

FINSHASTRA

THE
BULLS
ARE

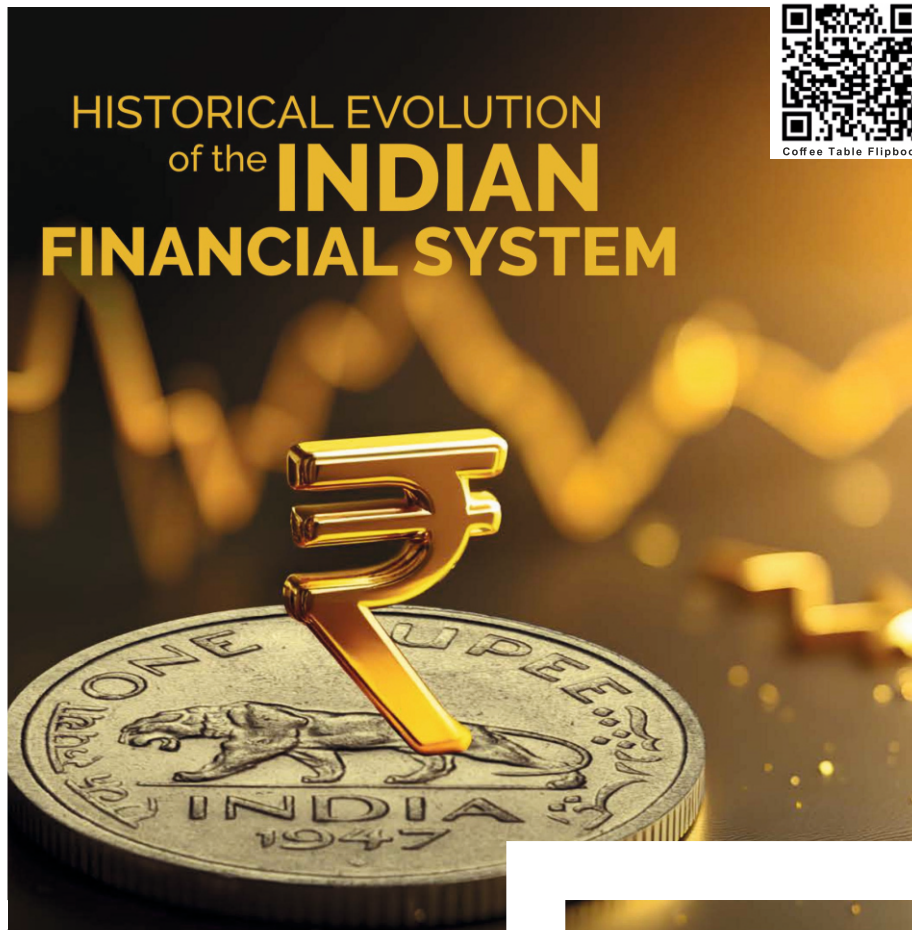
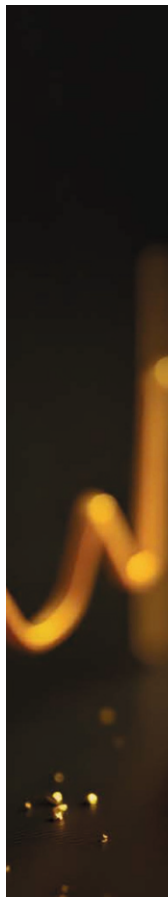
RACK

THE GREAT HOMECOMING
Founders return, employees
prosper, markets evolve.

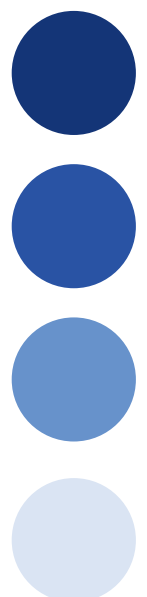
Pg 25-26

SEPTEMBER
2026

www.imt.edu



CENTRE FOR FINANCIAL MARKETS





The Centre for Financial Markets (CFM) at IMT Ghaziabad strengthens the institute's focus on industry-aligned, Role-Competency based education and applied financial research. It serves as a collaborative platform where students, faculty, and industry professionals engage in knowledge exchange and integrate real-world market insights into academic learning, fostering informed and data-driven perspectives on financial markets.

To deepen industry engagement, CFM is establishing a presence in Mumbai, India's financial capital. The Mumbai centre will provide closer access to financial institutions, regulators, and market participants, supporting research initiatives, executive learning, and industry-driven programs while offering direct exposure to evolving market dynamics.

CFM plays an active role in advancing financial market understanding through in-depth research, including the development of reports, case studies, and data repositories. By engaging with industry leaders, policymakers, and stakeholders, the centre promotes informed dialogue through seminars, conferences, and publications.

Complementing its research focus, CFM emphasises practical learning through live projects and training initiatives that enable students to apply theoretical concepts to real-world financial challenges. This integrated approach ensures academic rigour translates into practical capability, preparing future finance professionals to contribute meaningfully to the financial ecosystem.

***CFM provides a common
“ platform for industry and
academia to exchange ideas. ”***

Dr. Harsimran Sandhu
Associate Dean (PGDM-BFS), IMT Ghaziabad

Director's Note

It is a pleasure to introduce the September 2026 edition of Finshastra, curated by Finesse, the Official Finance Club of IMT Ghaziabad, in collaboration with the Centre for Financial Markets (CFM). This publication reflects a deliberate engagement with questions that currently matter to markets, policymakers, and institutions navigating an increasingly complex economic landscape.



The magazine also reflects an educational philosophy of case-based and experiential learning. Student editors and authors gain formative experience in research design, data interpretation, and communication under real-world constraints. Institutional collaborators provide the platforms, networks, and mentorship that turn inquiry into impact. The result is not a one-off publication but part of an ecosystem, an engine that sharpens competence, expands perspective, and elevates standards.

At a deeper level, Finshastra represents an institutional confidence in slow thinking at a time when speed often dominates substance. It affirms our belief that careful analysis, patient argumentation, and respect for complexity are not academic luxuries but professional necessities. By encouraging students to engage seriously with ambiguity and to articulate their reasoning with precision, the magazine reinforces a culture where learning is measured not by conclusiveness but by the quality of questions asked and the discipline with which they are pursued. In doing so, it quietly shapes habits of mind that endure well beyond the classroom, that define thoughtful leaders, credible professionals, and responsible participants in the financial ecosystem.

I view Finshastra as an instrument of dialogue rather than a repository of verdicts. I invite practitioners, scholars, and students to critically read, engage with the arguments presented, and contribute to future issues. Constructive critique and sustained exchange will raise the publication's value for all stakeholders. My thanks to the teams whose diligence makes this possible. Their work embodies IMT Ghaziabad's commitment to thoughtful, relevant, and responsible engagement with the financial world.

A handwritten signature in black ink, reading "A. u. Chattopadhyay". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Dr. Atish Chattopadhyay
Director
IMT Ghaziabad

Professor's Foreword

Dear Readers,

I am thrilled to introduce the September edition of Finshastra, a pioneering effort of Finesse, the Official Finance Club of IMT Ghaziabad, in collaboration with the Centre for Financial Markets. This magazine is a testament to the dedication and hard work of the Finesse team. It serves as a platform for students, faculty, and other professionals to share their perspectives on the dynamic, fast-paced world of finance.



At Finesse, the Official Finance Club of IMT Ghaziabad, we believe that learning and development are at the core of who we are as individuals. The desire for knowledge is what propels us forward and drives us to push boundaries and create benchmarks in our fields.

The launch of Finshastra is a significant achievement for the Finesse team, and I am proud to be a part of this initiative. Following the mission of IMT to create intellectual capital in terms of scholarly and practice-oriented research relevant to its evolving techno-civilization context, it is an honor to have collaborated with the members of Finesse, who have shared their valuable insights based on their awareness and financial acumen.

Finshastra is published in collaboration with the Centre for Financial Markets (CFM). CFM fosters an ecosystem of engagement among IMT stakeholders and financial experts, enhances academic delivery, research, and industry networking. The magazine covers global economic developments, financial systems, and sector reports, aligning with CFM's commitment to disseminating knowledge and promoting industry-academic collaboration.

I would also like to extend my gratitude to Dr. Atish Chattopadhyay for his unwavering support and encouragement. His guidance has been instrumental in helping us achieve greater heights. In conclusion, I hope that the articles in Finshastra inspire and enrich your knowledge.

Wishing you all a pleasant reading experience and looking forward to seeing Finshastra reach new heights.

A handwritten signature in black ink, appearing to read 'H Sandhu'.

Harsimran Sandhu
Associate Dean, PGDM - BFS
IMT Ghaziabad

CFM Head's Foreword

Dear Readers,

It gives me immense pleasure to present the September edition of Finshastra, the finance magazine of the institute developed by Finesse, the Official Finance Club of IMT Ghaziabad, published in collaboration with the Centre for Financial Markets (CFM).

At CFM, we believe that meaningful learning extends beyond the classroom. Our endeavour is to bridge the gap between academia and industry by creating opportunities for students to engage with industry experts, experienced professionals, and leaders from the financial sector. Through these interactions, we aim to provide students with practical exposure to the evolving financial landscape and perspectives that complement their academic learning.

Our engagement extends beyond students through Management Development Programmes (MDPs), which provide finance professionals with opportunities to enhance their knowledge and engage with contemporary developments and industry practices. In this way, CFM strives to create a continuous ecosystem of learning and knowledge exchange between academia and the financial industry.

Finshastra is a reflection of this vision, providing students with a platform to research, analyse, and share their perspectives on financial markets, economic developments, and emerging trends. It represents the collective enthusiasm of Finesse and CFM towards fostering financial awareness and industry-academia collaboration.

I congratulate the Finesse and CFM teams for their efforts in bringing this edition to life. I hope Finshastra provides our readers with valuable insights and encourages them to explore the world of finance with greater curiosity.

Wishing Finshastra continued success and many more impactful editions ahead.



Santosh Sirur
Head, Centre for Financial Markets
IMT Ghaziabad





Editors' Note

Dear Readers,

We are pleased to present the September edition of Finshastra, brought to you by Finesse - The Official Finance Club of IMT Ghaziabad.

This edition unpacks a defining moment for the Indian economy, opening with a macro deep-dive into how the West Asia conflict and a developing El Niño are testing India's resilience heading into FY27.

Our Sector in Focus spans a comprehensive BFSI overview, the Indian defence sector's shift toward self-reliance, and the automobile sector's tussle between record retail volumes and channel stress. We also explore how India's IPO market has evolved into a multi-purpose tool for capital raising, succession planning and employee liquidity, alongside features on boardroom readiness for AI adoption and how fixed costs can quietly mask operational inefficiency.

Through this edition, we aim to bring together diverse perspectives on the forces shaping India's financial and business landscape. As markets, industries and global dynamics continue to evolve, we hope these insights encourage you to look beyond the headlines and engage with the deeper trends influencing businesses and investors. We also hope this edition serves as a platform for thoughtful discussion and a starting point for further exploration.

We hope this edition offers you both depth and perspective, and we look forward to your feedback.

**Stay updated with our events by following us on LinkedIn, Facebook, and Instagram.
Happy Reading!**



Illustration by Wikimedia Commons

Contents



Life is too short to spend your time avoiding failure.



Mr. Michael Bloomberg
Founder & Owner, Bloomberg L.P.

FINSHAstra TALKS

Why Markets Still Excite Me After Three Decades01

1 Two Shocks, One Resilient Economy

The Indian Macro Backdrop : Setting the Stage for FY27 03

2 BFSI Sector Overview India's Financial Sector at Crossroads..... 08

3 Indian Defence Sector From Import Dependence to Strategic Self-Reliance 14

4 Indian Automobile Sector Volumetric Divergence: Unprecedented Retail Meeting Channel Friction 20

5 The Great Homecoming How India's public markets are bringing capital, ownership and opportunity back home..... 25

6 AI's Midlife Crisis How boardrooms drive mainstream technology adoption? 27

7 Are Operational Inefficiencies Hiding Behind Fixed Costs? When fixed costs hide unused capacity 30

Connect With Us

For publication of articles in future editions
email us on ✉ finesse@imt.ac.in

 @cfm-finesse

 @finesse_imt

 <https://www.imt.edu/centre-for-financial-markets/>

 <https://www.facebook.com/FinComIMT>

Finshastra Talks

Why Markets Still Excite Me After Three Decades

Thirty years ago, if someone had asked me to sum up the securities market in a single word, I would have said exciting. Ask me today, after a career spent teaching, training and watching this world reshape itself again and again, and my answer hasn't moved an inch. What has changed is almost everything else: the roles we prepare people for, the seriousness with which those roles are defined, and the weight of responsibility that now comes attached to them. I find myself, at this stage of my career, wanting to look back at that arc and think aloud about what it means for the people just starting out.

When I entered this field, a career "in markets" was a fairly narrow idea. It usually meant a seat on a broking floor or a job as an analyst, a handful of visible roles, and beyond that, very little clarity. Most people learned by doing, simply because there wasn't much of an alternative; the profession hadn't yet built the language to describe itself in any granular way. That has changed completely. The market today recognises dozens of distinct functions, each with its own skill requirements, its own body of knowledge, its own professional identity. Where we once had vague job titles, we now have precision. The market has, in effect, grown up, and it has done so by demanding that the people who work in it grow up with it, faster and earlier than before.

That precision brings with it a corresponding demand: depth. Learning on the job, the way my generation did, is simply no longer sufficient. The complexity of instruments, the speed of technology, the scrutiny of regulation, all of this means that a young professional today needs advanced preparation before they walk in, not after. I don't say this with any nostalgia for the old, looser ways of learning; if anything, I find it heartening that the field has matured to a point where it insists on rigour before entry rather than tolerating it as an afterthought.

One question I return to often, because I lived it myself, is whether a particular academic background is a prerequisite for this world. I came from commerce, and I won't deny that gave me an early sense of belonging: finance, commerce and securities markets felt like siblings, and that familiarity was reassuring. But reassurance is not the same as advantage, and over the years I have come to believe that comfort in one's own background matters far less than the willingness to bring it to the table. I have watched engineers walk into a market problem and instinctively reach for a model or a quantitative framework. I have watched students of law read the same problem and notice things about structure and obligation that a finance student would walk straight past. No single lens gets you to the best answer. What gets you there is a room full of different lenses, each person trusting that their particular way of seeing has value, rather than apologising for not being a "numbers

person." I have heard that phrase, we are not number people, spoken quietly, almost as a confession, by people otherwise sharp enough to hold their own anywhere. It is, in my experience, a fear that lives entirely in the head. The market has room for it, if only the person is willing to stop worrying about what they lack and start noticing what they already carry.

This is also why I've become somewhat wary of education that tries to be everything at once. There is real value in broad, general finance programmes; they suit students who genuinely haven't decided where

they're headed, and there is nothing wrong with not knowing yet. But once a student has made up their mind about this specific field, a certain kind of specialised, close-to-the-ground learning serves them far better than a broad survey ever could. The market itself is asking for this depth now, in a way it didn't three decades ago, because the roles it offers have become too well-defined to be learned in passing. This isn't a case I'm making for any one institution; it's simply an observation about where the profession has moved, and where education has had to follow.

If I look ahead, at what the next several years are likely to reward, two things stand out to me, and neither is glamorous. The first is compliance and risk management. I have yet to meet a student, in all my years of asking, who names this as their dream role at the start of a programme. And yet it is quietly one of the fastest-growing areas in the entire ecosystem, precisely because markets that grow this fast

Dr. Rachana Baid
Professor & Dean Academics
NISM



need people who understand how to keep them orderly. The second is the deepening intersection of finance and technology, not as a separate specialisation anymore, but as the operating language of the field itself. Finance, as I tell anyone who will listen, is no longer just finance. It is finance and technology so thoroughly interwoven that soon it may be more accurate to describe most roles as technology roles that happen to sit inside finance.

Nowhere is that tension between opportunity and risk more visible to me than in the rise of retail participation we've witnessed recently. There is a great deal here that genuinely excites me: new investors from every corner of the country, participation no longer gated by the size of one's wallet, an SIP created in the time it takes to make a phone call. This is democratisation in its truest sense, and I don't say that lightly. But the same ease that makes participation possible also makes it possible to participate without understanding. Futures and options, in

particular, are now used by people with no real grasp of what a future or an option actually is, drawn in by the promise of quick returns rather than any appreciation of risk. Regulatory data on this is not ambiguous, the overwhelming majority of such traders lose money. My worry is not that people are entering the market; it is that access has, in some cases, outrun understanding, and that behavioural biases, more than lack of intelligence, are what quietly separate those who build wealth from those who erode it.

To a student standing at the entrance of this profession, unsure of exactly where they belong, my advice is not to force certainty prematurely. Not knowing yet is not a failure of ambition; it is simply an honest starting point. What matters is that the decision, whenever it comes, is an informed one, shaped by real exposure, real conversations, real internships, not by assumption. And once a direction is chosen, resist the temptation to fix your gaze on only one role. I have watched students grow so attached to

a single ambition, equity research, say, that they stop noticing opportunities sitting quietly elsewhere, in fixed income or elsewhere, that might have suited them just as well, perhaps better.

If there is one thought I would want a young person to carry with them longer than any of this, it is this: markets have moved through an era when simply being informed was the edge, into an era when the ability to analyse information was the edge. We are now entering a time when intelligence itself is democratised, available to anyone who cares to look for it. What will distinguish one professional from another, going forward, is not who is cleverest in the room, but who can be trusted. Integrity is not a soft value sitting on the side of this profession; it is, I suspect, the only edge that will never be arbitrated away. That, more than any technical skill I could name, is what I hope the next generation of market professionals chooses to build first.

NISM's Expanding Footprint in Market Education

The National Institute of Securities Markets, SEBI's dedicated capacity-building arm, continues to widen its reach across India's evolving financial landscape. Beyond its certification framework spanning nearly thirty distinct market functions, NISM offers academic programmes including a one-year LLM in investment and securities laws and residential PGDM and PGP-ISM programmes, and has built experiential infrastructure such as simulation, Bloomberg and data science labs, with a fintech lab underway. Since last year, it has hosted IMT Ghaziabad's Banking and Financial Services students for a six-to-seven-week campus immersion, with SEBI and market-institution officers occasionally teaching full-length, three-month practitioner courses alongside regular faculty. This reflects a broader trend of specialised institutions bridging regulators, industry and academia.

Based on an interview conducted by
Kalash Bansal and Vishakha Alwani

Ananya Bakliwal
Shivam Gupta
Vedika Mehra

Two Shocks, One Resilient Economy

The Indian Macro Backdrop : Setting the Stage for FY27

India entered 2026 expecting a victory lap and got a stress test instead. Two shocks landed together. The first is geopolitical: the US–Israel war on Iran, reaching into the Strait of Hormuz, the artery for much of India's imported energy. The second is meteorological: a developing El Niño, with the WMO placing an 80% probability on the event over June-August 2026 and the IMD pencilling the monsoon at around 90% of its long-period average.

One is a price shock (oil, the rupee, imported inflation); the other is a supply shock to the farm economy (rainfall, food prices, rural demand). Together, they have pressured India's external account, currency, markets and inflation at once. Yet the headline is resilience: the RBI trimmed its FY27 growth forecast to 6.6% from 6.9%, but from a high base, and India remains the fastest-growing major economy.

