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Strategy

June 01, 2025

Stuck!

The Indian market seems to be stuck between (1) the harsh realities of stiff valuations, domestic growth issues and global macroeconomic headwinds and (2) the hopes of a recovery in the economy and earnings. 4QFY25 results did not provide much comfort about an imminent recovery. 4QFY25 net profits and EBITDA of the Nifty-50 Index increased 3.7% (3.8% above expectations due to SBI's strong act) and 9.2% (0.9% below expectations).

The reality—high uncertainty, high valuations

We note (1) expensive valuations across sectors and stocks, (2) domestic growth headwinds across consumption, investment and outsourcing sectors and (3) global growth and inflation challenges, which will likely act as headwinds for the Indian market. In particular, we find valuations across sectors and stocks (with the exception of the BFSI sector and a few names in other sectors) to be extremely rich in the context of (1) low volume growth and (2) ongoing and potential disruptions.

The hope—low visibility on hoped-for recovery

We see a few positives for the Indian economy from (1) lower interest rates and (2) low commodity prices, which can boost government and/or household savings. Nonetheless, we rule out a strong recovery in the economy due to (1) continued challenges to consumption demand from inadequate creation of good-quality jobs, (2) a slowdown in investment demand (likely flat government capex, weaker residential real estate sales and no signs of recovery in private capex) and (3) headwinds to exports/outsourcing from an uncertain global environment and global growth slowdown.

4QFY25 operating performance was fairly muted

The modest 4QFY25 operating performance of most sectors and companies and muted commentary from managements preclude a strong recovery in credit, consumption or investment demand in the near term. (1) Banks saw 11% growth in credit, (2) capital goods companies saw decent growth in revenues but a further moderation in margins, (3) consumer staples companies reported low-to-mid-single-digit volume growth and (4) IT services companies reported a modest (-)3.5-2.9% qoq growth in c/c revenues.

4QFY25 results on expected lines

4QFY25 net income of the Nifty-50 Index grew 3.7%, 3.8% above our expectation and net income of KIE coverage universe grew 8.2%, versus our expectation of 0.8% increase. We would note that the beat was led by (1) banks (SBI), (2) downstream oil marketing companies (unexpectedly high gross refining margins) and (3) higher-than-expected other income. 4QFY25 EBITDA of the Nifty-50 Index increased 9.2% versus our expectation of 10.2% growth and EBITDA of KIE coverage universe grew 11.2% versus our expectation of 8.3% increase. FY2025 net income and EBITDA of the Nifty-50 Index grew 6.4% and 4.5%.

Key estimates summary

	2025	2026E	2027E
Nifty estimates			
Earnings growth (%)	6.4	12.3	15.2
Nifty EPS (Rs)	1,012	1,128	1,300
Nifty P/E (X)	24.4	21.9	19.0
Macro data			
Real GDP (%)	6.5	6.2	6.5
Avg CPI inflation (%)	4.6	3.5	4.2

Source: Company data, Kotak Institutional Equities estimates

Quick Numbers

For the Nifty-50 Index, 4QFY25 net income grew 3.7%, 3.8% above our estimate while EBITDA grew 9.2% versus our estimates of 10.2%

We expect net profits of the Nifty-50 Index to grow 12% in FY2026 and 15% in FY2027 versus 6.4% in FY2025

Nifty-50 Index is trading at 21.9x FY2026E 'EPS' and 19x FY2027E 'EPS'

[Full sector coverage on KINSITE](#)

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Overview: All dressed up and nowhere to go

The Indian market may stay rangebound over the next few months given (1) rich valuations in general, (2) continued weakness in domestic consumption and investment demand and (3) global geopolitical and macroeconomic uncertainty. The market (large-cap. index) may find some support from (1) continued optimism among investors about India's long-term growth prospects and (2) lower interest rates. SMID stocks still have a long way to correct to their fair values.

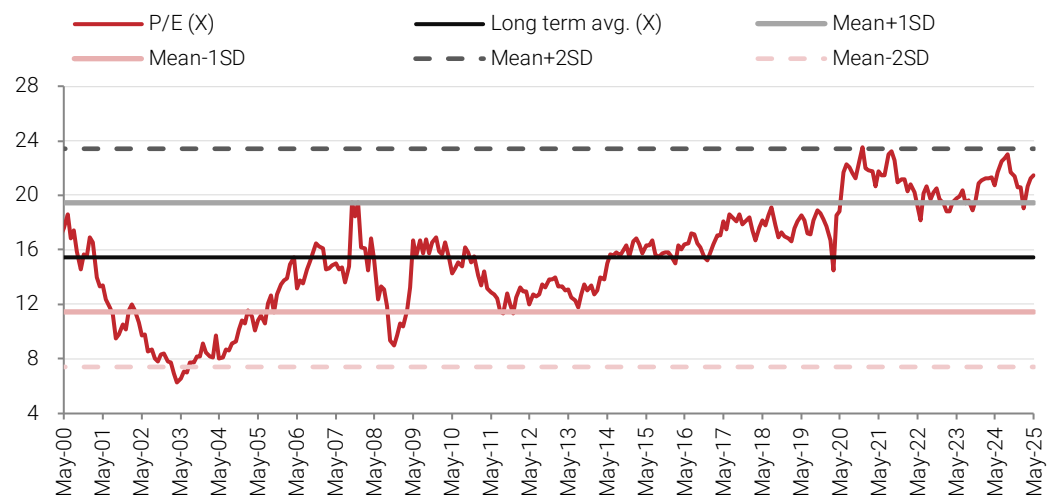
Reality of rich valuations and low growth

The Indian market remains blissfully ignorant of the reality of (1) a sluggish domestic outlook with likely continued weakness in consumption demand and likely slowdown in investment demand and (2) a challenged global macroenvironment with likely low growth and possibly high inflation. Valuations of the Indian market and of most sectors and stocks are quite rich and well above fair values based on any sensible valuation framework. This would suggest that investors, both institutional and retail, are yet to reconcile with the new reality.

- **Rich valuations.** We find valuations of the Indian market (see Exhibits 1-4) and most sectors and stocks (see Exhibits 5-10) to be quite rich in the context of (1) short-term growth and profitability challenges in several parts of the Indian market, especially consumption, parts of investment and outsourcing (IT services) and (2) medium-term growth and profitability issues in several sectors due to emerging and extant disruption risks. As can be seen, multiples are meaningfully higher or similar to pre-pandemic levels, which is quite surprising.

Nifty-50 index trading at high multiples

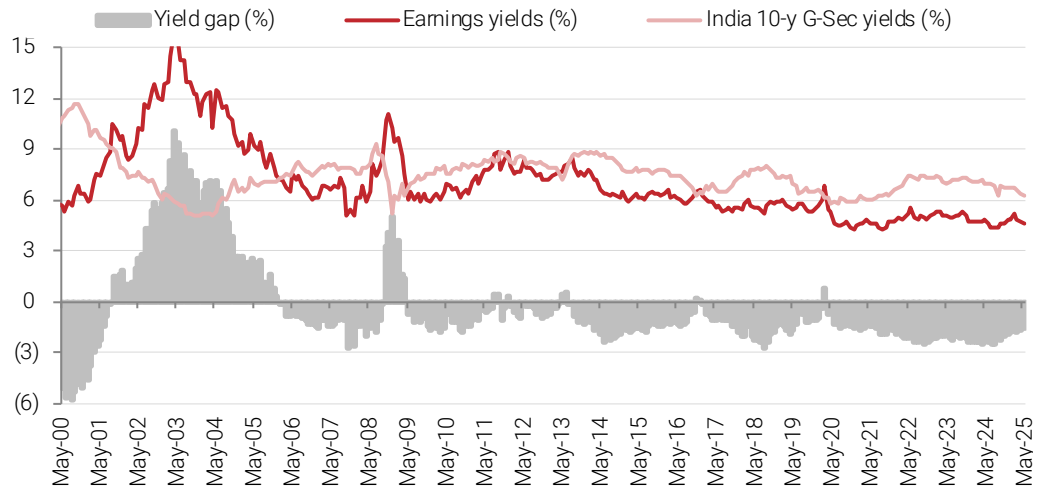
Exhibit 1: 12-m rolling forward PE of Nifty-50 Index, March fiscal year-ends, 2001-26 (X)



Source: Companies, Kotak Institutional Equities estimates

Yield gap (earnings yield less bond yield) has come off in recent months with the decline in bond yields

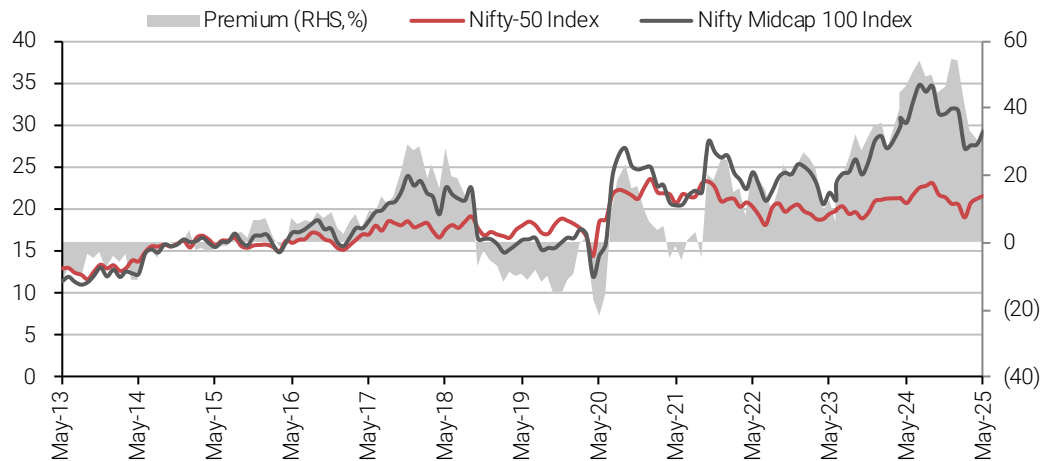
Exhibit 2: Nifty earnings yield (1-year forward estimated earnings) and bond yield, March fiscal year-ends, 2000-25 (%)



Source: CEIC, Kotak Institutional Equities estimates

Midcaps continue to trade at a large premium to largecaps, despite recent derating

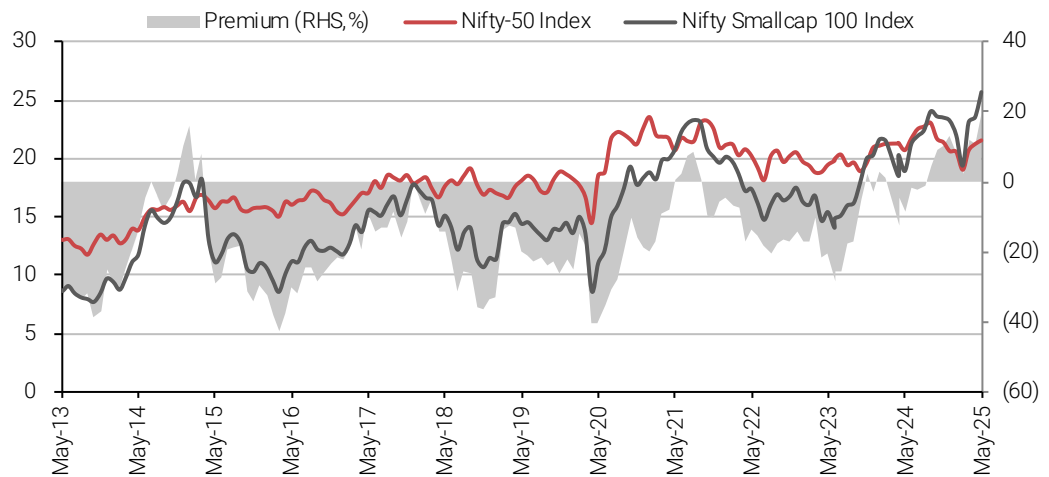
Exhibit 3: 1-year forward P/E multiple of Nifty-50 Index and Nifty Midcap 100 Index, March fiscal year-ends, 2013-26 (X)



Source: Bloomberg, Kotak Institutional Equities

Smallcaps continue to trade at a large premium to largecaps

Exhibit 4: 1-year forward P/E multiple of Nifty-50 Index and Nifty Smallcap 100 Index, March fiscal year-ends, 2013-26 (X)



Source: Bloomberg, Kotak Institutional Equities

Most large-cap. consumption stocks are trading at expensive valuations

Exhibit 5: 12-m forward P/E multiple of large-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/E multiple (X)															
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
Bajaj Auto	Automobiles & Components	14	14	14	16	15	16	18	17	17	12	19	18	17	30	22	25
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	29	29
Hero Motocorp	Automobiles & Components	14	15	14	16	16	17	17	18	13	10	16	14	13	20	15	17
Mahindra & Mahindra	Automobiles & Components	14	14	14	15	19	18	20	19	15	9	20	18	16	21	23	25
Maruti Suzuki	Automobiles & Components	14	16	13	17	21	18	22	26	23	18	28	30	23	28	22	24
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	20	23
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	35	39
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	48	64	65	54	48	49	49
Berger Paints	Commodity Chemicals	17	17	25	27	36	35	45	44	49	58	81	61	49	52	47	51
Ambuja Cements	Construction Materials	18	18	14	24	23	29	34	29	26	16	25	20	26	38	31	32
Shree Cement	Construction Materials	NA	NA	14	22	46	34	36	31	37	34	44	32	41	34	57	54
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	37	35
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	52	51
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	33	36
Britannia Industries	Consumer Staples	21	28	24	23	39	33	39	49	53	41	45	41	47	49	50	52
Colgate-Palmolive (India)	Consumer Staples	24	30	28	32	40	32	40	38	40	37	41	38	36	52	42	43
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	48	44	44	41	43	43
Godrej Consumer Products	Consumer Staples	20	22	30	31	31	35	37	43	38	29	39	36	45	52	49	51
Hindustan Unilever	Consumer Staples	26	29	28	33	40	39	41	47	50	56	58	47	52	46	47	50
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	43	40	39	46	49
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	65	62	63	72	62	65
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	56	60
Varun Beverages	Consumer Staples	NA	NA	NA	NA	NA	NA	32	36	42	28	36	39	45	67	52	46
United Spirits	Consumer Staples	22	16	37	59	90	57	53	58	43	33	41	53	48	57	58	60
Apollo Hospitals	Health Care Services	25	29	30	31	43	41	40	41	43	33	59	54	50	61	49	49
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	75	76
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	68	75	57	74	56	65
Trent	Retailing	NA	45	43	36	40	27	44	56	53	59	169	112	79	109	88	91
Pidilite Industries	Specialty Chemicals	21	22	27	26	42	34	37	43	54	49	64	74	62	69	60	63

Source: Companies, FactSet, Kotak Institutional Equities

Most mid-cap. consumption stocks are trading at expensive valuations

Exhibit 6: 12-m forward P/E multiple of mid-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/E multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	26	24	24	27	25	25
Exide Industries	Automobiles & Components	17	19	17	19	21	18	24	22	20	12	17	13	14	20	24	25
Schaeffler India	Automobiles & Components	11	14	12	17	31	27	31	29	30	25	35	37	42	41	45	53
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	30	35	32	33	31	35
Timken	Automobiles & Components	NA	NA	NA	NA	40	24	31	34	29	23	39	44	41	49	42	45
Indigo Paints	Commodity Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	93	47	32	33	28	32
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	47	37	30	27	26	28
Crompton Greaves Consumer	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	39	36	31	24	40	33	29	29	33	33
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	64	72	53	51	58	60
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	51	41	49	45	41
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	46	42	44	45	29	32
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	51	55	56	64	67	68
Aster DM Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	22	10	16	16	17	31	54	58
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	41	46
Max Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	35	34	34	51	58	56
Metropolis Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	33	50	41	34	49	38	40
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	39	39	26	31	38	37
Chalet Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	146	29	45	37	38
Devyani International	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	89	53	86	104	156
Indian Hotels	Hotels & Restaurants	26	23	39	48	66	67	47	51	54	28	100	70	40	51	53	49
Jubilant Foodworks	Hotels & Restaurants	36	48	41	40	54	52	54	58	48	45	75	58	51	69	102	101
Lemon Tree Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	64	33	NA	173	39	36	36	36
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	103	132
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	135	110

Source: Companies, FactSet, Kotak Institutional Equities

Most investment stocks are trading at expensive valuations

Exhibit 7: 12-m forward P/E multiple of investment stocks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/E multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
ABB	Capital Goods	41	48	32	60	67	60	51	43	53	42	64	69	73	87	56	60
Bharat Electronics	Capital Goods	14	12	10	11	22	20	21	18	13	10	15	19	21	35	39	46
BHEL	Capital Goods	15	10	8	16	21	27	26	20	17	7	28	28	28	78	34	39
Carborundum Universal	Capital Goods	13	13	13	17	21	18	23	24	25	13	30	32	37	42	37	40
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	44	56
Cummins India	Capital Goods	18	21	18	25	29	26	28	23	24	13	35	32	36	50	39	41
IRB Infrastructure	Capital Goods	13	12	7	7	13	12	11	8	6	4	8	26	17	32	19	22
Kalpataru Projects	Capital Goods	9	8	6	7	15	15	16	19	16	5	10	10	12	20	17	20
KEC International	Capital Goods	8	8	7	9	13	12	15	19	13	7	15	13	18	23	20	21
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	19	21	22	31	26	27
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	52	52	59	76	58	58
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	43	48	43	65	49	46
Amber Enterprises	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	31	19	19	51	43	29	48	62	53
Avalon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36	50	50
Cyient DLM	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49	32	31
Dixon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	37	27	25	64	63	40	70	64	72
Kaynes Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	75	73	82
Syrma SGS Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	42	36	40

Source: Companies, FactSet, Kotak Institutional Equities

Most outsourcing stocks are trading at higher multiples, compared to their pre-Covid levels

Exhibit 8: 12-m forward P/E multiple of outsourcing stocks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/E multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
Coforge	IT Services	6	7	7	9	9	10	9	15	16	13	29	32	22	30	39	40
Cyient	IT Services	10	8	8	11	14	12	12	17	14	5	16	18	16	25	17	20
HCL Technologies	IT Services	16	13	14	15	18	13	14	14	14	10	18	21	18	24	23	24
Infosys	IT Services	22	17	16	15	19	18	15	16	18	15	26	30	21	23	22	23
KPIT Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	4	20	48	52	53	39	40
LTIMindtree	IT Services	NA	NA	NA	NA	NA	NA	12	18	17	15	32	38	27	27	25	29
L&T Technology Services	IT Services	NA	NA	NA	NA	NA	NA	16	23	21	14	31	46	28	38	31	31
Mphasis	IT Services	10	11	10	11	11	13	14	17	15	10	23	36	18	25	25	25
Persistent Systems	IT Services	11	8	10	13	17	18	13	14	12	11	27	42	29	43	49	48
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	35	47
Tata Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50	35	40
TCS	IT Services	23	18	20	19	20	18	17	19	22	20	30	31	24	28	24	24
Tech Mahindra	IT Services	11	10	11	13	15	13	12	16	14	11	16	21	16	23	23	25
Wipro	IT Services	18	15	14	15	16	14	14	15	15	11	20	24	15	21	20	20
Aurobindo Pharma	Pharmaceuticals	9	7	7	12	18	17	14	12	15	8	15	12	12	17	15	16
Cipla	Pharmaceuticals	21	18	18	19	30	20	24	20	22	18	24	25	20	27	23	24
Divis Laboratories	Pharmaceuticals	20	17	17	19	23	20	16	25	28	31	39	40	36	44	57	62
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	24	21	18	19	16	19
Emcure Pharmaceuticals	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	23	26
JB Chemicals & Pharma	Pharmaceuticals	NA	NA	NA	8	11	13	15	NA	13	13	22	24	28	36	31	32
Lupin	Pharmaceuticals	18	20	20	20	31	20	20	19	21	21	27	22	24	32	23	21
Mankind Pharma	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	41	43	45
Sun Pharmaceuticals	Pharmaceuticals	22	23	23	20	29	24	21	25	23	17	23	26	24	35	31	32
Torrent Pharmaceuticals	Pharmaceuticals	14	13	12	15	22	17	21	22	30	29	30	32	33	43	43	42
SRF	Specialty Chemicals	3	3	5	7	14	14	15	16	18	16	24	38	29	37	48	43

Source: Companies, FactSet, Kotak Institutional Equities

Tier-1 banks are fairly valued in general and expensive in a few cases; tier-2 and tier-3 banks and NBFCs are trading at attractive valuations

Exhibit 9: 12 m forward P/B multiple of banks in KIE universe, March fiscal year ends, 2011-26E

Company	Sector	12-m forward P/B multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
AU Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	7.0	4.6	3.0	5.9	4.6	3.1	2.6	2.1	2.6
Axis Bank	Banks	2.6	1.8	1.7	1.6	2.6	1.8	2.1	1.9	2.7	1.1	1.9	1.9	1.8	1.9	1.7	1.8
Bandhan Bank	Banks	NA	NA	NA	NA	NA	NA	NA	5.2	4.9	1.7	2.7	2.6	1.4	1.2	0.9	1.0
Bank of Baroda	Banks	1.7	1.1	0.8	0.9	0.9	1.0	1.2	0.9	0.9	0.4	0.5	0.7	0.8	1.1	0.9	0.9
Canara Bank	Banks	1.3	0.9	0.7	0.5	0.6	0.5	0.9	0.9	1.3	0.2	0.6	0.6	0.7	1.2	0.8	1.0
City Union Bank	Banks	1.5	1.4	1.4	1.3	2.0	1.7	2.3	2.6	2.8	1.6	1.9	1.4	1.2	1.1	1.2	1.4
DCB Bank	Banks	1.3	1.3	1.0	1.2	1.9	1.2	2.2	1.8	2.0	0.8	0.9	0.6	0.7	0.7	0.6	0.8
Equitas Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.8	1.4	1.5	1.6	0.9	1.1
Federal Bank	Banks	1.3	1.2	1.2	1.1	1.3	0.9	1.7	1.4	1.4	0.5	NA	NA	NA	1.1	1.3	1.3
HDFC Bank	Banks	3.8	3.5	3.5	3.5	3.6	3.2	3.8	3.8	3.8	2.5	3.6	3.0	2.8	2.2	2.6	2.6
ICICI Bank	Banks	2.2	1.6	1.7	1.8	2.1	1.5	1.8	1.7	2.3	1.7	2.5	2.7	2.7	2.9	3.0	3.1
Indusind Bank	Banks	2.8	2.8	2.5	2.6	3.8	2.9	3.7	4.0	3.4	0.6	1.6	1.4	1.3	1.7	0.7	0.9
Karur Vysya Bank	Banks	1.7	1.3	1.4	1.1	1.5	1.1	1.4	1.3	1.0	0.3	0.7	0.5	0.9	1.3	1.3	1.3
Punjab National Bank	Banks	1.6	1.1	0.7	0.8	0.7	0.6	1.0	0.6	1.0	0.4	0.5	0.4	0.6	1.3	0.8	0.9
State Bank of India	Banks	1.9	1.7	1.4	1.3	1.6	1.2	1.5	1.2	1.4	0.8	1.3	1.5	1.3	1.7	1.5	1.5
Ujjivan Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.4	1.6	0.9	1.0	1.4	1.0	1.2
Union Bank	Banks	1.4	0.9	0.8	0.5	0.6	0.6	0.7	0.5	0.6	0.3	0.5	0.4	0.6	1.1	0.8	0.9

Source: Companies, FactSet, Kotak Institutional Equities

NBFCs are trading at fair valuations

Exhibit 10: 12 m forward P/B multiple of financial stocks in KIE universe, March fiscal year ends, 2011-26E

Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
12-m forward P/B multiple (X)																	
Aavas Financiers	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	4.7	3.9	7.0	6.4	3.4	2.4	3.3	2.9
Aadhar Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.5	2.5
Aptus Value Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.2	3.1	3.6	3.0	3.4
Bajaj Finance	Diversified Financials	1.6	1.4	1.5	1.9	3.5	4.2	5.7	5.3	7.3	3.4	7.1	8.4	5.2	5.0	5.0	4.9
Cholamandlam	Diversified Financials	1.6	1.6	1.8	1.6	2.6	2.8	3.2	3.8	3.2	1.3	4.1	4.5	3.9	4.3	4.5	4.5
Home First Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.7	3.9	3.2	3.3	3.0	3.1
L&T Finance	Diversified Financials	NA	1.6	2.1	1.8	1.4	1.5	2.6	2.8	2.0	0.6	1.2	0.9	0.9	1.6	1.4	1.5
LIC Housing Finance	Diversified Financials	2.2	2.1	1.5	1.4	2.3	2.3	2.5	1.9	1.6	0.6	1.0	0.8	0.7	1.0	0.8	0.8
Mahindra & Mahindra Financial	Diversified Financials	2.7	2.0	2.2	2.5	2.3	2.2	2.7	3.1	2.3	0.8	1.6	1.2	1.6	1.7	1.6	1.5
Muthoot Finance	Diversified Financials	NA	1.1	1.3	1.4	1.5	1.2	2.1	1.9	2.4	1.7	2.7	2.5	1.6	2.1	2.9	2.6
Shriram Finance	Diversified Financials	3.0	1.9	1.8	1.8	2.4	2.0	2.0	2.3	1.7	0.7	1.6	1.1	1.0	1.6	2.0	1.9
12-m forward P/E multiple (X)																	
360 One	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	22.5	26.4	23	20	27	31	32
ABSL AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	22	13	18	19	21
CAMS	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	37.4	34	29	35	36	39
CRISIL	Capital Markets	19.8	27.4	22.3	30.6	40.9	37.3	33.3	36.2	25.4	21.8	33.6	45	40	50	38	47
HDFC AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	34.0	30.9	40.6	29	23	38	31	37
ICRA	Capital Markets	16.1	18.0	15.8	24.1	41.1	39.2	44.9	33.7	22.4	19.9	35.5	32	27	31	27	32
Kfin Technologies	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	36	44	47
Nippon AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	24.7	24.3	24.1	33.8	26	17	27	25	33
UTI AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	18.9	20	14	15	16	19

Source: Companies, FactSet, Kotak Institutional Equities

The valuations of the market and most sectors and stocks are expensive and of many 'narrative' stocks bizarre after the sharp recovery in the market in the past 4-5 weeks (see Exhibit 11-13). The market has gone from despair to relief to euphoria in about 5-6 weeks (early April to middle of May), tracking the changes in the US's import tariff policy—(1) announcement of reciprocal tariffs on April 2, 2025 and (2) suspension of reciprocal tariffs from April 9, 2025 for 90 days.

India has outperformed most global markets in the past three months

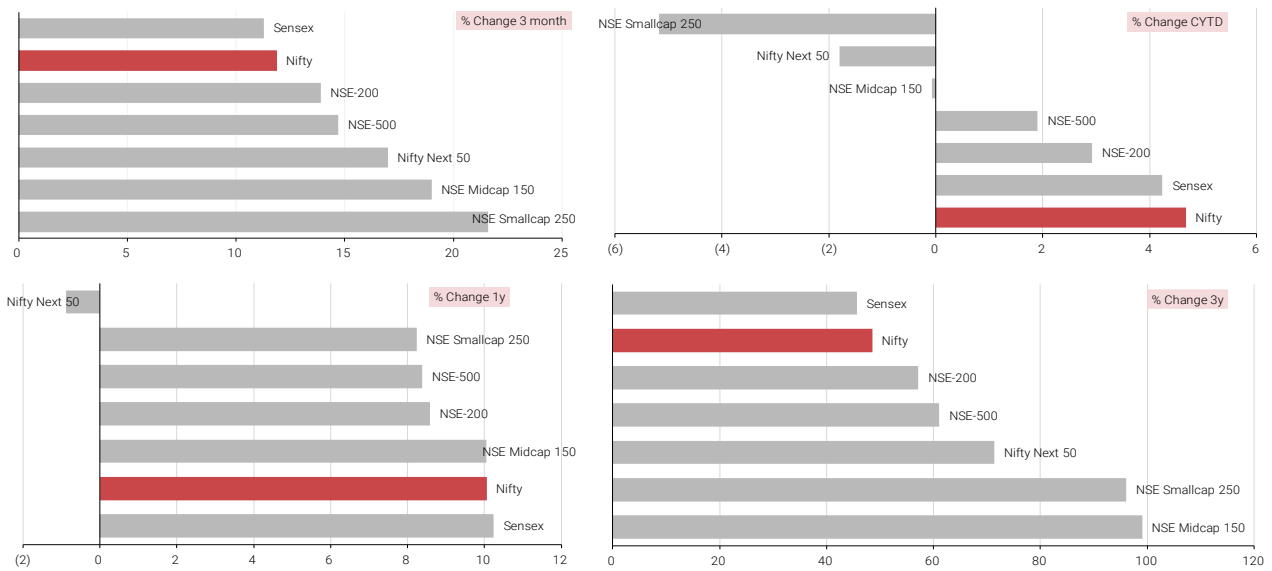
Exhibit 11: Performance (not annualized) of emerging and developed markets over period of time (%)

	% change in local currency								% change in USD							
	1-mo	3-mo	6-mo	CYTD	1-yr	3-yr	5-yr	10-yr	1-mo	3-mo	6-mo	CYTD	1-yr	3-yr	5-yr	10-yr
Developed markets																
Australia	5	3	(0)	3	11	16	47	46	5	7	(2)	7	7	3	42	23
France	3	(4)	8	6	(2)	19	66	56	3	5	16	16	2	25	70	61
Germany	8	7	23	21	31	66	108	112	7	17	32	32	37	74	113	119
Hong Kong	6	2	20	16	28	10	1	(15)	5	1	19	15	27	10	0	(16)
Japan	6	2	(1)	(5)	(0)	39	74	85	5	7	3	4	9	23	30	59
Singapore	2	(0)	4	3	17	20	55	15	4	5	8	9	22	27	70	20
UK	4	(0)	6	7	7	15	44	26	4	7	12	16	13	23	58	11
US (Dow Jones)	4	(4)	(6)	(1)	11	27	66	134	4	(4)	(6)	(1)	11	27	66	134
US (Nasdaq)	10	2	(0)	(1)	15	58	102	278	10	2	(0)	(1)	15	58	102	278
US (S&P500)	6	(1)	(2)	1	13	42	94	181	6	(1)	(2)	1	13	42	94	181
MSCI World	6	1	1	4	13	37	80	117								
Emerging markets																
Brazil	3	13	10	15	13	25	59	163	2	17	18	26	4	4	52	48
MSCI China	6	2	18	15	24	9	(8)	(7)	5	2	17	14	23	9	(9)	(8)
MSCI India	3	14	1	3	8	52	161	182	2	16	0	3	5	38	131	110
Indonesia	6	14	1	1	2	2	51	38	9	16	(2)	1	2	(9)	36	12
Korea	5	7	10	12	2	1	33	28	9	13	11	20	2	(10)	19	3
Malaysia	(0)	(4)	(5)	(8)	(6)	(2)	2	(14)	1	0	(1)	(3)	4	0	5	(26)
Mexico	5	12	18	18	6	12	62	31	7	19	24	28	(7)	13	86	5
Philippines	1	6	(4)	(3)	(0)	(7)	9	(16)	2	10	1	1	4	(13)	(2)	(33)
Taiwan	6	(7)	(4)	(7)	(0)	29	95	120	14	2	5	2	9	25	97	128
Thailand	(2)	(5)	(19)	(18)	(15)	(31)	(14)	(23)	(0)	(0)	(16)	(15)	(5)	(28)	(17)	(21)
MSCI EM	6	7	8	9	11	10	26	17								

Source: Bloomberg, Kotak Institutional Equities

Indian markets saw a sharp rebound over the past three months

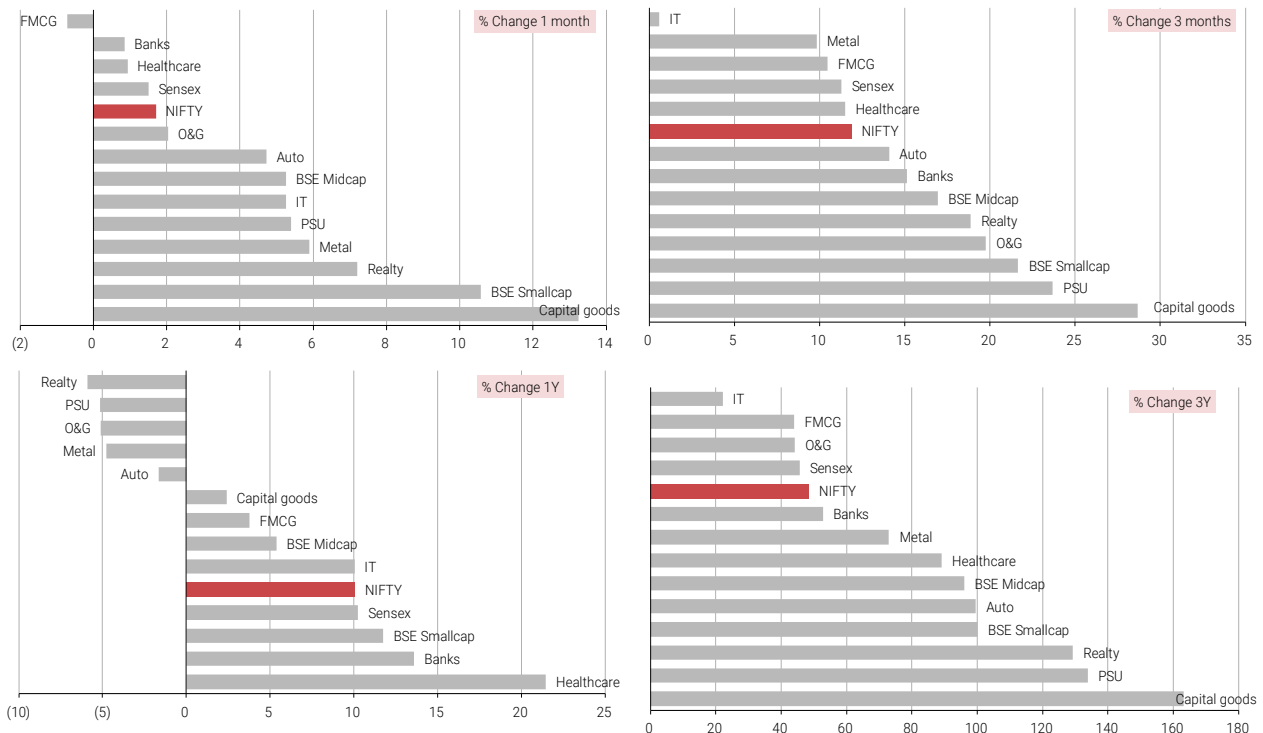
Exhibit 12: Performance of major Indian indices (%)



Source: Bloomberg, Kotak Institutional Equities

Most sectors witnessed significant rally in the past 1-3 months

Exhibit 13: Performance of various sectors (%)

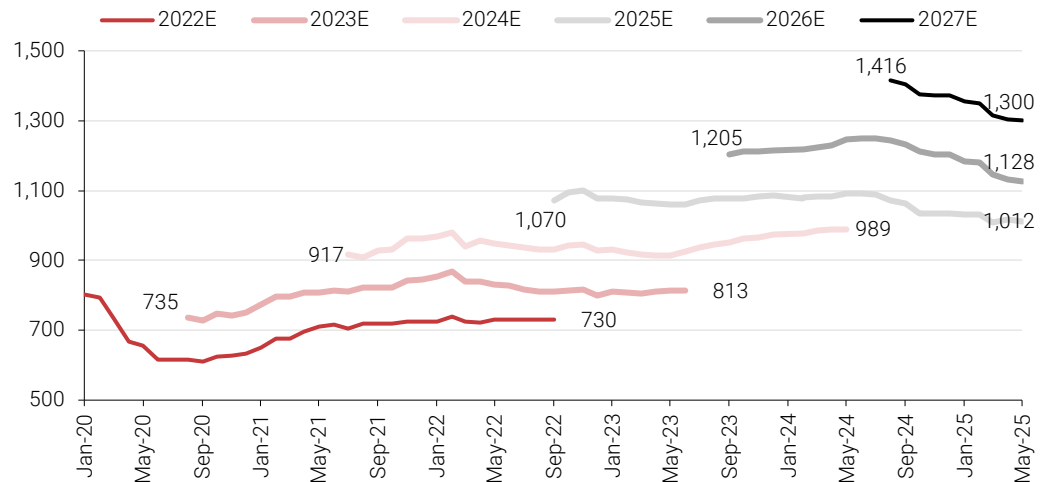


Source: Bloomberg, Kotak Institutional Equities

We would note that valuations have stayed at high levels in several sectors and stocks despite meaningful earnings downgrades (see Exhibit 14 for changes to 'EPS' estimates of the Nifty-50 Index), which would suggest that (1) the market does not care about valuations and/or (2) the market does not care about earnings. In our view, this nonchalant attitude perhaps reflects the market's confidence in (1) retail investors sustaining their hitherto price-agnostic purchase of stocks through mutual funds and (2) FPIs staying positive on Indian equities based on a 'narrative' of a lack of alternatives in EMs.

Steady cuts in FY2026/27 EPS over the past few months

Exhibit 14: Nifty-50 Index EPS estimates trend, March fiscal year-ends, 2022E-27E (Rs)

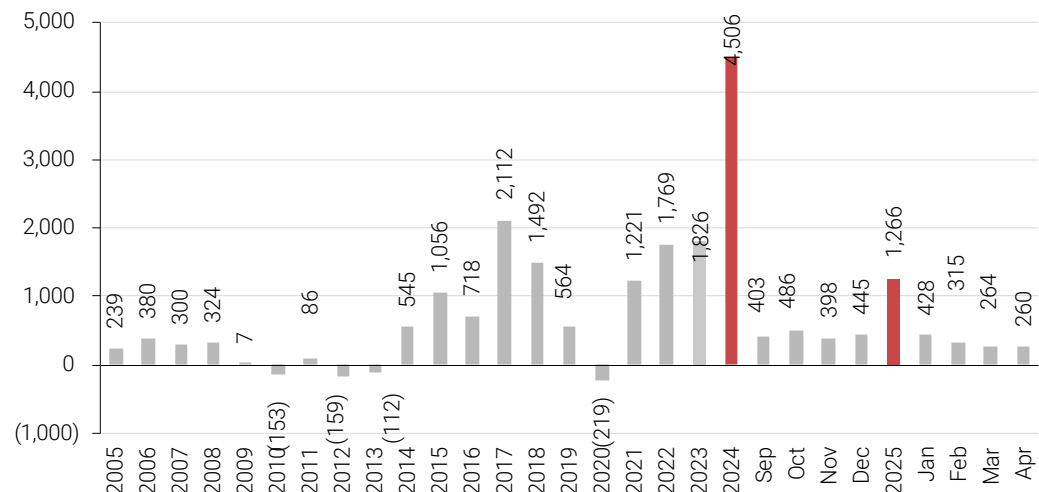


Source: Kotak Institutional Equities estimates

We note that (1) retail investors have been steady sellers in the market and reducing new investments into mutual funds (see Exhibits 15-16) and (2) FPIs are generally value-sensitive investors. Insiders have used the recent rally to sell down their holdings significantly with promoters of at least 10 large- and medium-size companies selling down a part of their holding (see Exhibit 17) in the past fortnight alone. In any case, the Indian market has been a laggard in the recent global rally, which should dampen narratives about "Indian exceptionalism".

MFs flows have seen a moderation in recent months

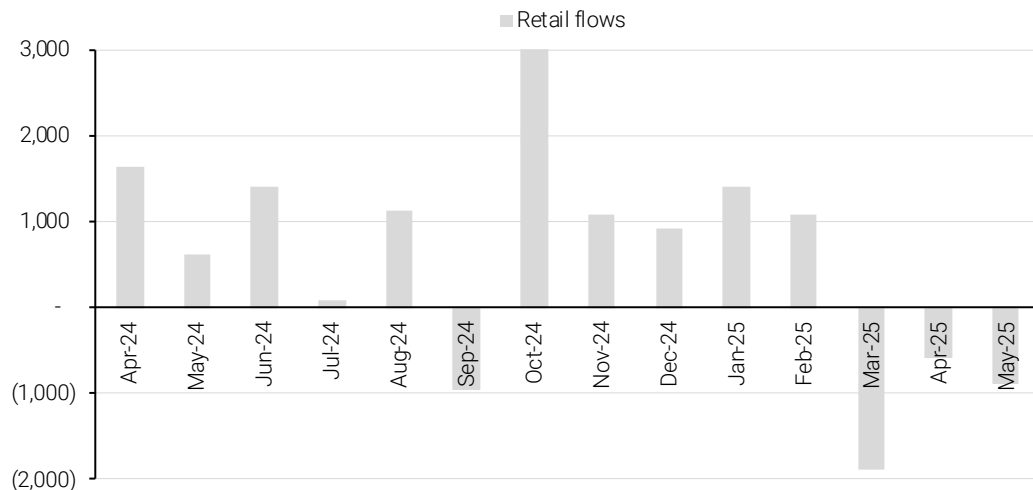
Exhibit 15: Net MF flows (Equity + 70% hybrid), calendar year-ends, 2005-25 (Rs bn)



Source: AMFI, Kotak Institutional Equities

Direct retail flows have turned negative in the past few months

Exhibit 16: Provisional retail flow data (US\$ mn)



Source: NSE, Bloomberg, Kotak Institutional Equities

Promoters and major shareholders have sold stake in May 2025, after the recent rally in stock prices

Exhibit 17: Promoter and major shareholder stake sale in select companies in May 2025 (Rs bn)

Company	Seller	Date	Amount (Rs bn)
Kfin Technologies	General Atlantic Singapore Fund Pte	13-May-25	18
Navin Fluorine International	Vishad Padmanabh Mafatlal	14-May-25	1
Bharti Airtel	Pastel Ltd (Singtel)	16-May-25	129
JSW Infrastructure	Sajjan Jindal Family Trust	16-May-25	12
KPR Mill	KPD Sigamani, K P Ramasamy, P Nataraj	21-May-25	12
Gravita India	Rajat Agrawal	23-May-25	5
Interglobe Aviation	Chinkerpoo Family Trust, Rakesh Gangwal	27-May-25	116
PG Electroplast	Gupta Family	27-May-25	11
ITC	BAT	28-May-25	129
Total			433

Source: Prime Infobase, Media reports, Kotak Institutional Equities

We have been highlighting our concerns about the disconnect between valuations and fundamentals for a while. At a broad level, we note that valuations are higher versus pre-pandemic levels despite (1) significantly elevated risks to global growth and inflation, (2) higher global interest and bond yields versus pre-pandemic levels, (3) domestic growth and profitability challenges for most sectors in the short term and (4) significantly higher medium-term disruption-related threats to sectors and stocks, arising from increased competition and other changes.

- **Slowdown in domestic growth.** We expect a slowdown in India's GDP growth (see Exhibit 18) with a modest recovery in consumption being offset by likely lower growth in investment. We would note that (1) strong government and household capex over the past 3-4 years and (2) robust consumption in high-income households in the past two years have driven GDP growth while weak consumption in low-and-middle-income households has been a drag on overall GDP growth.

We estimate FY2026 GDP growth at 6.2%

Exhibit 18: Real GVA and components growth, March fiscal-year ends, 2018-26E (%)

	2018	2019	2020	2021	2022	2023	2024	2025	2026E	FY2020-25 CAGR (%)
Real GVA	6.2	5.8	3.9	(4.1)	9.4	7.2	8.6	6.4	6.1	5.4
Agriculture and allied	6.6	2.1	6.2	4.0	4.6	6.3	2.7	4.6	4.5	4.4
Industry	5.9	5.3	(1.4)	(0.4)	12.2	2.5	10.8	5.9	5.5	6.1
Mining	(5.6)	(0.8)	(3.0)	(8.2)	6.3	3.4	3.2	2.7	2.8	1.3
Manufacturing	7.5	5.4	(3.0)	3.1	10.0	(1.7)	12.3	4.5	4.6	5.5
Electricity	10.6	7.9	2.3	(4.2)	10.3	10.8	8.6	5.9	5.4	6.1
Construction	5.2	6.5	1.6	(4.6)	19.9	9.1	10.4	9.4	7.8	8.5
Services	6.3	7.2	6.4	(8.4)	9.2	10.3	9.0	7.2	6.9	5.2
Trade, hotel, transport, communication	10.3	7.2	6.0	(19.9)	15.2	12.3	7.5	6.1	6.2	3.4
Financial, real estate, professional service	1.8	7.0	6.8	1.9	5.7	10.8	10.3	7.2	6.9	7.1
Public admin, defence, and others	8.3	7.5	6.6	(7.6)	7.5	6.7	8.8	8.9	8.0	4.7
Real GDP	6.8	6.5	3.9	(5.8)	9.7	7.6	9.2	6.5	6.2	5.3

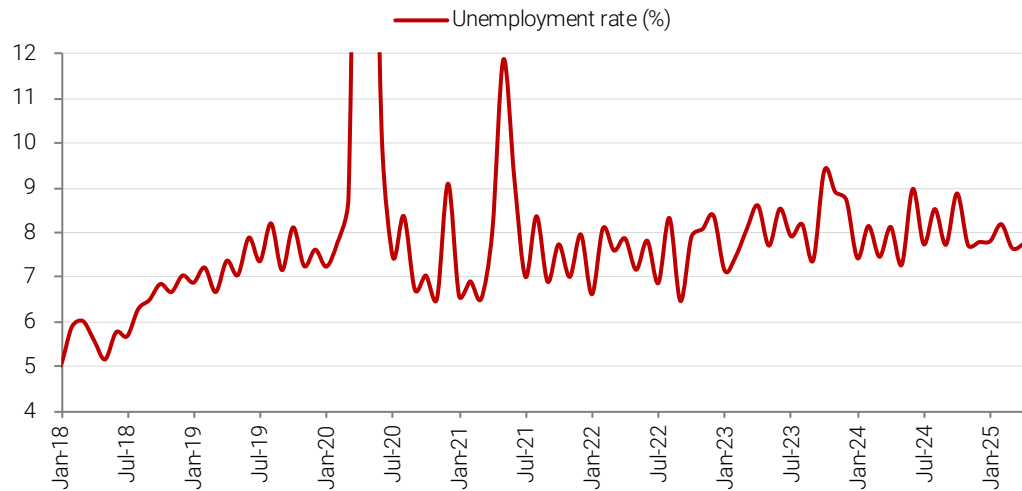
Source: CEIC, Kotak Institutional Equities estimates

- **Consumption.** We see a gradual recovery in domestic consumption demand on the back of (1) ongoing recovery in income of rural households, (2) tax savings for high-income households from tax cuts in the FY2026 budget and (3) potential large savings for households from lower automobile fuel prices in case the government were to reduce automobile retail prices. However, we would rule out any major upside to consumption demand given (1) continued muted growth in income of low-income and middle-income households due to employment issues and (2) possible slowdown in consumption demand of high-income households due to limited repeat purchase of high-ticket items among wealthy households and moderate pace of upward income mobility among households.

We have written extensively about inadequate creation of high-quality jobs in India for the past few years (see Exhibits 19-23) with a large portion of the new jobs being created in the agriculture sector (female rural workers) and in the gig economy (male urban workers). We do not see any meaningful improvement in the current volatile macroeconomic environment. If anything, we see a moderation in the pace of hiring in the IT services sector, which had just started to pick up in the previous two quarters (see Exhibit 24), given a volatile global macroeconomic outlook, which will postpone decision-making by the customers (especially in manufacturing and retailing) of the IT services companies.

Unemployment rate has been elevated in recent months, as per data from CMIE; quality of employment more relevant

Exhibit 19: Unemployment rate in India, March fiscal year-ends, 2019-25 (%)



Source: CMIE, Kotak Institutional Equities

Agriculture sector accounts for a large share of stock and flow of jobs

Exhibit 20: Percentage distribution of workers in usual status by broad industry division, June year-ends, 2018-24 (%)

	2018	2019	2020	2021	2022	2023	2024	Change (bps) 2019-24
Agriculture	44.1	42.5	45.6	46.5	45.5	45.8	46.1	360
Mining	0.4	0.4	0.3	0.3	0.3	0.3	0.2	(20)
Manufacturing	12.1	12.1	11.2	10.9	11.6	11.4	11.4	(70)
Electricity and water supply	0.6	0.6	0.6	0.6	0.6	0.5	0.5	(10)
Construction	11.7	12.1	11.6	12.1	12.4	13.0	12.0	(10)
Trade, hotel and restaurant	12	12.6	13.2	12.2	12.1	12.1	12.2	(40)
Transport	5.9	5.9	5.6	5.4	5.6	5.4	5.6	(30)
Other services	13.2	13.8	11.9	12	11.9	11.4	11.9	(190)

Source: PLFS, Kotak Institutional Equities

A large portion of new jobs seems to be in low-income services (household enterprises)

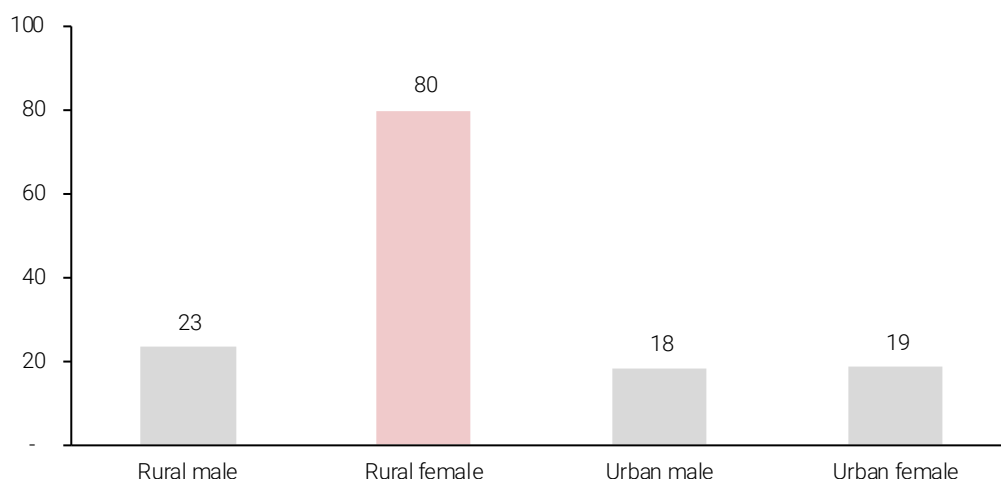
Exhibit 21: Distribution of workers in usual status by broad segments in India, June year-ends, 2018-24 (%)

	2018	2019	2020	2021	2022	2023	2024	Change (bps) 2019-24
Casual labor	24.9	24.1	23.6	23.3	22.7	21.8	19.8	(430)
Regular wage/salaried	22.8	23.8	22.9	21.1	21.5	20.9	21.7	(210)
Self-employed (own account worker)	38.6	38.8	37.6	38.2	38.3	39.0	39.0	20
Self-employed (helper in household enterprise)	13.6	13.3	15.9	17.3	17.5	18.3	19.4	610

Source: PLFS, Kotak Institutional Equities

Rural female workers accounted for 57% of new workers added over 2018-24

Exhibit 22: Estimated new rural and urban labor force added over 2018-24, June year-ends, 2018-24E (mn)



Source: PLFS, MOHFW, Kotak Institutional Equities

Agriculture continues to be largest employer for female workers on both stock and flow basis

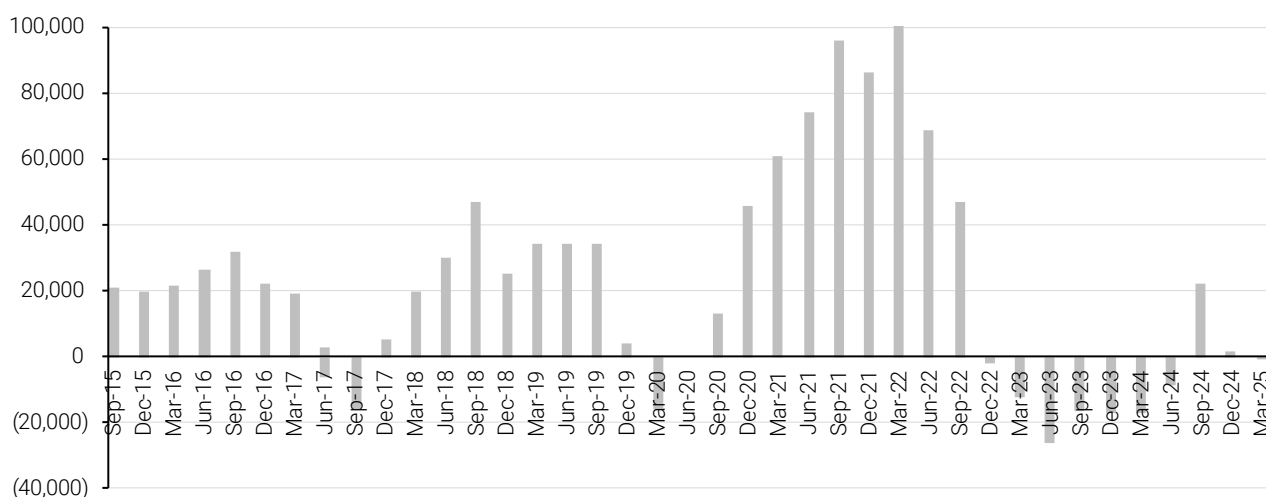
Exhibit 23: Percentage distribution of workers in usual status by broad industry division, June year-ends, 2018-24 (%)

	Overall male							Overall female						
	2018	2019	2020	2021	2022	2023	2024	2018	2019	2020	2021	2022	2023	2024
Agriculture	40.2	38.3	40.0	39.8	38.1	37.1	36.3	57.0	55.3	59.9	62.2	62.9	64.3	64.4
Mining	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Manufacturing	12.0	11.8	11.3	11.1	11.8	11.6	11.4	12.5	12.8	10.9	10.6	11.2	11.1	11.6
Electricity and water supply	0.7	0.7	0.8	0.8	0.7	0.7	0.7	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Construction	13.7	14.2	14.1	14.9	15.6	17.3	16.4	5.0	5.5	5.4	5.6	5.0	4.0	3.7
Trade, hotel and restaurant	13.7	14.5	15.3	14.8	14.7	14.8	15.5	6.3	6.7	8.0	6.1	5.9	6.2	6.1
Transport	7.4	7.5	7.4	7.3	7.5	7.4	8.1	1.1	1.0	1.0	1.0	1.2	1.2	1.1
Other services	11.7	12.4	10.9	11.0	11.2	10.7	11.3	17.8	18.2	14.4	14.4	13.6	13.0	13.0

Source: PLFS surveys, Kotak Institutional Equities

Weak job creation in the IT sector in recent quarters

Exhibit 24: Quarterly net headcount addition across prominent Indian IT companies, March fiscal year-ends, 2015-25 (#)



Source: Companies, Kotak Institutional Equities

- **Investment.** We see a slowdown in investment demand due to (1) a likely moderation in central government capex, (2) a modest pickup in state capex despite a significant increase shown in state budgets for FY2026; we see large downward risks given the history of large slippages in the case of state capex, (3) a likely slowdown in residential real estate demand and (4) no meaningful pickup in private capex.

We note that government capex on railways and roads & highways and household capex on real estate were the biggest drivers of the strong growth in capex over FY2021-24. This can be seen in the increase in the share of government (including public sector capex) and household GFCF (as a % of GDP) in the past few years at the expense of the private sector. Exhibit 25 gives the breakdown of various components of investments.

Government and household capex were the major driver of GFCF over FY2019-24

Exhibit 25: Components of investments as proportion of GDP, March fiscal year-ends (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Investment rate	39.0	38.7	33.8	33.5	32.1	32.0	33.9	33.8	30.4	28.2	32.4	32.6	31.4
Private corporations	13.3	13.6	12.9	13.4	13.5	11.6	11.3	11.6	11.0	10.0	11.4	12.3	11.2
- Nonfinancial	12.9	13.4	12.7	12.9	13.1	11.5	11.1	11.5	10.8	9.8	11.2	12.1	11.0
- Financial	0.4	0.3	0.2	0.4	0.4	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.3
Public corporations	4.0	3.8	3.5	3.6	3.9	3.4	3.2	3.7	3.3	2.9	2.8	3.0	3.9
- Nonfinancial	3.9	3.7	3.4	3.5	3.9	3.3	3.1	3.6	3.3	2.8	2.7	3.0	3.9
- Financial	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1
General government	3.5	3.4	3.5	3.5	3.6	3.8	3.6	3.6	3.6	3.9	3.8	3.6	4.0
Households	15.9	14.7	12.6	12.1	9.6	10.4	11.4	12.2	11.2	10.8	12.6	13.4	12.8

Notes:

(a) Components do not add up to investment rate due to exclusion of valuables and changes in inventory.

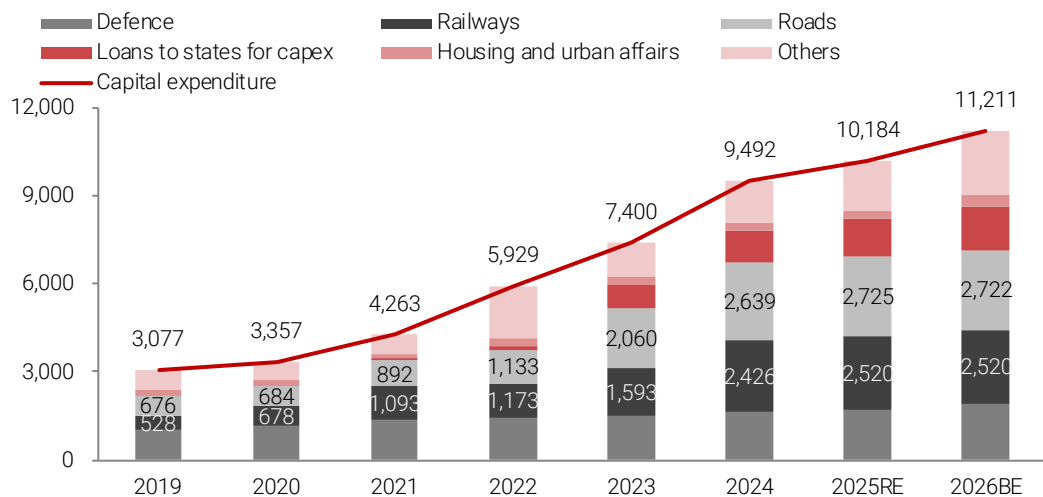
Source: CEIC, Kotak Institutional Equities

We had discussed the issues with respect to the investment cycle in our March 25, 2025 report titled *Investment cycle: Wheels turning slower* in detail. We recap a few key points.

- **Central government capex.** We expect central government capex to moderate in FY2026 given (1) a slowdown in the core areas of railways and roads & highways (flat capex for both in FY2026BE compared to FY2025RE) and (2) uncertainty in spending on certain non-traditional items. A large portion of the incremental capex of the central government will come from spending on non-traditional areas, which saw a large slippage in FY2025. See Exhibit 26 for breakdown of government capex by key segments over the past few years. We expect central government capex to slow down further in the medium term without new avenues of capex given lower scope of spending on the traditional areas of railways and roads & highways after (1) a meaningful upgrade of railway track and investment in rolling stock in the past few years and (2) rapid buildout of India's inter-state highway network.

Railways, roads and loans to states comprise close to 60% of the center's budgetary capex

Exhibit 26: Trend in central government budgetary capital expenditure, March fiscal year-ends, 2019-26BE (Rs bn)



Source: Union Budgets, Kotak Institutional Equities

- **State government capex.** We expect state government capex to face headwinds in the near term and in the medium term both given (1) the challenged fiscal position of most states (see Exhibit 27) and (2) increasing commitments to populist schemes (see Exhibit 28). State governments have large opportunities to spend on city infrastructure but may struggle to spend without the requisite financial and institutional capacity. In this context, a review of the taxation and non-taxation revenue split between the central and state governments would be critical.

Most states have large fiscal constraints

Exhibit 27: GFD/GSDP and debt/GSDP of major large states in India, March fiscal year-ends, 2020-26BE (%)

	GFD/GSDP (%)							Debt/GSDP (%)							Capex/GSDP (%)				
	2020	2021	2022	2023	2024	2025RE	2026BE	2020	2021	2022	2023	2024	2025BE	2026BE	2023	2024	2025BE	2025RE	2026BE
Andhra Pradesh	4.3	5.6	2.2	4.0	4.4	4.6	4.4	33	36	34	33	34	35		0.7	1.7	2.1	1.6	2.6
Assam	4.3	3.3	4.4	5.9	3.7	NA	3.7	21	26	25	27	27	NA		3.4	3.8	4.1	4.9	4.0
Bihar	2.1	5.3	3.9	6.0	4.2	9.2	3.0	33	40	40	39	39	40		4.5	4.5	3.1	5.2	3.8
Chhattisgarh	5.2	4.5	1.5	1.0	4.6	4.1	3.0	25	28	26	24	24	23		2.9	2.7	3.3	3.2	4.2
Gujarat	1.5	2.5	1.2	0.8	1.0	1.9	2.0	20	23	20	19	18	19		1.7	2.4	2.8	2.8	3.4
Haryana	4.1	3.9	3.6	3.2	2.9	2.7	2.7	30	34	32	31	31	30		1.4	1.8	1.8	1.3	1.5
Himachal Pradesh	3.5	3.8	3.1	6.5	5.4	6.6	4.0	39	45	43	45	45	44		3.2	2.8	2.8	3.9	1.6
Jharkhand	2.6	5.0	0.7	1.1	1.4	2.3	2.0	30	37	30	28	27	27		4.4	5.4	6.1	4.7	4.7
Karnataka	2.4	4.1	3.3	2.1	2.6	2.9	2.9	21	26	25	25	25	25		2.7	2.2	2.0	2.0	2.3
Kerala	2.9	5.3	5.0	2.5	3.0	3.5	3.2	33	40	39	38	37	37		1.6	1.5	1.4	1.3	1.3
Madhya Pradesh	3.6	5.3	3.4	3.3	3.3	4.2	4.7	23	31	30	29	30	32		3.8	4.2	4.3	4.5	5.0
Maharashtra	2.0	2.7	2.0	1.9	2.8	2.9	2.8	18	21	19	18	18	18		1.8	2.0	2.2	2.1	1.7
Odisha	3.5	1.8	(3.0)	2.0	1.7	3.1	3.2	27	26	20	20	16	16		4.7	5.4	7.0	6.1	6.3
Punjab	3.1	4.2	4.4	5.0	4.4	4.5	3.8	43	48	45	47	47	47		1.2	0.7	1.0	1.1	1.2
Rajasthan	3.8	5.8	4.0	3.8	4.3	4.1	4.3	35	40	39	37	37	37		1.5	1.8	2.6	2.3	2.7
Tamil Nadu	3.5	5.3	3.9	3.4	3.3	3.3	3.0	27	32	32	32	31	31		2.0	1.8	2.0	1.9	1.9
Telangana	3.3	5.2	4.1	2.5	3.4	2.9	3.0	24	29	28	27	27	27		3.0	3.5	3.3	3.3	3.2
Uttar Pradesh	(0.7)	3.3	2.0	2.8	3.2	3.4	3.0	32	37	33	30	31	31		4.5	4.7	6.6	5.7	5.7
Uttarakhand	3.2	2.4	1.5	1.0	2.2	2.5	2.9	28	33	31	27	25	25		2.7	3.2	3.6	3.3	3.5
West Bengal	3.1	3.9	3.8	3.3	3.2	4.0	3.6	38	44	41	39	38	39		1.5	1.7	1.9	1.7	2.0

Source: State budgets, RBI, CEIC, Kotak Institutional Equities

Multiple state governments have launched women-focused schemes over the past few years

Exhibit 28: Cash transfer-based women schemes in select states

	State	Annual transfer	Estimated cost	
		(Rs)	(Rs bn)	(% of GSDP)
Mahila Samridhi Yojana	Delhi	30,000	60	0.5
Lado Lakshmi Yojana	Haryana	25,200	200	1.8
Mukhyamantri Maiya Samman Yojana	Jharkhand	30,000	150	3.3
Gruh Lakshmi Scheme	Karnataka	24,000	310	1.2
Ladli Behna Yojana	Madhya Pradesh	15,000	195	1.4
Majhi Ladki Bahin Yojana	Maharashtra	18,000	460	1.1
Subhadra Yojana Kalaighar	Odisha	10,000	100	1.2
Magalir Urimai Scheme	Tamil Nadu	12,000	135	0.5
Lakshmi Bhandar Scheme	West Bengal	13,200	290	1.7
Total		17,328	1,899	

Notes:

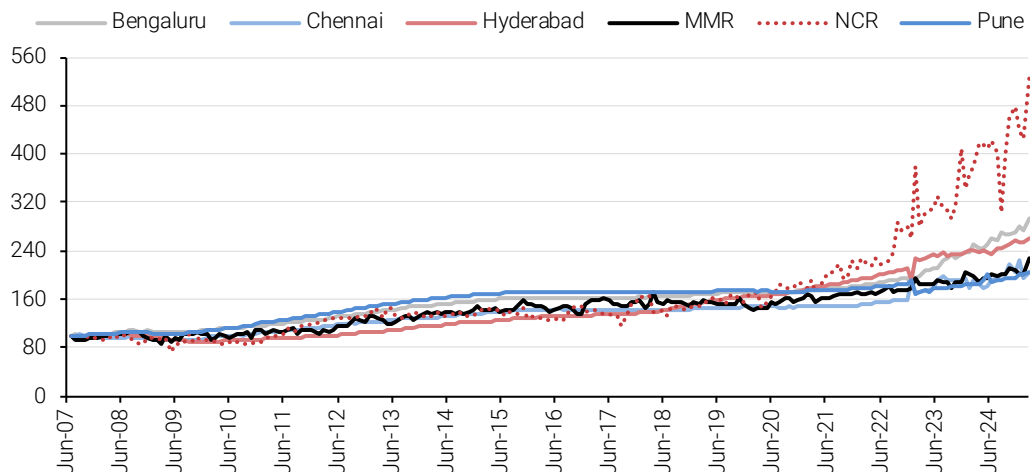
- (a) Budgeted costs likely to be lower than estimated costs.
- (b) Estimated costs based on number of beneficiaries as per media reports.

Source: Media reports, Kotak Economics Research estimates

- **Household capex.** We expect a moderate slowdown in demand for high-end projects due to (1) steep increase in prices over the past 2-3 years (see Exhibit 29), which would affect affordability of potential buyers and (2) likely lower confidence to spend on high-ticket items in the critical IT sector. We continue to be positive on the medium-term growth prospects of housing in India.

Residential prices have risen sharply in the past two years; a portion of the increase also reflects mix change

Exhibit 29: Residential price index, March fiscal year-ends, 2008-24 (base=100)

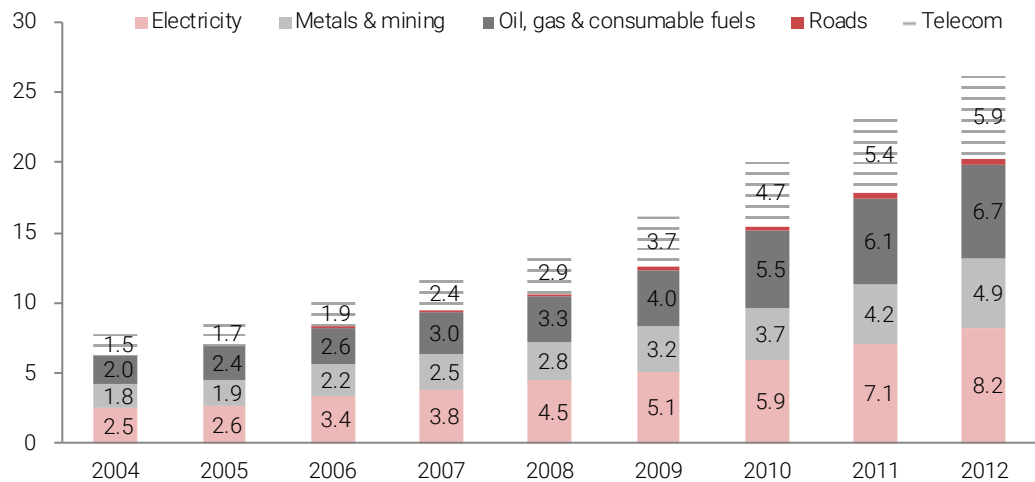


Source: Prop Equity, Kotak Institutional Equities

- **Private capex.** We do not expect a meaningful increase in private sector capex over the next 2-3 years given (1) limited areas within the capex-intensive core infrastructure sectors for the private sector to invest and (2) few companies with the balance sheet and risk appetite to invest in large infrastructure projects. We expect the private sector to restrict new capex to the electricity generation and ancillary sectors and metals & mining and do maintenance capex in the oil, gas & consumable fuels and telecom sectors unlike the FY2004-12 investment cycle when the private sector invested aggressively in the core infrastructure sectors (see Exhibit 30).

Core industries drove gross fixed asset creation of corporate India over FY2004-12

Exhibit 30: Gross fixed assets of corporate India classified by key non-financial sectors, March fiscal year-ends, 2004-12 (Rs tn)



Source: CMIE, Kotak Institutional Equities

- **Uncertain, volatile and weak global outlook.** The global outlook is highly uncertain in light of the ongoing trade and tariff war between countries. The flip-flop policies of the US administration on the tariff issue (see Exhibit 31 for recent history of tariff increases and reduction on countries and sectors) have created a great deal of uncertainties with respect to global growth and inflation.

Import tariffs have seen meaningful increases and cuts in the past few weeks

Exhibit 31: Select list of tariff announcements by various countries

Date	Initiator	Description
1-Feb-25	US	25% tariffs on imports from Canada, Mexico and 10% on Chinese imports announced
1-Feb-25	Canada	Two rounds of retaliatory tariffs announced
3-Feb-25	US	Canada and Mexico tariffs placed on hold for 30 days
3-Feb-25	US	Canada tariffs placed on hold for 30 days
4-Feb-25	US	Tariffs on China take effect
4-Feb-25	China	New US tariffs applied as part of retaliatory package
5-Feb-25	US	Low value duty-free shipments from China restored temporarily
5-Feb-25	US	25 per cent tariffs on aluminum and steel imports announced – expected to take effect from March 12
4-Mar-25	US	25% tariffs on Mexico and Canada take effect
4-Mar-25	US	Additional 10% levy on Chinese imports announced
4-Mar-25	Canada	Canada announces retaliatory tariffs of 25% on US\$155 bn of US exports (effective immediately on US\$30 bn of US exports)
6-Mar-25	US	New executive orders backtrack on sweeping 25 per cent tariffs on Mexico and Canada
11-Mar-25	US	US announces additional 25% tariff on steel and aluminum imports from Canada
12-Mar-25	EU	Retaliatory tariff measures from EU targets up to €26bn of US exports, set to take effect on April 1
12-Mar-25	Canada	Canada levies new retaliatory tariffs on almost US\$21 bn of US exports
24-Mar-25	US	US announces tariffs against countries that buy Venezuelan oil
26-Mar-25	US	US announces imposition of 25% tariffs on foreign-made auto imports
2-Apr-25	US	US announces reciprocal tariffs on most major countries; minimum tariffs at 10%, China tariffs at 34%
4-Apr-25	China	China announces 34% tariffs on US imports
5-Apr-25	US	US implements 10% tariffs on all imports, with exemptions to certain goods
8-Apr-25	US	Tariffs on Chinese goods increased to 84%
9-Apr-25	US	90-day pause on reciprocal tariffs for all countries except China; increased reciprocal tariffs on China to 125%
9-Apr-25	China	Reciprocal tariff on US increased to 84%
10-Apr-25	US	Reciprocal tariff on China increased to 145%
11-Apr-25	China	Reciprocal tariff on US increased to 125%
3-May-25	US	25% tariffs on auto parts came into effect
8-May-25	US	US announced trade deal with UK, imposing 10% tariffs on its exports (with exceptions of autos and steel)
12-May-25	US	Total tariffs on China reduced to 30% for 90 days
29-May-25	US	US Court of International Trade rules reciprocal tariffs as unlawful
29-May-25	US	A federal appeals court stays decision of ICT

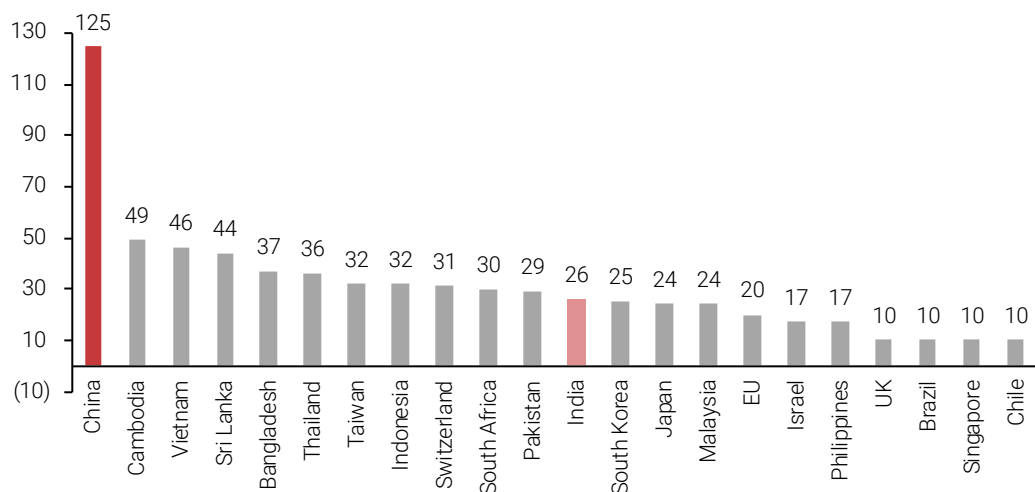
Source: Media reports, Kotak Institutional Equities

We can only look at scenarios for the time being to assess the global outlook. Global and Indian markets have already priced in the best-case scenario of (1) the US and its major trade partners, including India, concluding trade agreements before the July 9 deadline (except for China where the deadline is August 12), (2) moderate import tariff rates in the US and (3) limited impact of import tariffs on global and US inflation.

Global and US markets have seen a sharp rebound over the past 4-5 weeks after the US administration suspended the reciprocal tariffs announced on April 2 (see Exhibit 32) for a period of 90 days starting April 8 for countries other than China and for a period of 90 days starting May 12 for China. However, only one trade deal between the UK and the US has been signed as of now. It is noteworthy that the UK has a trade surplus with the US, which would have made it relatively easier to close a deal. Also, the US has retained the 10% reciprocal tariff imposed on the UK on April 2, 2025 when it had implemented reciprocal tariffs on all its trading partners.

The US has temporarily paused large reciprocal tariffs imposed on a number of countries

Exhibit 32: Reciprocal tariffs imposed by US on major countries (%)



Source: US government, Kotak Institutional Equities

Our base-case scenario is that the US will impose tariffs (minimum 10%) on all its trading partners. We would note that there are several acts and powers under which the US administration can impose tariffs even if the use of the International Emergency Economic Powers Act (IEEPA) as the basis of reciprocal tariffs is deemed unconstitutional eventually. The legal status of the tariffs is not clear with the United States Court of International Trade ruling the use of IEEPA for reciprocal tariffs as unlawful on May 29. However, a federal appeals court reinstated the tariffs the same day.

In a realistic scenario of dragged-out trade negotiations, the market could be volatile based on news (good, bad or ugly) but struggle to break out of a certain range. It remains to be seen if countries, including India, can conclude trade deals with the US by the stipulated deadline of July 9, 2025. We do not know if (1) the US will postpone the deadline if it is unable to sign substantive trade deals with a certain number of countries or (2) it will reinstate the reciprocal tariffs announced earlier for countries that fail to conclude trade agreements with the US.

In the worst-case scenario of a protracted trade war between countries, especially between China and the US, global growth could collapse and economic activity could take time to recover. We note that China and the US had agreed to suspend the reciprocal tariffs imposed by the respective countries for 90 days starting May 12, 2025.

We base our discussions on the second scenario.

- **Lower global GDP growth.** We see a sharp slowdown in global GDP growth in the near future with the extent of slowdown depending on the duration and magnitude of the ongoing trade wars. We expect consumers to postpone and reduce consumption in general given the twin negatives of (1) uncertainty with respect to employment and household income and (2) high inflation, which will reduce the purchasing power of low- and middle-income households. Similarly, we expect companies to postpone investment decisions given (1) acute uncertainty with respect to the level of tariffs in various countries, which could influence their production and sourcing decisions, (2) the immediate priority of rejigging supply chains in a very volatile environment and (3) likely weaker demand for non-staple goods and discretionary services.

We note that global GDP growth had been fairly sluggish even before the trade wars. (1) China has been grappling with deflation, weak household demand and declining real estate demand for an extended period of time, (2) Europe has been facing persistent weak demand and high employment for a long time and (3) the US is seeing declining household confidence and weakening real estate demand after several months of strong economic activity. Exhibits 33-35 show the economic parameters of the various economic blocs although the recent historical data may be irrelevant in the changed global macroeconomic environment.

Chinese economy has been weak for a while

Exhibit 33: Trend in key economic variables for China

Monthly indicators	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Economic activity																
Consumer confidence (X)	88.9	89.1	89.4	88.2	86.4	86.2	86.0	85.8	85.7	86.9	86.2	86.4	87.5	88.4		
Credit growth (yoy, %)	10.4	10.1	9.6	9.6	9.3	8.8	8.7	8.5	8.1	8.0	7.7	7.6	7.5	7.3	7.4	7.2
Exports growth (yoy, %)	5.3	2.9	(11.4)	(1.0)	6.7	7.9	6.7	8.3	1.5	12.5	7.0	10.5	5.5	(2.3)	12.2	7.9
Fixed assets investment (yoy, %)	(5.1)	(5.1)	(6.7)	(2.8)	(0.4)	0.9	0.6	0.7	1.1	0.9	1.1	2.3	3.5	3.5	3.1	2.5
Imports growth (yoy, %)	15.6	(8.4)	(2.8)	7.3	0.9	(2.7)	7.3	0.5	0.3	(2.3)	(3.9)	1.1	(16.3)	1.6	(4.5)	(0.3)
Money supply M2 growth (yoy, %)	8.7	8.7	8.3	7.2	7.0	6.2	6.3	6.3	6.8	7.5	7.5	7.3	7.0	7.0	7.0	8.0
PMI manufacturing (X)	50.8	50.9	51.1	51.4	51.7	51.8	49.8	50.4	49.3	50.3	51.5	50.5	50.1	50.8	51.2	50.4
PMI non-manufacturing (X)	50.7	51.4	53.0	51.2	51.1	50.5	50.2	50.3	50.0	50.2	50.0	52.2	50.2	50.4	50.8	50.4
Retail sales growth (yoy, %)	—	—	3.1	2.3	3.7	2.0	2.7	2.1	3.2	4.8	3.0	3.7	—	—	4.9	4.1
Total outstanding social financing (yoy, %)	10.1	9.7	9.2	9.1	8.9	8.8	8.3	8.1	7.8	7.7	7.4	7.2	7.2	7.2	7.2	7.1
Inflation																
CPI (yoy,%)	(0.8)	0.7	0.1	0.3	0.3	0.2	0.5	0.6	0.4	0.3	0.2	0.1	0.5	(0.7)	(0.1)	(0.1)
Core CPI (yoy, %)	0.4	1.2	0.6	0.7	0.6	0.6	0.4	0.3	0.1	0.2	0.3	0.4	0.6	(0.1)	0.5	0.5
House price inflation (yoy, %)	(0.7)	(1.4)	(2.2)	(3.1)	(3.9)	(4.5)	(4.9)	(5.3)	(5.7)	(5.9)	(5.7)	(5.3)	(5.0)	(4.8)	(4.5)	(4.0)
Real estate																
Real estate climate index (X)	92.4	92.1	92.1	92.0	92.0	92.1	92.2	92.3	92.4	92.5	92.6	92.8	93.4	93.8	94.0	
Residential floor space sold growth (yoy, %)	(28.6)	(28.6)	(27.8)	(25.7)	(24.4)	(22.2)	(21.2)	(20.4)	(19.2)	(17.7)	(16.0)	(14.1)	(3.7)	(3.7)	(2.4)	(2.7)
Quarterly indicators																
Current account/GDP (%)	1.5	1.2	1.2	1.6	2.3	2.9										
Real GDP growth (yoy, %)	5.2	5.3	4.7	4.6	5.4	5.4										

Source: Bloomberg, CEIC, Kotak Institutional Equities

Eurozone economy has been weak for the past several months

Exhibit 34: Trend in key economic variables for Eurozone

Monthly indicators	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Economic activity																
Consumer confidence (X)	(16.0)	(15.4)	(14.8)	(14.5)	(14.2)	(13.8)	(12.9)	(13.3)	(12.8)	(12.3)	(13.6)	(14.3)	(14.1)	(13.7)	(14.5)	(16.7)
Business confidence (X)	(0.4)	(0.4)	(0.3)	(0.5)	(0.5)	(0.5)	(0.7)	(0.7)	(0.8)	(0.9)	(0.7)	(0.9)	(0.9)	(0.7)	(0.7)	(0.7)
Consumer Credit growth (yoy, %)	2.0	2.0	2.3	2.6	2.2	1.7	2.0	1.9	1.8	1.7	1.5	2.2	1.9	1.7	1.7	
Exports growth (yoy, %)	0.9	1.0	(8.4)	15.1	(0.7)	(5.9)	10.3	(1.3)	0.6	1.7	(1.3)	4.1	4.5	7.0	15.2	
Imports growth (yoy, %)	(18.7)	(8.9)	(11.6)	1.0	(5.6)	(7.5)	5.0	0.3	(0.2)	3.8	1.3	4.5	11.0	7.2	10.4	
Private sector credit growth (yoy, %)	(0.7)	(0.7)	(0.4)	(0.3)	(0.3)	0.1	0.0	0.4	0.5	0.6	0.6	1.2	1.6	1.7	1.7	
Industrial production (yoy, %)	(5.4)	(5.5)	(3.4)	(3.3)	(4.5)	(4.1)	(2.3)	(0.6)	(2.2)	(1.1)	(2.0)	(1.8)	(0.5)	1.2		
Money supply M2 growth (yoy, %)	(1.1)	(0.6)	0.0	0.0	0.6	1.4	1.2	1.9	1.9	2.3	3.1	2.5	2.9	3.0	2.9	
PMI non-manufacturing (X)	48.4	50.2	51.5	53.3	53.2	52.8	51.9	52.9	51.4	51.6	49.5	51.6	51.3	50.6	51.0	50.1
PMI manufacturing (X)	46.6	46.5	46.1	45.7	47.3	45.8	45.8	45.8	45.0	46.0	45.2	45.1	46.6	47.6	48.6	49.0
Retail sales growth (yoy, %)	(0.6)	0.0	0.8	1.0	0.6	(0.7)	0.3	2.7	3.3	2.3	1.8	2.2	1.9	1.9	1.5	
Passenger cars (yoy, %)	12.0	10.2	(4.2)	13.8	(3.1)	3.7	(0.2)	(19.5)	(6.6)	0.2	(2.9)	4.1	(2.9)	(3.3)	(1.0)	
Employment																
Unemployment rate (%)	6.5	6.5	6.5	6.4	6.4	6.4	6.4	6.3	6.3	6.2	6.2	6.2	6.2	6.2	6.2	
Inflation																
CPI (yoy, %)	2.8	2.6	2.4	2.4	2.6	2.5	2.6	2.2	1.7	2.0	2.2	2.4	2.5	2.3	2.2	2.2
Core CPI (yoy, %)	3.3	3.1	2.9	2.7	2.9	2.9	2.9	2.8	2.7	2.7	2.7	2.7	2.7	2.6	2.4	2.7
Real estate																
Construction output	1.4	(1.6)	(0.3)	(1.5)	(2.6)	(1.5)	(2.4)	(2.4)	(2.3)	(1.2)	0.2	0.4	0.1	0.2		
Quarterly indicators																
	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24										
Current account/GDP (%)	2.9	2.2	2.6	2.8	2.9	2.6										
Real GDP growth (yoy, %)	0.0	0.1	0.5	0.6	0.9	1.2										
Wage growth (yoy, %)	5.3	3.4	5.1	4.7	4.5	3.7										

Source: Bloomberg, CEIC, Kotak Institutional Equities

The US economy has started to weaken in recent months

Exhibit 35: Trend in key economic variables for the US economy

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Economic activity																
Conference Board consumer confidence (X)	110.9	104.8	104.7	97.5	101.3	97.8	101.9	105.6	99.2	109.6	112.8	109.5	105.3	100.1	93.9	86
Industrial production (yoy, %)	(1.2)	(0.1)	(0.3)	(0.8)	0.2	0.9	(0.7)	0.0	(0.7)	(0.5)	(0.9)	0.5	1.8	1.5	1.3	
ISM manufacturing (X)	49.1	47.8	50.3	49.2	48.5	48.3	47.0	47.5	47.5	46.9	48.4	49.2	50.9	50.3	49.0	48.7
ISM non-manufacturing (X)	53.4	52.6	51.4	49.6	53.5	49.2	51.4	51.6	54.5	55.8	52.5	54.0	52.8	53.5	50.8	51.6
Personal savings rate (% of disposable income)	5.5	5.4	5.2	5.1	4.9	4.8	4.3	4.2	3.8	4.0	3.7	3.3	3.9	4.1	3.9	
Retail sales excl. automobiles (sa, yoy, %)	(0.3)	1.4	3.3	2.3	2.2	1.7	2.8	2.0	2.2	2.5	3.1	3.5	3.6	4.1	3.4	
Employment																
Average private earnings (yoy, %)	4.4	4.2	4.2	4.0	4.1	3.9	3.6	4.0	3.9	4.0	4.0	3.9	4.1	4.0	3.8	3.8
Job openings (mn)	8.7	8.8	8.4	8.1	8.2	7.9	7.7	7.9	7.4	7.7	8.1	7.6	7.7	7.6	7.2	
Jobless claims ('000)	214	210	222	209	229	238	250	231	225	218	225	211	219	221	219	241
Non-farm payrolls ('000)	119	222	246	118	193	87	88	71	240	44	261	323	111	102	185	177
Participation rate (%)	62.5	62.6	62.7	62.7	62.6	62.6	62.7	62.7	62.7	62.6	62.5	62.5	62.6	62.4	62.5	62.6
Unemployment rate (%)	3.7	3.9	3.9	3.9	4.0	4.1	4.2	4.2	4.1	4.1	4.2	4.1	4.0	4.1	4.2	4.2
Inflation																
Core PCE (yoy, %)	2.9	2.8	2.8	2.8	2.6	2.6	2.6	2.7	2.7	2.8	2.8	2.8	2.7	2.8	2.6	
CPI (yoy, %)	3.1	3.2	3.5	3.4	3.3	3.0	2.9	2.5	2.4	2.6	2.7	2.9	3.0	2.8	2.4	2.3
Core CPI (yoy, %)	3.9	3.8	3.8	3.6	3.4	3.3	3.2	3.2	3.3	3.3	3.3	3.2	3.3	3.1	2.8	2.8
Real estate																
Housing starts (SAAR, '000)	1,381	1,552	1,312	1,385	1,316	1,327	1,265	1,391	1,357	1,352	1,295	1,514	1,358	1,490	1,339	1,361
Change in housing starts (yoy, %)	1	11	(5)	2	(17)	(7)	(13)	6	(1)	(1)	(14)	(0)	(2)	(4)	2	(2)
New homes sold	681	658	692	719	665	671	710	693	717	621	675	718	662	653	670	743
New home sales (NSA, yoy, %)	4.8	3.5	6.3	8.1	(10.0)	(0.4)	1.1	7.4	5.3	(8.8)	10.7	11.7	(2.8)	(0.8)	(3.2)	3.3
Median price of new homes (US\$, '000)	430	421	436	415	414	414	429	406	421	426	398	423	430	413	404	407
S&P house price index (yoy, %)	6.8	7.5	7.5	7.2	6.7	6.4	5.9	5.2	4.6	4.3	4.4	4.5	4.7	4.5		
Quarterly indicators																
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25										
CAD/GDP (%)	(2.8)	(3.2)	(3.3)	(3.6)	(3.8)											
GFD/GDP (%)	(6.5)	(5.9)	(5.6)	(6.3)	(6.9)	(7.0)										
Real GDP (SAAR, qoq, %)	3.2	1.6	3.0	3.1	2.4	(0.3)										

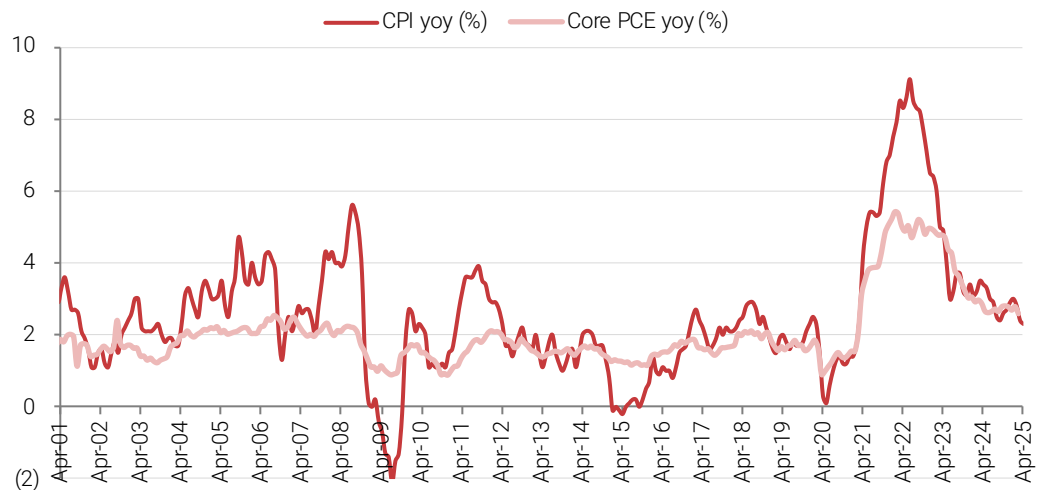
Source: Bloomberg, CEIC, Kotak Institutional Equities

- **Higher global inflation.** We expect a spike in inflation in the US on the imposition of high tariffs on imported items. We expect US import tariffs to be meaningfully higher versus 2024 levels given (1) a minimum 10% reciprocal tariff on all imports, (2) likely continuation of the 20% additional 'fentanyl' tariffs on imports from China; the weighted average tariff from imports from China is 39% currently and (3) retention of higher tariffs for certain sectors. The direct impact of the higher tariffs could be partly offset by (1) deflation in prices of commodities, (2) absorption of a part of the tariff increases by producers and retailers and (3) weakness in labor markets, which may result in moderation in wage increases. We note that the extent of inflation will depend on the magnitude of import tariffs and the duration of high inflation will depend on the duration of tariffs imposed by various countries on imports.

We note that the US inflation had stayed stubbornly steady in the past few months at well above the 2% target of the US Fed (see Exhibit 36). Inflation in other major advanced and emerging economies had moderated to comfortable levels (see Exhibits 37-38) but we expect inflation to increase in case these countries were to also impose import tariffs on US exports. We see low probability of countries imposing retaliatory tariffs on US exports unless the US were to impose high import tariffs on imports from other countries.

A gradual decline in US inflation in recent months

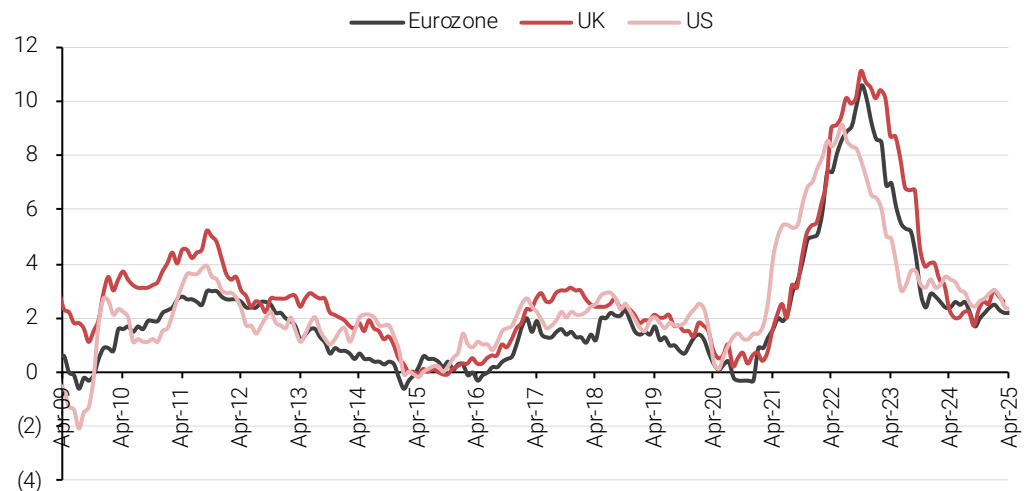
Exhibit 36: CPI and core PCE of US, calendar year-ends, 2001-25 (%)



Source: Bloomberg, Kotak Institutional Equities

Gradual improvement in inflation trajectory in recent months

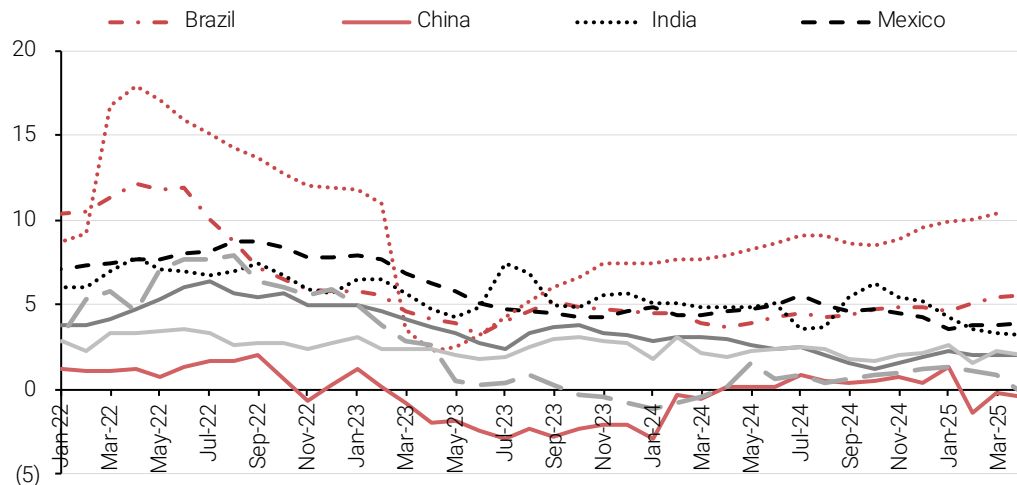
Exhibit 37: CPI inflation in major DMs, calendar year-ends, 2009-25 (%)



Source: Bloomberg, Kotak Institutional Equities

Most EMs have comfortable inflation prints

Exhibit 38: CPI inflation across select EMs, calendar year-ends (%)

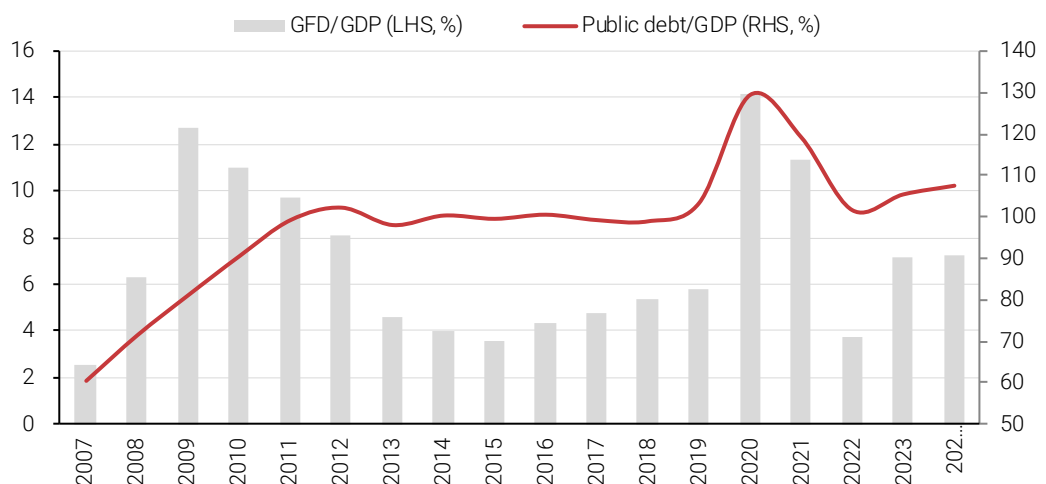


Source: CEIC, Kotak Institutional Equities

We expect long-dated bond yields to be volatile depending on the prevailing narrative. However, growing concerns about the US's fiscal position (see Exhibit 39) may keep US bond yields on the higher side. We note that the tax and spending proposals of the US administration could result in further increase in the US's fiscal deficit and public debt despite higher customs revenues from higher import tariffs on imports. The budget bill is before the US senate and has been approved by the house. The Congressional Budget Office has estimated that the bill could add US\$3.8 tn to US public debt over the next decade.

US has been running very large fiscal deficit, leading to increase in public debt

Exhibit 39: Public debt/GDP, CAD/GDP and GFD/GDP of US, calendar year-ends, 2007-24E (%)

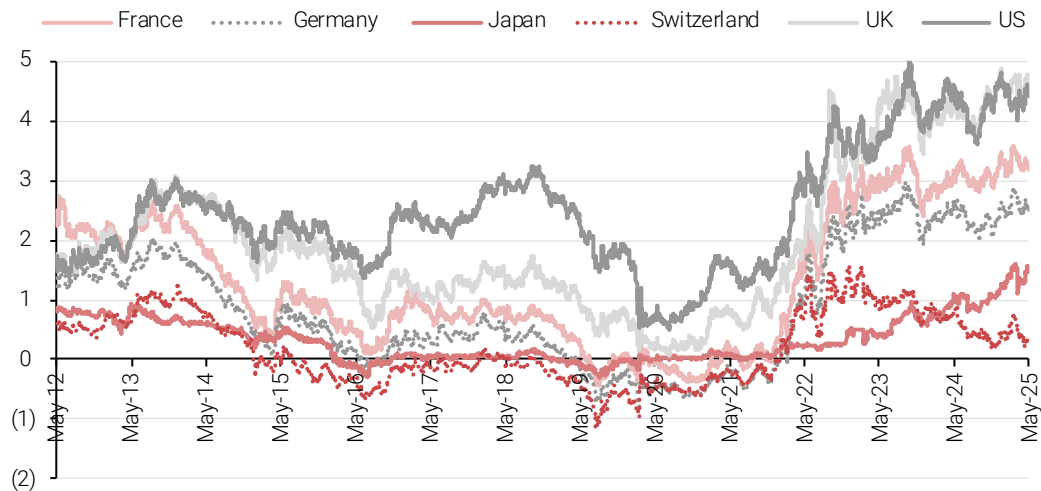


Source: BIS, IMF, Kotak Institutional Equities

We note that US bond yields (see Exhibit 40) have been fairly volatile in the past few weeks. They had collapsed after the imposition of reciprocal tariffs on April 2, 2025 on concerns about a recession in the US. Bond yields have recovered in subsequent weeks on receding concerns about growth after the suspension of reciprocal tariffs imposed on most countries (other than China) from April 9, 2025 and on China from May 12, 2025. DM bond yields (see Exhibit 41) have gyrated in sync with US bond yields. However, they had risen from very low levels prior to the announcement of the reciprocal tax regime by the US government for various reasons (relaxation of fiscal debt limits in Germany, increase in policy rates in Japan).

US bond yields have been quite volatile**Exhibit 40: Trend in 10-year US bond yield (%)**

Source: Bloomberg, Kotak Institutional Equities

Global bond yields have been volatile, following the movements in US yields**Exhibit 41: Trend in 10-year benchmark yields across major DMs (%)**

Source: Bloomberg, Kotak Institutional Equities

The bond market has turned a lot more cautious on US policy rates versus its earlier stance of large rate cuts in CY2025. It is now pricing in only two rate cuts in the US federal funds of 25 bps each in 2HCY25 rate (see Exhibit 42). However, even this cautious view may be at risk, if US inflation were to increase over the next few months, once higher import tariffs kick in over the next few months. We would note that import tariffs in the US are meaningfully higher from February 2025 levels (broadly the start of the term of current US administration and the changes to US tariff and trade policy) despite reciprocal tariffs being reduced to 10% for most countries and 30% for China. As discussed above, this seems to be best-case scenario and tariffs could end up meaningfully higher versus current levels. The US Fed will have to balance higher inflation with slower growth and it would presumably focus more on inflation than on growth in the near term.

Market expects Fed funds rate to decline gradually in CY2025

Exhibit 42: Implied probabilities of upper end of Fed funds rate, May 2025 (%)

	Federal funds rate (%)									
	2.25	2.5	2.75	3.00	3.25	3.50	3.75	4.00	4.25	4.50
18-Jun-25									2.2	97.8
30-Jul-25								0.5	22.0	77.6
17-Sep-25							0.3	14.3	57.8	27.6
29-Oct-25						0.2	8.1	38.5	41.0	12.3
10-Dec-25					0.1	5.7	29.4	40.3	20.8	3.7
28-Jan-26				-	2.4	15.2	33.7	32.5	14.0	2.2
18-Mar-26			-	1.0	7.8	23.1	33.2	24.6	9.0	1.3
29-Apr-26			0.4	3.8	14.1	27.3	29.7	18.1	5.8	0.7
17-Jun-26		0.1	1.4	6.8	17.9	27.9	26.4	14.6	4.4	0.5
29-Jul-26		0.5	2.8	9.6	20.4	27.5	23.4	12.0	3.4	0.4
16-Sep-26	0.1	1.0	4.4	12.3	22.2	26.5	20.6	9.9	2.6	0.3
29-Oct-26	0.3	1.6	5.7	13.8	22.9	25.6	18.9	8.8	2.3	0.3
12-Sep-26	0.3	1.5	5.5	13.6	22.6	25.5	19.1	9.1	2.5	0.3

Source: CME, Kotak Institutional Equities

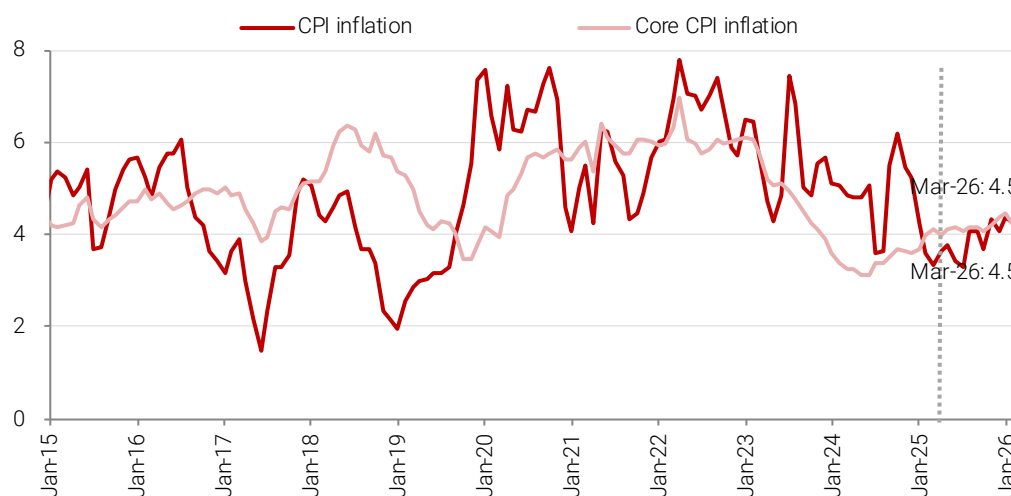
Hopes of recovery—a few triggers may drive a moderate recovery

We see a few positive triggers for the Indian economy and market in the near term in the form of (1) lower interest rates on the back of rate cuts by the RBI and (2) weaker commodity prices, especially of crude oil, which may result in large savings for the Indian economy and drive additional government spending and/or household consumption.

- **Rate cuts.** We expect another 75-100 bps rate cut by the RBI in the current rate-cutting cycle, following on the 50 bps rate cut so far through cuts of 25 bps each in February and April 2025. We model CPI inflation averaging 3.5% in FY2026 and core inflation averaging 4.4% (see Exhibit 43) assuming India has normal monsoons in 2025. The RBI projects CPI inflation to trend down in 1QFY26 and average around 4% for 2Q-4QFY26 (see Exhibit 44).

We expect FY2026E average CPI at 3.5%; core inflation to average 4.4%

Exhibit 43: Headline and core CPI inflation (%)



Source: CEIC, Kotak Institutional Equities estimates

RBI expects FY2026 inflation at 4%

Exhibit 44: RBI's estimates for CPI inflation across various policies, March fiscal year-ends (%)

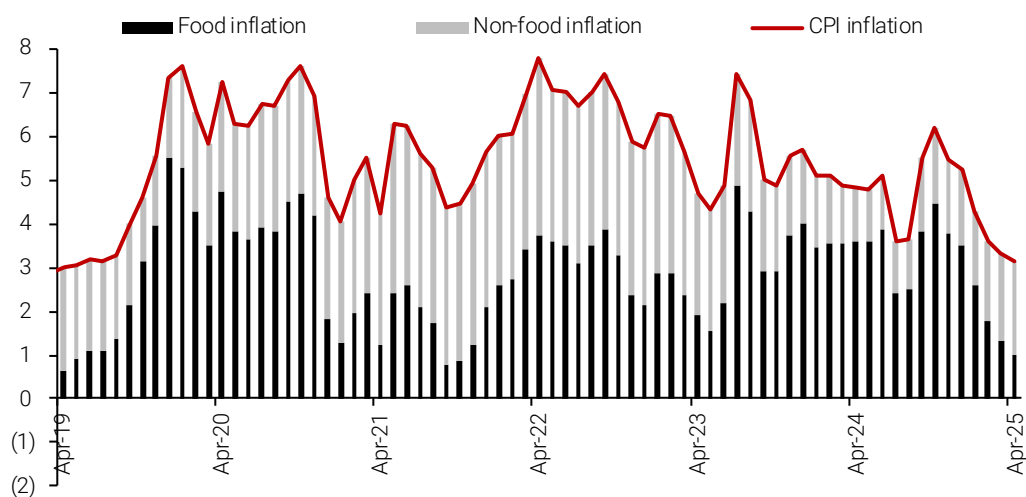
	CPI inflation estimate in RBI policy (%)					
	Aug-24	Oct-24	Dec-24	Feb-25	Apr-25	Kotak
4QFY25	4.3	4.2	4.5	4.4		4.2
FY2025	4.5	4.5	4.8	4.8		4.8
1QFY26	4.4	4.3	4.6	4.5	3.6	3.8
2QFY26			4.0	4.0	3.9	4.0
3QFY26				3.8	3.8	4.2
4QFY26				4.2	4.4	4.5
FY2026				4.2	4.0	4.1

Source: RBI, Kotak Economics Research estimates

Nonetheless, we note that inflation may be volatile due to (1) high volatility in food (vegetable) prices due to seasonal factors (see Exhibit 45-46) and (2) decent risks of disruption to food production and supply from erratic weather conditions, arising from global warming and climate change. Food inflation has been benign in the past few months due to (1) deflation in vegetable (perishable and seasonal product) prices (see Exhibit 47) and (2) modest inflation in cereal prices (see Exhibit 48), which has offset (3) high inflation in vegetable oil prices (see Exhibit 49).

Volatile food inflation poses upside risk to CPI inflation

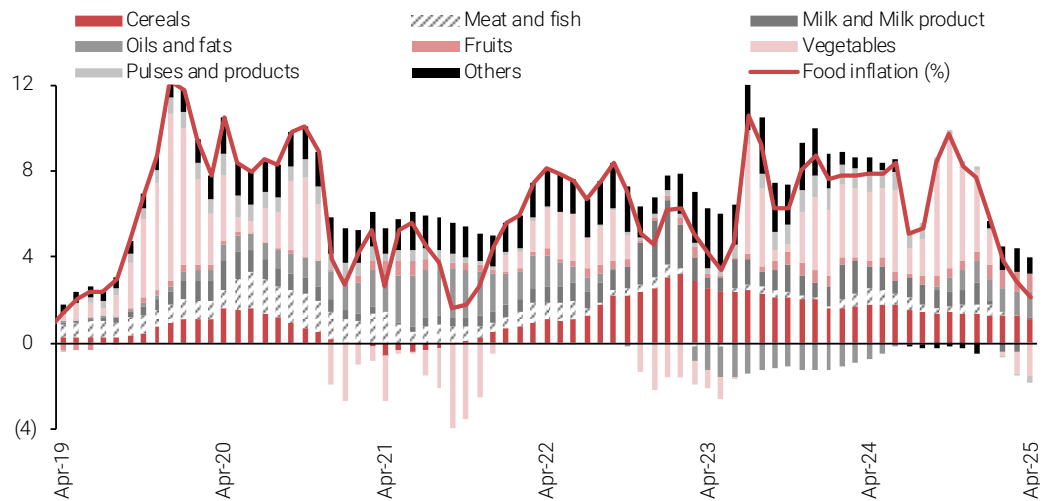
Exhibit 45: Contribution of food inflation and non-food inflation to CPI inflation, March fiscal year-ends, 2019-26 (%)



Source: CEIC, Kotak Institutional Equities

Volatile vegetable prices offset weak cereal prices in FY2025

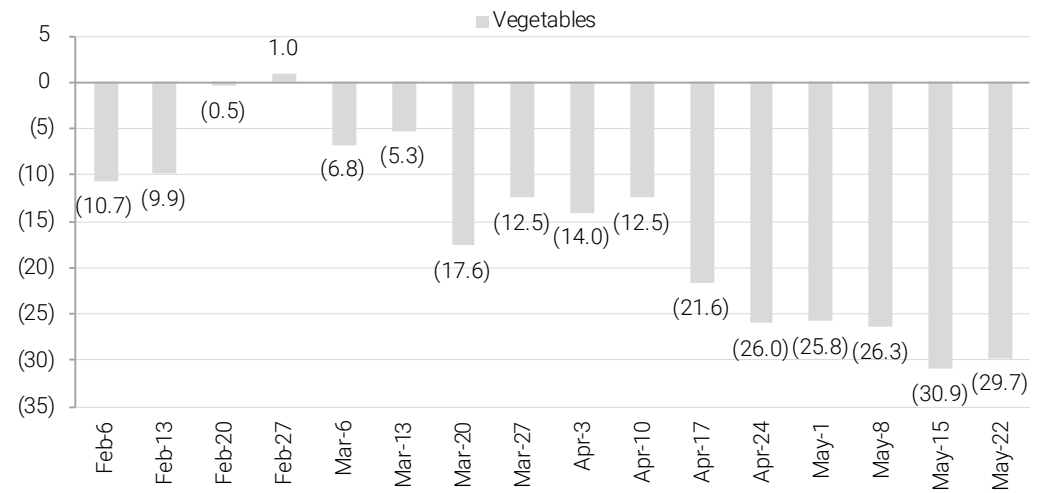
Exhibit 46: Major contributors of food inflation in CPI, March fiscal year-ends, 2019-26 (%)



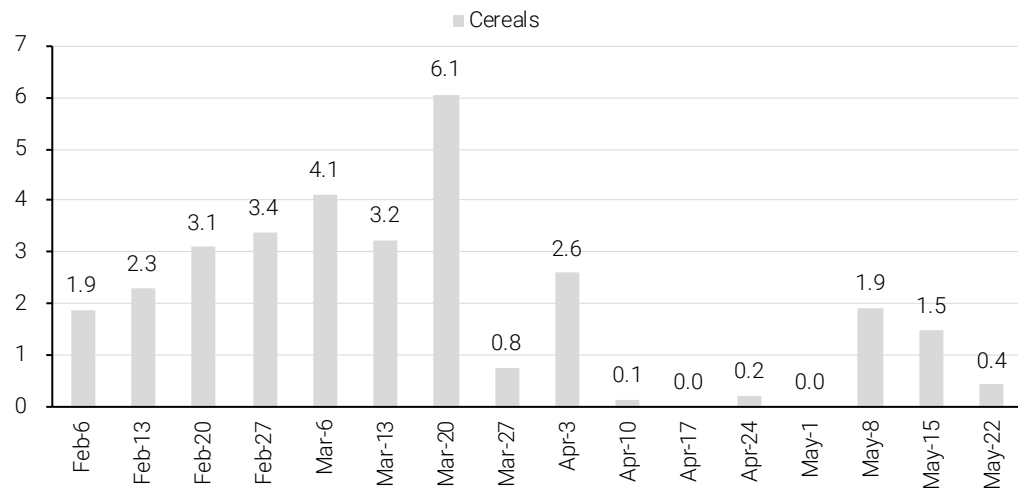
Source: CEIC, Kotak Institutional Equities

Sharp deflation in vegetable prices

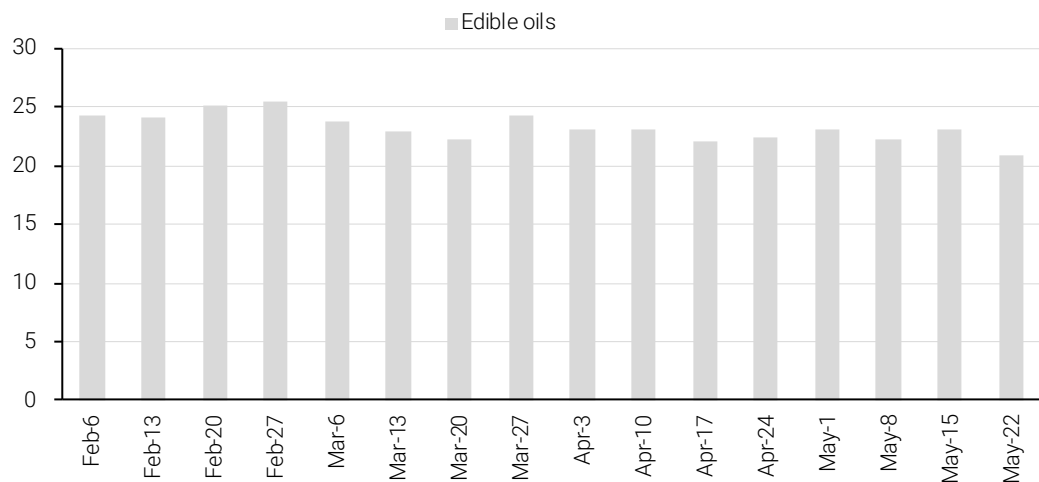
Exhibit 47: Year-on-year change in average weekly vegetables (onion, potato and tomato) prices, week ending (%)



Source: CEIC, Department of Consumer Affairs, Kotak Institutional Equities

Low inflation in cereal prices**Exhibit 48: Year-on-year change in average weekly cereal prices, week ending (%)**

Source: CEIC, Department of Consumer Affairs, Kotak Institutional Equities

High inflation in edible oil prices**Exhibit 49: Year-on-year change in average weekly edible oil prices, week ending (%)**

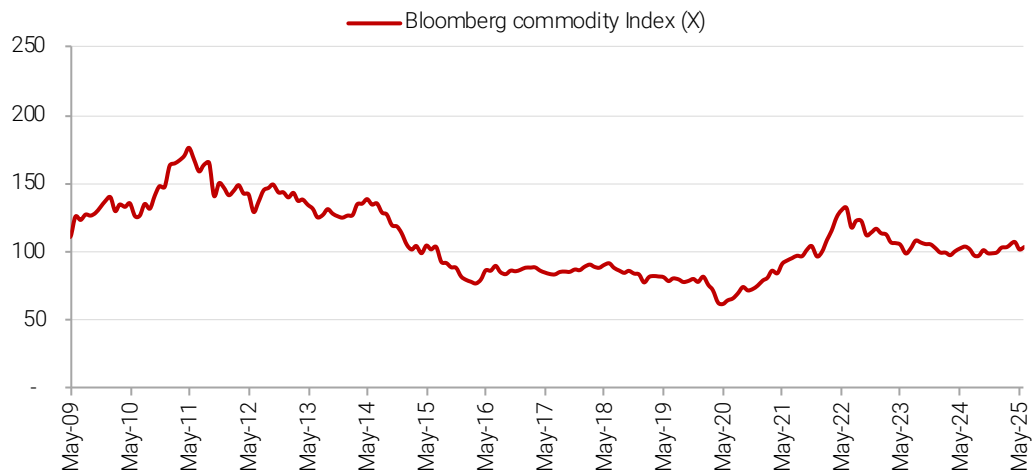
Source: CEIC, Department of Consumer Affairs, Kotak Institutional Equities

► Weaker commodity prices leading to improved CAD, higher profitability for downstream industries.

We expect commodity prices to be subdued given a likely weak GDP global outlook, which may be a moderate positive for the Indian economy, if not for market earnings. We note that the lower commodity prices will be a positive for the Indian economy, as India is a net importing country of commodities. Commodity prices have corrected sharply (see Exhibit 50) on concerns about global GDP growth.

Global commodity prices have been relatively benign

Exhibit 50: Trend in Bloomberg Commodity Index, calendar year-ends, 2008-25 (X)



Source: Bloomberg, Kotak Institutional Equities

- **CAD/BoP.** Lower commodity prices, especially of crude oil, may contain India's CAD to manageable levels (see Exhibit 51). It may offset a likely decline in India's exports. We expect India's CAD/GDP at 1% in FY2026 (versus 0.7% in FY2025E) although it is a bit tricky to forecast exports and imports in an extremely uncertain global environment. We expect a modest surplus in BoP in FY2026.

We expect CAD/GDP at 0.7% in FY2025E and 1% in FY2026E

Exhibit 51: India's balance of payments, March fiscal year-ends, 2019-26E (US\$ bn)

	2019	2020	2021	2022	2023	2024	2025E	2026E			
								Oil@60	Oil@65	Oil@70	
Current account balance	(57.3)	(24.7)	23.9	(38.8)	(67.1)	(26.1)	(28.1)	(26.1)	(34.9)	(43.6)	
GDP	2,705	2,835	2,674	3,167	3,345	3,638	3,911	4,157	4,157	4,157	
CAB/GDP (%)	(2.1)	(0.9)	0.9	(1.2)	(2.0)	(0.7)	(0.7)	(0.6)	(0.8)	(1.0)	
Trade balance	(180)	(158)	(102)	(189)	(265)	(245)	(287)	(286)	(295)	(303)	
Trade balance/GDP (%)	(6.7)	(5.6)	(3.8)	(6.0)	(7.9)	(6.7)	(7.3)	(6.9)	(7.1)	(7.3)	
- Exports	337	320	296	429	456	441	446	397	400	402	
- oil exports	47	41	26	67	97	84	64	55	58	60	
- non-oil exports	291	279	270	362	359	357	382	342	342	342	
- Imports	518	478	398	619	721	686	732	683	694	705	
- oil imports	141	131	83	162	209	179	186	148	160	171	
- non-oil imports	377	347	316	457	512	508	546	534	534	534	
- gold imports	33	28	35	46	35	46	63	58	58	58	
Invisibles (net)	123	133	126	151	198	219	258	260	260	260	
- Services	82	85	89	108	143	163	188	191	191	191	
- software	78	85	90	110	131	142	160	160	160	160	
- non-software	4	0.3	(1)	(2)	12	21	29	30	30	30	
- Transfers	70	75	73	80	101	106	125	125	125	125	
- Income (net)	(29)	(27)	(36)	(37)	(46)	(50)	(55)	(56)	(56)	(56)	
Capital account	54	83	64	86	59	90	18	40	40	40	
Capital account/GDP (%)	2.0	2.9	2.4	2.7	1.8	2.5	0.4	1.0	1.0	1.0	
Foreign investment	30	44	80	22	23	54	4	13	13	13	
- FDI	31	43	44	39	28	10	4	8	8	8	
- FPI	(1)	1	36	(17)	(5)	44	0	5	5	5	
- Equities	3	(0)	39	(16)	(6)	25	(17)	0	0	0	
- Debt	(4)	1	(0)	2	1	19	17	5	5	5	
Banking capital	7	(5)	(21)	7	21	41	(6)	12	12	12	
- NRI deposits	10	9	7	3	9	15	16	15	15	15	
Short-term credit	2	(1)	(4)	20	7	(1)	15	5	5	5	
ECBs	10	23	(0)	8	(4)	(0)	12	5	5	5	
External assistance	3	4	11	5	6	7	5	5	5	5	
Other capital account items	1	18	(2)	24	7	(12)	(12)	—	—	—	
E&O	(0)	1	(0)	—	(1)	0	—	—	—	—	
Overall balance	(3.3)	59.5	87.3	47.5	(9.1)	63.7	(10.6)	13.9	5.1	(3.6)	
Memo items											
Average USD/INR	69.9	70.9	74.2	74.5	80.3	82.8	84.6	86.6	86.6	86.6	
Average Brent (US\$/bbl)	70.0	60.9	44.8	80.0	95.4	82.9	78.9	60.0	65.0	70.0	

Source: RBI, Kotak Institutional Equities estimates

- **Earnings of downstream sectors.** We see a potential boost to the profitability and profits of downstream sectors such as automobiles & components, commodity chemicals, construction materials and downstream oil & gas from weaker commodity (aluminum, oil, steel) prices. However, the extent of improvement in profitability and profits will depend on (1) companies being able to retain prices in a sluggish demand environment and (2) competitive dynamics in certain sectors with new entrants trying to establish their presence and incumbents keen to defend their positions. As an example, the profitability of the PSU refining & marketing companies on diesel and gasoline may be curbed, if the government were to force the oil companies to pass on the benefits of lower crude oil prices to consumers. We note the marketing margins of the PSU OMCs have been quite high for the past several months.

However, lower commodity prices will have a negative impact on the market's overall earnings despite the overall positive impact on the economy and profits of certain downstream sectors. Commodity sectors such as metals & mining and oil, gas & consumable fuels account for a meaningful proportion of the profits of the major market indices. We discuss the same in more detail in the section on earnings.

Nonetheless, India will benefit from lower commodity prices in the form of large savings for the economy. We show the potential benefits to the Indian economy through lower energy prices in Exhibit 52 and through a stronger currency in Exhibit 53. We would note that the savings from lower crude oil prices can be quite meaningful with every US\$1/bbl change in crude oil price, resulting in a US\$1.7-1.8 bn impact for the economy. The government can choose to (1) improve its fiscal position by retaining the benefits of lower oil prices through higher taxes on automobile fuels instead of cutting retail prices and/or (2) increase spending on the economy by raising taxes on automobile fuels and spending concurrently and/or (3) pass on the benefits of lower global crude oil prices to households in the form of lower retail automobile fuel prices.

India can theoretically see Rs800-1,600 bn of lower energy prices

Exhibit 52: Estimated domestic savings from INR appreciation (X)

	Crude oil (US\$/bbl)		
	70.0	65.0	60.0
LNG			
Volumes (mmscm)	38,534	38,534	38,534
Imported value (US\$ bn)	14.8	14.1	13.3
Imported value (Rs bn)	1,284	1,220	1,156
Savings		64	128
Oil (including products)			
Net imported volumes (mn tons)	236	236	236
Imported value (US\$ bn)	120	112	103
Net imported value (Rs bn)	10,417	9,673	8,929
Savings		744	1,488
Total savings (Rs bn)		808	1,617

Notes:

(a) We assume average USDINR at 86.6.

(b) We assume LNG prices at US\$10/mmbtu, US\$9.5/mmbtu and US\$9/mmbtu in the three scenarios.

Source: Kotak Institutional Equities estimates

India can theoretically see Rs400-1,000 bn of savings from INR appreciation

Exhibit 53: Estimated domestic savings from INR appreciation (X)

	USDINR (X)		
	86.6	84.0	80.0
Coal			
Volumes (mn tons)	254	254	254
Imported value (Rs bn)	1,980	1,920	1,829
Savings		59	151
LNG			
Volumes (mmscm)	38,534	38,534	38,534
Imported value (US\$ bn)	14.8	14.8	14.8
Imported value (Rs bn)	1,284	1,246	1,187
Savings		39	98
Oil (including products)			
Net imported volumes (mn tons)	236	236	236
Imported value (US\$ bn)	120	120	120
Net imported value (Rs bn)	10,429	10,116	9,634
Savings		313	795
Total savings (Rs bn)		411	1,044

Notes:

- (a) We assume average coal price for FY2026 at US\$90/ton.
- (b) We assume average crude price for FY2026 at US\$70/bbl.
- (c) We assume average LNG price at US\$10/mmbtu.

Source: Kotak Institutional Equities estimates

- **Inflation.** Benign global commodity prices may provide a small buffer to any unexpected increase in food prices from unfavorable weather conditions. However, we would note that commodities do not have a very large weight in India's CPI basket and the indirect effect is modest. Oil has a weight of 4.4% and automobile fuels (diesel and gasoline) have a weight of 2.3% in India's CPI basket. Also, we would note that retail automobile prices have been stable for the past several months, as the downstream oil companies have not changed prices of diesel and gasoline, despite huge volatility in global crude oil prices.
- **Modest boost to exports from India's relatively better position in the new trade regime of the US?** In our view, this thesis will largely depend on (1) the final shape of trade agreements between US and other countries and (2) India's ability to attract FDI.

In the event the final reciprocal tariffs are similar to the April 2 reciprocal tariffs announced by the US on imports to the US, India could see a modest boost to exports relative to other countries given India's lower reciprocal tariffs versus several other large exporters in Asia. India can theoretically increase exports of low-value add items such as apparel, furniture, textiles, toys among others. It can also try and increase imports from the US to reduce the trade deficit with the US and be in a better position to negotiate a lower reciprocal tariff versus the current 26%. We note that the reciprocal tax for a country is 'linked' to its trade surplus with the US (see Exhibit 54 for more details on the computation of reciprocal tax for various countries).

Reciprocal tariff calculation is largely based on trade flows

Exhibit 54: Calculation of reciprocal tariff by the US government

	Exports (US\$ bn)	Imports (US\$ bn)	Trade balance (US\$ bn)	Calc. discounted reciprocal tariff (%)	Actual discounted reciprocal tariff (%)
Cambodia	0	13	(12)	49	49
Vietnam	13	137	(123)	45	46
Sri Lanka	0	3	(3)	44	44
Bangladesh	2	8	(6)	37	37
Thailand	18	63	(46)	36	36
China	144	439	(295)	34	34
Indonesia	10	28	(18)	32	32
Taiwan	42	116	(74)	32	32
Switzerland	25	63	(38)	30	31
South Africa	6	15	(9)	30	30
Pakistan	2	5	(3)	29	29
India	42	87	(46)	26	26
South Korea	66	132	(66)	25	25
Malaysia	28	53	(25)	24	24
Japan	80	148	(68)	23	24
EU	370	606	(236)	19	20
Philippines	9	14	(5)	17	17
Israel	15	22	(7)	17	17

Notes:

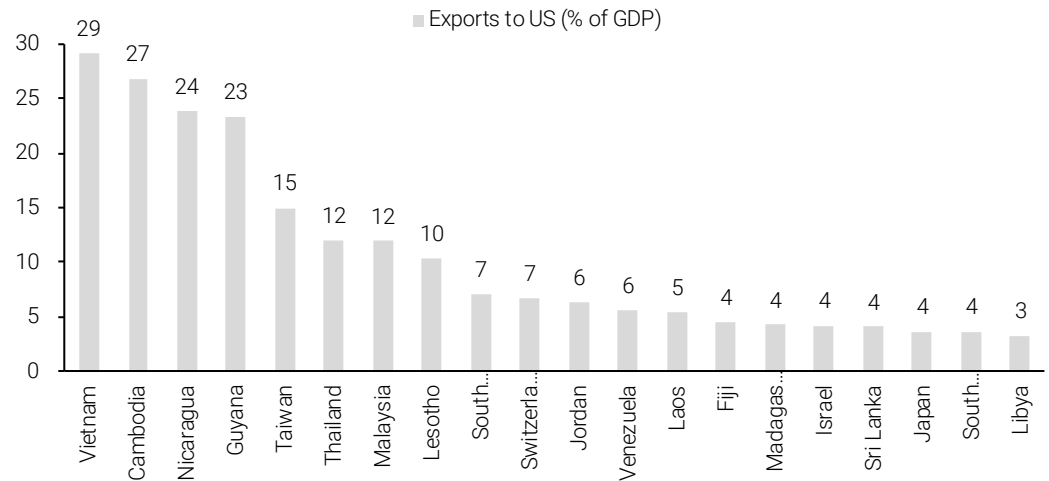
- (a) Change in tariff = (Exports - Imports)/(elasticity of imports to tariffs * imports)
- (b) Discounted reciprocal tariff = Change in tariff * 0.5
- (c) Elasticity of imports to import prices is assumed at (-)4.
- (d) Elasticity of import prices to tariffs is assumed at 0.25.
- (d) Resultant elasticity of imports to tariffs becomes (-)1.

Source: USTR, US Census, Kotak Institutional Equities

However, we do not expect any major changes to global supply chains in the immediate future for several reasons. (1) Global/MNC companies with manufacturing bases in Asia and exports to the US from those countries are unlikely to take decisions about investment and supply chains on the reciprocal tax regime alone; global supply chains are extremely complex. Also, the possibility of trade deals between the US and other countries, as suggested by the US administration, will put companies in a 'wait-and-watch' mode. (2) Countries with a high dependence on US exports (see Exhibit 55) will try to protect their exports by (a) negotiating trade deals with the US although the nature of such purported trade deals is quite nebulous and/or (b) promising to import from the US. Smaller countries may not be in a position to rebalance their trade deficits with the US through higher imports from the US (see Exhibits 56-58).

Large dependence on US markets for Malaysia, Taiwan, Thailand, Vietnam

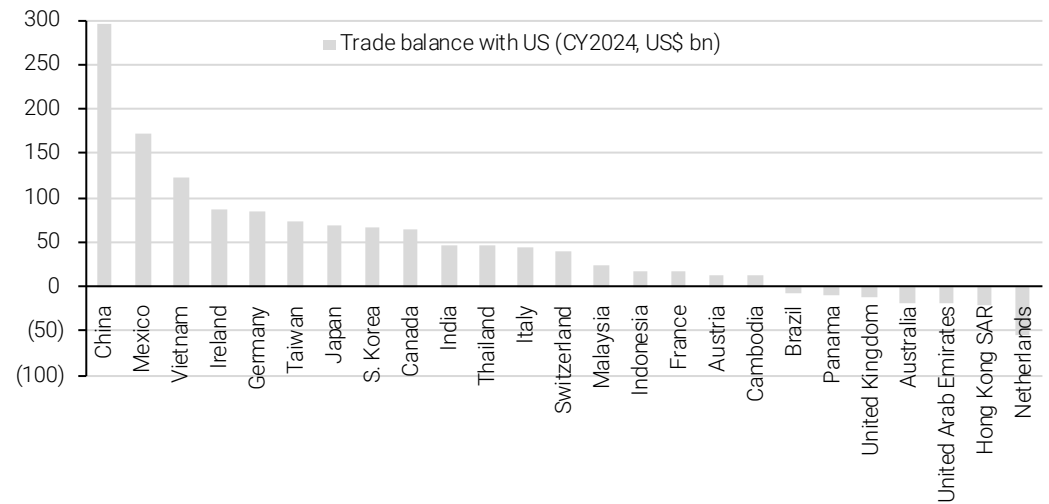
Exhibit 55: Exports to US as share of GDP, calendar year-end, 2024 (%)



Source: US Census, IMF, Kotak Institutional Equities

US runs decent trade surplus with UK

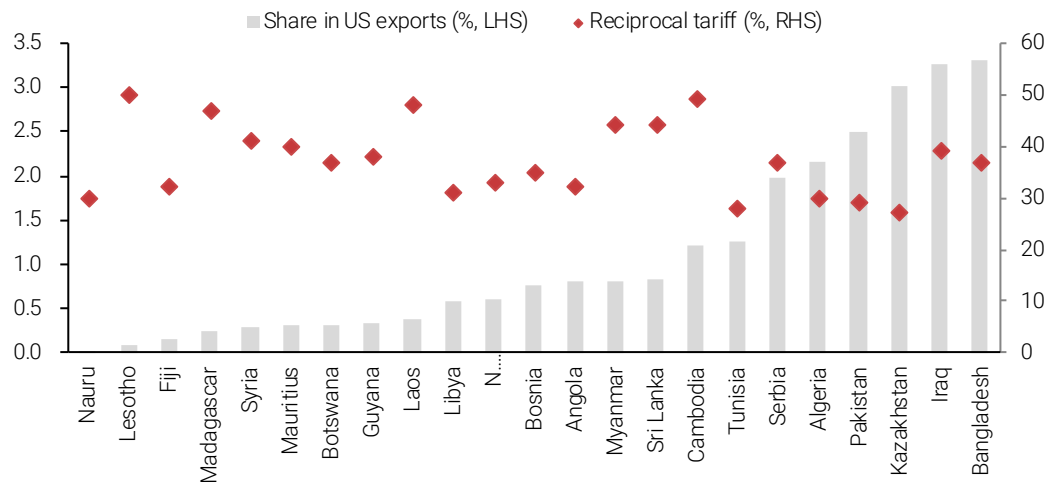
Exhibit 56: US trade deficit versus major trading partners, calendar-year ends, 2024 (US\$ bn)



Source: CEIC, US Census, Kotak Institutional Equities

Several smaller countries with high reciprocal tariffs have low capacity to absorb US exports

Exhibit 57: Select countries' total imports as share of US exports, CY2023 (% LHS) and reciprocal tariff (% RHS)



Source: US government, US Census, UNCTAD, Kotak Institutional Equities

US forms a substantial portion of India's trade flows

Exhibit 58: Summary of India's trade with US, March fiscal year-end, 2025 (annualized)

	India's exports to the US		India's imports from the US	
	Amount (US\$ mn)	Share (%)	Amount (US\$ mn)	Share (%)
Beverages, refreshments, and intoxicants	975	0.2	481	0.1
Cereals	563	0.1	4	0.0
Chemicals	3,969	0.9	3,034	0.4
Electronics	11,903	2.8	3,200	0.5
Energy	4,366	1.0	15,073	2.1
Fertilizers	16	0.0	35	0.0
Fruits and vegetables	431	0.1	1,205	0.2
Furniture	1,143	0.3	89	0.0
Gems and stones	10,434	2.4	5,823	0.8
Leather and footwear	1,594	0.4	204	0.0
Machinery	6,589	1.5	4,262	0.6
Meat, fish, eggs and dairy	2,931	0.7	47	0.0
Metals	5,294	1.2	2,819	0.4
Oils, fats and extracts	1,468	0.3	193	0.0
Pharmaceuticals	8,802	2.0	411	0.1
Plastic	1,670	0.4	1,613	0.2
Rubber	891	0.2	281	0.0
Textiles	10,373	2.4	451	0.1
Transport	3,446	0.8	3,643	0.5
Others	3,173	0.7	3,704	0.5
India's exports/imports to/from US	80,030	18.6	46,574	6.6
India's total exports/imports	430,962		701,304	

Notes:

(a) For brevity multiple HS codes have been aggregated across categories.

(b) FY2025 data is annualised based on 9MFY25 actual data.

Source: India Ministry of Commerce, Kotak Institutional Equities

Earnings: Decent growth but with downside risks

We expect net profits of the Nifty-50 Index to grow 12% in FY2026 and 15% in FY2027 following on a modest 6.4% growth in FY2025 (see Exhibit 59). The modest headline profit growth for FY2025 reflects lower net profits of (1) COAL given very large one-off income in FY2024 due to a change in accounting treatment for OBR (over-burden removal) provision and (2) HPCL (through ONGC) due to weak refining margins in FY2025, which offset strong marketing margins on retail automobile fuels. The net profits of the Nifty-50 Index grew 7.7%, adjusted for the net profits of COAL and HPCL.

We expect net income of the Nifty-50 Index to grow 12% in FY2026E and 15% in FY2027E

Exhibit 59: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2025-27E (based on current constituents)

	Mcap. (US\$ bn)	Adj. mcap. (US\$ bn)	Earnings growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			Div. yield (%)			RoE (%)		
			2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Automobiles & Components	175	93	11.5	3.7	15.8	22.4	21.6	18.6	12.1	11.8	9.9	4.4	3.9	3.4	1.4	1.5	1.7	19.5	17.9	18.1
Banks	478	411	9.2	0.6	16.8	17.4	17.3	14.8	—	—	—	2.6	2.3	2.0	1.0	1.2	1.2	14.7	13.3	13.8
Capital Goods	126	74	33.6	8.7	27.2	39.9	36.7	28.9	26.2	24.0	20.6	5.8	5.0	4.4	0.6	0.7	0.9	14.5	13.7	15.2
Commodity Chemicals	25	12	(26.2)	4.8	15.4	53.8	51.3	44.4	35.6	33.2	30.8	11.2	10.3	9.5	1.1	1.2	1.5	20.8	20.1	21.4
Construction Materials	59	27	(23.8)	53.4	23.2	49.9	32.5	26.4	16.7	12.8	11.4	3.0	2.8	2.6	0.6	0.6	0.7	6.0	8.6	9.7
Consumer Staples	165	88	(5.2)	6.7	10.4	41.5	38.9	35.2	30.2	28.1	25.3	10.0	9.8	9.4	2.4	2.2	2.5	24.1	25.2	26.7
Diversified Financials	140	62	23.8	19.2	23.7	30.8	25.8	20.9	—	—	—	3.4	3.1	2.7	0.5	0.5	0.6	11.0	12.0	13.1
Electric Utilities	69	34	7.3	9.5	8.1	15.2	13.9	12.8	10.2	9.1	8.7	2.1	1.9	1.7	2.8	2.9	3.0	13.8	13.8	13.6
Health Care Services	12	8	61.1	25.9	28.9	68.4	54.3	42.2	33.6	27.9	22.4	12.0	10.2	8.4	0.3	0.3	0.3	17.6	18.7	20.0
IT Services	321	146	8.9	5.2	9.4	25.1	23.9	21.8	16.5	15.8	14.4	7.4	6.9	6.5	3.1	3.2	3.6	29.4	29.0	29.9
Insurance	41	19	21.9	16.3	16.3	82.6	71.0	61.0	—	—	—	11.2	10.1	9.1	0.2	0.3	0.3	13.5	14.2	14.9
Internet Software & Services	27	19	50.1	152.0	97.4	436.4	173.2	87.8	326.0	138.7	62.8	7.6	7.1	6.5	—	—	—	1.7	4.1	7.4
Metals & Mining	69	37	5.7	91.6	16.1	25.3	13.2	11.4	9.8	7.1	6.4	2.0	1.8	1.6	1.1	1.4	1.5	7.9	13.4	13.8
Oil, Gas & Consumable Fuels	289	134	(10.4)	20.9	11.8	17.5	14.4	12.9	9.7	8.1	6.9	1.9	1.7	1.6	1.6	1.6	1.7	11.0	12.1	12.2
Pharmaceuticals	73	40	16.0	0.8	6.5	27.5	27.3	25.7	19.1	18.3	17.0	4.5	4.0	3.6	0.8	0.7	0.8	16.5	14.7	13.9
Retailing	60	32	20.3	24.9	20.4	97.6	78.1	64.9	58.1	48.9	41.1	30.2	23.2	18.1	0.2	0.3	0.3	31.0	29.7	27.9
Telecommunication Services	130	61	80.1	52.7	30.7	54.7	35.8	27.4	13.3	9.8	8.2	9.8	8.3	7.0	0.8	1.0	1.3	17.9	23.3	25.4
Transportation	36	12	26.1	19.6	12.3	27.3	22.8	20.3	18.3	15.9	13.4	5.0	4.2	3.6	0.6	0.6	0.7	18.2	18.3	17.5
Nifty-50 Index	2,295	1,308	6.4	12.3	15.2	24.7	22.0	19.1	14.6	12.6	11.1	3.6	3.3	2.9	1.4	1.5	1.7	14.6	14.8	15.3
Nifty-50 Index (ex-energy)	2,006	1,175	10.9	10.5	16.0	26.3	23.8	20.5	16.6	14.4	12.7	4.1	3.7	3.3	1.4	1.5	1.7	15.7	15.6	16.2
Nifty-50 Index (ex-banks)	1,817	898	5.3	17.2	14.6	27.8	23.7	20.7	14.6	12.6	11.1	4.0	3.7	3.3	1.5	1.6	1.8	14.6	15.4	15.9

Notes:

(a) We use consensus numbers for Adani Enterprises, Jio Financial Services and Kotak Mahindra Bank.

Source: Kotak Institutional Equities estimates

Exhibit 60 gives the breakdown of net profits and incremental net profits of the Nifty-50 Index by sectors while Exhibit 61 gives the breakdown of net profits and incremental net profits of our coverage universe (292 stocks) by sectors. The sector-wise trends for the broader KIE coverage are very similar to the sector-wise trends for the Nifty-50 Index. We estimate that the metals & mining sector will account for 22% and 16% of the incremental profits of FY2026 of the Nifty-50 Index and KIE coverage universe.

Diversified financials, metals & mining, oil, gas & consumable fuels and telecommunication services to provide bulk of the incremental profits for FY2026 of the Nifty-50 Index

Exhibit 60: Break-up of net profits of the Nifty-50 Index across sectors, March fiscal year-ends, 2021-27E (based on current constituents)

	Net profits (Rs bn)							Contribution (%)					Incremental profits					
	2021	2022	2023	2024	2025	2026E	2027E	2023	2024	2025	2026E	2027E	2025		2026E		2027E	
	(Rs bn)	(Rs bn)	(Rs bn)	(Rs bn)	(Rs bn)	(Rs bn)	(Rs bn)	(%)	(%)	(%)	(%)	(%)	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(%)
Automobiles & Components	150	70	279	600	669	694	803	4	8	8	8	8	69	14	25	3	110	8
Tata Motors	(14)	(107)	7	206	225	210	272	0	3	3	2	3	19	4	(15)	(2)	62	5
Banks	992	1,354	1,860	2,148	2,346	2,360	2,757	29	29	30	26	27	198	41	14	1	397	29
Axis Bank	66	130	212	249	264	275	314	3	3	3	3	3	15	3	12	1	39	3
HDFC Bank	431	507	603	608	673	750	855	9	8	8	8	8	65	14	76	8	106	8
ICICI Bank	162	233	319	409	479	497	548	5	5	6	6	5	70	15	18	2	51	4
State Bank of India	204	317	502	611	709	611	750	8	8	9	7	7	98	21	(98)	(10)	139	10
Capital Goods	99	117	158	202	270	293	373	2	3	3	3	4	68	14	23	2	80	6
Commodity Chemicals	31	31	42	55	40	42	49	1	1	1	0	0	(14)	(3)	2	0	7	0
Construction Materials	100	128	120	132	101	155	191	2	2	1	2	2	(32)	(7)	54	5	36	3
Consumer Staples	240	271	318	360	341	364	402	5	5	4	4	4	(19)	(4)	23	2	38	3
Diversified Financials	115	145	239	314	388	463	572	4	4	5	5	6	75	16	74	8	109	8
Electric Utilities	290	301	324	364	391	428	462	5	5	5	5	4	26	6	37	4	35	3
Health Care Services	1	9	8	9	14	18	23	—	—	—	—	—	5	1	4	0	5	0
Internet Software & Services	(8)	(12)	(10)	4	5	13	26	(0)	0	0	—	0	2	0	8	1	13	1
IT Services	810	917	975	1,004	1,094	1,151	1,259	15	13	14	13	12	90	19	56	6	108	8
Insurance	28	27	31	35	42	49	57	0	0	1	1	1	8	2	7	1	8	1
Metals & Mining	222	774	248	219	231	443	515	4	3	3	5	5	12	3	212	22	71	5
Tata Steel	85	426	86	34	24	145	170	1.4	0.5	0.3	1.6	1.7	(10)	(2)	121	12	25	2
Oil, Gas & Consumable Fuels	718	1,229	1,413	1,578	1,414	1,709	1,910	22	21	18	19	19	(165)	(34)	295	30	201	15
Coal India	127	174	281	374	353	367	364	4	5	4	4	4	(21)	(4)	14	1	(3)	(0)
ONGC	156	476	465	509	364	524	575	7	7	5	6	6	(144)	(30)	160	16	51	4
Reliance Industries	435	579	667	696	696	818	971	10	9	9	9	9	0	0	122	12	153	11
Pharmaceuticals	110	135	160	196	227	229	244	3	3	3	3	2	31	7	2	0	15	1
Retailing	8	23	37	44	53	66	80	1	1	1	1	1	9	2	13	1	13	1
Telecommunication Services	(29)	26	90	113	204	311	406	1	2	3	3	4	91	19	107	11	95	7
Transportation	43	56	83	90	113	136	152	1	1	1	2	1	24	5	22	2	17	1
Nifty-50 Index	3,919	5,601	6,375	7,466	7,944	8,923	10,281	100	100	100	100	100	478	100	979	100	1,359	100
Nifty-50 change (%)	10.4	42.9	13.8	17.1	6.4	12.3	15.2											
Nifty-50 Index ex-HPCL & COAL change (%)	3,786	5,365	6,059	7,011	7,550	8,521	9,881											
Nifty-50 Index ex-HPCL & COAL change (%)	13.0	41.7	12.9	15.7	7.7	12.9	16.0											
Nifty-50 EPS (Free-float)	536	730	813	988	1,012	1,128	1,300											

Notes:

(a) We use consensus numbers for Adani Enterprises, Jio Financial Services and Kotak Mahindra Bank.

(b) We exclude ONGC's ownership of HPCL for ex-HPCL computation.

Source: Bloomberg, Kotak Institutional Equities estimates

Diversified financials, electric utilities, metals & mining, oil, gas & consumable fuels and telecommunication services sectors to drive incremental profits of KIE coverage universe in FY2026

Exhibit 61: Break-up of net profits of the KIE universe across sectors, March fiscal year-ends, 2022-27E

	Net profits (Rs bn)						Contribution (%)					Incremental profits							
	2022	2023	2024	2025	2026E	2027E	2023	2024	2025	2026E	2027E	2025		2026E		2027E		(Rs bn)	2027E (%)
												(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(%)		
Automobiles & Components	184	446	872	946	1,016	1,182	5	8	8	8	8	74	13	70	4	166	8		
Banks	1,371	2,024	2,653	3,023	3,024	3,459	23	23	25	22	22	370	65	1	0	435	20		
Capital Goods	175	221	285	319	390	515	3	3	3	3	3	35	6	71	4	124	6		
Capital Markets	56	59	80	94	101	114	1	1	1	1	1	14	2	7	0	14	1		
Commercial & Professional Services	4	5	3	1	4	5	0	0	0	0	0	(2)	(0)	3	0	1	0		
Commodity Chemicals	57	80	86	64	67	77	1	1	1	1	0	(22)	(4)	4	0	10	0		
Construction Materials	224	190	233	157	248	305	2	2	1	2	2	(75)	(13)	91	6	57	3		
Consumer Durables & Apparel	44	48	49	64	76	94	1	0	1	1	1	15	3	13	1	18	1		
Consumer Staples	369	428	489	481	525	585	5	4	4	4	4	(8)	(1)	45	3	60	3		
Diversified Financials	291	434	537	656	769	928	5	5	6	6	6	119	21	113	7	158	7		
Electric Utilities	381	423	465	497	594	668	5	4	4	4	4	32	6	97	6	74	3		
Electronic Manufacturing Services	5	7	9	15	26	36	0	0	0	0	0	7	1	10	1	10	0		
Fertilizers & Agricultural Chemicals	50	46	2	22	32	44	1	0	0	0	0	21	4	10	1	12	1		
Gas Utilities	165	113	166	169	159	166	1	1	1	1	1	3	1	(11)	(1)	8	0		
Health Care Services	33	42	47	58	72	92	0	0	0	1	1	11	2	14	1	21	1		
Hotels & Restaurants	(4)	18	19	22	40	57	0	0	0	0	0	3	1	18	1	17	1		
Insurance	71	418	482	575	617	662	5	4	5	5	4	93	16	43	3	44	2		
Internet Software & Services	(52)	(44)	(7)	(8)	12	47	(1)	(0)	(0)	0	0	(2)	(0)	20	1	35	2		
IT Services	1,021	1,099	1,141	1,240	1,318	1,455	13	10	10	10	9	99	17	78	5	137	6		
Media	23	21	25	24	27	31	0	0	0	0	0	(1)	(0)	4	0	4	0		
Metals & Mining	1,407	579	502	662	922	1,043	7	4	6	7	7	160	28	260	16	120	6		
Oil, Gas & Consumable Fuels	1,660	1,504	2,477	1,809	2,120	2,321	17	22	15	16	15	(668)	(117)	311	20	200	9		
Pharmaceuticals	281	272	339	397	442	505	3	3	3	3	3	59	10	44	3	63	3		
Real Estate	65	96	117	172	201	277	1	1	1	1	2	55	10	29	2	76	4		
Renewable Energy	1	4	11	28	47	76	0	0	0	0	0	17	3	19	1	29	1		
Retailing	42	67	78	90	110	134	1	1	1	1	1	12	2	20	1	24	1		
Specialty Chemicals	88	89	84	89	106	127	1	1	1	1	1	6	1	16	1	22	1		
Telecommunication Services	(180)	(122)	(134)	(6)	112	247	(1)	(1)	(0)	1	2	127	22	118	7	135	6		
Transportation	(0)	88	194	211	281	340	1	2	2	2	2	17	3	70	4	59	3		
KIE universe	7,831	8,655	11,303	11,873	13,459	15,592	100	100	100	100	100	570	100	1,586	100	2,133	100		
KIE universe change (%)		10.5	30.6	5.0	13.4	15.8													
KIE universe (ex-OMC & COAL)	7,230	8,401	10,025	11,145	12,715	14,852													
KIE universe change (ex-OMC & COAL) (%)		16.2	19.3	11.2	14.1	16.8													

Source: Kotak Institutional Equities estimates

We discuss our earnings projections by sectors and the key drivers of earnings through FY2027 below. We also examine the key upside and downside risks to earnings for the major sectors and stocks.

- **Automobiles and components.** We expect net profits of the automobiles & components stocks in the Nifty-50 Index to grow a modest 3.7% in FY2026 and a strong 16% in FY2027 after a decent increase of 11.5% in FY2025. The modest growth in FY2026E net profits reflects our assumptions of (1) muted volume growth in the 2W, 4W and PV segments and a moderate 6-7% growth in the tractors segment, (2) stable profitability at high levels and (3) a modest decline in the net profits of TTMT. The strong growth in FY2027E reflects (1) higher volumes due to stronger domestic demand for 4Ws on likely implementation of the Eighth Pay Commission recommendations by 2HFY27 and (2) stronger global demand for 4Ws (JLR and exports) after a likely turbulent FY2026 on account of an uncertain global trade and tariff situation in 1HFY26.

However, we would not rule out downside risks to our FY2026E net income estimates across the automobile segments from (1) weaker-than-expected volumes in general and for JLR, in particular, given challenging global demand conditions and (2) lower-than-expected profitability due to higher competitive intensity across all segments. This latter is particularly true for the 4W segment given likely low volume growth and meaningful capacity additions by the major players in FY2026.

- **Volumes.** We model (1) a moderate increase in volumes in the 2W and 4W segments, (2) a modest increase in CV segment and (3) a moderate increase in volumes in the tractors segment in FY2026. In the case of 2Ws, volume growth will likely moderate in FY2026 from the high base of FY2025. We note that volumes have moderated in 2HFY25 due to base-effects after a very strong 1HFY25. In the case of CVs, we expect a modest improvement in FY2026 on the back of higher fleet utilization levels. In the case of PVs, the income tax changes in the FY2026 budget may provide a moderate boost to entry-level PV (hatchback segment) sales and support 6-7% industry growth over FY2025-27E after a flat FY2025. In the case of tractors, (1) improved cash flows in the rural economy over the past 7-8 months from decent kharif (summer) and rabi (winter) crops in FY2025 and (2) likely normal monsoons in 2025 will likely support tractor demand.

Exhibit 62 gives our volume assumptions for the major companies and categories over FY2019-28E. Exhibits 63-64 show our volume projections by segment over the next few years. As can be seen from the exhibits, we expect 2W volumes to recover to pre-pandemic levels by FY2026. PV volumes crossed pre-pandemic volumes in FY2023, entirely driven by the SUV segment.

We expect modest growth in automobile volumes over FY2026-28E

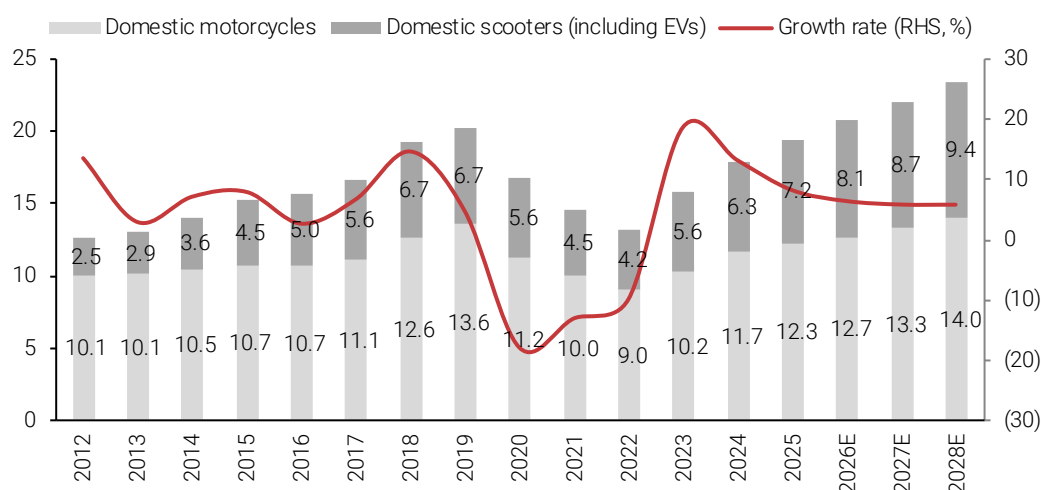
Exhibit 62: Domestic PV sales and 2W sales, March fiscal year-ends, 2021-28E

	2021	2022	2023	2024	2025	2026E	2027E	2028E
Domestic sales volumes (units)								
Ashok Leyland	92,714	117,312	180,916	182,700	179,842	187,252	195,976	205,111
Bajaj Auto								
Two wheelers	1,809,375	1,641,084	1,805,883	2,237,193	2,291,099	2,402,769	2,505,700	2,632,211
Three wheelers	109,292	160,723	300,734	464,138	479,506	499,576	519,598	540,004
Eicher Motors								
Two wheelers	573,728	521,236	734,840	834,795	902,757	995,621	1,061,411	1,131,608
Commercial vehicles	36,243	48,651	74,690	81,839	84,980	89,830	94,314	98,365
Hero Motocorp (motorcycles)	5,156,401	4,337,634	4,797,347	5,020,079	5,218,446	5,348,494	5,589,545	5,841,462
Maruti Suzuki	1,457,861	1,652,653	1,966,164	2,135,323	2,234,066	2,350,080	2,488,274	2,632,086
M&M (passenger vehicles)	157,216	225,895	359,253	459,877	551,487	620,343	658,530	699,951
Tata Motors								
Commercial vehicles	242,490	322,182	393,317	378,060	358,570	365,741	384,151	403,523
Passenger vehicles	222,025	370,372	538,640	570,955	553,585	565,834	595,296	626,867
TVS Motors								
Two wheelers	2,164,226	2,047,564	2,597,936	3,157,320	3,519,225	3,829,473	4,132,419	4,463,428
Three wheelers	8,266	8,823	16,075	20,791	28,923	36,154	45,192	56,490

Source: SIAM, Kotak Institutional Equities estimates

We expect domestic 2W industry to grow 6.5% in FY2026 and 6% in FY2027

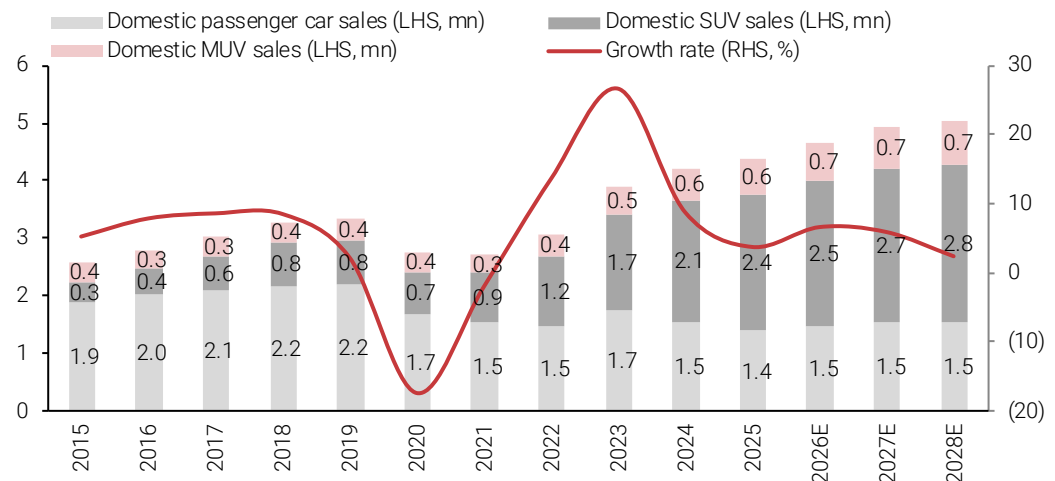
Exhibit 63: Domestic motorcycle industry volumes (mn) and growth rate (%), March fiscal year-ends, 2012-28E



Source: SIAM, Kotak Institutional Equities

We expect domestic car industry to grow 6.5% in FY2026 after a marginal increase in FY2025

Exhibit 64: Domestic car industry volumes (mn) and growth rate (%), March fiscal year-ends, 2015-28E



Source: SIAM, Kotak Institutional Equities

On the positive side, industry volumes could surprise positively on lower total ownership costs, if the government were to pass on the potential benefits of lower global crude oil prices through (1) a large cut in automobile retail fuel prices; we note that marketing margins of the PSU downstream oil companies are quite high given current low global crude oil prices and/or (2) a reduction in GST rate on 2Ws, which is quite high at 28% in the context of the utilitarian nature of 2Ws.

- **Margins and profitability.** We assume stable margins and profitability for the automobile OEMs and component companies in FY2026 despite extremely high profitability in FY2024-25. We note that domestic prices of metals have increased in the past few weeks (despite stable global prices) due to imposition of safeguard duties in the case of steel. Also, our margin assumptions may be at risk if (1) one or more players were to become more aggressive to increase its/their market shares and (2) global metal and oil prices were to rebound. Exhibit 65 shows the gross and EBITDA margin of the major automobile OEM and component companies under our coverage over FY2019-28E.

Profitability trends have been mixed for auto companies in 4QFY25

Exhibit 65: Gross margin and EBITDA margin of auto companies, March fiscal year-ends, 2019-28E (%)

	Gross margin (%)										EBITDA margin (%)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Apollo Tyres	42.2	44.5	46.0	40.9	40.4	46.2	43.7	44.3	45.0	45.0	11.2	11.9	16.1	12.3	13.5	17.5	13.7	14.9	15.6	15.6
Ashok Leyland	28.8	29.2	25.5	22.7	22.9	27.3	28.7	28.7	29.0	29.0	10.8	6.7	3.5	4.6	8.1	12.0	12.6	12.6	12.7	12.7
Bajaj Auto	26.9	28.3	28.1	25.4	27.2	27.8	27.9	27.8	27.6	27.5	17.1	17.0	17.8	15.9	18.0	19.7	20.4	20.4	20.5	20.3
Balkrishna Industries	53.9	56.6	59.9	55.3	51.0	52.5	52.6	51.7	51.6	48.5	26.8	28.5	31.8	26.2	20.2	25.1	25.6	25.9	26.3	22.8
Bharat Forge	44.0	41.4	42.9	45.4	39.6	40.8	43.5	43.7	43.4	44.6	20.3	13.8	13.6	19.3	13.7	16.3	17.8	17.2	18.1	19.2
CEAT	40.1	42.2	43.9	35.6	34.7	42.0	37.7	38.5	38.9	39.1	9.2	10.7	12.9	7.6	8.6	13.8	11.2	12.3	12.6	12.8
CIE Automotive	54.8	51.8	53.7	52.2	45.4	47.1	47.9	47.9	48.5	48.8	13.1	12.4	8.3	12.1	13.4	15.3	15.1	14.6	15.2	15.5
Eicher Motors	48.4	45.4	41.4	42.2	43.1	45.7	45.4	44.8	44.6	44.5	29.6	23.8	20.4	21.1	23.8	26.2	25.0	24.3	24.5	24.7
Endurance Technologies	42.1	46.0	45.5	41.4	39.5	40.9	42.9	42.5	42.0	41.9	15.0	16.3	15.9	12.8	11.8	13.0	13.4	14.0	14.2	14.3
Escorts	31.6	33.7	33.7	31.0	27.3	29.0	29.2	29.0	29.5	29.5	11.8	11.7	16.3	13.3	9.4	11.6	11.6	11.9	12.6	12.8
Exide Industries	34.2	36.4	34.5	30.7	30.1	30.9	31.3	31.1	31.2	31.4	13.3	13.8	13.5	11.3	10.7	11.7	11.4	11.8	12.3	12.4
Hero Motocorp	29.5	30.4	28.3	27.6	28.4	31.0	32.5	31.8	31.6	31.4	14.7	13.7	13.0	11.5	11.8	14.0	14.4	14.4	14.5	14.6
Mahindra & Mahindra	31.9	33.4	32.4	26.3	24.0	25.3	25.9	25.3	25.3	25.2	14.2	14.2	15.6	12.3	12.3	13.3	14.7	14.8	15.0	15.1
Maruti Suzuki	30.8	29.7	27.7	25.2	26.6	28.6	28.6	27.7	27.7	27.7	12.8	9.7	7.6	6.5	9.4	11.6	11.7	11.5	11.9	12.1
MRF	39.6	40.8	42.3	34.9	32.9	40.1	36.3	37.1	37.2	36.8	14.4	14.6	18.2	10.6	10.4	16.9	14.5	15.8	16.0	15.9
Samvardhana Motherson	—	—	43.2	42.2	42.5	44.9	46.6	46.3	45.5	45.1	—	—	7.6	7.0	8.0	9.4	9.4	8.8	8.9	9.6
Schaeffler India	37.0	36.9	38.0	37.7	38.1	37.9	37.4	37.8	37.8	38.1	16.2	14.5	14.3	17.5	18.8	18.2	17.6	18.2	18.3	18.7
SKF	41.5	37.0	41.5	38.8	40.4	39.2	38.7	39.3	39.5	39.7	16.0	12.3	15.7	15.2	17.4	15.7	14.7	16.3	16.9	17.4
Sona BLW Precision	59.5	57.9	58.8	55.6	54.1	56.9	56.5	55.7	56.4	57.9	28.9	26.7	28.2	26.2	25.4	28.3	27.4	26.4	27.0	27.0
Tata Motors	35.0	36.0	36.6	35.0	34.5	37.2	38.2	37.1	38.0	40.0	8.5	7.6	12.2	8.9	9.2	13.3	12.5	11.6	13.1	13.5
Timken	44.2	46.8	44.3	45.8	40.9	41.0	39.6	40.5	40.2	39.5	17.3	22.4	17.9	23.2	20.0	19.7	18.5	20.0	20.7	20.2
TVS Motor	24.0	26.1	24.0	24.0	24.2	26.3	28.9	29.2	29.4	29.4	7.9	8.2	8.5	9.4	10.1	11.1	12.3	13.0	13.6	13.9
Uno Minda	38.7	38.8	38.5	36.6	35.7	35.4	35.2	34.5	34.3	34.2	12.3	10.8	11.4	10.7	11.1	11.3	11.3	11.5	11.6	11.4
Varroc Engineering	37.1	37.2	33.5	34.1	35.7	37.3	36.1	36.4	36.5	36.2	8.8	7.4	3.5	6.1	8.3	10.2	9.4	10.1	10.4	10.6

Source: Companies, Kotak Institutional Equities estimates

As can be seen in Exhibit 66, the profitability of 2W companies has sustained at very high levels in FY2025 after expanding sharply in FY2024. This has pushed RoACE/CRoCI to abnormally high levels. It would appear that the incumbent 2Ws companies have carved out specific niches for themselves and are not keen to expand beyond their current strongholds and compete for higher market shares. For example, BJAUT has high market share in 2W exports and 110-250 cc motorcycle segment, EIM in >250 cc segment, HMCL in the <110 cc motorcycle segment, Honda in the 110-125 cc motorcycle segment and scooters and TVSL in the 125-25 cc motorcycle segment and scooters. Exhibit 67 gives market share of the companies in various segments of motorcycles and scooters.

