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# Economy

## Public Finance

May 07, 2025

### India fiscal: Decent buffers for center

We see the central government in a fairly good position to counter (1) growth slowdown risks and/or (2) any potential emergency spending requirements. Most of the support will likely be from (1) higher-than-budgeted RBI surplus and (2) savings on a few expenditure heads, if needed. This should be adequate to offset likely tax shortfalls too. We reduce GFD/GDP estimate to 4.2% without any expenditure cuts or reallocation providing sufficient room for the government to choose policy actions without compromising on fiscal quality.

#### RBI surplus transfer: Fair chance of a larger bonanza

We estimate a surplus transfer of Rs3-3.5 tn in FY2026 against a likely budgeted transfer of Rs2.1 tn. We see three sources of upside to the surplus: (1) Higher foreign earnings from (a) FX sales of US\$375-400 bn in FY2025 against US\$153 bn in FY2024 and (b) interest earnings from USTs, (2) interest earnings from 14% higher GSec holdings and (3) no (or low) provisions assuming RBI keeps the economic capital framework unchanged with provisions based on available realized equity of 5.5-6.5% of the balance sheet size (see Exhibit 1).

#### Taxes and divestment: Potential large downside

Tax receipts will be at risk from lower GDP growth. Based on our nominal GDP growth estimate of 9.5%, we assume corporate tax collection growth at 8%. Personal income tax could also be lower from weaker capital markets (lower-than-budgeted STT and capital gains taxes). GST collections growth could be at risk too. Excise duty, after the recent increase, will be around Rs300 bn higher than budgeted. We factor in gross tax revenue to be Rs1 tn lower than budgeted, while net tax revenue could be Rs560 bn lower. Along with a lower divestment, we pencil in receipts to be lower by around Rs400 bn.

#### Expenditure savings: A few areas available for spending cuts, if required

If required, the government can defer expenditure on two heads: (1) Rs417 bn of funds for new schemes (R&D etc.) and (2) Rs200 bn of funds for AI projects. Additionally, there could be savings on some revenue expenditure heads such as drinking water, housing and urban affairs, state transfers, etc. We see scope for Rs0.6-1 tn of spending cuts/spending reallocation, if required, in FY2026E.

#### Fairly comfortable position on the fiscal

Without any expenditure cuts, GFD/GDP could be at 4.2% (FY2026BE: 4.4%) or Rs400 bn lower than budgeted. With additional expenditure cuts/reallocation, as highlighted earlier, the government could have space of Rs1-1.5 tn (0.3-0.4% of GDP). In case required, this space can be used to (1) cushion any additional weakness in taxes, (2) increase expenditure on social welfare schemes, (3) increase spending on export promotion schemes, MSMEs, etc. to counter any export slowdown-led impact, and/or (4) increase allocation to defense and internal security, if needed. Our FY2026 GFD/GDP estimate at 4.2% indicates the space available for the government to choose its policy actions without compromising on fiscal quality (see Exhibits 2-3).

#### Summary of key macro metrics for India

	2023	2024	2025E	2026E
<b>Real economy</b>				
Real GDP growth (%)	7.6	9.2	6.5	6.0
Nominal GDP growth (%)	14.0	12.0	9.9	9.5
CPI Inflation (avg., %)	6.7	5.4	4.6	4.0
<b>Public finance</b>				
Center's GFD/GDP (%)	6.4	5.6	4.7	4.2
<b>Monetary policy</b>				
Repo Rate (% eop)	6.50	6.50	6.25	5.00
SDF Rate (% eop)	6.25	6.25	6.00	4.75
CRR (% eop)	4.5	4.5	4.0	4.0
<b>External sector</b>				
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

We estimate RBI surplus of Rs3-3.5 tn in FY2026E

We pencil in receipts shortfall of Rs400 bn in FY2026E

Potential expenditure savings of Rs0.6-1 tn, if required

Buffer of Rs0.4-1.5 bn (0.1-0.4% of GDP) to buffer against shocks or sharper fiscal consolidation

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Suvodeep Rakshit

Upasna Bhardwaj

Harsh Doshi

Swarupjit Palit

### Surge in income from FX sales and lower provisions likely to enable large surplus transfer

Exhibit 1: Trends in gross income, expenditure and net income, 2019-25E (Rs bn)

	2019	2020	2021	2022	2023	2024	2025E
<b>1. Foreign sources</b>	<b>750</b>	<b>824</b>	<b>807</b>	<b>896</b>	<b>1,521</b>	<b>1,875</b>	<b>2,575</b>
Interest	458	484	255	327	603	1,032	1,181
Other earnings	291	340	552	569	918	843	1,395
<b>2. Domestic sources</b>	<b>1,181</b>	<b>673</b>	<b>526</b>	<b>705</b>	<b>833</b>	<b>881</b>	<b>1,103</b>
Interest on rupee securities	583	703	598	964	965	926	1,073
Net interest on LAF operations	10	(131)	(180)	(355)	(91)	(71)	60
Interest on MSF/SDF/others	16	37	17	15	(47)	(1)	(60)
Other income	571	63	90	81	6	27	30
<b>3. Total income (gross) (1+2)</b>	<b>1,930</b>	<b>1,497</b>	<b>1,333</b>	<b>1,601</b>	<b>2,355</b>	<b>2,756</b>	<b>3,679</b>
<b>4. Total expenditure</b>	<b>170</b>	<b>925</b>	<b>341</b>	<b>1,298</b>	<b>1,480</b>	<b>647</b>	<b>228</b>
Printing cost	48	44	40	50	47	51	55
Agency charges	39	39	33	44	41	40	40
Employee cost	69	89	48	39	60	79	84
Provisions	1	736	207	1,147	1,309	428	0
Others	14	17	14	19	24	49	49
Net disposable income	1,760	571	991	303	874	2,109	3,451
<b>Transfer of surplus to government</b>	<b>1,760</b>	<b>571</b>	<b>991</b>	<b>303</b>	<b>874</b>	<b>2,109</b>	<b>3,451</b>

Notes:

(a) 2019-2020 is for financial years ending June 30.

(b) 2021-2025 is for period ending March 31.

(c) 2021 is for period July 2020 - March 2021.

Source: RBI Annual Reports, Kotak Economics Research estimates

### Expenditure savings and RBI surplus can offset tax slippages to maintain fiscal position

Exhibit 2: Breakup of GFD/GDP gains and losses, March fiscal year-ends (%)

	FY2026E		
	Without expenditure cuts	With expenditure cuts	Without higher RBI surplus
<b>FY2026BE GFD/GDP</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>
Gross tax revenue gain/GDP	(0.3)	(0.3)	(0.3)
Net tax revenue gain/GDP	(0.2)	(0.2)	(0.2)
Non-tax and divestments gain/GDP	0.3	0.3	0.0
<b>Total receipts gain/GDP</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.2)</b>
<b>Revised GFD/GDP due to receipts gain</b>	<b>4.3</b>	<b>4.3</b>	<b>4.6</b>
<b>Expenditure savings/GDP</b>	<b>0.0</b>	<b>(0.2)</b>	<b>(0.2)</b>
<b>Revised GFD/GDP with expenditure savings</b>	<b>4.3</b>	<b>4.1</b>	<b>4.4</b>
<b>Effect of higher nominal GDP</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>FY2024E GFD/GDP</b>	<b>4.2</b>	<b>4.0</b>	<b>4.3</b>

Source: Kotak Economics Research estimates

## Likely tax slippage could be offset by higher RBI surplus and expenditure cuts in FY2026BE

Exhibit 3: Major central government budgetary items, March fiscal year-ends, 2020-26E (Rs bn)

	2020	2021	2022	2023	2024	2025RE	2026BE	2026E	Change (%)				
									2023/ 2022	2024/ 2023	2025RE/ 2024	2026BE/ 2025RE	2026E/ 2025RE
<b>Receipts</b>													
<b>1. Revenue receipts (2d + 3)</b>	<b>16,841</b>	<b>16,339</b>	<b>21,699</b>	<b>23,832</b>	<b>27,290</b>	<b>30,880</b>	<b>34,204</b>	<b>34,785</b>	<b>10</b>	<b>15</b>	<b>13</b>	<b>11</b>	<b>13</b>
<b>2. Gross tax revenues (a + b)</b>	<b>20,101</b>	<b>20,271</b>	<b>27,093</b>	<b>30,542</b>	<b>34,655</b>	<b>38,535</b>	<b>42,702</b>	<b>41,683</b>	<b>13</b>	<b>13</b>	<b>11</b>	<b>11</b>	<b>8</b>
2.a. Direct taxes	10,554	9,523	14,158	16,723	19,694	22,515	25,351	24,236	18	18	14	13	8
2.a.1. Corporation tax	5,569	4,577	7,120	8,258	9,111	9,800	10,820	10,535	16	10	8	10	8
2.a.2. Income tax (incl. other taxes)	4,985	4,946	7,038	8,464	10,584	12,715	14,531	13,701	20	25	20	14	8
2.b. Indirect taxes	9,547	10,748	12,935	13,819	14,961	16,020	17,351	17,446	7	8	7	8	9
2.b.1. Goods and Services Tax	5,988	5,488	6,981	8,491	9,572	10,619	11,780	11,619	22	13	11	11	9
2.b.1.1. CGST	4,941	4,563	5,912	7,185	8,206	9,085	10,109	9,948	22	14	11	11	10
2.b.1.2. IGST	91	73	21	47	(49)	-	-	-	124				
2.b.1.3. Compensation cess	956	852	1,048	1,259	1,414	1,534	1,671	1,671	20	12	8	9	9
2.b.2. Customs duty	1,093	1,348	1,997	2,134	2,331	2,350	2,400	2,328	7	9	1	2	(1)
2.b.2.1. Basic duties	906	1,065	1,460	1,676	1,775	1,506	1,585	1,529	15	6	(15)	5	1
2.b.2.2. Others	187	282	537	457	557	844	815	799	(15)	22	52	(3)	(5)
2.b.3. Excise duty	2,406	3,897	3,946	3,190	3,054	3,050	3,170	3,500	(19)	(4)	(0)	4	15
2.b.4. Service tax	60	16	10	4	4	1	1	1	(57)	(1)	(76)	-	-
2.c Transfers to states, UTs, etc.	6,532	6,008	9,045	9,564	11,383	12,965	14,328	13,874	6	19	14	11	7
<b>2.d Net tax revenues (2 - 2.c)</b>	<b>13,569</b>	<b>14,263</b>	<b>18,048</b>	<b>20,978</b>	<b>23,273</b>	<b>25,570</b>	<b>28,374</b>	<b>27,809</b>	<b>16</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>9</b>
<b>3. Non-tax revenues</b>	<b>3,272</b>	<b>2,076</b>	<b>3,651</b>	<b>2,854</b>	<b>4,018</b>	<b>5,310</b>	<b>5,830</b>	<b>6,976</b>	<b>(22)</b>	<b>41</b>	<b>32</b>	<b>10</b>	<b>31</b>
3.a. RBI's transfer of surplus	1,476	600	991	303	874	2,104	2,104	3,250	(69)	188	141	-	54
3.b. Telecommunications	698	455	858	648	907	1,234	824	824	(24)	40	36	(33)	(33)
3.c. Others	1,097	1,021	1,802	1,903	2,237	1,972	2,902	2,902	6	18	(12)	47	47
<b>4. Non-debt capital receipts (a + b)</b>	<b>686</b>	<b>576</b>	<b>394</b>	<b>722</b>	<b>598</b>	<b>590</b>	<b>760</b>	<b>590</b>	<b>83</b>	<b>(17)</b>	<b>(1)</b>	<b>29</b>	<b>-</b>
4.a Recovery of loans	183	197	247	262	266	260	290	290	6	2	(2)	12	12
4.b Other receipts (incl. disinvestments)	503	379	146	460	331	330	470	300	214	(28)	(0)	42	(9)
<b>5. Total receipts (1 + 4)</b>	<b>17,527</b>	<b>16,915</b>	<b>22,093</b>	<b>24,554</b>	<b>27,888</b>	<b>31,470</b>	<b>34,964</b>	<b>35,375</b>	<b>11</b>	<b>14</b>	<b>13</b>	<b>11</b>	<b>12</b>
<b>Expenditure</b>													
<b>6. Revenue expenditure</b>	<b>23,506</b>	<b>30,835</b>	<b>32,009</b>	<b>34,531</b>	<b>34,943</b>	<b>36,981</b>	<b>39,443</b>	<b>39,443</b>	<b>8</b>	<b>1</b>	<b>6</b>	<b>7</b>	<b>7</b>
6.a. Interest payments	6,121	6,799	8,055	9,285	10,639	11,379	12,763	12,763	15	15	7	12	12
6.b. Subsidies	2,283	7,077	4,461	5,310	4,123	3,834	3,834	3,834	19	(22)	(7)	(0)	(0)
6.b.1. Food	1,087	5,413	2,890	2,728	2,118	1,974	2,034	2,034	(6)	(22)	(7)	3	3
6.b.2. Fertilizer	811	1,279	1,538	2,513	1,883	1,713	1,679	1,679	63	(25)	(9)	(2)	(2)
6.b.3. Oil	385	385	34	68	122	147	121	121	99	80	20	(18)	(18)
6.c. Pay, allowances and pensions	5,366	6,711	5,899	6,564	6,857	7,598	7,825	7,825	11	4	11	3	3
6.c.1.a. Pay and allowances	3,526	4,626	3,910	4,148	4,474	4,847	5,059	5,059	6	8	8	4	4
6.c.1.b. Pensions	1,840	2,085	1,989	2,416	2,383	2,751	2,766	2,766	21	(1)	15	1	1
6.d. Agriculture and farmers' welfare	942	1,083	1,145	999	1,083	1,311	1,272	1,272	(13)	8	21	(3)	(3)
6.e. Education	873	840	803	972	1,232	1,140	1,286	1,286	21	27	(7)	13	13
6.f. Health and family welfare	607	740	787	703	783	840	923	923	(11)	11	7	10	10
6.g. Rural development	1,221	1,964	1,604	1,768	1,619	1,739	1,878	1,878	10	(8)	7	8	8
6.h. Others	6,092	5,622	9,255	8,931	8,606	9,138	9,661	9,661	(3)	(4)	6	6	6
<b>7. Capital expenditure</b>	<b>3,357</b>	<b>4,263</b>	<b>5,929</b>	<b>7,400</b>	<b>9,492</b>	<b>10,184</b>	<b>11,211</b>	<b>11,211</b>	<b>25</b>	<b>28</b>	<b>7</b>	<b>10</b>	<b>10</b>
7.a. Defence	1,160	1,399	1,448	1,509	1,646	1,705	1,924	1,924	4	9	4	13	13
7.b. Railways	678	1,093	1,173	1,593	2,426	2,520	2,520	2,520	36	52	4	-	-
7.c. Roads and highways	684	892	1,133	2,060	2,639	2,725	2,722	2,722	82	28	3	(0)	(0)
7.d. Loans for capex to states	-	118	142	812	1,096	1,250	1,500	1,500	472	35	14	20	20
7.e. Housing and urban affairs	193	103	259	269	264	317	376	376	4	(2)	20	19	19
7.f. Others	642	657	1,774	1,158	1,422	1,668	2,168	2,168	(35)	23	17	30	30
<b>8. Total expenditure (6 + 7)</b>	<b>26,863</b>	<b>35,098</b>	<b>37,938</b>	<b>41,932</b>	<b>44,434</b>	<b>47,165</b>	<b>50,653</b>	<b>50,653</b>	<b>11</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>
<b>Deficit</b>													
Primary deficit (PD)	3,216	11,384	7,790	8,092	5,908	4,316	2,926	2,515	4	(27)	(27)	(32)	(42)
Revenue deficit (RD)	6,665	14,496	10,310	10,699	7,652	6,101	5,238	4,658	4	(28)	(20)	(14)	(24)
<b>Gross fiscal deficit (GFD)</b>	<b>9,337</b>	<b>18,183</b>	<b>15,845</b>	<b>17,378</b>	<b>16,546</b>	<b>15,695</b>	<b>15,689</b>	<b>15,279</b>	<b>10</b>	<b>(5)</b>	<b>(5)</b>	<b>(0)</b>	<b>(3)</b>
Gross market borrowing (dated securities)	7,041	12,601	9,684	14,210	15,014	14,005	14,820	14,820	47	6	(7)	6	6
Net market borrowing (dated securities)	4,681	10,329	7,041	11,083	11,778	11,627	11,538	11,538	57	6	(1)	(1)	(1)
Short-term borrowing (T-bills/WMA)	1,560	2,032	774	1,148	532	(1,200)	0	0					
<b>Nominal GDP</b>	<b>201,036</b>	<b>198,541</b>	<b>235,974</b>	<b>268,905</b>	<b>301,230</b>	<b>331,032</b>	<b>356,979</b>	<b>362,474</b>	<b>14.0</b>	<b>12.0</b>	<b>9.9</b>	<b>7.8</b>	<b>9.5</b>
<b>PD/GDP (%)</b>	<b>1.6</b>	<b>5.7</b>	<b>3.3</b>	<b>3.0</b>	<b>2.0</b>	<b>1.3</b>	<b>0.8</b>	<b>0.7</b>					
<b>RD/GDP (%)</b>	<b>3.3</b>	<b>7.3</b>	<b>4.4</b>	<b>4.0</b>	<b>2.5</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>					
<b>GFD/GDP (%)</b>	<b>4.6</b>	<b>9.2</b>	<b>6.7</b>	<b>6.5</b>	<b>5.5</b>	<b>4.7</b>	<b>4.4</b>	<b>4.2</b>					

Source: Union Budgets, Kotak Economics Research estimates

# Automobiles & Components

India

Sector View: **Cautious**

NIFTY-50: **24,380**

May 07, 2025

## State-wise demand trends in 4QFY25

Our analysis of state-wise demand trends for 4QFY25 reflects that (1) muted demand trends in the PV segment, driven by weakness in the Eastern and Southern regions; (2) deceleration in the 2W segment growth; Southern and Eastern regions continued to underperform; (3) positive demand trends in M&HCV – 11% yoy growth in North India; (4) LCV demand remained weak – decline in Assam and Tamil Nadu; and (5) yoy increase in scooter mix across regions.

### Passenger vehicles: 2.4% yoy increase in volumes in 4QFY25

- ▶ Industry volumes increased by 2.4% yoy in 4QFY25, led by strong growth in SUV and MUV segments and channel filling, partly offset by muted demand trends in the entry-level segment. Volumes in Northern and Western regions increased by 5-9% yoy, whereas volumes in Eastern regions declined by 9% yoy in 4QFY25. Volumes in most of the key states posted a mixed trend, where states such as Uttar Pradesh, Gujarat, Rajasthan, Madhya Pradesh and Punjab witnessed a high single-digit yoy increase in volumes, whereas Andhra Pradesh and Telangana witnessed a 9% yoy volume decline in 4QFY25.
- ▶ MSIL lost 60 bps yoy market share in 4QFY25 (excluding sales to Toyota) as the company ceded market share in the Southern states with Karnataka (-270 bps yoy), Andhra Pradesh & Telangana (-610 bps yoy), and Tamil Nadu (-20 bps yoy). M&M/Toyota Motors gained 170/70 bps market share on a yoy basis in 4QFY25.

### Two-wheelers: 1.1% yoy improvement in volumes in 4QFY25

- ▶ Industry volumes increased by 1.1% yoy in 4QFY25, led by strong growth in premium motorcycle and scooter segments' performance, partly offset by muted demand trends in <125 cc motorcycle segment. In terms of regions, Northern region volumes grew by 10% yoy, whereas Southern region volume declined by 5% yoy. Eastern and Western regions witnessed lackluster trends.
- ▶ Scooter mix in two-wheeler volumes increased by 100 bps qoq in 4QFY25, owing to an increase in scooter mix in the Western region. The scooter mix increased to 51.2% (+330 bps yoy) in South India and 220 bps yoy in the Western region.
- ▶ Honda Motors gained 40 bps yoy market share, partly on account of a lower base and strong demand in the scooter segment. Bajaj Auto lost 120 bps yoy market share. HMCL lost 170 bps yoy market share in 4QFY25. Royal Enfield volumes increased by 23% yoy, driven by strong performance across regions, especially in states such as West Bengal, UP and Rajasthan.

### M&HCV: 3.5% yoy improvement in volumes in 4QFY25

- ▶ MHCV volumes increased 3.5% yoy in 4QFY25, led by a strong performance in the Northern regions, with 10.6% yoy growth. The Eastern region witnessed a 6% yoy decline in 4QFY25. AL's market share remained flat yoy, whereas Tata Motors' market share declined 100 bps yoy in 4QFY25.
- ▶ LCV industry volumes declined slightly by 0.7% yoy due to a 13% yoy decline in the Eastern region in 4QFY25. M&M gained 330 bps yoy market share, whereas Tata Motors lost 390 bps yoy market share in 4QFY25.

### Quick Numbers

PV industry volumes improved by 2.4% yoy in 4QFY25

MSIL lost 60 bps market share yoy in 4QFY25; major loss in Southern region

Two-wheeler domestic volumes grew 1.1% yoy in 4QFY25

Scooter mix in two-wheeler volumes increased 100 bps qoq in 4QFY25

M&HCV industry volumes improved by 3.5% yoy in 4QFY25

LCV industry volumes declined by 0.7% yoy in 4QFY25

[Full sector coverage on KINSITE](#)

**Domestic passenger vehicle industry volumes improved by 2.4% yoy in 4QFY25; North and Western India region drove the growth**

**Exhibit 1: Passenger vehicle volumes and growth in key states and regions, March fiscal year-ends, 2024-25 (units, %)**

	Volumes (units)				Volume mix (%)		Yoy growth (%)						
	4QFY24	4QFY25	FY2025	FY2024	FY2025	FY2024	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	FY2025	FY2024
<b>Key states</b>													
Maharashtra	125,241	132,973	507,512	486,982	11.8	11.5	10.9	3.7	(1.2)	8.2	6.2	4.2	6.7
UP + Uttaranchal	133,516	142,973	522,087	479,883	12.1	11.4	18.5	12.0	1.9	14.5	7.1	8.8	14.5
Gujarat	82,914	91,058	354,054	334,456	8.2	7.9	(1.6)	1.6	(2.7)	14.8	9.8	5.9	1.4
Kerala	55,937	56,878	223,829	219,387	5.2	5.2	5.0	6.9	2.3	(3.4)	1.7	2.0	6.3
AP + Telangana	71,996	65,591	260,286	291,992	6.1	6.9	(6.4)	(12.4)	(10.7)	(11.5)	(8.9)	(10.9)	(2.9)
Karnataka	84,056	80,038	309,464	317,488	7.2	7.5	9.9	(2.7)	(1.9)	(0.4)	(4.8)	(2.5)	11.9
Tamil Nadu	75,666	76,423	276,963	281,121	6.4	6.7	16.4	2.8	(2.3)	(7.5)	1.0	(1.5)	12.4
Delhi	64,250	63,400	228,348	240,563	5.3	5.7	13.8	(1.4)	(11.3)	(6.5)	(1.3)	(5.1)	15.9
Haryana	78,249	83,454	294,331	278,209	6.8	6.6	14.9	7.9	(0.3)	8.8	6.7	5.8	11.9
Rajasthan	56,763	62,974	232,067	212,881	5.4	5.0	9.3	8.8	0.5	15.6	10.9	9.0	11.7
Madhya Pradesh	62,645	67,897	204,735	189,541	4.8	4.5	28.1	5.6	2.3	16.0	8.4	8.0	12.3
Punjab	41,654	44,260	156,289	144,674	3.6	3.4	12.8	7.4	4.7	14.1	6.3	8.0	10.6
West Bengal	30,002	29,949	114,058	113,656	2.7	2.7	10.1	4.7	(2.1)	(0.6)	(0.2)	0.4	0.8
Others	171,599	164,283	616,087	625,569	14.3	14.8	16.6	1.1	(2.2)	(0.2)	(4.3)	(1.5)	7.0
<b>Overall India</b>	<b>1,134,488</b>	<b>1,162,151</b>	<b>4,300,110</b>	<b>4,216,402</b>	<b>100.0</b>	<b>100.0</b>	<b>11.4</b>	<b>3.0</b>	<b>(1.8)</b>	<b>4.5</b>	<b>2.4</b>	<b>2.0</b>	<b>8.4</b>
<b>Regional performance</b>													
North	356,578	373,694	1,340,793	1,284,118	31.2	30.5	16.2	6.0	(1.4)	8.3	4.8	4.4	13.2
East	135,047	123,236	475,006	496,027	11.0	11.8	14.0	2.2	(6.3)	(3.3)	(8.7)	(4.2)	4.2
West	351,926	383,441	1,403,671	1,316,583	32.6	31.2	10.3	4.7	0.6	12.0	9.0	6.6	7.2
South	290,937	281,780	1,080,640	1,119,674	25.1	26.6	6.3	(2.1)	(3.1)	(5.8)	(3.1)	(3.5)	6.6
<b>Overall India</b>	<b>1,134,488</b>	<b>1,162,151</b>	<b>4,300,110</b>	<b>4,216,402</b>	<b>100.0</b>	<b>100.0</b>	<b>11.4</b>	<b>3.0</b>	<b>(1.8)</b>	<b>4.5</b>	<b>2.4</b>	<b>2.0</b>	<b>8.4</b>

Source: SIAM, Kotak Institutional Equities

**MSIL lost 60 bps market share yoy in 4QFY25 – market share loss across Southern region**

**Exhibit 2: Market share of passenger vehicle OEMs in India and key states, March fiscal year-ends, 2024-25 (%)**

Overall	4QFY24	4QFY25	FY2024	FY2025	Karnataka	4QFY24	4QFY25	FY2024	FY2025	Delhi	4QFY24	4QFY25	FY2024	FY2025
	Maruti	42.3	41.7	41.7		40.9	Maruti	39.1	36.4		36.4	35.0	Maruti	40.1
Hyundai	14.1	13.2	14.6	13.9	Hyundai	13.1	13.1	14.1	13.8	Hyundai	12.3	10.9	13.3	11.8
M&M	11.1	12.8	10.9	12.8	M&M	8.8	12.2	9.2	12.6	M&M	11.0	10.7	9.7	10.5
Tata Motors	14.0	12.9	13.8	13.2	Tata Motors	14.6	14.2	14.7	14.3	Tata Motors	15.4	13.3	16.1	13.0
Honda	2.0	1.7	2.1	1.5	Honda	1.6	1.3	1.6	1.1	Honda	3.3	3.0	3.0	2.6
Toyota	6.2	6.9	5.8	7.2	Toyota	10.1	10.9	9.7	11.2	Toyota	6.7	8.1	5.8	8.6
Renault	1.1	0.7	1.1	0.9	Renault	1.5	1.0	1.8	1.4	Renault	0.6	0.4	0.5	0.6
Kia Motors	5.8	6.5	5.8	5.9	Kia Motors	6.8	6.3	7.2	5.8	Kia Motors	6.8	7.0	6.9	8.3
Others	3.4	3.4	4.2	3.6	Others	4.2	4.6	5.3	4.7	Others	3.8	4.3	4.7	2.9
<b>Maharashtra</b>														
Maruti	37.9	38.3	37.8	38.1	<b>Gujarat</b>									
Hyundai	16.1	15.2	16.2	15.7	Maruti	41.8	43.7	41.0	42.8	<b>AP + Telangana</b>				
M&M	8.9	10.4	8.6	9.9	Hyundai	16.8	15.8	17.1	16.7	Maruti	38.7	32.6	38.3	32.3
Tata Motors	17.1	15.6	16.9	16.1	M&M	8.3	9.2	8.4	9.2	Hyundai	13.7	12.5	13.8	13.3
Honda	2.2	1.8	2.1	1.6	Tata Motors	15.8	13.3	15.9	13.9	M&M	11.9	17.4	11.9	16.5
Toyota	7.0	7.2	6.0	7.5	Honda	1.9	1.7	2.0	1.5	Tata Motors	15.4	16.6	14.0	16.6
Renault	1.0	0.7	1.2	0.9	Toyota	5.1	5.3	4.6	5.4	Honda	2.3	2.0	2.2	1.8
Kia Motors	6.3	6.7	6.4	6.0	Renault	0.5	0.4	0.5	0.4	Toyota	6.7	7.1	6.2	7.6
Others	3.5	4.1	4.8	4.2	Kia Motors	7.0	7.7	6.6	7.0	Renault	0.7	0.6	0.9	0.6
<b>UP + Uttaranchal</b>														
Maruti	45.3	44.9	44.6	44.0	<b>Tamil Nadu</b>									
Hyundai	12.8	12.1	13.3	12.4	Maruti	41.1	40.9	40.1	39.5	<b>Kerala</b>				
M&M	13.1	12.9	13.2	13.9	Hyundai	17.1	13.7	15.6	14.7	Maruti	50.8	52.7	50.5	51.9
Tata Motors	14.0	13.4	13.9	13.7	M&M	6.9	8.3	7.1	8.1	Hyundai	10.2	7.1	10.2	8.7
Honda	1.9	1.8	2.0	1.5	Tata Motors	10.9	10.6	10.9	10.9	M&M	3.8	7.1	4.0	6.6
Toyota	3.8	5.1	3.7	5.1	Honda	3.3	3.5	3.1	2.6	Tata Motors	10.9	8.0	11.0	8.6
Renault	1.2	0.8	1.1	0.9	Kia Motors	8.0	9.6	7.9	9.9	Honda	3.1	2.5	2.9	2.1
Kia Motors	5.4	6.6	5.1	5.7	Toyota	2.8	1.9	2.7	2.4	Toyota	11.2	11.2	9.2	10.7
Others	2.3	2.5	3.2	2.8	Renault	6.5	6.8	7.0	6.6	Renault	1.0	0.8	1.2	1.2
<b>Others</b>														
Others	3.4	4.7	5.7	5.3	Others	3.4	4.7	5.7	5.3	Kia Motors	5.5	5.6	5.7	6.0
<b>Others</b>														
Others	3.4	4.9	5.1	4.4										

Source: SIAM, Kotak Institutional Equities

**Domestic 2W industry volumes increased by 1.1% yoy in 4QFY25; Southern region declined by 4.8% yoy**

**Exhibit 3: Two-wheeler volumes yoy growth, March fiscal year-ends, 2024-25 (units, %)**

	Volumes (units)				Volume mix (%)		Yoy growth (%)						
	4QFY24	4QFY25	FY2025	FY2024	FY2025	FY2024	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	FY2025	FY2024
<b>Key states</b>													
UP + Uttaranchal	650,936	691,576	3,001,905	2,659,313	15.4	14.8	13.8	12.3	26.7	8.8	6.2	12.9	9.6
Maharashtra	465,668	532,778	2,093,117	1,823,981	10.7	10.2	35.6	25.1	9.3	12.7	14.4	14.8	15.0
AP + Telangana	359,706	338,526	1,385,829	1,350,992	7.1	7.5	40.3	25.9	1.9	(7.6)	(5.9)	2.6	13.7
Tamil Nadu	415,854	394,387	1,480,307	1,471,932	7.6	8.2	37.6	20.0	(6.1)	(2.9)	(5.2)	0.6	15.7
Gujarat	277,817	277,824	1,290,588	1,167,481	6.6	6.5	15.5	31.3	(1.1)	17.9	0.0	10.5	7.0
Madhya Pradesh	286,635	266,504	1,273,206	1,138,780	6.5	6.4	36.5	27.9	23.8	6.4	(7.0)	11.8	19.5
Karnataka	342,983	316,155	1,294,582	1,250,857	6.6	7.0	35.1	22.4	3.2	(0.8)	(7.8)	3.5	22.6
Rajasthan	241,520	209,126	1,125,945	1,063,552	5.8	5.9	24.9	22.3	26.8	(8.9)	(13.4)	5.9	21.3
Bihar	242,915	236,511	1,128,010	1,055,045	5.8	5.9	19.8	6.3	26.4	0.6	(2.6)	6.9	13.8
West Bengal	218,066	225,607	1,005,129	889,723	5.1	5.0	61.6	25.8	18.0	4.8	3.5	13.0	19.3
Kerala	120,831	130,337	508,112	463,740	2.6	2.6	1.8	7.2	7.1	18.8	7.9	9.6	(7.2)
Punjab	98,691	118,229	524,912	457,565	2.7	2.6	9.8	15.9	21.4	3.6	19.8	14.7	5.8
Others	775,356	807,111	3,432,819	3,130,078	17.6	17.5	13.7	24.7	14.0	(1.9)	4.1	9.7	12.4
<b>Overall India</b>	<b>4,496,978</b>	<b>4,544,671</b>	<b>19,544,461</b>	<b>17,923,039</b>	<b>100.0</b>	<b>100.0</b>	<b>24.9</b>	<b>20.5</b>	<b>12.4</b>	<b>3.3</b>	<b>1.1</b>	<b>9.0</b>	<b>13.4</b>
<b>Regional performance</b>													
North	978,013	1,070,834	4,682,016	4,129,625	24.0	23.0	10.8	13.7	23.2	8.1	9.5	13.4	8.1
East	864,888	856,218	3,770,393	3,546,954	19.3	19.8	27.4	16.7	13.2	(3.4)	(1.0)	6.3	16.4
West	1,405,316	1,428,333	6,387,565	5,676,566	32.7	31.7	30.1	29.3	15.4	7.1	1.6	12.5	15.8
South	1,248,761	1,189,286	4,704,487	4,569,894	24.1	25.5	30.3	21.0	0.3	(1.9)	(4.8)	2.9	13.4
<b>Overall India</b>	<b>4,496,978</b>	<b>4,544,671</b>	<b>19,544,461</b>	<b>17,923,039</b>	<b>100.0</b>	<b>100.0</b>	<b>24.9</b>	<b>20.5</b>	<b>12.4</b>	<b>3.3</b>	<b>1.1</b>	<b>9.0</b>	<b>13.4</b>

Source: SIAM, Kotak Institutional Equities

**Scooter mix increased by 320 bps to 35.8% on a yoy basis in 4QFY25; scooter mix increased across all regions**

**Exhibit 4: Scooter mix in key states and regions, March fiscal year-ends, 2022-25 (%)**

	Scooter mix (%)															
	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	FY2024	FY2025
<b>Key states</b>																
UP + Uttaranchal	15.7	14.1	13.7	20.3	15.7	13.0	14.0	18.5	15.7	13.1	15.8	18.8	17.5	15.4	15.2	16.9
Maharashtra	38.0	37.8	48.1	41.0	42.2	49.6	47.7	41.9	44.5	45.9	45.4	45.6	46.9	48.5	44.8	46.7
AP + Telangana	37.0	39.2	44.5	37.9	43.2	46.3	42.8	39.0	43.1	40.7	43.0	42.6	46.5	43.4	41.2	43.7
Tamil Nadu	38.9	47.0	51.2	43.8	44.7	47.4	46.1	48.4	46.5	48.8	50.1	53.5	53.0	53.5	47.6	52.5
Gujarat	33.0	41.0	43.5	40.2	35.9	46.6	42.9	40.1	37.5	43.8	47.5	43.5	43.8	47.4	40.9	45.4
Madhya Pradesh	16.1	16.4	16.9	20.2	17.6	18.3	17.7	25.1	17.5	18.7	19.7	21.9	22.5	25.1	19.6	22.2
Karnataka	40.5	43.2	50.0	45.1	47.1	51.2	46.2	45.5	45.1	46.4	47.2	49.6	49.0	47.9	45.8	48.4
Rajasthan	16.7	16.9	20.8	23.3	16.9	19.4	19.6	21.0	15.9	19.9	24.5	21.1	23.1	22.8	18.9	22.7
Bihar	8.0	7.1	4.8	8.2	6.6	6.2	5.0	6.5	8.7	6.6	7.8	7.7	8.6	6.8	6.6	7.8
West Bengal	26.9	27.4	25.1	23.0	24.1	26.4	26.7	23.9	26.6	22.0	25.2	24.9	29.2	27.6	24.8	26.6
Kerala	61.1	64.6	67.6	62.1	64.3	64.6	65.2	67.1	70.6	69.9	74.0	72.2	73.3	72.0	68.0	72.8
Punjab	35.9	43.1	50.4	42.4	36.7	47.7	51.0	41.4	39.9	45.9	53.2	45.6	41.0	47.6	44.1	46.6
<b>Regional performance</b>																
North	21.0	21.1	21.8	27.4	22.2	21.6	22.4	25.6	22.5	21.0	24.0	26.8	24.0	23.3	22.8	24.6
East	23.5	23.7	20.4	24.3	22.1	22.6	20.8	24.3	25.4	22.0	23.3	25.5	27.1	25.8	23.1	25.3
West	27.2	30.7	34.4	32.9	31.1	35.7	33.7	34.0	30.7	33.8	35.0	34.3	36.1	38.3	33.0	35.9
South	41.7	46.3	51.2	44.7	47.1	49.3	47.4	46.9	47.2	47.9	49.6	51.3	52.1	51.2	47.3	51.0
<b>Overall India</b>	<b>28.4</b>	<b>31.7</b>	<b>32.2</b>	<b>33.3</b>	<b>31.1</b>	<b>33.4</b>	<b>31.3</b>	<b>34.1</b>	<b>31.3</b>	<b>32.6</b>	<b>33.4</b>	<b>35.2</b>	<b>34.8</b>	<b>35.8</b>	<b>32.3</b>	<b>34.8</b>

Source: SIAM, Kotak Institutional Equities

**HMCL/Bajaj Auto lost 170/120 bps market share yoy in 4QFY25; Honda gained 40 bps market share yoy**

**Exhibit 5: Market share of two-wheeler OEMs in Indian and key states, March fiscal year-ends, 2024-25 (%)**

	4QFY24	4QFY25	FY2024	FY2025		4QFY24	4QFY25	FY2024	FY2025		4QFY24	4QFY25	FY2024	FY2025
<b>Overall</b>					<b>Maharashtra</b>					<b>Gujarat</b>				
Hero	29.4	27.7	30.0	28.4	Hero	18.7	17.7	19.3	17.7	Hero	26.6	22.4	30.7	25.3
Honda	25.7	26.1	25.3	27.3	Honda	32.7	32.2	33.1	34.6	Honda	41.6	43.5	37.2	42.6
TVS	17.7	19.1	17.6	18.0	TVS	16.6	18.0	16.6	16.5	TVS	9.5	11.2	10.5	10.2
Bajaj	12.2	11.0	12.6	11.8	Bajaj	11.8	11.1	11.8	11.8	Bajaj	5.9	5.2	6.7	6.7
Royal Enfield	4.5	5.5	4.6	4.6	Royal Enfield	0.3	0.3	0.4	0.3	Royal Enfield	2.8	3.4	2.8	2.7
Yamaha	3.9	3.4	3.9	3.5	Yamaha	3.5	3.2	3.4	3.3	Yamaha	2.3	2.1	2.3	2.1
Others	6.6	7.2	6.1	6.4	Others	16.4	17.5	15.3	15.9	Others	11.3	12.2	9.9	10.4
<b>UP + Uttaranchal</b>					<b>AP + Telangana</b>					<b>West Bengal</b>				
Hero	50.7	47.7	48.7	46.7	Hero	15.3	14.0	15.7	14.5	Hero	16.6	16.4	18.3	17.3
Honda	14.2	14.5	15.2	16.1	Honda	30.9	31.6	32.1	33.1	Honda	28.8	29.9	26.9	30.0
TVS	16.3	18.2	17.2	18.1	TVS	15.4	16.9	15.3	15.8	TVS	21.2	19.9	20.9	19.5
Bajaj	12.0	11.6	12.4	12.2	Bajaj	17.2	16.7	16.7	16.2	Bajaj	14.0	12.2	14.3	13.1
Royal Enfield	4.3	5.6	4.1	4.6	Royal Enfield	5.0	5.3	4.9	4.7	Royal Enfield	7.1	9.2	7.4	7.9
Yamaha	1.1	0.9	1.1	1.0	Yamaha	3.5	2.7	3.6	3.2	Yamaha	8.8	8.3	8.7	8.5
Others	1.3	1.4	1.3	1.3	Others	12.7	13.0	11.8	12.6	Others	3.6	4.3	3.6	3.7
<b>Tamil Nadu</b>					<b>Karnataka</b>					<b>Rajasthan</b>				
Hero	15.1	14.3	15.2	14.2	Hero	20.7	20.7	20.4	19.5	Hero	57.1	54.7	56.4	53.1
Honda	25.0	23.0	23.9	24.6	Honda	28.1	25.3	27.5	28.4	Honda	17.2	18.2	16.6	19.3
TVS	26.0	28.9	25.1	26.4	TVS	20.8	22.5	20.9	21.2	TVS	13.1	13.1	13.2	13.9
Bajaj	11.5	9.9	12.6	11.2	Bajaj	10.1	9.4	11.0	9.9	Bajaj	7.6	7.6	8.9	8.6
Royal Enfield	4.3	4.9	4.7	4.5	Royal Enfield	4.2	4.8	4.6	4.4	Royal Enfield	2.1	3.3	2.4	2.4
Yamaha	10.4	10.2	11.1	10.9	Yamaha	4.2	3.2	4.2	3.5	Yamaha	1.0	0.8	0.9	0.8
Others	7.7	8.7	7.4	8.2	Others	11.8	14.0	11.4	13.1	Others	1.9	2.3	1.7	1.9

Source: SIAM, Kotak Institutional Equities

**Eicher's domestic volumes improved 23% yoy in 4QFY25; strong growth in Haryana, Punjab, UP and Bihar**

**Exhibit 6: Volumes and market share of Eicher across major states, March fiscal year-ends, 2022-25 (units, %)**

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	FY2024	FY2025
<b>Volumes (units)</b>																
Kerala	11,817	11,526	9,561	12,132	13,459	12,093	12,260	10,594	7,576	10,122	8,232	9,690	8,240	11,211	40,552	37,373
Tamil Nadu	12,484	15,132	14,615	16,427	15,062	16,607	18,642	18,163	14,585	18,028	16,247	16,622	14,582	19,482	69,418	66,933
Uttar Pradesh	18,200	20,060	20,020	15,750	24,265	23,525	23,769	19,907	27,528	25,467	27,662	23,084	36,915	35,365	96,671	123,026
Maharashtra	13,142	12,998	12,292	15,298	19,293	19,092	18,738	17,847	21,709	20,474	19,655	18,767	24,390	25,826	78,768	88,638
Delhi	6,413	8,378	7,836	10,248	10,908	10,440	10,216	13,586	11,809	6,182	6,449	6,861	8,812	9,108	41,793	31,230
Karnataka	8,314	8,512	9,515	12,115	13,319	13,354	14,440	14,601	13,836	14,539	14,504	14,061	13,326	15,313	57,416	57,204
Punjab	7,787	8,566	7,125	9,206	9,575	7,641	6,777	9,143	5,575	5,561	4,578	6,364	9,201	8,700	27,056	28,843
Bihar	5,497	8,006	8,123	7,422	9,374	8,437	10,322	10,602	12,520	10,436	13,409	12,459	15,341	13,988	43,880	55,197
Telangana	5,937	6,248	6,892	8,723	8,128	7,970	9,188	8,397	9,035	9,179	7,904	8,351	8,997	9,323	35,799	34,575
Gujarat	6,502	5,375	5,707	6,857	7,847	7,434	7,978	8,307	7,995	7,907	7,371	7,617	9,824	9,392	32,187	34,204
West Bengal	9,812	11,108	10,969	14,511	12,617	12,259	15,252	16,977	17,729	15,493	19,367	20,309	19,253	20,742	65,451	79,671
Andhra Pradesh	6,220	6,883	7,202	8,024	7,216	7,426	7,786	7,261	7,200	8,757	7,502	7,411	7,095	8,542	31,004	30,550
Rajasthan	4,780	4,458	4,355	6,216	7,276	5,438	6,257	6,916	7,117	5,110	4,859	6,138	8,779	6,986	25,400	26,762
Madhya Pradesh	7,264	5,485	5,801	6,594	8,372	7,226	8,037	7,048	8,792	8,436	6,710	7,246	9,847	9,966	32,313	33,769
Haryana	3,597	3,427	3,449	4,804	5,421	4,572	4,364	5,606	4,544	5,641	5,053	6,828	8,526	8,242	20,155	28,649
Orissa	5,106	5,428	5,202	5,663	6,833	6,975	7,893	7,183	8,703	8,968	9,194	7,749	9,739	10,353	32,747	37,035
Others	17,699	18,195	18,876	22,922	22,907	21,326	25,000	27,331	26,473	21,882	25,885	27,190	28,751	26,539	100,686	108,365
<b>Total</b>	<b>150,571</b>	<b>159,785</b>	<b>157,540</b>	<b>182,912</b>	<b>201,872</b>	<b>191,815</b>	<b>206,919</b>	<b>209,469</b>	<b>212,726</b>	<b>202,182</b>	<b>204,581</b>	<b>206,747</b>	<b>241,618</b>	<b>249,078</b>	<b>831,296</b>	<b>902,024</b>
<b>Yoy (%)</b>																
Kerala	(18.2)	(32.7)	36.9	6.7	13.9	4.9	28.2	(12.7)	(43.7)	(16.3)	(32.9)	(8.5)	8.8	10.8	15.4	(7.8)
Tamil Nadu	7.3	(14.2)	81.2	54.6	20.7	9.7	27.6	10.6	(3.2)	8.6	(12.8)	(8.5)	(0.0)	8.1	50.6	(3.6)
Uttar Pradesh	(30.1)	(4.0)	12.8	53.6	33.3	17.3	18.7	26.4	13.4	8.3	16.4	16.0	34.1	38.9	61.0	27.3
Maharashtra	(18.4)	(21.3)	116.7	57.7	46.8	46.9	52.4	16.7	12.5	7.2	4.9	5.2	12.3	26.1	68.0	12.5
Delhi	(40.7)	(19.2)	44.0	113.4	70.1	24.6	30.4	32.6	8.3	(40.8)	(36.9)	(49.5)	(25.4)	47.3	44.2	(25.3)
Karnataka	(9.0)	(15.2)	141.6	64.9	60.2	56.9	51.8	20.5	3.9	8.9	0.4	(3.7)	(3.7)	5.3	64.3	(0.4)
Punjab	(27.1)	(22.4)	10.4	116.9	23.0	(10.8)	(4.9)	(0.7)	(41.8)	(27.2)	(32.4)	(30.4)	65.0	56.4	4.4	6.6
Bihar	(27.4)	14.8	62.0	120.7	70.5	5.4	27.1	42.8	33.6	23.7	29.9	17.5	22.5	34.0	76.1	25.8
Telangana	(11.2)	(17.7)	34.2	64.7	36.9	27.6	33.3	(3.7)	11.2	15.2	(14.0)	(0.5)	(0.4)	1.6	50.8	(3.4)
Gujarat	(17.0)	(29.2)	43.1	77.0	20.7	38.3	39.8	21.1	1.9	6.4	(7.6)	(8.3)	22.9	18.8	57.7	6.3
West Bengal	(10.5)	3.7	65.1	140.3	28.6	10.4	39.0	17.0	40.5	26.4	27.0	19.6	8.6	33.9	71.8	21.7
Andhra Pradesh	(31.7)	(23.0)	9.0	43.7	16.0	7.9	8.1	(9.5)	(0.2)	17.9	(3.6)	2.1	(1.5)	(2.5)	38.2	(1.5)
Rajasthan	(16.5)	(18.7)	78.6	97.9	52.2	22.0	43.7	11.3	(2.2)	(6.0)	(22.3)	(11.2)	23.4	36.7	42.3	5.4
Madhya Pradesh	4.3	(28.3)	100.1	69.3	15.3	31.7	38.5	6.9	5.0	16.7	(16.5)	2.8	12.0	18.1	55.6	4.5
Haryana	(30.3)	(27.3)	24.0	67.9	50.7	33.4	26.5	16.7	(16.2)	23.4	15.8	21.8	87.6	46.1	47.4	42.1
Orissa	(25.2)	0.4	80.1	114.4	33.8	28.5	51.7	26.8	27.4	28.6	16.5	7.9	11.9	15.4	85.0	13.1
Others	(18.4)	(12.1)	58.4	122.4	29.4	17.2	32.4	19.2	15.6	2.6	3.5	(0.5)	8.6	21.3	55.6	7.6
<b>Total</b>	<b>(19.7)</b>	<b>(15.6)</b>	<b>50.6</b>	<b>73.6</b>	<b>34.1</b>	<b>20.0</b>	<b>31.3</b>	<b>14.5</b>	<b>5.4</b>	<b>5.4</b>	<b>(1.1)</b>	<b>(1.3)</b>	<b>13.6</b>	<b>23.2</b>	<b>53.3</b>	<b>8.5</b>

Source: SIAM, Kotak Institutional Equities

**MHCV industry volumes improved by 3.5% yoy in 4QFY25; volumes in Eastern region declined by 6% yoy**

**Exhibit 7: MHCV volumes and growth in key states and regions, March fiscal year-ends, 2024-25 (units, %)**

	Volumes (units)				Volume mix (%)		Yoy growth (%)						
	4QFY24	4QFY25	FY2025	FY2024	FY2025	FY2024	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	FY2025	FY2024
<b>Key states</b>													
Maharashtra	13,284	16,741	50,740	45,968	13.6	12.3	(6.1)	0.9	(7.2)	17.2	26.0	10.4	1.6
Uttar Pradesh	11,148	12,382	36,083	36,310	9.7	9.8	(10.6)	(5.0)	(18.7)	6.3	11.1	(0.6)	3.7
Gujarat	9,217	8,539	29,503	30,467	7.9	8.2	0.9	26.2	(18.1)	(3.0)	(7.4)	(3.2)	3.5
Tamil Nadu	8,097	9,037	29,258	27,071	7.9	7.3	0.3	12.7	3.5	3.5	11.6	8.1	5.4
Rajasthan	7,682	8,194	28,581	28,219	7.7	7.6	(18.8)	14.2	(11.2)	(1.8)	6.7	1.3	(0.6)
Haryana	10,066	11,793	35,122	32,658	9.4	8.8	(8.0)	19.8	(7.9)	0.8	17.2	7.5	1.9
West Bengal	5,516	5,486	17,386	18,426	4.7	4.9	10.8	4.2	(13.7)	(12.8)	(0.5)	(5.6)	6.3
Andhra Pradesh	4,073	2,728	10,642	11,524	2.9	3.1	34.1	23.5	4.6	(9.4)	(33.0)	(7.7)	9.3
Orissa	5,102	3,488	13,367	16,907	3.6	4.5	14.6	0.8	(11.4)	(32.4)	(31.6)	(20.9)	35.6
Madhya Pradesh	3,802	3,994	13,117	12,996	3.5	3.5	(0.1)	(3.8)	(11.5)	13.0	5.0	0.9	12.3
Karnataka	6,343	5,662	21,423	22,973	5.8	6.2	(7.8)	7.5	(16.2)	(5.1)	(10.7)	(6.7)	0.3
Delhi	3,704	3,869	13,649	11,248	3.7	3.0	(8.1)	65.6	(3.5)	31.8	4.5	21.3	0.6
Others	21,903	21,890	73,026	77,509	19.6	20.8	(13.9)	7.5	(18.1)	(11.0)	(0.1)	(5.8)	3.5
<b>Overall India</b>	<b>109,937</b>	<b>113,803</b>	<b>371,897</b>	<b>372,276</b>	<b>100.0</b>	<b>100.0</b>	<b>(5.9)</b>	<b>10.3</b>	<b>(12.0)</b>	<b>(1.1)</b>	<b>3.5</b>	<b>(0.1)</b>	<b>4.4</b>
<b>Regional performance</b>													
North	30,302	33,508	102,472	97,608	27.6	26.2	(9.3)	15.4	(10.6)	4.9	10.6	5.0	1.9
East	17,022	16,036	54,051	57,543	14.5	15.5	1.9	8.1	(12.8)	(11.7)	(5.8)	(6.1)	11.7
West	38,817	40,318	134,681	136,228	36.2	36.6	(9.6)	8.1	(14.8)	0.0	3.9	(1.1)	2.9
South	23,796	23,941	80,693	80,897	21.7	21.7	(0.0)	9.3	(8.0)	(2.6)	0.6	(0.3)	5.0
<b>Overall India</b>	<b>109,937</b>	<b>113,803</b>	<b>371,897</b>	<b>372,276</b>	<b>100.0</b>	<b>100.0</b>	<b>(5.9)</b>	<b>10.3</b>	<b>(12.0)</b>	<b>(1.1)</b>	<b>3.5</b>	<b>(0.1)</b>	<b>4.4</b>

Source: SIAM, Kotak Institutional Equities

**Tata Motors' market share fell 100 bps yoy in 4QFY25; Eicher Motors gained 120 bps market share yoy in 4QFY25**

**Exhibit 8: Market share of MHCV OEMs in India and key states, March fiscal year-ends, 2024-25 (%)**

Overall	4QFY24	4QFY25	FY2024	FY2025	Rajasthan	4QFY24	4QFY25	FY2024	FY2025	West Bengal	4QFY24	4QFY25	FY2024	FY2025											
	Tata Motors	46.1	45.1	46.9		46.5	Tata Motors	51.7	54.7		54.0	57.2	Tata Motors	61.1	58.5	59.3	58.7								
Ashok Leyland	31.7	31.7	31.3	30.9	Ashok Leyland	34.0	31.7	31.8	30.4	Ashok Leyland	21.5	25.6	26.4	24.4											
Eicher	18.3	19.5	17.7	18.5	Eicher	10.5	10.9	10.0	9.7	Eicher	15.3	14.2	12.4	14.8											
Mahindra	2.0	1.7	2.1	1.8	Mahindra	3.0	1.5	3.3	1.9	Mahindra	1.4	1.2	1.2	1.6											
SML Isuzu	1.7	1.8	1.7	1.8	SML Isuzu	0.5	0.5	0.6	0.7	SML Isuzu	0.7	0.5	0.5	0.4											
Others	0.2	0.2	0.4	0.5	Others	-	1-	0.3	0.2	Others	0.0	-	0.1	0.1											
<b>Maharashtra</b>																									
Tata Motors	35.5	40.3	35.1	37.9	<b>Haryana</b>																				
Ashok Leyland	34.3	35.1	36.1	35.1	Tata Motors	40.3	40.1	43.5	42.2	<b>Andhra Pradesh</b>															
Eicher	25.5	22.4	24.5	23.9	Ashok Leyland	34.0	33.9	30.0	32.1	Tata Motors	31.7	44.8	28.7	34.2											
Mahindra	3.9	1.8	3.5	2.1	Eicher	21.8	22.3	22.7	22.4	Ashok Leyland	35.8	31.3	42.5	41.4											
SML Isuzu	0.7	0.3	0.5	0.4	Mahindra	1.9	1.7	2.1	1.7	Eicher	27.4	13.8	21.7	16.3											
Others	0.1	0.1	0.3	0.5	SML Isuzu	1.9	1.9	1.7	1.6	Mahindra	3.6	6.0	3.9	3.9											
<b>Tamil Nadu</b>																									
Tata Motors	21.4	20.4	22.3	21.7	<b>Gujarat</b>																				
Ashok Leyland	53.2	60.3	52.1	57.6	Tata Motors	42.6	46.2	48.6	47.7	<b>Uttar Pradesh</b>															
Eicher	21.2	15.8	20.8	16.9	Ashok Leyland	39.6	35.0	33.9	32.4	Tata Motors	58.9	48.8	56.3	52.5											
Mahindra	1.8	1.2	2.2	1.2	Eicher	15.1	15.1	14.8	15.9	Ashok Leyland	22.4	22.1	23.0	22.4											
SML Isuzu	2.4	2.3	2.3	2.5	Mahindra	2.2	3.2	2.3	3.3	Eicher	16.3	26.2	17.9	21.7											
Others	0.0	-	0.2	0.0	SML Isuzu	0.4	0.5	0.5	0.6	Mahindra	0.6	0.9	1.0	1.6											
<b>Others</b>																									
Others																									

Source: SIAM, Kotak Institutional Equities

**LCV industry volumes declined by 0.7% yoy in 4QFY25 due to weak performance in East region**

**Exhibit 9: LCV volumes and growth in key states and regions, March fiscal year-ends, 2024-25 (units, %)**

	Volumes (units)				Volume mix (%)		Yoy growth (%)						
	4QFY24	4QFY25	FY2025	FY2024	FY2025	FY2024	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	FY2025	FY2024
<b>Key states</b>													
Maharashtra	20,468	22,857	83,064	74,800	14.3	12.6	(2.5)	13.8	(4.7)	24.1	11.7	11.0	(4.2)
Uttar Pradesh	15,087	16,265	52,981	56,395	9.1	9.5	(3.9)	(7.1)	(24.5)	(2.0)	7.8	(6.1)	3.7
Tamil Nadu	12,485	11,110	41,309	49,832	7.1	8.4	(11.6)	(13.8)	(29.9)	(11.0)	(11.0)	(17.1)	(3.8)
Gujarat	13,198	12,204	52,922	50,476	9.1	8.5	(0.3)	16.1	14.3	(2.1)	(7.5)	4.8	3.6
Karnataka	13,929	12,887	48,251	49,826	8.3	8.4	6.2	7.4	(12.7)	2.2	(7.5)	(3.2)	2.1
Andhra Pradesh	6,314	6,065	24,215	26,167	4.2	4.4	(6.2)	(14.4)	(2.9)	(8.9)	(3.9)	(7.5)	(6.2)
West Bengal	4,352	5,088	18,248	16,380	3.1	2.7	8.5	21.6	(6.6)	18.1	16.9	11.4	(15.3)
Rajasthan	8,237	8,996	33,432	34,308	5.7	5.8	(7.0)	(9.3)	(9.7)	(0.2)	9.2	(2.6)	3.8
Assam	6,694	3,285	16,649	25,570	2.9	4.3	(9.7)	(19.2)	(28.7)	(42.0)	(50.9)	(34.9)	(9.9)
Kerala	5,692	5,992	21,762	21,762	3.7	3.7	6.8	3.9	(12.6)	6.0	5.3	-	5.1
Madhya Pradesh	6,700	6,986	24,784	24,724	4.3	4.1	(4.1)	(10.4)	(10.8)	15.5	4.3	0.2	(1.2)
Haryana	6,647	7,756	26,844	26,473	4.6	4.4	(20.9)	(10.5)	6.6	(7.7)	16.7	1.4	(4.0)
Others	38,983	38,184	137,934	139,057	23.7	23.3	8.1	2.3	(10.6)	8.1	(2.0)	(0.8)	0.2
<b>Overall India</b>	<b>158,786</b>	<b>157,675</b>	<b>582,395</b>	<b>595,770</b>	<b>100.0</b>	<b>100.0</b>	<b>(1.4)</b>	<b>(0.3)</b>	<b>(10.5)</b>	<b>3.0</b>	<b>(0.7)</b>	<b>(2.2)</b>	<b>(1.1)</b>
<b>Regional performance</b>													
North	37,546	39,483	135,698	140,343	23.3	23.6	(5.8)	(9.5)	(10.3)	1.0	5.2	(3.3)	0.0
East	23,755	20,587	78,615	87,037	13.5	14.6	4.7	0.6	(18.2)	(6.3)	(13.3)	(9.7)	(4.3)
West	53,512	55,925	212,910	201,471	36.6	33.8	(1.8)	8.9	(1.3)	11.1	4.5	5.7	(0.1)
South	43,973	41,680	155,172	166,919	26.6	28.0	0.0	(3.0)	(17.2)	(1.2)	(5.2)	(7.0)	(1.5)
<b>Overall India</b>	<b>158,786</b>	<b>157,675</b>	<b>582,395</b>	<b>595,770</b>	<b>100.0</b>	<b>100.0</b>	<b>(1.4)</b>	<b>(0.3)</b>	<b>(10.5)</b>	<b>3.0</b>	<b>(0.7)</b>	<b>(2.2)</b>	<b>(1.1)</b>

Source: SIAM, Kotak Institutional Equities

**M&M gained 330 bps market share yoy in 4QFY25; Tata Motors lost 290 bps market share yoy in 4QFY25**

**Exhibit 10: Market share of LCV OEMs in India and key states, March fiscal year-ends, 2024-25 (%)**

Overall	4QFY24	4QFY25	FY2024	FY2025	Tamil Nadu	4QFY24	4QFY25	FY2024	FY2025	Gujarat	4QFY24	4QFY25	FY2024	FY2025
	M&M	40.9	44.2	42.6		45.0	M&M	29.2	30.8		27.7	32.9	M&M	39.9
Tata Motors	31.9	28.0	32.2	29.1	Tata Motors	29.6	25.0	33.0	24.8	Tata Motors	24.7	19.6	26.0	21.4
Ashok Leyland	11.2	11.2	11.1	11.2	Ashok Leyland	28.0	30.2	27.5	28.3	Ashok Leyland	10.6	11.6	8.9	11.4
Eicher	2.4	2.6	2.2	2.2	Eicher	3.7	3.7	2.9	3.3	Eicher	1.2	1.9	1.4	1.4
Force Motors	4.7	6.3	4.2	4.9	Force Motors	4.6	5.3	3.6	5.3	Force Motors	2.9	3.3	2.6	2.5
Others	8.8	7.7	7.7	7.6	Others	4.9	5.0	5.2	5.3	Others	20.8	21.3	18.5	19.9
<b>Maharashtra</b>					<b>Karnataka</b>					<b>Rajasthan</b>				
M&M	38.9	45.0	42.2	45.1	M&M	36.3	42.7	37.3	40.3	M&M	55.3	58.7	58.5	61.4
Tata Motors	24.7	23.0	24.9	24.4	Tata Motors	31.7	29.4	31.7	30.9	Tata Motors	30.8	25.4	28.7	24.5
Ashok Leyland	11.3	10.7	12.4	10.9	Ashok Leyland	20.0	16.9	20.6	18.4	Ashok Leyland	1.8	3.2	1.5	2.4
Eicher	4.0	4.5	3.5	3.6	Eicher	2.2	2.3	2.0	2.1	Eicher	1.0	1.3	0.9	0.9
Force Motors	6.6	4.4	5.2	4.4	Force Motors	4.2	4.1	3.5	3.8	Force Motors	3.2	4.5	3.0	3.6
Others	14.5	12.4	11.8	11.6	Others	5.6	4.6	4.9	4.4	Others	8.0	6.9	7.4	7.2
<b>Uttar Pradesh</b>					<b>Andhra Pradesh</b>					<b>West Bengal</b>				
M&M	43.9	40.6	47.1	44.9	M&M	54.8	62.3	58.2	63.9	M&M	38.4	40.7	39.4	40.9
Tata Motors	39.5	29.0	37.5	34.3	Tata Motors	23.1	20.3	19.6	19.4	Tata Motors	40.6	43.8	43.0	43.3
Ashok Leyland	3.7	4.2	3.5	4.8	Ashok Leyland	13.2	11.8	14.0	10.8	Ashok Leyland	9.9	7.2	9.7	8.4
Eicher	2.0	1.9	1.9	1.8	Eicher	2.7	0.5	1.6	0.7	Eicher	3.0	3.0	2.3	2.3
Force Motors	2.8	18.2	3.1	8.1	Force Motors	2.3	2.5	2.9	2.5	Force Motors	5.6	4.6	4.3	4.3
Others	8.2	6.1	7.0	6.1	Others	3.8	2.6	3.7	2.6	Others	2.4	0.7	1.3	0.7

Source: SIAM, Kotak Institutional Equities

# Coal India (COAL)

Oil, Gas &amp; Consumable Fuels

**REDUCE**

CMP(₹): 383

Fair Value(₹): 375

 Sector View: **Neutral**

NIFTY-50: 24,414

May 08, 2025

## The weakness persists

Coal India closed FY2025 with a PAT of Rs353 bn (-6% yoy), with the adjusted EBITDA (excl. OBR) declining 11% yoy to Rs265 bn. 4QFY25 PAT of Rs96 bn (+12% yoy) was aided by higher other income, while the adjusted EBITDA of Rs75.6 bn (+13% yoy) was supported by lower expenses despite flat revenues. Modest revenue growth was a result of weak volumes (-0.1%/+1.3% yoy for 4QFY25/FY2025) and lower average realizations (-0.2%/ -3.8% yoy in 4QFY25/ 2025). We believe that CIL will continue to be impacted by low volume growth due to modest coal-based capacity addition in the country (32 GW on an existing base of 222 GW), although an arrest in the decline of e-auction realizations should help the earnings print. We maintain our REDUCE rating with a revised FV of Rs375 (Rs370 earlier).

## Flat revenues of Rs341 bn, impacted by weak volumes and realization

Coal India reported 4QFY25 revenues of Rs341.5 bn (-0.3% yoy, +5.6% qoq), EBITDA of Rs81 bn (+9% yoy, -9% qoq) and PAT of Rs96 bn (+12% yoy, +13% qoq). Modest earnings performance was on account of (1) flat realizations at Rs1,696/ton (-0.2% yoy), and (2) flat volumes at 201 mn tons (-0.1% yoy). Reversal of overburden provision and contained employee costs helped aid the reported EBITDA, while the adjusted EBITDA (ex-OBR) rose 13% yoy to Rs75.6 bn. We highlight that auction realizations have been range-bound in the last few quarters and stood at Rs2,615/ton in 4QFY25.

For FY2025, adjusted EBITDA was down 11% yoy to Rs265 bn, with modest volume growth (+1.3% yoy) and weak realizations (-3.8% yoy) due to a decrease in e-auction rates to Rs2,542/ton (-17% yoy). FSA realizations were also weak at Rs1,514/ton (-1.5% yoy), likely on account of a change in mix in favor of lower-grade coal.

## Maintain REDUCE with a revised FV of Rs375

Coal India will benefit from modest volume growth on account of 32 GW of under-construction coal-based capacities on an extant asset base of 221.8 GW, which will be partially offset by (1) the absence of revision in FSA prices and stable auction realizations and (2) an inflation-linked increase in wage costs, coupled with a provision for wage increase in FY2027E.

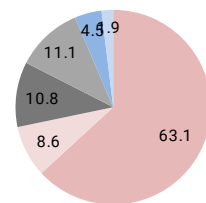
We maintain our REDUCE rating with a revised FV of Rs375 (Rs370 earlier), as we tweak our earnings estimates and roll forward to March 2027E-based valuations. The revision in target price is on account of lower volumes as well as realizations, masked by the reversal of overburden provision. At 6.5X P/E, CIL may appear relatively inexpensive on headline numbers, although the same should be seen in the context of the contribution of overburden reversal, modest volume growth and continued cost pressures from rising costs of materials and spares consumed.

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	383/375/REDUCE
52-week range (Rs) (high-low)	545-349
Mcap (bn) (Rs/US\$)	2,362/27.9
ADTV-3M (mn) (Rs/US\$)	2,517/29.7

#### Shareholding pattern (%)



■ Promoters ■ FPIs ■ MFs ■ BFI s ■ Retail ■ Others

#### Price performance (%)

	1M	3M	12M
Absolute	2	1	(16)
Rel. to Nifty	(9)	(2)	(25)
Rel. to MSCI India	(8)	(1)	(23)

#### Forecasts/Valuations

	2025	2026E	2027E
EPS (Rs)	57.3	59.5	59.0
EPS growth (%)	(5.5)	3.9	(0.8)
P/E (X)	6.7	6.4	6.5
P/B (X)	2.4	2.0	1.7
EV/EBITDA (X)	6.9	5.3	4.8
RoE (%)	38.8	33.6	28.2
Div. yield (%)	6.9	7.1	7.2
Sales (Rs bn)	1,293	1,432	1,537
EBITDA (Rs bn)	307	418	471
Net profits (Rs bn)	353	367	364

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

[Full sector coverage on KINSITE](#)

Murtuza Arsiwalla

Abhishek Khanna

Anshika Gupta

**Lower-than-expected EBITDA during the quarter; PAT aided by higher other income**

Exhibit 1: Interim financials of Coal India Ltd, March fiscal year-ends, 2024-26E (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	% chg.			2025	2024	% chg.	2026E	% chg.
					KIE	yoy	qoq					
<b>Profit &amp; Loss</b>												
<b>Net sales</b>	<b>341,564</b>	<b>342,133</b>	<b>342,639</b>	<b>323,590</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>5.6</b>	<b>1,269,568</b>	<b>1,303,257</b>	<b>(3)</b>	<b>1,411,551</b>	<b>11</b>
Accretion in stock	31,041	23,162	29,412	5,932	34	6	423	23,034	15,215	51	20,911	(9)
Employee expense	(120,888)	(134,620)	(135,362)	(112,216)	(10)	(11)	8	(462,491)	(487,826)	(5)	(477,480)	3
Social overhead	(3,305)	(2,853)	(2,998)	(615)	16	10	438	(6,466)	(6,158)	5	(6,627)	2
Power & Fuel	(11,644)	(10,619)	(9,318)	(10,779)	10	25	8	(30,428)	(28,979)	5	(34,756)	14
Contractual expense	(94,994)	(77,057)	(79,877)	(85,033)	23	19	12	(318,115)	(274,399)	16	(322,393)	1
OBR adjustment	5,613	16,681	7,408	19,124	(66)	(24)	(71)	41,055	36,997	11	47,627	16
Consumption of stores/ spares	(34,813)	(30,757)	(33,616)	(28,748)	13	4	21	(112,470)	(115,800)	(3)	(116,158)	3
Other	(31,353)	(36,681)	(43,908)	(22,291)	(15)	(29)	41	(97,178)	(106,960)	(9)	(104,210)	7
<b>EBITDA</b>	<b>81,220</b>	<b>89,389</b>	<b>74,380</b>	<b>88,964</b>	<b>(9)</b>	<b>9</b>	<b>(9)</b>	<b>306,509</b>	<b>335,347</b>	<b>(9)</b>	<b>418,465</b>	<b>37</b>
Depreciation	(27,818)	(24,774)	(18,923)	(25,135)	12	47	11	(91,455)	(67,354)	36	(91,461)	0
Interest	(2,411)	(2,322)	(2,322)	(2,255)	4	4	7	(8,837)	(8,194)	8	(10,921)	24
Other income	77,741	55,584	62,681	56,350	40	24	38	263,445	228,327	15	192,424	(27)
<b>PBT</b>	<b>128,732</b>	<b>117,876</b>	<b>115,816</b>	<b>117,924</b>	<b>9</b>	<b>11</b>	<b>9</b>	<b>469,662</b>	<b>488,126</b>	<b>(4)</b>	<b>508,506</b>	<b>8</b>
Tax	(32,807)	(29,914)	(30,512)	(33,012)				(116,641)	(114,435)		(141,604)	
<b>PAT</b>	<b>95,925</b>	<b>87,962</b>	<b>85,304</b>	<b>84,912</b>	<b>9</b>	<b>12</b>	<b>13</b>	<b>353,021</b>	<b>373,691</b>	<b>(6)</b>	<b>366,902</b>	<b>4</b>
Extraordinary	-	-	-	-				-	-		-	
<b>Reported PAT</b>	<b>95,925</b>	<b>87,962</b>	<b>85,304</b>	<b>84,912</b>	<b>9</b>	<b>12</b>	<b>13</b>	<b>353,021</b>	<b>373,691</b>	<b>(6)</b>	<b>366,902</b>	<b>4</b>
EPS (Rs/share)	15.5	14.2	13.7	13.7				55.9	59.2		59.1	
EBITDA (excl. OBR)	75,607	72,708	66,973	69,840	4	13	8	265,453	298,350	(11)	370,838	40
<b>Ratios (%)</b>												
EBITDA margins (%)	23.8	26.1	21.7	27.5				24.1	25.7		29.6	
Effective tax rate (%)	25.5	25.4	26.3	28.0				24.8	23.4		27.8	
<b>Operational data</b>												
Production (mn tons)	238	238	242	202	(0.2)	(1.7)	17.7	781	774	1.0	815	4.3
Sale (mn tons)	201	200	202	194	0.5	(0.1)	3.7	763	754	1.3	804	5.4
Average realization (Rs/ton)	1,696	1,707	1,699	1,667	(0.6)	(0.2)	1.7	1,664	1,730	(3.8)	1,755	5.5

Source: Company, Kotak Institutional Equities estimates

**Highlights from results**

- ▶ **Volumes.** CIL reported a 1.7% yoy decline in coal production at 238 mn tons and flat dispatches at 201 mn tons in 4QFY25. For FY2025 as well, coal production and dispatch remained weak at 781 mn tons (+1% yoy) and 763 mn tons (+1.3% yoy), respectively.

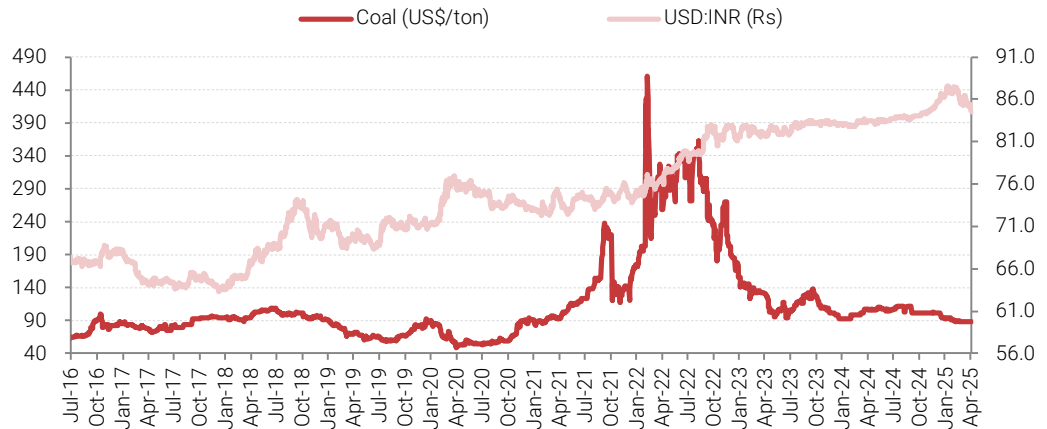
We highlight that the under-construction coal-based capacities in India currently stand at 32.3 GW (on an extant base of 221.8 GW as of March 2025), which are targeted for commissioning by 2031 (susceptible to delays), limiting the growth potential for coal volumes in the medium term. We currently factor in dispatches of 804 mn tons, implying a growth of 5.4% yoy in FY2026E in comparison to the 1.3% yoy growth in dispatches in FY2025.

- ▶ **Realizations.** Blended realization in 4QFY25 were flat yoy at Rs1,696/ton, impacted by lower realization for washed coal at Rs3,944/ton (-46% yoy), owing to higher mix of non-coking coal (CIL started a new non-coking coal washery in April 2024). The auction prices increased 2% yoy to Rs2,615/ton, while FSA realizations rose 0.8% yoy to Rs1,547/ton. Average imported coal prices stood at ~US\$93/ton in 4QFY25. We currently factor blended realizations of Rs1,755/ton (+5% yoy) for FY2026E, as we factor a bottoming out of auction realizations as well as the recent levy of Rs300/ton at NCL
- ▶ **Employee cost.** Employee costs declined 11% yoy to Rs121 bn in 4QFY25 due to the reduction in average manpower. We highlight that the employee costs are typically linked to inflation, with some off-setting benefit on account of employee attrition.
- ▶ **Depreciation.** Depreciation expense rose 47% yoy to Rs27.8 bn in 4QFY25, likely on account of impairment of assets.

- **Levy of Rs300/ton at NCL to aid incremental earnings.** We highlight that Coal India had earlier announced the levy of “Singrauli Punarasthapan Charge” across all mines of Northern Coalfields Limited, a wholly owned subsidiary of Coal India. This charge of Rs300 per ton, over and above the notified price of coal, would be levied uniformly across all mines of NCL from May 1, 2025, and is expected to lead to an additional revenue of Rs38.8 bn for CIL. NCL accounted for approximately 137.5 mn tons (~120 mn tons of FSA coal) of sales for CIL in FY2025, and accordingly, the levy translates in effective price increase of Rs50/ton (3.5%) on overall FSA coal of 734 mn tons estimated by us for FY2026E. The last price increase for CIL was in May 2023, when it increased the price of high-grade non-coking coal by 8%, yielding additional revenues of Rs27 bn.

**Prices of imported coal averaged US\$93/ ton in 4QFY25**

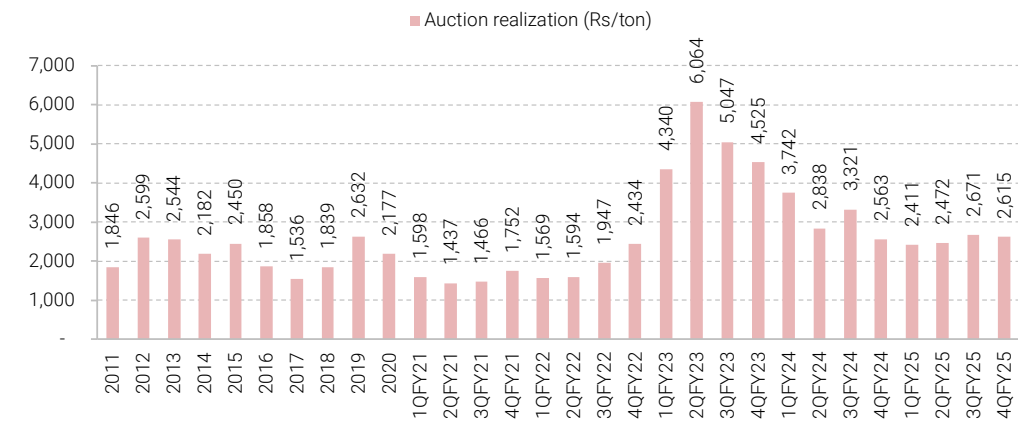
**Exhibit 2: Prices of imported coal, March fiscal year-ends, 2012-25 (US\$/ton)**



Source: Bloomberg, Kotak Institutional Equities estimates

**Auction realizations have been range-bound in the past few quarters**

**Exhibit 3: Coal India e-auction realization, March fiscal year-ends, 2011-25 (Rs/ ton)**



Source: Company, Kotak Institutional Equities estimates

**Weak volumes impacted revenues in 4QFY25**

Exhibit 4: Coal India sales and earnings mix, March fiscal year-ends, 2024-26E (mn tons, Rs mn, %)

	4QFY25	4QFY25E	4QFY24	3QFY25	% chg.			2025	2024	% chg.	2026E	% chg.
					KIE	yoy	qoq					
<b>Volumes (mn tons)</b>												
Production	238	238	242	202	(0.2)	(1.7)	17.7	781	774	1.0	815	4.3
<b>Sales</b>	<b>201</b>	<b>200</b>	<b>202</b>	<b>194</b>	<b>0.5</b>	<b>(0.1)</b>	<b>3.7</b>	<b>763</b>	<b>754</b>	<b>1.3</b>	<b>804</b>	<b>5.4</b>
<b>Sale mix</b>												
<b>Raw coal</b>												
Volumes (mn tons)	175	177	176	171	(0.9)	(0.5)	2.5	666	670	(0.6)	708	6.3
Realization (Rs/ton)	1,547	1,572	1,535	1,514	(1.6)	0.8	2.2	1,514	1,536	(1.5)	1,591	5.1
Revenue (Rs mn)	270,876	277,711	270,168	258,546	(2.5)	0.3	4.8	1,008,963	1,029,891	(2.0)	1,127,500	11.7
<b>E-auction</b>												
Volumes (mn tons)	21.6	21.2	22.4	19.2	1.8	(3.7)	12.1	79	70	12.8	84	6.3
Realization (Rs/ton)	2,615	2,718	2,563	2,671	(3.8)	2.0	(2.1)	2,542	3,066	(17.1)	2,750	8.2
Revenue (Rs mn)	56,408	57,611	57,438	51,390	(2.1)	(1.8)	9.8	200,994	214,881	(6.5)	231,200	15.0
<b>Beneficiated</b>												
Volumes (mn tons)	2.47	1.90	1.47	2.33	29.7	68.0	6.0	10	8	24.7	10	2.5
Realization (Rs/ton)	3,944	3,574	7,330	3,285	10.4	(46.2)	20.1	4,118	5,473	(24.8)	3,998	(2.9)
Revenue (Rs mn)	9,743	6,808	10,775	7,654	43.1	(9.6)	27.3	39,537	42,143	(6.2)	39,340	(0.5)
<b>Total revenue</b>	<b>341,564</b>	<b>342,130</b>	<b>342,639</b>	<b>323,503</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>5.6</b>	<b>1,249,494</b>	<b>1,286,915</b>	<b>(2.9)</b>	<b>1,398,039</b>	<b>11.9</b>

Source: Company, Kotak Institutional Equities estimates

**We factor healthy EBITDA growth in FY2026E**

Exhibit 5: Key operational and financial assumptions, March fiscal year-ends, 2021-28E (Rs mn)

	2021	2022	2023	2024	2025	2026E	2027E	2028E	Growth (%)							
									###	2022	2023	2024	###	2026E	2027E	2028E
<b>Volumes (mn tons)</b>	<b>574</b>	<b>662</b>	<b>695</b>	<b>754</b>	<b>763</b>	<b>804</b>	<b>841</b>	<b>870</b>	<b>(1)</b>	<b>15</b>	<b>5</b>	<b>8</b>	<b>1</b>	<b>5</b>	<b>5</b>	<b>3</b>
<b>Sales (mn tons)</b>																
Raw coal	466	540	621	670	666	708	741	767	(7)	16	15	8	(1)	6	5	3
Beneficiated	10	7	7	8	10	10	10	10	(9)	(26)	—	4	25	3	2	2
E-auction	94	111	62	70	79	84	88	91	44	17	(44)	12	13	6	5	4
<b>Blended realization (Rs/ton)</b>	<b>1,441</b>	<b>1,519</b>	<b>1,837</b>	<b>1,730</b>	<b>1,664</b>	<b>1,755</b>	<b>1,807</b>	<b>1,861</b>	<b>(6)</b>	<b>5</b>	<b>21</b>	<b>(6)</b>	<b>(4)</b>	<b>5</b>	<b>3</b>	<b>3</b>
<b>Realization (Rs/ton)</b>																
Raw coal	1,379	1,407	1,475	1,536	1,514	1,591	1,635	1,680	(3)	2	5	4	(1)	5	3	3
Beneficiated	2,745	3,346	5,012	5,473	4,118	3,998	4,036	4,075	(3)	22	50	9	(25)	(3)	1	1
E-auction	1,569	1,879	4,841	3,066	2,542	2,750	2,886	3,026	(28)	20	###	(37)	(17)	8	5	5
<b>Revenue (Rs mn)</b>	<b>827,103</b>	<b>1,006,234</b>	<b>1,276,275</b>	<b>1,303,257</b>	<b>1,269,568</b>	<b>1,411,551</b>	<b>1,519,722</b>	<b>1,619,285</b>	<b>(7)</b>	<b>22</b>	<b>27</b>	<b>2</b>	<b>(3)</b>	<b>11</b>	<b>8</b>	<b>7</b>
Employee costs	(386,977)	(407,008)	(494,092)	(487,826)	(462,491)	(477,480)	(498,445)	(508,971)	(2)	5	21	(1)	(5)	3	4	2
Overburden	(14,504)	(37,609)	(38,091)	36,997	41,055	47,627	50,489	53,352	(74)	###	1	###	11	16	6	6
<b>EBITDA</b>	<b>112,578</b>	<b>156,004</b>	<b>261,934</b>	<b>335,347</b>	<b>306,509</b>	<b>418,465</b>	<b>470,944</b>	<b>486,148</b>	<b>##</b>	<b>39</b>	<b>68</b>	<b>28</b>	<b>(9)</b>	<b>37</b>	<b>13</b>	<b>3</b>
<b>PAT</b>	<b>127,022</b>	<b>173,784</b>	<b>281,331</b>	<b>373,691</b>	<b>353,021</b>	<b>366,902</b>	<b>363,881</b>	<b>407,554</b>	<b>##</b>	<b>37</b>	<b>62</b>	<b>33</b>	<b>(6)</b>	<b>4</b>	<b>(1)</b>	<b>12</b>
<b>EBITDA margins</b>	<b>14</b>	<b>16</b>	<b>21</b>	<b>26</b>	<b>24</b>	<b>30</b>	<b>31</b>	<b>30</b>	<b>##</b>	<b>14</b>	<b>32</b>	<b>25</b>	<b>(6)</b>	<b>23</b>	<b>5</b>	<b>(3)</b>
<b>EBITDA (Rs/ton)</b>	<b>196</b>	<b>236</b>	<b>377</b>	<b>445</b>	<b>402</b>	<b>520</b>	<b>560</b>	<b>559</b>	<b>##</b>	<b>20</b>	<b>60</b>	<b>18</b>	<b>##</b>	<b>30</b>	<b>8</b>	<b>(0)</b>

Source: Company, Kotak Institutional Equities estimates

**We retain REDUCE with a revised FV of Rs375**

Exhibit 6: SoTP-based Fair Value for Coal India, March 2027E

	<b>2027E</b>
EBITDA	471
Adj EBITDA (ex OBR adjustment)	420
PAT	364
<b>Adjusted PAT (ex OBR adjustment and interest income)</b>	<b>286</b>
EPS	59
<b>Adj EPS (ex OBR adjustment and interest income)</b>	<b>46</b>
P/E on core earnings	7
<b>Value of core business (Rs/share)</b>	<b>339</b>
Net cash (Rs bn)	132
Net cash (Rs/share)	21
<b>Target price (Rs/share)</b>	<b>375</b>

Notes:

- (1) Adjusted EBITDA is calculated after removing the effect OBR adjustment.
- (2) Adjusted PAT is calculated after removing the effect of OBR adjustment and interest income net of taxes.

Source: Company, Kotak Institutional Equities estimates

**Revision in earnings estimates as we factor in lower volumes and higher other income**

**Exhibit 7: Revision in estimates for Coal India, March fiscal year-ends, 2025-27E (Rs mn)**

	Revised estimates			Old estimates			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Net sales	1,411,551	1,519,722	1,619,285	1,432,189	1,536,075	NA	(1.4)	(1.1)	NA
EBITDA	418,465	470,944	486,148	439,465	482,530	NA	(4.8)	(2.4)	NA
PAT	366,902	363,881	407,554	352,058	362,140	NA	4.2	0.5	NA

Source: Company, Kotak Institutional Equities estimates

**We expect an earnings improvement in FY2026E, after a weak FY2025**

**Exhibit 8: Profit model, balance sheet, cash model of Coal India, March fiscal year ends, 2020-28E (Rs mn)**

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Profit model</b>									
Net sales	904,160	850,616	983,149	1,283,056	1,318,472	1,292,601	1,432,461	1,536,620	1,605,767
EBITDA	152,139	112,578	156,004	261,934	335,347	306,509	418,465	470,944	486,148
Interest income	61,054	37,894	38,959	65,507	144,368	164,122	102,085	58,292	104,286
Other Income (ex transport, interest)	67,070	73,157	90,901	106,244	83,959	99,323	90,339	90,705	106,166
Interest expense	(5,029)	(6,447)	(5,415)	(6,843)	(8,194)	(8,837)	(10,921)	(10,921)	(10,921)
Depreciation	(34,508)	(37,089)	(44,287)	(46,753)	(67,354)	(91,455)	(91,461)	(101,468)	(111,474)
Pretax profits	240,725	180,093	236,163	380,090	488,126	469,662	508,506	507,552	574,205
Tax	(73,710)	(53,071)	(62,379)	(98,759)	(114,435)	(116,641)	(141,604)	(143,671)	(166,651)
Net income	167,015	127,022	173,784	281,331	373,691	353,021	366,902	363,881	407,554
Extraordinary items	-	-	-	-	-	-	-	-	-
Reported profit	167,015	127,022	173,784	281,331	373,691	353,021	366,902	363,881	407,554
Earnings per share (Rs)	27	21	28	46	61	57	60	59	66
<b>Balance sheet</b>									
Paid-up common stock	61,627	61,627	61,627	61,627	61,627	61,627	61,627	61,627	61,627
Total shareholders' equity	267,602	311,206	377,463	518,482	773,330	937,082	1,137,405	1,331,376	1,565,622
Minority interest	3,941	4,411	6,738	7,707	8,521	8,458	8,458	8,458	8,458
Total borrowings	64,260	58,753	33,098	41,147	62,890	89,084	89,084	89,084	89,084
Shifting and rehab fund	53,967	53,967	53,967	53,967	53,967	53,967	53,967	53,967	53,967
Total liabilities and equity	389,770	428,337	471,266	621,303	898,709	1,088,591	1,288,915	1,482,885	1,717,131
Net fixed assets	368,408	424,052	466,770	519,610	756,642	828,650	869,567	900,477	921,381
Capital work-in progress	82,711	104,898	128,971	176,220	189,603	223,849	220,043	216,909	214,380
Investments	19,729	59,502	97,064	71,394	71,104	75,913	75,913	75,913	75,913
Cash	284,468	173,103	291,795	399,219	302,352	342,153	241,494	221,506	225,339
Current assets (excl. cash)	711,790	815,647	817,834	903,855	1,025,609	1,104,471	1,221,855	1,312,221	1,422,316
Current liabilities and provisions	1,110,445	1,182,239	1,323,057	1,477,457	1,459,792	1,495,074	1,349,785	1,256,419	1,158,401
Deferred tax asset	33,110	33,374	(8,110)	28,463	13,191	8,628	9,828	12,278	16,203
Misc. expenditure	-	-	-	-	-	-	-	-	-
Total assets	389,770	428,337	471,266	621,303	898,709	1,088,591	1,288,915	1,482,885	1,717,131
<b>Free cash flow</b>									
Operating cash flow, excl. working capital	201,524	163,387	217,878	329,264	438,213	442,315	457,164	462,898	515,103
Working capital changes	(119,080)	(32,063)	138,631	27,599	(257,182)	(150,318)	(262,673)	(183,732)	(208,114)
Capital expenditure	(58,220)	(114,921)	(111,077)	(152,068)	(167,499)	(132,394)	(128,572)	(129,244)	(129,849)
Investments	11,981	(39,774)	(37,562)	(82,162)	122,641	31,631	-	-	-
Free cash flow	36,205	(23,372)	207,871	122,632	136,173	191,233	65,919	149,923	177,141
<b>Ratios</b>									
Net debt/equity (%)	(82)	(37)	(69)	(69)	(31)	(27)	(13)	(10)	(9)
Return on equity (%)	69	44	50	63	58	41	35	29	28
Book value per share (Rs)	43	50	61	84	125	152	185	216	254
ROCE (%)	76	52	63	75	64	47	39	33	32

Source: Company, Kotak Institutional Equities estimates

# Godrej Consumer Products (GCPL)

Consumer Staples

ADD

CMP(₹): 1,247

Fair Value(₹): 1,285

Sector View: **Attractive**

NIFTY-50: 24,414

May 08, 2025

## Investor Meet 2025 takeaways

GCPL management expressed confidence on multiple fronts: (1) likely success of the new HI LV (RNF), (2) recovery to normative EBITDA margin in India in 2-3 quarters, (3) sustained structural growth in Indonesia and Africa with further margin expansion in the international business, (4) extracting efficiencies in media and supply chain and reinvesting it to turbocharge UVG, and (5) differentiated innovations that can achieve meaningful scale if successful (liquid detergent). We tweak estimates, roll over and revise FV to Rs1,285 (from Rs1,250).

### FY2025 scorecard: A mixed bag, impacted by palm inflation in India

GCPL could achieve only some of the FY2025 targets it had shared in its last investor meet (May-24)—(1) high-single-digit organic UVG in India/Indonesia (achieved ~5%/6%, as palm inflation had a 100-150 bps impact on India UVG), (2) step-up in EBITDA margin in international business (up 400 bps to 17%, led by structural initiatives—key highlight of the year) and (3) mid-teen EBITDA growth (EBITDA grew by ~1.9%, impacted by palm oil inflation in India). GCPL noted that despite inflationary pressures, its absolute A&P spends did not decline, and rural van operations investments (Rs1 bn+ in FY2025) continued. GCPL gained market share across HI LV, hair colors, liquid detergents, soaps in India and in HI, air fresheners in Indonesia. GCPL lost share overall in the HI category due to illegal incense sticks but it has seen some green shoots of late.

### FY2026 guidance: Mid-to-HSD UVG India, HSD/DD consol. sales/EBITDA growth

On a consolidated basis, GCPL is aiming HSD USG and DD EBITDA growth in FY2026E, driven by (1) mid-to-HSD UVG in India, led by LSD UVG in soaps, HSD UVG in HI, and mid-teens UVG in other segments, (2) India margin improving in 2H due to normalization in palm oil prices and (3) further improvement in international margins, albeit at a slower pace than recent past. Management believes that the HI category could grow at HSD for the next few years, and growth could accelerate to 15-20% CAGR only when the incense sticks category starts to plateau. The RNF molecule has seen some success, with GK Agarbatti crossing Rs1 bn in sales in just 15 months of launch and GK LV gaining ~200 bps market share in 4Q. Management's aspiration for RCCL brands—(1) double-digit volume growth and (2) EBITDA margins in line with standalone margin.

### Other highlights—bold move in deos, Fab scale-up, and thriving exports

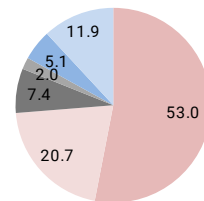
GCPL believes that the high trade margin in deodorants in India (50% versus the typical 10%) is a key reason behind low category penetration. GCPL has now taken a bold move and reduced trade margins of an SKU substantially (pilot in TN) to bring down MRP in order to increase offtakes. Godrej Fab has scaled up to Rs1.5 bn sales in FY2025 (Rs2.5 bn ARR implying HSD market share in liquid detergents) and has the potential to double every year for the next few years; the brand's RPIs have improved in the past few months. Global scale-up of Indian blockbusters—three SKUs (GK LV, shampoo hair color, and Aer pocket) have grown at ~60% CAGR and now contribute almost Rs4 bn to GCPL's topline.

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	1,247/1,285/ADD
52-week range (Rs) (high-low)	1,542-980
Mcap (bn) (Rs/US\$)	1,276/15.0
ADTV-3M (mn) (Rs/US\$)	1,600/18.9

#### Shareholding pattern (%)



■ Promoters ■ FPIs ■ MFs ■ BFI ■ Retail ■ Others

Price performance (%)	1M	3M	12M
Absolute	7	13	(6)
Rel. to Nifty	(3)	9	(15)
Rel. to MSCI India	(2)	10	(12)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	18.7	22.5	26.0
EPS growth (%)	(0.1)	20.1	15.7
P/E (X)	66.6	55.4	47.9
P/B (X)	10.6	9.6	8.7
EV/EBITDA (X)	42.6	37.6	32.8
RoE (%)	15.6	18.2	19.1
Div. yield (%)	0.8	0.8	1.0
Sales (Rs bn)	144	156	170
EBITDA (Rs bn)	30	34	38
Net profits (Rs bn)	19	23	27

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

### Related Research

- [Godrej Consumer Products: Weak print on](#)
- [Godrej Consumer Products: Near-term](#)
- [Godrej Consumer Products: Game on](#)

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Jaykumar Doshi

Umang Mehta

Praneeth Reddy

Eesha Mohanty

### Comments on 4QFY25 performance

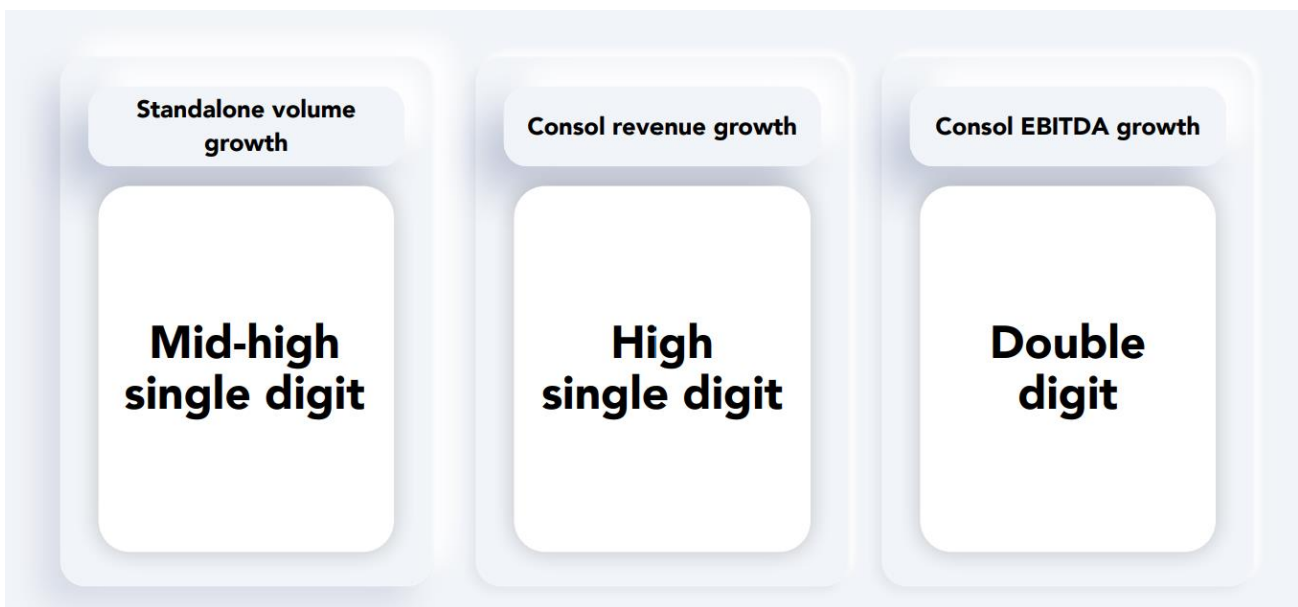
- ▶ **Growth.** Consolidated revenues grew 6.3% yoy to Rs36 bn (~0.7% miss). UVG stood at +6% yoy. Standalone revenues grew 7.4% yoy to Rs21.8 bn (~0.5% miss). UVG stood at +4% yoy, versus flat in 3Q. Home care grew by 14% whereas personal care grew by 4%.
  - In home care, HI delivered DD growth buoyed by a good season and strong market share gains across all formats. GK Agarbatti has become the clear market leader in the category. Premium formats grew in strong DD (significant share gains), with RNF LV being well received by consumers. Air fresheners delivered HSD volume growth whereas fabric care reported strong DD volume growth. Fab has been scaled nationally and continues to gain share.
  - In personal care, personal wash volumes declined by mid-to-high single digit, partly offset by HSD pricing growth. Even as GCPL has taken significant price hikes across the portfolio, margin pressure is expected to remain for next few months. Hair color volumes grew in MSD.
- ▶ **Margins.** Consolidated GM contracted by 360/165 bps yoy/qoq to 52.5% (KIE: 54.7%), primarily on account of higher-than-expected inflationary pressure in India business. Consolidated EBITDA grew by 0.5% yoy despite a slight decline in GP, due to a 18.9%/11.4% yoy/qoq decline in staff costs. Standalone GM contracted by 590/280 bps yoy/qoq to 51.9% (KIE: 54.5%), due to a surge in palm oil prices. Standalone EBITDA declined by 8.7% yoy despite ~14.3%/10.9% yoy/qoq decline in staff costs and restraint on A&P (flat yoy). Standalone EBITDA margin at 22.6% is lower than GCPL's normative margin of 24-27%.
- ▶ **Indonesia** registered 1% sales growth (both in INR and c/c) with 5% UVG. EBITDA margin expanded by 210 bps yoy to 27.3%, led by GM improvement. Hair color reported strong DD volume growth whereas HI delivered teens volume growth on 2Y CAGR basis.
- ▶ **GAUM** grew sales (organic) by 12%/23% in constant currency/INR terms and reported 16.9% EBITDA margin (+250 bps yoy, led by GM expansion, mix improvement, and reduction in controllable costs). Absolute EBITDA at Rs1.16 bn grew 37% yoy.
- ▶ **LatAm** and **SAARC** grew 2% c/c and (-) 11% in INR terms.

**FY2025.** (1) Consolidated UVG/revenue (organic)/EBITDA/recurring PAT grew by 4%/4%/1.9%/flat, impacted by currency devaluation (8% constant currency growth) and palm inflation-led growth/margin headwinds in India business; standalone business grew UVG/revenue/EBITDA/PAT at 5%/6.6%/(-)6.4%/(-)24.3%, (2) International—Indonesia saw 6%/8% UVG/USG, GAUM (organic) reported 1% USG, and LatAm/others saw 46% USG—all in constant currency terms, (3) GCPL grew consolidated A&P spends by 2.5% yoy to Rs13.7 bn, 9.5% of sales (flat yoy), (4) Staff cost declined by 8% yoy (-85 bps as % of sales), (5) Inventory/receivable/payable days were +3/+6/+11 yoy to 36/46/55 days of sales. OCF generation was healthy at Rs25.8 bn, ~86% of EBITDA, and (6) capex stood at Rs6 bn (versus Rs3 bn in FY2024) and net cash reduced to Rs3.9 bn as of Mar-25 (versus Rs9.3 bn as of Mar-24).

### Investor Meet 2025 takeaways

- ▶ **Demand environment.** Management believes that FMCG demand in India might recover on account of falling food inflation, tax cuts, pay commission (has a high correlation with FMCG demand), among other factors. Indonesia, on the other hand, had a good 2-3Y period post pandemic but is seeing some headwinds (particularly for MNC players). GCPL is a bit more optimistic on India than Indonesia in FY2026E.
- ▶ **FY2026E guidance.** Overall, the guidance for FY2026E is—(1) mid-to-high single digit standalone volume growth, (2) HSD consolidated revenue growth, and (3) DD consolidated EBITDA growth. GCPL believes that HI and deodorants can perform much better in FY2026 versus last year. Growth and margins in 2H will be better than 1H, as while palm had peaked 1-1.5 month back, GCPL had not priced FG based on peak pricing (instead priced it based on replacement cost) and hence, high-priced inventory will impact margins in 1H. Volume growth construct in India—(1) soaps (1/3<sup>rd</sup> mix) can grow volumes at 2-3%, (2) others (1/3<sup>rd</sup> mix) can grow at 15%, and (3) HI (1/3<sup>rd</sup> mix) can grow at 6-7%; net-net, **5.5-8% is a realistic UVG estimate for standalone business in FY2026E.**

Exhibit 1: GCPL – FY2026E guidance

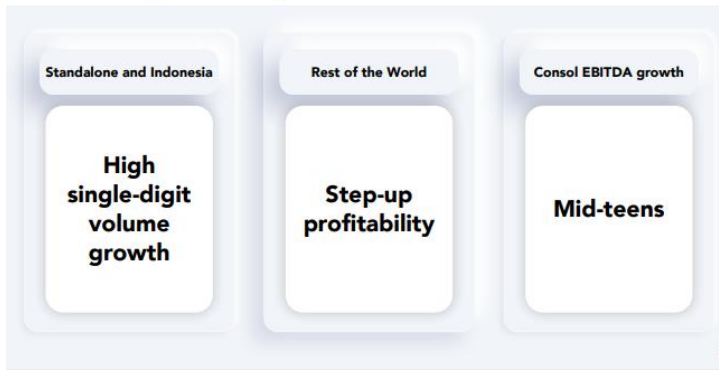


Source: Company, Kotak Institutional Equities

- ▶ **FY2025 scorecard.** At the last investor meet, GCPL had guided HSD UVG in India/Indonesia, step-up in profitability of ROW, and mid-teens EBITDA growth in FY2025. India/Indonesia registered UVG of 5%/6%, slightly lower than guidance as management had not foreseen the slowdown in India in 2H. EBITDA growth of 1-2% also disappointed, the miss entirely on account of India. There was a double whammy due to import duty hike of 20% and global palm oil prices also increasing; GCPL didn't want to disrupt the market and thus, chose to absorb some impact for 6-8 months. Management believes that the company lost 100-150 bps of UVG due to palm oil inflation-led price hikes (grammage cuts). Despite the subdued headline growth, GCPL highlighted that it has gained market share across its key segments (barring HI on overall basis, where some share loss was seen to illegal incense sticks).