Figure 1 - Macro dashboard (vitals strip)

Indicators	FY26	Forecast, FY27	Risks
GDP (% YoY)	7.7	6.4-6.6	Upside (recent developments)
CPI (% YoY)	2.1	5.0-5.2	Upside (risk of El Nino)
WPI (% YoY)	3.2	7-8	Upside
Current account deficit (% of GDP)	1.0*	1.8-2.0	Upside
Fiscal deficit (% of GDP)	4.4	4.7-4.8	Upside
Credit (% YoY)	16.1	11.0-13.0	Neutral
Deposits (% YoY)	13.5	10.0-12.0	Neutral
Repo rate (%)	5.25	5.25-5.50	Upside

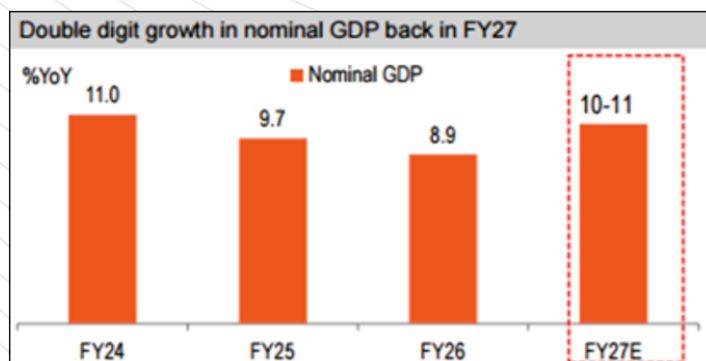
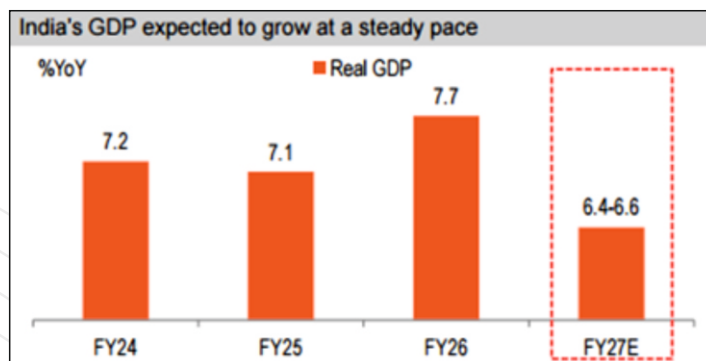
Source: BoB "Key forecasts"

Growth Holds Up

India's real economy is decelerating gently, not breaking. Real GDP is projected at 6.4-6.6% in FY27 after 7.7% in FY26, while nominal GDP swings back into double digits (10-11%), a positive for revenue growth and tax buoyancy. Consumption is set to rebound modestly (nominal PFCE 9.5-10.5%), led by urban demand, premiumisation and GST rationalisation, but rural demand hinges on the monsoon. Investment stays steady (GFCF 8.5-9.5%), public capex leading. On the supply side, manufacturing moderates to 6.5-7.5% and IIP to 3-4%, weighed down by base effects and supply-chain disruptions; petro-based industries, chemicals, and textiles sit in the pressure zone,

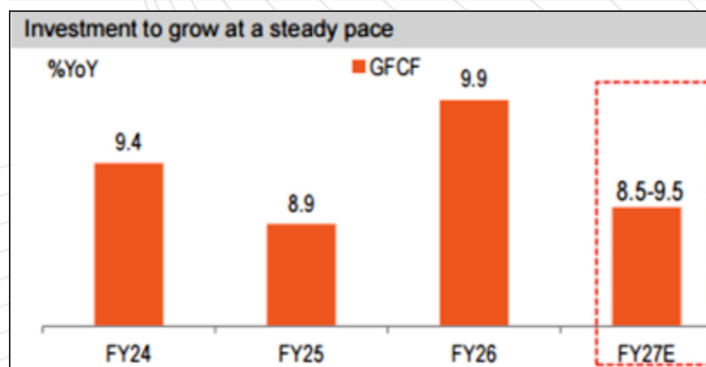
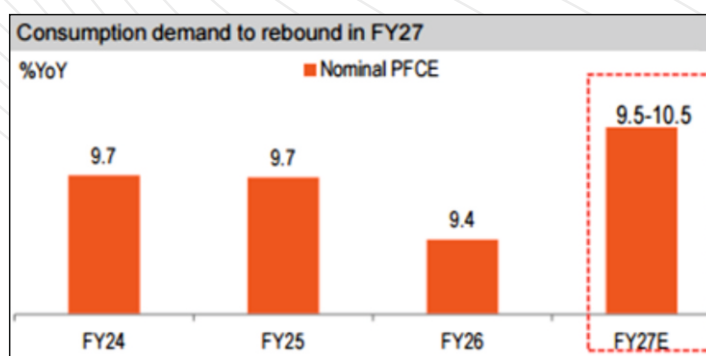
while machinery, autos, metals, and infrastructure hold up. PMI stays firmly expansionary (manufacturing ~57, services ~59), activity is still growing.

Figure 2: Real & Nominal GDP (FY24–FY27E)



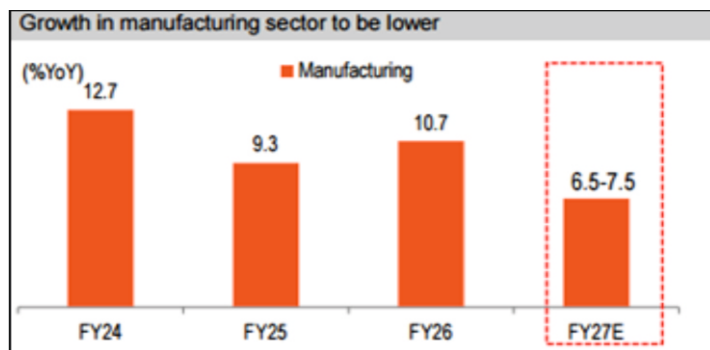
Source: CEIC, BoB Research

Figure 3: Consumption (PFCE) vs Investment (GFCF)

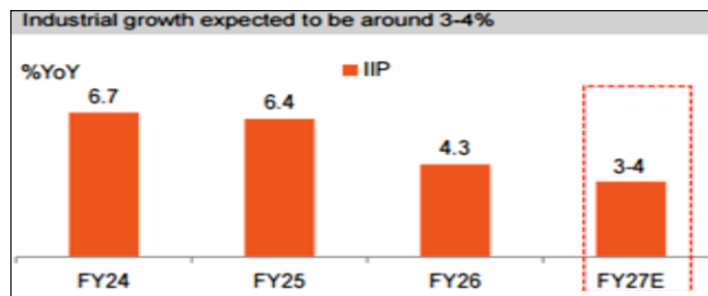


Source: CEIC, BoB Research

Figure 4: Manufacturing & IIP Figures (FY24–FY27E)

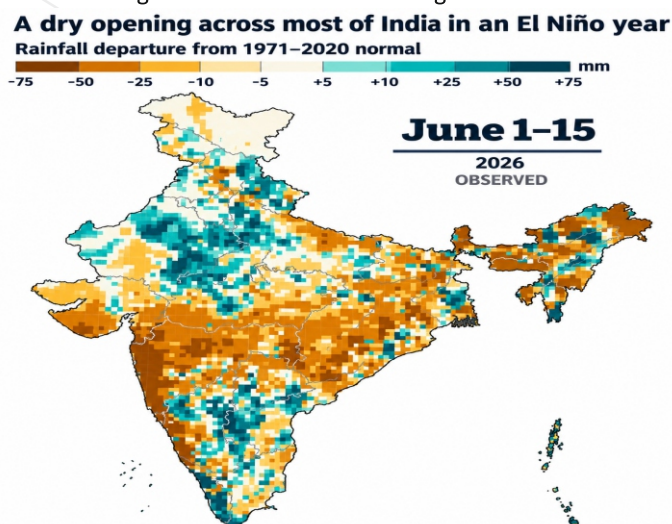


Source: CEIC, Markit, Bank of Baroda Research



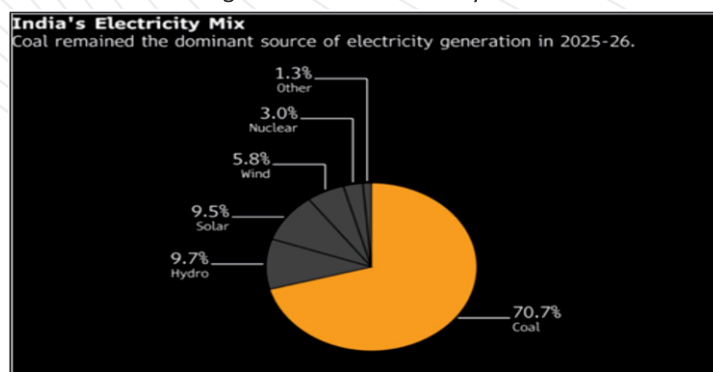
and held-back festive inventory, then spreads into broader consumption. A less obvious channel is power: a super El Niño could open an 18-TWh power deficit, most likely met by burning more coal, which still supplies around 70% of India's generation. Over a decade; the government has flagged 315 vulnerable districts. The transmission chain is what matters: weak rains hit pulses,

Figure 6: Rainfall Deficit during June 2026



Source : India Meteorological Department; Wright Research

Figure 7: India's electricity mix



Source: Central Electricity Authority / Bloomberg

Spotlight: El Niño and the Monsoon

If the war is the shock in the headlines, El Niño is the shock in the soil, and for a farm economy that still shapes food prices, rural incomes and roughly half the country's livelihoods, it may prove the more durable worry. Cumulative rainfall ran 40%+ below normal at the worst point into late June before a July pickup, with forecasters warning of the weakest monsoon in over a decade; the government has flagged 315 vulnerable districts. The transmission chain is what matters: weak rains hit pulses, oilseeds, cooking oil and sugar first, and food is India's most sensitive inflation input. Research cited by Bloomberg suggests a 10% rainfall deficit could add up to a full point to headline CPI, and Bank of Baroda's chief economist warns inflation could top 5.5% by October, potentially forcing the RBI's first hike since early 2023.

The rural-demand channel is the key macro link into autos and rural finance: a weak monsoon shows up early in postponed tractor bookings, fewer two-wheeler enquiries

El Niño cross-sector impact matrix

Sector	Channel	Direction
Agriculture	Lower kharif output, delayed sowing	Negative (growth to 2–2.5%)
Food / FMCG	Food inflation, weaker rural volumes	Negative
Power / Coal	AC demand up, hydro/wind down → coal burn	Mixed (coal up, grid stressed)
Autos (2W, tractors)	Rural sentiment and income	Negative (rural)
Rural finance / MFI	Farm income, repayment stress	Negative
Rice, wheat	Sample buffer stocks	Cushioned

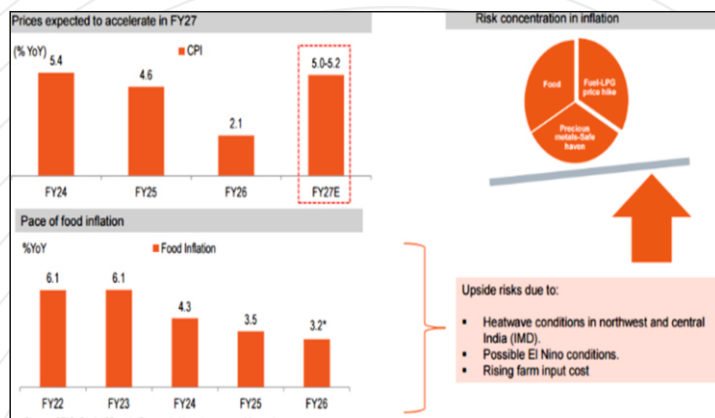
Source: BoB Research, Bloomberg

oilseeds, cooking oil and sugar first, and food is India's most sensitive inflation input. Research cited by Bloomberg suggests a 10% rainfall deficit could add up to a full point to headline CPI, and Bank of Baroda's chief economist warns inflation could top 5.5% by October, potentially forcing the RBI's first hike since early 2023.

The Price Story

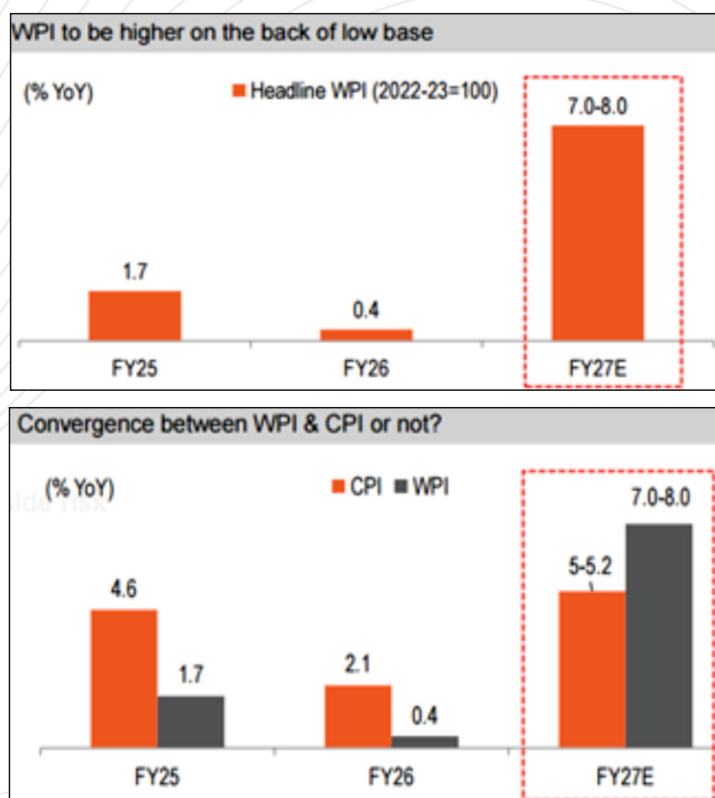
Inflation is where the two shocks converge. After a benign FY26 (CPI 2.1%), prices are set to re-accelerate to 5.0-5.2% in FY27 on fuel/LPG, food and input-cost pass-through, with risks firmly to the upside. The sharper move is in wholesale prices: WPI, off a near-zero base, is projected to jump to 7-8%; it carries a heavier fuel weight and more imported inflation risk. The widening WPI-CPI gap is a margin story: with producers absorbing cost pressure not yet passed to consumers, a headwind across manufacturing.

Figure 8: CPI with food inflation (FY24-FY27E)



Source: CEIC, Bank of Baroda Research

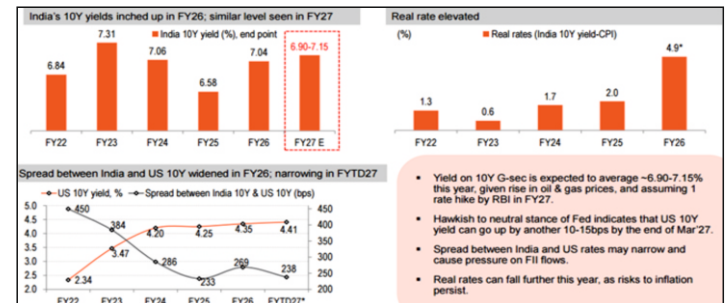
Figure 9: WPI vs CPI gap (FY24-FY27E)



Source: CEIC, Bank of Baroda Research

Core inflation is seen around 4.7-4.9% with upside risks (second-round LPG, transport, cost pass-through). On policy, the base case is a pause, growth is holding, and inflation stays within the MPC's band, with no action expected until at least October 2026, after which one hike is possible if food inflation forces the issue.

Figure 10: India 10Y yield & real rates; India-US 10Y spread



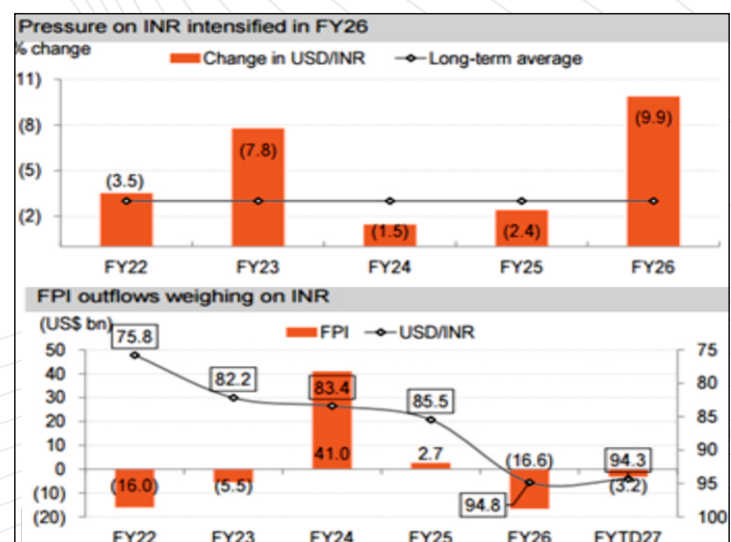
Source: Bloomberg, CEIC, Bank of Baroda Research

The External Sector: The War in the Foreground

This is where the war shows up most directly: India imports around 90% of its Crude oil requirements, making it among the most exposed to a disruption in the Gulf. The rupee depreciated by 9.9% in FY26 and briefly approached ₹97 against the USD (from ₹91 pre-war), and forex reserves have fallen by around \$40 billion since the conflict began. Exports fell 8% in FY26 (weaker demand in West Asia, ~15% of exports), with a modest 4-5% recovery expected as Hormuz reopens. The bigger risk is an elevated oil import bill, pushing imports to \$730-\$760bn.

Despite the stress, the external balance sheet holds. The current account deficit is expected to be 1.8 to 2.0% of GDP in FY27 (from ~1.0%), India's reserves still cover 11 months of imports, and gold's share of reserves has doubled from 7% to 16%. The policy response was swift: doubled gold/silver import tariffs, scrapped the capital-gains tax on foreign G-sec holdings, introduced an 85%-ethanol fuel blend, increased Russian/Venezuelan crude, and held fuel/fertiliser prices steady through the conflict. Net FDI rebounded to \$6.6bn in April, a five-year high.

Figure 11: USD/INR change vs long-term average, with FPI flows:

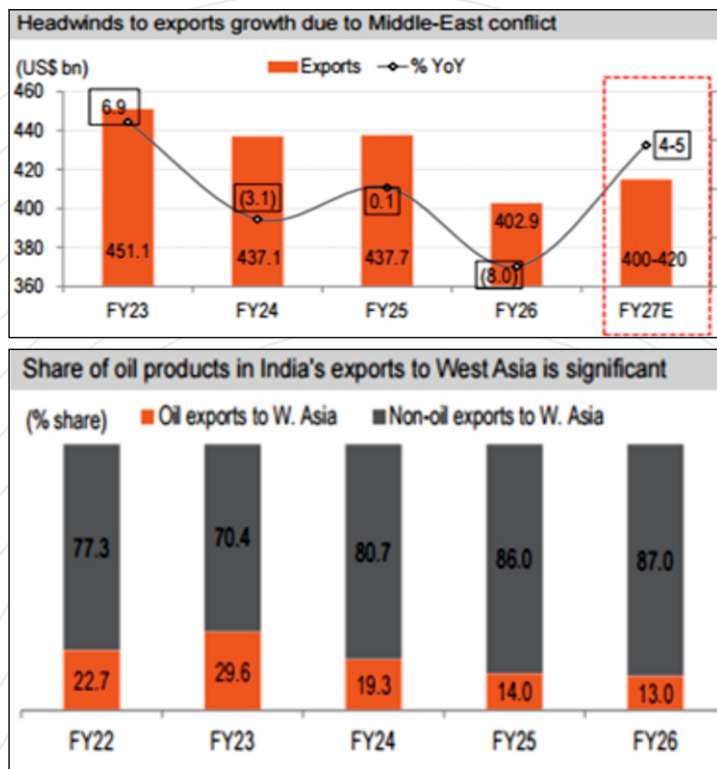


Source: Bloomberg, BoB Research

Markets and Capital Flows

The Nifty 50 has spent much of this year in a 23,000-24,000 range, well below its September 2024 peak of 26,277. But the cash flow story is historic: FIIs sold a net ₹2.2-₹2.3 lakh crore (about \$30.7bn) of Indian equities between January and June 2026, the largest outflow since India opened to FPIs in 1993. What prevented a crash was the domestic bid: DIIs, funded by record SIP inflows of nearly ₹32,000 crore/month, absorbed nearly 90% of the selling. For the first time, FII ownership slipped to ~16%, a two-decade low, below domestic ownership.

Figure 12: India's Export Story



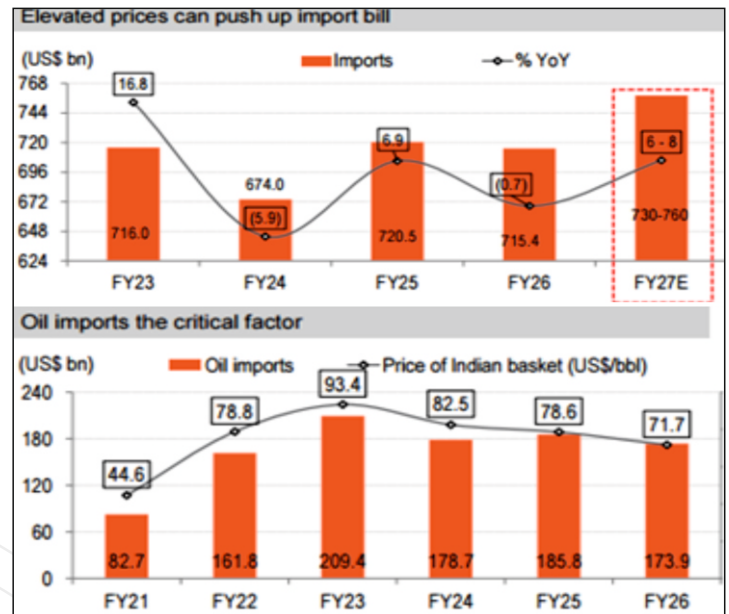
Source: CEIC, CMIE, Bank of Baroda Research

A structural weakness has been India's thin AI exposure: the Nifty IT index fell ~23% into early June versus ~8% for the Nifty 50, and foreign ownership of IT stocks dropped by more than a third. After the correction, the market still isn't cheap, above 20x forward earnings, leaving little room for earnings misses. Had the war not interrupted, it would have been a record IPO year, though confidence has returned with Jio and NSE filing landmark listings.

