TOP PICKS

April 2025

AXIS SECURITIES

Macro Remains Watchful; Focus Continues on Earnings Recovery

The Axis Top Picks Basket delivered an excellent return of 8.9% in Mar'25 against the 6.3% return posted by the Nifty 50, thereby beating the benchmark by a wide margin of 2.6%. Over the last one year, the basket has gained 9.5%. Moreover, it gives us immense joy to share with you that our Top Picks Basket has delivered an impressive return of 298% since its inception (May'20), which stands well above the 154% return delivered by the NIFTY 50 index over the same period. In light of this, we continue to believe in our thematic approach to Top Picks selection.

2025 Starts Volatile; Rebound Witnessed in March: Nifty 50 reached an all-time high of 26,216 on 26th Sep'24. The benchmark then corrected by 16% from its peak until 28th Feb'25. However, the market experienced a rebound in the last month, and the Nifty 50 bounced back by 6.3% in Mar'25. The majority of the bounce back was driven by 1) Reduction in overall trade uncertainty, 2) Cool-off in bond yields and Dollar index, 3) Technical recovery from the oversold territory, 4) Reduction in the FII selling and 5) Expectations of the earnings recovery in sync with the economic recovery. The broader market also witnessed a recovery, with the Mid and Smallcap indices bouncing back by 8-9% over the last month. FIIs, which had been net sellers of the market, also showed some buying interest during Mar'25. Nonetheless, the current rally is premature in nature, and more concrete development will be visible once we approach FY26, when the expectations for earnings recovery are likely to be better than those in FY25.

Domestic concerns are addressed, and macroeconomic development remains watchful: A series of domestic events is indicating better days in FY26 compared to FY25. These events are 1) A 50bps CRR cut by the RBI in Dec'24, 2) Consumption boost in the Union Budget, 3) A 25bps Rate cut by the RBI in Feb'25 MPC, and 4) Improved liquidity measures by the RBI. These events indicate better days ahead in FY26, with improved credit growth and overall consumption improvements. However, in the near term, macroeconomic risks such as trade policy uncertainty (risk of a global market slowdown due to reciprocal tax), relatively expensive valuations even after the correction, and the absence of a concrete positive trigger will continue to pose challenges to the market direction. Going forward in this regard, we believe the positioning in the Indian market will likely be divided between the domestic-facing and export-facing sectors. **We believe that at the current juncture, the risk-reward balance favours domestic-facing sectors due to the nil to low impact of the reciprocal tax, and export-oriented sectors will be in a wait-and-watch mode, based on the impact and development related to the reciprocal tax.**

We still believe that at the current juncture, the macroeconomic risks like 1) Trade policy uncertainty, 2) Global growth rate, and 3) The direction of the US 10-year bond yields and dollar index will continue to pose a challenge to the market direction and market multiple. Keeping this in perspective, the market needs to sail through another couple of months smoothly before entering into a concrete direction of growth. We expect near-term consolidation in the market, with breadth likely to remain narrow in the immediate term. Hence, the focus remains on style and sector rotation along with the earnings recovery. The key domestic events that will further shape the direction of the Indian market going forward are: 1) Decision of RBI MPC during the second week of Apr'25, 2) Q4FY25 earnings season, where the key monitorable will be the guidance on margins and growth for FY26.

Nifty is currently trading at 19x on 12m fwd earnings, which is slightly above its 5-year average of 18.8x. Nonetheless, valuations appear attractive for the Largecaps vs. the broader market, where the margin of safety is still missing. Against this backdrop, we believe that the large cap stocks, 'quality' stocks, monopolies, market leaders in their respective domains, and domestically focused sectors and stocks may outperform the market in the near term. Against this backdrop, 1) we continue to like and overweight Largecap private banks, Telecom, Consumption, Hospitals, and Interest-rate proxies. 2) Following the recent price correction and based on the growth visibility in the domestic market for FY26, we prefer certain Capex-oriented plays that look attractive at the current juncture. 3) We downgrade the IT sector, as we foresee a slowdown in overall IT spending in the US market, and a probable delay in discretionary spending may pose a downgrade risk in upcoming quarters. These downgrade risks could pose a challenge to the valuation of the IT sector in the near term.

Based on the recent developments, we have made multiple changes to our Top Picks recommendations. This includes profit booking in HCL Tech and Healthcare Global, and the addition of Kalpataru projects and APL Apollo tubes. Our modifications reflect the changing market style and a slight shift towards consumption and domestically oriented play.

Our Key Themes

Key Monitorables in FY26: Most significant events are now behind us, with the majority of negative concerns regarding earnings already factored into the price.

Hereon, the market will closely monitor the global developments around the following events: 1) Developments in the US government's policies, 2) Developments in the reciprocal tax, 3) Further rate cuts by the US FED in 2025 based on the growth and inflation dynamics, and 4) The direction of currency and oil prices in the remaining part of 2025.

On the domestic front, a series of domestic events suggests better days ahead in FY26 compared to FY25. These events are 1) A 50bps CRR cut by the RBI in Dec'24, 2) Consumption boost in the Union Budget, 3) A 25bps Rate cut by the RBI in Feb'25 MPC, and 4) Improved liquidity measures by the RBI. These events indicate better days ahead in FY26, with improved credit growth and overall consumption improvements. These developments suggest a revival of economic momentum for FY26 compared to FY25, which remains the primary driver of earnings growth for Indian corporates. However, in the near term, macroeconomic risks such as trade policy uncertainty, relatively expensive valuations even after the correction, and the absence of a positive trigger (all eyes are now on Q4FY25 earnings season commentary and guidance) will continue to pose challenges to market direction. Once we approach Q1FY26, the base effect will come into play (last year's base is low due to the election quarter), and the market will likely look for the earnings trajectory of FY26.

We Maintain our Dec'25 Nifty Target at 24,600

Base case: We believe the Indian economy remains well-positioned for growth, serving as a stable haven amidst global economic volatility. We remain confident in India's long-term growth story, supported by its favorable economic structure, rising Capex, and the consumption boost from the recent Union Budget, which is expected to drive higher credit growth for banks. This is expected to support double-digit earnings growth, ensuring that Indian equities can deliver strong double-digit returns over the next 2-3 years. Against this backdrop, we foresee Nifty earnings to post excellent growth of 14% CAGR over FY23-27. Financials will remain the biggest contributors for FY25/26 earnings. However, trade policy uncertainty, rupee depreciation, and relatively higher valuations compared to other emerging markets, even after the correction, remain key risks to near-term market multiples. Based on these factors, we maintain our base case Dec'25 Nifty target at 24,600 by valuing it at 19x on Dec'26 earnings.

The current level of India's VIX is below its long-term average, indicating that the market is currently in a neutral zone (neither panic nor exuberance). While the medium to long-term outlook for the overall market remains positive, we may experience volatility in the short term. Hence, we recommend that investors use the current dips in a phased manner and build a position in high-quality companies (where earnings visibility is quite high) with an investment horizon of 12-18 months.

Bull Case: In the bull case, **we value NIFTY at 21x, translating into a Dec'25 target of 27,000.** Our bull case assumption is based on the Goldilocks scenario, which assumes an overall reduction in volatility and a successful soft landing in the US market. Currently, we find ourselves at the beginning of the rate cut cycle, and the outlook for a soft landing has notably strengthened over the last one to two months. The market is keenly watching the global growth scenario in 2025 under Trump's presidency. Furthermore, private Capex, which has been sluggish for the last several years, is expected to receive a much-needed boost in the upcoming years, with the expectation of policy continuity. Backed by expectations of political stability, policy continuity, fiscal prudence, an improving private Capex cycle, rural revival, and a soft landing in the US market, Nifty earnings are likely to grow at 17-18% over FY23-27. This would augur well for capital inflows into emerging markets (EMs) and increase the market multiples in the domestic market.

Bear Case: In the bear case, we value NIFTY at 17x, translating into a Dec'25 target of 22,000. We assume the market will trade at above-average valuations, led by the likelihood of a policy shift in the Trump regime. Moreover, we presume that inflation will continue to pose challenges in the developed world. Currently, the global market has not seen such levels of interest rates in the past. Hence, the chances of going wrong have increased significantly. Nonetheless, the direction of currency, oil prices, and development towards global trade is likely to put pressure on export-oriented growth in 2025. These developments will likely bring down the market multiple in the near term.

Based on the above themes, we recommend the following stocks:* *HDFC Bank, ICICI Bank, Dalmia Bharat, State Bank of India, Lupin, Trent Ltd, Hero Motocorp, Max Healthcare, Indian Hotels, Kalpataru Projects, APL Apollo Tubes, Varun Beverages, Bharti Airtel, Prestige Estates, Cholamandalam Invest and Finance

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Axis Securities Top Picks

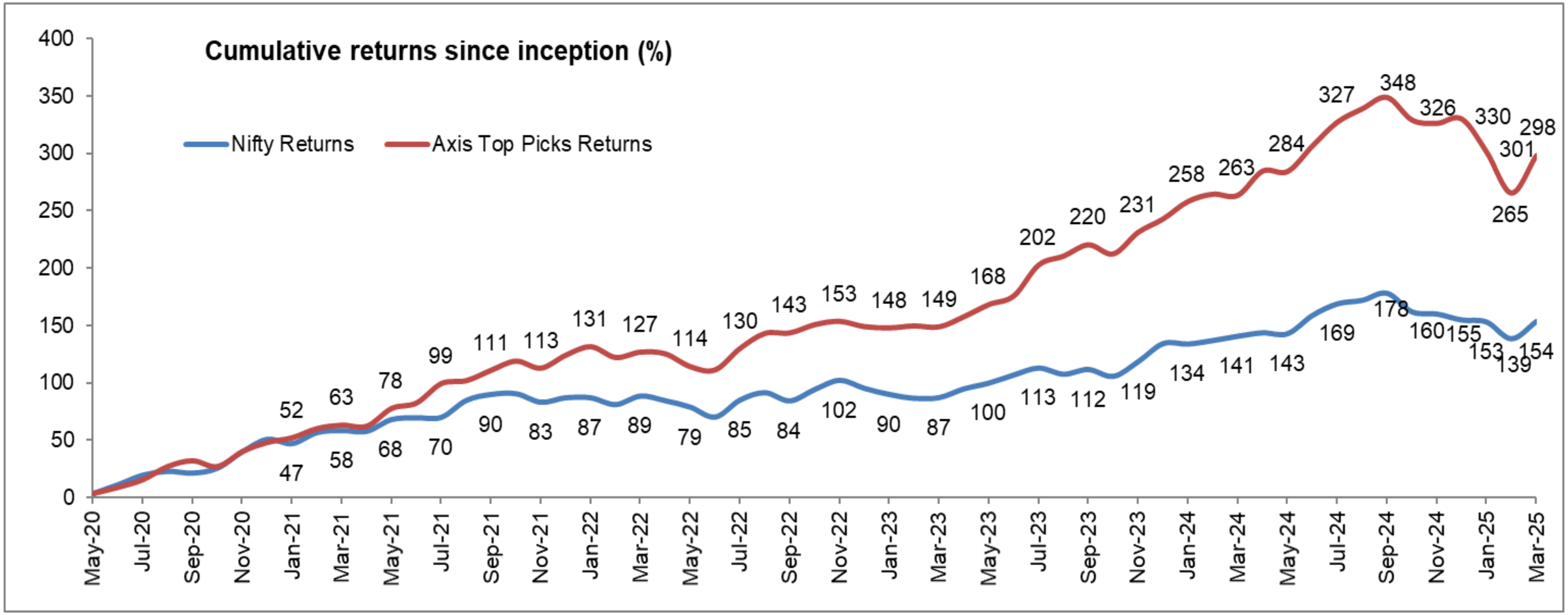
Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M%	TR 3M%	TR 6M%	TR YTD%
Large Cap	ICICI Bank Ltd	Financials	1,348	1,500	11%	19.2	3.2	0.7	12.0	5.2	5.9	5.2
Large Cap	State Bank of India Ltd	Financials	772	1,025	33%	9.4	1.6	1.8	12.0	-2.9	-2.1	-2.9
Large Cap	Varun Beverages Ltd	Consumer Staples	540	710	32%	53.7	10.0	0.2	23.8	-15.5	-11.0	-15.5
Large Cap	HDFC Bank Ltd.	Financials	1,828	2,150	18%	19.9	2.9	1.1	5.5	3.1	5.6	3.1
Large Cap	Bharti Airtel Ltd	Communication Services	1,733	1,900	10%	46.3	9.4	0.5	10.4	9.2	1.4	9.2
Large Cap	Cholamandalam Investment & Finance Company Ltd	Financials	1,520	1,780	17%	30.3	5.4	0.1	8.5	28.3	-5.4	28.3
Large Cap	Hero MotoCorp Ltd.	Consumer Discretionary	3,723	5,285	42%	15.8	3.8	3.8	1.1	-8.3	-33.2	-8.3
Large Cap	Trent Ltd.	Consumer Discretionary	5,325	6,570	23%	117.3	33.5	0.1	9.8	-25.2	-29.7	-25.2
Mid Cap	Lupin Ltd	Health Care	2,028	2,500	23%	28.7	5.4	0.4	6.5	-13.9	-7.4	-13.9
Mid Cap	Max Healthcare Institute Ltd.	Health Care	1,097	1,315	20%	74.1	10.2	0.1	12.2	-2.8	11.3	-2.8
Mid Cap	The Indian Hotels Company Ltd.	Consumer Discretionary	788	950	21%	66.2	10.0	0.2	10.0	-10.3	15.0	-10.3
Mid Cap	Dalmia Bharat Ltd	Materials	1,822	2,180	20%	51.5	2.0	0.5	7.8	3.1	-5.6	3.1
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,184	1,820	54%	51.1	3.0	0.2	5.1	-30.1	-35.8	-30.1
Mid Cap	APL Apollo Tubes Ltd.	Materials	1,525	1,750	15%	58.9	10.3	0.4	6.0	-2.7	-3.7	-2.7
Small Cap	Kalpataru Projects International Ltd.	Industrials	975	1,350	39%	25.0	2.5	0.8	10.8	-24.9	-28.7	-24.9