Exhibit 2: GCPL – FY2025 scorecard

What did we promise in May 2024?

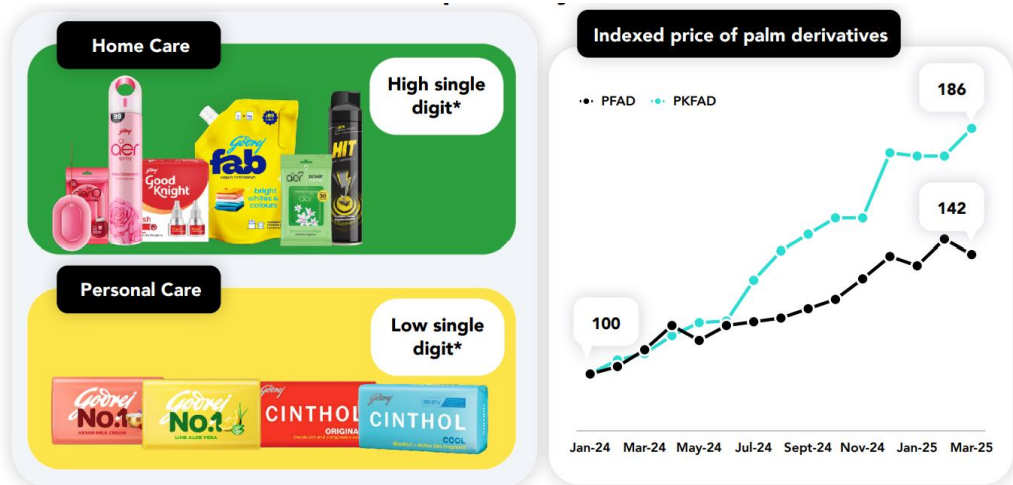


Our scorecard for FY25



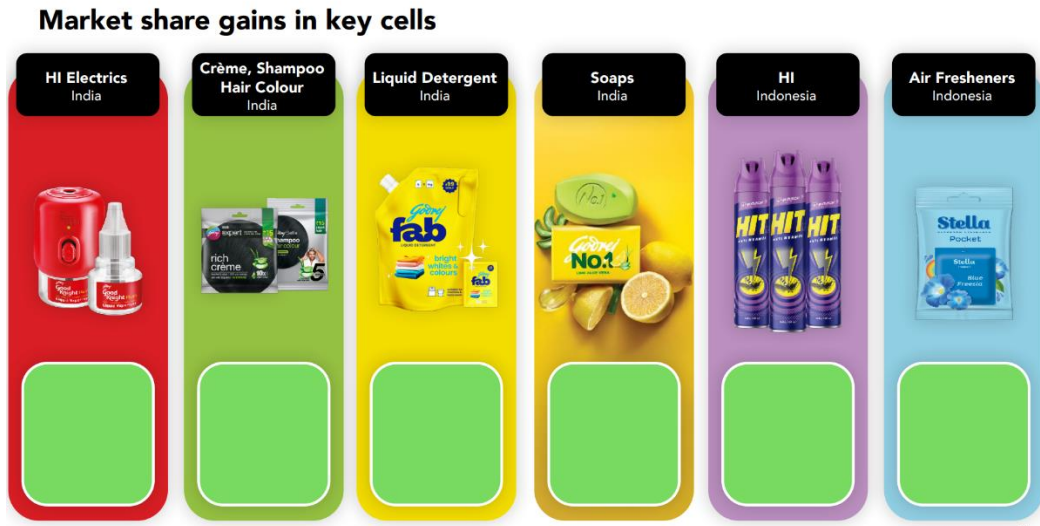
Source: Company, Kotak Institutional Equities

Exhibit 3: Personal wash played spoilsport for both standalone UVG and EBITDA margin for FY2025



Source: Company, Kotak Institutional Equities

Exhibit 4: GCPL has gained market share across its key categories in FY2025

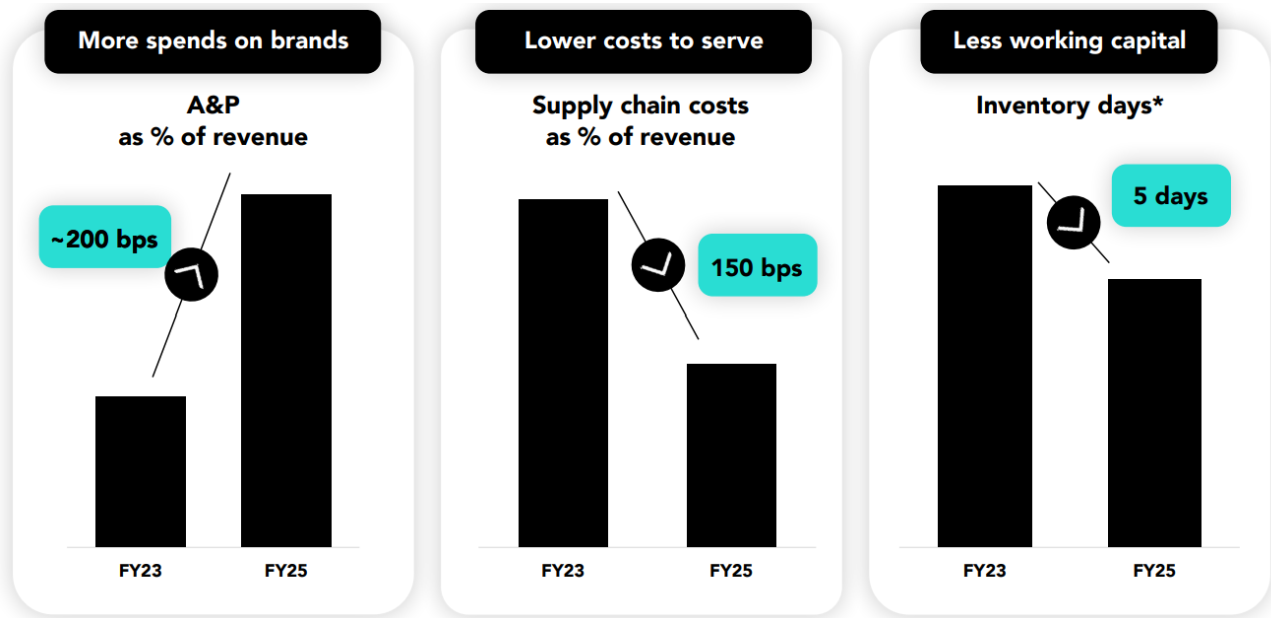


Source: Company, Kotak Institutional Equities

- Margin commentary.** GCPL maintained its thrust on media spends despite very high inflationary pressure in India business; absolute media spends didn't decline even in 4Q (worst quarter in terms of GM delivery). GCPL's new factories are more productive and are likely to result into some cost savings in FY2026E. Given that GCPL is now one of the largest advertisers in India and other countries, **it expects ~150 bps savings in A&P spends (they have hired a new media agency)**, without cutting GRPs. Further, management expects to extract efficiency in sourcing and higher productivity due to newly opened factories. These will help combat the impact of palm inflation in 1HFY26E. International margins should keep improving sequentially, albeit at a slower pace.

Management retained the normative EBITDA margin guidance for standalone business at 24-27% for the next 2-3 years.

Exhibit 5: GCPL – increase investments in marketing is led by savings through internal efficiencies



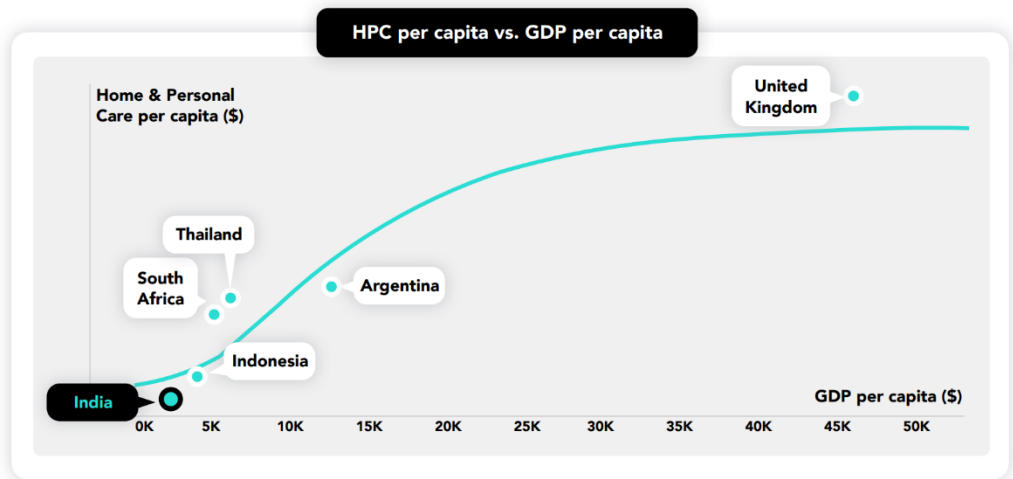
Source: Company, Kotak Institutional Equities

► India

- Long-term still promising.** GCPL reiterated that the long-term potential for FMCG category in India is still promising. Until India’s GDP per capita reaches about \$10k, FMCG (and HPC) should grow faster than GDP. While this has not happened over the past 5-7 years due to the K-shaped recovery post pandemic (the top-20% of households have gained but that has translated to higher savings, than consumption), management is hopeful for the future.

Exhibit 6: HPC growth opportunity is still promising in India

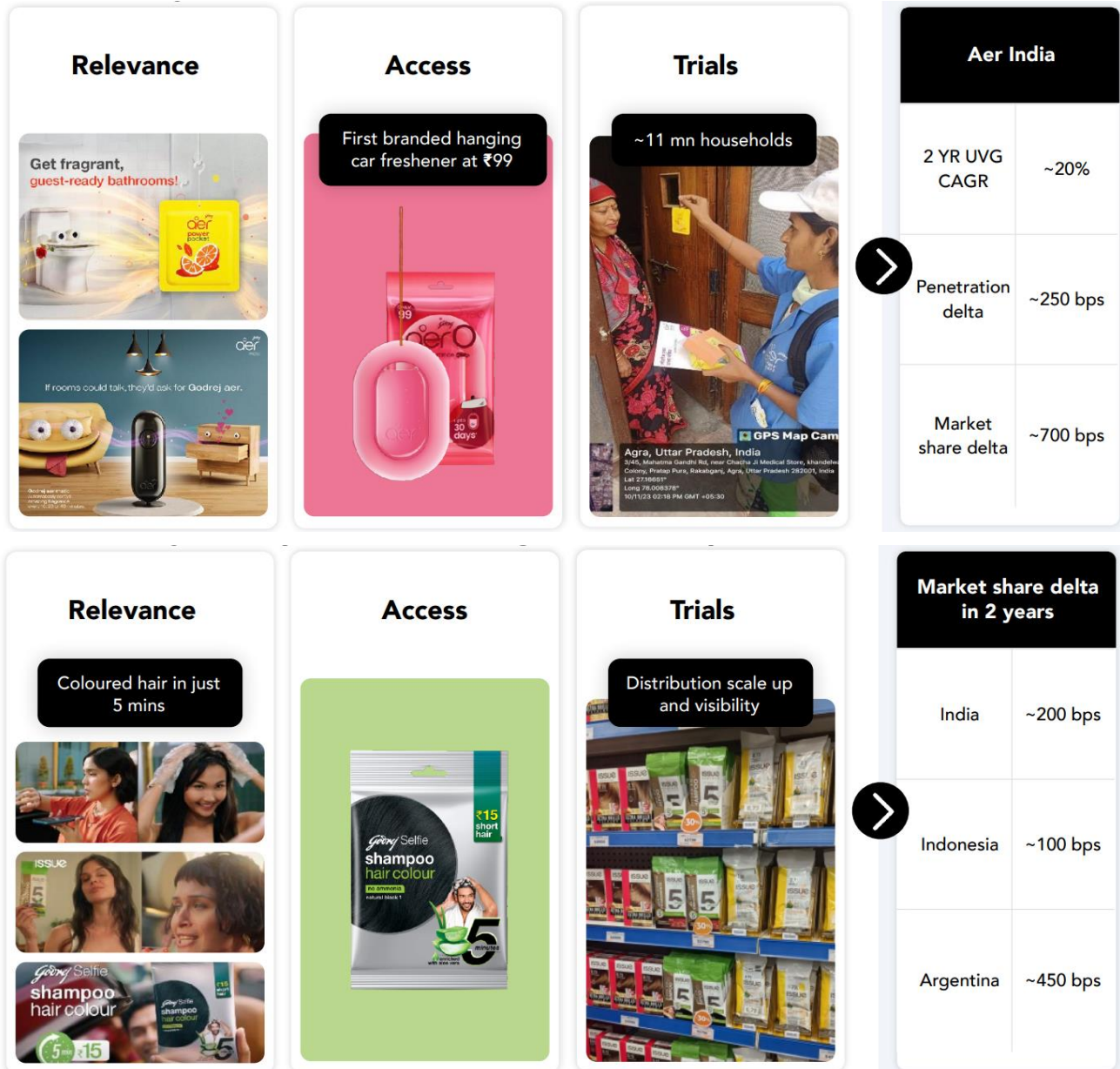
Home and Personal Care is set for strong growth in India



Source: Company, Kotak Institutional Equities

- Category development.** GCPL's four levers for category development are relevance, access, availability, and trials. GCPL shared four developments—(1) LV business in Bangladesh/Indonesia. While LV was big in India, it was small in BD/Indonesia partly due to 2x pricing in these countries. GCPL corrected the price and improved communication (ran a different ad specifically for BD market). This led to 30%+ volume growth in electrics in both countries, (2) air care in India has seen explosive growth led by significant market share gains and improved access (Aer-O brought down the price of car air freshener from Rs300 to Rs99). Category penetration increased by 250 bps to 5%, and (3) shampoo hair color. While GCPL was not the pioneer in India, they have seen a lot of success from this innovation in LatAm and Indonesia.

Exhibit 7: GCPL- case studies on market development in India and abroad



Source: Company, Kotak Institutional Equities

- **Simplification.** In GAUM, GCPL has reduced SKU count by 20% over past two years, reduced personnel by outsourcing functions to India, fewer operations (exited loss-making businesses. Kenya business after restructuring is doing very well), and simpler processes (shared services). GAUM margin has improved to 15% (from ~9% over FY2019-24) and has further room to improve.
- **Soaps (~70% of personal care business).** While margins are down at the moment, there has been a structural improvement in margin profile of this business over past few years. They have significantly improved their RPIs (relative price index) and significantly reduced inventory holdings as well. In soaps, management aspires to profitably grow market share. Last price hike in soaps was taken about 20 days back. **Over the next 3 years, soaps volumes could grow at 3-4% and rest of personal care could grow volumes in DDs.**
- **HI.** The HI category in India has grown volumes (in terms of nights of usage) at 4% CAGR over past 7 years. However, bulk of this growth was captured by illegal incense sticks (very strong DD 7Y CAGR), even as the rest has remained flat (coils have declined whereas premium has grown). Incense sticks were cheaper and 2x more effective than TFT molecule. This resulted into lower UVG for GCPL's HI portfolio in FY2017-24 (0-5% versus 10-15% in FY2010-17). While salience of incense sticks is 25% at present, it could continue to expand and maybe peak out at 35-40% level.

To combat the menace of illegal incense sticks, GCPL launched **GK Agarbatti** with RNF molecule (as effective as illegal sticks) with MT exclusivity. **GK Agarbatti has already crossed Rs1 bn+ sales** (cumulative sales of 15 months since launch) and achieved ~8% market share (~50% share of handlers); **it could add another Rs1 bn this year.** The product is still seeing some resistance in wholesale channel due to lower trade margins. Management is cognizant of that fact that if it grows Agarbatti too fast (which happened in 3Q), they run the risk of accelerating growth of incense sticks category. Thus, they are aiming gain share, without accelerating market growth. In order to improve its margins, GCPL has already raised its price in South to Rs15 (from Rs10) and has seen resilience in volumes.

**GK LV** also saw acceleration in UVG to DD (with high-teens value growth) in 4Q from flat in YTD December 2025, aided by a good season (season index was up 3-4%) strong 200 bps market share gains (yoy). The business is now seeing some green shoots due to success of RNF molecule; while GCPL was gaining on penetration and organized market share but they were losing share on overall basis to incense sticks. March 2025 was the first month after a long time, where GCPL held on to its market share (only organized player to do so) on overall basis. Typically, GCPL has not been spreading seasons in past but they have started to do that now. Management prefers to wait for a couple of quarters before calling it a success.

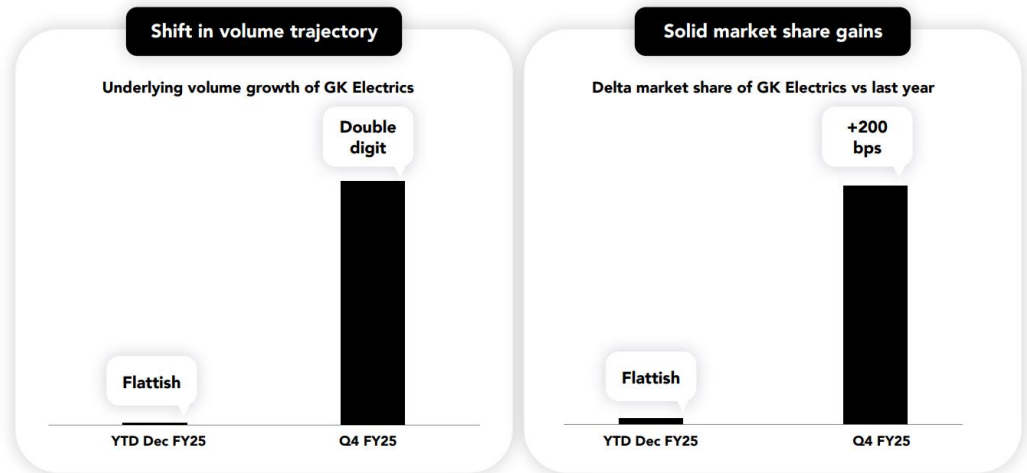
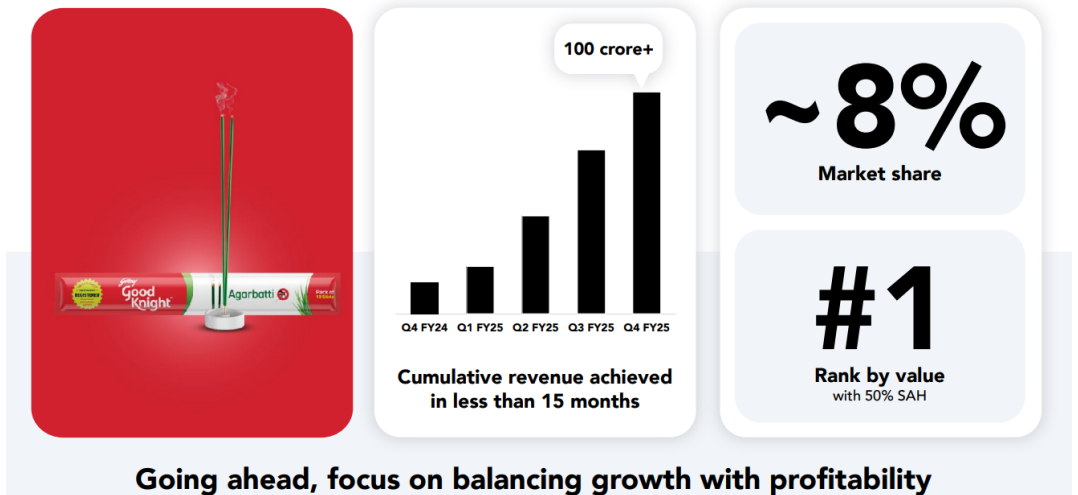
**HIT**, after moving to a more effective molecule 4-5 months back, is now seeing share gains.

Management noted that unlike the past, GCPL now has tools to predict the HI season a month in advance, based on weather (temperature and humidity) forecasts and google searches on mosquitos across regions and time periods.

HI GM outlook hinges upon the pace of growth in incense sticks. GCPL is aiming to take GK Agarbatti to respectable GM (>20%). Having said that, the maximum impact incense sticks could have at a consolidated level would be in 100-150 bps range. At EBITDA level, the impact may be even lower as the segment will not incur many other costs below GM.

**Once the incense sticks plateau, management believes that the HI category can grow at 15-20% CAGR for over a decade. However, that is unlikely to happen for the next few years and thus, in the short run, HI category could grow in high-single digits (~7%).**

Exhibit 8: Goodnight Agarbatti is now the largest branded incense sticks and Goodnight Electrics is showing positive momentum



Source: Company, Kotak Institutional Equities

Exhibit 9: GCPL's categories of the future



Source: Company, Kotak Institutional Equities

- **Air care.** India’s per capita consumption in air care is just 10 cents (1/5<sup>th</sup> of Indonesia) and thus, has significant headroom to grow. The business has posted 25% UVG (base business growing at 15% CAGR) over FY2022-25 and 11 ppts market share gains over the period. The strong growth was led by innovations and media (~25% of sales). Aer plug (electric format) is being launched in the South, whereas a pilot with Aer pocket mini (priced at Rs30) is being run in AP. **If India’s GDP grows at 6-7%, air care volumes can grow at 17-18% for many years.**

Aer pocket is currently being sold in 50+ countries and has 35-40% salience in category revenues. Salience of wholesale channel for Aer is 20-25%. The category is split as 45-50% (bathroom), 15-20% (cars), and rest is living rooms. GCPL’s market share in the category as per Nielsen is 35% and the next player is at 25%.

- **Liquid detergents.** Fab has touched ARR of Rs2.5 bn in March 2025 for GCPL (industry has grown at 30-35% 2Y CAGR); April is even higher. The category contributed Rs1.5 bn to GCPL’s FY2025 topline. GCPL’s RPI in Fab is improving every quarter as GCPL has taken some hikes whereas competition has reduced. **Margins in Fab have room to improve but GCPL anticipates this business to double every year for the next few years.**

Exhibit 10: GCPL – liquid detergents category is scaled up to Rs2.5 bn ARR



Source: Company, Kotak Institutional Equities

- **Hair colors.** Value growth in the category is happening from upgradation from powders to crème. Crème penetration for category is 30% whereas GCPL’s crème penetration has doubled from 10% to 20% over past 2 years, due to its LUP launch. While this LUP comes at a lower value, it is a big driver of volume growth for GCPL.
- **Body wash.** While the industry has grown at 30-35% 2Y CAGR, GCPL missed the opportunity to some extent. They are making amends and currently, they are running two experiments (QC and TN). While the experiment in TN did not work, QC is seeing decent traction. The idea is to move from QC to MT to GT to rural eventually.
- **RCCL.** Excluding the discontinued segments, the business grew by only 10% in FY2025. ATL jumped 3X but the results were disappointing. Nevertheless, EBITDA doubled to Rs1 bn from Rs500 mn earlier. For the acquisition to be EPS accretive, they needed EBITDA to be Rs1.4 bn so they were Rs400 mn short. **Management’s aspiration for RCCL brands—(1) double-digit volume growth and (2) EBITDA margins in line with standalone margins.**

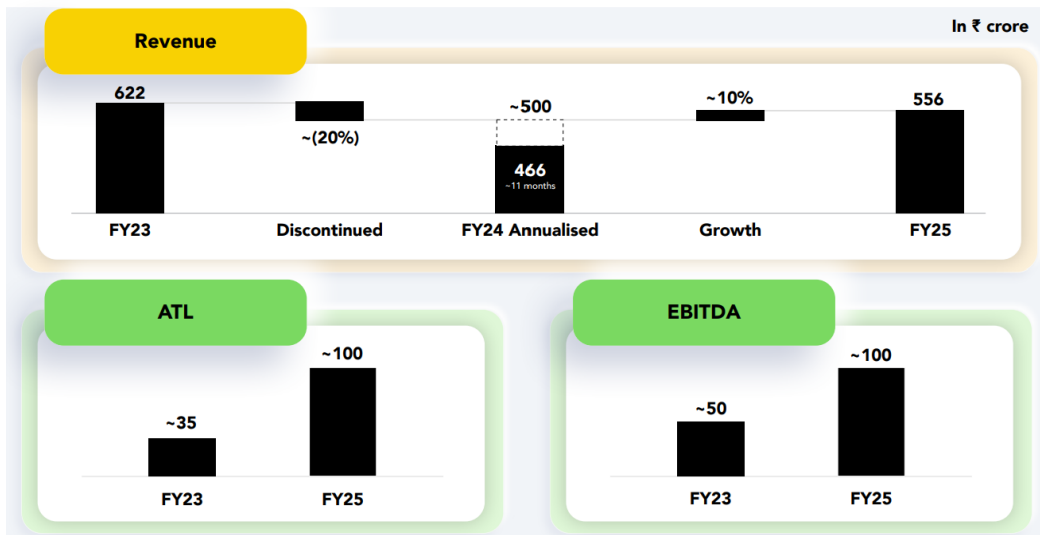
**Deodorants** have sub-13% penetration in India and even the HHs that are buying buy only 2 cans per year. GCPL believes that the segment didn't grow well due to (1) product being inferior in blind tests. About 4-5 years ago, there was some reduction in dosage/efficacy, and (2) some errors on GTM front where GCPL defocused the cosmetics channel after merger. The chemist and cosmetics channel (target 50% growth in outlets in FY2026) is now being established.

GCPL has identified high consumer pricing (partly led by unusually high trade margin) as the key impediment to category growth. This category has 50% trade margin versus 10% for all other categories. Thus, GCPL has taken a bold call and reduced MRP of KS Spark (one SKU) from Rs230 to Rs99 while reducing SKU size from 150 ml to 120 ml and reducing retailer margin by 80% (pilot in TN). A similar experiment has been successful in a pilot being run in Air care and thus, GCPL is hopeful that it will work in deodorants too. When you reduce trade margins drastically, wholesale stops buying but retail demand picks up; this move can be tried only by a player that has wide retail reach. **Management believes that if pricing is halved, consumption can improve 4x in deos.** If successful, they will extend this pilot to AP.

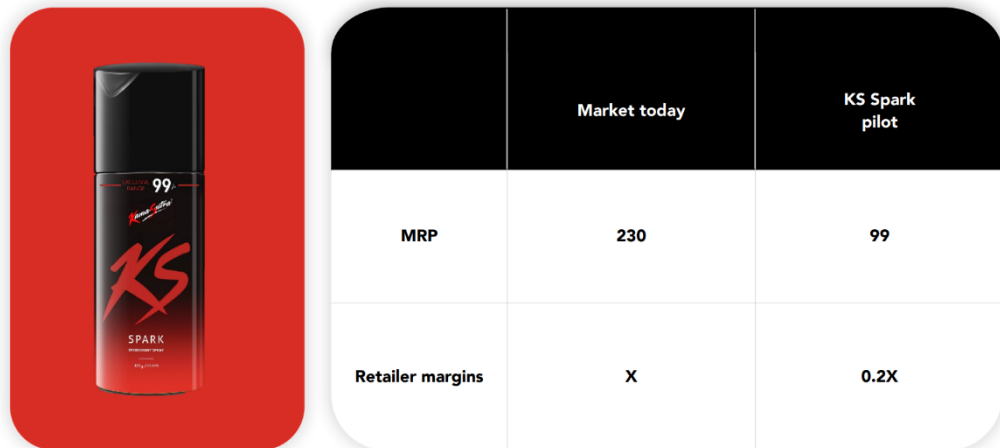
The other three steps GCPL has taken to revive growth in deodorants—(1) Amazon Woods. The aerosols category (typically with 3-4% fragrance) got disrupted when the market leader came with 7% fragrance. Now, GCPL has reworked on packaging and launched Amazon Woods with 12% fragrance at Rs225 price (versus Rs349 in glass bottle earlier), (2) Bloq anti-perspirant. Globally, about 2/3<sup>rd</sup> of the deo market is anti-perspirants but the mix is sub-10% in India. Anti-perspirants have actives that block skin pores, and kill malodor. GCPL has now launched Bloq to expand this category with an attractive pricing of Rs99, and (3) Rebranding EDP with design and channel rework, selling at Rs300/bottle. **Perfumes** grew 3x in FY2025. Within EDP, 'Euphoria' SKU has moved to top-5 on Amazon, aided by aggressive mass marketing. They have also entered the gifting category last year, as fragrances are among the biggest sub-segments in gifting. GCPL's RPIs are broadly in line with market leader in deodorants.

**Sexual wellness** gained due to distribution expansion and market share gains.

Exhibit 11: RCCL acquisition report card and a big bet in deodorants



**Creating access: Shifting value from trade to consumer**



Source: Company, Kotak Institutional Equities

- Pet care.** GCPL announced the foray into pet care (Rs50 bn market, of which 80% is for dogs) about six months back and they are today already in the market (pilot in Tamil Nadu). About 9% of HHs in India own a dog (30 mn population, third largest in the world, growing at HSD), whereas pet food calorie conversion is just 4%. **While pet foods will not contribute much to revenue in FY2026E, they plan to launch it nationally next year.** GCPL had announced investments (some impacting P&L and some CFS) of Rs5 bn over 5Y and costs might be ahead of topline in FY2026E. **If India follows China, pet care could become 10x in 15Y.** GCPL’s pricing is around Rs250-260/kg, in line with the market leader. They are currently investing in GTM (2/3<sup>rd</sup> of the market sits with the 5k specialty retail outlets for pets, whereas 20% is online salience) so they have hired the right talent and setting up distributors/sales force for the same. Gross margins are currently around 30-40%, broadly in line with the category average. Cats population in India is just 5 mn, a fraction of the dog population.

Exhibit 12: GCPL – expanding TAM through pet care foray

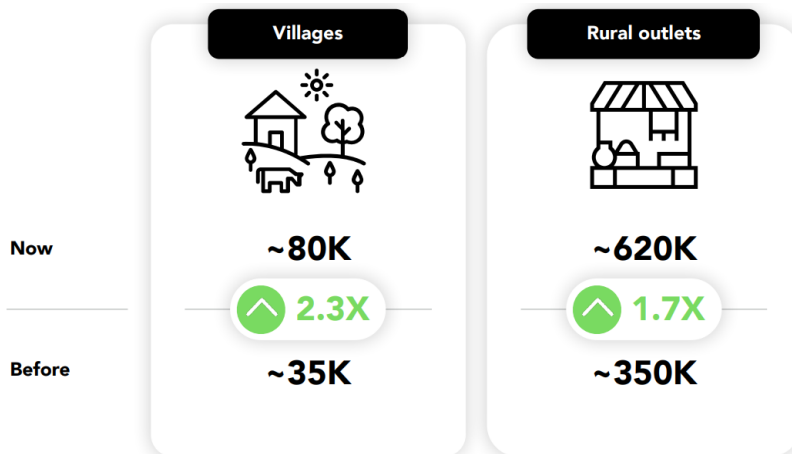
**Launched in Tamil Nadu**



Source: Company, Kotak Institutional Equities

- Rural van operations.** GCPL spent over Rs1 bn, or 100 bps of India business on rural van operations in FY2025. This helped improve their village/rural outlet reach by 2.3X/1.7X. Management believes that rural van operations could break-even this year and be accretive next year.

Exhibit 13: GCPL ramped up rural distribution over past few years

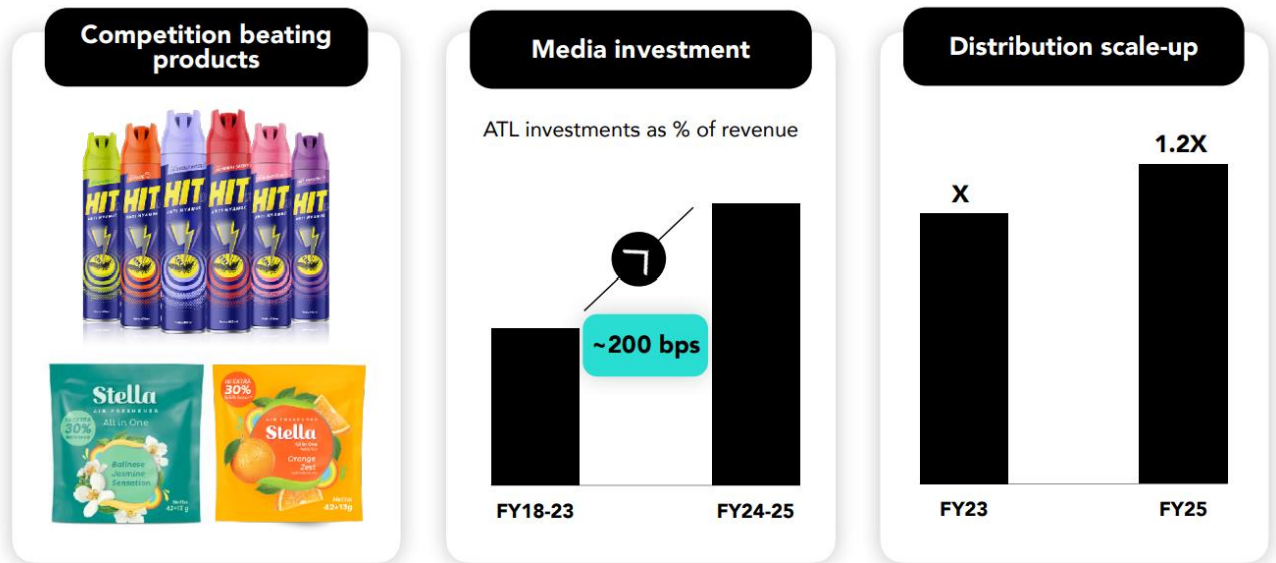


Source: Company, Kotak Institutional Equities

- International business.** GCPL is more confident about its international business today than a year back. Business margins improved to 17% (from 13%/10% in FY2024/23) as business in LatAm/GAUM was shrunk by hiving the loss-making segments. This margin has further room to improve.
- Indonesia.** Volume growth has improved from 1% over FY2018-23 to 9% over FY2023-25; the business has been delivering mid-to-high UVG consistently over past few quarters, outperforming most MNC peers. This growth is owing to strong products, ramp-up in ATL spends (by reducing trade spends), and transition from branch model to distribution. The three successful bets from

India contributed disproportionately to Indonesia’s organic growth and now have DD salience in the business. GCPL has more launches planned for a range-bound performance going ahead. Management acknowledged that there is a new disruptive player in air fresheners in Indonesia and GCPL will try to build a stronger brand moat to defend its share. **GCPL’s expectations from this market is 5-7% in volume terms.**

Exhibit 14: GCPL – Indonesia performance was led by increased media investments and scaled up retail distribution



**Strong performance on the back of 3 successful bets seeded from India**

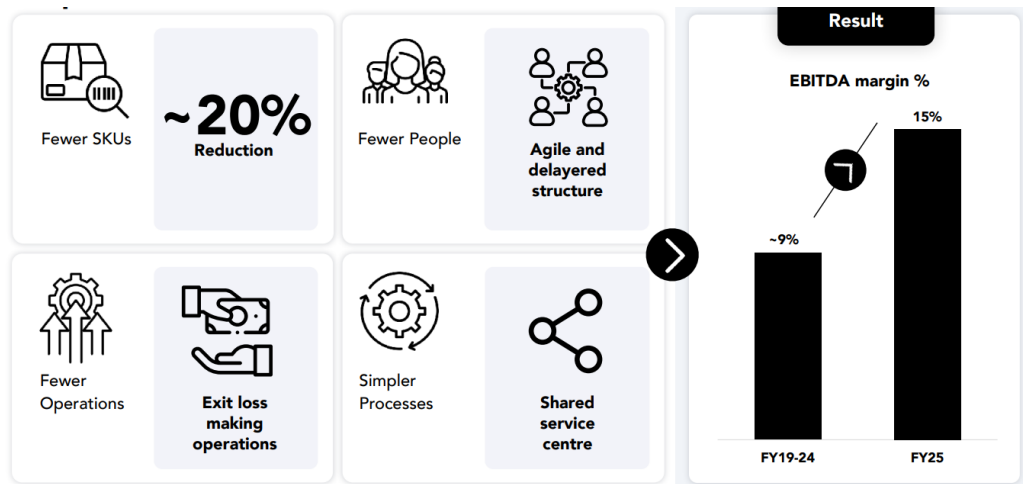


Source: Company, Kotak Institutional Equities

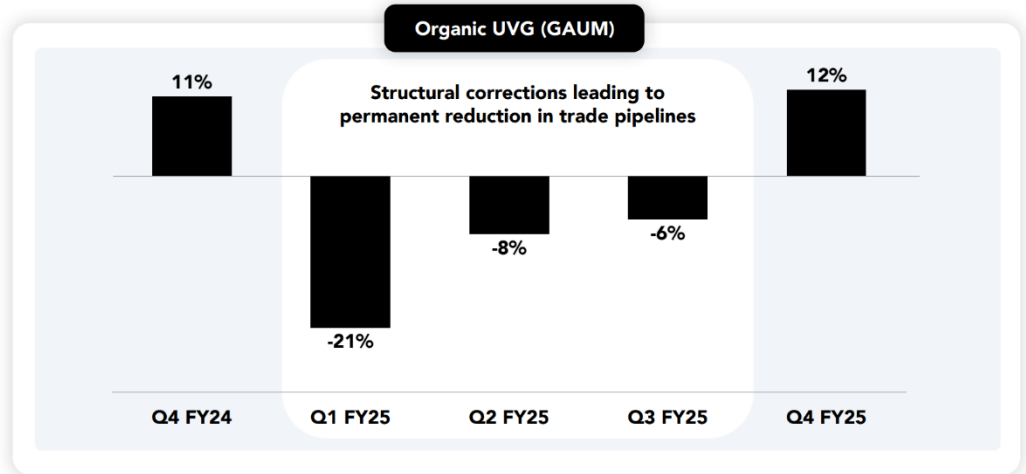
- GAUM, LatAm, and others.** Historical volumes (4%) and margins (8%) have been poor and FY2025 was also impacted by multiple challenges (FX volatility in Naira, geopolitical issues in Mozambique, and Spaza shops shutdown in SA). Despite the volatility, GCPL improved GAUM’s margin to 15% with Rs4 bn EBITDA (versus Rs2.5 bn over FY2019-24) and LatAm + others’ margin to 8% (plan to improve to DD next year). This was led by (1) optimizing supply chain—GCPL’s decision to shift Ilicit’s Chile manufacturing to India is expected to improve its margins by 12 ppts, (2) lower fixed overheads, and (3) strategic pricing basis forex. **Management is aiming for mid-to-high teens margin in MT for this cluster.**

Hair fashion—GCPL is the market leader across Africa. It is working to strengthen its brands across regions. They are trying to plug the gaps on styles they were not present in earlier. Darling’s Natural Twist (stellar product in West Africa) was taken to South (Mozambique/Zambia) last quarter.

Exhibit 15: GAUM business simplification led to strong improvement in profit margins



**Topline optically poor; fundamentals strengthened**



Source: Company, Kotak Institutional Equities

- Global scale-up of Indian blockbusters.** Three SKUs (GK LV, shampoo hair color, and Aer pockets) have grown at ~60% CAGR in international business and now contribute almost Rs4 bn to GCPL’s topline. GCPL’s international operations (exports) has distributors in 80 countries (advertising in 15 of them), which is aiding sales in these high-margin products.

Exhibit 16: GCPL has seen significant success in scaling up global blockbusters

### Significant success in scaling up global blockbusters



Source: Company, Kotak Institutional Equities

- **Innovations.** GCPL called out a few recent launches—Godrej Fab, Aer-O, GK Agarbatti, Issue hair color shampoo, and Stella Electric. The first three were launched in 4QFY24 whereas Stella Electric was just recently launched in India. These five innovations contributed 50% to organic revenue growth (~2.5% of volumes) in FY2025, with Fab being the biggest contributor in the lot.

Exhibit 17: GCPL – five blockbuster innovations contributed to ~50% of organic revenue growth in FY2025

### Goodness of health and beauty through innovations



19

Source: Company, Kotak Institutional Equities

- **Others.** (1) dividend payout ratio is expected to average 50% +/- 20% of PAT, (2) capex is expected to be Rs7 bn over next 18-24 months, (3) pet care is being run as a separate company, (4) ETR is about 26% for FY2026E due to shift to new regime; thus, PAT growth > EBITDA growth next year, (5) ATL spends are at 12% in India and may remain here in FY2026E; they are evaluating if this needs to go up to 14-15% in a few years or not, (6) HI has a high correlation with temperature and humidity; RJ is the weakest HI market whereas WB is the strongest, (7) GCPL's channel salience is similar to other FMCG companies; its quick commerce margins are good as the channel typically sells the modals packs which typically have the highest margins (as compared to LUPs or large packs), (8) GCPL is open to look at value-accretive acquisitions but they would not go for any loss-making DTC businesses.

Exhibit 18: Interim consolidated results of Godrej Consumer Products, March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			FY2025	FY2024	(% chg.)
					KIE Est	yoy	qoq			
<b>Net sales</b>	<b>35,778</b>	<b>36,047</b>	<b>33,651</b>	<b>37,491</b>	<b>(0.7)</b>	<b>6.3</b>	<b>(4.6)</b>	<b>142,848</b>	<b>139,741</b>	<b>2.2</b>
Other operating income	201	173	205	193	1.8	0.5	0.4	795	1,220	1.9
<b>Net operating revenues</b>	<b>35,980</b>	<b>36,221</b>	<b>33,856</b>	<b>37,684</b>	<b>(0.7)</b>	<b>6.3</b>	<b>(4.5)</b>	<b>143,643</b>	<b>140,961</b>	<b>1.9</b>
Material cost	(17,089)	(16,421)	(14,857)	(17,282)	4.1	15.0	(1.1)	(65,361)	(63,203)	3.4
<b>Gross Profit</b>	<b>18,890</b>	<b>19,800</b>	<b>18,999</b>	<b>20,402</b>	<b>(4.6)</b>	<b>(0.6)</b>	<b>(7.4)</b>	<b>78,282</b>	<b>77,758</b>	<b>0.7</b>
<b>Gross Margin (%)</b>	<b>52.5</b>	<b>54.7</b>	<b>56.1</b>	<b>54.1</b>	<b>-217 bps</b>	<b>-362 bps</b>	<b>-164 bps</b>	<b>54.5</b>	<b>55.2</b>	<b>-67 bps</b>
Employee cost	(2,625)	(3,430)	(3,237)	(2,961)	(23.5)	(18.9)	(11.4)	(11,488)	(12,493)	(8.0)
Advertising and promotion	(3,101)	(3,311)	(3,063)	(3,644)	(6.4)	1.2	(14.9)	(13,692)	(13,359)	2.5
Other expenditure	(5,573)	(5,600)	(5,142)	(6,238)	(0.5)	8.4	(10.7)	(23,110)	(22,471)	2.8
<b>Total expenditure</b>	<b>(28,387)</b>	<b>(28,762)</b>	<b>(26,299)</b>	<b>(30,125)</b>	<b>(1.3)</b>	<b>7.9</b>	<b>(5.8)</b>	<b>(113,651)</b>	<b>(111,527)</b>	<b>1.9</b>
<b>EBITDA</b>	<b>7,592</b>	<b>7,459</b>	<b>7,557</b>	<b>7,559</b>	<b>1.8</b>	<b>0.5</b>	<b>0.4</b>	<b>29,992</b>	<b>29,435</b>	<b>1.9</b>
<b>EBITDA margin (%)</b>	<b>21.1</b>	<b>20.6</b>	<b>22.3</b>	<b>20.1</b>	<b>50 bps</b>	<b>-123 bps</b>	<b>104 bps</b>	<b>20.9</b>	<b>20.9</b>	<b>-1 bps</b>
Other income	737	733	638	831	0.4	15.4	(11.4)	3,199	2,690	18.9
Interest	(896)	(839)	(785)	(897)	6.7	14.1	(0.2)	(3,501)	(2,964)	18.1
Depreciation	(726)	(635)	(499)	(619)	14.2	45.4	17.2	(2,340)	(2,410)	(2.9)
<b>Pretax profits</b>	<b>6,708</b>	<b>6,718</b>	<b>6,912</b>	<b>6,874</b>	<b>(0.2)</b>	<b>(3.0)</b>	<b>(2.4)</b>	<b>27,350</b>	<b>26,751</b>	<b>2.2</b>
Tax	(2,275)	(1,918)	(2,087)	(1,834)	18.6	9.0	24.1	(8,196)	(7,588)	8.0
<b>PAT</b>	<b>4,433</b>	<b>4,800</b>	<b>4,824</b>	<b>5,040</b>	<b>(7.7)</b>	<b>(8.1)</b>	<b>(12.1)</b>	<b>19,154</b>	<b>19,163</b>	<b>(0.0)</b>
Minority interest	0	0	0	0				0	0	
<b>PAT after MI</b>	<b>4,433</b>	<b>4,800</b>	<b>4,824</b>	<b>5,040</b>	<b>(7.7)</b>	<b>(8.1)</b>	<b>(12.1)</b>	<b>19,154</b>	<b>19,163</b>	<b>(0.0)</b>
Extraordinary items	(314)	-	(23,757)	(57)				(632)	(24,769)	
<b>Net profit (reported)</b>	<b>4,119</b>	<b>4,800</b>	<b>(18,932)</b>	<b>4,983</b>	<b>(14.2)</b>	<b>nm</b>	<b>(17.3)</b>	<b>18,522</b>	<b>(5,606)</b>	<b>nm</b>
<b>Recurring EPS (Rs)</b>	<b>4.3</b>	<b>4.7</b>	<b>4.7</b>	<b>4.9</b>	<b>(7.7)</b>	<b>(8.1)</b>	<b>(12.1)</b>	<b>18.7</b>	<b>18.8</b>	<b>(0.0)</b>
<b>Income tax rate (%)</b>	<b>33.9</b>	<b>28.6</b>	<b>30.2</b>	<b>26.7</b>	<b>536 bps</b>	<b>371 bps</b>	<b>724 bps</b>	<b>30.0</b>	<b>28.4</b>	<b>160 bps</b>
<b>Costs as a % of sales</b>										
Material cost	47.5	45.3	43.9	45.9	216 bps	361 bps	163 bps	45.5	44.8	66 bps
Employee cost	7.3	9.5	9.6	7.9	-218 bps	-227 bps	-57 bps	8.0	8.9	-87 bps
Advertising and promotion	8.6	9.1	9.0	9.7	-53 bps	-43 bps	-106 bps	9.5	9.5	5 bps
Other expenditure	15.5	15.5	15.2	16.6	2 bps	29 bps	-107 bps	16.1	15.9	14 bps

Source: Company, Kotak Institutional Equities

Exhibit 19: Interim standalone results of Godrej Consumer Products, March fiscal year-ends (Rs mn)

	(% chg.)									
	4QFY25	4QFY25E	4QFY24	3QFY25	KIE Est	yoy	qoq	FY2025	FY2024	(% chg.)
Net sales	21,600	21,672	20,075	22,372	(0.3)	7.6	(3.4)	88,144	82,679	6.6
Other operating income	249	285	261	245	(12.7)	(4.6)	1.5	958	1,435	(33.3)
Net operating income	21,849	21,957	20,336	22,617	(0.5)	7.4	(3.4)	89,102	84,114	5.9
Material cost	(10,505)	(9,987)	(8,576)	(10,237)	5.2	22.5	2.6	(40,297)	(35,290)	14.2
Gross Profit	11,344	11,970	11,760	12,380	(5.2)	(3.5)	(8.4)	48,804	48,824	(0.0)
Gross Margin (%)	51.9	54.5	57.8	54.7	-260 bps	-591 bps	-282 bps	54.8	58.0	-328 bps
Employee cost	(1,029)	(1,475)	(1,200)	(1,155)	(30.2)	(14.3)	(10.9)	(4,739)	(4,986)	(5.0)
Advertising and promotion	(2,323)	(2,469)	(2,316)	(2,669)	(5.9)	0.3	(12.9)	(10,202)	(10,110)	0.9
Other expenditure	(3,051)	(2,978)	(2,832)	(3,432)	2.4	7.7	(11.1)	(12,869)	(11,305)	13.8
Total expenditure	(16,907)	(16,910)	(14,924)	(17,492)	(0.0)	13.3	(3.3)	(68,107)	(61,691)	10.4
EBITDA	4,942	5,047	5,412	5,125	(2.1)	(8.7)	(3.6)	20,995	22,424	(6.4)
EBITDA margin (%)	22.6	23.0	26.6	22.7	-37 bps	-400 bps	-5 bps	23.6	26.7	-310 bps
Other income	589	635	606	629	(7.2)	(2.7)	(6.3)	2,610	4,562	(42.8)
Interest	(549)	(442)	(371)	(488)	24.1	48.1	12.6	(1,911)	(1,341)	42.5
Depreciation	(491)	(381)	(221)	(373)	29.0	122.5	31.9	(1,410)	(1,269)	11.1
Pretax profits	4,491	4,859	5,426	4,894	(7.6)	(17.2)	(8.2)	20,283	24,376	(16.8)
Tax	(1,904)	(1,444)	(1,756)	(1,478)	31.9	8.5	28.8	(6,656)	(6,378)	4.4
PAT	2,587	3,416	3,671	3,416	(24.3)	(29.5)	(24.3)	13,627	17,998	(24.3)
Extraordinary items	(102)	0	(10,680)	(0)				(123)	(11,528)	
Net profit (reported)	2,485	3,416	(7,009)	3,415	(27.3)	nm	(27.2)	13,504	6,470	108.7
EPS (Rs)	2.5	3.3	3.6	3.3	(24.3)	(29.5)	(24.3)	13.3	17.6	(24.3)
Income tax rate (%)	42.4	29.7	32.4	30.2	1269 bps	1005 bps	1220 bps	32.8	26.2	665 bps
Costs as a % of sales										
Material cost	48.1	45.5	42.2	45.3	259 bps	590 bps	281 bps	45.2	42.0	327 bps
Employee cost	4.7	6.7	5.9	5.1	-201 bps	-120 bps	-40 bps	5.3	5.9	-61 bps
Advertising and promotion	10.6	11.2	11.4	11.8	-62 bps	-76 bps	-117 bps	11.5	12.0	-57 bps
Other expenditure	14.0	13.6	13.9	15.2	39 bps	3 bps	-122 bps	14.4	13.4	100 bps

Source: Company, Kotak Institutional Equities

Exhibit 20: Key changes to consolidated earnings (Ind-AS), GCPL, March fiscal year-ends

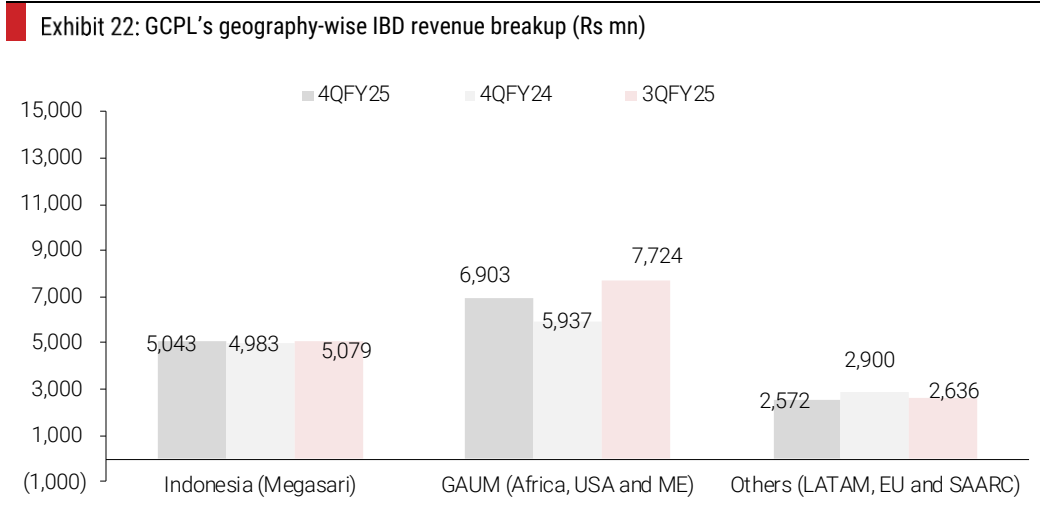
	Revised		Earlier		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
<b>Consolidated</b>						
Revenues (Rs mn)	155,998	169,658	154,449	167,628	1.0	1.2
Revenue growth (%)	8.6	8.8	8.0	8.5		
Gross margin (%)	55.2	55.9	55.7	56.1	-57 bps	-12 bps
EBITDA (Rs mn)	33,754	38,245	33,206	37,038	1.7	3.3
EBITDA (%)	21.6	22.5	21.5	22.1	13 bps	44 bps
PAT (Rs mn)	23,007	26,627	23,478	26,675	(2.0)	(0.2)
EPS (Rs/share)	22.5	26.0	23.0	26.1	(2.0)	(0.2)

Source: Company, Kotak Institutional Equities estimates

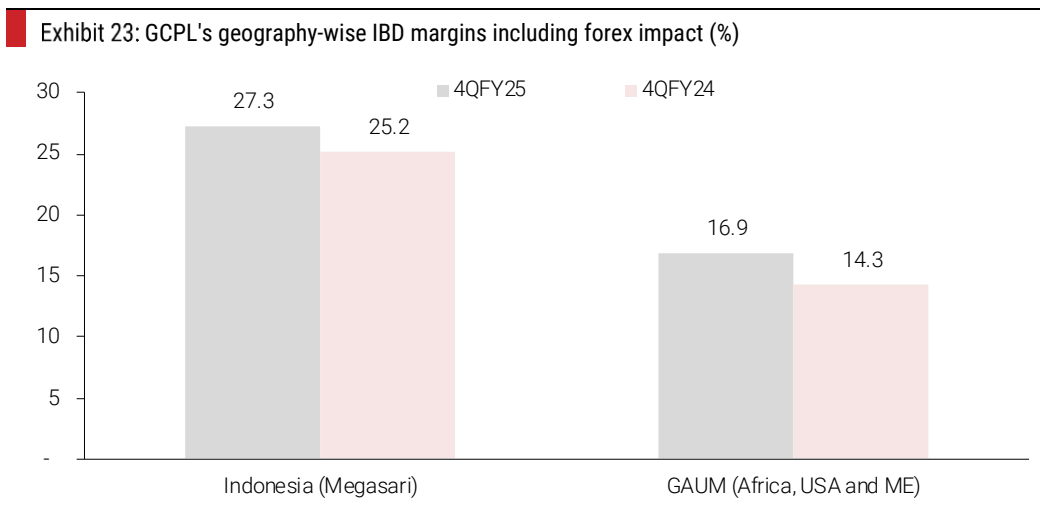
Exhibit 21: Segment-wise revenue growth for India business, March fiscal year-ends (Rs mn, %)

Rs mn	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Home care	6,870	8,550	9,080	7,240	6,630	8,690	10,000	8,260	7,520	9,130	10,470	8,756	8,150	10,160	10,950	9,981
Personal care	8,680	8,640	7,680	7,440	10,880	10,170	8,750	8,720	11,570	11,450	10,350	10,439	12,480	11,760	10,440	10,856
<b>Branded sales</b>	<b>15,550</b>	<b>17,190</b>	<b>16,760</b>	<b>14,680</b>	<b>17,510</b>	<b>18,860</b>	<b>18,750</b>	<b>16,980</b>	<b>19,090</b>	<b>20,580</b>	<b>20,820</b>	<b>19,194</b>	<b>20,630</b>	<b>21,920</b>	<b>21,390</b>	<b>20,838</b>
Unbranded and Exports	660	900	1,090	1,360	630	670	1,000	910	620	710	780	881	770	860	970	762
<b>Total net sales</b>	<b>16,210</b>	<b>18,090</b>	<b>17,850</b>	<b>16,040</b>	<b>18,140</b>	<b>19,530</b>	<b>19,750</b>	<b>17,890</b>	<b>19,710</b>	<b>21,290</b>	<b>21,600</b>	<b>20,075</b>	<b>21,400</b>	<b>22,780</b>	<b>22,360</b>	<b>21,600</b>
<b>% growth</b>																
Home care	20.5	6.6	3.5	(1.6)	(3.5)	1.6	10.1	14.1	13.4	5.1	4.7	6.0	8.4	11.3	4.6	14.0
Personal care	16.7	11.5	11.6	20.2	25.3	17.7	13.9	17.2	6.3	12.6	18.3	19.7	7.9	2.7	0.9	4.0

Source: Company, Kotak Institutional Equities



Source: Company, Kotak Institutional Equities



Source: Company, Kotak Institutional Equities

**Exhibit 24: GAUM growth was impacted by further depreciation in Naira and re-organization of East Africa business (Rs mn, %)**

	1QFY19	2QFY19	3QFY19	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	
<b>Revenues (Rs mn)</b>																								
Indonesia	3,530	3,639	3,955	4,056	4,460	4,473	4,711	4,115	4,450	4,470	4,016	3,765	4,087	4,333	4,345	4,507	4,730	4,665	4,983	4,651	5,138	5,079	5,043	
GAUM (Africa, US & ME)	5,646	6,296	6,823	4,373	6,520	7,788	6,304	6,942	7,490	8,840	7,228	7,789	8,587	10,071	7,701	8,486	8,158	9,233	5,937	5,446	6,446	7,724	6,903	
Others	2,782	1,906	1,665	1,273	1,813	1,800	1,787	1,597	1,750	1,980	2,116	1,541	1,744	1,828	2,036	1,808	1,826	993	2,900	1,953	2,476	2,636	2,572	
<b>Reported growth</b>																								
Indonesia	9.0	13.0	9.0	9.0	5.0	-	5.0	1.0	-	-	(15.0)	(8.5)	(8.2)	(3.1)	8.2	19.7	15.7	7.7	14.7	3.2	8.6	8.9	1.2	
GAUM (Africa, US & ME)	10.0	13.0	14.0	(22.0)	10.0	15.0	30.0	59.0	15.0	13.0	15.0	12.2	14.6	13.9	6.5	8.9	(5.0)	(8.3)	(22.9)	(35.8)	(21.0)	(16.3)	16.3	
Others	6.0	(26.0)	(3.0)	(4.0)	41.0	12.0	30.0	26.0	(3.0)	10.0	19.0	(3.5)	(0.3)	(7.7)	(3.8)	17.4	4.7	(45.7)	42.5	8.0	35.6	165.4	(11.3)	
<b>Constant currency growth</b>																								
Indonesia	10.0	14.0	7.0	5.0	3.0	(2.0)	4.0	-	(2.0)	(2.0)	(16.0)	(12.0)	(11.0)	(3.0)	5.0	15.0	14.0	7.0	17.0	11.0	11.0	8.0	1.0	
GAUM (Africa, US & ME)	5.0	4.0	4.0	(23.0)	10.0	17.0	36.0	60.0	16.0	12.0	14.0	12.0	13.0	23.0	8.0	16.0	17.0	14.0	16.0	(23.0)	(12.0)	(7.0)	12.0	
Others	8.0	2.0	41.0	23.0	46.0	35.0	54.0	48.0	11.0	19.0	26.0	15.0	34.0	47.0	64.0	79.0	99.0	181.0	262.0	147.0	145.0	28.0	2.0	
<b>Exchange rate impact</b>																								
Indonesia	(1.0)	(1.0)	2.0	4.0	2.0	2.0	1.0	1.0	2.0	2.0	1.0	3.5	2.8	(0.1)	3.2	4.7	1.7	0.7	(2.3)	(7.8)	(2.4)	0.9	0.2	
GAUM (Africa, US & ME)	5.0	9.0	10.0	1.0	-	(2.0)	(6.0)	(1.0)	1.0	1.0	0.2	1.6	(9.1)	(1.5)	(7.1)	(22.0)	(22.3)	(38.9)	(12.8)	(9.0)	(9.3)	4.3		
Others	(2.0)	(28.0)	(44.0)	(27.0)	(5.0)	(23.0)	(24.0)	(22.0)	(14.0)	(9.0)	(7.0)	(18.5)	(34.3)	(54.7)	(67.8)	(61.6)	(94.3)	(226.7)	(219.5)	(139.0)	(109.4)	137.4	(13.3)	
<b>Adj. EBITDA margin (%)</b>																								
Indonesia	22.0	24.0	23.0	23.6	25.8	25.3	35.4	23.4	26.4	21.2	21.6	15.3	17.1	20.1	21.5	19.5	NA	NA	NA	NA	NA	NA	NA	
GAUM (Africa, US & ME)	13.0	9.0	14.0	(1.8)	11.4	14.1	10.9	9.9	11.9	14.7	4.6	8.3	9.2	13.0	10.4	11.8	NA	NA	NA	NA	NA	NA	NA	
Others	6.0	8.0	(2.0)	11.2	19.6	12.5	3.6	13.6	16.0	12.6	11.1	1.4	1.5	5.0	8.4	0.6	NA	NA	NA	NA	NA	NA	NA	
<b>Adj. EBITDA margin including forex impact (%)</b>																								
Indonesia	15.4	17.2	20.2	21.6	19.4	17.9	20.9	25.2	23.3	19.4	21.5	27.3	6.4	5.4	8.9	7.1	7.8	8.5	11.4	14.3	14.4	14.4	14.8	
GAUM (Africa, US & ME)	0.9	1.7	4.6	8.1	(0.4)	(0.8)	(3.2)	4.0	4.8	5.7	11.4	na												

Source: Company, Kotak Institutional Equities

Exhibit 25: Key consolidated revenue and profit assumptions for GCPL March fiscal year-ends (Rs mn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
<b>Revenue breakup (Rs mn)</b>									
<b>Domestic</b>									
- Soaps	18,920	17,760	20,470	24,155	28,019	28,440	28,866	29,877	31,370
- Hair colour	6,729	6,270	6,420	7,190	8,197	9,017	9,766	10,743	11,817
- Household insecticides	22,540	21,900	25,340	26,981	28,134	29,401	30,577	32,564	35,006
- Others	7,400	7,890	8,610	9,815	10,573	11,842	14,092	17,615	21,138
- RCCL (Park Avenue/Kamasutra)						4,660	5,988	6,587	7,246
<b>IBD</b>									
- Indonesia	15,249	16,959	17,700	17,052	16,530	18,885	19,912	21,305	22,743
- Africa (including SON)	24,560	23,162	24,985	30,497	34,147	31,813	26,518	29,170	32,087
- Others	7,702	5,556	6,673	7,452	7,148	7,527	9,653	10,135	10,642
<b>yoy growth (%)</b>									
<b>Domestic</b>									
- Soaps	5.0	(6.1)	15.3	18.0	16.0	1.5	1.5	3.5	5.0
- Hair colour	8.2	(6.8)	2.4	12.0	14.0	10.0	8.3	10.0	10.0
- Household insecticides	(0.4)	(2.8)	15.7	6.5	4.3	4.5	4.0	6.5	7.5
- Others	23.5	6.6	9.1	14.0	7.7	12.0	19.0	25.0	20.0
- RCCL (Park Avenue/Kamasutra)							28.5	10.0	10.0
<b>IBD</b>									
- Indonesia/	12.6	11.2	4.4	(3.7)	(3.1)	14.2	5.4	7.0	6.7
- Africa (including SON)	12.2	(5.7)	7.9	22.1	12.0	(6.8)	(16.6)	10.0	10.0
- Others	(32.4)	(27.9)	20.1	11.7	(4.1)	5.3	28.2	5.0	5.0
<b>EBIT Margin (%)</b>									
Domestic	25.4	25.0	25.1	23.6	23.0	25.2	22.0	22.0	23.1
Indonesia	24.4	24.8	27.2	22.6	20.0	23.9	24.7	24.3	25.0
Africa	5.3	6.7	4.3	3.5	4.0	7.6	12.9	13.0	14.0
Others	0.1	0.9	10.7	12.0	5.9	2.8	8.3	17.8	17.5

Source: Company, Kotak Institutional Equities estimates

Exhibit 26: GCPL: Consolidated Profit model, balance sheet, cash flow model (Ind-AS), March fiscal year-ends, 2018-28E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Profit model (Rs mn)</b>											
Net revenues	98,433	103,143	99,108	110,286	122,765	133,160	140,961	143,643	155,998	169,658	184,535
<b>EBITDA</b>	<b>20,630</b>	<b>21,176</b>	<b>21,430</b>	<b>23,883</b>	<b>23,951</b>	<b>24,305</b>	<b>29,435</b>	<b>30,031</b>	<b>33,754</b>	<b>38,245</b>	<b>41,740</b>
Other income	1,828	2,020	1,966	1,597	1,920	2,857	3,909	3,956	3,769	3,941	4,370
Interest expense	(1,607)	(2,243)	(2,174)	(1,266)	(1,102)	(1,757)	(2,964)	(3,501)	(2,894)	(2,327)	(1,931)
Depreciation	(1,557)	(1,700)	(1,973)	(2,039)	(2,099)	(2,363)	(2,410)	(2,340)	(2,904)	(3,019)	(3,143)
Extraordinary items	1,796	8,624	887	(445)	(98)	(541)	24,769	632	-	-	-
<b>Pretax profits</b>	<b>21,089</b>	<b>27,878</b>	<b>20,136</b>	<b>21,730</b>	<b>22,573</b>	<b>22,500</b>	<b>3,202</b>	<b>27,514</b>	<b>31,725</b>	<b>36,839</b>	<b>41,037</b>
Tax	(4,047)	(3,537)	(4,336)	(3,595)	(3,719)	(4,303)	(7,588)	(8,196)	(7,875)	(9,355)	(10,443)
Minority Interest	11	6	8	(0)	3	0	0	0	0	0	0
<b>Net Income</b>	<b>17,053</b>	<b>24,348</b>	<b>15,809</b>	<b>18,134</b>	<b>18,857</b>	<b>18,197</b>	<b>(4,386)</b>	<b>19,318</b>	<b>23,850</b>	<b>27,484</b>	<b>30,594</b>
<b>PAT after MI but before EO/Normal tax</b>	<b>14,505</b>	<b>14,791</b>	<b>14,079</b>	<b>17,653</b>	<b>17,931</b>	<b>17,566</b>	<b>19,163</b>	<b>19,155</b>	<b>23,007</b>	<b>26,627</b>	<b>29,722</b>
<b>Earnings per share (Rs)</b>	<b>14.2</b>	<b>14.5</b>	<b>13.8</b>	<b>17.3</b>	<b>17.5</b>	<b>17.2</b>	<b>18.7</b>	<b>18.7</b>	<b>22.5</b>	<b>26.0</b>	<b>29.1</b>
<b>Balance sheet (Rs mn)</b>											
Total shareholder's equity	62,583	72,669	78,984	94,389	115,559	137,942	125,986	120,039	132,304	147,039	162,183
Total borrowings	35,076	33,821	35,184	7,595	16,077	10,340	31,546	38,826	28,826	21,326	16,326
Other financial liabilities	7,540	2,176	1,886	11,578	644	576	358	923	923	923	923
Deferred tax liability	1,946	(4,728)	(5,701)	(6,378)	(6,796)	(6,412)	(2,804)	938	938	938	938
Minority Interest	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>107,144</b>	<b>103,937</b>	<b>110,352</b>	<b>107,184</b>	<b>125,485</b>	<b>142,446</b>	<b>155,087</b>	<b>160,726</b>	<b>162,991</b>	<b>170,226</b>	<b>180,370</b>
Net fixed assets incl CWIP	83,989	87,223	92,366	88,711	92,373	98,824	103,479	108,397	110,287	109,750	108,713
Investments	9,973	5,160	6,720	6,791	10,154	30,290	35,143	37,307	37,307	37,307	37,307
Cash	9,602	8,947	7,702	6,722	11,078	3,907	5,469	4,831	4,540	11,588	22,001
Net current assets	3,581	2,607	3,566	4,960	11,880	9,424	10,996	10,192	10,857	11,581	12,349
<b>Total assets</b>	<b>107,144</b>	<b>103,937</b>	<b>110,352</b>	<b>107,184</b>	<b>125,485</b>	<b>142,446</b>	<b>155,087</b>	<b>160,726</b>	<b>162,991</b>	<b>170,225</b>	<b>180,370</b>
<b>Free cash flow (Rs mn)</b>											
Operating cash flow (excl working capital)	17,543	17,463	18,620	20,208	19,867	20,573	25,259	25,416	27,125	30,158	32,631
Working capital	(155)	6	(2,613)	88	(5,362)	933	(4,559)	351	(665)	(724)	(768)
Capital expenditure	(3,115)	(2,077)	(1,520)	(1,639)	(2,765)	(2,274)	(3,072)	(5,993)	(4,794)	(2,481)	(2,106)
<b>Free cash flow</b>	<b>14,273</b>	<b>15,392</b>	<b>14,487</b>	<b>18,658</b>	<b>11,741</b>	<b>19,233</b>	<b>17,628</b>	<b>19,774</b>	<b>21,665</b>	<b>26,953</b>	<b>29,757</b>
<b>Key ratios (%)</b>											
Sales growth	5.7	4.6	(3.9)	11.3	11.3	8.4	5.9	2.2	8.6	8.8	8.8
EPS growth	11.2	2.0	(4.8)	25.4	1.6	(2.0)	9.1	(0.0)	20.1	15.7	11.6
<b>EBITDA margin</b>	<b>21.0</b>	<b>20.5</b>	<b>21.6</b>	<b>21.7</b>	<b>19.5</b>	<b>18.3</b>	<b>20.9</b>	<b>20.9</b>	<b>21.6</b>	<b>22.5</b>	<b>22.6</b>
<b>Gross margin</b>	<b>56.6</b>	<b>55.8</b>	<b>57.0</b>	<b>55.3</b>	<b>50.5</b>	<b>49.7</b>	<b>55.2</b>	<b>54.5</b>	<b>55.2</b>	<b>55.9</b>	<b>56.0</b>
Ad spends (% of sales)	8.2	8.1	7.5	6.6	6.1	7.4	9.5	9.5	9.7	9.8	9.8
Employee cost (% of sales)	10.7	10.6	10.3	10.2	9.0	8.3	8.9	8.0	8.0	8.0	8.1
ROE (%)	25.1	21.9	18.6	20.4	17.1	13.9	14.5	15.6	18.2	19.1	19.2
ROCE (%)	14.0	14.7	13.7	16.5	15.4	13.1	12.9	12.1	14.0	15.5	16.1

Source: Company, Kotak Institutional Equities estimates

# Punjab National Bank (PNB)

Banks

ADD

CMP(₹): 94

Fair Value(₹): 110

 Sector View: **Attractive**

NIFTY-50: 24,414

May 08, 2025

## Delivering steady performance for now

PNB's earnings in 4QFY25 grew ~50% yoy, led by ~6% yoy operating profit growth and ~80% yoy decline in provisions. RoA was steady qoq at ~1%, with RoE at ~14%. Asset quality remains comfortable, with net NPL ratio at ~0.4% (lowest among PSU banks in the KIE coverage). Slippage ratio stood at 1.1% and credit cost at ~10 bps of loans. NIM declined ~10 bps qoq. Valuations are comfortable, but core operating profitability should see pressure in 2026E, limiting further rerating. Retain ADD with FV of Rs110 (unchanged).

### Healthy earnings driven by favorable asset quality and bad loan recoveries

PNB reported RoA of 1.0% and RoE of ~14% in 4QFY25. The sharp earnings growth of ~50% yoy was led by ~6% yoy growth in operating profit and ~80% yoy decline in provisions. NII grew ~4% yoy, led by loan growth of ~14% yoy. Non-interest income grew ~11% yoy, led by healthy fee income and TWO recoveries. Treasury income grew ~7% yoy (explained below). Operating costs grew 6% yoy (high base). This quarter had a few one-offs: (1) the bank realized a benefit in revaluation of investments amounting to ~Rs13 bn (~30 bps of average assets) pertaining to SRs guaranteed by the government; and (2) the bank crystallized MTM losses of ~Rs11 bn, offsetting most of the SR revaluation benefit.

Loan growth (14% yoy) was led by retail and SME (up ~17% yoy), while agri grew ~14% yoy and corporate book grew ~10% yoy. Deposit growth of 14% yoy was led by term deposits (up 22% yoy). CASA ratio was broadly flat qoq at ~37%. CD ratio was at ~71%. NIM (reported) was down ~10 bps qoq to ~2.9% as cost of funds continued to rise. CET-1 ratio stood at ~12.3%.

### Asset quality remains broadly stable with some one-off in agri slippages

GNPL ratio declined ~10 bps qoq to 4.0%, while net NPL ratio was flat qoq at 0.4%. Gross slippages inched up a bit during the quarter, led mainly by a one-off in recognition of bad loans in the agri-business where there was repeated restructuring in the past few years. Credit cost has remained low because of low overall slippages, limited need for aging provisions (given the lowest NNPA ratio among peer PSU banks) and robust momentum on provision reversals from NPA recoveries/upgrades. The bank's presence in unsecured retail is fairly limited, and delinquencies in it are far from worrying.

### Retain ADD with FV of Rs110; less exciting at similar valuation

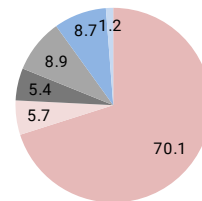
We retain ADD rating with FV of Rs110 (unchanged), valuing the bank at ~0.9X BVPS (adjusted) and ~7X March 2027E EPS for RoEs of ~11-13% in the medium term. Two recoveries have boosted PNB's revenue for the past few years (pre-tax contribution of ~55 bps of average assets in 4QFY25). A switch to the lower tax regime (indicated in 1HFY26) should support return ratios to some extent in an environment of weak interim NIM. However, core operating profitability has been weaker than peers, and the idea that RoA in the medium term will be supported by non-core items (treasury and bad loan recoveries) makes PNB a relatively less exciting idea than peers (BOB, Union and Canara) at a similar valuation multiple.

#### Company data and valuation summary

##### Stock data

CMP(Rs)/FV(Rs)/Rating	94/110/ADD
52-week range (Rs) (high-low)	139-85
Mcap (bn) (Rs/US\$)	1,083/12.8
ADTV-3M (mn) (Rs/US\$)	2,205/26.0

##### Shareholding pattern (%)



■ Promoters ■ FPIs ■ MFs ■ BFI s ■ Retail ■ Others

##### Price performance (%)

	1M	3M	12M
Absolute	(1)	(5)	(23)
Rel. to Nifty	(11)	(9)	(32)
Rel. to MSCI India	(10)	(7)	(30)

##### Forecasts/Valuations

	2025	2026E	2027E
EPS (Rs)	14.1	12.7	13.0
EPS growth (%)	88.3	(10.2)	2.5
P/E (X)	6.7	7.4	7.2
P/B (X)	0.9	0.9	0.8
BVPS (Rs)	100.2	109.2	118.2
RoE (%)	13.9	11.0	10.3
Div. yield (%)	3.0	2.7	2.8
NII (Rs bn)	431	449	494
PPOP (Rs bn)	264	270	307
Net profits (Rs bn)	162	146	149

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

[Full sector coverage on KINSITE](#)

Ashlesh Sonje, CFA

M B Mahesh, CFA

Nischint Chawathe

Abhijeet Sakhare

Varun Palacharla

Nikhil Suresh

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

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			Calc			Calc			
					4QFY25E	4QFY24	3QFY25	2025	2024	(% chg.)	2026E	2025	(% chg.)	2027E
Interest income	319,895	319,201	281,134	313,398	0	14	2	1,217,607	1,069,016	14	1,296,671	1,217,607	6	1,363,971
Loans	222,249	229,955	201,137	222,400	(3)	10	(0)	861,010	759,393	13	915,865	861,010	6	983,118
Investments	80,116	78,896	69,633	77,408	2	15	3	307,006	276,448	11	326,933	307,006	6	325,121
Balance with RBI & banks	17,529	10,349	7,779	8,367	69	125	110	34,659	33,175	4	53,873	34,659	55	55,733
Interest expense	212,325	208,639	177,503	203,076	2	20	5	789,786	668,186	18	863,236	789,786	9	872,583
<b>Net interest income</b>	<b>107,570</b>	<b>110,562</b>	<b>103,631</b>	<b>110,323</b>	<b>(3)</b>	<b>4</b>	<b>(2)</b>	<b>427,822</b>	<b>400,831</b>	<b>7</b>	<b>433,435</b>	<b>427,822</b>	<b>1</b>	<b>491,388</b>
Non-int income	47,159	38,882	42,476	34,119	21	11	38	163,094	133,835	22	178,640	163,094	10	173,670
Sale of invts.	9,150	11,920	8,570	9,330	(23)	7	(2)	39,230	6,911	468	39,230	39,230	-	27,461
Other income excl treasury	38,009	26,962	33,906	24,789	41	12	53	123,864	126,924	(2)	139,410	123,864	13	146,209
Fee income	17,980	16,793	16,130	15,680	7	11	15	70,240	42,262	66	55,163	70,240	(21)	63,437
Recoveries from w/o a/c	18,290	9,030	16,390	8,230	103	12	122	49,260	61,010	(19)	54,186	49,260	10	48,767
<b>Total income</b>	<b>154,729</b>	<b>149,444</b>	<b>146,107</b>	<b>144,441</b>	<b>4</b>	<b>6</b>	<b>7</b>	<b>590,915</b>	<b>534,666</b>	<b>11</b>	<b>612,076</b>	<b>590,915</b>	<b>4</b>	<b>665,058</b>
Op. expenses	86,972	83,508	81,950	78,236	4	6	11	322,609	285,358	13	346,175	322,609	7	379,976
Employee cost	57,927	56,721	56,300	52,638	2	3	10	213,577	184,863	16	230,663	213,577	8	251,111
AS-15 provision	13,850	-	23,960	14,000	-	(42)	(1)	55,840	-	#DIV/0!	-	-	-	-
Other cost	29,045	26,787	25,650	25,598	8	13	13	109,032	100,495	8	115,511	109,032	6	128,865
Operating profit	67,757	65,937	64,157	66,206	3	6	2	268,307	249,308	8	265,901	268,307	(1)	285,082
Provisions and cont.	3,597	4,013	15,881	(2,854)	(10)	(77)	NM	16,746	117,366	(86)	30,250	16,746	81	58,222
NPLs	5,883	-	19,580	3,175	-	(70)	85	18,967	124,322	(85)	28,250	18,967	49	56,222
Investment depreciation	(1,810)	-	(410)	(1,910)	-	341	(5)	(120)	(14,073)	NM	2,000	(120)	NM	2,000
PBT	64,160	61,924	48,276	69,600	4	33	(7)	251,561	131,942	91	235,651	251,561	(6)	226,860
Tax	18,490	20,495	18,174	23,977	(10)	2	(23)	85,259	49,496	72	60,327	85,259	(29)	58,076
<b>Net profit</b>	<b>45,670</b>	<b>41,429</b>	<b>30,103</b>	<b>45,623</b>	<b>10</b>	<b>52</b>	<b>1</b>	<b>166,302</b>	<b>82,446</b>	<b>102</b>	<b>175,324</b>	<b>166,302</b>	<b>5</b>	<b>168,784</b>
PBT - treasury + provisions	58,607	54,017	55,587	56,876	8	5	3	229,077	242,397	(5)	226,671	229,077	(1)	257,621
<b>Key balance sheet details (Rs bn)</b>														
Total Deposit	15,666	15,657	13,697	15,297	0.1	14.4	2.4	-	-	-	16,878	15,666	8	18,192
CASA	5,735	5,735	5,525	5,622	-	3.8	2.0	-	-	-	6,213	5,735	8	6,842
Savings	4,984	4,984	4,803	4,921	-	3.8	1.3	-	-	-	5,370	4,984	8	5,879
Current	751	751	722	700	-	4.0	7.3	-	-	-	843	751	12	963
Term	9,931	9,931	8,172	9,675	-	21.5	2.6	-	-	-	10,665	9,931	7	11,350
Calculated CASA (%)	36.6	36.6	40.3	36.7	-	-373 bps	-14 bps	-	-	-	36.8	36.6	20 bps	37.6
Advances (global, gross)	11,166	11,166	9,833	11,103	-	13.6	0.6	-	-	-	12,251	11,166	10	13,645
Domestic	10,660	10,660	9,424	10,602	-	13.1	0.6	-	-	-	-	-	-	-
Retail (domestic, gross)	2,594	2,594	2,226	2,626	-	16.5	(1.2)	-	-	-	-	-	-	-
Housing	1,163	1,163	983	1,112	-	18.3	4.6	-	-	-	-	-	-	-
Personal loans	-	-	225	-	-	-	-	-	-	-	-	-	-	-
Auto	261	261	208	247	-	25.5	5.6	-	-	-	-	-	-	-
Core retail	1,999	1,999	1,691	1,911	-	18.2	4.6	-	-	-	-	-	-	-
SME	1,627	1,627	1,393	1,594	-	16.8	2.1	-	-	-	-	-	-	-
Agri	1,806	1,806	1,582	1,745	-	14.2	3.5	-	-	-	-	-	-	-
Corporate and others	4,634	4,634	4,223	4,637	-	9.7	(0.1)	-	-	-	-	-	-	-
International	506	506	409	501	-	23.6	1.0	-	-	-	-	-	-	-
Investments	4,973	4,857	4,203	4,638	2.4	18.3	7.2	-	-	-	5,086	4,973	2	5,235
<b>Key calculated ratios (%)</b>														
Yield on advances	8.3	8.5	8.7	8.5	-25 bps	-41 bps	-24 bps	8.6	8.6	-	8.1	8.6	-	7.9
Yield on investment	6.7	6.6	6.7	6.6	2 bps	-1 bps	4 bps	6.7	6.8	-	6.5	6.7	-	6.3
Cost of deposit	5.1	5.2	4.9	5.1	-6 bps	20 bps	2 bps	5.4	5.0	-	5.3	5.4	-	5.0
NIM	2.54	2.61	2.84	2.69	-8 bps	-30 bps	-16 bps	2.9	3.1	-	2.7	2.9	-	2.8
Cost-to-income	56.2	55.9	56.1	54.2	33 bps	12 bps	205 bps	54.6	53.4	-	56.6	54.6	-	57.1
CD ratio	71.3	71.4	71.8	72.6	-9 bps	-51 bps	-131 bps	68.8	68.2	-	70.1	68.8	-	72.4
Credit cost	0.1	-	0.7	(0.1)	-	-55 bps	24 bps	0.2	1.4	-	0.3	0.2	-	0.5
<b>Asset quality details</b>														
Gross NPL (Rs bn)	441	441	563	454	-	(22)	(3)	441	563	-	371	441	-	333
Gross NPL (%)	4.0	4.0	5.7	4.1	-	-178 bps	-14 bps	4.0	5.7	-	3.0	4.0	-	2.4
Net NPL (Rs bn)	43	43	68	44	-	(37)	(3)	43	68	-	72	43	68	92
Net NPL (%)	0.4	0.4	0.7	0.4	-	-33 bps	-1 bps	0.4	0.7	-	0.6	0.4	-	0.7
PCR-KS (%)	90.3	90.3	87.9	90.2	-	233 bps	4 bps	90.3	87.9	-	80.5	90.3	-	72.4
PCR (including technical write-off) (%)	96.8	96.8	95.4	96.7	-	143 bps	15 bps	-	-	-	-	-	-	-
Gross slippages (Rs bn)	30	22	22	18	34	36	69	87	82	-	119	87	36	142
(% annualized)	1.1	0.8	1.0	0.7	29 bps	16 bps	43 bps	0.9	1.0	-	1.1	0.9	18	1.2
Net slippages (Rs bn)	8	8	(6)	(2)	-	NM	NM	33	-	-	-	-	-	-
(% annualized)	0.3	0.3	(0.3)	(0.1)	-	55 bps	38 bps	-	-	-	-	-	-	-
Restructured loans (Rs bn)	70	70	90	75	-	(23)	(7)	-	-	-	-	-	-	-
(% of overall loans)	0.6	0.6	1.0	0.7	-	-32 bps	-5 bps	-	-	-	-	-	-	-
Write-offs (% of loans, non-annualized)	0.2	0.2	0.4	0.2	-	-16 bps	1 bps	-	-	-	-	-	-	-
<b>Capital adequacy ratio (%)</b>														
CAR	17.0	17.0	16.0	15.4	-	104 bps	160 bps	-	-	-	-	-	-	-
CET-1	12.3	12.3	11.0	10.7	-	129 bps	168 bps	-	-	-	-	-	-	-
Tier II	4.7	4.7	4.9	4.8	-	-25 bps	-8 bps	-	-	-	-	-	-	-

Source: Company, Kotak Institutional Equities estimates

**Bad loan recoveries have boosted return ratios through higher revenue as well as provision reversals**

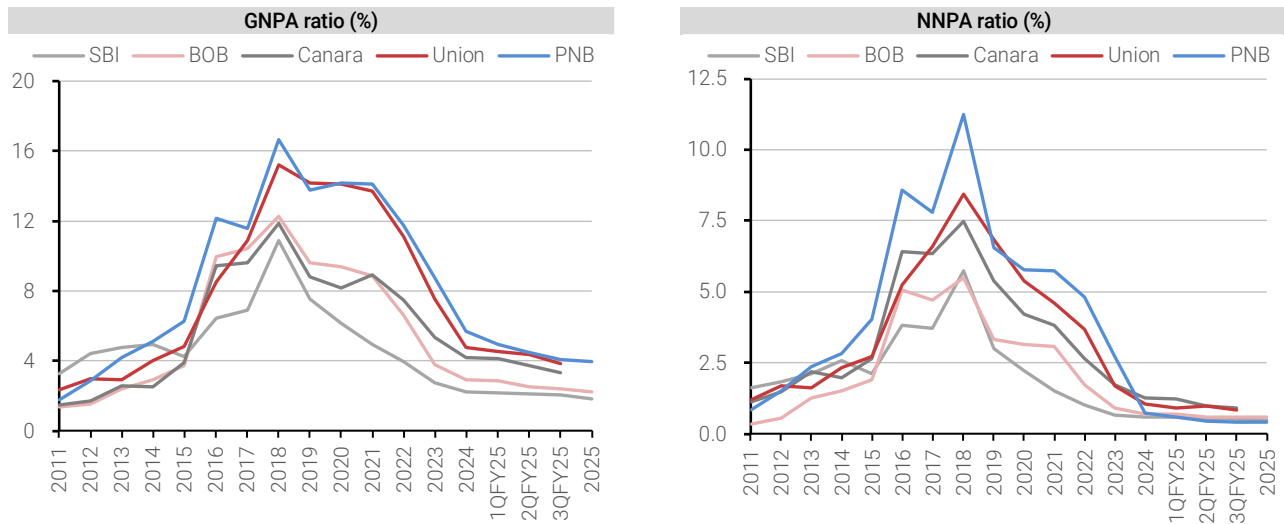
**Exhibit 2: RoE tree for PNB, March fiscal year-ends (% of average assets)**

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Interest income	6.0	5.7	5.7	6.0	6.4	6.7	6.8	7.1	7.2	7.3	7.2	7.3	7.3	7.1
Yield on loans	7.5	6.8	6.7	7.2	7.6	8.2	8.4	8.4	8.7	8.7	8.5	8.5	8.5	8.3
Interest from recoveries	0.2	0.2	0.1	0.3	0.3	0.3	0.2	0.2	0.3	0.2	0.2	0.14	0.14	0.16
Yield on investments	6.3	6.3	6.3	6.3	6.7	6.7	6.6	6.9	6.7	6.7	6.9	6.9	6.6	6.7
Interest expense	3.6	3.5	3.4	3.5	3.8	4.0	4.2	4.4	4.5	4.6	4.6	4.7	4.7	4.7
Cost of deposits	3.9	3.7	3.7	3.8	4.0	4.3	4.5	4.7	4.8	4.9	4.9	5.1	5.1	5.1
Cost of funds	4.0	3.8	3.8	3.9	4.2	4.4	4.7	4.8	4.9	5.1	5.0	5.2	5.2	5.2
<b>Net interest income</b>	<b>2.4</b>	<b>2.2</b>	<b>2.3</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.4</b>
Non-interest income	0.8	0.7	0.8	0.8	1.0	1.0	0.9	0.8	0.7	1.1	0.9	1.1	0.8	1.1
Fee income	0.4	0.4	0.5	0.4	0.4	0.3	0.5	0.4	0.3	0.4	0.5	0.4	0.4	0.4
Exchange income	0.1	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recoveries from w/o a/c	0.2	0.3	0.4	0.3	0.5	0.6	0.3	0.4	0.5	0.4	0.2	0.34	0.19	0.41
Sale of investments	0.2	0.0	(0.3)	0.0	(0.0)	(0.1)	0.1	0.1	(0.2)	0.2	0.1	0.4	0.2	0.2
<b>Total revenue</b>	<b>3.3</b>	<b>3.0</b>	<b>3.1</b>	<b>3.3</b>	<b>3.6</b>	<b>3.6</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>	<b>3.8</b>	<b>3.6</b>	<b>3.7</b>	<b>3.4</b>	<b>3.5</b>
Operating cost	1.7	1.4	1.4	1.6	2.0	2.0	1.9	1.8	1.8	2.1	1.9	2.0	1.8	1.9
Employee cost	1.0	0.7	0.8	1.0	1.3	1.3	1.2	1.1	1.1	1.5	1.2	1.4	1.2	1.3
Average salary cost/ employee	1.3	0.8	1.0	1.3	1.8	1.8	1.7	1.7	1.7	2.3	1.9	2.3		
Other cost	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6
PPOP	1.6	1.6	1.6	1.7	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.5	1.5
Provisions and contingencies	1.0	1.5	1.5	1.5	1.4	1.1	1.1	0.9	0.7	0.4	0.3	0.1	(0.1)	0.1
Credit cost (% of loans)	2.0	2.7	2.6	2.6	2.4	1.9	1.9	1.6	1.2	0.7	0.5	0.1	(0.1)	0.1
<b>PBT</b>	<b>0.5</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.6</b>	<b>0.5</b>	<b>0.7</b>	<b>1.0</b>	<b>1.3</b>	<b>1.3</b>	<b>1.6</b>	<b>1.6</b>	<b>1.4</b>
Tax rate (%)	34.6	51.2	47.6	37.8	37.3	43.1	37.3	36.7	38.1	37.6	38.3	34.5	34.7	28.8
<b>RoA</b>	<b>0.4</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.5</b>	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
Average assets/ equity	13.3	13.6	13.7	13.7	14.0	14.4	14.7	14.6	14.5	14.6	14.5	14.1	13.9	14.1
<b>RoE</b>	<b>4.7</b>	<b>0.8</b>	<b>1.3</b>	<b>1.7</b>	<b>2.5</b>	<b>4.7</b>	<b>5.0</b>	<b>6.9</b>	<b>8.5</b>	<b>11.4</b>	<b>11.9</b>	<b>14.7</b>	<b>14.6</b>	<b>14.4</b>

Source: Company, Kotak Institutional Equities

**Net NPL ratio for PNB (~0.4%) is now similar to SBI (~0.5%) and lower than BOB (~0.6%), Union (~0.8%) or Canara (~0.9%)**

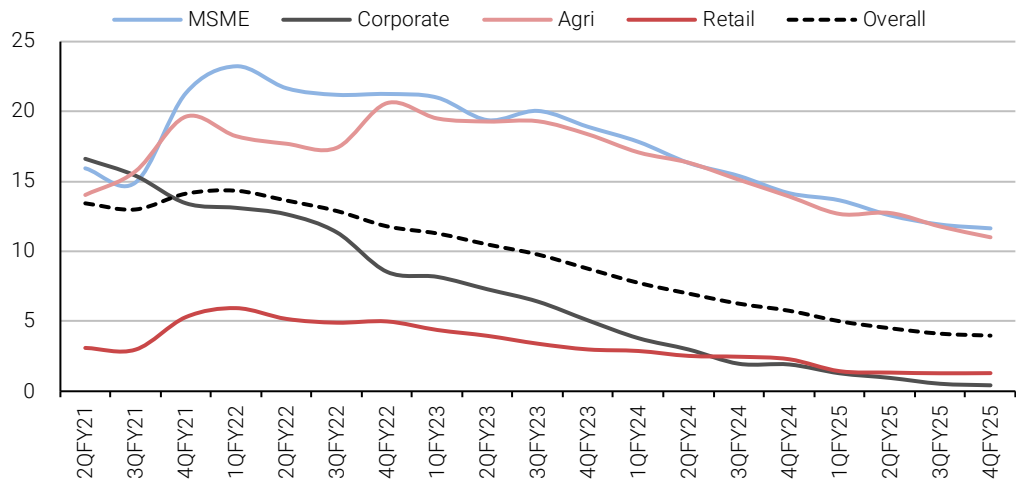
**Exhibit 3: NPL ratio trend for select PSU banks, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

**Gross NPL ratio has declined steadily across segments, but remains highest in agri and MSME**

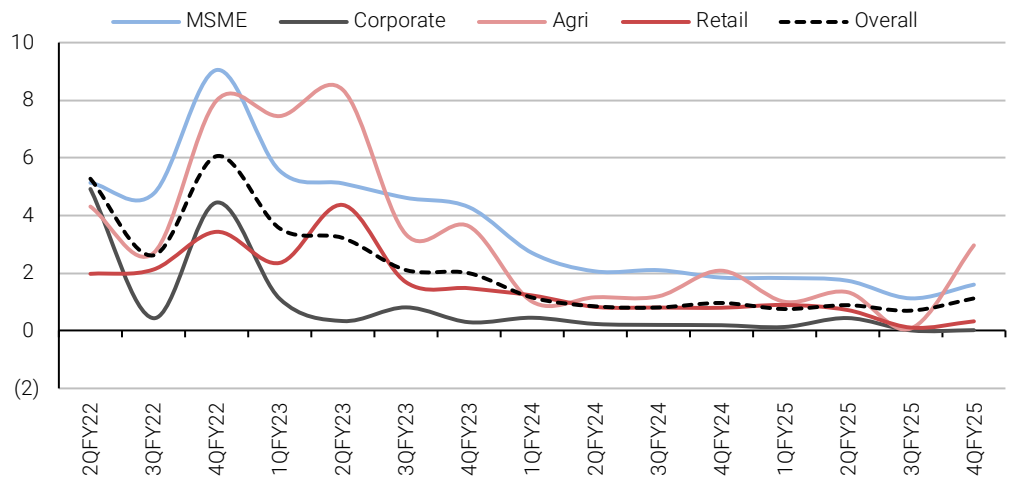
**Exhibit 4: Gross NPL ratio across segments for PNB, March fiscal year-ends (annualized, %)**



Source: Company, Kotak Institutional Equities

**Slippages have been highest in the MSME segment**

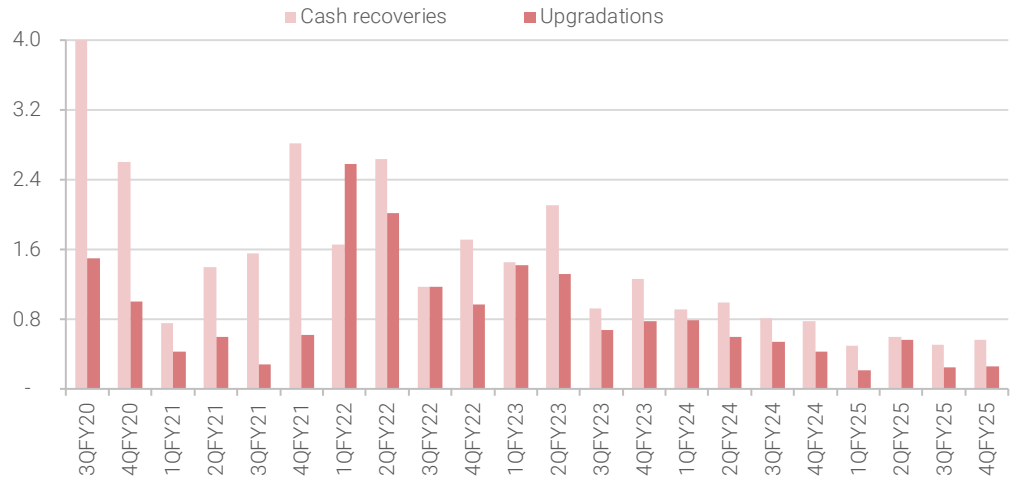
**Exhibit 5: Segmental slippage ratio for PNB, March fiscal year-ends (annualized, %)**



Source: Company, Kotak Institutional Equities

**NPA recoveries and upgradations have been on a steady declining trend in the past few quarters**

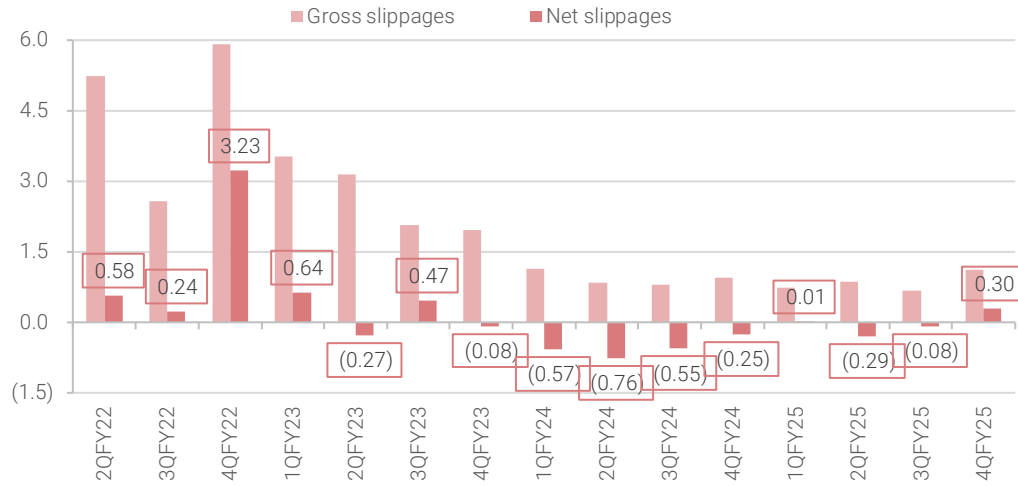
**Exhibit 6: Recoveries/upgradations from NPA for PNB, March fiscal year-ends (% of average loans)**



Source: Company, Kotak Institutional Equities

**Net slippages have been in negative territory for most quarters in the past two years**

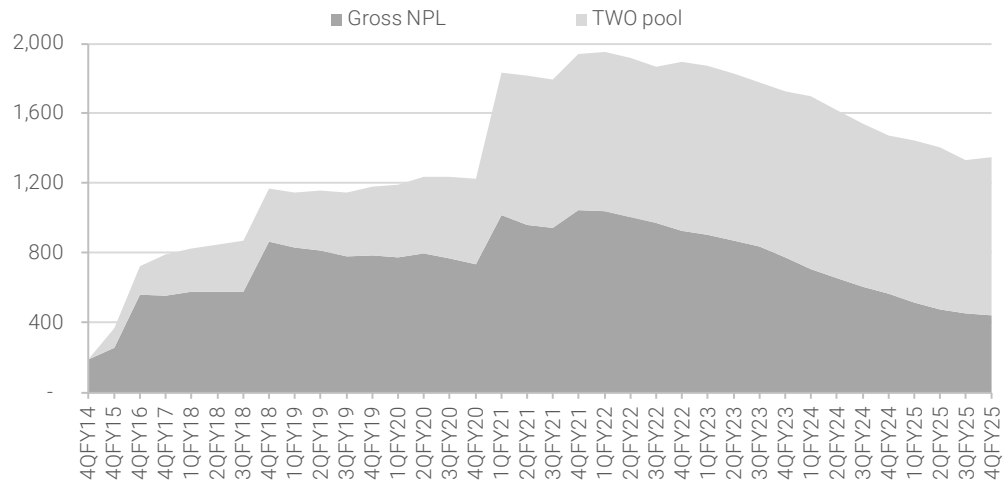
**Exhibit 7: Gross and net slippages for PNB, March fiscal year-ends (% of average loans)**



Source: Company, Kotak Institutional Equities

**Total pool of bad loans for PNB stands at ~Rs1.4 tn**

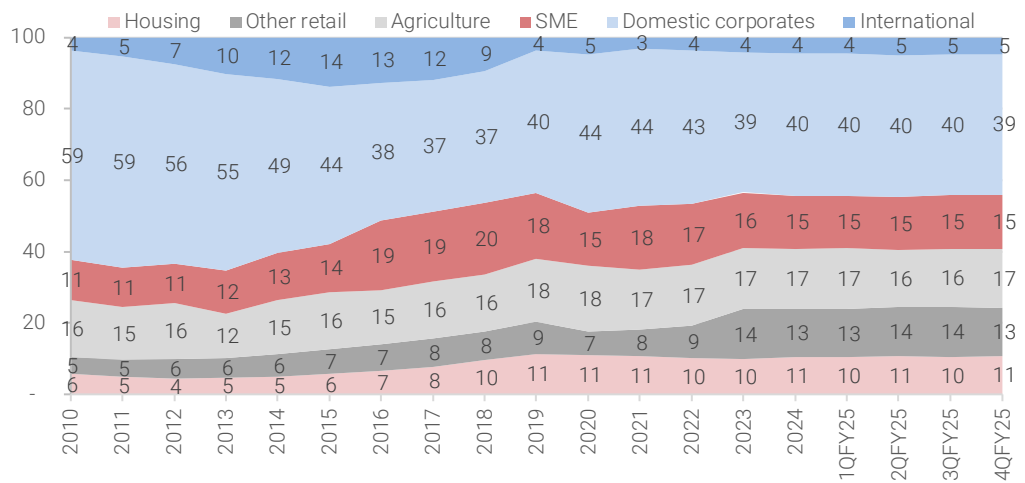
**Exhibit 8: Pool of stressed assets (GNPA + technically written-off a/c) for PNB, March fiscal year-ends (Rs bn)**