Fiscal and Liquidity

The fiscal story is a tug-of-war between firm capex (₹12.2 lakh crore budgeted for FY27) and war-driven cost pressures. A sustained oil price spike could lift the fertiliser subsidy by 30-40% and dent OMC dividends and corporate tax revenues. The FY27 budget targets a deficit ratio near 4.3-4.4% of GDP, but analysts see slippage of 0.3-0.4%, with some models placing it as high as 4.6%. Liquidity is a year of two halves. Bloomberg Economics maps a surplus peaking near ₹2.3 trillion at the end of August, then swinging to a ₹1.1 trillion deficit by December as tax collections rebuild

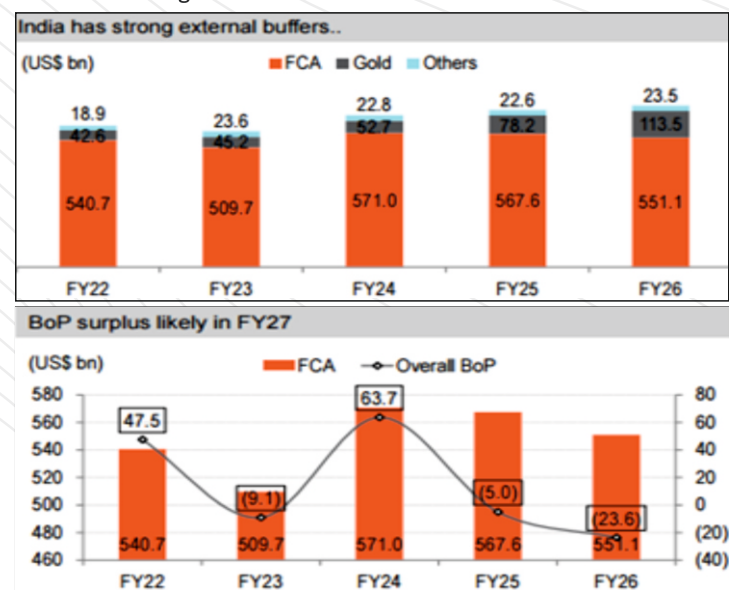
Figure 13: India's Import Bills and Imports



Source: CEIC, CMIE, Bank of Baroda Research

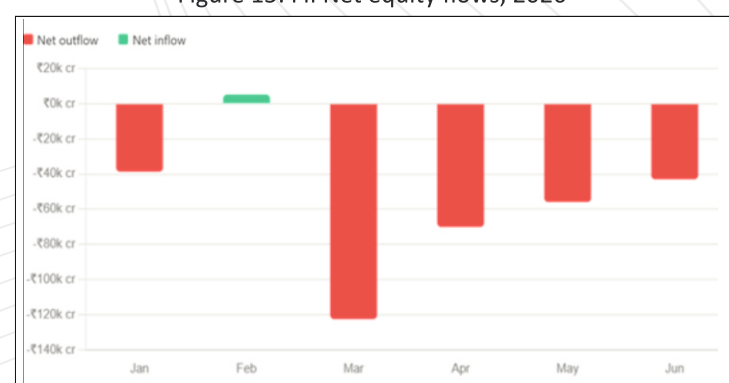
government balances and redemptions fall. To hold liquidity at comfort levels, the RBI may need to buy up to ₹4.3 trillion of government securities between December and March; with the CRR already at a historic low of 3.0%, outright bond purchases are effectively the only durable tool left.

Figure 14: Forex reserves & overall BoP



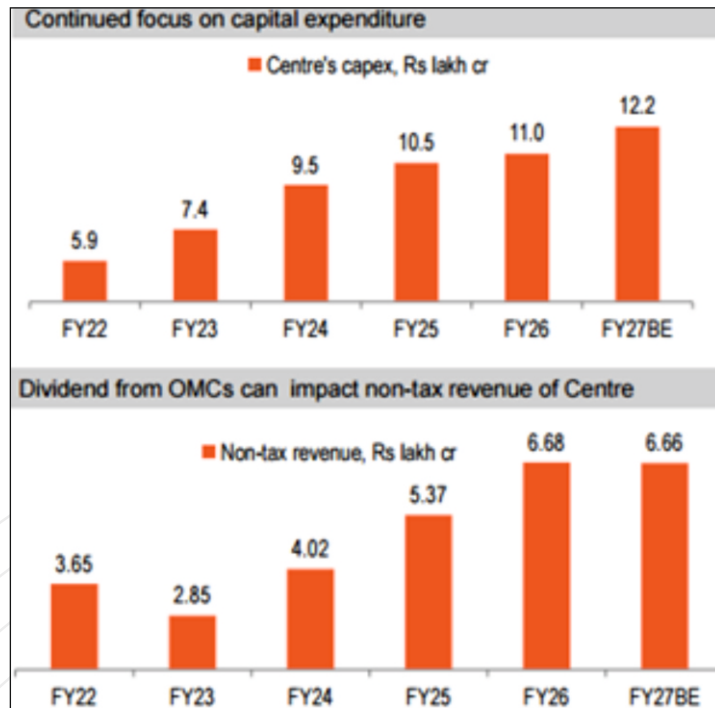
Source: CEIC, CMIE (BoB deck).

Figure 15: FII Net equity flows, 2026



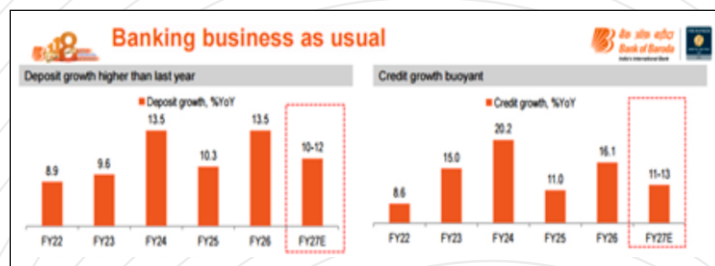
Source: NSDL / NSE

Figure 16: Central capex, Subsidy bill, and Fiscal Deficit (FY22–FY27E)



Source: Union Budget, RBI

Figure 18: Credit vs deposit growth (FY22–FY27E)



Source: RBI, Bank of Baroda Research

In banking, business is broadly as usual, credit growth moderates to 11-13%, deposits to 10-12%, but the credit-deposit ratio is elevated at 82.8% versus a long-run average near 69%, a structural theme for the BFSI deep-dive.

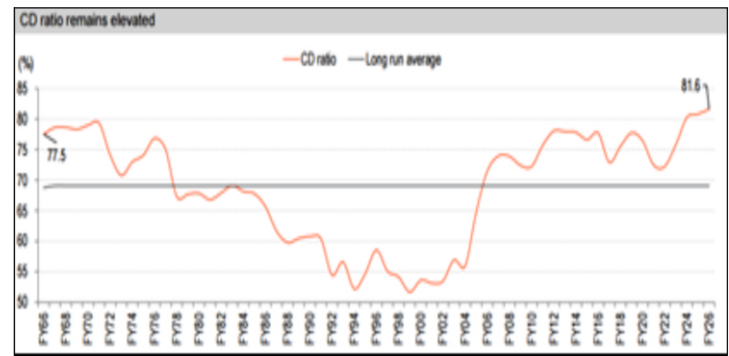
Figure 17: RBI liquidity forecast through FY27

[All Figures in Rupees Bil.]	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27
1. Opening Balance	1,064	2,285	2,346	1,983	2,309	1,765	(1,089)	(2,255)	(2,121)
2. Δ in Currency in Circulation	(455)	(78)	(168)	219	396	311	713	542	728
3. Δ in Required Cash Reserves	78	103	16	120	8	40	123	(1)	66
4. Market Borrowing	3,266	3,517	3,406	4,160	4,160	4,180	4,140	4,140	3,500
a. Central Government Bonds	1,260	1,600	1,260	1,600	1,600	1,600	1,600	1,600	1,000
b. State Government Bonds	1,046	957	1,186	1,280	1,280	1,280	1,280	1,280	1,280
c. Notified T-Bills	960	960	960	1,280	1,280	1,300	1,260	1,260	1,220
5. Non-Market State Borrowings	161	221	367	202	168	328	239	214	1,366
6. Non-Market Central Borrowings	89	86	85	104	106	105	117	150	138
7. Total Outflows (= 2+3+4+5+6)	3,139	3,849	3,705	4,806	4,837	4,964	5,331	5,045	5,797
8. Redemptions of Bonds	1,756	1,514	2,086	1,864	2,183	1,400	1,246	1,733	1,530
a. Central Government	311	0	630	454	738	0	0	593	0
b. State Government	235	354	296	390	485	360	366	260	650
c. Notified T-Bills	1,210	1,160	1,160	1,020	960	1,040	880	880	880
9. Interest Payments (Market Loans)	994	1,163	1,310	1,067	898	1,830	957	1,150	1,274
a. Central Government	549	677	658	710	548	1,409	521	677	634
b. State Government	445	486	651	357	350	422	436	473	640
10. Net Government Expenditure*	1,610	1,233	(53)	2,201	1,212	(1,121)	1,961	2,297	3,592
a. Centre	792	770	(716)	1,366	1,013	(1,786)	1,406	2,027	1,437
b. State	818	463	663	834	199	665	555	269	2,155
11. Total Inflows (= 8+9+10)	4,360	3,910	3,342	5,132	4,293	2,110	4,165	5,179	6,395
12. Closing Balance (= 1-7+11)	2,285	2,346	1,983	2,309	1,765	(1,089)	(2,255)	(2,121)	(1,523)

Actual Data/Announcements. Bloomberg Economics forecast. *Excludes interest payments on market loans.

Source: RBI, Bloomberg Economics

Figure 19: CD ratio vs long-run average

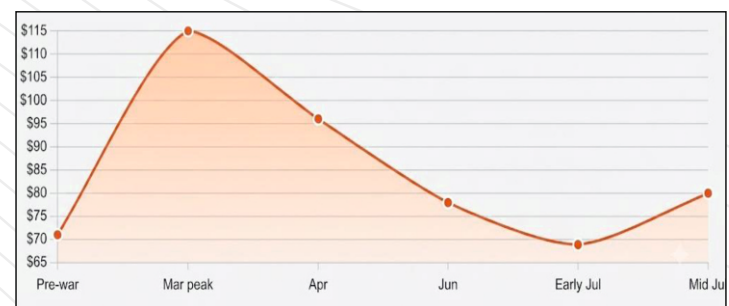


Source: RBI, Bank of Baroda Research

Commodities and Cross-Asset Signals

Commodities are where the shocks meet the portfolio. The broad S&P GSCI was up 28% YTD by early July before a sharp pullback as the ceasefire briefly eased oil prices. Brent/WTI spiked above \$115 during the March escalation, fell toward the high-\$60s as tensions cooled, then re-spiked on renewed Hormuz strikes.

Figure 20: S&P GSCI & Brent path



Source: S&P Dow Jones Indices, EIA/Bloomberg

The precious metals signals are purely risk-off. Gold peaked near \$5,589 in January before correcting to ~\$4,000–4,150 (a ~27% drawdown) - still elevated and far above the Nifty's path, so a rising gold-to-Nifty ratio flags flight-to-safety. The gold-to-silver ratio, near 68-70 versus a long-run 60, tells a complementary story: silver lagged on growth worries, leaving risk appetite subdued.

Two shocks, absorbed. India enters FY27 growing around 6.5%, slower, but still the fastest major economy, with inflation turning up, the rupee under managed pressure, record foreign outflows met by a wall of domestic savings, and a fiscal path that bends without breaking. All of it rests on one condition: that the war stays contained and the monsoon isn't a disaster.

But 6.5% is an average of things not happening on average at all. Spending that holds firm under fiscal strain protects whatever the state has deemed strategic, and war has a way of clarifying those decisions. A failed monsoon lands on the rural household first, and from there on, whatever it was about to buy, or had already borrowed to buy. And a credit-deposit ratio of 82.8%, against a long-run 69%, is a balance-sheet question wearing a macro disguise.

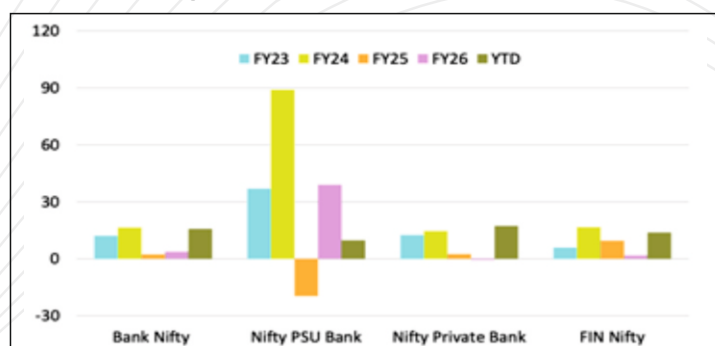
Three pressure points, three places where the aggregate stops being useful. They are where this issue goes next.

BFSI Sector Overview

India's Financial Sector at Crossroads

FY26 delivered one of the sharpest performance dispersions the Indian financial sector has seen in a decade, with the gap between leaders and laggards widening even as headline system growth held up. Public-sector banks (PSBs), select mid-sized private banks (SMID PVBs), and second-line NBFCs delivered outsized earnings and stock-price outcomes, aided by credible management resets, strengthening capital positions and disciplined underwriting. In contrast, several large private banks and marquee NBFCs saw growth normalise, and margins compress, with leadership-succession overhangs compounding the drag on valuations despite fundamentally sound balance sheets. Entering FY27, the operating backdrop turned more complicated. The West-Asia conflict, firmer inflation, a moderating real-GDP trajectory and El Niño risk to the monsoon collectively raise the odds of a softer macro environment than seemed likely at the start of the calendar year. Offsetting this, the RBI's FCNR(B)/ECB deposit relaxation and the ECLGS 5.0 credit-guarantee scheme are deliberate counter-cyclical interventions engineered to protect bank funding costs, margins, and MSME asset quality exactly where the macro shock is likely to be transmitted first. We therefore read the sector as being at a genuine crossroads, not a foregone downturn, where the eventual earnings and valuation trajectory hinges on whether macro headwinds intensify faster than these policy offsets can absorb them.

Figure 1: Returns Trend - PVBs are already showing early signs of a turnaround versus FY26



Source : Bloomberg, NSE, Nuvama Research

SECTOR SNAPSHOT

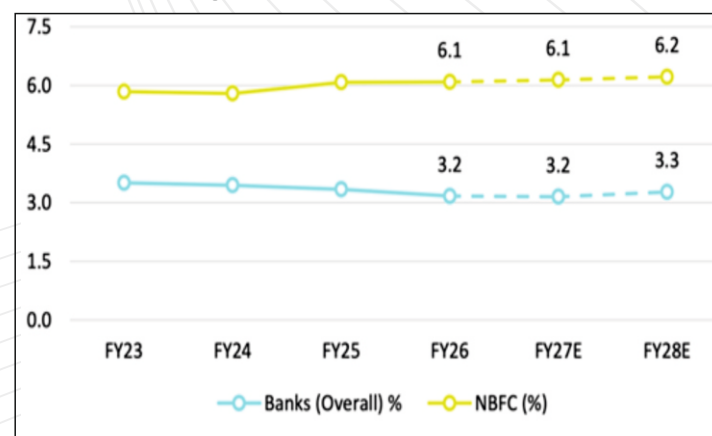
METRIC	FY26
System Credit Growth	17.7% YoY
Deposit Growth	12% YoY
Credit-Deposit Ratio	83.4%
Repo Rate	5.25%
Banking PAT Growth	17% YoY
BFSI Weightage in NIFTY Earnings	~43-44%
FY27E Credit Growth	15%
FY27E NBFC Credit Growth	18.5%

Margins: A Genuinely Divergent Story Between Banks and NBFCs

Banks, in aggregate, reported a contraction in net interest margin (NIM) in FY26, as system NIM held broadly steady near 3.2%, even as the repo-rate cut cycle worked its way through balance sheets. The mechanics matter here: banks with a higher share of floating-rate assets benchmarked to the External Benchmark Lending Rate (EBLR/repo) saw their asset yields repriced down almost immediately, while their deposit book, particularly term deposits, repriced down with a lag. This asset-liability mismatch hurt large private banks disproportionately, since they typically carry a higher EBLR-linked share of their loan book than PSBs, whose MCLR-linked portfolios cushioned the margin hit, albeit at the cost of a more back-ended repricing benefit, as MCLR resets more slowly on the way down, too.

NBFCs moved in the opposite direction, with system NIM near 6.1% actually expanding in FY26, aided by falling wholesale funding costs and asset-liability structures with less immediate sensitivity to asset-side repricing than banks'. That funding-cost tailwind, however, proved short-lived: as FY27 began, money-market instruments (commercial paper and certificates of deposit) and bulk-deposit rates spiked sharply around the West-Asia flare-up, before cooling off following the RBI's FCNR(B)/ECB regulatory intervention, which added a fresh, cheaper source of system liquidity. Margins are expected to remain under pressure for both banks and NBFCs at least through the first half of FY27, before improving for banks, mainly large PVBs, as FCNR(B) and ECB inflows lower marginal funding costs. PSBs should benefit too, though the gain will be partly offset by the delayed downward repricing of their MCLR-linked credit book.

Figure 2: NIMs – Banks vs NBFCs



Source : Nuvama Research

Asset Quality and Deposits: Near-Decadal Best, With Early Watch-Items

Sector-wide asset quality closed FY26 at near-decadal-best levels, the product of a multi-year cycle of improved underwriting discipline, sustained corporate NPA recoveries (a tailwind that has benefited PSBs most directly) and healthy provisioning buffers that allowed lenders to write off legacy stress aggressively without disturbing reported profitability. Unsecured retail, such as microfinance, credit cards and personal loans, remained the principal pocket of stress through the year, largely a hangover from aggressive post-COVID growth, but delinquency trends are now visibly stabilising as MFIN-guardrail-related pain works through the system and lenders recalibrate underwriting. On the funding side, the multi-year decline in the share of individual (retail) deposits within total deposits - a structural headwind for CASA growth and, by extension, for cost of funds finally showed signs of troughing, with CASA growth inching back up into Q4FY26 as the differential between savings-account and term-deposit rates narrowed. This is a modest but genuine positive for private banks' funding-cost trajectory heading into FY27, since a stabilising CASA ratio reduces reliance on relatively more expensive bulk and wholesale deposits.

Sector Outlook

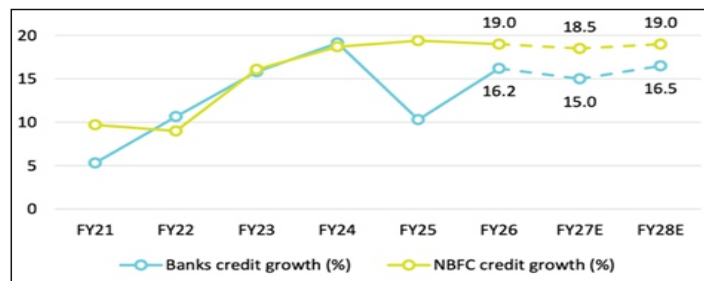
The transition from FY26 to FY27 marks a shift in the sector's earnings drivers. While FY26 was characterised by balance-sheet repair, improving asset quality and robust credit expansion, FY27 is expected to be increasingly shaped by funding costs, regulatory liquidity support and the gradual implementation of the Expected Credit Loss (ECL) framework. Consequently, investors should focus less on absolute credit growth and more on liability franchises, margin resilience and capital efficiency when evaluating sector leaders.

Credit Growth: Range-Bound Before Re-Acceleration

The industry forecasts system credit growth of 14–15% in FY27E, re-accelerating into FY28E as the West-Asia-conflict-induced disruption recedes and the RBI's regulatory support measures fully work through the system. Within this, private banks should lead the recovery, gradually clawing back market share from PSBs as leadership overhangs resolve and lending appetite normalises. NBFC growth is likely to soften modestly from FY26's pace as MSME credit demand comes under pressure from the lagged

effects of the West-Asia conflict, primarily via higher fuel and freight costs that squeeze borrowers' cash flows, while relatively soft underlying vehicle sales keep vehicle-finance growth in check. Management commentary across NBFC coverage consistently indicates a willingness to sacrifice near-term growth to protect portfolio quality and profitability, which can be viewed as the right trade-off given where India sits in the credit cycle.