Source: Company, Axis Securities, CMP as of 28th March 2025

Top Picks Performance

Axis Top Picks Performance							
	1M	3M	6M	1Y	3Y*	4Y*	Since Inception
Axis Top Picks Returns	8.9%	-7.4%	-11.3%	9.5%	20.6%	25.0%	297.7%
Nifty Returns	6.3%	-0.5%	-8.9%	5.3%	10.4%	12.5%	153.7%
Alpha	**2.6%**	**-6.9%**	**-2.4%**	**4.2%**	**10.2%**	**12.5%**	**144.0%**

*CAGR Return



Note: Equal weight basket Performance as of 28th March 2025

Multi-Asset Scorecard

- In 2025, Gold emerged as the top-performing asset class once again.
- Gold led asset performance in 2024 until the end of May, after which the broader market took the lead. However, by Oct'24, Gold reclaimed its position as the top-performing asset class. On a YTD basis, Gold remains the best-performing asset.
- The broader market was the best-performing asset class domestically in 2023 and 2024. However, a sharp correction in the last three months impacted overall returns.
- Nifty 50 ranked at the bottom in 2024 for the first time in history, primarily due to sustained FII selling in the last three months of the year.

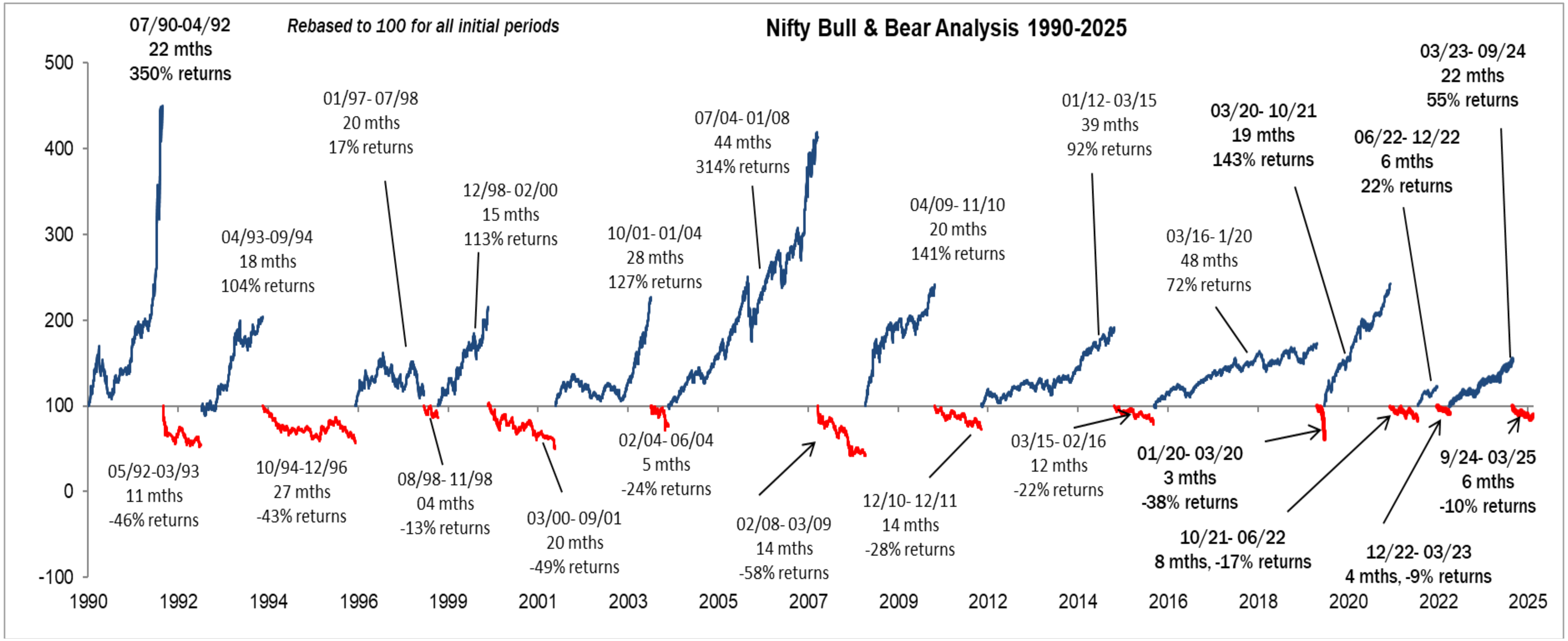
Rank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 (YTD)
1	MCX Gold: 32%	Mid Cap: 39%	S&P 500: 30%	Mid Cap: 56%	Crisil comp Bond: 9%	Crisil comp Bond: 13%	SmallCap: 57%	MCX Gold: 8%	S&P 500: 29%	MCX Gold: 28%	SmallCap: 59%	MCX Gold: 14.3%	SmallCap: 55.6%	SmallCap: 23.9%	MCX Gold: 16.9%
2	Crisil comp Bond: 7%	SmallCap: 37%	Nifty 50: 7%	SmallCap: 55%	SmallCap: 7%	EM Index: 10%	Mid Cap: 47%	Crisil comp Bond: 6%	MCX Gold: 25%	Mid Cap: 22%	Mid Cap: 46%	Nifty 50: 4.3%	Midcap: 46.6%	Midcap: 23.8%	EM Index: 3.2%
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	S&P 500: 23.8%	NSE G Sec composite: 2.6%
4	EM Index: -21%	EM Index: 14%	Mid Cap: -5%	Crisil comp Bond: 14%	S&P 500: -1%	S&P 500: 10%	Nifty 50: 29%	S&P 500: -6%	Nifty 50: 12%	S&P 500: 16%	Nifty 50: 24%	BSE Bond index: 2.9%	Nifty 50: 20%	MCX Gold: 20.9%	Nifty 50: -0.5%
5	Nifty 50: -25%	S&P 500: 13%	EM Index: -6%	S&P 500: 11%	Nifty 50: -4%	Mid Cap: 7%	S&P 500: 19%	Mid Cap: -15%	Crisil comp Bond: 11%	Nifty 50: 15%	Crisil comp Bond: 2%	SmallCap: -13.8%	MCX Gold: 14.9%	NSE G Sec composite: 9.9%	S&P 500: -4.6%
6	Mid Cap: -31%	MCX Gold: 12%	MCX Gold: -8%	EM Index: -1%	MCX Gold: -7%	Nifty 50: 3%	MCX Gold: 6%	EM Index: -16%	Mid Cap: -4%	EM Index: 13%	EM Index: -2%	S&P 500: -19.2%	BSE Bond index: 7.9%	EM Index: 9.5%	Midcap: -9.6%
7	SmallCap: -34%	Crisil comp Bond: 9%	SmallCap: -8%	MCX Gold: -6%	EM Index: -18%	SmallCap: 2%	Crisil comp Bond: 5%	SmallCap: -29%	SmallCap: -10%	Crisil comp Bond: 12%	MCX Gold: -4%	EM Index: -19.6%	EM Index: 5.7%	Nifty 50: 8.8%	SmallCap: -14.2%

Source: Bloomberg, Axis Securities

Source: Bloomberg, Axis Securities, Note: Midcap is NSE midcap 100, Smallcap is NSE smallcap100 index, EM is FTSE EM index

Nifty Bull & Bear Analysis

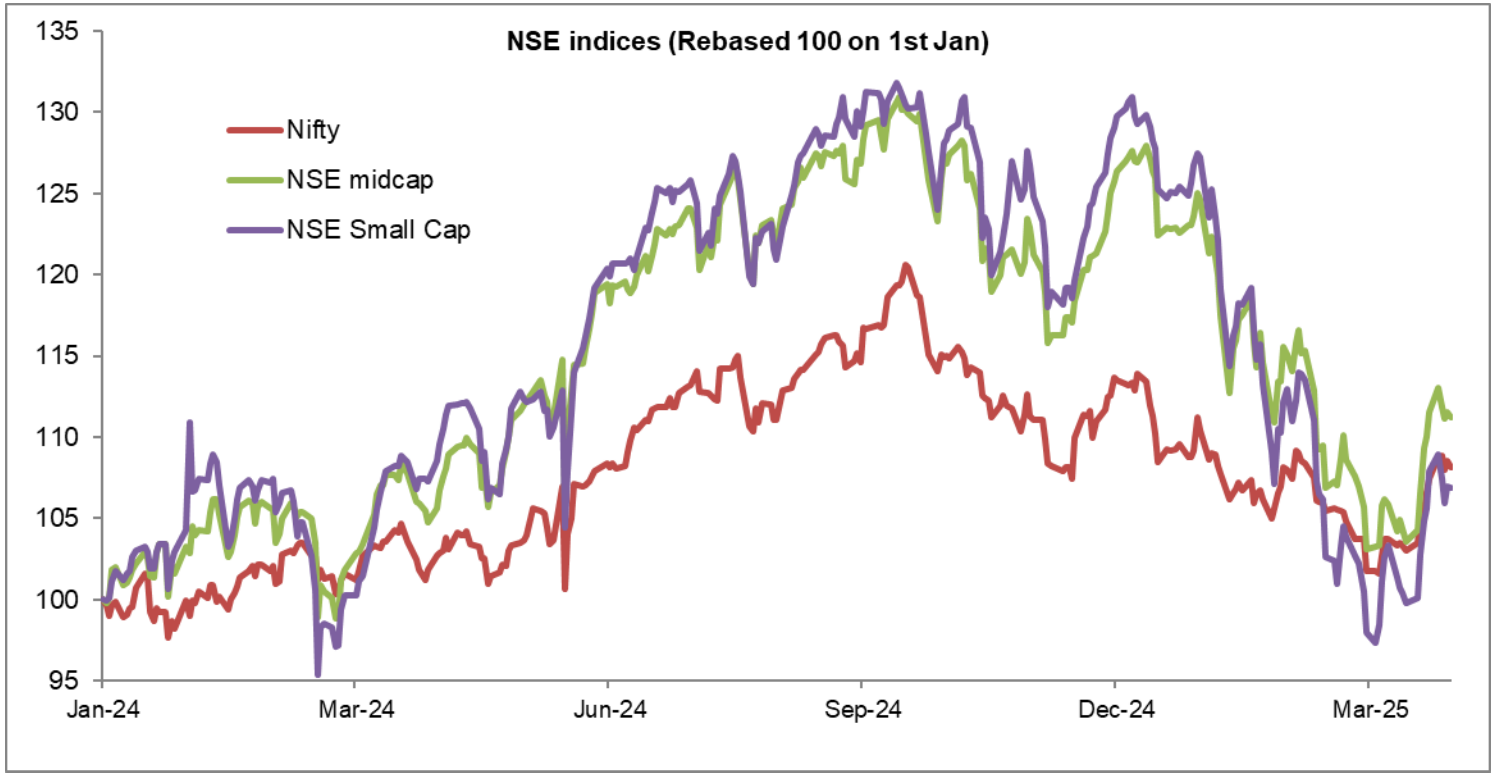
- **Average Bull period returns:** 129% (Average bull months 24 months)
- **Average Bear period returns:** -30% (Average Bear phase is 10 months; it is 9 months if we consider post-2000 falls only)
- Post-2000 bear phases are very short-lived compared to the pre-2000 era.
- ***The Covid Bear Phase is an average of 6 months only, with an average downfall of 14%.***



Source: Bloomberg, Axis Securities

All Three Indices Moving in Tandem; Witnessed correction in the Last five months

- After witnessing a correction of 16% from the top, the market rebounded by 6% in Apr'25. The broader market indices, Mid and Smallcap, which had corrected by 21% and 25%, respectively, also rebounded by 8% & 9%, respectively.



