FIRST LIGHT

22 July 2025

RESEARCH

AU SMALL FINANCE BANK | TARGET: Rs 741 | -2% | HOLD

NIMs and asset quality pose near-term headwinds

HAVELLS INDIA | TARGET: Rs 1,700 | +11% | HOLD

Weak summer dampens performance; pain persists for Lloyd

SUMMARY

AU SMALL FINANCE BANK

- Operating profits mainly supported by treasury gains; deposit growth remains 3x of the system growth
- Credit cost guidance revised, driven by higher delinquency; credit growth led by secured portfolio
- Downgrade to HOLD from BUY with revised TP of Rs 741 (from Rs 717) and roll over the valuation to 2.3x Jun'27E

Click here for the full report.

HAVELLS INDIA

- Q1 revenue declined 6% YoY, as the 14%/34% drop in ECD/Lloyd was partially offset by 27% growth in W&C
- EBITDA margin contracted by 40bps YoY, limited by a 100bps YoY improvement in W&C margin
- We cut estimates, introduce FY28, and roll forward to Jun-27E EPS, assigning an unchanged 50x multiple to arrive at TP of Rs 1,700

Click here for the full report.

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HOLD
TP: Rs 741 | ∀ 2%

AU SMALL FINANCE BANK | Banking | 21 July 2025

NIMs and asset quality pose near-term headwinds

- **Operating profits mainly supported by treasury gains; deposit growth remains 3x of the system growth**
- **Credit cost guidance revised, driven by higher delinquency; credit growth led by secured portfolio**
- **Downgrade to HOLD from BUY with revised TP of Rs 741 (from Rs 717) and roll over the valuation to 2.3x Jun'27E**

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PPoP mainly supported by treasury gains: PPoP grew by 1.5% QoQ to Rs 13.1bn in Q1FY26, largely driven by higher other income (+6.6% QoQ) that was partially offset by the decline in NII (-2.4% QoQ). Other income was mainly supported by higher trading gains of Rs 3bn vs Rs 1bn in Q4FY25, due to lower yields. NIMs declined to 5.4% (-38bps QoQ) driven by: a) reduction in asset yield to 14.1% (-27bps QoQ) on repricing of 30% floating rate book due to repo rate cut and change in loan mix to lower yielding book with share of unsecured falling to 8.1% (Jun'25) from 9.1% (Mar'25) b) investment yield down by 20-25bps, c) higher liquidity impacting 10bps. Management expects NIMs to bottom out in Q2FY26 and improve thereafter.

Revision in credit cost guidance due to higher delinquency: GNPA ratio deteriorated to 2.47% (+19bps QoQ), mainly due to the rise in slippages to Rs 10.3bn (+14.9% QoQ) in Q1FY26. The rise was due to seasonality and higher slippages in credit cards and secured mortgage portfolio in South India. Further, credit cost was higher than the bank's expectations due to lower CE in MFI (98.3% in Q1FY26 vs 98.7% in Q4FY25) and slippages in South-based mortgages book. Management stated that MFI recovery is likely to be delayed by a quarter; hence revised its credit cost guidance to 1% for FY26 vs earlier estimate of 85-90bps (1.4% annualised in Q1FY26 vs 1.3% in FY25).

Secured portfolio drove credit growth: AUBANK witnessed gross advances growth of 3% QoQ, driven by secured portfolio (retail + commercial) growth of 2.7% QoQ. Further, there was degrowth by 6.6% QoQ in the unsecured portfolio, given the industry-wide deleverage in MFI book and corrective actions undertaken in its credit card segment. Deposit growth stays strong at 31.3% YoY as of Jun'25 — 3x the system growth.

Downgrade to HOLD: We believe the bank is well placed to deliver RoA of 1.8% by FY27E. However, there are some headwinds in the near term related to NIMs and challenges in the asset quality. Hence, we downgrade to HOLD from BUY with revised TP of Rs 741 (from Rs 717) and roll over the valuation to 2.3x Jun'27E.