Figure 3: Credit Growth for Banks vs NBFCs

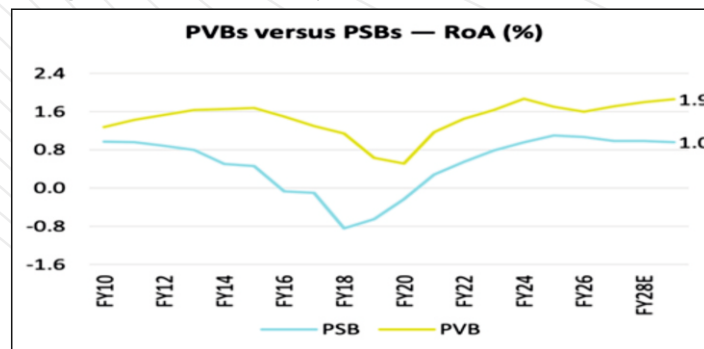


Source : RBI, Nuvama Research

Margins and Returns: PVBs Set to Re-Rate as RoA Inflects

According to research by Nuvama, large-PVB return on assets (RoA) is expected to expand toward 1.8-2.1% over FY27–29E as margins stabilise and credit costs ease, aided by improving operating leverage. PSB RoA, by contrast, is likely to remain largely range-bound near ~1.0% as the tailwinds from treasury gains and corporate NPA recovery, both largely one-off in nature, fade from the earnings base. Structural, multi-year margin-improvement stories are primarily driven, in each case, by an improving asset-liability mix and, for some, by the benefit of recent sizeable capital infusions that lower the marginal cost of growth capital.

Figure 4: PVBs RoA to expand while for PSBs to moderate



Source : Nuvama Research

The gold-price correction is the most direct commodity read-through to sector fundamentals. Gold loans were among FY26's fastest-growing segments, system growth exceeded 100% YoY

Cost Of Funds & Key Input Drivers

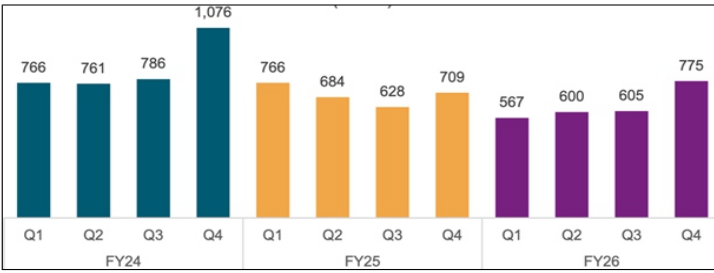
Driver	FY26 Trend	FY27 Expectations
Repo rate / call-money rate	Cut cycle through FY26; call rates spiked around the West-Asia flare-up, then eased post-FCNR move	Broadly stable; further easing conditional on the inflation trajectory
CP / CD / bulk-deposit rates	Spiked around the West-Asia conflict as system liquidity tightened	Cooling off as FCNR(B) + ECB inflows relieve system liquidity
Gold prices	Sharp run-up through the year, then a correction from peak	Moderates gold-loan growth for banks/NBFCs after a record FY26
Crude oil / freight costs	Elevated on the West-Asia conflict	Pressures commercial-vehicle/SME/transport-operator cash flows into FY27
FCNR(B) / ECB deposit flows	New regulatory relaxation announced at FY26-end	Key funding-cost lever for FY27; disproportionately benefits PVBs

at several banks, driven by elevated collateral values and lenders rotating toward better-secured exposure. With prices off their peak, LTVs have tightened mechanically, and, alongside rising regulatory scrutiny, materially slower gold-loan growth is expected through FY27, even as underlying demand remains intact. Separately, elevated crude and freight costs from the West-Asia conflict are pressuring commercial-vehicle, SME and business-loan cash flows - a segment-specific rather than system-wide risk.

Microfinance Overview

The overall microfinance industry contracted by ~13% in FY26. However, the extent of contraction varied across lender categories. While banks significantly reduced their MFI exposure, NBFC-MFIs demonstrated relatively better resilience, with early signs of stabilisation emerging during the year. According to CRISIL, the industry is expected to recover meaningfully in FY27 and FY28, with overall credit outstanding projected to grow by 18-22% in FY27 and 19-23% in FY28. Asset quality for key NBFC MFIs is expected to improve further, with GNPA projected at 2.6–2.8% in FY27 and declining further to 2.4–2.6% in FY28, supported by better-performing recent vintages, tighter underwriting, and continued portfolio clean-up through write-offs. The sector appears to be nearing an inflexion point, with gradual recovery trends becoming visible across the industry.

Figure 5: Overall Disbursement in the MFI Industry (in RS Billion)



Quantitative Risk Metrics

The ECL transition shifts provisioning from an incurred-loss to an expected-loss framework - pulling forward loss recognition and reducing earnings volatility over a full cycle, at the cost of a one-time capital hit at transition.

Metric	Observation	Sector Implication
ECL impact on net worth	Low-to-moderate for large PVBs	Manageable capital hit for most large PVBs; PSBs cushioned by proactive buffer-building
GNPA trend (banks)	Near decadal low in FY26; pace of improvement now moderating	Corporate-NPA recovery tailwind largely exhausted; incremental gains slower from here
NBFC GNPA / NNPA	Steady multi-year decline, plateauing into FY27E–28E	Limited room for further credit-cost benefit; West-Asia/El Niño pass-through a watch-item
FII shareholding churn (FY24–FY26)	Persistent FII selling in HDFC Bank, ICICI, Axis, Kotak, IndusInd (–10 to –12 percentage points); fresh inflows into RBL and L&T Finance on strategic capital	Ownership overhang concentrated in large-cap PVBs; a positive re-rating catalyst wherever it resolves
ECLGS 5.0 guarantee cover	~1.2% of systemic credit	Bounds downside slippage risk in the MSME book

Source: Nuvama Research, BSE, RBI

Current News & Regulatory Developments

- 1. FCNR(B), ECB and ECLGS 5.0 - Counter-Cyclical Policy Support:**
The RBI's relaxation of FCNR(B) deposit norms and easier ECB access is arguably the biggest near-term regulatory tailwind for banks, easing funding costs, especially for deposit-strained private banks and supporting system liquidity after money-market rates spiked amid the West-Asia flare-up. Alongside this, ECLGS 5.0, a government-backed credit guarantee targeted at ~INR 2.6 trillion (~1.2% of systemic credit), cushions the MSME sector as borrower cash flows come under pressure from global trade disruption and higher input costs. By guaranteeing incremental lending, it lowers marginal credit risk and keeps credit flowing to viable but stressed businesses.
- 2. ECL Transition (Effective 1 April 2027):** The shift to Expected Credit Loss (ECL) provisioning is unlikely to materially disrupt large private banks, given strong provision coverage and well-seasoned loan books. PSU banks have also proactively built buffers, aided by legacy NPA recoveries, thereby limiting the one-time transition hit, though the framework will structurally raise their annual credit cost run rate thereafter
- 3. Fintech - UPI Growth Moderation and the MDR Debate:** UPI transaction growth has moderated as urban penetration matures, reviving debate on reintroducing an MDR or alternative monetisation. A near-term policy decision looks unlikely, given moderating growth, rising customer transaction costs, and other monetisation avenues already on the UPI rail. Within fintech, Paytm has stabilised its TPAP market share and is pivoting toward higher-margin financial services distribution, alongside a merchant-acquiring business benefiting from rising device penetration and subscription revenue.

BFSI SECTOR UNIVERSE

TICKER	Market Cap (INR CR)	Price	BEst Target Price	BEst EPS (BF12M)	P/E (BF12M)	P/B (BF12M)	BEst ROE (FY27E)	BEst ROA (FY27E)
HDFCB IN Equity	1228948.93	797.95	1042.18	56.51	14.14	1.88	14.20	1.80
ICICIBC IN Equity	986515.64	1375.20	1680.11	89.23	15.43	2.21	16.10	2.10
SBIN IN Equity	947892.12	1026.90	1195.61	98.91	10.39	1.49	14.85	1.12
BAF IN Equity	625553.03	1004.75	1063.27	42.09	23.90	4.42	19.86	4.08
LICI IN Equity	546037.05	431.65	514.37	46.68	9.26	2.28	30.91	0.90
AXSB IN Equity	418617.41	1345.70	1589.90	107.58	12.52	1.67	13.50	1.62
KMB IN Equity	390159.67	392.25	462.61	24.54	16.00	1.88	11.45	2.01
BJFIN IN Equity	284929.91	1780.20	2150.58	81.29	21.92	3.23	15.97	3.06
SHFL IN Equity	245209.05	1042.15	1179.61	57.06	18.29	2.06	14.28	3.59
SBILIFE IN Equity	177142.18	1765.70	2386.81	31.27	56.52	7.86	14.54	0.58
ICICIAMC IN Equity	164074.06	3319.60	3682.70	82.59	40.24	31.17	85.46	70.77
JIOFIN IN Equity	156124.68	236.44	306.50	3.40	69.62	0.99	5.70	2.00
TATACAP IN Equity	155319.76	365.90	393.54	17.36	21.11	2.84	13.91	2.13
CIFC IN Equity	152595.96	1789.80	1848.58	82.41	21.75	4.03	20.15	2.44
BOB IN Equity	140867.91	272.40	312.92	41.33	6.60	0.84	11.46	0.89
POWF IN Equity	140023.32	424.30	513.57	66.53	6.38	1.16	18.13	3.09
GROWW IN Equity	126770.57	202.07	216.11	5.25	38.52	9.51	27.73	15.84
HDFCLIFE IN Equity	125101.97	575.85	772.53	10.36	55.66	6.03	13.31	0.64
MUTH IN Equity	120332.15	2997.30	3781.86	290.63	10.32	2.40	26.80	5.76
IRFC IN Equity	118309.18	90.53	60.00	7.00	12.94	1.90	15.30	1.40
HDFCAMC IN Equity	113730.28	2653.20	3037.52	77.22	34.40	11.15	33.26	29.83
ABCAP IN Equity	107167.22	391.95	421.58	19.17	20.47	2.60	13.33	1.82
RECL IN Equity	95796.69	363.80	438.08	66.08	5.51	0.97	19.00	3.00
ICICIGI IN Equity	86958.23	1741.70	2120.46	66.87	26.07	4.34	17.69	3.93
FB IN Equity	81424.83	330.05	315.51	19.75	16.73	1.85	11.71	1.00
LTF IN Equity	77858.61	310.75	312.09	16.01	19.43	2.44	12.86	2.45
AUBANK IN Equity	77672.14	1037.05	1087.26	50.24	20.67	3.20	16.33	1.68
POLICYBZ IN Equity	75354.49	1628.60	1948.59	26.12	62.30	8.59	14.16	11.35
NAM IN Equity	74286.18	1162.00	1132.08	29.44	39.52	14.75	37.40	33.46
PAYTM IN Equity	73094.47	1141.50	1368.00	21.95	52.11	4.22	7.66	4.89
BAJAJHFL IN Equity	72907.93	87.50	95.73	3.82	22.92	2.75	12.53	2.11
MCX IN Equity	72346.29	2837.20	3430.79	71.85	39.53	17.34	50.97	22.55
IIB IN Equity	72007.45	924.20	885.67	58.40	15.85	1.07	6.21	0.73
IPRU IN Equity	70791.04	487.95	682.77	12.97	37.65	4.55	11.27	0.52
IDFCFB IN Equity	68478.53	79.49	77.15	4.57	17.42	1.36	7.39	0.82
HDBFS IN Equity	62344.68	750.80	770.27	39.75	18.91	2.55	14.08	2.36
MOFS IN Equity	57282.22	951.30	1163.33	58.88	16.17	3.23	18.60	2.40
SBICARD IN Equity	56449.77	593.20	724.96	31.42	18.90	2.98	16.65	4.04

Source: Bloomberg

- Market Capitalisation and Price are as on 30.06.2026
- All estimates mentioned above are BEst (Bloomberg Estimates)
- BF12M – Blended Forward 12 Month

PAYTM (One97 Communications)



One97 Communications Limited (Paytm) is India's leading digital payments and financial services platform, founded in 2000. The company offers a broad ecosystem comprising merchant and consumer payments, financial services distribution, and commerce & cloud services. Through its technology-led platform, Paytm serves millions of consumers and merchants, enabling digital payments while facilitating access to lending, insurance and wealth management products through its partner network.

Following the regulatory restrictions on Paytm Payments Bank in 2024, the company transitioned its payments ecosystem to partner banks and refocused on expanding its merchant acquiring business and higher-margin financial services distribution. Paytm continues to strengthen its merchant ecosystem through payment devices, subscription offerings and technology solutions while pursuing profitable growth.

Key management personnel include:

- CEO – Mr Vijay Shekhar Sharma
- CFO – Mr Madhur Deora
- Company Secretary – Mr Sunil Kumar Bansal
- Non-Executive (Non-Independent Director) – Mr Ravi Chandra Adusumalli

How is PAYTM turning the corner?

Paytm has remarkably recovered following the RBI's suspension of its bank licence, the halt to new customer onboarding, and the BNPL business. This led to a significant business disruption followed by a management exodus. Paytm has since rebuilt its payment and lending business with a focus on the merchant ecosystem distribution. Paytm continues to strengthen its merchant ecosystem through payment devices, subscription offerings and technology solutions while pursuing profitable growth.

This, coupled with cost rationalisation, has put the company on a profitable path, and it should accelerate further. Given regulatory concerns and the Antfin stake sale overhang are largely behind it, we believe the next phase of re-rating would be driven by improving scale and profitability.

Some key risks include:

- Adverse macroeconomic conditions could weaken consumer spending and merchant payment volumes.
- Regulatory changes
- Slower merchant and customer acquisition

Key Financials and Market Data

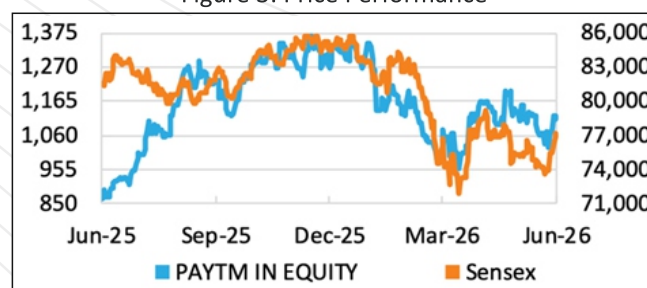
Figure 1: Shareholding Pattern

	Mar-26	Dec-25	Sep-25
Promoter	0.0%	0.0%	0.0%
FII	49.4%	51.8%	51.7%
DII	23.1%	20.3%	19.9%
Pledge	0.0%	0.0%	0.0%

Figure 2: Financials (Source: Nuvama Research)

Year to March	FY26A	FY27E
Revenue	84,370	1,03,631
Op. EBITDA	5,020	11,459
Adjusted profit	5,560	12,866
Diluted EPS (INR)	8.7	20.1
EPS growth (%)	45.9	131.4
RoAE (%)	3.6	7.7
P/E (x)	129.3	56.0
EV/EBITDA (x)	39.9	26.6

Figure 3: Price Performance



(Source: Nuvama Research)

Strategic Advantages in favour of PAYTM

1. Merchant payment business continues to strengthen:

Paytm successfully rebuilt momentum in its core payments business following the PPBL disruption. Merchant GMV growth has re-accelerated to ~27% YoY in Q4FY26, driven by deeper merchant engagement. The company has secured a payment aggregator licence, enabling it to resume onboarding of new online merchants and providing further impetus to the merchant payment business. Equally important, it has scaled up its subscription-based device ecosystem with merchant subscriptions reaching ~15.1 million and net addition of 2.7 million devices over the last year. Separately, improving pricing discipline and higher growth in profitable MDR-bearing instruments, including credit cards on UPI and affordable offerings such as EMI, have helped payment processing margins surge above 4 basis points.

2. Re-accelerating the financial services business to scale up profitability:

Post the suspension of its BNPL business, Paytm has meaningfully scaled up its loan distribution business, mainly driven by merchant loans, which in turn is driven by strong growth in customers and ticket size. Notably, 50% of merchant loan disbursements are to repeat customers, ensuring lower acquisition cost and better portfolio quality for its partners. With better asset quality outcomes, it has meaningfully reduced its dependence on FLDG- backed loans, thereby improving profitability. Separately, Paytm's postpaid

business is scaling up steadily each month, while personal loan growth remains measured due to a risk-off approach among lending partners.

3. Improving scale and profitability to drive the next phase of re-rating:

Though initial re-rating was triggered by Paytm's resurgence from existential business risk and reduced regulatory drag, the next re-rating will be driven by improving scale and profitability. Paytm has already turned EBITDA and PAT positive in FY26 without support from one-offs and despite the non-receipt of the UPI Incentive. Going ahead, Paytm's profitability should improve further (RoE at 9–14% versus 4% in FY26) led by acceleration in financial services business and continued AI-led cost optimisation.

Conclusion: A Turnaround Still Being Tested

Paytm's journey over the past two years illustrates how quickly a fintech's fortunes can swing on regulatory action and how a credible operational reset can just as quickly reverse the narrative. The suspension of Paytm Payments Bank in early 2024 stripped the company's banking licence, halted customer onboarding, and triggered a wave of senior management departures that would have permanently impaired a less entrenched merchant franchise.

Paytm has re-accelerated merchant GMV growth to ~27% YoY, scaled its device-subscription base past 15 million, and turned full-year EBITDA- and PAT-positive. The company's story has also evolved in character. The first phase of Paytm's re-rating was essentially a survival story with the market re-pricing the removal of existential regulatory risk and the Antfin overhang. The next phase will be judged by a different, harder question: Can scale translate into sustained profitability? The shift toward higher-margin MDR-bearing instruments, the reduced reliance on FLDG-backed lending, and management's guidance that RoE will expand from ~4% in FY26 to 9-14% will determine whether this thesis holds.

That said, the risks are not cosmetic. Paytm's merchant and lending businesses remain sensitive to consumer spending cycles, and its financial-services distribution model depends on the continued risk appetite of lending partners, a dependency that is evident in the "risk-off" caution around personal loans even as merchant lending scales. Regulatory risk, while diminished, has not disappeared for a company whose core business model was reshaped by a single RBI action.

Anand Sastry
Manvi Goel
Rudraksh Vora

INDIAN DEFENCE SECTOR:

From Import Dependence to Strategic Self-Reliance

Over the past decade, the Indian defence industry has witnessed a paradigm shift. Having been almost completely import-reliant, the industry is now moving towards becoming indigenously manufactured through policy changes, technology development, and increased private-sector participation. The defence industry is now not only one of the core pillars of security for the country, but also one of the fastest-growing industries in India.

The Transformation of India's Defence Sector

India has traditionally been one of the world's largest importers of defence equipment. For decades, the country's military requirements were largely met through overseas procurement, making imports an integral part of its defence strategy. While this ensured operational readiness, it also exposed the limitations of relying on foreign suppliers, particularly regarding access to technology, procurement timelines, and supply chain resilience.

The sector has undergone a noticeable transformation over the last few years. Government initiatives such as Make in India, Atmanirbhar Bharat and successive indigenisation policies have gradually shifted the focus towards domestic manufacturing. As a result, India's defence industry today is no longer limited to public sector undertakings. Private companies, MSMEs and technology firms are playing a much larger role across aerospace, defence electronics, naval systems and advanced engineering, creating a more diversified and globally competitive manufacturing ecosystem.

Indian Defence Sector at a Glance	
Defence Budget	₹7.85 lakh crore
Capital Outlay	₹2.19 lakh crore
Defence Production	₹1.78 lakh crore
Defence Exports	₹38,424 crore
Export Growth	62.7%
Export Destinations	80+ Countries
DPSUs	16
MSMEs	17,000+

Key Characteristics

Government Support

Record capital allocation and continued preference for domestic procurement.

Export Momentum

Indian defence products are exported to more than 80 countries.

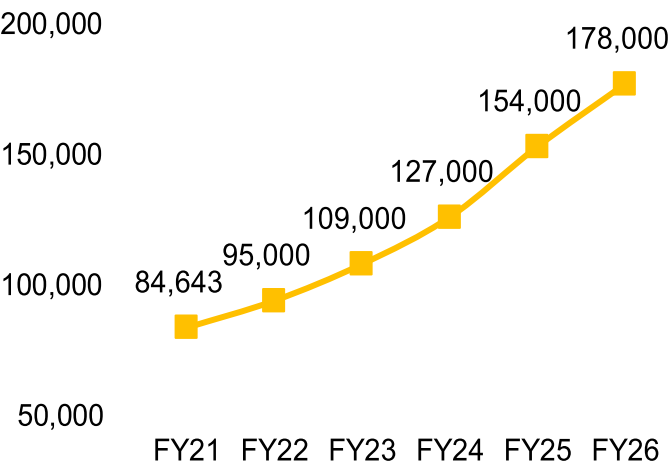
Manufacturing Base

Integrated ecosystem comprising DPSUs, private companies and MSMEs.