Indian 2W companies have made extraordinary returns historically; sustenance key to valuations

Exhibit 66: Key financial and return metrics of Indian 2-W OEMs, March fiscal year-ends, 2021-28E

	2021	2022	2023	2024	2025	2026E	2027E	2028E
Bajaj Auto								
Volumes (units)	3,972,914	4,308,433	3,927,857	4,337,541	4,633,886	5,031,873	5,321,101	5,647,350
EBITDA margin (%)	17.8	15.9	18.0	19.7	20.2	20.4	20.4	20.3
EBITDA per vehicle (Rs/unit)	12,405	12,205	16,674	20,341	21,793	22,293	22,964	23,634
PAT per vehicle (Rs/unit)	11,464	11,649	14,327	17,242	17,591	18,666	19,172	19,640
RoAE (%)	20	19	21	29	28	27	28	29
RoACE (%)	77	64	62	76	74	70	69	72
CRoCI (%)	73	76	96	165	120	121	119	120
Eicher Motors								
Volumes (units)	612,350	602,268	834,895	912,732	1,009,899	1,129,549	1,215,427	1,304,107
EBITDA margin (%)	20.7	20.9	24.1	27.2	25.8	25.1	25.3	25.4
EBITDA per vehicle (Rs/unit)	29,175	35,093	40,646	47,990	47,213	45,640	46,513	47,453
PAT per vehicle (Rs/unit)	21,715	26,337	31,412	41,079	42,373	38,395	39,010	39,731
FCF (Rs mn)	21,171	20,140	34,126	49,941	52,146	49,818	56,081	61,583
RoAE (%)	14	15	22	26	24	22	21	21
RoACE (%)	54	58	113	65	49	47	50	54
CRoCI (%)	40	40	59	46	36	35	35	36
Hero MotoCorp								
Volumes (units)	5,786,374	4,944,148	5,328,546	5,621,455	5,899,187	6,093,931	6,392,255	6,706,122
EBITDA margin (%)	13.0	11.5	11.8	14.0	14.4	14.4	14.5	14.6
EBITDA per vehicle (Rs/unit)	6,946	6,814	7,481	9,349	9,947	10,310	10,729	11,102
PAT per vehicle (Rs/unit)	5,123	5,002	5,452	7,256	7,815	8,001	8,329	8,627
RoAE (%)	20	16	17	22	24	23	24	24
RoACE (%)	44	50	37	49	71	71	70	74
CRoCI (%)	25	20	22	29	30	29	30	31
TVS Motors								
Volumes (units)	3,051,861	3,309,578	3,682,068	4,191,162	4,743,636	5,232,181	5,680,379	6,172,499
EBITDA margin (%)	8.5	9.4	10.1	11.1	12.3	13.0	13.6	13.9
EBITDA per vehicle (Rs/unit)	4,681	5,927	7,264	8,385	9,390	9,975	10,664	10,950
PAT per vehicle (Rs/unit)	2,005	2,700	4,049	4,970	5,714	6,177	6,705	6,924
RoAE (%)	16	20	27	30	31	29	27	25
RoACE (%)	14	20	25	27	31	30	30	31
CRoCI (%)	32	40	45	62	63	62	64	66

Source: Companies, Kotak Institutional Equities estimates

Two-wheeler companies are sticking to their core segment

Exhibit 67: Domestic motorcycle industry volume share, March fiscal year-ends, 2011-25 (%)

	Market share (%)							
	2011	2015	2020	2021	2022	2023	2024	2025
Economy bike segment								
Hero	46.5	53.5	62.4	64.3	54.8	55.5	49.3	50.7
Honda	—	—	—	—	—	—	12.6	13.5
Bajaj	24.7	24.7	32.2	28.4	36.1	34.0	28.0	26.3
TVS	27.2	20.7	5.4	7.3	9.1	10.4	10.0	9.5
Others	1.6	1.2	—	—	—	—	0.0	0.0
Total - Economy segment	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Executive bike segment								
Hero	66.5	66.3	71.0	71.8	67.7	68.1	65.6	63.2
Honda	9.2	22.5	24.0	25.9	28.3	25.2	24.1	27.5
Bajaj	21.2	8.4	0.6	—	—	—	—	1.1
TVS	1.1	0.6	4.0	2.3	4.0	6.7	10.3	8.1
Others	1.9	2.3	0.5	—	—	—	—	—
Total - Executive segment	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Premium bike segment								
Hero	20.4	8.0	1.5	3.1	2.9	2.4	2.4	1.9
Honda	7.4	13.1	11.1	10.8	6.8	8.4	8.4	10.8
Bajaj	48.2	34.9	37.3	40.0	38.0	38.2	42.5	39.0
TVS	8.7	10.2	13.8	12.3	14.5	12.0	11.1	13.0
Royal Enfield	3.2	16.3	24.7	21.4	22.9	25.0	23.1	24.2
Others	12.1	17.6	11.5	12.4	14.8	14.0	12.6	11.1
Total - Premium segment	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total motorcycles								
Hero	54.6	52.9	52.0	51.5	48.3	46.9	43.1	42.6
Honda	7.3	16.3	13.9	15.2	16.1	15.7	17.2	20.3
Bajaj	26.8	16.5	18.5	18.0	18.2	17.3	18.2	16.6
TVS	7.0	6.3	6.7	6.3	7.9	8.9	10.5	9.8
Royal Enfield	0.6	3.0	5.9	5.7	5.8	7.2	7.2	7.4
OthEXs	3.7	4.9	3.0	3.3	3.7	4.0	3.9	3.4
Total - motorcycles	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Scooter mix								
Hero	16.5	16.7	7.2	9.9	7.7	7.3	7.1	5.5
Honda	43.1	55.5	56.6	52.0	49.8	49.7	47.0	46.7
Bajaj	—	—	—	—	—	—	—	—
TVS	21.6	15.2	18.3	20.5	21.5	23.6	23.5	25.3
Others	18.8	12.6	17.9	17.6	20.9	19.3	22.4	22.5
Total - Scooters	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mopeds								
TVS	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Overall two-wheelers								
Hero	44.7	40.2	35.8	37.0	34.5	33.2	30.8	29.5
Honda	13.1	26.6	27.0	25.5	25.6	25.9	25.9	28.3
Bajaj	20.5	11.1	11.9	12.0	12.2	11.4	12.1	10.8
TVS	15.1	13.2	13.8	14.3	15.2	16.1	16.9	17.2
Royal Enfield	0.4	2.0	3.8	3.8	3.9	4.7	4.8	4.8
Others	6.2	6.9	7.6	7.4	8.7	8.7	9.5	9.4
Total - two-wheelers	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Kotak Institutional Equities

It remains to be seen if (1) such industry discipline will sustain once 2W industry volumes start to slow down or even decline after the next few years; 2W penetration is already quite high in India and (2) such abnormal profitability and returns can persist over the next few years given the ongoing change in industry dynamics (ICE to EV), which could entail higher competition from EV 2W players.

- **Banks and diversified financials (NBFCs).** We model a modest 0.6% growth in the net profits of banks and a strong 19% growth in the net profits of diversified financials (NBFCs) in FY2026 reflecting our view of (1) moderate growth in credit for banks but strong growth in credit for NBFCs, (2) lower NIMs for banks but broadly stable NIMs for NBFCs and (3) a modest increase in credit costs for banks but a decline in the case of NBFCs; however, we expect credit costs to stay at low levels for banks compared to historical levels.

Banks saw a moderate 9.2% growth in net profits in FY2025 reflecting (1) large loss in the case of IIB versus profits in FY2024, (2) further moderation in NIMs of banks to normal levels from high levels of FY2023-1H FY24 and (3) moderate increase in credit costs. However, NBFCs reported a strong 24% growth in net profits in FY2025 on the back of (1) strong growth in credit, which offset (2) a modest decline in NIMs and (3) a modest increase in credit costs (higher for BAF, flat for SHTF).

- **Credit growth.** We expect moderate growth in credit in FY2026-27, driven by growth in nominal GDP (10-11%) with (1) reasonably strong growth in retail credit aided by moderate-to-strong growth in 2Ws, 4Ws and consumer durables due to income tax benefits in the FY2026 union budget in FY2026 and higher pay for government and quasi-government employees in FY2027 due to likely implementation of the Eighth Pay Commission offsetting (2) continued weakness in industry credit. Credit demand has been soft for the past few months led by (1) weakness in industry credit (8% yoy growth as of March 2025), (2) moderation in retail credit and (3) challenges in MFI loan books of small finance banks (SFBs) and MFI-NBFCs.

At the same time, we do not see any major (1) macroeconomic issues given India's decent macroeconomic position and likely reduction in interest rates through FY2026 or (2) credit issues that can derail credit growth meaningfully. We note the conditions in the MFI and personal unsecured loan categories have started to improve (see Exhibits 68 for data on performance of various buckets of delinquent loans) after the shock in 2Q-3Q FY25.

SMA levels have declined recently

Exhibit 68: Comparison of delinquent book in microfinance, March fiscal year-ends, 2023-25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
SMA 1+2 (% of loan book)									
Bandhan (GL+IL)	3.7	2.9	2.4	1.9	1.4	1.4	1.8	2.4	1.8
CreditAccess Grameen	0.2	0.3	0.3	0.5	0.5	0.7	1.6	2.5	2.2
Equitas SFB (microfinance)	2.0	1.5	1.5	1.6	1.8	2.3	3.8	4.2	5.9
IDFC First (microfinance)					1.3	1.7	2.5	4.6	5.1
L&T Finance (microfinance)			0.2	0.3	0.4	0.5	0.9	1.2	1.4
Muthoot Microfin (overall)	0.6		0.6		1.1	1.9	3.1	4.0	3.8
RBL Bank (microfinance)			1.2	1.9	1.6	2.0	4.9	5.6	4.7
Satin			0.4	0.6	0.7	1.0	1.7	1.8	0.9
Suryoday SFB (IF)		1.0		1.3	1.2	1.6	3.5	4.6	4.9
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	3.8

Source: Companies, Kotak Institutional Equities

- **Credit quality and LLP.** We expect loan-loss provisions (LLPs) for banks (other than SFBs) under our coverage to increase modestly in FY2026-27E from low levels of FY2024-25 while we expect provisions for NBFCs, MFI-NBFCs and SFBs to decline from the high levels of FY2025 although provisions will likely stay high for MFI-NBFCs and SFBs in 1H FY26. They were hit particularly hard by the sharp increase in NPLs in 2H FY25. We note that our estimates for provisions do not incorporate the proposed ECL framework of the RBI, as the RBI is yet to release the final guidelines.

Exhibit 69 shows the total income and PPOP for banks under our coverage for FY2019-28E and Exhibit 70 shows LLP and LLP/PPOP for the same banks over the same period. As can be seen, LLP/PPOP has dropped meaningfully from high levels of (1) FY2020-21 due to provisions related to NPLs in MSME and retail loans arising from the Covid-19 pandemic and (2) FY2018-19 due to provisions related to large NPLs in corporate loans. Also, most banks have fairly high coverage (see Exhibit 71).

Steady income growth to drive PPOP growth for most banks in FY2026E-27E; PSU banks to pull down overall PPOP growth in FY2026

Exhibit 69: Total income and PPOP of banks under coverage, March fiscal year-ends, 2019-28E

	Total income (Rs bn)										PPOP (Rs bn)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Public banks																				
Bank of Baroda	248	378	417	441	514	592	623	650	709	796	133	179	203	218	252	310	324	315	335	385
Canara Bank	211	209	393	429	502	555	595	581	646	729	102	96	196	221	249	285	325	259	289	333
Punjab National Bank	245	267	433	410	466	535	591	612	665	753	114	151	224	204	224	263	268	264	283	333
State Bank of India	1,251	1,433	1,542	1,613	1,815	2,116	2,286	2,370	2,622	2,880	562	676	685	644	822	873	1,101	1,085	1,275	1,457
Union Bank	147	167	364	403	474	527	570	564	611	690	79	88	192	217	236	286	312	277	295	337
Old private banks																				
City Union Bank	21	24	25	27	30	29	32	36	42	49	12	14	15	16	18	15	17	17	21	25
Federal Bank	55	66	75	81	96	114	133	142	164	186	26	31	38	38	48	52	61	65	79	93
Karur Vysya Bank	33	35	34	35	45	55	61	63	72	82	16	17	13	16	24	27	32	31	36	42
New private banks																				
Axis Bank	348	407	415	484	594	723	796	831	932	1,043	190	234	231	247	198	371	421	444	511	587
Bandhan Bank	56	79	97	115	117	125	145	151	175	202	37	54	69	80	71	66	74	76	86	97
DCB Bank	15	17	17	18	21	24	29	33	40	49	6	8	9	8	8	9	10	13	17	24
HDFC Bank	659	794	901	1,015	1,181	1,578	1,683	1,882	2,176	2,514	397	487	574	641	704	944	1,001	1,133	1,326	1,556
ICICI Bank	415	497	580	660	820	973	1,097	1,227	1,370	1,528	234	281	364	393	491	581	673	745	827	919
IndusInd Bank	145	190	201	224	258	300	267	268	315	372	79	103	111	125	140	152	106	103	139	185
Yes Bank	144	187	108	98	118	132	148	164	192	229	75	55	34	21	8	39	59	54	72	100
Small finance banks																				
AU Small Finance Bank	18	26	38	42	55	69	105	127	156	192	7	12	22	18	20	24	46	54	65	82
Equitas Small Finance Bank	14	18	22	26	32	39	42	47	58	72	4	6	9	9	11	13	13	15	18	24
Ujjivan Small Finance Bank	13	20	20	21	33	42	45	49	61	75	3	6	8	6	15	19	17	15	22	29
Utkarsh Small Finance Bank	6	8	10	12	18	23	26	27	33	42	2	4	4	5	8	10	10	9	11	15
Total	4,039	4,813	5,683	6,140	7,188	8,549	9,274	9,824	11,037	12,480	2,079	2,499	2,996	3,122	3,546	4,340	4,871	4,972	5,709	6,622

Source: Companies, Kotak Institutional Equities estimates

We expect LLP/PPOP to stay at low levels for large banks and decline from high levels of FY2025 for SFBs in FY2026-27E

Exhibit 70: LLP and LLP/PPOP of banks under coverage, March fiscal year-ends, 2019-28E

	LLP (Rs bn)										LLP/PPOP (%)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Public banks																				
Bank of Baroda	122	195	146	120	49	58	56	76	106	117	91	109	72	55	19	19	17	24	32	31
Canara Bank	126	114	159	131	107	88	99	55	62	83	123	118	81	63	43	31	31	21	21	25
Punjab National Bank	267	144	189	161	172	124	19	28	56	84	235	95	84	79	77	47	7	11	20	25
State Bank of India	545	419	310	188	148	82	147	262	266	297	97	62	45	29	18	9	13	24	21	20
Union Bank	112	123	153	134	114	71	74	56	67	87	142	140	80	62	48	25	24	20	23	26
Old private banks																				
City Union Bank	3	8	8	6	6	3	3	3	4	4	24	57	52	38	35	19	16	16	18	17
Federal Bank	7	11	16	12	8	2	8	11	14	16	28	35	43	33	16	4	13	17	18	17
Karur Vysya Bank	13	14	7	7	7	5	5	6	8	9	79	82	57	44	29	20	15	19	22	21
New private banks																				
Axis Bank	110	180	139	67	30	37	78	72	87	99	58	77	60	27	15	10	18	16	17	17
Bandhan Bank	8	14	38	79	42	37	38	29	31	34	20	26	56	98	59	55	51	38	36	35
DCB Bank	1	3	4	4	1	1	2	3	4	6	21	34	49	51	19	16	20	27	25	23
HDFC Bank	70	114	123	151	122	228	116	137	182	206	18	23	21	24	17	24	12	12	14	13
ICICI Bank	171	120	158	83	56	9	47	95	111	128	73	43	43	21	11	2	7	13	13	14
IndusInd Bank	29	42	73	63	42	32	70	53	45	49	37	41	66	51	30	21	66	51	32	27
Yes Bank	48	259	78	7	(2)	23	28	8	9	10	65	475	232	33	(22)	59	47	15	12	10
Small finance banks																				
AU Small Finance Bank	1	3	7	2	2	5	18	18	18	21	20	24	31	14	12	22	39	33	28	26
Equitas Small Finance Bank	1	2	4	5	4	3	11	9	6	7	23	41	42	57	32	20	85	60	37	31
Ujjivan Small Finance Bank	—	2	8	11	0	2	7	9	9	11	13	27	99	189	1	11	44	58	40	37
Utkarsh Small Finance Bank	1	1	3	4	3	3	10	12	5	7	26	16	33	72	34	33	97	131	48	49
Total	1,635	1,765	1,620	1,231	911	814	836	942	1,091	1,277	78	70	54	39	26	19	17	19	19	19

Source: Companies, Kotak Institutional Equities estimates

We expect a decline in LLPs for SFBs and stable PCR for banks under coverage in FY2026E-27E

Exhibit 71: LLP as a percentage of average loans and provision coverage ratio (excluding write-offs), March fiscal year-ends, 2019-28E (%)

	LLP (%)										PCR (%)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Public banks																				
Bank of Baroda	2.7	3.4	2.1	1.6	0.6	0.6	0.5	0.6	0.8	0.7	68	69	67	75	77	77	75	75	76	74
Canara Bank	3.1	2.7	3.0	2.0	1.4	1.0	1.0	0.5	0.5	0.6	41	51	59	66	69	71	77	51	51	53
Punjab National Bank	6.0	3.1	3.3	2.3	2.2	1.4	0.2	0.3	0.5	0.6	62	63	63	62	71	88	90	80	72	68
State Bank of India	2.6	1.9	1.3	0.7	0.5	0.2	0.4	0.6	0.6	0.6	62	65	71	75	76	75	74	74	77	80
Union Bank	3.8	4.0	3.4	2.1	1.6	0.9	0.8	0.6	0.6	0.7	58	65	70	69	79	79	83	80	78	76
Old private banks																				
City Union Bank	1.0	2.3	2.2	1.6	1.5	0.7	0.5	0.5	0.6	0.6	39	45	43	38	47	52	60	59	64	69
Federal Bank	0.7	0.9	1.3	0.9	0.5	0.1	0.4	0.5	0.5	0.5	50	54	66	66	71	72	72	72	71	70
Karur Vysya Bank	2.8	2.9	1.5	1.4	1.2	0.8	0.6	0.7	0.8	0.8	46	57	58	63	68	71	74	70	68	74
New private banks																				
Axis Bank	2.4	3.4	2.3	1.0	0.4	0.4	0.8	0.7	0.7	0.7	62	69	72	75	81	79	75	74	71	68
Bandhan Bank	2.2	2.6	5.1	9.0	4.2	3.2	3.0	2.0	1.9	1.8	72	61	50	75	77	72	74	75	65	68
DCB Bank	0.6	1.1	1.7	1.5	0.5	0.4	0.5	0.6	0.7	0.7	65	54	45	56	68	66	63	59	60	60
HDFC Bank	1.0	1.3	1.2	1.2	0.8	1.1	0.5	0.5	0.6	0.6	71	72	70	73	76	74	68	70	71	72
ICICI Bank	3.1	1.9	2.3	1.0	0.6	0.1	0.4	0.7	0.6	0.7	71	76	78	79	83	80	79	75	70	68
IndusInd Bank	1.8	2.1	3.5	2.8	1.6	1.0	2.0	1.5	1.2	1.2	43	63	75	72	68	70	70	63	69	77
Yes Bank	2.2	12.5	4.6	0.4	(0.1)	1.1	1.2	0.3	0.3	0.3	43	74	66	71	62	73	80	71	73	74
Small finance banks																				
Au Small Finance Bank	0.8	1.1	2.2	0.6	0.5	0.8	2.0	1.5	1.3	1.2	37	53	50	71	71	64	68	84	87	89
Equitas Small Finance Bank	1.0	1.9	2.4	2.7	1.6	0.9	3.4	2.2	1.3	1.2	37	45	59	43	57	56	68	66	69	72
Ujjivan Small Finance Bank	0.5	1.4	5.6	7.6	0.1	0.9	2.6	2.5	2.0	2.0	72	80	60	92	140	88	78	69	71	69
Utkarsh Small Finance Bank	2.1	1.8	3.7	4.7	2.5	2.2	5.6	5.7	2.0	2.2	72	80	60	92	88	99	51	73	76	86

Source: Companies, Kotak Institutional Equities estimates

- **NIM.** We expect NIMs of banks to moderate further in FY2026-27 from the high levels of 2HFY23-1HFY24 (see Exhibit 72 for NIMs and RoEs) due to (1) likely sharp decline in lending rates for banks in FY2026, especially for private banks with their higher exposure to loans linked to external benchmark lending rates (EBLR), due to our expected rate cuts by the RBI; see Exhibit 73 for breakup of loans by mix of lending rate benchmarks and (2) moderate decline in deposit rates. However, banking system liquidity may also stay benign (see Exhibit 74) given the shift in RBI's stance on liquidity and growth-inflation dynamics. As such, we expect NIMs of NBFCs to remain broadly stable although FY2026-27E.

We model moderate-to-high decline in NIMs for banks and stable NIMs for NBFCs in FY2026E-27E

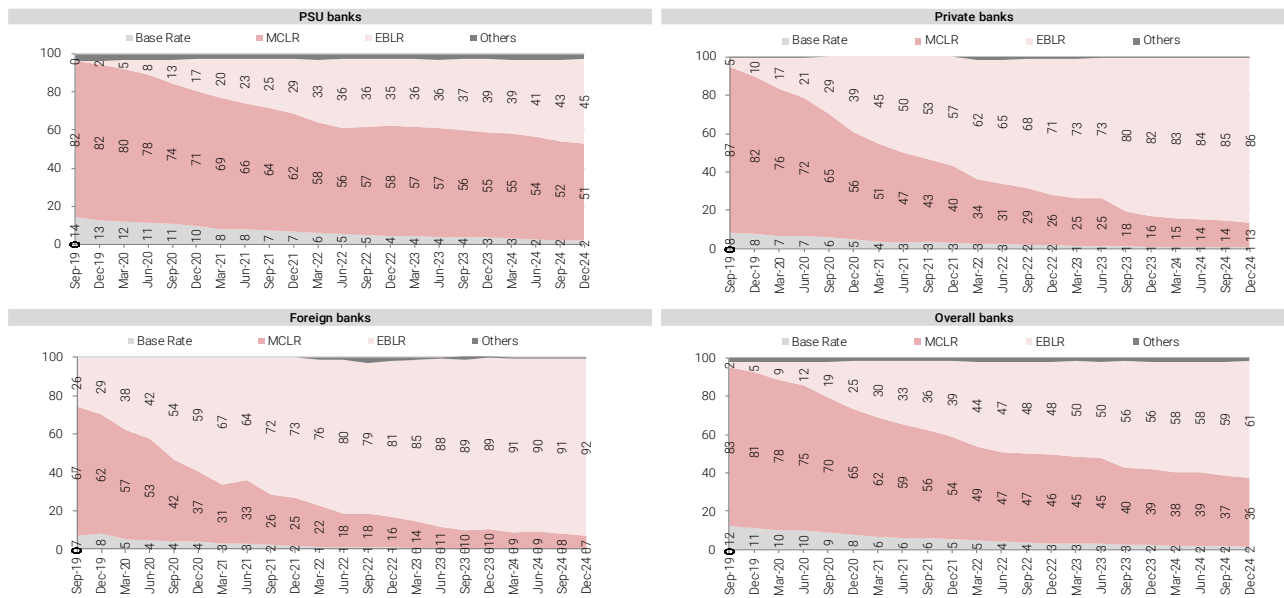
Exhibit 72: NIM and RoE of banks and NBFCs, March fiscal year-ends, 2019-28E (%)

	NIM (%)										RoE (%)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Banks																				
AU Small Finance Bank	5.4	5.3	5.2	5.5	5.7	5.3	5.8	5.6	5.6	5.6	14	18	22	16	15	13	13	14	14	17
Axis Bank	3.2	3.2	3.4	3.3	3.7	3.8	3.7	3.5	3.4	3.4	7	2	7	12	18	18	16	15	15	15
Bandhan Bank	9.1	8.7	7.5	7.1	6.7	6.6	6.6	6.4	6.4	6.3	19	23	14	1	12	11	12	15	15	14
Bank of Baroda	2.6	3.0	2.7	2.8	3.2	3.1	2.8	2.6	2.7	2.8	1	1	1	9	15	17	15	13	13	12
Canara Bank	2.4	2.0	2.3	2.4	2.6	2.7	2.4	2.0	2.2	2.3	1	(6)	5	9	15	18	17	14	14	12
City Union Bank	3.9	3.7	3.7	3.5	3.5	3.2	3.2	3.2	3.3	3.4	15	9	11	12	13	13	13	12	12	13
DCB Bank	3.6	3.6	3.5	3.4	3.8	3.5	3.1	3.1	3.3	3.4	12	11	10	7	11	11	11	12	12	15
Equitas Small Finance Bank	8.2	8.8	8.4	8.2	8.5	8.0	6.9	6.4	6.4	6.5	10	10	13	7	12	14	3	11	11	15
Federal Bank	3.0	2.9	3.1	3.0	3.3	3.1	3.1	2.8	2.9	2.9	10	11	10	11	15	15	12	12	12	13
HDFC Bank	4.4	4.2	4.1	3.9	4.1	3.8	3.5	3.4	3.6	3.6	16	16	17	17	17	17	14	15	15	15
ICICI Bank	3.3	3.6	3.6	3.9	4.4	4.6	4.3	4.2	4.1	4.0	3	8	12	15	17	19	18	16	16	16
IndusInd Bank	3.8	4.4	4.5	4.2	4.4	4.5	3.8	3.2	3.5	3.8	14	15	8	10	14	15	9	11	11	12
Karur Vysya Bank	3.6	3.5	3.4	3.6	4.1	4.1	3.9	3.6	3.6	3.5	3	4	5	9	9	10	17	16	16	16
Punjab National Bank	2.4	2.3	3.1	2.4	2.7	2.8	2.7	2.4	2.6	2.7	(25)	1	3	4	3	8	14	11	11	11
State Bank of India	2.7	2.8	2.9	2.8	3.0	3.0	2.8	2.7	2.7	2.7	0	6	8	12	17	17	16	14	14	15
Ujjivan Small Finance Bank	10.0	10.6	9.3	8.4	9.8	9.5	8.5	7.5	7.8	7.9	11	14	0	(15)	33	27	13	11	11	16
Utkarsh Small Finance Bank	10.0	9.6	8.1	8.1	9.3	9.1	8.1	6.9	7.0	7.0	19	21	9	4	23	20	6	10	10	20
Union Bank	2.2	2.3	2.5	2.6	2.8	2.9	2.7	2.4	2.5	2.6	(13)	(11)	5	8	11	16	16	13	13	12
YES Bank	3.0	2.3	3.2	2.5	2.7	2.5	2.6	2.5	2.6	2.7	7	(68)	(13)	3	2	3	5	8	8	10
NBFCs																				
Aavas Financiers	7.5	7.0	6.5	7.0	6.8	6.0	5.9	6.1	6.1	6.2	12	13	13	14	14	14	14	15	15	16
Aptus Value Housing Finance	10.6	11.1	11.5	12.6	13.1	12.1	11.6	11.0	10.6	10.6	17	18	14	15	16	17	18	18	18	19
Bajaj Finance	9.8	10.3	9.3	10.0	10.3	10.2	9.7	9.7	9.6	9.6	22	20	13	17	24	22	20	20	20	21
Bajaj Finserv	-	-	-	-	-	-	-	-	-	-	15	12	13	12	15	19	24	25	25	26
Cholamandalam	6.0	5.9	6.9	6.9	6.6	6.3	6.4	6.3	6.4	6.3	21	15	17	20	21	20	19	19	19	19
Home First Finance	6.1	6.2	6.3	7.7	8.0	7.4	6.7	7.4	7.4	7.3	11	11	9	13	13	16	17	18	18	19
L&T Finance Holdings	5.4	6.1	6.1	7.0	8.6	8.9	8.8	8.4	8.4	8.3	18	15	5	5	7	10	11	12	12	13
LIC Housing Finance	2.4	2.4	2.4	2.4	2.4	3.1	2.8	2.7	2.7	2.7	17	14	14	10	11	16	16	14	14	13
Mahindra & Mahindra Financial	8.1	7.8	8.3	8.6	8.3	7.2	6.7	6.8	6.8	6.7	15	8	3	7	12	10	12	13	13	14
Muthoot Finance	14.3	15.2	14.1	12.9	11.0	11.2	11.3	10.7	10.5	10.4	22	28	28	24	18	18	20	21	21	20
Shriram Finance	7.8	7.5	7.1	7.3	10.4	9.3	9.0	9.3	9.4	9.3	17	15	13	11	17	16	16	16	16	17

Source: Companies, Kotak Institutional Equities estimates

Share of EBLR in floating rate loan book is higher for private banks in comparison to public banks

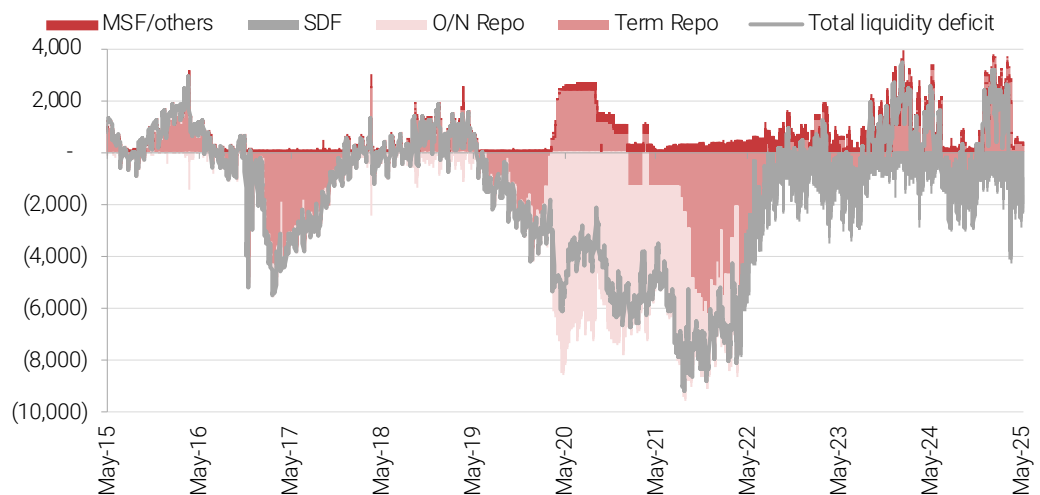
Exhibit 73: Share of outstanding floating rate Rupee loans of SCBs across interest rate benchmarks (%)



Source: RBI, Kotak Institutional Equities

Banking system liquidity easing to surplus

Exhibit 74: Liquidity injection through various channels, March fiscal year-ends, 2016-26 (Rs bn)



Source: CEIC, RBI, Kotak Institutional Equities

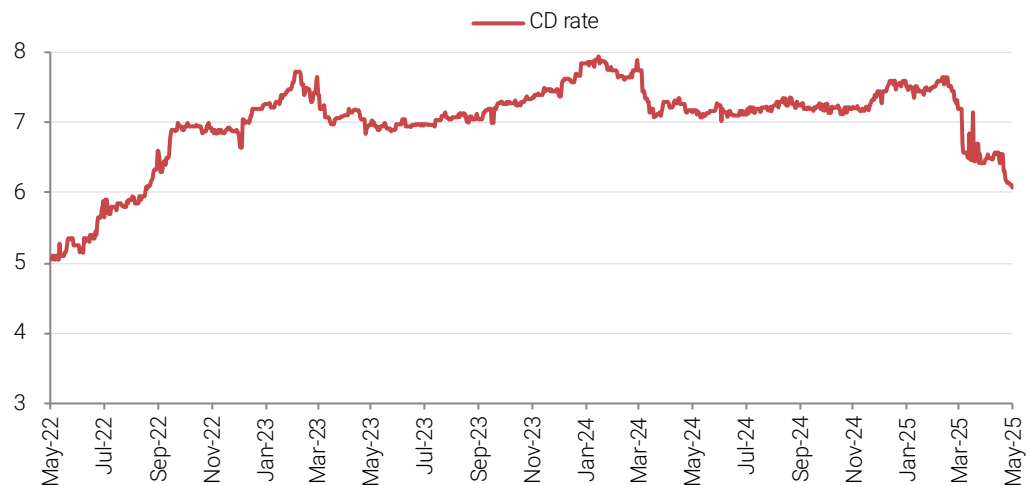
Bank deposit rates have declined modestly in the past two months after being largely stable for the previous two years (see Exhibit 75 for term deposit rates of SBI). We expect deposit rates to gradually decline over the next 2-3 quarters, linked to the timing of the RBI reducing policy rates. We note that CD rates have declined sharply in the past few weeks after being broadly stable in FY2025 (see Exhibit 76 for one-year CD rate).

SBI has recently cut deposit rates across all maturities

Exhibit 75: Deposit rates movement for SBI (%)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Apr-25	May-25
7-14 days	3.50	2.90	2.90	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.30
15-30 days	3.50	2.90	2.90	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.30
31-45 days	3.50	2.90	2.90	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.30
46-90 days	4.50	3.90	3.90	4.50	4.75	5.50	5.50	5.50	5.50	5.50	5.30
91-120days	4.50	3.90	3.90	4.50	4.75	5.50	5.50	5.50	5.50	5.50	5.30
120-180 days	4.50	3.90	3.90	4.50	4.75	5.50	5.50	5.50	5.50	5.50	5.30
181-210 days	5.00	4.40	4.40	5.25	5.75	6.25	6.25	6.25	6.25	6.25	6.05
211 days-1 year	5.00	4.40	4.40	5.75	6.00	6.50	6.50	6.25	6.50	6.50	6.30
1 year-2 year	5.70	5.00	5.10	6.80	7.10	7.10	7.25	7.25	7.25	6.70	6.50
2 year-3 year	5.70	5.10	5.20	7.00	7.00	7.00	7.00	7.00	7.00	6.90	6.70
3 years-5 years	5.70	5.30	5.30	6.50	6.75	6.75	6.75	6.75	6.75	6.75	6.55
5 years-8 years	5.70	5.40	5.40	6.50	6.50	6.50	6.50	6.75	6.75	6.75	6.30

Source: Company, Kotak Institutional Equities

CDs rates have declined over the past few months**Exhibit 76: 1-year Certificate of Deposit rates in India (%)**

Source: Bloomberg, Kotak Institutional Equities

NBFCs' borrowing costs have been broadly stable in the past 1-2 quarters (see Exhibit 77) but they should see lower borrowing costs over the next few quarters, as banks reduce lending rates in line with the reduction in policy rates. We note that NBFCs derive a significant portion of their borrowings from banks. Also, corporate bond yields (see Exhibit 78 for bond yields) have declined in the past few weeks, in line with the decline in government bond yields, which in turn, reflects India's improved fiscal situation.

Marginal decline in cost of borrowing of NBFCs in 4QFY25**Exhibit 77: Cost of borrowing of NBFCs, March fiscal year-ends, 2023-25 (%)**

	Cost of borrowing (%)									
	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Affordable housing										
Aavas Financiers	6.8	6.9	7.3	7.5	7.7	7.4	7.5	8.0	8.0	7.8
Aptus	8.3	8.3	8.5	9.1	8.8	8.8	8.9	8.7	9.0	9.0
Home First	7.2	7.8	8.2	8.1	8.1	8.2	8.2	8.4	8.5	8.2
Other NBFCs and HFCs										
Bajaj Finance	7.0	6.9	7.3	7.4	7.5	7.5	7.6	7.8	7.8	7.5
Cholamandalam	7.3	7.4	7.8	7.8	8.0	8.0	7.9	7.9	8.1	7.9
Five Star	8.9	8.3	9.0	9.3	9.7	9.1	9.7	9.6	9.6	9.2
L&T Finance Holdings	7.0	6.8	6.9	7.0	7.1	7.0	6.9	7.1	7.3	7.2
LIC Housing Finance	7.2	7.2	7.4	7.6	7.6	7.5	7.5	7.6	7.6	7.4
Mahindra Finance	7.2	7.3	7.5	7.6	7.8	7.7	7.8	7.8	7.9	7.7
SBFC				9.4	9.3	9.2	9.4	9.5	9.2	9.4
Shriram Finance	8.0	8.3	8.7	8.9	8.7	8.8	8.7	8.7	8.8	9.1

Source: Companies, Kotak Institutional Equities

Corporate bond yields have declined in the past few weeks

Exhibit 78: Corporate bond yields, March fiscal year-ends, 2016-26 (%)



Source: Bloomberg, Kotak Institutional Equities

- **Construction materials.** We expect net profits of the construction materials (cement) companies in the Nifty-50 Index to grow a robust 53% in FY2026 based on our assumption of (1) a sharp recovery in profitability in FY2026 from very low levels in FY2025 (see Exhibit 79) and (2) strong volume growth led by continued robust residential real estate demand (construction of under-construction projects will support demand even if new sales were to slow down), which may offset a slowdown in infrastructure demand. FY2025 cement profitability was affected by the industry's inability to raise prices adequately to offset the increase in power and fuel costs in 9MFY25. 4QFY25 saw a sharp improvement in profitability versus 9MFY25 levels.

We model a sharp increase in profitability over FY2026 from FY2025 levels

Exhibit 79: Profitability (EBITDA/ton) of cement companies, March fiscal year-ends, 2021-28E (Rs/ton)

	Profitability (Rs/ton)								Growth (% yoy)							
	2021	2022	2023	2024	2025	2026E	2027E	2028E	2021	2022	2023	2024	2025	2026E	2027E	2028E
ACC	972	1,038	499	830	575	753	791	830	17	7	(52)	66	(31)	31	5	5
Ambuja Cements	1,066	1,121	741	1,081	789	955	1,111	1,213	23	5	(34)	46	(27)	21	16	9
J K Cement	1,396	1,089	835	1,083	991	1,103	1,131	1,233	12	(22)	(23)	30	(9)	11	3	9
Shree Cement	1,473	1,315	925	1,233	1,078	1,226	1,295	1,342	(0)	(11)	(30)	33	(13)	14	6	4
Ultratech Cement	1,370	1,272	1,011	1,101	962	1,203	1,248	1,321	19	(7)	(20)	9	(13)	25	4	6

Source: Companies, Kotak Institutional Equities estimates

However, we see large downside risks to consensus and our FY2026-27E earnings estimates from weaker-than-expected prices and profitability given (1) continued large supply-demand mismatch and (2) aggressive expansion and market share ambitions of several players. We expect supply-demand balance to stay unfavorable through FY2027 (see Exhibit 80).

Capacity utilization in the cement industry to stay around 70% over FY2026E-27E

Exhibit 80: Cement demand supply balance, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
All-India										
Closing installed capacity (mtpa)	483	499	525	545	573	624	658	705	747	782
Incremental installed capacity (mtpa)	16	15	26	20	28	52	34	47	42	35
Effective capacity (mtpa)	483	499	525	545	573	624	658	705	747	782
Incremental effective capacity (mtpa)	16	15	26	20	28	52	34	47	42	35
Capacity growth (%)	3.4	3.2	5.3	3.7	5.2	9.0	5.4	7.1	5.9	4.7
Cement consumption (mn tons)	333	330	326	355	386	421	447	483	522	564
Incremental consumption (mn tons)	39	(3)	(3)	28	31	35	26	36	39	42
Consumption growth (%)	13.4	(0.8)	(1.0)	8.6	8.7	9.1	6.3	8.1	8.1	8.1
Cement production (mn tons)	337	334	331	359	390	425	451	488	527	569
Incremental production (mn tons)	39	(3)	(3)	28	31	35	26	36	39	42
Growth (%)	13.3	(0.8)	(1)	8.5	8.6	9.0	6.2	8.0	8.0	8.0
Capacity utilization (%)	70	67	63	66	68	68	69	69	71	73

Source: CMA, Kotak Institutional Equities estimates

Exhibit 81 shows the FY2026-27E EPS of the cement companies under our coverage at various levels of profitability (Rs100/ton higher and lower versus our base-case profitability estimates). As can be seen, cement companies' earnings have very high sensitivity to profitability assumptions. The historical track record of the Street on earnings and large downgrades practically every year does not inspire a lot of confidence (see Exhibit 82 about changes to consensus estimates over time for the past 10 years for the major cement stocks) about consensus estimates being achieved. We would note that consensus estimates are well above our estimates and we are hardly conservative in our assumptions on profitability.

Earnings of cement companies are highly sensitive to cement profitability assumptions

Exhibit 81: EPS sensitivity of cement companies for change in EBITDA/ton, March fiscal year-ends, 2026-28E

	(EBITDA: -Rs100/ton)			Base Case			(EBITDA: +Rs100/ton)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
ACC									
Volumes (mn tons)	43.5	44.8	46.1	43.5	44.8	46.1	43.5	44.8	46.1
EBITDA/ton (Rs)	653	691	730	753	791	830	853	891	930
EBITDA (Rs bn)	28.4	30.9	33.7	32.7	35.4	38.3	37.1	39.9	42.9
PAT (Rs bn)	15.2	17.2	20.0	18.5	20.6	23.5	21.7	23.9	26.9
EPS (Rs)	81	92	106	98	109	125	115	127	143
Ambuja (Standalone)									
Volumes (mn tons)	78.9	86.1	91.8	78.9	86.1	91.8	78.9	86.1	91.8
EBITDA/ton (Rs)	855	1,011	1,113	955	1,111	1,213	1,055	1,211	1,313
EBITDA (Rs bn)	67	87	102	75	96	111	83	104	121
PAT (Rs bn)	26	37	46	32	43	53	38	50	59
EPS (Rs)	10.5	13.7	15.9	12.8	16.1	18.3	15.2	18.6	20.7
Shree Cement									
Volumes (mn tons)	38.8	42.7	47.0	38.8	42.7	47.0	38.8	42.7	47.0
EBITDA/ton (Rs)	1,126	1,195	1,242	1,226	1,295	1,342	1,326	1,395	1,442
EBITDA (Rs bn)	43.7	51.0	58.3	47.6	55.3	63.0	51.4	59.5	67.7
PAT (Rs bn)	12.3	13.0	16.9	15.2	16.2	20.4	18.1	19.3	23.9
EPS (Rs)	340	359	469	420	448	566	501	536	663
Ultratech (India Operations)									
Volumes (mn tons)	143	157	173	143	157	173	143	157	173
EBITDA/ton (Rs)	1,103	1,148	1,221	1,203	1,248	1,321	1,303	1,348	1,421
EBITDA (Rs bn)	158	181	211	172	196	228	186	212	245
PAT (Rs bn)	82	96	121	92	107	133	102	118	144
EPS (Rs)	279	325	409	313	362	450	346	399	490

Source: Companies, Kotak Institutional Equities estimates

Earnings downgrades have been the norm for cement companies over FY2016-25

Exhibit 82: Actual versus 1-year prior consensus EBITDA estimates for cement companies, March fiscal year-ends, 2016-25 (Rs)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
ACC	(38)	(34)	(8)	(17)	(8)	(6)	(4)	(46)	(13)	(41)
Ambuja Cements	(48)	23	56	21	(9)	(0)	(4)	(9)	11	(5)
Dalmia Bharat	(16)	(7)	(18)	(33)	(22)	6	(25)	(32)	(31)	(42)
J K Cement	(43)	(9)	(18)	(27)	15	3	(21)	(37)	(5)	(27)
Nuvoco Vistas Corp.	NA	NA	NA	NA	NA	NA	NA	(47)	(22)	(34)
Orient Cement	(107)	(118)	(61)	(46)	(5)	20	18	(54)	(26)	(34)
Shree Cement	(54)	(15)	(33)	(37)	(10)	(14)	(28)	(44)	(15)	(35)
The Ramco Cements	(3)	(8)	(24)	(30)	(22)	(6)	(32)	(41)	(16)	(45)
UltraTech Cement	(26)	(16)	(2)	(9)	10	11	(4)	(25)	(6)	(19)

Source: Bloomberg, FactSet, Kotak Institutional Equities

We note that cement stocks trade at high multiples (see Exhibit 83) despite large risks to the Street's earnings estimates. In our view, the multiples are completely incompatible with the business model of the cement companies (a business with fixed asset turnover ratio of around 1X and moderate RoCE should deserve a much lower multiple on any sensible valuation framework).

Cement stocks trade at high multiples despite our assumption of high profitability in FY2026E-27E

Exhibit 83: Valuation summary of cement stocks under KIE coverage, March fiscal year-ends, 2025-27E

Company	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)		
	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
ACC	54	98	109	(52)	83	11	35	19	17	13.1	9.4	8.2	1.9	1.8	1.6
Ambuja Cements	7	13	18	(51)	83	34	77	42	32	24.5	18.3	14.3	2.5	2.4	2.3
Dalmia Bharat	42	60	72	(4)	41	20	48	34	28	16.0	13.0	11.6	2.2	2.1	1.9
J K Cement	103	135	156	(0)	31	16	53	41	35	22.8	17.9	15.8	6.9	6.0	5.2
Nuvoco Vistas Corp.	1	5	8	(85)	658	66	585	77	47	12.0	11.4	9.4	1.4	1.4	1.4
Shree Cement	332	420	448	(52)	27	7	90	71	66	26.4	21.3	18.2	5.1	4.8	4.6
The Ramco Cements	3	19	26	(80)	499	40	313	52	37	22.2	16.8	14.3	3.1	2.8	2.7
Ultratech Cement	209	314	367	(15)	51	17	54	36	31	27.7	19.3	16.9	4.7	4.3	3.9

Source: Companies, Kotak Institutional Equities estimates

- **Consumer products.** We expect an improved performance for consumer discretionary and staple categories in FY2026 after a very weak FY2025 led by (1) a moderate recovery in volumes from the low levels of FY2025 for staples, (2) continued strong volume growth for discretionary items (consumer durables) due to income tax benefits announced in the FY2026 union budget and (3) a likely increase in gross and EBITDA margins on the back of likely lower raw material (agriculture, crude oil) prices.

However, we would note that our FY2026E estimates could be at risk from weaker-than-expected profitability, especially if one or more players were to take a more aggressive stance in order to increase their market share/(s). HUVR has already stated its intention to prioritize volumes over profitability in the first 2-3 quarters of FY2026, which may (1) stall the plan of other companies to increase profitability and (2) stymie market expectations of a strong recovery in profitability.

Net profits of the consumer staples companies in the Nifty-50 Index companies declined 5.2% in FY2025, which is quite unusual. ITC, HUVR and NEST struggled with low volume growth given subdued demand conditions while all the companies saw a modest-to-moderate decline in gross and EBITDA margins given their inability to pass on the increase in RM prices (especially of coffee and tea) in a weak demand environment.

- **Volumes and revenues.** Exhibit 84 gives historical revenues and our revenue and revenue growth assumption for various consumer product companies under our coverage for FY2019-28E. For the consumer staples companies, we expect a moderate growth in revenues and a modest recovery in volumes in FY2026 due to (1) modest growth in incomes of low-income households in both rural and urban India and (2) stable product prices, given a likely moderation in agriculture input (cocoa, coffee, palm oil and other vegetable oils) prices after sharp increases in the past 6-12 months. RM prices have cooled off in a few cases (palm oil, wheat) in the past 2-3 months and we could see moderation in RM prices in a few more cases (tea).

We expect a recovery in revenue growth for most consumer companies in FY2026

Exhibit 84: Revenue and revenue growth of consumer product companies under coverage, March fiscal year-ends, 2019-28E (%)

	Revenues (Rs bn)										Growth yoy (%)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Asian Paints	193	202	217	291	345	355	339	354	383	417	14	4	7	34	19	3	(4)	4	8	9
Berger Paints	61	64	68	88	106	112	115	124	133	144	17	5	7	29	21	6	3	7	8	8
Britannia Industries	111	116	131	141	163	168	179	195	214	234	12	5	13	8	15	3	7	9	10	9
Colgate-Palmolive (India)	45	45	48	51	52	57	60	63	68	73	7	1	7	5	2	9	6	4	8	7
Dabur India	85	87	96	109	115	124	126	135	147	161	10	2	10	14	6	8	1	8	9	9
Godrej Consumer Products	103	99	110	123	133	141	144	156	170	185	5	(4)	11	11	8	6	2	9	9	9
Hindustan Unilever	382	388	460	512	591	605	615	659	715	772	11	1	19	11	16	2	2	7	9	8
ITC	450	456	455	563	660	654	693	743	800	860	11	1	(0)	24	17	(1)	6	7	8	7
Jubilant Foodworks	36	39	33	43	51	53	61	70	81	90	18	10	(16)	31	18	5	14	15	14	12
Jyothy Laboratories	18	17	19	22	25	28	28	30	33	36	8	(6)	12	15	13	11	3	6	9	9
Kansai Nerolac	52	49	47	59	71	74	75	80	85	91	13	(4)	(5)	26	20	4	1	6	7	7
Marico	73	73	80	95	98	97	108	119	128	140	16	(0)	10	18	3	(1)	12	10	8	9
Nestle India	112	123	133	147	168	243	201	217	239	263	13	10	8	10	14	45	(17)	8	10	10
Page Industries	29	29	28	39	47	46	49	55	63	73	12	3	(4)	37	21	(3)	8	12	15	15
Pidilite Industries	71	73	73	99	118	124	131	145	159	176	16	3	(0)	36	19	5	6	10	10	10
Titan Company	198	211	216	288	406	511	605	678	785	904	23	6	3	33	41	26	18	12	16	15
United Breweries	65	65	42	58	75	81	89	101	112	124	15	1	(35)	38	28	8	10	13	11	11
United Spirits	90	91	79	94	104	107	116	128	141	155	10	1	(13)	19	10	3	8	11	10	10
Varun Beverages	51	71	65	88	132	160	200	233	262	292	28	40	(10)	37	49	22	25	16	13	11

Source: Companies, Kotak Institutional Equities estimates

Consumer staples companies reported fairly muted revenue growth in FY2025 due to muted volumes (flat to low-single digit in most cases). Consumer discretionary companies fared better with strong revenue and volume growth in the case of BERGER, PIDI, UBBL and VBL.

- **Margins.** Exhibit 85 shows our gross and EBITDA margin assumptions for various consumer product companies under our coverage for FY2019-28E. We expect a modest improvement in gross and EBITDA margins from depressed levels of FY2025, as companies (1) raise prices gradually to pass on a part or the full extent of the sharp increase in RM prices seen in FY2025 and (2) retain a part of the decline in raw material prices. Nonetheless, we expect FY2026-27E margins to be lower than FY2024 margins. We note that both gross and EBITDA margins had expanded sharply in FY2024, as (1) companies held prices after sharp increases in product prices over FY2022-23 to offset the steep increase in RM costs in FY2022-1HFY23 even as (2) RM prices collapsed in 2HFY23-1HFY24.

We expect some improvement in gross and EBITDA margins from low levels of FY2025

Exhibit 85: Gross and EBITDA margins of consumer companies, March fiscal year-ends, 2019-28E (%)

	Gross margin (%)										EBITDA margin (%)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Asian Paints	41.4	43.7	44.3	37.1	38.7	43.4	42.4	42.7	42.5	42.0	18.2	20.6	22.4	16.5	18.2	21.4	17.7	18.0	17.8	17.8
Avenue Supermart	15.0	15.1	14.9	14.8	15.1	14.8	14.8	14.9	14.9	14.9	8.2	8.6	7.2	8.1	8.5	8.1	7.6	7.5	7.6	7.6
Berger Paints	39.0	41.5	43.3	38.0	36.3	40.7	41.4	41.6	41.8	42.1	14.5	16.7	17.4	15.2	14.1	16.6	16.1	15.8	16.0	16.5
Britannia Industries	40.6	40.3	41.9	38.0	41.2	43.4	40.9	41.9	42.1	42.3	15.7	15.9	19.1	15.6	17.4	18.9	17.8	18.2	18.6	19.0
Colgate-Palmolive (India)	65.1	65.2	68.0	67.3	65.7	69.7	69.9	69.9	70.0	70.1	27.7	26.6	31.2	30.7	29.6	33.5	32.4	32.9	33.2	33.4
Dabur India	49.5	49.9	50.1	48.2	45.6	48.0	48.0	48.1	48.2	48.4	20.4	20.6	21.1	20.7	18.8	19.4	18.4	18.8	19.0	19.4
Godrej Consumer Products	55.8	57.0	55.3	50.5	49.7	55.2	54.5	55.2	55.9	56.0	20.5	21.6	21.7	19.5	18.3	20.9	20.9	21.6	22.5	22.6
Hindustan Unilever	53.0	54.1	52.9	50.9	47.3	51.5	50.9	50.4	51.1	51.5	22.6	24.8	24.6	24.4	23.0	23.5	23.2	22.5	23.0	23.3
ITC	61.5	62.2	56.1	53.4	56.3	58.8	54.2	54.4	54.6	54.8	38.5	39.2	34.1	33.6	36.3	37.4	34.7	34.9	35.3	35.8
Jubilant Foodworks	75.1	75.0	78.1	77.5	75.9	76.4	75.4	75.8	75.9	75.9	16.8	22.3	23.3	25.5	22.7	20.5	19.3	20.3	21.3	21.5
Jyothy Laboratories	46.5	47.4	47.1	41.6	42.3	49.1	50.1	49.5	49.4	49.5	15.5	14.7	16.5	11.3	12.7	17.4	17.5	16.2	16.1	16.4
Kansai Nerolac	36.2	38.1	37.9	30.0	30.0	35.5	35.3	35.8	35.8	36.0	14.3	15.8	17.8	10.5	11.2	13.8	13.0	13.5	13.6	14.1
Marico	45.2	48.8	46.9	42.9	45.2	50.8	50.3	50.3	51.5	51.8	17.5	20.1	19.8	17.7	18.5	21.0	19.7	19.9	20.7	21.1
Nestle India	59.1	57.5	57.3	56.7	53.8	55.9	56.4	56.7	57.1	57.3	23.7	22.9	23.7	23.6	21.7	23.6	23.2	23.6	24.2	24.6
Page Industries	58.0	55.5	55.4	56.0	55.8	54.4	56.8	57.0	57.0	57.0	21.7	18.1	18.6	20.2	18.3	18.8	21.5	21.9	22.0	22.0
Pidlite Industries	49.3	53.4	53.7	45.1	42.7	51.6	54.4	54.6	54.4	54.3	19.3	21.6	23.0	18.6	16.8	21.9	22.9	23.4	23.5	23.6
Tata Consumer Products	44.7	43.9	40.5	43.0	41.9	43.7	42.8	43.6	44.5	44.8	10.8	13.4	13.3	13.8	13.5	15.0	14.1	15.2	16.4	17.0
Titan Company	27.2	28.0	24.2	24.9	25.2	22.8	22.4	23.3	23.2	23.1	10.8	11.7	8.0	11.6	12.0	10.4	10.3	10.7	10.7	10.7
United Breweries	53.6	51.6	52.2	49.9	43.1	42.7	43.1	45.5	46.5	46.8	17.6	13.5	9.0	11.9	8.2	8.6	9.4	12.0	13.4	14.2
United Spirits	48.8	44.8	43.4	43.9	41.5	43.4	44.7	44.9	45.8	45.8	14.3	16.6	12.5	16.0	13.7	16.0	17.8	18.0	19.0	19.3
Varun Beverages	56.0	54.8	57.1	54.3	52.5	53.8	55.5	55.0	54.3	54.2	19.7	20.3	18.6	18.8	21.2	22.5	23.5	23.3	22.8	22.8

Source: Companies, Kotak Institutional Equities estimates

We build a modest improvement in the gross and EBITDA margins of the commodity chemicals (paints) companies in FY2026-27E from low levels of FY2025. However, this is entirely contingent on more benign competition and raw material prices. We would note that (1) the industry structure could weaken further if JSW Paints (as per press reports) were to acquire Akzo (fourth-largest player in the decorative paints category) and/or (2) competition could become more aggressive if APNT were to attempt to regain its market share to new entrants such as Grasim and extant players such as Berger who increased market share at the expense of APNT in FY2025.

- **IT services.** Exhibits 86-87 give the key volume and profitability assumptions for the major IT stocks under our coverage. We note the divergence in growth across companies—(1) the broad-based companies will likely see flat yoy revenues or weak yoy revenue growth in FY2026 followed by a moderate recovery in revenues in FY2027 and the (2) narrow-focused ERD companies will see strong growth in both FY2026 and FY2027 although the deep (and growing) challenges of the global automobile sector pose downside risks to our benign assumptions of growth in revenues and profitability.

We expect a modest growth in revenues and a modest improvement in EBIT margins for Tier-1 IT companies over FY2026E-27E

Exhibit 86: Key assumptions for Tier-I Indian IT companies, March fiscal year-ends, 2021-28E

	2021	2022	2023	2024	2025	2026E	2027E	2028E		2021	2022	2023	2024	2025	2026E	2027E	2028E
HCL Tech									Infosys								
Revenues (US\$ mn)	10,175	11,481	12,586	13,270	13,840	14,202	15,066	16,105	Revenues (US\$ mn)	13,562	16,310	18,212	18,562	19,277	19,304	20,568	22,192
US\$ revenue growth yoy (%)	2.4	12.8	9.6	5.4	4.3	2.6	6.1	6.9	US\$ revenue growth yoy (%)	6.1	20.3	11.7	1.9	3.9	0.1	6.5	7.9
Volume growth yoy (%)	5.9	21.3	18.1	3.0	5.0	3.8	7.5	7.0	Volume growth yoy (%)	8.9	22.1	14.7	0.1	4.1	1.1	5.3	7.7
Pricing change (%)									Pricing change (%)								
Onsite	(1.2)	0.7	0.5	0.7	(0.8)	(0.2)	(0.5)	(0.1)	Onsite	0.6	1.3	(3.2)	2.1	(0.3)	(1.3)	0.5	0.5
Offshore	3.1	(7.5)	(10.6)	4.2	0.2	(0.6)	(1.5)	(0.1)	Offshore	(0.0)	1.1	(3.6)	1.4	1.4	0.7	0.5	0.5
Blended	(3.3)	(7.0)	(7.2)	2.4	(0.6)	(1.2)	(1.3)	(0.1)	Blended	(2.6)	(1.5)	(2.6)	1.8	(0.3)	(0.9)	1.0	0.1
Directs costs (as % of revenues)	64.0	61.4	64.2	65.8	66.1	67.1	67.0	67.0	Directs costs (as % of revenues)	61.9	64.6	66.9	66.9	66.6	66.0	65.9	66.0
SG&A expenses (as % of revenues)	13.3	12.3	12.3	12.7	11.8	11.8	11.8	11.8	SG&A expenses (as % of revenues)	10.4	9.6	9.2	9.4	9.3	9.8	9.9	9.8
EBIT margin (%)	21.5	18.9	18.2	18.2	18.3	18.2	18.3	18.3	EBIT margin (%)	24.5	23.0	21.1	20.7	21.1	21.2	21.4	21.7
Net income (Rs mn)	129,636	134,792	148,316	157,070	172,773	179,899	195,024	213,020	Net income (Rs mn)	193,510	221,110	240,950	242,640	262,930	274,378	300,478	331,977
Re/US\$ rate (average)	74.1	74.6	80.6	82.8	84.6	86.6	88.5	90.0	Re/US\$ rate (average)	74.1	74.6	80.6	82.8	84.6	86.6	88.5	90.0
LTIMindtree									TCS								
Revenues (US\$ mn)	2,747	3,502	4,106	4,287	4,493	4,643	5,030	5,568	Revenues (US\$ mn)	22,174	25,707	27,927	29,080	30,179	30,175	31,960	34,059
US\$ revenue growth yoy (%)	5.1	27.5	17.2	4.4	4.8	3.4	8.3	10.7	US\$ revenue growth yoy (%)	0.6	15.9	8.6	4.1	3.8	(0.0)	5.9	6.6
Volume growth yoy (%)	10.2	23.1	20.4	3.1	2.7	3.6	8.1	9.8	Volume growth yoy (%)	2.6	18.2	13.2	1.9	0.8	3.0	6.5	5.5
Pricing change (%)									Pricing change (%)								
Onsite	2.0	5.7	0.4	2.1	1.4	(0.1)	1.0	0.5	Onsite	1.1	2.3	(0.9)	2.0	(0.1)	(0.0)	0.3	1.0
Offshore	0.2	6.4	(0.1)	1.6	1.1	0.1	1.6	0.5	Offshore	1.2	0.0	(3.7)	1.7	0.2	(0.2)	0.3	1.0
Blended	(4.6)	3.5	(2.6)	1.3	2.0	(0.2)	0.3	0.8	Blended	(1.3)	(1.3)	(3.5)	1.4	(0.0)	(0.1)	0.1	1.0
Directs costs (as % of revenues)	71.7	70.6	71.5	71.2	71.2	71.4	71.0	71.1	Directs costs (as % of revenues)	59.2	59.8	60.4	59.6	61.1	60.2	60.2	60.2
SG&A expenses (as % of revenues)	6.7	9.6	10.1	10.8	11.2	11.6	11.6	11.5	SG&A expenses (as % of revenues)	15.0	15.0	15.5	15.8	14.6	15.0	14.8	14.7
EBIT margin (%)	18.8	19.5	16.5	15.7	14.8	14.8	15.4	15.4	EBIT margin (%)	25.9	25.3	24.1	24.6	24.3	24.7	25.0	25.1
Net income (Rs mn)	30,465	39,498	44,078	45,821	46,020	50,372	57,850	64,891	Net income (Rs mn)	333,880	383,270	421,470	466,132	485,530	510,462	554,428	600,859
Re/US\$ rate (average)	74.0	74.8	80.8	82.8	84.6	86.6	88.5	90.0	Re/US\$ rate (average)	74.0	74.6	80.7	82.8	84.6	86.6	88.5	90.0
Tech Mahindra									Wipro								
Revenues (US\$ mn)	5,111	5,999	6,607	6,277	6,264	6,316	6,755	7,255	Revenues (US\$ mn)	8,137	10,356	11,160	10,805	10,512	10,130	10,396	10,681
US\$ revenue growth yoy (%)	(1.4)	17.4	10.1	(5.0)	(0.2)	0.8	6.9	7.4	US\$ revenue growth yoy (%)	(1.4)	27.3	7.8	(3.2)	(2.7)	(3.6)	2.6	2.7
Volume growth yoy (%)	(0.7)	13.6	12.7	(5.6)	1.0	3.3	6.8	6.0	Volume growth yoy (%)	5.1	31.1	14.1	(0.8)	1.6	(2.3)	2.7	0.7
Pricing change (%)									Pricing change (%)								
Onsite	0.2	5.2	(1.7)	3.0	4.4	2.8	1.8	1.5	Onsite	(1.7)	8.7	(8.5)	(1.9)	(2.0)	(0.4)	0.0	1.3
Offshore	3.9	7.9	(0.2)	4.7	5.1	(0.2)	1.5	0.9	Offshore	(1.1)	0.5	(0.5)	(2.1)	(3.8)	(0.4)	(0.0)	1.3
Blended	(0.6)	3.3	(2.3)	0.6	(1.2)	(2.4)	0.1	1.3	Blended	(3.4)	(1.9)	(4.7)	(2.2)	(4.5)	(2.1)	(0.4)	1.3
Directs costs (as % of revenues)	68.3	69.4	71.5	75.2	71.9	69.2	66.8	66.5	Directs costs (as % of revenues)	64.3	66.8	68.1	67.1	66.9	67.0	66.9	67.4
SG&A expenses (as % of revenues)	13.6	12.7	13.4	15.2	14.9	14.9	15.0	14.9	SG&A expenses (as % of revenues)	10.9	11.7	12.5	13.2	12.7	12.7	12.9	12.5
EBIT margin (%)	14.2	14.6	11.4	6.1	9.7	12.6	15.1	15.5	IT services EBIT margin (%)	20.3	17.5	15.7	15.9	17.1	17.4	17.4	17.3
Net income (Rs mn)	44,789	55,661	50,683	28,160	42,788	53,489	69,690	78,495	Net income (Rs mn)	107,947	122,192	113,500	110,450	130,225	132,374	139,384	146,382
Re/US\$ rate (average)	74.1	74.4	80.7	82.8	84.6	86.6	88.5	90.0	Re/US\$ rate (average)	74.5	75.5	80.4	82.7	84.5	86.6	88.5	90.0

Source: Companies, Kotak Institutional Equities estimates

We expect strong growth in revenues and modest improvement in EBIT margins for Tier-2 IT companies over FY2026E-27E

Exhibit 87: Key assumptions for Tier-2 Indian IT companies, March fiscal year-ends, 2021-28E

	2021	2022	2023	2024	2025	2026E	2027E	2028E		2021	2022	2023	2024	2025	2026E	2027E	2028E
Mphasis									Persistent								
Revenues (US\$ mn)	1,309	1,590	1,717	1,610	1,681	1,781	1,928	2,096	Revenues (US\$ mn)	566	766	1,036	1,186	1,409	1,633	1,873	2,169
US\$ revenue growth yoy (%)	5.6	21.5	8.0	(6.3)	4.4	6.0	8.2	8.7	US\$ revenue growth yoy (%)	12.8	35.2	35.3	14.5	18.8	15.9	14.7	15.8
Volume growth yoy (%)	6.3	17.6	7.7	(6.3)	(2.3)	3.9	9.4	8.4	Volume growth yoy (%)	24.3	45.0	37.0	16.6	15.4	18.1	14.7	16.2
Pricing change (%)									Pricing change (%)								
Onsite	(0.2)	5.0	6.0	2.2	7.7	0.8	-	0.3	Onsite	(0.7)	(2.4)	(2.0)	(1.0)	2.5	0.9	1.0	1.0
Offshore	(0.8)	0.9	3.8	3.7	(2.2)	0.8	-	0.3	Offshore	(4.1)	1.0	3.3	(0.0)	0.2	0.1	1.0	0.5
Blended	(0.7)	3.3	0.3	0.0	6.9	2.0	(1.1)	0.2	Blended	(9.2)	(6.7)	(1.2)	(1.8)	3.0	(1.8)	(0.1)	(0.4)
Directs costs (as % of revenues)	69.7	70.8	71.1	69.9	68.6	68.8	69.1	69.4	Directs costs (as % of revenues)	66.0	66.4	66.2	66.4	66.0	66.0	65.9	66.2
SG&A expenses (as % of revenues)	11.8	11.5	11.2	11.9	12.8	12.7	12.6	12.5	SG&A expenses (as % of revenues)	17.7	16.9	15.6	16.0	16.8	16.5	16.4	16.1
EBIT margin (%)	16.1	15.3	15.3	15.1	15.3	15.3	15.5	15.5	EBIT margin (%)	12.1	13.9	14.9	14.4	14.7	15.2	15.6	15.8
Net income (Rs mn)	12,167	14,309	16,379	15,549	16,991	18,607	20,987	23,341	Net income (Rs mn)	4,507	6,904	9,211	10,935	14,001	17,292	20,004	23,882
Re/US\$ rate (average)	74.3	75.2	80.4	82.5	84.7	86.6	88.5	90.0	Re/US\$ rate (average)	74.0	74.6	80.6	82.8	84.7	86.6	88.5	90.0
	2021	2022	2023	2024	2025	2026E	2027E	2028E		2021	2022	2023	2024	2025	2026E	2027E	2028E
LTTS									Cyient (DET)								
Revenues (US\$ mn)	737	880	990	1,164	1,259	1,400	1,536	1,718	Revenues (US\$ mn)	461	504	632	714	688	678	724	779
US\$ revenue growth yoy (%)	(6.3)	19.5	12.4	17.6	8.2	11.2	9.7	11.8	US\$ revenue growth yoy (%)	(16.3)	9.2	25.6	12.9	(3.7)	(1.5)	6.9	7.5
Volume growth yoy (%)	(4.9)	17.1	12.6	9.8	4.4	9.6	8.9	11.7	Volume growth yoy (%)	(11.8)	8.4	21.7	7.7	(5.7)	(3.1)	7.8	7.5
Pricing change (%)									Pricing change (%)								
Onsite	(3.3)	6.2	(1.0)	2.3	4.4	3.2	2.4	1.3	Onsite	5.0	4.3	8.5	1.1	2.7	0.9	0.0	(0.0)
Offshore	(0.6)	3.4	(1.4)	11.8	2.0	(0.7)	(0.5)	0.1	Offshore	(7.6)	5.0	(2.4)	(0.2)	2.8	4.4	(0.0)	0.0
Blended	(1.5)	2.1	(0.1)	7.1	3.6	1.4	0.8	0.1	Blended	(5.0)	0.7	3.2	4.9	2.2	1.7	(0.9)	0.0
Directs costs (as % of revenues)	61.6	55.6	57.0	51.1	53.3	53.7	54.0	53.8	Directs costs (as % of revenues)	61.7	59.0	58.1	57.4	60.2	58.5	58.1	58.4
SG&A expenses (as % of revenues)	20.0	22.9	21.7	29.0	29.0	29.0	28.5	28.2	SG&A expenses (as % of revenues)	20.8	19.7	23.9	22.3	22.3	24.2	23.6	23.1
EBIT margin (%)	14.5	18.3	18.5	17.1	14.9	14.4	14.8	15.5	EBIT margin (%)	11.0	15.3	13.7	16.1	13.5	13.3	14.2	14.7
Net income (Rs mn)	6,632	9,570	11,698	13,036	12,666	13,833	16,096	19,043	Net income (Rs mn)	3,640	5,220	5,146	6,830	6,157	6,966	8,327	9,290
Re/US\$ rate (average)	74.0	74.6	81.0	82.9	84.8	86.6	88.5	90.0	Re/US\$ rate (average)	74.3	74.5	80.6	82.8	84.6	86.6	88.5	90.0
	2021	2022	2023	2024	2025	2026E	2027E	2028E		2021	2022	2023	2024	2025	2026E	2027E	2028E
KPIT									Tata Elxsi								
Revenues (US\$ mn)	275	328	418	587	691	743	856	980	Revenues (US\$ mn)	247	331	390	429	441	448	511	579
US\$ revenue growth yoy (%)	(9.6)	19.5	27.4	40.4	17.7	7.5	15.2	14.5	US\$ revenue growth yoy (%)	8.9	34.3	17.8	10.0	2.7	1.7	14.0	13.4
Volume growth yoy (%)	(7.4)	19.3	25.7	25.8	13.7	7.7	16.6	14.7	Volume growth yoy (%)	12.8	32.2	23.8	13.6	(3.0)	3.6	13.8	13.7
Pricing change (%)									Pricing change (%)								
Onsite	2.3	6.2	(0.9)	1.7	3.5	1.2	(0.5)	-	Onsite	(2.1)	17.5	(6.3)	(6.8)	(0.6)	(0.3)	-	-
Offshore	(2.8)	(1.3)	(0.8)	10.1	4.1	0.1	(0.5)	-	Offshore	3.5	6.8	(4.5)	(3.6)	6.6	(2.4)	-	-
Blended	(2.3)	0.1	1.4	11.6	3.6	(0.2)	(1.2)	(0.2)	Blended	(3.4)	1.6	(4.9)	(3.2)	5.9	(1.8)	0.2	(0.2)
Directs costs (as % of revenues)	65.9	66.2	64.9	65.0	64.3	63.4	63.7	64.0	Directs costs (as % of revenues)	56.1	52.1	50.8	53.8	54.9	55.7	55.5	55.6
SG&A expenses (as % of revenues)	19.1	15.8	16.2	14.7	14.7	15.8	15.2	14.7	SG&A expenses (as % of revenues)	15.3	16.9	18.6	16.7	18.5	18.4	17.7	17.5
EBIT margin (%)	8.4	13.1	14.5	16.3	17.2	17.2	17.8	18.3	EBIT margin (%)	26.2	28.8	28.0	26.7	23.8	23.1	24.1	24.3
Net income (Rs mn)	1,404	2,742	3,796	5,945	8,396	8,375	10,146	12,295	Net income (Rs mn)	3,681	5,497	7,563	7,924	7,849	7,577	9,109	10,490
Re/US\$ rate (average)	74.1	74.1	80.4	83.0	84.5	86.6	88.5	90.0	Re/US\$ rate (average)	74.0	74.6	80.6	82.8	84.6	86.6	88.5	90.0

We expect FY2026E net profits of the IT services companies in the Nifty-50 Index to grow 5.2% due to an uncertain demand and investment environment in 1HFY26, which could result in companies postponing their decisions to 2HFY26 (see Exhibit 88). We expect FY2027E net profits of the IT services companies in the Nifty-50 Index to recover to 9.4% on the back of (1) higher revenues, (2) higher EBIT margins and (3) a weaker INR.

We expect FY2026E net profits of the IT services companies in the Nifty-50 Index to grow 5%

Exhibit 88: Net profits of IT services companies in Nifty-50 Index, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net income (Rs bn)										
HCL Technologies	101	111	130	135	148	157	173	180	195	213
Infosys	157	166	194	221	241	243	263	274	300	332
TCS	315	323	334	383	421	466	486	510	554	601
Tech Mahindra	43	40	45	56	51	28	43	53	70	78
Wipro	90	97	108	122	113	110	130	132	139	146
Total	706	737	810	917	975	1,004	1,094	1,151	1,259	1,371
Yoy growth (%)										
HCL Technologies	15	10	17	4	10	6	10	4	8	9
Infosys	8	6	17	14	9	1	8	4	10	10
TCS	22	3	3	15	10	11	4	5	9	8
Tech Mahindra	13	(6)	11	24	(9)	(44)	52	25	30	13
Wipro	12	8	11	13	(7)	(3)	19	2	5	5
Total	15.7	4.5	9.8	13.2	6.3	3.0	9.0	5.2	9.4	8.9

Source: Companies, Kotak Institutional Equities estimates

We note that a weak FY2026 (assuming that's the case) could be the third consecutive year of weak revenue growth for the IT services sector. FY2025 net profits of IT services companies in the Nifty-50 Index grew 9% while revenues grew 5%. We note that a weaker INR (Rs84.6/US\$ in FY2025 versus Rs82.8/US\$ in FY2024) offset weak revenue growth in c/c terms. FY2024 net profits grew an anemic 3% yoy while revenues grew 5% yoy.

We note that our FY2026-27E net profit assumptions could be at risk in case the INR were to stay at current levels (Rs85.6/US\$) or even appreciate further versus the USD due to USD-specific issues. We assume INR-USD exchange rate at Rs86.6/US\$ for FY2026 and Rs88.5/US\$ for FY2027. However, there are other nuances that are equally relevant—(1) INR versus other currencies such as EUR, GBP; the INR has depreciated meaningfully against these currencies, (2) level of hedging by various companies and (3) geographical mix of revenues of companies.

- **Metals & mining.** We model the net profits of the metals & mining stocks to increase a sharp 92% in FY2026 led by (1) our assumption of a strong recovery in domestic steel profitability and (2) higher aluminum realization in the case of HNDL. However, our pricing and profitability assumptions may be at risk from (1) weaker-than-expected global GDP growth given weak consumption and investment in a highly uncertain global environment and (2) sharp decline in global steel and zinc prices in the past three months. Exhibit 89 gives our price and profitability assumptions and Exhibit 90 our volume assumptions for the metal stocks under our coverage.

We model higher non-ferrous metal prices in FY2026-27E

Exhibit 89: Price assumptions for metal companies, March fiscal year-ends, 2021-28E (US\$/ton)

	Price assumptions						Historical prices			
	2021	2022	2023	2024	2025	2026E	2027E	2028E	Spot	5-year avg.
Non-ferrous										
Hindalco Industries										
Aluminum (LME)	1,807	2,777	2,475	2,208	2,527	2,550	2,600	2,625	2,457	2,359
Hindustan Zinc										
Lead (LME)	1,868	2,280	2,104	2,122	2,045	2,035	1,997	1,985	1,973	2,084
Zinc (LME)	2,422	3,260	3,416	2,483	2,878	2,678	2,628	2,578	2,680	2,892
Nalco										
Aluminum (LME)	1,807	2,777	2,475	2,208	2,527	2,550	2,600	2,625	2,457	2,359
Vedanta										
Aluminum (LME)	1,807	2,777	2,475	2,208	2,527	2,550	2,600	2,625	2,457	2,359
Lead (LME)	1,868	2,280	2,104	2,122	2,045	2,035	1,997	1,985	1,973	2,084
Zinc (LME)	2,422	3,260	3,416	2,483	2,878	2,678	2,628	2,578	2,680	2,892
Ferrous										
JSW Steel										
HRC price (domestic)	545	900	711	605	527	500	525	525	609	658
NMDC										
Iron ore fines (Rs/ton)	3,231	5,277	3,462	3,852	4,262	3,615	3,548	3,559	4,591	4,017
Iron ore lumps (Rs/ton)	3,679	5,853	4,329	4,385	4,977	4,194	4,116	4,129	5,376	4,645
Tata Steel										
HRC price (domestic)	545	900	711	605	527	500	525	525	609	658
SAIL										
HRC price (domestic)	545	900	711	605	527	500	525	525	609	658

Source: Bloomberg, Company, Kotak Institutional Equities estimates

Non-ferrous volumes to be broad flat, ferrous volumes to increase sharply over FY2026E-27E

Exhibit 90: Volume assumptions of metal companies, March fiscal year-ends, 2021-28E ('000 tons)

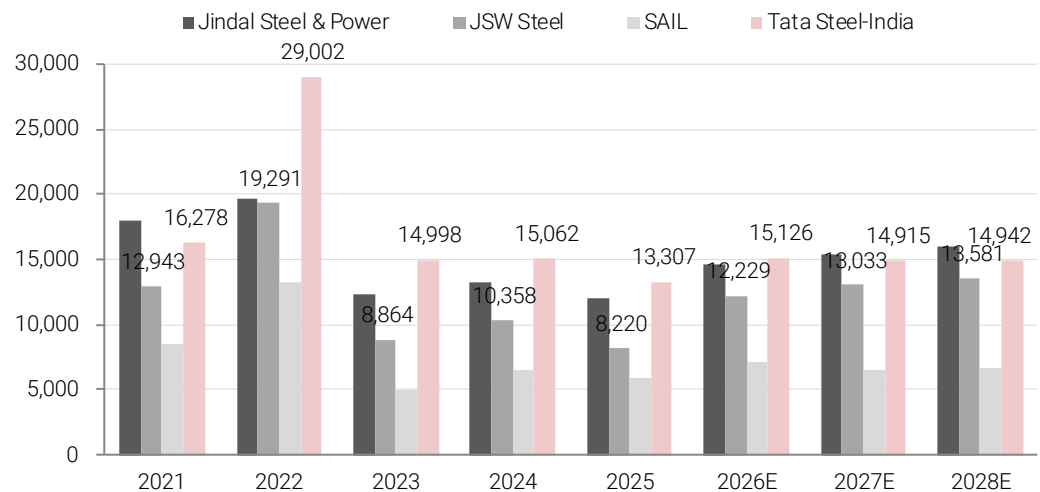
	Volume assumptions							
	2021	2022	2023	2024	2025	2026E	2027E	2028E
Non-ferrous								
Hindalco Industries								
Aluminum ('000 tons)	1,250	1,302	1,350	1,371	1,352	1,352	1,352	1,383
Copper ('000 tons)	313	405	439	506	491	500	500	500
Hindustan Zinc								
Lead ('000 tons)	216	192	211	216	225	231	239	245
Zinc ('000 tons)	724	777	821	817	827	873	903	909
Nalco								
Aluminum ('000 tons)	452	457	464	470	461	460	460	460
Vedanta								
Aluminum ('000 tons)	1,982	2,269	2,285	2,370	2,422	2,538	2,738	2,929
Copper ('000 tons)	265	265	265	265	265	265	265	265
Lead ('000 tons)	216	192	211	216	225	231	239	245
Zinc ('000 tons)	899	972	1,095	1,026	1,006	1,104	1,159	1,215
Iron ore sales ('000 dmt)	6,300	6,800	5,700	6,200	5,400	8,300	8,575	8,652
Oil-gross ('000 boe/d)	162	161	143	128	103	100	95	91
Ferrous								
Jindal Steel and Power								
Finished steel sales (mn tons)	7.3	7.6	7.7	7.7	8.0	9.5	11.7	13.5
JSW Steel								
Finished steel sales (mn tons)	14.9	16.5	19.7	21.2	22.4	24.6	27.1	29.2
NMDC								
Iron ore sales (mn dmt)	33.3	40.7	38.2	44.5	44.4	46.0	48.0	50.0
Tata Steel								
Steel deliveries (Standalone) (mn tons)	16.7	17.6	18.9	19.9	20.9	22.4	24.4	24.9
Steel deliveries (Europe) (mn tons)	8.8	9.1	8.2	8.1	8.8	8.7	8.7	8.8
SAIL								
Finished steel sales (mn tons)	14.9	16.2	16.2	17.0	17.9	18.4	18.9	19.4

Source: Company data, Kotak Institutional Equities estimates

FY2025 net profits of the metals & mining stocks in the Nifty-50 Index grew a modest 5.7%, despite the weak base of FY2024 (11.9% decline in net profits) led by (1) higher profitability for HNDL in the upstream business on the back of higher global aluminum prices and (2) higher volumes of the steel companies, which was offset by (3) lower profitability for the steel companies. Exhibit 91 gives our EBITDA/ton assumptions for the steel stocks under our coverage. FY2024 net profits declined 11.9% due to (1) weak performance of TATA's Europe operations despite stable profitability of the India business, which offset (2) a moderate increase in volumes of the steel companies and higher profits of HNDL.

We model higher profitability over FY2026E-27E for steel companies

Exhibit 91: EBITDA/ton of steel companies under coverage, March fiscal year-ends, 2021-28E (Rs/ton)



Source: Companies, Kotak Institutional Equities estimates

The metals & mining sector will account for a large 22% of the incremental profits of the Nifty-50 Index in FY2026 after a (1) modest 3% in FY2025 and (2) a small drag of 2% in FY2024 to the incremental net profits of the Nifty-50 Index. The Nifty-50 Index has two steel stocks and one aluminum stock, which increases the volatility of the overall net profits of the Nifty-50 Index.

- **Oil, gas and consumable fuels.** We expect net profits of the oil, gas and consumable fuels in the Nifty-50 Index to grow 21% in FY2026 led by higher profits of (1) COAL due to modest increase in volumes and higher raw coal prices, (2) RIL on higher chemical and refining margins versus low levels of FY2025 and higher profits in the retailing (strong growth in revenues and marginal improvement in margins) and telecom segments (higher wireless ARPUs) and (3) ONGC on higher natural gas prices and weaker INR, which would offset lower crude oil prices.

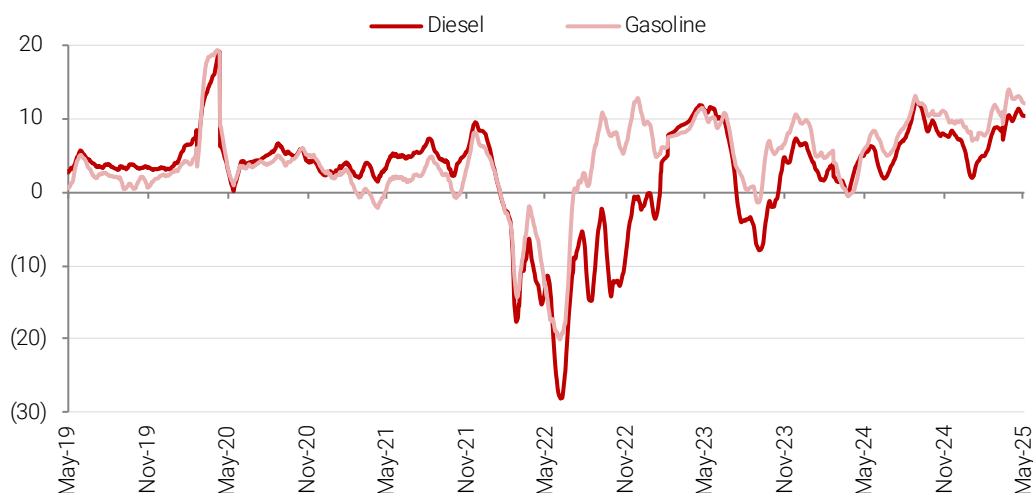
FY2025 net profits declined 10.4% reflecting (1) a decline in the profits of COAL; COAL's FY2024 net profits were boosted by change in accounting for OBR provision and (2) weak performance of ONGC due to a sharp increase in DD&A charges and 50% decline in net profits of 55%-owned subsidiary, HPCL.

We note that the Nifty-50 Index does not have any PSU downstream oil company with the exit of BPCL from the index. However, HPCL's revenues and profits will reflect in the Nifty-50 Index through ONGC. ONGC owns 54.9% of HPCL. Thus, we include the downstream oil companies in our discussion below. The profits of the downstream oil companies can be very volatile given inherent volatility in refining margins and induced volatility in marketing margins given control on retail prices of automobile fuels. Thus, the inherent high volatility in HPCL's profits can have a bearing on overall Nifty-50 Index profits.

- **Downstream oil companies.** We model high marketing margins on automobile fuels at Rs5/liter in FY2026 versus Rs6.7-7/liter in FY2025 and normal marketing margins of Rs3-4/liter for the OMCs based on our benign assumptions of (1) unchanged automobile fuel prices through FY2026 and (2) benign crude oil prices (US\$70/bbl on Dated Brent basis). We see large upside risks to our earnings estimates in case the current high marketing margins (see Exhibit 92) were to sustain through FY2026. However, we have low confidence in our assumptions and estimates and note large downside risks to our and consensus earnings estimates in case the government were to rationalize (reduce) fuel prices. We assume 'normal' marketing margins of Rs3.5/liter in FY2027. Exhibit 93) shows the refining and marketing margins of the OMCs over FY2017-28E and Exhibit 94 shows the large sensitivity of the profits of the downstream oil companies to marketing margins of automobile fuels.

Marketing margins have been quite high in recent weeks

Exhibit 92: Marketing margins on diesel and gasoline, calendar year-ends, 2019-25 (Rs/liter)



Source: PPAC, Kotak Institutional Equities estimates

We assume normal marketing margins in FY2026 versus very high levels in FY2024-25 for the PSU OMCs

Exhibit 93: Refining and marketing margins of downstream oil companies, March fiscal year-ends, 2018-28E

	Refining margins (US\$/bbl)											Marketing margins (Rs/liter)										
	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
BPCL	6.9	4.6	2.5	4.1	9.1	20.3	14.1	6.8	7.0	7.0	7.0	1.8	2.8	2.7	5.0	3.0	(4.2)	5.5	6.7	5.0	3.5	3.5
HPCL	7.4	5.0	1.0	3.9	7.0	12.1	9.1	5.7	7.0	7.0	7.0	1.7	2.7	2.6	5.0	2.9	3.0	5.2	6.7	5.0	3.5	3.5
IOCL	8.5	5.4	0.1	5.6	11.3	25.5	12.1	4.8	7.0	7.0	7.0	1.7	2.7	2.7	5.0	3.1	(4.7)	5.5	7.0	5.0	3.5	3.5

Source: Companies, Kotak Institutional Equities estimates

Downstream companies' earnings have high sensitivity to automobile marketing margin assumptions

Exhibit 94: Sensitivity of EPS of downstream oil companies to automobile marketing margins, March fiscal year-ends, 2026E-28E (Rs)

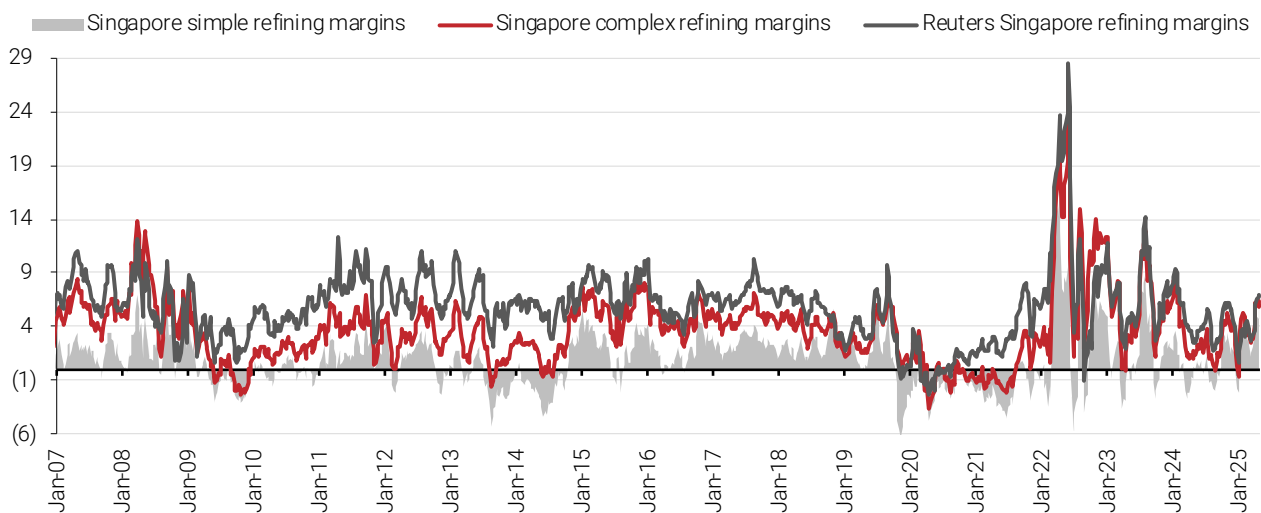
	2026E			2027E			2028E		
	BPCL	HPCL	IOCL	BPCL	HPCL	IOCL	BPCL	HPCL	IOCL
Sensitivity to marketing margin									
Marketing margin on auto fuels (Rs/liter)	5.0	5.0	5.0	3.5	3.5	3.5	3.5	3.5	3.5
Current EPS estimates	24	29	13	22	32	13	22	31	13
Marketing margin lower by Rs0.5/liter	20	22	11	18	24	11	18	23	11
Change (%)	(16)	(24)	(14)	(18)	(23)	(15)	(20)	(25)	(16)
Marketing margin higher by Rs0.5/liter	28	36	14	26	39	14	26	38	14
Change (%)	16	24	14	18	23	15	20	25	16

Source: Kotak Institutional Equities estimates

We expect a moderate recovery in refining margins in FY2026-27 compared to low FY2025 levels, which should benefit RIL (and ONGC through HPCL). Global refining margins (see Exhibit 95) have seen a recovery in recent weeks from the low levels of early 2025. Exhibit 96 shows the large sensitivity of the profits of the downstream oil companies to refining margins.

Refining margins have recovered from recent lows

Exhibit 95: Singapore refining margins (US\$/bbl)



Source: Argus, Kotak Institutional Equities estimates

Downstream companies' earnings have high sensitivity to refining margin assumptions

Exhibit 96: Sensitivity of EPS of downstream oil companies to refining margins, March fiscal year-ends, 2026E-28E (Rs)

	2026E			2027E			2028E		
	BPCL	HPCL	IOCL	BPCL	HPCL	IOCL	BPCL	HPCL	IOCL
Sensitivity to refining margin									
Refining margins (US\$/bbl)	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Current EPS estimates	24	29	13	22	32	13	22	31	13
Refining margin lower by US\$1/bbl	20	24	10	18	26	10	17	25	10
Change (%)	(19)	(19)	(20)	(20)	(18)	(20)	(21)	(19)	(21)
Refining margin higher by US\$1/bbl	29	35	15	27	37	15	27	37	15
Change (%)	19	19	20	20	18	20	21	19	21

Source: Kotak Institutional Equities estimates

- **Upstream oil & gas companies.** We assume ONGC will make (1) US\$50.9/bbl on a net basis (net of cess, royalty and windfall tax) for crude oil in FY2026 and US\$50.9/bbl in FY2027 versus US\$54.2/bbl in FY2025 and US\$54.4/bbl in FY2024 and (2) US\$7.2/mn BTU for natural gas in FY2026 and US\$7.8/mn BTU in FY2027 versus US\$6.7/mn BTU in FY2025 and US\$6.5/mn BTU in FY2024, the ceiling price for FY2024.

We note that ONGC's FY2026-27E net profits could be at risk from weaker-than-assumed global crude oil prices. Current crude prices are moderately lower versus our assumption of US\$70/bbl (Dated Brent basis) for FY2026 and FY2027. Exhibit 97 gives the sensitivity of net profits of ONGC (only ONGC is in the Nifty-50 Index) to crude oil price, natural gas price and exchange rate.

ONGC's earnings have sensitivity to crude price and gas price assumptions

Exhibit 97: Sensitivity of EPS of ONGC to key variables to oil and gas prices, March fiscal year-ends, 2026-28E (Rs)

	2026E			2027E			2028E		
	Downside	Base case	Upside	Downside	Base case	Upside	Downside	Base case	Upside
Exchange rate									
Exchange rate (Rs/US\$)	85.6	86.6	87.6	87.5	88.5	89.5	89.0	90.0	91.0
Net profits (Rs mn)	513,560	523,735	533,910	564,515	575,048	585,581	579,324	590,099	600,874
Earnings per share (Rs)	40.8	41.6	42.4	44.9	45.7	46.5	46.1	46.9	47.8
% upside/(downside)	(1.9)		1.9	(1.8)		1.8	(1.8)		1.8
Average net crude realization									
Net crude realization (US\$/bbl)	49.9	50.9	51.9	49.9	50.9	51.9	49.9	50.9	51.9
Net profits (Rs mn)	514,640	523,735	532,831	565,775	575,048	584,321	580,674	590,099	599,523
Earnings per share (Rs)	40.9	41.6	42.4	45.0	45.7	46.4	46.2	46.9	47.7
% upside/(downside)	(1.7)		1.7	(1.6)		1.6	(1.6)		1.6
Natural gas prices									
Natural gas price (US\$/mn BTU)	6.7	7.2	7.7	7.1	7.6	8.1	7.8	8.3	8.8
Net profits (Rs mn)	507,881	523,735	539,589	557,594	575,048	592,502	572,469	590,099	592,502
Earnings per share (Rs)	40.4	41.6	42.9	44.3	45.7	47.1	45.5	46.9	47.1
% upside/(downside)	(3.0)		3.0	(3.0)		3.0	(3.0)		0.4

Source: Kotak Institutional Equities estimates

- **Pharmaceuticals.** We expect the net profits of the pharmaceutical companies in the Nifty-50 Index to grow a modest 0.8% in FY2026, pulled down by (1) a sharp decline in gRevlimid sales at both CIPLA and DRRD; gRevlimid sales likely peaked in FY2025 and (2) lower EBITDA margin in the case of CIPLA and DRRD due to a lower share of high-margin gRevlimid in their product mix. We would clarify that our estimates do not factor in potential imposition of import tariffs by the US on pharmaceutical exports from India.

We expect US generic revenues to grow more moderately over FY2026-27E (see Exhibit 98) after a strong performance in FY2025 with continued (1) moderate growth in CIPLA with revenues from gabraxane and inhalers offsetting the decline in gRevlimid sales and (2) strong growth in SUNP due to continued strong performance of SUNP's specialty portfolio being offset by (3) a sharp decline in DRRD's US generic revenues (sales from new products being insufficient to offset the sharp decline in gRevlimid sales).

We model moderate growth in US generic revenues of pharmaceutical companies over FY2026E-27E

Exhibit 98: US revenues for pharmaceuticals companies, March fiscal year-ends, 2019-28E

	US revenues (US\$ mn)										Yoy growth (%)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Aurobindo	1,299	1,622	1,666	1,495	1,453	1,694	1,752	1,750	1,845	1,911	12	25	3	(10)	(3)	17	3	(0)	5	4
Cipla	497	547	556	594	733	906	934	963	1,013	1,038	24	10	2	7	23	24	3	3	5	2
Dr Reddy's	863	908	952	1,004	1,268	1,566	1,727	1,737	1,515	1,614	(7)	5	5	5	26	24	10	1	(13)	7
Lupin	805	820	720	739	632	815	925	1,059	987	938	(10)	2	(12)	3	(15)	29	14	14	(7)	(5)
Sun Pharma	1,526	1,487	1,360	1,527	1,684	1,854	1,921	2,060	2,216	2,481	13	(3)	(9)	12	10	10	4	7	8	12
Taro	541	499	374	426	453	509	480	498	529	564	(1)	(8)	(25)	14	6	12	(6)	4	6	7
Ex-Taro Sun	985	988	986	1,101	1,231	1,345	1,441	1,562	1,688	1,917	22	0	(0)	12	12	9	7	8	8	14
Torrent	229	215	170	143	145	133	131	147	172	188	39	(6)	(21)	(16)	1	(8)	(1)	12	17	9

Source: Companies, Kotak Institutional Equities estimates

We expect gross and EBITDA margins to decline in FY2026-76E for all the pharmaceuticals companies in the Nifty-50 Index from high levels of FY2024-25 (see Exhibit 99 for gross and EBITDA margins of the pharmaceutical companies under our coverage for FY2019-28E).

We expect gross and EBITDA margins to be stable over FY2026

Exhibit 99: Gross and EBITDA margins of pharmaceutical companies, March fiscal year-ends, 2019-28E (%)

	Gross margin (%)										EBITDA margin (%)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Alivus Life Sciences	55.4	55.1	52.0	50.9	53.1	56.1	54.7	54.9	55.2	55.4	30.6	30.7	31.4	29.0	29.7	29.5	28.6	29.1	30.0	30.3
Aurobindo Pharma	55.5	57.9	60.0	56.8	54.6	56.5	58.9	58.5	58.2	58.8	20.2	21.1	21.5	18.7	15.1	20.1	20.8	20.8	21.0	21.6
Biocon	61.3	63.9	65.1	65.0	67.2	66.0	65.9	66.1	66.4	66.8	25.3	25.2	23.2	23.4	22.5	20.5	20.5	23.0	23.6	23.9
Cipla	64.6	65.1	61.6	61.0	63.7	65.5	67.6	66.6	65.8	65.8	18.9	18.7	22.2	20.9	22.1	23.8	25.9	24.6	23.1	23.4
Divis Laboratories	62.3	60.9	66.7	66.9	60.7	60.1	60.2	61.6	62.0	62.2	37.9	33.8	41.0	43.2	30.4	28.1	31.7	33.8	36.4	38.1
Dr Reddy's Laboratories	54.2	53.8	54.3	65.5	69.0	70.7	69.4	67.1	65.0	64.6	20.4	23.4	23.6	21.8	25.9	28.3	26.5	24.0	20.3	21.0
Gland Pharma	58.1	58.1	56.9	52.1	53.5	61.6	62.8	62.0	62.0	61.9	34.6	36.3	37.6	34.3	28.3	23.5	22.6	24.0	25.2	26.1
Laurus Labs	46.1	50.1	55.2	55.6	54.1	51.7	55.4	57.2	58.1	59.2	15.5	19.9	32.2	28.8	26.4	15.4	19.0	22.3	23.3	24.5
Lupin	65.0	64.7	64.6	60.5	59.3	66.8	69.9	69.8	69.5	69.1	17.2	15.3	16.9	13.2	10.8	19.0	23.2	24.1	22.8	23.0
Sun Pharmaceuticals	72.9	71.9	74.1	73.2	75.7	78.0	79.6	78.1	78.1	77.9	22.0	21.2	25.3	26.5	26.8	26.8	28.7	27.5	28.3	28.9
Torrent Pharmaceuticals	71.1	72.7	73.2	71.0	71.6	75.0	75.9	76.5	76.5	76.5	25.9	27.3	31.0	27.9	29.5	31.4	32.3	33.2	33.7	34.4

Source: Companies, Kotak Institutional Equities estimates

FY2025 net profits of the pharmaceutical companies in the Nifty-50 Index grew 16% due to (1) continued strong performance of SUNP's specialty products and DRRD's US generic portfolio (bolstered by peak gRevlimid sales), (2) strong growth in domestic pharmaceutical revenues of all the major companies and (3) modest increase in gross and EBITDA margins after a sharp recovery in FY2024 on easing US generic pricing conditions and lower RM prices.

Model portfolio: Unchanged for now

Exhibit 100 is our recommended model portfolio. We have several stocks in the portfolio that are trading at full valuations and offer limited upside to our fair value on a 12-month basis. However, we are leaving the stocks in the portfolio, as we do not have other ideas to replace them. We expect them to hold up better than the market and other stocks in the market, many of which are trading at unfathomable valuations.

We prefer stocks with compounding in earnings/book and lower risks of derating in multiples

Exhibit 100: KIE large-cap. model portfolio

	Price (Rs)	KIE weight		Price (Rs)	KIE weight
Company	30-May-25	(%)		30-May-25	(%)
Automobiles & Components			IT Services		
Mahindra & Mahindra	2,977	2.0	Infosys	1,563	5.6
Automobiles & Components 2.0			TCS	3,463	2.5
Banks			Tech Mahindra	1,574	1.6
Axis Bank	1,192	6.6	IT Services 9.7		
Canara Bank	115	1.7	Oil, Gas & Consumable Fuels		
HDFC Bank	1,945	9.4	Reliance Industries	1,421	8.9
ICICI Bank	1,446	9.9	Oil, Gas & Consumable Fuels 8.9		
IndusInd Bank	817	2.1	Pharmaceuticals		
State Bank of India	812	6.7	Cipla	1,466	2.3
Banks 36.5			Lupin	1,958	1.3
Capital Goods			Mankind Pharma	2,468	1.5
ABB	5,971	1.6	Sun Pharmaceuticals	1,678	1.4
Cummins India	3,268	1.4	Torrent Pharmaceuticals	3,175	1.6
L&T	3,675	1.9	Pharmaceuticals 8.1		
Capital Goods 4.9			Specialty Chemicals		
Diversified Financials			Pidilite Industries	3,107	1.9
Bajaj Finserv	2,017	1.7	Specialty Chemicals 1.9		
Shriram Finance	639	1.9	Real Estate		
Diversified Financials 3.7			Embassy Office Parks REIT	381	1.4
Health Care Services			Macrotech Developers	1,426	1.6
Apollo Hospitals	6,881	3.0	Real Estate 3.0		
Dr Lal Pathlabs	2,787	1.6	Telecommunication Services		
Health Care Services 4.5			Bharti Airtel	1,856	6.2
Insurance			Telecommunication Services 6.2		
HDFC Life Insurance	777	2.2	Transportation		
ICICI Prudential Life	662	2.2	Adani Ports and SEZ	1,433	2.2
Insurance 4.4			Interglobe Aviation	5,330	2.5
Internet Software & Services			Transportation 4.7		
Eternal	238	1.6	BSE-30 81,451 100		
Internet Software & Services 1.6					

Notes:

(a) The model portfolio is not advise or recommendation or a suggestion for buying or selling securities as shown. It is only an indicative portfolio to show how a portfolio can be built.

Please consult an expert to build your portfolio.

Source: Kotak Institutional Equities estimates

2

4QFY25 earnings analysis: Muted results despite the beat

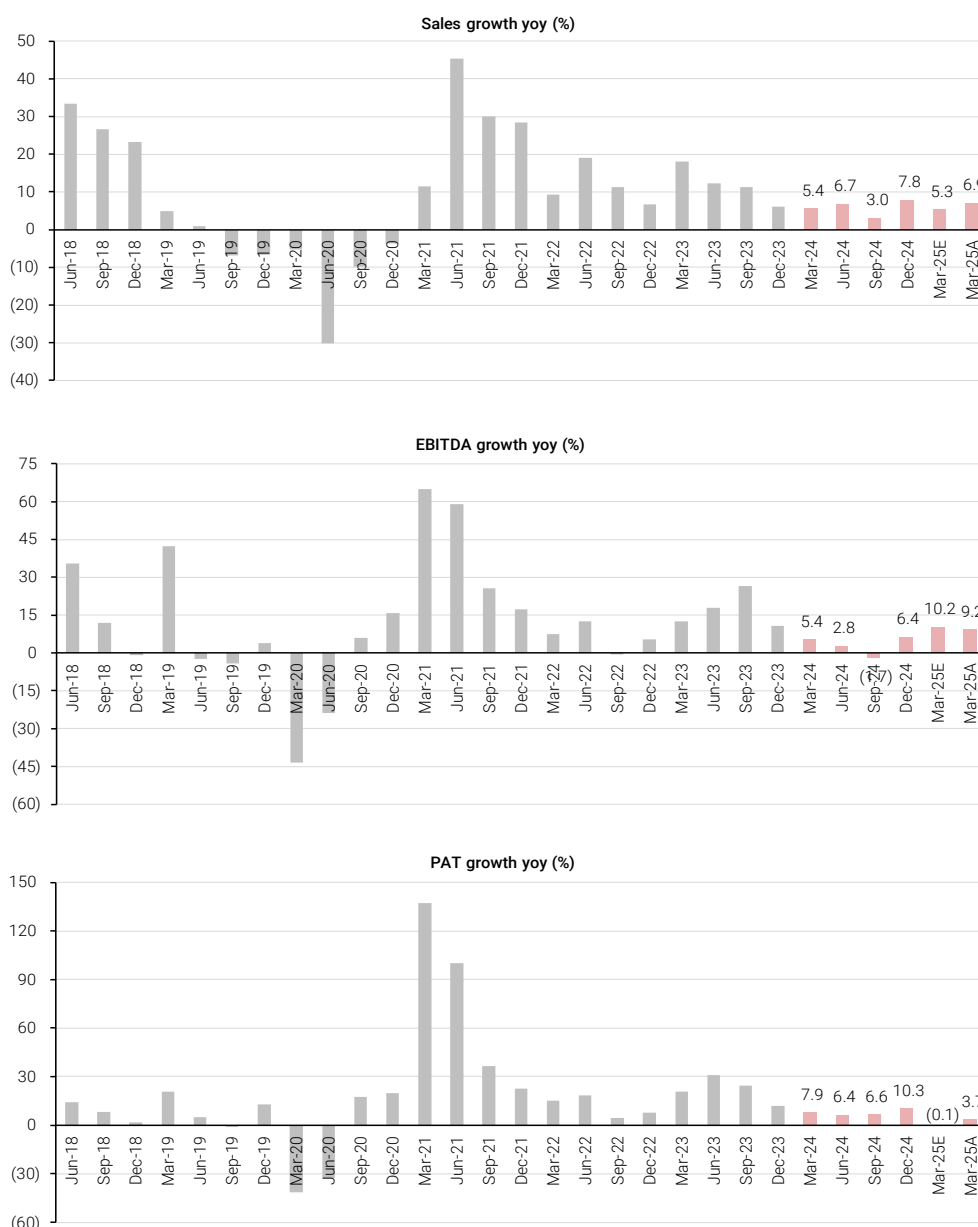
4QFY25 earning season has been uninspiring with net income of KIE coverage universe growing 8.2% yoy compared to our expectations of 0.8% yoy growth. The bulk of the net income beat was driven by (1) banks, (2) downstream oil marketing companies and (3) higher-than-expected other income. Net income of the Nifty-50 Index increased 3.7% yoy, 3.8% ahead of our estimates driven by 59% beat in SBI (91% of the overall beat). EBITDA of Nifty-50 Index was in line with our estimates.

4QFY25 results: Muted results in general; a few companies and other income covered up for others

- **Net profits above our expectations for the Nifty-50 Index.** Exhibit 101 presents the quarterly trends in net profit growth of the Nifty-50 Index. Adjusted net profits of the Nifty-50 Index increased 3.7% yoy, 3.8% above our expectation. Adjusted net profits of the BSE-30 Index increased 3.6% yoy, 5.3% above our expectations of 1.6% yoy decline. We note that IIB and SBI dragged down the net income of the Nifty-50 Index. (1) IIB recognized discrepancies in the valuation of certain derivatives positions, which resulted in a large loss in 4QFY25 and (2) SBI reported high provisions in 4QFY25, which resulted in a 10% yoy decline in net profits even though reported net profits were 59% ahead of our estimate.

4QFY25 adjusted net profits of the Nifty-50 Index increased 3.7% yoy versus our muted expectations

Exhibit 101: Yoy sales, EBITDA and PAT growth of Nifty-50 Index (%)



Source: Kotak Institutional Equities estimates

Exhibit 102 compares 4QFY25 adjusted net profits of the BSE-30 stocks with 4QFY24, 3QFY25 and 4QFY25E adjusted net profits while Exhibit 103 compares 4QFY25 adjusted net profits of the Nifty-50 Index with 4QFY24, 3QFY25 and 4QFY25E adjusted net profits.

4QFY25 net profits of the BSE-30 Index were ahead of our expectations, largely due to SBI

Exhibit 102: Comparison of 4QFY25 net income of BSE-30 stocks, actual versus expected

Company	Sector	Adjusted net income (Rs bn)				Change (%)	Growth (%)	
		Mar-24	Dec-24	Mar-25A	Mar-25E	A versus E	yoy	qoq
Mahindra & Mahindra	Automobiles & Components	20.0	29.6	24.4	23.6	3	22	(18)
Maruti Suzuki	Automobiles & Components	38.8	35.3	37.1	37.6	(1)	(4)	5
Tata Motors	Automobiles & Components	68.6	53.9	87.3	88.1	(1)	27	62
Axis Bank	Banks	71.3	63.0	71.2	66.3	7	(0)	13
HDFC Bank	Banks	165.1	167.4	176.2	174.2	1	7	5
ICICI Bank	Banks	107.1	117.9	126.3	115.1	10	18	7
IndusInd Bank	Banks	23.5	14.0	(22.4)	(7.4)	(203)	(195)	(260)
Kotak Mahindra Bank	Banks	53.4	47.0	49.3	49.3	(0)	(8)	5
State Bank of India	Banks	207.0	168.9	186.4	117.6	59	(10)	10
Bajaj Finserv	Diversified Financials	21.2	22.3	24.2	24.2	0	14	8
Bajaj Finance	Diversified Financials	38.2	43.1	45.5	45.0	1	19	6
L&T	Capital Goods	43.0	33.6	50.2	49.1	2	17	50
Asian Paints	Commodity Chemicals	12.6	11.1	8.8	10.7	(18)	(30)	(21)
UltraTech Cement	Construction Materials	23.2	13.2	26.8	27.0	(1)	15	103
Hindustan Unilever	Consumer Staples	24.2	25.4	25.0	24.4	2	3	(2)
ITC	Consumer Staples	50.2	48.9	48.7	48.4	1	(3)	(0)
Nestle India	Consumer Staples	9.1	7.1	8.9	8.8	1	(3)	24
NTPC	Electric Utilities	47.2	47.1	57.8	50.2	15	22	23
Power Grid	Electric Utilities	41.0	38.7	41.7	42.7	(2)	2	8
HCL Technologies	IT Services	39.9	46.1	42.9	43.7	(2)	8	(7)
Infosys	IT Services	60.0	68.1	66.0	65.8	0	10	(3)
TCS	IT Services	124.6	123.8	122.2	126.6	(3)	(2)	(1)
Tech Mahindra	IT Services	9.7	9.8	11.9	9.9	20	23	21
Wipro	IT Services	28.3	33.5	35.7	34.1	5	26	6
JSW Steel	Metals & Mining	13.0	7.7	15.5	17.5	(12)	19	100
Tata Steel	Metals & Mining	12.1	(9.6)	16.9	11.3	49	40	276
Reliance Industries	Oil, Gas & Consumable Fuels	189.5	185.4	194.1	186.5	4	2	5
Sun Pharmaceuticals	Pharmaceuticals	27.6	32.2	25.1	27.2	(8)	(9)	(22)
Titan Company	Retailing	7.9	11.8	8.7	7.9	10	11	(26)
Bharti Airtel	Telecommunication Services	29.5	55.1	52.2	55.8	(6)	77	(5)
BSE-30 Index		1,607	1,552	1,665	1,581	5.3	3.6	7.3

Source: Companies, Kotak Institutional Equities estimates

4QFY25 net profits of the Nifty-50 Index were ahead of our estimates, largely led by SBI

Exhibit 103: Comparison of 4QFY25 net income of Nifty-50 stocks, actual versus expected

Company	Sector	Adjusted net income (Rs bn)				Change (%)	Growth (%)	
		Mar-24	Dec-24	Mar-25A	Mar-25E	A versus E	yoy	qoq
Bajaj Auto	Automobiles & Components	19.4	21.1	20.5	19.3	6	6	(3)
Eicher Motors	Automobiles & Components	10.7	11.7	13.6	12.3	11	27	16
Hero Motocorp	Automobiles & Components	10.2	12.0	10.8	11.4	(6)	6	(10)
Mahindra & Mahindra	Automobiles & Components	20.0	29.6	24.4	23.6	3	22	(18)
Maruti Suzuki	Automobiles & Components	38.8	35.3	37.1	37.6	(1)	(4)	5
Tata Motors	Automobiles & Components	68.6	53.9	87.3	88.1	(1)	27	62
Axis Bank	Banks	71.3	63.0	71.2	66.3	7	(0)	13
HDFC Bank	Banks	165.1	167.4	176.2	174.2	1	7	5
ICICI Bank	Banks	107.1	117.9	126.3	115.1	10	18	7
IndusInd Bank	Banks	23.5	14.0	(22.4)	(7.4)	(203)	(195)	(260)
Kotak Mahindra Bank	Banks	53.4	47.0	49.3	49.3	(0)	(8)	5
State Bank of India	Banks	207.0	168.9	186.4	117.6	59	(10)	10
Bajaj Finserv	Diversified Financials	21.2	22.3	24.2	24.2	0	14	8
Bajaj Finance	Diversified Financials	38.2	43.1	45.5	45.0	1	19	6
Jio Financial Services	Diversified Financials	3.1	2.9	3.2	3.2	(0)	2	7
Shriram Finance	Diversified Financials	19.5	35.7	21.4	22.0	(3)	10	(40)
HDFC Life Insurance	Insurance	12.3	9.3	13.8	14.3	(3)	12	48
SBI Life Insurance	Insurance	15.0	18.8	16.6	15.2	9	11	(12)
Adani Enterprises	Capital Goods	6.5	0.6	9.2	9.2	(0)	41	1,395
Bharat Electronics	Capital Goods	17.9	13.0	21.2	18.9	12	19	63
L&T	Capital Goods	43.0	33.6	50.2	49.1	2	17	50
Asian Paints	Commodity Chemicals	12.6	11.1	8.8	10.7	(18)	(30)	(21)
Grasim Industries	Construction Materials	2.7	(1.7)	(1.7)	(1.4)	(27)	(163)	(3)
UltraTech Cement	Construction Materials	23.2	13.2	26.8	27.0	(1)	15	103
Hindustan Unilever	Consumer Staples	24.2	25.4	25.0	24.4	2	3	(2)
ITC	Consumer Staples	50.2	48.9	48.7	48.4	1	(3)	(0)
Nestle India	Consumer Staples	9.1	7.1	8.9	8.8	1	(3)	24
Tata Consumer Products	Consumer Staples	4.3	2.9	3.0	2.8	8	(31)	5
NTPC	Electric Utilities	47.2	47.1	57.8	50.2	15	22	23
Power Grid	Electric Utilities	41.0	38.7	41.7	42.7	(2)	2	8
Apollo Hospitals	Health Care Services	2.5	3.7	3.9	3.7	5	54	5
Eternal	Internet Software & Services	1.8	0.6	0.4	0.3	31	(78)	(34)
HCL Technologies	IT Services	39.9	46.1	42.9	43.7	(2)	8	(7)
Infosys	IT Services	60.0	68.1	66.0	65.8	0	10	(3)
TCS	IT Services	124.6	123.8	122.2	126.6	(3)	(2)	(1)
Tech Mahindra	IT Services	9.7	9.8	11.9	9.9	20	23	21
Wipro	IT Services	28.3	33.5	35.7	34.1	5	26	6
Hindalco Industries	Metals & Mining	31.8	39.7	52.8	47.3	12	66	33
JSW Steel	Metals & Mining	13.0	7.7	15.5	17.5	(12)	19	100
Tata Steel	Metals & Mining	12.1	(9.6)	16.9	11.3	49	40	276
Coal India	Oil, Gas & Consumable Fuels	86.4	84.9	95.9	88.0	9	11	13
ONGC	Oil, Gas & Consumable Fuels	98.7	82.4	64.5	96.8	(33)	(35)	(22)
Reliance Industries	Oil, Gas & Consumable Fuels	189.5	185.4	194.1	186.5	4	2	5
Cipla	Pharmaceuticals	9.4	15.7	12.2	9.8	25	30	(22)
Dr Reddy's Laboratories	Pharmaceuticals	12.9	14.1	16.7	15.0	11	29	18
Sun Pharmaceuticals	Pharmaceuticals	27.6	32.2	25.1	27.2	(8)	(9)	(22)
Titan Company	Retailing	7.9	11.8	8.7	7.9	10	11	(26)
Trent	Retailing	6.5	4.7	3.5	3.3	6	(47)	(26)
Bharti Airtel	Telecommunication Services	29.5	55.1	52.2	55.8	(6)	77	(5)
Adani Ports and SEZ	Transportation	23.7	26.6	29.2	26.9	8	23	10
Nifty-50 Index		2,002	1,950	2,075	2,000	3.8	3.7	6.4

Source: Companies, Kotak Institutional Equities estimates

Among Nifty-50 stocks, companies that significantly outperformed our estimates at the net income level are (1) Adani Ports (beat was driven by both port operations and a strong uptick in the marine/logistics businesses), (2) Cipla (better-than-expected traction in the US, One Africa and EM/EU), (3) Coal India (aided by higher other income), (4) Dr Reddy's (higher other income led by forex gains), (5) Eicher Motors (higher other income), (6) SBI (beat at non-interest income), (7) Tata Steel (higher other income and lower-than-expected effective tax rate), (8) Tech Mahindra (higher other income and lower-than-expected effective tax rate), (9) Titan (higher-than-expected revenues) and (10) Trent (higher-than-expected other income).

On the other hand, companies that underperformed our estimates are (1) Asian Paints (weak on all counts), (2) Grasim (weaker-than-expected performance of the chemicals and VSF businesses), (3) IIB (higher-than-expected losses on recognition of several discrepancies in income and expenses of the past few years, which led to large reversal of past income) and (4) Tata Motors (lower-than-expected profitability of JLR).

- **EBITDA in line with our expectations for the Nifty-50 Index.** Adjusted EBITDA of the BSE-30 Index increased 7.7% yoy compared to our expectations of 8.9%. Exhibit 104 compares 4QFY25 EBITDA of the BSE-30 Index with 4QFY24, 3QFY25 and 4QFY25E EBITDA. Of the 22 non-finance companies in the BSE-30 Index, three companies beat our estimates by more than 5% and three companies missed our EBITDA estimates by more than 5%.

4QFY25 EBITDA of the BSE-30 Index was marginally below our estimates

Exhibit 104: Comparison of 4QFY25 EBITDA of BSE-30 stocks, actual versus expected

Company	Sector	Adjusted EBITDA (Rs bn)				Change (%)	Growth (%)	
		Mar-24	Dec-24	Mar-25A	Mar-25E	A versus E	yoy	qoq
Mahindra & Mahindra	Automobiles & Components	33.0	44.7	46.8	43.1	9	42	5
Maruti Suzuki	Automobiles & Components	46.9	44.7	42.6	48.3	(12)	(9)	(5)
Tata Motors	Automobiles & Components	165.4	124.1	166.3	172.2	(3)	0	34
L&T	Capital Goods	72.3	62.5	82.0	83.9	(2)	13	31
Asian Paints	Commodity Chemicals	16.9	16.4	14.4	15.5	(7)	(15)	(12)
UltraTech Cement	Construction Materials	40.2	27.9	46.1	46.2	(0)	15	65
Hindustan Unilever	Consumer Staples	34.4	35.7	34.7	34.5	1	1	(3)
ITC	Consumer Staples	61.6	58.3	59.9	58.3	3	(3)	3
Nestle India	Consumer Staples	13.4	11.0	13.9	13.1	6	4	26
NTPC	Electric Utilities	113.3	119.6	112.6	118.7	(5)	(1)	(6)
Power Grid	Electric Utilities	99.2	95.8	102.7	104.5	(2)	4	7
HCL Technologies	IT Services	61.0	68.7	64.7	65.6	(1)	6	(6)
Infosys	IT Services	87.8	101.2	98.7	98.8	(0)	12	(2)
TCS	IT Services	171.6	170.3	169.8	175.8	(3)	(1)	(0)
Tech Mahindra	IT Services	14.1	18.1	18.7	18.6	0	33	3
Wipro	IT Services	44.7	45.8	46.5	46.6	(0)	4	2
JSW Steel	Metals & Mining	61.2	55.3	63.8	70.2	(9)	4	15
Tata Steel	Metals & Mining	66.0	44.9	65.6	65.4	0	(1)	46
Reliance Industries	Oil, Gas & Consumable Fuels	425.2	437.9	438.3	440.0	(0)	3	0
Sun Pharmaceuticals	Pharmaceuticals	30.9	41.9	34.2	34.7	(1)	11	(18)
Titan Company	Retailing	11.1	17.6	14.4	12.6	14	30	(18)
Bharti Airtel	Telecommunication Services	193.6	246.0	270.1	264.0	2	39	10
BSE-30 Index		1,864	1,888	2,007	2,031	(1.2)	7.7	6.3

Source: Companies, Kotak Institutional Equities estimates

Adjusted EBITDA of the Nifty-50 Index increased 9.2% yoy compared to our expectations of 10.2%. Exhibit 105 compares 4QFY25 EBITDA of the Nifty-50 Index with 4QFY24, 3QFY25 and 4QFY25E EBITDA. Of the 38 non-finance companies in the Nifty-50 Index, six companies beat our estimates by more than 5%, while seven missed our EBITDA estimates by more than 5%.

4QFY25 EBITDA of the Nifty-50 Index was marginally below our estimates

Exhibit 105: Comparison of 4QFY25 EBITDA of Nifty-50 stocks, actual versus expected

Company	Sector	Adjusted EBITDA (Rs bn)				Change (%) A versus E	Growth (%)	
		Mar-24	Dec-24	Mar-25A	Mar-25E		yoy	qoq
Bajaj Auto	Automobiles & Components	23.1	25.8	24.5	24.2	1	6	(5)
Eicher Motors	Automobiles & Components	11.3	12.0	12.6	12.9	(3)	11	5
Hero Motocorp	Automobiles & Components	13.6	14.8	14.2	13.8	3	4	(4)
Mahindra & Mahindra	Automobiles & Components	33.0	44.7	46.8	43.1	9	42	5
Maruti Suzuki	Automobiles & Components	46.9	44.7	42.6	48.3	(12)	(9)	(5)
Tata Motors	Automobiles & Components	165.4	124.1	166.3	172.2	(3)	0	34
Adani Enterprises	Capital Goods	25.7	30.7	37.1	37.1	(0)	44	21
Bharat Electronics	Capital Goods	22.9	16.7	28.2	25.0	13	23	69
L&T	Capital Goods	72.3	62.5	82.0	83.9	(2)	13	31
Asian Paints	Commodity Chemicals	16.9	16.4	14.4	15.5	(7)	(15)	(12)
Grasim Industries	Construction Materials	5.3	2.7	2.2	3.2	(32)	(58)	(18)
UltraTech Cement	Construction Materials	40.2	27.9	46.1	46.2	(0)	15	65
Hindustan Unilever	Consumer Staples	34.4	35.7	34.7	34.5	1	1	(3)
ITC	Consumer Staples	61.6	58.3	59.9	58.3	3	(3)	3
Nestle India	Consumer Staples	13.4	11.0	13.9	13.1	6	4	26
Tata Consumer Products	Consumer Staples	6.3	5.6	6.2	6.0	3	(1)	10
NTPC	Electric Utilities	113.3	119.6	112.6	118.7	(5)	(1)	(6)
Power Grid	Electric Utilities	99.2	95.8	102.7	104.5	(2)	4	7
Apollo Hospitals	Health Care Services	6.4	7.6	7.7	7.5	2	20	1
Eternal	Internet Software & Services	0.9	1.6	0.7	0.5	48	(16)	(56)
HCL Technologies	IT Services	61.0	68.7	64.7	65.6	(1)	6	(6)
Infosys	IT Services	87.8	101.2	98.7	98.8	(0)	12	(2)
TCS	IT Services	171.6	170.3	169.8	175.8	(3)	(1)	(0)
Tech Mahindra	IT Services	14.1	18.1	18.7	18.6	0	33	3
Wipro	IT Services	44.7	45.8	46.5	46.6	(0)	4	2
Hindalco Industries	Metals & Mining	68.4	78.0	96.1	85.8	12	41	23
JSW Steel	Metals & Mining	61.2	55.3	63.8	70.2	(9)	4	15
Tata Steel	Metals & Mining	66.0	44.9	65.6	65.4	0	(1)	46
Coal India	Oil, Gas & Consumable Fuels	81.9	89.0	81.2	89.4	(9)	(1)	(9)
ONGC	Oil, Gas & Consumable Fuels	174.1	189.7	190.1	193.1	(2)	9	0
Reliance Industries	Oil, Gas & Consumable Fuels	425.2	437.9	438.3	440.0	(0)	3	0
Cipla	Pharmaceuticals	13.2	19.9	15.4	14.9	3	17	(23)
Dr Reddy's Laboratories	Pharmaceuticals	18.1	22.7	20.7	23.8	(13)	14	(9)
Sun Pharmaceuticals	Pharmaceuticals	30.9	41.9	34.2	34.7	(1)	11	(18)
Titan Company	Retailing	11.1	17.6	14.4	12.6	14	30	(18)
Trent	Retailing	4.8	8.4	6.6	6.7	(2)	38	(22)
Bharti Airtel	Telecommunication Services	193.6	246.0	270.1	264.0	2	39	10
Adani Ports and SEZ	Transportation	40.4	48.0	50.1	48.4	3	24	4
Nifty-50 Index		2,380	2,462	2,600	2,623	(0.9)	9.2	5.6

Source: Companies, Kotak Institutional Equities estimates

Among the companies that reported better-than-expected EBITDA were (1) M&M (higher-than-expected sales and better-than-expected gross margins), (2) Nestle (better-than-expected GM print and lower-than-expected other expenses) and (3) Titan (higher-than-expected sales).

However, a few companies in the Nifty-50 Index underperformed at the EBITDA level. The notable underperformers were (1) Asian Paints (weak on all counts), (2) Coal India (weak volume and realizations), (3) Dr Reddy's (lower gross margins and higher staff costs), (4) Grasim (weaker-than-expected performance of the chemicals and VSF businesses) and (5) Maruti Suzuki (bunching up of certain expenses).

- **Other income increased 21% yoy; contributed to beat.** Several companies reported higher-than-expected other income in 4QFY25. 4QFY25 other income of Nifty-50 Index came in 12% ahead of our expectations and increased 21% yoy (see Exhibit 106). We note that other income as a proportion of pre-tax profits for the Nifty-50 Index stood at 17.7% in 4QFY25 versus 14.6% in 3QFY25 and 16.3% in 4QFY24.

Several Nifty-50 companies reported higher-than-expected other income in 4QFY25

Exhibit 106: Comparison of 4QFY25 other income of Nifty-50 stocks, actual versus expected

Company	Sector	Other income (Rs bn)				Change (%)	Growth (%)	
		Mar-24	Dec-24	Mar-25A	Mar-25E	A versus E	yoy	qoq
Bajaj Auto	Automobiles & Components	3.5	3.3	3.8	3.5	10	9	14
Eicher Motors	Automobiles & Components	3.1	2.9	3.8	3.0	26	25	32
Hero Motocorp	Automobiles & Components	1.8	3.2	2.2	3.0	(25)	24	(30)
Mahindra & Mahindra	Automobiles & Components	3.5	6.1	0.5	0.5	(1)	(86)	(92)
Maruti Suzuki	Automobiles & Components	11.2	9.9	14.5	10.8	35	29	47
Tata Motors	Automobiles & Components	14.0	17.3	15.1	18.0	(16)	8	(13)
NTPC	Electric Utilities	17.1	5.9	39.7	12.4	219	132	573
Power Grid	Electric Utilities	3.3	5.1	3.2	4.9	(36)	(4)	(38)
Apollo Hospitals	Health Care Services	0.3	0.6	0.6	0.6	11	117	(4)
Eternal	Internet Software & Services	2.4	2.5	3.7	3.2	15	57	46
HCL Technologies	IT Services	4.3	4.7	4.5	4.9	(9)	5	(5)
Infosys	IT Services	6.9	7.6	7.6	6.7	14	11	0
TCS	IT Services	9.3	10.1	8.0	8.6	(6)	(14)	(21)
Tech Mahindra	IT Services	3.7	0.2	1.7	0.1	1,282	(54)	947
Wipro	IT Services	3.5	5.6	8.1	5.8	38	133	45
Hindalco Industries	Metals & Mining	3.6	5.1	7.0	5.1	38	93	38
JSW Steel	Metals & Mining	2.4	1.5	2.3	1.5	56	(5)	56
Tata Steel	Metals & Mining	1.8	2.2	4.6	2.2	109	162	109
Coal India	Oil, Gas & Consumable Fuels	54.7	56.3	77.7	55.6	40	42	38
ONGC	Oil, Gas & Consumable Fuels	36.8	18.1	20.7	35.0	(41)	(44)	15
Reliance Industries	Oil, Gas & Consumable Fuels	45.3	42.1	49.1	40.1	22	8	16
Cipla	Pharmaceuticals	2.5	2.2	2.9	1.6	81	16	31
Dr Reddy's Laboratories	Pharmaceuticals	2.0	1.5	5.2	1.9	171	164	248
Sun Pharmaceuticals	Pharmaceuticals	5.5	2.8	9.0	5.1	79	65	220
Titan Company	Retailing	1.5	1.3	1.2	1.4	(14)	(22)	(11)
Trent	Retailing	0.7	0.6	1.0	0.7	49	32	72
Bharti Airtel	Telecommunication Services	1.3	1.6	1.5	1.6	(4)	14	(4)
Adani Ports and SEZ	Transportation	3.0	2.2	2.8	2.8	(0)	(7)	26
Nifty-50 Index		249	222	302	269	12.3	21.4	35.8

Source: Bloomberg, Companies, Kotak Institutional Equities estimates

- **Reported net income of the Nifty-50 Index increased 2.4% yoy and 4.8% qoq.** Exhibit 107 shows the reported net income of the Nifty-50 Index for 4QFY24, 3QFY25 and 4QFY25. Many companies had extraordinary items in 4QFY25.
 - Asian Paints reported an exceptional cost of Rs1.8 bn, which pertains to impairment loss on White Teak/Weatherseal acquisitions and divestment of Indonesia operations.
 - Bharti Airtel reported exceptional items, which include (1) Rs1.4 bn during 4QFY25 related to settlement of a legal dispute in one of its erstwhile subsidiaries in Africa and (2) tax benefit of Rs59.1 bn arising from recognition of unrecognized deferred tax assets on these tax losses in the financials after favorable orders pertaining to certain tax losses during 4QFY25.
 - Dr Reddy's reported impairment charge of Rs768 mn related to certain product-related intangibles from the Mayne portfolio and other assets within the global generics business in India and Europe, impacted by adverse market conditions.
 - SUNP incurred Rs1 bn for restructuring of its US operations and Rs2.6 bn as impairment charge toward its investment in Lyndra Therapeutics, due to closure of its operations.
 - Tata Steel has reversed Rs2.6 bn of provisions in connection with the closure of certain assets in the UK in 4QFY25. This was offset by employee separation compensation expenses of Rs5.5 bn (largely in India) and Rs1 bn of asset impairment during the quarter.

Reported net income of the Nifty-50 Index increased 2.4% yoy and 4.8% qoq

Exhibit 107: Comparison of 4QFY25 reported net income of Nifty-50 stocks

Company	Sector	Reported net income (Rs bn)			Growth (%)	
		Mar-24	Dec-24	Mar-25	yoy	qoq
Bajaj Auto	Automobiles & Components	19.4	21.1	20.5	6	(3)
Eicher Motors	Automobiles & Components	10.7	11.7	13.6	27	16
Hero Motocorp	Automobiles & Components	10.2	12.0	10.8	6	(10)
Mahindra & Mahindra	Automobiles & Components	20.0	29.6	24.4	22	(18)
Maruti Suzuki	Automobiles & Components	38.8	35.3	37.1	(4)	5
Tata Motors	Automobiles & Components	175.5	54.1	84.7	(52)	57
Axis Bank	Banks	71.3	63.0	71.2	(0)	13
HDFC Bank	Banks	165.1	167.4	176.2	7	5
ICICI Bank	Banks	107.1	117.9	126.3	18	7
IndusInd Bank	Banks	23.5	14.0	(22.4)	(195)	(260)
Kotak Mahindra Bank	Banks	53.4	47.0	49.3	(8)	5
State Bank of India	Banks	207.0	168.9	186.4	(10)	10
Bajaj Finserv	Diversified Financials	21.2	22.3	24.2	14	8
Bajaj Finance	Diversified Financials	38.2	43.1	45.5	19	6
Jio Financial Services	Diversified Financials	3.1	2.9	3.2	2	7
Shriram Finance	Diversified Financials	19.5	35.7	21.4	10	(40)
HDFC Life Insurance	Insurance	12.3	9.3	13.8	12	48
SBI Life Insurance	Insurance	15.0	18.8	16.6	11	(12)
Adani Enterprises	Capital Goods	4.5	0.6	38.4	753	6,549
Bharat Electronics	Capital Goods	18.0	13.1	20.0	11	52
L&T	Capital Goods	44.0	33.6	55.0	25	64
Asian Paints	Commodity Chemicals	12.6	11.1	6.9	(45)	(38)
Grasim Industries	Construction Materials	(4.4)	(1.7)	(2.9)	35	(71)
UltraTech Cement	Construction Materials	22.5	13.2	26.8	19	103
Hindustan Unilever	Consumer Staples	24.3	30.0	24.9	2	(17)
ITC	Consumer Staples	50.2	54.2	48.7	(3)	(10)
Nestle India	Consumer Staples	9.3	7.0	8.9	(5)	27
Tata Consumer Products	Consumer Staples	2.2	2.8	3.4	59	24
NTPC	Electric Utilities	55.6	47.1	57.8	4	23
Power Grid	Electric Utilities	41.7	38.6	41.4	(1)	7
Apollo Hospitals	Health Care Services	2.5	3.7	3.9	54	5
Eternal	Internet Software & Services	1.8	0.6	0.4	(78)	(34)
HCL Technologies	IT Services	39.9	46.1	42.9	8	(7)
Infosys	IT Services	79.7	68.1	70.3	(12)	3
TCS	IT Services	124.6	123.8	122.2	(2)	(1)
Tech Mahindra	IT Services	6.6	9.8	11.7	77	19
Wipro	IT Services	28.3	33.5	35.7	26	6
Hindalco Industries	Metals & Mining	31.7	37.4	52.8	66	41
JSW Steel	Metals & Mining	13.0	7.2	15.0	16	110
Tata Steel	Metals & Mining	6.1	3.3	13.0	113	298
Coal India	Oil, Gas & Consumable Fuels	86.4	84.9	95.9	11	13
ONGC	Oil, Gas & Consumable Fuels	98.7	82.4	64.5	(35)	(22)
Reliance Industries	Oil, Gas & Consumable Fuels	189.5	185.4	194.1	2	5
Cipla	Pharmaceuticals	9.4	15.7	12.2	30	(22)
Dr Reddy's Laboratories	Pharmaceuticals	13.1	14.1	15.9	22	13
Sun Pharmaceuticals	Pharmaceuticals	26.5	29.0	21.5	(19)	(26)
Titan Company	Retailing	7.9	9.9	8.7	11	(12)
Trent	Retailing	6.5	4.7	3.5	(47)	(26)
Bharti Airtel	Telecommunication Services	20.7	147.8	110.2	432	(25)
Adani Ports and SEZ	Transportation	20.2	24.7	28.6	41	16
Nifty-50 Index		2,105	2,056	2,155	2.4	4.8

Source: Companies, Kotak Institutional Equities

Exhibit 108 compares reported net income of the Nifty-50 Index with adjusted net income. We remove extraordinary items, such as prior-period items, while computing adjusted net income (adjusted for tax impact) but do not remove additional branding costs, employee costs or foreign currency-related gains or losses. These represent normal costs of doing business.

Many companies reported one-off items in 4QFY25

Exhibit 108: Adjusted and reported net income of the Nifty-50 stocks, 4QFY25 (Rs mn)

Company	Sector	Net income		
		Adjusted	Reported	Difference
Bajaj Auto	Automobiles & Components	20,493	20,493	—
Eicher Motors	Automobiles & Components	13,621	13,621	—
Hero Motocorp	Automobiles & Components	10,809	10,809	—
Mahindra & Mahindra	Automobiles & Components	24,371	24,371	—
Maruti Suzuki	Automobiles & Components	37,111	37,111	—
Tata Motors	Automobiles & Components	87,311	84,700	(2,611)
Axis Bank	Banks	71,175	71,175	—
HDFC Bank	Banks	176,161	176,161	—
ICICI Bank	Banks	126,296	126,296	—
IndusInd Bank	Banks	(22,360)	(22,360)	—
Kotak Mahindra Bank	Banks	49,328	49,328	—
State Bank of India	Banks	186,426	186,426	—
Bajaj Finserv	Diversified Financials	24,166	24,166	—
Bajaj Finance	Diversified Financials	45,456	45,456	—
Jio Financial Services	Diversified Financials	3,161	3,161	—
Shriram Finance	Diversified Financials	21,394	21,394	—
HDFC Life Insurance	Insurance	13,800	13,800	—
SBI Life Insurance	Insurance	16,600	16,600	—
Adani Enterprises	Capital Goods	9,193	38,449	29,256
Bharat Electronics	Capital Goods	21,210	20,000	(1,210)
L&T	Capital Goods	50,225	54,973	4,748
Asian Paints	Commodity Chemicals	8,751	6,921	(1,830)
Grasim Industries	Construction Materials	(1,740)	(2,880)	(1,140)
UltraTech Cement	Construction Materials	26,821	26,821	—
Hindustan Unilever	Consumer Staples	24,970	24,930	(40)
ITC	Consumer Staples	48,747	48,747	—
Nestle India	Consumer Staples	8,854	8,854	—
Tata Consumer Products	Consumer Staples	2,995	3,449	453
NTPC	Electric Utilities	57,781	57,781	—
Power Grid	Electric Utilities	41,725	41,429	(296)
Apollo Hospitals	Health Care Services	3,896	3,896	—
Eternal	Internet Software & Services	390	390	—
HCL Technologies	IT Services	42,893	42,893	—
Infosys	IT Services	66,040	70,320	4,280
TCS	IT Services	122,240	122,240	—
Tech Mahindra	IT Services	11,940	11,667	(273)
Wipro	IT Services	35,696	35,696	—
Hindalco Industries	Metals & Mining	52,780	52,840	60
JSW Steel	Metals & Mining	15,470	15,030	(440)
Tata Steel	Metals & Mining	16,894	13,008	(3,886)
Coal India	Oil, Gas & Consumable Fuels	95,925	95,925	—
ONGC	Oil, Gas & Consumable Fuels	64,483	64,483	—
Reliance Industries	Oil, Gas & Consumable Fuels	194,070	194,070	—
Cipla	Pharmaceuticals	12,218	12,218	—
Dr Reddy's Laboratories	Pharmaceuticals	16,701	15,933	(768)
Sun Pharmaceuticals	Pharmaceuticals	25,116	21,499	(3,617)
Titan Company	Retailing	8,700	8,700	—
Trent	Retailing	3,499	3,499	—
Bharti Airtel	Telecommunication Services	52,223	110,218	57,995
Adani Ports and SEZ	Transportation	29,182	28,631	(551)

Source: Companies, Kotak Institutional Equities estimates

KIE coverage universe: Net profits increased 8.2% yoy

4QFY25 net profits of the KIE coverage universe increased 8.2% yoy, 7.3% ahead of our expectations of 0.8% yoy increase in net profits. Automobile & components, telecommunication services and transportation reported a strong double-digit growth in net profits. Banks, consumer staples, IT services, oil, gas & consumable fuels reported single-digit yoy increase in net income whereas commodity chemicals, gas utilities and real estate showed a yoy decline in the income. In our coverage universe, 135 stocks beat our earnings forecast by more than 5%, 86 reported adjusted net income within -5% and +5% range of our estimates and 64 missed our estimates by more than 5%.

Exhibit 109-110 compares 4QFY25 EBITDA and net profits of KIE coverage sectors with 4QFY24, 3QFY25 and 4QFY25E. 4QFY25 results suggest a broad-based slowdown in the Indian economy. Companies have broadly disappointed versus modest expectations on net sales, EBITDA and net profits. 4QFY25 EBITDA of KIE universe increased 11.2% yoy, 2.7% ahead of our expectations. 4QFY25 EBITDA of capital goods, electric utilities, metals & mining, pharmaceuticals, retailing and telecommunication services and transportation sectors showed a strong yoy improvement in EBITDA.

EBITDA of KIE universe increased 11.2% yoy and 8.6% qoq

Exhibit 109: Comprehensive sector-wise EBITDA analysis of 4QFY25 earnings season (Rs bn)

	EBITDA (Rs bn)				Change (%) A/E	Growth (%)	
	Mar-24	Dec-24	Mar-25A	Mar-25E		yoy	qoq
Automobiles & Components	443	397	457	463	(1)	3	15
Capital Goods	180	159	207	207	(0)	15	30
Commodity Chemicals	27	28	25	27	(9)	(11)	(14)
Construction Materials	105	69	113	111	1	7	64
Consumer Durables & Apparel	28	31	35	35	(1)	23	13
Consumer Staples	162	158	165	162	2	2	4
Electric Utilities	266	272	282	283	(1)	6	4
Electronic Manufacturing Services	6	8	11	11	4	77	42
Fertilizers & Agricultural Chemicals	20	22	33	30	9	66	49
Gas Utilities	60	49	53	58	(9)	(11)	8
Health Care Services	21	24	25	25	1	19	2
Hotels & Restaurants	15.0	19.9	18.5	17.8	4	23	(7)
Internet Software & Services	3	4	(0)	(0)	12	(109)	(106)
IT Services	428	456	451	459	(2)	5	(1)
Media	6	9	6	6	7	(4)	(32)
Metals & Mining	394	424	491	472	4	25	16
Oil, Gas & Consumable Fuels	951	946	1,002	918	9	5	6
Pharmaceuticals	144	171	168	169	(1)	16	(2)
Real Estate	59	57	62	61	1	5	8
Retailing	29	46	36	34	5	23	(21)
Specialty Chemicals	32	35	38	38	(1)	18	10
Telecommunication Services	242	297	322	316	2	33	9
Transportation	101	122	134	123	9	33	10
KIE universe	3,732	3,819	4,149	4,042	2.7	11.2	8.6
KIE universe (ex-OMCs)	3,487	3,613	3,878	3,872	0.2	11.2	7.3
KIE universe (ex-oil, gas & consumable fuels)	2,780	2,874	3,147	3,124	0.7	13.2	9.5

Source: Kotak Institutional Equities estimates

Adjusted net income of KIE universe increased 8.2% yoy and 10.5% qoq

Exhibit 110: Comprehensive sector-wise PAT analysis of 4QFY25 earnings season (Rs bn)

	Adjusted PAT (Rs bn)				Change (%) A/E	Growth (%)	
	Mar-24	Dec-24	Mar-25A	Mar-25E		yoy	qoq
Automobiles & Components	246	226	272	270	1	11	20
Banks	810	793	820	708	16	1	3
Capital Markets	19	21	19	18	5	3	(8)
Capital Goods	110	76	119	116	2	8	57
Commercial & Professional Services	1	1	1	1	(5)	44	(10)
Commodity Chemicals	18	16	13	16	(19)	(27)	(21)
Construction Materials	56	17	52	51	3	(8)	206
Consumer Durables & Apparel	15	15	20	19	5	37	36
Consumer Staples	119	116	120	117	2	1	4
Diversified Financials	146	179	171	171	(0)	17	(4)
Electric Utilities	107	103	125	115	8	17	22
Electronic Manufacturing Services	3	4	5	6	(10)	56	47
Fertilizers & Agricultural Chemicals	2	10	12	14	(16)	567	19
Gas Utilities	39	36	35	38	(8)	(11)	(2)
Health Care Services	11	14	14	14	5	28	5
Hotels & Restaurants	4.8	7.7	6.8	6.2	10	43	(11)
Internet Software & Services	2	1	(1)	(2)	55	(153)	(191)
Insurance	80	57	82	79	4	3	44
IT Services	295	314	314	315	(0)	6	(0)
Media	3	7	5	4	47	49	(21)
Metals & Mining	126	146	204	188	9	63	40
Oil, Gas & Consumable Fuels	527	464	522	457	14	(1)	13
Pharmaceuticals	93	105	106	101	5	14	1
Real Estate	41	38	37	37	(1)	(10)	(3)
Retailing	22	27	20	19	2	(11)	(28)
Specialty Chemicals	20	20	24	24	0	16	16
Telecommunication Services	49	75	70	75	(6)	42	(6)
Transportation	47	58	65	55	18	38	13
KIE universe	3,016	2,953	3,263	3,041	7.3	8.2	10.5
KIE universe (ex-OMCs)	2,884	2,855	3,111	2,973	4.6	7.9	9.0
KIE universe (ex-oil, gas & consumable fuels)	2,489	2,490	2,740	2,583	6.1	10.1	10.1

Source: Kotak Institutional Equities estimates

Net profits of the automobiles & component sector increased 11% yoy. Most automobile companies saw (1) a yoy decline in volumes and (2) a few reported a decline in margins due to RM headwinds. Banking sector reported 1% yoy growth in the net income. IIB and SBI dragged down the net income. (1) IIB recognized discrepancies in the valuation of certain derivatives positions, which resulted in a large loss in 4QFY25 and (2) SBI reported high provisions in 4QFY25, which resulted in a 10% yoy decline in net profits even though reported net profits were 59% ahead of our estimate. Overall credit growth has moderated for the banking sector. The performance of the construction material sector was marred by weak realizations despite strong volume growth. Consumer companies reported weak volume prints, with commentary suggesting a challenging demand environment. IT services companies reported a weak March 2025 quarter led by select cases of delays in project ramp-ups and a cautious spending stance adopted by customers in a few verticals in the run-up to US tariff announcements. 4QFY25 net income of oil, gas & consumables fuels sector declined 1% yoy. Downstream companies reported unexpectedly strong refining margins. Net profits of the pharmaceuticals sector increased 14% yoy in 4QFY25 with strong domestic formulation sales offsetting weak US generic sales.

Exhibit 111 shows sectors that exceeded or fell short of our expectations on sales, EBITDA and net profits in descending order of beats or misses. Banks, real estate and retailing sectors beat our estimates at the revenue level while capital goods, consumer durables & apparel and gas utilities missed our revenue expectations. Oil, gas & consumable fuels and transportation sectors beat EBITDA estimates but commodity chemicals, gas utilities and IT services disappointed. Finally, banks, oil, gas & consumable fuels and transportation sectors beat our expectations at the net income level while chemicals, EMS and gas utilities sectors disappointed.

Chemicals, EMS and gas utilities sectors disappointed at net income level

Exhibit 111: Performance of sectors versus expectations (KIE universe) in 4QFY25 (Rs bn)

	Companies (#)	Net sales (Rs bn)		Change (%)
		Actual	Expected	
Revenues: Sectors posting positive surprises				
Banks	20	2,559	2,369	8
Real Estate	14	168	159	5
Retailing	5	356	339	5
Oil, Gas & Consumable Fuels	7	7,517	7,198	4
Transportation	8	399	384	4
Revenues: Sectors posting negative surprises				
Consumer Durables & Apparel	11	271	287	(6)
Gas Utilities	5	539	564	(5)
Commercial & Professional Services	2	63	65	(4)
Capital Goods	16	1,562	1,623	(4)
Electronic Manufacturing Services	6	167	174	(4)
	Companies (#)	EBITDA (Rs bn)		Change (%)
		Actual	Expected	
EBITDA: Sectors posting positive surprises				
Renewable Energy	2	15	12	17
Internet Software & Services	8	(0)	(0)	12
Oil, Gas & Consumable Fuels	7	1,002	918	9
Fertilizers & Agricultural Chemicals	4	33	30	9
Transportation	8	134	123	9
EBITDA: Sectors posting negative surprises				
Commodity Chemicals	5	25	27	(9)
Gas Utilities	5	53	58	(9)
IT Services	16	451	459	(2)
Automobiles & Components	27	457	463	(1)
Specialty Chemicals	13	38	38	(1)
	Companies (#)	PAT (Rs bn)		Change (%)
		Actual	Expected	
PAT: Sectors posting positive surprises				
Transportation	8	65	55	18
Banks	20	820	708	16
Oil, Gas & Consumable Fuels	7	522	457	14
Hotels & Restaurants	9	7	6	10
Metals & Mining	10	204	188	9
PAT: Sectors posting negative surprises				
Commodity Chemicals	5	13	16	(19)
Fertilizers & Agricultural Chemicals	4	12	14	(16)
Electronic Manufacturing Services	6	5	6	(10)
Gas Utilities	5	35	38	(8)
Telecommunication Services	4	70	75	(6)

Source: Kotak Institutional Equities estimates

Exhibit 112 shows the movement in EBITDA margins across sectors over the past few quarters. As can be seen, many sectors saw sharp compression in EBITDA margins in 4QFY25 on a yoy basis although margins were generally better on a qoq basis. We do not focus on EBITDA margins for certain sectors (construction materials, oil, gas & consumable fuels and metals & mining) and focus on absolute profitability (Rs/ton or US\$/ton). Nonetheless, the exercise is useful to understand specific issues dogging some sectors.

4QFY25 EBITDA margin of most sectors contracted on a yoy basis
Exhibit 112: Comparison of EBITDA margin for KIE universe stocks (%)

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25A	Mar-25E
Automobiles & Components	13.8	13.9	12.6	12.3	13.5	13.4
Capital Goods	12.2	12.0	12.7	12.0	13.2	12.6
Commercial & Professional Services	3.3	2.8	2.9	3.1	3.4	3.2
Commodity Chemicals	16.4	17.4	15.0	16.5	14.7	16.0
Construction Materials	17.9	14.9	11.4	12.9	17.6	17.1
Consumer Durables & Apparel	11.2	11.3	10.7	12.5	12.7	12.1
Consumer Staples	24.9	25.5	23.9	23.2	23.7	23.3
Electric Utilities	34.3	35.3	35.4	36.4	34.5	34.8
Electronic Manufacturing Services	6.4	5.2	4.9	5.3	6.6	6.2
Fertilizers & Agricultural Chemicals	12.0	12.6	11.9	15.0	17.9	17.0
Gas Utilities	11.6	14.4	12.1	9.4	9.9	10.3
Health Care Services	19.5	19.4	20.8	20.1	20.0	20.1
Hotels & Restaurants	25.3	22.5	22.3	27.0	26.3	25.6
Internet Software & Services	3.1	4.1	4.5	3.7	0.7	0.7
IT Services	22.7	22.2	22.6	22.7	22.4	22.6
Media	14.9	18.8	19.4	20.3	14.3	13.6
Metals & Mining	15.5	17.2	16.4	17.0	18.1	17.9
Oil, Gas & Consumable Fuels	12.8	12.0	11.3	13.0	13.3	12.8
Pharmaceuticals	24.2	24.5	25.2	26.1	24.9	25.4
Real Estate	36.3	37.3	35.2	37.0	35.2	36.3
Renewable Energy	14.8	18.0	17.7	23.9	25.8	21.3
Retailing	9.9	10.8	10.4	11.3	10.1	10.1
Specialty Chemicals	19.2	20.4	19.8	19.8	20.2	20.5
Telecommunication Services	46.7	46.4	47.6	49.4	50.7	50.0
Transportation	30.7	34.4	25.3	31.6	33.7	32.2
KIE universe	16.9	17.1	16.5	17.2	17.7	17.5

Source: Kotak Institutional Equities estimates

3

4QFY25 results takeaways: Dragging along

The 4QFY25 results season saw tepid consumer demand, while investment growth moderated. Underlying demand remains weak, with rural seeing gradual improvement but urban demand staying subdued. Lenders reported modest credit growth, with broadly steady asset quality and stable NIMs. Capital goods companies reported modest domestic revenue growth but margin pressures. IT companies experienced adverse demand scenario, while domestic pharma companies reported healthy growth.

Lenders witnessed slowing credit growth but stable asset quality; consumption remains subdued

- **Banks witnessed modest credit growth, while NIMs stabilized broadly and asset quality was broadly under control.** Bank credit saw moderate growth in 4QFY25, with outstanding bank credit as of March 2025 growing 11% yoy. A moderation in retail credit growth (+12% yoy from higher levels in previous months) has led to softness in overall credit growth. We note that housing credit growth and vehicle credit growth has softened further at 11% yoy and 6% yoy, while unsecured credit growth such as credit cards have moderated from 25%+ yoy growth rates in previous quarters to 11% in 4QFY25. Industry credit growth has stayed soft. Exhibit 113 gives credit growth by sectors.

Credit growth has softened in recent months, led by softening credit offtake in retail loans

Exhibit 113: Deployment of gross bank credit in major sectors (Rs bn)

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Proportion (%)	Growth qoq (%)	yoy (%)
Food credit	231	181	403	339	282	244	199	187	513	561	562	474	365	—	(35)	58
Agriculture	20,713	21,140	21,390	21,596	21,560	21,606	21,673	22,053	22,235	22,390	22,535	22,643	22,871	13	2	10
Industry	36,528	36,571	37,032	37,282	37,221	37,562	38,016	37,743	38,131	38,544	38,746	38,754	39,371	22	2.1	8
Textiles	2,560	2,542	2,557	2,553	2,551	2,560	2,568	2,568	2,595	2,641	2,677	2,737	2,773	2	5	8
Chemical / Products	2,493	2,520	2,563	2,549	2,548	2,572	2,634	2,599	2,633	2,636	2,654	2,632	2,678	1	2	7
Iron and Steel	2,738	2,700	2,752	2,818	2,850	2,952	3,005	3,003	3,046	3,062	3,081	3,017	3,002	2	(2)	10
Engineering	1,966	1,972	1,990	2,035	2,046	2,156	2,182	2,193	2,240	2,271	2,291	2,324	2,401	1	6	22
Gems & Jewellery	849	836	828	840	829	862	912	924	870	878	864	830	857	—	(2)	1
Food processing	2,089	2,108	2,074	2,064	2,050	1,995	1,924	1,903	1,976	2,120	2,174	2,191	2,195	1	4	5
Construction	1,335	1,315	1,363	1,371	1,404	1,416	1,419	1,386	1,421	1,438	1,452	1,497	1,507	1	5	13
Infrastructure	13,041	13,224	13,377	13,239	13,011	13,062	12,999	12,986	13,126	13,144	13,092	13,027	13,228	7	1	1
- Power	6,440	6,474	6,581	6,466	6,369	6,386	6,416	6,461	6,520	6,562	6,647	6,609	6,830	4	4	6
- Telecom	1,382	1,374	1,344	1,325	1,296	1,323	1,240	1,215	1,227	1,246	1,241	1,164	1,189	1	(5)	(14)
- Roads	3,181	3,311	3,357	3,358	3,275	3,280	3,259	3,258	3,332	3,258	3,145	3,159	3,112	2	(4)	(2)
- Others	2,038	2,065	2,096	2,089	2,070	2,073	2,083	2,052	2,048	2,077	2,060	2,094	1,811	1	(13)	(11)
Others	9,456	9,356	9,528	9,813	9,932	9,986	10,374	10,179	10,225	10,355	10,461	10,498	10,730	6	4	13
Trade	10,258	10,232	10,548	10,595	10,410	10,526	10,725	10,795	10,816	11,112	11,310	11,579	11,868	7	7	16
Retail loans	53,313	53,629	54,566	54,861	55,298	55,555	55,967	56,475	57,349	57,949	58,315	58,789	59,523	33	3	12
Housing	27,187	27,441	27,866	27,986	28,101	28,332	28,455	28,718	29,087	29,317	29,510	29,788	30,105	17	3	11
Vehicle loans	5,893	5,940	6,023	6,038	6,186	6,108	6,172	6,164	6,056	6,133	6,152	6,198	6,228	3	2	6
Credit cards	2,570	2,596	2,680	2,730	2,756	2,766	2,718	2,814	2,890	2,911	2,921	2,870	2,844	2	(2)	11
Education loans	1,194	1,191	1,211	1,220	1,231	1,261	1,291	1,303	1,316	1,331	1,359	1,368	1,375	1	3	15
Others	16,469	16,459	16,787	16,887	17,024	17,088	17,331	17,475	18,000	18,256	18,374	18,565	18,972	10	4	15
Other categories	43,280	43,190	43,875	44,136	43,376	43,959	44,673	45,131	46,049	46,872	47,279	47,660	48,441	27	3	12
Transporters	2,302	2,350	2,431	2,422	2,372	2,435	2,450	2,464	2,498	2,530	2,539	2,576	2,584	1	2	12
Professional/others	1,672	1,747	1,799	1,721	1,634	1,737	1,777	1,863	1,849	1,896	1,909	1,928	1,960	1	3	17
Real Estate loans	4,690	4,463	4,791	4,833	4,845	4,948	4,973	5,077	5,149	5,209	5,235	5,262	5,328	3	2	14
NBFCs	15,480	15,547	15,681	15,555	15,289	15,222	15,290	15,367	15,753	16,218	16,187	16,123	16,361	9	1	6
Others	19,135	19,084	19,173	19,605	19,236	19,616	20,183	20,361	20,800	21,020	21,409	21,771	22,209	12	6	16
Total	164,322	164,943	167,814	168,808	168,148	169,452	171,254	172,382	175,092	177,429	178,748	179,900	182,439		2.8	11

Source: RBI, Kotak Institutional Equities

We note that most industrial sectors are witnessing soft credit demand, with engineering and iron and steel being the major sectors driving industrial credit growth. We note that bank credit to NBFCs moderated further in 4QFY25 to 6% yoy. Loans for trading (+16% yoy) and real estate loans (+14% yoy) are the only major pockets, where bank lending remains strong.

Most banks, public or private, reported moderate credit growth. Exhibit 114 shows credit growth for banks under our coverage and total credit growth for the past few quarters. We note that private banks continue to report weak credit growth, driven by slowdown in HDFCB's loan book and management and operating challenges in IIB. HDFCB continues to prioritize the liability side of the balance sheet, leading to continued softness in lending. We note that other large private banks such as AXSB and ICICIB have also seen steady moderation in their loan growth, as banks appear to prioritize their margins over growth.

Credit growth has moderated in recent quarters, especially for private banks

Exhibit 114: Yoy growth in loans for banks in KIE universe, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Public banks									
Bank of Baroda	15	20	19	15	13	9	12	12	13
Canara Bank	23	13	12	12	11	10	10	10	12
Punjab National Bank	12	16	15	14	14	14	15	17	15
State Bank of India	17	15	13	15	16	16	15	14	12
Union Bank	15	14	10	14	14	14	12	7	10
Old private banks									
City Union Bank	8	4	2	0	4	10	12	15	14
Federal Bank	20	21	20	18	20	20	19	16	12
Karur Vysya Bank	11	12	14	16	16	16	14	14	14
New private banks									
Axis Bank	19	22	23	22	14	14	11	9	8
Bandhan Bank	11	8	13	20	16	24	24	16	9
DCB Bank	18	19	19	18	19	19	19	23	25
HDFC Bank	17	16	58	62	55	52	7	3	5
ICICI Bank	19	18	18	18	16	16	15	14	13
IndusInd Bank	21	22	21	20	18	15	13	12	1
Yes Bank	12	7	9	12	12	15	12	13	8
Small finance banks									
AU Small Finance Bank	27	29	24	20	25	43	48	49	46
Equitas Small Finance Bank	33	34	32	25	20	16	18	21	17
Ujjivan Small Finance Bank	31	34	40	31	26	22	20	16	17
Total	17	16	22	22	21	20	13	11	11
Total (ex-HDFCB)	17	16	15	16	15	14	14	13	12
Public sector	17	16	14	14	14	14	14	13	12
Private sector	18	18	33	35	30	29	12	9	8

Notes:

(a) 2QFY24 onwards numbers of HDFCB is for the merged entity.

Source: Companies, Kotak Institutional Equities

All banks, public or private, saw decent deposit growth, with (1) private banks outpacing PSU banks and (2) their deposits growing faster than credit. Exhibit 115 shows deposit growth for banks under our coverage and total deposit growth for the past few quarters. However, banks saw very modest growth in CASA deposits, with ICICIB outpacing other large banks on CASA growth (see Exhibits 116-117).

Steady improvement in deposit growth, especially for private banks

Exhibit 115: Yoy growth in deposits for banks in KIE universe, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Public banks									
Bank of Baroda	15	16	15	8	11	9	9	13	10
Canara Bank	9	7	9	9	11	12	9	8	11
Punjab National Bank	12	14	10	9	7	9	11	16	14
State Bank of India	9	12	12	13	11	8	9	10	9
Union Bank	8	14	9	10	9	9	9	4	7
Old private banks									
City Union Bank	10	6	6	5	6	6	9	11	14
Federal Bank	17	21	23	19	18	20	16	11	12
Karur Vysya Bank	12	13	13	13	16	14	15	15	15
New private banks									
Axis Bank	15	17	18	18	13	13	14	14	10
Bandhan Bank	12	17	13	15	25	23	27	27	12
DCB Bank	19	23	23	19	20	20	20	20	22
HDFC Bank	21	19	30	28	26	24	15	15	14
ICICI Bank	11	18	19	19	20	15	16	16	14
IndusInd Bank	15	15	14	13	14	15	15	15	7
Yes Bank	10	14	17	13	22	21	18	15	7
Small finance banks									
AU Small Finance Bank	32	27	30	31	26	40	45	45	45
Equitas Small Finance Bank	34	36	42	38	42	35	29	26	19
Ujjivan Small Finance Bank	40	45	43	28	23	22	17	17	17

Notes:

(a) 2QFY24 onwards numbers of HDFCB is for the merged entity.

Source: Companies, Kotak Institutional Equities

Modest growth in CASA deposits for large banks

Exhibit 116: Yoy growth in CASA deposits for banks in KIE universe, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Public banks									
Bank of Baroda	10	6	7	6	8	10	9	9	7
Canara Bank	1	3	3	6	7	5	6	3	7
Punjab National Bank	1	3	3	6	3	4	4	4	5
State Bank of India	6	6	5	5	4	3	4	5	6
Union Bank	4	7	4	6	4	4	2	(0)	4
Old private banks									
City Union Bank	1	3	(0)	5	9	2	8	5	6
Federal Bank	4	5	5	6	6	10	11	9	16
Karur Vysya Bank	5	4	3	5	6	4	6	4	4
New private banks									
Axis Bank	21	22	13	12	3	4	4	2	4
Bandhan Bank	6	(3)	7	14	18	14	9	5	(5)
DCB Bank	24	11	5	13	11	18	23	16	15
HDFC Bank	11	11	8	10	9	6	8	4	4
ICICI Bank	4	9	4	4	10	9	15	17	13
IndusInd Bank	7	6	6	4	8	6	5	1	(7)
Yes Bank	9	8	11	12	23	26	29	28	19
Small finance banks									
AU Small Finance Bank	36	14	4	13	9	32	38	30	24
Equitas Small Finance Bank	9	1	(0)	(2)	8	10	17	10	7
Ujjivan Small Finance Bank	35	27	28	24	24	27	26	15	15

Notes:

(a) 2QFY24 onwards numbers of HDFCB is for the merged entity.

Source: Companies, Kotak Institutional Equities

Marginal qoq improvement in CASA ratio for large banks

Exhibit 117: CASA ratio of banks in KIE universe, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Public banks									
Bank of Baroda	42	40	40	41	41	41	40	39	40
Canara Bank	33	33	32	32	32	31	31	30	31
Punjab National Bank	43	42	42	42	41	40	39	38	38
State Bank of India	44	43	42	41	41	41	40	39	40
Union Bank	35	34	34	34	34	33	32	32	33
Old private banks									
City Union Bank	30	31	30	29	31	30	29	28	29
Federal Bank	33	32	31	31	29	29	30	30	30
Karur Vysya Bank	33	33	32	32	30	30	29	28	27
New private banks									
Axis Bank	47	46	44	42	43	42	41	39	41
Bandhan Bank	39	36	39	36	37	33	33	32	31
DCB Bank	28	26	25	26	26	25	26	25	25
HDFC Bank	44	42	38	38	38	36	35	34	35
ICICI Bank	46	43	41	40	42	41	41	40	42
IndusInd Bank	40	40	39	38	38	37	36	35	33
Yes Bank	31	29	29	30	31	31	32	33	34
Small finance banks									
AU Small Finance Bank	38	35	34	33	33	33	32	31	29
Equitas Small Finance Bank	42	39	34	33	32	31	31	29	29
Ujjivan Small Finance Bank	26	25	24	25	26	26	26	25	26

Source: Companies, Kotak Institutional Equities

We note that most banks reported broadly stable margins (see Exhibit 118), with most large private banks and SBIN reporting stable profitability on a qoq basis. Among the major banks, (1) BOB saw a 20 bps qoq decline (moderating yields), (2) IIB saw a large 162 bps qoq decline (higher income de-recognition on past accounting discrepancies of income and expenses) and (3) PNB reported a 16 bps qoq decline (moderating yields) in NIMs. Meanwhile, costs of funds were broadly stable for most banks in 4QFY25 (see Exhibit 119).

