558)	6.0
Other expenses	(5,709)	(5,775)	(5,646)	(5,204)	(1.1)	1.1	9.7	(22,501)	(21,068)	6.8	(22,902)	(22,501)	1.8
Total expenses	(36,927)	(37,055)	(34,933)	(34,001)	(0.3)	5.7	8.6	(146,950)	(141,578)	3.8	(155,157)	(146,950)	5.6
EBITDA	4,667	5,055	5,161	4,486	(7.7)	(9.6)	4.0	18,931	18,714	1.2	20,667	18,931	9.2
Depreciation	(1,268)	(1,311)	(1,248)	(1,244)	(3.3)	1.6	1.9	(5,039)	(4,975)		(5,416)	(5,039)	
EBIT	3,399	3,744	3,913	3,241	(9.2)	(13.1)	4.9	13,892	13,739	1.1	15,251	13,892	9.8
Other income	161	352	34	132	(54.3)	367.9	22.1	962	845		1,181	962	
Interest expense	(130)	(141)	(128)	(120)				(439)	(486)		(439)	(439)	
Exceptional expenses	—	—	—	—				—	—		—	—	
Profit before tax	3,430	3,955	3,819	3,253	(13.3)	(10.2)	5.4	14,415	14,099	2.2	15,993	14,415	11.0
Tax expense	(884)	(1,004)	(982)	(803)				(3,646)	(3,569)		(4,045)	(3,646)	
Profit after tax	2,546	2,950	2,837	2,450	(13.7)	(10.3)	3.9	10,769	10,530	2.3	11,949	10,769	11.0
Adjusted net profit	2,546	2,950	2,837	2,450	(13.7)	(10.3)	3.9	10,769	10,530	2.3	11,949	10,769	11.0
No. of shares	850	850	850	850				850	850		850	850	
EPS (Rs/share)	3.0	3.5	3.3	2.9				12.7	12.4	2.3	14.1	12.7	11.0
Tax rate (%)	25.8	25.4	25.7	24.7				25.3	25.3		25.3	25.3	
As % of net revenues													
Raw material	68.8	67.7	67.0	68.0				68.7	69.1		68.9	68.7	
Gross margin	31.2	32.3	33.0	32.0				31.3	30.9		31.1	31.3	
Staff costs	6.3	6.6	6.1	6.8				6.4	6.1		6.4	6.4	
Other expenses	13.7	13.7	14.1	13.5				13.6	13.1		13.0	13.6	
EBITDA margin	11.2	12.0	12.9	11.7				11.4	11.7		11.8	11.4	
EBIT margin	8.2	8.9	9.8	8.4				8.4	8.6		8.7	8.4	

Source: Company, Kotak Institutional Equities estimates

Gross margin declined by 80 bps qoq in 4QFY25 owing to RM headwinds

Exhibit 2: Comparison of revenue growth and margin performance of AMRJ and EXID, March fiscal year-ends, 4QFY22-4QFY25 (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Amara Raja Energy & Mobility													
Revenue growth (%)	3.7	38.9	19.2	11.5	11.6	5.7	4.1	9.3	14.9	13.0	11.6	9.8	NA
Gross margin (%)	27.9	26.6	30.5	33.4	34.8	28.9	33.4	34.0	34.5	31.1	32.4	33.1	NA
Employee cost to sales (%)	5.5	5.1	5.6	6.1	6.7	5.8	6.3	6.3	5.8	5.9	6.1	6.0	NA
Other cost to sales (%)	12.3	11.5	11.6	12.2	13.6	10.3	12.5	12.6	14.1	11.5	12.2	13.9	NA
EBITDA margin (%)	10.1	10.0	13.3	15.0	14.5	12.8	14.6	15.1	14.6	13.7	14.1	13.1	NA
Exide Industries													
Revenue growth (%)	16.0	56.8	13.0	6.5	3.9	4.4	10.4	12.8	13.2	5.9	3.9	0.2	3.7
Gross margin (%)	28.0	27.9	30.5	32.2	29.8	28.3	31.1	31.5	33.0	30.7	31.5	32.0	31.2
Employee cost to sales (%)	5.6	5.5	5.9	6.2	6.2	5.8	6.2	6.4	6.1	6.1	6.3	6.8	6.3
Other cost to sales (%)	12.2	12.5	13.5	14.2	13.3	11.8	13.1	13.6	14.1	13.1	13.9	13.5	13.7
EBITDA margin (%)	10.2	9.9	11.1	11.8	10.4	10.6	11.8	11.5	12.9	11.5	11.3	11.7	11.2

Source: Company, Kotak Institutional Equities estimates

LME lead prices have increased by 1% qoq in 4QFY25
Exhibit 3: Quarterly LME Lead prices, March fiscal-year ends, 1QFY18-4QFY25 (US\$/ton, %)

	LME Lead (US\$/ton)	USD:INR rate	LME Lead (Rs/ton)	Qoq increase (%)
1QFY18	2,243	65.3	146,468	(3.9)
2QFY18	2,200	64.4	141,680	(3.3)
3QFY18	2,428	64.7	157,092	10.9
4QFY18	2,539	64.1	162,750	3.6
1QFY19	2,388	65.6	156,653	(3.7)
2QFY19	2,232	69.0	154,008	(1.7)
3QFY19	1,999	72.4	144,728	(6.0)
4QFY19	2,049	70.5	144,352	(0.3)
1QFY20	1,882	69.5	130,874	(9.3)
2QFY20	2,033	70.4	143,141	9.4
3QFY20	2,038	71.2	145,167	1.4
4QFY20	1,834	72.4	132,782	(8.5)
1QFY21	1,676	75.8	127,041	(4.3)
2QFY21	1,874	74.4	139,375	9.7
3QFY21	1,917	73.8	141,472	1.5
4QFY21	2,007	72.9	146,310	3.4
1QFY22	2,141	73.8	158,006	8.0
2QFY22	2,284	74.1	169,213	7.1
3QFY22	2,297	75.0	172,275	1.8
4QFY22	2,318	75.2	174,402	1.2
1QFY23	2,197	77.0	169,090	(3.0)
2QFY23	1,975	79.8	157,605	(6.8)
3QFY23	2,093	82.1	171,835	9.0
4QFY23	2,131	82.2	175,168	1.9
1QFY24	2,099	82.2	172,538	(1.5)
2QFY24	2,158	82.7	178,402	3.4
3QFY24	2,120	83.2	176,384	(1.1)
4QFY24	2,087	83.0	173,304	(1.7)
1QFY25	2,212	83.4	184,481	6.4
2QFY25	2,077	83.8	174,053	(5.7)
3QFY25	2,040	84.3	171,972	(1.2)
4QFY25	1,997	86.6	172,940	0.6

Source: Company, Kotak Institutional Equities estimates

We have cut our FY2026-27 EPS estimates by 5-9% on account of lower revenue growth and EBITDA margin assumptions

Exhibit 4: Earnings revision table, March fiscal year-ends, 2026-27E (Rs mn, %)

	New estimates		Old estimates		% change	
	2026E	2027E	2026E	2027E	2026E	2027E
Net sales	175,824	187,186	176,734	188,151	(0.5)	(0.5)
EBITDA	20,667	23,074	22,000	23,740	(6.1)	(2.8)
Margin (%)	11.8	12.3	12.4	12.6		
Net Profit	11,949	13,635	13,083	14,271	(8.7)	(4.5)
Standalone EPS	14.1	16.0	15.4	16.8	(8.7)	(4.5)

Source: Company, Kotak Institutional Equities estimates

We value the company's lead acid business at Rs170/share based on NPV of future cash flows

Exhibit 5: Exide industries' lead acid business valuation, March fiscal year-ends, 2023-60E (Rs mn, %)

	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2050E	2060E
Automotive segment - Lead Acid	79,308	84,899	89,849	95,039	100,742	106,786	113,329	119,713	120,835	116,101	112,589	109,570	108,540	12,221	—
Industrial segment - Lead Acid	66,612	75,393	76,032	80,785	86,444	92,512	98,063	103,947	109,144	113,510	118,050	120,411	122,820	29,658	10,341
Net sales	145,919	160,292	165,881	175,824	187,186	199,299	211,392	223,660	229,979	229,610	230,639	229,981	231,360	41,879	10,341
Yoy growth (%)	17.6	9.8	3.5	6.0	6.5	6.5	6.1	5.8	2.8	(0.2)	0.4	(0.3)	0.6	(11.9)	(12.0)
EBIT	11,122	13,739	13,892	15,251	17,286	18,660	19,792	22,366	22,998	22,961	23,064	22,998	23,136	4,188	982
EBIT (1-tax)	8,342	10,304	10,419	11,438	12,965	13,995	14,844	16,775	17,248	17,221	17,298	17,249	17,352	3,141	737
Lead acid EBIT margin	—	8.6	8.4	8.7	9.2	9.4	9.4	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.5
Depreciation	(4,558)	(4,975)	(5,039)	(5,416)	(5,787)	(6,117)	(6,459)	(6,820)	(5,204)	(5,480)	(5,756)	(6,032)	(6,309)	(838)	(207)
Capex	(3,493)	(4,844)	(4,413)	(5,000)	(4,000)	(4,000)	(4,228)	(4,473)	(4,600)	(4,592)	(4,613)	(4,600)	(4,627)	(838)	(207)
Working capital	15,931	21,810	16,051	18,094	18,596	19,218	21,139	22,366	22,998	22,961	23,064	22,998	23,136	4,188	1,034
Change in working capital	(3,205)	(5,879)	5,759	(2,043)	(502)	(622)	(1,921)	(1,227)	(632)	37	(103)	66	(138)	564	141
FCF	6,202	4,557	16,804	9,811	14,250	15,490	15,154	17,894	17,221	18,145	18,338	18,747	18,896	3,705	878
Equity value calculations															
WACC	12.0														
Sum of cash flows	114,536														
Net cash	30,135														
Equity value	144,671														
Share count	850														
Equity value per share	170														

Source: Company, Kotak Institutional Equities estimates

We value the company's LiB business at Rs120/share

Exhibit 6: Exide industries' lithium-ion battery business valuation and implied margins, March fiscal year-ends, 2025-29E (Rs mn, %)

	KIE estimates	
	2029E	Comments
Demand (GWhr)	11	
Realization (USD per kWhr)	115	Includes battery pack
USD:INR	93	
Net sales (Rs mn)	118,241	
EBIT margin (%)	9.0	
EBIT (Rs mn)	10,642	
Capex per GWhr (Rs mn)	5,000	
Overall capex (Rs mn)	55,000	
Working capital days (days)	60	
Working capital (Rs mn)	19,437	
Capital employed	74,437	
Post tax RoCE (%)	10.7	In-line with global battery busines players
EV/EBIT multiple	12.0	
Enterprise value (Rs mn)	127,701	
Net debt (Rs mn)	—	
Equity value (Rs mn)	127,701	As on FY2029E
Equity value as of FY2026E (Rs mn)	101,802	Discounted it back to FY2027E
Equity value per share	120	

Source: Company, Kotak Institutional Equities estimates

SoTP valuation of the company is Rs290/share

Exhibit 7: SoTP valuation of Exide Industries, March fiscal year-ends, 2027-28E (Rs mn, %)

	Value per share (Rs)	Comments
Lead-acid battery business	170	Based on NPV methodology
Lithium ion battery business	120	Based on 12X 2029E EV/EBIT and discounted back to 2027E
Fair value	290	

Source: Company, Kotak Institutional Equities estimates

We expect 6-7% CAGR in automotive volumes over FY2025-28E

Exhibit 8: Automotive sales volume breakdown of Exide Industries by segments, March fiscal year-ends, 2019-28E (mn units, %)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Four-wheeler volumes (mn units)										
OEM	4.8	4.1	3.8	4.2	5.3	5.6	5.7	6.0	6.3	6.7
Yoy change (%)	8.0	(15.0)	(8.0)	13.0	25.0	6.0	2.0	4.0	6.0	6.0
Replacement	7.4	7.8	8.6	9.2	9.8	10.3	10.8	11.5	12.1	12.9
Yoy change (%)	10.0	5.0	10.0	8.0	6.0	5.0	5.0	6.0	6.0	6.0
Total four-wheeler volumes	12.2	11.9	12.3	13.5	15.1	15.9	16.5	17.4	18.5	19.6
Yoy change (%)	9.2	(2.9)	3.8	9.5	12.0	5.4	3.9	5.3	6.0	6.0
Replacement/OEM mix (X)	1.5	1.9	2.3	2.2	1.8	1.8	1.9	1.9	1.9	1.9
Two-wheeler volumes (mn units)										
OEM	16.2	12.6	11.6	10.3	11.9	13.1	14.1	15.1	16.0	17.0
Yoy change (%)	5.0	(22.0)	(8.0)	(11.0)	15.0	10.0	8.0	7.0	6.0	6.0
Replacement	11.2	12.1	13.0	14.3	15.2	16.1	16.7	17.7	18.8	19.9
Yoy change (%)	16.0	8.0	8.0	10.0	6.0	6.0	4.0	6.0	6.0	6.0
Total two-wheeler volumes	27.3	24.7	24.6	24.7	27.1	29.2	30.8	32.8	34.8	36.9
Yoy change (%)	9.2	(9.7)	(0.2)	0.1	9.8	7.8	5.8	6.5	6.0	6.0
Replacement/OEM mix (X)	0.7	1.0	1.1	1.4	1.3	1.2	1.2	1.2	1.2	1.2
Automotive volumes (mn units)										
Total OEM volumes	21.0	16.7	15.4	14.6	17.2	18.7	19.9	21.1	22.3	23.7
Total replacement volumes	18.6	19.8	21.6	23.6	25.0	26.4	27.5	29.2	30.9	32.8
Total auto volumes	39.6	36.5	36.9	38.1	42.2	45.1	47.4	50.3	53.3	56.5
Yoy change (%)	9.2	(7.6)	1.1	3.2	10.6	6.9	5.1	6.1	6.0	6.0

Source: Company, Kotak Institutional Equities estimates

We expect overall revenues to grow by 6% CAGR over FY2025-28E

Exhibit 9: Revenue breakdown of Exide standalone business by segments, March fiscal year-ends, 2019-28E (Rs mn, %)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue (Rs mn)										
Four-wheeler OEM	9,810	7,922	7,507	9,500	12,588	13,610	14,021	14,582	15,457	16,384
Four-wheeler replacement	29,161	30,619	35,365	42,013	47,206	50,062	53,091	56,276	59,653	63,232
Two-wheeler OEM	7,652	5,670	5,373	5,356	6,529	7,325	7,991	8,550	9,063	9,607
Two-wheeler replacement	7,798	8,422	9,551	11,556	12,984	13,901	14,746	15,631	16,569	17,563
Auto revenue	54,421	52,633	57,795	68,426	79,308	84,899	89,849	95,039	100,742	106,786
Inverter battery	24,367	20,712	20,298	25,981	32,477	37,023	37,764	40,030	42,832	45,830
Inverter	1,339	1,205	1,084	1,410	1,692	1,861	1,935	2,051	2,175	2,305
UPS	12,353	12,353	9,882	13,341	16,009	17,930	17,034	18,056	19,139	20,288
Telecom	4,050	2,835	2,835	3,827	4,593	5,052	4,951	5,248	5,563	5,897
Submarine and others (such as E-rickshaw)	3,000	2,285	2,625	3,166	3,732	4,444	4,811	5,100	5,406	5,730
Exports	6,353	6,544	5,889	7,950	8,109	9,083	9,537	10,300	11,330	12,463
Industrial revenue	51,462	45,934	42,613	55,676	66,612	75,393	76,032	80,785	86,444	92,512
Total revenues	105,883	98,567	100,408	124,101	145,919	160,292	165,881	175,824	187,186	199,299
Revenue breakup (%)										
Four-wheeler OEM	9.3	8.0	7.5	7.7	8.6	8.5	8.5	8.3	8.3	8.2
Four-wheeler replacement	27.5	31.1	35.2	33.9	32.4	31.2	32.0	32.0	31.9	31.7
Two-wheeler OEM	7.2	5.8	5.4	4.3	4.5	4.6	4.8	4.9	4.8	4.8
Two-wheeler replacement	7.4	8.5	9.5	9.3	8.9	8.7	8.9	8.9	8.9	8.8
Auto revenue	51.4	53.4	57.6	55.1	54.4	53.0	54.2	54.1	53.8	53.6
Inverter battery	23.0	21.0	20.2	20.9	22.3	23.1	22.8	22.8	22.9	23.0
Inverter	1.3	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2
UPS	11.7	12.5	9.8	10.8	11.0	11.2	10.3	10.3	10.2	10.2
Telecom	3.8	2.9	2.8	3.1	3.1	3.2	3.0	3.0	3.0	3.0
Submarine and others (such as E-rickshaw)	2.8	2.3	2.6	2.6	2.6	2.8	2.9	2.9	2.9	2.9
Exports	6.0	6.6	5.9	6.4	5.6	5.7	5.7	5.9	6.1	6.3
Industrial revenue	48.6	46.6	42.4	44.9	45.6	47.0	45.8	45.9	46.2	46.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, Kotak Institutional Equities estimates

We expect EPS to grow by 11% CAGR over FY2025-28E

Exhibit 10: Financial summary of Exide Industries standalone business, March fiscal year-ends, 2019-28E (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)										
Net sales	105,883	98,567	100,408	124,101	145,919	160,292	165,881	175,824	187,186	199,299
EBITDA	14,113	13,650	13,556	13,983	15,680	18,714	18,931	20,667	23,074	24,778
Other income	385	639	654	805	1,324	845	962	1,181	1,403	1,627
Interest	(61)	(94)	(238)	(394)	(295)	(486)	(439)	(439)	(439)	(439)
Depreciation	(3,135)	(3,626)	(3,794)	(4,131)	(4,558)	(4,975)	(5,039)	(5,416)	(5,787)	(6,117)
Profit before tax	11,303	10,569	10,179	10,262	12,151	14,099	14,415	15,993	18,250	19,848
Tax expense	(3,945)	(2,097)	(2,596)	(10,356)	(3,115)	(3,569)	(3,646)	(4,045)	(4,615)	(5,020)
Exceptional gain/(loss)	1,083	(217)	—	(46,938)	—	—	—	—	—	—
Reported net profit	8,441	8,255	7,583	46,843	9,036	10,530	10,769	11,949	13,635	14,829
Adjusted net profit	7,682	8,472	7,583	7,651	9,036	10,530	10,769	11,949	13,635	14,829
Adjusted earnings per share (Rs)	9.0	10.0	8.9	9.0	10.6	12.4	12.7	14.1	16.0	17.4
Balance sheet (Rs mn)										
Equity	59,870	62,961	68,935	105,981	112,098	131,372	144,423	154,247	165,757	178,460
Total borrowings	—	—	—	—	—	—	—	2,500	—	—
Deferred Tax Liability	1,751	1,019	771	—	—	—	—	—	—	—
Current liabilities	20,103	18,441	26,582	27,657	28,413	37,291	43,768	44,239	47,172	50,335
Total liabilities	81,724	82,421	96,288	133,638	140,510	168,663	188,191	200,986	212,929	228,796
Net fixed assets	25,522	26,431	28,724	31,200	29,512	30,669	30,135	29,719	27,931	25,814
Investments	21,994	20,708	30,586	60,434	63,414	86,206	99,719	111,719	121,719	131,719
Cash	736	1,546	914	1,614	745	2,227	1,159	1,397	1,572	5,765
Other current assets	33,473	33,736	36,064	40,390	46,840	49,562	57,178	58,152	61,707	65,497
Total assets	81,724	82,421	96,288	133,638	140,510	168,663	188,191	200,986	212,929	228,796
Free cash flow (Rs mn)										
Operating cash flow	10,506	11,291	11,090	3,684	13,021	15,091	15,616	16,622	18,458	19,758
Working capital changes	(468)	(2,155)	3,044	(3,479)	(4,538)	4,874	(2,637)	(502)	(622)	(627)
Net financial income	325	545	417	410	1,029	360	523	742	964	1,188
Cash flow from operations	10,362	9,682	14,551	615	9,512	20,325	13,502	16,863	18,800	20,319
Capital expenditure	(7,852)	(3,657)	(13,169)	2,601	(9,111)	(19,894)	(14,412)	(17,000)	(14,000)	(14,000)
Free cash flow	2,511	6,025	1,382	3,216	402	431	(910)	(137)	4,800	6,319
Ratios										
Gross margin (%)	34.2	36.4	34.5	30.9	30.1	30.9	31.3	31.1	31.2	31.4
EBITDA margin (%)	13.3	13.8	13.5	11.3	10.7	11.7	11.4	11.8	12.3	12.4
PAT margin (%)	7.3	8.6	7.6	6.2	6.2	6.6	6.5	6.8	7.3	7.4
Book Value (Rs/share)	70.4	74.1	81.1	124.7	131.9	154.6	169.9	181.5	195.0	210.0
RoAE (%)	13.5	13.7	11.5	8.7	8.3	8.6	7.8	8.0	8.5	8.6
RoACE (%)	17.0	14.4	12.7	13.9	16.9	16.1	14.2	13.3	13.3	12.9

Source: Company, Kotak Institutional Equities estimates

Bandhan Bank (BANDHAN)

Banks

BUY

CMP(₹): 166

Fair Value(₹): 225

 Sector View: **Attractive**

NIFTY-50: 24,334

May 01, 2025

MFI outlook turning favorable

Bandhan Bank reported ~6X yoy earnings growth (off a low base), as its operating profit decline of ~15% yoy was offset by lower provisions and tax rate. Slippages were at 5% (unchanged qoq), while credit costs were at 4% (improved over 3Q). SMA 0-2 has shown improvement. The reduction in overall stress in early buckets should be considered as a favorable outcome that can help the bank to re-rate from current levels. Maintain BUY with FV unchanged at Rs225.

Weaker, but not worrisome

Bandhan Bank reported 6X yoy earnings growth due to a 30% yoy decline in provisions and a lower tax rate (DTA on ESOP change and prior period reversals). Revenues declined 3% yoy, with NII declining at 4% yoy. Loan growth was at ~10% yoy, while deposits grew 12% yoy. NIM declined 20 bps to 6.7%, partly due to higher slippages. Headline asset quality ratios were stable qoq, with the gross NPL at 4.7% and the net NPL ratio at 1.3%. However, slippages were at ~5% (MFI portfolio slippages were at ~10% annualized) and credit costs were at ~4% (declined ~30 bps qoq). RoA was at 0.7% and RoE was at 5%.

The two sides of the thesis: Short term and medium term

We examine Bandhan Bank's issues from two angles, i.e., MFI recovery and a new medium-term business model. The bank has outperformed peers in its MFI portfolio, with ~6% slippages and ~3% overall credit costs in FY2025, positioning it among the better players in the industry. SMA 0-2 was at 3.3% versus a peak of 3.8% in 3QFY25. This success is attributed to its loan portfolio's unique customer composition, particularly its higher concentration of borrowers from West Bengal, which experienced limited stress. Despite a rise in SMA in this state this quarter, overall SMA levels have decreased, indicating a peak in MFI stress and the potential for re-rating. The bank aims to diversify by focusing more on secured loans, which will initially compress NIM (partly offset by reducing the cost of funds more aggressively) and increase opex, but should result in lower and less volatile credit costs. The bank is targeting ~1.8% RoA in this new model. While there are some shortcomings in this thesis, management remains optimistic about its successful execution.

Maintain BUY: Moving one step at a time

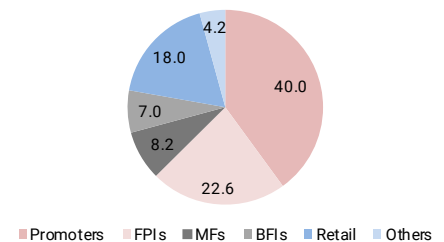
We maintain BUY with the FV unchanged at Rs225. We have broadly kept our estimates unchanged, though we have tweaked a few assumptions. We have reduced NIM assumptions to factor in the outcomes of the current business model. At our Fair Value, we are valuing the bank at a relatively inexpensive valuation of 1.2X book and 9X March FY2027 EPS for RoEs, likely to move back closer to ~14-15%. We would want to look at Bandhan Bank as a series of outcomes, as it would make the investment decision a lot more complicated. We await to see if Bandhan Bank will re-rate itself higher when asset quality issues are behind us. We would want to believe that the challenge Bandhan faces related to its current business model is not an isolated issue and is quite similar across mid-tier private banks.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	166/225/BUY
52-week range (Rs) (high-low)	222-128
Mcap (bn) (Rs/US\$)	267/3.2
ADTV-3M (mn) (Rs/US\$)	1,494/17.7

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	13	9	(12)
Rel. to Nifty	10	6	(20)
Rel. to MSCI India	9	7	(18)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	17.0	22.1	25.8
EPS growth (%)	23.1	29.7	16.7
P/E (X)	9.7	7.5	6.4
P/B (X)	1.0	1.0	0.9
BVPS (Rs)	160.6	164.5	185.7
RoE (%)	11.9	13.6	14.2
Div. yield (%)	1.6	2.1	2.5
NII (Rs bn)	115	125	144
PPOP (Rs bn)	74	76	86
Net profits (Rs bn)	27	36	42

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

M B Mahesh, CFA

Nischint Chawathe

Ashlesh Sonje, CFA

Abhijeet Sakhare

Varun Palacharla

Nikhil Suresh

Exhibit 1: Bandhan Bank—quarterly financial statements, March fiscal year-ends, 4QFY24–4QFY25 (Rs mn)

					(% chg.)											
	4QFY25	4QFY25E	4QFY24	3QFY25	4QFY25E	4QFY24	3QFY25	2025	2024	(% chg.)	2026E	2025	(% chg.)	2027E		
Income statement (Rs mn)																
Interest income	54,339	55,239	51,893	54,787	(1.6)	5	(0.8)	219,482	188,696	16.3	234,591	219,482	7	261,346		
Interest expense	26,780	26,641	23,231	26,484	0.5	15	1.1	104,088	85,440	21.8	109,903	104,088	6	116,953		
Net interest income	27,559	28,598	28,663	28,303	(3.6)	(4)	(2.6)	115,395	103,256	11.8	124,688	115,395	8	144,393		
Non interest income	6,996	4,852	6,941	10,959	44.2	1	(36.2)	29,177	21,647	34.8	26,646	29,177	(9)	30,303		
Total income	34,555	33,450	35,604	39,261	3.3	(3)	(12.0)	144,572	124,903	15.7	151,334	144,572	5	174,696		
Operating expenses	18,842	17,146	17,219	19,048	9.9	9	(1.1)	70,685	58,508	20.8	75,777	70,685	7	89,155		
Employee expenses	10,842	10,881	9,702	12,274	(0.4)	12	(11.7)	43,610	35,429	23.1	45,437	43,610	4	52,507		
Other expenses	8,000	6,265	7,517	6,774	27.7	6	18.1	27,075	23,079	17.3	30,340	27,075	12	36,648		
Operating profit	15,713	16,304	18,385	20,214	(3.6)	(15)	(22.3)	73,887	66,395	11.3	75,557	73,887	2	85,541		
Provisions	12,602	13,885	17,743	13,760	(9.2)	(29)	(8.4)	37,654	36,966	1.9	28,576	37,654	(24)	30,698		
PBT	3,112	2,419	642	6,453	28.6	385	(51.8)	36,233	29,429	23.1	46,980	36,233	30	54,843		
Tax	(67)	749	95	2,189	(109.0)	(171)	(103.1)	8,780	7,134	23.1	11,369	8,780	29	13,272		
Net profit	3,179	1,670	546	4,265	90.3	482	(25.5)	27,453	22,296	23.1	35,611	27,453	30	41,571		
Tax rate (%)	(2.2)	31.0	14.9	33.9	-3311 bps	-1701 bps	-1608 bps	24.2	24.2	-1 bps	24.2	24.2	-3 bps	24.2		
Key balance sheet items (Rs bn)																
Total deposits	1,512	1,512	1,352	1,410	0.0	12	7.2				1,723	1,512	14	2,052		
Savings deposits	394		405	386		(3)	1.9				422	394	7	472		
Current deposits	81		97	61		(16)	32.2				92	81	14	112		
Term deposits	1,038		851	963		22	7.8				1,208	1,038	16	1,467		
Retail TD	567		437	521		30	9.0									
Other TD	471		414	442		14	6.5									
CASA ratio (%)	31.4		37.1	31.7		-572 bps	-36 bps				29.9	31.4	-150 bps	28.5		
Advances	1,370	1,375	1,247	1,319	(0.4)	10	3.8				1,554	1,370	13	1,795		
Microloans	565		622	561		(9)	0.7				604.6	565.0	7.0	646.9		
Others	805		625	758		29	6.2				949.3	804.9	17.9	1,148.6		
Asset quality (Rs mn)																
Gross NPL	64,356		47,849	61,785		34.5	4.2				58,530	64,356	(9)	46,026		
Net NPL	16,928		13,476	16,367		25.6	3.4				14,722	16,928	(13)	15,999		
Gross NPL (%)	4.7		3.8	4.7		87 bps	3 bps				3.5	4.7	-123 bps	2.4		
Net NPL (%)	1.3		1.1	1.3		17 bps	0 bps				1.0	1.3	-32 bps	0.9		
PCR (%)	74		72	74		186 bps	19 bps				74.8	73.7	115 bps	65.2		
Gross slippage (overall)	17,500		10,200	16,200		72	8				36,297	54,800	(34)	33,831		
(% of loans)	5.3		3.5	5.0		179 bps	35 bps				2.8	-	275 bps	2.2		
Capital adequacy (%)																
CAR	18.7		18.3	14.4		40 bps	430 bps									
Tier-I	17.9		17.2	13.7		70 bps	420 bps									
Key ratios (%)																
Yield on advances	13.1		13.8	13.3		-70 bps	-20 bps									
Cost of funds	7.2		6.9	7.1		30 bps	10 bps									
NIM	6.7		7.6	6.9		-90 bps	-20 bps									
Cost-income	54.5	51.3	48.4	48.5	327 bps	616 bps	601 bps	8.2	46.8	-3867 bps	50.1	8.2	4190 bps	51.0		
Cost to average AUM	5.6		5.7	5.8		-12 bps	-20 bps	6.5	5.0	145 bps	5.2	6.5	-127 bps	5.3		
CD ratio	87.3		89.6	90.3		-231 bps	-305 bps	90.6	-	9059 bps	89.3	87.3	197 bps	86.8		
Credit cost	3.7	4.0	5.9	4.2	-25 bps	-215 bps	-44 bps	-	3.1	-313 bps	2.0	-	195 bps	1.8		
Other key parameters (#)																
Branch	1,715		1,700	1,703		0.9	0.7				1,795	1,715	4.7	1,875		
Banking outlets	4,594		4,597	4,594		(0.1)	-									
Employees	75,032		75,748	78,414		(0.9)	(4.3)				82,535	75,032	10.0	89,138		

Source: Company, Kotak Institutional Equities estimates

Asset quality metrics did not worsen sequentially, but still remain elevated

- ▶ Headline NPL ratios remained flat. The GNPA ratio remained flat qoq at ~4.7%, while the net NPA ratio also remained flat at ~1.3%. The provision coverage ratio also did not change and remained at ~74%.
- ▶ Gross slippages increased to 5.3% (slight rise from 5.0% in the previous quarter and 3.5% in 4QFY24). Slippages in the microfinance segment surged qoq from 8.1% to 9.6% this quarter. This remains lower than other microfinance players' reported results.
- ▶ Credit costs for the quarter stood at ~3.7% (annualized)—down from ~4.2% in 3QFY25 and ~5.9% in 4QFY24. Management indicated that the performance of SMA 0, 1, and 2 improved in April, with slippage percentages decreasing and the overall SMA book of EEB showing some reduction.
- ▶ Incremental forward flow in slippages has reduced sequentially. The SMA book has reduced ~50 bps qoq to ~3.3%. However, we will continue to watch the trend in delinquencies for Bandhan and the industry as most players indicate that the situation is becoming more favorable on the ground.

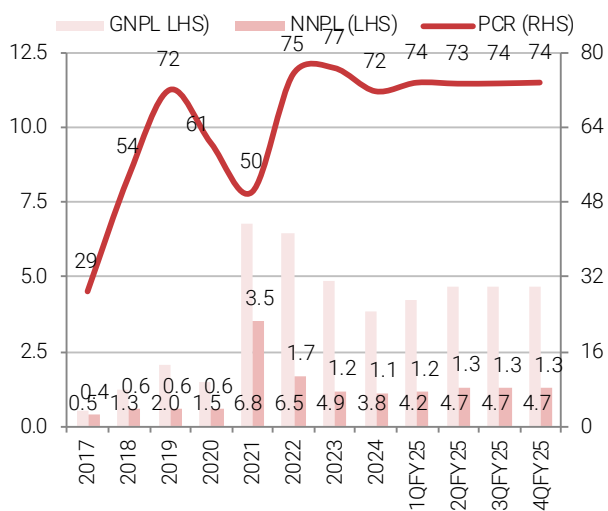
As we have written in our last couple of notes on the bank, Bandhan is likely to deliver better-than-average performance in this microfinance cycle. This thesis is based on a few factors—(1) slower growth in recent years in Bandhan's loan portfolio, (2) the introduction of a cooling period for delinquent borrowers and (3) improving the quality of new sourcing based on credit bureau scores. Actual performance on several asset quality metrics (microfinance gross slippages in the past few quarters and the SMA book) does validate this thesis.

The MFI book is declining, while the secured portfolio is increasing, with a credit cost guidance of 1.5-1.7% for the next 2-3 years. Management commented that 92% of the borrowers are below Bandhan + 2, with a limited overleveraging situation. Most loans have a one-year tenor. The industry risk is elevated, and the next couple of quarters are expected to be challenging. Annual credit costs are still not very high at 2.8%, though they were higher in 4QFY25 at 3.7%.

Management indicated that the proportion of advances in Karnataka and Tamil Nadu is negligible, with Tamil Nadu at less than 1% and Karnataka at 1.1%. The commentary was that both states were holding up with very low DPD books and collection efficiencies at 97%.

GNPL ratio remained flat qoq at 4.7%

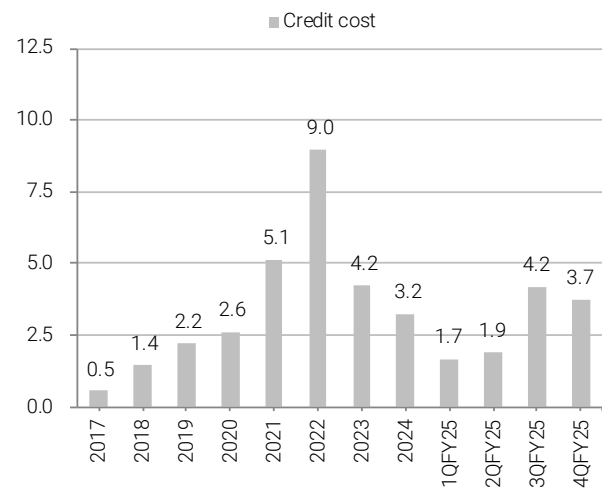
Exhibit 2: NPLs and provision coverage, March fiscal year-ends (%)



Source: Company

Credit cost has come down to 3.7% for 4QFY25

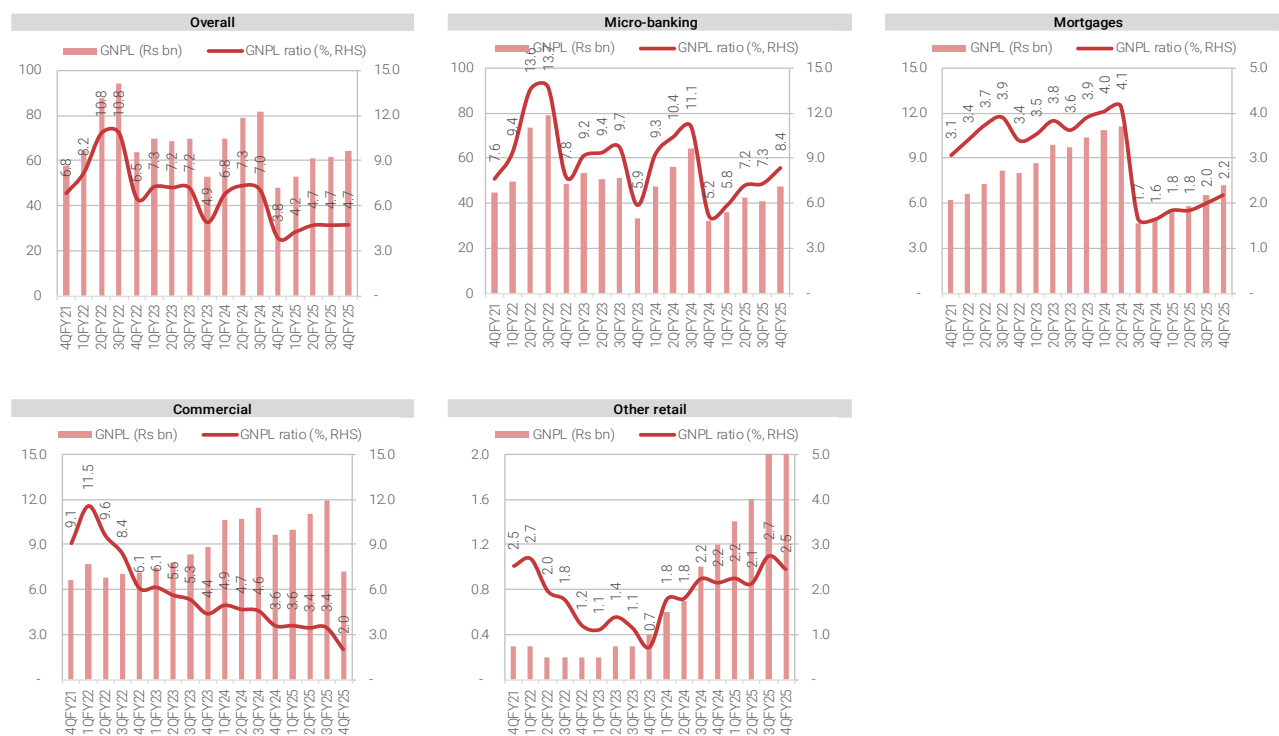
Exhibit 3: Credit cost, March fiscal year-ends (%)



Source: Company

GNPL ratio in microbanking was on the uptick sequentially

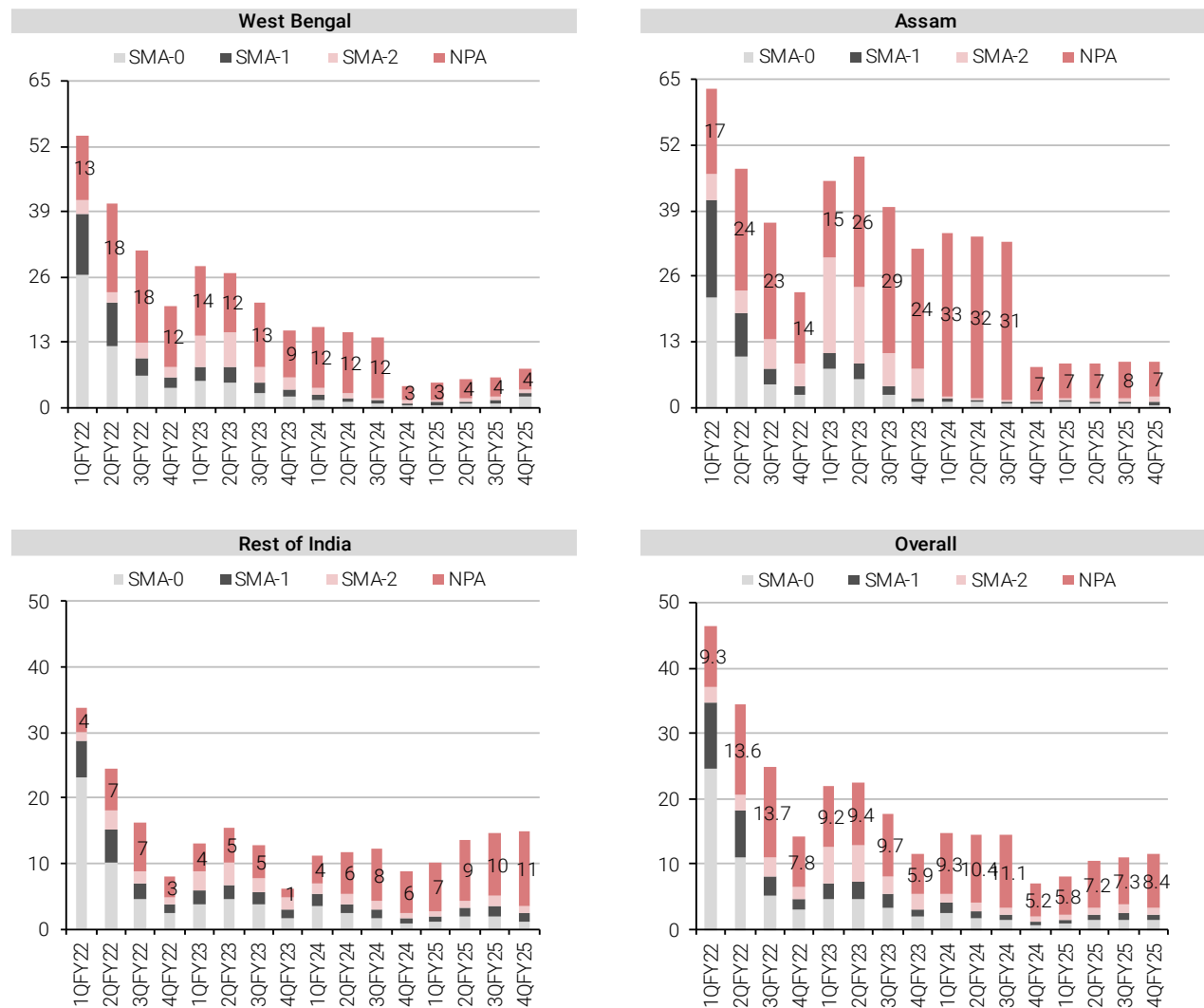
Exhibit 4: GNPL ratios across segments, March fiscal year-ends



Source: Company

SMA book has declined ~50 bps qoq in the microfinance (EEB) segment to ~3.3%

Exhibit 5: Stress book in the EEB segment, March fiscal year-ends (%)



Note: There is likely to be some overlap in the SMA book and NPA book, but we have ignored it in this representation.

Source: Company

Gross NPA ratio increased ~100 bps qoq in microfinance segment for Bandhan Bank
Exhibit 6: Gross NPA ratio across microfinance lenders, March fiscal year-ends (%)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Banks												
Bandhan (microfinance)	9.2	9.4	9.7	5.9	9.3	10.4	11.1	5.2	5.8	7.2	7.3	8.4
IDFC First (microfinance)										2.5	4.5	7.7
IndusInd Bank (microfinance)	3.5	3.0	3.9	4.5	4.5	4.7	4.6	4.7	5.4	6.9	7.5	
RBL Bank (microfinance)		6.0	4.4	3.4	2.5	2.2	3.1	4.2	5.6	7.9	14.1	21.2
SFBs												
AU SFB (microfinance)									1.1	2.3	4.1	4.4
Equitas SFB (microfinance)	4.7	4.6	4.2	2.3	2.5	2.7	3.3	4.0	3.8	4.8	5.6	5.2
ESAF SFB (overall)	6.2	8.1	7.2	2.5	1.7		4.2	4.8	6.6	7.0	7.0	
Jana SFB (microfinance)							3.8	4.0	4.7	4.2	4.2	4.0
Suryoday SFB (microfinance)					3.7	5.3	3.5	3.5	3.4	4.0	8.6	
Ujjivan SFB (microfinance)	6.0	4.4	2.8	2.1	1.8	1.7	1.8	2.0	2.3	2.7	3.2	3.3
Utkarsh SFB (microfinance)				4.1	4.0	3.6	3.8	2.9	3.1	5.3	9.7	
NBFC-MFIs												
Annapurna	9.8	8.0	6.9	3.8	3.0	3.2	3.2	2.7	2.5	3.0	4.0	
Arohan (GS-3)	3.6	3.1	2.3	2.7	1.7	1.3	1.4	1.6	1.9	1.5	2.9	
Belstar					1.6	1.5	1.9	1.8	2.4	3.5	2.9	5.0
Chaitanya	0.9	0.6	0.4	0.3	0.2	0.2	0.3	0.3	0.3	0.5	1.1	
CreditAccess Grameen (PAR 90+)		1.7	1.3	1.0	0.7	0.6	0.8	0.9	1.1	1.7	2.6	
Fusion (GS-3)	3.7	3.8	3.7	3.5	3.2	2.7	3.0	2.9	5.5	9.4	12.6	
IIFL Samasta (GS-3)	2.8	3.5	2.7	2.1	2.1	2.1	2.1	1.9	2.3	3.4	5.0	
Midland	2.8	3.0	4.7	0.1	1.7	2.2	3.1	3.0	2.9	4.2	3.0	1.5
Muthoot Microfin (overall)	6.7	3.3	3.5	3.0	2.8	2.4	2.3	2.3	2.1	2.7	3.0	
Namra Finance (overall)		3.1	3.3	2.8	2.4	2.4	2.8	2.9	2.9	4.0	4.4	
Satin (90+)	4.3	4.0	3.9	3.3	2.5	2.4	2.4	2.5	2.7	3.5	3.9	
Satya	3.6	5.6	1.1	1.3	1.6	1.6	2.2	2.2	2.9	3.0	0.6	
Spandana Sphoorty (overall)	6.7	7.4	5.3	2.1	1.6	1.4	1.6	1.5	2.6	4.9	4.9	
Svatantra (GS-3)		5.1		5.0	3.5		3.6	3.1		1.6	2.2	

Source: Companies, Kotak Institutional Equities

SMA book increase has been relatively limited in the case of Bandhan Bank as compared with peers

Exhibit 7: SMA book across microfinance lenders, March fiscal year-ends (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
SMA-0 (%)													
AUBANK											1.4	1.4	1.3
Bandhan (GL+IL)	3.0	4.7	4.8	3.4	1.9	2.6	1.8	1.4	0.6	0.9	1.5	1.4	1.5
CreditAccess Grameen			0.7	0.4	0.3	0.2	0.4	0.6	0.3	0.7	1.6	1.7	
Equitas SFB	3.8	3.3	2.2	1.1	0.9	0.9	0.8	0.9	0.7	1.3	2.2	2.0	1.9
ESAF SFB													
Fusion													
IDFC First (microfinance)									1.0	1.4	2.1	2.5	1.6
IIFL (microfinance)	3.1	2.4	3.1	1.7	0.6	0.7	0.6	0.6	0.4	1.0	2.1		
IndusInd Bank (microfinance)													
L&T Finance (microfinance)							-	0.1	0.1	0.3	0.6	1.0	1.1
Muthoot Microfin (overall)	2.2		1.0		0.2		0.6		0.4	1.3	1.7	1.6	
RBL Bank (microfinance)							1.7	1.4	0.9	1.6	3.1	2.7	1.8
Satin							0.4	0.5	0.3	0.9	1.6	0.7	
Spandana Sphoorty (overall)	8.4	4.0	2.9	1.2	0.6	0.6	0.9	1.2	1.3	3.2	5.1	4.1	
Svatantra	2.4				1.2				0.2				
Ujjivan SFB (GL+IL)										0.6	1.1	1.0	0.7
Utkarsh SFB (micro-banking)					0.6	0.8	0.9	0.8	0.5	1.8	4.3	3.2	
SMA-1 (%)													
AUBANK											1.3	1.5	1.2
Bandhan (GL+IL)	1.6	2.4	2.6	2.0	1.3	1.5	1.1	1.0	0.6	0.7	0.9	1.2	0.9
CreditAccess Grameen			0.4	0.2	0.1	0.2	0.2	0.2	0.2	0.4	0.9	1.3	
Equitas SFB	2.8	2.0	1.3	0.9	0.6	0.5	0.6	0.7	0.7	1.1	1.7	1.5	2.5
ESAF SFB													
Fusion									0.3	0.8			
L&T Finance (microfinance)							0.1	0.2	0.2	0.3	0.5	0.6	0.9
Muthoot Microfin (overall)	2.3		0.4		0.3		0.3		0.5	0.7	1.5	1.8	
RBL Bank (microfinance)							0.6	0.9	0.7	0.8	2.5	3.0	2.6
Satin							0.2	0.4	0.4	0.6	0.9	0.8	
Spandana Sphoorty (overall)	3.4	1.9	1.5	0.8	0.5	0.4	0.6	0.8	0.9	1.7	3.6	4.7	
Ujjivan SFB (GL+IL)										0.6	0.9	1.0	1.1
Utkarsh SFB (micro-banking)					0.6	0.5	0.7	0.7	0.5	1.2	2.6	3.1	
SMA-2 (%)													
AUBANK											1.3	1.5	1.2
Bandhan (GL+IL)	1.9	5.6	5.6	2.7	2.4	1.4	1.3	0.9	0.8	0.7	0.9	1.2	0.9
CreditAccess Grameen			0.3	0.3	0.1	0.1	0.1	0.3	0.3	0.3	0.7	1.2	
Equitas SFB	3.2	3.2	2.7	1.9	1.4	1.0	0.9	1.0	1.1	1.3	2.0	2.7	3.4
ESAF SFB													
Fusion								0.5	0.2	0.9			
L&T Finance (microfinance)							0.1	0.1	0.2	0.2	0.4	0.6	0.5
Muthoot Microfin (overall)	3.4		1.7		0.4		0.3		0.6	1.1	1.6	2.2	
RBL Bank (microfinance)							0.4	0.6	0.6	0.7	1.5	2.7	2.2
Satin							0.2	0.2	0.3	0.4	0.8	1.0	
Spandana Sphoorty (overall)	2.6	1.6	1.4	0.6	0.4	0.4	0.6	0.5	0.6	1.5	2.5	2.9	
Ujjivan SFB (GL+IL)										0.4	0.6	0.8	0.8
Utkarsh SFB (micro-banking)					0.8	0.7	0.8	0.9	1.1	1.2	2.4	3.8	
SMA (%)													
AUBANK											6.0	4.4	3.7
Bandhan (GL+IL)	6.5	12.7	13.0	8.1	5.6	5.5	4.2	3.3	2.0	2.3	3.3	3.8	3.3
CreditAccess Grameen			1.4	0.9	0.5	0.5	0.7	1.1	0.8	1.4	3.2	4.2	
Equitas SFB	9.8	8.5	6.2	3.9	2.9	2.3	2.2	2.5	2.5	3.7	5.9	6.3	7.8
ESAF SFB												6.2	
Fusion											5.5	6.4	
Jana SFB (microfinance)													4.5
IDFC First (microfinance)									2.3	3.1	4.7	7.1	6.7
IIFL (microfinance)	8.7	9.5	10.4	6.7	3.5	2.0	1.6	1.6	1.2	2.3	5.0		
L&T Finance (microfinance)							0.2	0.4	0.5	0.8	1.5	2.2	2.5
Muthoot Microfin (overall)	8.0		3.1		0.8		1.2		1.5	3.1	4.8	5.6	
RBL Bank (microfinance)							2.7	2.9	2.1	3.1	7.1	8.3	6.6
Satin							0.8	1.1	1.0	1.9	3.3	2.5	
Spandana Sphoorty (overall)	14.3	7.5	5.7	2.6	1.5	1.4	2.0	2.5	2.9	6.4		11.8	
Suryoday SFB (IF)												6.4	
Ujjivan SFB (GL+IL)		0.9	0.7	0.7	0.6	0.8	0.9	1.0	1.0	1.6	2.6	2.8	2.7
Utkarsh SFB (micro-banking)					2.0	2.0	2.4	2.4	2.1	4.2	9.3	10.1	
SMA 1+2 (% of loan book)													
AUBANK (microfinance)													
Bandhan (GL+IL)	3.5	8.0	8.2	4.7	3.7	2.9	2.4	1.9	1.4	1.4	1.8	2.4	
CreditAccess Grameen			0.7	0.5	0.2	0.3	0.3	0.5	0.5	0.7	1.6	2.5	
Equitas SFB (microfinance)	5.9	5.1	4.0	2.8	2.0	1.5	1.5	1.6	1.8	2.3	3.8	4.2	
ESAF SFB													
Fusion (GS-2)	2.1	1.3	1.1	0.9	0.7	0.8	1.2	0.8	1.2	1.5	3.9	4.2	
IDFC First (microfinance)									1.3	1.7	2.5	4.6	5.1
IIFL (microfinance)	5.5	7.2	7.2	5.0	2.9	1.3	0.9	1.0	0.8	1.3	2.8		
IndusInd Bank (microfinance)										2.0	4.1	4.0	
L&T Finance (microfinance)							0.2	0.3	0.4	0.5	0.9	1.2	1.4
Muthoot Microfin (overall)	5.7		2.1		0.6		0.6		1.1	1.9	3.1	4.0	
Namra (%)	4.7				1.1	1.1	1.3	2.1	2.3	2.5	4.4	7.1	
RBL Bank (microfinance)							1.0	1.5	1.2	1.5	3.9	5.6	4.7
Satin							0.4	0.6	0.7	1.0	1.7	1.8	
Spandana Sphoorty	6.0	3.5	2.9	1.4	1.0	0.8	1.2	1.3	1.6	3.2	6.2	7.7	
Suryoday SFB (IF)							1.0		1.3	1.2	1.6	3.5	4.6
Svatantra	1.7				1.0				0.8				
Ujjivan SFB (GL+IL)										1.0	1.5	1.9	
Utkarsh SFB (microfinance)					1.4	1.2	1.5	1.6	1.6	2.4	5.0	6.9	

Source: Companies, Kotak Institutional Equities

Slippage ratio in microfinance for Bandhan Bank during 4QFY25 has been lower than what most lenders have reported
Exhibit 8: Slippage ratio across microfinance lenders, March fiscal year-ends (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Banks													
Bandhan (microfinance)	8.2	5.8	24.9	21.1	5.5	10.6	7.8	7.4	4.4	3.5	4.9	8.1	9.6
IDFC First											8.9	14.0	20.8
IndusInd (microfinance)	11.9	7.3	5.9	5.5	8.1	4.6	4.3	4.2	3.7	3.4	4.3	8.5	
RBL (microfinance)						2.8	3.7	5.9	9.5	7.6	13.2	30.8	28.9
SFBs													
Equitas SFB (microfinance)	12.7	7.0	6.3	4.1	2.7	2.7	2.5	3.9	5.0	5.4	8.7	14.8	14.4
ESAF SFB (overall)				8.7	4.4	3.4	5.2	8.9	7.6	8.3	11.0	17.4	
Jana SFB (microfinance)						NA	NA	NA	NA	NA		9.3	13.9
Suryoday SFB (microfinance)											11.4	18.4	
Utkarsh SFB (microfinance)						3.1	3.3	4.2	2.6	4.4	10.5	23.9	
NBFC-MFIs (net slippage ratio)													
CreditAccess Grameen					1.5	1.0	1.1	1.8	2.3	2.1	4.0	9.5	
Fusion		2.0	2.8	3.0	2.3	2.4	3.0	6.0	3.3	13.9	20.9	15.1	
Muthoot Microfin										2.5	6.0	7.5	
Namra						2.5	5.4	3.6	6.7	11.9	12.3		
Satin							2.0	3.7	2.7	5.9	9.6		
Spandana Sphoorty									0.6	4.4	6.6	23.2	

Note: For AUBANK, we have assumed ~Rs1.5 bn of gross slippages in microfinance, which amounts to ~20% of overall slippages for the bank. Management has indicated that one-third of overall slippages during 2QFY25 are attributable to unsecured loans.

Source: Companies, Kotak Institutional Equities

Credit costs for Bandhan Bank have dropped sequentially

Exhibit 9: Credit costs across microfinance lenders, March fiscal year-ends (%)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Banks (overall)	1.9	2.3	2.3	1.6	1.5	1.7	1.6	2.0	1.6	2.5	2.8	
Bandhan	2.8	5.7	6.8	3.0	2.4	2.5	2.6	6.1	1.7	2.0	4.3	3.9
IDFC First	1.0	1.3	1.3	1.3	1.2	1.2	1.5	1.5	2.0	3.3	2.4	2.5
IndusInd	2.1	1.8	1.6	1.5	1.3	1.3	1.2	1.1	1.2	2.1	1.9	
RBL	1.7	1.5	1.5	1.1	1.5	3.3	2.8	1.4	2.2	3.0	5.3	3.6
SFBs (overall)	2.4	2.0	1.7	1.4	1.4	1.4	1.7	1.7	2.3	3.0	3.5	
AU SFB	1.4	0.7	0.6	0.5	0.4	0.7	1.2	0.8	1.3	1.6	2.1	2.5
Equitas SFB	2.8	1.7	0.9	2.0	0.9	0.9	1.2	1.4	3.9	4.0	2.8	2.9
ESAF SFB	2.9	4.6	6.4	2.5	3.6	2.8	3.5	5.2	3.7	7.6	9.3	
Jana SFB	5.7	5.3	4.3	4.7	4.0	3.2	3.0	3.1	3.3	3.4	2.7	2.6
Suryoday SFB	5.8	6.1	3.0	3.6	3.5	1.7	2.2	2.5	2.5	3.1	1.5	
Ujjivan SFB	0.7	(0.2)	(0.0)	(0.0)	0.5	0.8	1.0	1.2	1.6	2.1	3.0	3.5
Utkarsh SFB	3.5	3.3	3.0	1.1	2.3	2.4	2.9	1.9	3.0	4.8	9.2	
NBFC-MFIs	7.5	4.4	3.8	3.7	2.9	3.1	3.4	4.5	4.8	9.7	13.4	
Annapurna	4.1	7.8	6.5	8.5	3.8	4.1	4.2	6.8	3.3	6.8	7.4	
Arohan	2.9	6.7	2.4	7.6	7.4	0.4	3.2	2.5	2.4	5.9	6.8	
Belstar	4.1	5.1	5.1	0.6	5.2	4.2	5.1	5.4	6.8	9.8	10.8	15.3
Chaitanya	1.2	1.6	0.9	1.1	0.8	0.6	1.6	3.8	1.8	2.1	4.2	
CreditAccess Grameen	2.8	2.9	2.3	2.4	1.6	1.9	2.3	2.6	2.8	7.0	12.9	
Fusion	1.3	3.6	2.7	3.5	3.7	3.6	4.2	4.9	13.8	28.6	26.8	
IIFL Samasta	8.2	6.6	6.9	8.1	4.5	5.3	5.3	5.0	4.9	10.1	19.6	
Midland	3.6	3.2	4.2	4.0	0.4	2.1	3.6	5.4	0.8	8.4	2.5	10.0
Muthoot Microfin	5.1	8.1	2.5	1.4	1.1	2.0	2.3	2.9	3.0	6.5	6.8	
Namra	4.5	4.1	3.3	4.1	3.8	2.7	4.0	5.3	9.7	12.9	20.7	
Satin	26.9	0.9	4.3	0.4	1.0	1.8	2.1	3.4	3.4	6.6	9.5	
Satya	1.0	3.9	2.9	3.1	2.8	1.7	4.4	4.2	3.0	1.8	7.9	
Spandana Sphoorty	25.9	1.8	2.7	5.1	1.2	4.1	2.8	3.6	7.9	21.1	31.3	
Svatantra	6.3	6.4	9.0	4.2	2.8	5.6	3.3	9.9	1.0	5.5	5.1	
NBFCs (overall)												
L&T Finance	3.6	2.6	2.7	2.3	2.4	2.6	2.6	2.4	2.4	2.6	2.5	2.5

Source: Companies, Kotak Institutional Equities

Advances growth for Bandhan Bank has seen a sharp decline

Exhibit 10: Loan growth across microfinance lenders, March fiscal year-ends (%)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Banks																	
Bandhan	26	12	9	9	7	9	(0)	(8)	(9)	(12)	0	10	10	21	10	(3)	(9)
IDFC First															(5)	(19)	(28)
IndusInd	9	12	26	19	16	11	5	8	5	9	16	20	22	16	(5)	(9)	
RBL	11	(4)	(26)	(28)	(32)	(36)	(8)	4	23	74	48	36	26	11	3	(4)	(23)
Federal															4	(6)	
Yes														27	28		
SFBs																	
Equitas SFB	(11)	(14)	(6)	6	21	28	21	24	34	40	42	32	20	6	(4)	(11)	(28)
ESAF SFB												31	28	18	6	(14)	
Jana SFB					(1)				15			15	14	13	1	(7)	(11)
Suryoday SFB												36	38	27	15		
Ujjivan SFB	(1)	(14)	(7)	12	16	42	51	41	41	37	28	28	21	13	4	(6)	(13)
Utkarsh SFB	18				16				15	11	9	16	23	26	17	0	
NBFC MFIs																	
Belstar										41	55	66	82	57	30	4	
CreditAccess Grameen (on-book)												31	27	21	12	6	(3)
Fusion (GLP)					35	48			33	27	23	23	23	25	14	(2)	
IIFL Samasta						43	39	37	39	47	39	31	21	7	(3)	(16)	
Muthoot Microfin					32				56		56		34		15		
Namra														19	(6)	(18)	
Satin		11	17	(2)	(9)	(2)	(7)	(9)	10	24	32	52	40	29	23	13	
Spandana										52	57	41	41	34	8	(14)	
NBFCs																	
L&T Finance		(10)	(8)	1	9	27	40	46	41	37	37	32	32	31	22	14	6

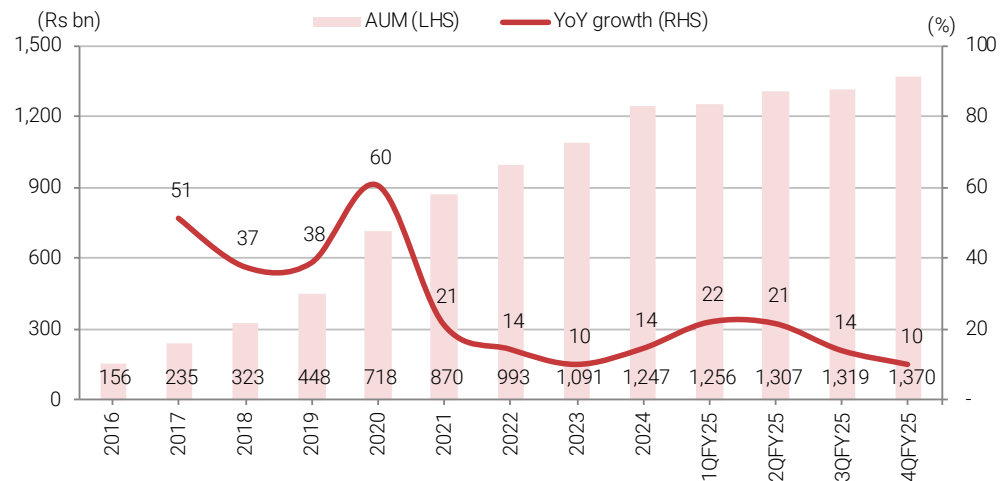
Source: Companies, Kotak Institutional Equities

AUM growth healthy at ~10% yoy and with EEB undergoing sequential decline

- ▶ AUM growth was healthy at ~10% yoy. The micro-banking book declined ~9% yoy and remained flat qoq. Disbursements in the microfinance segment saw a significant decline of ~34% yoy, but it increased ~23% qoq.
- ▶ Note how the share of EEB (group) loans has declined from ~86% in FY2019 to ~26% of the overall loan book. At the same time, the share of individual EEB (SBAL) loans has increased from ~3% in FY2020 to ~15%, where it has stabilized over the past few years.
- ▶ Mortgages continue to constitute ~20-25% of the loan mix, while the share of SME loans has steadily inched up to 15%. Retail loans have inched up steadily to ~8% of the overall loan mix.

AUM growth for 4QFY25 was slow at 10% yoy, led by MFI slowdown

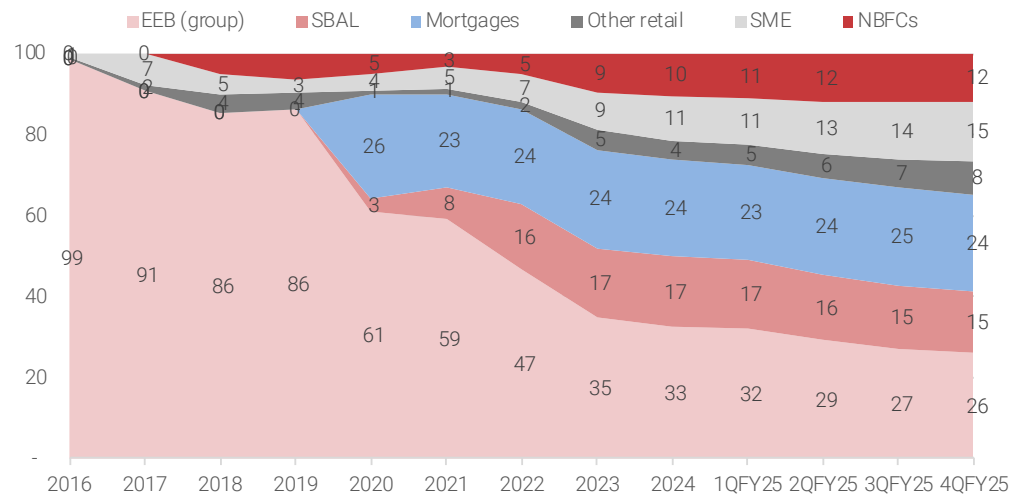
Exhibit 11: Advances and yoy growth, March fiscal year-ends (%)



Source: Company

Share of micro-banking loans has declined steadily, now at ~41%

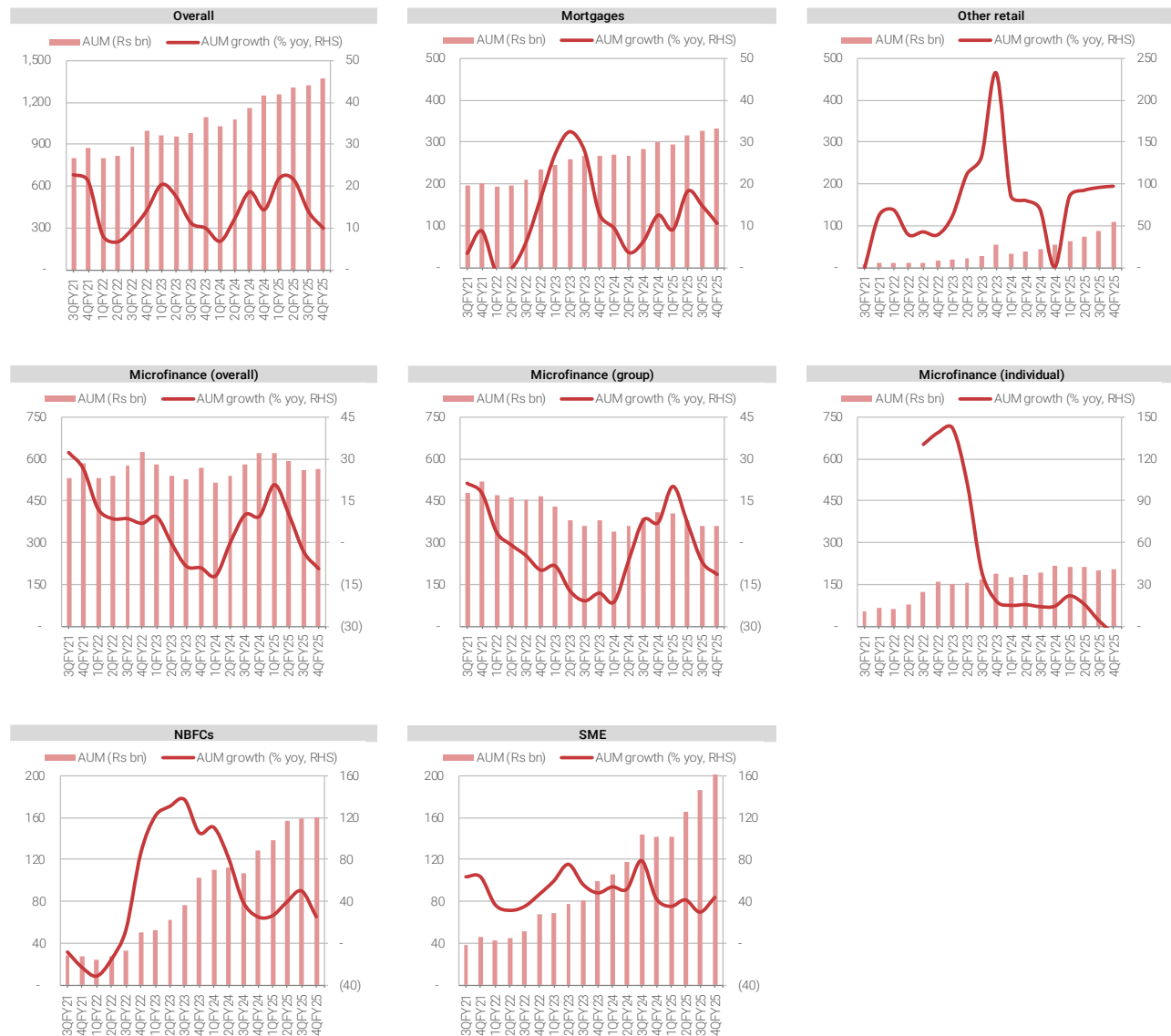
Exhibit 12: AUM mix, March fiscal year-ends (%)



Source: Company

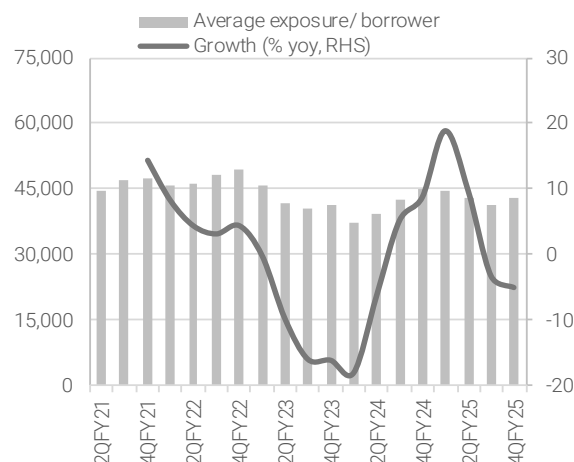
Loan growth has been broad-based now with some decline in microfinance segment

Exhibit 13: AUM and AUM growth across segments, March fiscal year-ends



Source: Company

Exhibit 14: Breakup of growth in EEB AUM across number of borrowers (#, mn) and average exposure/borrower (Rs), March fiscal year-ends



Source: Company

Exhibit 15: Loans market share in West Bengal, March fiscal year-ends (%)

	Overall										Rural										Semi-urban										Urban/Metro									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PSU Banks																																								
Allahabad + India BOI	7.4	7.5	6.8	6.7	6.4	6.4	6.0	5.3	5.9	5.3	5.5	5.3	6.0	5.7	4.4	4.5	5.2	6.1	5.1	5.0	4.6	4.7	4.2	4.0	4.7	4.3	1.1	7.9	8.0	7.3	7.0	6.9	6.9	6.2	6.4	5.4	5.5			
PNB + OBC + Uni	17.1	16.5	15.5	14.6	14.3	11.9	11.4	10.5	10.7	34.8	32.9	29.3	16.0	21.6	15.5	15.2	15.9	17.4	21.0	19.0	17.1	9.7	13.4	10.0	11.3	9.6	2.3	14.4	14.0	13.3	14.9	13.7	11.0	10.7	9.7	9.2				
Others	38.8	37.2	36.9	33.2	32.1	33.9	34.9	36.7	41.3	12.9	13.0	15.2	18.4	18.3	16.9	19.4	21.2	24.3	16.8	16.2	17.9	20.4	18.6	21.0	26.8	25.9	6.5	23.2	22.3	19.0	15.9	15.8	15.9	16.1	16.9	22.0				
PSU	77.3	75.0	70.5	66.8	62.2	60.6	60.3	58.9	62.5	65.7	64.3	63.8	54.8	59.7	49.4	53.5	58.5	66.3	67.7	64.7	61.6	54.8	53.7	50.0	61.9	59.0	14.6	79.6	77.5	72.3	67.2	65.5	62.0	61.4	59.0	57.5				
Private Banks																																								
Axis	4.4	4.4	5.0	5.8	6.2	5.9	5.6	6.7	5.5	0.1	0.1	0.1	0.2	0.2	0.3	0.5	1.5	8.7	2.2	2.4	2.2	2.8	2.9	3.3	0.6	9.8	13.1	5.1	5.2	6.0	6.9	7.5	7.1	7.0	7.2	6.2				
Bandhan	2.1	3.0	3.5	4.7	5.4	6.5	5.9	5.6	4.7	10.4	12.8	13.9	19.2	17.7	22.4	21.8	16.1	8.3	5.2	9.7	10.8	14.3	15.0	18.0	12.3	5.4	0.7	1.0	1.2	1.7	2.1	1.9	1.8	2.9	5.3					
HDFC	4.6	5.2	5.3	6.1	5.8	6.5	7.4	7.7	8.1	0.2	1.2	1.4	1.6	1.4	1.5	1.7	6.2	4.1	4.2	4.9	5.6	5.4	5.3	6.7	6.6	21.7	5.2	6.0	6.0	6.9	6.5	7.3	8.5	8.9	9.2					
ICICI	5.3	5.2	5.8	6.2	6.1	6.7	7.5	8.5	7.2	4.5	4.2	4.2	4.7	0.9	4.7	0.4	0.5	3.3	14.9	12.7	12.9	13.8	12.9	13.4	3.5	4.0	20.8	4.5	4.7	5.3	5.7	5.5	6.1	9.2	10.4	8.2				
IndusInd	1.4	1.4	2.2	2.4	2.6	2.7	3.1	2.8	3.6	0.1	0.0	0.2	0.4	0.2	4.5	0.0	0.4	0.4	0.8	1.7	2.1	2.7	2.4	2.3	2.7	1.9	6.2	1.6	1.6	2.5	2.6	2.2	2.4	2.8	2.6	4.1				
Others	24.3	24.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	6.8	0.2	0.2	0.2	0.7	1.6	1.0	0.6	0.5	0.2	0.1	0.1	0.6	0.24	0	0.5	0.6	0.71	2.9	3.7	6.2	8.6	10.2	9.3	8.7	8.5	6.5				
Private (ex. SFB)	20.1	22.4	26.8	32.2	34.4	36.2	36.5	37.9	34.8	15.4	17.4	19.8	26.6	22.2	35.0	30.2	25.3	29.4	27.5	30.9	33.1	39.8	41.0	44.7	31.8	35.3	84.3	20.1	22.2	27.2	32.6	34.0	34.1	38.1	40.5	39.5				
SFBs	-	-	0.3	0.3	0.4	0.4	0.4	0.5	0.5	-	0.2	0.3	0.5	0.5	0.5	0.7	1.2	-	-	-	0.9	1.1	1.3	1.2	1.4	1.5	0.8	-	-	0.2	0.3	0.3	0.3	0.3	0.4	0.5				
RRBs	2.6	2.6	2.5	2.6	2.5	2.7	2.7	2.7	2.2	18.9	18.3	16.2	18.4	17.6	15.1	15.7	15.6	3.1	4.8	4.4	4.3	4.0	4.1	4.9	4.2	0.4	0.2	0.3	0.3	0.2	0.2	3.5	0.2	0.2	2.5					

Source: SLBC

Source: SLBC

- ▶ **Deposit growth being led by term deposits.** Deposit growth stood at ~12% yoy (up ~7.2% qoq), led by ~22% yoy growth in term deposits. CASA ratio declined ~570 bps yoy and ~30 bps qoq to ~31.4%. Growth in term deposits was held up by healthy growth of retail TD at 30% yoy.
- ▶ **Reported NIM declined ~20 bps qoq to ~6.7%,** driven by a similar decline in yield on advances, while the cost of funds increased 10 bps qoq. The yield on advances was likely impacted by a decline in the share of the microfinance business in the loan mix, where the yield is ~10% higher than on non-microfinance loans.
- ▶ **Cost ratios are likely to stay elevated as the bank continues to invest.** Operating expenses grew ~9% yoy, with 12% yoy growth in staff and 6% yoy growth in non-staff expenses. Management indicated that it will continue to invest in people, products and technology over the next few quarters to strengthen the franchise.

- ▶ **Healthy capital position, despite higher risk weight for microfinance.** The capital position is healthy with CAR at ~18.7%. Note that there was a decline in capital ratios in 2QFY25 due to an increase in the risk weight for the EEB book from 75% earlier to 125%. The RBI's Feb 2025 assessment clarified that a significant portion of the EEB meets the criteria, and a large part of the EEB and SBAL book benefits in the RWA calculation. This clarification has notably contributed to the improvement in CRAR.
- ▶ New businesses are operationally expensive due to investments in personnel, technology and branches. These expenses are expected to drive future growth.
- ▶ Interest reversal on slippages for 4QFY25 was low at Rs690 mn. Management indicated that fee income will be supported by newly launched transaction banking and other credit products.
- ▶ **Negative tax for 4QFY25:** The deferred tax asset on the ESOP created this quarter, following an accounting impact of approximately ~Rs1.6 bn last quarter, amounts to roughly ~Rs0.61 bn. Additionally, an old income tax provision has been released, following the completion of its assessment, with an additional amount released, totaling about ~Rs0.87 bn.
- ▶ The bank has maintained guidance on RoA of 1.5% for FY2026. The secured mix has increased, so NIM pressure is anticipated. However, management is of the view that the cost of funds has decreased through various avenues.