Source: Company, Kotak Institutional Equities

**Share of retail loans has been broadly flat recently at ~23-24%, while the share of corporate loans is ~44%**

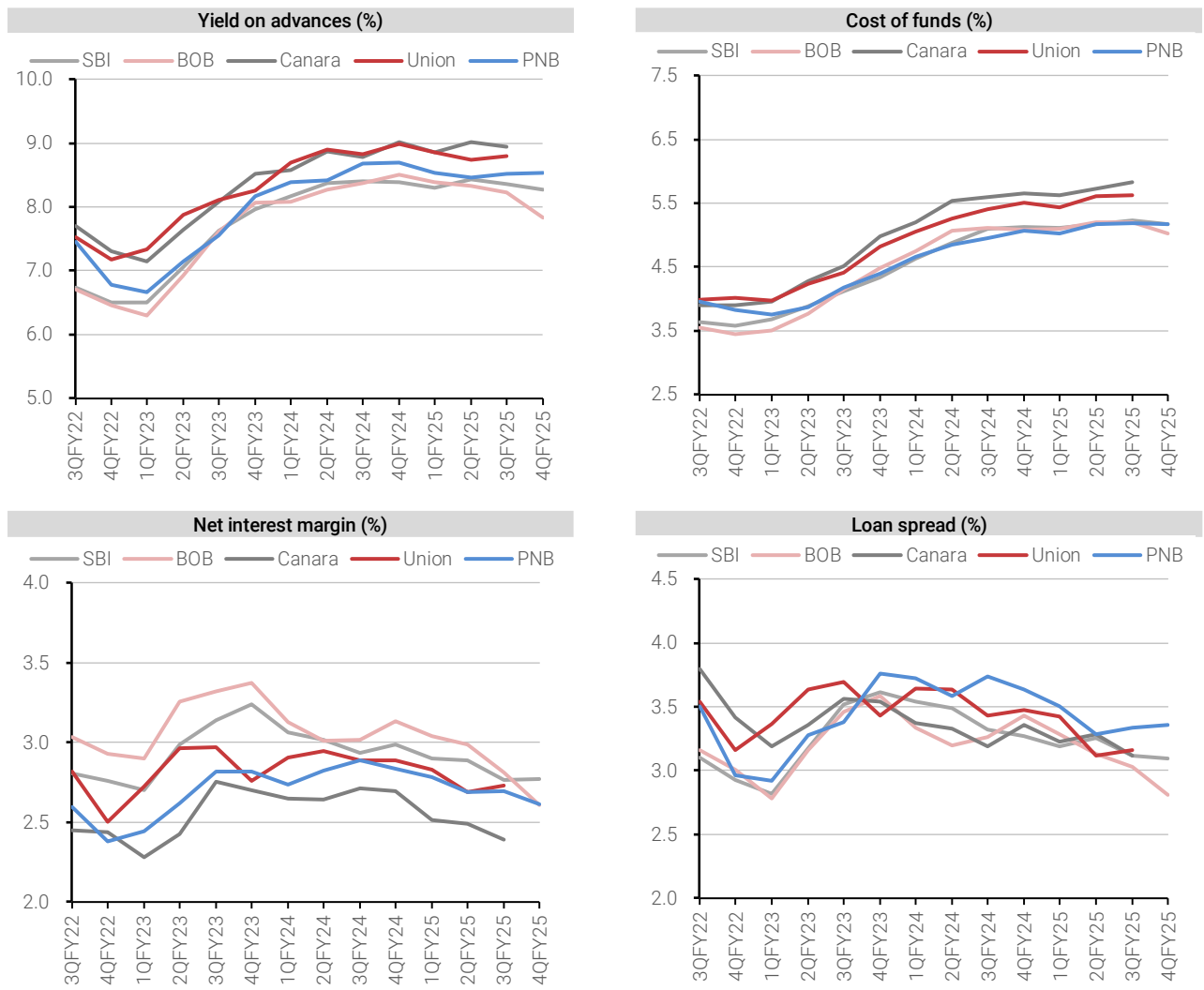
**Exhibit 9: Loan book mix for PNB, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

**NIM has been on a downward trend recently for most PSU banks**

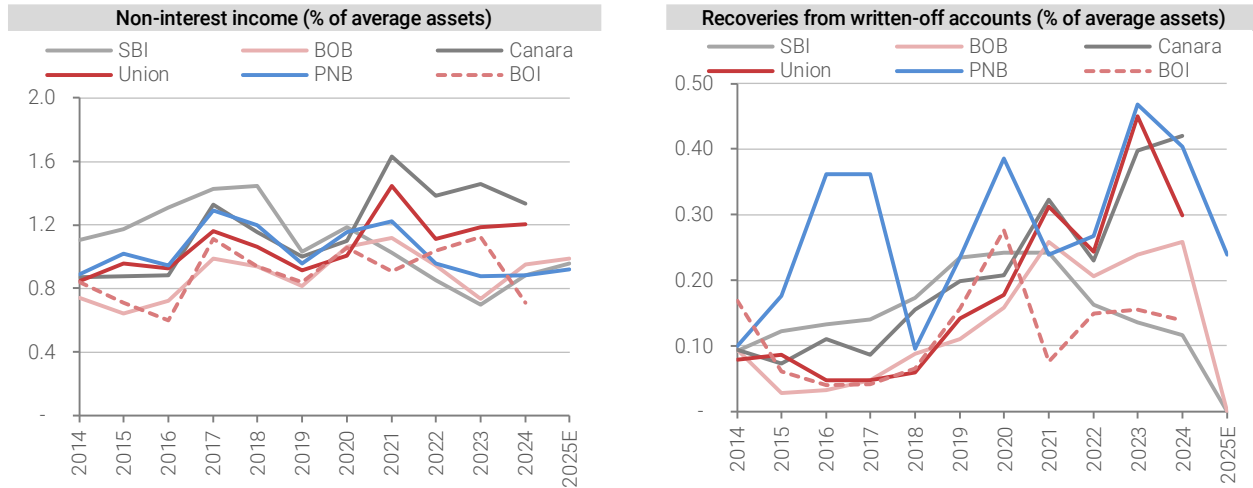
**Exhibit 10: Interest rate metrics for select PSU banks, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

**Non-interest income for PNB has been supported by recoveries from written-off accounts recently, but it is still weaker than most other PSU banks**

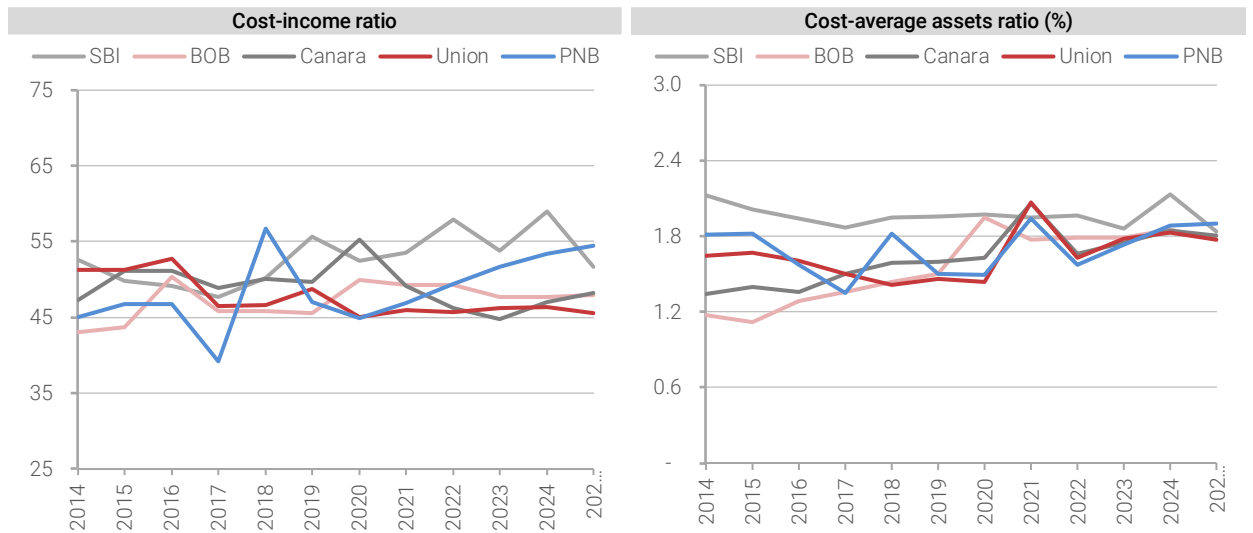
**Exhibit 11: Non-interest income for select PSU banks, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

**Cost ratios for SBI have been higher than peers, but less volatile**

**Exhibit 12: Cost ratios for select PSU banks, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

**Capital is adequate**

**Exhibit 13: Capital ratios for PNB, March fiscal year-ends (%)**

	4QFY20	4QFY21	4QFY22	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
CET-1	9.2	10.6	10.6	11.2	10.9	10.2	9.9	11.0	11.0	11.6	10.7	12.3
Tier-1	10.0	11.5	11.7	12.7	12.3	12.0	11.7	13.2	13.0	13.6	12.5	14.1
CAR	12.3	14.3	14.5	15.5	15.5	15.1	14.6	16.0	15.8	16.4	15.4	17.0

Source: Company, Kotak Institutional Equities

**PNB trades at 0.9X one-year forward book**

**Exhibit 14: P/BV (12-month rolling forward adjusted book, X)**



Source: Bloomberg, Company, Kotak Institutional Equities estimates

**PNB trades at a fair discount to SBI**

**Exhibit 15: Valuation discount to private bank peers (X)**



Source: Bloomberg, Company, Kotak Institutional Equities estimates

**Exhibit 16: Punjab National Bank - estimate changes, March fiscal year-ends**

	New estimates			Old estimates		% change	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Net interest income	433,435	491,388	572,454	448,677	493,578	(3)	(0)
Loan growth	9.7	11.3	12.8	11.8	12.8	-207 bps	-151 bps
NIM	2.4	2.6	2.7	2.5	2.5	-7 bps	4 bps
NPL provisions	28,250	56,222	84,033	46,056	77,613	(39)	(28)
Non-interest income	178,640	173,670	180,101	160,662	171,766	11	1
Operating expenditure	346,175	379,976	417,877	337,361	356,266	3	7
Operating profit	265,901	285,082	334,678	271,978	309,078	(2)	(8)
PBT	235,651	226,860	248,645	223,922	229,464	5	(1)
<b>PAT</b>	<b>175,324</b>	<b>168,784</b>	<b>184,992</b>	<b>145,549</b>	<b>149,152</b>	<b>20</b>	<b>13</b>
<b>Adj. BVPS</b>	<b>112</b>	<b>124</b>	<b>136</b>	<b>109</b>	<b>118</b>	<b>3</b>	<b>5</b>
Slippages (%)	1.1	1.2	1.3	1.2	1.3	-10 bps	-10 bps
Credit costs (%)	0.3	0.5	0.6	0.4	0.6	-15 bps	-15 bps

Source: Company, Kotak Institutional Equities estimates

**Exhibit 17: Punjab National Bank – key growth rates and financial ratios, March fiscal year-ends (%)**

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Growth rates (%)</b>										
Net loan	5.7	3.0	42.9	8.0	14.1	12.5	15.3	9.7	11.3	12.8
Total Asset	1.2	7.2	51.8	4.3	11.2	6.8	16.4	6.8	8.1	10.7
Deposits	5.3	4.5	56.6	3.6	11.8	6.9	14.4	7.7	7.8	10.8
Current	9.9	3.0	65.3	8.5	(9.7)	(2.5)	4.0	12.2	14.3	17.1
Savings	8.0	6.7	62.5	8.3	2.7	3.5	3.8	7.7	9.5	14.2
Fixed	3.2	2.7	52.9	(0.2)	21.3	10.0	21.5	7.4	6.4	8.5
Net interest income	15.0	1.6	74.8	(5.8)	20.2	16.2	6.7	1.3	13.4	16.5
Loan loss provisions	(4.1)	(46.2)	31.6	(16.4)	8.9	(27.7)	(84.7)	48.9	99.0	49.5
Total other income	(16.9)	25.7	38.1	(3.8)	(1.4)	10.2	21.9	9.5	(2.8)	3.7
Net fee income	0.5	0.4	36.3	(7.3)	10.3	7.6	13.5	15.0	15.0	15.0
Net capital gains	(66.4)	49.3	116.3	(16.8)	(138.7)	(160.8)	467.7	0.0	(30.0)	(10.0)
Net exchange gains	(36.8)	(13.7)	10.5	43.2	15.6	(42.0)	(16.1)	0.0	0.0	0.0
Operating expenses	(14.6)	3.8	69.6	(0.3)	19.0	18.4	13.1	7.3	9.8	10.0
Employee expenses	(24.1)	(0.0)	74.9	(2.7)	25.1	24.8	15.5	8.0	8.9	8.9
<b>Key ratios (%)</b>										
Yield on average earning assets	7.0	7.1	8.2	6.2	6.5	7.5	7.6	7.3	7.1	7.0
Yield on average loans	7.9	7.7	9.3	6.9	7.4	8.6	8.6	8.1	7.9	7.6
Yield on average investments	7.2	7.0	7.8	6.2	6.6	6.8	6.7	6.5	6.3	6.3
Average cost of funds	4.8	4.9	5.3	3.9	4.0	4.8	5.1	5.1	4.8	4.5
Interest on deposits	4.9	5.0	5.2	3.8	3.9	4.7	5.0	5.0	4.7	4.4
Difference	2.2	2.2	3.0	2.3	2.5	2.6	2.5	2.2	2.3	2.5
Net interest income/earning assets	2.4	2.3	3.1	2.4	2.7	2.8	2.7	2.4	2.6	2.7
New provisions/average net loans	6.0	3.1	3.3	2.3	2.2	1.4	0.2	0.3	0.5	0.6
Interest income/total income	69.9	65.3	70.4	70.0	74.0	75.0	72.4	70.8	73.9	76.1
Fee income to total income	11.4	10.5	8.9	8.7	8.4	7.9	8.1	9.0	9.5	9.7
Operating expenses/total income	47.0	44.8	46.9	49.4	51.7	53.4	54.6	56.6	57.1	55.5
Tax rate	35.0	54.5	41.9	19.9	41.5	37.5	33.9	25.6	25.6	25.6
Dividend payout ratio	0.0	0.0	0.0	20.4	28.5	20.0	20.0	20.0	20.0	20.0
Share of deposits										
Current	6.6	6.5	6.8	7.2	5.8	5.3	4.8	5.0	5.3	5.6
Fixed	57.8	57.2	55.5	53.4	58.0	59.7	63.4	63.2	62.4	61.1
Savings	35.6	36.4	37.7	39.4	36.2	35.1	31.8	31.8	32.3	33.3
Loans-to-deposit ratio	67.8	67.0	60.9	63.5	64.8	68.2	68.8	70.1	72.4	73.7
Equity/assets (EoY)	5.8	7.5	7.2	7.3	6.8	6.8	7.0	7.3	7.4	7.3
<b>Asset quality trends (%)</b>										
Gross NPLs	13.8	14.2	14.1	11.8	8.7	5.7	3.9	3.0	2.4	2.2
Net NPLs	6.6	5.8	5.7	4.8	2.7	0.7	0.4	0.6	0.7	0.7
Slippage	4.6	4.5	4.2	3.7	2.2	1.0	0.9	1.1	1.2	1.3
Provision coverage	61.7	63.0	63.1	62.2	70.8	87.9	90.3	80.5	72.4	67.8
<b>Dupont analysis (%)</b>										
Net interest income	2.2	2.2	2.9	2.2	2.5	2.7	2.5	2.3	2.4	2.6
Loan loss provisions	3.5	1.8	1.8	1.2	1.2	0.8	0.1	0.2	0.3	0.4
Net other income	1.0	1.2	1.2	1.0	0.9	0.9	1.0	1.0	0.9	0.8
Operating expenses	1.5	1.5	1.9	1.6	1.8	1.9	1.9	1.8	1.9	1.9
Invnt. depreciation	0.2	(0.0)	0.1	0.0	0.0	(0.1)	(0.0)	0.0	0.0	0.0
(1 - tax rate)	65.0	45.5	58.1	80.1	58.5	62.5	66.1	74.4	74.4	74.4
ROA	(1.3)	0.0	0.2	0.3	0.2	0.5	1.0	0.9	0.8	0.8
Average assets/average equity	17.9	15.0	13.6	13.8	14.2	14.7	14.5	14.0	13.6	13.6
RoE	(23.2)	0.6	2.6	3.7	2.6	8.0	14.2	13.0	11.4	11.4

Source: Company, Kotak Institutional Equities estimates

**Exhibit 18: Punjab National Bank – key financials, March fiscal year-ends (Rs mn)**

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Income statement</b>										
Total interest income	513,102	538,000	807,498	748,795	851,441	1,069,016	1,217,607	1,296,671	1,363,971	1,470,524
Loans	350,862	358,150	533,512	484,983	573,192	759,393	861,010	915,865	983,118	1,068,581
Investments	141,060	153,326	245,658	234,872	251,429	276,448	307,006	326,933	325,121	343,973
Cash and deposits	21,181	26,525	28,327	28,941	26,820	33,175	49,592	53,873	55,733	57,970
Total interest expense	341,539	363,622	502,727	461,851	506,525	668,186	789,786	863,236	872,583	898,070
Deposits from customers	322,178	343,750	471,500	432,375	468,460	623,108	738,942	808,650	822,818	844,006
Net interest income	171,563	174,378	304,770	286,945	344,916	400,831	427,822	433,435	491,388	572,454
Loan loss provisions	267,001	143,659	189,015	158,031	172,069	124,322	18,967	28,250	56,222	84,033
Net interest income (after prov.)	(95,437)	30,719	115,755	128,913	172,847	276,509	408,855	405,185	435,166	488,420
Other income	73,774	92,741	128,119	123,200	121,425	133,835	163,094	178,640	173,670	180,101
Net fee income	28,057	28,170	38,405	35,596	39,277	42,262	47,968	55,163	63,437	72,953
Net capital gains	10,927	16,316	35,290	29,351	(11,372)	6,911	39,230	39,230	27,461	24,715
Net exchange gains	5,093	4,393	4,855	6,953	8,036	4,660	3,910	3,910	3,910	3,910
Operating expenses	115,385	119,734	203,088	202,526	241,054	285,358	322,609	346,175	379,976	417,877
Employee expenses	69,632	69,617	121,757	118,410	148,100	184,863	213,577	230,663	251,111	273,355
Depreciation on investments	16,410	(3,664)	5,992	3,485	1,732	(14,073)	(120)	2,000	2,000	2,000
Pretax income	(153,458)	7,390	34,794	43,164	42,883	131,942	251,561	235,651	226,860	248,645
Tax provisions	(53,703)	4,028	14,578	8,594	17,811	49,496	85,259	60,327	58,076	63,653
<b>Net Profit</b>	<b>(99,755)</b>	<b>3,362</b>	<b>20,217</b>	<b>34,570</b>	<b>25,072</b>	<b>82,446</b>	<b>166,302</b>	<b>175,324</b>	<b>168,784</b>	<b>184,992</b>
% growth	(18.8)	(103.4)	501.3	71.0	(27.5)	228.8	101.7	5.4	(3.7)	9.6
PBT+provisions-treasury gains	121,026	133,069	196,511	180,267	238,659	244,397	231,077	228,671	259,621	311,963
% growth	67.2	10.0	47.7	(8.3)	32.4	2.4	(5.5)	(1.0)	13.5	20.2
<b>Balance sheet</b>										
Cash and bank balance	752,880	759,930	1,113,497	1,326,468	1,551,088	1,291,046	1,487,198	1,540,703	1,599,235	1,684,034
Cash	18,539	27,462	34,780	34,915	37,130	35,342	38,876	42,763	47,040	51,744
Balance with RBI	302,752	356,517	404,808	822,446	744,636	614,987	604,170	650,903	701,558	777,315
Balance with banks	190,391	82,898	78,214	159,458	167,598	221,522	403,998	403,998	403,998	403,998
Net value of investments	2,021,282	2,404,656	3,929,833	3,721,678	3,959,967	4,203,182	4,973,113	5,086,350	5,234,938	5,684,837
Govt. and other securities	1,612,366	2,035,594	3,437,720	3,231,554	3,524,152	3,720,737	4,575,657	4,688,895	4,837,483	5,287,381
Shares	36,992	29,216	41,323	32,648	30,616	28,413	28,413	28,413	28,413	28,413
Debentures and bonds	276,944	208,122	343,185	334,668	306,223	322,024	322,024	322,024	322,024	322,024
Net loans and advances	4,582,492	4,718,277	6,742,301	7,281,857	8,308,340	9,344,306	10,774,746	11,825,159	13,162,328	14,848,797
Fixed assets	62,248	72,391	110,209	106,736	120,511	123,188	130,534	133,289	134,508	135,381
Net Owned assets	62,248	72,391	110,209	106,736	120,511	123,188	130,534	133,289	134,508	135,381
Other assets	330,591	351,405	710,487	711,312	678,408	656,629	816,117	840,600	865,818	891,793
<b>Total assets</b>	<b>7,749,495</b>	<b>8,306,659</b>	<b>12,606,326</b>	<b>13,148,050</b>	<b>14,618,314</b>	<b>15,618,350</b>	<b>18,181,707</b>	<b>19,426,102</b>	<b>20,996,827</b>	<b>23,244,842</b>
Deposits	6,760,301	7,038,463	11,063,325	11,462,184	12,811,631	13,697,128	15,666,233	16,878,033	18,191,522	20,155,903
Current	443,751	457,140	755,460	819,746	740,281	722,010	751,140	842,998	963,176	1,127,651
Savings	2,406,654	2,567,600	4,172,360	4,516,796	4,639,872	4,802,980	4,984,290	5,369,830	5,878,681	6,715,040
Borrowings and bills payable	413,546	522,542	460,487	487,368	549,655	537,433	874,878	730,588	812,501	903,814
Other liabilities	127,776	122,080	173,141	243,628	258,470	319,023	366,974	403,671	444,039	488,442
Total liabilities	7,301,623	7,683,084	11,696,953	12,193,181	13,619,757	14,553,584	16,908,085	18,012,292	19,448,061	21,548,159
<b>Total shareholders' equity</b>	<b>447,871</b>	<b>623,575</b>	<b>909,373</b>	<b>954,869</b>	<b>998,557</b>	<b>1,064,766</b>	<b>1,273,623</b>	<b>1,413,809</b>	<b>1,548,766</b>	<b>1,696,682</b>

Source: Company, Kotak Institutional Equities estimates

# Polycab (POLY CAB)

Consumer Durables &amp; Apparel

**SELL**

 CMP(₹): **5,887**

 Fair Value(₹): **5,100**

 Sector View: **Cautious**

 NIFTY-50: **24,414**
**May 07, 2025**

## An all-around beat

Polycab reported a good all-around beat across segments, with domestic W&C growth of 27%/20% in 4Q/FY2025. The cables' demand remains resilient, led by increased government capex, real estate demand and rising RM prices. The exports outlook is strong, aided by a healthy order book even amid tariff uncertainty. FMEG surprised positively by reporting robust growth and by breaking even at the EBIT level. We raise FY2026-27E EPS by 9-11% (partly due to Bharat Net), roll over and increase FV to Rs5,100. Retain SELL.

### 4QFY25—beat on all counts

Polycab reported 25% yoy growth in topline to Rs70 bn (~7.4% beat). W&C grew by 22% (KIE: 18.5%), led by 27% growth in the domestic market, while exports declined due to the rollover of a large order into 1QFY26. FMEG grew 33% (in sharp contrast to subdued growth reported by peers). W&C EBIT margin at 15.1% was ahead of our estimate (even after adjusting for the segment reclassification), driven by operating leverage and product mix, offset by lower contribution of exports. FMEG registered a positive EBIT of Rs19 mn (KIE: Rs48 mn loss), led by product mix and better fixed-cost absorption. The EPC segment grew by 47%, driven by execution of the RDSS order book. PBT/PAT grew by 32%/33% yoy to Rs8.8 bn/Rs6.5 bn (~8.8%/11.4% beat).

**FY2025 roundup:** Revenue/EBITDA/PAT grew by 24%/19%/13% to Rs220 bn/Rs29.6 bn/Rs20.5 bn. W&C grew revenues/EBIT by 18%/8%; W&C EBIT margin stood at 13.6%. The market share in the domestic organized W&C industry now stands at 26-27% (versus 25-26% in FY2024). FMEG grew revenues by 29% to Rs16.5 bn and the EBIT margin improved to (-)2.3% versus (-)7.3% in FY2024. EPC topline/EBIT grew by 143%/186% to Rs19.2 bn/Rs1.8 bn.

### Management gave a strong outlook across segments

Robust domestic W&C growth (mid-teen volume growth, led by high-teens/HSD volume growth in cables/wires) in 4Q was led by infrastructure, housing and industrial investments. In FMEG, fans registered impressive growth (despite a delayed summer) due to the success of premium products (18%/30% volume/value mix in fans) and focused execution. Management expects strong growth in exports going forward, supported by a healthy order book (Middle East, Europe, Australia) and continues to guide for a 10% export mix by FY2030 (from 6% in FY2025). While exports to the US continue, more clarity will emerge once the 90D tariff pause ends. The EPC order book currently stands at Rs70 bn (RDSS + BharatNet). Despite strong margin delivery, management has retained its 11-13% EBITDA margin guidance for W&C for the medium to long term, factoring in the capacity expansion and R&D/brand investments.

### We raise FY2026-27E EPS by 9-11% and revise FV to Rs5,100 (Rs4,750 earlier)

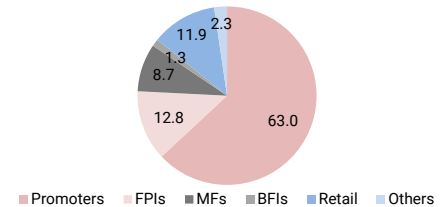
We raise our FY2026-27E revenue forecasts by ~7% (partly as we factor in BharatNet execution), leading to a 6-8%/9-11% increase in EBITDA/PAT. We roll over and raise our FV to Rs5,100 (26X June 2027E EPS, from 27X earlier).

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	5,887/5,100/SELL
52-week range (Rs) (high-low)	7,607-4,555
Mcap (bn) (Rs/US\$)	885/10.4
ADTV-3M (mn) (Rs/US\$)	4,412/52.0

#### Shareholding pattern (%)



#### Price performance (%)

	1M	3M	12M
Absolute	19	0	1
Rel. to Nifty	9	(3)	(8)
Rel. to MSCI India	10	(2)	(5)

#### Forecasts/Valuations

	2025	2026E	2027E
EPS (Rs)	133.8	159.7	191.6
EPS growth (%)	12.9	19.4	19.9
P/E (X)	44.0	36.9	30.7
P/B (X)	9.0	7.7	6.5
EV/EBITDA (X)	29.7	24.9	20.7
RoE (%)	22.4	22.5	22.9
Div. yield (%)	0.6	0.7	0.9
Sales (Rs bn)	224	271	326
EBITDA (Rs bn)	30	35	42
Net profits (Rs bn)	20	24	29

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

#### Related Research

- [Polycab: Wires spoil the party again](#)
- [Polycab: Competition plays spoilsport in wires](#)
- [Consumer Durables & Apparel: W&C export](#)

[Full sector coverage on KINSITE](#)

Umang Mehta

Jaykumar Doshi

Eesha Mohanty

Praneeth Reddy

### Key takeaways from the earnings call

- ▶ **Demand outlook:** Management anticipates a rebound in private capex due to stronger balance sheets, lower borrowing cost and higher capacity utilization. The demand remained robust across sectors such as renewable energy, metro rail, data centers and manufacturing, with the government capex further accelerating growth. The power industry is seeing increased demand, and robust project launches are driving growth in real estate. West region drove the highest demand, followed by South, North and East. Management highlighted that LV and MV cables contribute over 50% of the C&W industry, driving demand. The demand for HV and EHV cables is also strong.
- ▶ **Wires & cables (W&C)** 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. Capacity utilization for the segment stood at 70-80% for FY2025, while 4Q being a seasonally heavy quarter registered 80%+ utilization. The company has a significant presence in the power generation and distribution industry (where LT and MT cables are utilized), and is expanding its footprint in the power distribution system.
  - **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. The entry of the new large players is expected to increase the organized market share, further boosting the industry's growth.
  - **Exports** revenues declined by 24% yoy 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. The current tariff rate on all products is around 10%, and any increase is being passed on to customers. The company anticipates a strong rebound in overall exports FY2026, driven by scaling up its distribution model in the US, and a favorable demand environment across key markets. To enhance execution, the company is establishing three distinct verticals for OEMs, distributors, and EPC contractors for exports. The company expanded its presence to 84 countries in FY2025 (versus 79 countries in FY2024).
  - **Margin.** 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. The sequential margin expansion was due to higher growth in wires compared to cables in 4Q. For the full year, EBIT margin declined by 120 bps to 13.6% (implying 14-15% EBITDA margin). Increased A&P spending on B2C products, R&D expenses, and initial phase capacity expansion costs will impact margins but are expected to stay within the guided range. Polycab's margins are better than peers due to higher mix of LDC in cables and higher prices. Polycab sells at a 2-3% premium to peers in cables and a 4-5% premium in wires, commanding higher pricing in exports as well.
  - **Guidance.** 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.
- ▶ **FMEG business** 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.** 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. States such as Maharashtra, Gujarat, Rajasthan, Telangana, Madhya Pradesh, Uttar Pradesh and Tamil Nadu are leading this demand, and the company expects this momentum to continue. The company outsources the production of solar products (majority of their solar revenues are from inverters) and is not planning to manufacture in-house. The company will onboard and service the full range up till 325 Kw (the upper limit for usage in India).

- **Fans**, the largest category in this segment, saw healthy traction on the back of “strategic initiatives” and premiumization, despite delayed summers. The company launched 100+ SKU, expanded to 350 new towns, added 280 channel partners and 8,000+ retailers in FY2025. The premium fans contribute around 18% by volume and 30% by value to sales.
  - **The lights and luminaires** category registered strong volume and value growth, despite continued price erosion. Moreover, Polycab added 200+ new SKUs, 700+ towns, 170+ channel partners and 11,500+ retailers. The premium category contributes around 21% by volume and 30% by value to sales.
  - **Switchgears, switches, conduit pipes & fittings** delivered healthy growth, driven by real estate and construction sectors. The company’s focus on portfolio enhancement and market penetration aided the sales.
  - **Margin trajectory.** FMEG registered positive EBIT of Rs19 mn after 10 consecutive quarters, led by strategic investments in talent, product innovation and brand building. For the full year, the FMEG loss reduced to Rs389 mn from Rs942 mn in FY2024. The solar products, switchgears and conduits are the most profitable categories within this segment.
  - **Guidance.** Management continues to guide for (1) 1.5-2X of market growth and (2) 8-10% EBITDA margin by FY2030E.
- ▶ **EPC business** registered 47% yoy growth in revenues (up 54% qoq). For the full year, revenues grew by 143% yoy due to effective execution of the RDSS order book. The entire sales driven by RDSS order, where ~40% of the orders is cables. **Polycab has started disclosing EPC as a separate segment and reclassified non-EPC business from ‘others’ to ‘W&C segment’.** Segmental EBIT grew by 172% yoy to Rs564 mn, and EBIT margins expanded by 430/65 bps yoy/qoq to 9.4% over a small base. For the full year, EBIT margins expanded 140 bps to 9.4%. Management reiterated the medium/long-term sustainable margin guidance to be high single digits. The current order book stands at Rs70 bn, out of which Rs40 bn is from RDSS and the rest from BharatNet. The RDSS orders need to be executed within the next two years, resulting in a quarterly run rate of Rs5 bn. The BharatNet order is from Bihar, which involves capex of Rs15 bn over three years, and opex of Rs9.3 bn for new networks and Rs5.2 bn for existing networks over 10 years. Polycab has also been declared as the lowest bidder in Goa, Karnataka and Puducherry with capex of Rs41 bn inclusive of GST. The execution agreement is expected to come soon.
- ▶ **Capex and guidance.** The capex for the quarter was Rs1.3 bn (Rs9.5 bn in FY2025), in line with the company’s guidance of Rs10-11 bn in FY2025E. The company guided for a capex of Rs60-80 bn for the next five years.
- ▶ **Others.**
- **A&P spends** declined by 24%/23% yoy/qoq to Rs287 mn in 4QFY25. The base quarter had higher A&P spends due to rebranding efforts and a partnership with the ICC. Additionally, the company utilized digital medium and on-ground activities with retailers, which were cost effective. Ads targeting fans were displayed before the summer season, but due to a delayed summer, A&P spends on fans will be accounted for in 1QFY26. The A&P spends will increase over the next few years.
  - **Finance cost.** The finance cost has declined sequentially by 35% due to reduction in acceptances and short-term borrowings. **Other income** increased sequentially by 92% yoy, as the base quarter saw high forex losses of Rs311 mn, led by a sharp rupee depreciation. Net cash stood at Rs24 bn in FY2025 (versus Rs21 bn in FY2024).

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

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			2025	2024	yoy (%)
					KIE	yoy	qoq			
<b>Net revenues</b>	<b>69,858</b>	<b>65,051</b>	<b>55,919</b>	<b>52,261</b>	<b>7.4</b>	<b>24.9</b>	<b>33.7</b>	<b>224,083</b>	<b>180,394</b>	<b>24.2</b>
Total expenditure	(59,604)	(55,453)	(48,303)	(45,062)	7.5	23.4	32.3	(194,481)	(155,476)	25.1
Material consumed	(52,053)	(47,934)	(41,792)	(38,807)	8.6	24.6	34.1	(168,300)	(132,803)	26.7
Employee expenses	(2,036)	(2,045)	(1,696)	(1,989)	(0.4)	20.1	2.4	(7,367)	(6,095)	20.9
Other expenses	(5,515)	(5,474)	(4,816)	(4,265)	0.7	14.5	29.3	(18,813)	(16,578)	13.5
<b>EBITDA</b>	<b>10,254</b>	<b>9,598</b>	<b>7,615</b>	<b>7,199</b>	<b>6.8</b>	<b>34.6</b>	<b>42.4</b>	<b>29,602</b>	<b>24,918</b>	<b>18.8</b>
<b>Margins (%)</b>	<b>14.7</b>	<b>14.8</b>	<b>13.6</b>	<b>13.8</b>	<b>(8)bps</b>	<b>106 bps</b>	<b>90 bps</b>	<b>13.2</b>	<b>13.8</b>	<b>(60)bps</b>
Depreciation	(804)	(803)	(657)	(786)	0.1	22.3	2.3	(2,981)	(2,450)	21.7
<b>EBIT</b>	<b>9,450</b>	<b>8,796</b>	<b>6,958</b>	<b>6,414</b>	<b>7.4</b>	<b>35.8</b>	<b>47.3</b>	<b>26,621</b>	<b>22,468</b>	<b>18.5</b>
<b>Margins (%)</b>	<b>13.5</b>	<b>13.5</b>	<b>12.4</b>	<b>12.3</b>	<b>1 bps</b>	<b>108 bps</b>	<b>126 bps</b>	<b>11.9</b>	<b>12.5</b>	<b>(57)bps</b>
Other income	481	401	538	250	20	(10.7)	92	2,076	2,209	(6.0)
Interest expenses	(325)	(370)	(244)	(498)	(11.9)	33.3	(34.6)	(1,689)	(1,083)	55.9
<b>PBT</b>	<b>9,606</b>	<b>8,828</b>	<b>7,253</b>	<b>6,166</b>	<b>8.8</b>	<b>32.4</b>	<b>55.8</b>	<b>27,008</b>	<b>23,593</b>	<b>14.5</b>
Extraordinaries	-	-	-	-	-	-	-	-	-	-
<b>Reported PBT</b>	<b>9,606</b>	<b>8,828</b>	<b>7,253</b>	<b>6,166</b>	<b>8.8</b>	<b>32.4</b>	<b>55.8</b>	<b>27,008</b>	<b>23,593</b>	<b>14.5</b>
Tax	(2,262)	(2,266)	(1,718)	(1,522)	-	-	-	(6,553)	(5,564)	17.8
<b>Reported PAT</b>	<b>7,344</b>	<b>6,561</b>	<b>5,535</b>	<b>4,643</b>	<b>11.9</b>	<b>32.7</b>	<b>58.1</b>	<b>20,455</b>	<b>18,029</b>	<b>13.5</b>
Minority interest	(77)	(38)	(75)	(68)	99.9	3.0	13.3	(255)	(189)	35.4
<b>PAT to equityholders</b>	<b>7,267</b>	<b>6,523</b>	<b>5,460</b>	<b>4,576</b>	<b>11.4</b>	<b>33.1</b>	<b>58.8</b>	<b>20,200</b>	<b>17,840</b>	<b>13.2</b>
Number of shares (mn)	151	151	151	151	-	-	-	151	151	-
<b>EPS (Rs)</b>	<b>48.1</b>	<b>43.3</b>	<b>36.3</b>	<b>30.4</b>	<b>11.1</b>	<b>32.7</b>	<b>58.4</b>	<b>133.8</b>	<b>118.5</b>	<b>12.9</b>
<b>Key ratios (%)</b>										
<b>Gross margin</b>	<b>25.5</b>	<b>26.3</b>	<b>25.3</b>	<b>25.7</b>	<b>(83)bps</b>	<b>22 bps</b>	<b>(26)bps</b>	<b>24.9</b>	<b>26.4</b>	<b>(149)bps</b>
Employee cost as % of sales	2.9	3.1	3.0	3.8	(23)bps	(12)bps	(89)bps	3.3	3.4	(9)bps
Other expenditure as % of sales	7.9	8.4	8.6	8.2	(52)bps	(72)bps	(27)bps	8.4	9.2	(79)bps
Net margin (%)	10.4	10.0	9.8	8.8	38 bps	64 bps	165 bps	9.0	9.9	(88)bps
Effective tax rate	23.5	25.7	23.7	24.7	(213)bps	(14)bps	(114)bps	24.3	23.6	68 bps
<b>Segmental</b>										
<b>Revenue (Rs mn)</b>										
Wires & Cables	60,191	57,648	49,197	44,499	4.4	22.3	35.3	192,366	162,806	18.2
FMEG	4,760	4,433	3,581	4,232	7.4	32.9	12.5	16,822	12,988	29.5
EPC	6,028	4,994	4,108	3,918	20.7	46.8	53.9	19,192	7,888	143.3
Inter-segment revenue	(1,058)	(1,489)	(757)	(580)	(28.9)	39.8	82.5	(3,772)	(2,290)	-
<b>Total (including other income)</b>	<b>69,921</b>	<b>65,587</b>	<b>56,130</b>	<b>52,070</b>	<b>6.6</b>	<b>24.6</b>	<b>34.3</b>	<b>224,609</b>	<b>181,392</b>	<b>23.8</b>
<b>Segment Results (EBIT including other income; Rs mn)</b>										
Wires & Cables	9,090	8,423	7,551	6,080	7.9	20.4	49.5	26,203	24,078	8.8
FMEG	19	(48)	(459)	(128)	NM	NM	NM	(389)	(942)	NM
EPC	564	559	208	341	0.9	171.5	65.4	1,806	632	185.7
<b>Segment Results (EBIT margin, including other income; %)</b>										
Wires & Cables	15.1	14.6	15.3	13.7	49 bps	(25)bps	144 bps	13.6	14.8	(117)bps
FMEG	0.4	(1.1)	(12.8)	(3.0)	148 bps	1,322 bps	342 bps	(2.3)	(7.3)	494 bps
EPC	9.4	11.2	5.1	8.7	(184)bps	430 bps	65 bps	9.4	8.0	140 bps
<b>Geographical revenue breakdown (Rs mn)</b>										
Exports	3,276	4,433	4,290	4,345	(26.1)	(23.6)	(24.6)	13,452	14,360	(6.3)
Domestic	56,915	53,215	44,907	40,154	7.0	26.7	41.7	178,914	148,446	20.5

Notes:

(a) Polycab has started disclosing EPC segment separately from Mar-25 and reclassified non-EPC businesses from 'others' to 'wires & cables' segment. Prior period numbers are restated based on this change.

Source: Company, Kotak Institutional Equities

Exhibit 2: Polycab—key changes in estimates, March fiscal year-ends (Rs mn, %)

	Revised estimates (Rs mn, %)			Old estimates (Rs mn, %)		Change in estimates (%)	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Revenues	271,362	325,865	377,243	253,107	305,428	7.2	6.7
Gross Profit	66,484	79,064	89,388	62,603	75,165	6.2	5.2
<b>Gross margin (%)</b>	<b>24.5</b>	<b>24.3</b>	<b>23.7</b>	<b>24.7</b>	<b>24.6</b>	<b>-20 bps</b>	<b>-30 bps</b>
EBITDA	35,347	42,262	46,306	32,775	40,027	7.8	5.6
<b>EBITDA (%)</b>	<b>13.0</b>	<b>13.0</b>	<b>12.3</b>	<b>12.9</b>	<b>13.1</b>	<b>10 bps</b>	<b>-10 bps</b>
PAT	24,116	28,925	31,622	21,692	26,514	11.2	9.1
<b>EPS (Rs)</b>	<b>159.7</b>	<b>191.6</b>	<b>209.5</b>	<b>144.1</b>	<b>176.1</b>	<b>10.9</b>	<b>8.8</b>

Source: Company, Kotak Institutional Equities

**Exhibit 3: Consolidated quarterly segmental performance of Polycab, March fiscal year-ends (Rs mn)**

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>Segmental Revenues</b>																
Cables & Wires	16,269	26,281	29,988	35,400	24,057	29,517	33,418	40,783	35,338	38,047	39,041	48,647	39,421	47,200	43,846	60,191
FMEG	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
Others	718	3,212	989	1,044	999	1,051	1,260	1,338	1,528	2,015	2,475	5,022	5,194	5,852	4,985	6,028
Inter-segment revenue	(247)	(1,477)	(553)	(507)	(450)	(505)	(827)	(1,784)	(781)	(1,074)	(701)	(1,121)	(1,289)	(1,591)	(993)	(1,058)
<b>Total</b>	<b>18,658</b>	<b>31,445</b>	<b>33,827</b>	<b>39,730</b>	<b>27,688</b>	<b>33,117</b>	<b>37,271</b>	<b>43,389</b>	<b>39,230</b>	<b>42,288</b>	<b>43,777</b>	<b>56,130</b>	<b>47,182</b>	<b>55,436</b>	<b>52,070</b>	<b>69,921</b>
<b>Segment Results (EBIT including other income)</b>																
Cables & Wires	1,067	2,305	3,089	4,106	2,773	3,463	4,593	5,896	5,223	5,547	5,474	7,363	4,967	5,793	5,904	9,090
FMEG	(143)	172	63	105	64	(27)	(24)	(70)	(57)	(60)	(366)	(459)	(28)	(252)	(128)	19
Others	76	225	126	139	125	159	152	82	183	225	394	446	572	691	556	564
<b>EBIT margin (% including other income)</b>																
Cables & Wires	6.6	8.8	10.3	11.6	11.5	11.7	13.7	14.5	14.8	14.6	14.0	15.1	12.6	12.3	13.5	15.1
FMEG	(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
Others	10.6	7.0	12.8	13.3	12.5	15.1	12.1	6.1	12.0	11.2	15.9	8.9	11.0	11.8	11.1	9.4

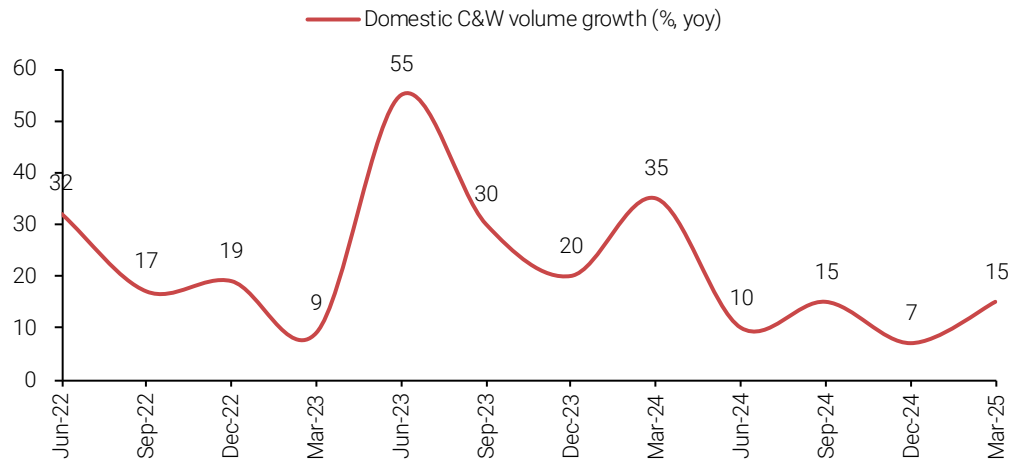
**Notes:**

(a) Polycab has started disclosing EPC segment separately from Mar-25 and reclassified non-EPC businesses from 'others' to 'wires & cables' segment. Prior period numbers are not restated in above exhibit and hence, yoy comparison might not be appropriate.

Source: Company, Kotak Institutional Equities

**Polycab registered mid-teen volume growth in 4QFY25, with cables/wires growth at high teens/HSD**

**Exhibit 4: Polycab—domestic C&W volume growth estimate, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities estimates

**Large players in W&C industry registered 20%+ revenue growth in 4QFY25**

**Exhibit 5: Cable and wires industry peer comparison**

	Revenue (Rs mn, %)					EBIT (Rs mn, %)					EBIT margin (% bps)				
	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)
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 industries	27,968	20,691	35.2	23,517	18.9	3,069	2,258	35.9	2,372	29.4	11.0	10.9	6 bps	10.1	89 bps
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
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

Source: Companies

**Exhibit 6: Polycab–net debt/(cash) position, March fiscal year-ends (Rs mn)**

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Gross debt	1,927	3,168	2,134	793	832	840	1,032	1,427	1,551	2,186	1,592	898	984	1,103	1,325	1,090
Cash	5,313	3,996	3,387	1,895	4,071	3,170	4,878	5,342	6,952	5,437	4,089	4,024	3,305	3,435	6,612	7,706
Current investments	6,231	5,888	6,619	3,546	7,641	3,567	12,799	14,812	13,505	6,844	12,788	18,224	13,945	21,860	11,744	17,490
<b>Net debt</b>	<b>(9,617)</b>	<b>(6,716)</b>	<b>(7,872)</b>	<b>(4,648)</b>	<b>(10,880)</b>	<b>(5,897)</b>	<b>(16,645)</b>	<b>(18,727)</b>	<b>(18,906)</b>	<b>(10,095)</b>	<b>(15,285)</b>	<b>(21,350)</b>	<b>(16,265)</b>	<b>(24,193)</b>	<b>(17,031)</b>	<b>(24,106)</b>
Acceptances	6,538	9,145	7,094	6,936	6,965	2,920	10,776	7,870	12,258	9,341	10,262	18,620	16,528	25,915	19,880	13,062
<b>Net debt plus acceptances</b>	<b>(3,079)</b>	<b>2,429</b>	<b>(778)</b>	<b>2,288</b>	<b>(3,915)</b>	<b>(2,977)</b>	<b>(5,869)</b>	<b>(10,857)</b>	<b>(6,648)</b>	<b>(754)</b>	<b>(5,023)</b>	<b>(2,730)</b>	<b>262</b>	<b>1,722</b>	<b>2,849</b>	<b>(11,044)</b>

Source: Company, Kotak Institutional Equities

**Exhibit 7: Polycab–annual segmental revenue and profitability breakdown, March fiscal year-ends (Rs mn, %)**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Segment revenues</b>												
Cables & wires	56,079	63,170	70,643	75,898	75,911	107,938	127,775	161,073	192,366	224,817	274,402	320,896
FMEG	3,384	4,853	6,433	8,356	10,341	12,544	12,607	12,988	16,822	20,186	23,820	27,393
Others (Largely EPC business)	1,720	2,491	4,637	5,965	2,998	3,702	4,647	11,008	19,192	33,587	35,266	37,029
Inter-segment revenue	39	(747)	(1,348)	(1,441)	(659)	(1,744)	(3,565)	(3,677)	(3,772)	(6,046)	(6,348)	(6,665)
<b>Gross revenues (including other income)</b>	<b>61,222</b>	<b>69,766</b>	<b>80,365</b>	<b>88,778</b>	<b>88,591</b>	<b>122,440</b>	<b>141,465</b>	<b>181,392</b>	<b>224,609</b>	<b>272,544</b>	<b>327,140</b>	<b>378,652</b>
<b>YoY revenue growth (%)</b>												
Cables & wires	6.5	12.6	11.8	7.4	0.0	42.2	18.4	26.1	18.2	16.9	22.1	16.9
FMEG	70.8	43.4	32.6	29.9	23.8	21.3	0.5	3.0	29.5	20.0	18.0	15.0
Others (Largely EPC business)	(39.1)	44.8	86.2	28.6	(49.7)	23.5	25.5	136.9	143.0	75.0	5.0	5.0
<b>Segment EBIT (includes other income)</b>												
Cables & wires	3,979	6,407	8,351	9,309	9,069	10,545	16,724	23,607	26,203	30,008	35,477	38,196
FMEG	35	88	75	168	566	196	(56)	(942)	(389)	295	858	1,420
Others (Largely EPC business)	219	81	198	903	456	499	517	1,248	1,806	3,151	3,311	3,478
<b>Segment EBIT</b>	<b>4,233</b>	<b>6,576</b>	<b>8,623</b>	<b>10,380</b>	<b>10,091</b>	<b>11,240</b>	<b>17,185</b>	<b>23,913</b>	<b>27,620</b>	<b>33,455</b>	<b>39,645</b>	<b>43,095</b>
<b>Segment depreciation</b>												
Cables & wires	1,240	1,245	1,319	1,451	1,547	1,774	1,835	2,086	2,568	3,152	3,900	4,643
FMEG	34	75	81	135	177	213	226	325	374	411	452	498
Others (Largely EPC business)	5	10	14	22	37	29	31	39	39	39	39	39
<b>Segment depreciation</b>	<b>1,279</b>	<b>1,330</b>	<b>1,414</b>	<b>1,609</b>	<b>1,762</b>	<b>2,015</b>	<b>2,092</b>	<b>2,450</b>	<b>2,981</b>	<b>3,603</b>	<b>4,392</b>	<b>5,180</b>
<b>Segment EBITDA (includes other income)</b>												
Cables & wires	5,219	7,652	9,670	10,760	10,616	12,319	18,559	25,692	28,771	33,160	39,377	42,840
FMEG	69	163	155	303	743	409	170	(617)	(15)	707	1,310	1,917
Others (Largely EPC business)	224	91	212	925	494	528	548	1,288	1,846	3,191	3,350	3,518
<b>Segment EBITDA</b>	<b>5,512</b>	<b>7,906</b>	<b>10,038</b>	<b>11,989</b>	<b>11,852</b>	<b>13,255</b>	<b>19,277</b>	<b>26,363</b>	<b>30,601</b>	<b>37,058</b>	<b>44,037</b>	<b>48,275</b>
Un-allocable financial income	39	27	128	289	452	296	577	764	1,077	652	775	850
<b>Overall EBITDA</b>	<b>5,552</b>	<b>7,933</b>	<b>10,165</b>	<b>12,278</b>	<b>12,304</b>	<b>13,551</b>	<b>19,854</b>	<b>27,127</b>	<b>31,679</b>	<b>37,710</b>	<b>44,812</b>	<b>49,125</b>
<b>EBITDA margin (%) - On gross revenues including other income</b>												
Cables & wires	9.3	12.1	13.7	14.2	14.0	11.4	14.5	16.0	15.0	14.8	14.4	13.4
FMEG	2.0	3.4	2.4	3.6	7.2	3.3	1.3	(4.7)	(0.1)	3.5	5.5	7.0
Others (Largely EPC business)	13.0	3.6	4.6	15.5	16.5	14.3	11.8	11.7	9.6	9.5	9.5	9.5
<b>EBITDA margin (%)</b>	<b>9.1</b>	<b>11.4</b>	<b>12.6</b>	<b>13.8</b>	<b>13.9</b>	<b>11.1</b>	<b>14.0</b>	<b>15.0</b>	<b>14.1</b>	<b>13.8</b>	<b>13.7</b>	<b>13.0</b>
<b>EBIT margin (%) - On gross revenues including other income</b>												
Cables & wires	7.9	10.4	11.8	12.3	11.9	9.8	13.1	14.7	13.6	13.3	12.9	11.9
FMEG	1.0	1.8	1.2	2.0	5.5	1.6	(0.4)	(7.3)	(2.3)	1.5	3.6	5.2
Others (Largely EPC business)	12.8	3.2	4.3	15.1	15.2	13.5	11.1	11.3	9.4	9.4	9.4	9.4
<b>EBIT margin (%)</b>	<b>6.9</b>	<b>9.4</b>	<b>10.7</b>	<b>11.7</b>	<b>11.4</b>	<b>9.2</b>	<b>12.1</b>	<b>13.2</b>	<b>12.3</b>	<b>12.3</b>	<b>12.1</b>	<b>11.4</b>

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Polycab—profit model, balance sheet and cash flow statement, March fiscal year-ends, 2018-28E (Rs mn, %)

	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Profit model (Rs mn)</b>											
Net sales	67,703	79,856	88,300	87,922	122,038	141,078	180,394	224,083	271,362	325,865	377,243
<b>EBITDA</b>	<b>7,289</b>	<b>9,528</b>	<b>11,350</b>	<b>11,111</b>	<b>12,652</b>	<b>18,521</b>	<b>24,918</b>	<b>29,602</b>	<b>35,347</b>	<b>42,262</b>	<b>46,306</b>
Depreciation	(1,330)	(1,414)	(1,609)	(1,762)	(2,015)	(2,092)	(2,450)	(2,981)	(3,603)	(4,392)	(5,180)
<b>EBIT</b>	<b>5,959</b>	<b>8,113</b>	<b>9,741</b>	<b>9,350</b>	<b>10,637</b>	<b>16,430</b>	<b>22,468</b>	<b>26,621</b>	<b>31,744</b>	<b>37,870</b>	<b>41,126</b>
Other income	644	638	928	1,193	899	1,333	2,209	2,076	2,363	2,550	2,819
Interest	(937)	(1,167)	(495)	(427)	(352)	(598)	(1,083)	(1,689)	(1,560)	(1,404)	(1,264)
<b>Profit before tax</b>	<b>5,665</b>	<b>7,583</b>	<b>10,174</b>	<b>10,117</b>	<b>11,184</b>	<b>17,165</b>	<b>23,593</b>	<b>27,008</b>	<b>32,547</b>	<b>39,018</b>	<b>42,682</b>
Share of net profits from JV + minority interest	1	(29)	(140)	(32)	(113)	(216)	(189)	(255)	(294)	(338)	(389)
Income tax	(2,082)	(2,558)	(2,444)	(1,703)	(2,706)	(4,242)	(5,564)	(6,553)	(8,137)	(9,754)	(10,670)
<b>Profit after tax</b>	<b>3,584</b>	<b>4,996</b>	<b>7,590</b>	<b>8,381</b>	<b>8,365</b>	<b>12,708</b>	<b>17,840</b>	<b>20,200</b>	<b>24,116</b>	<b>28,926</b>	<b>31,623</b>
<b>EPS (Rs)</b>	<b>25.4</b>	<b>35.4</b>	<b>51.1</b>	<b>56.2</b>	<b>56.0</b>	<b>84.9</b>	<b>118.5</b>	<b>133.8</b>	<b>159.7</b>	<b>191.6</b>	<b>209.5</b>
<b>Balance sheet (Rs mn)</b>											
Equity	23,476	28,470	38,364	47,539	55,437	66,372	81,871	98,250	116,020	137,044	160,023
Minority interest	40	84	150	188	251	374	562	818	1,111	1,449	1,838
Deferred tax liability	553	231	175	418	431	711	669	1,181	1,181	1,181	1,181
Other long-term liabilities	277	419	729	819	716	839	1,807	2,114	2,283	2,465	2,662
Total borrowings	8,003	2,920	1,221	1,926	831	730	898	1,090	1,090	1,090	1,090
Current liabilities	12,131	24,159	18,976	19,256	16,452	25,229	34,982	34,275	40,047	46,701	52,974
<b>Total liabilities</b>	<b>44,481</b>	<b>56,283</b>	<b>59,616</b>	<b>70,147</b>	<b>74,119</b>	<b>94,255</b>	<b>120,789</b>	<b>137,727</b>	<b>161,732</b>	<b>189,930</b>	<b>219,768</b>
Net fixed assets	13,331	14,686	16,294	19,323	20,109	22,769	27,622	35,093	42,490	49,098	54,918
ROU assets	-	-	338	341	351	362	728	1,310	1,349	1,389	1,431
Investments	315	294	655	6,349	7,733	13,505	18,224	17,490	17,490	17,490	17,490
Cash	106	3,176	2,813	5,313	4,071	6,952	4,024	7,706	6,454	11,254	19,441
Other current assets	30,728	38,127	39,516	38,821	41,855	50,667	70,191	76,128	93,949	110,698	126,487
<b>Total assets</b>	<b>44,481</b>	<b>56,283</b>	<b>59,616</b>	<b>70,147</b>	<b>74,119</b>	<b>94,255</b>	<b>120,789</b>	<b>137,727</b>	<b>161,732</b>	<b>189,930</b>	<b>219,768</b>
<b>Free cash flow (Rs mn)</b>											
Operating cash flow excl. working capital	7,242	9,246	8,669	9,924	10,090	15,193	21,052	24,185	27,210	32,508	35,636
Working capital changes	(3,610)	3,053	(6,223)	2,458	(4,974)	(917)	(8,090)	(6,099)	(12,049)	(10,095)	(9,516)
Interest	(944)	(781)	(433)	(463)	(309)	(476)	(1,017)	(1,685)	(1,560)	(1,404)	(1,264)
Capital expenditure	(1,992)	(2,861)	(2,901)	(1,935)	(5,200)	(4,584)	(8,580)	(9,583)	(11,039)	(11,040)	(11,042)
<b>Free cash flow</b>	<b>696</b>	<b>8,658</b>	<b>(888)</b>	<b>9,984</b>	<b>(393)</b>	<b>9,215</b>	<b>3,366</b>	<b>6,817</b>	<b>2,561</b>	<b>9,969</b>	<b>13,814</b>
<b>Ratios</b>											
Revenue growth (%)	23.1	17.9	10.6	(0.4)	38.8	15.6	27.9	24.2	21.1	20.1	15.8
<b>EBITDA margin (%)</b>	<b>10.8</b>	<b>11.9</b>	<b>12.9</b>	<b>12.6</b>	<b>10.4</b>	<b>13.1</b>	<b>13.8</b>	<b>13.2</b>	<b>13.0</b>	<b>13.0</b>	<b>12.3</b>
Gross Margin (%)	24.2	25.3	27.9	25.9	22.4	25.5	26.4	24.9	24.5	24.3	23.7
PAT margin (%)	5.3	6.3	8.6	9.5	6.9	9.0	9.9	9.0	8.9	8.9	8.4
Net debt/equity (X)	0.3	(0.0)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Book value (Rs/share)	166	202	258	319	371	444	544	651	768	908	1,060
RoAE (%)	16.5	19.2	22.7	19.5	16.2	20.9	24.1	22.4	22.5	22.9	21.3
<b>RoACE (%)</b>	<b>12.7</b>	<b>18.0</b>	<b>23.0</b>	<b>21.0</b>	<b>19.6</b>	<b>27.1</b>	<b>32.0</b>	<b>29.9</b>	<b>28.5</b>	<b>28.0</b>	<b>26.4</b>

Source: Company, Kotak Institutional Equities estimates

# HPCL (HPCL)

Oil, Gas & Consumable Fuels

**SELL**

CMP(₹): 397

Fair Value(₹): 210

Sector View: **Neutral**

NIFTY-50: 24,414

May 07, 2025

## 4Q much better; focus on retail price cuts

Similar to BPCL/IOCL, HPCL has reported a strong 4Q, with EBITDA up 21% yoy, 24% ahead of estimates. However, relative to BPCL/IOCL, HPCL's reported numbers seem weaker on lower marketing margins. Similar to peers, bulk of the beat was led by strong refining GRMs of US\$8.4/bbl (KIE: US\$4.5/bbl). LPG losses were in line and implied marketing margins were ~3% lower than our estimates. With oil prices weaker (and INR stronger), integrated margins on auto fuels are very high. The case is strong for auto fuel price cuts and/or further excise duty increases. Apart from a lack of pricing power, HPCL's high capex is a major worry. Retain SELL with FV of Rs210 (earlier Rs200).

## 4Q much better; still FY2025 EBITDA down 33% and PAT down 50% yoy

HPCL's 4Q EBITDA, at Rs58 bn (up 21% yoy), is 24% ahead of estimates. Similar to peers, bulk of the beat on our estimates is driven by refining. 4Q reported GRM of US\$8.4/bbl (including adventitious gain of US\$1.4 /bbl) is much higher versus our estimates of US\$4.5/bbl (US\$6.0/bbl in 3Q).

HPCL also benefited from the volatility in oil prices, but benefits appear lower. The delta between RM costs and Dubai crude (1M lag) was flat qoq. Adjusted for higher ethanol purchase costs, the delta declined by ~US\$1/bbl qoq (versus US\$2.4/3.9 per bbl for BPCL/IOCL).

4Q LPG losses of Rs33 bn (~Rs31 bn 3Q) were in line. Implied marketing margins were ~3% below KIE estimates (down 4% yoy, 17.5% qoq). Standalone PAT of Rs33.6 bn (up 18% yoy, 11% qoq) was 50% ahead of our estimates.

We note that despite a strong 4Q, for FY2025, HPCL's EBITDA declined 33% yoy, and PAT declined 50% yoy.

## Strong case for retail price cuts; likely higher US oil imports are a key risk

With the recent moderation in oil prices (and strength in INR), there is scope to cut retail prices and/or further raise excise duties by Rs7-10/liter, according to our estimates. However, in our view, price cuts (if any) will be lower, as price increases (if oil prices move up subsequently) are politically more difficult.

As we have highlighted, for Indian refiners, the headwinds are also from the likely higher imports of crude oil from the US as India tries to balance its trade and avoid reciprocal tariffs.

## Maintain SELL with FV of Rs210

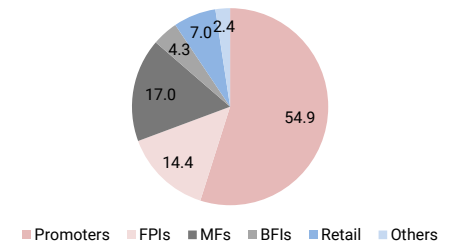
We have adjusted our model for FY2025. Our earnings changes are modest. Our revised FV is Rs210 (earlier Rs200), mainly on lower capex assumptions. While OMCs may surprise in the near term with elevated marketing margins, these may decline if retail prices were to be cut (or excise duties further rise) and if oil were to recover. Apart from a lack of pricing power, its large capex has been a worry. Maintain SELL.

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	397/210/SELL
52-week range (Rs) (high-low)	457-288
Mcap (bn) (Rs/US\$)	845/10.0
ADTV-3M (mn) (Rs/US\$)	2,295/27.1

#### Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	13	16	16
Rel. to Nifty	2	12	6
Rel. to MSCI India	3	14	9

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	34.6	29.3	31.5
EPS growth (%)	(49.9)	(15.3)	7.4
P/E (X)	11.5	13.5	12.6
P/B (X)	1.8	1.7	1.5
EV/EBITDA (X)	9.1	9.5	9.1
RoE (%)	16.9	13.0	12.7
Div. yield (%)	2.6	2.2	2.4
Sales (Rs bn)	4,337	3,998	4,223
EBITDA (Rs bn)	166	159	171
Net profits (Rs bn)	74	62	67

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

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Anil Sharma

Keshav Soni

## 4QFY25: Much better driven by refining

Similar to BPCL/IOCL last week, HPCL has reported a stronger 4Q. HPCL's 4Q EBITDA at Rs58 bn (up 21% yoy, down 3% qoq) is 24% ahead of estimates. However, relative to peers—BPCL (EBITDA 55% ahead of KIE) and IOCL (EBITDA 86% ahead)—HPCL's reported numbers seemed relatively weaker on lower marketing margins.

Similar to peers, bulk of the beat on our estimates was driven by refining GRMs. HPCL's reported GRM of US\$8.4/bbl (including adventitious gain of US\$1.4 /bbl) was much higher versus our estimates of US\$4.5/bbl (US\$6.0/bbl in 3Q).

HPCL has reported LPG losses of Rs33 bn on LPG (~Rs31 bn in 3Q), in line with our estimate of Rs33.5 bn. Adjusted marketing margins were ~3% lower than our estimates (down 4% yoy and 17.5% yoy).

Standalone PAT of Rs33.6 bn (up 18% yoy, 11% qoq) was 50% ahead of our estimates. We note that despite a strong 4Q, for FY2025, HPCL's EBITDA declined 33% yoy and PAT declined 50% yoy.

### Refining:

- ▶ Crude throughput, at 6.7 mmt (up 15% yoy, 4.2% qoq), was in line with our estimates. Similar to BPCL/IOCL, a big surprise was the reported GRM of US\$8.4/bbl, much ahead of our estimate of US\$4.5/bbl.
- ▶ Reported GRM was boosted by adventitious gains on inventory of nearly US\$1.4/bbl. While oil prices were volatile (Dubai crude range of US\$70-86/bbl), average prices for the quarter or for the past 15/30/45 days had not changed much. We expected not much adventitious gain/losses on inventory.
- ▶ Similar to peers BPCL/IOCL, HPCL also seems to have benefited from the volatility in oil prices, but benefits appear lower. The delta between HPCL's reported RM costs and Dubai crude (1M lag) was nearly flat qoq at US\$14.8/bbl. However, adjusted for higher ethanol purchase costs that are included in RM cost, the implied delta for HPCL's crude cost declined by ~US\$1/bbl qoq (versus US\$2.4/3.9 per bbl for BPCL/IOCL).

### Marketing:

- ▶ HPCL's domestic sales volume at 12.1 mmt (+2.6% yoy, down 1.7% qoq) was in line with our estimates.
- ▶ LPG under-recoveries of Rs33 bn (Rs31 bn in 3Q) were in line with our estimate of Rs33.5 bn. For FY2025, HPCL's under-recovery on LPG was Rs109 bn. While the government has said that as domestic LPG is a controlled product and OMCs will be compensated, there is no clarity on the timing or quantum of any compensation.
- ▶ HPCL's implied marketing margin of Rs6,260/ton was ~3% lower than our estimates. According to HPCL, in the marketing segment, there were adventitious gains of Rs5.75 bn in 4Q (~US\$0.8/bbl).

### Takeaways from earnings call and press release:

- ▶ **Rajasthan refinery:** The construction of its Rajasthan refinery is nearing completion. A crude distillation unit is expected to be commissioned by October 2025, along with associated MS and HSD production. The petchem plant is expected to be functional by early CY2026.
- ▶ Of the project capex of Rs730 bn, nearly Rs570 bn has been spent so far. HRRL has tied up debt of nearly Rs480 bn, with its current debt at Rs350 bn.
- ▶ At the time of project feasibility, based on prevailing mid-cycle margins, the expected GRM for HRRL was US\$20/bbl. In our view, with petchem much weaker, likely GRM would be lower currently. HPCL's indicated opex is US\$5-7/bbl. As the project is unlikely to be profitable in the initial period, HPCL will look to support it.
- ▶ **HMEL:** HMEL's 4Q GRM was close to US\$12/bbl and US\$9.3/bbl for FY2025. The refinery generated an EBITDA of Rs40 bn in FY2025, but PAT is negative due to higher interest and depreciation. The petchem business is showing improvement in operational efficiency, but the weak petchem cycle is impacting profitability.

- ▶ **LPG under-recoveries:** HPCL absorbed cumulative losses of Rs109 bn in FY2025. As the price of domestic LPG cylinders increased in April 2025, the under-recovery is down to Rs170/cylinder. We note that for FY2025, average under-recoveries were similar at ~Rs170/cylinder.
- ▶ **Charra terminal:** HPCL's 5 mmtpa Charra terminal was commissioned in February 2025. The company has tied up a long-term LNG contract for this terminal and is now actively looking for gas marketing. Out of the 5 mmtpa capacity, HPCL is expecting to use 1.5 mmtpa for its own captive use.
- ▶ **Marketing:** Demand growth for diesel in 4Q was weaker due to a high base (elections last year). Although the overall demand growth was slower, HPCL has gained market share as its diesel sales grew faster than the industry. Management has focused on increasing its footprint and SSSG, as the refining output of HPCL is expected to rise after the commissioning of HRRL.
- ▶ **Capex:** Total capital expenditure for FY2025 was Rs145 bn (Rs143 bn in FY2024). Management has guided for a capex of Rs130-140 bn in FY2026. The capex for the CGD business will be in the range of Rs11-12 bn for the next few years.
- ▶ **Adventitious gains:** For 4Q, gains in refining were Rs6 bn (US\$1.4/bbl) and in marketing of Rs5.75 bn (US\$0.8/bbl). However, for FY2025, there were losses in refining of Rs5.5 bn (US\$0.4/bbl) and Rs9 bn (US\$0.3/bbl).

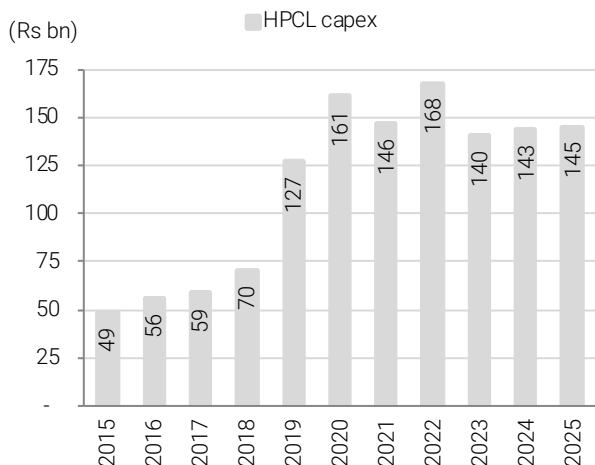
Exhibit 1: Interim results of HPCL, March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			FY2025	FY2024	(% chg.)
					vs KIE	yoy	qoq			
<b>Net sales</b>	<b>1,094,924</b>	<b>1,112,234</b>	<b>1,145,569</b>	<b>1,105,054</b>	<b>(1.6)</b>	<b>(4.4)</b>	<b>(0.9)</b>	<b>4,337,281</b>	<b>4,335,249</b>	<b>0.0</b>
Increase/(decrease) in stock	16,547	—	11,185	(44,657)	NM	47.9	NM	(9,469)	26,045	NM
Raw materials	(387,957)	(376,342)	(330,924)	(353,023)	3.1	17.2	9.9	(1,461,637)	(1,267,043)	15.4
Product purchase	(608,061)	(635,455)	(720,722)	(585,723)	(4.3)	(15.6)	3.8	(2,474,912)	(2,632,933)	(6.0)
Staff cost	(8,680)	(8,650)	(8,894)	(9,516)	0.3	(2.4)	(8.8)	(33,355)	(34,224)	(2.5)
Other expenditure	(48,736)	(45,000)	(48,176)	(52,434)	8.3	1.2	(7.1)	(191,850)	(178,704)	7.4
Total expenditure	(1,036,886)	(1,065,447)	(1,097,531)	(1,045,353)	(2.7)	(5.5)	(0.8)	(4,171,222)	(4,086,859)	2.1
<b>EBITDA</b>	<b>58,038</b>	<b>46,787</b>	<b>48,038</b>	<b>59,702</b>	<b>24.0</b>	<b>20.8</b>	<b>(2.8)</b>	<b>166,060</b>	<b>248,390</b>	<b>(33.1)</b>
Other income	7,925	6,000	8,536	4,791	32.1	(7.2)	65.4	24,164	23,822	1.4
Interest	(7,087)	(7,602)	(7,340)	(9,291)	(6.8)	(3.4)	(23.7)	(33,109)	(25,157)	31.6
Depreciation	(15,831)	(15,202)	(16,113)	(15,097)	4.1	(1.8)	4.9	(60,900)	(55,524)	9.7
<b>Pretax profits</b>	<b>43,044</b>	<b>29,983</b>	<b>33,121</b>	<b>40,104</b>	<b>43.6</b>	<b>30.0</b>	<b>7.3</b>	<b>96,215</b>	<b>191,531</b>	<b>(49.8)</b>
Extraordinaries	—	—	—	—	NM	NM	NM	—	(905)	NM
Current tax	(8,577)	(7,547)	(1,750)	(7,051)	13.7	390.1	21.6	(17,709)	(8,144)	117
Deferred tax	(917)	—	(2,943)	(2,824)	NM	(68.8)	(67.5)	(4,857)	(35,545)	(86)
<b>Net income</b>	<b>33,550</b>	<b>22,436</b>	<b>28,427</b>	<b>30,229</b>	<b>49.5</b>	<b>18.0</b>	<b>11.0</b>	<b>73,649</b>	<b>146,938</b>	<b>(49.9)</b>
<b>Adjusted net income</b>	<b>33,550</b>	<b>22,436</b>	<b>28,427</b>	<b>30,229</b>	<b>49.5</b>	<b>18.0</b>	<b>11.0</b>	<b>73,649</b>	<b>147,636</b>	<b>(50.1)</b>
<b>Adjusted EPS (Rs)</b>	<b>15.8</b>	<b>10.5</b>	<b>13.4</b>	<b>14.2</b>	<b>49.5</b>	<b>18.0</b>	<b>11.0</b>	<b>34.6</b>	<b>69.4</b>	<b>(50.1)</b>
<b>Other details</b>										
Crude throughput (mn tons)	6.7	6.7	5.8	6.5	0.6	15.4	4.2	25.3	22.3	13.2
Domestic sales volume (mn tons)	12.1	12.0	11.8	12.3	0.6	2.6	(1.7)	47.3	44.7	5.9
Export sales volume (mn tons)	0.6	0.6	0.5	0.6	1.7	11.3	7.3	2.5	2.2	17.7
Pipeline throughput (mn tons)	6.6	7.0	6.5	6.9	(5.6)	1.7	(4.6)	26.9	25.8	4.1
<b>Reported refining margin (US\$/bbl)</b>	<b>8.4</b>	<b>4.5</b>	<b>7.0</b>	<b>6.0</b>	<b>87.6</b>	<b>21.4</b>	<b>40.4</b>	<b>5.7</b>	<b>9.1</b>	<b>(36.8)</b>
<b>Implied marketing margin (Rs/ton)</b>	<b>6,259</b>	<b>6,450</b>	<b>6,529</b>	<b>7,589</b>	<b>(3.0)</b>	<b>(4.1)</b>	<b>(17.5)</b>	<b>6,055</b>	<b>7,231</b>	<b>(16.3)</b>
Net over-recovery/(under-recovery)	8,252	8,463	12,394	35,967	(2.5)	(33)	(77)	32,871	77,586	(57.6)
Exchange gain/(loss)	750	—	(620)	(4,810)	NM	NM	NM	(4,500)	(2,590)	74

Source: Company, Kotak Institutional Equities estimates

**HPCL's capex was Rs145 bn for FY2025**

Exhibit 2: HPCL's reported capex, March fiscal-ends, 2015 onward (Rs bn)



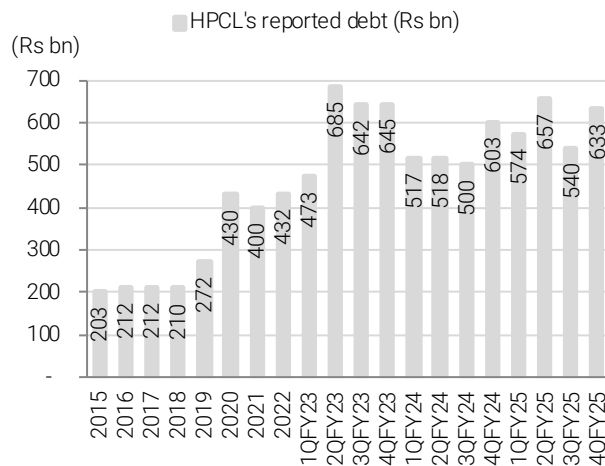
Note:

Capex includes investments in JVs and subsidiaries

Source: Company, Kotak Institutional Equities

**HPCL's reported debt rose 17% qoq (up 5% yoy) on higher year-end tax provisions**

Exhibit 3: HPCL's reported debt, March fiscal-ends, 2015 onward (Rs bn)



Source: Company, Kotak Institutional Equities

**HPCL's capex was nearly Rs730 bn over past five years**

Exhibit 4: HPCL's capex breakup over past 5 years (Rs bn)

Area	Rs bn	%
Refining capacity expansions	244	33
Pipeline network expansion	65	9
LPG plants/POL depots	89	12
Biofuels & renewable capacities	13	2
Expanding customer touch points	96	13
Others (R&D, Digital transformation etc.)	25	3
Equity investment in JVs/Subsidiaries	162	22
Expansion of CGD Network	38	5
<b>Total</b>	<b>730</b>	<b>100</b>

Note:

For its Rajasthan refinery (74% stake), only HPCL's equity investment of ~Rs150-160 bn has been included. Of the project cost of Rs730 bn, ~Rs570 bn has been spent so far.

Source: Company, Kotak Institutional Equities

**HPCL has 5-year investment of Rs770 bn over FY2024-28**

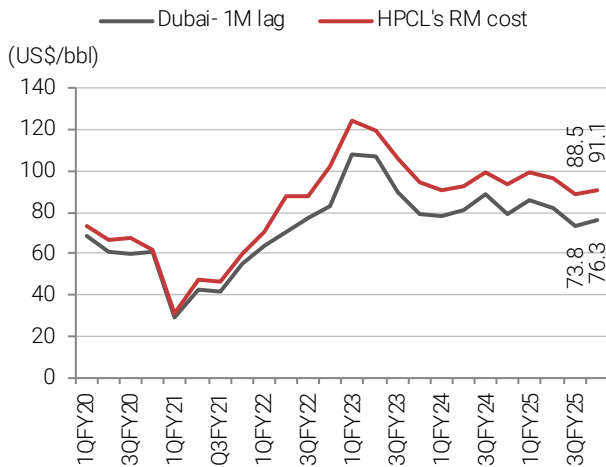
Exhibit 5: HPCL's planned capex over FY2024-28 (Rs bn)

Area	Rs bn	%
Petroleum	400	52%
Gas	116	15%
Renewable	62	8%
Non fuel	54	7%
Net zero	46	6%
Petchem	39	5%
Biofuels	31	4%
EV/alterante	23	3%
<b>Total</b>	<b>770</b>	<b>100%</b>

Source: Company, Kotak Institutional Equities

**Delta between HPCL's RM cost and Dubai crude at US\$14.8/bbl was flat qoq**

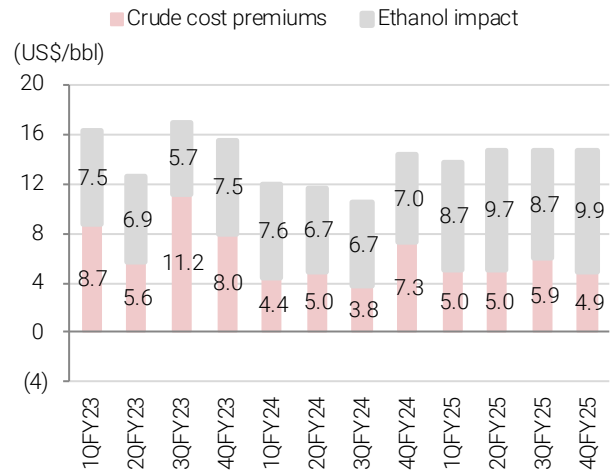
Exhibit 6: HPCL's raw material cost versus Dubai crude price, from 1QFY20 (US\$/bbl)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

**Adjusted for ethanol, crude cost delta over Dubai crude declined just US\$1/bbl (US\$2.4-3.9/bbl for BPCL/IOCL)**

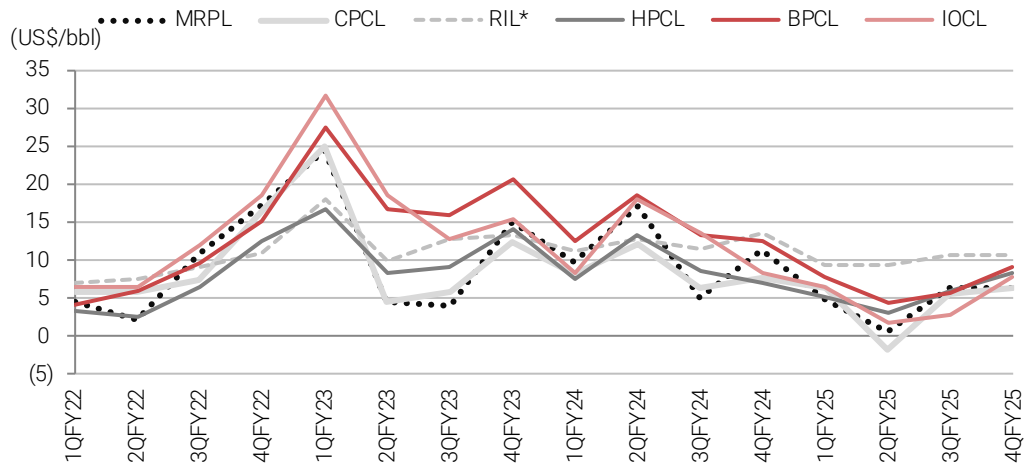
Exhibit 7: HPCL's raw material cost versus Dubai crude price, from 1QFY22 (US\$/bbl)



Source: Company, Bloomberg, Kotak Institutional Equities estimates

**In 4Q, BPCL, HPCL and IOCL reported surprisingly higher qoq GRMs; unlike MRPL, CPCL and RIL; benchmark margins have declined qoq by US\$1-2/bbl**

Exhibit 8: GRM comparison for Indian refiners; March fiscal year-end 1QFY22 onward (US\$/bbl)



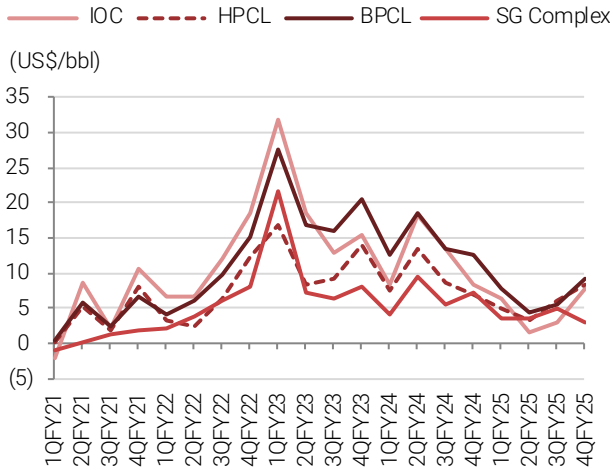
Notes:

1. HPCL, BPCL and IOCL reported GRMs are before the impact of export tax
2. RIL's GRMs are our estimates

Source: Company, Kotak Institutional Equities estimates

**After under-performing for long, HPCL now reporting near similar GRM to BPCL**

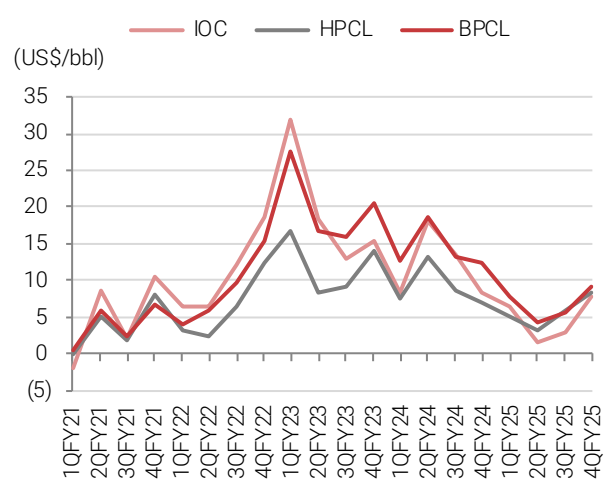
**Exhibit 9: OMCs reported GRM, March fiscal year-ends, 1QFY21 onward**



Source: Company, Kotak Institutional Equities

**After moderating in first 9M, premiums over SG complex sharply expanded in 4Q for OMCs**

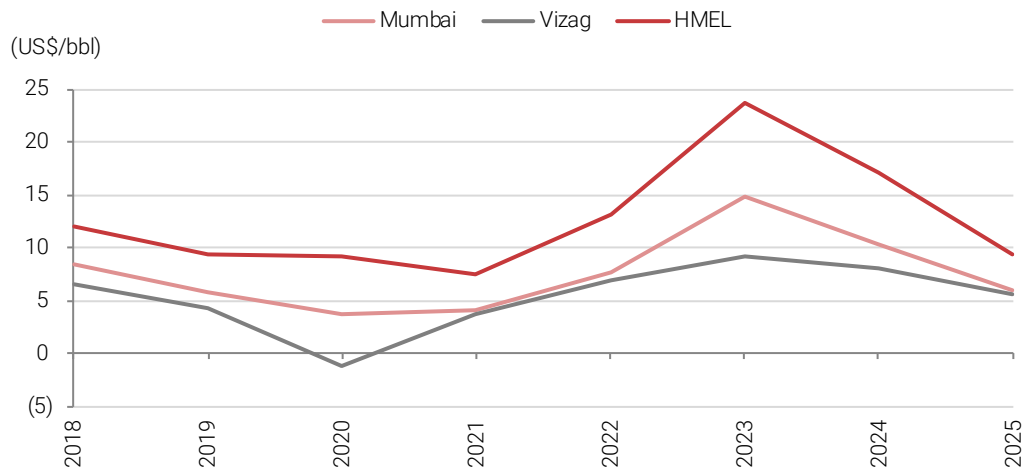
**Exhibit 10: OMC's refining premium/discount to SG complex margins, March fiscal year-ends, 2019 onward (US\$/bb)**



Source: Company, Kotak Institutional Equities

**Reported GRMs in FY2025 for each refinery moderated from high levels in FY2023 and FY2024**

**Exhibit 11: HPCL's refinery-wise GRM, March fiscal year-ends, 2018 onward**

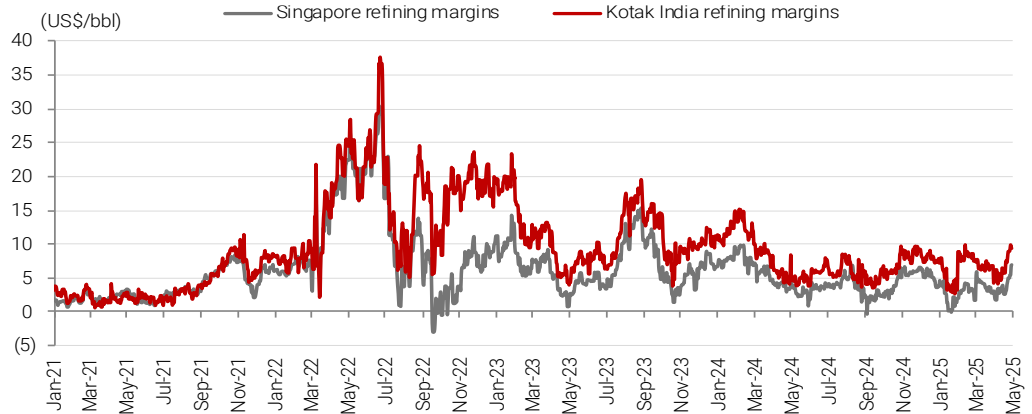


Source: Company, Kotak Institutional Equities

## Product cracks weaker, but integrated margins still elevated

### Refining margins have been muted since 1QFY25

Exhibit 12: Daily refining margins, March fiscal year-ends, 1QFY21 onward (US\$/bbl)

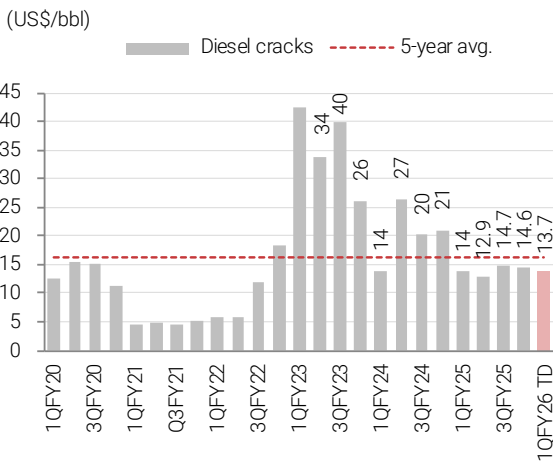


	Kotak India refining margins (a) (US\$/bbl)						Singapore refining margins (US\$/bbl)					
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
1Q	0.8	1.9	23.2	7.3	5.4	6.5	(1.0)	2.1	21.5	4.1	3.5	3.6
2Q	1.1	3.4	11.4	13.3	5.6		0.0	3.8	7.1	9.6	3.6	
3Q	2.3	7.5	16.6	9.3	7.6		1.2	6.1	6.3	5.4	5.0	
4Q	2.1	9.0	14.4	11.0	6.6		1.8	8.0	8.3	7.3	3.1	
<b>Average</b>	<b>1.6</b>	<b>5.5</b>	<b>16.4</b>	<b>10.2</b>	<b>6.3</b>	<b>6.5</b>	<b>0.5</b>	<b>5.0</b>	<b>10.8</b>	<b>6.6</b>	<b>3.8</b>	<b>3.6</b>

Source: Reuters, Kotak Institutional Equities estimates

### Diesel cracks have moderated in 1QFY26 so far

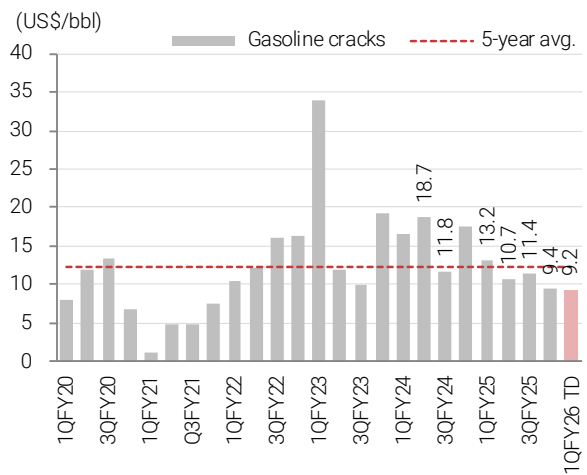
Exhibit 13: Diesel cracks over Dubai crude, March fiscal year-ends, 1QFY20 onward (Rs/liter)



Source: PPAC, Reuters, Kotak Institutional Equities estimates

### Gasoline cracks have further weakened in 1QFY26

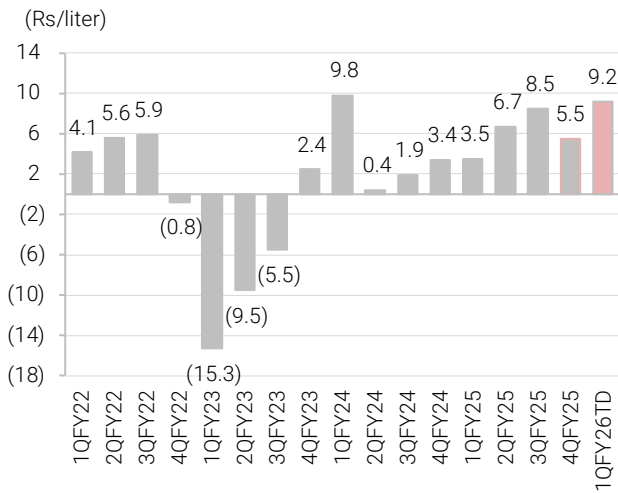
Exhibit 14: Gasoline cracks over Dubai crude, March fiscal year-ends, 1QFY20 onward (Rs/liter)



Source: PPAC, Reuters, Kotak Institutional Equities estimates

**With a decline in oil prices, partly offset by Rs2/liter excise hike...**

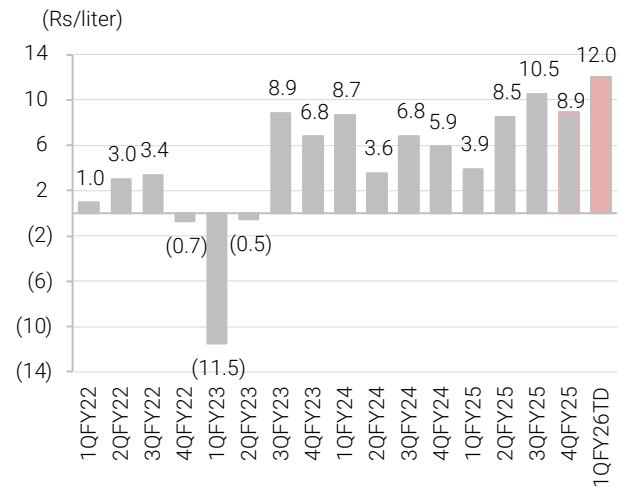
**Exhibit 15: Gross margins on diesel, 1QFY22 onward (Rs/liter)**



Source: PPAC, Reuters, Kotak Institutional Equities estimates

**... marketing margins have further increased in 1QFY26**

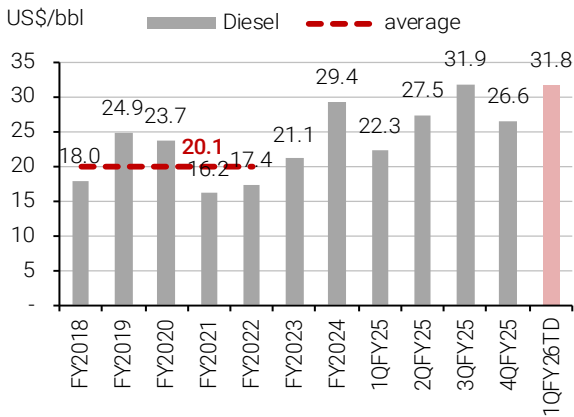
**Exhibit 16: Gross margins on petrol, 1QFY22 onward (Rs/liter)**



Source: PPAC, Reuters, Kotak Institutional Equities estimates

**With lower oil prices, integrated margins on diesel are higher so far in 1Q, despite an excise duty increase**

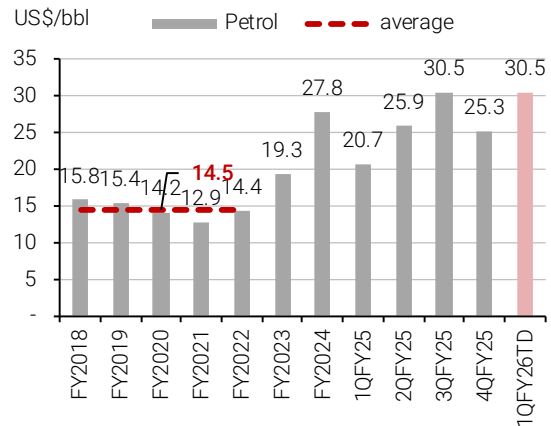
**Exhibit 17: OMCs' deltas for diesel over Dubai crude, March fiscal year-ends, 2018 onward (US\$/bbl)**



Source: PPAC, Reuters, Kotak Institutional Equities estimates

**Petrol: Integrated margins on petrol also improved similarly on lower oil prices and stronger-than-expected INR**

**Exhibit 18: OMCs' deltas for petrol over Dubai crude, March fiscal year-ends, 2018 onward (US\$/bbl)**



Source: PPAC, Reuters, Kotak Institutional Equities estimates

**OMCs' diesel gross margins were up ~1.6-1.8X in 2024-25 (versus 2018-20); margins are even higher currently**

**Exhibit 19: Diesel gross margin estimates for OMCs, March fiscal year-ends, 2018 onward (Rs/liter)**

	2018	2019	2020	2018-20 avg.	2024	2025	Current	2018-20 avg. versus		
								FY2024	2025	Current
Rs/US\$	64.5	69.8	70.7	68.3	82.8	84.5	84.5			
Indian crude imports (US\$/bbl)	54.6	72.5	61.2	62.8	78.0	77.4	62.0			
<b>Built-up of prices (Rs/liter)</b>										
Retail price - Diesel	58.3	68.2	65.8	64.1	89.5	87.6	87.6	<b>25.4</b>	<b>23.5</b>	<b>23.5</b>
Crude cost	22.1	31.8	27.2	27.1	40.6	41.1	32.9	13.6	14.1	5.9
Taxes and charges	27.5	27.2	27.7	27.5	31.5	31.1	33.4	4.0	3.6	5.9
Excise duty	16.3	14.6	15.5	15.5	15.8	15.8	17.8	0.3	0.3	2.3
Dealer commission	2.6	2.6	2.6	2.6	2.6	2.7	3.0	0.0	0.1	0.4
VAT	8.6	10.0	9.7	9.4	13.1	12.6	12.6	3.6	3.1	3.1
Gross margin (Rs/liter)	8.6	9.2	10.8	9.5	17.4	15.4	21.3	<b>7.8</b>	<b>5.8</b>	<b>11.7</b>
Gross margin (US\$/bbl)	21.3	20.9	24.4	22.2	33.4	29.0	40.0	15.1	11.0	22.1
<b>Versus 2018-20 average (X)</b>					<b>1.8</b>	<b>1.6</b>	<b>2.2</b>			

Note:

1) OMC gross margins are our estimation based on average Indian oil import prices and OMCs' net realization, excluding taxes and dealer commission at Delhi.

Source: Company, PPAC, Bloomberg, Kotak Institutional Equities estimates

**OMCs' petrol gross margins were up ~2.2-2.6X in 2024-25 (versus 2018-20 average); margins are even higher currently**

**Exhibit 20: Petrol gross margin estimates for OMCs, March fiscal year-ends, 2018 onward (Rs/liter)**

	2018	2019	2020	2018-20 avg.	2024	2025	Current	2018-20 avg. versus		
								2024	2025	Current
Rs/US\$	64.5	69.8	70.7	68.3	82.8	84.5	84.5			
Indian crude imports (US\$/bbl)	54.6	72.5	61.2	62.8	78.0	77.4	62.0			
<b>Built-up of prices (Rs/liter)</b>										
Retail price - Petrol	68.8	75.4	72.7	72.3	96.6	94.7	94.7	<b>24.4</b>	<b>22.4</b>	<b>22.4</b>
Crude cost	22.1	31.8	27.2	27.1	40.6	41.1	32.9	13.6	14.1	5.9
Taxes and charges	38.9	38.5	38.8	38.8	39.4	39.2	41.7	0.7	0.5	2.9
Excise duty	20.5	18.7	19.6	19.6	19.9	19.9	21.9	0.3	0.3	2.3
Dealer commission	3.8	3.8	3.8	3.8	3.8	4.0	4.4	0.0	0.2	0.6
VAT	14.6	16.0	15.5	15.4	15.7	15.4	15.4	0.3	0.0	0.0
Gross margin (Rs/liter)	7.8	5.0	6.6	6.5	16.6	14.3	20.1	<b>10.1</b>	<b>7.9</b>	<b>13.6</b>
Gross margin (US\$/bbl)	19.1	11.4	14.9	15.0	31.9	27.0	37.8	19.5	14.8	25.6
<b>Versus 2018-20 average (X)</b>					<b>2.6</b>	<b>2.2</b>	<b>3.1</b>			

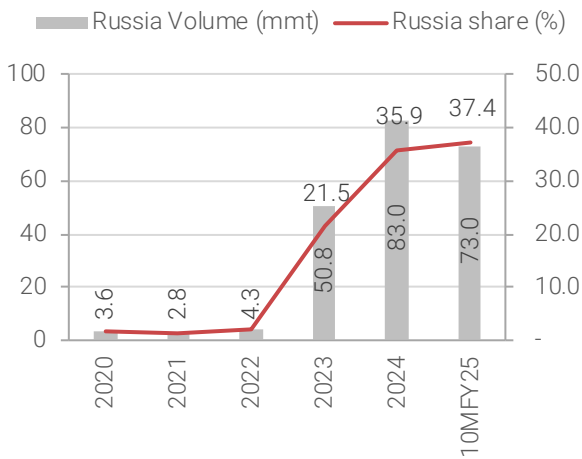
Note:

1) OMC gross margins are our estimation based on average Indian oil import prices and OMCs' net realization, excluding taxes and dealer commission at Delhi.