Stable NIMs for SBIN and large private banks on a qoq basis

Exhibit 118: Net interest margin for banks in KIE universe, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Public banks									
Bank of Baroda	3.4	3.1	3.0	3.0	3.1	3.0	3.0	2.8	2.6
Canara Bank	2.7	2.6	2.6	2.7	2.7	2.5	2.5	2.4	2.4
Punjab National Bank	2.8	2.7	2.8	2.9	2.8	2.8	2.7	2.7	2.5
State Bank of India	3.2	3.1	3.0	2.9	3.0	2.9	2.9	2.8	2.8
Union Bank	2.8	2.9	2.9	2.9	2.9	2.8	2.7	2.7	2.7
Old private banks									
City Union Bank	3.2	3.3	3.4	3.2	3.3	3.2	3.3	3.2	3.2
Federal Bank	3.2	3.1	3.1	3.1	3.1	3.1	3.0	3.0	2.9
Karur Vysya Bank	3.9	3.8	3.7	3.9	3.8	3.8	3.8	3.7	3.7
New private banks									
Axis Bank	3.9	3.9	4.0	3.9	3.8	3.8	3.8	3.8	3.7
Bandhan Bank	6.9	6.7	6.6	6.7	7.1	7.2	7.0	6.5	6.1
DCB Bank	3.8	3.5	3.4	3.2	3.3	3.1	3.1	3.1	3.0
HDFC Bank	4.2	4.1	3.5	3.5	3.5	3.5	3.5	3.5	3.5
ICICI Bank	4.8	4.8	4.6	4.5	4.4	4.4	4.3	4.3	4.3
IndusInd Bank	4.1	4.2	4.3	4.4	4.3	4.1	4.0	3.8	2.2
Yes Bank	3.1	2.9	2.8	2.8	2.8	2.8	2.8	2.7	2.8
Small finance banks									
AU Small Finance Bank	5.8	5.6	5.5	5.5	5.2	6.2	6.1	5.9	5.7
Equitas Small Finance Bank	9.1	8.8	8.5	8.4	8.1	7.9	7.5	7.4	7.3
Ujjivan Small Finance Bank	9.6	9.6	9.3	9.1	9.6	9.4	9.1	8.2	7.7
Utkarsh Small Finance Bank	9.1	9.1	9.4	9.9	10.0	9.7	9.0	7.5	6.2

Source: Companies, Kotak Institutional Equities estimates

Cost of deposits were stable in 4QFY25 for most banks on a qoq basis

Exhibit 119: Cost of funds for banks in KIE universe, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Public banks									
Bank of Baroda (calc.)	4.5	4.7	5.1	5.1	5.1	5.1	5.2	5.2	5.0
Canara Bank	4.0	4.8	4.9	4.9	5.0	5.3	5.3	5.3	5.3
PNB (calc.)	4.4	4.7	4.8	4.9	5.1	5.0	5.2	5.2	5.2
SBI (calc.)	4.3	4.6	4.9	5.1	5.1	5.1	5.2	5.2	5.2
Union Bank (calc.)	4.8	5.0	5.3	5.4	5.5	5.4	5.6	5.6	5.6
Old private banks									
City Union Bank	4.3	4.6	4.6	4.8	4.8	4.8	4.8	4.9	5.0
Federal Bank (calc.)	5.0	5.2	5.5	5.7	5.7	5.8	5.8	6.0	5.7
Karur Vysya Bank	4.6	5.0	5.2	5.3	5.4	5.5	5.6	5.7	5.8
New private banks									
Axis Bank	4.8	5.0	5.2	5.4	5.4	5.4	5.5	5.5	5.5
Bandhan	5.8	6.4	6.5	6.6	6.9	7.0	7.0	7.1	7.2
DCB	6.4	6.7	6.9	7.0	7.1	7.2	7.2	7.2	7.3
HDFC Bank (calc.)	4.3	4.7	6.4	5.8	5.7	5.7	5.8	5.8	5.7
ICICI Bank	4.3	4.6	4.8	5.0	5.0	5.0	5.0	5.0	5.0
IndusInd Bank	4.9	5.3	5.4	5.5	5.6	5.6	5.6	5.7	5.6
Yes Bank	5.9	6.2	6.4	6.3	6.3	6.3	6.3	6.3	6.3
Small finance banks									
AU Small Finance Bank	6.3	6.6	6.7	6.9	7.0	7.0	7.0	7.1	7.1
Equitas Small Finance Bank	6.6	6.8	7.3	7.6	7.3	7.3	7.5	7.5	7.4
Ujjivan Small Finance Bank	6.9	7.2	7.4	7.5	7.2	7.5	7.5	7.6	7.6

Source: Companies, Kotak Institutional Equities

Most major banks under our coverage reported low and stable GNPLs and NNPLs in 4QFY25. NPLs stood at multi-quarter lows aided by solid financial condition of borrowers and high collections for lenders (see Exhibit 120). Gross slippages have been under control for most large banks. However, slippages have stayed high for the SFBs in 4QFY25 given the large share of MFI loans in their loan mix. Most large banks also reported stable asset quality, with only BOB being the exception, reporting a weakening of asset quality in personal loans in 4QFY25.

NPLs and slippages at low levels in general; qoq increase for banks with high share of MFI loans in overall loan book

Exhibit 120: Trend in gross NPLs, net NPLs and slippages, March fiscal year-ends, 2024-25 (%)

	Gross NPLs (%)					Net NPLs (%)					Slippages (%)						
	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Public banks																	
Bank of Baroda	2.9	2.9	2.5	2.4	2.3	0.7	0.7	0.7	0.6	0.6	0.6	1.0	1.2	1.1	1.2	1.0	1.1
Canara Bank	4.2	4.1	3.7	3.3	2.9	1.3	1.3	1.2	1.0	0.9	0.7	1.4	1.4	1.4	1.0	1.0	1.0
Punjab National Bank	5.7	5.0	4.5	4.1	4.0	1.0	0.7	0.6	0.5	0.4	0.4	0.8	1.0	0.8	0.9	0.7	1.1
State Bank of India	2.2	2.2	2.1	2.1	1.8	0.6	0.6	0.6	0.5	0.5	0.5	0.6	0.5	0.9	0.5	0.4	0.4
Union Bank	4.8	4.5	4.4	3.9	3.6	1.1	1.0	0.9	1.0	0.8	0.6	1.3	1.5	1.0	2.3	0.8	1.1
Old private banks																	
City Union Bank	4.0	3.9	3.5	3.4	3.1	2.2	2.0	1.9	1.6	1.4	1.3	1.7	2.0	1.5	1.5	1.7	2.1
Federal Bank	2.1	2.1	2.1	2.0	1.8	0.6	0.6	0.6	0.6	0.5	0.4	1.0	0.7	0.8	0.8	0.9	0.9
Karur Vysya Bank	1.4	1.3	1.1	0.8	0.8	0.4	0.4	0.4	0.3	0.2	0.2	1.1	1.1	0.9	0.9	0.7	0.9
New private banks																	
Axis Bank	1.4	1.5	1.4	1.5	1.3	0.4	0.3	0.3	0.3	0.4	0.3	1.6	1.4	2.0	1.8	2.1	1.8
Bandhan Bank	3.8	4.2	4.7	4.7	4.7	2.2	1.1	1.2	1.3	1.3	1.3	5.2	3.5	3.2	3.5	5.0	5.3
DCB Bank	3.2	3.3	3.3	3.1	3.0	1.2	1.1	1.2	1.2	1.2	1.1	4.6	3.3	3.6	3.7	3.6	3.1
HDFC Bank	1.2	1.3	1.4	1.4	1.3	0.3	0.3	0.4	0.4	0.5	0.4	1.2	1.2	1.3	1.3	1.4	1.2
ICICI Bank	2.2	2.2	2.0	2.0	1.7	0.4	0.4	0.4	0.4	0.4	0.4	2.1	1.8	2.0	1.7	1.9	1.6
IndusInd Bank	1.9	2.0	2.1	2.3	3.1	0.6	0.6	0.6	0.6	0.7	1.0	2.2	1.7	1.8	2.1	2.5	5.5
Yes Bank	1.7	1.7	1.6	1.6	1.6	0.9	0.6	0.5	0.5	0.5	0.3	2.4	2.5	2.1	2.3	2.3	2.0
Small finance banks																	
AU Small Finance Bank	1.7	1.8	2.0	2.3	2.3	0.7	0.6	0.6	0.8	0.9	0.7	2.5	1.8	2.5	3.3	4.0	3.6
Equitas Small Finance Bank	2.6	2.7	3.0	3.0	2.9	1.1	1.2	0.8	0.8	1.0	1.0	4.0	4.3	4.5	5.8	6.5	5.9
Ujjivan Small Finance Bank	2.2	2.5	2.5	2.7	2.2	0.2	0.3	0.4	0.6	0.6	0.5	2.0	1.9	2.6	3.2	4.6	4.6
Utkarsh Small Finance Bank	2.5	2.8	3.9	6.2	9.4	0.2	0.0	0.3	0.9	2.5	4.8	3.8	2.4	4.3	8.3	15.9	16.2
Total	2.6	2.5	2.4	2.3	2.1	0.7	0.6	0.6	0.6	0.6	0.5						
Public banks	3.3	3.2	3.0	2.8	2.5	0.8	0.7	0.7	0.6	0.6	0.5						
Private banks	1.7	1.7	1.7	1.7	1.7	0.5	0.4	0.5	0.5	0.5	0.5						

Source: Companies, Kotak Institutional Equities

PPOP growth was quite divergent across banks in 4QFY25. The large PSU and private banks reported modest-to-strong growth in PPOP with the exception of HDFCB while the regional banks and SFBs saw very divergent changes in PPOP depending on the impact of bad loans on NII. Provisions also varied across banks in 4QFY25 with SBI reporting a sharp sequential increase in provisions and SFBs reporting high provisions for the third quarter in a row. Exhibit 121 shows the provisions, pre-provision operating profits (PPOP) and the ratio of the two for the past five quarters for banks under our coverage.

PPOP saw modest increase on a yoy basis, while provisions largely stable

Exhibit 121: Provisions and pre-provision operating profits (PPOP) for banks in KIE coverage universe, 4QFY24-4QFY25

	Pre-provision operating profits (Rs bn)					Provisions (Rs bn)					Provisions/PPOP (%)				
	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Public banks															
Bank of Baroda	81	72	95	77	81	13	10	23	11	16	16	14	25	14	19
Canara Bank	74	76	77	78	83	25	23	23	24	18	34	30	29	31	22
Punjab National Bank	64	66	69	66	68	16	13	3	(3)	4	25	20	4	(4)	5
State Bank of India	287	264	293	236	313	16	34	45	9	64	6	13	15	4	21
Union Bank	65	78	81	75	77	13	28	17	16	15	19	35	21	21	20
Old private banks															
City Union Bank	4	4	4	4	4	—	—	1	1	1	9	10	16	17	18
Federal Bank	11	15	16	16	15	(1)	1	2	3	1	(9)	10	10	19	9
Karur Vysya Bank	9	7	8	8	8	3	1	2	1	2	34	18	22	18	19
New private banks															
Axis Bank	105	101	107	105	108	12	20	22	22	14	11	20	21	20	13
Bandhan Bank	18	19	19	20	16	18	5	6	14	13	97	27	33	68	80
DCB Bank	2	2	3	3	3	—	—	—	1	1	10	14	18	25	22
HDFC Bank	293	239	247	250	265	135	26	27	32	32	46	11	11	13	12
ICICI Bank	150	160	167	169	177	7	13	12	12	9	5	8	7	7	5
IndusInd Bank	40	39	36	36	(5)	9	10	18	17	24	22	27	51	48	NM
Small finance banks															
AU Small Finance Bank	6	10	11	12	13	1	3	4	5	6	23	30	33	42	49
Equitas Small Finance Bank	4	3	3	3	3	1	3	3	2	3	28	89	94	73	83
Ujjivan Small Finance Bank	5	5	5	4	4	1	1	2	2	3	15	22	33	62	74

Source: Companies, Kotak Institutional Equities

4QFY25 was another decent quarter for most NBFCs under our coverage, with companies reporting strong credit growth. Of note, (1) BAF reported 26% yoy AUM growth driving 22% yoy NII growth, (2) CIFC reported 27% yoy AUM growth, driving 30% yoy NII growth, (3) MMFS reported 17% yoy loan growth but 6% yoy NII growth (69 bps yoy compression in NIMs) and (4) SHFL reported 17% yoy increase in AUM but 9% yoy increase in NII.

Most NBFCs reported (1) a moderate decline in NIMs on a yoy basis as borrowing costs increased in a few cases but (2) stable NIMs on a qoq basis with both yields and NIMs being broadly stable. Exhibit 122 shows the yields, cost of borrowing, spread and NIMs for the NBFC stocks under our coverage.

Most NBFCs reported stable NIMs qoq

Exhibit 122: Yields, costs of borrowings, spread and NIMs for the NBFC stocks under our coverage, 4QFY23-4QFY25 (%)

	Yields									Cost of borrowing								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Aavas Financiers	13.8	13.9	14.2	14.2	13.8	13.5	13.4	13.6	13.7	6.9	7.3	7.5	7.7	7.4	7.5	8.0	8.0	7.8
Aptus Value Housing Finance	18.1	17.8	17.1	17.6	17.3	17.1	17.1	17.3	17.4	8.3	8.5	9.1	8.8	8.8	8.9	8.7	9.0	9.0
Bajaj Finance	16.5	16.5	16.7	16.8	16.7	16.5	16.4	16.5	16.3	6.9	7.3	7.4	7.5	7.5	7.6	7.8	7.8	7.5
Cholamandalam	14.0	14.1	14.1	14.3	14.4	14.3	14.4	14.5	14.6	7.4	7.8	7.8	8.0	8.0	7.9	7.9	8.1	7.9
Home First Finance	13.9	14.3	14.7	14.6	14.4	14.3	14.2	14.4	14.5	7.8	8.2	8.1	8.1	8.4	8.5	8.4	8.5	8.2
L&T Finance Holdings	14.3	14.8	15.1	15.5	15.9	15.5	15.5	15.5	15.4	6.8	6.9	7.0	7.1	7.0	6.9	7.1	7.3	7.2
LIC Housing Finance	8.8	9.4	9.7	9.7	9.6	9.7	9.4	9.4	9.4	7.2	7.4	7.6	7.6	7.5	7.5	7.6	7.6	7.4
Mahindra Finance	14.8	14.7	14.3	14.0	14.1	14.2	13.8	13.7	13.9	7.3	7.5	7.6	7.8	7.7	7.8	7.8	7.9	7.7
Muthoot Finance	17.3	17.4	18.2	18.5	18.1	17.7	17.8	18.3	18.3	7.8	8.0	8.0	8.4	8.7	8.6	8.4	8.7	9.0
Shriram Finance	16.5	16.4	16.2	16.6	16.5	16.5	16.3	16.5	16.6	8.3	8.7	8.9	8.7	8.8	8.7	8.7	8.8	9.1

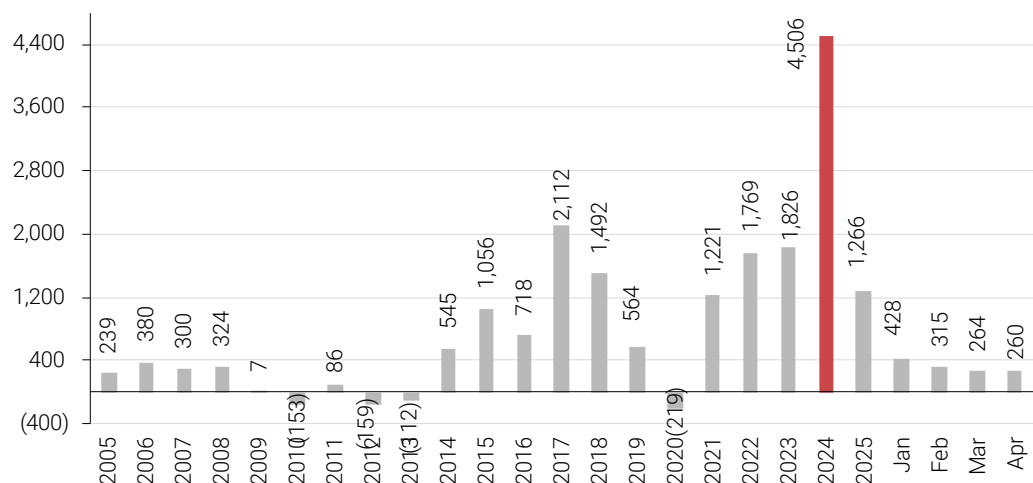
	Spreads									NIM								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Aavas Financiers	6.9	6.7	6.7	6.5	6.4	6.0	5.4	5.5	6.0	8.0	7.8	7.4	7.0	7.0	6.8	6.7	6.8	6.8
Aptus Value Housing Finance	9.8	9.3	8.0	8.8	8.4	8.2	8.4	8.3	8.4	13.1	12.2	12.4	12.2	12.0	11.7	11.8	11.7	11.5
Bajaj Finance	9.6	9.2	9.3	9.2	9.2	8.9	8.6	8.7	8.8	10.5	10.4	10.3	10.2	10.0	9.8	9.7	9.7	9.7
Cholamandalam	6.5	6.3	6.4	6.3	6.4	6.4	6.4	6.5	6.8	7.1	6.8	6.8	6.8	6.8	6.9	6.8	6.9	6.9
Home First Finance	6.1	6.1	6.6	6.5	6.0	5.7	5.8	5.9	6.2	7.8	8.2	8.1	8.1	8.4	8.5	8.4	8.5	8.2
L&T Finance Holdings	NA	NA	NA	NA	NA	NA	NA	NA	NA	7.9	8.2	8.8	9.1	9.1	9.3	9.0	8.7	8.0
LIC Housing Finance	1.6	2.0	2.1	2.1	2.2	2.2	1.7	1.8	1.9	2.9	3.2	3.0	3.0	3.2	2.8	2.7	2.7	2.9
Mahindra Finance	7.5	7.2	6.7	6.2	6.4	6.5	6.1	5.8	6.2	8.0	7.5	7.0	7.1	7.3	6.8	6.6	6.7	6.6
Muthoot Finance	9.5	9.4	10.2	10.1	9.4	9.1	9.4	9.6	9.3	11.0	11.9	12.3	11.6	10.9	10.9	11.6	11.5	11.5
Shriram Finance	8.2	7.6	7.4	8.0	7.8	7.8	7.6	7.7	7.5	9.4	9.0	9.5	9.6	9.4	9.2	9.3	9.0	8.6

Source: Companies, Kotak Institutional Equities

Most AMC's under coverage reported strong revenue growth, driven by (1) continued robust inflows into equity mutual funds (see Exhibit 123) and (2) steady profitability. We note that most AMC's maintained their market share on a yoy basis with some of the smaller AMC's managing to hold on to their market position after a few years of decline in market shares (see Exhibit 124). The larger AMC's and RTA companies in our coverage universe reported strong growth in revenues and profits, partly aided by a weak base in a few cases (see Exhibit 125).

Equity inflows into domestic mutual funds have moderated from elevated levels of 2024

Exhibit 123: Net MF flows (Equity + ELSS + 70% balanced), calendar year-ends, 2005-25 (Rs bn)



Source: AMFI, Kotak Institutional Equities

Most AMCs have maintained their market share in FY2025

Exhibit 124: Actively-managed equity oriented market share (MAAUM basis), March fiscal year-ends, 2017-25 (%)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Aditya Birla Sun Life	8.7	9.2	8.8	7.7	7.2	6.4	5.5	4.8	4.2
Axis AMC	3.3	3.6	4.6	6.8	8.0	8.4	7.1	5.6	4.9
Bandhan AMC	2.2	2.1	2.2	2.6	2.0	1.6	1.5	1.6	1.7
DSP Mutual Fund	4.4	4.4	3.9	3.9	4.1	3.8	3.4	3.1	3.1
Franklin Templeton	7.5	5.6	5.2	4.3	3.7	2.8	2.6	2.5	2.3
HDFC AMC	15.8	16.2	15.6	14.4	13.0	11.4	12.2	12.9	12.8
ICICI Prudential AMC	15.2	15.0	14.3	13.5	12.5	12.4	13.0	13.2	13.6
Kotak AMC	3.7	4.7	5.1	6.4	6.7	7.0	7.0	7.2	7.3
Mirae AMC	1.2	1.5	2.2	3.5	4.7	4.9	4.9	4.4	3.8
Nippon Life India AMC	9.7	9.2	8.9	7.4	6.9	6.3	6.4	6.8	6.9
SBI AMC	8.0	7.9	8.9	9.7	10.2	12.0	12.6	12.8	12.7
Tata AMC	2.1	1.7	2.3	2.3	2.5	2.9	2.8	2.8	2.8
UTI AMC	6.3	4.8	4.7	4.4	4.8	4.8	4.5	3.9	3.7
Total of above players	88.2	86.1	86.5	86.9	86.3	84.7	83.5	81.6	86.7
Top-10 players	82.7	80.7	79.9	78.5	78.0	77.4	76.6	74.7	77.0

Source: AMFI, Kotak Institutional Equities

Decent-to-strong revenue and core PAT growth on a yoy basis

Exhibit 125: Yoy growth in revenues and core PBT of AMCs and RTAs, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Revenue growth									
360 One	(7)	8	12	6	46	48	30	34	14
ABSL AMC	(8)	2	8	9	23	24	25	24	17
CAMS	2	10	13	19	25	27	33	26	15
HDFC AMC	5	10	18	20	29	35	38	32	30
Kfin Technologies	1	8	16	16	25	31	34	28	24
Nippon AMC	3	12	20	20	34	43	45	35	21
UTI AMC	(9)	(2)	0	2	18	19	28	29	13
Core PBT growth									
360 One	12	(5)	7	(11)	27	65	40	37	17
ABSL AMC	(25)	(5)	0	6	30	29	32	42	21
CAMS	(4)	11	15	20	36	43	45	40	9
HDFC AMC	3	10	17	21	30	40	48	51	36
Kfin Technologies	12	16	28	25	31	52	43	36	17
Nippon AMC	3	12	20	18	37	60	55	50	26
UTI AMC	(24)	(18)	(7)	(8)	47	41	60	75	28

Source: Companies, Kotak Institutional Equities

- **Weakening domestic revenue profile for capital goods companies, while margins were weak qoq.** Capital goods companies reported a modest yoy increase in domestic revenues, after a number of quarters of strong growth (see Exhibit 126), with (1) ABB reporting flat domestic revenues yoy, (2) BHEL reporting 9% yoy growth and (3) L&T reporting 3% yoy growth.

Capital goods companies reported modest revenue growth in 4QFY25

Exhibit 126: Domestic revenues of industrial companies under KIE coverage, 4QFY23-4QFY25

	Domestic revenues (Rs bn)									Yoy growth (%)				
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
ABB	21	22	25	25	28	25	26	28	28	31	15	3	12	0
BEL	63	35	39	41	86	42	46	55	87	35	20	17	34	1
BHEL	63	87	50	53	80	53	64	71	87	28	(39)	28	32	9
Cochin Shipyard	5	4	9	10	12	8	11	11	17	112	79	16	10	42
Cummins	14	17	14	22	19	19	21	26	19	37	12	47	17	1
Larsen & Toubro	362	287	291	251	369	287	295	317	379	2	(0)	2	26	3
Siemens	41	40	42	39	47	43	48	32	38	13	5	15	(18)	(19)
Thermax	19	19	17	19	22	18	21	15	22	11	(9)	23	(17)	4
Total	589	512	487	459	661	493	531	554	677	12	(4)	9	21	2
Total (ex-Siemens)	548	472	445	420	615	451	483	522	640	12	(4)	9	24	4

Notes:

(a) Data on domestic revenues of Siemens from 3QFY25 onwards are ex-energy segment.

Source: Companies, Kotak Institutional Equities

In the same vein, most capital goods companies under our coverage reported modest growth in order inflows (see Exhibit 127) while LT showed a sharp decline in domestic order inflows. Among the major companies, (1) ABB reported continued strength in order inflows from electrification and uptick in export orders, but weakness in process automation, (2) LT reported weak domestic order inflows (flat over the past two years), with international (GCCs other than Saudi) driving sharp increase in ordering, and (3) SIEM reported flat inflows with decent growth in mobility and smart infrastructure segments being impacted by weakness in the digital infrastructure segment (muted private corporate capex).

Order inflows of capital goods companies were quite weak in 4QFY25

Exhibit 127: Order inflows of key industrials and construction companies, 4QFY23-4QFY25

	Order inflows (Rs bn)									Yoy growth (%)				
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
ABB	31	30	30	30	36	34	33	35	38	15	13	11	17	4
BEL	170	82	74	110	83	50	25	23	86	(51)	(39)	(66)	(79)	4
BHEL	57	156	178	26	419	95	320	63	446	634	(39)	80	145	7
Larsen & Toubro	401	379	233	250	469	383	299	545	269	17	1	28	118	(43)
Siemens	58	53	50	60	52	62	62	43	53	(10)	17	24	(28)	2
Thermax	23	26	15	20	23	26	16	20	17	2	(0)	9	1	(27)
Voltas	14	7	15	5	9	9	8	14	14	(31)	25	(43)	177	45
Total	753	733	594	501	1,090	659	763	629	629	45	(10)	29	25	(42)

Notes:

(a) We use domestic order inflows for L&T; for others, we use total order inflows.

(b) We use KIE estimates for 4QFY25 order inflows of VOLT.

Source: Companies, Kotak Institutional Equities

However, several capital goods companies reported sequential moderation in margins in 4QFY25, partly driven by a deteriorating mix across companies. Exhibit 128 shows gross and EBITDA margins for the capital goods companies in our coverage. We model margins to decline from peak FY2025 levels, driven by increasing competitive intensity in high-margin businesses (see Exhibit 129).

A number of capital goods companies reported moderation in margins

Exhibit 128: Gross and EBITDA margin of capital goods companies under our coverage, 4QFY23-4QFY25 (%)

	Gross margin (%)									EBITDA margin (%)								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
ABB	36.3	36.5	36.7	37.5	40.2	42.8	43.4	41.1	41.7	11.8	13.9	15.8	15.1	18.3	19.2	18.6	19.5	18.4
Bharat Electronics	48.2	43.7	49.0	48.8	48.5	45.4	53.5	48.3	48.1	28.3	19.0	25.3	25.8	26.7	22.3	30.4	28.9	30.8
BHEL	31.1	29.1	27.6	26.8	33.2	29.3	32.7	37.0	33.8	12.0	(7.3)	(7.6)	(1.1)	8.8	(3.1)	4.2	4.2	9.2
Carborundum Universal	61.9	61.1	64.7	64.1	64.5	64.8	63.9	61.9	62.8	15.9	14.1	14.6	16.7	17.4	16.2	15.9	14.1	12.0
CG Power & Industrial	30.2	30.2	31.6	30.9	31.3	31.2	29.6	30.0	29.8	14.5	14.2	15.4	13.2	13.0	14.7	12.2	13.2	12.6
Cochin Shipyard	12.5	49.8	36.0	45.4	40.9	47.0	33.5	37.2	39.7	(11.5)	18.5	20.4	30.5	17.9	25.7	17.9	22.6	15.3
Cummins India	32.7	32.5	36.7	37.0	35.5	37.8	35.8	34.8	34.9	16.9	15.4	17.8	21.2	18.4	20.3	19.3	19.4	18.8
G R Infraprojects	24.1	24.1	24.3	24.4	27.2	23.9	26.0	23.0	28.4	14.5	14.6	12.3	12.6	17.7	13.0	10.4	12.8	17.5
IRB Infrastructure	56.3	57.5	58.3	54.4	52.5	58.9	60.0	60.0	58.7	46.8	47.6	45.5	44.2	43.2	46.3	48.3	48.6	46.4
Kalpataru Projects	20.2	22.9	21.2	21.8	23.5	23.3	21.3	22.4	21.3	7.1	8.7	8.0	8.3	7.8	8.4	8.4	8.3	8.4
KEC International	19.3	24.7	23.2	20.7	19.5	23.8	22.8	22.8	21.1	5.1	5.8	6.1	6.1	6.3	6.0	6.3	7.0	8.0
L&T	34.9	38.8	39.1	36.1	33.5	38.0	35.9	35.1	34.0	11.7	10.2	11.0	10.4	10.8	10.2	10.3	9.7	11.0
Siemens	31.5	32.6	29.4	32.1	32.5	33.4	29.8	32.5	30.5	12.8	11.6	12.1	12.4	15.3	13.3	12.2	11.2	11.0
Thermax	44.8	44.3	44.4	44.6	43.1	43.8	44.8	44.2	43.4	8.7	6.8	8.9	8.1	9.9	6.5	10.6	7.5	9.7

Source: Companies, Kotak Institutional Equities

We assume profitability for most capital goods companies to decline from FY2025 peaks

Exhibit 129: Gross and EBITDA margin of capital goods companies under our coverage, March fiscal year-ends, 2019-27E (%)

	Gross margin (%)									EBITDA margin (%)								
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
ABB	32.5	33.5	33.5	33.3	35.3	36.8	41.8	40.8	39.8	6.8	7.3	4.7	8.0	11.2	14.3	18.9	17.9	17.2
Bharat Electronics	51.4	45.3	44.5	42.1	44.6	47.8	48.7	48.3	47.5	23.9	21.2	22.8	21.7	23.0	24.9	28.8	28.8	28.5
BHEL	41.3	36.2	33.1	31.5	32.0	27.8	33.5	34.7	36.8	7.1	(1.1)	(18.1)	3.5	4.1	2.6	4.4	6.4	10.8
Carborundum Universal	64.5	65.9	65.9	65.2	63.2	63.9	63.3	63.6	63.8	16.3	15.3	17.7	16.1	14.0	15.7	14.5	14.1	15.8
CG Power & Industrial	35.0	34.9	33.4	28.8	30.4	31.0	30.1	29.9	29.7	4.5	1.4	3.6	11.5	14.2	14.0	13.2	14.1	13.8
Cochin Shipyard	49.3	36.9	44.8	36.4	34.2	40.1	37.6	35.0	35.0	19.3	20.7	25.5	19.8	11.2	22.7	18.2	18.9	19.2
Cummins India	36.1	34.7	36.2	33.1	32.5	35.6	35.6	34.5	34.7	15.3	11.4	13.4	14.4	16.0	19.7	19.3	18.8	19.4
G R Infraprojects	28.7	30.0	25.7	25.1	26.0	25.1	25.4	25.0	25.0	20.4	20.6	18.1	16.2	16.1	14.6	13.9	14.0	14.3
IRB Infrastructure	52.8	52.5	59.2	59.0	61.0	55.5	55.5	55.5	55.5	44.5	43.4	47.4	48.2	50.4	45.0	47.4	54.1	51.7
Kalpataru Projects	27.3	27.1	28.1	24.6	24.3	24.6	24.1	25.0	25.0	12.4	11.7	11.7	8.7	8.4	8.3	8.2	8.7	9.1
KEC International	26.2	29.6	26.7	23.9	21.2	21.7	22.6	24.0	24.0	10.5	10.3	8.7	6.6	4.8	6.1	6.9	8.4	8.8
L&T	29.6	33.1	26.7	86.6	36.4	34.0	33.1	33.0	33.0	11.6	11.2	11.5	11.6	11.3	10.6	10.3	10.5	10.7
Siemens	32.6	36.0	31.7	32.3	31.5	29.8	29.8	29.8	29.8	11.6	10.0	11.1	10.9	12.7	13.2	12.0	12.5	12.7
Thermax	44.1	46.2	47.0	43.1	42.8	44.0	44.0	44.0	44.0	7.7	7.1	7.4	6.9	7.4	8.6	8.7	9.6	10.4

Source: Companies, Kotak Institutional Equities

- ▶ **Weak volume growth for consumer companies, while margins compressed.** Consumer companies saw continued weakness in volume growth in 4QFY25, driven by (1) weakness in household balance sheets, especially in urban areas, (2) increased competition from regional players and (3) weak government spending. Most discretionary categories also struggled with demand in 4QFY25, despite the tailwinds of a festive season. Automobile volumes were weak across most segments and OEMs. Meanwhile, margins of many incumbents remained under pressure in 4QFY25.
- **Automobiles and automobile components.** Automobile volumes were weak in 4QFY25 across categories, with 2Ws, CVs and PVs reporting weak volume growth. Exhibit 130 shows the quarterly volumes of various automobile segments. We note that the premium segment did well in 4QFY25, while mas-market segments witnessed a sharp slowdown in the 2W segment (see Exhibit 131). Meanwhile, the compact and mid-SUV categories did exceedingly well, while other categories struggled in the PV segment (see Exhibit 132).

Most auto OEMs reported weak domestic volume growth in 4QFY25

Exhibit 130: Domestic volumes of select companies in auto sector, 4QFY23-4QFY25

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Yoy change (%)									
Ashok Leyland	28	5	11	(1)	(7)	(25)	(10)	(4)	2
Bajaj Auto									
Two wheelers	22	73	(19)	44	32	7	26	(10)	(8)
Three wheelers	100	157	81	38	11	10	6	(3)	2
Eicher Motors									
Two wheelers	20	31	15	6	7	(1)	(2)	13	22
Commercial vehicles	40	16	15	15	(3)	0	3	(1)	10
Hero Motocorp	12	(1)	(2)	17	7	13	7	(2)	(4)
Hyundai Motor	12	(1)	(2)	9	9	1	(6)	(1)	(4)
Maruti Suzuki	8	12	8	6	12	1	(7)	6	1
M&M (passenger vehicles)	32	31	24	30	27	24	18	20	18
Tata Motors									
Commercial vehicles	1	(15)	4	(1)	(8)	4	(21)	(1)	(6)
Passenger vehicles	10	8	(2)	6	16	0	(5)	1	(5)
TVS Motors	25	28	9	35	17	15	15	8	9

Source: SIAM, Kotak Institutional Equities

Entry level and mid-sized segments witnessed decline in demand in 4QFY25

Exhibit 131: Motorcycle volumes by categories in India, March fiscal year-ends, 2023-25 (#)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Motorcycle volumes mix										
Industry motorcycles volumes	2,532,781	2,291,004	2,737,348	2,913,779	3,092,035	2,910,075	3,197,922	3,209,965	3,034,750	2,809,668
Yoy growth (%)	4	5	14	(3)	22	27	17	10	(2)	(3)
<125 cc										
Motorcycles volumes	1,915,462	1,729,675	2,107,203	2,218,242	2,348,578	2,171,671	2,417,191	2,467,186	2,313,545	2,059,604
Motorcycles mix (%)	75.6	75.5	77.0	76.1	76.0	74.6	75.6	76.9	76.2	73.3
Yoy growth (%)	(0)	1	7	(4)	23	26	15	11	(1)	(5)
125-250 cc										
Motorcycles volumes	400,347	357,634	404,272	454,265	498,149	499,327	544,338	498,131	447,434	465,863
Motorcycles mix (%)	15.8	15.6	14.8	15.6	16.1	17.2	17.0	15.5	14.7	16.6
Yoy growth (%)	12	19	52	(7)	24	40	35	10	(10)	(7)
>250 cc										
Motorcycles volumes	216,972	203,695	225,873	241,272	245,308	239,077	236,393	244,648	273,771	284,201
Motorcycles mix (%)	8.6	8.9	8.3	8.3	7.9	8.2	7.4	7.6	9.0	10.1
Yoy growth (%)	29	16	32	19	13	17	5	1	12	19

Source: SIAM, Kotak Institutional Equities

SUVs driving volume growth in 4QFY25; entry-level volumes remain weak

Exhibit 132: Segment-wise domestic PV volumes, March fiscal year-ends, 2023-25 (#)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Growth Yoy (%)
Segment-wise domestic volumes (units)										
Hatchback segment	346,093	318,216	298,444	252,944	296,725	256,589	75,629	83,589	282,096	(4.9)
Sedan	101,394	95,517	98,060	91,238	97,824	88,206	119,992	126,687	95,943	(1.9)
Micro SUV (< 4m)	48,813	74,400	110,469	108,292	131,036	131,344	174,790	173,351	132,770	1.3
Compact SUV (< 4m)	166,744	154,736	145,956	151,413	161,904	157,432	150,393	148,426	191,440	18.2
Mid SUV (> 4m)	129,963	117,455	148,242	144,792	150,542	128,336	127,129	135,167	178,549	18.6
Large SUV	99,810	106,594	120,049	120,179	133,388	115,295	157,615	150,081	131,825	(1.2)
Premium SUV	11,705	10,223	9,986	9,127	11,875	8,906	8,349	9,970	10,385	(12.5)
SUV segment	457,035	463,408	534,702	533,803	588,745	541,313	580,653	593,601	644,969	9.5
MUVs	113,099	118,400	142,434	130,392	152,226	145,049	157,615	150,048	150,854	(0.9)
Total	1,017,621	995,541	1,073,640	1,012,589	1,135,501	1,047,680	933,889	953,925	1,173,862	3.4
segment-wise domestic volumes mix (%)										
Hatchback segment	34	32	28	25	26	24	8	9	24	
Sedan segment	10	10	9	9	9	8	13	13	8	
Micro SUV (< 4m)	5	7	10	11	12	13	19	18	11	
Compact SUV (< 4m)	16	16	14	15	14	15	16	16	16	
Mid SUV (> 4m)	13	12	14	14	13	12	14	14	15	
Large SUV	10	11	11	12	12	11	17	16	11	
Premium SUV	1	1	1	1	1	1	1	1	1	
SUV segment	45	47	50	53	52	52	62	62	55	
MUVs	11	12	13	13	13	14	17	16	13	
Total	100	100	100	100	100	100	100	100	100	

Source: SIAM, Kotak Institutional Equities

Most automobile companies witnessed weak margins sequentially in 4QFY25, as companies had to increase discounts to combat the weak demand environment. The moderation in gross margins and volumes for 2Ws and 4Ws resulted in weaker EBITDA margins for most companies (see Exhibit 133). Companies highlighted that urban demand was muted, with companies such as MSIL highlighting rural demand outpaced urban demand.

Most large auto companies have reported weak margins in 4QFY25

Exhibit 133: Gross and EBITDA margin of auto companies under our coverage, 4QFY23-4QFY25 (%)

	Gross margin (%)									EBITDA margin (%)								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Amara Raja Energy & Mobility	33.5	28.9	31.6	34.0	34.5	31.1	32.4	33.1	32.3	15.4	12.8	13.8	15.1	14.6	13.7	14.1	13.1	11.5
Apollo Tyres	43.4	45.0	45.7	46.6	47.2	45.5	44.8	41.5	43.4	16.0	16.8	18.5	18.3	16.4	14.4	13.6	13.7	13.0
Ashok Leyland	24.5	26.3	26.5	27.8	28.2	27.8	28.8	28.5	29.4	11.5	10.0	11.2	12.0	14.1	10.6	11.6	12.8	15.0
Bajaj Auto	30.2	28.1	29.0	28.9	29.7	30.0	28.7	28.7	30.1	19.3	19.0	19.8	20.1	20.1	20.2	20.2	20.2	20.2
Balkrishna Industries	50.0	51.7	51.9	52.0	53.3	53.1	52.6	52.4	51.2	21.4	23.0	24.4	25.3	25.9	26.0	25.1	24.9	24.8
Bharat Forge	43.5	44.3	43.3	41.9	41.4	41.8	40.8	40.1	39.6	12.1	15.4	16.5	18.0	15.4	18.0	17.5	18.0	17.7
CEAT	40.1	41.1	43.3	41.3	42.3	39.2	37.4	36.8	37.5	12.8	13.2	14.9	14.1	13.1	12.0	11.0	10.3	11.3
Eicher Motors	44.3	44.1	46.0	46.0	46.5	46.4	46.5	45.1	44.2	24.5	25.6	26.4	26.1	26.5	26.5	25.5	24.2	24.0
Endurance Technologies	40.7	40.9	39.8	39.9	43.0	42.5	42.2	42.9	43.9	12.8	13.1	12.5	11.7	14.5	13.2	13.1	13.0	14.3
Escorts Kubota	28.5	30.2	32.3	30.6	31.9	31.9	30.4	26.9	30.6	10.8	14.0	12.9	13.5	12.8	14.3	10.3	11.4	12.1
Exide Industries	29.8	28.3	31.1	31.5	33.0	30.7	31.5	32.0	31.2	10.4	10.6	11.8	11.5	12.9	11.5	11.3	11.7	11.2
Hero Motocorp	32.0	30.6	31.4	32.7	33.6	32.3	33.3	34.2	34.5	13.0	13.8	14.1	14.0	14.3	14.4	14.5	14.5	14.2
Hyundai Motor	NA	24.2	25.1	26.6	28.5	28.1	27.4	26.8	28.7	NA	12.0	13.1	12.9	14.3	13.5	12.8	11.3	14.1
Mahindra & Mahindra	23.3	24.7	24.4	24.6	26.8	26.3	25.8	25.6	25.9	12.5	13.4	12.6	12.8	13.1	14.9	14.3	14.6	14.9
Maruti Suzuki	26.7	27.2	29.4	29.1	28.6	29.8	28.1	28.4	28.1	10.5	9.2	12.9	11.7	12.3	12.7	11.9	11.6	10.5
MRF	37.0	38.8	40.8	40.1	38.9	37.3	36.5	33.1	36.1	14.7	17.6	18.5	17.2	14.2	16.1	14.4	11.6	15.0
Samvardhana Motherson	43.4	43.5	43.2	44.8	47.4	46.4	45.8	47.1	45.9	8.3	8.6	8.0	9.0	10.8	9.6	8.8	9.7	9.0
Schaeffler India	38.8	38.6	37.1	37.2	37.9	37.7	37.5	36.4	38.0	18.6	18.7	18.4	17.3	17.6	17.9	17.4	17.3	18.1
SKF	38.7	39.8	34.0	41.7	41.2	39.3	33.4	33.3	49.0	15.3	17.6	10.8	15.8	17.7	16.1	10.0	9.7	23.5
Sona BLW Precision	54.3	56.9	55.1	59.1	56.4	57.6	56.0	55.9	56.7	27.1	27.8	28.2	29.3	28.0	28.1	27.6	27.0	27.1
Tata Motors	35.6	37.6	36.4	38.3	38.5	39.0	38.7	38.9	37.9	12.1	13.3	13.1	13.9	14.2	14.4	11.5	11.5	13.9
Timken	42.0	41.2	41.6	40.5	40.7	39.4	39.3	39.2	40.4	20.3	18.9	19.9	16.7	22.1	18.0	17.7	15.9	22.3
TVS Motor	24.6	25.4	26.0	26.3	27.2	28.6	28.5	28.4	30.2	10.3	10.6	11.0	11.2	11.3	11.5	11.7	11.9	14.0
Uno Minda	35.6	35.8	34.4	35.0	36.5	35.6	35.1	34.5	35.6	11.1	10.7	11.1	10.8	12.5	10.7	11.4	10.9	11.6
Varroc Engineering	35.0	36.8	36.7	36.3	39.3	37.5	35.8	35.4	35.9	7.4	10.1	10.3	9.3	11.2	9.2	10.0	9.0	10.5

Source: Companies, Kotak Institutional Equities

- **Consumer staples, consumer discretionary.** 4QFY25 demand was weak, with only a few consumer staples companies reporting decent volume growth. Companies continue to struggle with weak volumes in the majority of consumer categories, with most staples companies reporting weak volume growth in 4QFY25, similar to the past few quarters. Exhibit 134 shows the trends in volume growth of the major consumer staples and discretionary companies under our coverage over the past several quarters. We note that weak volume growth continues to weigh on revenue growth of consumer companies, with most companies reporting modest single-digit yoy revenue growth (see Exhibit 135). We note that a number of companies suggested an ongoing gradual recovery in rural markets; however, the improvement may need to be seen in the context of a weak base.

Weak volume growth for most consumer companies in 4QFY25

Exhibit 134: Volume growth of consumer companies, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Staples									
Britannia Industries - Domestic	3.0	—	—	6	6	8	8	6	3
Colgate - Overall	(1)	6	(1)	2	2	8	8	5	—
Dabur - Domestic	—	3	3	4	4	5	(10)	1	(6)
HUL (FMCG business)	4	3	2	2	2	4	3	—	2
Marico - Domestic	5	3	3	2	3	4	5	6	7
Marico - Parachute	9	(2)	1	3	2	2	4	3	(1)
Marico - Saffola	(6)	11	2	(5)	5	5	—	3	(1)
Nestle	2	2	2	1	6	1	(2)	2	2
TCPL - Food	8	6	6	5	4	10	1	1	6
TCPL - Tea	3	3	3	2	—	—	(3)	7	2
Discretionary									
Asian Paints (decoratives)	16	10	6	12	10	7	(1)	2	2
Berger (decoratives)	14	13	11	9	14	12	4	7	7
ITC - Cigarettes	12	8	5	(2)	2	3	3	6	5
Kansai Nerolac	13	6	(1)	10	10	4	4	1	1
Pidilite - Domestic consumer business	7	12	8	11	13	8	6	7	8
United Breweries	3	(12)	7	8	11	5	5	8	5
United Spirits	(27)	(29)	(27)	(1)	4	3	(4)	10	7
Varun Beverages	24	5	16	18	7	28	22	38	30
Westlife Foodworld	14	7	1	(9)	(5)	(7)	(7)	3	1

Source: Companies, Kotak Institutional Equities

Most consumer companies reported single-digit value growth on a yoy basis

Exhibit 135: Revenue growth of consumer staples companies under KIE coverage, March fiscal year-ends, 2023-25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Britannia Industries	13.3	8.4	1.2	1.4	1.1	6.0	5.3	7.9	8.9
Colgate-Palmolive (India)	3.8	10.6	6.0	8.1	9.6	13.1	10.1	4.7	0.6
Dabur India	6.4	10.9	7.3	7.0	5.1	7.0	(5.5)	3.1	0.6
Godrej Consumer Products	9.8	10.4	6.2	1.7	5.8	(3.4)	1.8	3.0	6.3
Hindustan Unilever	10.6	6.1	3.6	(0.3)	(0.2)	1.3	1.5	1.4	2.4
ITC	5.6	(8.5)	2.6	1.6	1.1	7.4	16.8	3.5	0.4
Jyothy Labs	12.8	15.1	11.1	10.6	7.0	8.0	0.2	4.0	1.1
Marico	3.7	(3.2)	(0.8)	(1.9)	1.7	6.7	7.6	15.4	19.8
Nestle India	21.3	15.4	9.7	8.1	9.0	3.3	1.3	3.9	4.5
Sula Vineyards	6.4	17.6	11.4	6.5	8.2	11.5	(1.0)	(1.4)	2.6
Tata Consumer Products	14.0	12.5	11.0	9.5	8.5	16.3	12.9	16.8	17.3
United Breweries	3.4	(6.7)	12.4	13.1	20.8	8.8	12.0	0.0	(14.5)
United Spirits	2.4	0.1	(0.5)	7.5	6.9	8.3	(0.8)	14.8	11.4
Varun Beverages	37.7	13.3	21.8	20.5	10.9	28.3	24.1	38.3	28.9

Source: Companies, Kotak Institutional Equities

Consumer companies' margins declined on a yoy basis but saw a qoq improvement in a few cases (see Exhibit 136). We note RM price have seen some moderation in past 5-6 weeks but are up sharply on a three-month basis (see Exhibit 137), resulting in margin pressure in some pockets. Meanwhile, a continued weak demand environment has resulted in companies keeping their A&P spends under control (see Exhibit 138).

Gradual moderation in profitability of consumer companies

Exhibit 136: Gross and EBITDA margin of consumer companies under our coverage, 4QFY23-4QFY25 (%)

	Gross margin (%)								EBITDA margin (%)									
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Asian Paints	42.6	42.9	43.4	43.6	43.7	42.5	40.8	42.4	43.9	21.3	23.1	20.2	22.6	19.4	18.9	15.4	19.1	17.2
Avenue Supermarts	14.0	15.2	14.7	14.9	14.5	15.6	14.9	14.7	14.2	7.3	8.7	8.0	8.3	7.4	8.7	7.6	7.6	6.4
Berger Paints	39.8	39.8	41.1	41.1	40.7	39.9	41.7	41.6	42.7	15.1	18.4	17.1	16.7	13.9	16.9	15.6	15.9	15.8
Britannia Industries	44.9	41.9	42.9	43.9	44.9	43.4	42.6	38.7	40.1	19.9	17.2	19.7	19.3	19.4	17.7	16.8	18.4	18.2
Colgate-Palmolive (India)	66.9	68.4	68.8	72.2	69.3	70.6	68.5	69.9	67.1	33.5	31.6	32.8	33.6	35.7	34.0	30.7	31.1	31.5
Dabur India	45.8	46.6	48.3	48.6	48.6	47.8	49.3	48.1	46.7	15.3	19.3	20.6	20.5	16.6	19.6	18.2	20.3	15.1
Godrej Consumer Products	52.9	53.7	54.9	55.9	56.1	55.9	55.5	54.1	52.5	20.0	18.6	19.5	23.0	22.3	21.7	20.7	20.1	21.1
Hindustan Unilever	48.7	49.9	52.7	51.5	51.9	51.4	51.0	50.7	50.5	23.3	23.2	24.2	23.3	23.1	23.5	23.5	23.2	22.8
ITC	58.6	54.1	57.3	58.4	59.9	57.7	52.9	54.4	54.7	37.9	34.7	36.5	36.5	37.2	37.0	32.8	34.2	34.7
Jubilant Foodworks	75.3	76.0	76.4	76.7	76.6	76.1	76.1	75.1	74.5	20.1	21.1	20.9	20.9	19.1	19.3	19.4	19.4	19.3
Jyothy Labs	45.7	47.9	49.2	49.8	49.5	51.3	50.0	49.8	49.2	14.8	17.1	18.5	17.5	16.4	18.0	18.9	16.4	16.8
Kansai Nerolac	31.6	35.3	35.7	36.2	34.8	37.0	34.0	35.3	34.6	9.5	16.1	14.6	13.2	10.8	16.3	11.5	13.4	10.2
Marico	47.4	50.0	50.5	51.3	51.6	52.3	50.8	49.5	48.6	17.5	23.2	20.1	21.2	19.4	23.7	19.6	19.1	16.8
Nestle India	53.8	54.8	56.5	58.6	56.8	57.6	56.6	56.4	56.2	23.0	22.7	24.4	24.2	25.4	22.9	22.9	23.1	25.2
Page Industries	56.6	52.9	55.7	53.0	56.2	54.1	56.5	56.3	60.9	13.9	19.5	20.8	18.5	16.8	19.0	22.6	23.0	21.4
Pidlite Industries	46.8	49.0	51.3	52.9	53.4	53.8	54.4	54.3	55.0	17.1	21.6	22.1	23.7	19.9	23.9	23.8	23.7	20.1
Tata Consumer Products	41.8	42.2	42.5	43.8	46.1	44.9	43.6	41.1	41.9	14.1	14.6	14.4	15.0	16.0	15.3	14.9	12.7	13.5
Titan Company	22.9	21.0	22.4	21.7	21.2	20.9	21.6	20.8	21.7	10.8	9.9	11.6	11.2	9.9	10.0	10.8	11.0	10.7
United Breweries	38.6	40.6	44.5	44.0	41.7	43.0	43.8	44.2	42.1	3.0	9.8	9.8	8.0	6.7	11.5	10.7	9.4	8.0
United Spirits	42.6	43.0	43.4	43.4	43.3	44.5	45.2	44.7	44.5	10.7	17.1	16.4	16.4	13.6	19.5	17.8	17.1	17.1
Varun Beverages	52.4	52.5	55.3	56.6	56.3	54.7	55.5	56.1	54.6	20.5	26.9	22.8	15.7	22.9	27.7	24.0	15.7	22.7

Source: Companies, Kotak Institutional Equities

Inflationary trend in RM prices on a qoq as well as yoy basis in most cases

Exhibit 137: Trend in RM prices, April 2025

No.	Commodity	Unit	Current	% chg. - local currency				% chg. - currency Adj.				Companies impacted
				MoM	3M	6M	YoY	MoM	3M	6M	YoY	
Agri Commodities												
1	Tea - India Avg.	Rs/Kg	150	8	12	(34)	(14)	8	12	(34)	(14)	HUL
2	Tea - World Avg.	USD/MT	2,690	—	1	(15)	(11)	0	2	(14)	(10)	HUL
3	Tea - Mombassa/Kenya	USD/Kg	3	—	5	—	—	0	6	1	1	HUL
4	Coffee Arabica - Intl.	US cents/Pound	413	—	99	46	69	0	100	47	71	HUL, Nestle
5	Coffee Robusta - Intl.	US cents/Pound	281	—	74	16	34	0	75	17	36	HUL, Nestle
6	Sugar - domestic	Rs/Quintal	4,639	(0)	7	4	6	(0)	7	4	6	HUL, Nestle, ITC, Dabur, Britannia
7	Wheat	Rs/Quintal	3,785	(8)	9	(2)	15	(8)	9	(2)	15	ITC, Nestle, Britannia
8	Barley	Rs/Quintal	2,264	(3)	9	(5)	15	(3)	9	(5)	15	UBBL
9	Maize (corn)	USD/MT	192	—	(4)	—	—	0	(3)	1	1	Colgate, HUL, Dabur (Sorbitol)
10	Liquid Milk - domestic	Rs/Ltr	56	2	24	4	12	2	24	4	12	Nestle, Jubilant Foodworks, Britannia
11	Milk Powder - domestic	Rs/Kg	315	2	6	8	20	2	6	8	20	Nestle, Britannia
13	Cocoa Bean	USD/MT	9,057	—	121	—	—	0	123	1	1	Nestle
Oil Commodities												
13	Crude Oil - Brent	USD/Barrel	68	(7)	(16)	(10)	(25)	(6)	(15)	(10)	(24)	HUL, GCPL, Jyothy Labs, Asian Paints, Pidilite
14	Palm oil	Rs/MT	124,309	(5)	58	0	35	(5)	58	0	35	HUL, GCPL, Jyothy Labs
15	PFAD	USD/MT	1,001	(6)	39	10	26	(5)	40	11	27	HUL, GCPL, Jyothy Labs
16	Light liquid paraffin (LLP)	Rs/Ltr	84	—	—	—	—	—	—	—	—	Marico, Dabur, Bajaj Corp
17	Copra	Rs/Quintal	17,855	10	74	36	75	10	74	36	75	Marico, Dabur
18	Coconut oil	Rs/Quintal	27,883	13	105	43	89	13	105	43	89	Marico, Dabur
19	Rice Bran oil	Rs/10Kg	1,045	(1)	39	(5)	32	(1)	39	(5)	32	Marico
20	Kardi oil/ Safflower oil	Rs/MT	2,193	—	—	—	—	—	—	—	—	Marico
21	Sunflower oil	Rs/MT	133,955	(2)	56	9	52	(2)	56	9	52	Marico
22	Groundnut oil	Rs/MT	133,045	(3)	(14)	(11)	(10)	(3)	(14)	(11)	(10)	Marico
23	Linseed oil	Rs/MT	128,591	(1)	39	3	37	(1)	39	3	37	Marico, Dabur, Bajaj Corp, Asian Paints
24	Castor oil	Rs/MT	131,727	2	9	(3)	10	2	9	(3)	10	Marico, Dabur, Bajaj Corp, Asian Paints
25	Mentha oil	Rs/Kg	1,015	(0)	0	1	(1)	(0)	0	1	(1)	Emami, Colgate, HUL, Dabur
Chemicals/Paints/Other Commodities												
26	Caustic soda	Rs/ 50Kg	2,560	1	29	16	19	1	29	16	19	HUL, GCPL, Jyothy Labs
27	Soda ash	Rs/ 50Kg	1,652	1	(11)	(4)	(4)	1	(11)	(4)	(4)	HUL, GCPL, Jyothy Labs
28	HDPE - domestic	Rs/Kg	118	—	—	—	—	—	—	—	—	All companies
29	PAN	Rs/Kg	100	(3)	5	(2)	3	(3)	5	(2)	3	Asian Paints
30	PENTA	Rs/Kg	115	—	—	—	—	—	—	—	—	Asian Paints
31	Tio2 Anatese	Rs/Kg	198	1	13	(8)	13	1	13	(8)	13	Asian Paints
32	Tio2 Rutile	Rs/Kg	278	(1)	1	—	2	(1)	1	—	2	Asian Paints
33	Tio2 Dupont	Rs/Kg	331	(0)	(6)	(6)	(2)	(0)	(6)	(6)	(2)	Asian Paints
34	Turpentine oil	Rs/Ltr	131	—	14	9	13	—	14	9	13	Asian Paints
35	Formaldehyde	Rs/Kg	33	(6)	38	3	32	(6)	38	3	32	Asian Paints
36	Acrylic acid	Rs/Kg	114	(1)	27	(30)	(6)	(1)	27	(30)	(6)	Asian Paints
37	Vinyl Acetate - Domestic	Rs/Kg	129	72	51	96	34	72	51	96	34	Asian Paints
38	Vinyl Acetate - China	US\$/MT	820	(1)	5	4	(4)	(1)	6	5	(3)	Pidilite, Asian Paints
39	Styrene - domestic	Rs/Kg	78	(7)	(11)	(13)	(20)	(7)	(11)	(13)	(20)	Asian Paints
40	Gold	Rs/10gm	92,838	7	49	21	30	7	49	21	30	Titan, Jewellery companies

Inflationary = +3%

Deflationary = -3%

Source: Bloomberg, CMIE, Kotak Institutional Equities

A&P spending remains under control for most consumer companies

Exhibit 138: Quarterly expenditure in A&SP by consumer companies, March fiscal year-ends, 2023-25

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
A&SP (Rs mn)									
Colgate-Palmolive (India)	1,429	1,813	2,060	2,043	1,689	1,991	2,427	2,001	1,833
Dabur India	1,516	2,043	2,165	2,445	1,837	2,359	2,256	2,267	1,764
Godrej Consumer Products	2,245	3,204	3,659	3,433	3,063	3,308	3,640	3,644	3,101
Hindustan Unilever	12,900	14,810	17,200	15,930	15,860	16,440	14,640	14,660	14,540
Marico	2,100	2,120	2,680	2,460	2,260	2,400	2,900	2,930	3,050
Titan	1,920	2,070	2,050	2,360	1,810	2,020	2,500	2,800	2,470
United Spirits	3,444	1,468	2,403	3,277	3,260	1,750	2,570	3,790	3,501
Total	26,013	28,033	32,792	32,555	30,376	30,884	30,933	32,092	30,258
A&SP (% of sales)									
Colgate-Palmolive (India)	10.6	13.7	14.0	14.6	11.3	13.3	15.0	13.7	12.3
Dabur India	5.7	6.5	6.8	7.5	6.5	7.0	7.5	6.8	6.2
Godrej Consumer Products	7.0	9.3	10.2	9.4	9.0	9.9	9.9	9.7	8.6
Hindustan Unilever	8.7	9.8	11.3	10.5	10.7	10.7	9.4	9.5	9.6
Marico	9.4	8.6	10.8	10.2	9.9	9.1	10.9	10.5	11.2
Titan	2.0	1.9	1.8	1.8	1.6	1.7	1.9	1.7	1.8
United Spirits	13.8	6.8	8.4	11.0	12.2	7.4	9.0	11.0	11.8
Total	7.0	7.1	7.9	7.6	7.7	7.5	7.3	6.9	7.2

Source: Companies, Kotak Institutional Equities

- **Construction materials.** Cement companies under our coverage reported a strong 9% yoy growth in volumes in 4QFY25 (see Exhibit 139), on a high base with continued strong underlying demand. Higher qoq realizations in a seasonally strong quarter and a moderate decline in fuel & power costs led to a sharp sequential improvement in profitability for the companies. However, the yoy profitability picture was quite mixed with some companies showing a modest increase in profitability and others reporting a sharp decline. Exhibit 140 shows realizations and profitability of the cement stocks under our coverage for the past few quarters.

Strong volume growth for cement companies

Exhibit 139: Volume trends for cement companies under KIE coverage, 4QFY23-4QFY25

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Volumes (mn tons)									
ACC	8.5	9.4	8.1	8.9	10.4	10.2	9.3	10.7	11.9
Ambuja Cements	8.1	9.1	7.6	8.2	9.5	9.3	8.7	10.1	11.6
Dalmia Bharat	7.4	7.0	6.2	6.8	8.8	7.4	6.7	6.7	8.6
JK Cement	4.0	4.5	4.3	4.6	5.1	4.7	4.2	4.7	5.8
Nuvoco Vistas	5.2	5.0	4.5	4.0	5.3	4.8	4.2	4.7	5.7
Shree Cement	8.8	8.9	8.2	8.9	9.5	9.6	7.6	8.8	9.8
The Ramco Cement	4.7	4.3	4.6	4.0	5.5	4.4	4.5	4.4	5.3
UltraTech Cement	30.5	29.0	25.7	26.1	33.9	30.9	26.4	28.8	37.2
Total	77.2	77.2	69.2	71.5	88.0	81.3	71.6	78.8	95.9
Yoy volume growth (%)									
ACC	9	24	17	16	22	9	15	20	14
Ambuja Cements	8	23	13	6	17	2	14	23	22
Dalmia Bharat	12	13	7	8	19	6	8	(2)	(3)
JK Cement	2	27	19	17	28	5	(3)	3	(3)
Nuvoco Vistas	(5)	7	1	(11)	2	(5)	(6)	17	8
Shree Cement	10	19	9	11	8	8	(7)	(1)	4
The Ramco Cement	47	30	39	12	17	2	(2)	9	4
UltraTech Cement	16	20	16	6	11	7	3	10	10
Total volume growth (%)	12.2	20.0	14.6	7.7	14.0	5.3	3.5	10.3	9.0

Source: Companies, Kotak Institutional Equities

Most cement companies reported a sharp sequential improvement in profitability

Exhibit 140: Realizations, power & fuel costs and EBITDA for cement companies, 4QFY23-4QFY25 (Rs/ton)

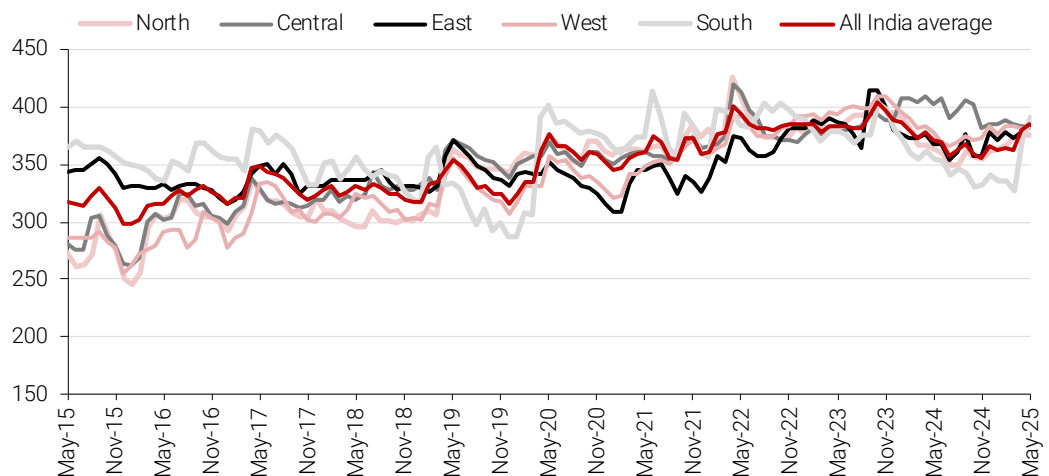
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
ACC									
Realization (Rs/ton)	5,636	5,533	5,475	5,526	5,190	5,054	4,955	4,915	5,049
Fuel & power cost (Rs/ton)	1,108	1,196	1,093	1,139	935	970	830	786	720
EBITDA (Rs/ton)	549	818	677	1,015	805	664	462	442	673
Ambuja									
Realization (Rs/ton)	5,255	5,197	5,223	5,414	5,032	4,856	4,843	4,806	4,888
Fuel & power cost (Rs/ton)	1,277	1,287	1,270	1,047	934	974	923	858	814
EBITDA (Rs/ton)	973	1,042	1,018	1,038	1,023	695	782	407	885
Dalmia Bharat									
Realization (Rs/ton)	5,286	5,177	5,108	5,294	4,894	4,870	4,621	4,741	4,779
Fuel & power cost (Rs/ton)	1,177	1,289	1,132	1,068	898	1,018	1,058	997	903
EBITDA (Rs/ton)	955	871	955	1,140	743	900	650	744	926
JK Cement									
Realization (Rs/ton)	5,842	5,820	5,918	6,086	5,788	5,594	5,694	5,765	5,744
Fuel & power cost (Rs/ton)	1,649	1,468	1,370	1,345	1,157	1,136	1,092	1,094	906
EBITDA (Rs/ton)	797	893	1,028	1,330	1,078	1,014	649	1,040	1,265
Shree Cement									
Realization (Rs/ton)	5,419	5,604	5,591	5,513	5,353	5,015	4,904	4,830	5,325
Fuel & power cost (Rs/ton)	1,781	1,708	1,670	1,393	1,520	1,458	1,317	1,042	1,172
EBITDA (Rs/ton)	1,011	1,046	1,061	1,388	1,393	951	780	1,079	1,404
UltraTech									
Realization (Rs/ton)	5,938	5,940	6,030	6,191	5,841	5,674	5,641	5,668	5,686
Fuel & power cost (Rs/ton)	1,675	1,631	1,639	1,536	1,375	1,404	1,380	1,300	1,222
EBITDA (Rs/ton)	1,059	1,034	954	1,208	1,185	965	731	964	1,240

Source: Companies, Kotak Institutional Equities

We assume a sharp increase in profitability on lower power and fuel costs and stable cement realizations. Our profitability assumptions may be at risk if cement prices were to remain weak, as has been the trend over the past one year (see Exhibit 141).

Cement prices have seen the usual pre-monsoon recovery in recent weeks

Exhibit 141: Regional cement prices, March fiscal year-ends, 2015-25 (Rs per 50 kg bag)



Source: CMA, Kotak Institutional Equities

- **Weakness in IT services revenues, amid increasing business uncertainty.** Most large IT companies reported a qoq decline in revenues in 4QFY25. Exhibit 142 shows the quarterly c/c revenue growth of the IT companies under our coverage. The decline was quite sharp in manufacturing and retail verticals, while revenues from the financial services vertical held up well. Meanwhile, deal wins moderated further for most companies in 4QFY25 (see Exhibit 143), with deal wins being driven by cost take-out projects. Mega deals have remained elusive for most companies, with only a handful of companies such as Coforge, CTSH and WPRO reporting mega deals.

IT services companies witnessed broad-based weakness

Exhibit 142: Sequential and yoy growth in c/c revenues of IT companies, March fiscal year-ends, 2023-25

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Qoq % change in c/c revenues									
HCL Tech	(1.2)	(1.3)	1.0	6.0	0.3	(1.6)	1.6	3.8	(0.8)
Infosys	(3.2)	1.0	2.3	(1.0)	(2.2)	3.6	3.1	1.7	(3.5)
LTI Mindtree	0.7	0.1	1.7	0.7	(1.3)	2.6	2.3	1.8	(0.6)
Mphasis	(4.5)	(3.5)	—	1.0	2.1	(0.1)	2.4	0.2	2.9
TCS	0.6	—	0.1	1.0	1.1	2.2	0.9	—	(0.8)
Tech Mahindra	0.3	(4.2)	(2.4)	1.1	(0.8)	0.7	1.9	1.2	(1.5)
Wipro	(0.6)	(2.8)	(2.0)	(1.7)	(0.3)	(1.0)	0.6	0.1	(0.8)
Yoy % change in c/c revenues									
HCL Tech	10.5	7.1	3.4	4.3	6.0	5.6	5.9	4.1	2.9
Infosys	8.8	4.2	2.5	(1.0)	-	2.5	3.3	6.1	4.8
LTI Mindtree	13.5	8.2	4.4	3.1	1.2	3.7	4.4	5.6	6.3
Mphasis	3.1	(8.4)	(11.0)	6.8	(0.4)	3.1	3.1	5.1	5.4
TCS	10.7	7.0	2.8	1.7	2.2	4.4	5.5	4.5	2.5
Tech Mahindra	6.3	(0.9)	(5.9)	(5.4)	(6.4)	(1.2)	1.2	1.3	0.3
Wipro	6.5	1.1	(4.8)	(6.9)	(6.6)	(4.9)	(2.3)	(0.7)	(1.2)

Source: Companies, Kotak Institutional Equities

Deal wins have been weak in recent quarters

Exhibit 143: TCV of deal wins for companies under coverage, March fiscal year ends, 2023-25 (US\$ mn)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
TCV of deal wins (US\$ mn)									
HCLT (a)	2,074	1,565	3,969	1,927	2,290	1,960	2,218	2,095	2,995
Infosys (b)	2,076	2,285	7,684	3,241	4,454	4,085	2,430	2,495	2,637
Mphasis (c)	309	707	255	241	177	319	207	351	390
TCS (a)	10,000	10,200	11,200	8,100	13,200	8,300	8,600	10,200	12,200
TechM (d)	592	359	640	381	500	534	603	745	798
Wipro (e)	1,083	1,198	1,300	909	1,191	1,154	1,489	961	1,763
TCV on TTM basis (US\$ mn)									
Infosys	9,811	10,405	15,345	15,286	17,664	19,464	14,210	13,464	11,647
Mphasis	1,314	1,719	1,672	1,512	1,380	992	944	1,054	1,267
TCS	34,100	36,100	39,200	39,500	42,700	40,800	38,200	40,300	39,300
TechM	2,905	2,462	2,386	1,972	1,880	2,055	2,018	2,382	2,680
Growth in TCV on TTM basis (yoy, %)									
Infosys	3	21	66	53	80	87	(7)	(12)	(34)
Mphasis	(8)	40	30	12	5	(42)	(44)	(30)	(8)
TCS	(1)	4	11	12	25	13	(3)	2	(8)
TechM	(11)	(25)	(26)	(41)	(35)	(17)	(15)	21	43

Notes:

- (a) TCV of all deals signed.
- (b) TCV of all deals signed in excess of US\$50 mn.
- (c) TCV of new deal wins in excess of US\$15 mn.
- (d) TCV of new business signed in excess of US\$5 mn.
- (e) TCV of all deals signed in excess of US\$30 mn.

Source: Companies, Kotak Institutional Equities

Companies continued their cost-control focus, specifically on employee costs, in 4QFY25. Exhibit 144 shows total employee expense as a proportion of total revenues. Meanwhile, attrition rates were under control for the sector in 4QFY25 (see Exhibit 145). Attrition rates have come off significantly in the past year from much higher levels in the prior quarters.

Employee cost-to-sales ratio down on a yoy basis in 4QFY25

Exhibit 144: Employee costs (including sub-contracting) as a proportion of sales of IT companies, March fiscal year-ends, 2023-25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
HCL Technologies	69.3	70.9	70.3	68.9	70.4	71.1	70.2	68.4	70.1
Infosys	62.6	63.0	61.2	61.1	61.6	61.3	60.4	59.2	61.8
TCS	65.5	66.9	66.0	63.9	62.2	62.4	61.7	60.8	61.5
Tech Mahindra	66.5	68.5	69.1	68.1	69.9	68.0	67.8	66.9	65.1
Wipro	72.1	73.2	73.7	72.2	72.7	71.7	71.8	71.3	70.5
Total	66.5	67.7	66.9	65.6	65.5	65.3	64.6	63.6	64.6

Source: Companies, Kotak Institutional Equities

Attrition rates are lower than pre-Covid levels for most IT services companies

Exhibit 145: TTM voluntary attrition rates for IT services companies, March fiscal year-ends, 2020-25 (%)

	Mar-20	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
HCL Tech	16	20	16	14	13	12	13	13	13	13
Infosys	17	21	17	15	13	13	13	13	14	14
LTIMindtree	17	20	18	15	14	14	14	12	14	14
TCS	12	20	18	15	13	13	12	12	13	13
Tech Mahindra	19	17	13	11	10	10	10	11	11	12
Wipro	15	19	17	16	14	14	14	15	15	15

Source: Companies, Kotak Institutional Equities

- **Strong domestic sales growth for pharmaceutical companies.** The larger pharmaceutical companies under our coverage reported a decent performance on a yoy basis in 4QFY25. Revenues of the major companies under coverage increased 12.1% yoy (-0.9% qoq) (see Exhibit 146), driven by a strong 11.3% yoy (-8.1% qoq) growth in domestic sales (see Exhibit 147). Meanwhile, US sales were strong for most companies under coverage in 4QFY25, driven by new launches, even as gRevlimid saw continued price erosion. Nonetheless, companies continued to enjoy strong profitability in 4QFY25 (see Exhibit 148).

Decent revenue growth for most pharmaceutical companies in 4QFY25

Exhibit 146: Trend of quarterly sales of Indian pharmaceuticals across geographies, 4QFY23-4QFY25

	Sales (Rs mn)									Yoy growth (%)					
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Aurobindo															
Total sales	63,787	68,007	71,507	72,712	74,919	74,577	76,462	78,931	83,811	14	17	10	7	9	12
ARV	1,588	2,010	2,500	1,794	2,380	2,290	1,930	3,070	3,082	(29)	50	14	(23)	71	29
Europe	16,598	18,370	17,690	17,284	18,320	19,820	21,050	21,213	21,473	2	10	8	19	23	17
RoW	5,392	4,336	5,830	6,060	8,550	6,480	7,410	7,980	7,295	37	59	49	27	32	(15)
US	30,450	33,040	33,850	37,560	35,880	35,550	35,300	36,712	40,721	25	18	8	4	(2)	13
Others	9,759	10,251	11,637	10,014	9,789	10,437	10,772	9,956	11,240	1	0	2	(7)	(1)	15
Cipla															
Total sales	57,393	62,533	66,211	65,339	61,632	66,939	70,510	70,730	67,297	12	7	7	6	8	9
Europe	3,259	2,911	2,950	2,936	3,361	3,186	3,313	3,142	3,242	10	3	9	12	7	(4)
India	22,593	27,723	28,170	28,590	24,170	28,983	29,480	31,460	26,220	12	7	5	5	10	8
RoW	1,341	1,362	1,470	1,080	1,890	983	1,600	1,260	1,820	(26)	41	(28)	9	17	(4)
South Africa	6,191	7,480	9,930	8,150	8,470	8,313	10,680	9,750	10,190	48	37	11	8	20	20
US	16,772	18,218	18,870	19,160	18,753	20,874	19,860	19,060	19,190	20	12	15	5	(1)	2
Others	7,237	4,839	4,821	5,422	4,988	4,601	5,577	6,058	6,635	(21)	(31)	(5)	16	12	33
Dr Reddy's Laboratories															
Total sales	63,152	67,579	69,026	72,368	71,138	76,961	80,382	83,812	85,284	7	13	14	16	16	20
CIS	2,300	2,000	2,200	2,300	2,200	1,900	2,100	2,400	2,450	5	(4)	(5)	(5)	4	11
Europe	4,960	5,071	5,286	4,970	5,208	5,265	5,770	12,096	12,750	16	5	4	9	143	145
India	12,834	11,482	11,860	11,800	11,265	13,252	13,971	13,464	13,047	5	(12)	15	18	14	16
RoW	3,642	3,952	4,163	4,633	4,892	4,478	5,554	4,938	4,981	16	34	13	33	7	2
Russia	5,200	5,600	5,800	5,900	5,000	5,500	6,900	7,020	6,550	(14)	(4)	(2)	19	19	31
US	25,321	31,978	31,700	33,492	32,626	38,462	37,281	33,834	35,586	10	29	20	18	1	9
Others	8,895	7,496	8,017	9,273	9,947	8,104	8,806	10,060	9,920	7	12	8	10	8	(0)
Lupin															
Total sales	43,303	47,421	49,392	50,799	48,951	55,143	54,970	56,186	55,622	20	13	16	11	11	14
Europe	2,396	2,474	3,010	3,267	3,071	3,302	3,749	4,136	4,578	47	28	33	25	27	49
India	14,786	16,384	16,915	17,251	16,015	19,259	20,096	19,305	17,113	13	8	18	19	12	7
US	15,503	15,905	18,666	18,885	19,006	20,408	19,711	21,213	22,618	24	23	28	6	12	19
Others	10,618	12,659	10,802	11,396	10,859	12,174	11,414	11,532	11,313	17	2	(4)	6	1	4
Sun Pharma															
Total sales	107,256	117,852	120,031	121,569	118,133	125,245	132,642	134,369	128,156	10	10	6	11	11	8
EM	18,204	21,452	23,449	20,946	20,348	23,695	24,519	23,384	22,561	(1)	12	10	5	12	11
India	33,641	35,604	38,425	37,785	37,078	41,445	42,652	43,004	42,130	11	10	16	11	14	14
RoW	15,744	16,041	17,000	17,797	16,290	15,814	16,633	21,840	17,340	14	3	(1)	(2)	23	6
US	35,343	38,709	35,504	39,736	39,544	38,894	43,274	40,030	40,204	15	12	0	22	1	2
Others	4,324	6,046	5,653	5,305	4,873	5,397	5,564	6,112	5,921	(7)	13	(11)	(2)	15	22

Source: Companies, Kotak Institutional Equities

Strong growth in yoy domestic pharmaceutical sales

Exhibit 147: Domestic sales and growth of pharmaceutical companies, 4QFY23-4QFY25

	Domestic sales (Rs mn)									Yoy growth (%)					
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Cipla	22,593	27,723	28,170	28,590	24,170	28,983	29,480	31,460	26,220	12	7	5	5	10	8
Dr Reddy's Laboratories	12,834	11,482	11,860	11,800	11,265	13,252	13,971	13,464	13,047	5	(12)	15	18	14	16
Lupin	14,786	16,384	16,915	17,251	16,015	19,259	20,096	19,305	17,113	13	8	18	19	12	7
Mankind Pharma	19,719	24,185	25,292	24,003	21,746	26,342	27,958	27,734	25,440	20	10	9	11	16	17
Sun Pharma	33,641	35,604	38,425	37,785	37,078	41,445	42,652	43,004	22,618	11	10	16	11	14	(39)
Torrent Pharmaceuticals	12,570	14,260	14,440	14,150	13,810	16,350	16,320	15,810	15,450	12	10	15	13	12	12

Source: Companies, Kotak Institutional Equities

Many pharma companies reported a strong yoy increase in gross and EBITDA margins in 4QFY25

Exhibit 148: Gross and EBITDA margin of pharma companies under our coverage, 4QFY23-4QFY25 (%)

	Gross margin (%)									EBITDA margin (%)								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Alivus Life Sciences	54.9	57.1	54.1	57.7	55.5	51.1	55.6	55.6	56.5	33.2	33.4	28.1	30.1	26.4	27.1	26.5	29.7	30.5
Aurobindo Pharma	54.7	54.0	55.2	57.1	59.6	59.4	58.8	58.4	59.1	15.5	16.9	19.4	21.8	22.3	21.4	20.1	20.4	21.4
Blue Jet Healthcare	53.8	55.9	56.8	57.5	53.3	54.7	57.0	54.6	54.9	32.4	32.8	34.5	32.7	28.8	27.2	33.4	39.0	41.1
Cipla	64.0	64.7	65.4	66.0	66.7	67.2	67.6	68.0	67.5	20.5	23.6	26.0	25.7	21.4	25.6	26.7	28.1	22.8
Concord Biotech	79.2	79.3	79.8	80.4	72.1	77.6	75.4	78.5	78.9	47.3	37.0	45.4	44.0	42.1	37.7	44.1	40.1	41.3
Divis Laboratories	57.6	61.3	57.6	60.7	60.8	59.7	58.6	60.2	62.1	25.0	28.3	25.1	26.4	31.7	29.4	30.6	32.0	34.3
Dr Reddy's Laboratories	57.2	58.7	58.7	69.9	70.6	71.7	70.6	69.2	66.6	25.1	30.3	28.9	28.1	25.5	27.7	27.0	27.1	24.3
Emcure Pharmaceuticals	NA	63.6	62.9	62.7	62.1	62.4	60.6	60.1	57.8	NA	19.0	19.8	18.4	17.6	18.5	19.0	18.1	19.0
Gland Pharma	53.5	62.5	62.0	61.2	61.0	59.7	59.1	66.6	65.1	21.5	24.3	23.6	23.1	23.3	18.9	21.1	26.0	24.6
JB Chemicals & Pharma	63.9	65.4	66.2	67.6	65.2	66.2	66.2	67.1	66.1	21.5	25.9	27.6	26.4	23.0	27.9	27.0	26.4	23.8
Laurus Labs	49.7	50.6	52.5	54.4	49.8	55.1	55.2	56.9	54.5	20.7	14.1	15.3	15.2	16.8	14.3	14.6	20.2	24.4
Lupin	60.5	65.9	66.2	66.8	68.3	68.8	70.2	70.2	70.2	13.0	17.8	18.2	20.0	20.1	22.2	23.6	23.5	23.3
Mankind Pharma	67.2	68.2	69.5	68.3	69.8	71.9	71.6	71.0	71.6	20.3	25.4	25.2	23.3	24.2	23.6	27.6	25.7	22.2
Sun Pharmaceuticals	79.4	76.9	77.1	77.9	80.1	78.9	79.7	80.0	79.6	25.9	27.9	26.4	27.1	25.8	28.9	28.7	30.7	26.4
Torrent Pharmaceuticals	71.7	74.9	75.2	74.5	75.3	75.7	76.5	76.0	76.1	29.2	30.5	31.0	31.8	32.2	31.6	32.5	32.5	32.6

Source: Companies, Kotak Institutional Equities

Among the major pharmaceutical companies under our coverage, (1) ARBP reported 12% yoy (+6.2% qoq) growth in overall revenues, (2) CIPLA reported 9% yoy growth in overall revenues aided by Lanreotide supporting US sales, (3) DRRD's overall sales increased 20% yoy (+1.8% qoq) led by strong Europe sales, which offset moderation in US sales (+9% yoy), (4) LPC's overall sales increased 14% yoy, led by (a) launch of Rivaroxaban and (b) strong traction in gMyrbetriq and (5) SUNP's overall sales increased 8% yoy led by strong domestic sales yoy (+14%), which offset a modest 2% increase in US sales.

- **Mixed demand trends reported by various real estate players.** In the case of residential real estate, (1) a few companies under coverage reported a sharp yoy decline in sales volumes but (2) most companies reported decent yoy growth in sales value. Exhibits 149-150 show the trend of quarterly sales of the real estate companies under our coverage.

Weak sales volumes for real estate companies in 4QFY25

Exhibit 149: Sales volume of residential real estate of companies under coverage, March fiscal year-ends, 2023-25 (mn sq. ft)

	Residential sales volumes (mn sq. ft)								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Brigade Enterprises	2.3	1.5	1.7	1.7	2.6	1.1	1.6	2.1	2.0
Godrej Properties	5.3	2.3	5.2	4.3	8.2	9.0	5.2	4.1	7.5
Macrotech Developers	2.5	2.8	2.6	2.6	3.3	2.4	2.4	3.0	3.4
Oberoi Realty	0.3	0.2	0.4	0.4	0.5	0.2	0.3	0.7	0.1
Prestige Estate Projects	4.0	3.8	6.8	5.5	4.1	2.9	3.0	2.2	4.5
Sobha	1.5	1.4	1.7	1.7	1.3	1.3	0.9	1.0	1.6
Suntech Realty	0.5	0.4	0.4	0.4	0.5	0.4	0.5	0.3	0.4
Total	16.3	12.3	18.7	16.6	20.5	17.3	13.8	13.4	19.5
Yoy growth (%)									
Brigade Enterprises	55	28	43	13	12	(23)	(5)	29	(22)
Godrej Properties	24	(20)	90	(2)	56	300	(1)	(6)	(8)
Macrotech Developers	(17)	27	24	4	32	(14)	(8)	15	4
Oberoi Realty	(50)	(40)	(5)	11	73	(17)	(20)	65	(69)
Prestige Estate Projects	(18)	6	48	90	2	(24)	(56)	(60)	10
Sobha	10	3	26	12	(9)	(4)	(45)	(39)	16
Suntech Realty	(19)	(3)	27	18	10	(0)	24	(32)	(30)
Total	1	3	48	23	26	41	(26)	(19)	(5)

Source: Companies, Kotak Institutional Equities estimates

Strong sales growth in value terms for most real estate companies in 4QFY25

Exhibit 150: Sales value of residential real estate of companies under coverage, March fiscal year-ends, 2023-25

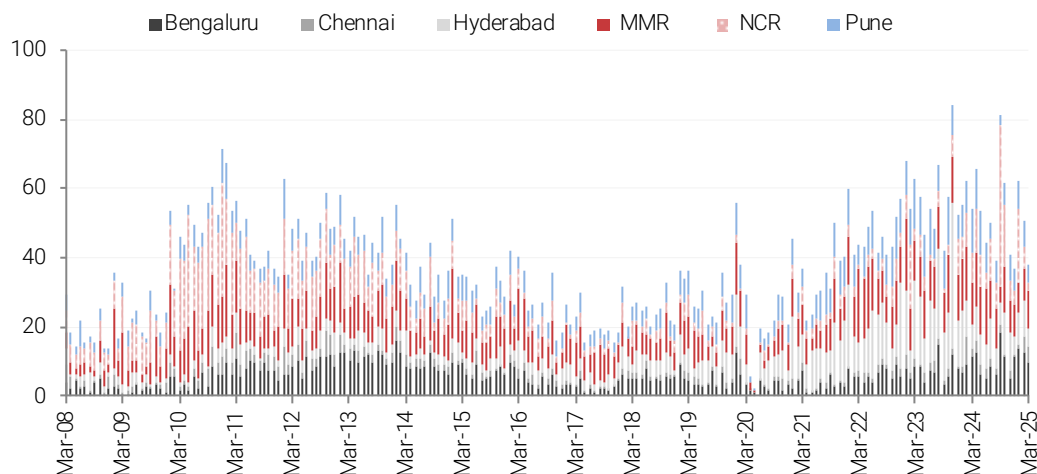
	Residential sales value (Rs bn)								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Brigade Enterprises	15	10	12	15	21	11	17	24	25
DLF	85	20	22	90	15	64	7	121	20
Godrej Properties	41	23	50	57	95	86	52	55	102
Macrotech Developers	30	34	35	34	42	40	43	45	48
Oberoi Realty	7	5	10	8	18	11	14	19	9
Prestige Estate Projects	39	39	71	53	47	30	40	30	70
Sobha	15	11	13	17	13	13	12	14	18
Suntech Realty	5	4	4	5	7	5	5	6	9
Total	236	145	218	279	258	260	191	314	300
Yoy growth (%)									
Brigade Enterprises	47	33	62	57	47	7	39	65	14
DLF	210	—	9	262	(83)	214	(69)	34	39
Godrej Properties	26	(10)	108	76	135	284	3	(5)	7
Macrotech Developers	(12)	19	12	12	40	20	22	32	14
Oberoi Realty	(27)	(37)	(17)	25	161	124	49	144	(52)
Prestige Estate Projects	19	30	102	111	21	(23)	(43)	(43)	48
Sobha	32	(1)	10	21	(13)	13	(7)	(20)	45
Suntech Realty	7	16	17	15	26	30	33	39	28
Total	45	9	50	90	9	79	(12)	12	16

Source: Companies, Kotak Institutional Equities estimates

We note that the six major metro cities have seen a moderation in new launches in the past few months, while sales volumes have been broadly stable. Inventory levels have increased in a few markets in recent months, but are still quite low compared to historical averages. Exhibits 151-153 give details of launches, sales volumes and inventory in the major metropolitan markets in India.

New launches have moderated in recent months

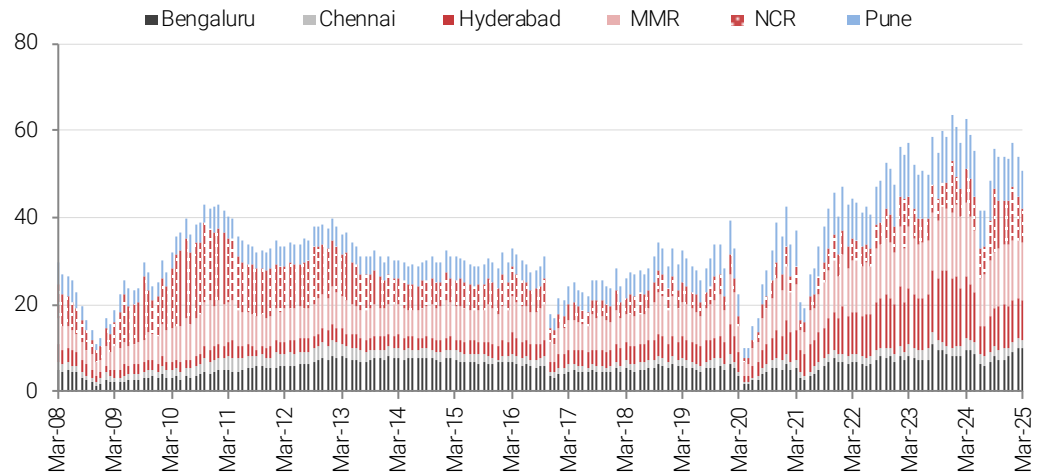
Exhibit 151: New launches trend, residential, March fiscal year-ends, 2009-25 (mn sq. ft)



Source: Prop Equity, Kotak Institutional Equities

Sales volume was weak in 4QFY25

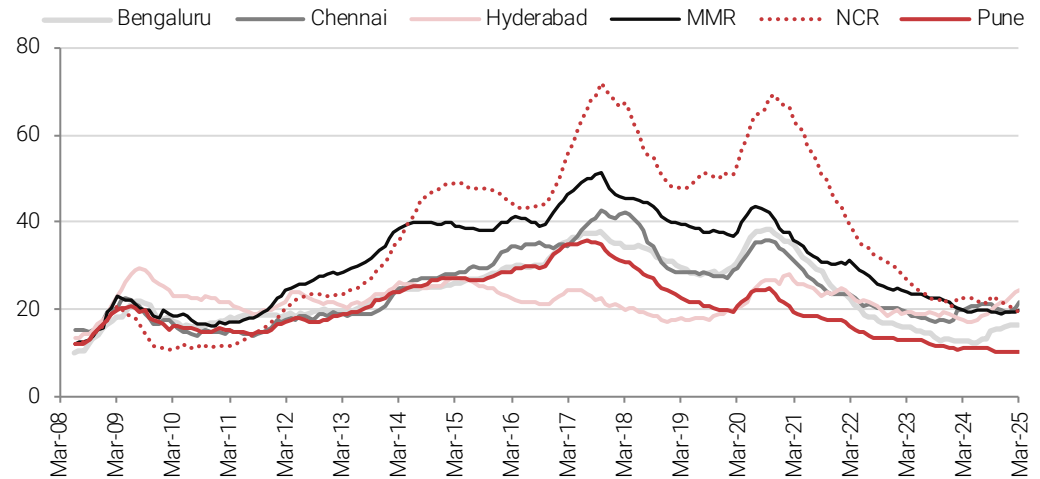
Exhibit 152: Absorption trend, residential, March fiscal year-ends, 2009-25 (mn sq. ft)



Source: Prop Equity, Kotak Institutional Equities

Residential real estate inventory remains at low levels, despite a small increase in recent months

Exhibit 153: 12-month rolling inventory, residential, March fiscal year-ends, 2009-25 (months)



Source: Prop Equity, Kotak Institutional Equities

Automobiles & Components

India

Sector View: **Cautious**

NIFTY-50: **24,834**

May 30, 2025

4QFY25 review: Muted quarter on expected lines

Key highlights of 4Q were (1) OEMs—muted profitability due to higher discounts and elevated marketing spends, (2) diversified auto ancillaries—strong tractor/CV demand supported growth for domestic suppliers; global suppliers numbers remained weak due to multiple headwinds, (3) tire companies—operating performance impacted due to the inflationary trend in rubber prices and (4) bearing companies—strong performance due to operating leverage benefit and favorable transfer pricing. We remain selective in the sector and prefer M&M, HMIL, SKF and TMKN.

OEMs—mixed trends with muted top-line and weak operating performance

Aggregate revenue of auto OEMs was up 5% yoy in 4QFY25, driven by (1) a double-digit yoy increase in the tractor segment's volumes, (2) low-to-mid single-digit growth in PV, CV and 2W volumes and (3) a richer product mix for select OEMs, partly offset by higher discounts. The EBITDA of auto OEMs increased 4.6% yoy, driven by a 42-43% yoy increase in operating profit of M&M and TVS Motors, offset by (1) a 9% yoy decline in MSIL's EBITDA, (2) muted EBITDA growth for BJAUT, HMCL, HMIL and ESC and (3) a sharp increase in losses for Ola Electric. As a result, the EBITDA margin remained stable yoy at 13.8%. Gross margins fell 20 bps yoy. Overall, adjusted PAT increased 13.4% yoy in 4QFY25.

Strong CV/tractor demand aided growth for select diversified auto ancillaries

Diversified auto ancillaries' revenue growth increased 7% yoy in 4QFY25, led by mid-to-high single-digit growth in production volumes of the CV and tractor segments, low single-digit growth in the PV segment and steady growth in the replacement segment, partly offset by weakness in global auto markets. EBITDA declined 2% yoy in 4QFY25, driven by (1) a 10% yoy decline in SAMIL's EBITDA and (2) RM headwinds for tire names, partly offset by operating leverage benefit and an improvement in profitability for bearing companies. Gross margins fell 160 bps yoy due to RM headwinds.

Rubber price tailwinds expected to improve profitability of tire names

Tire companies, especially MRF, BKT and CEAT, posted strong revenue growth, but overall profitability growth was muted, owing to RM headwinds. We expect the margins to recover from 1QFY26E, as the rubber and crude oil prices have corrected by 10-15% in the past 2-3 months. However, the outlook for the global OHT segment remains weak, which will weigh on margin recovery for BKT.

Luxury vehicle market remained under pressure

The luxury passenger vehicle market declined 2% yoy, with volumes declining for most luxury brands, except for JLR, which grew 4% yoy, despite the muted demand trends due to strong demand for RR, RR Sport and Defender in CY2024. The tariffs imposed pose a significant threat to the US luxury car market, which heavily depends on imports from European and UK-based brands. While luxury car buyers are more resilient to price increases, substantial hikes could deter discretionary purchases or delay buying decisions.

[Full sector coverage on KINSITE](#)

Strong performance across bearing companies in 4QFY25

Bearing companies' revenues grew 9% yoy, driven by (1) strong growth in the railway segment (Timken), (2) an uptick in the aftermarket division (Schaeffler and Timken), (3) strong growth in 2W production volumes (SKF) and (4) a recovery in export revenue (Schaeffler). EBITDA increased 20% yoy due to favorable transfer pricing and a richer product mix. As a result, PAT grew 20% yoy for bearing companies.

Uptick in steel prices may weigh on OEMs' margins in 1QFY26E

Domestic steel prices have seen a 5-10% increase, owing to safeguard duty on steel. Steel forms 10-15% of PV, CV and tractor OEMs. However, domestic natural rubber prices (spot) have corrected by 10-15% in the past quarter due to the risk of global recession amid a tariff war. Overall, we expect if the current metal and rubber prices are sustained at current levels, there could be 50-100 bps margin pressure for PV, CV and tractors, and a 150-200 bps margin expansion for tire companies (assuming no price changes).

Aggregate revenues/EBITDA/PAT grew 5.5%/3.1%/9.5% yoy in 4QFY25

Exhibit 1: KIE's auto OEMs and ancillaries' key financials trends, March fiscal year-ends, 2024-25 (Rs mn, %)

	Revenues			Gross profit			EBITDA			Recurring PAT		
	4QFY24	4QFY25	yoy (%)	4QFY24	4QFY25	yoy (%)	4QFY24	4QFY25	yoy (%)	4QFY24	4QFY25	yoy (%)
Apollo Tyres	62,582	64,236	2.6	29,558	27,892	(5.6)	10,280	8,374	(18.5)	3,541	1,846	(47.9)
Amara Raja Energy & Mobility	27,967	29,739	6.3	9,653	9,607	(0.5)	4,077	3,422	(16.1)	2,280	1,668	(26.8)
Ashok Leyland	112,667	119,067	5.7	31,761	35,039	10.3	15,921	17,910	12.5	9,527	12,561	31.9
Bajaj Auto	114,847	121,480	5.8	34,145	36,597	7.2	23,063	24,506	6.3	19,360	20,493	5.9
Balkrishna Industries	26,971	28,376	5.2	14,376	14,536	1.1	6,993	7,027	0.5	4,319	4,201	(2.7)
Bharat Forge	41,642	38,526	(7.5)	22,076	21,292	(3.6)	6,433	6,813	5.9	2,348	2,826	20.4
CEAT	29,919	34,206	14.3	12,653	12,815	1.3	3,915	3,881	(0.9)	1,522	1,273	(16.4)
CIE Automotive India	24,268	22,726	(6.4)	11,370	10,988	(3.4)	3,606	3,355	(7.0)	2,302	2,060	(10.5)
Eicher Motors	41,921	51,066	21.8	19,392	22,458	15.8	11,553	12,609	9.1	9,833	11,251	14.4
Endurance Technologies	26,848	29,635	10.4	11,535	13,015	12.8	3,894	4,225	8.5	2,102	2,366	12.6
Escorts Kubota	22,896	24,303	6.1	7,128	7,443	4.4	2,909	2,929	0.7	2,485	2,697	8.5
Exide Industries	40,094	41,594	3.7	13,234	12,990	(1.8)	5,161	4,667	(9.6)	2,837	2,546	(10.3)
Hero MotoCorp	95,193	99,387	4.4	31,945	34,318	7.4	13,592	14,156	4.1	10,161	10,809	6.4
Hyundai Motor India	176,711	179,403	1.5	50,343	51,545	2.4	25,218	25,327	0.4	16,772	16,143	(3.7)
Mahindra & Mahindra	251,828	313,534	24.5	67,481	81,236	20.4	32,983	46,825	42.0	20,001	24,371	21.9
Maruti Suzuki	382,349	406,738	6.4	109,465	114,385	4.5	46,850	42,647	(9.0)	38,778	37,111	(4.3)
Ola Electric	15,980	6,110	(61.8)	2,400	840	(65.0)	(3,120)	(6,950)	122.8	(4,160)	(8,700)	109.1
MRF	62,151	69,438	11.7	24,187	25,047	3.6	8,856	10,428	17.8	3,796	4,979	31.2
SAMIL	270,582	293,168	8.3	128,344	134,548	4.8	29,346	26,429	(9.9)	13,715	10,505	(23.4)
Schaeffler India	18,731	21,744	16.1	7,091	8,265	16.6	3,299	3,928	19.1	2,197	2,516	14.5
SKF	12,034	12,134	0.8	4,963	5,944	19.8	2,134	2,845	33.4	1,752	2,033	16.0
Sona BLW Precision	8,853	8,684	(1.9)	4,994	4,921	(1.5)	2,481	2,350	(5.3)	1,487	1,659	11.6
Tata Motors	1,190,330	1,195,030	0.4	452,480	452,860	0.1	165,430	166,250	0.5	68,648	87,311	27.2
Timken	8,978	9,398	4.7	3,655	3,795	3.8	1,987	2,097	5.6	1,414	1,868	32.1
TVS Motors	81,688	95,504	16.9	22,249	28,832	29.6	9,262	13,326	43.9	4,854	8,521	75.5
Uno Minda	37,940	45,283	19.4	13,844	16,140	16.6	4,740	5,267	11.1	2,679	2,662	(0.6)
Varroc Engineering	19,749	20,992	6.3	7,767	7,529	(3.1)	2,210	2,207	(0.1)	584	794	36.1
Total	3,205,718	3,381,501	5.5	1,148,088	1,194,875	4.1	443,072	456,848	3.1	245,132	268,372	9.5
Total ex SAMIL	2,935,136	3,088,333	5.2	1,019,744	1,060,326	4.0	413,726	430,419	4.0	231,416	257,867	11.4
Auto ancillaries	719,307	769,880	7.0	319,300	329,323	3.1	99,411	97,315	(2.1)	48,875	45,802	(6.3)
Auto ancillaries ex SAMIL	448,725	476,711	6.2	190,956	194,774	2.0	70,065	70,886	1.2	35,159	35,297	0.4
Auto OEMs	2,486,411	2,611,621	5.0	828,788	865,552	4.4	343,661	359,534	4.6	196,257	222,570	13.4

Source: Company, Kotak Institutional Equities

Auto OEMs delivered volume growth of 4.5% yoy in 4QFY25, driven by steady growth in CV, tractor and export 2W segments

Exhibit 2: KIE's auto OEMs and tire companies' volume trends, March fiscal year-ends, 2022-25 (units, MT, %)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	3-year CAGR (%)	Yoy (%)
OEMs (units)															
Ashok Leyland	48,719	39,651	45,295	47,562	59,697	41,329	49,846	47,241	56,267	43,893	45,624	46,404	59,176	6.7	5.2
Bajaj Auto	976,651	933,646	1,151,012	983,276	857,788	1,027,091	1,050,975	1,197,049	1,062,426	1,099,056	1,207,804	1,224,542	1,102,934	4.1	3.8
2W	859,091	847,158	1,019,034	851,050	723,465	889,014	878,605	1,036,245	910,667	947,917	1,019,508	1,054,621	943,563	3.2	3.6
3W	117,560	86,488	131,978	132,226	134,323	138,077	172,370	160,804	151,759	151,139	188,296	169,921	159,371	10.7	5.0
Eicher Motors	205,317	204,283	225,002	239,017	244,052	246,316	248,602	248,151	254,523	246,820	249,617	294,945	313,809	15.2	23.3
Royal Enfield	185,675	187,205	207,764	221,401	218,525	227,706	229,340	228,073	227,673	226,907	227,872	272,297	282,823	15.1	24.2
VECV	21,540	18,012	18,527	19,425	27,428	19,915	20,620	21,546	26,850	19,913	21,745	22,648	30,986	12.9	15.4
Escorts Kubota	23,181	27,763	917	1,209	1,528	33,626	27,818	32,955	26,545	31,752	27,389	34,545	28,352	6.9	6.8
Tractor						32,253	26,241	31,155	24,747	30,370	25,995	32,556	26,633		7.6
Construction Equipment	1,286	966	917	1,209	1,528	1,373	1,577	1,800	1,798	1,382	1,394	1,989	1,719	10.2	(4.4)
Hero MotoCorp	1,188,884	1,390,193	1,428,168	1,239,693	1,270,492	1,352,574	1,416,526	1,459,932	1,392,423	1,535,156	1,519,684	1,463,802	1,380,545	5.1	(0.9)
Hyundai Motor India						183,403	209,777	190,979	193,713	192,055	191,938	186,408	191,650		(1.1)
Mahindra & Mahindra	228,784	271,971	273,223	281,859	278,958	301,147	302,139	313,115	286,924	333,287	324,420	367,273	341,046	14.2	18.9
Automotive ^(a)	155,902	153,462	179,683	176,094	189,227	186,138	202,060	184,245	191,868	188,838	202,772	216,076	225,038	13.0	17.3
Tractor	72,882	118,509	93,540	105,765	89,731	115,009	90,061	101,672	71,644	121,467	93,382	121,774	88,018	6.5	22.9
Maruti Suzuki	488,830	467,931	517,395	465,911	514,927	498,030	552,055	501,207	584,031	521,868	541,550	566,213	604,435	7.3	3.5
Ola Electric						70,575	56,813	86,775	115,386	125,198	98,619	84,029	51,375		(55.5)
Tata Motors	576,068	545,083	576,673	548,683	611,030	558,743	593,297	576,705	628,172	569,337	527,271	583,625	619,917	2.5	(1.3)
Domestic (PV+CV)	243,460	231,248	243,387	228,169	251,822	226,245	242,040	231,381	253,791	229,891	215,034	235,599	251,752	1.1	(0.8)
CV	119,870	100,921	100,536	95,914	116,168	85,795	104,085	96,526	96,776	91,209	84,281	95,770	104,566	(4.5)	8.0
PV	123,590	130,327	142,851	132,255	135,654	140,450	137,955	134,855	157,015	138,682	130,753	139,829	147,186	6.0	(6.3)
JLR	89,148	82,587	89,899	92,345	107,386	106,253	109,217	113,943	120,599	109,555	97,203	112,427	116,413	9.3	(3.5)
TVS Motors	861,982	906,791	1,027,437	879,423	868,417	953,244	1,074,648	1,100,675	1,062,529	1,087,175	1,228,223	1,211,952	1,216,286	12.2	14.5
2W	820,208	860,795	976,926	835,938	839,295	918,482	1,031,642	1,062,609	1,032,193	1,056,350	1,190,309	1,182,634	1,179,680	12.9	14.3
3W	41,774	45,996	50,511	43,485	29,122	34,762	43,006	38,066	30,336	30,825	37,914	29,318	36,606	(4.3)	20.7
Total	4,598,416	4,787,312	5,245,122	4,686,633	4,706,889	5,082,675	5,372,719	5,563,805	5,469,226	5,593,542	5,770,201	5,877,330	5,717,875	7.5	4.5
Tyre companies (MT)															
Balkrishna Industries	77,119	83,153	78,872	66,480	72,676	67,209	70,585	72,749	82,085	83,570	73,298	76,343	82,062	2.1	(0.0)
Apollo Tyres (standalone)	168,055	170,494	154,297	155,840	168,055	161,969	162,012	163,632	168,055	170,068	162,012	165,268	168,474	0.1	0.2
CEAT (standalone)	102,361	110,038	107,837	102,361	109,526	111,689	114,847	115,156	116,308	120,847	124,034	123,793	128,520	7.9	10.5
Total	562,099	574,809	556,658	533,391	566,150	575,544	573,372	575,989	597,107	631,552	604,880	615,401	631,256	3.9	5.7

Source: Company, Kotak Institutional Equities estimates

ASPs of the majority of OEMs improved yoy across segments in 4QFY25; however, we observed divergent trends in the quantum of change in ASPs

Exhibit 3: KIE auto OEMs and tire companies' ASP trends, March fiscal year-ends, 2022-25 (Rs per vehicle, Rs per MT, %)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	3-year CAGR (%)	Yoy (%)
OEMs (Rs per vehicle)															
Ashok Leyland	1,794,842	1,821,606	1,824,914	1,898,505	1,947,446	1,981,488	1,933,563	1,962,916	2,002,362	1,958,975	1,921,977	2,042,641	2,012,084	3.9	0.5
Bajaj Auto	81,655	85,739	88,642	94,736	103,810	100,378	102,545	101,195	108,099	108,530	108,689	104,585	107,022	9.4	(1.0)
Eicher Motors (consolidated)	172,058	173,496	163,512	162,156	175,328	171,325	171,392	177,758	184,127	186,476	184,553	180,250	180,558	1.6	(1.9)
Escorts Kubota	803,002	725,732	765,020	774,328	830,240	832,674	866,989	834,688	862,539	805,086	826,945	849,741	857,188	2.2	(0.6)
Tractors	622,521	595,499	613,787	609,452	628,912	658,032	681,891	709,016	717,954	715,081	724,812	742,290	741,479	6.0	3.3
Construction Equipment	2,481,415	2,548,033	2,637,841	2,531,927	2,518,586	2,622,724	2,636,525	2,539,833	2,813,126	2,754,269	2,725,323	2,592,559	2,640,372	2.1	(6.1)
Hero MotoCorp	62,426	60,370	63,545	64,782	65,382	64,819	66,680	66,604	68,365	66,076	68,851	69,755	71,991	4.9	5.3
Hyundai Motor India						906,393	889,501	883,590	912,233	903,087	899,269	893,094	936,096		2.6
Mahindra & Mahindra	748,478	725,262	768,974	768,247	809,131	798,814	804,593	807,643	877,683	811,276	849,308	831,486	919,331	7.1	4.7
Automotive ^(a)	774,312	809,236	829,006	840,263	866,691	884,025	821,112	918,517	1,043,207	1,003,352	1,041,085	1,037,138	1,109,842	12.7	6.4
Tractor	593,735	564,399	592,060	593,549	669,969	648,262	657,277	662,380	729,573	670,483	695,724	670,697	730,346	7.1	0.1
Maruti Suzuki	547,020	566,319	578,490	623,387	622,379	649,095	671,348	664,570	654,672	680,850	686,969	679,817	672,923	7.1	2.8
Ola Electric						176,125	153,662	149,352	138,492	131,312	123,100	124,362	124,362		(10.2)
Tata Motors - CV	1,446,423	1,473,870	1,486,709	1,646,681	1,733,879	1,845,395	1,781,400	1,934,045	2,093,519	1,848,721	1,841,222	1,779,263	1,912,572	9.8	(8.6)
Tata Motors - PV	857,027	895,056	885,398	893,350	897,135	921,467	887,608	964,147	775,085	933,214	936,499	929,850	984,944	4.7	27.1
TVS Motors	64,158	66,263	70,264	74,429	76,055	75,719	75,789	74,909	76,881	77,040	75,135	75,061	78,521	7.0	2.1
Tyre companies (Rs per MT)															
Balkrishna Industries	315,340	327,863	355,803	333,231	319,862	314,693	318,317	318,322	328,572	328,052	312,687	336,844	345,786	3.1	5.2
Apollo Tyres (standalone)	237,306	260,199	275,568	272,498	259,810	272,475	271,999	264,736	261,072	269,986	275,396	274,691	271,882	4.6	4.1
CEAT (standalone)	251,701	254,738	267,660	264,854	261,375	261,547	264,982	256,085	256,150	262,166	265,905	265,908	265,606	1.8	3.7

Note:

(a) Total volume excludes volumes from Mahindra Last Mile Mobility from September 2023 onwards

Source: Company, Kotak Institutional Equities estimates

Gross profit grew 4% yoy, driven by richer product mix and price increases for select companies

Exhibit 4: KIE auto OEMs and ancillaries' gross profit trends, March fiscal year-ends, 2022-25 (Rs mn, %)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	3-year CAGR (%)	Yoy (%)
Gross profit															
Apollo Tyres	22,175	23,580	23,154	25,473	27,103	28,127	28,700	30,762	29,558	28,832	28,806	28,759	27,892	7.9	(5.6)
Amara Raja Energy & Mobility	6,078	6,957	8,228	8,797	8,457	8,005	9,386	9,792	9,653	9,749	10,146	10,476	9,607	16.5	(0.5)
Ashok Leyland	19,021	14,948	18,194	21,438	28,370	21,521	25,515	25,753	31,761	23,939	25,278	27,044	35,039	22.6	10.3
Bajaj Auto	22,391	22,273	27,167	27,376	26,912	28,971	31,262	35,040	34,145	35,754	37,636	36,742	36,597	17.8	7.2
Balkrishna Industries	13,291	14,571	14,373	10,774	11,451	10,928	11,654	12,045	14,376	14,557	12,955	13,481	14,536	3.0	1.1
Bharat Forge	19,749	16,041	17,152	17,518	18,778	19,992	20,100	20,861	22,076	22,693	21,243	20,057	21,292	2.5	(3.6)
CEAT	8,689	8,934	9,412	9,421	11,529	12,056	13,236	12,246	12,653	12,527	12,363	12,152	12,815	13.8	1.3
CIE Automotive India	4,487	4,746	5,248	5,045	5,214	11,124	10,325	10,783	11,370	11,188	10,294	10,084	10,988	34.8	(3.4)
Eicher Motors	13,632	13,865	14,099	14,970	16,437	16,901	18,394	18,701	19,392	19,799	19,223	21,819	22,458	18.1	15.8
Endurance Technologies	8,234	8,363	8,899	8,396	9,086	10,015	10,133	10,220	11,535	11,995	12,295	12,272	13,015	16.5	12.8
Escorts Kubota	5,507	5,602	5,197	5,766	6,215	8,012	7,414	7,447	7,128	7,471	6,883	7,910	7,443	10.6	4.4
Exide Industries	9,489	10,808	11,360	11,015	10,950	11,506	12,775	12,094	13,234	13,233	13,460	12,308	12,990	11.0	(1.8)
Hero MotoCorp	22,793	22,852	25,452	24,567	26,605	26,864	29,675	31,767	31,945	32,766	34,837	34,956	34,318	14.6	7.4
Mahindra & Mahindra	40,485	46,126	49,333	52,067	56,495	59,412	59,306	62,225	67,481	70,994	71,093	78,114	81,236	26.1	20.4
Maruti Suzuki	70,733	67,296	80,507	79,385	85,606	87,952	108,931	96,911	109,465	105,985	104,569	109,354	114,385	17.4	4.5
Ola Electric						1,330	510	2,080	2,400	3,030	2,250	1,940	840		(65.0)
MRF	16,716	17,611	16,967	17,785	21,194	24,554	24,816	24,274	24,187	26,368	24,680	22,797	25,047	14.4	3.6
SAMIL	72,086	72,597	75,435	87,345	98,046	97,612	101,331	114,947	128,344	133,932	127,301	130,322	134,548	23.1	4.8
Schaeffler India	6,152	6,496	6,497	7,005	6,569	7,062	6,883	6,967	7,091	7,947	7,939	7,778	8,265	10.3	16.6
SKF	3,892	4,132	4,558	4,467	4,234	4,577	3,823	4,556	4,963	4,745	4,159	4,186	5,944	15.2	19.8
Sona BLW Precision	3,030	3,210	3,485	3,819	4,042	4,169	4,355	4,588	4,994	5,143	5,182	4,854	4,921	17.5	(1.5)
Tata Motors	272,426	237,129	270,164	310,301	377,380	384,526	382,185	422,995	452,480	421,350	392,150	431,870	452,860	18.5	0.1
Timken	3,185	3,203	2,768	2,409	3,088	2,958	2,835	2,481	3,655	3,088	2,959	2,633	3,795	6.0	3.8
TVS Motors	13,189	14,359	17,217	16,025	16,251	18,361	21,170	21,694	22,249	23,952	26,264	25,858	28,832	29.8	29.6
Uro Mindra	8,676	8,990	10,110	10,726	10,294	11,059	12,447	12,323	13,844	13,572	14,912	14,441	16,140	23.0	16.6
Varror Engineering	5,301	5,785	6,533	5,927	6,211	6,645	6,920	6,846	7,767	7,116	7,453	7,351	7,529	12.4	(3.1)
Total	691,407	660,475	736,139	793,284	902,390	964,457	1,010,945	1,065,338	1,148,088	1,120,388	1,083,701	1,134,201	1,194,875	20.0	4.1
Auto ancillaries	211,230	216,024	224,180	235,921	256,248	270,387	279,728	295,783	319,300	326,684	316,145	313,952	329,323	16.0	3.1
Auto OEMs	480,177	444,451	507,330	551,894	640,271	651,534	683,055	722,196	828,788	793,704	767,556	820,249	865,552	21.7	4.4

Source: Company, Kotak Institutional Equities estimates

We saw mixed trends of gross profit and EBITDA per vehicle across OEMs; tire companies' profitability was under pressure

Exhibit 5: KIE auto OEMs gross profit and EBITDA per vehicle trends, March fiscal year-ends, 2021-25 (Rs per vehicle, Rs per kg)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Gross Profit per vehicle (Rs per vehicle)																	
Ashok Leyland	379,690	424,607	377,341	358,614	390,427	376,989	401,671	450,742	475,233	520,734	511,875	545,135	564,473	545,392	554,048	582,792	592,113
Bajaj Auto	20,685	19,798	20,148	19,286	22,926	23,856	23,603	27,842	31,374	28,207	29,746	29,272	32,139	32,531	31,161	30,004	33,182
Eicher Motors	57,568	62,640	72,425	66,619	73,420	74,065	67,861	67,615	75,219	74,225	80,205	81,994	85,173	87,258	84,357	80,128	79,407
Hero MotoCorp	16,364	14,714	16,287	17,714	19,172	16,438	17,822	19,817	20,941	19,861	20,949	21,759	22,942	21,344	22,924	23,880	24,858
Hyundai Motor India																	
Mahindra & Mahindra	204,250	191,278	190,641	181,480	176,957	169,597	180,561	184,726	202,520	197,284	203,020	217,634	256,081	228,787	240,052	231,210	259,492
Maruti Suzuki	127,435	126,697	130,734	133,349	144,699	143,816	155,601	170,387	166,249	176,600	197,319	193,355	187,430	203,088	193,092	193,132	189,243
Ola Electric																	
Tata Motors domestic CV	328,380	366,358	297,283	269,795	319,144	357,891	339,136	433,748	456,481	512,326	501,255	578,064	611,892	581,741	591,948	555,706	601,151
Tata Motors domestic PV	151,598	158,264	161,051	142,521	134,477	139,956	130,416	144,720	161,735	159,416	171,940	187,461	139,732	161,448	181,411	180,792	205,250
TVS Motors	14,145	14,504	14,758	15,383	15,300	15,835	16,757	18,222	18,714	19,262	19,700	19,709	20,940	22,031	21,384	21,336	23,705
Gross Profit per kg (Rs per kg)																	
Apollo Tyres (standalone)	88	78	75	69	73	77	82	89	97	108	108	108	106	103	100	92	94
Balkrishna Industries	151	152	158	158	172	175	182	162	158	163	165	166	175	174	177	177	177
CEAT (standalone)	93	90	89	83	84	81	87	92	105	107	115	106	108	103	100	98	100
EBITDA per vehicle (Rs per vehicle)																	
Ashok Leyland	125,419	(77,890)	48,902	65,701	159,289	80,775	118,631	167,642	213,703	198,589	216,625	235,797	282,956	207,521	222,975	261,062	302,650
Bajaj Auto	13,030	11,131	12,243	11,615	13,982	13,892	15,280	18,070	20,012	19,024	20,294	20,299	21,708	21,976	21,959	21,075	22,219
Eicher Motors	31,451	27,054	35,865	34,297	40,661	42,104	38,680	38,701	43,235	44,473	47,852	48,878	50,743	51,942	48,487	44,939	44,581
Hero MotoCorp	7,716	5,025	7,412	7,430	6,961	6,767	7,270	7,455	8,524	8,918	9,377	9,329	9,761	9,509	9,975	10,087	10,254
Mahindra & Mahindra	96,685	87,347	87,120	84,186	85,038	85,801	91,401	99,845	100,279	107,426	104,957	113,194	125,168	129,622	133,367	132,251	149,575
Maruti Suzuki	40,450	23,220	22,525	36,200	49,645	40,863	53,516	60,808	65,064	59,896	86,662	77,970	80,218	86,273	81,555	78,951	70,557
Tata Motors domestic CV	111,764	(4,684)	27,782	30,111	93,153	68,551	64,782	144,655	179,073	154,821	190,232	221,010	250,933	210,067	196,130	210,400	238,892
Tata Motors domestic PV	37,989	32,798	53,921	34,271	58,581	55,783	50,682	62,606	65,240	48,202	56,758	62,660	56,364	48,817	59,984	60,431	71,882
TVS Motors	5,780	4,156	6,140	6,451	6,460	6,611	7,169	7,493	7,828	8,012	8,373	8,399	8,717	8,832	8,791	8,923	10,957
EBITDA per kg (Rs per kg)																	
Apollo Tyres (standalone)	35	24	24	21	22	25	28	35	41	49	52	48	41	37	33	30	31
Balkrishna Industries	82	78	78	72	75	66	72	64	68	72	78	81	85	85	84	84	86
CEAT (standalone)	25	20	22	13	18	15	19	23	34	35	40	36	34	32	30	28	31

Source: Company, Kotak Institutional Equities estimates

SUV mix of the PV industry improved by 210 bps yoy to 54.9% in 4QFY25

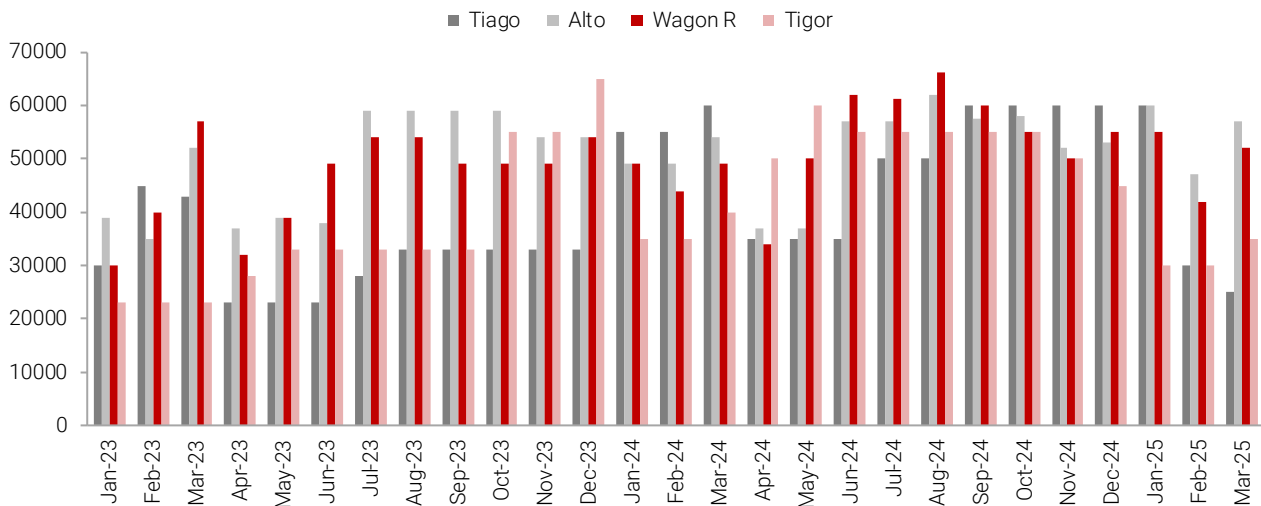
Exhibit 6: Domestic passenger vehicle segmental mix and market share trends, March fiscal year-ends, 2023-25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	FY2025	FY2024
PV segment-wise mix (%)											
Entry Hatch	6.1	4.6	3.2	2.9	4.0	3.6	3.4	3.0	3.3	3.3	3.7
B Hatch segment	8.9	9.1	7.5	6.9	7.5	7.1	6.6	6.2	7.8	6.9	7.7
B+ Hatch segment	19.0	18.3	17.1	15.3	14.7	14.2	13.3	12.8	13.0	13.3	16.3
Hatchback segment	34.0	32.0	27.8	25.1	26.1	24.9	23.3	22.0	24.0	23.5	27.7
Sedan segment	10.0	9.6	9.1	9.0	8.6	8.6	7.1	7.8	8.2	7.9	9.1
Micro SUV (< 4m)	4.8	7.5	10.3	10.7	11.5	12.7	11.3	11.8	11.3	11.8	10.1
Compact SUV (< 4m)	16.4	15.5	13.6	15.0	14.3	15.3	16.5	16.2	16.3	16.1	14.6
Mid SUV (> 4m)	12.8	11.8	13.8	14.4	13.3	12.4	14.2	14.8	15.2	14.2	13.3
LARGE SUV (> 4m)	9.8	10.7	11.2	11.9	11.7	11.2	12.0	12.6	11.2	11.7	11.4
Premium SUV	1.2	1.1	1.0	0.9	1.0	0.9	0.8	0.9	0.9	0.9	1.0
SUV segment	44.9	46.6	49.8	52.9	51.8	52.5	54.7	56.3	54.9	54.6	50.3
MUVs	11.1	11.9	13.3	12.9	13.4	14.1	14.9	14.0	12.9	13.9	12.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Market share of OEMs (%)											
Maruti Suzuki	42.0	41.6	42.7	40.4	42.3	40.6	40.1	40.2	41.3	40.6	41.8
Hyundai Motors	14.5	14.9	14.8	14.6	14.1	14.5	14.1	13.6	13.1	13.8	14.5
Tata Motors	13.4	14.4	13.1	13.5	14.0	13.9	12.6	13.3	12.9	13.1	13.7
Mahindra & Mahindra	9.8	10.1	10.7	11.8	11.1	12.0	12.8	13.2	12.7	12.7	10.9
Kia Motors	7.3	6.1	5.5	5.9	5.8	5.9	6.3	4.9	6.4	5.9	5.8
Nissan-Renault	2.3	2.2	1.6	1.6	1.8	1.7	1.5	1.6	1.3	1.5	1.8
Toyota	4.6	5.1	5.9	5.8	6.3	6.6	7.7	7.3	6.8	7.1	5.8
Honda India	2.0	1.5	2.1	2.6	2.0	1.4	1.5	1.5	1.7	1.5	2.1
MG India	1.4	1.5	0.9	1.0	0.8	1.3	1.3	1.9	1.2	1.4	1.0
Others	2.7	2.6	2.6	2.9	1.9	2.0	2.1	2.6	2.6	2.3	2.5
Total	100.0	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

Discounts stay elevated, especially in the hatchback and sedan segments yoy

Exhibit 7: Discount trends on select passenger vehicle models, March fiscal year-ends, 2022-25 (%)



Source: Company, Kotak Institutional Equities

Global luxury volumes declined 3% yoy in CY2024, whereas JLR's volumes declined 1% yoy in CY2024

Exhibit 8: Global luxury vehicle trends, calendar year-ends, 2022-25 (units, %)

	4QCY22	1QCY23	2QCY23	3QCY23	4QCY23	1QCY24	2QCY24	3QCY24	4QCY24	1QCY25	2024	2023
Europe luxury car volumes (units)												
Audi	174,020	179,372	197,180	175,917	180,665	164,251	182,966	161,291	136,669	161,884	645,177	733,134
BMW	162,695	164,125	188,430	170,900	202,864	188,863	231,005	213,789	243,472	236,243	877,129	726,319
JLR	22,508	38,425	35,213	35,174	36,663	44,828	39,660	26,320	39,203	48,995	150,011	145,475
Lexus	10,078	10,899	16,604	16,032	15,332	19,160	19,261	19,465	21,549	21,218	79,435	58,867
Mercedes-Benz	170,306	165,554	170,222	169,015	188,855	160,200	157,400	158,300	186,204	164,444	662,104	693,646
Porsche	21,769	26,469	26,147	21,591	23,953	31,772	27,650	19,881	29,410	25,277	108,713	98,160
Tesla	72,673	93,784	91,236	86,010	93,145	85,784	78,200	70,100	84,626	55,335	318,710	364,175
Volvo	82,155	69,866	73,507	60,452	81,648	92,296	102,475	81,074	94,147	84,449	369,992	285,473
Total	716,204	748,494	798,539	735,091	823,125	787,154	838,617	750,220	835,280	797,845	3,211,271	3,105,249
Europe luxury car volume yoy growth (%)												
Audi	50.6	20.7	32.9	26.7	3.8	(8.4)	(7.2)	(8.3)	(24.4)	(1.4)	(12.0)	
BMW	9.4	4.8	14.0	17.5	24.7	15.1	22.6	25.1	20.0	25.1	20.8	
JLR	(11.0)	43.2	1.3	10.7	62.9	16.7	12.6	(25.2)	6.9	9.3	3.1	
Lexus	3.7	2.4	115.3	80.5	52.1	75.8	16.0	21.4	40.5	10.7	34.9	
Mercedes-Benz	(1.2)	1.2	4.0	12.0	10.9	(3.2)	(7.5)	(6.3)	(1.4)	2.6	(4.5)	
Porsche	(15.6)	18.4	30.4	18.1	10.0	20.0	5.7	(7.9)	22.8	(20.4)	10.8	
Tesla	29.9	58.7	247.6	58.5	28.2	(8.5)	(14.3)	(18.5)	(9.1)	(35.5)	(12.5)	
Volvo	16.0	6.5	37.8	30.4	(0.6)	32.1	39.4	34.1	15.3	(8.5)	29.6	
Total	14.8	14.6	28.9	23.6	14.9	5.2	5.0	2.1	1.5	1.4	3.4	
North America luxury car volumes (units)												
Audi	65,341	64,315	67,347	59,535	60,670	54,025	42,069	48,386	56,911	48,599	201,391	251,867
BMW	112,057	90,174	95,948	83,949	92,151	84,475	97,491	83,412	126,254	94,591	391,632	362,222
Cadillac	39,135	36,321	38,877	33,717	36,378	35,451	38,455	35,066	49,084	41,757	158,056	145,293
JLR	26,223	19,296	22,406	26,324	26,508	30,385	31,045	25,083	38,096	34,764	124,609	94,534
Lexus	60,092	68,066	81,344	74,896	95,941	78,471	105,709	86,339	109,070	83,043	379,589	320,247
Mercedes-Benz	87,534	75,097	98,764	90,011	90,700	74,000	95,596	97,806	98,084	86,900	365,486	354,572
Porsche	14,552	19,651	22,286	19,988	24,134	12,709	26,849	21,859	25,124	18,884	86,541	86,059
Tesla	140,000	170,002	172,999	126,532	168,000	156,402	159,159	177,145	151,900	128,100	644,606	637,533
Volvo	29,800	31,176	39,176	32,400	36,576	30,951	30,100	28,496	35,696	33,285	125,243	139,329
Total	574,734	574,099	639,148	547,352	631,058	556,869	626,473	603,591	690,219	569,923	2,477,152	2,391,656
North America luxury car volume yoy growth (%)												
Audi	65.5	47.7	14.5	(0.8)	(7.1)	(16.0)	(37.5)	(18.7)	(6.2)	(10.0)	(20.0)	
BMW	11.0	11.4	13.6	(2.0)	(17.8)	(6.3)	1.6	(0.6)	37.0	12.0	8.1	
Cadillac	74.8	28.7	15.4	0.1	(7.0)	(2.4)	(1.1)	4.0	34.9	17.8	8.8	
JLR	36.8	1.7	64.5	17.1	1.1	57.5	38.6	(4.7)	43.7	14.4	31.8	
Lexus	(8.5)	5.8	21.9	10.9	59.7	15.3	30.0	15.3	13.7	5.8	18.5	
Mercedes-Benz	19.4	1.2	2.6	4.4	3.6	(1.5)	(3.2)	8.7	8.1	17.4	3.1	
Porsche	(29.2)	28.1	(2.8)	10.5	65.8	(35.3)	20.5	9.4	4.1	48.6	0.6	
Tesla	77.9	4.1	45.7	11.0	20.0	(8.0)	(8.0)	40.0	(9.6)	(18.1)	1.1	
Volvo	11.2	16.2	15.6	27.5	22.7	(0.7)	(23.2)	(12.0)	(2.4)	7.5	(10.1)	
Total	28.6	11.3	20.8	6.7	9.8	(3.0)	(2.0)	10.3	9.4	2.3	3.6	
China luxury car volumes (units)												
Audi	147,448	137,315	191,152	195,950	192,138	156,082	165,936	157,478	135,278	139,719	614,774	716,555
BMW	199,112	195,100	198,161	210,331	219,754	182,998	188,661	147,691	190,892	155,195	710,242	823,346
Cadillac	72,525	27,000	48,855	45,050	51,416	33,299	29,000	46,852	47,303	24,583	156,454	172,321
JLR	11,587	12,007	11,446	13,152	14,956	12,999	11,609	17,145	9,257	9,175	51,010	51,561
Lexus	41,868	29,849	40,695	51,290	59,117	59,117	44,467	196,327	51,803	41,071	351,714	180,951
Porsche	24,520	21,365	22,467	21,365	20,278	13,415	16,136	13,729	7,168	8,590	50,448	85,475
Mercedes-Benz	180,512	191,017	183,561	201,500	175,000	168,900	172,600	170,700	171,400	151,436	683,600	751,078
Tesla	227,791	229,322	247,217	222,517	172,670	128,693	146,416	184,664	197,227	172,754	657,000	871,726
Volvo	44,600	36,500	42,100	45,400	45,415	35,305	40,200	37,532	35,450	33,300	148,487	169,415
Total	949,963	879,475	985,654	1,006,555	950,744	790,808	815,025	972,118	845,777	735,823	3,423,728	3,822,428
China luxury car volume yoy growth (%)												
Audi	7.0	(15.6)	20.2	10.1	30.3	13.7	(13.2)	(19.6)	(29.6)	(10.5)	(14.2)	
BMW	12.7	(6.6)	16.2	(2.0)	10.4	(6.2)	(4.8)	(29.8)	(13.1)	(15.2)	(13.7)	
Cadillac	6.5	(40.3)	59.6	(32.7)	(29.1)	23.3	(40.6)	4.0	(8.0)	(26.2)	(9.2)	
JLR	14.7	16.9	41.9	(0.8)	29.1	8.3	1.4	30.4	(38.1)	(29.4)	(1.1)	
Lexus	9.3	(35.9)	1.3	(5.6)	41.2	98.1	9.3	282.8	(12.4)	(30.5)	94.4	
Porsche	(5.3)	20.8	(2.3)	(23.9)	(17.3)	(37.2)	(28.2)	(35.7)	(64.7)	(36.0)	(41.0)	
Mercedes-Benz	(7.3)	2.6	11.5	(9.5)	(3.1)	(11.6)	(6.0)	(15.3)	(2.1)	(10.3)	(9.0)	
Tesla	27.9	25.9	119.6	18.2	(24.2)	(43.9)	(40.8)	(17.0)	14.2	34.2	(24.6)	
Volvo	14.1	2.2	22.0	(4.4)	1.8	(3.3)	(4.5)	(17.3)	(21.9)	(5.7)	(12.4)	
Total	9.3	(1.8)	32.6	(0.7)	0.1	(10.1)	(17.3)	(3.4)	(11.0)	(7.0)	(10.4)	
Global luxury car volumes (units)												
Audi	426,363	421,824	497,724	485,285	490,407	402,048	441,943	407,390	441,167	388,756	1,692,548	1,895,240
BMW	651,798	588,138	626,726	621,699	632,568	594,533	618,743	540,882	696,646	586,117	2,450,804	2,469,131
JLR	79,591	94,649	93,253	96,817	101,043	110,190	97,755	87,303	87,303	116,413	382,551	385,762
Lexus	143,591	159,906	204,416	209,279	250,574	230,513	181,859	211,906	221,836	243,883	846,114	824,176
Porsche	88,372	80,767	86,587	75,368	77,499	70,605	85,340	70,081	77,274	71,470	303,300	320,221
Mercedes-Benz	536,181	503,483	515,746	510,564	514,000	463,000	496,712	503,573	520,140	446,300	1,983,425	2,043,793
Tesla	405,278	422,875	466,140	435,059	484,507	386,810	443,956	462,890	495,570	336,681	1,789,226	1,808,581
Volvo	186,000	162,900	178,800	167,500	199,516	182,700	205,400	172,822	175,773	172,219	736,695	708,716
Total	2,517,174	2,434,542	2,669,392	2,601,571	2,750,114	2,440,399	2,571,708	2,456,847	2,715,709	2,361,839	10,184,663	10,455,620
Global luxury car volume yoy growth (%)												
Audi	35.6	7.9	22.4	17.0	15.0	(4.7)	(11.2)	(16.1)	(10.0)	(3.3)	(10.7)	
BMW	10.6	(1.5)	11.3	5.8	(3.0)	1.1	(1.3)	(13.0)	10.1	(1.4)	(0.7)	
JLR	15.0	23.7	29.9	28.6	27.0	16.4	4.8	(9.8)	(13.6)	5.6	(0.8)	
Lexus	2.6	39.3	24.9	74.5	44.2	(11.0)	1.3	(11.5)	5.3	5.8	2.7	
Porsche	4.3	18.0	11.8	(0.4)	(12.3)	(12.6)	(1.4)	(7.0)	(0.3)	1.2	(5.3)	
Mercedes-Benz	7.1	3.4	5.9	(3.7)	(4.1)	(8.0)	(3.7)	(1.4)	1.2	(3.6)	(3.0)	
Tesla	31.3	36.4	83.0	26.5	19.5	(8.5)	(4.8)	6.4	2.3	(13.0)	(1.1)	
Volvo	10.7	9.8	25.0	21.6	7.3	12.2	14.9	3.2	(11.9)	(5.7)	3.9	
Total	23.7	9.0	24.1	11.5	9.3	0.2	(3.7)	(5.6)	(1.3)	(3.2)	(2.6)	

Source: Company, Kotak Institutional Equities estimates

Tire and bearings companies have seen upgrades; we have either maintained/cut earnings numbers for majority of OEMs

Exhibit 10: KIE auto OEMs and ancillaries' performance in 4QFY25 versus estimates

	versus KIE estimates			Earnings changes	
	Revenues	EBITDA	Net income	2026E	2027E
OEMs					
Ashok Leyland	Miss	Beat	Beat	Maintain	Maintain
Bajaj Auto	In-line	In-line	In-line	Maintain	Cut
Eicher Motors (consolidated)	In-line	Miss	Beat	Maintain	Maintain
Hero MotoCorp	Beat	Beat	Miss	Maintain	Maintain
Hyundai Motor India	Beat	Beat	Beat	Cut	Cut
Mahindra & Mahindra	Beat	Beat	Beat	Maintain	Maintain
Maruti Suzuki	In-line	Miss	In-line	Cut	Cut
Ola Electric	In-line	In-line	In-line	Cut	Cut
Tata Motors (consolidated)	Miss	Miss	Miss	Cut	Cut
TVS Motors	Beat	Beat	Beat	Maintain	Maintain
Auto Ancillaries					
Apollo Tyres	In-line	Miss	Miss	Cut	Maintain
Amara Raja Energy & Mobility	In-line	Miss	Miss	Cut	Cut
Balkrishna Industries	Beat	Beat	Beat	Up	Cut
Bharat Forge	Miss	Miss	Miss	Cut	Cut
CEAT	Beat	Beat	Beat	Up	Up
CIE Automotive India	Miss	Miss	Miss	Cut	Cut
Endurance Technologies	In-line	Beat	In-line	Maintain	Maintain
Exide Industries	In-line	Miss	Miss	Cut	Cut
MRF	In-line	Beat	Beat	Up	Maintain
SAMIL	Beat	Miss	Miss	Maintain	Maintain
Schaeffler India*	Beat	Beat	Beat	Up	Up
SKF	Miss	Beat	Beat	Up	Up
Sona BLW Precision	In-line	Beat	Beat	Maintain	Maintain
Timken	In-line	Beat	Beat	Up	Up
Uno Minda	Beat	Beat	Beat	Maintain	Maintain
Varroc Engineering	Beat	Beat	In-line	Maintain	Maintain

Notes:

(1) Revenue, EBITDA and net income beat/miss implies more than 2% deviation from estimates.

(2) Earnings up/cut implies more than 2% change in earnings estimates.

(3) * Calendar year-end.

Source: Company, Kotak Institutional Equities estimates

Exhibit 11: Results review for KIE's auto OEMs for March 2025 quarter (Rs mn)

Auto OEMs	Mar-24	Dec-24	Mar-25	qoq (%)	yoy (%)	Comments
Ashok Leyland						
Volumes (units)	56,267	46,404	59,176	27.5	5.2	Ashok Leyland reported EBITDA of Rs17.9 bn, 2% above our estimates due to better-than-expected gross margins, which was offset by (1) lower-than-expected ASPs (product mix) and (2) higher-than-expected employee costs. Net revenues increased 6% yoy (+26% qoq), driven by (1) a 5% yoy increase in volumes and (2) a 0.5% yoy increase in ASPs. EBITDA margin came in at 15% (+90 bps yoy and +220 bps qoq), 80 bps above our estimates, led by better-than-expected gross margins. Gross profit per vehicle improved 2% qoq to Rs592k per vehicle, possibly owing to a richer product mix and commodity tailwinds. EBITDA per vehicle increased 7% yoy to Rs302.7k per vehicle (+16% qoq). Staff costs increased 18% yoy, while other expenses increased 3% yoy in 4QFY25. Net adjusted PAT came in at Rs12.6 bn in 4QFY25, 8% above our estimates due to (1) a beat at the EBITDA level, (2) higher-than-expected other income and (3) lower-than-expected depreciation expenses (-17% qoq).
Net sales	112,667	94,787	119,067	25.6	5.7	
EBITDA	15,921	12,114	17,910	47.8	12.5	
Margin (%)	14.1	12.8	15.0			
Adjusted net profit	9,527	7,617	12,561	64.9	31.9	
EPS	3.3	2.6	4.3	64.9	31.9	
Bajaj Auto						
Volumes (units)	1,062,426	1,224,542	1,102,934	(9.9)	3.8	Bajaj Auto reported net revenues of Rs121.5 bn in 4QFY25, 3% above our estimates due to better-than-expected ASPs (mix and FX). ASPs increased 1% yoy, led by a 9% yoy increase in domestic ASPs due to a higher mix of EVs and spares, and lower mix of the economy segment, partly offset by a 9% yoy decline in export ASPs on account of an inferior product mix and a sharp decline in KTM exports. Other operating revenues increased 48% yoy due to PLI accrual. 4QFY25 EBITDA of Rs24.5 bn (+6% yoy and (-5)% qoq), 2% above our estimates, driven by better-than-expected ASPs and gross margin print, partly offset by higher-than-expected other expenses. Reported EBITDA margin was 20 bps below our expectations due to higher-than-expected other expenses. Staff costs declined 6% yoy, whereas other expenses increased 17% yoy in 4QFY25 due to branding activations. Net profit came in at Rs20.5 bn, 4% above our estimates due to higher other income. Gross profit per vehicle increased 3% yoy, whereas EBITDA per vehicle increased 2% yoy in 4QFY25.
Net sales	114,847	128,069	121,480	(5.1)	5.8	
EBITDA (excluding PLI)	23,063	23,824	22,731	(4.6)	(1.4)	
EBITDA (including PLI)	23,063	25,807	24,506	(5.0)	6.3	
EBITDA margin excluding PLI (%)	20.1	18.9	19.0			
EBITDA margin including PLI (%)	20.1	20.2	20.2			
Adjusted net profit	19,360	21,087	20,493	(2.8)	5.9	
EPS	66.9	72.9	70.8	(2.8)	5.9	
Eicher Motors (standalone)						
Sales volumes (units)	227,673	272,297	282,823	3.9	24.2	Eicher Motors reported 4QFY25 consolidated EBITDA of Rs12.6 bn, 3% below our expectations, led by (1) lower-than-expected gross margins and (2) higher-than-expected other expenses (Rs190 mn of the one-off cost liquidation of EU dealer liquidation). Revenues increased 23% yoy, 0.4% above our estimates due to marginally higher ASPs. EBITDA margins came in at 24% (-1250 bps yoy and (-20 bps qoq), 70 bps below our expectations. Other expenses increased 35% yoy in 4QFY25 due to higher volumes, marketing spends and EU dealer liquidation. Adjusted for one-offs, consolidated EBITDA margin would have been 24.4% (30 bps below our expectation). Consolidated net profit came in at Rs13.6 bn, 11% above estimates due to (1) higher other income, (2) a higher share of profit from JVs and (3) lower tax rate.
Net sales	41,921	49,081	51,066	4.0	21.8	
EBITDA	11,553	12,237	12,609	3.0	9.1	
Margin (%)	27.6	24.9	24.7			
Adjusted net profit	9,833	10,562	11,251	6.5	14.4	
EPS	36.2	38.9	41.4	6.5	14.4	
Eicher Motors (consolidated)						
Net sales	42,560	49,731	52,411	5.4	23.1	VECV reported revenues of Rs71.4 bn (+14% yoy) in 4QFY25 and EBITDA of Rs7.3 bn (+66% yoy), 31% above our expectations due to cost control measures and commodity tailwinds. The company reported EBITDA margin of 10.5% in 4QFY25, an increase of 240 bps yoy. It reported a PAT of Rs4.6 bn in 4QFY25, posting a growth of +88% yoy.
EBITDA	11,286	12,012	12,577	4.7	11.4	
Margin (%)	26.5	24.2	24.0			
Adjusted net profit	10,705	11,705	13,621	16.4	27.2	
EPS	39.4	43.1	50.2	16.4	27.2	
Escorts Kubota						
Net sales	22,896	29,354	24,303	(17.2)	6.1	Escorts Kubota reported standalone EBITDA of Rs2.9 bn (+1% yoy and (-)13% qoq), 16% above our estimates due to better-than-expected gross margins. Net revenues of the company increased 6% yoy to Rs24.3 bn due to (1) an 11% yoy increase in tractor segment revenues and (2) a 10% yoy decline in the revenues of the construction business. Escorts Kubota reported that its EBITDA remained flat yoy, 16% above our estimates due to better-than-expected profitability for the tractor business. In terms of segmental numbers, tractors' EBIT margin increased 100 bps qoq (240 bps above our estimates) and construction equipment's EBIT margin decreased 190 bps yoy (10 bps above our estimates). The company's adjusted PAT increased 9% yoy to Rs2.7 bn, 21% above our estimates due to a beat at the EBITDA level.
EBITDA	2,909	3,353	2,929	(12.6)	0.7	
Margin (%)	12.7	11.4	12.1			
Adjusted net profit	2,485	2,905	2,697	(7.2)	8.5	
EPS	22.2	26.0	24.1	(7.2)	8.5	
Hero Motocorp						
Volumes (units)	1,392,423	1,463,802	1,380,545	(5.7)	(0.9)	HMCL reported 4QFY25 EBITDA of Rs14.1 bn, 3% above our estimates due to (1) better-than-expected gross margin print and (2) higher-than-expected ASPs, partly offset by higher other expenses. Revenues increased by 4% yoy, led by a 5% yoy increase in ASPs due to a higher mix of the 125 cc segment and parts business. EBITDA margin came in at 14.2% (-10 bps yoy, -30 bps qoq), in line with our estimates owing to a better gross margin print, partly offset by higher-than-expected other costs. Gross margin grew by 30 bps qoq in 4QFY25, led by a richer product mix. EBITDA per vehicle grew by 5% yoy to Rs10.3k in 4QFY25. Net profit came in at Rs10.8 bn, 4% below our estimates due to lower-than-expected other income.
Net sales	95,193	102,108	99,387	(2.7)	4.4	
EBITDA	13,592	14,765	14,156	(4.1)	4.1	
Margin (%)	14.3	14.5	14.2			
Adjusted net profit	10,161	12,028	10,809	(10.1)	6.4	
EPS	50.9	60.2	54.1	(10.1)	6.4	
Hyundai Motors India						
Volumes (units)	193,713	186,408	191,650	2.8	(1.1)	Hyundai Motors reported 4QFY25 EBITDA of Rs25.3 bn (up 0.4% yoy and 35% qoq), 12% above our estimates, owing to (1) higher-than-expected ASPs and (2) better-than-expected gross margins. Revenues increased 2% yoy to Rs179.4 bn in 4QFY25, 2.7% above our estimates. EBITDA margin stood at 14.1% (-20 bps yoy and +280 bps qoq), 110 bps above our estimates, owing to (1) better-than-expected gross margins due to a richer product mix in both domestic and export markets, lower discounts and higher government incentives; and (2) lower-than-expected other expenses. Gross margin improved 190 bps qoq to 28.7% in 4QFY25, 70 bps above our estimates. Employee expenses increased 21% yoy, whereas other expenses rose 0.2% yoy in 4QFY25. Net PAT for the company stood at Rs16.1 bn (down 3.7% yoy), 13% above our estimates.
Net sales	176,711	166,480	179,403	7.8	1.5	
EBITDA	25,218	18,755	25,327	35.0	0.4	
Margin (%)	14.3	11.3	14.1			
Adjusted net profit	16,772	11,607	16,143	39.1	(3.7)	
EPS	20.6	14.3	19.9	39.1	(3.7)	
Mahindra and Mahindra (standalone)						
Volumes (units)	263,512	337,850	313,056	(7.3)	18.8	The 4QFY25 standalone EBITDA of Rs46.8 bn (+42% yoy and +5% qoq) came in 9% above our estimates due to higher-than-expected sales and better-than-expected gross margins. Net revenues increased 25% yoy, driven by (1) a 19% yoy increase in volumes and (2) 3% yoy increase in ASPs. EBITDA margin came in at 14.9% (+180 bps yoy and +30 bps qoq), 60 bps above our estimates. Gross margins increased 30 bps qoq. Adjusted PAT came in at Rs24.3 bn, 3% above our estimates, led by higher depreciation expense, offset by higher-than-expected EBITDA. Consolidated revenues increased 12.5% yoy, driven by an 18% yoy increase in the automotive segment's revenues. Consolidated EBIT came in at Rs48.1 bn, an increase of 3% yoy in 4QFY25.
Net sales	251,828	305,382	313,534	2.7	24.5	
EBITDA	32,983	44,681	46,825	4.8	42.0	
Margin (%)	13.1	14.6	14.9			
Adjusted net profit	20,001	29,643	24,371	(17.8)	21.9	
EPS	17.3	25.6	21.0	(17.8)	21.9	
Maruti Suzuki						
Volumes (units)	584,031	566,213	604,435	6.8	3.5	Maruti Suzuki reported 4QFY25 EBITDA of Rs42.6 bn (-9% yoy and -4.6% qoq), 12% below our estimates, partly on account of the bunching up of certain expenses. Revenues were up 6% yoy, led by a 3.5% yoy increase in volumes and a 2.3% yoy increase in ASPs. EBITDA margin came in at 10.5% (-180 bps yoy and -110 bps qoq), 130 bps below our estimates, driven by (1) new plant-related expenses (30 bps), (2) advertisement spends, RM headwinds & mix (90 bps) and (3) bunching up of expenses (CSR, repairs and maintenance, and digitization, partly offset by operating leverage benefit and lower discounts). Gross margin declined by 30 bps qoq, driven by mix and commodity headwinds. Employee cost and other expenses were up 15% yoy. Net profit stood at Rs37.1 bn (-4% yoy and +5% qoq), 1% below our estimates, due to higher other income and lower depreciation expense.
Net sales	382,349	384,921	406,738	5.7	6.4	
EBITDA	46,850	44,703	42,647	(4.6)	(9.0)	
Margin (%)	12.3	11.6	10.5			
Adjusted net profit	38,778	35,250	37,111	5.3	(4.3)	
EPS	123.3	112.1	118.0	5.3	(4.3)	
Ola Electric						
Volumes (units)	115,386	84,029	51,375	(38.9)	(55.5)	Ola Electric reported a 4QFY25 EBITDA loss of Rs7 bn, higher than our expectation of Rs2.6 bn. The sharp increase in losses qoq was driven by (1) a negative operating leverage, (2) a Rs2.5 bn cost, pertaining to higher warranty provisioning and service issues and (3) a weaker product mix. As a result, EBITDA margin came in at (-114% in 4QFY25 versus (-44% in 3QFY25 and KIE's expectation of (-28%)). Gross margins declined 490 bps qoq, driven by (1) an inferior product mix and (2) no PLI for Gen-3 products (expects approval in July 2025). The company reported a PAT loss of Rs8.7 bn in 4QFY25 versus Rs4.2 bn in 4QFY24 and KIE's estimate of Rs3.8 bn. During FY2025, the company reported FCF outflow of Rs35 bn, resulting in a reduction in net cash to Rs4.8 bn (Rs55 bn of cash proceeds from IPO).
Net sales	15,980	10,450	6,110	(41.5)	(61.8)	
EBITDA	(3,120)	(4,600)	(6,950)			
Margin (%)	(19.5)	(44.0)	(113.7)			
Adjusted net profit	(4,160)	(5,640)	(8,700)			
EPS	(0.9)	(1.3)	(2.0)			
Tata Motors (standalone)						
Volumes (units)	110,069	95,770	105,643	10.3	(4.0)	The domestic CV business reported an EBITDA of Rs25 bn (+3% yoy and +24% qoq), 1% above our estimates due to better-than-expected ASPs, partly offset by higher-than-expected other expenses. The domestic PV business's EBITDA margin was 50 bps above our expectations due to better gross margin print due to PLI accrual. However, ASPs were 5% below our expectations.
Net sales	202,602	170,400	199,990	17.4	(1.3)	
EBITDA	24,284	20,150	24,980	24.0	2.9	
Margin (%)	12.0	11.8	12.5			
Adjusted net profit	10,616	14,265	15,890	11.4	49.7	
JLR (mn pounds)						
UK P&L Volumes (units)	110,190	104,427	111,413	6.7	1.1	JLR reported EBIT of GBP824 mn (+14% yoy and +22% qoq) in 4QFY25, 6% below our expectations, owing to lower-than-expected ASPs. Key negatives were (1) an inferior product mix, (2) higher variable marketing spends and higher employee costs, which were offset by lower warranty costs and higher FX-related benefits and (3) lower depreciation expense, as the company extended the usable life of ICE plant equipment and select Jaguar models and Castle Bromwich production cessation. The reported EBIT margin improved to 10.7% (+150 bps yoy) in 4QFY25, led by (1) a 100 bps positive impact due to lower contribution cost, (2) a 210 bps positive impact due to lower depreciation expense and (3) 80 bps to favorable FX, partly offset by a lower net pricing due to higher VME (-1160 bps) and an 80 bps negative impact due to lower volumes and higher emission-related provisions.
Net sales	7,860	7,486	7,727	3.2	(1.7)	
EBITDA	1,284	1,060	1,183	11.6	(7.9)	
Margin (%)	16.3	14.2	15.3			
Net profit	391	375	640	70.7	63.7	
Tata Motors (consolidated)						
Net sales	1,190,330	1,126,080	1,195,030	6.1	0.4	
EBITDA	165,430	124,120	166,250	33.9	0.5	
Margin (%)	13.9	11.0	13.9			
Net profit	68,648	53,899	87,311	62.0	27.2	
EPS	20.2	15.9	25.7			
TVS Motors						
Volumes (units)	1,062,529	1,211,952	1,216,286	0.4	14.5	TVS Motor reported 4QFY25 EBITDA of Rs13.3 bn (+44% yoy and 23% qoq), which includes a PLI gain pertaining to previous quarters. Adjusted for the PLI benefit of previous quarters, adjusted EBITDA came in at Rs11.8 bn (+27% yoy and 9% qoq), 4% below our estimates. Adjusted revenues increased 15% yoy (1% above our estimates), led by (1) a 15% yoy increase in volumes and (2) flat yoy ASPs. Adjusted EBITDA margin came in at 12.5% (+120 bps yoy), which fell short of our estimates of 13.1%, owing to lower-than-expected PLI accrual. The core business EBITDA margin came in at 12%, in line with our estimates. Reported PAT came in at Rs8.5 bn (+76% yoy) in 4QFY25.
Net sales	81,688	90,971	95,504	5.0	16.9	
EBITDA (excluding PLI)	9,262	10,815	12,794	18.3	38.1	
EBITDA (including PLI)	9,262	10,815	13,326	23.2	43.9	
EBITDA margin excluding PLI (%)	11	12	14			
EBITDA margin including PLI (%)	11.3	11.9	14.0			
Adjusted net profit	4,854	6,185	8,521	37.8	75.5	
EPS	10.2	13.0	17.9	37.8	75.5	

Source: Company, Kotak Institutional Equities

Exhibit 11 (contd.): Results review for KIE's auto ancillary companies for March 2025 quarter (Rs mn)

	Mar-24	Dec-24	Mar-25	qoq (%)	yoy (%)	Comments
Battery companies						
Amara Raja Batteries						
Net sales	27,967	31,640	29,739	(6.0)	6.3	Amara Raja reported 4QFY25 standalone EBITDA came in at Rs34.4 bn (-16% yoy and -17% qoq), 15% below our estimates owing to higher other expenses that included fuel purchase cost adjustment levied by AP government and RM headwinds partly offset by better-than-expected staff costs. Standalone revenues increased by 6% yoy (KIE: +8% yoy) led by (1) double-digit yoy growth in automotive aftermarket 4W/2W and 2W OEM segments, (2) double-digit volume growth in industrial segment, (3) low-single digit yoy growth 4W OEM segment, partly offset by 10-15% yoy decline in telecom and export segments. EBITDA margin came in at 11.5% (-310 bps yoy and -160 bps qoq), 190 bps below our estimates due to higher other expenses due to higher electricity cost. Gross margin declined by 80 bps qoq in 4QFY25 owing to RM headwinds. Net profit came in at Rs1.7 bn (-27% yoy and -28% qoq) in 4QFY25, 22% below our estimates due to miss at EBITDA level.
EBITDA	4,077	4,158	3,422	(17.7)	(16.1)	
Margin (%)	14.6	13.1	11.5			
Adjusted net profit	2,280	3,118	1,668	(46.5)	(26.8)	
EPS	12.5	17.0	9.1	(46.5)	(27.2)	
Exide Industries						
Net sales	40,094	38,486	41,594	8.1	3.7	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.
EBITDA	5,161	4,486	4,667	4.0	(9.6)	
Margin (%)	12.9	11.7	11.2			
Adjusted net profit	2,837	2,450	2,546	3.9	(10.3)	
EPS	3.3	2.9	3.0	3.9	(9.1)	
Tyre companies						
Apollo Tyres (standalone)						
Net sales	43,874	45,398	45,805	0.9	4.4	Apollo Tyres reported 4QFY25 standalone EBITDA of Rs5.1 bn (-25% yoy), 2% below our estimates, owing to higher-than-expected other expenses. Standalone revenues came in at Rs45.8 bn (+4% yoy, +1% qoq), in line with our estimates. On a yoy basis, volumes were marginally positive, driven by (1) mid-single-digit yoy growth in the replacement segment and (2) flat yoy growth in the exports segment, offset by double-digit volume decline in the OEM segment. Gross margin increased by 110 bps on a qoq basis, mainly driven by a better rubber RM basket in 4QFY25 (2-3% qoq decline in the RM basket). EBITDA margin came in 30 bps below our estimates, driven by higher-than-expected other expenses, partly offset by a higher-than-expected gross margin print. Adjusted standalone PAT came in at Rs1.4 bn, 7% below our estimate due to a miss at the EBITDA level and higher-than-expected tax expenses.
EBITDA	6,845	5,035	5,152	2.3	(24.7)	
Margin (%)	15.6	11.1	11.2			
Adjusted net profit	2,373	1,252	1,434	14.6	(39.6)	
EPS	3.7	2.0	2.2	14.6	(40.5)	
Apollo Tyres (consolidated)						
Net sales	62,582	69,280	64,236	(7.3)	2.6	The Vredestein subsidiary reported revenues of EUR176 mn (-3.5% yoy), driven by capacity constraints in Hungary for the non-UHP size. EBITDA margin came in at 14.3% (-480 bps yoy) in 4QFY25, led by (1) negative operating leverage and (2) commodity headwinds. The company highlighted that expansion is currently undergoing in Hungary in the non-UHP segment.
EBITDA	10,280	9,470	8,374	(11.6)	(18.5)	
Margin (%)	16.4	13.7	13.0			
Adjusted net profit	3,541	3,372	1,846	(45.3)	(47.9)	
EPS	5.5	5.3	2.9	(45.3)	(47.3)	
Balkrishna Industries						
Volumes (units)	82,085	76,343	82,062	7.5	(0.0)	Balkrishna Industries reported 4QFY25 EBITDA of Rs7 bn (up 1% yoy and 10% qoq), 7% above our estimates, driven by a better-than-expected volume print. Revenues increased 5% yoy (KIE: -3%) in 4QFY25, led by (1) flat yoy volumes, driven by strong growth in India, recovery in the EU region, offset by a sharp weakness in the North American market; and (2) a 5% yoy improvement in ASPs due to a richer product mix and favorable FX. EBITDA margin stood at 24.8% (down 110 bps yoy), 20 bps below our estimates, led by (1) a weaker-than-expected gross margin print due to RM headwinds, partly offset by (1) favorable FX and (2) lower-than-expected employee costs. Gross margins fell 120 bps qoq, driven by RM headwinds, partly offset by favorable FX. Reported PAT stood at Rs3.6 bn (down 25% yoy), 11% below estimates due to unrealized FX losses.
Net sales	26,971	25,716	28,376	10.3	5.2	
EBITDA	6,993	6,391	7,027	10.0	0.5	
Margin (%)	25.9	24.9	24.8			
Adjusted net profit	4,319	3,274	4,201	28.3	(2.7)	
EPS	22.3	16.9	21.7	28.3	(2.7)	
CEAT (consolidated)						
Net sales	29,919	32,999	34,206	3.7	14.3	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. 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.
EBITDA	3,915	3,409	3,881	13.8	(0.9)	
Margin (%)	13.1	10.3	11.3			
Adjusted net profit	1,522	971	1,273	31.1	(16.4)	
EPS	37.6	24.0	31.5	31.1	(16.2)	
MRF						
Net sales	62,151	68,832	69,438	0.9	11.7	MRF reported 4QFY25 EBITDA of Rs10.4 bn (+18% yoy and +30% qoq), 23% above our estimates due to better-than-expected gross margin and lower-than-expected other expenses. MRF reported revenues of Rs69.4 bn (+12% yoy and +1% qoq), 1% below our estimates, possibly led by (1) modest growth in 2W and PV OEM segments, (2) strong growth in TBR/2W replacement segment demand and (3) market share gains due to an aggressive pricing strategy. EBITDA margin came in at 15% (+80 bps yoy and +340 bps qoq), 290 bps above our estimate due to better-than-expected gross margin print. Gross margin improved by 300 bps qoq in 4QFY25 due to commodity tailwinds (possibly a 1-2% qoq increase) and an increase in finished goods inventory. Employee costs/other expenses declined by 2%/6% yoy in 4QFY25. Adjusted PAT came in at Rs5 bn (+31% yoy and +62% qoq), 41% above our estimates due to a beat at the EBITDA level. In FY2025, the company reported strong top-line growth of 12% yoy, however, EBITDA declined by 5% yoy due to commodity headwinds.
EBITDA	8,856	8,018	10,428	30.1	17.8	
Margin (%)	14.2	11.6	15.0			
Adjusted net profit	3,796	3,067	4,979	62.3	31.2	
EPS	895.2	723.4	1,174.2	62.3	31.2	
Bearing companies						
SKF India Limited						
Net sales	12,034	12,561	12,134	(3.4)	0.8	4QFY25 EBITDA of Rs2.85 bn (up 33% yoy and 135% qoq) was 81% above our estimates due to better-than-expected gross margins. Revenues grew 0.8% yoy (down 3.4% qoq), 7.6% below our estimates, driven by (1) a muted 2% yoy growth in the industrial segment (heavy industries, distribution, general machinery, railways); (2) 1% yoy growth in the automotive segment; and (3) a 13% yoy decline in the export segment due to weak demand trends in the EU and Americas. EBITDA margin stood at 23.5% (up 570 bps yoy and 13.8% qoq), 11.5% above our estimates due to better-than-expected gross margins. Gross margins increased 15.7% yoy due to the normalization of traded goods' margins on account of transfer pricing to align full-year probability. Net PAT stood at Rs2 bn (up 16% yoy), 55% above our expectations, led by outperformance at the EBITDA level.
EBITDA	2,134	1,212	2,845	134.7	33.3	
Margin (%)	17.7	9.7	23.5			
Adjusted net profit	1,752	1,095	2,033	85.6	16.0	
EPS	35.4	22.1	41.1	85.6	16.1	
Timken India						
Net sales	8,978	6,714	9,398	40.0	4.7	Timken India reported 4QFY25 EBITDA of Rs2.1 bn (+6% yoy and +97% qoq), 6% above our estimates due to (1) better-than-expected gross margins and (2) cost control measures. Accounting for the one-time income of Rs0.3 bn, EBITDA of Rs1.8 bn (-8% yoy and +71% qoq) was 8% below our estimates (10% above Street estimates). Revenues increased 5%, led by (1) a high single-digit yoy increase in the railway and process industries segments' revenues, (2) low single-digit yoy growth in the replacement, CV and export segments and (3) Rs275 mn of one-time income. The adjusted EBITDA margin came in at 20% (-210 bps yoy and +410 bps qoq), 110 bps below our expectations, mainly on weak gross margin print, offset by lower-than-expected employee costs. Net profit of Rs1.9 bn (+32% yoy and +151% qoq), 32% above our estimates due to a beat at the EBITDA level and a lower tax rate (reversal of provisions of Rs370.3 mn).
EBITDA	1,987	1,065	2,097	96.9	5.5	
Margin (%)	22.1	15.9	22.3			
Adjusted net profit	1,414	743	1,868	151.4	32.1	
EPS	18.8	9.9	24.8	151.4	31.9	

Source: Company, Kotak Institutional Equities

Exhibit 11 (contd.): Results review for KIE's auto ancillary companies for March 2025 quarter (Rs mn)

	Mar-24	Dec-24	Mar-25	qoq (%)	yoy (%)	Comments
Diversified auto ancillaries						
Bharat Forge (standalone)						
Net sales	23,286	20,959	21,630	3.2	(7.1)	Bharat Forge reported 4QFY25 standalone EBITDA of Rs6.2 bn (excluding forex loss), 5% below our estimates. Adjusted for forex loss of Rs105 mn, the standalone EBITDA was 3% below our estimates. Standalone revenues declined by 7% yoy (+3% qoq), led by (1) 15% yoy decline in the domestic business driven by a decline in defense business revenues and (2) 1% yoy decline in export revenues, led by weakness in PV and CV segments. Standalone revenues were 6% below our estimates, mainly due to weaker-than-expected domestic segment numbers, especially in the non-auto segment (lumpy nature of defense business). Adjusted standalone EBITDA margin (excluding forex loss) stood at 29.1% (+100 bps yoy), 80 bps above our estimates due to better-than-expected gross margins owing to a favorable product mix (lower defense) and geographical mix. Adjusted standalone PAT came in at Rs3.6 bn, 7% below our estimates owing to a miss at the EBITDA level. The company highlighted that the export business outlook remains uncertain owing to the tariff imbroglio.
EBITDA	6,592	6,098	6,167	1.1	(6.4)	
Margin (%)	28.3	29.1	28.5			
Adjusted net profit	3,997	3,467	3,608	4.1	(9.7)	
EPS	8.6	7.3	7.5	4.1	(12.1)	
Bharat Forge (consolidated)						
Net sales	41,642	34,755	38,526	10.8	(7.5)	Bharat Forge reported 4QFY25 adjusted consolidated EBITDA of Rs7.4 bn (excluding forex loss), 6% above our estimates, mainly led by better-than-expected profitability in overseas operations and the standalone business.
EBITDA	6,433	6,244	6,813	9.1	5.9	
Margin (%)	15.4	18.0	17.7			
Adjusted net profit	2,348	2,128	2,826	32.8	20.4	
EPS	5.0	4.5	5.9	32.8	17.2	
Endurance Technologies (consolidated)						
Net sales	26,848	28,592	29,635	3.6	10.4	Endurance Technologies reported 4QFY25 standalone EBITDA of Rs3.1 bn (up 2.7% yoy and 11.9% qoq), 6% above our estimates. Adjusted for government incentives, standalone EBITDA came in 7% below our estimates. Standalone revenues for the company increased 8.2% yoy to Rs22.5 bn (1% below our estimates), led by (1) growth in 2W production volumes and (2) new order ramp-up (disc brakes, ABS and alloy wheels), partly offset by the underperformance of Bajaj Auto. Adjusted EBITDA margin declined 40 bps qoq (60 bps below our estimates) in the quarter, driven by higher-than-expected other expenses. Adjusted net profit stood at Rs1.9 bn (up 2.2% yoy and 19% qoq), 11% above our estimates on government incentives worth Rs380 mn. EU subsidiaries reported revenues of EUR77.3 mn (up 18% yoy), led by market share gains driven by a ramp-up in order wins, partly offset by a 1% decline in PV segment volumes. EBITDA margin stood at 16.4% (up 140 bps yoy), 80 bps above our estimates due to better-than-expected gross margins.
EBITDA	3,894	3,725	4,225	13.4	8.5	
Margin (%)	14.5	13.0	14.3			
Adjusted net profit	2,102	1,844	2,451	32.9	16.6	
EPS	14.9	13.1	17.4	32.9	16.6	
CIE Automotive (consolidated)						
Net sales	23,329	21,214	21,961	3.50	(5.90)	CIE Automotive India business EBITDA came in at Rs2.3 bn (+7% yoy), driven by better-than-expected gross margins. Adjusted for the Zahrebad 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 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 Metacastello 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
EBITDA	4,119	3,717	3,716	-	(9.80)	
Margin (%)	17.7	17.5	16.9			
Adjusted PAT	2,302	2,057	2,060	0.1	(10.5)	
EPS	6.1	5.4	5.4	0.1	(10.5)	
SAMIL (consolidated)						
Net sales	270,582	276,659	286,403	3.5	5.8	SAMIL reported 4QFY25 consolidated EBITDA of Rs26.4 bn ((-)10% yoy and (-)2% qoq), 9% below our estimates due to higher-than-expected other expenses. Consolidated revenues increased 8% yoy, led by (1) strong performance with 41% yoy growth in emerging business, (2) 12% yoy growth in the modules and polymers segments and (3) 5% yoy growth in the wiring harness division, partly offset by a 1-7% yoy decline in integrated assemblies and vision systems revenues. However, its organic revenue was muted yoy, driven by weak global automotive production volumes. The consolidated EBITDA margin came in at 9.0% ((-)180 bps yoy and (-)70 bps qoq), 110 bps below our estimates due to weaker-than-expected profitability in the SMP, SMR and integrated assembly businesses. The reported PAT was 8% below our expectations due to the miss at EBITDA level and a lower tax rate.
EBITDA	29,346	26,858	29,041	8.1	(1.0)	
Margin (%)	10.8	9.7	10.1			
Adjusted net profit	13,715	8,786	11,441	30.2	(16.6)	
EPS	2.0	1.2	1.6	30.2	(19.7)	
Sona Comstar (consolidated)						
Net sales	8,853	8,680	8,684	0.1	(1.9)	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.
EBITDA	2,481	2,342	2,350	0.3	(5.3)	
Margin (%)	28.0	27.0	27.1			
Adjusted net profit	1,487	1,552	1,659	6.9	11.6	
EPS	2.5	2.5	2.7	6.9	5.3	
Uno Minda (consolidated)						
Net sales	37,940	41,840	45,283	8.2	19.4	Uno Minda reported 4QFY25 consolidated EBITDA of Rs5.3 bn (+11% yoy, +15% qoq), 3% above our expectations, led by better-than-expected revenue print and gross margin, partly offset by higher employee costs. Consolidated revenues increased by 19% yoy, led by (1) 62% yoy growth in other segments (EV, sensors, controllers), (2) 5-19% yoy growth in switching, lighting and alloy wheel segments and (3) 2-3% positive impact due to the consolidation of Westport and Onkyo, partly offset by 11% yoy decline in acoustics revenues. EBITDA margin came in at 11.6% (-90 bps yoy), 10 bps above our expectations. Margins are down 90 bps yoy, as in the base quarter the company had higher price adjustments from the OEMs. PAT stood at Rs2.7 bn (-1% yoy), 3% above our estimates due to a beat at EBITDA level and lower interest expenses, offset by a lower share of JV profits.
EBITDA	4,740	4,570	5,267	15.3	11.1	
Margin (%)	12.5	10.9	11.6			
Adjusted net profit	2,879	2,326	2,662	14.5	(7.5)	
EPS	4.7	4.1	4.7	14.5	(0.6)	
Varroc Engineering						
Net sales	19,749	20,753	21,328	2.8	8.0	VARROC reported 4QFY25 EBITDA of Rs2.2 bn, 6% above our estimates due to lower-than-expected staff expenses, partly offset by weaker-than-expected revenue print. Adjusted for forex gains, EBITDA was 3% above our estimates. Revenues grew by 6% yoy in 4QFY25, 2% below our estimates, led by (1) 11% yoy growth in India business, (2) ramp-up of new order wins and (3) weak demand trends in the overseas business. Adjusted EBITDA margin came in at 10.2% (+120 bps qoq), 50 bps above our estimates due to lower staff expenses. Gross margin increased by 50 bps on a qoq basis in 4QFY25 due to a richer product mix. Adjusted PAT came in at Rs794 mn in 4QFY25, 12% above our estimates due to a beat at the EBITDA level.
EBITDA	2,210	1,858	2,078	11.8	(6.0)	
Margin (%)	11.2	9.0	9.7			
Adjusted net profit	584	(452)	230	(150.9)	(60.6)	
EPS	4.3	(3.4)	1.7	(150.9)	(60.6)	