Bandhan's deposit market share in West Bengal has only increased steadily

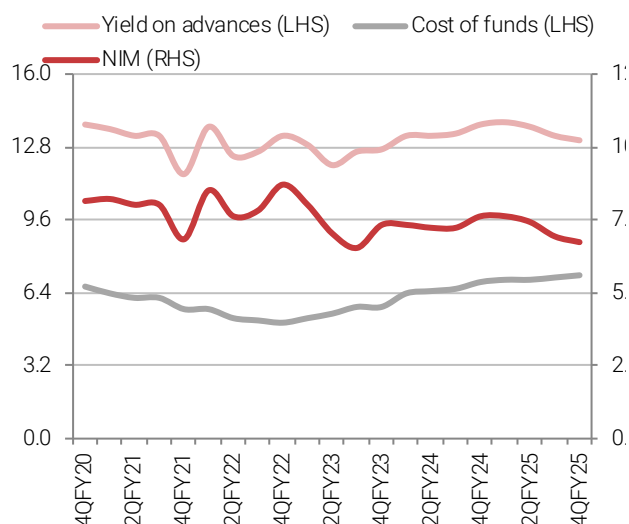
Exhibit 16: Deposit market share in West Bengal, March fiscal year-ends (%)

	Overall										Rural										Semi-urban										Urban/ Metropolitan																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2016	2017	2018	2019	2020	2021	2022	2023	2024	2016	2017	2018	2019	2020	2021	2022	2023	2024	2016	2017	2018	2019	2020	2021	2022	2023	2024																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
PSU Banks																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								</

Source: SLBC

NIM declined ~20 bps qoq

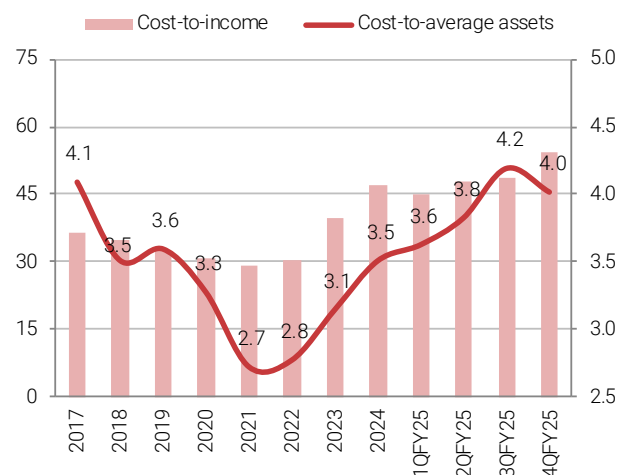
Exhibit 17: Reported yield on advances, cost of funds and NIM, March fiscal year-ends (%)



Source: Company

Cost-to-income ratio increased ~600 bps qoq to ~55%

Exhibit 18: Cost-to-income and cost-to-average AUM, March fiscal year-ends (%)



Source: Company

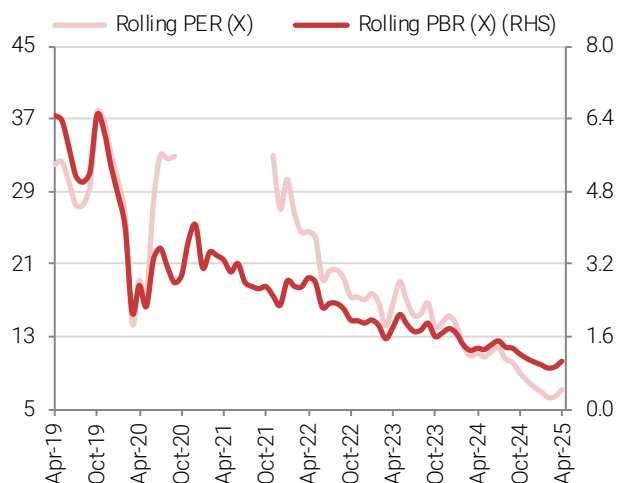
Exhibit 19: Bandhan Bank—change in estimates, March fiscal year-ends

	New estimates (Rs mn)			Old estimates (Rs mn)		Change (%)	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
AUM growth (%)	13	16	16	13	15	14 bps	34 bps
MFI AUM to overall AUM (%)	39	36	33	38	36	43 bps	30 bps
Net interest income	124,688	144,393	167,495	131,652	152,547	(5.3)	(5.3)
NIM (%)	6.4	6.4	6.3	7	7	-42 bps	-42 bps
Other income	26,646	30,303	34,462	24,073	27,344	10.7	10.8
Total income	151,334	174,696	201,957	155,725	179,890	(2.8)	(2.9)
Operating expenses	75,777	89,155	104,869	79,971	94,764	(5.2)	(5.9)
Employee expenses	45,437	52,507	60,677	50,441	58,289	(9.9)	(9.9)
Other expenses	30,340	36,648	44,192	29,530	36,475	2.7	0.5
Loan loss provisions	28,576	30,698	33,706	25,430	29,219	12.4	5.1
PBT	46,980	54,843	63,383	49,917	55,500	(5.9)	(1.2)
PAT	35,611	41,571	48,044	37,837	42,069	(5.9)	(1.2)
PBT-treasury+provisions	74,002	83,886	95,334	73,792	83,064	0.3	1.0
EPS (Rs)	22.1	25.8	29.8	23	26	(5.9)	(1.2)
Adj. BVPS (Rs)	165	186	213	160	182	3.1	1.9
RoA (%)	1.7	1.8	1.7	2	2	-10 bps	-2 bps
RoE (%)	13.6	14.2	14.5	15	15	-126 bps	-47 bps
Gross NPA (%)	3.5	2.4	1.5	4	2	-10 bps	3 bps
Slippage ratio (%)	2.8	2.2	2.2	3	2	0 bps	0 bps
Credit cost (%)	2.0	1.9	1.8	2	2	25 bps	10 bps
Cost-income ratio (%)	50	51	52	51	53	-128 bps	-164 bps

Source: Company, Kotak Institutional Equities estimates

Bandhan is trading at 1.0X one-year forward book

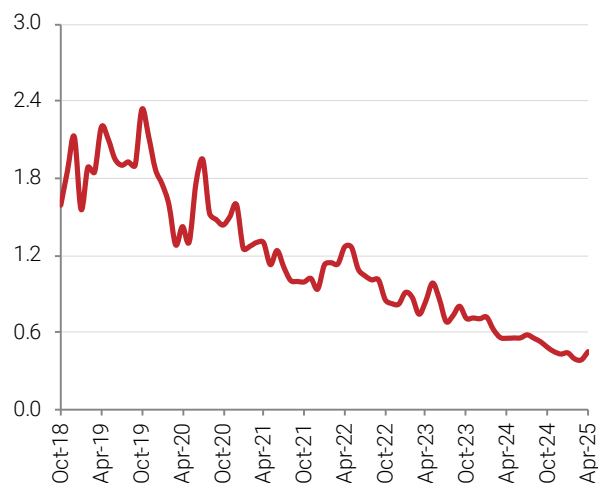
Exhibit 20: Rolling one-year forward PER and PBR, March fiscal year-ends (X)



Source: Bloomberg, Company, Kotak Institutional Equities estimates

Bandhan Bank trades at steep discount to private bank index

Exhibit 21: Rolling one-year forward PBR divergence to other major private banks, March fiscal year-ends (X)



Source: Bloomberg, Company, Kotak Institutional Equities estimates

Exhibit 22: Bandhan Bank—key growth rates and financial ratios, March fiscal year-ends (%)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Growth rates (%)											
Income statement											
NII	26	48	41	20	15	6	12	12	8	16	16
Other income	72	51	46	36	34	(13)	(12)	35	(9)	14	14
Total income	33	49	42	23	19	2	6	16	5	15	16
Operating expenses	28	38	34	16	25	32	26	21	7	18	18
PPOP	36	54	45	26	17	(12)	(6)	11	2	13	13
Provisions and contingencies	323	96	90	180	102	(47)	(12)	2	(24)	7	10
Loan loss provisions	316	128	83	174	107	(47)	(13)	3	(24)	7	10
PBT	21	47	35	(27)	(96)	2,149	2	23	30	17	16
PAT	21	45	55	(27)	(94)	1,645	2	23	30	17	16
Balance sheet											
Cash and bank balances	(25)	5	44	(25)	50	(11)	96	(41)	9	13	14
Investment	52	20	53	64	16	11	(10)	39	4	28	25
Net loans and advances	76	33	68	22	15	11	16	9	17	16	16
Fixed assets	(5)	39	11	32	21	45	37	1	8	10	16
Total assets	47	27	63	25	21	12	14	8	13	18	18
Deposits	46	28	32	37	24	12	25	12	14	19	19
Term	36	15	41	22	27	17	30	22	16	21	21
CASA	70	52	19	61	18	6	18	(5)	8	14	13
Net liabilities	35	30	69	28	25	12	15	7	13	19	18
Key calculated ratios (%)											
Yield on loans	16.4	16.5	17.9	14.7	13.9	13.9	14.6	15.3	14.3	13.7	13.4
Yield on investment	7.1	6.7	6.6	5.9	5.5	6.2	6.6	6.3	6.3	6.1	5.9
Yield on earning assets	13.1	13.4	15.0	12.4	11.3	11.5	12.1	12.6	12.1	11.6	11.2
Interest on deposits	5.9	5.4	6.6	5.9	5.0	5.3	6.0	6.3	6.3	5.8	5.4
Cost of funds	6.1	5.5	7.8	5.9	4.9	5.3	6.0	6.6	6.4	5.8	5.5
NIM	8.3	9.1	8.7	7.5	7.1	6.7	6.6	6.6	6.4	6.4	6.3
Credit cost	1.4	2.2	2.6	5.1	9.0	4.2	3.2	3.0	2.0	1.9	1.8
Cost to income	35.0	32.6	30.8	29.1	30.5	39.5	46.8	48.9	50.1	51.0	51.9
Cost to assets	3.5	3.6	3.3	2.7	2.8	3.1	3.5	3.8	3.7	3.8	3.8
RoE decomposition (%)											
NII	7.9	8.3	8.0	7.0	6.6	6.1	6.0	6.2	6.1	6.1	6.0
Loan loss provisions	0.9	1.4	1.8	3.5	5.9	2.8	2.1	2.0	1.4	1.3	1.2
Other income	1.8	2.0	2.0	1.9	2.1	1.6	1.3	1.6	1.3	1.3	1.2
Total income	9.7	10.3	10.0	8.9	8.7	7.7	7.3	7.7	7.4	7.4	7.2
Operating expenses	3.4	3.4	3.1	2.6	2.7	3.0	3.4	3.8	3.7	3.8	3.8
PPOP	6.3	6.9	6.9	6.3	6.0	4.7	3.9	3.9	3.7	3.6	3.5
(1- tax rate)	65.4	64.8	74.6	74.8	97.8	75.9	75.8	75.8	75.8	75.8	75.8
RoA	3.5	3.6	3.8	2.0	0.1	1.4	1.3	1.5	1.7	1.8	1.7
Average assets/ equity	5.6	5.2	6.0	6.6	7.6	8.2	8.3	8.1	7.9	8.1	8.4
RoE	19.5	19.0	22.9	13.5	0.7	11.9	10.8	11.9	13.6	14.2	14.5

Source: Company, Kotak Institutional Equities estimates

Exhibit 23: Bandhan Bank—key financials, March fiscal year-ends, 2018-2028E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Income statement											
Interest income	48,023	66,441	108,855	125,242	138,716	159,047	188,696	219,482	234,591	261,346	297,856
Interest expenses	17,701	21,480	45,616	49,609	51,571	66,451	85,440	104,088	109,903	116,953	130,361
NII	30,322	44,961	63,239	75,634	87,145	92,596	103,256	115,395	124,688	144,393	167,495
Loan loss provisions	3,331	7,598	13,922	38,103	78,695	41,989	36,558	37,654	28,576	30,698	33,706
Other income	7,062	10,630	15,492	21,091	28,225	24,686	21,647	29,177	26,646	30,303	34,462
Total income	37,384	55,591	78,731	96,724	115,370	117,282	124,903	144,572	151,334	174,696	201,957
Operating expenses	13,083	18,110	24,265	28,172	35,236	46,368	58,508	70,685	75,777	89,155	104,869
PPOP	24,301	37,482	54,466	68,553	80,134	70,913	66,395	73,887	75,557	85,541	97,089
PBT	20,559	30,131	40,534	29,487	1,286	28,930	29,429	36,233	46,980	54,843	63,383
Taxes	7,103	10,616	10,297	7,432	28	6,983	7,134	8,780	11,369	13,272	15,339
PAT	13,456	19,515	30,237	22,055	1,258	21,946	22,296	27,453	35,611	41,571	48,044
Tax rate (%)	35	35	25	25	2	24	24	24	24	24	24
Balance sheet items											
Assets											
Cash and bank balances	55,106	58,027	83,529	62,283	93,214	82,497	161,705	95,694	104,698	118,756	134,819
Net value of investment	83,719	100,375	153,518	251,554	290,787	323,659	292,876	407,123	421,496	539,408	673,686
Net loans and advances	297,130	396,434	666,299	816,129	939,749	1,047,568	1,211,368	1,319,873	1,537,761	1,780,972	2,071,096
Fixed assets	2,381	3,312	3,688	4,867	5,879	8,546	11,734	11,804	12,763	14,042	16,229
Other assets	4,764	6,270	10,144	15,329	60,323	95,430	100,733	80,269	88,296	97,126	106,838
Net assets	443,101	564,417	917,178	1,150,162	1,389,952	1,557,700	1,778,417	1,914,763	2,165,013	2,550,304	3,002,668
Liabilities											
Deposits	338,690	432,316	570,815	779,722	963,306	1,080,693	1,352,020	1,512,125	1,722,853	2,051,587	2,438,599
CASA (%)	34.3	40.8	36.8	43.4	41.6	39.3	37.1	31.4	29.9	28.5	27.1
Borrowings	2,850	5,214	163,792	169,604	199,212	247,108	160,022	97,797	106,577	116,235	126,858
Net liabilities	349,281	452,400	765,223	976,080	1,216,140	1,361,858	1,562,320	1,668,713	1,888,992	2,239,296	2,651,226
Shareholder's equity											
Paid up capital	11,928	11,931	16,102	16,106	16,108	16,108	16,110	16,110	16,110	16,110	16,110
Reserves and surplus	81,891	100,087	135,852	157,976	157,704	179,733	199,987	229,940	259,911	294,898	335,333
Shareholder's funds	93,819	112,017	151,955	174,082	173,812	195,842	216,096	246,050	276,021	311,008	351,443
AUM	323,390	447,760	718,460	870,400	993,400	1,091,200	1,247,200	1,369,900	1,553,885	1,795,484	2,084,157

Source: Company, Kotak Institutional Equities estimates

Mindspace REIT (MINDSPCE)

Real Estate

ADD

CMP(₹): 385

Fair Value(₹): 420

 Sector View: **Attractive**

NIFTY-50: 24,334

May 02, 2025

Improved performance on an expanded asset base

Mindspace REIT reported healthy 4QFY25 NOI of Rs5.4 bn (+13% yoy), with 9% yoy for full-year FY2025. Growth for the quarter was aided by the acquisition of 2.1 mn sq. ft of area (ROFO + third party) in Hyderabad and higher rentals (+3% yoy), even as the actual occupancy was flat yoy at 84%. Committed occupancy improved to 91.2% (93% excluding the for-sale Pocharam asset), with management targeting 95% occupancy by end-FY2026. Mindspace has delivered 1 mn sq. ft at Pune, with another 3.7 mn sq. ft of area to be delivered in the next 2-3 years. Healthy demand trends keep us positive on the name. Maintain ADD; revised FV of Rs420 (from Rs410).

Better earnings on a larger asset base; NDCF aided by one-off tax refund

Mindspace reported healthy 4QFY25 NOI of Rs5.4 bn (+13% yoy, +3% qoq), aided by (1) the acquisition of 1.82 mn sq. ft at Commerzone Raidurg, Hyderabad, which is 100% leased to Qualcomm (ROFO) and contributed 2% of incremental NOI and 0.26 mn sq. ft in Mindspace Madhapur from a third-party to consolidate ownership and (2) in-place rentals improving to Rs71/sq. ft (+3% yoy, 11% qoq), even as the actual occupancy stood at 84.1% (83.8% in 4QFY24/86.2% in 3QFY25). The NOI margin for 4QFY25 stood at 80% (78% in 4QFY24/81% in 3QFY25). NOI for FY2025 came in at Rs20.6 bn (+9% yoy). Mindspace reported NDCF of Rs3.9 bn and DPU of Rs6.44/unit, which rose 38.7% yoy; this was aided by the 13% NOI growth, Rs0.4 bn of one-off tax refund and higher working capital release (including Rs0.5 bn of deposit from the Airoli data center leasing). Management expects the NDCF growth to be in line with NOI growth, owing to declining interest payments and release of working capital (from fresh leases).

Improved committed occupancy; actual occupancy improvement to follow

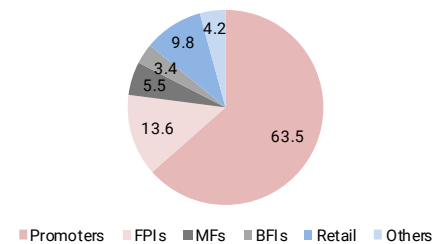
Mindspace REIT commissioned 1 mn sq. ft at Gera Commerzone Kharadi, Pune, which is 100% leased to a GCC. Committed occupancy for the expanded portfolio of 30 mn sq. ft (existing + acquisitions + new commissioning) improved to 91.2% (88.6% on 26.3 mn sq. ft in 4QFY24/89.6% on 26.8 mn sq. ft in 3QFY25). Committed occupancy, excluding the Pocharam asset (to be sold), stands at 93%. Mindspace had gross leasing of 2.8 mn sq. ft in 4QFY25, including 1.5 mn sq. ft of pre-leasing at Madhapur, 0.5 mn sq. ft of re-leasing and 0.7 mn sq. ft of new + vacant area leasing. Actual occupancy declined sequentially to 84.1%, owing to new area commissioning (83.8% in 4QFY24/86.2% in 3QFY25); management expects the gap between actual and committed occupancy to decline in the coming quarters, as the rent for new leases commences. Mindspace REIT has demarcated 2.2 mn sq. ft of overall SEZ area at Airoli to date, of which ~57% has already been leased. We highlight that of the 2.6 mn sq. ft of vacant area, as of March 2025, 0.6 mn sq. ft is at Pocharam and another 0.8 mn sq. ft of vacant area is SEZ, while the balance 1.3 mn sq. ft is non-SEZ area (higher post-demarcation). Lease expiries for FY2026/27/28E stand at 1.6/1.4/2.1 mn sq. ft.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	385/420/ADD
52-week range (Rs) (high-low)	387-330
Mcap (bn) (Rs/US\$)	234/2.8
ADTV-3M (mn) (Rs/US\$)	57/0.7

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	3	3	8
Rel. to Nifty	(1)	(1)	1
Rel. to MSCI India	(1)	(0)	3

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	9.9	11.0	16.4
EPS growth (%)	4.3	11.5	49.0
P/E (X)	39.0	35.0	23.5
P/B (X)	1.6	1.7	1.8
EV/EBITDA (X)	16.1	15.9	13.6
RoE (%)	4.1	4.7	7.3
Div. yield (%)	5.5	6.1	6.5
Sales (Rs bn)	26	31	35
EBITDA (Rs bn)	19	20	24
Net profits (Rs bn)	5.9	6.5	9.7

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Murtuza Arsiwalla

Abhishek Khanna

Anshika Gupta

Another third-party acquisition under due-diligence; maintain ADD

Mindspace REIT has completed the acquisition of a 100% stake in Sustain Properties Private Limited, which houses 1.82 mn sq. ft at Commerzone Raidurg, Hyderabad, and 0.26 mn sq. ft in Mindspace Madhapur, Hyderabad, to consolidate its ownership in the business park. Mindspace is also evaluating another potential third-party acquisition in Hyderabad, which is currently under final due diligence. This would further expand the REIT's portfolio, in addition to the 3.7 mn sq. ft under-construction assets (after the 1 mn sq. ft at Pune was completed in 4QFY25). We have assigned a value of Rs357 bn for the operational and under-construction assets; maintain ADD with a revised DCF-based FV of Rs420 (from Rs410), as we roll forward to March 2027E. The revision in earnings is on account of the acquisitions (ROFO + third party) at Hyderabad and the fine-tuning of commissioning timelines and ramp-up of occupancy.

Mindspace REIT reported largely in-line earnings; committed occupancy improved to 91.2%

Exhibit 1: Profit and loss statement for Mindspace REIT, March fiscal year-ends, 2024-26E (Rs mn)

				Chg (%)								
	4QFY25	4QFY25E	4QFY24	3QFY25	4QFY25E	4QFY24	3QFY25	2025	2024	Chg (%)	2026E	Chg (%)
Revenues	6,780	6,557	6,079	6,419	3	12	6	25,961	24,167	7	32,406	25
Direct expenses	(1,382)	(1,232)	(1,311)	(1,201)	12	5	15	(5,344)	(5,186)	3	(8,377)	57
NOI	5,398	5,325	4,768	5,218	1	13	3	20,617	18,981	9	24,029	17
Indirect expenses	(559)	(516)	(452)	(515)	8	24	9	(1,731)	(1,470)	18	(2,526)	46
EBITDA	4,839	4,809	4,316	4,703	1	12	3	18,886	17,511	8	21,502	14
Other income	267	247	141	251	8	89	6	795	477	67	870	9
Depreciation	(1,043)	(1,097)	(940)	(1,064)	(5)	11	(2)	(4,060)	(3,827)	6	(4,274)	5
Finance costs	(1,560)	(1,455)	(1,191)	(1,445)	7	31	8	(5,573)	(4,566)	22	(6,200)	11
Profit before tax and associates	2,503	2,504	2,326	2,446	(0)	8	2	10,049	9,595	5	11,898	18
Profit from associates / minority interest	(93)	(87)	(85)	(94)				(709)	(487)	46	(736)	4
Profit before tax	2,410	2,417	2,241	2,352	(0)	8	2	9,340	9,108	3	11,162	20
Tax	(1,532)	(900)	(691)	(973)		122	58	(4,544)	(3,494)	30	(3,977)	(12)
Net profit	878	1,517	1,550	1,379	(42)	(43)	(36)	4,796	5,614	(15)	7,185	50
Exceptional	(9)	-	(364)	(24)				(33)	(364)		-	
EPS (Rs/share)	1	3	3	2	(42)	(43)	(36)	8	9	(15)	12	50
Margins (%)												
NOI	80	81	78	81				79	79		74	
EBITDA	71	73	71	73				73	72		66	
PAT	13	23	25	21				18	23		22	
Operational												
Area (mn sq. ft)	30.0		26.3	26.8		14	12					
Committed occupancy (%)	91.2		88.6	89.6		3	2					
Occupancy (%)	84.1		83.8	86.2		0	(2)					
Rental (Rs/sq. ft)	71.0		69.0	71.4		3	(1)					

Source: Company, Kotak Institutional Equities estimates

Other highlights from the result/management call:

- **Leasing and expiries.** On the operational front, the Mindspace REIT achieved healthy gross leasing of 2.8 mn sq. ft at an average rate of Rs86 per sq. ft per month in 4QFY25 (7.6 mn sq. ft in FY2025). Gross leasing in 4QFY25 included 1.5 mn sq. ft of pre-leasing by a financial services tenant at Building 1, Madhapur Hyderabad, 0.5 mn sq. ft of re-leasing and 0.7 mn sq. ft of new + vacant area leasing. Mindspace REIT has demarcated 2.2 mn sq. ft of SEZ area at Airoli (West and East) to date, of which ~57% has already been leased to tenants. Further demarcation and consequent leasing of SEZ areas, commissioning of under-construction areas and MTM of rentals will aid earnings growth in FY2026E.

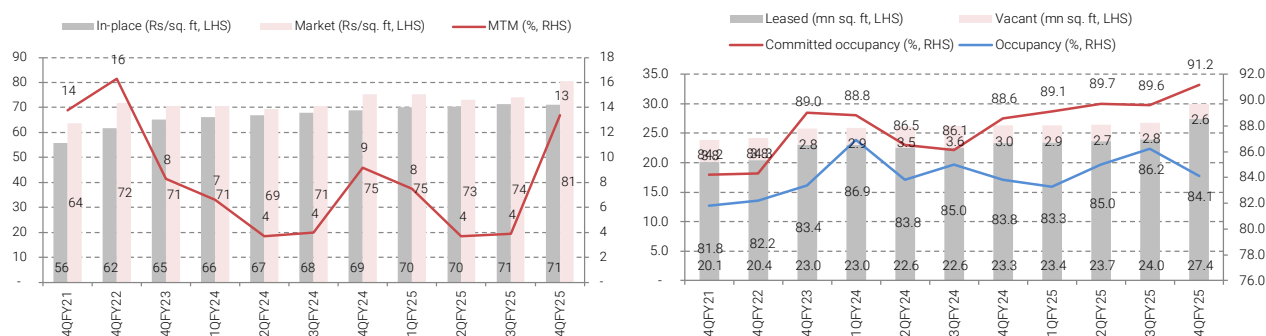
Expected lease expiries for FY2026/27/28E stand at 1.6/1.4/2.1 mn sq. ft. Of the 3.2 mn sq. ft of expiries in FY2025, management has retained 1.1 mn sq. ft. Of the balance of 2.1 mn sq. ft of exits, it has been able to re-lease 1.2 mn sq. ft to new tenants.

- **Rentals and NOI.** For 4QFY25, NOI stood at Rs5.4 bn (+13% yoy, +3% qoq), aided by revenues of Rs6.8 bn (+12% yoy, +6% qoq). Operationally, the completed area improved to 30 mn sq. ft (+14% yoy, +12% qoq), the in-place rentals stood at Rs71/sq. ft (+3% yoy, (-)1% qoq). NOI margin for the quarter stood at 80% (78% in 4QFY24/81% in 3QFY25). Rentals were aided by 20.9% MTM on 5.6 mn sq. ft of area re-leased in trailing 12 months, and lease rent escalation of 8.9% on area of 3.8 mn sq. ft across the portfolio (TTM).

- ▶ **Vacancy.** Committed occupancy for the larger portfolio of 30 mn sq. ft improved to 91.2% in 4QFY25 (88.6% on 26.3 mn sq. ft in 4QFY24/89.6% on 26.8 mn sq. ft in 3QFY25). Committed occupancy, excluding the Pocharam asset (to be sold), improved to 93%. Actual occupancy declined sequentially to 84.1%, owing to new area commissioning at Pune (83.8% in 4QFY24/86.2% in 3QFY25); management expects the gap between actual and committed occupancy to decline in the coming quarters, as the rent for new leases commences.
 - ▶ **Construction.** Mindspace delivered the B4 Building at Gera Commerzone Kharadi, Pune, spread across 1 mn sq. ft, entirely pre-leased to a large MNC Global Captive Center. It currently has 3.7 mn sq. ft under construction area and 3.4 mn sq. ft of future development potential. Balance capex stands at Rs43.7 bn (excluding approval costs)–Rs16.6 bn for ongoing projects, Rs20.1 bn for future developments, Rs4.3 bn for upgrades and fit-outs, and the balance for the recently completed projects/general development.
 - Mindspace has undertaken the redevelopment of B1 at Mindspace Madhapur, Hyderabad (1.5 mn sq. ft), with targeted completion by 1QFY27 and pending capex of Rs5 bn. The building is 100% pre-leased to a GCC.
 - It has also undertaken the redevelopment of B8 at Mindspace Madhapur, Hyderabad (1.6 mn sq. ft), with targeted completion by 4QFY25 and pending capex of Rs7.1 bn.
 - Mindspace has undertaken the construction of 0.13 mn sq. ft experience center at Mindspace Madhapur, with a pending construction cost of Rs1.1 bn (completion targeted by 2QFY26).
 - ▶ **Acquisitions.** Mindspace REIT has completed the acquisition of a 100% stake in Sustain Properties Private Limited, which houses 1.82 mn sq. ft at Commerzone Raidurg, Hyderabad, and 0.26 mn sq. ft in Mindspace Madhapur, Hyderabad, to consolidate its ownership in the business park. The ROFO acquisition of Commerzone Raidurg was done for a price of Rs6.1 bn, funded through the issuance of 16.2 mn units of Mindspace REIT at Rs379.08/unit on a preferential basis to the sponsor. We highlight that Sustain owns 1.82 mn sq. ft area, while the landowner owns 0.98 mn sq. ft of additional area. The 1.82 mn sq. ft asset, which is 100% leased to Qualcomm, has a WALE of 12 years, and 15% contractual escalation every three years. The in-place rent stands at Rs60/sq. ft, and another Rs9/sq. ft of income support.
- It is also evaluating another potential third-party acquisition in Hyderabad, which is currently under final due diligence. This would further expand the REIT's portfolio, in addition to the 3.7 mn sq. ft under-construction assets (1 mn sq. ft at Pune completed in 4QFY25).
- ▶ **Debt.** As of March 2025, Mindspace REIT's gross debt increased to Rs101 bn, from Rs84 bn, as of December 2024. The net debt position of the company stands at Rs89 bn. We note that LTV for net debt is still low at 24.3%. The cost of debt increased a tad to 8.15%.

Committed occupancy at 91.2% on a larger asset base; portfolio MTM improved to 13.4%

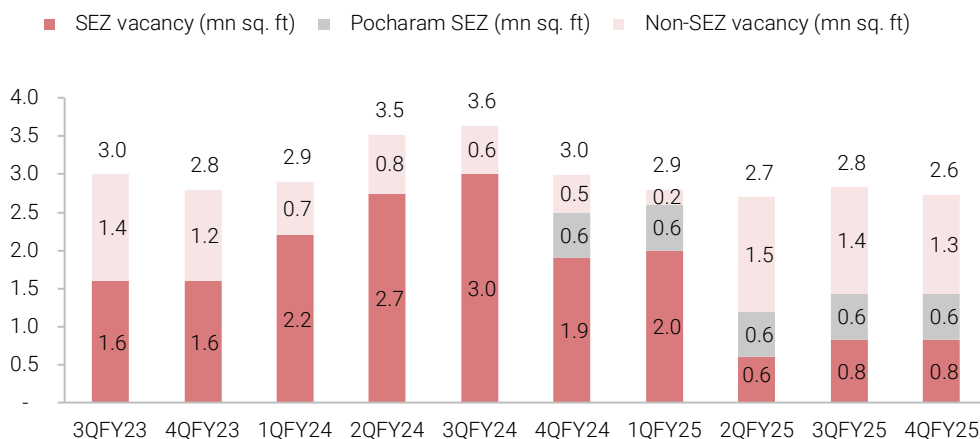
Exhibit 2: Operating metrics for Mindspace REIT, March fiscal year-ends, 2021-25 (Rs/sq. ft, %, mn sq. ft)



Source: Company, Kotak Institutional Equities

Higher non-SEZ vacancy after the demarcation of SEZ area

Exhibit 3: Breakup of vacant area for Mindspace REIT, March fiscal-year ends, 2023-25 (mn sq. ft)



Source: Company, Kotak Institutional Equities estimates

Mindspace leased 2.8 mn sq. ft area in 4QFY25, including 1.5 mn sq. ft of pre-leasing at Madhapur

Exhibit 4: Operational and leasing details for Mindspace REIT, March fiscal-year ends, 2023-25 (mn sq. ft)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Operational data												
Total inventory (mn sq. ft)	31.8	31.9	32.0	32.0	32.1	32.3	33.1	33.2	33.6	34.7	34.8	37.1
Completed inventory (mn sq. ft)	24.4	24.9	25.6	25.8	25.9	26.1	26.2	26.3	26.3	26.4	26.8	30.0
Under-construction (mn sq. ft)	4.4	4.4	1.8	2.5	2.5	2.9	4.4	4.4	4.4	4.4	4.6	3.7
Pipeline (mn sq. ft)	4.2	2.6	4.6	3.7	3.7	3.3	2.5	2.5	2.8	3.9	3.4	3.4
Committed occupancy (%)	85.6	86.9	88.3	89.0	88.8	86.5	86.1	88.6	89.1	89.7	89.6	91.2
In-place rent (Rs/sq. ft)	62.4	63.0	64.5	65.2	66.2	67.0	68.0	69.0	70.0	70.4	71.4	71.0
WALE (Years)	6.8	6.8	7.0	7.0	6.9	6.9	6.8	6.8	6.9	6.9	7.2	7.4
Gross leasing (mn sq. ft)	0.9	1.3	1.3	0.6	0.4	0.8	0.5	2.0	1.1	2.1	1.7	2.8
New (%)	54.3	56.8	44.1	23.4	13.4	54.7	15.4	45.0	45.9	74.5	91.0	79.9
Existing (%)	43.5	43.2	55.9	76.6	86.6	45.3	84.6	55.0	54.1	25.5	9.0	20.1
Rent for re-leased (Rs/sq. ft)	63.0	62.0	67.0	74.0	68.0	75.0	78.0	65.0	72.0	76.0	76.0	86.0
Re-leasing spread (%)	36.4	22.3	24.9	23.8	10.1	9.7	17.1	16.7	23.9	27.8	26.4	17.4
Area re-leased (mn sq. ft)	0.4	0.5	0.6	0.1	0.3	0.5	0.4	1.1	0.6	0.5	0.2	0.5
New area leased (mn sq. ft)	0.3	0.5	0.4	0.4	0.1	0.1	-	0.1	0.2	0.3	0.2	0.5
Vacant area leased (mn sq. ft)	0.2	0.2	0.3	0.1	(0.0)	0.2	0.0	0.8	0.3	0.3	0.3	0.3
Pre-leasing (mn sq. ft)										1.1	1.0	1.5
Rental mix (%)												
Top-10 (%)	36.3	36.4	34.9	32.2	30.9	29.7	29.7	28.1	27.5	28.8	30.0	33.0
MNC (%)	77.5	77.0	76.5	75.4	75.4	74.0	73.3	69.2	68.9	68.0	67.7	73.0
Fortune 500 (%)	29.4	30.2	33.9	31.2	30.5	30.7	31.5	33.0	32.5	32.0	31.1	35.4

Source: Company, Kotak Institutional Equities estimates

Mindspace REIT's 4QFY25 distribution was aided by one-off tax refund during the quarter
Exhibit 5: Cash flows for Mindspace REIT, March fiscal year-ends, 2023-25 (Rs mn)

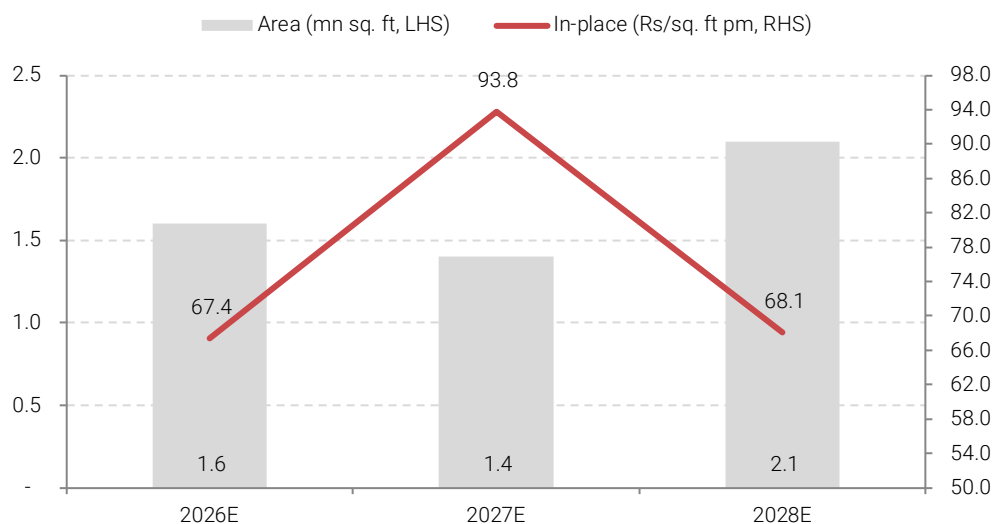
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Revenue from operations	4,916	6,810	5,603	5,639	5,880	6,213	5,963	6,079	6,198	6,230	6,419	6,789
Property taxes and insurance	(153)	(163)	(169)	(168)	(192)	(184)	(207)	(191)	(191)	(194)	(205)	(389)
Direct operating expenses	(749)	(2,475)	(883)	(1,108)	(1,118)	(1,119)	(1,025)	(1,120)	(1,043)	(999)	(995)	(1,003)
NOI	4,014	4,172	4,551	4,364	4,570	4,912	4,733	4,768	4,964	5,037	5,219	5,397
Property management fees	(118)	(119)	(133)	(128)	(135)	(139)	(116)	(145)	(141)	(155)	(152)	(161)
Net operating expenses	(98)	(221)	(253)	(143)	(92)	(192)	(140)	(131)	(139)	(141)	(111)	(98)
EBITDA	3,798	3,832	4,165	4,092	4,343	4,579	4,475	4,492	4,684	4,741	4,956	5,138
Cash taxes (net of refunds)	(433)	(413)	(471)	(402)	(326)	(502)	(663)	(423)	(395)	(777)	(799)	(391)
Working capital adjustments and other changes	(184)	(543)	880	203	138	(585)	216	(345)	1,005	567	556	1,184
Cash flow from operating activities	3,181	2,876	4,574	3,894	4,155	3,493	4,029	3,724	5,294	4,531	4,713	5,931
Capex including capitalized interest	(1,874)	(1,313)	(2,979)	(2,349)	(2,589)	(3,332)	(3,332)	(2,490)	-	-	-	-
Net debt (repayment) / drawdown	7,917	2,023	2,267	2,617	2,463	3,836	3,836	2,819	(161)	91	55	117
Finance costs paid for the period	(429)	(494)	(528)	(583)	(488)	(441)	(441)	(486)	(356)	(432)	(456)	(666)
Proceeds to the shareholders other than Mindspace REIT	(178)	(178)	(198)	(246)	(220)	(176)	(176)	(154)	(140)	(135)	(135)	(135)
NDCF at SPV level	8,617	2,914	3,136	3,333	3,322	3,380	3,916	3,413	4,637	4,055	4,177	5,247
Net distributions from SPV to REIT	8,563	3,072	3,175	3,241	3,306	3,372	4,003	3,443	4,637	4,050	4,166	4,832
Other inflows/(outflows) at REIT level	(5,746)	(251)	(321)	(381)	(442)	(518)	(1,131)	(604)	(1,645)	(928)	(997)	(901)
NDCF at REIT level	2,817	2,821	2,854	2,860	2,864	2,855	2,873	2,839	2,993	3,122	3,169	3,931
Distribution	2,811	2,817	2,846	2,852	2,846	2,841	2,846	2,829	2,989	3,054	3,155	3,923

Source: Company, Kotak Institutional Equities estimates

Mindspace Madhapur remains the highest revenue and NOI contributor in the overall portfolio
Exhibit 6: Asset-wise contribution to revenues and NOI, March fiscal year-ends, 2024-25 (Rs mn)

Asset	4QFY25	4QFY24	3QFY25	Chg (%)		2025	2024	Chg (%)
				4QFY24	3QFY25			
Revenues								
Mindspace Airoli (E)	1,050	981	979	7	7	4,046	3,880	4
Mindspace Airoli (W)	1,136	874	1,060	30	7	4,063	3,452	18
Mindspace Malad	264	255	254	4	4	1,028	976	5
The Square BKC	110	108	116	2	(5)	443	430	3
Mumbai	2,561	2,218	2,409	15	6	9,580	8,738	10
Gera Commerzone Kharadi	663	577	582	15	14	2,428	2,236	9
The Square Nagar Road	244	236	235	3	4	958	868	10
Commerzone Yerwada	576	482	543	20	6	2,182	2,012	8
Pune	1,483	1,295	1,360	15	9	5,568	5,116	9
Mindspace Madhapur	2,323	2,194	2,367	6	(2)	9,255	8,837	5
Mindspace Pocharam	-	1	-	NM	NM	1	65	(98)
Commerzone Raidurg	115	-	-	NM	NM	115	-	NM
Hyderabad	2,437	2,195	2,367	11	3	9,371	8,902	5
Commerzone Porur	286	229	281	25	2	1,070	723	48
Chennai	286	229	281	25	2	1,070	723	48
Others	13	12	1	8	1,200	38	34	12
Total	6,780	5,948	6,418	14	6	45,341	24,292	87
NOI								
Mindspace Airoli (E)	671	730	709	(8)	(5)	2,921	2,912	0
Mindspace Airoli (W)	816	641	804	27	1	2,987	2,544	17
Mindspace Malad	223	221	218	1	2	897	857	5
The Square BKC	107	100	106			411	403	2
Mumbai	1,817	1,692	1,837	7	(1)	7,216	6,716	7
Gera Commerzone Kharadi	527	416	431	27	22	1,774	1,591	12
The Square Nagar Road	189	181	180	4	5	730	667	9
Commerzone Yerwada	450	357	406	26	11	1,672	1,550	8
Pune	1,166	955	1,018	22	15	4,176	3,808	10
Mindspace Madhapur	1,945	1,836	2,012	6	(3)	7,810	7,468	5
Mindspace Pocharam	(6)	(8)	(5)	NM	NM	(24)	28	(186)
Commerzone Raidurg	108	-	-	NM	NM	108	-	NM
Hyderabad	2,048	1,828	2,007	12	2	7,894	7,496	5
Commerzone Porur	228	177	232	29	(2)	850	530	60
Chennai	228	177	232	29	(2)	850	530	60
Others	139	117	124	19	12	478	430	11
Total	5,398	4,769	5,218	13	3	20,617	18,981	9

Source: Company, Kotak Institutional Equities estimates

Stable expiries for FY2026 and 27E**Exhibit 7: Schedule of re-leasing for Mindspace REIT, March fiscal year-ends, 2026-28E (mn sq. ft, Rs/sq. ft per month)**

Source: Company, Kotak Institutional Equities estimates

Rs43.7bn of balance capex, including Rs16.6 bn for ongoing projects and Rs20.1 bn for future developments**Exhibit 8: Development status of various projects (as of March 2025)**

Asset	Status
Projects under development	
	Status: 10th & 11th Floor Slab WIP; finishes & MEP work commenced.
Mindspace Madhapur, Hyderabad (B1 redevelopment, 1.5 msf)	Estimated completion: 1QFY27 Balance cost: Rs5,031 mn 100% pre-leased to GCC
Mindspace Madhapur, Hyderabad (B8 redevelopment, 1.6 msf)	Status: L2 & L3 Slab work in progress; MEP Services Contractor's onboarded Estimated completion: 4QFY27 Balance cost: Rs7,085 mn
Mindspace Madhapur, Hyderabad (Experience Center, 0.13 msf)	Status: Structure completed; Club ID & MEP WIP; Façade & External finishes WIP. Estimated completion: 2QFY26 Balance cost: Rs1,061 mn

Source: Company, Kotak Institutional Equities

Share of top-10 tenants in gross rentals increased to 33%, as of March 2025

Exhibit 9: Top-10 tenants of Mindspace REIT, March fiscal year-ends, March 2025 (%)

	Sector	Rentals (%)
Qualcomm	Technology	7.1
L&T	Technology	3.3
Wipro	Technology	3.2
Cognizant	Technology	3.2
British Petroleum	Engineering & mfg	2.9
Accenture	Technology	2.7
Tablespace	Co-working	2.7
Hitachi Energy	Engineering & mfg	2.7
Princeton Digital	Technology	2.6
HDFC	Financial services	2.5
Total		32.9

Source: Company, Kotak Institutional Equities

Mindspace REIT has completed the acquisition of Commerzone Raidurg from the sponsor for Rs2.1 bn

Exhibit 10: Location of Commerzone Raidurg, Hyderabad



Source: Company, Kotak Institutional Equities

Mindspace REIT has completed portfolio of 30 mn sq. ft, following the acquisition of Commerzone Raidurg in Hyderabad

Exhibit 11: Portfolio summary for Mindspace REIT, March 2025

Property	Area (mn sq. ft)			WALE (years)	Committed (%)	Occupancy (%)	In-place rent (Rs psf/month)	GAV Rs mn
	Leasable	Completed	Under construction / planning					
Mindspace Airoli East	7.2	4.9	2.3	4.7	78.8	71.8	65.4	49,989
Mindspace Airoli West	6.4	5.3	1.1	9.4	87.6	84.6	63.0	56,709
Mindspace Malad	0.8	0.8	-	3.8	98.5	98.5	102.2	12,650
The Square BKC	0.1	0.1	-	1.7	100.0	100.0	240.0	5,058
Mumbai	14.4	11.1	3.4	6.9	84.7	80.1	70.2	124,405
Gera Commerzone Kharadi	3.0	3.0	-	7.2	100.0	65.1	81.4	36,511
The Square Nagar Road	0.8	0.8	-	3.4	100.0	100.0	81.4	9,344
Commerzone Yerwada	1.7	1.7	-	6.2	94.2	88.1	82.6	20,428
Pune	5.5	5.5	-	6.1	98.2	77.3	81.8	66,284
Mindspace Madhapur	13.7	9.9	3.7	7.3	97.2	92.3	69.9	130,165
Mindspace Pocharam	0.6	0.6	-	-	-	-	-	1,465
Commerzone Raidurg	1.8	1.8	-	11.5	100.0	100.0	60.1	22,178
Hyderabad	16.1	12.3	3.7	8.0	93.1	89.1	68.3	153,808
Commerzone Porur	1.1	1.1	-	8.5	100.0	100.0	62.6	12,115
Chennai	1.1	1.1	-	8.5	100.0	100.0	62.6	12,115
Facility management								9,861
Total	37.1	30.0	7.1	7.4	91.2	84.1	71.0	366,473

Source: Company, Kotak Institutional Equities estimates

We factor NOI to grow to Rs23.7 bn in FY2026E, aided by the recent acquisitions

Exhibit 12: Key assumptions for different properties under Mindspace REIT, March fiscal year-ends, 2020-2028E (Rs per sq. ft per month)

	2021	2022	2023	2024	2025	2026E	2027E	2028E
Operational metrics								
Real estate								
Leasable area (mn sq. ft)	24	24	25	26	30	30	32	34
Occupancy (%)	84	84	87	88	90	92	94	94
Area leased (mn sq. ft)	20	20	22	23	26	28	30	32
Financial metrics								
Revenue	11,381	17,501	22,821	24,292	25,961	32,406	37,937	40,867
Real estate	10,967	16,820	19,525	22,387	24,643	30,551	35,194	38,838
Other operating income	99	241	2,706	1,141	398	1,075	1,878	1,082
Power	315	440	590	764	920	780	865	947
NOI	10,100	14,863	17,101	18,981	20,617	24,029	28,581	30,507
Real estate	10,027	15,242	15,898	19,209	21,431	24,463	28,292	31,097
Other operating income	99	(375)	1,430	(199)	(1,008)	(402)	328	(546)
Power	(26)	(4)	(227)	(29)	194	(33)	(39)	(44)
EBITDA	8,282	13,648	15,376	17,511	18,886	21,502	25,968	27,743
PAT	3,075	5,081	4,204	5,614	4,796	7,185	10,519	10,670
NDCF	5,687	10,941	11,327	11,430	13,213	14,527	15,739	17,128

Source: Company, Kotak Institutional Equities estimates

Operational and under-construction assets are ascribed an EV of Rs356 bn

Exhibit 13: Valuation of Mindspace REIT based on March 2027E (Rs mn)

	Mar-27
Enterprise value	357,101
Net debt	101,606
Equity value	255,495
Equity value (Rs/unit)	420
Key assumptions	
WACC	12
Capitalization rate	8

Source: Company, Kotak Institutional Equities estimates

We factor in the acquisitions in our estimates

Exhibit 14: Revision in estimates for Mindspace REIT, March fiscal year-ends, 2026-28E (Rs mn)

	Revised			Original			
	2026E	2027E	2028E	2026E	2027E	2028E	
Net sales	32,406	37,937	40,867	30,532	35,382	NA	
NOI	24,029	28,581	30,507	22,195	26,326	NA	
EBITDA	21,502	25,968	27,743	19,814	23,876	NA	
PAT (after share of profit from associates)	7,185	10,519	10,670	6,531	9,728	NA	

Source: Company, Kotak Institutional Equities estimates

Mindspace REIT will see a strong growth in revenues on commissioning of new assets

Exhibit 15: Profit model, balance sheet and cash model for Mindspace REIT, March fiscal year-ends, 2020-2028E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model									
Net sales	15,520	11,381	17,501	22,821	24,292	25,961	32,406	37,937	40,867
EBITDA	11,116	8,282	13,648	15,376	17,511	18,886	21,502	25,968	27,743
Depreciation	(1,086)	(1,965)	(3,213)	(3,413)	(3,952)	(4,394)	(4,274)	(4,446)	(4,702)
EBIT	10,030	6,317	10,435	11,963	13,559	14,492	17,229	21,522	23,041
Interest	(5,114)	(1,707)	(2,644)	(3,431)	(4,566)	(5,573)	(6,200)	(7,844)	(9,116)
Other income	2,602	184	195	220	477	795	870	2,272	2,630
Pre-tax profits	7,518	4,794	7,986	8,752	9,470	9,715	11,898	15,950	16,555
Tax	(392)	(274)	(235)	(249)	(362)	(375)	(736)	(873)	(1,003)
Net income	7,126	4,520	7,751	8,503	9,108	9,340	11,162	15,077	15,552
Share of profit of associates	(2,379)	(1,445)	(2,670)	(4,299)	(3,494)	(4,544)	(3,977)	(4,558)	(4,882)
Adjusted net income	4,747	3,075	5,081	4,204	5,614	4,796	7,185	10,519	10,670
Extraordinary	—	—	(843)	(1,368)	(364)	(33)	—	—	—
Earnings per share (Rs)	8.5	5.2	7.1	7.1	9.5	8.1	11.8	17.3	17.5
Balance sheet									
Total equity	22,915	172,134	164,712	155,782	149,285	148,106	140,764	135,544	129,086
Total borrowings	67,512	36,064	44,480	54,535	69,728	101,098	104,013	114,421	119,321
Deferred tax liability	2,788	258	669	2,494	3,732	5,361	1,243	1,243	1,243
Current liabilities	19,009	14,262	13,674	14,420	15,701	17,039	29,099	29,298	29,494
Total liabilities and equity	112,224	222,718	223,535	227,231	238,446	271,603	275,118	280,507	279,145
Net fixed assets	1,453	1,556	1,539	1,296	1,129	1,159	579	389	43
Investment property	56,710	194,579	197,194	205,144	204,037	239,854	237,118	241,613	253,406
CWIP	17,746	15,339	13,496	7,867	14,567	7,375	26,424	29,332	19,682
Goodwill	1	1	1	1	1	1	1	1	1
Current assets	36,296	11,225	11,282	12,894	18,679	23,176	10,958	9,134	5,974
Investments	18	18	23	29	33	39	39	39	39
Total assets	112,224	222,718	223,535	227,231	238,446	271,603	275,118	280,507	279,145
Free cash flow									
Operating cash flow excl. working capital	9,493	8,030	12,117	14,137	15,634	16,600	16,789	20,537	21,858
Working capital changes	(227)	(52)	(519)	(207)	(369)	3,573	19,274	87	5,076
Capital expenditure	(13,544)	(4,008)	(5,632)	(7,634)	(10,805)	(14,888)	(20,007)	(11,658)	(6,500)
Free cash flow	(4,278)	3,970	5,966	6,296	4,460	5,286	16,057	8,966	20,434
Ratios (%)									
Net debt/equity (X)	2.8	0.2	0.2	0.3	0.4	0.6	0.7	0.8	0.9
RoAE (%)	22.9	3.2	2.5	2.6	3.7	3.2	5.1	7.8	8.1
RoACE (%)	14.7	4.3	5.0	5.7	6.5	6.5	7.2	9.6	10.3

Source: Company, Kotak Institutional Equities estimates

Star Health and Allied Insurance (STARHEAL)

Insurance

REDUCE

CMP(₹): 390

Fair Value(₹): 400

Sector View: **Attractive**

NIFTY-50: 24,334

April 30, 2025

The pain continues

Star Health reported marginal PAT versus our estimate of a net loss in 4QFY25. The claims ratio remains elevated at 69.2% in 4QFY25, leading to 70.3% for FY2025. While the company has been raising tariffs and changing the sourcing mix, there don't seem to be any quick fixes, especially against the backdrop of a drag from high medical inflation. Retain REDUCE with an FV of Rs400.

Marginal PAT in 4QFY25

Star Health reported PAT of Rs5 mn in 4QFY25, down from Rs1.4 bn in 4QFY24 and Rs2.2 bn in 3QFY25. We had built in a loss of Rs30 mn in our estimates. The GWP growth was muted at 3.4% yoy due to the impact of the 1/n rule, adjusting for which growth would have been higher at 12-14% yoy. NEP growth was moderate at 11.9%. New business growth was strong at 33% in 4QFY25 and 25% in FY2025. Claims ratio remains elevated at 69.2% compared to 64.1% in 4QFY24 due to sustained medical inflation. Expense ratio is elevated at 29.9% (28.6% in 4QFY24) due to the impact of the 1/n rule. Expense ratio has moderated sequentially by ~200 bps. The combined ratio for the quarter was below 100% at 99.2%. Investment yield moderated to 6.4% from 7.3-8.6% in the previous three quarters. The investment book growth was strong at 15.5% yoy.

Sustained pressure on claims post-Covid

Star Health has witnessed sustained pressure on claims over FY2023-25. Claims ratio was high at 70.3% in FY2025 versus 66.5% in FY2024; the company had, in the past, guided for a corridor of 63-65% to deliver more than high teens to low twenties RoE. Increase in propensity of hospitalization and rise in medical costs have led to sharp medical claims inflation for Star Health and the health insurance sector in general. Exhibit 2 shows that hospital realizations have shot up post-Covid and have remained at elevated levels. As per management, medical inflation was high at 15% in FY2025, which outpaced the price hikes implemented by Star Health, leading to an elevated claims ratio. Star Health raised rates by 20% for 60% of the portfolio, but this was done after a prolonged three-year period of stable tariffs. The company has changed the sourcing mix as well, with arguably better quality of customers through banca channel. Our rough math (see Exhibit 3) suggests high churn in the book—new business growth was strong at 33% in 4QFY25 and 25% in FY2025; this implies sharp drop in renewal rates to 86% in 4QFY25 and 91% in FY2025 (on premium).

Retain REDUCE

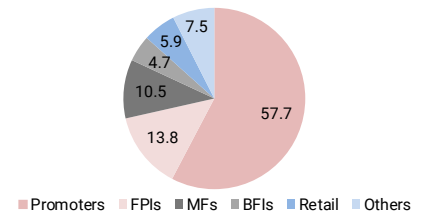
Star Health has consistently missed estimates due to higher-than-expected claims ratios. A large part of the reason may be attributed to higher medical inflation, news flows on claim repudiations and trust with hospitals raising some concerns. It appears that there is no quick fix, and the company will need to slowly raise tariffs, steer the portfolio, manage growth and ensure customer satisfaction. Faster negotiations with hospitals and lower GST on health insurance premiums may augur well for the business. We revise estimates by (-)6% to +2% and retain REDUCE with an FV of Rs400 (down from Rs425).

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	390/400/REDUCE
52-week range (Rs) (high-low)	648-327
Mcap (bn) (Rs/US\$)	229/2.7
ADTV-3M (mn) (Rs/US\$)	457/5.4

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	9	(10)	(32)
Rel. to Nifty	6	(14)	(39)
Rel. to MSCI India	6	(13)	(37)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	11.0	15.3	20.0
EPS growth (%)	(23.9)	39.4	30.3
P/E (X)	35.5	25.5	19.5
P/B (X)	3.3	2.9	2.5
BVPS (Rs)	119.5	134.8	154.8
RoE (%)	9.7	12.0	13.8
Div. yield (%)	0.0	0.0	0.0
NII (Rs bn)	168	194	232
PPOP (Rs bn)	8.6	12	16
Net profits (Rs bn)	6.5	9.0	12

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Nischint Chawathe

M B Mahesh, CFA

Varun Palacharla

Abhijeet Sakhare

Ashlesh Sonje, CFA

Nikhil Suresh

Exhibit 1: Star Health – quarterly summary, March fiscal year-end, 4QFY25 (Rs mn)

					Change (%)						
	4QFY25	4QFY25E	4QFY24	3QFY25	4QFY25E	4QFY24	3QFY25	2025	2024 (% change)	2026E	
Income statement (Rs mn)											
Gross written premium	51,380	51,155	49,683	37,961	0	3	35	167,814	152,545	10	192,716
Net premium	48,196	47,963	45,700	35,604	0	5	35	155,252	140,674	10	178,263
Net earned premium	37,983	37,539	33,953	37,997	1	12	(0)	148,222	129,383	15	169,103
Net incurred claims	26,301	25,892	21,774	27,145	2	21	(3)	104,194	86,000	21	116,681
Net commission paid	7,598	6,820	6,516	5,032	11	17	51	22,407	18,537	21	24,562
Operating expenses related to insurance	6,836	8,225	6,574	6,309	(17)	4	8	25,406	23,944	6	30,749
Employee expenses	4,581		4,732	4,089		(3)	12	16,929	16,122	5	21,464
Others	2,255		1,842	2,220		22	2	8,477	7,823	8	9,285
Underwriting profit	(2,752)	(3,398)	(910)	(490)	NM	NM	NM	(3,785)	902	(519)	(2,888)
Investment income	2,829	3,395	2,932	3,463	(17)	(4)	(18)	12,790	10,841	18	14,807
Other income, FX gain, etc.	41	41	24	1	NM	69	3,970	117	41	189	-
Provisions	4	(1)	21	-		(80)	#DIV/0!	5	25	(80)	5
Other expenses	146	62	128	120	135	15	22	508	471	8	558
Profit before tax	(9)	(62)	1,897	2,870	NM	(100)	(100)	8,610	11,289	(24)	11,356
Tax	(14)	(33)	474	718	NM	(103)	(102)	2,152	2,838	(24)	2,839
Profit after tax	5	(30)	1,423	2,151	NM	(100)	(100)	6,459	8,450	(24)	8,517
Balance sheet items											
Investments	178,984	173,664	154,909	166,664	3	16	7	178,984	154,909	16	201,502
Key ratios											
Ceding Ratio	6.2	6.2	8.0	6.2	-4 bps	-182 bps	-1 bps	7.5	7.8	-30 bps	7.5
Net incurred claims ratio	69.2	69.0	64.1	71.4	27 bps	512 bps	-220 bps	70.3	66.5	383 bps	69.0
Net commission ratio	15.8	14.2	14.3	14.1	154 bps	151 bps	163 bps	14.0	13.2	78 bps	13.8
Operating expense ratio	14.2	17.1	14.4	17.7	-296 bps	-20 bps	-354 bps	17.3	17.0	26 bps	17.2
Combined ratio	99.2	100.3	92.8	103.3	-115 bps	642 bps	-410 bps	101.5	96.7	487 bps	100.0
Investment yield	6.4	7.8	7.6	8.2	-143 bps	-128 bps	-185 bps	7.4	7.3	10 bps	7.5
Solvency ratio	222		221	222		100 bps	0 bps	193	195	-191 bps	188
RoE	0.0		8.9	12.4	-885 bps	-1242 bps		9.7	14.4	-469 bps	11.4

Notes:

(a) 3QFY25, 4QFY25, FY2025 figures reflect impact of deferred recognition of premium on multi-year policies and hence not comparable with previous periods.

Source: Company, Kotak Institutional Equities estimates

Hospital realizations continue to rise

Exhibit 2: ARPOB of select hospitals, March fiscal year-ends, 2019-24, 3QFY24-3QFY25 (Rs'000s/day)

	2019	2020	2021	2022	2023	2024	YoY (%)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	YoY (%)
Apollo	34,122	37,079	39,896	48,645	51,483	56,817	10	56,686	59,435	59,157	59,204	61,001	8
Aster (India)	19,317	28,789	30,199	33,309	35,210	40,050	14	39,750	42,866	44,200	42,981	45,492	14
KIMS	18,179	18,168	21,166	24,831	29,624	31,128	5	30,231	33,896	38,176	37,507	37,819	25
Max	40,851	45,268	45,386	55,603	60,431	67,172	11	70,823	67,050	71,848	70,621	70,875	0
Medanta	45,306	45,215	48,294	54,564	59,219	62,015	5	60,969	63,277	64,341	62,442	61,633	1
Narayana (India)	24,665	26,583	28,493	32,329	33,966	40,087	18	38,630	40,822	41,370	41,096	41,918	9
Rainbow	30,742	29,277	40,893	45,711	48,951	55,990	14	56,216	54,042	56,119	50,153	53,838	(4)

Source: Company, Kotak Institutional Equities

Sharp drop in renewal ratio

Exhibit 3: Calculation of renewal ratio, March fiscal year-ends, 2024-25 (Rs mn)

	2024	2025
Overall	152,540	174,880
Fresh	33,290	40,740
Renewal	119,250	134,140
Group	11,230	12,330
Fresh		7,390
Renewal		4,940
Retail	141,310	162,550
Fresh		33,350
Renewal		129,200
Retail renewal ratio (%)		91

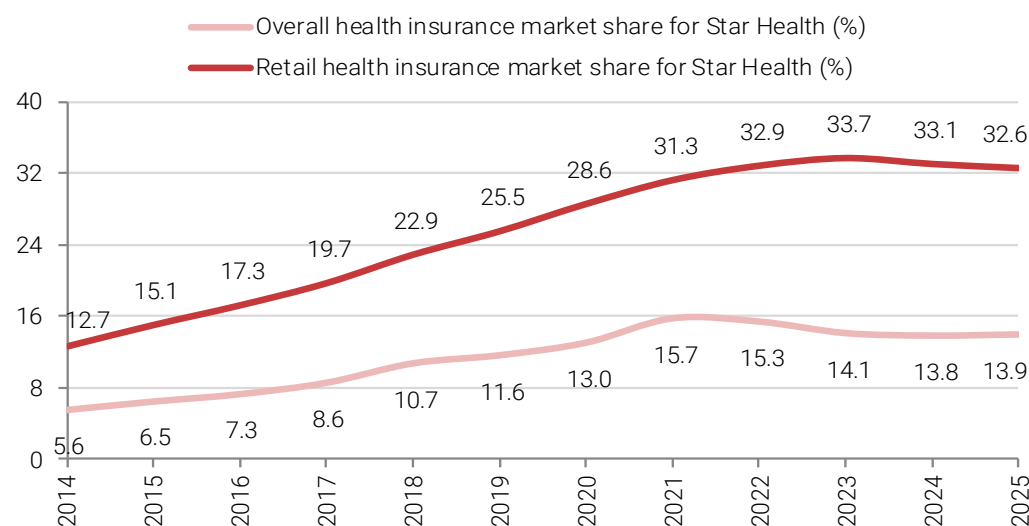
Notes:

(a) The impact of multi-year policies as well as rate hike have not been considered in calculating the renewal ratio.

Source: Company, Kotak Institutional Equities

Star Health's market share has moderated in FY2025

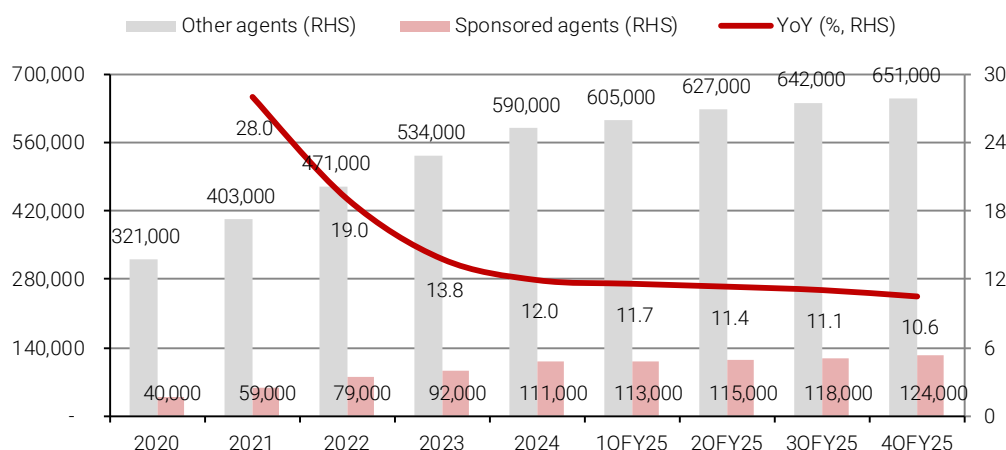
Exhibit 4: Star Health's market share, March fiscal year-ends, 2014-25 (%)



Source: Company, GI Council, IRDA

Agency force grew 11% yoy in FY2025

Exhibit 5: Agency force of Star Health, March fiscal year-ends, 2020-24, 1QFY25-4QFY25 (#)



Source: Company, Kotak Institutional Equities

Regulatory changes drag down growth and profitability in the near term

Multi-year policies contribute ~13% of GWP; deferment of premium of these policies over their tenure (~2.5 years) leads to lower growth and elevated expense ratios in the near term. As seen in Exhibit 6, reported GWP growth moderated to 10% in FY2025 from 15% (before implementation of 1/n rule). The lower premium growth also leads to elevated commission and operating expense ratios. Exhibit 7 illustrates that expense ratios was elevated by ~100 bps in FY2025.

Over FY2026-28E, the deferred premium unwinds, leading to rise in GWP growth to 19% and the gap in expense ratio narrows to ~40 bps. The advance premium that is deferred adds to the investment pool, hence the impact of the 1/n rule on investment income is marginal.

Exhibit 6: Impact of 1/n rule on GWP, March fiscal year-ends, 2025-28E

	2025	2026E	2027E	2028E
GWP before 1/n rule (Rs mn)	175,530	203,615	236,193	273,984
1H	78,472	91,028	105,592	122,487
2H	97,058	112,587	130,601	151,497
GWP growth yoy (%)	15.1	16.0	16.0	16.0
1H	17.5	16.0	16.0	16.0
2H	13.2	16.0	16.0	16.0
GWP of multi year policies (Rs mn)				
1H		10,923	12,671	14,698
2H	12,861	13,510	15,672	18,180
Share of multi year policies (%)				
1H		12.0	12.0	12.0
2H	13.3	12.0	12.0	12.0
GWP after 1/n rule (Rs mn)	167,814	194,099	231,533	268,297
1H	78,472	84,474	102,359	118,736
2H	89,341	109,625	129,174	149,560
GWP growth yoy (%)	10.0	15.7	19.3	15.9
1H	17.5	7.6	21.2	16.0
2H	4.2	22.7	17.8	15.8

Source: Company, Kotak Institutional Equities estimates

Exhibit 7: Impact of 1/n rule on ratios and reserves, March fiscal year-ends, 2025-28E

	2025	2026E	2027E	2028E
Net written premium				
NWP before 1/n rule (Rs mn)	162,391	188,344	218,479	253,435
NWP after 1/n rule (Rs mn)	155,252	179,541	214,168	248,174
Commission ratio				
Commission (Rs mn)	22,407	25,865	30,156	34,955
Deferred commission on multi-year policies	714	880	431	526
Commission ratio after 1/n rule (%)	14.4	14.4	14.1	14.1
Commission ratio before 1/n rule (%)	14.2	14.2	14.0	14.0
Operating expense ratio				
Operating expenses (Rs mn)	25,406	29,005	33,209	38,522
Operating expense ratio after 1/n rule (%)	16.4	16.2	15.5	15.5
Operating expense ratio before 1/n rule (%)	15.6	15.4	15.2	15.2
Advance premium reserve				
Net advance premium for the year (Rs mn)	7,139	8,802	4,311	5,261

Source: Company, Kotak Institutional Equities estimates

We model stable growth and gradual improvement in profitability

GWP growth will likely remain moderate at 16% (before 1/n rule) over the medium term. We model gradual moderation in claims ratio to 67.5% by FY2028E from 70.3% in FY2025, driven by (1) 10-15% price hike in products that contribute 50-60% of GWP, and (2) gradual increase in share of claims settled at agreed network hospitals (34% of total network and account for 78% of cashless claims). Operating leverage will drive down operating and commission expenses to 29.2% by FY2028E from 29.9% in FY2025 (before 1/n rule), leading to a combined ratio of 96.7% from 100.2% in FY2025.

High sensitivity of PAT to claims ratio

Exhibit 8: Sensitivity of PAT to claims ratio, March fiscal year-ends, 2026-28E

Claims ratio (%)	PAT (Rs mn)			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E
65.5	13,564	15,491	18,446	51	32	24
66.0	12,913	14,739	17,565	43	26	18
66.5	12,261	13,987	16,685	36	19	12
67.0	11,609	13,235	15,804	29	13	6
67.5	10,958	12,482	14,923	22	6	-
68.0	10,306	11,730	14,042	14	-	(6)
68.5	9,654	10,978	13,162	7	(6)	(12)
69.0	9,003	10,226	12,281	-	(13)	(18)
69.5	8,351	9,473	11,400	(7)	(19)	(24)
70.0	7,699	8,721	10,520	(14)	(26)	(30)
70.5	7,048	7,969	9,639	(22)	(32)	(35)
71.0	6,396	7,217	8,758	(29)	(38)	(41)

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Change in estimates, March fiscal year-ends, 2025-28E

	New estimates (Rs mn)				Old estimates (Rs mn)			Change (%)		
	2025	2026E	2027E	2028E	2025	2026E	2027E	2025	2026E	2027E
Income statement										
Gross written premium	167,814	194,099	231,533	268,297	167,588	192,458	229,925	0.1	0.9	0.7
Net premium	155,252	179,541	214,168	248,174	155,019	177,061	211,531	0.2	1.4	1.2
Net earned premium	148,222	169,665	195,848	229,301	147,778	168,748	193,286	0.3	0.5	1.3
Net incurred claims	104,194	117,069	133,177	154,778	103,784	116,436	129,501	0.4	0.5	2.8
Net commission	22,407	25,865	30,156	34,955	21,630	24,396	28,083	3.6	6.0	7.4
Operating expenses	25,406	29,005	33,209	38,522	26,795	30,542	35,212	(5.2)	(5.0)	(5.7)
Underwriting profit/(loss)	(3,785)	(2,273)	(693)	1,046	(4,431)	(2,626)	489	NM	NM	(241.9)
Investment income	12,790	14,840	16,953	19,532	13,356	14,898	16,700	(4.2)	(0.4)	1.5
Other income and expenses	(395)	(563)	(619)	(680)	(394)	(491)	(537)	NM	NM	NM
Profit before tax	8,610	12,003	15,640	19,898	8,532	11,781	16,651	0.9	1.9	(6.1)
Tax	2,152	3,001	3,910	4,974	2,133	2,945	4,163	0.9	1.9	(6.1)
Profit after tax	6,459	9,003	11,730	14,923	6,399	8,836	12,488	0.9	1.9	(6.1)
Balance sheet (Rs mn)										
Investments	178,984	202,373	233,170	268,684	173,664	197,340	229,480	3.1	2.6	1.6
Current assets	23,501	27,026	31,080	35,742	20,051	23,058	26,517	17.2	17.2	17.2
Other assets	5,361	5,731	6,175	6,708	5,683	6,104	6,608	(5.7)	(6.1)	(6.5)
Net assets	207,846	235,131	270,425	311,134	199,398	226,502	262,605	4.2	3.8	3.0
Shareholders' funds	70,236	79,239	90,969	105,892	69,815	78,651	91,139	0.6	0.7	(0.2)
Borrowings	4,700	4,700	4,700	4,700	4,700	4,700	4,700	—	—	—
Key ratios (%)										
Ceding ratio	7.5	7.5	7.5	7.5	7.5	8.0	8.0	-1 bps	-50 bps	-50 bps
Net incurred claims ratio	70.3	69.0	68.0	67.5	70.2	69.0	67.0	7 bps	0 bps	100 bps
Net commission ratio	14.4	14.4	14.1	14.1	14.0	13.8	13.3	48 bps	63 bps	80 bps
Operating expense ratio	16.4	16.2	15.5	15.5	17.3	17.2	16.6	-92 bps	-109 bps	-114 bps
Combined ratio	101.1	99.6	97.6	97.1	101.5	100.0	96.9	-37 bps	-47 bps	66 bps
Investment yield	7.4	7.5	7.5	7.5	7.9	7.8	7.6	-49 bps	-30 bps	-10 bps
Investment leverage	2.5	2.5	2.5	2.5	2.4	2.4	2.5	6 bps	5 bps	5 bps
ROA	3.4	4.1	4.6	5.1	3.4	4.1	5.1	-4 bps	-8 bps	-47 bps
ROE	9.7	12.0	13.8	15.2	9.6	11.9	14.7	6 bps	14 bps	-93 bps
Solvency ratio	193	188	180	179	193	190	182	33 bps	-130 bps	-257 bps
Other key data (Rs/share)										
EPS	11	15	20	25	11	15	21	0.5	1.5	(6.5)
BVPS	119	135	155	180	119	134	156	0.2	0.3	(0.6)

Source: Company, Kotak Institutional Equities estimates

Exhibit 10: Star Health – key growth rates and ratios, March fiscal year-ends, 2020-28E (%)

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Key growth rates (%)									
Income Statement									
Gross written premium	27	36	23	13	18	10	16	19	16
Net premium	27	36	51	14	14	10	16	19	16
Net earned premium	31	7	95	15	15	15	14	15	17
Net incurred claims	34	42	95	(14)	17	21	12	14	16
Net commission	29	71	156	13	10	21	15	17	16
Operating expenses	12	27	31	12	17	6	14	14	16
Employee expenses	18	38	14	9	11	5	27	15	14
Other expenses	(5)	(9)	122	19	30	8	(11)	14	21
Investment income	50	44	89	4	30	18	16	14	15
Other income	41	96	NA	NA	NA	NA	NA	NA	NA
Provisions	(195)	NM	NA	NA	NA	NA	NA	NA	NA
Other expenses	34	99	29	62	(78)	8	10	10	10
Profit before tax	127	(353)	NM	NM	37	(24)	39	30	27
Tax	169	(252)	NM	NM	37	(24)	39	30	27
Profit after tax	109	(408)	NM	NM	37	(24)	39	30	27
Balance Sheet									
Investment	42	59	66	18	16	16	13	15	15
Fixed assets	4	(3)	18	(5)	57	6	20	20	20
Cash and bank balances	(32)	207	(70)	(45)	44	50	15	15	15
Other assets	32	50	(13)	(3)	17	23	12	13	13
Net assets	26	71	29	13	17	17	13	15	15
Shareholders' funds	34	113	32	18	17	11	13	15	16
Current liabilities	31	33	25	4	22	66	23	10	12
Provisions	22	70	19	17	15	8	11	18	16
Other liabilities	1	(4)	208	(34)	16	(3)	(16)	-	(0)
Total liabilities	23	56	27	10	17	20	13	15	14
Key ratios (%)									
Ceding ratio	23.6	23.6	5.7	4.9	7.8	7.5	7.5	7.5	7.5
Net incurred claims ratio	65.8	87.0	87.1	65.0	66.5	70.3	69.0	68.0	67.5
Net commission ratio	6.5	8.2	13.8	13.7	13.2	14.4	14.4	14.1	14.1
Operating expense ratio	20.9	19.6	17.0	16.7	17.0	16.4	16.2	15.5	15.5
Combined ratio	93.2	114.8	117.9	95.3	96.7	101.1	99.6	97.6	97.1
Investment yield	6.7	6.2	7.7	6.5	7.3	7.4	7.5	7.5	7.5
Tax rate	35.2	NM	NM	25.1	25.1	25.0	25.0	25.0	25.0
ROA	4.9	(9.9)	(8.7)	4.3	5.1	3.4	4.1	4.6	5.1
ROE	18.7	(32.1)	(25.7)	12.3	14.4	9.7	12.0	13.8	15.2
Solvency	150	223	167	193	195	193	188	180	179

Source: Company, Kotak Institutional Equities estimates

Exhibit 11: Star Health – financial summary, March fiscal year-ends, 2019-28E (Rs mn)

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Income Statement										
Gross written premium	54,154	68,907	93,490	114,635	129,525	152,545	167,814	194,099	231,533	268,297
Net premium	41,415	52,614	71,448	108,094	123,197	140,674	155,252	179,541	214,168	248,174
Net earned premium	35,795	46,930	50,228	98,092	112,616	129,383	148,222	169,665	195,848	229,301
Net incurred claims	(22,976)	(30,874)	(43,695)	(85,400)	(73,204)	(86,000)	(104,194)	(117,069)	(133,177)	(154,778)
Net commission	(2,638)	(3,409)	(5,838)	(14,922)	(16,828)	(18,537)	(22,407)	(25,865)	(30,156)	(34,955)
Operating expenses	(9,827)	(11,020)	(14,014)	(18,385)	(20,544)	(23,944)	(25,406)	(29,005)	(33,209)	(38,522)
Employee expenses	(7,220)	(8,536)	(11,749)	(13,349)	(14,537)	(16,122)	(16,929)	(21,464)	(24,583)	(28,098)
Other expenses	(2,607)	(2,484)	(2,264)	(5,036)	(6,007)	(7,823)	(8,477)	(7,541)	(8,626)	(10,424)
Underwriting profit/(loss)	307	1,684	(13,318)	(20,615)	2,040	902	(3,785)	(2,273)	(693)	1,046
Investment income	1,954	2,935	4,237	7,995	8,346	10,841	12,790	14,840	16,953	19,532
Other income	1	2	3	14	57	41	117	—	—	—
Provisions	(98)	92	(344)	(24)	(11)	(25)	(5)	(5)	(5)	(5)
Other expenses	(390)	(522)	(1,038)	(1,337)	(2,168)	(471)	(508)	(558)	(614)	(675)
Profit before tax	1,822	4,134	(10,460)	(13,967)	8,264	11,289	8,610	12,003	15,640	19,898
Tax	(540)	(1,454)	2,204	3,560	(2,078)	(2,838)	(2,152)	(3,001)	(3,910)	(4,974)
Profit after tax	1,282	2,680	(8,256)	(10,407)	6,186	8,450	6,459	9,003	11,730	14,923
Balance Sheet										
Investment	30,301	42,900	68,367	113,734	133,921	154,909	178,984	202,373	233,170	268,684
Fixed assets	981	1,019	990	1,171	1,113	1,751	1,849	2,219	2,663	3,196
Cash and bank balances	8,930	6,114	18,790	5,635	3,094	4,446	6,684	7,687	8,840	10,166
Other assets	8,513	11,235	16,863	14,595	14,133	16,571	20,329	22,851	25,752	29,088
Net assets	48,725	61,267	105,010	135,136	152,261	177,677	207,846	235,131	270,425	311,134
Shareholders' funds	12,282	16,437	34,996	46,041	54,339	63,416	70,236	79,239	90,969	105,892
Current liabilities	9,003	11,794	15,643	19,607	20,301	24,779	41,211	50,501	55,746	62,658
Provisions	24,939	30,506	51,946	62,022	72,687	83,747	90,814	100,690	119,010	137,884
Other liabilities	2,500	2,531	2,424	7,467	4,934	5,736	5,585	4,700	4,700	4,700
Total liabilities	36,443	44,830	70,013	89,096	97,922	114,261	137,610	155,892	179,456	205,241

Source: Company, Kotak Institutional Equities estimates

Five Star Business Finance (FIVESTAR)

Diversified Financials

BUY

CMP(₹): 706

Fair Value(₹): 850

 Sector View: **Attractive**

NIFTY-50: 24,334

April 30, 2025

Keeping the faith

Looking beyond stable 4Q performance, Five Star will face near-term recovery challenges in Tamil Nadu (TN) due to an ordinance that prevents coercive recovery practices. Learnings from recent experience in Karnataka and the advantages of the home state will curtail slippages, even though large (29% exposure to TN is concerning). We remain watchful, though we derive comfort on Five Star's smooth but limited execution track record. Cut FV to Rs850 (down from Rs890); retain BUY.

4Q performance broadly stable

Five Star reported 18% PAT due to 23% AUM growth (a tad lower than the 25% guidance due to a slowdown in Karnataka) and 47 bps yoy NIM compression, mostly reflecting lower yields. Operating expenses were 26% yoy, leading to an elevated cost-to-AAUM ratio of 6.5% (up 11 bps yoy and 32 bps qoq). While credit costs were moderate at 0.9% (stable overall ECL coverage ratio of 1.6% and moderate write-offs of 0.6%), stressed loans were up 46 bps qoq to 10.3%; this was mostly driven by a rise in early buckets. The gross stage-3 ratio was also up 20 bps qoq, reflecting lower collections in Karnataka and overleveraged microfinance borrowers.

TN legislation raises anxieties, should be manageable despite near-term stress

Tamil Nadu has approved the bill to curb coercive loan recovery practices, on the lines of the recent legislation in Karnataka. Five Star has about 6% exposure in Karnataka; lower collections in the state led to a rise of about 13 bps in gross stage-3 loans; the ratio was 1.8% in FY2025, up 41 bps yoy. The exposure to Tamil Nadu is much higher at 29%, though TN has the advantage of being Five Star's home state and management has experience dealing with similar crises in Karnataka. We are modeling gross stage-3 loans of 2.1% by FY2026E to reflect residual stress due to the aforesaid development by year-end, in addition to the increase in delinquencies in the normal course of business and overlap with overleveraged microfinance borrowers. We understand that the implementation of such legislation, in the initial weeks, faces challenges as local authorities may not be able to differentiate between RBI-regulated entities and others; we understand that the regulation is not applicable to the former. Experience in Karnataka suggests that there are challenges in recoveries in the initial period, but this will improve over time.

Retain BUY; remain watchful

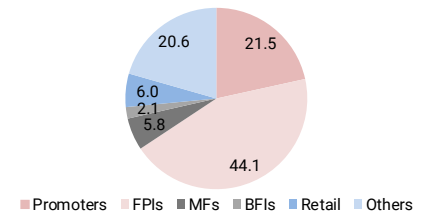
We remain watchful of the trends in recoveries in Karnataka and Tamil Nadu, though we derive comfort from Five Star's execution capabilities. We are cutting our FV to Rs850 from Rs890 by raising the risk premium by 50 bps in our cost of equity assumption. We revise up estimates by 0.5-2.6%. We expect the company to deliver 14% earnings growth in FY2026E, followed by a 21% CAGR during FY2026-28E, with ~18% RoEs, reflecting higher credit costs (corresponding to high yields of the book) and NIM.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	706/850/BUY
52-week range (Rs) (high-low)	944-595
Mcap (bn) (Rs/US\$)	208/2.5
ADTV-3M (mn) (Rs/US\$)	585/6.9

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(2)	(11)	(7)
Rel. to Nifty	(6)	(14)	(15)
Rel. to MSCI India	(6)	(13)	(12)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	36.8	41.9	51.2
EPS growth (%)	28.3	13.8	22.1
P/E (X)	19.2	16.8	13.8
P/B (X)	3.3	2.7	2.3
BVPS (Rs)	216.4	258.3	309.4
RoE (%)	18.7	17.7	18.0
Div. yield (%)	0.0	0.0	0.0
NII (Rs bn)	21	25	30
PPOP (Rs bn)	0.0	0.0	0.0
Net profits (Rs bn)	11	12	15

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Nischint Chawathe

M B Mahesh, CFA

Varun Palacharla

Abhijeet Sakhare

Ashlesh Sonje, CFA

Nikhil Suresh

Exhibit 1: Quarterly summary, March fiscal year-ends, 4QFY25 (Rs mn)

				Change (%)							
	4QFY25	4QFY25E	4QFY24	3QFY25	4QFY25E	4QFY24	3QFY25	2025	2024	YoY (%)	2026E
Income statement (Rs mn)											
Operational income	7,523	7,403	6,163	7,274	1.6	22.1	3.4	28,478	21,828	30.5	34,021
Interest income	7,347	7,318	5,992	7,112	0.4	22.6	3.3	27,663	21,166	30.7	33,227
Fee income	109	13	84	80	748.3	29.9	36.6	322	219	46.7	295
Net gain on FV change	66	72	86	81	(8.3)	(23.1)	(18.4)	494	443	11.4	500
Interest expense	1,753	1,828	1,377	1,714	(4.1)	27.3	2.3	6,680	4,685	42.6	8,332
Net interest income	5,594	5,490	4,615	5,399	1.9	21.2	3.6	20,983	16,481	27.3	24,895
Net operational income	5,770	5,575	4,786	5,560	3.5	20.6	3.8	21,799	17,144	27.2	25,689
Other income	75	43	29	37	NM	162.3	103.4	182	123	48.4	150
Total income	5,844	5,618	4,814	5,597	4.0	21.4	4.4	21,980	17,266	27.3	25,839
Operating expenses	1,880	1,819	1,488	1,713	3.4	26.3	9.8	6,785	5,553	22.2	8,190
Employee benefits expense	1,442	1,421	1,143	1,292	1.5	26.2	11.6	5,211	4,286	21.6	6,111
Depreciation and amortization expense	90	65	74	83	39.1	21.6	7.8	304	246	23.6	480
Other expenses	348	333	271	337	4.2	28.1	3.0	1,270	1,021	24.3	1,599
PPOP	3,964	3,799	3,326	3,884	4.3	19.2	2.1	15,196	11,713	29.7	17,649
Provisions	254	351	194	233	(27.7)	30.7	9.0	890	554	60.7	1,365
PBT pre-extraordinaries	3,711	3,449	3,132	3,651	7.6	18.5	1.6	14,306	11,159	28.2	16,285
PBT	3,711	3,449	3,132	3,651	7.6	18.5	1.6	14,306	11,159	28.2	16,285
Tax	919	862	771	913	6.6	19.2	0.7	3,581	2,800	27.9	4,076
Profit after tax	2,791	2,586	2,361	2,739	7.9	18.2	1.9	10,725	8,359	28.3	12,208
Tax rate (%)	25	25	25	25	-23 bps	15 bps	-22 bps	25	25	-6 bps	25
Core PBT	3,823	3,684	3,211	3,766	3.8	19.1	1.5	14,520	11,147	30.3	16,999
Balance sheet (Rs mn)											
Loans	116,868	117,440	96,851	112,330	(0.5)	20.7	4.0	116,868	96,851	20.7	145,821
Net assets	144,206	142,815	116,888	135,554	1.0	23.4	6.4	144,206	116,888	23.4	179,288
Borrowings	79,220	78,308	63,158	73,624	1.2	25.4	7.6	79,220	63,158	25.4	101,914
Net worth	63,046	62,481	51,962	60,171	0.9	21.3	4.8	63,046	51,962	21.3	75,254
AUM (Rs mn)											
AUM	118,770	119,455	96,406	111,781	(0.6)	23.2	6.3	118,770	96,406	23.2	148,585
Disbursements	14,599	14,943	13,364	9,408	(2.3)	9.2	55.2	49,699	48,814	1.8	65,446
Repayments	7,610	7,269	6,266	6,897	4.7	21.4	10.3	27,335	21,556	26.8	35,631
Repayment rate (%)	27	26	28	25	122 bps	-83 bps	198 bps	28	31	-282 bps	30
Asset quality (%)											
1-30 dpd	6.1		4.7	5.9		134 bps	15 bps				
31-60 dpd	4.1		3.6	4.0		51 bps	6 bps				
60-90 dpd	3.8		2.9	3.5		84 bps	26 bps				
Gross stage-3	1.8		1.4	1.6		41 bps	17 bps	1.8	1.4	41 bps	2.1
ECL coverage on stage-1 and 2	0.7		0.9	0.9		-18 bps	-14 bps	0.7	0.9	-18 bps	0.8
ECL coverage on stage-3	51.3		54.3	50.2		-300 bps	113 bps	51.3	54.3	-300 bps	52.0
Overall ECL coverage	1.6		1.6	1.7		-1 bps	-3 bps	1.6	1.6	-1 bps	1.9
Key calculated ratios (%)											
Yield on loans	25.5	25.3	25.8	25.7	18 bps	-32 bps	-25 bps	25.7	25.6	14 bps	24.9
Cost of borrowings	9.2	9.6	9.1	9.6	-45 bps	7 bps	-45 bps	9.4	8.9	51 bps	9.2
Spread	16.3	15.7	16.7	16.1	63 bps	-39 bps	20 bps	16.3	16.7	-37 bps	15.7
NIM	19.4	19.0	19.9	19.5	42 bps	-47 bps	-13 bps	19.5	19.9	-41 bps	18.6
Cost-to-income	32.2	32.4	30.9	30.6	-21 bps	126 bps	156 bps	30.9	32.2	-129 bps	31.7
Cost-to-average AUM	6.5	6.3	6.4	6.2	23 bps	11 bps	32 bps	6.3	6.7	-40 bps	6.1
Credit cost	0.9	1.2	0.8	0.8	-33 bps	4 bps	4 bps	0.8	0.7	16 bps	1.0
ROA	8.0	7.4	8.4	8.3	55 bps	-38 bps	-32 bps	8.2	8.2	2 bps	7.5
ROE	18.1	16.9	18.6	18.7	125 bps	-48 bps	-54 bps	18.7	17.5	112 bps	17.7
Core PBT ratio	10.9	10.6	11.4	11.4	35 bps	-44 bps	-49 bps	11.1	10.9	19 bps	10.5

Source: Company, Kotak Institutional Equities estimates

4QFY25 highlights

- Five Star reported PAT of Rs2.8 mn in 4QFY25, up 18% yoy and 8% above our estimates. Core PBT was up 19% yoy and 4% above our estimates. The beat was driven by (1) higher-than-expected margins, (2) lower-than-expected credit cost and (3) higher fee income.
- NII growth of 21% yoy was driven by 23% AUM growth; 47 bps yoy NIM compression had a moderating effect.
- Disbursements picked up in 4QFY25 (up 9% yoy and 55% qoq), leading to AUM growth of 23% versus earlier guidance of 25%.
- NIM compression was contained at 13 bps qoq, despite a 200 bps lending rate cut implemented in October 2024. Yield moderation of 25 bps qoq was lower than expectation of 43 bps. Reported cost of borrowings was flat qoq at 9.6%.
- Operating expenses were up 26% yoy, leading to an elevated cost-to-AAUM ratio of 6.5% (up 11 bps yoy and 32 bps qoq).