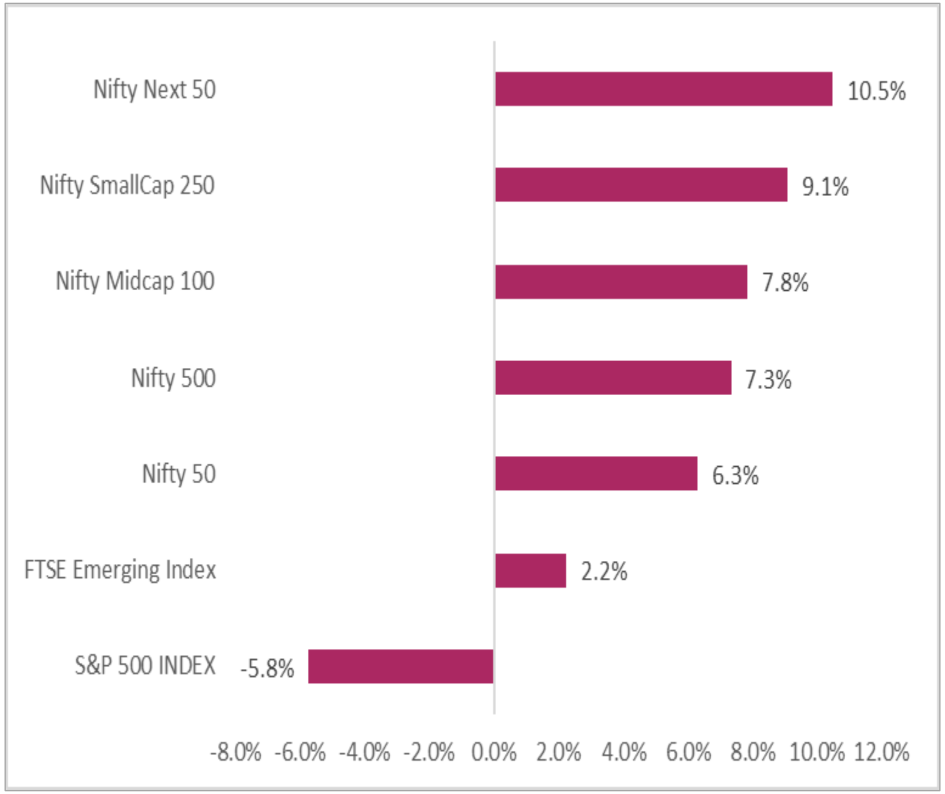
Correction from peak (26th Sep'24) till 28th Feb'25

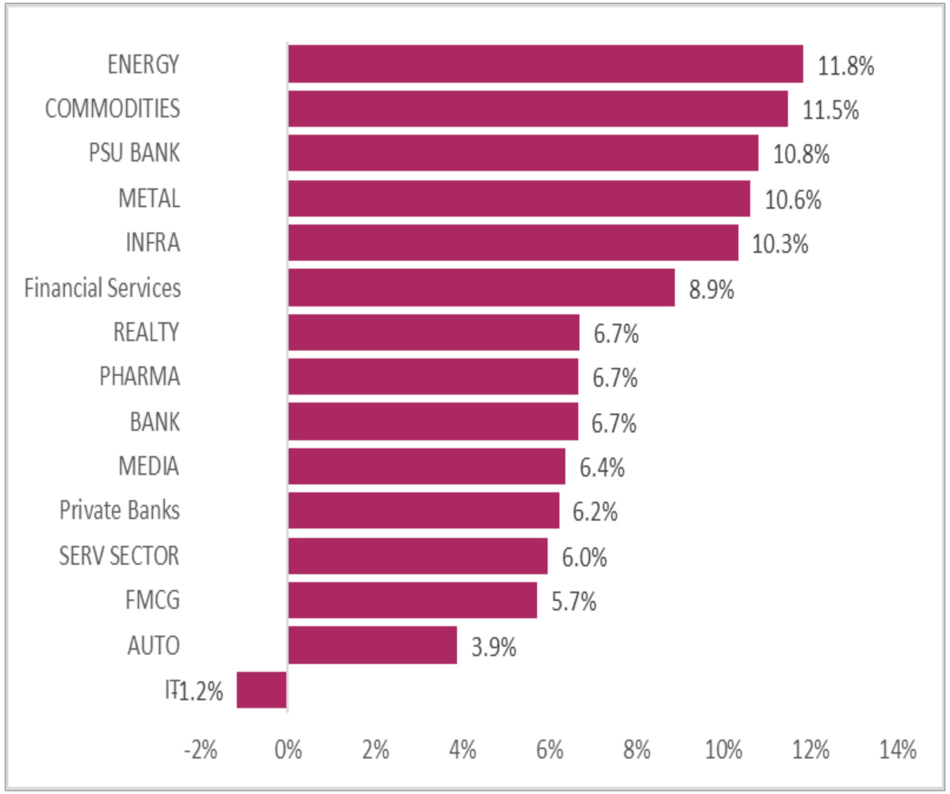
Nifty 50: 16%
NSE Mid Cap 100: 21%
NSE Small Cap 250: 25%

Source: Bloomberg, Axis Securities

What Happened in the Last One Month

- India has outperformed the US and other EM indices
- The metal sector saw a strong comeback on account of the recovery in the Chinese market
- Metal, Commodities, Energy , PSU bank, Infra saw excellent recovery, while IT saw some pullback





Source: Bloomberg, Axis Securities

Quarterly Sector Scorecard

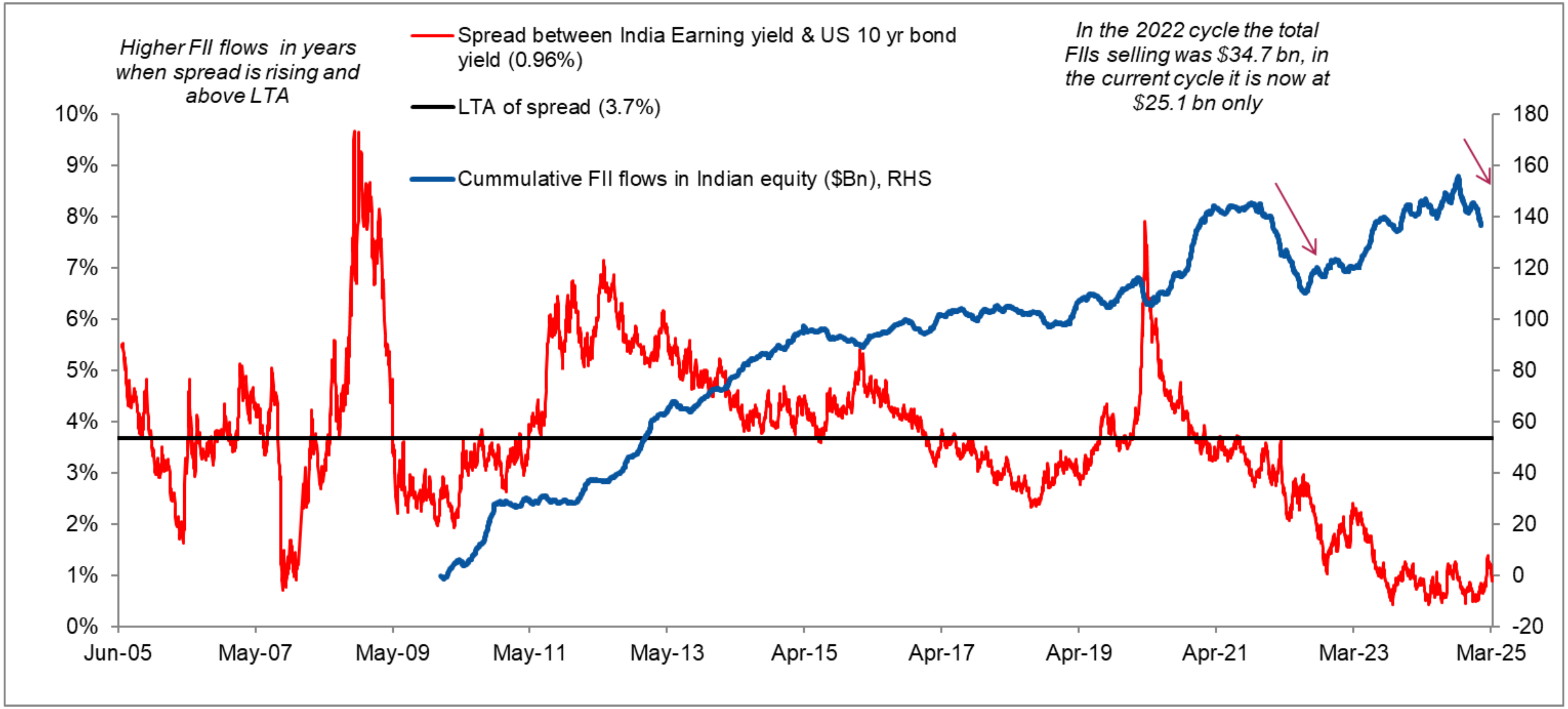
- The current quarter's performance is similar to the Jun'22 (Russia-Ukraine) and Mar'23 (Adani crisis) quarters.
- In the current quarter, Banks, Commodities, Financial Services, Metal, and Private banks have outperformed the Nifty 50 index.

	Quarterly returns (%)												
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	QTD
% of sectors outperformed the market	56%	50%	75%	38%	25%	63%	69%	50%	44%	56%	44%	50%	38%
Nifty 50	1%	-10%	8%	6%	-4%	11%	2%	11%	3%	7%	8%	-8.4%	-0.5%
Nifty Next 50	-3%	-11%	16%	0%	-10%	16%	3%	18%	14%	18%	8%	-11.7%	-7.4%
Nifty 500	-1%	-10%	11%	4%	-6%	13%	5%	12%	4%	11%	8%	-7.8%	-4.6%
Nifty Midcap 100	-2%	-11%	16%	3%	-5%	19%	13%	14%	4%	15%	9%	-4.9%	-9.6%
Nifty SmallCap 250	-4%	-14%	14%	3%	-7%	20%	16%	15%	2%	19%	8%	-4.2%	-14.4%
AUTO	-4%	11%	9%	-1%	-3%	24%	7%	15%	15%	17%	8%	-16%	-6%
BANK	3%	-8%	16%	11%	-6%	10%	0%	8%	-2%	12%	0%	-4%	1%
COMMODITIES	7%	-16%	11%	7%	-7%	9%	8%	19%	8%	9%	8%	-18%	5%
Financial Services	-1%	-10%	13%	8%	-5%	11%	-1%	8%	-2%	12%	4%	-4%	6%
ENERGY	14%	-3%	2%	1%	-12%	8%	11%	22%	17%	5%	8%	-21%	-3.6%
FMCG	-3%	4%	18%	-1%	4%	14%	-1%	10%	-5%	5%	16%	-14%	-5%
IT	-6%	-23%	-3%	6%	0%	3%	8%	12%	-2%	1%	18%	5%	-16.1%
INFRA	1%	-8%	7%	6%	-3%	13%	9%	17%	14%	8%	6%	-12%	0%
MEDIA	7%	-20%	9%	-3%	-15%	3%	30%	5%	-25%	13%	6%	-15%	-18.9%
METAL	16%	-27%	24%	17%	-18%	13%	10%	17%	3%	18%	5%	-16%	6%
PHARMA	-4%	-10%	7%	-3%	-5%	15%	12%	9%	13%	3%	19%	0%	-9.1%
PSU BANK	8%	-11%	23%	44%	-14%	11%	28%	9%	23%	5%	-8%	-4%	-3.5%
Private Banks	2%	-9%	19%	10%	-6%	11%	1%	8%	-5%	12%	1%	-7%	4%
REALTY	-4%	-17%	10%	2%	-10%	34%	11%	36%	15%	22%	0%	-4%	-19.3%
SERV SECTOR	-1%	-12%	10%	6%	-7%	8%	1%	10%	1%	9%	9%	-4%	-1.3%

Source: Bloomberg, Axis Securities, Note: Outperforming sectors (vs. Nifty during the quarter) highlighted in green for the quarter

Why the Market Saw Correction in the Current Rally?