Source: Company, Kotak Institutional Equities

We expect margins of OEMs to remain rangebound; recent uptick in steel prices needs to be monitored

Exhibit 12: Margin impact analysis for 2W, PV, CV and tractors, March fiscal year-ends, 2024-25 (Rs)

	2W	PV	CV	Tractors
Metal costs as % of revenues				
Steel	5.8	10.5	12.9	14.3
Aluminium	7.6	3.0	2.8	1.6
Precious metals	0.5	2.5	0.5	0.8
Copper	1.2	1.0	1.3	1.6
Rubber	1.6	1.3	2.3	2.5
Total	16.8	18.3	19.8	20.8

	3QFY25	4QFY25	change (%)	Expected margin impact versus 3QFY25 levels (bps)			
				2W	PV	CV	Tractors
Margin impact based on 4QFY25 prices							
Steel (Rs/ton)	54,933	54,067	(1.6)	9	17	20	23
Aluminium (USD/ton)	2,601	2,622	0.8	(6)	(2)	(2)	(1)
Precious metals (USD/ton)	1,023	968	(5.4)	3	14	3	4
Copper (USD/ton)	9,355	9,392	0.4	(0)	(0)	(1)	(1)
Rubber (Rs/100 kg)	18,997	19,343	1.8	(3)	(2)	(4)	(5)
Total				2	25	16	20
	4QFY25	Spot prices	change (%)	2W	PV	CV	Tractors
Margin impact based on spot prices							
Steel (Rs/ton)	54,067	58,600	6.7	(39)	(70)	(86)	(95)
Aluminium (USD/ton)	2,622	2,445	(6.0)	46	18	17	10
Precious metals (USD/ton)	968	984	(3.8)	2	10	2	3
Copper (USD/ton)	9,392	9,620	2.8	(3)	(3)	(4)	(5)
Rubber (Rs/100 kg)	19,343	19,572	3.0	(5)	(4)	(7)	(8)
Total				1	(49)	(79)	(95)

Source: Company, Kotak Institutional Equities estimates

We expect margins of tire companies to improve from 1QFY26E as the crude oil prices have corrected sharply in the past two months

Exhibit 13: Margin impact analysis for tire companies, March fiscal year-ends, 2024-25 (Rs)

	3QFY25 average prices	4QFY25 average prices	Spot prices	Change between 3QFY25 and 4QFY25 levels (%)	Contribution (%)	Impact (%)	Change between 3QFY25 and spot levels (%)	Contribution (%)	Impact (%)
Gross margin impact analysis									
Natural rubber (Rs/kg)									
Domestic	191	193	206	1.0	17.50	(0.1)	7.6	17.50	(0.6)
International	214	206	195	(3.9)	17.50	0.3	(8.9)	17.50	0.7
Synthetic rubber (Rs/kg)									
Synthetic rubber	192	199	201	3.7	15.00	(0.2)	4.5	15.00	(0.3)
Crude oil (Rs/bbl)									
Brent	6,312	6,554	5,719	3.8	50.00	(0.8)	(9.4)	50.00	2.0
Total						(0.8)			1.8

Note:

(a) We assumed 70% of total crude oil price upswing to be translated to crude-oil derivatives

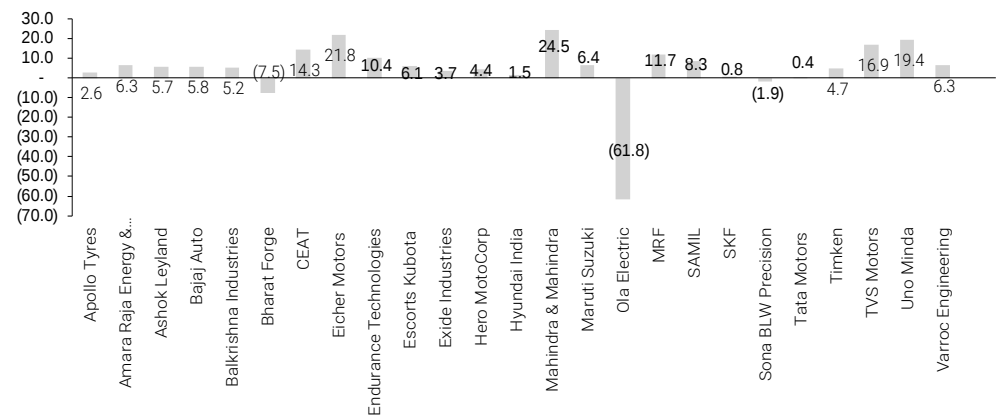
(b) RM impact generally comes with a quarter lag for the tire companies

Source: Company, Kotak Institutional Equities estimates

Quarterly earnings trends—detailed charts

Revenues grew 5% yoy, led by growth of 5% and 6% for auto OEMs and auto ancillary companies, respectively

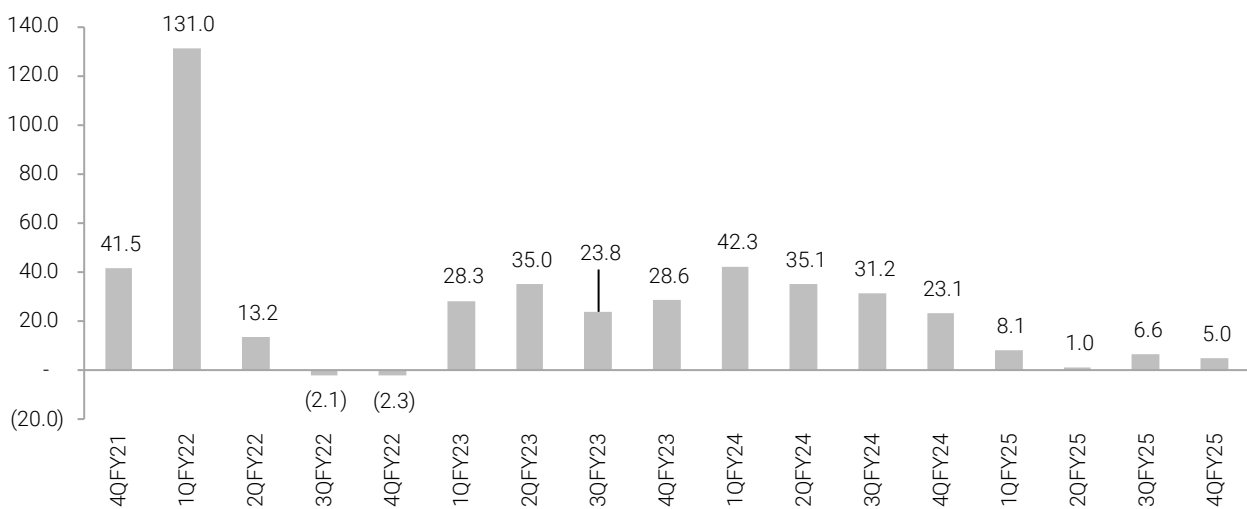
Exhibit 14: KIE auto sector yoy revenue growth trends, March fiscal year-ends, 4QFY25 (%)



Source: Company, Kotak Institutional Equities

Growth remained stable in auto OEM sector in 4QFY25

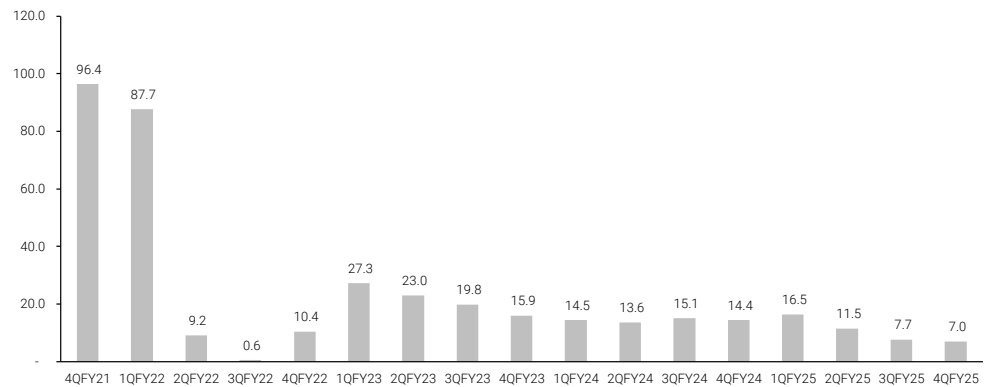
Exhibit 15: KIE auto OEMs reported yoy revenue growth, March fiscal year-ends, 4QFY21-25 (%)



Source: Company, Kotak Institutional Equities

Auto ancillaries witnessed growth moderation to 7% yoy in 4QFY25; excluding SAMIL, revenue growth stood at 5% yoy in 4QFY25

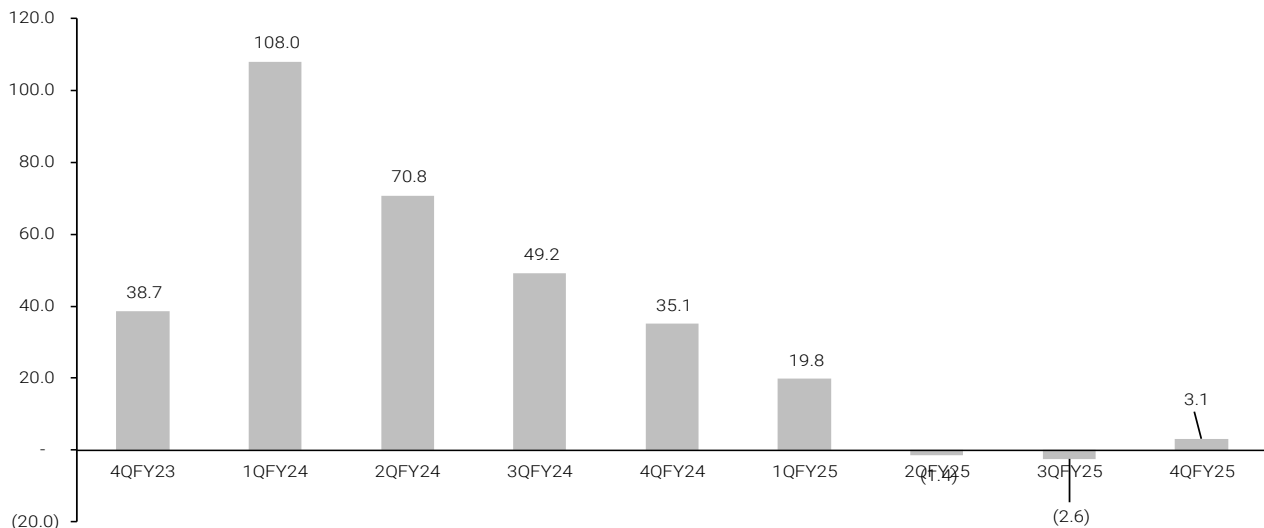
Exhibit 16: KIE auto ancillaries yoy revenue growth, March fiscal year-ends, 4Q2021-25 (%)



Source: Company, Kotak Institutional Equities

Aggregate EBITDA increased 3% yoy, led by a 5% yoy increase in auto OEM EBITDA and 2% yoy decline in auto ancillary companies

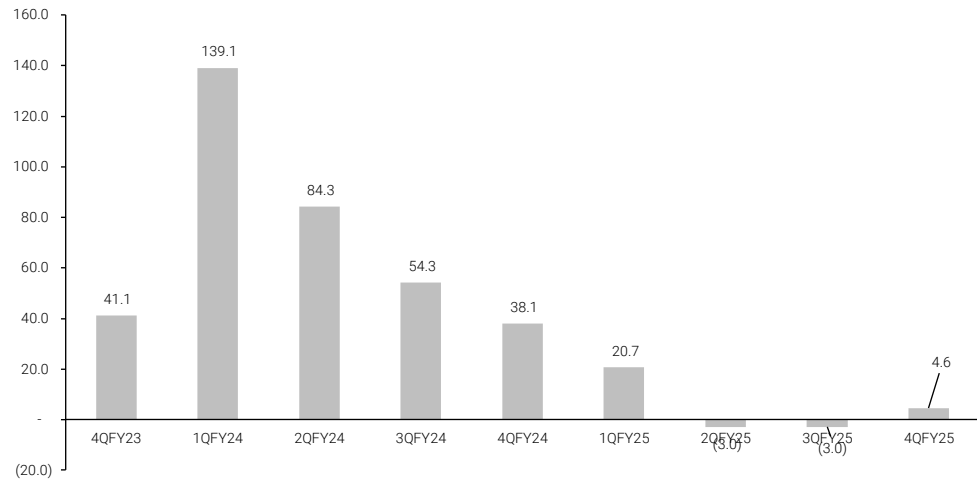
Exhibit 17: KIE auto OEMs and ancillaries yoy EBITDA growth trends, March fiscal year-ends, 4QFY23-25 (%)



Source: Company, Kotak Institutional Equities

EBITDA growth remained muted during the quarter for OEMs

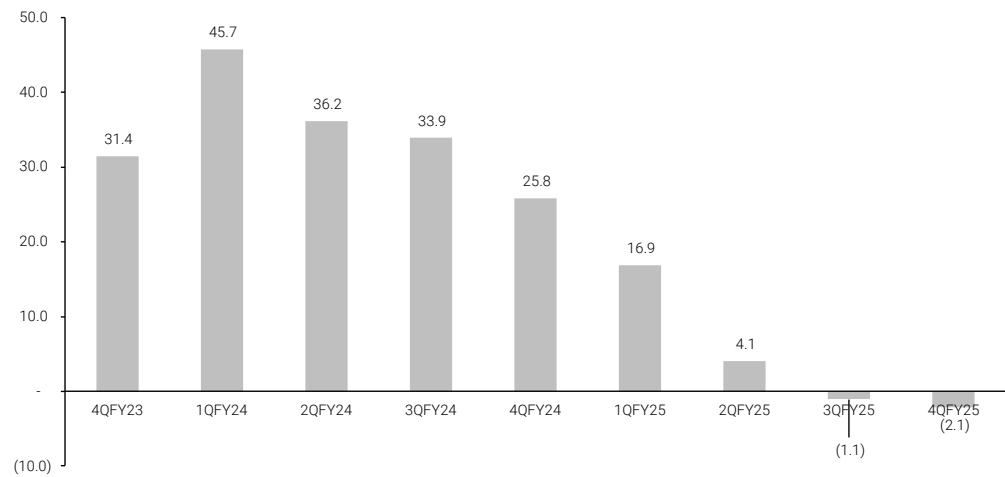
Exhibit 18: KIE auto OEMs yoy EBITDA growth, March fiscal year-ends, 4QFY23-25 (%)



Source: Company, Kotak Institutional Equities

EBITDA declined 2% yoy in 4QFY25

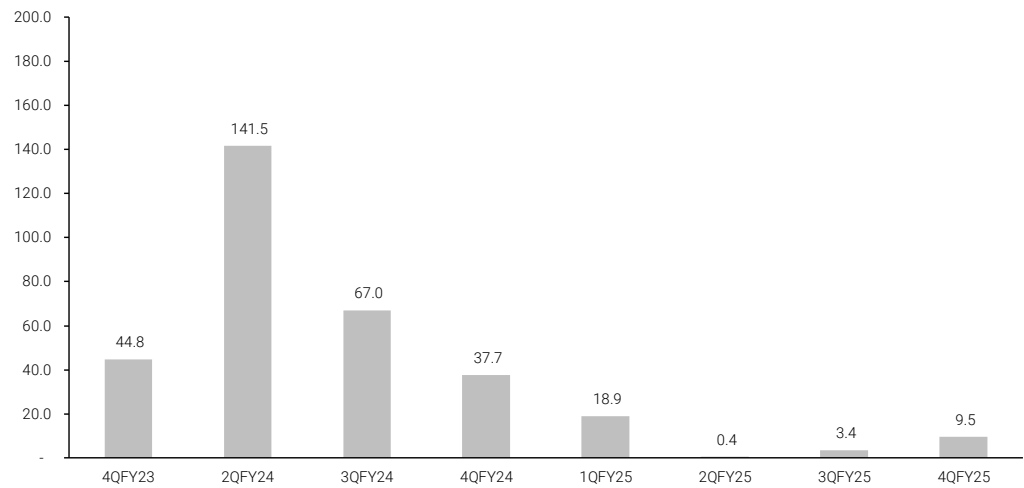
Exhibit 19: KIE auto ancillaries yoy EBITDA growth, March fiscal year-ends, 4QFY23-25 (%)



Source: Company, Kotak Institutional Equities

Aggregate recurring PAT grew 9.5% yoy, led by 13% yoy growth in auto OEMs

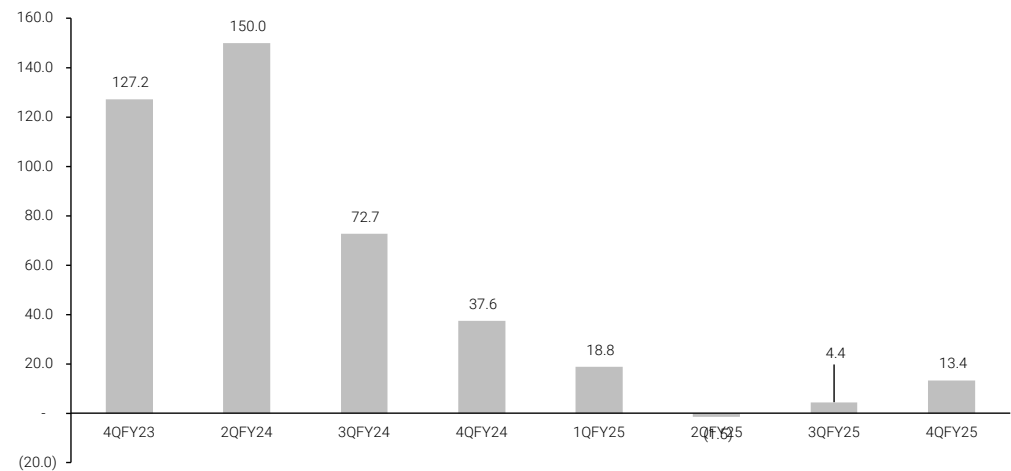
Exhibit 20: KIE auto OEMs and ancillary companies' yoy PAT growth trends, March fiscal year-ends, 4QFY23-25 (%)



Source: Company, Kotak Institutional Equities

PAT grew 13.4% yoy for auto OEMs in 4QFY25

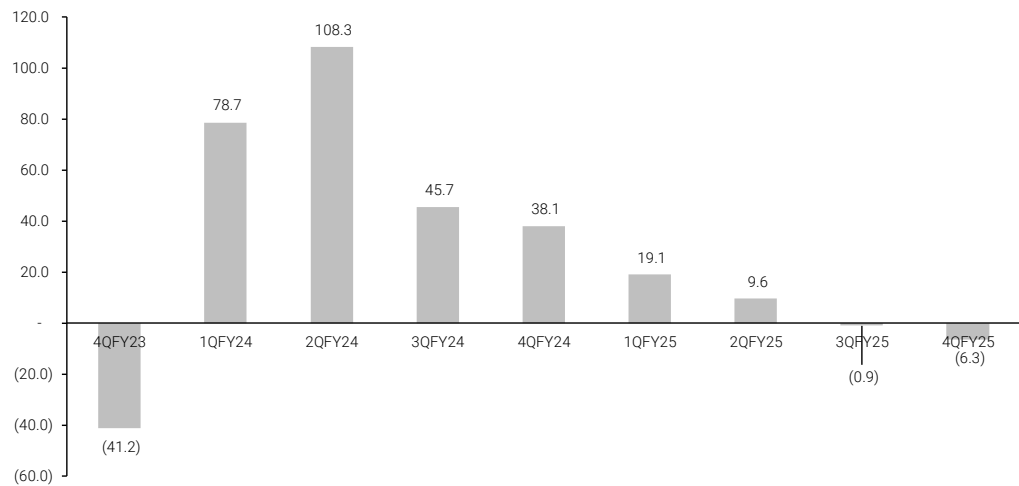
Exhibit 21: KIE auto OEMs PAT yoy growth trends March fiscal year-ends, 4QFY23-25 (%)



Source: Company, Kotak Institutional Equities

PAT fell 6% yoy for auto ancillaries in 4QFY25

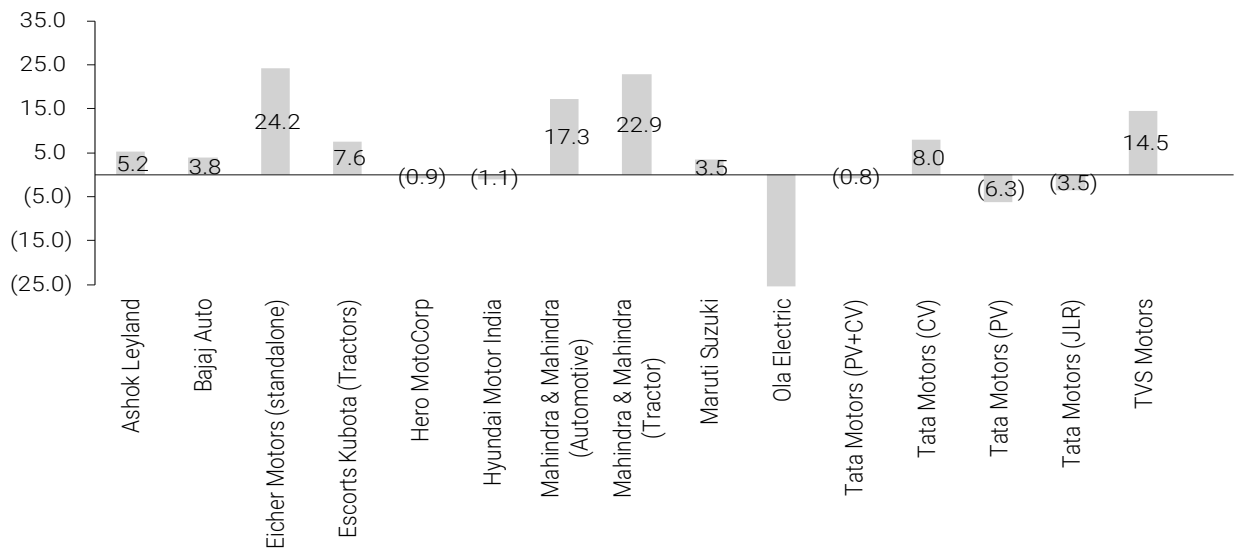
Exhibit 22: KIE auto ancillaries PAT growth trends, March fiscal year-ends, 4QFY23-25 (%)



Source: Company, Kotak Institutional Equities

Demand trends remained a mixed bag for auto OEMs

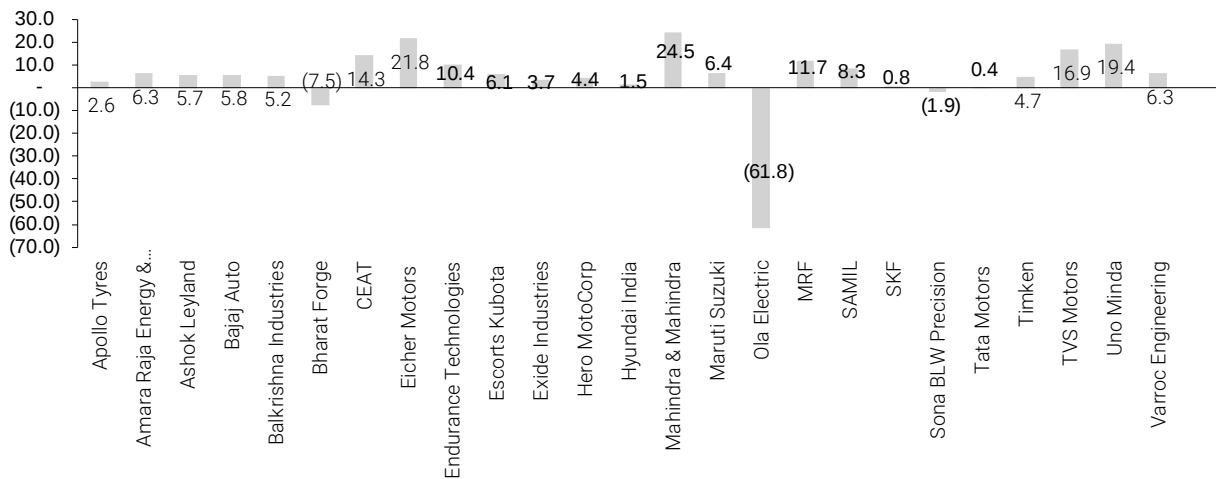
Exhibit 23: KIE auto OEMs volumes growth yoy, March fiscal year-ends, 4QFY25 (%)



Source: Company, Kotak Institutional Equities

2W/CV/tractor auto ancillaries posted a strong revenue growth yoy in 4QFY25

Exhibit 24: KIE auto OEM and ancillary company-wise revenue growth yoy, March fiscal year-ends, 4QFY23 (%)



Source: Company, Kotak Institutional Equities

Total revenues ex-SAMIL increased by 5.2% on a yoy basis in 4QFY25

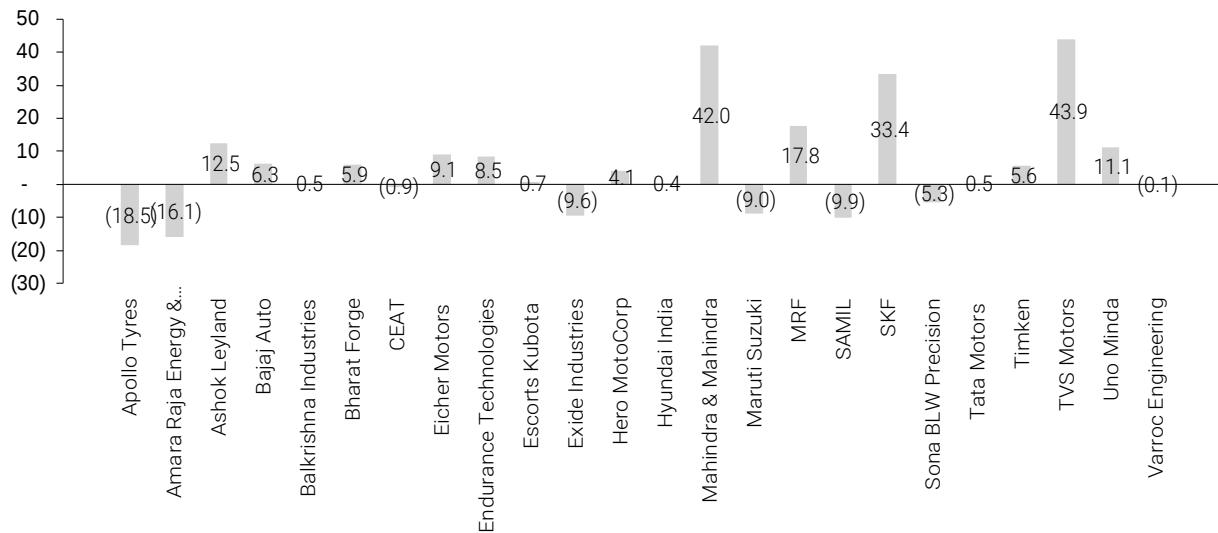
Exhibit 25: KIE auto OEMs and ancillary company-wise yoy revenue growth (reported) trends, March fiscal year-ends, 4QFY21-25 (%)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Revenue																	
Apollo Tyres	39.0	59.5	18.6	9.9	11.0	29.6	17.3	12.5	12.0	5.1	5.4	2.7	0.2	1.4	2.5	5.0	2.6
Amara Raja Energy & Mobility	33.0	63.8	17.0	20.7	3.7	38.9	19.2	11.5	11.6	5.7	4.1	9.3	14.9	13.0	11.6	9.8	6.3
Ashok Leyland	82.4	353.4	57.2	15.0	24.9	144.8	85.4	63.1	33.0	13.4	16.6	2.7	(3.1)	5.0	(9.0)	2.2	5.7
Bajaj Auto	26.1	139.9	22.4	1.3	(7.2)	8.4	16.4	3.3	11.7	28.8	5.6	30.0	29.0	15.7	21.8	5.7	5.8
Balkrishna Industries	26.0	94.1	34.0	38.9	39.0	49.1	34.9	6.6	(4.4)	(22.4)	(19.9)	4.5	16.0	29.6	9.7	11.0	5.2
Bharat Forge	19.6	82.6	73.4	39.0	71.5	35.3	29.0	40.0	1.6	36.0	22.7	15.3	14.7	5.9	(2.3)	(10.1)	(7.5)
CEAT	45.5	70.2	23.9	8.6	13.2	47.8	18.1	13.0	10.9	4.1	5.5	8.7	4.1	8.8	8.2	11.4	14.3
CIE Automotive India	31.7	177.7	23.4	(14.7)	(5.9)	8.5	6.6	34.6	18.4	4.7	2.2	(0.3)	(0.5)	(1.2)	(6.4)	(5.8)	(6.4)
Eicher Motors	34.1	148.0	2.8	1.2	9.3	70.2	55.7	26.5	19.9	20.1	15.7	12.9	9.4	8.5	7.0	21.1	21.8
Endurance Technologies	33.6	180.8	6.6	(7.4)	(2.5)	24.8	25.1	10.9	7.5	15.9	7.8	22.2	20.2	15.3	14.4	11.6	10.4
Escorts Kubota	60.1	57.4	1.4	(3.0)	(15.8)	20.5	13.3	15.6	17.3	39.1	30.9	19.6	4.9	(8.8)	(8.1)	8.5	6.1
Exide Industries	43.0	60.7	19.5	14.1	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
Hero MotoCorp	39.2	84.7	(9.8)	(19.4)	(14.6)	53.0	7.4	1.9	11.9	4.5	4.1	21.1	14.6	15.7	10.8	5.0	4.4
Hyundai Motor India														4.3	(7.5)	(1.3)	1.5
Mahindra & Mahindra	48.3	110.5	14.9	9.2	28.2	67.7	57.8	41.1	31.8	22.4	15.7	16.8	11.6	12.0	13.3	20.8	24.5
Maruti Suzuki	32.0	332.7	9.6	(0.9)	11.3	49.1	45.7	24.9	19.9	22.0	23.8	14.7	19.3	9.9	0.4	15.6	6.4
Ola Electric														32.3	39.1	(19.4)	(61.8)
MRF	30.7	69.8	15.4	5.8	9.8	35.6	18.4	14.6	10.1	12.9	6.4	9.3	8.6	11.9	11.1	13.8	11.7
SAMIL		93.5	(5.9)	(5.7)	1.6	9.0	29.7	25.7	30.6	27.5	28.5	26.5	20.2	28.5	18.5	7.9	8.3
Schaeffler India	41.8	180.9	32.7	19.6	19.0	41.8	18.1	17.8	8.0	4.6	5.5	4.5	10.6	15.2	14.2	14.0	16.1
SKF	38.9	130.2	37.4	18.1	22.6	52.1	11.6	11.4	5.4	9.0	4.4	1.4	9.9	4.9	10.6	15.0	0.8
Sona BLW Precision		226.5	52.4	1.0	2.0	17.7	12.2	38.6	35.3	24.3	20.3	13.4	19.0	22.0	17.0	11.8	(1.9)
Tata Motors	41.8	107.6	14.7	(4.5)	(11.5)	8.3	29.7	22.5	35.1	42.1	32.1	25.0	12.4	5.7	(3.5)	1.8	0.4
Timken	17.3	192.0	42.2	33.1	40.4	49.4	24.6	19.5	20.2	2.6	(1.9)	0.5	11.9	9.2	10.4	9.7	4.7
TVS Motors	52.9	174.8	22.0	5.8	3.9	52.7	28.5	14.7	19.4	20.1	12.8	26.0	23.7	16.0	13.3	10.3	16.9
Uno Minda	49.4	239.5	29.5	7.4	7.9	59.4	36.1	33.7	19.6	21.0	25.9	20.8	31.3	23.4	17.2	18.8	19.4
Varroc Engineering	(45.2)	(7.1)	(48.3)	(57.4)	9.8	36.3	22.0	15.3	2.3	10.9	2.5	9.8	16.9	5.2	10.3	10.1	6.3
Total	51.4	117.3	12.1	(1.4)	0.7	28.0	31.7	22.8	25.4	34.8	29.6	27.1	21.0	10.0	3.4	6.8	5.5
Total ex SAMIL	39.1	120.3	14.0	(1.0)	0.6	30.1	31.9	22.5	24.9	35.4	29.7	27.2	21.1	8.4	2.1	6.7	5.2
Auto ancillaries	96.4	87.7	9.2	0.6	10.4	27.3	23.0	19.8	15.9	14.5	13.6	15.1	14.4	16.5	11.5	7.7	7.0
Auto ancillaries ex SAMIL	28.5	84.5	17.1	3.9	15.0	37.8	20.2	17.0	9.1	8.6	6.9	9.2	11.2	10.1	7.7	7.6	6.2
Auto OEMs	41.5	131.0	13.2	(2.1)	(2.3)	28.3	35.0	23.8	28.6	42.3	35.1	31.2	23.1	8.1	1.0	6.6	5.0

Source: Company, Kotak Institutional Equities

Select players reported strong EBITDA growth during the quarter

Exhibit 26: KIE auto OEMs and ancillary company-wise EBITDA growth yoy, March fiscal year-ends, 4QFY25 (%)



Source: Company, Kotak Institutional Equities

KIE auto OEMs' EBITDA increased 4.6% yoy in 4QFY25

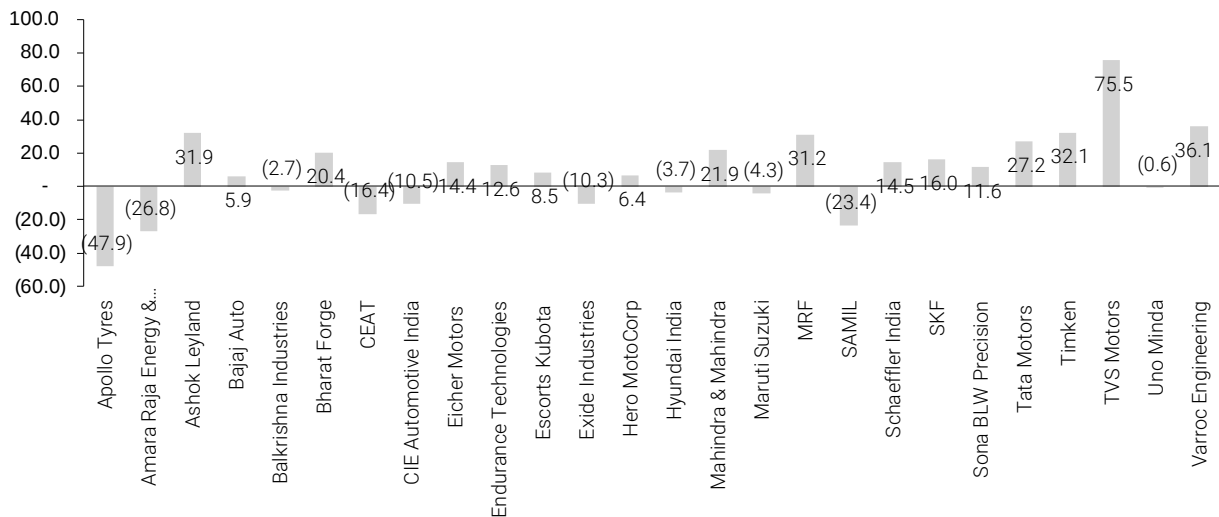
Exhibit 27: KIE auto OEMs and ancillary company-wise EBITDA growth (reported) trends, March fiscal year-ends, 4QFY21-25 (%)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Yoy (%)
EBITDA																		
Apollo Tyres	8,147	5,668	6,380	7,429	6,264	6,898	7,120	9,134	9,985	10,515	11,598	12,081	10,280	9,093	8,779	9,470	8,374	(18.5)
Amara Raja Energy & Mobility	3,165	2,499	2,689	2,840	2,199	2,609	3,602	3,969	3,532	3,535	4,099	4,349	4,077	4,304	4,407	4,158	3,422	(16.1)
Ashok Leyland	5,342	(1,401)	1,347	2,239	7,760	3,203	5,373	7,973	12,757	8,207	10,798	11,139	15,921	9,109	10,173	12,114	17,910	12.5
Bajaj Auto	15,241	11,198	14,011	13,721	13,656	12,970	17,587	17,768	17,166	19,539	21,329	24,299	23,063	24,153	26,522	25,807	24,506	6.3
Balkrishna Industries	5,578	5,347	5,649	5,064	5,765	5,465	5,645	4,233	4,948	4,864	5,474	5,870	6,993	7,135	6,193	6,391	7,027	0.5
Bharat Forge	4,258	4,503	5,099	5,018	5,539	4,278	4,320	4,693	4,385	5,954	6,214	6,979	6,433	7,410	6,473	6,244	6,813	5.9
CEAT	2,608	1,662	2,203	1,341	1,875	1,653	2,031	2,376	3,678	3,871	4,561	4,175	3,915	3,829	3,623	3,409	3,881	(0.9)
CIE Automotive India	2,868	2,598	2,685	1,803	2,804	3,058	2,934	2,924	3,806	3,704	3,454	3,274	3,606	3,600	3,306	2,993	3,355	(7.0)
Eicher Motors	6,435	3,345	4,427	5,814	7,550	7,882	8,036	8,569	9,448	10,127	10,974	11,148	11,553	11,786	11,049	12,237	12,609	9.1
Endurance Technologies	3,322	2,443	2,600	2,032	2,571	2,398	2,716	2,395	2,854	3,213	3,183	2,990	3,894	3,741	3,820	3,725	4,225	8.5
Escorts Kubota	3,447	2,332	2,101	2,646	2,434	2,016	1,527	1,903	2,358	3,606	2,667	3,238	2,909	3,169	2,328	3,353	2,929	0.7
Exide Industries	4,153	2,606	4,134	3,726	3,490	3,866	4,125	4,005	3,672	4,322	4,831	4,399	5,161	4,943	4,836	4,486	4,667	(9.6)
Hero MotoCorp	12,112	5,148	10,664	9,600	8,276	9,408	10,383	9,241	10,830	12,063	13,283	13,620	13,592	14,598	15,159	14,765	14,156	4.1
Hyundai Motor India										19,972	24,401	21,735	25,218	23,403	22,053	18,755	25,327	0.4
Mahindra & Mahindra	19,552	16,314	16,605	18,027	19,455	23,335	24,973	28,142	27,974	32,351	30,660	32,364	32,983	40,222	39,497	44,681	46,825	42.0
Maruti Suzuki	19,911	8,211	8,549	15,590	24,268	19,121	27,689	28,331	33,503	29,830	47,842	39,079	46,850	45,023	44,166	44,703	42,647	(9.0)
Ola Electric										(2,180)	(4,350)	(3,010)	(3,120)	(2,050)	(3,790)	(4,600)	(6,950)	122.8
MRF	7,456	4,872	5,123	4,857	5,275	4,783	4,674	5,486	8,431	11,142	11,287	10,394	8,856	11,378	9,734	8,018	10,428	17.8
SAMIL	17,223	12,200	9,438	10,765	12,673	10,768	14,031	16,163	20,606	19,246	18,888	23,159	29,346	27,753	24,479	26,858	26,429	(9.9)
Schaeffler India	2,129	2,071	2,645	2,871	3,085	3,217	3,190	3,452	3,147	3,420	3,404	3,241	3,299	3,763	3,688	3,704	3,928	19.1
SKF	1,483	1,138	1,598	1,232	1,594	1,837	2,146	1,841	1,670	2,081	1,240	1,721	2,134	1,937	1,238	1,212	2,845	33.4
Sona BLW Precision	1,401	1,387	1,544	1,305	1,354	1,425	1,657	1,862	2,014	2,034	2,233	2,273	2,481	2,512	2,549	2,342	2,350	(5.3)
Tata Motors	127,448	52,576	40,499	67,642	87,416	31,805	61,962	96,430	128,098	135,595	137,239	153,333	165,430	155,090	116,710	124,120	166,250	0.5
Timken	869	928	1,238	1,141	1,798	1,716	1,321	1,037	1,529	1,357	1,355	1,025	1,987	1,409	1,334	1,065	2,097	5.6
TVS Motors	5,361	2,738	5,629	5,683	5,568	5,995	7,365	6,589	6,798	7,638	8,998	9,244	9,262	9,602	10,798	10,815	13,326	43.9
Uno Minda	3,016	1,467	2,279	2,353	2,755	2,659	3,184	3,384	3,193	3,301	4,016	3,796	4,740	4,077	4,824	4,570	5,267	11.1
Varroc Engineering	1,282	639	1,184	744	1,071	1,278	1,750	1,348	1,561	1,827	1,943	1,756	2,210	1,740	2,082	1,858	2,207	(0.1)
Total	283,805	152,486	160,317	195,486	236,496	173,642	229,342	273,247	327,942	361,133	391,620	407,672	443,072	432,725	386,029	397,253	456,848	3.1
Total ex SAMIL	266,582	140,287	150,879	184,721	223,823	162,873	215,312	257,084	307,336	341,887	372,732	384,512	413,726	404,972	361,549	370,395	430,419	4.0
Auto ancillaries	68,957	52,025	56,486	54,523	60,113	57,907	64,446	68,300	79,010	84,385	87,779	91,482	99,411	98,622	91,364	90,503	97,315	(2.1)
Auto ancillaries ex SAMIL	51,734	39,825	47,048	43,758	47,440	47,139	50,415	52,137	58,404	65,139	68,891	68,323	70,065	70,869	66,885	63,645	70,886	1.2
Auto OEMs	214,848	100,461	103,831	140,963	176,383	115,735	164,897	204,947	248,932	276,748	303,841	316,189	343,661	334,103	294,665	306,750	359,534	4.6

Source: Company, Kotak Institutional Equities

KIE auto universe PAT (ex-SAMIL) improved 11.4% yoy in 4QFY25

Exhibit 28: KIE auto OEMs and ancillary company-wise PAT growth yoy, March fiscal year-ends, 4QFY25 (%)



Source: Company, Kotak Institutional Equities

KIE auto ancillaries (ex-SAMIL) PAT was flat yoy in 4QFY25

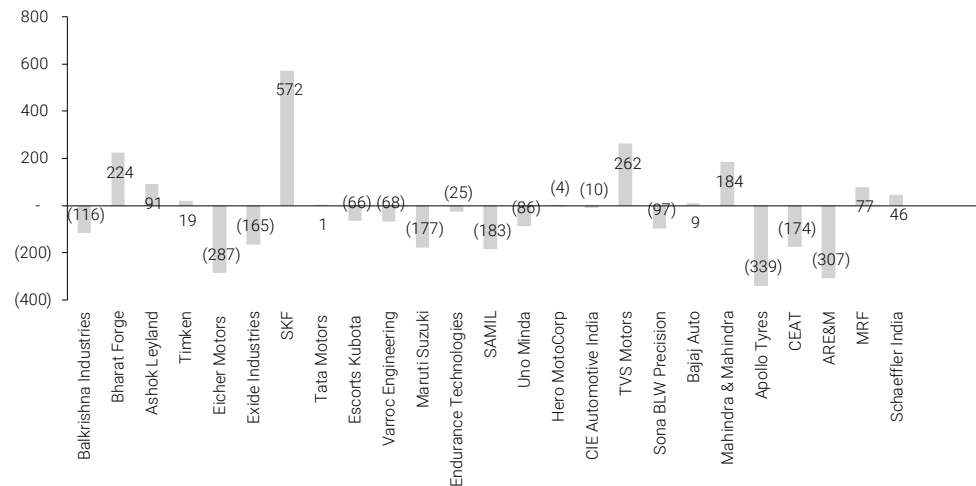
Exhibit 29: KIE auto OEMs and ancillary company-wise yoy PAT growth (reported) trends, March fiscal year-ends, 4QFY21-25 (%)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
PAT																	
Apollo Tyres	268.9	(195.0)	(170.6)	(49.6)	(60.5)	49.2	11.9	30.7	276.7	108.2	143.9	70.0	(17.2)	(23.9)	(37.3)	(32.1)	(47.9)
Amara Raja Energy & Mobility	38.7	97.7	(28.5)	(25.1)	(48.0)	6.1	40.3	54.0	43.1	46.4	12.0	13.5	61.7	27.1	6.3	23.4	(26.8)
Ashok Leyland	(3,792.6)	(27.5)	(42.8)	(270.1)	157.4	(120.7)	(332.2)	(1,482.8)	29.2	889.6	199.4	63.0	34.3	(8.9)	18.0	31.2	31.9
Bajaj Auto	1.7	101.0	12.0	(22.0)	(6.3)	10.6	20.0	22.8	14.8	41.9	20.0	36.9	35.1	19.4	20.7	3.3	5.9
Balkrishna Industries	32.6	108.3	6.3	1.5	14.5	(6.5)	1.3	(14.8)	(36.8)	(4.9)	(12.5)	36.3	71.0	68.8	29.7	(9.6)	(2.7)
Bharat Forge	(751.0)	(256.3)	9,347.2	(35,695.2)	13.6	(18.3)	(47.1)	(73.5)	(34.6)	31.4	51.2	223.2	48.4	34.9	12.4	(16.4)	20.4
CEAT	113.4	(230.2)	(76.7)	(110.7)	(80.6)	(59.2)	(39.6)	(336.3)	372.4	1,378.3	712.3	408.0	8.6	2.7	(41.4)	(46.5)	(16.4)
CIE Automotive India	(83.9)	(205.8)	173.9	(22.5)	1,527.4	35.5	0.7	91.9	34.1	15.7	11.4	6.4	4.5	1.3	4.3	1.1	(10.5)
Eicher Motors	35.2	2,072.4	(4.8)	(13.6)	18.2	117.1	79.1	61.2	35.0	57.5	52.6	34.2	31.7	19.1	7.6	15.6	14.4
Endurance Technologies	75.4	(575.7)	(20.2)	(52.2)	(27.3)	(6.7)	(1.4)	14.4	0.2	47.9	17.5	40.7	54.0	24.7	31.3	21.1	12.6
Escorts Kubota	93.3	101.0	(23.1)	(28.2)	(25.7)	(20.4)	(21.6)	(7.5)	0.5	100.3	53.9	44.7	22.7	(9.9)	41.9	7.7	8.5
Exide Industries	47.2	185.4	2.4	(15.5)	1,567.0	80.5	5.1	9.3	(95.0)	6.9	16.6	7.7	36.5	15.6	3.8	2.0	(10.3)
Hero MotoCorp	39.3	496.1	(16.7)	(36.7)	(27.5)	70.9	(9.9)	3.6	37.0	50.0	47.2	51.0	18.3	19.8	14.2	12.1	6.4
Hyundai Motor India														12.1	(15.5)	(18.6)	(3.7)
Mahindra & Mahindra	(248.0)	1,891.8	57.8	(7.8)	47.1	56.6	38.7	50.0	61.6	93.3	53.1	22.5	3.3	(5.8)	11.3	20.8	21.9
Maruti Suzuki	(9.7)	(276.7)	(65.3)	(47.9)	57.7	129.8	333.7	132.5	42.7	145.4	80.3	33.1	47.8	46.9	5.1	12.6	(4.3)
Ola Electric														22.3	(5.5)	51.6	109.1
MRF	(52.6)	846.2	(54.5)	(71.5)	(50.6)	(30.4)	(32.4)	16.0	161.9	417.5	361.3	200.2	(7.6)	(3.3)	(20.4)	(39.6)	31.2
SAMIL		(128.5)	(71.6)	(85.9)	(71.5)	(33.1)	278.3	387.8	322.2	325.5	19.3	19.3	109.7	65.5	133.9	61.9	(23.4)
Schaeffler India	78.1	(401.7)	50.5	34.6	48.4	67.4	26.1	21.2	5.9	10.6	8.1	(7.8)	0.2	3.4	1.6	11.4	14.5
SKF	39.2	(31,748.0)	80.8	(30.7)	4.4	63.2	32.5	31.4	12.3	19.6	(42.3)	13.3	42.5	2.9	4.7	(17.1)	16.0
Sona BLW Precision		(155,291.5)	22.3	3.5	50.7	4.0	4.9	23.9	16.7	50.3	38.3	23.9	21.7	24.5	18.5	16.9	11.6
Tata Motors	(119.2)	(47.6)	622.3	(164.9)	(116.3)	24.1	(83.8)	(218.8)	(2,621.1)	(177.1)	(726.1)	163.5	28.4	25.6	(34.0)	(4.1)	27.2
Timken	(13.6)	1,717.9	58.6	87.7	129.2	108.2	23.2	1.1	(13.8)	(23.7)	(4.7)	(4.3)	35.3	6.8	(3.3)	10.0	32.1
TVS Motors	291.6	(138.2)	41.5	8.5	(5.1)	503.1	46.8	22.4	49.5	45.9	31.7	68.2	18.3	23.4	23.5	4.2	75.5
Uno Minda	(2,795.8)	(108.8)	(27.4)	(12.2)	2.0	800.1	79.6	59.9	26.5	24.5	32.3	19.4	46.7	15.2	6.1	20.2	(0.6)
Varroc Engineering	(47.7)	(25.7)	666.6	115.6	97.4	(63.3)	167.4	(107.4)	(114.0)	(165.4)	(107.0)	193.4	45.8	(38.1)	3.8	(28.4)	36.1
Total	(562.3)	(102.3)	(62.7)	(60.3)	28.4	765.3	270.9	151.6	44.8	867.8	141.5	67.0	37.7	18.9	0.4	3.4	9.5
Total ex SAMIL	(536.1)	(100.2)	(62.3)	(59.0)	34.4	9,575.7	270.7	147.2	41.3	909.2	146.0	68.8	34.9	17.4	(1.9)	1.9	11.4
Auto ancillaries	96.3	(216.9)	1.0	(42.5)	110.3	29.5	(9.5)	49.2	(41.2)	78.7	108.3	45.7	38.1	19.1	9.6	(0.9)	(6.3)
Auto ancillaries ex SAMIL	59.0	(312.6)	13.4	(31.1)	153.0	38.6	(21.8)	31.0	(50.8)	61.4	126.7	50.9	21.8	10.5	(3.9)	(10.8)	0.4
Auto OEMs	(290.3)	(83.1)	(91.1)	(66.1)	(6.5)	(88.6)	1,698.6	207.7	127.2	(9,565.5)	150.0	72.7	37.6	18.8	(1.5)	4.4	13.4

Source: Company, Kotak Institutional Equities

RM headwinds (rubber prices) and higher marketing spends drove the margin contraction for majority of companies

Exhibit 30: KIE auto OEMs and ancillary companies' EBITDA margin change yoy, March fiscal year-ends, 4QFY25 (bps)



Source: Company, Kotak Institutional Equities

KIE auto universe EBITDA margin declined 30 bps yoy in 4QFY25

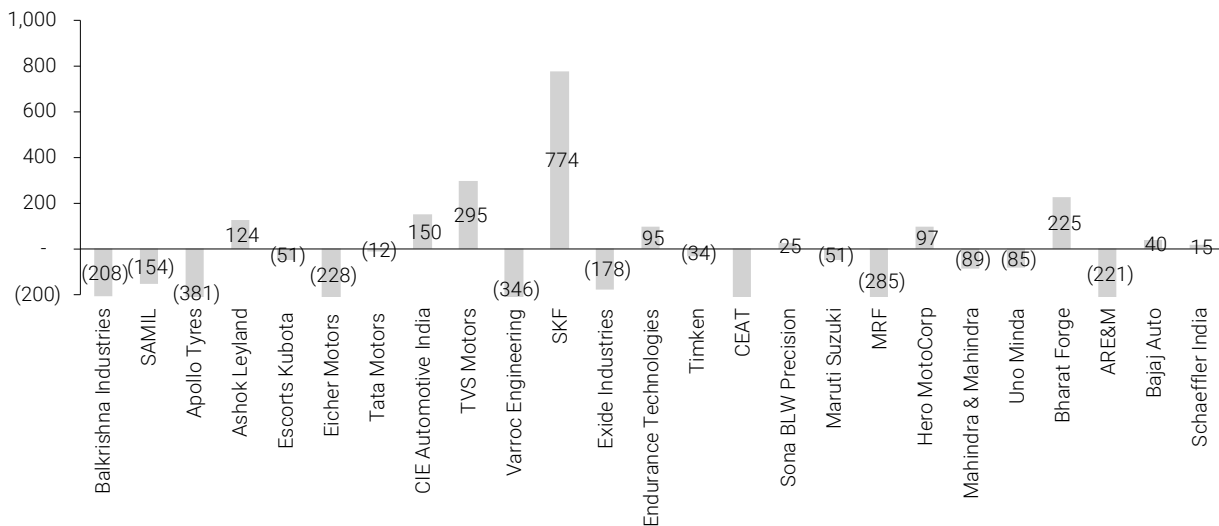
Exhibit 31: KIE auto OEMs and ancillary company-wise EBITDA margin (reported) trends, March fiscal year-ends, 4QFY21-25 (%)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
EBITDA margin (%)																	
Apollo Tyres	16.2	12.4	12.6	13.0	11.2	11.6	12.0	14.2	16.0	16.8	18.5	18.3	16.4	14.4	13.6	13.7	13.0
Amara Raja Energy & Mobility	15.1	13.2	11.9	12.0	10.1	10.0	13.3	15.0	14.5	12.8	14.6	15.1	14.6	13.7	14.1	13.1	11.5
Ashok Leyland	7.6	(4.7)	3.0	4.0	8.9	4.4	6.5	8.8	11.0	10.0	11.2	12.0	14.1	10.6	11.6	12.8	15.0
Bajaj Auto	17.7	15.2	16.0	15.2	17.1	16.2	17.2	19.1	19.3	19.0	19.8	20.1	20.1	20.2	20.2	20.2	20.2
Balkrishna Industries	31.9	29.2	27.2	24.4	23.7	20.0	20.1	19.1	21.3	23.0	24.4	25.3	25.9	26.0	25.1	24.9	24.8
Bharat Forge	20.4	21.4	21.4	21.0	15.5	15.0	14.0	14.0	12.1	15.4	16.5	18.0	15.4	18.0	17.5	18.0	17.7
CEAT	11.4	8.7	9.0	5.6	7.2	5.9	7.0	8.7	12.8	13.2	14.9	14.1	13.1	12.0	11.0	10.3	11.3
CIE Automotive India	13.1	12.7	12.8	10.8	13.6	13.8	13.2	13.0	15.6	16.0	15.2	14.6	14.9	15.7	15.5	14.2	14.8
Eicher Motors	22.0	17.5	20.3	20.5	23.6	24.3	23.7	23.9	24.7	26.0	27.9	27.5	27.6	27.9	26.3	24.9	24.7
Endurance Technologies	15.6	14.4	13.8	10.8	12.4	11.3	11.5	11.4	12.8	13.1	12.5	11.7	14.5	13.2	13.1	13.0	14.3
Escorts Kubota	15.6	14.0	12.6	13.5	13.1	10.0	8.1	8.4	10.8	12.9	10.8	12.0	12.7	12.4	10.3	11.4	12.1
Exide Industries	14.1	10.5	12.6	11.7	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
Hero MotoCorp	13.9	9.4	12.6	12.2	11.2	11.2	11.4	11.5	13.0	13.8	14.1	14.0	14.3	14.4	14.5	14.5	14.2
Hyundai Motor India										12.0	13.1	12.9	14.3	13.5	12.8	11.3	14.1
Mahindra & Mahindra	14.6	13.9	12.5	11.7	11.4	11.8	11.9	13.0	12.4	13.4	12.6	12.8	13.1	14.9	14.3	14.6	14.9
Maruti Suzuki	8.3	4.6	4.2	6.7	9.1	7.2	9.3	9.8	10.5	9.2	12.9	11.7	12.3	12.7	11.9	11.6	10.5
Ola Electric										(17.5)	(49.8)	(23.2)	(19.5)	(12.5)	(31.2)	(44.0)	(113.7)
MRF	15.7	11.8	10.6	10.1	10.1	8.5	8.2	9.9	14.7	17.6	18.5	17.2	14.2	16.1	14.4	11.6	15.0
SAMIL	10.1	7.6	6.7	6.7	7.4	6.1	7.7	8.0	9.2	8.6	8.0	9.0	10.8	9.6	8.8	9.7	9.0
Schaeffler India	16.2	16.8	17.8	18.9	19.7	18.4	18.2	19.2	18.6	18.7	18.4	17.3	17.6	17.9	17.4	17.3	18.1
SKF	17.5	16.4	16.5	12.7	15.3	17.4	19.9	17.1	15.3	18.1	11.0	15.8	17.7	16.1	10.0	9.7	23.5
Sona BLW Precision	26.0	27.7	26.4	26.4	24.6	24.2	25.2	27.2	27.1	27.8	28.2	29.3	28.0	28.1	27.6	27.0	27.1
Tata Motors	14.4	7.9	6.6	9.4	11.1	4.4	7.8	10.9	12.1	13.3	13.1	13.9	13.9	14.4	11.5	11.0	13.9
Timken	18.3	19.8	22.2	22.4	26.9	24.5	19.0	17.0	19.1	18.9	19.9	16.7	22.1	18.0	17.7	15.9	22.3
TVS Motors	10.1	7.0	10.0	10.0	10.1	10.0	10.2	10.1	10.3	10.6	11.0	11.2	11.3	11.5	11.7	11.9	14.0
Uno Minda	13.5	9.2	10.8	10.8	11.4	10.4	11.1	11.6	11.1	10.7	11.1	10.8	12.5	10.7	11.4	10.9	11.6
Varroc Engineering	8.5	5.3	7.9	5.0	6.5	7.8	9.5	7.9	9.2	10.1	10.3	9.3	11.2	9.2	10.0	9.0	10.5
Total	13.5	9.3	9.2	10.1	11.2	8.3	10.0	11.5	12.4	12.8	13.2	13.5	13.8	13.9	12.6	12.3	13.5
Total ex SAMIL	13.8	9.5	9.4	10.4	11.5	8.5	10.2	11.8	12.7	13.1	13.6	13.9	14.1	14.4	12.9	12.6	13.9
Auto ancillaries	14.0	11.7	11.9	10.9	11.1	10.2	11.0	11.4	12.6	13.0	13.2	13.3	13.8	13.0	12.3	12.2	12.6
Auto ancillaries ex SAMIL	16.1	14.0	14.0	13.0	12.8	12.1	12.5	13.2	14.5	15.4	16.0	15.9	15.6	15.2	14.4	13.7	14.9
Auto OEMs	13.4	8.4	8.2	9.8	11.2	7.6	9.7	11.5	12.3	12.7	13.2	13.5	13.8	14.2	12.7	12.3	13.8

Source: Company, Kotak Institutional Equities

Margin pressure persisted during 4QFY25

Exhibit 32: KIE auto OEMs and ancillary company wise gross margin change yoy, March fiscal year-ends, 4QFY25 (bps)



Source: Company, Kotak Institutional Equities

Gross margins of the KIE auto universe fell 50 bps yoy in 4QFY25

Exhibit 33: KIE auto OEMs and ancillary company-wise gross margin (reported) trends, March fiscal year-ends, 4QFY21-25 (%)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Gross margin (%)																	
Apollo Tyres	45.1	42.8	41.4	40.0	39.8	39.7	38.9	39.7	43.4	45.0	45.7	46.6	47.2	45.5	44.8	41.5	43.4
Amara Raja Energy & Mobility	32.6	31.1	29.9	29.7	27.9	26.6	30.5	33.4	34.8	28.9	33.4	34.0	34.5	31.1	32.4	33.1	32.3
Ashok Leyland	23.1	25.9	23.3	22.1	21.8	20.7	22.0	23.7	24.4	26.3	26.5	27.8	28.2	27.8	28.8	28.5	29.4
Bajaj Auto	28.1	27.0	26.3	25.3	28.1	27.8	26.6	29.4	30.2	28.1	29.0	28.9	29.7	30.0	28.7	28.7	30.1
Balkrishna Industries	58.8	57.2	55.4	53.5	54.7	53.4	51.2	48.6	49.3	51.7	51.9	52.0	53.3	53.1	52.6	52.4	51.2
Bharat Forge	59.5	64.6	61.4	60.3	55.3	56.3	55.8	52.2	51.7	51.6	53.3	54.0	53.0	55.3	57.6	57.7	55.3
CEAT	42.0	38.9	36.9	34.0	33.5	31.7	32.5	34.5	40.1	41.1	43.3	41.3	42.3	39.2	37.4	36.8	37.5
CIE Automotive India	53.5	54.5	52.0	47.0	45.9	44.5	44.4	47.0	47.0	47.9	45.3	48.1	46.9	48.8	48.2	47.8	48.4
Eicher Motors	40.3	40.6	41.0	39.8	42.7	42.7	41.5	41.7	42.9	43.3	46.8	46.1	46.3	46.8	45.7	44.5	44.0
Endurance Technologies	42.7	46.2	41.4	39.2	39.6	39.6	37.7	40.1	40.7	40.9	39.8	39.9	43.0	42.5	42.2	42.9	43.9
Escorts Kubota	31.5	31.7	33.5	29.8	29.6	27.8	27.6	25.5	28.5	28.6	30.1	27.5	31.1	29.2	30.4	26.9	30.6
Exide Industries	34.4	31.5	32.8	31.0	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
Hero MotoCorp	29.6	27.5	27.7	29.0	30.7	27.2	28.0	30.6	32.0	30.6	31.4	32.7	33.6	32.3	33.3	34.2	34.5
Hyundai Motor India										24.2	25.1	26.6	28.5	28.1	27.4	26.8	28.7
Mahindra & Mahindra	30.9	30.4	27.3	25.3	23.6	23.4	23.5	24.0	25.0	24.6	24.4	24.6	26.8	26.3	25.8	25.6	25.9
Maruti Suzuki	26.1	25.2	24.2	24.7	26.5	25.4	26.9	27.3	26.7	27.2	29.4	29.1	28.6	29.8	28.1	28.4	28.1
Ola Electric										10.7	5.8	16.0	15.0	18.4	18.5	18.6	13.7
MRF	38.5	37.9	35.5	33.4	32.1	31.5	29.7	32.1	37.0	38.8	40.8	40.1	38.9	37.3	36.5	33.1	36.1
SAMIL	43.6	43.1	42.5	41.6	41.8	41.2	41.3	43.1	43.5	43.5	43.2	44.8	47.4	46.4	45.8	47.1	45.9
Schaeffler India	35.9	38.5	37.5	38.9	39.2	37.1	37.0	39.0	38.8	38.6	37.1	37.2	37.9	37.7	37.5	36.4	38.0
SKF	41.1	45.4	38.5	35.6	37.5	39.2	42.3	41.5	38.7	39.8	34.0	41.7	41.2	39.3	33.4	33.3	49.0
Sona BLW Precision	57.1	56.6	53.7	57.5	55.1	54.5	53.0	55.8	54.3	56.9	55.1	59.1	56.4	57.6	56.0	55.9	56.7
Tata Motors	35.7	35.9	33.1	36.2	34.7	33.0	33.9	35.1	35.6	37.6	36.4	38.3	38.0	39.0	38.7	38.4	37.9
Timken	42.7	44.5	44.3	46.1	47.7	45.8	39.8	39.5	38.5	41.2	41.6	40.5	40.7	39.4	39.3	39.2	40.4
TVS Motors	24.7	24.3	24.1	23.7	23.8	23.9	23.8	24.5	24.6	25.4	26.0	26.3	27.2	28.6	28.5	28.4	30.2
Uno Minda	37.3	38.7	36.6	35.7	35.9	35.2	35.1	36.8	35.6	35.8	34.4	35.0	36.5	35.6	35.1	34.5	35.6
Varroc Engineering	33.8	36.4	34.4	34.3	32.1	35.5	35.5	34.5	36.7	36.8	36.7	36.3	39.3	37.5	35.8	35.4	35.9
Total	34.8	35.2	32.8	33.4	33.0	31.7	32.1	33.4	34.1	34.1	34.0	35.3	35.8	36.0	35.3	35.1	35.3
Total ex SAMIL	34.0	34.3	32.0	32.6	32.2	30.9	31.3	32.5	33.2	33.3	33.2	34.4	34.7	35.0	34.3	34.0	34.3
Auto ancillaries	43.1	43.2	41.4	40.0	39.9	39.0	39.0	40.4	41.7	41.7	42.0	43.0	44.4	43.2	42.6	42.4	42.8
Auto ancillaries ex SAMIL	42.8	43.3	40.9	39.3	39.0	38.0	38.0	39.1	40.6	40.7	41.3	42.0	42.6	41.3	40.6	39.6	40.9
Auto OEMs	32.2	32.2	29.6	31.1	30.6	29.0	29.7	31.0	31.7	31.9	31.7	33.0	33.3	33.7	33.0	33.0	33.1

Source: Company, Kotak Institutional Equities

Employee costs as % of sales increased 50 bps yoy in 4QFY25

Exhibit 34: KIE auto OEMs and ancillary company-wise employee expense trends, March fiscal year-ends, 4QFY21-25 (% of sales)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Apollo Tyres	13.3	14.3	12.6	11.3	11.4	10.9	10.3	10.5	11.0	11.8	11.6	11.6	11.6	12.6	12.0	11.5	11.9
Amara Raja Energy & Mobility	5.1	6.3	5.8	5.5	5.5	5.1	5.6	6.1	6.7	5.8	6.3	6.3	5.8	5.9	6.1	6.0	6.1
Ashok Leyland	5.7	14.4	9.0	7.8	5.0	6.2	6.4	6.1	5.1	6.6	5.9	6.1	4.9	6.4	6.8	6.4	5.5
Bajaj Auto	3.6	4.9	4.0	3.8	3.8	4.7	3.5	3.8	4.1	3.7	3.5	3.2	3.4	3.6	3.0	3.0	3.0
Balkrishna Industries	5.0	5.2	4.8	4.7	3.7	3.9	3.6	4.5	4.1	5.0	5.0	4.9	4.1	4.2	4.8	5.1	4.5
CEAT	8.0	9.3	7.0	7.1	6.6	6.1	5.8	6.7	7.4	6.7	7.1	7.3	7.2	6.1	6.6	6.5	6.6
OIE Automotive India	16.6	17.7	15.5	13.3	10.8	10.3	9.7	10.5	10.7	11.1	10.2	10.9	10.8	11.7	11.2	11.5	11.4
Eicher Motors	7.3	11.1	7.5	6.7	6.6	7.2	6.7	6.7	6.1	6.9	7.2	7.0	7.3	7.8	7.5	6.4	6.3
Endurance Technologies	9.1	11.5	8.7	8.8	8.1	8.8	7.4	9.2	9.4	8.9	8.3	8.7	8.4	8.9	8.3	8.8	8.9
Escorts Kubota	6.6	8.2	8.4	6.8	6.4	6.8	7.9	6.7	7.2	6.2	7.9	6.4	7.6	6.8	6.2	6.8	6.2
Exide Industries	6.3	7.4	6.5	6.4	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
Hero MotoCorp	5.6	7.9	6.0	6.6	6.4	6.4	6.0	6.8	6.7	6.6	6.1	6.2	6.8	6.0	6.2	6.5	6.8
Hyundai Motor India										2.9	2.6	3.0	2.8	3.2	3.2	2.6	3.4
Mahindra & Mahindra	6.0	7.5	6.0	5.8	4.4	4.3	4.4	4.3	4.2	4.3	4.6	4.5	4.5	4.3	4.2	4.2	4.0
Maruti Suzuki	3.7	6.0	4.7	4.2	3.8	4.4	3.8	4.1	3.5	4.5	3.5	4.0	3.6	4.4	3.9	4.0	3.9
Ola Electric										7.6	12.9	9.2	7.1	7.5	11.4	9.8	16.2
MRF	7.4	8.6	7.8	7.7	7.1	6.5	6.8	7.3	7.0	6.5	7.1	7.2	7.5	6.3	6.9	6.6	6.6
SAMIL	23.3	24.5	24.9	23.9	23.5	24.3	22.5	22.7	22.0	23.7	23.3	23.7	24.7	24.8	24.8	25.7	24.6
Schaeffler India	7.4	8.0	6.7	6.5	6.7	6.2	6.2	6.0	6.7	6.5	6.2	6.1	6.8	7.0	6.6	6.0	6.2
SKF	7.6	9.8	7.5	7.2	7.3	7.4	7.3	6.3	6.9	7.6	7.5	7.6	7.4	7.2	6.8	7.0	8.3
Sona BLW Precision	8.5	8.6	7.5	8.5	7.3	7.3	6.7	7.0	6.1	6.7	7.0	9.4	8.2	8.5	8.5	9.4	9.0
Tata Motors	9.0	12.0	11.6	10.6	10.2	10.8	9.9	9.7	8.9	9.6	9.6	10.0	9.5	10.9	11.6	10.5	10.6
TVS Motors	5.0	6.6	5.3	5.2	5.1	5.3	4.8	5.2	5.1	5.2	4.8	4.9	5.1	5.7	5.4	5.5	5.2
Uno Minda	13.2	17.2	14.3	13.5	13.8	13.3	12.7	12.7	13.3	13.7	12.4	12.9	11.9	13.5	12.4	12.8	12.9
Varroc Engineering	10.2	13.1	10.7	10.5	8.8	10.6	9.4	10.6	11.2	10.6	10.7	11.0	10.5	11.4	10.8	11.3	10.2
Total	8.7	11.3	9.8	9.4	9.0	9.2	8.5	8.8	8.4	8.6	8.3	8.8	8.5	9.3	9.3	9.1	9.0
Auto ancillaries	13.8	15.2	13.3	13.7	13.4	13.2	12.5	13.3	13.5	13.9	13.9	14.4	14.7	14.9	14.8	15.1	14.8
Auto OEMs	7.2	9.9	8.5	7.9	7.4	7.7	7.1	7.3	6.8	7.0	6.7	7.1	6.8	7.6	7.6	7.3	7.2

Source: Company, Kotak Institutional Equities

KIE auto universe other expenses as % of sales fell 60 bps yoy in 4QFY25

Exhibit 36: KIE auto OEMs and ancillary other expenses trends, March fiscal year-ends, 4QFY21-25 (% of sales)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Apollo Tyres	15.6	16.1	16.3	15.7	17.1	17.2	16.6	15.0	16.4	16.4	15.6	16.7	19.2	18.6	19.2	16.3	18.5
Amara Raja Energy & Mobility	12.4	11.6	12.2	12.3	12.3	11.5	11.6	12.2	13.6	10.3	12.5	12.6	14.1	11.5	12.2	13.9	14.7
Ashok Leyland	9.7	16.2	11.3	10.2	7.9	10.1	9.1	8.8	8.3	9.7	9.3	9.6	9.1	10.9	10.4	9.4	8.9
Bajaj Auto	6.8	6.9	6.3	6.3	7.1	6.9	5.9	6.5	6.9	5.4	5.7	5.7	6.3	6.1	5.5	5.5	7.0
Balkrishna Industries	21.9	22.8	23.5	24.5	27.3	29.5	27.5	25.0	23.9	23.7	22.5	21.8	23.3	22.8	22.6	22.5	22.0
CEAT	22.6	20.9	20.9	21.3	19.7	19.7	19.7	19.2	19.9	21.2	21.3	19.9	22.0	21.1	19.8	20.0	19.5
OIE Automotive India	0.6	0.6	0.6	0.5	0.2	0.0	0.5	0.4	1.0	1.0	1.4	1.4	0.9	0.9	0.8	0.8	0.6
Eicher Motors	11.0	11.9	13.2	12.6	12.4	11.3	11.1	11.1	12.1	10.4	11.7	11.6	11.4	11.2	11.9	13.1	13.0
Endurance Technologies	18.1	20.3	18.9	19.6	19.1	19.4	18.8	19.4	18.5	18.8	19.0	19.6	20.0	20.4	20.8	21.1	20.8
Escorts Kubota	9.3	9.6	12.4	9.5	10.1	11.0	11.6	10.3	10.5	9.5	11.4	9.1	10.9	10.1	11.9	8.8	10.4
Exide Industries	14.0	13.6	13.8	13.0	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
Hero MotoCorp	10.0	10.2	9.1	10.3	13.1	9.6	10.6	12.3	12.3	10.3	11.2	12.5	12.5	11.9	12.6	13.3	13.5
Hyundai Motor India										9.3	9.4	10.8	11.4	11.4	11.5	11.9	11.3
Mahindra & Mahindra	10.3	9.0	8.8	7.8	7.9	7.3	7.2	6.7	8.4	6.9	7.2	7.3	9.2	7.0	7.3	6.7	6.9
Maruti Suzuki	14.1	14.6	15.3	13.8	13.5	13.8	13.9	13.4	12.8	13.5	12.9	13.3	12.8	12.8	12.3	12.8	13.8
Ola Electric										20.7	42.7	30.1	27.5	23.4	38.3	52.8	111.3
MRF	15.3	17.5	17.1	15.6	14.9	16.4	14.7	15.0	15.3	14.7	15.1	15.7	17.2	14.9	15.2	14.9	14.4
SAMIL	10.2	11.0	10.9	11.0	10.9	10.8	11.2	12.4	12.4	11.2	11.8	12.1	11.9	11.9	12.2	11.7	12.3
Schaeffler India	12.4	13.7	13.0	13.6	12.9	12.5	12.6	13.8	13.5	13.4	12.6	13.8	13.5	12.8	13.4	13.1	13.7
SKF	16.0	19.2	14.5	15.6	14.8	14.4	15.1	18.1	16.5	14.2	15.5	18.3	16.1	16.1	16.7	16.7	17.3
Sona BLW Precision	22.6	20.3	19.9	22.5	23.2	23.0	21.1	21.6	21.1	22.4	19.9	20.4	20.2	20.9	19.9	19.5	20.6
Tata Motors	12.3	16.0	14.8	16.3	13.4	17.7	16.2	14.5	14.7	14.7	13.7	14.3	14.7	13.7	15.6	16.8	13.4
TVS Motors	9.5	10.7	8.8	8.6	8.6	8.6	8.9	9.2	9.2	9.6	10.1	10.2	10.8	11.4	11.4	11.1	11.0
Uno Minda	10.5	12.3	11.5	11.4	10.8	11.4	11.4	12.4	11.3	11.4	10.9	11.3	12.1	11.3	11.3	10.8	11.1
Varroc Engineering	15.1	18.0	15.9	18.8	16.8	17.1	16.6	16.0	16.3	16.0	15.7	16.0	17.6	17.0	15.0	15.2	15.2
Total	11.9	13.7	13.0	13.6	12.6	14.0	13.4	12.9	13.1	12.6	12.4	12.8	13.3	12.6	13.3	13.6	12.7
Auto ancillaries	12.6	13.2	13.2	14.6	14.6	14.8	14.7	14.8	14.9	14.8	14.3	14.6	15.2	14.6	14.9	14.4	14.7
Auto OEMs	11.7	13.9	12.9	13.3	11.9	13.7	13.0	12.2	12.6	12.2	11.8	12.3	12.7	12.0	12.7	13.4	12.1

Source: Company, Kotak Institutional Equities

Exhibit 37: KIE auto OEMs and ancillary companies' valuation summary

Company	29-May-25	Mkt cap.		EPS (Rs)				EPS growth (%)		
	Price (Rs)	(Rs mn)	(US\$ mn)	2024	2025	2026E	2027E	2025	2026E	2027E
Amara Raja Energy & Mobility	1,089	199,388	2,333	49.5	58.4	61.7	68.0	18.0	5.6	10.3
Apollo Tyres	479	304,436	3,562	27.9	19.5	25.9	30.6	(29.9)	32.5	18.3
Ashok Leyland	241	706,910	8,270	9.2	10.9	11.1	12.1	NA	NA	9.5
Bajaj Auto	8,875	2,478,272	28,994	267.9	299.5	336.4	365.4	11.8	12.3	8.6
Balkrishna Industries	2,488	480,973	5,627	76.1	85.6	98.0	103.8	12.5	14.4	5.9
Bharat Forge	1,256	600,432	7,024	19.7	21.4	26.2	33.0	NA	22.2	26.3
CEAT	3,724	150,616	1,762	169.4	122.1	167.4	184.7	(27.9)	37.0	10.4
CIE Automotive	449	170,277	1,992	21.1	21.7	21.9	24.9	2.8	1.2	13.4
Eicher Motors	5,385	1,476,848	17,278	147.0	173.9	176.3	196.3	18.3	1.4	11.3
Endurance Technologies	2,439	343,105	4,014	48.4	58.9	67.5	77.4	21.7	14.7	14.6
Escorts Kubota	3,302	369,443	4,322	84.7	99.2	105.4	120.5	17.1	6.2	14.4
Exide Industries	389	330,480	3,866	12.4	12.7	14.1	16.0	2.3	11.0	14.1
Hero Motocorp	4,357	871,388	10,194	204.1	230.6	243.8	266.2	13.0	5.7	9.2
Hyundai Motor India	1,870	1,519,696	17,779	74.6	69.4	71.5	87.8	(6.9)	3.1	22.8
Mahindra & Mahindra	3,009	3,741,778	43,775	91.8	102.3	117.5	128.1	11.4	14.9	9.0
Maruti Suzuki	12,392	3,896,077	45,581	420.1	470.5	499.6	555.0	12.0	6.2	11.1
Ola Electric	53	234,833	2,747	(4.3)	(4.9)	(3.3)	(2.6)	NM	NM	NM
SAMIL	152	1,070,116	12,519	4.3	5.4	5.6	6.5	26.7	4.1	15.0
MRF	140,905	597,598	6,991	4,908.6	4,408.7	5,539.5	6,271.7	(10.2)	25.6	13.2
Schaeffler India	4,121	644,159	7,536	57.7	60.1	70.2	76.8	4.0	16.8	9.4
SKF	4,584	226,619	2,651	111.6	114.5	137.6	154.5	2.6	20.2	12.3
Sona BLW Precision	543	337,375	3,947	8.9	9.7	11.8	13.8	9.6	21.1	16.8
Tata Motors	724	2,666,953	31,201	53.7	61.2	57.0	73.9	14.0	(6.9)	29.7
Timken	3,135	235,773	2,758	52.1	59.5	66.6	81.4	14.1	12.0	22.2
TVS Motor	2,809	1,334,330	15,610	43.8	57.1	68.0	80.2	30.1	19.2	17.8
Uno Minda	1,008	578,469	6,768	15.0	16.4	19.0	20.7	9.4	16.2	8.7
Varroc Engineering	512	78,250	915	36.2	4.6	23.7	30.6	(87.4)	419.7	29.3

Source: Company, Kotak Institutional Equities estimates

Exhibit 37 (contd.): KIE auto OEM universe valuation summary

Company	29-May-25	PER (X)				EV/EBITDA (X)				EV/sales (X)				P/BV (X)				Absolute change (%)				
	Price (Rs)	2024	2025	2026E	2027E	2024	2025	2026E	2027E	2024	2025	2026E	2027E	2024	2025	2026E	2027E	1m	3m	6m	1yr	YTD
Amara Raja Energy & Mobility	1,089	22.0	18.7	17.7	16.0	12.3	11.2	9.6	5.5	1.8	1.5	1.4	1.3	2.9	2.6	2.3	2.0	10.1	11.3	(14.9)	(10.2)	(9.2)
Apollo Tyres	479	17.2	24.5	18.5	15.7	7.5	9.2	7.9	6.9	1.3	1.3	1.2	1.1	2.2	2.1	1.9	1.8	5.1	28.1	(5.9)	1.8	(9.5)
Ashok Leyland	241	26.1	22.1	21.8	19.9	15.0	13.5	13.3	12.0	1.8	1.7	1.6	1.5	7.8	6.0	5.1	4.5	5.6	13.1	3.7	8.6	9.2
Bajaj Auto	8,875	33.1	29.6	26.4	24.3	25.9	22.3	20.1	18.3	5.1	4.5	4.1	3.7	10.0	7.7	7.3	6.9	9.9	12.3	(1.8)	(2.2)	0.9
Balkrishna Industries	2,488	32.7	29.1	25.4	24.0	20.4	17.8	16.4	15.1	5.1	4.5	4.2	3.7	5.4	4.6	4.0	3.5	(4.2)	(4.9)	(10.5)	(19.7)	(14.5)
Bharat Forge	1,256	63.6	58.7	48.0	38.0	25.8	24.1	24.1	20.4	4.2	4.3	4.1	3.7	8.2	6.5	6.0	5.4	10.7	23.6	(5.7)	(19.9)	(3.4)
CEAT	3,724	22.0	30.5	22.2	20.2	10.1	11.5	9.6	8.7	1.4	1.3	1.2	1.1	3.7	3.4	3.1	2.8	21.7	47.0	21.0	56.1	15.2
Mahindra CIE Automotive	449	21.3	20.7	20.5	18.0	11.8	12.0	11.7	10.4	1.8	1.8	1.7	1.6	2.8	2.6	2.4	2.2	9.2	19.4	(6.5)	(16.8)	(4.7)
Eicher Motors	5,385	36.6	31.0	30.5	27.4	31.6	28.9	26.6	23.7	8.3	7.2	6.5	5.8	9.3	7.9	7.1	6.3	(3.5)	12.8	11.4	13.5	11.7
Endurance Technologies	2,439	50.4	41.4	36.1	31.5	25.4	21.5	18.3	16.0	3.3	2.9	2.6	2.3	6.9	6.0	5.3	4.7	28.8	38.1	3.9	11.4	13.4
Escorts	3,302	39.0	33.3	31.3	27.4	31.9	30.4	27.3	23.6	3.7	3.5	3.3	3.0	3.9	3.6	3.3	3.1	(1.2)	15.1	(7.1)	(14.3)	(0.9)
Exide Industries	389	31.4	30.7	27.7	24.2	17.5	17.4	16.0	14.3	2.0	2.0	1.9	1.8	2.5	2.3	2.1	2.0	5.1	11.8	(14.1)	(23.3)	(6.7)
Hero Motocorp	4,357	21.3	18.9	17.9	16.4	14.0	12.2	11.3	10.2	2.0	1.8	1.6	1.5	4.8	4.4	4.1	3.8	13.1	18.4	(8.5)	(15.3)	4.7
Hyundai Motor India	1,870	25.1	26.9	26.1	21.3	15.7	16.1	15.3	12.4	2.1	2.1	1.9	1.6	14.2	9.3	7.7	6.3	11.6	8.1	(2.4)		
Mahindra & Mahindra	3,009	32.8	29.4	25.6	23.5	27.5	20.5	17.6	16.0	3.6	3.0	2.6	2.4	6.7	5.7	4.8	4.1	3.4	16.4	1.4	18.8	
Maruti Suzuki	12,392	29.5	26.3	24.8	22.3	19.6	17.7	15.9	13.9	2.3	2.1	1.8	1.7	4.6	4.1	3.8	3.4	4.7	3.7	11.9	(3.1)	14.1
Ola Electric	53	NA	NA	NA	NA	NA	NA	NA	NA	4.8	5.1	5.6	4.8	9.7	4.6	6.4	9.2	6.1	33.7	12.5	10.0	
SAMIL	152	35.6	28.1	27.0	23.5	12.6	10.9	10.1	8.9	1.2	1.0	0.9	0.8	3.9	3.1	2.8	2.5	6.1	28.2	(39.1)		
MRF	140,905	28.7	32.0	25.4	22.5	13.7	14.4	11.6	10.2	2.3	2.1	1.8	1.6	3.6	3.2	2.9	2.6	6.1	33.7	12.5	10.0	7.9
Schaeffler India	4,121	71.4	68.6	58.7	53.7	47.6	43.6	37.4	33.8	8.7	7.7	6.8	6.2	13.4	12.1	10.9	9.8	25.5	34.6	15.0	(8.0)	21.0
SKF	4,584	41.1	40.0	33.3	29.7	29.9	30.3	24.4	21.3	4.7	4.5	4.0	3.6	8.4	8.7	7.3	6.2	17.6	24.2	(8.4)	(27.0)	2.4
Sona BLW Precision	543	61.2	55.8	46.1	39.4	37.3	32.4	29.3	24.9	10.6	8.9	7.7	6.7	11.3	5.9	5.4	4.9	10.3	9.9	(19.2)	(14.0)	(8.8)
Tata Motors	724	13.5	11.8	12.7	9.8	5.3	4.7	5.0	3.8	0.7	0.6	0.6	0.5	3.3	2.3	2.0	1.7	8.8	16.7	(7.9)	(23.0)	(2.1)
Timken	3,135	60.1	52.7	47.0	38.5	40.3	39.0	32.8	27.0	7.9	7.3	6.3	5.3	9.8	8.3	7.2	6.2	23.5	26.7	(7.2)	(20.5)	0.4
TVS Motor	2,809	64.1	49.2	41.3	35.0	38.2	30.2	25.6	21.7	4.2	3.7	3.3	3.0	17.3	13.4	10.7	8.6	3.9	26.2	15.4	24.6	18.6
Uno Minda	1,008	67.3	61.6	53.0	48.8	37.3	32.0	27.9	24.9	4.2	3.6	3.1	2.8	11.7	10.1	8.5	7.3	12.6	22.0	(4.2)	16.3	(4.3)
Varroc Engineering	512	14.2	112.3	21.6	16.7	11.4	10.9	8.8	7.2	1.2	1.1	0.9	0.7	5.1	4.9	3.5	2.9	16.5	21.4	(1.4)	(5.3)	(13.0)

Source: Company, Kotak Institutional Equities estimates

Apollo Hospitals (APHS)

Health Care Services

BUY

CMP(₹): 6,881

Fair Value(₹): 8,515

 Sector View: **Neutral**

NIFTY-50: 24,751

June 01, 2025

Delivery continues

APHS reported an in-line 4QFY25 with fine traction across hospitals, offline pharmacies and AHLL. Even as Apollo Healthco (AHL) EBITDA declined qoq, APHS continues to guide for digital losses to reduce hereon, with the digital segment to achieve cash breakeven (excluding ESOP costs) in 2HFY26. We highlight that, despite the planned addition of 1,937 bed capacity in FY2026E, APHS is guiding for flat hospital EBITDA margins in FY2026E (KIE: 60 bps decline). We note APHS' overall bed expansion over FY2025-28E is still much lower than almost all of its peers, thereby exposing it to lower execution slip-ups. Despite staying less sanguine on 24/7, leading to our AHL (with Keimed) EBITDA being 25%+ lower than APHS' FY2027E guidance, continued sturdy offline FCF should address any concerns. Maintain BUY.

Robust ARPOB and domestic occupancy uptick drive in-line performance

APHS' 4QFY25 sales grew 13% yoy to Rs55.9 bn, with EBITDA of Rs7.7 bn (+20% yoy, +2% versus KIE). While ARPOB growth was impressive at 7% yoy in 4QFY25, IP volumes grew by 4% yoy, leading to a healthy 67% (+200 bps yoy) occupancy, despite the Bangladesh impact. APHS' expansion plans remain on track, as it is on course to add ~4,400 beds, viz. 43% to its existing capacity over the next four years. Owing to the operationalization of new beds, APHS expects a 140 bps EBITDA margin drag from new hospitals in FY2026E, which it expects to be offset by 80 bps improvement in costs and 60 bps improvement from better payor mix, case mix and higher occupancies in existing hospitals. With 1,577 operational bed additions in FY2026E, we stay conservative and factor in a 60 bps decline in hospital EBITDA margins in FY2026E to 23.6%. We build hospital sales/EBITDA growth CAGRs of 16%/16% over FY2025-28E. We bake in ~Rs62 bn cumulative capex over FY2026-28E.

Continues to guide for 24/7 cash breakeven in 2HFY26

We expect APHS' offline pharmacy growth to stay healthy, further aided by improving margins, led by a more measured expansion strategy. While opex for 24/7 grew by 16% qoq due to accelerated ESOP costs in 4QFY25, ex-ESOP costs, 24/7 opex grew merely 1% qoq. After a modest 3QFY25, 24/7 GMV recovered 5% qoq to Rs8 bn (+11% yoy). We bake in 24/7 GMV of Rs38 bn in FY2026E (+28% yoy) with a pickup hereon led by pharmacy sales, corporate tie-ups, monetization of the digital app and ramp-up of its insurance module. APHS is now guiding for Rs240 bn sales (versus Rs250 bn earlier) for the merged AHL, with EBITDA margins of 7-8% in FY2027E. Compared to the guidance of Rs17-19 bn EBITDA, we bake in ~Rs11.5 bn merged AHL pre-Ind AS-116 FY2027E EBITDA, in lieu of our view of prolonged digital losses.

Preferred hospital pick; reiterate BUY with FV of Rs8,515

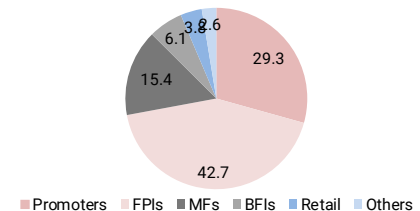
Pending exact clarity on timelines and detailed financials, we have not yet baked in the AHL-Keimed merger in our model. We reduce APHS' FY2026-27E EBITDA by 1-2% on lower sales. Roll forward to June 2027E to derive a revised FV of Rs8,515 (Rs8,180 earlier). Retain BUY.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	6,881/8,515/BUY
52-week range (Rs) (high-low)	7,545-5,691
Mcap (bn) (Rs/US\$)	989/11.6
ADTV-3M (mn) (Rs/US\$)	2,720/31.8

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(1)	14	19
Rel. to Nifty	(3)	2	9
Rel. to MSCI India	(4)	(0)	12

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	100.6	126.6	163.2
EPS growth (%)	61.1	25.9	28.9
P/E (X)	68.4	54.3	42.2
P/B (X)	12.0	10.2	8.4
EV/EBITDA (X)	33.6	27.9	22.4
RoE (%)	19.1	20.3	21.9
Div. yield (%)	0.3	0.3	0.3
Sales (Rs bn)	218	256	298
EBITDA (Rs bn)	30	36	45
Net profits (Rs bn)	14	18	23

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

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Alankar Garude, CFA

Samitinjoy Basak

Aniket Singh

APHS – 4QFY25 interim results

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

	4QFY25	4QFY25E	4QFY24	3QFY25	%KIE	%yoy	%qoq	FY2025	FY2024	%yoy	FY2026E	FY2025	%yoy
Financials													
Net revenues	55,922	55,686	49,439	55,269	0.4	13.1	1.2	217,940	190,592	14.3	256,158	217,940	17.5
Medical consumables	(29,286)	(29,291)	(25,457)	(29,007)	(0.0)	15.0	1.0	(113,100)	(98,055)	15.3	(131,921)	(113,100)	16.6
Gross profit	26,636	26,395	23,982	26,262	0.9	11.1	1.4	104,840	92,537	13.3	124,237	104,840	18.5
Staff costs	(7,246)	(7,094)	(6,449)	(6,864)	2.1	12.4	5.6	(27,692)	(24,937)	11.0	(32,677)	(27,692)	18.0
SG&A expenses	(11,693)	(11,755)	(11,128)	(11,783)	(0.5)	5.1	(0.8)	(46,930)	(43,693)	7.4	(55,424)	(46,930)	18.1
EBITDA	7,697	7,546	6,405	7,615	2.0	20.2	1.1	30,218	23,907	26.4	36,136	30,218	19.6
Depreciation & amortisation	(2,110)	(1,860)	(1,897)	(1,846)	13.4	11.2	14.3	(7,575)	(6,870)	10.3	(8,316)	(7,575)	9.8
EBIT	5,587	5,686	4,508	5,769	(1.7)	23.9	(3.2)	22,643	17,037	32.9	27,820	22,643	22.9
Other income	611	550	281	638	11.1	117.4	(4.2)	2,003	1,063	88.4	2,369	2,003	18.3
Finance costs	(1,148)	(1,150)	(1,193)	(1,098)	(0.2)	(3.8)	4.6	(4,585)	(4,494)	2.0	(4,834)	(4,585)	5.4
Share in associates	105	65	86	53				330	180		363	330	
Exceptional	-	-	-	-				-	19		-	-	
Profit before tax	5,155	5,151	3,682	5,362	0.1	40.0	(3.9)	20,391	13,805	47.7	25,718	20,391	26.1
Tax & deferred tax	(1,010)	(1,375)	(1,098)	(1,568)	(26.6)	(8.0)	(35.6)	(5,340)	(4,455)	19.9	(6,625)	(5,340)	24.1
Minority interest	(249)	(78)	(46)	(71)	219.2	441.3	250.7	(592)	(364)	62.6	(888)	(592)	50.0
Net income (reported)	3,896	3,698	2,538	3,723	5.4	53.5	4.6	14,459	8,986	60.9	18,205	14,459	25.9
Net income (adjusted)	3,896	3,698	2,538	3,723	5.4	53.5	4.6	14,459	8,974	61.1	18,205	14,459	25.9
FD no. of shares (mn)	144	144	144	144				144	144		144	144	
EPS (reported) (Rs)	27.1	25.7	17.7	25.9	5.4	53.5	4.6	100.6	62.5	60.9	126.6	100.6	25.9
EPS (adjusted) (Rs)	27.1	25.7	17.7	25.9	5.4	53.5	4.6	100.6	62.4	61.1	126.6	100.6	25.9
As % of sales													
Gross margin	47.6	47.4	48.5	47.5	23 bps	-88 bps	11 bps	48.1	48.6	-45 bps	48.5	48.1	40 bps
Staff costs to sales	13.0	12.7	13.0	12.4				12.7	13.1		12.8	12.7	
SG&A expenses to sales	20.9	21.1	22.5	21.3				21.5	22.9		21.6	21.5	
EBITDA margin	13.8	13.6	13.0	13.8	21 bps	81 bps	-1 bps	13.9	12.5	132 bps	14.1	13.9	24 bps
Segmental revenues (Rs mn)													
Hospitals	28,219	28,189	25,626	27,850	0.1	10.1	1.3	111,477	98,670	13.0	129,902	111,477	16.5
Offline pharmacy distribution	20,844	20,766	17,880	20,786	0.4	16.6	0.3	80,143	69,268	15.7	95,173	80,143	18.8
Online pharmacy distribution	2,426	2,270	1,991	2,272	6.9	21.8	6.8	8,952	7,435	20.4	10,552	8,952	17.9
Pharmacy distribution	23,270	23,036	19,871	23,058	1.0	17.1	0.9	89,095	76,703	16.2	105,725	89,095	18.7
Apollo 24/7	493	485	396	466	1.6	24.5	5.8	1,835	1,566	17.2	2,507	1,835	36.6
Apollo Healthco	23,763	23,521	20,267	23,524	1.0	17.2	1.0	90,930	78,269	16.2	108,232	90,930	19.0
AHLL diagnostics	1,278	1,274	1,169	1,212	0.3	9.3	5.4	4,999	4,605	8.6	5,849	4,999	17.0
AHLL primary care	1,151	1,149	1,026	1,069	0.2	12.2	7.7	4,277	3,744	14.2	5,047	4,277	18.0
AHLL specialty care	1,708	1,753	1,558	1,724	(2.6)	9.6	(0.9)	6,965	6,048	15.2	8,010	6,965	15.0
Apollo Health & Lifestyle	3,940	3,976	3,546	3,895	(0.9)	11.1	1.2	15,535	13,653	13.8	18,023	15,535	16.0
Segmental EBITDA (Rs mn)													
Hospitals	6,862	6,681	5,932	6,706	2.7	15.7	2.3	27,005	23,558	14.6	30,657	27,005	13.5
Offline pharmacy distribution	1,616	1,582	1,336	1,593	2.2	21.0	1.4	6,124	5,231	17.1	7,038	6,124	14.9
Online pharmacy distribution	(143)	(100)	(97)	(88)	43.2	47.4	62.5	(427)	(528)	(19.1)	11	(427)	(102.5)
Pharmacy distribution	1,473	1,482	1,239	1,505	(0.6)	18.9	(2.1)	5,697	4,703	21.1	7,048	5,697	23.7
Apollo 24/7	(1,110)	(934)	(1,122)	(939)	18.9	(1.1)	18.2	(4,022)	(5,520)	(27.1)	(3,642)	(4,022)	(9.4)
Apollo Healthco	363	548	117	566	(33.8)	210.3	(35.9)	1,675	(817)	NM	3,406	1,675	NM
AHLL diagnostics	116	120	168	116	(3.2)	(31.0)	-	523	504	3.7	760	523	45.5
AHLL primary care	268	195	264	193	37.2	1.5	38.9	844	682	23.8	974	844	15.4
AHLL specialty care	197	182	82	183	8.1	140.2	7.7	773	633	22.1	1,121	773	45.1
Apollo Health & Lifestyle	472	317	356	342	48.7	32.6	38.0	1,537	1,166	31.8	2,073	1,538	34.8
Segmental EBITDA margins (%)													
Hospitals	24.3	23.7	23.1	24.1	62 bps	117 bps	24 bps	24.2	23.9	35 bps	23.6	24.2	-63 bps
Offline pharmacy distribution	7.8	7.6	7.5	7.7	14 bps	28 bps	9 bps	7.6	7.6		7.4		
Online pharmacy distribution	(5.9)	(4.4)	(4.9)	(3.9)	-149 bps	-102 bps	-202 bps	(4.8)	(7.1)		0.1		
Pharmacy distribution	6.3	6.4	6.2	6.5	-10 bps	9 bps	-20 bps	6.4	6.1	26 bps	6.7	6.4	27 bps
Apollo Healthco	1.5	2.3	0.6	2.4	-80 bps	95 bps	-88 bps	1.8	(1.0)	289 bps	3.1	1.8	130 bps
AHLL diagnostics	9.1	9.4	14.4	9.6	-32 bps	-529 bps	-49 bps	10.5	10.9		13.0	10.5	
AHLL primary care	23.3	17.0	25.7	18.1	628 bps	-245 bps	523 bps	19.7	18.2		19.3	19.7	
AHLL specialty care	11.5	10.4	5.3	10.6	113 bps	627 bps	92 bps	11.1	10.5		14.0	11.1	
Apollo Health & Lifestyle	12.0	8.0	10.0	8.8	400 bps	194 bps	320 bps	9.9	8.5	135 bps	11.5	9.9	161 bps

Source: Company, Kotak Institutional Equities estimates

Key highlights from APHS' 4QFY25 concall

FY2026E consolidated EBITDA growth: APHS does not provide a guidance for consolidated EBITDA. Nevertheless, consolidated EBITDA will grow yoy in FY2026E, with hospital margins expected to remain flat yoy and Healthco margins expected to improve yoy.

Healthcare services (51% of 4QFY25/FY2025 sales):

- ▶ **Sales guidance:** The aim is to report low to mid-teens growth in existing hospitals. APHS expects to report sales of Rs10 bn from new hospitals in FY2027E.
- ▶ **EBITDA margin guidance for FY2026E:** Existing units will continue to generate very strong cash flows and EBITDA margins. APHS is also working on lowering costs. According to APHS, losses from new hospitals will have a 140 bps negative impact on hospital EBITDA margins in FY2026E. This would be largely offset by 80 bps improvement in costs and 60 bps improvement from better payor mix, case mix and higher occupancies for existing hospitals. APHS has invested substantially in technology, which is resulting in better work force productivity. The company is also working on reducing RM costs. These would drive the 80 bps improvement in costs. Hence, APHS expects to broadly maintain its EBITDA margins in FY2026E.
- ▶ **ARPOB:** Improvement in occupancy, payor mix and case mix led to healthy ARPOB growth in 4QFY25. APHS continues to benefit from investments in high-end specialties.
- ▶ **Focus specialties:** APHS registered volume growth of 8% yoy in focus specialties (Cardiac, Onco, Neuro, Gastro, etc.) in 4QFY25.
- ▶ **Cash and insurance:** Cash and insurance contributed 83% of IPD sales.
- ▶ **Occupancy:** Occupancy in metro cities stood at 70%.
- ▶ **Expansion:** APHS plans to operationalize 150-200 beds by 2QFY26, and majority of the other FY2026E additions will come online in 2HFY26. Pune, Kolkata, Defence Colony and Sarjapur Phase 1 will be operational by 3QFY26. There will be significant bed additions only in 4QFY26 (Hyderabad and Gurugram), which will impact EBITDA margins. In addition, there could be some small losses in Pune once it is operationalized.
- ▶ **Bengaluru:** APHS will be adding 700 beds in Sarjapur in Bengaluru in two stages. In Phase-1, APHS will be adding 200 beds through the acquired leased hospital. In Phase-2, APHS will be establishing a 500-bed greenfield facility in close vicinity of the acquired hospital.
- ▶ **Gurugram and Hyderabad:** These new hospitals will be commissioned in March 2026.
- ▶ **Worli:** Ground digging will start at the Worli hospital in Mumbai after the rains.
- ▶ **Indraprastha:** Capex on Indraprastha will commence soon. The expansion will be completed in two years.
- ▶ **Capex funding:** The announced expansion will be largely funded with existing cash and internal accruals.
- ▶ **Northern region:** 4Q is a seasonally subdued quarter for Lucknow. There was also some impact of the Mahakumbh. The growth will recover in 1QFY26.
- ▶ **Bangladesh:** There was a 200 bps impact on healthcare services revenues in 4QFY25 due to the Bangladesh issue. Compared to 1HFY25, the impact was pronounced in 3QFY25 and more so in 4QFY25. There has been a Rs1 bn sales impact due to the Bangladesh issue in FY2025, resulting in an impact of ~150 bps on revenue growth. On EBITDA margins, the impact could have been ~50 bps in FY2025. This impact will be in the base post 1QFY26.
- ▶ **RoCE:** 27.5%.

Apollo Healthco (42% of 4QFY25/FY2025 sales):

- ▶ **Sales guidance for FY2026E:** APHS is targeting 20% yoy growth in offline pharmacy and 25-30% yoy growth in online pharmacy in FY2026E.
- ▶ **FY2027E guidance for Healthco:** There is clear visibility on reaching Rs240 bn sales (versus earlier guidance of Rs250 bn) in Apollo Healthco (including Keimed) in FY2027E. By 3Q/4QFY27, annual revenue run-rate should reach Rs250 bn. Digital P&L breakeven and reduction in ESOP costs will drive EBITDA margin expansion. Adjusting for these losses and ESOP costs, FY2025 EBITDA margins are ~6.4%. Improvement in gross margins will drive 100 bps expansion, and therefore APHS is confident of achieving 7-8% EBITDA margins by FY2027E.
- ▶ **Digital breakeven (excluding ESOP costs):** APHS expects upward trajectory toward better profitability from 1QFY26. Led by GMV growth and cost efficiencies, the digital business will achieve cash breakeven between 3QFY26 and 4QFY26 once the GMV hits ~Rs10 bn. Unit economics are steadily improving. Online loss per order has reduced from Rs60 to Rs27 on a yoy basis.
- ▶ **Online pharmacy and 24/7 EBITDA margins (pre-24/7 costs):** APHS expects online pharmacy and 24/7 EBITDA margins (pre-24/7 costs) to improve from 13.1% to 17-18% in FY026E. There is scope for 15-20% reduction in 24/7 opex costs (excluding ESOPs) to Rs4.25 bn annually. Overall reduction in discounts, and costs coming down will drive EBITDA margin expansion. Cost of delivery is 9% of sales w.r.t. unit economics, and is reducing. Discount structure is stabilizing at 13-14%.
- ▶ **Users:** APHS added 2 mn users in 24/7 in 4QFY25.
- ▶ **GMV guidance for FY2026E:** APHS is targeting a 25-30% yoy increase in GMV in FY2026E. Pharmacy GMV is growing well. Growth in IP/OP GMV has been relatively slow.
- ▶ **Revenue to GMV ratio:** ~37% in FY2025. Revenue to GMV can hit 45-47% in FY2026E.
- ▶ **Offline and online pharmacy:** The same platform is used for fulfilling offline and online pharmacy. 75-80% of APHS' pharmacy sales are from prescription medicines.
- ▶ **Pharmacy front-end:** There was an impact in FY2025 led by delay in approvals due to elections, leading to delay in commencement of a few stores. APHS expects front-end pharmacy sales to grow by 20%+ yoy in FY2026E.
- ▶ **Store count:** 6,626 stores as of FY2025-end. There is scope to add more stores in West and North India. APHS will continue to add ~600 stores every year. It will take a long time for organized share to improve significantly.
- ▶ **Keimed:** Keimed's FY2025 EBITDA margins were impacted due to one-time expenses related to acquisition of various subsidiaries as well as legal fees. There was also some impact of product mix change. Improvement in product mix will drive yoy higher EBITDA margins in FY2026E.
- ▶ **AHL Keimed merger timelines:** The merger will be completed 15 months from now.
- ▶ **Quick commerce:** APHS does not have any plans to tie up with quick commerce companies. It has received a lot of collaboration requests, but APHS does not believe in becoming a back-end partner for these quick commerce companies. APHS has launched a 19-minute delivery (rolled out in Top 10 cities, will roll out in the next 10 cities soon), which contributes 30% of its total deliveries. APHS already has an alliance with Amazon, which it is continuing to build. Competition from quick commerce has a higher impact on OTC products. APHS initially saw a drop in FMCG products (20% of sales) sales over the past 2-3 quarters, but now it has come back on track. A lot of players are doing experiments in Bengaluru, but APHS' Bengaluru sales are holding up well.
- ▶ **Insurance:** APHS became a corporate insurance agent from April 1, 2025. APHS can achieve Rs60-70 mn sales from this vertical in 1QFY26 and Rs750 mn in FY2026E. APHS has signed 12 insurance partners, and four have been operationalized (NIVA BUPA, ICICI Lombard, Star Health, HDFC Ergo). There will be another four coming in soon. This business will break even in the next one year and the margins in this segment can be eventually high.

ESOPs: There was an accelerated ESOP charge for 24/7 of Rs450 mn in 4QFY25. ESOP charge for 24/7 stood at Rs1.08 bn in FY2025. For FY2026E, ESOP charge for 24/7 will be Rs1 bn. For FY2027E, ESOP charge for 24/7 will be ~Rs350 mn. For 24/7 employees, the ESOPs issues are for Apollo Healthco and not APHS. In addition, the Board has also cleared an ESOP plan for senior employees and doctors, which it will announce after 1QFY26.

AHLL (7% of 4QFY25/FY2025 sales):

- ▶ **Outlook:** APHS has been doubling down on diagnostics and health clinics and is confident of delivering high-teens yoy growth from 1QFY26.
- ▶ **Diagnostics:** There was a slowdown in diagnostics due to reset of the franchisee business in FY2025. The company is guiding for high teens sales growth in diagnostics from 1QFY26, driven by volume growth (aided by significant expansion). In FY2024 and FY2025, there were a lot of efforts on cost efficiencies. The endeavor is to improve EBITDA margins by 200-300 bps in FY2026E and eventually reach 20% EBITDA margins in diagnostics in a couple of years. APHS expects to achieve operating breakeven in 24 months for new labs.
- ▶ **Clinics:** The focus is on working closely with hospitals. Prohealth volume growth was strong in FY2025.
- ▶ **Cradle:** The mix of pediatrics is quite low currently. The company expects the pediatric mix to reach 10% in FY2026E. Recently, at the Electronics City center at Bengaluru, APHS opened a PICU center. APHS employs a mix of full-time doctors and visiting consultants. Doctor payouts in Apollo Cradle are in the 20-30% range.

4QFY25 results overview: An in-line performance

Financial highlights: APHS' 4QFY25 consolidated sales grew 13% yoy to Rs55.9 bn, in line with our estimates. Gross margins at 47.6% (+20 bps versus KIE) declined by 90 bps yoy. Employee costs and other expenses grew by 12% yoy and 5% yoy, respectively. This translated into a reported EBITDA of Rs7.7 bn (+20% yoy, flat qoq), beating our estimates by 2%. EBITDA margin improved by 80 bps yoy 13.8% (flat qoq), surpassing our estimates by 20 bps. We note Apollo Healthco delivered its sixth consecutive quarter of positive EBITDA (Rs363 mn in 4QFY25 versus Rs566 mn in 3QFY25), after achieving EBITDA breakeven in 3QFY24 for the first time. Reported PAT at Rs3.9 bn (+54% yoy), beat our estimates by 5%.

Segmental highlights:

- ▶ **Hospitals—healthy ARPOB uptick with 24.3% EBITDA margin:** Hospitals sales grew by 10% yoy to Rs28.2 bn (flat qoq), and were in line with our estimates. Inpatient (IP) volume grew by 4% yoy during the quarter. 4QFY25 revenues for Tamil Nadu, AP Telangana region, Karnataka region, Eastern region, Western region and Northern regions grew by 7%, 19%, 15%, 8%, 14% and 9% yoy, respectively. Overall occupancy stood at 67% in 4QFY25 (65% in 4QFY24). Occupancies in the Tamil Nadu cluster, AP/Telangana region, Karnataka region, Eastern region, Western region & Northern regions stood at 65%, 64%, 70%, 73%, 56% and 70%, respectively. We highlight that overall ARPOB at Rs63.6k/day grew at 7% yoy. Hospitals' EBITDA also grew by 16% yoy to Rs6.9 bn (+3% versus KIE), with EBITDA margin of 24.3% (+60 bps versus KIE, +120 bps yoy).
- ▶ **Pharmacy distribution—traction across both offline (+17% yoy) and online (+22% yoy):** Pharmacy distribution revenues stood at Rs23.3 bn (in line with KIE) in 4QFY25, registering a 17% yoy growth. Total number of pharmacies stood at 6,626, as APHS added 266 net stores during the quarter. Online pharmacy sales grew by 22% yoy to Rs2.4 bn (+7% qoq). Private label sales contribution stood at 16.2% of total pharmacy sales as of 4QFY25 (-20 bps qoq). Offline pharmacy distribution EBITDA margin at 7.8% improved by 30 bps yoy.
- ▶ **AHLL—strong margin improvement:** AHLL posted sales of Rs3.9 bn (+11% yoy, flat qoq), in line with our estimates. Diagnostics sales stood at Rs1.3 bn (+9% yoy, +5% qoq). Primary care and specialty care revenues grew by 12% yoy and 10% yoy, respectively, during the quarter. APHS has an overall network of 2,100+ collection centers, spread across 330+ cities. AHLL EBITDA at Rs472 mn grew by 33% yoy, with margin of 12% (+400 bps versus KIE, +200 bps yoy).

- **24/7—opex including ESOP charges grew by 14% qoq:** We highlight Apollo 24/7 GMV grew by 5% qoq to Rs8 bn (+11% yoy). Apollo 24/7 opex grew by 14% qoq to Rs1.6 bn in 4QFY25. This includes non-cash ESOP charges of Rs455 mn (Rs268 mn in 3QFY25). We would seek clarity on the sharp sequential increase in the ESOP charge.

Other highlights: Ms Preetha Reddy, Ms Suneeta Reddy and Ms Sangita Reddy have been re-appointed as the Executive Vice Chairperson, Managing Director and Joint Managing Director of the company, respectively.

Expansion plan of 4,372 beds across 14 locations at a cost of ~Rs76 bn over the next 4 years (new bed addition plans at Hyderabad and Bengaluru)

- **Timelines:** While FY2026E project timelines remain on track, the timelines for the projects beyond FY2027E have been restated to be now commissioned over FY2028-29E.
- **Hyderabad:** APHS has approved the brownfield expansion of 160 beds spread across the Jubilee Hills (80 beds) and Secunderabad (80 beds) facilities, which should become operational in the coming 3-4 years.
- **Bengaluru (700 beds to be added):** APHS has acquired an existing 200-bed hospital in Sarjapur, which should commence operations in the next two quarters. This foray into Sarjapur would improve access for consumers in South-east Bengaluru, which is home to many technocrats and large IT businesses. It has also acquired an adjoining land parcel of 2.53 acres in Sarjapur for a 500-bed greenfield hospital, which is expected to become operational in 3-4 years. These two expansions would augment the current care network and expand APHS' coverage in the city to 1,500 beds.

APHS has an expansion plan of 4,372 beds across 12 locations at a cost of ~Rs55 bn over the next four years

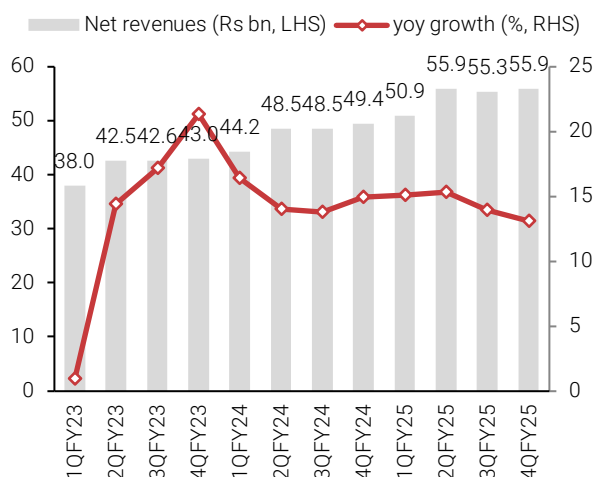
Exhibit 2: APHS – expansion plan, March fiscal year-ends, 2025-29E (Rs mn)

	Nature of expansion	Total beds	Census beds	Total capex (Rs mn)	Balance capex (Rs mn)
FY2026E projects					
Gurugram	Hospital asset acquisition	510	420	11,900	5,850
Royal Mudhol, Pune	Hospital asset acquisition	400	325	6,300	2,600
Gachibowli, Hyderabad	Greenfield - asset light	375	300	5,150	3,900
Sonarpur, Kolkata	Hospital asset acquisition	270	220	3,100	1,300
SSPM & Mysore expansion	Brownfield	140	125	1,700	1,650
Defence Colony, Delhi	Greenfield	42	27	650	250
Sarjapur-1, Bengaluru	Acquisition - leased facility	200	160	2,850	2,780
Total		1,937	1,577	31,650	18,330
FY2028-29E projects					
OMR Medcity, Chennai	Greenfield	600	500	9,450	6,900
Worli, Mumbai	Greenfield	575	500	13,150	12,150
Varanasi, UP	Greenfield	400	300	6,400	5,400
Lucknow expansion, UP	Brownfield	200	160	3,200	2,350
Sarjapur-2, Bengaluru	Greenfield	500	400	9,440	7,340
Jubilee Hills expansion	Brownfield	80	70	2,200	2,200
Secunderabad expansion	Brownfield	80	70	545	545
Total		2,435	2,000	44,385	36,885
Overall expansion					
Total		4,372	3,577	76,035	55,215

Source: Company, Kotak Institutional Equities

APHS – quarterly overall sales

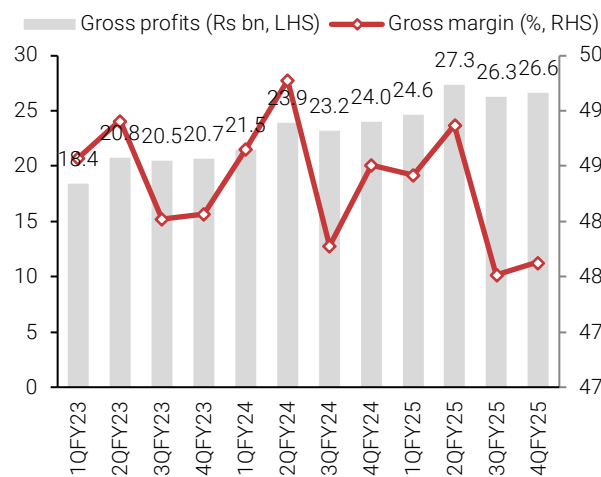
Exhibit 3: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

APHS – quarterly overall gross profits

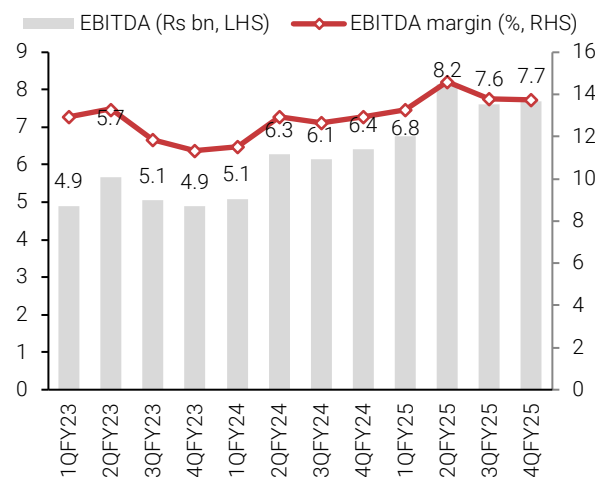
Exhibit 4: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

APHS – quarterly overall EBITDA

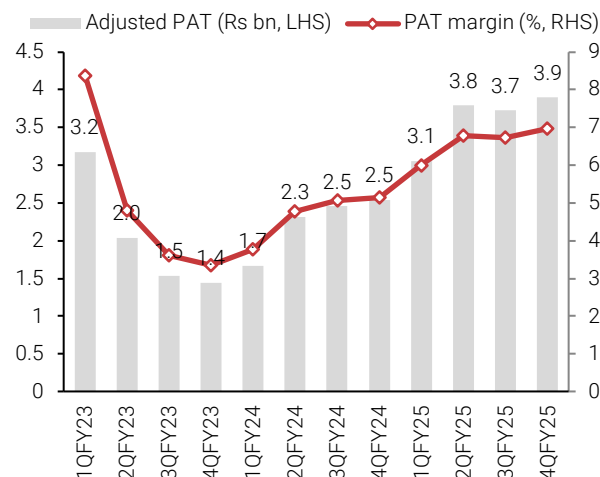
Exhibit 5: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

APHS – quarterly overall adjusted PAT

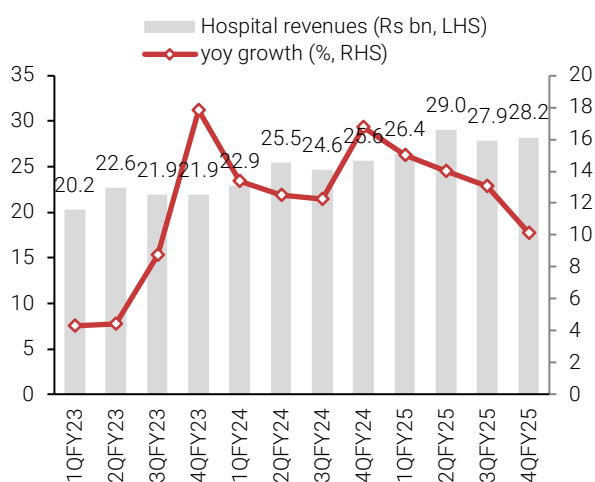
Exhibit 6: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

APHS – quarterly overall hospital sales

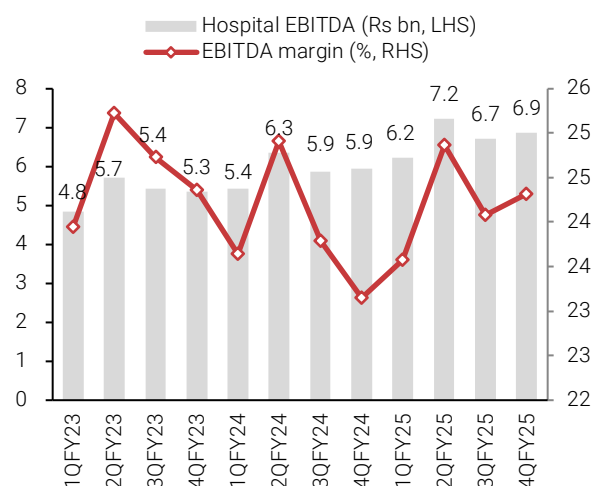
Exhibit 7: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

APHS – quarterly overall hospital EBITDA

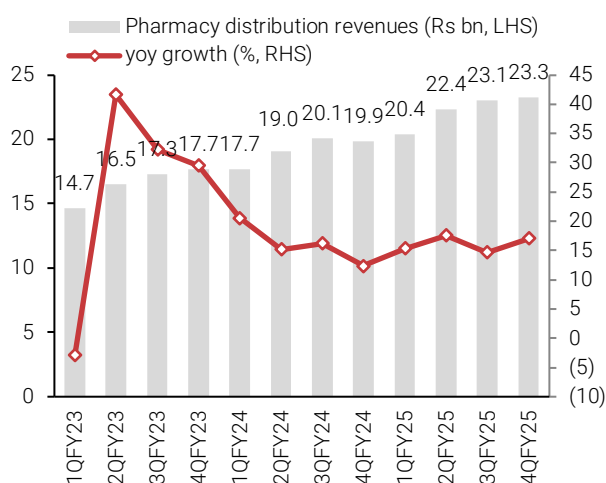
Exhibit 8: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

APHS – quarterly overall pharmacy distribution sales

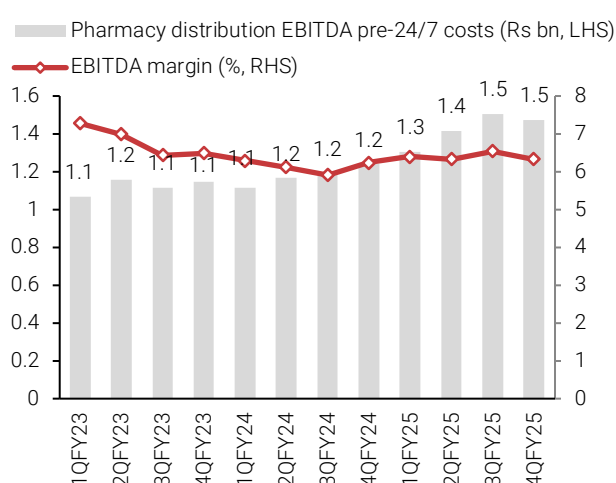
Exhibit 9: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

APHS – quarterly overall pharmacy distribution EBITDA

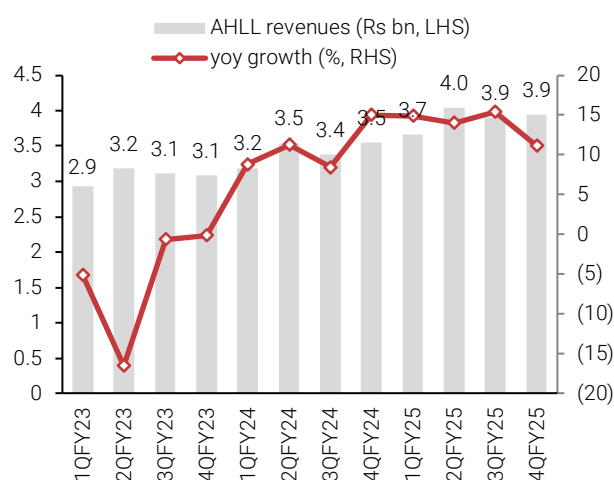
Exhibit 10: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

APHS – quarterly AHLL sales

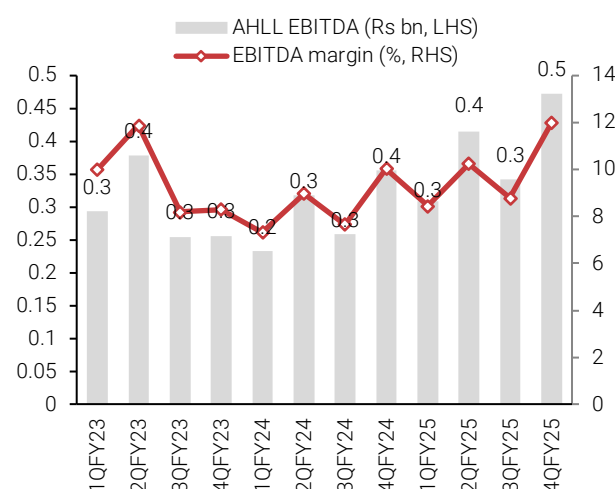
Exhibit 11: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

APHS – quarterly AHLL EBITDA

Exhibit 12: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

Our FV for APHS stands at Rs8,515/share

Exhibit 13: APHS – SoTP valuation, March fiscal year-end, 2028E (Rs mn)

	June-2027E	Multiple	Stake	Value
	Rs mn	(X)	(%)	Rs mn
SOTP valuation				
Hospitals pre-Ind AS-116 EBITDA	36,325	26.0	100.0	944,454
Indraprastha sales	1,700	3.0	22.5	1,148
Offline pharmacy distribution pre-Ind AS-116 EBITDA	8,254	32.0	59.2	156,369
Online pharmacy distribution pre-Ind AS-116 EBITDA	432	32.0	59.2	8,192
Apollo 24/7 sales	3,859	4.0	59.2	9,139
Keimed pre-Ind AS-116 EBITDA	6,933	16.0	59.2	65,673
Pharmacy front-end pre-Ind AS-116 EBITDA	2,172	32.0	25.5	17,721
Apollo Health & Lifestyle pre-Ind AS-116 EBITDA	2,212	26.0	68.8	39,584
Enterprise value				1,242,279
Net debt				18,136
Equity value				1,224,143
Number of shares (mn)				144
Fair value per share (Rs)				8,514

Source: Company, Kotak Institutional Equities estimates

We trim FY2026-27E EBITDA by 1-2% for APHS on lower sales assumptions

Exhibit 14: APHS – changes in estimates, March fiscal year-ends, 2026-28E (Rs mn, %)

	FY2026E	FY2027E	FY2028E	FY2026E	FY2027E	FY2028E	FY2026E	FY2027E	FY2028E
	New estimates			Old estimates			Change (%)		
Financial metrics									
Net revenues	256,158	298,388	345,626	260,840	304,345		(1.8)	(2.0)	
yoy growth (%)	17.5	16.5	15.8	19.1	16.7		-156 bps	-19 bps	
Gross profits	124,237	146,568	173,228	129,116	151,320		(3.8)	(3.1)	
Gross margin (%)	48.5	49.1	50.1	49.5	49.7		-100 bps	-60 bps	
EBITDA	36,136	45,086	53,923	36,704	46,078		(1.5)	(2.2)	
EBITDA margin (%)	14.1	15.1	15.6	14.1	15.1		4 bps	-3 bps	
Pre-Ind AS-116 EBITDA	33,343	42,029	50,509	34,246	43,550		(2.6)	(3.5)	
Pre-Ind AS-116 EBITDA margin (%)	13.0	14.1	14.6	13.1	14.3		-11 bps	-22 bps	
Net income (reported)	18,205	23,461	29,319	18,921	25,014		(3.8)	(6.2)	
EPS (reported) (Rs)	126.6	163.2	203.9	131.6	174.0		(3.8)	(6.2)	

Source: Company, Kotak Institutional Equities estimates

We bake in 17% overall revenue CAGR for APHS over FY2025-28E

Exhibit 15: APHS – segmental break-up, March fiscal year-ends, 2018-28E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenues (Rs mn)											
Hospitals	45,157	51,427	57,298	50,022	79,891	86,770	98,670	111,477	129,902	150,225	172,563
Pharmacy distribution	—	—	—	48,760	53,519	66,192	76,703	89,095	105,725	123,664	143,796
24/7 (digital)	—	—	—	—	91	852	1,566	1,835	2,507	3,504	4,925
AHLL	4,589	5,887	6,964	6,818	13,125	12,311	13,653	15,535	18,023	20,995	24,341
Total	82,435	96,174	112,468	105,600	146,626	166,125	190,592	217,942	256,158	298,388	345,626
EBITDA (Rs mn)											
Hospitals	7,599	9,205	10,750	6,928	18,032	21,330	23,558	27,005	30,657	36,955	42,451
Pharmacy distribution	—	—	—	3,932	3,998	4,486	4,703	5,697	7,048	8,625	10,471
24/7 (digital)	—	—	—	(252)	(2,145)	(6,503)	(5,520)	(4,022)	(3,642)	(3,261)	(2,516)
AHLL	(1,146)	(599)	671	766	1,966	1,182	1,166	1,538	2,073	2,767	3,517
Total	7,932	10,637	15,873	11,374	21,851	20,495	23,907	30,218	36,136	45,086	53,923
EBITDA margin (%)											
Hospitals	16.8	17.9	18.8	13.9	22.6	24.6	23.9	24.2	23.6	24.6	24.6
Pharmacy distribution				8.1	7.5	6.8	6.1	6.4	6.7	7.0	7.3
24/7 (digital)											
AHLL	(25.0)	(10.2)	9.6	11.2	15.0	9.6	8.5	9.9	11.5	13.2	14.4
Total	9.6	11.1	14.1	10.8	14.9	12.3	12.5	13.9	14.1	15.1	15.6

Source: Company, Kotak Institutional Equities estimates

We forecast healthy 21% EBITDA CAGR over FY2025-28E for APHS

Exhibit 16: APHS – summary financials, March fiscal year-ends, 2018-28E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit and loss											
Net revenues	82,435	96,174	112,468	105,600	146,626	166,125	190,592	217,940	256,158	298,388	345,626
Gross profit	42,108	49,566	57,480	48,758	70,892	80,382	92,537	104,840	124,237	146,568	173,228
EBITDA	7,932	10,637	15,873	11,374	21,851	20,496	23,907	30,218	36,136	45,086	53,923
Depreciation & amortisation	(3,590)	(3,955)	(6,197)	(5,731)	(6,007)	(6,152)	(6,870)	(7,575)	(8,316)	(9,810)	(10,750)
EBIT	4,342	6,681	9,676	5,643	15,844	14,344	17,037	22,643	27,820	35,276	43,172
Interest expense	(2,951)	(3,270)	(5,328)	(4,492)	(3,786)	(3,808)	(4,494)	(4,585)	(4,834)	(4,623)	(4,397)
Profit before tax	1,715	3,768	6,570	2,215	15,854	11,008	13,805	20,391	25,718	33,383	42,158
Tax & deferred tax	(1,119)	(1,734)	(2,252)	(847)	(4,770)	(2,562)	(4,455)	(5,340)	(6,625)	(8,590)	(10,841)
Net income (adjusted)	1,174	2,393	3,246	1,129	8,500	8,191	8,973	14,459	18,205	23,461	29,319
EPS (adjusted) (Rs)	8.4	17.2	23.3	8.1	59.1	57.0	62.4	100.6	126.6	163.2	203.9
Balance sheet											
Fixed assets (incl. goodwill)	54,779	57,968	76,618	70,069	83,102	91,255	105,333	119,064	125,802	146,358	154,725
Cash & equivalents	3,063	2,827	3,807	4,252	5,831	4,334	5,055	5,781	2,346	621	3,645
Inventories	5,659	5,848	7,378	2,495	4,318	3,902	4,598	4,808	5,651	6,583	7,625
Total assets	86,128	91,831	113,385	114,169	132,142	144,278	167,531	206,574	221,734	244,789	274,397
Borrowings	33,030	34,503	33,495	24,947	26,357	27,103	31,619	52,752	46,752	42,252	37,752
Lease liabilities			20,252	13,004	14,324	16,221	21,707	25,891	24,806	24,070	22,885
Total liabilities	52,289	57,142	78,688	66,144	73,147	78,965	94,326	120,045	119,175	120,805	122,801
Shareholders' equity	32,515	33,334	33,390	46,026	56,452	61,971	69,354	82,123	97,266	117,358	142,971
Total equity and liabilities	86,128	91,831	113,385	114,169	132,142	144,278	167,531	206,574	221,734	244,789	274,397
Cash flow statement											
Net cash generated from / (used in) operating activities	5,370	9,050	12,928	12,735	16,156	13,771	19,202	21,364	27,409	33,822	39,582
Capex	(6,214)	(6,789)	(5,130)	(2,955)	(6,572)	(11,285)	(11,368)	(17,127)	(14,054)	(29,366)	(18,117)
Net cash generated from / (used in) investing activities	(4,049)	(7,140)	(2,854)	(8,723)	(7,907)	(8,706)	(15,372)	(33,806)	(16,751)	(23,650)	(24,768)
Interest paid	(3,178)	(3,620)	(5,645)	(4,677)	(3,764)	(3,794)	(4,878)	(5,118)	(4,834)	(4,623)	(4,397)
Principal payment of lease liabilities			(1,289)	(873)	(604)	(693)	(440)	(463)	(1,389)	(1,695)	(2,118)
Net cash generated from / (used in) financing activities	(1,085)	(2,145)	(9,095)	(3,401)	(7,677)	(6,333)	(3,111)	13,168	(14,094)	(11,896)	(11,790)
Change in cash and equivalents	236	(236)	980	611	572	(1,269)	719	726	(3,435)	(1,724)	3,024
Free cash flow to firm	(844)	2,260	6,510	8,867	6,771	505	5,901	2,616	12,931	3,729	20,996
Ratios											
EBITDA margin (%)	9.6	11.1	14.1	10.8	14.9	12.3	12.5	13.9	14.1	15.1	15.6
RoAE (%)	3.6	7.3	9.7	2.8	16.6	13.8	13.7	19.1	20.3	21.9	22.5
RoCE (%)	2.2	5.2	7.9	3.8	11.1	10.2	10.1	12.1	12.7	14.8	16.4
RoIC (%)	2.3	5.5	8.4	4.4	13.3	11.6	11.5	14.3	15.3	17.4	19.2
Net debt / EBITDA (X)	3.3	2.8	1.8	1.6	0.4	0.7	0.7	0.7	0.6	0.4	0.2

Source: Company, Kotak Institutional Equities estimates

Prestige Estates Projects (PEPL)

Real Estate

ADD

CMP(₹): **1,467**

Fair Value(₹): **1,700**

Sector View: **Attractive**

NIFTY-50: **24,751**

June 02, 2025

On to greener pastures

Prestige closed FY2025 with weak pre-sales of Rs170 bn (down 19% yoy), much lower than the Rs240 bn guidance, impacted by delayed launches in 9MFY25 across cities. 4QFY25 saw an improvement, with pre-sales of Rs70 bn (up 48% yoy), as it saw four launches. 1QFY26 has started on a firm footing, with over Rs70 bn of pre-sales from two launches, including ~Rs65 bn from the long-awaited Indirapuram project, marking a successful NCR debut. Management has guided for Rs270 bn of pre-sales in 2026E, aided by Rs421 bn of launches. Occupancy for the office portfolio was steady at 90%, with 4.1 mn sq. ft of leasing in 2025. Net debt increased sequentially to Rs67 bn, owing to business development. We remain hopeful of the momentum in pre-sales sustaining, while the execution on annuity assets remains strong. ADD with revised FV of Rs1,700 (Rs1,680 earlier).

Weak residential revenue recognition, margins aided by business mix

Prestige reported weak 4QFY25 revenues of Rs15.2 bn (down 29% yoy, 8% qoq) and EBITDA of Rs5.4 bn (down 35% yoy, 8% qoq), while the PAT of Rs250 mn (down 82% yoy, up 41% qoq) was impacted by higher depreciation charges and tax expenses. Blended EBITDA margin in 4QFY25 was healthy at 35.4% (38.2% in 4QFY24/35.7% in 3QFY25), owing to a lower contribution from the residential business. For FY2025, Prestige reported revenues of Rs73.5 bn (down 7% yoy), EBITDA of Rs25.6 bn (up 2% yoy) and PAT of Rs4.7 bn (down 66% yoy), impacted by lower other income of Rs3.8 bn (down 75% yoy) as the base year had one-off MTM gains. Management attributed the weak revenue recognition in the quarter and FY2025 to delays in some residential project deliveries.

Better end to FY2025 with Rs70 bn of pre-sales

Prestige reported improved 4QFY25 pre-sales of Rs69.6 bn (+48% yoy, +131% qoq) on an area of 4.49 mn sq. ft (+9% yoy, +101% qoq). The average realization for apartments, villas, and commercial properties in 4QFY25 was Rs15,524 per sq. ft (+35% yoy). This took full-year FY2025 pre-sales to Rs170 bn (-19% yoy) – much below the Rs240 bn guidance, impacted by delayed launches in 9MFY25. Sales volume for FY2025 stood at 12.6 mn sq. ft (-38% yoy), while average realization for apartments, villas, and commercial products in FY2025 rose to Rs14,113 per sq. ft (+36% yoy). 4QFY25 collections were weak at Rs31.5 bn (-9% yoy, -3% qoq), taking FY2025 collections to Rs120.7 bn (up 1% yoy).

Turnaround underway in 2026E; maintain ADD with revised FV of Rs1,700

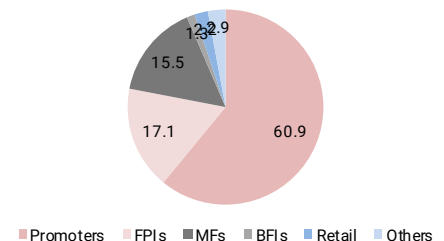
Prestige is targeting Rs270 bn of pre-sales in FY2026E, on the back of Rs421 bn of launches in the year and Rs201 bn of unsold inventory as of March 2025. 1QFY26 has started on a strong note, with Rs70 bn of pre-sales from two launches, including ~Rs65 bn from the much-awaited Indirapuram Project (The Prestige City). Management expects to receive approval for its Chennai project (Pallavaram Gardens with Rs30 bn GDV) in June 2025, putting it in a strong position to achieve ~Rs110-120 bn of pre-sales in 1QFY26 itself. We believe the sales momentum will continue in the rest of the year; maintain ADD with a revised FV of Rs1,700 (Rs1,680 earlier).

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	1,467/1,700/ADD
52-week range (Rs) (high-low)	2,075-1,048
Mcap (bn) (Rs/US\$)	632/7.4
ADTV-3M (mn) (Rs/US\$)	1,091/12.7

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	7	30	(5)
Rel. to Nifty	5	18	(15)
Rel. to MSCI India	4	16	(12)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	11.4	21.2	36.2
EPS growth (%)	(66.6)	85.6	70.2
P/E (X)	128.1	69.0	40.6
P/B (X)	3.9	3.9	3.6
EV/EBITDA (X)	27.6	20.9	16.1
RoE (%)	3.5	5.8	9.2
Div. yield (%)	0.1	0.2	0.2
Sales (Rs bn)	73	90	106
EBITDA (Rs bn)	26	32	40
Net profits (Rs bn)	4.7	9.2	16

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

[Full sector coverage on KINSITE](#)

Murtuza Arsiwalla

Abhishek Khanna

Anshika Gupta

Prestige has pending attributable capex (ex-hospitality) of Rs135 bn, including 67% for commercial and 33% for retail. Prestige is targeting attributable rentals of Rs44 bn (exit rate) from commercial and retail assets by FY2029. Prestige incurred a lower construction cost of Rs16 bn in 4QFY25 (Rs64 bn in FY2025), slightly higher capex of Rs6.7 bn (Rs28.6 bn in FY2025) and lower land purchases of Rs10.4 bn (Rs56.8 bn in FY2025), leading to net cash inflow of Rs5 bn despite modest collections in 4QFY25 (net cash inflow of Rs41 bn in 2025, aided by proceeds worth Rs49 bn from the QIP). Net debt rose to Rs67.2 bn as of March 2025 from Rs59.6 bn as of December 2024, with a net debt-to-equity ratio of 0.42X.

Weak earnings impacted by lower residential deliveries; profits were impacted by higher interest cost and tax rate

Exhibit 1: Quarterly result for Prestige Estates, March fiscal year-ends, 2024-26E (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	% chg.			2025	2024 % chg.	2026E % chg.
					KIE	yoy	qoq			
Net sales	15,284	23,309	21,640	16,545	(34)	(29)	(8)	73,494	78,771 (7)	89,947 22
Operating costs	(9,873)	(14,826)	(13,363)	(10,644)	(33)	(26)	(7)	(47,906)	(53,787) (11)	(57,948) 21
EBITDA	5,411	8,483	8,277	5,901	(36)	(35)	(8)	25,588	24,984 2	31,999 25
Other income	609	857	685	434	(29)	(11)	40	3,861	15,482 (75)	4,436 15
Interest costs	(2,861)	(3,585)	(4,238)	(3,451)	(20)	(32)	(17)	(13,338)	(12,191) 9	(12,098) (9)
Depreciation	(2,167)	(2,094)	(1,972)	(2,047)	3.5	10	6	(8,123)	(7,165) 13	(9,790) 21
PBT	992	3,662	2,752	837	(73)	(64)	19	7,988	21,110 (62)	14,547 82
Taxes	(440)	(931)	(786)	(445)				(1,389)	(4,936) (72)	(3,200) 130
PAT	552	2,731	1,966	392	(80)	(72)	41	6,599	16,174 (59)	11,346 72
Attributable PAT	250	2,750	1,400	177	(91)	(82)	41	4,675	13,741 (66)	9,152 96
EPS	0.6	6.4	3.5	0.4				10.9	34.3	21.2
Key ratios										
EBITDA margin (%)	35.4	36.4	38.2	35.7				34.8	31.7	35.6
PAT margin (%)	3.6	11.7	9.1	2.4				9.0	20.5	12.6
Effective tax rate (%)	44.4	25.4	28.6	53.2				17.4	23.4	22.0

Source: Company, Kotak Institutional Equities estimates

Performance across business segments

- **Residential.** Prestige reported improved 4QFY25 pre-sales of Rs69.6 bn (+48% yoy, +131% qoq) on an area of 4.49 mn sq. ft (+9% yoy, +101% qoq). We note that Mumbai contributed 39% of the pre-sales in 4QFY25, while Bengaluru (37%), Hyderabad (23%) and Goa (1%) made up for the balance. Average realization for apartments, villas and commercial properties in 4QFY25 was Rs15,524 per sq. ft (+35% yoy), while the realization for the plotted developments rose to Rs6,975 per sq. ft (+27% yoy).

Prestige closed FY2025 with pre-sales to Rs170 bn (-19% yoy)—much below the Rs240 bn guidance, impacted by delayed launches in 9MFY25. Sales volume for FY2025 stood at 12.6 mn sq. ft (-38% yoy). Average realization for apartments, villas, and commercial products in FY2025 rose to Rs14,113 per sq. ft (+36% yoy), while the plot sale realization increased to Rs7,167 per sq. ft (+50% yoy). Collections for 4QFY25 were weak at Rs31.5 bn (-9% yoy, -3% qoq), taking the FY2025 collections to Rs120.7 bn (+1 yoy). Attributable pre-sales stood at Rs68 bn (+53% yoy, +131% qoq) in 4QFY25, and Rs164 bn (-17% yoy) in FY2025.

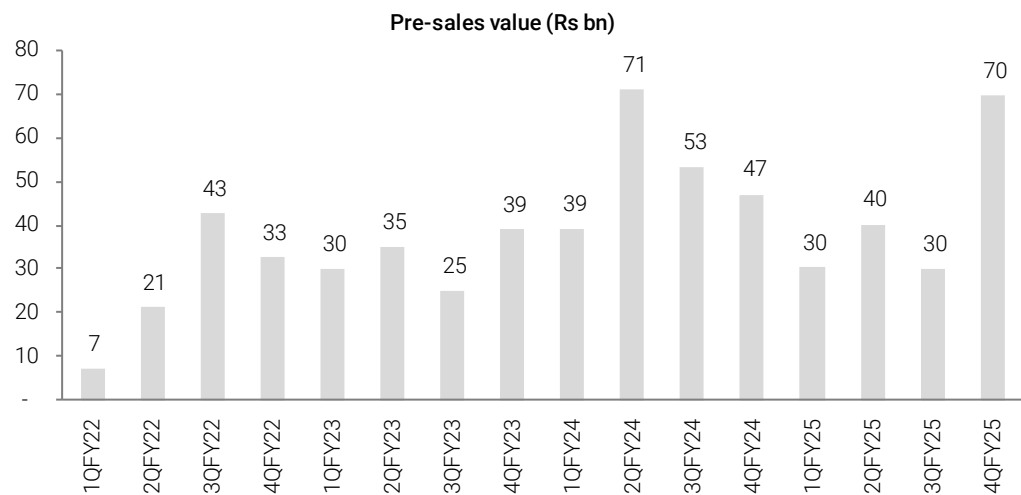
Improvement in pre-sales in 4QFY25 was aided by better launches during the quarter—Prestige saw 14 mn sq. ft of launches across four projects: Prestige Southern Star Phase 1 and Suncrest in Bengaluru, Prestige Nautilus in Mumbai and Prestige Spring Heights in Hyderabad, with a combined GDV of Rs161 bn. However, the weakness in the full-year performance was owing to delayed launches—FY2025 saw 26.3 mn sq. ft of launches, primarily across Bengaluru, Mumbai and Hyderabad with a combined GDV of Rs262 bn, against the guidance of Rs590 bn of launches.

We highlight that Prestige has estimated gross cash flows (net of development costs) of Rs197 bn from its on-going residential projects, while upcoming projects are estimated to provide another Rs241 bn, taking the total gross cash flows to Rs438 bn. We highlight that Prestige has Rs201 bn of unsold (and launched) stock as of March 2025.

- **Annuity.** The annuity business (office + retail) saw 4QFY25 revenue of Rs1.44 bn (+4% yoy), with EBITDA of Rs1.1 bn (+15% yoy) and better margin of 79%. This takes the FY2025 annuity revenue to Rs5.9 bn (+8% yoy), while the EBITDA stood at Rs4 bn (flat yoy). In order to provide the next leg of growth, Prestige is planning to grow its attributable rentals to Rs44 bn (commercial + retail) by FY2029E. It has an estimated balance capex (attributable) of Rs91 bn for the commercial assets and Rs44 bn for the retail assets, taking the total balance capex to Rs134.6 bn. We highlight that the two commercial projects in Mumbai (BKC and Mahalaxmi) are targeted for completion by FY2028 while the annuity project at Delhi Aerocity will likely be completed in FY2026; management highlighted that the latter is almost entirely pre-leased.
- **Business development and land bank.** In 4QFY25, Prestige added seven residential projects with development potential of 4.2 mn sq. ft. All projects are Bengaluru-based, leading to 4.2 mn sq. ft of additions in Prestige's Bengaluru portfolio. As on March 2025, Prestige has a land bank of 689 acres (economic interest of 598 acres).
- **Debt.** Net debt increased to Rs67.2 bn as of March 2025 from Rs59.6 bn as of December 2024, largely owing to the land transactions. The net debt/equity ratio stood at 0.42X (0.37X as of December 2024), in line with management's target to keep net debt/equity below ~0.5X.

Pre-sales improved to Rs70 bn in 4QFY25, FY2025 pre-sales at Rs170 bn missed the full-year guidance

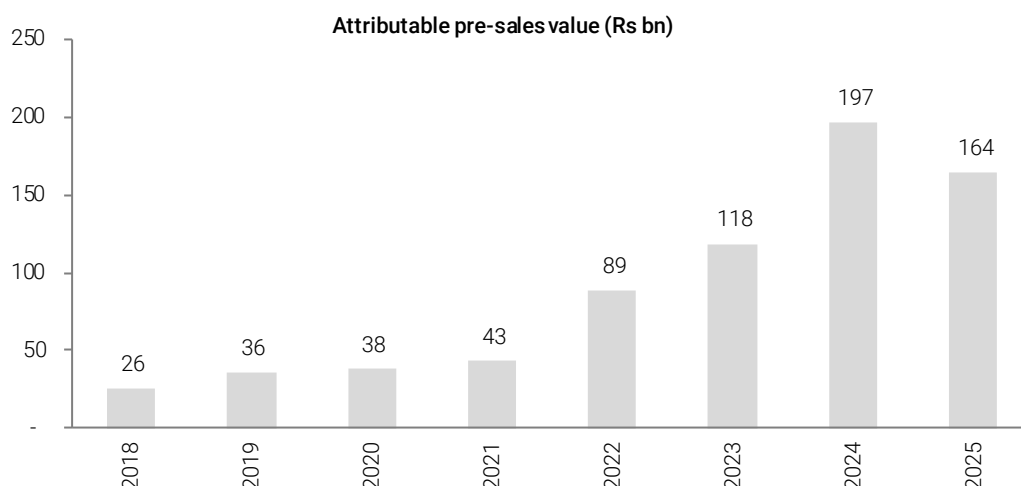
Exhibit 2: Prestige: Pre-sales, March fiscal year-ends, 2022-25 (Rs bn)



Source: Company, Kotak Institutional Equities

Attributable pre-sales were also weak in FY2025

Exhibit 3: Prestige: Attributable pre-sales, March fiscal year-ends, 2018-25 (Rs bn)



Source: Company, Kotak Institutional Equities

4QFY25 pre-sales boosted by four new launches aggregating 14 mn sq. ft in the quarter

Exhibit 4: Prestige: Sales, cash flow & launches, March fiscal year-ends, 1QFY22-4QFY25

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Gross sales																
Area (mn sq. ft)	1.1	3.5	5.6	4.9	3.6	4.6	2.9	4.0	3.8	6.8	5.5	4.1	2.9	3.0	2.2	4.5
Value (Rs mn)	7,339	21,119	42,676	32,687	30,121	35,110	25,190	38,888	39,147	70,926	53,261	47,068	30,295	40,226	30,135	69,574
Realization (Rs/sq. ft)	6,672	5,966	7,648	6,740	8,298	7,716	8,656	9,722	10,221	10,369	9,755	11,452	10,593	13,409	13,513	15,495
Collections	10,223	15,515	24,316	24,610	21,464	26,029	22,929	27,633	27,408	26,237	31,163	34,741	29,162	27,372	32,575	31,551
Attributable sales																
Area (mn sq. ft)	0.8	3.0	4.9	4.6	3.3	4.2	2.3	3.7	3.4	6.0	5.3	3.9	2.5	2.9	2.2	4.3
Value (Rs mn)	5,316	17,616	34,481	31,175	27,563	32,320	21,502	36,990	36,579	63,921	51,677	44,330	27,214	39,319	29,470	68,022
Realizations (Rs/sq. ft)	6,815	5,814	6,994	6,733	8,277	7,732	9,268	9,890	10,727	10,636	9,769	11,484	10,714	13,512	13,707	15,673
Collections	8,266	11,912	16,035	21,479	19,292	23,479	19,980	24,501	24,943	24,027	28,757	32,967	26,974	25,541	30,580	30,137
Launches																
Area (mn sq. ft)	-	3.5	8.3	5.0	9.7	7.4	4.1	5.3	3.1	13.1	14.6	9.4	1.9	8.2	-	14.0

Source: Company, Kotak Institutional Equities

Lower 19% margin for the residential business in 4QFY25

Exhibit 5: Segmental-financials of Prestige Estates, March fiscal year-ends, 2024-26E (Rs mn)

	4QFY25	4QFY24	3QFY25	Chg. (%)		2025	2024	Chg. (%)	2026E	Composition (%)		
				yoy	qoq					4QFY25	2024	2025
Revenue												
Development	8,232	14,133	9,764	(42)	(16)	47,733	51,057	(7)	58,088	54	65	65
Annuity	1,444	1,384	1,567	4	(8)	5,931	5,486	8	6,719	9	7	8
Services	1,517	2,457	1,351	(38)	12	5,070	9,491	(47)	1,972	10	12	7
Others (incl. hospitality)	4,091	3,666	3,862	12	6	14,760	12,737	16	23,168	27	16	20
Revenue	15,284	21,640	16,544	(29)	(8)	73,494	78,771	(7)	89,947	100	100	100
EBITDA												
Development	1,557	4,768	2,395	(67)	(35)	11,965	11,931	0	15,061	29	48	47
Annuity	1,139	993	1,061	15	7	4,056	4,050	0	4,925	21	16	16
Services	124	245	124	(49)	-	538	1,248	(57)	296	2	5	2
Others (incl. hospitality)	2,591	2,271	2,321	14	12	9,029	7,755	16	11,718	48	31	35
EBITDA	5,411	8,277	5,901	(35)	(8)	25,588	24,984	2	31,999	100	100	100
Margins (%)												
Development	18.9	33.7	24.5			25.1	23.4		25.9			
Annuity	78.9	71.7	67.7			68.4	73.8		73.3			
Services	8.2	10.0	9.2			10.6	13.1		15.0			
Others (incl. hospitality)	63.3	61.9	60.1			61.2	60.9		50.6			
Margins (%)	35.4	38.2	35.7			34.8	31.7		35.6			

Source: Company, Kotak Institutional Equities estimates

Prestige added 4.2 mn sq. ft across seven new residential projects in 4QFY25

Exhibit 6: Business development for Prestige Estates, 4QFY25

Project	Location	Period	Segment	Area (mn sq. ft)	Economic share (%)
Prestige Oakville	Bengaluru	4QFY25	Residential	0.48	70
Prestige Grove Hills	Bengaluru	4QFY25	Residential	0.43	65
Prestige Park Street	Bengaluru	4QFY25	Residential	0.20	65
Prestige Highland Hideaway	Bengaluru	4QFY25	Residential	1.57	66
Prestige Gardenia Estates Ph II	Bengaluru	4QFY25	Residential	0.41	40
Prestige Crystal Lawns	Bengaluru	4QFY25	Residential	0.56	40
Prestige Windgates	Bengaluru	4QFY25	Residential	0.55	70
4QFY25				4.20	

Source: Company, Kotak Institutional Equities

Lower construction costs and land payments during the quarter

Exhibit 7: Prestige Estates cash flow details, March fiscal year-ends, 2024-25 (Rs mn)

	1QFY24	2QFY24	3QFY24	4QFY24	FY2024	1QFY25	2QFY25	3QFY25	4QFY25	FY2025
OPERATIONAL ACTIVITIES										
Inflow										
Collections (residential + annuity + others)	30,681	30,253	35,752	40,921	137,607	34,360	32,773	38,632	37,297	143,062
Outflow										
Construction Cost - Residential	11,819	11,861	12,733	12,960	49,372	14,085	12,667	21,412	16,025	64,189
LO Payments/ Sales/ Marketing / Administrative Overheads & Taxes	8,309	7,350	7,800	9,608	33,066	8,520	8,711	8,535	7,977	33,743
Sub Total	20,128	19,211	20,533	22,568	82,438	22,605	21,378	29,947	24,002	97,932
Net Cashflow from Operations	10,553	11,042	15,219	18,353	55,169	11,755	11,395	8,685	13,295	45,130
INVESTMENTS										
Construction Cost (Retail/Commercial/Hospitality)	5,923	5,400	5,926	6,000	23,249	8,009	7,335	6,529	6,746	28,619
Investment in Land/TDR/Refundable Deposit/buyback of stakes	13,009	8,571	6,806	19,430	47,815	15,070	7,889	23,522	10,402	56,883
Net Cashflow from Investments	(18,932)	(13,971)	(12,732)	(25,430)	(71,064)	(23,079)	(15,224)	(30,051)	(17,148)	(85,502)
FINANCING ACTIVITY										
Debt Drawn Net	2,962	16,664	3,373	11,532	34,531	2,921	(5,914)	3,353	8,218	8,578
Equity issuance							49,353	(303)	-	49,050
Finance Cost	(2,269)	(2,646)	(2,768)	(2,989)	(10,673)	(3,331)	(3,698)	(3,775)	(3,436)	(14,240)
Others	1,090	(4,480)	2,548	4,689	3,847	(1,391)	377	(1,776)	221	(2,569)
Net Cash flow from Financing Activities	1,783	9,538	3,153	13,232	27,705	(1,801)	40,118	(2,501)	5,003	40,819

Source: Company, Kotak Institutional Equities

Prestige's net debt increased to Rs67 bn as of March 2024, owing to business development

Exhibit 8: Prestige Estates debt details, March fiscal year-ends, 2022-25 (Rs bn)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Project and working capital	22.0	30.1	32.9	38.8	43.9	51.8	55.0	65.6	45.5	49.6	51.5	47.5
Capex loans - hotels	9.6	9.9	10.1	11.9	9.1	8.9	9.3	9.0	6.8	8.6	8.3	1.0
Capex loans - office	8.5	8.7	10.1	11.9	12.1	17.9	16.8	14.6	13.6	16.8	17.0	12.9
Capex loans - retail mall	2.3	-	-	-	-	-	-	0	0	1	1	1
Lease rent discounting (LRD)	5.6	9.3	10.1	11.9	10.6	10.7	12.1	14.6	15.5	19.4	19.2	36.6
Receivables discounting	9.0	-	-	-	-	-	-	-	-	-	-	-
Gross debt	57.0	58.0	63.2	74.6	75.7	89.3	93.3	104.1	81.8	95.6	97.1	99.0
Less: Cash and bank balances	17.8	17.5	21.5	19.0	10.9	19.7	23.5	26.3	-	59.7	37.5	31.9
Net debt	39.2	40.5	41.7	55.6	64.8	69.6	69.8	77.9	81.8	35.9	59.6	67.2

Source: Company, Kotak Institutional Equities

Prestige expects cumulative cash flows of Rs438 bn from the residential segment, comprising Rs197 bn from on-going projects

Exhibit 9: Attributable cash flows from ongoing and upcoming projects for Prestige Estates, March fiscal year-ends, 1QFY22-4QFY25 (Rs bn)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	2QFY25	3QFY25	4QFY25
Ongoing															
Receivables	46	53	78	82	93	105	107	114	127	165	188	199	212	221	255
Deposits	5	3	3	3	2	2	2	1	1	3	3	3	4	4	3
Inventory	70	64	79	78	77	65	96	87	77	94	162	129	162	137	201
Cost	58	55	72	79	90	92	122	124	121	158	212	208	239	219	262
GCF (Cumulative)	63	66	88	83	83	80	83	78	85	104	141	124	139	143	197
Upcoming															
Deposit	1	1	1	1	1	1	4	2	5	5	5	5	5	6	6
Inventory	229	297	249	340	356	337	440	525	534	494	421	583	642	718	559
Pending cost (Rs mn)	96	187	166	216	234	213	298	328	324	295	247	314	327	373	324
GCF (Cumulative)	134	110	84	124	124	126	146	198	215	204	180	273	320	351	241
Ongoing + Upcoming															
Receivables (Rs mn)	46	53	78	82	93	105	107	114	127	165	188	199	212	221	255
Deposit	6	4	4	4	4	3	6	3	6	8	9	8	9	9	10
Inventory	299	361	328	418	433	403	537	612	611	588	583	712	805	855	760
Pending cost (Rs mn)	154	242	238	296	323	305	420	453	444	453	458	522	566	592	587
GCF (Cumulative)	197	177	171	208	207	206	229	277	300	308	321	397	459	493	438

Note: Data for 1QFY25 not available.