- ▶ Credit cost was moderate at 0.9%, driven by stable overall ECL coverage ratio of 1.6% and moderate write-offs of 0.6%.
- ▶ Stressed loans were up 46 bps qoq to 10.3%, driven largely by a rise in early buckets. Gross stage-3 ratio was also up 20 bps qoq.

AUM growth to remain strong at 24% over medium term

We bake in 24% AUM CAGR over FY2025-28E, driven by a 26% CAGR in disbursements and stable repayment rate of 30%.

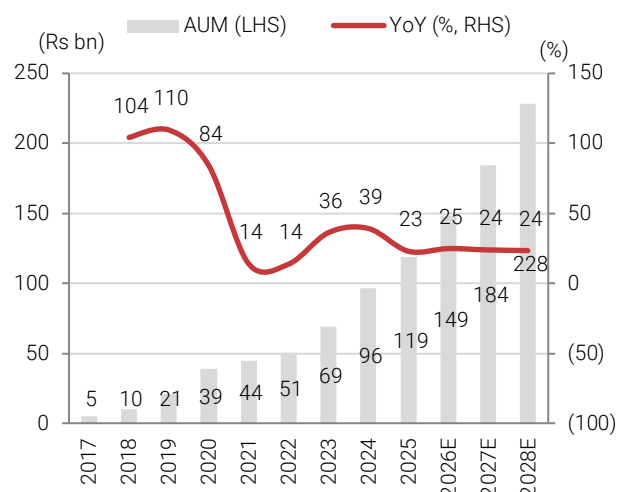
Disbursements picked up in 4Q. Disbursement growth picked up 55% qoq and 9% yoy in 4QFY25 to Rs14.6 bn, leading to 23% AUM growth in FY2025. The company has called out weakness in Karnataka as the cause of lower AUM growth (earlier guidance of 25%).

Disbursements to bounce back in FY2026E. We expect sharp 32% growth in disbursements in FY2026E on a low base. Normalization of the registration process in Karnataka and softening of regulatory overhangs will likely support growth during the year.

Multiple levers for growth. Five Star has multiple levers for growth—(1) a rise in ticket sizes, (2) improvement in employee productivity, (3) footprint expansion in existing states, (4) expansion to newer states. The company plans to grow faster with higher ticket sizes due to concerns of overleverage in the <Rs0.3 mn segment. Five Star will likely open 75-100 branches every year expanding the reach of the organization. Five Star has opened a branch in Gujarat and plans to grow faster in Maharashtra and Madhya Pradesh than the southern states over the medium term.

AUM growth to remain strong at 24% CAGR over FY2025-28E...

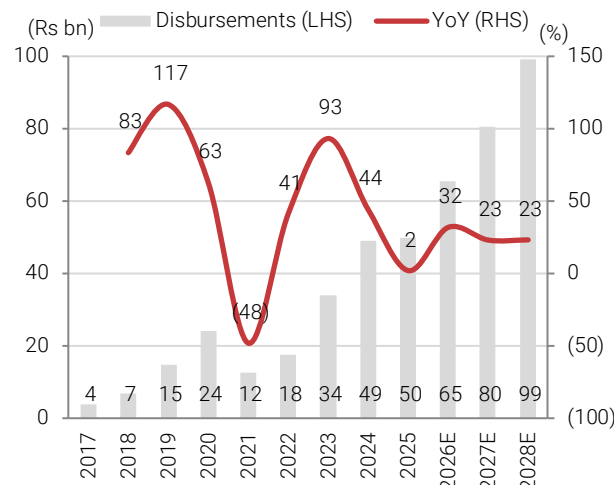
Exhibit 2: AUM, March fiscal year-ends, 2017-2028E



Source: Company, Kotak Institutional Equities estimates

... driven by strong growth in disbursements

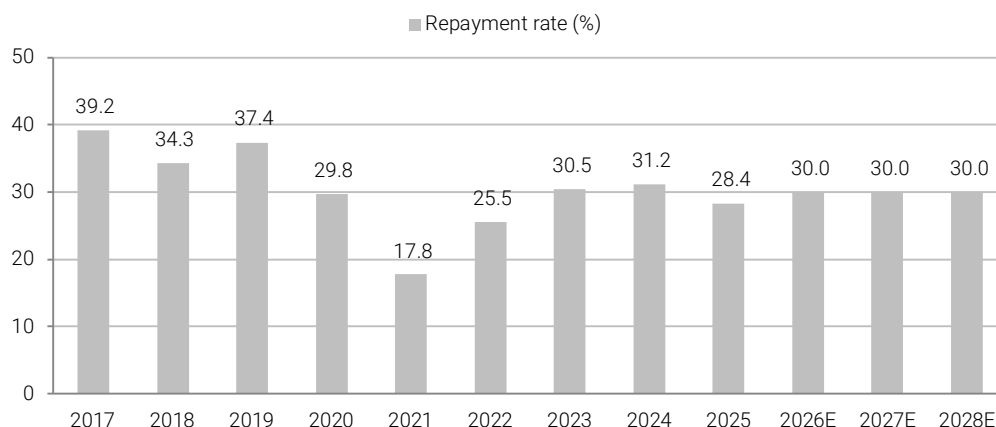
Exhibit 3: Disbursements, March fiscal year-ends, 2017-2028E



Source: Company, Kotak Institutional Equities estimates

Repayment rate to inch up

Exhibit 4: Repayment rate, March fiscal year-ends, 2017-2028E (%)



Source: Company, Kotak Institutional Equities estimates

NIM to compress over the medium term

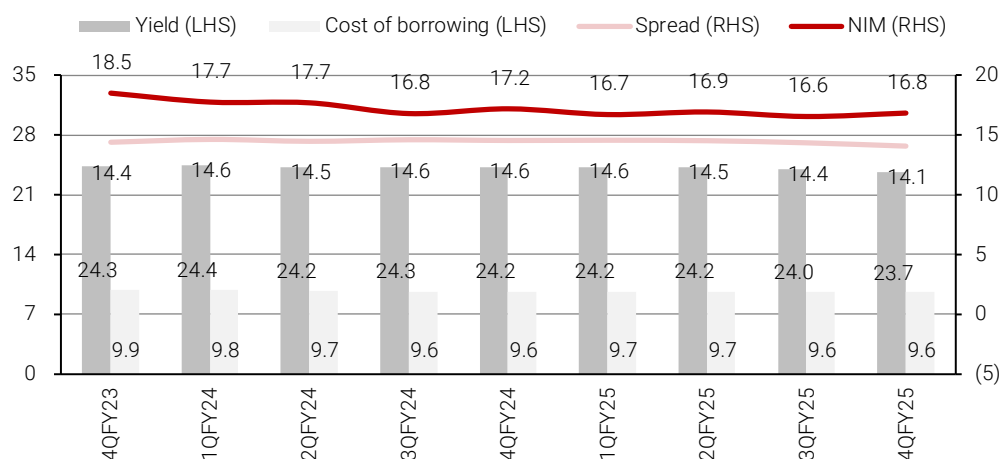
Moderation in spreads in 4Q. Reported spreads compressed 30 bps qoq to 14.1%, driven by moderation in yields. The 200 bps lending rate cut on incremental loans led to 30 bps decline in yields during 4QFY25. While the book cost of borrowings was stable qoq at 9.6%, incremental cost was lower at 9.3%.

Sharp NIM compression in FY2026E. The full impact of lending rate cut will likely weigh in on yields in FY2026E (down ~85 bps). The cost of borrowings will likely moderate by 20 bps to 9.2%, driven by repo rate cuts. Resultantly, spread and NIM will compress by 65 bps and 90 bps, respectively. 67% of Five Star's borrowings are on floating rate, of which half are linked to EBLR and rest to MCLR. We assume a 50 bps pass-through in the EBLR book and 25 bps on the MCLR book, leading to a ~20 bps moderation in cost of borrowings.

NIM to compress further in later years. Delayed impact of the rate cut will lead to 60 bps moderation in yields in FY2027E and further 20 bps in FY2028E. We bake in a moderate 30 bps decline in cost of borrowings in FY2027E, driven by full transmission of policy rate cuts. Resultantly, NIM will compress to 17.8% by FY2028E from 19.5% in FY2025 and 19.9% in FY2024.

Spreads compressed in 4QFY25

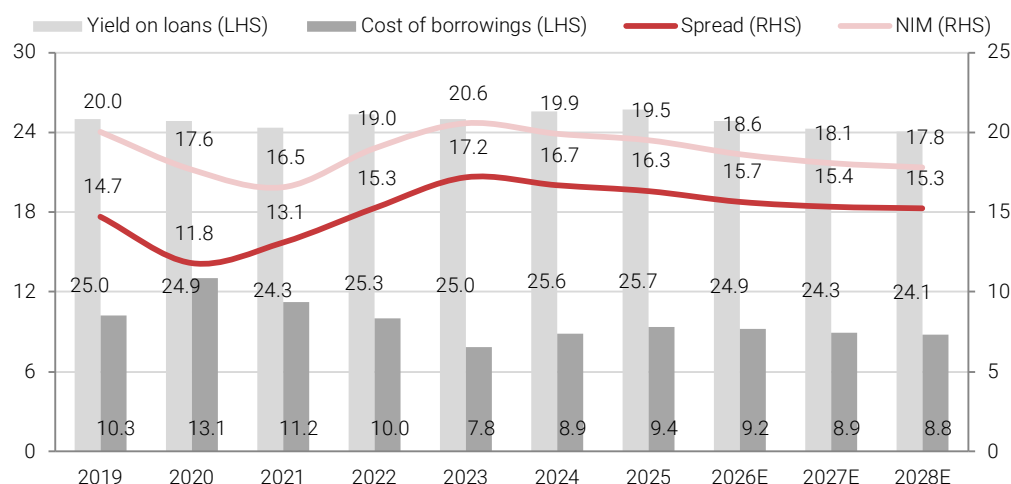
Exhibit 5: Reported yields, cost of borrowings and NIM, March fiscal year-ends, 4QFY23-4QFY25 (%)



Source: Company, Kotak Institutional Equities estimates

Decline in yields to drive NIM compression over the medium term

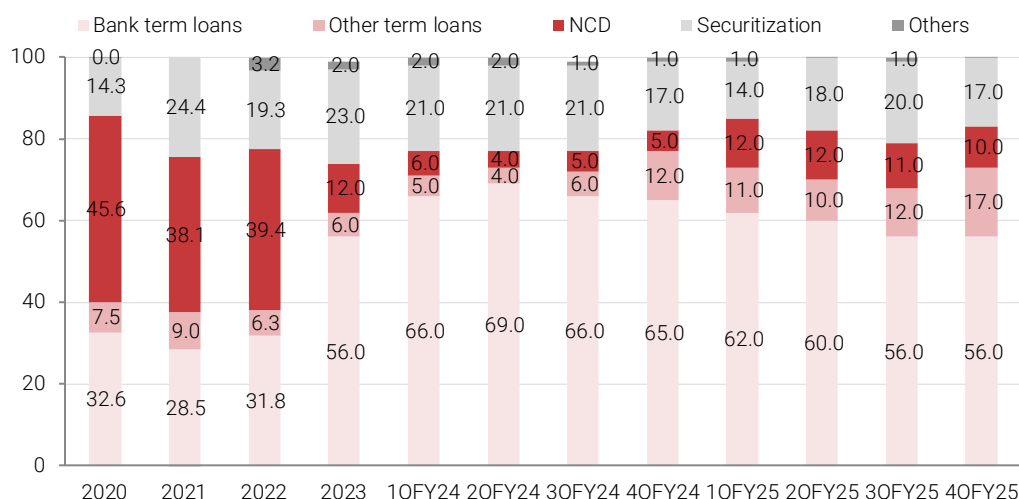
Exhibit 6: Yields, cost of borrowings and NIM, March fiscal year-ends, 2019-2028E (%)



Source: Company, Kotak Institutional Equities estimates

Share of bank loans moderated to 56%

Exhibit 7: Borrowing mix, March fiscal year-ends, 2020-2024, 1QFY24-4QFY25 (%)



Source: Company, Kotak Institutional Equities estimates

Stressed loans were up 46 bps qoq

Sharp rise in later buckets. Overall, stressed loans shot up 46 bps during the quarter and the rise was largely in the later buckets. Five Star reported a moderate 15 bps qoq rise in the 1-30 dpd bucket and 6 bps in the 31-60 dpd bucket. The 61-90 and 90+ dpd ratios were up 26 bps and 17 bps qoq, respectively.

Weakness in Karnataka leads to rise in stress. According to management, collections in Karnataka were muted during January and February 2025 due to the ordinance on micro loans. 2/3rd of the roll forwards are due to weakness in the Karnataka portfolio.

Buffer on provisions led to moderate credit costs. Despite a rise in delinquencies, credit costs were moderate at 0.9% as the company drew down the overall ECL coverage to 1.6% (1.7% in 3QFY25). Write-offs were moderate at 0.6% in 4QFY25, 0.3-0.7% in the previous four quarters.

Credit costs to inch up over the medium term

We bake in elevated credit costs of 0.9-1.0% over FY2026-28E (0.7-0.8% over FY2024-25), driven by (1) elevated stress in the Tamil Nadu portfolio, (2) a rise in ECL coverage and (3) elevated write-offs. Stress from the legislation on collections in Karnataka (6% of AUM) likely led to a 13 bps rise in gross stage-3 ratio during 4QFY25. Similar legislation was passed in Tamil Nadu (29% of AUM) and we bake in a 30 bps rise in the gross stage-3 ratio in FY2026E in anticipation of elevated stress. We expect ECL coverage to revert to Covid levels to account for the higher risk in this segment. We model a further increase in overall ECL coverage to 1.8% by FY2027E and write-offs of 0.6%, leading to credit costs of 0.9-1.0% over FY2026-28E.

Stressed loans up 46 bps qoq

Exhibit 8: Stressed loans, March fiscal year-ends, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (bps)	QoQ (bps)
Current (1)	83.5	84.8	86.5	86.7	87.4	86.7	86.0	84.9	84.3	(311)	(64)
1-30 dpd (2)	6.0	5.6	4.9	4.9	4.7	5.2	5.6	5.9	6.1	134	15
31-60 dpd (3)	4.5	4.1	3.7	3.7	3.6	3.7	3.8	4.0	4.1	51	6
61-90 dpd (4)	4.6	4.1	3.5	3.2	2.9	3.0	3.2	3.5	3.8	84	26
90+ dpd (5)	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.6	1.8	41	17
Restructured loans (6)	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.4	(10)	0
Write-offs (7)	0.0	0.1	0.0	0.0	0.3	0.3	0.4	0.7	0.6	33	(3)
Stressed loans (8: 3+4+5+7)	10.5	9.8	8.6	8.4	8.2	8.4	8.9	9.8	10.3	210	46

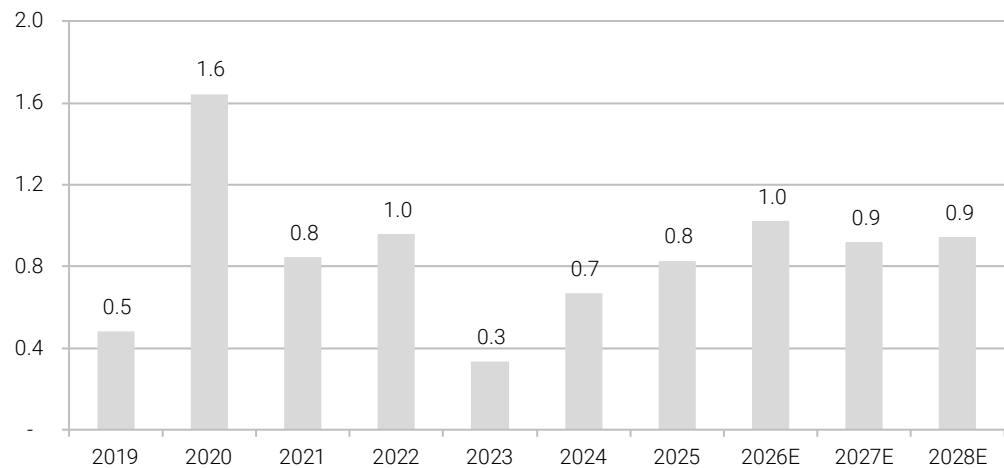
Source: Company, Kotak Institutional Equities

We model 0.9-1.0% credit costs over the medium term

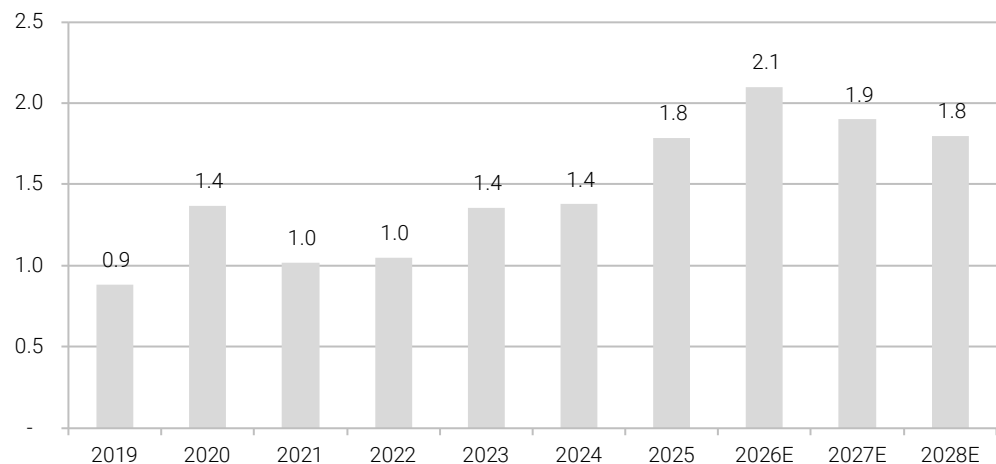
Exhibit 9: Detailed asset quality and credit cost, March fiscal year-ends, 2019-2028E (%)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Gross loans (Rs mn)										
Gross stage-1 and 2	20,941	38,390	44,002	50,140	68,209	95,078	116,648	145,464	180,948	224,008
Gross stage-1	18,788	34,323	38,960	42,170	61,884	88,802	107,306	133,577	166,007	205,302
Gross stage-2	2,153	4,067	5,042	7,971	6,325	6,276	9,342	11,887	14,941	18,705
Gross stage-3	187	532	452	531	939	1,328	2,123	3,120	3,505	4,106
Overall gross loans	21,128	38,922	44,454	50,671	69,148	96,406	118,770	148,585	184,453	228,114
Gross loan mix (%)										
Gross stage-1 and 2	99	99	99	99	99	99	98	98	98	98
Gross stage-1	89	88	88	83	89	92	90	90	90	90
Gross stage-2	10.2	10.4	11.3	15.7	9.1	6.5	7.9	8.0	8.1	8.2
Gross stage-3	0.9	1.4	1.0	1.0	1.4	1.4	1.8	2.1	1.9	1.8
Overall ECL provisions (Rs mn)										
ECL on stage-1 and 2	126	520	785	844	646	857	844	1,141	1,486	1,897
ECL on stage-1	28	166	128	145	203	350	367	534	664	821
ECL on stage-2	99	354	657	699	443	507	477	606	822	1,076
ECL on stage-3	43	94	81	185	463	721	1,089	1,623	1,840	2,176
Overall ECL	169	614	866	1,029	1,109	1,578	1,933	2,763	3,326	4,073
ECL coverage (%)										
ECL coverage on stage-1 and 2	0.6	1.4	1.8	1.7	0.9	0.9	0.7	0.8	0.8	0.8
ECL coverage on stage-1	0.1	0.5	0.3	0.3	0.3	0.4	0.3	0.4	0.4	0.4
ECL coverage on stage-2	4.6	8.7	13.0	8.8	7.0	8.1	5.1	5.1	5.5	5.8
ECL coverage on stage-3	23.1	17.7	18.0	34.9	49.3	54.3	51.3	52.0	52.5	53.0
Overall ECL coverage	0.8	1.6	1.9	2.0	1.6	1.6	1.6	1.9	1.8	1.8
Credit cost break-up (% of average of period-ending gross loans)										
Overall credit cost	0.5	1.6	0.8	1.0	0.3	0.7	0.8	1.0	0.9	0.9
Provision on loans	0.4	1.5	0.6	0.3	0.1	0.6	0.7	0.6	0.3	0.4
Write-offs	0.1	0.2	0.2	0.6	0.2	0.1	0.1	0.4	0.6	0.6

Source: Company, Kotak Institutional Equities estimates

Credit cost to inch up over the medium term**Exhibit 10: Credit cost, March fiscal year-ends, 2019-2028E (%)**

Source: Company, Kotak Institutional Equities estimates

Gross stage-3 loans to peak in FY2026E**Exhibit 11: Gross stage-3 ratio, March fiscal year-ends, 2019-2028E (%)**

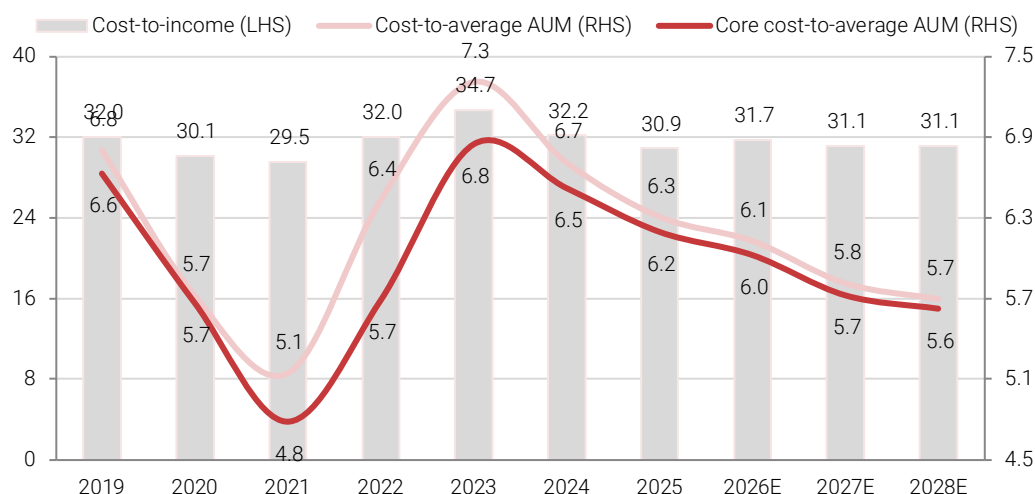
Source: Company, Kotak Institutional Equities estimates

Cost ratios to moderate over the medium term

We expect a gradual decline in the cost-to-AAUM, driven by operational changes and increase in digital penetration. In FY2026E, a decline in cost ratio will be lower at 20 bps due to sharp expansion of branches in 2HFY25, whose full impact will be visible in FY2026E. In FY2027E, we bake in higher 30 bps moderation in cost-to-AAUM.

Cost ratios to moderate over the medium term

Exhibit 12: Cost ratios, March fiscal year-ends, 2019-2028E (%)



Source: Company, Kotak Institutional Equities estimates

Exhibit 13: Change in estimates, March fiscal year-ends, 2025-2027E

	New estimates			Old estimates			Change (%)		
	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Key business parameters									
AUM (Rs mn)	118,770	148,585	184,453	119,455	151,006	191,519	(0.6)	(1.6)	(3.7)
YoY (%)	23	25	24	24	26	27	-71 bps	-131 bps	-269 bps
Disbursements (Rs mn)	49,699	65,446	80,443	50,043	67,388	88,835	(0.7)	(2.9)	(9.4)
YoY (%)	2	32	23	3	35	32	-70 bps	-298 bps	-891 bps
Repayment rate (%)	28	30	30	28	30	32	35 bps	0 bps	-200 bps
Key ratios (%)									
Yield on loans	25.7	24.9	24.3	25.6	24.7	24.0	11 bps	12 bps	21 bps
Core yield on loans	25.2	24.4	23.8	25.1	24.3	23.6	10 bps	10 bps	20 bps
Cost of borrowings	9.4	9.2	8.9	9.6	9.5	9.4	-17 bps	-30 bps	-45 bps
Spread	16.3	15.7	15.4	16.1	15.2	14.7	28 bps	42 bps	66 bps
Core spread	15.8	15.2	14.9	15.6	14.8	14.2	26 bps	40 bps	65 bps
NIM	19.5	18.6	18.1	19.3	18.4	17.5	16 bps	26 bps	57 bps
Cost-to-income	31	32	31	31	32	32	-4 bps	8 bps	-46 bps
Cost-to-average AUM	6.3	6.1	5.8	6.2	6.0	5.7	8 bps	10 bps	9 bps
Credit cost	1	1	1	1	1	1	-9 bps	-2 bps	-14 bps
ROA	8	8	7	8	8	7	11 bps	3 bps	32 bps
ROE	19	18	18	18	18	18	27 bps	-7 bps	28 bps
Core PBT ratio	11.2	10.6	10.4	11.2	10.6	10.1	5 bps	0 bps	28 bps
Key income statement items (Rs mn)									
Net interest income	20,983	24,895	30,076	20,879	24,826	29,957	0.5	0.3	0.4
Total income	21,980	25,839	31,088	21,754	25,779	31,007	1.0	0.2	0.3
Operating expenses	6,785	8,190	9,679	6,724	8,150	9,796	0.9	0.5	(1.2)
Employee expenses	5,211	6,111	7,146	5,189	6,252	7,443	0.4	(2.3)	(4.0)
Others	1,574	2,079	2,533	1,534	1,898	2,352	2.6	9.5	7.7
Provisions	890	1,365	1,528	987	1,410	1,817	(9.8)	(3.3)	(15.9)
Profit before tax	14,306	16,285	19,881	14,044	16,218	19,394	1.9	0.4	2.5
Profit after tax	10,725	12,208	14,904	10,520	12,149	14,528	1.9	0.5	2.6
Core PBT	14,640	17,139	20,909	14,500	17,119	20,711	1.0	0.1	1.0
Other data									
EPS (Rs)	37	42	51	36	42	50	1.9	0.5	2.6
BVPS (Rs)	216	258	309	214	256	306	0.9	0.8	1.1

Source: Company, Kotak Institutional Equities estimates

Exhibit 14: Five Star—key growth rates and ratios, March fiscal year-ends, 2020-2028E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Key income statement growth rates (%)									
Operational revenues	92	33	19	21	44	30	19	21	23
Interest income	92	36	19	25	41	31	20	22	23
Net interest income	70	30	31	36	34	27	19	21	22
Total income	72	27	32	32	37	27	18	20	22
Operating expenses	62	25	43	43	27	22	21	18	21
Employee expenses	66	29	44	47	24	22	17	17	22
Pre-provision operating profit	77	28	27	27	42	30	16	21	22
Provisions	553	(29)	29	(56)	175	61	53	12	27
Profit after tax	67	37	26	33	39	28	14	22	21
Core PBT	75	31	29	26	35	30	17	22	22
Key balance sheet growth rates (%)									
Cash and balances	105	201	(35)	80	6	29	24	25	25
Loans	83	14	17	34	42	21	25	24	24
Other assets	56	11	356	(17)	11	74	17	17	17
Net assets	84	33	9	37	34	23	24	24	24
Borrowings	146	45	(25)	66	49	25	29	27	26
Other liabilities	24	12	47	57	52	10	9	15	15
Total liabilities	142	44	(24)	66	49	25	28	27	26
Shareholders' funds	42	19	60	17	20	21	19	20	20
Other key growth rates (%)									
AUM	84.2	14.2	14.0	36.5	39.4	23.2	25.1	24.1	23.7
Disbursements	62.6	(48.3)	41.1	93.1	43.9	1.8	31.7	22.9	23.1
Key ratios (%)									
Yield on loans	24.9	24.3	25.3	25.0	25.6	25.7	24.9	24.3	24.1
Core yield on loans	23.9	23.9	24.7	24.4	25.0	25.2	24.4	23.8	23.6
Cost of borrowings	13.1	11.2	10.0	7.8	8.9	9.4	9.2	8.9	8.8
Spread	11.8	13.1	15.3	17.2	16.7	16.3	15.7	15.4	15.3
Core spread	10.9	12.6	14.7	16.6	16.1	15.8	15.2	14.9	14.8
NIM	17.6	16.5	19.0	20.6	19.9	19.5	18.6	18.1	17.8
Cost-to-income	30.1	29.5	32.0	34.7	32.2	30.9	31.7	31.1	31.1
Cost-to-average AUM	5.7	5.1	6.4	7.3	6.7	6.3	6.1	5.8	5.7
Credit cost (% of AUM)	1.6	0.8	1.0	0.3	0.7	0.8	1.0	0.9	0.9
Asset quality details (%)									
Gross stage-2	10.4	11.3	15.7	9.1	6.5	7.9	8.0	8.1	8.2
Gross stage-3	1.4	1.0	1.0	1.4	1.4	1.8	2.1	1.9	1.8
ECL coverage on stage-3	17.7	18.0	34.9	49.3	54.3	51.3	52.0	52.5	53.0
Overall ECL coverage	1.6	1.9	2.0	1.6	1.6	1.6	1.9	1.8	1.8
Du-pont (% of average assets and assigned loans)									
Net interest income	15.8	13.6	14.9	16.4	16.2	16.1	15.4	15.0	14.8
Net operational income	17.0	14.3	15.7	16.7	16.8	16.7	15.9	15.4	15.1
Total income	17.0	14.3	15.7	16.8	16.9	16.8	16.0	15.5	15.2
Operating expenses	5.1	4.2	5.0	5.8	5.4	5.2	5.1	4.8	4.7
Employee expenses	3.8	3.2	3.9	4.6	4.2	4.0	3.8	3.6	3.5
Others	1.3	1.0	1.1	1.2	1.2	1.2	1.3	1.3	1.2
Pre-provision operating profit	11.9	10.1	10.7	11.0	11.5	11.6	10.9	10.7	10.5
Provisions	1.5	0.7	0.8	0.3	0.5	0.7	0.8	0.8	0.8
Profit before tax	10.4	9.4	10.0	10.7	10.9	11.0	10.1	9.9	9.7
(1-tax rate)	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7
ROA	7.8	7.1	7.5	8.0	8.2	8.2	7.5	7.4	7.3
Leverage	2.0	2.4	2.0	1.9	2.1	2.3	2.3	2.4	2.5
ROE	15.8	16.8	15.0	15.0	17.5	18.7	17.7	18.0	18.2
Core PBT ratio	11.6	10.1	10.9	11.1	11.1	11.2	10.6	10.4	10.3

Source: Company, Kotak Institutional Equities estimates

Exhibit 15: Five Star—financial summary, March fiscal year-ends, 2021-2028E (Rs mn)

	2021	2022	2023	2024	2025	2026E	2027E	2028E
Income statement (Rs mn)								
Operational income	10,497	12,541	15,208	21,828	28,478	34,021	41,245	50,561
Interest income	10,149	12,038	14,988	21,166	27,663	33,227	40,383	49,615
Others	349	503	221	663	816	795	862	945
Interest expense	3,252	3,006	2,663	4,685	6,680	8,332	10,306	12,917
Net interest income	6,897	9,032	12,325	16,481	20,983	24,895	30,076	36,698
Net operational income	7,246	9,535	12,546	17,144	21,799	25,689	30,938	37,644
Total income	7,261	9,556	12,627	17,266	21,980	25,839	31,088	37,794
Operating expenses	2,144	3,058	4,378	5,553	6,785	8,190	9,679	11,749
Employee expenses	1,637	2,361	3,464	4,286	5,211	6,111	7,146	8,706
Fee and depreciation expense	141	122	173	246	304	480	644	839
Other expenses	367	575	741	1,021	1,270	1,599	1,889	2,204
Pre-provision operating profit	5,116	6,497	8,249	11,713	15,196	17,649	21,409	26,044
Provisions	352	455	201	554	890	1,365	1,528	1,946
Profit before tax	4,764	6,042	8,047	11,159	14,306	16,285	19,881	24,098
Tax	1,174	1,507	2,012	2,800	3,581	4,076	4,977	6,032
Profit after tax	3,590	4,535	6,035	8,359	10,725	12,208	14,904	18,066
Core PBT	5,120	6,622	8,361	11,302	14,640	17,139	20,909	25,544
Balance sheet (Rs mn)								
Cash and bank balances	13,557	8,799	15,809	16,717	21,551	26,701	33,264	41,650
Loans	43,587	51,024	68,222	96,851	116,868	145,821	181,127	224,041
Other assets	791	3,607	2,998	3,320	5,786	6,766	7,898	9,210
Net assets	57,936	63,431	87,028	116,888	144,206	179,288	222,289	274,901
Borrowings	34,252	25,588	42,473	63,158	79,220	101,914	129,692	163,873
Other liabilities	502	739	1,160	1,768	1,940	2,120	2,438	2,803
Total liabilities	34,754	26,327	43,633	64,926	81,160	104,034	132,130	166,677
Shareholders' funds	23,182	37,104	43,395	51,962	63,046	75,254	90,159	108,225
AUM mix (Rs mn)								
Overall AUM	44,454	50,671	69,148	96,406	118,770	148,585	184,453	228,114
Disbursements and repayments								
Overall disbursements (Rs mn)	12,451	17,562	33,915	48,814	49,699	65,446	80,443	98,997
Repayment rate (%)	17.8	25.5	30.5	31.2	28.4	30.0	30.0	30.0

Source: Company, Kotak Institutional Equities estimates

CIE Automotive (CIEINDIA)

Automobiles & Components

SELL

CMP(₹): **402**

Fair Value(₹): **380**

Sector View: **Cautious**

NIFTY-50: **24,334**
April 30, 2025

Underperformance in domestic business continues

CIE Automotive reported 1QCY25 consolidated adjusted EBITDA of Rs3.3 bn, 5% below our estimates due to (1) weaker-than-expected revenue print in the Europe business and (2) lower-than-expected profitability in both Europe and India businesses. We believe the Europe business performance will remain weak given challenges in PV, CV and off-highway market demand. In addition, we expect India business growth trends to moderate, owing to continued weakness in PV and CV segments. Retain SELL rating with a revised FV of Rs380 (Rs400 earlier).

India business EBITDA grew by 7% yoy in 1QCY25

CIE Automotive India business EBITDA came in at Rs2.3 bn (+7% yoy), driven by better-than-expected gross margins. Adjusted for the Zahreebad mega-subsidy (Rs87 mn), EBITDA grew by 3% yoy during the quarter. India business revenues improved by 3% yoy due to strong growth in CV and tractor segments, partly offset by (1) a slowdown in ramp-up of new order wins for non-anchor customers and (2) a 3% decline in ASPs due to lower steel prices. India business adjusted EBITDA margin increased by 30 bps on a yoy basis due to cost-control measures.

Europe business EBITDA declined by 28% yoy in 1QCY25

Europe business 1QCY25 EBITDA came in at Rs1.1 bn, down 28% yoy. EBITDA margin declined by 150 bps yoy, owing to negative operating leverage. Europe business revenues came in at Rs7.8 bn (-19% yoy) on account of (1) continued weak performance in the Metalcastello business on account of muted demand in the US off-highway market and (2) 19% yoy decline in M&HCV segment revenues. The company expects demand trends in the EU subsidiary to remain subdued over the coming quarters due to multiple headwinds.

Cut our CY2025-27 consolidated EPS estimates by 4-8%; retain SELL

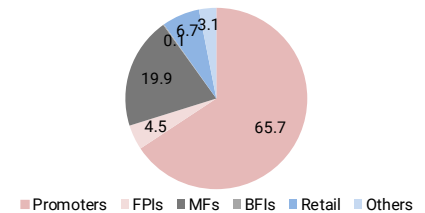
We have cut CY2025-27 consolidated EPS estimates by 4-8%, led by (1) lower revenue growth assumptions for both India and Europe business operations and (2) lower EBITDA margin assumptions. We expect CIE Automotive India business to marginally outperform domestic blended automotive industry growth; however, growth moderation in domestic PV and CV segments will weigh on its overall revenue growth in the coming quarters. However, the performance so far has been below expectations, owing to delay in new program ramp-up. The Europe business is likely to be muted in the near term due to (1) subdued demand trends in EU PV and CV segments, (2) uncertainty around the tax penalties on Europe auto OEMs due to CO2 regulation on the back of a slowdown in EV sales and (3) weak demand trends in North American off-highway segments, which we expect to recover from 2HCY25E. Retain our SELL rating with a revised FV of Rs380 (Rs400 earlier). We value the company based on 16X June 2027E India business EPS (from 17X March 2027E India business EPS earlier) and 8X June 2027E EPS for Europe business.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	402/380/SELL
52-week range (Rs) (high-low)	628-357
Mcap (bn) (Rs/US\$)	152/1.8
ADTV-3M (mn) (Rs/US\$)	101/1.2

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	1	(13)	(18)
Rel. to Nifty	(3)	(17)	(26)
Rel. to MSCI India	(3)	(16)	(24)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	21.7	21.9	24.9
EPS growth (%)	2.8	1.2	13.4
P/E (X)	18.5	18.3	16.1
P/B (X)	2.3	2.1	1.9
EV/EBITDA (X)	10.7	10.4	9.2
RoE (%)	13.1	12.1	12.6
Div. yield (%)	1.7	1.6	1.9
Sales (Rs bn)	90	93	98
EBITDA (Rs bn)	14	14	15
Net profits (Rs bn)	8.2	8.3	9.4

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Other key takeaways from the results and conference call

- ▶ The company has made change in the reporting structure. The Mexico business has become the subsidiary of CIE Galfor of Europe and hence, the Mexican numbers are part of European operations and not Indian operations. As a result, our segmental estimates are not comparable with the reported numbers during the quarter.
- ▶ The company expects the muted outlook in the European passenger vehicle market to continue in the near term. Also, the company indicated that the Metalcastello business revenues declined on a yoy basis and have reached a monthly run rate of EUR4 mn (from a peak of EUR6.5 mn) in 4QCY24 and the company expects the Metalcastello business to recover from 2HCY25E.
- ▶ The company continues to focus on readjusting the operations, reflecting the current operations and slowdown in Europe business by cutting down on temporary employees and reducing the extra time.
- ▶ New order wins during CY2024 stood at around 15-20% of the revenues for the company and the company won order worth Rs3.5 bn during 1QCY25E.

Consolidated EBITDA was 2% below our estimates due to weaker-than-expected revenue print in Europe and India businesses and lower-than-expected profitability in Europe business

Exhibit 1: CIE Automotive India interim results summary, calendar year-ends

	Consolidated				% change			% change			% change		
	1QCY25	1QCY25E	1QCY24	4QCY24	1QCY25E	1QCY24	4QCY24	CY2025E	CY2024		CY2026E	CY2025E	
Sales	22,726	23,768	24,268	21,346	(4.4)	(6.4)	6.5	92,967	89,641	3.7	98,358	92,967	5.8
EBITDA	3,268	3,423	3,606	3,305	(4.5)	(9.4)	(1.1)	13,615	13,506	0.8	14,930	13,615	9.7
EBIT	2,852	2,973	3,255	2,750	(4.1)	(12.4)	3.7	11,717	11,596	1.0	12,992	11,717	10.9
EBT	2,730	2,773	3,039	2,600	(1.6)	(10.2)	5.0	10,967	10,820	1.4	12,442	10,967	13.4
Margins													
EBITDA margin (%)	14.4	14.4	14.9	15.5				14.6	15.1		15.2	14.6	
EBIT margin (%)	12.5	12.5	13.4	12.9				12.6	12.9		13.2	12.6	
Europe business													
	1QCY25	1QCY25E	1QCY24	4QCY24	1QCY25E	1QCY24	4QCY24	CY2025E	CY2024		CY2026E	CY2025E	
Sales	8,069	9,950	6,077		(18.9)	32.8	28,482	29,098	(2.1)		29,648	28,482	4.1
EBITDA	1,055	1,456	925		(27.5)	14.1	3,792	4,372	(13.3)		4,389	3,792	15.7
EBIT	761	1,154	719		(34.1)	5.8	2,584	3,476	(25.7)		3,181	2,584	23.1
EBT	646	970	602		(33.4)	7.3	1,984	2,957	(32.9)		2,681	1,984	35.1
Margins													
EBITDA margin (%)	13.1	14.6	15.2				13.3	15.0			14.8	13.3	
EBIT margin (%)	9.4		11.6	11.8				9.1	11.9		10.7	9.1	
India business (Standalone + Aurangabad Electricals)													
	1QCY25	1QCY25E	1QCY24	4QCY24	1QCY25E	1QCY24	4QCY24	CY2025E	CY2024		CY2026E	CY2025E	
Sales	14,657	14,318	14,442		2.4	1.5	64,485	60,543	6.5		68,710	64,485	6.6
EBITDA	2,300	2,150	2,105		7.0	9.3	9,822	9,134	7.5		10,541	9,822	7.3
EBIT	2,091	2,101	1,834		(0.5)	14.0	9,133	8,120	12.5		9,811	9,133	7.4
EBT	2,084	2,069	1,800		0.7	15.8	8,983	7,863	14.2		9,761	8,983	8.7
Margins													
EBITDA margin (%)	15.7	15.0	14.6				15.2	15.1			15.3	15.2	
EBIT margin (%)	14.3		14.7	12.7				14.2	13.4		14.3	14.2	
PBT margin (%)	14.2		14.5	12.5				13.9	13.0		14.2	13.9	

Source: Company, Kotak Institutional Equities estimates

We have cut our CY2025-27E consolidated EPS estimates by 4-8% on account of lower revenue growth and EBITDA margin assumptions

Exhibit 2: Earnings revision table, calendar year-ends, 2025-27E (Rs mn, %)

	New estimates			Old estimates			% change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Consolidated									
Net sales	92,967	98,358	104,220	94,165	99,677	105,712	(1.3)	(1.3)	(1.4)
EBITDA (incl. other income)	15,408	16,928	18,451	16,140	17,364	18,968	(4.5)	(2.5)	(2.7)
EBITDA margin incl. other income (%)	16.6	17.2	17.7	17.1	17.4	17.9	-57 bps	-21 bps	-24 bps
Adjusted net profit	8,302	9,418	10,654	9,003	9,892	11,036	(7.8)	(4.8)	(3.5)
EPS	21.9	24.9	28.2	23.8	26.1	29.2	(7.8)	(4.8)	(3.5)

Source: Company, Kotak Institutional Equities estimates

We expect 9% CAGR in consolidated EBITDA over CY2024-27E period

Exhibit 3: Key financials of different businesses and the consolidated entity, calendar year-ends, 2018-27E (Rs mn, %)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Consolidated										
Revenues	80,315	79,078	60,563	67,652	87,530	92,803	89,641	92,967	98,358	104,220
Yoy growth (%)	24.9	(1.5)	(23.4)	11.7	29.4	6.0	(3.4)	3.7	5.8	6.0
EBITDA (incl. other income)	10,898	10,008	5,627	9,885	12,303	15,059	14,902	15,408	16,928	18,451
EBITDA margin incl. other income (%)	13.6	12.7	9.3	14.6	14.1	16.2	16.6	16.6	17.2	17.7
Adjusted net profit	5,485	3,572	1,128	4,048	6,848	7,976	8,203	8,302	9,418	10,654
EPS (Rs)	14.5	9.4	3.0	10.7	18.1	21.1	21.7	21.9	24.9	28.2
Europe subsidiaries										
Revenues	45,704	43,242	31,200	25,216	31,668	33,819	29,098	28,482	29,648	31,009
Yoy growth (%)	24.3	(5.4)	(27.8)	(19.2)	25.6	6.8	(14.0)	(2.1)	4.1	4.6
EBITDA (incl. other income)	6,092	5,400	2,609	4,036	4,323	5,832	4,534	4,042	4,689	4,992
EBITDA margin incl. other income (%)	13.3	12.5	8.4	16.0	13.7	17.2	15.6	14.2	15.8	16.1
Adjusted net profit	3,225	1,808	424	2,331	2,316	3,065	2,392	1,488	2,011	2,201
EPS (Rs)	8.5	4.8	1.1	6.2	6.1	8.1	6.3	3.9	5.3	5.8
India business (Standalone + Bill Forge + Gears India + Aurangabad Electricals)										
Revenues	34,611	35,836	29,363	42,436	55,862	58,984	60,543	64,485	68,710	73,211
Yoy growth (%)	25.8	3.5	(18.1)	44.5	31.6	5.6	2.6	6.5	6.6	6.6
EBITDA (incl. other income)	4,806	4,608	3,018	5,849	7,980	9,227	10,368	11,365	12,239	13,459
EBITDA margin incl. other income (%)	13.9	12.9	10.3	13.8	14.3	15.6	17.1	17.6	17.8	18.4
Adjusted net profit	2,260	1,764	705	1,717	4,532	4,911	5,811	6,814	7,408	8,454
EPS (Rs)	6.0	4.7	1.9	4.5	12.0	13.0	15.4	18.0	19.6	22.3

Note:

(1) CY2021-22 financials exclude Europe truck forging business, which has been reported as part of discontinued operations.

Source: Company, Kotak Institutional Equities estimates

We expect consolidated earnings to increase by 11% CAGR over CY2024-27E
Exhibit 4: Consolidated profit, balance sheet and cash model, calendar year-ends, 2018-27E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Profit model (Rs mn)										
Net sales	80,315	79,078	60,563	67,652	87,530	92,803	89,641	92,967	98,358	104,220
EBITDA	10,511	9,677	5,078	9,417	11,720	14,238	13,506	13,615	14,930	16,103
Other income	387	331	549	468	583	820	1,396	1,793	1,998	2,348
Interest	(502)	(523)	(548)	(348)	(227)	(1,074)	(776)	(750)	(550)	(250)
Depreciation	(2,867)	(3,161)	(3,064)	(2,733)	(2,962)	(3,222)	(3,306)	(3,691)	(3,937)	(4,123)
Profit before tax	7,529	6,279	2,015	6,677	9,492	10,763	10,820	10,967	12,442	14,079
Profit from associates	—	—	—	12	22	(5)	27	22	25	25
Tax	(2,043)	(2,741)	(886)	(2,731)	(2,401)	(2,782)	(2,644)	(2,687)	(3,048)	(3,449)
Exceptionals	—	(46)	—	(128)	379	—	—	—	—	—
Net profit	5,485	3,538	1,128	3,928	(1,362)	11,252	8,203	8,302	9,418	10,654
Adjusted net profit	5,485	3,572	1,128	4,048	6,848	7,976	8,203	8,302	9,418	10,654
Earnings per share (Rs)	14.5	9.4	3.0	10.7	18.1	21.1	21.7	21.9	24.9	28.2
Balance sheet (Rs mn)										
Equity	42,891	46,338	49,080	51,966	50,985	59,880	65,768	71,579	78,172	85,630
Minority interest	—	—	—	—	—	—	—	—	—	—
Deferred tax liability	988	2,296	2,771	3,808	3,285	3,331	3,445	3,445	3,445	3,445
Total borrowings	16,134	14,691	16,476	12,816	9,234	8,033	5,210	2,210	1,000	1,000
Other liabilities	21,876	19,515	22,499	26,990	34,226	24,846	21,785	21,704	23,080	24,583
Provisions	3,939	4,170	4,344	3,976	1,553	1,529	1,477	1,477	1,477	1,477
Total liabilities	85,828	87,011	95,170	99,555	99,283	97,619	97,685	100,415	107,174	116,135
Net fixed assets	20,901	25,717	29,982	30,850	28,622	30,101	31,091	32,049	33,030	34,119
Goodwill	29,111	35,260	37,554	36,265	28,040	28,540	28,142	28,142	28,142	28,142
Investments	6,808	955	2,340	4,380	5,756	8,206	10,383	10,383	10,383	10,383
Cash	1,127	1,499	2,380	1,595	859	2,387	3,242	2,794	6,421	12,557
Inventories	12,286	10,566	10,062	13,486	12,108	11,626	10,911	11,319	12,495	13,166
Trade receivables	7,414	7,368	7,054	6,687	8,608	6,331	6,271	7,641	8,084	8,566
Other current assets	8,181	5,645	5,798	6,292	15,290	10,428	7,644	8,087	8,619	9,202
Total assets	85,828	87,011	95,170	99,555	99,283	97,619	97,685	100,415	107,174	116,135
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	8,848	8,720	4,632	9,147	11,280	14,141	11,165	10,950	11,907	12,679
Working capital changes	(1,769)	1,554	761	1,364	(97)	(309)	(2,357)	(2,302)	(774)	(234)
Net financial income	(115)	(192)	0	120	356	(254)	620	1,043	1,448	2,098
Cash flow from operations	6,964	10,082	5,394	10,632	11,538	13,579	9,429	9,691	12,581	14,543
Capital expenditure	(4,101)	(4,238)	(3,343)	(5,267)	(5,014)	(5,303)	(3,867)	(4,648)	(4,918)	(5,211)
Free cash flow	2,863	5,844	2,051	5,365	6,524	8,276	5,562	5,042	7,663	9,332
Ratios										
EBITDA margin (%)	13.1	12.4	8.4	13.9	13.4	15.3	15.1	14.6	15.2	15.5
PAT margin (%)	6.8	4.5	1.9	5.8	(1.6)	12.1	9.2	8.9	9.6	10.2
Net debt/equity (X)	0.3	0.3	0.3	0.2	0.2	0.1	0.0	(0.0)	(0.1)	(0.1)
Book value (Rs/share)	113	122	130	137	135	158	174	189	207	226
RoE (%)	12.8	7.7	2.3	7.8	13.4	13.3	12.5	11.6	12.0	12.4
RoCE (%)	9.2	7.7	2.2	7.4	10.3	11.8	10.5	9.8	10.6	11.3

Source: Company, Kotak Institutional Equities estimates

CEAT (CEAT)

Automobiles & Components

SELL

CMP(₹): **3,332**

Fair Value(₹): **2,825**

Sector View: **Cautious**

NIFTY-50: **24,334**
May 01, 2025

Cost control drives beat; Camso acquisition remains overhang

CEAT reported 4QFY25 consolidated EBITDA of Rs3.9 bn (down 1% yoy), 12% above our estimates due to better-than-expected revenue print and cost-control measures. We expect the India business to deliver strong operational performance, driven by market share gains and commodity tailwinds. However, the risk pertaining to the Camso acquisition remains if reciprocal tariffs remain at elevated levels for Sri Lanka. SELL stays with a revised FV of Rs2,825 (Rs2,600 earlier).

Consolidated revenues came in 4% above our expectations in 4QFY25

Consolidated revenues stood at Rs34 bn (up 14% yoy), 4% above our estimates, led by (1) strong growth across segments in the OEM business, (2) mid-high single-digit volume growth in the replacement segment and (3) price increases effected in the last few quarters. Volumes grew 10.5% yoy in 4QFY25, driven by (1) double-digit yoy growth in the OEM segment and (2) mid-single-digit yoy growth in the replacement segment, offset in part by subdued export demand.

Consolidated EBITDA came in 12% above our estimates

CEAT reported 4QFY25 consolidated EBITDA of Rs3.8 bn (down 1% yoy and up 14% qoq), 12% above our estimates due to better-than-expected revenue print and cost-control measures. Consolidated EBITDA margin stood at 11.3% (-180 bps yoy and +100 bps qoq), 80 bps above our estimates on lower-than-expected other expenses. Gross margin was 37.5% (+70 bps qoq), in line with our estimate. Adjusted consolidated PAT stood at Rs1.3 bn, 28% above our estimates, driven by a beat at the EBITDA level and a lower tax rate.

Expect margin tailwinds from 2QFY26E

Given the recent correction in commodity prices (crude oil and international rubber prices), we expect margin trends to continue to inch up. In 1QFY26E, the company expects the RM basket to marginally decline and a major correction to come through from June. Overall, we expect the margins to expand to 12.5-13% in the coming quarters.

Increase our FY2026-27E consolidated EPS by 6-10%; maintain SELL

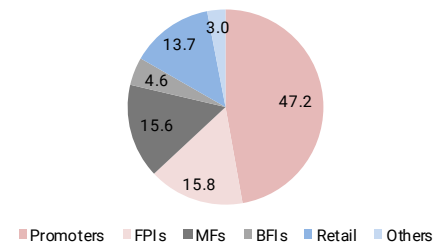
We have increased our FY2026-27E consolidated EPS by 6-10% on higher revenue growth and EBITDA margin assumptions. We expect the domestic business to deliver strong operational performance in the coming quarters. However, there are risks pertaining to the Camso acquisition, especially related to the US tariffs, which may significantly impact the performance of the business in the near term, which we believe is not being factored in at the current valuation. SELL stays with a revised FV of Rs2,825, based on 15X June 2027E consolidated EPS (16X March 2027E consolidated EPS earlier). The valuation remains expensive at 20X FY2026E EPS at CMP.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	3,332/2,825/SELL
52-week range (Rs) (high-low)	3,581-2,210
Mcap (bn) (Rs/US\$)	135/1.6
ADTV-3M (mn) (Rs/US\$)	295/3.5

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	16	17	30
Rel. to Nifty	12	13	22
Rel. to MSCI India	12	14	24

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	122.1	167.4	184.7
EPS growth (%)	(27.9)	37.0	10.4
P/E (X)	27.3	19.9	18.0
P/B (X)	3.1	2.8	2.5
EV/EBITDA (X)	10.4	8.7	7.9
RoE (%)	11.7	14.6	14.5
Div. yield (%)	0.9	1.3	1.4
Sales (Rs bn)	132	146	155
EBITDA (Rs bn)	15	18	20
Net profits (Rs bn)	4.9	6.8	7.5

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Reverse DCF analysis implies Rs41.6 per kg EBITDA

To justify the CMP, the company has to clock in an EBITDA of Rs41.6 per kg (2% higher than peak profitability achieved in 2QFY24) over FY2028-35E. We believe this is not sustainable in the long term, as the current profitability is realized on the back of favorable RM prices, which have surged sharply in CY2024. In our view, it will be difficult for the company to achieve Rs41.6 per kg EBITDA on a sustainable basis, given (1) the commoditized nature of the industry, which tends to be cyclical, (2) weak pricing power, especially in OEM and CV replacement segments, (3) elevated competitive intensity in select segments and (4) high capex requirements over the cycle. In our reverse DCF analysis, we are building in a revenue CAGR of 9% over FY2025-35E and capex spends at 7% of sales, 100 bps lower than its last 10-year average.

Camso brand to be integrated into CEAT fold but uncertainties pertaining to tariffs remain

The consolidation of Camso's results with CEAT's results will take two quarters, beginning with 2QFY26E. The integration work has started in full acceleration, following the resolution of antitrust regulatory activities. The focus in relation to CAMSO will be in business continuity, with 100% retention of customers, since it is a carved-out business. The initial few quarters should go in stabilizing the operations, understanding the operation and the company retains its view of medium-term to long-term margin accretive business as well as robust growth from the CAMSO acquisition.

Effect of tariffs on the Sri Lankan business

As for CAMSO and Sri Lanka, while the economy is doing good, it has been slapped with a 44% reciprocal tariff. The company has been engaging with political dispensation with all senior ministers, including the Prime Minister, to brace for the impact of the tariffs. The company is hopeful of having, if not favorable, a much better situation emerging over a period of time than the 44% reciprocal tariff today. As things stand now, the company is looking at a mere 4% tariff on the tracks business and in the worst case, 44% tariff in the tire business. In case of the worst-case tariffs, the company is ready with a mitigation strategy in place. The company has 30% exposure to the US markets (50% of it to tracks business and 50% to compact bias tires). If the tariff situation prevails, there can be significant risk to 15% of the overall volumes (US bias tires) for the company and we can see double-digit EPS dilution to overall pro forma financials in FY2026E. In that case, the rationale for the transaction becomes difficult to justify.

CEAT OHT continues to make steady progress

CEAT OHT continues to make steady progress, with a few OEM additions such as Argo and Erco. The forestry and agricultural product ranges, which have been launched recently, have given them an encouraging response. The NPD activity continues in full force. The company has launched about 49 plus of highway tires SKUs in 4QFY25. For the immediate term, there are some headwinds in the international business from the Latin American markets, where the currency has depreciated to a great extent. Imports into LatAam have become more expensive, making the company a bit uncompetitive. The US tariff situation has also thrown some uncertainty into the market and the rest of the markets such as Europe, the Middle East and Southeast Asia continue to hold firm and are very stable at this point of time.

Other key takeaways from the conference call

- ▶ The company expects the volume growth to remain strong in the coming quarters, driven by double-digit growth in the OEM segment demand and high-single digit growth in the 2W replacement segment. However, a slight reversal in the international business and the ongoing global uncertainties relating to tariff and non-tariff barriers in 4QFY25 are important since the international business is a focus point for the company. The revenue mix in FY2025 (FY2024): T&B – 30% (31%), PCR – 21% (20%), 2W/3W – 27% (27%), LCV – 7% (7%) and off-highway – 15% (15%).
- ▶ Interest expenses decreased 1% qoq in 4QFY25 due to (1) correction in interest rates, (2) expectation in interest rates to soften progressively and (3) reduction in repo rates not being reflected in MCLR rates by banks.

- ▶ The company implemented a 1-3% price hike in 2W segments in 4QFY25. In terms of pricing, it is priced at a premium of 3-4% versus the second largest player in the 2W segment, whereas it is positioned 1-2% cheaper in the TBR segment when compared to the market leader. In the PCR segment, its tire pricing is similar to Apollo Tyres, but cheaper than Bridgestone by 8-12% over various SKUs.
- ▶ **Capacity expansion.** The company commissioned its TBR plant in Chennai in September 2024 and is planning to increase the capacity of TBR tires to 175k tires per month from 130k in the coming months. In addition, it is planning to expand the capacity of Agri radial tires from 105 MT to 160 MT in the Ambarnath plant to cater to the export market. It will also add new capacities for PCR tires in the Chennai plant. It has announced that it will set up a capacity of 27 mn tire per annum for 2W/3W segments and earmarked a capex of Rs4 bn for the same in Nagpur, India. It expects the capacity to be added by FY2027-28 and the investment will be funded by a way of a mix of internal accruals and debt.
- ▶ Consolidated net debt rose Rs0.8 bn to Rs19.2 bn in March 2025 from Rs18.4 bn in December 2024 on account of a Rs0.98 bn increase in working capital requirement due to higher level of inventory and receivables.
- ▶ There was an exception loss of Rs370 mn pertaining to voluntary separation package for one of their older plants that led to more than 100 people employees accepting voluntary retirement schemes.
- ▶ **New product launches:** With regard to premiumization, the company has launched three high-tech tires that are the Z rated 21-inch radials for high-performance mobility, which are ultra-high-performance tires that cater to high-end vehicles offering superior grip, control and stability at extreme speeds. In addition, the company has launched the CALM technology that gives a very low noise tire, giving the company a new foray into the EV trend. Further, it has launched the run flat tires, a first by any Indian manufacturer in India, which gives the user the leverage to travel to a distance of 80 km before you tend to the tire after it has been impacted.
- ▶ **FY2025 round-up:** During the year, the company reported a steady top-line of 11% yoy, driven by high-single-digit volume growth and low-single ASP increase due to price increase and richer product mix. The EBITDA margin declined by 260 bps yoy, mainly driven by RM inflation, partly offset by operating leverage benefits. Overall EBITDA/PAT fell 11%/28% yoy in FY2025. In FY2025, the company generated a negative FCF of Rs1.2 bn (+Rs5.9 bn in FY2024), driven by weaker operating performance and adverse working capital.

4QFY25 consolidated EBITDA was 12% above our expectations due to tighter control over cost

Exhibit 1: Interim results of CEAT consolidated, March fiscal year-ends (Rs mn, %)

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)		4QFY25E	4QFY24	3QFY25	FY2025	FY2024	Yoy (%)	FY2026E	FY2025	Yoy (%)
Total Income	34,206	32,910	29,919	32,999	3.9	14.3	3.7	132,179	119,435	10.7	145,644	132,179	10.2		
Total Expenditure	(30,325)	(29,444)	(26,003)	(29,590)	3.0	16.6	2.5	(117,437)	(102,913)	14.1	(127,801)	(117,437)	8.8		
Raw materials	(21,391)	(20,569)	(17,265)	(20,847)	4.0	23.9	2.6	(82,321)	(69,244)	18.9	(89,565)	(82,321)	8.8		
Employee expense	(2,257)	(2,175)	(2,153)	(2,159)	3.8	4.8	4.5	(8,562)	(8,457)	1.2	(9,270)	(8,562)	8.3		
Other expenditure	(6,677)	(6,700)	(6,585)	(6,584)	(0.3)	1.4	1.4	(26,554)	(25,212)	5.3	(28,966)	(26,554)	9.1		
EBITDA	3,881	3,466	3,915	3,409	12.0	(0.9)	13.8	14,741	16,522	(10.8)	17,843	14,741	21		
Depreciation	(1,523)	(1,425)	(1,361)	(1,415)	6.9	12.0	7.7	(5,627)	(5,088)		(6,201)	(5,627)			
Interest	(744)	(735)	(617)	(751)	1.2	20.7	(0.9)	(2,778)	(2,691)		(2,985)	(2,778)			
Other income	45	40	31	34	13.0	47.2	31.8	176	197		215	176			
PBT	1,659	1,347	1,969	1,278	23.2	(15.7)	29.8	6,512	8,941	(27)	8,872	6,512	36		
Exceptional items	(370)	—	(582)	—				(296)	(582)		0	(296)			
Tax expense	(356)	(436)	(458)	(361)				(1,720)	(2,214)		(2,387)	(1,720)			
Share of profit from joint venture	55	87	94	54				218	208		265	218			
Minority interest	(8)	(1)	(63)	(1)				(13)	(74)		(20)	(13)			
Reported net profit	995	998	1,086	971				4,726	6,427		6,771	4,726			
Adjusted net profit	1,273	998	1,522	971	27.5	(16.4)	31.1	4,941	6,854	(28)	6,771	4,941	37		
Number of shares (mn)	40.5	40.5	40.5	40.5				40.5	40.5		40.5	40.5			
EPS	24.6	24.7	26.8	24.0				116.8	158.9		167.4	116.8			
Adjusted EPS	31.5	24.7	37.6	24.0	27.5	(16.4)	31.1	122.1	169.4	(28)	167.4	122.1	37		
Ratios (%)															
RM as % of sales	62.5	62.5	57.7	63.2				62.3	58.0		61.5	62.3			
Gross margin	37.5	37.5	42.3	36.8				37.7	42.0		38.5	37.7			
Employee cost as % of sales	6.6	6.6	7.2	6.5				6.5	7.1		6.4	6.5			
Other expenditure as % of sales	19.5	20.4	22.0	20.0				20.1	21.1		19.9	20.1			
EBITDA (%)	11.3	10.5	13.1	10.3				11.2	13.8		12.3	11.2			
Effective tax rate	21.5	32.4	23.3	28.3				26.4	24.8		26.9	26.4			

Source: Company, Kotak Institutional Equities estimates

4QFY25 standalone EBITDA was 12% above our expectations due to tighter control over costs

Exhibit 2: Interim results of CEAT standalone, March fiscal year-ends (Rs mn, %)

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			FY2025	FY2024	Yoy (%)	FY2026E	FY2025	Yoy (%)
					4QFY25E	4QFY24	3QFY25						
Total Income	34,136	33,247	29,792	32,918	2.7	14.6	3.7	131,717	118,926	10.8	144,985	131,717	10.1
Total Expenditure	(30,190)	(29,723)	(25,844)	(29,481)	1.6	16.8	2.4	(116,855)	(102,369)	14.2	(127,162)	(116,855)	8.8
Raw materials	(21,327)	(20,879)	(17,190)	(20,783)	2.1	24.1	2.6	(81,940)	(68,960)	18.8	(89,202)	(81,940)	8.9
Employee expense	(2,220)	(2,153)	(2,109)	(2,137)	3.1	5.3	3.9	(8,465)	(8,336)	1.6	(9,143)	(8,465)	8.0
Other expenditure	(6,642)	(6,691)	(6,545)	(6,561)	(0.7)	1.5	1.2	(26,449)	(25,074)	5.5	(28,817)	(26,449)	9.0
EBITDA	3,946	3,524	3,948	3,436	12.0	(0.1)	14.8	14,862	16,557	(10.2)	17,823	14,862	19.9
Depreciation	(1,522)	(1,462)	(1,357)	(1,414)	4.1	12.2	7.6	(5,623)	(5,084)		(6,194)	(5,623)	
Interest	(744)	(711)	(606)	(751)	4.7	22.8	(0.9)	(2,772)	(2,659)		(2,955)	(2,772)	
Other income	44	100	30	32	(57)	47	34	334	263		390	334	
PBT	1,723	1,451	2,015	1,304	18.8	(14)	32.2	6,800	9,077	(25)	9,064	6,800	33
Exceptional items	(370)	—	(425)	—				(296)	(425)		0	(296)	
Tax expense	(349)	(446)	(399)	(344)				(1,683)	(2,109)		(2,357)	(1,683)	
Reported net profit	1,004	1,005	1,191	960				4,821	6,543	(26)	6,707	4,821	39
Adjusted net profit	1,282	1,005	1,509	960	27.5	(15)	33.5	5,044	6,869	(27)	6,707	5,044	33
Number of shares (mn)	40.5	40.5	40.5	40.5				40.5	40.5		40.5	40.5	
EPS	24.8	24.9	29.4	23.7				119.2	161.8		165.8	119.2	
Adjusted EPS	31.7	24.9	37.3	23.7	27.5	(15)	33.5	124.7	169.8	(27)	165.8	124.7	33
Ratios (%)													
RM as % of sales	62.5	62.8	57.7	63.1				62.2	58.0		61.5	62.2	
Gross margin	37.5	37.2	42.3	36.9				37.8	42.0		38.5	37.8	
Employee cost as % of sales	6.5	6.5	7.1	6.5				6.4	7.0		6.3	6.4	
Other expenditure as % of sales	19.5	20.1	22.0	19.9				20.1	21.1		19.9	20.1	
EBITDA (%)	11.6	10.6	13.3	10.4				11.3	13.9		12.3	11.3	
Effective tax rate	20.3	30.7	19.8	26.4				24.8	23.2		26.0	24.8	

Source: Company, Kotak Institutional Equities estimates

EBITDA per ton declined by 8% yoy due to RM headwinds

Exhibit 3: Quarterly per ton analysis, March fiscal year-ends, 3QFY22-3QFY25 (Rs per ton, %)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Qoq (%)	Yoy (%)
Volumes (tons)	102,361	110,038	107,837	102,361	109,526	111,689	114,847	115,156	116,308	120,847	124,034	123,793	126,460	2.2	8.7
Net realizations	251.7	254.7	267.7	264.9	261.4	261.5	265.0	256.1	256.2	262.2	265.9	265.9	269.9	1.5	5.4
RM cost	168.1	174.2	180.9	173.2	156.6	154.1	150.2	150.3	147.8	158.9	166.3	167.9	168.6	0.5	14.1
Gross profit	83.6	80.6	86.7	91.6	104.8	107.4	114.8	105.8	108.4	103.3	99.6	98.0	101.3	3.3	(6.5)
Employee cost	16.5	15.4	15.2	17.7	19.3	17.3	18.8	18.6	18.1	16.0	17.5	17.3	17.6	1.7	(3.2)
Other expenses	49.0	50.2	52.5	50.8	51.7	55.5	56.2	51.0	56.3	55.7	52.5	53.0	52.5	(0.9)	(6.7)
EBITDA	18.1	14.9	19.1	23.1	33.8	34.6	39.8	36.2	33.9	31.6	29.5	27.8	31.2	12.4	(8.1)

Source: Company, Kotak Institutional Equities

EBITDA margins came under pressure due to RM headwinds; RM basket to marginally decline in 1QFY26E qoq for CEAT

Exhibit 4: Peer comparison, March fiscal year-ends, 4QFY22-4QFY25 (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Apollo standalone - key ratios (%)													
Revenue growth (yoy)	9.9	37.8	16.5	12.0	9.5	(0.5)	3.6	2.0	0.5	4.0	1.2	4.8	NA
Raw material cost/sales	69.4	70.4	70.3	67.3	62.6	60.5	60.2	59.1	59.5	61.9	63.5	66.6	NA
Staff cost/sales	6.2	5.9	5.8	5.9	6.1	6.3	6.2	6.5	6.3	6.5	6.2	6.3	NA
Other expenses/sales	15.0	14.1	13.6	13.9	15.3	15.4	14.6	16.2	18.7	17.7	18.2	16.0	NA
EBITDA margin (%)	9.4	9.7	10.3	12.9	15.9	17.8	19.1	18.1	15.6	13.8	12.1	11.1	NA
CEAT - key ratios (%)													
Revenue growth (yoy)	13.0	47.7	18.7	12.7	11.1	4.2	5.4	8.8	4.1	8.5	8.4	11.6	11.6
Raw material cost/sales	66.8	68.4	67.6	65.4	59.9	58.9	56.7	58.7	57.7	60.6	62.5	63.1	62.8
Staff cost/sales	6.6	6.1	5.7	6.7	7.4	6.6	7.1	7.3	7.1	6.1	6.6	6.5	6.5
Other expenses/sales	19.5	19.7	19.6	19.2	19.8	21.2	21.2	19.9	22.0	21.2	19.8	19.9	20.1
EBITDA margin (%)	7.2	5.9	7.1	8.7	12.9	13.2	15.0	14.1	13.3	12.0	11.1	10.4	10.6
MRF - key ratios (%)													
Revenue growth (yoy)	9.8	35.6	18.4	14.6	10.1	12.9	6.4	9.3	8.6	11.9	11.1	13.8	NA
Raw material cost/sales	67.9	68.5	70.3	67.9	63.0	61.2	59.2	59.9	61.1	62.7	63.5	66.9	NA
Staff cost/sales	7.1	6.5	6.8	7.3	7.0	6.5	7.1	7.2	7.5	6.3	6.9	6.6	NA
Other expenses/sales	14.9	16.4	14.7	15.0	15.3	14.7	15.1	15.7	17.2	14.9	15.2	14.9	NA
EBITDA margin (%)	10.1	8.5	8.2	9.9	14.7	17.6	18.5	17.2	14.2	16.1	14.4	11.6	NA

Source: Company, Kotak Institutional Equities

International natural rubber prices have corrected from the peak

Exhibit 5: Tokyo commodity exchange rubber futures, 2013-25 (Rs per kg)



Source: Company, Kotak Institutional Equities

Domestic natural rubber prices have corrected from the peak

Exhibit 6: Kottayam natural rubber RSS4 prices, 2013-25 (Rs per kg)



Source: Company, Kotak Institutional Equities

We see a risk to Camso financials in case of the sustenance of higher reciprocal tariffs on Sri Lanka

Exhibit 7: Pro-forma financials of CEAT post acquisition of Camso brand, March fiscal year-ends, 2025-27E (Rs mn, %)

	CEAT consolidated			Camso			Pro-forma financials			Comments - Camso business assumptions
	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	
Profit model (Rs mn)										
Net sales	132,179	145,644	154,975	17,220	17,564	18,443	149,399	163,209	173,417	Built revenue of USD205 mn for FY2025E and USD210 mn for FY2026E
EBITDA	14,741	17,843	19,570	2,583	2,679	3,135	17,324	20,522	22,706	Building 15% EBITDA margin for FY2025-26E and 17% for FY2027E
EBITDA margin (%)	11.2	12.3	12.6	15.0	15.3	17.0	11.6	12.6	13.1	
Net interest cost	(2,602)	(2,770)	(2,829)	(1,512)	(1,512)	(1,512)	(4,114)	(4,282)	(4,341)	Interest cost is pertaining to acquisition cost of Camso brand at 8%
Depreciation	(5,627)	(6,201)	(6,922)	(1,205)	(1,230)	(1,291)	(6,832)	(7,431)	(8,213)	Depreciation assumed to be 7% of sales
Extraordinary income/(losses)	(296)	—	—	—	—	—	(296)	—	—	
Profit before tax	6,216	8,872	9,819	(134)	(63)	332	6,082	8,809	10,151	
Tax	(1,720)	(2,387)	(2,646)	—	—	(83)	(1,720)	(2,387)	(2,729)	
Profit from associates & minority interest	231	285	300	—	—	—	231	285	300	
Adjusted net profit	4,941	6,771	7,473	(134)	(63)	332	4,806	6,708	7,805	
Adjusted EPS (Rs)	122.1	167.4	184.7	(3.3)	(1.6)	8.2	118.8	165.8	193.0	Transaction would be dilutive over FY2025-26E and accretive from FY2027E onwards
EPS dilution/accretion (%)							(2.7)	(0.9)	4.4	
Profit model (Rs mn) - in case reciprocal tariffs remain										
Net sales	132,179	145,644	154,975	17,220	15,842	16,635	149,399	161,487	171,609	Built revenue of USD205 mn for FY2025E and 8% decline in FY2026E due to higher tariffs
EBITDA	14,741	17,843	19,570	2,583	1,901	2,329	17,324	19,744	21,899	EBITDA margin for FY2025 and 12% EBITDA margin due to pricing pressure and negative operation
EBITDA margin (%)	11.2	12.3	12.6	15.0	12.0	14.0	11.6	12.2	12.8	
Net interest cost	(2,602)	(2,770)	(2,829)	(1,512)	(1,512)	(1,512)	(4,114)	(4,282)	(4,341)	Interest cost is pertaining to acquisition cost of Camso brand at 8%
Depreciation	(5,627)	(6,201)	(6,922)	(1,205)	(1,109)	(1,164)	(6,832)	(7,310)	(8,086)	Depreciation assumed to be 7% of sales
Extraordinary income/(losses)	(296)	—	—	—	—	—	(296)	—	—	
Profit before tax	6,216	8,872	9,819	(134)	(720)	(348)	6,378	8,152	9,471	
Tax	(1,720)	(2,387)	(2,646)	—	—	—	(1,720)	(2,387)	(2,646)	
Profit from associates & minority interest	231	285	300	—	—	—	231	285	300	
Adjusted net profit	4,941	6,771	7,473	(134)	(720)	(348)	4,806	6,051	7,125	
Adjusted EPS (Rs)	122.1	167.4	184.7	(3.3)	(17.8)	(8.6)	118.8	149.6	176.1	Transaction would be dilutive over FY2025-27E
EPS dilution/accretion (%)							(2.7)	(10.6)	(4.7)	

Source: Company, Kotak Institutional Equities

We have increased FY2026-27E consolidated EPS by 6-10% on higher revenue and margin assumptions

Exhibit 8: Earnings revision table, CEAT, March fiscal year-ends, 2026-27E (Rs mn, %)

	New estimates		Old estimates		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Standalone						
Net sales	144,985	154,262	141,050	148,961	2.8	3.6
EBITDA	17,823	19,515	17,106	18,425	4.2	5.9
EBITDA margin (%)	12.3	12.7	12.1	12.4		
Net profit	6,707	7,418	6,328	6,762	6.0	9.7
EPS (Rs)	165.8	183.4	156.4	167.2	6.0	9.7
Consolidated						
Net sales	145,644	154,975	141,709	149,673	2.8	3.5
EBITDA	17,843	19,570	17,127	18,481	4.2	5.9
EBITDA margin (%)	12.3	12.6	12.1	12.3		
Net profit	6,771	7,473	6,391	6,817	5.9	9.6
EPS (Rs)	167.4	184.7	158.0	168.5	5.9	9.6

Source: Company, Kotak Institutional Equities

To justify CMP, CEAT has to clock in EBITDA per kg of Rs41.6 in FY2028-35E (2% higher than peak profitability achieved in 2QFY24)

Exhibit 9: Reverse DCF analysis, CEAT, March fiscal year-ends, 2023-35E (Rs mn, %)

	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2035E	CAGR (%) 2025-35E
Volumes (MT)	429,700	455,780	495,134	539,584	575,331	614,043	657,025	703,017	986,018	7.1
ASPs (Rs per MT)	262,119	260,928	266,022	268,697	268,128	267,559	272,910	278,369	307,341	1.5
Standalone revenues	112,633	118,926	131,717	144,985	154,262	164,293	179,309	195,698	303,044	8.7
Subs revenues	516	509	462	659	712	769	846	931	1,499	12.5
Consolidated revenues	113,149	119,435	132,179	145,644	154,975	165,062	180,155	196,629	304,543	8.7
Yoy growth (%)	20.8	5.6	10.7	10.2	6.4	6.5	9.1	9.1	9.1	
EBITDA	9,738	16,522	14,741	17,843	19,570	21,086	27,332	29,246	41,018	10.8
EBITDA margin (%)	8.6	13.9	11.2	12.3	12.7	12.8	15.2	14.9	13.5	
EBITDA per kg	22.7	36.3	29.8	33.1	34.0	34.3	41.6	41.6	41.6	3.4
EBIT	5,045	11,434	9,115	11,642	12,648	13,443	18,947	20,056	26,429	11.2
Tax expense	(1,472)	(3,029)	(2,414)	(3,084)	(3,350)	(3,561)	(5,019)	(5,313)	(7,001)	
EBIT (1-tax)	3,573	8,405	6,700	8,558	9,298	9,882	13,928	14,744	19,428	11.2
EBIT margin (%)	4.5	9.6	6.9	8.0	8.2	8.1	10.5	10.2	8.7	
Share of profit from associates	82	208	218	265	270	270	284	298	380	
Depreciation	(4,693)	(5,088)	(5,627)	(6,201)	(6,922)	(7,643)	(8,386)	(9,189)	(14,589)	
Change in working capital	2,211	2,674	(2,909)	(603)	147	142	1,897	1,109	1,894	
Capex	(8,779)	(8,668)	(9,434)	(12,000)	(12,000)	(12,000)	(12,611)	(13,764)	(20,557)	
FCFF	1,780	7,708	202	2,422	4,637	5,937	11,884	11,576	15,734	54.6
Discounted cash flow			-	-	-	5,453	9,746	8,476	6,537	
Risk free rate (%)	6.0									
WACC (%)	12.0									
Terminal growth rate (%)	5.0									
Sum of discounted free cash flow	59,279									
Terminal cash flow	6,537									
Terminal value	93,393									
Enterprise value	152,672									
Net debt/(cash) - March 2025	19,905									
Equity value	132,767									
Fair value (Rs)	3,282									

Source: Company, Kotak Institutional Equities

We expect the company to deliver 8% revenue CAGR in consolidated entity over FY2025-28E

Exhibit 10: CEAT consolidated revenue mix, March fiscal year-ends, 2019-28E (Rs mn, %)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2025-28E CAGR (%)
Revenues (Rs mn)											
Truck & Bus (MHCV)	20,494	20,918	25,747	27,938	33,790	36,867	39,515	42,711	45,093	47,751	6.5
Two-wheeler/Three-wheeler	21,860	20,918	21,961	26,075	29,284	32,110	35,563	38,409	40,713	43,156	6.7
Passenger vehicles	9,564	9,447	10,602	16,763	22,527	24,974	26,343	28,451	30,727	33,185	8.0
LCV	7,514	7,423	6,816	8,381	9,011	8,325	9,220	9,958	10,555	11,189	6.7
Farm	4,099	4,049	5,301	9,313	12,164	11,298	13,172	14,225	15,079	15,984	6.7
Specialty and other income	5,516	5,865	6,126	6,972	7,609	7,123	9,747	11,231	12,095	13,029	10.2
Standalone revenues	68,313	67,479	75,728	93,126	112,633	118,926	131,717	144,985	154,262	164,293	7.6
Yoy growth (%)	10.0	(1.2)	12.2	23.0	20.9	5.6	10.8	10.1	6.4	6.5	
Revenues of subsidiaries	1,532	310	368	508	516	509	462	659	712	769	18.5
Consolidated revenues	69,845	67,788	76,096	93,634	113,149	119,435	132,179	145,644	154,975	165,062	7.7
Yoy growth (%)	11.2	(2.9)	12.3	23.0	20.8	5.6	10.7	10.2	6.4	6.5	
Standalone revenue mix (%)											
Truck & Bus (MHCV)	30.0	31.0	34.0	30.0	30.0	31.0	30.0	29.5	29.2	29.1	
Two-wheeler/Three-wheeler	32.0	31.0	29.0	28.0	26.0	27.0	27.0	26.5	26.4	26.3	
Passenger vehicles	14.0	14.0	14.0	18.0	20.0	21.0	20.0	19.6	19.9	20.2	
LCV	11.0	11.0	9.0	9.0	8.0	7.0	7.0	6.9	6.8	6.8	
Farm	6.0	6.0	7.0	10.0	10.8	9.5	10.0	9.8	9.8	9.7	
Specialty	8.1	8.7	8.1	7.5	6.8	6.0	7.4	7.7	7.8	7.9	
Overall revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Source: Company, Kotak Institutional Equities

We expect EBITDA per kg to improve from FY2026E

Exhibit 11: Volumes and ratios on per kg basis of standalone business, March fiscal year-ends, 2019-28E (Rs per kg)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales volumes (tons)	329,715	315,354	358,026	384,700	429,700	455,780	495,134	539,584	575,331	614,043
Yoy growth (%)	6.4	(4.4)	13.5	7.5	11.7	6.1	8.6	9.0	6.6	6.7
Key ratios (Rs per kg)										
Net realizations	207.2	214.0	211.5	242.1	262.1	260.9	266.0	268.7	268.1	267.6
RM cost	125.6	123.8	118.7	156.3	171.2	151.3	165.5	165.3	163.9	163.1
Gross profit	81.6	90.1	92.8	85.8	90.9	109.6	100.5	103.4	104.2	104.5
Employee cost	14.9	16.9	18.6	17.8	16.9	18.3	17.1	16.9	16.8	16.7
Other expenses	47.4	50.4	46.9	49.8	51.3	55.0	53.4	53.4	53.5	53.6
EBITDA	19.3	22.8	27.2	18.2	22.7	36.3	30.0	33.0	33.9	34.2

Source: Company, Kotak Institutional Equities

We expect standalone EBITDA to see 17% CAGR over FY2025-28E owing to lower base

Exhibit 12: CEAT standalone financial summary, March fiscal year-ends, 2019-28E (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)										
Net sales	68,313	67,479	75,728	93,126	112,633	118,926	131,717	144,985	154,262	164,293
EBITDA	6,375	7,177	9,738	7,011	9,773	16,557	14,862	17,823	19,515	21,004
Other income	553	307	318	282	387	263	334	390	490	490
Interest	(645)	(1,491)	(1,731)	(2,040)	(2,390)	(2,659)	(2,772)	(2,955)	(3,067)	(3,067)
Depreciation	(1,743)	(2,378)	(3,396)	(4,351)	(4,693)	(5,084)	(5,623)	(6,194)	(6,914)	(7,634)
Extraordinary income/(losses)	(442)	(298)	(341)	(129)	(334)	(425)	(296)	—	—	—
Profit before tax	4,098	3,317	4,589	772	2,742	8,652	6,504	9,064	10,024	10,793
Tax	(1,209)	(678)	(453)	(229)	(679)	(2,109)	(1,683)	(2,357)	(2,606)	(2,806)
Reported net profit	2,889	2,639	4,136	543	2,063	6,543	4,821	6,707	7,418	7,987
Adjusted net profit	2,876	2,876	4,443	634	2,314	6,864	5,040	6,707	7,418	7,987
Adjusted EPS (Rs)	71.1	71.1	109.8	15.7	57.2	169.7	124.6	165.8	183.4	197.4
Balance sheet (Rs mn)										
Equity	27,510	27,606	31,647	31,503	33,456	39,511	42,858	47,877	53,427	59,404
Deferred tax liability	2,077	2,611	2,656	3,080	3,800	4,389	4,864	4,864	4,864	4,864
Other long-term liabilities	46	1,645	796	1,221	1,494	1,229	1,546	1,546	1,546	1,546
Total borrowings	12,605	19,082	13,971	20,714	20,657	15,930	19,283	20,783	20,783	20,783
Current liabilities	18,380	20,382	29,980	33,092	35,285	37,226	42,391	45,323	47,780	50,415
Total liabilities	60,619	71,325	79,050	89,609	94,691	98,285	110,942	120,393	128,400	137,012
Net fixed assets	35,695	50,594	54,911	61,371	66,327	69,297	74,973	80,779	85,865	90,231
Investments	3,130	1,108	1,181	1,260	1,303	1,557	1,650	1,650	1,650	1,650
Other long-term assets	1,884	2,001	1,118	1,240	695	1,190	686	686	686	686
Cash	597	289	255	167	531	347	431	615	1,355	3,244
Other current assets	19,312	17,332	21,586	25,571	25,835	25,893	33,202	36,663	38,843	41,201
Total assets	60,619	71,325	79,050	89,609	94,691	98,285	110,942	120,393	128,400	137,012
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	5,385	6,963	9,212	6,906	10,037	14,620	14,030	15,466	16,909	18,198
Working capital changes	(57)	2,721	4,300	(582)	2,115	2,620	(3,200)	(529)	276	278
Net finance income	(252)	(1,324)	(1,501)	(1,841)	(2,087)	(2,480)	(2,542)	(2,565)	(2,577)	(2,577)
Cash flow from operations	5,076	8,360	12,011	4,482	10,065	14,759	8,288	12,372	14,608	15,899
Capital expenditure	(10,622)	(11,712)	(6,427)	(9,587)	(8,892)	(8,660)	(9,463)	(12,000)	(12,000)	(12,000)
Free cash flow	(5,546)	(3,353)	5,583	(5,105)	1,174	6,094	(1,183)	372	2,608	3,899
Ratios										
Gross margin (%)	39.4	42.1	43.9	35.4	34.7	42.0	37.8	38.5	38.9	39.1
EBITDA margin (%)	9.3	10.6	12.9	7.5	8.7	13.9	11.3	12.3	12.7	12.8
PAT margin (%)	4.2	4.3	5.9	0.7	2.1	5.8	3.8	4.6	4.8	4.9
Net debt/equity (X)	0.4	0.7	0.4	0.7	0.6	0.4	0.4	0.4	0.4	0.3
Book value (Rs/share)	680	682	782	779	827	977	1,060	1,184	1,321	1,469
RoAE (%)	10.9	10.4	15.0	2.0	7.1	18.8	12.2	14.8	14.6	14.2
RoACE (%)	9.3	8.9	12.5	3.8	7.2	16.0	11.7	13.3	13.2	13.2

Source: Company, Kotak Institutional Equities

We expect consolidated EBITDA to see 13% CAGR over FY2025-28E owing to lower bas
Exhibit 13: CEAT consolidated financial summary, March fiscal year-ends, 2019-28E (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)										
Net sales	69,845	67,788	76,096	93,634	113,149	119,435	132,179	145,644	154,975	165,062
EBITDA	6,425	7,238	9,830	7,098	9,738	16,522	14,741	17,843	19,570	21,086
Other income	390	205	138	114	169	197	176	215	268	268
Interest	(880)	(1,509)	(1,755)	(2,070)	(2,421)	(2,691)	(2,778)	(2,985)	(3,097)	(3,097)
Depreciation	(1,927)	(2,765)	(3,396)	(4,352)	(4,693)	(5,088)	(5,627)	(6,201)	(6,922)	(7,643)
Extraordinary income/(losses)	(448)	(298)	(341)	(129)	(334)	(582)	(296)	—	—	—
Profit before tax	3,560	2,871	4,476	661	2,459	8,359	6,216	8,872	9,819	10,613
Tax	(1,251)	(742)	(516)	(243)	(718)	(2,214)	(1,720)	(2,387)	(2,646)	(2,846)
Profit from associates & minority interest	213	184	361	294	120	282	231	285	300	300
Reported net profit	2,522	2,313	4,320	712	1,862	6,427	4,726	6,771	7,473	8,067
Adjusted net profit	2,488	2,534	4,622	794	2,098	6,854	4,941	6,771	7,473	8,067
Adjusted EPS (Rs)	61.5	62.6	114.3	19.6	51.9	169.4	122.1	167.4	184.7	199.4
Balance sheet (Rs mn)										
Equity	27,661	29,079	33,163	32,728	34,396	40,426	43,685	48,768	54,373	60,430
Minority interest	238	237	232	235	174	97	77	77	77	77
Deferred tax liability	2,198	2,744	2,800	3,177	3,886	4,509	5,004	5,004	5,004	5,004
Other long-term liabilities	46	1,645	580	833	667	998	1,124	1,124	1,124	1,124
Total borrowings	14,980	19,290	14,176	20,968	20,927	16,289	19,284	20,284	19,284	18,284
Current liabilities	18,926	20,535	30,365	33,662	36,228	37,626	42,950	46,026	48,518	51,191
Total liabilities	64,049	73,529	81,316	91,603	96,278	99,945	112,124	121,282	128,380	136,110
Net fixed assets	40,124	52,283	55,563	62,051	66,922	69,315	74,987	80,786	85,864	90,221
Goodwill	—	—	—	—	—	231	231	231	231	231
Investments	1,814	1,796	2,061	1,710	1,529	1,658	1,733	1,733	1,733	1,733
Other long-term assets	2,104	1,157	1,289	1,426	941	1,354	852	852	852	852
Cash	735	342	431	363	719	754	698	379	53	895
Other current assets	19,271	17,951	21,972	26,054	26,168	26,633	33,623	37,302	39,647	42,178
Total assets	64,049	73,529	81,316	91,603	96,278	99,945	112,124	121,282	128,380	136,110
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	5,379	6,981	9,061	6,925	9,844	14,518	13,829	15,742	17,224	18,539
Working capital changes	235	2,582	4,516	(736)	2,211	2,674	(2,909)	(603)	147	142
Net finance cost	(586)	(1,445)	(1,706)	(2,040)	(2,335)	(2,644)	(2,706)	(2,770)	(2,829)	(2,829)
Cash flow from operations	5,028	8,119	11,871	4,149	9,720	14,549	8,214	12,369	14,542	15,852
Capital expenditure	(11,073)	(11,099)	(6,347)	(9,558)	(8,779)	(8,668)	(9,434)	(12,000)	(12,000)	(12,000)
Free cash flow	(6,045)	(2,980)	5,524	(5,409)	941	5,881	(1,220)	369	2,542	3,852
Ratios										
Gross margin (%)	40.1	42.2	43.9	35.6	34.7	42.0	37.7	38.5	38.9	39.1
EBITDA margin (%)	9.2	10.7	12.9	7.6	8.6	13.8	11.2	12.3	12.6	12.8
PAT margin (%)	3.6	3.7	6.1	0.8	1.9	5.7	3.7	4.6	4.8	4.9
Net debt/equity (X)	0.5	0.7	0.4	0.6	0.6	0.4	0.4	0.4	0.4	0.3
Book value (Rs/share)	684	719	820	809	850	999	1,080	1,206	1,344	1,494
RoAE (%)	9.3	8.9	14.9	2.4	6.3	18.3	11.7	14.6	14.5	14.1
RoACE (%)	7.7	7.4	12.0	3.5	6.6	15.2	11.2	13.0	13.0	13.0

Source: Company, Kotak Institutional Equities

Praj Industries (PRJ)

Capital Goods

BUY

CMP(₹): 461

Fair Value(₹): 700

 Sector View: **Cautious**

NIFTY-50: 24,334

May 01, 2025

Weak execution, steady ordering, improving growth prospects

Praj's 4Q results were a significant miss, driven by deferrals in the execution of ethanol order-related negative operating leverage and mix effects. Steady ordering for the year at 1.2X revenues was enthrusting. Other key positives included improving the positioning of Praj in the key CBG space, long-term agreements signed for GenX facility with key clients, improved outlook for international business and prospects of margin expansion. The JV with a global major in bioplastics does open up a resilient and medium-term business play at a global level, not factored into our FV. We cut estimates by 6-7% and revise FV to Rs700. Praj Industries remains our preferred pick.