- Rise in the US 10-year bond yields by more than 100bps in the last two-three months
- Valuation concern in the domestic market in the middle of a consumption slowdown
- Higher FII flows in the years when the spread is rising and above the long-term average



Source: Bloomberg, Axis Securities

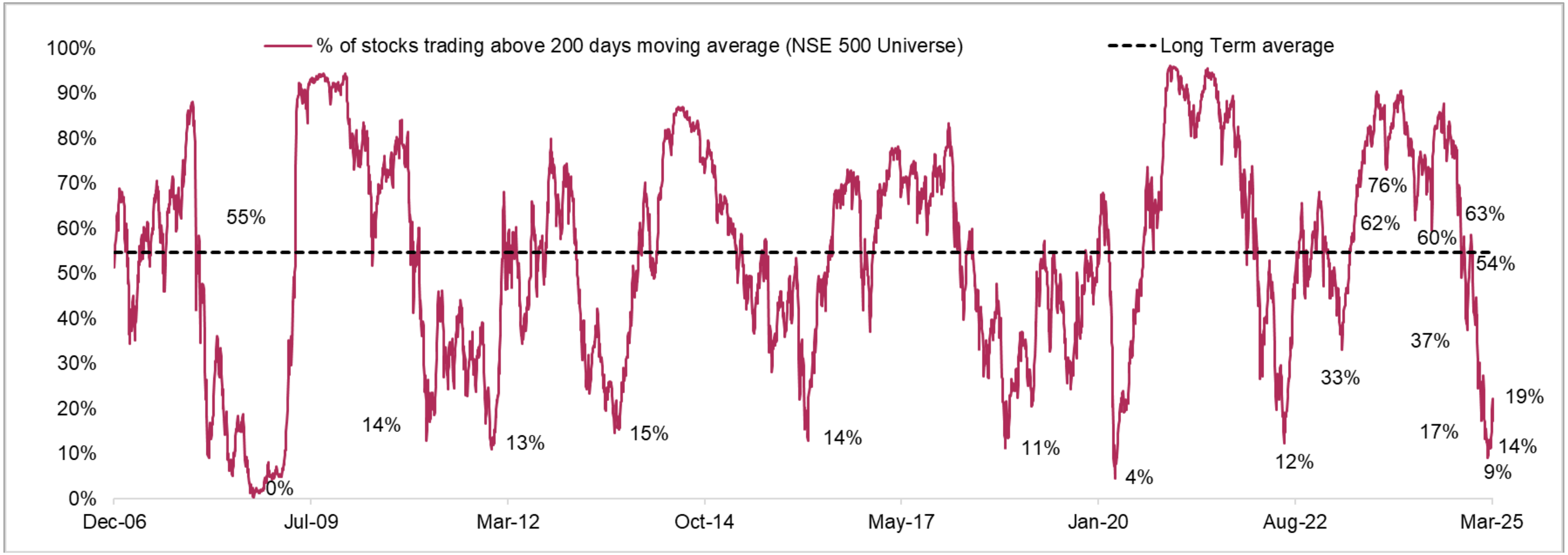
What Happened in 2022 Downfall?

- In the earlier cycle of 2021-22, the market saw a correction of almost 17% from 18,477 to 15293 in nine months, led by valuation concerns and the Russia-Ukraine crisis.
- During these 9 months, the market experienced intermittent rallies amid fluctuations, while FII outflows totalled $34.7 Bn.
- A similar type of scenario could be possible in the current rally.

Source: Bloomberg, Axis Securities,

NSE 500 Universe (200-day moving average)

- After the recent correction, the Indian market has optically approached levels last seen in Jun’22 during the Russia-Ukraine crisis. This suggests the market is now in the oversold zone, which could lead to a short-term recovery.
- Nonetheless, in the near term, the market will continue to be driven by macroeconomic data. Its performance will likely be range-bound for at least one quarter until signs of moderating inflation become visible. Sector and Style Rotation will likely be visible in the market moving forward.



Source: Bloomberg, Axis Securities

52W-High Analysis

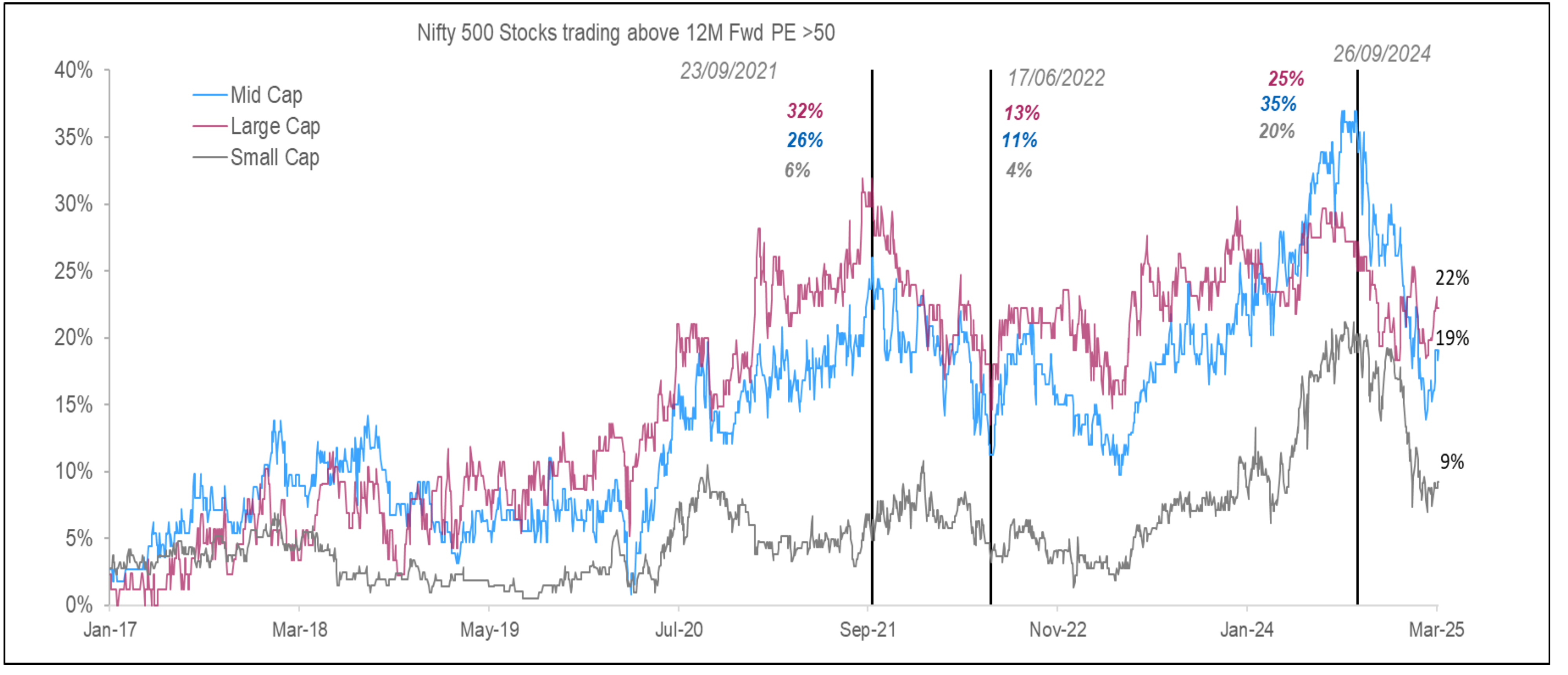
- After a recent comeback, 22 stocks are now trading near their 52-week highs, compared to only 6 stocks as of February 28, 2025.
- 383 (76%) stocks are trading below 20% from their 52-week highs; last month, it was 86%.
- ~50% of the stocks have corrected by over 30% from their 52-week high, indicating that all negative factors are now priced in.
- The Largecap market looks attractive at current levels.
- Out of 55 PSUs, none of the stocks are near their 52-week high, compared to 35 stocks in Feb'24.

		Current level of number of stocks as compared to 52W high			
Sector	**No of Stocks**	**Near to 52W high**	**5%-20% below 52W high**	**20%-30% below 52W high**	**Below 30%**
Agri & Chem	43	4	7	10	22
Auto & Anc	43	1	6	10	25
Banks	28	3	6	4	15
Build Mate	37	2	5	8	22
Discretionary	43	0	8	13	22
Healthcare	47	3	19	14	11
Industrials	55	0	5	10	38
IT	36	0	5	14	17
Metals & min	23	2	7	6	8
NBFC	60	5	15	18	21
Oil & gas	16	0	0	7	9
Others	14	0	3	1	10
Staples	18	0	4	8	6
Tele & Media	16	1	1	4	10
Transport	7	1	0	0	6
Utilities	14	0	0	7	7
Total	**500**	**22**	**91**	**134**	**249**
Large cap	**100**	**10**	**29**	**32**	**30**
Mid cap	**150**	**6**	**34**	**44**	**65**
Small cap	**250**	**6**	**28**	**58**	**153**
PSUs	**55**	**0**	**4**	**14**	**36**

Source: Bloomberg, Axis Securities

Number of NSE 500 stocks trading above 12M Fwd PE>50

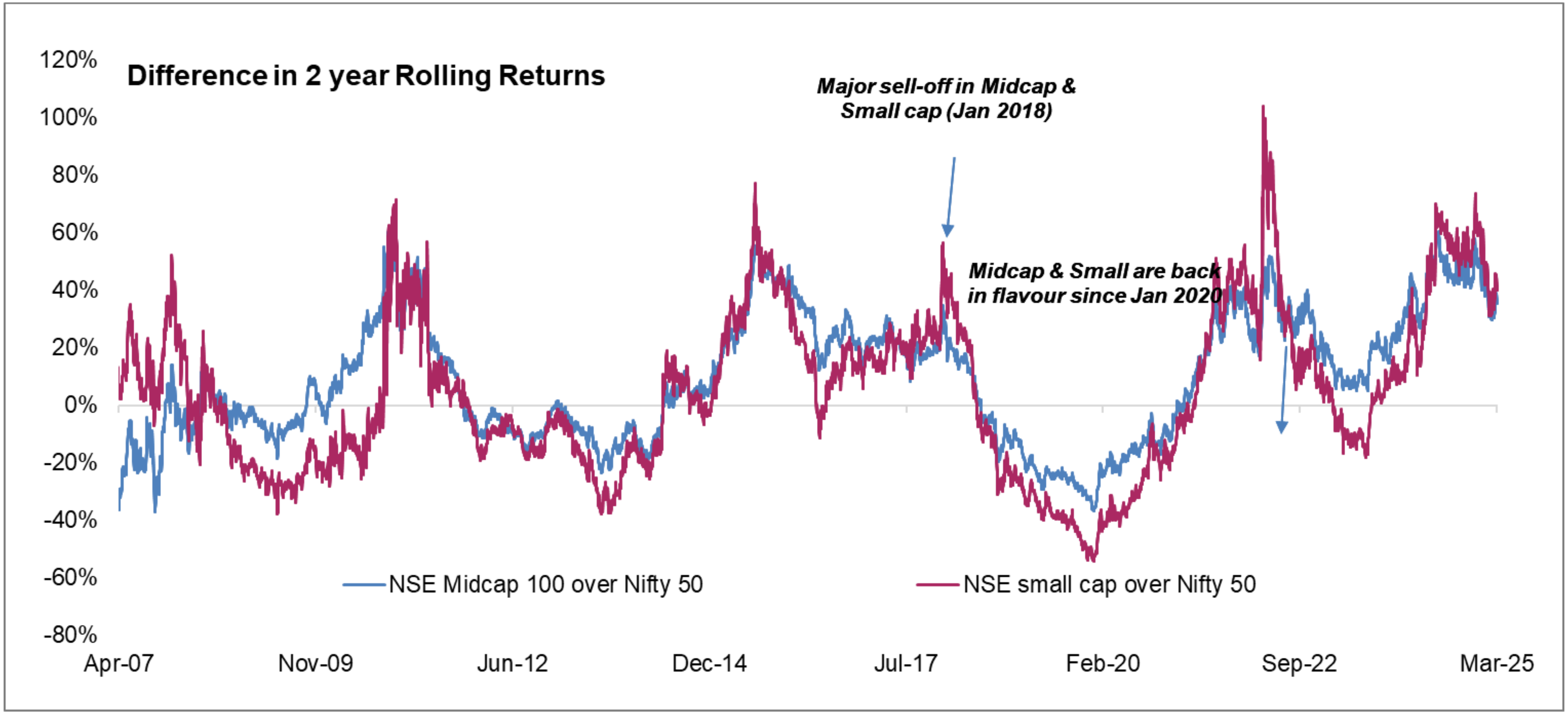
PE compression was seen across the board in the earlier event of FII selling between 09/2021 and 06/2022. During that period, total FII selling amounted to more than $34.5 Bn. In the current cycle, the total FII selling so far stands close to $25.1 Bn.



