

FIRST LIGHT 10 September 2025

RESEARCH

[SECTOR REPORT] DIVERSIFIED FINANCIALS

Navigating change, capturing opportunity

UJJIVAN SMALL FINANCE BANK | TARGET: Rs 59 | +34% | BUY

Pathway to FY30: Rising scale & efficiency to improve RoA

CONSUMER DURABLES

Semicon India 2025: Towards a fab nation

CONSUMER STAPLES | Q1FY26 REVIEW

Rural, Urban and Commodities

SUMMARY

[SECTOR REPORT] DIVERSIFIED FINANCIALS

- The industry expanded sixfold from Mar'15 to Rs 75.4 trn in Jul'25; expected to clock 16-18% CAGR over next 5 years
- Growth to be driven by healthy GDP growth, resilient SIP inflows and passives gaining momentum
- Initiate coverage on ABSLAMC, HDFCAMC, NAM, UTIAM with BUY; and NAM and HDFC AMC as our top picks

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UJJIVAN SMALL FINANCE BANK

- Advances to grow 3x in FY25-FY30 with increased focus on secured segment;
 supported by branch expansion and a capital raise of Rs 20bn
- Improvement in CC and operating efficiency to offset NIMs pressure and support return ratios
- Maintain BUY with TP of Rs 59 (unchanged), ascribing 1.5x Jun'27E ABV

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CONSUMER DURABLES

- Global leaders' participation signals India's integration into the semiconductor ecosystem
- Policy support is pivotal; ISM's USD 8.6bn outlay mirrors global efforts like US CHIPS Act and Japan's chip initiative (building 2nm chip)
- Tata Electronics, with its fab and OSAT plant, anchors the majority of chip commitments (~73%)

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CONSUMER STAPLES: Q1FY26 REVIEW

- Rural outpaced urban on easing inflation, monsoon progress, and improved distribution
- Inflation persisted. Palm oil / cocoa eased sequentially but stayed high YoY.
 Companies relied on pricing / efficiencies to partly offset inflation
- Recent GST cuts in staples/consumer care improve affordability and can potentially drive volumes, with benefits likely from 2HFY26

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EQUITY RESEARCH 10 September 2025



DIVERSIFIED FINANCIALS

09 September 2025

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Industry AUM is expected to cross Rs 100 trn: India's asset management industry has been witnessing a robust and sustained growth in the AUM. Over the past 10 years (FY15 to Aug 2025) and 5 years (FY19-Aug 2025), AUM has grown at a CAGR of 20% and 24% respectively. Notably, during the 2Y period from FY23 to FY25, AUM (on a closing basis) growth accelerated at 29% CAGR. Thereby, the industry expanded sixfold, with closing AUM rising from Rs 10.8 trn in Mar'15 to Rs 75.4 trn in Jul'25. Going ahead, the industry AUM will clock a CAGR of 16-18% over next 5 years.

Growth drivers: This surge in interest in the mutual fund (MF) business can be attributed to a high growth phase over the past 5 years (growth in the range of 8-35% in AAUM in FY21-25). This was largely driven by robust equity market performance, thereby expanding the investor base. Additionally, GDP is projected to grow at 6.5% in FY25-26 as per the RBI's estimates, amid economic uncertainty, triggered by shifting trade dynamics around US President's sweeping tariffs.

SIPs a sweet spot: This phase has also been characterised by growing adoption of systematic investment plans (SIPs) for MF investing, which has ensured a steady and consistent flow of investments into the industry. SIP inflows touched all-time high levels in Jul'25 at Rs 284.6 bn, despite high volatility of the equity market.

Passive funds on the rise: Driven by the rising investor awareness and increasing recognition of benefits such as lower costs and ease of investment, passive funds have been gaining significant popularity. This trend is reflected in the growth of their QAAUM share, which rose from 9.6% in Mar'21 to 16.2% by Jun'25.