Deferral in execution of ethanol jobs and underutilized GenX facility mar results

PRAJ reported a sharp 11% miss in revenues, down 16% yoy. The related negative operating leverage led to a 200 bps miss in EBITDA margins and thus a higher 27% miss in EBITDA. The weakness in revenues was driven by increased instances of deferral in funding approvals for ethanol blending projects, meaningfully altering the execution timeline in some cases. FY2025 revenues, EBITDA and PBT declined 8-9%, adjusted for the impact of the under-utilized GenX facility. GenX losses lowered PBT by ~21%. The order backlog of Rs43 bn, at a prolonged 15-month execution period, gives double-digit growth visibility. The export share of the order backlog has increased to 37% from 29% yoy.

Improved positioning and positive developments across businesses enthuse

PRAJ has firmly established its #1 position in the key CBG space via (1) commissioning a recent project within 60 days, (2) receiving one of the largest single-location orders and (3) witnessing the commissioning of a road project using its bio-bitumen product (a key by-product that enhances viability of CBG projects). The service share of order backlog has doubled yoy with increased traction across domestic and overseas customers—biogenic CO2 capture, fermentation, process management and O&M. PRAJ has signed a long-term framework agreement with 3 out of the 8 customers that have audited and approved the GenX facility (LT contracts extending up to eight years). It shared a strong pipeline for both international ethanol jobs across Americas, for which it has boosted its local resources and recently won an order in Paraguay.

Bioplastics opens up as medium-term business play at global level

The strategic partnership announced with Thyssenkrupp's Uhde Inventa-Fischer (UIF) signals complete end-to-end offering in bioplastics, combining the benefits of a cost effective, domestically developed technology for a global market (UIF has a decade-strong experience in commissioning bioplastics plants). PRAJ's strategy to offer the technology globally to customers would be a significant advantage in a technology where existing players are offering only restricted availability.

We lower estimates by 6-7% and cut FV to Rs700 (from Rs740)

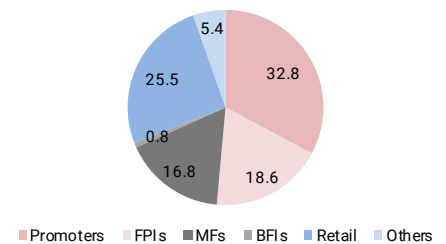
We cut revenue estimates by 3% and EPS by 6-7% on higher depreciation and working capital. Our revised DCF-based FV implies 35X 2-year forward earnings.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	461/700/BUY
52-week range (Rs) (high-low)	875-452
Mcap (bn) (Rs/US\$)	85/1.0
ADTV-3M (mn) (Rs/US\$)	510/6.0

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(17)	(27)	(16)
Rel. to Nifty	(20)	(30)	(23)
Rel. to MSCI India	(21)	(30)	(21)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	9.8	13.3	19.4
EPS growth (%)	(32.4)	34.7	46.3
P/E (X)	46.8	34.8	23.8
P/B (X)	6.1	5.2	4.3
EV/EBITDA (X)	26.9	22.8	16.4
RoE (%)	16.5	16.2	19.8
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	32	36	48
EBITDA (Rs bn)	3.1	3.7	5.2
Net profits (Rs bn)	1.8	2.4	3.6

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Aditya Mongia

Sai Siddhardha P

Deepak Krishnan

Naman Jain

Key takeaways from conference call

- ▶ **Partnership with Thyssenkrupp to drive bioplastics business.** Praj partnered with Uhde Inventa-Fischer, a subsidiary of Thyssenkrupp, to offer end-to-end solutions for PLA production. This partnership covers all phases from feedstock conversion to polymerization, with Praj handling feedstock to lactide through fermentation and UIF responsible for polymerization.
- ▶ **FY2025 as year of transition.** Praj sees FY2025 as a year of transition, which was shaped by several external factors, including the availability of liquidity, where financial closure of the ongoing projects faced liquidity challenges due to stringent approval processes by funding agencies (stretched the execution timeline by 3 months to 12-15 months), emergence of new sectors, and increased focus on carbon abatement, while technologies for co-products such as rice protein and corn oil are gaining traction among existing ethanol producers. These co-products will significantly enhance the financial viability of bioenergy projects. The year also marks Dr Pramod Chaudhary being appointed as the executive chairman and director for the next five years, while his son was appointed as non-executive director, marking the promoter's continued efforts to contribute at an executive level beyond the promotion of bioenergy at a global level.
- ▶ **Strengthening presence in America.** Praj strengthened its presence in America, with the draft 45G issued, creating opportunities in the low-carbon ethanol market. It has added local resources to cater to the potential in America, Brazil, Argentina and Paraguay.
- ▶ **New projects in CBG and Bio bitumen as combined offering to enhance project viability.** Praj signed an agreement with an industry leader in South India for a CBG project with a capacity of 36 tonnes per day. In addition, Praj formed a JV with BPCL for developing 10 CBG projects. Discussions with CBG customers on the bio bitumen model are underway, which can significantly improve the viability of CBG plants. OMCs addressing offtake, with CBGs being built across cities and mandatory blending in place from FY2026 is expected to enable higher ordering in CBG, while Praj has established itself as an industry leader with record commissioning from starch feedstock to CBG in 60 days. CBG + Bio Bitumen offering expected to be a significant contributor to the bioenergy segment next year.
- ▶ **Mangalore facility commenced operations, revenue recognition to start from 2HFY26.** Praj commenced operations at its Mangalore facility, with 3 out of 8 customers who visited the facility for inspection already signing long-term contracts that can ease the order inflow process for repetitive orders. The brewery business is witnessing early momentum, with a new greenfield plant awarded to Praj after being saturated for the last few years. The execution timeline for the Mangalore facility orders is slightly longer at 18-24 months versus the historical order book of Praj at 9-12 months. The breakeven for the GenX (Mangalore) facility is expected to happen at Rs4-4.5 bn.
- ▶ **E20 blending achieved the country ahead its timeline.** India achieved 20% ethanol blending ahead of schedule, with Praj Industries playing a major role in this significant milestone. This achievement is expected to enhance future bioenergy policy initiatives. The way forward for incremental ethanol demand in the country would arise from (1) flexi fuels (100% ethanol fuels) promotion and adoption as seen in Brazil, (2) ethanol blending with diesel, (3) SAF demand expected to pick up going forward, where ethanol is a key input. Beyond, the services business is expected to grow rapidly going forward.
- ▶ **Guidance.** Management is targeting to achieve a sustainable double-digit EBITDA margin as more international and engineering orders are executed, while CBG orders are expected to have slightly higher component of site activity that can offset other expenses as seen in 4QFY25.

Praj reported a miss in revenue owing to liquidity crunch for clients in securing project financing, resulting in slower execution

Exhibit 1: 4QFY25 results of Praj Industries (consolidated), March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			FY2025	FY2024	Change (%)	FY2026E	FY2025	Change (%)
					vs est.	yoy	qoq						
Total Income	8,597	9,673	10,186	8,530	(11.1)	(16)	0.8	32,280	34,663	(7)	36,268	32,280	12
Total expenditure	(7,843)	(8,634)	(8,924)	(7,944)	(9.2)	(12)	(1.3)	(29,131)	(30,944)	(5.9)	(32,548)	(29,131)	12
Raw materials	(4,083)	(4,930)	(5,358)	(4,825)	(17.2)	(24)	(15.4)	(16,398)	(19,122)	(14)	(18,589)	(16,398)	13
Employee expense	(954)	(968)	(819)	(912)	(1.4)	17	4.7	(3,489)	(3,187)	9	(3,627)	(3,489)	4
Other expenditure	(2,769)	(2,736)	(2,364)	(2,203)	1.2	17	25.7	(9,096)	(8,136)	12	(10,332)	(9,096)	14
EBITDA	754	1,039	1,262	586	(27.4)	(40)	29	3,149	3,719	(15)	3,720	3,149	18
Other income	116	119	114	138	(3)	1	(16)	508	435	17	624	508	23
Depreciation	(224)	(214)	(153)	(233)	4.7	46	(3.6)	(864)	(441)	96.2	(906)	(864)	5
Interest	(48)	(36)	(38)	(44)	33.3	26	9.6	(188)	(98)		(188)	(188)	
PBT (excl. other income)	482	788	1,070	309	(38.9)	(55)	55.7	2,097	3,180	(34.1)	2,626	2,097	25
PBT (%)	5.6	8.1	10.5	3.6	-255 bps	-491 bps	198 bps	6.5	9.2	-268 bps	7.2	6.5	74 bps
PBT	597	907	1,185	447	(34.2)	(50)	33.6	2,605	3,615	(27.9)	3,250	2,605	25
Tax expense	(184)	(149)	(311)	(177)				(796)	(941)	(15)	(812)	(796)	2
PAT	413	758	874	270	(45.5)	(53)	53.1	1,809	2,674	(32.4)	2,437	1,809	34.7
Less: Minority interest	—	—	—	—				—	—		—	—	
Exceptional items	(15)	—	46	142				381	160		—	381	
Reported PAT	398	758	919	411	(47.5)	(57)	(3.1)	2,190	2,834	(23)	2,437	2,190	11
Adjusted PAT	413	758	874	270	(45.5)	(53)	53.1	1,809	2,674	(32)	2,437	1,809	35
Order inflow	10,423		9,240	10,530		13	(1.0)	39,043	41,250	(5)		39,043	
Order backlog	43,359		38,551	43,490		12	(0.3)	43,359	38,551	12		43,359	
Margin (%)													
Gross margin	52.5	49.0	47.4	43.4	347 bps	510 bps	906 bps	49.2	44.8	437 bps	48.7	49.2	-46 bps
Employee cost/Sales	11.1	10.0	8.0	10.7	109 bps	306 bps	41 bps	10.8	9.2	161 bps	10.0	10.8	-81 bps
Other expenses/Sales	32.2	28.3	23.2	25.8	392 bps	900 bps	639 bps	28.2	23.5	471 bps	28.5	28.2	31 bps
EBITDA (%)	8.8	10.7	12.4	6.9	-197 bps	-362 bps	190 bps	9.8	10.7	-97 bps	10.3	9.8	50 bps
Tax rate	30.9	16.4	26.2	39.6				30.6	26.0		25.0	30.6	

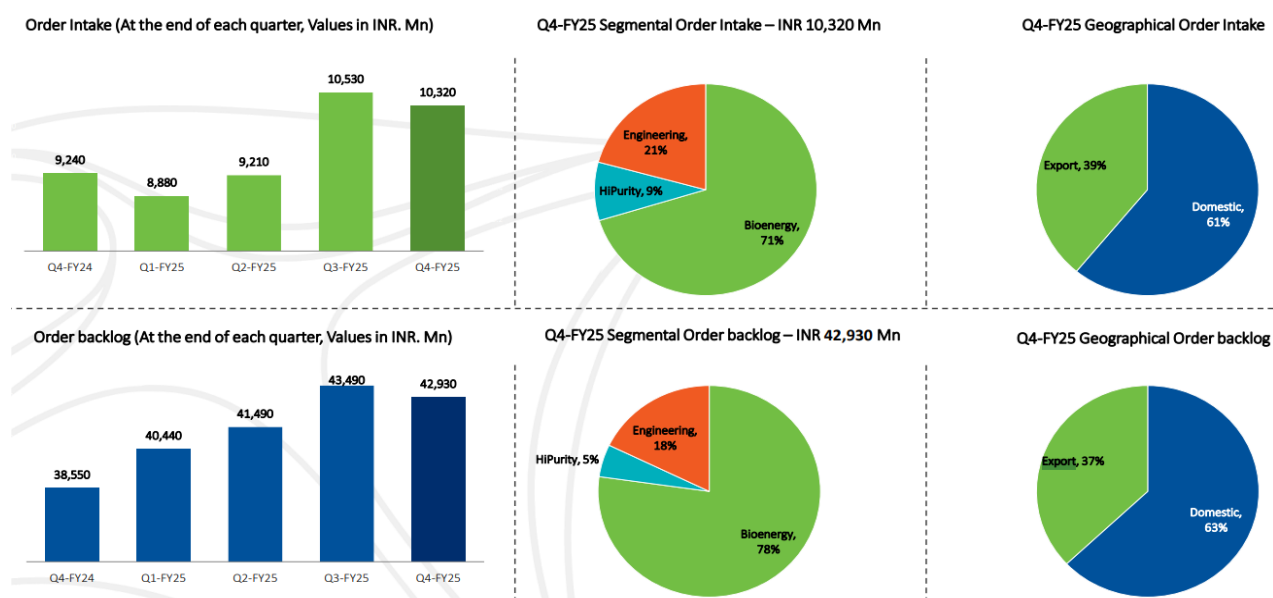
Source: Company, Kotak Institutional Equities estimates

Bio energy execution remained slow due and engineering segment lagged due to delays in securing GenX facility projects from clients

Exhibit 2: Praj Industries (Consolidated) segmental financials, March fiscal year-ends (Rs mn)

	4QFY25	4QFY24	3QFY25	Change (%)		FY2025	FY2024	Change (%)
				yoy	qoq			
Revenue								
Bio energy	5,920	6,926	6,230	(14.5)	(5.0)	22,790	25,643	(11.1)
Engineering	1,460	2,037	1,560	(28.3)	(6.4)	6,370	6,045	5.4
Hi Purity	1,210	1,222	740	(1.0)	63.5	3,110	2,973	4.6
Total	8,590	10,186	8,530	(15.7)	0.7	32,270	34,663	(6.9)
Order inflow								
Bio energy	7,327	6,006	8,529	22.0	(14.1)	28,579	28,240	1.2
Engineering	2,167	2,772	842	(21.8)	157.3	6,937	9,768	(29.0)
Hi Purity	929	462	1,158	101.0	(19.8)	3,528	3,242	8.8
Total	10,423	9,240	10,530	12.8	(1.0)	39,043	41,250	(5.3)

Source: Company, Kotak Institutional Equities estimates

Order inflow trajectory has been resilient in recent times and share of exports share of order backlog has increased to 39%
Exhibit 3: Trajectory of order inflows and order backlog of Praj, March fiscal year-ends


Source: Company

Order inflows in recent past have been steady in spite of EBP20-linked ordering waning down
Exhibit 4: Quarterly order inflow of Praj Industries, March fiscal year-ends, 1QFY23-4QFY25 (Rs mn)


Source: Company, Kotak Institutional Equities

We forecast a US\$106 bn TAM for Praj in next decadal period in its bio energy offerings

Exhibit 5: Total addressable market for Praj Industries (US\$ bn)

TAM	CY2024-34 in US\$ bn	Key assumptions
Business prospects where Praj has either won or expects to win orders in the near term		
1G Ethanol- domestic	10	27% ethanol blending, 4% fuel requirement growth
CBG- domestic	36	15% natural gas blending, 5% natural gas requirement growth
SAF ethanol- domestic	4	10% SAF blending, 10% ATF requirement growth
1G ethanol- GBA	40	GBA countries to require ~55 bn lit ethanol capacity for 10-12% ethanol blending
SAF ethanol- EU	4	15% SAF blending, 1% ATF requirement growth
SAF ethanol- US	6	34% SAF blending, 3% ATF requirement growth
CBG- Brazil	7	6% natural gas blending, 5% natural gas requirement growth
Total	106	
Optionalities		
2G ethanol- EU	9	5.5% 2G ethanol blending requiring 6 bn lit capacity
Bio-diesel-India	9	5% diesel blending using ethanol
Total	18	

Source: Kotak Institutional Equities estimates

We forecast a US\$8 bn business visibility for Praj in its bio energy offering

Exhibit 6: Bioenergy segmental estimates of Praj Industries (US\$ bn)

Praj Industries	FY2024-34 in US\$ bn	Key assumptions
1G Ethanol- domestic	1.9	62% market share, 35% value addition of total plant capex
CBG- domestic	3.9	20% market share, 50% value addition of total plant capex
SAF ethanol- domestic	0.3	20% market share, 50% value addition of total plant capex
1G ethanol- GFA	1.2	7% market share, 50% value addition of total plant capex
SAF ethanol- EU	0.2	15% market share, 50% value addition of total plant capex
SAF ethanol- US	0.5	15% market share, 50% value addition of total plant capex
CBG- Brazil	0.3	10% market share, 50% value addition of total plant capex
Total	8.0	

Source: Kotak Institutional Equities estimates

We envisage a healthy 13-14% IRR for CBG plants in India for prominent feedstocks seeing adoption

Exhibit 7: Unit economics of CBG plants based out of different feedstocks in India

Unit economics	Units	Press Mud	Napier grass	Rice straw
Plant capacity, 10TPD*	Ton	3,650	3,650	3,650
Capacity utilization	%	85	85	85
Plant production	Ton	3,103	3,103	3,103
CNG price	Rs/kg	90	90	90
CBG price (at 80% of CNG price)	Rs/kg	72	72	72
Operating revenue	Rs mn	223	223	223
Fermented organic manure per ton of feedstock	Ton	5	7	6
FOM off take price	Rs/kg	6	6	6
Other operating income	Rs mn	79	112	102
Revenue from operations	Rs mn	303	336	326
Raw material cost	Rs/kg	0.5	1.0	2.5
Input requirement for 1 ton CBG prod.	ton	29	24	9
Cost of raw material	Rs mn	40	73	67
Gross profit	Rs mn	262	263	258
Gross profit margin	in %	86.6	78.3	79.3
Electricity requirement	kwh/ton	1,368	2,047	2,047
Electricity cost	Rs/Kwh	7	7	7
Electricity cost	Rs mn	30	44	44
Employee expenses	Rs mn	30	29	29
Transportation cost CBG off take	Rs mn	9.3	13.4	9.3
Chemicals, processed water, baging for manure, discharging liquid manure (diesel)		28.0	22.5	23.0
Overheads	Rs mn	18.5	17.5	18.5
EBITDA	Rs mn	147	136	134
EBITDA margin		48.4	40.5	41.1
Capex	Rs/ton	70	62	65
Capex	Rs mn	700	620	650
Depreciation	Rs mn	35	31	33
EBIT	Rs mn	112	105	102
EBIT margin	in %	37	31	31
Taxes	Rs mn	27.3	25.7	24.9
PAT	Rs mn	84	79	77
RoIC	in %	13.1	13.7	12.7

Notes:-

- (1) We assume net working capital to be 60 days
- (2) We assume-price for CBG produced as per the guidelines of SATAT scheme
- (3) We do not factor in any incentives for carbon credits that can be generated from emission reduction through CBG
- (4) We-assume GST taxes - input credit
- (5) We do not include land cost
- (6) We do not consider debt in our capital structure and thus capital incentives that can lower cost of capital & taxes
- (7) We do not factor in any capital incentives for the capex incurred

Source: Kotak Institutional Equities estimates

We lower our EPS estimates by 6-7% for FY2026-27

Exhibit 8: Change in estimates for Praj Industries (Consolidated), March fiscal year-ends, FY2022-27E (Rs mn)

	2022	2023	2024	2025	New estimates			Old estimates		Change in estimates (%)	
	2022	2023	2024	2025	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Net revenue	23,433	35,280	34,663	32,280	36,268	47,946	62,487	36,926	49,134	(1.8)	(2.4)
EBITDA	1,938	3,078	3,719	3,149	3,720	5,157	6,877	3,814	5,320	(2.5)	(3.1)
EBITDA margin (%)	8.3	8.7	10.7	9.8	10.3	10.8	11.0	10.3	10.8	-7 bps	-7 bps
Other income	362	458	435	508	624	793	962	668	818	(6.6)	(3.1)
PBT	2,005	3,151	3,455	2,224	3,250	4,754	6,429	3,455	5,093	(5.9)	(6.7)
Adjusted PAT	1,502	2,398	2,674	1,809	2,437	3,566	4,822	2,591	3,820	(5.9)	(6.7)
PAT margin	6.4	6.8	7.7	5.6	6.7	7.4	7.7	7.0	7.8	-30 bps	-34 bps
Recurring EPS	8.2	13.0	14.5	9.8	13.3	19.4	26.2	14.1	20.8	(5.9)	(6.7)

Growth (%)

Revenue	51	(2)	(7)	12	32	30	14	33
EBITDA	59	21	(15)	18	39	33	21	40
PAT	60	12	(32)	35	46	35	6	47

Segment wise

Bio energy

Revenue	16,702	26,040	25,643	22,650	25,521	35,026	46,901	25,521	35,026	-	-
Growth (%)		56	(2)	(12)	13	37	34	13	37		

Engineering

Revenue	4,667	6,820	6,045	7,436	7,326	9,157	11,446	7,807	10,150	(6.2)	(9.8)
Growth (%)		46	(11)	23	(1)	25	25	5	30		

Hi-Purity

Revenue	2,063	2,420	2,973	3,271	3,421	3,763	4,139	3,598	3,957	(4.9)	(4.9)
Growth (%)		17	23	10	5	10	10	10	10		

Source: Company, Kotak Institutional Equities estimates

We value Praj at Rs700 in our DCF forecast, implying a multiple of 35X two-year forward earnings

Exhibit 9: DCF valuation of Praj Industries, March fiscal year-ends, 2020-44E (Rs bn)

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2034E	2039E	2044E	2045E	2024-34	2034-44
Free cash flow calculation														
Revenue	11.0	13.0	23.4	35.3	34.7	32.3	36.3	47.9	157.2	292.2	487.6	512.0	16.3	12.0
yoy growth (%)	-	18.4	79.6	50.6	(1.8)	(6.9)	12.4	32.2	4.9	12.0	8.0	5.0		
EBIT (excl. other income)	0.6	0.9	1.7	2.8	3.3	2.3	2.8	4.2	14.9	25.6	40.7	43.3	16.3	10.6
EBIT margin (%)	5.1	6.9	7.3	7.9	9.5	7.1	7.8	8.7	9.5	8.8	8.4	8.5		
Effective tax rate (%)	15.3	28.3	26.7	24.8	25.4	27.0	25.0	25.0	25.0	25.0	25.0	25.0		
NOPAT	0.5	0.6	1.3	2.1	2.4	1.7	2.1	3.1	11.1	19.2	30.5	32.5		
Change in working capital (excl. cash)	(0.8)	1.2	0.2	(1.2)	(1.0)	(2.0)	(1.0)	(0.6)	(0.4)	(1.3)	(1.5)	(1.0)		
Depreciation	0.2	0.2	0.2	0.3	0.4	0.9	0.9	1.0	2.4	3.9	5.9	5.8		
Capex	(0.1)	(0.1)	(0.2)	(0.4)	(0.9)	(0.9)	(0.7)	(1.9)	(1.2)	(6.1)	(7.0)	(4.7)		
OCF	(0.1)	2.0	1.7	1.2	1.9	0.5	2.1	3.5	13.2	21.8	35.0	37.2		
FCFF	(0.1)	1.9	1.5	0.8	1.0	(0.3)	1.4	1.5	11.9	15.7	28.0	32.5		
RoIC (%)	12.3	13.0	31.4	48.4	43.9	21.3	22.0	27.8	36.8	36.8	35.7	36.2		
WACC (%)														
WACC (%)	12.5													
Terminal growth rate (%)	5.0													
DCF valuation														
PV of cash flows						48	57	66						
PV of Terminal value						43	44	46						
EV						91	101	112						
Less: Net debt						(2)	(4)	(6)						
Equity value						93	105	118						
Implied target price (Rs/share)						509	571	642						
June-2026E-based Fair value (Rs/share)														
June-2026E-based Fair value (Rs/share)	700													
Implied one-year forward earnings multiple (X)	35													

Source: Company, Kotak Institutional Equities estimates

We expect a 11%/11%/12% revenue/EBITDA/PAT CAGR over 2025-27

Exhibit 10: Summary financials of Praj (consolidated), March fiscal year-ends, 2015-28E (Rs mn)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Income statement													
Net revenues	10,122	10,236	9,150	9,166	11,411	11,024	13,047	23,433	35,280	34,663	32,280	36,268	47,946
Total operating expenses	(9,192)	(9,095)	(8,463)	(8,651)	(10,618)	(10,243)	(11,923)	(21,495)	(32,202)	(30,944)	(29,131)	(32,548)	(42,789)
EBITDA	930	1,141	687	515	793	780	1,123	1,938	3,078	3,719	3,149	3,720	5,157
Depreciation & Amortization	(378)	(250)	(221)	(241)	(230)	(219)	(221)	(226)	(303)	(441)	(864)	(906)	(989)
EBIT	552	891	465	274	564	562	902	1,712	2,776	3,278	2,285	2,814	4,168
Other income	337	184	223	267	323	300	257	362	458	435	508	624	793
Interest expense	(25)	(20)	(13)	(11)	(8)	(31)	(29)	(25)	(46)	(98)	(188)	(188)	(207)
PBT	760	1,042	669	478	798	789	1,129	2,005	3,151	3,455	2,224	3,250	4,754
Tax expense	(82)	(229)	(229)	(135)	(197)	(127)	(320)	(546)	(789)	(941)	(796)	(812)	(1,189)
Adjusted PAT	678	812	440	343	601	662	808	1,459	2,362	2,515	1,428	2,437	3,566
Reported PAT	763	825	446	395	682	704	810	1,502	2,398	2,674	1,809	2,437	3,566
Recurring EPS	4.1	4.5	2.4	2.1	3.7	3.8	4.4	8.2	13.0	14.5	9.8	13.3	19.4
Balance sheet													
Shareholders' funds													
Share capital	355	356	359	362	365	366	367	367	367	367	367	367	367
Reserves & surplus	6,199	6,197	6,738	6,900	7,085	6,826	7,652	8,790	10,413	12,377	13,450	15,887	19,453
Debt	173	160	43	60	—	—	—	—	—	—	—	—	—
Total sources of funds	6,875	6,716	7,143	7,328	7,457	7,199	8,025	9,158	10,781	12,758	13,848	16,286	19,851
Net fixed assets	2,417	2,242	2,387	2,387	2,296	2,333	2,216	2,265	2,612	4,551	5,222	4,981	5,939
Net working capital (ex-cash)	1,039	1,336	1,570	1,238	1,046	1,672	187	(398)	194	(258)	999	1,949	2,590
Non-current investments	100	207	233	170	680	525	483	791	968	1,367	1,104	1,104	1,104
Cash and bank balances and current investments	2,565	2,065	2,112	2,727	2,598	1,770	4,320	5,824	6,220	6,301	5,547	7,275	9,243
Total application of funds	6,875	6,716	7,143	7,326	7,457	7,199	8,025	9,157	10,781	12,759	13,848	16,286	19,851
Free cash flow													
Operating profit before wcap. changes	1,133	1,342	853	810	1,085	1,088	1,240	2,104	3,468	4,009	3,458	3,720	5,157
Change in working capital / other adjustments	270	(470)	(446)	331	(548)	(763)	1,159	223	(1,222)	(971)	(2,000)	(950)	(640)
Direct tax paid	93	(361)	(205)	(127)	(206)	(178)	(149)	(450)	(625)	(1,045)	(1,028)	(812)	(1,189)
Net cashflow from operating activities	1,497	511	202	1,014	330	147	2,251	1,877	1,621	1,994	430	1,957	3,328
Capex	(156)	(126)	(367)	(161)	(142)	(71)	(87)	(185)	(353)	(893)	(870)	(665)	(1,946)
Free cash flow (CFO + net capex)	1,341	385	(165)	853	189	75	2,164	1,692	1,268	1,101	(440)	1,292	1,382
Growth (%)													
Revenue growth	3	1	(11)	—	24	(3)	18	80	51	(2)	(7)	12	32
EBITDA growth	17	23	(40)	(25)	54	(2)	44	72	59	21	(15)	18	39
Recurring PAT growth	40	8	(46)	(11)	73	3	15	85	60	12	(32)	35	46
Key ratios													
EBITDA margin (%)	9.2	11.1	7.5	5.6	7.0	7.1	8.6	8.3	8.7	10.7	9.8	10.3	10.8
Net debt/equity (X)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(0.2)	(0.3)
Net debt/EBITDA (X)	(0.9)	(0.6)	(1.0)	(1.4)	(1.1)	(0.6)	(1.2)	(0.8)	(0.5)	(0.6)	(0.6)	(1.0)	(1.1)
Book value per share (Rs)	36	36	39	40	41	39	44	50	59	69	75	88	108
RoAE (%)	14.0	12.8	6.6	6.2	10.4	10.2	10.7	18.0	24.4	24.1	16.5	16.2	19.8
RoACE (%)	12.6	12.4	6.6	5.6	9.3	10.0	10.9	17.7	24.4	23.5	15.3	17.1	20.6
RoAIC (%)	14.4	19.9	8.5	5.7	12.7	11.1	16.9	45.7	71.6	62.3	29.9	30.0	38.2

Source: Company, Kotak Institutional Equities estimates

Ujjivan Small Finance Bank (UJJIVANS)

Banks

BUY

CMP(₹): 43

Fair Value(₹): 55

 Sector View: **Attractive**

NIFTY-50: 24,334

May 02, 2025

The outperformance on asset quality continues

Ujjivan SFB posted about 75% yoy earnings decline, led by elevated provisions (credit cost of ~3.5%), while operating profit declined about 30% yoy. The asset-quality ratios have now begun to improve (NNPL ratio down ~10 bps qoq, slippage ratio at ~5%), with a performance meaningfully better than peers. While provisions are likely to remain elevated for some more time, we find the valuations reasonable. Retain BUY with a FV of Rs55 (Rs50 earlier).

Elevated provisions drove earnings decline, but not a surprising outcome

Ujjivan SFB reported ~75% yoy earnings decline, led by ~240% yoy increase in provisions, while PPOP declined ~30% yoy. NII declined ~7% yoy—considerably weaker than ~17% yoy growth in net advances, while non-interest income also grew ~14% yoy. Operating expenses grew ~20% yoy, led by ~30% yoy growth in staff expenses. The trajectory of loan mix shift to secured segments continues, as the share of microfinance loans declined by ~400 bps qoq and ~1,300 bps yoy. Management indicated that this shift will continue at a brisk pace. Microfinance disbursements declined (down 25% yoy in group loans and flat yoy in individual loans). Deposits grew ~20% yoy, with ~15% yoy growth in CASA and term deposits. NIM (reported) declined ~30 bps qoq, led by lower yield on advances (led by a shift in loan mix and interest reversals from slippages), while cost of funds was flat qoq. The capital position is comfortable (~21% CET1).

Asset quality in microfinance has held up better than peers

Gross NPL ratio was down ~50 bps qoq to ~2.2%, while net NPL ratio flat qoq at ~0.5%. PCR stood at ~78%. Slippages were flat qoq at ~4.6% in 4QFY25, with microfinance slippages at ~6.5% (up from ~6.2% in 3QFY25). The SMA book in microfinance was marginally lower qoq at ~2.7% despite the challenges in Karnataka (~13% of overall loan book). Credit cost stood at ~3.5% (up qoq from ~3.0%). Ujjivan has reported significantly better asset quality than peers in the microfinance business across most states in the ongoing cycle, with cumulative slippages in the past 3 quarters at <4% (non-annualized). With the SMA book on a declining trend, we believe slippages are likely to have peaked. Management has indicated that disruption from the specific situations in Karnataka/Tamil Nadu or from the imposition of 3-lender cap is likely to be low.

Retain BUY with FV of Rs55; worst of the cycle seems behind

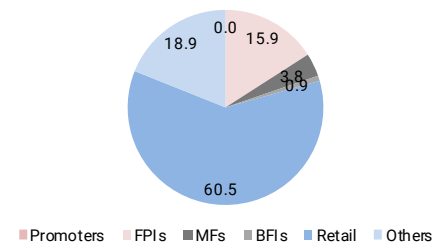
We retain BUY with a FV of Rs55 (Rs50 earlier), valuing the bank at 1.5X December 2027E BVPS (adjusted) and ~10X EPS for mid-to-high teen ROE in the medium term. The on-ground situation in the microfinance industry has improved quite substantially in the past few months, with disbursements picking up and weak borrowers steadily getting weeded out. We expect slippages to decline from here on, with normalization in 2HFY26E. With a low asset-quality impact in this cycle, Ujjivan SFB is one of the better investment alternatives available to play the tactical recovery in the sector. Discussions are likely to shift to the potential pressure on return ratios from a declining share of unsecured loans, but current valuations are attractive enough to generate a healthy return through a credit cost-led rerating.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	43/55/BUY
52-week range (Rs) (high-low)	56-31
Mcap (bn) (Rs/US\$)	82/1.0
ADTV-3M (mn) (Rs/US\$)	639/7.6

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	24	19	(21)
Rel. to Nifty	20	15	(28)
Rel. to MSCI India	20	16	(26)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	3.8	2.6	5.3
EPS growth (%)	(43.4)	(31.9)	105.6
P/E (X)	11.5	16.8	8.2
P/B (X)	1.4	1.3	1.2
BVPS (Rs)	30.9	32.5	36.5
RoE (%)	12.4	7.9	14.8
Div. yield (%)	0.0	1.3	2.8
NII (Rs bn)	36	38	48
PPOP (Rs bn)	17	15	22
Net profits (Rs bn)	7.3	4.9	10

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Ashlesh Sonje, CFA

M B Mahesh, CFA

Nischint Chawathe

Abhijeet Sakhare

Varun Palacharla

Nikhil Suresh

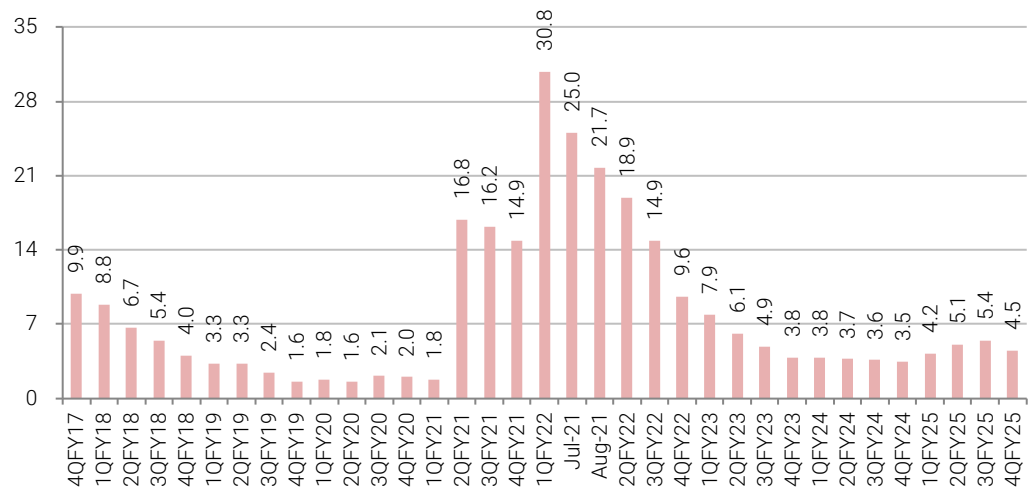
Exhibit 1: Ujjivan SFB – quarterly financial statements, March fiscal year-ends, 4QFY24-4QFY25 (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	(% change)			Calc.	2025			2024 (% chg.)	2026E	Calc.	2025 (% chg.)	2027E
Income statement (Rs mn)					4QFY25E	4QFY24	3QFY25									
Interest income	15,734	16,236	15,285	15,911	(3)	3	(1)	63,544	56,772	12	68,654	63,544	8	82,427		
Interest expense	7,091	7,376	5,950	7,043	(4)	19	1	27,181	22,677	20	30,615	27,181	13	34,610		
Net interest income	8,643	8,860	9,335	8,867	(2)	(7)	(3)	36,363	34,095	7	38,039	36,363	5	47,817		
Other income	2,697	2,229	2,361	1,722	21	14	57	8,462	7,868	8	10,600	8,462	25	12,974		
Loan processing fees	930	968	880	690	(4)	6	35	3,010	-	#DIV/0!						
Insurance	400	374	340	240	7	18	67	1,150	-	#DIV/0!						
Bad debt recovery	310	177	360	290	75	(14)	7	1,120	1,410	(21)						
Other income (incl PSLC)	1,057	710	781	502	49	35	111	3,182	-	#DIV/0!						
Total income	11,340	11,089	11,697	10,589	2	(3)	7	44,825	41,962	7	48,639	44,825	9	60,791		
Operating expenses	7,742	7,383	6,511	6,997	5	19	11	27,932	22,791	23	33,480	27,932	20	38,958		
Staff cost	4,196	4,038	3,273	3,712	4	28	13	14,995	11,832	27	18,078	14,995	21	21,024		
Other costs	3,546	3,345	3,238	3,286	6	10	8	12,937	10,959	18	15,401	12,937	19	17,934		
Operating profit	3,598	3,706	5,186	3,592	(3)	(31)	0	16,893	19,171	(12)	15,159	16,893	(10)	21,833		
Provisions	2,645	2,885	790	2,228	(8)	235	19	7,477	2,149	248	8,747	7,477	17	8,650		
PBT	953	820	4,396	1,364	16	(78)	(30)	9,416	17,022	(45)	6,412	9,416	NM	13,183		
Tax	119	258	1,099	278	(54)	(89)	(57)	2,155	4,207	(49)	1,467	2,155	NM	3,017		
PAT	834	562	3,296	1,086	48	(75)	(23)	7,261	12,815	(43)	4,945	7,261	NM	10,166		
Tax rate (%)	12	31	25	20				23	25		23	23		23		
Loans (Rs mn)																
Overall gross loans	321,220	321,220	297,800	304,660			5				394,876	321,220	23	490,294		
Microfinance	130,900		160,090	136,630		(18)	(4)									
Micro individual loan	51,820		49,240	49,530		5	5									
MSE	20,470		14,140	16,940		45	21				27,635	20,470	35	35,925		
Affordable housing	73,080		49,240	63,930		48	14				103,774	73,080	42	143,208		
Others	44,950		25,090	37,630		79	19				66,130	44,950	47	90,144		
Disbursement (Rs mn)																
Net disbursements	74,400		66,810	53,620		11	39									
Microfinance	27,870		37,120	20,290		(25)	37									
Micro individual loan	11,850		12,190	8,570		(3)	38									
MSE	5,330		1,280	3,320		316	61									
Affordable housing	1,130		7,300	8,130		(85)	(86)									
Others	28,220		8,920	13,310		216	112									
Deposits (Rs mn)																
Total deposits	376,305		314,622	344,940		20	9				459,468	376,305	22	561,011		
CA	11,180		7,690	8,280		45	35				15,948	11,180	43	22,278		
SA	84,940		75,660	78,340		12	8				108,306	84,940	28	137,852		
CASA	96,120		83,350	86,620		15	11				124,255	96,120	29	160,130		
CASA ratio (%)	25.5		26.5	25.1		-95 bps	43 bps				27.0	25.5		28.5		
Term deposits	266,760		230,060	252,320		16	6				335,214	280,185	20	400,881		
Retail TD	170,640		137,500	166,120		24	3									
Bulk TD	96,120		92,560	86,200		4	12									
CD	2,990		1,210	6,000		147	(50)									
Other balance sheet items																
Investments	117,300		97,660	117,970		20	(1)									
Borrowings	28,454		21,708	37,240		31	(24)									
Asset quality																
Gross NPL (Rs mn)	6,959		6,125	8,112		14	(14)				8,875	6,959	28	9,675		
Gross NPL (%)	2.2		2.2	2.7		-5 bps	-50 bps				2.2	2.2		1.9		
Net NPL (Rs mn)	1,524		763	1,649		100	(8)				2,777	1,524	82	2,825		
Net NPL (%)	0.49		0.3	0.56		21 bps	-7 bps				0.7	0.5		0.6		
PCR (calculated)	78.1		87.5	79.7		-945 bps	-157 bps									
PAR>0 (%)	4.5		3.5	5.4												
Gross slippages (Rs mn)	3,490	3,579	1,330	3,500		162	(0)	11,290	4,800	135	10,538	11,290	(7)	10,001		
Slippage ratio (%)	4.6	4.7	1.9	4.6		266 bps	-3 bps	3.8	2.2	163 bps	3.3	3.8	-49 bps	2.5		
Key calculated ratios (%)																
Yield on advances (on-book)	17.5	18.1	20.1	18.4		-262 bps	-93 bps	18.6	18.5	16 bps	16.7	18.6	-195 bps	16.4		
Yield on earnings assets	14.0		15.8	14.8		-182 bps	-81 bps									
Cost of funds	7.2	7.5	7.1	7.5		11 bps	-31 bps	7.3	7.3	0 bps	6.8	7.3	-49 bps	6.4		
NIM	7.7	7.9	9.6	8.2		-25 bps	-197 bps	8.5	9.5	103 bps	7.5	8.5	-101 bps	7.8		
CD ratio	84.8		87.3	87.8		-247 bps	-292 bps				87.1	84.8		89.5		
Cost to income	68.3	66.6	55.7	66.1		1261 bps	219 bps	62.3	54.3	800 bps	68.8	62.3		64.1		
Cost to average AUM	9.9		9.1	9.2		84 bps	69 bps	9.0	8.5	56 bps	9.4	9.0		8.8		
Credit cost	3.5	3.7	1.2	3.0		-22 bps	226 bps	2.4	0.8	162 bps	2.4	2.4	3 bps	2.0		
RoA	0.7		3.3	1.0		-258 bps	-26 bps				0.9	1.6	-70 bps	1.6		
RoE	5.5		24.7	7.3		-1913 bps	-179 bps				7.9	12.4	-454 bps	14.8		
Capital adequacy details (%)																
CAR	23.1		24.7	23.9		-160 bps	-80 bps									
Tier I	21.4		22.6	22.1		-122 bps	-72 bps									
Other key parameters (#)																
Branches	753		752	753		0.1	-									
Employees	24,374		22,566	24,293		8.0	0.3				24,374	(100)		28,774		

Source: Company, Kotak Institutional Equities estimates

PAR declined qoq also supported by write-offs and sale to ARC

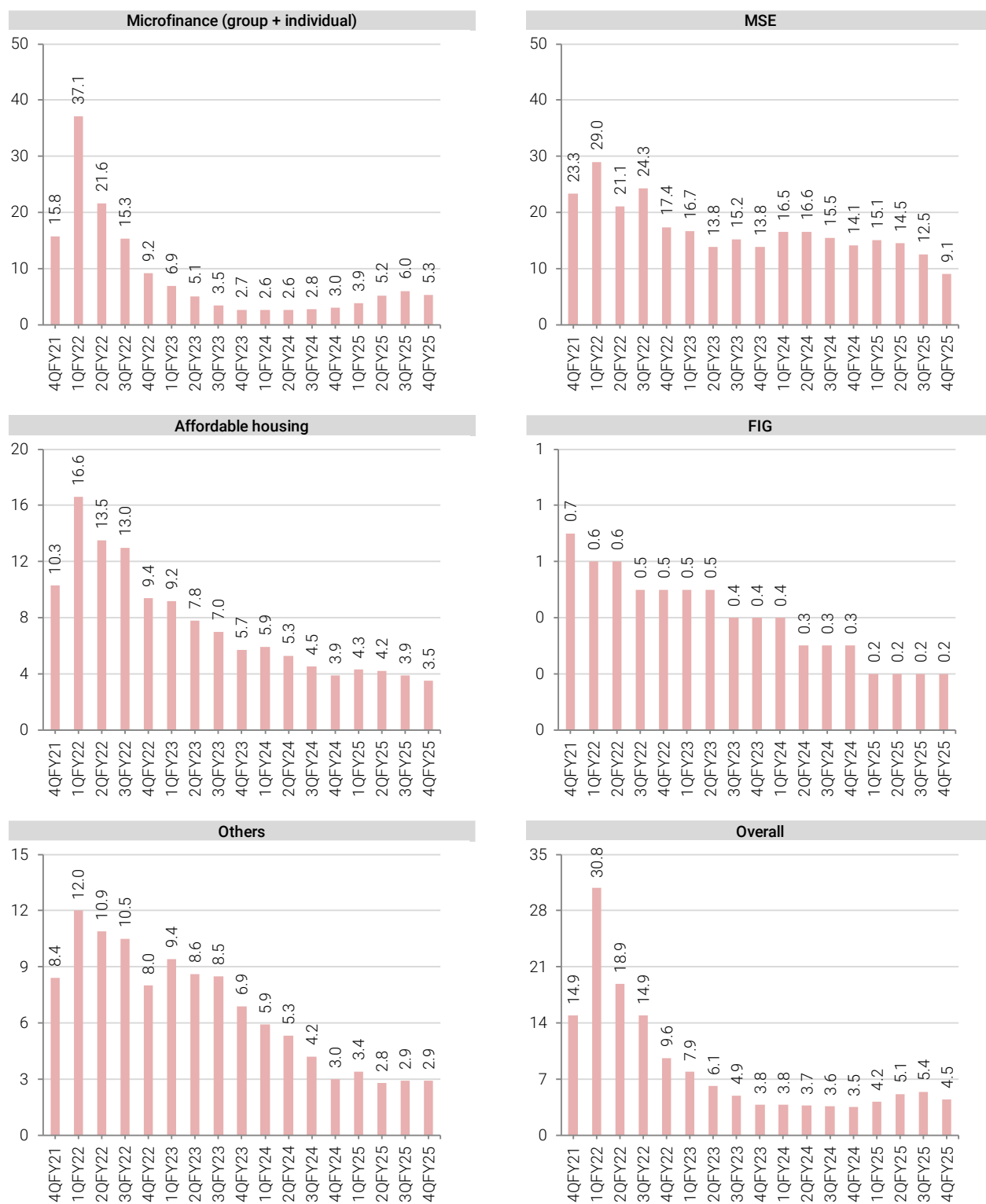
Exhibit 2: Portfolio at risk for Ujjivan SFB, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

PAR in microfinance loan book declined qoq

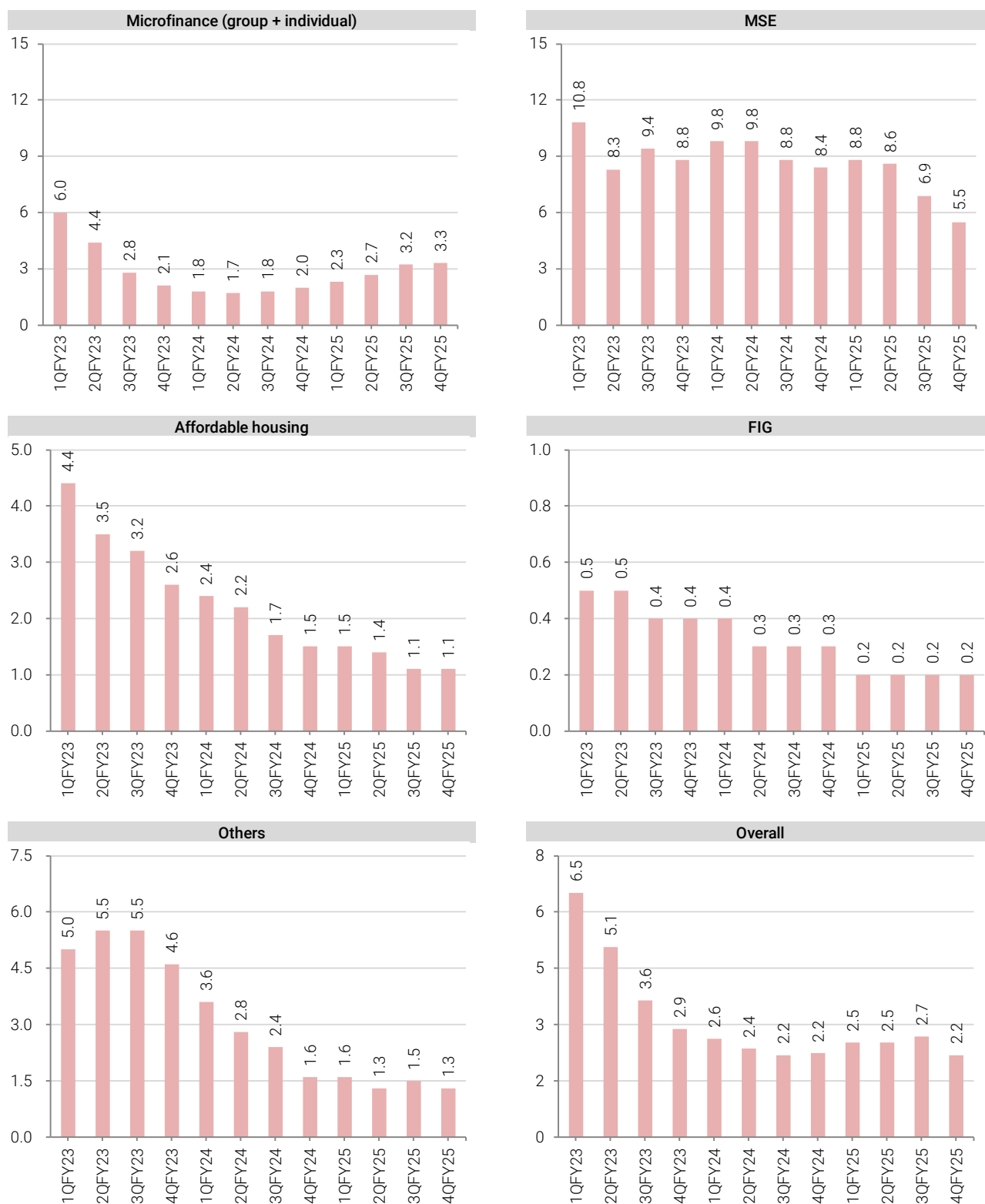
Exhibit 3: Portfolio at risk (>0 DPD) across segments for Ujjivan SFB, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

GNPA ratio has increased by ~10 bps qoq in the microfinance segment

Exhibit 4: GNPA ratio across segments for Ujjivan SFB, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Collection efficiency has improved qoq in microfinance segment

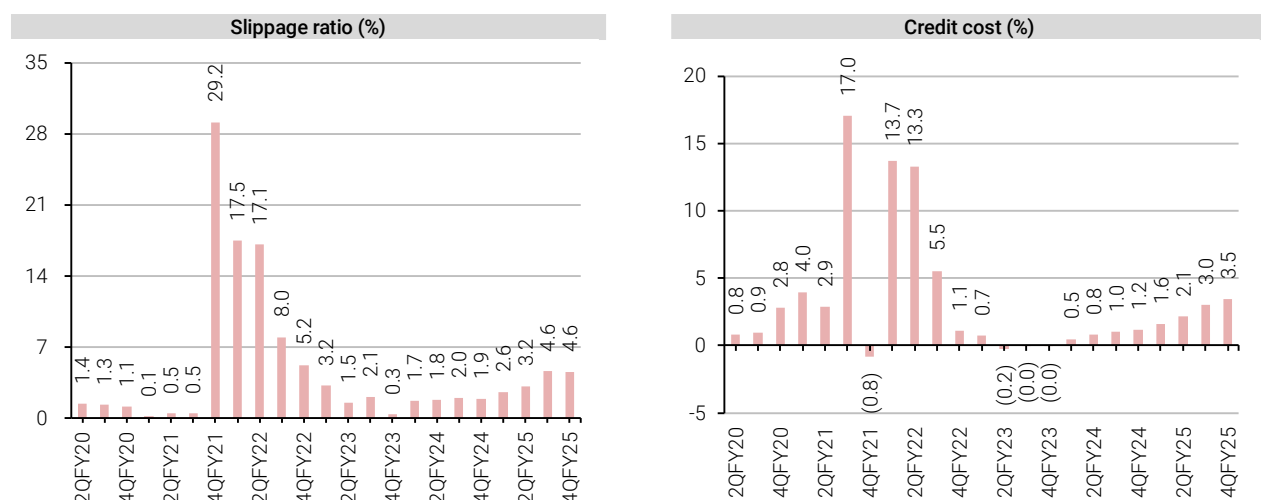
Exhibit 5: Collection efficiency across segments for Ujjivan SFB (%)

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Microfinance	83	94	94	77	94	98	101	100	100	100	101	100	99	99	99	98	97	95	96
MSE					86	86	86	85	87	88	90	88	88	88	91	89	87	90	92
Affordable housing	92	94	96	91	94	94	96	95	95	96	97	96	97	97	98	98	97	98	98
Personal loan	79	89	91	88	88	88													
Vehicle loan	92	97	99	86	91	91													
FIG lending	100	99	98	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Total	84	94	94	78	95	97	100	99	100	100	100	99	99	99	99	98	97	96	97

Source: Company, Kotak Institutional Equities

Slippage ratio was elevated but flat qoq

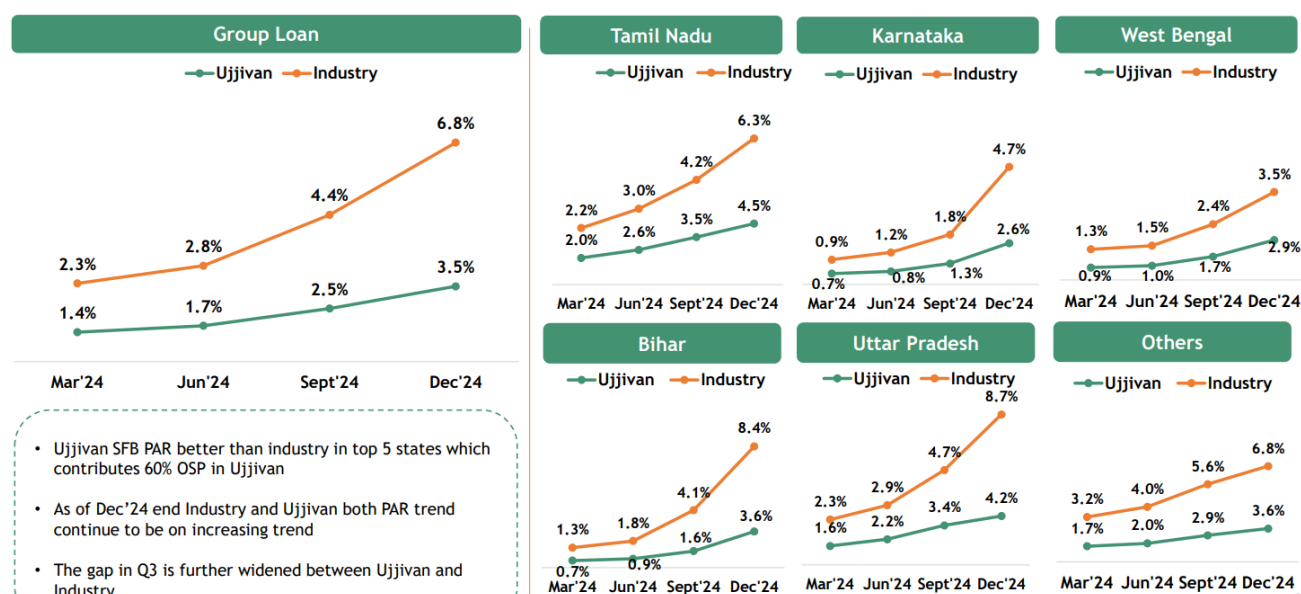
Exhibit 6: Slippages and credit cost for Ujjivan SFB, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Ujjivan's asset quality seems to be holding up better than peers across states

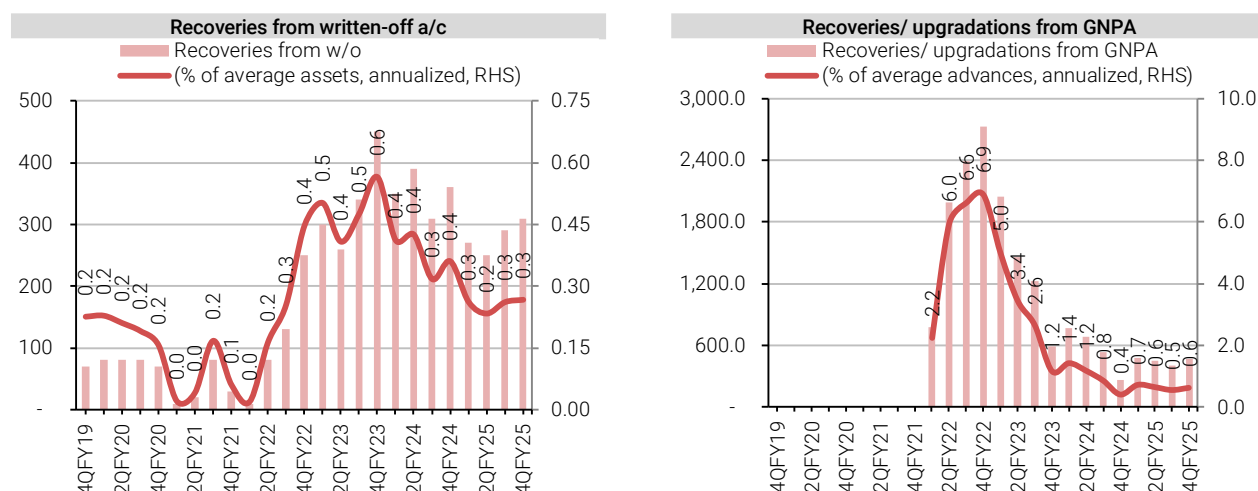
Exhibit 7: PAR 31-180 for Ujjivan SFB in the microfinance (group loan) business, March fiscal year-ends (%)



Source: Company, CRIF Highmark, Kotak Institutional Equities

Recoveries from written-off a/c have supported profitability in the past three years

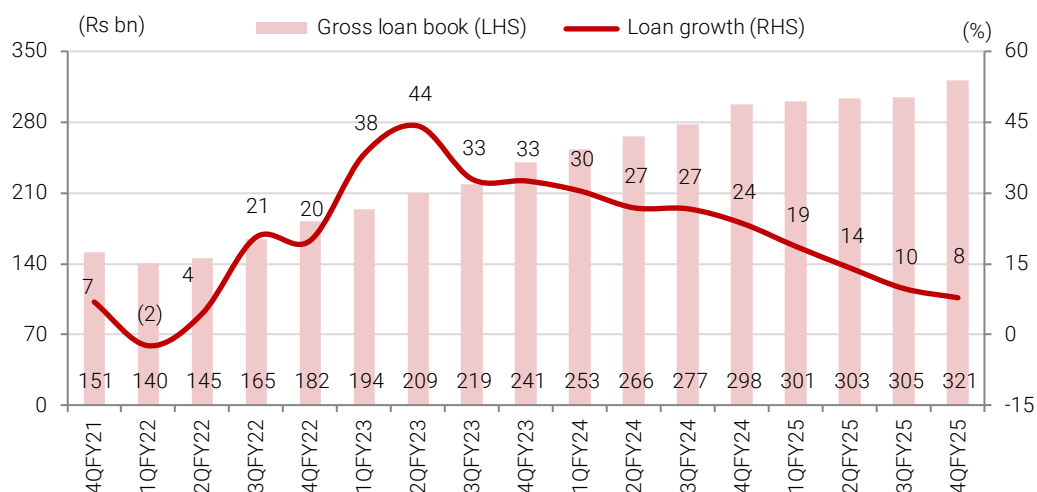
Exhibit 8: Bad loan recoveries for Ujjivan SFB, March fiscal year-ends (Rs mn)



Source: Company, Kotak Institutional Equities

Gross advances (including IBPC/ securitization) grew ~8% yoy

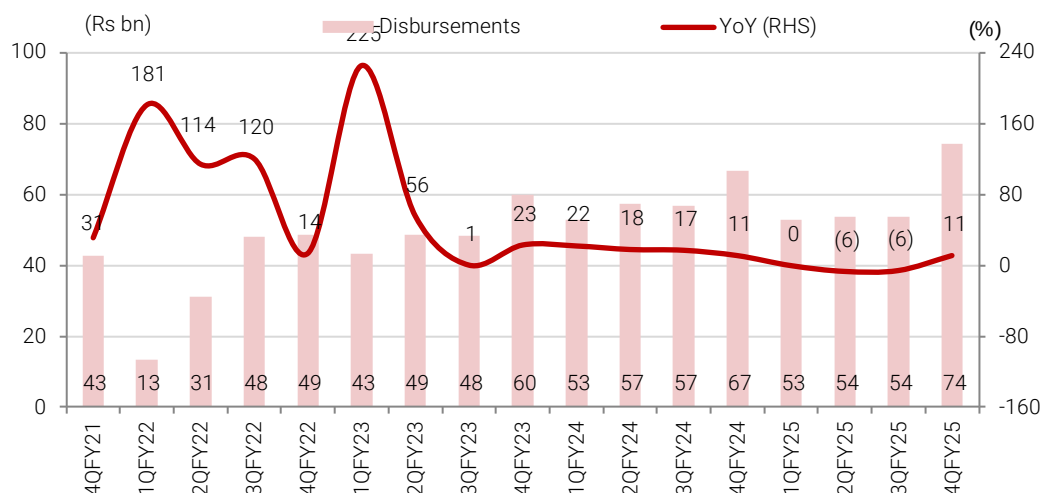
Exhibit 9: Advances and growth, March fiscal year-ends



Source: Company, Kotak Institutional Equities

Disbursements were up ~11% yoy

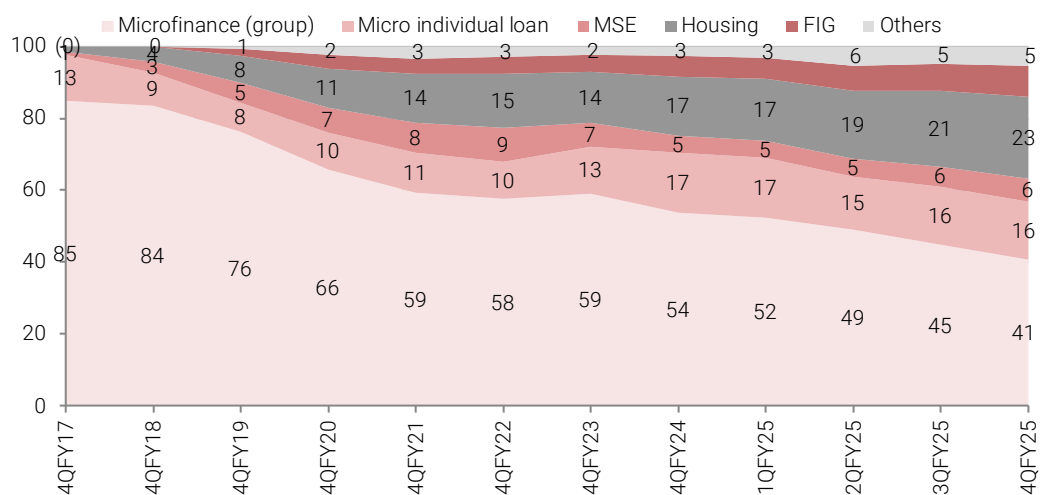
Exhibit 10: Disbursements and growth, March fiscal year-ends



Source: Company, Kotak Institutional Equities

Share of microfinance (group + individual) declined ~400 bps qoq

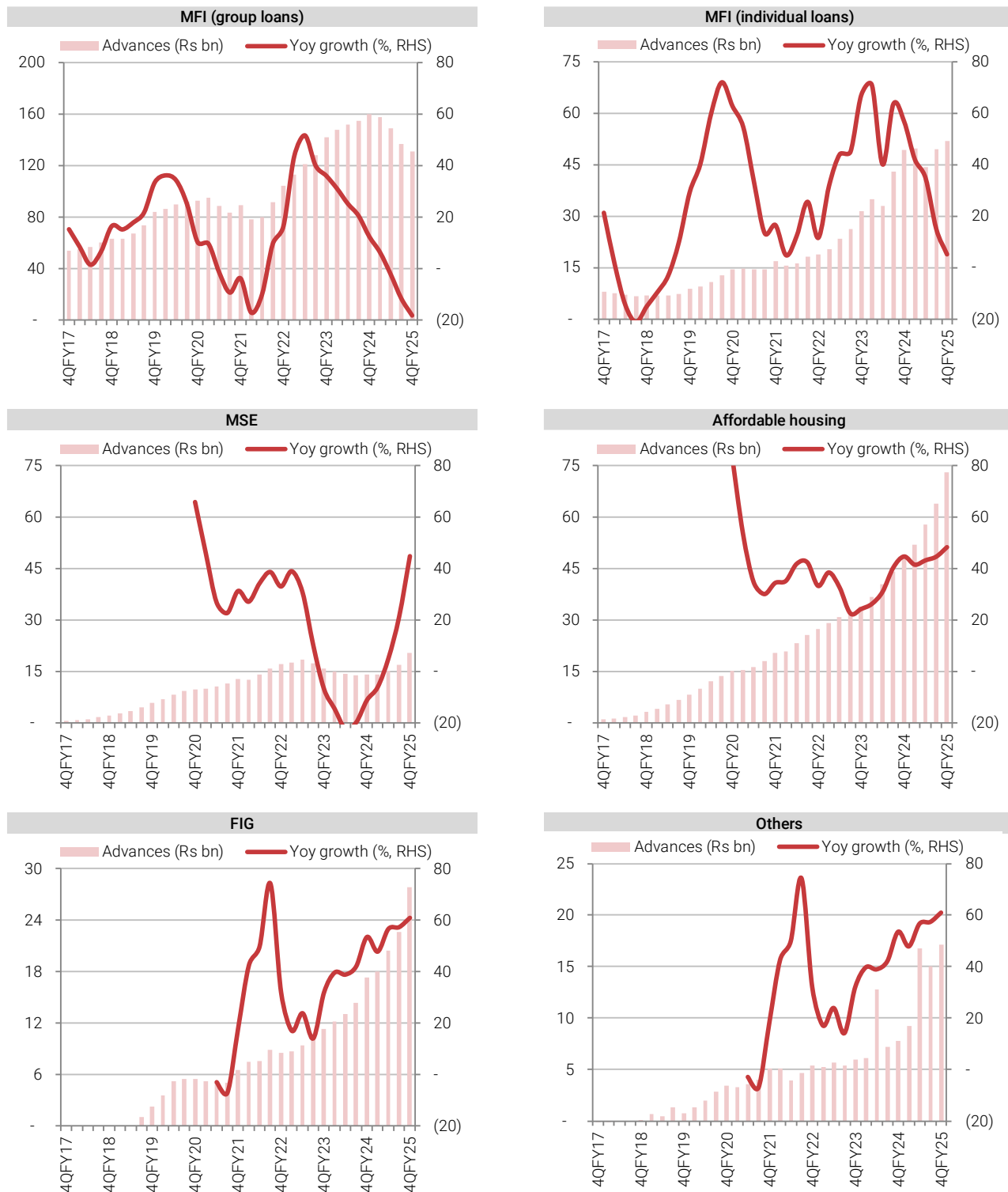
Exhibit 11: Mix of gross advances for Ujjivan SFB, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Overall microfinance portfolio has declined sequentially, but individual loans segment is trending better

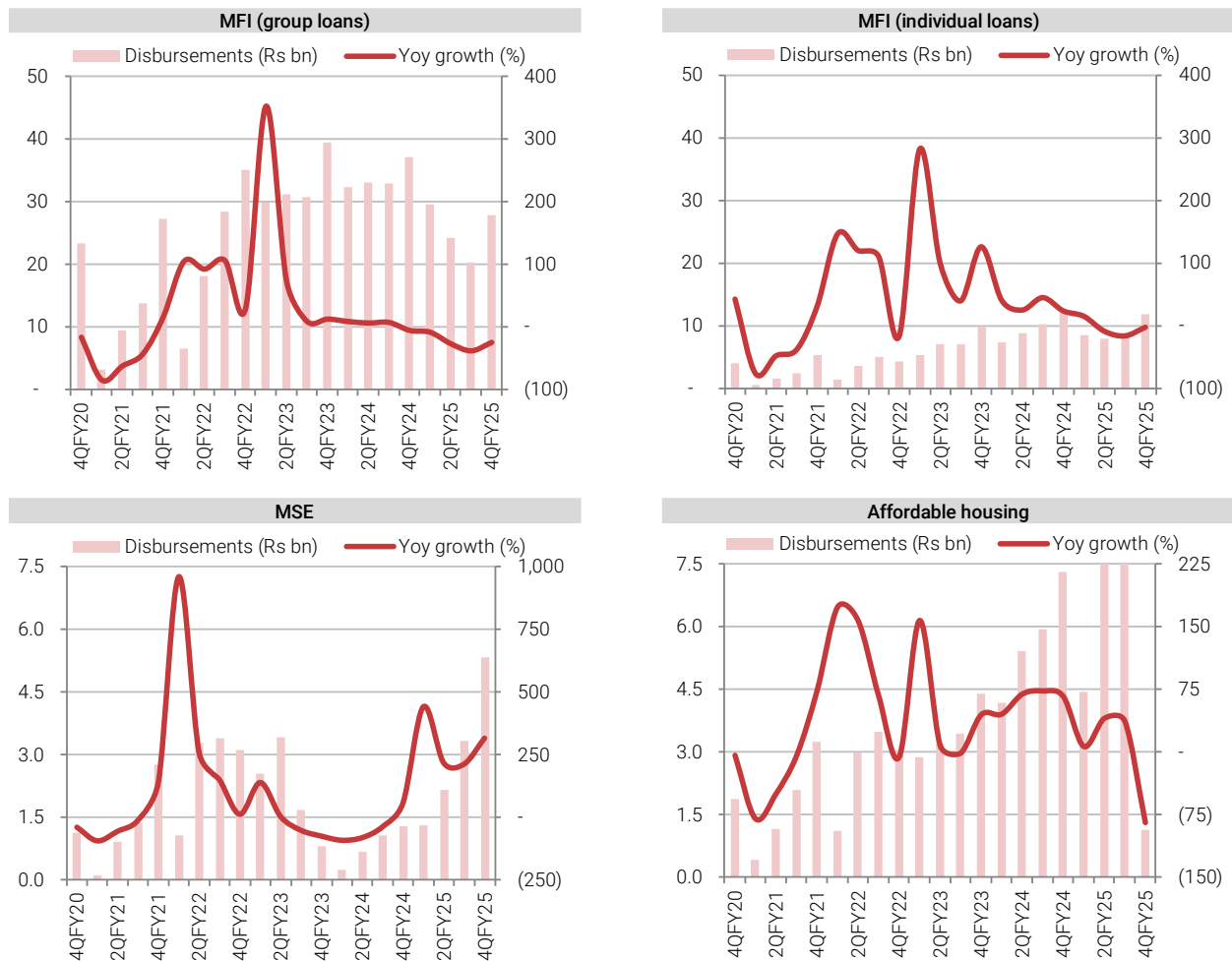
Exhibit 12: Segmental advances and yoy growth, March fiscal year-ends (Rs bn, %)



Source: Company, Kotak Institutional Equities

Microfinance disbursements improved qoq

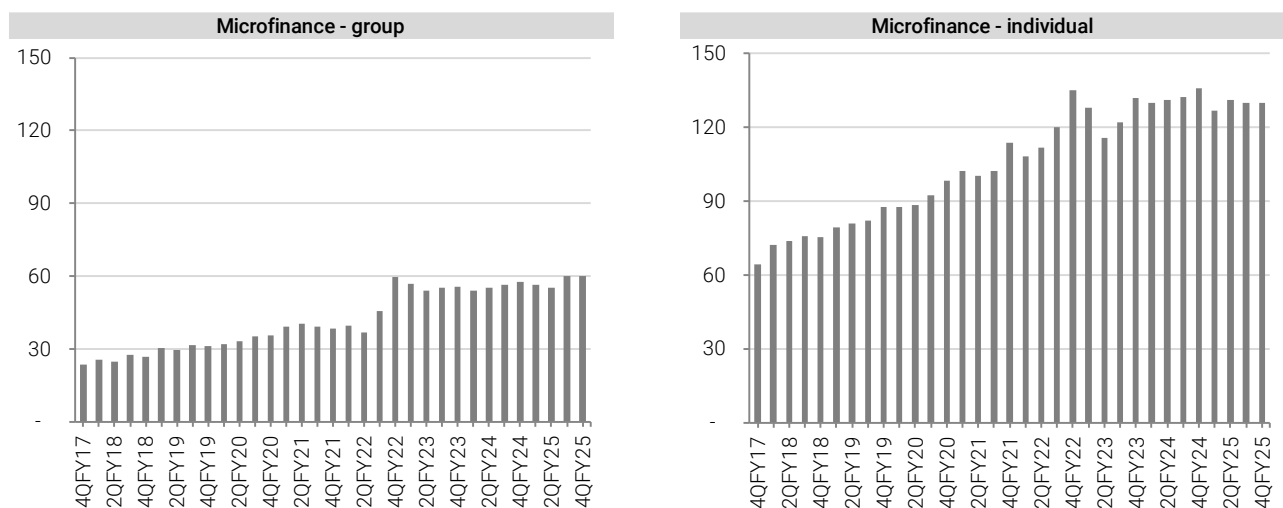
Exhibit 13: Segmental disbursements and yoy growth, March fiscal year-ends (Rs bn, %)



Source: Company, Kotak Institutional Equities

Average ticket size in microfinance has not changed materially over the past few quarters

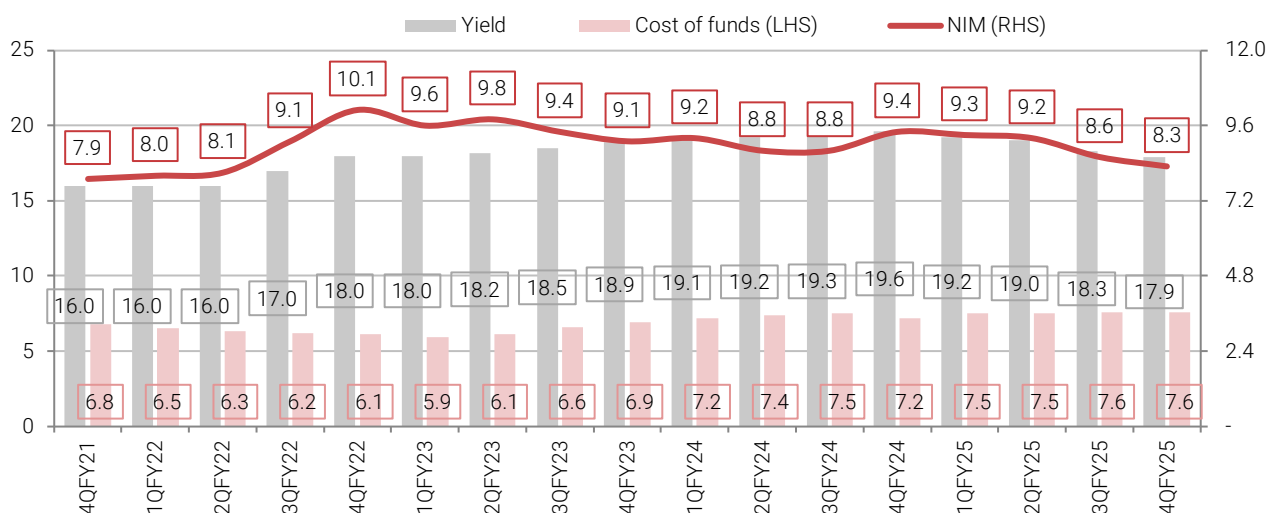
Exhibit 14: Average ticket size on disbursement across segments for Ujjivan SFB, March fiscal year-ends (Rs '000)



Source: Company, Kotak Institutional Equities

NIM (reported) declined by ~30 bps qoq led by lower yield on advances

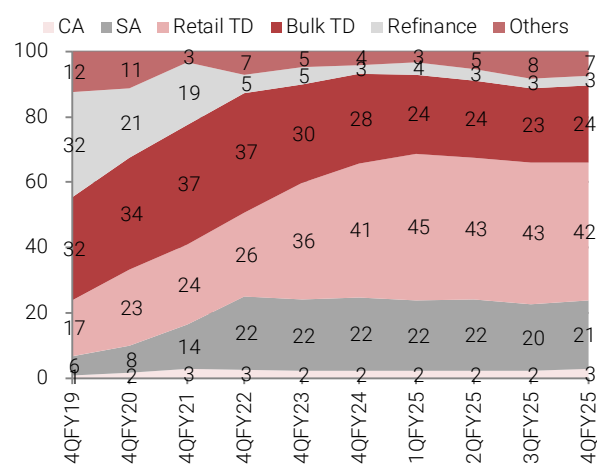
Exhibit 15: Margin metrics (reported), March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