Source: Refinitiv, Axis Securities

Difference in 2-Year Returns

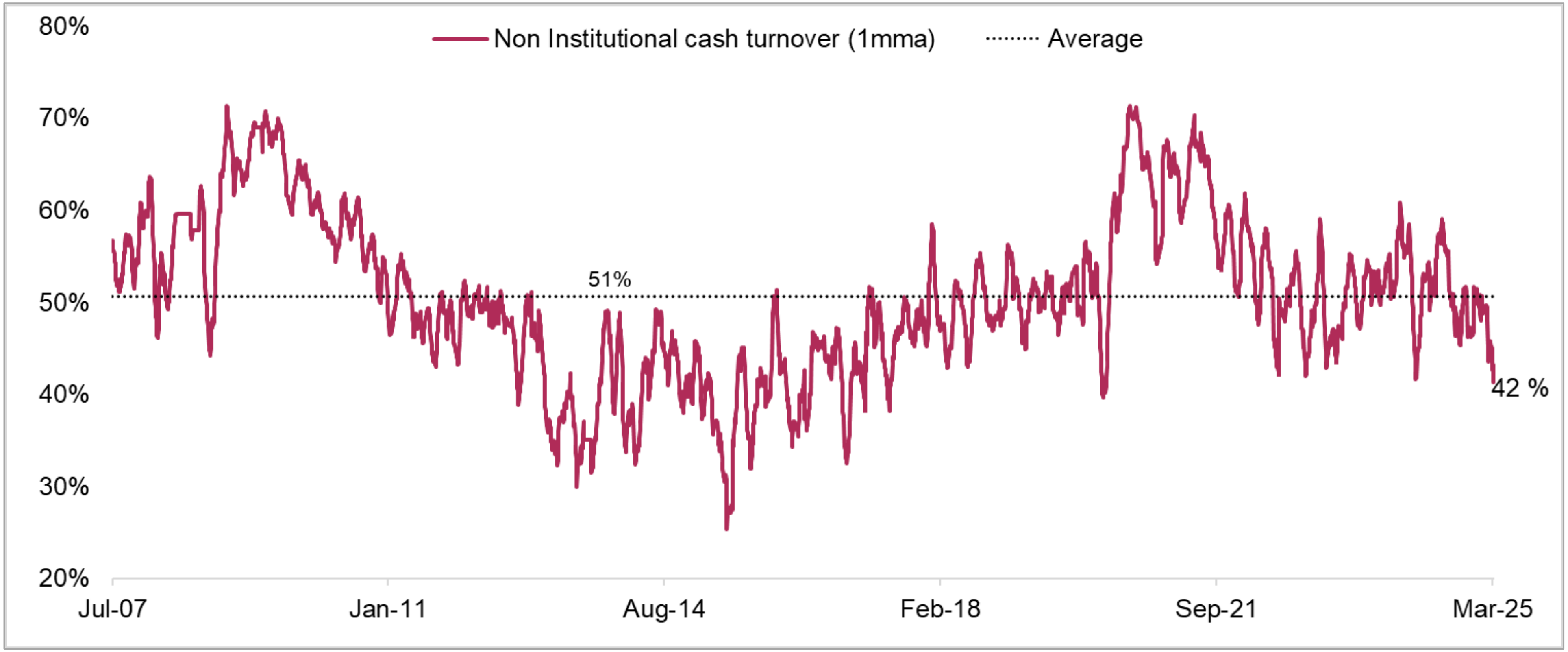
Market positioning likely to shift towards Large caps in the near term



Source: Bloomberg, Axis Securities

Dip Observed in Non-institutional Turnover

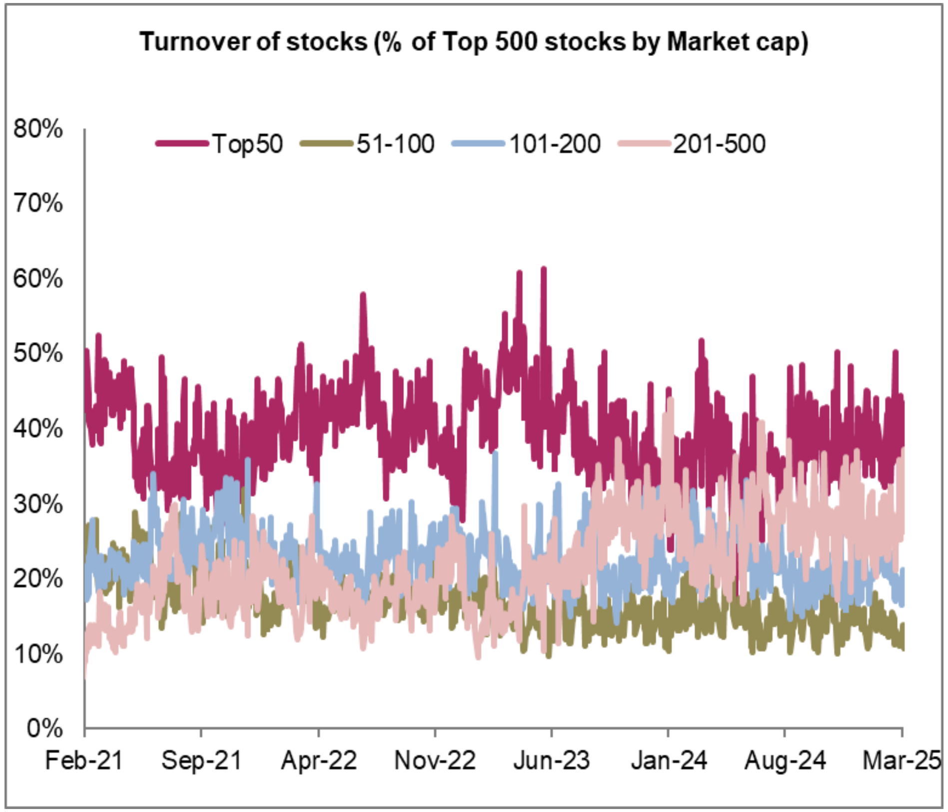
- Non-institutional (Retail) turnover is currently at 42%, at the long-term average. However, it has fallen below the LTA in the last month due to increased volatility and lower breadth in the broader market.
- Retail investor participation is expected to improve further in the coming months, given that equity is the only asset class that can beat the current inflationary scenario.

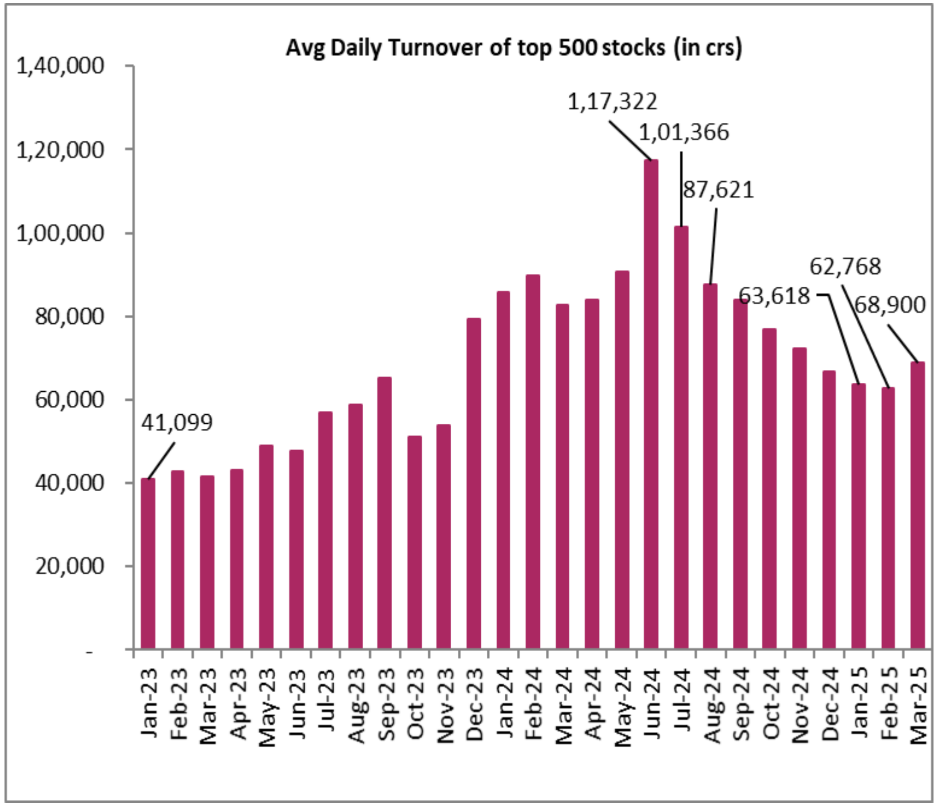


Source: Bloomberg, Axis Securities

Market Turnover (% of the Top 500 Names)

- Market turnover of NSE 500 crossed Rs 1 Lc Cr for the first time in Jun'24.
- Following the moderation seen in the last few quarters, market turnover experienced a MoM improvement.