Source: Company, PPAC, Bloomberg, Kotak Institutional Equities estimates

**Russian oil imports rose from 1.5-2.0% before FY2022 to 36-37% in the past two years**

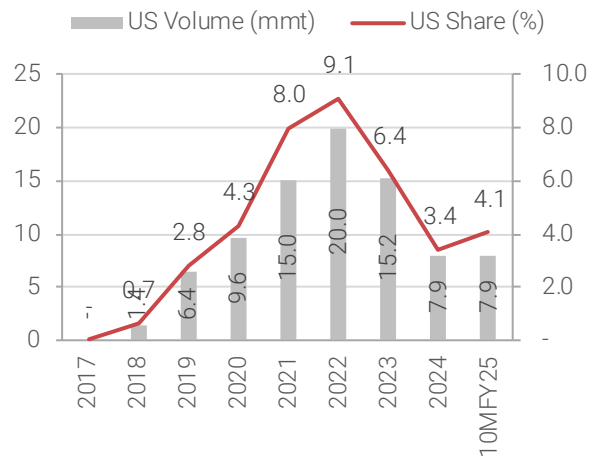
Exhibit 21: Russian oil imports and share, March fiscal year-ends, 2021 onward (mmt, %)



Source: Commerce Ministry, Kotak Institutional Equities

**Share of US oil imports had picked up to 9% in FY2022, these declined to just 3.4% in FY2024; share likely to rise now**

Exhibit 22: US oil imports and share, March fiscal year-ends, 2017 onward (mmt, %)



Source: Commerce Ministry, Kotak Institutional Equities

**With higher Russian crude imports, India sharply cut imports from the US; these will likely increase**

Exhibit 23: India's oil imports share from key countries, March fiscal year-ends, 2015 onward

Volume (kt)	Russia	Iran	Venezuela	Nigeria	Kuwait	Iraq	S. Arabia	UAE	USA	Others	Overall
	2015	0.2	11.2	22.8	17.9	18.8	24.0	34.5	16.3	-	42.2
2016	0.1	13.6	22.7	23.0	11.2	35.7	39.6	14.8	0.0	41.6	202.3
2017	0.5	27.1	21.4	17.7	9.2	37.8	39.3	19.3	-	42.5	214.9
2018	3.0	22.6	18.3	18.1	12.9	45.7	36.2	14.3	1.4	45.6	218.1
2019	2.2	23.9	17.3	16.8	10.8	46.6	40.3	17.5	6.4	44.5	226.5
2020	3.6	2.0	17.2	17.3	10.3	51.6	42.2	21.8	9.6	45.4	220.9
2021	2.8	-	4.1	14.2	9.6	43.0	34.2	21.9	15.0	43.3	188.2
2022	4.3	-	-	15.0	14.2	56.5	38.9	21.7	20.0	49.5	220.0
2023	50.8	-	-	7.6	11.6	50.6	39.5	22.1	15.2	39.2	236.7
2024	83.0	-	1.7	5.1	6.6	49.8	32.8	13.7	7.9	30.7	231.5
10MFY25	73.0	-	2.0	2.6	5.2	40.4	24.6	17.7	7.9	21.7	195.1
Volume (%)											
2015	0.1	6.0	12.1	9.5	10.0	12.8	18.4	8.7	-	22.5	100.0
2016	0.1	6.7	11.2	11.4	5.5	17.6	19.6	7.3	0.0	20.5	100.0
2017	0.2	12.6	10.0	8.2	4.3	17.6	18.3	9.0	-	19.8	100.0
2018	1.4	10.4	8.4	8.3	5.9	21.0	16.6	6.6	0.7	20.9	100.0
2019	1.0	10.6	7.6	7.4	4.8	20.6	17.8	7.7	2.8	19.7	100.0
2020	1.6	0.9	7.8	7.8	4.6	23.3	19.1	9.9	4.3	20.5	100.0
2021	1.5	-	2.2	7.6	5.1	22.9	18.2	11.6	8.0	23.0	100.0
2022	2.0	-	-	6.8	6.5	25.7	17.7	9.8	9.1	22.5	100.0
2023	21.5	-	-	3.2	4.9	21.4	16.7	9.3	6.4	16.6	100.0
2024	35.9	-	0.7	2.2	2.8	21.5	14.2	5.9	3.4	13.3	100.0
10MFY25	37.4	-	1.0	1.3	2.7	20.7	12.6	9.1	4.1	11.1	100.0

Source: Commerce Ministry, Kotak Institutional Equities

**India's average oil import cost was nearly US\$4.1/bbl higher in 10MFY25 (versus negative US\$2.1/bbl in FY2023)**

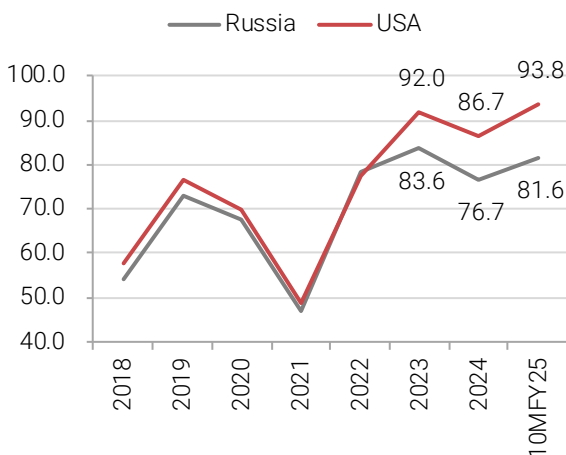
**Exhibit 24: India's crude import prices, premium/(discount) versus Dubai (1M lag), March fiscal year-ends, 2020 onward (US\$/bbl)**

Price (US\$/bbl)												Dubai 1M lag
	Russia	Iran	Venezuela	Nigeria	Kuwait	Iraq	S. Arabia	UAE	USA	Others	Overall	
<b>Average price of crude imports</b>												
2015	115.9	86.1	69.8	98.8	83.6	80.8	86.6	93.1	-	84.9	84.9	88.1
2016	67.8	43.1	34.2	53.8	44.0	41.3	46.7	50.5	48.6	44.7	44.6	47.6
2017	80.4	45.0	35.2	52.2	44.1	42.1	47.6	48.1	-	45.8	45.1	45.4
2018	54.0	54.4	43.7	61.9	56.3	52.5	57.8	58.7	57.7	55.2	54.9	54.8
2019	72.9	69.4	57.3	76.8	69.0	65.4	72.6	74.5	76.7	67.3	69.0	68.7
2020	67.6	69.0	47.9	71.1	64.6	60.5	66.1	68.6	70.0	64.0	63.7	62.9
2021	46.9	-	21.4	47.1	44.7	41.0	43.1	46.1	49.0	42.7	43.3	41.8
2022	78.4	-	-	78.5	76.5	73.6	80.6	77.8	77.6	73.6	76.2	73.7
2023	83.6	-	-	109.2	94.5	91.0	100.9	104.3	92.0	95.7	93.9	95.9
2024	76.7	-	64.3	91.4	89.5	79.4	90.6	89.6	86.7	87.8	82.4	81.8
10MFY25	81.6	-	73.9	139.6	83.5	78.6	89.1	89.9	93.8	80.3	83.8	79.7
<b>Premium/(discount) to Dubai crude</b>												
2015	27.9	(2.0)	(18.2)	10.8	(4.5)	(7.2)	(1.5)	5.1	-	(3.2)	(3.2)	
2016	20.2	(4.5)	(13.4)	6.2	(3.6)	(6.3)	(0.9)	2.9	1.0	(2.9)	(3.0)	
2017	35.0	(0.4)	(10.2)	6.8	(1.3)	(3.2)	2.2	2.7	-	0.4	(0.3)	
2018	(0.7)	(0.4)	(11.0)	7.2	1.5	(2.3)	3.0	3.9	3.0	0.4	0.1	
2019	4.2	0.7	(11.3)	8.1	0.3	(3.2)	4.0	5.8	8.1	(1.3)	0.3	
2020	4.7	6.2	(14.9)	8.3	1.7	(2.4)	3.2	5.7	7.1	1.2	0.9	
2021	5.1	-	(20.4)	5.3	2.9	(0.8)	1.3	4.3	7.2	0.9	1.5	
2022	4.7	-	-	4.8	2.8	(0.1)	6.9	4.1	3.9	(0.1)	2.5	
2023	(12.4)	-	-	13.2	(1.4)	(5.0)	5.0	8.4	(4.0)	(0.3)	(2.1)	
2024	(5.1)	-	(17.5)	9.5	7.7	(2.4)	8.8	7.8	4.8	6.0	0.6	
10MFY25	1.9	-	(5.8)	59.9	3.8	(1.1)	9.4	10.2	14.1	0.6	4.1	

Source: Commerce Ministry, Kotak Institutional Equities

**Russian and US crude imports were similarly priced in 2022...**

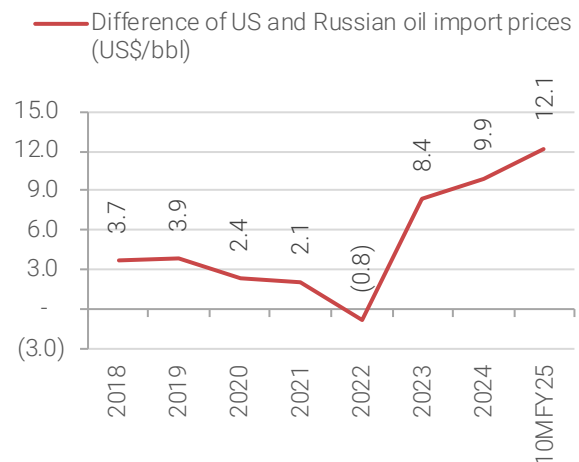
**Exhibit 25: India's average import prices for Russian and US crude imports, March fiscal year-ends (US\$/bbl)**



Source: Commerce Ministry, Kotak Institutional Equities

**...but delta has increased to US\$10-12/bbl**

**Exhibit 26: Difference between US and Russian oil import prices, March fiscal year-ends (US\$/bbl)**



Source: Commerce Ministry, Kotak Institutional Equities

## LPG: Under-recoveries partly offset high auto fuel margins

Unlike diesel/petrol (where prices are officially deregulated, but OMCs do not seem to have pricing freedom), LPG is a controlled product. The government decides the retail prices for domestic LPG, while commercial LPG prices are set on import parity prices.

As the domestic LPG price change is infrequent, there are over-recoveries and under-recoveries on LPG. For under-recoveries on LPG, the government compensates OMCs, but the timing can be uncertain and compensation may not be complete. For losses up to 1HFY23, OMCs were given a one-time compensation in October 2022. Thereafter, as domestic LPG prices increased, while international LPG prices were softer, OMCs were having over-recoveries on domestic LPG. These over-recoveries were kept as a positive buffer and not booked in profits.

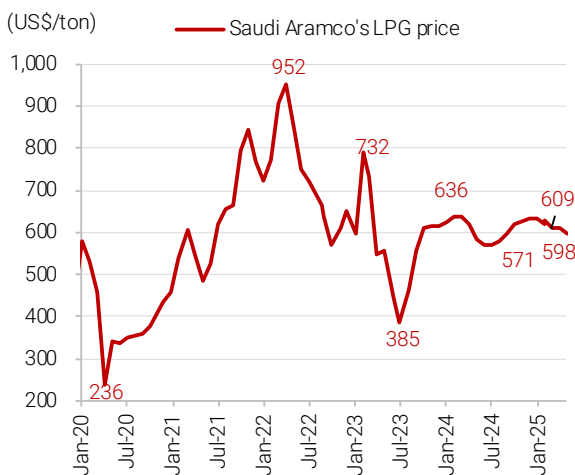
Ahead of elections in 2HFY24, domestic LPG prices were cut. However, international LPG prices had firmed up. This led to OMCs having under-recoveries on LPG. For three OMCs, the LPG under-recoveries were nearly Rs130 bn in 4Q and ~Rs410 bn in FY2025. **For HPCL, LPG under-recoveries were nearly Rs33 bn in 4QFY25 and nearly Rs109 bn in FY2025.**

Effective from April 08, 2025, the government decided to raise domestic LPG prices by Rs50/cylinder for PMUY/non-PMUY (earlier Rs503/803 per cylinder in Delhi). This, along with moderation in international LPG prices, has led to some moderation in LPG under-recoveries to ~Rs170/cylinder (~Rs200/cylinder in 4QFY25, average ~Rs170/cylinder in FY2025).

In our view, as LPG is a controlled product, the government will likely provide budgetary support for LPG in the budget. However, as the fiscal position of OMCs is much stronger now, the risk remains that compensation may get delayed (and the quantum may be lower) for LPG losses, in our view.

### International LPG prices have been firmer since 2023, with some moderation so far in FY2026

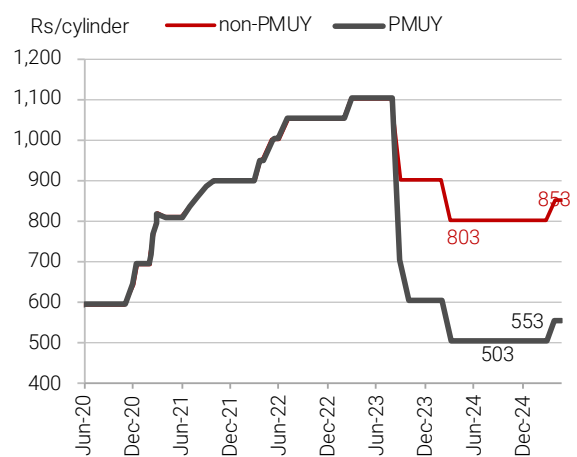
Exhibit 27: Saudi Aramco's average LPG prices, from January 2019 (US\$/ton)



Source: Company, Kotak Institutional Equities

### Domestic LPG prices were increased by Rs50/cylinder for PMUY and non-PMUY customers

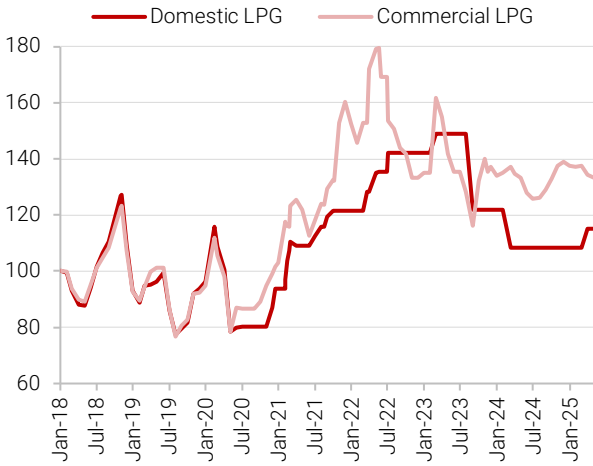
Exhibit 28: Domestic LPG retail prices, January 2019 onward (Rs/cylinder)



Source: Company, Kotak Institutional Equities

**OMCs have been incurring losses on domestic LPG for nearly a year**

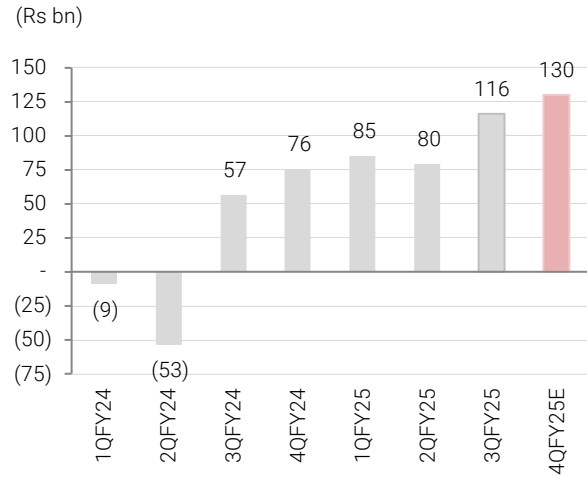
Exhibit 29: Indexed prices of domestic and commercial LPG, from January 2019



Source: Company, Kotak Institutional Equities estimates

**OMCs' LPG under-recoveries were ~Rs410 bn (Rs170/cylinder); current under-recoveries also at similar level**

Exhibit 30: LPG under-recoveries estimates, from 1QFY24 (Rs bn)



Source: Company, Kotak Institutional Equities estimates

Exhibit 31: Key assumptions for HPCL, March fiscal year-ends, 2020-28E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Refining assumptions</b>									
Exchange rate (Rs/US\$)	70.8	74.2	74.5	80.4	82.8	84.6	86.6	88.5	90.0
Effective tariff protection (%)	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Crude throughput (mn tons)	17.2	16.4	14.0	19.1	22.3	25.3	25.4	25.4	25.4
Refining margin (US\$/bbl)	1.0	3.9	7.0	12.1	9.1	5.7	7.0	7.0	7.0
Refining EBITDA (Rs bn)	(18.1)	12.1	32.1	101.5	81.7	42.5	64.3	64.6	65.4
<b>Marketing assumptions</b>									
Sales volume (mn tons)	39.6	36.6	39.1	43.5	46.8	49.8	51.7	53.7	55.9
Marketing margin on auto fuels (Rs/liter)	2.6	5.0	2.9	3.0	5.2	6.7	5.0	3.5	3.5
Total auto fuel (under)/over-recovery (Rs bn)	—	—	—	0	82	142	81	21	22
Assumed compensation (Rs bn)	—	—	—	56	—	—	—	—	—
Marketing EBITDA (Rs bn)	81.0	100.2	69.7	(176.7)	166.6	123.6	94.7	106.1	111.5
Adventitious gains/(loss)	(12.9)	53.7	(17.5)	—	—	—	—	—	—

Source: Company, Kotak Institutional Equities estimates

Exhibit 32: Sensitivity of HPCL's standalone earnings to refining and marketing margins (Rs mn)

	Fiscal 2026E			Fiscal 2027E		
	Downside	Base Case	Upside	Downside	Base Case	Upside
<b>Refining margins</b>						
Refining margins (US\$/bbl)	6.0	7.0	8.0	6.0	7.0	8.0
EBITDA (Rs mn)	142,962	158,987	175,013	154,147	170,710	187,272
<b>% upside/(downside)</b>	<b>(10.1)</b>		<b>10.1</b>	<b>(9.7)</b>		<b>9.7</b>
Net profits (Rs mn)	50,416	62,408	74,400	54,633	67,027	79,421
EPS (Rs)	23.7	29.3	35.0	25.7	31.5	37.3
<b>% upside/(downside)</b>	<b>(19.2)</b>		<b>19.2</b>	<b>(18.5)</b>		<b>18.5</b>
<b>Marketing margins</b>						
Auto fuels margins (Rs/liter)	4.5	5.0	5.5	3.0	3.5	4.0
EBITDA (Rs mn)	138,850	158,987	179,125	149,672	170,710	191,747
<b>% upside/(downside)</b>	<b>(12.7)</b>		<b>12.7</b>	<b>(12.3)</b>		<b>12.3</b>
Net profits (Rs mn)	47,432	62,408	77,384	51,381	67,027	82,673
EPS (Rs)	22.3	29.3	36.4	24.1	31.5	38.9
<b>% upside/(downside)</b>	<b>(24.0)</b>		<b>24.0</b>	<b>(23.3)</b>		<b>23.3</b>

Source: Company, Kotak Institutional Equities estimates

### We compute Fair Value of Rs210/share for HPCL

Exhibit 33: Fair valuation of HPCL (Rs/share)

EV/EBITDA based valuation	Rs bn	Rs/share
Refining and marketing business		
June 2027E standalone EBITDA	172	
EV/EBITDA (X)	5.0	
<b>EV of standalone business (A)</b>	<b>861</b>	<b>405</b>
Investments (B)	211	99
Net debt (C)	624	293
<b>Total equity value (A) + (B) - (C)</b>	<b>448</b>	<b>210</b>
<b>FV based on June 2027E</b>		<b>210</b>

Source: Kotak Institutional Equities estimates

Exhibit 34: Profit model, balance sheet, cash model of HPCL, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
<b>Profit model (Rs mn)</b>									
Net sales	2,687,664	2,329,968	3,496,829	4,404,030	4,335,249	4,337,281	3,997,932	4,223,383	4,437,148
<b>EBITDA</b>	<b>41,205</b>	<b>167,667</b>	<b>101,759</b>	<b>(75,222)</b>	<b>248,390</b>	<b>166,060</b>	<b>158,987</b>	<b>170,710</b>	<b>176,845</b>
Other income	18,382	27,887	29,697	20,691	23,822	24,164	25,618	25,618	25,618
Interest	(10,817)	(9,147)	(9,727)	(21,319)	(25,157)	(33,109)	(28,412)	(28,796)	(30,334)
Depreciation	(33,044)	(35,527)	(39,691)	(43,300)	(55,524)	(60,900)	(72,277)	(77,406)	(84,576)
<b>Pretax profits</b>	<b>15,726</b>	<b>150,881</b>	<b>82,037</b>	<b>(119,149)</b>	<b>191,531</b>	<b>96,215</b>	<b>83,916</b>	<b>90,127</b>	<b>87,553</b>
Extraordinary items	–	(8,413)	1,566	–	–	–	–	–	–
Current tax	(1,670)	(35,696)	(15,100)	0	(8,144)	(17,709)	(17,136)	(19,165)	(18,899)
Deferred tax	(3,165)	(134)	(4,677)	29,409	(36,449)	(4,857)	(4,372)	(3,934)	(3,541)
Prior-period adjustment	15,481	–	–	–	–	–	–	–	–
<b>Adjusted net profits</b>	<b>10,891</b>	<b>112,936</b>	<b>62,631</b>	<b>(89,740)</b>	<b>146,938</b>	<b>73,649</b>	<b>62,408</b>	<b>67,027</b>	<b>65,113</b>
<b>Earnings per share (Rs)</b>	<b>5.1</b>	<b>53.1</b>	<b>29.4</b>	<b>(42.2)</b>	<b>69.1</b>	<b>34.6</b>	<b>29.3</b>	<b>31.5</b>	<b>30.6</b>
<b>Balance sheet (Rs mn)</b>									
Total equity	289,624	361,861	386,770	277,134	410,298	459,583	503,269	550,188	595,767
Deferred tax liability	54,915	55,111	59,783	30,110	69,899	77,571	81,943	85,878	89,419
Total borrowings	430,209	429,159	465,906	680,051	641,195	674,478	740,860	805,860	830,860
Current liabilities	365,398	466,261	589,152	557,555	616,438	650,321	563,150	572,735	581,591
<b>Total liabilities and equity</b>	<b>1,140,145</b>	<b>1,312,392</b>	<b>1,501,611</b>	<b>1,544,850</b>	<b>1,737,830</b>	<b>1,861,953</b>	<b>1,889,222</b>	<b>2,014,660</b>	<b>2,097,636</b>
Cash	1,132	2,372	1,310	5,386	3,524	1,668	74,058	101,957	95,718
Current assets	359,557	418,752	481,868	423,943	522,750	626,335	491,396	504,031	515,699
Total fixed assets	654,341	741,340	838,996	903,414	954,775	991,602	1,056,419	1,116,324	1,168,871
Investments	125,116	149,928	179,437	212,107	256,781	242,348	267,348	292,348	317,348
<b>Total assets</b>	<b>1,140,145</b>	<b>1,312,392</b>	<b>1,501,611</b>	<b>1,544,850</b>	<b>1,737,830</b>	<b>1,861,953</b>	<b>1,889,222</b>	<b>2,014,660</b>	<b>2,097,636</b>
<b>Free cash flow (Rs mn)</b>									
Operating cash flow, excl. working capital	33,620	133,397	85,682	(78,556)	227,564	146,168	111,345	120,438	125,490
Working capital changes	8,607	28,182	56,504	13,860	(26,846)	(44,759)	47,768	(3,050)	(2,813)
Capital expenditure	(137,847)	(111,770)	(110,811)	(89,900)	(97,167)	(88,539)	(135,000)	(135,000)	(135,000)
Investments	(9,319)	(22,450)	(27,051)	(32,306)	(46,951)	(42,892)	(25,000)	(25,000)	(25,000)
Other income	5,509	6,938	9,040	10,206	8,722	27,126	25,618	25,618	25,618
<b>Free cash flow</b>	<b>(99,430)</b>	<b>34,297</b>	<b>13,363</b>	<b>(176,697)</b>	<b>65,322</b>	<b>(2,896)</b>	<b>24,731</b>	<b>(16,993)</b>	<b>(11,705)</b>
<b>Ratios (%)</b>									
Debt/equity	124.9	102.9	104.3	221.3	133.5	125.6	126.6	126.7	121.3
Net debt/equity	124.5	102.4	104.0	219.6	132.8	125.3	113.9	110.7	107.3
<b>RoAE</b>	<b>7.6</b>	<b>28.0</b>	<b>14.8</b>	<b>(23.8)</b>	<b>37.3</b>	<b>14.5</b>	<b>11.1</b>	<b>11.0</b>	<b>9.9</b>
<b>RoACE</b>	<b>0.6</b>	<b>14.8</b>	<b>8.0</b>	<b>(7.8)</b>	<b>15.8</b>	<b>8.5</b>	<b>6.6</b>	<b>6.4</b>	<b>5.9</b>

Source: Company, Kotak Institutional Equities estimates

# MRF (MRF)

Automobiles &amp; Components

**SELL**

 CMP(₹): **140,420** Fair Value(₹): **115,000** Sector View: **Cautious** NIFTY-50: **24,414**

May 07, 2025

## Strong margin performance

MRF's 4QFY25 EBITDA came in 23% above our estimates due to a better-than-expected gross margin print. We expect the company to continue to outperform peers in the near term, led by market share gains due to an aggressive pricing strategy. In addition, the recent correction in crude oil and natural rubber prices will drive margin sustenance over the coming quarters. Valuations remain expensive at CMP despite baking in elevated profitability. **SELL** stays.

### 4QFY25 EBITDA 23% above our estimates

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.

### Revenue outperformance continues; decline in RM basket to support margins

We expect MRF to continue to gain market share in the domestic market, given lower price increases taken in the replacement segment, especially in TBR and 2W segments vis-à-vis competitors. Given relatively aggressive pricing coupled with steady growth in the replacement market, we expect MRF to clock in high single-digit revenue CAGR in FY2025-28E. Additionally, crude and international natural rubber prices have corrected in the past one month from 4QFY25 levels, which will support margin sustenance over the coming quarters.

### Increase our FY2026-27 consolidated EPS estimates by 6%; **SELL** stays

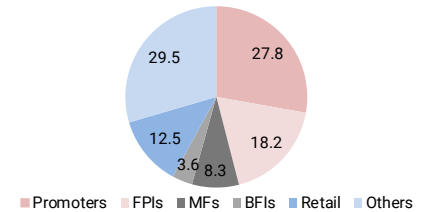
We have increased our FY2026-27 consolidated EPS estimates by 6% on account of higher revenue and EBITDA margin assumptions, partly offset by lower depreciation expenses. We expect the company to continue to outperform competitors in the near term, led by an aggressive pricing strategy adopted by MRF, which will aid the company in gaining market share. In addition, crude oil and international rubber prices have corrected over the past one month, which will aid in the sustenance of margins in the coming quarters. However, expensive valuations drive our cautious view. Retain **SELL** rating on the stock with a revised FV of Rs115,000 (Rs106,500 earlier), based on 18X June 2027E consolidated EPS (from 18X March 2027E consolidated EPS earlier). The stock is trading at 25.6X FY2026E consolidated EPS.

#### Company data and valuation summary

##### Stock data

CMP(Rs)/FV(Rs)/Rating	140,420/115,000/SELL
52-week range (Rs) (high-low)	143,850-100,500
Mcap (bn) (Rs/US\$)	596/7.0
ADTV-3M (mn) (Rs/US\$)	894/10.5

##### Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	27	24	13
Rel. to Nifty	17	21	3
Rel. to MSCI India	17	22	6

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	4,408.7	5,539.5	6,271.7
EPS growth (%)	(10.2)	25.6	13.2
P/E (X)	31.9	25.3	22.4
P/B (X)	3.2	2.9	2.6
EV/EBITDA (X)	14.3	11.6	10.1
RoE (%)	10.6	12.0	12.1
Div. yield (%)	0.2	0.2	0.2
Sales (Rs bn)	282	306	329
EBITDA (Rs bn)	41	48	53
Net profits (Rs bn)	19	23	27

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

[Full sector coverage on KINSITE](#)

**4QFY25 EBITDA came in 23% above our expectations due to better-than-expected gross margin**

Exhibit 1: Interim results of MRF, standalone, March fiscal year-ends (Rs mn, %)

	(% chg.)							FY2025	FY2024	Yoy (%)	FY2026E	FY2025
	4QFY25	4QFY25E	4QFY24	3QFY25	4QFY25E	4QFY24	3QFY25					
<b>Total Income</b>	<b>69,438</b>	<b>70,319</b>	<b>62,151</b>	<b>68,832</b>	<b>(1.3)</b>	<b>11.7</b>	<b>0.9</b>	<b>276,652</b>	<b>246,737</b>	<b>12.1</b>	<b>301,226</b>	<b>276,652</b>
Total Expenditure	(59,011)	(61,812)	(53,295)	(60,814)	(4.5)	10.7	(3.0)	(237,094)	(205,058)	15.6	(254,232)	(237,094)
Raw materials	(44,391)	(46,762)	(37,963)	(46,034)	(5.1)	16.9	(3.6)	(177,760)	(148,906)	19.4	(190,912)	(177,760)
Employee expense	(4,589)	(4,550)	(4,668)	(4,553)	0.8	(1.7)	0.8	(18,219)	(17,481)	4.2	(19,231)	(18,315)
Other expenditure	(10,031)	(10,500)	(10,664)	(10,226)	(4.5)	(5.9)	(1.9)	(41,115)	(38,671)	6.3	(44,089)	(41,019)
<b>EBITDA</b>	<b>10,428</b>	<b>8,507</b>	<b>8,856</b>	<b>8,018</b>	<b>22.6</b>	<b>17.8</b>	<b>30.1</b>	<b>39,559</b>	<b>41,678</b>	<b>(5.1)</b>	<b>46,994</b>	<b>39,559</b>
Depreciation	(4,310)	(4,185)	(3,842)	(4,143)	3.0	12.2	4.0	(16,474)	(14,250)	15.6	(18,697)	(16,474)
Interest	(782)	(750)	(858)	(711)	4.3	(8.9)	10.0	(2,914)	(3,163)	(7.9)	(2,726)	(2,914)
Other income	1,115	1,122	924	966	(0.7)	20.7	15.4	4,029	3,125	28.9	4,769	4,029
<b>PBT</b>	<b>6,451</b>	<b>4,693</b>	<b>5,079</b>	<b>4,131</b>	<b>37.4</b>	<b>27.0</b>	<b>56.2</b>	<b>24,199</b>	<b>27,390</b>	<b>(11.6)</b>	<b>30,341</b>	<b>24,199</b>
Exceptional items	-	-	-	-	-	-	-	-	-	-	-	-
Tax expense	(1,472)	(1,173)	(1,284)	(1,063)	25.5	14.7	38.5	(5,974)	(6,980)	-	(7,490)	(5,974)
<b>Reported net profit</b>	<b>4,979</b>	<b>3,520</b>	<b>3,796</b>	<b>3,067</b>	<b>41.4</b>	<b>31.2</b>	<b>62.3</b>	<b>18,225</b>	<b>20,410</b>	<b>(10.7)</b>	<b>22,851</b>	<b>18,226</b>
<b>Adjusted net profit</b>	<b>4,979</b>	<b>3,520</b>	<b>3,796</b>	<b>3,067</b>	<b>41.4</b>	<b>31.2</b>	<b>62.3</b>	<b>18,225</b>	<b>20,410</b>	<b>(10.7)</b>	<b>22,851</b>	<b>18,226</b>
Number of shares (mn)	4.2	4.2	4.2	4.2	-	-	-	4.2	4.2	-	4.2	4.2
<b>EPS</b>	<b>1,174</b>	<b>830</b>	<b>895</b>	<b>723</b>	<b>41.4</b>	<b>31.2</b>	<b>62.3</b>	<b>4,298</b>	<b>4,814</b>	<b>(10.7)</b>	<b>5,389</b>	<b>4,298</b>
<b>Adjusted EPS</b>	<b>1,174</b>	<b>830</b>	<b>895</b>	<b>723</b>	<b>41.4</b>	<b>31.2</b>	<b>62.3</b>	<b>4,298</b>	<b>4,814</b>	<b>(10.7)</b>	<b>5,389</b>	<b>4,298</b>
<b>Ratios (%)</b>												
RM as % of sales	63.9	66.5	61.1	66.9	-	-	-	64.3	60.3	-	63.4	64.3
Gross margin	36.1	33.5	38.9	33.1	-	-	-	35.7	39.7	-	36.6	35.7
Employee cost as % of sales	6.6	6.5	7.5	6.6	-	-	-	6.6	7.1	-	6.4	6.6
Other expenditure as % of sales	14.4	14.9	17.2	14.9	-	-	-	14.9	15.7	-	14.6	14.8
<b>EBITDA (%)</b>	<b>15.0</b>	<b>12.1</b>	<b>14.2</b>	<b>11.6</b>	-	-	-	<b>14.3</b>	<b>16.9</b>	-	<b>15.6</b>	<b>14.3</b>
Effective tax rate	22.8	25.0	25.3	25.7	-	-	-	24.7	25.5	-	24.7	24.7

Source: Company, Kotak Institutional Equities estimates

**CEAT and MRF top-line growth remains strong**

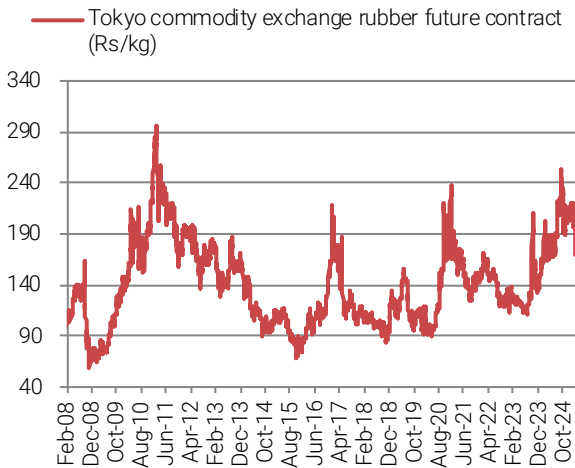
Exhibit 2: Comparison of key ratios of Apollo standalone, CEAT and MRF, March fiscal year-ends, 4QFY22-4QFY25 (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>Apollo standalone - key ratios (%)</b>													
Revenue growth (yoy)	9.9	37.8	16.5	12.0	9.5	(0.5)	3.6	2.0	0.5	4.0	1.2	4.8	NA
Raw material cost/sales	69.4	70.4	70.3	67.3	62.6	60.5	60.2	59.1	59.5	61.9	63.5	66.6	NA
Staff cost/sales	6.2	5.9	5.8	5.9	6.1	6.3	6.2	6.5	6.3	6.5	6.2	6.3	NA
Other expenses/sales	15.0	14.1	13.6	13.9	15.3	15.4	14.6	16.2	18.7	17.7	18.2	16.0	NA
<b>EBITDA margin (%)</b>	<b>9.4</b>	<b>9.7</b>	<b>10.3</b>	<b>12.9</b>	<b>15.9</b>	<b>17.8</b>	<b>19.1</b>	<b>18.1</b>	<b>15.6</b>	<b>13.8</b>	<b>12.1</b>	<b>11.1</b>	<b>NA</b>
<b>CEAT - key ratios (%)</b>													
Revenue growth (yoy)	13.0	47.7	18.7	12.7	11.1	4.2	5.4	8.8	4.1	8.5	8.4	11.6	14.6
Raw material cost/sales	66.8	68.4	67.6	65.4	59.9	58.9	56.7	58.7	57.7	60.6	62.5	63.1	62.5
Staff cost/sales	6.6	6.1	5.7	6.7	7.4	6.6	7.1	7.3	7.1	6.1	6.6	6.5	6.5
Other expenses/sales	19.5	19.7	19.6	19.2	19.8	21.2	21.2	19.9	22.0	21.2	19.8	19.9	19.5
<b>EBITDA margin (%)</b>	<b>7.2</b>	<b>5.9</b>	<b>7.1</b>	<b>8.7</b>	<b>12.9</b>	<b>13.2</b>	<b>15.0</b>	<b>14.1</b>	<b>13.3</b>	<b>12.0</b>	<b>11.1</b>	<b>10.4</b>	<b>11.6</b>
<b>MRF - key ratios (%)</b>													
Revenue growth (yoy)	9.8	35.6	18.4	14.6	10.1	12.9	6.4	9.3	8.6	11.9	11.1	13.8	11.7
Raw material cost/sales	67.9	68.5	70.3	67.9	63.0	61.2	59.2	59.9	61.1	62.7	63.5	66.9	63.9
Staff cost/sales	7.1	6.5	6.8	7.3	7.0	6.5	7.1	7.2	7.5	6.3	6.9	6.6	6.6
Other expenses/sales	14.9	16.4	14.7	15.0	15.3	14.7	15.1	15.7	17.2	14.9	15.2	14.9	14.4
<b>EBITDA margin (%)</b>	<b>10.1</b>	<b>8.5</b>	<b>8.2</b>	<b>9.9</b>	<b>14.7</b>	<b>17.6</b>	<b>18.5</b>	<b>17.2</b>	<b>14.2</b>	<b>16.1</b>	<b>14.4</b>	<b>11.6</b>	<b>15.0</b>

Source: Company, Kotak Institutional Equities

**International rubber prices have fallen in the past quarter**

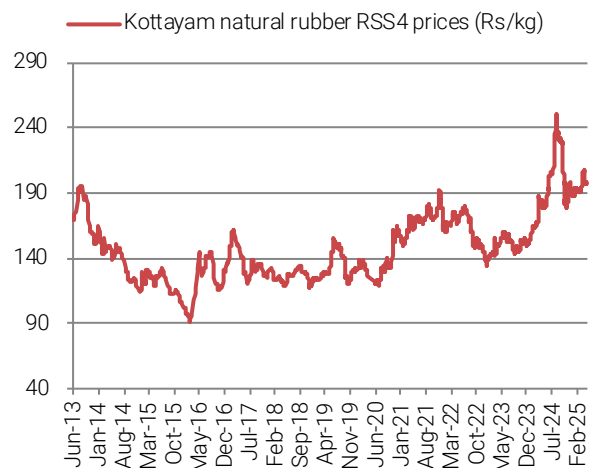
**Exhibit 3: Tokyo commodity exchange rubber futures, 2008-25 (Rs per kg)**



Source: Bloomberg, Kotak Institutional Equities

**Domestic natural rubber prices have remained stable**

**Exhibit 4: Kottayam natural rubber RSS4 prices, 2013-25 (Rs per kg)**



Source: Bloomberg, Kotak Institutional Equities

**We have increased our FY2026-27 consolidated EPS estimates by 6% on higher revenue growth and EBITDA margin assumptions**

**Exhibit 5: Earnings revision table MRF consolidated, March fiscal year-ends, 2026-27E (Rs mn, %)**

	New estimates		Old estimates		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Net sales	306,398	328,807	302,040	319,985	1.4	2.8
<b>EBITDA</b>	<b>48,382</b>	<b>52,657</b>	<b>45,200</b>	<b>48,466</b>	<b>7.0</b>	<b>8.6</b>
EBITDA margin (%)	15.8	16.0	15.0	15.1		
Net profit	23,487	26,592	22,162	25,087	6.0	6.0
<b>EPS (Rs)</b>	<b>5,539</b>	<b>6,272</b>	<b>5,227</b>	<b>5,917</b>	<b>6.0</b>	<b>6.0</b>

Source: Company, Kotak Institutional Equities estimates

**We expect EBITDA per kg to increase in FY2026E due to the recent decline in commodity prices**

**Exhibit 6: MRF per kg analysis, March fiscal year-ends, 2019-28E (Rs mn, %)**

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales volumes (tons)	727,750	711,562	703,889	783,508	851,379	915,717	1,004,800	1,090,585	1,166,662	1,248,162
Yoy growth (%)	6.4	(2.2)	(1.1)	11.3	8.7	7.6	9.7	8.5	7.0	7.0
<b>Key ratios (Rs per kg)</b>										
Net realizations	220.7	228.2	229.6	246.5	270.2	274.9	280.2	280.9	281.8	282.3
RM cost	133.4	135.2	132.4	160.6	181.3	164.7	178.4	176.7	177.1	178.3
<b>Gross profit</b>	<b>87.3</b>	<b>93.1</b>	<b>97.2</b>	<b>86.0</b>	<b>88.9</b>	<b>110.2</b>	<b>101.8</b>	<b>104.3</b>	<b>104.7</b>	<b>104.0</b>
Employee cost	16.0	18.9	20.1	19.2	18.7	19.6	18.8	18.1	17.8	17.4
Other expenses	39.6	40.8	35.3	40.6	42.1	44.1	42.4	41.8	41.8	41.8
<b>EBITDA</b>	<b>31.7</b>	<b>33.4</b>	<b>41.8</b>	<b>26.2</b>	<b>28.1</b>	<b>46.5</b>	<b>40.6</b>	<b>44.4</b>	<b>45.1</b>	<b>44.8</b>

Source: Company, Kotak Institutional Equities estimates

**We expect the company to deliver 8% revenue CAGR over FY2025-28E**

**Exhibit 7: MRF standalone revenue mix, March fiscal year-ends, 2019-28E (Rs mn, %)**

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2025-28E CAGR (%)
<b>Revenues (Rs mn)</b>											
Truck & Bus (MHCV)	62,362	62,532	63,440	75,502	92,475	99,730	108,498	114,509	120,651	127,407	5.5
Two-wheeler/Three-wheeler	28,000	29,416	28,828	32,691	39,190	43,540	51,073	57,201	62,921	67,955	10.0
Passenger vehicles	31,214	30,734	28,814	35,052	42,725	45,042	50,537	56,435	62,079	67,246	10.0
LCV	9,221	9,138	8,649	10,214	11,606	13,022	14,892	16,310	17,365	18,754	8.0
Farm/OTR	27,573	28,091	29,482	33,543	38,220	43,835	49,851	54,788	58,127	62,777	8.0
<b>Overall revenues</b>	<b>158,370</b>	<b>159,911</b>	<b>159,214</b>	<b>187,002</b>	<b>224,216</b>	<b>245,170</b>	<b>274,850</b>	<b>299,243</b>	<b>321,143</b>	<b>344,140</b>	<b>7.8</b>
Yoy growth (%)	7.2	1.0	(0.4)	17.5	19.9	9.3	12.1	8.9	7.3	7.2	
<b>Revenue mix (%)</b>											
Truck & Bus (MHCV)	39.4	39.1	39.8	40.4	41.2	40.7	39.5	38.3	37.6	37.0	
Two-wheeler/Three-wheeler	17.7	18.4	18.1	17.5	17.5	17.8	18.6	19.1	19.6	19.7	
Passenger vehicles	19.7	19.2	18.1	18.7	19.1	18.4	18.4	18.9	19.3	19.5	
LCV	5.8	5.7	5.4	5.5	5.2	5.3	5.4	5.5	5.4	5.4	
Farm/OTR	17.4	17.6	18.5	17.9	17.0	17.9	18.1	18.3	18.1	18.2	
<b>Overall revenues</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	

Source: Company, Kotak Institutional Equities estimates

**We expect MRF to deliver 15% EPS CAGR over FY2025-28E, partly on account of lower base**

**Exhibit 8: MRF consolidated financial summary, March fiscal year-ends, 2019-28E (Rs mn, %)**

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Profit model (Rs mn)</b>										
Net sales	160,625	162,394	161,632	193,167	230,085	251,692	281,532	306,398	328,807	352,351
<b>EBITDA</b>	<b>23,054</b>	<b>23,740</b>	<b>29,423</b>	<b>20,498</b>	<b>23,891</b>	<b>42,536</b>	<b>40,845</b>	<b>48,382</b>	<b>52,657</b>	<b>55,894</b>
Other income	4,217	3,354	2,099	3,170	2,527	3,168	4,081	4,817	5,151	5,473
Interest	(2,673)	(2,928)	(2,747)	(2,538)	(3,190)	(3,530)	(3,600)	(3,251)	(2,927)	(2,605)
Depreciation	(8,076)	(9,823)	(11,408)	(12,051)	(12,531)	(14,300)	(16,536)	(18,822)	(19,636)	(20,881)
<b>Profit before tax</b>	<b>16,522</b>	<b>14,343</b>	<b>17,368</b>	<b>9,079</b>	<b>10,697</b>	<b>27,874</b>	<b>24,790</b>	<b>31,126</b>	<b>35,245</b>	<b>37,880</b>
Tax	(5,216)	(117)	(4,598)	(2,387)	(3,008)	(7,062)	(6,097)	(7,639)	(8,653)	(9,300)
Reported net profit	11,306	14,226	12,771	6,692	7,690	20,812	18,693	23,487	26,592	28,580
<b>Adjusted net profit</b>	<b>11,306</b>	<b>14,226</b>	<b>12,771</b>	<b>6,692</b>	<b>7,690</b>	<b>20,812</b>	<b>18,693</b>	<b>23,487</b>	<b>26,592</b>	<b>28,580</b>
<b>Adjusted EPS (Rs)</b>	<b>2,667</b>	<b>3,355</b>	<b>3,012</b>	<b>1,578</b>	<b>1,814</b>	<b>4,909</b>	<b>4,409</b>	<b>5,539</b>	<b>6,272</b>	<b>6,740</b>
<b>Balance sheet (Rs mn)</b>										
Equity	108,374	122,147	134,137	140,318	147,077	167,032	184,885	207,229	232,527	259,718
Minority interest	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.8	1.8	1.8
Deferred tax liability	8,402	4,289	3,802	3,955	3,846	4,620	4,624	4,624	4,624	4,624
Total borrowings	25,063	18,541	20,206	28,180	24,295	20,751	29,049	25,049	21,049	17,049
Current liabilities	42,573	49,445	67,672	58,144	68,475	76,092	77,111	81,324	85,365	89,597
<b>Total liabilities</b>	<b>184,413</b>	<b>194,423</b>	<b>225,819</b>	<b>230,597</b>	<b>243,694</b>	<b>268,496</b>	<b>295,670</b>	<b>318,228</b>	<b>343,568</b>	<b>370,990</b>
Net fixed assets	81,895	101,798	104,430	107,549	131,638	136,725	135,391	126,569	121,933	116,051
Investments	38,547	15,193	58,740	36,565	30,851	33,830	35,269	51,269	67,269	83,269
Cash	1,045	11,811	1,694	2,561	2,585	3,454	3,765	9,958	15,471	23,883
Other current assets	62,926	65,621	60,955	83,923	78,620	94,488	121,245	130,432	138,895	147,786
<b>Total assets</b>	<b>184,413</b>	<b>194,423</b>	<b>225,819</b>	<b>230,597</b>	<b>243,694</b>	<b>268,496</b>	<b>295,670</b>	<b>318,228</b>	<b>343,568</b>	<b>370,990</b>
<b>Free cash flow (Rs mn)</b>										
Operating cash flow excl. working capital	20,373	20,427	25,024	19,307	21,198	36,288	35,787	40,743	44,004	46,593
Working capital changes	(7,844)	2,285	18,222	(25,088)	6,357	(3,283)	(17,109)	(4,973)	(4,422)	(4,659)
Net financial income	1,544	426	(647)	632	(663)	(362)	481	1,566	2,224	2,868
<b>Cash flow from operations</b>	<b>14,073</b>	<b>23,138</b>	<b>42,599</b>	<b>(5,148)</b>	<b>26,891</b>	<b>32,643</b>	<b>19,159</b>	<b>37,336</b>	<b>41,806</b>	<b>44,802</b>
Capital expenditure	(19,633)	(27,499)	(8,516)	(17,046)	(32,901)	(21,623)	(12,945)	(10,000)	(15,000)	(15,000)
<b>Free cash flow</b>	<b>(5,561)</b>	<b>(4,361)</b>	<b>34,083</b>	<b>(22,195)</b>	<b>(6,009)</b>	<b>11,020</b>	<b>6,213</b>	<b>27,336</b>	<b>26,806</b>	<b>29,802</b>
<b>Ratios</b>										
Gross margin (%)	39.6	40.8	42.3	34.9	32.9	40.1	36.3	37.1	37.2	36.8
<b>EBITDA margin (%)</b>	<b>14.4</b>	<b>14.6</b>	<b>18.2</b>	<b>10.6</b>	<b>10.4</b>	<b>16.9</b>	<b>14.5</b>	<b>15.8</b>	<b>16.0</b>	<b>15.9</b>
PAT margin (%)	7.0	8.8	7.9	3.5	3.3	8.3	6.6	7.7	8.1	8.1
Net debt/equity (X)	(0.1)	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)
Book value (Rs/share)	25,560	28,808	31,636	33,094	34,688	39,394	43,605	48,875	54,841	61,254
RoAE (%)	11.0	12.3	10.0	4.9	5.4	13.3	10.6	12.0	12.1	11.6
<b>RoACE (%)</b>	<b>12.1</b>	<b>13.3</b>	<b>12.8</b>	<b>5.6</b>	<b>6.1</b>	<b>14.6</b>	<b>11.3</b>	<b>12.9</b>	<b>14.6</b>	<b>15.5</b>

Source: Company, Kotak Institutional Equities estimates

# Tata Chemicals (TTCH)

Commodity Chemicals

**SELL**

CMP(₹): 826

Fair Value(₹): 710

Sector View: **Cautious**

NIFTY-50: 24,414

May 08, 2025

## Margin pressures intensify

Tata Chemicals (TCL) reported significantly lower-than-expected earnings for 4QFY25 as margin pressures intensified in the US and UK. Amid a weak industry scenario, US profitability is likely to remain depressed for the next few quarters. We trim FY2026-27E EBITDA estimates by 3-8%, but EPS undergoes sharper cuts of 29-39%, owing to financial leverage. Our SoTP-based Fair Value falls to Rs710 (from Rs750).

### Margin pressures intensify in the US and UK operations

Consolidated revenues grew 1.0% yoy (down 2.3% qoq), missing KIE by 0.7%, while EBITDA dropped 26% yoy and 25% qoq, missing KIE by 30%. With most of the EBITDA consumed by finance costs and depreciation, pre-tax earnings swung to a loss of Rs610 mn. TCL also recorded a Rs550 mn exceptional charge on the closure of its soda ash operations at Lostock in the UK. In terms of regional performance, the India business reported 20%/10% yoy/qoq growth in EBITDA, while the Africa business also reported improved earnings, but EBITDA from the US operations nearly halved both yoy and qoq; the UK business reported an EBITDA loss amid the closure of the soda ash unit there. Management highlighted continued pricing pressure across regions. Notably, TCL's exit from ANSAC has boosted US realizations and freight costs.

### US weakness likely to persist for the next few quarters

Management highlighted particular pressure on export realizations out of the US, especially to Asia, and to a lesser extent, Latin America. Amid demand weakness in most markets, except India, and the recent influx of capacity in China, US margins are expected to hover near 4QFY25 levels for the next few quarters. However, UK earnings should show improvement in the next 1-2 quarters, as a business restructuring has concluded, while Kenya will add a small capacity (50 KTPA) and India has already concluded a 230 KTPA addition. The impact of the expiry of the minimum import price in India in June 2025 needs monitoring. TCL has downsized its capex budget, particularly in the US, but the status of the proposed Rs20 bn expansion in India is unclear. There is a modest expansion in Africa, in addition to Rs5.5 bn of maintenance capex worldwide.

### Further cuts to estimates

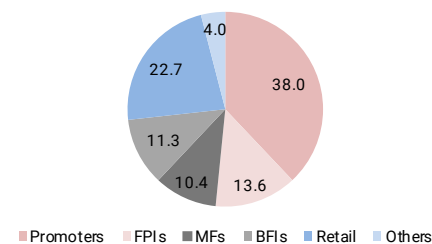
We cut US business EBITDA estimates to reflect the margin pressures likely to persist for the next few quarters, while raising estimates for the Africa and UK businesses (the latter to factor in benefits from the operational restructuring). FY2026-27E EPS is lowered by 29-39%. In an already weak industry scenario, the added uncertainty around tariffs is a further headwind. Capacity closures do not yet seem to be happening at any significant scale in the world markets; on the contrary, capacity expansion plans in regions, including China, the US and India, need to be watched. Our SoTP-based valuation, rolled forward to June 2026, falls to Rs710 from Rs750. Fading hopes of an IPO of Tata Sons may remove a source of support for the stock. Net debt has risen to Rs55 bn (up from Rs41 bn yoy) or nearly 3X FY2026E EBITDA.

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	826/710/SELL
52-week range (Rs) (high-low)	1,247-756
Mcap (bn) (Rs/US\$)	210/2.5
ADTV-3M (mn) (Rs/US\$)	622/7.3

#### Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	3	(11)	(22)
Rel. to Nifty	(7)	(15)	(32)
Rel. to MSCI India	(7)	(13)	(29)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	12.8	15.1	19.2
EPS growth (%)	(71.4)	18.0	26.6
P/E (X)	64.4	54.5	43.1
P/B (X)	1.0	1.0	1.0
EV/EBITDA (X)	9.7	8.5	7.7
RoE (%)	1.5	1.8	2.2
Div. yield (%)	1.3	1.3	1.3
Sales (Rs bn)	149	155	163
EBITDA (Rs bn)	20	22	25
Net profits (Rs bn)	3.3	3.9	4.9

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

### Related Research

- [Tata Chemicals: Margin pressures drive](#)
- [Tata Chemicals: Earnings miss estimates on](#)
- [Tata Chemicals: Sharp decline in China's soda](#)

[Full sector coverage on KINSITE](#)

### Key takeaways from the earnings call

- ▶ **Market scenario for soda ash:** Soda ash demand in China and India grew by 18% and 4.5%, respectively, in FY2025, while the rest of the world recorded muted growth or a decline in demand. Overall demand growth was 8.3% in CY2024. China's demand growth was led by solar and lithium carbonate. However, Chinese demand growth is expected to be flat to slightly negative next year. India demand is expected to grow at 4-5% next year. On the supply side, China supply increased 8.9% during the quarter, causing prices to drop by 25% yoy.
  - China, the US and Western Europe are seeing a flat decline or slight fall in demand for soda ash due to softness in demand from the flat and container glass end-use industry. Tariff uncertainty is another negative for soda ash demand.
- ▶ **India operations:** EBITDA improved yoy and qoq, led by higher soda ash volumes, partly offset by lower realization of soda ash and bicarb. Soda ash capacity of 2,30,000 tons and bicarb capacity of 1,40,000 tons have been commissioned during FY2025.
  - The depreciation run-rate of 4Q is expected to continue, as the expanded capacities were commissioned in October 2024.
- ▶ **US operations:** In this business, the domestic US market is performing well in terms of realizations and margins. However, the export segment, especially to Southeast Asia, is facing pressure. Export realizations to Southeast Asia are currently around US\$200 per ton and management does not expect a significant improvement in the margin profile of export markets over the next two to three quarters. Exports comprise 60% of US business revenues.
  - Gas currently accounts for 25% of the company's energy consumption, while the remaining energy needs are met by coal. The company aims to transition entirely to gas by 2030.
  - Freight costs increased quarter-on-quarter as Tata Chemicals exited ANSAC and now has to bear freight expenses independently.
  - Management said that greenfield expansion of soda ash is economically unviable in the US at current prices.
  - Management also stated that quarterly soda ash sales volumes of 600,000 tons are sustainable.
- ▶ **UK operations:** The business had lower volumes yoy and qoq due to the cessation of soda ash operations. The company has taken an exceptional charge of Rs550 mn to comply with certain regulatory and contractual obligations. The company has commissioned pharma-grade salt capacity of 70,000 tons.
  - Management expects the business unit to stabilize by 2QFY26 and undergo a transformation similar to the Magadi business.
- ▶ **Kenya business:** The business saw higher volumes and realizations, as the company focused on the domestic market, which has higher margins.
  - Management expects the current business performance to sustain in the future. The company has received approval to add 50,000 tons of soda ash capacity. The capacity is expected to be commissioned by the end of the year.
- ▶ **Capex:** The company will incur ~Rs5.5 bn on maintenance capex, Rs180 mn on expanding FOS prebiotics capacity and ~Rs600 mn on increasing soda ash capacity in Kenya. However, final capex numbers will be finalized by end-1QFY26.
- ▶ **Other takeaways:** The company has not seen any incremental demand so far due to the tariff, but is closely monitoring the situation, as it could potentially lead to a rebalancing of supply and demand centers.

**TCL reported significantly lower-than-expected earnings as margin pressures intensified in the US and UK**

**Exhibit 1: Quarterly results of Tata Chemicals, March fiscal year-ends**

	(% chg.)							FY2025	FY2024	(% chg.)	FY2026E	(% chg.)
	4QFY25	4QFY25E	4QFY24	3QFY25	KIE	yoy	qoq					
<b>Net sales</b>	<b>35,090</b>	<b>35,340</b>	<b>34,750</b>	<b>35,900</b>	<b>(0.7)</b>	<b>1.0</b>	<b>(2.3)</b>	<b>148,870</b>	<b>119,460</b>	<b>24.6</b>	<b>155,038</b>	<b>4.1</b>
Operating costs	(31,820)	(30,634)	(30,320)	(31,560)	3.9	4.9	0.8	(129,340)	(95,420)	35.5	(133,045)	2.9
<b>EBITDA</b>	<b>3,270</b>	<b>4,706</b>	<b>4,430</b>	<b>4,340</b>	<b>(30.5)</b>	<b>(26.2)</b>	<b>(24.7)</b>	<b>19,530</b>	<b>24,040</b>	<b>(18.8)</b>	<b>21,993</b>	<b>12.6</b>
Other income	420	280	1,140	280	50.0	(63.2)	50.0	2,250	1,720	30.8	1,971	(12.4)
Interest cost	(1,370)	(1,500)	(1,300)	(1,480)	(8.7)	5.4	(7.4)	(5,630)	(4,000)	40.8	(6,047)	7.4
Depreciation	(2,930)	(2,830)	(2,710)	(2,800)	3.5	8.1	4.6	(11,230)	(7,090)	58.4	(12,211)	8.7
<b>PBT</b>	<b>(610)</b>	<b>656</b>	<b>1,560</b>	<b>340</b>	<b>(192.9)</b>	<b>(139.1)</b>	<b>(279.4)</b>	<b>4,920</b>	<b>14,670</b>	<b>(66.5)</b>	<b>5,705</b>	<b>16.0</b>
Tax	250	(138)	(220)	(170)	NM	NM	NM	(1,670)	(3,590)	(53.5)	(1,198)	(28.3)
Exceptionals	(550)	-	(9,860)	(700)				(920)	1,020	NM	-	NM
<b>PAT before MI</b>	<b>(910)</b>	<b>519</b>	<b>(8,520)</b>	<b>(530)</b>	<b>(275.5)</b>	<b>89.3</b>	<b>(71.7)</b>	<b>2,330</b>	<b>12,100</b>	<b>(80.7)</b>	<b>4,507</b>	<b>93.4</b>
MI and share from associates	170	300	20	-	(43.3)	750.0	NM	20	(1,010)	NM	(649)	(3,342.5)
PAT	(740)	819	(8,500)	(530)	NM	NM	NM	2,350	11,090	(78.8)	3,859	64.2
<b>Adjusted PAT</b>	<b>(190)</b>	<b>819</b>	<b>1,360</b>	<b>170</b>	<b>(123.2)</b>	<b>(114.0)</b>	<b>(211.8)</b>	<b>3,270</b>	<b>10,070</b>	<b>(67.5)</b>	<b>3,859</b>	<b>18.0</b>
<b>Reported EPS (Rs)</b>	<b>(2.9)</b>	<b>3.2</b>	<b>(33.4)</b>	<b>(2.1)</b>	<b>NM</b>	<b>91.3</b>	<b>(39.6)</b>	<b>9.2</b>	<b>43.5</b>	<b>(78.8)</b>	<b>15.1</b>	<b>64.2</b>
<b>Adjusted EPS</b>	<b>(0.7)</b>	<b>3.2</b>	<b>5.3</b>	<b>0.7</b>	<b>(123.2)</b>	<b>(114.0)</b>	<b>(211.8)</b>	<b>12.8</b>	<b>39.5</b>	<b>(67.5)</b>	<b>15.1</b>	<b>18.0</b>
<b>Gross margins (%)</b>	<b>79.8</b>	<b>88.8</b>	<b>86.3</b>	<b>85.7</b>	<b>(899)bps</b>	<b>(648)bps</b>	<b>(589)bps</b>	<b>80.7</b>	<b>81.4</b>	<b>(73)bps</b>	<b>80.7</b>	<b>-</b>
<b>EBITDA margins (%)</b>	<b>9.3</b>	<b>13.3</b>	<b>12.7</b>	<b>12.1</b>	<b>(400)bps</b>	<b>(343)bps</b>	<b>(277)bps</b>	<b>13.1</b>	<b>20.1</b>	<b>(701)bps</b>	<b>14.2</b>	<b>107 bps</b>
<b>Tax rate (%)</b>	<b>21.6</b>	<b>21.0</b>	<b>(2.7)</b>	<b>(47.2)</b>	<b>55 bps</b>	<b>2,420 bps</b>	<b>6,877 bps</b>	<b>41.8</b>	<b>22.9</b>	<b>1,887 bps</b>	<b>21.0</b>	<b>(2,075)bps</b>
<b>Segment sales</b>												
Basic chemistry products	30,370		30,050	30,310		1.1	0.2	120,800	126,130	(4.2)	123,175	2.0
Specialty products	4,720		4,710	5,620		0.2	(16.0)	28,150	28,110	0.1	31,945	13.5
Unallocated	-		20	-		(100.0)		10	80	(87.5)	12	20.0
Less: inter-segment	(10)		(30)	(30)		66.7	66.7	(90)	(110)	NM	(95)	NM
<b>Total sales</b>	<b>35,080</b>		<b>34,750</b>	<b>35,900</b>		<b>0.9</b>	<b>(2.3)</b>	<b>148,870</b>	<b>154,210</b>	<b>(3.5)</b>	<b>155,038</b>	<b>4.1</b>
<b>Segment profits</b>												
Basic chemistry products	840		(6,820)	1,400		NM	(40.0)	7,780	9,550	(18.5)	9,875	26.9
Specialty products	(630)		(390)	10		NM	(6,400.0)	1,200	1,490	(19.5)	2,158	79.8
Unallocated	-		440	(290)		NM	NM	(320)	(1,880)	NM	(280)	NM
<b>Total EBIT</b>	<b>210</b>		<b>(6,770)</b>	<b>1,120</b>		<b>(103.1)</b>	<b>(81.3)</b>	<b>8,660</b>	<b>9,160</b>	<b>(5.5)</b>	<b>11,752</b>	<b>35.7</b>
<b>Segment margins (%)</b>												
Basic chemistry products	2.8		(22.7)	4.6		2,546 bps	(185)bps	6.4	7.6	(113)bps	8.0	158 bps
Specialty products	(13.3)		(8.3)	0.2		(507)bps	(1,353)bps	4.3	5.3	(104)bps	6.8	249 bps
<b>EBIT margin (%)</b>	<b>0.6</b>		<b>(19.5)</b>	<b>3.1</b>		<b>2,008 bps</b>	<b>(252)bps</b>	<b>5.8</b>	<b>5.9</b>	<b>(12)bps</b>	<b>7.6</b>	<b>176 bps</b>

Source: Company, Kotak Institutional Equities estimates

**India business performance held up well; management denied any benefit from minimum import prices**

**Exhibit 2: Quarterly details of India business, March fiscal year-ends, 1QFY22 onward (Rs mn, unless specified)**

																	Change (%)	
	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	yoy	qoq
<b>Volumes ('000 tons)</b>																		
Soda ash	167	178	156	176	169	154	156	166	155	161	168	157	167	159	181	210	33.8	16.0
Salt	312	304	294	325	330	303	333	340	312	338	324	371	326	322	354	346	(6.7)	(2.3)
<b>Financials (Rs mn)</b>																		
<b>Net sales</b>	<b>8,278</b>	<b>7,156</b>	<b>9,315</b>	<b>11,146</b>	<b>12,250</b>	<b>11,850</b>	<b>12,170</b>	<b>13,020</b>	<b>11,350</b>	<b>10,650</b>	<b>10,930</b>	<b>10,900</b>	<b>10,470</b>	<b>10,090</b>	<b>11,660</b>	<b>12,190</b>	<b>11.8</b>	<b>4.5</b>
Basic chemistry products	7,696	6,770	8,686	10,461	11,540	11,370	11,710	12,360	10,830	10,200	10,610	10,550	10,110	9,750	11,260	11,770	11.6	4.5
Specialty products	566	410	502	571	710	480	460	660	520	450	320	350	360	340	400	420	20.0	5.0
<b>EBITDA</b>	<b>2,390</b>	<b>1,920</b>	<b>2,440</b>	<b>2,770</b>	<b>3,980</b>	<b>2,940</b>	<b>2,840</b>	<b>2,590</b>	<b>2,890</b>	<b>1,880</b>	<b>2,060</b>	<b>1,920</b>	<b>2,350</b>	<b>1,440</b>	<b>2,090</b>	<b>2,300</b>	<b>19.8</b>	<b>10.0</b>
<b>Segmental EBIT</b>	<b>2,222</b>	<b>1,120</b>	<b>2,269</b>	<b>2,610</b>	<b>3,800</b>	<b>2,830</b>	<b>2,620</b>	<b>2,570</b>	<b>2,590</b>	<b>1,640</b>	<b>1,780</b>	<b>1,810</b>	<b>2,060</b>	<b>1,080</b>	<b>1,790</b>	<b>1,610</b>	<b>(11.0)</b>	<b>(10.1)</b>
Basic chemistry products	2,338	1,210	2,366	2,667	3,910	2,900	2,790	2,640	2,800	1,680	1,940	1,940	2,120	1,230	1,950	1,750	(9.8)	(10.3)
Specialty products	(116)	(90)	(98)	(58)	(110)	(70)	(170)	(70)	(210)	(40)	(160)	(130)	(60)	(150)	(160)	(140)	7.7	(12.5)
PBT	2,820	1,660	2,140	3,150	4,950	2,770	2,440	2,490	4,060	2,730	1,400	1,970	3,220	1,170	830	1,020	(48.2)	22.9
PAT	2,280	1,350	1,560	2,680	3,810	2,430	1,900	2,130	3,280	2,360	1,150	2,170	2,560	990	720	970	(55.3)	34.7
EBITDA per ton (Rs/ton)	4,716	3,983	5,052	5,226	7,531	6,062	5,483	4,805	5,827	3,554	3,931	3,416	4,476	2,802	3,628	4,035	18.1	11.2

Source: Company, Kotak Institutional Equities

### US business margins eroded sharply amid pressure in export markets

Exhibit 3: Quarterly details of US business, March fiscal year-ends, 1QFY22 onward (Rs mn, unless specified)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Change (%)	
																	yoy	qoq
<b>Volumes ('000 tons)</b>	580	613	586	617	568	561	610	608	535	545	529	626	588	632	559	586	(6.4)	4.8
<b>Financials (Rs mn)</b>																		
<b>Net sales</b>	8,370	8,670	8,910	10,920	11,190	11,790	13,230	16,500	14,840	13,260	12,600	13,070	12,810	13,910	12,730	13,160	0.7	3.4
Net sales per ton (US\$)	192	189	203	235	254	264	265	330	338	294	286	251	261	263	270	259	3.0	(3.9)
<b>EBITDA</b>	1,730	1,960	1,430	2,750	2,760	2,110	3,260	4,570	4,760	3,190	1,450	1,470	1,980	2,230	1,460	800	(45.6)	(45.2)
EBITDA per ton (US\$)	40	43	33	59	63	47	65	91	108	71	33	28	40	42	31	16	(44.3)	(49.1)

Source: Company, Kotak Institutional Equities

### The Europe business slipped to an EBITDA loss, whereas Africa reported improved earnings

Exhibit 4: Quarterly details of Europe/Africa business, March fiscal year-ends, 1QFY22 onward (Rs mn, unless specified)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Change (%)	
																	yoy	qoq
<b>Volumes ('000 tons)</b>																		
<b>Europe-soda ash</b>	68	68	71	70	65	69	63	60	57	55	50	46	47	46	45	33	(28)	(27)
<b>Magadi-soda ash</b>	83	86	73	75	83	73	69	63	55	61	64	64	69	77	61	73	14	20
<b>Financials (Rs mn)</b>																		
<b>Net sales</b>	5,410	5,560	6,830	7,470	7,770	9,020	9,800	9,150	8,250	7,640	7,570	6,990	6,730	6,990	6,700	5,750	(18)	(14)
Europe	4,070	4,160	5,510	5,760	5,310	6,510	7,390	7,070	6,500	6,080	5,940	5,530	5,250	5,310	5,340	4,170	(25)	(22)
Magadi	1,340	1,400	1,320	1,710	2,460	2,510	2,410	2,080	1,750	1,560	1,630	1,460	1,480	1,680	1,360	1,580	8	16
Net sales per ton - Africa (US\$)	215	217	241	303	380	431	427	402	387	309	306	275	257	260	264	250	(9)	(5)
<b>EBITDA</b>	540	150	910	1,010	2,170	2,760	2,740	3,160	1,770	1,650	1,130	1,020	430	690	320	250	(75)	(22)
Europe	290	(180)	660	410	980	1,420	1,500	2,250	1,130	1,140	570	630	180	260	100	(280)	(144)	(380)
Magadi	250	330	250	600	1,190	1,340	1,240	910	640	510	560	390	250	430	220	530	36	141
EBITDA per ton - Africa (US\$)	40	51	46	106	184	230	220	176	142	101	105	73	43	67	43	84	14	96

Source: Company, Kotak Institutional Equities

### Rallis reported soft results in a seasonally slow quarter

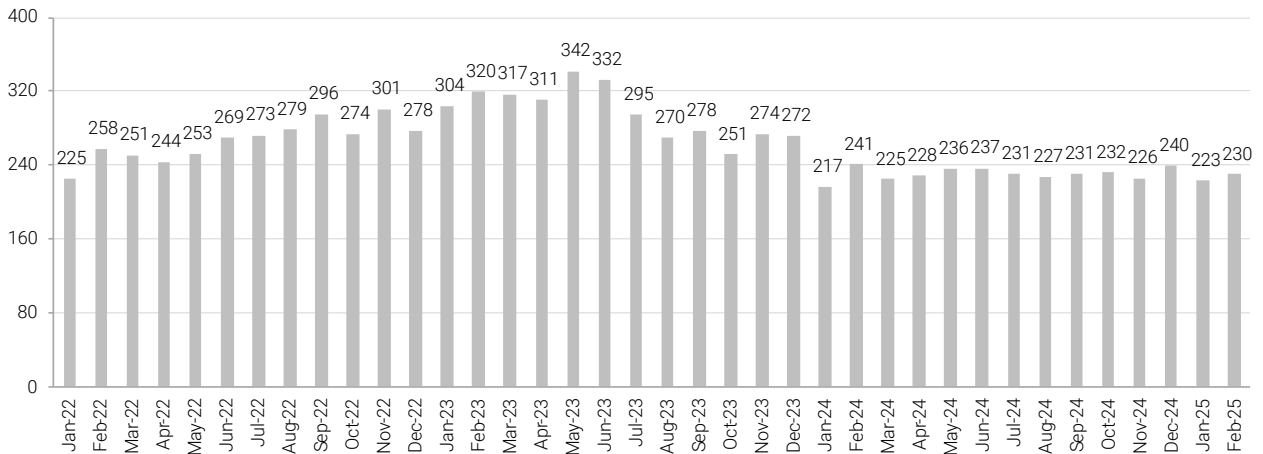
Exhibit 5: Rallis' quarterly performance, March fiscal year-ends (Rs mn, unless specified)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>Crop care</b>																
Revenue	4,710	7,030	6,000	4,810	5,960	9,230	6,060	4,970	5,191	7,384	5,660	4,100	5,610	7,870	4,920	4,050
Domestic	3,432	5,153	3,806	3,006	4,043	6,080	4,008	3,040	3,861	5,809	4,142	2,691	4,347	6,448	3,828	2,550
International	1,278	1,877	2,194	1,804	1,917	3,150	2,052	1,930	1,330	1,575	1,518	1,409	1,263	1,422	1,092	1,500
<b>EBITDA</b>	380	1,080	790	220	570	1,390	710	180	581	1,265	781	300	480	1,328	610	70
EBITDA margin (%)	8.1	15.4	13.2	4.6	9.6	15.1	11.7	3.6	11.2	17.1	13.8	7.3	8.6	16.9	12.4	1.7
<b>Net income</b>	230	740	490	60	300	890	380	(70)	284	792	380	20	180	800	250	(110)
<b>Seeds</b>																
Revenue	2,690	250	280	260	2,670	280	240	250	2,617	944	319	260	2,220	1,410	300	250
<b>EBITDA</b>	830	(200)	(100)	(250)	560	(210)	(180)	(840)	521	60	(170)	(240)	480	310	(160)	(260)
EBITDA margin (%)	30.9	(80.0)	(35.7)	(96.2)	21.0	(75.0)	(75.0)	(336.0)	19.9	6.4	(53.3)	(92.3)	21.6	22.0	(53.3)	(104.0)
<b>Net income</b>	600	(170)	(100)	(200)	380	(180)	(150)	(620)	353	30	(140)	(230)	300	180	(140)	(210)
<b>Total</b>																
Revenue	7,400	7,280	6,280	5,070	8,630	9,510	6,300	5,220	7,808	8,328	5,979	4,360	7,830	9,280	5,220	4,300
<b>EBITDA</b>	1,210	880	690	(30)	1,130	1,180	530	(660)	1,102	1,325	611	60	960	1,638	450	(190)
EBITDA margin (%)	16.4	12.1	11.0	(0.6)	13.1	12.4	8.4	(12.6)	14.1	15.9	10.2	1.4	12.3	17.7	8.6	(4.4)
<b>Net income</b>	830	570	390	(140)	680	710	230	(690)	638	822	240	(210)	480	980	110	(320)

Source: Company, Kotak Institutional Equities

**US soda ash export prices remain soft**

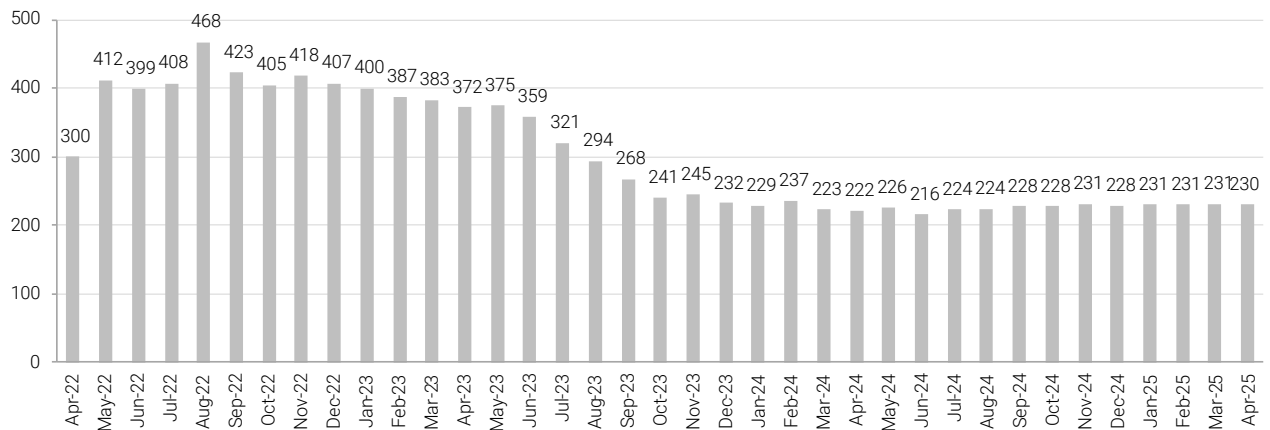
**Exhibit 6: US soda ash export prices (in US\$/ton)**



Source: Company, Kotak Institutional Equities

**India soda ash import prices have stabilized at low levels**

**Exhibit 7: Indian imported dense soda ash prices (US\$/ton)**



Source: Company, Kotak Institutional Equities

**China soda ash spot prices show no signs of recovery yet**

**Exhibit 8: China soda ash spot prices (US\$/ton)**



Source: Company, Kotak Institutional Equities

**Visibility into an earnings recovery is low**

**Exhibit 9: Tata Chemicals' revenue breakdown by geography, March fiscal year-ends, 2020-28E (Rs mn, unless specified)**

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Revenue</b>									
<b>India business</b>	<b>29,203</b>	<b>29,989</b>	<b>37,209</b>	<b>49,300</b>	<b>43,840</b>	<b>41,893</b>	<b>46,587</b>	<b>48,010</b>	<b>49,503</b>
Soda ash and bicarb	20,207	18,550	23,393	32,800	26,670	25,608	29,131	29,481	29,832
Salt and others	8,996	11,439	13,816	16,500	17,170	16,285	17,456	18,530	19,671
<b>Europe &amp; Africa</b>	<b>18,300</b>	<b>18,220</b>	<b>25,270</b>	<b>35,740</b>	<b>30,450</b>	<b>26,170</b>	<b>27,179</b>	<b>28,684</b>	<b>30,251</b>
Europe	13,560	14,090	19,500	26,280	24,050	20,070	21,283	22,670	24,116
Africa	4,740	4,130	5,770	9,460	6,400	6,100	5,897	6,015	6,135
<b>USA</b>	<b>34,030</b>	<b>28,780</b>	<b>36,880</b>	<b>52,710</b>	<b>53,770</b>	<b>52,610</b>	<b>50,597</b>	<b>51,609</b>	<b>52,641</b>
<b>Rallis</b>	<b>22,518</b>	<b>24,294</b>	<b>26,039</b>	<b>29,670</b>	<b>26,484</b>	<b>26,505</b>	<b>30,175</b>	<b>33,768</b>	<b>36,945</b>
Eliminations/others	(462)	732	846	513	(334)	1,692	500	500	500
<b>Total</b>	<b>103,589</b>	<b>102,015</b>	<b>126,245</b>	<b>167,932</b>	<b>154,210</b>	<b>148,870</b>	<b>155,038</b>	<b>162,572</b>	<b>169,841</b>
<b>EBITDA</b>									
<b>India business</b>	<b>7,180</b>	<b>6,109</b>	<b>9,514</b>	<b>12,350</b>	<b>8,750</b>	<b>8,180</b>	<b>9,689</b>	<b>9,985</b>	<b>10,296</b>
<b>Europe &amp; Africa</b>	<b>2,060</b>	<b>2,000</b>	<b>2,610</b>	<b>10,830</b>	<b>5,570</b>	<b>1,690</b>	<b>2,686</b>	<b>3,244</b>	<b>3,864</b>
Europe	1,570	1,380	1,180	6,150	3,470	260	1,127	1,654	2,242
Africa	490	620	1,430	4,680	2,100	1,430	1,559	1,590	1,622
<b>USA</b>	<b>7,490</b>	<b>3,510</b>	<b>7,870</b>	<b>12,700</b>	<b>10,870</b>	<b>6,470</b>	<b>6,072</b>	<b>7,225</b>	<b>8,423</b>
<b>Rallis</b>	<b>2,594</b>	<b>3,229</b>	<b>2,741</b>	<b>2,183</b>	<b>3,112</b>	<b>3,120</b>	<b>3,371</b>	<b>3,995</b>	<b>4,400</b>
Eliminations/others	190	176	335	157	175	175	175	175	175
<b>Total</b>	<b>19,514</b>	<b>15,024</b>	<b>23,070</b>	<b>38,220</b>	<b>28,477</b>	<b>19,635</b>	<b>21,993</b>	<b>24,624</b>	<b>27,157</b>
<b>EBITDA margins (%)</b>									
India business	24.6	20.4	25.6	25.1	20.0	19.5	20.8	20.8	20.8
Europe & Africa	11.3	11.0	10.3	30.3	18.3	6.5	9.9	11.3	12.8
Europe	11.6	9.8	6.1	23.4	14.4	1.3	5.3	7.3	9.3
Africa	10.3	15.0	24.8	49.5	32.8	23.4	26.4	26.4	26.4
USA	22.0	12.2	21.3	24.1	20.2	12.3	12.0	14.0	16.0
Rallis	11.5	13.3	10.5	7.4	11.7	11.8	11.2	11.8	11.9
Eliminations/others	(41.1)	24.1	39.6	30.6	(52.4)	10.3	35.0	35.0	35.0
<b>Total</b>	<b>18.8</b>	<b>14.7</b>	<b>18.3</b>	<b>22.8</b>	<b>18.5</b>	<b>13.2</b>	<b>14.2</b>	<b>15.1</b>	<b>16.0</b>

Source: Company, Kotak Institutional Equities estimates

**We cut FY2026-27E EBITDA by 3-8%, but EPS undergoes sharper cuts**

**Exhibit 10: Changes in estimates, March fiscal year-ends (Rs mn, unless specified)**

	New estimates			Old estimates		Change in estimates (%)	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
Revenue	155,038	162,572	169,841	160,600	170,214	(3.5)	(4.5)
EBITDA	21,993	24,624	27,157	23,923	25,559	(8.1)	(3.7)
EBITDA margin (%)	14.2	15.1	16.0	14.9	15.0		
PAT	3,859	4,886	6,018	6,338	6,949	(39.1)	(29.7)
<b>EPS (Rs)</b>	<b>15.1</b>	<b>19.2</b>	<b>23.6</b>	<b>24.9</b>	<b>27.3</b>	<b>(39.1)</b>	<b>(29.7)</b>

Source: Kotak Institutional Equities estimates

**Our revised SoTP-based FV moves to Rs710**

**Exhibit 11: SoTP valuation summary of Tata Chemicals, March fiscal year-ends**

Business	Methodology	Jun-2027E	Multiple	Valuation	
		(Rs bn)	(X)	(Rs bn)	(Rs/share)
India standalone business	EV/EBITDA	10.2	9.0	<b>92.1</b>	<b>362</b>
Europe + Kenya business	EV/EBITDA	3.4	6.0	<b>20.4</b>	<b>80</b>
US business	EV/EBITDA	6.8	7.5	<b>50.8</b>	<b>199</b>
Rallis	Fair value	24.6	0.8	<b>19.7</b>	<b>77</b>
Investments	CMP	64.8	0.9	<b>58.3</b>	<b>229</b>
Share of profit of JV and associate	P/E	1.0	10.0	<b>10.0</b>	<b>39</b>
<b>Enterprise value</b>				<b>251.4</b>	<b>987</b>
Less: Net debt				(55.6)	(218)
Less: Pension and other liabilities				(13.9)	(54)
<b>Fair value</b>				<b>182</b>	<b>710</b>

Source: Kotak Institutional Equities estimates

**EPS has eroded by more than 80% over FY2023-25**

**Exhibit 12: Consolidated P&L, balance sheet and cash flow statement for Tata Chemicals, March fiscal year-ends, 2020-28E (Rs mn)**

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Profit model (Rs mn)</b>									
Sales	103,589	102,015	126,245	167,932	154,210	148,870	155,038	162,572	169,841
<b>EBITDA</b>	<b>19,514</b>	<b>15,024</b>	<b>23,070</b>	<b>38,220</b>	<b>28,470</b>	<b>19,530</b>	<b>21,993</b>	<b>24,624</b>	<b>27,157</b>
Other income	3,111	2,344	2,560	2,180	2,860	2,250	1,971	2,158	2,194
Interest	(3,419)	(3,674)	(3,028)	(4,060)	(5,300)	(5,630)	(6,047)	(6,314)	(6,482)
Depreciation	(6,665)	(7,593)	(8,061)	(8,920)	(9,800)	(11,230)	(12,211)	(12,872)	(13,607)
Extraordinary items	0	0	(110)	(180)	(8,750)	(920)	0	0	0
<b>Profit before tax</b>	<b>12,541</b>	<b>6,101</b>	<b>14,430</b>	<b>27,240</b>	<b>7,480</b>	<b>4,000</b>	<b>5,705</b>	<b>7,596</b>	<b>9,262</b>
Tax expense	(2,197)	(1,978)	(2,665)	(2,880)	(3,810)	(1,670)	(1,198)	(1,595)	(1,945)
Minority interest	(2,218)	(1,799)	(1,475)	(1,170)	(1,670)	(1,520)	(1,849)	(2,115)	(2,299)
Income from associates	(39)	256	2,260	(2)	680	1,540	1,200	1,000	1,000
PAT	8,088	2,581	12,550	23,188	2,680	2,350	3,859	4,886	6,018
<b>Adjusted PAT</b>	<b>8,088</b>	<b>2,581</b>	<b>12,660</b>	<b>23,368</b>	<b>11,430</b>	<b>3,270</b>	<b>3,859</b>	<b>4,886</b>	<b>6,018</b>
<b>Adjusted EPS (Rs)</b>	<b>31.7</b>	<b>10.1</b>	<b>49.7</b>	<b>91.7</b>	<b>44.9</b>	<b>12.8</b>	<b>15.1</b>	<b>19.2</b>	<b>23.6</b>
<b>Balance sheet (Rs mn)</b>									
Equity	128,977	142,900	182,529	197,210	222,410	215,940	216,996	219,080	222,295
Total borrowings	78,900	56,657	70,246	62,960	55,630	70,720	73,060	77,060	77,060
Deferred tax liability/minority interest	23,977	25,796	30,632	29,750	32,810	34,570	33,819	33,333	33,033
Current liabilities and provisions	45,669	58,019	55,026	60,920	56,710	56,570	57,610	56,653	57,779
<b>Total liabilities</b>	<b>277,522</b>	<b>283,372</b>	<b>338,433</b>	<b>350,840</b>	<b>367,560</b>	<b>377,800</b>	<b>381,485</b>	<b>386,127</b>	<b>390,167</b>
Net fixed assets	141,696	143,364	159,085	175,840	180,870	194,390	194,179	196,306	197,700
Goodwill/Intangible assets	19,998	19,633	20,164	21,550	21,890	22,450	22,450	22,450	22,450
Investments	43,060	43,072	64,699	84,510	107,280	101,650	101,650	101,650	101,650
Cash and equivalents	20,795	14,110	13,104	6,650	6,450	6,150	10,323	10,684	11,255
Other current assets and miscellaneous	51,973	40,920	64,499	62,290	51,070	53,160	52,883	55,036	57,113
<b>Total assets</b>	<b>277,522</b>	<b>261,099</b>	<b>321,550</b>	<b>350,840</b>	<b>367,560</b>	<b>377,800</b>	<b>381,485</b>	<b>386,127</b>	<b>390,167</b>
<b>Free cash flow (Rs mn)</b>									
Operating cash flow	16,010	13,681	8,236	33,060	22,380	15,180	14,748	16,715	18,730
Working capital changes	(1,299)	3,233	5,651	(6,790)	3,320	(1,740)	1,317	(3,110)	(951)
Capital expenditure (net)	(11,695)	(12,335)	(12,653)	(15,440)	(18,230)	(19,520)	(12,000)	(15,000)	(15,000)
<b>Free cash flow</b>	<b>3,016</b>	<b>4,580</b>	<b>1,234</b>	<b>10,830</b>	<b>7,470</b>	<b>(6,080)</b>	<b>4,064</b>	<b>(1,394)</b>	<b>2,779</b>
<b>Ratios</b>									
EBITDA margin (%)	18.8	14.7	18.3	22.8	18.5	13.1	14.2	15.1	16.0
Net debt/equity (X)	0.45	0.30	0.31	0.29	0.22	0.30	0.29	0.30	0.30
Book value (Rs/share)	506	561	716	774	873	848	852	860	873
RoAE (%)	6.4	1.9	7.8	12.3	5.4	1.5	1.8	2.2	2.7
RoACE (%)	6.9	4.0	6.3	11.6	6.9	3.0	3.5	4.1	4.7

Source: Company, Kotak Institutional Equities estimates

# Kansai Nerolac (KNPL)

Commodity Chemicals

**REDUCE**

CMP(₹): 255

Fair Value(₹): 265

Sector View: **Cautious**

NIFTY-50: 24,414

May 08, 2025

## Industrial coatings drive growth

KNPL reported 4.7% revenue growth, largely led by high-single digit growth in industrial coatings. We estimate decorative paint growth to be flat yoy. The GM print was largely in line. EBITDA was 8% below the estimate, led by a 55 bps yoy decline in EBITDA margins to 10.2% (a 115 bps miss), owing to high operating costs. KNPL is optimistic about growth recovery in the medium term with thrust on high-growth potential areas such as projects/construction chemicals/premium wood finishes in decorative and powder/general industrial/high-performance coatings/auto refinishes in industrial. Even as KNPL's execution improved in FY2025 (and it arrested market share loss), it remains more vulnerable than the #1/#2 players to unabated competitive intensity (Birla Opus and Akzo Nobel under a new owner).

### 4QFY25: Beat on topline growth; margins disappoint amid elevated spends

KNPL's revenue grew 4.7% yoy to Rs17.4 bn (2.6% beat). Decorative paint value /volume growth is estimated at flat/3% yoy, witnessing a modest sequential improvement but weak in the context of subdued demand sentiments. Price/mix at (-)3% yoy (versus (-)4%/(-)5% yoy in 3Q/2Q), improved qoq due to the anniversary of price cuts (along with price hikes in 2Q/3Q) and better growth of premium products. We estimate ~9% yoy growth in industrial coatings. GM declined 15 bps yoy to 34.6% (KIE: 34.5%). EBITDA declined 0.7% yoy to Rs1.8 bn (8% miss) and EBITDA margin declined 55/320 bps yoy/qoq to 10.2% (KIE: 11.4%). EBITDA margin miss, despite an in-line GM print, is due to higher-than-expected operating costs. Employee costs/other expenses grew 11.1%/5% yoy to Rs1.15 bn/Rs3.1 bn (10.6%/7.3% above our estimate). PBT/recurring PAT grew 1%/2.4% yoy to Rs1.6 bn/Rs1.2 bn (7.1%/6.7% miss).

**FY2025:** Revenue grew 1.4% yoy to ~Rs75 bn. We estimate LSD decline/HSD growth in decorative/industrial paints. GM declined 20 bps yoy to 35.3% due to a shift in mix. EBITDA declined ~5% yoy to Rs9.75 bn and margin declined 85 bps yoy to 13% (at the lower-end of 13-14% guidance band) due to higher investments and weak operating leverage. Recurring PAT declined 1.6% yoy to Rs6.75 bn.

### Cautiously optimistic on demand outlook; strategy working to defend turf

KNPL's recent strategic initiatives, such as business adjacencies, Paint+, adding feet on the street, better influencer outreach, projects, new product launches and higher media investments have yielded results, as KNPL delivered growth on par with the industry and witnessed a qoq improvement in growth trends in the past few quarters. KNPL witnessed salience gradually improving across all the new initiatives. KNPL, as indicated in its recently hosted business strategy call, painted an optimistic growth and margin outlook in the near-to-medium term, by aspiring for a 9% revenue CAGR with 14-15% EBITDA margins in the next three years and 10% revenue CAGR with 18% EBITDA margin by 2030E. While KNPL's execution is gradually improving, the persistent demand weakness and increasing competitive intensity make operating conditions challenging.

### We raise FY2026-27E EPS by 4-6%; revise FV to Rs265 (from Rs250)

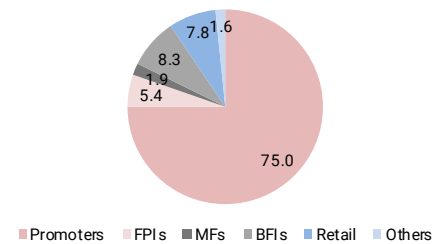
We factor in weak commodity prices and model margin expansion despite competitive intensity. We expect 4-6% increase in FY2026-27 EPS estimate and revise FV to Rs265, valuing KNPL at 25X (28X earlier).

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	255/265/REDUCE
52-week range (Rs) (high-low)	321-218
Mcap (bn) (Rs/US\$)	206/2.4
ADTV-3M (mn) (Rs/US\$)	84/1.0

#### Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	8	2	(10)
Rel. to Nifty	(2)	(1)	(19)
Rel. to MSCI India	(1)	0	(16)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	8.4	9.4	10.3
EPS growth (%)	(1.6)	12.1	9.6
P/E (X)	30.5	27.2	24.8
P/B (X)	3.2	3.1	2.9
EV/EBITDA (X)	19.0	16.9	15.5
RoE (%)	11.2	11.5	11.9
Div. yield (%)	1.5	1.8	2.0
Sales (Rs bn)	75	80	85
EBITDA (Rs bn)	9.7	11	12
Net profits (Rs bn)	6.8	7.6	8.3

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

### Related Research

→ [Kansai Nerolac: Weak print](#)

→ [Kansai Nerolac: Weak on all counts](#)

→ [Kansai Nerolac: Topline miss, margins](#)

[Full sector coverage on KINSITE](#)

Jaykumar Doshi

Umang Mehta

Praneeth Reddy

Eesha Mohanty

### Takeaways from analyst meet

- ▶ **Growth outlook.** KNPL noted that decorative paints witnessed some sequential uptick in the growth trend over the past two quarters, led by better rural demand (favorable monsoons and government incentives). KNPL expects decorative paint industry volume growth in 4Q to be in mid-single digits and the volume-value gap continued to improve. Going ahead, KNPL expects the growth trend to continue improving sequentially in FY2026E as well, (1H <- 2H on growth; 1HFY26E to witness volume growth in the same range as 4QFY25). For industrial paints, KNPL expects the growth to remain healthy, akin to FY2025, and continue its better-than-industry growth performance.
- ▶ **Margin outlook.** KNPL's weak EBITDA margin in industrial business in FY2022-23 was primarily attributed to severe inflationary phase, making it difficult to pass through costs and leading to margin contraction. However, in the last two years, the profile has improved significantly in terms of pass-through. In the decorative segment, intense competition has necessitated substantial upfront investments in advertising, manpower, and influencer programs, as these investments are crucial for protecting market share. As competitive intensity settles, these investments are expected to yield payback, allowing KNPL to recoup margins. In the near-term, KNPL expects margin to remain in the 13-14% band (akin to FY2025 guidance) but with some improvement on yoy basis.
- ▶ **Decorative paints updates**
  - **Paint+** was launched in FY2022-23, with an aim to create a differentiated product portfolio. In the last three years, it achieved double-digit salience, improving 190 basis points yoy in FY2025. So far, KNPL launched 20 new products in the marketplace across all price points.
  - **Influencer outreach** has three elements (1) paint as a service – presence in 250 cities, (2) Architects and Interior Designers – program in 45+ cities with 8k onboarded architects and (3) Pragati program for painters: 100k+ associated painters.
  - **NXTGEN SHOPPE.** KNPL added 200 retail platforms in FY2025, taking the total count to 350+. Its contribution to overall decorative sales is now in mid-single-digits.
  - **New business and projects.** KNPL's new businesses and projects verticals grown ahead of the market in FY2025. KNPL established a strong pipeline for the project business, and is actively tracking and engaging with customers. Currently, KNPL's project business is present in 80+ cities, providing significant traction and acting as a key growth driver.
- ▶ **Industrial paints updates**
  - **Automotive coatings.** KNPL has very high market share, and the focus has been on leveraging the latest technology to increase addressable markets and identify new segments for future growth. This led to the introduction of cutting-edge technologies for passenger vehicles. For 4Q, the 2-3W markets witnessed double-digit growth, driven by the launch of low-bake and low-cost performance Monocoat products. Despite a modest contraction in commercial vehicles and tractors, there was a revival in the tractor segment due to rural demand. The auto refinish segment witnessed HSD growth, maintaining the momentum from the previous year with the introduction of water-based solutions, low VOC paints, and digital solutions for paint shops.
  - **Performance coatings.** KNPL's strategy is driven by four key elements – premiumization, new technologies, new approvals, and expansion. This approach resulted in healthy growth in liquid coatings. KNPL strengthened its portfolio in both the coil coating thermal range and the PU range. Powder coatings segment witnessed modest growth. KNPL introduced new products to maintain its leadership position. Overall, KNPL's industrial go-to-market strategy over the past year has been highly effective, ensuring continued growth and innovation across its diverse product offerings.
- ▶ **Manufacturing updates.** Vizag Phase 1 was successfully commissioned in FY2025 and KNPL currently has a total capacity of 600K KLPA. Further, it is augmenting its capacity at the Jainpur plant, which is nearing commissioning. Going ahead, KNPL intends to further expand its auto paints production in FY2026E.
- ▶ **Rupee depreciation impact.** KNPL noted that the ongoing rupee appreciation had offset the benefits from the decline in crude prices. Going ahead, if crude continues to decline, the incremental benefits to some extent will be passed on to consumer in industrial paints, while the retained benefit augurs well for margins.

- ▶ **Competitive intensity.** KNPL noted that Birla Opus is entering strongly in the North market. KNPL has strong presence in North, followed by East and West regions. KNPL's primary focus remains to protect its market share in these areas, and grow at market rate.

#### Takeaways from recent call hosted by Kansai Paint Japan on India strategy

- ▶ **Growth outlook.** In the short term (next three years), KNPL aspires to grow revenues at 9% CAGR and expand EBITDA margin to 14-15%. In the long term (by 2030), the aspiration is for 10% revenue CAGR and 18% EBITDA margin. The parent's expectations from the India business—(1) to maintain #1 position in auto/industrial coatings and (2) to achieve both profitability and growth improvement in decorative paints. In the very short term, decorative paints is seeing a lot of downtrading due to pressure in urban areas and rural markets leaning towards economy paints. Thus, management expects volume/value to grow in line (at best) in decorative paints and value ahead of volume in industrial, going forward.
- ▶ **Strategy.** KNPL is planning a business transformation to have targeted presence in high-growth areas (such as industrial coatings, infrastructure, etc.) of the market. The company plans to leverage One Kansai and past M&A transactions for growth. Overall, industrial/auto will grow faster than decorative paints. Operational improvement will be led by strategic resource allocation (for instance, in decorative paints, it will focus on defending their key geographies of North and East that contribute 50% and 30% to KNPL's decorative paint sales), global purchases, and agility.
- ▶ **Industrial coatings.** KNPL is a strong leader in auto, and has a decent #1 position in powder coatings. However, it sees more room to grow in general industrial, high-performance coatings, and auto refinishes (late entrant) market. Within auto, KNPL has nearly doubled its sales in all sub-segments (CV, 2W, 4W, tractor) and the outlook remains positive. In addition to its strong presence within Japanese auto OEMs, it is increasing share in Indian OEMs (who are gaining at the cost of Koreans). The growth momentum in non-auto industrial coatings (powder, GI/HPC, ARF) is likely to also continue with more focus on premiumization, network expansion, new technologies, and new approvals. Unlike decorative paints, competition is lower in industrial coatings due to requirement of several approvals, specifications and global know-how.
- ▶ **Decorative coatings.** KNPL's focus here will be on projects (add more towns), construction chemicals (complete range + distribution expansion), and premium wood finishes (complete range + distribution expansion). In retail business, KNPL will focus on increasing the throughput per outlet and adding more dealers and distributors (small towns). The heightened competitive intensity due to Birla Opus is likely to settle by 2HFY26E after the redistribution of market share and all players thereafter would expect their decorative sales to grow at 1.5X GDP growth. The bulk of Opus' distribution expansion has concluded.
- ▶ **Margin profile.** Historically, at the GM level, decorative paint margins were always higher than industrial paints. About 2-3 years back, industrial margins declined to single digits. However, in the past two years, with KNPL's initiatives (such as exiting certain low-margin businesses), there has been a significant improvement in industrial margins. At the moment, both decorative and industrial coatings have similar EBITDA margins. The parent's acquisitions globally are likely to help improve KNPL's presence in premium industrial coatings.
- ▶ **Crude tailwinds.** Management noted that while crude prices have declined, the global geopolitical situation and global growth outlook still remains uncertain. As things stand today, it expects the crude fall-led tailwinds to aid margins in the near term (even as KNPL will make the necessary investments to defend its market share in North and East).