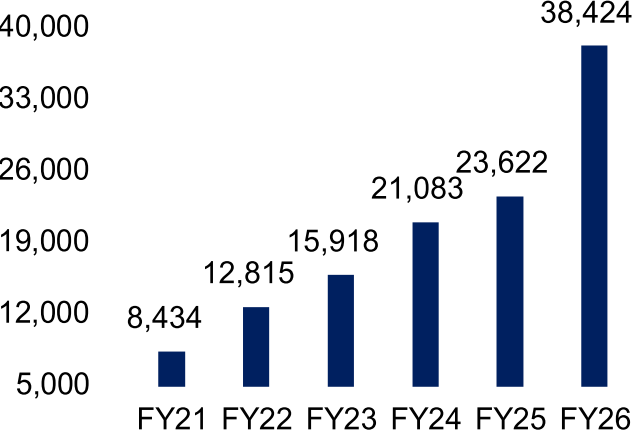
Technology Focus

Increasing investments in drones, defence electronics, cyber security and electronic warfare.

India's Defence Production (in ₹ crores)



India's Defence Exports (in ₹ crores)



Source: Ministry of Defence

Key Observations:

- Government procurement continues to be the primary demand driver for the industry.
- Exports are becoming an increasingly important source of long-term growth.
- Technology-intensive segments are expected to outpace traditional manufacturing over the medium term.

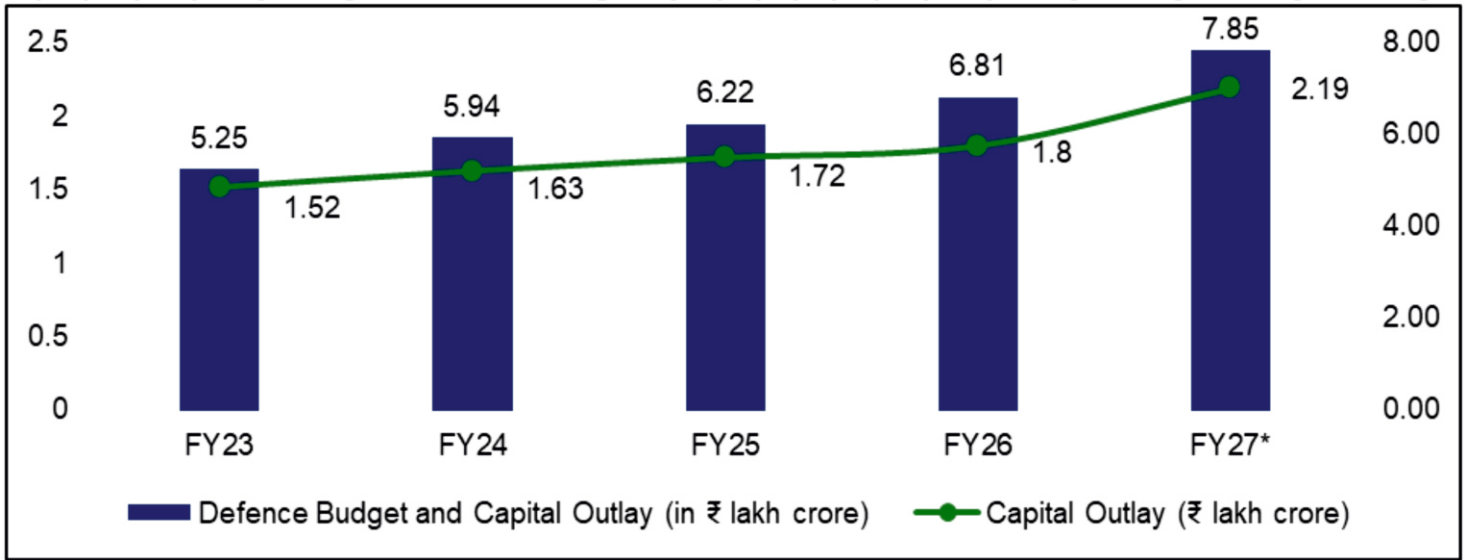
Current Industry Landscape

India's defence sector is now at a stage where the discussion is no longer about creating opportunities, but about delivering on them. Over the past few years, government policies have created a strong foundation for domestic defence manufacturing. The focus has now shifted towards executing large orders on time, expanding production capacity and strengthening local supply chains. While government procurement continues to drive the industry, exports are gradually becoming an important source of future growth.

more on platform and infrastructure purchases along with technology procurement. This is likely to provide better visibility of future revenues to domestic defence equipment makers, provided that the orders are delivered timely.

What's Driving the Transformation?	
Government Capital Expenditure	Continued capital allocation continues to ensure that domestic manufacturers see better order visibility and long-term production planning.
Indigenisation	Local purchase policies have reduced reliance on imports and enhanced the domestic supply chain.
Export Momentum	The demand for products abroad has resulted in an extra income source and decreased reliance on domestic purchase cycles.
Technology Upgradation	Increased expenditure on defence electronics, artificial intelligence, drones, and electronic warfare will move the industry towards value-added goods
Private Sector Participation	The involvement of private firms in complicated defence projects has improved competitiveness and execution ability.
Geopolitical Environment	Defence expenditure worldwide has increased export prospects for Indian companies.

Defence Budget and Capital Outlay



Source: Press Information Bureau

The defence spending of India has increased consistently over the last five years, showing the determination of the government to develop its indigenous capabilities. Although there has been consistency in terms of increasing budget allocations to defence expenditure, the sudden increase in capital spending in fiscal year 27 indicates that the focus is

Recent Sector Developments

- 1. Defence Budget Prioritisation: The Union Budget FY27 continues to prioritise capital expenditure for defence modernisation, with higher allocations towards indigenous procurement, advanced platforms and technology-driven capability enhancement.
- 2. Defence Exports Continue to Accelerate: Indian defence exports have reached record levels, supported by growing demand from Asia, Africa and the Middle East. Export diversification is gradually

reducing the sector's dependence on domestic procurement.

- 3. Rise of Defence Electronics: Investments in drones, electronic warfare, radars, artificial intelligence and autonomous systems continue to reshape the industry's product mix, creating new opportunities for specialised manufacturers.
- 4. Expanding Private Sector Participation: Private companies are securing a larger share of defence contracts through strategic partnerships, licensed production and indigenous technology development, complementing the traditional role of defence public sector undertakings.
- 5. Manufacturing Ecosystem Strengthening: The continued expansion of MSMEs, defence industrial corridors and localisation initiatives is improving domestic supply chain resilience while supporting India's long-term self-reliance objectives.

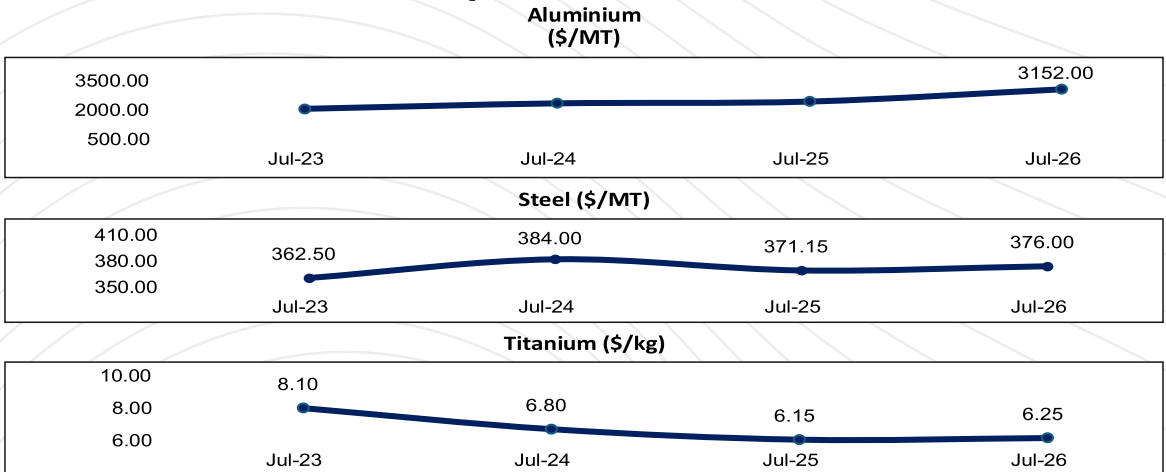
These developments indicate that the Indian defence sector is evolving beyond traditional platform manufacturing towards a technology-driven and export-oriented ecosystem. Continued policy support, increasing private participation and stronger domestic capabilities are expected to reinforce long-term industry competitiveness.

The Indian defence industry functions on the basis of an integrated value chain, wherein specialized suppliers, parts producers, and system integrators provide support to the needs of the armed forces collectively. The key source of demand remains government procurement, while lifecycle support and exports are emerging as significant sources of revenue generation in the long run. Local content development at each stage of the value chain is envisaged to bring greater supply chain resilience and competitiveness.

Listed Defence Universe

India's listed defence universe has evolved significantly over the past few years. While Defence Public Sector Undertakings continue to dominate large-scale manufacturing and platform integration, private companies are steadily expanding their presence across defence electronics, precision engineering, aerospace components and specialised systems. The sector has also witnessed a broad-based re-rating in valuations, supported by record order books, improving earnings visibility and favourable policy support. Going forward, execution capability, technology intensity and export potential are expected to be the primary differentiators across listed companies.

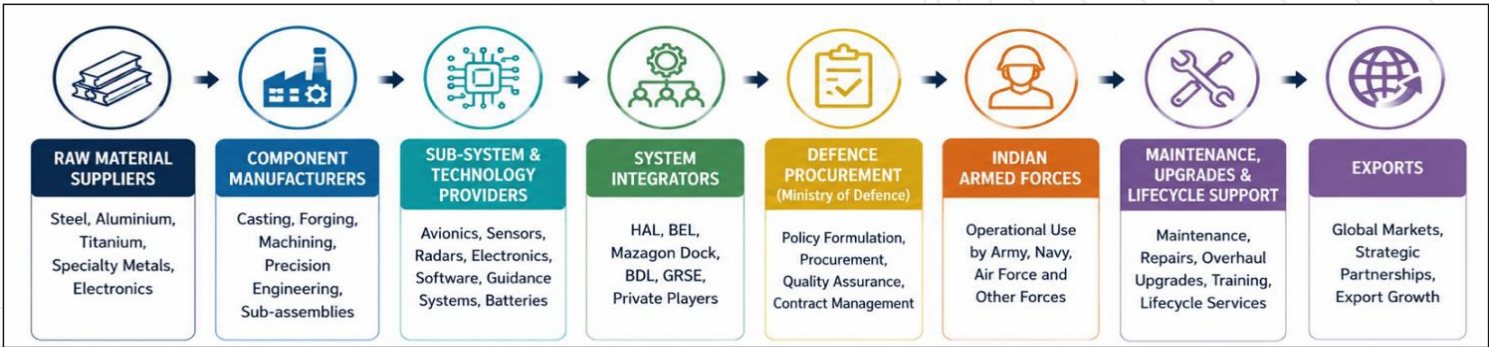
Input Cost Trends



Material	Major Application
Aluminium	Aircraft structures and lightweight aerospace components
Steel	Naval vessels, armoured vehicles and structural fabrication
Titanium	Aircraft engines, missiles and high-temperature aerospace applications

Commodity price volatility has remained manageable over the past three years. Aluminium prices have risen steadily, while steel prices have remained largely range-bound and titanium prices have moderated. Since most defence contracts are long-term in nature and incorporate price adjustment mechanisms, the immediate impact of input cost fluctuations on profitability is limited. However, sustained inflation in specialised alloys and electronic components could continue to influence margins for companies with limited pricing flexibility.

Building the Ecosystem



Comparative Financial Snapshot

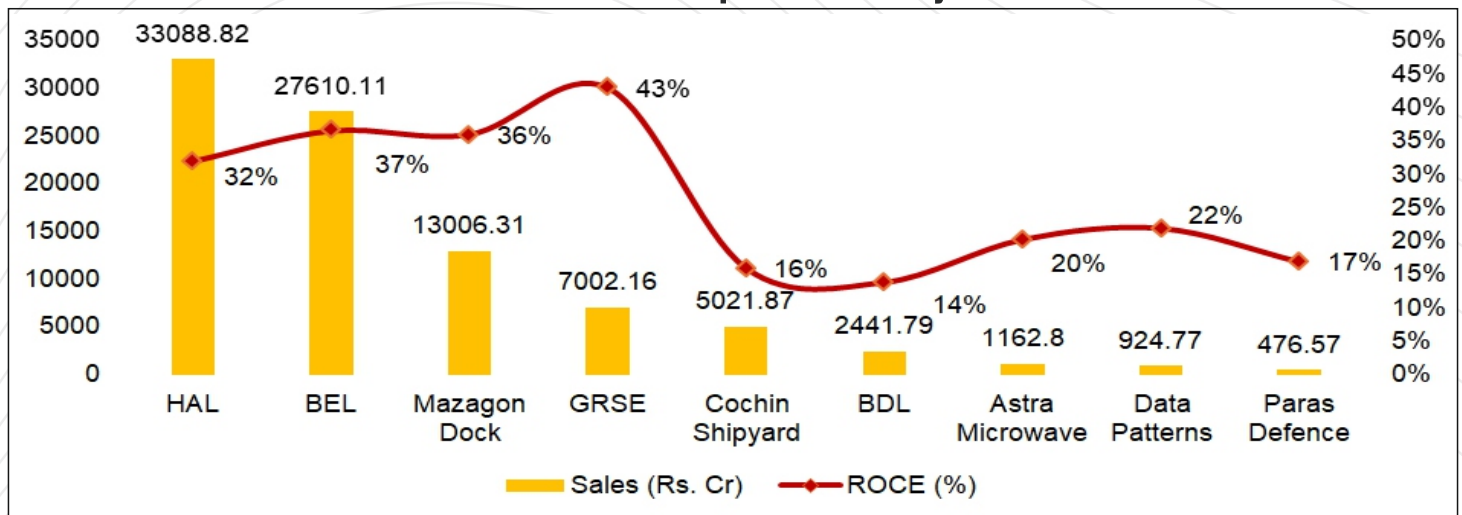
Company	CMP (Rs.)	Market Cap (Rs. Cr)	P/E	Sales (Rs. Cr)	PAT	ROCE (%)	Sales Growth (%)
HAL	4511.30	301721.21	33.10	33088.82	9115.60	31.96	6.80
BEL	410.80	300249.52	49.53	27610.11	6062.00	36.53	16.16
Mazagon Dock	2402.60	96916.08	37.5	13006.31	2583.38	35.98	13.77
BDL	1302.80	47743.34	113.58	2441.79	420.34	13.84	-27
GRSE	24640.60	30249.17	40.44	7002.16	747.93	42.96	37.95
Cochin Shipyard	1411.80	37141.74	51.82	5021.87	716.74	15.95	4.19
Data Patterns	4270.30	23913.17	96.76	924.77	247.15	21.92	30.55
Paras Defence	1224.50	9874.22	114.88	476.57	85.95	16.90	30.69
Astra Microwave	1719.70	16326.79	84.61	1162.80	192.97	20.25	10.62

Peer comparison reveal a definite valuation premium associated with technology-oriented defence companies. Though smaller in size, some niche companies command higher multiples because of investors' belief in higher growth potential in the domain of defence electronics and advanced systems. Large defence public sector undertakings hold sway over the industry in terms of revenues, profitability and efficiency of capital. Established manufacturing skills, a diversified portfolio of products and strong order book make for better earnings visibility than smaller companies in the same industry. The wide disparity in terms of sales growth among the listed companies makes it amply clear that the performance of the sector has begun to become more and more company-specific.

capacity to delivering complex defence platforms, expanding exports and strengthening technological capabilities. This transition is expected to improve the sector's long-term competitiveness while reducing India's dependence on imported defence equipment.

Looking ahead, sustained capital expenditure, increasing localisation and greater participation from private industry are expected to remain the key growth drivers. However, the next phase of growth will depend less on policy support and more on execution quality, innovation and timely conversion of strong order pipelines into financial performance. Companies that successfully combine technological expertise with efficient project execution are likely to play a defining role in India's ambition of becoming a globally competitive defence manufacturing hub.

Scale and Capital Efficiency



The comparison highlights that business scale and capital efficiency do not always move together within the listed defence universe. While HAL and BEL continue to dominate the sector in terms of revenue, several mid-sized companies demonstrate comparable or superior returns on capital, reflecting efficient execution and disciplined capital allocation. This divergence indicates that investors are increasingly recognising technology capabilities, operational efficiency and specialised product portfolios alongside scale when assessing long-term growth potential.

The Road Ahead

India's defence sector has moved beyond the initial phase of policy-driven reforms and is gradually entering an execution-led growth cycle. The focus is now shifting from creating manufacturing

HINDUSTAN AERONAUTICS LIMITED (HAL)

HAL is India's premier aerospace and defence manufacturer, engaged in the design, development, manufacture, repair, overhaul, and upgrade of aircraft, helicopters, aero-engines, avionics, and aerospace structures. HAL is a state-owned "Maharatna" Central Public Sector Enterprise (CPSE). The Government of India, through the Ministry of Defence, holds a 71.64% equity stake.

Major business lines:

- Manufacturing new aircraft/helicopters/engines and
- Repair & Overhaul (ROH) (maintenance and lifecycle support), supplemented by spares and development.
- Core products and platforms: Flagship indigenous platforms include

include the Light Combat Aircraft (LCA Tejas), Advanced Light Helicopter (ALH Dhruv), Light Combat Helicopter (LCH Prachand), Light Utility Helicopter (LUH), and licensed production/upgrades of Su-30MKI, along with HTT-40 trainers and AL-31FP/RD-33 aero-engines.

- **Manufacturing & design footprint:** A massive national footprint comprising 21 production divisions and 9 R&D centres structured across 5 core complexes (Bangalore, MiG, Helicopter, Accessories, and Design).
- **Role in India's defence ecosystem:** HAL acts as the apex platform integrator and the backbone of India's military aviation. It holds a near-monopoly on the lifecycle maintenance of India's air sovereignty

Management Commentary & Key Drivers:

- **Execution & Deliveries:** Q4 witnessed flattish revenue (+1.8% YoY), reflecting temporary execution bottlenecks. LCA Tejas Mk1A deliveries were delayed by GE engine supply constraints, but the company has now received 6 engines and expects aircraft deliveries to commence in Aug-Sep 2026.

Outlook

Near-Term Execution Outlook: Execution momentum is expected to recover sharply. HAL targets the delivery of ~20 LCA Tejas Mk1A aircraft in FY27, backed by improving commitments from GE (target of ~24 engines in CY26). The HTT-40 trainer program has also entered its series production phase, with initial deliveries contributing to near-term revenues.

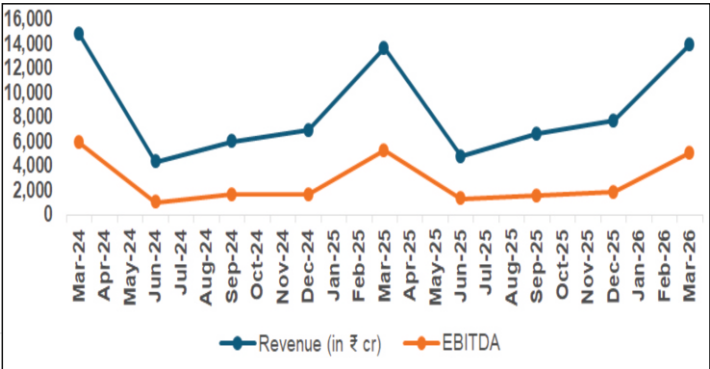
Medium-Term Growth Drivers & Pipeline: HAL is entering a high-velocity manufacturing cycle. Capacity for LCA production is being augmented from 24 to 30 aircraft annually across four lines. The medium-term pipeline includes massive upcoming platform mandates: 120 Tejas Mk2 fighters, 143 ALH helicopters, and the Su-30 upgrade project. Furthermore, an annual recurring baseline of ~₹20,000 crore from ROH contracts provides an absolute revenue floor. Upside Triggers vs. Growth Drags:

Q4FY26 and Financial Year Performance Analysis

Metric (Consolidated)	Q4 FY26	Q4 FY25	YoY	FY26	FY25	YoY
Revenue (₹ Cr)	13,942	13,699	+1.8%	33,089	30,981	+6.8%
Operating Profit / EBITDA (₹ Cr)	5,059	5,297	- 4.5%	9,769	9,608	+1.7%
OPM %	36.3%	38.7%	- 2.37%	29.5%	31.0%	- 1.49%
Net Profit / PAT (₹ Cr)	4,196	3,977	+5.5%	9,116	8,364	+9.0%
EPS (₹)	62.7	59.4	+5.5%	136.3	125.1	+9.0%

Source: Q4 FY26 Earnings Concall transcript

- **Margin Movement:** Q4 EBITDA margins remained incredibly strong at 36.3%, supported by favorable execution mix and milestone-based deliveries. Full-year margins moderated slightly to 29.5% due to a rising share of manufacturing revenues, which structurally carry lower margins than the ROH business.
- **Product Mix Shift:** The revenue mix is gradually transitioning from 70% ROH / 30% Manufacturing to a 50/50 split as massive new platform orders move into the execution phase.