Source: Bloomberg, Axis Securities

India’s Performance vis-à-vis Peers

Indian Market outperformed the global market in the Last 1 month

- The Nifty 50 reached an all-time high of 26,216 on 26th Sep’24. As of 28th Feb’25, the benchmark experienced a correction of 16% from the top. The broader market indices, including Mid and Smallcap indices, also corrected by 21%/25%, respectively.
- In the last month, the market saw a recovery. However, in the previous six months, the majority of the indices are still in the red.
- **Positive Near-term Outlook:** Domestic-oriented stocks, Telecom, Auto, Rural theme, Domestic Cyclical
- **Improving Outlook:** Discretionary, Consumption, BFSI, Industrials, PSUs
- **Mixed Bag:** Pharma, IT

National Index						
Index Performance (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
Nifty 50	6.3%	-0.5%	-8.9%	7.5%	-0.5%	5.3%
Nifty Next 50	10.5%	-7.3%	-18.2%	-1.5%	-7.3%	4.0%
Nifty 500	7.3%	-4.6%	-12.0%	5.0%	-4.6%	5.4%
Nifty Midcap 100	7.8%	-9.7%	-14.1%	5.1%	-9.7%	7.5%
Nifty SmallCap 250	9.1%	-14.9%	-18.0%	2.3%	-14.9%	5.4%
Sector Index (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
NIFTY AUTO	3.9%	-6.7%	-21.2%	-8.2%	-6.7%	-0.6%
NIFTY BANK	6.7%	1.4%	-2.7%	9.9%	1.4%	9.4%
NIFTY COMMODITIES	11.5%	4.3%	-13.8%	1.2%	4.3%	1.6%
Nifty Financial Services	8.9%	6.6%	2.4%	20.4%	6.6%	19.5%
NIFTY ENERGY	11.8%	-4.6%	-23.7%	-10.8%	-4.6%	-14.0%
NIFTY FMCG	5.7%	-5.7%	-18.2%	-2.9%	-5.7%	-0.7%
NIFTY IT	-1.2%	-14.9%	-12.1%	14.1%	-14.9%	5.7%
NIFTY INFRA	10.3%	-0.1%	-11.7%	3.4%	-0.1%	1.5%
NIFTY MEDIA	6.4%	-18.8%	-31.0%	-18.1%	-18.8%	-17.9%
NIFTY METAL	10.6%	5.1%	-10.8%	1.3%	5.1%	10.1%
NIFTY PHARMA	6.7%	-9.7%	-9.2%	13.6%	-9.7%	11.3%
NIFTY PSU BANK	10.8%	-4.2%	-7.3%	-7.8%	-4.2%	-10.6%
Nifty Private Banks	6.2%	3.8%	-2.9%	10.6%	3.8%	9.2%
NIFTY REALTY	6.7%	-19.1%	-22.5%	-12.8%	-19.1%	-5.5%
NIFTY SERV SECTOR	6.0%	-0.8%	-5.6%	14.5%	-0.8%	11.9%

Source: Bloomberg, Axis Securities, and Performance as of 28th March 2025

International Index						
Index Performance (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
Shanghai Comp	0.9%	0.0%	0.4%	8.4%	0.0%	10.2%
Bovespa	7.3%	9.6%	0.0%	8.2%	9.6%	2.9%
south africa	4.9%	9.3%	4.9%	16.7%	9.3%	20.5%
Korea	1.0%	6.6%	-1.4%	-3.9%	6.6%	-6.9%
Mexico	1.9%	7.3%	1.4%	-0.4%	7.3%	-6.1%
Indonesia	3.8%	-8.0%	-13.5%	-8.3%	-8.0%	-10.7%
Argentina	7.0%	-6.8%	39.1%	49.3%	-6.8%	94.5%
Japan	-0.1%	-7.0%	-2.1%	-4.4%	-7.0%	-8.0%
Hongkong	2.1%	16.8%	10.8%	27.0%	16.8%	41.6%
Philipines	2.5%	-5.8%	-15.5%	-3.7%	-5.8%	-11.0%
Taiwan	-6.3%	-6.2%	-2.8%	1.2%	-6.2%	6.4%
Singapore	2.0%	4.9%	10.8%	19.0%	4.9%	23.2%
Thailand	-2.3%	-16.1%	-18.9%	-12.1%	-16.1%	-14.7%
Veitnam	0.9%	4.0%	2.3%	2.6%	4.0%	2.6%
Dow	-4.8%	-1.9%	-1.4%	7.9%	-1.9%	4.9%
Nasdaq	-7.4%	-9.6%	-4.0%	3.5%	-9.6%	6.6%
FTSE 100 INDEX	-1.9%	5.7%	4.9%	5.0%	5.7%	8.7%
DAX INDEX	-0.6%	12.6%	16.0%	21.7%	12.6%	21.2%
CAC 40 INDEX	-2.6%	7.0%	3.5%	-0.5%	7.0%	-3.7%
S&P 500 Index	-5.8%	-4.6%	-2.6%	6.0%	-4.6%	6.8%

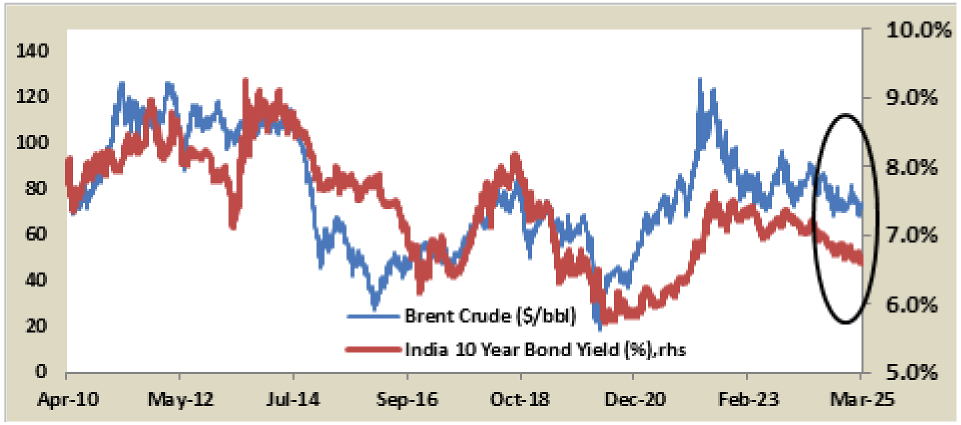
Commodities Saw a Marginal Recovery in The Last One Month

- **Precious Metals:** Gold prices increased by 16.6% in the last 6 months due to volatility in the equity market.
- **Commodities:** Steel and Aluminium prices saw some correction, and copper recovered by 4.9% in the last one month.
- **Crude:** Brent crude is now trading below $80/bbl and has been highly volatile due to the rising geopolitical risk and ongoing supply-side concerns.

Market Indicator	28-03-2025	1m ago	3m ago	04th Jun'24	YTD	1 YR
Brent Crude ($/bbl)	73.5	73.2	74.6	77.5	74.6	87.5
Bond Yield (GOi 10Yr)	6.6	6.7	6.8	7.0	6.8	7.1
USD/INR	85.5	87.5	85.6	83.5	85.6	83.4
India Vix	12.7	13.9	14.4	26.7	14.4	12.8

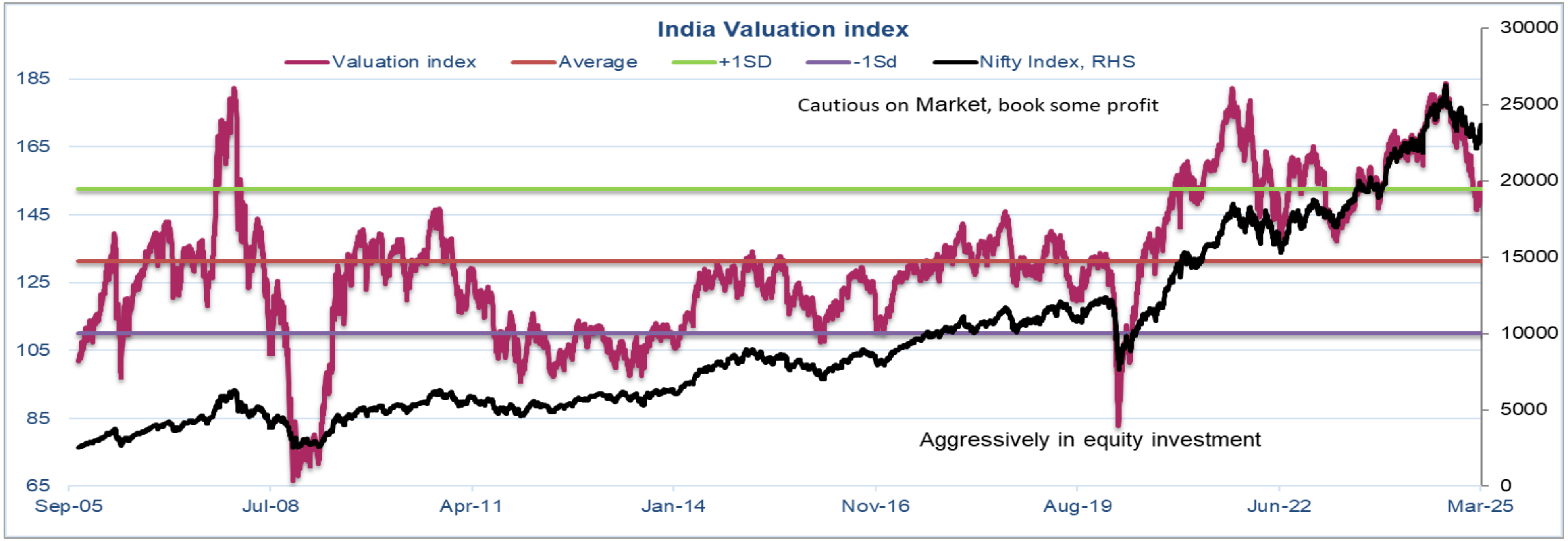
Commodity Index	1m	3m	6m	04th Jun'24	YTD	1 YR
Gold ($/OZ)	7.5%	17.1%	16.6%	32.0%	17.1%	37.8%
Steel ($/ton)	-1.1%	-4.1%	-2.1%	-12.1%	-4.1%	-7.8%
Aluminium ($/ton)	-3.1%	1.6%	-2.1%	-1.8%	1.6%	12.6%
Copper ($/ton)	4.9%	13.3%	1.1%	-0.2%	13.3%	11.8%
Zinc ($/ton)	4.5%	-2.8%	-6.0%	0.8%	-2.8%	21.0%

Source: Bloomberg, Axis Securities, Performance as of 28th Mar 25



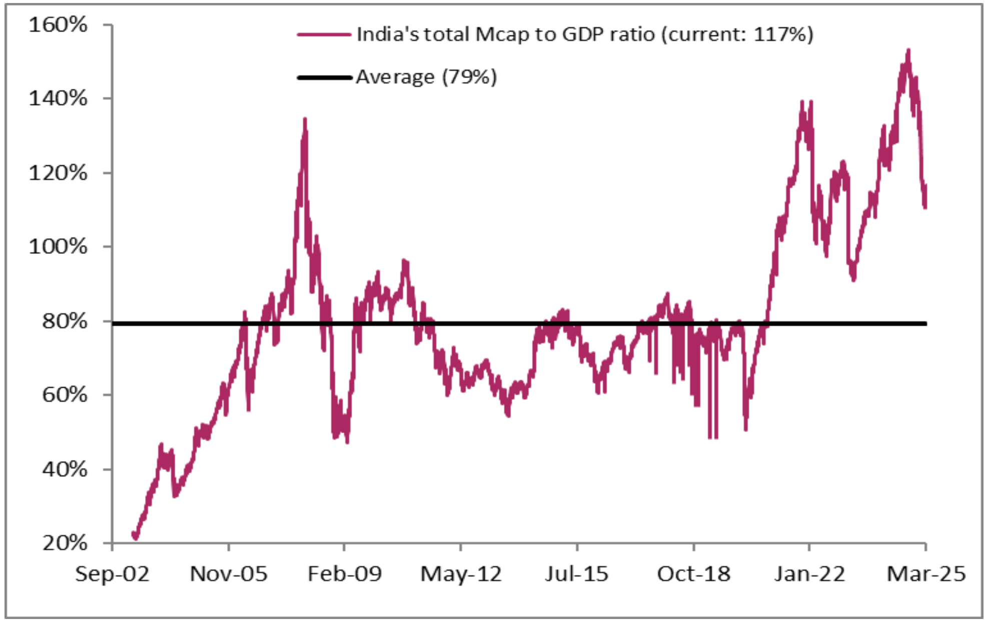
India Valuation Index: Trading Slightly above 1std; Earnings Upgrades/Downgrades Remain Critical

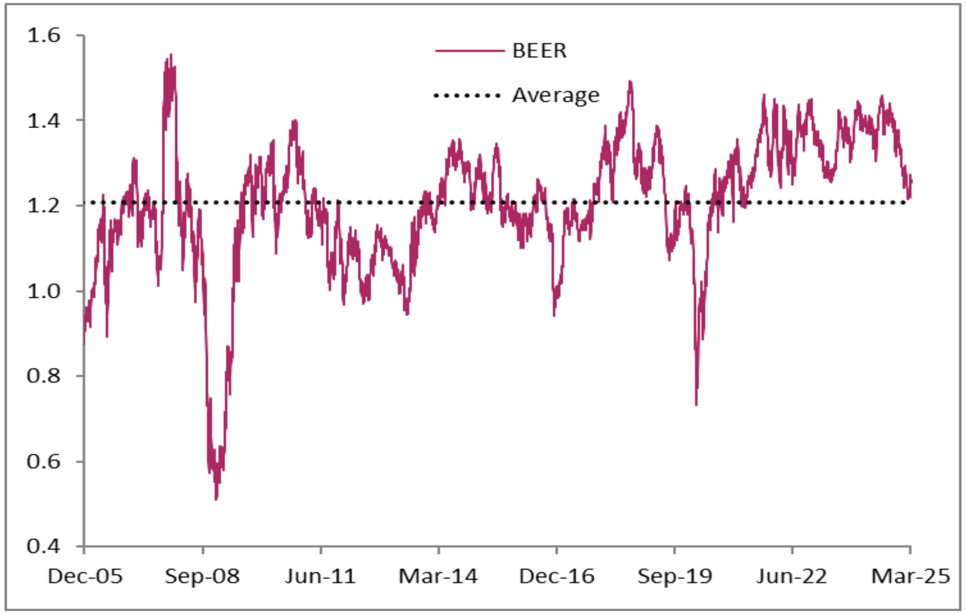
- Even after the recent correction, our market valuation index continues to trade slightly below the 1stdev. Current valuations offer limited scope for re-rating. Hence, the market will follow earnings growth. Stock selection and sector rotation will be key to achieving outperformance.
- The calculation of the India Valuation Index is based on four fundamental market parameters (12m fwd PE, 12m fwd PB, Bond Equity Earnings Yield Ratio, and MCAP to GDP Ratio).