CASA share has remained broadly flat in past few years

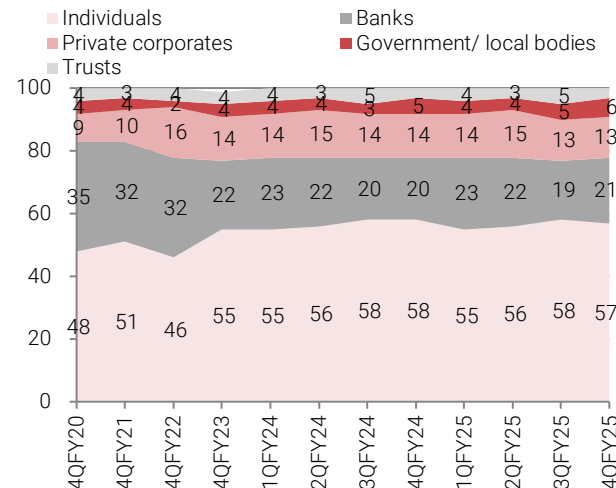
Exhibit 16: Liability profile of Ujjivan SFB, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Share of individual deposits has been broadly stable qoq

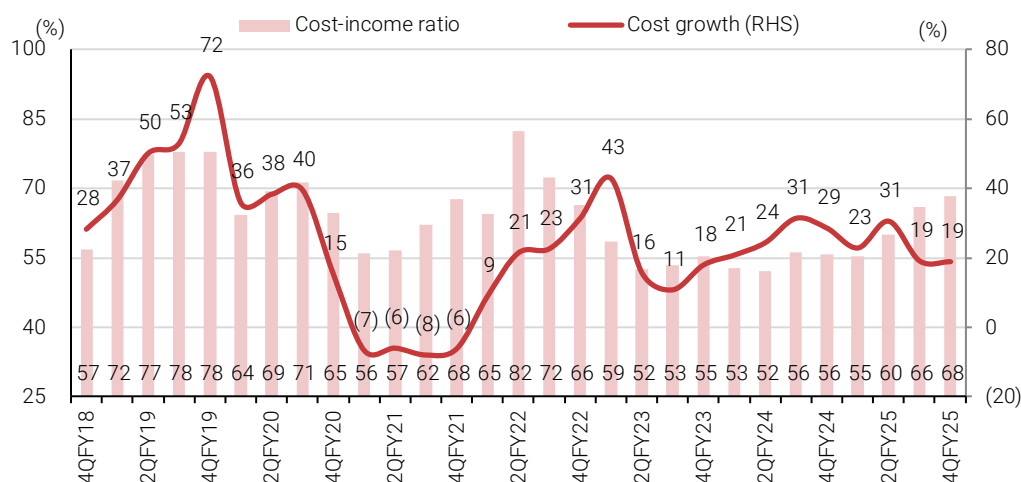
Exhibit 17: Depositor mix for Ujjivan SFB, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Cost-to-income ratio has been largely stable in last couple of years

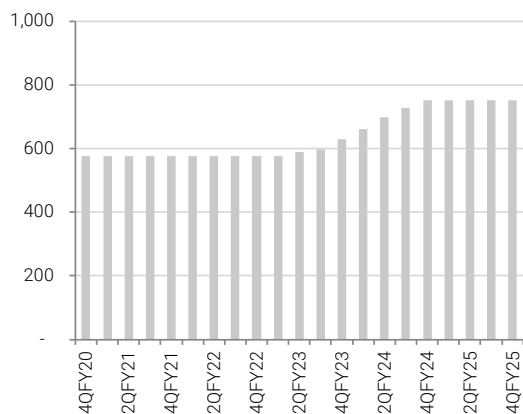
Exhibit 18: Cost-to-income ratio and growth in operating expenses, March fiscal year-ends

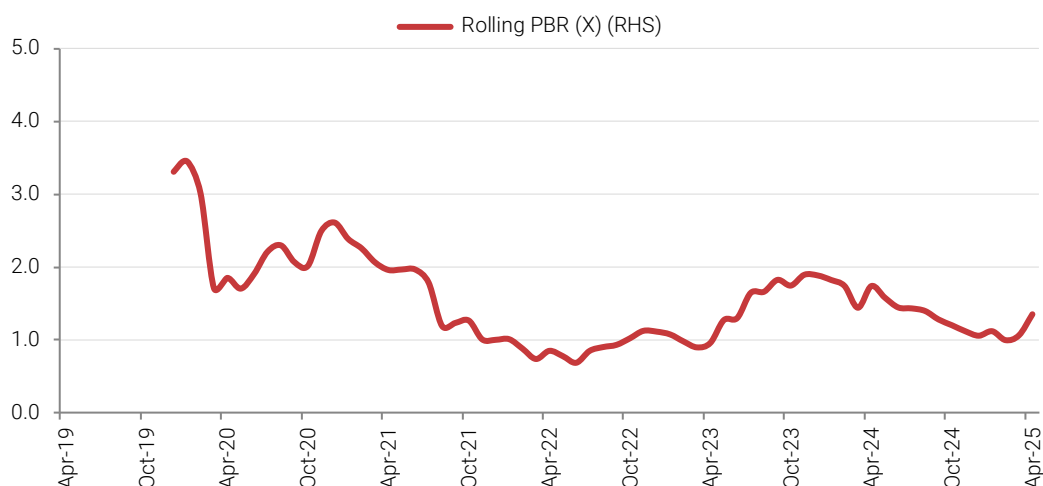


Source: Company, Kotak Institutional Equities

Branch expansion has resumed

Exhibit 19: Number of banking outlets, March fiscal year-ends



Ujjivan SFB trades at ~1.4X 12-month forward book**Exhibit 21: 12-month forward price-to-book valuation multiple for Ujjivan SFB (X)**

Source: Bloomberg, Company, Kotak Institutional Equities estimates

Exhibit 22: Ujjivan SFB - estimate changes, March fiscal year-ends

	New estimates			Old estimates		Change (%)	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
AUM growth (%)	22.9	24.2	23.5	15.7	22.4	730 bps	180 bps
Net interest income	38,039	47,817	58,852	38,868	45,751	(2)	5
NIM (%)	7.5	7.8	7.9	8.2	8.1	-70 bps	-25 bps
Non-interest income	10,600	12,974	15,728	9,620	11,933	10	9
Operating cost	33,480	38,958	45,347	31,124	36,313	8	7
Staff cost	18,078	21,024	24,294	16,734	19,432	8	8
Non-staff cost	15,401	17,934	21,053	14,390	16,881	7	6
Cost-income ratio (%)	68.8	64.1	60.8	64.2	63.0	465 bps	113 bps
Provisions	8,747	8,650	10,709	9,460	7,522	(8)	15
Profit before tax	6,412	13,183	18,523	7,905	13,849	(19)	(5)
Tax	1,467	3,017	4,239	1,954	3,423	(25)	(12)
Profit after tax	4,945	10,166	14,285	5,951	10,427	(17)	(2)
EPS (Rs)	2.6	5.3	7.4	3.1	5.4	(17)	(2)
ABVPS (Rs)	32.5	36.5	41.9	33.8	37.7	(4)	(3)
Credit cost (%)	2.5	2.0	2.0	3.0	2.0	-50 bps	0 bps

Source: Company, Kotak Institutional Equities estimates

Exhibit 23: Ujjivan SFB – key growth rates and financial ratios, March fiscal year-ends (%)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Growth in key parameters										
Profit and loss statement										
Interest income	24.8	47.6	3.8	0.2	48.1	36.3	11.9	8.0	20.1	20.1
Interest expense	19.5	47.5	0.7	(3.6)	41.2	54.6	19.9	12.6	13.0	15.9
Net interest income	28.5	47.6	5.8	2.6	52.1	26.4	6.7	4.6	25.7	23.1
Other income	84.8	56.4	(3.5)	15.8	63.7	33.5	7.6	25.3	22.4	21.2
Fee income	76.1	52.5	(26.5)	56.9	47.2	40.6	13.0	28.0	23.0	23.0
Net total income	35.0	49.0	4.3	4.6	-	27.7	6.8	8.5	25.0	22.7
Provisioning expenses	(86.9)	321.3	367.3	45.7	(98.5)	1,123.3	247.8	17.0	(1.1)	23.8
Operating expenses	53.7	31.4	(6.7)	21.6	20.4	26.5	22.6	19.9	16.4	16.4
PBT	2,933.0	73.7	(97.8)	(5,497.0)	(366.6)	16.0	(44.7)	(31.9)	105.6	40.5
PAT	2,799.9	75.6	(97.6)	(5,096.9)	(365.3)	16.5	(43.3)	(31.9)	105.6	40.5
Balance sheet										
Loans and advances	43.8	33.1	3.2	12.5	30.6	26.3	16.8	22.9	24.2	23.5
Investments	23.9	57.0	5.0	65.0	104.9	14.8	20.1	11.3	11.1	17.9
Other assets	34.5	15.3	56.2	42.8	2.7	7.9	16.4	15.0	15.0	15.0
Total assets	45.1	34.0	10.7	15.9	41.1	21.3	18.0	19.0	20.7	22.0
Borrowings	8.1	(5.1)	(17.9)	(45.7)	49.8	(17.8)	31.1	4.9	18.2	18.3
Deposit	95.6	46.1	21.8	39.3	39.6	23.2	19.6	22.1	22.1	23.2
Total liabilities	52.3	27.7	12.7	21.3	39.9	19.6	19.5	20.8	21.8	22.8
Share capital	-	20.0	0.0	-	13.1	(1.2)	0.2	-	-	-
Reserves and surplus	2,502.8	601.3	2.5	(32.2)	135.0	79.2	12.7	9.2	17.4	20.8
Shareholders funds	11.9	84.5	1.0	(13.8)	54.0	40.0	8.4	6.3	12.2	15.2
Key ratios (%)										
Cost of funds	7.5	8.1	6.9	5.6	6.0	7.3	7.3	6.8	6.3	6.0
Yield on loans	19.3	20.7	18.2	16.7	19.7	20.6	19.0	17.1	16.8	16.3
Spread	9.0	9.4	8.1	7.7	9.1	8.6	7.6	6.7	7.2	7.3
NIM	10.0	10.6	9.3	8.4	9.8	9.5	8.5	7.5	7.8	7.9
Cost-income ratio	76.5	67.4	60.3	70.1	54.8	54.3	62.3	68.8	64.1	60.8
Operating expense / assets	8.6	8.2	6.3	6.8	6.3	6.2	6.3	6.4	6.2	6.0
Asset quality ratios (%)										
Gross NPL	0.9	1.0	7.1	7.3	2.8	2.2	2.2	2.2	1.9	1.9
Net NPL	0.3	0.2	2.9	0.6	(1.2)	0.3	0.5	0.7	0.6	0.6
PCR	72	80	60	92	140	88	78	69	71	69
Credit cost	0.5	1.4	5.6	7.6	0.1	0.9	2.6	2.5	2.0	2.0
ROA decomposition - % of avg. assets										
Net interest income	9.5	10.2	8.9	8.1	9.5	9.2	8.3	7.3	7.6	7.7
Other income	1.8	2.0	1.6	1.6	2.1	2.1	1.9	2.0	2.1	2.1
Loan loss provisions	0.3	1.1	4.1	5.3	0.1	0.6	1.7	1.7	1.4	1.4
Operating expenses	8.6	8.2	6.3	6.9	6.3	6.2	6.3	6.4	6.2	6.0
Employees	4.5	4.5	3.9	3.7	3.2	3.2	3.4	3.5	3.4	3.2
Pre-tax pre extraordinary income	2.3	2.9	0.1	(2.5)	5.2	4.6	2.1	1.2	2.1	2.4
(1- tax rate)	74.2	75.0	81.4	75.3	75.0	75.3	77.1	77.1	77.1	77.1
ROA	1.7	2.2	0.0	(1.9)	3.9	3.5	1.6	0.9	1.6	1.9
Avg assets/avg equity	7.6	7.0	6.5	7.8	8.6	7.7	7.5	8.3	9.1	9.7
ROE	13.0	15.2	0.3	(14.8)	33.3	26.6	12.4	7.9	14.8	18.3

Source: Company, Kotak Institutional Equities estimates

Exhibit 24: Ujjivan SFB – key financials, March fiscal year-ends (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit and loss statement										
Interest income	18,316	27,036	28,061	28,128	41,650	56,772	63,544	68,654	82,427	98,970
Interest costs	7,252	10,700	10,775	10,392	14,671	22,677	27,181	30,615	34,610	40,118
Net interest income	11,064	16,336	17,286	17,736	26,979	34,095	36,363	38,039	47,817	58,852
Other income	2,060	3,222	3,108	3,599	5,892	7,868	8,462	10,600	12,974	15,728
Net fee income	1,395	2,127	1,563	2,452	3,610	5,077	5,737	7,343	9,032	11,109
Other income	665	1,095	1,546	1,147	2,282	2,791	2,725	3,256	3,942	4,618
Net total income	13,124	19,558	20,394	21,335	32,871	41,962	44,825	48,639	60,791	74,580
Provisioning expenses	406	1,710	7,991	11,645	176	2,149	7,477	8,747	8,650	10,709
Net income (post provisions)	12,718	17,848	12,403	9,690	32,695	39,813	37,348	39,891	52,141	63,870
Operating expenses	10,034	13,186	12,301	14,964	18,021	22,791	27,932	33,480	38,958	45,347
Staff expenses	5,188	7,185	7,488	8,126	9,203	11,832	14,995	18,078	21,024	24,294
Admin and other operating expenses	4,240	5,275	4,045	6,033	7,915	9,976	11,730	14,237	16,771	19,762
Depreciation expenses	606	726	768	804	903	983	1,207	1,164	1,163	1,291
PBT	2,684	4,662	102	(5,504)	14,672	17,022	9,416	6,412	13,183	18,523
Tax	692	1,163	19	(1,358)	3,673	4,207	2,155	1,467	3,017	4,239
PAT	1,992	3,499	83	(4,146)	10,999	12,815	7,261	4,945	10,166	14,285
Balance sheet										
Loans and advances	105,525	140,436	144,940	163,032	212,897	268,829	313,900	385,877	479,121	591,827
Investments	15,266	23,961	25,165	41,529	85,103	97,660	117,300	130,539	145,057	171,045
Fixed assets	2,845	3,005	2,807	2,494	2,829	4,267	4,569	4,619	4,803	5,008
Cash and bank balances	10,945	13,433	25,775	21,758	24,836	25,368	31,698	35,514	43,293	53,212
Other assets	2,842	3,277	5,118	7,309	7,504	8,098	9,425	10,838	12,464	14,333
Total assets	137,422	184,112	203,805	236,122	333,169	404,222	476,892	567,388	684,738	835,424
Liabilities										
Borrowings	41,661	39,533	32,473	17,636	26,415	21,708	28,454	29,860	35,302	41,755
Deposits	73,794	107,805	131,358	182,922	255,377	314,622	376,305	459,468	561,011	691,221
Other liabilities and provisions	3,771	4,898	7,786	7,538	9,286	11,757	11,299	13,399	15,896	18,864
Total liabilities	119,226	152,235	171,617	208,095	291,078	348,087	416,057	502,727	612,209	751,840
Share capital	14,400	17,282	17,283	17,283	19,547	19,314	19,350	19,350	19,350	19,350
Reserves and surplus	1,796	12,595	12,904	8,743	20,544	36,821	41,484	45,311	53,179	64,234
Shareholders funds	16,196	29,877	30,187	26,026	40,091	56,135	60,834	64,661	72,529	83,584
Preference capital	2,000	2,000	2,000	2,000	2,000	-	-	-	-	-

Source: Company, Kotak Institutional Equities estimates

Equitas Small Finance Bank (EQUITASB)

Banks

BUY

CMP(₹): 67

Fair Value(₹): 85

Sector View: **Attractive**

NIFTY-50: 24,334

May 02, 2025

Recovery has been slower than expected

Equitas SFB reported an 80% yoy earnings decline in 4QFY25, driven by elevated provisions (credit costs at ~2.9%). Operating profit declined ~17% yoy, led by sharp NIM declines yoy/qoq from the loan mix shift and interest reversals. RoA was at 0.3% and RoE at ~3%. The gross slippage ratio was flat qoq at ~6%. Weakness in microfinance has dragged earnings in FY2025, but FY2026E is likely to be a better year. Given that valuations remain inexpensive, we retain BUY with a Fair Value of Rs85 (unchanged).

Elevated provisions continue to drive earnings decline

Equitas SFB reported ~80% yoy earnings decline, led by elevated provisions (up ~140% yoy), while operating profit was down ~17% yoy. NII was up 6% yoy (much slower than ~17% growth in net advances) and non-interest income declined ~6% yoy, led by sluggishness in fee income. Operating costs were up ~15% yoy, led by a similar growth in staff and non-staff costs. NIM (reported) declined ~25 bps qoq, mainly led by a ~25 bps qoq decline in yield on advances (steady shift in loan mix), while cost of funds was broadly flat qoq. Gross advances grew ~11% yoy, supported by SBL (up ~22% yoy) and vehicle finance (up ~14% yoy). It has recently shrunk the microfinance business very swiftly—loan book is down ~28% yoy, the share in the loan mix is down ~600 bps yoy (~250 bps qoq) and disbursements are down ~75% yoy. Deposits grew ~19% yoy, led by ~25% yoy growth in term deposits, while CASA grew ~7% yoy (CASA ratio broadly flat qoq at ~29%). The CD ratio declined ~300 bps qoq to ~86%. CAR stood comfortable at >20%.

Microfinance book continues to drag asset quality and earnings

Gross and net NPL ratios were flat qoq at 2.9% and ~1.0%, respectively. PCR stood at ~67%. Credit costs were broadly flat qoq at ~2.9%. The gross slippage ratio declined qoq from ~6.5% to ~6.0%, led by a sharp decline in vehicle finance slippages (down qoq from ~10% to ~6%), while slippages in microfinance declined marginally qoq from ~15% to ~14%. Slippages in the SBL portfolio have inched up steadily yoy from ~2.8% to ~3.6%. The share of the PAR 1-90 delinquent book in microfinance increased sharply qoq from ~6.3% to ~7.8% at a time when most other microfinance lenders have reported an improvement. This is probably due to two reasons, i.e., (1) ~47% of its borrowers become ineligible for new loans per MFIN guardrails and (2) Equitas has slowed disbursements sharply.

Maintain BUY with FV of Rs85 (unchanged); valuations remain inexpensive

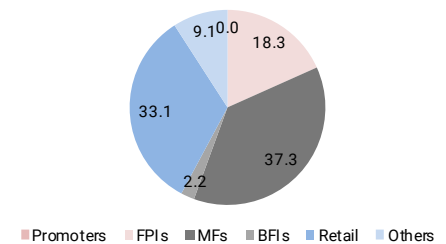
In recent months, we have seen convincing trends of steady improvement in asset quality in the microfinance sector. We see the same playing out in Equitas as well, although the pace of improvement is a bit slower. We expect its performance to converge closer to the industry in the next few quarters. While near-to-medium-term earnings remain subject to the asset quality outlook and a shift in the loan mix, it offers a reasonable price to play a diversified loan book in the small lender space, which can deliver healthy growth and profitability. Maintain BUY with an FV of Rs85 (unchanged), valuing the bank at 1.4X book (adjusted) and 12X March 2026E EPS. We expect a gradual recovery to a mid-teens RoE for the bank.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	67/85/BUY
52-week range (Rs) (high-low)	108-52
Mcap (bn) (Rs/US\$)	76/0.9
ADTV-3M (mn) (Rs/US\$)	338/4.0

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	22	1	(31)
Rel. to Nifty	18	(3)	(39)
Rel. to MSCI India	18	(2)	(37)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	1.3	3.8	7.3
EPS growth (%)	(81.7)	197.2	90.3
P/E (X)	51.9	17.5	9.2
P/B (X)	1.3	1.2	1.1
BVPS (Rs)	50.9	53.9	59.7
RoE (%)	2.4	7.0	12.2
Div. yield (%)	0.0	0.0	0.0
NII (Rs bn)	33	36	44
PPOP (Rs bn)	13	15	18
Net profits (Rs bn)	1.5	4.4	8.3

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Ashlesh Sonje, CFA

M B Mahesh, CFA

Nischint Chawathe

Abhijeet Sakhare

Varun Palacharla

Nikhil Suresh

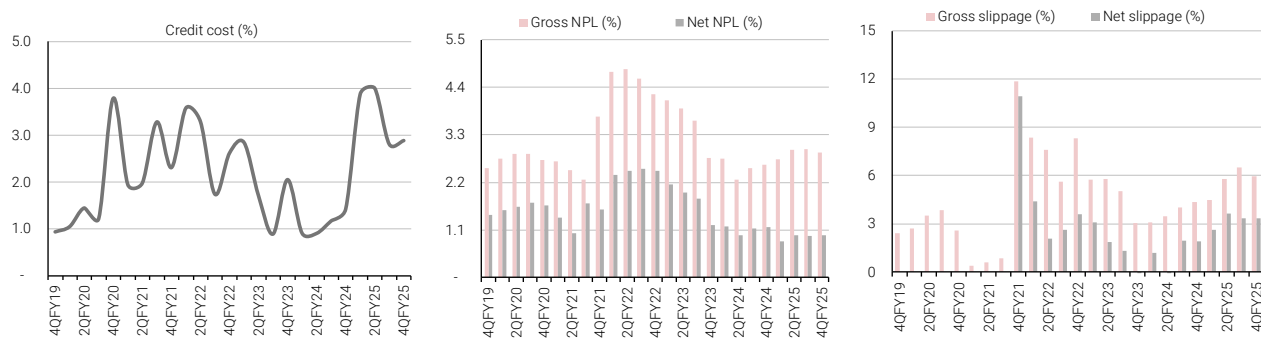
Exhibit 1: Equitas SFB—quarterly financial statements, March fiscal year-ends, 4QFY24-4QFY25 (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	(% change)			Calc.				Calc.		
					KIE	YoY	QoQ	2025	2024	(% chg.)	2026E	2025	(% chg.)	2027E
Interest income	16,440	16,705	14,447	16,119	(1.6)	13.8	2.0	63,117	54,864	15	71,762	63,117	14	85,948
Interest income on loans	14,477	14,731	12,794	14,250	(1.7)	13.2	1.6	55,633	49,210	13	63,523	55,633	14	76,170
Other interest income	1,963	1,975	1,652	1,869	(0.6)	19	5.0	7,484	5,654	32	8,239	7,484	10	9,778
Interest expense	8,145	8,367	6,588	7,935	(2.7)	24	2.6	30,601	24,066	27	36,188	30,601	18	42,197
Net interest income	8,294	8,338	7,859	8,184	(0.5)	5.5	1.3	32,516	30,798	6	35,575	32,516	9	43,751
Other income	2,254	2,685	2,405	2,384	(16)	(6.2)	(5.4)	9,115	7,987	14	11,581	9,115	27	14,094
Fees	1,400	1,544	1,350	1,480	(9.3)	3.7	(5.4)							
Total income	10,549	11,023	10,263	10,568	(4.3)	2.8	(0.2)	41,631	38,784	7	47,156	41,631	13	57,845
Operating expense	7,436	7,663	6,516	7,239	(3.0)	14.1	2.7	28,288	25,011	13	32,521	28,288	15	40,338
Staff cost	4,184	4,463	3,634	4,255	(6.3)	15	(1.7)	16,210	13,689	18	18,710	16,210	15	23,041
Other cost	3,251	3,199	2,882	2,985	1.6	13	8.9	12,078	11,321	7	13,811	12,078	14	17,297
Operating profit	3,113	3,360	3,748	3,329	(7.3)	(17)	(6.5)	13,343	13,774	(3)	14,635	13,343	10	17,507
Provision	2,580	2,239	1,066	2,431	15	142	6.1	11,354	3,142	261	8,794	11,354	(23)	6,393
Profit before tax	533	1,121	2,682	897	(52)	(80)	(41)	1,988	10,631	(81)	5,841	1,988	194	11,114
Tax expense	112	242	605	234	(54)	(82)	(52)	518	2,642	(80)	1,470	518	184	2,797
Profit after tax	421	879	2,076	663	(52)	(80)	(36)	1,470	7,990	(82)	4,371	1,470	197	8,316
PBT - provisions - treasury	2,833	3,102	3,478	2,929	(9)	(19)	(3)				14,635	11,913	23	17,507
Tax rate (%)	21	22	23	26				26	25		25	26		25
Cost-income ratio (%)	70.5	69.5	63.5	68.5		700 bps	199 bps	68.0	64		69	68		70
Net advances	362,089	361,757	309,643	353,860		17	2.3				437,354	362,089	21	546,231
Gross advances (Rs mn)	379,860	379,860	343,370	373,440	-	11	1.7				455,125	379,860	20	565,779
Micro Finance	45,270		62,650	53,700		(28)	(16)				36,216	45,270	(20)	36,216
Small businesses (inc housing/agri)	211,520		173,360	201,290		22	5.1				267,677	211,520	27	340,557
Housing	47,690		41,840	45,650		14	4.5				59,613	47,690	25	80,477
Vehicle Finance	94,560		83,240	92,620		14	2.1				114,263	94,560	21	143,121
Used CV	66,030		50,460	61,820		31	6.8				87,160	66,030	32	113,307
New CV	28,530		32,780	30,810		(13)	(7.4)				27,104	28,530	(5)	29,814
MSE	16,890		12,010	14,990		41	12.7				22,802	16,890	35	27,362
Corporate loans	5,250		7,160	5,500		(27)	(4.5)				5,250	5,250	-	6,038
Others	6,370		4,940	5,340		29	19				8,918	6,370	40	12,485
Disbursements (Rs mn)	42,670	87,322	50,950	51,420	(51)	(16)	(17)	182,880	195,520	(6)	205,118	182,880	12	239,491
Microfinance	3,550		14,660	11,450		(76)	(69)	34,840	57,160	(39)	37,292	34,840	7	38,424
Small businesses (inc housing/agri)	21,010		20,970	20,790		0	1	77,760	77,640	0	95,627	77,760	23	116,926
Housing	4,170		4,700	3,660		(11)	14	14,830	18,470	(20)	19,279	14,830	30	25,063
Vehicle finance	13,210		12,540	15,120		5	(13)	53,780	50,010	8	52,390	53,780	(3)	60,338
Used CV	4,540		8,960	12,820		(49)	(65)	37,630	34,150	10	45,156	37,630	20	54,187
New CV	930		3,580	2,300		(74)	(60)	8,410	15,870	(47)	7,234	8,410	(14)	6,151
MSE	2,350		1,680	1,970		40	19	7,470	5,130	46	9,338	7,470	25	11,672
Corporate loans	1,000		-	650			54	3,550	1,600	122	4,083	3,550	15	4,695
Others	1,550		1,100	1,450		41	7	5,490	3,980	38	6,389	5,490	16	7,435
Asset quality	11.9		18.2	14.4										
Gross NPL	10,677		8,213	10,719		30	(0)				11,737	10,677	10	15,279
Net NPL	3,542		3,609	3,400		(2)	4				4,049	3,542	14	4,719
Gross NPL (%)	2.9		2.6	3.0		28 bps	-8 bps				2.6	2.9	-25 bps	2.7
Net NPL (%)	1.0		1.2	1.0		-19 bps	2 bps				0.9	1.0	-5 bps	0.9
PCR (%)	66.8		56.1	68.3		1077 bps	-145 bps				65.5	66.8	-132 bps	69.1
Credit cost (%)	2.9	2.5	1.4	2.8	38 bps	147 bps	8 bps							
Slippages (Rs mn)	5,547	5,490	3,559	5,858	1	56	(5)				18,993	20,316	(7)	18,205
Slippages (%)	5.9	5.9	4.3	6.5	6 bps	160 bps	-56 bps							
Calculated metrics (%)														
CD ratio (%)	85.7		87.1	88.6		-139 bps	-288 bps				85.1	85.7	(1)	85.0
Yield on advances	15.9	16.1	16.9	16.1	-28 bps	-102 bps	-25 bps							
Cost of funds	7.4	7.6	7.3	7.5	-21 bps	9 bps	-18 bps							
NIM	7.3	7.3	8.1	7.4	7 bps	-74 bps	-3 bps							
Liabilities (Rs mn)														
Deposits	431,067	431,070	361,292	407,380		19	6				523,148	431,067	21	655,187
CASA	124,100	124,100	115,520	116,680		7	6				166,306	124,100	34	227,936
CA	16,480	15,006	12,150	14,920		36	10				25,232	16,480	53	38,152
SA	107,620	109,094	103,370	101,760		4	6				141,074	107,620	31	189,784
TD	306,960	303,546	245,770	290,700		25	6				356,842	306,960	16	427,251
Retail TD	192,986		153,678	185,527		26	4							
Bulk TD	86,704		75,692	83,353		15	4							
CD	27,270		16,400	21,820			25							

Source: Company, Kotak Institutional Equities estimates

Gross slippages have been elevated

Exhibit 2: Key asset quality metrics, March fiscal year-ends



Source: Company

GNPL ratio remained flat qoq, microfinance GNPA up

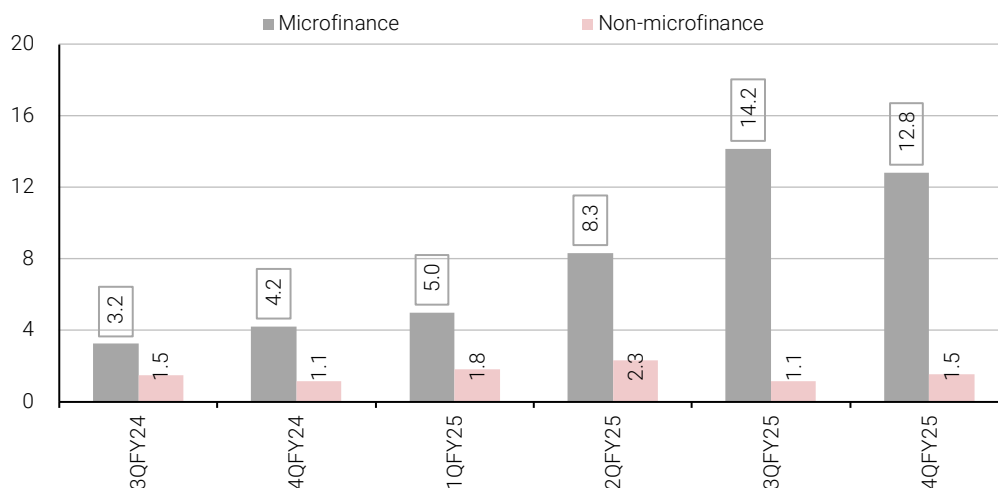
Exhibit 3: GNPL and PCR across segments for Equitas SFB, March fiscal year-ends (%)



Source: Company

Slippages have increased recently in the non-microfinance portfolios as well

Exhibit 4: Net slippage ratio for Equitas SFB across microfinance and non-microfinance portfolios, March fiscal year-ends (% of opening loans)



Source: Company

Among the SFBs, Equitas was among the few to begin FY2025 with net NPL ratio of >1%

Exhibit 5: Net NPL ratio (overall) across select lenders, March fiscal year-ends (%)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Banks												
Bandhan	1.9	1.9	1.9	1.2	2.2	2.3	2.2	1.1	1.2	1.3	1.3	1.3
IDFC First (microfinance)										0.5	1.1	1.9
IndusInd Bank	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	
RBL Bank	1.2	1.3	1.2	1.1	1.0	0.8	0.8	0.7	0.7	0.8	0.5	0.3
SFBs												
AU SFB	0.6	0.6	0.5	0.4	0.6	0.6	0.7	0.6	0.6	0.8	0.9	0.7
Equitas SFB	2.2	2.0	1.8	1.2	1.2	1.0	1.1	1.2	0.8	1.0	1.0	1.0
ESAF SFB	3.8	4.3	3.7	1.1	0.8	1.2	2.2	2.3	3.2	3.0	3.0	
Jana SFB		4.6	3.6	1.1	1.2	0.9	0.7	0.6	1.0	1.0	0.9	0.9
Suryoday SFB	5.0	4.8	2.7	1.6	1.6	1.5	1.4	0.9	0.5	0.8	3.1	
Ujjivan SFB	0.1	0.0	0.1	0.0	0.1	0.1	0.2	0.3	0.4	0.6	0.6	0.5
Utkarsh SFB	1.7	1.0	0.7	0.4	0.3	0.2	0.2	0.0	0.3	0.9	2.5	
NBFC-MFIs												
Annapurna	3.6	3.1	2.6	1.4	1.1	1.1	1.0	0.7	0.6	1.0	1.4	
Arohan	0.9	0.8	0.3	0.2	-	-	-	-	-	-	0.5	
Belstar				0.7	0.2	0.1	0.2	0.2	0.2	0.5	0.4	0.4
Chaitanya	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.2	
CreditAccess Grameen			0.4	0.4	0.3	0.2	0.3	0.4	0.5	0.8	1.3	
Fusion	1.4	1.1	1.0	0.9	0.8	0.7	0.8	0.6	1.3	2.4	1.7	
IIFL Samasta	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Midland	1.0	0.9	1.7	0.0	0.8	1.1	1.2	0.8	0.9	0.9	0.7	0.4
Muthoot Microfin	1.9	0.9	1.0	1.2	1.1	0.9	0.9	0.9	0.7	1.0	1.3	
Namra Finance		0.1	0.4	0.1	0.0	0.1	0.2	0.2	0.1	0.7	0.6	
Satin	2.3	1.9	1.5	1.5	1.1	0.9	1.0	1.0	1.1	1.4	1.5	
Satya	2.7	4.3	0.5	0.5	0.8	1.0	1.2	1.0	1.5	1.5	0.3	
Spandana Sphoorty	3.3	3.9	2.3	0.6	0.5	0.4	0.5	0.3	0.5	1.0	1.0	
Svatantra (NS-3)		2.2	NA	1.9	1.3	0.9	1.0	0.4	NA	0.4	0.5	

Source: Company

Microfinance slippages for Equitas were comparable with those reported by other SFBs

Exhibit 6: Slippage ratio across select microfinance lenders, March fiscal year-ends (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Banks													
Bandhan (microfinance)	8.2	5.8	24.9	21.1	5.5	10.6	7.8	7.4	4.4	3.5	4.9	8.1	9.6
IDFC First											8.9	14.0	20.8
IndusInd (microfinance)	11.9	7.3	5.9	5.5	8.1	4.6	4.3	4.2	3.7	3.4	4.3	8.5	
RBL (microfinance)					2.8	3.7	5.9	9.5	7.6	13.2	30.8	28.9	
SFBs													
Equitas SFB (microfinance)	12.7	7.0	6.3	4.1	2.7	2.7	2.5	3.9	5.0	5.4	8.7	14.8	14.4
ESAF SFB (overall)				8.7	4.4	3.4	5.2	8.9	7.6	8.3	11.0	17.4	
Jana SFB (microfinance)					NA	NA	NA	NA	NA		9.3	11.9	13.9
Suryoday SFB (microfinance)											11.4	18.4	
Utkarsh SFB (microfinance)					3.1	3.3	4.2	2.6	4.4	10.5	23.9		
NBFC-MFIs (net slippage ratio)													
CreditAccess Grameen				1.5	1.0	1.1	1.8	2.3	2.1	4.0	9.5		
Fusion	2.0	2.8	3.0	2.3	2.4	3.0	6.0	3.3	13.9	20.9	15.1		
Muthoot Microfin									2.5	6.0	7.5		
Namra					2.5	5.4	3.6	6.7	11.9	12.3			
Satin						2.0	3.7	2.7	5.9	9.6			
Spandana Sphoorty							0.6	4.4	6.6	23.2			

Note:

(a) AUBANK reported overall gross slippages of ~Rs7.36 bn during 2QFY25 and indicated that one-third of it was from unsecured loans (~Rs2.45 bn). We have assumed ~Rs1.5 bn of slippages from microfinance comparable to its share in unsecured retail loan book (comprising credit card receivables, personal loans and microfinance).

Source: Company

SMA 1+2 book in microfinance for Equitas is comparable with several other lenders

Exhibit 7: SMA 1+2 book across select microfinance lenders, March fiscal year-ends (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
SMA 1+2 (% of loan book)													
Bandhan (GL+IL)	3.5	8.0	8.2	4.7	3.7	2.9	2.4	1.9	1.4	1.4	1.8	2.4	1.8
CreditAccess Grameen			0.7	0.5	0.2	0.3	0.3	0.5	0.5	0.7	1.6	2.5	
Equitas SFB (microfinance)	5.9	5.1	4.0	2.8	2.0	1.5	1.5	1.6	1.8	2.3	3.8	4.2	5.9
Fusion (GS-2)	2.1	1.3	1.1	0.9	0.7	0.8	1.2	0.8	1.2	1.5	3.9	4.2	
IDFC First (microfinance)									1.3	1.7	2.5	4.6	5.1
IIFL (microfinance)	5.5	7.2	7.2	5.0	2.9	1.3	0.9	1.0	0.8	1.3	2.8		
IndusInd Bank (microfinance)										2.0	4.1	4.0	
L&T Finance (microfinance)							0.2	0.3	0.4	0.5	0.9	1.2	1.4
Muthoot Microfin (overall)	5.7		2.1		0.6		0.6		1.1	1.9	3.1	4.0	
Namra (%)	4.7				1.1	1.1	1.3	2.1	2.3	2.5	4.4	7.1	
RBL Bank (microfinance)							1.0	1.5	1.2	1.5	3.9	5.6	4.7
Satin							0.4	0.6	0.7	1.0	1.7	1.8	
Spandana Sphoorty	6.0	3.5	2.9	1.4	1.0	0.8	1.2	1.3	1.6	3.2	6.2	7.7	
Suryoday SFB (IF)						1.0		1.3	1.2	1.6	3.5	4.6	
Svatantra	1.7				1.0				0.8				
Ujjivan SFB (GL+IL)										1.0	1.5	1.9	2.0
Utkarsh SFB (microfinance)					1.4	1.2	1.5	1.6	1.6	2.4	5.0	6.9	

Source: Company

Share of micro-finance has declined over the past few years

Exhibit 8: AUM breakup, March fiscal year-ends

	2018	2019	2020	2021	2022	2023	2024	1QFY25	2QFY25	3QFY25	4QFY25	Yoy (%)	Qoq (%)
Gross advances (Rs mn)													
Small business (inc housing/agri)	29,340	45,771	62,794	79,710	95,220	129,560	173,360	180,890	190,670	201,290	211,520	5	
MSME loans	21,820	36,728	49,950	62,290	70,880	100,830	131,520	137,470	146,780	155,640	163,830	5	
Housing	4,640	3,766	6,042	9,590	16,410	28,730	41,840	43,420	43,890	45,650	47,690	4	
Agri	2,880	5,277	6,803	7,850	7,930								
Micro Finance	22,880	30,696	36,161	32,360	39,070	52,250	62,650	59,730	56,360	53,700	45,270	(16)	
Vehicle Finance	22,520	29,512	37,600	45,300	50,470	69,710	83,240	84,720	88,770	92,620	94,560	2	
Used CV	-	-	26,250	29,710	31,930	41,780	50,460	52,340	56,880	61,820	66,030	7	
New CV	-	-	11,350	15,590	18,540	27,930	32,780	32,380	31,890	30,810	28,530	(7)	
MSE	4,110	1,809	6,694	11,800	11,640	11,750	12,010	12,350	13,660	14,990	16,890	13	
Corporate loans/NBFC	1,940	4,560	8,181	7,830	7,580	11,840	7,160	6,430	6,040	5,500	5,250	(5)	
Others	1,320	4,695	2,238	2,250	1,990	3,500	4,940	4,590	5,030	5,340	6,370	19	
Total	82,380	117,043	153,669	179,250	205,970	278,610	343,370	348,710	360,530	373,440	379,860	2	
YoY (%)		42	31	17	15	35	23	18	15	14	11		
Share of total (%)													
Small business (inc housing/agri)	36	39	41	44	46	47	50	52	53	54	56		
SBL	26	31	33	35	34	36	38	39	41	42	43		
Housing	6	3	4	5	8	10	12	12	12	12	13		
Agri	3	5	4	4	4								
Micro Finance	28	26	24	18	19	19	18	17	16	14	12		
Vehicle Finance	27	25	24	25	25	25	24	24	25	25	25		
Used CV	-	-	17	17	16	15	15	15	16	17	17		
New CV	-	-	7	9	9	10	10	9	9	8	8		
MSE	5	2	4	7	6	4	3	4	4	4	4		
Corporate loans/NBFC	2	4	5	4	4	4	2	2	2	1	1		
Others	2	4	1	1	1	1	1	1	1	1	2		
Total	100	100	100	100	100	100	100	100	100	100	100		

Note: The company has been reporting "agri" portfolio as part of MSME loans itself from FY2023

Source: Company

Disbursements declined sharply, led by the microfinance segment

Exhibit 9: Breakup of disbursements, March fiscal year-ends

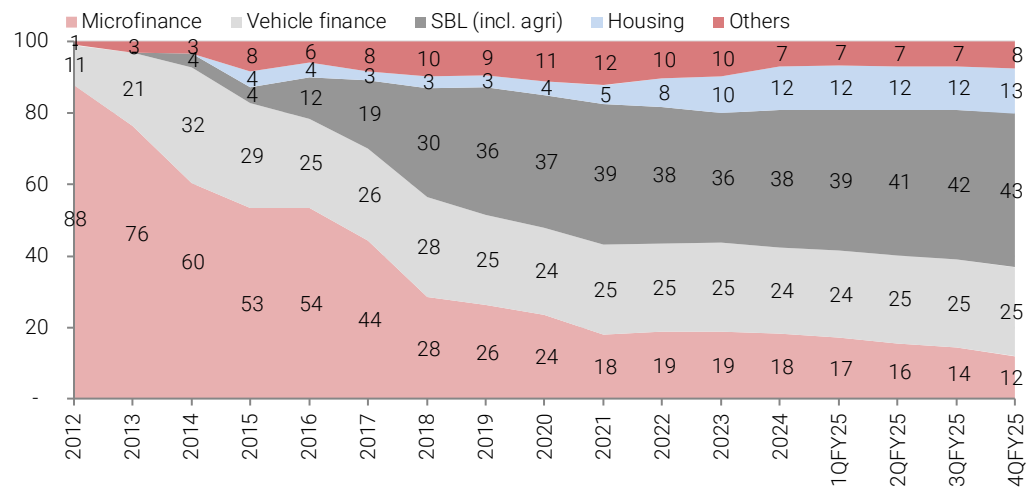
	2018	2019	2020	2021	2022	2023	2024	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Yoy (%)	Qoq (%)
Disbursements (Rs mn)														
Small business (inc housing/agri)	16,616	26,079	29,645	28,070	35,810	64,360	77,640	20,970	16,220	19,740	20,790	21,010	0	1
MSME loans	12,601	21,204	26,520	23,220	28,510	47,980	59,170	16,270	13,050	15,910	17,130	16,840	4	(2)
Housing	1,241	1,691	3,125	4,850	7,300	16,380	18,470	4,700	3,170	3,830	3,660	4,170	(11)	14
Agri	2,775	3,185	3,060	2,380	2,640									
Micro Finance	17,172	29,781	31,693	17,730	33,130	49,260	57,160	14,660	10,350	9,490	11,450	3,550	(76)	(69)
Vehicle Finance	17,098	22,667	25,523	19,560	26,770	49,120	50,010	12,540	10,610	14,840	15,120	13,210	5	(13)
Used CV	14,400	16,886	18,279	12,310	17,570	31,090	34,150	8,960	8,170	12,100	12,820	4,540	(49)	(65)
New CV	2,697	5,781	7,244	7,250	9,200	18,030	15,870	3,580	2,440	2,740	2,300	930	(74)	(60)
MSE	-	2,188	5,734	3,440	2,870	3,300	5,130	1,680	1,210	1,940	1,970	2,350	40	19
Corporate loans/NBFC	2,109	2,989	6,118	4,810	5,140	8,510	1,600	-	650	1,250	650	1,000	#DIV/0!	54
Others	5,093	2,079	389	1,010	1,780	3,420	3,980	1,100	1,250	1,240	1,450	1,550	41	7
Total	58,087	85,783	99,102	74,620	105,500	177,970	195,520	50,950	40,290	48,500	51,420	42,670	(16)	(17)
YoY (%)		48	16	(25)	41	69	10	(14)	(15)	(2)	8	(16)		

Note: The company has been reporting "agri" portfolio as part of MSME loans itself from FY2023

Source: Company

Loan mix has steadily shifted away from microfinance over the past decade

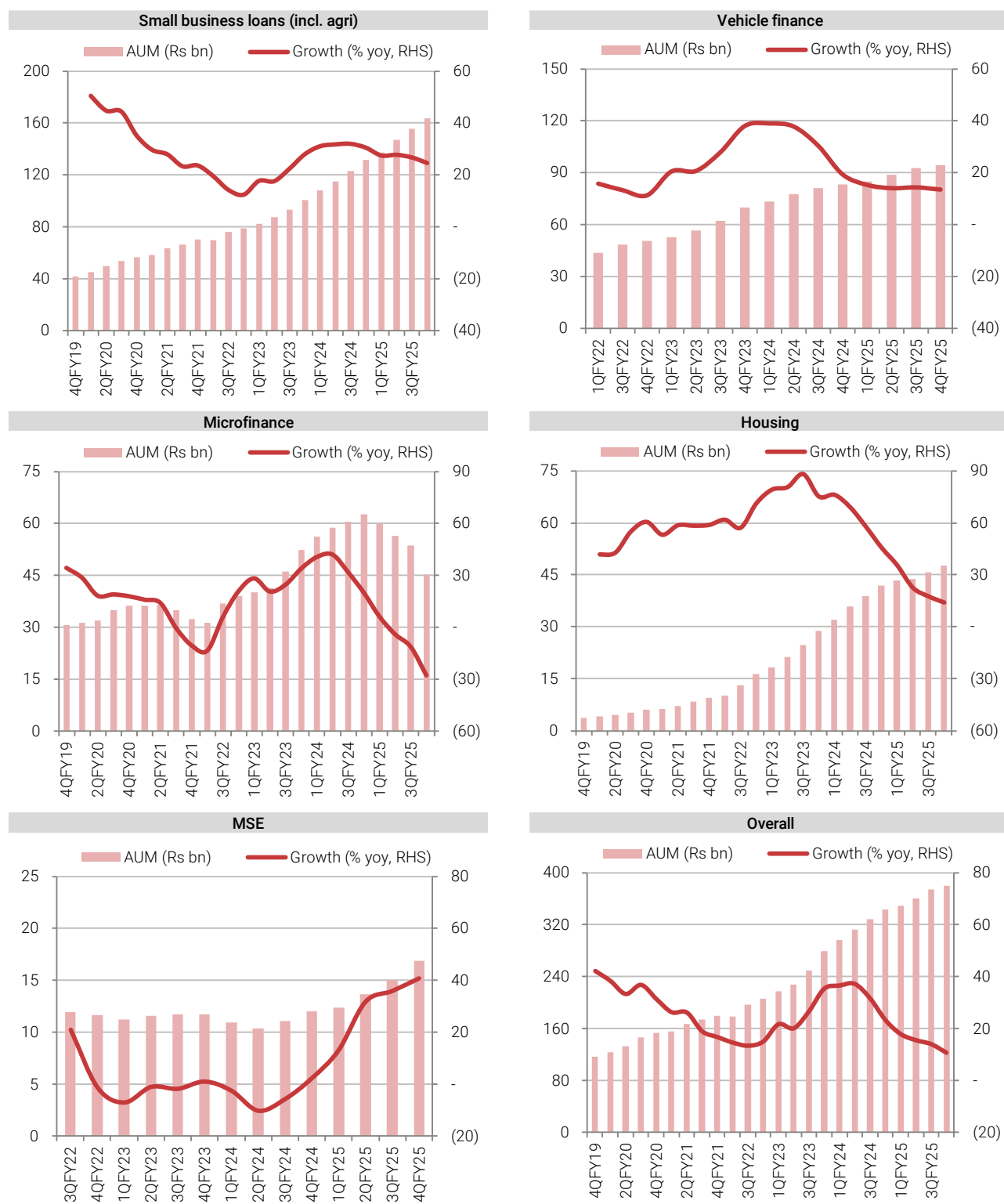
Exhibit 10: Loan mix for Equitas SFB, March fiscal year-ends (%)



Source: Company

Advances have been growing robustly over the past few quarters across segments, with some slowdown recently led by microfinance

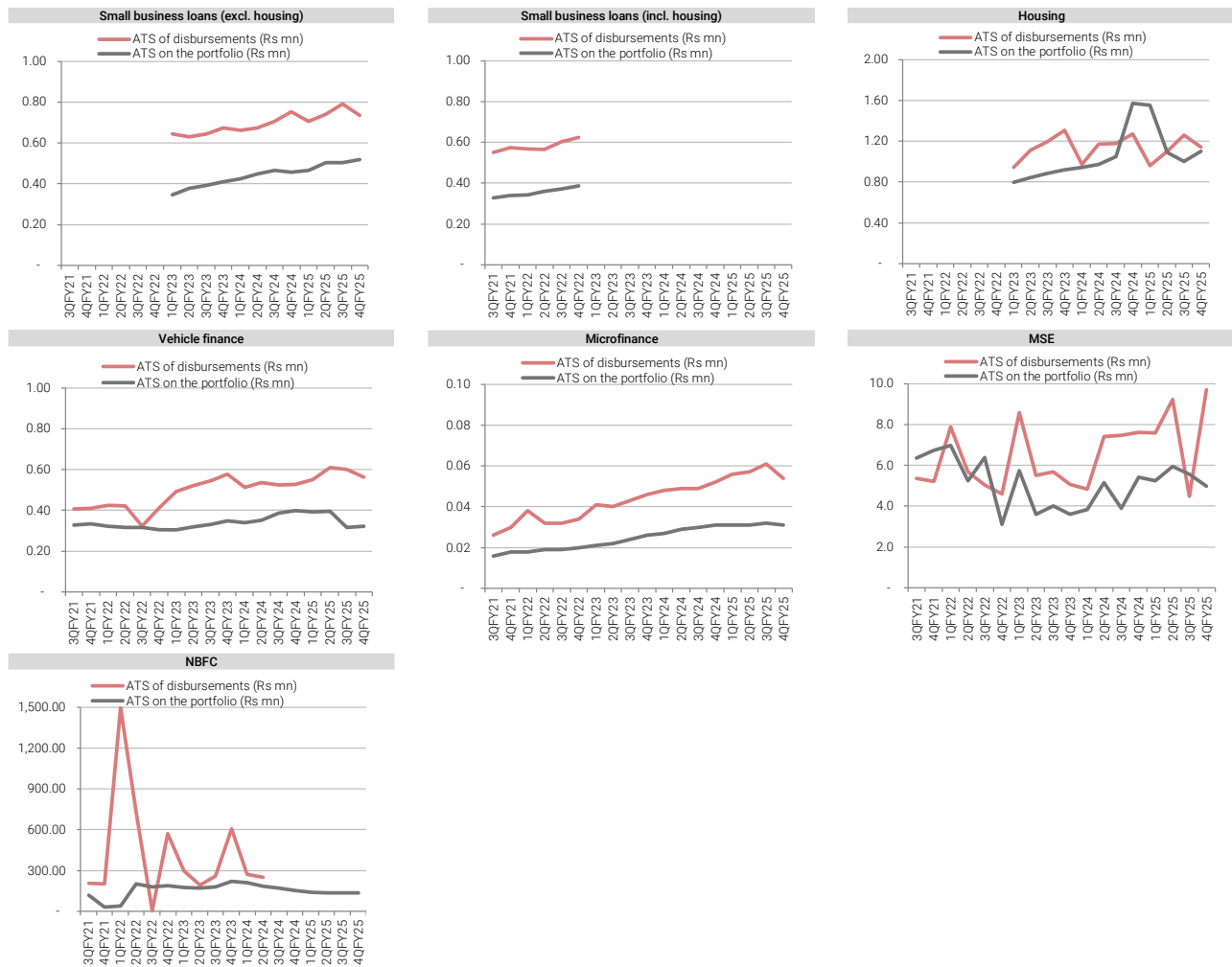
Exhibit 11: Loan book and growth across segments, March fiscal year-ends



Source: Company

Average ticket size of disbursements has been inching up across segments

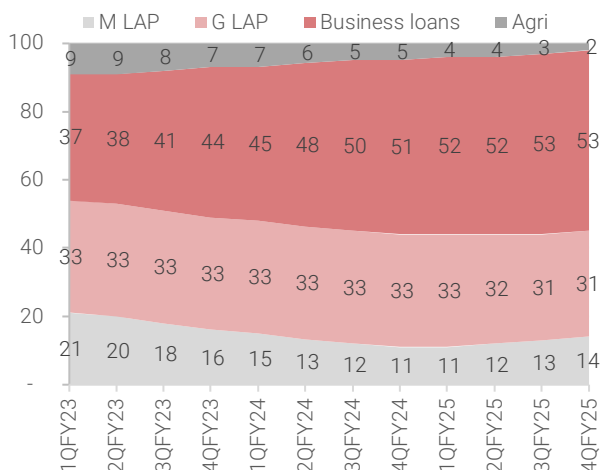
Exhibit 12: Average ticket size of loans across segments for Equitas SFB, March fiscal year-ends (Rs mn)



Source: Company

The share of micro-LAP loans within LAP is inching up

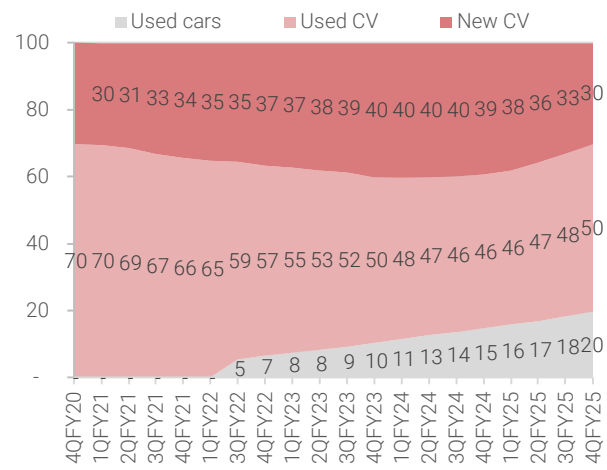
Exhibit 13: Breakup of LAP book by sub-segment, March fiscal year-ends (%)



Source: Company

The share of used CV within CV book is now inching up

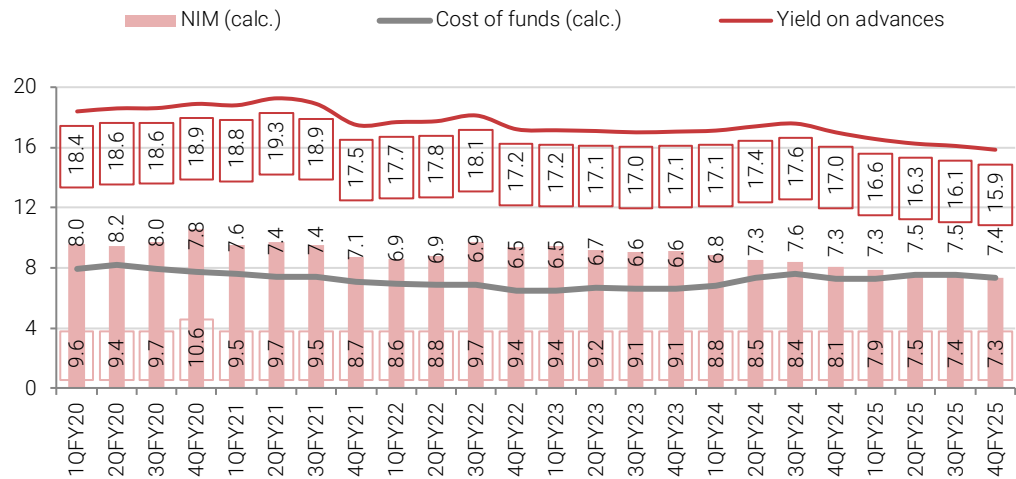
Exhibit 14: Breakup of vehicle finance book by sub-segment, March fiscal year-ends (%)



Source: Company

NIM has been under pressure recently

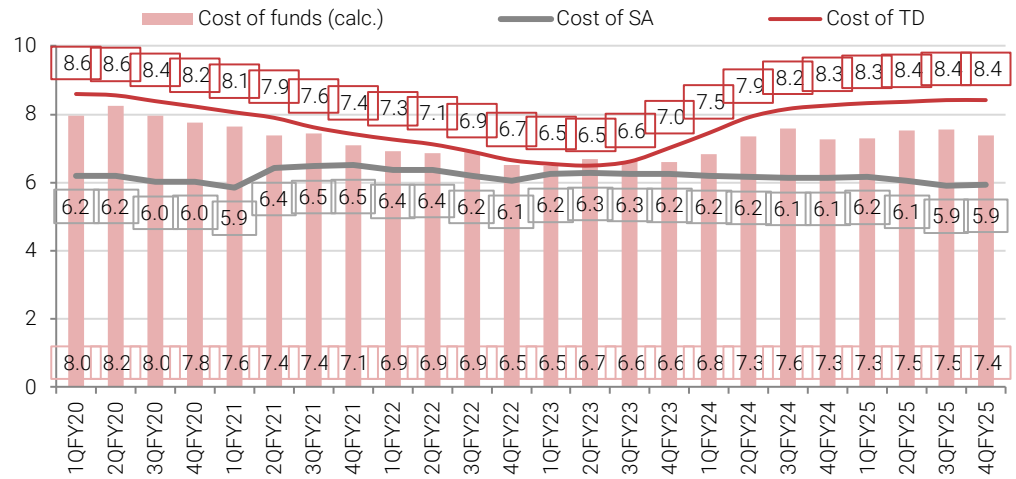
Exhibit 15: Margin-related metrics, March fiscal year-ends (%)



Source: Company

The differential in cost of SA and TD deposits has widened again recently

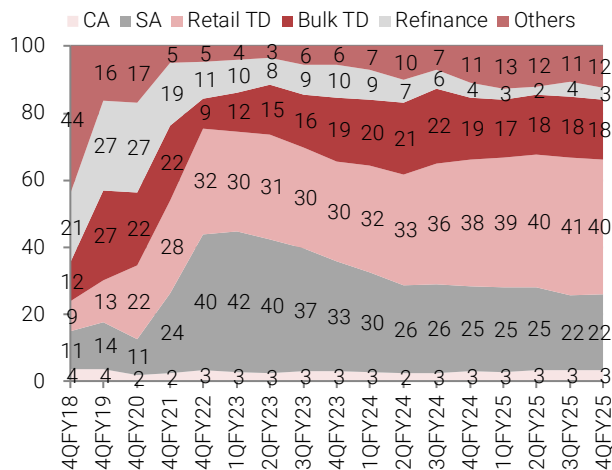
Exhibit 16: Cost of funds for Equitas SB, March fiscal year-ends (%)



Source: Company

Share of CASA has declined from peak level of ~45% to ~25% since 1QFY23

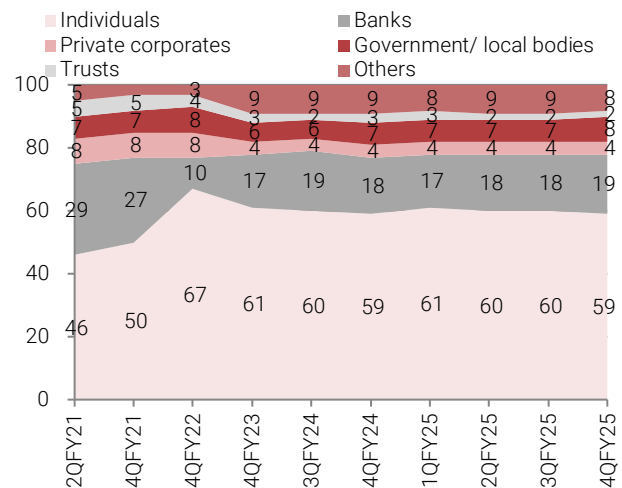
Exhibit 17: Liability profile of Equitas SFB, March fiscal year-ends (%)



Source: Company

Share of deposits from individuals has been at ~60%

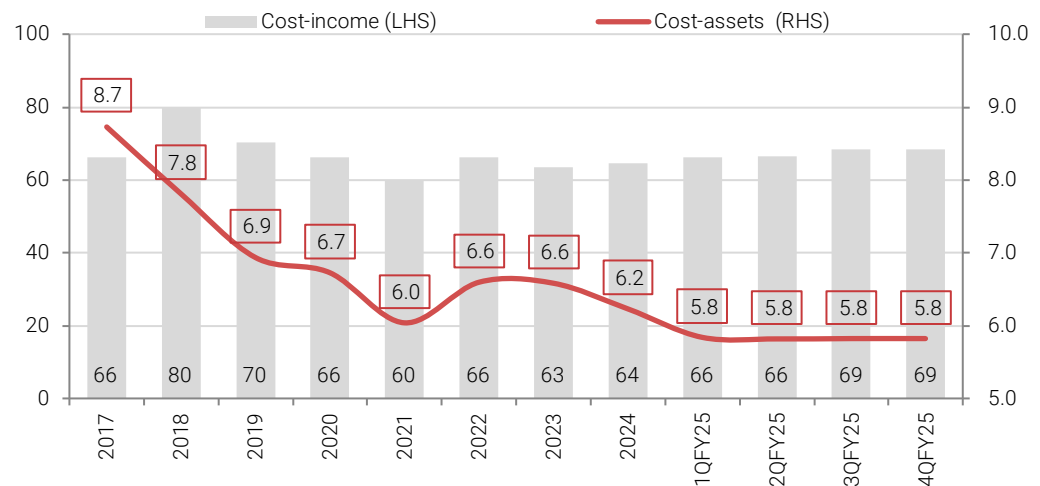
Exhibit 18: Depositor mix for Equitas SFB, March fiscal year-ends (%)



Source: Company

Cost-assets ratio was broadly flat qoq at ~6

Exhibit 19: Cost ratios for Equitas SFB, March fiscal year-ends (%)



Source: Company

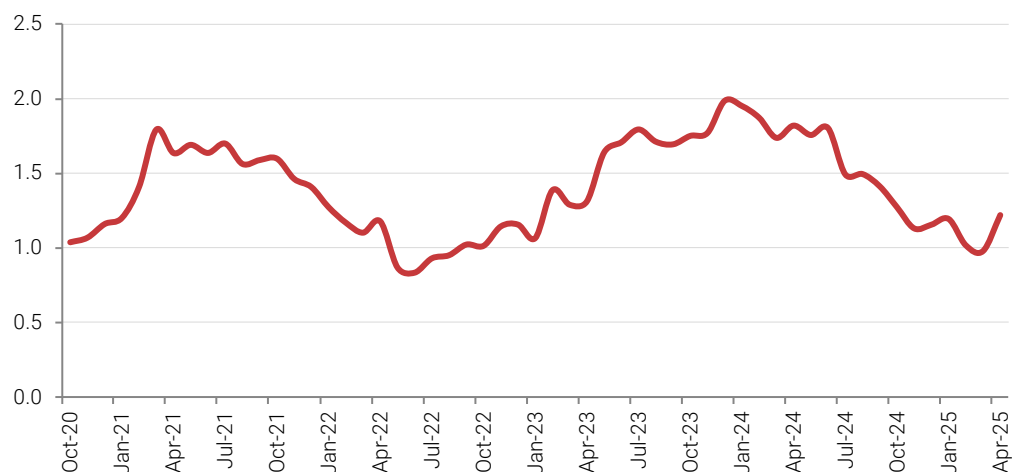
Exhibit 20: Equitas SFB—summary of financial metrics, March fiscal year-ends (Rs bn)



Source: Company, Kotak Institutional Equities estimates

Equitas SFB trades at ~1.2X (12-month forward) book value

Exhibit 21: Price-to-book (adjusted, 12-month forward) for Equitas SFB, March fiscal year-ends (%)



Source: Bloomberg, Company, Kotak Institutional Equities estimates

Exhibit 22: Equitas SFB—estimate changes, March fiscal year-ends

	New estimates			Old estimates		Change (%)	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Advances	437,354	546,231	676,773	456,363	565,048	(4)	(3)
Growth (%)	21	25	24	24	24	-321 bps	108 bps
Net interest income	35,575	43,751	54,751	36,987	46,821	(4)	(7)
NIM (%)	6.4	6.4	6.5	6.3	6.4	4 bps	2 bps
Non-interest income	11,581	14,094	17,153	12,133	14,768	(5)	(5)
Operating cost	32,521	40,338	48,244	33,939	41,198	(4)	(2)
Staff cost	18,710	23,041	28,219	19,812	24,479	(6)	(6)
Non-staff cost	13,811	17,297	20,025	14,127	16,719	(2)	3
Operating profit	14,635	17,507	23,660	15,181	20,391	(4)	(14)
Provisions	8,794	6,393	7,338	6,183	6,128	42	4
Profit before tax	5,841	11,114	16,322	8,998	14,263	(35)	(22)
Tax	1,470	2,797	4,108	2,265	3,590	(35)	(22)
Profit after tax	4,371	8,316	12,214	6,733	10,673	(35)	(22)
EPS (Rs)	3.8	7.3	10.7	5.9	9.4	(35)	(22)
Adj. BVPS (Rs)	54	60	68	55	62	(1)	(3)
Credit costs (%)	2.2	1.3	1.2	1.5	1.2	70 bps	10 bps
Slippage (%)	5.0	4.0	3.8	4.0	3.4	100 bps	60 bps
Cost-income ratio (%)	69.0	69.7	67.1	69.1	66.9	-13 bps	284 bps

Source: Kotak Institutional Equities estimates

Exhibit 23: Equitas SFB—key financials, March fiscal year-ends (%)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Income statement										
Total interest income	21,206	26,454	31,944	34,597	41,619	54,864	63,117	71,762	85,948	104,515
Total interest expense	9,689	11,501	13,965	14,211	16,172	24,066	30,601	36,188	42,197	49,764
Net interest income	11,517	14,953	17,980	20,385	25,447	30,798	32,516	35,575	43,751	54,751
Non-interest income	2,829	2,824	4,181	5,376	6,696	7,987	9,115	11,581	14,094	17,153
Net fee income	186	210	265	3,414	3,190	3,911	4,498	5,757	7,024	8,569
Net capital gains	33	34	447	426	214	1,043	1,430	1,745	2,094	2,512
Operating expenses	10,085	11,801	13,294	17,041	20,383	25,011	28,288	32,521	40,338	48,244
Employee expenses	5,513	7,098	7,914	8,982	10,967	13,689	16,210	18,710	23,041	28,219
Provisions	989	2,467	3,700	4,935	3,659	2,646	11,354	8,794	6,393	7,338
Profit before tax	3,237	3,509	5,113	3,781	7,688	10,631	1,988	5,841	11,114	16,322
Tax	1,132	1,073	1,270	974	1,952	2,642	518	1,470	2,797	4,108
Net profit	2,106	2,436	3,842	2,807	5,736	7,990	1,470	4,371	8,316	12,214
(% growth)	562	16	58	(27)	104	39	(82)	197	90	47
Operating profit	4,261	5,976	8,866	8,719	11,760	13,774	13,343	14,635	17,507	23,660
(% growth)	93	40	48	(2)	35	17	(3)	10	20	35
Balance sheet										
Cash and bank balances	12,606	25,368	33,787	21,325	12,443	35,790	55,363	50,455	62,738	77,869
Cash	1,159	1,385	974	1,611	1,228	1,036	1,347	1,616	1,940	2,328
Balance with RBI	2,868	2,424	4,174	7,959	10,512	33,967	48,194	41,852	52,415	65,481
Balances with banks	742	760	789	555	301	786	5,822	6,986	8,384	10,060
Money at call and short notice	7,837	20,800	27,850	11,200	402	-	-	-	-	-
Net investments	23,445	23,425	37,052	44,498	66,646	90,653	92,887	121,150	141,727	173,032
Net loans and advances	115,950	137,472	168,482	193,742	257,986	309,643	362,089	437,354	546,231	676,773
Fixed assets	2,373	2,128	1,851	2,004	3,791	6,047	6,957	7,306	8,233	8,932
Total assets	157,627	193,145	247,085	269,476	349,581	453,039	528,356	629,537	774,856	955,719
Deposits	90,067	107,884	163,920	189,508	253,806	361,290	431,060	523,148	655,187	818,515
Borrowings	39,730	51,349	41,653	26,164	29,738	17,875	21,370	24,575	28,262	32,501
Other liabilities	4,660	5,956	6,238	9,666	10,956	11,687	12,322	14,170	16,296	18,740
Total liabilities	135,084	165,704	213,121	227,015	298,002	393,350	467,624	565,053	703,220	873,579
Paid-up capital	10,059	10,534	11,393	12,520	11,106	11,349	11,399	11,399	11,399	11,399
Reserves & surplus	12,484	16,907	22,571	29,941	40,474	48,338	49,327	53,086	60,238	70,741
Total shareholder's equity	22,543	27,441	33,963	42,462	51,579	59,687	60,725	64,484	71,636	82,140
Key asset quality metrics (%)										
Gross NPL	2,957	4,173	6,428	8,372	7,240	8,213	11,073	11,737	15,279	20,649
Gross NPL (%)	2.5	3.0	3.7	4.2	2.8	2.6	3.0	2.6	2.7	3.0
Net NPL	1,864	2,286	2,662	4,795	3,120	3,609	3,542	4,049	4,719	5,807
Net NPL (%)	1.6	1.7	1.6	2.5	1.2	1.2	1.0	0.9	0.9	0.9
Accumulated provisions	1,093	1,887	3,766	3,577	4,120	4,604	7,531	7,688	10,560	14,842
Provision coverage ratio (%)	37.0	45.2	58.6	42.7	56.9	56.1	68.0	65.5	69.1	71.9
Slippages	3,173	4,093	5,894	13,893	10,871	11,389	20,316	18,993	18,205	21,500
(% of opening advances)	4.0	3.5	3.8	7.8	5.3	4.1	5.9	5.0	4.0	3.8

Source: Company, Kotak Institutional Equities estimates

Exhibit 24: Equitas SFB—key growth rates and financial ratios, March fiscal year-ends (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Growth rates (%)										
Net loan	50	19	23	15	33	20	17	21	25	24
Total assets	18	23	28	9	30	30	17	19	23	23
Deposits	61	20	52	16	34	42	19	21	25	25
Net interest income	34	30	20	13	25	21	6	9	23	25
Loan loss provisions	(44)	149	50	33	(26)	(28)	329	(23)	(27)	15
Total other income	17	(0)	48	29	25	19	14	27	22	22
Operating expenses	14	17	13	28	20	23	13	15	24	20
Employee expenses	7	29	12	13	22	25	18	15	23	22
PPoP	93	40	48	(2)	35	17	(3)	10	20	35
Profit after tax	562	16	58	(27)	104	39	(82)	197	90	47
Yield and margin metrics (%)										
Yield on loans	19.0	19.1	19.0	17.3	16.7	17.3	16.6	15.9	15.5	15.2
Yield on investments	8.3	6.7	7.3	6.1	5.7	6.9	6.9	6.5	6.4	6.3
Yield on earning assets	15.2	15.6	15.0	13.9	14.0	14.2	13.3	12.8	12.6	12.5
Cost of funds	8.1	7.9	7.6	6.7	6.4	7.2	7.3	7.2	6.8	6.5
Interest on deposits	7.0	7.5	7.1	6.4	6.1	7.0	7.3	7.2	6.8	6.4
Net interest income/earning asse	8.2	8.8	8.4	8.2	8.5	8.0	6.9	6.4	6.4	6.5
Spread on earnings assets	7.0	7.7	7.4	7.2	7.6	7.0	6.0	5.6	5.8	6.0
Spread on loans	10.9	11.2	11.3	10.6	10.3	10.1	9.3	8.7	8.7	8.7
Key ratios (%)										
Interest income/total income	80	84	81	79	79	79	78	75	76	76
Operating expenses/total income	70	66	60	66	63	64	68	69	70	67
Operating expenses/assets	6.9	6.7	6.0	6.6	6.6	6.2	5.8	5.6	5.7	5.6
Tax rate	35	31	25	26	25	25	26	25	25	25
Deposit break-up										
Current	5	3	3	4	4	3	4	5	6	7
Savings	20	17	31	48	38	29	25	27	29	31
Term	75	80	66	48	58	68	71	68	65	62
Asset quality (%)										
Gross NPL	2.5	3.0	3.7	4.2	2.8	2.6	3.0	2.6	2.7	3.0
Net NPL	1.6	1.7	1.6	2.5	1.2	1.2	1.0	0.9	0.9	0.9
Provision expense (% of loans)	1.0	1.8	2.2	2.6	1.5	0.9	3.1	2.2	1.3	1.2
Provision coverage (excluding w/c	37	45	59	43	57	56	68	66	69	72
Dupont analysis (%)										
Net interest income	7.9	8.5	8.2	7.9	8.2	7.7	6.6	6.1	6.2	6.3
Other income	1.9	1.6	1.9	2.1	2.2	2.0	1.9	2.0	2.0	2.0
Loan loss provisions	0.7	1.4	1.7	1.9	1.2	0.7	2.3	1.5	0.9	0.8
Operating expenses	7.0	6.7	6.1	6.6	6.6	6.2	5.8	5.6	5.7	5.6
Tax rate	35	31	25	26	25	25	26	25	25	25
RoA	1.4	1.4	1.7	1.1	1.9	2.0	0.3	0.8	1.2	1.4
Average assets/average equity	6.8	7.0	7.2	6.8	6.6	7.2	8.2	9.2	10.3	11.3
RoE	9.8	9.7	12.5	7.3	12.2	14.4	2.4	7.0	12.2	15.9

Source: Company, Kotak Institutional Equities estimates

SIS (SECIS)

Commercial & Professional Services

ADD

CMP(₹): 338

Fair Value(₹): 360

Sector View: Cautious

NIFTY-50: 24,334

May 02, 2025

4QFY25: Reasonable print driven by India business

SIS posted revenue growth of 9.3% yoy in 4QFY25, 1.0% behind our expectations, supported by 9.6% yoy growth in the India business, 7.7% yoy growth in the international business and 12.9% yoy growth in the facilities management (FM) business. EBITDA margin of 4.8% expanded by 10 bps yoy, with margin expansion in India and FM businesses offsetting a 30 bps yoy margin decline in the international business. We maintain our estimates for FY2026-27 and roll forward to June 2027E. This gives a revised FV of Rs360 (Rs350 earlier). Retain ADD.

Revenue growth of 9.3% yoy, driven by all India businesses

SIS posted revenue growth of 9.3% yoy, 1% behind KIE estimates. Segmentally, (1) India security revenues grew 9.6% yoy (in line with estimates), (2) international business revenues grew 7.7% yoy (3.9% behind estimates) and (3) FM business revenues grew 12.9% yoy (4.0% ahead of estimates). The India business' (security + FM) revenue performance was driven by wins in the mining, education, IT, automobile, BFSI, health, retail, manufacturing and real estate sectors. The international business revenue was driven by new wins in the defense, IT, real estate and retail sectors.

International margins disappoint, though offset by other segments

EBITDA of Rs1.7 bn was up 10.2% yoy and 5.1% qoq (3.0% ahead of estimates). Segmentally, EBITDA margin of (1) 5.6% for the India security business was up 10 bps yoy and in line with KIE estimate, (2) 4.0% for international security business was down 30 bps yoy (versus 3.8% in 3QFY25 and KIE estimate of 3.7%) was driven by new wins and price revisions in the business and (3) 4.7% of the FM segment was up 75 bps (versus 4.6% in 3QFY25 and KIE estimate of 4.5%) was driven by focused execution of margin management initiatives.

Cash logistics to be listed separately; impairment of Rs3 bn

SIS-Prosegur, the Cash JV, operating in the cash logistics solutions segment, has filed its Draft Red Herring prospectus (DRHP) with the SEBI for its IPO. Based on the press release, the funds raised through the sale of shares will help SIS reduce its debt further. SIS had acquired Henderson, SLV and Uniq in FY2019. The acquisitions were based on an earnout linked to an expected business plan and the goodwill was accordingly recorded. Due to Covid, the projections were impacted and the payout was lower than the liability recognized at the time of acquisition. As a result, SIS recorded an impairment of Rs3 bn in 4Q to bring its acquisitions back to its fair value.

Cheap valuations; retain ADD

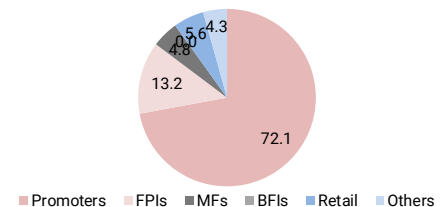
We maintain our FY2026-27 estimates and roll forward to June 2027E. This leads to a revised SoTP-based FV of Rs360 (Rs350 earlier). The stock is trading at 15X FY2027 P/E, inexpensive, in our view. Retain ADD.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	338/360/ADD
52-week range (Rs) (high-low)	1,379-288
Mcap (bn) (Rs/US\$)	49/0.6
ADTV-3M (mn) (Rs/US\$)	45/0.5

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	4	1	(28)
Rel. to Nifty	0	(3)	(35)
Rel. to MSCI India	0	(2)	(33)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	0.8	20.1	23.0
EPS growth (%)	(93.8)	2,395.8	14.5
P/E (X)	420.7	16.9	14.7
P/B (X)	2.1	1.8	1.6
EV/EBITDA (X)	8.4	8.0	7.3
RoE (%)	0.5	11.5	11.7
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	132	143	156
EBITDA (Rs bn)	6.0	6.3	6.8
Net profits (Rs bn)	0.1	2.9	3.4

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

Related Research

- [SIS: 3QFY25: Reasonable print driven by](#)
- [SIS: 2QFY25: Weak international segment](#)
- [SIS: 1QFY25: Weak performance; international](#)

[Full sector coverage on KINSITE](#)

Exhibit 1: Consolidated quarterly financials of SIS, March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			FY2025	FY2024	Yoy growth (%)	FY2026E	Yoy growth (%)
					KIE	yoy	qoq					
Total operating income	34,279	34,633	31,376	33,625	(1.0)	9.3	1.9	131,890	122,614	7.6	143,441	8.8
Cost of materials consumed	(223)	(519)	(140)	(131)				(644)	(612)		(1,053)	
Purchases of stock in trade	(56)	—	(138)	(155)				(541)	(831)		—	
Change in inventory	(21)	—	(54)	13				(25)	(5)		—	
Employee expenses	(27,821)	(27,851)	(25,550)	(27,798)	(0.1)	8.9	0.1	(109,093)	(100,495)	8.6	(117,667)	7.9
Other operational cost	(4,510)	(4,663)	(3,997)	(3,986)	(3.3)	12.8	13.1	(15,550)	(14,826)	4.9	(18,449)	18.6
EBITDA	1,648	1,599	1,496	1,568	3.0	10.2	5.1	6,037	5,845	3.3	6,272	3.9
Other income	166	100	160	321	66.4	4.1	(48.1)	681	427	59.5	621	(8.8)
Financial charges	(376)	(407)	(403)	(405)	(7.6)	(6.6)	(7.2)	(1,606)	(1,482)	8.4	(1,607)	0.1
Depreciation	(384)	(450)	(486)	(407)	(14.7)	(21.0)	(5.7)	(1,638)	(1,663)	(1.5)	(1,954)	19.3
Pre-tax profit	1,054	842	767	1,076	25.2	37.5	(2.1)	3,473	3,126	11.1	3,332	(4.1)
Taxation	(291)	(101)	(289)	(122)				(556)	(819)	(32.2)	(666)	19.9
Profit after tax	763	741	478	954	2.9	59.7	(20.1)	2,918	2,308	26.5	2,666	(8.6)
Minority interest and associate profits	62	67	62	67				258	249		276	
Exceptional items	(3,058)	—	(656)	—				(3,058)	(656)		—	
Net profit	(2,234)	808	(117)	1,021				118	1,900	(93.8)	2,942	
EPS (Rs)	(15.5)	5.5	(0.8)	4.7				22.0	17.7	24.0	20.4	(7.4)
EBITDA margin (%)	4.8	4.6	4.8	4.7	-19 bps	10 bps	14 bps	4.6	4.8		4.4	
Tax rate (%)	27.6	12.0	37.7	11.3				16.0	26.2		20.0	
Segment-wise revenues												
Security services (India)	14,351	14,328	13,093	14,195	0.2	9.6	1.1	55,764	51,585	8.1	62,691	12.4
Security services (International)	14,236	14,812	13,219	13,829	(3.9)	7.7	2.9	54,298	50,690	7.1	53,857	(0.8)
Facilities management	5,870	5,643	5,201	5,763	4.0	12.9	1.9	21,829	69,060	(68.4)	26,892	23.2
Less: intersegment revenue	(178)	(150)	(137)	(163)				—	—		—	
Total operating income	34,279	34,633	31,376	33,625	(1.0)	9.3	1.9	131,890	122,614	(23.0)	143,441	8.8
Segment-wise EBITDA												
Security services (India)	800	795	719	774	0.6	11.2	3.3	3,061	2,918	4.9	3,205	4.7
Security services (International)	576	550	572	530	4.7	0.6	8.6	2,149	2,062	4.2	2,035	(5.3)
Facilities management	274	254	204	265	7.9	34.1	3.2	826	2,724	(69.7)	3,550	329.9
Total EBITDA	1,650	1,599	1,496	1,570			5.1	6,036	5,846	3.3	6,272	3.9
Other operating metrics												
Billed India security guard count (#)	192,402	194,554	185,072	192,354	(1.1)	4.0	0.0					
Billed Australia security guard count (#)	10,482	—	9,668	9,707		8.4	8.0					
Facility management employee count (#)	85,664	—	78,970	82,462		8.5	3.9					

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Segmental revenue and EBITDA snapshot of SIS, March fiscal year-ends (Rs mn)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Yoy growth (%)
Segmental revenues													
India security	10,588	11,491	12,032	12,149	12,291	13,020	13,180	13,093	13,375	13,843	14,195	14,351	9.6
International security	12,051	11,613	12,191	12,904	12,427	12,591	12,453	13,219	12,760	13,473	13,829	14,236	7.7
India facility management	4,265	4,724	4,973	5,037	5,190	5,279	5,251	5,201	5,303	5,534	5,763	5,870	12.9
Less: intersegment elimination	(123)	(152)	(154)	(133)	(141)	(154)	(150)	(137)	(140)	(162)	(163)	(178)	
Total	26,782	27,677	29,043	29,957	29,767	30,736	30,734	31,376	31,299	32,688	33,625	34,279	9.3
Segmental EBITDA													
India security	417	513	584	605	662	737	800	719	720	767	774	800	11.2
International security	596	379	483	522	503	498	488	572	432	444	530	576	0.6
India facility management	194	207	197	221	226	210	225	204	222	238	265	274	34.1
Less: intersegment elimination	(0)	(1)	0	(1)	(0)	—	0	(1)	(1)	(2)	(2)	(2)	
Total	1,207	1,098	1,264	1,347	1,390	1,445	1,514	1,496	1,374	1,448	1,568	1,648	10.2
Segmental EBITDA margin (%)													
India security	3.9	4.5	4.9	5.0	5.4	5.7	6.1	5.5	5.4	5.5	5.5	5.6	7 bps
International security	4.9	3.3	4.0	4.0	4.0	4.0	3.9	4.3	3.4	3.3	3.8	4.0	-29 bps
India facility management	4.5	4.4	4.0	4.4	4.4	4.0	4.3	3.9	4.2	4.3	4.6	4.7	73 bps
Total	4.5	4.0	4.4	4.5	4.7	4.7	4.9	4.8	4.4	4.4	4.7	4.8	4 bps

Source: Company, Kotak Institutional Equities

Exhibit 3: Segmental operating metrics of SIS, March fiscal year-ends

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Yoy change (%)
India security													
Billed employees	172,227	178,106	181,198	181,381	180,948	182,879	185,082	185,072	187,225	191,038	192,354	192,402	4
Segment EBITDA (Rs mn)	417	513	584	605	662	737	800	719	720	767	774	800	11
EBITDA per employee (Rs)	2,422	2,879	3,225	3,333	3,656	4,029	4,324	3,888	3,847	4,016	4,023	4,157	7
International security													
Billed employees	8,675	8,743	8,773	9,116	9,022	9,346	9,498	9,668	9,563	9,593	9,707	10,482	8
Segment EBITDA (Rs mn)	596	379	483	522	503	498	488	572	432	444	530	576	1
EBITDA per employee (Rs)	68,738	43,331	55,026	57,285	55,760	53,301	51,410	59,203	45,221	46,262	54,631	54,955	(7)
India facility management													
Billed headcount	73,793	76,758	81,288	82,308	83,513	82,539	79,830	78,970	78,913	81,995	82,462	85,664	8
Segment EBITDA (Rs mn)	194	207	197	221	226	210	225	204	222	238	265	274	34
EBITDA per employee (Rs)	2,626	2,691	2,420	2,682	2,704	2,541	2,821	2,587	2,809	2,906	3,220	3,199	24

Source: Company, Kotak Institutional Equities

Exhibit 4: Debt profile of SIS, March fiscal year-ends (Rs mn)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Gross debt (Rs mn)	13,280	14,200	14,880	15,500	15,230	15,300	15,890	16,190	15,090	15,840	15,310	14,950	15,010
Net debt (Rs mn)	5,640	6,120	7,180	8,650	7,370	8,520	9,190	9,290	7,400	8,650	7,040	4,900	2,850
Lease liabilities	1,230	1,260	1,240	1,250	1,250	1,310	1,320	1,290	1,490	1,580	1,530	1,420	1,440
Net debt incl. lease liabilities (Rs mn)	6,870	7,380	8,420	9,900	8,620	9,830	10,510	10,580	8,890	10,230	8,570	6,320	4,290

Source: Company, Kotak Institutional Equities

Key takeaways

- ▶ **Management commentary.** Management highlighted its highest-ever quarterly revenue and EBITDA in 4QFY25. Management has previously guided toward mid-double-digit organic growth in both the Indian businesses in FY2025 and 6% margins in both the Indian businesses. The company reported consolidated return on capital employed of 14.3% and cash conversion ratio of 174.8% for 4QFY25.
 - It maintained a return of capital employed of 20% pre-Covid. This has declined to the 11-12% range. This decline is driven by an increase in capital employed due to (1) higher goodwill charges and (2) higher working capital. Management is focused on reducing the working capital and taking action on the goodwill charges. Management has previously guided toward a RoCE of 15%+, with an objective of taking it back to the pre-Covid levels of 20% in the next two years.
- ▶ **India security business.** The India security business reported a 9.6% yoy growth on the back of new wins of ~Rs220 mn of monthly revenue in the quarter, with major contributions from the mining, education, BFSI, automobile and retail sectors. The business reported an EBITDA margin of 5.6% in 4QFY25.
 - SIS has combined SLV and UNIQ to create a larger platform having pan-India delivery capability and rebranded it as SISCO. According to management, this will enable it to (1) achieve synergies in the existing operations, (2) take on key competition at regional level and (3) drive revenue growth. The legal entities will continue to remain the same.
- ▶ **India facility management business.** The India facility management business reported a 12.9% yoy growth on the back of new wins of ~150 mn of monthly revenue during the quarter with major contributions from the IT, health, manufacturing, retail and real estate sectors. The EBITDA margin increased to 4.7% driven by execution of margin improvement plans. The business currently operates across 93 branches with ~86k employees.
- ▶ **International business.** The international business reported a 7.7% yoy growth in revenue on the back of new wins of ~AU\$180 mn. This growth was primarily driven by new wins in the defense, IT, real estate and retail sectors. The EBITDA margin in the business increased to 4.1%, driven by new wins, temporary high-margin seasonal business, and price revisions.