Source: Screener, Company earnings report

- **Upside:** Swift absorption of GE F414 Engine tech transfer, and securing private-sector-contested mega-orders like the AMCA (Advanced Medium Combat Aircraft) or MRFA (Multi-Role Fighter Aircraft).
- **Growth Drag:** Slower-than-expected resolution of foreign supply chain bottlenecks (engines, avionics, titanium) could push deliveries into later fiscal years, locking up working capital.

Value Chain & Supply Chain

HAL operates less as a raw component manufacturer and more as an apex platform integrator, orchestrating a vast network of domestic MSMEs and foreign OEMs.

- **Upstream Inputs & Critical Suppliers:** The supply chain relies heavily on foreign OEMs (Russia, US, France, Israel) for critical systems—most notably GE Aerospace for F404/F414 aircraft engines and Safran for helicopter engines. Raw materials include specialized superalloys, titanium, composites, and semiconductors.
- **Manufacturing & Assembly Process:** HAL undertakes R&D (often alongside DRDO/ADA), prototypes, procures sub-systems from Tier 1/2 vendors (over 2,400 MSMEs), and handles final assembly, systems integration, and flight testing across its 21 divisions.

- **Downstream & Lifecycle (MRO):** End users are the IAF, Navy, Army, and Coast Guard. Post-delivery, HAL controls the multi-decade lifecycle of the platform through its Repair and Overhaul (ROH) divisions, ensuring decades of highly profitable service contracts.
- **Cost Structure:** Due to heavy outsourcing and sub-system aggregation, material imports form ~75%+ of the cost base for manufacturing, while ROH is driven more by domestic labor and engineering services.

Current News and Developments

- **Maharatna Upgrade:** HAL became the first Defence PSU to be conferred the prestigious 'Maharatna' status by the Government of India, reflecting its operational autonomy and scale.
- **Massive Order Accretions:** Secured ~₹97,000 crore in fresh order inflows during FY26, including mega-deals for 240 AL-31FP aero engines (₹26,000 crore) and 12 Su-30MKI aircraft (₹13,500 crore).
- **Production Milestones:** The first series production HTT-40 aircraft completed its maiden sortie; the ALH Dhruv NG took its maiden flight; and the third LCA Mark-1A production line was inaugurated in Nashik.
- **Strategic Partnerships:** Signed a major MoU with Safran Aircraft Engines to manufacture LEAP engine rotating parts (inserting HAL into the global civil aviation supply chain), and another with Russia's UAC for SJ-100 civil commuter aircraft.
- **Space & Tech Leaps:** Secured a technology transfer agreement from ISRO/NSIL to manufacture the Small Satellite Launch Vehicle (SSLV).
- **Capex:** Executing a massive capital outlay of ~₹12,000 crore by 2030, having spent ~₹2,386 crore on capacity augmentation in FY26 alone.

Qualitative Risks

- **Execution Risk:** A massive order book is only valuable if converted into revenue. Extended delays in deliveries (such as the LCA Mk1A timeline) trap working capital in raw material inventory and suppress top-line growth.

- **Supply Chain Vulnerability:** HAL is heavily dependent on foreign OEMs (like GE, Safran, and Russian suppliers) for critical systems. Global geopolitical disruptions directly impact HAL's assembly lines.
- **Concentration Risk:** Operates in a strict monopsony. With 97% of revenues tied directly to the Indian Government and Armed Forces, HAL is highly exposed to state budgetary cycles and procurement policies.
- **Margin Dilution Risk:** As the product mix shifts heavily toward new platform manufacturing (which has higher import costs) and away from the traditionally higher-margin Repair & Overhaul (ROH) business, aggregate gross margins could face downward pressure.
- **Private Sector Threat:** The Ministry of Defence is actively encouraging private sector consortiums (Tata, L&T, Adani) through the Strategic Partnership model. HAL faces rising competition to secure future mega-platform mandates like the AMCA or MRFA.

Risk Metrics

METRIC	VALUE
Market Capitalisation	~ ₹2,93,000 crores
P/E (1 year Forward)	32.2x
P/B	7.1x
ROE	22.2%
ROCE	29.5%
Order Book	~ ₹2,54,500 crores
EBITDA Margin	29.5%

Source: HAL FY25-26 Annual Report, Screener.in

Ekansh Chandra
Arkajeet Ghosh

AUTOMOBILE SECTOR

Volumetric Divergence: Unprecedented Retail Meeting Channel Friction

The Indian automotive sector entered Q1 FY27 displaying a distinct structural divergence between headline retail registrations and back-end wholesale pacing. Aggregated domestic retail registrations scaled to an all-time June high of 2,557,234 units, indicating an expansive 21.83% year-on-year (YoY) increase and a sequential 1.03% month-on-month (MoM) creep. However, this aggregate momentum masks growing micro-frictions. OEM management teams have pushed wholesale pipelines aggressively to achieve upfront market-share metrics, causing an inventory mismatch as local retail absorption rates show signs of near-term exhaustion.

In the Passenger Vehicle (PV) segment, June 2026 retails expanded 28.63% YoY to 410,853 units, supported by a 25.4% YoY jump in domestic wholesale dispatches to a historic 437,312 units. The structural engine of this sub-segment remains the premium utility vehicle (UV) and sport utility vehicle (SUV) domains, which together commanded 61.7% of domestic volume. Maruti Suzuki maintained its dominant market leadership, recording a 40.85% retail share (167,834 units), insulated by a 45% surge in rural PV sales (making up 53% of its absolute mix) which effectively counterbalanced muted urban entry-level hatchback demand.

This channel stocking pattern has elevated dealership inventory levels to 32–34 days, moving away from the optimal 21-day threshold and raising working capital alarms. Consequently, original equipment OEMs must enforce production and dispatch discipline over the next six to twelve weeks to avoid discounting wars that could erode brand equity and dealer profitability.

Macro Shocks: The El Niño Monsoonal Interruption and Supply Anomalies

The primary near-term systemic threat stems from a severe agricultural transition. Both Skymet and the India Meteorological Department (IMD) have quantified a developing El Niño condition, projecting southwest monsoon precipitation to settle at a below-normal 90% of the long-period average (LPA). The immediate effects of this spatial asymmetry are visible in the 2W sector. While June 2026 2W retails rose 21.22% YoY to 1,828,458 units, they contracted 0.89% sequentially due to a 4.55% slump in rural pockets, even as urban registrations grew 4.25%. This rural deceleration reflects delayed Kharif sowing and muted farm sentiment across northwest and central India. Brand resilience is fragmenting: premium players like Royal Enfield registered a 27.4% YoY wholesale surge (114,032 units) and TVS Motor

jumped 46.8% YoY (590,003 units) on urban scooter demand. Conversely, Hero MotoCorp experienced a 4.2% domestic wholesale contraction (502,890 units) due to its higher relative reliance on the rural commuter motorcycle segment.

These volume patterns are further complicated by cross-border logistics bottlenecks. Geopolitical escalations in West Asia and the blockade of the Strait of Hormuz have forced export volumes to reroute via the Cape of Good Hope, adding weeks to transit timelines and adding up to \$2,000 per container in emergency surcharges. Domestically, supply lines have faced energy shocks: the Indian government prioritized household LPG over industrial networks, resulting in a 50% reduction in gas supplies to industrial units in Gujarat.

Financial Architecture: Raw Material Squeezes and Capital Diversion

The corporate finance frameworks of Indian automotive firms are navigating a period of elevated input costs alongside record top-line values. While domestic wholesales reached ₹6.63 trillion (accounting for a 75% share of total industry revenue) and the domestic aftermarket business grew 9% to ₹1.08 trillion, operating margins are under pressure. Raw materials account for roughly 65% of absolute outlays for ancillary players and nearly 75% for component manufacturers.

Primary base metals like steel and aluminum constitute 50% to 60% of these inputs. While finished steel prices eased in late 2025, domestic spot margins remained stable at ₹34,285 per tonne into mid-2026, supported by a three-year safeguard duty on flat steel imports that limits access to lower-cost international supply. Concurrently, non-ferrous metals have seen significant price moves; copper cathodes reached highs near ₹1,188 per kg (a 20% to 25% increase over five months). Natural rubber is facing a structural supply deficit due to aging, low-yielding tree populations in Southeast Asia. Furthermore, lithium carbonate contract assessments have rebounded to \$18,000–\$25,000 per ton, raising the cost floor of EV battery cells and reversing past trends of below-cost battery pack pricing.

This multi-pronged price pressure is squeezing margins across the ancillary value chain, with an estimated 100–150 basis point (bps) contraction in sector operating margins relative to the 12% baseline of the previous year. OEMs have attempted to protect their EBITDA lines through successive price hikes like JSW MG Motor India, Honda, and BMW increased prices twice

in early 2026, while Tata Motors, Mahindra, and Hyundai introduced 1% to 3% adjustments in April. However, further pass-through is constrained by high price elasticity within mass-market commuter segments.

Regulatory Realignments and Medium-Term Outlook

The long-term outlook for the sector is increasingly shaped by regulatory mandates rather than fiscal subsidies. The primary regulatory catalyst is the upcoming implementation of Corporate Average Fuel Efficiency (CAFE) Phase Three norms on April 1, 2027. This leaves an 11-month compliance window for manufacturers to finalize vehicle platforms and supplier contracts. Under these standards, corporate fleet carbon dioxide emissions must drop from the current Phase Two baseline of 113 g/km to a strict fleet average of 78.9 g/km by the close of FY32. The exclusion of low-weight vehicle exemptions creates a flat compliance curve that penalizes heavier utility platforms.

From a macroeconomic perspective, the Reserve Bank of India's decision to hold the repo rate stable at 5.25% in June 2026 offers predictable auto loan financing terms. Taking into account monsoonal headwinds, elevated dealer inventories, and tightening regulations, the sector is entering a period of lower volume growth. 2W volume expansion is projected to slow to 5% this fiscal year, PV volume growth to moderate to 4% (reaching 5.7 million units), and CV volumes to level off near 3% (1.19 million units). Valuation multiples are likely to reflect this divergence: pure-play EV operators and vertically integrated hybrid platforms are positioned to command premium multiples, while entities reliant on legacy commuter ICE lines face the risk of multiple compression as margin pressures impact consolidated earnings profiles.

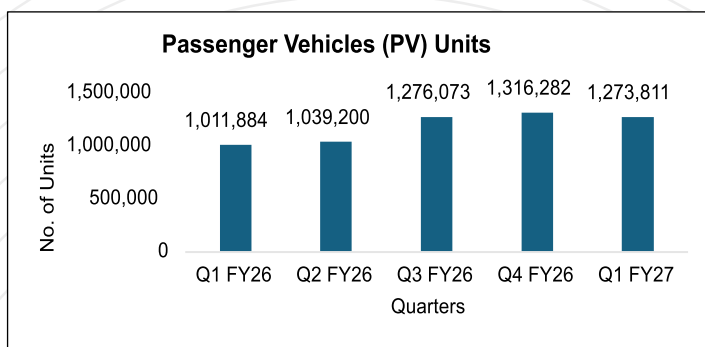
This metrics framework is designed to evaluate operational resilience, channel management efficiency, input cost insulation, and regulatory compliance alignment across the top 15 universe companies.

Automobile Sector Universe

S.No.	Name	CMP Rs.	Mar Cap Rs.Cr.	P/E	BEst P/E BF12M	Sales Qtr Rs.Cr.	YOY Change in Qtr Sales	Sales growth %	PAT 12M Rs.Cr.	EPS 12M Rs.	1Yr return %
1	Maruti Suzuki	13854	435560.63	29.67	24.72	52462.5	28.21	19.88	14679.5	466.9	9.52
2	M & M	3129.4	389168.84	22.5	21.25	54981.91	29.07	24.76	17295.53	137.5	-1.04
3	Bajaj Auto	10156	283904.13	26.32	23.44	17832.46	41.01	23.36	10787.47	384.41	22.58
4	Eicher Motors	7365.5	202060.37	36.35	29.81	6080.09	16.01	24.04	5558.29	201.06	30.32
5	TVS Motor Co.	3623.1	172159.67	56.68	36.17	15052.73	30.42	27.17	3037.41	63.53	28.02
6	Hyundai Motor	1984.9	161172.51	29.67	27.37	18916.15	5.44	2.27	5431.52	66.85	-5.25
7	Tata Motors	422.5	155597.03	39.31	9.28	26098	19.37	44.04	3957.91	8.23	
8	Samvardh. Mothe.	143.19	151129.06	35.44	42.93	34309.31	17.03	10.95	4264.02	3.66	39.9
9	Bosch	41815	123261.02	52.45	53.88	5565.7	13.34	10.77	2350.29	940.27	15.53
10	Hero Motocorp	4949.1	99032.04	16.98	16.34	12978.28	30.18	15.85	5833.63	286.96	14.53
11	Ashok Leyland	157.49	92471.58	24.85	NA	17246.44	17.36	16.13	3721.02	5.91	26.09
12	Uno Minda	1166.1	67382.23	55.53	41.96	5336.41	17.85	17.19	1213.54	20.73	6.14
13	Schaeffler India	4085	63840.58	51.05	59	2506.96	18.81	17.45	1250.55	80.01	-3.28
14	MRF	134425	56990.32	23.04	45.43	8044.22	13.7	10.64	2473.72	5720.45	-9.34
15	Balkrishna Inds	2252.9	43576.18	42.27	26.13	2932.82	6.56	3.6	1030.81	64.3	-14.54

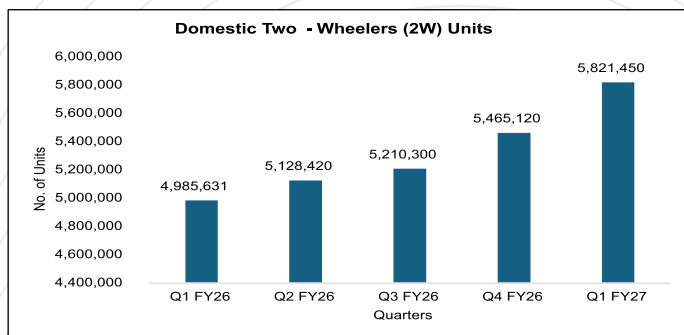
Passenger vehicle sales have dropped in Q1 FY27 due to rising fuel cost pressure

The long-term outlook for the sector is increasingly shaped by regulatory mandates rather than fiscal subsidies. The primary regulatory catalyst is the upcoming implementation of Corporate average fuel efficiency (CAFE) Phase Three norms on April 1, 2027. This leaves an 11-month compliance window for manufacturers to finalize vehicle platforms and supplier contracts. Under these standards, corporate fleet carbon dioxide emissions must drop from the current Phase Two baseline of 113 g/km to a strict fleet average of 78.9 g/km by the close of FY32. The exclusion of low-weight vehicle exemptions creates a flat compliance curve that penalizes heavier utility platforms.



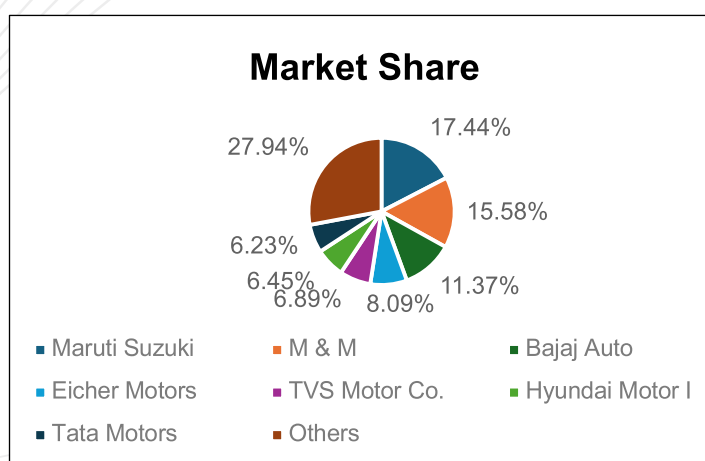
Source: FADA

Two-wheeler sales have gradually increased despite global crude oil disruptions



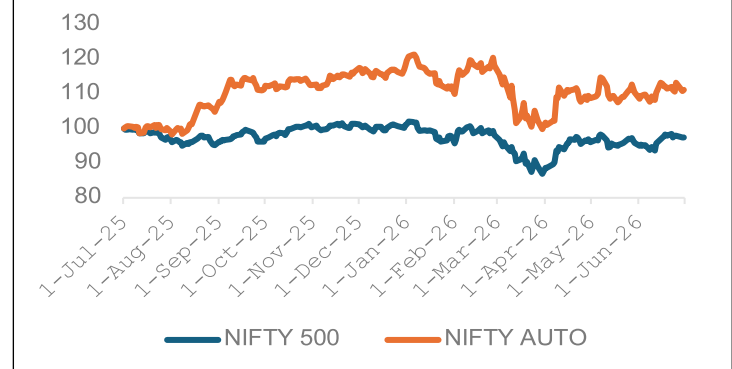
Source: FADA

Top 7 companies comprise 72% of total automobile market share in June 2026



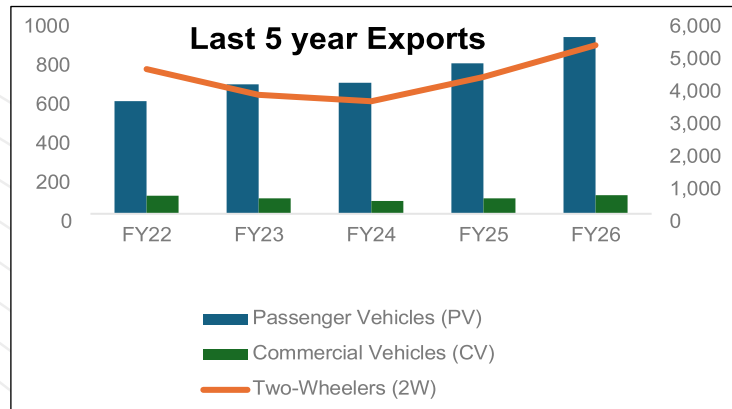
Source: Screener

Nifty Auto vs Nifty 500



Source: NSE

Last 5 year Exports



Source: SIAM

Fuel-Wise Passenger Vehicle Retail Market Share

Fuel Type	Jan '26	Feb '26	Mar '26	Apr '26	May '26	Jun '26
Petrol / Ethanol	47.49%	46.08%	44.81%	45.71%	45.76%	43.63%
CNG / LPG	22.91%	23.45%	23.76%	22.18%	23.34%	24.33%
Diesel	17.07%	18.80%	18.33%	17.75%	16.23%	16.02%
Hybrid	8.94%	8.19%	7.99%	8.25%	8.05%	8.27%
EV	3.60%	3.48%	5.11%	6.11%	6.63%	7.75%
Total	100%	100%	100%	100%	100%	100%

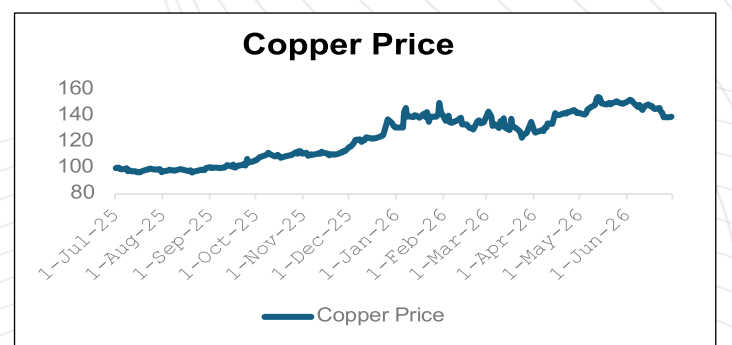
Source: FADA

Fuel Wise Commercial Vehicle Retail Market Share

Fuel Type / Powertrain	Jan '26	Feb '26	Mar '26	Apr '26	May '26	Jun '26
Diesel	81.97%	83.50%	83.01%	82.68%	81.12%	80.18%
CNG / LPG	12.51%	11.04%	11.20%	11.75%	12.39%	12.87%
EV	1.92%	2.03%	2.40%	2.26%	2.86%	3.53%
Petrol / Ethanol	3.58%	3.40%	3.35%	3.25%	3.58%	3.39%
Hybrid	0.03%	0.02%	0.03%	0.06%	0.05%	0.03%
Total	100%	100%	100%	100%	100%	100%

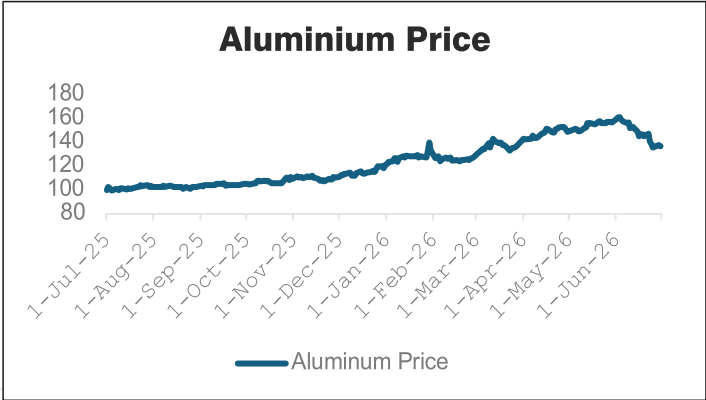
Source: FADA

Copper prices in last 12 months have increased substantially since Iran-US war



Source: CMIE Economic Outlook

Aluminium prices last 12 months
Aluminium prices have increased over the last three months mainly attributable to geopolitical uncertainty



Source: CMIE Economic Outlook

Ashok Leyland Limited

Mkt Cap	52-Wk Range	P/E (TTM)	P/B	ROE
₹93,500 crores	₹114.96 – ₹215.42	25.1x	6.57	28.1%

Ashok Leyland Ltd, the flagship company of the Hinduja Group, is India's 2nd-largest commercial vehicle (CV) manufacturer, the 4th-largest bus manufacturer globally and 9th-largest truck manufacturer, with ~31% share in the domestic M&HCV bus & truck segment and ~12.7% in LCVs (FY26). Headquartered in Chennai, it runs nine manufacturing plants (including UK and the UAE) and sells in 50+ countries. Reporting segments are Commercial Vehicles (~87% of gross revenue: trucks, buses, LCVs, defence, engines, spares) and Financial Services (~13%, via Hinduja Leyland Finance), supplemented by Power Solutions (engines/gensets) and a growing Defence business.