Source: Company, Kotak Institutional Equities

Prestige has Rs421 bn of residential launches with 44.8 mn sq ft area planned for FY2026

Exhibit 10: Upcoming residential launches for FY2026 (mn sq. ft, Rs mn)

Project Name	Location	Area (mn sq. ft)	GDV (Rs mn)
Prestige Falcon City Luxe	Bengaluru	4.4	50,686
Evergreen @ Prestige Raintree Park	Bengaluru	5.5	42,443
Prestige Southern Star Ph II	Bengaluru	1.3	13,662
Prestige Forest Edge	Bengaluru	0.6	11,136
Eaton Park @ TPC	Bengaluru	1.1	9,095
Prestige Marigold Ph II	Bengaluru	1.3	8,067
Prestige Windgates	Bengaluru	0.6	7,515
Prestige Gardenia Estates	Bengaluru	1.1	8,037
Prestige Oakville	Bengaluru	0.5	6,560
Fernvale @ TPC	Bengaluru	0.8	6,459
Prestige Avon	Bengaluru	0.6	5,670
Prestige Greenbrook	Bengaluru	0.8	4,588
Prestige Autumn Leaves	Bengaluru	0.7	4,191
Prestige Pallavaram Gardens	Chennai	4.2	30,742
Prestige Palm Court	Chennai	1.5	7,929
Prestige Bayfront	Goa	0.7	13,771
Veranda Bay @ Prestige Sea Scapes	Goa	0.5	2,788
Shimmering Shores @ Prestige Sea Scapes	Goa	0.5	2,790
Beach Gardens @ Prestige Sea Scapes	Goa	1.6	7,763
Prestige Rock Cliff	Hyderabad	0.8	9,093
Prestige Forest Hills Mulund - Ph2	Mumbai	2.4	28,693
Prestige Horizon Heights	Mumbai	2.2	20,400
Oakwood at The Prestige City	NCR	5.0	50,950
Mulberry at The Prestige City	NCR	4.6	46,876
Mayflower at The Prestige City	NCR	1.9	21,297
		44.8	421,202

Source: Company, Kotak Institutional Equities

Annuity business to be a key growth driver going forward

Exhibit 11: Segmental-financials of Prestige Estates, March fiscal year-ends, 2022-26E (Rs bn)

	2022	2023	2024	2025	2026E	Mix (%)					Growth (% yoy)				
	2022	2023	2024	2025	2026E	2022	2023	2024	2025	2026E	2022	2023	2024	2025	2026E
Revenue															
Development	50,322	61,494	51,057	47,733	58,088	79	74	65	65	65	(2)	22	(17)	(7)	22
Annuity	2,370	2,914	5,486	5,931	6,719	4	4	7	8	7	(78)	23	88	8	13
Hotel	1,866	5,817	7,926	9,323	11,828	3	7	10	13	13	29	212	36	18	27
Management	5,977	7,993	9,491	1,517	1,972	9	10	12	2	2	4	34	19	(84)	30
Others	3,360	4,932	4,811	8,990	11,339	5	6	6	12	13	7	47	(2)	87	26
Revenue	63,895	83,150	78,771	73,494	89,947	100	100	100	100	100	(12)	30	(5)	(7)	22
EBITDA															
Development	9,212	11,479	11,931	11,965	15,061	60	55	48	47	47	16	25	4	0	26
Annuity	1,719	1,745	4,050	4,056	4,925	11	8	16	16	15	(79)	2	132	0	21
Hotel	113	1,667	2,944	3,545	4,791	1	8	12	14	15	(171)	1,375	77	20	35
Management	931	1,040	1,248	124	296	6	5	5	0	1	(33)	12	20	(90)	139
Others	3,362	4,932	4,811	5,898	6,926	22	24	19	23	22	40	47	(2)	23	17
EBITDA	15,337	20,863	24,984	25,588	31,999	100	100	100	100	100	(22)	36	20	2	25
Margins (%)															
Development	18	19	23	25	26										
Annuity	73	60	74	68	73										
Hotel	6	29	37	38	41										
Management	16	13	13	8	15										
Others	100	100	100	66	61										
Margins (%)	24	25	32	35	36										

Source: Company, Kotak Institutional Equities estimates

We expect stronger attributable pre-sales in FY2026E

Exhibit 12: Key assumptions for business segments of Prestige Estates, March fiscal year-ends, 2020-28E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Development									
Pre-sales (Rs mn)	45,607	54,607	103,821	129,309	210,402	172,989	248,701	269,080	283,687
Attributable sales (Rs mn)	37,805	42,846	88,588	118,375	196,507	164,025	235,814	255,137	268,987
Area (mn sq. ft)	5	6	13	14	19	12	16	17	18
Realizaton (Rs/sq. ft)	6,985	6,680	6,626	8,723	10,582	13,737	14,560	14,591	14,611
Inventory (Rs mn)	214,599	242,324	417,537	612,155	712,366	759,938	524,124	268,987	-
Inventory (mn sq. ft)	35	33	47	57	56	52	36	18	-
Collections (Rs mn)	37,550	40,323	57,692	87,252	110,694	113,232	153,895	178,791	205,652
GCF (Annual)	11,950	21,111	38,480	44,628	61,322	49,043	58,951	65,757	87,367
GCF (Outstanding)	127,391	137,837	207,111	277,288	389,971	428,502	369,551	303,794	216,427
Revenue	57,155	51,320	50,322	61,494	51,057	47,733	58,088	67,732	81,062
EBITDA	10,055	7,943	9,212	11,479	11,931	11,965	15,061	18,061	22,416
EBITDA (%)	18	15	18	19	23	25	26	27	28
Commercial									
Revenue	12,044	10,981	2,370	2,914	5,486	5,931	6,719	9,432	12,815
EBITDA	8,741	8,151	1,719	1,745	4,050	4,056	4,925	7,004	9,635
EBITDA (%)	73	74	73	60	74	68	73	74	75
Hotel									
Keys (Operational)	1,260	1,260	1,066	1,200	1,439	1,436	2,002	2,002	2,002
ARR	6,801	6,121	3,978	11,968	13,128	15,097	15,852	16,645	17,477
Occupancy	72	25	57	63	58	61	67	69	69
Revenue	4,149	1,447	1,866	5,817	7,926	9,323	11,828	15,514	16,344
EBITDA	1,252	(160)	113	1,667	2,944	3,545	4,791	6,506	6,854
EBITDA (%)	30	(11)	6	29	37	38	41	42	42

Source: Company, Kotak Institutional Equities estimates

Lower residential revenue recognition leads to revision of earnings

Exhibit 13: Prestige: Change in estimates, March fiscal year-ends, 2026-28E

	Revised estimates			Old estimates			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenues	89,947	106,390	118,917	99,783	117,435	NA	(9.9)	(9.4)	NA
EBITDA	31,999	40,267	44,987	33,523	47,457	NA	(4.5)	(15.2)	NA
PAT	9,152	15,574	17,811	10,545	19,092	NA	(13.2)	(18.4)	NA

Source: Company, Kotak Institutional Equities estimates

Annuity portfolio (incl. hotels) accounts for ~40% of the enterprise value for Prestige

Exhibit 14: SOTP value of Prestige Estates based on March 2027E

Project	Location	Value			Inventory / Area			Receivables	Cost	GCF
		(Rs mn)	(Rs/share)	(%)	(mn sq. ft)	(Rs/sq. ft)	(Rs mn)	(Rs mn)	(Rs mn)	(Rs mn)
Residential (On-going)		78,384	182	10	11	12,064	129,367	198,850	207,973	120,244
Residential (Upcoming)		106,771	248	14	45	12,924	582,999	1,144	314,416	269,727
Residential (Future)		274,956	638	36						
Land		18,015	42	2	60	300	18,015			
Commercial + Retail		188,917	439	25						
Hotel		86,115	200	11						
Services		3,846	9	1						
Total		757,004	1,758	100						
Net debt		24,962	58	3						
Equity Value		732,041	1,700	97						

Source: Company, Kotak Institutional Equities estimates

Revenues to ramp up aided by annuity business

Exhibit 15: Profit model, balance sheet, cash flow model, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model									
Net sales	81,248	72,644	63,895	83,150	78,771	73,494	89,947	106,390	118,917
EBITDA	23,560	19,722	15,337	20,863	24,984	25,588	31,999	40,267	44,987
Interest	(10,233)	(9,899)	(5,553)	(8,066)	(12,191)	(13,338)	(12,098)	(12,291)	(12,287)
Depreciation	(6,667)	(5,926)	(4,710)	(6,471)	(7,165)	(8,123)	(9,790)	(12,747)	(15,601)
Pre-tax profits	7,845	6,271	7,181	10,896	21,110	7,988	14,547	22,895	25,807
Net income	5,062	1,073	4,236	7,421	16,174	6,599	11,346	17,858	20,130
Adjusted net income	3,651	(136)	3,423	6,339	13,741	4,675	9,152	15,574	17,811
Earnings per share (Rs)	9.6	(0.3)	8.5	15.8	34.3	11.4	21.2	36.2	41.4
Balance sheet									
Total Equity	53,602	66,753	90,946	99,753	112,888	154,230	162,305	176,587	192,891
Minority interests	2,285	4,198	4,523	2,832	5,122	4,815	6,567	8,394	10,243
Gross debt	92,715	39,825	72,461	87,557	125,522	106,002	113,527	120,105	125,105
Non-current liabilities	13,117	9,594	10,160	14,471	24,650	31,073	34,073	37,073	40,073
Current liabilities	135,998	132,236	133,682	159,654	223,204	286,832	267,985	349,495	464,550
Total liabilities and equity	297,717	252,606	311,772	364,267	491,386	582,952	584,456	691,654	832,861
Net fixed assets	111,287	65,200	75,823	91,792	108,064	119,690	151,339	178,814	223,645
Other non-current assets and advances	27,865	22,524	25,186	17,747	15,334	16,780	19,193	17,800	17,424
Current assets	150,672	155,810	195,708	239,568	344,999	433,730	396,251	492,328	589,099
Investments	7,893	9,072	7,724	16,722	16,790	17,752	17,673	17,713	17,693
Total assets	297,717	252,606	304,441	365,829	485,187	587,952	584,456	706,654	847,861
Ratios (%)									
Debt/equity (X)	1.6	0.6	0.8	0.9	1.1	0.7	0.7	0.7	0.6
Net debt/equity (X)	1.4	0.2	0.6	0.7	0.9	0.5	0.3	0.1	(0.0)
RoE (%)	7.2	(0.2)	4.2	6.5	12.4	3.4	5.6	8.9	9.4
RoCE (%)	10.4	6.1	5.7	8.1	13.1	3.8	7.6	9.4	9.5
Book value per share (Rs)	134	167	227	249	282	358	377	410	448

Source: Company, Kotak Institutional Equities estimates

FSN E-Commerce Ventures (NYKAA)

Internet Software & Services

REDUCE

CMP(₹): 203

Fair Value(₹): 185

 Sector View: **Attractive**

NIFTY-50: 24,751

June 01, 2025

4QFY25: Strong performance of the BPC segment

Nykaa posted revenue growth of 24% yoy, aided by a 27% yoy growth in overall GMV. BPC reported 31% yoy growth in GMV and revenue growth of 25% yoy. Fashion reported 18% yoy growth in GMV and a lower 11% yoy revenue growth. BPC's contribution margin (CM) expanded 120 bps yoy and 190 bps qoq and was a key positive. However, Fashion's CM declined steeply by 880 bps yoy, as the company looks to re-invest in growth. We trim FY2025-27 EBITDA estimates by 3-4%, driven by higher losses in fashion and B2B. We also incorporate higher BPC growth, improved working capital cycle and roll forward to June 2027, driving a revised DCF-based FV of Rs185 (previously Rs170). Maintain REDUCE.

Healthy BPC revenue growth performance

Nykaa's 4QFY25 revenue growth of 24% yoy was 3.6% behind estimates. Segmentally, (1) the BPC segment's GMV increased 31% yoy, driven by a 21% yoy increase in orders and 11% yoy increase in AOV and (2) the fashion segment's GMV increased 18% yoy, driven by AOV growth of 4% yoy. BPC's revenues grew 25% yoy, slower than GMV, possibly due to a higher mix of B2B. Fashion's revenues grew 11% yoy, lower than GMV growth.

BPC CM improves yoy on better gross margins and cost leverage

Nykaa reported an overall contribution margin of 20.0%, as a percentage of revenues (versus 18.9% in 3QFY25 and 19.5% in 4QFY24). The EBITDA margin came in at 6.5%, 20 bps ahead of estimates and increased 90 bps yoy. The overall contribution margin expanded to 20.0% versus 19.5% in 4QFY24, owing to BPC at 21.3% (versus 20.1% in 4QFY24). The strength of the BPC segment offset a decline in fashion's CM to 5.6% (versus 14.4% in 4QFY24). Improvement in BPC CM was led by higher GM and leverage across key variable expenses. Fashion's CM contracted 880 bps yoy on higher marketing expenses.

Call takeaways: Focus on customer acquisition and better unit economics

Other highlights: (1) Annual unique transacting users (ATUs) for BPC/fashion grew 7/5% yoy to ~16/3 mn and (2) offline expanded to 237 stores across 79 cities, as of March 31, 2025. The company is adding brands, using innovative methods such as OTT content to drive BPC demand and grow ahead of the industry. The company is looking to drive customer acquisition in fashion as well and believes its unique assortment will help drive GMV growth.

Reasonable growth trajectory, but valuations remain rich

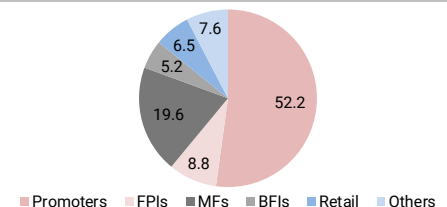
Overall, Nykaa's strategy to step up customer acquisition and platform assortment in the face of high competitive intensity from QC platforms is playing out well. This may, however, drive slower margin improvement in BPC as Nykaa will keep plowing back operating surplus into marketing spends. We trim EBITDA estimates as we bake in higher ad spends in Fashion. We incorporate higher BPC growth, improved working capital cycle, higher fashion losses and roll forward to June 2027, driving a revised DCF-based FV of Rs185 (previously Rs170).

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	203/185/REDUCE
52-week range (Rs) (high-low)	230-150
Mcap (bn) (Rs/US\$)	581/6.8
ADTV-3M (mn) (Rs/US\$)	1,415/16.5

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	5	28	26
Rel. to Nifty	3	16	16
Rel. to MSCI India	2	14	18

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	0.2	1.0	1.8
EPS growth (%)	108.3	309.2	86.7
P/E (X)	868.2	212.2	113.7
P/B (X)	44.8	37.0	27.9
EV/EBITDA (X)	124.2	75.5	52.3
RoE (%)	5.2	19.1	28.0
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	79	100	126
EBITDA (Rs bn)	4.7	7.8	11
Net profits (Rs bn)	0.7	2.8	5.1

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

Related Research

[→ FSN E-Commerce Ventures: 3QFY25: Good](#)
[→ FSN E-Commerce Ventures: 2QFY25: BPC](#)
[Full sector coverage on KINSITE](#)

Garima Mishra

Ishani Swain

Revenue growth of 24% yoy, driven by 27% yoy growth in GMV

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

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			FY2025	FY2024	Yoy (%)	FY2026E	Yoy (%)
					KIE	yoy	qoq					
Revenue from operations	20,618	21,432	16,680	22,672	(3.8)	23.6	(9.1)	79,498	63,856	24.5	99,923	25.7
Purchase of stock in trade	(11,527)	(12,030)	(9,577)	(12,761)	(4.2)	20.4	(9.7)	(44,727)	(36,464)	22.7	(56,369)	26.0
Employee benefits expense	(1,741)	(1,757)	(1,421)	(1,746)	(0.9)	22.6	(0.3)	(6,661)	(5,649)	17.9	(7,217)	8.3
Advertisement and S&D costs	(2,440)	(2,701)	(1,911)	(3,016)	(9.7)	27.7	(19.1)	(9,550)	(7,372)	29.5	(12,160)	27.3
Fulfillment costs	(1,920)	(1,978)	(1,550)	(2,092)	(2.9)	23.9	(8.2)					
Selling and distribution costs	(610)	(557)	(447)	(597)								
Other costs	(1,046)	(1,070)	(841)	(1,053)	(2.3)	24.3	(0.7)	(13,822)	(10,910)		(16,366)	
Total expenses	(19,284)	(20,093)	(15,747)	(21,264)	(4.0)	22.5	(9.3)	(74,759)	(60,395)	23.8	(92,112)	23.2
EBITDA	1,334	1,338	933	1,408	(0.3)	43.0	(5.3)	4,739	3,462	36.9	7,812	64.8
EBITDA margin (%)	6.5	6.2	5.6	6.2	22 bps	88 bps	26 bps	6.0	5.4	54 bps	7.8	31 bps
Finance costs	(299)	(330)	(211)	(319)	(9.5)	41.2	(6.5)	(1,073)	(828)		(1,319)	
Depreciation and amortization expense	(729)	(730)	(596)	(698)	(0.1)	22.2	4.4	(2,664)	(2,242)		(3,000)	
Other income	90	60	71	55	49.2	26.7	61.8	273	299		204	
PBT	396	338	196	446	17.0	102.2	(11.2)	1,274	690		3,697	
Tax expense	(205)	(118)	(98)	(176)				(538)	(253)		(946)	
PAT	191	220	97	270	(13.3)	95.6	(29.4)	737	437	68.6	2,750	273.2
Minority interest and share of loss in associates	14	(5)	(28)	(4)				(65)	(115)		-	
Reported net profit (loss)	205	215	69	266	(4.8)	195.1	(23.0)	672	323		2,750	
EPS	0.1	0.1	0.0	0.1	(4.8)	196.7	(23.1)	0.2	0.1	108.3	1.0	309.2
Key ratio (as % of revenues)												
Gross margin	44.1	43.9	42.6	43.7	22 bps	151 bps	37 bps	43.7	42.9	84 bps	43.6	0 bps
Employee cost	8.4	8.2	8.5	7.7	25 bps	-7 bps	74 bps	8.4	8.8	-47 bps	7.2	-14 bps
Advertisement expenses	11.8	12.6	11.5	13.3	-77 bps	38 bps	-147 bps	12.0	11.5	47 bps	12.2	1 bps
Fulfillment costs	9.3	9.2	9.3	9.2	9 bps	2 bps	9 bps					
Selling and distribution costs	3.0	2.6	2.7	2.6	36 bps	28 bps	33 bps					
Other expenses	5.1	5.0	5.0	4.6	8 bps	3 bps	43 bps	17.4	17.1	30 bps	16.4	-6 bps
Key performance metrics												
Beauty GMV (Rs mn)	30,580	30,312	23,390	33,899	0.9	30.7	(9.8)	117,750	90,550	30.0		
Fashion GMV (Rs mn)	10,370	9,433	8,760	11,299	9.9	18.4	(8.2)	38,040	33,850	12.4		
Others GMV (Rs mn)	70	100	36	81	(30.0)	94.4	(13.6)	250	70	257.1		
Total GMV (Rs mn)	41,020	39,844	32,186	45,279	3.0	27.4	(9.4)	156,040	124,470	25.4		
Beauty orders (mn)	14.2		11.6	12.9		22.9	9.7	54.5	43.7	24.7		
Fashion orders (mn)	2.1		2.1	1.8		-	20.0	7.6	7.0	8.6		

Source: Company, Kotak Institutional Equities estimates

Key operating metrics: BPC's GMV growth of 31% yoy in 4QFY25

The beauty segment's GMV increased 31% yoy, driven by a 21% yoy increase in orders to 14.2 mn and 11% increase in AOVs yoy. However, NSV grew slower than GMV at 26% yoy, possibly due to higher brand-led discounts. Note that 1QFY25 onward, Nykaa recalibrated its segment reporting and BPC now includes B2B and Nykaa Man BPC. Segment orders, AOV, GMV and others have thus been restated 1QFY24 onward.

Core B2C BPC GMV growth came in at healthy 28% yoy in FY2025

Exhibit 2: B2C and B2B GMV metrics, March fiscal year-ends (Rs mn)

	2024	2025	Yoy (%)
B2C BPC GMV	84,580	108,340	28
B2B BPC GMV	5,970	9,410	58
Total	90,550	117,750	30
Proportion of B2C GMV (%)	93.4	92.0	
Proportion of B2B GMV (%)	6.6	8.0	

Source: Company, Kotak Institutional Equities

Annual unique transacting users (ATUs) for BPC category grew 7% yoy to 15.8 mn. Private label GMV grew 72% in 4QFY25.

Offline BPC expanded to 237 stores across 79 cities. The retail area expanded to 250k sq. ft, a 45% yoy increase. The contribution margin of 21.3% was 190 bps higher qoq.

Key operating metrics: Fashion's CM expands materially yoy

The fashion segment's GMV/NSV grew 18/13% yoy, driven by AOV growth of 4% yoy and orders growth of 24% yoy. Annual unique transacting users (ATUs) for the fashion category grew 7% yoy to 3.2 mn.

Private label GMV increased 5% yoy to Rs1,120 mn in 4QFY25.

Others segment includes international businesses only under the new reporting structure and is not very significant at the moment.

Orders grew 21% yoy in BPC and 24% yoy in fashion

Exhibit 3: Key quarterly metrics of Nykaa, March fiscal year-ends (Rs mn)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Qoq (%)	Yoy (%)
Orders (mn)																
Beauty	7.5	7.2	8.1	8.4	9.5	8.8	9.9	10.5	11.6	11.7	12.4	12.9	15.0	14.2	(5)	21
Fashion	0.9	1.0	1.1	1.2	1.7	1.4	1.3	1.8	2.1	1.7	1.7	1.8	2.1	2.1	-	24
Others	0.6	0.4	0.3	0.3	0.4	0.4	-	-	-	-	-	-	-	-	-	-
Total orders	8.4	8.2	9.2	9.6	11.2	10.2	11.2	12.3	13.7	13.4	14.1	14.7	17.1	16.3	(5)	22
AOV (Rs/order)																
Beauty	1,967	1,716	1,780	1,872	1,958	1,803	1,922	1,992	2,121	1,788	1,924	2,038	2,127	1,978	(7)	11
Fashion	3,558	3,616	3,732	3,940	3,959	4,266	4,058	4,061	4,681	4,546	4,237	4,464	4,901	4,738	(3)	4
GMV (Rs mn)																
Beauty	15,105	12,587	14,888	16,301	19,014	16,289	19,908	21,559	25,696	23,390	25,429	27,833	33,899	30,580	(10)	31
Fashion	4,841	4,827	5,820	5,991	7,244	6,641	6,758	7,872	10,465	8,760	7,741	8,633	11,299	10,370	(8)	18
Others	483	565	850	1,165	1,707	1,524	6	8	18	36	39	59	81	70	(14)	94
Total GMV	20,429	17,979	21,558	23,457	27,965	24,454	26,678	29,435	36,195	32,173	33,209	36,525	45,279	41,020	(9)	27
Annual unique transacting consumers (mn)																
Beauty	7.5	8.0	8.6	9.1	9.6	10.0	10.9	11.3	11.7	12.4	13.1	13.7	14.8	15.8	7	27
Fashion	1.6	1.8	2.0	2.1	2.4	2.5	2.6	2.8	2.9	3.0	3.1	3.0	3.1	3.2	5	7
GMV to revenue conversion																
Reported revenues (Rs mn)	10,984	9,733	11,484	12,308	14,628	13,017	14,218	15,070	17,888	16,680	17,461	18,747	22,672	20,618	(9)	24
Revenue: GMV (X)	54	54	53	52	52	53	53	51	49	52	53	51	50	50		

Source: Company, Kotak Institutional Equities

BPC's contribution margin witnesses yoy expansion

Gross margin of 44.1% was 20 bps ahead of KIE estimate of 43.9%. Overall, EBITDA grew 43% yoy and was in line with estimates. EBITDA margin print came in at 6.5% (up 90 bps yoy and 20 bps ahead of KIE estimates).

Segmentally:

- ▶ BPC's CM came in at 21.3% (as % of revenue) and expanded 120 bps yoy and 190 bps sequentially. Gross profit as a percentage of NSV was at 44.4%, up 180 bps yoy. Nykaa also witnessed higher marketing spends, which increased 40 bps yoy, driven by accelerated new customer acquisition and investment in brand awareness and category building. However, higher gross margins and cost leverage on other line items drove the yoy CM expansion.
- ▶ Fashion's CM contracted sharply yoy to 5.6% (versus 14.5% in 3QFY25 and 14.4% in 4QFY24).

Exhibit 4: Key quarterly expenses of Nykaa, March fiscal year-ends (% of revenues)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Gross margin	46.3	43.7	44.4	45.3	43.4	44.2	43.5	43.1	42.5	42.6	43.3	43.8	43.7	44.1
Employee benefit costs	10.6	9.3	10.0	9.9	8.7	9.8	9.7	9.0	8.3	8.5	8.9	8.6	7.7	8.4
Advertising spends	14.0	12.0	12.3	10.9	11.2	11.0	11.2	11.2	12.2	11.5	11.6	12.6	13.3	11.8
Fulfillment costs	10.6	9.8	11.3	11.8	8.8	9.9	9.5	9.7	9.6	9.3	9.5	9.3	9.2	9.3
Selling and distribution costs	3.2	4.1	1.7	2.4	4.2	2.1	2.3	2.3	2.4	2.7	2.7	2.6	2.6	3.0
Other expenses	1.7	4.6	5.1	5.3	5.0	6.0	5.6	5.5	4.6	5.0	5.1	5.1	4.6	5.1
EBITDA margin	6.3	4.0	4.0	5.0	5.3	5.4	5.2	5.4	5.5	5.6	5.5	5.5	6.2	6.5

Source: Company, Kotak Institutional Equities

BPC's CM expanded by a solid 120 bps yoy; Fashion's CM contracted by 880 bps yoy

Exhibit 5: Segment-wise contribution margin of Nykaa, March fiscal year-ends (% of revenues)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Change (%)	
													yoy	qoq
Revenues														
BPC	10,161	10,825	12,634	11,200	12,984	13,695	16,227	15,193	15,935	17,029	20,601	18,950	25	(8)
Fashion	1,007	1,016	1,275	1,050	1,225	1,365	1,640	1,454	1,486	1,661	1,990	1,610	11	(19)
Others	316	467	719	768	10	10	21	33	40	57	81	58	75	(29)
Total	11,484	12,308	14,628	13,018	14,219	15,070	17,888	16,680	17,461	18,747	22,672	20,618	24	(9)
Contribution														
BPC	2,322	2,610	2,984	2,881	2,853	2,920	3,122	3,057	3,230	3,439	3,998	4,040	32	1
Fashion	54	39	18	49	89	121	200	209	249	256	288	90	(57)	(69)
Others	(96)	(161)	(99)	(126)	(2)	2	9	(16)	1	—	10	—		
Total	2,280	2,488	2,903	2,804	2,940	3,043	3,331	3,250	3,480	3,695	4,296	4,130	27	(4)
Contribution margin (%)														
BPC	22.9	24.1	23.6	25.7	22.0	21.3	19.2	20.1	20.3	20.2	19.4	21.3	119 bps	191 bps
Fashion	5.4	3.8	1.4	4.7	7.3	8.9	12.2	14.4	16.8	15.4	14.5	5.6	-879 bps	-889 bps
Others	(30.4)	(34.5)	(13.8)	(16.4)	(20.0)	20.0	42.9	(48.5)	2.5	—	12.3	—		
Total	19.9	20.2	19.8	21.5	20.7	20.2	18.6	19.5	19.9	19.7	18.9	20.0	54 bps	108 bps
EBITDA														
BPC					1,053	1,108	1,232	1,263	1,255	1,344	1,653	1,680	33	2
Fashion					(295)	(291)	(212)	(218)	(226)	(244)	(178)	(290)		
Others					(23)	(10)	(32)	(113)	(68)	(63)	(67)	(57)		
Total					735	806	988	933	961	1,037	1,408	1,334		
EBITDA margin (%)														
BPC					8.1	8.1	7.6	8.3	7.9	7.9	8.0	8.9	55 bps	84 bps
Fashion					(24.1)	(21.3)	(12.9)	(15.0)	(15.2)	(14.7)	(8.9)	(18.0)	-302 bps	-907 bps
Others					(233.4)	(100.0)	(153.6)	(342.4)	(169.5)	(111.2)	(82.9)	(98.1)	24433 bps	-1523 bps
Total					5.2	5.4	5.5	5.6	5.5	5.5	6.2	6.5		
Reported EBITDA	461	611	782	707	735	806	988	933	961	1,037	1,408	1,334	43	(5)
EBITDA margin (%)	4.0	5.0	5.3	5.4	5.2	5.4	5.5	5.6	5.5	5.5	6.2	6.5		
Implied fixed costs	1,819	1,877	2,121	2,097	2,205	2,237	2,343	2,317	2,519	2,658	2,888	2,797	21	(3)
Fixed costs (as % of revenue)	15.8	15.2	14.5	16.1	15.5	14.8	13.1	13.9	14.4	14.2	12.7	13.6		

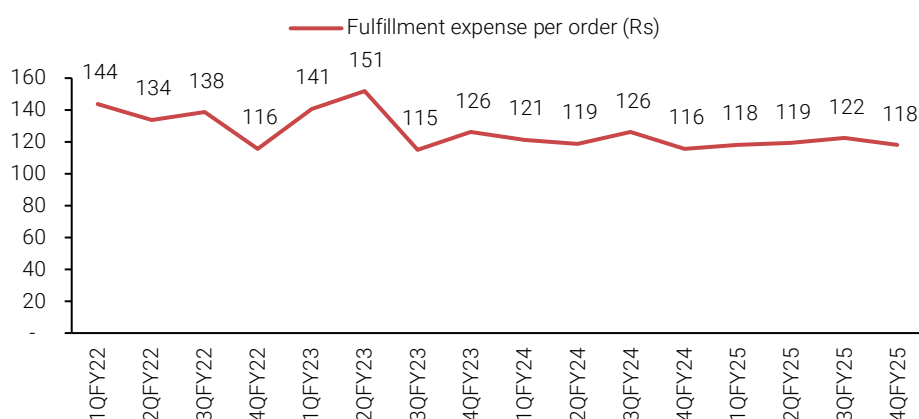
Notes:

(a) All percentages above are computed with segment revenue as the base.

(b) Figures 1QFY24 onward include B2B in the BPC segment and hence are not comparable with past periods.

Source: Company, Kotak Institutional Equities

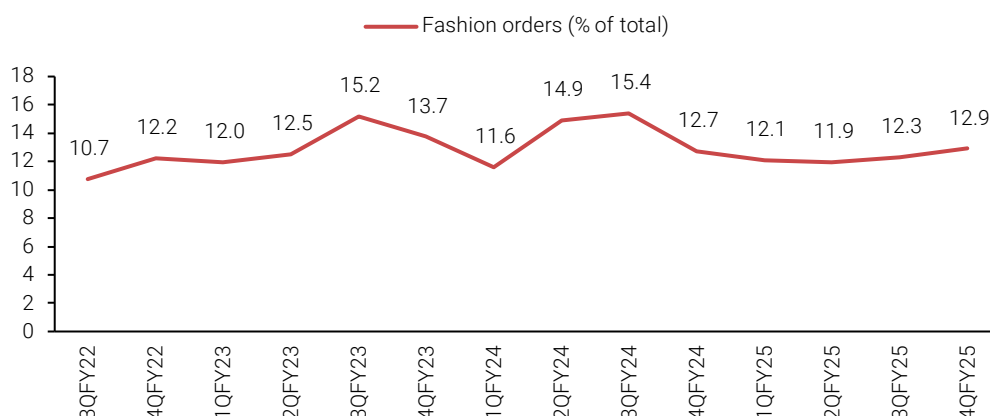
Exhibit 6: Unit fulfillment cost of Nykaa, March fiscal year-ends (Rs)



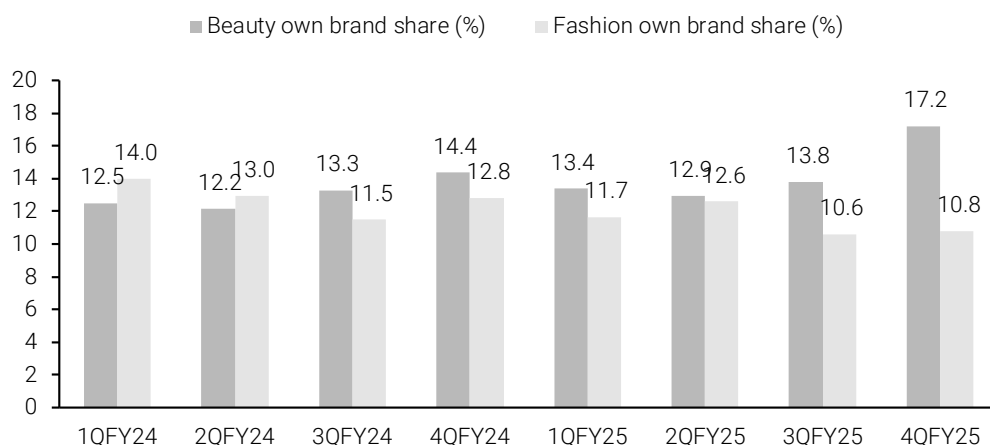
Notes:

(a) Total order count calculation excludes 'Others' business order count from 1QFY23. Hence, it is the sum of BPC and fashion segments' orders.

Source: Company, Kotak Institutional Equities

Mix of fashion in overall orders was ~13%**Exhibit 7: Proportion of fashion orders of Nykaa, March fiscal year-ends (%)**

Source: Company, Kotak Institutional Equities

Mix of private labels increased to ~14% for Nykaa**Exhibit 8: Proportion of private label of Nykaa, March fiscal year-ends, (%)**

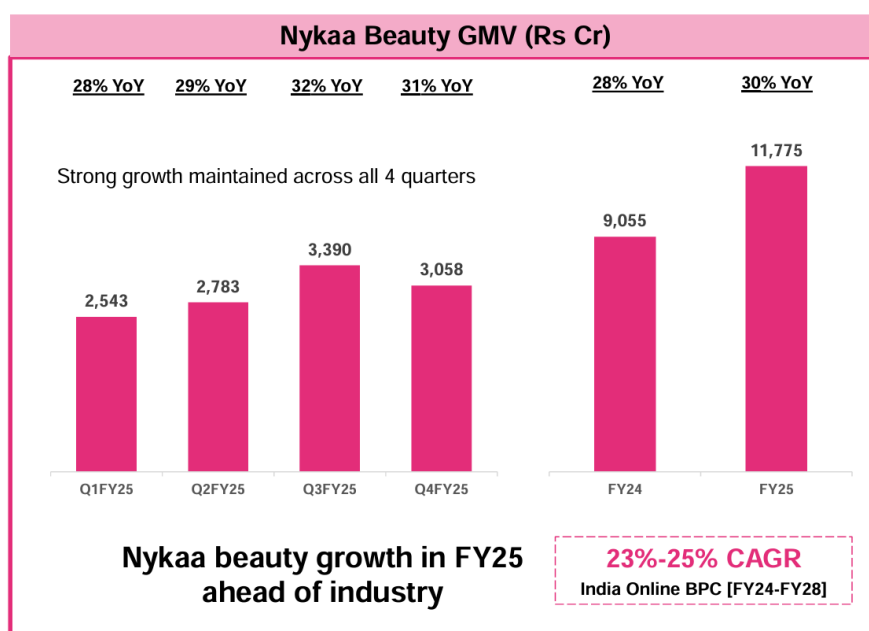
Source: Company, Kotak Institutional Equities

Key takeaways from earnings call

- ▶ **Management commentary.** GMV for the quarter grew at 27% yoy and revenue for the quarter grew at 24% yoy. Management noted 151 bps yoy expansion in GM to 44.1%. For FY2025, the company registered GMV growth of 25% and revenue growth of 24%. Management highlighted its 42 mn cumulative customer base, a 28% increase yoy. The company had US\$1.8 bn of GMV across its platforms, as of March 31, 2025. Nykaa had 8.6k+ brands on its platform (across both fashion and beauty), as of March 31, 2025.
 - Management noted its increased focus on customer acquisition, which is reflected in higher marketing expenses as a percentage of NSV.
- ▶ **Delivery.** Management is focused on improving consumers' experience through faster delivery. The company has launched Nykaa Now for express delivery in key metro cities. According to management, it has the largest assortment of products available under rapid delivery, which gives it an advantage over other QC platforms.

- ▶ **BPC segment.** The BPC segment of Nykaa reported 31% yoy growth in GMV and 25% yoy growth in revenue, driven by the increase in AUTC by 27% yoy to 15.8 mn. Management noted that the BPC segment has reported ~30% yoy growth in GMV in all four quarters of FY2025. Management also highlighted the launch of multiple luxury global brands in India exclusively through Nykaa. This includes brands such as Chanel, Nars, Kerastase and Armani.
- **Margin.** The beauty vertical consists of three different businesses—(1) The multi-brand omnichannel beauty business, (2) Nykaa's house of brands and (3) the eB2B business. Each of these three businesses has different margin profiles. The outlook for the margin profile is thus driven by the growth of the individual business. According to management, all three businesses are improving their margins, with the multi-brand omnichannel business having a higher margin than the other two, as it is a more mature business.
- **Offline retail.** Nykaa had 237 BPC stores across 79 cities, as of March 31, 2025. The company had a net addition of 50 stores in FY2025. The retail space was 250k sq. ft, as of March 31, 2025, a growth of 45% yoy. The retail network recorded SSSG of 15%. Management noted that two-thirds of the Nykaa physical store GMV comes from the premium brand.
- **Pink Love sale.** Nykaa's flagship quarterly sale in 4QFY25 reached 500 mn+ users and recorded 30 mn+ unique visitors.
- **Marketing.** The marketing expense was 9.3% of NSV in FY2025, an expansion from 8.6% of NSV in FY2024. Nykaa is reaching its consumers through its (1) Nykaa affiliate program, with 28k+ influencers, (2) Nykaa Play, its gamified in-app beauty experience, (3) social media presence across multiple channels and (4) initiatives such as NykaaLand.
- **Misc.** (1) Suncare is one of the top-3 searched categories on Nykaa. (2) According to management, a meaningful percentage of the customer base transacts on both online and offline channels in areas where both are available.

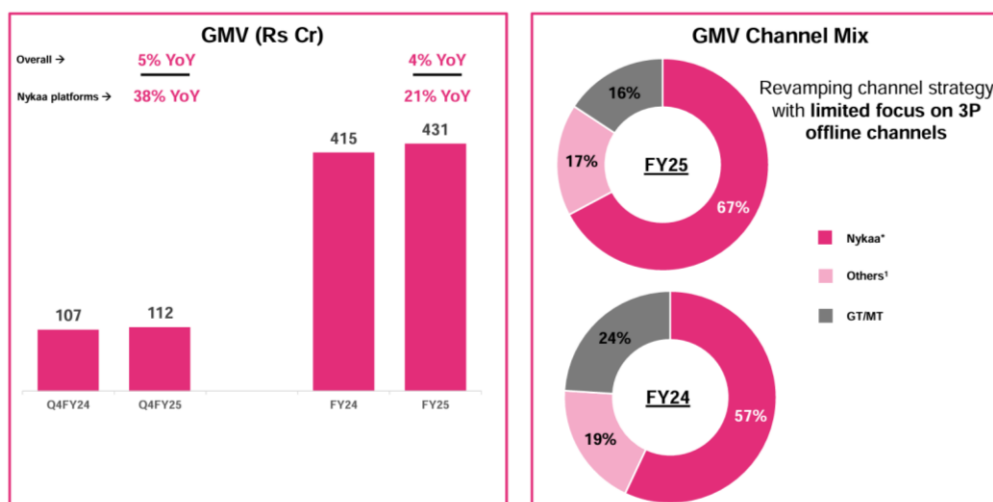
Exhibit 9: Snapshot of Nykaa Beauty's performance, March fiscal year-ends



Source: Company, Kotak Institutional Equities

- ▶ **Fashion segment.** Management noted improvement in growth in fashion in 4QFY25, with GMV growth for the quarter at 18% yoy. According to management, industry growth was much lower at ~10-11%. In FY2025, the fashion segment recorded 12% yoy GMV growth with an EBITDA margin (as % of NSV) improvement from (-)10.3% in FY2024 to (-)8.3% in FY2025. According to management, this was driven by gross margin expansion and shrinkage of leakages between GMV to net revenue. Management highlighted an increase in GM by 419 bps yoy and decline in fulfillment expenses by 136 bps yoy. Marketing expenses increased ~355 bps yoy, driven by investments in campaigns and customer acquisition.
 - Management believes that the online fashion industry remains underpenetrated in India. According to management, the growth in the fashion segment is driven by onboarding the right set of brands.
- ▶ **Private label.** The House of Nykaa has 12 brands in its portfolio and has crossed Rs21 bn in GMV in FY2025. The 12 brands are split across 7 brands in the beauty portfolio and 5 brands in the fashion portfolio. Management highlighted its optimism about its own brand strategy.
 - **Beauty.** The beauty house of brands has registered a 72% yoy growth in GMV in 4QFY25 and 55% yoy growth in GMV in FY2025. The three largest brands within the beauty portfolio are (1) Dot & Key, (2) Nykaa Cosmetics and (3) Kay Beauty. Management highlighted the strong performance of Dot & Key, which has scaled its NSV by 115% since acquisition. The brand has also reported an expansion in its EBITDA margin (as % of NSV) from 8% in FY2024 to 14% in FY2025.
 - **Fashion.** The fashion house of brands has registered a GMV growth of 5% yoy in 4QFY25 and 4% yoy in FY2025. The brands have reported higher growth on the Nykaa platform. The two largest brands within this portfolio are (2) Nykd by Nykaa and (2) Twentydresses by Nykaa. According to management, it is now revamping its channel strategy with a limited focus on 3P offline channels.

Exhibit 10: Snapshot of House of Nykaa, Fashion performance in 4QFY25



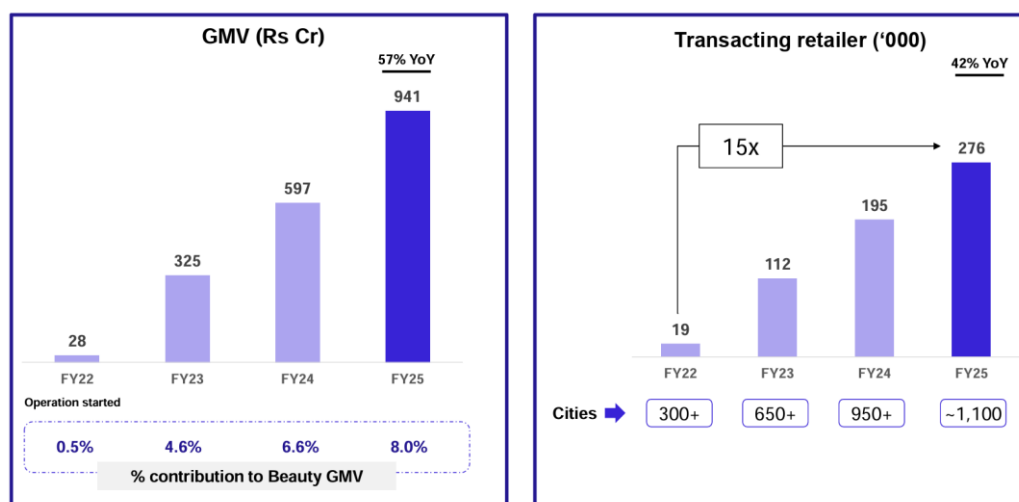
Note:

(a) Nykaa channel includes online and offline retail. The others channel primarily includes other online marketplaces.

Source: Company, Kotak Institutional Equities

- ▶ **eB2B category.** The eB2B GMV reported 57% yoy growth in GMV in FY2025 and contributed to ~8% of the total beauty GMV. The company now has ~276k transacting retailers and serves 1.1k+ cities. Gross margin improved 196 bps yoy in FY2025, driven by an increase in the share of private brands, premium brands and higher advertising income. The advertising income has increased 52% yoy in FY2025. Fulfillment costs decreased 125 bps yoy and S&D costs declined 158 bps yoy in FY2025. The share of House of Nykaa brands in GMV has increased 9X from 4QFY24 to 4QFY25.

Exhibit 11: Snapshot of eB2B growth, March fiscal year-ends



Source: Company, Kotak Institutional Equities

- **Balance sheet.** Management highlighted the decline in working capital days from 42 in FY2024 to 34 in FY2025. The RoCE increased from 7.5% in FY2024 to 11.3% in FY2025. The increase in capex in FY2025 was due to the net addition of 50 stores in the year.

Key changes to estimates

We trim our FY2026-27 EBITDA estimates by ~3-4%, as we assume higher losses in the Fashion business. This, coupled with higher interest and depreciation charges, drives a 10-13% reduction in FY2026-27 EPS estimates.

Exhibit 12: Key changes in estimates for Nykaa, March fiscal year-ends, 2025-28E (Rs mn)

	New estimates			Old estimates		% revision	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Total							
Revenue (Rs mn)	99,923	125,972	156,487	101,020	125,095	(1.1)	0.7
Revenue growth (%)	26	26	24	26	24		
Gross profit (Rs mn)	43,555	54,808	67,477	42,568	52,091	2.3	5.2
Gross margin (%)	43.6	43.5	43.1	42.1	41.6		
EBITDA (Rs mn)	7,812	11,242	16,130	8,034	11,760	(2.8)	(4.4)
EBITDA margin (%)	7.8	8.9	10.3	8.0	9.4		
PBT (Rs mn)	3,697	6,900	11,566	4,243	7,628	(12.9)	(9.5)
Net profit (Rs mn)	2,750	5,134	8,605	3,157	5,675	(12.9)	(9.5)
EPS (Rs)	1.0	1.8	3.0	1.1	2.0	(12.9)	(9.5)
EPS growth (%)	309	87	68	297	80		
BPC							
Revenue (Rs mn)	83,120	104,187	128,541	82,985	100,995	0.2	3.2
Revenue growth (%)	25	25	23	23	22		
Gross profit (Rs mn)	35,541	44,623	55,082	33,787	40,304	5.2	10.7
Gross margin (%)	42.8	42.8	42.9	40.7	39.9		
EBITDA (Rs mn)	9,973	12,580	16,470	9,942	12,636	0.3	(0.4)
EBITDA margin (%)	12.0	12.1	12.8	12.0	12.5		
Fashion							
Revenue (Rs mn)	8,042	9,637	11,140	9,283	11,831	(13.4)	(18.5)
Revenue growth (%)	19	20	16	30	27		
Gross profit (Rs mn)	1,465	1,756	2,030	2,135	2,721	(31.4)	(35.5)
Gross margin (%)	18.2	18.2	18.2	23.0	23.0		
EBITDA (Rs mn)	(451)	56	656	(220)	447	NM	NM
EBITDA margin (%)	(5.6)	0.6	5.9	(2.4)	3.8		
Others							
Revenue (Rs mn)	8,761	12,148	16,806	8,752	12,269	0.1	(1.0)
Revenue growth (%)	46	39	38	49	40		
Gross profit (Rs mn)	1,437	2,304	3,285	1,634	2,677	(12.0)	(13.9)
Gross margin (%)	16.4	19.0	19.5	18.7	21.8		
EBITDA (Rs mn)	(1,711)	(1,394)	(996)	(1,688)	(1,323)	NM	NM
EBITDA margin (%)	(19.5)	(11.5)	(5.9)	(19.3)	(10.8)		

Notes:

(a) BPC in the exhibit above refers to core B2C BPC; B2B is categorized within 'others'

Source: Kotak Institutional Equities estimates

We expect BPC segment to post EBITDA margin of 12.0% in FY2026E
Exhibit 13: Details of the assumptions for Nykaa, March fiscal year-ends, 2019-27E (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	CAGR (%) 2025-28E
BPC business											
Total BPC orders (mn)	11.0	17.0	17.1	26.5	34.8	41.7	54.5	68.9	85.7	104.9	24
GMV (Rs mn)	16,219	24,899	33,931	51,816	66,491	83,409	108,340	139,769	177,339	221,238	27
BPC revenues (Rs mn)	11,110	17,309	22,999	34,485	44,820	54,493	66,754	83,120	104,187	128,541	24
EBITDA (Rs mn)	214	1,019	1,909	2,788	5,077	6,148	7,658	9,973	12,580	16,470	29
EBITDA margin (%)	1.9	5.9	8.3	8.1	11.3	11.3	11.5	12.0	12.1	12.8	
Fashion business											
Fashion orders (mn)	0.4	1.1	2.4	3.4	4.8	7.0	7.6	8.8	10.1	11.2	14
GMV (Rs mn)	-	1,764	6,574	17,516	25,696	33,854	38,040	48,283	57,532	65,771	20
Fashion revenues (Rs mn)	-	366	1,416	3,254	4,348	5,683	6,750	8,042	9,637	11,140	18
EBITDA (Rs mn)	-	(211)	(294)	(704)	(1,126)	(1,017)	(930)	(451)	56	656	
EBITDA margin (%)		(57.6)	(20.8)	(21.6)	(25.9)	(17.9)	(13.8)	(5.6)	0.6	5.9	
New business											
GMV (Rs mn)				1,727	5,245	6,040	9,660	13,799	18,847	25,710	39
New business revenues (Rs mn)				566	2,270	3,680	5,996	8,761	12,148	16,806	41
EBITDA (Rs mn)				(473)	(1,390)	(1,668)	(1,989)	(1,711)	(1,394)	(996)	
EBITDA margin (%)				(83.5)	(61.2)	(45.3)	(33.2)	(19.5)	(11.5)	(5.9)	
Total											
GMV (Rs mn)	16,501	26,849	40,460	69,332	97,432	124,461	156,040	201,850	253,718	312,718	26
Revenues (Rs mn)	11,114	17,675	24,409	37,739	51,438	63,856	79,498	99,923	125,972	156,487	25
EBITDA (Rs mn)	205	811	1,567	1,633	2,560	3,462	4,739	7,812	11,242	16,130	50
EBITDA margin (%)	1.8	4.6	6.4	4.3	5.0	5.4	6.0	7.8	8.9	10.3	

Notes:

(a) Nykaa has not disclosed segmental EBITDA for FY2023. Figures in the exhibit above are thus our estimates. We show core BPC separately and B2B for our forecasts is a part of others. This classification is different from Nykaa's reporting.

Source: Company, Kotak Institutional Equities estimates

We model revenue CAGR of ~25% over FY2025-28E
Exhibit 14: Consolidated financial snapshot of Nykaa, March fiscal year-ends, 2019-28E (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model										
Revenue from operations	11,114	17,675	24,409	37,739	51,438	63,856	79,498	99,923	125,972	156,487
Gross profit	4,511	7,533	9,483	16,439	22,781	27,392	34,772	43,555	54,808	67,477
Gross profit margin (%)	41	43	39	44	44	43	44	44	44	43
EBITDA	205	811	1,567	1,633	2,560	3,462	4,739	7,812	11,242	16,130
Depreciation and amortisation expense	(309)	(595)	(716)	(964)	(1,733)	(2,242)	(2,664)	(3,000)	(3,314)	(3,657)
EBIT	(104)	215	851	668	828	1,219	2,075	4,811	7,928	12,473
Other income	50	103	118	270	302	299	273	204	210	216
Finance costs	(263)	(443)	(307)	(465)	(746)	(828)	(1,073)	(1,319)	(1,238)	(1,124)
Profit before tax	(317)	(124)	661	473	384	690	1,274	3,697	6,900	11,566
Taxation	72	(39)	(45)	(60)	(136)	(253)	(538)	(946)	(1,766)	(2,961)
Profit after tax	(245)	(163)	617	413	248	437	737	2,750	5,134	8,605
Reported PAT	(245)	(163)	616	411	193	323	672	2,750	5,134	8,605
Diluted EPS (Rs/share)	(0.1)	(0.1)	0.2	0.1	0.1	0.1	0.2	1.0	1.8	3.0
Weighted average number of shares - diluted (mn)	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875	2,875
Balance sheet										
Shareholder's funds	2,306	3,222	4,899	13,399	13,780	12,622	13,013	15,763	20,897	29,502
Minority interest	5	7	8	56	141	188	414	414	414	414
Total borrowings	2,256	2,675	1,875	3,330	4,604	6,804	9,614	8,512	6,512	4,512
Lease liabilities	848	1,450	1,452	2,596	3,381	2,891	3,592	3,869	4,228	4,622
Total sources of funds	5,414	7,354	8,234	19,381	21,906	22,505	26,633	28,558	32,050	39,050
Fixed assets (tangible/intangible)	535	829	916	1,884	3,258	3,462	4,075	4,507	4,566	4,545
Capital work-in-progress	3	20	24	245	309	298	367	367	367	367
Cash and bank balances	119	1,756	2,477	7,045	3,088	2,645	2,172	224	(723)	1,254
Goodwill	1	1	5	475	611	611	975	975	975	975
RoU assets	859	1,440	1,389	2,473	3,119	2,609	3,299	3,587	3,945	4,340
Investments	1,383	38	13	-	381	343	2	2	2	2
Net working capital (ex-cash)	1,901	2,652	2,543	5,968	9,050	9,392	12,525	15,677	19,698	24,348
Deferred tax assets (net)	612	617	866	1,291	2,090	3,147	3,219	3,219	3,219	3,219
Total usage of funds	5,414	7,354	8,234	19,381	21,906	22,505	26,633	28,558	32,050	39,050
Cash flow										
Operating cash flow before working capital changes	277	771	1,522	1,572	2,425	3,208	4,202	6,865	9,476	13,169
Working capital changes	(1,284)	(786)	(392)	(4,649)	(3,290)	(2,513)	211	(3,152)	(4,021)	(4,650)
Net finance cost/ income	(214)	(340)	(189)	(195)	(444)	(529)	(801)	(1,115)	(1,028)	(907)
Cash flow from operations	(1,220)	(354)	940	(3,272)	(1,310)	167	3,612	2,598	4,427	7,612
Capital expenditure+acquisitions	(350)	(457)	(437)	(1,453)	(2,784)	(1,107)	(1,073)	(2,006)	(1,792)	(1,896)
Free cash flow	(1,570)	(811)	503	(4,726)	(4,094)	(941)	2,539	592	2,635	5,716
Key ratios/metrics										
Yoy revenue growth (%)		59	38	55	36	24	24	26	26	24
EBITDA margin (%)	1.8	4.6	6.4	4.3	5.0	5.4	6.0	7.8	8.9	10.3
RoAE (%)		(6)	15	4	1	2	5	19	28	34
RoACE (%)		5	13	5	3	4	6	15	23	30

Source: Company, Kotak Institutional Equities estimates

Sun TV Network (SUNTV)

Media

REDUCE

CMP(₹): 630

Fair Value(₹): 650

 Sector View: **Neutral**

NIFTY-50: 24,751

May 31, 2025

In a tough spot

Sun TV's ad revenues declined ~7% yoy due to a slowdown in FMCG ad spending and a busy sports calendar. Sun TV's ad spends declined 5.5% and core EBITDA fell 24.5% (partly impacted by the new Hindi GEC) in FY2025. We raise estimates by 2-4% (primarily led by other income) and revise FV to Rs650. Maintain REDUCE, on account of rising structural risks (TV-to-digital shift, shift to sports within TV and market share loss to the leader).

4QFY25: Core business EBITDA declines 20%

Sun TV's ad revenues declined ~7% yoy to Rs3.1 bn (~2% beat), compared to Zee's 27% decline (on a high base) in 4Q; ad revenues were impacted by subdued FMCG ad spending and a busy sports calendar. In FY2025, Sun/Zee's ad revenues decreased 5.5%/11.5%. Domestic subscription revenues declined 0.8% yoy to Rs4.3 bn (~1.2% miss) versus Zee's +4.5% yoy. Sports (IPL + SA20) revenues grew 6% yoy to Rs1.5 bn (~5.8% beat). Direct costs and SG&A expenses were up ~17.7% yoy to Rs3 bn, likely due to the new Hindi GEC. Consequently, EBITDA of the core TV business (excluding cricket) was down ~20% yoy to Rs3.1 bn (~0.8% beat). Other income was up sharply by 74%/69% yoy/qoq to Rs2.3 bn (KIE: Rs1.4 bn) due to certain provision reversals, interest income on customs claims and MTM gains on investments. This magnified the beat at the PBT level, which was up 0.8% yoy to Rs5.4 bn. PAT declined 9.2% yoy to Rs3.6 bn due to Rs735 mn impairment on investment in JV (South Asia FM).

FY2025 round-up. (1) ad/domestic subscription revenues were (-)5.5%/+1% yoy to Rs13 bn/Rs17.2 bn, (2) other revenues declined 62% yoy to Rs1.1 bn due to a high base (Jailer), (3) sports revenues/EBITDA declined 2.6%/12.2% to Rs6.42 bn/Rs2.9 bn, mainly due to the differences in the timing of IPL, (4) core business EBITDA declined 24.5% yoy to Rs14 bn and margin contracted by 995 bps yoy to 43.5%, (5) recurring EPS declined by 7.8% to Rs43.9 and (6) dividend stood at Rs15 in FY2025 versus Rs16.75 in FY2024.

We do not expect a recovery in Sun TV's linear ad spends in the near term

We believe that the TV-to-digital shift is a structural headwind, and even within linear TV, ad budgets are shifting to sports (dominated by the leader). In our view, Sun should consider a demerger of cricket franchisees into a separately listed entity to unlock value. It would enable (1) building a much larger sports business under this entity and (2) improving core business valuation, supported by a higher dividend yield. Sun's net cash stood at Rs83.5 bn (March 2025), versus Rs70.2 bn (March 2024). Management should increase the distribution of surplus cash through dividends or other tax-efficient approaches, especially as the business does not have any major capital requirements.

We raise EPS by 2-4%, roll over and revise FV to Rs650 (Rs660 earlier)

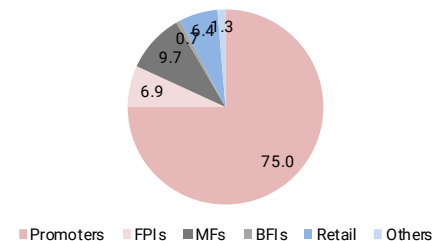
We raise EPS by 2-4%, primarily due to higher other income. We revise our SoTP-based FV to Rs650: (1) core business: ~Rs75 bn (Rs190/share) at 7X Jun-27E EPS (unchanged), (2) IPL: ~Rs82 bn (Rs208/share) versus Rs90 bn earlier, and (3) cash: Rs99 bn (Rs251/share; Jun-26E). Maintain REDUCE.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	630/650/REDUCE
52-week range (Rs) (high-low)	922-506
Mcap (bn) (Rs/US\$)	248/2.9
ADTV-3M (mn) (Rs/US\$)	154/1.8

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	1	12	(6)
Rel. to Nifty	(0)	0	(16)
Rel. to MSCI India	(1)	(2)	(14)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	44.3	45.1	48.0
EPS growth (%)	(9.3)	1.8	6.5
P/E (X)	14.2	14.0	13.1
P/B (X)	2.1	1.9	1.8
EV/EBITDA (X)	10.6	9.1	8.0
RoE (%)	15.7	14.5	14.1
Div. yield (%)	2.4	2.5	2.7
Sales (Rs bn)	40	44	45
EBITDA (Rs bn)	17	19	20
Net profits (Rs bn)	17	18	19

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

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Umang Mehta

Jaykumar Doshi

Eesha Mohanty

Praneeth Reddy

Exhibit 1: Interim standalone financials of Sun TV Network (Rs mn)

					% chg.					
	4QFY25	4QFY25	4QFY24	3QFY25	KIE	yoy	qoq	FY2025	FY2024	% chg.
Total revenues	9,090	9,005	9,271	7,936	0.9	(2.0)	14.5	38,790	41,485	(6.5)
Ad revenues (incl slot sales)	3,070	3,010	3,300	3,322	2.0	(7.0)	(7.6)	12,984	13,734	(5.5)
Domestic subscription rev	4,276	4,326	4,310	4,345	(1.2)	(0.8)	(1.6)	17,246	17,071	1.0
International subscription rev	260	252	260	230	3.0	0.0	13.0	980	1,040	(5.8)
IPL + SA20 revenues	1,447	1,368	1,364	1	5.8	6.1	na	6,420	6,590	(2.6)
Others (incl. Sun Pictures)	37	48	38	38	(22.5)	(0.5)	(1.6)	1,159	3,049	(62.0)
Total expenditure	(5,947)	(5,820)	(5,222)	(4,704)	2.2	13.9	26.4	(23,063)	(20,774)	11.0
Direct costs (programming)	(2,183)	(2,267)	(1,843)	(2,185)	(3.7)	18.4	(0.1)	(8,529)	(7,118)	19.8
Employee costs	(724)	(740)	(711)	(727)	(2.2)	1.9	(0.4)	(2,908)	(2,840)	2.4
SG&A expenses	(792)	(707)	(684)	(692)	12.0	15.9	14.6	(2,898)	(2,401)	20.7
IPL + SA20 expenses	(1,122)	(995)	(948)	(11)	12.8	18.4	na	(3,510)	(3,276)	7.2
Depreciation expense	(330)	(312)	(310)	(310)	5.8	6.5	6.5	(1,270)	(1,255)	1.2
Movie amortization	(795)	(798)	(726)	(779)	(0.4)	9.5	2.0	(3,947)	(3,885)	1.6
EBIT	3,144	3,185	4,050	3,232	(1.3)	(22.4)	(2.7)	15,727	20,711	(24.1)
EBIT margin (%)	34.6	35.4	43.7	40.7	-79 bps	-910 bps	-615 bps	40.5	49.9	-938 bps
Other income	2,269	1,404	1,301	1,341	61.6	74.3	69.2	6,652	4,821	38.0
Interest expense	(26)	(28)	(8)	(27)	(7.6)	233.8	(3.7)	(98)	(46)	113.8
PBT	5,386	4,561	5,343	4,546	18.1	0.8	18.5	22,281	25,486	(12.6)
Extraordinaries	(735)	—	—	—	—	—	—	(735)	—	—
Tax provision	(1,029)	(1,307)	(1,355)	(1,074)	(21.3)	(24.1)	(4.2)	(5,000)	(6,734)	(25.8)
Minority interest	—	—	—	—	—	—	—	—	—	—
Reported PAT	3,622	3,254	3,988	3,472	11.3	(9.2)	4.3	16,546	18,753	(11.8)
Adjusted PAT	4,357	3,254	3,988	3,472	33.9	9.3	25.5	17,281	18,753	(7.8)
EPS (Rs/share)	11.1	8.3	10.1	8.8	33.9	9.3	25.5	43.9	47.6	(7.8)
Tax rate (%)	19.1	28.7	25.4	23.6	—	—	—	23.2	26.4	—
Core business financials (excluding IPL and SA20)										
Revenues	7,643	7,637	7,908	7,935	0.1	(3.3)	(3.7)	32,370	34,894	(7.2)
Adjusted EBITDA (a)	3,148	3,124	3,943	3,552	0.8	(20.2)	(11.4)	14,088	18,652	(24.5)
EBITDA margin (%)	41.2	40.9	49.9	44.8	29 bps	-868 bps	-357 bps	43.5	53.5	-993 bps
IPL + SA20 franchise										
Revenues	1,447	1,368	1,364	1	—	—	—	6,420	6,590	(2.6)
Operating costs	(1,122)	(995)	(948)	(11)	—	—	—	(3,510)	(3,276)	7.2
Operating profit	325	373	416	(10)	—	—	—	2,909	3,314	(12.2)

Notes:

(a) EBITDA of core business (excludes IPL) after deducting amortization costs associated with movies.

(b) Core business and IPL franchise are in standalone financials. Radio business is in subsidiary and JV.

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Sun TV: Estimate revision, March fiscal year-ends (Rs mn)

	Revised		Previous		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Advertising revenues (incl. slot sale)	13,112	13,628	13,572	14,107	(3.4)	(3.4)
Domestic subscription revenues	17,936	18,653	17,749	18,459	1.1	1.1
Overseas subscription revenues	980	980	972	972	0.8	0.8
Radio revenues	1,405	1,475	1,531	1,638	(8.2)	(10.0)
Sun Pictures (movie production)	4,020	3,000	3,000	3,000	34.0	—
Other operating revenues (incl IPL)	6,915	7,119	6,744	6,943	2.5	2.5
Total revenues	44,368	44,856	43,569	45,120	1.8	(0.6)
Direct expenses	9,426	9,923	9,349	9,857	0.8	0.7
Employee expenses	3,443	3,628	3,460	3,646	(0.5)	(0.5)
SG&A expenses	6,667	7,016	6,735	7,090	(1.0)	(1.0)
D&A expenses (incl movie amortization)	7,345	5,645	5,629	5,629	30.5	0.3
Total expenditure	26,881	26,213	25,173	26,223	6.8	(0.0)
EBIT	17,487	18,643	18,396	18,897	(4.9)	(1.3)
EBIT margin (%)	39.4	41.6	42.2	41.9		
PAT	17,772	18,925	17,318	18,233	2.6	3.8
EPS (Rs/share)	45.1	48.0	43.9	46.3	2.6	3.8
Key assumptions						
Ad revenue (incl slot sale) growth (%)	1.0	3.9	3.9	3.9		
Domestic subs revenue growth (%)	4.0	4.0	4.0	4.0		
IPL operating profit / (loss)	3,080	3,172	2,979	3,032	3.4	4.6

Source: Company, Kotak Institutional Equities estimates

Exhibit 3: Sun TV: sum-of-the-parts (SoTP) valuation model, March fiscal year-ends (Rs mn)

Segment	Metric	Multiple (x)	Per share value (Rs)	% of total value
Media business	P/E	7	190	29
IPL	P/E	34	208	32
Cash balance (June 2026)			251	39
Total Equity Value			650	
Implied consol P/E (X)			13.4	
Consolidated EPS (June 2027)			48.7	

Source: Company, Kotak Institutional Equities estimates

Exhibit 4: Sun TV: Break-up of EBITDA and EPS, March fiscal year-ends (Rs mn)

	2023	2024	2025	2026E	2027E	2028E
Break-up of EBITDA (post movie amortization expense)						
Core media business (TV+Radio)	19,695	19,054	14,346	15,727	16,792	17,198
IPL + SA20 Franchise	823	3,314	2,910	3,080	3,172	3,229
Total	20,518	22,368	17,255	18,807	19,964	20,427
Break-up of EPS (Rs/share)						
Core media business (TV+Radio)	34.6	32.9	25.5	26.7	28.7	29.4
IPL + SA20 Franchise	1.6	6.3	5.5	5.9	6.0	6.1
Post-tax other income	7.2	9.6	13.3	12.5	13.3	15.0
Total	43.3	48.8	44.3	45.1	48.0	50.5

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: Consolidated financial summary of Sun TV Network, March fiscal year-ends, 2017-28E (Rs mn)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)												
Net sales	26,457	29,630	37,825	35,199	31,769	35,848	37,721	42,821	40,151	44,368	44,856	46,423
EBIT	13,694	15,507	19,439	15,952	16,675	19,814	19,070	21,064	15,935	17,487	18,643	19,107
Other income	1,538	1,423	2,271	2,607	3,068	2,560	3,771	5,050	6,975	6,589	6,992	7,874
Interest (expense)/income	(10)	(11)	(17)	(128)	(269)	(333)	(94)	(86)	(134)	(134)	(134)	(134)
Pretax profits	15,222	16,919	21,693	18,431	19,474	22,041	22,746	26,028	22,776	23,942	25,502	26,847
Tax-cash	(5,203)	(5,822)	(7,511)	(4,340)	(4,158)	(5,535)	(5,713)	(6,873)	(5,133)	(6,105)	(6,503)	(6,846)
Tax-deferred	—	—	—	—	—	—	—	—	—	—	—	—
Minority interest	288	224	137	(45)	(66)	(89)	30	95	(56)	(65)	(74)	(85)
Net profits after minority interests	10,307	11,320	14,320	14,004	15,250	16,418	17,064	19,251	17,458	17,772	18,925	19,915
Earnings per share (Rs)	26.2	28.7	36.3	35.5	38.7	41.7	43.3	48.8	44.3	45.1	48.0	50.5
Balance sheet (Rs mn)												
Total equity	40,285	46,121	55,265	57,241	70,537	81,552	92,716	105,360	116,473	127,940	140,165	152,987
Deferred Tax	521	763	1,056	851	—	—	—	—	—	—	—	—
Total borrowings	—	—	—	—	—	—	—	—	—	—	—	—
Current liabilities	2,941	5,832	5,612	6,936	8,878	7,378	8,709	8,786	9,821	11,250	10,821	11,274
Total capital	43,782	52,756	61,977	65,076	79,464	88,981	101,481	114,210	126,364	139,259	151,056	164,331
Cash	15,925	20,812	29,479	29,536	41,878	42,697	56,809	70,216	83,499	96,250	106,755	118,288
Current assets	11,519	15,632	16,788	19,944	23,065	22,544	22,327	21,393	20,960	23,789	24,775	26,222
Total fixed assets	7,841	7,763	7,088	7,255	7,532	15,009	10,728	9,967	11,260	7,440	6,620	5,800
Intangible assets	4,421	4,246	4,166	3,925	2,638	4,466	7,318	8,236	6,887	8,087	9,287	10,487
Total assets	43,782	52,756	61,977	65,076	79,464	88,981	101,481	114,210	126,364	139,259	151,056	164,331
Free cash flow (Rs mn)												
Operating cash flow, excl. WC	13,141	13,762	18,903	19,049	16,052	16,885	18,406	20,321	15,992	18,727	17,786	17,906
Working capital (WC)	(293)	(1,221)	(662)	(2,492)	(1,410)	(548)	2,550	1,392	638	(1,401)	(1,415)	(995)
Capital expenditure (incl movies)	(7,934)	(4,357)	(5,553)	(6,601)	(2,294)	(11,297)	(3,201)	(5,111)	(3,836)	(4,725)	(6,025)	(6,025)
Free cash flow	4,914	8,184	12,688	9,956	12,348	5,040	17,754	16,602	12,795	12,601	10,346	10,886
Key assumptions/metrics												
Ad revenue growth (%)	(3.7)	9.7	7.0	(8.3)	(27.2)	31.6	8.3	(4.3)	(4.5)	1.0	3.9	3.9
Subscription revenue growth (%)	16.5	17.3	14.6	15.1	7.8	(5.6)	(2.0)	5.4	0.5	3.8	3.8	3.8
EBIT margin (%)	51.8	52.3	51.4	45.3	52.5	55.3	50.6	49.2	39.7	39.4	41.6	41.2
Debt/equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt/equity	(39.5)	(45.1)	(53.3)	(51.6)	(59.4)	(52.4)	(61.3)	(66.6)	(71.7)	(75.2)	(76.2)	(77.3)
RoAE	27.0	25.8	27.8	24.5	23.7	21.6	19.6	19.4	15.7	14.5	14.1	13.6
RoACE	26.3	25.3	27.5	24.7	24.1	22.0	19.6	19.4	15.9	14.7	14.2	13.7

Source: Company, Kotak Institutional Equities estimates

Amara Raja Energy & Mobility (ARENM)

Automobiles & Components

SELL

CMP(₹): **1,031**

Fair Value(₹): **925**

Sector View: **Cautious**

NIFTY-50: **24,751**
May 31, 2025

Another weak quarter

Amara Raja's EBITDA came in at Rs3.4 bn ((-)16% yoy), 15% below our estimates due to higher fuel purchase costs levied by the AP government and RM headwinds. Standalone revenues increased 6% yoy, led by strong growth in the 2W and 4W aftermarket, 2W OEM and home UPS segments. While we expect the lead-acid business performance to remain steady in the medium term, there exists a terminal risk to the business as we expect the industry to shift toward the lithium battery business. Retain SELL, with an FV of Rs925.

4QFY25 EBITDA came in 15% below our estimates

Amara Raja reported its 4QFY25 standalone EBITDA at Rs3.4 bn ((-)16% yoy and (-)17% qoq), 15% below our estimates, owing to higher other expenses that included a fuel purchase cost adjustment levied by the AP government and RM headwinds, partly offset by better-than-expected staff costs. Standalone revenues increased 6% yoy (KIE: +8% yoy), led by (1) double-digit yoy growth in the automotive aftermarket 4W/2W and 2W OEM segments, (2) double-digit volume growth in the industrial segment and (3) low single-digit yoy growth in the 4W OEM segment, partly offset by a 10-15% yoy decline in the telecom and export segments. EBITDA margin came in at 11.5% ((-)310 bps yoy and (-)160 bps qoq), 190 bps below our estimates due to higher other expenses, led by a higher electricity cost. The gross margin declined 80 bps qoq in 4QFY25, owing to RM headwinds. Net profit came in at Rs1.7 bn ((-) 27% yoy and (-)28% qoq) in 4QFY25, 22% below our estimates due to a miss at the EBITDA level.

Building 9 GWhr of LiB sales for Amara Raja by FY2030E

We are building in sales of 4 GWhr in 2027E and 9 GWhr in 2030E for the LiB segment for Amara Raja, assuming 60-65% utilization of the announced 16 GWhr capacity by the company, as it indicated a delay in its projects. We value the LiB business at Rs134 per share at a 12X EV/EBIT multiple, which bakes in (1) 9 GWhr of sales in FY2030E and (2) an 8.5% EBIT margin, implying a post-tax RoCE of 9%, in line with global battery players. We believe it will be difficult for Amara Raja to achieve such high RoCEs on a sustainable basis at a substantially lower scale than global peers.

Cut our FY2026-27E EPS estimates by 7%; retain SELL

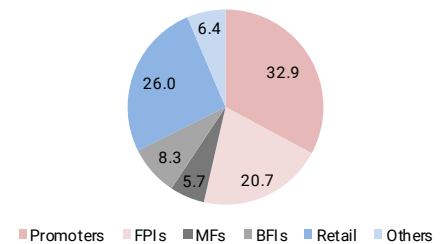
We have cut our FY2026-27E EPS estimates by 7% due to lower margin assumptions. While we expect the company's lead-acid business to remain steady over the medium term, there is a risk over the long term as the industry shifts toward the lithium battery business, especially in the telecom segment, where the competitive intensity is elevated. We also expect the return ratios of the consolidated business to remain inferior, owing to higher capex requirements and the B2B nature of the LiB business. Retain SELL with an FV of Rs925 (Rs950 earlier) based on 12X June 2027E EPS (from 12X March 2027E EPS) for the LAB business and 11.5X FY2030E EV/EBIT discounted back to March 2027E for the LiB business.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	1,031/925/SELL
52-week range (Rs) (high-low)	1,776-805
Mcap (bn) (Rs/US\$)	189/2.2
ADTV-3M (mn) (Rs/US\$)	744/8.7

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	6	5	(13)
Rel. to Nifty	4	(7)	(23)
Rel. to MSCI India	3	(8)	(21)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	52.7	58.0	65.5
EPS growth (%)	6.4	10.2	12.9
P/E (X)	19.6	17.8	15.7
P/B (X)	2.6	2.3	2.0
EV/EBITDA (X)	11.6	9.9	9.1
RoE (%)	13.6	13.5	13.6
Div. yield (%)	1.0	0.6	0.6
Sales (Rs bn)	124	135	147
EBITDA (Rs bn)	16	19	21
Net profits (Rs bn)	9.6	11	12

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

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Other key updates from the conference call

- ▶ In terms of segmental performance, the 4W aftermarket segment's volumes grew by high single digits yoy, whereas 4W OEM's growth was muted. The 2W aftermarket and OEM segment's volumes grew by consistent double digits yoy in 4QFY25. Export volume demand has softened in this quarter and the company expects it to pick up during the coming quarters. In the industrial segment, the home UPS segment and inverter battery volumes grew 15% yoy, offset by a 15% yoy decline in the telecom segment's volumes.
- ▶ In terms of market share, the company has a market share of around 35-36% in the automotive aftermarket segment.
- ▶ The new energy business, though flat yoy, showed promise with a 35% yoy revenue growth in 4QFY25, driven by EV battery packs and chargers. The company is ramping up its capabilities, with two-pack facilities and a customer qualification plant. A gigafactory is under construction, which is expected to commence by 2HFY27. The company is also expanding into battery energy storage systems (ESS) and home energy solutions with lithium-based products. Despite some teething issues in DC fast chargers, the segment is expected to grow with recent sizable orders.
- ▶ During the quarter, the company faced several one-off costs that compressed margins by 1.5% to 2%. These included higher material costs—especially antimony alloys, elevated power expenses due to regulatory delays in solar power settlements and increased trading revenue with lower margins. Additionally, the company made extra provisions for warranties and employee-related costs. These were non-recurring in nature and are expected to ease in the coming quarters.
- ▶ The company has commenced the operations of a lead acid recycling factory (phase I) by November 2024, with a capacity of 100k MT. The company plans to further expand the recycling capacity to 150k MT over the coming quarters. It expects the margin to improve by 100-150 bps, with the commissioning of the lead acid plant, depending on the efficiency of lead recovery.
- ▶ The company indicated that the trading revenues saliency will come down once it commences the tubular battery manufacturing in 1QFY26E and improves the EBITDA margins by 4-5% to 15-16% from the current 10% for traded products.
- ▶ **Capex:** The company has guided for a capex outlay in FY2026 that is expected to be similar to FY2025, where the total capex stood at ~Rs10 bn. Of this, around Rs4 bn was allocated to the lead-acid business, excluding the Rs4 bn spent on reinstating the tubular battery plant, while Rs3-4 bn was directed toward the new energy business. This included investments in the customer qualification plant, R&D lab and land development for the upcoming 2 GWh NMC battery manufacturing plant. For FY2026, the company anticipates a similar scale of investment, with the majority of the capex earmarked for the new energy segment. This will support the completion of three ongoing projects, including the LFP lithium-ion cell manufacturing infrastructure. Management also indicated that the first phase of the new energy business may require a total investment of Rs20-25 bn, which will be funded through internal accruals from the lead-acid business and some leverage at the holding company level. The company expects commercial production of NMC cells to commence by end-CY2026E (from FY2026E or by 1QFY27E earlier). It also expects the commercial production of LFP cells to start by end-CY2027E.
- ▶ The company emphasized that it continues to invest heavily in building long-term capabilities. Approximately Rs8.5 bn has been invested so far, with Rs3.5 bn spent in FY2025 alone. The business is currently focused on supplying battery packs for telecom, UPS and light electric mobility applications; Amara Raja remains the market leader in electric two- and three-wheeler battery packs.
- ▶ **Unit economics of LiB business:** The company highlighted that an overall capex of Rs95 bn for its 16 GWh cell manufacturing capacity roughly translates to an investment of US\$70/kWh. Assuming 1X asset turns for the LiB business and a scale of >8 GWh, with a capacity utilization of 85-90%, the company expects to report an EBITDA margin of 11-12%. Based on the above assumptions, EBITDA will work out to be US\$8.5/kWh and EBIT is likely to be around US\$5-5.5/kWh, translating to a 7-8% EBIT margin.

4QFY25 EBITDA was 15% below our estimates, owing to higher other expenses and weaker-than-expected gross margin print

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

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			FY2025	FY2024	Yoy (%)	FY2026E	FY2025	Yoy (%)
					4QFY25E	4QFY24	3QFY25						
Net sales	29,739	30,205	27,967	31,640	(1.5)	6.3	(6.0)	124,049	112,595	10.2	135,259	124,049	9.0
Raw materials	(20,132)	(20,162)	(18,314)	(21,164)	(0.1)	9.9	(4.9)	(84,071)	(75,759)	11.0	(91,273)	(84,071)	8.6
Staff costs	(1,801)	(1,900)	(1,629)	(1,912)	(5.2)	10.5	(5.8)	(7,468)	(6,836)	9.2	(7,916)	(7,468)	6.0
Other expenses	(4,383)	(4,100)	(3,947)	(4,406)	6.9	11.1	(0.5)	(16,220)	(13,941)	16.3	(17,235)	(16,220)	6.3
Total expenses	(26,316)	(26,162)	(23,890)	(27,482)	0.6	10.2	(4.2)	(107,758)	(96,536)	11.6	(116,424)	(107,758)	8.0
EBITDA	3,422	4,043	4,077	4,158	(15.4)	(16.1)	(17.7)	16,291	16,059	1.4	18,835	16,291	15.6
Depreciation	(1,284)	(1,238)	(1,210)	(1,233)	3.7	6.1	4.1	(4,921)	(4,730)	4.0	(5,244)	(4,921)	6.6
EBIT	2,138	2,805	2,867	2,925	(23.8)	(25.4)	(26.9)	11,370	11,330	0.4	13,591	11,370	19.5
Other income	200	258	283	293	(22.3)	(29.4)	(31.6)	933	1,013	9.3	967	933	3.6
Interest expense	(95)	(193)	(97)	(107)				(422)	(312)		(450)	(422)	6.5
Profit before tax	2,244	2,870	3,053	3,111	(21.8)	(26.5)	(27.9)	11,881	12,032	(1.3)	14,108	11,881	18.7
Exceptional income/(expense)	-	-	-	1,111				-	-		-	-	
Tax expense	(576)	(746)	(773)	(1,103)	(22.9)	(25.6)	(47.8)	(3,353)	(3,035)		(3,489)	(3,353)	3.9
Profit after tax	1,668	2,124	2,280	3,118	(21.5)	(26.8)	(46.5)	8,528	8,997	(5.2)	10,618	8,528	24.5
Adjusted PAT	1,668	2,124	2,280	2,285	(21.5)	(26.8)	(27.0)	8,528	8,997	(5.2)	10,618	8,528	24.5
EPS (Rs)	9.1	11.6	12.5	17.0	(21.5)	(26.8)	(46.5)	46.6	49.2	(5.2)	58.0	46.6	24.5
Adjusted EPS	9.1	11.6	12.5	12.5	(21.5)	(26.8)	(27.0)	46.6	49.2	(5.2)	58.0	46.6	24.5
As % of net revenues													
Raw material cost as % of net sales	67.7	66.8	65.5	66.9				67.8	67.3		67.5	67.8	
Gross margin	32.3	33.3	34.5	33.1				32.2	32.7		32.5	32.2	
Staff cost as % of net sales	6.1	6.3	5.8	6.0				6.0	6.1		5.9	6.0	
Other expenses as % of net sales	14.7	13.6	14.1	13.9				13.1	12.4		12.7	13.1	
No. of shares	183.0	183.0	183.0	183.0				183.0	183.0		183.0	183.0	
Tax rate (%)	25.7	26.0	25.3	26.1				28.2	25.2		24.7	28.2	
EBITDA margin (%)	11.5	13.4	14.6	13.1				13.1	14.3		13.9	13.1	
EBIT margin (%)	7.2	9.3	10.3	9.2				9.2	10.1		10.0	9.2	

Source: Company, Kotak Institutional Equities estimates

Gross margin declined 180-220 bps yoy due to commodity inflation

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	6.3
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	32.3
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	11.5
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
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 increased 1% qoq in 4QFY25
Exhibit 3: Quarterly LME lead prices, March fiscal-year ends, 1QFY16-4QFY25 (\$/ton, %)

	LME lead (US\$/ton)	USD:INR rate	LME lead (Rs/ton)	Qoq increase (%)
1QFY16	1,901	62.7	119,247	0.6
2QFY16	1,806	63.8	115,228	(3.4)
3QFY16	1,690	65.7	111,084	(3.6)
4QFY16	1,687	67.0	113,049	1.8
1QFY17	1,758	67.0	117,759	4.2
2QFY17	1,762	67.1	118,276	0.4
3QFY17	1,984	66.8	132,542	12.1
4QFY17	2,244	67.9	152,368	15.0
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	82.1	172,397	(1.6)
2QFY24	2,158	82.7	178,402	3.5
3QFY24	2,123	83.2	176,634	(1.0)
4QFY24	2,087	83.0	173,296	(1.9)
1QFY25	2,212	83.4	184,481	6.5
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 FY2026-27E EPS estimates by 7% due to lower 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
Amara Raja						
Net sales	135,259	147,013	136,355	148,228	(0.8)	(0.8)
EBITDA	18,835	20,876	19,744	21,739	(4.6)	(4.0)
Margin (%)	13.9	14.2	14.5	14.7		
Net Profit	10,468	11,537	11,282	12,445	(7.2)	(7.3)
EPS (Rs/share)	57.2	63.0	61.7	68.0	(7.2)	(7.3)

Source: Company, Kotak Institutional Equities estimates

We value the company's LiB business at Rs134 per share

Exhibit 5: Amara Raja Industries' lithium-ion battery business valuation and implied margins, March fiscal year-ends (Rs mn, %)

KIE estimates		
	2030E	Comments
Demand (GWhr)	9	
Realization (USD per kWhr)	100	Includes battery pack
USD:INR	95	
Net sales (Rs mn)	89,065	
EBIT margin (%)	8.5	
EBIT (Rs mn)	7,571	
Capex per GWhr (Rs mn)	5,000	
Overall capex (Rs mn)	47,000	
Working capital days (days)	60	
Working capital (Rs mn)	14,641	
Capital employed	61,641	
Post tax RoCE (%)	9.2	In-line with global battery busines players
EV/EBIT multiple	11.5	In-line with Exide Industries
Enterprise value (Rs mn)	87,061	
Net debt (Rs mn)	50,000	
Equity value (Rs mn)	37,061	As on FY2030E
Equity value as of December 2026E (Rs mn)	26,379	Discounted it back to March 2027E
Equity value per share	144	

Source: Company, Kotak Institutional Equities estimates

SoTP valuation of the company is Rs925 per share

Exhibit 6: SoTP valuation of ARE&M, March fiscal year-ends, 2027 (Rs mn, %)

	EPS (Rs)	Multiple (X)	Value per share (Rs)	Comment
Standalone EPS	65.1	12.0	781	Based on June 2027E EPS
EV business			144	Based on 11.5X 2030E EV/EBIT and discounted back to March 2027E
Fair value			925	

Source: Company, Kotak Institutional Equities estimates

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

Exhibit 7: Automotive sales volume breakdown of Amara Raja by segments, March fiscal year-ends, 2019-28E (mn units, %)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Volume sold (mn units)										
Four-wheeler OEM	2.6	2.1	2.0	2.3	2.7	2.9	3.1	3.3	3.5	3.7
Yoy chg (%)	12.0	(18.0)	(3.0)	13.0	18.0	8.0	5.0	6.0	6.0	6.0
Four-wheeler replacement	7	8	8	9	11	12	13	14	15	15
Yoy chg (%)	12.0	10.0	8.0	8.0	20.0	12.0	8.0	6.0	6.0	6.0
Total four-wheeler volumes	9.5	9.8	10.3	11.2	13.4	14.9	16.0	17.0	18.0	19.1
Yoy chg (%)	12.0	2.4	5.6	9.0	19.6	11.2	7.4	6.0	6.0	6.0
Two-wheeler OEM	3	3	3	3	3	4	4	4	5	5
Two-wheeler replacement	10	11	12	13	15	17	19	21	22	23
Yoy chg (%)	20.0	18.0	5.0	8.0	20.0	12.0	10.0	8.0	6.0	6.0
Total two-wheeler volumes	12.8	14.1	15.1	15.7	18.7	21.0	23.2	25.0	26.6	28.2
Yoy chg (%)	16.2	10.4	6.9	4.2	19.1	12.2	10.4	8.0	6.2	6.2
Total automotive volumes	22.3	23.9	25.4	26.9	32.1	35.9	39.2	42.0	44.6	47.3
Yoy chg (%)	14.4	7.0	6.4	6.2	19.3	11.8	9.1	7.2	6.1	6.1
Revenue break-up (Rs mn)										
Four-wheeler OEM	6,057	4,719	4,531	5,632	7,178	7,907	8,468	8,977	9,515	10,086
Four-wheeler replacement	22,777	25,055	27,059	32,146	42,433	48,475	53,400	57,736	62,424	67,493
Total four-wheeler	28,834	29,773	31,590	37,778	49,610	56,382	61,869	66,713	71,940	77,579
Two-wheeler OEM	1,860	1,537	1,750	1,733	2,192	2,527	2,886	3,117	3,336	3,569
Two-wheeler replacement	7,519	8,872	9,316	11,067	14,609	16,689	18,725	20,627	22,302	24,113
Total two-wheeler	9,379	10,410	11,066	12,800	16,801	19,216	21,611	23,745	25,638	27,682
Automotive	38,213	40,183	42,656	50,578	66,411	75,598	83,480	90,458	97,578	105,262
Yoy chg (%)	12.8	5.2	6.2	18.6	31.3	13.8	10.4	8.4	7.9	7.9

Source: Company, Kotak Institutional Equities estimates

We expect overall revenues to increase at CAGR of 9-10% over FY2025-28E, led by 9% CAGR volume growth in automotive segment

Exhibit 8: Revenue breakdown of ARE&M 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	6,057	4,719	4,531	5,632	7,178	7,907	8,468	8,977	9,515	10,086
Four-wheeler replacement	22,777	25,055	27,059	32,146	42,433	48,475	53,400	57,736	62,424	67,493
Two-wheeler OEM	1,860	1,537	1,750	1,733	2,192	2,527	2,886	3,117	3,336	3,569
Two-wheeler replacement	7,519	8,872	9,316	11,067	14,609	16,689	18,725	20,627	22,302	24,113
Automotive	38,213	40,183	42,656	50,578	66,411	75,598	83,480	90,458	97,578	105,262
Telecom	7,258	6,169	6,169	7,711	8,483	9,331	10,264	11,496	12,875	14,420
UPS	7,555	7,933	8,329	10,828	11,911	11,315	12,221	13,443	14,787	16,266
Railways and others	5,402	4,602	4,156	4,660	2,118	1,951	2,079	2,328	2,561	2,817
Traded batteries	1,703	1,759	1,759	2,287	2,859	3,288	3,551	3,835	4,141	4,473
Home UPS/E-rickshaw	6,960	7,099	7,809	10,152	11,248	10,123	11,338	12,472	13,719	15,091
Service and scrap revenue	841	650	618	741	867	997	1,117	1,228	1,351	1,486
Gross revenues	67,931	68,395	71,497	86,958	103,897	112,603	124,049	135,259	147,013	159,815
Revenue mix (%)										
Four-wheeler OEM	8.9	6.9	6.3	6.5	6.9	7.0	6.8	6.6	6.5	6.3
Four-wheeler replacement	33.5	36.6	37.8	37.0	40.8	43.0	43.0	42.7	42.5	42.2
Two-wheeler OEM	2.7	2.2	2.4	2.0	2.1	2.2	2.3	2.3	2.3	2.2
Two-wheeler replacement	11.1	13.0	13.0	12.7	14.1	14.8	15.1	15.3	15.2	15.1
Automotive	56.3	58.8	59.7	58.2	63.9	67.1	67.3	66.9	66.4	65.9
Telecom	10.7	9.0	8.6	8.9	8.2	8.3	8.3	8.5	8.8	9.0
UPS	11.1	11.6	11.6	12.5	11.5	10.0	9.9	9.9	10.1	10.2
Railways and others	8.0	6.7	5.8	5.4	2.0	1.7	1.7	1.7	1.7	1.8
Traded batteries	2.5	2.6	2.5	2.6	2.8	2.9	2.9	2.8	2.8	2.8
Home UPS/E-rickshaw	10.2	10.4	10.9	11.7	10.8	9.0	9.1	9.2	9.3	9.4
Service and scrap revenue	1.2	1.0	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.9
Gross 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 EPS to increase at CAGR of 13% over FY2025-28E, partly on account of a lower base

Exhibit 9: Financial summary of ARE&M 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	67,931	68,395	71,497	86,958	103,897	112,603	124,049	135,259	147,013	159,815
EBITDA	9,518	10,986	11,157	10,226	14,350	16,214	16,291	18,835	20,876	23,183
Other income	468	551	874	780	897	1,015	933	942	1,114	1,125
Interest	(70)	(122)	(105)	(151)	(296)	(332)	(422)	(450)	(450)	(450)
Depreciation	(2,612)	(3,007)	(3,192)	(3,957)	(4,504)	(4,787)	(4,921)	(5,244)	(5,733)	(6,115)
Profit before tax	7,304	8,407	8,733	6,898	10,447	12,110	11,881	14,083	15,807	17,743
Tax expense	(2,469)	(1,799)	(2,265)	(1,786)	(2,663)	(3,052)	(3,353)	(3,931)	(4,333)	(4,880)
Adjusted net profit	4,835	6,608	6,468	5,112	7,426	9,059	8,528	10,001	11,024	12,413
Earnings per share (Rs)	28.3	38.7	37.9	29.9	43.5	49.5	46.6	54.7	60.2	67.8
Balance sheet (Rs mn)										
Equity	33,353	36,556	42,103	45,514	60,056	67,687	73,783	82,784	92,705	103,877
Total borrowings	584	343	234	165	1,111	533	1,445	1,445	1,445	1,445
Deferred tax liability	959	441	407	313	1,036	885	732	732	732	732
Current liabilities	10,063	12,665	15,227	17,766	14,915	17,246	22,296	22,948	23,914	24,966
Total liabilities	44,959	50,006	57,971	63,759	77,118	86,351	98,256	107,909	118,796	131,020
Net fixed assets	21,275	24,778	28,540	33,220	34,945	34,440	38,908	40,664	39,431	37,815
Goodwill					4,280	4,280	4,280	4,280	4,280	4,280
Investments	205	1,562	2,805	778	4,860	14,791	19,979	25,979	37,979	49,979
Cash	718	845	1,758	536	998	1,045	1,653	772	(2,167)	(3,649)
Other current assets	22,762	22,822	24,867	29,226	32,035	31,796	33,436	36,213	39,273	42,595
Total assets	44,959	50,006	57,971	63,759	77,118	86,351	98,256	107,909	118,796	131,020
Free cash flow (Rs mn)										
Operating cash flow excl. working cap. changes	7,257	8,877	9,321	8,736	12,428	13,413	13,667	14,903	16,542	18,303
Working capital change	(1,843)	2,892	(1,301)	(2,406)	(2,866)	(272)	85	(2,126)	(2,094)	(2,269)
Net financial income	398	429	768	629	601	684	511	492	664	675
Cash flow from operations	5,812	12,198	8,789	6,958	10,163	13,825	14,263	13,270	15,113	16,709
Capital expenditure	(5,282)	(6,999)	(4,964)	(7,598)	(4,412)	(4,636)	(14,425)	(13,000)	(16,500)	(16,500)
Free cash flow	529	5,199	3,825	(639)	5,751	9,189	(162)	270	(1,387)	209
Ratios										
Gross margin (%)	31.6	35.0	33.6	29.6	32.6	33.1	32.2	32.5	32.4	32.2
EBITDA margin (%)	14.0	16.1	15.6	11.8	13.8	14.4	13.1	13.9	14.2	14.5
PAT margin (%)	7.1	9.7	9.0	5.9	7.1	8.0	6.9	7.4	7.5	7.8
Book value (Rs/share)	195	214	246	266	352	370	403	452	507	568
RoAE (%)	15.4	18.9	16.4	11.7	13.8	14.2	13.6	12.8	12.6	12.6
RoACE (%)	15.7	16.5	15.5	11.1	13.9	13.3	11.9	12.6	12.7	12.7

Source: Company, Kotak Institutional Equities estimates

Concord Biotech (CONCORDB)

Pharmaceuticals

ADD

CMP(₹): 1,749

Fair Value(₹): 1,875

Sector View: Neutral

NIFTY-50: 24,751

May 30, 2025

Back on track

Concord made up for a washed out 3QFY25 with a strong comeback, particularly in the API segment, in 4QFY25. While Concord did not call out its FY2026E guidance, it expects sales growth to gradually inch up to its earlier stated medium-term guidance of ~25% sales CAGR, led by new launches across APIs and formulations, market share ramp-up across key molecules, ramp-up in injectables sales in FY2027/28E, and increased visibility on CDMO. Even as quarterly lumpiness will continue, it is critical for the growth momentum to steadily accelerate to sustain current valuations. Aided by market share growth in existing molecules and recent capacity expansions after a few years of capacity constraints along with new launches, we expect Concord to report a ~22% EPS CAGR over FY2025-28E. Retain ADD.

Robust API growth drives strong outperformance in 4QFY25

Concord's 4QFY25 sales, at Rs4.3 bn (+35% yoy), beat our estimates by 18%, led by strong 37% yoy growth in external API sales (+24% versus KIE), owing to healthy demand across its portfolio and a pick-up in anti-infectives. EBITDA stood at Rs1.9 bn (+27% versus KIE), with a margin of 44.3% (+220 bps yoy). API sales (including captive sales) grew ~16% yoy in FY2025. With Concord already being present across immunosuppressant APIs (~75% of API sales), it continues to witness better traction across anti-infectives and oncology, and aims to reduce the immunosuppressant API sales contribution further by 5-10% over the medium term. Aided by the addition of new clients through deeper penetration into DMs and expansion across EMs and commercialization of new APIs (10+ pipeline products) across anti-infectives, anti-bacterial and oncology, we expect Concord to report ~18% API sales CAGR over FY2025-28E.

Medium-term drivers stay intact; we forecast 20% EBITDA CAGR over FY2025-28E

Primed with its proficiency in the high-entry barrier fermentation API segment, strong client connections and robust execution track record, Concord is in a sweet spot. Like APIs, Concord has also been witnessing healthy traction in OSD formulations. Additional qualifications by customers for the Limbasi plant remain a key monitorable, along with ramp-up of the new injectables block. On the CDMO front, Concord has commenced its first project and expects supplies to start soon. Moreover, Concord has been witnessing traction in filling out RFQs and views CDMO as a meaningful opportunity. Over the medium term, Concord is aiming to achieve a double-digit sales contribution from CDMO. Led by its continued leadership in immunosuppressant APIs, higher utilization at Limbasi and the ramp-up of the low-margin formulations segment (~32% sales CAGR over FY2025-28E), which was partially offset by initial losses at Valthera, we factor in a ~20% EBITDA CAGR over FY2025-28E.

The fermentation expert; retain ADD with an FV of Rs1,875

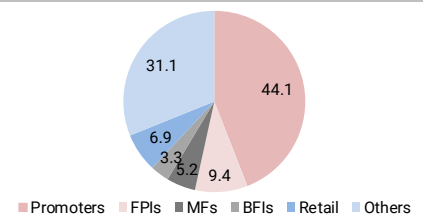
We marginally raise FY2026-27E EPS by 2-3% and retain ADD with an FV of Rs1,875 (Rs1,820 earlier). Key risks to our ADD rating are the slow offtake in Limbasi, pricing pressure, high product concentration and the inability to meaningfully scale up its presence beyond its existing 30 APIs.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	1,749/1,875/ADD
52-week range (Rs) (high-low)	2,664-1,327
Mcap (bn) (Rs/US\$)	183/2.1
ADTV-3M (mn) (Rs/US\$)	297/3.5

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	15	17	21
Rel. to Nifty	13	5	11
Rel. to MSCI India	12	3	13

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	35.5	42.7	52.8
EPS growth (%)	20.6	20.1	23.7
P/E (X)	49.2	41.0	33.1
P/B (X)	10.1	8.6	7.2
EV/EBITDA (X)	35.5	29.6	24.1
RoE (%)	22.3	22.6	23.6
Div. yield (%)	0.5	0.7	0.9
Sales (Rs bn)	12	15	18
EBITDA (Rs bn)	5.1	6.1	7.3
Net profits (Rs bn)	3.7	4.5	5.5

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

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Alankar Garude, CFA

Samitinjoy Basak

Aniket Singh

Concord—4QFY25 interim results

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

	4QFY25	4QFY25E	4QFY24	3QFY25	%KIE	%yoy	%qoq	FY2025	FY2024	% chg.	FY2026E	FY2025	% chg.
Financials													
Net revenues	4,299	3,642	3,190	2,442	18.0	34.8	76.0	12,001	10,169	18.0	14,569	12,001	21.4
COGS	(1,285)	(769)	(888)	(524)	67.2	44.6	145.2	(3,055)	(2,292)	33.3	(3,447)	(3,055)	12.8
Gross profit	3,014	2,874	2,301	1,918	4.9	31.0	57.1	8,946	7,877	13.6	11,122	8,946	24.3
Staff costs	(390)	(441)	(340)	(346)	(11.7)	14.8	12.5	(1,389)	(1,230)	12.9	(1,736)	(1,389)	25.0
SG&A expenses	(720)	(928)	(619)	(592)	(22.4)	16.3	21.6	(2,493)	(2,331)	6.9	(3,335)	(2,493)	33.8
EBITDA	1,904	1,504	1,343	980	26.6	41.8	94.4	5,064	4,316	17.3	6,050	5,064	19.5
Depreciation & amortisation	(146)	(190)	(137)	(133)	(23.1)	6.6	10.2	(544)	(536)	1.5	(676)	(544)	24.3
EBIT	1,758	1,314	1,206	847	33.8	45.8	107.6	4,520	3,780	19.6	5,375	4,520	18.9
Other income	94	120	108	147	(21.8)	(13.2)	(36.3)	444	338	31.6	638	444	43.5
Finance costs	(1)	(2)	(5)	(1)	(52.3)	(79.4)	(2.0)	(5)	(26)	(79.3)	(7)	(5)	30.6
Share in associates	(16)	10	(22)	18	(255.0)	(29.5)	(184.6)	(13)	34	(139.2)	(15)	(13)	15.0
Exceptional	—	—	—	—	—	—	—	—	—	—	—	—	—
Profit before tax	1,835	1,442	1,287	1,012	27.3	42.6	81.5	4,946	4,126	19.9	5,990	4,946	21.1
Tax & deferred tax	(432)	(373)	(337)	(252)	15.8	28.0	71.0	(1,229)	(1,045)	17.7	(1,525)	(1,229)	24.1
Minority interest	—	—	—	—	—	—	—	—	—	—	—	—	—
Net income (reported)	1,404	1,070	950	759	31.2	47.8	84.9	3,717	3,081	20.6	4,465	3,717	20.1
Net income (adjusted)	1,404	1,070	950	759	31.2	47.8	84.9	3,717	3,081	20.6	4,465	3,717	20.1
FD no. of shares (mn)	105	105	105	105	—	—	—	105	105	—	105	105	—
EPS (reported) (Rs)	13.4	10.2	9.1	7.3	31.2	47.8	84.9	35.5	29.5	20.6	42.7	35.5	20.1
EPS (adjusted) (Rs)	13.4	10.2	9.1	7.3	31.2	47.8	84.9	35.5	29.5	20.6	42.7	35.5	20.1
As % of sales													
Gross margin	70.1	78.9	72.1	78.5	-879 bps	-204 bps	-844 bps	74.5	77.5	-292 bps	76.3	74.5	180 bps
Staff costs	9.1	12.1	10.6	14.2	—	—	—	11.6	12.1	—	11.9	11.6	—
SG&A expenses	16.7	25.5	19.4	24.3	—	—	—	20.8	22.9	—	22.9	20.8	—
EBITDA margin	44.3	41.3	42.1	40.1	300 bps	220 bps	419 bps	42.2	42.4	-24 bps	41.5	42.2	-66 bps
PAT margin	32.7	29.4	29.8	31.1	329 bps	287 bps	157 bps	17.8	23.4	-558 bps	30.6	31.0	-32 bps
Segmental revenues (Rs mn)													
API	3,624	2,920	2,654	1,766	24.1	36.5	105.2	9,399	8,274	13.6	11,112	9,400	18.2
Formulations	675	723	535	676	(6.6)	26.1	(0.2)	2,601	1,895	37.3	3,456	2,601	32.9
Segmental contribution (%)													
API	84.3	80.2	83.2	72.3	—	—	—	78.3	81.4	—	76.3	78.3	—
Formulations	15.7	19.8	16.8	27.7	—	—	—	21.7	18.6	—	23.7	21.7	—

Source: Company, Kotak Institutional Equities estimates

Concord—key highlights from 4QFY25 concall:

Guidance:

- **Sales:** Concord is not providing any FY2026E guidance. The company expects sales to gradually move toward its earlier stated 25% sales CAGR guidance.
- **Capex:** Concord does not require additional capacity, as all growth capex for APIs and formulations is already completed. There will only be maintenance capex of Rs200-300 mn for APIs and formulations. Additional capex might be required for new CDMO opportunities, depending on the project requirements.
- **Product mix:** At peak utilizations, API:formulations split will be 80:20.

APIs:

- **Outlook:** Recently launched products and upcoming launches will be the key growth drivers.
- **FY2025 performance:** Reported API sales (+14% yoy) exclude captive sales. Including captive sales, API sales registered a 16.15% yoy growth in FY2025. The growth has been entirely driven by volumes. The anti-infectives portfolio has been picking up well.
- **Pricing:** Pricing has not changed much from a customer-to-customer basis. Concord has been giving pricing discounts to new customers with larger volumes. It is a trade-off between higher utilization and price discounts. Pricing in developed versus emerging markets is not very different, as many clients have a global footprint.

- ▶ **Filings:** Concord has filed ANDAs for Nystatin and Voclosporin in 4QFY25.
- ▶ **Domestic growth:** Over the past few quarters, the domestic API sales mix for Concord has increased as one client (contributing to 6-7% of API sales) closed its US facility and increased its manufacturing in India.
- ▶ **Immunosuppressants:** Immunosuppressants' contribution to API sales has come down to 74-75% from 80% two years ago. Concord is working on bringing this contribution further down by 5-10% in the medium term.
- ▶ **Nystatin:** This is a large-volume product with limited competition. Concord sees a lot of opportunity in Nystatin.
- ▶ **Pipeline:** A lot of work has happened on new fermentation API development. The advanced-stage pipeline currently includes 10+ products, complemented by a significantly larger number of pipeline products in niche segments with limited competition. Concord will commercialize 2-3 products every year.
- ▶ **Peptides:** Concord is seeing opportunities in segments other than peptides, which it is evaluating. While the company is not developing peptides in-house, it could look to add capabilities in peptides inorganically.
- ▶ **Unit-I (Dholka):** The Dholka unit received four observations after its USFDA inspection. All observations were procedural in nature. Concord has submitted the response and is confident of receiving EIR for this facility in one month.

Formulations:

- ▶ **Outlook:** Multiple orders are underway and FY2026E will remain a good year for formulations, as Concord expects to sustain the growth momentum. Concord has filed products in the US and expects the contribution from these products to start in FY2026E. While Concord is optimistic about FY026E, full ramp-up of the injectables facility is expected over FY2027E and FY2028E. Concord expects meaningful growth in the product portfolio and customer base to drive long-term growth.
- ▶ **Teriflunomide:** Concord received final ANDA approval from the US FDA for Teriflunomide tablets (7 mg and 14 mg), used for treating relapsing forms of multiple sclerosis, with a market opportunity of ~US\$402 mn in the US and ~US\$908 mn globally (including the US). Within the US, there are 4-5 players, but penetration is really low. This is a Para-IV opportunity. Concord has started selling this product in India, and it has started filing dossiers in other EMs. Margins in this product are similar to Concord's OSD portfolio.
- ▶ **Fidaxomicin:** It is a generic opportunity and Concord is working on it.
- ▶ **Geographical mix:** Sales from RoW markets contributed 33%, while the US accounted for 17%. The remaining 50% came from the domestic market. Concord is committed to pursuing an RoI-driven ANDA strategy in the US.
- ▶ **Unit-IV (Valthera injectables):** This block was commissioned in 4QFY25.
- ▶ **MRs:** ~200 MRs across India.

CDMO:

- ▶ **Demand:** Concord is actively involved in discussions related to ongoing projects and trials, with no capacity investment requirements. It is involved with both innovator and generic companies, who are looking to outsource for the first time or looking for an alternate supplier.
- ▶ **First project:** Concord commercialized one CDMO opportunity with an innovator company in 4QFY25. Supplies are expected to start soon, as the customer will be launching the product shortly.
- ▶ **Other projects:** There are 3-4 other projects that are in advanced stages of discussions. Concord has replied to all queries and customers will come up with their responses now. The company is also involved in discussions with customers related to the field of enzymes.

- **Opportunity:** Concord views CDMO as a significant and rapidly evolving opportunity for itself. Currently, CDMO is less than 1% of sales. The company aims to increase this contribution to double digits.

Financials:

- **Gross margins:** Higher formulations mix and change in the product mix within the API portfolio led to lower gross margins in 4QFY25. Sometimes, significant inventory positions with a component of overheads can lead to lower gross margins. As APIs are sold at market prices to the formulations unit, higher captive sales led to lower gross margins. However, this impact nets off in EBITDA margins. Gross margins will improve in the formulations business as injectables start ramping up and the contribution from injectables increases.
- **Working capital:** Receivable days have increased yoy due to higher sales in March 2025.

Capacity utilization:

- **Unit-I (Dholka):** 84% in 4QFY25 (78% in 3QFY25; 79% in 2QFY25).
- **Unit-II (Valthera):** 36% in 4QFY25 (26% in 3QFY25; 50% in 2QFY25).
- **Unit-III (Limbari):** 40% in 4QFY25 (35% in 3QFY25; 38% in 2QFY25).

Concord—4QFY25 highlights: Springs a big positive surprise

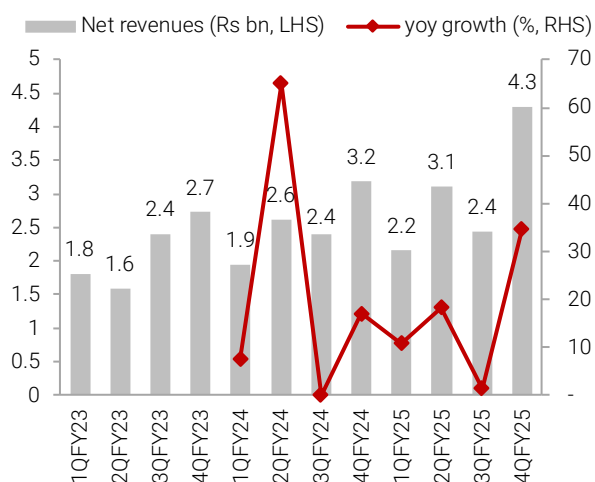
Financial highlights: Concord's 4QFY25 sales, at Rs4.3 bn (+35% yoy, +76% qoq), beat our estimates by 18%. The outperformance was due to higher API sales (+37 % yoy, +24% versus KIE). Gross margins, at 70.1%, declined 840 bps qoq ((-)200 bps yoy, (-)880 bps versus KIE). Employee expenses grew 15% yoy, while SG&A expenses grew 16% yoy. EBITDA, at Rs1.9 bn (+42% yoy, +94% qoq), beat our estimates by 27%. EBITDA margin, at 44.3%, improved 420 bps qoq (+220 bps yoy, +300 bps versus KIE). The effective tax rate was lower at 23.5% (24.9% in 3QFY25). 4QFY25 PAT, at Rs1.4 bn, grew 48% yoy (+85% qoq, +31% versus KIE). PAT margin improved 290 bps yoy (+160 bps qoq, +330 bps versus KIE). EPS for the quarter stood at Rs13.4. The 1H:2H sales split in FY2025 stood at 44:56, compared with 45:55 in FY2024. WC days increased from 171 days in FY2024 to 196 days in FY2025, primarily led by an increase in debtor days to 159 days in FY2025 (versus 125 days in FY2024).

Segmental highlights:

- **Product mix:** The API:formulations sales mix stood at 84:16 in 4QFY25 (83:17 in 3QFY24). API sales grew 37% yoy, while formulations sales grew by 26% yoy during the quarter.
- **Geographical mix:** The domestic business contributed 56% to overall sales in 4QFY25 (50% in 4QFY24). Domestic revenues grew 50% yoy, while export sales grew 20% yoy in 4QFY25.

Concord—quarterly sales

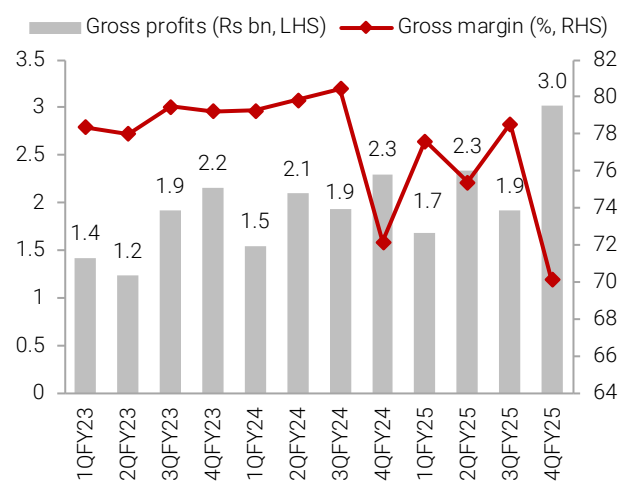
Exhibit 2: March fiscal year-ends, 2023-25 (Rs bn)



Source: Company, Kotak Institutional Equities

Concord—quarterly gross profits

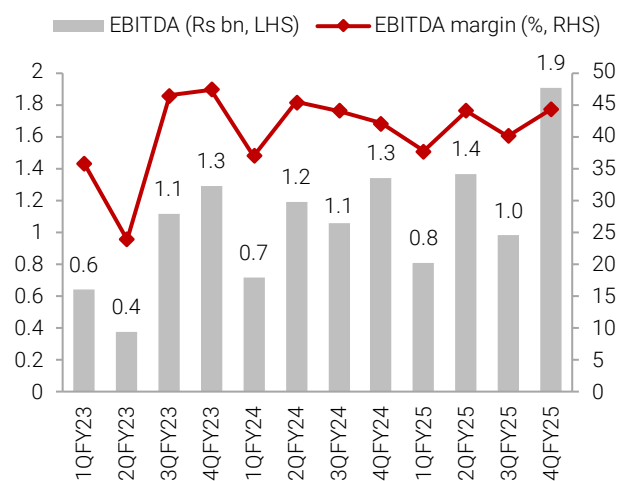
Exhibit 3: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

Concord—quarterly EBITDA

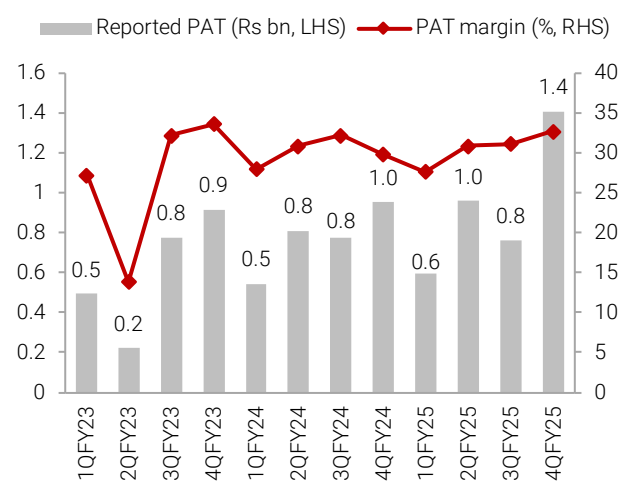
Exhibit 4: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

Concord—quarterly reported PAT

Exhibit 5: March fiscal year-ends, 2023-25 (Rs bn, %)



Source: Company, Kotak Institutional Equities

We raise Concord's FY2026-27E EPS by 2-3% due to higher sales

Exhibit 6: Concord—changes in estimates, March fiscal year-ends, 2026-28E (Rs mn, %)

Financial metrics	New estimates			Old estimates			Change (%)		
	FY2026E	FY2027E	FY2028E	FY2026E	FY2027E	FY2028E	FY2026E	FY2027E	FY2028E
Net revenues	14,569	17,596	21,369	14,230	17,036		2.4	3.3	
Gross profits	11,122	13,461	16,357	10,913	13,014		1.9	3.4	
Gross margin (%)	76.3	76.5	76.5	76.7	76.4		-35 bps	11 bps	
EBITDA	6,050	7,322	8,852	5,794	6,957		4.4	5.2	
EBITDA margin (%)	41.5	41.6	41.4	40.7	40.8		81 bps	77 bps	
Net income (reported)	4,465	5,522	6,778	4,341	5,415		2.9	2.0	
EPS (reported) (Rs)	42.7	52.8	64.8	41.5	51.8		2.9	2.0	

Source: Company, Kotak Institutional Equities estimates

We value Concord at Rs1,875/share

Exhibit 7: Concord—DCF valuation, March fiscal year-ends, 2023-48E (Rs mn)

	FY2023	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E	FY2031E	FY2033E	FY2035E	FY2037E	FY2039E	FY2041E	FY2043E	FY2045E	FY2047E	FY2048E
Free cash flow profile																	
Net revenues	8,532	10,169	12,001	14,569	17,596	21,369	25,770	36,688	50,753	68,196	88,966	112,632	138,317	166,051	195,363	225,211	239,947
%yoy growth	19.7	19.2	18.0	21.4	20.8	21.4	20.6	18.9	17.2	15.5	13.8	12.1	10.4	9.3	8.2	7.1	6.5
Pre-Ind AS-116 EBITDA	3,414	4,296	5,051	6,039	7,308	8,836	10,643	15,079	20,758	27,756	36,031	45,391	55,465	66,254	77,364	88,508	93,939
Pre-Ind AS-116 EBITDA margin (%)	40.0	42.2	42.1	41.5	41.5	41.3	41.3	41.1	40.9	40.7	40.5	40.3	40.1	39.9	39.6	39.3	39.2
Gross block	7,971	8,327	11,069	13,421	13,971	14,821	15,851	18,781	22,861	28,587	36,109	45,699	57,562	71,871	88,788	108,385	119,183
Depreciation & amortisation	(540)	(536)	(544)	(676)	(692)	(734)	(786)	(931)	(1,133)	(1,417)	(1,789)	(2,265)	(2,853)	(3,562)	(4,400)	(5,371)	(5,906)
%gross block	(6.8)	(6.4)	(4.9)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
EBIT	2,873	3,760	4,507	5,363	6,616	8,101	9,857	14,148	19,625	26,339	34,242	43,126	52,613	62,693	72,964	83,137	88,033
EBIT margin (%)	33.7	37.0	37.6	36.8	37.6	37.9	38.3	38.6	38.7	38.6	38.5	38.3	38.0	37.8	37.3	36.9	36.7
NOPAT	2,142	2,808	3,387	3,998	4,943	6,060	7,374	10,583	14,680	19,703	25,614	32,260	39,357	46,897	54,580	62,190	65,853
Tax rate (%)	(25.4)	(25.3)	(24.9)	(25.5)	(25.3)	(25.2)	(25.2)	(25.2)	(25.2)	(25.2)	(25.2)	(25.2)	(25.2)	(25.2)	(25.2)	(25.2)	(25.2)
Capex	(1,451)	(857)	(1,112)	(2,000)	(500)	(800)	(1,031)	(1,541)	(2,132)	(3,069)	(4,003)	(5,068)	(6,224)	(7,472)	(8,791)	(10,135)	(10,798)
%sales	(17.0)	(8.4)	(9.3)	(13.7)	(2.8)	(3.7)	(4.0)	(4.2)	(4.2)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)
Working capital	3,896	4,767	6,459	7,841	9,471	11,502	14,173	21,279	29,437	39,554	51,600	65,326	80,224	96,310	113,311	130,623	139,169
%sales	45.7	46.9	53.8	53.8	53.8	53.8	55.0	58.0	58.0	58.0	58.0	58.0	58.0	58.0	58.0	58.0	58.0
Change in working capital	(436)	(871)	(1,692)	(1,382)	(1,630)	(2,031)	(2,672)	(4,307)	(4,319)	(5,306)	(6,255)	(7,048)	(7,553)	(8,189)	(8,581)	(8,652)	(8,547)
Free cash flow to firm	796	1,617	1,127	1,291	3,505	3,964	4,457	5,666	9,363	12,745	17,146	22,409	28,432	34,797	41,608	48,775	52,415
Discount factor					0.75	1.75	2.75	4.75	6.75	8.75	10.75	12.75	14.75	16.75	18.75	20.75	21.75
Discounted free cash flow to firm					3,230	3,276	3,303	3,378	4,489	4,915	5,318	5,590	5,705	5,615	5,400	5,091	4,907
Asset valuation																	
WACC (%)	11.5																
Capital employed	22,377																
Debt	—																
%capital employed	—																
Equity	22,377																
%capital employed	100.0																
Cost of debt (%)	7.5																
Pre-tax cost of debt (%)	10.0																
Tax rate (%)	(25.3)																
Cost of equity (%)	11.5																
Risk-free rate (%)	6.5																
Beta	0.77																
Equity risk premium (%)	6.5																
Sum of discounted free cash flows	105,441																
Terminal growth rate (%)	5.5																
Terminal value	86,207																
Enterprise value	191,648																
Net debt	(4,355)																
Equity value	196,003																
Minority interest	—																
Equity value attributable to parent	196,003																
Number of shares (mn)	105																
Fair value per share (Rs)	1,874																

Source: Company, Kotak Institutional Equities estimates

We forecast ~21% overall revenue CAGR over FY2025-28E for Concord

Exhibit 8: Concord—KPIs, March fiscal year-ends, 2020-28E (Rs mn, %)

	Units	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Overall										
API business	Rs mn	4,694	5,070	5,749	7,614	8,274	9,400	11,112	13,055	15,406
yoy growth	%		8.0	13.4	32.4	8.7	13.6	18.2	17.5	18.0
Formulations business	Rs mn	429	1,101	1,380	919	1,895	2,601	3,456	4,542	5,963
yoy growth	%		156.7	25.4	(33.5)	106.3	37.3	32.9	31.4	31.3
Net revenues	Rs mn	5,123	6,171	7,129	8,532	10,169	12,001	14,569	17,596	21,369
Gross margin	%	74.6	81.9	77.0	78.9	77.5	74.5	76.3	76.5	76.5
API business										
Immunosuppressant APIs revenues	US\$ mn	54	58	65	74	74	71	76	84	94
yoy growth	%		9.1	11.5	13.4	(0.2)	(3.6)	6.7	11.3	10.8
Anti-infective APIs revenues	US\$ mn	5	5	7	12	15	16	19	23	28
yoy growth	%		(1.4)	31.9	80.5	24.2	9.6	20.4	19.9	18.2
Oncology APIs revenues	US\$ mn	6	4	4	7	10	14	22	28	38
yoy growth	%		(36.9)	18.2	59.6	42.5	35.5	60.9	28.7	34.7
Other APIs revenues	US\$ mn	2	1	1	2	1	10	11	12	12
yoy growth	%		(33.5)	(10.8)	91.9	(24.9)	635.3	5.0	5.0	5.0
Net revenues	US\$ mn	66	68	77	95	100	111	128	148	171
Gross margin	%	76.4	86.3	81.7	81.4	81.6	79.0	80.8	81.2	81.4
Formulations business										
Organ transplant products revenues	Rs mn	185	221	323	297	543	651	814	1,018	1,272
yoy growth	%		19.3	46.3	(8.1)	82.8	20.0	25.0	25.0	25.0
Intensive care products	Rs mn	49	213	238	273	615	830	1,038	1,297	1,622
yoy growth	%		332.5	11.8	14.7	125.7	35.0	25.0	25.0	25.0
CRAMS revenues	Rs mn	78	16	45	2	17	68	171	479	958
yoy growth	%		(79.1)	172.4	(96.0)	856.2	300.0	150.0	180.0	100.0
US exports revenues	Rs mn	91	457	309	208	391	626	877	1,052	1,263
yoy growth	%		404.1	(32.5)	(32.7)	88.5	60.0	40.0	20.0	20.0
ROW exports revenues	Rs mn	8	34	282	64	118	177	221	276	345
yoy growth	%		321.3	727.3	(77.2)	83.7	50.0	25.0	25.0	25.0
Other formulations revenues	Rs mn	17	159	185	76	211	248	335	419	503
yoy growth	%		821.3	15.9	(59.1)	179.2	17.7	35.0	25.0	20.0
Net revenues	Rs mn	429	1,101	1,380	919	1,895	2,601	3,456	4,542	5,963
Gross margin	%	55.8	61.9	57.6	58.1	59.4	58.4	62.0	63.0	64.0

Source: Company, Kotak Institutional Equities estimates

We forecast ~22% EPS CAGR over FY2025-28E for Concord
Exhibit 9: Concord—summary financials, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit and loss									
Net revenues	5,123	6,169	7,129	8,532	10,169	12,001	14,569	17,596	21,369
Gross profit	3,824	5,054	5,489	6,730	7,877	8,946	11,122	13,461	16,357
EBITDA	2,042	3,276	2,733	3,433	4,316	5,064	6,050	7,322	8,852
Depreciation & amortisation	(212)	(275)	(501)	(540)	(536)	(544)	(676)	(692)	(734)
EBIT	1,830	3,000	2,232	2,893	3,780	4,520	5,375	6,630	8,117
Interest expense	(7)	(7)	(55)	(45)	(26)	(5)	(7)	(9)	(11)
Profit before tax	2,136	3,127	2,375	3,220	4,126	4,946	5,990	7,392	9,061
Tax & deferred tax	(445)	(778)	(626)	(819)	(1,045)	(1,229)	(1,525)	(1,870)	(2,283)
Net income (reported)	1,691	2,349	1,749	2,401	3,081	3,717	4,465	5,522	6,778
EPS (reported) (Rs)	16.2	22.5	16.7	23.0	29.5	35.5	42.7	52.8	64.8
Balance sheet									
Fixed assets (incl. goodwill)	3,778	5,620	6,458	7,654	7,835	8,431	9,762	9,581	9,659
Cash & equivalents (incl. current investments)	2,007	2,018	1,624	1,804	2,907	3,177	3,726	6,242	9,355
Inventories	1,112	1,536	1,951	2,123	2,080	2,397	2,909	3,514	4,268
Total assets	9,405	11,825	13,128	15,140	17,007	20,343	24,015	28,451	34,250
Borrowings	480	863	606	312	62	4	—	—	—
Total liabilities	1,703	1,832	2,096	2,240	1,741	2,215	2,626	3,109	3,699
Shareholders' equity	7,702	9,994	11,032	12,900	15,266	18,127	21,389	25,342	30,551
Total liabilities and equity	9,405	11,825	13,128	15,140	17,007	20,343	24,015	28,451	34,250
Cash flow statement									
Operating cash flow before working capital changes	1,766	2,556	2,295	2,983	3,466	4,153	4,525	5,452	6,569
Changes in working capital	(217)	(888)	(221)	(523)	(812)	(1,708)	(1,382)	(1,630)	(2,031)
Capex	(1,555)	(2,042)	(1,555)	(1,451)	(857)	(1,112)	(2,000)	(500)	(800)
Acquisitions	—	—	—	—	—	—	—	—	—
Free cash flow to firm	(20)	(391)	541	1,045	1,806	1,351	1,770	4,097	4,697
Ratios									
EBITDA margin (%)	39.9	53.1	38.3	40.2	42.4	42.2	41.5	41.6	41.4
RoAE (%)	23.3	26.5	16.6	20.1	21.9	22.3	22.6	23.6	24.3
RoCE (%)	18.9	23.7	14.7	17.4	19.6	19.9	19.9	20.8	21.3
RoIC (%)	26.3	30.0	17.6	20.2	23.4	24.2	24.0	26.3	29.4
Net debt / EBITDA (X)	(0.9)	(0.4)	(0.4)	(0.4)	(0.5)	(0.6)	(0.6)	(0.7)	(0.9)

Source: Company, Kotak Institutional Equities estimates

Sobha (SOBHA)

Real Estate

ADD

CMP(₹): 1,433

Fair Value(₹): 1,580

 Sector View: **Attractive**

NIFTY-50: 24,751

June 02, 2025

Moving past a weak year; better prospects ahead

Sobha closed FY2025 with weak pre-sales of Rs62.8 bn (-6% yoy)—lower than its revised guidance of flat pre-sales, impacted by delayed project launches in 9MFY25. However, 4QFY25 saw a more spirited performance with pre-sales of Rs18.4 bn (+22% yoy), aided by two launches in Bengaluru. Management has 19 mn sq. ft/Rs266 bn of forthcoming launches over the next 6-8 quarters; it plans to launch ~10 mn sq. ft in 2026E, including Greater Noida and Mumbai, which should support its 35% pre-sales growth guidance. Valuations at 8.4X EV/EBITDA are inexpensive, and the balance sheet (Rs6 bn net cash) is strong post the rights issue. Improving prospects keep us constructive; ADD with a revised FV of Rs1,580 (Rs1,450 earlier).

Improved revenue recognition, dismal margins

Sobha reported healthy 4QFY25 revenue of Rs12.4 bn (+63% yoy, +1% qoq), aided by 1.1 mn sq. ft of deliveries. EBITDA of Rs941 mn (+52% yoy, +40% qoq) and PAT of Rs409 mn were impacted by weak margin at 7.6% (8.1% in 4QFY24 and 5.5% in 3QFY25). On a segmental basis, the residential business reported a weak 8% EBIT margin, while the contract and manufacturing business saw some improvement with 10% EBIT margin. These, combined with 4% overhead expenses, led to a weak 5% blended EBIT margin. Management has attributed the weak margins to recognition of older residential projects, and it expects the margins to improve gradually; we remain hopeful of better reported margins for FY2026E as legacy projects are likely completed. It stated that the current pre-sales have 35%+ embedded EBITDA margins.

For FY2025, revenue and EBITDA stood at Rs40.4 bn (+30% yoy) and Rs2.9 bn (+6% yoy), with a weak margin of 7.3% (-170 bps yoy). The PAT of Rs947 mn (+93% yoy) was aided by lower interest costs.

Better end to year with Rs18 bn of pre-sales aided by two launches

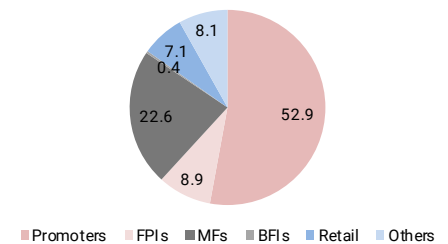
Sobha reported improved 4QFY25 pre-sales of Rs18.4 bn (+22% yoy, +32% qoq) on an area of 1.56 mn sq. ft (+16% yoy, +53% qoq), yielding blended realization of Rs11,781/sq. ft (+5% yoy, -14% qoq). This takes the FY2025 pre-sales to Rs62.8 bn (-6% yoy)—lower than the guidance of flat pre-sales, which was also revised downward in 3QFY25 from the earlier guidance of Rs85 bn. We highlight that most Bengaluru-based developers, including Sobha, had complained about delays in approvals for new project launches in 1HFY25; however, the issues started to iron out in 2HFY25. Sobha launched two projects during the quarter—(1) Madison Heights & Hamptons at SOBHA Town Park, with a combined saleable area of 3.7 mn sq. ft, and (2) Chartered Birdsong, a plotted development under the DM model, spread over 18.4 acres (saleable area of 0.44 mn sq. ft) in Sadenahalli, Bengaluru. Accordingly, Bengaluru accounted for 80% of the sales by volume and 77% by value in 4QFY25, while the share of Gurgaon was lower at 5% by volume and 10% by value. Attributable pre-sales for 4QFY25 stood at Rs13.7 bn (+8% yoy, +10% yoy), and for FY2025 at Rs49.6 bn (-8% yoy).

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	1,433/1,580/ADD
52-week range (Rs) (high-low)	2,178-1,075
Mcap (bn) (Rs/US\$)	153/1.8
ADTV-3M (mn) (Rs/US\$)	277/3.2

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	8	19	(21)
Rel. to Nifty	7	7	(31)
Rel. to MSCI India	6	6	(29)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	8.6	34.5	58.5
EPS growth (%)	71.3	299.4	69.5
P/E (X)	165.8	41.5	24.5
P/B (X)	3.4	3.1	2.8
EV/EBITDA (X)	49.8	22.7	14.0
RoE (%)	2.6	7.8	12.1
Div. yield (%)	0.2	0.3	0.4
Sales (Rs bn)	40	54	68
EBITDA (Rs bn)	2.9	6.1	9.5
Net profits (Rs bn)	0.9	3.7	6.3

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

[Full sector coverage on KINSITE](#)

Murtuza Arsiwalla

Abhishek Khanna

Anshika Gupta

Healthy collections; balance sheet turns net cash aided by the rights issue

For 4QFY25, operating cash inflows were healthy at Rs17.8 bn (+19% yoy, +21% qoq), aided by healthy residential as well as contractual collections, while the outflows stood at Rs12.9 bn (including Rs7.2 bn of construction costs). Land payments rose slightly to Rs3.1 bn owing to business development, impacting the net cash inflow (Rs0.9 bn). Sobha turned net cash (Rs6.3 bn), from net debt of Rs4.6 bn as of December 2024, aided by the second tranche (Rs10 bn) of rights issues; the first tranche of Rs10 bn was received earlier during the year. For FY2025, cash inflows rose 7% yoy to Rs61.8 bn, aided by residential collections, while outflows rose 4% yoy to Rs47.8 bn; land payments jumped 147% yoy to Rs9.5 bn.

Improved guidance; new markets to aid growth

Sobha continues to replenish some of its land through higher business development activity—10.7 mn sq. ft with GDV of Rs150-160 bn added in FY2025. Management has guided for 35% yoy growth in pre-sales to Rs 85 bn for FY2026E, aided by ~10 mn sq. ft of launches across NCR—Gurgaon and Greater Noida (40-45% share), Bengaluru (15-20% share), and the balance in Mumbai, Chennai and other cities. Sobha plans to launch ~3.5 mn sq. ft of area (~Rs50 bn inventory) in 1HFY26 itself, with the balance planned for 2HFY26. The subpar recognized EBITDA margin remains a key concern, although management expects a gradual improvement in the quarters ahead. It has stated that the current pre-sales have 35%+ embedded EBITDA margin. An expansion into newer markets would help broad-base the business performance, and reduce the Bengaluru concentration. Valuation at 8.4X EV/EBITDA (FY2026E) remains attractive; maintain ADD with a revised SoTP-based FV of Rs1,580 (Rs1,450 earlier), as we roll forward to March 2027E, while adding the recently won projects. The revision to earnings estimates is due to delayed margin recovery in the residential business.

Healthy revenue recognition aided by 1.1 mn sq. ft of deliveries; recognized EBITDA margin remains weak

Exhibit 1: Quarterly results snapshot, March fiscal year-ends, 2024-26E (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	% chg.			2025	2024	% chg.	2026E	% chg.
					KIE	yoy	qoq					
Net sales	12,406	10,702	7,629	12,241	16	63	1	40,387	30,969	30	53,737	33
Operating costs	(11,466)	(9,851)	(7,008)	(11,569)	16	64	(1)	(37,444)	(28,199)		(47,661)	
EBITDA	941	851	621	672	11	52	40	2,943	2,770	6	6,077	106
Other income	301	339	284	328	(11)	6	(8)	1,241	1,209		1,519	
Interest costs	(450)	(445)	(590)	(473)	1	(24)	(5)	(1,956)	(2,455)		(1,501)	
Depreciation	(230)	(234)	(205)	(233)	(2)	12	(1)	(898)	(782)		(908)	
PBT	562	512	109	295	10	415	91	1,330	742	79	5,186	290
Taxes	(154)	(133)	(39)	(78)				(383)	(251)		(1,494)	
PAT	409	379	70	217	8	481	88	947	491	93	3,692	290
EPS (Rs/share)	4.3	4.0	0.7	2.3				10.0	5.2		38.9	
Key ratios												
EBITDA margin (%)	7.6	8.0	8.1	5.5				7.3	8.9		11.3	
PAT margin (%)	3.3	3.5	0.9	1.8				2.3	1.6		6.9	
Effective tax rate (%)	27.3	25.9	35.5	26.4				28.8	33.8		28.8	
Operations snapshot (only real estate vertical)												
Area sold (mn sq. ft)	1.56		1.34	1.02		16	53	3.70	4.96	(25)	5.60	51
Attributable value (Rs mn)	13,702		12,735	12,499		8	10	49,605	54,150	(8)	66,097	33
Collections (Rs mn)	15,834		13,339	13,206		19	20	55,184	50,344	10	69,430	26

Source: Company, Kotak Institutional Equities estimates

Healthy collections coupled with higher land payments and construction spends

Sobha's operating cash inflows in 4QFY25 were healthy at Rs17.8 bn (+19% yoy, +21% qoq), comprising residential collections of Rs15.8 bn (+19% yoy, +20% qoq) and higher collection from the contractual business of Rs2 bn (+23% yoy, +28% qoq). This takes the FY2025 residential collections to Rs55 bn (+10% yoy) and collections from contractual and manufacturing business to Rs6.7 bn (-13% yoy). Operational cash outflow of Rs12.9 bn in 4QFY25 comprised Rs7.2 bn toward construction expenses for projects, Rs1.9 bn of JDA partner payments, Rs1.6 bn toward EPC segment expenses, and the balance toward taxes and corporate overheads. Operational cash outflow for FY2025 stood at Rs47.8 bn, comprising Rs26 bn toward construction expenses, Rs7.6 bn of JDA partner payments and Rs5.9 bn for EPC segment expenses. Outlay for finance costs reduced further to Rs301 mn in 4QFY25 (Rs1.5 bn for full-year FY2025) with declining debt levels. With capital expenditure of Rs303 mn, and higher land payments of Rs3.1 bn (+49% yoy, +2% qoq), the quarter ended with a net cash inflow of Rs900 mn. Sobha became net cash positive in the quarter (Rs6.3 bn as of March 2025), as compared to net debt of Rs4.6 bn as of December 2024. The average cost of debt reduced to 9.12% as of March 2025. We highlight that Sobha did a Rs20 bn rights issue in FY2025; it received the first tranche (application money) of Rs10 bn in 3QFY25, and the second tranche of Rs10 bn was received in 4QFY25.

Improved quarterly sales; weakness in reported margin continues

Sales and launches. Sobha reported improved 4QFY25 pre-sales of Rs18.4 bn (+22% yoy, +32% qoq) on an area of 1.56 mn sq. ft (+16% yoy, +53% qoq), yielding blended realization of Rs11,781/sq. ft (+5% yoy, -14% qoq). This takes the full-year FY2025 pre-sales to Rs62.8 bn (-6% yoy)—lower than the guidance of flat pre-sales, which was also revised downward in 3QFY25 from the earlier guidance of Rs85 bn. The performance improvement in 4QFY25 was aided by two projects launched during the quarter—(1) SOBHA Madison Heights & Hamptons, launched in SOBHA Town Park, with combined saleable area of 3.67 mn sq. ft (2,104 apartments), and (2) Chartered Birdsong, a plotted development launched under the development management model, spread over 18.4 acres in Sadenahalli Village, Bangalore, offering a saleable area of 0.44 mn sq. ft. Accordingly, Bengaluru contributed 80% of the overall pre-sales in 4QFY25, followed by Kerela and Gurgaon, which contributed 8% and 5% share, respectively. Attributable pre-sales for 4QFY25 increased slightly to Rs13.7 bn (+8% yoy, +10% qoq). Attributable FY2025 pre-sales declined 8% yoy to Rs49.6 bn.

Sobha has a forthcoming launch pipeline of 18 residential projects with saleable area of 18.6 mn sq. ft, with 41% of these projects in Bengaluru and 18% in Gurgaon. It also has two commercial projects in Gurgaon in the pipeline with a combined saleable area of 0.71 mn sq ft. Management expects to launch these projects over the next 6-8 quarters. It expects to launch ~10 mn sq. ft in FY2026E itself, which should support its pre-sales growth guidance of 35% yoy, with possible upside risks (50-60% yoy growth) reaching Rs100 bn. Sobha plans to launch its maiden project in Greater Noida in the current quarter, followed by its Mumbai maiden launch toward 3QFY26.

Margins. Sobha's EBITDA of Rs941 mn (+52% yoy, +40% qoq) and PAT of Rs409 mn were impacted by weak margin at 7.6% (8.1% in 4QFY24 and 5.5% in 3QFY25). On a segmental basis, the residential business reported weak 8% EBIT margin, while the contract and manufacturing business saw some improvement with 10% EBIT margin. These, combined with 4% overhead expenses, led to weak 5% blended EBIT margin. Management has attributed the weak margins to recognition of older residential projects, as well as less profitable contractual projects. Management expects the margins to improve gradually; we remain hopeful of better reported margins for FY2026E as legacy projects are likely completed. It stated that the current pre-sales have 35%+ embedded EBITDA margins.

We note that a weak margin profile has been a notable feature of Sobha's contractual business since FY2022, and for the residential business for the past few quarters. We currently factor EBIT margins for the residential business to improve to 16% and for the contractual business to improve to 12% by FY2027E.

Contract + manufacturing business saw improved margin, real estate vertical continued to be weak in 4QFY25

Exhibit 2: Sobha: Segment-wise breakup of revenues, EBIT and collections, March fiscal year-ends, 2018-25 (Rs mn, %)

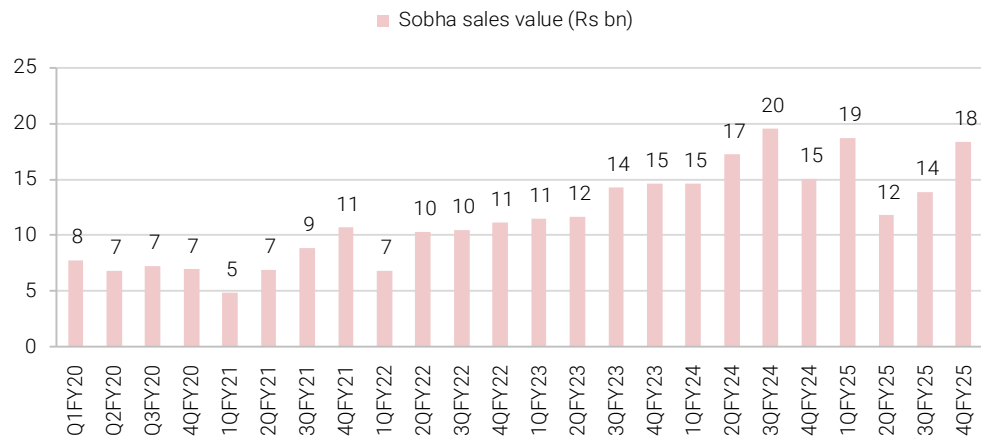
	2018	2019	2020	2021	2022	2023	1QFY24	2QFY24	3QFY24	4QFY24	2024	1QFY25	2QFY25	3QFY25	4QFY25	2025	4QFY25 Growth (%)	
Revenues (Rs mn)																	yoy	qoq
Real estate	20,006	22,653	22,312	13,103	20,181	25,372	7,410	5,436	5,212	6,080	24,138	4,751	7,814	10,627	10,591	33,782	74	(0)
Contractual + Manufacturing	9,204	12,908	16,415	8,693	7,920	9,331	1,969	2,352	1,984	1,913	8,217	2,051	1,812	2,146	2,293	8,302	20	7
EBIT (Rs mn)																		
Real estate	5,178	5,680	9,782	3,937	5,648	5,872	1,239	1,012	1,051	956	4,257	581	841	1,251	818	3,491	(14)	(35)
Contractual + Manufacturing	1,294	2,226	2,966	1,381	850	(45)	42	358	67	245	713	267	6	(107)	237	402	(3)	(322)
EBIT (%)																		
Real estate	28	26	46	32	29	25	17	20	22	17	18	13	11	12	8	10		
Contractual + Manufacturing	14	17	18	16	11	(0)	2	15	3	13	9	13	0	(5)	10	5		
Unallocable expenses																		
Unallocable expenses (Rs mn)	(1,819)	(1,796)	(2,318)	640	1,674	(2,810)	(599)	(708)	(592)	(750)	(2,982)	(373)	(288)	(439)	(490)	(1,590)		
Unallocable expenses (%)	(6)	(5)	(6)	3	6	(8)	(6)	(9)	(8)	(9)	(9)	(5)	(3)	(3)	(4)	(4)		
EBIT margin net of unallocable expenses(%)																		
	17	18	28	28	30	9	8	9	8	6	6	7	6	6	5	6		
Collections (Rs mn)																		
Real estate	20,930	21,776	21,041	22,169	31,727	43,058	11,478	12,598	12,929	13,339	50,344	13,917	12,227	13,206	15,834	55,184	19	20
Contractual + Manufacturing	9,152	10,584	12,830	8,600	8,094	9,764	2,073	1,902	2,002	1,644	7,621	1,544	1,524	1,575	2,014	6,657	23	28

Note: EBIT % calculations adjust for inter-segmental revenue.

Source: Company, Kotak Institutional Equities

Pre-sales improved in 4QFY25, aided by two launches during the quarter

Exhibit 3: Pre-sales for Sobha, March fiscal year-ends, 2020-25 (Rs bn)



Source: Company, Kotak Institutional Equities estimates

Higher sales contribution from Bengaluru aided by the new launches, Gurgaon had small contribution

Exhibit 4: Sobha: Sales details, March fiscal year-ends, 2018-25

	2018	2019	2020	2021	2022	2023	1QFY24	2QFY24	3QFY24	4QFY24	2024	1QFY25	2QFY25	3QFY25	4QFY25	2025
Area sold (mn sq. ft)	3.33	4.03	4.07	4.01	4.91	5.65	1.39	1.69	1.66	1.34	6.08	1.18	0.93	1.02	1.56	4.68
Bangalore	2.36	2.77	3.00	2.70	3.35	3.92	0.84	1.01	1.25	1.01	4.11	0.47	0.41	0.72	1.24	2.85
Thrissur	0.06	0.07	0.10	0.15	0.13	0.01	-	-	-	-	-	-	-	-	-	-
Coimbatore	0.05	0.11	0.07	0.06	0.04	0.03	-	-	-	-	-	-	-	-	-	-
Pune	0.01	0.01	0.07	0.09	0.17	0.06	0.01	0.01	(0.00)	0.02	0.04	0.01	0.01	0.03	0.02	0.07
Gurgaon	0.38	0.35	0.24	0.37	0.68	0.78	0.21	0.23	0.09	0.01	0.54	0.34	0.04	0.06	0.08	0.51
Chennai	0.14	0.18	0.21	0.13	0.12	0.13	0.04	0.04	0.02	0.03	0.13	0.05	0.11	0.05	0.05	0.27
Kerala	0.21	0.32	0.16	0.40	0.24	0.45	0.21	0.27	0.21	0.25	0.94	0.22	0.30	0.12	0.12	0.76
Gift City	-	0.01	0.13	0.07	0.17	0.21	0.07	0.11	0.08	0.01	0.26	0.08	0.03	0.01	0.02	0.14
Hyderabad	-	-	-	-	-	0.10	0.02	0.03	0.01	0.02	0.08	0.01	0.02	0.02	0.03	0.09
Realisation (Rs/sq. ft)	7,821	7,749	7,075	7,816	7,883	9,200	10,506	10,223	11,732	11,230	10,922	15,941	12,674	13,663	11,781	13,412
Sales value (Sobha share, Rs mn)	22,707	25,401	23,827	24,759	32,685	42,330	11,304	12,756	17,355	12,735	54,150	13,576	9,828	12,499	13,702	49,605
Collections (Rs mn)	20,930	21,776	21,041	22,169	31,727	43,058	11,478	12,598	12,929	13,339	50,344	13,917	12,227	13,206	15,834	55,184
Sales value (Rs mn)	26,066	31,225	28,806	31,372	38,702	51,978	14,647	17,238	19,516	15,040	66,441	18,737	11,785	13,886	18,360	62,768

Source: Company, Kotak Institutional Equities

Healthy cash inflows, coupled with operational outflows and higher land payments, led to modest free cash flow in 4QFY25

Exhibit 5: Sobha: Cash flow analysis, March fiscal year-ends, 2020-25 (Rs mn)

	2020	2021	2022	2023	1QFY24	2QFY24	3QFY24	4QFY24	2024	1QFY25	2QFY25	3QFY25	4QFY25	2025
Real estate sales	23,827	24,759	32,685	42,330	11,304	12,756	17,355	12,735	54,150	13,576	9,828	12,499	13,702	49,605
Operational cash inflows	33,871	30,769	39,821	52,822	13,551	14,500	14,931	14,983	57,965	15,461	13,751	14,781	17,848	61,841
Real estate	21,041	22,169	31,727	43,058	11,478	12,598	12,929	13,339	50,344	13,917	12,227	13,206	15,834	55,184
Contractual	12,830	8,600	8,094	9,764	2,073	1,902	2,002	1,644	7,621	1,544	1,524	1,575	2,014	6,657
Operational cash outflows														
Real estate project expenses	(14,803)	(9,181)	(11,653)	(18,531)	(5,320)	(5,359)	(5,662)	(5,559)	(21,900)	(6,118)	(5,938)	(6,758)	(7,240)	(26,054)
Joint development partner payments				(7,180)	(2,332)	(2,317)	(3,099)	(1,863)	(9,611)	(1,944)	(1,865)	(1,837)	(1,920)	(7,566)
Contract project expenses	(11,746)	(7,634)	(7,632)	(10,132)	(1,911)	(1,864)	(1,733)	(1,671)	(7,179)	(1,409)	(1,317)	(1,535)	(1,647)	(5,908)
Statutory dues and other taxes	(363)	(532)	(1,508)	(1,405)	(730)	(510)	(605)	(614)	(2,459)	(611)	(807)	(577)	(774)	(2,769)
Corpus repayment	(104)	(384)	(758)	(619)	(255)	(318)	(325)	(331)	(1,229)	(397)	(268)	(149)	(171)	(985)
COH	(2,102)	(1,458)	(1,385)	(1,615)	(486)	(490)	(515)	(546)	(2,037)	(682)	(754)	(661)	(757)	(2,854)
Advertising and marketing	(805)	(766)	(914)	(1,232)	(265)	(354)	(347)	(352)	(1,318)	(335)	(364)	(566)	(385)	(1,650)
Financial outflows														
Interest	(3,397)	(2,733)	(2,850)	(2,056)	(483)	(490)	(515)	(464)	(1,952)	(478)	(352)	(338)	(301)	(1,469)
Income tax	(395)	(97)	(490)	(1,378)	(245)	(278)	(236)	(429)	(1,188)	(672)	(552)	(639)	(273)	(2,136)
OCF before land payments	156	7,984	12,631	8,674	1,524	2,520	1,894	3,154	9,092	2,815	1,534	1,721	4,380	10,450
Dividend payout	-	(664)	(332)	(257)	-	(284)	-	-	(284)	-	(301)	-	-	(301)
Cash flow post payouts	156	7,320	12,299	8,417	1,524	2,236	1,894	3,154	8,808	2,815	1,233	1,721	4,380	10,149
Monetization of land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land payments	(2,641)	(382)	95	(918)	(431)	(688)	(605)	(2,105)	(3,829)	(1,609)	(1,664)	(3,058)	(3,132)	(9,463)
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating cash flow	(2,485)	6,938	12,394	7,499	1,093	1,548	1,289	1,049	4,979	1,206	(431)	(1,337)	1,248	686
Capex	(375)	(35)	(329)	(328)	(332)	(218)	(298)	(209)	(1,057)	(445)	(441)	(394)	(303)	(1,583)
Capex - commercial real estate	(781)	(115)	(21)	-	-	-	-	-	-	-	-	-	-	-
CSR	(197)	(95)	(121)	(202)	(59)	(40)	(23)	(30)	(152)	(22)	(46)	(27)	(45)	(140)
Free cash flow	(3,838)	6,693	11,923	6,969	702	1,290	968	810	3,770	739	(918)	(1,758)	900	(1,037)
Net debt	30,230	28,520	23,370	16,420	15,690	14,400	13,440	12,630	12,630	11,880	2,800	4,560	(6,300)	(6,300)

Source: Company, Kotak Institutional Equities

Sobha turned net cash at Rs6.3 bn, aided by the rights issue (second tranche of Rs10 bn)

Exhibit 6: Sobha: Debt, March fiscal year-ends, 2020-25 (Rs mn)

	2020	2021	2022	2023	1QFY24	2QFY24	3QFY24	4QFY24	2024	1QFY25	2QFY25	3QFY25	4QFY25	2025
Interest rate (%)	9.77	9.29	8.72	8.69	9.11	9.14	9.26	9.35	9.22	9.40	9.40	9.44	9.12	9.34
Interest payments (Rs mn)	3,353	3,362	2,898	2,108	483	490	511	464	1,948	478	352	338	301	1,469
Gross debt (Rs mn)	31,180	30,620	25,330	19,930	20,840	19,990	18,980	19,140	19,140	19,860	15,210	15,760	11,310	11,310
Net debt (Rs mn)	30,230	28,520	23,370	16,420	15,690	14,400	13,440	12,630	12,630	11,880	2,800	4,560	(6,300)	(6,300)

Source: Company, Kotak Institutional Equities

Sobha expects positive cash flows of Rs105 bn from ongoing and completed projects

Exhibit 7: Details of potential cash flows from ongoing and completed projects, March fiscal year-ends, 4QFY22-4QFY25 (mn sq. ft, Rs mn)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Ongoing													
Sobha Share of SBA (mn sq. ft)	27.57	27.52	27.09	26.40	21.93	20.18	19.44	21.95	23.46	25.77	25.33	24.68	27.66
Sold till end of period (mn sq. ft)	13.84	14.48	14.98	15.28	14.68	15.11	16.08	16.51	16.13	16.53	16.64	15.98	16.37
Unsold Area (mn sq. ft)	13.72	13.04	12.11	11.13	7.25	5.06	3.37	5.44	7.33	9.24	8.69	8.70	11.29
Cost to be spent (Rs mn)	84,780	89,710	85,920	83,540	77,190	67,060	61,370	73,540	93,860	112,200	109,750	111,650	132,430
Receivable for sales (Rs mn)	47,340	52,290	52,880	57,930	62,730	66,070	70,350	78,550	80,990	86,640	80,160	92,780	93,140
Value of unsold stock (Rs mn)	97,730	100,020	91,680	84,750	57,190	41,680	29,700	60,150	97,420	127,010	123,650	119,510	145,420
Positive CF expected (Rs mn)	60,290	62,600	58,640	59,140	42,730	40,690	38,680	65,160	84,550	101,450	94,060	100,640	106,130
Completed													
Sobha Share of SBA (mn sq. ft)	15.94	14.22	14.67	15.75	15.14	13.89	14.65	15.75	17.42	18.14	18.95	14.61	15.71
Sold till end of period (mn sq. ft)	15.57	13.78	14.49	15.64	15.06	13.78	14.48	15.55	17.20	17.96	18.76	14.40	15.56
Unsold Area (mn sq. ft)	0.37	0.44	0.18	0.12	0.08	0.11	0.17	0.20	0.22	0.18	0.19	0.21	0.15
Cost to be spent (Rs mn)	2,420	3,550	2,490	2,380	2,640	3,840	4,460	2,710	3,230	4,120	3,850	3,020	3,380
Receivable for sales (Rs mn)	6,530	1,040	950	890	1,140	1,630	530	690	850	690	1,080	1,050	1,290
Value of unsold stock (Rs mn)	2,910	3,740	1,540	730	340	830	1,320	1,560	1,770	1,920	1,790	1,860	1,340
Positive CF expected (Rs mn)	7,020	1,230	-	(760)	(1,170)	(1,380)	(2,610)	(460)	(610)	(1,510)	(980)	(110)	(750)
Ongoing + Completed													
Sobha Share of SBA (mn sq. ft)	43.51	41.74	41.76	42.15	37.07	34.07	34.09	37.70	40.88	43.91	44.28	39.29	43.37
Sold till end of period (mn sq. ft)	29.41	28.26	29.47	30.92	29.74	28.89	30.56	32.06	33.33	34.49	35.40	30.38	31.93
Unsold Area (mn sq. ft)	14.10	13.48	12.29	11.23	7.33	5.18	3.53	5.64	7.55	9.42	8.88	8.91	11.44
Cost to be spent (Rs mn)	87,200	93,260	88,410	85,920	79,830	70,900	65,830	76,250	97,090	116,320	113,600	114,670	135,810
Receivable for sales (Rs mn)	53,870	53,330	53,830	58,820	63,870	67,700	70,880	79,240	81,840	87,330	81,240	93,830	94,430
Value of unsold stock (Rs mn)	100,640	103,760	93,220	85,480	57,530	42,510	31,020	61,710	99,190	128,930	125,440	121,370	146,760
Positive CF expected (Rs mn)	67,310	63,830	58,640	58,380	41,570	39,310	36,070	64,700	83,940	99,940	93,080	100,530	105,380
Forthcoming													
Forthcoming projects area (mn sq. ft)						15.09	15.23	16.77	16.85	17.93	19.29	21.22	18.56
Cash flow from forthcoming projects						60,240	73,340	55,980	65,410	62,100	68,130	70,600	72,810

Source: Company, Kotak Institutional Equities

It has 18.6 mn sq. ft of upcoming residential launches planned over the next 6-8 quarters

Exhibit 8: Launch pipeline (residential and commercial) across geographies (mn sq. ft), March 2025

Residential		
Location	Number of projects	Total saleable area (mn sq. ft)
Bangalore	7	7.56
Gurgaon	3	3.37
Noida	2	3.10
Pune	1	0.85
Mumbai	1	0.17
Chennai	1	1.50
Kochi	1	0.92
Trivandrum	1	0.25
Calicut	1	0.83
Total area of launch for sale	18	18.56
Commercial		
Location	Number of projects	Total saleable area (mn sq. ft)
Gurgaon	2	0.71
Total area of launch for sale	2	0.71

Source: Company, Kotak Institutional Equities estimates

256 acres of land for subsequent projects; another 1,765 acres of land bank

Exhibit 9: Landbank details for Sobha, March 2025 (acres)

Region	Forthcoming	Subsequent	Total	Others
Bangalore	76	137	213	
NCR	72	16	88	
Kerala	12	4	16	
Tamil nadu	9	72	80	
Pune	7	27	34	
Mumbai	1	-	1	
Total (Acres)	177	256	432	1,765
Development Potential (mn sq. ft)	19.3	24.3	43.6	NA
Sobha share (%)	81	86	84	NA

Source: Company, Kotak Institutional Equities

We factor Rs84 bn of pre-sales in FY2026E

Exhibit 10: Key segment-wise assumptions, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Development									
Gross sales (Rs mn)	28,806	31,372.00	38,702	51,978	66,441	62,768	83,636	99,019	114,984
Attributable sales (mn sq. ft)	3.4	3.2	4.1	4.6	5.0	3.7	5.6	6.5	7.4
Attributable sales (Rs mn)	23,827	24,759	32,685	42,330	54,150	49,605	66,097	78,254	90,871
Realization (Rs/sq. ft)	7,075	7,816	7,883	9,200	10,922	13,412	11,803	12,039	12,280
GCF (Annual)	6,238	12,988	20,074	24,527	28,444	29,130	35,449	42,115	49,272
GCF (Outstanding)	75,040	78,960	67,310	41,570	83,940	105,380	104,475	95,662	46,390
Segmental revenue									
Real Estate	22,312	13,103	20,181	25,372	24,138	33,782	46,142	59,125	75,948
Contract	16,415	8,693	7,920	9,331	8,217	8,302	9,547	11,072	12,844
Inter-segment	(1,169)	(698)	(792)	(1,602)	(1,386)	(1,697)	(1,952)	(2,263)	(2,626)
Total	37,558	21,098	27,309	33,101	30,969	40,387	53,737	67,933	86,166
Segmental results									
Real Estate	9,782	3,937	5,648	5,872	4,257	3,491	6,324	9,590	14,793
Contract	2,966	1,381	850	(45)	713	402	680	1,028	1,417
Other	(1,606)	(1,204)	(2,019)	(1,888)	(1,773)	(607)	(547)	(558)	(569)
Interest	(6,816)	(3,362)	(2,898)	(2,490)	(2,455)	(1,956)	(1,271)	(1,272)	(1,274)
PBT	4,326	752	1,581	1,449	742	1,330	5,186	8,788	14,367
Segmental margins									
Real Estate	44	30	28	23	18	10	14	16	19
Contract	19	17	12	(1)	10	6	9	12	14

Source: Company, Kotak Institutional Equities estimates

We roll forward to March 2027E-based valuation

Exhibit 11: SoTP based on March 2027E

Project	Value			Inventory / Area			Receivables	Cost	GCF
	(Rs mn)	(Rs/share)	(%)	(mn sq. ft)	(Rs/sq. ft)	(Rs mn)	(Rs mn)	(Rs mn)	(Rs mn)
Residential (Ongoing)	57,714	540	39	31	12,187	374,258	94,430	288,616	180,072
Residential (Future)	54,828	513	37						
Land	21,152	198	14	202	104	21,152			
EPC	4,228	40	3						
Commercial	10,901	102	7						
Total	148,824	1,392	100						
Net cash	(20,145)	(188)	(14)						
Equity Value	168,969	1,580	114						

Source: Company, Kotak Institutional Equities estimates

We lower our margin assumptions for Sobha

Exhibit 12: Sobha, change in estimates, March fiscal year-ends, 2026-28E (Rs mn)

	New estimates			Old estimates			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	53,737	67,933	86,166	52,889	66,352	NA	2	2	NA
EBITDA	6,077	9,457	14,881	7,030	10,491	NA	(14)	(10)	NA
PAT	3,692	6,257	10,228	3,812	6,155	NA	(3)	2	NA

Source: Company, Kotak Institutional Equities estimates

Expect a gradual recovery in margins in the years ahead

Exhibit 13: Profit model, balance sheet, cash flow model for Sobha, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Profit model									
Net sales	37,539	21,098	27,309	33,101	30,969	40,387	53,737	67,933	86,166
EBITDA	11,153	6,752	8,893	3,695	2,770	2,943	6,077	9,457	14,881
Other income	718	806	907	923	1,209	1,241	1,519	1,785	2,051
Interest	(6,816)	(6,012)	(7,497)	(2,490)	(2,455)	(1,956)	(1,501)	(1,503)	(1,505)
Depreciation	(723)	(794)	(721)	(678)	(782)	(898)	(908)	(951)	(1,060)
Pre-tax profits	4,332	752	1,582	1,450	742	1,330	5,186	8,788	14,367
Tax	(453)	(101)	(611)	(360)	(1,257)	(1,652)	(1,494)	(2,532)	(4,139)
Deferred taxation	(1,063)	(28)	198	(47)	1,006	1,269	—	—	—
Net income	2,816	623	1,169	1,042	491	947	3,692	6,257	10,228
Adjusted net income	2,821	630	1,160	1,002	479	924	3,692	6,257	10,228
Earnings per share (Rs)	30	7	12	11	5	9	35	59	96
Balance sheet									
Total equity	24,312	24,277	25,105	24,947	25,141	45,605	48,756	54,364	63,943
Gross debt	31,308	30,282	24,135	20,035	19,135	11,560	11,570	11,589	11,604
Non-current liabilities	456	493	325	559	608	1,852	832	832	832
Current liabilities	54,046	57,049	64,503	74,499	87,466	113,192	147,450	170,394	191,475
Total liabilities and equity	110,122	112,101	114,069	120,040	132,350	172,210	208,608	237,178	267,854
Fixed assets	9,194	9,035	8,140	9,012	9,517	10,052	12,085	13,815	15,556
Non-current financial assets	1,446	2,985	3,174	2,327	2,450	2,305	1,619	1,658	1,710
Other non-current assets /taxe	5,315	5,317	4,477	9,738	12,570	13,196	13,667	14,170	14,700
Current assets	94,167	94,765	98,278	104,806	112,427	146,658	181,237	207,536	235,889
Total assets	110,122	112,101	114,069	125,882	136,965	172,210	208,608	237,178	267,854
Ratios (%)									
Debt/equity	129	125	96	80	76	25	24	21	18
Net debt/equity	125	116	89	62	49	(14)	(31)	(37)	(65)
RoE (%)	12.0	2.5	4.7	4.1	2.0	2.7	7.8	12.1	17.2
RoCE (%)	6.2	(0.1)	0.8	0.8	0.7	(0.0)	4.4	7.9	12.4
Book value per share (Rs)	256	256	265	263	265	426	456	508	598

Source: Company, Kotak Institutional Equities estimates

Lemon Tree Hotels (LEMONTRE)

Hotels & Restaurants

REDUCE

CMP(₹): 139

Fair Value(₹): 130

 Sector View: **Attractive**

NIFTY-50: 24,751

June 01, 2025

A tale of two halves

Lemon Tree closed FY2025 with 21% yoy growth in EBITDA to Rs6.3 bn, aided by (1) full-year contribution from the 669 keys at Aurika, Mumbai, (2) 20% yoy increase in management fees and (3) 11% yoy RevPAR growth to Rs4,575/day. Trends for 4QFY25 were similar, with 19% yoy EBITDA growth to Rs2 bn, aided by 15% yoy growth in RevPAR to Rs5,473/day. We highlight that Lemon Tree saw significantly better performance in 2HFY25, as it paused its extensive renovation program, which it has resumed in 1HFY26. Lemon Tree continues to enhance its management portfolio, with the pipeline expanded to 6,591 keys (on extant base of 4,510 keys). However, the absence of a meaningful increase in owned keys (5,759) restricts the growth prospects for further RevPAR improvement, as well as the increasing pipeline of managed keys. Retain REDUCE with a revised FV of Rs130 (Rs135 earlier).

Healthy earnings growth led by better occupancy, Aurika (Mumbai) shines

Lemon Tree reported healthy 19% yoy growth in 4QFY25 EBITDA to Rs2 bn, aided by blended ARR growth of 7% yoy and 4% qoq to Rs7,042/day, coupled with strong 77.7% occupancy. The improvement in 4QFY25 occupancy in Mumbai to 85% (73% in 4QFY24/76% in 3QFY25) is attributable to Aurika, Mumbai (80% occupancy); this, without compromising on room rates, appears to be the key driver of earnings. Management fees (external) grew 11% yoy to Rs160 mn on an expanded base of 4,510 keys (+10% yoy), with an incremental pipeline of 6,591 keys (4,087 as of March 2024). The margin profile for 4QFY25 improved to 53.9% (+154 bps yoy, +206 bps qoq) on account of RevPAR growth as well as higher contribution from management fees.

For FY2025, Lemon Tree reported EBITDA growth of 21% yoy to Rs6.3 bn, aided by 20% yoy growth in revenues at Rs12.8 bn. Earnings were driven by 11% yoy RevPAR increase to Rs4,575/day, coupled with 20% yoy growth in management fees to Rs603 mn, and also aided by a full-year contribution from the 669 key in Aurika, Mumbai (commissioned in 2HFY24).

Mumbai sees better occupancy; Delhi leads the ARR improvement

Among the key cities, Mumbai saw improved occupancy at 85% (73% in 4QFY24/76% in 3QFY25) on account of improved performance at Aurika, with ARR of Rs9,382/day (+3% yoy, +4% qoq). New Delhi saw strong occupancy of 88% (87% in 4QFY24/84% in 3QFY25) and ARR of Rs8,126/day (+15% yoy, +2% qoq). Bengaluru saw a marked improvement, with occupancy improving to 67% in 4QFY25 (58% in 4QFY24) and ARR improving 7% yoy to Rs5,579/day.

Lack of new owned keys and extensive renovation program to weigh on growth

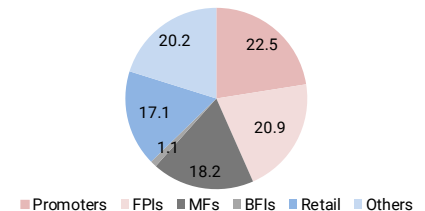
The 669 keys at Aurika, Mumbai, saw better occupancy of 80% in 4QFY25 (70-75% in 3QFY25), with ARR seeing slight growth. As highlighted earlier, a successful ramp-up of Aurika, Mumbai, is key to the earnings growth. Lemon Tree only has 256 owned keys in the pipeline (91-key hotel in Shimla + the recently signed 120-key hotel in Shillong, likely to be commissioned by 2029E).

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	139/130/REDUCE
52-week range (Rs) (high-low)	162-111
Mcap (bn) (Rs/US\$)	110/1.3
ADTV-3M (mn) (Rs/US\$)	428/5.0

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	2	14	1
Rel. to Nifty	0	3	(9)
Rel. to MSCI India	(1)	1	(7)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	2.5	3.3	4.7
EPS growth (%)	32.4	34.8	39.5
P/E (X)	56.0	41.5	29.8
P/B (X)	9.5	8.4	7.2
EV/EBITDA (X)	19.9	16.3	13.2
RoE (%)	18.5	21.4	26.0
Div. yield (%)	0.0	1.1	1.3
Sales (Rs bn)	13	15	16
EBITDA (Rs bn)	6.3	7.6	9.1
Net profits (Rs bn)	2.0	2.6	3.7

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

[Full sector coverage on KINSITE](#)

Murtuza Arsiwalla

Abhishek Khanna

Anshika Gupta

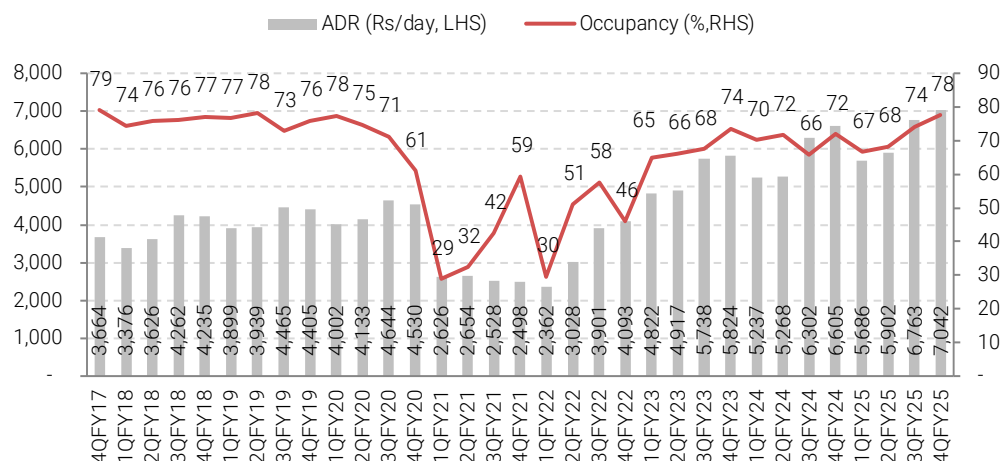
We further highlight that Lemon Tree saw significantly better performance in 2HFY25, as it paused its extensive renovation program, aiding occupancy improvement across the portfolio. However, management has resumed the same in 1HFY26 (with small renovation planned for 1HFY27 as well), which will continue to impact earnings growth in the near term. Management highlighted that it spent ~Rs1 bn on renovation and maintenance in FY2025 (in comparison to the usual Rs0.2-0.3 bn annual spends). The renovation expenses are likely to remain high in FY2026 (~Rs1.3 bn) as well, before tapering off in FY2027. Valuations at 19X EV/EBITDA (2027E, attributable) remain full, considering the relatively lower earnings growth. Maintain REDUCE with a revised FV of Rs130 (Rs135 earlier), as we marginally lower our ARR estimates, while rolling forward to March 2027E.