- **Cash logistics business.** SIS-Prosecur, the Cash JV, operating in the cash logistics solutions segment, has filed its Draft Red Herring prospectus (DRHP) with the SEBI for its IPO. According to management, the funds raised through the sale of shares will help SIS reduce its debt further.
- **Impairment.** SIS had acquired Henderson, SLV and Uniq in FY2019. The acquisitions were based on an earnout linked to an expected business plan and the goodwill was accordingly recorded. Due to Covid, the projections were impacted and payout was lower than the liability recognized at the time of acquisition. As a result, SIS recorded an impairment of Rs3 bn in 4Q to bring its acquisitions back to its fair value. This is a non-cash adjustment and there is no impact on cash flows.
- **Misc.** (1) The company continues to receives 80JJAA benefits on all Indian SBUs. (2) The effective tax rate for the Indian businesses is zero. The Australian business pays tax rate of ~30%.

Exhibit 5: SoTP-based Fair Value of Rs360/share

Parameter	Valuation
DCF based EV of Indian businesses - (1)	40,030
EV/EBITDA multiple ascribed to International business (X)	7
June 2027 EBITDA of International business	2,057
EV of the Australian business - (2)	14,397
Consolidated EV - (1) + (2)	54,427
Net debt	1,661
Equity value	52,766
Diluted share count (mn)	147
Equity value (Rs/sh)	360

Source: Company, Kotak Institutional Equities estimates

We expect revenue CAGR of 8.9% over FY2025-28E

Exhibit 6: Details of the assumptions for SIS, March fiscal year-ends, 2019-28E (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	CAGR (%) 2025-28E
Segment revenues (Rs mn)											
Security guarding (India)	26,988	35,151	34,879	38,569	46,261	51,585	55,764	62,691	69,419	76,945	11.3
Facility management (India)	9,210	12,553	10,790	13,943	17,963	19,756	21,129	26,017	29,890	34,115	17.3
Others (India)	154	94	301	(327)	474	584	700	875	1,050	1,260	21.6
Security services (International)	34,581	37,054	45,303	48,405	48,759	50,690	54,298	53,857	55,907	58,038	2.2
Total revenues	70,933	84,852	91,273	100,591	113,458	122,614	131,890	143,441	156,266	170,358	8.9
Yoy growth (%)											
Security guarding (India)	25.9	30.2	(0.8)	10.6	19.9	11.5	8.1	12.4	10.7	10.8	
Facility management (India)	39.8	36.3	(14.0)	29.2	28.8	10.0	6.9	23.1	14.9	14.1	
Others (India)	29.6	(38.6)	218.4	(208.8)	(245.0)	23.1	19.9	25.0	20.0	20.0	
Security services (International)	14.6	7.2	22.3	6.8	0.7	4.0	7.1	(0.8)	3.8	3.8	
Total	21.6	19.6	7.6	10.2	12.8	8.1	7.6	8.8	8.9	9.0	
Revenue contribution of domestic and international businesses (%)											
Domestic business	51	56	50	52	57	59	59	62	64	66	
International business	49	44	50	48	43	41	41	38	36	34	
Segment EBITDA (Rs mn)											
Security guarding (India)	1,507	2,111	1,900	1,657	2,120	2,918	3,061	3,205	3,539	3,134	0.8
Facility management (India)	636	848	334	548	719	746	680	836	907	1,054	15.7
Others (India)	(7)	30	55	88	98	119	146	197	247	309	28.5
Security services (International)	1,515	2,211	2,920	2,692	1,979	2,062	2,149	2,035	2,064	2,035	-1.8
Total	3,651	5,200	5,208	4,985	4,916	5,846	6,036	6,272	6,758	6,532	2.7
Segment EBITDA margin (%)											
Security guarding (India)	5.6	6.0	5.4	4.3	4.6	5.7	5.5	5.1	5.1	4.1	
Facility management (India)	6.9	6.8	3.1	3.9	4.0	3.8	3.2	3.2	3.0	3.1	
Others (India)	(4.7)	31.9	18.1	(26.9)	20.7	20.5	20.8	22.5	23.5	24.5	
Security services (International)	4.4	6.0	6.4	5.6	4.1	4.1	4.0	3.8	3.7	3.5	
Total	5.1	6.1	5.7	5.0	4.3	4.8	4.6	4.4	4.3	3.8	

Source: Company, Kotak Institutional Equities estimates

We model EPS CAGR of 1.3% over FY2025-28E

Exhibit 7: Consolidated financial snapshot of SIS, March fiscal year-ends, 2019-28E (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model										
Revenue from operations	70,933	84,852	91,273	100,591	113,458	122,614	131,890	143,441	156,266	170,358
EBITDA	3,652	5,204	5,208	4,985	4,915	5,845	6,037	6,272	6,758	6,532
Depreciation and amortisation expense	(660)	(1,283)	(1,130)	(1,116)	(1,347)	(1,663)	(1,638)	(1,954)	(2,003)	(2,097)
EBIT	2,992	3,921	4,078	3,869	3,568	4,181	4,399	4,318	4,755	4,435
Other income	177	531	4,778	527	327	427	681	621	434	434
Finance costs	(938)	(1,517)	(1,273)	(984)	(1,149)	(1,482)	(1,606)	(1,607)	(1,350)	(1,138)
Profit before tax	2,231	2,935	7,583	3,413	2,747	3,126	3,473	3,332	3,839	3,730
Taxation	52	(636)	(1,154)	(179)	616	(819)	(556)	(666)	(768)	(746)
Profit after tax	2,282	2,299	6,429	3,233	3,363	2,308	2,918	2,666	3,072	2,985
Conversion to JV from Subsidiary	-	-	-	-	-	-	-	-	-	-
Minority interest in profit/(loss) for the year	(135)	(44)	5	26	102	249	258	276	296	316
PAT	2,147	2,255	6,435	3,259	3,465	2,556	3,176	2,942	3,367	3,301
Exceptional items	-	-	(2,762)	-	-	(656)	(3,058)	-	-	-
Reported PAT	2,147	2,255	3,672	3,259	3,465	1,900	118	2,942	3,367	3,301
Diluted EPS (Rs/share)	28.8	24.2	43.2	22.1	23.6	17.4	21.7	20.1	23.0	22.5
Weighted average number of shares - diluted (mn)	74	93	149	148	147	147	147	147	147	147
Balance sheet										
Shareholders' funds	12,499	13,884	18,308	20,713	23,333	24,135	24,079	27,021	30,388	33,689
Minority Interest	3	3	21	31	-	-	-	-	-	-
Loan funds	9,498	11,722	11,646	13,283	15,223	15,086	15,016	14,016	11,516	10,016
Total sources of funds	22,351	26,127	30,449	34,396	38,986	39,573	39,396	41,338	42,205	44,006
Net fixed assets	3,546	4,401	4,354	4,603	5,288	5,722	13,300	11,394	10,839	10,278
Goodwill	12,284	12,323	11,413	11,647	11,395	10,679	7,516	7,516	7,516	7,516
Investments	1,214	931	935	963	983	1,164	1,475	1,475	1,475	1,475
Cash balances	5,429	6,137	10,880	7,384	7,510	7,405	11,726	11,142	9,649	8,974
Net current assets excluding cash	4,241	3,464	(214)	5,393	8,380	9,787	8,517	11,615	12,995	14,540
Deferred tax assets	3,397	4,374	3,993	5,306	6,405	5,921	3,139	4,472	6,008	7,500
Total application of funds	22,351	26,127	30,449	34,396	38,986	39,573	39,396	41,338	42,205	44,006
Key ratios (%)										
Revenue growth	22	20	8	10	13	8	8	9	9	9
EBITDA growth	17	43	-	(4)	(1)	19	3	4	8	(3)
Net profit growth	31	5	185	(49)	6	(26)	(94)	2,396	14	(2)
EBITDA margin	5	6	6	5	4	5	5	4	4	4
Tax rate	(2)	22	15	5	(22)	26	16	20	20	20
Net debt/equity (X)	0.3	0.4	0.0	0.3	0.3	0.6	0.6	0.5	0.4	0.3
RoE	19	17	40	17	16	11	13	12	12	10
RoCE	16	14	27	13	13	9	11	10	11	10
Cash flow										
Operating cash flow before WC changes	2,790	4,113	4,859	3,234	4,317	5,693	4,773	4,894	4,888	4,728
Change in working capital/ other adjustments	(742)	(2,100)	1,537	(899)	(2,608)	(1,749)	1,270	(3,098)	(1,380)	(1,545)
Capital expenditure	(5,224)	(2,759)	(1,635)	(1,224)	(1,480)	(1,044)	1,152	(48)	(1,448)	(1,536)
Free cash flow	(3,176)	(745)	4,761	1,111	230	2,900	7,195	1,748	2,060	1,647

Source: Company, Kotak Institutional Equities estimates

JSW Infrastructure (JSWINFRA)

Transportation

SELL

CMP(₹): 294

Fair Value(₹): 255

Sector View: **Attractive**

NIFTY-50: 24,334

May 02, 2025

Another tepid, in-line print

JSWINFRA reported a tepid and in-line 4Q print, with comparable port volumes flat on a one-/two-year basis. Consolidated PBT grew 4% yoy, largely reflecting the yoy reduction in ESOP expenses. FY2026 will be another year with an inorganic boost, supporting a 10% volume growth guidance. The logistics business would likely see a sharp uptick in investments directed toward the domestic rail container business, where the market leader's profile suggests low margins. Trim EPS estimates by 1%; increase FV to Rs255 on roll forward. Downgrade to SELL (from REDUCE) after recent rally.

Comparable volumes flat on two-year basis, PBT flat yoy adjusted for ESOP charge

JSWINFRA reported a 5% yoy growth in 4Q port volumes/revenues, all driven by inorganic support. The comparable volumes have been flat yoy and versus 4QFY23. The port EBIT grew slightly better at 7% yoy. Consolidated PBT before hedging items grew a modest 4% yoy, impacted by the loss-making logistics business (builds in costs of the leveraged buyout of Navkar). Low tax rate boosted PAT. Full-year performance was weak on a comparable basis—volumes broadly flat yoy on an organic basis and PBT (before hedging items, other income, ESOP) was up low to mid-single digits.

Capex heavy year ahead for the loss-making logistics business

The company has guided for more than doubling of capex to ~Rs55 bn for FY2026 or 2X of the same year's EBITDA. The ex-logistics business would see a capex of Rs40 bn and the logistics business would incur a large Rs15 bn capex. The Rs40 bn capex would have a nil-to-modest component for the Keni and Jatadhar ports and would be focused on the slurry pipeline, Jaigarh's LPG terminal and bulk expansion at the Maharashtra ports. The Rs15 bn capex in logistics would entail, in large part, capex for rakes and potentially related infrastructure. The same would constrain the logistics business, which at present has an annualized EBITDA of Rs0.7 bn and debt closer to Rs10 bn.

Guidance for 10% volume growth bakes in ~5% support from inorganic

JSWINFRA has guided for a 10% volume growth for FY2026. Half of this growth will come from the full-year contribution from the JNPT and Tuticorin terminals. The remaining half will largely come from select non-captive port volumes, as captive port volumes may have another weak year. The company is banking on support from (1) steel volumes from duty against imports and (2) an uptick in coastal transportation of thermal coal. JSWINFRA expects a sharp 50% yoy growth in logistics revenues with improving profitability.

We trim estimates and revise FV to Rs255 from Rs250 on roll-forward

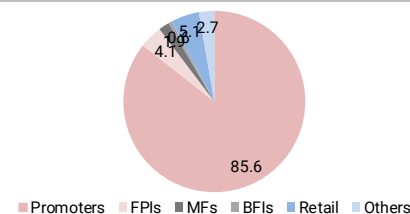
We increase EBITDA estimates by 2-4% on higher logistics spends, though we lower our EPS estimates by 1% on account of an uptick in spending on logistics capex. The stock trades at a one-year forward EBITDA of 18X on a discounted FY2029 basis, despite the Dolvi plant then accounting for >25% of volumes and not having visibility of growth beyond 15 MTPA steel capacity.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	294/255/SELL
52-week range (Rs) (high-low)	361-218
Mcap (bn) (Rs/US\$)	617/7.3
ADTV-3M (mn) (Rs/US\$)	707/8.4

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(8)	7	17
Rel. to Nifty	(12)	3	10
Rel. to MSCI India	(12)	4	12

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	6.8	7.7	8.5
EPS growth (%)	20.2	12.7	10.2
P/E (X)	43.1	38.2	34.7
P/B (X)	6.4	5.7	5.1
EV/EBITDA (X)	28.2	24.7	23.6
RoE (%)	16.3	15.8	15.5
Div. yield (%)	0.5	0.5	0.6
Sales (Rs bn)	45	57	66
EBITDA (Rs bn)	23	27	32
Net profits (Rs bn)	14	16	18

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Aditya Mongia

Deepak Krishnan

Sai Siddhardha P

Naman Jain

JSW Infra has reported broadly in-line print of 5%/10% growth in port volume/EBITDA, while a 22% beat at PAT is owing to lower effective tax rate

Exhibit 1: JSW Infra (consol.) quarterly financials, March fiscal year-ends, 3QFY25

	3QFY25	3QFY25E	3QFY24	2QFY25	% change			9MFY25	9MFY24	% change	FY2025E	FY2024	% change
					vs est.	yoy	qoq						
Net operating income	11,818	12,017	9,401	10,014	(2)	26	18	31,930	26,665	20	45,270	37,629	20
Operating expenses	(4,724)		(3,577)	(3,702)				-	(9,731)		(15,374)	(13,587)	
Employee costs	(631)		(695)	(604)				-	(2,128)		(2,692)	(2,846)	
Admin and other exp.	(603)		(330)	(502)				-	(972)		(4,435)	(1,550)	
Total expenditure	(5,958)	(6,132)	(4,602)	(4,808)	(3)	29	24	(15,717)	(12,831)	22	(22,501)	(17,983)	25
EBITDA	5,861	5,885	4,799	5,205	(0)	22	13	16,213	13,834	17	22,769	19,646	16
Other income	835	855	782	868				2,642	1,655		3,597	2,694	
Interest expense	(974)	(816)	(672)	(747)		45		(2,461)	(2,138)		(3,426)	(2,892)	
Depreciation	(1,376)	(1,458)	(1,076)	(1,339)		28		(4,061)	(3,028)		(5,541)	(4,365)	
PBT	4,346	4,466	3,834	3,988	(3)	13	9	12,333	10,323	19	17,399	15,084	15
Tax expense	(392)	(1,116)	(535)	(1,259)				(2,602)	(2,161)		(3,904)	(3,044)	
PAT	3,953	3,349	3,299	2,729	18	20	45	9,731	8,163	19	13,495	12,040	12
Extraordinary items	(597)	-	(763)	1,008				328	154		400	(433)	
Share of minority interest	59	-	29	22				-	57		-	48	
Reported PAT	3,298	3,349	2,507	3,715	(2)	32	(11)	10,059	8,260	22	13,895	11,560	20
Adjusted PAT	3,895	3,349	3,270	2,707	16	19	44	9,731	8,106	20	13,495	11,993	13
Reported port volume (mn tonnes)	29.4	29.8	28.0	28.0	(1)	5	5	86	77	11	118	107	10
Key ratios (%)													
Operating exp./ sales	40.0		38.1	37.0				-	36.5		34.0	36.1	
Employee costs/ sales	5.3		7.4	6.0				-	8.0		5.9	7.6	
Admin and other exp./ sales	5.1		3.5	5.0				-	3.6		9.8	4.1	
EBITDA margin	49.6	49.0	51.0	52.0				50.8	51.9		50.3	52.2	
PBT margin	36.8	37.2	40.8	39.8				38.6	38.7		38.4	40.1	
PAT margin	33.5	27.9	35.1	27.3				30.5	30.6		29.8	32.0	
Effective tax rate	9.0	25.0	14.0	31.6				21.1	20.9		22.4	20.2	
EPS (Rs)	1.9	1.6	1.6	1.3				4.6	3.9		6.4	5.7	

Source: Company, Kotak Institutional Equities

Total cargo excl. others have been flat in 4QFY25 compared with 4QFY23 volumes

Exhibit 2: Quarterly volumes of ports/terminals of JSW Infra (consol.), March fiscal year-ends, FY2023-FY2025 (mn ton)

Volumes (MMT)	4QFY23	FY2023	1QFY24	2QFY24	3QFY24	4QFY24	FY2024	1QFY25	2QFY25	3QFY25	4QFY25	FY2025	yoy growth (in %)
Total cargo	26.8	92.9	25.4	23.7	28.0	29.8	107.0	28.3	28.0	29.4	31.2	116.9	4.7
Standalone	0.6	2.7	0.9	0.4	0.8	0.8	2.9	0.8	0.7	0.4	0.5	2.4	(37.5)
Jaigarh	5.6	20.2	5.9	5.1	5.7	4.9	21.6	4.6	5.2	5.1	4.9	19.9	—
Dharamtar	6.9	24.0	6.6	6.1	6.3	6.1	25.1	5.1	5.9	6.0	6.1	23.1	—
Goa	1.9	7.1	1.8	1.6	1.9	1.8	7.1	1.7	1.3	1.7	1.8	6.4	—
Paradip Iron ore	3.5	9.5	2.2	2.9	3.9	3.3	12.3	3.4	3.1	2.8	2.2	11.4	(33.3)
Paradip Coal	4.1	12.0	3.9	3.6	4.1	5.1	16.7	4.5	4.2	4.9	5.4	18.9	5.9
Ennore Coal	2.2	8.7	2.3	2.2	2.3	2.6	9.4	2.4	2.6	2.3	2.9	10.2	11.5
Ennore bulk	0.4	1.9	0.4	0.3	0.4	0.4	1.5	0.4	0.2	0.5	0.9	2.1	125.0
Mangalore Coal	1.3	4.5	1.2	0.6	1.8	1.2	4.8	1.7	1.1	1.7	1.7	6.3	41.7
Mangalore Container	0.6	2.2	0.6	0.7	0.6	0.6	2.5	0.6	0.6	0.6	0.5	2.4	(16.7)
Others (if any adjustments)	0.0	0.0	-0.4	0.2	0.2	3.0	3.1	3.1	3.1	3.4	4.3	13.8	43.3
Total cargo (excl. others)	26.8	92.9	25.8	23.5	27.8	26.8	103.9	25.2	24.9	26.0	26.9	103.1	0.4

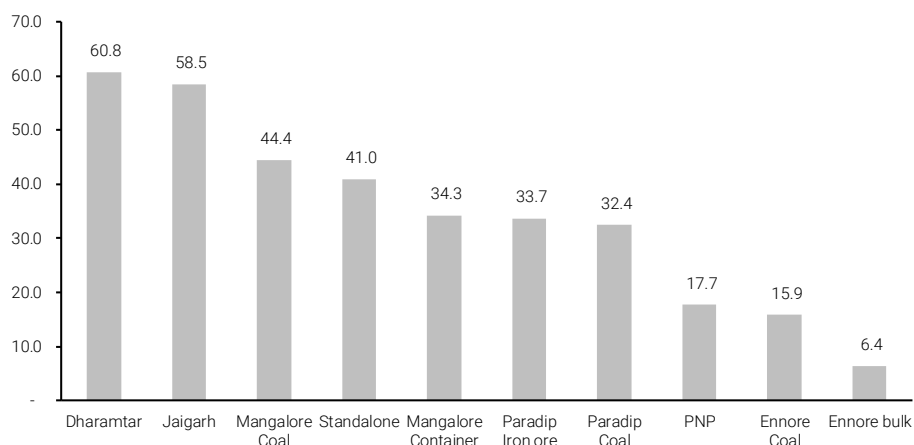
Notes:-

(1) The volume for Fujirah oil tank has been restated- 3QFY25/9MFY25/FY2024 volumes are now 2/5.4/3.7 mn ton which were 1.3/3.7/1.4 mn ton prior.

Source: Company, Kotak Institutional Equities

Margin improvement sequentially, with normalcy of volume at higher-margin ports (Dharamtar, Jaigarh)

Exhibit 3: EBITDA margin of ports/terminals of JSW Infra (consol.), March fiscal year-ends, FY2024



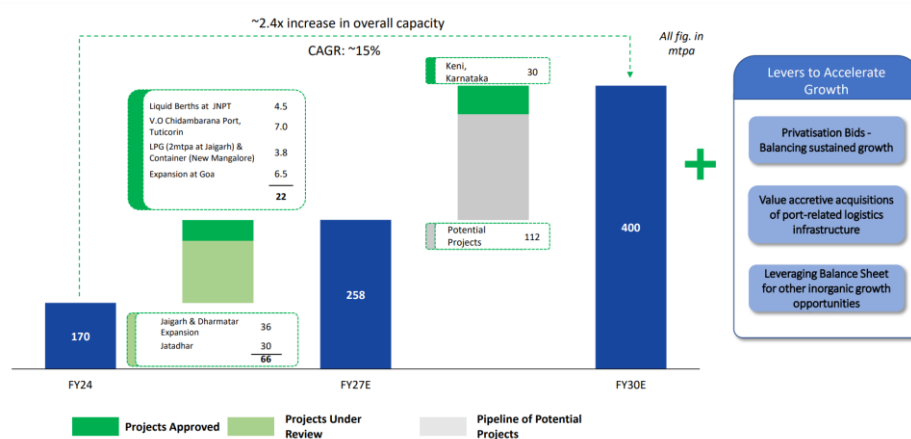
Source: Company, Kotak Institutional Equities

JSW Infra intends to increase its port capacity 2.4X by the end of the decade

Exhibit 4: Capital expenditure plans of JSW Infra

2030 Road Map for Growth and Value Creation

JSW Infrastructure

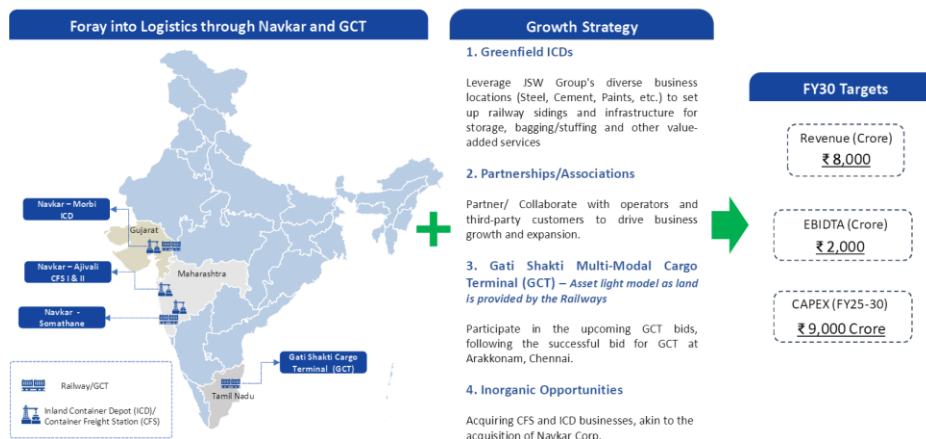


Source: Company, Kotak Institutional Equities

JSW Logistics intends to undertake a capex of Rs90 bn that could generate a topline of Rs80 bn by FY2030

Exhibit 5: Capital expenditure plans of JSW Logistics

2030 Road Map for Logistics segment



Source: Company, Kotak Institutional Equities

We increase our FV to Rs255

Exhibit 6: SoTP of JSW Infrastructure (Consolidated)

Entity	EV (Rs mn)	Net debt	Implied equity value	Stake (%)	EBITDA (Rs mn)	Equity Value	Per share value	Method of valuation
JSW Standalone	21,681	36,042	(14,361)	100%	2,516	(14,361)	(7)	FCFF
Dharamtar	59,466	1,160	58,306	100%	2,708	58,306	28	FCFF
Jaigarh	205,897	12,458	193,439	100%	7,381	193,439	91	FCFF
Paradip Iron ore	24,977	1,046	23,931	97%	1,721	23,309	11	FCFF
Paradip East Quay Coal	29,451	7,200	22,252	97%	1,861	21,673	10	FCFF
Mangalore Coal	15,821	4,161	11,661	100%	1,222	11,661	6	FCFF
South West	14,829	(954)	15,783	90%	936	14,204	7	FCFF
Murbe	42,641	11,669	30,973	100%	-	30,973	15	FCFF
Other investments (including Ennore terminals and Mangalore Container terminal)						12,892	6	FCFF
Known prospects (Jatadhar, Keny, Fujirah, slurry pipelines)	127,647	39,830	87,816	100%	2,600	87,816	41	1.5X book value
JSW Logistics	41,183	23,053	18,130	96%	760	17,472	8	FCFF
Incremental project wins						61,568	29	1.5X book on new investments assuming 2.5X cap on FY2030E net debt to EBITDA
Internal debt						26,635	13	L&A from standalone to entities valued above
Total						545,586	255	

Source: Company, Kotak Institutional Equities

We expect JSW Infrastructure's EBITDA to increase at CAGR of 17%/21% over the next three/nine years for port assets

Exhibit 7: Key assumptions for JSW Infrastructure, March fiscal year-ends, 2019-33E

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2030E	2033E	2024-27 CAGR(%)	2024-33 CAGR(%)
Volume (mn ton)													
Jaigarh	13.1	10.4	9.2	14.0	20.2	21.8	19.9	20.9	21.5	39.7	43.4	(0)	8
Dharamtar	12.9	12.8	12.9	17.2	24.0	25.1	23.1	24.0	24.5	46.3	53.6	(1)	9
Paradip iron-ore	—	1.0	8.4	7.5	9.5	12.4	12.2	12.8	13.4	18.0	18.0	3	4
Paradip coal	—	—	—	0.3	12.0	16.8	18.8	21.1	23.2	27.6	30.0	11	7
South West	5.3	6.6	6.8	6.9	7.1	7.1	6.4	7.0	8.5	11.4	15.0	6	9
Mangalore	—	—	1.0	3.8	4.5	4.8	6.3	6.6	6.7	6.7	6.7	12	4
New projects (Pipelines, Jatadhar, Keni)	—	—	—	—	—	2.6	13.4	19.8	22.3	80.0	106.0	103	51
Pipelines	—	—	—	—	—	—	—	—	—	28.0	36.0		
Jatadhar	—	—	—	—	—	—	—	—	—	15.0	25.0		
Keni	—	—	—	—	—	—	—	—	—	10.0	18.0		
Murbe	—	—	—	—	—	—	—	—	—	12.0	20.7	NA	NA
Total	35.4	34.0	45.5	62.0	92.9	106.7	117.5	130.1	138.1	260.4	313.2	9	13
Realization (Rs/ton)													
Jaigarh	473	559	734	674	612	614	632	651	671	733	801	3	3
Dharamtar	128	130	131	171	184	181	186	192	197	216	236	3	3
Paradip iron-ore	—	—	369	414	384	389	401	413	425	464	507	3	3
Paradip coal	—	—	—	—	274	292	301	310	319	349	381	3	3
South West	367	345	404	421	443	474	489	562	579	633	691	7	4
Mangalore	—	—	637	393	453	510	526	542	558	609	666	3	3
Pipelines	—	—	—	—	—	—	—	—	—	653	658		
Jatadhar	—	—	—	—	—	—	—	—	488	534	583		
Keni	—	—	—	—	—	—	—	—	544	595	650		
Murbe	—	—	—	—	—	—	—	—	—	412.0	450	NA	NA
Total	305	336	353	367	344	353	381	439	476	624	687	10	8
EBITDA (Rs mn)													
Jaigarh	3,111	2,948	3,320	4,924	7,038	8,108	7,381	8,002	8,482	17,785	21,451	2	11
Dharamtar	925	928	847	1,647	2,671	2,797	2,708	2,929	3,076	6,550	8,333	3	13
Paradip iron-ore	(15)	(5)	1,041	828	1,017	1,650	1,721	1,938	2,140	3,323	3,780	9	10
Paradip coal	74	120	106	(79)	774	1,537	1,861	2,232	2,615	3,666	4,629	19	13
South West	385	462	853	895	867	850	936	1,477	2,014	1,076	2,002	33	10
Mangalore	—	—	129	453	686	836	1,222	1,360	1,482	1,745	2,028	21	10
New projects	—	—	—	—	—	508	2,600	3,456	3,931	26,877	38,951	96	62
Pipelines	—	—	—	—	—	—	—	—	—	13,709	17,777		
Jatadhar	—	—	—	—	—	—	—	—	—	5,055	9,206		
Keni	—	—	—	—	—	—	—	—	—	3,558	6,999		
Murbe	—	—	—	—	—	—	—	—	—	1,887	4,425	NA	NA
Total	6,123	6,192	8,175	11,100	16,202	19,646	22,622	27,374	31,548	83,059	111,994	17	21
EBITDA per ton (Rs)													
Jaigarh	238	284	359	351	348	372	371	383	394	448	495		
Dharamtar	72	72	66	96	111	111	117	122	126	141	155		
Paradip iron-ore	-	(5)	124	110	107	133	142	152	160	185	210		
Paradip coal	-	-	-	(281)	64	91	99	106	113	133	154		
South West	73	70	125	129	123	120	146	210	236	94	133		
Mangalore	-	-	129	119	153	174	194	208	221	260	303		
New projects	—	—	—	—	—	195	194	174	176	336	368		
Pipelines	—	—	—	—	—	—	—	—	—	490	494		
Jatadhar	—	—	—	—	—	—	—	—	—	337	368		
Keni	—	—	—	—	—	—	—	—	—	356	389		
Murbe	—	—	—	—	—	—	—	—	—	157	213		
Total	18.4	20.8	18.3	16.2	13.3	7.8	6.4	5.7	5.1	3.1	1.8		
EBITDA margin (%)													
Jaigarh	52.7	49.3	50.1	53.6	58.5	62.4	61.2	61.4	61.3	64.1	64.6		
Dharamtar	56.6	56.5	50.9	56.4	60.8	62.2	63.5	64.1	64.1	66.0	66.3		
Paradip iron-ore	—	(0.8)	40.5	32.4	33.7	41.7	42.8	44.3	44.9	46.7	47.9		
Paradip coal	—	—	—	—	32.4	42.6	44.4	45.8	47.1	49.8	52.0		
South West	22.5	22.8	34.9	34.7	31.2	28.4	33.6	41.3	45.0	20.1	25.3		
Mangalore	—	—	38.6	40.1	44.4	45.1	48.3	49.8	51.0	53.7	55.9		

Source: Company, Kotak Institutional Equities

We reduce our PAT estimates by 1%

Exhibit 8: Change in estimates for JSW Infra (consol.), March fiscal year-ends, FY2020-27E

	2020	2021	2022	2023	2024	2025	New estimates			Old estimates		% revision	
							2026E	2027E	2028E	2026E	2027E	2026E	2027E
Volumes (mn tons)													
Jaigarh	10	9	14	20	22	20	21	22	32	21	22	(3)	(3)
Dharamtar	13	13	17	24	25	23	24	25	37	25	25	(3)	(3)
Goa	7	7	7	7	7	6	7	9	9	9	10	(18)	(18)
Paradip Iron ore	1	8	8	10	12	12	13	13	15	13	13	—	—
Paradip coal	—	—	—	12	17	19	21	23	25	21	23	—	—
Ennore coal	—	3	8	9	9	10	11	11	11	10	10	10	10
Ennore bulk	—	—	1	2	2	2	2	2	2	2	2	9	—
Standalone	3	4	3	3	3	2	2	2	2	3	3	(11)	(11)
Mangalore Coal	—	1	4	5	5	6	7	7	7	6	6	9	4
Mangalore Container	—	—	—	2	3	3	3	3	3	3	3	—	—
New projects	—	—	—	—	3	13	20	22	42	17	19	18	16
Consolidated volumes	34	45	62	93	107	118	130	138	185	129	137	1.2	0.5
Consolidated financials													
Revenues	11,431	16,068	22,734	31,966	37,629	44,761	57,073	65,822	96,242	55,151	61,682	3.5	6.7
EBITDA	6,192	8,175	11,100	16,202	19,646	22,622	27,374	31,548	50,300	26,942	30,487	1.6	3.5
EBITDA margin (%)	54.2	50.9	48.8	50.7	52.2	50.5	48.0	47.9	52.3	48.9	49.4	-89 bps	-150 bps
EBITDA margin excl. logistics (%)	54.2	50.9	48.8	50.7	52.2	52.8	53.0	53.9	58.5	53.3	53.8	-28 bps	7 bps
PBT	2,341	3,927	4,265	8,110	15,083	17,285	19,698	21,640	31,133	20,836	23,084	(5.5)	(6.3)
Recurring PAT	1,904	2,913	3,285	7,398	11,992	14,287	16,112	17,737	25,277	16,160	17,951	(0.3)	(1.2)
Recurring EPS (Rs)	1.1	1.6	1.8	4.1	5.7	6.7	7.6	8.4	11.9	7.6	8.5	(0.3)	(1.2)

Source: Company, Kotak Institutional Equities

JSW Infra intends to undertake Rs15 bn capex in FY2026 for its JSW logistics arm, which is expected to generate Rs0.7 bn EBITDA in 2025

Exhibit 9: Consolidated financials of JSW logistics, March fiscal year-ends, FY2020-30E (Rs mn)

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Profit model (Rs mn)											
Net sales	5,671	6,724	4,531	4,415	4,349	5,349	8,023	12,035	18,053	27,079	40,618
EBITDA	1,663	1,414	897	868	618	760	1,380	2,552	4,550	6,825	10,237
Other income	8	15	323	467	60	55	351	781	1,094	929	567
Depreciation	(421)	(500)	(278)	(268)	(417)	(525)	(590)	(705)	(932)	(1,203)	(1,367)
Interest	(476)	(603)	(199)	(190)	(140)	(714)	(1,711)	(2,765)	(3,823)	(5,014)	(5,114)
Profit before tax	774	327	743	877	120	(424)	(569)	(138)	889	1,538	4,323
Income tax	(321)	(168)	(70)	48	(64)	106	142	34	(222)	(384)	(1,081)
Profit after tax	453	159	672	925	56	(318)	(427)	(103)	667	1,153	3,243
Reported profit	451	149	671	1,066	56	(318)	(427)	(103)	667	1,153	3,243
Balance sheet (Rs mn)											
Equity	1,505	1,505	1,505	1,505	1,505	(6,495)	(6,495)	(6,495)	(6,495)	(6,495)	(6,495)
Total borrowings	16,487	16,646	17,316	18,260	18,240	17,922	17,495	17,392	18,059	19,212	22,455
Deferred tax liability	(381)	(271)	(263)	(281)	(226)	(226)	(226)	(226)	(226)	(226)	(226)
Total liabilities	22,385	22,873	24,217	19,927	21,655	23,337	39,910	49,807	60,474	63,627	66,869
Net block	21,595	22,255	22,655	16,531	19,457	21,023	23,963	29,743	42,099	51,125	53,833
CWIP	460	423	981	538	229	-	7,060	5,909	-	-	-
Non-current investments	205	233	553	1,118	115	115	115	115	115	115	115
Inventories	97	62	84	20	35	-	-	-	-	-	-
Trade receivables	800	1,073	907	299	760	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-	-	-	-	-
Cash	24	69	30	915	54	1,319	7,453	12,061	15,292	7,935	6,244
Other current assets	708	541	863	953	1,401	-	-	-	-	-	-
Net Current Assets	100	(107)	(2)	826	1,799	879	1,319	1,978	2,968	4,451	6,677
Total assets	22,385	22,873	24,217	19,927	21,655	23,337	39,910	49,807	60,474	63,627	66,869
Free cash flow (Rs mn)											
Operating cash flow excl. working capital	1,695	1,454	1,991	1,401	663	760	1,380	2,552	4,550	6,825	10,237
Working capital changes	55	55	55	55	55	55	55	55	55	55	55
Capital expenditure (including acquisitions)	(1,760)	(1,242)	(1,575)	(3,425)	(3,047)	(1,862)	(10,590)	(5,334)	(7,379)	(10,229)	(4,075)
Income tax paid	(102)	(102)	(167)	(140)	(74)	106	142	34	(222)	(384)	(1,081)
Free cash flow to firm	(112)	165	304	(2,109)	(2,403)	(942)	(9,012)	(2,693)	(2,997)	(3,734)	5,136
Ratios											
EBITDA margin (%)	29.3	21.0	19.8	19.6	14.2	14.2	17.2	21.2	25.2	25.2	25.2
PAT margin (%)	7.9	2.2	14.8	24.1	1.3	(5.9)	(5.3)	(0.9)	3.7	4.3	8.0
Net debt/equity (X)	10.9	11.0	11.5	11.5	12.1	(2.6)	(1.5)	(0.8)	(0.4)	(1.7)	(2.5)
RoAE (%)	2.5	0.8	3.6	5.5	0.3	(2.0)	(3.8)	(0.9)	5.9	9.5	22.6
RoIC (%)	3.5	2.0	2.5	3.2	0.5	0.8	2.5	4.9	7.1	8.4	11.5

Source: Company, Kotak Institutional Equities

Exhibit 10: Consolidated financials of JSW Infra, March fiscal year-ends, FY2020-27E

	2020	2021	2022	2023	2024	2025E	2026E	2027E
Profit model (Rs mn)								
Net sales	11,431	16,068	22,734	31,966	37,629	45,270	55,151	61,682
EBITDA	6,192	8,175	11,100	16,202	19,646	22,769	26,942	30,487
Other income	942	737	1,057	1,781	2,694	3,597	3,335	3,123
Depreciation	(2,019)	(2,707)	(3,695)	(3,912)	(4,365)	(5,541)	(6,103)	(6,644)
Interest	(2,775)	(2,279)	(4,196)	(5,961)	(2,892)	(3,426)	(3,338)	(3,882)
Profit before tax	2,341	3,927	4,265	8,110	15,083	17,399	20,836	23,084
Income tax	(376)	(1,082)	(955)	(615)	(3,043)	(3,904)	(4,586)	(5,001)
Profit after tax	1,965	2,845	3,310	7,495	12,040	13,495	16,250	18,083
Other comprehensive income	(61)	68	(25)	(97)	(48)	(52)	(90)	(132)
Reported profit	1,904	2,913	3,285	7,398	11,992	13,443	16,160	17,951
Balance sheet (Rs mn)								
Equity	25,482	28,912	32,721	39,947	80,264	90,830	103,209	116,959
Total borrowings	31,159	39,793	44,087	42,774	43,807	51,331	80,643	138,999
Lease liabilities	6,812	8,223	8,970	5,047	5,825	5,877	5,967	6,099
Deferred tax liability	1,242	194	2,520	66	(1,916)	(1,916)	(1,916)	(1,916)
Total liabilities	64,695	77,122	88,298	87,835	127,979	146,122	187,903	260,142
Net fixed assets	39,480	49,240	61,339	59,748	70,605	96,539	101,361	112,570
CWIP	7,503	11,250	797	460	1,320	23,796	61,434	123,914
Non-current investments	3,638	2,955	2,830	3,993	9,755	9,755	9,755	9,755
Other long-term assets (capital advances, security deposits)	2,183	1,978	5,821	5,054	1,657	1,657	1,657	1,657
Inventories	1,252	991	854	1,022	1,203	1,447	1,763	1,971
Trade receivables	5,022	4,115	6,013	4,024	4,737	5,698	6,942	7,764
Loans and advances	2,724	2,889	2,478	585	689	829	1,010	1,130
Cash	1,626	3,145	10,382	16,314	40,902	11,167	9,788	7,874
Other current assets	5,032	4,863	3,779	1,988	2,340	2,815	3,429	3,835
Trade payables	799	2,615	2,748	3,020	3,555	4,277	5,210	5,828
Provisions	55	82	89	79	93	112	136	152
Other current liabilities	2,911	1,609	3,065	2,254	2,653	3,192	3,889	4,349
Net Current Assets	10,265	8,553	7,224	2,266	2,667	3,209	3,909	4,372
Total assets	64,695	77,122	88,394	87,835	126,906	146,122	187,903	260,142
Free cash flow (Rs mn)								
Operating cash flow excl. working capital	7,105	8,912	12,156	17,827	21,649	23,169	26,942	30,487
Working capital changes	(3,587)	660	783	1,952	(1,141)	532	(700)	(463)
Capital expenditure (including acquisitions)	(6,738)	(6,701)	(5,068)	(2,794)	(2,487)	(47,951)	(48,562)	(80,334)
Income tax paid	(363)	(497)	(1,222)	(1,807)	(2,476)	(3,904)	(4,586)	(5,001)
Free cash flow to firm	(3,583)	2,375	6,649	15,179	15,545	(28,154)	(26,906)	(55,311)
Ratios								
Gross margin (%)	69.8	64.0	62.3	62.2	63.9	66.0	68.3	68.6
EBITDA margin (%)	54.2	50.9	48.8	50.7	52.2	50.3	48.9	49.4
PAT margin (%)	17.2	17.7	14.6	23.4	32.0	29.8	29.5	29.3
Net debt/equity (X)	1.2	1.3	1.0	0.7	0.0	0.4	0.7	1.1
RoAE (%)	7.2	10.5	10.7	20.6	20.0	15.8	16.7	16.4
RoIC (%)	8.0	8.7	10.7	18.6	22.1	17.3	14.4	11.7

Source: Company, Kotak Institutional Equities

ESG

India

NIFTY-50: 24,334

April 30, 2025

Mercury hits a new high: Adaptation + mitigation in focus

Record-high global temperatures and deteriorating climate indicators in 2024 warrant urgent global climate actions, especially in the area of adaptation. India and other COP member nations are preparing their National Adaptation Plans (NAPs) to mitigate these effects. While green technology companies will benefit from investments in climate-smart solutions, more efforts are required at the global level to close the gaps in adaptation.

Climate indicators demand urgent action amid record warming

2024 was likely the first calendar year where temperatures exceeded 1.5°C above the pre-industrial levels, marking the warmest year on record in the last 175 years (see Exhibit 1). While it this does not imply a failure to reach the Paris Agreement yet, as the target to maintain warming below 1.5°C/2°C refers to long-term warming trends rather than a yearly variation. All the climate indicators underscore the accelerating adverse impacts of climate change and an urgent need for enhanced climate action and resilience measures. GHG concentrations, ocean heat content and global mean sea level reached unprecedented highs (see Exhibits 2-4). Ocean acidification continued, with significant regional variations (see Exhibit 5). Glacier mass balance showed extreme negative values and Arctic and Antarctic sea-ice extents were among the lowest recorded in 2024 (see Exhibits 6-8).

Both adaptation and mitigation measures need to gain momentum

The world experienced a series of devastating climate events in 2024, including tropical cyclones, severe flooding, extreme heatwaves and destructive wildfires (see Exhibit 9). India, too, experienced extreme weather on 93% of days in the first nine months of the year (source: CSE). The Adaptation Gap Report 2024 underscores the critical need for enhanced global adaptation efforts, along with continued mitigation measures to address the escalating impacts of climate change. Adaptation efforts in India and other developing countries will require massive investments to the tune of US\$101 bn to US\$975 bn annually by 2030, potentially rising further by 2050 (UNEP estimate). The UN aims to enhance climate finance accessibility and mobility for adaptation by aligning these NAPs with NDCs.

Green/adaptation tech firms to benefit from India's climate action journey

India has launched eight national missions that are aimed at addressing climate change (see Exhibit 10). It is also preparing its National Adaptation Plan (NAP), which will be submitted to the UNFCCC by November 2025, in time for COP30. We expect companies investing in developing products/ technologies that help in decarbonization and climate adaptation in India are poised to benefit from the massive opportunity generated by the country's climate-proofing efforts. While companies in the renewables and EV sectors will continue to thrive, frontrunners will include those investing in green hydrogen, CCUS, and climate-smart solutions for agriculture, forestry, water management, biodiversity and infrastructure resilience (see Exhibit 11).

Quick Numbers

2024 was the first year to exceed 1.5°C above pre-industrial level temperatures

India experienced extreme weather on 93% of days in the first nine months of 2024

Developing countries will need US\$101bn to US\$975 bn p.a. by 2030 for climate adaptation

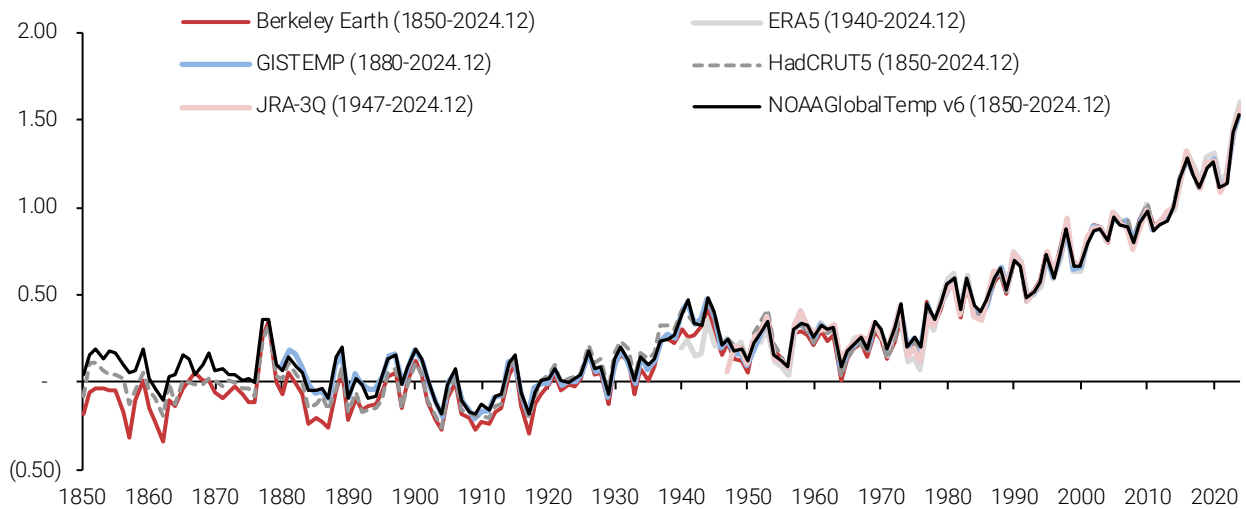
Related Research

→ [ESG: COP29 to play a pivotal role in](#)

[Full sector coverage on KINSITE](#)

Annual average global mean near-surface temperature in 2024 was $1.55^{\circ}\text{C} \pm 0.13^{\circ}\text{C}$ above the 1850-1900 average

Exhibit 1: Annual global mean temperature anomalies relative to a pre-industrial (1850-1900) baseline, Calendar year ends, 1850-2024 ($^{\circ}\text{C}$)



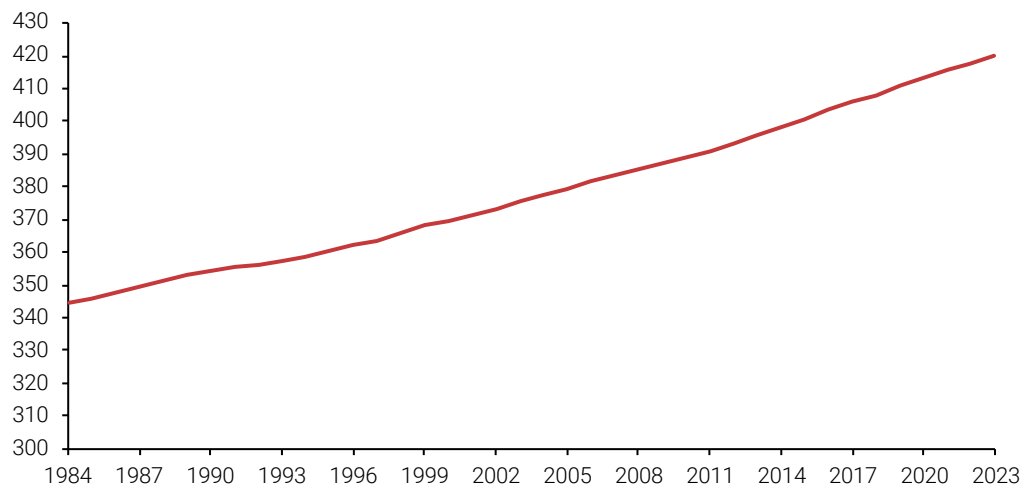
Notes:

1) Data are from the six datasets indicated in the legend.

Source: World Meteorological Organization, Kotak Institutional Equities

Atmospheric concentration of Co2 reached a new observed high in 2024

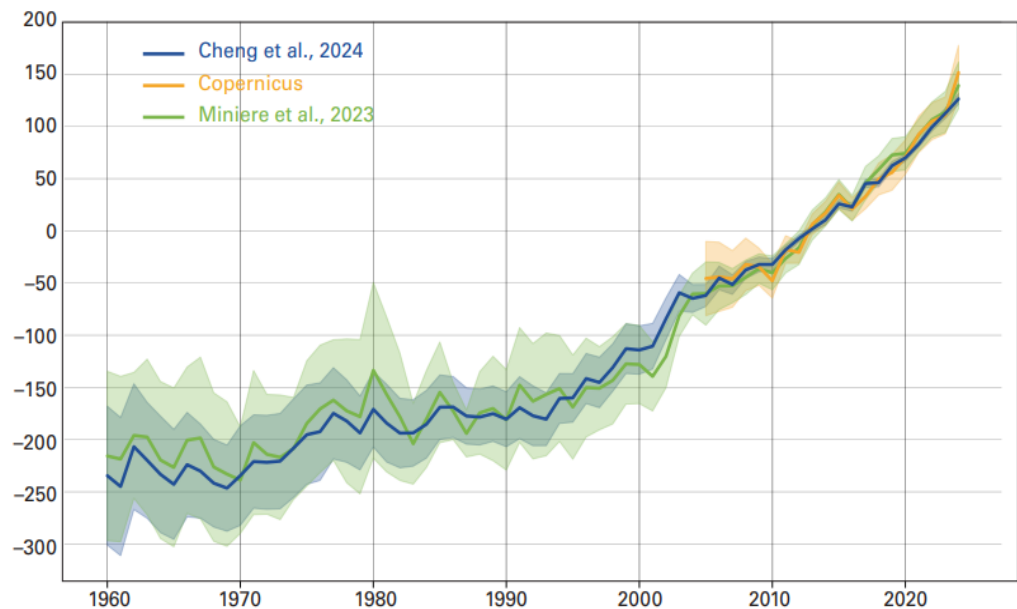
Exhibit 2: Annual mean globally averaged atmospheric mole fraction of carbon dioxide, Calendar year ends, 1984-2023 (parts per million - ppm)



Source: World Meteorological Organization, Kotak Institutional Equities

Ocean heat content in the past eight years has set a new record every year

Exhibit 3: Annual global ocean heat content down to 2000 m depth, Calendar year ends, 1960-2024 (zettajoules)



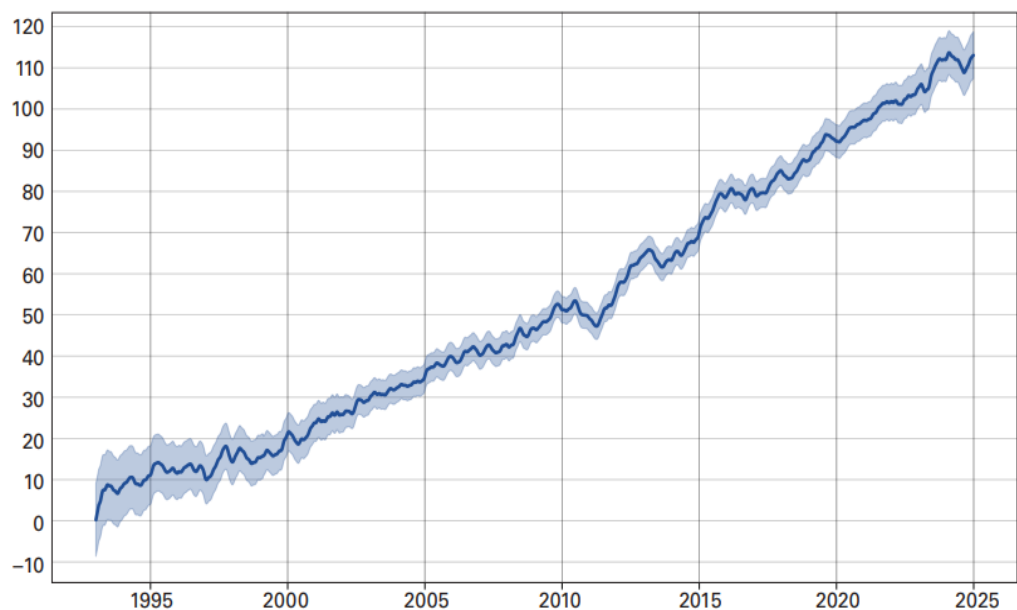
Notes:

a) The shaded area indicates the 2-sigma uncertainty range on each estimate

Source: World Meteorological Organization, Kotak Institutional Equities

The rate of global mean sea-level rise in the past 10 years (2015-2024) was more than twice the rate in the first decade of the satellite record (1993-2002)

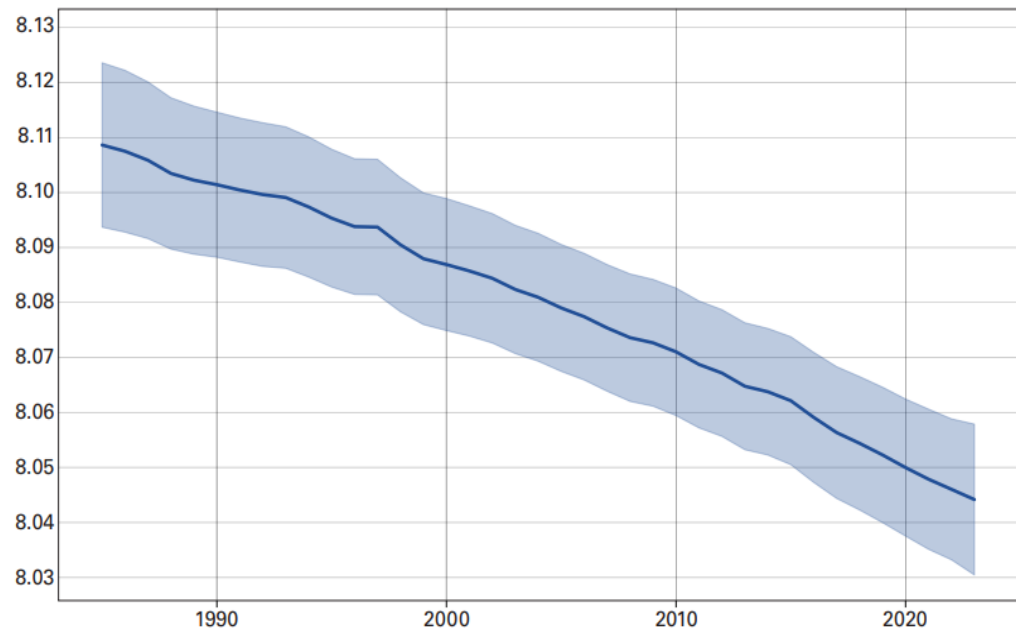
Exhibit 4: Seasonal global mean sea level change from 1993, Calendar year ends, 1993-2024 (mm)



Source: World Meteorological Organization, Kotak Institutional Equities

Acidification of the ocean surface has continued in the past 39 years as seen in steady decrease of global average ocean surface pH

Exhibit 5: Annual global mean surface ocean pH, Calendar year ends, 1985-2023 (pH)



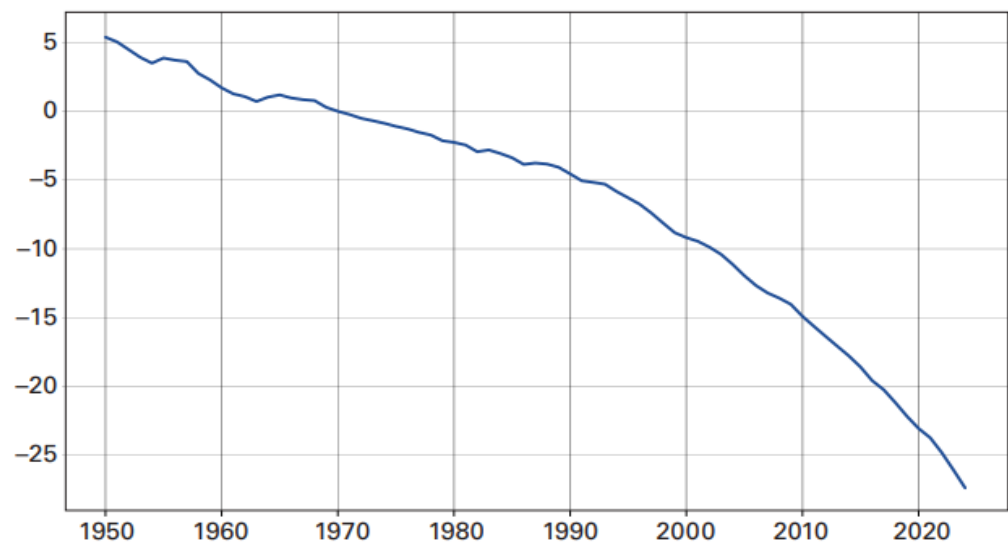
Notes:

a) The dark line is the central estimate and the shaded area is the uncertainty range

Source: World Meteorological Organization, Kotak Institutional Equities

Glacier mass loss from 2021/2022 to 2023/2024 represents the most negative three-year glacier mass balance on record

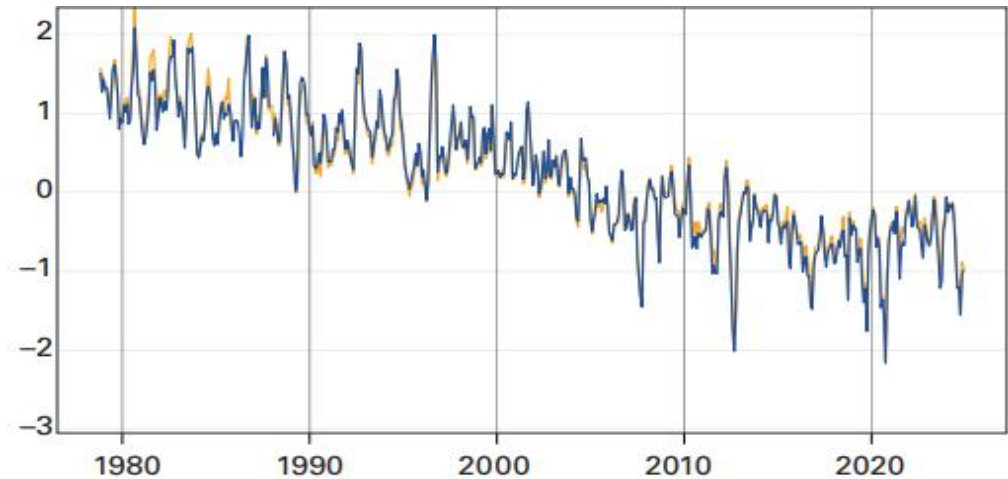
Exhibit 6: Cumulative annual mass balance of reference glaciers with more than 30 years of ongoing glaciological measurements, Calendar year end, 1950-2024, (Metres water equivalent)



Source: World Meteorological Organization, Kotak Institutional Equities

The minimum daily extent of Arctic sea-ice in 2024 was the seventh lowest in the observed record since 1979

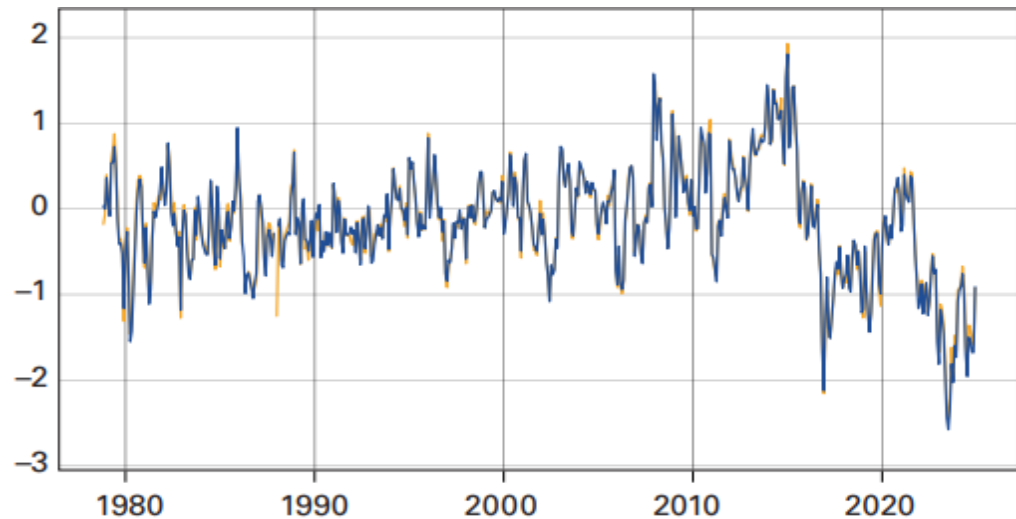
Exhibit 7: Arctic sea-ice extent difference from 1991–2020 average, Calendar year ends, 1979-2024 (mn km²)



Source: World Meteorological Organization, Kotak Institutional Equities

The annual minimum and maximum of Antarctic sea-ice extent were each the second lowest in the observed record since 1979

Exhibit 8: Antarctic sea-ice extent difference from 1991–2020 average, Calendar year ends, 1979-2024 (mn km²)



Source: World Meteorological Organization, Kotak Institutional Equities

Extreme weather events in 2024 led to the highest number of new displacements recorded in a year since 2008

Exhibit 9: Major weather and climate events witnessed across the globe, Calendar year end, 2024

USA	- Hurricanes Helene in late September and Milton in October both made landfall on the west coast of Florida as major hurricanes and had economic impacts of tens of billions of dollars - Over 200 deaths were associated with Helene, the most associated with a mainland United States hurricane since Katrina in 2005. Helene went on to produce exceptional rainfall and extreme flooding in the interior south-east of the United States - Drought affected many parts of the Americas; severe drought in Mexico and parts of Central America in 2023 persisted into the early months of 2024, while there was also significant drought in much of interior South America - The Rio Negro at Manaus and the Paraguay River at Asunción both reached record low levels, and the number of wildfires in the Brazilian Amazon was the largest since 2010 - An exception to the generally dry conditions in South America was the flooding in early May in Rio Grande do Sul state of southern Brazil
Chile	Suffered destructive wildfires early in the year. A fire around the city of Viña del Mar on 2–3 February resulted in over 300 deaths and damages to several thousand properties, amongst the worst losses in a wildfire anywhere in the world this century.
Africa	- Cyclone Chido displaced around 1,00,000 people destroyed homes, and severely damaged roads and communication networks, hampering relief efforts in areas already hosting large numbers of displaced people. - Similarly, vulnerable communities in Mayotte faced increased risks because of the destruction brought by Cyclone Chido.
Sahel	- From mid-year onward, an abnormally active monsoon brought major flooding to many parts of the Sahel in Africa. Almost every country in the region reported significant impacts, with flooding affecting large areas of cropland and leading to a significant number of deaths - Between March and May, floods mostly impacted 37,38,39 equatorial East Africa, with major loss of life in countries such as Kenya and Tanzania as well as displacements, destruction of croplands and loss of livestock
Southern Africa	In contrast, dry conditions in what is usually the wet season in late 2023 and early 2024 resulted in significant drought in north-western Africa and many parts of interior Southern Africa, particularly Zimbabwe, Zambia, Botswana and Namibia. The severe drought led to significant impacts on agriculture and hydroelectric production.
Afghanistan	- Afghanistan and neighbouring areas of Pakistan and the Islamic Republic of Iran suffered a succession of disasters in late winter and spring, with abnormal cold and highland snow in late February and early March 2024, then several flood events over the following months. - Around 35,000 ha of cropland were flooded on 30 May. Several hundred deaths were reported in the flooding and the cold wave also resulted in significant loss of life
Canada	- Wildfire carbon emissions were the second highest on record (2003–present), and the area burned was one of the five highest on record (1983–present) - The western United States also had an active wildfire season. In total, over 300 000 displacements were reported across both countries
Spain	- Extreme rainfall resulted in severe flash flooding in the Valencia region of Spain on 29 October, associated with an upper-level cold pool over southern Spain - The rainfall led to exceptional flooding downstream, particularly affecting the southern part of the Valencia metropolitan area. Over 200 deaths and severe damages were reported in the Valencian Community and surrounding areas.
Saudi Arabia	- Amongst the most significant events was the June heatwave in Saudi Arabia, when temperatures near Mecca reached 50 °C during the Hajj pilgrimage. - Many casualties were reported during the pilgrimage, the large majority of which were partially or wholly attributable to the extreme heat.

Source: World Meteorological Organization, Kotak Institutional Equities

India has rolled out eight national missions aimed at addressing climate change

Exhibit 10: National missions launched by India to address climate change

National Mission on Strategic Knowledge for Climate Change

National Solar Mission

National Mission for Enhanced Energy Efficiency

National Mission on Sustainable Habitat

National Water Mission

National Mission for a Green India

National Mission for Sustainable Agriculture

Source: Kotak Institutional Equities

Multiple companies are expected to benefit from investments in decarbonization and climate adaptation technologies

Exhibit 11: Key listed beneficiaries of India's climate mitigation and adaptation efforts

Mitigation	Power generation	Wind power equipments	Inox Wind, Suzlon
		Solar PV module manufacturers	Alpex solar, Insolation energy, JSW (JSW Renewable Technologies), Premier Energies, Reliance (New Energy Solar), ReNew Energy (ReNew Solar), Solex energy, Tata Power (TP Solar), Vikram Solar, Waaree Energies, Websol Energy
		EPC	Sterling and Wilson renewable energy, Waaree renewable technologies
		Asset owners	Tata Power, JSW energy, NTPC, NHPC, SJVN, Adani Green
		Supply chain equipments	Borosil renewables
	Transmission & Distribution	EPC	Jyoti structures, Kalpataru Power, KEC
		Transformers	ABB, GE T&D, Hitachi energy, Siemens, TRIL, Voltamp
		Switchgear	Schneider Electric Infrastructure
		Asset owners	Adani energy solutions, Powergrid
	Storage	Battery storage	ReNew, Acme, Tata Power, NTPC
		PHS	Adani Green Energy, JSW, Tata Power
	EVs	EV manufacturers	Tata, M&M, Ola, TVS, Bajaj, Hero
		Component suppliers	Schaeffler India, Uno Minda, Varroc, Sona Comstar, Nidec, Amara Raja (chargers), Tata Power (chargers)
		Battery manufacturers	Under ACC battery PLI scheme: Reliance, Rajesh Exports, Ola Electric
			Outside ACC battery PLI scheme: Amara Raja Batteries, Amperex Technology, Exide Industries, Tata Chemicals,
Adaptation	Battery chemicals	Chemical companies	Gujarat Fluorochemicals, Himadri Speciality Chemical, Tata Chemicals, Ami Organics, Neogen Chemicals, GHCL, Aether industries, Tatva Chintan Pharma, Balaji Amines, PCBL, Pondy Oxides and Chemicals
	Green hydrogen	Producers (potential)	L&T, Reliance, Waree energies, Adani enterprises (Adani New Industries), Indian Oil Corporation, NTPC Renewable Energy
		Component suppliers	MTAR technologies
	CCUS	Asset owners	NTPC, ONGC, Indian Oil Corporation, BHEL, SAIL
	Water management	Water treatment and management solutions providers	VA Tech Wabag, Ion Exchange, Thermax, Praj, ABB, Siemens
	Agricultural adaptation	Drought resistant seeds	Bayer India, Kaveri seed company, Rallis India, UPL (Advanta enterprises)
		Sustainable and regenerative agriculture	Bayer India, Godrej Agrovet, UPL (Advanta enterprises), Kaveri seed company, Rallis India, ITC, Dhanuka Agritech, Coromandel international
Health adaptation	Financial mechanisms	Heat management- cooling solutions	Voltas, Blue Star, Havells India, Hitachi, Crompton Greaves, Whirlpool, IFB, LG, Daikin, Haier, Godrej, Panasonic, TCL, V-guard industries (voltage stabilizers)
		Climate insurance	ICICI Lombard, HDFC ERGO, Bajaj Allianz general insurance, Tata AIG general insurance, Cholamandalam MS General Insurance, Future Generali India Insurance, Go Digit General Insurance, IFFCO Tokio General Insurance

Source: Kotak Institutional Equities

IT Services

India

Sector View: **Neutral**

NIFTY-50: **24,334**
May 01, 2025

ERD services—amid headwinds

Indian pure-play ESPs reported a subdued quarter, broadly in line with estimates. Revenues declined for most, while LTTS (aided by seasonality) and KPIT reported decent growth sequentially. Deal wins were healthy across companies, but ramp-ups would be gradual. The near-term growth outlook will be impacted by demand uncertainties, with hopes pinned on improvement in 2HFY26. EBIT margin was lower than expected across companies, impacted by weak revenue growth. We do not rule out a downside risk, despite significant moderation in FY2026E estimates.

A weak quarter on expected lines

In the March 2025 quarter, TELX and Cyient (DET)'s revenues declined 5.3% and 1.0%, respectively, while TTL reported flat services revenues and a 3.3% qoq revenue decline overall. LTTS reported 2.5% c/c qoq on an organic basis, aided by SWC's seasonality. KPIT reported 3% c/c qoq growth, aided by new client additions, while the passenger car segment's revenues declined. Significant currency headwinds led to higher revenue declines in US\$ terms. On a yoy basis, revenue growth moderated at KPIT and LTTS, while others reported ~3% revenue declines.

Sharper EBIT margin declines yoy

Weak revenue growth and higher competitive intensity impacted profitability across most companies on a yoy basis—TTL (30 bps), Cyient (DET) (300 bps), LTTS (370 bps) and TELX (570 bps). EBIT margin increased 60 bps yoy to 17.3% at KPIT. EBIT margin declined 50 bps qoq at Cyient (DET), with sharper declines at LTTS and TELX (270-340 bps). KPIT and TTL reported 20 and 40 bps margin expansion qoq, respectively, on tight cost control and services mix for TTL. The lower-margin acquisition impacted LTTS's profitability.

Uncertainties impact FY2026E revenue outlook

KPIT and Cyient (DET) withheld the FY2026E guidance on demand uncertainties. LTTS expects at least double-digit revenue growth (including a 6% incremental inorganic contribution)—a wide range due to the evolving demand scenario and project ramp-up delays in major segments, despite robust deal bookings during 2HFY25. The near-term outlook remains more volatile while companies expect some improvement in 2HFY26, aided by an incremental contribution from new deal wins. Higher uncertainty of demand in automotive as tariffs add to existing demand headwinds. European peers have had an even higher impact—Alten's automotive business declined over 10% yoy in the March 2025 quarter. It suspended its CY2025E guidance on limited visibility for 2HCY25. Capgemini also indicated weak performance in automotive.

Sharp estimate cuts across companies

We lowered our earnings estimates sharply across companies, yet again, after a round of cuts in March. Our FY2026E earnings estimates are lower by ~4-14% across companies due to lower revenue growth and profitability forecasts. We maintain a cautious stance due to stretched valuations, despite multiple headwinds across companies.

Quarterly c/c growth and margin trends

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
C/C revenue growth qoq (%)					
Cyient (DET)	(0.5)	(5.0)	1.3	2.4	(1.9)
HCLT (ERD)	(1.6)	(3.5)	1.1	5.4	5.5
KPIT	5.1	4.7	4.7	2.0	3.0
LTTS	5.1	(3.1)	3.4	3.1	10.5
TELX	(0.6)	2.4	0.2	-	(5.3)
TATATECH	(1.0)	(1.3)	0.3	1.1	-
C/C revenue growth yoy (%)					
Cyient (DET)	1.8	(3.6)	(3.3)	(1.9)	(3.4)
HCLT (ERD)	6.4	8.4	4.3	1.1	8.5
KPIT	27.6	24.8	20.1	17.4	15.2
LTTS	20.4	6.1	6.3	8.7	14.2
TELX	7.2	8.4	5.1	2.0	(2.9)
TATATECH	(0.5)	(1.9)	(1.2)	(0.9)	0.1
EBIT margin (%)					
Cyient (DET)	16.0	13.5	14.2	13.5	13.0
HCLT (ERD)	19.7	16.7	18.5	18.9	17.9
KPIT	16.7	17.3	17.0	17.2	17.3
LTTS	16.9	15.6	15.1	15.9	13.2
TELX	25.8	26.4	25.1	23.5	20.1
TATATECH	16.2	15.9	15.9	15.5	15.7

Note: Services segment revenue growth for Tata Tech

Source: Company, Kotak Institutional Equities

Prices in this report are based on the market close of April 30, 2025

Related Research

- [ERD services: Navigating headwinds](#)
- [ERD services: Auto pulse—perfect storm](#)
- [ERD services: Auto pulse—challenges ahead](#)

[Full sector coverage on KINSITE](#)

Kawaljeet Saluja

Vamshi Krishna

Sathishkumar S

Increased caution in R&D spending by clients, with focus on cost optimization

The R&D spend outlook of automotive OEMs and tier-1 suppliers indicates elevated caution as policy uncertainties add to demand and macro evolution. European OEMs have also been impacted due to higher competitive intensity from Chinese peers. The pipeline conversion for ERD services peers has been delayed due to higher business uncertainties.

US OEMs such as GM and Stellantis have suspended the CY2025 outlook due to uncertainties. A few European OEMs have cut the CY2025 outlook. Porsche indicated its revised outlook assumes tariff impact over April and May and normalization through the rest of CY2025.

However, increased offshoring by OEMs is a silver lining, amid a likely reduction in R&D spends. TTL indicated that its JV with BMW has ramped up faster than initially expected. The company expects the JV to scale up to more than 1,000 employees by 1QFY26, two quarters earlier than planned. KPIT too announced a strategic engagement with a Mercedes Benz's R&D center in India. LTTS and TELX announced EUR50 mn TCV multi-year deals with European OEMs to set up development centers in India as part of the right-shoring strategy of clients for their SDV programs. KPIT too expects at least one of the two large deals in the pipeline to convert in 1QFY26. However, the companies expect deal ramp-ups to be gradual with a significant contribution in 2HFY26.

Healthy deal bookings, but most ramp-ups would be gradual toward 2HFY26

Deal wins were healthy across most companies—(1) LTTS reported US\$250 mn deal TCV, up 25% qoq, aided by US\$80 mn and EUR50 mn TCV deals, (2) KPIT reported US\$280 mn TCV, an increase of 7.3% yoy and 16% yoy on ttm basis, (3) TELX announced US\$100 mn TCV, a three-year deal in media & communications and EUR50 mn TCV deal with a European automotive OEM and (4) TTL also reported a EUR50 mn TCV deal win during the quarter. Cyient (DET)'s order intake was muted at US\$184 mn, down 19% yoy in a transition quarter. Deal pipeline remains healthy for most companies, led by large deals. Longer decision-making timelines of clients and a pile-up of longer-duration cost take-outs have contributed to pipeline growth across companies.

Weak trends persist in Europe, while the US remains muted

Europe was weak across most companies due to higher exposure to automotive clients. On a sequential basis, revenues declined by 7% and 12% at KPIT and TELX, respectively. LTTS reported flat revenues, while Cyient (DET) reported a healthy 5% growth, aided by some uptick in the sustainability vertical. The US was weak (excluding Intelliswift's contribution to LTTS). New engagements during the quarter aided growth for KPIT, while others registered qoq revenue declines.

Another quarter of employee headcount decline

Employee headcount was up by 165 people, up 0.2% on a cumulative basis. This includes 1,500 people onboarded by LTTS, as part of Intelliswift's acquisition. On a yoy basis, headcount was down by 1.9k people (down 2.4%) and on an organic basis, by 3.4k (down 4.3%). On an organic basis, employee headcount trends were muted across companies—flat at TTL and KPIT, while for others, headcount was down ~2-4% qoq. TELX and Cyient (DET) had the highest decline in headcount yoy at 7.4% and 8.5%, respectively.

Other highlights

- **Attrition.** LTM attrition increased by 100 bps at Cyient (DET), 90 bps at TELX and 30 bps at TTL. LTTS exhibited a broadly stable trend at around 14% over the past five quarters. Wage hikes are likely to be more targeted in FY2026E due to a weak business outlook and a favorable supply-side situation.