Q4 and Financial Year performance Analysis

Metric (Consolidated)	Q4 FY26	Q4 FY25	YoY	FY26	FY25	YoY
Revenue (₹ Cr)	17,246	14,696	+17.4%	56,362	48,535	+16.1%
Operating Profit / EBITDA (₹ Cr)	3,308	2,991	+10.6%	10,745	9,208	+16.7%
OPM %	19.2%	20.4%	-120bps	19.1%	19.0%	+10bps
Net Profit / PAT (₹ Cr)	1,381	1,246	+10.8%	3,721	3,383	+10.0%
EPS (₹)	2.20	1.92	+14.6%	5.91	5.29	+11.7%

Source: Screener.in consolidated quarterly & P&L data

Key drivers & commentary:

- Full-year CV volumes hit an all-time high of 220,437 units, surpassing the prior FY19 peak of 197,366 units; domestic MHCV trucks 105,905 units (30.2% share), MHCV buses 20,840 units (34.1% share, segment leadership retained), LCV 74,322 units (record, 12.7% share, +80bps YoY).
- Export volumes reached a historic high of 18,082 units (+18.5% YoY); Q4 MHCV industry volume grew 21.5% YoY aided by GST 2.0 rate rationalisation.

- Non-CV businesses scaled well: domestic aftermarket revenue +9.5% (FY26), Power Solutions +16.4% YoY, Defence business (incl. subsidiary ALDS) +20% YoY.
- FY26 PAT included a one-time exceptional charge of ~₹384 Cr relating to new Labour Codes implementation adjusted for this, underlying profitability was even stronger.
- Board declared a 2nd interim dividend of ₹2.50/share; total FY26 dividend ₹3.50/share (350% of ₹1 face value), payout ratio ~59%; no final dividend.

Outlook :

- June 2026 sales rose 25% YoY to 19,194 units (domestic +26% to 17,912 units), beating estimates and confirming demand momentum continued into Q1 FY27; May 2026 had seen a transient 4% YoY dip to 14,923 units that briefly pressured the stock.
- 33-analyst consensus pegs Q1 FY27 revenue at ~₹12,681 Cr (+8.3% YoY) and PAT at ~₹749 Cr (+13.9% YoY), applying FY27 consensus growth to the verified Q1 FY26 base (Rev ₹11,709 Cr / PAT ₹658 Cr).
- Management struck a tone of "cautious optimism" for FY27 on the Q4 call - citing resilient baseline domestic demand but flagging commodity cost inflation and diesel price volatility as swing factors for margins.
- Strategic priorities: premiumisation and technology leadership; LNG truck launches, an upgraded 13.5m/new 15m bus, and higher-hp tippers/tractors; battery-pack manufacturing investment of up to ₹500 Cr in Tamil Nadu; and international expansion with ASEAN positioned as the company's "next home market" after GCC, Africa and SAARC.
- Consensus 12-month price target has been trimmed to ~₹183 (from ~₹198) on more conservative revenue-growth and margin assumptions, though most brokerages (Motilal Oswal ₹185, Kotak ₹170) retain Buy/Add ratings citing a diversified model and strong balance sheet.

Value Chain & Supply Chain:

- Upstream: >70% of vehicle components (proprietary parts, sheet metal, castings, forgings, fasteners, steel) are outsourced to external vendors; sourcing is organised into technology-based domains run from offices in Chennai, Gurgaon, Ras al-Khaimah and Shanghai, supported by a Supplier Relationship Management (SRM) portal for bi-directional material planning.
- Manufacturing: nine plants globally (India hubs include Ennore, Hosur, Pantnagar, Alwar, Bhandara, plus a new Lucknow greenfield clean-mobility plant; overseas at UK and UAE).
- Downstream: pan-India dealer/touchpoint network plus 50-country export reach; Hinduja Leyland Finance provides integrated buyer financing; a growing aftermarket/service business (+9–11% YoY) and a new vehicle-scrappage tie-up with Rosmerta Recycling extend the value chain into circular-economy services.

- Cost structure: material costs run ~70% of revenue, making the model sensitive to steel/aluminium prices, safeguard duties and tariff volatility — a key swing factor for gross margin quarter to quarter.

Current News and Developments:

- Partnered with Rosmerta Recycling for organised end-of-life vehicle scrappage across India, supporting the government's Voluntary Vehicle Modernisation Programme.
- Reported June 2026 sales of 19,194 units (+25% YoY); domestic sales +26% YoY.
- Reported record Q4/FY26 results; declared 2nd interim dividend of ₹2.50/share; K M Balaji appointed Whole-Time Director & CFO.
- ICRA reaffirmed AA+ rating and assigned rating to a proposed ₹300 Cr NCD issue (total rated debt programme ₹7,479.38 Cr).
- Launched TWIN FUEL variants of the DOST/DOST+ XL LCVs; Mar-26: ground-breaking for a battery-pack manufacturing facility in Tamil Nadu (investment up to ₹500 Cr).

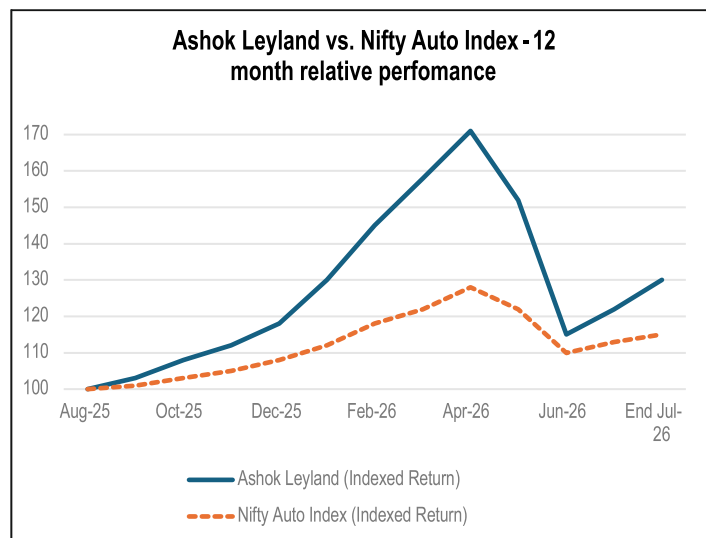
Risk Metrics:

Metric	Value
52-week price range	₹114.96 – ₹215.42 (~87% spread)
P/E (TTM)	25.1x
P/B	6.57x
Consolidated D/E (borrowings/net worth)	Borrowings ₹63,936 Cr vs. net worth ₹14,241 Cr (FY26)
Interest coverage (EBITDA/Interest)	2.3x (FY26)
Promoter pledge	40.1% of promoter holding
ROE / ROCE	28.1% / 13.8%

Qualitative Risks

- ICRA reaffirmed AA+ rating and assigned rating to a proposed ₹300 Cr NCD issue (total rated debt programme ₹7,479.38 Cr).
- Raw-material exposure: steel and aluminium account for a large share of costs (material costs ~70% of revenue); safeguard duties and tariff shifts pose a recurring margin risk.
- Competitive intensity: Tata Motors holds a dominant >40% M&HCV share; pricing power is constrained, and unorganised/used-vehicle markets cap realisations at the low end.
- Energy-transition capex: EV, LNG, and hydrogen-ready product development require sustained investment with uncertain near-term payback, alongside evolving emissions and EV regulations.
- Geopolitical/export risk: Middle East tensions have historically pressured MENA exports, freight costs and crude-linked input costs; the sector (Nifty Auto) has shown sensitivity to such shocks.

Stock vs. Sectoral index



- Financing-arm risk: Hinduja Leyland Finance's rapid balance-sheet growth introduces NBFC-style asset-quality and funding risk into the consolidated entity.
- 6 PAT absorbed a ~₹384 Cr exceptional charge related to Labour Code implementation; further regulatory transition costs cannot be ruled out.

Mr. Sumit Doshi
Investment Banker
Unistone Capital

The Great Homecoming

How India's public markets are bringing capital, ownership and opportunity back home

India's primary market is no longer merely a venue where companies raise money. It has become the operating system through which founders bring legal domicile home, global parents separate Indian cash flows from overseas conglomerate multiples, institutions create liquidity for legacy holdings, employees convert paper wealth into currency, help SMEs raise funds and provide them with growth capital and family owners turn succession into a governed process.

The distinction matters because these transactions look identical on the trading screen but are economically different. Some create capital. some transfer capitals. some create a public price for an asset that was already fully funded. The market can perform all three functions, but it should not assign them the same valuation tolerance.

The most recent evidence is SBI Funds Management. Its ₹9,813 crore offer attracted bids worth about ₹3 trillion, including institutional demand of roughly 140 times the shares reserved for that category. That is a powerful statement about appetite for a scarce, profitable financial franchise. It was also entirely an offer for sale by SBI and Amundi, which is a useful reminder that structure alone does not determine quality. It is not proof that the entire issuance queue can clear at any price. Oversubscription measures rationing. The aftermarket measures valuation.

The Market Has Changed Its Function

For most of the past three decades, Indian investment banking meant locating foreign capital for Indian issuers. The present cycle has reversed the emphasis. Domestic savings now set the clearing price, while foreign capital increasingly becomes the swing buyer.

That shift has expanded what an initial public offer can accomplish. A listing now performs at least six jobs. It raises capital, creates liquidity, establishes an observable valuation, imposes public governance, gives employees a monetisable equity currency, and creates a durable instrument for acquisitions and succession. Fundraising is only one component of the mandate.

India also built the plumbing required for this broader role. Funds remain blocked in the investor's bank account under ASBA, UPI widened retail participation, and the mandatory T+3 timetable compressed the journey from issue closure to listing. The result is not merely speed. It is lower funding friction, faster release of unsuccessful applications, and greater confidence that very large books can be processed without immobilising household liquidity for weeks.

The Domicile Trade

The reverse migration of Indian technology companies is best understood as an exercise in option value. Groww

disclosed a one-time tax expense of ₹1,339.7 crore connected with moving its domicile from the United States to India. Flipkart completed its move from Singapore to India in March 2026, clearing a major structural step toward a domestic listing. PhonePe and several other technology businesses had already demonstrated the same direction of travel.

These are not ceremonial changes of address. Domicile determines the listing venue, shareholder architecture, regulatory perimeter, tax consequences, employee option mechanics, and the universe of investors that can own the company. A company paying a large tax cost to return to India is effectively purchasing access to a domestic valuation, a domestic acquisition currency, and a deeper alignment between its customers, regulators, employees and shareholders.

Sell A Minority, Price The Whole

Global parents are arriving from the opposite direction. They already own Indian businesses, but seek a local public market for them. Hyundai Motor India's ₹27,870 crore offer and LG Electronics India's ₹11,607 crore offer were both entirely offers for sale. The operating companies did not receive fresh capital. Yet it would be too superficial to describe them only as exits.

A local listing can separate the valuation of an Indian franchise from the multiple of its overseas parent. It can create a visible benchmark for management performance, improve employer branding, support local employee ownership, establish stock for acquisitions, and subject the subsidiary to a governance framework understood by Indian institutions. The parent sells a minority interest, but the retained majority acquires a continuously quoted Indian value.

This is why LG's book, subscribed about 54 times overall and more than 166 times in the institutional category, mattered beyond the cash raised. It demonstrated that Indian investors were willing to price a familiar consumer franchise independently of the parent's home market rating.

The correct interpretation is not that every multinational subsidiary deserves an Indian premium. It is that local price discovery has become valuable enough to be treated as a corporate finance product in its own right.

Two Whales, Opposite Capital Flows

The Jio Platforms and National Stock Exchange filings are the cleanest expression of the cycle because they place two national scale assets in the same market with opposite issue structures.

Jio proposes a fresh issue of up to 27 crore shares, with no offer for sale. The draft prospectus states that proceeds will be used to prepay certain borrowings of Reliance Jio Infocomm and for general corporate purposes. Economically, Jio is capital formation. Equity enters the enterprise, leverage falls, financial flexibility rises and the public investor receives exposure to the future cash flows of connectivity, digital services and artificial intelligence products.

NSE is the mirror image. It proposes an offer for sale of approx 15 crore shares. The listing creates liquidity for existing

shareholders and a public market for an institution that has spent years trading actively in the private market. The underlying business is exceptional but the numbers are plateaued due to regulatory constraints on derivatives trading. Revenue and profit were lower than in the preceding year, while transaction charges continued to dominate operating revenue. The offering therefore asks investors to price scarcity, network effects, regulatory infrastructure and future diversification, not a balance sheet infusion.

The disclosed acquisition costs (mostly less than 1 rs per share for early backers) are a reminder that new investors are purchasing future economics, not participating in the historical value creation already captured by legacy shareholders. An offer for sale is not a moral category. It is an economic structure. The relevant questions are why the seller is selling, how much ownership remains, whether governance improves, whether public investors receive adequate liquidity, and whether the valuation compensates them for the absence of fresh capital.

Liquidity for Employees, Not Just Founders

A second, equally important beneficiary of the IPO process is the employee base—particularly those holding Employee Stock Ownership Plans (ESOPs). In a private company, ESOPs are often a promise on paper: valuable in theory, illiquid in practice. Employees can be sitting on meaningful equity value with no real way to realize it, since there is no public market to sell into and private buyback windows are limited and infrequent.

Listing changes this instantly. Once a company's shares start trading on an exchange, ESOP holders—engineers, early employees, mid-level managers who took lower cash salaries in exchange for equity—finally get a market price and a liquid mechanism to convert that equity into cash. This has become one of the most visible wealth-creation stories in India's startup and new-economy IPO wave, where employees of newly listed technology and consumer companies have seen life-changing payouts purely because their equity became tradable. Beyond the individual benefit, this liquidity event reinforces the entire logic of equity compensation as a retention and motivation tool, companies can credibly offer ESOPs knowing there is a realistic path to liquidity down the line.

Solving the Succession Problem for Family Businesses

India's economy is still overwhelmingly built on family-run enterprises, and one of the least discussed benefits of the IPO wave is how it is quietly solving a generational problem: how do you keep the next generation engaged in operating a business, rather than simply managing the money the previous generation made? This tension has been publicly flagged by Mr. Uday Kotak who has repeatedly voiced concern about a growing trend among business-family heirs who choose to run family offices allocating capital to stocks, mutual funds, and private equity rather than expanding operating businesses of their family.

An IPO changes this calculus in an important way. When a family business goes public, it doesn't force the next

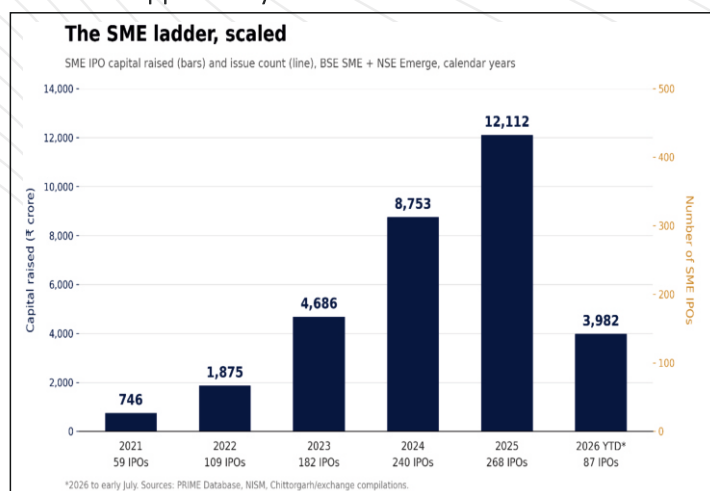
generation to choose between preserving wealth and building something new. Instead, listing lets the family retain operational control and strategic direction while giving individual family members a liquid, tradeable stake they can hold, sell, or diversify into other business vertical. Listing gives the next generation access to the mentors in the form of institutional ecosystem and help benchmark them with the best making them competitive and aspirational. It converts an all-or-nothing inheritance problem into a flexible one. The business keeps its promoter-entrepreneur at the helm while unlocking capital and liquidity for the rest of the family, reducing the pressure that pushes bright young family members away from operating businesses and toward passive wealth management.

The SME Ladder

The most important structural development is not the largest issue. It is the widening of public capital access below the mainboard.

As of May 2026, NSE Emerge had 731 listed companies, had facilitated nearly ₹23,000 crore of capital raising, and had produced about 160 migrations to the mainboard. The current migration count has since reached 161. The platform has become an institutional alternative for businesses whose traditional growth capital was secured by promoter guarantees, pledged property and working capital limits.

The real contribution of the SME market is that it creates a ladder. A credible enterprise can move from promoter capital to public capital, build a disclosure record, broaden ownership, and eventually graduate to the mainboard. For India, where the number of formal companies vastly exceeds the number of listed companies, this ladder is a long duration capital formation opportunity.



The Bigger Picture

Taken together, these threads point to something larger than a cyclical IPO boom. India is building a deeper, more inclusive public markets ecosystem — one that gives family businesses a path to generational continuity, gives employees a real stake in the value they help create, forces better governance earlier in a company's life, and gives global capital a structurally attractive entry point into Indian growth, even as small enterprises get direct access to public funding for the first time.

AI's Midlife Crisis

*How boardrooms drive mainstream technology adoption?
The Tech-Overlap Phase Hypothesis*

Mr. Raja Sanyal

Head - Brand & Marketing
Centrum Wealth

Every major technology of the last century has demonstrated the same adoption pattern. The adoption curves of radio to television, typewriters to computer and analog to digital systems all demonstrated similar patterns through history. The only change is the compressed timelines for new technologies to achieve mainstream saturation.

When television and radio coexisted, society divided into two factions: sceptics who warned of potential dangers to children and eyesight., and the enthusiasts who were thrilled by moving images with sound, although they had no idea how it worked. Yet the television took nearly twenty years to go mainstream. The simplest explanation for this phenomenon is the 'The Power to Cut a Check'. A child in the 1940s who loved the television still needed parental money and approval. It was fifteen to twenty years later this generation earned its purchasing power and also during this period technology improved and sets grew cheaper- television sales exploded and it became mainstream. The same pattern repeated for computing. While the older generation was skeptical on home utility, growing computer education in schools, falling hardware prices and improving graphical interfaces made the young computer literate children embrace it when they became cheque signing adults. Internet's spread further aided computer literacy and the need for personal computing. Email, e-commerce introduced got powered through the always on broadband and finally through the rapid rise of smartphones the groundwork for digital fluency was strongly embedded.

The same pattern applies in the age of AI. Do most people understand how AI functions?

Maybe not. Does it demonstrably improve people's output like the television once delivered information and entertainment? Yes. Like every technology in its early days will be expensive until the cost democratizes. The most decisive question is who holds 'The Power to Cut a Check' for AI today? The workforce in its mid-twenties, with the highest appetite for AI adoption only has a recommendation power but no commercial or financial authority. That authority sits with the board, and it's the board that holds 'The Power to Cut a Check'.