Initiate coverage on AMCs: We initiate coverage on AMCs, Aditya Birla Sun Life AMC (ABSLAMC), HDFC AMC (HDFCAMC), Nippon Life India AMC (NAM) and UTI AMC (UTIAM) with BUY rating. NAM and HDFCAMC are our preferred picks owing to their stable fund performance over the years and SIP market share.

Recommendation snapshot

Ticker	Price	Target	Rating	
ABSLAMC IN	848	1,000	BUY	
HDFCAMC IN	5,653	7,020	BUY	
NAM IN	807	954	BUY	
UTIAM IN	1,341	1,580	BUY	

Price & Target in Rupees | Price as of 9 Sep 2025







Banking

09 September 2025

Pathway to FY30: Rising scale & efficiency to improve RoA

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- Improvement in CC and operating efficiency to offset NIMs pressure and support return ratios
- Maintain BUY with TP of Rs 59 (unchanged), ascribing 1.5x Jun'27E
 ABV

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Advances to grow 3x during FY25-FY30 with focus on secured segment:

At its September 2025 analyst meet, UJJIVANS outlined its strategic vision and growth pathway till FY30. The bank plans to triple its gross loan book (GLB) to Rs 1trn by FY30 vs Rs 0.3trn as of FY25, implying ~25% CAGR during FY25-30. Loan growth to be driven by its focus on mass, aspiring and emerging affluent customer segments (Fig 1). Further, share of secured mix is expected to increase to 65–70% by FY30 from ~45% in Q1FY26. The strategic shift to secured mix is likely to aid in loan diversification, improve AQ and improve earnings visibility.

Branch expansion & productivity to support advances growth: The bank plans to add ~400 new branches, taking the network to ~1,150 by FY30 (752 in Q1FY26). Average GLB/ branch and liability/ branch is targeted to rise to Rs 870mn and Rs 1bn vs Rs 440mn and 510mn, respectively as of now. Productivity improvement is expected to be driven by deeper product penetration and strengthening presence in tier 2/3 towns and semi-urban areas.

Rs20bn capital raise to support business growth: UJJIVAN's capital profile remains adequate with Tier I of 21.2% (Jun'25). Further, the bank plans to raise capital of Rs 20bn via QIP over the next 18–24 months to support growth plans.

Improvement in CC and operating efficiency to offset NIMs pressure and support return ratios: UJJIVANS is targeting a CASA ratio of 35% by FY30 (vs 24.3% in Q1FY26), driven by NTB customer acquisition and broader product offerings — expected to lower CoF by 100bps. NIMs may moderate to 6–7% (from 7.7%), but pressure will be offset by lower credit costs (~1–1.5% vs. 2.45% in FY25) aided by rising share of secured loans. Operating efficiency is set to improve, with C/I ratio and opex/avg assets declining to ~55% and <5% by FY30 vs. 62% and 6.3%, respectively in FY25. These factors are expected to improve its return ratios, with RoA/RoE likely to rise to ~1.8–2.0% and ~16–18% (vs 1.6%/12.4% in FY25).

Key changes

Target	Rating	
∢ ▶	∢ ▶	

Ticker/Price	UJJIVANS IN/Rs 44
Market cap	US\$ 971.0mn
Free float	100%
3M ADV	US\$ 5.3mn
52wk high/low	Rs 52/Rs 31
Promoter/FPI/DII	0%/20%/17%

Source: NSE | Price as of 8 Sep 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	36,363	40,135	47,520
NII growth (%)	6.7	10.4	18.4
Adj. net profit (Rs mn)	7,261	7,806	10,420
EPS (Rs)	3.8	4.0	5.4
Consensus EPS (Rs)	3.7	4.3	5.8
P/E (x)	11.8	10.9	8.2
P/BV (x)	1.4	1.3	1.1
ROA (%)	1.6	1.5	1.7
ROE (%)	12.4	12.2	14.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE





CONSUMER DURABLES

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India conference reflected govt's thrust on semiconductor ecosystem:

Semicon India, inaugurated by the Prime Minister with the launch of India's first indigenously developed chip, saw a broad global participation. Exhibitors spanned the full value chain — led by materials suppliers, followed by fab equipment makers and a growing base of OSAT and PCB/EMS players. At the apex, fewer but strategic EDA platforms, design houses, and fab operators, reflected the natural hierarchy of the global semiconductor ecosystem.