In terms of Mcap to GDP, India Stands Less Expensive Than the US Market

- **BEER:** Indian bond yields have corrected by 20-24bps since Nov'24 (the Start of the US Fed's Rate cut cycle). A consumption boost, fiscal consolidation in the Union budget, and one rate cut by the RBI indicate some cool-off in bond yields. After a correction in the equity market, the Bond equity earning yield ratio is now trading near the long-term average.
- **India's Total Market Cap to GDP** is trading at 114%, above its long-term average (rebased after the FY25 GDP of Rs 324 Tn released by the government on 1st Feb'25). However, at projected levels of nominal GDP for FY26, the Mcap/GDP ratio translates into 111% (fairly valued). As per the Union Budget 2025-26, the FY26 GDP assumption is pegged at Rs 356.97 Tn.
- **Historical Perspective:** Historically, similar upward earnings momentum was witnessed in FY10 earnings immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we will likely see higher MCAP-to-GDP ratio levels in the upcoming quarters.



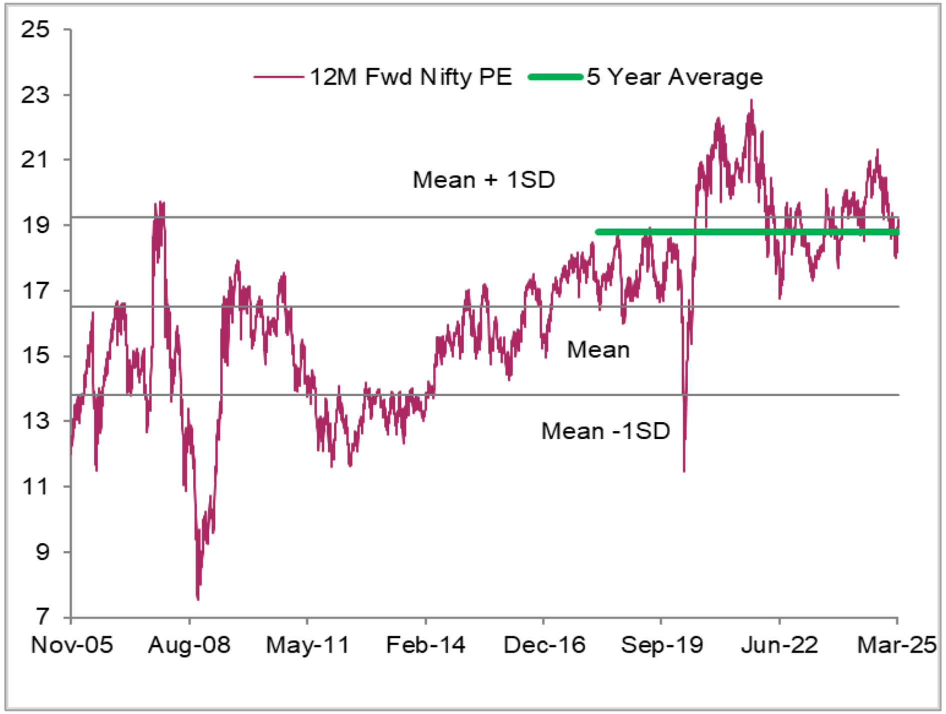


Source: Bloomberg, Axis Securities

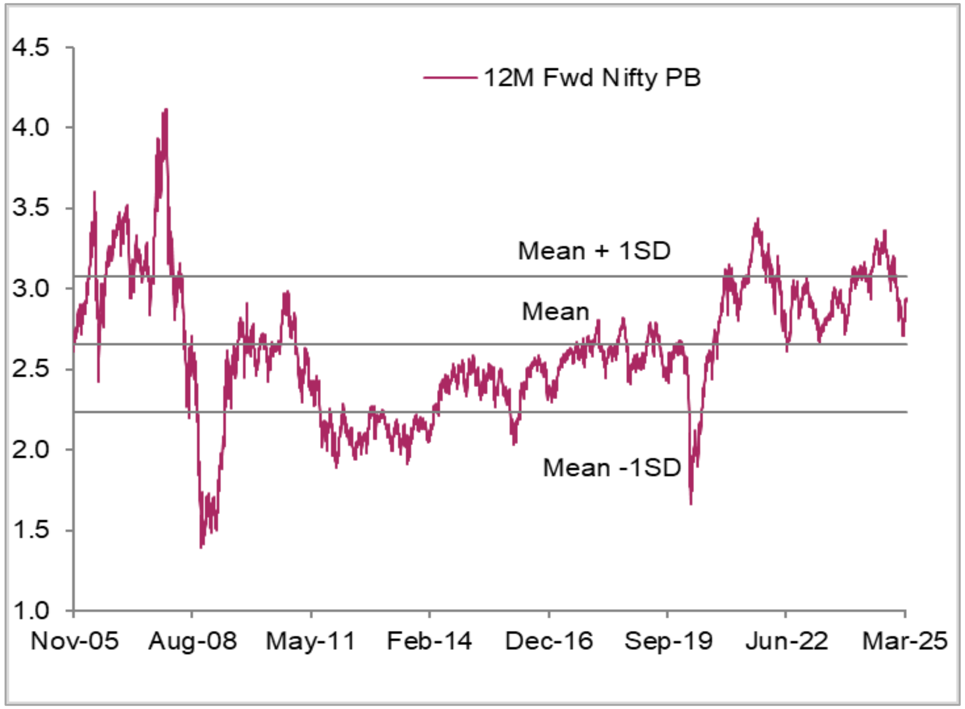
Market Valuations: 12M Fwd PE Now Trading at 19.0x

- NIFTY is currently trading at 19x on a 12M Fwd PE, which stands at 0.9std to its long-term average (16.5x). However, it trades slightly above its long-term average of a 12M Fwd PB.
- Current valuations are trading at a 5-year average (18.8x), providing a good entry point for long-term investors.
- Style rotation and sector selection are keys to generating alpha as earnings expectations from the broader market remain intact.

Nifty 12M Fwd PE



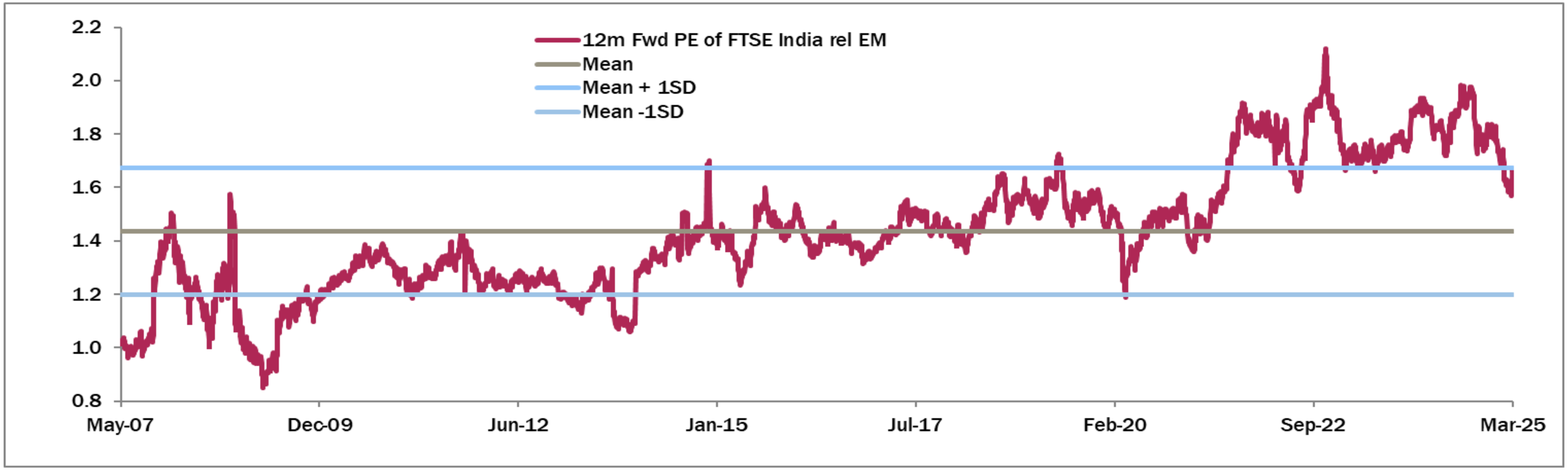
Nifty 12M Fwd PB



Source: Bloomberg, Axis Securities

Market Valuations: FTSE India Relative to FTSE EM

- Benchmark indices have corrected from all-time highs, and so have the valuations. FTSE India is now trading at a PE premium of 66% to the EM index (PE), vs. an average premium of 44%. During Sep'24, the Indian market traded at a 97% PE premium to EM, and now, after the correction, it is trading at a 66% premium, which looks attractive compared to the past.
- We believe the Indian equity market will continue to trade at a higher premium to EM over the next year due to a) Strong economic growth compared to other EM countries, b) A healthy earnings outlook for FY26, c) Sustained demand across sectors, d) A well-capitalized banking sector with improving fundamentals, e) Expectations of a revival in the private Capex cycle, f) The ruling party's improved performance in state elections, and g) Consumption-boosting measures announced in the Union Budget 2025-26.



Source: Bloomberg, Axis Securities

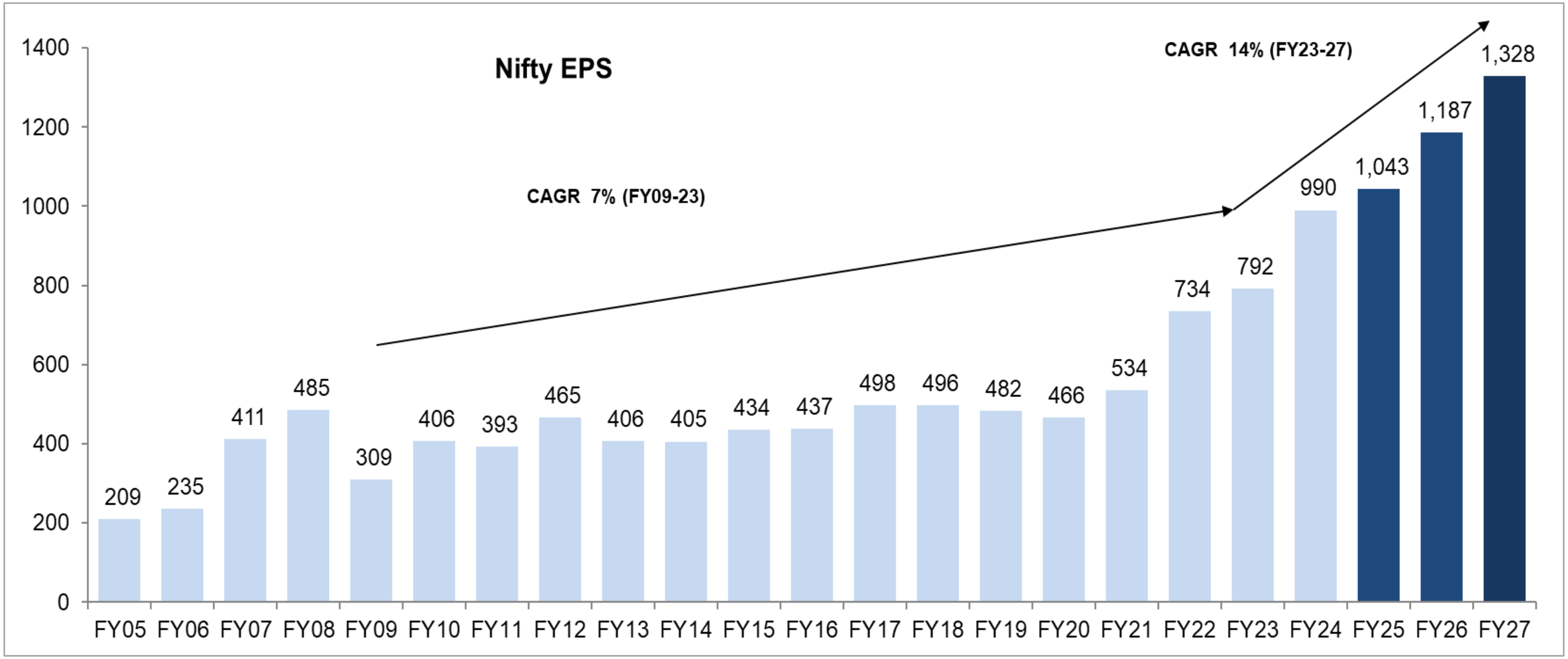
Valuation Correction in The Broader Index
Most of the sectors are in the Oversold zone as compared to the Sep'24 levels.