The Psychology of AI

When technology reaches mainstream adoption, the market creates unique application use cases with unique price points for unique user profiles. Mobile phone is a great example where the need for communication was universally accepted, yet the market segmented itself based on brands, costs, functionalities and demographic idiosyncrasies making it reach mainstream adoption very quickly. The adoption of AI will also display similar patterns. The first adopters will likely be large corporations with vast workforces, global operations and deep pockets. But mainstream acceptance will arrive once the broader corporate sector embeds AI into daily operations—very similar to banking's early move to digitize forced the whole sector to follow giving us a technology first banking that we consider a given today. Decisions about technology adoption are made in the boardroom long before it reaches its final users.

History shows that adoption timelines have compressed as societies have become more fluent with innovation. Enterprise software in 1970s and 1980s took fifteen to twenty years to become standard. The world wide web introduced by Time Berners-Lee in 1991 reached 500 million internet users in its first decade; Web 2.0 and social media reached 50% penetration in four to five years; smartphone took 3 years; ChatGPT reached 100 million users in sixty days. Each cycle has been shorter than the last, which indicates AI should accelerate faster still.

While consumer facing AI spread overnight, enterprise adoption has been more measured with firms using AI in at least one function rose from 55% in 2023 to 78% in 2025. The reason boards hesitate with AI is simple: leaders struggle to find hard evidence linking AI spend to efficiency, business outcomes and ROIs delaying large commitments. AI so far has shown convincing results in only narrow, mostly experimental use cases. Layered on top are unresolved questions around data governance, privacy and ethics, which many organisations have no framework to answer.

AI therefore is likely to follow a curve that is faster by historical standards yet slower to absorb social and organisational change dependent on corporate decision makers who weigh innovation needs against actual implementation barriers.

Is Your Organisation Currently Experiencing A Mid Life Crisis

Orville G. Brim published his 1976 research 'Theories of the Male Mid-Life Crisis' which reviewed psychosocial findings about personality shifts that men experience during their middle adulthood. The paper details social, personal and life pattern modifications that one has to deal with. The "aspiration-achievement gap" represents one of the many challenges that Brim identifies for men during their midlife stage. The primary challenge of men at midlife is to adapt to the closing down of possibilities alongside the new realities while recognizing it is valid to reduce ambitions and create new objectives.

An organization's median age helps determine whether the organization experiences a midlife crisis. Organizational change speed becomes slower when the majority age of staff members falls between late 30s to mid 40s compared to organizations staffed by younger employees. Startups with a younger workforce are able to rather relatively disrupt traditional concepts and ideas. Their fast-paced growth and growing acceptance of the market, which could be segment specific at times continue to disturb corporate boards. Also, the 'Don't upset the apple cart' consideration more often than not also leads to slower adoption rates in general and technology in particular.

The technology adoption patterns of organizations with a relatively younger workforce differs substantially from those with mostly older workers which creates important operational challenges. The difference in the technology customer interface between a traditional bank and a new age

digital bank explains it all. Further new technology, AI and digital tool adoption speeds in younger workers –(Gen Z and Millennials) are much higher than older workers. The Deloitte's Digital Consumer Trends report shows that 85% of those aged 18–24 have used GenAI, compared to only 20% of those aged 65–75.

Multiple research studies demonstrate that corporate boards throughout the world are predominantly made up of members who are over sixty years old with an average age ranging from 62 to 63 years. The Spencer Stuart Board Index (2023) reports that S&P 500 board members reached an average age of 63.1 years and the EY 2024 study says "The average age across European financial services boardrooms is 59. For women, it is 58, up from 57 in January 2023, and for men, it is 61, up from 60 in January 2023". The 1998 Harvard Business Review article 'The Hidden Traps in Decision Making' notes that "as we get older, knowledge and experience increasingly displace imagination and our ability to see an object for anything other than its original purpose". This may imply that directors with multiple decades of traditional business experience might develop unconscious biases toward digital advancements. AI adoption confronts corporate boards with a genuine learning dilemma. Board members who need to govern AI systems face a major obstacle to obtaining the advanced technical knowledge required for effective governance. A board that lacks direct experience of AI needs far more evidence to commit to it than it would for a routine IT upgrade. The very inexperience that drives the demand for proof also makes the proof harder to interpret. Add limited in-house skill and expertise, high costs, immature tools and platforms, data and project complexity and unresolved ethical concerns – the decision naturally slows. What looks from outside as resistance is in fact a rational response to the information gap. Further ageing shapes executive cognition in two directions: it deepens loss aversion and status-quo bias yet the deep experience brings sharper pattern recognition and strategic judgement. Ageing board members also demonstrate behavioral biases like confirmation, overconfidence, group think and others which together can slow decisions.

The Risk-Reward-Reputation Triangle

Every board investment decision is based on three considerations. Two are discussed and debated openly: What are the downside risks if this goes wrong? And what are the upsides and expected timelines? The third consideration is a silent one and quite complex – it is the personal risk and reputation assessment. The question is if this decision goes wrong how would it affect my reputation and position in the industry? The response to this could be dependent on several factors: retirement timelines; impact of the decision on personal reputation and if it is worth taking the risk; and also, how friendly or toxic the board is towards each other.

This silent question considering risk, reputation and patience for reward may explain the boards instinct towards passive observation, waiting for a technology to stabilize before committing. This patience also comes at a cost. When the timing of investment is not judged well, the late decision can also be interpreted as 'also ran' while the market would have shifted to a new paradigm, leaving the company's technology framework a generation or two behind.



How Can Enterprises Fast-Track Their AI Adoption?

Most boards treat AI adoption as a technology problem. Actually, it is a behaviour and human readiness problem. Before you invest in the new technology or tool or AI, you have to know whether your people and your board are wired to actually use them. Here are three mechanisms that may move an organisation from a cautious observer to a confident adopter.

Start with an AI readiness check: The Sanyal's BELT Test

The BELT Test measures individual and organisational readiness for emerging technologies and AI across four human dimensions. It is the human factors, not necessarily the technical features that decide whether an implementation would be successful.

B: Bias and Openness. New technologies and ideas face significant barriers to adoption because of bias. Negativity bias creates resistance to technology adoption because negative information about technology outweighs its positive aspects even when the benefits are substantial.

The adoption of technology in organizations and society gets influenced by both cognitive and social biases. People tend to oppose artificial intelligence because they fear job elimination (negativity bias) while they follow the crowd regarding AI adoption or rejection and experience skill-threatening changes (use-it-or-lose-it tendency). New technologies face irrational rejection or uncritical acceptance because of these biases which impact both personal and group learning processes. Leaders need to establish open dialogue while showing positive results and stakeholder involvement to build trust and decrease resistance.

Question examples: I begin by showing curiosity toward new technologies instead of expressing skepticism. I make a conscious effort to find viewpoints which contradict my preliminary responses toward new technologies.

E: Ego. Technology adoption and new learning processes involve ego in a complex manner. Entrepreneurial ecosystems known as "EGO-Systems" which focus on individual entrepreneurs can accelerate innovation through their vision and drive but they increase the chances of overconfidence and resistance to outside feedback. Ego depletion which results from exhausted self-control resources creates negative effects on learning processes and technology adoption for individuals. The research conducted by Lin and Johnson (2024) demonstrates that ego depletion creates a strong link with academic procrastination because exhausted individuals make impulsive habitual choices and avoid new learning and technology adoption because of their psychological fatigue. According to their research findings people with low self-control tend to stick with established behaviors while showing reduced openness toward

innovation and change which creates substantial obstacles in educational and organizational environments. Question examples: I openly tell my peers, superiors and subordinates about my lack of familiarity with new emerging technologies. | I feel happy toward others who get recognized for technology developments that I believe I could also have developed.

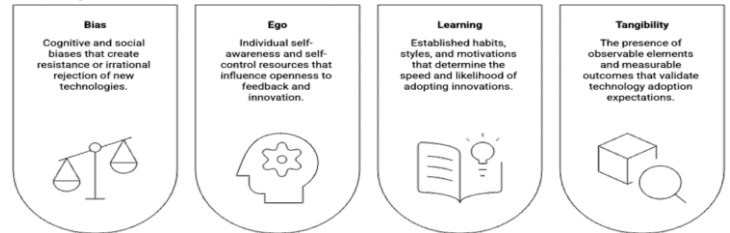
L: Learning Habits. The way people and groups learn new technologies and methods depends heavily on their established learning habits. The adoption speed and likelihood of technological innovations depend heavily on four key factors which include learning style and motivation and prior experience and self-efficacy. Learning heuristics and habits of individual learners either help or prevent them from adopting new technologies. S. K. Mishra et al. (2018) conducted research which showed that people who use basic habitual information processing methods and form strong beliefs from first experiences tend to adopt new technologies at a slower pace. Research conducted by the authors in both the US and India revealed that heterogeneous learning styles including risk aversion and preference for familiar routines create major obstacles to innovation adoption even when new tools demonstrate clear advantages. The research indicates that developing adaptive learning habits together with supportive environments will speed up the process of adopting new technologies and ideas.

Orville G. Brim's 1976 paper, "Theories of the Male Mid-Life Crisis," further examines the 'Rational Choice Theory Perspective', which suggests that individuals weigh the benefits of pursuing new jobs or lifestyles against material and non-material costs. Midlife crises can occur when the perceived benefits of change outweigh these costs, and pursuing dreams can be rational choices based on personal welfare maximization.

T: Tangibility and Action Bias. The adoption of new technologies / AI or learning methods by individuals and organizations depends heavily on tangibility and outcome expectation. Managers and users form their perceptions of innovations based on the degree of tangibility which refers to the presence of physical observable elements in a product or process. The study by Alexiev and his co-authors (2018) discovered that organizations with highly tangible offerings can easily track new technology changes because these changes produce visible and measurable outcomes which help managers identify competency gaps and validate experimental approaches. The clarity enables managers to achieve agreement about process changes which leads to better adaptation. Managers in intangible settings need to use visualization tools and symbols to present abstract benefits in concrete terms because this approach either strengthens or weakens the connection between service delivery innovation and management innovation based on their ability to effectively simulate or communicate tangibility.

The expected results from adopting technology play a major role in determining the adoption choices that people make. According to Jack et al. (2021) users tend to adopt technologies strongly at first but then abandon them because their actual benefits fail to match their expectations. The researchers conducted a field study in Zambia which revealed that participants stopped using the technology after their expectations about outcomes failed to materialize or when

uncertainty became high despite receiving subsidies for adoption. The research shows that successful technology adoption depends on both transparent benefit explanations and effective uncertainty reduction and expectation management.



Question examples: I become highly motivated to discover new technologies when I can identify specific advantages that benefit me personally first and then the organization. | The amount of effort I dedicate to learning new technology directly depends on the quantifiable business results it produces.

'New - Tech' Advisory Board Framework: Creating Unbiased Evaluation Mechanisms

Most tech teams in organisations are hired for specific skills and that's what they keep practicing as their days go troubleshooting, fixing errors and chasing deployments where there is no scope or a mechanism to induct new learning. Therefore, organisations should appoint a new tech -advisory board comprising external and independent experts from academia, the start-up ecosystem and technology R&D centers. These experts who are updated with the latest development in AI and technology scan the market for solutions that's genuinely applicable for the business, taps intelligence networks that your existing teams cannot reach and provides the board and tech teams researched recommendations with an execution roadmap and support. This board framework has a threefold advantage: you spot opportunities earlier; assess implementation plans and pathways efficiently; and cut internal resistance and deliberations through credible external validation while the board retains its oversight and control.

Shadow Board Implementation: Bridging Intergenerational Cognitive Divides

There is a cognitive divide within organisations. Digital natives learned technological concepts naturally during their formative years, however through their careers, most senior executives would have learned about complex digital systems on the job with professionals guiding them leading to a cognitive learning and adoption gap. A shadow board of next generation leaders who focus on innovation and AI implementation resolving cognitive gaps between intergenerational leadership. The 'Shadow Board' concept serves as a formal mechanism for building internal entrepreneurial capacity – "Intrapreneurship", which encourages fresh and out of the box thinking amongst employees and also encourages them to think of business ideas and solutions that will help companies find solutions to operational challenges in the real world.

Further the shadow board works closely with the 'new – tech' advisory board to strike the right balance between 'what's possible' and 'what's deployable here' evaluating capital needs, skill gaps, and organisational idiosyncrasies.

Are Operational Inefficiencies Hiding Behind Fixed Costs?

When fixed costs hide unused capacity

Dr. Manjeet Kharub
Prof. Operations and Supply Chain Management
IMT Ghaziabad

Every finance professional learns a clear distinction during early days of training. A cost is fixed or variable. The distinction is indispensable to break even analysis, but it is critical to shapes managerial attention. Variable costs invite line by line scrutiny each month whereas the fixed costs are often accepted as the unavoidable price of remaining in business. This lopsided attention gives operational inefficiency a quiet place to survive.

Imagine a plant running at 70% capacity. Depreciation, supervisory salaries and facility overhead are still paid in full. The idle 30% never appears in an account just marked as “waste.” It is absorbed into the cost of completed units, where the problem becomes obscure. This is not a minor accounting curiosity, but a consequential blind spot in modern cost management.

The accounting illusion

Two mechanisms do the screening. The first is absorption costing. Standard accounting spreads fixed manufacturing overhead across the volume produced. It says, when output declines, each unit carries more overhead. When output rises, unit cost falls. The process may not have improved at all; the same cost pool has merely been divided among more units. A manager can then claim an efficiency gain when only volume has changed. The reverse is equally misleading. A genuine process improvement may remain obscure when volume falls and unit cost rises.

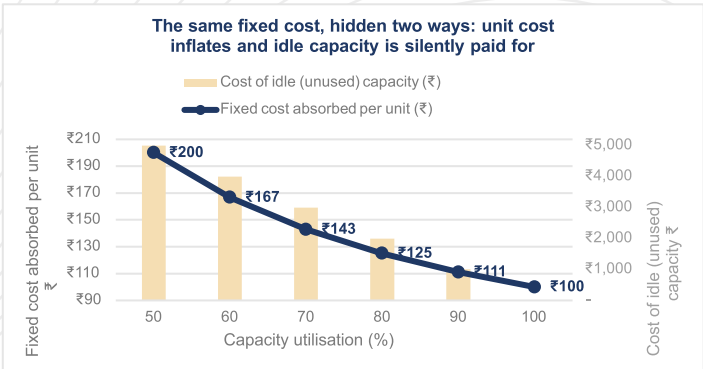


Figure 1. As utilisation falls from 100% to 50%, the fixed cost absorbed by each unit doubles. The cost of unused capacity is paid in every case. Idle capacity is not free; every good unit carries part of its burden Illustrative model.

The second mechanism is operating leverage. As fixed costs occupy a larger share of the cost structure, profit becomes more sensitive to volume. Managers welcome this leverage when demand rises. However, when demand falls its ramifications are severe. The arrangement also encourages managers to pursue utilisation without scrutinising why the fixed base became so large. Figure 1 shows the problem clearly:

It shows that as utilisation falls from 100% to 50%, the fixed cost carried by each unit doubles from ₹100 to ₹200. The product did not deteriorate. Neither did the machine or the workforce. The denominator simply shrank. At the same time, the amber bars rise because more capacity has been supplied but left unused. That capacity is paid for in full, although routine reports rarely present it as a problem requiring action.

Where the waste actually lives

The expression “fixed cost” does not describe one economic reality. It gathers very different commitments into a single category, and each can hide a different form of slack. Routine cost reviews seldom challenge them because they are not variable. Yet every item began as an operational decision before it became a financial constant.

Fixed cost category	Inefficiency it can conceal	Question for management
Depreciation and facility overhead	Idle capacity and an oversized footprint	What is the cost of capacity that was built but never used?
Salaried headcount	Roles retained through inertia and layers that impede decisions	Which roles create value and which merely absorb it?
Committed information technology and contracts	Legacy systems and licences that have outgrown the business	Does this commitment still correspond to current demand?
Maintenance of ageing assets	Expenditure on assets that no longer earn their keep	Is this asset still a producer, or has it become a museum piece?

The pattern is consistent. A cost shown as fixed on a spreadsheet is usually fixed only relative to a prior choice. Management selected the footprint, retained the headcount and built capacity for demand that may never have arrived. Once the underlying operational decision changes, the cost moves as well.

The evidence is not abstract

Aggregate data reveals how much capacity and attendant fixed cost can remain idle at any moment. United States manufacturing operated at 76.8% of capacity in July 2025, below its long run average of 78.2% (Federal Reserve, 2025). In India, the Reserve Bank's OBICUS survey placed manufacturing capacity utilisation at 75.6% in the third quarter of 2025 to 2026 (Reserve Bank of India, 2026). Put plainly, roughly one quarter of industrial capacity was standing still while its committed overhead was reallocated to the units that moved.

Case Snapshot: Intel And The Denominator Problem

Intel carries one of the heaviest fixed cost structures in technology because fabrication plants cost billions and depreciate whether wafers flow or not. In the fourth quarter of 2025, Intel Foundry reported roughly \$4.5 billion in revenue and a \$2.5 billion operating loss. Operations below capacity contributed substantially to that gap (Intel, 2026).

Management placed better plant utilisation at the centre of recovery. When gross margin in the first quarter of 2026 exceeded guidance by 650 basis points, analysts observed that the factory utilisation calculation was beginning to work (FSMOne, 2026). The chips had not changed. The denominator had.

The restructuring wave of 2025 tells the same story from the boardroom. Investor pressure forced firms to scrutinise committed costs that routine reporting had accepted for years. A sizeable share had become operational dead weight. It took a crisis to make that burden conspicuous.

CASE SNAPSHOT: THE 2025 EXPENSE BASE RESET

Verizon announced its largest reduction, roughly 15,000 roles, with a mandate to restructure its expense base. Procter and Gamble moved to remove about 7,000 jobs as part of continuing restructuring, while Starbucks reduced corporate roles that its leadership described as cost centres rather than revenue producers (CNBC, 2025; Fortune, 2025). Corporate restructuring led to well over 120,000 job cuts during 2025. The common thread is not the layoffs themselves. It is the amount of committed cost that remained concealed until a downturn forced management to ask difficult questions.

Unmasking the hidden inefficiency

Cutting fixed costs out of hand is not the remedy. Such action may replace hidden inefficiency with an evident loss of capability. The more useful discipline is to reveal the inefficiency and manage it rather than continue to absorb it. Four moves can help.

- Cost idle capacity explicitly. Separate the cost of capacity used from the cost of capacity supplied but unused. Report the latter as a standalone figure instead of burying it in unit cost. What is named can be managed.
- Use activity based thinking. Activity based costing traces overhead to the activities that consume it. Products, lines or services that destroy value can no longer remain concealed beneath blended averages.
- Apply lean thinking and the Theory of Constraints. Most overhead is fixed only relative to a chosen process design. Reduce changeover time, rebalance the bottleneck or consolidate the footprint. Yesterday's fixed cost then becomes today's decision variable.
- Create visibility through Industry 4.0. Utilisation and OEE data at sensor level turn committed overhead into a live and auditable signal. Idle capacity can be detected in real time rather than discovered during an annual restructuring.

Fixed is a decision, not a fact

The answer to the title's question is uncomfortable. Yes, operational inefficiencies often hide behind fixed costs, sometimes by design. An accounting convenience gradually reinforces into a managerial excuse. Costs remain fixed only within a chosen time horizon and a set of earlier decisions. Finance professionals should therefore treat every large fixed cost as a live question rather than a settled fact. Which operational decision created this commitment? Does that

decision still hold? Ask these questions in strong quarters as readily as in weak ones.

Inefficiency then loses its most reliable hiding place.

TEAM FINESSE

Aditi Gupta
Anand Sastry
Ananya Bakliwal
Arkajeet Ghosh
Ashutosh Gupta
Ashutosh Kumar Vishwakarma
Asmi Thakur
Aviral Jain
Bharat Gupta
Bhavika Jain
Ekansh Chandra
Ishika Arya
Kalash Bansal

Manasvi Chaturvedi
Manvi Goel
Priyal Arora
Priyanshu Goenka
Rudraksh Vora
Shivam Gupta
Udit Khetawat
Utkarsh Jain
Vedant Agrawal
Vedika Mehra
Vishakha Alwani
Yash Pratap

CONNECT WITH US



@finesse_imt



@Finesse



@Finesse, IMT Ghaziabad



“We hope you enjoyed reading this edition and found it insightful. If you wish to submit an article for consideration in future editions of Finshastra, please reach out to us at finesse@imt.ac.in. The editorial team will guide you through the submission process and further steps.”