Chip consumption to rise from ~USD 45-50bn today to ~USD 100bn by FY30:

India's semiconductor consumption is pegged at USD 45–50bn in 2025, driven by consumer electronics, telecom, automotive, and industrial/IoT. Consumer electronics and wireless account for ~25–30%, while automotive is fast emerging as a growth engine. Demand is skewed to mature/legacy nodes (60–70%) vs ~15% at advanced nodes (<10nm), aligning with Tata Electronics' focus on mature-node fabs.

Comprehensive policy framework makes it a play beyond import substitution:

India's Rs760bn ISM initiative is gaining momentum with strong central and state backing — from Gujarat to Assam. Focused on design, talent, and infrastructure hubs like Dholera and Sanand, the policy goes beyond import substitution to position semiconductors as a strategic priority. Mirroring global efforts like the US CHIPS Act and Japan's programs, India is aligning with leading nations to build a robust ecosystem.

Tata leads with India's first fab; Micron, Kaynes and CG Semi add ATMP

capacity: Tata Electronics is setting up India's first semiconductor fab at Dholera with a Rs 900bn investment, producing chips on 28–110nm nodes. While mature, this marks an aspirational start for a country without a semiconductor ecosystem. Alongside, Kaynes and CG Semi are establishing ATMP/OSAT facilities, initially in legacy packaging but with scope to advance. Though a late entrant, India is actively building capabilities to move up the learning curve.





CONSUMER STAPLES

Q1FY26 Review

09 September 2025

Rural, Urban and Commodities

- Rural outpaced urban on easing inflation, monsoon progress, and improved distribution
- Lokesh Gusain research@bobcaps.in
- Inflation persisted. Palm oil / cocoa eased sequentially but stayed high
 YoY. Companies relied on pricing / efficiencies to partly offset inflation
- Recent GST cuts in staples/consumer care improve affordability and can potentially drive volumes, with benefits likely from 2HFY26

1QFY26 summary: Rural recovery sustained momentum and continued to outpace urban growth. Urban markets also showed sequential improvement, mainly in premium categories and new trade channels. Commodity inflation eased sequentially but remained elevated YoY. The recent GST rate cuts on FMCG provide additional tailwinds for volume growth in 2HFY26.

Inflation easing: The commodity inflation cycle showed signs of moderation. Palm oil and cocoa eased sequentially, yet remained high on a YoY basis. Copra prices remained elevated, and so did wheat. Overall, margin pressure in COGS continued to be managed with pricing, efficiencies and operating cost cuts – gross margin deterioration continued across the FMCG space.

Rural outpaced urban: Rural demand continued to improve, staying ahead of urban across the sector. Distribution initiatives further helped accelerate distribution points in rural. Dabur reported rural growth ahead of urban for the fifth consecutive quarter, while HUL and ITC both flagged "resilience" on favorable monsoons. Lower inflation, easing rates, and higher MSPs are driving rural purchasing power and consumption.

GST revisions add to FMCG's 2H skewed growth profile: The government's recent GST cuts across most categories in essentials / consumer care are positive for the FMCG sector. This improves affordability and supports volume recovery, especially in rural and low-income households. The skew towards 2H will be more prominent for companies with high rural sales exposure – Dabur, Britannia, Marico and Hindustan Unilever.

Our view: Rationalisation of personal tax helps urban while GST revisions help the overall (urban + rural) consumption in FMCG. The GST rationalisation will likely drive increased penetration along with an acceleration in share shift from unbranded to branded. Rural growth to remain ahead of urban driven by the increase in distribution points.





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HOLD - Expected return from -6% to +15%

SELL - Expected return <-6%

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