Exhibit 1: March 2025 quarter financial performance of key companies under our coverage

	Mar-25	qoq (%)	yoy (%)	Mar-25E	versus est. (%)
Cyient (DET)					
Revenues (US\$ mn)	170.0	(3.0)	(5.2)	172.1	(1.2)
Revenues (Rs mn)	14,719	(0.5)	(1.2)	14,905	(1.2)
EBIT (Rs mn)	1,914	(4.1)	(19.8)	2,029	(5.7)
Adj. Net income (Rs mn)	1,630	31.7	(6.1)	1,598	2.0
EBIT margin (%)	13.0	(50)bps	(300)bps	13.6	(60)bps
KPIT					
Revenues (US\$ mn)	177.3	0.7	11.5	176.4	0.5
Revenues (Rs mn)	15,283	3.4	16.0	15,278	0.0
EBIT (Rs mn)	2,651	4.5	20.4	2,676	(0.9)
Adj. net income (Rs mn)	2,216	7.3	24.6	1,994	11.1
EBIT margin (%)	17.3	20 bps	60 bps	17.5	(20)bps
LTTS					
Revenues (US\$ mn)	345.1	10.6	13.1	353.1	(2.3)
Revenues (Rs mn)	29,824	12.4	17.5	30,574	(2.5)
EBIT (Rs mn)	3,939	(6.6)	(8.0)	4,501	(12.5)
Net income (Rs mn)	3,111	(3.5)	(8.7)	3,305	(5.9)
EBIT margin (%)	13.2	(270)bps	(370)bps	14.7	(150)bps
Tata Elxsi					
Revenues (US\$ mn)	105.0	(5.2)	(3.7)	103.2	1.7
Revenues (Rs mn)	9,083	(3.3)	0.3	8,937	1.6
EBIT (Rs mn)	1,830	(17.1)	(21.7)	1,997	(8.4)
Adj. net income (Rs mn)	1,724	(13.4)	(12.4)	1,707	1.0
EBIT margin (%)	20.1	(340)bps	(570)bps	22.3	(220)bps
Tata Technologies					
Revenues (US\$ mn)	148.3	(4.8)	(5.3)	150.0	(1.2)
Revenues (Rs mn)	12,857	(2.4)	(1.2)	12,993	(1.0)
EBIT (Rs mn)	2,023	(0.6)	(4.1)	2,052	(1.4)
Net income (Rs mn)	1,889	12.0	20.1	1,733	9.0
EBIT margin (%)	15.7	40 bps	(30)bps	15.8	(10)bps

Source: Companies, Kotak Institutional Equities estimates

Exhibit 2: Estimate revision for companies under coverage post March 2025 quarter, March fiscal year-ends, 2026-28E

	New			Earlier			Change(%)		
	FY2026E	FY2027E	FY2028E	FY2026E	FY2027E	FY2028E	FY2026E	FY2027E	FY2028E
Cyient (DET)									
Revenues (US\$ mn)	678	724	779	721	772	832	(6.0)	(6.2)	(6.4)
PAT (Rs mn)	6,150	7,178	8,120	7,109	7,960	8,825	(13.5)	(9.8)	(8.0)
EBIT margin (%)	13.3	14.2	14.7	14.7	15.2	15.3	(140)bps	(90)bps	(60)bps
KPIT									
Revenues (US\$ mn)	743	856	980	803	931	1,070	(7.5)	(8.1)	(8.4)
PAT (Rs mn)	8,375	10,146	12,295	9,259	11,490	13,715	(9.5)	(11.7)	(10.4)
EBIT margin (%)	17.2	17.8	18.3	18.3	19.1	19.2	(120)bps	(130)bps	(90)bps
LTTS									
Revenues (US\$ mn)	1,400	1,536	1,718	1,483	1,643	1,841	(5.6)	(6.5)	(6.7)
PAT (Rs mn)	13,833	16,096	19,043	15,470	17,953	21,758	(10.6)	(10.3)	(12.5)
EBIT margin (%)	14.4	14.8	15.5	15.4	15.8	16.4	(100)bps	(90)bps	(90)bps
Tata Elxsi									
Revenues (US\$ mn)	448	511	579	476	542	636	(5.9)	(5.7)	(8.9)
PAT (Rs mn)	7,577	9,109	10,490	8,472	10,157	12,167	(10.6)	(10.3)	(13.8)
EBIT margin (%)	23.1	24.1	24.3	24.8	25.7	25.8	(170)bps	(160)bps	(150)bps
Tata Technologies									
Revenues (US\$ mn)	612	654	719	645	709	787	(5.0)	(7.7)	(8.6)
PAT (Rs mn)	7,504	8,471	9,764	7,792	9,122	10,394	(3.7)	(7.1)	(6.1)
EBIT margin (%)	15.6	15.8	16.1	16.3	16.9	16.9	(70)bps	(110)bps	(80)bps

Source: Companies, Kotak Institutional Equities estimates

Exhibit 3: Revenues by industry verticals, March 2025 (US\$ mn, %)

	Mar-25 quarter		Growth (US\$,%)		Growth (c/c,%)	
	Revenue	% of revenues	qoq	yoy	qoq	yoy
Cyient DET						
Transportation	51.9	30.5	(1.7)	(2.3)	(1.1)	(1.5)
Connectivity	38.9	22.9	(5.6)	(4.5)	(4.0)	(2.7)
Sustainability	51.6	30.4	(0.4)	(4.7)	1.1	(8.9)
New Growth Areas	27.6	16.2	(6.0)	(11.9)	(5.9)	3.9
KPIT						
Automotive	177.3	100.0	0.7	11.5	3.0	15.2
- Passenger cars	140.8	79.4	(2.2)	12.1		
- Commercial vehicles	27.1	15.3	0.7	(2.5)		
LTTS						
Mobility	100.8	29.2	(0.3)	3.2		
Sustainability	99.0	28.7	1.8	8.2		
Hi-Tech	145.3	42.1	28.0	25.0		
Tata Elxsi						
Transportation	54.0	51.4	(9.0)	(0.9)	(9.7)	(0.1)
Media & Communications	32.8	31.2	(6.3)	(8.0)	(6.3)	(7.6)
Healthcare & medical devices	13.1	12.5	3.2	(12.0)	3.5	(11.0)
Others	1.2	1.2	40.5	27.2	40.0	30.2
Tata Technologies						
Automotive	98.0	83.0	(2.7)	(5.2)		
Non-Auto	20.1	17.0	4.7	19.3		

Source: Companies, Kotak Institutional Equities

Europe growth momentum moderates across ERD peers

Exhibit 4: Revenues by geographies, March 2025 (US\$ mn, %)

	Mar-25 quarter		Growth (US\$,%)	
	Revenue	% of revenues	qoq	yoy
Cyient DET				
North America	86.0	50.6	(0.8)	9.8
EMEA	52.9	31.1	4.8	(18.5)
APAC incl India	31.1	18.3	(18.2)	(13.7)
KPIT				
US	49.1	27.7	5.9	4.0
Europe	77.0	43.4	(7.4)	(6.4)
Asia	51.2	28.9	10.0	73.3
LTTS				
North America	179.1	51.9	11.5	9.3
Europe	56.9	16.5	0.3	18.1
India	84.2	24.4	18.9	16.5
ROW	24.8	7.2	4.8	19.8
Tata Elxsi				
USA	32.1	30.6	(6.1)	(18.2)
Europe	39.4	37.5	(12.0)	(10.4)
India	23.5	22.4	9.5	24.7
RoW	9.6	9.1	(7.2)	39.1

Source: Companies, Kotak Institutional Equities

Weak performance in transportation due to slowdown in automotive clients

Exhibit 5: Transportation vertical revenues, March 2022-March 2025 (US\$ mn, %)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Transportation													
KPIT	87.1	89.9	94.2	110.5	123.8	133.9	145.2	149.1	159.0	164.9	173.2	176.1	177.3
LTTS	77.3	79.5	85.2	89.0	88.0	91.6	95.6	96.5	97.6	103.9	108.9	101.1	100.8
Tata Elxsi	33.4	34.5	34.6	37.8	39.0	39.8	42.4	43.3	54.5	56.9	61.7	59.4	54.0
Tata Technologies				98.7	105.6	107.4	105.1	103.4	103.4	100.4	101.9	100.7	98.0
Total	198	204	214	336	356	373	388	392	414	426	446	437	430
QoQ revenue growth (%)	6.1	3.1	5.0	nm	6.1	4.6	4.2	1.0	5.7	2.8	4.6	(1.9)	(1.6)

Source: Companies, Kotak Institutional Equities

Weak performance across Americas and Europe

Exhibit 6: Americas and Europe revenue trends, March 2022-March 2025 (US\$ mn, %)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Americas													
Cyient (DET)	70	70	77	81	81	77	77	79	78	80	84	87	86
KPIT	33	35	35	35	45	45	44	45	47	46	48	46	49
LTTS	145	151	157	155	154	158	159	159	164	156	161	161	179
Tata Elxsi	37	40	41	43	42	42	42	41	39	37	35	34	32
Total	285	296	309	314	321	321	322	323	329	320	327	328	346
YoY revenue growth (%)		18.3	15.1	13.5	12.9	8.5	4.3	2.8	2.2	(0.5)	1.3	1.5	5.4
QoQ revenue growth (%)	2.8	3.9	4.5	1.6	2.3	(0.1)	0.4	0.2	1.8	(2.7)	2.2	0.4	5.6
Europe													
Cyient (DET)	32	31	42	55	61	61	60	63	65	56	52	50	53
KPIT	34	36	41	57	61	68	76	79	82	85	84	83	77
LTTS	37	39	39	40	42	43	46	48	48	53	56	57	57
Tata Elxsi	31	31	32	35	36	39	43	44	44	47	49	45	39
Total	134	137	155	186	200	211	224	234	239	241	242	235	226
YoY revenue growth (%)		10.5	19.8	36.8	48.7	53.8	44.5	25.6	19.6	14.3	7.8	0.4	(5.5)
QoQ revenue growth (%)	(1.4)	1.9	13.2	20.2	7.3	5.4	6.3	4.5	2.2	0.7	0.3	(2.7)	(3.8)

Source: Companies, Kotak Institutional Equities

Exhibit 7: Sequential organic revenue growth comparison in c/c and US\$ terms across companies, March 2022-March 2025 (%)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
c/c revenue growth qoq (%)													
Cyient (DET)	1.6	6.5	12.3	11.9	3.2	0.3	1.0	1.1	(0.5)	(5.0)	1.3	2.4	(1.9)
KPIT	5.2	6.0	8.3	19.3	8.5	7.1	9.0	4.3	5.1	4.7	4.7	2.0	3.0
LTTS	3.6	4.7	4.5	-	2.2	9.8	3.2	0.9	5.1	(3.1)	3.4	3.1	10.5
Tata Elxsi	7.4	6.5	4.7	3.5	1.6	1.2	3.4	3.0	(0.6)	2.4	0.2	-	(5.3)
Tata Technologies (services)	NA	NA	NA	NA	NA	NA	NA	(0.5)	(1.0)	(1.3)	0.3	1.1	-
Organic c/c revenue growth qoq (%)													
Cyient (DET)	1.6	(0.4)	3.0	3.7	2.6	(0.2)	1.0	1.1	(0.5)	(5.0)	1.3	2.4	(1.9)
KPIT	5.2	5.3	8.0	5.9	8.5	5.7	9.0	4.3	5.1	4.7	4.7	2.0	3.0
LTTS	3.6	4.7	4.5	-	2.2	0.7	1.5	0.3	1.1	(3.1)	3.4	3.1	2.5
Tata Elxsi	7.4	6.5	4.7	3.5	1.6	1.2	3.4	3.0	(0.6)	2.4	0.2	-	(5.3)
Tata Technologies (services)	NA	NA	NA	NA	NA	NA	NA	(0.5)	(1.0)	(1.3)	0.3	1.1	-
US\$ revenue growth qoq (%)													
Cyient (DET)	1.2	5.0	10.2	11.1	4.9	0.5	0.7	0.4	0.1	(5.4)	2.0	1.3	(3.0)
KPIT	4.1	3.2	4.8	17.3	12.0	8.2	8.4	2.7	6.6	3.7	5.0	1.7	0.7
LTTS	3.1	3.2	3.2	0.4	2.9	9.8	2.9	0.9	5.0	(3.2)	3.9	1.7	10.6
Tata Elxsi	6.7	3.5	1.7	4.5	2.5	1.5	3.1	2.9	(0.7)	1.8	2.7	(2.9)	(5.2)
Tata Technologies (services)	NA	NA	NA	NA	NA	NA	NA	(1.7)	-	(1.7)	1.5	-	(1.5)
Organic US\$ revenue growth qoq (%)													
Cyient (DET)	1.2	(2.0)	0.9	2.9	4.3	0.0	0.7	0.4	0.1	(5.4)	2.0	1.3	(3.0)
KPIT	4.1	2.5	4.5	3.9	12.0	6.8	8.4	2.7	6.6	3.7	5.0	1.7	0.7
LTTS	3.1	3.2	3.2	0.4	2.9	0.7	1.2	0.3	1.0	(3.2)	3.9	1.7	2.6
Tata Elxsi	6.7	3.5	1.7	4.5	2.5	1.5	3.1	2.9	(0.7)	1.8	2.7	(2.9)	(5.2)
Tata Technologies (services)	NA	NA	NA	NA	NA	NA	NA	(1.7)	-	(1.7)	1.5	-	(1.5)

Source: Companies, Kotak Institutional Equities estimates

Exhibit 8: Organic revenue growth comparison in c/c and US\$ terms across companies, March 2022-March 2025 (%)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
c/c revenue growth yoy (%)													
Cyient (DET)	11.3	18.7	25.8	34.4	38.4	30.6	17.1	5.4	1.8	(3.6)	(3.3)	(1.9)	(3.4)
KPIT	21.0	23.0	27.0	44.7	50.0	51.7	51.7	31.5	27.6	24.8	20.1	17.4	15.2
LTTS	19.4	19.9	18.1	13.5	12.1	17.3	16.0	17.1	20.4	6.1	6.3	8.7	14.2
Tata Elxsi	30.9	30.9	27.8	24.4	17.9	11.9	10.1	9.4	7.2	8.4	5.1	2.0	(2.9)
Tata Technologies (services)	NA	NA	NA	NA	NA	NA	NA	5.8	(0.5)	(1.9)	(1.2)	(0.9)	0.1
Organic c/c revenue growth yoy (%)													
Cyient (DET)	10.7	14.7	11.5	10.6	12.0	9.4	7.2	4.6	1.4	(3.6)	(3.3)	(1.9)	(3.4)
KPIT	17.2	18.5	25.9	28.6	34.5	35.5	36.5	30.0	27.6	24.8	20.1	17.4	15.2
LTTS	19.4	19.9	18.1	13.5	12.1	7.6	4.5	4.8	3.6	6.1	6.3	8.7	6.2
Tata Elxsi	30.9	30.9	27.8	24.4	17.9	11.9	10.1	9.4	7.2	8.4	5.1	2.0	(2.9)
Tata Technologies (services)	NA	NA	NA	NA	NA	NA	NA	5.8	(0.5)	(1.9)	(1.2)	(0.9)	0.1
US\$ revenue growth yoy (%)													
Cyient (DET)	9.2	14.9	21.3	30.1	34.9	29.2	18.1	6.7	1.8	(4.2)	(3.0)	(2.2)	(5.2)
KPIT	16.9	16.4	17.2	32.0	42.1	48.9	54.1	35.0	28.4	23.1	19.3	18.1	11.5
LTTS	17.5	16.4	13.7	10.2	10.0	16.9	16.6	17.2	19.6	5.4	6.5	7.3	13.1
Tata Elxsi	27.0	23.6	18.3	17.3	12.7	10.6	12.1	10.4	7.0	7.3	6.9	0.8	(3.7)
Tata Technologies (services)	NA	NA	NA	NA	NA	NA	NA	8.3	1.2	(2.2)	(1.9)	(0.3)	(1.7)
Organic US\$ revenue growth yoy (%)													
Cyient (DET)	8.6	10.9	7.0	6.3	8.5	7.9	8.2	5.9	1.4	(4.2)	(3.0)	(2.2)	(5.2)
KPIT	13.1	11.9	16.1	15.9	26.6	32.7	38.9	33.5	28.4	23.1	19.3	18.1	11.5
LTTS	17.5	16.4	13.7	10.2	10.0	7.2	5.1	4.9	2.8	5.4	6.5	7.3	5.1
Tata Elxsi	27.0	23.6	18.3	17.3	12.7	10.6	12.1	10.4	7.0	7.3	6.9	0.8	(3.7)
Tata Technologies (services)	NA	NA	NA	NA	NA	NA	NA	8.3	1.2	(2.2)	(1.9)	(0.3)	(1.7)

Source: Companies, Kotak Institutional Equities estimates

Exhibit 9: Top-5 and top-10 clients' revenue growth trends, March 2022-March 2025 (%)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Top 5 clients													
Revenue (US\$ mn)													
Cyient (DET)	40.0	44.0	43.7	43.5	47.2	52.4	52.6	53.4	55.6	53.8	54.3	52.7	48.8
LTTS	37.8	38.2	38.7	38.7	39.3	37.9	39.9	43.7	44.8	44.2	44.9	46.3	47.5
Tata Elxsi	34.6	37.4	38.0	38.2	40.6	43.5	47.5	48.1	50.4	52.4	51.4	49.6	47.9
Revenue mix (%)													
Cyient (DET)	30.6	32.1	28.9	25.9	26.8	29.6	29.5	29.8	31.0	31.7	31.4	30.1	28.7
LTTS	16.3	15.9	15.7	15.6	15.4	13.5	13.8	15.0	14.7	15.0	14.6	14.9	13.8
Tata Elxsi	38.3	40.0	39.9	38.4	39.8	42.0	44.5	43.8	46.2	47.2	45.1	44.8	45.6
Revenue growth yoy (%)													
Cyient (DET)	(5.3)	(0.0)	6.2	6.9	18.2	19.1	20.5	22.8	17.7	2.6	3.2	(1.2)	(12.2)
LTTS	27.7	20.7	12.3	5.7	3.9	(0.8)	3.1	13.1	13.9	16.8	12.6	5.9	6.1
Tata Elxsi	24.6	24.3	29.0	18.6	17.2	16.1	25.1	26.0	24.2	20.6	8.3	3.1	(5.0)
Revenue growth qoq (%)													
Cyient (DET)	(1.7)	10.1	(0.8)	(0.4)	8.6	11.0	0.4	1.5	4.1	(3.3)	1.0	(2.9)	(7.5)
LTTS	3.5	0.8	1.4	(0.1)	1.7	(3.8)	5.4	9.6	2.5	(1.3)	1.6	3.1	2.6
Tata Elxsi	7.5	8.1	1.4	0.6	6.2	7.2	9.2	1.3	4.7	4.0	(1.9)	(3.6)	(3.5)
Top 10 clients													
Revenue (US\$ mn)													
Cyient (DET)	55.6	59.8	60.3	60.1	63.6	69.4	69.9	71.3	74.6	72.8	74.4	73.1	70.2
LTTS	62.3	63.1	63.5	64.3	65.8	66.7	69.9	74.1	76.8	77.5	79.3	81.7	81.2
Tata Elxsi	41.8	45.2	45.8	47.7	50.3	53.7	56.8	57.7	60.9	64.4	63.4	60.0	57.2
Revenue mix (%)													
Cyient (DET)	42.6	43.6	39.9	35.8	36.1	39.2	39.2	39.8	41.6	42.9	43.0	41.7	41.3
LTTS	26.8	26.3	25.7	25.9	25.8	23.8	24.3	25.5	25.2	26.3	25.9	26.2	23.5
Tata Elxsi	46.2	48.3	48.1	48.0	49.4	51.9	53.2	52.5	55.9	58.0	55.6	54.2	54.5
Revenue growth yoy (%)													
Cyient (DET)	(1.2)	1.8	6.1	5.1	14.3	16.1	16.0	18.7	17.3	4.8	6.4	2.4	(5.9)
LTTS	25.7	19.4	11.0	6.7	5.7	5.8	10.1	15.2	16.7	16.2	13.5	10.3	5.7
Tata Elxsi	21.5	17.3	18.6	20.6	20.5	18.8	24.0	20.8	21.1	19.9	11.7	4.1	(6.1)
Revenue growth qoq (%)													
Cyient (DET)	(2.7)	7.4	0.9	(0.3)	5.8	9.1	0.7	2.0	4.6	(2.5)	2.2	(1.8)	(3.9)
LTTS	3.3	1.3	0.6	1.3	2.4	1.4	4.8	6.0	3.7	0.9	2.3	2.9	(0.6)
Tata Elxsi	5.5	8.2	1.2	4.3	5.5	6.7	5.7	1.6	5.7	5.7	(1.6)	(5.4)	(4.6)

Source: Company, Kotak Institutional Equities

Another quarter of cumulative headcount decline; modest growth at TELX

Exhibit 10: Headcount trend, March 2022-March 2025

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Cyient (DET)	12,834	13,581	15,004	14,693	15,172	15,306	15,441	15,678	15,461	15,083	14,799	14,378	14,151
KPIT	8,245	9,183	9,916	10,490	11,013	11,571	11,971	12,727	12,856	13,253	13,087	12,795	12,873
LTTS	20,861	21,433	21,474	21,649	22,233	23,392	23,880	23,298	23,812	23,577	23,698	23,465	24,258
Tata Elxsi	9,376	10,147	11,679	11,607	11,864	12,286	12,871	13,221	13,399	13,142	12,793	12,878	12,414
Tata Technologies				11,081	11,616	11,833	12,451	12,623	12,688	12,505	12,680	12,659	12,644
Total	51,316	54,344	58,073	69,520	71,898	74,388	76,614	77,547	78,216	77,560	77,057	76,175	76,340
QoQ growth (%)													
Cyient (DET)	5.4	5.8	10.5	(2.1)	3.3	0.9	0.9	1.5	(1.4)	(2.4)	(1.9)	(2.8)	(1.6)
KPIT	5.4	11.4	8.0	5.8	5.0	5.1	3.5	6.3	1.0	3.1	(1.3)	(2.2)	0.6
LTTS	3.7	2.7	0.2	0.8	2.7	5.2	2.1	(2.4)	2.2	(1.0)	0.5	(1.0)	3.4
Tata Elxsi	3.8	8.2	15.1	(0.6)	2.2	3.6	4.8	2.7	1.3	(1.9)	(2.7)	0.7	(3.6)
Tata Technologies					4.8	1.9	5.2	1.4	0.5	(1.4)	1.4	(0.2)	(0.1)
Total	4.4	5.9	6.9	nm	3.4	3.5	3.0	1.2	0.9	(0.8)	(0.6)	(1.1)	0.2
YoY growth (%)													
Cyient (DET)	12.9	14.8	24.7	20.7	18.2	12.7	2.9	6.7	1.9	(1.5)	(4.2)	(8.3)	(8.5)
KPIT	29.5	39.9	47.3	34.0	33.6	26.0	20.7	21.3	16.7	14.5	9.3	0.5	0.1
LTTS	26.8	26.3	19.4	7.6	6.6	9.1	11.2	7.6	7.1	0.8	(0.8)	0.7	1.9
Tata Elxsi	27.4	28.2	35.5	28.5	26.5	21.1	10.2	13.9	12.9	7.0	(0.6)	(2.6)	(7.4)
Tata Technologies								13.9	9.2	5.7	1.8	0.3	(0.3)
Total	23.5	25.6	28.0	nm	nm	nm	nm	11.5	8.8	4.3	0.6	(1.8)	(2.4)

Source: Companies, Kotak Institutional Equities

Sharp margin decline across Cyient (DET), LTTS, TELX and TTL on a yoy basis

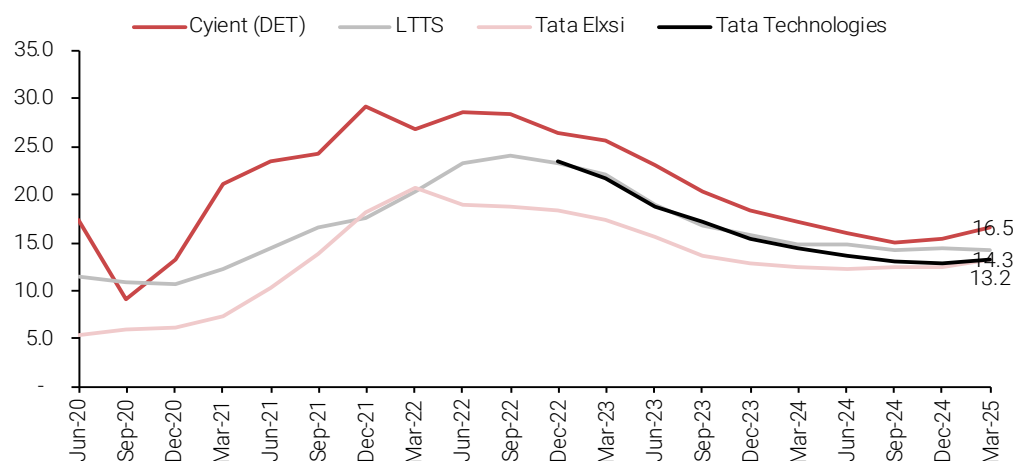
Exhibit 11: EBIT margin trend, March 2022-March 2025 (%)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	qoq (bps)	yoy (bps)
Cyient (DET)	15.4	12.8	12.5	13.9	15.1	16.1	16.5	16.0	16.0	13.5	14.2	13.5	13.0	(50)	(300)
KPIT	13.9	14.9	14.2	14.1	14.9	15.9	16.0	16.6	16.7	17.3	17.0	17.2	17.3	20	60
LTTS	18.6	18.3	18.2	18.7	18.7	17.2	17.1	17.2	16.9	15.6	15.1	15.9	13.2	(270)	(370)
Tata Elxsi	30.1	30.6	26.8	27.6	27.3	27.1	27.1	26.8	25.8	26.4	25.1	23.5	20.1	(340)	(570)
Tata Technologies	NA	NA	NA	16.2	15.5	18.0	14.8	16.2	16.2	15.9	15.9	15.5	15.7	30	(50)

Source: Companies, Kotak Institutional Equities

Stable attrition trends across companies

Exhibit 12: LTM attrition, June 2020-March 2025 (%)



Source: Companies, Kotak Institutional Equities

Exhibit 13: Valuation summary of ERD companies under coverage

Company	30-Apr-25		Mkt cap.		EPS (Rs)			P/E (X)			EV/EBITDA (X)			RoE (%)		
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Cyient	1,188	REDUCE	131,881	1,559	55.5	62.7	75.0	21.4	18.9	15.8	10.4	9.6	8.2	11.9	11.7	12.9
KPIT Technologies	1,254	SELL	343,667	4,061	27.6	30.4	36.6	45.5	41.2	34.2	26.7	24.5	20.2	29.7	26.0	26.2
L&T Technology Services	4,257	REDUCE	450,740	5,327	119.4	130.4	151.7	35.7	32.7	28.1	22.3	20.1	17.4	22.2	21.4	22.1
Tata Elxsi	5,766	SELL	359,130	4,244	126.0	121.6	146.2	45.8	47.4	39.4	34.2	33.6	27.8	30.0	25.6	28.6
Tata Technologies	658	SELL	266,869	3,154	16.7	18.5	20.9	39.3	35.6	31.5	26.6	25.8	23.1	20.0	19.9	20.3

Company	Target	O/S shares	EPS CAGR (%)		EPS growth (%)			Net Profit (Rs mn)			EBITDA (Rs mn)			Sales (Rs mn)		
	Price (Rs)	(mn)	2024-27E		2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Cyient	1,150	111	4.2	(16.3)	13.1	19.5		6,157	6,966	8,327	11,433	11,882	13,876	73,604	75,596	85,221
KPIT Technologies	1,000	274	19.8	29.5	10.3	20.4		7,544	8,326	10,022	12,298	13,305	15,790	58,423	64,143	75,437
L&T Technology Services	4,100	106	7.2	(2.9)	9.2	16.4		12,666	13,833	16,096	18,924	20,961	23,817	106,702	121,259	135,946
Tata Elxsi	4,100	62	4.8	(0.9)	(3.5)	20.2		8,047	7,577	9,109	9,927	10,036	12,084	37,290	38,818	45,203
Tata Technologies	500	406	7.0	(1.8)	10.6	12.9		6,787	7,504	8,471	9,341	9,541	10,521	51,685	53,061	57,878

Source: Bloomberg, Kotak Institutional Equities estimates

IT Services

India

Sector View: **Neutral**

NIFTY-50: **24,334**
May 01, 2025

CTSH—retains CY2025E revenue growth guidance

CTSH reported c/c revenue growth of 6.2% for the March 2025 quarter, above the guided range, led by strong growth in financial services and healthcare. The company has retained CY2025 growth guidance of 3.5-6.0%—lower end of the guidance bakes in further deterioration in the demand environment, while the upper end bakes in some improvement, with the mid-point baking in the current state of demand, with tailwinds from its strong deal pipeline. Read through for the rest—CTSH is defending share far better today and demand deterioration due to tariff wars is contained to select verticals.

Delivers above the guided range yet again

CTSH delivered revenues of US\$5,115 mn, representing growth of 7.5% yoy and 0.6% qoq. Growth in c/c stood at 8.2% yoy above the guided range of 6.5-8.0%. Revenues include 400 bps from acquisitions. Notably, organic growth for the quarter was the highest among all Tier 1 companies at 4.2%. Revenue growth was led by the healthcare (11.4% growth yoy in c/c) and financial services (6.5% yoy growth in c/c) verticals. Product and resources grew 13.6% in c/c yoy and declined 1.4% on an organic basis, while communication, media and technology (CMT) declined 1.9% in c/c. The current tariff hike uncertainty did not impact the March 2025 quarter's results significantly. EBIT margin of 15.5% increased 40 bps yoy and was led by an increase in utilization, cost management and SG&A leverage. Adjusted EPS of US\$1.23 grew 10% yoy.

Retains CY2025 growth guidance, despite macro deterioration

CTSH retained its CY2025 revenue growth guidance of 3.5-6.0%, despite a tariff hike-induced macro deterioration in the US. Organic revenue growth guidance stands at 1.0-3.5%. The guidance's lower end assumes further macro deterioration; the mid-point factors in deterioration until date, offset by improved deal pipeline, while the upper end assumes some improvement from the current environment.

Revenue growth for the June 2025 quarter stands at US\$5.14-5.21 bn (5-6.5% yoy in c/c, 1-2.5% on an organic basis), implying modest growth of 0.5-2.0% qoq in USD terms (lower in c/c). The guidance implies sequential growth of 0-1.6% from 3Q to 4Q of CY2025. The company has raised its EPS guidance to US\$4.98-5.14 from US\$4.9-5.06, baking in USD depreciation against other currencies and strong performance in the March 2025 quarter.

Deal wins—decline in TCV and increase in ACV

Management stated that deal bookings declined 7% yoy, while ACV increased. Net new bookings were higher (and more than 50% of overall bookings), according to management. Even as bookings declined, ACV increased, reflecting gains from a mega-deal and higher discretionary spending in financial services. TCV of deals on a ttm basis increased 3% to US\$26.7 bn. Deal wins were cost take-out-driven and will stay that way throughout the course of the year. Management indicated multiple mega-deals in the pipeline, an interesting comment, noting that the mega-deal pipeline was moderating for the industry.

Constant currency yoy revenue growth trend, %



Source: Company data, Kotak Institutional Equities

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

Kawaljeet Saluja

Sathishkumar S

Vamshi Krishna

Read through for the rest of the IT sector

CTSH's growth in 1QCY25 was the highest among Tier 1 players, capturing (1) a favorable portfolio that is under indexed to the impacted segments of the manufacturing and retail verticals. The healthcare vertical has held on well for the industry, while CTSH has demonstrated share gains and (2) progress in turnaround initiatives under the leadership of Ravi Kumar. CTSH is defending its wallet share in key verticals far better than peers. At the same time, the success of CTSH means that the easy share gains enjoyed by peers are over. Competitive intensity is bound to rise.

CTSH trades at 14.5X CY2025E earnings, inexpensive versus the rest of the sector.

Management comments that challenges of tariff hikes are localized to manufacturing and retail, and parts of the healthcare vertical, which will calm nerves for the rest of the IT industry and can be construed as a near-term positive from the vantage point of stock reaction.

Management comments on demand deterioration due to tariff hike comforting

Slowdown in client decision-making and discretionary spending is visible in select clients, especially in the healthcare and products and resources verticals. In healthcare, clients are watchful of changes to government healthcare programs. In products and resources, which includes manufacturing, consumer and retail industries, clients are slowing their spending decisions and preparing for a more direct impact from changes in tariff policies. Impact of tariffs seems to be localized in these two verticals currently. In fact, demand in financial services remains healthy. Clients will further prioritize cost optimization, vendor consolidation and productivity enhancements in the current environment.

Key highlights of the earnings call

- ▶ **Revenue growth commentary.** Macro uncertainty did not significantly impact business in 1QCY25.
- ▶ **Vertical-wise commentary.** (1) **Healthcare.** Broad-based growth in the healthcare vertical. Growth was again broad-based across payer, provider, and life sciences, as recently won large deals more than offset discretionary spending pressures. (2) **BFSI.** Healthy trends in financial services. Discretionary spending is healthy. Clients continued to invest in cloud and data modernization and in building foundations for AI-led innovation. (3) **Products and resources.** Weak discretionary spending. Clients are slowing their spending decisions and preparing for more direct impact from changes in tariff policies. (4) **Communication and technology.** Discretionary demand is stable, but not improving.
- ▶ **Bookings' commentary.** Signed four large deals in 1QCY25, including a mega-deal. New and expansion bookings grew significantly yoy and were more than 50% of quarterly bookings. Pipeline continues to grow in large deals. Have a couple of mega-deals in the pipeline in 2QCY25. ACV on yoy basis has increased.
- ▶ **Higher focus on cost take-outs after March.** Clients are seeking to re-baseline the cost of technology deployment, leading to opportunities related to productivity, efficiency and cost take-out. No material client cancellations in the 2QCY25 quarter to date. Some slowdown in client decision-making and discretionary spending, especially in the healthcare and products and resources verticals. In healthcare, clients are watchful of changes to government healthcare programs. Demand in financial services remains healthy. Clients are prioritizing cost optimization, vendor consolidation and productivity.
- ▶ **Bullish on gen AI opportunity.** CTSH will benefit from opportunities in increasing technology productivity and implementing innovative use cases. Early gen AI engagements have increased to 1.4k from 1.2k earlier. The share of AI-written code increased to 20%+ in 1QCY25. Sharing AI-led productivity with clients has been a key differentiating factor in large deal originations.
- ▶ **Margin expansion.** Retain guidance of 20-40 bps EBIT margin expansion in CY2025E, led by cost discipline and SG&A operating leverage. Higher utilization, productivity from gen AI and pyramid will aid gross margins. G&A will be optimized.
- ▶ **Low exposure to government vertical.** Belcan has low exposure to government projects. No impact on this portfolio of the business so far.
- ▶ **Other highlights.** The new logo hunting engine has worked well under Ravi's leadership. Planning to hire 20k freshers in CY2025.

Exhibit 1: Cognizant interim results, December fiscal year-ends (US\$ mn)

	1QCY24	4QCY24	1QCY25	Change (%)	
				qoq	yoy
Revenues	4,760	5,082	5,115	0.6	7.5
Cost of revenues	(3,146)	(3,297)	(3,397)	3.0	8.0
SG&A expenses	(765)	(844)	(791)	(6.3)	3.4
Restructuring charges	(23)	(49)	-		
(Gain) on sale of property and equipment	-	-	62		
EBITDA	826	892	989	10.9	19.7
Depreciation and amortization	(131)	(141)	(136)	(3.5)	3.8
EBIT	695	751	853	13.6	22.7
Other income	27	(11)	19		
PBT	722	740	872	17.8	20.8
Provision for taxes	(179)	(199)	(213)	7.0	19.0
PAT	543	541	659	21.8	21.4
Income from associates	3	5	4		
Net profit	546	546	663	21.4	21.4
Margins (%)					
EBITDA	17.4	17.6	19.3		
EBIT	14.6	14.8	16.7		
Adjusted EBIT	15.1	15.3	15.5		
Net income	11.4	10.6	12.9		
SG&A as a % of revenues	16.1	16.6	15.5		
Tax rate (%)	24.8	26.9	24.4		

Source: Company, Kotak Institutional Equities

Exhibit 2: Revenues by industry verticals and geographies, 1QCY25 (US\$ mn, %)

	Mar-25		Growth (%)		
	Revenue	% of revenues	qoq	yoy	yoy, c/c
Verticals					
Financial Services	1,462	28.8	1.9	5.6	6.5
Health Sciences	1,571	30.9	1.9	10.9	11.4
Products and resources	1,278	25.1	(1.3)	12.8	13.6
Comm, Media and Tech (TMT)	804	15.8	(0.9)	(2.7)	(1.9)
Total	5,115	100.0	0.6	7.5	8.2
Geographies					
North America	3,854	75.8	0.8	9.5	9.7
Europe	950	18.7	1.2	1.2	3.0
Rest of the world	311	6.1	(3.1)	3.7	7.1
Total	5,115	100.0	0.6	7.5	8.2

Source: Company, Kotak Institutional Equities

Financial services and healthcare verticals grew in all geographies on yoy basis in 1QCY25

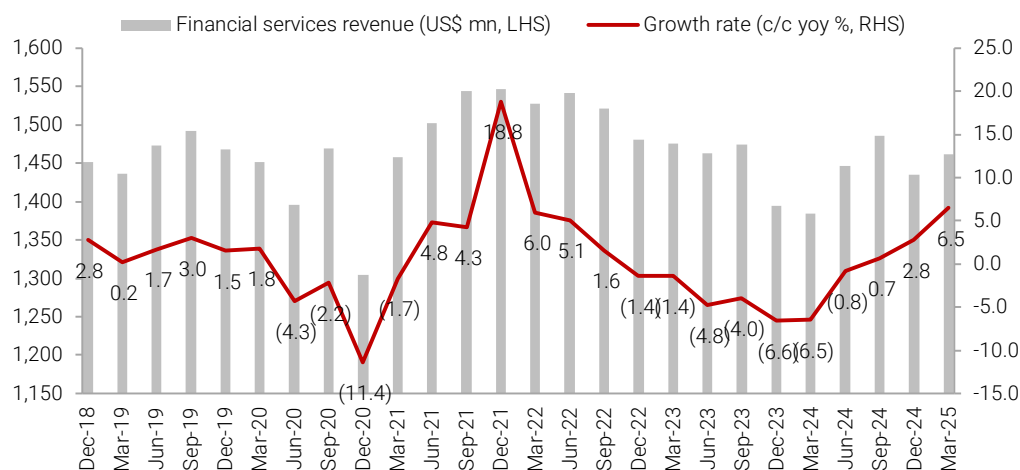
Exhibit 3: Geo-vertical revenue and growth breakdown, 1QCY25, (US\$ mn, %)

	North America	Europe	RoW	Total
Revenue (US\$ mn)				
Financial services	1,043	300	119	1,462
Health sciences	1,330	209	32	1,571
Products and resources	911	290	77	1,278
Communications and technology	570	151	83	804
Total	3,854	950	311	5,115
Contribution to revenue				
Financial services	21.5	6.2	2.5	28.6
Health sciences	27.4	4.3	0.7	30.7
Products and resources	18.8	6.0	1.6	25.0
Communications and technology	11.8	3.1	1.7	15.7
Total	79.5	19.6	6.4	100.0
C/C yoy growth (%)				
Financial services	7.2	3.7	7.3	6.5
Health sciences	10.0	19.5	18.4	11.4
Products and resources	18.1	7.1	(5.8)	13.6
Communications and technology	1.5	(19.4)	17.1	(1.9)
Total	9.7	3.0	7.1	8.2

Source: Company, Kotak Institutional Equities

Healthy revenue uptick in financial services

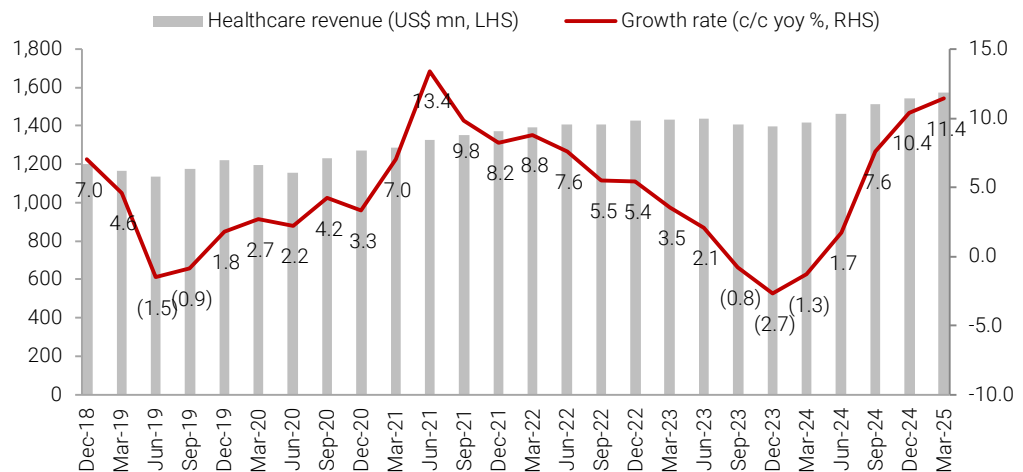
Exhibit 4: Revenue and growth trends in financial services vertical, Dec 2018-Dec 2024, (US\$ mn, %)



Source: Company, Kotak Institutional Equities

Strong organic growth acceleration in healthcare vertical

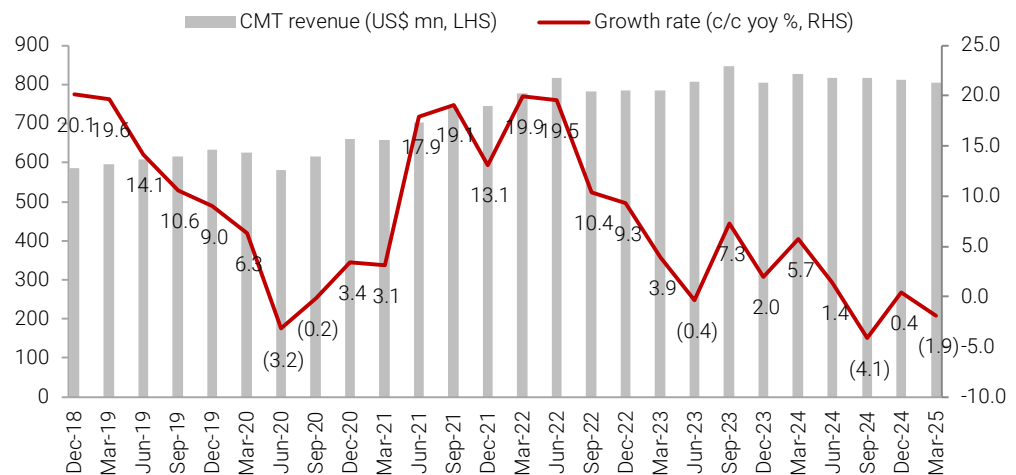
Exhibit 5: Revenue and growth trends in healthcare vertical, Dec 2018-Mar 2025, (US\$ mn, %)



Source: Company, Kotak Institutional Equities

CMT vertical remains weak with muted discretionary spending trends

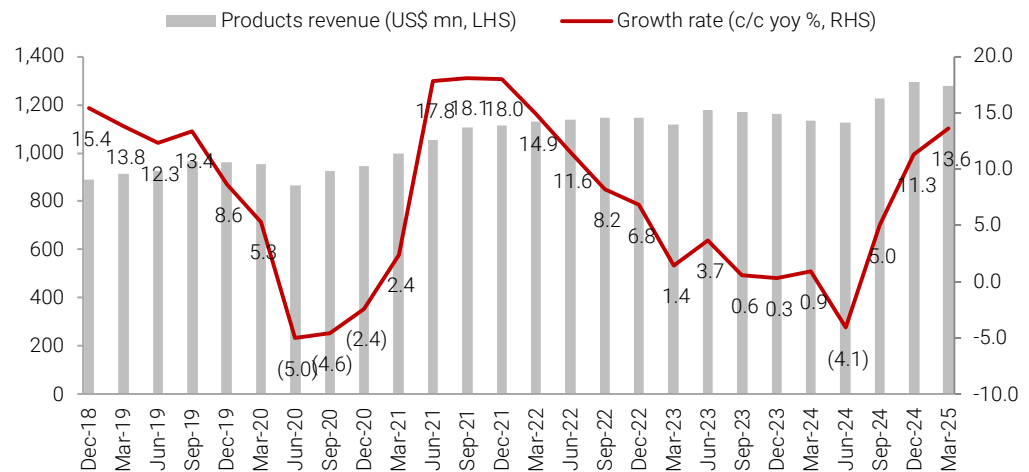
Exhibit 6: Revenue and growth trends in CMT vertical, Dec 2018-Mar 2025, (US\$ mn, %)



Source: Company, Kotak Institutional Equities

Belcan acquisition drives yoy growth in products & resources vertical

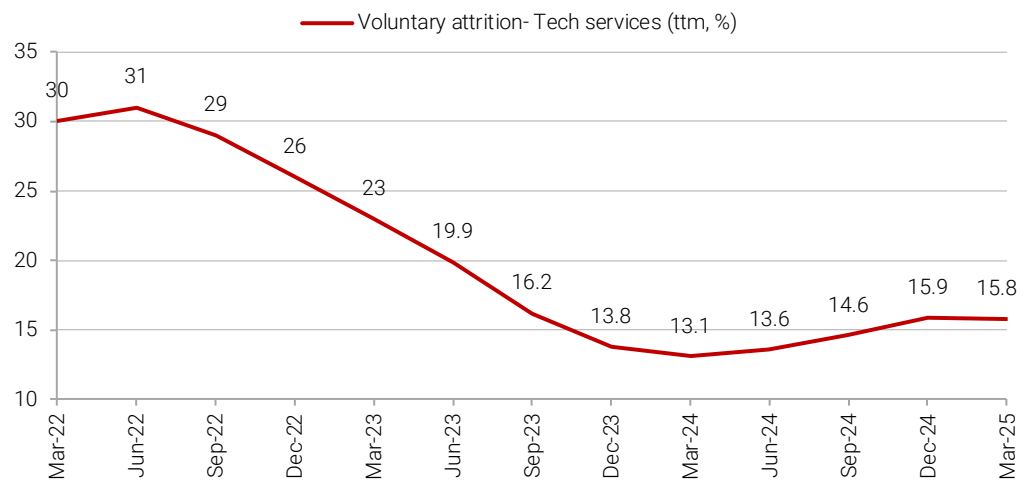
Exhibit 7: Revenue and growth trends in products and resources vertical, Dec 2018-Mar 2025, (US\$ mn, %)



Source: Company, Kotak Institutional Equities

Some uptick in attrition; increases by 270 bps yoy

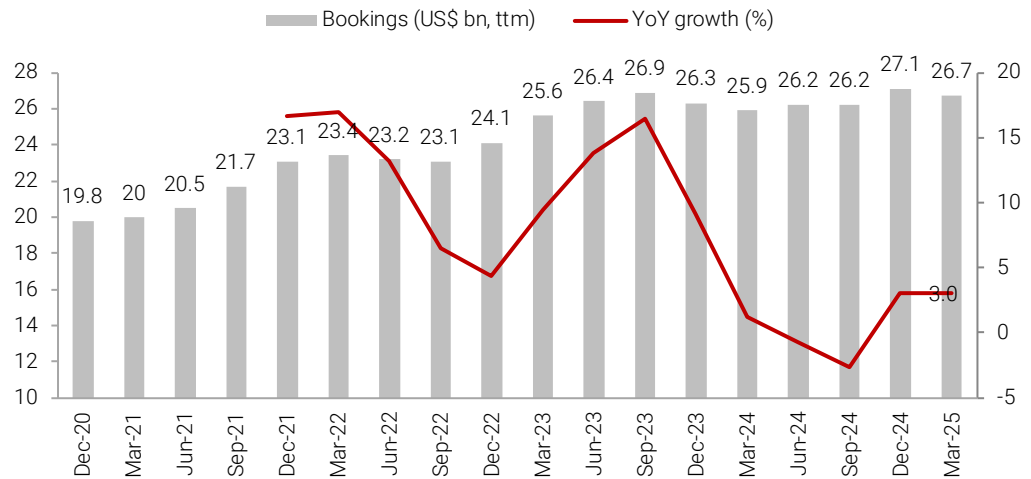
Exhibit 8: Trend in voluntary attrition rates excluding BPO (ttm), Mar 2022-Mar 2025 (%)



Source: Company, Kotak Institutional Equities

TTM deal TCV declined 3% yoy

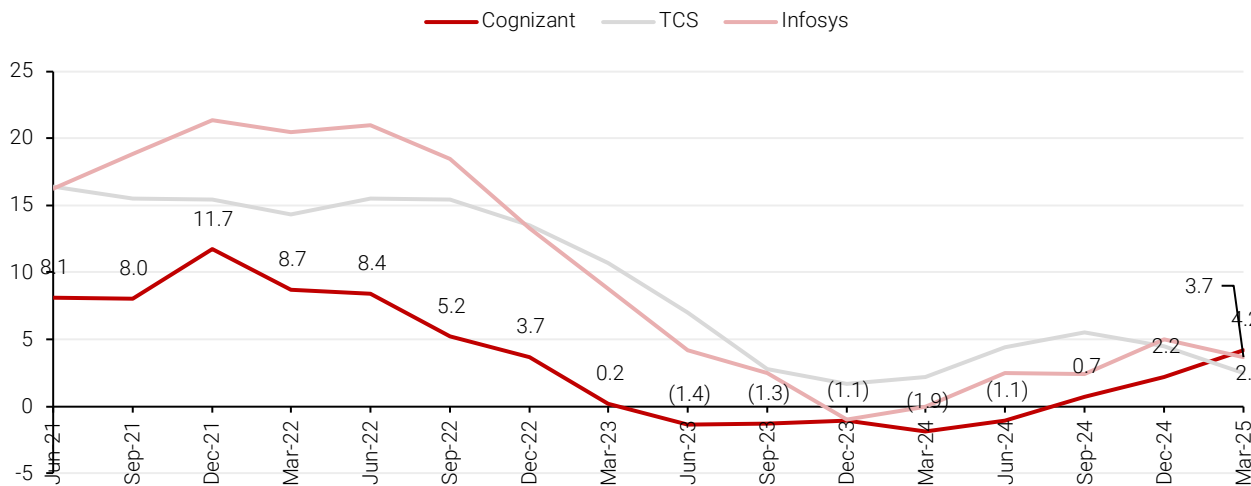
Exhibit 9: Trend in TTM TCV of bookings, Dec 2020–Mar 2025 (US\$ bn)



Source: Company, Kotak Institutional Equities

Cognizant reported better organic c/c growth in 1QCY25 compared to TCS and Infosys

Exhibit 10: Organic c/c growth comparison of CTSH yoy, TCS and Infosys



Source: Companies, Kotak Institutional Equities estimates

Healthy acceleration in financial services and healthcare organic c/c growth for Cognizant relative to peers

Exhibit 11: Organic c/c growth comparison of CTSH yoy, TCS and Infosys across financial services and healthcare verticals

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
YoY c/c revenue growth (%)													
Financial services													
Cognizant	6.0	5.1	1.6	(1.4)	(1.4)	(4.8)	(4.0)	(6.6)	(6.5)	(0.8)	0.7	2.8	6.5
TCS	12.9	13.9	13.1	11.1	9.1	3.0	(0.5)	(3.0)	(3.2)	(0.9)	0.1	0.9	2.5
Infosys	14.1	12.1	11.5	5.5	0.4	(4.2)	(7.3)	(5.9)	(8.5)	0.3	2.3	6.1	12.6
Healthcare and lifesciences													
Cognizant	8.8	7.6	5.5	5.4	3.5	2.1	(0.8)	(2.7)	(1.3)	1.7	7.6	10.4	11.4
TCS	16.4	11.9	14.5	14.4	12.3	10.1	5.0	3.1	1.7	4.0	0.1	(4.3)	(5.6)
Infosys	16.2	15.8	10.3	5.0	15.7	13.9	18.4	6.3	1.0	2.9	(3.5)	6.3	(3.4)

Source: Companies, Kotak Institutional Equities estimates

Exhibit 12: Kotak Institutional Equities—valuation summary of key Indian technology companies

Company	30-Apr-25 Price (Rs)	Rating	Mkt cap.		EPS (Rs)			P/E (X)			EV/EBITDA (X)			RoE (%)		
			(Rs m)	(US\$ m)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Coforge	7,305	BUY	488,550	5,774	141.9	205.5	262.2	51.5	35.6	27.9	24.7	18.8	15.3	19.7	22.3	25.6
Cyient	1,188	REDUCE	131,881	1,559	55.5	62.7	75.0	21.4	18.9	15.8	10.4	9.6	8.2	11.9	11.7	12.9
HCL Technologies	1,568	REDUCE	4,253,670	50,269	63.6	66.2	71.7	24.6	23.7	21.9	15.6	15.2	13.9	25.3	25.4	25.9
Indegene	548	BUY	131,464	1,554	17.0	20.0	23.6	32.2	27.4	23.2	20.9	17.3	14.5	20.9	17.1	17.4
Infosys	1,500	BUY	6,230,311	73,629	63.3	66.1	72.4	23.7	22.7	20.7	15.2	14.5	13.3	28.6	27.6	28.6
KPIT Technologies	1,254	SELL	343,667	4,061	27.6	30.4	36.6	45.5	41.2	34.2	26.7	24.5	20.2	29.7	26.0	26.2
L&T Technology Services	4,257	REDUCE	450,740	5,327	119.4	130.4	151.7	35.7	32.7	28.1	22.3	20.1	17.4	22.2	21.4	22.1
LTIMindtree	4,587	ADD	1,358,914	16,059	155.7	170.4	195.7	29.5	26.9	23.4	18.9	17.6	15.2	21.5	21.1	22.0
Mphasis	2,469	REDUCE	469,298	5,546	89.9	98.5	111.1	27.5	25.1	22.2	17.0	15.6	14.1	18.4	18.8	20.0
Persistent Systems	5,322	SELL	829,356	9,801	90.0	110.9	128.3	59.1	48.0	41.5	39.8	32.8	27.3	24.8	25.1	24.7
Rategain	434	REDUCE	51,212	605	17.7	19.4	21.7	24.5	22.4	20.0	18.9	16.4	13.4	13.4	12.8	12.6
Tata Elxsi	5,766	SELL	359,130	4,244	126.0	121.6	146.2	45.8	47.4	39.4	34.2	33.6	27.8	30.0	25.6	28.6
Tata Technologies	658	SELL	266,869	3,154	16.7	18.5	20.9	39.3	35.6	31.5	26.6	25.8	23.1	20.0	19.9	20.3
TCS	3,454	BUY	12,495,789	147,674	134.2	141.1	153.2	25.7	24.5	22.5	17.8	16.9	15.5	51.2	50.4	50.3
Tech Mahindra	1,503	BUY	1,329,791	15,715	48.1	60.1	78.3	31.3	25.0	19.2	18.0	14.4	11.5	15.8	19.1	23.8
Wipro	242	SELL	2,529,095	29,889	12.5	12.6	13.3	19.3	19.1	18.2	12.0	11.8	11.1	16.5	15.6	15.7

Company	Target Price (Rs)	O/S shares (mn)	EPS CAGR (%) 2025-27E	EPS growth (%)			Net Profit (Rs mn)			EBITDA (Rs mn)			Sales (Rs mn)		
				2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Coforge	8,500	70	35.9	6.7	44.8	27.6	9,564	14,443	18,530	19,811	25,750	31,384	123,246	160,878	191,616
Cyient	1,150	111	16.3	(16.3)	13.1	19.5	6,157	6,966	8,327	11,433	11,882	13,876	73,604	75,596	85,221
HCL Technologies	1,500	2,718	6.2	9.9	4.0	8.3	172,773	179,899	195,024	255,029	260,393	281,970	1,171,033	1,230,313	1,333,382
Indegene	660	241	17.7	13.8	17.5	18.0	4,225	4,819	5,687	5,501	6,404	7,358	28,393	32,359	37,217
Infosys	1,700	4,151	6.9	8.2	4.4	9.5	262,930	274,378	300,478	392,350	404,808	439,663	1,629,900	1,672,266	1,820,248
KPIT Technologies	1,000	274	15.2	29.5	10.3	20.4	7,544	8,326	10,022	12,298	13,305	15,790	58,423	64,143	75,437
L&T Technology Services	4,100	106	12.7	(2.9)	9.2	16.4	12,666	13,833	16,096	18,924	20,961	23,817	106,702	121,259	135,946
LTIMindtree	4,800	296	12.1	0.4	9.5	14.8	46,020	50,372	57,850	64,949	68,332	77,676	380,081	402,223	445,199
Mphasis	2,400	189	11.2	9.1	9.5	12.8	16,991	18,607	20,992	26,467	28,505	31,230	142,299	154,269	170,657
Persistent Systems	4,500	156	19.4	22.2	23.2	15.7	14,001	17,292	20,004	20,582	24,749	29,342	119,387	141,517	165,749
Rategain	630	119	10.7	37.2	9.4	11.9	2,098	2,296	2,570	2,292	2,491	2,842	10,818	12,101	13,743
Tata Elxsi	4,100	62	7.7	(0.9)	(3.5)	20.2	8,047	7,577	9,109	9,927	10,036	12,084	37,290	38,818	45,203
Tata Technologies	500	406	11.7	(1.8)	10.6	12.9	6,787	7,504	8,471	9,341	9,541	10,521	51,685	53,061	57,878
TCS	3,800	3,619	6.9	3.5	5.1	8.6	485,530	510,462	554,428	674,070	706,858	769,199	2,553,240	2,614,044	2,828,488
Tech Mahindra	1,650	890	27.6	51.9	25.0	30.3	42,788	53,489	69,690	69,911	87,268	109,075	529,883	547,157	597,810
Wipro	225	10,491	3.0	22.2	0.7	5.3	130,225	132,374	139,384	180,851	179,733	186,668	890,917	880,291	922,885

Source: Kotak Institutional Equities estimates

Quant Research

India

Sector View:

NIFTY-50: 24,334

May 01, 2025

Alphabet Factor Portfolios: All-season continues to outperform; low vol—leader of the pack

Our multifactor all-season Alphabet portfolios, both in the broad and concentrated versions, continued to outperform the Nifty-50 benchmark in April. Low volatility provided a hedge against early downturns, while sentiment drove a sharp recovery in the latter half of the month. This product showcases the performance of four concentrated and four broad-based portfolios based on single factors and the multifactor version of each.

Low vol hedges the downside while sentiment leads during the recovery

Low volatility (low vol) portfolios outperformed the benchmark in concentrated and broad setups, making it the top-performing single factor. These portfolios provided a good hedge during market downturns. Meanwhile, stocks with high sentiment scores led the recovery, as investors welcomed the temporary pause on US tariffs. Although both concentrated and broad-based fundamental and momentum portfolios underperformed the Nifty-50, the concentrated sentiment factor portfolios managed to outperform the benchmark.

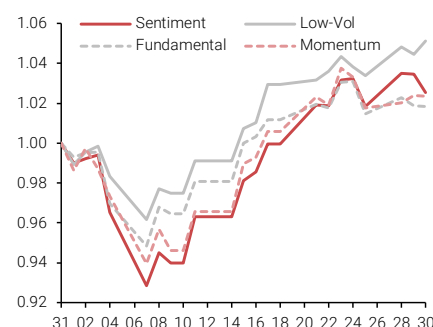
Multifactor all-season portfolio continues to outperform

Our all-season multifactor portfolios outperformed the Nifty-50 benchmark in April, achieving gains of 156 bps in the concentrated setup and 116 bps in the diversified broad-based setup. These portfolios demonstrated resilience against market volatility, consistently outperforming throughout the month. We continue to favor a blended multifactor approach over single-factor tilts. Despite the volatility in single-factor performance over the past 12 months, our concentrated and broad-based all-season portfolios have risen by 11.2% and 7.2%, respectively, relative to the Nifty-50 benchmark.

What's in for May 2025

- For May 2025, the multifactor concentrated portfolio includes Infosys, HCL Technologies, TCS, HDFC Bank and ITC. In the broad-based version, the model has increased its overweight exposure to technology stocks compared with the previous month, while reducing its exposure to consumer durables and non-durables. The model has shifted from being significantly underweight in financials to being marginally overweight. Additionally, it has decreased its underweight exposure to materials, but increased it for energy stocks. If interested in exploring factor behavior across a broader universe, please check our in-depth report, [Anatomy of factors in large-, mid-, small-caps; also sectors, which](#) covers a wide range of factor anomalies across the size segments and sectors within the Nifty-500.

Company data and valuation summary



Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 30, 2025

[Full sector coverage on KINSITE](#)

The Alphabet Suite of Factor Portfolios

Alphabet is a suite of four single-factor portfolios and a multifactor portfolio based on the Nifty 50 index universe. Each month, the top-15 ranking stocks based on the respective factor scores form the broad portfolio, while the top-5 stocks form the concentrated portfolio for a particular factor. Given the nature of construction of these portfolios, it is highly likely that Alphabet portfolio recommendations may differ from KIE Analyst Ratings for the same set of stocks.

Alphabet can be used both by quantitative and fundamental managers for portfolio construction and as a screening tool to filter down the investment universe. The factor scores may also be used as an overlay on the existing stock selection process in a multifactor framework by investment managers.

Our Alphabet portfolios show strong performance on an absolute and a risk-adjusted basis, not only during the back-test period, but also after the model goes live (out of sample).

Alphabet portfolios outperform Nifty-50 benchmark across investment horizons

Exhibit 1: Performance summary of Alphabet portfolios over different horizons

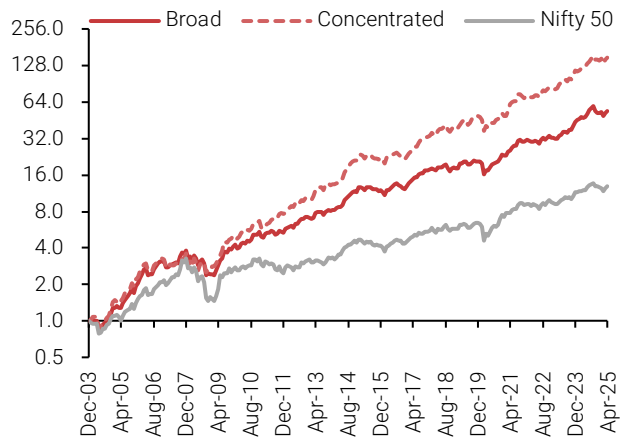
	Apr25	Last 1 Year			Out of Sample (Since Mar20)						Full Backtest (Since Jan04)								
	Return (%)	Return (%)	Risk (Stdev) (%)	Sharpe	Return (%)	Risk (Stdev) (%)	Sharpe	Active Return (%)	Active Risk (%)	IR	Return (%)	Risk (Stdev) (%)	Sharpe	Active Return (%)	Active Risk (%)	IR	Avg. Turnover (%)	Max DD (%)	Hit Rate (%)
Concentrated																			
All-Season	5.02	18.82	18.47	1.02	25.72	18.91	1.36	7.56	12.02	0.63	26.45	19.91	1.33	10.82	14.56	0.74	65.31	(30.65)	61.72
Fundamental	(1.27)	(4.06)	20.24	-0.20	14.76	16.04	0.92	(2.43)	12.06	(0.20)	19.86	18.23	1.09	4.67	14.25	0.33	11.02	(27.44)	57.42
Momentum	2.12	3.46	24.29	0.14	16.86	24.95	0.68	0.97	15.33	0.06	17.50	24.88	0.70	4.08	14.87	0.27	72.19	(54.40)	56.25
Sentiment	4.27	25.29	18.22	1.39	39.92	21.31	1.87	20.51	11.27	1.82	26.94	24.44	1.10	12.64	12.98	0.97	88.20	(43.54)	60.94
Low Vol	5.67	14.62	17.67	0.83	12.93	16.14	0.80	(4.07)	12.57	(0.32)	18.15	17.73	1.02	2.97	14.73	0.20	8.67	(29.57)	55.47
Broad																			
All-Season	4.63	14.80	19.14	0.77	21.65	17.03	1.27	4.04	8.71	0.46	20.60	18.46	1.12	5.95	9.91	0.60	41.98	(37.75)	60.94
Fundamental	1.83	1.32	18.89	0.07	18.83	16.39	1.15	1.49	8.40	0.18	17.17	18.68	0.92	2.98	9.45	0.32	8.98	(38.82)	54.69
Momentum	2.35	1.01	17.92	0.06	22.96	21.38	1.07	6.24	8.45	0.74	19.66	21.73	0.90	5.98	9.15	0.65	55.78	(50.23)	61.72
Sentiment	2.53	9.12	18.87	0.48	27.27	18.39	1.48	9.18	8.48	1.08	20.30	21.65	0.94	6.49	8.58	0.76	69.05	(46.54)	59.77
Low Vol	5.13	7.44	17.31	0.43	18.46	15.95	1.16	1.09	8.62	0.13	19.30	17.34	1.11	4.60	9.68	0.48	5.39	(38.46)	58.59
Benchmark																			
Nifty 50	3.46	7.65	14.35	0.53	16.20	18.58	0.87				12.75	21.02	0.61						

Source: Kotak Institutional Equities, FactSet

Among the single-factor portfolios, low volatility was the top performer in concentrated and diversified broad-based setups. While the sentiment factor outperformed the benchmark in the concentrated setup, it underperformed in the broad-based version, along with the fundamental and momentum factors, which also underperformed in the concentrated setup. Our broad and concentrated multifactor portfolios continued to outperform the benchmark by 1.16% and 1.52%, respectively, last month. Over the past 12 months, the concentrated and broad-based portfolios have outperformed the Nifty-50 benchmark by 11.2% and 7.2%, respectively.

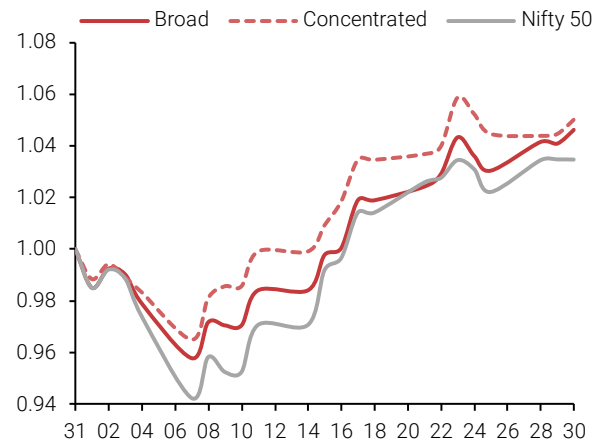
All-Season Portfolio

Exhibit 2: Cumulative performance since January 2004



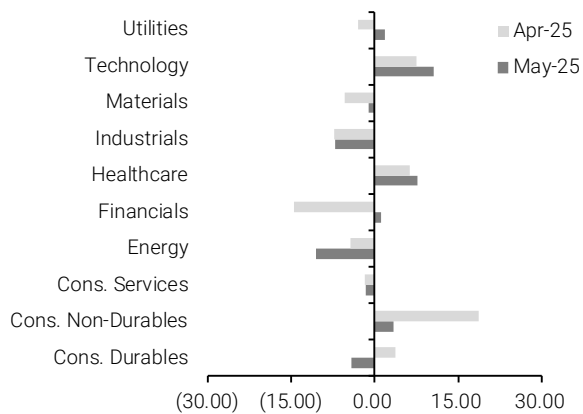
Source: Kotak Institutional Equities, FactSet

Exhibit 3: Performance in last month



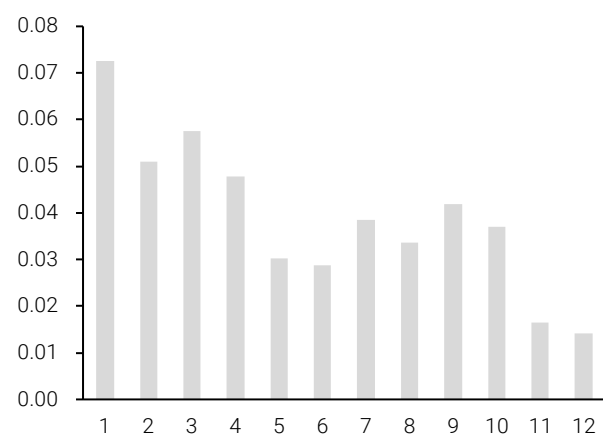
Source: Kotak Institutional Equities, FactSet

Exhibit 4: Sector exposure



Source: Kotak Institutional Equities, FactSet

Exhibit 5: Avg. information coefficient decay profile over 12M



Source: Kotak Institutional Equities, FactSet

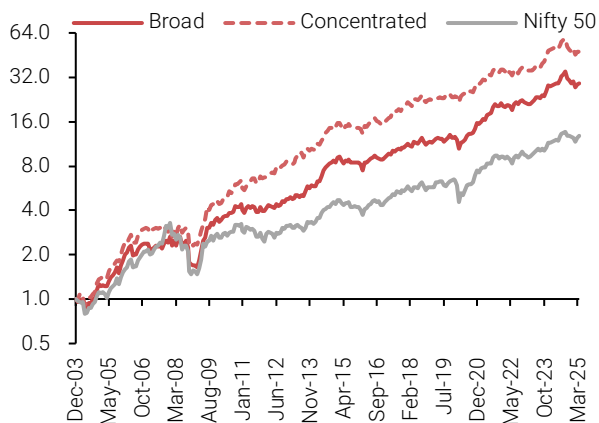
Exhibit 6: All-Season portfolio constituents for May 2025

Sedol	Name	ISIN	Sector	Weight			KIE Analyst Recommendation
				Nifty 50 (%)	Broad Portfolio (%)	Concentrated Portfolio (%)	
6205122	Infosys Limited	INE009A01021	Technology	4.91	4.22	13.91	BUY
6294896	HCL Technologies Limited	INE860A01027	Technology	1.51	4.29	14.13	REDUCE
B01NPJ1	Tata Consultancy Services Limited	INE467B01029	Technology	3.20	5.34	17.59	BUY
BK1N461	HDFC Bank Limited	INE040A01034	Financials	13.30	7.39	24.37	ADD
B0JGGP5	ITC Limited	INE154A01025	Cons. Non-Durables	3.60	10.48	30.00	ADD
BSQCB24	State Bank of India	INE062A01020	Financials	2.75	6.05		BUY
BZBYJJ7	JSW Steel Limited	INE019A01038	Materials	0.89	4.03		REDUCE
BMW4CV8	Eicher Motors Limited	INE066A01021	Cons. Durables	0.70	4.38		SELL
6582483	Sun Pharmaceutical Industries Limited	INE044A01036	Healthcare	1.79	11.68		ADD
BSZ2BY7	ICICI Bank Limited	INE090A01021	Financials	9.15	11.18		BUY
6442327	Bharti Airtel Limited	INE397D01024	Technology	4.54	10.34		ADD
BWFGD63	Tech Mahindra Limited	INE669C01036	Technology	0.87	3.54		BUY
B233HS6	Power Grid Corporation of India Limited	INE752E01010	Utilities	1.27	4.67		SELL
BMTWGK2	Bajaj Finserv Limited	INE918I01026	Financials	0.96	5.10		ADD
BZ60N32	SBI Life Insurance Co. Ltd.	INE123W01016	Financials	0.72	7.31		ADD

Source: Kotak Institutional Equities, FactSet

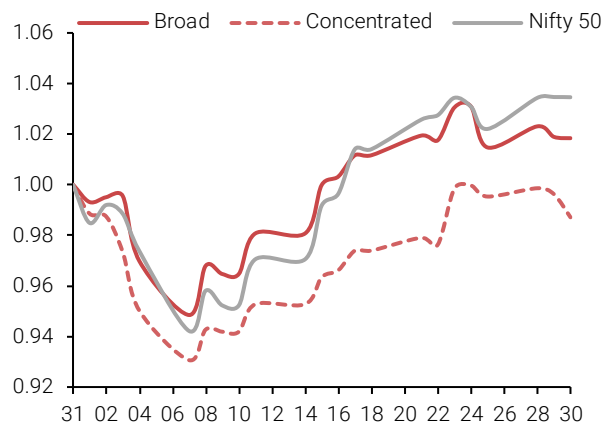
Fundamental Portfolio

Exhibit 7: Cumulative performance since January 2004



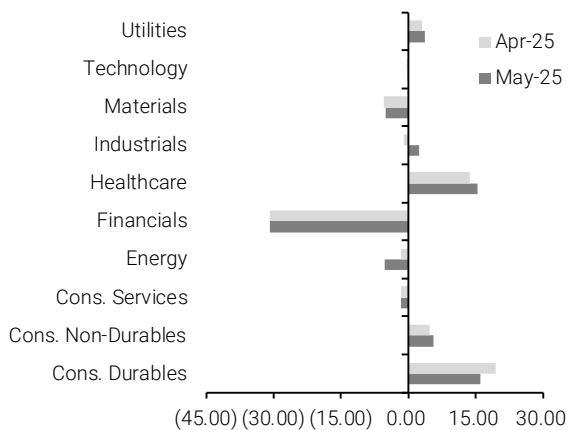
Source: Kotak Institutional Equities, FactSet

Exhibit 8: Performance in last month



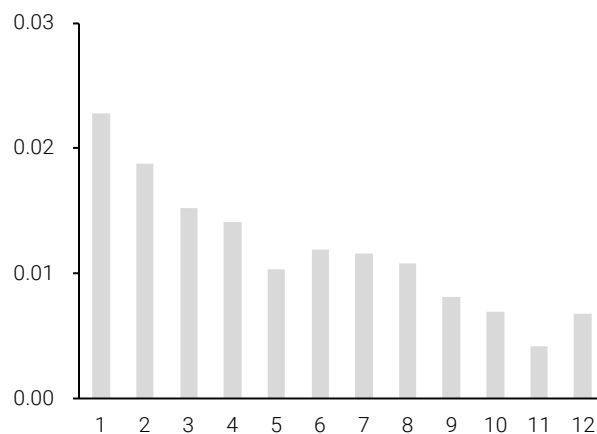
Source: Kotak Institutional Equities, FactSet

Exhibit 9: Sector exposure



Source: Kotak Institutional Equities, FactSet

Exhibit 10: Avg. information coefficient decay profile over 12M



Source: Kotak Institutional Equities, FactSet

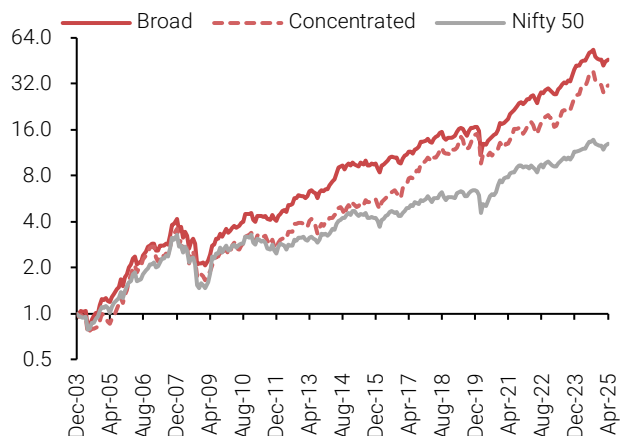
Exhibit 11: Fundamental portfolio constituents for May 2025

Sedol	Name	ISIN	Sector	Weight			KIE Analyst Recommendation
				Nifty 50 (%)	Broad Portfolio (%)	Concentrated Portfolio (%)	
B611LV1	Tata Motors Limited	INE155A01022	Cons. Durables	1.22	5.01	15.10	REDUCE
B4Z9XF5	Coal India Ltd.	INE522F01014	Energy	0.80	5.34	16.11	REDUCE
6205122	Infosys Limited	INE009A01021	Technology	4.91	5.85	17.64	BUY
6327327	Hero Motocorp Limited	INE158A01026	Cons. Durables	0.45	7.02	21.15	SELL
BQB8GH3	Nestle India Ltd.	INE239A01024	Cons. Non-Durables	0.78	12.84	30.00	REDUCE
BF1THH6	Bharat Electronics Limited	INE263A01024	Technology	1.02	5.11		SELL
B011108	Cipla Ltd	INE059A01026	Healthcare	0.79	10.51		BUY
BQ2KJW4	Dr. Reddy's Laboratories Ltd.	INE089A01031	Healthcare	0.66	8.92		REDUCE
BCRWL65	Asian Paints Ltd.	INE021A01026	Industrials	1.00	6.83		REDUCE
BMW4CV8	Eicher Motors Limited	INE066A01021	Cons. Durables	0.70	6.07		SELL
6206051	Wipro Limited	INE075A01022	Technology	0.62	6.06		SELL
BS4DBX0	Shriram Finance Limited	INE721A01047	Financials	0.78	4.99		BUY
B037HF1	NTPC Limited	INE733E01010	Utilities	1.53	6.48		SELL
B28XXH2	Adani Ports & Special Economic Zone L	INE742F01042	Industrials	0.82	2.60		BUY
B2QKXW0	Bajaj Auto Limited	INE917I01010	Cons. Durables	0.81	6.38		SELL

Source: Kotak Institutional Equities, FactSet

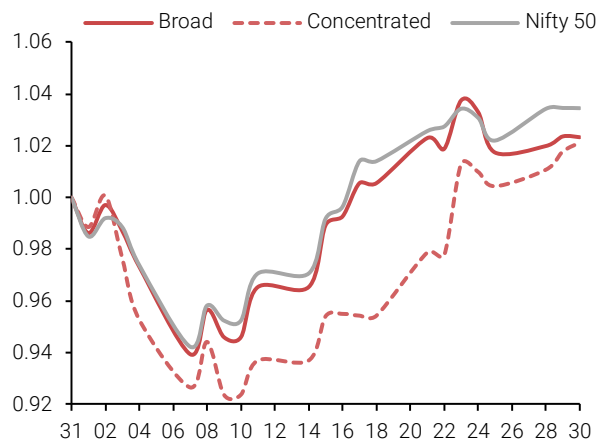
Momentum Portfolio

Exhibit 12: Cumulative performance since January 2004



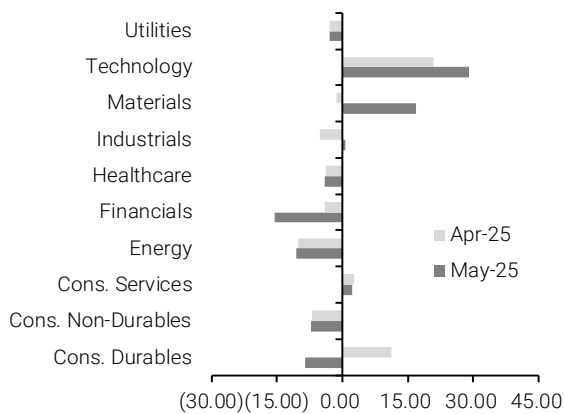
Source: Kotak Institutional Equities, FactSet

Exhibit 13: Performance in last month



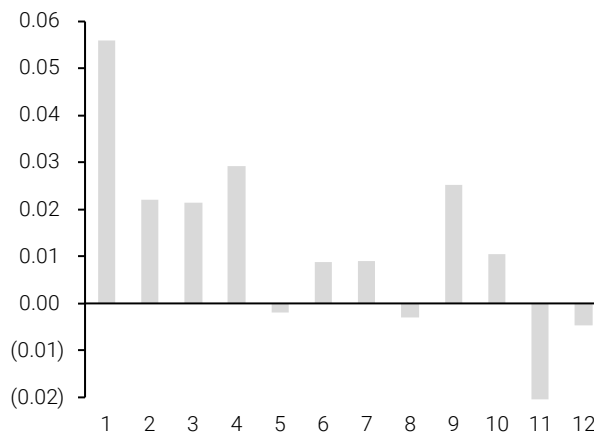
Source: Kotak Institutional Equities, FactSet

Exhibit 14: Sector exposure



Source: Kotak Institutional Equities, FactSet

Exhibit 15: Avg. information coefficient decay profile over 12M



Source: Kotak Institutional Equities, FactSet

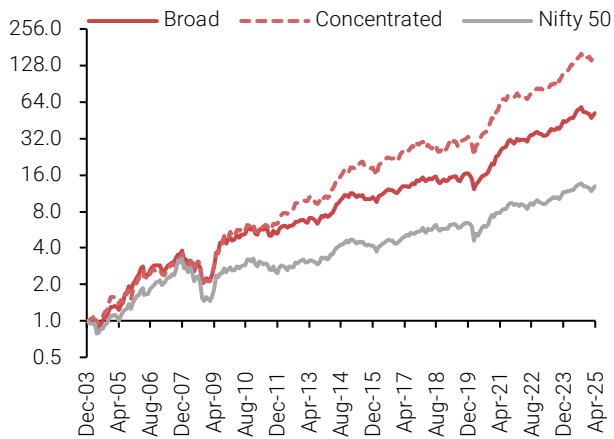
Exhibit 16: Momentum portfolio constituents for May 2025

Sedol	Name	ISIN	Sector	Weight			KIE Analyst Recommendation
				Nifty 50 (%)	Broad Portfolio (%)	Concentrated Portfolio (%)	
BS4DBX0	Shriram Finance Limited	INE721A01047	Financials	0.78	5.16	15.96	BUY
BZBYJJ7	JSW Steel Limited	INE019A01038	Materials	0.89	5.78	17.87	REDUCE
6206051	Wipro Limited	INE075A01022	Technology	0.62	6.26	19.37	SELL
BMTWKG2	Bajaj Finserv Limited	INE918I01026	Financials	0.96	7.31	22.62	ADD
BD2NOP2	Bajaj Finance Limited	INE296A01024	Financials	2.05	7.82	24.19	ADD
BF1THH6	Bharat Electronics Limited	INE263A01024	Technology	1.02	5.28		SELL
6205122	Infosys Limited	INE009A01021	Technology	4.91	6.05		BUY
BDDRN32	Trent Limited	INE849A01020	Cons. Services	1.04	3.84		REDUCE
B0GWF48	Hindalco Industries Limited	INE038A01020	Materials	0.82	3.85		BUY
BPQWCZ3	Tata Steel Limited	INE081A01020	Materials	1.05	4.07		SELL
B0166K8	Larsen & Toubro Limited	INE018A01030	Industrials	3.56	7.76		REDUCE
6294896	HCL Technologies Limited	INE860A01027	Technology	1.51	6.14		REDUCE
6442327	Bharti Airtel Limited	INE397D01024	Technology	4.54	14.82		ADD
B01GZF6	UltraTech Cement Limited	INE481G01011	Materials	1.23	8.21		SELL
B01NPJ1	Tata Consultancy Services Limited	INE467B01029	Technology	3.20	7.65		BUY

Source: Kotak Institutional Equities, FactSet

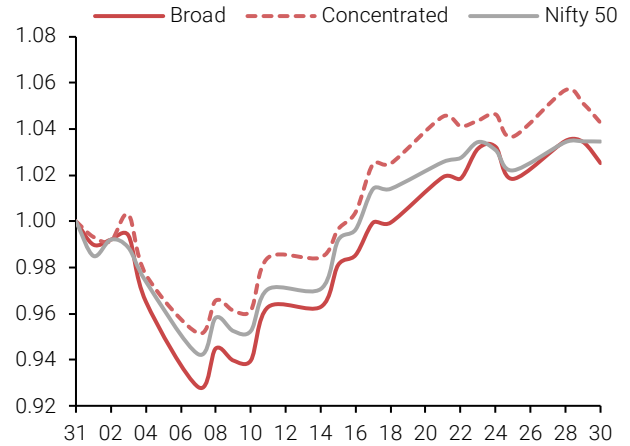
Sentiment Portfolio

Exhibit 17: Cumulative performance since January 2004



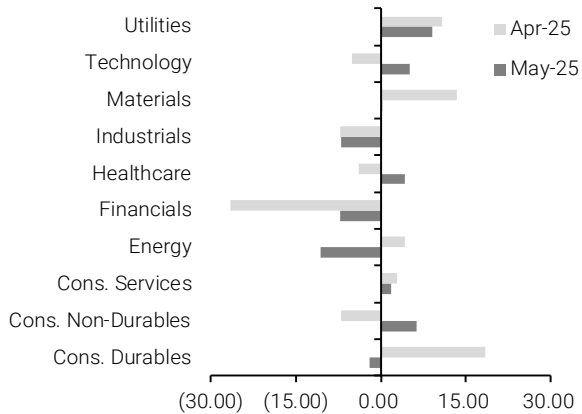
Source: Kotak Institutional Equities, FactSet

Exhibit 18: Performance in last month



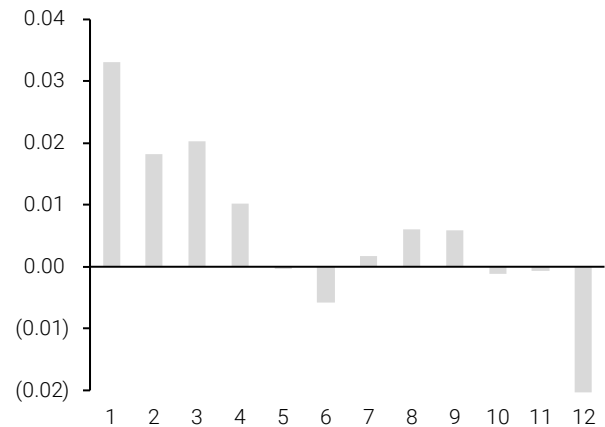
Source: Kotak Institutional Equities, FactSet

Exhibit 19: Sector exposure



Source: Kotak Institutional Equities, FactSet

Exhibit 20: Avg. information coefficient decay profile over 12M



Source: Kotak Institutional Equities, FactSet

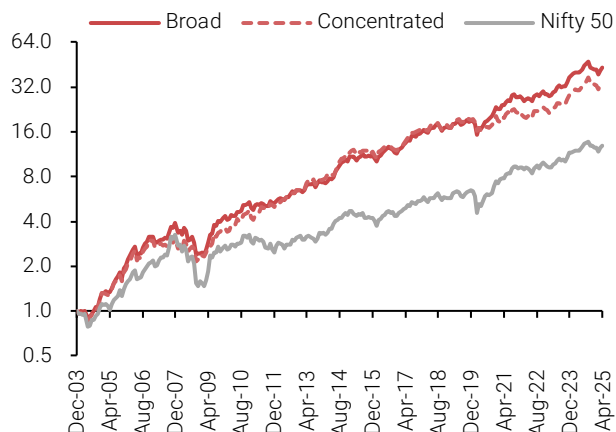
Exhibit 21: Sentiment portfolio constituents for May 2025