EBITDA for 4QFY25 grew 19% yoy, aided by strong improvement in occupancy to 77.7%

Exhibit 1: Quarterly results for Lemon Tree Hotels (consolidated), March fiscal year-ends, 2023-25E (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			2025	2024	(% chg)	2026E	(% chg)
					KIE	yoy	qoq					
Net sales	3,785	3,750	3,273	3,552	1	16	7	12,861	10,711	20	14,540	13
F&B	(230)	(213)	(205)	(196)	8	12	17	(762)	(628)	21	(878)	15
Employee costs	(570)	(579)	(499)	(564)	(1)	14	1	(2,185)	(1,878)	16	(2,437)	12
Power and fuel costs	(202)	(222)	(197)	(215)	(9)	2	(6)	(878)	(780)	12	(926)	5
Other expenses	(742)	(759)	(657)	(734)	(2)	13	1	(2,695)	(2,193)	23	(2,683)	(0)
Total expenses	(1,744)	(1,772)	(1,558)	(1,710)	(2)	12	2	(6,520)	(5,479)	19	(6,924)	6
EBITDA	2,041	1,978	1,715	1,842	3	19	11	6,341	5,232	21	7,617	20
EBITDA (%)	53.9	52.7	52.4	51.9				49.3	48.8		52.4	
Other income	42	31	65	29	34	(35)	45	129	125	3	233	81
Depreciation	(349)	(352)	(334)	(351)	(1)	4	(1)	(1,393)	(1,121)	24	(1,595)	14
EBIT	1,735	1,657	1,446	1,521	5	20	14	5,077	4,236	20	6,255	23
Interest	(506)	(527)	(554)	(526)	(4)	(9)	(4)	(2,112)	(2,085)	1	(1,951)	(8)
PBT	1,229	1,130	892	994	9	38	24	2,965	2,151	38	4,304	45
Tax	(141)	(252)	(50)	(197)	(44)	180	(28)	(531)	(341)	56	(1,023)	93
PAT	1,088	878	842	798	24	29	36	2,434	1,810	34	3,281	35
Extraordinaries	—	—	—	—				—	—		—	
Share of profit from Associates	(6)		(2)	1				(3)	7	(138)	(3)	5
Non-controlling interest	(235)		(170)	(174)				(466)	(332)	40	(629)	35
Adjusted PAT	846	671	670	625		26	35	1,966	1,485	32	2,649	35
Operational details (Owned + Leased)												
Keys (#)	5,759	5,759	5,759	5,759	—	—	—	5,759	5,759	—	5,759	—
ADR (Rs/day)	7,042	7,200	6,605	6,763	(2)	7	4	6,381	5,876	9	6,945	9
Occupancy (%)	77.7	75.3	72.0	74.2	3	8	5	71.7	69.9	3	72.8	1
RevPAR (Rs/day)	5,473	5,422	4,756	5,018	1	15	9	4,575	4,107	11	5,054	10

Source: Company, Kotak Institutional Equities estimates

Strong occupancy improvement in 4QFY25 led by Aurika, Mumbai, which saw 80% occupancy**Exhibit 2: Occupancy and ADR for Lemon Tree, March fiscal year-ends, 2017-25 (Rs/day, %)**

Source: Company, Kotak Institutional Equities

Other highlights from the results

- **Occupancy.** Occupancy for Lemon Tree was strong at 77.7% (+570 bps yoy, +350 bps qoq). We highlight that Lemon Tree was undergoing a big renovation program in 1HFY25 (which it started in FY2024 and plans to largely finish in FY2026E); it had paused the same in the seasonally strong 2HFY25, leading to the healthy occupancy improvement, while the yoy improvement is partly on account of the ramp-up at Aurika, Mumbai, which operated at 80% occupancy during the quarter. Accordingly, Mumbai saw an improvement at 85% occupancy (73% in 4QFY24/76% in 3QFY25). Delhi saw strong occupancy of 88% in 4QFY25 (87% in 4QFY24/84% in 3QFY25); Hyderabad was also strong at 80% (79% in 4QFY24/80% in 3QFY25). Gurgaon (77%) and Pune (77%) were healthy in 4QFY25, while Bengaluru saw a marked improvement to 67% occupancy (58% in 4QFY24/65% in 3QFY25).
- **Room rates.** ARR growth in 4QFY25 was modest at 7% yoy and 4% qoq to Rs7,042/day, despite the inclusion of high-priced Aurika, as the company likely focused more on occupancy improvement during the quarter. For Aurika Mumbai, management expects the retail rates to hit Rs11-12k/day in FY2026, with occupancy of ~80%. Among the key cities, Delhi led with 15% yoy ARR growth, followed by Pune at 10% yoy and Gurugram at 9%. Hyderabad and Bengaluru stood at 7% yoy ARR growth, while Mumbai (+3% yoy) and the rest of India (+2% yoy) witnessed weaker growth.
- **Cost.** Lemon Tree incurred cost (ex-F&B) of ~Rs2,858/day (~Rs16.5 mn/day for 5,759 keys), which is up 12% yoy and flat qoq. The yoy increase is largely attributable to the expansion of the business development activity, as management continues to expand its pipeline for managed keys.
- **Portfolio and expansion plans.** Lemon Tree's current operational inventory comprises 10,269 keys, of which 5,759 keys are owned/leased and 4,510 are managed (44% share in total). We highlight that Lemon Tree has just two owned hotels in the pipeline—91 keys at Shimla with incurred capex of Rs440 mn to date (to be an Aurika hotel, redesigned from Lemon Tree Mountain Resort earlier) and 165 keys at Shillong (recently announced) with incurred capex of Rs60 mn. Management highlighted that the Shillong hotel will be developed under the "Design, Build, Finance, Operate, and Transfer" mode on a public-private partnership basis with the Government of Meghalaya. It is expected to be commissioned by 2029E. Management highlighted that the project qualifies for capital subsidy and various incentives, including GST reimbursement, under the government schemes.

The total expected investment would be Rs1.2 bn, of which Rs0.4-0.5 bn would be the equity contribution, with the balance contribution from debt. It will also be eligible for 5% interest subvention, which would lower the effective borrowing rate to 3.5-4%. Management expects the hotel to command an ARR of Rs12-13k/day upon completion, and strong 50-60% EBITDA margin.

Lemon Tree also has a pipeline of 6,591 managed/franchised keys to be commissioned largely by FY2030. Lemon Tree is targeting over 70% share of managed keys by FY2029. It commissioned two

managed hotels during 4QFY25—Keys Lite in Vadodara, Gujarat (63 keys) and Keys Prima in Kota, Rajasthan (58 keys).

Mumbai led the improvement in occupancy, while Delhi led the ARR improvement in 4QFY25

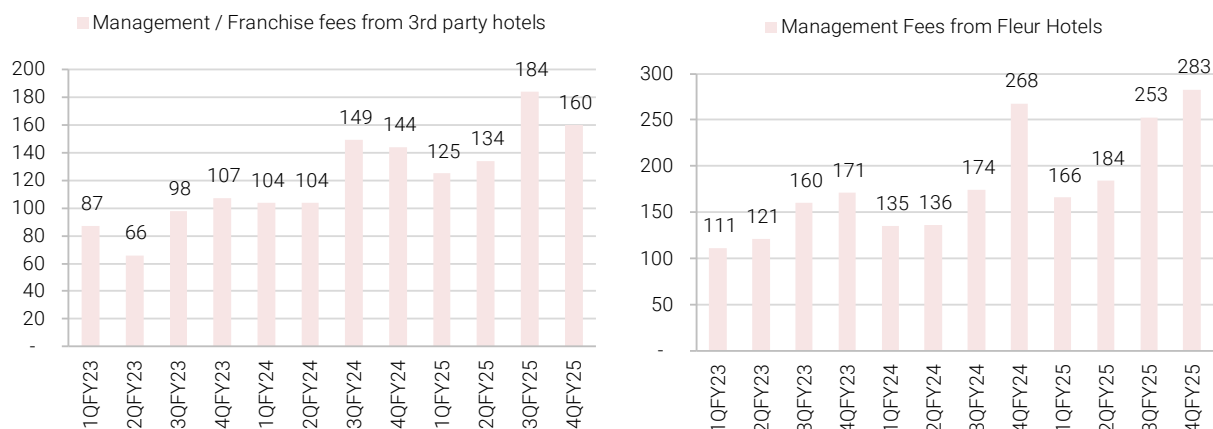
Exhibit 3: Region-wise metrics for Lemon Tree hotels, March fiscal year-ends, 2024-25 (Rs, %, Rs mn)

	4QFY25	4QFY24	3QFY25	Chg. (bps)	
				4QFY24	3QFY25
Occupancy (%)					
Delhi	88	87	84	100	400
Gurugram	77	72	74	500	300
Hyderabad	80	79	80	100	-
Bengaluru	67	58	65	900	200
Mumbai	85	73	76	1,200	900
Pune	77	75	73	200	400
Rest of India	74	69	72	500	200
Portfolio	78	72	74	600	380
ADR (Rs)					
				Chg. (%)	
Delhi	8,126	7,055	7,949	15	2
Gurugram	6,504	5,985	6,146	9	6
Hyderabad	7,687	7,156	7,298	7	5
Bengaluru	5,579	5,218	5,023	7	11
Mumbai	9,382	9,077	9,052	3	4
Pune	5,749	5,231	5,762	10	(0)
Rest of India	5,919	5,813	5,862	2	1
Portfolio	7,042	6,605	6,763	7	4
Hotel level EBITDAR margin (%)					
Delhi	63	62	59	100	400
Gurugram	53	52	54	100	(100)
Hyderabad	63	60	62	300	100
Bengaluru	51	41	49	1,000	200
Mumbai	68	62	63	600	500
Pune	47	47	49	0	(200)
Rest of India	53	52	55	100	(200)
Portfolio	59	56	57	300	200
Hotel level EBITDAR/room (Rs mn)					
Delhi	0.51	0.42	0.44	23.1	16.4
Gurugram	0.31	0.28	0.30	13.4	4.3
Hyderabad	0.42	0.37	0.40	11.9	5.1
Bengaluru	0.20	0.14	0.18	50.4	14.0
Mumbai	0.67	0.49	0.55	38.0	22.9
Pune	0.23	0.21	0.23	12.6	3.1
Rest of India	0.27	0.25	0.27	9.4	(2.2)
Portfolio	0.37	0.30	0.34	23.2	10.4

Source: Company, Kotak Institutional Equities

20% yoy increase in the third-party management fees earned by Lemon Tree Hotels in FY2025

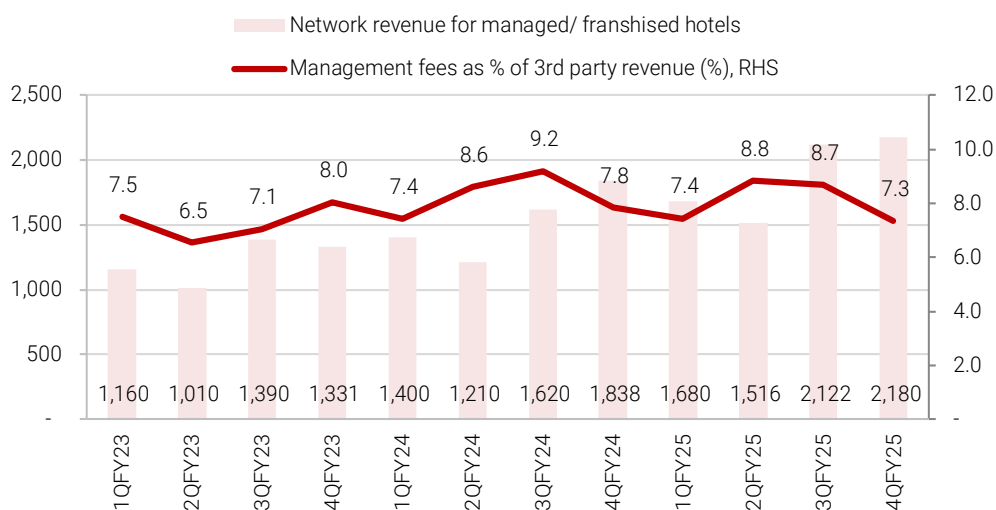
Exhibit 4: Management fees for Lemon Tree hotels, March fiscal year-ends, 2023-25 (Rs mn)



Source: Company, Kotak Institutional Equities

Management fees stood at 7.3% of the third-party revenues in 4QFY25

Exhibit 5: Revenues for third-party hotels and management fees, March fiscal year-ends, 2024-25 (Rs mn, %)



Source: Company, Kotak Institutional Equities

Lemon Tree operationalized two managed hotels in 4QFY25

Exhibit 6: Managed hotels operationalized by Lemon Tree Hotels, March fiscal year-ends, 2024-25

Managed/ franchised rooms operationalized	City	(#)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Lemon Tree Hotel	Agra	62	Open							
Lemon Tree Hotel	Bhopal, Madhya Pradesh	47	Open							
Lemon Tree Hotel (Franchised)	Manali, Himachal Pradesh	34	FY24	Open						
Lemon Tree Hotel	Rajkot	45	FY24	Open						
Peninsula Suites operated by Lemon Tree Hotels	Whitefield, Bengaluru	101	FY24	Open						
Lemon Tree Hotel	Haridwar	50	FY24	Open						
Lemon Tree Hotel (Franchised)	McLeod Ganj, Dharamshala	39	FY24	Open						
Lemon Tree Hotel	Sonmarg	40	FY24	FY24	Open					
Lemon Tree Hotel	Dapoli, Maharashtra	50	FY24	FY24	Open					
Lemon Tree Hotel	Hubli	65	FY24	FY24	Open					
Lemon Tree Hotel	Hissar, Haryana	50		FY24	Open					
Lemon Tree Hotel	Malad, Mumbai	93	FY24	FY24	Open					
Keys Lite by Lemon Tree Hotels	Dapoli, Maharashtra	20	FY24	FY24	FY24	Open				
Lemon Tree Resort (Franchised)	Kumbalgarh	59	FY24	FY24	FY24	Open				
Keys Select	Udaipur, Rajasthan	48		FY24	FY24	Open				
Lemon Tree Hotel, Kasauli	Himachal Pradesh	49			FY25	Open				
Lemon Tree Hotel	Tapovan, Rishikesh	126	FY25	FY25	FY25	FY25	Open			
Lemon Tree Premier (Franchised)	Budhanilkantha, Kathmandu	102	FY24	FY24	FY24	FY25	Open			
Tiger land Safari, A Lemon Tree Resort	Chitwan, Nepal	35		FY24	FY24	FY25	Open			
Keys Lite by Lemon Tree Hotels, Udaipur (Franchised)	Rajasthan	68				FY25	Open			
Lemon Tree Hotel	Jamshedpur, Jharkhand	42	FY24	FY24	FY24	FY25	FY25	Open		
Lemon Tree Resort (Franchised)	Somnath, Gujarat	52		FY25	FY25	FY25	FY25	Open		
Lemon Tree Premier	Kanha	15	FY24	FY24	FY24	FY25	FY25	Open		
Lemon Tree Hotel, Noida	Delhi NCR	40				FY25	FY25	Open		
Lemon Tree Resort	Mussoorie	44	FY24	FY25	FY25	FY25	FY25	Open		
Lemon Tree Hotel	Thimphu, Bhutan	38	FY25	FY25	FY25	FY25	FY25	FY25	Open	
Keys Lite by Lemon Tree Hotels, Vadodara	Gujarat	63				FY25	FY25	FY25	FY25	Open
Keys Prima by Lemon Tree Hotels, Kota	Rajasthan	58						FY25	FY26	Open

Source: Company, Kotak Institutional Equities



Lemon Tree's managed pipeline now stands at 6,591 keys; some improvement in the planned commissioning timelines

Exhibit 7: Upcoming management contract pipeline for Lemon Tree Hotels

Managed/ franchised rooms to be operational in FY2026 & beyond		6591	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
The Spectrum, Lemon Tree Hotels	Manesar, Gurgaon	260	FY24	FY24	FY24	FY25	FY25	FY25	FY26	Uncertain
Lemon Tree Hotel	Erode	64	FY25	FY25	FY25	FY25	FY25	FY25	FY25	FY26
Lemon Tree Hotel	Trivandrum	100	Uncertain	FY26	FY26	FY26	Uncertain	Uncertain	FY26	FY26
Lemon Tree Hotel	Kathmandu, Nepal	75	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain
Lemon Tree Hotel	Darjeeling	55	FY25	FY26	FY26	FY26	FY26	FY26	FY27	FY27
Lemon Tree Hotel	Biratnagar, Nepal	80	FY25	FY25	FY25	FY25	FY25	FY25	FY26	FY26
Aurika Hotels & Resorts	Rishikesh	132	FY27	FY27	FY27	FY27	FY27	FY27	Uncertain	FY28
Lemon Tree Hotel	Kharar, Punjab	60	FY25	FY25	FY25	FY26	FY26	FY26	FY26	FY27
Keys Lite	Jaipur	47	FY25	FY25	FY25	FY25	FY25	FY25	FY26	FY26
Keys Select	Chirang, Assam	40	FY25	FY25	FY25	FY26	FY26	FY26	FY26	FY26
Lemon Tree Hotel	Bokaro	70	Uncertain	Uncertain	Uncertain	Uncertain	FY26	FY26	FY26	FY26
Lemon Tree Hotel	Gulmarg	35	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain
Lemon Tree Hotel	Ludhiana	60	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain
Bhangeri Durbar Resort	Nagarkot, Nepal	51	FY25	FY25	FY25	FY25	FY26	FY26	FY26	FY26
Lemon Tree Hotel	Anjuna, Goa	51	FY24	FY24	FY24	FY25	Uncertain	Uncertain	FY26	FY26
Keys Lite (Franchised)	Dehradun	32	FY24	FY25	FY25	FY25	FY25	FY25	FY25	FY26
Lemon Tree Hotel	Chandausi, UP	70	FY25	FY25	FY25	FY25	FY25	FY25	FY25	FY26
Keys Lite	Banswara, Rajasthan	54	FY25	FY25	FY25	FY25	FY26	FY26	FY26	FY26
Lemon Tree Hotel	Tejpur, Assam	42	FY25	FY26	FY26	FY26	FY26	FY26	FY27	FY27
Lemon Tree Hotel	Jabalpur, Madhya Pradesh	75	FY25	FY26	FY26	FY26	FY26	FY26	FY26	FY26
Aurika	Kasauli, Himachal Pradesh	110	Uncertain	FY27	FY27	FY27	Uncertain	Uncertain	Uncertain	Uncertain
Lemon Tree Hotel	Bharuch, Gujarat	83	Uncertain	Uncertain	Uncertain	Uncertain	FY27	FY27	FY26	FY26
Lemon Tree Hotel	Sri Ganganagar, Rajasthan	60	Uncertain	FY26	FY26	FY26	FY26	FY26	FY27	Uncertain
Lemon Tree Premier	Gomti Nagar, Lucknow, Uttar Pradesh	82	FY27	FY27	FY27	FY27	FY26	FY26	FY27	FY26
Lemon Tree Premier	Tirupati, Andhra Pradesh	120	Uncertain	FY26	FY26	FY26	FY26	FY26	FY27	FY26
Lemon Tree Hotel	Rajamundry, Andhra Pradesh	60	Uncertain	FY26	FY26	FY26	FY26	FY26	FY26	Uncertain
Lemon Tree Hotel	Bhubaneswar, Odisha	60		FY25	FY25	FY25	FY26	FY26	FY26	FY26
Lemon Tree Premier	Dehradun, Uttarakhand	80		FY25	FY25	FY26	FY26	FY26	FY26	FY26
Lemon Tree Hotel	Junagadh, Gujarat	64		FY25	FY25	FY26	FY26	FY26	FY26	FY26
Lemon Tree Hotel	Gomti Nagar, Lucknow, Uttar Pradesh	72		FY26	FY26	FY26	FY26	FY26	FY27	FY26
Lemon Tree Hotel	Mashobra, Himachal Pradesh	48		FY26	FY26	FY26	FY26	FY26	FY26	FY26
Lemon Tree Mountain Resort	Kasauli, Himachal Pradesh	50		FY26	FY26	FY26	FY26	FY26	FY27	FY27
Lemon Tree Hotel	Zirakpur, Punjab	80		FY27	FY27	FY27	FY27	Uncertain	Uncertain	FY27
Lemon Tree Hotel, Jamnagar	Gujarat	60			FY25	FY26	FY26	FY26	FY26	FY26
Lemon Tree Hotel, Mussoorie (Franchised)	Gujarat	60			FY25	FY25	FY25	FY25	FY27	FY26
Lemon Tree Hotel, Badrinath	Uttarakhand	60			FY25	FY25	FY26	FY26	FY27	FY27
Red Fox Hotel, Vishakhapatnam	Uttarakhand	72			FY26	FY26	FY26	FY26	FY26	FY26
Keys Select by Lemon Tree Hotels, Vadodara (Franchised)	Vishakhapatnam	50			FY26	FY26	FY26	FY26	FY27	FY27
Keys Select by Lemon Tree Hotels, Vadodara (Franchised)	Telangana	150			FY26	FY26	FY26	FY26	FY27	FY27
Keys Prima by Lemon Tree Hotels, Dehradun	Gujarat	45			FY26	FY26	FY26	FY26	FY27	FY27
Lemon Tree Hotel, Kundapura	Uttarakhand	55			FY27	FY27	FY27	FY27	FY28	FY27
Lemon Tree Hotel, Meerut (Franchised)	Karnataka	80			FY27	FY27	FY27	FY27	FY28	FY27
Lemon Tree Hotel, Motihari (Franchised)	Uttar Pradesh	75			FY25	FY25	FY25	FY25	FY27	FY26
Lemon Tree Hotel, Ranchi (Franchised)	Bihar	50			FY25	FY25	FY25	FY25	FY26	FY26
Keys Lite by Lemon Tree Hotels, Coimbatore	Jharkhand	45			FY25	FY25	FY25	FY25	FY27	FY26
Keys Lite by Lemon Tree Hotels, Vijayawada	Tamil Nadu	40			FY26	FY26	FY26	FY26	FY26	FY26
Sankhwas Garh, a Lemon Tree Resort	Andhra Pradesh	44			FY26	FY26	FY26	FY26	FY26	FY26
Lemon Tree Hotel, Agartala	Rajasthan	51			FY26	FY26	FY26	FY26	FY26	FY26
Lemon Tree Hotel, Marpalle	Tripura	80			FY27	FY27	FY27	FY27	FY28	FY27
Keys Select by Lemon Tree Hotels, Anjar (Franchised)	Telangana	50			FY27	FY27	FY27	FY27	FY28	FY27
Keys Select by Lemon Tree Hotels, Bareilly (Franchised)	Gujarat	61			FY27	FY27	FY27	FY27	FY28	FY27
Lemon Tree Hotel, Morbi	Uttar Pradesh	60				FY25	FY25	FY27	FY27	FY26
Keys Lite by Lemon Tree Hotels, Somnath	Gujarat	75				FY26	FY26	FY26	FY29	FY26
Lemon Tree Hotel, Arpora	Gujarat	52				FY26	FY26	Uncertain	FY27	
Keys Lite by Lemon Tree Hotels, Pathankot	Goa	57				FY26	FY26	FY26	FY26	FY26
Keys Select by Lemon Tree Hotels, Shivpuri (Franchised)	Punjab	44				FY26	FY26	FY27	FY27	
Lemon Tree Hotel, Ayodhya	Madhya Pradesh	50				FY26	FY27	FY27	FY26	FY26
Lemon Tree Hotel, Nashik	Uttar Pradesh	72				FY26	FY28	FY28	FY27	FY27
Lemon Tree Hotel, Mira Road, Mumbai	Maharashtra	57				FY26	FY28	FY27	FY26	FY26
Lemon Tree Hotel, Pune	Maharashtra	108				FY26	FY26	FY26	FY26	FY26
Keys Lite by Lemon Tree Hotels, Metropolitan, Vijayawada	Maharashtra	117				FY26	FY26	FY26	FY26	FY26
Keys Select by Lemon Tree Hotels, Srinagar	Andhra Pradesh	44				FY26	FY26	FY26	FY26	FY26
Lemon Tree Hotel, Sasan Gir	J&K	40				FY26	FY26	FY26	FY26	FY26
Lemon Tree Hotel, Ujjain	Gujarat	74				FY26	FY26	FY30	FY26	FY26
Keys Select by Lemon Tree Hotels, Nashik	Madhya Pradesh	72				FY27	FY27	FY27	FY27	FY27
Keys Select by Lemon Tree Hotels, Varanasi (Franchised)	Maharashtra	45				FY27	FY26	FY26	FY26	FY26
Lemon Tree Hotel, Civil Lines, Ayodhya	Uttar Pradesh	50				FY28	FY28	FY28	FY28	FY28
Lemon Tree Hotel, Amritsar	Uttar Pradesh	60				FY28	FY27	FY27	FY28	FY28
Aurika, Sasan Gir	Punjab	88				FY28	FY29	FY29	FY28	FY28
Lemon Tree Hotel, Gir	Gujarat	82				FY29	FY30	FY30	FY29	FY29
Aurika, Surat	Gujarat	80				FY30	FY30	FY30	FY30	FY30
Keys Select by Lemon Tree Hotel, Kufri	Gujarat	175				FY30	FY30	FY30	FY30	FY30
Keys Prima by Lemon Tree Hotel, Kemptoy Road, Mussoorie	Himachal Pradesh	49							FY26	FY26
Lemon Tree Hotel, Ranchi	Uttarakhand	47							FY26	FY26
Lemon Tree Hotel, Bhuj	Jharkhand	65							FY26	FY27
Lemon Tree Hotel, Bhopal	Gujarat	74							FY26	FY27
Lemon Tree Hotel, Bapane, Vasai	Maharashtra	76							FY26	FY26
Lemon Tree Resort, Pavagarh	Gujarat	44							FY27	FY27
Lemon Tree Hotel, Udaipur	Maharashtra	54							FY28	FY27
Lemon Tree Hotel, Dibrugarh	Rajasthan	65							FY28	FY27
Lemon Tree Hotel, Kalaburagi	Assam	65							FY28	FY27
Keys Select by Lemon Tree Hotels - Amritsar	Karnataka	72							FY28	FY27
Lemon Tree Hotel, Aurangabad	Punjab	45							FY28	FY27
Lemon Tree Hotel, Varanasi	Maharashtra	60							FY29	FY28
Lemon Tree Resort, Mirik	Uttar Pradesh	65							FY29	FY28
Lemon Tree Premier, Vadodara	West Bengal	50							FY29	FY29
New signings in 4QFY25		833	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Keys Select by Lemon Tree Hotels, GS Road, Guwahati	Assam	55								FY26
Keys Lite by Lemon Tree Hotels, Niman	Madhya Pradesh	42								FY26
Keys Select by Lemon Tree Hotels, Garoth	Madhya Pradesh	42								FY26
Keys Select by Lemon Tree Hotels, Vrindavan	Uttar Pradesh	54								FY26
Keys Lite by Lemon Tree Hotels, Moga	Punjab	30								FY26
Keys Select by Lemon Tree Hotels, Pali	Maharashtra	54								FY26
Lemon Tree Resort, Chittorgarh	Rajasthan	98								FY26
Keys Select By Lemon Tree Hotels, Bokaro	Jharkhand	50								FY27
Red Fox Hotel, Bhopal	Madhya Pradesh	46								FY27
Keys Select by Lemon Tree Hotels, Dispur, Guwahati	Assam	60								FY27
Lemon Tree Hotel, Shirdi	Maharashtra	50								FY28
Keys Select by Lemon Tree Hotels, Navsari	Gujarat	54								FY28
Lemon Tree Hotel, Valsad	Gujarat	46								FY29
Lemon Tree Hotel, Anand	Gujarat	60								FY29
Lemon Tree Premier, Vadodara	Gujarat	92								FY29
Total		7,424								
Number of existing managed/ franchised keys			3,401	3,670	3,928	4,104	4,366	4,559	4,558	4,510
Managed/ franchised keys in pipeline			2,986	3,354	3,677	4,087	3,967	5,151	5,879	6,591

Source: Company, Kotak Institutional Equities

Occupancy levels to remain elevated over FY2026-28E

Exhibit 8: Key assumptions for Lemon Tree Hotels, March fiscal year-ends, 2020-28E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Keys (#) (a)	5,192	5,192	5,192	5,090	5,759	5,759	5,759	5,850	5,850
Occupancy (%)	70	41	46	68	70	72	73	74	74
ARR (Rs/day)	4,347	2,577	3,346	5,340	5,876	6,381	6,945	7,564	8,212
RevPAR (Rs/day)	3,056	1,065	1,631	3,878	4,107	4,575	5,054	5,601	6,100
CostPAR (Rs/day)	2,320	931	1,380	2,060	2,448	2,739	2,876	3,072	3,311
MarginsPAR (Rs/day)	736	134	252	1,818	1,660	1,836	2,178	2,529	2,789
EBITDA margin (%)	36	24	30	51	49	49	52	55	56

Source: Company, Kotak Institutional Equities estimates

We lower our ARR estimates, while delaying the commissioning of the Shimla Hotel

Exhibit 9: Change in estimates, March fiscal year-ends, 2026-28E

	Revised estimates			Old estimates			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Operational metrics									
Keys (#)	5,759	5,850	5,850	5,828	5,828	NA	(1.2)	0.4	NA
Occupancy (%)	73	74	74	72	74	NA	1.0	0.4	NA
ARR (Rs/day)	6,945	7,564	8,212	7,157	7,857	NA	(3.0)	(3.7)	NA
RevPAR (Rs/day)	5,054	5,601	6,100	5,155	5,797	NA	(2.0)	(3.4)	NA
EBITDA Margin (%)	52	55	56	53	57	NA			NA
Earnings estimates (Consolidated) (Rs mn)									
Revenues	14,540	16,428	18,320	14,727	17,002	NA	(1.3)	(3.4)	NA
EBITDA	7,617	9,116	10,316	7,849	9,627	NA	(3.0)	(5.3)	NA
PAT	2,649	3,695	4,942	2,764	3,916	NA	(4.1)	(5.6)	NA

Source: Company, Kotak Institutional Equities estimates

DCF-based FV of Rs130/share for Lemon Tree Hotels

Exhibit 10: DCF-based FV for Lemon Tree Hotels, March 2027

	Mar-27
Discount rate (%)	12%
Total PV of free cash flow	58,872
Growth in perpetuity	5%
FCF in final year	16,356
Exit FCF multiple (X)	15.5
Terminal value	256,974
PV of terminal value	53,228
Enterprise value	112,100
Net debt	8,817
Equity value	103,282
Shares outstanding (mn)	792
Fair value of Lemon Tree Hotels (Rs/ share)	130

Note: The above computation assumes attributable share of Fleur for Lemon Tree Hotels.

Source: Company, Kotak Institutional Equities estimates

Management fees to increase with the commissioning of pipeline hotels
Exhibit 11: Lemon Tree Hotels (consolidated), financial summary, March fiscal year-ends, 2020-28E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model									
Net sales	6,694	2,517	4,022	8,750	10,711	12,861	14,540	16,428	18,320
EBITDA	2,383	613	1,187	4,476	5,232	6,341	7,617	9,116	10,316
Depreciation	(872)	(1,076)	(1,043)	(966)	(1,121)	(1,393)	(1,595)	(1,604)	(1,613)
EBIT	1,512	(463)	143	3,510	4,111	4,948	6,022	7,513	8,703
Interest	(1,565)	(1,817)	(1,740)	(1,772)	(2,085)	(2,112)	(1,951)	(1,991)	(1,464)
Other income	58	133	140	36	125	129	233	340	651
Pre-tax profits	5	(2,147)	(1,456)	1,774	2,151	2,965	4,304	5,861	7,890
Tax	(109)	322	72	(377)	(341)	(531)	(1,023)	(1,352)	(1,667)
Net income	(104)	(1,826)	(1,384)	1,397	1,810	2,434	3,281	4,509	6,224
Adjusted net income	(95)	(1,271)	(875)	1,146	1,485	1,966	2,649	3,695	4,942
Earnings per share (Rs)	(0.1)	(1.6)	(1.1)	1.4	1.9	2.5	3.3	4.7	6.2
Balance sheet									
Total equity	8,230	9,176	8,312	8,537	9,669	11,635	13,079	15,332	18,538
Minority interests	7,218	6,174	5,676	5,597	5,795	6,261	6,890	7,701	8,980
Total borrowings	19,724	20,401	16,986	17,457	18,891	16,986	15,197	14,220	4,032
Deferred tax liability	(44)	(367)	20	36	53	72	42	42	42
Current liabilities	2,456	2,397	5,355	5,696	5,922	5,864	5,428	5,501	5,577
Total liabilities and equity	37,584	37,782	36,350	37,323	40,330	40,818	40,636	42,795	37,168
Net fixed assets	30,172	30,987	29,559	28,622	35,461	34,611	33,717	33,450	32,537
CWIP	1,896	2,418	2,968	4,822	254	586	823	186	186
Goodwill	951	951	951	951	951	951	951	951	951
Current assets	4,425	3,371	2,776	2,873	3,531	4,224	4,699	7,762	3,047
Investments	140	55	96	55	133	446	446	446	446
Total assets	37,584	37,782	36,350	37,323	40,330	40,818	40,636	42,795	37,168
Free cash flow									
Operating cash flow excl. working capital	880	(1,076)	(402)	2,408	2,971	3,815	4,876	6,113	7,837
Working capital changes	(967)	(324)	28	(24)	(169)	(482)	(589)	(119)	(76)
Capital expenditure	(6,331)	(644)	(668)	(1,882)	(3,392)	(875)	(938)	(700)	(700)
Free cash flow	(6,418)	(2,044)	(1,042)	501	(590)	2,458	3,349	5,293	7,061
Ratios (%)									
Net debt/equity	2.3	2.1	2.0	2.0	1.9	1.4	1.1	0.7	0.3
RoE (%)	(1.1)	(14.6)	(10.0)	13.6	16.3	18.5	21.4	26.0	29.2
RoCE (%)	5.3	(0.9)	0.9	11.3	12.8	14.6	17.8	21.7	27.2

Source: Company, Kotak Institutional Equities estimates

Gujarat Pipavav Port (GPPV)

Transportation

REDUCE

CMP(₹): 156

Fair Value(₹): 150

 Sector View: **Attractive**

NIFTY-50: 24,751

June 02, 2025

Another year of waiting before uptick

4QFY25 EBITDA beat of 7% was driven by higher profitability, though it led to flat yoy revenue/EBITDA/PBT for the quarter and the year. FY2026 may be another tepid year for containers (ongoing Red Sea crisis) and deferral in getting clearances in its liquid jetty business. The key positives would be a strong growth outlook for Ro-Ro and margin uptick toward the 60% mark in FY2026. We increase EBITDA estimates by 4% and roll forward to Rs150 FV.

EBITDA miss driven by higher margin, though key metrics flat yoy for 4Q and FY

GPPL reported flat yoy revenue/EBITDA, 2%/7% beat on higher margin (flat yoy). Volumes decline and realization growth cancelled each other out. The strong print in liquid and roro volumes compensated for the weak print in bulk, while the container print was in line. 4Q results were ahead of our expectations on higher EBITDA margins and lower depreciation. The full-year print on revenue/EBITDA/PBT was also flat yoy, with a similar offset of volume decline and realization growth. Cash flow from operations fell 9% yoy. The uptick in capex was modest at Rs0.95 bn, suggesting a deferral of liquid jetty capex into FY2026/27.

Container weakness persists as geopolitical situation is impacting the port more

The instances of blank sailings linked to the Red Sea crisis have continued into 4Q, leading to an 8%/3% yoy/qoq decline in container volumes (14% yoy for full year). Tariffs have exacerbated the issue in April and May, and the issue persists Asia East Coast (it should get resolved and then the endgame on tariff shifts to mid-August). Bulk volumes declined 19% yoy for the year. The segments of strength are liquid (up 15% yoy in the full year) and ro-ro (up ~70% yoy in the full year).

Outlook strong for ro-ro and margin; weak/modest for bulk, liquid and container

The company expects ro-ro volumes to grow a further 40%. It shared tepid guidance for the remaining three cargo classes: flat yoy bulk volumes, modest 5-7% growth in liquid volumes (capacity constrained) and 3-5% growth in container volumes. On container volumes, the key imponderables are: (1) potential resurgence of capacity additions to transpacific routes (more blank sailings for Pipavav), (2) the related issue of empties repositioning and (3) potential resolution of the Red Sea Crisis persisting as select shipping lines are considering restarting (frees up capacities elsewhere, especially for the relevant COSCO-OOCL routes). The company shared a positive outlook for EBITDA margin bouncing back to the 59-60% range in the absence of any one-offs. It expects to have clarity on the requirement of dredging charges after the monsoon season. The FY2025 EBITDA margin of 58.5% had the impact of one-off IT and employee charges.

We increase estimates by 4% and roll forward to Rs150 FV

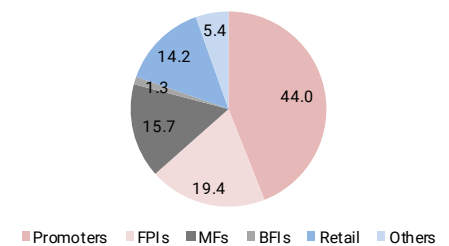
We increase our margin assumption to build in a healthy 4Q print and improved margin guidance for FY2026. We note status quo on the concession renewal endgame, though management shared the absence of red flags seen in discussion.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	156/150/REDUCE
52-week range (Rs) (high-low)	251-121
Mcap (bn) (Rs/US\$)	75/0.9
ADTV-3M (mn) (Rs/US\$)	239/2.8

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	17	25	(19)
Rel. to Nifty	16	13	(29)
Rel. to MSCI India	15	11	(27)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	8.3	9.3	10.4
EPS growth (%)	(1.9)	12.8	11.2
P/E (X)	18.9	16.8	15.1
P/B (X)	3.6	2.9	2.4
EV/EBITDA (X)	11.2	10.1	8.5
RoE (%)	19.0	19.1	17.5
Div. yield (%)	5.3	0.0	0.0
Sales (Rs bn)	9.9	11	12
EBITDA (Rs bn)	5.8	6.4	7.2
Net profits (Rs bn)	4.0	4.5	5.0

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

[Full sector coverage on KINSITE](#)

Aditya Mongia

Deepak Krishnan

Naman Jain

GPPL reported a 2%/7% beat in revenues/EBITDA though aggregate metrics were flat yoy for 4QFY25 and FY2025

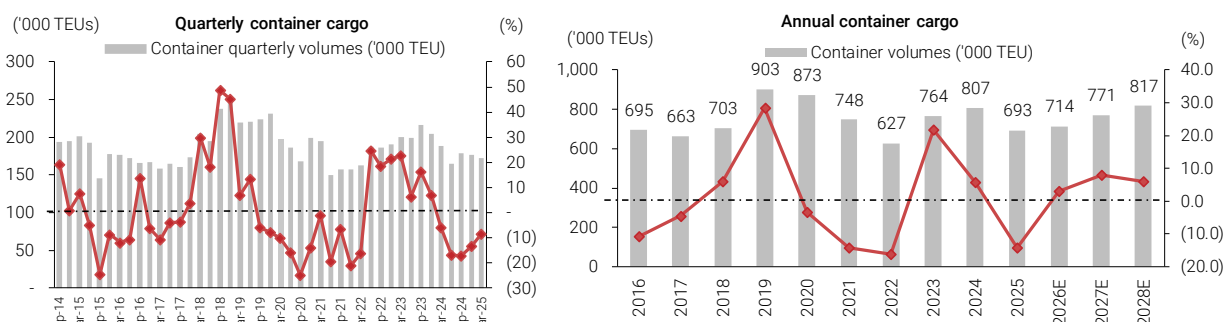
Exhibit 1: GPPL - 4QFY25 - key numbers, March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	% change			FY2025	FY2024	% change	FY2026E	FY2025	% change
					vs est.	yoy	qoq						
Net operating income	2,518	2,463	2,513	2,629	2.2	0.2	(4)	9,877	9,884	(0.1)	10,770	9,877	9.0
Total expenditure	(950)	(1,007)	(940)	(1,241)	(6)	1	(23)	(4,101)	(4,154)	(1.3)	(4,345)	(4,101)	5.9
Operating expenses	(385)		(373)	(516)		3.2	(25)	(1,689)	(1,747)	(3.3)	(1,783)	(1,689)	5.6
Employee costs	(210)		(194)	(239)		8	(12.0)	(868)	(791)	9.7	(929)	(868)	7.0
Admin and other exp.	(356)		(374)	(487)		(5)	(27)	(1,544)	(1,616)	(4.5)	(1,632)	(1,544)	5.8
EBITDA	1,567	1,457	1,573	1,387	7.6	(0.3)	13.0	5,776	5,731	0.8	6,426	5,776	11.3
Other income	193	263	195	188	(27)	(1.1)	2.8	811	787	3.0	898	811	10.8
Interest expense	(16)	(50)	(26)	(10)				(59)	(93)		(59)	(59)	
Depreciation	(282)	(314)	(289)	(307)	(10.4)	(2.6)	(8.3)	(1,171)	(1,156)	1.3	(1,214)	(1,171)	3.7
PBT	1,462	1,356	1,452	1,258	7.9	0.7	16.3	5,357	5,268	1.7	6,051	5,357	13.0
Tax expense	(372)	(351)	(234)	(318)		58.7	16.9	(1,365)	(1,200)	13.8	(1,549)	(1,365)	13.5
PAT	1,091	1,005	1,218	940	8.5	(10)	16.0	3,992	4,068	(1.9)	4,502	3,992	12.8
Extraordinary items	-	7	(519)	-				(7)	(530)	NA	-	(7)	NA
Reported PAT	1,091	1,012	699	940	7.8	56	16.0	3,985	3,538	12.6	4,502	3,985	13.0
Key ratios (%)													
Operating exp./sales	15.3		14.8	19.6		45 bps	-432 bps	17.1	17.7	-57 bps	16.6	17.1	-54 bps
Employee costs/sales	8.3		7.7	9.1		64 bps	-74 bps	8.8	8.0	78 bps	8.6	8.8	-17 bps
Admin and other exp./sales	14.1		14.9	18.5		-75 bps	-442 bps	15.6	16.3	-72 bps	15.2	15.6	-47 bps
EBITDA margin	62.3	59.1	62.6	52.8	311 bps	-33 bps	948 bps	58.5	58.0	50 bps	59.7	58.5	118 bps
PBT margin	58.1	55.0	57.8	47.8	306 bps	29 bps	1024 bps	54.2	53.3	94 bps	56.2	54.2	194 bps
PAT margin	43.3	40.8	48.5	35.8	253 bps	-515 bps	757 bps	40.4	41.2	-74 bps	41.8	40.4	138 bps
Effective tax rate	25.4	25.9	16.1	25.3	-44 bps	929 bps	15 bps	25.5	22.8	271 bps	25.6	25.5	11 bps
EPS (Rs)	2.3	2.1	2.5	1.9	8.5	(10)	16.0	8.3	8.4	(1.9)	9.3	8.3	12.8
Volumes													
Bulk ('000 tons)	460	597	510	720	(23)	(9.8)	(36)	2,193	2,710	(19)	2,193	2,193	-
Container ('000 TEUs)	172	173	188	177	(1)	(8.5)	(2.8)	693	807	(14)	714	693	3
Liquid ('000 tons)	400	341	380	390	17	5	3	1,465	1,278	15	1,553	1,465	6
Ro-ro ('000)	48	44	34	44	9	41	9	164	97	69	229	164	40
Total ('000 tons)	3,326	3,414	3,563	3,641	(2.6)	(6.7)	(8.7)	13,559	15,406	(12)	14,017	13,559	3
Avg. realization (Rs/ton)													
	757	722	705	722	4.9	7.3	4.8	728	642	14	768	728	5

Source: Company, Kotak Institutional Equities

Container volumes declined by 9% yoy for the third consecutive quarter, reflecting loss of inland and transshipment volumes

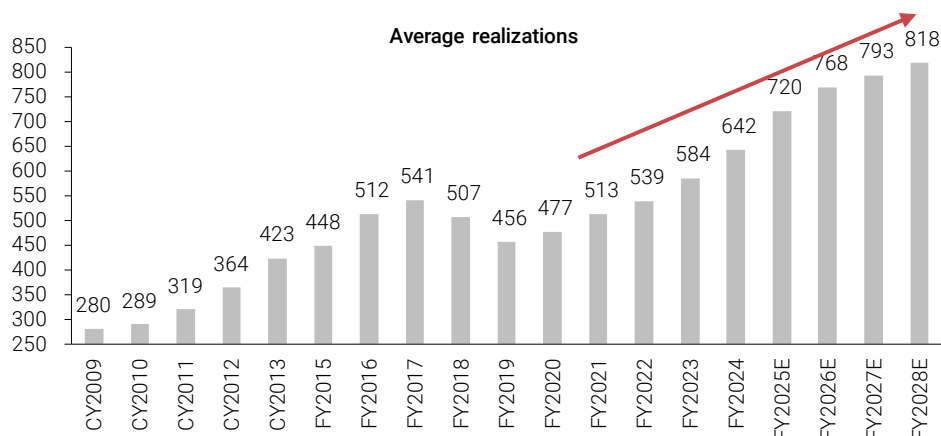
Exhibit 2: Quarterly and annual trajectory of container volumes for Gujarat Pipavav, March fiscal year-ends



Source: Company, Kotak Institutional Equities

Average realization has improved of late on reduction in instances of transshipment

Exhibit 3: Average realization at Pipavav port, CY2009-FY2026E (Rs per ton)



Source: Company, Kotak Institutional Equities

Bulk cargo has been weak for the past two years; overall volumes have been flattish versus pre-Covid levels

Exhibit 4: Volume and tariff details of GPPL, March fiscal year-ends, 2016-28E

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Volumes													
Container volumes (TEUs)	694,614	663,380	703,000	903,000	873,000	748,000	627,304	764,034	807,337	693,223	714,020	771,141	817,410
Yoy growth (%)	(10.8)	(4.5)	6.0	28.4	(3.3)	(14.3)	(16.1)	21.8	5.7	(14.1)	3.0	8.0	6.0
Bulk volumes (tons)	2,478,743	2,112,078	1,820,000	2,008,000	2,331,000	3,129,977	4,183,884	3,913,429	2,709,587	2,192,965	2,192,965	2,280,684	2,371,911
Yoy growth (%)	(28.0)	(14.8)	(13.8)	10.3	16.1	34.3	33.7	(6.5)	(30.8)	(19.1)	-	4.0	4.0
Liquid volumes (tons)	706,877	685,960	1,020,000	639,000	820,000	693,719	808,810	1,037,796	1,277,818	1,464,694	1,552,576	1,707,833	2,049,400
Yoy growth (%)	132	(3)	49	(37)	28	(15)	17	28	23	15	6	10	20
Ro/ro volumes	19,644	83,607	98,000	76,000	47,000	10,158	23,173	38,900	96,660	163,586	229,020	251,922	277,115
Total volumes (mn tons)	13	12	13	15	15	14	14	16	15	14	14	15	16
Yoy growth (%)	(15.9)	(5.8)	5.0	20.2	0.3	(7.3)	(3.5)	13.7	(1.8)	(12.0)	3.4	7.6	7.4
Tariffs (blended rate)													
Container (Rs/TEU)	6,492	6,687	6,286	5,657	5,827	6,118	6,424	7,195	7,987	8,929	9,197	9,473	9,757
yoy increase (%)	14.0	3.0	(6.0)	(10.0)	3.0	5.0	5.0	12.0	11.0	11.8	3.0	3.0	3.0
Bulk (Rs/ton)	483	483	435	435	478	545	529	582	582	582	596	611	627
yoy increase (%)	-	-	(10.0)	-	10.0	14.0	(3.0)	10.0	-	-	2.5	2.5	2.5
Liquid (Rs/ton)	500	508	457	411	493	508	523	576	576	604	623	641	660
yoy increase (%)	-	1.5	(10.0)	(10.0)	20.0	3.0	3.0	10.0	-	5.0	3.0	3.0	3.0
Ro/ro realization	3,000	3,150	3,150	3,150	3,308	3,473	3,647	3,829	3,925	4,317	4,490	4,669	4,856
Overall realization (Rs / ton)	504	541	510	458	478	514	538	586	642	728	768	793	818
yoy increase (%)	7.9	7.3	(5.8)	(10.2)	4.4	7.4	4.8	8.9	9.5	13.5	5.5	3.2	3.2
Revenues (Rs mn)													
Container	4,510	4,436	4,419	5,109	5,087	4,577	4,030	5,497	6,448	6,190	6,567	7,305	7,976
Bulk	1,198	1,021	792	873	1,115	1,707	2,213	2,277	1,577	1,276	1,308	1,394	1,486
Liquid	353	348	466	263	404	352	423	597	736	885	967	1,095	1,354
Ro/ro	59	263	309	239	155	35	85	149	379	706	1,028	1,176	1,346
Total revenues	6,524	6,597	6,529	7,043	7,377	7,348	7,428	9,198	9,884	9,876	10,770	11,962	13,251
yoy increase (%)	(8.2)	1.1	(1.0)	7.9	4.7	(0.4)	1.1	23.8	7.5	(0.1)	9.1	11.1	10.8

Source: Company, Kotak Institutional Equities

We increase estimates by 4-5% on higher realization and profitability assumptions

Exhibit 5: Changes in estimates for GPPL, March fiscal year-ends, 2023-27E

	2023	2024	2025	Revised estimates			Previous estimate		% change	
				2026E	2027E	2028E	2026E	2027E	2026E	2027E
Volumes										
Container volumes (TEUs)	764,034	807,337	693,223	714,020	771,141	817,410	722,082	750,966	(1)	9
Yoy growth (%)	21.8	5.7	(14.1)	3.0	8.0	6.0	4.0	4.0		
Bulk volumes (tons)	3,913,429	2,709,587	2,192,965	2,192,965	2,280,684	2,371,911	2,423,455	2,520,393	(10)	(10)
Yoy growth (%)	(6.5)	(30.8)	(19.1)	-	4.0	4.0	4.0	4.0		
Liquid volumes (tons)	1,037,796	1,277,818	1,464,694	1,552,576	1,707,833	2,049,400	1,616,440	1,858,906	(4)	(8)
Yoy growth (%)	28	23	15	6	10	20	15	15		
Ro/ro volumes	38,900	96,660	163,586	229,020	251,922	277,115	175,438	192,982	31	31
Yoy growth (%)	67.9	148.5	69.2	40.0	10.0	10.0	10.0	10.0		
Total volumes (mn tons)	16	15	14	14	15	16	14	15	(2)	(0)
Yoy growth (%)	13.7	(1.8)	(12.0)	3.4	7.6	7.4	5.2	5.3		
Tariffs (blended rate)										
Container (Rs/TEU)	7,195	7,987	8,929	9,197	9,473	9,757	8,759	8,978	5	6
yoy increase (%)	12.0	11.0	11.8	3.0	3.0	3.0	2.5	2.5		
Bulk (Rs/ton)	582	582	582	596	611	627	656	673	(9)	(9)
yoy increase (%)	10.0	-	-	2.5	2.5	2.5	2.5	2.5		
Liquid (Rs/ton)	576	576	604	623	641	660	652	672	(5)	(5)
yoy increase (%)	10.0	-	5.0	3.0	3.0	3.0	3.0	3.0		
Ro/ro realization	3,829	3,925	4,317	4,490	4,669	4,856	4,490	4,669	-	-
yoy increase (%)	5.0	2.5	10.0	4.0	4.0	4.0	4.0	4.0		
Overall realization (Rs / ton)	586	642	728	768	793	818	742	766	4	4
yoy increase (%)	8.9	9.5	13.5	5.5	3.2	3.2	3.1	3.1		
Revenues (Rs mn)										
Container	5,497	6,448	6,190	6,567	7,305	7,976	6,325	6,742	4	8
Bulk	2,277	1,577	1,276	1,308	1,394	1,486	1,590	1,695	(18)	(18)
Liquid	597	736	885	967	1,095	1,354	1,054	1,249	(8)	(12)
Ro/ro	149	379	706	1,028	1,176	1,346	788	901	31	31
Total revenues	9,198	9,884	9,876	10,770	11,962	13,251	10,658	11,578	1	3
yoy increase (%)	23.8	7.5	(0.1)	9.1	11.1	10.8	8.5	8.6		
EBITDA	5,022	5,731	5,776	6,426	7,206	7,981	6,162	6,868	4	5
EBITDA margin (%)	54.6	58.0	58.5	59.7	60.2	60.2	57.8	59.3		
PBT	4,291	5,268	5,357	6,051	6,731	7,552	5,969	6,425	1	5
Tax	(1,001)	(1,200)	(1,365)	(1,549)	(1,723)	(1,933)	(1,528)	(1,645)		
Tax rate (%)	23.3	22.8	25.5	25.6	25.6	25.6	25.6	25.6		
PAT	3,290	4,068	3,992	4,502	5,008	5,619	4,441	4,780	1	5
EPS	6.8	8.4	8.3	9.3	10.4	11.6	9.2	9.9	1	5

Source: Company, Kotak Institutional Equities

We increase our Fair Value to Rs150 on roll-forward and estimates increase

Exhibit 6: Sum-of-the-parts valuation of GPPL (Rs/share)

	Value	Stake	GPPL stake value	Per share	Method of valuation
	(Rs bn)	(%)	(Rs bn)	(Rs)	
Pipavav port	69,640	100.0	69,640	144	One-year forward FCFE valuation
Pipavav Rail Corporation Ltd (PRCL)	8,009	38.8	3,108	6	13X two-year forward EPS
Total value for GPPV	77,649		72,747	150	

Source: Company, Kotak Institutional Equities

GPPL is trading at a 40% discount to Adani Ports CMP implied 1-yr. fwd. EV/EBITDA
Exhibit 7: Key numbers and valuation metrics of GPPL versus Adani Ports and SEZ, March fiscal year-ends, 2020-27E

	Pipavav Port				Adani Ports and SEZ (consolidated)			
	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E
Volumes								
Total (mn tons)	15	14	14	15	411	451	509	564
Financial summary (Rs mn)								
Revenues	9,884	9,877	10,770	11,962	267,106	310,786	373,107	431,397
EBIDTA	5,731	5,776	6,426	7,206	158,639	190,246	219,768	255,159
PAT	4,068	3,992	4,502	5,008	81,106	110,923	138,453	156,912
Net debt	(10,446)	(10,689)	(10,708)	(14,539)	386,474	392,041	400,537	321,377
Book value	20,927	21,189	25,932	31,197	529,448	624,354	744,553	883,717
Key ratios (%)								
Revenue growth	7.8	(0.1)	9.0	11.1	28.1	16.4	20.1	15.6
PAT growth	23.7	(1.9)	12.8	11.2	52.7	36.8	24.8	13.3
EBIDTA margin	58.0	58.5	59.7	60.2	59.4	61.2	58.9	59.1
RoE	18.5	19.0	19.1	17.5	18.3	19.7	20.2	19.3
RoCE	18.8	19.1	19.3	17.7	11.5	12.5	13.5	13.4
Per share (Rs)								
EPS	8.4	8.3	9.3	10.4	37.5	51.3	64.1	72.6
BVPS	43.3	43.8	53.6	64.5	245.1	289.0	344.7	409.1
Key valuation ratios at MP (X)								
P/E	17.8	18.1	16.1	14.4	38.1	27.8	22.3	19.7
P/B	3.5	3.4	2.8	2.3	5.8	4.9	4.1	3.5
P/Sales	7.3	7.3	6.7	6.1	11.6	9.9	8.3	7.2
EV/EBITDA	10.8	10.7	9.6	8.0	21.9	18.3	15.9	13.4
Valuation at TP (X)								
P/E	17.1	17.4	15.4	13.9	45.8	33.5	26.8	23.7
P/B	3.3	3.3	2.7	2.2	7.0	6.0	5.0	4.2
P/Sales	7.0	7.0	6.4	5.8	13.9	12.0	10.0	8.6
EV/EBITDA	10.3	10.2	9.1	7.6	25.9	21.6	18.7	15.8

Source: Company, Kotak Institutional Equities

We expect a 10%/11% CAGR in the next three years in revenue/EBITDA

Exhibit 8: Profit, balance sheet and cash model of GPPV, March fiscal year-ends, 2016-27E (Rs mn)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Profit model													
Net sales	6,600	6,831	6,489	7,020	7,353	7,335	7,435	9,170	9,884	9,877	10,770	11,962	13,251
Total operating costs	(2,839)	(2,645)	(2,748)	(3,149)	(2,888)	(3,095)	(3,310)	(4,148)	(4,154)	(4,101)	(4,345)	(4,756)	(5,271)
EBITDA	3,761	4,186	3,741	3,872	4,466	4,240	4,126	5,022	5,731	5,776	6,426	7,206	7,981
EBITDA margin (%)	57.0	61.3	57.6	55.1	60.7	57.8	55.5	54.8	58.0	58.5	59.7	60.2	60.2
Other income	258	354	370	470	509	423	286	510	787	811	898	850	1,018
Financial charges	(2)	(4)	(3)	(4)	(74)	(63)	(48)	(80)	(93)	(59)	(59)	(59)	(59)
Depreciation	(964)	(1,065)	(1,036)	(1,128)	(1,314)	(1,334)	(1,293)	(1,161)	(1,156)	(1,171)	(1,214)	(1,266)	(1,387)
Pre-tax profit	3,054	3,470	3,072	3,210	3,586	3,265	3,071	4,291	5,268	5,357	6,051	6,731	7,552
Taxation	(1,392)	(971)	(1,087)	(1,153)	(662)	(1,082)	(1,093)	(1,001)	(1,200)	(1,365)	(1,549)	(1,723)	(1,933)
Adjusted PAT	1,661	2,499	1,985	2,057	2,924	2,184	1,978	3,290	4,068	3,992	4,502	5,008	5,619
EPS (Rs)	3.4	5.2	4.1	4.3	6.0	4.5	4.1	6.8	8.4	8.3	9.3	10.4	11.6
Balance sheet													
Shareholders' funds	19,164	20,195	20,141	20,210	20,848	20,321	20,324	23,107	20,927	21,189	25,932	31,197	32,362
Equity share capital	4,834	4,834	4,834	4,834	4,834	4,834	4,834	4,834	4,834	4,834	4,834	4,834	4,834
Reserves and surplus	14,329	15,361	15,306	15,376	16,014	15,487	15,490	18,273	16,092	16,354	21,098	26,363	27,527
Loan funds	-	-	-	-	-	-	-	-	-	-	-	-	154
Total sources of funds	19,164	20,195	20,141	20,210	20,848	20,321	20,324	23,107	20,927	21,189	25,932	31,197	32,516
Total fixed assets	17,309	17,684	17,186	16,354	15,882	15,200	14,572	14,577	14,386	14,118	18,827	20,386	20,086
Investments	830	830	830	830	830	830	830	3,154	830	830	830	830	830
Cash and bank balances	2,898	3,522	4,315	5,337	6,495	7,254	8,558	8,948	10,446	10,689	10,708	14,539	16,515
Net current assets excl. cash	(599)	(2,258)	(2,187)	(1,849)	(1,865)	(1,956)	(2,185)	(2,165)	(3,473)	(3,210)	(3,194)	(3,319)	(3,677)
Total application of funds	19,164	20,195	20,141	20,210	20,848	20,321	20,324	23,107	20,927	21,189	25,932	31,197	32,516
Cash flow statement													
Cash flow from operations before WC ch	3,855	4,289	3,719	3,859	4,517	4,244	4,083	4,748	5,772	5,834	6,254	6,793	7,446
Changes in working capital	841	319	(70)	(338)	(486)	196	331	25	460	24	(16)	125	358
Income tax	(801)	(588)	(614)	(642)	(636)	(599)	(610)	(1,073)	(1,381)	(1,397)	(1,549)	(1,723)	(1,933)
Cash flow from operations	3,894	4,020	3,035	2,879	3,395	3,841	3,803	3,701	4,850	4,461	4,689	5,195	5,870
Capex	(3,648)	(1,430)	(533)	(294)	(148)	(448)	(511)	(578)	(713)	(954)	(5923)	(2,825)	(1,088)
Free cash flows	246	2,590	2,502	2,585	3,248	3,393	3,292	3,122	4,137	3,507	(1,234)	2,370	4,782
Growth (%)													
Revenue growth	(24)	4	(5)	8	5	(0)	1	23	8	(0)	9	11	11
EBITDA growth	(25)	11	(11)	4	15	(5)	(3)	22	14	1	11	12	11
Recurring PAT growth	(62)	50	(21)	4	42	(25)	(9)	66	24	(2)	13	11	12
Key ratios													
EBITDA margin (%)	57.0	61.3	57.6	55.1	60.7	57.8	55.5	54.8	58.0	58.5	59.7	60.2	60.2
Recurring PAT margin (%)	25.2	36.6	30.6	29.3	39.8	29.8	26.6	35.9	41.2	40.4	41.8	41.9	42.4
Effective tax rate (%)	46	28	35	36	18	33	36	23	23	25	26	26	26
Net debt to equity (X)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(0)	(0)	(1)
BVPS (Rs)	40	42	42	42	43	42	42	48	43	44	54	65	67
RoE (%)	9	13	10	10	14	11	10	15	18	19	19	18	18
RoCE (%)	9	13	10	10	14	11	10	15	19	19	19	18	18

Source: Company, Kotak Institutional Equities

SAMHI Hotels (SAMHI)

Hotels & Restaurants

BUY

CMP(₹): 192

Fair Value(₹): 270

 Sector View: **Attractive**

NIFTY-50: 24,751

June 01, 2025

Healthy operational performance; lower debt burden

SAMHI closed FY2025 with strong 52% yoy EBITDA growth to Rs4.1 bn with healthy margins of 36% (+809 bps yoy), aided by (1) 16.5% yoy same-store RevPAR growth, (2) lower ESOP expenses (-61% yoy) and (3) reopening of a hotel in Greater Noida in Dec 2024. 4QFY25 also saw a healthy 42% yoy growth in EBITDA, on the back of 21% same-store RevPAR increase, but partly impacted by weaker F&B revenues. Net debt decreased a tad to Rs19.7 bn (Mar 2025). GIC has completed the investment in SAMHI's subsidiaries, further reducing net debt to Rs14.3 bn (3.5X FY2025 EBITDA). SAMHI commissioned 125 keys in May 2025 and has a further pipeline of 596 keys, which would take the portfolio to 5,544 keys. Valuations at 10X EV/EBITDA (2027E) are attractive; BUY with a revised DCF-based FV of Rs270 (Rs255 earlier).

Healthy EBITDA growth, aided by ARR improvement and operating leverage

SAMHI reported 4QFY25 revenue of Rs3.2 bn (+14% yoy, +8% qoq) and EBITDA of Rs1.2 bn (+42% yoy, +10% qoq), with a healthy 38.1% margin (+750 bps yoy, +83 bps qoq). EBITDA growth was aided by (1) strong ARR of Rs7,487/day (+19% yoy, +14% qoq), coupled with 75% occupancy (-100 bps yoy, +300 bps qoq); the same-store RevPAR was healthy at Rs5,958/day (+21% yoy), (2) lower ESOP expenses at Rs44 mn (-61% yoy) and (3) reopening of Holiday Inn Express, Greater Noida, after renovation in Dec 2024. We highlight that the earnings in 4QFY25 were also aided by the acquisition of 142 keys at Trinity, Bengaluru, in Oct 2024. Same-store top-line growth stood at 15.8% yoy, lower than the same-store RevPAR growth, owing to lower ~8% yoy growth in the F&B revenues. For FY2025, SAMHI reported revenue of Rs11.3 bn (+18% yoy) and EBITDA of Rs4.1 bn (+52% yoy), with a healthy 36% margin (+809 bps yoy), while PAT stood at Rs1 bn (Rs1.6 bn loss in FY2024). The full-year performance was also aided by improved (same-store) RevPAR of Rs5,015/day (+16.5% yoy), acquisition of Trinity, Bengaluru, and reopening of the Greater Noida hotel.

GIC transaction helps reduce net debt to Rs14.3 bn

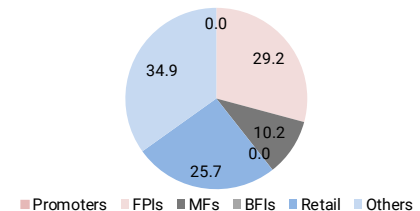
We note that SAMHI has completed the transaction with GIC, wherein it has entered into a partnership leading to the divestment of 35% stake to GIC in three SPVs (representing five hotels with 1,021 keys) for a consideration of Rs7.5 bn. We highlight that the transaction implies an EV of Rs22 bn for the five hotels (1,021 keys) and trailing 12-month EBITDA of Rs1.3 bn. The Rs7.5 bn infusion has allowed for ~Rs6 bn of debt reduction while setting aside Rs1.5 bn for funding capex for 220 keys in Bengaluru (part of transaction SPV). SAMHI will retain 4% of EBITDA of the JV platform as part of asset management fees. Accordingly, SAMHI's net debt has come down to Rs14.3 bn as of today, implying 3.5X FY2025 EBITDA, from Rs19.7 bn as of March 2025. Going forward, management is targeting to further reduce net debt to < 3X EBITDA.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	192/270/BUY
52-week range (Rs) (high-low)	226-120
Mcap (bn) (Rs/US\$)	43/0.5
ADTV-3M (mn) (Rs/US\$)	418/4.9

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	7	34	5
Rel. to Nifty	5	22	(5)
Rel. to MSCI India	4	20	(2)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	4.7	10.1	14.5
EPS growth (%)	164.7	112.7	44.0
P/E (X)	40.5	19.0	13.2
P/B (X)	3.7	3.2	2.7
EV/EBITDA (X)	15.5	11.2	8.9
RoE (%)	9.6	18.1	22.1
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	11	13	15
EBITDA (Rs bn)	4.1	5.0	5.9
Net profits (Rs bn)	1.0	2.2	3.2

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

[Full sector coverage on KINSITE](#)

Murtuza Arsiwalla

Abhishek Khanna

Anshika Gupta

Better RevPAR growth for upscale hotels; operational keys to increase by 12%

The upper-upscale and upscale portfolio (44% revenue share) led the earnings improvement with 23% yoy RevPAR growth, followed by the upper-midscale portfolio (41% revenue share) with 20% RevPAR growth. The mid-scale portfolio (15% revenue share) saw weaker 7% yoy RevPAR growth owing to lower occupancy. Operational keys stood at 4,823 keys as of March 2025 after the reopening of 133 keys at Greater Noida in December 2024 and sale of 116 keys at Four Points by Sheraton, Chennai. SAMHI has commissioned 125 keys (113 greenfield at Kolkata + 12 expansion at Hyderabad) in May 2025, taking the operational keys to 4,948. It has another 120 keys (expansion) to be opened in 2026, with incremental 476 in pipeline to be commissioned by 2029. We highlight that SAMHI had shut the 142-key Caspia in Delhi for renovation and rebranding, starting Jan 2025—the same would be converted to a Fairfield and reopened by FY2027.

Healthy growth trajectory; maintain BUY rating with revised DCF-based FV of Rs270

SAMHI is on a healthy growth trajectory, aided by an improvement in room rates and occupancy, as well as the consolidation of the ACIC portfolio, which has been converted to management contracts (from the franchisee model earlier). In addition to the existing expansions, the renovation of 142 keys and construction of a 220-key hotel at Whitefield Bengaluru, along with the conversion of an office asset to a 170-key hotel at Hyderabad, would keep the capex levels high—management expects Rs1.75-2 bn of annual capex over the next two years each, largely funded through internal accruals. The infusion of Rs7.5 bn equity by GIC should likely address Street concerns about the leverage of SAMHI, besides bringing on board a credible sponsor who could support future growth ambitions as well. Maintain BUY with a revised DCF-based FV of Rs270 (Rs255 earlier), as we roll forward to March 2027E. The change in estimates reflects the sale of the Chennai hotel, a tad lower F&B revenues, tweaks to ARR and commissioning timelines, as well as the incorporation of the GIC transaction.

42% yoy EBITDA growth aided by 19% ARR growth, reopening of hotel in G. Noida & operating leverage-led margin expansion to 38%

Exhibit 1: Quarterly financials (consolidated) for SAMHI Hotels, March fiscal year-ends, 2024-26E (Rs mn)

	(% chg)											
	4QFY25	4QFY25E	4QFY24	3QFY25	KIE	yoy	qoq	2025	2024	(% chg)	2026E	(% chg)
Room Rentals	2,361	2,321	2,047	2,099	2	15	12	8,136	6,797	20	9,227	13
F&B	737	861	679	778	(14)	8	(5)	2,825	2,489	13	3,204	13
Others	91	99	65	80	(8)	39	13	339	287	18	661	95
Net sales	3,188	3,281	2,792	2,958	(3)	14	8	11,300	9,574	18	13,091	16
Cost of materials consumed	(216)	(236)	(193)	(224)	(8)	12	(4)	(815)	(719)	13	(1,020)	25
Employee benefits expense	(401)	(464)	(401)	(432)	(14)	(0)	(7)	(1,644)	(1,678)	(2)	(1,828)	11
Share based payments	(44)	(44)	(115)	(44)	1	(61)	—	(177)	(460)	(61)	(177)	—
Other expenses	(1,312)	(1,266)	(1,228)	(1,155)	4	7	14	(4,604)	(4,052)	14	(5,065)	10
Total expenses	(1,973)	(2,009)	(1,937)	(1,855)	(2)	2	6	(7,240)	(6,909)	5	(8,090)	12
EBITDA	1,215	1,273	854	1,103	(5)	42	10	4,060	2,665	52	5,002	23
EBITDA (%)	38.1	38.8	30.6	37.3	-67 bps	750 bps	83 bps	35.9	27.8	809 bps	38.2	227 bps
Other income	48	60	107	30	(20)	(55)	62	197	213	(8)	122	(38)
Depreciation	(290)	(305)	(315)	(291)	(5)	(8)	(1)	(1,168)	(1,137)	3	(1,299)	11
EBIT	973	1,027	646	841	(5)	51	16	3,089	1,742	77	3,825	24
Interest	(553)	(637)	(577)	(617)	(13)	(4)	(10)	(2,288)	(3,451)	(34)	(1,593)	(30)
PBT	420	390	70	224	8	503	87	801	(1,709)	(147)	2,232	NM
Tax	233	5	7	4				248	95	NM	—	(100)
PAT	653	395	77	228	65	751	187	1,049	(1,614)	(165)	2,232	NM
Exceptional	(194)	—	36	—				(194)	(732)	(73)	—	(100)
PAT after exceptional	459	395	113	228	16	306	101	855	(2,346)	(136)	2,232	NM
EPS (Rs.)												
Operational details												
Keys (#)	4,823	4,823	4,664	4,939	—	3.4	(2.3)	4,823	4,801	0.5	5,068	5
ADR (Rs/day)	7,487	6,844	6,279	6,574	9.4	19	14	6,406	5,804	10	6,828	7
Occupancy (%)	75	76	76	72	-130 bps	-100 bps	300 bps	74	73	100 bps	75	120 bps
RevPAR (Rs/ day)	5,615	5,222	4,772	4,733	7.5	18	19	4,740	4,237	12	5,134	8
Same-store RevPAR (Rs/day)	5,958	5,222	4,830	5,088	14.1	21	17	5,015	4,305	17		

Note: RevPAR is calculated as ARR * occupancy, while same-store RevPAR is shared by the company.

Source: Company, Kotak Institutional Equities estimates

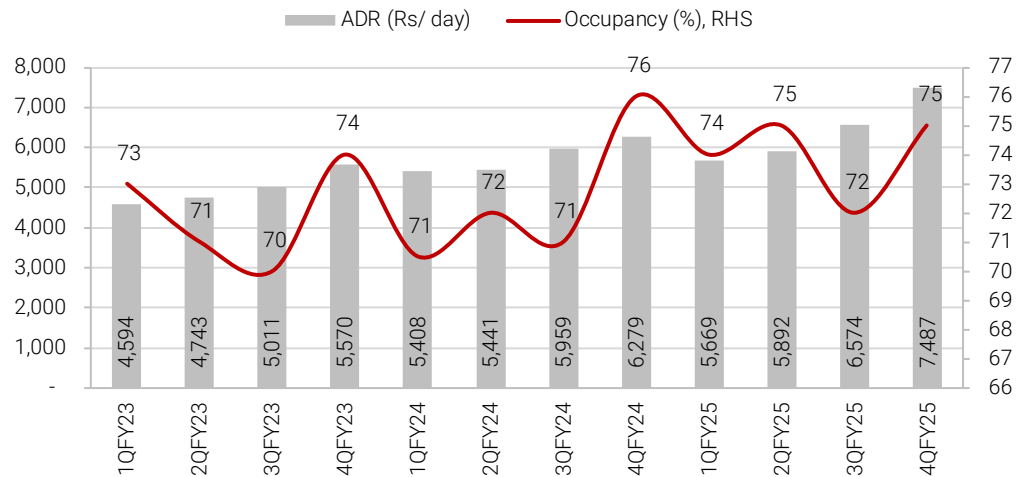
Other key highlights from the results/management call

- ▶ **ARR and occupancy:** SAMHI reported strong 4QFY25 ARR of Rs7,487/day (+19% yoy, +14% qoq), coupled with 75% occupancy (-100 bps yoy, +300 bps qoq); the same-store RevPAR was healthy at Rs5,958/day (+21% yoy). The upper-upscale and upscale portfolio (44% revenue share) led the earnings improvement with 23% yoy RevPAR growth to Rs9,748/day, followed by the upper-midscale portfolio (41% revenue share) with 20% RevPAR growth to Rs5,314/day. The mid-scale portfolio (15% revenue share) saw weaker 7% yoy RevPAR growth to Rs3,176/day, owing to lower occupancy.
- ▶ **Debt and cash flows:** SAMHI's finance costs decreased sequentially in 4QFY25 to Rs553 mn (-4% yoy, -10% qoq), owing to a sequential decline in the net debt to Rs19.7 bn as of March 2024, from Rs20.6 bn as of December 2024. The interest rate declined to 9.2% in 4QFY25, from 9.8% in 4QFY24 and 9.4% in 3QFY25. After the GIC transaction (Rs7.5 bn, of which Rs6 bn has already been infused), SAMHI's net debt has further come down to Rs14.3 bn as of today, implying 3.5X FY2025 EBITDA. Going forward, management is targeting to further reduce the net debt to < 3X EBITDA.
- ▶ **Pipeline:** SAMHI's operational keys stood at 4,823 as of March 2025 after the reopening of 133 keys at Holiday Inn Express, Greater Noida, in December 2024 and sale of 116 keys at Four Points by Sheraton, Chennai. SAMHI has commissioned 125 keys (113 greenfield at Kolkata + 12 expansion at Hyderabad) in May 2025, taking the operational keys to 4,948. It has another 120 keys (expansion) to be opened in FY2026, with incremental 476 in pipeline (86 expansion at Chennai + 220 greenfield at Bengaluru + 170 conversion at Hyderabad) to be commissioned by 2029.

SAMHI is also working to refurbish/rebrand its existing keys—it has started the renovation at Caspia Delhi (142 keys), which would be converted to a Fairfield by Marriott by FY2027. SAMHI is also working on refurbishing keys—Four Points by Sheraton at Pune (217 keys), Four Points by Sheraton at Jaipur (114 keys) and Trinity Hotel at Bengaluru (142 keys) over the next two years, which would aid earnings growth following the renovation.
- ▶ **Management fees for 4QFY25 was Rs174 mn** (5.4% of revenues), while lease rentals stood at Rs43 mn (1.5% of revenues).
- ▶ **GIC transaction.** SAMHI Hotels has entered into a strategic partnership with GIC to establish an investment platform (JV) for upscale and higher hotel assets in India, with an equity investment plan of up to US\$300 mn (Rs25.5 bn). GIC has a 35% stake in the platform. Initially, GIC has acquired 35% stake in each of the following three subsidiaries of SAMHI Hotels through a cumulative investment of Rs7.5 bn:
 - Ascent Hotels Pvt Ltd, which owns 301 keys at Hyatt Regency, Pune (and another 22 upcoming keys). GIC has infused Rs2.3 bn (primary) for a 35% stake.
 - Innmar Tourism and Hotel Pvt Ltd, which owns 142 keys Trinity Hotel at Whitefield, Bengaluru (to be converted into a Marriott Tribute Hotel), and proposed 220 keys at Westin Whitefield, Bengaluru. GIC will infuse Rs1.5 bn (primary) for a 35% stake in the entity—this will primarily be used for the conversion of existing/construction of the new hotel.
 - SAMHI JV Business Hotels Pvt Ltd, which owns 170 keys at Courtyard by Marriott, ORR, Bengaluru and 166 keys at Fairfield by Marriott, ORR, Bengaluru. GIC has infused Rs3.76 bn (primary of Rs2.6 bn + secondary transfer of Rs1.15 bn from the parent, SAMHI Hotels) for a total 35% stake.
- ▶ Further, SAMHI and GIC shall explore additional growth opportunities in the upscale and higher segment to grow the joint venture portfolio in a 65:35 ratio. We highlight that at 35% of the planned Rs25.5 bn investment in the platform, GIC's share would be Rs8.9 bn, of which it has already earmarked Rs7.5 bn in the three entities, leaving ~Rs1.4 bn as balance investment for any future additions (acquisitions, greenfield, existing assets of SAMHI) to the platform.

Strong 19% yoy growth in ARR to Rs7,487/day in 4QFY25, occupancy was down 100 bps yoy

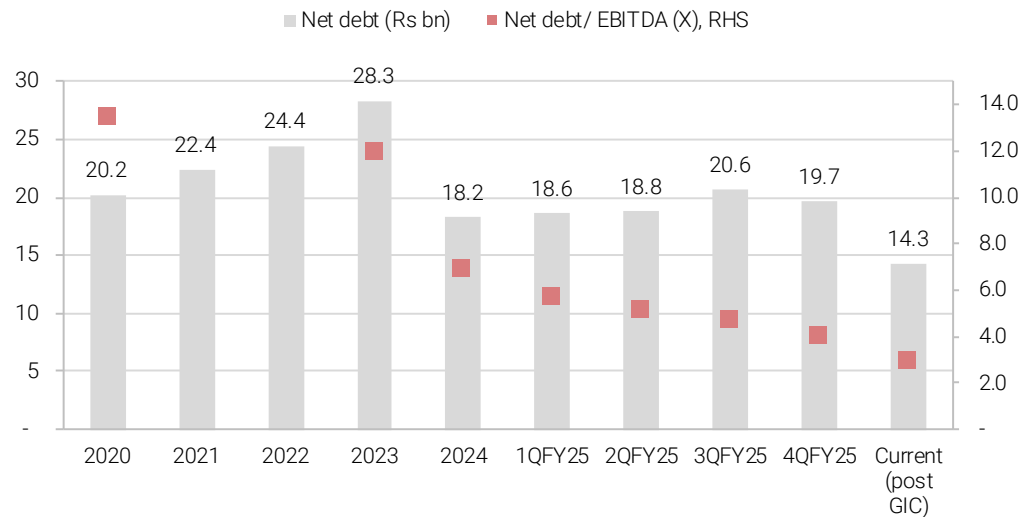
Exhibit 2: ARR and occupancy for SAMHI Hotels, March fiscal year-ends, 2023-25 (Rs/day, %)



Source: Company, Kotak Institutional Equities

Net debt for SAMHI has decreased to Rs14.3 bn post the GIC transaction

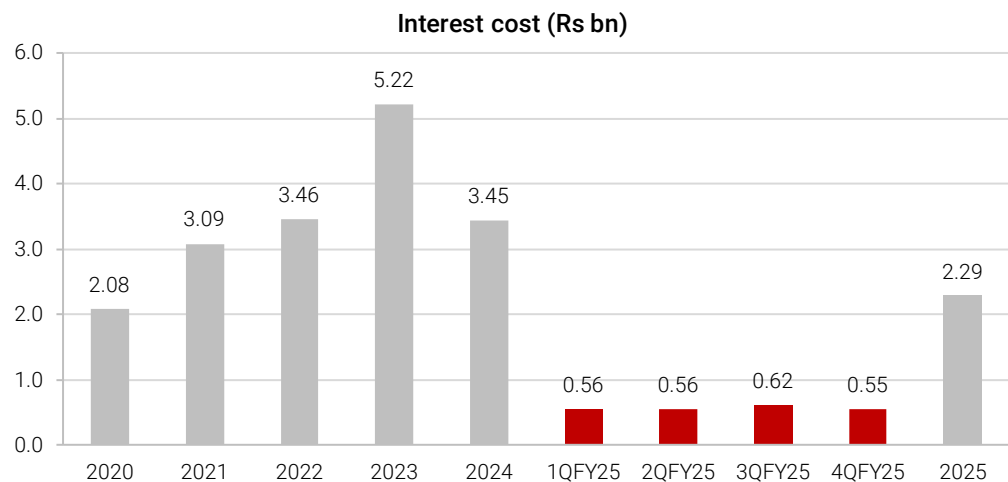
Exhibit 3: Net debt and net debt/EBITDA for SAMHI Hotels, March fiscal year-ends, 2020-26 (Rs bn, X)



Source: Company, Kotak Institutional Equities

Lower interest cost on sequential basis owing to a tad lower debt; interest rate stands at 9.2% (-20 bps qoq)

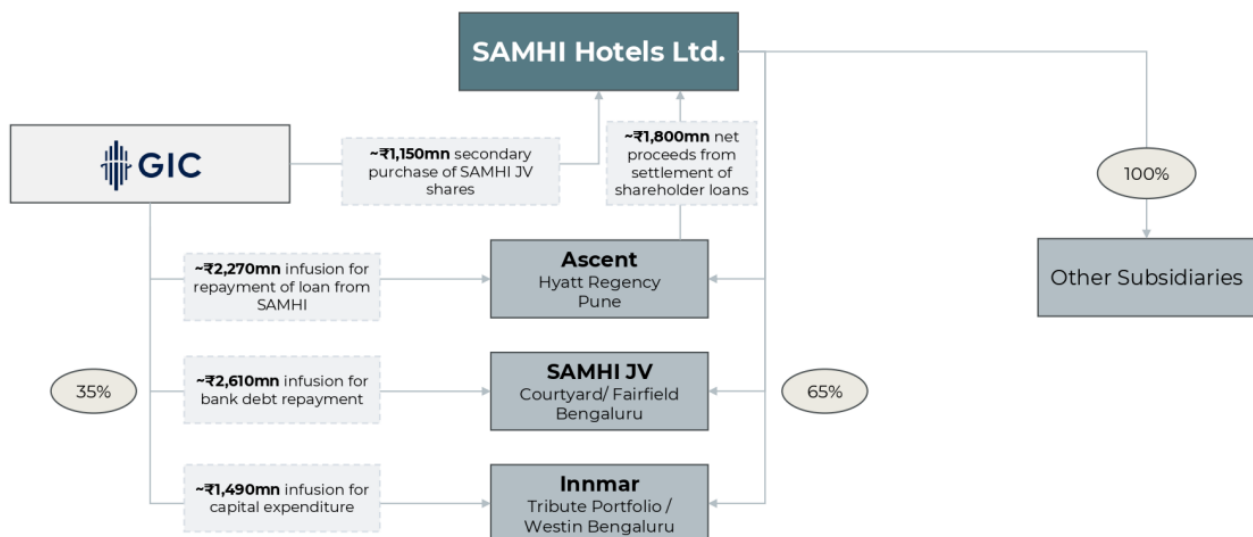
Exhibit 4: Interest cost for SAMHI Hotels, March fiscal year-ends, 2020-25 (Rs bn)



Source: Company, Kotak Institutional Equities

SAMHI Hotels has created a platform with GIC, wherein GIC has acquired 35% stake in three subsidiaries (five hotels)

Exhibit 5: Transaction structure for the platform with GIC



Source: Company, Kotak Institutional Equities estimates

Acquisition of 35% stake in five hotels (~1,000 keys) by GIC

Exhibit 6: Assets to be transferred to the platform with GIC



Courtyard & Fairfield by Marriott
Bangalore (ORR)



Hyatt Regency
Pune (Nagar Road)



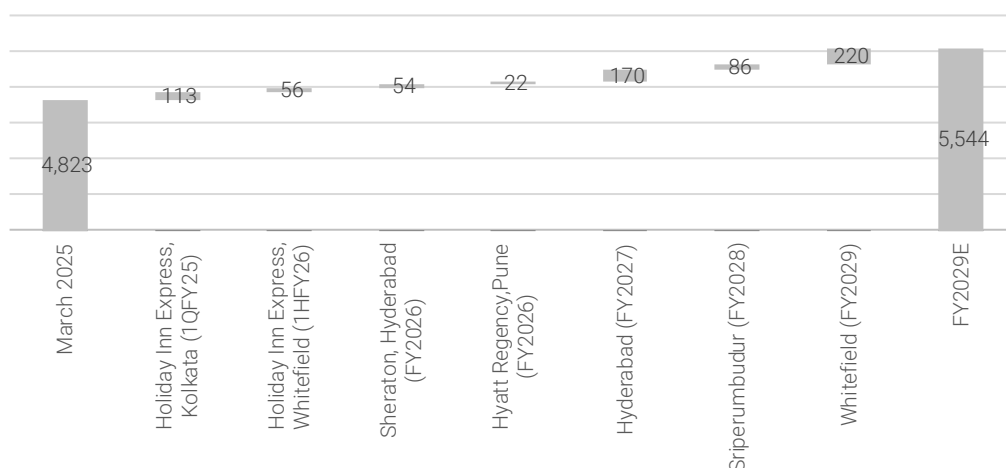
Westin / Tribute Portfolio
Bangalore (Whitefield)

SPV Name: SAMHI JV Business Hotels Pvt. Ltd. # Rooms: 336 336 room dual branded hotel (170 Courtyard + 166 Fairfield) located in Bangalore's largest business district (i.e. Outer Ring Road) with over 90+ mn. sq. ft. of occupied grade-A office space	SPV Name: Ascent Hotels Pvt. Ltd. # Rooms: 301 (with upcoming 22 apartments) 301 room hotel located in a well-developed business district and close to Pune's airport. The hotel is built over a total area of 350,000 sq. ft. and has 230 rooms, 71 serviced apartments, 3 F&B outlets and total function space of 24,596 sq. ft.	SPV Name: Innmar Tourism and Hotel Pvt. Ltd. # Rooms: 142 (with upcoming 220 rooms) 142 room operating hotel in the heart of one of Bangalore's largest office districts (i.e. Whitefield). To be converted into a Tribute Portfolio by Marriott post renovation & rebranding, with further expansion of 220 rooms under the Westin brand
Total Enterprise Value : ₹22,000 million (Rs. 2,200 crores)		

Source: Company, Kotak Institutional Equities estimates

SAMHI is targeting to reach 5,544 keys by 2029E

Exhibit 7: Future pipeline for SAMHI Hotels



Notes:

(a) Holiday Inn Express at Kolkata and 12 keys at Sheraton Hyderabad have been operationalized in May 2025.

Source: Company, Kotak Institutional Equities estimates

SAMHI has commissioned 113 keys at Kolkata and 12 keys at Bengaluru (expansion) in May 2025
Exhibit 8: Future pipeline for SAMHI Hotels

Asset	Location	New keys	Commissioning	Expected ARR	Stabilized asset EBITDA
Holiday Inn Express	Kolkata	113	1QFY26	3,000	45
Holiday Inn Express (expansion)	Bengaluru	56	1HFY25	4,000	30
Sheraton (expansion)	Hyderabad	54	FY2026	6,500	47
Hyatt Regency (expansion)	Pune	22	FY2026	10,000	29
W Hitec City	Hyderabad	170	FY2027	11,000	248
Fairfield by Marriott (expansion)	Chennai	87	FY2028	5,000	58
Westin	Bengaluru	220	FY2029	13,000	380
		864			837

Notes:

(a) The stabilized EBITDA is calculated basis 70% occupancy, revenue = 1.3X of rentals, and asset margin of 40%. Trinity, Bengaluru is planned to be converted into a Tribute Hotel (Marriott brand) by FY2027, which could lead to ARR of ~Rs12,00 and stabilized EBITDA of Rs230 mn.

(b) Holiday Inn Express at Kolkata and 12 keys at Sheraton Hyderabad have been operationalized in May 2025.

Source: Company, Kotak Institutional Equities estimates

We build healthy occupancy going ahead
Exhibit 9: Key assumptions for SAMHI Hotels, March fiscal year-ends, 2020-28E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Hospitality									
Keys (#)	4,050	4,050	4,050	3,839	4,801	4,823	5,068	5,238	5,324
Room nights (#)	1,478,250	1,478,250	1,478,250	1,439,635	1,630,182	1,764,009	1,797,006	1,884,346	1,928,858
Occupancy (%)	61	28	46	72	73	74	75	75	74
ARR (Rs/day)	4,516	2,624	3,149	4,850	5,804	6,406	6,828	7,539	8,486
ARR growth (% yoy)	(14)	(42)	20	54	20	10	7	10	13
RevPaR (Rs/day)	2,772	734	1,445	3,476	4,237	4,740	5,134	5,656	6,261
Revenue (Rs mn)	6,056	1,696	3,227	7,386	9,574	11,300	13,091	15,123	17,256
EBITDA (Rs mn)	1,500	(694)	114	2,377	2,665	4,060	5,002	5,859	6,944
EBITDA margin (%)	25	(41)	4	32	28	36	38	39	40

Source: Company, Kotak Institutional Equities

We lower our F&B revenues, while adjusting the GIC transaction in our estimates
Exhibit 10: Estimate changes for SAMHI Hotels, March fiscal year-ends, 2026-28E

	Revised estimate			Old estimate			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Operational metrics									
Keys (#)	5,068	5,238	5,324	5,186	5,356	NA	(2.3)	(2.2)	NA
Occupancy (%)	75	75	74	76	75	NA			NA
ARR (Rs/day)	6,828	7,539	8,486	6,777	7,377	NA	0.8	2.2	NA
ARR growth (% yoy)	7	10	13	9	9	NA			NA
RevPAR (Rs/day)	5,134	5,656	6,261	5,132	5,572	NA	0.0	1.5	NA
Earnings estimates (Consolidated) (Rs mn)									
Revenues	13,091	15,123	17,256	13,207	15,161	NA	(0.9)	(0.3)	NA
EBITDA	5,002	5,859	6,944	4,974	5,778	NA	0.5	1.4	NA
EBITDA margin (%)	38	39	40	38	38	NA			
PAT (after MI)	2,021	2,869	3,980	1,738	2,629	NA	16.3	9.1	NA

Source: Company, Kotak Institutional Equities

We value SAMHI using a DCF-based methodology

Exhibit 11: DCF for SAMHI Hotels, March fiscal year-ends, March 2027E

	Mar-27
Discount rate	13%
Total PV of free cash flows	45,061
Growth in perpetuity	5%
Terminal value	161,711
PV of terminal value	28,020
Enterprise value	73,081
Net debt	13,742
Equity value	59,339
Shares outstanding	220
Fair value (Rs/ share)	270

Source: Company, Kotak Institutional Equities

SAMHI trades at a significant discount to its listed peers in the hospitality business

Exhibit 12: Valuation multiples for SAMHI Hotels, March fiscal year-ends, 2020-28E (Rs mn, X)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Market cap.	14,555	14,680	14,680	16,423	42,345	42,576	42,576	42,576	42,576
Net debt	20,238	22,420	24,419	25,585	19,289	20,585	13,742	9,807	5,259
Enterprise value	34,792	37,099	39,099	42,009	61,635	63,161	56,318	52,383	47,835
Revenue	6,056	1,696	3,227	7,386	9,574	11,300	13,091	15,123	17,256
EBITDA (attributable)	1,500	(694)	114	2,377	2,665	4,060	4,574	5,287	6,284
PAT	(1,603)	(4,765)	(4,248)	(3,578)	(1,614)	1,049	2,021	2,869	3,980
EV/EBITDA (X)	23.2	(53.5)	342.0	17.7	23.1	15.6	12.3	9.9	7.6
P/E (X)	(9)	(3)	(3)	(5)	(26)	41	21	15	11
Total keys (#)	4,050	4,050	4,050	3,839	4,801	4,823	5,068	5,238	5,324
ARR (Rs/ day)	4,516	2,624	3,149	4,850	5,804	6,406	6,828	7,539	8,486
% yoy	(14)	(42)	20	54	20	10	7	10	13
Occupancy (%)	61	28	46	72	73	74	75	75	74
RevPAR (Rs/ day)	2,772	734	1,445	3,476	4,237	4,740	5,134	5,656	6,261

Source: Company, Kotak Institutional Equities

Positive net profit for FY2025E and beyond

Exhibit 13: Financial summary for SAMHI Hotels, March fiscal year-ends, 2020-28E

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Profit & loss statement									
Net sales	6,056	1,696	3,227	7,386	9,574	11,300	13,091	15,123	17,256
EBITDA	1,500	(694)	114	2,377	2,665	4,060	5,002	5,859	6,944
Depreciation	(1,262)	(1,118)	(1,006)	(963)	(1,137)	(1,168)	(1,299)	(1,421)	(1,468)
EBIT	239	(1,812)	(892)	1,415	1,528	2,892	3,703	4,439	5,476
Other income	220	97	104	229	213	197	122	211	350
Interest	(2,080)	(3,087)	(3,460)	(5,221)	(3,451)	(2,288)	(1,593)	(1,437)	(1,444)
Pretax profits	(1,621)	(4,802)	(4,248)	(3,577)	(1,709)	801	2,232	3,213	4,382
Tax	17	38	(0)	(0)	95	248	—	—	—
Net profit	(1,603)	(4,765)	(4,248)	(3,578)	(1,614)	1,049	2,232	3,213	4,382
Profit from associates/ minority interest	—	—	—	—	—	—	(211)	(344)	(402)
Extraordinary items	(1,395)	(13)	(184)	192	(732)	(194)	—	—	—
Reported net income	(2,999)	(4,777)	(4,433)	(3,386)	(2,346)	855	2,021	2,869	3,980
Earnings per share	(21)	(62)	(56)	(42)	(7)	5	10	15	20
Balance sheet									
Equity	76	76	76	85	220	221	221	221	221
Reserves and surplus	2,747	(2,031)	(6,465)	(8,162)	10,165	11,199	12,999	15,603	19,264
Non-controlling interest	—	—	—	—	—	—	—	—	—
Borrowings (non-current)	18,638	18,706	23,742	20,553	15,597	19,633	13,612	13,990	13,766
Current liabilities and provisions	4,614	8,129	6,512	10,154	8,469	5,619	5,835	6,041	6,303
Total liabilities and equities	26,076	24,880	23,866	22,630	34,451	36,673	32,668	35,855	39,553
Net fixed assets	22,641	21,706	20,206	18,943	24,834	26,702	27,363	27,943	27,163
CWIP	189	177	197	202	325	954	1,106	1,075	1,495
Goodwill	67	67	67	67	4,528	5,218	5,275	5,275	5,275
Current assets	1,880	2,232	2,607	2,472	2,812	2,054	3,432	7,873	12,333
Investments/ other assets	1,298	698	789	945	1,952	1,744	1,744	1,744	1,744
Total assets	26,076	24,880	23,866	22,630	34,451	36,673	38,920	43,910	48,010
Free cash flow									
Operating cash flow excluding working capital	1,411	(521)	116	2,442	3,077	4,302	5,002	5,859	6,944
Working capital changes	211	738	147	(267)	(330)	(731)	(339)	77	125
Capital expenditure	(282)	(7)	—	868	(392)	(2,994)	(2,169)	(1,968)	(1,108)
Other income	79	62	38	52	99	77	122	211	350
Free cash flow	1,420	272	301	3,095	2,454	653	2,615	4,180	6,311
Other metrics/ ratios									
Net debt (Rs mn)	20,238	22,420	24,419	25,585	19,289	20,585	13,742	9,807	5,259
Net debt/equity (X)	7.2	(11.5)	(3.8)	(3.2)	1.9	1.8	1.0	0.6	0.3
Net debt/EBITDA (X)	13.5	(32.3)	213.6	10.8	7.2	5.1	2.7	1.7	0.8
RoAE (%)	(73)	(1,101)	106	47	(203)	8	16	20	23
RoACE (%)	1	(8)	(4)	7	6	9	11	12	13
Book value per share (Rs)	37	(26)	(84)	(95)	47	52	60	72	88

Source: Company, Kotak Institutional Equities

State Bank of India (SBI)

Banks

BUY

CMP(₹): 812

Fair Value(₹): 975

 Sector View: **Attractive**

NIFTY-50: 24,751

June 02, 2025

Similar challenges, but relatively well-positioned

We hosted Mr C. S. Setty, Chairman of State Bank of India, with investors. Management highlighted (1) a slow recovery in loan growth, (2) NIM would be under pressure in the initial period when the rate cycle is softening and (3) it would look to protect its RoA through other levers. Asset quality remains a bright spot with negligible concerns in the near future. We maintain SBI as a preferred idea among public banks. FV unchanged.

Focused on protecting RoA as we go through revenue headwinds

Key takeaways from our meetings with investors: (1) NIM would be under pressure in the initial leg of the downward rate cycle as the deposits have a higher maturity than loans. However, we expect a recovery in NIM in the second half, as the deposit re-pricing would be faster than loan re-pricing. The bank would approach deposit rate cuts in a pragmatic manner. (2) SBI has the ability to grow ahead of the industry average, as it is not constrained by liabilities, cost of funds or asset quality. The demand for credit is still subdued from corporates, though the situation has improved in recent years. SBI would focus on building a diversified loan book. There is a lot of scope for improvement in the mid-corporate segment due to better tools to monitor borrowers. Retail loan demand has slowed, but lower interest rates and policy actions (higher income) could aid a recovery. It would not be surprising to see a recovery in loan growth even for unsecured loans. (3) The liabilities situation looks far more comfortable currently at an aggregate level. (4) Asset quality performance shows that the bank continues to do better than expected by investors. The bank has demonstrated during Covid and the recent slowdown that its underwriting in the retail business is among the best-in-class. (5) Focus would be on RoA protection, as the levers to protect NIM look challenging.

Working toward improving customer experience

Management highlighted that the current period offers an opportunity to execute strategies that can further strengthen the bank's franchise. A key area of focus is looking at areas to improve the lifecycle management of the customer. Currently, most services (loans, payments or deposit services) provide standalone experiences. These gaps in servicing result in customers not being able to fully experience the services the bank offers. The bank is focused on operational process re-engineering over the next few years as a key theme that aims to simplify customer journeys. These changes would not be cost-intensive, but would help to generate additional revenues or profits.

Maintain BUY; remains in a comfortable position

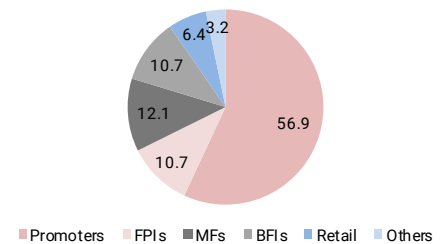
We maintain BUY with an FV of Rs975 (unchanged), valuing the bank at 1.5X (adjusted) book and 10X March FY2027E EPS for RoEs of ~15%. We are less worried about concerns that SBI is likely to see RoA contraction due to NIM compression, as we see interest rates as cyclical in nature and less worrisome as compared with the asset quality cycle. We like the current valuation of the bank and maintain SBI as a top idea.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	812/975/BUY
52-week range (Rs) (high-low)	912-680
Mcap (bn) (Rs/US\$)	7,249/84.7
ADTV-3M (mn) (Rs/US\$)	9,561/111.8

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	3	18	(2)
Rel. to Nifty	1	6	(12)
Rel. to MSCI India	0	4	(9)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	79.4	68.5	84.0
EPS growth (%)	16.1	(13.8)	22.7
P/E (X)	10.2	11.9	9.7
P/B (X)	1.8	1.6	1.4
BVPS (Rs)	452.7	507.2	576.1
RoE (%)	17.3	13.2	14.5
Div. yield (%)	2.0	1.9	2.1
NII (Rs bn)	1,670	1,768	1,970
PPOP (Rs bn)	1,101	1,085	1,275
Net profits (Rs bn)	709	611	750

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

[Full sector coverage on KINSITE](#)

M B Mahesh, CFA

Nischint Chawathe

Ashlesh Sonje, CFA

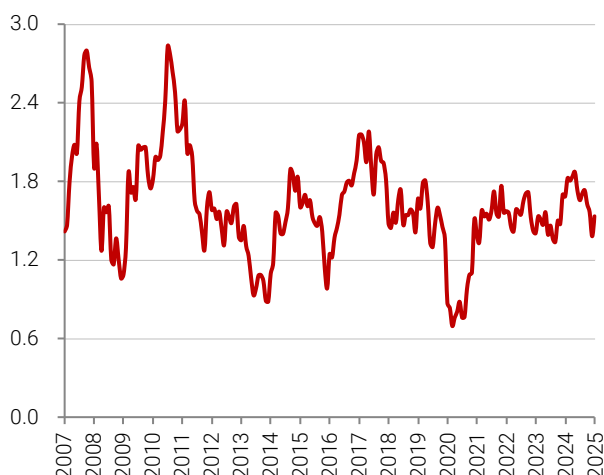
Abhijeet Sakhare

Varun Palacharla

Nikhil Suresh

SBI is trading at 1.6X one-year forward adj. P/B

Exhibit 1: Rolling 1-year forward APBR (consolidated; X)



Source: Bloomberg, company, Kotak Institutional Equities estimates

SBI is trading at a ~30% premium to public peers

Exhibit 2: PBR premium to public banks (X)



Source: Company, Kotak Institutional Equities estimates

Exhibit 3: SBI's SoTP valuation (discounted to March 2026), March fiscal year-ends

	SBI holding (%)	Value FY2026 (Rs mn)	Value per share FY2026 (Rs)	Valuation basis	Multiple (X)	Methodology adopted
SBI			760	BVPS	1.4	Residual income model
Non banking subsidiaries and investments						
SBI Life	55%	741,700	83	EV	1.6	Based on FY2027E EV; 15% HoldCo discount
SBI MF	62%	389,700	44	EPS	25	Based on FY2027E PAT; 20% HoldCo discount
SBICARD	69%	531,700	60	BVPS	5.7	Based on RGM FV; 15% HoldCo discount
NSE	8%	117,600	13	EPS	15	Based on FY2027E PAT; 20% HoldCo discount
UTI MF	10%	121,581	14			Based on RGM FV; 15% HoldCo discount
SBI Caps	100%	57,600	6	EPS	10	Based on FY2027E PAT; 20% HoldCo discount
Non-bank subsidiaries			220			
Total value			980			

Source: Company, Kotak Institutional Equities estimates

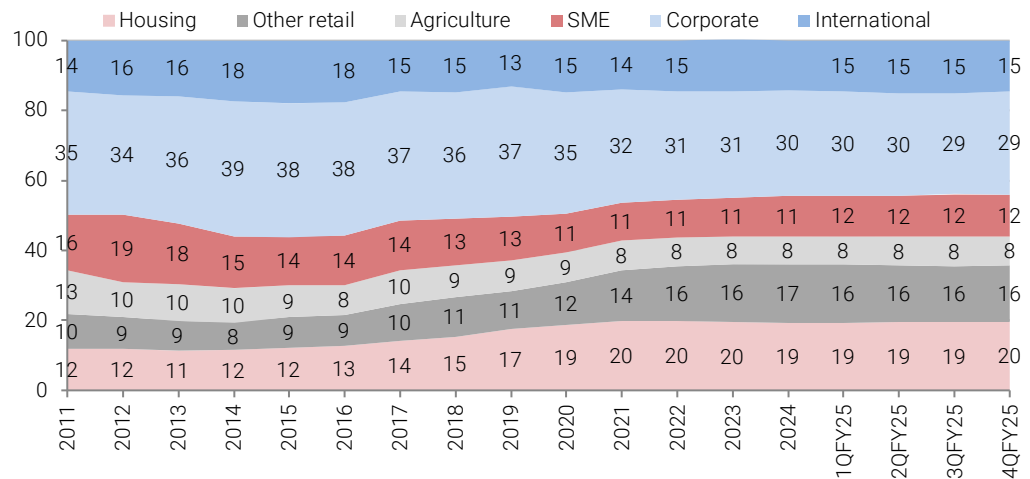
Exhibit 4: SBI's forecasts and valuation, March fiscal year-ends

	Net int. income (Rs bn)	PAT (Rs bn)	EPS (Rs)	PER (X)	ABVPS (core) (Rs)	APBR (core) (X)	RoE (%)
2016	569	100	12.8	62.4	121	5.0	7.3
2017	619	105	13.1	60.8	130	4.7	6.3
2018	749	(65)	(7.3)	(109.0)	126	4.9	(3.2)
2019	883	9	1.0	828.1	159	3.8	0.4
2020	981	145	16.2	49.3	176	3.5	6.4
2021	1,107	204	22.9	35.0	207	2.9	8.4
2022	1,207	317	35.5	22.5	243	2.5	11.9
2023	1,448	502	56.3	14.2	296	2.1	16.5
2024	1,599	611	68.4	11.7	353	1.7	17.3
2025	1,670	709	79.4	10.1	429	1.4	17.3
2026E	1,768	611	68.5	11.7	483	1.3	13.2
2027E	1,970	750	84.0	9.5	552	1.1	14.5
2028E	2,161	862	96.6	8.3	632	1.0	14.8

Source: Company, Kotak Institutional Equities estimates

Increase in share of retail in loan mix recently has been driven primarily by non-housing segments

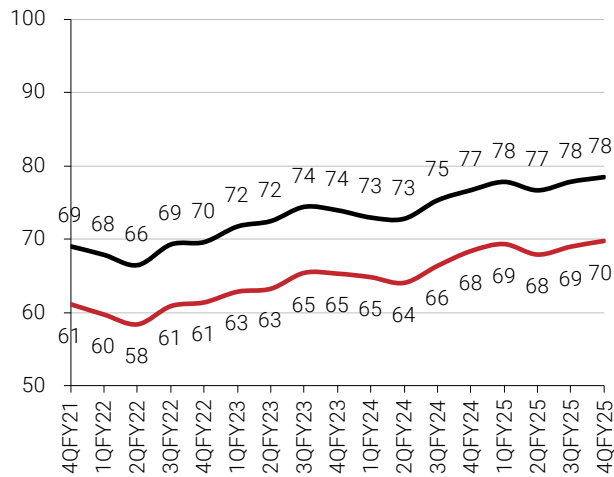
Exhibit 5: Loan breakup, March fiscal year-ends (%)



Source: Company

CD ratio has increased steadily over the past couple of years

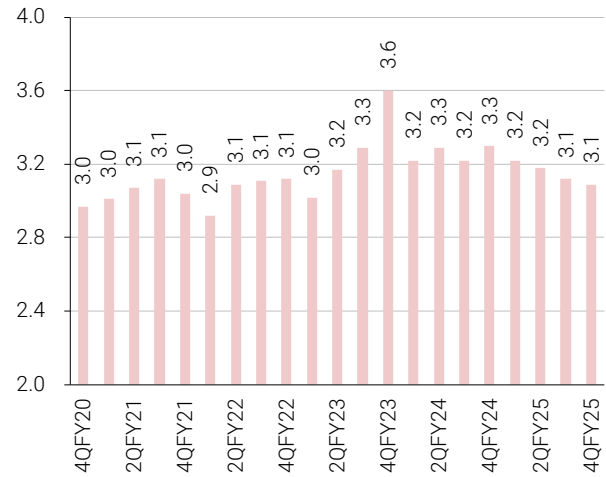
Exhibit 6: CD ratio (domestic), March fiscal year-ends (%)



Source: Company

Margins remained stable sequentially

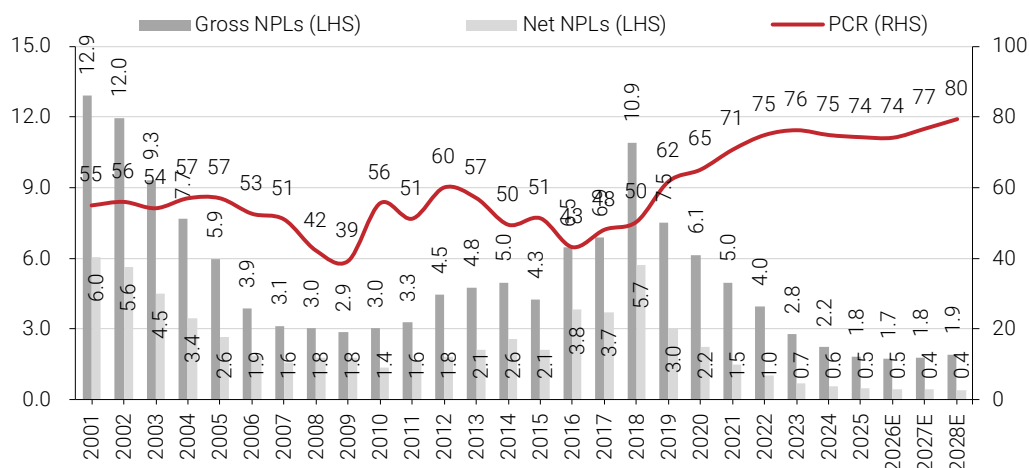
Exhibit 7: NIM (reported), March fiscal year-ends (%)



Source: Company

Net NPL is at a multi-decadal low; healthy PCR on NPLs

Exhibit 8: Gross NPLs, net NPLs and provision coverage ratio, March fiscal year-ends (%)

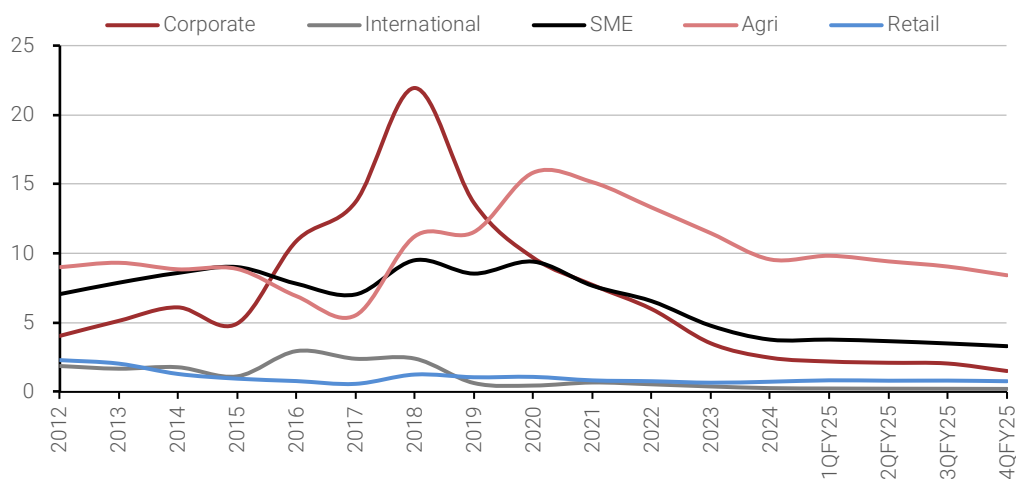


Note: Data from FY2017 refers to merged entity.

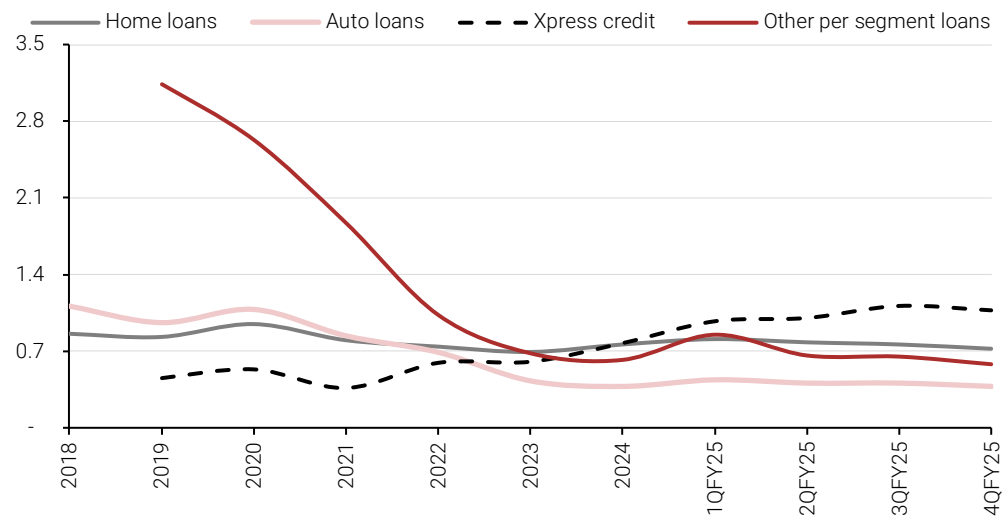
Source: Company

Asset quality stayed stable overall; GNPL ratios have remained stable or declined across segments

Exhibit 9: Gross NPL ratio across segments for SBI, March fiscal year-ends (%)

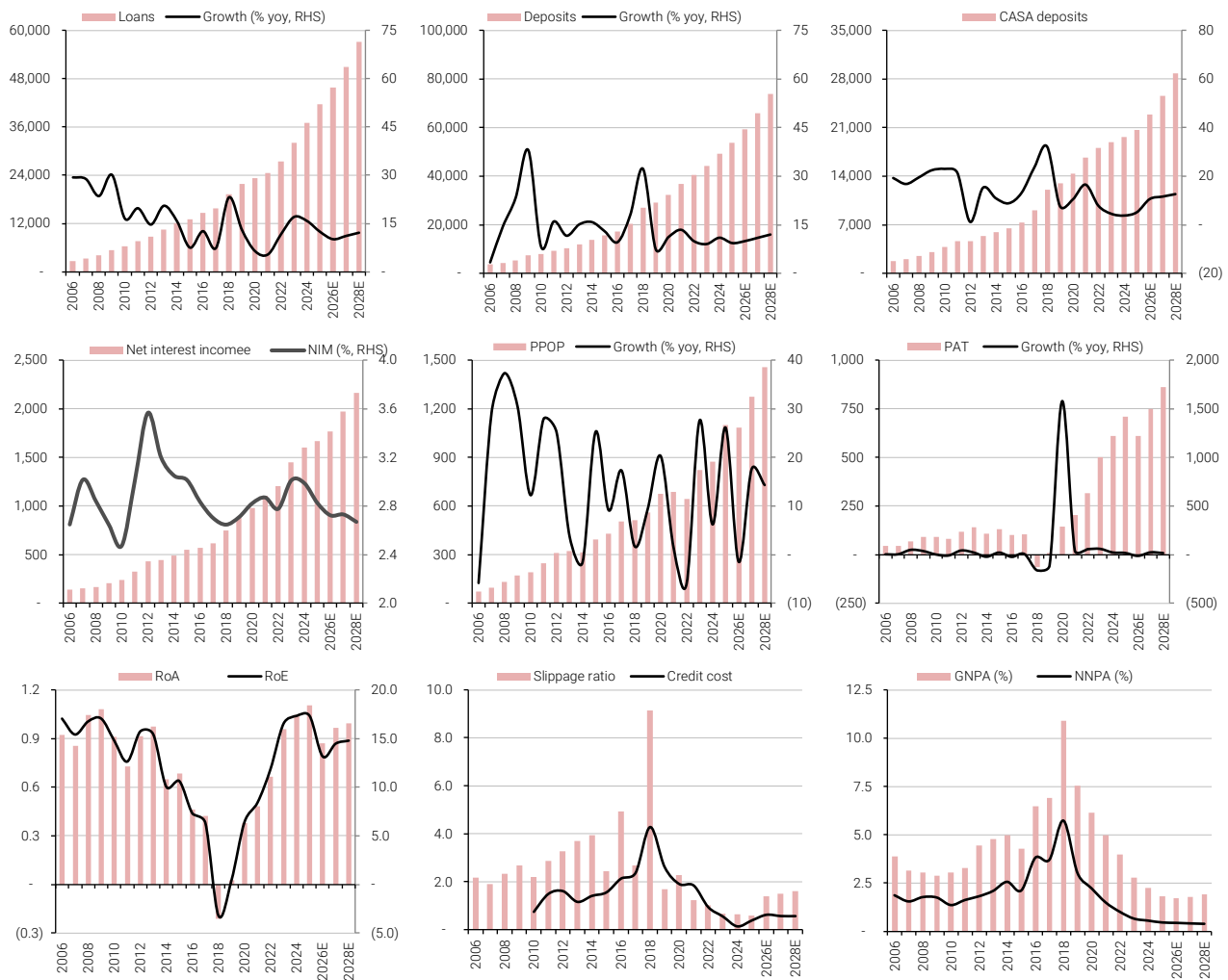


Source: Company

GNPL ratio was broadly flat in retail business, with a marginal qoq uptick in unsecured personal loans
Exhibit 10: GNPL across the various retail credit segments, March fiscal year-ends (%)


Source: Company

Exhibit 11: State Bank of India—summary of metrics, March fiscal year-ends



Source: Company, Kotak Institutional Equities estimates

Exhibit 12: SBI—key growth rates and financial ratios, March fiscal year-ends (%)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Growth rates (%)										
Net loan	13.0	6.4	5.3	11.6	17.0	15.8	12.4	10.1	11.1	12.1
Total Asset	6.5	7.3	14.8	10.0	10.6	12.0	8.0	10.3	11.3	12.2
Deposits	7.6	11.3	13.6	10.1	9.2	11.1	9.5	10.1	11.1	12.1
Current	8.3	10.4	26.1	(3.5)	8.1	0.2	21.7	11.7	12.7	13.7
Savings	7.7	10.5	14.8	10.3	4.0	4.6	2.3	10.4	11.5	12.5
Fixed	7.4	12.0	11.2	11.8	12.8	16.5	12.3	9.7	10.7	11.7
Net interest income	18.0	11.0	12.9	9.0	20.0	10.4	4.4	5.9	11.5	9.7
Loan loss provisions	(18.8)	(23.1)	(25.9)	(39.5)	(21.3)	(44.6)	80.0	78.2	1.4	11.6
Total other income	(17.5)	23.0	(3.8)	(6.7)	(9.7)	41.1	19.4	(2.4)	8.3	10.4
Net fee income	1.3	1.8	(0.9)	4.5	6.8	7.2	9.9	12.0	12.0	12.0
Net capital gains	(91.7)	738.4	(29.7)	(46.6)	(142.0)	(973.9)	29.3	(44—)	(12—)	—
Net exchange gains	(13.2)	16.7	(4.2)	44.4	51.9	(67.5)	155.3	12.0	12.0	12.0
Operating expenses	16.3	7.9	9.9	13.0	4.7	27.7	(5.4)	8.0	4.9	5.7
Employee expenses	23.7	11.4	11.4	13.0	(0.5)	36.7	(17.9)	8.5	4.0	4.0
Key ratios (%)										
Yield on average earning assets	7.4	7.4	6.9	6.3	6.9	7.8	7.8	7.5	7.4	7.3
Yield on average loans	7.8	8.0	7.2	6.6	7.5	8.3	8.4	8.0	7.8	7.6
Yield on average investments	7.5	6.9	6.8	6.1	6.4	6.8	7.0	7.0	6.8	6.7
Average cost of funds	4.8	4.6	4.0	3.6	4.0	4.9	5.1	5.0	4.9	4.8
Interest on deposits	5.0	4.8	4.1	3.7	3.8	4.7	5.0	4.9	4.8	4.7
Difference	2.6	2.8	2.9	2.7	2.9	2.9	2.7	2.5	2.5	2.4
Net interest income/earning assets	2.7	2.8	2.9	2.8	3.0	3.0	2.8	2.7	2.7	2.7
New provisions/average net loans	2.6	1.9	1.3	0.7	0.5	0.2	0.4	0.6	0.6	0.6
Interest income/total income	70.6	68.4	71.8	74.8	79.8	75.6	73.0	74.6	75.1	75.0
Fee income to total income	18.6	16.6	15.3	15.2	14.5	13.3	13.5	14.6	14.8	15.1
Operating expenses/total income	55.7	52.5	53.6	57.9	53.9	59.0	51.6	53.8	51.0	49.1
Tax rate	46.4	42.2	25.9	27.1	25.3	25.3	25.6	25.6	25.6	25.6
Dividend payout ratio	—	—	17.5	20.0	20.1	20.0	20.0	22.9	19.9	18.3
Share of deposits										
Current	7.1	7.0	7.8	6.8	6.8	6.1	6.8	6.9	7.0	7.1
Fixed	55.4	55.8	54.6	55.5	57.3	60.1	61.6	61.4	61.2	61.0
Savings	37.5	37.2	37.6	37.7	35.9	33.8	31.6	31.7	31.8	31.9
Loans-to-deposit ratio	75.1	71.7	66.5	67.5	72.3	75.3	77.4	77.4	77.4	77.4
Equity/assets (EoY)	6.0	5.9	5.6	5.6	5.9	6.1	6.6	6.6	6.7	6.7
Asset quality trends (%)										
Gross NPL (%)	7.5	6.1	5.0	4.0	2.8	2.2	1.8	1.7	1.8	1.9
Net NPL (%)	3.0	2.2	1.5	1.0	0.7	0.6	0.5	0.5	0.4	0.4
Slippages (%)	1.7	2.3	1.2	1.0	0.7	0.6	0.6	1.4	1.5	1.6
Provision coverage (% ex write-off)	61.9	65.2	70.9	75.0	76.4	75.0	74.4	74.3	76.8	79.5
Dupont analysis (%)										
Net interest income	2.5	2.6	2.6	2.5	2.8	2.7	2.6	2.5	2.5	2.5
Loan loss provisions	1.5	1.1	0.7	0.4	0.3	0.1	0.2	0.4	0.3	0.3
Net other income	1.0	1.2	1.0	0.9	0.7	0.9	1.0	0.9	0.8	0.8
Operating expenses	2.0	2.0	2.2	2.0	1.9	2.1	1.8	1.8	1.7	1.6
Invnt. depreciation	(0.0)	0.0	0.1	0.1	0.0	(0.0)	0.0	0.0	0.0	0.0
(1- tax rate)	53.6	57.8	74.1	72.9	74.7	74.7	74.4	74.4	74.4	74.4
RoA	0.0	0.4	0.5	0.7	1.0	1.0	1.1	0.9	1.0	1.0
Average assets/average equity	16.2	16.9	17.5	17.8	17.3	16.6	15.7	15.1	15.0	14.9
RoE	0.4	6.4	8.4	11.9	16.5	17.3	17.3	13.2	14.5	14.8

Source: Company, Kotak Institutional Equities estimates

Exhibit 13: SBI—key financials, March fiscal year-ends (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Income statement										
Total interest income	2,429	2,573	2,652	2,755	3,321	4,151	4,625	4,895	5,351	5,881
Loans	1,616	1,797	1,714	1,718	2,214	2,880	3,296	3,479	3,764	4,110
Investments	744	682	798	849	959	1,086	1,150	1,231	1,370	1,538
Total interest expense	1,545	1,592	1,544	1,547	1,873	2,553	2,955	3,127	3,380	3,721
Net interest income	883	981	1,107	1,207	1,448	1,599	1,670	1,768	1,970	2,161
Loan loss provisions	545	419	310	188	148	82	147	262	266	297
Net interest income (after prov.)	339	562	797	1,019	1,301	1,517	1,522	1,505	1,704	1,864
Other income	368	452	435	406	366	517	617	602	652	719
Net fee income	233	237	235	246	262	281	309	346	388	434
Net capital gains	10	86	60	32	(14)	118	153	85	75	75
Net exchange gains	22	25	24	35	53	17	44	49	55	62
Operating expenses	697	752	827	934	977	1,249	1,181	1,275	1,337	1,413
Employee expenses	411	457	509	576	573	783	644	698	726	755
Depreciation on investments	(8)	5	30	34	15	(6)	5	10	10	10
Other Provisions	1	6	100	22	2	(27)	1	1	1	1
Pretax income	16	251	275	434	672	818	953	821	1,008	1,159
Tax provisions	7	106	71	117	170	207	244	210	258	297
Net Profit	9	145	204	317	502	611	709	611	750	862
% growth	(113.2)	1,580.3	40.9	55.2	58.6	21.6	16.1	(13.8)	22.7	15.0
PBT - Treasury + Provisions	544	596	655	647	851	749	953	1,010	1,210	1,392
% growth	15.3	9.5	10.0	(1.3)	31.6	(12.0)	27.3	6.0	19.8	15.1
Balance sheet										
Cash and bank balance	2,225	2,511	3,430	3,946	3,079	3,108	3,402	3,653	3,957	4,325
Cash	188	201	234	217	214	184	221	265	318	382
Balance with RBI	1,582	1,466	1,898	2,361	2,257	2,067	2,051	2,258	2,509	2,813
Balance with banks	47	—	—	—	—	—	—	—	—	—
Net value of investments	9,670	10,470	13,517	14,814	15,704	16,713	16,906	19,010	21,582	24,657
Govt. and other securities	7,619	8,033	10,553	11,622	12,383	13,657	13,850	15,954	18,526	21,601
Shares	99	82	80	124	141	72	72	72	72	72
Debentures and bonds	849	1,024	2,089	2,158	2,134	1,776	1,776	1,776	1,776	1,776
Net loans and advances	21,859	23,253	24,495	27,340	31,993	37,040	41,633	45,834	50,921	57,088
Fixed assets	392	384	384	377	424	426	441	476	506	533
Other assets	2,663	2,896	3,518	3,399	3,971	4,510	4,378	4,685	5,013	5,364
Total assets	36,809	39,514	45,344	49,876	55,170	61,797	66,761	73,658	81,979	91,967
Deposits	29,114	32,416	36,813	40,515	44,238	49,161	53,822	59,253	65,830	73,802
Current	2,059	2,273	2,867	2,767	2,990	2,996	3,646	4,073	4,591	5,221
Fixed	16,138	18,079	20,100	22,480	25,363	29,547	33,170	36,399	40,307	45,041
Savings	10,918	12,064	13,846	15,269	15,884	16,618	17,006	18,781	20,931	23,540
Borrowings and bills payable	4,269	3,415	4,350	4,595	5,205	6,132	5,792	6,378	7,049	7,818
Other liabilities	1,217	1,363	1,643	1,965	2,451	2,731	2,735	3,145	3,617	4,159
Total liabilities	34,600	37,194	42,806	47,075	51,894	58,024	62,349	68,776	76,496	85,779
Total shareholders' equity	2,209	2,320	2,539	2,801	3,276	3,772	4,412	4,883	5,484	6,188

Source: Company, Kotak Institutional Equities estimates

Adani Ports and SEZ (ADSEZ)

Transportation

BUY

CMP(₹): 1,433

Fair Value(₹): 1,720

 Sector View: **Attractive**

NIFTY-50: 24,751

June 02, 2025

Enough proof seen to make the logistics play worth scaling up

APSEZ's logistics day showcased actions taken and the initial success achieved in the two key focus plays in logistics—shifting surface logistics for multi-modal to rail and improving productivity/lowering pilferage in B2B bulk trucking. Endgame on returns on investment should not be the immediate goal for investors, as Adani scales up investments to create an ecosystem for an integrated logistics offering. This approach replicates the success formula for ports and is crucial to shifting the customer toward pricing linked to value creation. We start the process of valuing logistics linked to investments (1X) versus the earlier EV/EBITDA (15X) approach in our revised FV of Rs1,720. Maintain BUY.

Using data, analytics and AI to resolve key issues in logistics

The event brought out data, analytics and AI deployed to help (1) increase the efficiency of assets (utilization, downtime), (2) lower pilferage, (3) increase instances of double-stacking, (4) quicken issue resolution at a local level, (5) improve capital allocation decisions at a corporate level and (6) expand the capacity to absorb assets for its logistics platform. Its use of AI chatbots to make/summarize grievance calls of drivers impresses us.

Key success stories seen in shift in road-to-rail and improved bulk offering

Rs1 bn of savings in coal transportation is a large saving achieved, as against ~Rs25 bn of logistics revenues. The 840 km of daily truck running for a renewable energy client (160% increase) is a global benchmark. Shifting almost the entire timber movement to north from Gandhidham (west) at 7-8% cost savings stands out—required double-stacking and return cargo. The 36 bulk rakes managed by APSEZ added in one month (on a base of 58) and trucks managing to grow multifold recently reflect the logistics platform's scalability.

10% RoCE target may take long to realize, may not be the best metric to track

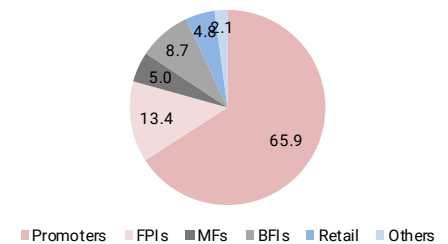
The current 6% RoCE on logistics factors in Rs52 bn of capex beyond land and a small part of the Rs90 bn investment in land (a large part is unmonetized). The ~Rs150 bn logistics base will reach Rs350 bn over the next four years. APSEZ aims to reach 10% of threshold RoCE on this portfolio over time, assuming a 14% return on investments beyond land and 3-5% loading of cost on land value. The endgame, based on our assessment, may take more than five years as APSEZ continues to invest in creating an ecosystem. The success of Mundra relied on creating such an ecosystem and guaranteeing a certain value proposition to the shipping line (fast turnaround of the ship). The approach of being return-focused on logistics and avoiding select investments carries the risk of becoming a rate seeker from customers—a scenario best avoided in logistics. This is a reason why RoCE may not be the best metric for APSEZ. Other key reasons include industrial clusters now being well-established in the country and thus capital allocation in logistics carrying lesser risks and part of the benefit of logistics accruing to the ports business.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	1,433/1,720/BUY
52-week range (Rs) (high-low)	1,621-994
Mcap (bn) (Rs/US\$)	3,095/36.2
ADTV-3M (mn) (Rs/US\$)	3,841/44.9

Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	18	34	4
Rel. to Nifty	16	22	(6)
Rel. to MSCI India	15	20	(4)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	52.5	64.3	72.7
EPS growth (%)	26.1	22.4	13.2
P/E (X)	27.3	22.3	19.7
P/B (X)	5.0	4.2	3.5
EV/EBITDA (X)	18.3	15.9	13.4
RoE (%)	19.7	20.3	19.3
Div. yield (%)	0.6	0.6	0.6
Sales (Rs bn)	311	373	431
EBITDA (Rs bn)	190	220	255
Net profits (Rs bn)	113	139	157

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

[Full sector coverage on KINSITE](#)

Aditya Mongia

Deepak Krishnan

Naman Jain

We increase FV to Rs1,720 from Rs1,610 on higher value for logistics business

We increase the value of logistics to 1X FY2027E investments into logistics, relying on a 10% RoCE threshold estimate over time, matching the WACC for the company. AR2025 suggests investments + L&A from the standalone entity of ~Rs175 bn to Adani Logistics, on which another Rs200 bn will be spent. We note that upside risks to these assumptions over time come from (1) an uptick in the scale of the freight forwarding business (low investments, high turnover) and (2) the ancillary benefits to port operations from the scale-up in the logistics offering.

Takeaways from the analyst meet

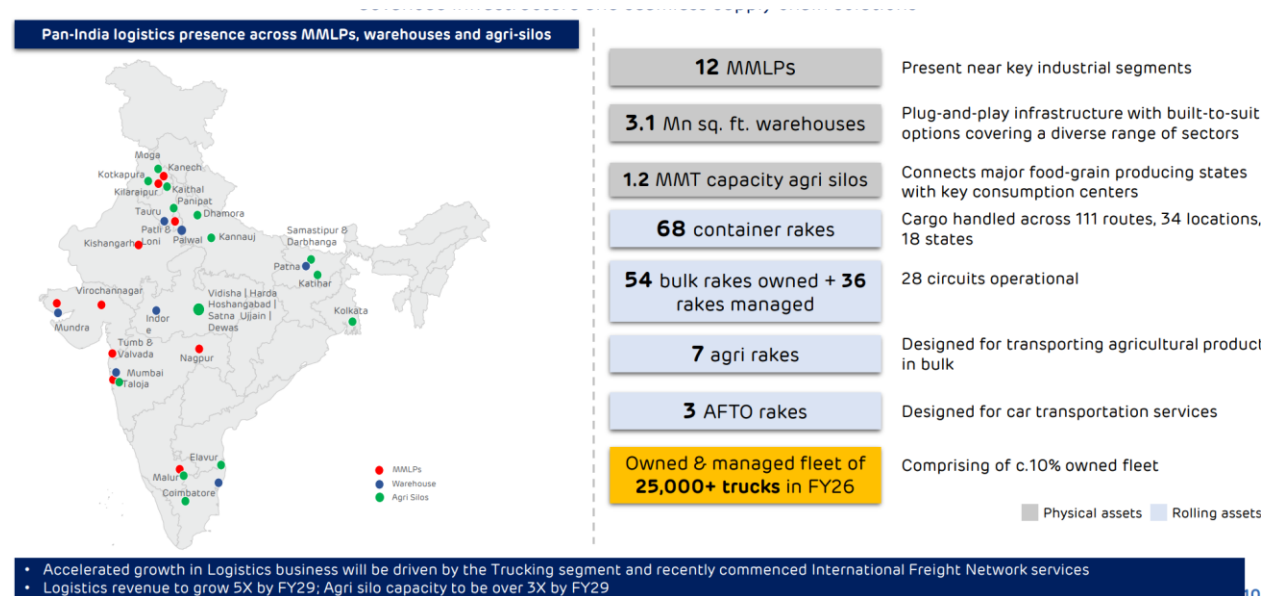
- ▶ **Data being used in various forms.** The analyst meet brought out data being used across a variety of tasks.
 - **Reducing pilferage.** Just GPS put on APSEZ's owned trucks helps reduce pilferage, given a typical pattern associated with pilferage that can be monitored—truck getting on the side and moving front and back to park before the theft happens. The company has been able to find specific areas along its routes where such instances of pilferage happen, where it penalizes drivers if they were to stop. APSEZ's cameras put on its owned vehicles also help reduce pilferage.
 - **Making capital allocation.** Whether to invest in diesel trucks or EVs for a specific route is also being decided based on the length of the route, road conditions, whether there is a charging network, availability of 24X7 loading/unloading at the site and time taken to load/unload. Thus, capital allocation is becoming more scientific. Data is being used to see which commodities can be double-stacked and the source of these commodities is being used to decide the location of the MMLP investments.
 - **Training of drivers.** The way a driver drives is used to decide the nature of training to be imparted with an aim of lowering costs and increasing the safety of driver/cargo.
 - **Increase availability of assets.** The Tumb ICD, for instance, had a workshop inside for repair and maintenance of its 650-truck-strong fleet. Each truck before entering the workshop has a recorded history of incidents and the same helps in quick resolution and checks while being in the workshop. The workshop carries inventories of all essential spares required to requisite quantum.
- ▶ **Leveraging the group's logistics and ports' offerings to good effect.** APSEZ is using the group logistics requirement to good effect. Against the 250 mn tons of group cargo, the company is presently trucking close to 16 mn tons and expects to treble this quantum in FY2026. It suggested the overall opportunity from the group requirements totaling Rs100 bn at present—250 mn tons. APSEZ is also focusing on converting the surface transportation requirements linked to ports to rail; another large opportunity—surface transportation of port volumes—represents 25% of the cargo life journey cost versus 10% of it being linked to port handling (APSEZ's area of focus until now).
- ▶ **Large investments planned in logistics with land—a large quantum.** APSEZ (standalone) has invested ~Rs175 bn (including L&A) into Adani Logistics. Such gross block on a net basis translates into Rs52 bn of assets beyond land, close to Rs90 bn of land investments. These include (1) 132 rakes (~Rs35-40 bn), (2) 12 MMLPs (~Rs9 bn), (3) ~1,000 trucks (Rs4 bn) and (4) 3 mn square feet warehouses and additional 1,000 acres of land (a large part of Rs90 bn of land investments is sitting here). The additional Rs200 bn of investments over the next four years would likely go into (1) additional 170 rakes (~Rs50-60 bn), (2) additional 8 MMLPs (Rs6-8 bn), (3) 4,000 additional trucks (Rs12-15 bn) and (4) additional 17 mn square feet of warehousing (may include 8 mn square feet of additional land beyond the 1,000 acres of land and thus, related spend of ~Rs90 bn more).

▶ Key endeavors across verticals

- **Trucking.** Trucking on the bulk side is difficult to get return load (different commodities need different requirements for cleaning and transportation). Thus, the focus has been on increasing the number of trips and reducing instances of pilferage. The company has focused on getting its owned trucks with cameras placed, focusing on driver and on the back of the truck. It has also set up AI-based chatbots to understand the grievances of truck drivers. The same has meaningfully brought down instances of pilferage and increased the speed of operations. Data is collected in a simplistic manner through IoT in the form of tickets. The raising of the tickets then leads to the local command center taking control and resolving the situation. The same is then updated on the system for the strategic command center (at the corporate office) to be updated. The platform has become scalable and is presently handling assets multifold of the 5,000 trucks handled last year (of which 1,000 were owned). All incremental assets being added need to have their GPS assets with the data feed connected to APSEZ's platform.
- **Freight forwarding.** Freight forwarding is a business APSEZ has recently entered into. Using the large customer volumes Adani Group brings to the port, it has been able to start forming tripartite agreements with the shipping line and the freight forwarder of relevance to the shipping line. The same is helping APSEZ in three forms, i.e., (1) related income has started coming into 4QFY25 (annualized sales of >Rs10 bn), (2) the company has started influencing the shipping line and freight forwarder by nominating its port and its ICD for volumes currently missing in APSEZ's port/logistics assets and (3) it is getting into a stronger vantage point versus Concor in terms of getting information on the time/mode/requirements of cargo entering/exiting the country.
- **MMLP/rail.** APSEZ already has a low-teens market share in EXIM rail train container movement and has the capacity on the ground to exceed a 20% market share. It is using several means to gain market share and convert road movement into rail movement. Tech placement in planning double-stack routes is helping convert road traffic to rail. So is the coupling of truck offerings with rail to get the best of competitive rail pricing and difficulty in matching loads (rail only makes sense once exactly 90 TEUs worth of load is there). Essentially, trucks are used to carry additional cargo beyond 90 TEUS, thus ensuring the customer gets the best of rail's competitive pricing without being concerned about meeting timelines for the shipping line (import/export). Of late, the company has increased its focus on domestic markets. In such a context, it is important to note that the Loni Terminal recently received clearances to operate domestic cargo. In the case of Mundra operations, APSEZ is focusing on using the CFS operations on port land as a means to compete with Concor. An addition of a hub in Virochannagar would further enhance the scope of APSEZ's rail logistics offering versus that of Concor—note that the Swarupganj terminal of Concor is not an effective hub and thus, the Virochannagar hub will compete with Kathuwas (Concor) and Viramgam (Gateway Distriparks).
- **Warehousing.** The portfolio is a 3.2 mn square feet portfolio, with 35% inside ICD and 65% outside. The scale-up to 12 mn square feet would happen organically (1,000 acres of land is there) and the remaining 8 mn square feet would be inorganic. There is 15 mn square feet of group usage of warehousing, part of which will shift to APSEZ's portfolio. Within the agri silo business, the company operates 1.8 mn tons and aims to increase it to 9 mn tons by FY2029. It is focusing on the 11 mn tons of tendering for wheat silos as against 35 mn tons of present wheat storage capacity. Of these, 4 mn tons have been tendered out and APSEZ has won majority of contracts.

APSEZ has started adding meaningful quantum of managed assets (bulk rakes, trucks) in recent times, suggesting scope of scalability of its platform

Exhibit 1: Key existing assets in the logistics platform of APSEZ



Source: Company, Kotak Institutional Equities

Investments + L&A into logistics aggregate to Rs175 bn, as of end-FY2025

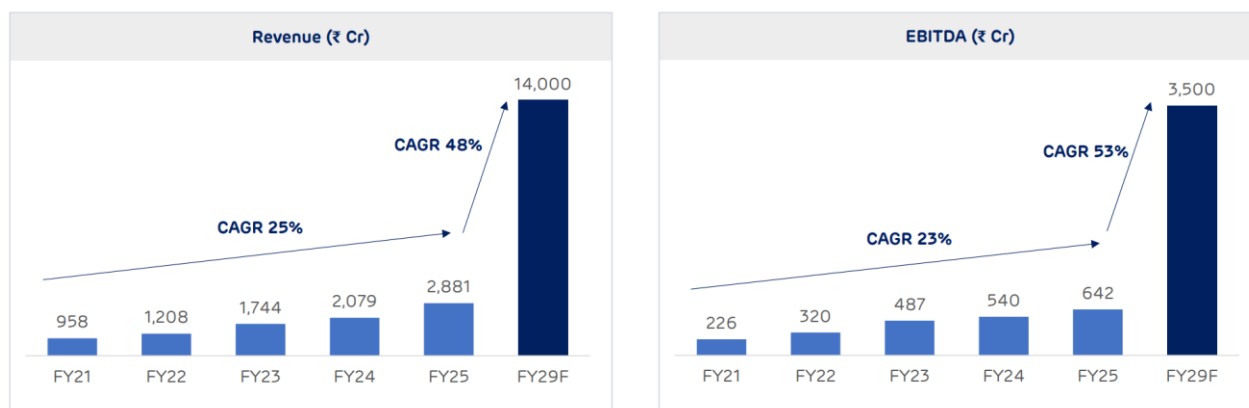
Exhibit 2: Investments + L&A from Mundra (standalone), March fiscal year-ends, 2020-27E (Rs bn)

	2020	2021	2022	2023	2024	2025	2026	2027
Dhamra	78	73	65	65	53	53		
Kattupalli+Ennore	30	31	30	31	31	29		
Container JVs	17	12	9	7	6	5		
Hazira	11	11	11	11	12	11		
Vizhinjam	18	11	27	32	31	33		
Krishnapatnam	-	109	130	130	118	104		
Gangavaram	-	-	26	44	35	35		
Gopalpur	-	-	-	-	-	26		
Sanguja Rail	-	-	57	53	51	50		
Logistics	44	34	51	85	150	174	214	251
Others	65	77	105	102	113	128		
Total	262	358	512	561	600	650		

Source: Company, Kotak Institutional Equities estimates

APSEZ targets 50% EBITDA CAGR with capex levels at 1.5-2X of aggregate EBITDA over the next four years

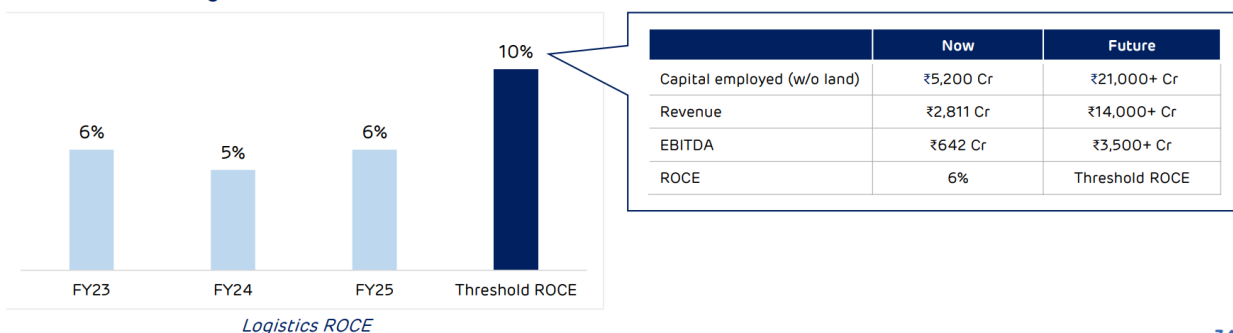
Exhibit 3: APSEZ's logistics target financials



FY25-29 logistics capex plan (₹15,000 – 20,000 Cr) will result in significant asset accretion

	FY25	FY29
Rakes	132	300
MMLPs	12	20
Warehouse	3.1+ Mn sq. ft.	20 Mn sq. ft.
Agri silo capacity	1.2 MMT	10 MMT
Trucks	937	5,000+

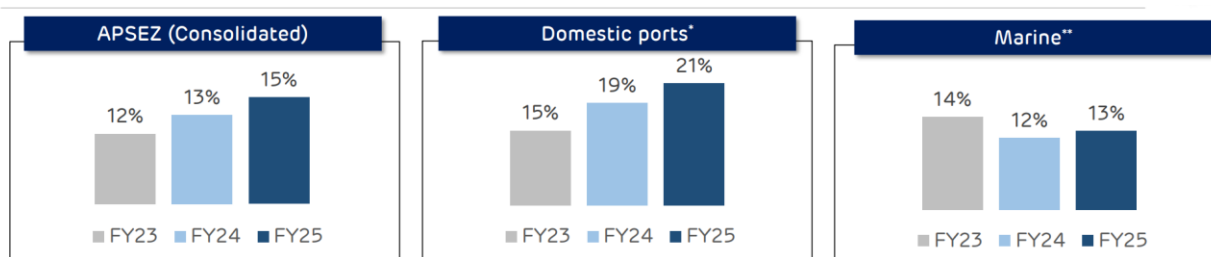
Moving to 10% threshold ROCE



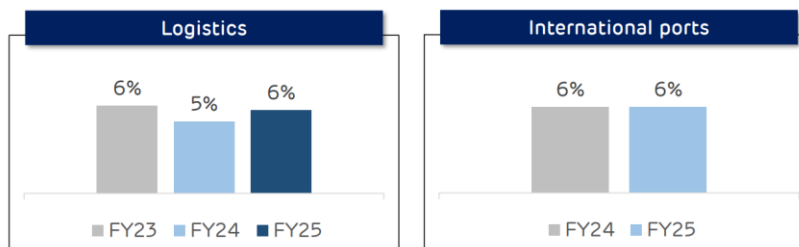
Source: Company, Kotak Institutional Equities

Domestic ports operate at 21% RoCE after years of investments with logistics RoCE depressed due to the investment cycle

Exhibit 4: Comparison of RoCE (asset class-wise) for APSEZ, March fiscal year-ends, 2023-25



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

15

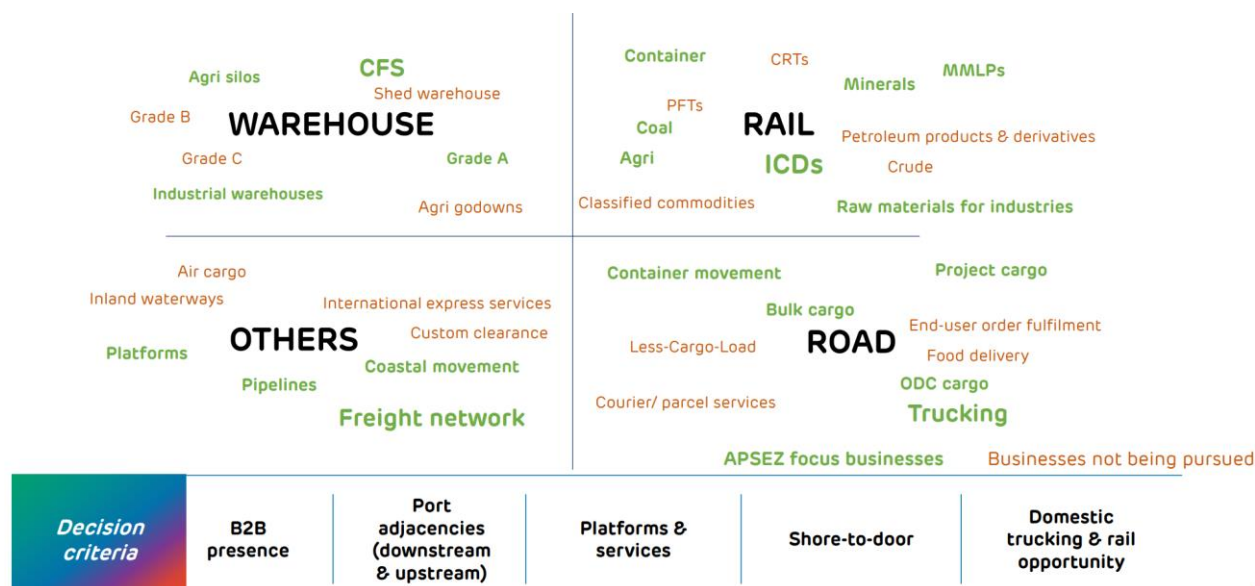
Notes:

(a) Logistics RoCE is based on land (monetized) and not on overall Rs90 bn of land investments

Source: Company, Kotak Institutional Equities

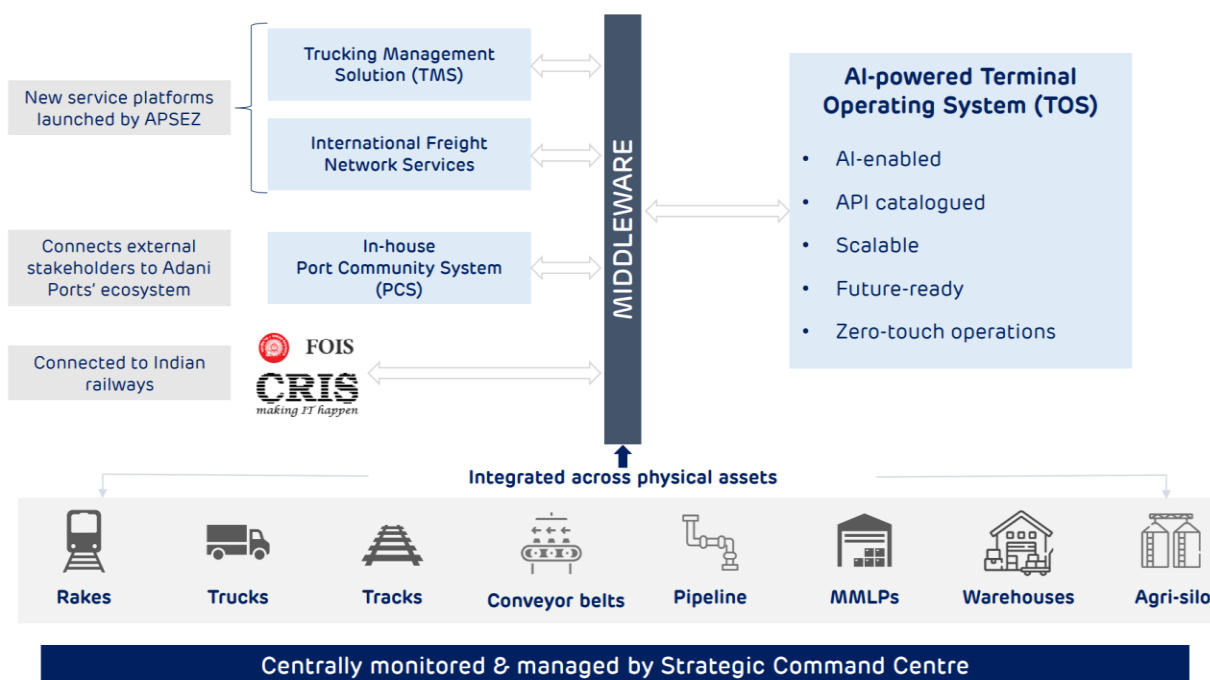
APSEZ is focused on selective lines of business aligned with its integrated transport utility proposition

Exhibit 5: Focus on logistics for APSEZ



Source: Company, Kotak Institutional Equities

Exhibit 6: Advanced digitization layer integrates stakeholders, business processes and physical assets—also enables centralized monitoring and management



Source: Company, Kotak Institutional Equities

APSEZ is the largest integrated player in India with presence across the logistics value chain

Exhibit 7: Positioning of APSEZ's logistics platform across other players in the ecosystem

	Rakes	Terminals/MMLPs	Trucks	Warehouse space	Agri-silo	Pipeline & Tracks
APSEZ rank	2 nd	3 rd	1 st	Top-10	Largest player	Large player
adani Ports and Logistics	132 (68 container rakes, 54 bulk rake, 7 agri rakes & 3 AFTO)	12	Managed fleet of 25,000+ trucks*	3.1 million sq. ft. (FY29 projection ~ 20 million sq. ft.)	1.2 MMT	690 kms private tracks, dedicated customer pipelines, tank storage JVs
APM Mumbai Port Trust	388	66	130 LNG trucks	4 million sq. ft.	-	-
DP WORLD	90 (container & SFTO rakes)	5	-	5 million sq. ft.	-	-
JMBAXI Jawahar Education Trust	25	7 port CTs, 2 ICDs, 2 CFS, 1 Warehouse & Logistic Park	-	0.54 million sq. ft. ^	-	-
Mahindra LOGISTICS	-	-	15,000+	20+ million sq. ft.	-	-
VRL VRL LOGISTICS LTD	-	-	6,115 owned	-	-	-
TVS	-	-	-	25.5 million sq. ft.	-	-
TCI Tata Consultancy Services	3 AFTO rakes	60+ rail terminals, 25 hubs for trucks	10,000 owned & leased	16+ million sq. ft.	-	-
ALCOA ALCOA	-	-	5,000+ leased	84 warehouses	-	-
WZ Western Carriers India Limited	Asset light business model; operates solely via leases			0.7 million sq. ft.	-	-
GLS GLS	34 (21 owned, 13 leased)	10	-	1.74 million sq. ft. ^ ^	-	-
AEQIS	-	-	-	-	-	Chemicals & POL storage: 1.57 million kL LPG storage: 1,14,000 MT
DELHIVERY	-	-	16,677 fleet size – daily average**	20.1 million sq. ft.	-	-

Source: Company, Kotak Institutional Equities

APSEZ will commission MMLPs in Malur (south), Kishengarh (north-west) and Virochannagar (west) soon

Exhibit 8: APSEZ's land bank in SEZ and logistics



Source: Company, Kotak Institutional Equities

Exhibit 9: Excerpts from APSEZ's diversified, pan-India logistics assets



Source: Company, Kotak Institutional Equities

We broadly maintain estimates for APSEZ

Exhibit 10: Estimates for Adani Ports and SEZ, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025	New estimates			Previous estimates		% revision		2025-28 CAGR (%)
							2026E	2027E	2028E	2026E	2027E	2026E	2027E	
Volumes (mn tons)														
Mundra volume	142	149	154	157	181	201	218	233	246	218	233	-	-	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	2	2	-	-	
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	26	27	-	-	
Krishnapatnam	-	19	40	48	59	59	65	72	79	65	72	-	-	
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	476	517	-	-	9
Vizhinjam	-	-	-	-	-	7	16	24	31	16	24	-	-	
Dighi	-	-	1	1	1	2	4	6	9	4	6	-	-	
Other new assets	-	-	3	4	6	9	12	18	32	12	18	0	0	
Consolidated volumes	225	250	316	345	414	451	509	564	631	509	564	-	-	12
Consolidated financials														
Revenues	118,731	125,496	159,340	208,519	267,106	310,786	373,107	431,397	500,177	360,350	415,733	4	4	17
Port revenues	96,140	107,390	138,540	179,440	203,430	227,400	257,568	288,936	325,559	257,568	288,936	-	-	13
EBITDA	75,654	79,835	97,510	128,335	158,639	190,246	219,768	255,159	292,386	218,972	253,108	0	1	15
Port EBITDA	65,930	75,600	97,180	120,420	145,470	165,030	189,532	213,520	241,475	189,532	213,520	-	-	14
EBITDA margin (%)	63.7	63.6	61.2	61.5	59.4	61.2	58.9	59.1	58.5	60.8	60.9			
Port EBITDA margin (%)	68.6	70.4	70.1	67.1	71.5	72.6	73.6	73.9	74.2	73.6	73.9	0 bps	0 bps	
PBT	59,333	55,910	66,099	83,701	106,905	131,722	161,041	188,600	221,429	157,877	187,266	2	1	19
Recurring PAT	54,693	42,790	57,741	82,389	90,009	113,764	138,453	154,912	182,274	135,255	152,204	2	2	17
Recurring EPS (Rs)	25	20	27	38	42	53	64	72	84	63	70	2	2	17

Source: Company, Kotak Institutional Equities estimates

We increase our March-2026E DCF-based SoTP-based FV to Rs1,720 for APSEZ on valuing investments in logistics at 1X book

Exhibit 11: One-year forward-based sum-of-total-parts 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)	776,957	(451,748)	1,228,706	100%	1,228,706	569	FCFF
SEZ	56,204	-	56,204	100%	56,204	26	FCFF
CT3 (incl. CT-3 extension)	260,399	27,814	232,585	50%	116,293	54	FCFF
CT5	127,817	73,913	53,903	100%	53,903	25	FCFF
Dahej	75,213	(15,333)	90,546	74%	67,004	31	FCFF
Dhamra	339,987	(3,235)	343,222	100%	343,222	159	FCFF
Hazira	280,532	(31,121)	311,652	100%	311,652	144	FCFF
Vizhinjam	-	-	31,480	100%	31,480	15	1X equity
Kandla	18,872	18,839	3,701	100%	3,701	2	1X equity
Murmugao	(3,247)	19,126	1,159	100%	1,159	1	1X equity
Vizag	-	-	1,013	100%	1,013	0	1X equity
Ennore	20,824	3,865	16,959	51%	8,649	4	FCFF
Kattupalli	68,557	(1,806)	70,362	97%	68,251	32	FCFF
Krishnapatnam	448,330	3,896	444,434	100%	444,434	206	FCFF
Dighi	15,572	(8,121)	23,693	100%	23,693	11	FCFF
Gangavaram	278,931	(2,394)	281,326	100%	281,326	130	FCFF
Gopalpur	-	-	103,165	51%	52,614	24	2X investment value
Sarguja Rail	81,643	(8,554)	90,197	100%	90,197	42	14X EV/EBITDA
West container terminal (Sri Lanka)	-	-	92,016	51%	46,928	22	2X investment value
Adani Logistics	-	-	-	100%	242,586	112	1X investment+L&A
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	-	-	24,180	100%	24,180	11	1X equity
Less : standalone debt (linked to investments)	-	561,285	(561,285)	100%	(561,285)	(260)	
Total					3,721,446	1,720	

Notes:

(a) We adjust net debt of Mundra Port for investments and L&A to subsidiaries to reflect true value of the asset

Source: Company, Kotak Institutional Equities estimates

We estimate a Rs115 bn topline and Rs20 bn EBITDA in FY2029, excluding warehousing revenues beyond agri silos

Exhibit 12: APSEZ's logistics financials, March fiscal year-ends (Rs bn)

	2023	2024	2025	2026	2027	2028	2029	2029 guidance
Revenue								
Trucking	-	1.4	4.3	10.7	15.0	21.0	30.0	
Agri warehousing	1.7	1.8	1.9	2.8	4.0	5.8	8.6	
Railways	15.8	17.6	20.0	24.0	28.8	34.6	41.5	
Freight forwarding	-	-	2.6	15.6	20.3	26.4	34.3	
Total	17.4	20.8	28.8	53.1	68.1	87.7	114.4	140.0
EBITDA								
Trucking	-	0	0	1	1	1	2	
Agri warehousing	1.1	1.2	1.3	1.9	2.7	3.9	5.8	
Railways	3.7	4.0	4.7	5.5	6.6	8.0	9.6	
Freight forwarding	-	-	0.2	0.9	1.3	1.8	2.7	
Total	4.9	5.4	6.4	9.0	11.6	15.2	20.5	35.0

Notes:

- (a) We haven't built the warehousing revenues from 30 mn square feet within our estimates given limited business scale at present
(b) We assume Railways to be the remaining amount after taking out other verticals whose financials are known

Source: Company, Kotak Institutional Equities estimates

Exhibit 13: Consolidated financials of Adani Ports & SEZ Ltd, March fiscal year-ends, 2016-28E (Rs mn)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Income statement													
Net sales	71,087	84,394	113,230	109,254	118,731	125,496	159,340	208,519	267,106	310,786	373,107	431,397	500,177
Total operating costs	(24,843)	(30,247)	(42,608)	(43,339)	(43,077)	(45,661)	(61,830)	(80,185)	(108,466)	(120,540)	(153,340)	(176,238)	(207,791)
EBITDA	46,243	54,147	70,621	65,916	75,654	79,835	97,510	128,335	158,639	190,246	219,768	255,159	292,386
Other income	7,327	10,401	10,109	13,623	18,614	19,702	21,548	15,535	14,994	13,045	13,110	13,150	13,925
Depreciation	(10,630)	(11,602)	(11,884)	(13,735)	(16,803)	(21,074)	(27,396)	(34,232)	(38,885)	(43,789)	(46,438)	(52,247)	(57,951)
Financial charges	(11,746)	(11,157)	(14,954)	(13,852)	(18,131)	(22,553)	(25,563)	(25,936)	(27,844)	(27,780)	(25,398)	(25,462)	(26,932)
Pre-tax profit	31,194	41,789	53,893	51,952	59,333	55,910	66,099	83,701	106,905	131,722	161,041	190,600	221,429
Taxation	(2,828)	(2,866)	(15,442)	(10,815)	(4,597)	(12,433)	(9,617)	(964)	(15,346)	(19,684)	(22,190)	(33,485)	(38,834)
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	138,852	157,114	182,595
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)	(321)
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	138,453	156,912	182,274
Adjusted EPS (Rs)	13.4	18.1	17.7	18.8	25.3	19.8	26.7	38.1	41.7	52.7	64.1	72.6	84.4
Balance sheet													
Shareholders funds	135,055	175,260	210,688	245,382	256,235	306,283	382,500	455,836	529,448	624,354	744,553	883,717	1,048,809
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	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	740,233	879,396	1,044,489
Loan funds	189,535	214,860	214,322	271,879	294,627	351,809	454,531	498,193	462,792	458,100	453,659	454,956	477,896
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	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	1,254,641	1,395,303	1,583,656
Total fixed assets	236,427	264,023	306,832	338,051	377,954	518,341	607,968	771,788	791,770	942,288	1,028,636	1,087,055	1,152,299
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	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	53,122	133,579	254,634
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	15,748
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	1,254,641	1,395,303	1,583,656
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	219,768	255,159	292,386
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)	(2,054)
Cash flow from operations	23,805	40,019	56,081	60,294	74,174	75,558	98,002	119,333	150,176	172,263	151,817	219,887	251,498
Capex	(21,102)	(36,871)	(26,978)	(28,867)	(35,584)	(19,497)	(35,815)	(89,210)	(74,163)	(79,982)	(132,785)	(110,666)	(123,196)
Free cash flows	2,703	3,148	29,104	31,427	38,590	56,061	62,187	30,123	76,013	92,281	19,032	109,221	128,303
Growth (%)													
Revenue growth	15.6	18.7	34.2	(3.5)	8.7	5.7	27.0	30.9	28.1	16.4	20.1	15.6	15.9
EBITDA growth	18.5	17.1	30.4	(6.7)	14.8	5.5	22.1	31.6	23.6	19.9	15.5	16.1	14.6
Recurring PAT growth	130.7	37.2	(1.2)	7.0	33.1	(20.6)	29.9	46.5	10.7	22.4	23.9	13.2	16.2
Key ratios													
EBITDA margin (%)	65.1	64.2	62.4	60.3	63.7	63.6	61.2	61.5	59.4	61.2	58.9	59.1	58.5
Recurring PAT margin (%)	39.9	46.1	34.0	37.7	46.1	34.6	35.4	39.7	34.3	36.0	37.2	36.4	36.5
Effective tax rate (%)	9.1	6.9	28.7	20.8	7.7	22.2	14.5	1.2	14.4	14.9	13.8	17.6	17.5
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	0.4	0.2
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	1.8	1.3	0.8
BVPS (Rs)	65	85	102	118	126	151	181	211	245	289	345	409	486
RoE (%)	23.9	25.2	19.8	17.8	21.8	15.2	16.8	19.7	18.3	19.7	20.2	19.3	18.9
RoCE (%)	12.7	14.3	12.5	11.3	13.5	10.0	10.2	11.8	11.5	12.5	13.5	13.4	13.7

Source: Company, Kotak Institutional Equities estimates

Banks

India

Sector View: **Attractive** NIFTY-50: **24,751**

May 31, 2025

Continued weak loan growth driven by private banks

The key takeaways from the RBI's release on loans: (1) Loan growth has slowed to ~10% yoy; (2) growth for public banks was stable at 12% yoy, while it was <10% yoy for private banks; (3) we are seeing slower growth at both ends of the ticket size: smaller- and larger-ticket-size loans. Loan growth, despite limited asset-quality concerns, suggests banks have either been cautious or working through other challenges such as liability management.

An unchanged and weakening trend for private banks; public banks stable

The latest release (4QFY25) from the RBI on segmental information shows: (1) loan growth of 10% yoy, with public banks at 12% yoy and private banks at <10% (Exhibit 1); (2) market share showed a reversal, with private banks losing share to public banks (Exhibit 2); (3) ticket size growth (Exhibit 3) shows a slowdown in the large-ticket size loans (Rs1 bn and above) and smaller ticket-size loans (Exhibit 14); (4) growth in the household sector has slowed (Exhibits 7 and 8) and across products (demand, overdraft and cash credit); and (5) private banks and public banks have a relatively more granular portfolio than what we have seen in the previous corporate cycle (Exhibits 10, 11 and 12).

Growth has been persistently weaker despite favorable asset-quality trends

A shift in focus toward improving the liability franchise and tightening of credit filters, along with marginally weaker demand, could explain the current behavior of weak loan growth. Private banks have decelerated, while public banks have reported an unchanged trend or have not stepped in to fill the slowdown that has been opened by private banks. The slowdown in private banks has been led by large and mid-tier private banks. Large banks such as HDFC Bank and Axis Bank have been working through the liability-side challenges rather than any worry on asset quality. Nearly all the mid-tier private banks (IIB, Yes, Bandhan, RBL and/or IDFC) have generally been slower as well, partly driven by the challenges that they have had on asset quality, where their segment of borrowers has witnessed higher stress, led by microfinance. Overall, while we do not think there is an asset-quality issue, we are witnessing a scenario where lenders prefer to keep a tighter vigil on asset quality over growth as their primary preference.