**Exhibit 1: Interim standalone results of Kansai Nerolac Paints, March fiscal year-ends (Rs mn)**

	4QFY25	4QFY25E	4QFY24	3QFY25	(% change)			FY2025	FY2024	(% chg.)
					KIE Est	yoy	qoq			
<b>Net operating revenue</b>	<b>17,404</b>	<b>16,967</b>	<b>16,617</b>	<b>18,422</b>	<b>2.6</b>	<b>4.7</b>	<b>(5.5)</b>	<b>74,967</b>	<b>73,933</b>	<b>1.4</b>
Material cost	(11,379)	(11,111)	(10,842)	(11,919)	2.4	5.0	(4.5)	(48,526)	(47,697)	1.7
<b>Gross profit</b>	<b>6,025</b>	<b>5,856</b>	<b>5,775</b>	<b>6,502</b>	<b>2.9</b>	<b>4.3</b>	<b>(7.3)</b>	<b>26,441</b>	<b>26,236</b>	<b>0.8</b>
<b>Gross margin (%)</b>	<b>34.6</b>	<b>34.5</b>	<b>34.8</b>	<b>35.3</b>	<b>10 bps</b>	<b>-14 bps</b>	<b>-68 bps</b>	<b>35.3</b>	<b>35.5</b>	<b>-22 bps</b>
Employee cost	(1,165)	(1,053)	(1,048)	(1,070)	10.6	11.1	8.8	(4,472)	(4,018)	11.3
Other expenditure	(3,082)	(2,872)	(2,935)	(2,963)	7.3	5.0	4.0	(12,228)	(11,989)	2.0
<b>Total expenditure</b>	<b>(15,626)</b>	<b>(15,036)</b>	<b>(14,826)</b>	<b>(15,953)</b>	<b>3.9</b>	<b>5.4</b>	<b>(2.0)</b>	<b>(65,226)</b>	<b>(63,704)</b>	<b>2.4</b>
<b>EBITDA</b>	<b>1,778</b>	<b>1,931</b>	<b>1,791</b>	<b>2,469</b>	<b>(7.9)</b>	<b>(0.7)</b>	<b>(28.0)</b>	<b>9,741</b>	<b>10,229</b>	<b>(4.8)</b>
<b>EBITDA margin (%)</b>	<b>10.2</b>	<b>11.4</b>	<b>10.8</b>	<b>13.4</b>	<b>-117 bps</b>	<b>-57 bps</b>	<b>-319 bps</b>	<b>13.0</b>	<b>13.8</b>	<b>-85 bps</b>
Other income	394	365	320	374	8.1	23.0	5.4	1,421	931	52.6
Interest	(37)	(16)	(32)	(48)	132.3	16.5	(22.7)	(151)	(125)	21.1
Depreciation	(497)	(517)	(458)	(515)	(3.7)	8.7	(3.3)	(1,937)	(1,800)	7.6
<b>Pretax profits</b>	<b>1,638</b>	<b>1,763</b>	<b>1,623</b>	<b>2,281</b>	<b>(7.1)</b>	<b>1.0</b>	<b>(28.2)</b>	<b>9,074</b>	<b>9,236</b>	<b>(1.7)</b>
Tax	(403)	(439)	(417)	(478)	(8.1)	(3.3)	(15.6)	(2,324)	(2,375)	(2.1)
<b>Recurring PAT</b>	<b>1,235</b>	<b>1,324</b>	<b>1,205</b>	<b>1,803</b>	<b>(6.7)</b>	<b>2.4</b>	<b>(31.5)</b>	<b>6,751</b>	<b>6,861</b>	<b>(1.6)</b>
Extraordinary items	-	-	(190)	3,462				3,462	4,968	
<b>Net profit (reported)</b>	<b>1,235</b>	<b>1,324</b>	<b>1,015</b>	<b>5,265</b>	<b>(6.7)</b>	<b>21.6</b>	<b>(76.5)</b>	<b>10,212</b>	<b>11,829</b>	<b>(13.7)</b>
<b>Recurring EPS</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>	<b>2.2</b>	<b>(6.7)</b>	<b>2.4</b>	<b>(31.5)</b>	<b>8.4</b>	<b>8.5</b>	<b>(1.6)</b>
<b>Income tax rate (%)</b>	<b>24.6</b>	<b>24.9</b>	<b>25.7</b>	<b>21.0</b>	<b>-29 bps</b>	<b>-109 bps</b>	<b>367 bps</b>	<b>25.6</b>	<b>25.7</b>	<b>-11 bps</b>
<b>Costs as a % of net operating revenues</b>										
Material cost	65.4	65.5	65.2	64.7	-11 bps	13 bps	67 bps	64.7	64.5	21 bps
Employee cost	6.7	6.2	6.3	5.8	48 bps	38 bps	88 bps	6.0	5.4	53 bps
Other expenditure	17.7	16.9	17.7	16.1	78 bps	4 bps	162 bps	16.3	16.2	9 bps

Note:

- (1) Exception item during FY2024 is profit of Rs6.6 bn from sale of land (Rs5.3 bn net of taxes assuming 20% LTCC on land sale)
- (2) Exceptional item in 3Q/FY2025 is profit of Rs6.65 bn from sale of land/building (~Rs5.3 bn net of taxes assuming 20% LTCC on sale)

Source: Company, Kotak Institutional Equities

**Exhibit 2: Key changes to estimates, Kansai Nerolac Paints, March fiscal year-ends, 2026-27E**

	Revised		Earlier		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Revenues (Rs mn)	79,530	85,327	79,636	85,858	(0.1)	(0.6)
<b>Revenue growth (%)</b>	<b>6.1</b>	<b>7.3</b>	<b>6.6</b>	<b>7.8</b>		
<b>Gross margin (%)</b>	<b>35.8</b>	<b>35.8</b>	<b>34.5</b>	<b>34.3</b>	<b>125 bps</b>	<b>150 bps</b>
EBITDA (Rs mn)	10,756	11,583	10,034	10,711	7.2	8.1
<b>EBITDA margin (%)</b>	<b>13.5</b>	<b>13.6</b>	<b>12.6</b>	<b>12.5</b>	<b>92 bps</b>	<b>110 bps</b>
Net income (Rs mn)	7,567	8,296	7,278	7,809	4.0	6.2
<b>EPS (Rs/share)</b>	<b>9.4</b>	<b>10.3</b>	<b>9.0</b>	<b>9.7</b>	<b>4.0</b>	<b>6.2</b>

Source: Company, Kotak Institutional Equities estimates

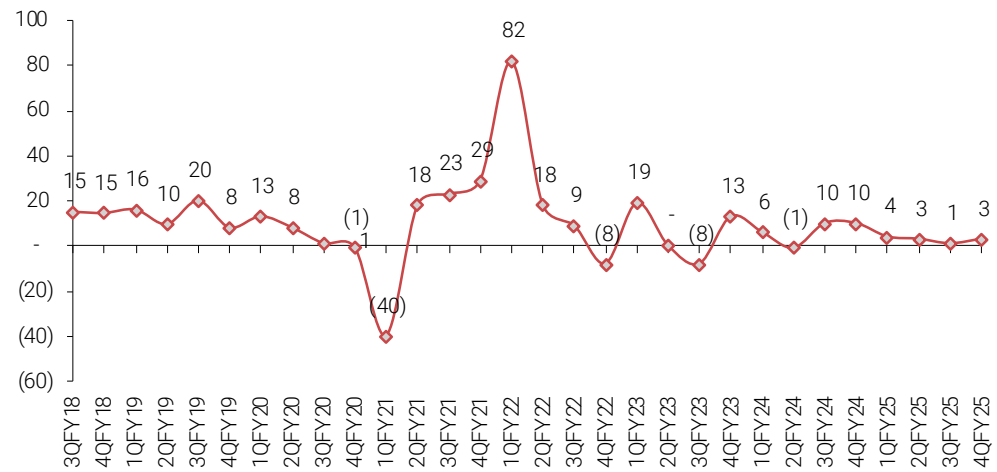
**Exhibit 3: Revenue growth in decorative paints, March fiscal year-ends (Rs mn)**

Revenue growth (yoy %)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
APNT Standalone (India decorative paints)	21.6	59.0	19.6	0.7	12.4	7.0	(0.0)	5.2	1.0	(2.9)	(6.7)	(7.5)	(1.0)
Berger Standalone	9.5	53.7	22.5	7.2	14.0	11.0	2.8	6.4	2.7	2.4	(0.4)	-	3.0
KNPL (India decorative paints)	3.0	41.0	11.0	(4.0)	13.0	5.0	(2.0)	3.0	1.0	(4.0)	(2.0)	(3.0)	-
<b>KNPL underperformance versus Asian Paints (pts)</b>	<b>18.6</b>	<b>18.0</b>	<b>8.6</b>	<b>4.7</b>	<b>(0.6)</b>	<b>2.0</b>	<b>2.0</b>	<b>2.2</b>	<b>-</b>	<b>1.1</b>	<b>(4.7)</b>	<b>(4.5)</b>	<b>(1.0)</b>
<b>5-yr CAGR growth (%)</b>													
APNT Standalone (India decorative paints)						17.2	13.5	11.9	13.1	12.7	10.0	9.6	14.8
KNPL (India decorative paints)						10.6	8.7	4.9	7.3	6.5	6.9	4.9	9.3

Note: BRGR revenue growth is as per KIE estimates

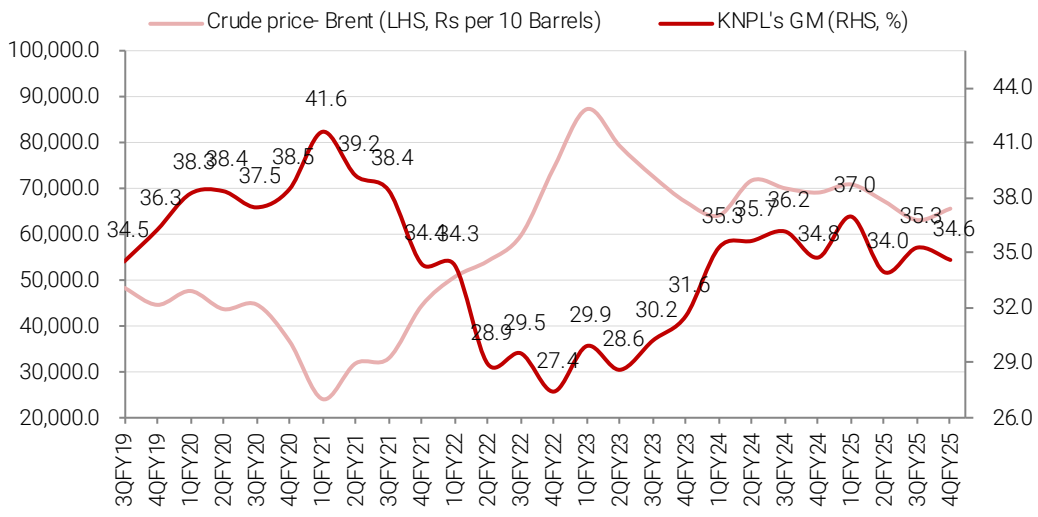
Source: Company, Kotak Institutional Equities

**Exhibit 4: Kansai Nerolac Decorative volume growth trends, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

**Exhibit 5: Kansai Nerolac gross margin and Crude price movement, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

Exhibit 6: Standalone financials of Kansai Nerolac, March fiscal year-ends, 2018-28E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Profit model</b>											
Net revenues (1)	45,866	51,736	49,432	46,900	58,984	70,810	73,933	74,967	79,530	85,327	91,382
<b>EBITDA</b>	<b>7,898</b>	<b>7,420</b>	<b>7,816</b>	<b>8,331</b>	<b>6,211</b>	<b>7,939</b>	<b>10,229</b>	<b>9,741</b>	<b>10,756</b>	<b>11,583</b>	<b>12,862</b>
Depreciation	(758)	(905)	(1,199)	(1,390)	(1,538)	(1,646)	(1,800)	(1,937)	(2,030)	(2,065)	(2,173)
Other income	724	619	269	387	329	308	931	1,421	1,560	1,737	1,892
Interest expense	—	—	(50)	(75)	(99)	(97)	(125)	(151)	(130)	(120)	(100)
PBT	7,864	7,134	6,836	7,253	4,902	6,504	9,236	9,074	10,157	11,135	12,481
Tax	(2,700)	(2,461)	(1,482)	(1,835)	(1,186)	(1,639)	(2,375)	(2,324)	(2,590)	(2,839)	(3,183)
Extraordinary items	—	—	—	(108)	27	—	4,968	3,462	—	—	—
Reported PAT	5,164	4,674	5,354	5,310	3,743	4,864	11,829	10,212	7,567	8,296	9,298
<b>Recurring PAT</b>	<b>5,164</b>	<b>4,674</b>	<b>5,354</b>	<b>5,418</b>	<b>3,717</b>	<b>4,864</b>	<b>6,861</b>	<b>6,751</b>	<b>7,567</b>	<b>8,296</b>	<b>9,298</b>
<b>Recurring EPS (diluted) (Rs)</b>	<b>6.4</b>	<b>5.8</b>	<b>6.6</b>	<b>6.7</b>	<b>4.6</b>	<b>6.0</b>	<b>8.5</b>	<b>8.4</b>	<b>9.4</b>	<b>10.3</b>	<b>11.5</b>
<b>Balance sheet</b>											
Total equity	31,251	34,245	37,868	40,809	41,709	46,074	56,531	63,662	67,446	71,593	75,313
Total borrowings	183	97	—	—	—	—	—	—	—	—	—
Current liabilities	8,440	7,666	6,606	9,497	10,204	12,462	13,060	12,765	13,651	14,763	15,936
Other liabilities	1,096	1,051	1,450	1,785	2,044	2,215	2,657	3,265	3,265	3,265	3,265
<b>Total equity and liabilities</b>	<b>40,971</b>	<b>43,059</b>	<b>45,924</b>	<b>52,091</b>	<b>53,957</b>	<b>60,751</b>	<b>72,248</b>	<b>79,692</b>	<b>84,362</b>	<b>89,621</b>	<b>94,514</b>
Cash and cash equivalents	8,809	2,769	4,714	7,434	2,901	5,929	15,525	21,062	24,166	26,905	29,196
Other current assets	18,115	22,895	20,981	23,683	29,147	32,198	33,105	34,166	36,102	38,579	41,152
Net fixed assets	10,066	13,159	17,059	17,249	18,760	19,947	20,736	21,598	21,227	21,270	21,300
CWIP	3,431	3,147	1,644	2,058	2,239	1,126	1,516	2,258	2,258	2,258	2,258
Goodwill	—	—	27	12	2	2	2	2	2	2	2
<b>Total assets</b>	<b>40,971</b>	<b>43,059</b>	<b>45,924</b>	<b>52,091</b>	<b>53,957</b>	<b>60,751</b>	<b>72,248</b>	<b>79,692</b>	<b>84,361</b>	<b>89,621</b>	<b>94,513</b>
<b>Cash flow</b>											
Operating cash flow excl. w-cap	5,311	4,556	6,353	7,017	4,657	6,326	8,269	7,445	8,166	8,744	9,679
W-cap changes	(1,537)	(3,452)	(147)	(631)	(4,066)	(2,464)	682	(971)	(1,050)	(1,365)	(1,400)
<b>Operating cash flow</b>	<b>3,774</b>	<b>1,104</b>	<b>6,206</b>	<b>6,387</b>	<b>591</b>	<b>3,862</b>	<b>8,951</b>	<b>6,475</b>	<b>7,117</b>	<b>7,378</b>	<b>8,280</b>
Interest expense (net)	231	192	41	73	36	41	46	132	1,430	1,617	1,792
Capital expenditure	(3,332)	(5,233)	(2,170)	(965)	(2,138)	(1,113)	(2,326)	(3,245)	(1,659)	(2,108)	(2,202)
Acquisitions/divestment	(38)	(829)	—	—	—	—	—	—	—	—	—
<b>Free cash flow</b>	<b>404</b>	<b>(4,958)</b>	<b>4,036</b>	<b>5,422</b>	<b>(1,547)</b>	<b>2,749</b>	<b>6,625</b>	<b>3,230</b>	<b>5,457</b>	<b>5,271</b>	<b>6,078</b>
<b>Key metrics and ratios</b>											
<b>Revenue growth (%)</b>	<b>14.7</b>	<b>12.8</b>	<b>(4.5)</b>	<b>(5.1)</b>	<b>25.8</b>	<b>20.1</b>	<b>4.4</b>	<b>1.4</b>	<b>6.1</b>	<b>7.3</b>	<b>7.1</b>
<b>Gross margin (%)</b>	<b>39.5</b>	<b>36.2</b>	<b>38.1</b>	<b>37.9</b>	<b>30.0</b>	<b>30.0</b>	<b>35.5</b>	<b>35.3</b>	<b>35.8</b>	<b>35.8</b>	<b>36.0</b>
A&P (% of sales)	6.0	5.0	5.0	3.1	3.6	3.8	4.8	4.7	5.0	5.0	4.9
Employee cost (% of sales)	4.9	4.9	5.4	5.5	4.9	4.7	5.4	6.0	6.0	6.0	5.9
<b>EBITDA margin (%)</b>	<b>17.2</b>	<b>14.3</b>	<b>15.8</b>	<b>17.8</b>	<b>10.5</b>	<b>11.2</b>	<b>13.8</b>	<b>13.0</b>	<b>13.5</b>	<b>13.6</b>	<b>14.1</b>
PAT margin (%)	11.3	9.0	10.8	11.6	6.3	6.9	9.3	9.0	9.5	9.7	10.2
<b>Net debt</b>	<b>(8,625)</b>	<b>(2,672)</b>	<b>(4,714)</b>	<b>(7,434)</b>	<b>(2,901)</b>	<b>(5,929)</b>	<b>(15,525)</b>	<b>(21,062)</b>	<b>(24,166)</b>	<b>(26,905)</b>	<b>(29,196)</b>
Net debt/equity (X)	(0.3)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Book value (Rs/share)	38.7	42.4	46.8	50.5	51.6	57.0	69.9	78.8	83.4	88.6	93.2
RoAE (%)	17.4	14.3	14.8	13.8	9.0	11.1	13.4	11.2	11.5	11.9	12.7
RoACE (%)	15.7	13.0	14.4	13.2	8.6	10.7	12.2	9.7	9.9	10.2	10.8

Source: Company, Kotak Institutional Equities estimates

# Vedant Fashions (MANYAVAR)

Consumer Durables &amp; Apparel

**REDUCE**

CMP(₹): 741

Fair Value(₹): 730

 Sector View: **Cautious**

NIFTY-50: 24,414

May 07, 2025

## 4QFY25: Another weak revenue print

VFL's 4QFY25 revenue growth was at 1.2% yoy, driven by SSSG of (-)4.5% yoy and 5.3% yoy retail store area addition. The revenue growth print was sharply below our estimate of 10% yoy growth. The GM of 66.2% declined 87 bps yoy, 130 bps below our estimates. EBITDA margin missed estimates due to lower-than-expected GM and negative operating leverage. We trim our EPS estimates by 7-9% over FY2026-27 and roll forward to June 2027E, with a revised FV of Rs730 (Rs800 earlier). Maintain REDUCE.

### Weak revenue print, despite a favorable base

VFL's 4QFY25 revenue growth came in at 1.2% yoy and missed our estimate of 10% yoy growth. The two-year revenue CAGR in 4QFY25 was 3.7%, muted due to weak demand. Customer sales increased 1.9% yoy, with SSSG print of (-)4.5%. The revenue-to-customer sales ratio of 70.6% was lower than in 3QFY25. We note that VFL posted (1) a 4.5% yoy decrease in annualized revenue per sq. ft of Rs8.3k, (2) its net store count at 678 (flat yoy and increase of 1.8% qoq) and (3) a 5.3% yoy growth in retail space to 1.8 mn sq. ft, as of March 2025. According to management, weak demand in the second half of the quarter and weak sales in the AP/Telangana regions impacted growth. Store additions may remain weak in the near term until demand recovers and rentals normalize.

### EBITDA margin decline of ~300 bps yoy

The GM print of 66.2% was down 87 bps yoy (67.1% in 4QFY24), but was healthy nevertheless. The EBITDA margin print of 45.1% was 311 bps lower yoy and missed estimates by 335 bps due to negative operating leverage in light of the weak SSSG print of (-)4.5%. Thus, 4QFY25 EPS declined 12.4% yoy. We believe the EBITDA margin may remain range-bound, going forward, as we believe SSSG is unlikely to break out anytime soon.

### VFL continues to witness demand headwinds

Management mentioned that macro demand remains muted and may not recover in the near term. VFL is focusing on (1) new designs in Manyavar stores, (2) selective addition of Twamev and scale-up of Diwas from online channels, and (3) higher digital advertising to gain customer momentum. For now, there is no challenge in adding franchisees. Store additions will be contingent on demand revival. In FY2025, the company carried out a fair bit of store footprint rationalization.

### Growth pangs remain; retain REDUCE

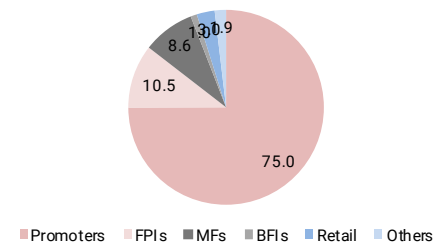
We trim revenue growth estimates by 3-4% for FY2026-27, as we model FY2025 actual performance and model lower 5-6% SSSG. This drives a larger 7-9% EPS cut for FY2026-27. We roll forward to June and revise down our FV to Rs730 (Rs800 earlier). We note the company's efforts to scale up its new brands (Twame and Diwas), but believe this may not be adequate to kickstart growth. Maintain REDUCE.

#### Company data and valuation summary

##### Stock data

CMP(Rs)/FV(Rs)/Rating	741/730/REDUCE
52-week range (Rs) (high-low)	1,512-725
Mcap (bn) (Rs/US\$)	180/2.1
ADTV-3M (mn) (Rs/US\$)	185/2.2

##### Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	(6)	(21)	(23)
Rel. to Nifty	(16)	(24)	(32)
Rel. to MSCI India	(15)	(23)	(30)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	16.0	17.4	19.4
EPS growth (%)	(6.2)	9.1	11.5
P/E (X)	46.3	42.5	38.1
P/B (X)	10.1	8.8	7.7
EV/EBITDA (X)	26.9	24.5	21.2
RoE (%)	22.9	22.1	21.6
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	14	15	17
EBITDA (Rs bn)	6.4	7.3	8.3
Net profits (Rs bn)	3.9	4.2	4.7

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

#### Related Research

[→ Vedant Fashions: Growth pangs](#)
[→ Vedant Fashions: 3QFY25: Continued growth](#)
[→ Vedant Fashions: 2QFY25: Revenue recovery](#)
[Full sector coverage on KINSITE](#)

Garima Mishra

Ishani Swain

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

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			FY2025	FY2024	Yoy		Yoy	
					KIE	yoy	qoq			(%)	FY2026E	(%)	
<b>Revenue from operations</b>	<b>3,674</b>	<b>3,995</b>	<b>3,632</b>	<b>5,113</b>	<b>(8.0)</b>	<b>1.2</b>	<b>(28.1)</b>	<b>13,865</b>	<b>13,675</b>	<b>1.4</b>	<b>15,323</b>	<b>10.5</b>	
Cost of material consumed	—	—	—	—				(3,691)	(3,792)		(3,938)		
-Raw materials	(450)	(1,298)	(378)	(454)		19.0	(0.8)						
-Accessories and packing materials	(49)	—	(44)	(56)		12.6	(12.4)						
Purchase of stock-in-trade	(733)	—	(649)	(1,027)		12.9	(28.7)						
Changes in inventory of stock in trade	262	—	71	104									
Job charges	(272)	—	(196)	(240)		38.5	13.0	(984)	(957)	2.8	(1,088)	10.5	
<b>Gross margin (%)</b>	<b>66.2</b>	<b>67.5</b>	<b>67.1</b>	<b>67.3</b>	<b>-130 bps</b>	<b>-87 bps</b>	<b>-108 bps</b>	<b>66.3</b>	<b>65.3</b>	<b>101 bps</b>	<b>67.2</b>	<b>92 bps</b>	
Employee benefits expense	(153)	(161)	(134)	(154)	(5.0)	14.7	(0.2)	(598)	(568)	5.3	(628)	5.1	
Other expenses	(622)	(599)	(551)	(864)	3.7	12.8	(28.0)	(2,165)	(1,777)	21.8	(2,404)	11.0	
Total expenses	(2,017)	(2,059)	(1,881)	(2,691)	(2.0)	7.2	(25.0)	(7,439)	(7,094)	4.9	(8,058)	8.3	
<b>EBITDA</b>	<b>1,657</b>	<b>1,936</b>	<b>1,751</b>	<b>2,422</b>	<b>(14.4)</b>	<b>(5.3)</b>	<b>(31.6)</b>	<b>6,426</b>	<b>6,581</b>	<b>(2.4)</b>	<b>7,265</b>	<b>13.1</b>	
<b>EBITDA margin (%)</b>	<b>45.1</b>	<b>48.5</b>	<b>48.2</b>	<b>47.4</b>	<b>-335 bps</b>	<b>-311 bps</b>	<b>-226 bps</b>	<b>46.3</b>	<b>48.1</b>	<b>-177 bps</b>	<b>47.4</b>	<b>106 bps</b>	
Finance costs	(136)	(141)	(132)	(139)	(3.3)	3.1	(2.3)	(552)	(445)		(699)		
Depreciation and amortization expense	(395)	(407)	(381)	(391)	(3.0)	3.7	0.9	(1,531)	(1,349)		(1,747)		
Other income	221	235	241	224	(6.1)	(8.5)	(1.5)	852	697		877		
<b>PBT</b>	<b>1,347</b>	<b>1,623</b>	<b>1,479</b>	<b>2,115</b>	<b>(17.0)</b>	<b>(8.9)</b>	<b>(36.3)</b>	<b>5,195</b>	<b>5,484</b>	<b>(5.3)</b>	<b>5,695</b>	<b>9.6</b>	
<b>PBT margin (%)</b>	<b>36.7</b>	<b>40.6</b>	<b>40.7</b>	<b>41.4</b>				<b>37.5</b>	<b>40.1</b>		<b>37.2</b>		
Tax expense	(333)	(415)	(321)	(535)				(1,310)	(1,342)		(1,458)		
<b>PAT</b>	<b>1,014</b>	<b>1,208</b>	<b>1,158</b>	<b>1,580</b>	<b>(16.0)</b>	<b>(12.4)</b>	<b>(35.8)</b>	<b>3,885</b>	<b>4,142</b>	<b>(6.2)</b>	<b>4,237</b>	<b>9.1</b>	
EPS	4.2	5.0	4.8	6.5	(16.0)	(12.4)	(35.8)	16.0	17		17		
<b>Costs (as % of revenues)</b>													
COGS (incl. job charges)	33.8	32.5	32.9	32.7				33.7	34.7	-101 bps	32.8	-92 bps	
Employee cost	4.2	4.0	3.7	3.0	13 bps	49 bps	117 bps	4.3	4.2	16 bps	4.1	-21 bps	
Other expenses	16.9	15.0	15.2	16.9	192 bps	175 bps	2 bps	15.6	13.0	262 bps	15.7	7 bps	
<b>Key performance metrics</b>													
EBO (#)	678	—	676	666		0.3	1.8						
Retail area (mn sqft)	1.79	1.84	1.70	1.75	(2.5)	5.3	2.3						
Annualized revenue per sq.ft (Rs 000)	8.3	8.9	8.7	11.9		(4.5)	(30.0)						
Cities (#)	256	—	268	255		(4.5)	0.4						
<b>SSSG (%)</b>	<b>(4.5)</b>	<b>—</b>	<b>(3.3)</b>	<b>2.6</b>									
Consumer sales (Rs mn)	5,207	6,031	5,111	7,088		1.9	(26.5)	18,929	18,527	2.2	18,249	(3.6)	
Revenues to consumer sales (%)	70.6	66.2	71.1	72.1				73.2	73.8		84.0		

Source: Company, Kotak Institutional Equities estimates

**Exhibit 2: Revenue-to-consumer sales ratio of Vedant Fashions, March fiscal year-ends (Rs mn)**

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	% change	
												yoy	qoq
Consumer sales (Rs mn)	2,937	5,853	4,827	4,215	2,697	6,504	5,111	3,293	3,341	7,088	5,207	1.9	(27)
Revenues (Rs mn)	2,469	4,414	3,416	3,116	2,183	4,745	3,632	2,398	2,679	5,113	3,674	1.2	(28)
Revenue to consumer sales (%)	84.1	75.4	70.8	73.9	80.9	72.9	71.1	72.8	80.2	72.1	70.6		

Source: Company, Kotak Institutional Equities

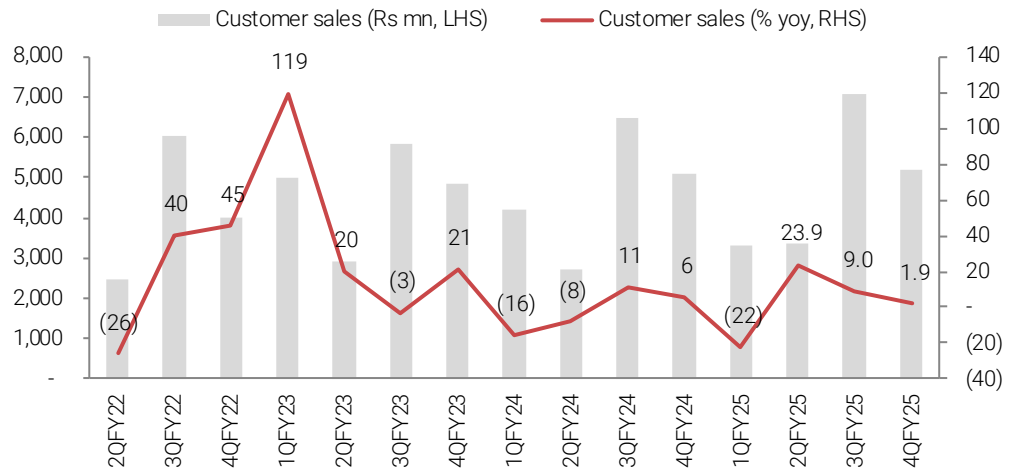
**Exhibit 3: Revenues to consumer sales ratio of Vedant Fashions, March fiscal year-ends (Rs mn)**

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Consumer sales (Rs mn)	11,355	12,652	8,363	14,734	18,614	18,527	18,929	20,955	23,691	27,037
Revenues (Rs mn)	7,995	9,145	5,641	10,392	13,530	13,654	13,841	15,297	17,295	19,737
Revenue to consumer sales (%)	70.4	72.3	67.5	70.5	72.7	73.7	73.1	73.0	73.0	73.0

Source: Company, Kotak Institutional Equities estimates

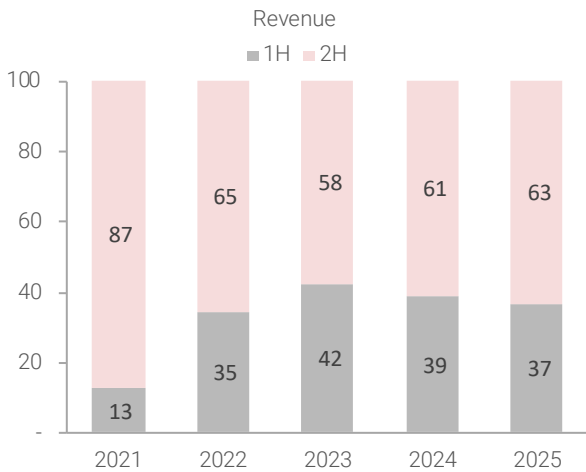
**Customer sales increased 1.9% yoy in 4QFY25**

**Exhibit 4: Quarterly customer sales and growth of Vedant Fashions, March fiscal year-ends (Rs mn, %)**



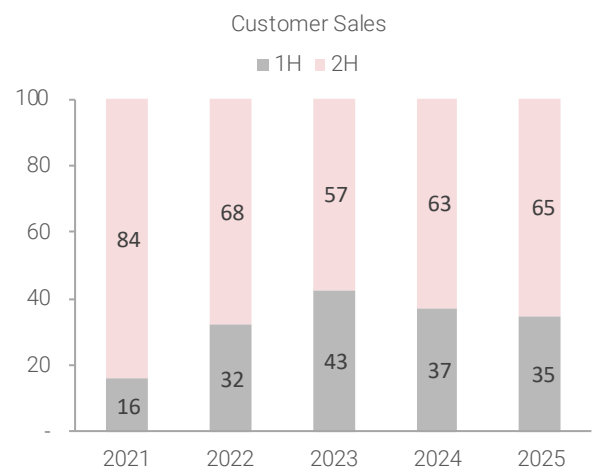
Source: Company, Kotak Institutional Equities

**Exhibit 5: Revenue split between 1H and 2H, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

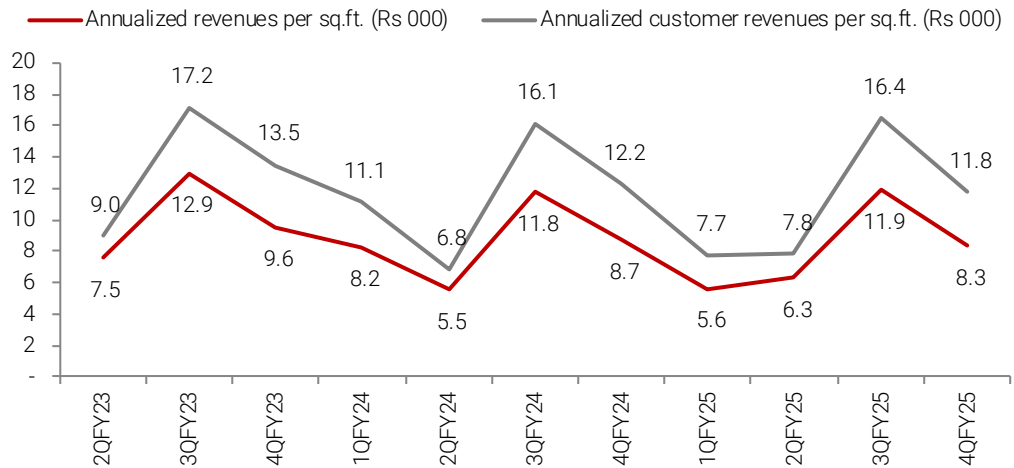
**Exhibit 6: Customer sales split between 1H and 2H, March fiscal year-ends (%)**



Source: Company, Kotak Institutional Equities

**Annualized revenue throughput at ~8.3k per sq. ft in 4QFY25**

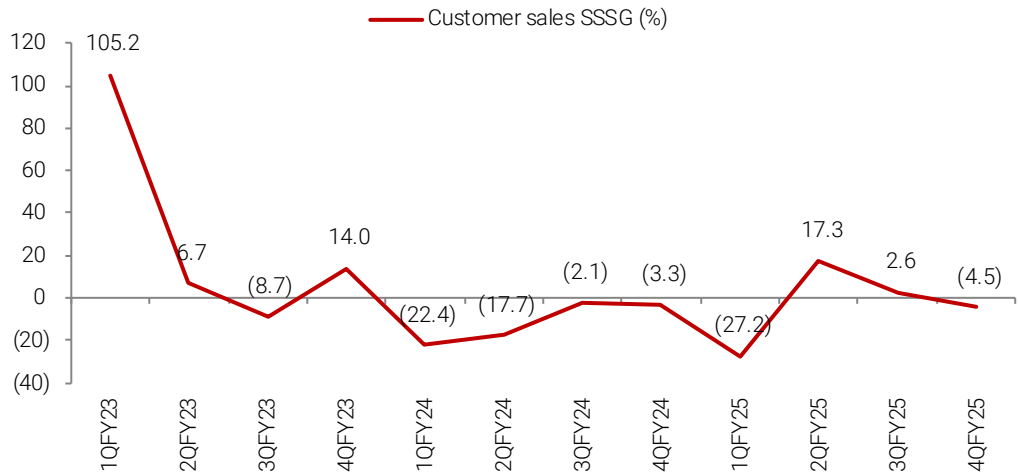
**Exhibit 7: Annualized sales of Vedant Fashions, March fiscal year-ends (Rs'000)**



Source: Company, Kotak Institutional Equities

**VFL reported (-)4.5% SSSG growth in customer sales in 4QFY25**

**Exhibit 8: Customer sales SSSG, March fiscal year-ends (%)**



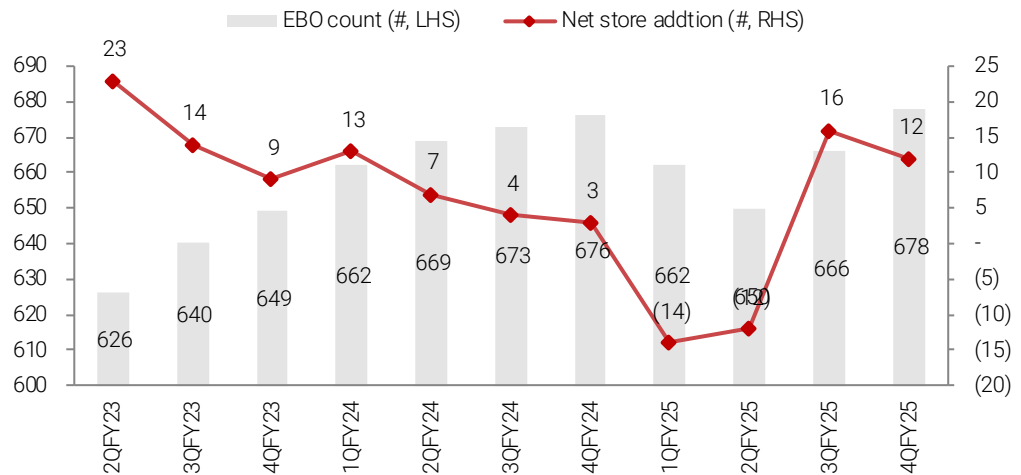
Source: Company, Kotak Institutional Equities

**Store network addition**

VFL is gradually opening larger-sized stores. Hence, retail store area addition has increased more than store count addition. EBO (including SIS) count increased to 678 stores in March 2025 (versus 666 stores in December 2024). The company had a net addition of 2 stores in FY2025 versus a net addition of 27 stores in FY2024. VFL is present across 244 cities (India) and 12 cities internationally. Management had earlier commented that the company is closing extremely smaller-sized stores (<1,000 sq. ft) and opening up larger ones.

**Net addition of 12 stores in 4QFY25**

**Exhibit 9: Store addition of Vedant Fashions, March fiscal year-ends (#)**



Source: Company, Kotak Institutional Equities

**VFL's store area increased only 5% yoy in FY2025**

**Exhibit 10: Key operating metrics of Vedant Fashions, March fiscal year-ends (Rs mn)**

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	% change	
												yoy	qoq
SSSG (%)	6.7	(8.7)	14.0	(22.4)	(17.7)	(2.1)	(3.3)	(27.2)	17.3	2.6	(4.5)		
Retail area (mn sq.ft.)	1.34	1.39	1.47	1.56	1.59	1.64	1.70	1.71	1.70	1.75	1.79	5.3	2
EBO count (#)	626	640	649	662	669	673	676	662	650	666	678	0.3	1.8
Indian cities (#)	235	242	245	248	248	250	268	263	255	255	256		
Average store size (sq.ft.)	2,141	2,172	2,265	2,356	2,377	2,437	2,515	2,583	2,615	2,628	2,640	5.0	0
Customer revenues (Rs mn)	2,937	5,853	4,827	4,215	2,697	6,504	5,111	3,293	3,341	7,088	5,207	1.9	(27)
Annualized customer revenues per sq.ft. (Rs)	8,968	17,152	13,502	11,129	6,850	16,109	12,242	7,726	7,838	16,436	11,767	(3.9)	(28.4)
Revenues (Rs mn)	2,469	4,414	3,416	3,116	2,183	4,745	3,632	2,398	2,679	5,113	3,674	1.2	(28)
Annualized revenues per sq.ft. (Rs)	7,540	12,936	9,556	8,228	5,544	11,751	8,698	5,626	6,286	11,856	8,304	(4.5)	(30.0)

Source: Company, Kotak Institutional Equities

**Exhibit 11: Key quarterly cost ratios of Vedant Fashions, March fiscal year-ends (% of revenues)**

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Gross profit margin	68.8	66.5	67.8	66.0	66.8	66.4	67.8	67.1	67.7	67.9	67.3	66.2
Employee expenses	4.0	5.5	3.5	4.3	4.8	6.7	2.9	3.7	6.1	5.4	3.0	4.2
Other expenses	14.6	14.3	13.5	12.5	14.5	17.2	13.8	15.2	14.6	17.0	16.9	16.9
EBITDA margin	50.2	46.7	50.9	49.1	47.5	42.5	51.0	48.2	47.0	45.5	47.4	45.1
Adj. PBT margin	39.6	33.5	43.5	38.6	34.9	22.7	41.4	34.1	25.7	26.5	37.0	30.7

Source: Company, Kotak Institutional Equities

Inventory days and receivable days went up in FY2025. The increase in receivable days is due to new store additions (higher initial inventory stocking) and lower revenue throughput.

**VFL's working capital situation deteriorated in FY2025****Exhibit 12: Key items of working capital of VFL, March fiscal year-ends (#)**

	2020	2021	2022	2023	2024	2025
Inventory days	48	65	50	47	37	53
Receivable days	148	233	139	128	151	163
Deposits	29	53	32	29	33	35
<b>Inventory + receivable days less deposits</b>	<b>167</b>	<b>246</b>	<b>157</b>	<b>146</b>	<b>155</b>	<b>181</b>

Source: Company, Kotak Institutional Equities

**Key takeaways from earnings call**

- ▶ **Management commentary.** Vedant Fashion reported 1.2% yoy revenue growth in 4QFY25. According to management, growth continues to be impacted by macro headwinds and a slowdown in consumption in the mid-premium discretionary spends. Management highlighted its industry-leading GM of 67.3% and EBITDA margin of 47.4% in the quarter. Customer sales in the quarter were at Rs5.2 bn, a growth of 1.9% yoy. The company achieved SSSG growth of (-)4.5% in 4QFY25. Management noted subdued consumer sentiment in FY2025 and the impact of an exceptional 1QFY25 with extremely low/negligible wedding dates nationally. However, in 9MFY25, retail sales grew 9.3% yoy, with SSSG of 2.9%.
  - According to management, the slow revenue growth in FY2025 was due to multiple factors, including (1) weak consumer sentiment in the mid-premium side of business in India, (2) the impact of an exceptional 1QFY25, with close to no wedding dates in the whole year and (3) the detrimental impact of AP and Telangana. The EBO SSSG is flat without the impact of AP/Telangana for FY2025 and positive in 4QFY25. Management noted that Manyavar has higher exposure in AP/Telangana than peers. Management also noted that it is operating in a market where a significant number of new players have entered, but the impact of this is much lower than the other three factors.
  - The current focus of management is on the like-to-like growth in the business.
- ▶ **Industry.** According to management, the Indian men's market has been stable or growing. The number of stores may have tripled over the past 2-3 years, but no one player has dominated the market. The store expansion has been driven by multiple new players. Management noted that the industry has witnessed a lot of macroeconomic pressure in FY2025.
- ▶ **Demand.** Management sees green shoots in demand due to having wedding dates this year versus negligible wedding dates last year. However, in terms of expectations, overall market sentiment remains weak. Management expects the result of its strategies to be seen only in the later part of the year.
- ▶ **Strategy.** Management acknowledged the need to take steps to ensure future growth. The focus of management is broadly on product, marketing and operations.
  - **Product.** Manyavar has increased the number of new products and designs launched in a year. The company will be focused on trends and ensure that it is able to adopt new trends early. It is also focused on improving its production and turnaround time. Management has taken a few specific product actions in Bihar and has seen a significant delta versus other states. The company will now expand this to its other important markets.
  - **Marketing.** Management noted a large-scale shift to digital marketing in the industry. Manyavar has been shifting to a hybrid model where its marketing efforts are deployed both toward the big campaign outdoor spends, along with a focus on digital. However, management is now strategically taking a call on the need to increase digital focus and to execute multiple mini-campaigns with rapid speed as opposed to a few large campaigns.
  - **Operations.** Manyavar has launched its own app this year to enable better connection with its retail employees. In a typical retail environment, the company trains its store employees a few times a year. Through the app, Manyavar is able to connect with its retail employees every day and is seeing an uptick in its metrics as a result.

- ▶ **Franchisee.** Manyavar signs on stores without a franchisee partner ready for the store. As of now, finding new franchisee partners has not been a challenge. According to management, there are no large challenges seen in franchisee profitability either. Management noted that the franchisee partners understand the current market environment and know what to focus on.
- ▶ **Marketing.** During the quarter and throughout the year, Manyavar implemented a comprehensive suite of marketing initiatives across marketing channels and brands. According to management, these efforts elevated the brand’s visibility and reinforced its connection with consumers. The company also executed successful campaigns across several brands throughout the year.
- ▶ **Expansion.** The company expanded its retail footprint by ~36k mn sq. ft in 4QFY25 and added one exclusive Twamev EBO and one exclusive Mohey EBO in the same period. Manyavar, thus, exited the year with 678 stores across 256 cities globally and ~1.8 mn sq. ft of retail area. At a gross level, the company added ~180k sq. ft of retail area in FY2025; the net addition looks a lot smaller as the company has been consolidating its footprint. According to management, retail inflation has created a challenging environment to rapidly open stores.
  - According to management, store closures have been taken in markets that have stopped performing well for brands. Store closures have also been undertaken in certain tier 3 towns with larger flagship stores in the same town or nearby towns.
- ▶ **Mohey.** Management noted positive traction with Mohey. The new categories have shown tremendous growth in opportunity and management is very confident about this brand. According to management, the growth seen in Mohey is 25% higher than the company-level growth. The company has changed its strategy in Mohey from a bridal wear offering to a wedding wear offering. This has resulted in increased footfall and better conversions.
- ▶ **Diwas.** Diwas, the company’s first D2C brand, has garnered a positive consumer response since its launch.
- ▶ **Balance sheet.** According to management, an increase in inventory is due to a strategic build-up in anticipation of Eid and the upcoming 1Q which has a good number of weddings. This is in contrast to last year, when Eid was in April and the 1Q had negligible wedding dates. So, the company had a lower level of inventories last year. In terms of receivables, the increase in receivables is majorly because of the store additions during the year.
- ▶ **Misc.** The company continues to partner with quick commerce platforms to deliver traditional wear instantly.

**Key earnings changes**

We trim revenue growth estimates by 3-4% for FY2026-27 as we model the FY2025 actual performance and model lower 5/6% SSSG. This drives a larger 7-9% EPS cut for FY2026-27.

	New estimates			Old estimates		% revision	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
<b>Total</b>							
<b>Revenue (Rs mn)</b>	<b>15,323</b>	<b>17,323</b>	<b>19,768</b>	<b>15,814</b>	<b>18,071</b>	<b>(3.1)</b>	<b>(4.1)</b>
Revenue growth (%)	10.5	13.1	14.1	11.4	14.3		
Gross profit (Rs mn)	10,297	11,641	13,284	10,690	12,216	(3.7)	(4.7)
Gross margin (%)	67.2	67.2	67.2	67.6	67.6		
<b>EBITDA (Rs mn)</b>	<b>7,265</b>	<b>8,270</b>	<b>9,507</b>	<b>7,632</b>	<b>8,809</b>	<b>(4.8)</b>	<b>(6.1)</b>
EBITDA margin (%)	47.4	47.7	48.1	48.3	48.7		
PBT (Rs mn)	5,695	6,348	7,128	6,105	6,947	(6.7)	(8.6)
Net profit (Rs mn)	4,237	4,723	5,303	4,542	5,169	(6.7)	(8.6)
<b>EPS (Rs)</b>	<b>17.4</b>	<b>19.4</b>	<b>21.8</b>	<b>18.7</b>	<b>21.3</b>	<b>(6.7)</b>	<b>(8.6)</b>
EPS growth (%)	9.1	11.5	12.3	10.7	13.8		

Source: Company, Kotak Institutional Equities estimates

**We model 13% customer revenue CAGR over FY2025-28E**

**Exhibit 14: Revenue build-up of Vedant Fashions, March fiscal year-ends, 2019-27E (Rs mn)**

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	FY2025-28E CAGR (%)
<b>Customer revenues (Rs mn)</b>											
Revenues from EBO	10,469	11,531	7,538	13,396	16,778	16,561	16,520	17,896	19,807	22,037	10.1
Revenues from LFS+MBO	803	994	638	930	1,265	1,138	1,208	1,378	1,530	1,704	12.2
Revenues from e-commerce	83	127	186	408	571	828	1,201	1,681	2,354	3,295	40.0
Total customer revenues	11,355	12,652	8,363	14,734	18,614	18,527	18,929	20,955	23,691	27,037	12.6
<b>Net revenues (Rs mn)</b>											
Revenues from EBO	7,375	8,338	5,102	9,448	12,195	12,205	12,095	13,064	14,459	16,087	10.0
Revenues from LFS+MBO	562	716	428	656	919	839	875	1,006	1,117	1,244	12.4
Revenues from e-commerce	58	91	112	288	415	610	871	1,227	1,718	2,406	40.3
Total net revenues	7,995	9,145	5,641	10,392	13,530	13,654	13,841	15,297	17,295	19,737	12.6
<b>Customer revenue mix (% of total)</b>											
Revenues from EBO	92.2	91.1	90.1	90.9	90.1	89.4	87.3	85.4	83.6	81.5	
Revenues from LFS+MBO	7.1	7.9	7.6	6.3	6.8	6.1	6.4	6.6	6.5	6.3	
Revenues from e-commerce	0.7	1.0	2.2	2.8	3.1	4.5	6.3	8.0	9.9	12.2	
Total customer 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 model in store area addition of 9% over FY2025-28E**

**Exhibit 15: Details of key assumptions for Vedant Fashions, March fiscal year-ends, 2019-27E (Rs mn)**

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	CAGR (%) 2025-28E
<b>Customer revenues</b>											
<b>EBO revenues</b>											
<b>SSSG (%)</b>	<b>7.0</b>	<b>7.0</b>	<b>(20.0)</b>	<b>65.2</b>	<b>18.1</b>	<b>(9.7)</b>	<b>(4.2)</b>	<b>5.0</b>	<b>5.0</b>	<b>6.0</b>	
Total number of EBOs (#)	470	526	530	595	649	676	678	698	733	768	4.2
EBO retail space footprint (mn sq. ft)	0.9	1.1	1.1	1.3	1.5	1.7	1.8	1.9	2.1	2.3	9.2
<b>Revenues per sq. ft (Rs/sq. ft)</b>	<b>11,633</b>	<b>10,717</b>	<b>6,875</b>	<b>11,224</b>	<b>12,247</b>	<b>10,448</b>	<b>9,467</b>	<b>9,674</b>	<b>9,830</b>	<b>9,904</b>	<b>1.5</b>
Yoy growth (%)		(8)	(36)	63	9	(15)	(9)	2	2	1	
Customer revenues from EBOs	10,469	11,531	7,538	13,396	16,778	16,561	16,520	17,896	19,807	22,037	10.1
<b>Other channels (MBO+LFS+e-commerce)</b>											
Customer revenues from other channels (Rs mn)	886	1,121	825	1,338	1,836	1,966	2,409	3,059	3,884	4,999	27.6
<b>Total customer revenues (Rs mn)</b>	<b>11,355</b>	<b>12,652</b>	<b>8,363</b>	<b>14,734</b>	<b>18,614</b>	<b>18,527</b>	<b>18,929</b>	<b>20,955</b>	<b>23,691</b>	<b>27,037</b>	<b>12.6</b>
<b>Net revenues from sale of products (Rs mn)</b>	<b>7,995</b>	<b>9,145</b>	<b>5,641</b>	<b>10,456</b>	<b>13,530</b>	<b>13,654</b>	<b>13,841</b>	<b>15,297</b>	<b>17,295</b>	<b>19,737</b>	<b>12.6</b>
Net revenues as proportion of customer revenues (%)	70	72	67	71	73	74	73	73	73	73	
Other operating income (Rs mn)	12	10	7	16	20	21	23	26	28	31	
<b>Net revenues (Rs mn)</b>	<b>8,007</b>	<b>9,155</b>	<b>5,649</b>	<b>10,472</b>	<b>13,549</b>	<b>13,676</b>	<b>13,865</b>	<b>15,323</b>	<b>17,323</b>	<b>19,768</b>	<b>12.6</b>
Yoy growth (%)		14	(38)	85	29	1	1	11	13	14	
Gross margin (%)	65.0	65.3	66.8	67.0	67.4	65.3	66.3	67.2	67.2	67.2	
EBITDA margin (%)	41.9	43.0	43.0	47.6	49.5	48.1	46.3	47.4	47.7	48.1	

Source: Company, Kotak Institutional Equities estimates

**We expect EPS CAGR of 11% over FY2025-28E**

**Exhibit 16: Consolidated financial snapshot of Vedant Fashions, March fiscal year-ends, 2019-27E (Rs mn)**

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
<b>Profit model</b>										
Revenue from operations	8,007	9,155	5,648	10,408	13,549	13,675	13,865	15,323	17,323	19,768
EBITDA	3,358	3,938	2,431	4,959	6,708	6,581	6,426	7,265	8,270	9,507
Depreciation and amortisation expense	(643)	(887)	(955)	(944)	(1,038)	(1,349)	(1,531)	(1,747)	(2,072)	(2,499)
EBIT	2,715	3,050	1,475	4,015	5,671	5,232	4,895	5,517	6,198	7,008
Other income	191	324	602	499	402	697	852	877	1,015	1,177
Finance costs	(196)	(256)	(258)	(284)	(315)	(445)	(552)	(699)	(865)	(1,057)
Profit before tax	2,709	3,118	1,819	4,230	5,758	5,484	5,195	5,695	6,348	7,128
Taxation	(945)	(752)	(490)	(1,081)	(1,467)	(1,342)	(1,310)	(1,458)	(1,625)	(1,825)
Profit after tax	1,764	2,366	1,329	3,149	4,291	4,142	3,885	4,237	4,723	5,303
Reported PAT	1,764	2,366	1,329	3,149	4,291	4,142	3,885	4,237	4,723	5,303
Retained earnings	1,764	1,762	245	3,149	2,107	2,440	1,941	2,537	3,023	3,603
Diluted EPS (Rs/share)	7.0	9.4	5.4	12.7	17.7	17.0	16.0	17.4	19.4	21.8
Weighted average number of shares - diluted (mn)	250	250	248	248	243	243	243	243	243	243
<b>Balance sheet</b>										
Shareholder's funds	8,828	10,660	10,914	10,827	13,999	16,019	17,863	20,400	23,422	27,025
Lease liabilities	1,837	2,427	2,104	2,787	2,934	4,444	4,829	7,235	8,843	10,612
Total sources of funds	10,755	13,168	13,165	13,783	17,130	20,682	22,954	27,897	32,528	37,899
Fixed assets (tangible/intangible)	2,252	2,449	2,397	2,322	2,257	2,210	2,172	2,169	2,173	2,183
Capital work-in-progress	25	3	4	1	22	1	1	1	1	1
Cash and bank balances	1,194	199	71	39	100	217	172	2,115	4,411	7,103
Goodwill	157	157	157	157	157	157	157	157	157	157
RoU assets	1,963	2,460	2,035	2,667	2,791	4,267	4,550	7,058	8,666	10,435
Investments	1,944	4,010	5,356	5,124	7,871	9,592	10,509	10,509	10,509	10,509
Net working capital (ex-cash)	3,219	3,885	3,130	3,446	3,925	4,233	5,393	5,888	6,611	7,511
Others (DTA, miscellaneous)	0	6	16	26	7	4	-	-	-	-
Total usage of funds	10,755	13,168	13,165	13,783	17,130	20,682	22,954	27,897	32,528	37,899
<b>Cash flow</b>										
Operating cash flow before working capital changes	1,833	2,437	1,549	3,126	4,152	3,869	3,472	3,419	3,873	4,296
Working capital changes	(67)	(804)	399	(450)	(569)	(498)	(1,315)	(495)	(723)	(900)
Net finance cost/ income	48	155	135	76	85	134	263	787	925	1,087
Cash flow from operations	1,815	1,788	2,083	2,752	3,668	3,504	2,420	3,711	4,075	4,483
Capital expenditure	(101)	(284)	(125)	(23)	(45)	(40)	(31)	(170)	(78)	(90)
Free cash flow	1,715	1,503	1,958	2,729	3,623	3,464	2,388	3,541	3,996	4,393
<b>Key ratios/metrics</b>										
Yoy revenue growth (%)		14.3	(38.3)	84.3	30.2	0.9	1.4	10.5	13.1	14.1
EBITDA margin (%)	41.9	43.0	43.0	47.6	49.5	48.1	46.3	47.4	47.7	48.1
RoAE (%)		24.3	12.3	29.0	34.6	27.6	22.9	22.1	21.6	21.0
RoACE (%)		23.8	10.0	27.5	34.0	26.3	21.6	21.5	21.0	20.7

Source: Company, Kotak Institutional Equities estimates

# Niva Bupa Health Insurance (NIVABUPA)

Insurance

ADD

CMP(₹): 81

Fair Value(₹): 85

Sector View: **Attractive**

NIFTY-50: **24,414**

May 07, 2025

## Strong quarter

Niva Bupa reported strong 4QFY25 results and looks primed for delivering high growth (25% CAGR over FY2025-28E) and profitability (RoE of 15% by FY2028E). The investment thesis remains unchanged. A long retail health insurance runway, smooth execution track record, low claim ratios and increasing operating leverage driving profitability improvements are the key drivers in commanding premium valuations. Retain ADD with an FV of Rs85 (unchanged).

## Robust results

Niva Bupa reported an earnings beat of 9% and PAT was up 31% yoy despite the impact of the 1/n rule. On a like-for-like basis, the claims ratio was moderate at 52% during the quarter (61% in 9MFY25), driving a beat on underwriting profits. Niva Bupa also clamped down on expenses to drive down the EoM ratio to 37% in FY2025 from 39% last year. The company remains on track to deliver strong growth and improvement in profitability over the medium term.

## High growth, improving claim trends

Niva Bupa has reported strong operational trends during the year. Niva Bupa reported strong GWP growth of 32% (without 1/n; 21% reported) in FY2025 and 18% growth in retail lives. The claim ratio also moderated 80 bps yoy to 58.2% in FY2025 for Niva Bupa. The average claim size was up 5% during the year, lower than the long-term average of 6-7%, indicating a moderation in medical inflation.

## Strong growth and RoE trajectory

We expect Niva Bupa's high GWP growth trajectory (25% GWP CAGR over FY2025-28E) and improving leverage to drive strong earnings growth over the medium term. With consistent investments in growth (38% GWP CAGR over FY2022-25), the business is currently sub-scale with a combined ratio of 101.7% and RoE (IFRS) of 8.3% in FY2025. While portfolio aging inches up claims over the medium term, improving operating leverage will gradually drive down the combined ratio. Coupled with higher investment leverage, IFRS earnings will accelerate (Rs6.3 bn in FY2028E from Rs2 bn in FY2025). RoE expansion, after the recent capital issuance, may be gradual—RoE (IFRS) of 12.7% by FY2027E and 14.8% by FY2028E.

## Retain ADD; investment thesis remains unchanged

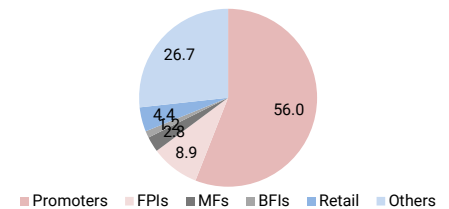
We are tweaking down our estimates by 1-3% (no change in IFRS estimates for now) and retain ADD and an FV of Rs85 (unchanged). Niva Bupa is well-placed to deliver high (26% GWP CAGR over FY2024-27E) growth, continuing its market share gain spree through a diversified retail bouquet offering, focus on the mass affluent segment and a fairly balanced distribution mix. Improving operating leverage will drive RoE expansion to the high teens over the medium term, underpinned by its best-in-class claims ratio.

## Company data and valuation summary

### Stock data

CMP(Rs)/FV(Rs)/Rating	81/85/ADD
52-week range (Rs) (high-low)	109-61
Mcap (bn) (Rs/US\$)	148/1.7
ADTV-3M (mn) (Rs/US\$)	168/2.0

### Shareholding pattern (%)



### Price performance (%)

	1M	3M	12M
Absolute	13	2	0
Rel. to Nifty	3	(2)	0
Rel. to MSCI India	3	(0)	0

### Forecasts/Valuations

	2025	2026E	2027E
EPS (Rs)	1.1	1.9	2.6
EPS growth (%)	77.8	72.4	37.5
P/E (X)	72.8	42.2	30.7
P/B (X)	4.6	4.2	3.7
BVPS (Rs)	17.5	19.4	22.1
RoE (%)	7.5	10.4	12.7
Div. yield (%)	0.0	0.0	0.0
NII (Rs bn)	58	76	94
PPOP (Rs bn)	2.8	4.2	5.4
Net profits (Rs bn)	2.0	3.5	4.8

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

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Nischint Chawathe

M B Mahesh, CFA

Varun Palacharla

Abhijeet Sakhare

Ashlesh Sonje, CFA

Nikhil Suresh

Exhibit 1: Niva Bupa – quarterly summary, March fiscal year-end, 4QFY25

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			2025	2024 (% change)	2026E	
					4QFY25E	4QFY24	3QFY25				
<b>Income statement (Rs mn)</b>											
Gross written premium	20,787	20,470	17,594	14,421	2	18	44	67,622	56,076	21	84,657
<b>Net premium</b>	<b>16,721</b>	<b>16,334</b>	<b>13,819</b>	<b>11,524</b>	<b>2</b>	<b>21</b>	<b>45</b>	<b>53,694</b>	<b>44,210</b>	<b>21</b>	<b>66,879</b>
<b>Net earned premium</b>	<b>15,274</b>	<b>15,087</b>	<b>12,180</b>	<b>11,358</b>	<b>1</b>	<b>25</b>	<b>34</b>	<b>48,945</b>	<b>38,112</b>	<b>28</b>	<b>60,287</b>
Net incurred claims	8,616	9,063	6,140	7,398	(5)	40	16	29,965	22,495	33	39,410
Net commission paid	2,955	2,349	2,511	2,608	26	18	13	10,646	7,482	42	11,767
Operating expenses related to insurance	3,127	3,165	2,861	2,365	(1)	9	32	10,831	10,086	7	12,335
Employee expenses	1,423		1,423	1,587		0	(10)	–	6,383	(100)	–
Others	1,704		1,439	778		18	119	–	3,703	(100)	–
<b>Underwriting profit</b>	<b>576</b>	<b>510</b>	<b>668</b>	<b>(1,013)</b>	<b>NM</b>	<b>(14)</b>	<b>NM</b>	<b>(2,498)</b>	<b>(1,951)</b>	<b>NM</b>	<b>(3,225)</b>
Investment income	1,434	1,435	975	1,222	(0)	47	17	4,808	3,042	58	5,750
Other income, FX gain, etc.	119	14	(64)	1	NM	NM	10,709	130	32	310	25
Provisions	(13)	3	(4)	8			(260)	6	18	(65)	28
Other expenses	(484)	668	568	438	(173)	(185)	(210)	1,713	2,451	(30)	1,965
<b>Profit before tax</b>	<b>2,061</b>	<b>1,897</b>	<b>1,571</b>	<b>133</b>	<b>9</b>	<b>31</b>	<b>1,454</b>	<b>2,135</b>	<b>819</b>	<b>161</b>	<b>2,255</b>
Tax	–	–	–	–	NM	NM	NM	–	–	NM	568
<b>Profit after tax</b>	<b>2,061</b>	<b>1,897</b>	<b>1,571</b>	<b>133</b>	<b>9</b>	<b>31</b>	<b>1,454</b>	<b>2,135</b>	<b>819</b>	<b>161</b>	<b>1,687</b>
<b>Balance sheet items</b>											
Investments	81,751	78,002	54,582	73,107	5	NM	12	81,751	54,582	50	87,373
<b>Key ratios</b>											
Ceding Ratio	19.6	20.2	21.5	20.1	-65 bps	-190 bps	-53 bps	20.6	21.2	-56 bps	21.0
Net incurred claims ratio	56.4	60.1	50.4	65.1	-366 bps	600 bps	-873 bps	61.2	59.0	220 bps	65.4
Net commission ratio	17.7	14.4	18.2	22.6	329 bps	-49 bps	-496 bps	19.8	16.9	290 bps	17.6
Operating expense ratio	18.7	19.4	20.7	20.5	-68 bps	-200 bps	-182 bps	20.2	22.8	-264 bps	18.4
<b>Combined ratio</b>	<b>92.8</b>	<b>93.8</b>	<b>89.3</b>	<b>108.3</b>	<b>-105 bps</b>	<b>350 bps</b>	<b>-1551 bps</b>	<b>101.2</b>	<b>98.8</b>	<b>246 bps</b>	<b>101.4</b>
Investment yield	7.2	7.4	7.0	7.2	-20 bps	NM	1 bps	6.9	6.7	16 bps	6.6
Solvency ratio	303		255	303		4800 bps	0 bps				

Source: Company, Kotak Institutional Equities estimates

**4QFY25 highlights**

- ▶ Niva Bupa reported PAT of Rs2 bn in 4QFY25, up 31% yoy and 9% above our estimates. The beat was largely due to higher other income and lower-than-expected combined ratio.
- ▶ GWP growth was strong at 36% (without 1/n) in 4QFY25 driven by strong ~60% yoy growth in group business. As per 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.
- ▶ As per management, retail claim ratio was at 66% during the year (65% in FY2024) compared to 58.2% in group business (57.7% in FY2024). Given that the employer-employee business operates at high claims ratio of ~90%, the benefit-based group business (B2B2C) should operate at ~35% claims ratio, based on a back-of-the-envelope calculation.
- ▶ 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).
- ▶ EoM ratio also declined to 37.4% in FY2025 from 39.3% in FY2024. Niva Bupa looks on track to meet the EoM cap of 35% by FY2026E (without 1/n).
- ▶ 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%.

**Exhibit 2: Channel-wise GWP mix of Niva Bupa, March fiscal year-ends, 2022-25**

	GWP mix (Rs mn)				GWP mix (%)				Growth yoy (%)		
	2022	2023	2024	2025	2022	2023	2024	2025	2023	2024	2025
Direct sales	5,277	6,388	7,330	7,777	18.8	15.7	13.1	11.5	21	15	6
Individual agents	10,479	14,670	17,985	20,084	37.3	36.0	32.1	29.7	40	23	12
Banks	5,224	7,147	10,988	13,592	18.6	17.5	19.6	20.1	37	54	24
Other corporate agents	2,480	3,382	4,293	5,072	8.8	8.3	7.7	7.5	36	27	18
Brokers	3,754	8,866	15,165	20,692	13.4	21.8	27.0	30.6	136	71	36
Others	886	277	315	406	3.2	0.7	0.6	0.6	(69)	13	29
<b>Total GWP</b>	<b>28,100</b>	<b>40,730</b>	<b>56,076</b>	<b>67,622</b>					<b>45</b>	<b>38</b>	<b>21</b>

Source: Company, Kotak Institutional Equities

**Growth to moderate**

**Exhibit 3: Impact of 1/n rule on GWP of Niva Bupa, March fiscal year-ends, 2024-30E (Rs mn)**

	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>GWP (without 1/n)</b>	<b>56,076</b>	<b>74,067</b>	<b>91,843</b>	<b>111,589</b>	<b>133,907</b>	<b>158,011</b>	<b>186,452</b>
1H	24,357	32,415	40,195	48,837	58,604	69,153	81,600
2H	31,719	41,652	51,648	62,753	75,303	88,858	104,852
<b>GWP (without 1/n) growth yoy (%)</b>		<b>32</b>	<b>24</b>	<b>22</b>	<b>20</b>	<b>18</b>	<b>18</b>
1H		33	24	22	20	18	18
2H		31	24	22	20	18	18
<b>Share of multi year policies (%)</b>							
1H			17	17	16	15	15
2H		23	17	17	16	15	15
<b>GWP of multi year policies</b>							
1H			6,833	8,302	9,377	10,373	12,240
2H		9,668	8,780	10,668	12,049	13,329	15,728
<b>GWP (with 1/n)</b>	<b>56,076</b>	<b>67,622</b>	<b>84,657</b>	<b>107,369</b>	<b>131,152</b>	<b>155,675</b>	<b>182,849</b>
1H	24,357	32,415	35,639	45,579	57,398	68,130	80,023
2H	31,719	35,207	49,017	61,790	73,754	87,544	102,826
<b>GWP (with 1/n) growth yoy (%)</b>		<b>38</b>	<b>21</b>	<b>25</b>	<b>27</b>	<b>22</b>	<b>19</b>
1H		33	10	28	26	19	17
2H		11	39	26	19	19	17

Source: Company, Kotak Institutional Equities estimates

**1/n rule mars ratios over FY2025-28E**

**Exhibit 4: Profitability metrics for Niva Bupa, March fiscal year-ends, 2023-30E (%)**

	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Without 1/n</b>								
Claims ratio	54.1	59.0	58.2	60.0	61.0	61.5	62.0	62.0
Commission ratio	6.0	16.9	19.5	18.0	18.0	17.0	16.8	16.4
Operating expense ratio	37.1	22.8	18.4	17.0	17.0	17.0	17.2	17.0
Combined ratio	97.1	98.8	96.1	95.0	96.0	95.5	96.0	95.4
<b>With 1/n</b>								
Claims ratio	54.1	59.0	61.2	65.4	64.6	63.3	63.1	63.1
Commission ratio	6.0	16.9	19.8	17.6	17.8	16.9	16.7	16.3
Operating expense ratio	37.1	22.8	20.2	18.4	17.7	17.4	17.5	17.3
Combined ratio	97.1	98.8	101.2	101.4	100.1	97.5	97.2	96.7

Source: Company, Kotak Institutional Equities estimates

**Exhibit 5: Change in IGAAP estimates of Niva Bupa, March fiscal year-ends, 2025-28E**

	New estimates				Old estimates				Change in estimates			
	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E
<b>Income statement (Rs mn)</b>												
Gross written premium	67,622	84,657	107,369	131,152	67,306	85,162	107,941	131,536	0.5	(0.6)	(0.5)	(0.3)
Net premium	53,694	66,879	84,822	103,610	53,306	67,278	85,274	103,913	0.7	(0.6)	(0.5)	(0.3)
Net earned premium	48,945	60,287	75,850	94,216	48,758	60,292	76,276	94,593	0.4	(0.0)	(0.6)	(0.4)
Net incurred claims	29,965	39,410	49,017	59,637	30,398	39,480	49,362	59,812	(1.4)	(0.2)	(0.7)	(0.3)
Net commission	10,646	11,767	15,108	17,488	10,040	11,847	15,199	17,539	6.0	(0.7)	(0.6)	(0.3)
Operating expenses	10,831	12,335	14,986	17,984	10,884	12,371	15,030	18,036	(0.5)	(0.3)	(0.3)	(0.3)
Underwriting profit/(loss)	(2,498)	(3,225)	(3,262)	(893)	(2,564)	(3,406)	(3,316)	(794)	(2.6)	(5.3)	(1.6)	12.5
Investment income	4,808	5,750	6,499	7,470	4,800	5,760	6,584	7,580	0.2	(0.2)	(1.3)	(1.5)
Profit before tax	2,135	2,255	2,961	6,301	1,971	2,083	2,992	6,510	8.3	8.2	(1.0)	(3.2)
Profit after tax	2,135	1,687	2,216	4,715	1,971	1,559	2,239	4,871	8.3	8.2	(1.0)	(3.2)
<b>Balance sheet (Rs mn)</b>												
Investments	81,751	87,373	103,771	115,936	78,002	95,494	113,515	127,130	4.8	(8.5)	(8.6)	(8.8)
Total assets	97,602	107,186	127,547	144,468	87,540	107,416	127,821	144,297	11.5	(0.2)	(0.2)	0.1
Total equity	30,608	32,271	34,486	37,625	30,470	32,028	34,267	37,556	0.5	0.8	0.6	0.2
<b>Key ratios (%)</b>												
Ceding ratio	20.6	21.0	21.0	21.0	20.8	21.0	21.0	21.0	-20 bps	0 bps	0 bps	0 bps
Claims ratio	61.2	65.4	64.6	63.3	62.3	65.5	64.7	63.2	-112 bps	-11 bps	-9 bps	7 bps
Commission ratio	19.8	17.6	17.8	16.9	18.8	17.6	17.8	16.9	99 bps	-2 bps	-1 bps	0 bps
Operating expenses ratio	20.2	18.4	17.7	17.4	20.4	18.4	17.6	17.4	-25 bps	6 bps	4 bps	0 bps
Combined ratio	101.2	101.4	100.1	97.5	101.6	101.5	100.2	97.5	-37 bps	-7 bps	-6 bps	7 bps
Investment yield	7.1	6.8	6.8	6.8	7.2	6.6	6.3	6.3	-19 bps	16 bps	50 bps	50 bps
RoA	2.7	1.6	1.9	3.5	2.6	1.6	1.9	3.6	4 bps	5 bps	-2 bps	-11 bps
RoE	8.4	5.4	6.6	13.1	7.7	5.0	6.8	13.6	62 bps	38 bps	-12 bps	-49 bps
Reported solvency ratio	303.0	260.0	218.0	193.6	309.2	256.6	215.6	192.7	-625 bps	334 bps	244 bps	90 bps
<b>Other data (Rs)</b>												
EPS	1.2	0.9	1.2	2.6	1.1	0.9	1.2	2.7	7.2	7.1	(2.1)	(4.2)
BVPS	16.8	17.7	18.9	20.6	16.9	17.7	19.0	20.8	(0.6)	(0.3)	(0.4)	(0.9)

Source: Company, Kotak Institutional Equities estimates

Exhibit 6: Key growth rates and ratios of Niva Bupa - IGAAP, March fiscal year-ends, 2023-30E

	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Key growth rates (% yoy)</b>								
<b>Income statement</b>								
Gross written premium	45	38	21	25	27	22	19	17
Net premium	48	39	21	25	27	22	19	17
Net earned premium	52	43	28	23	26	24	20	18
Net incurred claims	32	56	33	32	24	22	20	18
Net commission	58	292	42	11	28	16	17	15
Operating expenses	38	(15)	7	14	22	20	19	17
Underwriting profit/(loss)	(53)	32	28	29	1	(73)	(83)	(629)
Investment income	52	60	58	20	13	15	11	13
Provisions	(53)	77	(65)	344	21	–	–	–
Other expenses	40	(39)	(30)	15	17	18	18	18
PBT	(106)	553	161	6	31	113	25	26
PAT	(106)	553	161	(21)	31	113	25	26
<b>Balance sheet (% yoy)</b>								
Investments	40	62	50	7	19	12	11	15
Fixed assets	12	6	28	25	20	20	20	20
Current assets	58	48	124	25	20	20	20	20
Cash and bank balances	73	40	54	25	20	20	20	20
Advances and other assets	54	51	142	25	20	20	20	20
Total assets	42	60	58	10	19	13	12	16
Current liabilities	33	40	95	(14)	21	22	20	21
Provisions	48	38	21	24	27	22	19	17
Total liabilities	37	36	62	12	24	15	13	17
Total equity	64	147	49	5	7	9	10	12
<b>Key ratios (%)</b>								
Ceding ratio	21.8	21.2	20.6	21.0	21.0	21.0	21.0	21.0
URR/net premium	16.3	13.8	8.8	9.9	10.6	9.1	7.9	7.4
Claims ratio	54.1	59.0	61.2	65.4	64.6	63.3	63.1	63.1
Commission ratio	6.0	16.9	19.8	17.6	17.8	16.9	16.7	16.3
Operating expenses ratio	37.1	22.8	20.2	18.4	17.7	17.4	17.5	17.3
Combined ratio	97.1	98.8	101.2	101.4	100.1	97.5	97.2	96.7
Investment yield	6.7	7.1	7.1	7.1	7.1	7.1	7.1	7.1
RoA	0.4	1.6	2.7	1.6	1.9	3.5	3.8	4.2
RoE	1.9	5.7	8.4	5.4	6.6	13.1	14.9	16.8
Investment leverage (X)	3.7	2.5	2.6	2.6	2.9	3.0	3.0	3.1
Solvency ratio (X)	1.7	2.6	3.0	NA	NA	NA	NA	NA

Source: Company, Kotak Institutional Equities estimates

**Exhibit 7: Financial summary of Niva Bupa - IGAAP, March fiscal year-ends, 2023-30E**

	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Income statement (Rs mn)</b>								
Gross written premium	40,730	56,076	67,622	84,657	107,369	131,152	155,675	182,849
Net premium	31,831	44,210	53,694	66,879	84,822	103,610	122,983	144,451
Net earned premium	26,628	38,112	48,945	60,287	75,850	94,216	113,296	133,717
Net incurred claims	14,393	22,495	29,965	39,410	49,017	59,637	71,491	84,359
Net commission	1,908	7,482	10,646	11,767	15,108	17,488	20,488	23,508
Operating expenses	11,802	10,086	10,831	12,335	14,986	17,984	21,470	25,041
Policyholder's investment income	1,344	1,667	2,884	3,231	3,847	4,583	5,050	5,654
Contribution from shareholders' account	3,642	2,165	1,414	1,697	2,037	2,444	2,933	3,519
Operating profit/(loss)	3,509	1,880	1,800	1,704	2,622	6,134	7,830	9,982
Shareholder's investment income	560	1,375	1,925	2,519	2,652	2,887	3,248	3,699
Provisions	10	18	6	28	34	34	34	34
Gain/(loss) on foreign exchange fluctation	(0)	(2)	0	0	0	0	0	0
Interst income on fixed deposits	8	9	0	0	0	0	0	0
Provisions written back	54	24	0	0	0	0	0	0
Other expenses	3,995	2,451	1,713	1,965	2,304	2,711	3,200	3,787
PBT before extraordinary items	125	819	2,135	2,255	2,961	6,301	7,868	9,886
Profit before tax	125	819	2,135	2,255	2,961	6,301	7,868	9,886
Taxes	—	—	—	568	745	1,586	1,980	2,488
<b>Profit after tax</b>	<b>125</b>	<b>819</b>	<b>2,135</b>	<b>1,687</b>	<b>2,216</b>	<b>4,715</b>	<b>5,888</b>	<b>7,397</b>
<b>Balance sheet (Rs mn)</b>								
Investments	33,661	54,582	81,751	87,373	103,771	115,936	128,118	146,969
Investments - shareholders	11,554	25,855	36,199	37,886	40,102	44,817	50,705	58,102
Investments - policyholders	22,106	28,728	45,552	49,486	63,669	71,119	77,414	88,867
Fixed assets	556	588	753	941	1,129	1,355	1,625	1,950
Current assets	4,549	6,748	15,098	18,873	22,647	27,177	32,612	39,135
Cash and bank balances	1,019	1,428	2,204	2,754	3,305	3,966	4,760	5,711
Advances and other assets	3,530	5,320	12,895	16,119	19,342	23,211	27,853	33,423
<b>Total assets</b>	<b>38,766</b>	<b>61,919</b>	<b>97,602</b>	<b>107,186</b>	<b>127,547</b>	<b>144,468</b>	<b>162,356</b>	<b>188,055</b>
Current liabilities	11,844	16,637	32,375	27,981	33,822	41,150	49,329	59,895
Provisions	16,141	22,275	27,032	33,639	42,611	52,005	61,691	72,426
Unearned premium	0	0	5,118	10,795	14,128	11,188	7,356	6,869
Borrowings	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Fair value change account	(30)	9	(31)	0	0	0	0	0
<b>Total liabilities</b>	<b>30,454</b>	<b>41,421</b>	<b>66,993</b>	<b>74,916</b>	<b>93,061</b>	<b>106,842</b>	<b>120,876</b>	<b>141,689</b>
Share capital	15,107	16,995	18,270	18,270	18,270	18,270	18,270	18,270
Reserves and surplus	3,343	12,820	19,497	19,497	19,497	19,355	23,210	28,095
<b>Total equity</b>	<b>8,311</b>	<b>20,498</b>	<b>30,608</b>	<b>32,271</b>	<b>34,486</b>	<b>37,625</b>	<b>41,480</b>	<b>46,366</b>
<b>Total liabilities and equity</b>	<b>38,766</b>	<b>61,919</b>	<b>97,602</b>	<b>107,186</b>	<b>127,547</b>	<b>144,468</b>	<b>162,356</b>	<b>188,055</b>

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Key growth rates and ratios of Niva Bupa - IFRS, March fiscal year-ends, 2024-30E

	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Key growth rates (%)</b>							
<b>Income statement</b>							
Gross written premium	38	32	24	22	20	18	18
<b>Insurance revenue</b>	<b>46</b>	<b>31</b>	<b>31</b>	<b>24</b>	<b>20</b>	<b>18</b>	<b>18</b>
Insurance service expenses	51	33	30	24	20	18	18
Incurred claims and expenses	53	31	31	24	22	19	19
Deferred acquisition cost	49	38	27	24	16	15	15
<b>Insurance service result</b>	<b>9</b>	<b>(4)</b>	<b>50</b>	<b>28</b>	<b>24</b>	<b>23</b>	<b>18</b>
Investment income	63	57	19	15	15	17	16
Other expenses	2	10	7	6	6	6	6
Profit before tax	1,090	93	70	38	31	29	24
<b>Profit after tax</b>	<b>1,150</b>	<b>91</b>	<b>72</b>	<b>38</b>	<b>31</b>	<b>29</b>	<b>24</b>
<b>Balance sheet</b>							
Cash and cash equivalents	40	20	20	20	20	20	20
<b>Investments</b>	<b>65</b>	<b>38</b>	<b>18</b>	<b>19</b>	<b>18</b>	<b>19</b>	<b>19</b>
Reinsurance contract assets	43	30	25	20	20	20	20
Total assets	56	37	19	19	18	19	19
Insurance contract liabilities	34	35	25	23	23	22	22
Total liabilities	33	32	24	22	22	21	21
<b>Total equity</b>	<b>142</b>	<b>46</b>	<b>11</b>	<b>14</b>	<b>12</b>	<b>14</b>	<b>15</b>
<b>Key ratios (%)</b>							
Claims ratio	62.8	63.0	63.0	63.0	64.0	64.5	65.3
Acquisition ratio	29.5	31.0	30.0	30.0	29.0	28.3	27.5
CISR	92.3	94.0	93.0	93.0	93.0	92.8	92.8
Other expense ratio	9.6	8.1	6.6	5.7	5.0	4.5	4.0
<b>Combined ratio</b>	<b>101.9</b>	<b>102.1</b>	<b>99.6</b>	<b>98.7</b>	<b>98.0</b>	<b>97.3</b>	<b>96.8</b>
Investment yield	7.0	7.4	7.0	6.8	6.6	6.5	6.4
<b>Dupont (% of assets)</b>							
<b>Insurance revenue</b>	<b>81</b>	<b>74</b>	<b>77</b>	<b>79</b>	<b>80</b>	<b>80</b>	<b>79</b>
Incurred claims and expenses	(51)	(47)	(48)	(50)	(51)	(52)	(52)
Deferred expenses	(24)	(23)	(23)	(24)	(23)	(23)	(22)
Reinsurance	(0.9)	(0.9)	(1.1)	(1.0)	(0.8)	(0.8)	(0.8)
<b>Insurance service result</b>	<b>5.4</b>	<b>3.6</b>	<b>4.2</b>	<b>4.6</b>	<b>4.8</b>	<b>5.0</b>	<b>4.9</b>
Investment income	5.7	6.2	5.8	5.6	5.4	5.3	5.2
Other opex	(7.9)	(6.0)	(5.1)	(4.5)	(4.0)	(3.6)	(3.2)
Finance costs	(0.6)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)
PBT	2.6	3.5	4.7	5.5	6.0	6.5	6.8
1-tax rate	0.7	0.7	0.7	0.7	0.7	0.7	0.7
<b>RoA</b>	<b>2.0</b>	<b>2.6</b>	<b>3.5</b>	<b>4.1</b>	<b>4.5</b>	<b>4.9</b>	<b>5.1</b>
Leverage (X)	3.5	2.9	2.9	3.1	3.3	3.5	3.6
<b>RoE</b>	<b>6.8</b>	<b>7.5</b>	<b>10.4</b>	<b>12.7</b>	<b>14.8</b>	<b>16.9</b>	<b>18.3</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 9: Financial summary of Niva Bupa - IFRS, March fiscal year-ends, 2024-30E**

	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Income statement (Rs mn)</b>							
<b>Insurance revenue</b>	<b>44,179</b>	<b>57,772</b>	<b>75,746</b>	<b>93,705</b>	<b>112,446</b>	<b>132,687</b>	<b>156,570</b>
Insurance service expenses	40,770	54,306	70,444	87,146	104,575	123,067	145,219
Deferred acquisition cost	13,012	17,909	22,724	28,112	32,609	37,484	43,057
Incurred claims and expenses	27,758	36,397	47,720	59,034	71,966	85,583	102,162
Net expenses from reinsurance	483	667	1,113	1,181	1,181	1,393	1,644
Reinsurance premium	9,228	12,132	15,907	19,678	23,614	27,864	32,880
Reinsurance commission	3,434	4,671	5,567	6,887	8,265	9,752	11,508
Incurred claims	5,311	6,794	9,226	11,610	14,168	16,719	19,728
<b>Insurance service result</b>	<b>2,925</b>	<b>2,799</b>	<b>4,189</b>	<b>5,379</b>	<b>6,691</b>	<b>8,227</b>	<b>9,707</b>
Total investment income	3,081	4,827	5,755	6,623	7,611	8,882	10,320
Other income	37	90	25	25	25	—	—
Other operating expenses	4,262	4,688	5,016	5,317	5,636	5,974	6,333
Finance costs	352	270	268	268	268	268	268
Profit before tax	1,429	2,759	4,685	6,442	8,423	10,867	13,427
Income tax	366	726	1,179	1,622	2,120	2,735	3,380
<b>Profit after tax</b>	<b>1,064</b>	<b>2,033</b>	<b>3,506</b>	<b>4,821</b>	<b>6,303</b>	<b>8,132</b>	<b>10,047</b>
<b>Balance sheet (Rs mn)</b>							
Cash and cash equivalents	1,428	1,714	2,057	2,468	2,961	3,554	4,264
Investments	54,437	75,334	89,090	105,714	124,931	148,370	176,666
Reinsurance contract assets	5,774	7,506	9,383	11,260	13,512	16,214	19,457
Deferred tax assets	498	648	810	972	1,166	1,400	1,680
PPE	959	1,247	1,558	1,870	2,244	2,692	3,231
Intangible assets	343	446	558	670	804	964	1,157
Other assets	2,624	3,411	4,264	5,117	6,140	7,368	8,841
<b>Total assets</b>	<b>66,064</b>	<b>90,306</b>	<b>107,719</b>	<b>128,069</b>	<b>151,758</b>	<b>180,561</b>	<b>215,296</b>
Insurance contract liabilities	34,438	46,551	58,147	71,365	87,552	106,929	130,133
Borrowings	2,538	2,500	2,500	2,500	2,500	2,500	2,500
Other liabilities	7,112	9,246	11,558	13,869	16,643	19,972	23,966
<b>Total liabilities</b>	<b>44,089</b>	<b>58,297</b>	<b>72,205</b>	<b>87,734</b>	<b>106,695</b>	<b>129,400</b>	<b>156,599</b>
Share capital	16,995	18,076	18,076	18,076	18,076	18,076	18,076
Other equity	4,980	13,932	17,438	22,259	26,986	33,085	40,620
<b>Total equity</b>	<b>21,975</b>	<b>32,009</b>	<b>35,514</b>	<b>40,335</b>	<b>45,062</b>	<b>51,161</b>	<b>58,697</b>
<b>Total liabilities and equity</b>	<b>66,064</b>	<b>90,306</b>	<b>107,719</b>	<b>128,069</b>	<b>151,758</b>	<b>180,561</b>	<b>215,296</b>

Source: Company, Kotak Institutional Equities estimates

# Mahanagar Gas (MAHGL)

Gas Utilities

**SELL**

 CMP(₹): **1,410**

 Fair Value(₹): **1,020**

 Sector View: **Cautious**

 NIFTY-50: **24,414**
**May 07, 2025**

## 4QFY25 miss: Volumes resilient, margins weak

MGL's 4Q adjusted EBITDA was at Rs3.15 bn (down 20% yoy, flat qoq), 11% below our estimates. Overall volumes, though 1% below our estimates, were strong (+11% yoy), with CNG volumes up 10% yoy. Realized EBITDA margins of Rs8.3/scm (down 27% yoy, flat qoq) were 10% below KIE on lower realizations and higher opex. We are bearish on CGDs. CNG seems out of favor. APM allocation has seen a sharp cut for CNG and will likely keep declining. Price increases have been difficult politically and due to the impact on demand. Rising EV penetration is also a threat. Maintain SELL.

### 4Q weak on lower margins; volumes resilient

MGL's 4Q adjusted EBITDA of Rs3.15 bn (down 20% yoy, flat qoq) was ~11% below our estimate. **Overall volumes of 4.2 mmscmd (up 11.0% yoy, 1.9% qoq) were ~1% below our estimates.** CNG volumes (2.9 mmscmd, +10.1% yoy, flat qoq) were 1.5% below our estimates. I&C volumes for 4Q were up a strong 22% yoy and were in line with our estimates.

With the respite from a partial reversal of the APM allocation cut in mid-January, the gas cost increase was modest at Rs0.3/scm (+1%) qoq. Net realizations, at Rs47.7/scm (+4.8% yoy, +2.8% qoq), were in line. However, due to higher operating expenses (higher marketing and CSR spends), the **per-unit EBITDA of Rs8.3/scm (down 27% yoy, flat qoq) was 10% below our estimate.**

Similar to IGL, MGL's reported numbers were boosted by the reversal of Rs633.5 mn earlier provisions for OMCs' trade margins. The 4Q adjusted PAT, at Rs1.9 bn (down 29% yoy, 16% qoq), was 21% below KIE estimates.

**For FY2025**, MGL's volumes were up a strong 12% yoy (CNG 10.8%, PNG 15%). However, CGDs struggled to raise prices amid increased gas costs. EBITDA margins, at Rs9.8/scm, declined 30% yoy. Adjusted EBITDA of Rs14.5 bn declined 22% yoy. Adjusted EPS, at Rs99.4/share, declined 24% yoy.

### CNG seems out of favor; new Maharashtra EV policy further weakens outlook

We have been bearish on CGDs, driven by a combination of the declining price advantage of CNG (versus petrol/diesel) and rising EV penetration. Respite seems unlikely on both. With further APM allocation cuts (and potential price cuts for petrol/diesel), CNG's arbitrage will be further reduced.

The new Maharashtra EV policy 2025 targets accelerated EV adoption with (1) a 10% subsidy, (2) vehicle tax and registration fee exemptions and (3) toll-free travel on several key tolled highways/bridges. This weakens the CNG outlook further.

### Reiterate SELL with revised FV of Rs1,020 (Rs1,030 earlier)

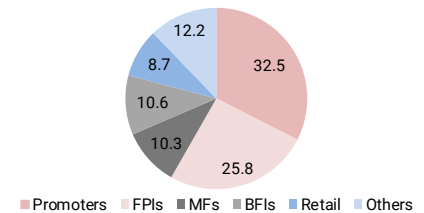
We have marginally cut our FY2026-27E EBITDA estimates by 2-3%, driven by higher opex. Our DCF-based revised FV of MGL is Rs1,020 (Rs1,030 earlier) on roll-forward to June 2027E (March 2027E earlier). Reiterate SELL.

#### Company data and valuation summary

##### Stock data

CMP(Rs)/FV(Rs)/Rating	1,410/1,020/SELL
52-week range (Rs) (high-low)	1,989-1,075
Mcap (bn) (Rs/US\$)	139/1.6
ADTV-3M (mn) (Rs/US\$)	653/7.7

##### Shareholding pattern (%)



##### Price performance (%)

	1M	3M	12M
Absolute	8	4	5
Rel. to Nifty	(2)	0	(4)
Rel. to MSCI India	(2)	2	(1)

##### Forecasts/Valuations

	2025	2026E	2027E
EPS (Rs)	100.9	86.9	88.7
EPS growth (%)	(22.7)	(13.9)	2.0
P/E (X)	14.0	16.2	15.9
P/B (X)	2.4	2.2	2.0
EV/EBITDA (X)	9.4	10.0	9.4
RoE (%)	18.1	13.9	13.0
Div. yield (%)	2.1	2.2	2.2
Sales (Rs bn)	69	80	86
EBITDA (Rs bn)	14	13	14
Net profits (Rs bn)	10.0	8.6	8.8

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

#### Related Research

- [Another steep APM allocation cut for CGDs](#)
- [CGDs: Red carpet, now getting pulled?](#)
- [MGL 4Q: Volumes strong, but focus on APM](#)

[Full sector coverage on KINSITE](#)

Anil Sharma

Keshav Soni

**Earnings call takeaways**

- ▶ MGL added 24 CG stations, taking the total number of CNG stations to 385. MGL's subsidiary Unison Environ (UEPL) added a total of 26 stations in FY2025, taking the total number of CNG stations to 82.
- ▶ **Gas procurement:** MGL sourced 4.2 mmscmd of gas in 4Q. Out of this, 2 mmscmd was APM, 0.5 mmscmd was HPHT, 1.35 mmscmd was LT LNG, 0.1 mmscmd was NWG and the remaining gas was sourced through IGX. After the APM allocation cut in April, MGL is getting 1.67 mmscmd APM gas and 0.65 mmscmd NWG.
- ▶ **Margin guidance:** Management has guided for an EBITDA margin of Rs9-11/scm for FY2026. MGL had guided for Rs10-12/scm margin in 3Q. As MGL procures ~1.27 mmscmd of HH-linked gas, the benefit of lower crude prices will be limited.
- ▶ **Opex:** The company reported a sharp increase in other expenses, which was largely driven by higher marketing costs, CSR activities, maintenance costs and consulting fees. Management has guided for a higher opex in the near future, driven by marketing and pipeline expenses.
- ▶ **Battery venture:** MGL entered into a joint venture with International Battery Company (IBC US) to manufacture batteries for two-wheelers. In the initial two phases, the JV will set up a capacity of 1 GW, which will later be scaled up to 5 GW. The land has been acquired for this project and site work has begun. Management is expecting the plant to be in place in the next 12-15 months.
- ▶ **Industrial segment growth:** MGL has registered high growth in the industrial and commercial segments. This was largely driven by expansion in new areas and targeting new industries in existing areas. The momentum in growth is expected to continue in the near future, but growth will moderate over time.
- ▶ **Capex:** MGL has guided for a capex of Rs13 bn in FY2026, out of which Rs1.5 bn will be invested in UEPL. The CNG segment will see an investment of Rs3 bn, PNG and pipeline capex will be ~Rs5 bn.
- ▶ **Volume guidance:** Management has guided for a 10% growth in total sales volume for FY2026.
- ▶ **CNG Mahotsav:** MGL started this promotional campaign in October 2024. A total of 620 commercial vehicles and 30 buses were converted through this campaign. The total promotional expense was Rs320 mn, with Rs110 mn spent in 4Q.