Sedol	Name	ISIN	Sector	Weight			KIE Analyst Recommendation
				Nifty 50 (%)	Broad Portfolio (%)	Concentrated Portfolio (%)	
6205122	Infosys Limited	INE009A01021	Technology	4.91	5.43	15.51	BUY
6294896	HCL Technologies Limited	INE860A01027	Technology	1.51	5.51	15.75	REDUCE
B01NPJ1	Tata Consultancy Services Limited	INE467B01029	Technology	3.20	6.86	19.62	BUY
BSQCB24	State Bank of India	INE062A01020	Financials	2.75	7.78	22.25	BUY
BZ60N32	SBI Life Insurance Co. Ltd.	INE123W01016	Financials	0.72	9.40	26.87	ADD
6139340	Titan Company Limited	INE280A01028	Cons. Durables	1.27	6.56		REDUCE
BQ2KJW4	Dr. Reddy's Laboratories Ltd.	INE089A01031	Healthcare	0.66	8.27		REDUCE
BK1N461	HDFC Bank Limited	INE040A01034	Financials	13.30	9.51		ADD
BZBYJJ7	JSW Steel Limited	INE019A01038	Materials	0.89	5.18		REDUCE
BDDRN32	Trent Limited	INE849A01020	Cons. Services	1.04	3.44		REDUCE
B0JGGP5	ITC Limited	INE154A01025	Cons. Non-Durables	3.60	13.48		ADD
6100454	IndusInd Bank Ltd.	INE095A01012	Financials	0.50	2.00		REDUCE
B037HF1	NTPC Limited	INE733E01010	Utilities	1.53	6.01		SELL
BWFGD63	Tech Mahindra Limited	INE669C01036	Technology	0.87	4.56		BUY
B233HS6	Power Grid Corporation of India Limited	INE752E01010	Utilities	1.27	6.00		SELL

Source: Kotak Institutional Equities, FactSet

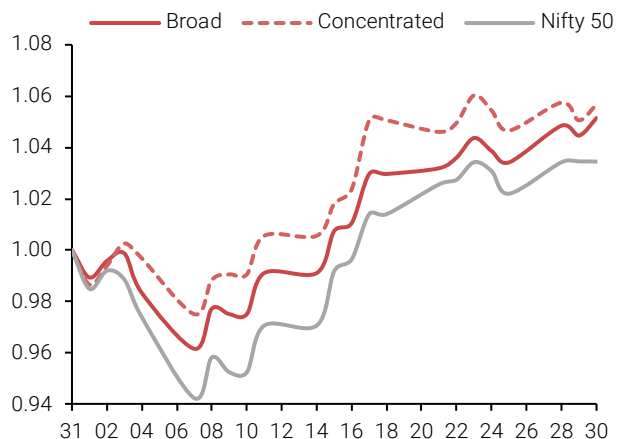
Low Volatility Portfolio

Exhibit 22: Cumulative performance since January 2004



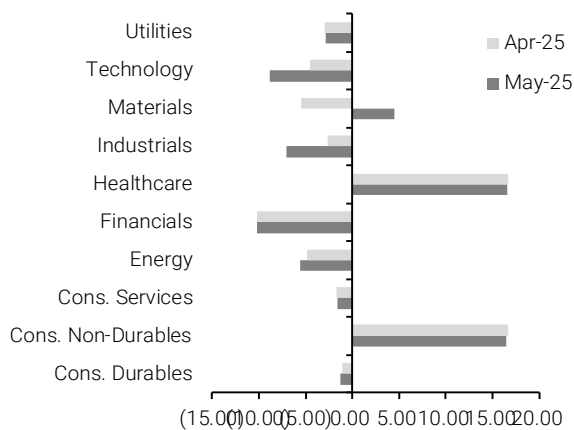
Source: Kotak Institutional Equities, FactSet

Exhibit 23: Performance in last month



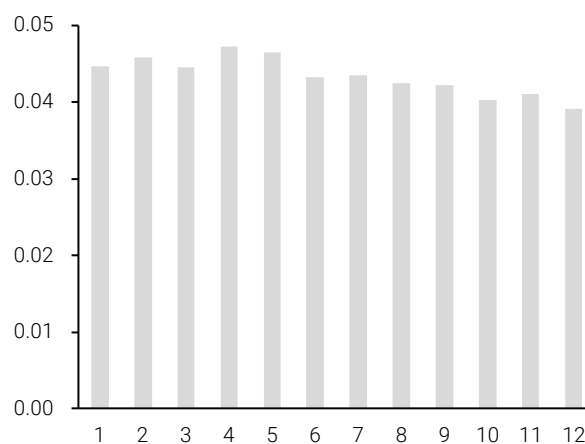
Source: Kotak Institutional Equities, FactSet

Exhibit 24: Sector exposure



Source: Kotak Institutional Equities, FactSet

Exhibit 25: Avg. information coefficient decay profile over 12M



Source: Kotak Institutional Equities, FactSet

Exhibit 26: Low Volatility portfolio constituents for May 2025

Sedol	Name	ISIN	Sector	Weight			KIE Analyst Recommendation
				Nifty 50 (%)	Broad Portfolio (%)	Concentrated Portfolio (%)	
BK1N461	HDFC Bank Limited	INE040A01034	Financials	13.30	5.93	14.83	ADD
BQB8GH3	Nestle India Ltd.	INE239A01024	Cons. Non-Durables	0.78	7.43	18.58	REDUCE
6442327	Bharti Airtel Limited	INE397D01024	Technology	4.54	8.29	20.74	ADD
BSZ2BY7	ICICI Bank Limited	INE090A01021	Financials	9.15	8.96	22.42	BUY
6582483	Sun Pharmaceutical Industries Limited	INE044A01036	Healthcare	1.79	9.37	23.43	ADD
B011108	Cipla Ltd	INE059A01026	Healthcare	0.79	6.08		BUY
BSQCB24	State Bank of India	INE062A01020	Financials	2.75	4.85		BUY
BQ2KJW4	Dr. Reddy's Laboratories Ltd.	INE089A01031	Healthcare	0.66	5.16		REDUCE
BYQKH33	Grasim Industries Ltd.	INE047A01021	Materials	0.95	4.97		REDUCE
6099626	Reliance Industries Limited	INE002A01018	Energy	8.65	5.07		BUY
6261674	Hindustan Unilever Limited	INE030A01027	Cons. Non-Durables	1.89	7.80		ADD
B0JGGP5	ITC Limited	INE154A01025	Cons. Non-Durables	3.60	8.41		ADD
6633712	Maruti Suzuki India Limited	INE585B01010	Cons. Durables	1.46	7.23		ADD
B01GZF6	UltraTech Cement Limited	INE481G01011	Materials	1.23	4.60		SELL
BZ60N32	SBI Life Insurance Co. Ltd.	INE123W01016	Financials	0.72	5.86		ADD

Source: Kotak Institutional Equities, FactSet

March 2025: Results calendar

Mon	Tue	Wed	Thu	Fri	Sat	Sun
28-Apr	29-Apr	30-Apr	1-May	2-May	3-May	4-May
				Aether Industries	Avenue Supermarts	
				Arcchem Chemical	Indian Bank	
				City Union Bank	Kotak Mahindra Bank	
				Godrej Properties	State Bank of India	
				Gravita India	Utkarsh Small Finance Bank	
				Indian Overseas Bank	Vardhman Textiles	
				Jindal Saw		
				Latent View		
				Marico		
				Newgen Software		
				RR Kabel		
				Sunteck Realty		
5-May	6-May	7-May	8-May	9-May	10-May	11-May
CAMS	Aadhar Housing Finance	APL Apollo Tubes	Aarti Industries	ABB		
Capri Global	Alembic Pharmaceuticals	Blue Star	Aditya Birla Real Estate	Alkyl Amines		
CCL Products	Aptus Value Housing Finance	Cartrade Tech	Asian Paints	Bank of India		
Coforge	Avalon Technologies	Coal India	Bharat Forge	Cera Sanitaryware		
DCM Shriram	Bank of Baroda	Craftsman Automation	Biocon	Cholamandalam Financial		
Indian Hotels	CG Power & Industrial	Dabur India	Canara Bank	Dr Reddy's Laboratories		
J&K Bank	Godrej Consumer Products	HUDDCO	Chambal Fertilisers	Grindwell Norton		
Mahindra & Mahindra	HPCL	MRF	Escorts Kubota	Intellect Design		
	JBM Auto	Niva Bupa Health Insurance	Fine Organic	KPR Mill		
	Kajaria Ceramics	Route Mobile	Kalyan Jewellers	Manappuram Finance		
	Kansai Nerolac	Sapphire Foods	L&T	Motherhood Sumi Wiring		
	KEI Industries	Sonata Software	MCX India	Navin Fluorine		
	Mahanagar Gas	Tata Chemicals	Pidilite Industries	Relaxo Footwear		
	One 97 Communications	United Breweries	Sula Vineyards	Swiggy		
	Piramal Enterprises		Titan Company	Thermax		
	Poly Medicure					
	Polycab					
	Radico Khaitan					
	Vedant Fashions					
12-May	13-May	14-May	15-May	16-May	17-May	18-May
Garden Reach Shipbuilders	Bharti Airtel	Apar Industries	Crompton Greaves Consumer	Emami		
JM Financial	Bharti Hexacom	BASF India	Endurance Technologies	Jubilant Pharmova		
Jyothy Labs	Cipla	Berger Paints	IFCI			
	GlaxoSmithkline Pharma	JB Chemicals & Pharma	NCC			
	Honeywell Auto	Jubilant Foodworks	Page Industries			
	Jubilant Ingrevia	LMW	PB Fintech			
	Max Financial Services	Lupin				
	Tata Motors	Muthoot Finance				
		Piramal Pharma				
		Rites				
		Shree Cement				
		Shree Renuka Sugar				
		Tata Power				
		V-Guard Industries				
		Westlife Foodworld				
19-May	20-May	21-May	22-May	23-May	24-May	25-May
Gujarat Gas	Gujarat State Fertilizers & Chemicals	TeamLease Services	Clean Science & Technology	JSW Steel	HBL Engineering	
HEG	Hindalco Industries		Container Corp.		Indigo Paints	
					J K Cement	
26-May	27-May	28-May	29-May	30-May	31-May	1-Jun
Gillette India	Bosch	Bata India	Amara Raja Energy & Mobility			
Sumitomo Chemical	Esab India	Cummins India	ICRA			
	Medplus Health Services	Suven Pharma	P&G Health			
	P&G Hygiene					
	TTK Prestige					

Source: BSE, NSE, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		30-Apr-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	Traded	Delivered
Automobiles & Components																											
Amara Raja Energy & Mobility	SELL	972	950	(2)	178	2.1	183	58	62	68	17	16	14	2.3	2.1	1.8	10	8	8	15	14	14	0.6	0.6	0.7	10	4
Apollo Tyres	SELL	472	385	(18)	300	3.5	638	21	26	29	23	18	16	2.0	1.9	1.7	9	7	6	9	11	11	1.3	1.5	1.5	8	3
Ashok Leyland	ADD	225	240	7	662	7.8	2,936	11	11	12	21	20	19	6.0	5.1	4.5	13	12	11	31	28	26	1.9	2.0	2.7	22	9
Bajaj Auto	SELL	8,030	7,000	(13)	2,242	27	279	303	336	370	27	24	22	8.4	7.9	7.4	20	18	16	33	34	35	3.0	3.4	3.7	42	22
Balkrishna Industries	SELL	2,675	2,200	(18)	517	6.1	193	87	89	100	31	30	27	5.1	4.5	4.0	19	18	15	18	16	16	0.7	0.7	0.8	7	4
Bharat Forge	SELL	1,104	850	(23)	528	6.2	478	22	29	36	49	39	30	5.6	5.1	4.5	21	20	17	13	14	16	0.6	0.7	0.8	20	10
CEAT	SELL	3,332	2,825	(15)	135	1.6	40	122	167	185	27	20	18	3.1	2.8	2.5	10	9	8	12	15	14	0.9	1.3	1.4	3	1
CIE Automotive	SELL	402	380	(5)	152	1.8	378	22	22	25	19	18	16	2.3	2.1	1.9	11	10	9	13	12	13	1.7	1.6	1.9	1	1
Eicher Motors	SELL	5,567	4,250	(24)	1,526	18.0	272	170	180	198	33	31	28	8.3	7.2	6.3	30	26	23	27	25	24	1.0	1.1	1.2	31	17
Endurance Technologies	REDUCE	1,875	1,900	1	264	3.1	141	55	65	75	34	29	25	4.7	4.2	3.7	17	14	13	14	15	15	0.6	0.8	0.9	2	1
Escorts Kubota	SELL	3,259	2,925	(10)	365	4.3	112	96	106	124	34	31	26	3.5	3.2	2.9	30	25	21	10	10	11	0.4	0.5	0.6	6	2
Exide Industries	SELL	352	290	(18)	299	3.5	850	13	14	16	28	25	22	2.1	1.9	1.8	16	15	13	8	8	9	0.6	0.7	0.7	12	5
Hero Motocorp	SELL	3,827	3,400	(11)	766	9.0	200	229	240	261	17	16	15	4.0	3.7	3.4	11	10	9	25	24	24	4.2	4.4	4.8	32	16
Hyundai Motor	BUY	1,708	2,000	17	1,388	16.4	813	69	79	91	25	22	19	9.2	7.3	5.9	15	13	11	37	34	32	0.8	1.8	2.1	33	20
Mahindra & Mahindra	BUY	2,929	3,500	20	3,642	43.0	1,159	105	119	131	28	25	22	5.4	4.6	3.9	21	18	16	21	20	19	0.5	0.6	0.7	116	62
Maruti Suzuki	ADD	12,257	12,275	0	3,854	45.5	314	470	500	555	26	25	22	4.1	3.7	3.4	17	16	14	17	16	16	1.1	1.6	1.8	62	36
MRF	SELL	134,505	106,500	(21)	570	6.7	4	4,225	5,227	5,917	32	26	23	3.1	2.8	2.5	13	11	10	10	11	12	0.2	0.2	0.2	10	3
Ola Electric	REDUCE	49	50	3	215	2.5	4,411	(4)	(3)	(2)	NM	NM	NM	3.8	4.9	6.1	NM	NM	NM	NM	NM	NM	0.0	0.0	0.0	32	9
Samvardhana Motherson	REDUCE	133	120	(10)	938	11.1	7,036	5	6	7	25	24	19	2.7	2.5	2.2	10	10	8	12	11	12	0.6	0.7	0.8	31	15
Schaeffler India	REDUCE	3,473	3,250	(6)	543	6.4	156	60	70	77	58	49	45	10.2	9.2	8.3	37	31	28	19	19	19	0.1	0.0	0.0	3	1
SKF	ADD	3,880	4,150	7	192	2.3	49	100	124	150	39	31	26	6.5	5.8	5.2	30	23	18	17	19	20	1.0	1.2	1.5	3	2
Sona BLW Precision	REDUCE	481	450	(6)	299	3.5	618	10	12	14	49	41	35	5.3	4.8	4.3	29	26	22	15	12	13	0.3	0.5	0.6	15	7
Tata Motors	REDUCE	644	600	(7)	2,372	28.0	3,677	60	63	79	11	10	8	2.3	1.9	1.6	5	5	4	23	20	21	1.1	1.6	2.3	126	47
Timken	ADD	2,453	3,175	29	184	2.2	75	54	67	84	46	37	29	6.6	5.6	4.8	31	25	20	16	16	18	0.0	0.0	0.0	4	2
TVS Motor	REDUCE	2,672	2,400	(10)	1,269	15.0	475	57	68	80	47	39	33	12.8	10.1	8.2	29	24	21	31	29	27	0.3	0.4	0.5	26	13
Uno Minda	SELL	894	930	4	513	6.1	572	17	19	21	54	47	43	8.8	7.4	6.4	28	24	21	16	16	15	0.2	0.3	0.3	9	5
Varror Engineering	SELL	432	500	16	66	0.8	153	7	25	33	60	17	13	3.8	2.7	2.3	9	7	6	6	16	17	—	—	—	2	1
Automobiles & Components	Cautious				23,978	283.4					25.4	22.9	19.8	4.5	4.0	3.5	13.5	12.6	10.9	17.9	17.5	17.8	1.1	1.4	1.6	668	314
Banks																											
AU Small Finance Bank	ADD	679	650	(4)	505	6.0	745	28	37	48	24	18	14	3.0	2.6	2.2	—	—	—	13	15	17	—	—	—	28	13
Axis Bank	BUY	1,185	1,500	27	3,671	43.4	3,097	85	89	101	14	13	12	1.4	1.8	1.6	—	—	—	16	14	15	0.1	1.1	1.3	99	65
Bandhan Bank	BUY	166	225	36	267	3.2	1,611	17	22	26	10	7	6	1.0	1.0	0.9	—	—	—	12	14	14	1.6	2.1	2.5	18	7
Bank of Baroda	ADD	250	255	2	1,292	15.3	5,178	36	34	32	7	7	8	1.1	1.0	0.9	—	—	—	16	13	11	2.9	2.8	2.6	30	14
Canara Bank	ADD	97	105	8	884	10.4	9,071	18	15	14	6	6	7	1.0	0.9	0.8	—	—	—	17	13	11	3.6	3.2	3.0	29	12
City Union Bank	ADD	177	180	2	131	1.5	741	15	16	18	12	11	10	1.5	1.3	1.2	—	—	—	13	12	13	1.4	1.4	1.7	5	3
DCB Bank	BUY	135	160	18	42	0.5	314	20	22	31	7	6	4	0.9	0.8	0.7	—	—	—	11	11	14	1.0	1.4	2.5	2	1
Equitas Small Finance Bank	BUY	67	85	27	76	0.9	1,140	1	4	7	52	17	9	1.3	1.2	1.1	—	—	—	2	7	12	—	—	—	4	2
Federal Bank	BUY	197	225	14	483	5.7	2,455	17	16	20	12	12	10	1.5	1.4	1.2	—	—	—	13	11	12	0.6	1.2	1.5	18	9
HDFC Bank	ADD	1,925	2,100	9	14,731	174.1	7,652	88	98	112	22	20	17	3.0	2.7	2.4	—	—	—	14	14	15	1.1	1.3	1.5	259	176
ICICI Bank	BUY	1,427	1,600	12	10,168	120.2	7,123	67	66	74	21	22	19	3.5	3.1	2.8	—	—	—	18	15	15	0.8	0.9	1.0	185	122
IndusInd Bank	REDUCE	838	850	1	653	7.7	778	53	90	112	16	9	7	1.0	0.9	0.8	—	—	—	6	10	11	0.9	1.5	1.9	130	57
Karur Vysya Bank	BUY	218	260	19	174	2.1	804	23	25	28	9	9	8	1.6	1.4	1.2	—	—	—	18	16	16	2.7	2.9	3.4	6	3
Punjab National Bank	ADD	100	110	10	1,152	13.6	11,493	14	13	13	7	8	8	1.0	0.9	0.8	—	—	—	14	11	10	2.8	2.5	2.6	28	11
State Bank of India	BUY	789	975	24	7,038	83.2	8,925	72	70	87	11	11	9	1.8	1.6	1.4	—	—	—	16	14	15	1.9	2.0	2.1	107	53
Ujjivan Small Finance Bank	BUY	43	55	29	82	1.0	1,935	4	3	5	11	17	8	1.4	1.3	1.2	—	—	—	12	8	15	0.0	1.4	2.8	8	3
Union Bank	BUY	126	155	23	960	11.3	7,634	22	21	21	6	6	6	0.9	0.8	0.7	—	—	—	16	13	12	3.6	3.3	3.4	18	7
Utkarsh Small Finance Bank	ADD	25	30	21	27	0.3	1,102	(2)	1	4	NM	38	6	1.1	1.0	0.9	—	—	—	NM	3	16	—	—	—	1	0
YES Bank	SELL	18	17	(4)	556	6.6	31,354	1	1	1	23	16	12	1.2	1.1	1.0	—	—	—	5	7	9	—	—	—	20	8
Banks	Attractive				42,893	506.9					14.6	14.3	12.6	2.0	1.8	1.6				13.9	12.8	13.0	1.3	1.4	1.6	994	567

Source: Company, Bloomberg, Kotak Institutional Equities estimates



Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs) 30-Apr-25	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	US\$ bn)	O/S shares (mn)	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
								2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	Traded	Delivered
Capital goods																											
ABB	ADD	5,509	5,350	(3)	1,167	13.8	212	88	95	102	62	58	54	16.5	14.2	12.5	48	46	42	29	26	25	0.5	0.6	0.8	37	16
Bharat Electronics	SELL	314	260	(17)	2,296	27.1	7,310	7	8	9	45	39	34	11.9	10.1	8.5	33	29	24	29	28	27	0.9	1.0	1.2	86	38
BHEL	SELL	227	115	(49)	790	9.3	3,482	1	5	11	162	41	20	3.1	2.9	2.5	NM	26	14	2	7	13	(0.0)	(0.2)	(0.6)	38	11
Carborundum Universal	BUY	1,022	980	(4)	195	2.3	190	20	25	33	52	41	31	5.7	5.1	4.5	26	24	18	12	13	16	0.4	0.5	0.6	3	2
CG Power & Industrial	SELL	627	520	(17)	958	11.3	1,527	6	8	10	98	74	60	25.8	20.7	16.6	72	54	44	26	28	28	(0.3)	(0.4)	(0.5)	26	12
Cochin Shipyard	SELL	1,591	830	(48)	419	4.9	263	32	31	38	50	51	42	7.5	6.8	6.1	37	35	30	16	14	15	0.6	0.7	0.7	26	8
Cummins India	BUY	2,895	3,700	28	803	9.5	277	70	80	93	41	36	31	11.5	10.2	9.0	38	33	28	30	30	31	1.4	1.5	1.8	20	10
G R Infraprojects	SELL	1,038	1,090	5	100	1.2	97	72	84	103	14	12	10	1.3	1.2	1.0	12	10	8	9	10	11	0.0	0.0	0.0	3	1
IRB Infrastructure	ADD	46	63	38	275	3.3	6,039	2	3	3	28	18	16	1.4	1.4	1.4	10	9	7	6	8	9	3.7	5.1	5.8	11	4
Kalpataru Projects	BUY	972	1,260	30	166	2.0	160	44	71	92	22	14	11	2.7	2.3	1.9	10	8	6	13	18	20	0.4	0.6	0.9	7	3
KEC International	REDUCE	698	880	26	186	2.2	257	25	43	58	28	16	12	3.2	2.8	2.3	13	9	7	13	19	21	0.4	0.7	0.9	18	6
L&T	REDUCE	3,341	3,400	2	4,595	54.3	1,375	104	125	151	32	27	22	5.8	5.1	4.4	21	18	15	19	20	21	0.7	0.9	1.1	95	58
Praj Industries	BUY	461	700	52	85	1.0	184	10	13	19	47	35	24	6.1	5.2	4.3	—	—	—	16	16	20	0.0	0.0	0.0	6	2
Siemens	REDUCE	2,902	2,800	(3)	1,033	12.2	356	78	62	72	37	47	40	5.9	5.2	4.6	43	36	31	17	12	12	0.7	0.8	1.0	37	17
Thermax	ADD	3,291	3,600	9	392	4.6	113	58	75	88	57	44	37	7.5	6.7	5.8	43	34	28	14	16	17	0.4	0.5	0.5	6	3
Capital goods	Cautious				13,460	159.1					41.4	34.0	27.5	6.3	5.6	4.9	26.5	21.7	17.8	15.2	16.5	17.8	0.7	0.8	0.9	417	191
Capital Markets																											
360 One	ADD	986	1,150	17	388	4.6	406	27	30	34	37	33	29	5.5	4.8	3.6	—	—	—	20	16	15	0.6	0.7	0.8	15	8
ABSL AMC	ADD	662	750	13	191	2.3	288	32	34	36	21	19	18	5.1	4.6	4.2	—	—	—	NM	NM	NM	2.9	3.1	3.3	3	1
Angel One	BUY	2,312	2,800	21	209	2.5	90	130	104	131	18	22	18	3.7	3.3	3.0	—	—	—	27	16	18	1.6	1.6	2.0	39	7
CAMS	ADD	3,906	4,000	2	193	2.3	49	92	100	116	42	39	34	17.3	14.5	12.2	—	—	—	45	40	40	1.4	1.5	1.7	25	10
CRISIL	REDUCE	4,453	4,300	(3)	326	3.8	73	94	109	128	48	41	35	12.7	11.4	10.3	—	—	—	29	30	31	1.3	1.6	1.9	4	2
HDFC AMC	ADD	4,374	4,500	3	935	11.1	214	115	134	147	38	33	30	11.5	10.7	10.0	—	—	—	32	34	35	2.1	2.5	2.7	23	13
ICRA	REDUCE	5,580	6,400	15	54	0.6	10	179	207	235	31	27	24	4.9	4.5	38.5	—	—	—	16	17	34	0.2	0.2	0.3	1	0
Kfin Technologies	SELL	1,198	1,050	(12)	206	2.4	172	19	22	28	62	54	43	14.6	12.8	11.2	—	—	—	21	20	21	0.6	0.7	0.9	21	8
Nippon AMC	ADD	639	700	10	405	4.8	635	20	22	25	32	29	26	9.6	9.3	9.0	—	—	—	31	33	35	2.8	3.1	3.5	8	4
UTI AMC	BUY	1,019	1,300	28	130	1.5	128	57	54	58	18	19	18	2.8	2.8	2.7	—	—	—	16	15	15	4.7	4.2	4.5	2	1
Capital Markets	Cautious				3,037	35.9					32.5	30.2	26.6	7.7	7.0	6.2				24	23	23	1.7	1.9	2.1	140	334
Commercial & Professional Services																											
SIS	ADD	338	360	7	49	0.6	147	1	20	23	420	17	15	2.1	1.8	1.6	8	8	7	0	12	12	—	—	—	1	0
TeamLease Services	SELL	1,891	2,500	32	32	0.4	17	76	90	117	25	21	16	3.4	2.9	2.5	18	14	10	14.7	15.1	16.7	—	—	—	2	1
Commercial & Professional Services	Cautious				80	1.0					58.1	18.1	15.1	2.4	2.1	1.9	10.3	9.2	8.0	4.2	11.8	12.3	0.0	0.0	0.0	2	1
Commodity Chemicals																											
Asian Paints	REDUCE	2,426	2,250	(7)	2,327	27.5	959	43	47	52	56	52	46	11.2	10.1	9.2	38	35	32	21	21	21	0.9	1.0	1.1	35	20
Berger Paints	SELL	544	465	(15)	634	7.5	1166	10	11	12	54	51	47	10.3	9.2	8.3	34	33	30	20	19	19	0.6	0.8	1.0	6	2
Indigo Paints	REDUCE	975	1,200	23	46	0.5	48	29	30	34	33	32	29	4.6	4.1	3.7	19	18	16	14	13	14	0.5	0.7	0.9	1	1
Kansai Nerolac	REDUCE	257	250	(3)	208	2.5	808	8	9	10	31	29	27	3.5	3.3	3.1	19	18	17	12	12	12	1.6	1.8	1.9	1	1
Tata Chemicals	SELL	837	750	(10)	213	2.5	255	19	25	27	44	34	31	1.0	0.9	0.9	8	7	7	2	3	3	1.8	1.8	1.8	8	4
Commodity Chemicals	Cautious				3,429	40.5					51.6	47.5	42.8	6.1	5.7	5.4	29.6	27.5	25.3	11.8	12.1	12.5	0.9	1.0	1.2	52	27
Construction Materials																											
ACC	REDUCE	1,888	2,000	6	355	4.2	188	54	98	109	35	19	17	1.9	1.8	1.6	13	9	8	6	10	10	0.4	0.5	0.6	8	3
Ambuja Cements	SELL	540	360	(33)	1,329	15.7	2,463	7	13	18	75	41	31	2.5	2.4	2.2	24	18	14	4	6	7	0.4	0.5	0.6	19	10
Dalmia Bharat	SELL	1,938	1,650	(15)	363	4.3	187	42	60	72	46	32	27	2.1	2.0	1.9	15	12	11	5	6	7	0.5	0.6	0.6	7	4
Grasim Industries	REDUCE	2,738	2,500	(9)	1,863	22.0	680	67	97	126	41	28	22	2.0	1.9	1.8	14	11	9	5	7	8	0.4	0.5	0.5	19	10
J K Cement	SELL	5,122	2,875	(44)	396	4.7	77	90	118	150	57	44	34	6.7	5.9	5.1	23	19	15	12	14	16	0.3	0.3	0.3	7	4
Nuvoco Vistas Corp.	REDUCE	319	350	10	114	1.3	357	(2)	4	7	NM	71	43	1.3	1.3	1.2	12	10	9	NM	2	3	0.0	0.0	0.0	1	1
Shree Cement	SELL	29,740	18,000	(39)	1,073	12.7	36	259	400	443	115	74	67	5.1	4.8	4.5	28	23	19	5	7	7	0.1	0.2	0.2	12	6
The Ramco Cements	SELL	943	570	(40)	223	2.6	236	9	18	25	100	54	38	2.9	2.7	2.5	19	17	14	3	5	7	0.1	0.2	0.3	6	3
UltraTech Cement	SELL	11,641	7,350	(37)	3,430	40.5	295	209	314	367	56	37	32	4.9	4.4	4.0	29	20	18	9	13	13	0.7	0.7	0.9	52	31
Construction Materials	Cautious				9,146	108.1					57.1	36.6	29.8	3.1	2.9	2.7	19.6	15.2	13.0	5.4	7.9	9.0	0.5	0.5	0.6	131	71

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs) 30-Apr-25	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn) (US\$ bn)		O/S shares (mn)	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
								2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	Traded	Delivered
Consumer Durables & Apparel																											
Aditya Birla Fashion and Retail	REDUCE	263	250	(5)	321	3.8	1,220	(6)	(3)	(1)	NM	NM	NM	3.5	3.7	3.7	18	14	11	NM	NM	NM	—	—	—	7	3
Campus Activewear	ADD	243	290	19	74	0.9	304	4	5	6	60	48	40	9.5	8.2	7.1	30	25	21	17	18	19	—	1—	0.6	4	2
Cello World	BUY	550	710	29	121	1.4	226	15	17	19	36	33	29	5.7	5.3	4.7	23	21	19	21	17	17	0.9	1.1	1.4	2	1
Crompton Greaves Consumer	BUY	337	390	16	217	2.6	643	9	11	13	39	31	25	6.5	5.8	5.1	24	20	16	17	20	21	1.1	1.4	1.7	11	6
Eureka Forbes	BUY	493	750	52	95	1.1	209	7	10	14	66	48	35	2.4	2.2	2.1	36	28	21	4	5	6	—	—	—	2	1
Havells India	SELL	1,601	1,400	(13)	1,004	11.9	628	23	27	33	68	59	48	12.1	10.8	9.5	45	38	31	19	19	21	0.6	0.7	0.8	21	11
Page Industries	SELL	45,270	38,000	(16)	505	6.0	11	641	758	890	71	60	51	26.0	21.8	18.4	48	41	35	40	40	39	0.8	1.0	1.2	14	7
Polycab	SELL	5,520	4,750	(14)	830	9.8	151	125	144	176	44	38	31	8.7	7.4	6.3	29	25	20	21	21	22	0.6	0.7	0.9	49	19
Vedant Fashions	REDUCE	782	800	2	190	2.2	243	17	19	21	46	42	37	10.3	8.9	7.7	28	24	21	24	23	22	—	—	—	3	2
Voltas	SELL	1,236	1,100	(11)	409	4.8	331	26	30	38	47	41	33	6.4	5.7	5.1	36	31	26	14	15	16	0.6	0.7	0.9	39	18
Whirlpool	ADD	1,259	1,225	(3)	160	1.9	127	27	33	39	47	38	32	4.1	3.8	3.5	25	21	17	9	10	11	0.6	0.7	0.8	9	5
Consumer Durables & Apparel	Cautious				3,927	46.4					64.0	51.1	40.6	7.6	6.9	6.2	32.0	26.8	22.1	11.9	13.6	15.4	0.6	0.7	0.8	160	74
Consumer Staples																											
Britannia Industries	ADD	5,446	5,025	(8)	1,312	15.5	241	88	96	109	62	57	50	30.6	28.8	26.2	42	39	34	52	52	55	1.6	1.7	1.8	28	16
Colgate-Palmolive (India)	REDUCE	2,587	2,600	0	704	8.3	272	53	55	60	48	47	43	36.7	36.0	35.2	35	33	30	77	78	83	1.9	2.1	2.3	15	8
Dabur India	ADD	488	540	11	864	10.2	1,772	10	12	13	47	42	37	8.2	7.6	7.1	35	31	28	18	19	20	1.3	1.5	1.7	15	8
Godrej Consumer Products	ADD	1,261	1,250	(1)	1,290	15.2	1,023	19	23	26	67	55	48	9.6	8.7	7.9	44	39	34	15	17	17	0.8	0.8	1.0	20	12
Hindustan Unilever	ADD	2,342	2,300	(2)	5,503	65.0	2,350	43	44	49	54	53	47	11.2	11.4	11.1	38	36	33	20	21	24	2.3	1.8	2.0	55	35
Honasa Consumer	ADD	247	250	1	80	0.9	322	2	4	6	126	66	44	6.6	5.8	5.0	124	47	29	6	9	12	0.0	0.0	0.0	3	1
ITC	ADD	426	500	17	5,329	63.0	12,428	16	17	19	26	25	23	7.1	6.8	6.5	20	19	17	26	27	29	3.3	3.5	3.8	81	52
Jyothy Labs	SELL	374	400	7	137	1.6	367	10	11	12	36	34	31	6.9	6.3	5.9	27	25	23	20	19	19	1.5	1.6	1.9	4	2
Marico	REDUCE	710	635	(11)	920	10.9	1,290	13	14	15	57	52	48	22.3	20.8	19.3	42	38	34	41	41	42	1.5	1.6	1.7	16	10
Nestle India	REDUCE	2,388	2,250	(6)	2,303	27.2	964	31	35	39	76	69	61	55.9	50.4	46.1	49	45	40	81	77	80	1.1	1.3	1.5	23	13
Sula Vineyards	ADD	283	400	41	24	0.3	84	8	10	11	34	28	25	4.0	3.6	3.3	17	15	13	12	13	14	0.7	1.1	1.2	2	1
Tata Consumer Products	ADD	1,166	1,185	2	1,154	13.6	989	13	17	22	90	68	54	5.8	5.6	5.3	46	39	32	7	8	10	0.7	0.8	1.0	24	13
United Breweries	REDUCE	2,160	1,875	(13)	571	6.7	264	18	28	36	117	77	60	12.9	11.7	10.7	67	47	37	11	16	19	0.5	0.8	1.1	7	3
United Spirits	ADD	1,564	1,480	(5)	1,138	13.4	727	19	22	25	83	72	62	14.0	12.6	11.3	56	48	42	18	19	19	0.4	0.6	0.7	11	6
Varun Beverages	ADD	522	570	9	1,767	20.9	3,382	8	10	11	68	54	48	10.6	9.1	7.8	37	32	29	22	18	17	0.1	0.2	0.3	56	30
Consumer Staples	Attractive				23,094	272.9					47.6	43.4	38.9	10.7	10.2	9.6	33.7	30.8	27.4	23	24	25	1.8	1.8	2.0	361	211
Diversified Financials																											
Aadhar Housing Finance	BUY	467	560	20	201	2.4	427	22	27	33	21	17	14	3.1	2.6	2.2	—	—	—	17	17	17	—	—	—	4	2
Aavas Financiers	REDUCE	1,930	2,050	6	153	1.8	79	73	88	106	27	22	18	3.5	3.0	2.6	—	—	—	14	15	15	—	—	—	9	5
Aptus Value Housing Finance	ADD	319	370	16	159	1.9	499	15	17	20	21	19	16	3.7	3.2	2.8	—	—	—	18	18	19	1.3	1.6	1.9	2	1
Bajaj Finance	ADD	8,635	9,500	10	5,366	63.4	621	266	333	419	32	26	21	5.7	4.8	4.1	—	—	—	19	20	21	0.6	0.8	1.0	143	78
Bajaj Finserv	ADD	1,952	2,175	11	3,116	36.8	1,593	67	84	104	29	23	19	5.8	5.6	4.7	—	—	—	23	24	27	0.1	0.1	0.1	51	26
Bajaj Housing Finance	REDUCE	122	100	(18)	1,017	12.0	8,328	3	3	4	47	40	32	5.1	4.5	4.0	—	—	—	13	12	13	0.0	0.0	0.0	20	9
Cholamandalam	ADD	1,492	1,575	6	1,255	14.8	859	51	61	78	29	25	19	5.3	4.2	3.5	—	—	—	20	19	20	0.0	0.3	0.4	36	19
Five Star Business Finance	BUY	706	850	20	208	2.5	291	37	42	51	19	17	14	3.3	2.7	2.3	—	—	—	19	18	18	—	—	—	7	3
Home First Finance	BUY	1,229	1,375	12	127	1.5	89	44	53	67	28	23	18	4.4	3.8	3.2	—	—	—	17	18	19	—	0.4	0.5	8	4
India Shelter	BUY	867	850	(2)	94	1.1	107	36	41	48	24	21	18	3.5	3.0	2.6	—	—	—	15	15	15	—	—	—	2	1
L&T Finance	REDUCE	164	160	(3)	410	4.8	2,480	11	12	15	15	14	11	1.6	1.5	1.3	—	—	—	11	11	13	1.9	2.2	2.7	10	4
LIC Housing Finance	BUY	601	750	25	331	3.9	550	101	99	104	6	6	6	0.9	0.8	0.7	—	—	—	16	14	13	1.7	1.7	1.8	11	5
Mahindra & Mahindra Financial	ADD	262	300	14	324	3.8	1,235	19	20	24	14	13	11	1.6	1.5	1.4	—	—	—	12	12	13	3.3	3.5	4.1	7	3
Muthoot Finance	ADD	2,162	2,250	4	868	10.3	401	130	154	175	17	14	12	3.1	2.6	2.3	—	—	—	20	20	20	1.4	1.7	1.9	24	13
SBFC	REDUCE	102	100	(2)	111	1.3	1,107	3	4	5	33	27	22	3.9	3.4	2.9	—	—	—	12	12	13	—	—	—	3	2
SBI Cards and Payment Services	ADD	874	950	9	831	9.8	951	20	24	30	43	36	29	6.0	5.3	4.6	—	—	—	15	16	17	0.3	0.4	0.5	19	10
Shriram Finance	BUY	612	750	23	1,150	13.6	1,880	52	53	63	12	12	10	2.1	1.8	1.6	—	—	—	15	16	17	1.6	1.3	1.5	56	29
Diversified Financials	Attractive				15,719	185.8					23.9	20.5	16.9	3.9	3.4	2.9				16.3	16.7	17.4	0.6	0.7	0.9	413	212

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		30-Apr-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	Traded	Delivered
Electric Utilities																											
Acme Solar Holdings	BUY	209	320	53	127	1.5	605	5	13	4	43	16	57	2.4	2.1	2.0	-	-	-	8	14	4	0.0	0.0	0.0	3	2
CESC	SELL	159	145	(9)	211	2.5	1,326	10	12	13	15	13	12	1.7	1.6	1.5	8	7	7	12	13	13	2.8	3.0	3.1	7	3
JSW Energy	SELL	479	400	(17)	838	9.9	1,744	10	19	27	48	25	18	3.1	2.8	2.4	24	11	9	7	12	14	0.4	0.4	0.4	34	14
NHPC	SELL	86	74	(14)	862	10.2	10,045	4	5	7	23	16	13	2.1	2.0	1.8	21	10	8	9	12	14	1.7	2.4	3.1	21	8
NTPC	SELL	355	305	(14)	3,438	40.6	9,895	22	24	26	15.9	14.7	14	1.8	1.7	1.6	11	9	9	12	12	12	2.2	2.4	2.5	55	32
Power Grid	SELL	307	275	(11)	2,859	33.8	9,301	17	19	21	18.2	15.9	15	3.1	2.8	2.6	10	9	9	17	19	19	3.3	3.6	3.9	51	31
Tata Power	SELL	384	330	(14)	1,228	14.5	3,196	13	18	22	29	21	17	3.4	2.9	2.5	13	11	10	12	15	15	-	-	-	33	12
Electric Utilities	Cautious				9,562	113.0					19.5	16.3	14.6	2.4	2.2	2.0	11.4	9.5	8.5	12.1	13.3	13.5	2.0	2.3	2.5	205	101
Electronic Manufacturing Services																											
Amber Enterprises	ADD	6,156	7,900	28	208	2.5	34	79	139	176	78	44	35	8.9	7.3	6.0	28	22	18	12	18	19	-	-	-	47	10
Avalon Technologies	SELL	861	600	(30)	57	0.7	65	10	16	22	89	54	40	9.2	7.9	6.6	53	35	26	11	16	18	-	-	-	5	2
Cyient DLM	REDUCE	447	450	1	35	0.4	79	9	12	19	52	38	24	3.7	3.4	3.0	26	20	15	7	9	12	-	-	-	2	1
Dixon Technologies	ADD	16,452	15,320	(7)	991	11.7	60	160	223	259	102.9	73.9	64	35.6	22.8	15.6	66	40	31	35	37	29	-	-	-	70	23
Kaynes Technology	ADD	5,747	5,270	(8)	368	4.3	58	44	67	96	131.9	85.4	60	12.1	10.4	8.8	88	57	39	11	14	18	-	-	-	52	12
Syrma SGS Technology	ADD	465	550	18	83	1.0	176	9	13	19	51	35	24	4.6	4.1	3.5	28	19	14	9	12	15	-	-	-	8	3
Electronic Manufacturing Services	Cautious				1,743	20.6					104.7	64.1	50.4	15.6	12.4	9.7	54.3	35.8	27.2	14.9	19.3	19.3	0.0	0.0	0.0	184	51
Fertilizers & Agricultural Chemicals																											
Bayer Cropscience	ADD	4,690	5,400	15	211	2.5	45	113	174	216	42	27	22	7.2	6.9	6.6	33	21	17	17	26	31	2.0	3.2	4.0	2	1
Godrej Agrovet	ADD	770	840	9	148	1.8	192	24	27	33	33	29	23	4.9	4.7	4.2	19	17	14	15	17	19	1.6	1.7	2.1	3.3	1.6
Rallis India	SELL	235	230	(2)	46	0.5	194	6	9	11	37	27	21	2.4	2.3	2.1	14	12	10	7	9	10	1.0	1.2	1.5	1	1
UPL	SELL	670	510	(24)	545	6.4	844	17	26	39	40	25	17	1.7	1.7	1.5	9	7	6	5	8	10	0.1	0.1	0.1	21	11
Fertilizers & Agricultural Chemicals	Cautious				950	11.2					37.0	24.4	17.8	2.5	2.3	2.1	11.9	9.5	7.9	6.8	9.2	11.6	0.8	1.1	1.4	28	14
Gas Utilities																											
GAIL (India)	SELL	189	155	(18)	1,243	14.7	6,575	14	13	13	13	15	14	1.7	1.6	1.6	10	10	9	14	11	11	3.2	3.4	3.7	32	16
Indraprastha Gas	SELL	193	150	(22)	270	3.2	1,400	12	12	12	16	16	15	2.9	2.7	2.6	13	12	12	18	18	17	2.2	2.9	3.0	11	4
Mahanagar Gas	SELL	1,346	1,030	(23)	133	1.6	99	98	90	91	14	15	15	2.3	2.1	1.9	9	9	9	18	15	13	2.5	2.3	2.4	9	3
Petronet LNG	SELL	314	235	(25)	471	5.6	1,500	28	28	30	11	11	11	2.3	2.0	1.7	7	7	7	23	19	18	1.6	0.8	1.6	7	4
Gas Utilities	Cautious				2,300	27.2					13.6	14.5	13.8	2.0	1.8	1.7	9.7	9.7	9.2	14.5	12.6	12.3	2.6	2.6	2.9	63	29
Health Care Services																											
Apollo Hospitals	BUY	6,977	8,180	17	1,003	11.9	144	100	132	174	70	53	40	12.2	10.1	8.2	34	27	22	19	21	23	0.2	0.2	0.2	33	20
Dr Agarwal's Health Care	ADD	365	425	16	115	1.4	316	3	4	6	133	92	63	6.7	6.2	5.7	25	20	16	6	7	9	0.0	0.0	0.0		
Dr Lal Pathlabs	ADD	2,750	3,250	18	230	2.7	84	53	57	67	52	48	41	10.6	9.6	8.6	31	28	24	22	21	22	1.1	1.1	1.3	8	4
Global Health	ADD	1,197	1,285	7	322	3.8	268	19	21	28	64	56	43	9.6	8.4	7.2	35	30	24	16	16	18	0.2	0.3	0.3	5	2
KIMS	ADD	657	660	0	263	3.1	400	9	10	16	72	66	42	12.0	10.2	8.2	37	31	22	18	17	22	0.0	0.0	0.0	5	3
Max Healthcare	REDUCE	1,098	1,020	(7)	1,068	12.6	971	14	19	25	77	58	43	10.2	8.7	7.3	47	36	28	14	16	18	0.1	0.1	0.1	34	21
Metropolis Healthcare	ADD	1,700	1,960	15	87	1.0	52	30	40	50	57	42	34	7.2	6.4	5.7	26	21	18	13	16	18	0.4	0.5	0.9	3	2
Narayana Hrudayalaya	ADD	1,745	1,490	(15)	357	4.2	204	38	47	56	46	37	31	9.7	7.7	6.2	29	24	20	24	23	22	-	-	-	21	8
Rainbow Children's Medicare	ADD	1,372	1,500	9	139	1.6	102	24	29	35	58	48	40	9.5	8.2	7.0	27	23	20	18	19	19	0.3	0.4	0.4	4	2
Health Care Services	Neutral				3,836	45.3					66.7	52.5	40.2	9.8	8.4	7.1	35.0	28.3	22.6	14.6	16.0	17.6	0.2	0.2	0.3	120	66

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		30-Apr-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	Traded	Delivered
Hotels & Restaurants																											
Chalet Hotels	ADD	785	885	13	171	2.0	218	7	27	42	105	29	19	5.7	4.8	3.9	25	17	12	7	18	23	(0.2)	(0.3)	(0.3)	3	1
Devyani International	BUY	179	190	6	215	2.5	1,204	(0)	(0)	0	NM	NM	489	20.8	20.9	20.5	28	23	20	NM	NM	4	0.0	0.0	0.0	5	2
Indian Hotels	ADD	788	860	9	1,121	13.3	1,423	13	17	21	63	47	37	10.0	8.4	7.1	36	27	22	17	19	21	0.3	0.3	0.4	35	19
Jubilant Foodworks	ADD	715	680	(5)	472	5.6	661	3	5	7	222	151	107	20.1	18.5	16.3	41	33	28	9	13	16	0.2	0.2	0.3	17	7
Lemon Tree Hotels	REDUCE	137	135	(1)	108	1.3	792	2	3	5	55	39	28	10.4	9.3	7.9	20	16	12	20	25	31	1.0	1.1	1.5	6	3
Restaurant Brands Asia	REDUCE	81	82	1	47	0.6	495	(2)	(2)	(1)	NM	NM	NM	2.3	2.4	2.5	18	14	12	NM	NM	NM	—	—	—	2	1
Samhi Hotels	BUY	180	255	42	40	0.5	220	4	8	12	48	23	15	3.5	3.1	2.6	14	12	10	8	15	19	0.0	0.0	0.0	5	3
Sapphire Foods	ADD	317	375	18	102	1.2	320	0	1	2	851	324	148	7.5	7.3	7.0	21	18	15	1	2	5	—	—	—	3	1
Ventive Hospitality	ADD	714	770	8	167	2.0	234	(2)	14	24	NM	50	30	3.7	3.4	3.1	21	17	14	NM	7	11	—	—	—	2	1
Westlife Foodworld	REDUCE	671	700	4	105	1.2	156	0	4	7	2,006	168	99	17.5	16.1	14.3	22	24	19	2	10	15	—	—	—	1	0
Hotels & Restaurants	Attractive				2,549	30.1					113.0	62.4	44.5	9.1	8.1	7.0	29.2	23.2	18.5	8.1	13.0	15.8	0.2	0.2	0.3	79	39
Insurance																											
HDFC Life Insurance	BUY	744	875	18	1,601	18.9	2,020	8	10	11	88	76	66	10.9	10.2	9.6	—	—	—	12	14	15	0.2	0.3	0.4	24	14
ICICI Lombard	ADD	1,877	2,100	12	930	11.0	496	51	58	66	37	32	28	6.5	5.6	4.8	—	—	—	19	19	18	0.4	0.5	0.5	15	10
ICICI Prudential Life	BUY	614	790	29	888	10.5	1,441	8	9	11	74	66	58	7.4	6.7	6.0	—	—	—	10	11	11	0.5	0.5	0.5	10	6
LIC	BUY	796	1,175	48	5,033	59.5	6,325	67	70	72	12	11	11	4.4	3.4	2.8	—	—	—	43	34	28	—	—	—	11	4
Max Financial Services	BUY	1,300	1,425	10	449	5.3	345	2	2	3	697	607	518	—	—	—	—	—	—	1	1	1	—	—	—	14	8
Niva Bupa Health Insurance	ADD	82	85	4	149	1.8	1,808	1	2	3	72	42	31	—	—	—	—	—	—	8	10	13	—	—	—	2	1
PB Fintech	ADD	1,625	1,525	(6)	746	8.8	456	7	14	22	236	120	73	—	—	—	—	—	—	4	9	13	—	—	—	36	19
SBI Life Insurance	ADD	1,766	1,825	3	1,770	20.9	1,005	24	28	33	74	63	54	10.7	9.3	8.2	—	—	—	15	16	16	0.2	0.3	0.3	24	14
Star Health and Allied Insurance	REDUCE	390	400	3	229	2.7	588	11	15	20	35	25	20	3.3	2.9	2.5	—	—	—	10	12	14	—	—	—	5	3
Insurance	Attractive				11,796	139.4					22.9	21.4	20.0	6.0	5.0	4.2				26	23	21	0.1	0.1	0.1	141	80
Internet Software & Services																											
Brainbees Solutions	BUY	339	540	59	177	2.1	527.8	(3)	(4)	(0)	NM	NM	NM	3.7	3.7	3.6	70	60	28	NM	NM	NM	—	—	—	4	2
Cartrade Tech	SELL	1,704	900	(47)	81	1.0	51.5	24	27	34	72	63	50	4.0	3.8	3.5	48	39	31	5.7	6.2	7.2	—	—	—	12	5
Eternal	BUY	233	280	20	2,244	26.5	9,215	1	1	3	400	161	84	7.0	6.6	6.2	317	135	61	2.1	4.2	7.7	0.0	0.0	0.0	160	75
FSN E-commerce Ventures	REDUCE	194	170	(13)	556	6.6	2,875.0	0	1	2	703	177	98	41.6	33.7	25.1	119	70	47	6.1	21	29	—	—	—	16	7
Indiamart	REDUCE	2,308	2,425	5	139	1.6	60.0	101	97	106	23	24	22	6.1	5.1	4.3	19	16	14	30	23	21	0.9	0.9	0.9	4	2
Info Edge	ADD	7,070	8,300	17	916	10.8	129.1	98	95	114	72	74	62	3.5	3.4	3.3	61	63	52	3.9	4.6	5.3	0.3	0.3	0.4	27	14
Just Dial	BUY	937	1,275	36	80	0.9	85.0	69	64	68	14	15	14	1.7	1.5	1.4	8	6	4	13.5	11.1	10.6	—	—	—	6	2
Swiggy	BUY	316	400	26	725	8.6	2,489	(13)	(11)	(6)	NM	NM	NM	7.6	9.1	10.1	(22)	(31)	(149)	NM	NM	NM	0.0	0.0	0.0	53	16
Internet Software & Services	Attractive				4,916	58.1					NM	406	106	6.0	5.8	5.5	505	153	59	NM	1.4	5.1	0.1	0.1	0.1	281	121
IT Services																											
Coforge	BUY	7,305	8,500	16	489	5.8	70	142	205	262	51	36	28	8.1	7.5	6.8	25	19	15	20	22	26	1.0	1.3	2.2	65	29
Cyient	REDUCE	1,188	1,150	(3)	132	1.6	111	55	63	75	21	19	16	2.3	2.1	2.0	10	10	8	12	12	13	2.2	2.7	3.4	12	5
HCL Technologies	REDUCE	1,568	1,500	(4)	4,254	50.3	2,718	64	66	72	25	24	22	6.2	5.9	5.5	16	15	14	25	25	26	3.8	3.7	3.8	59	36
Indegene	BUY	548	660	20	131	1.6	241	17	20	24	32	27	23	5.2	4.4	3.8	21	17	14	21	17	17	0.0	0.0	0.0	4	2
Infosys	BUY	1,500	1,700	13	6,230	73.6	4,151	63	66	72	24	23	21	6.5	6.1	5.8	15	15	13	29	28	29	3.2	3.3	4.1	157	98
KPIT Technologies	SELL	1,254	1,000	(20)	344	4.1	274	28	30	37	45	41	34	11.8	9.8	8.3	27	24	20	30	26	26	0.7	0.8	1.1	23	9
L&T Technology Services	REDUCE	4,257	4,100	(4)	451	5.3	106	119	130	152	36	33	28	7.4	6.6	5.8	22	20	17	22	21	22	1.0	1.1	1.3	9	4
LTI Mindtree	ADD	4,587	4,800	5	1,359	16.1	296	156	170	196	29	27	23	6.0	5.4	4.9	19	18	15	22	21	22	1.4	2.0	2.4	25	12
Mphasis	REDUCE	2,469	2,400	(3)	469	5.5	189	90	98	111	27	25	22	4.8	4.6	4.3	17	16	14	18	19	20	2.2	2.8	3.0	19	9
Persistent Systems	SELL	5,322	4,500	(15)	829	9.8	156	90	111	128	59	48	41	13.1	11.1	9.5	40	33	27	25	25	25	0.7	0.7	0.8	45	19
RateGain	REDUCE	434	630	45	51	0.6	119	18	19	22	25	22	20	3.1	2.7	2.4	19	16	13	13	13	13	—	—	—	3	1
Tata Elxsi	SELL	5,766	4,100	(29)	359	4.2	62	126	122	146	46	47	39	12.6	11.8	10.8	34	34	28	30	26	29	1.3	1.6	1.8	20	7
Tata Technologies	SELL	658	500	(24)	267	3.2	406	17	18	21	39	36	32	7.5	6.7	6.1	27	26	23	20	20	20	1.8	1.4	1.6	20	9
TCS	BUY	3,454	3,800	10	12,496	147.7	3,619	134	141	153	26	24	23	12.9	11.8	10.9	18	17	15	51	50	50	3.3	3.4	3.7	120	77
Tech Mahindra	BUY	1,503	1,650	10	1,330	15.7	890	48	60	78	31	25	19	4.9	4.7	4.4	18	14	11	16	19	24	2.6	2.7	3.4	39	22
Wipro	SELL	242	225	(7)	2,529	29.9	10,491	13	13	13	19	19	18	3.0	2.9	2.8	12	12	11	17	16	16	2.5	3.7	3.9	45	22
IT Services	Neutral				31,720	374.9					25.8	24.4	22.1	7.2	6.7	6.2	16.9	16.0	14.4	27.8	27.5	28.3	2.9	3.0	3.4	665	332

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		30-Apr-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	Traded	Delivered
Media																											
PVR INOX	BUY	942	1,200	27	93	1.1	98	(17)	9	34	NM	103	28	1.1	1.1	1.1	28	14	9	NM	1	4	-	0.0	0.0	7	3
Sun TV Network	REDUCE	621	660	6	245	2.9	394	42	44	46	15	14	13	2.1	1.9	1.8	10	9	8	15	14	14	2.3	2.5	2.7	3	1
Zee Entertainment Enterprises	REDUCE	106	125	18	102	1.2	960	9	10	11	12	11	10	0.9	0.9	0.8	6	6	5	7	8	8	2.4	2.8	3.3	17	7
Media	Neutral				439	5.2					19.0	16.0	13.8	1.4	1.3	1.2	10.9	8.6	7.3	7.4	8.3	9.0	1.8	2.0	2.2	26	11
Metals & Mining																											
Gravita India	ADD	1,753	2,400	37	129	1.5	74	41	59	72	43	29	24	6.2	5.2	4.5	29.4	23.8	19.1	21	19	20	0.4	0.5	1.0	8	3
Hindalco Industries	BUY	625	725	16	1,404	16.6	2,220	68	63	65	9	10	10	1.2	1.0	1.0	5.5	5.5	5.3	13	11	10	1.1	1.0	1.0	46	24
Hindustan Zinc	SELL	439	350	(20)	1,856	21.9	4,225	25	24	25	18	18	18	13.9	13.9	13.9	10.7	10.6	10.1	73	76	78	6.6	5.5	5.6	11	5
Jindal Steel and Power	BUY	896	1,150	28	914	10.8	1,020	40	72	95	22	12	9	1.9	1.7	1.4	10.8	7.5	5.5	9	14	17	0.2	0.4	0.5	27	12
JSW Steel	REDUCE	1,030	975	(5)	2,518	29.8	2,445	23	61	80	45	17	13	3.1	2.6	2.3	13.1	8.9	7.2	7	17	19	0.3	0.9	1.2	23	11
National Aluminium Co.	REDUCE	156	200	28	287	3.4	1,837	26	22	22	6	7	7	1.6	1.4	1.3	3.4	4.2	3.9	29	21	19	4.9	5.6	5.7	28	10
NMDC	SELL	65	55	(15)	570	6.7	8,792	8	7	7	8	9	10	1.9	1.7	1.5	5.7	6.2	6.5	24	20	17	4.8	4.4	4.1	19	7
SAIL	SELL	114	60	(47)	470	5.6	4,130	2	8	7	54	14	17	0.8	0.8	0.7	9.3	6.8	7.2	1	5	5	0.6	2.1	1.8	29	9
Tata Steel	SELL	140	120	(14)	1,749	20.7	12,486	3	11	14	51	13	10	1.8	1.6	1.5	10.4	6.9	6.1	4	13	16	0.7	1.9	2.5	68	29
Vedanta	REDUCE	419	435	4	1,639	19.4	3,910	35	41	49	12	10	9	4.0	3.4	2.9	5.4	4.8	4.1	39	36	36	10.4	5.5	6.5	51	22
Metals & Mining	Cautious				11,535	136.3					17.7	12.8	11.1	2.3	2.0	1.8	8.2	6.8	6.0	12.8	15.9	16.4	3.2	2.8	3.1	310	128
Oil, Gas & Consumable Fuels																											
BPCL	SELL	310	220	(29)	1,345	15.9	4,273	30	23	22	10	13	14	1.6	1.5	1.4	6.3	7.3	7.8	16	12	10	3.3	2.5	2.4	38	19
Coal India	REDUCE	385	370	(4)	2,374	28.1	6,163	52	57	59	7	7	7	2.4	2.0	1.7	7.3	5.2	4.9	35	32	28	6.5	6.5	6.5	30	14
HPCL	SELL	379	200	(47)	806	9.5	2,128	27	29	31	14	13	12	1.8	1.6	1.5	9.6	9.4	8.9	13	13	13	2.1	2.3	2.4	26	12
IOCL	SELL	138	85	(38)	1,947	23.0	14,121	5	12	12	29	11	12	1.1	1.0	1.0	9.2	6.2	6.2	4	9	8	1.6	3.6	3.6	22	10
Oil India	SELL	411	320	(22)	668	7.9	1,627	39	44	44	10	9	9	1.4	1.3	1.2	7.5	6.8	6.4	14	14	13	3.1	3.7	3.8	14	5
ONGC	BUY	244	275	12	3,075	36.3	12,580	40	43	45	6	6	5	0.8	0.7	0.7	3.7	3.2	3.1	14	14	13	5.1	4.9	5.0	36	17
Reliance Industries	BUY	1,405	1,520	8	19,014	224.7	13,532	51	60	72	27	23	20	2.3	2.1	1.9	13.2	11.2	9.2	9	9	10	-	0.4	0.4	201	123
Oil, Gas & Consumable Fuels	Neutral				29,229	345.4					15.9	13.9	12.7	1.7	1.6	1.5	9.1	7.7	6.9	11.0	11.5	11.4	1.7	1.8	1.8	368	201
Pharmaceuticals																											
Alivus Life Sciences	BUY	1,085	1,360	25	133	1.6	123	39	48	54	28	23	20	5.1	4.4	3.8	19	16	14	19	21	20	1.4	1.5	1.5	1	1
Aurobindo Pharma	SELL	1,229	1,145	(7)	714	8.4	586	63	71	76	20	17	16	2.3	2.1	1.9	11	10	9	12	13	12	1.5	1.8	2.1	17	7
Biocon	REDUCE	322	360	12	386	4.6	1,202	(1)	9	13	NM	35	24	1.6	1.5	1.4	17	12	10	NM	4	6	0.9	1.0	1.4	12	4
Blue Jet Healthcare	ADD	711	710	(0)	123	1.5	173	17	23	27	43	30	26	11.0	8.2	6.3	34	23	19	29	31	27	0.1	0.2	0.2	6	3
Cipla	BUY	1,550	1,735	12	1,252	14.8	806	62	65	67	25	24	23	4.1	3.6	3.2	17	15	15	18	16	15	0.9	1.0	1.0	28	16
Concord Biotech	ADD	1,519	1,820	20	159	1.9	105	33	41	52	46	37	29	8.9	7.6	6.4	33	26	22	21	22	22	0.6	0.8	1.0	4	2
Divis Laboratories	SELL	6,087	4,550	(25)	1,616	19.1	265	82	101	130	75	60	47	10.9	9.9	8.8	54	44	34	15	17	20	0.6	0.7	0.9	32	17
Dr Reddy's Laboratories	REDUCE	1,184	1,195	1	988	11.7	832	67	67	59	18	18	20	3.0	2.6	2.4	11	10	11	18	16	12	0.8	0.9	0.9	35	22
Emcure Pharmaceuticals	BUY	1,022	1,515	48	194	2.3	189	38	47	56	27	22	18	4.5	3.9	3.4	13	11	10	20	19	20	0.9	1.2	1.4	2	1
Gland Pharma	REDUCE	1,400	1,525	9	231	2.7	164	46	61	76	31	23	18	2.5	2.4	2.2	16	13	11	8	11	12	1.7	1.8	2.0	6	3
JB Chemicals & Pharma	BUY	1,612	2,170	35	251	3.0	157	42	54	62	38	30	26	7.4	6.2	5.2	23	19	16	21	22	22	0.7	0.7	0.7	7	4
Laurus Labs	SELL	604	475	(21)	326	3.8	536	7	10	12	90	63	49	7.2	6.6	5.8	33	25	21	8	11	13	0.1	0.2	0.2	21	7
Lupin	ADD	2,096	2,245	7	957	11.3	455	71	84	80	30	25	26	5.6	4.7	4.1	18	15	15	21	21	17	0.6	0.7	0.7	26	13
Mankind Pharma	ADD	2,465	2,530	3	1,017	12.0	412	47	56	72	52	44	34	7.4	6.6	5.8	34	26	21	17	16	18	0.6	0.7	0.9	17	10
Piramal Pharma	BUY	211	300	42	280	3.3	1,323	0	2	4	540	114	52	3.5	3.4	3.2	22	18	14	1	3	6	-	-	-	21	6
Sai Life Sciences	REDUCE	697	700	0	145	1.7	208	7	9	13	96	76	55	7.0	6.4	5.7	37	30	23	10	9	11	-	-	-	5	2
Sun Pharmaceuticals	ADD	1,832	1,900	4	4,396	52.0	2,399	49	53	63	37	35	29	6.0	5.3	4.6	27	25	21	17	16	17	0.5	0.6	0.7	51	32
Syngene International	BUY	634	850	34	255	3.0	402	12	11	16	54	59	39	5.4	5.0	4.5	23	23	16	11	9	12	0.2	0.2	0.3	10	6
Torrent Pharmaceuticals	REDUCE	3,322	3,060	(8)	1,124	13.3	338	58	74	87	57	45	38	14.4	12.3	10.5	30	26	23	27	29	30	0.9	1.1	1.2	14	9
Pharmaceuticals	Neutral				14,547	171.9					36.8	31.8	28.2	5.1	4.5	4.0	22.0	19.1	17.1	13.7	14.2	14.3	0.5	0.6	0.7	315	164

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		30-Apr-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	Traded	Delivered
Real Estate																											
Brigade Enterprises	BUY	1,022	1,380	35	250	3.0	244	28	34	48	37	30	21	4.3	3.8	3.3	19	14	9	15	13	17	0.2	0.2	0.2	5	2
Brookfield India Real Estate Trust	ADD	289	340	18	176	2.1	608	3	6	9	112	48	34	1.2	1.3	1.4	15	13	12	1	2	3	4.9	5.5	6.0	4	4
DLF	BUY	674	1,020	51	1,669	19.7	2,475	17	21	31	39	32	22	4.0	3.6	3.3	101	44	22	11	12	16	0.9	1.0	1.2	30	12
Embassy Office Parks REIT	ADD	382	400	—	362	4.3	948	23	10	15	17	38	25	1.6	1.7	1.8	17	16	14	9	4	7	6.0	6.3	6.7	4	4
Godrej Properties	SELL	2,162	2,260	5	651	7.7	301	59	57	92	36	38	24	3.7	3.3	2.9	290	98	42	13	9	13	—	—	—	26	12
Macrotech Developers	BUY	1,329	1,480	11	1,326	15.7	998	28	37	46	48	36	29	6.6	5.6	4.7	35	26	20	15	17	18	—	—	—	24	10
Mindspace REIT	ADD	385	410	7	234	2.8	593	10	11	16	39	35	23	1.6	1.7	1.8	16	16	14	4	5	7	5.5	6.1	6.5	1	1
Nexus Select Trust	ADD	130	152	17	196	2.3	1,515	3	5	5	39	28	24	1.4	1.5	1.5	16	14	13	3	5	6	6.5	6.9	7.4	3	3
Oberoi Realty	REDUCE	1,642	1,700	4	597	7.1	364	61	76	99	27	22	17	3.8	3.2	2.7	19	16	12	15	16	18	0.6	0.7	0.9	13	6
Phoenix Mills	REDUCE	1,665	1,570	(6)	595	7.0	358	38	48	53	43	35	31	5.7	4.9	4.3	27	21	18	14	15	15	0.2	0.2	0.2	14	7
Prestige Estates Projects	ADD	1,375	1,680	22	592	7.0	431	18	24	44	77	56	31	3.3	3.3	3.0	23	19	13	5	6	10	0.2	0.2	0.2	16	8
Signature Global	BUY	1,155	1,520	32	162	1.9	141	7	42	77	174	28	15	22.5	12.4	6.8	231	21	11	14	58	58	—	—	—	8	1
Sobha	ADD	1,322	1,450	10	141	1.7	107	11	36	58	124	37	23	3.1	2.9	2.6	45	19	12	3	8	12	0.3	0.3	0.4	4	2
Sunteck Realty	BUY	401	650	62	59	0.7	140	12	40	55	34	10	7	1.7	1.5	1.2	25	8	6	5	16	18	0.3	0.3	0.3	1	1
Real Estate	Attractive				7,011	82.9					39.9	33.2	23.6	3.5	3.2	3.0	31.0	22.5	16.2	8.7	9.8	12.6	1.1	1.2	1.3	153	72
Renewable Energy																											
Premier Energies	SELL	982	840	(14)	443	5.2	451	20	30	36	50	32	27	14.6	10.0	7.4	25	16	13	48	37	31	—	—	—	23	7
Waaree Energies	SELL	2,605	2,600	(0)	748	8.8	288	68	119	197	38	22	13	7.6	5.8	4.0	25	14	9	28	31	36	—	—	—	61	16
Renewable Energy	Cautious				7,454	14.1					43.2	24.8	16.3	9.5	6.9	4.8	25.0	15.1	10.5	22	28	30	0.0	0.0	0.0	84	23
Retailing																											
Avenue Supermarts	SELL	4,200	3,450	(18)	2,733	32.3	651	44	52	64	95	81	66	12.7	11.0	9.4	59	49	41	14	15	15	—	—	—	31	16
Metro Brands	REDUCE	1,075	1,130	5	293	3.5	272	13	17	21	85	63	51	14.1	12.2	10.5	38	31	26	18	21	22	1—	0.6	0.7	1	1
Titan Company	REDUCE	3,380	3,225	(5)	3,000	35.5	888	42	50	59	80	68	58	26.2	20.7	16.7	51	44	38	36	34	32	0.4	0.5	0.6	38	21
Trent	REDUCE	5,173	5,250	1	1,839	21.7	356	43	60	76	120	86	68	33.7	24.3	17.9	67	53	43	32	33	30	—	—	—	95	39
Vishal Mega Mart	ADD	118	125	6	545	6.4	4,727	1	2	2	89	69	55	8.7	7.8	6.8	35	28	23	11	12	13	—	—	—	24	10
Retailing	Neutral				6,026	99.4					92.3	74.8	61.7	17.9	14.9	12.3	53.7	45.2	37.9	19.4	19.9	19.9	0.2	0.2	0.2	189	76
Specialty Chemicals																											
Aarti Industries	SELL	421	380	(10)	153	1.8	363	9	11	16	48	37	27	2.7	2.6	2.4	19	16	13	6	7	9	0.2	0.4	0.6	9	3
Aether Industries	ADD	805	890	11	107	1.3	133	12	17	21	66	47	38	4.8	4.4	3.9	46	31	24	8	10	11	-	-	0.0	1	0
Atul	SELL	6,746	5,140	(24)	199	2.3	29	170	222	257	40	30	26	3.6	3.3	3.0	19	16	14	9	11	12	0.5	0.7	0.8	8	4
Castrol India	ADD	198	225	14	196	2.3	989	9	11	12	21	18	17	8.6	7.8	7.0	14	13	11	42	45	44	4.0	4.3	4.6	23	7
Clean Science & Technology	ADD	1,175	1,490	27	125	1.5	106	25	33	45	46	35	26	8.8	7.4	6.1	32	25	19	21	23	26	0.5	0.6	0.9	2	1
Deepak Nitrite	ADD	1,936	2,020	4	264	3.1	136	47	55	66	42	35	30	4.9	4.4	3.8	27	24	21	12	13	14	0.3	0.3	0.4	9	3
Navin Fluorine	REDUCE	4,522	3,590	(21)	224	2.6	50	56	85	120	81	53	38	8.7	7.7	6.6	47	32	24	11	15	19	0.3	0.4	0.6	12	6
Neogen Chemicals	ADD	1,524	1,790	17	40	0.5	26	17	23	42	88	67	36	5.0	4.7	3.8	35	34	18	6	7	12	0.2	0.2	0.4	1	0
Pidilite Industries	ADD	3,034	3,125	3	1,543	18.2	509	41	47	54	74	64	57	16.4	14.9	13.6	50	44	39	24	24	25	0.7	0.9	1.1	11	6
PI Industries	REDUCE	3,640	3,210	(12)	552	6.5	152	115	126	143	32	29	26	5.4	4.7	4.0	23	20	18	18	17	17	0.4	0.5	0.6	14	8
S H Kelkar and Company	BUY	199	360	81	28	0.3	138	8	11	15	24	19	13	2.1	1.9	1.8	11	9	7	9	11	14	1.1	2.8	3.0	1	1
SRF	SELL	3,009	2,130	(29)	892	10.5	296	43	61	86	70	49	35	7.2	6.5	5.6	35	27	21	11	14	17	0.4	0.5	0.5	26	14
Vinati Organics	SELL	1,625	1,270	(22)	168	2.0	104	37	46	57	44	35	28	6.1	5.3	4.6	31	23	19	14	16	17	0.3	0.4	0.5	2	1
Specialty Chemicals	Neutral				4,490	53.1					51.4	41.9	34.3	7.3	6.5	5.7	31.5	26.2	21.9	14.1	15.5	16.8	0.7	0.8	0.9	118	

Source: Company, Bloomberg, Kotak Institutional Equities estimates



Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		30-Apr-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	Traded	Delivered
Telecommunication Services																											
Bharti Airtel	ADD	1,865	1,800	(3)	11,181	132.1	6,047	40	52	68	47	36	28	10.9	8.7	7.5	14	11	9	25	28	29	0.8	1.2	1.5	139	93
Indus Towers	SELL	408	385	(6)	1,077	12.7	2,638	23	25	28	18	16	15	3.3	3.2	3.2	7	6	6	21	20	22	-	5.5	6.1	30	15
Vodafone Idea	SELL	7	7	(2)	771	9.1	77,520	(4)	(4)	(3)	NM	NM	NM	NM	NM	NM	17	16	14	NM	NM	NM	—	—	—	54	16
Tata Communications	SELL	1,591	1,480	(7)	454	5.4	285	33	53	65	49	30	24	15.0	12.0	9.0	12	11	9	39	45	42	1.6	1.3	1.6	9	4
Telecommunication Services	Attractive				13,483	159.3					699.7	114.6	54.0	56	37	28	13.2	11.0	9.3	8.0	32	53	0.7	1.5	1.8	232	129
Transportation																											
Adani Ports and SEZ	BUY	1,217	1,610	32	2,628	31.1	2,160	53	63	71	23	19	17	4.2	3.5	3.0	16	14	12	20	20	19	0.7	0.7	0.8	42	18
Container Corp.	SELL	674	730	8	410	4.9	609	22	26	32	30	26	21	3.3	3.1	2.9	19	16	13	11	12	14	1.5	1.7	2.1	10	5
Delhivery	BUY	306	420	37	228	2.7	758	1	3	4	213	97	69	2.4	2.4	2.3	59	32	24	1	2	3	—	—	—	15	6
Gateway Distriparks	ADD	60	90	51	30	0.4	500	5	5	6	13	11	10	1.4	1.3	1.2	9	8	7	11	12	13	3.1	3.4	3.7	1	0
GMR Airports	ADD	87	83	(5)	921	10.9	6,036	(2)	(0)	1	NM	NM	172	NM	NM	NM	32	22	19	NM	14	NM	—	—	—	15	8
Gujarat Pipavav Port	REDUCE	133	140	5	64	0.8	483	8	9	10	16	14	13	2.6	2.2	1.8	9	8	7	17	16	15	—	—	—	3	1
InterGlobe Aviation	BUY	5,250	6,100	16	2,029	24.0	383	157	253	276	33	21	19	25.1	11.4	5.4	10	7	5	120	75	46	—	—	—	56	33
JSW Infrastructure	SELL	294	255	(13)	617	7.3	2,119	7	8	8	43	38	35	6.4	5.7	23.6	28	25	24	16	16	15	0.5	0.5	0.6	8	4
Transportation	Attractive				6,926	81.9					34.9	25.3	22.4	6.5	5.3	4.4	16.0	12.7	10.5	18.7	21	19.6	0.4	0.4	0.5	149	75
KIE universe					305,395	3,609					26.0	22.8	19.8	3.7	3.3	3.0	15.6	13.4	11.7	14.3	14.7	15.2	1.3	1.4	1.6		

Notes:

(a) We have used adjusted book values for banking companies.

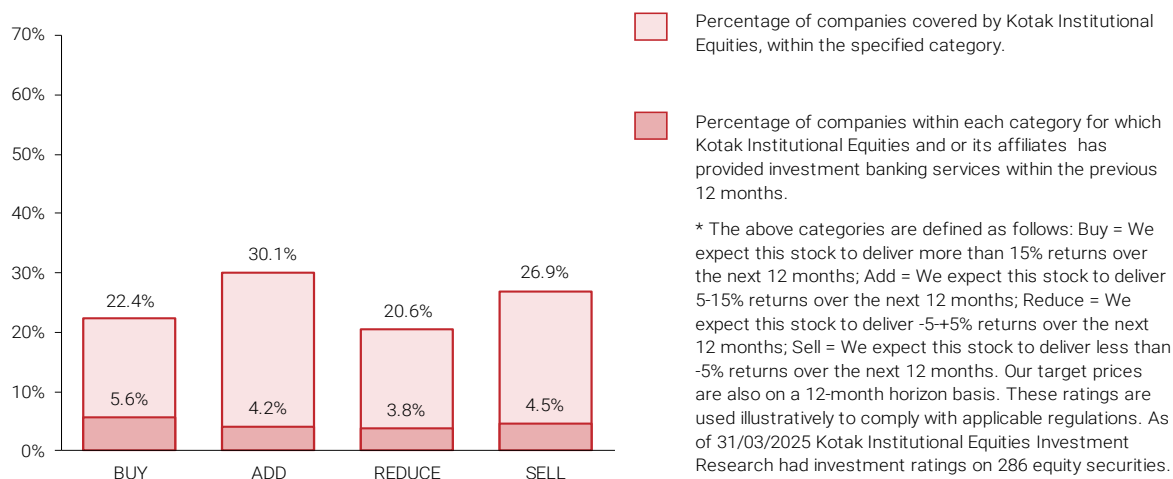
(b) 2024 means calendar year 2023, similarly for 2025 and 2026 for these particular companies.

(c) Exchange rate (Rs/US\$)= 84.6

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Distribution of ratings/investment banking relationships

Kotak Institutional Equities Research coverage universe



Source: Kotak Institutional Equities

As of March 31, 2025

Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

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

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis. Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

Other definitions

Coverage view. The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: **Attractive, Neutral, Cautious.**

Other ratings/identifiers

NR = Not Rated. The investment rating and fair value, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.

NC = Not Covered. Kotak Securities does not cover this company.

RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and fair value, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or fair value. The previous investment rating and fair value, if any, are no longer in effect for this stock and should not be relied upon.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

Corporate Office
Kotak Securities Ltd.
27 BKC, Plot No. C-27, "G Block" Bandra Kurla
Complex, Bandra (E) Mumbai 400 051, India
Tel: +91-22-43360000

Overseas Affiliates
Kotak Mahindra (UK) Ltd 8th Floor,
Portsoken House 155-157 Minories
London EC3N 1LS
Tel: +44-20-7977-6900

Kotak Mahindra Inc
PENN 1,1 Pennsylvania Plaza,
Suite 1720, New York, NY 10119, USA
Tel: +1-212-600-8858

Copyright 2025 Kotak Institutional Equities (Kotak Securities Limited). All rights reserved.

The Kotak Institutional Equities research report is solely a product of Kotak Securities Limited and may be used for general information only. The legal entity preparing this research report is not registered as a broker-dealer in the United States and, therefore, is not subject to US rules regarding the preparation of research reports and/or the independence of research analysts.

1. Note that the research analysts contributing to this report are residents outside the United States and are not associates, employees, registered or qualified as research analysts with FINRA or a US-regulated broker dealer; and
2. Such research analysts may not be associated persons of Kotak Mahindra Inc. and therefore, may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.
3. Kotak Mahindra Inc. does not accept or receive any compensation of any kind directly from US institutional investors for the dissemination of the Kotak Securities Limited research reports. However, Kotak Securities Limited has entered into an agreement with Kotak Mahindra Inc. which includes payment for sourcing new major US institutional investors and service existing clients based out of the US.
4. In the United States, this research report is available solely for distribution to major US institutional investors, as defined in Rule 15a – 6 under the Securities Exchange Act of 1934. This research report is distributed in the United States by Kotak Mahindra Inc., a US-registered broker and dealer and a member of FINRA. Kotak Mahindra Inc., a US-registered broker-dealer, accepts responsibility for this research report and its dissemination in the United States.
5. This Kotak Securities Limited research report is not intended for any other persons in the United States. All major US institutional investors or persons outside the United States, having received this Kotak Securities Limited research report shall neither distribute the original nor a copy to any other person in the United States. Any US recipient of the research who wishes to effect a transaction in any security covered by the report should do so with or through Kotak Mahindra Inc. Please contact a US-registered representative, Gijo Joseph, Kotak Mahindra Inc., PENN 1,1 Pennsylvania Plaza, Suite 1720, New York, NY 10119, Direct +1 212 600 8858, gijo.joseph@kotak.com.
6. This document does not constitute an offer of, or an invitation by or on behalf of Kotak Securities Limited or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which Kotak Securities Limited or its affiliates consider to be reliable. None of Kotak Securities Limited accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

This report is distributed in Singapore by Kotak Mahindra (UK) Limited (Singapore Branch) to institutional investors, accredited investors or expert investors only as defined under the Securities and Futures Act. Recipients of this analysis /report are to contact Kotak Mahindra (UK) Limited (Singapore Branch) (16 Raffles Quay, #35-02/03, Hong Leong Building, Singapore 048581) in respect of any matters arising from, or in connection with, this analysis/report. Kotak Mahindra (UK) Limited (Singapore Branch) is regulated by the Monetary Authority of Singapore.

Kotak Securities Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We along with our affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationships with a significant percentage of the companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. Investors should assume that Kotak Securities Limited and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material. Our research professionals are paid in part based on the profitability of Kotak Securities Limited, which includes earnings from investment banking and other businesses. Kotak Securities Limited generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, Kotak Securities Limited generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Kotak Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. Kotak Securities Limited does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment. Certain transactions – including those involving futures, options, and other derivatives as well as non-investment-grade securities – give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavor to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Kotak Securities Limited and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, affectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the current derivatives risk disclosure document before entering into any derivative transactions.

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited.

Kotak Securities Limited is a corporate trading and clearing member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and portfolio management.

Kotak Securities Limited is also a Depository Participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority and having composite license acts as Corporate Agent of Kotak Mahindra Life Insurance Company Limited and Zurich Kotak General Insurance Company (India) Limited (Formerly known as Kotak Mahindra General Insurance Company Limited) and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). Kotak Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise letters or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any stock exchange/SEBI or any other authorities, nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to primarily institutional investors and their employees, directors, fund managers, advisors who are registered with us. Details of Associates are available on website, i.e. www.kotak.com and <https://www.kotak.com/en/investor-relations/governance/subsidiaries.html>.

Research Analyst has served as an officer, director or employee of subject company(ies): No.

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) or acted as a market maker in the financial instruments of the subject company/company (ies) discussed herein in the past 12 months. YES. Visit our website for more details <https://kie.kotak.com>.

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of Research Report: YES. Nature of Financial interest: Holding equity shares or derivatives of the subject company.

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No.

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

A graph of daily closing prices of securities is available at <https://www.moneycontrol.com/india/stockpricequote/> and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart).

First Cut notes published on this site are for information purposes only. They represent early notations and responses by analysts to recent events. Data in the notes may not have been verified by us and investors should not act upon any data or views in these notes. Most First Cut notes, but not necessarily all, will be followed by final research reports on the subject.

There could be variance between the First Cut note and the final research note on any subject, in which case the contents of the final research note would prevail. We accept no liability of the First Cut Notes.

Analyst Certification

The analyst(s) authoring this research report hereby certifies that the views expressed in this research report accurately reflect such research analyst's personal views about the subject securities and issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Firm. Firm Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities is available on request.

Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

For more information related to investments in the securities market, please visit the SEBI Investor Website <https://investor.sebi.gov.in/> and the SEBI Saa'rthi Mobile App.

Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Compliance Officer Details: Mr. Hiren Thakkar. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com.

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com / www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137(Member of NSE, BSE, MSE, MCX & NCDEX), AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-629-2021. Compliance Officer Details: Mr. Hiren Thakkar. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com

Details of	Contact Person	Address	Contact No.	Email ID
Customer Care/ Complaints	Mr. Ritesh Shah	Kotak Towers, 8th Floor, Building No.21, Infinity Park, Off Western Express Highway, Malad (East), Mumbai, Maharashtra - 400097	18002099393	ks.escalation@kotak.com
Head of Customer Care	Mr. Tabrez Anwar		022-42858208	ks.servicehead@kotak.com
Compliance Officer	Mr. Hiren Thakkar		022-42858484	ks.compliance@kotak.com
CEO	Mr. Shripal Shah		022-42858301	ceo.ks@kotak.com
Principal Officer (For the purpose of Research Analyst activities)	Mr. Kawaljeet Saluja	Kotak Securities Limited, 27BKC, 8th Floor, Plot No. C-27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051	022-62664011	ks.po@kotak.com

In absence of response/complaint not addressed to your satisfaction, you may lodge a complaint with SEBI at SEBI, NSE, BSE, Investor Service Center | NCDEX, MCX. Please quote your Service Ticket/Complaint Ref No. while raising your complaint at SEBI SCORES/Exchange portal at <https://scores.sebi.gov.in>. Kindly refer <https://www.kotaksecurities.com/contact-us/> and for online dispute Resolution platform - [Smart ODR](#)