Key changes

Target	Rating
▲	▼

Ticker/Price	AUBANK IN/Rs 753
Market cap	US$ 6.5bn
Free float	77%
3M ADV	US$ 29.3mn
52wk high/low	Rs 841/Rs 478
Promoter/FPI/DII	23%/36%/27%

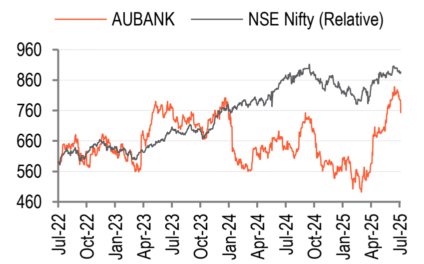
Source: NSE | Price as of 21 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	80,116	95,176	1,17,874
NII growth (%)	55.4	18.8	23.8
Adj. net profit (Rs mn)	21,059	26,402	37,512
EPS (Rs)	29.8	35.5	50.4
Consensus EPS (Rs)	28.2	36.4	48.2
P/E (x)	25.3	21.2	14.9
P/BV (x)	3.3	2.8	2.4
ROA (%)	1.6	1.5	1.8
ROE (%)	14.2	14.3	17.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 1,700 | ⮝ 11%

HAVELLS INDIA | Consumer Durables | 22 July 2025

Weak summer dampens performance; pain persists for Lloyd

- **Q1 revenue declined 6% YoY, as the 14%/34% drop in ECD/Lloyd was partially offset by 27% growth in W&C**
- **EBITDA margin contracted by 40bps YoY, limited by a 100bps YoY improvement in W&C margin**
- **We cut estimates, introduce FY28, and roll forward to Jun-27E EPS, assigning an unchanged 50x multiple to arrive at TP of Rs 1,700**

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Misses estimates as summer products see a sharp dip in revenues: HAVL's reported a weak quarter as revenue/EBITDA/PAT was 8%/3%/4% below estimates. Revenue declined by 6% YoY/17% QoQ to Rs 54.6 bn, led by weak demand for summer products. ECD segment revenue declined by 14% YoY/9% QoQ, while Lloyd revenue declined 34% YoY/32% QoQ. The decline in summer products were partially offset by a strong growth in the wires & cables (W&C) division, which grew 27% YoY (-11% QoQ). On the profitability front, despite a 6% YoY decline in revenue, EBITDA margin contraction was limited to 40bps YoY to 9.5% (50bps above estimates). Absolute EBITDA declined 10% YoY to Rs 5.2 bn. Adjusted PAT came in at Rs 3.5bn (-15% YoY).

ECD segment revenue declined (-14% YoY/-9% QoQ) on weak seasonal demand: ECD revenue declined 14% YoY due to weak summer demand, driven by a delayed onset of summer and an early monsoon. Fans and air coolers — which contributed ~40% to the segment in Q1 — saw a sharp decline in volume. Management highlights that channel inventory remained elevated during the quarter, and its liquidation is likely to weigh on primary sales in the coming quarters. The company launched new models in the premium fan category and expanded its BLDC fan portfolio.

A challenging summer for Lloyd, pain to persist: Lloyd's revenue declined 34% YoY to Rs 12.7bn, impacted by a high base and weak summer demand. After a significantly profitable prior quarter, the company reported a loss of Rs 209mn in Q1 with EBIT margin contracting to -1.6% vs 3.3% in the year-ago period. While Lloyd achieved full-year profitability in FY25, turning profitable in FY26 appears challenging. Channel inventory remains elevated — both for the company and the broader industry — which is likely to exert continued pressure on volumes and margins, as brands resort to discounts and promotional schemes. We expect inventory liquidation to take another two quarters, with a potential recovery only by Q4FY26.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	HAVL IN/Rs 1,532
Market cap	US$ 11.1bn
Free float	41%
3M ADV	US$ 18.2mn
52wk high/low	Rs 2,106/Rs 1,381
Promoter/FPI/DII	60%/23%/10%

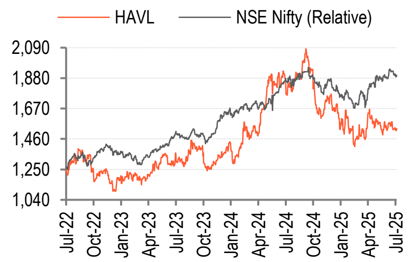
Source: NSE | Price as of 21 Jul 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	1,85,900	2,17,781	2,32,345
EBITDA (Rs mn)	18,426	21,309	23,873
Adj. net profit (Rs mn)	12,708	14,723	16,513
Adj. EPS (Rs)	20.3	23.5	26.4
Consensus EPS (Rs)	20.3	24.5	30.9
Adj. ROAE (%)	18.1	18.7	18.8
Adj. P/E (x)	75.5	65.2	58.1
EV/EBITDA (x)	52.1	45.0	40.2
Adj. EPS growth (%)	18.6	15.9	12.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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