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

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			FY2025	FY2024	(% chg.)
					vs KIE	yoy	qoq			
<b>Net sales</b>	<b>18,015</b>	<b>18,276</b>	<b>15,671</b>	<b>17,576</b>	<b>(1.4)</b>	<b>15.0</b>	<b>2.5</b>	<b>68,603</b>	<b>62,445</b>	<b>9.9</b>
Total expenditure	(14,865)	(14,729)	(11,733)	(14,432)	0.9	26.7	3.0	(54,139)	(44,019)	23.0
Raw material	(12,133)	(12,221)	(9,517)	(12,048)	(0.7)	27.5	0.7	(44,579)	(36,181)	23.2
Staff cost	(330)	(309)	(294)	(334)	7.0	12.3	(1.2)	(1,378)	(1,181)	16.6
Other expenditure	(2,402)	(2,200)	(1,922)	(2,049)	9.2	25.0	17.2	(8,182)	(6,657)	22.9
<b>EBITDA</b>	<b>3,150</b>	<b>3,547</b>	<b>3,938</b>	<b>3,144</b>	<b>(11.2)</b>	<b>(20.0)</b>	<b>0.2</b>	<b>14,464</b>	<b>18,426</b>	<b>(21.5)</b>
Other income	464	500	446	463	(7.2)	4.1	0.3	1,840	1,753	5.0
Interest	(39)	(30)	(38)	(34)	29.3	1.3	14.8	(134)	(115)	
Depreciation	(818)	(850)	(775)	(791)	(3.7)	5.5	3.4	(3,063)	(2,736)	11.9
<b>Pre-tax profits</b>	<b>2,757</b>	<b>3,167</b>	<b>3,570</b>	<b>2,782</b>	<b>(12.9)</b>	<b>(22.8)</b>	<b>(0.9)</b>	<b>13,108</b>	<b>17,328</b>	<b>(24.4)</b>
Extraordinary	634	0	0	0				634	0	
Tax	(869)	(792)	(920)	(529)				(3,292)	(4,437)	
<b>Net income</b>	<b>2,522</b>	<b>2,375</b>	<b>2,650</b>	<b>2,254</b>	<b>6.2</b>	<b>(4.8)</b>	<b>11.9</b>	<b>10,449</b>	<b>12,891</b>	<b>(18.9)</b>
<b>Adjusted net income</b>	<b>1,888</b>	<b>2,375</b>	<b>2,650</b>	<b>2,254</b>	<b>(20.5)</b>	<b>(28.7)</b>	<b>(16.2)</b>	<b>9,815</b>	<b>12,891</b>	<b>(23.9)</b>
<b>Adjusted EPS (Rs)</b>	<b>19.1</b>	<b>24.0</b>	<b>26.8</b>	<b>22.8</b>	<b>(20.5)</b>	<b>(28.7)</b>	<b>(16.2)</b>	<b>99.4</b>	<b>130.5</b>	<b>(23.9)</b>
Tax rate (%)	31.5	25.0	25.8	19.0				25.1	25.6	
<b>Volume break-up</b>										
<b>Volumes (mmscmd)</b>	<b>4.19</b>	<b>4.23</b>	<b>3.78</b>	<b>4.12</b>	<b>(0.9)</b>	<b>11.0</b>	<b>1.9</b>	<b>4.05</b>	<b>3.61</b>	<b>12.3</b>
CNG (mmscmd)	2.93	2.98	2.67	2.92	(1.5)	10.1	0.5	2.88	2.59	11.1
PNG (mmscmd)	1.26	1.26	1.11	1.20	0.3	13.1	5.2	1.17	1.02	15.3
I&C	0.67	0.67	0.55	0.65	(0.3)	21.8	3.7	0.62	0.50	24.5
Domestic PNG	0.59	0.58	0.56	0.55	1.0	4.7	7.0	0.55	0.52	6.5
<b>Volumes (mmscm)</b>	<b>377</b>	<b>381</b>	<b>344</b>	<b>379</b>	<b>(0.9)</b>	<b>9.7</b>	<b>(0.3)</b>	<b>1,479</b>	<b>1,321</b>	<b>12.0</b>
CNG (mmscm)	264	268	243	269	(1.5)	8.9	(1.7)	1,050	948	10.8
PNG (mmscm)	113	113	101	110	0.3	11.9	3.0	429	373	15.0
I&C	60	60	50	59	(0.3)	20.4	1.5	227	183	24.1
Domestic PNG	53	53	51	51	1.0	3.6	4.7	202	190	6.2
<b>Revenue break-up (Rs mn)</b>										
CNG (Rs mn)	12,435	12,698	10,852	12,240	(2.1)	14.6	1.6	47,569	44,274	7.4
PNG (Rs mn)	5,469	5,578	4,717	5,240	(2.0)	15.9	4.4	20,641	17,889	15.4
I&C	2,996	3,128	2,378	2,877	(4.2)	26.0	4.1	11,270	9,028	24.8
Domestic PNG	2,474	2,450	2,339	2,363	1.0	5.8	4.7	9,370	8,861	5.7
<b>Realisation and margins</b>										
<b>Net realization (Rs/scm)</b>	<b>47.7</b>	<b>48.0</b>	<b>45.6</b>	<b>46.4</b>	<b>(0.5)</b>	<b>4.8</b>	<b>2.8</b>	<b>46.4</b>	<b>47.3</b>	<b>(1.9)</b>
CNG (Rs/scm)	47.1	47.4	44.7	45.6	(0.6)	5.3	3.3	45.3	46.7	(3.0)
PNG (Rs/scm)	48.2	49.4	46.5	47.6	(2.3)	3.6	1.4	48.1	48.0	0.3
I&C	49.7	51.7	47.5	48.4	(4.0)	4.6	2.6	49.8	49.5	0.6
Domestic PNG	46.6	46.6	45.6	46.6	0.0	2.1	(0.0)	46.3	46.6	(0.5)
RM cost (Rs/scm)	32.1	32.1	27.7	31.8	0.2	16.2	1.0	30.1	27.4	10.0
<b>Gross margin (Rs/scm)</b>	<b>15.6</b>	<b>15.9</b>	<b>17.9</b>	<b>14.6</b>	<b>(1.9)</b>	<b>(12.9)</b>	<b>6.8</b>	<b>16.2</b>	<b>19.9</b>	<b>(18.3)</b>
Other opex (Rs/scm)	7.2	6.6	6.4	6.3	9.9	12.3	15.0	6.5	5.9	8.9
<b>EBITDA (Rs/scm)</b>	<b>8.3</b>	<b>9.3</b>	<b>11.5</b>	<b>8.3</b>	<b>(10.3)</b>	<b>(27.1)</b>	<b>0.5</b>	<b>9.8</b>	<b>13.9</b>	<b>(29.9)</b>

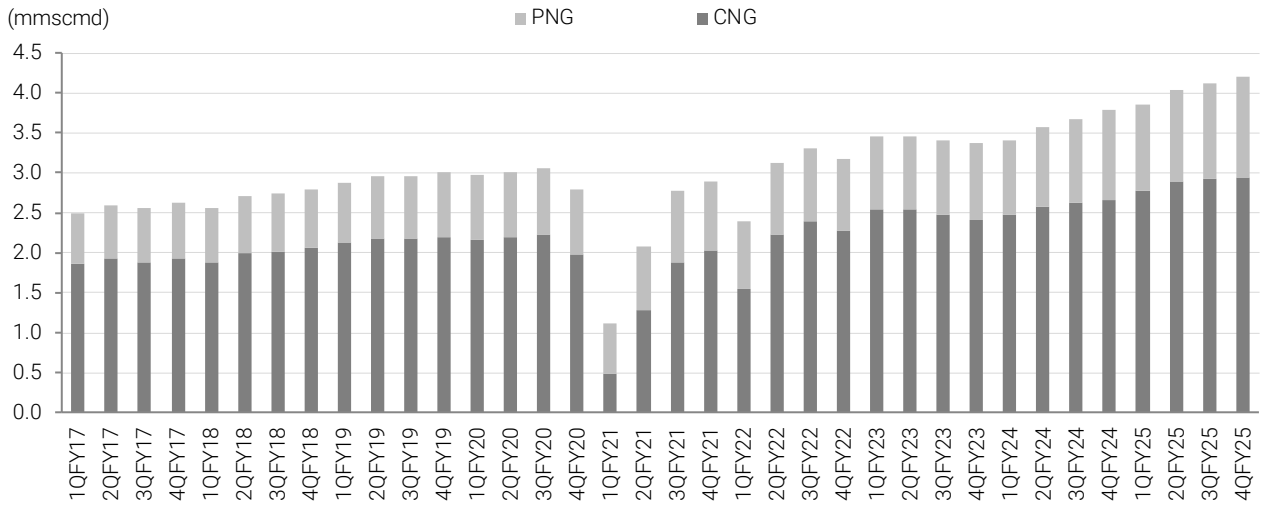
Notes:

(a) Breakup of PNG revenue in I&C and domestic PNG is our estimate based on domestic PNG price and volumes

Source: Company, Kotak Institutional Equities estimates

**Overall volume of 4.2 mmcmd (+11% yoy, +2% qoq) was ~1% below our estimate of 4.23 mmcmd**

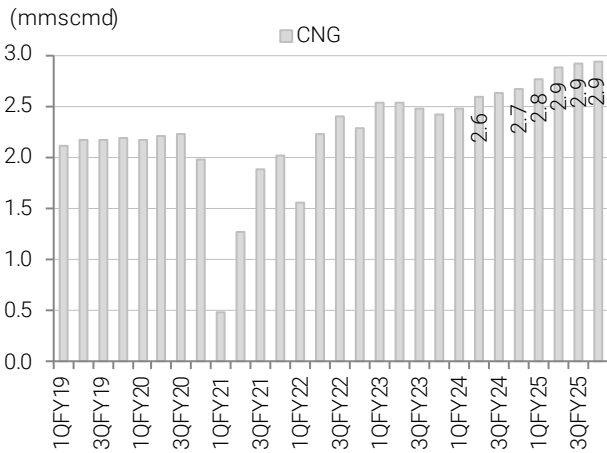
Exhibit 2: MGL's CNG and PNG volume; March fiscal year-ends, 1QFY17 onward (mmcmd, %)



Source: Company, Kotak Institutional Equities estimates

**CNG volumes are up 10% yoy (flat qoq), 1.5% below our estimate**

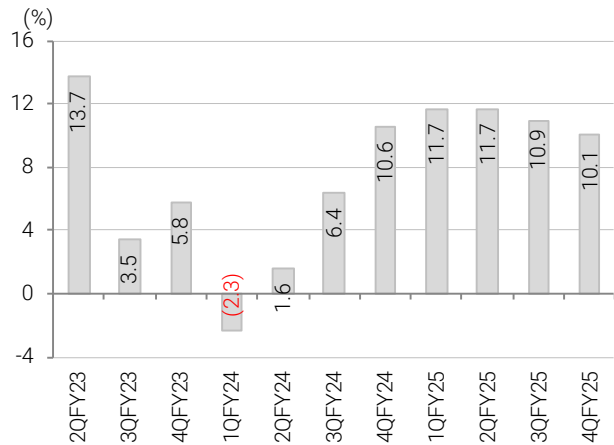
Exhibit 3: MGL's CNG volumes; March fiscal year-ends, from 1QFY19 (mmcmd)



Source: Company, Kotak Institutional Equities estimates

**CNG volume growth has been strong yoy**

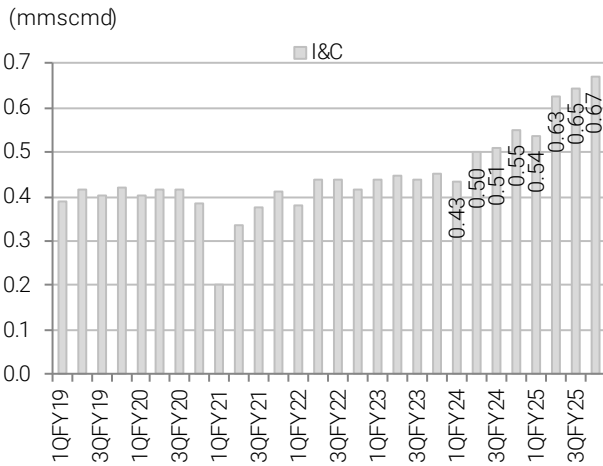
Exhibit 4: MGL's yoy CNG volume growth, March fiscal year-ends, 2QFY23 onward (%)



Source: Company, Kotak Institutional Equities estimates

**I&C growth remains particularly strong (+22% yoy, 3.7% qoq)**

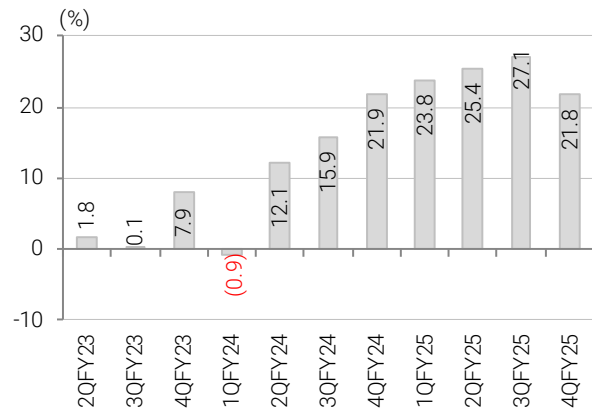
Exhibit 5: MGL's I&C volumes; March fiscal year-ends, from 1QFY19 (mmscmd)



Source: Company, Kotak Institutional Equities estimates

**New customer additions with assured advantage over liquid fuels have led to strong growth over the past 5-6 quarters**

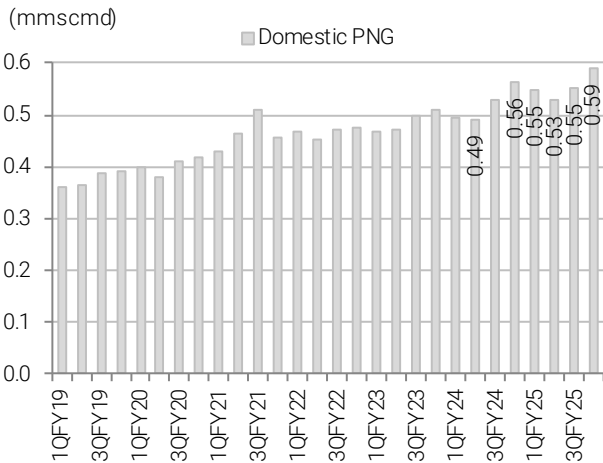
Exhibit 6: MGL's yoy I&C volume growth, March fiscal year-ends, 2QFY23 onward (%)



Source: Company, Kotak Institutional Equities estimates

**Domestic PNG volumes were up 4.7% yoy and 7% qoq**

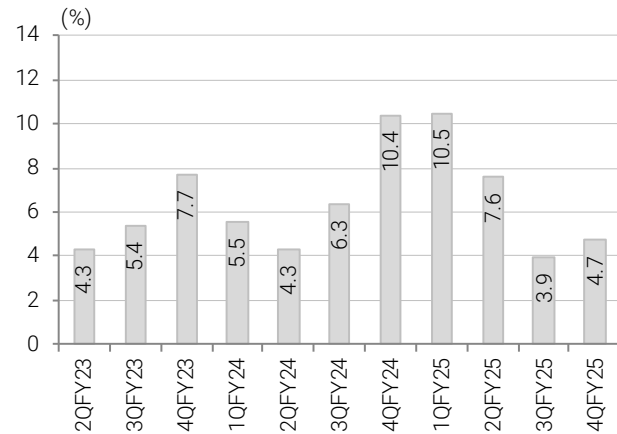
Exhibit 7: MGL's domestic PNG volumes, March fiscal year-ends, from 1QFY19 (mmscmd)



Source: Company, Kotak Institutional Equities estimates

**Domestic PNG volumes growth moderated in 2HFY25.**

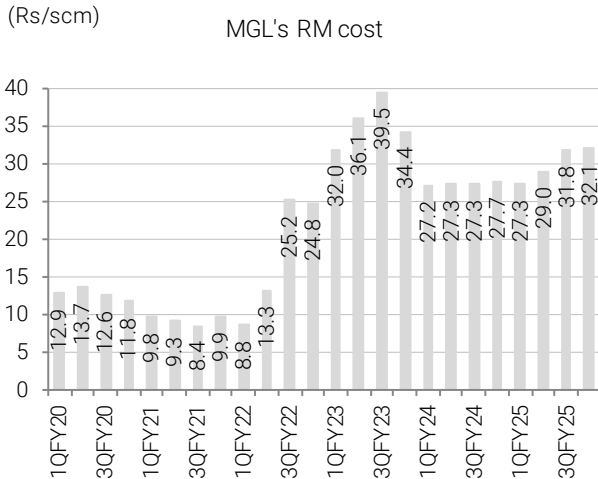
Exhibit 8: MGL's domestic PNG yoy volume growth, March fiscal year-ends, 2QFY23 onward (%)



Source: Company, Kotak Institutional Equities estimates

**MGL's RM cost increased qoq by modest Rs0.3/scm as APM de-allocation was partly reversed in January**

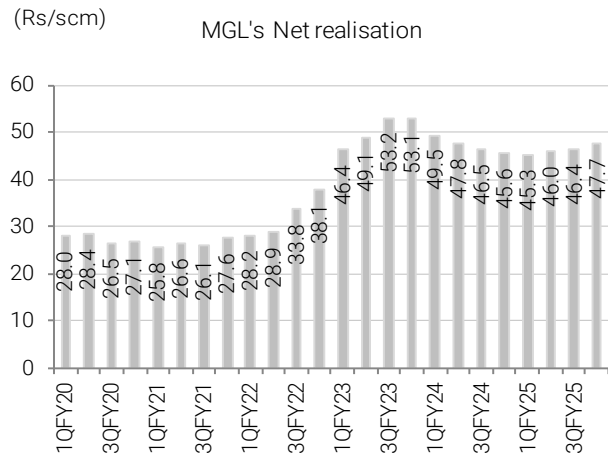
Exhibit 9: MGL's quarterly RM cost, March fiscal year-ends, 1QFY18 onward (Rs/scm)



Source: Company, Kotak Institutional Equities estimates

**Net realizations moved up Rs1.3/scm qoq and Rs2.2/scm yoy**

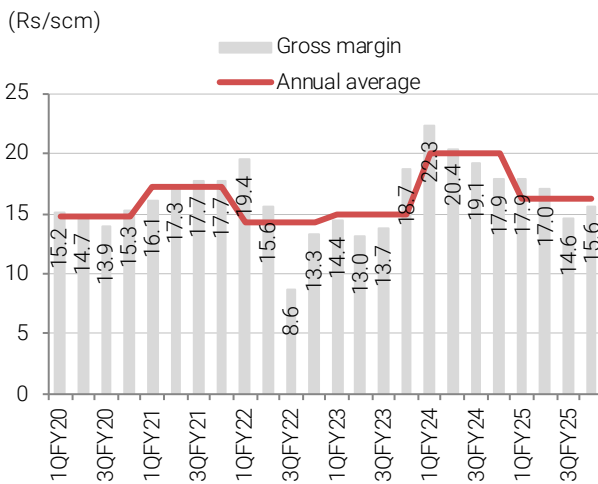
Exhibit 10: MGL's net realization, March fiscal year-ends, 1QFY19 onward (Rs/scm)



Source: Company, Kotak Institutional Equities estimates

**Gross margin increased by Rs1/scm qoq, but declined sharp Rs2.3/scm yoy**

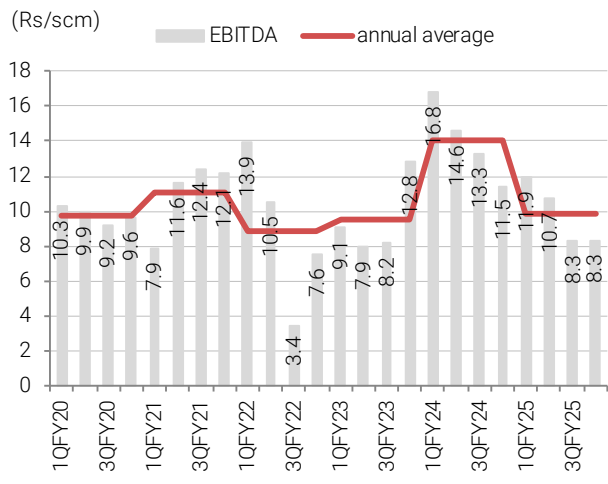
Exhibit 11: MGL's gross margins, March fiscal year-ends, 1QFY19 onward (Rs/scm)



Source: Company, Kotak Institutional Equities estimates

**EBITDA margins, at Rs8.3/scm (-)27% yoy, flat qoq, were 10% below our estimates due to higher opex**

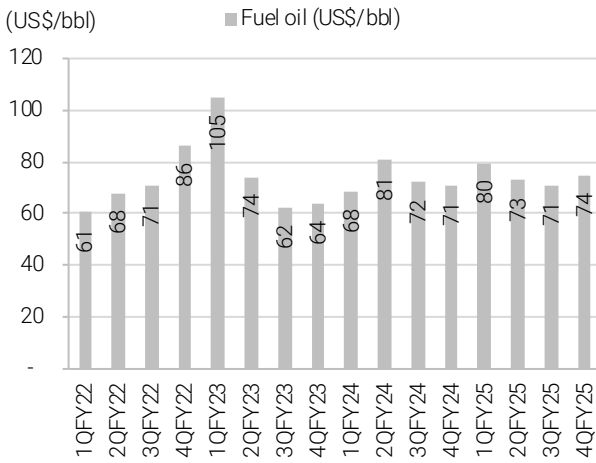
Exhibit 12: MGL's EBITDA margins, March fiscal year-ends, 1QFY19 onward (Rs/scm)



Source: Company, Kotak Institutional Equities estimates

**Alternate fuel prices such as FO increased ~5% in 4Q**

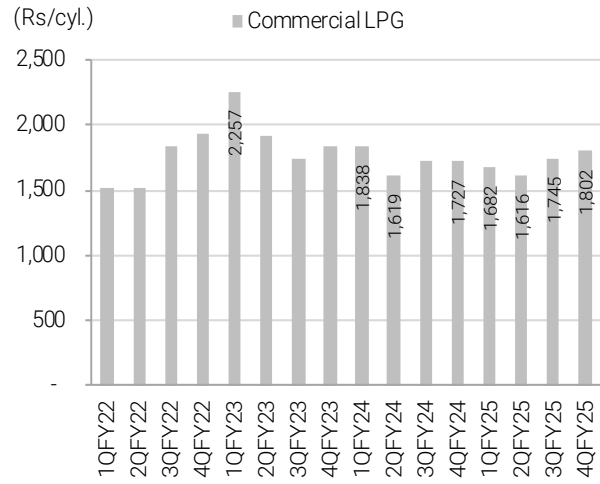
**Exhibit 13: Fuel oil prices, March fiscal-year ends (US\$/bbl)**



Source: Bloomberg, Kotak Institutional Equities estimates

**Commercial LPG prices moved up 3% in 3Q**

**Exhibit 14: Commercial LPG prices, March fiscal year-ends (Rs/cylinder)**



Source: Bloomberg, Kotak Institutional Equities estimates

## CNG's arbitrage to continue to diminish

After some respite in January, APM allocation is now back to November 2024 levels after the cut in April

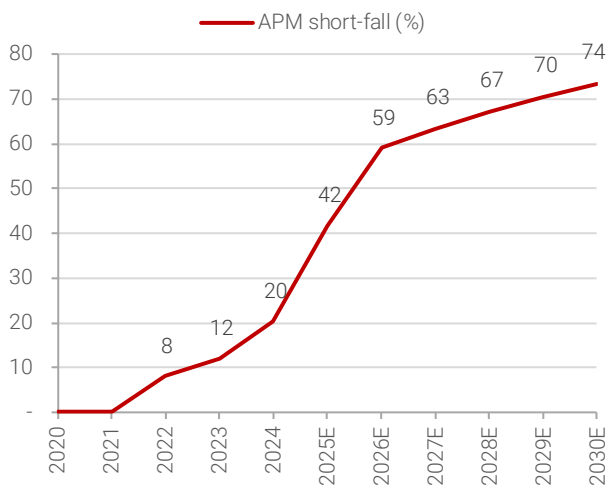
Exhibit 15: MGL's CNG/DPNG volumes and recent APM allocations (mmscmd, %)

		2QFY25	16-Oct-24	16-Nov-24	16-Jan-25	16-Apr-25
CNG volume	mmscmd	2.89	2.90	2.92	2.94	3.00
APM allocation	%	68%	51%	<b>37.0%</b>	<b>51.0%</b>	<b>40.0%</b>
	mmscmd	1.97	1.47	1.08	1.50	1.20
Change	mmscmd		(0.50)	(0.37)	0.42	(0.30)
	%		-25%	-27%	39%	-20%
D-PNG volumes		0.53	0.53	0.55	0.55	0.55
		100%	100%	100%	100%	100%
<b>Overall volumes</b>						
CNG + DPNG	mmscmd	3.42	3.43	3.47	3.49	3.55
Total allocation	mmscmd	2.50	2.00	1.63	2.05	1.75
Change	%		-20%	-18%	<b>26%</b>	<b>-15%</b>
Overall APM allocation	%	73	58	47	59	49

Source: Company, Kotak Institutional Equities

## APM shortfall has increased to ~50%; likely to rise further

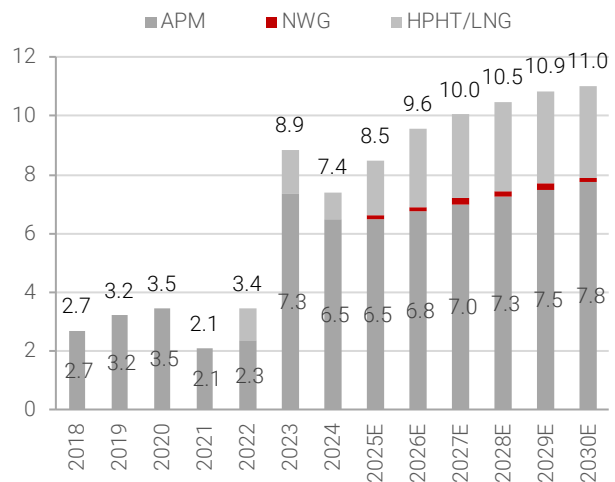
Exhibit 16: CGDs' priority sector APM shortfall



Source: Company, PPAC, Kotak Institutional Equities

## With rising APM shortfall/prices, the priority segment gas cost is likely to keep rising

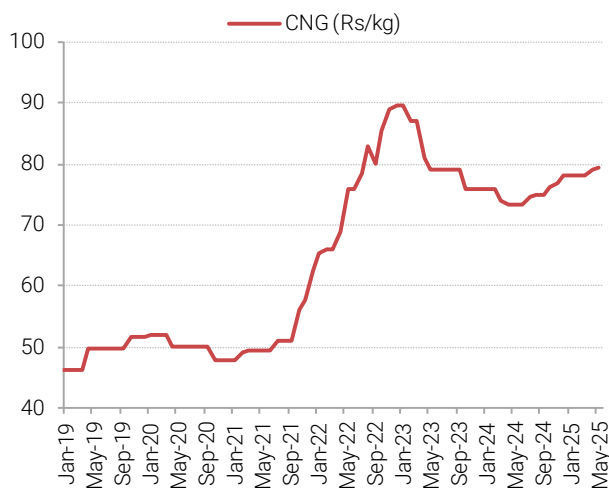
Exhibit 17: CGDs' likely average gas cost for priority segment, March fiscal year-ends, 2018 onward (US\$/mmbtu)



Source: Company, PPAC, Kotak Institutional Equities

**Retail CNG prices are up over 50% versus 2021 levels**

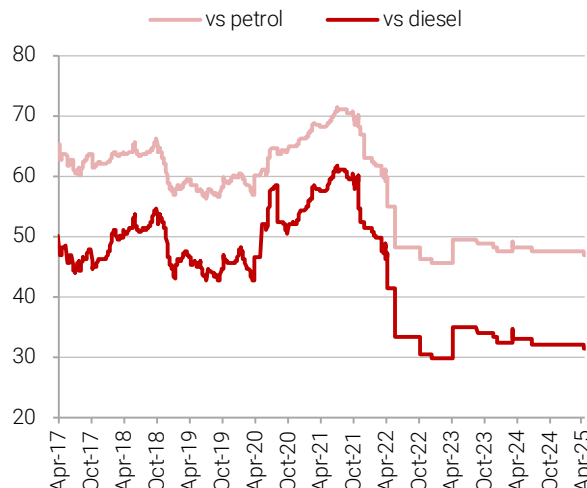
Exhibit 18: MGL's retail CNG prices, January 2019 onward (Rs/kg)



Source: PPAC, Kotak Institutional Equities

**Advantage of CNG has diminished versus petrol/diesel**

Exhibit 19: Relative advantage of CNG over petrol/diesel on energy equivalence (%)



Source: PPAC, Kotak Institutional Equities

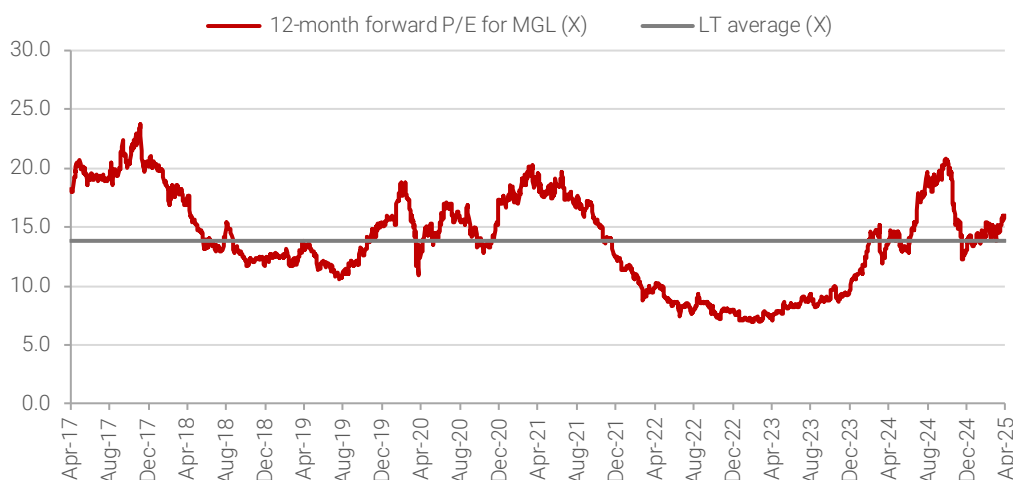
Exhibit 20: Key assumptions for MGL, March fiscal year-ends, 2020-28E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Sales volume (mmscmd)</b>									
CNG	2.1	1.4	2.1	2.5	2.6	2.9	3.1	3.2	3.3
PNG	0.8	0.8	0.9	0.9	1.0	1.2	1.2	1.3	1.4
Domestic	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7
Commercial	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Industrial	0.2	0.2	0.3	0.3	0.3	0.4	0.5	0.5	0.5
<b>Total volumes</b>	<b>3.0</b>	<b>2.2</b>	<b>3.0</b>	<b>3.4</b>	<b>3.6</b>	<b>4.1</b>	<b>4.3</b>	<b>4.5</b>	<b>4.6</b>
<b>Growth in volumes (%)</b>	<b>0.1</b>	<b>(25.1)</b>	<b>35.6</b>	<b>14.1</b>	<b>5.4</b>	<b>12.2</b>	<b>6.5</b>	<b>3.8</b>	<b>3.8</b>
<b>Operating metrics (Rs/scm)</b>									
<b>Gross margin</b>	<b>14.7</b>	<b>17.4</b>	<b>13.8</b>	<b>14.9</b>	<b>19.9</b>	<b>16.2</b>	<b>14.8</b>	<b>14.9</b>	<b>14.8</b>
Operating cost	5.0	5.8	5.4	5.4	5.9	6.5	6.3	6.4	6.5
<b>Operating profit</b>	<b>9.7</b>	<b>11.6</b>	<b>8.4</b>	<b>9.5</b>	<b>13.9</b>	<b>9.8</b>	<b>8.4</b>	<b>8.5</b>	<b>8.3</b>

Source: Company, Kotak Institutional Equities estimates

**Despite recent correction, MGL trades near its historic averages, though outlook is far weaker**

**Exhibit 21: 12-month forward P/E for MGL (X)**



Source: Bloomberg, Kotak Institutional Equities estimates

**We value MGL at Rs1,020 using DCF methodology**

**Exhibit 22: Calculation of equity value using discounted cash flow analysis (Rs mn)**

	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E
<b>Assumptions</b>												
Volumes (mcm/d)	4.3	4.5	4.6	4.8	5.0	5.2	5.4	5.6	5.7	5.9		
Growth (%)	6.5	3.8	3.8	4.4	4.0	3.6	3.1	3.5	3.0	2.7		
Unit margins (Rs/scm)	8.4	8.5	8.3	8.1	7.9	8.0	7.7	7.5	7.4	7.4		
<b>DCF model</b>												
EBITDA	13,304	13,829	14,096	14,343	14,603	15,234	15,245	15,233	15,580	16,038		
Adjusted tax expense	(2,244)	(2,293)	(2,285)	(2,280)	(2,284)	(2,390)	(2,345)	(2,301)	(2,353)	(2,439)		
Change in working capital	1,723	946	970	951	888	777	742	720	639	571		
Operating cash flow	12,782	12,482	12,781	13,014	13,207	13,622	13,642	13,651	13,865	14,170		
Capital expenditure	(8,139)	(7,937)	(7,582)	(7,181)	(6,958)	(6,575)	(6,030)	(5,646)	(5,609)	(5,006)		
Free cash flow	4,643	4,544	5,199	5,833	6,249	7,047	7,612	8,005	8,256	9,164	9,347	9,534
Discounted cash flow-now	4,194	3,665	3,742	3,749	3,586	3,610	3,481	3,268	3,010	2,983		
Discounted cash flow-1 year forward	4,643	4,104	4,192	4,199	4,016	4,043	3,900	3,661	3,371	3,341	3,042	
Discounted cash flow-2 year forward		4,544	4,696	4,704	4,498	4,529	4,368	4,101	3,776	3,742	3,408	3,103
<b>Discount rate</b>												
	Now	+1-year	+2-years									
Discount rate (%)	12.0%	12.0%	12.0%									
Total PV of free cash flow	37,281	37,869	40,923									
<b>Terminal value assumption</b>												
Growth in perpetuity	2.0%	2.0%	2.0%	<b>Sensitivity of 12-month fair value to WACC and perpetual growth</b>								
FCF in terminal year	9,164	9,347	9,534	<b>Perpetual growth (%)</b>								
Exit FCF multiple (X)	10.2	10.2	10.2									
Exit EV/EBITDA multiple (X)	6.0	6.1	6.2									
Terminal value	93,473	95,342	97,249									
PV of terminal value	30,425	31,033	31,654									
Enterprise value	67,706	68,902	72,577									
Net debt	(23,094)	(26,235)	(29,408)									
Equity value	90,799	95,137	101,985									
Valuations for UEPL (1X purchase price)	5,620	5,620	5,620									
Shares outstanding (mn)	99	99	99									
Fair value of MGL, including dividends (Rs)	976	1,020	1,089									

Source: Kotak Institutional Equities estimates

Exhibit 23: Profit model, balance sheet, cash model, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
<b>Profit model (Rs mn)</b>									
Net sales	29,721	21,525	35,602	62,993	62,445	68,603	79,919	86,420	92,747
<b>EBITDA</b>	<b>10,528</b>	<b>9,338</b>	<b>9,243</b>	<b>11,842</b>	<b>18,426</b>	<b>14,464</b>	<b>13,304</b>	<b>13,829</b>	<b>14,096</b>
Other income	990	805	857	1,119	1,753	1,840	2,127	2,374	2,678
Interest	(65)	(72)	(75)	(94)	(115)	(134)	(141)	(148)	(155)
Depreciation	(1,617)	(1,737)	(1,963)	(2,311)	(2,736)	(3,063)	(3,623)	(4,122)	(4,603)
<b>Pretax profits</b>	<b>9,835</b>	<b>8,335</b>	<b>8,063</b>	<b>10,555</b>	<b>17,328</b>	<b>13,108</b>	<b>11,667</b>	<b>11,933</b>	<b>12,016</b>
Extraordinary items	567	—	—	—	—	634	—	—	—
Current tax	(2,332)	(1,978)	(1,858)	(2,573)	(4,069)	(2,955)	(2,769)	(2,885)	(2,962)
Deferred tax	(136)	(163)	(235)	(82)	(368)	(337)	(312)	(287)	(262)
<b>Adjusted net profits</b>	<b>7,367</b>	<b>6,195</b>	<b>5,970</b>	<b>7,900</b>	<b>12,891</b>	<b>9,967</b>	<b>8,587</b>	<b>8,762</b>	<b>8,792</b>
<b>Adjusted EPS (Rs)</b>	<b>74.6</b>	<b>62.7</b>	<b>60.4</b>	<b>80.0</b>	<b>130.5</b>	<b>100.9</b>	<b>86.9</b>	<b>88.7</b>	<b>89.0</b>
<b>Balance sheet (Rs mn)</b>									
Total equity	29,527	32,324	35,973	41,342	51,429	58,893	64,474	70,170	75,885
Deferred tax liability	1,636	1,802	2,038	2,116	2,471	2,802	3,114	3,401	3,663
Borrowings	6	8	8	11	27	27	—	—	—
Customer deposits	5,817	6,355	7,150	8,203	9,409	13,099	13,901	14,678	15,465
Current liabilities	4,299	5,522	7,169	8,652	8,925	7,218	8,335	8,899	9,416
<b>Total liabilities and equity</b>	<b>41,285</b>	<b>46,011</b>	<b>52,338</b>	<b>60,323</b>	<b>72,260</b>	<b>82,039</b>	<b>89,825</b>	<b>97,147</b>	<b>104,428</b>
Cash	2,295	5,119	4,652	2,279	3,985	3,150	6,265	9,438	13,416
Current assets	3,602	4,574	6,011	9,491	8,900	10,450	10,605	10,938	11,263
Total fixed assets	24,174	26,069	30,792	35,455	41,005	48,468	52,985	56,801	59,780
Investments	11,215	10,250	10,883	13,098	18,370	19,970	19,970	19,970	19,970
<b>Total assets</b>	<b>41,285</b>	<b>46,011</b>	<b>52,338</b>	<b>60,323</b>	<b>72,260</b>	<b>82,039</b>	<b>89,825</b>	<b>97,147</b>	<b>104,428</b>
<b>Free cash flow (Rs mn)</b>									
Operating cash flow, excl. working capital	8,378	7,448	7,380	9,559	14,724	12,854	10,394	10,797	10,979
Working capital	1,374	602	1,657	134	907	830	1,765	1,007	980
Capital expenditure	(4,349)	(3,397)	(6,490)	(7,131)	(7,709)	(10,754)	(8,139)	(7,937)	(7,582)
<b>Free cash flow</b>	<b>2,113</b>	<b>3,610</b>	<b>3,629</b>	<b>3,198</b>	<b>2,953</b>	<b>3,607</b>	<b>6,147</b>	<b>6,240</b>	<b>7,056</b>
Investments	(3,765)	1,287	(357)	(1,748)	(4,413)	(834)	—	—	—
Other income	475	(2,331)	1,440	2,384	(557)	1,511	2,127	2,374	2,678
<b>Ratios (%)</b>									
Debt/equity	0.0	0.0	0.0	—	—	—	—	—	—
Net debt/equity	(7.8)	(15.8)	(12.9)	(5.5)	(7.7)	(5.3)	(9.7)	(13.5)	(17.7)
RoAE	27.7	19.0	16.6	19.4	26.5	18.1	13.3	12.4	11.5
<b>RoACE</b>	<b>22.1</b>	<b>16.1</b>	<b>14.1</b>	<b>16.5</b>	<b>22.6</b>	<b>14.6</b>	<b>11.1</b>	<b>10.5</b>	<b>9.7</b>
<b>Adjusted CROCI</b>	<b>26.5</b>	<b>20.5</b>	<b>18.3</b>	<b>20.0</b>	<b>25.6</b>	<b>17.6</b>	<b>14.5</b>	<b>13.6</b>	<b>12.6</b>

Source: Company, Kotak Institutional Equities estimates

# Sapphire Foods (SAPPHIRE)

Hotels & Restaurants

ADD

CMP(₹): 311

Fair Value(₹): 365

Sector View: **Attractive**

NIFTY-50: 24,414

May 08, 2025

## Multi-quarter, low-margin print

Sapphire Foods' (SF's) pre-Ind AS 116 EBITDA margin of 7.1% was at a 14-quarter low and the weakest print since its listing. EBITDA, at Rs508 mn, was 20% lower than March 2022, even as revenues reported a 12.6% CAGR to Rs7.1 bn. KFC India's SSSG trend improved 200 bps qoq to (-)1%; the brand's contribution margin declined 250 bps qoq (weaker than usual seasonality). PH's performance was weak on all counts, whereas Sri Lanka delivered a good quarter. We cut EBITDA estimates by 7-8%, rollover and revise FV to Rs365, valuing SF at 27X June 2027E pre-Ind AS 116 EV/EBITDA.

### 4QFY25: Weak print on the expected lines

Sapphire (SF) reported revenues of Rs7.1 bn (in-line), up 12.6% yoy due to a ~10% yoy increase in overall store count to 963 stores (March 2025). GM stood at 68.2% (KIE: 68.4%), down 75/45 bps yoy/qoq. Adjusted EBITDA (pre-Ind AS 116) was weak on expected lines at Rs508 mn (down 6.6% yoy) and adjusted EBITDA margin at 7.1% (in-line; down 150 bps yoy) was the lowest in the past 14 quarters. PBT stood at Rs45 mn (KIE: (-)Rs166 mn). The pre-Ind AS PAT stood at Rs33 mn for 4QFY25. SF added 2 stores qoq, with +6/(-)5/+1 in KFC/PH/SL+Maldives. The dine-in mix was down 400/300/200 bps yoy in KFC India/PH India/SL in 4Q. Overall, KFC's performance was on expected lines, with an improvement in its SSSG trend; the brand's contribution margin (down 250 bps qoq) was much weaker than usual seasonality. PH's performance was disappointing on all fronts after delivering a decent 3Q. SL's performance was impressive, with good growth and profitability.

**KFC India:** (1) SF added six net new stores, taking the total count to 502, (2) revenues grew ~12% yoy to Rs4.8 bn (in-line), (3) ADS stood at Rs108K (KIE: Rs106.5K), down 5.3% yoy, (4) SSS declined 1% (KIE: 2% decline), but improved by 200 bps qoq and (5) the brand's contribution margin (pre-Ind AS 116), at 15.7%, was at a multi-quarter low (down 300 bps yoy; KIE: 16%).

**Pizza Hut India:** (1) SF had 5 net store closures, taking the total count to 334, (2) revenues, at Rs1.25 bn (2.8% miss), grew 5% yoy, (3) ADS, at Rs42K (in-line), was up 2.4% yoy, (4) SSSG, at 1% (KIE: 2%), had moderated sequentially and (5) the brand's contribution margin was weakest at (-)4.6% (KIE: (-)2%), down 190 bps yoy on a 70 bps GM decline, additional marketing spends and negative OL.

**Sri Lanka:** (1) Revenue, at Rs1.05 bn (5.2% beat), grew 30.5% yoy, LKR's revenues were up 19% yoy, (2) SF opened one net new store and the total stood at 127 (PH 117 and TB 10), (3) ADS, at Rs95K, grew 26.7 yoy, (4) SSSG in LKR is 16% yoy and (5) the brand's contribution margin was at 14.8% (KIE: 15.2%), up 250 bps yoy; the absolute brand's contribution was at Rs158 mn (up 57.2% yoy).

### We cut FY2026-27E EBITDA estimates by 7-8%; maintain ADD

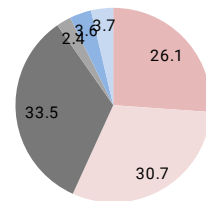
We cut our FY2026-27E EBITDA estimates by 7-8%, as we incorporate 4Q and moderate FY2026E forecasts. We roll over and revise the FV to Rs365 (earlier Rs375), valuing Sapphire at 27X June 2027E pre-Ind AS 116 EV/EBITDA (unchanged). Maintain ADD.

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	311/365/ADD
52-week range (Rs) (high-low)	401-242
Mcap (bn) (Rs/US\$)	100/1.2
ADTV-3M (mn) (Rs/US\$)	184/2.2

#### Shareholding pattern (%)



■ Promoters ■ FPIs ■ MFs ■ BFI s ■ Retail ■ Others

Price performance (%)	1M	3M	12M
Absolute	6	(4)	10
Rel. to Nifty	(4)	(7)	1
Rel. to MSCI India	(3)	(6)	3

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	1.0	0.8	1.9
EPS growth (%)	(39.6)	(19.2)	137.0
P/E (X)	310.8	384.6	162.3
P/B (X)	7.1	7.0	6.7
EV/EBITDA (X)	20.5	18.1	15.3
RoE (%)	2.3	1.8	4.2
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	29	33	37
EBITDA (Rs bn)	4.8	5.4	6.4
Net profits (Rs bn)	0.3	0.3	0.6

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

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Umang Mehta

Praneeth Reddy

Eesha Mohanty

### Conference call takeaways

- ▶ **Demand outlook.** The demand situation remains neutral, with no significant improvement or deterioration over the past few quarters. The company is experiencing heightened competitive pressures, making growth challenging. Footfalls are the most challenging rather than conversion rates or ticket sizes.
- ▶ **Margin commentary.** Consolidated restaurant EBITDA decreased 1% yoy, with a margin of 12%. The focus on driving value and promotions impacted gross margins, but helped arrest a transaction decline. EBITDA (pre-Ind AS 116) declined 7% yoy to Rs508 mn in 4Q (down 4% in FY2025), with an adjusted EBITDA margin of 7.2%. Despite challenges, KFC maintained healthy EBITDA margins at 17.3% for the full year. Pizza Hut's restaurant EBITDA was impacted, coming in at 4.6%, negative due to lower GM, lower ADS and increased marketing (BTL) spends. Sri Lanka's restaurant EBITDA margins improved by 250 bps yoy, reaching 14.8%.
- ▶ **KFC.** KFC India delivered double-digit revenue growth of 11%, despite negative 4% SSSG in FY2025. The focus for KFC is on attracting new consumers through the epic core variety campaign, emphasizing value offerings. Its own delivery channel (10% mix in both KFC and PH) showed significant growth, outperforming aggregator platforms. KFC launched a premium burger called KFC Gold, along with new products in the boneless range. The delivery mix continued to increase compared with dine-in and takeaways. Kiosks continue to be rolled out, now implemented in about 238 restaurants. SSSG trends will improve (currently flat) as comps become favorable, going ahead. Management is hoping to hold the current restaurant EBITDA margin, but for that to happen, it requires SSSG to move into (LSD) a positive zone. KFC's SSSG/SSTG were both negative in 1H, but the transaction decline reduced in 2H and is currently largely neutral, owing to value offerings.
- ▶ **Pizza Hut** experienced improved performance in the first three quarters (ADS moved from Rs41k to Rs48k), but faced challenges in the fourth quarter due to differences in the marketing strategy (could be resolved in 1-2 quarters), with a sister franchisee that affected the ability to advertise effectively in common markets. The Juicylicious Pizza was launched in April 2025. Mass media advertising in Tamil Nadu (exclusive market for SF) is driving better performance. Pizza Hut's restaurant EBITDA was impacted by lower ADS and increased promotional offerings. GM declined by 70 bps due to increased value and promotional offerings; GM is likely to be stable going forward. The brand's strategy includes driving taste superiority through pizza and sides innovation, offering competitive value for money, and cautious store expansion. PH's restaurant EBITDA margin could be range-bound (flat to LSD) in FY2026E.
- ▶ **Sri Lanka** showed a strong turnaround, with 14% revenue growth in LKR terms and 24% growth in INR terms in FY2025. Restaurant EBITDA margins in Sri Lanka reached 15.4%, the highest in three years. New product launches and store additions contributed to the positive performance. The SSSG in Sri Lanka was 16% in 4Q, backed by double-digit transaction growth.
- ▶ **Network expansion.** Sapphire Foods India Ltd added 91 restaurants during the year, bringing the total count to 963 restaurants. The total number of KFC outlets crossed the milestone of 500 restaurants. This expansion strategy is aimed at maintaining a robust presence in metro and tier-one cities, which accounted for 70% of the new store additions over the past two years. The medium-term guidance is the addition of 60 to 80 KFC stores (net) annually. On the other hand, Pizza Hut's expansion strategy remains cautious, with plans to add a maximum of 20 to 25 stores per year. In Sri Lanka, the company is optimistic about accelerating store additions from low single digits to high single digits.
- ▶ **Others.** Sapphire Foods was recognized as the world's top-four Pizza Hut franchisees and the world's best KFC franchisee. The company added 91 restaurants during the year, closing at 963 restaurants. Sapphire Foods was the number one QSR in India for the second consecutive year on the Dow Jones Sustainability Index. The company generated positive free cash flow for the year. Capex per store for KFC is Rs21 mn and PH is Rs13.5 mn. Depreciation during the quarter was lower due to provision reversals on store closures; depreciation will revert to the earlier quarterly run-rate, going forward. Management expects FCF to be negative in FY2026E, as there will be renewal fees payable to Yum since it has completed 10 years since the store acquisition and many stores will also need major refurbishments.

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

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			FY2025	FY2024	(% chg.)
					vs KIE est	yoy	qoq			
<b>Net operating revenues</b>	<b>7,113</b>	<b>7,092</b>	<b>6,317</b>	<b>7,565</b>	<b>0.3</b>	<b>12.6</b>	<b>(6.0)</b>	<b>28,819</b>	<b>25,943</b>	<b>11.1</b>
Material cost	(2,266)	(2,238)	(1,966)	(2,376)	1.2	15.2	(4.7)	(9,068)	(8,109)	11.8
<b>Gross Profit</b>	<b>4,848</b>	<b>4,853</b>	<b>4,351</b>	<b>5,189</b>	<b>(0.1)</b>	<b>11.4</b>	<b>(6.6)</b>	<b>19,750</b>	<b>17,834</b>	<b>10.7</b>
<b>Gross margin (%)</b>	<b>68.2</b>	<b>68.4</b>	<b>68.9</b>	<b>68.6</b>	<b>-29 bps</b>	<b>-73 bps</b>	<b>-45 bps</b>	<b>68.5</b>	<b>68.7</b>	<b>-21 bps</b>
Employee cost	(977)	(966)	(857)	(984)	1.2	14.0	(0.7)	(3,864)	(3,456)	11.8
Other expenditure	(2,808)	(2,886)	(2,464)	(2,862)	(2.7)	14.0	(1.9)	(11,119)	(9,765)	13.9
<b>Total expenditure</b>	<b>(6,051)</b>	<b>(6,090)</b>	<b>(5,287)</b>	<b>(6,222)</b>	<b>(0.6)</b>	<b>14.4</b>	<b>(2.7)</b>	<b>(24,051)</b>	<b>(21,330)</b>	<b>12.8</b>
<b>EBITDA</b>	<b>1,062</b>	<b>1,001</b>	<b>1,030</b>	<b>1,343</b>	<b>6.1</b>	<b>3.2</b>	<b>(20.9)</b>	<b>4,768</b>	<b>4,613</b>	<b>3.4</b>
<b>EBITDA margin (%)</b>	<b>14.9</b>	<b>14.1</b>	<b>16.3</b>	<b>17.8</b>	<b>81 bps</b>	<b>-137 bps</b>	<b>-283 bps</b>	<b>16.5</b>	<b>17.8</b>	<b>-124 bps</b>
Other income	130	81	124	105	61.1	4.5	23.5	372	334	11.3
Interest	(298)	(288)	(275)	(275)	3.2	8.1	8.1	(1,116)	(1,009)	0.0
Depreciation	(850)	(960)	(870)	(1,005)	(11.4)	(2.4)	(15.5)	(3,639)	(3,239)	12.4
<b>Pretax profits</b>	<b>45</b>	<b>(166)</b>	<b>8</b>	<b>168</b>	<b>(127.0)</b>	<b>NA</b>	<b>NA</b>	<b>384</b>	<b>699</b>	<b>(45.0)</b>
Tax	14	35	12	(41)	(59.6)			(64)	(180)	
<b>PAT</b>	<b>59</b>	<b>(131)</b>	<b>20</b>	<b>127</b>	<b>(145.1)</b>	<b>NA</b>	<b>NA</b>	<b>320</b>	<b>520</b>	<b>(38.4)</b>
Extraordinary items	(39)	-	-	-				(153)	0	
<b>Net profit (reported)</b>	<b>20</b>	<b>(131)</b>	<b>20</b>	<b>127</b>	<b>(115.5)</b>	<b>NA</b>	<b>NA</b>	<b>167</b>	<b>520</b>	<b>(67.9)</b>
<b>Recurring EPS</b>	<b>0.2</b>	<b>(0.4)</b>	<b>0.1</b>	<b>0.4</b>	<b>(145.1)</b>	<b>NA</b>	<b>NA</b>	<b>1.0</b>	<b>1.6</b>	<b>(38.6)</b>
<b>Income tax rate (%)</b>	<b>(31.7)</b>	<b>21.2</b>	<b>(142.9)</b>	<b>24.3</b>				<b>16.7</b>	<b>25.7</b>	
<b>Costs as a % of sales</b>										
Material cost	31.8	31.6	31.1	31.4	28 bps	72 bps	44 bps	31.5	31.3	20 bps
Employee cost	13.7	13.6	13.6	13.0	11 bps	16 bps	73 bps	13.4	13.3	8 bps
Other expenditure	39.5	40.7	39.0	37.8	-122 bps	46 bps	164 bps	38.6	37.6	93 bps
<b>Adj. EBITDA (Pre-Ind AS 116)</b>	<b>508</b>	<b>505</b>	<b>544</b>	<b>811</b>	<b>0.5</b>	<b>(6.6)</b>	<b>(37.4)</b>	<b>2,616</b>	<b>2,716</b>	<b>(3.7)</b>
<b>Adj. EBITDA (Pre-Ind AS 116) margin (%)</b>	<b>7.1</b>	<b>7.1</b>	<b>8.6</b>	<b>10.7</b>	<b>1 bps</b>	<b>-148 bps</b>	<b>-358 bps</b>	<b>9.1</b>	<b>10.5</b>	<b>-140 bps</b>
<b>Core Brands</b>										
<b>Stores (#)</b>	<b>4QFY25</b>	<b>4QFY25E</b>	<b>4QFY24</b>	<b>3QFY25</b>	<b>vs KIE est</b>	<b>yoy</b>	<b>qoq</b>	<b>FY2025</b>	<b>FY2024</b>	<b>(% chg.)</b>
- KFC	502	504	429	496	(0.4)	17.0	1.2	502	429	17.0
- Pizza Hut	334	340	319	339	(1.8)	4.7	(1.5)	334	319	4.7
- Sri Lanka	127	126	120	126	0.8	5.8	0.8	127	120	5.8
<b>Average daily sales (Rs/store)</b>										
- KFC	108,000	106,553	114,000	115,000	1.4	(5.3)	(6.1)	114,000	125,500	(9.2)
- Pizza Hut	42,000	42,023	41,000	48,000	(0.1)	2.4	(12.5)	46,250	46,500	(0.5)
- Sri Lanka	95,000	89,320	75,000	103,000	6.4	26.7	(7.8)	95,000	79,500	19.5
<b>SSSG (%)</b>										
- KFC	(1)	(2)	(3)	(3)				(5)	(1)	
- Pizza Hut	1	2	(15)	5				(1)	(16)	
<b>Revenue</b>										
- KFC	4,793	4,795	4,285	4,948	(0.0)	11.9	(3.1)	19,038	17,157	11.0
- Pizza Hut	1,248	1,284	1,188	1,430	(2.8)	5.1	(12.7)	5,451	5,185	5.1
- Sri Lanka	1,066	1,013	816	1,159	5.2	30.6	(8.0)	4,227	3,397	24.4
<b>Gross Profit</b>										
- KFC	3,259	3,256	2,927	3,375	0.1	11.4	(3.4)	12,979	11,697	11.0
- Pizza Hut	934	973	897	1,081	(4.1)	4.1	(13.7)	4,130	3,920	5.4
- Sri Lanka	646	624	505	720	3.5	27.9	(10.2)	2,584	2,093	23.5
<b>Gross Margin (%)</b>										
- KFC	68.0	67.9	68.3	68.2	9 bps	-30 bps	-21 bps	68.2	68.2	-1 bps
- Pizza Hut	74.8	75.8	75.5	75.6	-101 bps	-71 bps	-80 bps	75.8	75.6	17 bps
- Sri Lanka	60.6	61.6	61.9	62.1	-101 bps	-130 bps	-150 bps	61.1	61.6	-48 bps
<b>Brand contribution (Pre-Ind AS 116 EBITDA at brand-level before corporate overheads)</b>										
- KFC	753	769	801	901	(2.1)	(6.1)	(16.4)	3,297	3,381	(2.5)
- Pizza Hut	(57)	(26)	(32)	67	120.6	79.0	(185.4)	130	252	(48.1)
- Sri Lanka	158	154	100	206	2.7	57.2	(23.5)	652	466	39.7
<b>Brand contribution margin (%) ((Pre-Ind AS 116 EBITDA margin at brand-level before corporate overheads)</b>										
- KFC	15.7	16.0	18.7	18.2	-34 bps	-300 bps	-250 bps	17.3	19.7	-239 bps
- Pizza Hut	(4.6)	(2.0)	(2.7)	4.7	-258 bps	-190 bps	-930 bps	2.4	4.9	-246 bps
- Sri Lanka	14.8	15.2	12.3	17.8	-37 bps	250 bps	-300 bps	15.4	13.7	169 bps

Source: Company, Kotak Institutional Equities

Exhibit 2: Key changes to estimates, March fiscal year-ends, 2026-27E (Rs mn)

	Revised		Earlier		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Revenues (Rs mn)	32,647	36,658	33,221	37,386	(1.7)	(1.9)
Gross margin (%)	68.0	68.1	68.1	68.3	-13 bps	-15 bps
Adjusted EBITDA (Rs mn)	3,296	4,061	3,578	4,391	(7.9)	(7.5)
Adjusted EBITDA (%)	10.1	11.1	10.8	11.7	-68 bps	-67 bps
KFC India: store count EOP	572	633	574	635	(0.3)	(0.3)
<b>KFC India: Avg revenue per store (Rs mn)</b>	<b>40.3</b>	<b>41.1</b>	<b>40.6</b>	<b>41.4</b>	<b>(0.8)</b>	<b>(0.9)</b>
PH India: store count EOP	349	364	361	381	(3.3)	(4.5)
<b>PH India: Avg revenue per store (Rs mn)</b>	<b>17.5</b>	<b>18.1</b>	<b>17.4</b>	<b>18.0</b>	<b>0.5</b>	<b>0.6</b>

Source: Company, Kotak Institutional Equities estimates

Exhibit 3: Key assumptions for Sapphire Foods, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>KFC India</b>									
Store Count (#)	187	203	263	341	429	502	572	633	694
Revenue (Rs mn)	7,753	5,897	10,349	14,529	17,157	19,039	21,636	24,737	28,408
Average revenue per store (Rs mn)	44.9	30.2	44.4	48.1	44.6	40.9	40.3	41.1	42.8
<b>Store level EBITDA pre-Ind AS 116 (Rs mn)</b>	<b>1,021</b>	<b>828</b>	<b>2,018</b>	<b>2,819</b>	<b>3,380</b>	<b>3,294</b>	<b>3,895</b>	<b>4,576</b>	<b>5,255</b>
Revenue growth (%)	17.7	(23.9)	75.5	40.4	18.1	11.0	13.6	14.3	14.8
Gross Margin (%)	65.4	67.9	68.4	66.6	68.3	68.2	68.2	68.2	68.4
<b>Store level EBITDA pre-Ind AS 116 margin (%)</b>	<b>13.2</b>	<b>14.0</b>	<b>19.5</b>	<b>19.4</b>	<b>19.7</b>	<b>17.3</b>	<b>18.0</b>	<b>18.5</b>	<b>18.5</b>
<b>Pizza Hut India</b>									
Store Count (#)	174	162	219	286	319	334	349	364	379
Revenue (Rs mn)	3,343	2,217	3,710	5,214	5,185	5,450	5,988	6,457	6,887
Average revenue per store (Rs mn)	20.4	13.2	19.5	20.6	17.1	16.7	17.5	18.1	18.5
<b>Store level EBITDA pre-Ind AS 116 (Rs mn)</b>	<b>244</b>	<b>111</b>	<b>497</b>	<b>693</b>	<b>254</b>	<b>131</b>	<b>299</b>	<b>452</b>	<b>551</b>
Revenue growth (%)	8.8	(33.7)	67.3	40.5	(0.6)	5.1	9.9	7.8	6.7
Gross Margin (%)	76.2	76.1	75.5	74.7	75.5	75.8	76.1	76.2	76.3
<b>Store level EBITDA pre-Ind AS 116 margin (%)</b>	<b>7.3</b>	<b>5.0</b>	<b>13.4</b>	<b>13.3</b>	<b>4.9</b>	<b>2.4</b>	<b>5.0</b>	<b>7.0</b>	<b>8.0</b>
<b>Sri Lanka, Other International</b>									
Store Count (#)	64	70	95	116	122	127	134	139	144
Revenue (Rs mn)	2,200	2,053	3,157	2,913	3,601	4,330	4,743	5,184	5,562
Average revenue per store (Rs mn)	34.6	30.6	38.3	27.6	30.3	34.8	36.3	38.0	39.3
<b>Store level EBITDA pre-Ind AS 116 (Rs mn)</b>	<b>338</b>	<b>386</b>	<b>704</b>	<b>417</b>	<b>458</b>	<b>639</b>	<b>735</b>	<b>829</b>	<b>890</b>
Revenue growth (%)	1.7	(6.7)	53.8	(7.7)	23.6	20.2	9.5	9.3	7.3
Gross Margin (%)	66.7	68.6	65.2	57.6	61.1	60.8	61.2	61.3	61.4
<b>Store level EBITDA pre-Ind AS 116 margin (%)</b>	<b>15.4</b>	<b>18.8</b>	<b>22.3</b>	<b>14.3</b>	<b>12.7</b>	<b>14.8</b>	<b>15.5</b>	<b>16.0</b>	<b>16.0</b>
<b>Consolidated</b>									
Store Count (#)	425	435	577	743	870	963	1055	1136	1217
Revenue (Rs mn)	13,296	10,167	17,216	22,656	25,943	28,819	32,367	36,378	40,857
<b>Store level EBITDA pre-Ind AS 116 (Rs mn)</b>	<b>1,602</b>	<b>1,325</b>	<b>3,219</b>	<b>3,929</b>	<b>4,092</b>	<b>4,064</b>	<b>4,929</b>	<b>5,858</b>	<b>6,696</b>
Corporate Overheads (Rs mn)	941	943	1,411	1,282	1,375	1,448	1,634	1,797	1,959
<b>Company EBITDA pre-Ind AS 116 (Rs mn)</b>	<b>662</b>	<b>382</b>	<b>1,808</b>	<b>2,647</b>	<b>2,717</b>	<b>2,616</b>	<b>3,296</b>	<b>4,061</b>	<b>4,738</b>
Revenue growth (%)	12.5	-23.5	69.3	31.6	14.5	11.1	12.3	12.4	12.3
Gross Margin (%)	67.8	69.6	69.3	67.3	68.7	68.5	68.0	68.1	68.3
<b>Company EBITDA pre-Ind AS 116 margin (%)</b>	<b>5.0</b>	<b>3.8</b>	<b>10.5</b>	<b>11.7</b>	<b>10.5</b>	<b>9.1</b>	<b>10.2</b>	<b>11.2</b>	<b>11.6</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 4: Financials of Sapphire Foods, March fiscal year-ends, 2020-28E (Rs mn)**

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Profit model</b>									
Revenues	13,404	10,196	17,216	22,656	25,943	28,819	32,647	36,658	41,137
<b>EBITDA</b>	<b>1,856</b>	<b>1,244</b>	<b>3,050</b>	<b>4,284</b>	<b>4,613</b>	<b>4,768</b>	<b>5,418</b>	<b>6,370</b>	<b>7,247</b>
<b>Adj. EBITDA (ex-Ind AS 116)</b>	<b>628</b>	<b>338</b>	<b>1,808</b>	<b>2,647</b>	<b>2,717</b>	<b>2,616</b>	<b>3,296</b>	<b>4,061</b>	<b>4,738</b>
Depreciation	(1,913)	(2,091)	(2,135)	(2,642)	(3,239)	(3,639)	(4,155)	(4,596)	(5,039)
Other income	113	616	380	311	334	372	267	275	320
Interest expense	(722)	(756)	(781)	(869)	(1,009)	(1,116)	(1,185)	(1,233)	(1,306)
PBT	(666)	(987)	514	1,084	699	384	345	817	1,222
Tax	17	(12)	(54)	1,248	(180)	(64)	(86)	(204)	(306)
PAT before MI and EO	(649)	(999)	460	2,332	519	320	259	613	917
<b>Recurring PAT</b>	<b>(631)</b>	<b>(985)</b>	<b>465</b>	<b>2,334</b>	<b>528</b>	<b>320</b>	<b>259</b>	<b>613</b>	<b>917</b>
<b>Recurring EPS (diluted) (Rs)</b>	<b>(5.0)</b>	<b>(3.1)</b>	<b>1.5</b>	<b>7.3</b>	<b>1.7</b>	<b>0.5</b>	<b>0.8</b>	<b>1.9</b>	<b>2.9</b>
<b>Adj. EPS (ex-Ind AS 116)</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>2.8</b>	<b>8.4</b>	<b>2.5</b>	<b>2.0</b>	<b>2.5</b>	<b>3.7</b>	<b>4.6</b>
<b>Balance sheet</b>									
Total equity	5,248	4,787	10,054	12,539	13,398	13,962	14,220	14,833	15,750
Total borrowings	592	520	612	443	276	199	(301)	(301)	(301)
Current liabilities	2,019	2,284	3,495	3,631	3,177	3,292	3,729	4,187	4,699
Other liabilities	3,930	3,614	3,982	5,697	8,372	9,666	3,396	2,325	1,121
<b>Total equity and liabilities</b>	<b>11,788</b>	<b>11,205</b>	<b>18,144</b>	<b>22,310</b>	<b>25,224</b>	<b>27,118</b>	<b>21,044</b>	<b>21,044</b>	<b>21,269</b>
Cash and cash equivalents	221	451	592	444	976	583	1,523	1,790	2,563
Other current assets	4,697	4,346	9,577	11,326	11,609	13,521	6,186	5,497	4,719
Net fixed assets	4,346	3,932	5,462	7,706	9,624	10,185	10,507	10,928	11,157
CWIP	184	213	320	550	673	558	558	558	558
Goodwill	2,340	2,264	2,194	2,283	2,342	2,271	2,271	2,271	2,271
<b>Total assets</b>	<b>11,788</b>	<b>11,205</b>	<b>18,144</b>	<b>22,310</b>	<b>25,224</b>	<b>27,118</b>	<b>21,044</b>	<b>21,044</b>	<b>21,269</b>
<b>Cash flow</b>									
Operating cash flow excl. w-cap	1,975	1,423	3,443	4,509	4,825	4,936	3,296	4,061	4,738
W-cap changes	182	147	592	(669)	(317)	187	93	103	118
<b>Operating cash flow</b>	<b>2,130</b>	<b>1,541</b>	<b>3,949</b>	<b>3,818</b>	<b>4,488</b>	<b>5,080</b>	<b>3,302</b>	<b>3,959</b>	<b>4,550</b>
Interest expense (net)	722	756	781	869	1,009	1,116	(7)	(42)	(42)
Capital expenditure	(1,430)	(740)	(2,853)	(3,842)	(3,851)	(2,649)	(2,806)	(3,232)	(3,381)
<b>Free cash flow</b>	<b>701</b>	<b>801</b>	<b>1,096</b>	<b>(23)</b>	<b>636</b>	<b>2,431</b>	<b>496</b>	<b>727</b>	<b>1,169</b>
<b>Key ratio and assumptions</b>									
<b>Revenue growth (%)</b>	<b>12.3</b>	<b>(23.9)</b>	<b>68.8</b>	<b>31.6</b>	<b>14.5</b>	<b>11.1</b>	<b>13.3</b>	<b>12.3</b>	<b>12.2</b>
<b>EBITDA margin (%)</b>	<b>13.8</b>	<b>12.2</b>	<b>17.7</b>	<b>18.9</b>	<b>17.8</b>	<b>16.5</b>	<b>16.6</b>	<b>17.4</b>	<b>17.6</b>
<b>Adj. EBITDA (ex-Ind AS 116) margin (%)</b>	<b>4.7</b>	<b>3.3</b>	<b>10.5</b>	<b>11.7</b>	<b>10.5</b>	<b>9.1</b>	<b>10.1</b>	<b>11.1</b>	<b>11.5</b>
PAT margin (%)	(4.7)	(9.7)	2.7	10.3	2.0	1.1	0.8	1.7	2.2
<b>Net debt</b>	<b>215</b>	<b>(198)</b>	<b>(3,459)</b>	<b>(2,421)</b>	<b>(1,400)</b>	<b>(2,021)</b>	<b>(2,051)</b>	<b>(2,345)</b>	<b>(3,150)</b>
Net debt/equity (X)	0.0	(0.0)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Book value (Rs/share)	16.5	15.1	31.6	39.5	42.1	43.7	44.5	46.4	49.2
RoAE (%)	(14.0)	(19.9)	6.2	20.6	4.0	2.3	1.8	4.2	6.0
RoAIC (%)	(8.3)	(12.9)	9.3	28.5	5.5	3.1	4.3	6.5	8.1
Restaurant count (EoP)	425	435	577	743	870	963	1,055	1,136	1,217

Source: Company, Kotak Institutional Equities estimates

# Cartrade Tech (CARTRADE)

Internet Software &amp; Services

**SELL**

CMP(₹): 1,675

Fair Value(₹): 975

 Sector View: **Attractive**

NIFTY-50: 24,414

May 07, 2025

## 4QFY25: Decent end to a year of good operating performance

Cartrade posted consolidated 4QFY25 revenue growth of 17% yoy, driven by 30% yoy in standalone (core advertising + abSure), 11% yoy growth in SAMIL (remarketing segment) and 10% yoy growth in OLX. The adjusted EBITDA margin of 30.3% was below estimates, although margins still expanded by a solid 701 bps yoy. We raise FY2026-27 EPS estimates by 10-15%, as we model lower tax rates (FY2026) and lower costs. This, coupled with the roll-forward to June 2027E, leads to a revised SoTP-based FV of Rs975 (Rs900 earlier). A strong run-up in the stock price, however, caps any upside.

### Healthy growth in the standalone classifieds business

Cartrade posted consolidated 4QFY25 revenue growth of 17% yoy, driven by 30% yoy growth in standalone classifieds business, 11% yoy growth in SAMIL and 10% yoy growth in OLX. Monthly average unique visitors (for Cartrade, Carwale and Bikewale) grew 11% yoy to 45 mn (92% of traffic is organic), although it declined by 9% qoq. The healthy traffic growth has come in without much intervention from marketing spends and is a positive. SAMIL's vehicles listed grew 36% yoy to 400k and vehicles sold increased 31% yoy to 73k, showing a continued recovery in the market.

### EBITDA margin improvement across segments, driven by cost controls

Consolidated adjusted EBITDA (ex-ESOP) margin of 30.3% for 4Q (KIE estimate: 31.2%) was up 701 bps yoy. Standalone classifieds business reported EBITDA of Rs181 mn, up 134% yoy and EBITDA margin of 28.5% (up 1,274 bps yoy and down 638 bps qoq). SAMIL's EBITDA margin of 24.2% was below expectations (versus 22.8% in 3QFY25 and KIE's estimate of 27.1%). Overall, in FY2025, the company has controlled costs in both standalone and SAMIL businesses and this is a key reason for the 701 bps yoy consolidated FY2025 margin expansion.

### Future growth: Focus on better monetization of core business and OLX

The company highlighted that OLX is one of the most frequently used e-commerce platforms in the country, with 180-190 mn annual customers. Cartrade believes there is a significant opportunity to improve monetization and the company is focusing on product development and user experience improvement for OLX. In the core ads business, the company is focusing on making the platform more transactional. Cartrade had ~Rs9.5 bn cash on books as of March 2025 (~Rs8.9 bn in December 2024).

### Raise EBITDA estimates by 5-6% and model lower tax rates

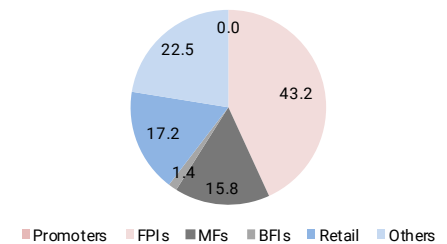
Cartrade posted a strong FY2025 performance, driven by high traffic growth and cost controls. We have seen some normalization in user growth in 4QFY25 and for now model FY2025-28 revenue CAGR of 21% in the core classifieds business. We increase our FY2026-27E EPS estimates by 10-15% on better margin forecasts for core ads business and SAMIL, as well as lower tax rates. A roll-forward to June 2027E results in a revised FV of Rs975 (Rs900 earlier). A strong run-up in the stock price caps any upside.

#### Company data and valuation summary

##### Stock data

CMP(Rs)/FV(Rs)/Rating	1,675/975/SELL
52-week range (Rs) (high-low)	1,889-754
Mcap (bn) (Rs/US\$)	79/0.9
ADTV-3M (mn) (Rs/US\$)	849/10.0

##### Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	14	(1)	97
Rel. to Nifty	4	(5)	88
Rel. to MSCI India	5	(3)	91

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	26.4	31.2	37.5
EPS growth (%)	850.7	18.2	20.0
P/E (X)	63.4	53.6	44.7
P/B (X)	3.8	3.6	3.3
EV/EBITDA (X)	48.2	35.8	27.8
RoE (%)	6.3	6.9	7.7
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	6.4	7.4	8.5
EBITDA (Rs bn)	1.5	2.0	2.4
Net profits (Rs bn)	1.3	1.6	1.9

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

#### Related Research

[→ Cartrade Tech: 3QFY25: A solid performance](#)
[→ Cartrade Tech: 2QFY25: Strong cost controls](#)
[Full sector coverage on KINSITE](#)

Garima Mishra

Ishani Swain

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

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			FY2025	FY2024	Yoy growth		
					KIE	yoy	qoq			(%)	FY2026E	(%)
<b>Total operating income</b>	<b>1,695</b>	<b>1,879</b>	<b>1,453</b>	<b>1,762</b>	<b>(10)</b>	<b>17</b>	<b>(4)</b>	<b>6,411</b>	<b>4,899</b>	<b>31</b>	<b>7,390</b>	<b>15</b>
Employee expenses	(656)	(715)	(603)	(697)	(8)	9	(6)	(2,637)	(2,260)	17	(2,964)	12
ESOP expenses	(51)	(33)	(65)	(34)	55	(21)	52	(206)	(201)	3	(180)	(13)
Ad expenses	—	(79)	(81)	(81)	(100)	(100)	(100)	(347)	(286)	21	(389)	12
Other operational cost	(526)	(498)	(431)	(450)	6	22	17	(1,715)	(1,359)	26	(1,906)	11
<b>EBITDA</b>	<b>462</b>	<b>553</b>	<b>273</b>	<b>501</b>	<b>(17)</b>	<b>69</b>	<b>(8)</b>	<b>1,505</b>	<b>794</b>	<b>90</b>	<b>1,950</b>	<b>30</b>
<b>Adj. EBITDA (ex-ESOP)</b>	<b>513</b>	<b>586</b>	<b>338</b>	<b>534</b>	<b>(13)</b>	<b>52</b>	<b>(4)</b>	<b>1,712</b>	<b>995</b>	<b>72</b>	<b>2,130</b>	<b>24</b>
<b>Adj. EBITDA (ex-ESOP, ex-one-offs)</b>	<b>513</b>	<b>586</b>	<b>338</b>	<b>534</b>	<b>(13)</b>	<b>52</b>	<b>(4)</b>	<b>1,712</b>	<b>995</b>	<b>72</b>	<b>2,130</b>	<b>24</b>
Depreciation	(96)	(110)	(104)	(105)	(12)	(7)	(8)	(409)	(374)		(456)	
<b>EBIT</b>	<b>365</b>	<b>443</b>	<b>170</b>	<b>396</b>	<b>(18)</b>	<b>115</b>		<b>1,097</b>	<b>420</b>	<b>161</b>	<b>1,494</b>	<b>36</b>
Other income	199	176	153	167	13	30	19	699	653	7	778	11
Financial charges	(31)	(25)	(26)	(29)	25	23	8	(115)	(92)		(131)	
Pre-tax profit	533	594	297	534	(10)	79	(0)	1,680	980	71	2,141	27
Taxation	(72)	(123)	(63)	(79)				(231)	(159)		(428)	
<b>Profit after tax</b>	<b>461</b>	<b>471</b>	<b>234</b>	<b>455</b>	<b>(2)</b>	<b>97</b>	<b>1</b>	<b>1,449</b>	<b>821</b>	<b>76</b>	<b>1,713</b>	<b>18</b>
Minority interest and associate profits	(5)	(0)	(24)	(11)				(106)	(57)		(125)	
Exceptional items	—	—	16	—				—	(622)		—	
<b>Net profit</b>	<b>456</b>	<b>471</b>	<b>225</b>	<b>444</b>	<b>(3)</b>	<b>nm</b>	<b>3</b>	<b>1,343</b>	<b>143</b>	<b>839</b>	<b>1,588</b>	<b>18</b>
<b>EPS (Rs)</b>	<b>8.2</b>	<b>8.8</b>	<b>4.4</b>	<b>8.3</b>	<b>(7)</b>	<b>nm</b>	<b>(1)</b>	<b>26.4</b>	<b>2.8</b>	<b>851</b>	<b>31.2</b>	<b>18</b>
EBITDA margin (%)	27.2	29.5	18.8	28.4	-223 bps	842 bps	-119 bps	23.5	16.2	727 bps	26.4	291 bps
<b>Adj. EBITDA margin (%)</b>	<b>30.3</b>	<b>31.2</b>	<b>23.2</b>	<b>30.3</b>	<b>-96 bps</b>	<b>701 bps</b>	<b>-7 bps</b>	<b>26.7</b>	<b>20.3</b>	<b>638 bps</b>	<b>28.8</b>	<b>213 bps</b>
Tax rate (%)	13.5	20.7	21.3	14.7				13.7	16.2	-248 bps	20.0	625 bps
<b>Other operating metrics</b>												
Average monthly unique visitors (mn)	45		40	49		11	(9)					
Average monthly unique organic visitors (mn)	41		37	45		10	(9)					
% of organic traffic	92		92.6	92.3								
Total vehicle listed for auction	400,312		293,647	365,191		36	10					
Total vehicle sold via auction	72,999		55,712	58,767		31	24					
% conversion	18.2		19.0	16.1								

Source: Company, Kotak Institutional Equities estimates

**Classifieds business revenues grew 30% yoy**

**Exhibit 2: Standalone quarterly financials of Cartrade, March fiscal year-ends (Rs mn)**

	4QFY25	4QFY24	3QFY25	Change (%)		FY2025	FY2024	Yoy growth (%)
				yoy	qoq			
<b>Total operating income</b>	<b>636</b>	<b>491</b>	<b>680</b>	<b>30</b>	<b>(6)</b>	<b>2,377</b>	<b>1,867</b>	<b>27</b>
Employees benefit expense	(307)	(293)	(294)	5	5	(1,196)	(1,192)	0
Ad expenses	(76)	(58)	(72)	31	6	(280)	(243)	
Other expenses	(71)	(63)	(77)	14	(7)	(299)	(276)	8
<b>EBITDA</b>	<b>181</b>	<b>77</b>	<b>237</b>	<b>134</b>	<b>(24)</b>	<b>603</b>	<b>155</b>	<b>288</b>
Depreciation	(23)	(21)	(23)	9	(2)	(95)	(81)	
<b>EBIT</b>	<b>159</b>	<b>57</b>	<b>214</b>			<b>508</b>	<b>74</b>	
Other income	118	95	94			408	463	
Financial charges	(2)	(2)	(2)			(7)	(5)	
Pre-tax profit	275	150	306			909	532	71
Taxation	(61)	(46)	(63)			(165)	(114)	
<b>Profit after tax</b>	<b>214</b>	<b>103</b>	<b>244</b>	<b>107</b>	<b>(12)</b>	<b>745</b>	<b>418</b>	
<b>Net profit</b>	<b>214</b>	<b>103</b>	<b>244</b>			<b>745</b>	<b>418</b>	<b>78</b>
<b>EPS (Rs)</b>	<b>4.2</b>	<b>2.1</b>	<b>4.7</b>	<b>100</b>	<b>(11)</b>	<b>15.7</b>	<b>9.0</b>	<b>76</b>
EBITDA margin (%)	28.5	15.8	34.9	1274 bps	-638 bps	25.4	8.3	1705 bps
Tax rate (%)	22.1	30.9	20.4			18.1	21.4	

Source: Company, Kotak Institutional Equities estimates

**SAMIL's 4Q revenues increased 11% yoy, as repossessed vehicle supply showed recovery**

**Exhibit 3: Standalone quarterly financials of SAMIL, March fiscal year-ends (Rs mn)**

	4QFY25	4QFY24	3QFY25	Change (%)		FY2025	FY2024	Yoy growth (%)
				yoy	qoq			
<b>Total operating income</b>	<b>587</b>	<b>528</b>	<b>586</b>	<b>11</b>	<b>0</b>	<b>2,124</b>	<b>1,940</b>	<b>9</b>
Employees benefit expense	(244)	(223)	(251)	9	(3)	(901)	(903)	(0)
Other expenses	(201)	(187)	(201)	8	0	(765)	(659)	16
<b>EBITDA</b>	<b>142</b>	<b>119</b>	<b>133</b>	<b>19</b>	<b>6</b>	<b>458</b>	<b>376</b>	<b>22</b>
Depreciation	(57)	(54)	(54)	5	5	(212)	(210)	
<b>EBIT</b>	<b>85</b>	<b>65</b>	<b>79</b>	<b>31</b>	<b>7</b>	<b>246</b>	<b>166</b>	<b>48</b>
Other income	57	45	51	27	13	215	155	39
Financial charges	(28)	(22)	(26)	28	9	(102)	(85)	
Pre-tax profit	114	88	104	30	9	358	236	
Taxation	(15)	(21)	(28)			(82)	(61)	
<b>Profit after tax</b>	<b>98</b>	<b>67</b>	<b>76</b>	<b>47</b>	<b>30</b>	<b>276</b>	<b>175</b>	<b>58</b>
EBITDA margin (%)	24.2	22.6	22.8			21.6	19.4	
Tax rate (%)	13.5	23.6	27.1			22.8	25.8	
<b>Other operating metrics</b>								
Total vehicle listed for auction	400,312	293,647	365,191	36	10			
Total vehicle sold via auction	72,999	55,712	58,767	31	24			
% conversion	18	19	16					
Commission per auction (Rs)	7,766	9,112	9,628	(15)	(19)			

Source: Company, Kotak Institutional Equities estimates

**Exhibit 4: Key quarterly operating metrics of Cartrade, March fiscal year-ends, 1QFY23-4QFY25**

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Yoy growth (%)
<b>CarTrade+CarWale+BikeWale</b>													
Average monthly unique visitors (mn)	31.1	37.1	35.4	34.2	34.2	38.9	38.3	40.2	40.9	46.7	49.1	44.7	11.2
Average monthly unique organic visitors (mn)	27.5	34.1	32.7	30.9	30.6	35.4	35.2	37.2	37.8	43.5	45.4	41.1	10.5
Organic traffic (% of total traffic)	84.7	86.6	87.6	86.0	85.1	90.9	92.0	92.6	92.4	93.0	92.3	91.8	
<b>Cartrade Exchange+SAMIL</b>													
Total vehicles listed for auction	249,942	271,083	242,581	264,733	230,701	266,014	299,712	293,647	256,551	356,395	365,191	400,312	36.3
Yoy growth (%)	20	(7)	(14)	(19)	(8)	(2)	24	11	11	34	22	36	
Total vehicles sold via auction	50,674	58,052	52,185	58,724	44,440	51,728	45,642	55,712	43,084	57,675	58,767	72,999	31.0
Conversion rate (%)	20.3	21.4	21.5	22.2	19.3	19.4	15.2	19.0	16.8	16.2	16.1	18.2	

Source: Company, Kotak Institutional Equities

**Exhibit 5: OLX financials, March fiscal year-ends**

	4QFY25	4QFY24	3QFY25	Change (%)	
				yoy	qoq
<b>Total operating income</b>	<b>477</b>	<b>434</b>	<b>498</b>	<b>10</b>	<b>(4)</b>
Employees benefit expense	(152)	(154)	(181)	(1)	(16)
Other expenses	(188)	(208)	(187)	(10)	0
<b>EBITDA</b>	<b>137</b>	<b>73</b>	<b>130</b>	<b>88</b>	<b>5</b>
Depreciation	(11)	(13)	(12)	(16)	(9)
<b>EBIT</b>	<b>126</b>	<b>60</b>	<b>118</b>	<b>110</b>	<b>7</b>
Other income		26	14	89	17
Financial charges		(1)	(2)	(26)	2
Pre-tax profit		150	72	110	9
Taxation		—	—	8	
<b>Profit after tax</b>	<b>150</b>	<b>72</b>	<b>147</b>	<b>110</b>	<b>2</b>
EBITDA margin (%)	28.6	16.7	26.0		
Tax rate (%)	—	—	(6.0)		

Source: Company, Kotak Institutional Equities

### Key highlights of the call

- ▶ **Management commentary.** Management highlighted that the company has delivered its best ever revenue and profits in a year. In FY2025, CarTrade delivered a revenue growth of 28% yoy and a PAT increase of 627%. Management also highlighted that three of its platforms (CarWale, BikeWale, and OLX) get more than 150 mn unique customers in a year. As per management, CarTrade receives more than 70 mn customers every month across all of its platforms, of which 95% is organic traffic. Management emphasized strong results across revenue growth, profitability growth, and unit economic growth throughout the year, not only in a consolidated basis, but also individually in each of the businesses. Management noted the positive operating leverage in the business with very little cost increase.
  - CarTrade has 500+ physical locations including Automall and abSure stores, as well as OLX stores. Management noted that 1.4+ mn vehicles were auctioned in FY2025. The cash balance of the company has increased to Rs9.5 bn as of March 2025 from Rs8.9 bn as of December 2024.
- ▶ **Traffic.** Management highlighted the 10% yoy growth in the traffic of the consumer group. As per management, 3Q was a better quarter in terms of consumer traffic because of the festive season and this drove the sequential decline in traffic from 3Q to 4Q. Management noted that the sequential decline in traffic is due to decline in number of car searches as a whole and not due to competitive reasons.
- ▶ **Consumer business.** Management noted the industry normally doesn't see much seasonality. However, there was very strong seasonality seen in FY2025 with October being a big high for the automotive industry. Management noted that most analysts and economists are guiding toward 0-5% growth in the automotive industry in FY2026. As per management, the industry is in early stage in India with OEMs still heavily investing in digital. Management remains optimistic about the market and the growth in the industry.
- ▶ **Remarketing (SAMIL) business.** As per management, the share of repossessed vehicles seems to have gone up with ~54% of vehicles of the inventory, which are being sold being repossessed vehicles. Management believes the repossession should continue to grow over the next few quarters. Therefore, SAMIL should be able to benefit from that. Management noted that any revenue growth in SAMIL dramatically affects profitability due to high operating leverage.
- ▶ **OLX.** Management remains optimistic about the future prospects of OLX. Management noted that OLX has more than 30 mn customers a month and ~180-190 mn customers a year. CarTrade is now looking to add features and products to OLX, which help the consumer experience and also help monetization. As of now, there has been no monetization of features or addition of revenue streams. As per management, the margin expansion in OLX is driven by cost-optimization measures.
  - In OLX, the company can monetize two sets of users: consumers and dealers. Management believes the ARPU per user or the ARPU per dealer is something which is only likely to increase in OLX. This will be driven by providing more products and services to the same user. The more the company offers, more the ability to perform transactions, the greater the ability to monetize. Simultaneously, management also believes the number of users will go up.

### Key changes to estimates

We increase our FY2026-27 EBITDA estimates by 5-6% on better margin forecasts for core ads business and SAMIL. EPS upgrade is higher, as we model lower tax rates.

Exhibit 6: Key estimate changes for Cartrade, March fiscal year-ends, 2026-28E (Rs mn)

	New estimates			Old estimates		% revision	
	2026E	2027E	2028E	2026E	2027E	2026E	2027E
<b>Total</b>							
<b>Sales (Rs mn)</b>	<b>7,390</b>	<b>8,489</b>	<b>9,730</b>	<b>7,401</b>	<b>8,481</b>	<b>(0.2)</b>	<b>0.1</b>
Sales growth (%)	15.3	14.9	14.6	12.8	14.6		
<b>EBITDA (Rs mn)</b>	<b>1,950</b>	<b>2,450</b>	<b>3,001</b>	<b>1,857</b>	<b>2,306</b>	<b>5.0</b>	<b>6.3</b>
EBITDA margin (%)	26.4	28.9	30.8	25.1	27.2		
<b>Adjusted EBITDA (Rs mn)</b>	<b>2,130</b>	<b>2,620</b>	<b>3,171</b>	<b>2,037</b>	<b>2,476</b>	<b>4.6</b>	<b>5.8</b>
PBT (Rs mn)	2,141	2,735	3,355	2,036	2,528	5.2	8.2
Net Profit (Rs mn)	1,588	1,905	2,345	1,398	1,753	13.6	8.7
<b>EPS (Rs)</b>	<b>31.2</b>	<b>37.5</b>	<b>46.1</b>	<b>27.2</b>	<b>34.1</b>	<b>15.0</b>	<b>10.0</b>
EPS growth (%)	18	20	23	15	25		
<b>Remarketing (SAMIL+Adroit)</b>							
Revenue (Rs mn)	2,377	2,657	2,972	2,265	2,583	4.9	2.9
EBITDA (Rs mn)	557	623	695	516	629	7.9	(0.8)
EBITDA margin (%)	23.4	23.5	23.4	22.8	24.3		
<b>Core classifieds</b>							
Revenue (Rs mn)	2,903	3,511	4,206	2,939	3,481	(1.2)	0.9
EBITDA (Rs mn)	1,045	1,386	1,791	941	1,209	11.0	14.7
EBITDA margin (%)	36.0	39.5	42.6	32.0	34.7		
<b>OLX</b>							
Revenue (Rs mn)	2,110	2,321	2,553	2,197	2,417	(4.0)	(4.0)
EBITDA (Rs mn)	528	610	684	580	638	(8.9)	(4.3)
EBITDA margin (%)	25.1	26.3	26.8	26.4	26.4		

Source: Company, Kotak Institutional Equities estimates

Exhibit 7: SoTP-based Fair Value of Cartrade, as of June 2027E

	Jun-27
<b>Advertising</b>	
DCF-based valuation (Rs mn)	23,184
<b>SAMIL</b>	
SAMIL business EBITDA (Rs mn)	641
EV/EBITDA (X)	15
EV (Rs mn)	9,619
Cartrade's stake (%)	51
EV attributable to Cartrade (Rs mn)	4,905
<b>OLX</b>	
Used car classifieds+Absure revenues (Rs mn)	2,379
EV/sales (X)	4
EV (Rs mn)	9,515
<b>Total EV (Rs mn)</b>	<b>37,604</b>
Net debt (Rs mn)	(11,973)
Equity value (Rs mn)	49,576
Number of shares (mn)	51
<b>Fair value (Rs/share)</b>	<b>975</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 8: Consolidated financial snapshot of Cartrade, March fiscal year-ends, 2019-28E (Rs mn)**

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E
<b>Profit model</b>										
Revenue from operations	2,433	2,983	2,497	3,127	3,637	4,899	6,411	7,390	8,489	9,730
EBITDA	295	396	394	(1,342)	330	794	1,505	1,950	2,450	3,001
Adjusted EBITDA	416	522	459	510	609	995	1,712	2,130	2,620	3,171
Depreciation and amortisation expense	(152)	(174)	(199)	(247)	(287)	(374)	(409)	(456)	(501)	(553)
EBIT	143	222	194	(1,589)	43	420	1,097	1,494	1,949	2,448
Other income	235	202	318	462	640	653	699	778	936	1,076
Finance costs	(24)	(35)	(43)	(65)	(77)	(92)	(115)	(131)	(149)	(170)
Profit before tax	354	389	470	(1,191)	606	980	1,680	2,141	2,735	3,355
Taxation	(95)	(76)	541	(22)	(201)	(159)	(231)	(428)	(686)	(845)
Profit after tax	259	313	1,011	(1,214)	404	821	1,449	1,713	2,049	2,510
Minority interest + share of loss in associates	(92)	(94)	(99)	(107)	(64)	(57)	(106)	(125)	(144)	(165)
Reported PAT	167	219	912	(1,321)	340	143	1,343	1,588	1,905	2,345
Diluted EPS (Rs/share)	3.9	5.1	19.2	(25.7)	6.6	2.8	26.4	31.2	37.5	46.1
Weighted average number of shares - diluted (mn)	43	43	48	51	51	51	51	51	51	51
<b>Balance sheet</b>										
Shareholder's funds	12,366	12,718	16,806	19,793	20,434	20,700	22,206	23,794	25,700	28,045
Minority Interest	505	607	818	951	790	869	1,059	1,184	1,328	1,493
Lease liabilities	335	421	546	771	864	1,125	1,314	1,590	1,811	2,065
Deferred tax liabilities	96	79	63	47	32	16	-	-	-	-
Total sources of funds	13,302	13,825	18,233	21,562	22,120	22,709	24,579	26,568	28,838	31,603
Fixed assets (tangible/intangible)	853	812	770	727	676	639	562	443	406	399
Cash and bank balances	216	216	245	626	279	995	766	3,455	5,284	7,473
Goodwill	8,977	8,980	8,980	8,977	8,977	13,242	13,242	13,242	13,242	13,242
RoU assets	273	366	480	710	769	1,010	1,168	1,475	1,696	1,950
Investments	2,871	2,947	6,455	8,837	9,854	5,100	6,142	6,142	6,142	6,142
Net working capital (ex-cash)	84	474	650	973	985	1,165	2,287	1,378	1,615	1,920
Deferred tax assets (net)	28	31	654	712	581	559	412	433	455	477
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total usage of funds	13,302	13,825	18,233	21,562	22,120	22,709	24,579	26,568	28,838	31,603
<b>Cash flow</b>										
Operating cash flow before working capital changes	447	566	505	869	1,141	897	2,255	2,721	3,340	3,999
Working capital changes	75	(303)	(50)	(324)	(12)	(180)	(1,122)	908	(236)	(305)
Capital expenditure	(24)	(48)	(54)	(105)	(95)	(188)	(146)	(180)	(249)	(299)
Free cash flow (incl. other income)	498	215	401	441	1,034	529	987	3,449	2,855	3,396
<b>Key ratios/metrics</b>										
Yoy revenue growth (%)	97	23	(16)	25	16	35	31	15	15	15
EBITDA margin (%)	12.1	13.3	15.8	(42.9)	9.1	16.2	23.5	26.4	28.9	30.8
Adjusted EBITDA margin (%)	17.1	17.5	18.4	16.3	16.7	20.3	26.7	28.8	30.9	32.6
RoAE (%)	1.4	1.7	6.2	(7.2)	1.7	0.7	6.3	6.9	7.7	8.7
RoACE (%)	0.9	1.4	2.8	(8.8)	0.1	1.7	4.4	5.2	5.9	6.8

Source: Company, Kotak Institutional Equities estimates

# Avalon Technologies (AVALON)

Electronic Manufacturing Services

**SELL**

CMP(₹): **879**

Fair Value(₹): **610**

Sector View: **Cautious**

NIFTY-50: **24,414**

**May 07, 2025**

## Steady performance; tariff uncertainty remains an overhang

Avalon's 4QFY25 PAT came in line with expectations, as strong revenue growth was offset by weaker-than-expected margins. For FY2026, Avalon's revenue guidance of 18-20% versus earlier commentary of 25% growth bakes in disruptions in the US revenues due to tariff uncertainty. In the long term, we believe Avalon's presence in both the US and India in terms of manufacturing facilities places the company in a favorable position. We cut our FY2026-27 estimates by 3% to 8% and retain SELL rating with a revised FV of Rs610.

### 4QFY25 results: Steady quarter

Avalon's 4QFY25 revenue at Rs3.43 bn (+58% yoy) came in 10% ahead of expectation, driven by strong growth in India (+31% qoq) and the US (+15% qoq). Strong revenue growth was offset by weaker-than-expected gross margins (35.1% versus 36.2% KIE estimates), which led to 4QFY25 EBITDA margins coming in at 12.1% versus our expectation of 12.4%. Overall, Avalon reported a profit of Rs243 mn in 4QFY25, in line with expectations, as strong execution was offset by weaker-than-expected profitability and lower other income. Avalon's net working capital days (as days of sales) significantly improved qoq to 124 days in 4QFY25 from 150 days in 3QFY25, driven primarily by lower inventory and receivable days. Order inflows saw a 31% increase on a qoq basis and came in at Rs5.1 bn (+66% yoy). As a result, order backlog is up 29% yoy to Rs17.6 bn and it provides good visibility for a pickup in execution in coming quarters.

### FY2026 guidance indicates near-term tariff uncertainty

Avalon's FY2026 revenue guidance of 18% to 20% is lower than previous comments for 25% steady growth in coming years. Avalon's guidance bakes in disruptions in 1HFY26 to its US operations (57% of revenue in FY2025) due to tariff uncertainties. In the long term, we believe Avalon's presence in both the US and India in terms of manufacturing facilities places the company in a favorable position. The gross margin guidance remains unchanged at 33-35%; however, negative operating leverage could potentially have a marginal impact on EBITDA margin, in our view, and remains a key monitorable.

### Order book provides steady medium-term visibility

Avalon has three major engines of growth—(1) the existing US business (back to normalized levels), (2) new US customers—could potentially add to further growth and (3) Indian business—Avalon has enhanced its presence in the Indian market with mobility being a key vertical. Further, the entry into new segments such as EVs will be a key driver of growth along with a healthy order book. Tracking US quarterly revenues in an uncertain tariff environment remains the key monitorable for Avalon.

### Lower our FY2026-27 estimates by 3-8% and FV to Rs610 (Rs600 earlier)

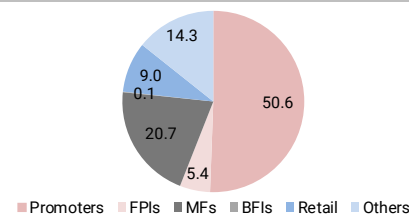
We lower our FY2026-27 estimates by 3% to 8% on account of near-term tariff uncertainties. Our DCF-based Fair Value increases to Rs610, as we roll forward to June 2027E.

#### Company data and valuation summary

##### Stock data

CMP(Rs)/FV(Rs)/Rating	879/610/SELL
52-week range (Rs) (high-low)	1,074-425
Mcap (bn) (Rs/US\$)	58/0.7
ADTV-3M (mn) (Rs/US\$)	386/4.5

##### Shareholding pattern (%)



##### Price performance (%)

	1M	3M	12M
Absolute	14	24	71
Rel. to Nifty	4	21	61
Rel. to MSCI India	4	22	64

##### Forecasts/Valuations

	2025	2026E	2027E
EPS (Rs)	9.7	14.6	21.0
EPS growth (%)	126.7	49.9	44.5
P/E (X)	90.5	60.4	41.8
P/B (X)	9.4	8.1	6.8
EV/EBITDA (X)	50.9	37.8	27.6
RoE (%)	10.9	14.4	17.7
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	11	13	17
EBITDA (Rs bn)	1.1	1.5	2.0
Net profits (Rs bn)	0.6	1.0	1.4

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

[Full sector coverage on KINSITE](#)

Deepak Krishnan

Aditya Mongia

Sai Siddhardha P

Naman Jain

## Key highlights from earnings call

### ► Guidance

#### ■ Revenue

- Avalon expects FY2026 revenue growth to be 18-20%. The guidance is much lower than 27% growth registered in FY2025, as the company expects slower growth in 1H FY26 factoring in slowdown in the US economy.
- Management believes the current guidance is slightly cautious factoring in potential impact of US slowdown and tariff impact. Tracking US quarterly revenue in an uncertain tariff environment remains key monitorable of Avalon

#### ■ Profitability

- Avalon has continued with its 33-35% gross margin guidance on back of delivering 35.8% margin in FY2025. However, negative operating leverage could potentially have a marginal impact on EBITDA margin and remains a key monitorable.

### ► Robust topline growth, margins broadly in line with expectation

- Avalon's 4QFY25 total revenue came in at Rs3.43 bn, 58% growth yoy and 10% higher than KIE's estimate. For FY2025, Avalon has achieved 27% yoy growth (Rs10.9 bn in revenues).
- The robust growth was primarily driven by three segments: mobility (+64% qoq), communication (+55% qoq) and medical (+38% qoq).
- EBITDA for 4QFY25 came in at Rs414 mn (12.1% margin); EBITDA margin improved by 420 bps yoy, However, it was marginally below KIE estimate of 12.4% and a 20 bps qoq decline.
- EBITDA margin expansion was primarily led by operating leverage, as employee expenses improved by 420 bps (16.6% in 4QFY25 versus 20.8% in 4QFY24) and other expenses improved by 240 bps yoy (6.4% in 4QFY25 versus 8.8% in 4QFY24).

### ► Future growth remains strong led by three factors

- The company expects Avalon to continue with the robust topline growth on back of three growth engines.
  - Recovery in the existing US market—on the back of longstanding customer relationships.
  - New US business—the company is gaining traction in the US and expects robust order inflow over the next few quarters.
  - Expanding presence in the India market.

### ► Order book: Steady inflow of orders across segments

- Orderbook at the end of 4QFY25 stood at Rs17.6 bn (+29% yoy), this was on account of strong order inflows worth Rs5.1 bn during the quarter.
- The composition of the orderbook is approximately 45% India and 55% US, in line with revenues.

### ► US manufacturing—shield against reciprocal tariffs

- The US manufacturing plant contributed 16.6% to topline.
- Given the ongoing uncertainty due to the implementation of reciprocal tariffs by the new US administration, the existing manufacturing presence in the US is likely to shield Avalon from any major impact.

### ► Working capital: Significant improvement sequentially

- Avalon's net working capital days (as days of sales) significantly improved qoq to 124 days in 4QFY25 from 150 days in 3QFY25.

- The decrease of 26 days was primarily driven by lower inventory (-17 days) and trade receivables (-10 days), while trade payables remained flat at 46 days.

► **Zepco partnership—holds promise**

- Avalon’s acquisition of stake in Zepco is driven by its design capabilities in clean energy solutions, which presents a valuable opportunity for Avalon to secure manufacturing orders.
- Zepco caters to a large defense-based company offering services in drone motor and controllers designing, which can be leveraged by Avalon to expand into new segments.
- Additionally, the company also has a solution for 3-wheeler EVs, which can pave the way for Avalon to partner with multiple OEMs.

► **Capex—capacity expansion underway**

- Capex for 4QFY25 and FY2025 stood at Rs251 mn and Rs578 mn, respectively, with asset turns at 7.5X.
- Management projects capex to be between Rs400 and Rs500 mn for FY2026, as it will be setting up two facilities (one for export and one for domestic) in the next 6-12 months.