FY2026 does not have any specific tailwinds that could drive growth higher

We do not see lenders looking to accelerate loan growth with urgency in FY2026. Any attempt by lenders to build a loan portfolio that has higher risk has had adverse payoffs in recent years. SME has been a good source of loan growth, given the level of disclosures and monitoring tools, but there is some degree of uncertainty, led by global factors (tariff policies), which has led to lenders taking a prudent approach toward growth till there is clarity of the overall situation. The issues pertaining to liability-side challenges appear to be behind us today, as loan growth has converged to deposit growth. However, building a loan portfolio that is benchmarked to EBLR brings its own challenges to NIM during a softening interest rate cycle. We should expect loan growth to be closer to the current levels.

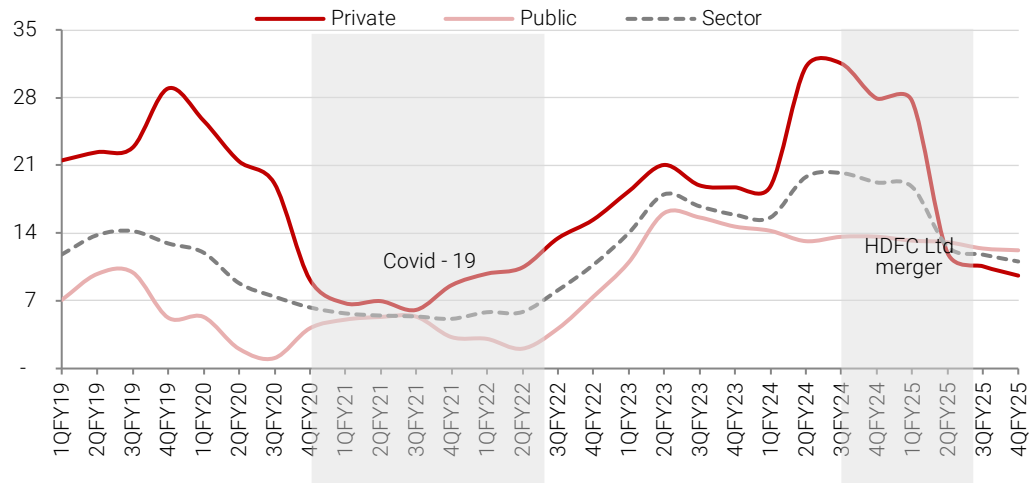
[Full sector coverage on KINSITE](#)

M B Mahesh, CFA	Nischint Chawathe	Ashlesh Sonje, CFA	Abhijeet Sakhare	Varun Palacharla
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Nikhil Suresh

Loan growth has slowed to ~10% yoy; public banks are growing faster than private banks

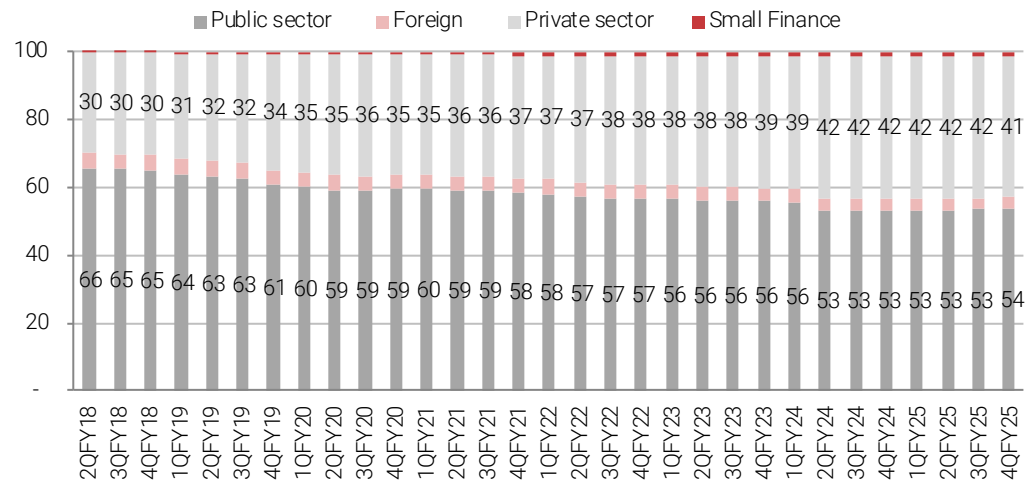
Exhibit 1: Loan growth for banks, March fiscal year-ends, 1QFY19-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

FY2025 saw public banks gaining marginal increase after a long period of decline

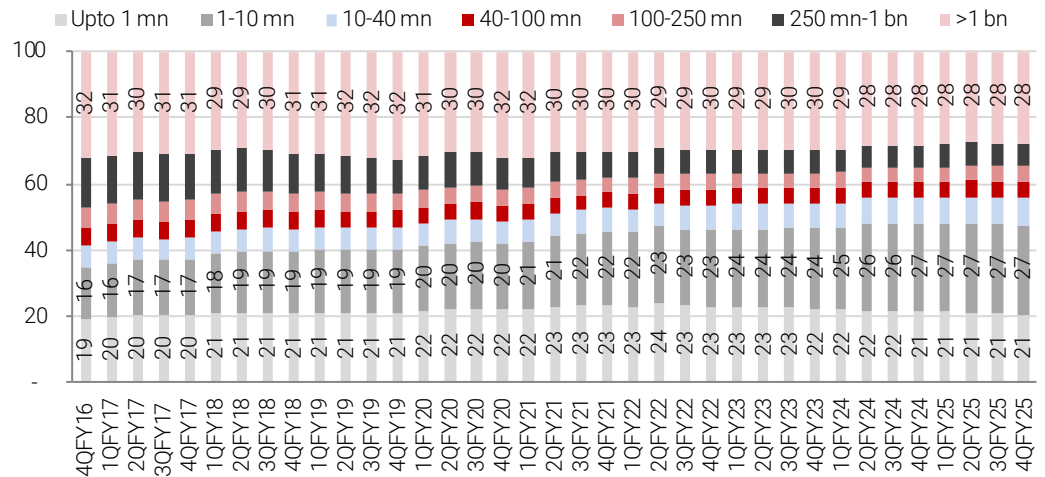
Exhibit 2: Market share of loans between banks, March fiscal year-ends, 2QFY18-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

Growth is much more balanced across all ticket size in recent quarters

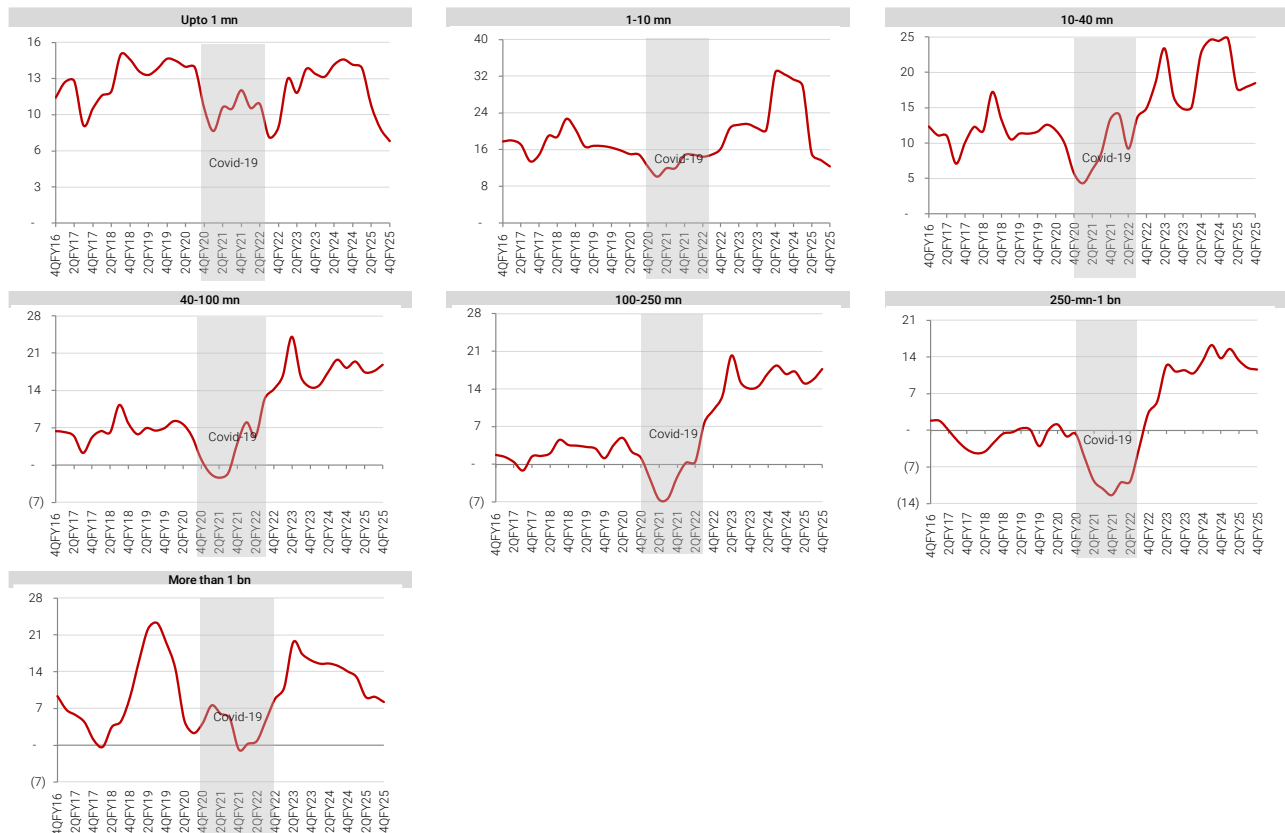
Exhibit 3: Break-up of loans based on ticket-size, March fiscal year-ends, 4QFY16-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

Growth has declined in the smaller-ticket-size loans in the past two quarters

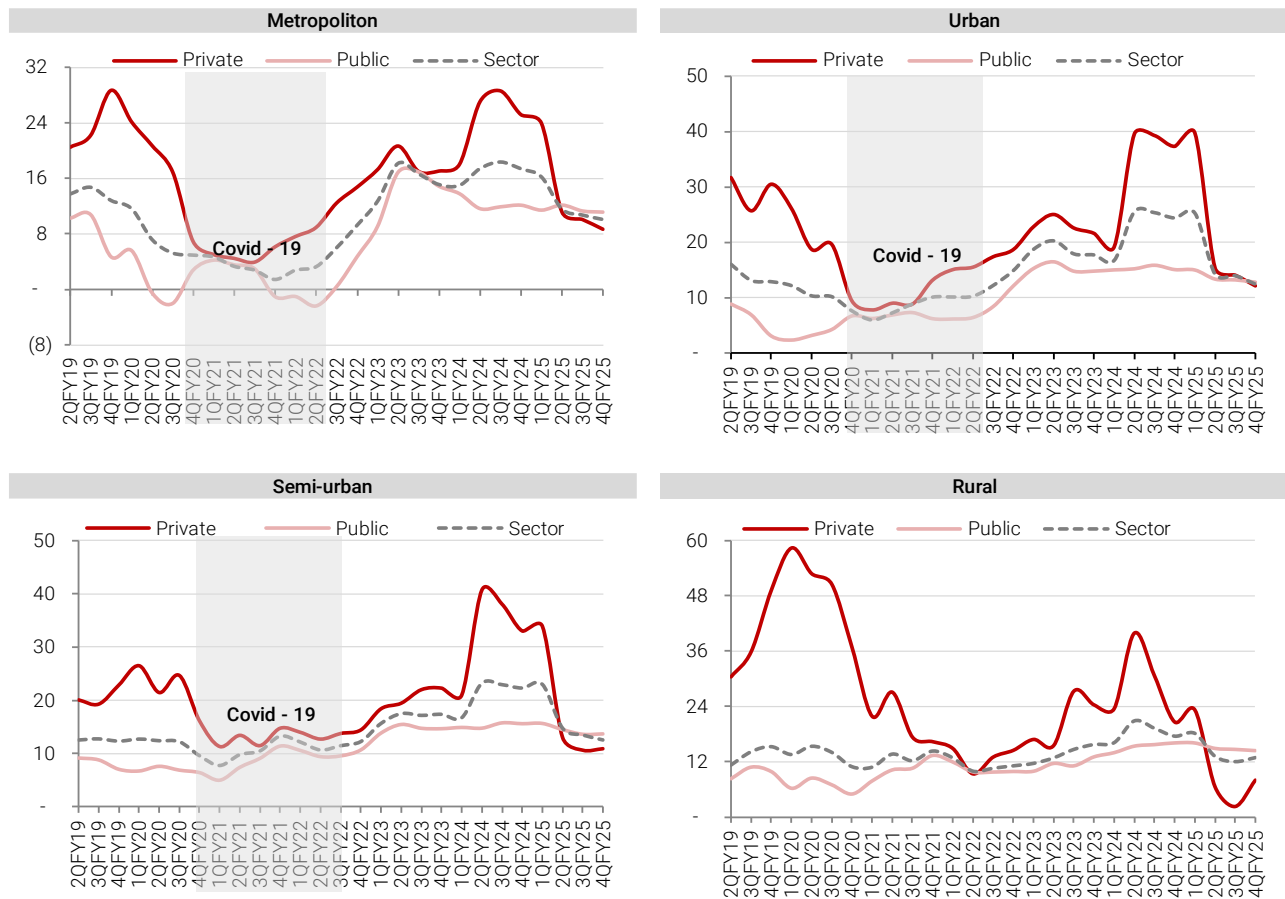
Exhibit 4: Break-up of loan growth by ticket size, March fiscal year-ends, 4QFY16-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

There is moderation in loan growth across regions for private banks but relatively stable for public banks

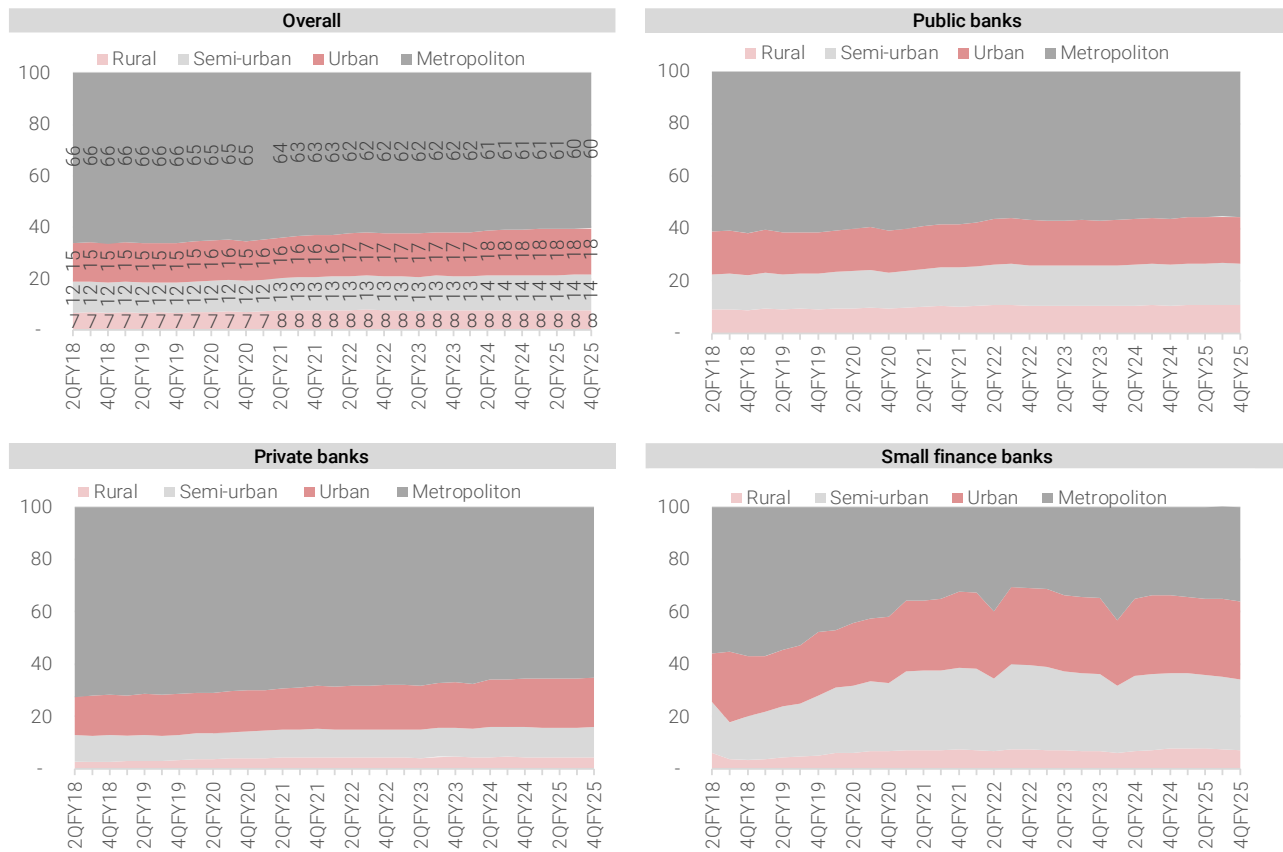
Exhibit 5: Break-up of loan growth based on regions, March fiscal year-ends, 3QFY19-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

Metropolitan and urban centers dominate India's loan portfolio; loan mix has a higher concentration for private banks in metro regions

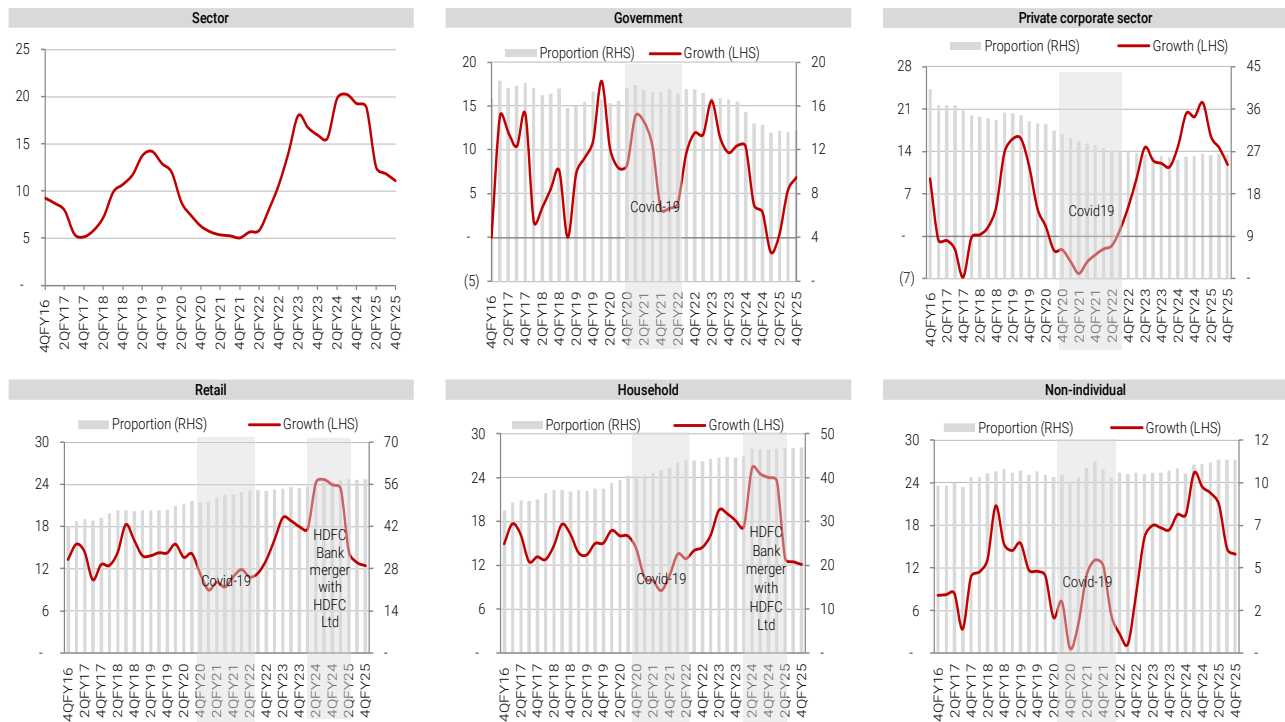
Exhibit 6: Break-up of loan book based on regions, March fiscal year-ends, 1QFY18-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

With the base of the merger behind, slowdown visible in most sub-segments

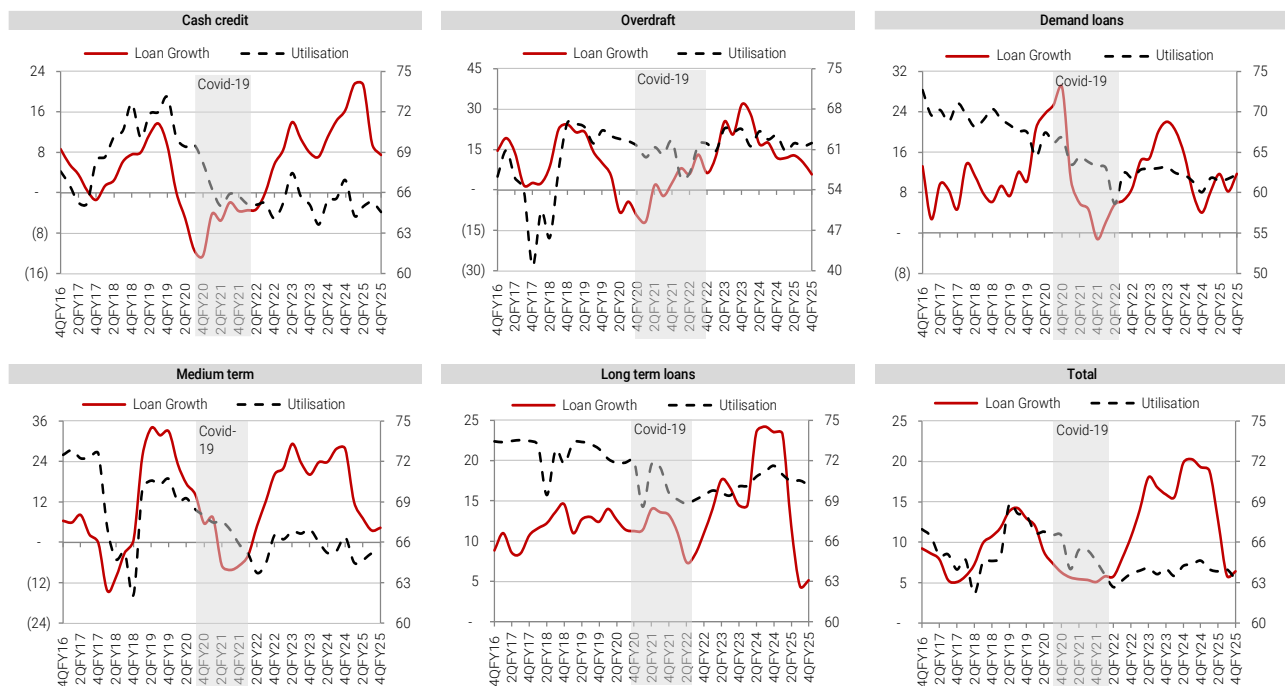
Exhibit 7: Break-up of loan growth by sector, March fiscal year-ends, 4QFY15-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

After normalization of merger, there is slowdown in the long-term loans and short-term loan demand also showing signs of decline

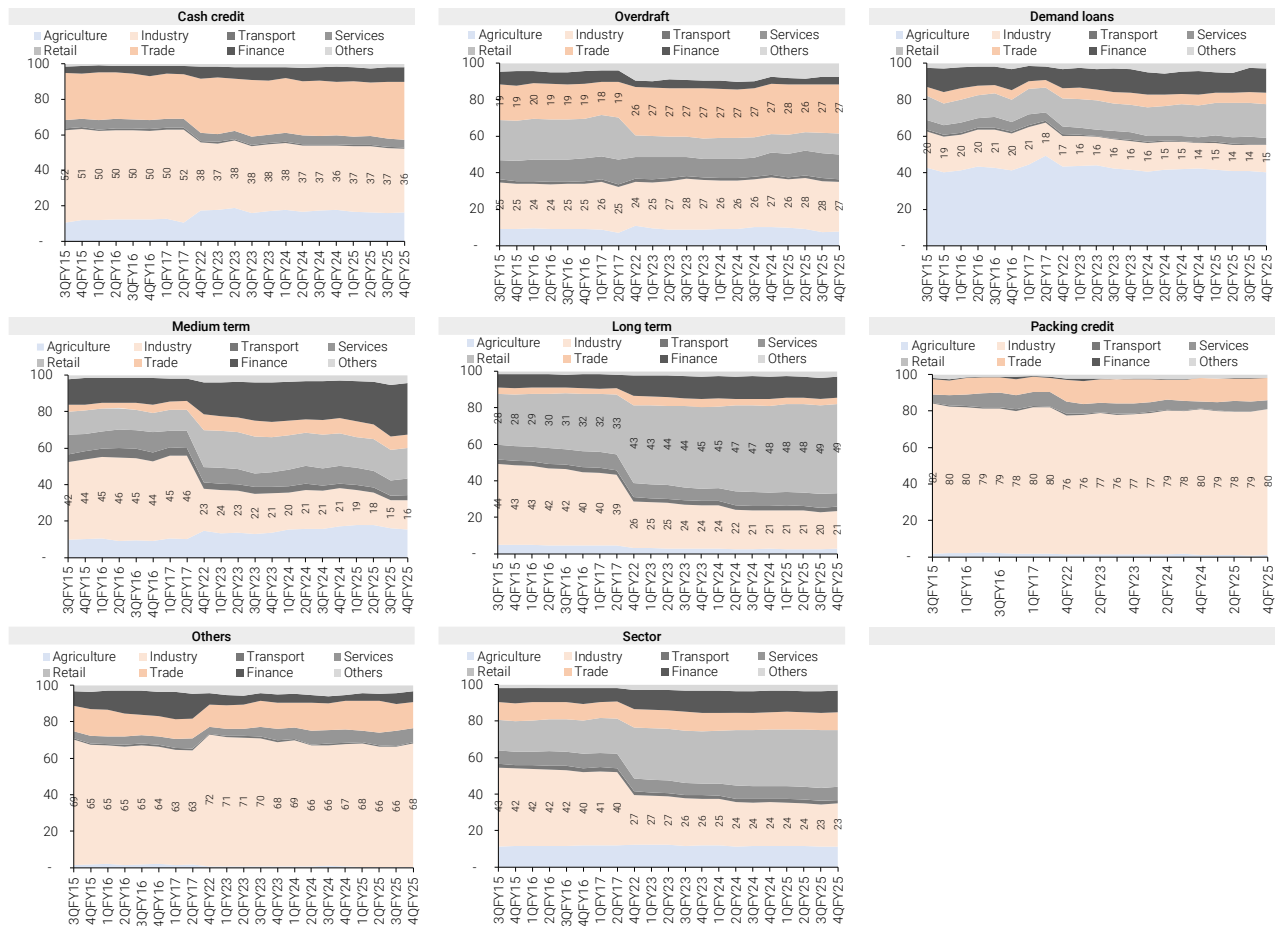
Exhibit 8: Break-up of credit by nature of loan utilization, March fiscal year-ends, 4QFY15-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

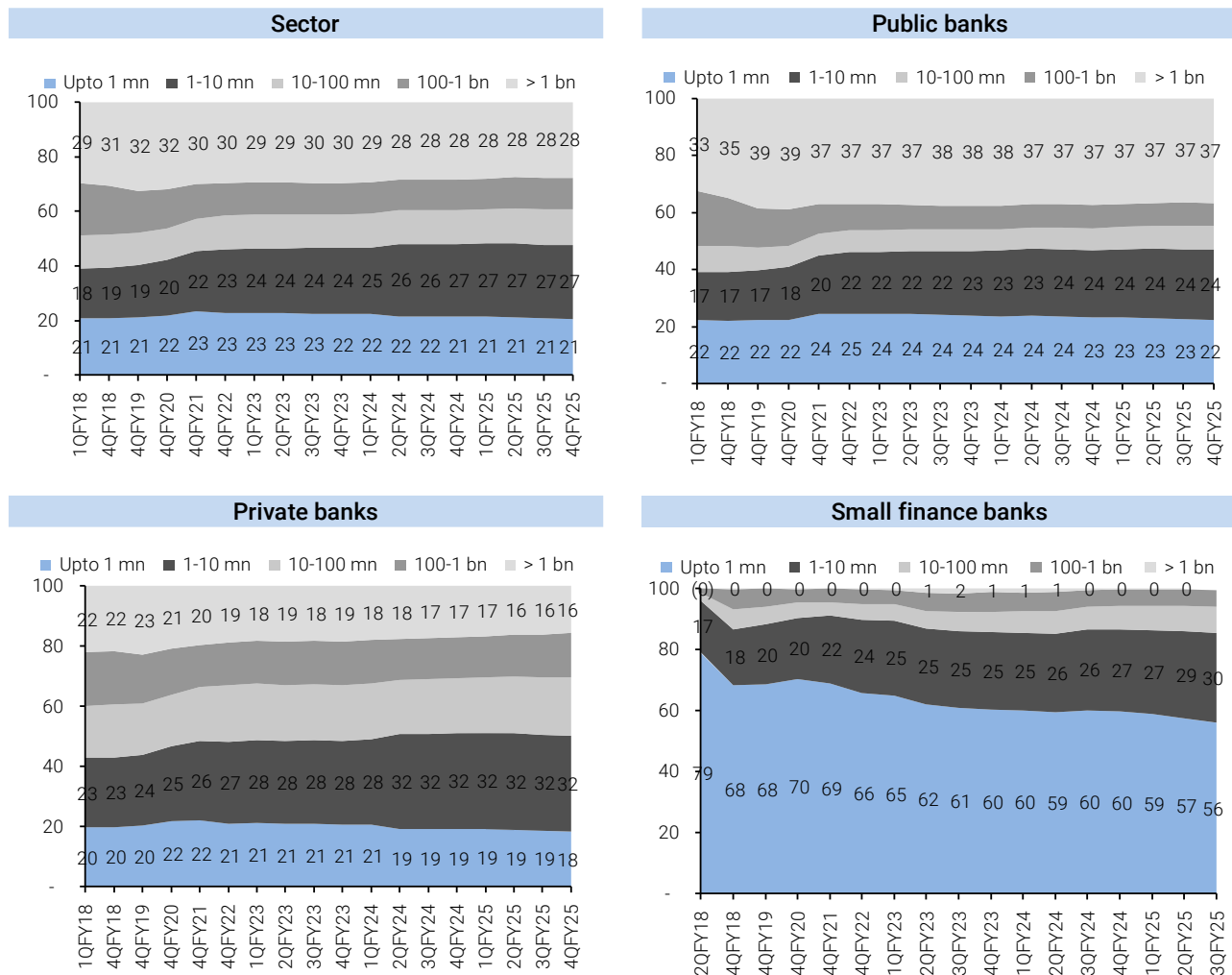
Long-term demand is mostly through NBFC, which too has been slowing down

Exhibit 9: Break-up of loans by ticket size across sectors, March fiscal year-ends, 4QFY14-4QFY25 (%)



Adjusted for merger, growth is largely balanced across ticket sizes, with similar performance across banks in recent quarters

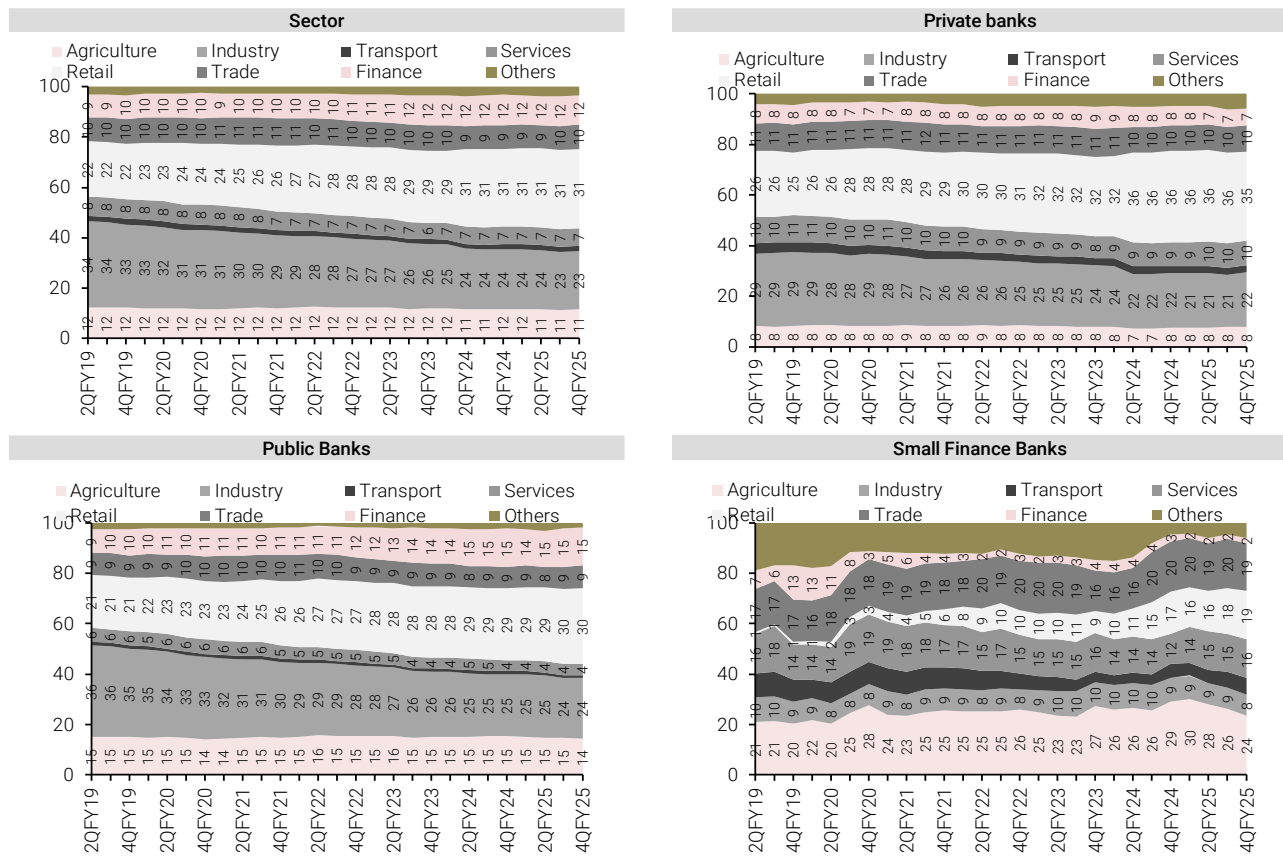
Exhibit 10: Break-up of loans across ticket size by ownership, March fiscal year-ends, 1QFY18-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

The loan portfolio is broadly similar with a greater share of retail loans in this cycle

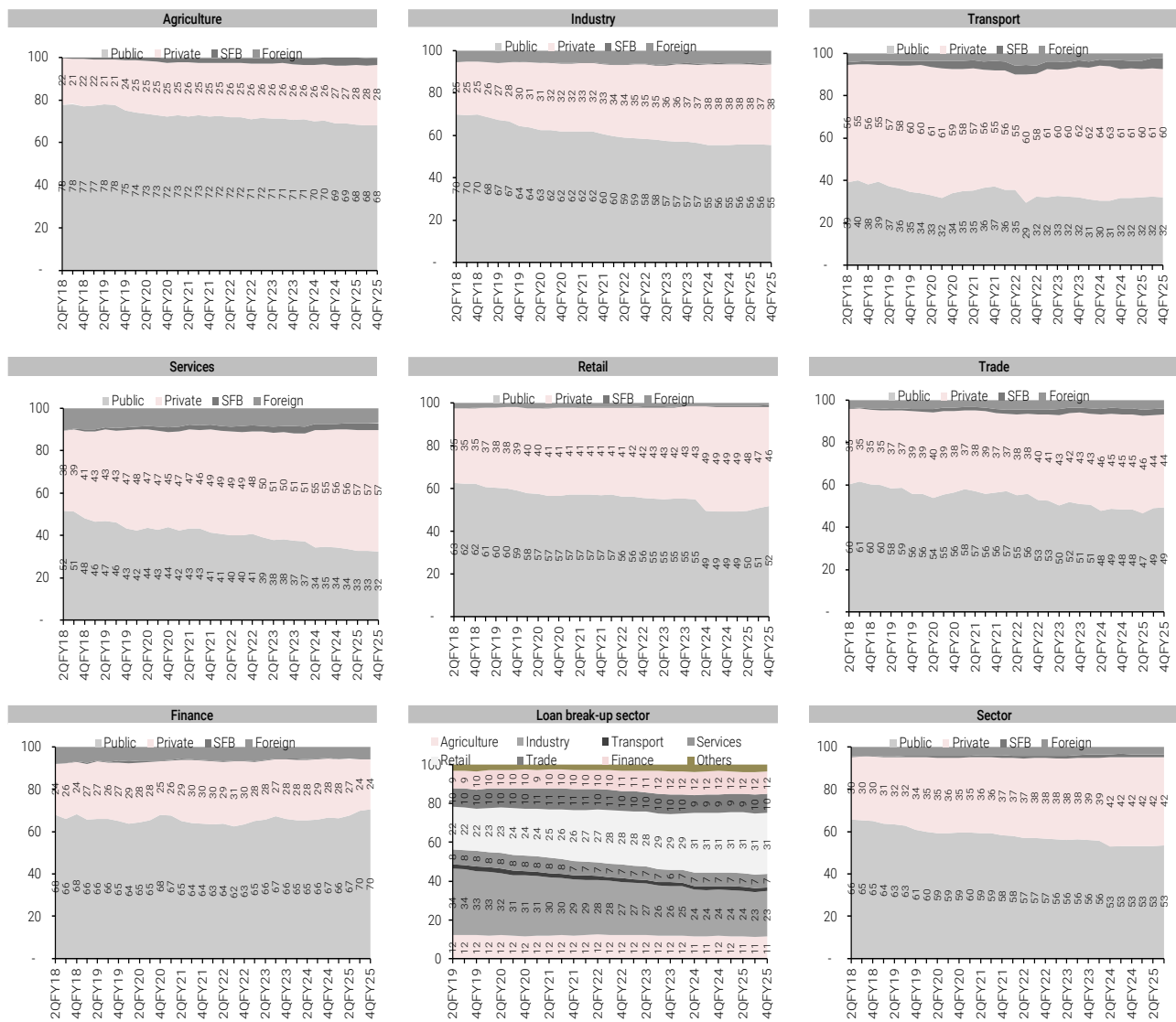
Exhibit 11: Break-up of loan growth based on sector, March fiscal year-ends, 2019-25 (%)



Source: RBI, Kotak Institutional Equities

Private banks have a higher market share of retail and services sector compared to public banks

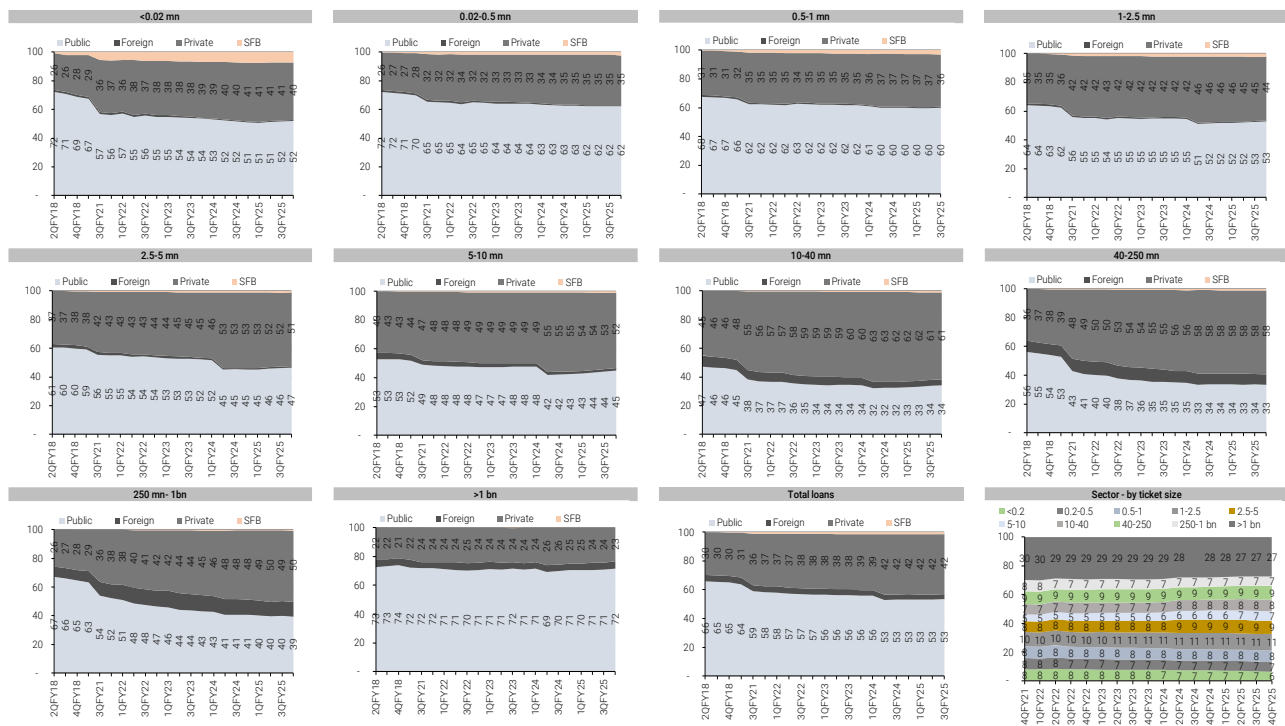
Exhibit 12: Market share of loans between banks across sectors, March fiscal year-ends, 2019-25 (%)



Source: RBI, Kotak Institutional Equities

This cycle has seen faster growth in the Rs1 mn-Rs1 bn ticket size loans compared to the last cycle

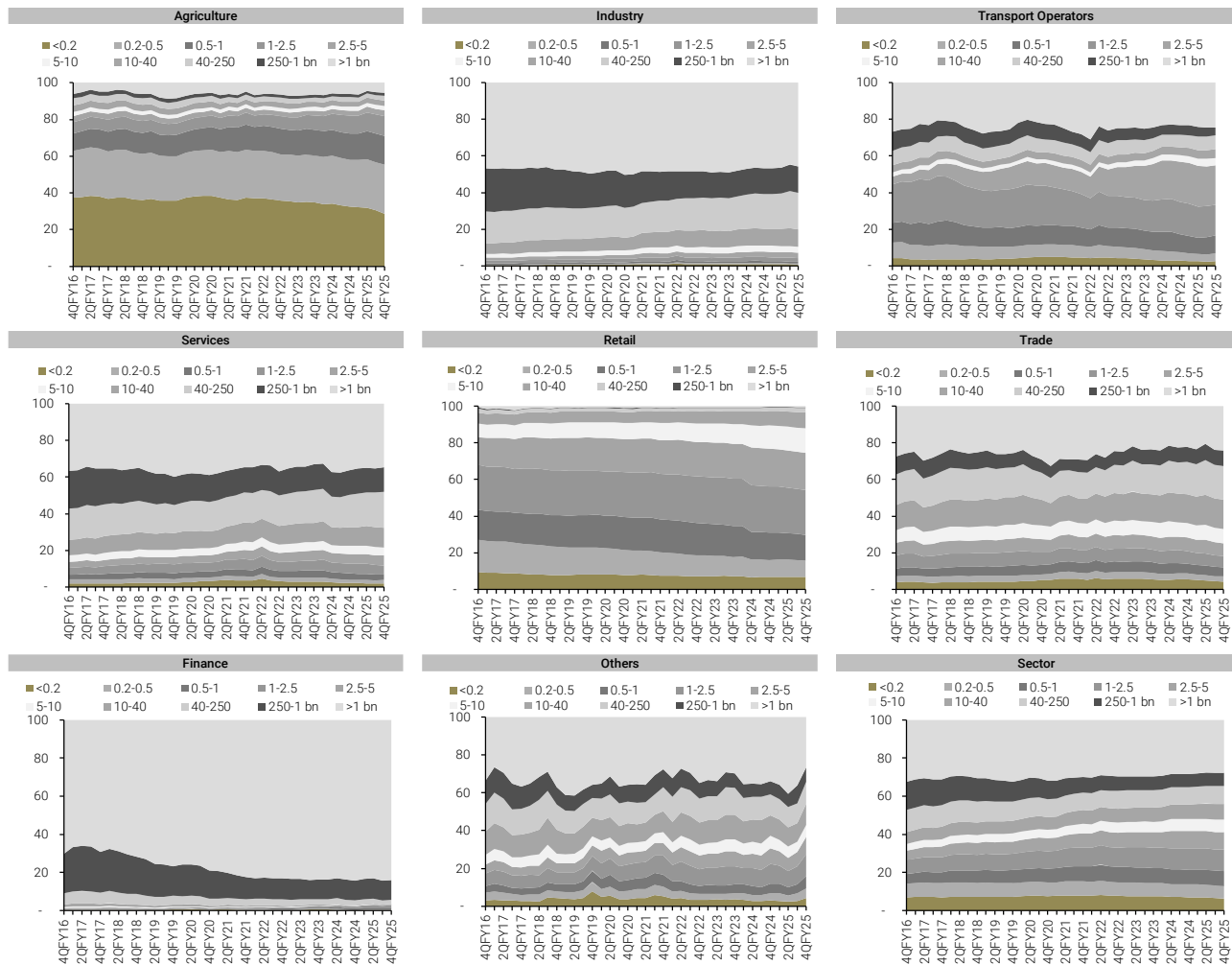
Exhibit 13: Break-up of market share of loans by ticket size across different banks, March fiscal year-ends, 4QFY21-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

We are not building in too much of concentration risk across portfolios barring the financial sector (lending to NBFCs)

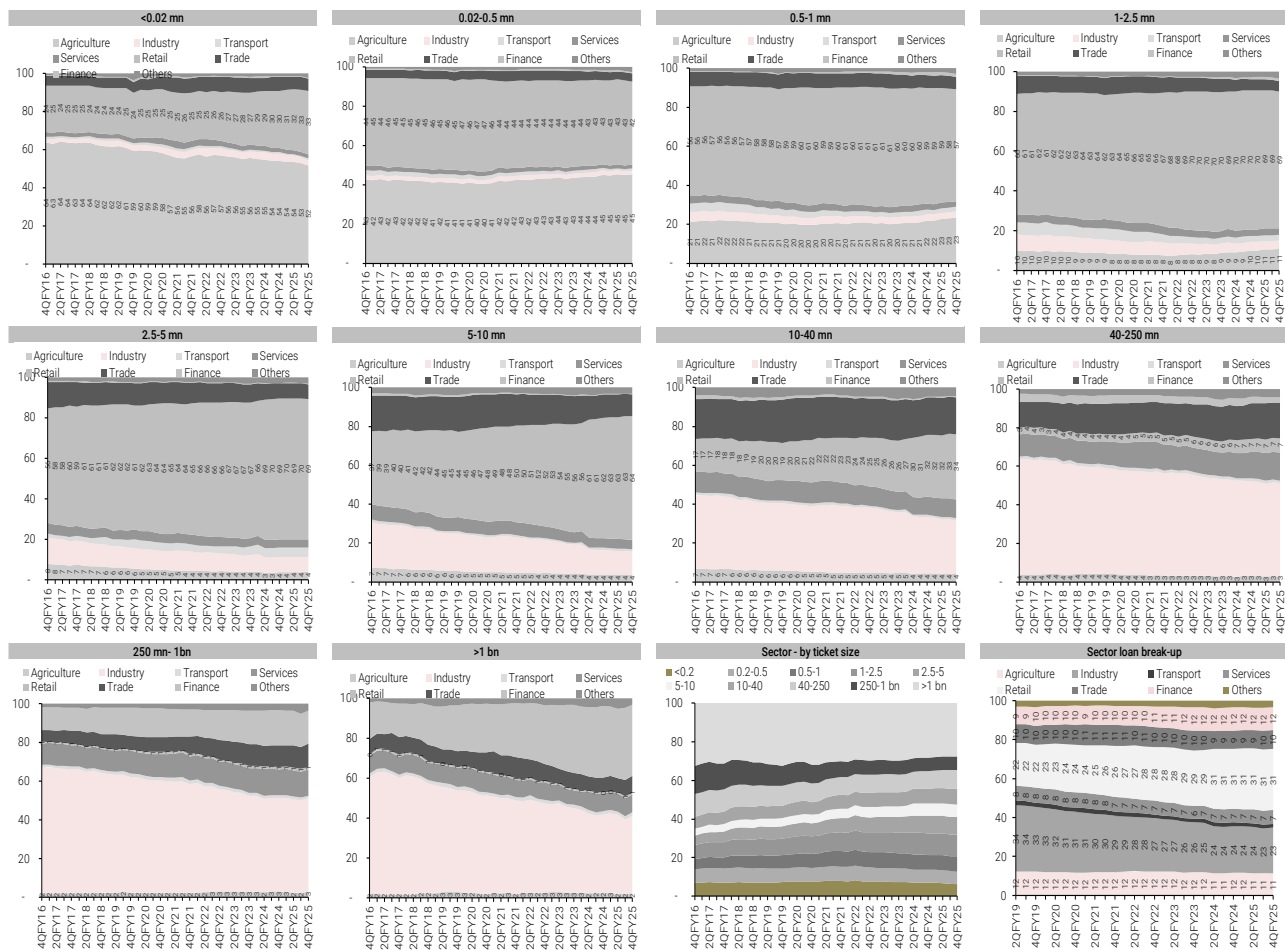
Exhibit 14: Break-up of loans by interest rates for various ticket size, March fiscal year-ends, 4QFY21-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

Strong growth in retail and SME has allowed for better portfolio mix in this cycle

Exhibit 15: Break-up of composition of loans across ticket size, March fiscal year-ends, 2QFY16-4QFY25 (%)



Source: RBI, Kotak Institutional Equities

Consumer Durables & Apparel

India

Sector View: **Cautious**

NIFTY-50: **24,751**
June 02, 2025

4QFY25 review: Positive surprise on margins

The W&C industry closed FY2025 on a strong note, aided by channel re-stocking and a pick-up in government capex execution. Within ECD, an early summer aided air cooler sales, but failed to drive growth in fans. Lighting remained impacted by price erosion, whereas kitchen appliances showed some signs of revival. Aggressive channel stocking led to robust growth in Room ACs. Margins surprised positively across the board. Eureka Forbes (BUY), Crompton Consumer (BUY) and Whirlpool (ADD) remain our preferred picks.

Cables & wires segment saw robust growth with margin expansion in 4Q

The wires & cables industry (listed players) closed FY2025 on a strong note by reporting 23.5% yoy revenue growth, with margins largely steady yoy (aided by a gradual increase in commodity prices). KEI (+34% yoy) and Apar (+30%) continued to lead on topline growth, while RR Kabel (+28%) staged a good comeback. Polycab's W&C growth (+22%) was impacted due to the rollover of a large export order into 1QFY26. In FY2025, KEI was a standout performer, with robust 24%/28% yoy revenue/EBIT growth. In terms of capacity, (1) Havells recently announced plans to further invest Rs3.5 bn in its Alwar brownfield capacity, (2) RR Kabel unveiled plans to invest Rs12 bn to expand capacity by 70% over FY2025-28E and (3) Apar is looking to invest Rs8 bn in a new facility, which can enable it to double its current cables topline to Rs100 bn.

ECD—an early summer benefited air coolers, but failed to drive sales of fans

Within ECD, Symphony (+47%), and Polycab (+33%) led the pack, whereas Crompton (+5.7%) lagged. In fans, Orient/Bajaj/Crompton saw HSD/LSD/flat growth in 4Q. Eureka reported 10.9% yoy growth in continuing business, led by high-teens product growth. Kitchen appliances saw mixed trends—Butterfly (+10.8% yoy) and TTK's (+4.3%) performance improved, whereas Elica (declined 6%) and Sunflame (down 24%) remained under pressure (particularly impacted by a slowdown in the CSD channel). TTK noted that after several quarters of slowdown, it has finally seen some green shoots in underlying demand. In FY2025, (1) Havells/Orient/Crompton/Bajaj reported DD/HSD/MSD/LSD growth in fans and (2) Crompton/Orient registered +20%/+19% ECD EBIT growth, versus +2.6% of Havells and +7.6% of Bajaj. Crompton announced its entry into the fast-growing solar rooftop market.

Large appliances—channel stocking drives robust growth in room ACs

An early summer and fear of compressor shortages drove channel stocking in room ACs in 4Q; Blue Star estimated 1.5-2 mn units of excess inventory in the market, as of end-4Q. Lloyd reported 39.5% growth (partly aided by a soft base), while Voltas (UCP)/Blue Star (UP) posted 17%/14.7% growth. Whirlpool continued to gain market share across segments and reported 15.6% topline growth. Margins surprised across the board, led by Voltas (DD EBIT margin, partly aided by higher other income) and Lloyd (6.2%, +350 bps yoy). On a full-year basis, Hitachi/Lloyd stole the show with 45%/35% topline growth and both breaking even at the EBIT level.

Company data and valuation summary

BBG Ticker	Rating	CMP (Rs/sh)	FV (Rs/sh)	P/E (X)		
				2025	2026E	2027E
CROMPTON	BUY	353	390	40.8	34.0	28.1
EUREKAFO	BUY	638	800	81.2	61.2	44.5
HAVL	SELL	1,527	1,400	65.2	56.5	46.1
POLYCAB	SELL	5,991	5,100	44.8	37.5	31.3
VOLT	SELL	1,263	1,100	49.6	43.4	34.4
WHIRL	ADD	1,236	1,335	44.5	35.3	30.1

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

Related Research

- [Durables: 4QFY25E preview—W&C/RACs to](#)
- [Room ACs: Growth prospects and margin](#)

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Umang Mehta

Jaykumar Doshi

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Praneeth Reddy

Cables and cooling products continued to see robust demand trends in 4Q

Exhibit 1: Overall revenues and EBIT of consumer durables companies in 4QFY25, March fiscal year-ends (Rs mn, %)

	Revenue (Rs mn, %)					EBIT (Rs mn, %)				
	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)
Apar industries	52,098	44,551	16.9	47,164	10.5	4,226	3,899	8.4	3,227	30.9
Bajaj Electricals	12,655	11,881	6.5	12,897	(1.9)	518	196	164.8	513	0.8
Blue Star	40,190	33,278	20.8	28,074	43.2	2,440	2,136	14.2	1,744	39.9
Crompton	20,606	19,610	5.1	17,692	16.5	2,408	1,846	30.4	1,617	48.9
Eureka Forbes	6,127	5,536	10.7	5,977	2.5	620	393	57.8	441	40.7
Finolex Cables	15,946	14,010	13.8	11,821	34.9	1,539	1,503	2.4	1,173	31.2
Havells	65,322	54,343	20.2	48,825	33.8	6,527	5,434	20.1	3,275	99.3
Hitachi Control	9,326	7,718	20.8	4,317	116.0	742	658	12.8	(68)	nm
IFB	13,337	10,902	22.3	12,695	5.1	274	145	88.5	513	(46.6)
KEI Industries	29,148	23,193	25.7	24,673	18.1	2,819	2,288	23.2	2,219	27.1
Orient Electric	8,619	7,877	9.4	8,168	5.5	451	153	195.3	410	9.9
Polycab	69,858	55,919	24.9	52,261	33.7	9,450	6,958	35.8	6,414	47.3
RR Kabel	22,178	17,541	26.4	17,822	24.4	1,753	990	77.2	927	89.1
V-Guard	15,381	13,428	14.5	12,687	21.2	1,163	1,057	10.0	791	47.0
Voltas	47,676	42,029	13.4	31,051	53.5	3,187	1,788	78.3	1,795	77.5
Whirlpool	20,047	17,340	15.6	17,049	17.6	1,294	822	57.4	179	623.7
Symphony	4,880	3,320	47.0	2,420	101.7	1,020	510	100.0	230	343.5
TTK Prestige	6,496	6,226	4.3	7,272	(10.7)	327	606	(46.1)	619	(47.2)

Source: Companies, Kotak Institutional Equities

Exhibit 2: EBIT margins of consumer durables companies in 4QFY25, March fiscal year-ends (Rs mn, %)

	EBIT margin (%)				
	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)
Revenue (Rs mn)					
Apar industries	8.1	8.8	(64)bps	6.8	127 bps
Bajaj Electricals	4.1	1.6	245 bps	4.0	11 bps
Blue Star	6.1	6.4	(35)bps	6.2	(14)bps
Crompton	11.7	9.4	227 bps	9.1	255 bps
Eureka Forbes	10.1	7.1	302 bps	7.4	275 bps
Finolex Cables	9.6	10.7	(108)bps	9.9	(27)bps
Havells	10.0	10.0	(1)bps	6.7	328 bps
Hitachi Control	8.0	8.5	(57)bps	(1.6)	953 bps
IFB	2.1	1.3	72 bps	4.0	(199)bps
KEI Industries	9.7	9.9	(19)bps	9.0	68 bps
Orient Electric	5.2	1.9	329 bps	5.0	21 bps
Polycab	13.5	12.4	108 bps	12.3	126 bps
RR Kabel	7.9	5.6	226 bps	5.2	270 bps
V-Guard	7.6	7.9	(31)bps	6.2	132 bps
Voltas	6.7	4.3	243 bps	5.8	90 bps
Whirlpool	6.5	4.7	171 bps	1.0	541 bps
Symphony	20.9	15.4	554 bps	9.5	1,140 bps
TTK Prestige	5.0	9.7	(470)bps	8.5	(348)bps

Source: Companies, Kotak Institutional Equities

Hitachi and Symphony registered the highest revenue growth in FY2025

Exhibit 3: Overall revenues and EBIT of consumer durables companies in FY2025, March fiscal year-ends (Rs mn, %)

	Revenue			EBIT			EBIT margin (%)		
	FY2025	FY2024	yoy (%)	FY2025	FY2024	yoy (%)	FY2025	FY2024	yoy (%)
Revenue (Rs mn)									
Apar industries	185,812	161,626	15.0	14,143	14,066	0.5	7.6	8.7	(109)bps
Bajaj Electricals	48,284	46,413	4.0	1,634	1,220	33.9	3.4	2.6	75 bps
Blue Star	119,677	96,854	23.6	7,476	5,673	31.8	6.2	5.9	39 bps
Crompton	78,636	73,128	7.5	8,042	6,523	23.3	10.2	8.9	131 bps
Eureka Forbes	24,369	21,893	11.3	2,076	1,446	43.5	8.5	6.6	191 bps
Finolex Cables	53,189	50,144	6.1	4,814	5,425	(11.3)	9.1	10.8	(177)bps
Havells	217,458	185,499	17.2	17,499	15,068	16.1	8.0	8.1	(8)bps
Hitachi Control	27,565	19,187	43.7	622	(657)	nm	2.3	(3.4)	568 bps
IFB	50,917	44,378	14.7	1,705	927	83.9	3.3	2.1	126 bps
KEI Industries	97,222	81,078	19.9	9,071	7,799	16.3	9.3	9.6	(29)bps
Orient Electric	30,937	28,121	10.0	1,246	853	46.1	4.0	3.0	100 bps
Polycab	224,083	180,394	24.2	26,621	22,435	18.7	11.9	12.4	(56)bps
RR Kabel	76,182	65,946	15.5	4,151	3,962	4.8	5.4	6.0	(56)bps
V-Guard	55,778	48,567	14.8	4,176	3,458	20.7	7.5	7.1	37 bps
Voltas	154,128	124,812	23.5	10,544	4,270	146.9	6.8	3.4	342 bps
Whirlpool	79,194	68,298	16.0	3,372	1,927	75.0	4.3	2.8	144 bps
Symphony	15,760	11,560	36.3	2,890	1,420	103.5	18.3	12.3	605 bps
TTK Prestige	27,148	26,781	1.4	1,870	2,392	(21.8)	6.9	8.9	(205)bps

Source: Companies, Kotak Institutional Equities

W&C margins were largely steady (yoy) whereas they expanded meaningfully across other segments

Exhibit 4: Segment-wise consolidated revenue and EBIT in 4QFY25, March fiscal year-ends (Rs mn, %)

	Revenue (Rs mn, %)					EBIT (Rs mn, %)					EBIT margins (% bps)				
	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	4QFY25	4QFY24	yoy (bps)	3QFY25	yoy (bps)
Cables and Wires															
Havells	21,694	17,896	21.2	16,879	28.5	2,586	2,154	20.1	1,870	38.3	11.9	12.0	(11)bps	11.1	84 bps
Polycab	60,191	49,197	22.3	44,499	35.3	9,090	7,551	20.4	6,080	49.5	15.1	15.3	(25)bps	13.7	144 bps
KEI	28,429	21,263	33.7	24,068	18.1	3,094	2,271	36.3	2,402	28.8	10.9	10.7	21 bps	10.0	90 bps
Finolex Cables	14,320	13,286	7.8	11,024	29.9	1,542	1,481	4.1	1,175	31.3	10.8	11.1	(38)bps	10.7	11 bps
V-Guard	6,661	5,814	14.6	4,786	39.2	769	724	6.2	429	79.2	11.5	12.5	(91)bps	9.0	258 bps
RR Kabel	19,562	15,231	28.4	15,425	26.8	1,941	1,320	47.1	1,075	80.6	9.9	8.7	126 bps	7.0	296 bps
Apar industries	14,103	10,858	29.9	12,661	11.4	1,360	1,142	19.1	1,156	17.6	9.6	10.5	(87)bps	9.1	51 bps
Total	164,959	133,544	23.5	129,342	27.5	20,383	16,642	22.5	14,186	43.7	12.4	12.5	(11)bps	11.0	139 bps
Lighting and Fixtures															
Havells	4,358	4,334	0.5	4,409	(1.2)	747	787	(5.1)	655	14.1	17.1	18.2	(101)bps	14.8	229 bps
Crompton	2,761	2,811	(1.8)	2,577	7.1	440	251	75.4	278	58.2	15.9	8.9	701 bps	10.8	514 bps
Orient Electric	2,476	2,186	13.3	2,425	2.1	308	281	9.8	322	(4.2)	12.5	12.8	(40)bps	13.3	(82)bps
Bajaj Electricals	2,715	2,710	0.2	2,513	8.0	212	231	(8.3)	53	301.9	7.8	8.5	(72)bps	2.1	572 bps
Total	12,309	12,041	2.2	11,924	3.2	1,707	1,550	10.2	1,307	30.6	13.9	12.9	100 bps	11.0	291 bps
ECD															
Havells	9,959	9,104	9.4	11,043	(9.8)	1,249	1,025	21.9	955	30.9	12.5	11.3	128 bps	8.6	390 bps
Crompton	16,029	15,160	5.7	12,878	24.5	2,675	2,533	5.6	1,957	36.7	16.7	16.7	(2)bps	15.2	149 bps
Polycab	4,760	3,581	32.9	4,232	12.5	19	(459)	nm	(128)	nm	0.4	(12.8)	1,322 bps	(3.0)	342 bps
RR Kabel	2,616	2,310	13.3	2,396	9.2	(91)	(194)	nm	(44)	nm	(3.5)	(8.4)	490 bps	(1.8)	(165)bps
V-Guard	4,092	3,657	11.9	4,248	(3.7)	139	129	7.6	177	(21.2)	3.4	3.5	(14)bps	4.2	(76)bps
Orient Electric	6,142	5,691	7.9	5,743	6.9	678	465	45.7	643	5.4	11.0	8.2	286 bps	11.2	(16)bps
Bajaj Electricals	9,940	9,171	8.4	10,385	(4.3)	390	164	138.4	520	(25.0)	3.9	1.8	214 bps	5.0	(109)bps
Symphony	4,900	3,340	46.7	2,400	104.2	1,050	520	101.9	210	400.0	21.4	15.6	586 bps	8.8	1,268 bps
TTK Prestige	6,496	6,226	4.3	7,272	(10.7)	327	606	(46.1)	619	(47.2)	5.0	9.7	(470)bps	8.5	(348)bps
Eureka Forbes	6,127	5,536	10.7	5,977	2.5	620	393	57.8	441	40.7	10.1	7.1	302 bps	7.4	275 bps
Total	71,061	63,775	11.4	66,573	6.7	7,055	5,181	36.2	5,349	31.9	9.9	8.1	180 bps	8.0	189 bps
White goods															
Lloyd	18,700	13,401	39.5	7,418	152.1	1,167	372	214.0	(310)	nm	6.2	2.8	347 bps	(4.2)	1,041 bps
Whirlpool	20,047	17,340	15.6	17,049	17.6	1,294	822	57.4	179	623.7	6.5	4.7	171 bps	1.0	541 bps
IFB	10,668	8,310	28.4	10,178	4.8	104	46	125.4	341	(69.6)	1.0	0.6	42 bps	3.3	(238)bps
Voltas	34,584	29,551	17.0	17,711	95.3	3,448	2,704	27.5	1,043	230.6	10.0	9.2	82 bps	5.9	408 bps
Blue Star	19,602	17,089	14.7	11,644	68.4	1,645	1,414	16.3	948	73.6	8.4	8.3	12 bps	8.1	25 bps
Hitachi	9,185	7,604	20.8	4,185	119.5	754	663	13.8	(46)	nm	8.2	8.7	(50)bps	(1.1)	931 bps
Total	112,787	93,295	20.9	68,183	65.4	8,412	6,021	39.7	2,155	290.4	7.5	6.5	100 bps	3.2	430 bps

Source: Companies, Kotak Institutional Equities

White goods and ECD saw the highest EBIT growth in FY2025

Exhibit 5: Segment-wise consolidated revenue and EBIT in FY2025, March fiscal year-ends (Rs mn)

	Revenue			EBIT			EBIT margins(%)		
	FY2025	FY2024	yoy (%)	FY2025	FY2024	yoy (%)	FY2025	FY2024	yoy (%)
Cables and wires									
Havells	71,836	63,176	13.7	7,715	7,175	7.5	10.7	11.4	(62)bps
Polycab	192,366	162,806	18.2	26,203	24,078	8.8	13.6	14.8	(117)bps
KEI	93,792	75,474	24.3	9,844	7,687	28.1	10.5	10.2	31 bps
Finolex cables	49,248	47,528	3.6	4,840	5,489	(11.8)	9.8	11.5	(172)bps
V-Guard	21,699	19,731	10.0	2,182	1,826	19.5	10.1	9.3	80 bps
RR Kabel	66,888	58,296	14.7	4,965	5,043	(1.5)	7.4	8.7	(123)bps
Apar industries	49,447	38,589	28.1	4,595	4,051	13.4	9.3	10.5	(120)bps
Total	545,276	465,600	17.1	60,343	55,348	9.0	11.1	11.9	(82)bps
Lighting and fixtures									
Havells	16,532	16,268	1.6	2,537	2,489	1.9	15.3	15.3	4 bps
Crompton	10,203	9,982	2.2	1,196	1,053	13.6	11.7	10.6	117 bps
Orient Electric	9,207	8,294	11.0	1,320	1,164	13.3	14.3	14.0	29 bps
Bajaj Electricals	10,225	10,374	(1.4)	675	796	(15.2)	6.6	7.7	(107)bps
Total	35,942	34,543	4.0	5,053	4,707	7.4	14.1	13.6	43 bps
ECD									
Havells	40,115	34,818	15.2	3,994	3,893	2.6	10.0	11.2	(122)bps
Crompton	60,100	53,922	11.5	9,283	7,747	19.8	15.4	14.4	108 bps
Polycab	16,822	12,988	29.5	(389)	(942)	nm	(2.3)	(7.3)	494 bps
RR Kabel	9,296	7,764	19.7	(459)	(685)	nm	(4.9)	(8.8)	389 bps
V-Guard	16,439	14,443	13.8	694	254	173.4	4.2	1.8	246 bps
Orient Electric	21,730	19,828	9.6	2,203	1,856	18.7	10.1	9.4	78 bps
Bajaj Electricals	38,059	36,039	5.6	1,229	1,142	7.6	3.2	3.2	6 bps
Symphony	15,820	11,670	35.6	2,960	1,510	96.0	18.7	12.9	577 bps
TTK Prestige	27,148	26,781	1.4	1,870	2,392	(21.8)	6.9	8.9	(205)bps
Eureka Forbes	24,369	21,893	11.3	2,076	1,446	43.5	8.5	6.6	191 bps
Total	269,896	240,144	12.4	23,461	18,613	26.0	8.7	7.8	94 bps
White goods									
Lloyd	51,233	37,852	35.3	1,308	(1,629)	nm	2.6	(4.3)	686 bps
Whirlpool	79,194	68,298	16.0	3,372	1,927	75.0	4.3	2.8	144 bps
IFB	40,603	34,719	16.9	1,117	811	37.8	2.8	2.3	42 bps
Voltas	106,139	81,605	30.1	8,923	6,935	28.7	8.4	8.5	(9)bps
Bluestar	56,211	45,922	22.4	4,713	3,603	30.8	8.4	7.8	54 bps
Hitachi	27,023	18,690	44.6	779	(655)	nm	2.9	(3.5)	639 bps
Total	360,403	287,085	25.5	20,210	10,991	83.9	5.6	3.8	178 bps

Source: Companies, Kotak Institutional Equities

Exhibit 6: Commentary by leading cables & wires companies

Companies	Outlook on demand and margin
Havells	Results This segment registered 21.2% yoy growth for 4Q, driven by equal contribution from volume and commodity price increases. Cables experienced higher volume growth than wires. For the full year, the segment grew 13.7% yoy. The contribution/EBIT margins contracted by 50/10 bps yoy to 14.7%/11.9% for 4Q due to product mix. For the full year, contribution/EBIT margins contracted by 90/60 bps yoy at 14.1%/10.7%. The sales mix was 35% cables to 65% wires. Management highlighted robust demand for W&C and expects industry consolidation as large players such as Ultratech and Adani Enterprises enter the market. Industrial cables face entry barriers such as product approvals from consultants and government entities.
	Outlook The company also plans to expand its exports business in this segment.
KEI Industries	Results 4Q revenues grew by 33.7% yoy in C&W, driven by 12.4%/42%/226% yoy growth in domestic institutional/distribution/export segments; offset by 48% sales decline in EHV (ROW issue). The major demand drivers are power generation (solar, wind and thermal) power distribution, data centres and infrastructure (railways, metros, highway and EV). Management stated the production volume grew by ~21%/~21% in 4Q/FY2025. US contributed ~Rs1.63 bn sales in FY2025 (~50% distributor network and ~50% OEM). Management noted that EHV exports have been soft of late due to high freight cost of shipping these cables from North to the ports; this will be resolved once the Sanand plant is operational. The margin difference between exports and domestic W&C is ~50 bps. The company has a strong distributor network in North and West, and is expanding in East and South India. EPC sales (apart from cables) declined by 63% in 4Q over high base (EPC turnkey project in Gambia in base) and its mix stood at 2.5% for the quarter.
	Outlook Order book and capex: Order book of Rs38.4 bn is split across EHV (Rs6 bn), domestic cable (Rs21.1 bn), EPC (Rs4.23 bn) and exports (Rs7 bn). Brownfield expansions at Chinchpada and Pathredi are completed in FY2025. The first phase of Sanand greenfield will be commissioned by 1QFY26E. The second phase will be completed by end-FY2026E. Revenue and Margins. The first phase of Sanand plant (1QFY26E) will allow KEI to grow at 17-18% (volumes) in FY2026E and 19-20% in the next 2-3 years. With EHV sales of Rs5.5-6 bn in FY2026E. Further margin expansion will happen from FY2027 onwards led by operating leverage (FY2026E margin will be steady as higher exports/EHV sales will be offset by some unabsorbed costs of Sanand facility).
Polycab	Results Segment grew by 22% yoy to Rs60 bn in 4Q, led by increased government spending, improved project execution, real estate demand, and rising commodity prices. For the full year, this segment grew by 18.2% yoy, capturing a 26-27% market share in the domestic organized W&C industry for FY2025, up from 25-26% in FY2024. The segment registered mid-teens volume growth (high teens/HSD growth in cables/wires in 4Q) for 4Q and FY2025. Domestic market accounted for ~95% of sales and grew by 27% yoy growth in 4Q, with cables growth outpacing wires. For the full year, the domestic market grew by 20-21% yoy. The distribution and institutional business both showed healthy traction. Exports revenues declined by 24% yoy in 4Q as a large order got rolled over into the next quarter, and accounted for ~5.4% of W&C revenues in 4Q. For the full year, exports declined 6.3% yoy, contributing ~6% to revenues. The US' contribution to the export sales dropped to high-teens from approximately 40% in FY2024. Management stated that ongoing projects in the US are being completed despite tariff uncertainties. W&C EBIT margins contracted by 25 bps yoy (up 145 bps qoq) to 15.1% on the back of operating leverage and better mix, partially offset by lower contribution from exports.
	Outlook Management anticipates a rebound in private capex due to stronger balance sheets, lower borrowing cost and higher capacity utilization. The company continues to guide for (1) ~1.5X of market growth in core segments, (2) 11-13% EBITDA margin in mid-to-long term and (3) >10% contribution from exports. The company anticipates a strong rebound in overall exports in FY2026, driven by scale up of its distribution model in the US, and a favorable demand environment across key markets.
RR Kabel	Results Revenue grew by 28.4% yoy in 4Q. W&C volumes grew by 14% yoy (wires/cables grew by 13%/15%) in 4QFY25, driven by improved demand, favorable copper prices and strategic capacity expansion. For the full year, volume grew by ~7% (flat/19% in wires/cables). Exports, accounting for 26% of FY2025 sales grew by 11%, driven by demand from Europe. The salience of wires to cables stood at 70% and 30% in both domestic and export market. EBIT margin expanded 126/296 bps yoy/qoq led by better product mix, operating leverage and export growth. Among the margins, export cables has the highest margins (12-13%), followed by domestic wire (12%), domestic cable (6-7%; impacted by under-utilization of facility), and export wire (5-6%).
	Outlook Management guided for 15-20% volume CAGR for the next three years, led by favourable market demand and capacity expansion. The company is aspiring to achieve 25% volume growth in cables and is rebalancing its export portfolio in favor of cables to improve profitability. EBITDA margins are expected to improve by 100 bps in FY2026 and reach 10% by FY2028E, driven by introduction of higher margin products, and cost efficiencies.
Apar Industries	Results Cables revenues grew by 29.9% yoy in 4Q, led by 23.5% yoy growth in domestic business. This segment grew by 28.1% in FY2025, with domestic revenue growing at 43.5%. The export mix stood at 28.4%/31.3% led by 268%/56% sales growth in US in 4Q/FY2025. The company is expanding the capacity of MV/HV cables from 11kV/33kV to 132 and 220 kV. The company is doubling the capacity for LT cables (especially UL-approved cables for USA) and windmill cables. The sales of solar cables have already doubled in FY2025, will double again in FY2027. EBITDA margins decreased by 70 bps yoy (up 100 bps qoq) to 10.6% in 4Q. The margin improvement sequentially was driven by improved product mix, increase in US business and scale economies.
	Outlook The company has guided for 25% sales growth and 10-12% EBITDA margin for FY2026E. The company expects continued momentum in exports to US market. They are more concerned about Chinese competition in the non-US market, rather than in the US.
V-guard	Results Electricals segment, the largest revenue contributor, grew by 14.6% yoy. Wires grew by 10% in FY2025 (8% price growth and 2% volume growth) and by 17% (5% volume growth) in 4Q. V-Guard does not participate in solar pump tenders due to the government-centric go-to-market model and differing channel requirements. Non-South market continues to grow, with contributions from all major regions (with a higher skew towards East).
	Outlook Copper prices saw some uptick in April, which aided growth in 1QFY26.

Source: Companies, Kotak Institutional Equities

Exhibit 7: Segmental revenues, EBIT and EBIT margins of ECD companies, March fiscal year-ends (Rs mn, %)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
ECD revenue (Rs mn)																	
Bajaj Electricals	9,712	6,173	9,051	10,802	10,377	8,554	8,829	10,395	9,865	8,726	8,576	9,567	9,171	9,052	8,683	10,385	9,940
Crompton	11,930	8,844	10,964	10,993	12,309	13,472	10,622	10,201	13,257	14,290	12,380	12,093	15,160	17,266	13,927	12,878	16,029
Havells	7,124	5,760	7,284	8,926	8,698	8,381	7,735	9,348	7,495	8,770	7,331	9,613	9,104	10,549	8,564	11,043	9,959
Orient Electric	6,456	3,241	4,198	4,813	5,741	4,453	3,100	5,388	4,577	5,150	3,634	5,352	5,691	5,449	4,395	5,743	6,142
Polycab	3,468	1,919	3,429	3,404	3,792	3,082	3,054	3,420	3,052	3,145	3,300	2,962	3,581	3,855	3,975	4,232	4,760
RR kabel							1,488	1,712	1,785	1,851	1,598	2,005	2,310	2,300	1,984	2,396	2,616
V-Guard	2,237	1,497	2,794	3,384	2,959	2,991	3,372	3,537	2,862	3,312	3,547	3,928	3,657	4,176	3,923	4,248	4,092
Symphony	3,400	2,310	2,220	2,050	3,950	3,370	2,770	2,800	3,080	3,040	2,760	2,530	3,340	5,310	3,210	2,400	4,900
TTK Prestige	5,980	4,011	8,586	7,653	6,975	6,291	8,424	6,948	6,110	5,876	7,295	7,384	6,226	5,879	7,501	7,272	6,496
Eureka Forbes	-	10	31	34	3,742	5,262	5,762	4,735	5,086	5,048	5,914	5,394	5,536	5,534	6,731	5,977	6,127
Total	50,307	33,764	48,557	52,058	58,543	55,855	55,155	58,483	57,168	59,209	56,334	60,827	63,775	69,369	62,893	66,573	71,061
ECD revenue (% yoy)																	
Bajaj Electricals	30.1	56.5	5.2	(6.3)	6.8	38.6	(2.5)	(3.8)	(4.9)	2.0	(2.9)	(8.0)	(7.0)	3.7	1.2	8.5	8.4
Crompton	61.0	48.3	17.7	6.1	3.2	52.3	(3.1)	(7.2)	7.7	6.1	16.5	18.5	14.3	20.8	12.5	6.5	5.7
Havells	70.6	90.9	25.6	14.0	22.1	45.5	6.2	4.7	(13.8)	4.6	(5.2)	2.8	21.5	20.3	16.8	14.9	9.4
Orient Electric	42.0	213.2	37.9	4.5	(11.1)	37.4	(26.1)	11.9	(20.3)	15.6	17.2	(0.7)	24.3	5.8	20.9	7.3	7.9
Polycab	89.3	39.2	40.6	11.4	9.3	60.6	(11.0)	0.5	(19.5)	2.1	8.1	(13.4)	17.3	22.6	20.5	42.9	32.9
RR kabel											7.4	17.1	29.4	24.2	24.1	19.5	13.3
V-Guard	55.2	75.1	71.0	28.1	32.3	99.8	20.7	4.5	(3.3)	10.7	5.2	11.1	27.8	26.1	10.6	8.1	11.9
Symphony	31.3	49.0	15.0	(5.1)	16.2	45.9	24.8	36.6	(22.0)	(9.8)	(0.4)	(9.6)	8.4	74.7	16.3	(5.1)	46.7
TTK Prestige	43.0	77.0	34.9	5.5	16.6	56.8	(1.9)	(9.2)	(12.4)	(6.6)	(13.4)	6.3	1.9	0.1	2.8	(1.5)	4.3
Eureka Forbes				16.1					35.9	(4.1)	2.6	13.9	8.8	9.6	13.8	10.8	10.7
Total	49.5	68.7	24.1	5.2	16.4	65.4	13.6	12.3	(2.3)	6.0	2.1	4.0	11.6	17.2	11.6	9.4	11.4
ECD EBIT (Rs mn)																	
Bajaj Electricals	851	60	910	973	638	425	620	777	650	407	414	159	164	231	89	520	390
Crompton	2,163	1,558	2,300	2,130	2,279	2,285	1,814	1,617	2,177	1,816	1,755	1,642	2,533	2,587	2,064	1,957	2,675
Havells	1,090	673	1,264	1,138	1,501	1,098	901	1,228	962	957	848	1,062	1,025	1,147	643	955	1,249
Orient Electric	926	227	516	534	736	372	137	645	445	492	297	603	465	494	389	643	678
Polycab	244	(143)	172	63	105	64	(27)	(24)	(70)	(57)	(60)	(366)	(459)	(28)	(252)	(128)	19
RR kabel	-	-	-	-	-	-	(240)	(347)	(148)	(170)	(198)	(124)	(194)	(207)	(117)	(44)	(91)
V-Guard	89	(59)	85	96	50	38	97	(45)	(11)	9	(1)	117	129	217	161	177	139
Symphony	810	50	350	250	860	360	340	400	170	190	350	450	520	1,060	640	210	1,050
TTK Prestige	975	337	1,324	1,178	978	680	1,060	673	642	459	649	679	606	373	552	619	327
Eureka Forbes	-	(2)	1	(17)	109	325	(86)	250	397	371	389	294	393	425	590	441	620
Total	7,148	2,701	6,920	6,344	7,256	5,648	4,616	5,174	5,213	4,474	4,443	4,515	5,181	6,299	4,757	5,349	7,055
ECD EBIT margin (%)																	
Bajaj Electricals	8.8	1.0	10.1	9.0	6.2	5.0	7.0	7.5	6.6	4.7	4.8	1.7	1.8	2.5	1.0	5.0	3.9
Crompton	18.1	17.6	21.0	19.4	18.5	17.0	17.1	15.8	16.4	12.7	14.2	13.6	16.7	15.0	14.8	15.2	16.7
Havells	15.3	11.7	17.3	12.7	17.3	13.1	11.6	13.1	12.8	10.9	11.6	11.0	11.3	10.9	7.5	8.6	12.5
Orient Electric	14.3	7.0	12.3	11.1	12.8	8.3	4.4	12.0	9.7	9.5	8.2	11.3	8.2	9.1	8.8	11.2	11.0
Polycab	7.0	(7.5)	5.0	1.8	2.8	2.1	(0.9)	(0.7)	(2.3)	(1.8)	(1.8)	(12.4)	(12.8)	(0.7)	(6.4)	(3.0)	0.4
RR kabel							(16.2)	(20.3)	(8.3)	(9.2)	(12.4)	(6.2)	(8.4)	(9.0)	(5.9)	(1.8)	(3.5)
V-Guard	4.0	(3.9)	3.0	2.8	1.7	1.3	2.9	(1.3)	(0.4)	0.3	(0.0)	3.0	3.5	5.2	4.1	4.2	3.4
Symphony	23.8	2.2	15.8	12.2	21.8	10.7	12.3	14.3	5.5	6.3	12.7	17.8	15.6	20.0	19.9	8.8	21.4
TTK Prestige	16.3	8.4	15.4	15.4	14.0	10.8	12.6	9.7	10.5	7.8	8.9	9.2	9.7	6.3	7.4	8.5	5.0
Eureka Forbes		(15.3)	1.8	(49.5)	2.9	6.2	(1.5)	5.3	7.8	7.3	6.6	5.4	7.1	7.7	8.8	7.4	10.1
Total	14.2	8.0	14.3	12.2	12.4	10.1	8.4	8.8	9.1	7.6	7.9	7.4	8.1	9.1	7.6	8.0	9.9

Notes: Key products in this category are:

Bajaj Electricals: Fans, lighting, home and kitchen appliances

Crompton: Fans, pumps and other appliances

Orient Electric: Fans and switchgears (very small portion)

Polycab: Fans, LED lighting, solar products, pumps and switchgears

V-Guard: Fans, water heaters and small appliances

Symphony: Primarily air coolers and heaters

TTK Prestige: Kitchen appliances

Eureka Forbes: Water purifier, vacuum cleaners and service

Source: Companies, Kotak Institutional Equities

Exhibit 8: Commentary by leading ECD companies

Results	
Bajaj Electricals	Consumer products delivered 8.4% yoy revenue growth, on the back of domestic appliances, followed by fans, and continued trade revival. Appliances continued to show strong traction and grew by double digits, with air coolers clocking DD growth. Fans registered LSD growth. E-commerce didn't perform well during quarter, while MFI channel was still under pressure due to RBI restrictions. The company has created a new BU structure to focus on GTM strategy for fans. Morphy Richards brand posted high double-digit growth. Kitchen appliances (especially mixers) remain under pressure. EBIT margin improved to 3.9% from 1.8%, driven by gross margin expansion and cost efficiencies, partly offset by adverse operating leverage on account of higher depreciation on moulds for new products. A&P spends were around 2.4%/3% of CP segment in 4QFY25/FY2025.
Crompton	This segment registered 5.7% yoy growth in 4QFY25, led by pumps and appliances. For the full year, sales grew 11.5% amid subdued consumer demand. EBIT increased by 5.6%/19.8% in 4Q/FY2025. Fans saw muted demand in 4Q due to a delayed summer amid subdued consumer sentiment. For the full year, fans saw mid-single digit growth, led by non-ceiling fans, premium induction ceiling fans. The salience of premium categories improved (24-25% of the fans' revenue as on Feb-25), led by mass premium induction, mass premium BLDC and premium induction fans. Pumps segment registered robust growth in 4Q and FY2025, driven by robust execution of solar pump orders (~Rs2 bn executed in FY2025). The company believes it has gained market share in residential pumps and maintained #1 position by a significant lead. Growth in agricultural pumps was impacted by weak agricultural demand, a delayed season, and the postponement of government initiatives. Appliances saw healthy demand, driven by small and large appliances in 4Q. However, air cooler sales were impacted by delayed summers. For the full year, this category grew by high-teens surpassing Rs10 bn in turnover, led by +50%/30% growth in air coolers/mixer grinder.
Eureka Forbes	Consolidated revenues grew 10.7% yoy in 4Q, with mid-teens growth in products business, led by premium electric water purifiers and robotics vacuum cleaners. The growth was driven by both higher volumes and mix, supported by innovation, improved visibility, customer experience, digitization and cost efficiencies. Water purifier witnessed sustained volume growth, led by both premium and economy segment. The product portfolio is well balanced across economy, mass premium and premium category. Recent launches such as Aura 2X on the online platforms and Aquaguard Enhanced NXT present in modern retail, feature a two-year filter life, lowering ownership costs. Management emphasized its market leadership in robotic vacuum cleaners, a category that has grown 100% yoy in the past three years. The company is witnessing increased acceptance of this category across metros and believes they will follow the same growth trajectory as washing machine. The company has witnessed green shoots in service business in FY2025, as the company saw growth in the AMC units. This growth was driven by initiatives such as tiered AMC offerings, D2C investments, digitization, awareness campaigns for genuine filters, GTM strategy for filters, and partnerships with technicians.
Havells	Segment revenues grew 9.4% yoy and declined 9.8% qoq in 4Q due to the delayed onset of summer. Fans, being highly penetrated, saw muted growth in the quarter. The EBIT margins expanded 130/390 bps yoy/qoq to 12.5% for 4Q. However, for the full year, EBIT margins contracted 120 bps yoy to 10%.
Orient Electric	ECD segment registered 7.9% yoy growth in 4Q, Fans grew in HSD due to delayed summer. BLDC fans (~20% of ceiling fans' revenue) grew over 50% yoy in Q4 and 30% for the full year. NPD contributed ~20%+ to fans' sale. The company successfully implemented DTM strategy in 11 states, including West Bengal in 4Q. Sales from DTM states grew by HDD in FY2025. Air Coolers grew by 33%/37% yoy for 4Q/FY2025. ECD EBIT margin expanded by 290 bps to 11%, aided by improved contribution from DTM markets and better product mix.
Polycab	FMEG grew 33% yoy (12.5% qoq). The performance was broad-based across major product categories. For the full year, revenues grew by 29% yoy to Rs16.5 bn. The company is not planning to foray into any new products. Solar products recorded 2.5X growth yoy, becoming the third largest category in this segment. The company is experiencing strong demand for solar cables, inverters, and panels, driven by initiatives such as Surya Ghar Yojana, state-level subsidies, and increasing awareness of renewable energy. Fans, the largest category in this segment, saw healthy traction on the back of "strategic initiatives" and premiumization, despite delayed summers. The lights and luminaires category registered strong volume and value growth, despite continued price erosion. Switchgears, switches, conduit pipes & fittings delivered healthy growth, driven by real estate and construction sectors. FMEG registered positive EBIT of Rs19 mn after 10 consecutive quarters, led by strategic investments in talent, product innovation and brand building.
V-Guard	Consumer durables revenues grew by 11.9% yoy (fans, water heaters, kitchen appliances and air coolers). The company launched BLDC range of fans, where they were underindexed, gaining traction at the initial stage. Other expenses increased by 16%, due to manufacturing expenses related to battery plant, increase in A&P and volume growth. EBIT margin contracted by 14 bps yoy to 3.4%. Sunflame declined by 24% yoy in 4Q over high base. The CSD channel (~35-40% of the Sunflame's revenue) continued to face structural challenges due to overstocking. The sales from CSD grew from Rs100 mn some years back to Rs1.4 bn in FY2025. The company had paid off the loans taken during the Sunflame acquisition and the integration is expected to be completed by Sept-Oct 2025.
Symphony	Consolidated revenues increased by 47% yoy, led by better penetration from semi-urban and rural areas and robust sales in alternate channels. The exports contributed ~10% of sales with strong performance in the Middle East, Africa, Europe (UK and Spain), and a rebound in Sri Lanka. Symphony launched 17 new models which contributed to gross margin expansion and improved supply chain efficiency. In NPDs, they launched Bharat range aimed at rural markets, which showed high DD growth. LSV (Large Space Ventilation), a B2B-focused category also registered strong double digits. The single user coolers like "Buddy" and "Diet Mini" are gaining traction as well. EBIT margins expanded by 590/1268 bps yoy/qoq to 21.4%. The company stated that summer started strong in Central and South India, which tapered off post-Mar due to erratic rains. For air cooler sales, March-April are important for South India, while May-June are important for North, East and West. Adjacent categories like tower fans, kitchen cooling fans, and water heaters are now contributing a high double-digit share of standalone revenue.
TTK Prestige	Standalone revenues grew by 4% yoy, due to 3%/60% yoy growth in domestic/export business. The trade channel (general trade, exclusive stores, e-commerce and modern formats) performed well, while alternate channel like institutional and MFI (significant share of sales for the company) continued to be under pressure in the last few quarters. The sales lost due to this channel was ~Rs320 mn/Rs1.25 bn for 4Q/FY2025. The traditional channel grew by 10.2%/7.8% in 4Q/FY2025; the company noted improvement in underlying demand, after several consecutive quarters of slowdown. The Company has been steadily consolidating and improving its market share in the active channels. EBIT declined by 46%/47% yoy/qoq. The repositioning of 'Judge' brand as mass market products has led to DD growth.
RR kabel	FMEG grew by 13.3%, primarily led by strong volume growth mainly in fans, appliances and switches in 4Q. Within fans, 20% of sales came from premium and mid-premium products. FMEG EBIT loss stood at Rs91 mn (versus Rs194 mn in 4QFY24), led by cost-efficiencies initiatives, operating leverage, and better product mix. This was partially offset by higher A&P spends (sponsorship of KKR in IPL), which will be spread across 4Q and 1Q.
Butterfly	This segment registered 10.8% yoy growth in 4Q (versus 4.4% yoy decline in 3Q) amid muted consumer demand. All key categories – mixer grinders, cookers and wet grinders reported DD growth. Mixer grinders and pressure cookers saw sequential market share improvement. The company benefitted from pricing actions implemented across retail, modern retails and exports. The EBITDA margin turned positive to 8.6% (versus -)11.9% in 4QFY24), driven by higher gross margins and channel interventions.
Elica (Whirlpool)	Elica sales declined by 6.1% yoy and EBITDA margin contracted by 700/600 bps yoy/qoq to 11.9%.

Source: Companies, Kotak Institutional Equities

Exhibit 9: Outlook for ECD companies

Outlook	
Bajaj Electricals	Management anticipates EBIT margins at 6% by FY2026E and DD in the next 3 years (led by VAVE exercise and price hikes). The company is looking to regain market share, on the back of initiatives like revamped GTM, VAVE, digitalization, manufacturing efficiencies. A&P spends is expected to rise 3.5-4% in FY2026.
Crompton	Management highlighted that unprecedented rains across the country led to tepid demand in 1Q so far.
Eureka Forbes	Management expects the product business to grow in mid-to-high teens rate in the near term. The company also plans to continue premiumization with new product launches in the next 3-4 months, and expects strong traction for the IoT-enabled smart purifiers in FY2026E. The company expects 75-110% growth in vacuum cleaners in the next few years as well. Management expects value growth in service revenues to align with volume growth over time (expect improvement in next 3-4 quarters).
Polycab	Management continues to guide for (1) 1.5-2X of market growth and (2) 8-10% EBITDA margin by FY2030E.
Orient electric	Premium fans (Rs2.5k+) which contribute over 30% of total fan sales is expected to achieve 40%+ salience in the next few years. GM is expected to remain in the 31-33% range. The company aspires to achieve DD EBITDA margin in the next 2 years, driven by premiumization, portfolio expansion, DTM expansion operating leverage and cost efficiencies from Project Sanchay.
Symphony	Despite subdued demand in April, the company anticipates growth in air coolers in 1Q. U.S. retailers are showing significant interest due to tariffs on Chinese products. Symphony is optimistic about scaling exports to the U.S. in the near future.
TTK Prestige	The company is witnessing growth trends across categories in 1QFY26. The operating EBITDA margins will be impacted over the next 8 quarters as the company is investing Rs5 bn over the next 3 years to cover both soft operational expenses and capex.
V-Guard	The company is set to launch premium range in water heaters. The company noted intermittent showers in South and East India will impact the sales of cooling products in 1Q. Management believes that gross margin recovery is largely complete, returning to pre-COVID levels.
RR kabel	The company aspires to grow at 25% CAGR over the next 3 years. Management expects FMEG to break even by 1HFY26 led by volume and premiumization. A&P spends would be higher in 1QFY26E due to KKR (IPL) sponsorship.

Source: Companies, Kotak Institutional Equities

Orient continues to report impressive outperformance in lighting

Exhibit 10: Segmental revenues, EBIT and EBIT margins of lighting companies in 4QFY25, March fiscal year-ends (Rs mn, %)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Lighting and Fixtures revenue (Rs mn)																	
Crompton	3,291	1,661	2,887	3,113	3,170	2,623	2,696	2,477	2,786	2,290	2,387	2,494	2,811	2,333	2,531	2,577	2,761
Havells	3,287	2,099	3,536	4,080	3,994	3,711	3,970	4,201	4,134	3,670	3,965	4,299	4,334	3,856	3,909	4,409	4,358
Orient Electric	1,561	982	1,746	1,971	1,792	1,763	2,006	2,003	2,003	1,906	2,035	2,167	2,186	2,100	2,206	2,425	2,476
Bajaj electricals	nm	nm	2,864	27,633	3,023	2,787	2,757	2,700	3,054	2,395	2,553	2,716	2,710	2,498	2,501	2,513	2,715
Total	8,139	4,742	11,033	36,797	11,979	10,884	11,429	11,380	11,976	10,261	10,939	11,676	12,041	10,787	11,147	11,924	12,309
Lighting and Fixtures revenue growth (% yoy)																	
Crompton	15.4	34.4	2.6	(0.3)	(3.7)	57.9	(6.6)	(20.4)	(12.1)	(12.7)	(11.5)	0.7	0.9	1.9	6.0	3.4	(1.8)
Havells	40.3	52.1	33.6	15.5	21.5	76.8	12.3	3.0	3.5	(1.1)	(0.1)	2.3	4.8	5.1	(1.4)	2.5	0.5
Orient Electric	43.7	30.5	34.9	24.8	14.8	79.5	14.9	1.6	11.8	8.1	1.4	8.2	9.1	10.2	8.4	11.9	13.3
Bajaj electricals							(3.7)	(90.2)	1.0	(14.1)	(7.4)	0.6	(11.3)	4.3	(2.0)	(7.5)	0.2
Total	29.6	40.8	63.3	346.9	47.2	129.5	3.6	(69.1)	(0.0)	(5.7)	(4.3)	2.6	0.5	5.1	1.9	2.1	2.2
Lighting and Fixtures EBIT (Rs mn)																	
Crompton	529	177	329	324	448	232	215	255	303	273	250	280	251	209	271	278	440
Havells	680	317	773	869	617	611	570	534	754	529	569	605	787	630	505	655	747
Orient Electric	225	103	276	289	281	232	227	311	391	307	269	307	281	390	300	322	308
Bajaj electricals			180	103	275	215	258	174	226	193	144	227	231	261	149	53	212
Total	1,434	598	1,558	1,586	1,620	1,290	1,271	1,274	1,674	1,302	1,232	1,419	1,550	1,490	1,224	1,307	1,707
Lighting and Fixtures EBIT margin (%)																	
Crompton	16.1	10.7	11.4	10.4	14.1	8.8	8.0	10.3	10.9	11.9	10.5	11.2	8.9	8.9	10.7	10.8	15.9
Havells	20.7	15.1	21.9	21.3	15.4	16.5	14.4	12.7	18.2	14.4	14.4	14.1	18.2	16.3	12.9	14.8	17.1
Orient Electric	14.4	10.5	15.8	14.7	15.7	13.2	11.3	15.6	19.5	16.1	13.2	14.2	12.8	18.6	13.6	13.3	12.5
Bajaj electricals			6.3	0.4	9.1	7.7	9.3	6.4	7.4	8.1	5.6	8.4	8.5	10.5	6.0	2.1	7.8
Total	17.6	12.6	14.1	4.3	13.5	11.9	11.1	11.2	14.0	12.7	11.3	12.2	12.9	13.8	11.0	11.0	13.9

Source: Companies, Kotak Institutional Equities

Exhibit 11: Commentary by leading lighting companies

Results	
Crompton	Lighting registered 1.8% yoy decline in 4Q. For the full year, this segment grew 2.2%, led by battens, outdoor and ceiling lights despite DD price erosion. LED panels contributed the highest in the B2C segment. The company launched new products in street, flood, industrial and indoor commercial lighting in the B2B segment and expanded B2C portfolio. EBIT improved to 15.9% in 4Q, led by margin improvement from newly launched products in both B2C and B2B category and better mix, despite higher A & P spends and price erosion. The company has announced a foray into the solar rooftop category (TAM ~200 bn).
Havells	The Lighting segment grew 0.5% yoy in 4Q, led by high single-digit volume growth, offset by continued price erosion. For the full year, the segment grew 1.6% yoy. The EBIT margins contracted by 101 bps yoy (expanded 230 bps qoq) to 17.1% for 4Q. For the full year, EBIT margins remained flat at 15.3%.
Orient Electric	This segment reported 13.3% yoy in 4Q. The growth was led by high DD volume growth in B2C lighting, mid teens growth in B2B lighting, high DD growth in wires and switchgears. The company has added value-added products like COBs, panels, downlighters, and magnetic tracks, which now contribute over 60% of the consumer/B2C lighting. Management commented that the change in RoHS compliance effective from 1st April 2025, has increased costs which need to be passed on to the consumers. B2B lighting grew led by execution of key projects in street/facade lighting. The company stated they have a strong order pipeline. The company claimed they have gained ~200 bps market share, as the industry was flat. Switchgears growth was supported by NPDs, focus on electrician meets, and retail network expansion. Wires' growth was aided with channel restocking, NPDs, DTM expansion and infra-led pick up. EBIT margin contracted by 40/80 bps yoy/qoq at 12.5%. Project Sanchay delivered Rs750 mn in cost savings in FY25.
Bajaj electricals	Revenue remained flat due to decline in professional lighting impacting operating leverage. The industry continued to face price erosion challenges. Professional lighting declined due to a drop in outdoor luminaires and delays in order execution of urban local bodies. Under revamped GTM initiative, GT delivered a double-digit value growth. EBIT margins contracted by 70 bps yoy to 7.8%. The order book in professional lighting as of March 2025 is double yoy.
Outlook	
Havells	It anticipates gaining traction in solar rooftop due to its strong distribution network, brand strength and government subsidies.
Orient Electric	The company is building capabilities and scale in wires and switchgears over the next 2–3 years.

Source: Companies, Kotak Institutional Equities

Exhibit 12: Segmental revenues, EBIT and EBIT margins of large appliances segment in 4QFY25, March fiscal year-ends

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Large appliances revenue (Rs mn)																	
Blue Star	7,818	5,054	4,547	6,097	10,367	11,242	5,248	7,050	12,677	11,985	7,295	9,554	17,089	17,295	7,670	11,644	19,602
Johnson Controls-Hitachi	5,671	4,813	3,886	5,642	6,849	9,981	2,961	5,093	5,365	5,560	2,654	2,872	7,604	9,823	3,830	4,185	9,185
IFB	6,384	4,331	8,081	7,647	6,943	8,621	8,884	7,719	7,923	8,633	8,636	9,139	8,310	10,236	9,521	10,178	10,668
Lloyd	5,906	4,944	3,413	4,657	9,592	10,837	4,141	6,068	12,640	13,055	4,930	6,467	13,401	19,241	5,874	7,418	18,700
Voltas	16,547	9,631	10,068	10,936	18,184	21,622	10,477	12,160	20,486	25,140	12,088	14,826	29,551	38,022	15,822	17,711	34,584
Whirlpool	17,794	13,406	16,071	15,420	17,069	20,810	16,115	13,025	16,727	20,386	15,216	15,357	17,340	24,969	17,130	17,049	20,047
Total	60,119	42,178	46,067	50,398	69,004	83,113	47,826	51,114	75,817	84,758	50,818	58,214	93,295	119,586	59,847	68,183	112,787
Large appliances revenue (% yoy)																	
Blue Star	31.1	83.9	42.7	23.7	32.6	122.5	15.4	15.6	22.3	6.6	39.0	35.5	34.8	44.3	5.1	21.9	14.7
Johnson Controls-Hitachi	35.0	87.4	32.1	18.3	20.8	107.4	(23.8)	(9.7)	(21.7)	(44.3)	(10.4)	(43.6)	41.7	76.7	44.3	45.7	20.8
IFB	67.7	73.0	37.3	(0.4)	8.8	99.1	9.9	0.9	14.1	0.1	(2.8)	18.4	4.9	18.6	10.2	11.4	28.4
Lloyd	29.0	61.5	21.7	(9.0)	62.4	119.2	21.3	30.3	31.8	20.5	19.1	6.6	6.0	47.4	19.2	14.7	39.5
Voltas	38.0	18.7	34.3	9.1	9.9	124.5	4.1	11.2	12.7	16.3	15.4	21.9	44.2	51.2	30.9	19.5	17.0
Whirlpool	31.5	30.5	0.5	3.2	(4.1)	55.2	0.3	(15.5)	(2.0)	(2.0)	(5.6)	17.9	3.7	22.5	12.6	11.0	15.6
Total	36.4	44.1	20.2	6.2	14.8	97.1	3.8	1.4	9.9	2.0	6.3	13.9	23.1	41.1	17.8	17.1	20.9
Large appliances EBIT (Rs mn)																	
Blue Star	621	218	233	388	721	911	324	518	1,070	893	616	679	1,414	1,580	539	948	1,645
Johnson Controls-Hitachi	579	(132)	(120)	26	226	(29)	(724)	(204)	49	(517)	(603)	(197)	663	473	(403)	(46)	754
IFB	248	(496)	436	39	(385)	96	375	(56)	(13)	72	334	359	46	406	266	341	104
Lloyd	318	103	(183)	(418)	(213)	(559)	(833)	(596)	(221)	(608)	(733)	(660)	372	674	(224)	(310)	1,167
Voltas	2,610	1,180	1,017	1,017	1,919	1,662	765	895	2,057	2,073	928	1,229	2,704	3,270	1,162	1,043	3,448
Whirlpool	1,534	224	968	450	1,040	851	474	(9)	533	712	240	153	822	1,548	351	179	1,294
Total	5,910	1,096	2,351	1,502	3,309	2,932	381	549	3,474	2,626	781	1,562	6,021	7,951	1,693	2,155	8,412
Large appliances EBIT margin (%)																	
Blue Star	7.9	4.3	5.1	6.4	7.0	8.1	6.2	7.4	8.4	7.5	8.4	7.1	8.3	9.1	7.0	8.1	8.4
Johnson Controls-Hitachi	10.2	(2.7)	(3.1)	0.5	3.3	(0.3)	(24.5)	(4.0)	0.9	(9.3)	(22.7)	(6.9)	8.7	4.8	(10.5)	(1.1)	8.2
IFB	3.9	(11.5)	5.4	0.5	(5.5)	1.1	4.2	(0.7)	(0.2)	0.8	3.9	3.9	0.6	4.0	2.8	3.3	1.0
Lloyd	5.4	2.1	(5.4)	(9.0)	(2.2)	(5.2)	(20.1)	(9.8)	(1.7)	(4.7)	(14.9)	(10.2)	2.8	3.5	(3.8)	(4.2)	6.2
Voltas	15.8	12.3	10.1	9.3	10.6	7.7	7.3	7.4	10.0	8.2	7.7	8.3	9.2	8.6	7.3	5.9	10.0
Whirlpool	8.6	1.7	6.0	2.9	6.1	4.1	2.9	(0.1)	3.2	3.5	1.6	1.0	4.7	6.2	2.1	1.0	6.5
Total	9.8	2.6	5.1	3.0	4.8	3.5	0.8	1.1	4.6	3.1	1.5	2.7	6.5	6.6	2.8	3.2	7.5

Source: Companies, Kotak Institutional Equities

Exhibit 13: Commentary by leading large appliance companies

Results	
Blue Star	The unitary products segment registered a 14.7% growth yoy in 4Q over high base of RAC. RAC sales volume crossed 1.53 mn units in FY2025. RAC recorded strong growth driven by the summer season, premiumization, launch of new models and rising demand in Tier-3, 4, and 5 markets. The company gained 100 bps market share to reach 14%. Management commented that Blue Star grew 5% in April-25 due to unseasonal rains and high inventory levels, despite 15-20% decline in RAC at the industry level. Moreover, the industry had ~1.5-2 mn higher inventory in March. 1Q contributes ~45% to Blue Star RAC. South contributes ~30% to industry and ~40% to Blue Star as they enjoy 20% market share. They are making efforts to expand in Northern region. The company took 3-4%/4-5% price hike in Jan-25/Apr-25 to mitigate the raw material price and BIS regulatory cost. The company stated that they are well secured for compressors for FY2026. Commercial refrigeration which was impacted by the regulatory changes in 1H FY25 saw some growth in April. The slowdown in the FMCG sector impacted dairy and frozen products leading to lower demand for deep freezers. The company remains market leader in the water coolers category, which is a small market. The company noted revival in the growth of commercial refrigeration, led by quick commerce growth which contributes ~10% to deep freezers and cold rooms. EBIT margins improved by 12 bps to 8.4%, led by operating leverage. EPR cost per kg has increased by 3x, leading to higher costs. Management stated that they have appealed against this increase in the court.
Lloyd	The segment registered value growth of 40%/35% yoy for 4Q (over a small base)/FY2025. RAC contributes ~75-80% of the sales, maintaining a stable market share in the low to mid-teens. The company does not face any risk of compressor shortages at the moment. Last year's exceptional demand for RACs prompted aggressive channel stocking in 4Q. The contribution/EBIT margin expanded by 150/350 bps to 14%/6.2% for 4Q due to cost-saving initiatives and operating leverage. Modern formats of trade now contribute 50%+ to sales, while traditional trade is essential for deeper penetration in small towns.
Voltas	The UCP segment registered 17% yoy (95.3% qoq) growth in revenues. For the full year, UCP segment grew by 30% to Rs106 bn, led by strong summers. Voltas has disclosed 36% yoy volume growth (versus 42% in 9MFY25), with air coolers growing over 70% in FY2025. Voltas remains market leader in split and window air conditioners, having sold 2.5 mn units in FY2025. Voltas has reported YTD market share of 19% as of Mar 2025 (versus exit market share of 20.5% as of Dec 2024). The company took no price hikes due to high channel inventory. All commercial product categories saw moderate growth. The margins were impacted due to inventory liquidation, lower utilization of the new factory and market challenges leading to reduced capex from customers. The sales of air coolers surpassed 0.5 mn units, securing 8.5% market share YTD Mar 2025 (versus Voltas' Sep 2024 exit market share of 11.1%). Commercial AC sector grew by 19-20%, driven by higher sales of chillers, VRF, light commercial ACs, ducted and packaged ACs. EBIT margins expanded by 80/410 bps yoy/qoq to 10%. The margins were improved on the back of a better product mix such as larger capacity industrial coolers, energy-efficient RACs, and improved CAC margins. This was partially offset by muted margin performance in commercial refrigeration, rising costs of input materials, and depreciating USD-INR rate. Management stated the margins of RAC stands at 9-10%.
Voltbek	According to management, washers/refrigerators industry registered single digit/flat growth for FY2025. Voltbek clocked 56% yoy volume growth in FY2025, leading to significant market share gains. Voltas Beko recorded sales of 1 mn+ of refrigerators and washing machines. Management commented that increased volume and various value engineering measures led to reduction in losses. As of YTD Feb 2025, the market share for washing machines/refrigerators/semi-automatic washing machines stood at 8.7%/5.3%/15.3%.
Whirlpool	Consolidated revenues grew 15.6% yoy to Rs20 bn, on the back of 17.2% growth in standalone (led by broad-based market share gains). The company highlighted softness in the refrigerator and washing machine industry. Consolidated EBITDA margin expanded by 85 bps yoy to 9.1%, as staff (partly due to lower ESOP charge) and other expenses grew 12.9%/4.5% yoy. EBITDA grew 27.4% yoy to Rs1.8 bn. PBT was up 16.2% yoy to Rs1.55 bn. Operational EBITDA grew by 32.2% yoy in 4Q before the impact of provisions of Rs68 mn due to e-waste regulations. In its recent earnings call, Whirlpool Corp. (parent of WOIL) highlighted that it has seen significant interest from 'large third-party investors' for a stake in WOIL (stake sale likely to happen in 2H FY25).
Outlook	
Blue Star	Blue Star anticipates ~19% CAGR in RAC over a 5-year period. The company aspires to achieve 15% market share in the next couple of years. Despite subdued demand in April, the company believe they can achieve 10-15% growth in FY2026E. Management retained EBIT margin guidance of 7-7.5% for segment 1 and 8-8.5% for segment 2.
Lloyd	The primary sales of RACs remained robust in 4Q, while secondary sales slowed down in March and April, which may impact primary sales in 1Q.
Voltas	The secondary and tertiary sales for RAC remains low in the last 30-40 days due to unprecedented rains and delayed summers. 1Q contributes the most to RAC sales, and management is optimistic about recovering the sales' losses in the subsequent quarters. Management has a positive outlook for commercial AC and commercial refrigeration, expecting DD growth in both the categories.

Source: Companies, Kotak Institutional Equities

Exhibit 14: Consumer durables—details on manufacturing, capacity utilization, and expansion across players

Company	Details
Wires and cables	
Polycab	The capex for the quarter stood at Rs1.3 bn (Rs9.5 bn in FY2025), in line with the company's guidance of Rs10-11 bn in FY2025. The company guided for a capex of Rs60-80 bn for the next five years.
Havells	Havells guided for a capex (cash outflow) of Rs20 bn for the next two years, which includes the new R&D center and new refrigerator manufacturing facility (mentioned below in Lloyd).
KEI Industries	Capacity utilization stood at 85% in cables, 71% in house wires, 89% in SS wires and 38% in communication cables FY2025, after completion of brownfield capex. The total capex for FY2025 was Rs6.2 bn, spread across Sanand (Rs3.84 bn), Chinchpada in Silvassa (Rs680 mn), Bhiwadi (Rs320 mn), Pathredi (Rs580 mn), and Salarpur land (Rs230 mn), other plants and locations (Rs530 mn). ~Rs13 bn unutilized QIP fund will be invested in Sanand plant in FY2026; first phase of commercial production of LT and HT cables is expected by 1QFY26E, while Sanand plant will fully operational by end-FY2026E.
RR Kabel	Capacity utilization stood at 90-95% in cables and 70% in wires. Some part of Rs5 bn cumulative capex for cables expansion will be completed by 1QFY26. The company announced new capex plan of Rs 12 bn over the next three years to expand total capacity by ~70%. The company is targeting GFA turns of 3.5x. The new capacity will begin contributing from mid-FY2027.
Apar Industries	The company is planning to invest Rs8 bn for cables over 15-18 months to double its cables revenue potential to Rs100 bn.
ECD	
Crompton Consumer	The company is planning to develop a greenfield manufacturing facility with an investment of Rs3.5 bn. The details regarding the location and capacity will be disclosed later. Phase 1 of the investment will focus on fans. Other categories will also be expanded in phase 2. The plant will commence production in the next 2.5 years.
Bajaj electricals	Maintenance capex will be Rs1 for the next year, while new manufacturing plant's capex will be ~Rs3 bn.
Orient Electric	The Greenfield Plant at Hyderabad has been capitalized (started commercial production from 6th May'24, with TPW Lines). ~50% of the TPW fans are produced from this plant.
V-guard	The company has guided capex of Rs1 bn annually for the next 3 years. The company is planning to invest Rs500 mn in the battery capacity plant in Hyderabad (commissioned about 1.5 years back) in the next 1.5-2 years. The Vapi kitchen appliances plant is not yet operating at full capacity.
White Goods	
Lloyd	Beyond the capex for a new refrigerator plant (Rs4. 8bn mentioned in 3Q), Lloyd does not foresee any incremental capex at the moment. This plant is expected to improve contribution margins

Source: Bloomberg, Kotak Institutional Equities

Exhibit 15: India's W&C industry is witnessing unprecedented capacity expansion, prompted by current tailwinds in the sector

Company	FY2025			FY2026			FY2027			FY2028		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Rs 60-80 bn capex from FY2026-FY2030. Majority will be attributed to cables and wires (special purpose cables for exports, EHV cables and domestic cables), with expected asset turnover of 4-5X. New EHV plant at Halol, with total capex of Rs6.-7 bn is expected to be commissioned by 4QFY26.												
Polycab	Rs9.7 bn capex (overall)			Rs12-16 bn capex (overall)			Rs12-16 bn capex (overall)			Rs12-16 bn capex (overall)		
Havells	Greenfield plant at Tumkur commissioned in Sep-24 (capex Rs4.5 bn), increasing cables capacity by 25%			Brownfield expansion at Alwar plant with capex of Rs3.75 bn to be operational			(a) Brownfield expansion at Tumkur cables plant with capex of Rs4.5 bn (b) Brownfield expansion (phase-2) at Alwar plant with capex of Rs3.4 bn					
	Rs7.5 bn capex (overall)			Rs20 bn capex over two years (including new refrigerator plant capex of Rs4.8 bn)								
KEI	Brownfield expansion at Chinchpada and Pathredi completed. Pathredi can generate additional sale of Rs8-9 bn/annum			Phase-1 of greenfield plant at Sanand to be operational. Expect Rs9-10 bn incremental sale in Y1			Phase-2 of Sanand plant to be operational. Total revenue potential of Rs50 bn (2.5X asset turns) of which Rs12-13 bn will be in EHV			Expect to start work on a new plant for low and medium voltage cables		
	Rs6.9 bn capex			Rs14 bn capex (Rs13 bn in Sanand)			Rs4-6 bn capex					
RR Kabel	Partial capacity expansion (small) in cables operational by Sep/Oct-24			Full commissioning of cables expansion. Doubled cables capacity by incurring total capex of Rs5 bn (GTA: 3.5X), which is on the verge of completion.			(a) Waghodia plant: Rs10.5 bn to be incurred to expand capacity by 36k MT (54% of current capacity). This will be operational by March 2028 in a phased manner (b) Silvassa plant: Rs2 bn (incremental) to be incurred to expand capacity by 6k MT (50% of current capacity). This will be operational by December 2026 in a phased manner					
							Rs12 bn capex					
Apar				Major greenfield project capex of Rs 8bn at Khatahwada to be commissioned in end-FY2026 to 1QFY27. This plant will increase Apar's cables revenue potential up to Rs100 bn (target to reach by FY2029E)								
UltraTech				Capex of Rs18 bn over 2 years								

Source: Bloomberg, Kotak Institutional Equities

Exhibit 16: Consumer durables valuation summary, March fiscal year-ends

	MCap			CMP	Upside	P/E (X)			EV/EBITDA (X)			RoE (%)			CAGR 2025-27E (%)			Share price performance (%)			
	(US\$ mn)	Rating	FV (Rs)	(Rs)	(%)	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	Revenue	EBITDA	EPS	1W	1M	3M	1Y
Cables and wires																					
KEI Industries	4,031	NR	NA	3,610	NA	50.2	39.8	32.5	33.5	27.1	21.9	16.6	13.9	14.7	19.8	23.6	23.3	4.9	17.8	17.6	(11.9)
Polycab	10,530	SELL	5,100	5,991	(15)	47.0	37.8	31.9	31.4	25.5	21.5	21.2	22.0	22.1	18.4	20.8	21.7	1.8	8.5	27.1	(10.8)
RR Kabel	1,884	NR	NA	1,426	NA	57.9	38.3	30.7	37.0	24.7	19.2	15.3	18.1	19.4	17.9	38.7	38.8	8.6	36.5	60.1	NA
Apar industries	3,808	NR	NA	8,114	NA	40.1	34.8	28.4	20.9	17.8	14.9	19.6	19.3	20.0	16.4	18.6	18.5	4.6	44.8	40.0	3.6
Electronic consumer durables and lightings																					
Bajaj Electricals	925	NR	NA	687	NA	70.4	38.7	26.5	30.2	20.3	NA	7.7	10.1	12.7	12.5	NA	57.4	3.2	26.0	13.8	(26.0)
Blue star	3,681	NR	NA	1,532	NA	52.3	44.6	36.2	34.1	29.5	24.4	20.8	20.7	21.6	16.7	18.3	20.2	(1.6)	(10.2)	(20.1)	2.1
Crompton	2,655	BUY	390	353	11	40.8	34.1	28.8	25.7	22.3	19.4	17.1	18.1	19.0	10.9	15.1	18.5	0.4	4.6	9.9	(9.8)
Eureka Forbes	1,442	BUY	800	638	25	80.2	58.1	45.6	47.0	36.1	29.8	3.7	4.9	5.7	13.9	25.6	32.6	1.0	29.5	31.0	45.2
Havells	11,186	SELL	1,400	1,527	(8)	65.6	53.2	44.2	44.7	36.0	30.1	18.1	20.1	21.3	15.4	21.9	23.8	(3.0)	(4.6)	7.4	(17.9)
IFB Industries	661	NR	NA	1,397	NA	42.3	28.2	21.8	17.8	14.0	11.6	15.4	20.6	22.4	13.2	24.3	43.4	2.3	8.1	30.5	15.3
Symphony	978	NR	NA	1,219	NA	35.8	32.6	28.1	29.1	26.5	21.4	28.0	30.6	30.4	13.9	16.7	21.0	(2.1)	5.6	14.8	13.1
V-Guard	1,933	NR	NA	379	NA	51.3	41.7	34.2	31.8	26.9	22.7	16.1	17.8	18.8	13.7	18.2	22.6	(1.2)	5.2	22.6	0.9
Voltas	4,882	SELL	1,100	1,263	(13)	49.5	42.1	34.7	36.6	32.5	27.3	13.8	14.4	15.9	13.2	15.7	19.6	0.2	2.2	(4.3)	(6.5)
Whirlpool	1,832	ADD	1,335	1,236	8	46.2	35.7	29.0	24.7	20.2	16.8	9.1	10.9	12.2	11.7	21.3	26.3	(2.1)	(1.9)	33.2	(15.8)
Kitchen appliances																					
TTK Prestige	996	NR	NA	623	NA	41.2	36.0	30.0	27.4	25.1	20.7	9.8	10.8	12.5	10.1	15.0	13.2	(8.3)	2.6	(0.4)	(10.9)

Source: Bloomberg, Kotak Institutional Equities

Diversified Financials

India

Sector View: **Attractive** NIFTY-50: **24,751**

May 30, 2025

Embracing faster rate transmission

The RBI continues to lay emphasis on NBFCs' swift rate transmission. While EBLR loans are not likely, we believe that NBFCs are set for faster transmission of lower rates; in a few cases, this may help in gaining market share. We have already revised down NIM estimates for most lenders (after 4Q results) to build in flat/marginal NIM expansion hereon.

RBI lays emphasis on smoother rate transmission

In its recent annual report, the RBI has set a goal for the supervision of assessing adherence by regulated entities to pricing guidelines to ensure that customers of such loans are not being charged exorbitant interest rates. The extant regulations on interest rates on advances vary across regulated entities. In order to harmonize the same, a comprehensive review of the extant regulatory instructions is underway. However, while the introduction of the EBLR system of loan pricing for credit extended by NBFCs to select sectors was examined, this was not found to be feasible at this juncture.

Lending rates and sectoral credit data of NBFCs are being collected and analyzed for policy inputs from the RBI. With a view to strengthening the assessment of monetary policy transmission, monthly data on lending rates of major NBFCs covering various sectors of the economy were examined. The RBI noted that interest rates charged by NBFCs tend to be higher compared with SCBs, reflecting their liability structure and the risk profile of their borrowers (Exhibit 1). The degree of monetary policy transmission, thus, differs between NBFCs and scheduled commercial banks.

Lower NIM factored in forecasts; NBFCs continue to largely depend on banks

Exhibit 2 shows that we have revised down our NIM estimates for most NBFCs under coverage, after the 4QFY25 earnings. Exhibit 3 shows that we are building in more of less stable NIM, despite falling rates, reflecting our view of swift transmission to gain market share or otherwise.

Despite some moderation, NBFCs remain significantly dependent on banks for funding, underscoring the need for greater diversification of their funding sources, according to the RBI's observation. With a rally in bond markets, we expect the share of non-bank funding to increase in the near term.

Risk-based supervision

The RBI will also examine the migration of NBFCs to risk-based supervision. Additionally, the review and issue of updated/harmonized regulatory instructions on statutory and concurrent audits in regulated entities is likely. Under the risk-based approach, the criterion to include NBFCs was reviewed and aligned with that of scale-based regulations. Accordingly, all upper layer NBFCs and those with an asset size over Rs50 bn in the middle layer are now covered. The RBI will enhance the existing framework for the supervision of NBFCs in the base layer as well.

Quick Numbers

The share of NBFCs in bank credit is down to 9.8% in FY2025

Bank borrowings constitute 28-56% of the overall borrowings for NBFCs

[Full sector coverage on KINSITE](#)

Nischint Chawathe

M B Mahesh, CFA

Varun Palacharla

Abhijeet Sakhare

Ashlesh Sonje, CFA

Nikhil Suresh

Supervision of information systems

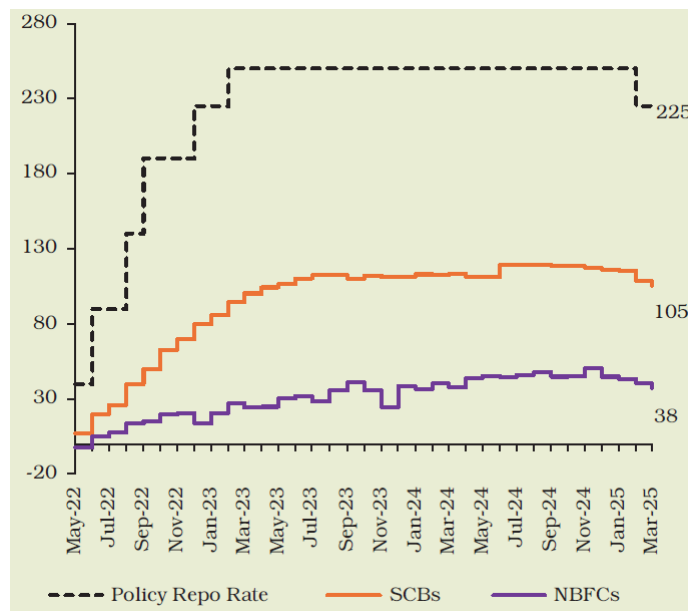
In FY2025, the supervision of NBFCs' information systems was in focus. This included examining the data governance framework for all regulated entities, developing the data quality index (DQI) for offsite returns and deeper integration of offsite analytics with onsite supervision. The regulator developed the supervisory DQI (sDQI) to identify and address deficiencies in risk data aggregation capabilities and risk reporting practices across supervised entities (SEs). The sDQI model is used to assess the quality of data submitted by SEs to DoS through various returns. The model generates entity-wise and aggregates sDQI scores each quarter. The movement in sDQI score is monitored to identify an improvement/a decline in the quality of reporting by various SEs.

Other observations in RBI's AR

- ▶ The draft guidelines on the functions and responsibilities of the board committees in NBFCs and HFCs are under consideration. The extant regulatory requirements for NBFCs/HFCs to obtain prior approval of the RBI for management changes involving more than 30% of directors, excluding independent directors, is also being reviewed.
- ▶ The RBI will consider a differentiated regulatory framework for Type I – NBFCs, i.e., NBFCs without public funds and customer interfaces.
- ▶ The review of guidelines on the valuation of properties based on international best practices is likely.
- ▶ The regulatory framework for web aggregation of loan products may be expected.
- ▶ The RBI has observed that in many cases, illegal apps falsely advertise their relationship with regulated entities, with some entities creating a fake website of an NBFC for listing their app as a partner app of the NBFC.

Degree of repo rate cut transmission by NBFCs is lower than banks

Exhibit 1: Monetary policy transmission to outstanding lending rate of SCBs and NBFCs, May 2022-March 2025 (bps)



Source: RBI, Kotak Institutional Equities

NIM downgrades for most NBFCs

Exhibit 2: Change in estimates of NIM, March fiscal year-ends, 2025-27E

	New estimates			Old estimates			% change		
	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Affordable housing									
Aadhar	6.7	6.7	6.6	6.9	6.9	6.9	-16 bps	-17 bps	-25 bps
Aavas Financiers	6.6	6.7	6.7	6.6	6.5	6.5	0 bps	16 bps	14 bps
Aptus	11.5	11.1	10.8	11.6	11.0	10.6	-3 bps	15 bps	22 bps
Home First	6.7	7.4	7.4	6.7	6.6	6.6	5 bps	85 bps	82 bps
India Shelter	9.6	9.2	8.8	9.7	9.1	8.6	-6 bps	10 bps	20 bps
Other NBFCs and HFCs									
Bajaj Finance	9.7	9.7	9.6	9.7	9.7	9.6	1 bps	-1 bps	3 bps
Bajaj Housing Finance	3.4	3.4	3.3	3.4	3.5	3.5	0 bps	-18 bps	-21 bps
Cholamandalam	6.9	6.9	6.9	6.9	7.0	6.8	-1 bps	-16 bps	12 bps
Five Star	19.5	18.6	18.1	19.3	18.4	17.5	16 bps	26 bps	57 bps
L&T Finance	8.8	8.4	8.4	8.9	8.6	8.5	-14 bps	-17 bps	-9 bps
LIC Housing Finance	2.7	2.6	2.6	2.6	2.8	2.8	4 bps	-18 bps	-19 bps
Mahindra Finance	6.7	6.8	6.8	6.8	6.8	6.8	-7 bps	0 bps	-5 bps
Muthoot Finance	11.3	10.7	10.5	11.5	10.3	10.5	-13 bps	38 bps	0 bps
SBFC	10.5	10.3	10.1	10.9	10.8	10.7	-40 bps	-48 bps	-60 bps
Shriram Finance	9.1	9.3	9.5	9.1	9.3	9.3	-6 bps	8 bps	17 bps

Source: Company, Kotak Institutional Equities estimates

We build in almost stable margins over FY2026-28E

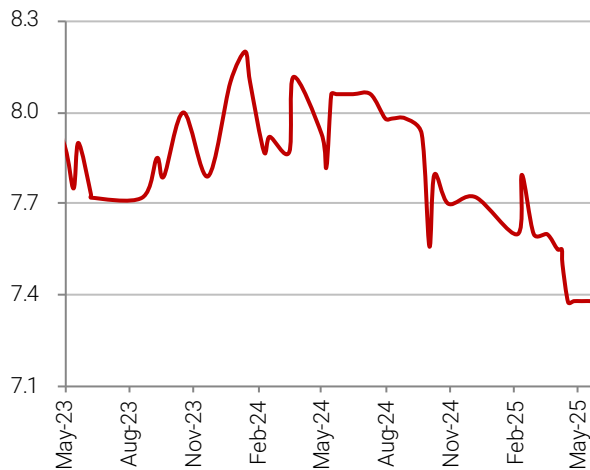
Exhibit 3: Yields, cost of funds and NIM, March fiscal year-ends, 2022-28E (%)

	Yield on loans (%)							Cost of funds (%)							NIM (%)						
	2022	2023	2024	2025	2026E	2027E	2028E	2022	2023	2024	2025	2026E	2027E	2028E	2022	2023	2024	2025	2026E	2027E	2028E
Affordable housing																					
Aadhar	10.9	11.1	11.8	11.8	11.7	11.5	11.5	7.2	7.0	7.6	7.8	7.7	7.5	7.4	5.5	6.1	6.7	6.7	6.7	6.6	6.6
Aavas	13.5	13.4	13.5	13.3	12.9	12.7	12.7	6.7	6.6	7.5	7.7	7.4	7.2	7.1	7.8	7.7	7.1	6.6	6.7	6.7	6.6
Aptus	17.1	17.8	17.1	17.0	16.9	16.6	16.5	8.0	8.5	8.6	9.0	8.8	8.5	8.5	12.6	13.1	12.1	11.5	11.1	10.8	10.5
Home First	13.3	13.9	14.4	14.3	14.1	13.9	13.7	6.6	7.3	8.3	8.5	8.0	8.0	7.8	7.7	8.0	7.4	6.7	7.4	7.4	7.3
India Shelter	15.8	15.7	15.8	15.5	15.2	15.1	14.8	8.3	8.3	9.0	8.6	8.5	8.4	8.2	9.5	9.2	9.3	9.5	8.7	8.4	8.5
Other NBFCs and HFCs																					
Bajaj Finance	15.8	16.1	16.9	16.5	16.3	16.1	16.1	6.6	6.6	7.3	7.6	7.4	7.2	7.2	10.1	10.4	10.3	9.8	9.8	9.7	9.7
Bajaj Housing Finance	8.6	9.6	10.1	10.1	9.7	9.6	9.6	5.9	6.8	7.6	7.9	7.6	7.5	7.4	3.3	3.8	3.5	3.4	3.4	3.3	3.2
Cholamandalam	13.7	13.5	14.1	14.5	14.5	14.2	14.0	6.5	6.9	8.0	8.1	8.0	7.6	7.4	7.5	7.1	6.7	6.9	6.9	6.9	6.9
Five Star	25.3	25.0	25.6	25.7	24.9	24.3	24.1	10.0	7.8	8.9	9.4	9.2	8.9	8.8	19.0	20.6	19.9	19.5	18.6	18.1	17.8
L&TFH	12.5	14.4	15.0	15.3	15.1	14.8	14.5	7.0	7.3	6.7	7.1	7.1	6.8	6.5	6.3	7.5	8.6	8.8	8.4	8.4	8.3
LIC Housing Finance	8.1	8.6	9.6	9.3	9.0	8.8	8.8	6.6	6.9	7.4	7.5	7.2	7.0	7.0	2.3	2.4	3.1	2.7	2.7	2.6	2.7
Mahindra Finance	14.6	14.5	14.1	13.8	13.9	13.7	13.5	6.8	7.0	7.7	7.8	7.6	7.3	7.1	8.6	8.3	7.2	6.7	6.8	6.8	6.7
Muthoot Finance	19.8	17.1	17.9	18.3	17.6	17.3	17.3	8.0	7.4	8.6	8.6	8.4	8.3	8.3	12.9	11.0	11.2	11.3	10.7	10.5	10.4
SBFC	18.7	17.7	17.9	17.9	17.7	17.5	17.5	7.7	8.3	9.1	9.1	8.9	8.6	8.5	10.0	10.2	11.1	11.7	11.4	11.4	11.4
Shriram Finance	14.8	17.6	15.9	15.9	16.1	15.9	15.8	8.8	9.2	8.6	8.8	8.7	8.6	8.6	7.4	10.5	9.2	9.0	9.2	9.3	9.2

Source: Company, Kotak Institutional Equities estimates

Bond yields have moderated for Bajaj Finance

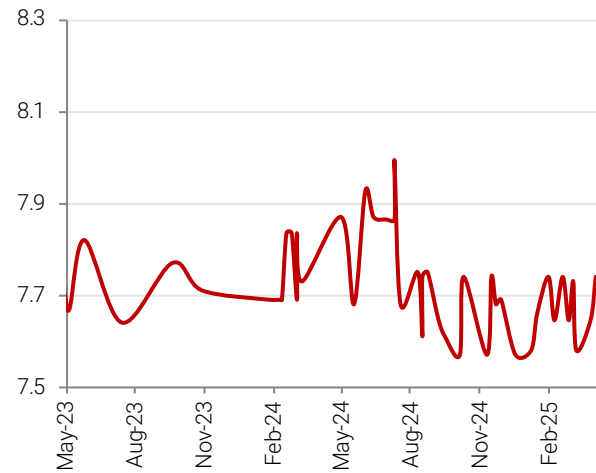
Exhibit 4: Bajaj Finance bond yields, May 2023-May 2025 (%)



Source: Prime database

LICHF's bond yields were rangebound

Exhibit 5: LICHF bond yields, May 2023-April 2025 (%)



Source: Prime database

Share of NBFCs in bank credit has moderated in the past two years

Exhibit 6: Bank credit break-up, March fiscal year-ends, 2019-2025 (Rs bn)

	2019	2020	2021	2022	2023	2024	2025	YoY (%)
Overall bank credit (1)	86,749	103,709	109,495	118,913	136,752	164,322	182,439	11.0
Bank credit to NBFC/HFC (2)	7,011	9,570	9,486	10,335	13,425	15,480	16,361	5.7
Bank credit ex-NBFC/HFC (3:1-2)	79,737	94,139	100,009	108,578	123,327	148,841	166,078	11.6
PFC and REC (4)	843	1,101	1,132	1,269	1,458	1,588	1,454	(8.4)
Total Lending to NBFC/HFCs (5:4+2)	7,855	10,671	10,618	11,603	14,883	17,068	17,815	4.4
Share of bank credit to NBFC (6:5/1,%)	9.1	10.3	9.7	9.8	10.9	10.4	9.8	-62 bps

Source: RBI, Kotak Institutional Equities

Bank borrowings constitute 28-56% of overall borrowings for NBFCs

Exhibit 7: Breakup of borrowings across select NBFCs, March fiscal year-ends, 2019-25 (%)

	2019	2020	2021	2022	2023	2024	2025
Bajaj Finance							
Bank	34	38	32	28	31	33	28
NCDs	38	41	44	50	47	44	48
Subordinate debt	5	4	4	3	1	1	4
Deposits	15	17	20	19	21	22	20
CPs	7	NA	NA	NA	NA	NA	NA
CBLO	—	NA	NA	NA	NA	NA	NA
Chola							
Bank	49	66	61	63	57	49	47
CP	11	8	10	10	8	6	10
NCDs	21	10	15	15	16	16	14
Subordinated debt	8	8	7	7	9	11	14
Securitisation	11	8	7	5	10	18	15
Five Star							
Bank	NA	NA	NA	32	56	65	56
Other term loans	NA	NA	NA	6	6	12	17
NCDs	NA	NA	NA	39	12	5	10
Securitisation	NA	NA	NA	19	23	17	17
ECB	NA	NA	NA	3	2	1	1
L&T Finance							
Term loan	39	44	38	41	50	53	56
NCDs and others	47	50	55	52	38	40	35
CP	14	6	7	7	12	7	9
Mahindra Finance							
Bank loans	28	30	25	28	40	48	48
NCDs	44	35	33	37	32	28	25
FDs	11	15	16	15	7	8	10
CP/ ICD	9	0	2	2	8	7	3
Securitisation	8	15	18	14	9	6	8
Offshore borrowings		5	7	5	4	3	6
Muthoot Finance							
Gold bonds	2	1	1	0	0	—	—
Listed NCDs	28	26	29	25	27	28	26
Bank loans	49	39	43	55	60	63	53
Subordinated debt	2	1	0	0	0	0	0
Others	2	24	18	17	10	1	14
SBFC							
Bank	NA	84	91	92	78	49	50
NCDs	NA	11	5	1	1	10	13
Securitisation	NA	5	2	2	10	7	4
FCNB	NA	—	—	—	—	21	18
FI	NA	—	1	4	10	13	15
Foreign bank	NA	—	—	—	1	—	—
Shriram Finance							
NCDs	29	22	20	19	19	17	18
Deposits	12	13	15	19	23	24	24
Securitization	20	23	22	17	14	16	17
Subordinated debts	7	6	4	4	3	2	1
Term loans	18	16	16	20	26	25	22
ECB	6	15	18	17	8	6	7
ECB loans	3	5	4	4	6	8	8
Others	2	2	1	—	—	3	2

Source: Company, Kotak Institutional Equities

Bank borrowings constitute 32-60% of overall borrowings for HFCs
Exhibit 8: Breakup of borrowings across select HFCs, March fiscal year-ends, 2019-25 (%)

	2019	2020	2021	2022	2023	2024	2025
Aadhar							
Bank	NA	NA	62	60	54	55	53
NHB	NA	NA	16	22	25	25	23
NCD	NA	NA	21	17	21	20	21
Others	NA	NA	1	2	1	—	3
Aavas							
	36,533	53,520	63,454	79,725	98,407	123,365	138,499
Term loans	42	43	34	38	45	48	51
Assignment	28	25	24	23	22	24	25
NHB	19	14	23	22	21	20	14
NCD	11	19	19	18	12	9	10
Aptus							
Bank	42	49	52	50	60	63	52
NHB	9	14	23	32	26	24	15
NCD	44	32	17	14	10	5	19
Others	6	5	8	4	4	8	14
Bajaj Housing Finance							
Term loans	NA	69	64	59	59	51	41
NCD	NA	25	27	30	36	35	46
NHB	NA	—	—	—	3	10	10
CP	NA	6	9	9	1	4	3
ICD	NA	—	—	1	—	—	—
Home First							
	#####	#####	#####	#####	#####	#####	-
Bank	60	58	44	45	58	60	60
NBFC	—	2	1	2	2	2	2
NHB	26	21	29	27	15	18	16
NCD	—	—	6	4	6	3	3
DA	13	19	20	23	19	17	16
ECB	—	—	—	—	—	—	3
India Shelter							
Bank	NA	NA	56	72	69	56	54
NHB	NA	NA	36	17	19	15	15
NCD	NA	NA	6	9	6	1	1
DA	NA	NA	2	2	3	22	20
ECB	NA	NA	—	—	3	6	4
PTC	NA	NA	—	—	—	2	7
LIC Housing Finance							
	#####	#####	#####	#####	#####	#####	#####
Bank	15	22	25	30	34	34	32
NCDs	75	65	54	53	50	52	55
Deposit	4	7	9	8	5	4	3
NHB	1	1	5	4	5	4	4
CP and others	4	4	6	4	5	5	5

Source: Company, Kotak Institutional Equities

Insurance

India

Sector View: **Attractive** NIFTY-50: **24,751**

May 30, 2025

What happens next?

Life insurance stocks had a good month with a 5-17% rally following an in-line 4Q performance and optimistic outlook. Management guidance remains moderate/mixed—we believe falling rates will buoy non-par policies; while ULIP sales remain challenging to forecast, the outlook on protection remains strong—all of the above providing tailwinds to VNB. Non-life's earnings were distorted by the 1/n rule; while low vehicle sales remain a concern, pricing for commercial lines seems to have improved. HDFC Life remains our preferred pick; LIC has strong equity tailwinds. ICICI Lombard is well-placed in the non-life space; PB Fintech remains SELL.

FY2025: A year of two halves

Life insurance companies (listed private sector players) reported 9-18% APE growth in FY2025, largely front-ended with (-)4% to +11% APE growth in 4QFY25. The annual margin compression, down 35-300 bps yoy, largely reflects a shift in business mix (higher ULIPs, lower credit protect) and the impact of surrender value guidelines, although lower than initially expected.

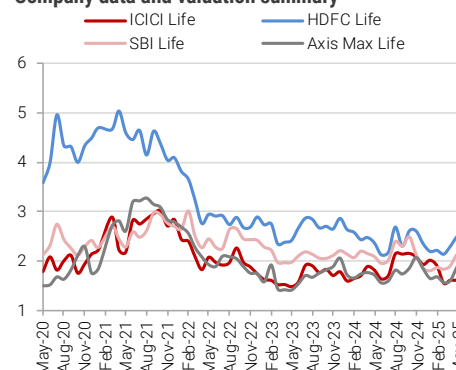
Uneasy weakness over the past few months; we remain assertive

APE growth for the private sector has moderated progressively in FY2025: 7% in 4QFY25 and 13% in 3QFY25, from 24% in 1HFY25. This may be due to two reasons—(1) lower ULIP sales versus 1H and (2) lower momentum at agency likely reflecting the impact of surrender value guidelines. Insurance companies are using a combination of clawback and deferrals to align distributor incentives with new surrender value guidelines. A high base of 1H may lead to weaker business. LIC has reported maximum slowdown (APE down 24% in 3Q and 11% in 4Q). As such, the management outlook (detailed later) is moderate/mixed.

Non-par, ULIPs, retail protection and credit life. We believe (bank) deposit rate cuts will prompt sales of long-term savings, mainly non-par policies. ULIP sales may hold on as well, after the recent bounce in equity markets; inflows to MFs declined marginally in April. Credit life, which faced the heat from the meltdown in MFI, will likely benefit from an increase in disbursements on a low base in FY2026E; the non-MFI book is growing steadily. Retail protection has grown at a brisk pace and the momentum will continue; SA growth has been more impressive.

Margins versus growth. Life companies have focused on growing the agency business. Most companies continue to guide for sustaining investment to grow a number of policies; as such, margin expansion may be muted despite a shift in higher-margin products. Our forecasts remain moderate with upside risks if all the catalysts play out. Valuations stay low; we continue to be the most bullish on HDFC Life, which has toggled well on products and channels.

Company data and valuation summary



Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

Quick Numbers

Muted premium growth of (-)11% to 10% yoy in 4QFY25

[Full sector coverage on KINSITE](#)

Nischint Chawathe

M B Mahesh, CFA

Varun Palacharla

Abhijeet Sakhare

Ashlesh Sonje, CFA

Nikhil Suresh

Non-life: Mixed bag

Non-life's 4QFY25 results were tempered by the 1/n rule. Weak industry growth across most segments, reflecting low vehicle sales and subdued pricing in commercial lines, added to the woes. Going forward, we see signs of improvement in commercial pricing with welcoming growth in April. Competitive intensity in the motor business is currently low from private players but PSUs are aggressive, even as the industry is assertively expecting TP rate hikes. ICICI Lombard remains our preferred pick in the sector. PB Fintech remains a SELL—high valuations coupled with normalizing growth (21% in 4QFY25, 60-66% in 1HFY25, 30% in FY2026E) in the digital new business and moderating margins in the renewal business.

Moderate/mixed guidance by life companies

Exhibit 1: Summary of APE/VNB guidance provided by life companies

	APE	VNB/VNB margin
Axis Max Life	13-14% APE growth / 300-400 bps market share gain	24-25%
HDFC Life	Faster than sector	Doubling or near-doubling VNB over 4-5 years
ICICI Prudential Life	Build yoy	Endavor to grow VNB ahead of APE
SBI Life	13-14% growth: 10% of low-double digits in banca	27-28%

Source: Company, Kotak Institutional Equities

Life insurers reported moderate APE growth and margin expansion in 4QFY25

Exhibit 2: APE, VNB and VNB margins, March fiscal year-ends, 4QFY24-4QFY25

	Key metrics					YoY (%)				
	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
APE (Rs bn)										
Axis Max Life	29	15	22	21	30	13.2	30.5	31.3	17.4	5.8
HDFC Life	47	29	39	36	52	(8.4)	23.1	26.7	11.8	9.7
ICICI Prudential Life	36	20	25	24	35	9.6	34.4	21.4	27.8	(3.2)
LIC	212	116	165	100	189	10.7	21.3	25.7	(24.4)	(11.0)
SBI Life	53	36	54	69	55	16.6	20.1	3.1	13.2	2.3
VNB margin (%)										
Axis Max Life	29	17	24	23	28	-175 bps	-471 bps	-157 bps	-404 bps	-54 bps
HDFC Life	26	25	24	26	27	-317 bps	-115 bps	-199 bps	-77 bps	43 bps
ICICI Prudential Life	21	24	23	21	23	-1052 bps	-593 bps	-458 bps	-166 bps	124 bps
LIC	17	14	18	19	19	-201 bps	27 bps	257 bps	-65 bps	154 bps
SBI Life	28	27	27	27	30	-321 bps	-200 bps	-168 bps	-40 bps	234 bps
VNB (Rs bn)										
Axis Max Life	8.2	2.5	5.1	4.9	8.5	6.6	2.8	23.1	—	3.8
HDFC Life	12.3	7.2	9.4	9.3	13.8	(18.3)	17.7	17.1	8.6	11.5
ICICI Prudential Life	7.8	4.7	5.9	5.2	8.0	(26.4)	7.8	1.6	18.6	2.4
LIC	36.5	16.1	29.4	19.3	35.3	(0.9)	23.7	46.9	(26.9)	(3.0)
SBI Life	15.0	9.8	14.4	18.8	16.6	4.7	11.8	(3.0)	11.6	10.8

Source: Company, Kotak Institutional Equities

We model moderate mid-teen growth and stable margins for most players

Exhibit 3: APE, VNB and VNB margins, March fiscal year-ends, 2023-28E

	Key metrics (Rs bn/%)						YoY (%)					
	2023	2024	2025	2026E	2027E	2028E	2023	2024	2025	2026E	2027E	2028E
APE (Rs bn)												
Axis Max Life	62	74	88	102	118	137	12	19	18	16	16	16
HDFC Life	133	133	155	180	210	246	37	(0)	16	16	17	17
ICICI Prudential Life	86	90	104	118	135	156	12	5	15	13	15	15
LIC	567	570	568	540	551	562	12	1	(0)	(5)	2	2
SBI Life	168	197	214	242	277	319	18	17	9	13	15	15
VNB margin (%)												
Axis Max Life	31.2	26.5	23.5	24.2	24.8	25.0	385 bps	-465 bps	-301 bps	64 bps	61 bps	21 bps
HDFC Life	27.5	26.3	25.6	26.0	26.3	26.6	14 bps	-121 bps	-75 bps	40 bps	30 bps	30 bps
ICICI Prudential Life	32.0	24.6	22.8	23.8	24.2	24.3	403 bps	-738 bps	-185 bps	104 bps	37 bps	13 bps
LIC	16.2	16.8	17.6	17.0	16.4	16.2	103 bps	67 bps	80 bps	-62 bps	-65 bps	-18 bps
SBI Life	30.2	28.1	27.8	28.1	28.0	28.0	426 bps	-202 bps	-37 bps	36 bps	-15 bps	0 bps
VNB (Rs bn)												
Axis Max Life	19	20	21	25	29	34	28	1	7	18	18	17
HDFC Life	37	35	40	47	55	65	37	(5)	13	18	18	18
ICICI Prudential Life	28	22	24	28	33	38	28	(19)	6	18	17	16
LIC	92	96	100	92	90	91	20	5	4	(8)	(2)	1
SBI Life	51	56	60	68	78	89	37	9	7	14	14	15

Source: Company, Kotak Institutional Equities

Long term growth implications of 6-8% for private players

Exhibit 4: Kotak estimates versus market price implied estimates, March 2027E

	FV (Rs)	AV/EV (X)	EV/share (Rs)	NBM (X)	VNB/share (Rs)	Long term growth (%)	Cost of equity (%)
Axis Max Life							
Kotak estimates	1,540	2.1	726	13.3	61	8.6	13.5
CMP implied	1,490	2.1	726	12.5	61	8.4	13.5
HDFC Life							
Kotak estimates	875	2.5	350	20.4	26	10.0	13.0
CMP implied	781	2.2	350	16.8	26	8.4	13.0
ICICI Pru Life							
Kotak estimates	790	1.8	436	15.4	23	9.8	13.5
CMP implied	668	1.5	436	10.1	23	5.9	13.5
SBI Life							
Kotak estimates	1,825	1.9	979	10.9	78	7.7	13.0
CMP implied	1,825	1.9	979	10.9	78	7.7	13.0

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Actual impact of new surrender value guidelines is benign

Exhibit 5: Guaranteed surrender values across tenure of a Rs100,000 ticket size non-par policy (%)

Year	Guaranteed surrender value of old products				SSV as per final guidelines						Surrender value of new products			
	HDFC Life Sanchay Plus	ICICI Prudential GIFT Pro	Max Life Smart Wealth Plan		HDFC Life Sanchay Plus (Case a)	HDFC Life Sanchay Plus (Case b)	ICICI Prudential GIFT Pro	Max Life Smart Wealth Plan (Case a)	Max Life Smart Wealth Plan (Case b)	SBI Life Smart Plaitna Assure	HDFC Life Sanchay Plus	ICICI Prudential GIFT Pro	Max Life Smart Wealth Plan	SBI Life Smart Plaitna Assure
1	-	-	-		61	33	56	67	40	58	26	58	41	59
2	30	30	30		66	35	60	72	44	62	31	62	45	58
3	35	35	35		71	38	65	78	47	67	36	67	48	65
4	50	50	50		76	41	70	83	50	72	52	72	51	70
5	50	71	50		82	44	75	90	54	77	52	77	55	74
6	50	77	50		88	47	81	96	58	83	52	83	59	79
7	50	84	50		95	51	87	103	62	89	52	89	63	83
8	75	91	70		102	54	93	111	67	96	81	96	68	87
9	90	99	90		109	58	100	120	72	103	84	103	73	91
10	90	107	100		117	63	108	129	78	111	101	111	78	95

Source: Company, Kotak Institutional Equities

Sharp rise in back book surplus for Axis Max Life in 4QFY25

Exhibit 6: PAT and surplus for Axis Max Life, March fiscal year-ends, 4QFY24-4QFY25, 2020-2025 (Rs bn)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	2020	2021	2022	2023	2024	2025	YoY (%)
Undewriting profits	(1.5)	(0.7)	0.8	0.0	(0.6)	NM	4.3	3.8	1.5	2.5	0.2	(0.4)	(271)
New business strain	(5.7)	(4.5)	(5.6)	(5.4)	(5.7)	(1)	(7.6)	(8.6)	(9.3)	(13.2)	(16.0)	(21.2)	32
Backbook surplus	4.2	3.8	6.4	5.4	5.1	20	11.9	12.4	10.8	15.6	16.3	20.8	28
Shareholders surplus	1.0	1.0	1.2	1.1	1.2	24	1.1	1.4	2.4	1.9	3.4	4.5	33

Source: Company, Kotak Institutional Equities

Back book surplus up 17% yoy for HDFC Life

Exhibit 7: PAT and surplus for HDFC Life, March fiscal year-ends, 4QFY24-4QFY25, 2020-2025 (Rs bn)

	Merged 4QFY24	Merged 1QFY25	Merged 2QFY25	Merged 3QFY25	Merged 4QFY25	YoY (%)	2021	2022	Merged 2023	Merged 2024	Merged 2025	YoY (%)
PAT	4.1	4.8	4.4	4.1	4.8	16.3	13.6	12.1	13.6	15.7	18.0	14.6
Underwriting profits	2.2	2.7	1.9	2.1	2.4	7.1	7.3	4.4	5.9	6.7	9.1	35.8
New business strain	(14.1)	(11.5)	(11.4)	(12.7)	(16.8)	NM	(25.0)	(30.5)	(38.3)	(45.5)	(52.4)	15.2
Existing business surplus	16.3	14.2	13.3	14.8	19.1	17.0	32.3	34.9	44.2	52.2	61.4	17.6
Shareholder's surplus	1.8	2.2	2.3	2.0	2.5	39.8	6.3	7.7	7.7	8.9	9.0	1.1
Solvency (%)	187	186	181	188	194	700 bps	201	176	203	187	186	-100 bps

Source: Company, Kotak Institutional Equities

Product mix shift drives margin compression for private players

Exhibit 8: VNB walk, March fiscal year-ends, 2024-2025 (%)

	HDFC Life	LIC	SBI Life
FY2024			
Opening VNB margin (FY2023)	27.6	16.2	30.1
Change in assumptions	(0.2)	0.3	1.0
Change in product mix	(0.4)	4.7	(2.9)
Impact of product benefits	-	(4.4)	-
Economic variance	-	-	(0.1)
Fixed cost absorption	(0.7)	-	-
Closing VNB margin (FY2024)	26.3	16.8	28.1
FY2025			
Opening VNB margin (FY2024)	26.3	16.8	28.1
Change in assumptions	-	1.4	0.2
Change in product mix	(0.6)	2.2	(0.4)
Impact of product benefits	(0.2)	-	-
Economic variance	-	(2.8)	(0.1)
Fixed cost absorption	0.1	-	-
Closing VNB margin (FY2025)	25.6	17.6	27.8

Source: Company, Kotak Institutional Equities

Growth remains moderate in April 2025

Exhibit 9: Yoy growth in total APE across life insurers, March fiscal year-ends, April 2024-April 2025 (%)

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Aditya Birla Sun Life	13	15	34	42	25	68	34	25	24	46	26	32	(4)
Axis Max Life	34	30	17	44	20	38	15	24	10	13	9	11	22
Bajaj Allianz	23	16	33	50	19	25	12	(12)	3	6	1	(5)	(1)
Canara HSBC	123	65	37	21	21	21	14	260	(43)	(8)	(17)	(9)	13
HDFC Life	23	21	28	54	9	22	24	5	9	25	5	5	8
ICICI Prudential Life	63	52	26	32	27	30	23	58	8	10	(10)	(7)	(12)
India First	(42)	(33)	(28)	(21)	(21)	(5)	5	(14)	25	59	111	72	19
Reliance Life	(23)	1	10	(1)	1	36	(23)	1	(15)	4	(7)	(13)	0
SBI Life	22	19	20	9	0	8	7	9	16	3	(5)	0	2
Star Union Daichi	14	14	7	14	77	19	(18)	(4)	(24)	118	(37)	1	1
Tata AIA	30	21	18	13	14	61	6	6	16	13	7	2	(1)
Private sector	23	22	21	25	13	26	13	18	11	16	2	3	3
Top 4	30	26	23	28	9	20	15	17	13	12	(0)	2	4
Private (ex-Top 4)	14	16	19	22	19	35	10	19	7	22	6	4	1
Select tier-II players	26	19	25	30	16	44	9	(3)	10	10	4	(1)	(1)
LIC	45	12	14	6	14	33	(5)	(20)	(27)	(11)	(21)	(1)	2
Total	32	17	18	17	13	29	6	3	(2)	5	(7)	2	2

Source: IRDA, LI Council, Kotak Institutional Equities

Player-wise 4Q results summary:

- ▶ **Weakness in core channels drags down growth for Axis Max Life.** Max Life reported muted 5.8% yoy APE growth and 3.8% VNB growth in 4QFY25. Margin compression was contained at 54 bps in 4QFY25, likely driven by a shift in product mix. Par and protection growth was strong at 34-81% yoy, driving overall APE growth. The share of ULIPs is down to 40% from 44-45% in the previous two quarters, supporting margins. Growth in proprietary and Axis Bank channels was moderate at ~3% yoy. Non-Axis Bank bancassurance channels delivered strong 53% yoy APE growth, albeit on a low base.
- ▶ **HDFC Life reported moderate APE growth and stable margins.** APE growth moderated to 9.7% yoy in 4QFY25 from 12% yoy in 3QFY25, 26.7% in 2QFY25 and 23.1% in 1QFY25. The company reported VNB margin of 26.5% in 4QFY25, up 47 bps qoq and 43 bps yoy. Despite weakness in 4Q, APE growth for full year FY2025 was strong at 16.5% yoy. 75 bps yoy VNB compression was driven by a shift in product mix (60 bps) and new surrender guidelines (20 bps); the latter reflects higher growth in ULIPs over traditional and a decline in group protect business due to a slowdown at MFIs. Agency APE growth was up 21% in 4QFY25 (18% in 1HFY25), driving overall premium growth.
- ▶ **Adverse product mix drags down margins for ICICI Prudential Life.** ICICI Prudential life reported 3.2% yoy APE decline in 4QFY25, largely due to a high base. The 3-year CAGR of APE was moderate at 10.3%, similar to 10.4% reported for the full-year FY2025 (3-year CAGR). VNB margins were weak at 22.7% in 4QFY25 compared to 23.4-24% in 1HFY25 and ~23% (ex-group) in 3QFY25. Lower expense absorption, higher share of ULIPs, lower credit protect business and lower margins in group protection likely led to moderation in margins.
- ▶ **SBI Life reported strong margins expansion.** Despite muted APE growth of 2.3% yoy, SBI Life reported VNB growth of 10.8% yoy driven by margin expansion. Weakness at core bancassurance sustains with 9.4% yoy APE growth. The company focused on improving product mix and productivity of agents, leading to muted APE growth but elevated margins (up 234 bps yoy) of 30% in 4QFY25. Change in surrender regulations and taxation of high-ticket traditional policies had lower impact on margins for SBI Life compared to peers, driving highest margins among listed players.
- ▶ **LIC's weak volumes were partially offset by margin expansion.** LIC reported 11% APE decline during the quarter. Volumes were weak in 2HFY25 (down 16% yoy) post implementation of surrender value guidelines (up 24% in 1HFY25). VNB margin was up 154 bps yoy to 18.7% in 4QFY25, as the shift in the product mix (up 220 bps) and benefit of lower expenses (up 140 bps) were partially offset by the drag of lower G-Sec yields (down 280 bps). Operational efficiencies led to a 477 bps yoy decline in the cost-to-APE ratio to 19% in FY2025.

- **Product mix shift supports margins for Bajaj Allianz Life.** Bajaj Allianz Life reported strong 14.4% yoy VNB growth in 4QFY25, driven by sharp 400 bps yoy margin expansion. Sharp rise in share of non-par and retail protection (up 300-400 bps yoy) during the quarter led to margin expansion. Bajaj Allianz 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/payout structures after the implementation of surrender value guidelines has likely led to weak volumes in the agency channel.

Strong retail protection growth for most, group protection weak

Exhibit 10: Protection APE, March fiscal year-ends, 4QFY24-4QFY25, 2021-2025 (Rs bn)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	2021	2022	2023	2024	2025	YoY (%)
Axis Max Life												
Retail protection	1.8	1.5	2.2	2.1	3.0	65.0	4.5	4.2	3.7	5.9	6.5	9.5
Group protection	0.5	1.5	1.1	0.9	0.9	80.7	2.5	3.6	3.1	3.7	3.9	6.2
HDFC Life												
Retail protection	1.4	1.5	2.0	1.9	1.4	1.9	4.9	4.6	4.4	5.8	6.8	18.3
Group protection	3.0	2.5	2.7	2.8	2.2	(25.9)	5.8	8.7	12.7	11.5	10.2	(11.3)
ICICI Prudential Life												
Retail protection	1.4	1.1	1.7	1.7	1.7	23.7	5.7	3.9	3.3	4.8	6.1	28.2
Group protection	3.0	2.4	2.5	2.5	2.5	(14.8)	4.7	9.2	11.8	10.5	10.1	(4.0)
SBI Life												
Retail protection	2.9	1.5	1.7	2.1	3.0	3.4	7.3	9.2	9.8	9.4	8.3	(11.7)
Group protection	2.9	1.5	3.3	3.3	4.1	41.4	4.7	6.2	8.0	11.6	12.2	5.2

Source: Company, Kotak Institutional Equities

Growth in sum assured has been strong

Exhibit 11: Yoy growth in individual sum assured, March fiscal year-ends, 2019-2025 (%)

	2019	2020	2021	2022	2023	2024	2025
Aditya Birla Sun Life	113	(3)	(3)	5	(10)	13	93
Axis Max Life	89	7	22	(2)	1	33	31
Bajaj Allianz	139	11	124	(9)	82	37	79
Canara HSBC	87	11	35	(25)	(5)	34	5
HDFC Life	57	21	(4)	(1)	7	46	18
ICICI Prudential Life	67	11	(14)	(14)	(11)	38	37
India First	36	19	108	53	(16)	(37)	139
Kotak	57	5	38	(12)	(15)	(12)	18
Reliance Life	79	4	30	(12)	(5)	8	(8)
SBI Life	72	6	(2)	16	13	13	43
Star Union Daichi	25	(10)	29	40	24	8	20
Tata AIA	172	71	1	41	44	37	31
Private sector	76	15	6	3	12	30	35
LIC	35	12	(9)	14	4	(9)	(7)
Total	60	14	1	6	10	18	25

Source: IRDA, LI Council, Kotak Institutional Equities

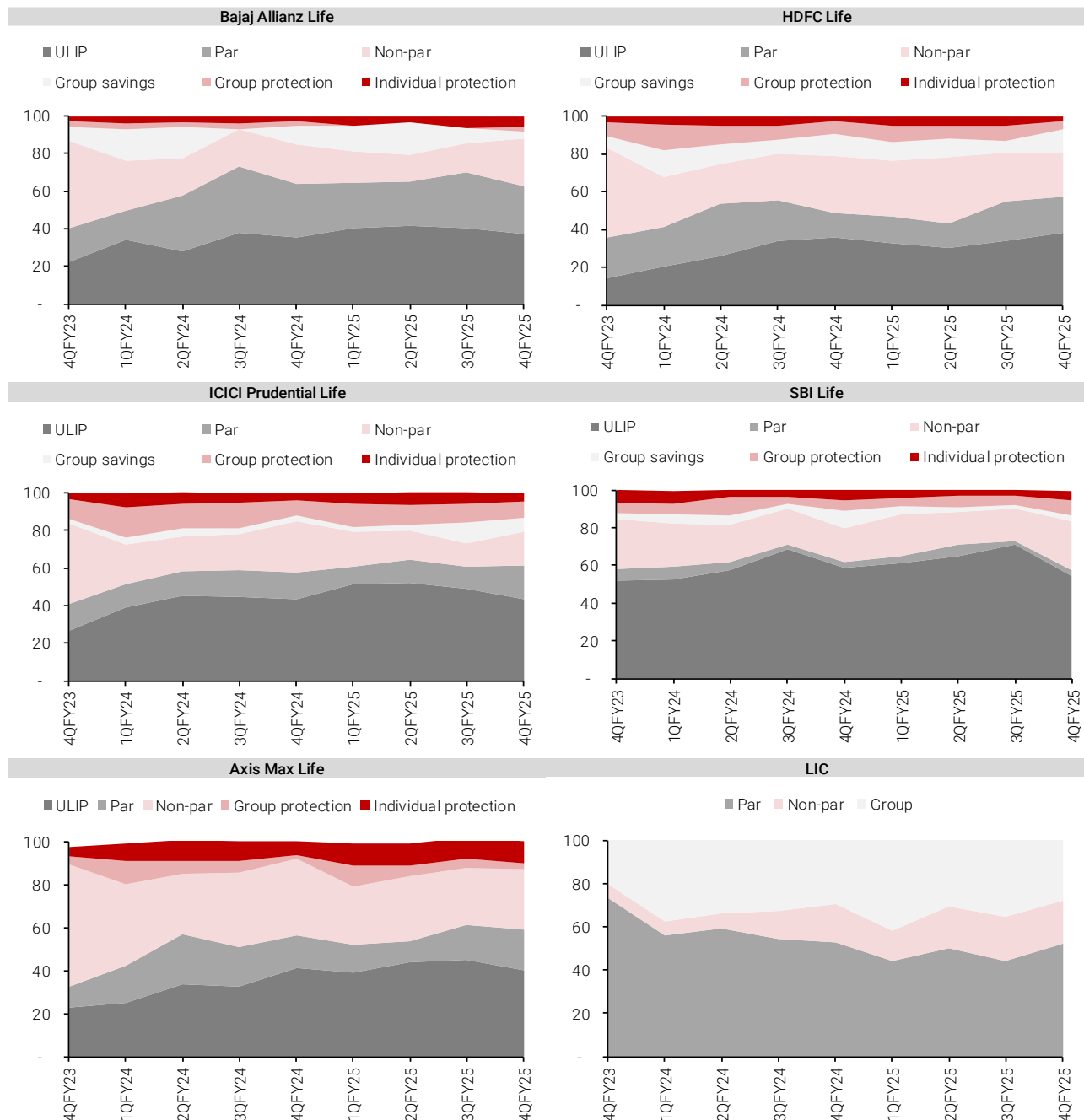
ULIP remains dominant; non-par picks up

- **Share of non-par has picked up sequentially for most players.** While HDFC Life reported decline in share of non-par to 23% (26% in 3QFY25 and 30% in 4QFY24), rest of the private players reported 170-970 bps sequential rise in share of non-par to 18-28%. Decline in deposit rates (Exhibit 14) has likely led to higher demand for long-term guaranteed return products.
- **Retail protection holds on well for most on annual basis.** HDFC Life and SBI Life reported muted 1.9-3.4% growth in retail protection APE, ICICI Prudential Life and Max Life fared better (up 24-65% yoy) in 4QFY25. For full-year FY2025, SBI Life reported 11.7% decline and Axis Max Life reported 5% growth in the segment. HDFC Life and ICICI Prudential Life reported strong 18-28% retail protection growth.

- ▶ **ULIP growth has moderated.** ULIP growth at (-)5% to 17% yoy across players has moderated from 13-61% in 3QFY25. Volatility in equity markets has likely driven this moderation in growth. Equity markets have bounced back in May 2025 as well as ULIP demand. SBI Life operates at the higher end with 64% share of ULIPs in FY2025, while HDFC Life is at the lower end (28%). Axis Max Life, ICICI Prudential Life and Bajaj Life have 40-45% share of ULIPs in overall APE.
- Notably, sum assured growth for private players at 18-43% is higher than protection growth, likely due to higher rider attachment in ULIPs. This may have improved the margin profile of ULIPs.
- ▶ **Group protection trends remain weak across players.** Growth in group protection was weak at (-)11% to 6% in FY2025. Lower disbursements in MFI segment (credit protect) were the likely cause of muted group protection APE.