The company aims to be asset light in nature and maintain asset turn of 8-10X.■

**Avalon’s results came in line with expectation, as strong execution was offset by weaker-than-expected profitability and lower other income**

Exhibit 1: Quarterly consolidated financials of Avalon, March fiscal year-end, 4QFY25 (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	% change			FY2025	FY2024	% change	FY2026E	% change
					vs est.	yoy	qoq					
<b>Sales</b>	<b>3,428</b>	<b>3,113</b>	<b>2,168</b>	<b>2,809</b>	<b>10</b>	<b>58</b>	<b>22</b>	<b>10,981</b>	<b>8,672</b>	<b>27</b>	<b>13,178</b>	<b>20</b>
Expenses	(3,014)	(2,727)	(1,996)	(2,462)		51	22	(9,832)	(8,047)	22	(11,662)	19
Stock	10	—	1	141				—	—		—	
Raw material & mfg exp.	(2,236)	(1,986)	(1,355)	(1,901)		65	18	(7,055)	(5,523)		(8,500)	
Employee expenses	(570)	(504)	(451)	(494)		26	15	(1,986)	(1,850)		(2,240)	
Other operating expenses	(219)	(236)	(191)	(208)		15	5	(792)	(674)		(922)	
<b>EBITDA</b>	<b>414</b>	<b>386</b>	<b>172</b>	<b>346</b>	<b>7</b>	<b>141</b>	<b>19</b>	<b>1,149</b>	<b>625</b>	<b>84</b>	<b>1,515</b>	<b>32</b>
Other income	32	53	28	100				171	149		202	
Interest	(42)	(39)	(39)	(45)	8	7	(6)	(167)	(164)	2	(142)	(15)
Depreciation	(77)	(73)	(61)	(74)				(286)	(229)		(300)	
<b>PBT</b>	<b>326</b>	<b>327</b>	<b>99</b>	<b>327</b>	<b>(0)</b>	<b>228</b>	<b>(0)</b>	<b>867</b>	<b>381</b>	<b>128</b>	<b>1,276</b>	<b>47</b>
Tax	(83)	(85)	(29)	(87)				(233)	(101)	131	(325)	40
<b>Net profit</b>	<b>243</b>	<b>242</b>	<b>71</b>	<b>240</b>	<b>—</b>	<b>244</b>	<b>1</b>	<b>634</b>	<b>280</b>	<b>127</b>	<b>951</b>	<b>50</b>
Extraordinary items (net of tax)												
Minority interest												
Reported net PAT	243	242	71	240				634	280	127	951	50
<b>Order details (Rs mn)</b>												
Order inflows	5,098	3,696	3,078	3,899		66	31	14,931	10,022	49	18,664	25
Order backlog	17,610	16,523	13,660	15,940		29	10	17,610	13,660	29	23,097	31
<b>Key ratios (%)</b>												
Raw material cost/sales	64.9	63.8	62.5	62.7				64.2	63.7		64.5	
Employee expenses/sales	16.6	16.2	20.8	17.6				18.1	21.3		17.0	
Other operating exp./sales	6.4	7.6	8.8	7.4				7.2	7.8		7.0	
<b>EBITDA margin</b>	<b>12.1</b>	<b>12.4</b>	<b>7.9</b>	<b>12.3</b>				<b>10.5</b>	<b>7.2</b>		<b>11.5</b>	
PBT margin	9.5	10.5	4.6	11.6				7.9	4.4		9.7	
PAT margin	7.1	7.8	3.3	8.5				5.8	3.2		7.2	
Tax rate	25.5	25.9	29.0	26.7				26.8	26.5		25.5	
<b>EPS (Rs)</b>	<b>3.7</b>	<b>3.7</b>	<b>1.1</b>	<b>3.7</b>				<b>9.7</b>	<b>4.3</b>		<b>14.6</b>	

Source: Company, Kotak Institutional Equities estimates

**Performance was strong across segments, led by mobility, communication and medical**

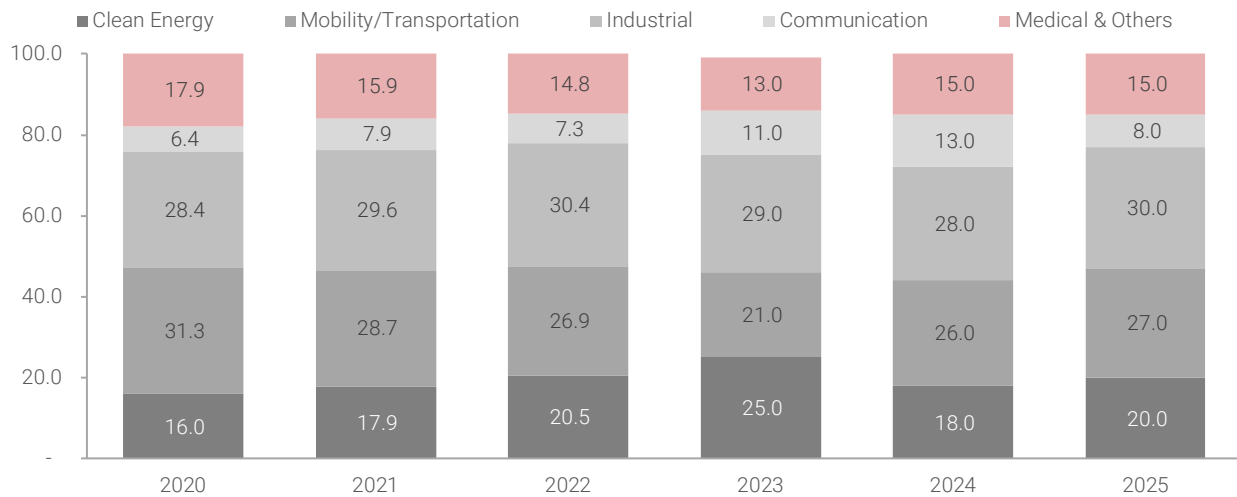
Exhibit 2: Segment-wise revenues for Avalon (consolidated), March fiscal year-ends, 4QFY24-4QFY25 (Rs mn)

Segmental revenue	4QFY25	4QFY24	3QFY25	Change (%)	
				yoy	qoq
Clean Energy	610	325	637	88	(4)
Mobility/Transportation	1,077	564	655	91	64
Industrial	953	672	966	42	(1)
Communication	274	217	177	26	55
Medical &Others	514	390	374	32	38

Source: Company, Kotak Institutional Equities

**Clean energy, mobility and industrial continue to be the key segments for Avalon**

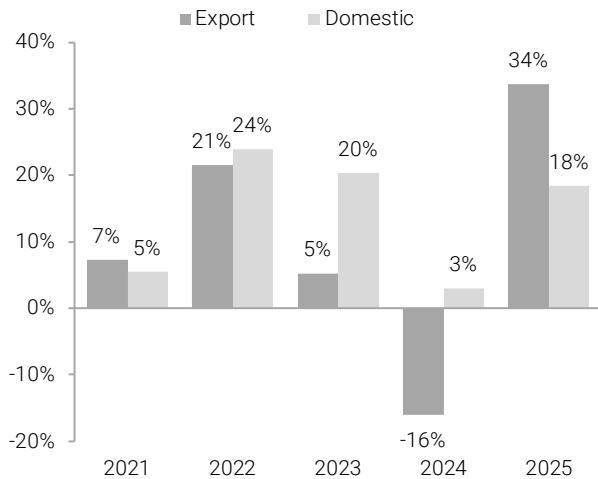
Exhibit 3: Avalon’s revenue split by end-user industry, March fiscal year-ends, 2020-25 (%)



Source: Company, Kotak Institutional Equities

**Avalon witnessed strong growth across both US (15% qoq) and India (31% qoq) markets in 4QFY25**

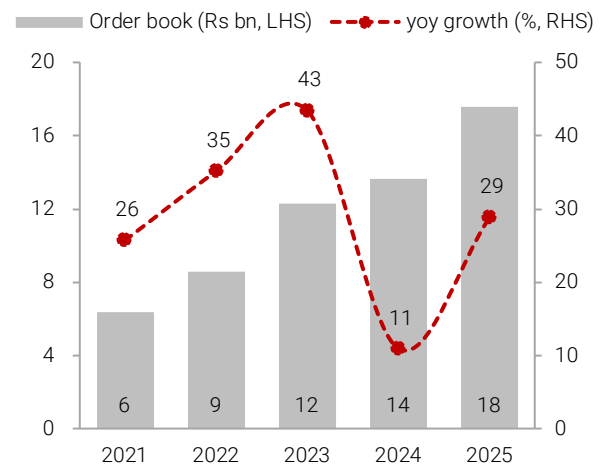
Exhibit 4: Avalon’s revenue growth by geography, March fiscal year-ends, 2021-25 (%)



Source: Company, Kotak Institutional Equities estimates

**Order backlog of Rs18 bn (+29% yoy) provides decent visibility for FY2026**

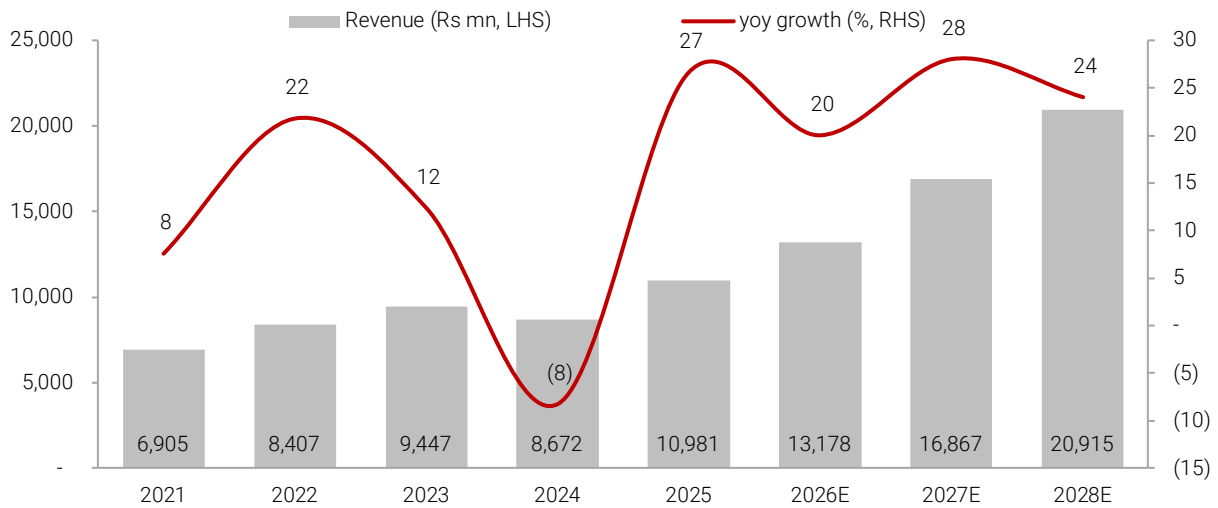
Exhibit 5: Avalon’s order book (Rs bn) and order book growth (%) trends, March fiscal year-ends, 2021-25



Source: Company, Kotak Institutional Equities estimates

**We are baking in 20%/28% revenue growth for FY2026E/27E; clarity on US growth remains key**

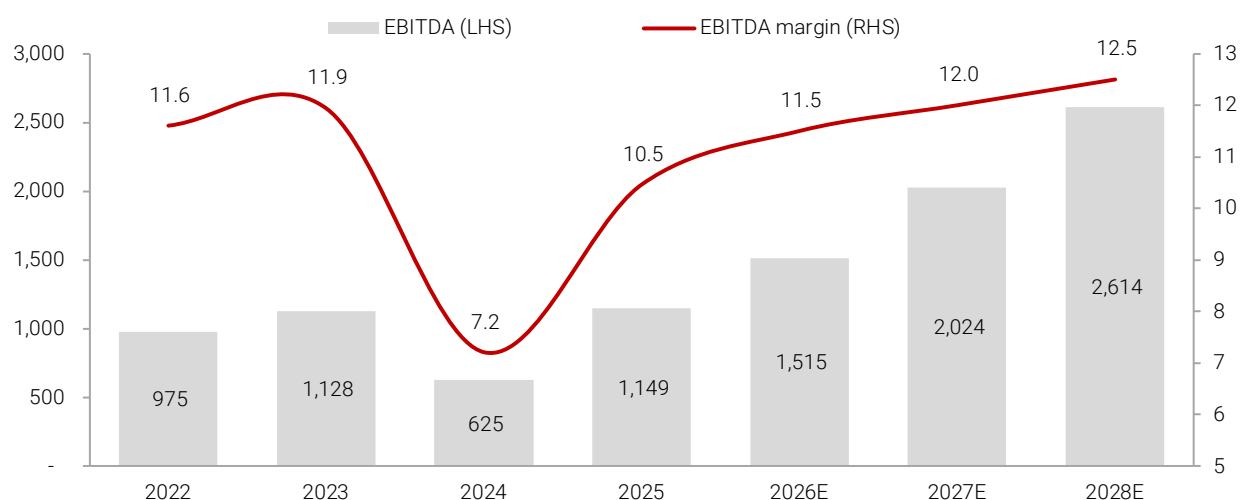
Exhibit 6: Avalon’s revenue (Rs mn) and revenue growth (%) trends, March fiscal year-ends, 2021-28E



Source: Company, Kotak Institutional Equities estimates

**We expect a turnaround in Avalon’s margins aided by a pickup in US revenues (EBITDA CAGR of 32% over FY2025-28E)**

**Exhibit 7: Avalon’s EBITDA (Rs mn) and EBITDA margin (%) trends, March fiscal year-ends, 2022-28E**



Source: Kotak Institutional Equities estimates, Company

**We expect 40 days improvement NWC days over next two years, driven by recovery in US operations**

**Exhibit 8: Operating working capital, as days of sales for Avalon, March fiscal year-ends, 2020-27E**

	2020	2021	2022	2023	2024	2025	2026E	2027E
Inventory as days of sales	88	77	101	123	133	112	95	90
Receivable as days of sales	65	96	77	80	79	105	79	60
Payable as days of sales	77	67	51	55	41	63	40	40
<b>NWC as days of sales</b>	<b>76</b>	<b>106</b>	<b>127</b>	<b>148</b>	<b>171</b>	<b>154</b>	<b>134</b>	<b>110</b>

Source: Company, Kotak Institutional Equities estimates

**We lower our FY2026/27 estimates by 8%/3% on account of weaker-than-expected US revenues in 1HFY26 due to tariff uncertainties**

**Exhibit 9: Change in estimates for Avalon—consolidated, March fiscal year-ends, 2021-28E (Rs mn, %)**

	2021	2022	2023	2024	2025	New estimates			Old estimates		% revision	
	2021	2022	2023	2024	2025	2026E	2027E	2028E	2026E	2027E	2026E	2027E
<b>Income statement</b>												
<b>Net revenue</b>	<b>6,905</b>	<b>8,407</b>	<b>9,447</b>	<b>8,672</b>	<b>10,981</b>	<b>13,178</b>	<b>16,867</b>	<b>20,915</b>	<b>13,546</b>	<b>17,068</b>	<b>(3)</b>	<b>(1)</b>
Yoy growth (%)		21.8	12.4	(8.2)	26.6	20.0	28.0	24.0	27.0	26.0		
<b>EBITDA</b>	<b>661</b>	<b>975</b>	<b>1,128</b>	<b>625</b>	<b>1,149</b>	<b>1,515</b>	<b>2,024</b>	<b>2,614</b>	<b>1,626</b>	<b>2,133</b>	<b>(7)</b>	<b>(5)</b>
<b>EBITDA margin (%)</b>	<b>9.6</b>	<b>11.6</b>	<b>11.9</b>	<b>7.2</b>	<b>10.5</b>	<b>11.5</b>	<b>12.0</b>	<b>12.5</b>	<b>12.0</b>	<b>12.5</b>	<b>-50 bps</b>	<b>-50 bps</b>
Other income	54	109	144	149	171	202	308	392	224	280		
PBDIT	716	1,085	1,271	774	1,320	1,717	2,332	3,006	1,850	2,413	(7)	(3)
Interest & finance charges	(270)	(248)	(348)	(164)	(167)	(142)	(142)	(142)	(149)	(149)		
Depreciation	(157)	(172)	(197)	(229)	(286)	(300)	(346)	(408)	(316)	(359)		
PBT	288	664	727	381	867	1,276	1,844	2,456	1,385	1,905	(8)	(3)
Tax	(57)	(183)	(202)	(101)	(233)	(325)	(470)	(626)	(353)	(486)		
PAT	231	482	525	280	634	951	1,374	1,830	1,032	1,419	(8)	(3)
Exceptional items	—	200	—	—	—	—	—	—	—	—		
Minority interest & Share of JVs	—	—	—	—	—	—	—	—	—	—		
Reported PAT	231	682	525	280	634	951	1,374	1,830	1,032	1,419	(8)	(3)
<b>Consolidated EPS (Rs)</b>	<b>4</b>	<b>10</b>	<b>8</b>	<b>4</b>	<b>10</b>	<b>15</b>	<b>21</b>	<b>28</b>	<b>16</b>	<b>22</b>	<b>(8)</b>	<b>(3)</b>

Source: Company, Kotak Institutional Equities estimates

**We arrive at a valuation of Rs610/share for Avalon Technologies**

**Exhibit 10: Avalon’s DCF model, March fiscal year-ends, 2024-45E (Rs mn)**

(March fiscal year-ends, Rs mn)	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2035E	2045E
<b>Free cash flow calculation</b>												
Revenue	8,672	10,981	13,178	16,867	20,915	25,559	30,773	36,496	42,628	49,022	63,289	137,817
yoy growth (%)	- 8	27	20	28	24	22	20	19	17	15	13	4
EBIT (excl. other income)	396	863	1,216	1,678	2,206	2,704	3,264	3,878	4,536	5,222	6,742	14,681
EBIT margin (%)	4.6	7.9	9.2	9.9	10.5	10.6	10.6	10.6	10.6	10.7	10.7	10.7
Effective tax rate (%)	26	27	26	26	26	26	26	26	26	26	26	26
NOPAT	291	631	906	1,250	1,644	2,015	2,432	2,889	3,379	3,890	5,023	10,937
Change in working capital (excl. cash)	(414)	(883)	8	36	(823)	(1,209)	(1,357)	(1,490)	(1,596)	(1,664)	(1,872)	(1,347)
Depreciation	229	286	300	346	408	491	583	684	793	906	1,169	2,546
Capex	(355)	(462)	(38)	(405)	(540)	(714)	(802)	(881)	(943)	(984)	(1,169)	(2,546)
OCF	106	35	1,213	1,632	1,229	1,297	1,657	2,083	2,576	3,132	4,320	12,136
<b>FCFF</b>	<b>(249)</b>	<b>(427)</b>	<b>1,175</b>	<b>1,227</b>	<b>689</b>	<b>582</b>	<b>855</b>	<b>1,203</b>	<b>1,633</b>	<b>2,148</b>	<b>3,151</b>	<b>9,590</b>

Post tax cost of debt (%)	7.4
Risk free rate (%)	7.0
Risk premium (%)	4.9
Beta	1.3
Cost of equity	13.3
FY2025 debt	1,642
FY2025 equity	5,473
<b>WACC (%)</b>	<b>11.9</b>
Terminal growth rate (%)	4.0
<b>June 2027E-based Fair value (Rs/share)</b>	<b>610</b>

		WACC %				
		10.9	11.4	11.9	12.4	12.9
Terminal growth rate (%)	3.0	680	630	580	540	500
	3.5	710	650	590	550	510
	4.0	730	670	610	560	520
	4.5	760	690	630	580	530
	5.0	790	720	650	600	550

Source: Company, Kotak Institutional Equities estimates

Exhibit 11: Summary financials of Avalon (consolidated), March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Income statement</b>									
<b>Net revenues</b>	<b>6,419</b>	<b>6,905</b>	<b>8,407</b>	<b>9,447</b>	<b>8,672</b>	<b>10,981</b>	<b>13,178</b>	<b>16,867</b>	<b>20,915</b>
Total operating expenses	(5,774)	(6,243)	(7,432)	(8,319)	(8,047)	(9,832)	(11,662)	(14,843)	(18,301)
<b>EBITDA</b>	<b>645</b>	<b>661</b>	<b>975</b>	<b>1,128</b>	<b>625</b>	<b>1,149</b>	<b>1,515</b>	<b>2,024</b>	<b>2,614</b>
Depreciation & Amortization	(155)	(157)	(172)	(197)	(229)	(286)	(300)	(346)	(408)
<b>EBIT</b>	<b>490</b>	<b>504</b>	<b>804</b>	<b>931</b>	<b>396</b>	<b>863</b>	<b>1,216</b>	<b>1,678</b>	<b>2,206</b>
Other income	113	54	109	144	149	171	202	308	392
Interest expense	(450)	(270)	(248)	(348)	(164)	(167)	(142)	(142)	(142)
<b>PBT</b>	<b>153</b>	<b>288</b>	<b>664</b>	<b>727</b>	<b>381</b>	<b>867</b>	<b>1,276</b>	<b>1,844</b>	<b>2,456</b>
Tax expense	(30)	(57)	(183)	(202)	(101)	(233)	(325)	(470)	(626)
<b>Net profit</b>	<b>123</b>	<b>231</b>	<b>482</b>	<b>525</b>	<b>280</b>	<b>634</b>	<b>951</b>	<b>1,374</b>	<b>1,830</b>
<b>Reported PAT</b>	<b>123</b>	<b>231</b>	<b>682</b>	<b>525</b>	<b>280</b>	<b>634</b>	<b>951</b>	<b>1,374</b>	<b>1,830</b>
<b>Recurring EPS</b>	<b>2</b>	<b>4</b>	<b>7</b>	<b>8</b>	<b>4</b>	<b>10</b>	<b>15</b>	<b>21</b>	<b>28</b>
<b>Balance sheet</b>									
<b>Shareholders' funds</b>	<b>466</b>	<b>599</b>	<b>872</b>	<b>5,370</b>	<b>5,473</b>	<b>6,115</b>	<b>7,066</b>	<b>8,440</b>	<b>10,270</b>
Share capital	15	16	16	116	131	132	132	132	132
Reserves & surplus	450	583	856	5,254	5,342	5,983	6,934	8,308	10,138
Debt	2,485	2,953	2,941	3,063	1,642	1,417	1,417	1,417	1,417
Deferred tax liabilities	—	—	—	—	—	—	—	—	—
Minority interest and other liabilities	(135)	(78)	276	416	497	413	413	413	413
<b>Total sources of funds</b>	<b>2,816</b>	<b>3,475</b>	<b>4,088</b>	<b>8,849</b>	<b>7,612</b>	<b>7,945</b>	<b>8,896</b>	<b>10,270</b>	<b>12,100</b>
Net fixed assets	1,006	1,033	1,136	1,404	1,645	1,911	1,649	1,708	1,840
Net working capital (ex-cash)	1,180	1,811	2,610	2,960	3,572	4,367	4,359	4,323	5,145
Investments	364	296	241	263	575	321	321	321	321
Cash and bank balances and current investments	266	335	101	4,222	1,820	1,347	2,567	3,918	4,794
<b>Total application of funds</b>	<b>2,816</b>	<b>3,475</b>	<b>4,088</b>	<b>8,849</b>	<b>7,612</b>	<b>7,945</b>	<b>8,896</b>	<b>10,270</b>	<b>12,100</b>
<b>Free cash flow</b>									
Operating profit before wcap. changes	825	651	1,112	1,181	751	1,327	1,717	2,332	3,006
Change in working capital / other adjustments	(121)	(561)	(848)	(1,125)	(414)	(883)	8	36	(823)
<b>Net cashflow from operating activities</b>	<b>657</b>	<b>55</b>	<b>139</b>	<b>(133)</b>	<b>173</b>	<b>251</b>	<b>1,400</b>	<b>1,898</b>	<b>1,557</b>
Capex	(170)	(192)	(159)	(273)	(355)	(462)	(38)	(405)	(540)
<b>Free cash flow (CFO + net capex)</b>	<b>487</b>	<b>(137)</b>	<b>(21)</b>	<b>(406)</b>	<b>(182)</b>	<b>(211)</b>	<b>1,362</b>	<b>1,493</b>	<b>1,017</b>
<b>Growth (%)</b>									
Revenue growth		7.6	21.8	12.4	(8.2)	26.6	20.0	28.0	24.0
EBITDA growth		2.6	47.5	15.6	(44.6)	83.9	31.9	33.6	29.2
Recurring PAT growth		87.3	108.7	9.0	(46.7)	126.7	49.9	44.5	33.2
<b>Key ratios</b>									
EBITDA margin (%)	10.0	9.6	11.6	11.9	7.2	10.5	11.5	12.0	12.5
Net debt/equity (X)	4.8	4.4	3.3	(0.2)	(0.0)	0.0	(0.2)	(0.3)	(0.3)
Net debt/EBITDA (X)	3.4	4.0	2.9	(1.0)	(0.3)	0.1	(0.8)	(1.2)	(1.3)
Book value per share (Rs)	8	7	8	8	6	5	6	6	7
RoAE (%)	26.5	43.3	65.5	16.8	5.2	10.9	14.4	17.7	19.6
RoACE (%)	13.4	12.4	15.8	11.0	3.7	8.6	11.3	13.6	15.3

Source: Company, Kotak Institutional Equities estimates

# Dabur India (DABUR)

Consumer Staples

**REDUCE**

CMP(₹): 482

Fair Value(₹): 490

Sector View: **Attractive**

NIFTY-50: 24,414

May 08, 2025

## Underwhelming execution

Dabur reported another weak quarter with 3.7%/15.6%/11.5% decline in standalone revenues/EBITDA/PAT. Healthcare/Beverages declined 5%/9% yoy on a weak base. Dabur's execution in the past few quarters has been underwhelming and its portfolio is showing signs of structural weakness. Management, in collaboration with McKinsey, has refreshed its strategy—we believe the turnaround could take time, given execution gaps and sustained underinvestment in brands and talent. We cut our FY2026-27E EPS estimates by 7-8%, roll over and revise the FV to Rs490 (Rs540), valuing Dabur at 39X June 2027E P/E (41X). Downgrade to REDUCE from ADD.

### 4QFY25: Weak growth and margin print to end a washout year

Dabur's 4Q performance was weak, as per its quarter-end update. Consolidated revenue grew 0.6% yoy (2.1% c/c) to Rs29.3 bn. Domestic revenues declined 3.4% yoy (we estimate a ~6% volume decline), impacted by a subdued demand environment and seasonality-related issues. Revenue growth was impacted by 3.3%/4.7%/~9% declines in HPC/healthcare/F&B. Skin care (+8%) and homecare (+1%) fared better, while beverages ((-)9.2%), OTC & ethicals ((-)8.4%), health supplements ((-)3.6%) and oral/hair care ((-)5.2%/(-)4.6%) lagged.

Consolidated GP declined 3.4% yoy to Rs13.2 bn (7% miss), as GM declined 190/140 bps yoy/qoq to 46.7% (KIE: 48.1%) due to high RM inflation. EBITDA declined 8.6% yoy to Rs4.3 bn (KIE: Rs5 bn). EBITDA margin declined 150 bps yoy to 15.1% (KIE: 17%), as the GM decline was partly offset by lower A&P/employee costs (down 4%/7% yoy). PBT/PAT declined 9%/8.4% yoy. International grew 13.4% yoy (in INR), with Egypt (36%), Turkey (23.4%), MENA (22.3%) and Bangladesh (22%) all showing strong growth (in cc).

**FY2025.** Revenues grew 1.3% (3.6% c/c). EBITDA/PAT declined 3.5%/4.1% yoy. Domestic performance was dragged down by channel inventory correction in 2Q and weakness in core categories such as health supplements and beverages. GM was flat yoy; the EBITDA margin declined 90 bps yoy to 18.4%.

### Dabur outlines renewed strategy and vision

Given portfolio challenges and weak performance over the past 2-3 years, Dabur engaged McKinsey for a strategic refresh. Management articulated its renewed strategy and seven strategic initiatives—(1) investment in core brands, (2) driving premiumization, (3) portfolio rationalization, (4) bold moves in health and wellness, (5) executing strategic M&A, (6) implementing necessary changes to RTM and (7) cost optimization. Dabur aims to deliver HSD-to-near DD revenue growth in FY2026E, with growth improving sequentially (1Q likely to be weak), aided by a weak base, urban recovery, stabilizing inflation and implementation of strategic initiatives.

### We cut FY2026-27E EPS by 6-8% and revise FV to Rs490 (from Rs540)

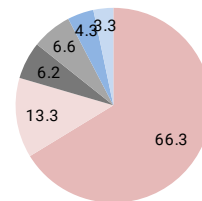
We moderate growth and margin expectations and cut our FY2026-27E EPS estimates by 6-8%. We roll over and revise the FV to Rs490, valuing Dabur at 39X June 2027E P/E.

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	482/490/REDUCE
52-week range (Rs) (high-low)	672-420
Mcap (bn) (Rs/US\$)	854/10.1
ADTV-3M (mn) (Rs/US\$)	1,129/13.3

#### Shareholding pattern (%)



■ Promoters ■ FPIs ■ MFs ■ BFI ■ Retail ■ Others

Price performance (%)	1M	3M	12M
Absolute	7	(9)	(14)
Rel. to Nifty	(3)	(12)	(23)
Rel. to MSCI India	(3)	(11)	(20)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	10.0	11.0	12.2
EPS growth (%)	(4.1)	10.1	10.8
P/E (X)	48.3	43.9	39.6
P/B (X)	7.9	7.5	7.1
EV/EBITDA (X)	36.1	32.6	29.3
RoE (%)	17.1	17.6	18.5
Div. yield (%)	1.1	1.6	1.7
Sales (Rs bn)	126	135	147
EBITDA (Rs bn)	23	25	28
Net profits (Rs bn)	18	19	22

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

### Related Research

→ [Dabur India: Beverages and health](#)

→ [Dabur India: A washout quarter](#)

→ [Dabur India: Rural drives some improvement](#)

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Umang Mehta

Praneeth Reddy

Eesha Mohanty

### Conference call highlights

- ▶ **Growth and margin performance.** Dabur's 4Q performance was impacted by (1) challenging demand conditions, (2) high food inflation, (3) consumption slowdown, largely in the urban market, (4) truncated winters, (5) weak primary offtakes due to rationalization of trade schemes (offered no extra credit and rolled back some incentives) and (6) intentional cutdown on primary sales to maintain low inventory days with distributors (improves RoI). However, secondary/tertiary sales are decent in the context of the broad FMCG market growing healthily, with rural/urban delivering ~14%/flat growth (source: Nielsen).
- ▶ **Pricing action.** Dabur witnessed 4.5-5.0% RM inflation in 4Q (80% of full-year inflation impact in 4Q alone) and it took a price increase of 3.5% yoy (healthcare/HPC/beverages witnessed price hiked of 4.5-5%/1.5%/~1.5% yoy; the hikes will fully reflect in 1Q) to stay competitive. As a result, Dabur's standalone GM declined ~245 bps yoy in 4Q.
- ▶ **Guidance.** Dabur intends to achieve sustainable DD CAGR at both top-line and bottom-line levels by FY2028E by pivoting to its renewed strategic initiatives (mentioned below). In the near term (for FY2026E), it expects gradual recovery and sequential improvement in growth trends during the course of the year (1Q likely to be weak due to a relatively high base), led by (1) a favorable base, (2) easing RM inflation (now at 2-2.5%), (3) budgetary stimulus, (4) urban and macro recovery, (5) implementation of strategic initiatives and others. Overall, Dabur noted that it is witnessing some green shoots and intends to deliver HSD-to-near DD value growth for the full-year FY2026E (with the F&B portfolio growing in low-to-mid single digits and HPC delivering healthy growth). On margins, despite the ongoing investments, Dabur aspires to improve EBITDA margins yoy.
- ▶ **Renewed strategic initiatives.** Dabur, in collaboration with McKinsey, identified ongoing challenges and shared its refreshed vision and seven strategic initiatives:
  - **Driving core portfolio.** Dabur currently has seven brands (Dabur Red, Real, Chyawanprash, Honey, Hajmola, Dabur Amla and Vatika) that are clocking Rs5 bn+ sales and contributing to ~70% of overall sales. The focus is to continue scaling up these brands and driving market share, with necessary marketing investments.
  - **Premiumizing and contemporizing portfolio.** Dabur noted that its priority over the past few years has been to increase its market share across categories. Going ahead, it intends to premiumize by extending into new, contemporary and premium segments such as (1) serums, conditioners and masks in hair care (post-bath categories), (2) whitening and sensitivity in oral care, (3) zero-sugar and low-preservative propositions by focusing on the Activ range in beverages, (4) gummies, powders, effervescent tablets in healthcare in an attempt to modernize the Chyawanprash and honey categories in healthcare and (5) Hommade products, ghee, and fats and oils in foods. Furthermore, the premiumization efforts will also be bolstered by potential M&A opportunities in new categories such as wellness. This premiumization strategy will be more urban-linked, leveraging new-age channels (quick commerce, ecommerce, and MT).
  - **Taking bold bets across health and wellness space.** Dabur aims to invest in bold bets across franchises such as Hajmola, health juices and Shilajit.
  - **Streamlining portfolio.** Dabur intends to undertake a portfolio rationalization exercise, wherein underperforming and margin-dilutive products/SKUs (such as diapers, Vedic tea, Vita and sanitizing) will be discontinued. The motive is to enhance the focus on new bets and release capital for reinvestment into the core portfolio.
  - **GTM 2.0.** Dabur plans to (1) significantly enhance its focus on emerging channels (quick commerce and MT), (2) consolidate stockists in urban markets to reduce costs, improve control, and effectively roll out digitization initiatives and (3) continue penetrating rural markets by increasing direct reach, launching affordable packs at Rs10/20 utilizing existing rural infrastructure and more.
  - **Strategic M&A.** Dabur seeks to foray into future-fit categories such as wellness and premium personal care, largely through the inorganic route.
  - **Refining the operating model.** Dabur would like to improve operational efficiencies across the value chain to generate some cost savings.

- ▶ **Healthcare** declined 4.7% yoy, as core brands (CP and honey) were impacted by delayed and contracted winters.
  - **Health supplements** declined 3.6% yoy, led by weakness in the Chyawanprash and Honey portfolios. Dabur is trying to revive growth in Chyawanprash by launching new variants/formats (capsules, liquid, powder), expanding the target group (launched the women's and sugar-free ranges), adding low-price packs (at Rs65), new marketing campaigns and more. Despite soft performance, Dabur increased market share by 160 bps/75 bps in its CP/Honey portfolios.
  - **Digestives** declined 2.1% yoy, albeit with 2.2% yoy growth in the Hajmola franchise. Hajmola variants/extensions' salience increased to 15%.
  - **OTC and Ethicals** declined 8.4% yoy, with a winter-centric portfolio (such as Honitus and Lal Tail) dragging the overall performance.
- ▶ **HPC business** declined 3.3% yoy.
  - **Oral care** declined 5.2% yoy, largely impacted by a high base effect (grew 22% in 4QFY24). However, on a two-year CAGR basis, oral care growth remains healthy at 7-8%. Dabur is actively looking to expand their proposition into whitening, gum strengthening and sensitive areas in the coming quarters. The Dabur Red toothpaste received IDA accreditation, which will help them to leverage the doctor advocacy angle. Management noted that it continued to grow ahead in the category at the secondary sales level and gained 15 bps market share in 4Q.
  - **Hair oils** declined 4.6% yoy. However, CNO/Shampoo portfolio growth was strong at 11%/4% yoy and gained market share by 195/20 bps yoy. Dabur increased its market share in hair oils to 19% in the current quarter (up from 14% three years ago).
  - **Home care** grew ~1% yoy. Decent growth in Odonil/Aerosol and Gel at MSD/strong DD growth was offset by muted performance in the Odomos portfolio (due to a high base impact and the season not playing out as expected).
  - **Skin care** grew 8% yoy, led by double-digit growth in the Gulabari franchise.
- ▶ **Foods and beverages** declined ~9% yoy.
  - **Beverage** sales declined 9.2% yoy, largely impacted by (1) weak urban demand (70% of the portfolio is urban-centric), (2) price-driven competitive intensity, (3) high relative price gap versus CSDs (used to be 1.6X, moved to 2-2.2X and further inched up to 2.7X for one-liter packs), and (4) cut down on primary sales in the current quarter by Rs500-600 mn, as against its earlier practice of stocking up channels in anticipation of a strong season before summer. However, Dabur Health juices grew 25% yoy and premium variants (Real Activ and Coconut water) grew 11% yoy. Dabur pointed out that it has not made any changes to channel margins beyond its OOH portfolio (increased channel margins to compete with CSDs).
  - **Foods** posted 14.2% yoy growth, while Badshah delivered 6% value growth, despite weak institutional sales (impacted due to constraints on budgetary spends in the CSD channel).
- ▶ **MT and Ecom channel updates.** For the full year, emerging channels (Ecom + MT) delivered DD growth.
- ▶ **International business** grew 19.3% yoy in cc terms, led by strong double-digit growth in the MENA, Egypt, SSA, Turkey and Bangladesh markets. The international business has been performing well and is expected to sustain growth momentum in the coming years as well.

Exhibit 1: Interim consolidated results of Dabur (as per Ind-AS), March fiscal year-ends (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			FY2025	FY2024	(% chg.)
					KIE Est	yoy	qoq			
<b>Revenues</b>	<b>28,301</b>	<b>29,531</b>	<b>28,146</b>	<b>33,553</b>	<b>(4.2)</b>	<b>0.6</b>	<b>(15.7)</b>	<b>125,631</b>	<b>124,040</b>	<b>1.3</b>
Material cost (incl excise)	(15,091)	(15,325)	(14,468)	(17,428)	(1.5)	4.3	(13.4)	(65,349)	(64,470)	1.4
<b>Gross profit</b>	<b>13,211</b>	<b>14,206</b>	<b>13,679</b>	<b>16,124</b>	<b>(7.0)</b>	<b>(3.4)</b>	<b>(18.1)</b>	<b>60,282</b>	<b>59,571</b>	<b>1.2</b>
<b>Gross margin (%)</b>	<b>46.7</b>	<b>48.1</b>	<b>48.6</b>	<b>48.1</b>	<b>-143 bps</b>	<b>-192 bps</b>	<b>-138 bps</b>	<b>48.0</b>	<b>48.0</b>	<b>-5 bps</b>
Employee cost	(2,944)	(3,262)	(3,162)	(3,352)	(9.8)	(6.9)	(12.2)	(12,912)	(12,396)	4.2
Advertising and promotion	(1,764)	(1,882)	(1,837)	(2,267)	(6.3)	(3.9)	(22.2)	(8,646)	(8,491)	1.8
Other expenditure	(4,235)	(4,054)	(4,012)	(3,686)	4.5	5.5	14.9	(15,560)	(14,682)	6.0
<b>Total expenditure</b>	<b>(24,033)</b>	<b>(24,523)</b>	<b>(23,478)</b>	<b>(26,734)</b>	<b>(2.0)</b>	<b>2.4</b>	<b>(10.1)</b>	<b>(102,468)</b>	<b>(100,038)</b>	<b>2.4</b>
<b>EBITDA</b>	<b>4,269</b>	<b>5,009</b>	<b>4,668</b>	<b>6,819</b>	<b>(14.8)</b>	<b>(8.6)</b>	<b>(37.4)</b>	<b>23,163</b>	<b>24,002</b>	<b>(3.5)</b>
<b>OPM (%)</b>	<b>15.1</b>	<b>17.0</b>	<b>16.6</b>	<b>20.3</b>	<b>-188 bps</b>	<b>-151 bps</b>	<b>-525 bps</b>	<b>18.4</b>	<b>19.4</b>	<b>-92 bps</b>
Other income	1,412	1,380	1,289	1,280	2.3	9.5	10.2	5,501	4,824	14.0
Interest	(393)	(399)	(352)	(442)	(1.6)	11.4	(11.2)	(1,635)	(1,242)	31.7
Depreciation	(1,169)	(1,107)	(1,074)	(1,086)	5.6	8.9	7.6	(4,456)	(3,992)	11.6
<b>Pretax profits</b>	<b>4,119</b>	<b>4,883</b>	<b>4,531</b>	<b>6,571</b>	<b>(15.6)</b>	<b>(9.1)</b>	<b>(37.3)</b>	<b>22,573</b>	<b>23,593</b>	<b>(4.3)</b>
Tax	(992)	(1,071)	(1,114)	(1,418)	(7.4)	(11.0)	(30.0)	(5,175)	(5,474)	(5.5)
Minority Interest	74	82	79	71				277	309	(10.1)
<b>Recurring PAT (after MI)</b>	<b>3,201</b>	<b>3,894</b>	<b>3,495</b>	<b>5,224</b>	<b>(17.8)</b>	<b>(8.4)</b>	<b>(38.7)</b>	<b>17,676</b>	<b>18,427</b>	<b>(4.1)</b>
Extraordinary items	-	-	-	-				-	-	
<b>Net profit (reported)</b>	<b>3,201</b>	<b>3,894</b>	<b>3,495</b>	<b>5,224</b>	<b>(17.8)</b>	<b>(8.4)</b>	<b>(38.7)</b>	<b>17,676</b>	<b>18,427</b>	<b>(4.1)</b>
<b>Recurring EPS (Rs)</b>	<b>1.8</b>	<b>2.2</b>	<b>2.0</b>	<b>2.9</b>	<b>(17.8)</b>	<b>(8.4)</b>	<b>(38.7)</b>	<b>10.0</b>	<b>10.4</b>	<b>(4.1)</b>
<b>Income tax rate (%)</b>	<b>24.1</b>	<b>21.9</b>	<b>24.6</b>	<b>21.6</b>	<b>214 bps</b>	<b>-52 bps</b>	<b>250 bps</b>	<b>22.9</b>	<b>23.2</b>	<b>-28 bps</b>
<b>Costs as a % of sales</b>										
Material cost	53.3	51.9	51.4	51.9	142 bps	191 bps	137 bps	52.0	52.0	4 bps
Employee cost	10.4	11.0	11.2	10.0	-65 bps	-84 bps	41 bps	10.3	10.0	28 bps
Advertising and promotion	6.2	6.4	6.5	6.8	-15 bps	-30 bps	-53 bps	6.9	6.8	3 bps
Other expenditure	15.0	13.7	14.3	11.0	123 bps	70 bps	397 bps	12.4	11.8	54 bps
<b>Segment results of Dabur</b>										
<b>Revenues</b>										
Consumer care	22,550		22,140	28,503		1.9	(20.9)	101,601	99,422	2.2
Foods	5,005		5,277	4,296		(5.2)	16.5	21,006	21,786	(3.6)
Retail	246		309	326		(20.5)	(24.7)	1,155	1,234	(6.4)
Others	398		318	340		25.1	17.0	1,503	1,228	22.4
<b>Total segment revenue</b>	<b>28,198</b>		<b>28,043</b>	<b>33,465</b>		<b>0.6</b>	<b>(15.7)</b>	<b>125,265</b>	<b>123,670</b>	<b>1.3</b>
<b>Segment PBIT</b>										
Consumer care	4,192		4,503	6,745		(6.9)	(37.8)	22,711	23,045	(1.5)
Foods	601		676	585		(11.1)	2.7	2,676	3,036	(11.8)
Retail	2		8	4		(71.4)	(35.1)	(8)	13	(162.2)
Others	38		17	50		126.8	(23.8)	169	118	42.3
<b>Total segment EBIT</b>	<b>4,834</b>		<b>5,204</b>	<b>7,383</b>		<b>(7.1)</b>	<b>(34.5)</b>	<b>25,548</b>	<b>26,212</b>	<b>(2.5)</b>
<b>Segment PBIT margins, %</b>										
Consumer care	18.6		20.3	23.7		-175 bps	-508 bps	22.4	23.2	-83 bps
Foods	12.0		12.8	13.6		-81 bps	-161 bps	12.7	13.9	-120 bps
Retail	1.0		2.7	1.1		-175 bps	-16 bps	(0.7)	1.0	-172 bps
Others	9.6		5.3	14.7		428 bps	-512 bps	11.2	9.6	156 bps

Source: Company, Kotak Institutional Equities

Exhibit 2: Interim standalone results of Dabur (as per Ind-AS), March fiscal year-ends (Rs mn)

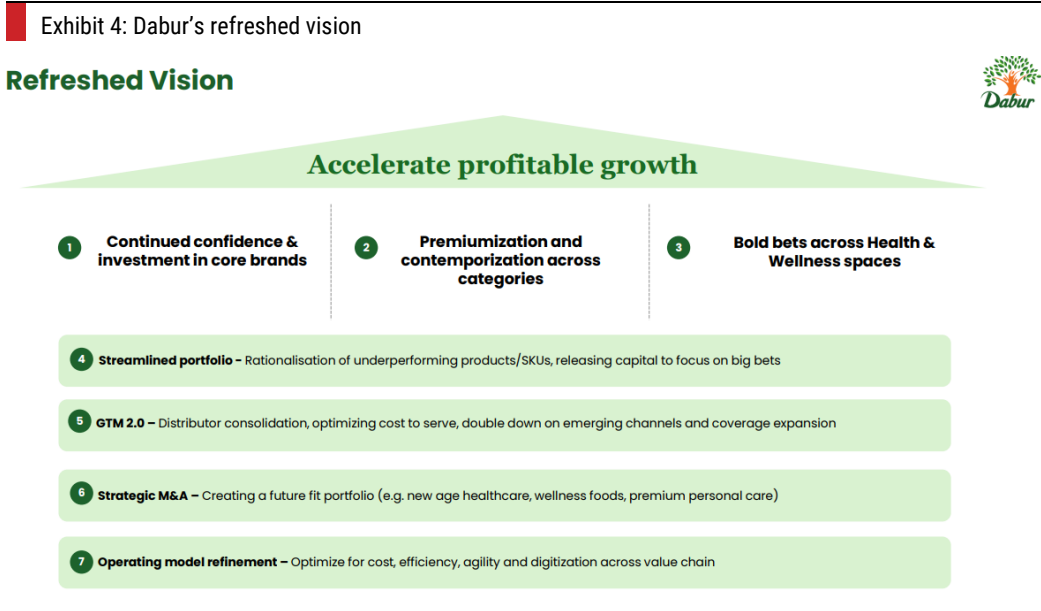
	4QFY25	4QFY25E	4QFY24	3QFY25	(% chg.)			FY2025	FY2024	(% chg.)
					KIE Est	yoy	qoq			
<b>Revenues</b>	<b>19,647</b>	<b>21,162</b>	<b>20,395</b>	<b>24,483</b>	<b>(7.2)</b>	<b>(3.7)</b>	<b>(19.8)</b>	<b>90,707</b>	<b>91,356</b>	<b>(0.7)</b>
Material cost (incl excise)	(11,110)	(11,531)	(11,029)	(13,270)	(3.7)	0.7	(16.3)	(49,621)	(49,285)	0.7
<b>Gross profit</b>	<b>8,538</b>	<b>9,631</b>	<b>9,366</b>	<b>11,213</b>	<b>(11.4)</b>	<b>(8.8)</b>	<b>(23.9)</b>	<b>41,087</b>	<b>42,071</b>	<b>(2.3)</b>
<b>Gross margin (%)</b>	<b>43.5</b>	<b>45.5</b>	<b>45.9</b>	<b>45.8</b>	<b>-206 bps</b>	<b>-247 bps</b>	<b>-235 bps</b>	<b>45.3</b>	<b>46.1</b>	<b>-76 bps</b>
Employee cost	(1,602)	(2,042)	(1,943)	(2,060)	(21.5)	(17.5)	(22.2)	(7,769)	(7,821)	(0.7)
Advertising and promotion	(1,311)	(1,490)	(1,459)	(1,660)	(12.0)	(10.1)	(21.0)	(6,507)	(6,760)	(3.7)
Other expenditure	(2,782)	(2,551)	(2,598)	(2,267)	9.1	7.1	22.7	(9,742)	(9,099)	7.1
<b>Total expenditure</b>	<b>(16,805)</b>	<b>(17,613)</b>	<b>(17,029)</b>	<b>(19,257)</b>	<b>(4.6)</b>	<b>(1.3)</b>	<b>(12.7)</b>	<b>(73,638)</b>	<b>(72,965)</b>	<b>0.9</b>
<b>EBITDA</b>	<b>2,842</b>	<b>3,549</b>	<b>3,366</b>	<b>5,226</b>	<b>(19.9)</b>	<b>(15.6)</b>	<b>(45.6)</b>	<b>17,069</b>	<b>18,391</b>	<b>(7.2)</b>
<b>OPM (%)</b>	<b>14.5</b>	<b>16.8</b>	<b>16.5</b>	<b>21.3</b>	<b>-231 bps</b>	<b>-204 bps</b>	<b>-688 bps</b>	<b>18.8</b>	<b>20.1</b>	<b>-132 bps</b>
Other income	1,186	1,208	1,142	1,053	(1.9)	3.8	12.6	4,519	4,176	8.2
Interest	(228)	(246)	(235)	(283)	(7.1)	(2.6)	(19.4)	(996)	(811)	22.7
Depreciation	(632)	(638)	(542)	(638)	(0.9)	16.7	(0.9)	(2,509)	(2,089)	20.1
<b>Pretax profits</b>	<b>3,167</b>	<b>3,873</b>	<b>3,731</b>	<b>5,358</b>	<b>(18.2)</b>	<b>(15.1)</b>	<b>(40.9)</b>	<b>18,083</b>	<b>19,667</b>	<b>(8.1)</b>
Tax	(662)	(932)	(900)	(1,177)	(29.0)	(26.5)	(43.8)	(4,051)	(4,575)	(11.4)
<b>PAT</b>	<b>2,505</b>	<b>2,941</b>	<b>2,832</b>	<b>4,181</b>	<b>(14.8)</b>	<b>(11.5)</b>	<b>(40.1)</b>	<b>14,032</b>	<b>15,092</b>	<b>(7.0)</b>
Extraordinary items	-	-	-	-	-	-	-	-	-	-
<b>Net profit (reported)</b>	<b>2,505</b>	<b>2,941</b>	<b>2,832</b>	<b>4,181</b>	<b>(14.8)</b>	<b>(11.5)</b>	<b>(40.1)</b>	<b>14,032</b>	<b>15,092</b>	<b>(7.0)</b>
<b>Recurring EPS (Rs)</b>	<b>1.4</b>	<b>1.7</b>	<b>1.6</b>	<b>2.4</b>	<b>(14.8)</b>	<b>(11.5)</b>	<b>(40.1)</b>	<b>8.0</b>	<b>8.6</b>	<b>(7.0)</b>
<b>Income tax rate (%)</b>	<b>20.9</b>	<b>24.1</b>	<b>24.1</b>	<b>22.0</b>	<b>-318 bps</b>	<b>-322 bps</b>	<b>-108 bps</b>	<b>22.4</b>	<b>23.3</b>	
<b>Costs as a % of sales</b>										
Material cost	56.5	54.5	54.1	54.2	205 bps	246 bps	234 bps	54.7	53.9	75 bps
Employee cost	8.2	9.6	9.5	8.4	-150 bps	-138 bps	-26 bps	8.6	8.6	0 bps
Advertising and promotion	6.7	7.0	7.2	6.8	-37 bps	-49 bps	-11 bps	7.2	7.4	-23 bps
Other expenditure	14.2	12.1	12.7	9.3	210 bps	141 bps	490 bps	10.7	10.0	77 bps
<b>Segment results of Dabur</b>										
<b>Revenues</b>										
Consumer care	15,257		15,814	20,899		(3.5)	(27.0)	72,950	72,815	0.2
Foods	3,920		4,188	3,190		(6.4)	22.9	16,005	17,053	(6.1)
Others	398		324	340		22.9	17.0	1,503	1,234	21.8
<b>Total segment revenue</b>	<b>19,576</b>		<b>20,326</b>	<b>24,429</b>		<b>(3.7)</b>	<b>(19.9)</b>	<b>90,458</b>	<b>91,101</b>	<b>(0.7)</b>
<b>Segment EBIT</b>										
Consumer care	3,167		3,727	5,491		(15.0)	(42.3)	18,030	19,079	(5.5)
Foods	272		305	235		(11.0)	15.8	1,254	1,718	(27.0)
Others	38		17	50		126.6	(23.4)	169	119	42.2
<b>Total segment EBIT</b>	<b>3,477</b>		<b>4,049</b>	<b>5,775</b>		<b>(14.1)</b>	<b>(39.8)</b>	<b>19,452</b>	<b>20,915</b>	<b>(7.0)</b>
<b>Segment EBIT margins, %</b>										
Consumer care	20.8		23.6	26.3		-281 bps	-552 bps	24.7	26.2	-149 bps
Foods	6.9		7.3	7.4		-36 bps	-43 bps	7.8	10.1	-225 bps
Others	9.6		5.2	14.7		440 bps	-507 bps	11.2	9.6	160 bps

Source: Company, Kotak Institutional Equities

Exhibit 3: Key changes to earnings model (consolidated), as per Ind AS—Dabur India, March fiscal year-ends, 2026-27E

	Revised		Earlier		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
<b>Net revenues (Rs mn)</b>	<b>135,493</b>	<b>147,452</b>	<b>138,108</b>	<b>150,306</b>	<b>(1.9)</b>	<b>(1.9)</b>
<b>Revenue growth (%)</b>	<b>7.9</b>	<b>8.8</b>	<b>8.4</b>	<b>8.8</b>		
<b>Gross margin (%)</b>	<b>48.1</b>	<b>48.2</b>	<b>48.2</b>	<b>48.4</b>	<b>-14 bps</b>	<b>-14 bps</b>
EBITDA (Rs mn)	25,451	27,973	26,495	29,633	(3.9)	(5.6)
EBIT (Rs mn)	20,652	22,896	21,856	24,721	(5.5)	(7.4)
<b>EBITDA margin (%)</b>	<b>18.8</b>	<b>19.0</b>	<b>19.2</b>	<b>19.7</b>	<b>-41 bps</b>	<b>-75 bps</b>
Net profit (pre-exceptionals, Rs mn)	19,456	21,567	20,587	23,307	(5.5)	(7.5)
<b>EPS (Rs/share)</b>	<b>11.0</b>	<b>12.2</b>	<b>11.6</b>	<b>13.2</b>	<b>(5.5)</b>	<b>(7.5)</b>
Effective tax rate (%)	23.8	24.6	23.8	23.9		

Source: Company, Kotak Institutional Equities estimates



Source: Company, Kotak Institutional Equities



Source: Kotak Institutional Equities

Exhibit 6: Category growth trends for Dabur

	Growth yoy (%)													
	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>Healthcare</b>	<b>(3.0)</b>	<b>7.4</b>	<b>(21.0)</b>	<b>(7.0)</b>	<b>3.0</b>		<b>10.4</b>	<b>5.4</b>	<b>3.0</b>	<b>(1.5)</b>	<b>7.0</b>	<b>(9.8)</b>	<b>(1.3)</b>	<b>(4.7)</b>
Health Supplements	(8.3)	9.7	(35.5)	(12.6)	0.4	(3.3)	5.5	0.0	0.0	(9.1)	7.8		(3.4)	(3.6)
Digestives	12.2	1.2	30.5	0.1	11.2	5.6	14.3	18.1	15.1	16.0	10.7		3.9	(2.1)
OTC & Ethicals	3.6	7.5	(15.4)	(0.2)	4.0	(0.4)				0.6	3.7		0.4	(8.4)
OTC		17.0			16.8		24.3	8.4	(3.0)					
Ethicals							7.3	7.0	6.9					
<b>Home &amp; Personal Care (HPC)</b>	<b>8.4</b>	<b>1.9</b>	<b>16.0</b>	<b>6.0</b>	<b>2.2</b>		<b>11.0</b>	<b>5.8</b>	<b>6.6</b>	<b>8.7</b>	<b>8.1</b>	<b>(8.1)</b>	<b>5.7</b>	<b>(3.3)</b>
Hair Care									3.0				2.7	(4.6)
Shampoos/Post-wash	21.2	5.6	17.0	9.0	3.6	2.0	9.0	4.1	11.3	6.1	13.7		1.1	4.0
Hair Oils	6.1	2.6	8.1	1.8	(2.4)	0.0	10.0	4.0	4.5	(2.5)	3.3		3.1	(6.8)
Oral Care	6.7	1.1	12.5	9.2	2.6	(3.0)	13.0	4.1	8.1	22.0	11.4		9.1	(5.2)
Skin Care	3.2	(10.6)	11.4	(15.0)	(5.6)	(2.0)	3.5	5.0	4.5	0.6	6.1		5.6	8.0
Home Care	18.6	11.0	51.9	20.9	18.2	10.3	14.5	15.1	6.6	7.5	8.0		5.0	0.9
<b>Foods</b>	<b>37.6</b>	<b>33.5</b>	<b>50.0</b>	<b>30.0</b>	<b>6.4</b>		<b>(0.4)</b>	<b>(7.1)</b>	<b>6.7</b>	<b>0.0</b>	<b>4.0</b>	<b>(20.7)</b>	<b>(4.0)</b>	<b>(9.0)</b>

Source: Kotak Institutional Equities

Exhibit 7: Key revenue assumptions for Dabur, March fiscal year-ends, 2018-28E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2027E
<b>Key assumptions</b>											
<b>Domestic FMCG sales (Rs mn)</b>	<b>53,372</b>	<b>58,620</b>	<b>59,110</b>	<b>67,810</b>	<b>77,520</b>	<b>82,290</b>	<b>86,584</b>	<b>86,030</b>	<b>92,617</b>	<b>100,925</b>	<b>110,280</b>
Hair care	11,185	12,630	12,490	12,720	15,014	15,537	16,321	16,243	17,380	18,579	19,843
Oral care	9,254	9,870	10,050	12,380	13,678	14,386	16,018	16,644	18,142	20,137	22,332
Home care	3,581	4,050	4,090	3,800	4,588	5,755	6,407	6,567	7,093	7,731	8,470
Skin care	2,807	3,100	3,010	3,560	3,290	3,124	3,247	3,348	3,650	3,978	4,353
OTC and ethicals	4,705	5,190	5,180	6,770	7,748	7,399	7,879	7,689	8,305	9,135	10,167
Health supplements	9,182	10,300	11,150	15,890	15,805	13,893	13,810	13,444	14,318	15,463	16,855
Digestives	2,998	3,450	3,720	3,810	4,277	4,768	5,541	5,727	6,300	6,902	7,552
Foods	9,661	10,030	9,420	8,880	13,120	17,428	17,360	16,367	17,430	18,999	20,709
<b>Subsidiary sales (Rs mn)</b>	<b>21,393</b>	<b>22,599</b>	<b>23,938</b>	<b>23,769</b>	<b>27,092</b>	<b>28,455</b>	<b>32,684</b>	<b>34,924</b>	<b>37,721</b>	<b>40,927</b>	<b>44,319</b>
<b>Domestic FMCG sales growth (%)</b>	<b>5.5</b>	<b>9.8</b>	<b>0.9</b>	<b>14.7</b>	<b>14.3</b>	<b>6.0</b>	<b>5.3</b>	<b>(0.6)</b>	<b>7.7</b>	<b>9.0</b>	<b>9.3</b>
Hair care	2.7	12.9	(1.1)	1.8	18.0	3.5	5.0	(0.5)	7.0	6.9	6.8
Oral care	16.0	6.7	1.8	23.2	10.5	5.2	11.3	3.9	9.0	11.0	10.9
Home care	9.0	13.1	1.1	(7.1)	20.7	25.4	11.3	2.5	8.0	9.0	9.6
Skin care	5.8	10.5	(2.7)	18.3	(7.6)	(5.1)	3.9	3.1	9.0	9.0	9.4
OTC and ethicals	6.2	10.3	(0.1)	30.7	14.5	(4.5)	6.5	(2.4)	8.0	10.0	11.3
Health supplements	8.4	12.2	8.2	42.5	(0.5)	(12.1)	(0.6)	(2.7)	6.5	8.0	9.0
Digestives	7.5	15.1	8.0	2.4	12.3	11.5	16.2	3.4	10.0	9.6	9.4
Foods	(4.5)	3.8	(6.1)	(5.7)	47.7	32.8	(0.4)	(5.7)	6.5	9.0	9.0
<b>Subsidiary sales growth (%)</b>	<b>(8.2)</b>	<b>5.6</b>	<b>5.9</b>	<b>(0.7)</b>	<b>14.0</b>	<b>5.0</b>	<b>14.9</b>	<b>6.9</b>	<b>8.0</b>	<b>8.5</b>	<b>8.3</b>
Consolidated revenue growth (%)	0.6	10.1	2.0	9.9	13.9	5.9	7.6	1.3	7.9	8.8	9.0
Consolidated Gross margin (%)	50.4	49.5	49.9	49.9	48.2	45.6	48.0	48.0	48.1	48.2	48.4
Consolidated EBITDA margin (%)	20.9	20.4	20.6	20.9	20.7	18.8	19.4	18.4	18.8	19.0	19.4

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Dabur—consolidated profit model, balance sheet, cash flow model, March fiscal year-ends, 2018-2028E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Profit model (Rs mn)</b>											
Net revenues	77,483	85,331	87,036	95,617	108,887	115,299	124,040	125,631	135,493	147,452	160,675
<b>EBITDA</b>	<b>16,174</b>	<b>17,396</b>	<b>17,924</b>	<b>20,027</b>	<b>22,538</b>	<b>21,641</b>	<b>24,002</b>	<b>23,163</b>	<b>25,451</b>	<b>27,973</b>	<b>31,157</b>
Other income	3,052	2,962	3,053	3,253	3,932	4,454	4,824	5,501	5,929	6,383	7,069
Interest expense	(531)	(596)	(495)	(308)	(386)	(782)	(1,242)	(1,635)	(1,443)	(1,118)	(734)
Depreciation	(1,622)	(1,769)	(2,205)	(2,401)	(2,529)	(3,110)	(3,992)	(4,456)	(4,799)	(5,077)	(5,295)
<b>Pretax profits</b>	<b>17,074</b>	<b>17,993</b>	<b>18,277</b>	<b>20,570</b>	<b>23,555</b>	<b>22,203</b>	<b>23,593</b>	<b>22,573</b>	<b>25,138</b>	<b>28,161</b>	<b>32,197</b>
Tax	(3,354)	(3,599)	(2,997)	(3,611)	(5,264)	(5,174)	(5,474)	(5,175)	(5,987)	(6,930)	(8,049)
Minority Interest	(31)	(30)	(30)	(27)	(49)	42	309	277	305	336	369
<b>Net Income</b>	<b>13,689</b>	<b>14,364</b>	<b>15,250</b>	<b>16,933</b>	<b>18,242</b>	<b>17,072</b>	<b>18,427</b>	<b>17,676</b>	<b>19,456</b>	<b>21,567</b>	<b>24,517</b>
Extraordinary items	(145)	59	(800)	—	(850)	—	—	—	—	—	—
<b>Reported Net Income</b>	<b>13,544</b>	<b>14,423</b>	<b>14,450</b>	<b>16,933</b>	<b>17,392</b>	<b>17,072</b>	<b>18,427</b>	<b>17,676</b>	<b>19,456</b>	<b>21,567</b>	<b>24,517</b>
<b>Earnings per share (Rs)</b>	<b>7.8</b>	<b>8.1</b>	<b>8.6</b>	<b>9.6</b>	<b>10.3</b>	<b>9.6</b>	<b>10.4</b>	<b>10.0</b>	<b>11.0</b>	<b>12.2</b>	<b>13.8</b>
<b>Balance sheet (Rs mn)</b>											
Total shareholder's equity	57,065	56,317	66,058	76,635	83,813	89,733	98,663	108,007	113,199	120,032	127,799
Total borrowings	9,375	6,993	3,292	3,505	8,677	9,990	11,581	7,301	4,011	3,761	3,511
Deferred tax liability	1,091	231	174	139	823	910	1,090	1,443	1,443	1,443	1,443
Minority Interest	265	314	365	367	406	4,682	4,368	4,096	3,791	3,455	3,086
<b>Total liabilities and equity</b>	<b>68,403</b>	<b>64,496</b>	<b>72,194</b>	<b>82,621</b>	<b>95,793</b>	<b>107,451</b>	<b>118,144</b>	<b>123,399</b>	<b>125,052</b>	<b>131,367</b>	<b>138,590</b>
Net fixed assets incl CWIP	20,696	20,328	23,993	23,397	24,263	37,067	40,018	41,152	40,364	37,755	35,280
Investments	38,052	33,588	28,003	42,101	62,687	63,123	69,781	75,114	75,114	75,114	75,114
Cash	3,061	3,282	8,114	1,111	5,701	3,259	6,664	5,780	9,043	18,929	29,767
Net current assets	5,987	6,658	9,780	9,022	1,066	1,865	(761)	(1,199)	(2,077)	(3,108)	(4,322)
<b>Total assets</b>	<b>68,403</b>	<b>64,496</b>	<b>72,194</b>	<b>82,621</b>	<b>95,793</b>	<b>107,451</b>	<b>118,144</b>	<b>123,399</b>	<b>125,052</b>	<b>131,367</b>	<b>138,590</b>
<b>Free cash flow (Rs mn)</b>											
Operating cash flow (excl working capital)	13,465	15,172	16,716	17,263	18,991	16,485	19,123	19,977	20,442	22,078	24,202
Working capital	(2,575)	(181)	(579)	3,884	(968)	(1,601)	1,011	(110)	878	1,031	1,214
Capital expenditure	(2,003)	(2,250)	(4,005)	(3,112)	(3,741)	(5,091)	(5,639)	(5,695)	(4,011)	(2,468)	(2,819)
<b>Free cash flow</b>	<b>8,887</b>	<b>12,741</b>	<b>12,131</b>	<b>18,035</b>	<b>14,282</b>	<b>9,793</b>	<b>14,496</b>	<b>14,172</b>	<b>17,308</b>	<b>20,641</b>	<b>22,597</b>
<b>Key ratios (%)</b>											
Sales growth	0.6	10.1	2.0	9.9	13.9	5.9	7.6	1.3	7.9	8.8	9.0
EBITDA growth	7.2	7.6	3.0	11.7	12.5	(4.0)	10.9	(3.5)	9.9	9.9	11.4
EPS growth	7.2	4.6	6.1	11.0	7.7	(6.6)	7.9	(4.1)	10.1	10.8	13.7
<b>EBITDA margin</b>	<b>20.9</b>	<b>20.4</b>	<b>20.6</b>	<b>20.9</b>	<b>20.7</b>	<b>18.8</b>	<b>19.4</b>	<b>18.4</b>	<b>18.8</b>	<b>19.0</b>	<b>19.4</b>
<b>Gross margin</b>	<b>50.4</b>	<b>49.5</b>	<b>49.9</b>	<b>49.9</b>	<b>48.2</b>	<b>45.6</b>	<b>48.0</b>	<b>48.0</b>	<b>48.1</b>	<b>48.2</b>	<b>48.4</b>
Employee cost % of sales	10.2	11.0	10.9	10.8	9.9	9.9	10.0	10.3	10.1	10.1	10.0
A&SP % of sales	7.8	7.1	7.5	8.2	7.1	5.6	6.8	6.9	7.4	7.6	7.6

Source: Company, Kotak Institutional Equities estimates

# Aptus Value Housing Finance (APTUS)

Diversified Financials

**BUY**

CMP(₹): 320

Fair Value(₹): 400

 Sector View: **Attractive**

NIFTY-50: 24,414

May 08, 2025

## Aptly placed

Aptus reported a 5% earnings beat in 4QFY25. The company is well-placed to deliver 25% AUM medium-term CAGR, 6%+ RoA and 19-20% medium-term RoE, underpinned by consistent franchise expansion, control over delinquencies and funding cost tailwinds, despite rising competition in the space. We revise estimates and upgrade to BUY from ADD with FV of Rs400 from Rs370.

## Strong 4Q print

Aptus reported PAT of Rs2 bn, up 26% yoy and 5% above our estimates. The core PBT was up 26% yoy and 4% above our estimates. Lower-than-expected operating expenses and credit costs led to an earnings beat. NII grew 19% yoy, driven by 25% AUM growth and sharp 52 bps yoy NIM compression. Reported spreads and yields were flat qoq. Operating expenses were up 21% yoy, leading to a moderate cost-to-AAUM ratio of 2.7%. Credit costs were moderate at 0.3% compared with the 0.4-0.5% reported previously.

## Well-placed in the current environment

We believe that Aptus is well-placed to deliver 25% AUM growth due to similar growth in disbursements. Disbursement growth (15%) in FY2025 was moderate due to a high base in 4Q and a change in IT systems in 1Q; adjusting for these, the one-off two-year CAGR in disbursements over FY2023-25 was strong at 25%. The company made a comeback in its home state of TN (AUM up 6% qoq) after losing steam last year, reflecting good execution skills. Falling rates will underpin margins in its predominantly (81% of AUMs) fixed-rate loan book, even as it builds stable spreads on a base of its high yields. Credit costs have been low at 33-35 bps for FY2024-25, with low (1.1-1.2% gross stage-3 and 4.3-4.7% gross stage-2 loans) and about 1% ECL coverage; we continue to build in 60-65 bps of credit costs and near-term focus remains on recovery trends in the home state of TN that has recently approved a legislature (not applicable to NBFC/banks though) to curtail cohesive recovery practices.

## Upgrade to BUY; FV of Rs390

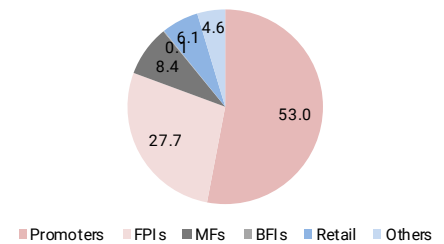
We revise up our estimates by 2.1-3.8% to reflect marginally higher NIM, lower opex and provisions. We expect the company to deliver 25% AUM CAGR (FY2025-28E) with 19-20% RoEs. Falling rates augur well with stable operating matrices, even as all eyes are on TN in the near term (explained above). We expect the company to deliver 18-22% core earnings growth, driving 15-20% PAT growth over the next three years. At our RGM-based FV of Rs400 (up from Rs370), the stock will trade at 3.4X book and 19X earnings FY2027E. Superior profitability metrics drive higher multiples for the company versus affordable HFC peers, despite a moderate RoA profile, on a higher base.

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	320/400/BUY
52-week range (Rs) (high-low)	402-268
Mcap (bn) (Rs/US\$)	160/1.9
ADTV-3M (mn) (Rs/US\$)	158/1.9

#### Shareholding pattern (%)



#### Price performance (%)

	1M	3M	12M
Absolute	9	(2)	(1)
Rel. to Nifty	(1)	(6)	(10)
Rel. to MSCI India	(1)	(5)	(8)

#### Forecasts/Valuations

	2025	2026E	2027E
EPS (Rs)	15.0	17.2	20.7
EPS growth (%)	22.6	14.6	20.2
P/E (X)	21.3	18.6	15.5
P/B (X)	3.7	3.2	2.8
BVPS (Rs)	86.4	98.6	113.3
RoE (%)	18.6	18.6	19.5
Div. yield (%)	1.4	1.6	1.9
NII (Rs bn)	11	14	17
PPOP (Rs bn)	9.5	11	14
Net profits (Rs bn)	7.5	8.6	10

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

[Full sector coverage on KINSITE](#)

Nischint Chawathe

M B Mahesh, CFA

Varun Palacharla

Abhijeet Sakhare

Ashlesh Sonje, CFA

Nikhil Suresh

Exhibit 1: Aptus Value Housing Finance (consolidated)—quarterly summary, March fiscal year-ends, 4QFY25 (Rs mn)

	4QFY25	4QFY25E	4QFY24	3QFY25	Change (%)			2025	2024 (% chg.)	2026E	
					4QFY25E	4QFY24	3QFY25				
<b>Income statement</b>											
<b>Operational income</b>	<b>4,840</b>	<b>4,807</b>	<b>3,745</b>	<b>4,500</b>	<b>1</b>	<b>29</b>	<b>8</b>	<b>17,504</b>	<b>13,652</b>	<b>28</b>	<b>21,701</b>
Interest income	4,500	4,646	3,600	4,335	(3)	25	4	16,696	13,199	26	20,905
Fee and commission income	152	141	134	149	8	13	2	569	411	38	704
Net gain on FV change	26	19	12	17	35	121	55	77	42	84	92
Other operational income	163	—	—	—	NM	NM	NM	163	—	NM	—
Interest expense	1,498	1,537	1,085	1,429	(3)	38	5	5,405	3,879	39	7,124
<b>Net interest income</b>	<b>3,002</b>	<b>3,110</b>	<b>2,514</b>	<b>2,906</b>	<b>(3)</b>	<b>19</b>	<b>3</b>	<b>11,291</b>	<b>9,320</b>	<b>21</b>	<b>13,781</b>
Net operational income	3,343	3,270	2,660	3,071	2	26	9	12,099	9,773	24	14,577
Other income	152	182	166	146	(17)	(8)	4	537	480	12	587
<b>Total income</b>	<b>3,495</b>	<b>3,452</b>	<b>2,826</b>	<b>3,218</b>	<b>1</b>	<b>24</b>	<b>9</b>	<b>12,636</b>	<b>10,253</b>	<b>23</b>	<b>15,164</b>
Operating expenses	706	736	582	633	(4)	21	11	2,547	2,066	23	3,260
Employee expenses	467	544	433	435	(14)	8	7	1,771	1,533	15	2,130
D&A expense	33	20	23	33	69	44	2	121	93	30	136
Other expenses	205	173	126	166	19	63	24	656	440	49	994
<b>PPOP</b>	<b>2,789</b>	<b>2,716</b>	<b>2,244</b>	<b>2,584</b>	<b>3</b>	<b>24</b>	<b>8</b>	<b>10,089</b>	<b>8,186</b>	<b>23</b>	<b>11,905</b>
Provisions	79	147	94	129	(46)	(16)	(39)	340	255	34	734
PBT	2,710	2,570	2,150	2,455	5	26	10	9,748	7,932	23	11,171
Tax	639	599	510	550	7	25	16	2,236	1,813	23	2,562
<b>Profit after tax</b>	<b>2,070</b>	<b>1,971</b>	<b>1,640</b>	<b>1,905</b>	<b>5</b>	<b>26</b>	<b>9</b>	<b>7,512</b>	<b>6,119</b>	<b>23</b>	<b>8,609</b>
Tax rate (%)	23.6	23.3	23.7	22.4	28 bps	-12 bps	118 bps	22.9	22.9	0.4	22.9
<b>Core PBT</b>	<b>2,611</b>	<b>2,515</b>	<b>2,067</b>	<b>2,421</b>	<b>4</b>	<b>26</b>	<b>8</b>	<b>9,475</b>	<b>7,665</b>	<b>24</b>	<b>11,225</b>
<b>Balance sheet</b>											
Loans	106,300	108,804	85,282	100,720	(2)	25	6	106,303	85,282	25	136,943
Net assets	112,440	113,500	90,044	106,220	(1)	25	6	112,434	90,044	25	143,099
Reported borrowings	68,730	70,065	51,996	64,550	(2)	32	6	68,731	51,996	32	93,182
<b>AUM and disbursement details</b>											
<b>Overall AUM (Rs mn)</b>	<b>108,650</b>	<b>109,936</b>	<b>87,220</b>	<b>102,260</b>	<b>(1)</b>	<b>25</b>	<b>6</b>	<b>108,650</b>	<b>87,220</b>	<b>25</b>	<b>138,633</b>
Overall disbursements (Rs mn)	10,640	11,794	9,680	9,300	(10)	10	14	36,041	31,275	15	45,411
<b>Repayment rate (%)</b>	<b>16.6</b>	<b>16.1</b>	<b>15.8</b>	<b>15.8</b>	<b>51 bps</b>	<b>87 bps</b>	<b>80 bps</b>	<b>16.8</b>	<b>17.0</b>	<b>(1.3)</b>	<b>14.2</b>
<b>Asset quality details</b>											
<b>30+ dpd (%)</b>	<b>5.9</b>		<b>5.4</b>	<b>6.2</b>		<b>50 bps</b>	<b>-30 bps</b>				
<b>Gross stage-3 (%)</b>	<b>1.2</b>		<b>1.1</b>	<b>1.3</b>		<b>12 bps</b>	<b>-8 bps</b>	<b>1.2</b>	<b>1.1</b>		<b>1.2</b>
ECL coverage on stage-1 and 2 (%)	0.7		0.8	0.7		-6 bps	2 bps	0.7	0.8		0.9
ECL coverage on stage-3 (%)	25.0		25.0	25.0		0 bps	0 bps	25.0	25.0		25.0
<b>Overall ECL coverage (%)</b>	<b>1.0</b>		<b>1.1</b>	<b>1.0</b>		<b>-3 bps</b>	<b>0 bps</b>	<b>1.0</b>	<b>1.1</b>		<b>1.2</b>
<b>Key ratios (%)</b>											
<b>Yield on loans</b>	<b>17.2</b>	<b>17.5</b>	<b>17.1</b>	<b>17.4</b>	<b>-35 bps</b>	<b>2 bps</b>	<b>-25 bps</b>	<b>17.2</b>	<b>17.1</b>		<b>17.0</b>
Cost of borrowings	9.0	9.1	8.8	9.0	-14 bps	15 bps	-5 bps	9.0	8.6		8.8
Spread	8.2	8.4	8.3	8.4	-21 bps	-12 bps	-21 bps	8.2	8.5		8.2
<b>NIM</b>	<b>11.5</b>	<b>11.7</b>	<b>12.0</b>	<b>11.7</b>	<b>-27 bps</b>	<b>-52 bps</b>	<b>-23 bps</b>	<b>11.6</b>	<b>12.1</b>		<b>11.2</b>
Cost-to-income	20.2	21.3	20.6	19.7	-113 bps	-40 bps	51 bps	20.2	20.2		21.5
<b>Cost-to-average AUM</b>	<b>2.7</b>	<b>2.8</b>	<b>2.8</b>	<b>2.5</b>	<b>-8 bps</b>	<b>-8 bps</b>	<b>15 bps</b>	<b>2.6</b>	<b>2.7</b>		<b>2.6</b>
<b>Credit cost</b>	<b>0.3</b>	<b>0.6</b>	<b>0.4</b>	<b>0.5</b>	<b>-25 bps</b>	<b>-14 bps</b>	<b>-22 bps</b>	<b>0.3</b>	<b>0.3</b>		<b>0.6</b>

Source: Company, Kotak Institutional Equities estimates

**Growth to remain strong**

**Disbursements marred by high base.** A high base in 4QFY24 (up 47% yoy) led to muted 10% yoy disbursement growth in 4QFY25. The two-year CAGR remains strong at 27% yoy, in line with 21-26% disbursement growth reported during 2Q-3QFY25. Disbursements in 1Q (up 4% yoy) were impacted by a shift in recognition of loan disbursals and transition to new IT systems.

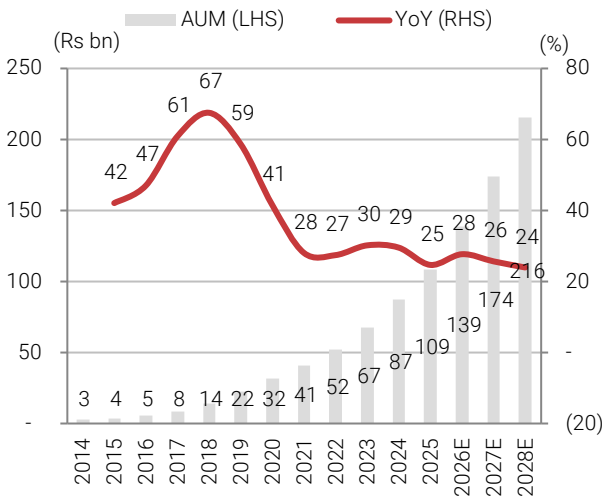
**LAP growth remains moderate.** LAP growth remains moderate at 9% yoy, 11-12% yoy in the previous two quarters. Home loan growth was strong at 25%. Business loans were also up 25% yoy. According to management, the LAP growth was consciously moderated to ensure compliance with the regulatory requirement of principal business criteria (PBC).

**TN growth picked up.** While AUM growth has picked up to 6% qoq in Tamil Nadu. Growth was weak in 1HFY25, owing to increased competitive intensity. Senior-level employees were poached by competitors in Tamil Nadu; this also led to high attrition at lower levels. According to management, the team has stabilized and productivity has picked up after the disturbance in previous quarters.

**Branch expansion to drive growth.** We bake in a 25% disbursement growth over FY2026-28E, driven by branch expansion and an increase in ticket sizes. Aptus will likely open 30-35 branches every year and ATS will inch up to Rs1.0 mn from Rs0.9 mn currently. A pick-up in disbursements in the home state may provide upside risks to our estimates, which management expects. The repayment rate will gradually inch up to 16.9% in FY2028E from 14.2% in FY2026E, leading to AUM CAGR of 25% over FY2025-27E.

**We expect 26% AUM CAGR during FY2025-27E driven by...**

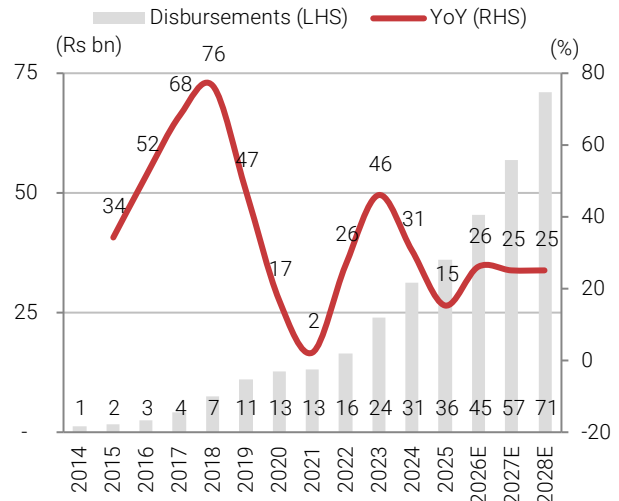
Exhibit 2: AUM, March fiscal year-ends, 2014-2028E



Source: Company, Kotak Institutional Equities estimates

**... 25% CAGR in disbursements**

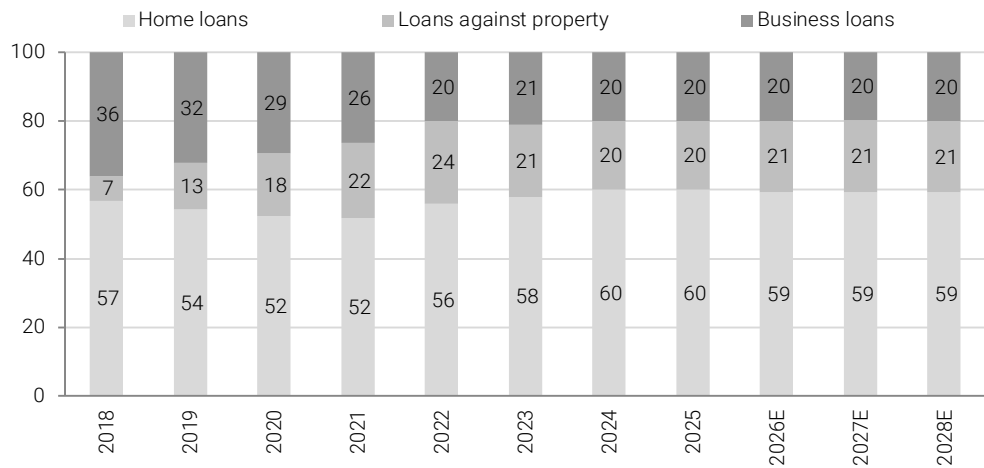
Exhibit 3: Disbursements, March fiscal year-ends, 2014-2028E



Source: Company, Kotak Institutional Equities estimates

**AUM mix to remain broadly stable**

**Exhibit 4: AUM mix, March fiscal year-ends, 2018-2028E (%)**



Source: Company, Kotak Institutional Equities estimates

**We expect stable spreads in the near term; higher leverage to reflect NIM compression**

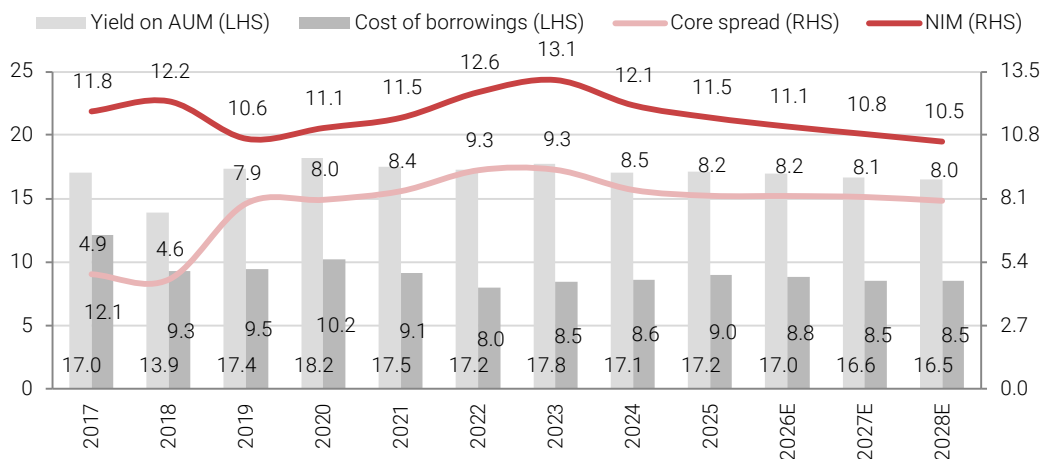
**We bake in stable spreads in FY2026E.** The company has a fixed rate book (81% of total AUM); 56% of borrowings are linked to the floating rate, 30% to repo/EBLR and 26% to MCLR. This divergence should ideally lead to a 15-20 bps expansion in spreads over the next few quarters. We bake in stable spreads in our forecasts, assuming transmission on the asset side on incremental loans, prompted by increasing competition and focus on growth. NIM may compress 40 bps yoy in FY2026E, reflecting higher leverage on the balance sheet. This follows a 45 bps NIM compression in FY2025, owing to 25 bps lower spreads and increase in leverage.

**NIM compression in medium term.** We bake in a moderation in the cost of borrowings to 8.5% by FY2027E. As discussed earlier, we conservatively build in a lending rate cut on incremental loans, leading to a gradual decline in yields to 16.6% by FY2027E. Resultantly, spreads will moderate to 8.1% by FY2027E and 8% by FY2028E from 8.2% in FY2025. We model NIM of 10.5% in FY2028E versus 11.6% in FY2025.

**First assignment transaction done.** Aptus did their first assignment transaction in 4QFY25 of Rs750 mn in the non-housing loan segment. This aided in improving the principal business criteria (PBC) to 64.3%. The company may resort to such transactions to maintain the PBC ratio.

**NIMs to compress over the medium term**

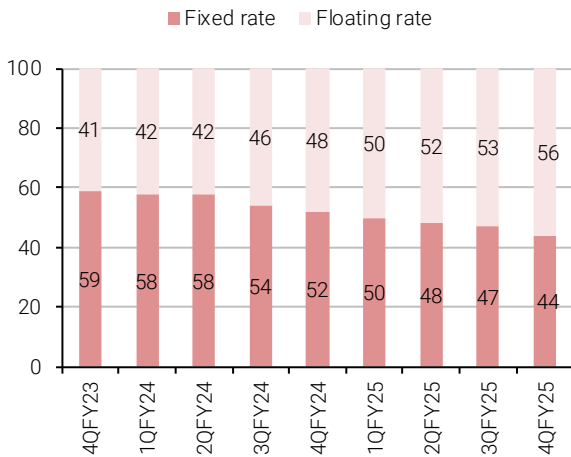
**Exhibit 5: Yields, cost of borrowings and NIM, March fiscal year-ends, 2017-2028E**



Source: Company, Kotak Institutional Equities estimates

**Share of fixed rate borrowings down to 44% in 4QFY25**

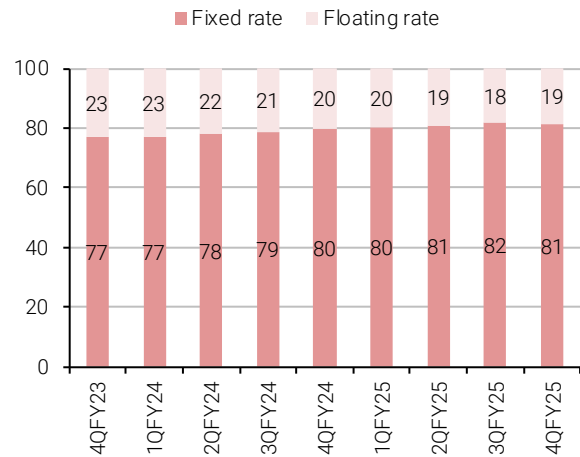
Exhibit 6: Borrowing mix, March fiscal year-ends, 4QFY23-4QFY25 (%)



Source: Company, Kotak Institutional Equities

**Share fixed rate loans high at 81%**

Exhibit 7: Loan assets mix, March fiscal year-ends, 4QFY23-4QFY25 (%)



Source: Company, Kotak Institutional Equities

**Asset quality performance has been stable**

- ▶ **Stressed loans have declined sharply.** Aptus reported a sharp 48 bps qoq decline in stressed loans, driven by an improvement in most buckets. The gross stage-2 and 3 ratios declined 20 bps and 8 bps qoq, respectively. Write-offs were also muted at 10 bps compared with 21-30 bps in the previous two quarters.
- ▶ **Strong collections trend.** The collection efficiency was elevated at 101.2% in 4QFY25 compared with 99.45% in 3QFY25 and 100.2% in 4QFY24. Collections were weak in 1H, owing to multiple factors such as elections and the heatwave, followed by monsoons. This has likely reverted in 4Q, leading to a moderation in delinquencies.
- ▶ **Credit costs were moderate.** Credit costs were moderate at 30 bps, driven by stable ECL coverage ratios of 1.0% and muted write-offs of 10 bps.
- ▶ **Stressed loans higher than peers.** Stressed loans for Aptus are higher than peers (2.6-5.1%) at 6.0% in 4QFY25. This has been a sustained trend with Aptus reporting 6-10% stressed loans over 2021-25 compared with 3-8% for peers.

**We build in higher credit costs for Aptus**

We believe that, like other high-yield products, delinquencies and credit losses will be higher for Aptus and increase over time as the base increases. A high share of non-housing loans will also drive delinquencies up for Aptus. We believe historic credit costs (33-35 bps during FY2024-25) are unsustainable and model higher provisions over the medium term, leading to credit costs of 60-64 bps over FY2026-28E. The recently passed Tamil Nadu Money Lending Entities Act may impact collections in Tamil Nadu (33% of AUM). The act clearly exempts the RBI-regulated entities, but there may be disruptions to collection efforts for a transitory period as police authorities and the public fully understand the nuances.

**Stressed loans are elevated for Aptus compared with peers**

**Exhibit 8: Stressed loans breakup, March fiscal year-ends, 2021-2025, 4QFY24-4QFY25 (%)**

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Change		2021	2022	2023	2024	2025	YoY (%)
						4QFY24 (bps)	3QFY25 (bps)						
<b>Aadhar</b>													
Gross stage-2	3.6	3.7	3.7	3.8	4.0	37	18	6.3	5.4	4.1	3.6	4.0	37
Gross stage-3	1.1	1.3	1.3	1.4	1.1	(2)	(35)	1.2	1.5	1.2	1.1	1.1	(2)
Write-offs (% of opening AUM)	0.1	0.2	0.1	0.0	0.1	(2)	3	0.3	0.2	0.2	0.1	0.1	(1)
<b>Stressed loans</b>	<b>4.8</b>	<b>5.2</b>	<b>5.2</b>	<b>5.3</b>	<b>5.1</b>	<b>33</b>	<b>(13)</b>	<b>7.9</b>	<b>7.1</b>	<b>5.5</b>	<b>4.8</b>	<b>5.2</b>	<b>35</b>
<b>Aavas Financier</b>													
<b>1+ dpd (1)</b>	<b>3.1</b>	<b>3.7</b>	<b>4.0</b>	<b>3.9</b>	<b>3.4</b>	<b>27</b>	<b>(46)</b>	<b>6.4</b>	<b>4.5</b>	<b>3.3</b>	<b>3.1</b>	<b>3.4</b>	<b>27</b>
SMA-0 (0-30 dpd)	0.7	1.1	1.2	1.2	0.8	12	(33)	2.5	0.5	0.6	0.7	0.8	12
Gross stage-2 loans (30-90 dpd, 2)	1.5	1.6	1.7	1.5	1.5	1	(6)	2.9	3.0	1.8	1.5	1.5	1
Gross stage-3 loans (3)	0.9	1.0	1.1	1.1	1.1	14	(6)	1.0	1.0	0.9	0.9	1.1	14
Write-offs (% of opening AUM, annualized, 5)	0.1	0.1	0.0	0.0	0.0	(8)	1	0.1	0.1	0.0	0.1	0.0	(5)
<b>Stressed loans (excluding 0-30 dpd, 7: 2+3+5)</b>	<b>2.5</b>	<b>2.6</b>	<b>2.8</b>	<b>2.7</b>	<b>2.6</b>	<b>7</b>	<b>(11)</b>	<b>4.0</b>	<b>4.2</b>	<b>2.9</b>	<b>2.6</b>	<b>2.7</b>	<b>10</b>
<b>Aptus Value Housing</b>													
30+ dpd	5.4	6.3	6.2	6.2	5.9	50	(30)	8.7	9.9	5.9	5.4	5.9	50
Gross stage-2 (8)	4.3	5.0	5.0	4.9	4.7	39	(20)	7.6	8.7	4.7	4.3	4.7	39
Gross stage-3 (9)	1.1	1.3	1.2	1.3	1.2	12	(8)	0.7	1.2	1.2	1.1	1.2	12
Write-offs (% of opening AUM, 10)	0.1	0.1	0.2	0.3	0.1	(2)	(19)	(0.0)	0.2	0.1	0.1	0.2	12
<b>Stressed loans (excluding 0-30 dpd, 11:8+9+10)</b>	<b>5.5</b>	<b>6.4</b>	<b>6.4</b>	<b>6.5</b>	<b>6.0</b>	<b>49</b>	<b>(48)</b>	<b>8.7</b>	<b>10.1</b>	<b>6.0</b>	<b>5.5</b>	<b>6.1</b>	<b>62</b>
<b>Home First Finance</b>													
<b>1+ dpd</b>	<b>4.2</b>	<b>4.5</b>	<b>4.5</b>	<b>4.8</b>	<b>4.5</b>	<b>30</b>	<b>(30)</b>	<b>6.2</b>	<b>5.3</b>	<b>4.0</b>	<b>4.2</b>	<b>4.5</b>	<b>30</b>
1-29 dpd (12)	1.4	1.6	1.7	1.7	1.5	11	(21)	2.4	1.6	1.3	1.4	1.5	11
Gross stage-2 (13)	1.1	1.1	1.1	1.3	1.3	21	(3)	3.5	2.3	1.1	1.1	1.3	21
Gross stage-3 (14)	1.7	1.7	1.7	1.7	1.7	(1)	(6)	1.7	1.3	1.6	1.7	1.7	(1)
Write-offs (% of opening AUM, 15)	(0.0)	0.1	0.0	0.2	0.2	24	7	0.4	0.6	0.2	0.2	0.2	(1)
<b>Stressed loans (excluding 1-29 dpd, 17:16-12)</b>	<b>2.8</b>	<b>3.0</b>	<b>2.8</b>	<b>3.3</b>	<b>3.2</b>	<b>43</b>	<b>(2)</b>	<b>5.6</b>	<b>4.2</b>	<b>3.3</b>	<b>3.3</b>	<b>3.6</b>	<b>33</b>

Source: Company, Kotak Institutional Equities

**Increase in coverage ratios to keep credit costs elevated over the medium term**

**Exhibit 9: Detailed asset quality, March fiscal year-ends, 2018-2028E**

	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Gross loan mix (Rs mn)</b>											
Gross stage-1	13,540	21,673	22,471	35,762	46,662	63,407	82,502	101,054	130,038	161,546	198,560
Gross stage-2	172	283	8,262	4,001	4,516	3,200	3,784	5,075	6,932	10,445	14,445
<b>Gross stage-3</b>	<b>72</b>	<b>97</b>	<b>521</b>	<b>276</b>	<b>618</b>	<b>777</b>	<b>933</b>	<b>1,283</b>	<b>1,664</b>	<b>2,089</b>	<b>2,587</b>
<b>Overall gross loans</b>	<b>13,784</b>	<b>22,052</b>	<b>31,254</b>	<b>40,040</b>	<b>51,796</b>	<b>67,383</b>	<b>87,219</b>	<b>107,412</b>	<b>138,633</b>	<b>174,080</b>	<b>215,591</b>
<b>Gross loan mix (%)</b>											
Gross stage-1	98.2	98.3	71.9	89.3	90.1	94.1	94.6	94.1	93.8	92.8	92.1
Gross stage-2	1.2	1.3	26.4	10.0	8.7	4.7	4.3	4.7	5.0	6.0	6.7
<b>Gross stage-3</b>	<b>0.5</b>	<b>0.4</b>	<b>1.7</b>	<b>0.7</b>	<b>1.2</b>	<b>1.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>ECL provisions (Rs mn)</b>											
Stage-1	16	25	9	43	160	263	330	354	650	969	1,291
Stage-2	0	1	9	22	102	255	361	432	624	1,044	1,589
<b>Stage-3</b>	<b>21</b>	<b>24</b>	<b>64</b>	<b>76</b>	<b>155</b>	<b>194</b>	<b>233</b>	<b>321</b>	<b>416</b>	<b>522</b>	<b>647</b>
<b>Overall ECL provisions</b>	<b>38</b>	<b>50</b>	<b>83</b>	<b>142</b>	<b>417</b>	<b>712</b>	<b>925</b>	<b>1,106</b>	<b>1,690</b>	<b>2,536</b>	<b>3,526</b>
<b>Overall ECL coverage (%)</b>											
Stage-1	0.1	0.1	0.0	0.1	0.3	0.4	0.4	0.4	0.5	0.6	0.7
Stage-2	0.3	0.3	0.1	0.6	2.3	8.0	9.5	8.5	9.0	10.0	11.0
<b>Stage-3</b>	<b>29.5</b>	<b>25.0</b>	<b>12.4</b>	<b>27.5</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>
<b>Overall ECL coverage</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>	<b>0.8</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.2</b>	<b>1.5</b>	<b>1.6</b>
<b>Credit cost break-up (%)</b>											
<b>Overall credit cost</b>	<b>0.07</b>	<b>0.06</b>	<b>0.13</b>	<b>0.16</b>	<b>0.75</b>	<b>0.57</b>	<b>0.33</b>	<b>0.35</b>	<b>0.59</b>	<b>0.64</b>	<b>0.64</b>
Provision for loans		0.06	0.12	0.16	0.60	0.49	0.28	0.19	0.47	0.54	0.51
Write-offs		0.00	0.00	(0.00)	0.15	0.08	0.05	0.16	0.12	0.10	0.13

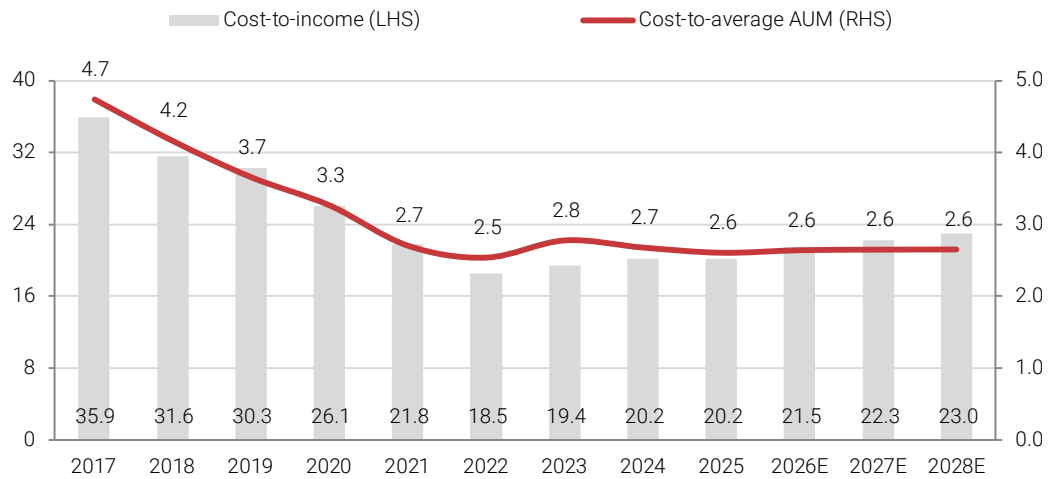
Source: Company, Kotak Institutional Equities estimates

**Cost ratios to remain moderate**

Investments in distribution will likely offset benefits of the operating leverage, leading to stable cost ratios of ~2.6% for Aptus. The company will likely add 1,500 employees (45% of the current employee base) over the next three years, leading to a sharp expansion in footprint. We build in inflationary growth in per employee expenses at a CAGR of 10% and a CAGR of 8% in establishment expenses over FY2026-28E. Resultantly, operating expense growth will remain elevated at 25-28% over FY2026-28E.

**Cost ratios to remain moderate**

**Exhibit 10: Cost ratios, March fiscal year-ends, 2017-2028E**



Source: Company, Kotak Institutional Equities estimates

**Exhibit 11: Change in estimates, March fiscal year-ends, 2025-2027E**

	New estimates			Old estimates			Change in estimates (%)		
	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
<b>Key business parameters</b>									
<b>AUM (Rs mn)</b>	108,650	138,633	174,080	109,936	138,384	172,941	(1.2)	0.2	0.7
YoY (%)	25	28	26	26	26	25	-147 bps	172 bps	60 bps
Disbursements (Rs mn)	36,041	45,411	56,764	37,194	46,493	58,116	(3)	(2)	(2)
YoY (%)	15	26	25	24	25	25	-874 bps	100 bps	0 bps
<b>Repayment rate (%)</b>	<b>16.8</b>	<b>14.2</b>	<b>15.4</b>	<b>16.6</b>	<b>16.4</b>	<b>17.0</b>	<b>15 bps</b>	<b>-221 bps</b>	<b>-165 bps</b>
<b>Key ratios (%)</b>									
Yield on loans	17.2	17.0	16.6	17.1	16.8	16.5	7 bps	24 bps	12 bps
<b>Core yield on loans</b>	<b>16.8</b>	<b>16.7</b>	<b>16.5</b>	<b>16.8</b>	<b>16.5</b>	<b>16.3</b>	<b>1 bps</b>	<b>19 bps</b>	<b>16 bps</b>
Cost of borrowings	9.0	8.8	8.5	8.9	8.8	8.7	3 bps	0 bps	-20 bps
Spread	8.2	8.2	8.1	8.2	8.0	7.8	4 bps	24 bps	32 bps
<b>Core spread</b>	<b>7.9</b>	<b>7.9</b>	<b>8.0</b>	<b>7.9</b>	<b>7.7</b>	<b>7.6</b>	<b>-3 bps</b>	<b>19 bps</b>	<b>36 bps</b>
<b>NIM</b>	<b>11.5</b>	<b>11.1</b>	<b>10.8</b>	<b>11.6</b>	<b>11.0</b>	<b>10.6</b>	<b>-3 bps</b>	<b>15 bps</b>	<b>22 bps</b>
Cost-to-income	20.2	21.5	22.3	20.5	21.9	23.1	-31 bps	-44 bps	-81 bps
<b>Cost-to-average AUM</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	<b>-1 bps</b>	<b>-3 bps</b>	<b>-6 bps</b>
Credit cost	0.35	0.59	0.64	0.41	0.69	0.69	-7 bps	-10 bps	-6 bps
ROA	7.4	6.7	6.4	7.3	6.6	6.3	14 bps	13 bps	16 bps
ROE	18.6	18.6	19.5	18.4	18.3	19.0	21 bps	28 bps	53 bps
<b>Core PBT ratio</b>	<b>9.4</b>	<b>8.8</b>	<b>8.5</b>	<b>9.2</b>	<b>8.7</b>	<b>8.3</b>	<b>14 bps</b>	<b>12 bps</b>	<b>20 bps</b>
<b>Key income statement items (Rs mn)</b>									
<b>Net interest income</b>	<b>11,291</b>	<b>13,781</b>	<b>16,929</b>	<b>11,399</b>	<b>13,659</b>	<b>16,509</b>	<b>(0.9)</b>	<b>0.9</b>	<b>2.5</b>
Total income	12,636	15,164	18,562	12,594	15,103	18,205	0.3	0.4	2.0
Operating expenses	2,547	3,260	4,135	2,578	3,313	4,203	(1.2)	(1.6)	(1.6)
Employee expenses	1,771	2,130	2,735	1,847	2,456	3,238	(4.1)	(13.3)	(15.5)
Others	777	1,130	1,400	731	857	965	6.3	31.9	45.1
Provisions	340	734	996	407	857	1,078	(16.5)	(14.4)	(7.6)
Profit before tax	9,748	11,171	13,431	9,609	10,933	12,924	1.5	2.2	3.9
<b>Profit after tax</b>	<b>7,512</b>	<b>8,609</b>	<b>10,351</b>	<b>7,413</b>	<b>8,435</b>	<b>9,970</b>	<b>1.3</b>	<b>2.1</b>	<b>3.8</b>
<b>Core PBT</b>	<b>9,475</b>	<b>11,225</b>	<b>13,674</b>	<b>9,379</b>	<b>11,066</b>	<b>13,206</b>	<b>1.0</b>	<b>1.4</b>	<b>3.5</b>
<b>Other data</b>									
EPS (Rs)	15	17	21	15	17	20	1.2	1.9	3.6
<b>BVPS (Rs)</b>	<b>86</b>	<b>99</b>	<b>113</b>	<b>86</b>	<b>98</b>	<b>112</b>	<b>0.2</b>	<b>0.5</b>	<b>1.1</b>

Source: Kotak Institutional Equities estimates

Exhibit 12: Aptus—key growth rates and ratios, March fiscal year-ends, 2020-2028E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Key growth rates (%)</b>									
<b>Income statement growth rates</b>									
Interest income	56	29	27	34	25	26	25	25	23
Interest expense	59	12	1	32	41	39	32	28	28
<b>Net interest income</b>	<b>54</b>	<b>39</b>	<b>40</b>	<b>34</b>	<b>19</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>21</b>
Total income	54	32	41	35	20	23	20	22	21
Operating expenses	32	11	20	41	25	23	28	27	25
<b>Pre-provision operating profit</b>	<b>63</b>	<b>40</b>	<b>47</b>	<b>34</b>	<b>19</b>	<b>23</b>	<b>18</b>	<b>21</b>	<b>19</b>
Provisions	193	70	493	(1)	(25)	34	116	36	25
Profit before tax	62	40	39	36	21	23	15	20	19
Taxes	(12)	115	41	37	20	23	15	20	19
<b>Profit after tax</b>	<b>89</b>	<b>27</b>	<b>39</b>	<b>36</b>	<b>22</b>	<b>23</b>	<b>15</b>	<b>20</b>	<b>19</b>
<b>Core PBT</b>	<b>64</b>	<b>48</b>	<b>46</b>	<b>33</b>	<b>19</b>	<b>24</b>	<b>18</b>	<b>22</b>	<b>20</b>
<b>Balance sheet growth rates</b>									
Cash and bank balances	443	(27)	2	3	(24)	21	10	10	10
Loans	42	28	27	30	29	25	29	25	24
Other assets	64	243	72	(22)	2	50	(21)	17	17
<b>Net assets</b>	<b>61</b>	<b>21</b>	<b>26</b>	<b>26</b>	<b>25</b>	<b>25</b>	<b>27</b>	<b>25</b>	<b>23</b>
Borrowings	26	24	8	39	37	32	36	30	27
Other liabilities	(31)	60	54	4	(10)	46	19	19	19
Total liabilities	25	25	9	39	36	32	35	30	27
<b>Shareholders' funds</b>	<b>145</b>	<b>16</b>	<b>47</b>	<b>15</b>	<b>13</b>	<b>15</b>	<b>14</b>	<b>15</b>	<b>16</b>
<b>AUM and disbursement growth rates (%)</b>									
<b>AUM</b>	<b>41</b>	<b>28</b>	<b>27</b>	<b>30</b>	<b>29</b>	<b>25</b>	<b>28</b>	<b>26</b>	<b>24</b>
<b>Home loans</b>	<b>36</b>	<b>27</b>	<b>38</b>	<b>35</b>	<b>34</b>	<b>25</b>	<b>26</b>	<b>25</b>	<b>24</b>
Loans against property	92	53	40	14	23	25	33	27	23
Business loans	29	15	(4)	37	23	25	27	25	25
<b>Disbursements</b>	<b>17</b>	<b>2</b>	<b>26</b>	<b>46</b>	<b>31</b>	<b>15</b>	<b>26</b>	<b>25</b>	<b>25</b>
<b>Key ratios (%)</b>									
<b>Yield on loans</b>	<b>18.2</b>	<b>17.5</b>	<b>17.2</b>	<b>17.8</b>	<b>17.1</b>	<b>17.2</b>	<b>17.0</b>	<b>16.6</b>	<b>16.5</b>
Core yield on AUM	17.3	16.8	16.7	17.3	16.8	16.8	16.7	16.5	16.3
Cost of borrowings	10.2	9.1	8.0	8.5	8.6	9.0	8.8	8.5	8.5
Spread	8.0	8.4	9.3	9.3	8.5	8.2	8.2	8.1	8.0
<b>Net interest margin</b>	<b>11.1</b>	<b>11.5</b>	<b>12.6</b>	<b>13.1</b>	<b>12.1</b>	<b>11.5</b>	<b>11.1</b>	<b>10.8</b>	<b>10.5</b>
Cost-to-income	26.1	21.8	18.5	19.4	20.2	20.2	21.5	22.3	23.0
<b>Cost-to-average AUM</b>	<b>3.3</b>	<b>2.7</b>	<b>2.5</b>	<b>2.8</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>
Credit cost	0.1	0.2	0.7	0.6	0.3	0.3	0.6	0.6	0.6
<b>Asset quality data</b>									
Gross stage-2 (%)	26.4	10.0	8.7	4.7	4.3	4.7	5.0	6.0	6.7
<b>Gross stage-3 (%)</b>	<b>1.7</b>	<b>0.7</b>	<b>1.2</b>	<b>1.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
ECL coverage on stage-1 (%)	0.0	0.1	0.3	0.4	0.4	0.4	0.5	0.6	0.7
ECL coverage on stage-2 (%)	0.1	0.6	2.3	8.0	9.5	8.5	9.0	10.0	11.0
ECL coverage on stage-3 (%)	12.4	27.5	25.0	25.0	25.0	25.0	25.0	25.0	25.0
<b>Overall ECL coverage (%)</b>	<b>0.3</b>	<b>0.4</b>	<b>0.8</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.2</b>	<b>1.5</b>	<b>1.6</b>
<b>Du-pont (% of average assets)</b>									
<b>Net interest income</b>	<b>9.9</b>	<b>10.1</b>	<b>11.4</b>	<b>12.2</b>	<b>11.5</b>	<b>11.2</b>	<b>10.8</b>	<b>10.5</b>	<b>10.3</b>
Total income	11.2	10.9	12.4	13.3	12.7	12.5	11.9	11.5	11.2
Operating expenses	2.9	2.4	2.3	2.6	2.6	2.5	2.6	2.6	2.6
Employee expenses	2.1	1.7	1.7	1.9	1.9	1.7	1.7	1.7	1.8
Other expenses	0.8	0.6	0.6	0.7	0.7	0.8	0.9	0.9	0.8
<b>Pre-provision operating profit</b>	<b>8.3</b>	<b>8.5</b>	<b>10.1</b>	<b>10.7</b>	<b>10.1</b>	<b>10.0</b>	<b>9.3</b>	<b>9.0</b>	<b>8.7</b>
Provisions	0.1	0.1	0.7	0.5	0.3	0.3	0.6	0.6	0.6
Profit before tax	8.1	8.3	9.4	10.2	9.8	9.6	8.7	8.4	8.0
(1-tax rate)	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
<b>ROA</b>	<b>6.9</b>	<b>6.5</b>	<b>7.3</b>	<b>7.8</b>	<b>7.6</b>	<b>7.4</b>	<b>6.7</b>	<b>6.4</b>	<b>6.2</b>
Average assets/average equity	2.5	2.2	2.1	2.1	2.3	2.5	2.8	3.0	3.3
<b>ROE</b>	<b>17.5</b>	<b>14.5</b>	<b>15.1</b>	<b>16.1</b>	<b>17.2</b>	<b>18.6</b>	<b>18.6</b>	<b>19.5</b>	<b>20.2</b>
<b>Core PBT ratio</b>	<b>7.4</b>	<b>8.0</b>	<b>9.5</b>	<b>10.0</b>	<b>9.5</b>	<b>9.4</b>	<b>8.8</b>	<b>8.5</b>	<b>8.2</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 13: Aptus—financial summary, March fiscal year-ends, 2020-2028E**

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Income statement (Rs mn)</b>									
Interest income	4,852	6,239	7,917	10,584	13,199	16,696	20,905	26,033	32,125
Interest expense	1,845	2,065	2,086	2,759	3,879	5,405	7,124	9,104	11,663
<b>Net interest income</b>	<b>3,007</b>	<b>4,174</b>	<b>5,831</b>	<b>7,825</b>	<b>9,320</b>	<b>11,291</b>	<b>13,781</b>	<b>16,929</b>	<b>20,462</b>
Net operational income	3,158	4,301	6,061	8,174	9,773	12,099	14,577	17,919	21,695
Other income	234	186	255	356	480	537	587	643	694
<b>Total income</b>	<b>3,392</b>	<b>4,487</b>	<b>6,316</b>	<b>8,531</b>	<b>10,253</b>	<b>12,636</b>	<b>15,164</b>	<b>18,562</b>	<b>22,388</b>
Operating expenses	885	978	1,171	1,652	2,066	2,547	3,260	4,135	5,157
Employee expenses	648	714	844	1,213	1,533	1,771	2,130	2,735	3,511
Depreciation expenses	58	57	66	72	93	121	136	149	161
Other expenses	178	207	262	367	440	656	994	1,251	1,485
<b>Pre-provision operating profit</b>	<b>2,507</b>	<b>3,509</b>	<b>5,145</b>	<b>6,878</b>	<b>8,186</b>	<b>10,089</b>	<b>11,905</b>	<b>14,427</b>	<b>17,231</b>
Provisions	34	58	345	341	255	340	734	996	1,240
Profit before tax	2,473	3,451	4,800	6,537	7,932	9,748	11,171	13,431	15,991
Taxes	363	781	1,099	1,507	1,813	2,236	2,562	3,081	3,668
<b>Profit after tax</b>	<b>2,110</b>	<b>2,669</b>	<b>3,701</b>	<b>5,030</b>	<b>6,119</b>	<b>7,512</b>	<b>8,609</b>	<b>10,351</b>	<b>12,323</b>
<b>Core PBT</b>	<b>2,244</b>	<b>3,316</b>	<b>4,836</b>	<b>6,437</b>	<b>7,665</b>	<b>9,475</b>	<b>11,225</b>	<b>13,674</b>	<b>16,405</b>
<b>Balance sheet (Rs mn)</b>									
Cash and bank balances	6,027	4,378	4,459	4,600	3,502	4,237	4,661	5,127	5,640
Loans	31,171	39,898	50,787	65,921	85,282	106,303	136,943	171,544	212,065
Other assets	270	926	1,594	1,240	1,261	1,894	1,495	1,750	2,056
<b>Net assets</b>	<b>37,467</b>	<b>45,202</b>	<b>56,840</b>	<b>71,761</b>	<b>90,044</b>	<b>112,434</b>	<b>143,099</b>	<b>178,421</b>	<b>219,761</b>
Borrowings	20,216	25,151	27,284	37,958	51,996	68,731	93,182	121,029	153,395
Other liabilities	161	256	395	410	369	537	640	765	913
<b>Total liabilities</b>	<b>20,377</b>	<b>25,407</b>	<b>27,679</b>	<b>38,368</b>	<b>52,365</b>	<b>69,268</b>	<b>93,823</b>	<b>121,793</b>	<b>154,308</b>
Share capital	945	949	994	996	998	1,000	1,000	1,000	1,000
Reserves and surplus	16,145	18,845	28,168	32,397	36,681	42,167	48,277	55,628	64,453
<b>Shareholders' funds</b>	<b>17,090</b>	<b>19,795</b>	<b>29,162</b>	<b>33,393</b>	<b>37,679</b>	<b>43,167</b>	<b>49,276</b>	<b>56,628</b>	<b>65,453</b>
<b>AUM (Rs mn)</b>									
<b>Overall AUM</b>	<b>31,787</b>	<b>40,678</b>	<b>51,796</b>	<b>67,380</b>	<b>87,220</b>	<b>108,650</b>	<b>138,633</b>	<b>174,080</b>	<b>215,591</b>
<b>Home loans</b>	<b>16,616</b>	<b>21,032</b>	<b>29,006</b>	<b>39,080</b>	<b>52,332</b>	<b>65,190</b>	<b>82,285</b>	<b>103,131</b>	<b>127,601</b>
Loans against property	5,810	8,903	12,431	14,150	17,444	21,730	28,850	36,548	44,962
Business loans	9,361	10,742	10,359	14,150	17,444	21,730	27,497	34,401	43,028
<b>Disbursements (Rs mn)</b>									
<b>Overall disbursements</b>	<b>12,710</b>	<b>12,982</b>	<b>16,410</b>	<b>23,950</b>	<b>31,275</b>	<b>36,041</b>	<b>45,411</b>	<b>56,764</b>	<b>70,955</b>

Source: Company, Kotak Institutional Equities estimates

# IT Services

India

Sector View: **Neutral**

NIFTY-50: **24,414**

May 07, 2025

## USD depreciation—a headache on the horizon for Indian IT

The USD has depreciated sharply over the past three months, approximately 4% against the INR and even more significantly against the EUR (7.6%) and GBP (9.9%). This sharp INR appreciation can negatively impact profitability. The extent of the impact on earnings will depend on several factors—effort mix, currency exposure, profitability and hedge policies. We believe Persistent, Mphasis, Wipro and Indegene face higher downside risks to their FY2026E EPS based on currency movements on an unhedged basis.