ULIP maintains share; non-par picks up

Exhibit 12: Product mix of select life insurers, March fiscal year-ends, 4QFY23-4QFY25 (%)



Source: Company, Kotak Institutional Equities

ULIP growth has slowed down across players

Exhibit 13: Product-wise growth, March fiscal year-ends, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
APE growth yoy (%)									
HDFC Life	69	22	15	(2)	(8)	23	27	12	10
Savings	74	20	14	(1)	(7)	30	31	11	12
ULIP	9	22	62	88	132	99	50	13	17
Par	41	5	35	(2)	(44)	(19)	(43)	7	59
Non-par	161	16	(15)	(30)	(41)	36	91	17	(13)
Protection	42	33	21	(10)	(23)	(6)	1	17	(17)
Individual	62	46	110	54	(24)	31	31	12	2
Group	34	28	0	(31)	(22)	(19)	(13)	22	(26)
ICICI Prudential Life	26	(4)	3	5	10	34	21	28	(3)
Savings	32	(6)	3	5	12	44	24	32	(5)
ULIP	(24)	(8)	13	9	77	78	40	42	(3)
Par	114	50	47	65	10	2	12	-	22
Non-par (incl annuity)	96	(18)	(23)	(21)	(26)	12	1	35	(19)
Annuity	102	(7)	(7)	17	261	135	74	50	(58)
Protection	(1)	4	3	5	(5)	3	8	9	9
Max Life	35	9	39	19	16	31	29	19	6
Savings	44	8	35	13	16	29	30	20	0
ULIP	(10)	(27)	43	70	107	104	73	61	3
Par	(31)	10	93	82	66	(0)	(46)	5	34
Non-par savings	153	55	2	(25)	(29)	(7)	42	(11)	(17)
Protection	(20)	16	70	75	15	37	26	16	68
Individual	(24)	26	74	66	60	63	36	30	65
Group	(13)	10	65	90	(42)	19	10	(8)	81
SBI Life	11	4	34	13	17	21	3	13	2
Savings	10	3	31	14	18	26	8	13	(0)
ULIP	(9)	17	50	18	32	40	16	18	(5)
Par	36	18	(4)	(25)	(43)	(30)	39	(39)	-
Others	65	(18)	6	10	7	14	(17)	3	10
Non-par	119	(20)	(4)	6	(21)	15	(6)	5	51
Protection	15	16	56	(2)	5	(19)	(29)	20	22
Individual	(3)	5	(5)	(12)	(3)	(29)	(19)	(9)	3
Group	39	33	113	10	16	(6)	(33)	50	41
Bajaj Life	48	14	31	24	17	27	34	(0)	(0)
ULIP	3	27	28	46	87	41	97	13	(0)
Par	2	(22)	81	141	93	86	1	(14)	(18)
Non-par	132	28	(3)	(38)	(43)	(17)	0	(0)	22
Protection	122	91	76	24	17	51	34	75	100
Non-par savings	133	22	(9)	(44)	(46)	(28)	(5)	(15)	12

Source: Company, Kotak Institutional Equities

Deposit rates have moderated

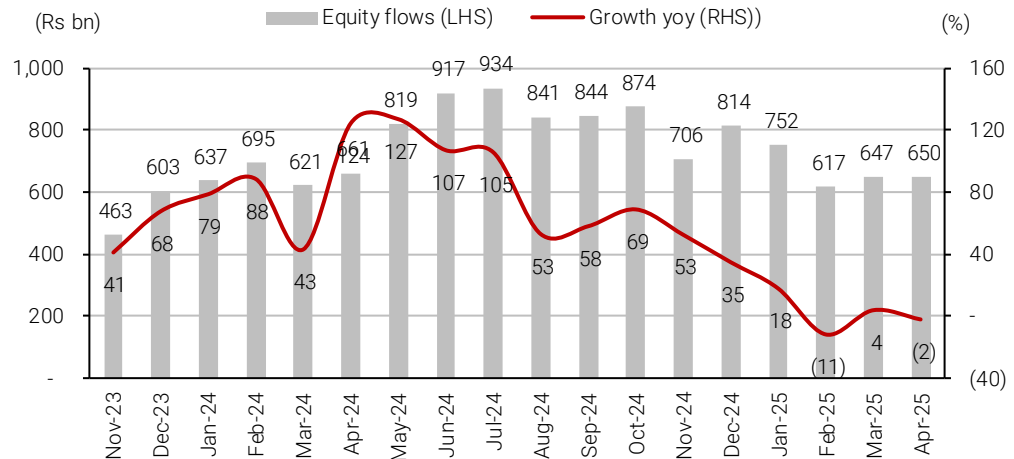
Exhibit 14: 1-year term deposit rates of banks, March 2021-April 2025 (%)

	Mar-21	Mar-22	Mar-23	Mar-24	Apr-24	Jun-24	Sep-24	Dec-24	Mar-25	Apr-25	YoY (bps)
Bank of Baroda	5.0	5.0	6.8	7.1	7.1	7.2	7.2	7.3	7.3	7.2	5
Canara Bank	5.2	5.1	7.2	7.3	7.3	7.3	6.9	7.3	7.3	7.3	0
Punjab National Bank	5.2	5.0	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.1	(15)
State Bank of India	5.0	5.1	7.1	7.1	7.1	7.1	7.3	7.3	7.3	7.1	(5)
Axis Bank	5.2	5.2	7.2	7.2	7.2	7.2	7.3	7.3	7.3	7.1	(15)
HDFC Bank	4.9	4.9	7.1	7.3	7.3	7.3	7.3	7.3	7.3	7.1	(20)
ICICI Bank	5.0	5.0	7.1	7.2	7.2	7.2	7.3	7.3	7.3	7.1	(15)
Indus Ind	6.5	6.0	7.8	7.8	7.8	8.0	8.0	8.0	7.8	7.8	0

Source: Company, Kotak Institutional Equities

Equity flows down just 2% yoy in April

Exhibit 15: Gross equity flows into mutual funds, November 2023-April 2025



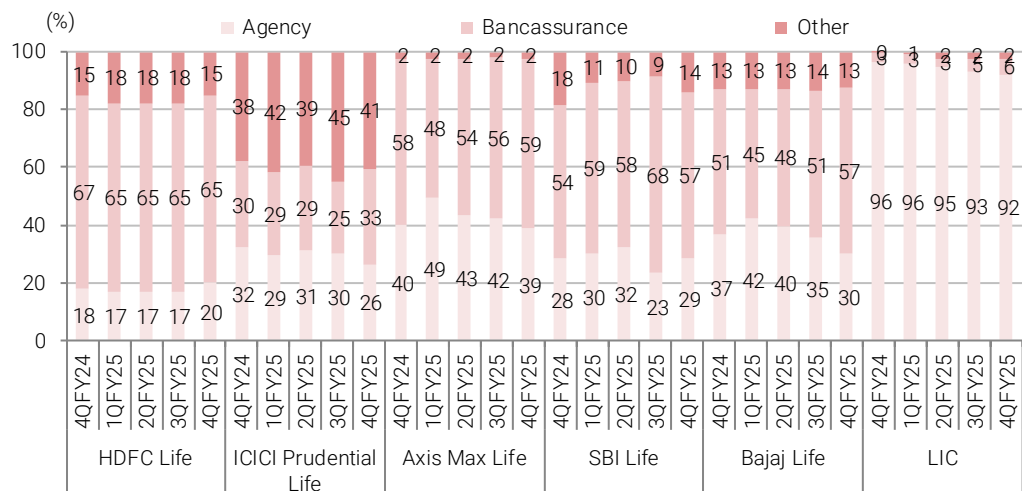
Source: AMFI, Kotak Institutional Equities

Growth was muted across both agency and bancassurance

- **Bancassurance volume was muted.** Banks have likely focused on deposit gathering, leading to yoy flat bancassurance APE at top-5 banks, up 7% in 3QFY25 and 14-17% in 1Q-2QFY25. Based on our rough estimates, HDFC and SBI reported 4-9% yoy growth. Axis Bank's APE likely declined 7% yoy.
- **Agency volumes declined for most players.** While HDFC Life reported strong growth of 21%, rest of the players reported either muted APE growth or sharp decline in APE. Axis Max Life and SBI life reported muted 3-4% yoy APE growth. Bajaj Allianz Life and ICICI Prudential life reported 17-20% yoy APE decline. Agency growth, for top four listed players, was higher at 14-21% for FY2025; 4Q moderation seems to be a pause, most players are committed to making further investments in agency.

Stable channel mix for most players

Exhibit 16: Channel mix, March fiscal year-ends, 4QFY24-4QFY25 (%)



Source: Company, Kotak Institutional Equities

Bancassurance business was flat yoy in 4QFY25

Exhibit 17: Bancassurance premium growth across banks, March fiscal year-ends, 4QFY23-4QFY25 (% yoy)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Axis Bank	19	4	28	(5)	10	0	11	0	(7)
HDFC Bank	51	16	8	(1)	9	27	28	8	4
State Bank of India	7	9	21	15	5	9	3	9	9
Five key banks	21	5	14	5	11	17	14	7	(1)

Source: Company, Kotak Institutional Equities estimates

Weakness across channels

Exhibit 18: Channel-wise growth yoy, March fiscal year-ends, 4QFY23-4QFY25 (%)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Axis Max Life	(5)	35	9	39	19	16	31	29	19	6
Proprietary	13	86	22	57	47	12	70	37	26	3
Banks	(12)	10	(3)	31	4	19	9	19	14	7
Others	(43)	437	659	(100)	577	17	(30)	NM	NM	NM
HDFC Life	30	79	22	18	(4)	(4)	30	29	17	7
Individual agents	46	190	52	34	3	(27)	11	34	6	21
Bancassurance	25	57	32	22	3	20	40	25	17	7
Direct	(4)	(7)	(34)	(12)	(6)	2	20	40	12	(20)
Brokers and others	122	311	39	4	(57)	(60)	15	46	78	28
ICICI Prudential Life	(6)	26	(4)	3	5	10	34	21	28	(3)
Individual agents	4	57	5	4	12	29	62	44	26	(20)
Bancassurance	(34)	(8)	(20)	(3)	2	19	34	27	19	7
Direct	3	19	28	19	12	22	41	33	24	(8)
Partnership distribution	30	137	7	25	(1)	(26)	25	(15)	7	(11)
Others	31	1	(9)	(12)	(5)	(6)	3	(2)	63	33
SBI Life	19	11	4	34	13	17	21	3	13	2
Agency	23	15	(3)	45	3	15	46	24	23	4
Bancassurance	25	7	8	21	15	5	9	3	9	9
Others	(29)	23	(4)	77	27	83	30	(34)	26	(22)
Bajaj Life	21	48	15	32	24	17	26	34	(0)	(0)
Agency	28	65	23	34	22	10	15	29	(14)	(17)
Institutional	18	39	8	28	16	12	23	33	9	13
Others	14	38	15	47	78	78	104	57	12	(1)

Source: Company, Kotak Institutional Equities

Agency growth was muted in 4QFY25

Exhibit 19: Agency channel premium and productivity, March fiscal year-ends, 2018-2025, 4QFY23-4QFY25

	2018	2019	2020	2021	2022	2023	2024	2025	YoY (%)	4QFY23	4QFY24	4QFY25	YoY (%)
Premium (Rs bn)													
Axis Max Life	8.9	11.6	12.8	14.0	13.4	19.2	22.7	26.4	16.3	10.5	11.5	11.8	2.8
Bajaj Allianz Life	11.1	12.0	10.8	11.0	14.9	21.2	25.5	25.5	0.1	7.8	8.5	7.1	(17.4)
HDFC Life	5.3	6.8	8.6	9.3	11.4	22.8	20.7	24.5	18.3	10.5	7.6	9.2	21.1
ICICI Pru Life	19.8	16.9	15.6	15.4	18.3	22.8	26.4	30.1	14.2	9.0	11.6	9.3	(20.2)
SBI Life	20.9	25.6	27.7	29.8	30.3	43.2	49.6	60.0	21.0	13.1	15.0	15.6	4.0
Agents (# 000')													
Axis Max Life	57	51	46	55	61	70	103	125	22.0	70	103	125	22.0
Bajaj Allianz Life	71	73	81	88	96	126	151	161	6.8	126	151	161	6.8
HDFC Life	77	91	108	112	115	179	214	244	13.7	179	214	244	13.7
ICICI Pru Life	152	171	191	188	199	201	210	229	9.5	201	210	229	9.5
SBI Life	108	124	130	170	146	209	246	240	(2.3)	209	246	240	(2.3)
Annualized premium per agent (Rs mn)													
Axis Max Life	156	228	279	254	219	273	221	210	(4.7)	596	447	377	(15.8)
Bajaj Allianz Life	156	166	134	125	155	168	169	158	(6.2)	246	226	175	(22.6)
HDFC Life	68	74	80	83	99	127	97	101	4.1	234	142	152	6.5
ICICI Pru Life	131	99	82	82	92	113	126	131	4.3	179	222	162	(27.1)
SBI Life	193	207	212	175	207	207	202	250	23.9	251	244	260	6.5

Source: IRDA, Company, Kotak Institutional Equities

Mixed trends in persistency

Axis Max Life, HDFC Life and ICICI Prudential Life reported improvement in persistency in most buckets. LIC and SBI Life reported decline in persistency in certain cohorts. LIC has implemented specific measures such as increase in ticket sizes and realignment of distributor incentives to improve persistency. The effect of these measures will likely be visible in the next 2-3 quarters. SBI Life called out the portfolio originated during Covid as the reason for sharp decline in 49th month persistency. The company is running revival campaign to improve the persistency of this cohort.

Mixed trends in persistency

Exhibit 20: Persistency, March fiscal year-ends, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (bps)
Axis Max Life										
13th month	84	84	84	85	87	87	87	87	88	100 bps
25th month	68	69	70	70	70	71	71	72	74	400 bps
37th month	61	61	62	63	61	64	64	64	63	200 bps
49th month	57	57	65	65	58	67	67	67	57	-100 bps
61st month	51	51	58	58	52	58	58	58	53	100 bps
HDFC Life										
13th month	87	87	86	86	87	87	88	87	87	-10 bps
25th month	79	79	79	80	79	76	78	78	78	-120 bps
37th month	72	73	72	73	73	73	74	74	74	80 bps
49th month	64	65	68	68	70	68	69	70	70	30 bps
61st month	52	53	53	54	54	60	60	61	63	950 bps
ICICI Prudential Life										
13th month	87	86	87	87	89	90	87	90	89	10 bps
25th month	78	78	79	80	81	81	79	82	83	210 bps
37th month	71	72	71	72	72	73	72	75	75	290 bps
49th month	64	65	66	67	69	71	68	69	70	100 bps
61st month	66	67	65	65	64	66	66	65	64	-30 bps
SBI Life										
13th month	86	85	83	82	86	87	84	83	87	88 bps
25th month	76	76	75	74	76	78	77	75	76	-21 bps
37th month	75	75	68	68	71	72	71	70	71	-55 bps
49th month	70	70	72	70	73	73	66	66	68	-479 bps
61st month	56	57	56	56	59	59	66	62	62	261 bps
LIC										
13th month	77	78	78	78	78	78	78	77	75	-282 bps
25th month	70	72	72	72	71	72	72	72	71	-1 bps
37th month	70	71	70	67	65	68	67	67	66	64 bps
49th month	64	65	65	65	66	67	66	63	62	-480 bps
61st month	62	63	63	62	61	62	61	62	63	224 bps

Source: Company, Kotak Institutional Equities

Cost ratios have declined for most players

Most private players have renegotiated commission structures with distributors, this likely resulted in decline in cost ratios. HDFC Life, ICICI Prudential and LIC reported 78-820 bps decline in cost/APE ratio. SBI Life was already operating at the lower end of commission rates; hence, they haven't revised their commission structures.

Cost ratios have declined for most players

Exhibit 21: Cost ratios, March fiscal year-ends, 4QFY24-4QFY25, 2020-2025 (%)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	2020	2021	2022	2023	2024	2025	YoY (%)
Cost/APE (%)													
HDFC Life	24.6	29.9	28.2	27.2	23.8	-78 bps	25.4	23.6	24.0	27.3	26.2	26.7	53 bps
ICICI Prudential Life	21.7	32.5	27.1	24.8	20.0	-173 bps	15.8	14.7	18.5	21.4	23.3	25.0	166 bps
LIC	25.4	19.6	20.9	19.1	17.2	-820 bps	27.8	26.3	22.0	24.5	23.9	19.1	-477 bps
SBI Life	9.2	13.6	12.7	11.3	10.1	92 bps	11.8	10.2	10.8	11.9	11.5	11.7	16 bps
Cost/average AUM (%)													
HDFC Life	5.5	3.6	4.6	4.3	5.2	-30 bps	4.6	4.2	4.0	4.8	4.3	4.2	-1 bps
ICICI Prudential Life	3.5	2.6	2.9	2.6	3.2	-31 bps	2.8	2.3	2.4	2.6	2.9	2.9	5 bps
LIC	19.6	10.6	12.2	10.5	12.1	-752 bps	17.7	22.5	18.3	22.6	29.4	22.2	-715 bps
SBI Life	1.8	1.6	2.0	2.2	1.8	4 bps	2.7	2.2	2.1	2.3	2.6	2.5	-16 bps

Source: Company, Kotak Institutional Equities

All insurers under coverage have comfortable solvency ratio

Exhibit 22: Solvency ratio, March fiscal year-ends, 2012-2025 (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Axis Max Life	534	521	485	425	343	309	275	242	207	196	201	190	206	201
HDFC Life	188	217	194	196	198	192	192	188	184	201	176	203	187	194
ICICI Prudential Life	371	396	372	337	320	281	252	215	194	217	205	209	192	212
LIC	NA	NA	NA	NA	NA	NA	NA	160	155	176	185	187	198	211
SBI Life	534	215	228	216	212	204	206	213	195	215	205	215	196	196

Source: Company, Kotak Institutional Equities

Medium-term RoEV of 14-18% for private players

Exhibit 21 shows that private life insurance companies reported operating RoEV of 13% to 20% in FY2024. VNB contributed 42-56% to EVOP while unwinding contributed 41-63%. Private players will likely deliver 14-18% operating RoEV over FY2026-28E. We expect operating variance to be moderately positive over the medium term, driven largely by improvement in persistency. Unwinding rate will largely be stable in the range of 8.0-8.2% for all players. APE growth will likely remain moderate at 10-16% in FY2026E, picking up to 15-18% over FY2027-28E. VNB margin will likely remain stable for all private players as the product mix, the main driver of margins, is already optimized.

We expect RoEV of 14-18% for private insurers

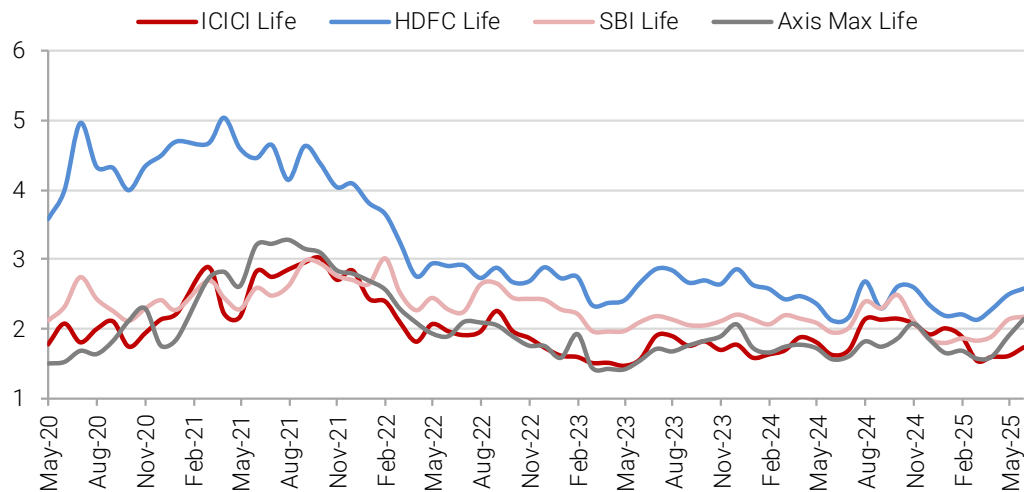
Exhibit 23: EV walk for life insurers, March fiscal year-ends, 2025-2028E

	Bajaj Allianz Life				HDFC Life				ICICI Prudential Life				LIC				Axis Max Life				SBI Life			
	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E
EV walk (Rs bn)																								
Opening EV	217	238	268	302	475	554	645	752	423	479	549	628	7,273	7,769	8,869	9,548	195	252	296	348	583	703	832	980
EVOP	28	33	38	44	79	93	109	127	55	68	78	90	826	651	729	778	37	45	54	63	118	129	149	173
Unwinding	17	20	22	25	38	44	52	60	34	39	45	52	701	559	639	687	16	21	24	29	49	58	68	80
VNB (post-overrun)	12	13	15	18	40	47	55	65	24	28	33	38	100	92	90	91	21	25	29	34	60	68	78	89
Assumption/methodology changes	(1)	—	—	—	—	—	—	—	(3)	—	—	—	18—	—	—	—	—	—	—	—	2	—	—	—
Operating variance	(1)	1	1	1	1	2	2	2	0	1	1	1	7	—	—	—	—	—	—	—	7	3	3	3
Non-operating variances	(7)	(4)	(4)	(4)	0	(2)	(2)	(3)	1	1	1	1	(331)	450	(50)	(50)	20	(2)	(2)	(2)	2	1	(1)	6
Investment variance	(2)	1	1	1	4	3	3	3	(0)	2	2	2	(293)	500—	—	—	4	1	1	1	—	—	—	—
Economic assumption changes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4	3	2	2
Dividend payouts/ESOPs	(5)	(5)	(5)	(5)	(3)	(5)	(5)	(6)	1	(1)	(1)	(1)	(38)	(50)	(50)	(50)	16	(2)	(2)	(2)	(2)	(3)	(3)	4
Closing EV	238	268	302	343	554	645	752	877	479	549	628	719	7,769	8,869	9,548	####	252	296	348	409	703	832	980	1,158
Key metrics																								
Unwinding rate (%)	8.0	8.2	8.2	8.2	8.1	8.0	8.0	8.0	8.0	8.2	8.2	8.2	7.1	7.2	7.2	7.2	8.3	8.2	8.2	8.2	8.4	8.2	8.2	8.2
Operating ROEV (%)	13	14	14	14	17	17	17	17	13	14	14	14	11	8	8	8	19	18	18	18	20	18	18	18
ROEV (%)	9.6	12.4	13.0	13.3	16.8	16.4	16.5	16.6	13.3	14.4	14.5	14.5	6.8	14.2	7.6	7.6	29.2	17.5	17.6	17.6	20.6	18.4	17.8	18.2
APE (Rs bn)	79	87	103	122	155	180	210	246	104	118	135	156	568	540	551	562	88	102	118	137	214	242	277	319
APE growth (%)	9.2	10.0	18.0	18.0	16.5	16.0	17.0	17.0	15.0	13.0	15.0	15.0	(0.2)	(5.0)	2.0	2.0	18.0	16.0	16.0	16.0	8.6	13.0	14.5	15.0
VNB margin (%)	14.5	14.7	15.0	15.0	25.6	26.0	26.3	26.6	22.8	23.8	24.2	24.3	17.6	17.0	16.4	16.2	24.0	24.4	24.8	25.0	27.8	28.1	28.0	28.0
Contributors to EVOP (%)																								
Unwinding	63	59	57	57	49	48	48	47	61	58	57	57	85	86	88	88	43	45	45	45	41	45	46	47
VNB	42	39	40	42	50	50	51	51	43	41	42	42	12	14	12	12	56	55	55	55	51	53	52	52

Source: Company, Kotak Institutional Equities estimates

Sharp bounce-back in valuations of HDFC Life and Axis Max Life

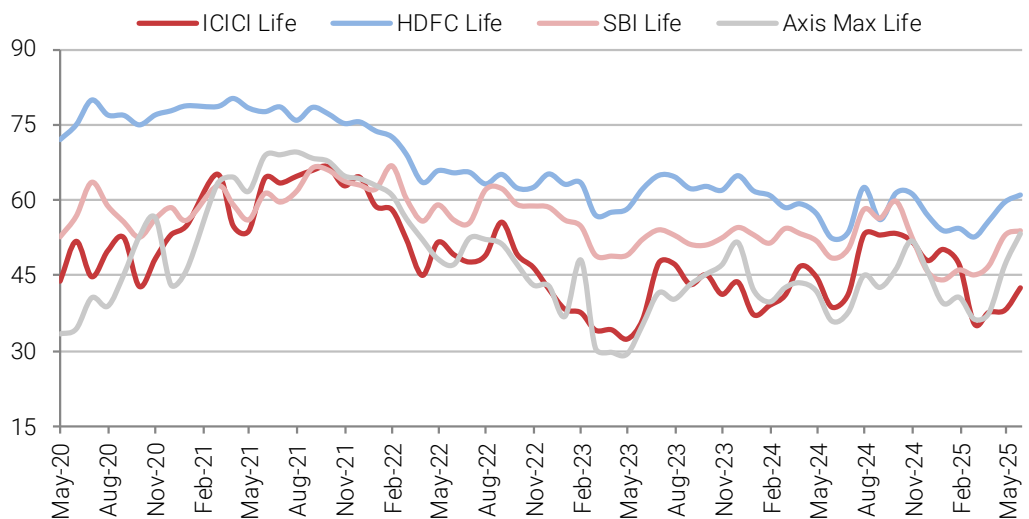
Exhibit 24: One-year forward rolling P/EV, May 2020-May 2025 (X)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

Contribution of SV to AV has moderated for HDFC Life; range-bound for rest

Exhibit 25: Contribution of SV to AV, May 2020-May 2025 (X)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

Exhibit 26: Valuation summary, March fiscal year-ends, 2025-2028E

	Rating	FV		Market cap.		Embedded value (Rs bn)				Price/EV (X)				Price/VNB (X)				Operating RoEV (%)			
		(Rs)	(Rs)	(Rs bn)	(US \$bn)	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E
HDFC Life	BUY	875	781	1,682	20	554	645	752	877	3.0	2.6	2.2	1.9	42	36	30	26	16.7	16.7	16.8	16.9
ICICI Prudential Life	BUY	790	668	966	11	479	549	628	719	2.0	1.8	1.5	1.3	41	35	30	26	13.1	14.2	14.3	14.3
LIC	BUY	1,260	944	5,974	70	7,769	8,869	9,548	10,276	0.8	0.7	0.6	0.6	60	65	66	66	11.4	8.4	8.2	8.2
LIC core			441	2,791	33	4,079	4,680	5,358	6,086	0.7	0.6	0.5	0.5	28	30	31	31	NA	NA	NA	NA
Max FS	BUY	1,540	1,490	514	6	252	298	348	409	2.8	2.4	2.1	1.7	34	29	24	21	19.1	18.0	18.1	18.0
SBI Life	ADD	1,825	1,825	1,829	21	703	832	980	1,158	2.6	2.2	1.9	1.6	31	27	24	21	20.2	18.3	17.9	17.6

Source: Company, Bloomberg, Kotak Institutional Equities estimates

NON-LIFE: WEAK GROWTH, MIXED TRENDS IN PROFITABILITY

GWP growth in the non-life industry was muted at 3.8% in 4QFY25, retail health and motor premium growth was also moderate at 6.8-7.3% yoy. Growth remains moderate for most listed players as well; Niva Bupa is an exception, delivering strong growth of 36% (without 1/n). Bajaj Allianz General stepped up, growing at 2X industry in the motor OD segment. This likely led to elevated combines ratio of 104.8% (up 320 bps yoy). ICICI Lombard was more measured, leading to 23-bps sequential moderation in combined ratio to 102.5% (up 26 bps yoy). Claims ratio remains elevated for Star Health at 69.2%, leading to combined ratio of 99.2% (up 642 bps yoy). Niva Bupa fares better with like-for-like claims ratio of 63.8% (IFRS).

Bajaj Allianz General reported sharp rise in combined ratio

Bajaj General (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 versus 4% for the industry. Weakness in commercial lines (down 10% yoy) and group health (down 21%) were likely reasons for muted growth during the quarter. 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 (2,320 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.

ICICI Lombard reports stable claim ratios and moderate growth

The high growth in health insurance was offset by a weakness in the motor business and commercial lines, leading to a moderate 10% yoy GWP growth for the company. The combined ratio remains elevated at 102.5% (up 26 bps yoy) despite a 23-bps sequential moderation in 4QFY25. The claims ratio was elevated at 71.6%, as claims in motor business normalized from 3QFY25 trough (the lowest in 11 quarters). The expense ratio (commission and operating expenses) moderated to 30.9% from 36.9% in 3QFY25 and 33.6% in 4QFY24, as the share of the motor OD business (high commissions and expenses) tapered off. ICICI Lombard reported a sharp decline in the claims ratio of commercial lines (down 400-1,400 bps yoy) and a sharp rise in health and motor OD claims (up 600-1,000 bps yoy). Release from reserves has also been moderate at Rs3.5 bn. Investment yield declined sharply to 6.3% due to lower capital gains booked during the quarter. The company reported Rs18 bn of unrealized gains, up from Rs15 bn in 3QFY25 and Rs12 bn in 4QFY24.

Star Health reels under elevated claims

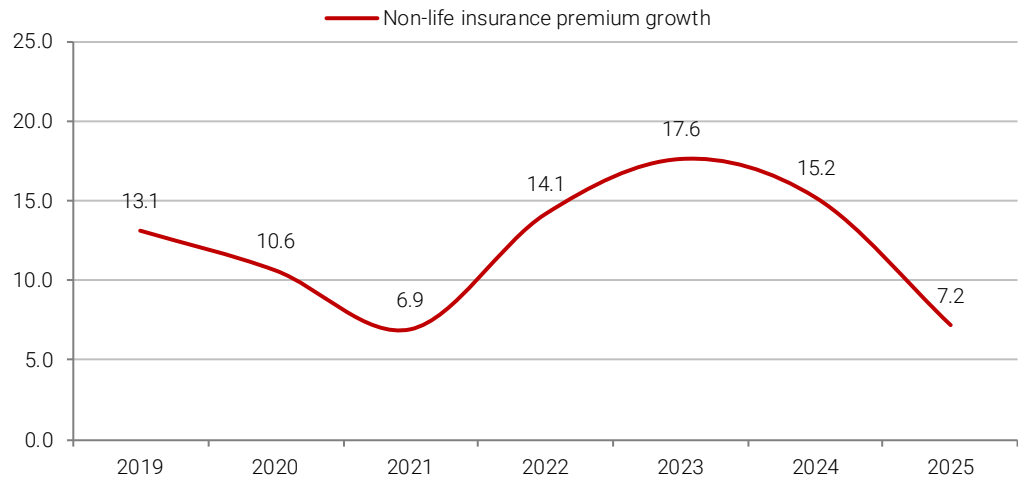
The GWP growth was muted at 3.4% yoy due to the impact of the 1/n rule, adjusting for which, growth would have been higher at 12-14% yoy. NEP growth was moderate at 11.9%. New business growth was strong at 33% in 4QFY25 and 25% in FY2025. Claims ratio remains elevated at 69.2% compared to 64.1% in 4QFY24 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% (up 642 bps yoy). 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.

Niva Bupa delivers strong growth

GWP growth was strong at 36% (without 1/n) in 4QFY25, driven by strong ~60% yoy growth in group business. According to management, two key accounts were onboarded in the employer-employee segment during the quarter; resultantly, the share of employer-employee business is up to 13% from 10% earlier. Despite a sharp rise in employer-employee business (high claims), claims ratio moderated to 56.4% from 65.1% in 3QFY25. Overall expense ratio moderated to 36.4% from 43.1% in 3QFY25 and 38.9% in 4QFY24, likely driven by faster growth in the group business (lower operating expenses). The broker business was up 36% yoy likely buoyed by the large corporate business in FY2025. Bancassurance also grew fast at 24%. Growth in proprietary channels such as agents and direct was muted at 6-12%.

Premium growth was moderate at 7% in FY2025

Exhibit 27: Non-life insurance premium growth, March fiscal year-ends, 2019-2025 (%)



Source: IRDA, GI Council, Kotak Institutional Equities

PSUs have grown at a faster pace in commercial lines

Exhibit 28: Fire premium growth across insurers, April 2024-April 2025 (%)

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Bajaj Allianz	36	5	4	(3)	(1)	(10)	7	(12)	(6)	(10)	(13)	(9)	12
Cholamandalam MS	17	28	(18)	(7)	(6)	(0)	(37)	(28)	(43)	(11)	(24)	11	2
Go Digit	22	(1)	(21)	34	(29)	(20)	(23)	(19)	(36)	23	1	(15)	44
HDFC ERGO General	29	20	13	(2)	(2)	(12)	(27)	(32)	(35)	(14)	(12)	(13)	3
ICICI -Lombard	9	17	(10)	(8)	(0)	(29)	(31)	(34)	(14)	(4)	10	(2)	14
IFFCO -Tokio	(6)	(6)	(13)	(11)	3	(27)	(31)	(23)	5	(6)	28	12	21
New India	(1)	(13)	(12)	4	(28)	(7)	(42)	(39)	(3)	6	8	2	34
Reliance General	23	(3)	(34)	(8)	2	(36)	5	6	(49)	(3)	25	(8)	13
Royal Sundaram	(21)	22,481	27	(43)	(15)	(5)	1	(10)	(22)	36	21	8	14
SBI General	34	7	9	(19)	(14)	(12)	(33)	(48)	(32)	(36)	(35)	(16)	30
Shriram General	23	20	12	37	2	6	(5)	(37)	(38)	(15)	(18)	(17)	28
Tata-AIG	8	10	(6)	15	(3)	(33)	(13)	(41)	(48)	(20)	(10)	(8)	(17)
United India	5	(4)	(22)	(55)	(13)	(11)	14	(17)	(22)	7	(16)	2	23
Universal Sampo	23	9	(36)	(15)	111	16	(43)	(6)	(5)	84	(11)	(13)	54
Total	13	4	(8)	(9)	(7)	(17)	(24)	(27)	(17)	(2)	(5)	1	16
Total (PSU)	3	(9)	(12)	(16)	(17)	(12)	(32)	(27)	(4)	9	0	6	29
Total (private)	17	14	(5)	(5)	(2)	(19)	(19)	(27)	(27)	(6)	(8)	(4)	11

Source: IRDA, GI Council, Kotak Institutional Equities

PSUs have grown at a faster pace in motor business

Exhibit 29: Motor premium growth across insurers, April 2024-April 2025 (%)

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Acko General	36	31	29	33	24	24	18	12	17	18	11	19	15
Bajaj Allianz	28	(1)	(3)	7	2	4	12	(5)	11	19	8	19	1
Cholamandalam MS	(1)	2	9	8	12	12	26	20	17	16	(3)	(4)	6
Go Digit	1	8	14	11	1	6	17	1	7	7	(1)	12	26
HDFC ERGO General	11	(2)	(9)	(15)	(31)	(50)	(52)	(57)	(60)	(63)	(62)	(46)	(40)
ICICI -Lombard	33	29	18	24	18	7	21	4	3	7	(4)	(3)	9
IFFCO -Tokio	(10)	(23)	(26)	(17)	(21)	(32)	10	(5)	12	19	38	20	9
New India	6	9	(5)	5	3	5	20	10	17	20	12	17	20
Reliance General	43	23	0	5	11	(3)	6	5	6	5	(4)	3	(9)
Royal Sundaram	20	12	7	6	0	1	3	(3)	(10)	(19)	(24)	(13)	(3)
SBI General	129	124	92	71	47	18	27	1	(4)	16	20	16	23
Shriram General	42	39	23	17	14	16	28	27	26	33	23	24	32
Tata-AIG	1	7	9	17	25	23	33	30	35	38	21	23	19
United India	33	23	12	20	13	7	16	9	(0)	13	19	25	37
Universal Sampo	39	39	14	(0)	(29)	(25)	7	31	5	31	3	12	10
Total	18	13	6	10	6	2	13	4	5	10	3	7	11
Total (PSU)	11	6	(3)	8	5	6	14	7	10	19	15	18	25
Total (private)	21	15	9	11	6	1	13	2	4	7	(2)	3	6

Source: IRDA, GI Council, Kotak Institutional Equities

Health growth affected by 1/n rule; motor growth remains muted

Exhibit 30: Growth in premiums (ex-crop), March fiscal year-ends, 2019-2025, 4QFY24-4QFY25 (%)

	2019	2020	2021	2022	2023	2024	2025	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Overall insurance industry	13	11	7	14	18	15	7	13	14	4	8	4
Multi-line private	23	16	6	15	20	19	6	15	16	3	6	0
Bajaj Allianz General	26	7	(3)	16	8	41	9	21	24	(18)	53	(5)
ICICI Lombard	21	13	5	6	16	17	8	22	20	9	(1)	2
Others	23	19	7	18	23	16	5	13	14	7	1	0
Multi-line PSU	2	3	4	8	12	7	5	4	6	(1)	9	7
Standalone health	39	30	32	33	26	26	16	28	25	25	8	10
Star Health	30	27	36	23	13	18	10	18	18	16	5	3
Others	54	35	25	48	41	34	21	37	31	32	10	17
Retail health industry	16	12	28	17	15	19	12	20	19	18	7	7
Multi-line private	9	2	22	14	18	16	9	15	13	18	2	4
Bajaj Allianz General	15	14	16	4	6	11	13	11	12	19	4	14
ICICI Lombard	(10)	(38)	25	17	17	20	25	22	13	41	19	25
Others	15	11	23	15	20	17	5	15	14	14	(1)	(1)
Multi-line PSU	8	5	15	2	(0)	10	7	12	11	6	6	7
Standalone health	30	27	42	28	22	24	15	25	24	23	9	9
Star Health	29	25	40	23	18	17	10	16	15	15	7	7
Others	34	29	47	39	30	36	22	40	38	35	12	11
Motor	9	7	(2)	4	15	13	8	10	12	6	8	7
Multi-line private	21	14	2	9	18	15	7	12	15	6	6	3
Bajaj Allianz General	17	8	(10)	3	10	9	8	(2)	7	4	6	16
ICICI Lombard	20	9	1	(1)	4	12	11	27	26	16	9	0
Others	21	17	4	13	23	16	6	12	14	5	6	2
Multi-line PSU	(5)	(3)	(9)	(6)	9	9	10	3	4	6	11	17

Source: Company, Kotak Institutional Equities

Bajaj Allianz and ICICI Lombard continue to report >100% combined ratio

Exhibit 31: Combined ratio break-up across players, March fiscal year-ends, 2018-2025, 4QFY24-4QFY25 (%)

	2018	2019	2020	2021	2022	2023	2024	2025	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Bajaj Allianz General													
Net incurred claims ratio	66.7	68.6	70.7	68.5	73.0	72.9	73.8	74.6	70.3	77.1	79.7	77.7	62.9
Net commission ratio	4.7	4.8	1.1	0.7	1.2	(4.4)	6.7	6.0	NA	NA	NA	NA	NA
Operating expense ratio	21.4	23.2	28.9	27.8	25.4	32.0	19.3	19.3	NA	NA	NA	NA	NA
Combined ratio	92.8	96.7	100.8	96.9	99.6	100.5	99.9	99.9	101.6	103.7	101.4	101.1	104.8
ICICI Lombard													
Net incurred claims ratio	76.9	75.3	72.9	68.6	75.1	72.4	70.8	70.6	68.6	74.0	71.4	65.8	71.6
Net commission ratio	(3.6)	2.3	3.8	5.6	4.7	3.0	17.0	18.4	19.9	15.0	17.5	22.9	18.7
Operating expense ratio	26.9	20.9	23.8	25.6	29.1	29.1	15.5	13.7	13.7	13.3	15.6	14.0	12.1
Combined ratio	100.2	98.5	100.4	99.8	108.8	104.5	103.3	102.8	102.2	102.3	104.5	102.7	102.5
Star Health													
Net incurred claims ratio	61.8	64.2	65.8	87.0	87.1	65.0	66.5	70.3	64.1	67.6	72.8	71.4	69.2
Net commission ratio	4.3	6.4	6.5	8.2	13.8	13.7	13.2	14.4	14.3	13.5	13.8	14.1	15.8
Operating expense ratio	27.0	23.7	20.9	19.6	17.0	16.7	17.0	16.4	14.4	18.1	16.4	17.7	14.2
Combined ratio	93.0	94.3	93.2	114.8	117.9	95.3	96.7	101.1	92.8	99.2	103.0	103.3	99.2

Source: Company, Kotak Institutional Equities

Claims have moderated

Exhibit 32: Segmental claims, March fiscal year-ends, 2019-2025 (%)

	Bajaj Allianz General							ICICI Lombard						
	2019	2020	2021	2022	2023	2024	2025	2019	2020	2021	2022	2023	2024	2025
Fire	74.4	68.0	54.5	57.1	35.2	47.4	46.6	83.2	64.0	63.7	53.1	49.3	62.2	46.8
Marine	94.0	67.3	66.0	64.0	65.1	60.3	70.2	84.0	65.3	83.3	77.6	72.4	73.4	79.8
Motor OD	60.0	67.7	54.0	65.1	70.5	63.6	65.8	59.2	68.9	62.2	68.1	72.6	63.5	65.2
Motor TP	64.5	64.5	78.1	71.2	77.2	78.4	71.1	90.8	84.4	69.7	74.0	72.2	66.8	63.2
Engineering	43.5	52.8	36.1	49.7	39.9	41.7	30.4	37.1	40.7	57.7	69.3	55.1	63.8	36.8
Health	89.5	85.6	81.7	96.1	77.9	87.9	90.0	73.5	69.9	78.0	91.7	77.3	78.9	82.2
Overall	68.6	70.7	68.5	73.0	72.9	73.8	74.6	75.3	72.9	68.6	75.1	72.4	70.8	70.6

Source: Company, Kotak Institutional Equities

Quant Research

India

Sector View:

NIFTY-50: 24,751

June 02, 2025

Low volatility lags as risk appetite rises; multifactor strategies a mixed bag

Our all-season multifactor Alphabet portfolios delivered mixed results in May. The concentrated variant outperformed the benchmark, while the broad-based version lagged behind. The market's shift toward higher risk appetite weighed on low volatility strategies, which underperformed, whereas all other single-factor portfolios outpaced the Nifty 50. This product showcases the performance of four concentrated and four broad-based portfolios, based on single factors, as well as a multifactor version of each.

Risk-on shift dampens low volatility performance

As geopolitical tensions eased mid-month, investor sentiment shifted toward risk-on assets, leading to low volatility emerging as the weakest-performing factor for the month. In the concentrated portfolio setup, the fundamental factor delivered the highest returns, while momentum-led performance in the diversified broad-based setup. Notably, excluding low volatility, all single-factor portfolios outperformed the benchmark across both concentrated and broad configurations.

Concentrated multifactor strategy outperforms; broad setup trails

Our all-season multifactor portfolios delivered mixed results in May. The concentrated portfolio outperformed the benchmark, while the diversified, broad-based portfolio underperformed the Nifty 50. Given the ongoing macroeconomic uncertainties and valuation concerns, we continue to prefer a blended multifactor strategy over single-factor exposures. On a rolling 12-month basis, both portfolio structures have outperformed the benchmark—by 12.4% for the concentrated setup and 3.2% for the broad-based setup.

What's in for June 2025?

For June 2025, the multifactor concentrated portfolio includes HDFC Bank, ITC, Nestle, Sun Pharma and ICICI Bank. In the broad-based version, the model is significantly overweight on materials and consumer durables. While the model has increased its overweight exposure to healthcare and non-durables, it has turned underweight on financials and technology stocks. Interested in exploring factor behavior across a broader universe? Our in-depth report, [Anatomy of factors in large-, mid-, small-caps; also sectors](#) covers a wide range of factor anomalies across the size segments as well as sectors within Nifty 500.

[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, top fifteen ranking stocks based on the respective factor scores form the Broad portfolio while the top 5 stocks form the Concentrated portfolio for the said factor. Given the nature of construction of these portfolios, it's 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 as well as fundamental managers for portfolio construction as well 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 both on absolute as well as risk-adjusted basis not only during the back-test period but also after the model went live (out of sample).

Alphabet portfolios outperform Nifty 50 benchmark across investment horizons

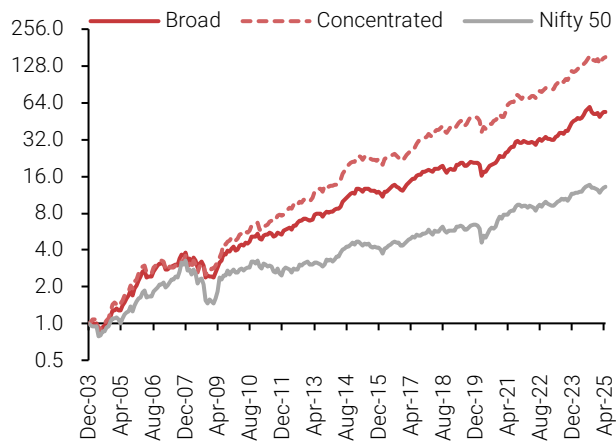
Exhibit 1: Performance summary of Alphabet portfolios over different horizons

	May25	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	1.93	22.23	18.27	1.22	25.72	18.76	1.37	7.49	11.92	0.63	26.45	19.87	1.33	10.79	14.53	0.74	65.29	(30.65)	61.87
Fundamental	6.04	0.60	21.16	0.03	15.79	16.04	0.98	(1.61)	12.12	(0.13)	20.10	18.22	1.10	4.86	14.24	0.34	11.13	(27.44)	57.59
Momentum	3.21	4.34	24.38	0.18	17.28	24.76	0.70	1.24	15.22	0.08	17.60	24.83	0.71	4.14	14.84	0.28	72.30	(54.40)	56.42
Sentiment	3.75	29.97	18.15	1.65	40.15	21.14	1.90	20.61	11.18	1.84	27.04	24.39	1.11	12.70	12.96	0.98	88.25	(43.54)	61.09
Low Vol	(1.40)	13.33	17.81	0.75	12.41	16.05	0.77	(4.59)	12.53	(0.37)	17.99	17.71	1.02	2.81	14.72	0.19	8.64	(29.57)	55.25
Broad																			
All-Season	0.05	13.08	19.18	0.68	21.28	16.90	1.26	3.65	8.68	0.42	20.51	18.43	1.11	5.85	9.91	0.59	42.02	(37.75)	60.70
Fundamental	3.39	4.53	19.15	0.24	19.26	16.28	1.18	1.79	8.36	0.21	17.28	18.65	0.93	3.05	9.43	0.32	9.05	(38.82)	54.86
Momentum	4.38	5.08	18.40	0.28	23.56	21.23	1.11	6.67	8.43	0.79	19.82	21.70	0.91	6.09	9.14	0.67	55.88	(50.23)	61.87
Sentiment	1.89	11.06	18.88	0.59	27.24	18.24	1.49	9.06	8.42	1.08	20.32	21.61	0.94	6.48	8.56	0.76	68.99	(46.54)	59.92
Low Vol	(0.58)	6.95	17.34	0.40	18.01	15.84	1.14	0.63	8.61	0.07	19.19	17.31	1.11	4.47	9.68	0.46	5.42	(38.46)	58.37
Benchmark																			
Nifty 50	1.71	9.85	14.34	0.69	16.30	18.43	0.88				12.79	20.98	0.61						

Source: Kotak Institutional Equities, FactSet

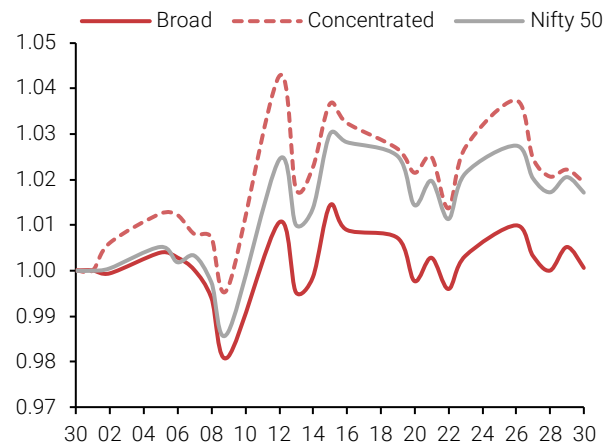
All-Season Portfolio

Exhibit 2: Cumulative performance since January 2004



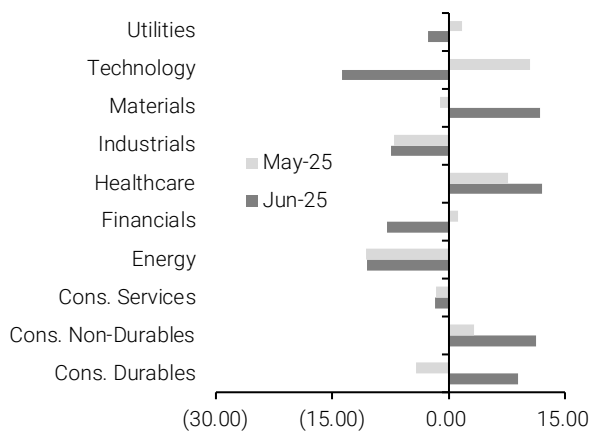
Source: Kotak Institutional Equities, FactSet

Exhibit 3: Performance in last month



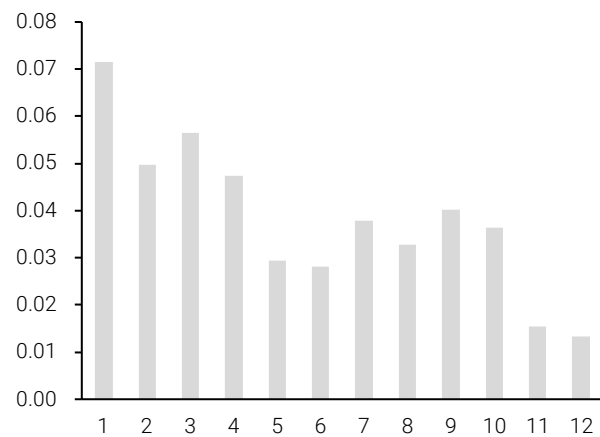
Source: Kotak Institutional Equities, FactSet

Exhibit 4: Sector exposure



Source: Kotak Institutional Equities, FactSet

Exhibit 5: Avg. information coefficient decay profile over 12M



Source: Kotak Institutional Equities, FactSet

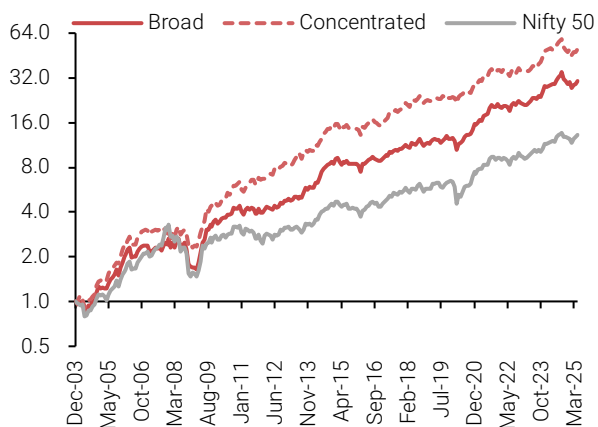
Exhibit 6: All-Season portfolio constituents for June 2025

Sedol	Name	ISIN	Sector	Weight			KIE Analyst Recommendation
				Nifty 50 (%)	Broad Portfolio (%)	Concentrated Portfolio (%)	
BK1N461	HDFC Bank Limited	INE040A01034	Financials	13.21	6.55	14.32	ADD
B0JGGP5	ITC Limited	INE154A01025	Cons. Non-Durables	3.48	9.02	19.70	ADD
BQB8GH3	Nestle India Ltd.	INE239A01024	Cons. Non-Durables	0.77	9.17	20.03	REDUCE
6582483	Sun Pharmaceutical Industries Limited	INE044A01036	Healthcare	1.62	10.42	22.78	ADD
BSZ2BY7	ICICI Bank Limited	INE090A01021	Financials	9.11	10.61	23.18	BUY
6139340	Titan Company Limited	INE280A01028	Cons. Durables	1.31	5.27		REDUCE
BZBYJJ7	JSW Steel Limited	INE019A01038	Materials	0.84	5.59		REDUCE
BYQKH33	Grasim Industries Ltd.	INE047A01021	Materials	0.87	6.17		REDUCE
6100186	Mahindra & Mahindra Ltd.	INE101A01026	Cons. Durables	2.36	4.13		BUY
6273583	Apollo Hospitals Enterprise Limited	INE437A01024	Healthcare	0.62	5.43		BUY
6294896	HCL Technologies Limited	INE860A01027	Technology	1.55	3.69		REDUCE
6633712	Maruti Suzuki India Limited	INE585B01010	Cons. Durables	1.44	8.19		ADD
B01GZF6	UltraTech Cement Limited	INE481G01011	Materials	1.16	5.05		SELL
BZ60N32	SBI Life Insurance Co. Ltd.	INE123W01016	Financials	0.73	6.30		ADD
BF0TRG6	HDFC Life Insurance Co. Ltd.	INE795G01014	Financials	0.74	4.41		BUY

Source: Kotak Institutional Equities, FactSet

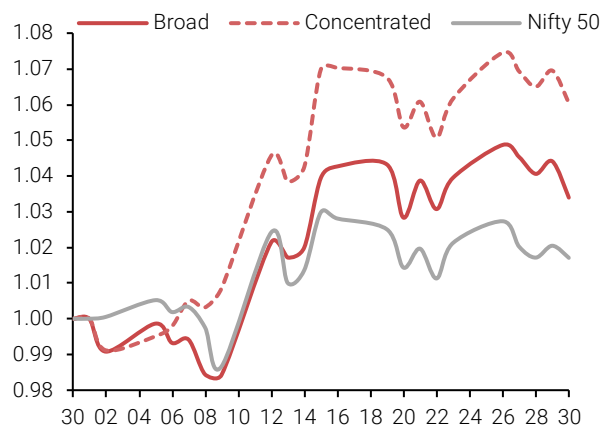
Fundamental portfolio

Exhibit 7: Cumulative performance since January 2004



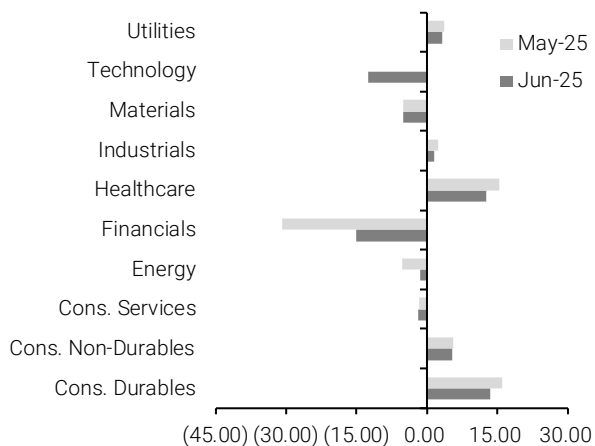
Source: Kotak Institutional Equities, FactSet

Exhibit 8: Performance in last month



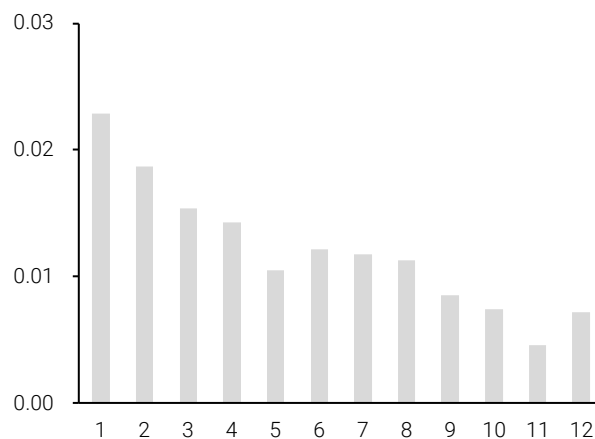
Source: Kotak Institutional Equities, FactSet

Exhibit 9: Sector exposure



Source: Kotak Institutional Equities, FactSet

Exhibit 10: Avg. information coefficient decay profile over 12M



Source: Kotak Institutional Equities, FactSet

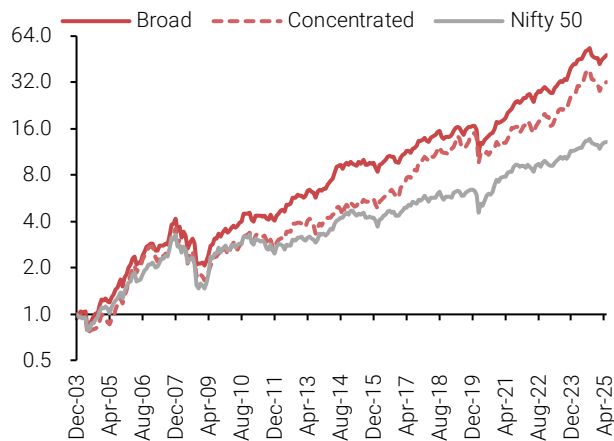
Exhibit 11: Fundamental portfolio constituents for June 2025

Sedol	Name	ISIN	Sector	Weight			KIE Analyst Recommendation
				Nifty 50 (%)	Broad Portfolio (%)	Concentrated Portfolio (%)	
6139362	Oil & Natural Gas Corp. Ltd.	INE213A01029	Energy	0.83	4.20	15.15	BUY
6205122	Infosys Limited	INE009A01021	Technology	5.02	4.81	17.36	BUY
B4Z9XF5	Coal India Ltd.	INE522F01014	Energy	0.81	4.88	17.60	REDUCE
B2QKXW0	Bajaj Auto Limited	INE917I01010	Cons. Durables	0.85	5.52	19.89	SELL
BQB8GH3	Nestle India Ltd.	INE239A01024	Cons. Non-Durables	0.77	12.22	30.00	REDUCE
B011108	Cipla Ltd	INE059A01026	Healthcare	0.74	8.84		BUY
BSQCB24	State Bank of India	INE062A01020	Financials	2.79	7.64		BUY
BQ2KJW4	Dr. Reddy's Laboratories Ltd.	INE089A01031	Healthcare	0.68	7.53		REDUCE
BK1N461	HDFC Bank Limited	INE040A01034	Financials	13.21	8.73		ADD
BCRWL65	Asian Paints Ltd.	INE021A01026	Industrials	0.91	6.47		REDUCE
BMW4CV8	Eicher Motors Limited	INE066A01021	Cons. Durables	0.65	5.67		SELL
BS4DBX0	Shriram Finance Limited	INE721A01047	Financials	0.80	4.30		BUY
6633712	Maruti Suzuki India Limited	INE585B01010	Cons. Durables	1.44	10.92		ADD
B037HF1	NTPC Limited	INE733E01010	Utilities	1.41	5.86		SELL
B28XXH2	Adani Ports & Special Economic Zone L	INE742F01042	Industrials	0.94	2.41		BUY

Source: Kotak Institutional Equities, FactSet

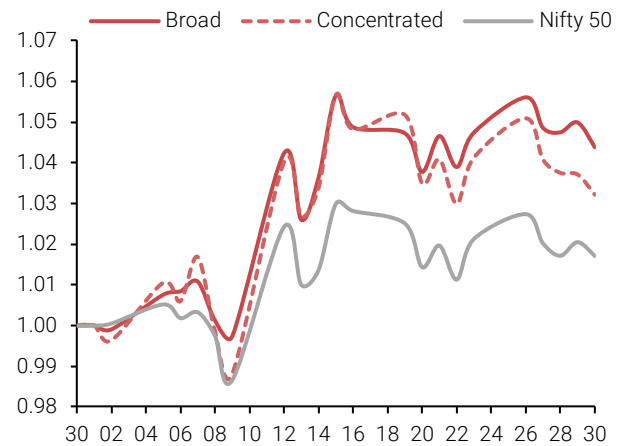
Momentum portfolio

Exhibit 12: Cumulative performance since January 2004



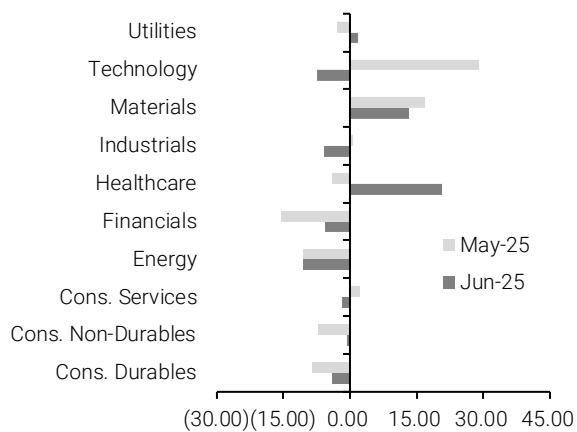
Source: Kotak Institutional Equities, FactSet

Exhibit 13: Performance in last month



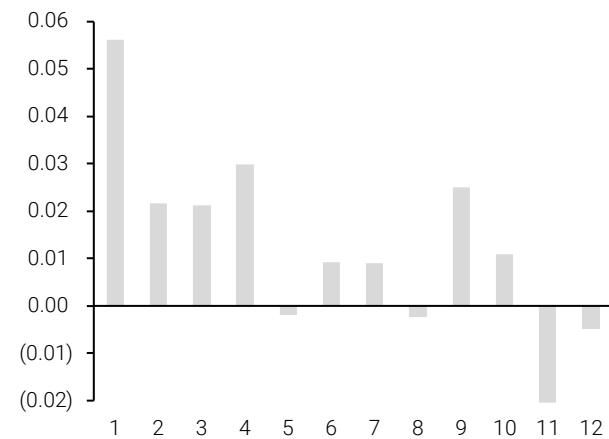
Source: Kotak Institutional Equities, FactSet

Exhibit 14: Sector exposure



Source: Kotak Institutional Equities, FactSet

Exhibit 15: Avg. information coefficient decay profile over 12M



Source: Kotak Institutional Equities, FactSet

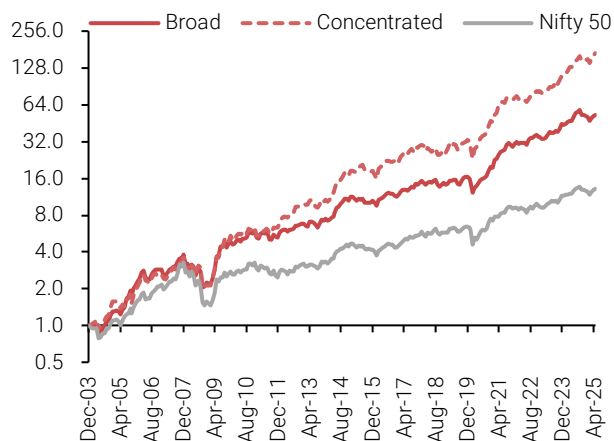
Exhibit 16: Momentum portfolio constituents for June 2025

Sedol	Name	ISIN	Sector	Weight			KIE Analyst Recommendation
				Nifty 50 (%)	Broad Portfolio (%)	Concentrated Portfolio (%)	
BMW4CV8	Eicher Motors Limited	INE066A01021	Cons. Durables	0.65	4.63	12.11	SELL
B01GZF6	UltraTech Cement Limited	INE481G01011	Materials	1.16	5.49	14.37	SELL
BYQKH33	Grasim Industries Ltd.	INE047A01021	Materials	0.87	6.71	17.56	REDUCE
6442327	Bharti Airtel Limited	INE397D01024	Technology	4.45	10.05	26.29	ADD
6582483	Sun Pharmaceutical Industries Limited	INE044A01036	Healthcare	1.62	11.34	29.66	ADD
B011108	Cipla Ltd	INE059A01026	Healthcare	0.74	7.21		BUY
BK1N461	HDFC Bank Limited	INE040A01034	Financials	13.21	7.13		ADD
BZBYJJ7	JSW Steel Limited	INE019A01038	Materials	0.84	6.08		REDUCE
6121488	Tata Consumer Products Limited	INE192A01025	Cons. Non-Durables	0.64	6.33		ADD
6273583	Apollo Hospitals Enterprise Limited	INE437A01024	Healthcare	0.62	5.90		BUY
BSZ2BY7	ICICI Bank Limited	INE090A01021	Financials	9.11	11.54		BUY
B233HS6	Power Grid Corporation of India Limited	INE752E01010	Utilities	1.17	4.36		SELL
BZ60N32	SBI Life Insurance Co. Ltd.	INE123W01016	Financials	0.73	6.85		ADD
BF0TRG6	HDFC Life Insurance Co. Ltd.	INE795G01014	Financials	0.74	4.79		BUY
BL6P210	Eternal Limited	INE758T01015	Industrials	1.48	1.59		BUY

Source: Kotak Institutional Equities, FactSet

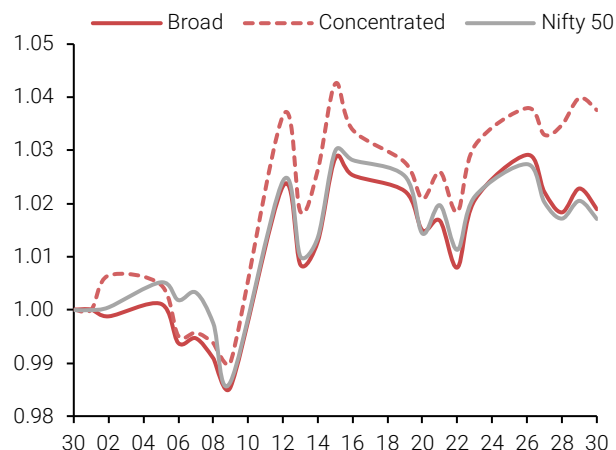
Sentiment portfolio

Exhibit 17: Cumulative performance since January 2004



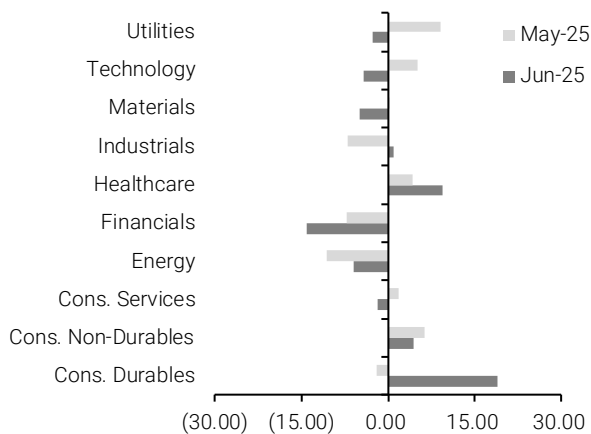
Source: Kotak Institutional Equities, FactSet

Exhibit 18: Performance in last month



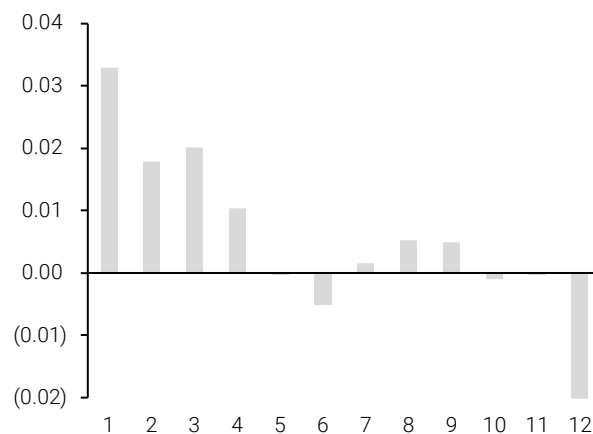
Source: Kotak Institutional Equities, FactSet

Exhibit 19: Sector exposure



Source: Kotak Institutional Equities, FactSet

Exhibit 20: Avg. information coefficient decay profile over 12M



Source: Kotak Institutional Equities, FactSet

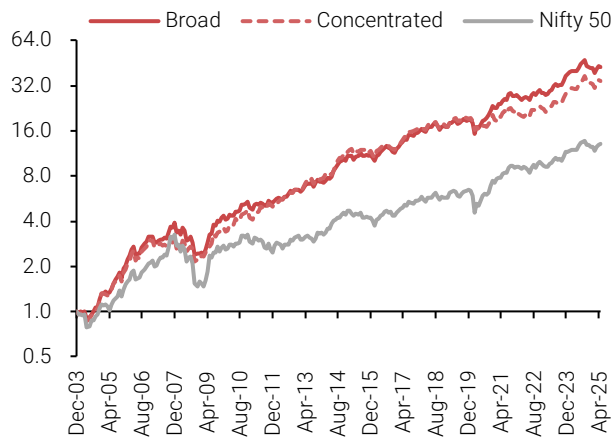
Exhibit 21: Sentiment portfolio constituents for June 2025

Sedol	Name	ISIN	Sector	Weight			KIE Analyst Recommendation
				Nifty 50 (%)	Broad Portfolio (%)	Concentrated Portfolio (%)	
B4Z9XF5	Coal India Ltd.	INE522F01014	Energy	0.81	4.60	16.41	REDUCE
6100186	Mahindra & Mahindra Ltd.	INE101A01026	Cons. Durables	2.36	5.19	18.51	BUY
BF0TRG6	HDFC Life Insurance Co. Ltd.	INE795G01014	Financials	0.74	5.54	19.75	BUY
B0166K8	Larsen & Toubro Limited	INE018A01030	Industrials	3.85	6.10	21.75	ADD
6139340	Titan Company Limited	INE280A01028	Cons. Durables	1.31	6.62	23.59	REDUCE
BK1N461	HDFC Bank Limited	INE040A01034	Financials	13.21	8.23		ADD
6327327	Hero Motocorp Limited	INE158A01026	Cons. Durables	0.50	5.59		SELL
6205122	Infosys Limited	INE009A01021	Technology	5.02	4.54		BUY
B0JGGP5	ITC Limited	INE154A01025	Cons. Non-Durables	3.48	11.33		ADD
6582483	Sun Pharmaceutical Industries Limited	INE044A01036	Healthcare	1.62	13.10		ADD
6294896	HCL Technologies Limited	INE860A01027	Technology	1.55	4.64		REDUCE
6633712	Maruti Suzuki India Limited	INE585B01010	Cons. Durables	1.44	10.29		ADD
BWFGD63	Tech Mahindra Limited	INE669C01036	Technology	0.89	4.04		BUY
B28XXH2	Adani Ports & Special Economic Zone Ltd	INE742F01042	Industrials	0.94	2.27		BUY
BZ60N32	SBI Life Insurance Co. Ltd.	INE123W01016	Financials	0.73	7.92		ADD

Source: Kotak Institutional Equities, FactSet

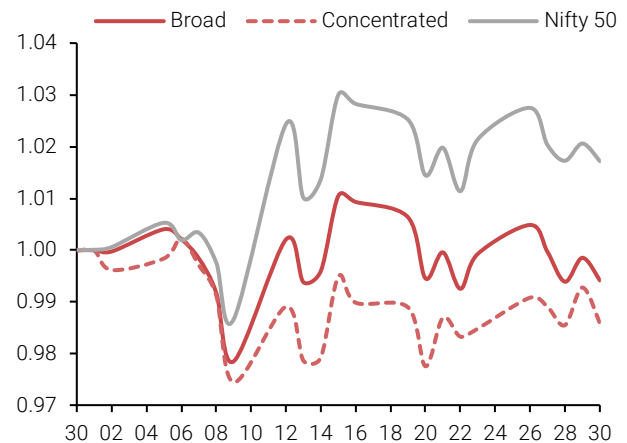
Low-volatility portfolio

Exhibit 22: Cumulative performance since January 2004



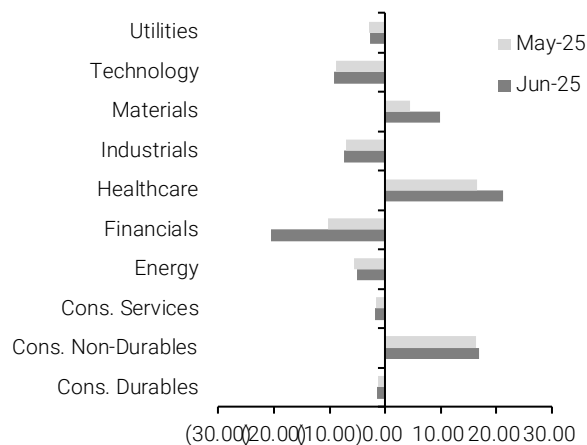
Source: Kotak Institutional Equities, FactSet

Exhibit 23: Performance in last month



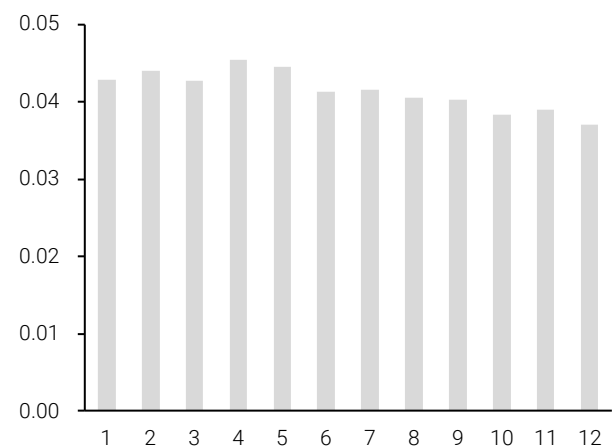
Source: Kotak Institutional Equities, FactSet

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 June 2025

Sedol	Name	ISIN	Sector	Weight			KIE Analyst Recommendation
				Nifty 50 (%)	Broad Portfolio (%)	Concentrated Portfolio (%)	
BK1N461	HDFC Bank Limited	INE040A01034	Financials	13.21	5.83	14.25	ADD
BQB8GH3	Nestle India Ltd.	INE239A01024	Cons. Non-Durables	0.77	8.15	19.93	REDUCE
6442327	Bharti Airtel Limited	INE397D01024	Technology	4.45	8.22	20.09	ADD
6582483	Sun Pharmaceutical Industries Limited	INE044A01036	Healthcare	1.62	9.27	22.67	ADD
BSZ2BY7	ICICI Bank Limited	INE090A01021	Financials	9.11	9.43	23.07	BUY
B011108	Cipla Ltd	INE059A01026	Healthcare	0.74	5.90		BUY
BQ2KJW4	Dr. Reddy's Laboratories Ltd.	INE089A01031	Healthcare	0.68	5.02		REDUCE
BZBYJJ7	JSW Steel Limited	INE019A01038	Materials	0.84	4.97		REDUCE
BYQKH33	Grasim Industries Ltd.	INE047A01021	Materials	0.87	5.49		REDUCE
6099626	Reliance Industries Limited	INE002A01018	Energy	8.60	5.48		BUY
6261674	Hindustan Unilever Limited	INE030A01027	Cons. Non-Durables	1.86	7.60		ADD
B0JGGP5	ITC Limited	INE154A01025	Cons. Non-Durables	3.48	8.02		ADD
6273583	Apollo Hospitals Enterprise Limited	INE437A01024	Healthcare	0.62	4.83		BUY
6633712	Maruti Suzuki India Limited	INE585B01010	Cons. Durables	1.44	7.29		ADD
B01GZF6	UltraTech Cement Limited	INE481G01011	Materials	1.16	4.49		SELL

Source: Kotak Institutional Equities, FactSet

Economy

National Accounts

May 30, 2025

GDP growth in line with NSO's estimates; outlook uncertain

4QFY25 GDP growth was at 7.4%, in line with NSO's implied estimates of 7.6%, though GVA growth remained relatively muted at 6.8%. FY2025 real GDP growth, at 6.5%, was in line with NSO's estimate. We expect FY2026 real GDP growth at 6.2% (earlier 6%) with headwinds from trade disruptions, global slowdown and tailwinds from monsoon and the RBI's monetary easing.

4QFY25 real GDP growth driven by investments

4QFY25 real GDP growth surprised on the upside at 7.4% (Kotak: 7.1%, 3QFY25: 6.4% revised up by 20 bps). This was led mainly by investment (GFCF) growth at 9.4% (5.2% in 3QFY25). Private consumption growth softened to 6.0% (8.1% in 3QFY25), while government spending contracted 1.8% (9.3% growth in 3QFY25; see Exhibit 1).

4QFY25 GVA growth supported by services

4QFY25 real GVA growth, at 6.8% (3QFY25: 6.5%), was driven by construction sector growth at 10.8% (3QFY25: 7.9%), mirroring the robust growth witnessed in GFCF on the demand side (due to strong growth in government capex). Services growth, at 7.3%, was supported by public administration at 8.7% (3QFY25: 8.9%) and financial, real estate and professional services at 7.8% (7.1%; see Exhibit 2). We note that the GDP-GVA gap over the past few quarters has narrowed, but has widened again (12.7% yoy) as net indirect taxes increased sharply (due to a sharp drop in subsidies).

FY2025 growth is in line with NSO's estimates at 6.5%

FY2025 real GDP growth was in line with NSO's second advance estimates of 6.5% (FY2024: 9.2%), even though internals were revised. In FY2025, private consumption grew 7.2% (FY2024: 5.6%) and GFCF grew 7.1% (FY2024: 8.8%). Government consumption growth was weak at 2.3% (8.1%) due to general election-related delays in spending (see Exhibit 1). Nominal GDP growth in FY2025 was at 9.8% (FY2024: 12.0%).

FY2026 growth outlook muted; negative output gap creates room for continued monetary easing

The FY2026 growth outlook remains clouded with the US trade policy uncertainty weighing on (1) global growth prospects and consequently, on India's exports and (2) deferment of private capex and slowing government capex. The growth outlook should be supported by (1) rural demand with expectations of good monsoon and (2) some pick-up in urban demand amid cyclical recovery in urban jobs, government spending and income tax relief, along with support from lower inflation and rates. While risks from tariff hikes have subsided compared with early April, policy uncertainty remains. High-frequency data in FYTD26 hint at slower momentum. We estimate FY2026 GDP growth at 6.2% (6.0% earlier) with risks evenly balanced. The continued slack in the economy, along with benign inflation, should keep the RBI firmly on its monetary easing path. We expect the RBI to deliver an effective easing of 75-100 bps by end-FY2026.

Summary of key macro metrics for India

	2023	2024	2025E	2026E
Real economy				
Real GDP growth (%)	7.6	9.2	6.5	6.2
Nominal GDP growth (%)	14.0	12.0	9.8	8.7
CPI Inflation (avg., %)	6.7	5.4	4.6	3.5
Public finance				
Center's GFD/GDP (%)	6.4	5.6	4.8	4.4
Monetary policy				
Repo Rate (% eop)	6.50	6.50	6.25	5.25
SDF Rate (% eop)	6.25	6.25	6.00	5.00
CRR (% eop)	4.5	4.5	4.0	4.0
External sector				
Current Account Balance (% of GDP)	(2.0)	(0.7)	(0.7)	(1.0)
Brent crude oil price (avg., USD/bbl)	95.4	82.9	78.9	70.0
USD/INR (avg.)	80.3	82.8	84.6	86.6

Source: CEIC, Bloomberg, RBI, Kotak Economics Research estimates

Quick Numbers

4QFY25 real GDP growth at 7.4%; real GVA growth at 6.8%

FY2025 real GDP growth at 6.5%; nominal GDP growth at 9.8%

We estimate FY2026 GDP growth at 6.2% (6.0% earlier)

Related Research

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→ [GDP: Rosy past, tepid present, uncertain](#)

→ [NSO estimates FY2025 real GDP growth at](#)

[Full sector coverage on KINSITE](#)

Upasna Bhardwaj

Suvodeep Rakshit

Harsh Doshi

Swarupjit Palit

4QFY25 real GDP growth was at 7.4%; FY2025 real GDP growth at 6.5%

Exhibit 1: Real GDP and components growth, March fiscal year-ends, 2019-25 (%)

	2019	2020	2021	2022	2023	2024	2025	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Real GDP	6.5	3.9	(5.8)	9.7	7.6	9.2	6.5	9.7	9.3	9.5	8.4	6.5	5.6	6.4	7.4
Private consumption	7.1	5.2	(5.3)	11.7	7.5	5.6	7.2	7.4	3.0	5.7	6.2	8.3	6.4	8.1	6.0
Government consumption	6.7	3.9	(0.8)	0.0	4.3	8.1	2.3	5.3	20.1	2.3	6.6	(0.3)	4.3	9.3	(1.8)
Gross fixed capital formation	11.2	1.1	(7.1)	18	8.4	8.8	7.1	8.4	11.7	9.3	6.0	6.7	6.7	5.2	9.4
Inventory	27	(59)	(76)	525	24	53	4.5	47	60	56	52	7.5	2.1	3.5	4.8
Valuables	(9.7)	(14.2)	30	33	(17)	14.4	0.6	(25)	(6.4)	55	63	(23)	26	(0.5)	(30)
Exports	11.9	(3.4)	(7.0)	30	10.3	2.2	6.3	(7.0)	4.6	3.0	7.7	8.3	3.0	10.8	3.9
Imports	8.8	(0.8)	(12.6)	22	8.9	13.8	(3.7)	18	14.3	11.3	11.4	(1.6)	1.0	(2.1)	(12.7)

Source: CEIC, Kotak Economics Research

4QFY25 real GVA growth surprised to the upside at 6.8%, driven by industrial sector

Exhibit 2: Real GVA and components growth, March fiscal year-ends (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Real GVA	9.9	9.2	8.0	7.3	6.5	5.8	6.5	6.8
Agriculture and allied	5.7	3.7	1.5	0.9	1.5	4.1	6.6	5.4
Industry	7.3	15.1	11.8	9.5	8.5	3.8	4.8	6.5
Mining	4.1	4.1	4.7	0.8	6.6	(0.4)	1.3	2.5
Manufacturing	7.3	17.0	14.0	11.3	7.6	2.2	3.6	4.8
Electricity	4.1	11.7	10.1	8.8	10.2	3.0	5.1	5.4
Construction	9.2	14.6	10.0	8.7	10.1	8.4	7.9	10.8
Services	12.5	7.5	8.3	7.8	6.8	7.2	7.4	7.3
Trade, hotel, transport, communication	11.0	5.4	8.0	6.2	5.4	6.1	6.7	6.0
Financial, real estate, professional services	15.0	8.3	8.4	9.0	6.6	7.2	7.1	7.8
Public admin, defence, and others	9.3	8.9	8.4	8.7	9.0	8.9	8.9	8.7
Real GDP	9.7	9.3	9.5	8.4	6.5	5.6	6.4	7.4

Source: CEIC, Kotak Economics Research

We expect FY2026 real GDP growth to moderate to 6.2%; GVA growth to soften to 6.1%

Exhibit 3: Real GVA and components growth, March fiscal year-ends, 2019-26E (%)

	2019	2020	2021	2022	2023	2024	2025	2026E
Real GVA	5.8	3.9	(4.1)	9.4	7.2	8.6	6.4	6.1
Agriculture and allied	2.1	6.2	4.0	4.6	6.3	2.7	4.6	4.5
Industry	5.3	(1.4)	(0.4)	12.2	2.5	10.8	5.9	5.5
Mining	(0.8)	(3.0)	(8.2)	6.3	3.4	3.2	2.7	2.8
Manufacturing	5.4	(3.0)	3.1	10.0	(1.7)	12.3	4.5	4.6
Electricity	7.9	2.3	(4.2)	10.3	10.8	8.6	5.9	5.4
Construction	6.5	1.6	(4.6)	19.9	9.1	10.4	9.4	7.8
Services	7.2	6.4	(8.4)	9.2	10.3	9.0	7.2	6.9
Trade, hotel, transport, communication	7.2	6.0	(19.9)	15.2	12.3	7.5	6.1	6.2
Financial, real estate, professional services	7.0	6.8	1.9	5.7	10.8	10.3	7.2	6.9
Public admin, defence, and others	7.5	6.6	(7.6)	7.5	6.7	8.8	8.9	8.0
Real GDP	6.5	3.9	(5.8)	9.7	7.6	9.2	6.5	6.2

Source: CEIC, Kotak Economics Research estimates

Economy

Public Finance

May 31, 2025

India fiscal: In a comfortable zone

GFD/GDP in FY2025P was maintained at 4.8%, in line with FY2025RE, on the back of lower-than-budgeted receipts as well as expenditure. Center's fiscal position remains comfortable in FY2026, with (1) the RBI's surplus transfer providing support for potential tax slippages and (2) expenditure buffers to reallocate spending toward select areas, if needed. We pencil in FY2026E GFD/GDP at 4.4%, in line with FY2026BE.

GFD/GDP maintained at 4.8% in FY2025P with lower receipts and expenditure

Provisional estimates of center's FY2025 fiscal accounts pegged GFD/GDP at 4.8% (around Rs100 bn higher than FY2025RE). Receipts were around Rs700 bn lower than FY2025RE due to a shortfall of (1) Rs280 bn in personal income tax, (2) Rs350 bn in GST collections and (3) Rs160 bn in divestments. Expenditure was lower by around Rs600 bn due to (1) Rs950 bn lower revenue expenditure, mostly on account of transfers to states, housing, drinking water, etc.; and (2) Rs330 bn higher capital expenditure, largely due to higher loans to states for capex (Rs260 bn higher) and roads (Rs130 bn higher) (see Exhibit 1 for details).

Large capex growth in April driven by ways and means advance to FCI

Expenditure in April increased by 10%, with capital expenditure growth at 61% and revenue expenditure growth of (-)5.7%. Capex growth was driven by Rs500 bn ways and means advance to FCI, which should be reversed this year. Capex growth, excluding the advance to FCI, was 10.6% (9.8% of FY2026BE). Center's gross tax revenue was 6.5% higher than in April 2024, with (-)3% growth in direct taxes and 18% growth in indirect taxes (IGST-led). Non-tax revenue picked up due to Rs214 bn in other receipts (disinvestments, asset monetization, etc.). Fiscal deficit in April 2025 stood at 12% of FY2026BE (see Exhibit 2 for details).

Bond market expected to remain favorable

Bond market sentiments have been favorable, factoring in (1) the RBI's rate cuts, along with a shift in stance, (2) continued OMOs (and through other tools) resulting in surplus system liquidity, (3) expected benign inflation trajectory for the rest of CY2025 and (4) expected low global commodity prices. However, lower-than-expected RBI surplus transfer, higher-than-expected GDP growth, and continued geopolitical and global trade policy uncertainties will pose upside risks to yields. We expect the benchmark 10-year yield to trade in the range of 6-6.3% in the near term.

GFD/GDP should be around budgeted 4.4% in FY2026E

The central government is likely to maintain GFD/GDP at the budgeted target of 4.4% in FY2026. The RBI's surplus transfer of Rs2.7 tn (Rs600 bn higher than budgeted) should offset potential slippages in net tax revenues (see Exhibit 1 for details). We also see expenditure buffers (around Rs600 bn), if required, to reallocate spending toward (1) defense and internal security, (2) support to exports, MSMEs, etc., and/or (3) welfare schemes/rural infrastructure schemes, etc., without deviating from the fiscal consolidation path.

Summary of key macro metrics for India

	2023	2024	2025E	2026E
Real economy				
Real GDP growth (%)	7.6	9.2	6.5	6.2
Nominal GDP growth (%)	14.0	12.0	9.8	8.9
CPI Inflation (avg., %)	6.7	5.4	4.6	3.5
Public finance				
Center's GFD/GDP (%)	6.4	5.6	4.8	4.4
Monetary policy				
Repo Rate (% eop)	6.50	6.50	6.25	5.25
SDF Rate (% eop)	6.25	6.25	6.00	5.00
CRR (% eop)	4.5	4.5	4.0	4.0
External sector				
Current Account Balance (% of GDP)	(2.0)	(0.7)	(0.7)	(1.0)
Brent crude oil price (avg., USD/bbl)	95.4	82.9	78.9	70.0
USD/INR (avg.)	80.3	82.8	84.6	86.6

Source: CEIC, Bloomberg, RBI, Kotak Economics Research estimates

Quick Numbers

Gross tax revenues in FY2025 increased 9.5%; receipts higher by 10.4%; total expenditure higher by 4.8%

FY2025P GFD/GDP in line with FY2025RE at 4.8%; we pencil in FY2026E at 4.4%

Rs500 bn reversible FCI loan drives capex growth at 61% in April 2025; fiscal deficit at 12% of FY2026BE

Related Research

→ [RBI Accounts: Foreign earnings driving higher](#)

→ [India fiscal: Decent buffers for center](#)

→ [GDP growth in line with NSO's estimates;](#)

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Suvodeep Rakshit

Upasna Bhardwaj

Harsh Doshi

Swarupjit Palit

GFD/GDP at 4.8% in FY2025P; likely to be at 4.4% in FY2026E**Exhibit 1: Major central government budgetary items, March fiscal year-ends, 2022-26E (Rs bn)**

	2022	2023	2024	2025RE	2025P	2026BE	2026E	Change (%)				
								2023/ 2022	2024/ 2023	2025P/ 2024	2026BE/ 2025P	2026E/ 2025P
Receipts												
1. Revenue receipts (2d + 3)	21,699	23,832	27,290	30,880	30,364	34,204	34,220	10	15	11	13	13
2. Gross tax revenues (a + b)	27,093	30,542	34,655	38,535	37,952	42,702	41,687	13	13	10	13	10
2.a. Direct taxes	14,158	16,723	19,694	22,515	22,305	25,351	24,309	18	18	13	14	9
2.a.1. Corporation tax	7,120	8,258	9,111	9,800	9,868	10,820	10,608	16	10	8	10	8
2.a.2. Income tax (incl. other taxes)	7,038	8,464	10,584	12,715	12,437	14,531	13,701	20	25	18	17	10
2.b. Indirect taxes	12,935	13,819	14,961	16,020	15,596	17,351	17,378	7	8	4	11	11
2.b.1. Goods and Services Tax	6,981	8,491	9,572	10,619	10,265	11,780	11,624	22	13	7	15	13
2.b.1.1. CGST	5,912	7,185	8,206	9,085	9,090	10,109	9,953	22	14	11	11	10
2.b.1.2. IGST	21	47	(49)	—	(330)	—	—	124				
2.b.1.3. Compensation cess	1,048	1,259	1,414	1,534	1,505	1,671	1,671	20	12	6	11	11
2.b.2. Customs duty	1,997	2,134	2,331	2,350	2,329	2,400	2,254	7	9	(0)	3	(3)
2.b.2.1. Basic duties	1,460	1,676	1,775	1,506	1,493	1,585	1,463	15	6	(16)	6	(2)
2.b.2.2. Others	537	457	557	844	836	815	791	(15)	22	50	(3)	(5)
2.b.3. Excise duty	3,946	3,190	3,054	3,050	3,003	3,170	3,500	(19)	(4)	(2)	6	17
2.b.4. Service tax	10	4	4	1	(0)	1	1	(57)	(1)	(104)	(725)	(725)
2.c. Transfers to states, UTs, etc.	9,045	9,564	11,383	12,965	12,963	14,328	13,879	6	19	14	11	7
2.d Net tax revenues (2 - 2.c)	18,048	20,978	23,273	25,570	24,989	28,374	27,808	16	11	7	14	11
3. Non-tax revenues	3,651	2,854	4,018	5,310	5,375	5,830	6,412	(22)	41	34	8	19
3.a. RBI's transfer of surplus	991	303	874	2,104	2,686	2,104	2,686	(69)	188	207	(22)	-
3.b. Telecommunications	858	648	907	1,234	1,234	824	824	(24)	40	36	(33)	(33)
3.c. Others	1,802	1,903	2,237	1,972	1,456	2,902	2,902	6	18	(35)	99	99
4. Non-debt capital receipts (a + b)	394	722	598	590	418	760	760	83	(17)	(30)	82	82
4.a. Recovery of loans	247	262	266	260	246	290	290	6	2	(8)	18	18
4.b Other receipts (incl. disinvestments)	146	460	331	330	172	470	470	214	(28)	(48)	173	173
5. Total receipts (1 + 4)	22,093	24,554	27,888	31,470	30,782	34,964	34,980	11	14	10	14	14
Expenditure												
6. Revenue expenditure	32,009	34,531	34,943	36,981	36,035	39,443	39,443	8	1	3	9	9
6.a. Interest payments	8,055	9,285	10,639	11,379	11,163	12,763	12,763	15	15	5	14	14
6.b. Subsidies	4,461	5,310	4,123	3,834	3,880	3,834	3,834	19	(22)	(6)	(1)	(1)
6.b.1. Food	2,890	2,728	2,118	1,974	1,999	2,034	2,034	(6)	(22)	(6)	2	2
6.b.2. Fertilizer	1,538	2,513	1,883	1,713	1,737	1,679	1,679	63	(25)	(8)	(3)	(3)
6.b.3. Oil	34	68	122	147	145	121	121	99	80	18	(16)	(16)
6.c. Pay, allowances and pensions	5,899	6,564	6,857	7,598	7,598	7,825	7,825	11	4	11	3	3
6.c.1.a. Pay and allowances	3,910	4,148	4,474	4,847	4,847	5,059	5,059	6	8	8	4	4
6.c.1.b. Pensions	1,989	2,416	2,383	2,751	2,751	2,766	2,766	21	(1)	15	1	1
6.d. Agriculture and farmers' welfare	1,145	999	1,083	1,311	1,299	1,272	1,272	(13)	8	20	(2)	(2)
6.e. Education	803	972	1,232	1,140	1,107	1,286	1,286	21	27	(10)	16	16
6.f. Health and family welfare	787	703	783	840	856	923	923	(11)	11	9	8	8
6.g. Rural development	1,604	1,768	1,619	1,739	1,767	1,878	1,878	10	(8)	9	6	6
6.h. Others	9,255	8,931	8,606	9,138	8,364	9,661	9,661	(3)	(4)	(3)	16	16
7. Capital expenditure	5,929	7,400	9,492	10,184	10,520	11,211	11,211	25	28	11	7	7
7.a. Defence	1,448	1,509	1,646	1,705	1,706	1,924	1,924	4	9	4	13	13
7.b. Railways	1,173	1,593	2,426	2,520	2,519	2,520	2,520	36	52	4	0	0
7.c. Roads and highways	1,133	2,060	2,639	2,725	2,853	2,722	2,722	82	28	8	(5)	(5)
7.d. Loans for capex to states	142	812	1,096	1,250	1,513	1,500	1,500	472	35	38	(1)	(1)
7.e. Housing and urban affairs	259	269	264	317	316	376	376	4	(2)	20	19	19
7.f. Others	1,774	1,158	1,422	1,668	1,612	2,168	2,168	(35)	23	13	35	35
8. Total expenditure (6 + 7)	37,938	41,932	44,434	47,165	46,555	50,653	50,653	11	6	5	9	9
Deficit												
Primary deficit (PD)	7,790	8,092	5,908	4,316	4,609	2,926	2,911	4	(27)	(22)	(37)	(37)
Revenue deficit (RD)	10,310	10,699	7,652	6,101	5,671	5,238	5,223	4	(28)	(26)	(8)	(8)
Gross fiscal deficit (GFD)	15,845	17,378	16,546	15,695	15,773	15,689	15,674	10	(5)	(5)	(1)	(1)
Gross market borrowing (dated securities)	9,684	14,210	15,014	14,005	14,005	14,820	14,820	47	6	(7)	6	6
Net market borrowing (dated securities)	7,041	11,083	11,778	11,627	11,627	11,538	11,538	57	6	(1)	(1)	(1)
Short-term borrowing (T-bills/WMA)	774	1,148	532	(1,200)	(1,119)	0	0					
Nominal GDP	235,974	268,905	301,230	324,114	330,682	356,979	359,963	14.0	12.0	9.8	8.0	8.9
PD/GDP (%)	3.3	3.0	2.0	1.3	1.4	0.8	0.8					
RD/GDP (%)	4.4	4.0	2.5	1.9	1.7	1.5	1.5					
GFD/GDP (%)	6.7	6.5	5.5	4.8	4.8	4.4	4.4					

Source: Union Budgets, CGA, Kotak Economics Research estimates

Fiscal deficit at 12% of FY2026BE in April 2025

Exhibit 2: Monthly fiscal details of the central government, March fiscal year-ends (Rs bn)

Date	Chg. (%)					FY2026BE		FY2026	
	Apr-25	Apr-24	Mar-25	yoy	mom	Rs bn (% of BE)		Current run rate	Required run rate
Gross tax revenues	2,715	2,550	5,910	6.5	(54)	42,702	6.4	2,715	3,635
Direct taxes	1,317	1,357	4,128	(3.0)	(68)	25,351	5.2	1,317	2,185
Corporation tax	215	362	2,196	(41)	(90)	10,820	2.0	215	964
Income tax + other taxes	1,102	995	1,932	10.8	(43)	14,531	7.6	1,102	1,221
Indirect taxes	1,359	1,155	1,740	18	(22)	17,351	7.8	1,359	1,454
Customs duty	139	140	283	(0.2)	(51)	2,400	5.8	139	206
Excise duty	(0)	1	501	(156)	(100)	3,170	(0.0)	(0)	288
Service tax	(0)	(1)	(0)	(60)	56	1	(39)	(0)	0
GST	1,220	1,016	956	20	28	11,780	10.4	1,220	960
CGST	782	912	788	(14.2)	(0.8)	10,109	7.7	782	848
IGST	311	(26)	46	1,276	574	—	—	311	—
Compensation cess	127	130	122	(2.7)	4.2	1,671	7.6	127	140
Net tax revenues	1,897	1,850	4,833	2.5	(61)	28,374	6.7	1,897	2,407
Non-tax revenues	672	273	442	146	52	5,830	11.5	672	469
Non-debt capital receipts	225	10	45	2,057	404	760	30	225	49
Total receipts	2,793	2,133	5,319	31	(47)	34,964	8.0	2,793	2,925
Total expenditure	4,656	4,235	7,623	10.0	(39)	50,653	9.2	4,656	4,182
Revenue expenditure	3,058	3,242	5,222	(5.7)	(41)	39,443	7.8	3,058	3,308
- Interest payments	935	1,283	1,635	(27)	(43)	12,763	7.3	935	1,075
- Subsidies	290	194	250	49	16	3,834	7.6	290	322
- Transfer to states (Min. of Fin.)	55	77	321	(29)	(83)	1,574	3.5	55	138
- Rural development	118	133	422	(11.4)	(72)	1,878	6.3	118	160
- Others	1,661	1,555	2,594	6.8	(36)	19,393	8.6	1,661	1,612
Capital expenditure	1,598	992	2,401	61	(33)	11,211	14.3	1,598	874
- Defence	46	23	474	101	(90)	1,924	2.4	46	171
- Railways	310	299	226	3.7	37	2,520	12.3	310	201
- Roads and highways	553	559	441	(1.1)	26	2,722	20	553	197
- Loan to states for capex	9	8	337	17	(97)	1,500	0.6	9	136
- Others	680	103	924	557	(26)	2,545	27	680	170
Fiscal deficit	1,863	2,101	2,304	(11.3)	(19)	15,689	11.9	1,863	1,257
Revenue deficit	490	1,119	(52)	(56)	(1,034)	5,238	9.4	490	432
Primary deficit	929	819	669	13.4	39	2,926	32	929	182

Notes:

(a) The line item "Others" in Capital expenditure includes a loan to FCI of Rs500 bn to be reversed within the fiscal year.

Source: CEIC, CGA, Kotak Economics Research estimates



Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs) 30-May-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)	
								2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	Traded	Delivered
Automobiles & Components																											
Amara Raja Energy & Mobility	SELL	1,031	925	(10)	189	2.2	183	53	58	66	20	18	16	2.6	2.3	2.0	12	10	9	14	14	14	1.0	0.6	0.6	9	4
Apollo Tyres	SELL	471	405	(14)	299	3.5	638	20	26	31	24	18	15	2.0	1.9	1.7	9	8	7	9	11	12	1.1	1.5	1.5	9	4
Ashok Leyland	ADD	236	240	2	693	8.1	2,936	11	11	12	22	21	20	5.9	5.0	4.5	13	13	12	31	25	24	2.6	1.9	2.6	20	8
Bajaj Auto	SELL	8,607	7,250	(16)	2,404	28	279	300	336	365	29	26	24	7.5	7.1	6.7	22	19	18	29	28	29	2.4	3.1	3.4	44	24
Balkrishna Industries	SELL	2,472	2,100	(15)	478	5.6	193	86	98	104	29	25	24	4.6	4.0	3.5	18	16	15	17	17	16	0.6	0.7	0.8	12	6
Bharat Forge	SELL	1,241	900	(27)	593	6.9	478	21	26	33	58	47	38	6.4	5.9	5.3	24	24	20	12	13	15	0.6	0.7	0.8	23	11
CEAT	SELL	3,779	2,825	(25)	153	1.8	40	122	167	185	31	23	20	3.5	3.1	2.8	12	10	9	12	15	14	0.8	1.1	1.2	9	3
CIE Automotive	SELL	451	380	(16)	171	2.0	378	22	22	25	21	21	18	2.6	2.4	2.2	12	12	10	13	12	13	1.6	1.5	1.7	1	1
Eicher Motors	SELL	5,334	4,300	(19)	1,463	17.1	272	174	176	196	31	30	27	7.8	7.0	6.3	29	26	23	28	24	24	1.3	1.4	1.6	31	17
Endurance Technologies	REDUCE	2,432	2,050	(16)	342	4.0	141	59	67	77	41	36	31	6.0	5.3	4.7	21	18	16	15	15	15	0.4	0.6	0.7	3	2
Escorts Kubota	SELL	3,322	2,850	(14)	372	4.3	112	99	105	120	33	32	28	3.6	3.3	3.1	31	27	24	11	11	11	0.8	1.0	1.3	7	2
Exide Industries	SELL	387	290	(25)	329	3.8	850	13	14	16	31	28	24	2.3	2.1	2.0	17	16	14	8	8	9	0.5	0.6	0.6	12	5
Hero Motocorp	SELL	4,309	3,500	(19)	862	10.1	200	231	244	266	19	18	16	4.4	4.1	3.8	12	11	10	24	24	24	3.8	4.0	4.3	34	17
Hyundai Motor	BUY	1,847	2,050	11	1,501	17.5	813	69	72	88	27	26	21	9.2	7.6	6.2	16	15	12	35	29	30	1.1	1.5	1.9	28	18
Mahindra & Mahindra	BUY	2,977	3,500	18	3,702	43.3	1,159	102	118	128	29	25	23	5.6	4.7	4.0	20	17	16	21	20	19	0.8	0.6	0.6	107	60
Maruti Suzuki	ADD	12,319	12,275	(0)	3,873	45.3	314	470	500	555	26	25	22	4.1	3.7	3.4	18	16	14	17	16	16	1.1	1.6	1.8	57	32
MRF	SELL	138,865	115,000	(17)	589	6.9	4	4,409	5,539	6,272	31	25	22	3.2	2.8	2.5	14	11	10	11	12	12	0.2	0.2	0.2	13	5
Ola Electric	SELL	51	30	(41)	225	2.6	4,411	(5)	(3)	(3)	NM	NM	NM	4.4	6.1	8.8	NM	NM	NM	NM	NM	NM	0.0	0.0	0.0	26	7
Samvardhana Motherson	SELL	153	130	(15)	1,077	12.6	7,036	5	6	6	28	27	24	3.2	2.8	2.6	11	10	9	13	11	11	0.2	0.3	0.3	29	14
Schaeffler India	REDUCE	4,189	3,250	(22)	655	7.7	156	60	70	77	70	60	55	12.3	11.1	10.0	44	38	34	19	19	19	0.1	0.0	0.0	5	2
SKF	ADD	4,696	4,800	2	232	2.7	49	114	138	155	41	34	30	8.9	7.5	6.3	31	25	22	22	22	21	0.3	0.6	0.7	3	2
Sona BLW Precision	REDUCE	544	450	(17)	338	4.0	618	10	12	14	56	46	40	6.0	5.4	4.9	33	29	25	15	12	13	0.3	0.4	0.5	13	7
Tata Motors	SELL	720	600	(17)	2,649	31.0	3,677	61	57	74	12	13	10	2.3	2.0	1.6	5	5	4	22	17	18	0.8	0.6	0.7	136	52
Timken	ADD	3,126	3,300	6	235	2.7	75	59	67	81	53	47	38	8.3	7.2	6.2	39	33	27	17	16	17	0.0	0.0	0.0	7	4
TVS Motor	REDUCE	2,781	2,400	(14)	1,321	15.4	475	57	68	80	49	41	35	13.3	10.6	8.5	30	25	22	31	29	27	0.3	0.4	0.5	25	14
Uno Minda	SELL	1,007	900	(11)	578	6.8	572	16	19	21	62	53	49	10.1	8.5	7.3	32	28	25	16	16	15	0.2	0.3	0.3	8	4
Varroc Engineering	SELL	529	480	(9)	81	0.9	153	5	24	31	116	22	17	5.1	3.6	3.0	11	9	7	4	16	17	—	—	—	1	1
Automobiles & Components	Cautious				25,402	296.9					26.8	25.0	21.5	4.7	4.1	3.6	14.3	13.6	11.6	17.4	16.5	16.9	1.1	1.2	1.3	671	322
Banks																											
AU Small Finance Bank	ADD	693	650	(6)	516	6.0	745	28	37	48	25	19	14	3.1	2.7	2.3	—	—	—	13	15	17	—	—	—	28	14
Axis Bank	BUY	1,192	1,500	26	3,696	43.2	3,097	85	89	101	14	13	12	1.4	1.8	1.6	—	—	—	16	14	15	0.1	1.1	1.3	95	61
Bandhan Bank	BUY	170	225	32	274	3.2	1,611	17	22	26	10	8	7	1.1	1.0	0.9	—	—	—	12	14	14	1.6	2.1	2.4	17	7
Bank of Baroda	ADD	250	255	2	1,291	15.1	5,178	38	35	33	7	7	7	1.0	0.9	0.8	—	—	—	16	12	11	3.1	2.8	2.7	33	16
Canara Bank	ADD	115	105	(9)	1,041	12.2	9,071	19	17	19	6	7	6	1.2	1.1	1.0	—	—	—	18	14	14	3.3	2.9	3.3	34	16
City Union Bank	ADD	196	185	(5)	145	1.7	741	15	15	17	13	13	11	1.6	1.5	1.3	—	—	—	13	11	12	1.0	1.0	1.2	5	3
DCB Bank	BUY	147	160	9	46	0.5	314	20	22	31	8	7	5	0.9	0.8	0.7	—	—	—	11	11	14	0.9	1.3	2.3	3	2
Equitas Small Finance Bank	BUY	64	85	34	73	0.8	1,140	1	4	7	49	17	9	1.2	1.2	1.1	—	—	—	2	7	12	—	—	—	4	2
Federal Bank	BUY	202	225	11	496	5.8	2,455	17	16	20	12	12	10	1.5	1.4	1.3	—	—	—	13	11	12	0.6	1.2	1.5	20	11
HDFC Bank	ADD	1,945	2,100	8	14,894	174.1	7,652	88	98	112	22	20	17	3.0	2.7	2.4	—	—	—	14	14	15	1.1	1.3	1.4	268	182
ICICI Bank	BUY	1,446	1,600	11	10,310	120.5	7,123	67	70	77	21	21	19	3.6	3.2	2.8	—	—	—	18	16	15	0.8	1.0	1.1	199	133
IndusInd Bank	REDUCE	817	800	(2)	636	7.4	779	34	49	92	24	17	9	1.0	1.0	0.9	—	—	—	4	6	10	0.6	0.9	1.6	152	60
Karur Vysya Bank	BUY	222	260	17	177	2.1	805	24	23	26	9	10	9	1.5	1.4	1.2	—	—	—	18	15	15	2.8	2.7	3.1	6	3
Punjab National Bank	ADD	106	110	4	1,216	14.2	11,493	14	15	15	7	7	7	1.0	0.9	0.9	—	—	—	14	13	11	2.7	2.9	2.8	29	12
State Bank of India	BUY	812	975	20	7,249	84.7	8,925	79	68	84	10	12	10	1.8	1.6	1.4	—	—	—	17	13	14	2.0	1.9	2.1	112	58
Ujjivan Small Finance Bank	BUY	43	55	28	83	1.0	1,935	4	3	5	11	17	8	1.4	1.3	1.2	—	—	—	12	8	15	0.0	1.3	2.8	8	4
Union Bank	BUY	147	160	9	1,121	13.1	7,634	24	22	22	6	7	7	1.1	1.0	0.9	—	—	—	17	14	13	3.2	3.0	3.1	21	9
Utkarsh Small Finance Bank	BUY	23	32	39	25	0.3	1,102	0	(2)	4	123	NM	6	0.9	1.0	0.8	—	—	—	1	NM	15	—	—	—	1	1
YES Bank	SELL	21	17	(21)	674	7.9	31,354	1	1	1	28	20	15	1.4	1.3	1.2	—	—	—	5	7	9	—	—	—	31	13
Banks	Attractive				43,964	513.9					14.5	14.5	12.7	2.1	1.9	1.7				14.2	12.8	13.1	1.3	1.4	1.6	1,067	605

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-May-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	Traded	Delivered
Capital goods																											
ABB	ADD	5,971	5,700	(5)	1,265	14.8	212	88	95	105	67	63	57	17.9	15.4	13.5	52	49	45	29	26	25	0.5	0.6	0.7	27	13
Bharat Electronics	SELL	385	300	(22)	2,811	32.9	7,310	7	8	10	53	45	38	14.1	11.9	10.0	40	33	28	29	28	28	0.6	0.9	1.1	112	50
BHEL	SELL	260	115	(56)	905	10.6	3,482	1	4	11	176	64	25	3.6	3.4	2.9	NM	38	17	2	5	13	(0.0)	(0.1)	(0.5)	40	13
Carborundum Universal	REDUCE	996	960	(4)	190	2.2	190	15	23	31	65	43	32	5.4	4.9	4.4	26	25	19	9	12	14	0.3	0.5	0.6	3	1
CG Power & Industrial	SELL	687	540	(21)	1,050	12.3	1,527	6	8	10	108	81	66	27.3	22.0	17.8	80	58	48	25	27	27	(0.3)	(0.4)	(0.4)	25	12
Cochin Shipyard	SELL	1,947	850	(56)	512	6.0	263	31	30	36	62	64	55	9.2	8.4	7.6	55	49	44	16	14	15	0.5	0.5	0.6	92	26
Cummins India	BUY	3,268	3,900	19	906	10.6	277	72	82	95	45	40	34	12.9	11.4	10.0	42	36	31	30	30	31	1.2	1.4	1.6	20	11
G R Infraprojects	SELL	1,280	1,150	(10)	124	1.4	97	83	91	221	15	14	6	1.6	1.4	0.6	14	12	4	10	11	22	0.0	0.0	0.0	3	1
IRB Infrastructure	ADD	51	60	17	310	3.6	6,039	1	2	3	46	21	18	1.6	1.5	1.5	13	11	9	4	7	9	2.6	4.0	5.0	10	4
Kalpataru Projects	BUY	1,139	1,220	7	194	2.3	160	34	61	80	33	19	14	2.8	2.5	2.1	12	9	8	9	14	16	0.3	0.4	0.6	6	3
KEC International	REDUCE	832	890	7	222	2.6	266	21	39	53	39	21	16	4.1	3.5	3.0	17	12	9	12	18	21	0.3	0.5	0.7	21	7
L&T	ADD	3,675	3,650	(1)	5,054	59.1	1,375	106	125	161	35	29	23	6.3	5.6	4.8	23	19	16	19	20	23	0.8	0.9	1.2	91	55
Praj Industries	BUY	480	700	46	88	1.0	184	10	13	19	49	36	25	6.4	5.4	4.5	—	—	—	16	16	20	0.0	0.0	0.0	5	2
Siemens	REDUCE	3,266	2,900	(11)	1,163	13.6	356	49	57	67	66	57	49	8.8	7.9	7.1	53	44	37	15	15	15	0.5	0.5	0.5	33	14
Thermax	ADD	3,388	3,500	3	404	4.7	113	56	68	83	61	49	41	7.7	6.9	6.1	45	37	31	13	15	16	0.0	0.4	0.4	5	3
Capital goods	Cautious				15,198	177.6					47.6	39.0	29.5	7.2	6.4	5.4	30.5	24.8	19.8	15.1	16.5	18.3	0.6	0.7	0.9	494	215
Capital Markets																											
360 One	ADD	997	1,150	15	393	4.6	406	27	30	34	38	33	29	5.5	4.8	3.7	—	—	—	20	16	15	0.6	0.7	0.8	14	8
ABSL AMC	ADD	747	750	0	216	2.5	288	32	34	36	23	22	21	5.8	5.2	4.7	—	—	—	NM	NM	NM	2.6	2.7	2.9	3	2
Angel One	BUY	3,036	2,800	(8)	275	3.2	90	130	104	131	23	29	23	4.9	4.4	3.9	—	—	—	27	16	18	1.2	1.2	1.5	44	9
CAMS	ADD	3,961	4,000	1	196	2.3	50	95	101	116	42	39	34	17.5	15.7	14.1	—	—	—	46	42	44	1.8	1.9	2.2	23	9
CRISIL	REDUCE	5,250	4,300	(18)	384	4.5	73	94	109	128	56	48	41	15.0	13.5	12.1	—	—	—	29	30	31	1.1	1.4	1.6	4	2
HDFC AMC	ADD	4,783	4,500	(6)	1,023	12.0	214	115	134	147	42	36	33	12.6	11.7	11.0	—	—	—	32	34	35	1.9	2.2	2.5	26	16
ICRA	REDUCE	6,740	6,500	(4)	65	0.8	10	177	208	237	38	32	28	5.8	5.4	41.6	—	—	—	16	17	34	0.1	0.2	0.2	1	0
Kfin Technologies	SELL	1,079	1,050	(3)	186	2.2	172	19	22	28	56	48	39	13.2	11.5	10.1	—	—	—	21	20	21	0.7	0.8	1.0	28	11
Nippon AMC	ADD	741	700	(6)	470	5.5	635	20	22	25	37	33	30	11.2	10.8	10.4	—	—	—	31	33	35	2.4	2.7	3.0	8	4
UTI AMC	BUY	1,190	1,300	9	152	1.8	128	57	54	58	21	22	21	3.3	3.2	3.1	—	—	—	16	15	15	4.0	3.6	3.9	3	1
Capital Markets	Cautious				3,359	39.3					35.9	33.4	29.4	8.5	7.7	6.9				24	23	24	1.6	1.7	1.9	153	361
Commercial & Professional Services																											
SIS	ADD	355	360	2	51	0.6	147	1	20	23	441	18	15	2.2	1.9	1.7	9	8	8	0	12	12	—	—	—	1	0
TeamLease Services	REDUCE	1,956	2,000	2	33	0.4	17	66	74	89	30	27	22	3.6	3.2	2.8	23	19	16	12.9	12.8	13.5	—	—	—	1	1
Commercial & Professional Services	Cautious				84	1.0					68.8	20.1	17.3	2.5	2.3	2.0	11.4	10.6	9.5	3.7	11.2	11.5	0.0	0.0	0.0	2	1
Commodity Chemicals																											
Asian Paints	REDUCE	2,259	2,250	(0)	2,167	25.3	959	42	44	51	54	51	44	11.2	10.3	9.5	36	33	31	21	21	22	1.1	1.2	1.5	33	19
Berger Paints	SELL	568	505	(11)	663	7.7	1166	10	11	12	56	53	48	10.8	9.6	8.6	35	33	30	20	19	19	0.7	0.8	0.9	5	2
Indigo Paints	REDUCE	1,079	1,000	(7)	51	0.6	48	30	28	31	36	39	35	5.0	4.5	4.1	21	21	19	15	12	12	0.3	0.4	0.6	1	1
Kansai Nerolac	REDUCE	254	265	4	205	2.4	808	8	9	10	30	27	25	3.2	3.0	2.9	19	17	15	11	12	12	1.5	1.8	2.0	1	0
Tata Chemicals	SELL	887	710	(20)	226	2.6	255	13	15	19	69	59	46	1.0	1.0	1.0	10	9	8	1	2	2	1.2	1.2	1.2	8	4
Commodity Chemicals	Cautious				3,312	38.7					52.1	49.1	42.9	6.1	5.8	5.5	29.3	27.0	24.8	11.7	11.7	12.7	1.0	1.1	1.4	49	26
Construction Materials																											
ACC	REDUCE	1,883	2,000	6	354	4.1	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	9	4
Ambuja Cements	SELL	554	360	(35)	1,363	15.9	2,463	7	13	18	77	42	32	2.5	2.4	2.3	25	18	14	4	6	7	0.4	0.5	0.6	18	10
Dalmia Bharat	SELL	2,017	1,650	(18)	378	4.4	187	42	60	72	48	34	28	2.2	2.1	1.9	16	13	12	5	6	7	0.4	0.5	0.6	9	5
Grasim Industries	REDUCE	2,546	2,750	8	1,732	20.2	681	58	91	121	44	28	21	1.8	1.7	1.6	12	9	8	4	6	8	0.4	0.4	0.4	20	11
J K Cement	SELL	5,465	3,160	(42)	422	4.9	77	103	135	156	53	41	35	6.9	6.0	5.2	23	18	16	14	16	16	0.3	0.3	0.3	7	4
Nuvoco Vistas Corp.	REDUCE	358	350	(2)	128	1.5	357	1	5	8	585	77	47	1.4	1.4	1.4	12	11	9	0	2	3	0.0	0.0	0.0	1	1
Shree Cement	SELL	29,690	19,550	(34)	1,071	12.5	36	332	420	448	90	71	66	5.1	4.8	4.6	26	21	18	6	7	7	0.4	0.5	0.5	13	7
The Ramco Cements	SELL	970	590	(39)	229	2.7	236	3	19	26	313	52	37	3.1	2.8	2.7	22	17	14	1	6	7	0.2	0.3	0.4	9	4
UltraTech Cement	SELL	11,210	7,350	(34)	3,303	38.6	295	209	314	367	54	36	31	4.7	4.3	3.9	28	19	17	9	13	13	0.7	0.7	0.9	46	28
Construction Materials	Cautious				8,981	105.0					57.0	36.2	29.4	3.0	2.8	2.6	18.0	14.0	12.2	5.2	7.7	8.8	0.5	0.5	0.6	133	74

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-May-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	Traded	Delivered
Consumer Durables & Apparel																											
Aditya Birla Fashion and Retail	REDUCE	86	93	8	105	1.2	1,220	(5)	(5)	(4)	NM	NM	NM	1.5	1.7	1.8	13	12	9	NM	NM	NM	—	—	—	11	5
Campus Activewear	ADD	292	315	8	89	1.0	305	4	5	6	74	57	47	11.8	10.1	8.6	36	30	25	17	19	20	—	—	0.5	2	1
Cello World	BUY	616	735	19	136	1.6	226	15	17	19	40	36	32	6.3	5.7	5.1	25	24	21	20	17	17	0.2	0.8	1.0	2	1
Crompton Greaves Consumer	BUY	353	390	11	227	2.7	643	9	10	13	41	34	28	6.7	5.9	5.2	26	22	18	17	19	20	0.9	1.0	1.2	12	7
Eureka Forbes	BUY	638	800	25	123	1.4	209	8	10	14	81	61	44	3.0	2.9	2.7	45	36	27	4	5	6	—	—	—	2	1
Havells India	SELL	1,527	1,400	(8)	957	11.2	628	23	27	33	65	56	46	11.5	10.3	9.1	43	37	30	19	19	21	0.7	0.7	0.9	20	11
Page Industries	SELL	46,175	39,000	(16)	515	6.0	11	654	760	900	71	61	51	36.6	28.8	23.2	48	42	36	49	53	50	0.8	0.9	1.2	11	6
Polycab	SELL	5,991	5,100	(15)	901	10.5	151	134	160	192	45	38	31	9.2	7.8	6.6	30	25	21	22	23	23	0.6	0.7	0.9	45	18
Vedant Fashions	REDUCE	797	730	(8)	194	2.3	243	16	17	19	50	46	41	10.8	9.5	8.3	29	26	23	23	22	22	—	—	—	3	1
Voltas	SELL	1,263	1,100	(13)	418	4.9	331	25	29	37	50	43	34	6.4	5.8	5.2	38	34	28	14	14	16	0.6	0.7	0.9	33	16
Whirlpool	ADD	1,236	1,335	8	157	1.8	127	28	35	41	45	35	30	4.0	3.7	3.4	24	19	16	9	11	12	0.4	0.7	0.8	8	4
Consumer Durables & Apparel	Cautious				3,822	44.7					60.1	50.2	40.6	7.7	7.1	6.3	33.7	28.9	23.8	12.9	14.0	15.6	0.6	0.7	0.8	150	71
Consumer Staples																											
Britannia Industries	ADD	5,511	5,700	3	1,327	15.5	241	91	103	116	60	53	47	30.5	26.4	23.5	42	37	33	53	53	52	1.4	1.6	1.8	25	15
Colgate-Palmolive (India)	REDUCE	2,456	2,535	3	668	7.8	272	53	54	59	46	46	42	40.1	38.8	36.9	34	32	29	81	86	91	2.1	2.1	2.3	16	9
Dabur India	REDUCE	483	490	1	856	10.0	1,772	10	11	12	48	44	40	7.9	7.6	7.1	36	33	29	17	18	18	1.1	1.6	1.7	14	9
Godrej Consumer Products	ADD	1,231	1,285	4	1,260	14.7	1,023	19	22	26	66	55	47	10.5	9.5	8.6	42	37	32	16	18	19	0.9	0.9	1.0	18	11
Hindustan Unilever	ADD	2,348	2,300	(2)	5,518	64.5	2,350	43	44	49	54	53	47	11.2	11.5	11.2	38	36	33	20	21	24	2.3	1.8	2.0	56	36
Honasa Consumer	ADD	316	275	(13)	103	1.2	325	2	4	6	142	83	55	8.7	7.7	6.6	141	64	40	6	10	13	0.0	0.0	0.0	4	2
ITC	ADD	418	480	15	5,232	61.1	12,514	16	17	18	27	25	23	7.7	7.4	7.1	21	19	17	27	28	30	3.4	3.4	3.7	115	75
Jyothy Labs	SELL	345	350	1	127	1.5	367	10	10	11	34	34	31	6.2	5.8	5.4	24	24	22	19	17	18	1.0	1.7	2.0	4	2
Marico	REDUCE	716	675	(6)	928	10.9	1,290	13	14	15	57	52	47	23.3	21.6	20.1	43	38	34	42	43	44	1.5	1.6	1.8	20	13
Nestle India	REDUCE	2,396	2,250	(6)	2,310	27.0	964	31	35	39	76	69	61	56.1	50.6	46.3	50	45	40	81	77	80	1.1	1.3	1.5	23	13
Sula Vineyards	ADD	294	400	36	25	0.3	84	8	9	10	35	33	30	4.2	3.9	3.6	19	17	15	12	12	12	0.7	0.9	1.0	2	1
Tata Consumer Products	ADD	1,106	1,185	7	1,095	12.8	989	13	17	22	85	64	51	5.5	5.3	5.0	44	37	30	7	8	10	0.7	0.9	1.1	23	14
United Breweries	REDUCE	1,977	1,925	(3)	523	6.1	264	18	28	35	109	72	56	12.0	10.8	9.9	62	43	35	11	16	18	0.5	0.9	1.2	4	2
United Spirits	ADD	1,520	1,575	4	1,106	12.9	727	19	22	26	78	70	59	13.2	11.9	10.6	53	47	40	18	18	19	0.5	0.6	0.7	13	7
Varun Beverages	ADD	476	570	20	1,610	18.8	3,382	8	10	11	62	49	44	9.7	8.3	7.1	34	30	27	22	18	17	0.1	0.2	0.3	56	31
Consumer Staples	Attractive				22,686	265.2					47.2	43.2	38.8	11.0	10.4	9.8	33.4	30.5	27.3	23	24	25	1.8	1.8	2.0	392	238
Diversified Financials																											
Aadhar Housing Finance	BUY	444	560	26	192	2.2	436	21	25	31	21	18	14	3.0	2.6	2.2	—	—	—	17	16	16	—	—	—	4	2
Aavas Financiers	REDUCE	1,843	2,050	11	146	1.7	79	73	88	106	25	21	17	3.3	2.9	2.5	—	—	—	14	15	15	—	—	—	9	4
Aptus Value Housing Finance	BUY	341	400	17	170	2.0	500	15	17	21	23	20	16	3.9	3.5	3.0	—	—	—	19	19	20	1.3	1.5	1.8	2	1
Bajaj Finance	ADD	9,181	9,500	3	5,705	66.7	621	266	333	419	34	28	22	6.0	5.1	4.3	—	—	—	19	20	21	0.6	0.8	1.0	126	67
Bajaj Finserv	ADD	2,017	2,175	8	3,223	37.7	1,593	67	84	104	30	24	19	6.0	5.8	4.9	—	—	—	23	24	27	0.1	0.1	0.1	49	26
Bajaj Housing Finance	REDUCE	122	100	(18)	1,017	11.9	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	1,601	1,575	(2)	1,346	15.7	859	51	61	78	32	26	21	5.7	4.5	3.8	—	—	—	20	19	20	0.0	0.3	0.4	34	19
Five Star Business Finance	BUY	709	850	20	209	2.4	291	37	42	51	19	17	14	3.3	2.7	2.3	—	—	—	19	18	18	—	—	—	7	3
Home First Finance	BUY	1,275	1,500	18	132	1.5	103	42	51	65	30	25	20	4.6	3.1	2.7	—	—	—	16	16	15	—	0.4	0.5	8	4
India Shelter	ADD	873	950	9	94	1.1	111	34	41	49	26	21	18	3.6	3.1	2.6	—	—	—	15	16	16	—	—	—	3	1
L&T Finance	REDUCE	171	160	(7)	428	5.0	2,480	11	12	15	16	14	12	1.7	1.5	1.4	—	—	—	11	11	13	1.9	2.1	2.6	11	4
LIC Housing Finance	BUY	596	725	22	328	3.8	550	99	97	96	6	6	6	0.9	0.8	0.7	—	—	—	16	14	12	1.7	1.7	1.6	13	6
Mahindra & Mahindra Financial	ADD	261	300	15	323	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	8	4
Muthoot Finance	REDUCE	2,215	2,275	3	889	10.4	401	130	161	178	17	14	12	3.1	2.7	2.3	—	—	—	20	21	20	1.2	1.8	2.0	26	14
SBFC	REDUCE	113	100	(11)	123	1.4	1,107	3	4	5	36	30	25	4.3	3.7	3.2	—	—	—	12	12	13	—	—	—	4	2
SBI Cards and Payment Services	ADD	921	950	3	876	10.2	951	20	24	30	46	38	31	6.4	5.6	4.8	—	—	—	15	16	17	0.3	0.4	0.5	13	7
Shriram Finance	BUY	639	750	17	1,202	14.1	1,880	52	53	63	12	12	10	2.2	1.9	1.6	—	—	—	15	16	17	1.5	1.3	1.5	57	31
Diversified Financials	Attractive				16,403	191.7					25.0	21.3	17.7	4.1	3.6	3.1				16.3	16.7	17.4	0.6	0.7	0.8	393	205

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-May-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	Traded	Delivered
Electric Utilities																											
Acme Solar Holdings	BUY	264	330	25	159	1.9	605	4	10	7	59	26	36	3.5	3.1	2.9	-	-	-	8	13	8	0.0	0.0	0.0	3	2
CESC	SELL	162	150	(7)	215	2.5	1,326	10	12	13	16	13	12	2.1	1.8	1.7	9	9	8	13	15	14	2.8	2.8	3.0	8	3
JSW Energy	SELL	488	420	(14)	853	10.0	1,745	11	19	28	44	26	18	3.1	2.8	2.4	23	12	10	8	11	15	0.4	0.4	0.4	26	11
NHPC	SELL	87	74	(15)	878	10.3	10,045	3	5	7	29	17	13	2.2	2.1	1.9	23	13	11	8	12	15	2.2	2.5	3.3	22	9
NTPC	SELL	334	320	(4)	3,238	37.8	9,895	24	24	26	14.1	13.7	13	1.7	1.6	1.5	10	10	9	13	12	12	2.4	2.6	2.5	58	35
Power Grid	SELL	290	275	(5)	2,695	31.5	9,301	17	20	22	17.2	14.5	13	2.9	2.6	2.4	10	8	8	17	19	19	3.1	3.2	3.4	52	32
Tata Power	SELL	393	335	(15)	1,255	14.7	3,196	13	19	22	31	21	18	3.5	3.0	2.6	13	12	11	12	16	15	-	-	-	33	13
Electric Utilities		Cautious			9,293	108.6					18.7	15.6	13.9	2.3	2.1	1.9	11.5	9.7	9.0	12.4	13.4	13.7	2.1	2.2	2.3	201	103
Electronic Manufacturing Services																											
Amber Enterprises	ADD	6,474	7,900	22	219	2.6	34	71	123	183	91	53	35	9.7	8.2	6.6	30	25	18	11	17	21	-	-	-	37	10
Avalon Technologies	SELL	860	610	(29)	57	0.7	65	10	15	21	89	59	41	9.2	7.9	6.7	50	37	27	11	14	18	-	-	-	5	2
Cyient DLM	REDUCE	484	450	(7)	38	0.4	79	9	12	19	56	41	26	4.0	3.7	3.2	28	21	16	7	9	12	-	-	-	2	1
Dixon Technologies	ADD	14,692	17,400	18	888	10.4	60	182	215	272	80.8	68.3	54	29.4	19.6	13.4	59	38	27	30	34	29	-	-	-	86	29
Kaynes Technology	REDUCE	5,980	6,010	1	383	4.5	58	46	72	114	130.3	83.2	52	12.2	10.5	8.6	93	57	37	11	15	20	-	-	-	43	11
Syrma SGS Technology	ADD	539	570	6	96	1.1	176	10	13	19	56	43	29	5.4	4.8	4.1	30	23	17	10	11	15	-	-	-	7	3
Electronic Manufacturing Services		Cautious			1,682	19.7					108.8	65.3	46.8	14.7	11.8	9.2	52.0	36.3	25.6	13.5	18.1	19.6	0.0	0.0	0.0	180	55
Fertilizers & Agricultural Chemicals																											
Bayer Cropscience	ADD	5,678	5,400	(5)	255	3.0	45	113	174	216	50	33	26	8.7	8.4	8.0	40	26	21	17	26	31	1.7	2.6	3.3	4	2
Godrej Agrovet	BUY	763	870	14	147	1.7	192	23	28	33	33	27	23	5.6	5.3	4.7	19	17	14	16	20	22	1.4	1.8	2.1	4.4	2.1
Rallis India	SELL	320	230	(28)	62	0.7	194	6	9	11	50	37	29	3.3	3.1	2.9	20	17	14	7	9	10	0.8	0.9	1.1	2	1
UPL	SELL	628	470	(25)	510	6.0	844	10	18	28	64	35	23	1.7	1.7	1.6	9	8	7	4	6	8	1.0	1.0	1.0	19	10
Fertilizers & Agricultural Chemicals		Cautious			974	11.4					43.5	30.2	22.3	2.7	2.4	2.3	12.3	10.7	9.2	6.1	8.1	10.3	1.2	1.5	1.8	29	15
Gas Utilities																											
GAIL (India)	SELL	190	155	(18)	1,248	14.6	6,575	14	13	13	13	15	14	1.8	1.7	1.6	10	10	10	14	12	11	4.0	3.4	3.7	30	16
GSPL	RS	329	-	(100)	186	2.2	564	14	13	14	23	25	24	1.7	1.7	1.6	14	13	12	8	7	7	1.5	1.5	1.5	3	1
Indraprastha Gas	SELL	207	150	(27)	289	3.4	1,400	12	12	12	18	17	17	3.1	2.9	2.8	14	13	13	18	18	17	2.1	2.7	2.8	11	4
Mahanagar Gas	SELL	1,325	1,020	(23)	131	1.5	99	101	87	89	13	15	15	2.2	2.0	1.9	9	9	9	18	14	13	2.3	2.3	2.3	8	3
Petronet LNG	SELL	307	250	(19)	461	5.4	1,500	27	27	29	11	11	10	2.4	2.0	1.7	7	7	7	22	19	18	3.3	0.8	1.6	8	5
Gas Utilities		Cautious			2,315	27.1					13.7	14.6	13.9	2.0	1.8	1.7	9.6	9.6	9.1	14.6	12.7	12.3	3.3	2.6	2.9	61	29
Health Care Services																											
Apollo Hospitals	BUY	6,881	8,515	24	989	11.6	144	101	127	163	68	54	42	12.0	10.2	8.4	34	28	22	19	20	22	0.3	0.3	0.3	32	21
Dr Agarwal's Health Care	ADD	339	410	21	107	1.3	316	3	4	6	126	86	59	5.7	5.4	4.9	23	18	15	5	6	9	0.0	0.0	0.0		
Dr Lal Pathlabs	ADD	2,787	3,250	17	233	2.7	84	53	57	67	52	49	42	10.7	9.7	8.7	32	29	24	22	21	22	1.1	1.1	1.3	7	3
Global Health	ADD	1,188	1,275	7	319	3.7	268	19	21	26	61	55	45	9.4	8.2	7.1	35	30	24	17	16	17	0.0	0.3	0.3	3	2
KIMS	ADD	684	685	0	274	3.2	400	9	10	15	73	68	45	12.8	10.8	8.7	37	33	23	19	17	21	0.0	0.0	0.0	6	3
Max Healthcare	REDUCE	1,125	1,070	(5)	1,094	12.8	971	14	19	25	78	61	45	10.4	9.0	7.6	48	37	29	14	16	18	0.1	0.2	0.2	31	19
Metropolis Healthcare	ADD	1,680	1,875	12	87	1.0	52	28	39	47	59	43	36	6.5	5.8	5.3	28	23	19	12	14	16	0.3	0.5	0.8	2	1
Narayana Hrudayalaya	REDUCE	1,744	1,705	(2)	356	4.2	204	39	46	55	45	38	32	9.8	7.8	6.3	28	24	20	24	23	22	-	-	-	22	8
Rainbow Children's Medicare	ADD	1,403	1,520	8	142	1.7	102	24	28	33	58	50	42	9.7	8.3	7.1	28	24	20	18	18	18	0.2	0.3	0.3	4	2
Health Care Services		Neutral			3,881	45.4					67.0	54.2	42.1	9.8	8.5	7.2	35.3	29.1	23.2	14.7	15.7	17.2	0.2	0.3	0.3	114	62

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-May-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	Traded	Delivered	
Hotels & Restaurants																												
Chalet Hotels	ADD	918	930	1	200	2.3	218	7	27	40	141	34	23	6.6	5.6	4.5	30	20	14	6	18	22	0.0	(0.2)	(0.3)	3	1	
Devyani International	BUY	168	190	13	202	2.4	1,206	0	(0)	0	1,121	NM	440	18.5	18.5	18.2	26	22	19	2	NM	4	0.0	0.0	0.0	5	2	
Indian Hotels	ADD	770	880	14	1,096	12.8	1,423	11	16	21	68	47	37	9.8	8.3	6.9	38	27	22	16	19	20	0.0	0.3	0.3	42	24	
Jubilant Foodworks	ADD	656	720	10	433	5.1	660	3	5	7	198	136	95	19.1	17.2	15.1	37	30	25	10	13	17	0.2	0.2	0.3	16	7	
Lemon Tree Hotels	REDUCE	139	130	(6)	110	1.3	792	2	3	5	56	42	30	9.5	8.4	7.2	20	16	13	18	21	26	0.0	1.1	1.3	5	2	
Restaurant Brands Asia	REDUCE	81	85	5	47	0.6	582	(2)	(1)	(1)	NM	NM	NM	2.1	2.2	2.2	15	12	10	NM	NM	NM	—	—	—	2	1	
Samhi Hotels	BUY	192	270	40	43	0.5	221	5	10	15	41	19	13	3.7	3.2	2.7	16	11	9	10	18	22	0.0	0.0	0.0	5	2	
Sapphire Foods	ADD	318	365	15	102	1.2	320	1	1	2	318	393	166	7.3	7.1	6.8	21	18	16	2	2	4	—	—	—	2	1	
Ventive Hospitality	ADD	776	840	8	181	2.1	234	(1)	14	24	NM	54	32	3.8	3.5	3.2	21	18	14	NM	7	10	—	—	—	2	1	
Westlife Foodworld	REDUCE	669	700	5	104	1.2	156	1	4	7	857	181	99	17.3	16.0	14.2	33	25	20	2	9	15	—	—	—	1	0	
Hotels & Restaurants	Attractive				2,519	29.4					113.3	61.9	44.0	8.7	7.8	6.7	30.0	23.0	18.5	7.7	12.6	15.3	0.0	0.2	0.2	82	43	
Insurance																												
HDFC Life Insurance	BUY	777	875	13	1,673	19.6	2,020	8	10	11	92	80	69	11.4	10.7	10.0	—	—	—	12	14	15	0.2	0.3	0.4	25	15	
ICICI Lombard	ADD	1,875	2,100	12	931	10.9	496	51	58	66	37	32	28	6.5	5.6	4.8	—	—	—	19	19	18	0.4	0.5	0.5	16	11	
ICICI Prudential Life	BUY	662	790	19	958	11.2	1,441	8	9	11	80	71	63	8.0	7.2	6.5	—	—	—	10	11	11	0.5	0.5	0.5	10	5	
LIC	BUY	954	1,260	32	6,037	70.6	6,325	76	80	83	12	12	11	4.7	3.6	2.9	—	—	—	46	35	28	—	—	—	16	7	
Max Financial Services	BUY	1,500	1,540	3	518	6.1	345	2	2	3	804	701	598	—	—	—	—	—	—	1	1	1	—	—	—	19	12	
Niva Bupa Health Insurance	ADD	92	85	(8)	169	2.0	1,827	1	2	3	83	48	35	—	—	—	—	—	—	8	10	13	—	—	—	5	2	
PB Fintech	SELL	1,762	1,550	(12)	809	9.5	462	8	14	24	230	124	73	—	—	—	—	—	—	5	10	15	—	—	—	36	20	
SBI Life Insurance	ADD	1,812	1,825	1	1,816	21.2	1,005	24	28	33	75	65	55	11.0	9.6	8.4	—	—	—	15	16	16	0.2	0.2	0.3	24	15	
Star Health and Allied Insurance	REDUCE	477	400	(16)	280	3.3	588	11	15	20	43	31	24	4.0	3.5	3.1	—	—	—	10	12	14	—	—	—	8	5	
Insurance	Attractive				13,190	154.2					23.0	21.4	19.9	6.3	5.2	4.3				28	24	22	0.1	0.1	0.1	159	91	
Internet Software & Services																												
Brainbees Solutions	BUY	348	530	52	182	2.1	486.9	(4)	(5)	0	NM	NM	4,290	6.0	3.5	3.7	74	69	28	NM	NM	0.1	—	—	—	4	2	
Cartrade Tech	SELL	1,553	975	(37)	74	0.9	50.8	26	31	37	59	50	41	3.6	3.3	3.1	44	33	25	6.3	6.9	7.7	—	—	—	10	5	
Eternal	BUY	238	280	17	2,300	26.9	9,215	1	1	3	410	165	86	7.1	6.8	6.4	326	139	63	2.1	4.2	7.7	0.0	0.0	0.0	165	90	
FSN E-commerce Ventures	REDUCE	203	185	(9)	581	6.8	2,875.0	0	1	2	869	212	114	44.9	37.1	28.0	124	75	52	5.2	19.1	28	—	—	—	17	13	
Indiamart	REDUCE	2,333	2,425	4	140	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	1,428	1,625	14	925	10.8	647.2	11	18	21	129	81	69	3.3	3.2	3.1	82	68	57	2.7	4.1	4.6	0.4	0.3	0.4	23	12	
Just Dial	BUY	888	1,275	44	76	0.9	85.0	69	64	68	13	14	13	1.6	1.5	1.3	7	5	3	13.5	11.1	10.6	—	—	—	6	2	
Swiggy	BUY	333	415	25	831	9.7	2,489	(13)	(11)	(5)	NM	NM	NM	8.1	9.7	10.5	(27)	(38)	(284)	NM	NM	NM	0.0	0.0	0.0	50	20	
Internet Software & Services	Attractive				5,107	59.7					NM	434	110	6.1	5.9	5.6	743	161	62	NM	NM	1.4	5.1	0.1	0.1	0.1	278	143
IT Services																												
Coforge	BUY	8,551	9,000	5	572	6.7	70	145	207	263	59	41	33	9.0	8.4	7.6	29	22	18	20	21	25	0.9	1.1	1.8	70	27	
Cyient	REDUCE	1,347	1,150	(15)	150	1.7	111	55	63	75	24	21	18	2.6	2.4	2.2	12	11	9	12	12	13	1.9	2.4	3.0	9	4	
HCL Technologies	REDUCE	1,637	1,500	(8)	4,441	51.9	2,718	64	66	72	26	25	23	6.4	6.1	5.7	16	16	15	25	25	26	3.7	3.5	3.7	61	36	
Hexaware Technologies	BUY	858	940	10	521	6.1	611	19	24	29	44	35	29	9.8	8.7	7.6	28	22	19	24	26	28	1.0	1.5	1.9	12	8	
Indegene	BUY	601	660	10	144	1.7	241	17	20	24	35	30	25	5.7	4.8	4.1	23	19	16	21	17	17	0.0	0.0	0.0	3	2	
Infosys	BUY	1,563	1,700	9	6,492	75.9	4,151	63	66	72	25	24	22	6.8	6.3	6.1	16	15	14	29	28	29	3.0	3.2	3.9	162	99	
KPIT Technologies	SELL	1,338	1,000	(25)	367	4.3	274	28	31	37	49	44	36	12.6	10.5	8.8	29	26	21	30	26	26	0.6	0.8	1.0	21	8	
L&T Technology Services	REDUCE	4,368	4,100	(6)	462	5.4	106	119	130	152	37	34	29	7.6	6.8	6.0	23	21	18	22	21	22	1.0	1.1	1.3	8	4	
LTIMindtree	ADD	5,069	5,200	3	1,502	17.6	296	156	173	199	33	29	25	6.6	6.0	5.4	21	19	17	22	21	22	1.3	1.8	2.2	25	12	
Mphasis	REDUCE	2,559	2,400	(6)	487	5.7	189	90	98	111	28	26	23	5.0	4.8	4.5	18	16	15	18	19	20	2.1	2.7	2.9	18	9	
Persistent Systems	SELL	5,638	4,500	(20)	882	10.3	156	90	111	128	63	51	44	13.9	11.8	10.1	42	35	29	25	25	25	0.6	0.7	0.8	46	19	
RateGain	REDUCE	444	540	22	52	0.6	119	18	16	19	25	28	23	3.1	2.8	2.5	20	23	17	13	11	11	—	—	—	2	1	
Tata Elxsi	SELL	6,440	4,100	(36)	401	4.7	62	126	122	146	51	53	44	14.0	13.1	12.1	38	38	31	30	26	29	1.2	1.4	1.6	22	8	
Tata Technologies	SELL	774	500	(35)	314	3.7	406	17	18	21	46	42	37	8.8	7.9	7.2	32	31	28	20	20	20	1.5	1.2	1.3	25	10	
TCS	BUY	3,463	3,800	10	12,531	146.5	3,619	134	141	153	26	25	23	12.9	11.9	10.9	18	17	16	51	50	50	3.3	3.4	3.7	116	72	
Tech Mahindra	BUY	1,574	1,650	5	1,393	16.3	890	48	60	78	33	26	20	5.1	4.9	4.6	19	15	12	16	19	24	2.4	2.6	3.3	40	23	
Wipro	SELL	250	225	(10)	2,617	30.6	10,491	13	13	13	20	20	19	3.1	3.0	2.9	12	12	12	17	16	16	2.4	3.5	3.7	40	19	
IT Services	Neutral				33,327	389.5					26.9	25.3	22.9	7.4	6.9	6.5	17.6	16.6	15.0	27.7	27.4	28.3	2.7	2.9	3.3	681	334	

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-May-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	Traded	Delivered
Media																											
PVR INOX	BUY	985	1,200	22	97	1.1	98	(15)	12	36	NM	83	28	1.2	1.1	1.1	28	14	10	NM	1	4	-	0.0	0.0	5	2
Sun TV Network	REDUCE	630	650	3	248	2.9	394	44	45	48	14	14	13	2.1	1.9	1.8	11	9	8	16	15	14	2.4	2.5	2.7	2	1
Zee Entertainment Enterprises	REDUCE	130	115	(12)	125	1.5	960	8	9	9	16	15	14	1.1	1.0	1.0	9	8	7	7	7	7	1.9	2.3	2.7	19	8
Media	Neutral				470	5.5					19.9	17.2	15.0	1.5	1.4	1.3	12.2	9.7	8.1	7.5	8.2	8.8	1.8	2.0	2.1	25	11
Metals & Mining																											
Gravita India	ADD	1,830	2,175	19	135	1.6	74	42	59	70	43	31	26	6.5	5.5	4.7	33.2	27.0	21.9	21	19	19	0.3	0.5	0.6	11	4
Hindalco Industries	BUY	634	735	16	1,424	16.6	2,220	76	64	66	8	10	10	1.1	1.0	0.9	5.4	5.5	5.3	15	11	10	0.8	1.0	1.0	46	24
Hindustan Zinc	SELL	458	350	(24)	1,936	22.6	4,225	25	24	25	19	19	19	14.5	14.5	14.5	11.2	11.0	10.6	73	76	78	6.3	5.3	5.4	12	5
Jindal Steel and Power	BUY	949	1,150	21	968	11.3	1,020	40	72	95	24	13	10	2.1	1.8	1.5	11.4	7.9	5.8	9	14	17	0.2	0.4	0.5	22	10
JSW Steel	REDUCE	994	1,000	1	2,430	28.4	2,445	16	63	80	63	16	12	3.1	2.6	2.2	14.0	8.4	7.0	5	18	19	0.3	0.6	0.8	24	12
National Aluminium Co.	REDUCE	180	205	14	331	3.9	1,837	29	22	22	6	8	8	1.8	1.6	1.4	3.5	4.5	4.0	33	21	19	4.4	4.8	5.0	28	11
NMDC	SELL	71	55	(23)	626	7.3	8,792	7	7	7	10	10	11	2.1	1.9	1.7	6.9	7.2	7.6	23	19	17	4.6	4.3	4.3	20	9
SAIL	SELL	129	80	(38)	534	6.2	4,130	6	9	7	20	14	18	0.9	0.9	0.8	7.7	6.3	7.0	4	6	5	1.5	2.2	1.7	30	10
Tata Steel	SELL	161	135	(16)	2,010	23.5	12,486	2	12	14	83	14	12	2.2	2.0	1.8	11.8	7.2	6.6	3	15	16	2.2	2.5	2.8	75	34
Vedanta	REDUCE	436	435	(0)	1,703	19.9	3,910	35	41	49	12	11	9	4.1	3.5	3.0	5.6	4.9	4.2	39	36	36	10.0	5.3	6.3	49	23
Metals & Mining	Cautious				12,096	141.4					18.3	13.1	11.6	2.4	2.1	1.9	8.5	6.9	6.2	13.1	16.4	16.5	3.4	2.7	3.0	317	136
Oil, Gas & Consumable Fuels																											
BPCL	SELL	318	220	(31)	1,381	16.1	4,273	34	24	22	9	13	14	1.7	1.5	1.4	5.8	7.3	7.9	19	12	10	3.1	2.4	2.3	39	19
Coal India	REDUCE	397	375	(6)	2,448	28.6	6,163	57	60	59	7	7	7	2.5	2.1	1.8	7.2	5.5	4.9	39	34	28	6.7	6.8	6.9	34	17
HPCL	SELL	411	210	(49)	875	10.2	2,128	35	29	32	12	14	13	1.9	1.7	1.6	9.3	9.7	9.2	17	13	13	2.6	2.1	2.3	28	13
IOCL	SELL	142	85	(40)	2,005	23.4	14,121	8	13	13	17	11	11	1.1	1.1	1.0	8.3	6.4	6.3	6	10	9	2.1	2.8	2.8	25	12
Oil India	SELL	427	315	(26)	694	8.1	1,627	38	42	44	11	10	10	1.5	1.4	1.3	8.2	7.1	6.7	14	14	14	2.7	3.5	3.6	14	6
ONGC	BUY	239	285	19	3,012	35.2	12,580	29	42	46	8	6	5	0.9	0.8	0.7	4.3	3.6	3.3	11	14	14	5.1	4.9	5.3	38	18
Reliance Industries	BUY	1,421	1,520	7	19,229	224.8	13,532	51	60	72	28	24	20	2.3	2.1	1.9	13.3	11.3	9.3	9	9	10	-	0.4	0.4	225	141
Oil, Gas & Consumable Fuels	Neutral				29,644	346.5					16.4	14.0	12.8	1.8	1.7	1.5	9.2	7.9	7.0	11.1	11.8	11.8	1.7	1.8	1.8	403	226
Pharmaceuticals																											
Alivus Life Sciences	BUY	1,041	1,350	30	128	1.5	123	40	43	52	26	24	20	4.5	3.8	3.2	19	17	14	19	17	17	-	-	-	1	1
Aurobindo Pharma	SELL	1,148	1,100	(4)	667	7.8	586	60	66	75	19	17	15	2.1	1.9	1.8	10	9	8	11	11	12	0.0	1.9	2.3	18	8
Biocon	REDUCE	336	345	3	403	4.7	1,202	(1)	8	13	NM	43	26	1.5	1.4	1.3	17	13	10	NM	3	5	0.2	0.5	0.8	11	4
Blue Jet Healthcare	ADD	905	820	(9)	157	1.8	173	18	24	29	51	38	31	13.9	10.3	7.8	41	28	23	31	31	29	0.1	0.1	0.2	5	3
Cipla	BUY	1,466	1,800	23	1,184	13.8	806	65	65	68	22	23	22	3.8	3.3	3.0	15	15	14	18	16	15	0.9	1.0	1.1	29	18
Concord Biotech	ADD	1,749	1,875	7	183	2.1	105	36	43	53	49	41	33	10.1	8.6	7.2	35	30	24	22	23	24	0.5	0.7	0.9	3	2
Divis Laboratories	SELL	6,612	5,000	(24)	1,755	20.5	265	83	101	134	80	65	49	11.7	10.5	9.2	58	47	35	15	17	20	0.5	0.5	0.7	38	22
Dr Reddy's Laboratories	REDUCE	1,251	1,180	(6)	1,044	12.2	832	70	65	54	18	19	23	3.1	2.7	2.5	12	12	13	19	15	11	0.6	0.8	0.8	32	18
Emcure Pharmaceuticals	BUY	1,330	1,625	22	252	2.9	189	36	50	58	36	27	23	5.7	4.9	4.2	17	14	12	19	20	20	-	0.9	1.1	3	1
Gland Pharma	REDUCE	1,589	1,500	(6)	262	3.1	164	43	59	72	37	27	22	2.9	2.7	2.5	19	15	13	8	10	12	1.3	1.6	1.8	6	3
JB Chemicals & Pharma	BUY	1,684	2,200	31	262	3.1	157	42	52	59	40	33	28	7.7	6.6	5.7	25	21	18	21	22	22	0.9	0.9	1.0	7	4
Laurus Labs	SELL	610	475	(22)	329	3.8	536	7	10	12	91	64	49	7.3	6.6	5.9	34	25	21	8	11	13	0.1	0.2	0.2	16	6
Lupin	ADD	1,958	2,305	18	894	10.4	455	72	85	83	27	23	24	5.2	4.4	3.8	17	14	14	21	20	17	0.4	0.8	0.7	27	14
Mankind Pharma	ADD	2,468	2,600	5	1,018	11.9	412	48	53	70	51	47	35	7.1	6.3	5.5	35	27	22	17	14	17	-	0.4	0.5	15	9
Piramal Pharma	BUY	206	305	48	274	3.2	1,323	1	1	4	321	238	55	3.4	3.3	3.1	22	22	14	1	1	6	-	-	-	15	6
Sai Life Sciences	REDUCE	757	750	(1)	158	1.8	207	8	10	14	92	76	55	7.4	6.7	6.0	38	31	24	11	9	11	-	-	-	5	3
Sun Pharmaceuticals	ADD	1,678	1,875	12	4,025	47.0	2,399	48	51	60	35	33	28	5.6	4.9	4.3	25	24	20	17	16	16	0.9	0.6	0.7	57	36
Syngene International	BUY	647	850	31	261	3.0	402	12	11	16	55	60	40	5.5	5.1	4.6	24	23	16	11	9	12	0.2	0.2	0.3	11	6
Torrent Pharmaceuticals	REDUCE	3,175	3,150	(1)	1,074	12.6	338	57	71	86	56	45	37	14.2	12.3	10.4	29	25	22	27	29	31	1.0	1.1	1.3	14	9
Pharmaceuticals	Neutral				14,330	167.5					36.1	32.4	28.4	4.9	4.4	3.9	21.8	19.5	17.1	13.5	13.4	13.7	0.5	0.6	0.7	313	170

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-May-25	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	Traded	Delivered
Real Estate																											
Brigade Enterprises	BUY	1,094	1,365	25	268	3.1	244	28	31	47	39	35	24	4.7	4.2	3.6	20	18	12	15	13	17	0.2	0.2	0.2	5	2
Brookfield India Real Estate Trust	ADD	306	325	6	186	2.2	608	7	7	10	45	42	30	0.7	1.4	1.5	15	13	12	2	3	4	9.8	6.6	7.2	4	4
DLF	BUY	798	1,020	28	1,975	23.1	2,475	18	18	25	45	44	32	4.6	4.4	4.0	93	55	36	11	10	13	0.8	0.9	1.0	35	15
Embassy Office Parks REIT	ADD	381	400	—	362	4.2	948	23	10	15	17	38	25	1.6	1.7	1.8	17	16	14	9	4	7	6.0	6.3	6.8	5	4
Godrej Properties	SELL	2,244	2,100	(6)	676	7.9	301	46	55	86	49	41	26	3.9	3.6	3.1	1,601	144	46	10	9	13	—	—	—	26	12
Macrotech Developers	BUY	1,426	1,480	4	1,422	16.6	998	28	37	46	51	39	31	7.0	6.0	5.0	37	28	22	15	17	18	—	—	—	24	10
Mindspace REIT	ADD	395	420	6	241	2.8	609	8	12	17	50	33	23	1.6	1.7	1.8	18	16	14	3	5	8	5.4	6.0	6.5	1	1
Nexus Select Trust	ADD	135	145	7	204	2.4	1,515	3	5	5	42	29	25	1.4	1.5	1.6	17	15	14	3	5	6	6.2	6.7	7.2	3	2
Oberoi Realty	REDUCE	1,738	1,700	(2)	632	7.4	364	61	76	99	28	23	17	4.0	3.4	2.9	20	17	13	15	16	18	0.6	0.7	0.8	13	7
Phoenix Mills	REDUCE	1,537	1,570	2	550	6.4	358	38	48	53	40	32	29	5.3	4.6	4.0	25	19	16	14	15	15	0.2	0.2	0.2	13	7
Prestige Estates Projects	ADD	1,467	1,700	16	632	7.4	431	11	21	36	128	69	41	3.9	3.9	3.6	28	21	16	4	6	9	0.1	0.2	0.2	13	6
Signature Global	BUY	1,212	1,492	23	170	2.0	141	7	31	57	169	39	21	23.4	14.6	8.7	407	50	19	15	47	51	—	—	—	6	1
Sobha	ADD	1,433	1,580	10	153	1.8	107	9	35	59	166	42	24	3.4	3.1	2.8	50	23	14	3	8	12	0.2	0.3	0.4	3	2
Sunteck Realty	BUY	415	600	45	61	0.7	140	11	23	32	39	18	13	1.8	1.6	1.5	34	14	9	5	9	12	0.3	0.3	0.3	1	1
Real Estate	Attractive				7,531	88.0					44.5	37.8	27.5	3.7	3.5	3.3	33.5	25.2	19.1	8.4	9.4	11.8	1.0	1.2	1.3	153	73
Renewable Energy																											
Premier Energies	SELL	1,062	900	(15)	479	5.6	451	21	27	43	51	39	25	17.0	11.8	8.0	27	19	13	54	36	38	—	—	—	18	6
Waaree Energies	SELL	2,979	2,600	(13)	856	10.0	288	68	119	197	44	25	15	8.7	6.6	4.6	29	16	11	28	31	36	—	—	—	72	22
Renewable Energy	Cautious				8,009	15.6					47.5	28.6	17.6	10.8	7.9	5.4	28.2	17.3	11.2	23	27	31	0.0	0.0	0.0	91	28
Retailing																											
Avenue Supermarts	SELL	4,002	3,400	(15)	2,604	30.4	651	42	48	60	96	83	67	12.2	10.6	9.1	58	50	41	13	14	15	—	—	—	28	14
Metro Brands	SELL	1,207	1,100	(9)	329	3.8	272	13	16	20	93	73	60	19.2	16.6	14.2	43	36	30	20	24	25	2—	0.5	0.6	1	1
Titan Company	REDUCE	3,555	3,375	(5)	3,156	36.9	888	42	50	59	84	71	60	27.2	21.5	17.3	52	44	38	36	34	32	0.3	0.5	0.5	37	21
Trent	REDUCE	5,644	5,250	(7)	2,006	23.4	356	43	60	76	131	94	74	36.7	26.5	19.5	73	58	47	32	33	30	—	—	—	82	35
Vishal Mega Mart	ADD	125	125	0	576	6.7	4,727	1	2	2	93	73	58	9.2	8.2	7.2	37	30	25	11	12	13	—	—	—	26	12
Retailing	Neutral				6,089	103.3					93.9	76.7	63.1	18.5	15.4	12.8	54.2	45.7	38.2	19.7	20	20	0.2	0.2	0.2	183	70
Specialty Chemicals																											
Aarti Industries	SELL	469	350	(25)	170	2.0	363	9	9	13	52	50	36	3.0	2.9	2.7	20	18	15	6	6	8	0.2	0.3	0.4	10	4
Aether Industries	ADD	745	910	22	99	1.2	133	13	16	21	58	45	36	4.4	4.1	3.6	41	30	23	8	9	11	-	-	0.0	2	1
Ami Organics	BUY	1,178	1,450	23	96	1.1	80	20	27	38	59	43	31	7.1	6.2	5.2	41	29	21	16	16	18	0.1	0.2	0.2	9	
Atul	SELL	7,115	5,450	(23)	209	2.4	29	164	224	262	43	32	27	3.7	3.4	3.1	21	16	14	9	11	12	0.4	0.6	0.7	8	4
Castrol India	ADD	216	225	4	214	2.5	989	9	11	12	23	20	18	9.4	8.5	7.6	16	14	12	42	45	44	3.7	3.9	4.2	17	6
Clean Science & Technology	ADD	1,549	1,500	(3)	165	1.9	106	25	32	43	62	48	36	11.6	9.7	7.9	42	33	26	20	22	24	0.3	0.3	0.4	2	1
Deepak Nitrite	ADD	2,027	2,180	8	277	3.2	136	51	59	70	40	35	29	5.1	4.5	3.9	26	23	21	14	14	14	0.2	0.3	0.3	7	3
Navin Fluorine	SELL	4,261	3,390	(20)	211	2.5	50	58	77	107	73	55	40	8.0	7.2	6.3	42	31	23	12	14	17	0.3	0.4	0.5	9	5
Neogen Chemicals	ADD	1,680	1,610	(4)	44	0.5	26	19	21	40	91	79	42	5.6	5.3	4.2	37	39	20	6	7	11	0.1	0.1	0.2	1	0
Pidlite Industries	ADD	3,107	3,175	2	1,580	18.5	509	41	47	53	75	66	59	16.2	14.7	13.5	51	45	41	23	23	24	0.6	0.9	1.1	12	8
PI Industries	SELL	3,824	3,030	(21)	580	6.8	152	109	113	130	35	34	29	5.7	5.0	4.4	26	24	20	18	16	16	0.4	0.5	0.5	13	7
S H Kelkar and Company	BUY	244	400	64	34	0.4	138	10	11	15	25	22	16	2.7	2.4	2.2	14	11	8	11	11	14	0.4	1.7	1.8	1	1
SRF	SELL	2,861	2,060	(28)	848	9.9	296	42	59	76	68	49	37	6.7	6.1	5.4	33	26	21	10	13	15	0.4	0.5	0.5	25	14
Vinati Organics	SELL	1,843	1,170	(37)	191	2.2	104	39	45	53	47	41	35	6.8	6.0	5.3	33	27	23	15	16	16	0.4	0.5	0.6	2	1
Specialty Chemicals	Neutral				4,719	55.2					52.9	44.7	37.1	7.4	6.6	5.9	32.4	27.6	23.2	14.0	14.9	15.9	0.6	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-May-25	(Rs)	(%)	(Rs bn)	(US\$ bn)		2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	Traded	Delivered
Telecommunication Services																											
Bharti Airtel	ADD	1,856	1,935	4	11,135	130.1	5,800	35	54	70	53	35	27	9.5	8.1	6.7	13	10	8	21	25	28	0.9	1.1	1.3	178	122
Indus Towers	SELL	384	385	0	1,013	11.8	2,638	23	25	28	17	15	14	3.1	3.1	3.0	6	6	5	21	20	22	-	5.9	6.5	34	19
Vodafone Idea	SELL	7	7	1	750	8.8	77,520	(4)	(4)	(3)	NM	NM	NM	NM	NM	NM	17	16	14	NM	NM	NM	-	-	-	56	19
Tata Communications	SELL	1,676	1,480	(12)	478	5.6	285	33	53	65	51	31	26	15.8	12.6	9.5	13	11	10	39	45	42	1.5	1.3	1.6	10	5
Telecommunication Services	Attractive				13,376	156.3					NM	119.7	54.1	34	34	23	13.0	10.2	8.6	NM	28	43	0.7	1.4	1.6	277	165
Transportation																											
Adani Ports and SEZ	BUY	1,433	1,720	20	3,095	36.2	2,160	53	64	73	27	22	20	5.0	4.2	3.5	18	16	13	20	20	19	0.6	0.6	0.6	45	19
Container Corp.	SELL	784	690	(12)	478	5.6	609	21	25	30	37	31	26	3.9	3.7	3.4	23	20	17	11	12	14	1.1	1.4	1.7	15	7
Delhivery	BUY	358	420	17	267	3.1	758	1	3	4	249	114	81	2.9	2.8	2.7	70	38	28	1	2	3	-	-	-	18	8
Gateway Distriparks	BUY	64	81	27	32	0.4	500	5	5	6	13	12	11	1.4	1.3	1.3	10	7	6	12	11	12	2.9	3.2	3.5	1	1
GMR Airports	ADD	84	91	8	888	10.4	6,036	(2)	0	1	NM	#####	118	NM	NM	NM	32	21	18	NM	3	186	-	-	-	14	8
Gujarat Pipavav Port	REDUCE	156	150	(4)	75	0.9	483	8	9	10	19	17	15	3.6	2.9	2.4	11	10	8	19	19	18	5-	-	-	3	2
InterGlobe Aviation	BUY	5,330	6,700	26	2,060	24.1	383	190	273	354	28	20	15	21.8	10.3	5.1	9	7	5	128	72	51	-	-	-	98	57
JSW Infrastructure	SELL	291	255	(12)	611	7.1	2,119	7	8	8	43	38	34	6.4	5.6	23.4	28	24	23	16	16	15	0.5	0.5	0.6	11	6
Transportation	Attractive				7,506	87.7					35.6	26.4	21.8	7.0	5.6	4.6	16.7	13.4	11.2	19.6	21	21	0.4	0.4	0.4	205	108
KIE universe					315,346	3,686					26.6	23.4	20.2	3.8	3.4	3.1	16.0	13.7	12.0	14.4	14.7	15.3	1.3	1.4	1.5		

Notes:

(a) We have used adjusted book values for banking companies.

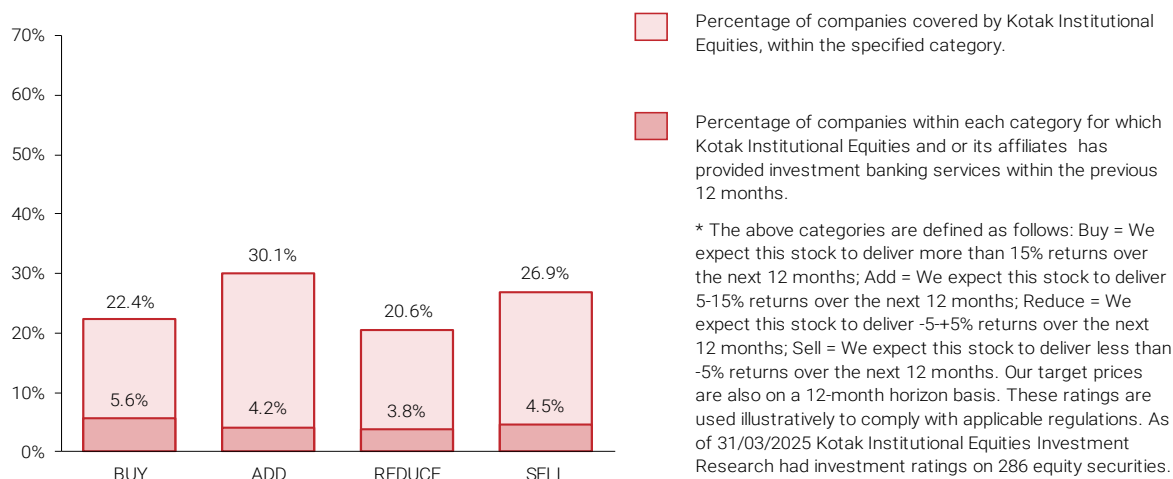
(b) 2024 means calendar year 2023, similarly for 2025 and 2026 for these particular companies.

(c) Exchange rate (Rs/US\$)= 85.6

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

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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.

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