### Sharp INR appreciation versus the USD to impact near-term profitability

Indian IT's higher exposure to the USD and adverse movements in the currency pair would impact profitability across companies. INR has appreciated by 3.5% against the USD over the past three months, creating significant headwinds for companies with a higher offshore revenue mix and greater exposure to the US. This impact will be more pronounced for companies with lower profitability.

### Favorable moves on crosses to partly offset the impact

The weakness of the USD against other currencies, with a 3.5-9.9% depreciation against major currencies such as EUR, GBP, AUD and JPY over the past three months, will partly offset some of the impact of the INR appreciation against the USD. Exhibit 1 shows the net INR appreciation against the USD after considering the depreciation against other currencies such as EUR, GBP and AUD. Exhibit 2 details the currency-wise revenue exposure of companies. The impact on a qoq basis for large IT companies is modest due to their lower exposure to the USD, while mid-tier companies with a high US revenue concentration will see a higher impact.

### Wipro, Persistent and Mphasis likely to have higher near-term impact

Exhibit 4 provides the possible impact on FY2026E earnings across companies, assuming the average exchange rate for the year is similar to the current spot rates for USD/INR and cross-currency. This analysis is on an unhedged basis. We are constrained in providing analyses of hedges due to the lack of details on the duration of hedges maturing each year for cash flow hedges and the average hedge rate for hedges maturing each quarter/year. Some companies, such as LTIM, TechM and LTTTS, have long-duration structured hedging policies that will insulate them at the net profit level, essentially offsetting the impact of the currency appreciation at the EBIT line, with FX gains captured in other income.

We estimate a 2-8% impact on FY2026E earnings for our coverage universe, with a higher impact on Persistent, Indegene and Mphasis due to their higher US exposure. We see 7.9%, 6.7%, and 6.1% impacts on FY2026E earnings, respectively. In the near term, the impact will be largely similar at ~1-7%. We have not assumed any pullback in variable compensation payouts or cost reductions in our analysis, although companies may use these measures in the short term to defend margins.

EPS impact across coverage assuming average USD/INR to be similar to spot versus base case of 86.6

	EPS impact vs base case (%)	
	1QFY26E	2026E
TCS	(1.8)	(3.5)
Infosys	(2.6)	(4.1)
Wipro	(3.5)	(5.6)
HCL Tech	(2.8)	(4.4)
TechM	(3.6)	(5.4)
LTIMindtree	(6.1)	(7.5)
Mphasis	(5.4)	(6.1)
Persistent	(6.7)	(7.9)
Coforge	(2.7)	(5.9)
LTTTS	(3.4)	(4.7)
Cyient (DET)	(2.6)	(4.2)
KPIT	(0.5)	(4.1)
Tata Elxsi	(0.9)	(3.7)
Tata Technologies	(0.2)	(2.2)
Indegene	(4.4)	(6.7)

Source: Kotak Institutional Equities estimates

Prices in this report are based on the market close of May 07, 2025

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Kawaljeet Saluja

Sathishkumar S

Vamshi Krishna

### Detailing key factors that impact margins due to currency moves

The quantum of impact from currency moves will vary across companies and is contingent on the following factors:

- ▶ **Onsite:offshore mix:** The typical offshore margins are 3X onsite margins. A company with a higher offshore mix will have a higher impact on profitability. The INR appreciation does not change the onsite margin, but impacts offshore margins.
- ▶ **Lower margins, higher impact:** A company with lower margins has a higher hit to EPS due to the INR appreciation. The logic is straightforward—a 1% INR appreciation impacts margins by 30 bps. A 30 bps impact on a 21% margin of Infosys is lower compared with a 30 bps hit on mid-tier companies with margins of 12-14%.
- ▶ **Currency hedging:** LTIM and LTTS hedge close to 90% of net cash flows over the next 12 months. Hence, the INR appreciation or depreciation does not impact the immediate year. There will be an impact on the EBIT line, but it will be offset by FX gains. For example, LTIM had a cash flow hedge book of US\$3.9 bn as of end-March 2025 at an average rate of 89.33. These hedges cover close to 18 months of net cash flow. Assuming the quantum of hedges maturing in FY2026 is close to US\$1.8 bn with an average rate of Rs87 to \$1 and the spot USD/INR rate is at 84.5, LTIM will realize Rs4.5 bn of FX gains (rate of hedges maturing in FY2026 of 87 minus the spot rate of 84.5 multiplied by 1.8 bn). This translates to a 120 bps tailwind at the PBT level, which can easily offset any INR appreciation headwind.
- ▶ **Geographical mix of revenues.** Finally, the percentage of revenues from the US matters. A 1% appreciation of INR against the USD impacts margins by 30-35 bps. If a company gets 60% of revenues from the USD, the impact will be 18-20 bps, i.e., 60% of 30-35 bps. The impact will be 25-30 bps if a company derives 80% of revenues from the USD.

### Higher impact likely if USD depreciation sustains over medium term

In the current cost takeout-driven demand environment, companies are increasingly competing for larger and longer-term deals. Companies make certain assumptions around currency rates and operating efficiencies that can be realized through the tenure of the engagement while bidding for these deals. Profitability is at risk if these contracts have been won, assuming a measured INR depreciation every year. Sustained weakness in the USD would adversely impact the profitability of large deals already under execution. In a weak demand environment with highly competitive bid deals, companies’ ability to shield profitability could be limited.

### Significant variation between our base case average exchange rate and current spot rate

Details of the currency average are presented in Exhibit 3. Our base case estimates build in US\$/INR at 86.6 for FY2026E and a similar level for 1QFY26E. We compare this to the current spot rate of 84.7, which implies a 2.4% INR appreciation versus the USD. The appreciation at the spot rate is higher than that of a basket of major currencies, resulting in a net headwind on profitability across companies.

Exhibit 1: June 2025 quarter cross-currency changes versus base case

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
<b>Depreciation of currencies against the US Dollar</b>					
Jun-25 Base	86.5	1.3	1.1	0.6	145.0
Jun-25 Spot	84.7	1.3	1.1	0.6	143.1
<b>Appr/ (Depr) (%)</b>	<b>2.3</b>	<b>3.9</b>	<b>3.8</b>	<b>3.1</b>	<b>1.4</b>
<b>Appreciation of the Rupee against other currencies</b>					
	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
Mar-25	86.5	111.2	94.718	54.4	1.7
Jun-25	84.7	113.1	96.241	54.9	1.7
<b>Appr/ (Depr) (%)</b>	<b>2.3</b>	<b>(1.7)</b>	<b>(1.6)</b>	<b>(0.9)</b>	<b>(0.8)</b>

Source: Kotak Institutional Equities estimates

Exhibit 2: Currency mix, cross-currency movements and impact on profitability and earnings for coverage universe, June 2025 quarter

	Currency mix (%)					C/c (headwind)/ tailwind (bps)	Net currency impact (bps)	EBITM impact (bps)	EPS impact vs base case (%)
	US\$	GBP	EUR	AU\$	Others				
TCS	48	17	15	3	18	153	(76)	(20)	(1.8)
Infosys	58	5	24	4	10	129	(100)	(26)	(2.6)
Wipro	62	12	13	4	9	119	(110)	(37)	(3.5)
HCL Tech	64	13	16	3	4	130	(99)	(25)	(2.8)
TechM	48	11	14	5	22	124	(105)	(24)	(3.6)
LTIMindtree	75	3	10	3	10	68	(160)	(58)	(6.1)
Mphasis	82	7	3	1	8	56	(173)	(45)	(5.4)
Persistent	81	4	4	1	10	56	(172)	(65)	(6.7)
Coforge	56	24	10	6	4	161	(67)	(19)	(2.7)
LTTS	53	6	12	3	26	132	(97)	(27)	(3.4)
Cyient (DET)	47	6	16	10	21	138	(90)	(17)	(2.6)
KPIT	27	6	42	—	26	222	(7)	(5)	(0.5)
Tata Elxsi	40	34	6	—	19	202	(27)	(12)	(0.9)
Tata Technologies	22	27	4	—	47	225	(3)	(3)	(0.2)
Indegene	69	14	14	2	1	114	(115)	(50)	(4.4)

Note:

(a) Net impact on unhedged basis

(b) TechM, LTIM and LTTS hedge a large portion of cash flows

Source: Kotak Institutional Equities estimates

Exhibit 3: FY2026E cross-currency changes versus base case

	INR/USD	USD/GBP	USD/EUR	USD/AUD	JPY/USD
<b>Depreciation of currencies against the US Dollar</b>					
FY2026 - Base	86.6	1.3	1.1	0.6	142.3
FY2026 - Current	84.7	1.3	1.1	0.6	143.1
<b>Appr/ (Depr) (%)</b>	<b>2.4</b>	<b>1.9</b>	<b>2.5</b>	<b>2.5</b>	<b>(0.6)</b>
<b>Appreciation of the Rupee against other currencies</b>					
	INR/USD	INR/GBP	INR/EUR	INR/AUD	JPY/INR
FY2026 - Base	86.6	113.6	96.0	54.8	1.6
FY2026 - Current	84.7	113.1	96.2	54.9	1.7
<b>Appr/ (Depr) (%)</b>	<b>2.4</b>	<b>0.4</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(2.8)</b>

Source: Kotak Institutional Equities estimates

**Exhibit 4: Impact on financials versus base case for coverage universe, FY2026E**

Base case (US\$/INR @ 86.6)				
	Revenue (US\$ mn)	EBITM (%)	EBIT (Rs mn)	EPS (Rs)
TCS	30,185	24.7	646,787	141
Infosys	19,310	21.2	354,614	66
Wipro	10,165	17.3	152,433	13
HCL Tech	14,207	18.2	224,519	66
TechM	6,318	12.6	69,039	60
LTIMindtree	4,645	14.4	57,889	170
Mphasis	1,781	15.3	23,616	98
Persistent	1,634	15.2	21,567	111
Coforge	1,825	12.8	20,251	207
LTTS	1,400	14.4	17,517	130
Cyient (DET)	873	12.1	9,146	63
KPIT	743	17.2	11,057	31
Tata Elxsi	448	23.1	8,965	122
Tata Technologies	613	15.6	8,277	18
Indegene	374	17.2	5,574	20
Spot rate (US\$/INR @ 84.7)				
	Revenue (US\$ mn)	EBITM (%)	EBIT (Rs mn)	EPS (Rs)
TCS	30,467	24.3	627,186	136
Infosys	19,465	20.8	342,143	63
Wipro	10,234	16.7	144,674	12
HCL Tech	14,312	17.8	215,901	63
TechM	6,365	12.2	65,875	57
LTIMindtree	4,664	13.7	53,965	158
Mphasis	1,787	14.8	22,375	92
Persistent	1,640	14.5	20,109	102
Coforge	1,842	12.4	19,313	195
LTTS	1,414	14.1	16,821	124
Cyient (DET)	881	11.8	8,822	60
KPIT	752	16.8	10,685	29
Tata Elxsi	454	22.6	8,668	117
Tata Technologies	623	15.4	8,106	18
Indegene	376	16.5	5,237	19
Change (%)				
	Revenue	EBITM (bps)	EBIT	EPS
TCS	0.9	(40)	(3.0)	(3.5)
Infosys	0.8	(42)	(3.5)	(4.1)
Wipro	0.7	(60)	(5.1)	(5.6)
HCL Tech	0.7	(41)	(3.8)	(4.4)
TechM	0.7	(38)	(4.6)	(5.4)
LTIMindtree	0.4	(71)	(6.8)	(7.5)
Mphasis	0.3	(50)	(5.3)	(6.1)
Persistent	0.4	(74)	(6.8)	(7.9)
Coforge	0.9	(41)	(4.6)	(5.9)
LTTS	1.0	(38)	(4.0)	(4.7)
Cyient (DET)	0.9	(26)	(3.5)	(4.2)
KPIT	1.1	(37)	(3.4)	(4.1)
Tata Elxsi	1.2	(50)	(3.3)	(3.7)
Tata Technologies	1.7	(21)	(2.1)	(2.2)
Indegene	0.6	(75)	(6.0)	(6.7)

Note:

- (a) Net impact on unhedged basis
- (b) TechM, LTIM and LTTS hedge a large portion of cash flows

Source: Kotak Institutional Equities estimates

Exhibit 5: Kotak Institutional Equities—valuation summary of key Indian technology companies

Company	7-May-25		Mkt cap.		EPS (Rs)			P/E (X)			EV/EBITDA (X)			RoE (%)		
	Price (Rs)	Rating	(Rs m)	(US\$ m)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Coforge	7,600	BUY	508,279	5,994	145.0	207.2	262.7	52.4	36.7	28.9	25.4	19.6	15.6	19.5	21.5	24.6
Cyient	1,181	REDUCE	131,093	1,546	55.5	62.7	75.0	21.3	18.8	15.7	10.4	9.6	8.1	11.9	11.7	12.9
HCL Technologies	1,563	REDUCE	4,242,273	50,027	63.6	66.2	71.7	24.6	23.6	21.8	15.5	15.2	13.9	25.3	25.4	25.9
Indegene	554	BUY	132,940	1,568	17.0	20.0	23.6	32.5	27.7	23.5	21.1	17.6	14.7	20.9	17.1	17.4
Infosys	1,508	BUY	6,264,367	73,872	63.3	66.1	72.4	23.8	22.8	20.8	15.3	14.6	13.4	28.6	27.6	28.6
KPIT Technologies	1,283	SELL	351,727	4,148	27.6	30.6	37.1	46.5	41.9	34.6	27.4	25.0	20.5	29.7	26.1	26.5
L&T Technology Services	4,084	REDUCE	432,434	5,099	119.4	130.4	151.7	34.2	31.3	26.9	21.3	19.2	16.7	22.2	21.4	22.1
LTIMindtree	4,559	ADD	1,350,795	15,929	155.7	170.4	195.7	29.3	26.8	23.3	18.7	17.5	15.1	21.5	21.1	22.0
Mphasis	2,402	REDUCE	456,601	5,384	89.9	98.5	111.1	26.7	24.4	21.6	16.5	15.2	13.7	18.4	18.8	20.0
Persistent Systems	5,504	SELL	857,798	10,115	90.0	110.9	128.3	61.1	49.6	42.9	41.2	33.9	28.3	24.8	25.1	24.7
Rategain	440	REDUCE	51,926	612	17.7	19.4	21.7	24.9	22.7	20.3	19.2	16.7	13.7	13.4	12.8	12.6
Tata Elxsi	5,758	SELL	358,632	4,229	126.0	121.6	146.2	45.7	47.3	39.4	34.1	33.5	27.7	30.0	25.6	28.6
Tata Technologies	658	SELL	266,808	3,146	16.7	18.5	20.9	39.3	35.6	31.5	26.6	25.8	23.1	20.0	19.9	20.3
TCS	3,445	BUY	12,464,673	146,988	134.2	141.1	153.2	25.7	24.4	22.5	17.8	16.9	15.5	51.2	50.4	50.3
Tech Mahindra	1,495	BUY	1,322,890	15,600	48.1	60.1	78.3	31.1	24.9	19.1	17.9	14.4	11.4	15.8	19.1	23.8
Wipro	244	SELL	2,555,695	30,138	12.5	12.6	13.3	19.5	19.3	18.4	12.1	11.9	11.3	16.5	15.6	15.7

Company	Fair Value (Rs)	O/S shares (mn)	EPS CAGR (%)	EPS growth (%)			Net Profit (Rs mn)			EBITDA (Rs mn)			Sales (Rs mn)		
			2025-27E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Coforge	9,000	70	34.6	9.1	42.9	26.8	9,773	14,562	18,566	19,866	25,691	31,981	121,912	158,069	188,693
Cyient	1,150	111	16.3	(16.3)	13.1	19.5	6,157	6,966	8,327	11,433	11,882	13,876	73,604	75,596	85,221
HCL Technologies	1,500	2,718	6.2	9.9	4.0	8.3	172,773	179,899	195,024	255,029	260,393	281,970	1,171,033	1,230,313	1,333,382
Indegene	660	241	17.7	13.8	17.5	18.0	4,225	4,819	5,687	5,501	6,404	7,358	28,393	32,359	37,217
Infosys	1,700	4,151	6.9	8.2	4.4	9.5	262,930	274,378	300,478	392,350	404,808	439,663	1,629,900	1,672,266	1,820,248
KPIT Technologies	1,000	274	15.9	29.5	10.9	21.1	7,544	8,375	10,146	12,298	13,373	15,961	58,423	64,371	75,761
L&T Technology Services	4,100	106	12.7	(2.9)	9.2	16.4	12,666	13,833	16,096	18,924	20,961	23,817	106,702	121,259	135,946
LTIMindtree	4,800	296	12.1	0.4	9.5	14.8	46,020	50,372	57,850	64,949	68,332	77,676	380,081	402,223	445,199
Mphasis	2,400	189	11.2	9.1	9.5	12.8	16,991	18,607	20,992	26,467	28,505	31,230	142,299	154,269	170,657
Persistent Systems	4,500	156	19.4	22.2	23.2	15.7	14,001	17,292	20,004	20,582	24,749	29,342	119,387	141,517	165,749
Rategain	630	119	10.7	37.2	9.4	11.9	2,098	2,296	2,570	2,292	2,491	2,842	10,818	12,101	13,743
Tata Elxsi	4,100	62	7.7	(0.9)	(3.5)	20.2	8,047	7,577	9,109	9,927	10,036	12,084	37,290	38,818	45,203
Tata Technologies	500	406	11.7	(1.8)	10.6	12.9	6,787	7,504	8,471	9,341	9,541	10,521	51,685	53,061	57,878
TCS	3,800	3,619	6.9	3.5	5.1	8.6	485,530	510,462	554,428	674,070	706,858	769,199	2,553,240	2,614,044	2,828,488
Tech Mahindra	1,650	890	27.6	51.9	25.0	30.3	42,788	53,489	69,690	69,911	87,268	109,075	529,883	547,157	597,810
Wipro	225	10,491	3.0	22.2	0.7	5.3	130,225	132,374	139,384	180,851	179,733	186,668	890,917	880,291	922,885

Source: Kotak Institutional Equities estimates

March 2025: Results calendar

Mon	Tue	Wed	Thu	Fri	Sat	Sun
<b>5-May</b>	<b>6-May</b>	<b>7-May</b>	<b>8-May</b>	<b>9-May</b>	<b>10-May</b>	<b>11-May</b>
			Aarti Industries	ABB	Affle India	
			Asian Paints	Alkyl Amines	Triveni Turbine	
			Bharat Forge	Bank of India		
			Biocon	Birla Corp.		
			Britannia Industries	CE Info System		
			Canara Bank	Cera Sanitaryware		
			Chambal Fertilisers	Cholamandalam Financial		
			Escorts Kubota	Dr Reddy's Laboratories		
			Fine Organic	GE Shipping Co.		
			IIFL Finance	Grindwell Norton		
			Jindal Stainless	India Shelter		
			Kalyan Jewellers	Intellect Design		
			L&T	KPR Mill		
			MCX India	Manappuram Finance		
			Pidilite Industries	Motherson Sumi Wiring		
			REC	Navin Fluorine		
			Sula Vineyards	Relaxo Footwear		
			Titan Company	Shyam Metallics		
			Union Bank	Swiggy		
			Zee Entertainment Enterprises	Thermax		
<b>12-May</b>	<b>13-May</b>	<b>14-May</b>	<b>15-May</b>	<b>16-May</b>	<b>17-May</b>	<b>18-May</b>
Authum Investment	Aditya Birla Capital	Aditya Birla Real Estate	Abbott India	BHEL		
Carborundum Universal	Bharti Airtel	Akzo Nobel India	Bikaji Foods	Emami		
Garden Reach Shipbuilders	Bharti Hexacom	Apar Industries	Caplin Point	Jubilant Pharmova		
Happiest Minds	Cipla	Asahi India Glass	CESC	Ratnamani Metals		
JM Financial	GAIL (India)	BASF India	Crompton Greaves Consumer			
Jyothy Labs	GlaxoSmithKline Pharma	Berger Paints	Endurance Technologies			
KIMS	Hero MotoCorp	eClerx Services	Global Health			
PVR Inox	Honeywell Auto	Eicher Motors	GMDC			
SRF	Jubilant Ingrevia	Graphite India	IFCI			
Tata Steel	Max Financial Services	Hindustan Aeronautics	LIC Housing Finance			
UPL	Metropolis Healthcare	Hitachi Energy	NCC			
Usha Martin	Sai Life Sciences	JB Chemicals & Pharma	Page Industries			
Ventive Hospitality	Syrma SGS Technology	Jubilant Foodworks	PB Fintech			
	Tata Motors	Kirloskar Brothers	Ruchi Soya			
		Kirloskar Oil	Tube Investments			
		LMW	Vinati Organics			
		Lupin	ZF Commercial			
		Muthoot Finance				
		Piramal Pharma				
		Rites				
		Shree Cement				
		Shree Renuka Sugar				
		Tata Power				
		V-Guard Industries				
		Westlife Foodworld				
<b>19-May</b>	<b>20-May</b>	<b>21-May</b>	<b>22-May</b>	<b>23-May</b>	<b>24-May</b>	<b>25-May</b>
Bharat Electronics	Gland Pharma	Colgate-Palmolive (India)	Clean Science & Technology	AIA Engineering	HBL Engineering	
Gujarat Gas	Gujarat State Fertilizers & Chemicals	National Aluminium Co.	Container Corp.	GNFC	Indigo Paints	
HEG	Hindalco Industries	Rail Vikas	Deepak Fertilisers	JSW Steel	J K Cement	
Petronet LNG		TeamLease Services	GSPL	Timken		
		Honasa Consumer				
<b>26-May</b>	<b>27-May</b>	<b>28-May</b>	<b>29-May</b>	<b>30-May</b>	<b>31-May</b>	<b>1-Jun</b>
Bayer CropScience	Bosch	Bata India	Amara Raja Energy & Mobility	Apollo Hospitals		
Gillette India	Esab India	Cummins India	ICRA			
Sumitomo Chemical	Medplus Health Services	IRCTC	P&G Health			
	P&G Hygiene	Suven Pharma				
	TTK Prestige					

Source: BSE, NSE, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		7-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
<b>Automobiles &amp; Components</b>																											
Amara Raja Energy & Mobility	SELL	943	950	1	173	2.0	183	58	62	68	16	15	14	2.3	2.0	1.8	10	8	7	15	14	14	0.6	0.7	0.7	10	4
Apollo Tyres	SELL	495	385	(22)	314	3.7	638	21	26	29	24	19	17	2.1	2.0	1.8	9	8	7	9	11	11	1.2	1.4	1.4	8	3
Ashok Leyland	ADD	227	240	6	665	7.8	2,936	11	11	12	21	20	19	6.1	5.1	4.5	13	12	11	31	28	26	1.9	2.0	2.7	21	8
Bajaj Auto	SELL	7,849	7,000	(11)	2,192	26	279	303	336	370	26	23	21	8.3	7.7	7.2	19	18	16	33	34	35	3.1	3.4	3.8	40	21
Balkrishna Industries	SELL	2,773	2,200	(21)	536	6.3	193	87	89	100	32	31	28	5.3	4.6	4.1	20	18	16	18	16	16	0.6	0.7	0.8	8	4
Bharat Forge	SELL	1,141	850	(25)	545	6.4	478	22	29	36	51	40	31	5.8	5.2	4.7	21	21	18	13	14	16	0.6	0.7	0.7	19	9
CEAT	SELL	3,631	2,825	(22)	147	1.7	40	122	167	185	30	22	20	3.4	3.0	2.7	11	9	8	12	15	14	0.8	1.1	1.3	7	2
CIE Automotive	SELL	410	380	(7)	156	1.8	378	22	22	25	19	19	16	2.4	2.2	2.0	11	11	9	13	12	13	1.7	1.6	1.8	1	1
Eicher Motors	SELL	5,489	4,250	(23)	1,505	17.7	272	170	180	198	32	30	28	8.2	7.1	6.2	29	25	23	27	25	24	1.0	1.1	1.2	31	17
Endurance Technologies	REDUCE	2,023	1,900	(6)	285	3.4	141	55	65	75	37	31	27	5.1	4.5	4.0	18	16	14	14	15	15	0.6	0.7	0.8	2	1
Escorts Kubota	SELL	3,204	2,925	(9)	358	4.2	112	96	106	124	33	30	26	3.5	3.2	2.9	29	25	21	10	10	11	0.4	0.5	0.6	6	2
Exide Industries	SELL	376	290	(23)	320	3.8	850	13	14	16	30	27	23	2.2	2.1	1.9	17	16	14	8	8	9	0.5	0.7	0.7	12	5
Hero Motocorp	SELL	3,868	3,400	(12)	774	9.1	200	229	240	261	17	16	15	4.0	3.7	3.5	11	10	9	25	24	24	4.1	4.3	4.7	31	16
Hyundai Motor	BUY	1,776	2,000	13	1,443	17.0	813	69	79	91	26	23	19	9.5	7.6	6.2	15	13	11	37	34	32	0.8	1.8	2.1	33	20
Mahindra & Mahindra	BUY	3,120	3,500	12	3,880	45.8	1,159	102	118	128	30	27	24	5.9	4.9	4.2	21	18	17	21	20	19	0.8	0.6	0.6	119	63
Maruti Suzuki	ADD	12,633	12,275	(3)	3,972	46.8	314	470	500	555	27	25	23	4.2	3.8	3.5	18	16	14	17	16	16	1.1	1.6	1.8	59	34
MRF	SELL	140,420	115,000	(18)	596	7.0	4	4,409	5,539	6,272	32	25	22	3.2	2.9	2.6	14	12	10	11	12	12	0.2	0.2	0.2	11	4
Ola Electric	REDUCE	48	50	4	212	2.5	4,411	(4)	(3)	(2)	NM	NM	NM	3.7	4.8	6.0	NM	NM	NM	NM	NM	NM	0.0	0.0	0.0	29	8
Samvardhana Motherson	REDUCE	142	120	(16)	1,002	11.8	7,036	5	6	7	27	25	21	2.9	2.7	2.4	10	10	9	12	11	12	0.6	0.7	0.7	29	14
Schaeffler India	REDUCE	3,625	3,250	(10)	567	6.7	156	60	70	77	60	52	47	10.6	9.6	8.6	38	33	30	19	19	19	0.1	0.0	0.0	4	2
SKF	ADD	3,932	4,150	6	194	2.3	49	100	124	150	39	32	26	6.6	5.9	5.3	30	23	19	17	19	20	1.0	1.2	1.4	3	2
Sona BLW Precision	REDUCE	511	450	(12)	318	3.7	618	10	12	14	53	43	37	5.6	5.1	4.6	30	27	23	15	12	13	0.3	0.5	0.5	14	7
Tata Motors	REDUCE	680	600	(12)	2,504	29.5	3,677	60	63	79	11	11	9	2.4	2.0	1.7	5	5	4	23	20	21	1.0	1.5	2.2	116	44
Timken	ADD	2,704	3,175	17	203	2.4	75	54	67	84	50	41	32	7.3	6.2	5.2	34	27	22	16	16	18	0.0	0.0	0.0	7	4
TVS Motor	REDUCE	2,792	2,400	(14)	1,327	15.6	475	57	68	80	49	41	35	13.4	10.6	8.5	30	25	22	31	29	27	0.3	0.4	0.5	24	12
Uno Minda	SELL	928	930	0	533	6.3	572	17	19	21	56	49	44	9.1	7.7	6.6	29	25	22	16	16	15	0.2	0.3	0.3	10	5
Varrco Engineering	SELL	442	500	13	67	0.8	153	7	25	33	62	17	13	3.9	2.8	2.3	10	8	6	6	16	17	-	-	-	2	1
<b>Automobiles &amp; Components</b>	<b>Cautious</b>				<b>24,786</b>	<b>292.3</b>					<b>26.3</b>	<b>23.7</b>	<b>20.5</b>	<b>4.7</b>	<b>4.1</b>	<b>3.6</b>	<b>13.9</b>	<b>12.9</b>	<b>11.3</b>	<b>17.9</b>	<b>17.5</b>	<b>17.8</b>	<b>1.1</b>	<b>1.3</b>	<b>1.5</b>	<b>654</b>	<b>309</b>
<b>Banks</b>																											
AU Small Finance Bank	ADD	688	650	(5)	512	6.0	745	28	37	48	24	19	14	3.1	2.6	2.3	-	-	-	13	15	17	-	-	-	31	15
Axis Bank	BUY	1,161	1,500	29	3,597	42.4	3,097	85	89	101	14	13	11	1.4	1.8	1.6	-	-	-	16	14	15	0.1	1.1	1.3	96	63
Bandhan Bank	BUY	160	225	41	257	3.0	1,611	17	22	26	9	7	6	1.0	1.0	0.9	-	-	-	12	14	14	1.7	2.2	2.6	18	7
Bank of Baroda	ADD	225	255	14	1,161	13.7	5,178	38	35	33	6	6	7	0.9	0.8	0.8	-	-	-	16	12	11	3.4	3.1	3.0	30	13
Canara Bank	ADD	94	105	12	850	10.0	9,071	18	15	14	5	6	7	1.0	0.8	0.8	-	-	-	17	13	11	3.8	3.3	3.1	29	13
City Union Bank	ADD	181	185	2	134	1.6	741	15	15	17	12	12	10	1.5	1.3	1.2	-	-	-	13	11	12	1.1	1.1	1.3	5	3
DCB Bank	BUY	135	160	18	42	0.5	314	20	22	31	7	6	4	0.9	0.8	0.7	-	-	-	11	11	14	1.0	1.4	2.5	3	1
Equitas Small Finance Bank	BUY	62	85	37	71	0.8	1,140	1	4	7	48	16	9	1.2	1.2	1.0	-	-	-	2	7	12	-	-	-	4	2
Federal Bank	BUY	191	225	18	469	5.5	2,455	17	16	20	12	12	10	1.4	1.3	1.2	-	-	-	13	11	12	0.6	1.3	1.5	19	9
HDFC Bank	ADD	1,946	2,100	8	14,888	175.6	7,652	88	98	112	22	20	17	3.0	2.7	2.4	-	-	-	14	14	15	1.1	1.3	1.4	265	182
ICICI Bank	BUY	1,435	1,600	11	10,228	120.6	7,123	67	66	74	21	22	20	3.6	3.2	2.8	-	-	-	18	15	15	0.8	0.9	1.0	190	127
IndusInd Bank	REDUCE	834	850	2	650	7.7	778	53	90	112	16	9	7	1.0	0.9	0.8	-	-	-	6	10	11	0.9	1.6	1.9	137	60
Karur Vysya Bank	BUY	213	260	22	170	2.0	804	23	25	28	9	9	8	1.5	1.3	1.2	-	-	-	18	16	16	2.8	3.0	3.4	6	3
Punjab National Bank	ADD	94	110	17	1,083	12.8	11,493	14	15	15	7	6	6	0.9	0.8	0.8	-	-	-	14	13	11	3.1	3.2	3.1	26	10
State Bank of India	BUY	776	975	26	6,926	81.7	8,925	79	68	84	10	11	9	1.7	1.5	1.3	-	-	-	17	13	14	2.0	2.0	2.2	115	58
Ujjivan Small Finance Bank	BUY	41	55	35	79	0.9	1,935	4	3	5	11	16	8	1.3	1.3	1.1	-	-	-	12	8	15	0.0	1.4	2.9	8	4
Union Bank	BUY	118	155	31	904	10.7	7,634	22	21	21	5	6	6	0.9	0.8	0.7	-	-	-	16	13	12	3.8	3.5	3.6	18	7
Utkarsh Small Finance Bank	BUY	23	32	38	26	0.3	1,102	0	(2)	4	123	NM	6	0.9	1.0	0.8	-	-	-	1	NM	15	-	-	-	1	1
YES Bank	SELL	18	17	(7)	573	6.8	31,354	1	1	1	24	17	12	1.2	1.1	1.0	-	-	-	5	7	9	-	-	-	21	9
<b>Banks</b>	<b>Attractive</b>				<b>42,621</b>	<b>502.6</b>					<b>14.1</b>	<b>14.2</b>	<b>12.5</b>	<b>2.0</b>	<b>1.8</b>	<b>1.6</b>				<b>14.2</b>	<b>12.7</b>	<b>12.9</b>	<b>1.3</b>	<b>1.5</b>	<b>1.6</b>	<b>1,020</b>	<b>585</b>

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)	
		7-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
<b>Capital goods</b>																											
ABB	ADD	5,398	5,350	(1)	1,144	13.5	212	88	95	102	61	57	53	16.2	13.9	12.3	47	45	41	29	26	25	0.5	0.7	0.8	33	15
Bharat Electronics	SELL	310	260	(16)	2,266	26.7	7,310	7	8	9	44	39	33	11.7	9.9	8.4	33	28	24	29	28	27	0.9	1.0	1.2	79	35
BHEL	SELL	225	115	(49)	784	9.2	3,482	1	5	11	161	41	20	3.1	2.9	2.5	NM	26	13	2	7	13	(0.0)	(0.2)	(0.6)	34	11
Carborundum Universal	BUY	961	980	2	183	2.2	190	20	25	33	48	38	29	5.3	4.8	4.2	24	22	17	12	13	16	0.4	0.5	0.7	4	2
CG Power & Industrial	SELL	609	540	(11)	932	11.0	1,527	6	8	10	95	72	59	24.2	19.5	15.8	70	52	42	25	27	27	(0.3)	(0.4)	(0.5)	25	11
Cochin Shipyard	SELL	1,458	830	(43)	383	4.5	263	32	31	38	46	47	38	6.9	6.3	5.6	33	31	27	16	14	15	0.7	0.7	0.8	30	9
Cummins India	BUY	2,844	3,700	30	788	9.3	277	70	80	93	40	36	30	11.3	10.0	8.8	37	33	27	30	30	31	1.4	1.6	1.8	19	10
G R Infraprojects	SELL	1,070	1,090	2	104	1.2	97	72	84	103	15	13	10	1.3	1.2	1.1	12	10	8	9	10	11	0.0	0.0	0.0	3	1
IRB Infrastructure	ADD	45	63	40	272	3.2	6,039	2	3	3	28	18	16	1.4	1.4	1.4	10	8	7	6	8	9	3.8	5.2	5.8	9	4
Kalpataru Projects	BUY	973	1,260	29	166	2.0	160	44	71	92	22	14	11	2.7	2.3	1.9	10	8	6	13	18	20	0.4	0.6	0.9	7	3
KEC International	REDUCE	725	880	21	193	2.3	257	25	43	58	29	17	12	3.4	2.9	2.4	14	9	8	13	19	21	0.4	0.6	0.9	17	6
L&T	REDUCE	3,321	3,400	2	4,568	53.9	1,375	104	125	151	32	27	22	5.7	5.0	4.3	21	17	15	19	20	21	0.7	0.9	1.1	86	53
Praj Industries	BUY	463	700	51	85	1.0	184	10	13	19	47	35	24	6.2	5.2	4.3	-	-	-	16	16	20	0.0	0.0	0.0	6	2
Siemens	REDUCE	2,967	2,800	(6)	1,057	12.5	356	78	62	72	38	48	41	6.1	5.3	4.7	44	37	32	17	12	12	0.7	0.8	1.0	34	15
Thermax	ADD	3,243	3,600	11	386	4.6	113	58	75	88	56	43	37	7.4	6.6	5.7	43	34	28	14	16	17	0.4	0.5	0.5	6	2
<b>Capital goods</b>	<b>Cautious</b>				<b>13,311</b>	<b>157.0</b>					<b>41.0</b>	<b>33.6</b>	<b>27.2</b>	<b>6.2</b>	<b>5.5</b>	<b>4.8</b>	<b>26.2</b>	<b>21.4</b>	<b>17.6</b>	<b>15.2</b>	<b>16.4</b>	<b>17.8</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>392</b>	<b>179</b>
<b>Capital Markets</b>																											
360 One	ADD	932	1,150	23	366	4.3	406	27	30	34	35	31	27	5.2	4.5	3.4	-	-	-	20	16	15	0.6	0.7	0.8	15	8
ABSL AMC	ADD	648	750	16	187	2.2	288	32	34	36	20	19	18	5.0	4.5	4.1	-	-	-	NM	NM	NM	3.0	3.2	3.4	3	1
Angel One	BUY	2,376	2,800	18	215	2.5	90	130	104	131	18	23	18	3.8	3.4	3.1	-	-	-	27	16	18	1.5	1.5	1.9	37	7
CAMS	ADD	3,643	4,000	10	180	2.1	50	95	101	116	38	36	31	16.1	14.5	13.0	-	-	-	46	42	44	2.0	2.1	2.4	23	9
CRISIL	REDUCE	4,700	4,300	(9)	344	4.1	73	94	109	128	50	43	37	13.4	12.1	10.8	-	-	-	29	30	31	1.2	1.5	1.8	4	2
HDFC AMC	ADD	4,429	4,500	2	947	11.2	214	115	134	147	38	33	30	11.6	10.9	10.1	-	-	-	32	34	35	2.0	2.4	2.7	23	14
ICRA	REDUCE	5,804	6,400	10	56	0.7	10	179	207	235	32	28	25	5.1	4.7	4.0	-	-	-	16	17	34	0.2	0.2	0.3	1	0
Kfin Technologies	SELL	1,103	1,050	(5)	190	2.2	172	19	22	28	57	49	40	13.5	11.8	10.3	-	-	-	21	20	21	0.7	0.8	1.0	22	8
Nippon AMC	ADD	654	700	7	415	4.9	635	20	22	25	32	29	26	9.9	9.5	9.2	-	-	-	31	33	35	2.8	3.1	3.4	8	4
UTI AMC	BUY	1,012	1,300	29	129	1.5	128	57	54	58	18	19	18	2.8	2.7	2.7	-	-	-	16	15	15	4.7	4.2	4.6	2	1
<b>Capital Markets</b>	<b>Cautious</b>				<b>3,029</b>	<b>35.7</b>					<b>32.3</b>	<b>30.1</b>	<b>26.5</b>	<b>7.7</b>	<b>7.0</b>	<b>6.2</b>				<b>24</b>	<b>23</b>	<b>24</b>	<b>1.7</b>	<b>1.9</b>	<b>2.2</b>	<b>138</b>	<b>316</b>
<b>Commercial &amp; Professional Services</b>																											
SIS	ADD	327	360	10	47	0.6	147	1	20	23	407	16	14	2.0	1.8	1.6	8	8	7	0	12	12	-	-	-	1	0
TeamLease Services	SELL	1,866	2,500	34	31	0.4	17	76	90	117	25	21	16	3.4	2.9	2.5	18	13	10	14.7	15.1	16.7	-	-	-	1	1
<b>Commercial &amp; Professional Services</b>	<b>Cautious</b>				<b>79</b>	<b>0.9</b>					<b>56.7</b>	<b>17.6</b>	<b>14.8</b>	<b>2.4</b>	<b>2.1</b>	<b>1.8</b>	<b>10.0</b>	<b>9.0</b>	<b>7.8</b>	<b>4.2</b>	<b>11.8</b>	<b>12.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2</b>	<b>1</b>
<b>Commodity Chemicals</b>																											
Asian Paints	REDUCE	2,334	2,250	(4)	2,239	26.4	959	43	47	52	54	50	45	10.8	9.8	8.8	36	34	31	21	21	21	0.9	1.0	1.2	32	18
Berger Paints	SELL	541	465	(14)	631	7.4	1,166	10	11	12	54	51	47	10.3	9.2	8.3	34	33	30	20	19	19	0.6	0.8	1.0	5	2
Indigo Paints	REDUCE	980	1,200	22	47	0.6	48	29	30	34	34	33	29	4.6	4.1	3.7	19	18	16	14	13	14	0.5	0.7	0.9	1	1
Kansai Nerolac	REDUCE	255	265	4	206	2.4	808	8	9	10	31	27	25	3.2	3.1	2.9	19	17	15	11	12	12	1.5	1.8	2.0	1	1
Tata Chemicals	SELL	826	710	(14)	210	2.5	255	13	15	19	64	55	43	1.0	1.0	1.0	10	8	8	1	2	2	1.3	1.3	1.3	7	3
<b>Commodity Chemicals</b>	<b>Cautious</b>				<b>3,333</b>	<b>39.3</b>					<b>51.4</b>	<b>47.6</b>	<b>42.5</b>	<b>6.0</b>	<b>5.6</b>	<b>5.3</b>	<b>29.2</b>	<b>27.1</b>	<b>24.7</b>	<b>11.6</b>	<b>11.8</b>	<b>12.4</b>	<b>0.9</b>	<b>1.0</b>	<b>1.2</b>	<b>47</b>	<b>25</b>
<b>Construction Materials</b>																											
ACC	REDUCE	1,845	2,000	8	346	4.1	188	54	98	109	34	19	17	1.9	1.7	1.6	13	9	8	6	10	10	0.4	0.5	0.6	8	3
Ambuja Cements	SELL	535	360	(33)	1,318	15.5	2,463	7	13	18	75	41	30	2.5	2.4	2.2	24	18	14	4	6	7	0.4	0.5	0.6	18	10
Dalmia Bharat	SELL	1,974	1,650	(16)	370	4.4	187	42	60	72	47	33	27	2.1	2.0	1.9	16	13	11	5	6	7	0.5	0.5	0.6	7	4
Grasim Industries	REDUCE	2,698	2,500	(7)	1,836	21.6	680	67	97	126	40	28	21	2.0	1.9	1.7	13	11	9	5	7	8	0.4	0.5	0.5	20	11
J K Cement	SELL	5,049	2,875	(43)	390	4.6	77	90	118	150	56	43	34	6.6	5.8	5.0	22	18	15	12	14	16	0.3	0.3	0.3	7	4
Nuvoco Vistas Corp.	REDUCE	343	350	2	123	1.4	357	1	5	8	561	74	45	1.4	1.3	1.3	12	11	9	0	2	3	0.0	0.0	0.0	1	1
Shree Cement	SELL	29,530	18,000	(39)	1,065	12.6	36	259	400	443	114	74	67	5.0	4.8	4.5	28	23	19	5	7	7	0.1	0.2	0.2	12	6
The Ramco Cements	SELL	949	570	(40)	224	2.6	236	9	18	25	101	54	38	2.9	2.7	2.5	19	17	14	3	5	7	0.1	0.2	0.3	7	3
UltraTech Cement	SELL	11,658	7,350	(37)	3,435	40.5	295	209	314	367	56	37	32	4.9	4.5	4.0	29	20	18	9	13	13	0.7	0.7	0.9	51	31
<b>Construction Materials</b>	<b>Cautious</b>				<b>9,108</b>	<b>107.4</b>					<b>56.5</b>	<b>36.5</b>	<b>29.6</b>	<b>3.1</b>	<b>2.9</b>	<b>2.7</b>	<b>19.5</b>	<b>15.1</b>	<b>12.9</b>	<b>5.4</b>	<b>7.9</b>	<b>9.0</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>131</b>	<b>73</b>

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)		
		7-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	2025	2026E	2027E	Traded	Delivered
<b>Consumer Durables &amp; Apparel</b>																														
Aditya Birla Fashion and Retail	REDUCE	265	250	(6)	323	3.8	1,220	(6)	(3)	(1)	NM	NM	NM	3.6	3.7	3.7	18	14	11	NM	NM	NM	—	—	—	—	—	—	7	3
Campus Activewear	ADD	241	290	20	74	0.9	304	4	5	6	59	47	39	9.5	8.2	7.0	30	25	21	17	18	19	—	—	1—	0.6	—	3	1	
Cello World	BUY	554	710	28	122	1.4	226	15	17	19	36	33	29	5.8	5.3	4.8	23	21	19	21	17	17	—	—	0.9	1.1	1.4	2	1	
Crompton Greaves Consumer	BUY	333	390	17	215	2.5	643	9	11	13	39	31	25	6.4	5.7	5.0	24	20	16	17	20	21	—	—	1.1	1.4	1.7	12	6	
Eureka Forbes	BUY	495	750	51	96	1.1	209	7	10	14	66	49	35	2.4	2.3	2.1	36	28	21	4	5	6	—	—	—	—	—	2	1	
Havells India	SELL	1,579	1,400	(11)	990	11.7	628	23	27	33	67	58	48	11.9	10.6	9.4	45	38	31	19	19	21	—	—	0.6	0.7	0.8	21	11	
Page Industries	SELL	46,350	38,000	(18)	517	6.1	11	641	758	890	72	61	52	26.7	22.3	18.8	49	42	36	40	40	39	—	—	0.8	0.9	1.2	13	6	
Polycab	SELL	5,887	5,100	(13)	885	10.4	151	134	160	192	44	37	31	9.0	7.7	6.5	30	25	21	22	23	23	—	—	0.6	0.7	0.9	52	21	
Vedant Fashions	REDUCE	741	730	(2)	180	2.1	243	16	17	19	46	42	38	10.1	8.8	7.7	27	24	21	23	22	22	—	—	—	—	—	2	1	
Voltas	SELL	1,244	1,100	(12)	412	4.9	331	26	30	38	48	41	33	6.4	5.8	5.1	36	31	27	14	15	16	—	—	0.6	0.7	0.9	33	15	
Whirlpool	ADD	1,238	1,225	(1)	157	1.9	127	27	33	39	46	38	32	4.1	3.8	3.5	25	20	17	9	10	11	—	—	0.6	0.7	0.8	8	5	
<b>Consumer Durables &amp; Apparel</b>	<b>Cautious</b>				<b>3,971</b>	<b>46.8</b>					<b>63.5</b>	<b>50.3</b>	<b>40.2</b>	<b>7.7</b>	<b>7.0</b>	<b>6.3</b>	<b>32.0</b>	<b>26.7</b>	<b>22.2</b>	<b>12.1</b>	<b>13.9</b>	<b>15.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>154</b>	<b>72</b>
<b>Consumer Staples</b>																														
Britannia Industries	ADD	5,351	5,025	(6)	1,289	15.2	241	88	96	109	61	56	49	30.0	28.3	25.7	42	38	34	52	52	55	—	—	1.6	1.7	1.9	28	16	
Colgate-Palmolive (India)	REDUCE	2,635	2,600	(1)	717	8.5	272	53	55	60	49	48	44	37.4	36.7	35.8	35	33	31	77	78	83	—	—	1.9	2.1	2.3	15	8	
Dabur India	REDUCE	482	490	2	854	10.1	1,772	10	11	12	48	44	40	7.9	7.5	7.1	36	33	29	17	18	18	—	—	1.1	1.6	1.7	13	8	
Godrej Consumer Products	ADD	1,247	1,285	3	1,276	15.0	1,023	19	22	26	67	55	48	10.6	9.6	8.7	43	38	33	16	18	19	—	—	0.8	0.8	1.0	19	11	
Hindustan Unilever	ADD	2,371	2,300	(3)	5,570	65.7	2,350	43	44	49	55	53	48	11.3	11.6	11.3	38	37	33	20	21	24	—	—	2.2	1.8	2.0	55	35	
Honasa Consumer	ADD	248	250	1	81	1.0	322	2	4	6	126	67	45	6.7	5.9	5.1	125	48	30	6	9	12	—	—	0.0	0.0	0.0	3	1	
ITC	ADD	431	500	16	5,395	63.6	12,428	16	17	19	27	25	23	7.1	6.9	6.6	21	19	17	26	27	29	—	—	3.2	3.5	3.8	77	51	
Jyothy Labs	SELL	373	400	7	137	1.6	367	10	11	12	36	34	31	6.9	6.3	5.8	27	25	23	20	19	19	—	—	1.5	1.6	1.9	4	2	
Marico	REDUCE	736	675	(8)	954	11.2	1,290	13	14	15	58	53	48	23.9	22.2	20.6	44	40	35	42	43	44	—	—	1.4	1.6	1.7	17	10	
Nestle India	REDUCE	2,338	2,250	(4)	2,255	26.6	964	31	35	39	75	68	59	54.8	49.4	45.1	48	44	39	81	77	80	—	—	1.2	1.3	1.5	22	12	
Sula Vineyards	ADD	277	400	44	23	0.3	84	8	10	11	33	28	24	3.9	3.5	3.2	16	14	13	12	13	14	—	—	0.8	1.1	1.2	2	1	
Tata Consumer Products	ADD	1,146	1,185	3	1,134	13.4	989	13	17	22	88	67	53	5.7	5.5	5.2	45	38	32	7	8	10	—	—	0.7	0.9	1.0	23	13	
United Breweries	REDUCE	2,182	1,875	(14)	577	6.8	264	18	28	36	119	77	61	13.0	11.9	10.8	67	47	38	11	16	19	—	—	0.5	0.8	1.1	6	3	
United Spirits	ADD	1,590	1,480	(7)	1,156	13.6	727	19	22	25	85	73	63	14.2	12.8	11.5	57	49	43	18	19	19	—	—	0.4	0.6	0.7	11	6	
Varun Beverages	ADD	512	570	11	1,732	20.4	3,382	8	10	11	67	53	47	10.4	8.9	7.7	37	32	29	22	18	17	—	—	0.1	0.2	0.3	61	33	
<b>Consumer Staples</b>	<b>Attractive</b>				<b>23,150</b>	<b>273.0</b>					<b>47.8</b>	<b>43.6</b>	<b>39.1</b>	<b>10.8</b>	<b>10.3</b>	<b>9.7</b>	<b>33.8</b>	<b>30.9</b>	<b>27.5</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>1.8</b>	<b>1.8</b>	<b>2.0</b>	<b>1.8</b>	<b>1.8</b>	<b>2.0</b>	<b>356</b>	<b>211</b>
<b>Diversified Financials</b>																														
Aadhar Housing Finance	BUY	455	560	23	196	2.3	436	21	25	31	22	18	15	3.1	2.6	2.2	—	—	—	17	16	16	—	—	—	—	—	4	2	
Aavas Financiers	REDUCE	1,790	2,050	15	142	1.7	79	73	88	106	25	20	17	3.2	2.8	2.4	—	—	—	14	15	15	—	—	—	—	—	9	5	
Aptus Value Housing Finance	BUY	320	400	25	160	1.9	500	15	17	21	21	19	15	3.7	3.2	2.8	—	—	—	19	19	20	—	—	1.4	1.6	1.9	2	1	
Bajaj Finance	ADD	8,987	9,500	6	5,584	65.9	621	266	333	419	34	27	21	5.9	5.0	4.2	—	—	—	19	20	21	—	—	0.6	0.8	1.0	134	71	
Bajaj Finserv	ADD	2,030	2,175	7	3,242	38.2	1,593	67	84	104	30	24	20	6.1	5.8	4.9	—	—	—	23	24	27	—	—	0.1	0.1	0.1	52	26	
Bajaj Housing Finance	REDUCE	119	100	(16)	994	11.7	8,328	3	3	4	46	39	31	5.0	4.4	3.9	—	—	—	13	12	13	—	—	0.0	0.0	0.0	20	9	
Cholamandalam	ADD	1,575	1,575	0	1,324	15.6	859	51	61	78	31	26	20	5.6	4.4	3.7	—	—	—	20	19	20	—	—	0.0	0.3	0.4	35	19	
Five Star Business Finance	BUY	683	850	24	201	2.4	291	37	42	51	19	16	13	3.2	2.6	2.2	—	—	—	19	18	18	—	—	—	—	—	7	3	
Home First Finance	BUY	1,150	1,500	30	118	1.4	103	42	51	65	27	22	18	4.1	2.8	2.4	—	—	—	16	16	15	—	—	—	0.4	0.6	8	4	
India Shelter	BUY	855	850	(1)	92	1.1	107	36	41	48	23	21	18	3.4	2.9	2.5	—	—	—	15	15	15	—	—	—	—	—	3	1	
L&T Finance	REDUCE	168	160	(5)	420	5.0	2,480	11	12	15	16	14	11	1.6	1.5	1.4	—	—	—	11	11	13	—	—	1.9	2.1	2.6	10	4	
LIC Housing Finance	BUY	600	750	25	330	3.9	550	101	99	104	6	6	6	0.9	0.8	0.7	—	—	—	16	14	13	—	—	1.7	1.7	1.8	10	5	
Mahindra & Mahindra Financial	ADD	261	300	15	322	3.8	1,235	19	20	24	14	13	11	1.6	1.5	1.4	—	—	—	12	12	13	—	—	3.3	3.5	4.1	7	3	
Muthoot Finance	ADD	2,308	2,250	(3)	927	10.9	401	130	154	175	18	15	13	3.3	2.8	2.4	—	—	—	20	20	20	—	—	1.3	1.6	1.8	25	13	
SBFC	REDUCE	97	100	3	106	1.2	1,107	3	4	5	31	26	21	3.7	3.2	2.8	—	—	—	12	12	13	—	—	—	—	—	4	2	
SBI Cards and Payment Services	ADD	915	950	4	870	10.3	951	20	24	30	45	38	31	6.3	5.5	4.8	—	—	—	15	16	17	—	—	0.3	0.4	0.5	17	9	
Shriram Finance	BUY	637	750	18	1,197	14.1	1,880	52	53	63	12	12	10	2.2	1.9	1.6														

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)	
		7-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
<b>Electric Utilities</b>																											
Acme Solar Holdings	BUY	216	320	48	131	1.5	605	5	13	4	44	17	59	2.5	2.2	2.1	-	-	-	8	14	4	0.0	0.0	0.0	3	2
CESC	SELL	165	145	(12)	218	2.6	1,326	10	12	13	16	13	12	1.8	1.6	1.5	8	7	7	12	13	13	2.7	2.9	3.0	7	3
JSW Energy	SELL	469	400	(15)	819	9.7	1,744	10	19	27	47	24	17	3.0	2.7	2.4	24	11	9	7	12	14	0.4	0.4	0.4	29	12
NHPC	SELL	83	74	(11)	838	9.9	10,045	4	5	7	23	16	13	2.0	1.9	1.7	21	10	8	9	12	14	1.7	2.5	3.2	21	8
NTPC	SELL	342	305	(11)	3,317	39.1	9,895	22	24	26	15.4	14.2	13	1.8	1.6	1.5	10	9	9	12	12	12	2.2	2.5	2.5	55	32
Power Grid	SELL	311	275	(12)	2,893	34.1	9,301	17	19	21	18.4	16.1	15	3.1	2.9	2.6	10	9	9	17	19	19	3.2	3.6	3.9	51	32
Tata Power	SELL	377	330	(13)	1,206	14.2	3,196	13	18	22	29	21	17	3.3	2.9	2.4	13	11	9	12	15	15	-	-	-	31	11
<b>Electric Utilities</b>	<b>Cautious</b>				<b>9,422</b>	<b>111.1</b>					<b>19.2</b>	<b>16.0</b>	<b>14.4</b>	<b>2.3</b>	<b>2.1</b>	<b>1.9</b>	<b>11.3</b>	<b>9.4</b>	<b>8.4</b>	<b>12.1</b>	<b>13.3</b>	<b>13.5</b>	<b>2.1</b>	<b>2.3</b>	<b>2.5</b>	<b>197</b>	<b>98</b>
<b>Electronic Manufacturing Services</b>																											
Amber Enterprises	ADD	5,988	7,900	32	203	2.4	34	79	139	176	76	43	34	8.6	7.1	5.9	28	22	18	12	18	19	-	-	-	42	10
Avalon Technologies	SELL	879	610	(31)	58	0.7	65	10	15	21	90	60	42	9.4	8.1	6.8	51	38	28	11	14	18	-	-	-	5	2
Cyent DLM	REDUCE	428	450	5	34	0.4	79	9	12	19	50	36	23	3.6	3.3	2.9	24	19	14	7	9	12	-	-	-	2	1
Dixon Technologies	ADD	16,095	15,320	(5)	970	11.4	60	160	223	259	100.7	72.3	62	34.9	22.3	15.3	65	39	30	35	37	29	-	-	-	71	24
Kaynes Technology	ADD	5,842	5,270	(10)	374	4.4	58	44	67	96	134.0	86.8	61	12.3	10.6	8.9	90	58	40	11	14	18	-	-	-	45	10
Syrrma SGS Technology	ADD	488	550	13	87	1.0	176	9	13	19	54	37	26	4.8	4.3	3.7	29	20	14	9	12	15	-	-	-	5	2
<b>Electronic Manufacturing Services</b>	<b>Cautious</b>				<b>1,725</b>	<b>20.3</b>					<b>106.6</b>	<b>65.4</b>	<b>51.4</b>	<b>15.4</b>	<b>12.2</b>	<b>9.6</b>	<b>53.6</b>	<b>35.6</b>	<b>26.9</b>	<b>14.4</b>	<b>18.7</b>	<b>18.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>170</b>	<b>49</b>
<b>Fertilizers &amp; Agricultural Chemicals</b>																											
Bayer Cropscience	ADD	4,677	5,400	15	210	2.5	45	113	174	216	42	27	22	7.2	6.9	6.6	33	21	17	17	26	31	2.0	3.2	4.0	2	1
Godrej Agrovet	BUY	697	870	25	134	1.6	192	23	28	33	31	25	21	5.1	4.9	4.3	18	16	13	16	20	22	1.6	2.0	2.3	4.2	2.0
Rallis India	SELL	240	230	(4)	47	0.6	194	6	9	11	38	28	22	2.5	2.3	2.2	15	12	10	7	9	10	1.0	1.2	1.4	1	1
UPL	SELL	688	510	(26)	560	6.6	844	17	26	39	41	26	17	1.8	1.7	1.6	10	8	6	5	8	10	0.1	0.1	0.1	18	9
<b>Fertilizers &amp; Agricultural Chemicals</b>	<b>Cautious</b>				<b>951</b>	<b>11.2</b>					<b>37.2</b>	<b>24.3</b>	<b>17.8</b>	<b>2.5</b>	<b>2.3</b>	<b>2.1</b>	<b>11.9</b>	<b>9.5</b>	<b>8.0</b>	<b>6.8</b>	<b>9.4</b>	<b>11.7</b>	<b>0.8</b>	<b>1.1</b>	<b>1.4</b>	<b>26</b>	<b>13</b>
<b>Gas Utilities</b>																											
GAIL (India)	SELL	189	155	(18)	1,244	14.7	6,575	14	13	13	13	15	14	1.7	1.6	1.6	10	10	9	14	11	11	3.2	3.4	3.7	30	15
Indraprastha Gas	SELL	206	150	(27)	288	3.4	1,400	12	12	12	18	17	16	3.1	2.9	2.7	14	13	13	18	18	17	2.1	2.7	2.8	12	5
Mahanagar Gas	SELL	1,410	1,020	(28)	139	1.6	99	101	87	89	14	16	16	2.4	2.2	2.0	9	10	9	18	14	13	2.1	2.2	2.2	8	3
Petronet LNG	SELL	307	235	(23)	460	5.4	1,500	28	28	30	11	11	10	2.3	2.0	1.7	7	7	7	23	19	18	1.6	0.8	1.6	8	4
<b>Gas Utilities</b>	<b>Cautious</b>				<b>2,313</b>	<b>27.3</b>					<b>13.6</b>	<b>14.6</b>	<b>13.9</b>	<b>2.0</b>	<b>1.8</b>	<b>1.7</b>	<b>9.8</b>	<b>9.8</b>	<b>9.3</b>	<b>14.5</b>	<b>12.5</b>	<b>12.2</b>	<b>2.5</b>	<b>2.6</b>	<b>2.9</b>	<b>61</b>	<b>28</b>
<b>Health Care Services</b>																											
Apollo Hospitals	BUY	6,983	8,180	17	1,004	11.8	144	100	132	174	70	53	40	12.2	10.1	8.2	34	27	22	19	21	23	0.2	0.2	0.2	34	22
Dr Agarwal's Health Care	ADD	360	425	18	114	1.3	316	3	4	6	131	91	62	6.6	6.1	5.6	25	20	16	6	7	9	0.0	0.0	0.0		
Dr Lal Pathlabs	ADD	2,852	3,250	14	238	2.8	84	53	57	67	53	50	42	11.0	9.9	8.9	33	30	25	22	21	22	1.1	1.1	1.2	7	4
Global Health	ADD	1,211	1,285	6	325	3.8	268	19	21	28	65	56	44	9.7	8.5	7.3	36	31	24	16	16	18	0.2	0.3	0.3	4	2
KIMS	ADD	644	660	3	258	3.0	400	9	10	16	71	65	41	11.8	10.0	8.0	36	30	22	18	17	22	0.0	0.0	0.0	6	3
Max Healthcare	REDUCE	1,149	1,020	(11)	1,117	13.2	971	14	19	25	80	60	45	10.6	9.1	7.7	50	38	30	14	16	18	0.1	0.1	0.1	34	22
Metropolis Healthcare	ADD	1,683	1,960	16	86	1.0	52	30	40	50	56	42	34	7.1	6.3	5.6	26	21	18	13	16	18	0.4	0.5	0.9	3	1
Narayana Hrudayalaya	ADD	1,822	1,490	(18)	372	4.4	204	38	47	56	48	39	32	10.2	8.1	6.4	31	25	21	24	23	22	-	-	-	23	8
Rainbow Children's Medicare	ADD	1,361	1,500	10	138	1.6	102	24	29	35	57	47	39	9.5	8.1	6.9	27	23	19	18	19	19	0.3	0.4	0.4	4	2
<b>Health Care Services</b>	<b>Neutral</b>				<b>3,920</b>	<b>46.2</b>					<b>68.2</b>	<b>53.6</b>	<b>41.1</b>	<b>10.0</b>	<b>8.6</b>	<b>7.2</b>	<b>35.8</b>	<b>28.9</b>	<b>23.1</b>	<b>14.6</b>	<b>16.0</b>	<b>17.6</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>123</b>	<b>68</b>

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.			EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		7-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
<b>Hotels &amp; Restaurants</b>																											
Chalet Hotels	ADD	811	885	9	177	2.1	218	7	27	42	109	30	19	5.9	5.0	4.0	26	18	12	7	18	23	(0.2)	(0.2)	(0.3)	3	1
Devyani International	BUY	183	190	4	221	2.6	1,204	(0)	(0)	0	NM	NM	501	21.3	21.4	21.0	28	24	20	NM	NM	4	0.0	0.0	0.0	5	2
Indian Hotels	ADD	766	880	15	1,090	12.9	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	37	21
Jubilant Foodworks	ADD	707	680	(4)	467	5.5	661	3	5	7	219	149	106	19.9	18.2	16.1	40	33	27	9	13	16	0.2	0.2	0.3	16	7
Lemon Tree Hotels	REDUCE	136	135	(0)	107	1.3	792	2	3	5	54	39	27	10.3	9.2	7.8	20	16	12	20	25	31	1.0	1.1	1.5	6	2
Restaurant Brands Asia	REDUCE	81	82	1	47	0.6	495	(2)	(2)	(1)	NM	NM	NM	2.3	2.4	2.5	18	14	12	NM	NM	NM	—	—	—	2	1
Samhi Hotels	BUY	177	255	44	39	0.5	220	4	8	12	47	22	15	3.5	3.1	2.6	14	12	10	8	15	19	0.0	0.0	0.0	5	2
Sapphire Foods	ADD	311	365	17	100	1.2	320	1	1	2	311	384	162	7.1	7.0	6.7	21	18	15	2	2	4	—	—	—	2	1
Ventive Hospitality	ADD	759	770	1	177	2.1	234	(2)	14	24	NM	53	32	3.9	3.6	3.3	22	18	14	NM	7	11	—	—	—	2	1
Westlife Foodworld	REDUCE	695	700	1	108	1.3	156	0	4	7	2,079	174	103	18.1	16.7	14.8	23	25	20	2	10	15	—	—	—	1	0
<b>Hotels &amp; Restaurants</b>	<b>Attractive</b>				<b>2,534</b>	<b>29.9</b>					<b>120.9</b>	<b>63.0</b>	<b>44.5</b>	<b>9.1</b>	<b>8.1</b>	<b>7.0</b>	<b>29.8</b>	<b>23.4</b>	<b>18.7</b>	<b>7.5</b>	<b>12.8</b>	<b>15.7</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>79</b>	<b>40</b>
<b>Insurance</b>																											
HDFC Life Insurance	BUY	724	875	21	1,559	18.4	2,020	8	10	11	86	74	64	10.6	10.0	9.3	—	—	—	12	14	15	0.2	0.3	0.4	24	14
ICICI Lombard	ADD	1,826	2,100	15	905	10.7	496	51	58	66	36	31	28	6.3	5.4	4.6	—	—	—	19	19	18	0.4	0.5	0.6	16	10
ICICI Prudential Life	BUY	592	790	33	856	10.1	1,441	8	9	11	72	64	56	7.1	6.4	5.8	—	—	—	10	11	11	0.5	0.5	0.5	10	6
LIC	BUY	786	1,175	50	4,971	58.6	6,325	67	70	72	12	11	11	4.3	3.4	2.7	—	—	—	43	34	28	—	—	—	11	5
Max Financial Services	BUY	1,290	1,425	10	445	5.2	345	2	2	3	692	603	514	—	—	—	—	—	—	1	1	1	—	—	—	14	9
Niva Bupa Health Insurance	ADD	81	85	5	148	1.7	1,827	1	2	3	73	42	31	—	—	—	—	—	—	8	10	13	—	—	—	2	1
PB Fintech	ADD	1,640	1,525	(7)	753	8.9	456	7	14	22	238	121	74	—	—	—	—	—	—	4	9	13	—	—	—	35	19
SBI Life Insurance	ADD	1,745	1,825	5	1,748	20.6	1,005	24	28	33	73	62	53	10.5	9.2	8.1	—	—	—	15	16	16	0.2	0.3	0.3	24	15
Star Health and Allied Insurance	REDUCE	357	400	12	210	2.5	588	11	15	20	32	23	18	3.0	2.6	2.3	—	—	—	10	12	14	—	—	—	6	3
<b>Insurance</b>	<b>Attractive</b>				<b>11,595</b>	<b>136.7</b>					<b>22.5</b>	<b>21.0</b>	<b>19.7</b>	<b>5.9</b>	<b>4.9</b>	<b>4.1</b>				<b>26</b>	<b>23</b>	<b>21</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>142</b>	<b>81</b>
<b>Internet Software &amp; Services</b>																											
Brainbees Solutions	BUY	327	540	65	170	2.0	527.8	(3)	(4)	(0)	NM	NM	NM	3.5	3.5	3.4	67	57	27	NM	NM	NM	—	—	—	4	2
Cartrade Tech	SELL	1,675	975	(42)	79	0.9	50.8	26	31	37	63	54	45	3.8	3.6	3.3	48	36	28	6.3	6.9	7.7	—	—	—	10	5
Eternal	BUY	237	280	18	2,286	27.0	9,215	1	1	3	408	164	86	7.1	6.8	6.3	324	138	62	2.1	4.2	7.7	0.0	0.0	0.0	159	76
FSN E-commerce Ventures	REDUCE	196	170	(13)	559	6.6	2,875.0	0	1	2	707	178	99	41.9	33.9	25.3	120	70	48	6.1	21	29	—	—	—	15	7
Indiamart	REDUCE	2,272	2,425	7	136	1.6	60.0	101	97	106	22	24	22	6.0	5.0	4.2	19	16	13	30	23	21	0.9	0.9	0.9	4	2
Info Edge	ADD	1,385	8,300	499	897	10.6	129.1	98	95	114	14	15	12	0.7	0.7	0.6	60	62	51	3.9	4.6	5.3	1.4	1.7	2.1	25	13
Just Dial	BUY	902	1,275	41	77	0.9	85.0	69	64	68	13	14	13	1.7	1.5	1.3	7	5	3	13.5	11.1	10.6	—	—	—	7	2
Swiggy	BUY	329	400	22	753	8.9	2,489	(13)	(11)	(6)	NM	NM	NM	7.9	9.5	10.5	(23)	(32)	(155)	NM	NM	NM	0.0	0.0	0.0	53	17
<b>Internet Software &amp; Services</b>	<b>Attractive</b>				<b>4,959</b>	<b>58.5</b>					<b>NM</b>	<b>403</b>	<b>107</b>	<b>6.0</b>	<b>5.8</b>	<b>5.5</b>	<b>512</b>	<b>154</b>	<b>60</b>	<b>NM</b>	<b>1.4</b>	<b>5.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>277</b>	<b>121</b>
<b>IT Services</b>																											
Coforge	BUY	7,600	9,000	18	508	6.0	70	145	207	263	52	37	29	8.0	7.4	6.8	25	20	16	20	21	25	1.0	1.2	2.1	70	30
Cyient	REDUCE	1,181	1,150	(3)	131	1.5	111	55	63	75	21	19	16	2.3	2.1	2.0	10	10	8	12	12	13	2.2	2.8	3.4	11	5
HCL Technologies	REDUCE	1,563	1,500	(4)	4,242	50.0	2,718	64	66	72	25	24	22	6.2	5.8	5.5	16	15	14	25	25	26	3.8	3.7	3.8	59	35
Indegene	BUY	554	660	19	133	1.6	241	17	20	24	33	28	23	5.3	4.4	3.8	21	18	15	21	17	17	0.0	0.0	0.0	4	2
Infosys	BUY	1,508	1,700	13	6,264	73.9	4,151	63	66	72	24	23	21	6.5	6.1	5.8	15	15	13	29	28	29	3.2	3.3	4.1	158	99
KPIT Technologies	SELL	1,283	1,000	(22)	352	4.1	274	28	31	37	47	42	35	12.1	10.1	8.4	27	25	20	30	26	26	0.7	0.8	1.0	20	8
L&T Technology Services	REDUCE	4,084	4,100	0	432	5.1	106	119	130	152	34	31	27	7.1	6.3	5.6	21	19	17	22	21	22	1.0	1.2	1.4	9	4
LTI Mindtree	ADD	4,559	4,800	5	1,351	15.9	296	156	170	196	29	27	23	5.9	5.4	4.9	19	17	15	22	21	22	1.4	2.0	2.4	25	13
Mphasis	REDUCE	2,402	2,400	(0)	457	5.4	189	90	98	111	27	24	22	4.7	4.5	4.2	17	15	14	18	19	20	2.3	2.9	3.1	18	9
Persistent Systems	SELL	5,504	4,500	(18)	858	10.1	156	90	111	128	61	50	43	13.5	11.5	9.8	41	34	28	25	25	25	0.6	0.7	0.8	46	19
RateGain	REDUCE	440	630	43	52	0.6	119	18	19	22	25	23	20	3.1	2.7	2.4	19	17	14	13	13	13	—	—	—	3	1
Tata Elxsi	SELL	5,758	4,100	(29)	359	4.2	62	126	122	146	46	47	39	12.5	11.7	10.8	34	34	28	30	26	29	1.3	1.6	1.8	21	7
Tata Technologies	SELL	658	500	(24)	267	3.1	406	17	18	21	39	36	31	7.5	6.7	6.1	27	26	23	20	20	20	1.8	1.4	1.6	21	9
TCS	BUY	3,445	3,800	10	12,465	147.0	3,619	134	141	153	26	24	22	12.9	11.8	10.8	18	17	15	51	50	50	3.3	3.4	3.7	123	79
Tech Mahindra	BUY	1,495	1,650	10	1,323	15.6	890	48	60	78	31	25	19	4.9	4.7	4.4	18	14	11	16	19	24	2.6	2.7	3.4	40	23
Wipro	SELL	244	225	(8)	2,556	30.1	10,491	13	13	13	19	19	18	3.1	2.9	2.8	12	12	11	17	16	16	2.5	3.6	3.8	44	21
<b>IT Services</b>	<b>Neutral</b>				<b>31,749</b>	<b>374.4</b>					<b>25.8</b>	<b>24.4</b>	<b>22.1</b>	<b>7.2</b>	<b>6.7</b>	<b>6.3</b>	<b>16.9</b>	<b>16.0</b>	<b>14.5</b>	<b>27.8</b>	<b>27.4</b>	<b>28.3</b>	<b>2.9</b>	<b>3.0</b>	<b>3.4</b>	<b>670</b>	<b>334</b>

Source

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)	
		7-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		
<b>Media</b>																													
PVR INOX	BUY	934	1,200	28	92	1.1	98	(17)	9	34	NM	103	28	1.1	1.1	1.1	28	14	9	NM	1	4	-	0.0	0.0	6	3		
Sun TV Network	REDUCE	597	660	11	235	2.8	394	42	44	46	14	14	13	2.0	1.8	1.7	10	8	8	15	14	14	2.4	2.6	2.8	3	1		
Zee Entertainment Enterprises	REDUCE	110	125	14	105	1.2	960	9	10	11	13	11	10	0.9	0.9	0.8	7	6	5	7	8	8	2.3	2.7	3.2	17	7		
<b>Media</b>	<b>Neutral</b>				<b>432</b>	<b>5.1</b>					<b>18.7</b>	<b>15.8</b>	<b>13.6</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>10.7</b>	<b>8.5</b>	<b>7.2</b>	<b>7.4</b>	<b>8.3</b>	<b>9.0</b>	<b>1.9</b>	<b>2.1</b>	<b>2.3</b>	<b>26</b>	<b>11</b>		
<b>Metals &amp; Mining</b>																													
Gravita India	ADD	1,906	2,175	14	141	1.7	74	42	59	70	45	32	27	6.8	5.8	4.9	34.5	28.1	22.8	21	19	19	0.3	0.5	0.6	9	3		
Hindalco Industries	BUY	636	725	14	1,430	16.9	2,220	68	63	65	9	10	10	1.2	1.1	1.0	5.6	5.6	5.4	13	11	10	1.1	1.0	1.0	47	24		
Hindustan Zinc	SELL	423	350	(17)	1,786	21.1	4,225	25	24	25	17	18	17	13.4	13.4	13.4	10.3	10.2	9.8	73	76	78	6.9	5.7	5.9	11	5		
Jindal Steel and Power	BUY	879	1,150	31	896	10.6	1,020	40	72	95	22	12	9	1.9	1.7	1.4	10.6	7.4	5.4	9	14	17	0.2	0.4	0.5	23	10		
JSW Steel	REDUCE	966	975	1	2,363	27.9	2,445	23	61	80	42	16	12	2.9	2.5	2.1	12.5	8.5	6.9	7	17	19	0.4	0.9	1.2	24	12		
National Aluminium Co.	REDUCE	158	200	26	291	3.4	1,837	26	22	22	6	7	7	1.6	1.4	1.3	3.4	4.3	3.9	29	21	19	4.9	5.5	5.6	28	10		
NMDC	SELL	66	55	(16)	578	6.8	8,792	8	7	7	9	9	10	1.9	1.7	1.6	5.8	6.3	6.6	24	20	17	4.7	4.3	4.1	19	8		
SAIL	SELL	114	60	(47)	470	5.5	4,130	2	8	7	54	14	17	0.8	0.8	0.7	9.3	6.8	7.2	1	5	5	0.6	2.1	1.8	30	9		
Tata Steel	SELL	146	120	(18)	1,823	21.5	12,486	3	11	14	53	13	10	1.9	1.7	1.5	10.7	7.1	6.3	4	13	16	0.7	1.9	2.4	71	30		
Vedanta	REDUCE	416	435	5	1,627	19.2	3,910	35	41	49	12	10	9	3.9	3.4	2.9	5.4	4.7	4.1	39	36	36	10.5	5.6	6.6	52	23		
<b>Metals &amp; Mining</b>	<b>Cautious</b>				<b>11,403</b>	<b>134.5</b>					<b>17.5</b>	<b>12.7</b>	<b>11.0</b>	<b>2.2</b>	<b>2.0</b>	<b>1.8</b>	<b>8.2</b>	<b>6.8</b>	<b>6.0</b>	<b>12.8</b>	<b>15.9</b>	<b>16.4</b>	<b>3.3</b>	<b>2.8</b>	<b>3.1</b>	<b>314</b>	<b>131</b>		
<b>Oil, Gas &amp; Consumable Fuels</b>																													
BPCL	SELL	317	220	(31)	1,375	16.2	4,273	34	24	22	9	13	14	1.7	1.5	1.4	5.8	7.2	7.9	19	12	10	3.2	2.4	2.3	40	20		
Coal India	REDUCE	383	375	(2)	2,362	27.9	6,163	57	60	59	7	6	6	2.4	2.0	1.7	6.9	5.3	4.8	39	34	28	6.9	7.1	7.2	30	14		
HPCL	SELL	397	210	(47)	845	10.0	2,128	35	29	32	11	14	13	1.8	1.7	1.5	9.1	9.5	9.1	17	13	13	2.6	2.2	2.4	27	12		
IOCL	SELL	144	85	(41)	2,040	24.1	14,121	8	13	13	18	11	12	1.1	1.1	1.0	8.4	6.5	6.4	6	10	9	2.0	2.8	2.8	25	12		
Oil India	SELL	407	320	(21)	662	7.8	1,627	39	44	44	10	9	9	1.4	1.2	1.1	7.4	6.7	6.4	14	14	13	3.1	3.7	3.8	14	5		
ONGC	BUY	239	275	15	3,003	35.4	12,580	40	43	45	6	6	5	0.8	0.7	0.7	3.7	3.2	3.0	14	14	13	5.2	5.0	5.1	36	17		
Reliance Industries	BUY	1,406	1,520	8	19,027	224.4	13,532	51	60	72	27	23	20	2.3	2.1	1.9	13.2	11.2	9.2	9	9	10	-	0.4	0.4	216	135		
<b>Oil, Gas &amp; Consumable Fuels</b>	<b>Neutral</b>				<b>29,313</b>	<b>345.7</b>					<b>15.0</b>	<b>13.7</b>	<b>12.7</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	<b>8.9</b>	<b>7.7</b>	<b>6.9</b>	<b>11.7</b>	<b>11.7</b>	<b>11.5</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>388</b>	<b>215</b>		
<b>Pharmaceuticals</b>																													
Alivus Life Sciences	BUY	1,119	1,360	22	137	1.6	123	39	48	54	29	23	21	5.2	4.5	3.9	20	16	14	19	21	20	1.3	1.4	1.5	1	1		
Aurobindo Pharma	SELL	1,197	1,145	(4)	695	8.2	586	63	71	76	19	17	16	2.2	2.0	1.9	10	9	9	12	13	12	1.5	1.8	2.2	17	7		
Biocon	REDUCE	347	360	4	416	4.9	1,202	(1)	9	13	NM	37	26	1.7	1.6	1.5	18	13	11	NM	4	6	0.8	0.9	1.3	12	4		
Blue Jet Healthcare	ADD	738	710	(4)	128	1.5	173	17	23	27	44	31	27	11.5	8.5	6.6	35	24	20	29	31	27	0.1	0.2	0.2	5	3		
Cipla	BUY	1,509	1,735	15	1,219	14.4	806	62	65	67	24	23	23	4.0	3.5	3.1	16	15	14	18	16	15	0.9	1.0	1.0	27	15		
Concord Biotech	ADD	1,397	1,820	30	146	1.7	105	33	41	52	43	34	27	8.2	7.0	5.9	30	24	20	21	22	22	0.6	0.8	1.1	4	2		
Divis Laboratories	SELL	6,148	4,550	(26)	1,632	19.2	265	82	101	130	75	61	47	11.0	10.0	8.9	55	44	34	15	17	20	0.6	0.7	0.8	31	18		
Dr Reddy's Laboratories	REDUCE	1,161	1,195	3	969	11.4	832	67	67	59	17	17	20	2.9	2.6	2.3	11	10	11	18	16	12	0.9	0.9	0.9	35	21		
Emcure Pharmaceuticals	BUY	1,017	1,515	49	193	2.3	189	38	47	56	27	21	18	4.5	3.9	3.3	13	11	10	20	19	20	0.9	1.2	1.4	2	1		
Gland Pharma	REDUCE	1,404	1,525	9	231	2.7	164	46	61	76	31	23	18	2.5	2.4	2.2	16	13	11	8	11	12	1.7	1.8	2.0	6	3		
JB Chemicals & Pharma	BUY	1,537	2,170	41	239	2.8	157	42	54	62	36	29	25	7.0	5.9	4.9	22	18	15	21	22	22	0.7	0.7	0.8	7	4		
Laurus Labs	SELL	611	475	(22)	329	3.9	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	18	7		
Lupin	ADD	2,071	2,245	8	946	11.2	455	71	84	80	29	25	26	5.5	4.7	4.1	18	15	15	21	21	17	0.6	0.7	0.7	27	14		
Mankind Pharma	ADD	2,432	2,530	4	1,004	11.8	412	47	56	72	52	44	34	7.3	6.5	5.8	33	25	21	17	16	18	0.6	0.7	0.9	17	10		
Piramal Pharma	BUY	214	300	40	283	3.3	1,323	0	2	4	546	115	52	3.5	3.4	3.2	22	18	14	1	3	6	-	-	-	21	6		
Sai Life Sciences	REDUCE	719	700	(3)	150	1.8	208	7	9	13	99	79	57	7.2	6.6	5.9	38	31	24	10	9	11	-	-	-	5	2		
Sun Pharmaceuticals	ADD	1,781	1,900	7	4,274	50.4	2,399	49	53	63	36	34	28	5.9	5.1	4.5	27	24	20	17	16	17	0.5	0.6	0.7	51	32		
Syngene International	BUY	621	850	37	250	2.9	402	12	11	16	53	58	38	5.3	4.9	4.4	23	22	16	11	9	12	0.2	0.2	0.3	11	6		
Torrent Pharmaceuticals	REDUCE	3,296	3,060	(7)	1,115	13.2	338	58	74	87	57	45	38	14.3	12.2	10.4	29	26	23	27	29	30	0.9	1.1	1.2	14	9		
<b>Pharmaceuticals</b>	<b>Neutral</b>				<b>14,356</b>	<b>169.3</b>					<b>36.4</b>	<b>31.4</b>	<b>27.8</b>	<b>5.0</b>	<b>4.5</b>	<b>4.0</b>	<b>21.7</b>	<b>18.8</b>	<b>16.8</b>	<b>13.7</b>	<b>14.2</b>	<b>14.3</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>312</b>	<b>164</b>		

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)	
		7-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	2025	2026E	2027E	Traded
<b>Real Estate</b>																													
Brigade Enterprises	BUY	1,023	1,380	35	250	2.9	244	28	34	48	37	30	21	4.3	3.8	3.3	19	14	9	15	13	17	0.2	0.2	0.2	4	2		
Brookfield India Real Estate Trust	ADD	300	325	8	182	2.1	608	7	7	10	45	41	30	0.7	1.4	1.5	15	13	12	2	3	4	10.0	6.8	7.4	5	4		
DLF	BUY	679	1,020	50	1,681	19.8	2,475	17	21	31	39	32	22	4.0	3.7	3.3	102	45	23	11	12	16	0.9	1.0	1.2	30	12		
Embassy Office Parks REIT	ADD	384	400	—	364	4.3	948	23	10	15	17	39	25	1.6	1.7	1.8	18	16	14	9	4	7	6.0	6.3	6.7	5	4		
Godrej Properties	SELL	2,128	2,100	(1)	641	7.6	301	46	55	86	46	38	25	3.7	3.4	3.0	1,522	136	43	10	9	13	—	—	—	27	12		
Macrotech Developers	BUY	1,302	1,480	14	1,299	15.3	998	28	37	46	47	35	28	6.4	5.4	4.6	34	25	20	15	17	18	—	—	—	24	10		
Mindspace REIT	ADD	388	420	8	236	2.8	609	8	12	17	49	33	22	1.6	1.7	1.7	17	16	13	3	5	8	5.5	6.1	6.7	1	1		
Nexus Select Trust	ADD	129	152	18	196	2.3	1,515	3	5	5	39	28	24	1.4	1.4	1.5	16	14	13	3	5	6	6.5	7.0	7.4	3	3		
Oberoi Realty	REDUCE	1,582	1,700	7	575	6.8	364	61	76	99	26	21	16	3.7	3.1	2.6	19	15	11	15	16	18	0.6	0.8	0.9	13	6		
Phoenix Mills	REDUCE	1,527	1,570	3	546	6.4	358	38	48	53	40	32	29	5.2	4.5	3.9	25	19	16	14	15	15	0.2	0.2	0.2	14	7		
Prestige Estates Projects	ADD	1,337	1,680	26	576	6.8	431	18	24	44	75	55	30	3.2	3.2	2.9	22	18	13	5	6	10	0.2	0.2	0.2	15	7		
Signature Global	BUY	1,143	1,520	33	161	1.9	141	7	42	77	172	27	15	22.3	12.3	6.7	229	20	11	14	58	58	—	—	—	8	1		
Sobha	ADD	1,262	1,450	15	135	1.6	107	11	36	58	119	35	22	2.9	2.7	2.5	42	18	11	3	8	12	0.3	0.3	0.4	4	2		
Sunteck Realty	BUY	393	600	53	58	0.7	140	11	23	32	37	17	12	1.7	1.5	1.4	32	13	9	5	9	12	0.3	0.3	0.3	1	1		
<b>Real Estate</b>	<b>Attractive</b>				<b>6,899</b>	<b>81.4</b>					<b>40.3</b>	<b>32.9</b>	<b>23.5</b>	<b>3.4</b>	<b>3.2</b>	<b>2.9</b>	<b>30.9</b>	<b>22.4</b>	<b>16.1</b>	<b>8.4</b>	<b>9.7</b>	<b>12.5</b>	<b>1.1</b>	<b>1.3</b>	<b>1.4</b>	<b>153</b>	<b>72</b>		
<b>Renewable Energy</b>																													
Premier Energies	SELL	955	840	(12)	430	5.1	451	20	30	36	48	31	27	14.2	9.8	7.1	24	16	13	48	37	31	—	—	—	18	6		
Waaree Energies	SELL	2,629	2,600	(1)	755	8.9	288	68	119	197	39	22	13	7.7	5.9	4.1	25	14	9	28	31	36	—	—	—	57	16		
<b>Renewable Energy</b>	<b>Cautious</b>				<b>7,330</b>	<b>14.0</b>					<b>43.0</b>	<b>24.7</b>	<b>16.3</b>	<b>9.5</b>	<b>6.9</b>	<b>4.8</b>	<b>24.9</b>	<b>15.0</b>	<b>10.4</b>	<b>22</b>	<b>28</b>	<b>30</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>75</b>	<b>21</b>		
<b>Retailing</b>																													
Avenue Supermarts	SELL	4,000	3,400	(15)	2,603	30.7	651	42	48	60	96	83	67	12.1	10.6	9.1	58	50	41	13	14	15	—	—	—	29	15		
Metro Brands	REDUCE	1,094	1,130	3	298	3.5	272	13	17	21	86	64	52	14.4	12.5	10.7	39	32	26	18	21	22	1—	0.6	0.7	1	0		
Titan Company	REDUCE	3,339	3,225	(3)	2,964	35.0	888	42	50	59	79	67	57	25.9	20.5	16.5	50	43	38	36	34	32	0.4	0.5	0.6	35	19		
Trent	REDUCE	5,233	5,250	0	1,860	21.9	356	43	60	76	121	87	69	34.1	24.6	18.1	67	54	43	32	33	30	—	—	—	94	39		
Vishal Mega Mart	ADD	119	125	5	545	6.4	4,727	1	2	2	89	70	55	8.8	7.8	6.8	35	28	23	11	12	13	—	—	—	25	10		
<b>Retailing</b>	<b>Neutral</b>				<b>5,865</b>	<b>97.5</b>					<b>92.4</b>	<b>75.1</b>	<b>61.8</b>	<b>17.7</b>	<b>14.7</b>	<b>12.2</b>	<b>53.4</b>	<b>45.1</b>	<b>37.8</b>	<b>19.1</b>	<b>19.6</b>	<b>19.8</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>183</b>	<b>74</b>		
<b>Specialty Chemicals</b>																													
Aarti Industries	SELL	458	380	(17)	166	2.0	363	9	11	16	52	40	29	3.0	2.8	2.6	20	17	14	6	7	9	0.2	0.4	0.5	8	3		
Aether Industries	ADD	797	910	14	106	1.2	133	13	16	21	62	49	38	4.7	4.3	3.9	44	32	24	8	9	11	—	—	0.0	1	1		
Ami Organics	BUY	1,146	1,450	26	94	1.1	80	20	27	38	58	42	30	7.0	6.0	5.1	40	28	21	16	16	18	0.1	0.2	0.2	9	4		
Atul	SELL	6,862	5,450	(21)	202	2.4	29	164	224	262	42	31	26	3.6	3.3	3.0	20	16	14	9	11	12	0.4	0.7	0.8	9	4		
Castrol India	ADD	199	225	13	197	2.3	989	9	11	12	21	18	17	8.6	7.8	7.0	14	13	11	42	45	44	4.0	4.3	4.5	22	8		
Clean Science & Technology	ADD	1,180	1,490	26	125	1.5	106	25	33	45	46	36	26	8.9	7.4	6.1	32	25	19	21	23	26	0.5	0.6	0.9	2	1		
Deepak Nitrite	ADD	1,986	2,020	2	271	3.2	136	47	55	66	43	36	30	5.0	4.5	3.9	28	24	22	12	13	14	0.3	0.3	0.4	9	3		
Navin Fluorine	REDUCE	4,668	3,590	(23)	231	2.7	50	56	85	120	84	55	39	8.9	7.9	6.8	48	33	25	11	15	19	0.3	0.4	0.6	10	5		
Neogen Chemicals	ADD	1,502	1,790	19	40	0.5	26	17	23	42	87	66	36	5.0	4.7	3.7	35	33	18	6	7	12	0.2	0.2	0.4	1	0		
Pidlite Industries	ADD	2,975	3,125	5	1,513	17.8	509	41	47	54	72	63	55	16.1	14.6	13.3	49	43	39	24	24	25	0.8	1.0	1.2	11	6		
PI Industries	REDUCE	3,658	3,210	(12)	555	6.5	152	115	126	143	32	29	26	5.4	4.7	4.1	23	20	18	18	17	17	0.4	0.5	0.6	13	8		
S H Kelkar and Company	BUY	195	360	84	27	0.3	138	8	11	15	23	18	13	2.1	1.9	1.8	11	9	7	9	11	14	1.1	2.8	3.1	1	1		
SRF	SELL	3,056	2,130	(30)	906	10.7	296	43	61	86	72	50	36	7.3	6.6	5.7	35	27	21	11	14	17	0.4	0.4	0.5	22	12		
Vinati Organics	SELL	1,655	1,270	(23)	172	2.0	104	37	46	57	45	36	29	6.2	5.4	4.6	32	24	19	14	16	17	0.3	0.4	0.5	1	1		
<b>Specialty Chemicals</b>	<b>Neutral</b>				<b>4,605</b>	<b>54.3</b>					<b>51.8</b>	<b>42.1</b>	<b>34.3</b>	<b>7.3</b>	<b>6.5</b>	<b>5.7</b>	<b>31.8</b>	<b>26.3</b>	<b>21.9</b>	<b>14.0</b>	<b>15.5</b>	<b>16.7</b>	<b>0.6</b>	<b>0.8</b>	<b>0.9</b>	<b>120</b>	<b>56</b>		

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)	
		7-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
<b>Telecommunication Services</b>																											
Bharti Airtel	ADD	1,897	1,800	(5)	11,379	134.2	6,047	40	52	68	48	36	28	11.0	8.8	7.6	14	11	9	25	28	29	0.8	1.2	1.5	144	97
Indus Towers	SELL	384	385	0	1,013	11.9	2,638	23	25	28	17	15	14	3.1	3.1	3.0	6	6	5	21	20	22	-	5.9	6.5	31	16
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	-	-	-	54	17
Tata Communications	SELL	1,544	1,480	(4)	440	5.2	285	33	53	65	47	29	24	14.6	11.6	8.8	12	11	9	39	45	42	1.6	1.4	1.7	9	4
<b>Telecommunication Services</b>	<b>Attractive</b>				<b>13,582</b>	<b>160.2</b>					<b>704.8</b>	<b>115.5</b>	<b>54.4</b>	<b>57</b>	<b>37</b>	<b>29</b>	<b>13.3</b>	<b>11.1</b>	<b>9.3</b>	<b>8.0</b>	<b>32</b>	<b>53</b>	<b>0.7</b>	<b>1.5</b>	<b>1.8</b>	<b>238</b>	<b>135</b>
<b>Transportation</b>																											
Adani Ports and SEZ	BUY	1,338	1,610	20	2,891	34.1	2,160	53	63	71	25	21	19	4.6	3.9	3.3	17	15	13	20	20	19	0.6	0.7	0.7	45	18
Container Corp.	SELL	680	730	7	414	4.9	609	22	26	32	31	26	22	3.3	3.1	2.9	19	16	14	11	12	14	1.5	1.7	2.1	9	4
Delhivery	BUY	305	420	38	227	2.7	758	1	3	4	212	97	69	2.4	2.4	2.3	59	32	24	1	2	3	-	-	-	15	7
Gateway Distriparks	ADD	59	90	51	30	0.4	500	5	5	6	13	11	10	1.4	1.3	1.2	9	8	7	11	12	13	3.1	3.4	3.8	1	0
GMR Airports	ADD	87	83	(5)	919	10.8	6,036	(2)	(0)	1	NM	NM	172	NM	NM	NM	32	22	19	NM	14	NM	-	-	-	15	7
Gujarat Pipavav Port	REDUCE	132	140	6	64	0.8	483	8	9	10	16	14	13	2.5	2.1	1.8	9	8	7	17	16	15	-	-	-	3	1
InterGlobe Aviation	BUY	5,297	6,100	15	2,047	24.1	383	157	253	276	34	21	19	25.3	11.5	5.4	10	7	5	120	75	46	-	-	-	59	34
JSW Infrastructure	SELL	291	255	(12)	611	7.2	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	9	4
<b>Transportation</b>	<b>Attractive</b>				<b>7,202</b>	<b>84.9</b>					<b>36.3</b>	<b>26.3</b>	<b>23.3</b>	<b>6.8</b>	<b>5.5</b>	<b>4.6</b>	<b>16.7</b>	<b>13.2</b>	<b>11.0</b>	<b>18.7</b>	<b>21</b>	<b>19.6</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>155</b>	<b>78</b>
<b>KIE universe</b>					<b>306,030</b>	<b>3,609</b>					<b>25.6</b>	<b>22.8</b>	<b>19.8</b>	<b>3.7</b>	<b>3.3</b>	<b>3.0</b>	<b>15.6</b>	<b>13.4</b>	<b>11.7</b>	<b>14.5</b>	<b>14.7</b>	<b>15.2</b>	<b>1.3</b>	<b>1.4</b>	<b>1.6</b>		

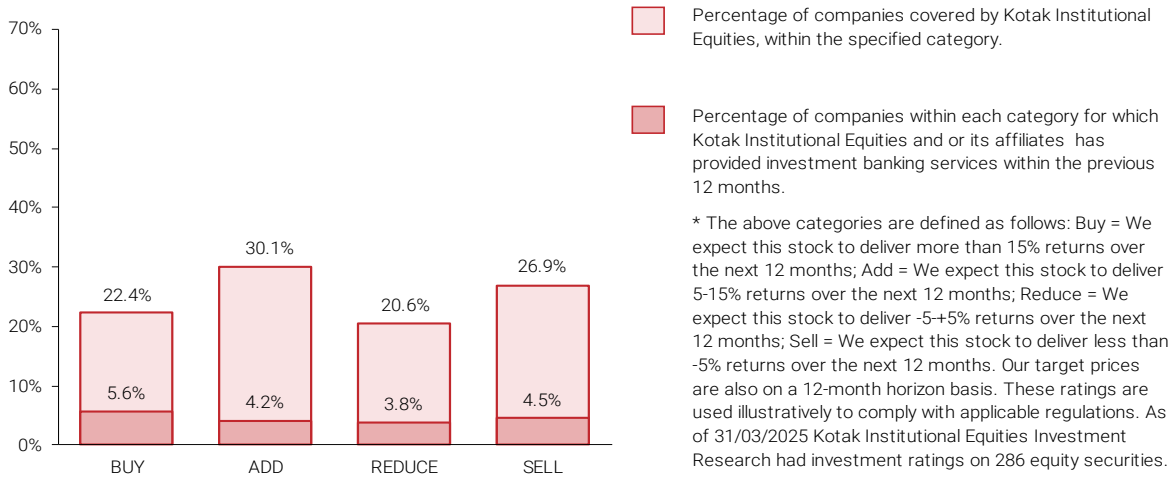
Notes:

- (a) We have used adjusted book values for banking companies.
- (b) 2024 means calendar year 2023, similarly for 2025 and 2026 for these particular companies.
- (c) Exchange rate (Rs/US\$)= 84.8

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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**BUY.** We expect this stock to deliver more than 15% returns over the next 12 months.

**ADD.** We expect this stock to deliver 5-15% returns over the next 12 months.

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## Corporate Office

Kotak Securities Ltd.  
27 BKC, Plot No. C-27, "G Block" Bandra Kurla  
Complex, Bandra (E) Mumbai 400 051, India  
Tel: +91-22-43360000

## Overseas Affiliates

Kotak Mahindra (UK) Ltd 8th Floor,  
Portsoken House 155-157 Minories  
London EC3N 1LS  
Tel: +44-20-7977-6900

Kotak Mahindra Inc  
PENN 1,1 Pennsylvania Plaza,  
Suite 1720, New York, NY 10119, USA  
Tel: +1-212-600-8858

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Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: [www.kotak.com/](http://www.kotak.com/) [www.kotaksecurities.com](http://www.kotaksecurities.com). Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137/(Member of NSE, BSE, MSE, MCX & NCDEX), AMFI ARN 0164, PMS INP0000025258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-629-2021. Compliance Officer Details: Mr. Hiren Thakkar. Call: 022 - 4285 8484, or Email: [ks.compliance@kotak.com](mailto:ks.compliance@kotak.com)

Details of	Contact Person	Address	Contact No.	Email ID
Customer Care/ Complaints	Mr. Ritesh Shah	Kotak Towers, 8th Floor, Building No.21, Infinity Park, Off Western Express Highway, Malad (East), Mumbai, Maharashtra - 400097	18002099393	<a href="mailto:ks.escalation@kotak.com">ks.escalation@kotak.com</a>
Head of Customer Care	Mr. Tabrez Anwar		022-42858208	<a href="mailto:ks.servicehead@kotak.com">ks.servicehead@kotak.com</a>
Compliance Officer	Mr. Hiren Thakkar		022-42858484	<a href="mailto:ks.compliance@kotak.com">ks.compliance@kotak.com</a>
CEO	Mr. Shripal Shah		022-42858301	<a href="mailto:ceo.ks@kotak.com">ceo.ks@kotak.com</a>
Principal Officer (For the purpose of Research Analyst activities)	Mr. Kawaljeet Saluja	Kotak Securities Limited, 27BKC, 8th Floor, Plot No. C-27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051	022-62664011	<a href="mailto:ks.po@kotak.com">ks.po@kotak.com</a>

In absence of response/complaint not addressed to your satisfaction, you may lodge a complaint with SEBI at SEBI, NSE, BSE, Investor Service Center | NCDEX, MCX. Please quote your Service Ticket/Complaint Ref No. while raising your complaint at SEBI SCORES/Exchange portal at <https://scores.sebi.gov.in>. Kindly refer <https://www.kotaksecurities.com/contact-us/> and for online dispute Resolution platform - [Smart ODR](#)