	12m fwd PE	Long term Avg	Valuation as on Sep'24	% down from Sep'24
Energy	14.1	11.5	15.4	-8.3%
Infra	20.5	18.5	22.4	-8.7%
Service sec	18.3	18.0	20.2	-9.2%
Metal	14.5	11.0	16.0	-9.5%
Nifty	**19.0**	**18.0**	**21.3**	**-10.9%**
Pharma	27.0	23.6	30.8	-12.4%
Banks	12.2	15.9	14.2	-14.4%
IT	24.7	20.7	29.1	-15.0%
FMCG	36.9	33.1	43.9	-16.0%
Media	18.1	22.7	23.0	-21.1%
Auto	19.6	18.8	25.5	-23.2%
Realty	31.9	26.1	45.3	-29.6%
PSU Banks	5.2	10.0	8.1	-35.1%

Source: Bloomberg, Axis Securities

NIFTY EPS Growth Expectation Remains Robust

Nifty EPS is expected to grow at 14% CAGR over FY23-FY27 vs. 7% CAGR over FY09-FY23.



Source: Bloomberg, Axis Securities

Some Downgrades in Nifty EPS

- After Q3FY25, we foresee FY25/26 NIFTY Earnings at 1043/1187. We have downgraded our FY25/26 expectations by 2.1% and 2.0%, respectively, while the street downgrade was higher for FY25. Now, the consensus is at 1049 for FY25. During the quarter, upgrades were observed in the Pharma, Telecom, and select Industrials sectors, while downgrades were visible in cyclical sectors such as Oil & Gas, Metals, and Cement. The earnings for the IT sector were largely stable.
- We now foresee an FY25 EPS growth rate of 5.3%. Excluding Oil & Gas, the growth for FY25 is 8.5%. Most of the dent in the Nifty earnings was led by cyclical sectors like Oil & Gas and Metals.
- Overall, FY26 will likely be better than FY25. Like Q3FY25, Q4FY25 earnings will continue to be challenging for the cyclical sectors. More promising numbers are likely to be visible from Q1FY26, which will be led by the base effect (lower base due to the election), the likelihood of improvement in the high-frequency indicators, the expectation of higher government spending, and a pick-up in consumption.

Nifty EPS	Post Q2FY25		Post Q3FY25				Chg post Q3FY25	
Sector	**FY25**	**FY26**	**FY24**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**
Financial	466	527	434	459	520	572	-1.5%	-1.3%
IT	112	127	108	112	126	137	0.0%	-0.4%
Oil & Gas	133	148	141	121	140	155	-8.4%	-5.5%
FMCG	60	68	57	58	66	75	-2.0%	-4.0%
Power	42	41	37	41	41	46	-0.8%	-0.3%
Industrial	50	57	40	51	60	73	3.0%	5.5%
Pharma	31	35	28	32	35	33	1.9%	-0.7%
Metals	67	82	48	62	76	88	-7.1%	-8.4%
Automobile	80	89	82	79	88	101	-1.0%	-2.0%
Cement	6	8	6	6	8	10	-9.0%	-5.2%
Telecom	20	28	8	22	28	38	6.3%	0.4%
Total	1065	1211	990	1043	1187	1328	-2.1%	-2.0%
Growth			25%	5.3%	13.8%	11.9%		
Growth Ex Oil & Gas				8.5%	13.6%	12.1%		
Growth ex Oil & Gas & Metals				7.2%	13.0%	11.8%		

Source: Bloomberg, Axis Securities

The Last 4 Quarters' Rolling Profits for NSE 500 (Sum of the Earnings of the Last 4 Quarters)

A few interesting findings from our study: Sector-wise

- The last 4 quarters' cumulative net profit reached an all-time high in Q3FY25, crossing the mark of 14.5 Lc Cr. This was led by improved profitability of the Agri & Chemical, Telecom, and BFSI sectors.
- **Oil & Gas saw sequential underperformance**
- Financials, Oil & Gas, Metals, and IT now contribute 65% of the NSE 500's profitability.
- Loss-making sectors have turned positive after witnessing significant disruption by the pandemic.
- The telecom sector saw sequential improvement, up 68% MOM, led by improvement in Bharti Airtel.

Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)

	Q2FY20	Q4FY23	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Growth %
Auto & Anc	36,212	43,028	68,426	70,977	72,945	73,813	1.19%
Staples	34,044	49,516	48,309	50,298	49,873	50,775	1.81%
Discretionary	18,283	30,085	33,571	33,752	35,517	37,134	4.55%
Financials	85,507	3,87,050	4,91,062	5,12,352	5,32,335	5,55,935	4.43%
IT	81,462	1,14,293	1,22,274	1,24,997	1,29,644	1,33,100	2.67%
Oil & gas	1,00,204	1,28,660	2,29,182	1,99,877	1,73,186	1,69,965	-1.86%
Metals & min	58,266	88,438	87,823	91,399	1,01,569	1,00,859	-0.70%
Industrials	31,188	37,174	48,191	50,923	59,526	60,645	1.88%
Build Mate	22,387	23,965	36,531	37,477	37,743	45,690	21.06%
Healthcare	28,133	39,045	50,109	59,490	62,670	64,931	3.61%
Utilities	27,165	59,631	74,954	71,391	67,802	68,312	0.75%
Transport	2,462	4,152	13,326	13,307	12,377	11,988	-3.14%
Agri & Chem	12,424	31,842	17,428	16,874	17,128	19,783	15.50%
Tele & Media	-19,015	12,474	15,212	18,160	22,784	38,279	68.01%
Others	12,486	16,661	16,277	23,158	29,535	26,194	-11.31%
Total	5,31,208	10,66,015	13,52,675	13,74,433	14,04,634	14,57,405	
Ex Oil and Gas	4,31,004	9,37,354	11,23,493	11,74,556	12,31,448	12,87,440	
Total Growth		2%	3%	2%	2%	4%	
Growth Ex Oil and Gas		8%	4%	5%	5%	5%	

Source: Bloomberg, Axis Securities, Note: Tata Motors and Vodafone are not included in the study,

NSE 500 Profitability Analysis

- From FY21-FY24, NSE 500 profit grew at a CAGR of 26%, while in 9 months of FY25 so far, it has grown by only 8.1%
- Ex. Oil & Gas, Metal & Mining, 9MFY25 earnings grew 17.7%, in line with the expectations.

Sector-wise NSE500 Net Profit (in Cr)

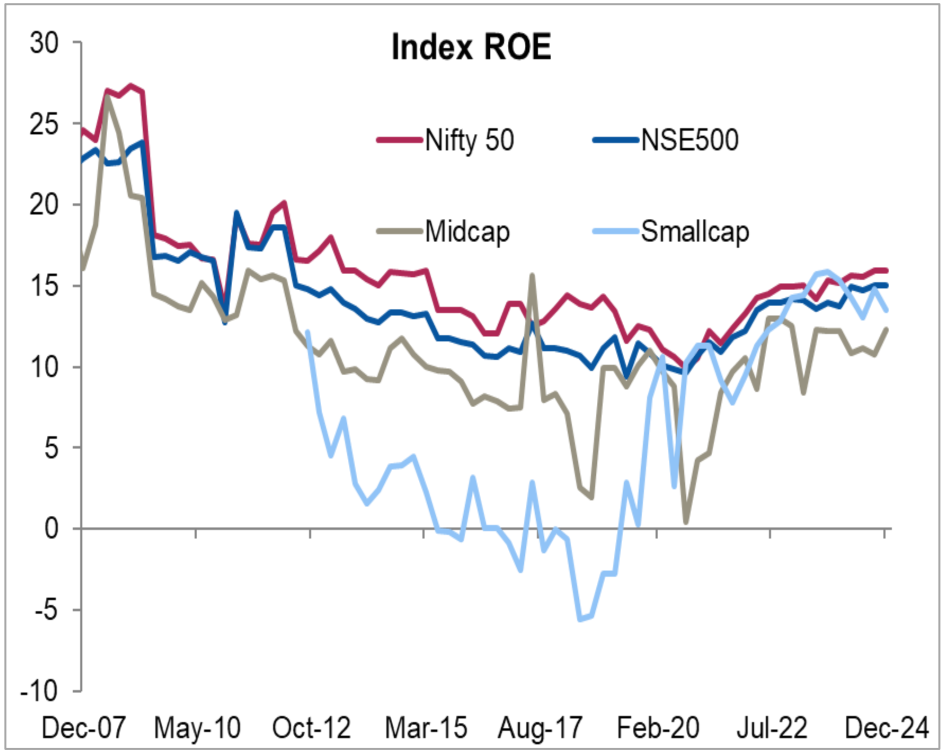
Rs Cr	FY			9-Month Period "April-Dec"		
	Actuals	Actuals	3Y	Actuals	Actuals	9m
Sectors	**FY21**	**FY24**	**CAGR**	**9MFY24**	**9MFY25**	**Growth (%)**
Banks	1,03,431.33	3,16,803.17	45.2%	2,24,133.12	2,72,149.51	21.4%
Oil & gas	1,33,566.16	2,31,409.66	20.1%	1,82,050.36	1,19,953.29	-34.1%
NBFC	81,677.77	1,75,389.47	29.0%	1,22,641.99	1,41,498.86	15.4%
IT	89,901.34	1,21,210.25	10.5%	88,264.60	98,401.18	11.5%
Metals & min	68,895.39	93,553.87	10.7%	68,678.71	79,343.98	15.5%
Utilities	37,819.88	73,793.19	25.0%	57,351.00	52,566.77	-8.3%
Auto & Anc	11,579.31	67,743.53	80.2%	49,753.27	55,473.16	11.5%
Industrials	27,016.85	56,481.91	27.9%	36,459.97	43,210.97	18.5%
Staples	37,380.36	50,459.04	10.5%	40,112.02	40,220.45	0.3%
Healthcare	34,991.73	50,165.53	12.8%	38,203.82	53,376.42	39.7%
Build Mate	25,932.59	35,514.78	11.1%	24,293.14	25,577.44	5.3%
Discretionary	14,845.22	32,411.54	29.7%	24,474.44	31,140.65	27.2%
Agri & Chem	20,126.27	16,931.48	-5.6%	14,063.54	16,482.79	17.2%
Tele & Media	-7,550.13	15,653.18	NM	11,300.63	32,905.02	191.2%
Transport	-4,391.32	13,325.24	NM	9,942.77	9,039.68	-9.1%
Others	768.87	8,956.59	126.7%	6,966.19	8,027.60	15.2%
Total	**6,75,991.62**	**13,59,802.45**	**26.2%**	**9,98,689.59**	**10,79,367.78**	**8.1%**
Total ex Oil&Gas,Metals & Min	**4,73,530.07**	**10,34,838.91**	**29.8%**	**7,47,960.52**	**8,80,070.51**	**17.7%**
Total ex Oil&Gas,Metals & Min, Industrials	**4,46,513.22**	**9,78,357.00**	**29.9%**	**7,11,500.54**	**8,36,859.54**	**17.6%**

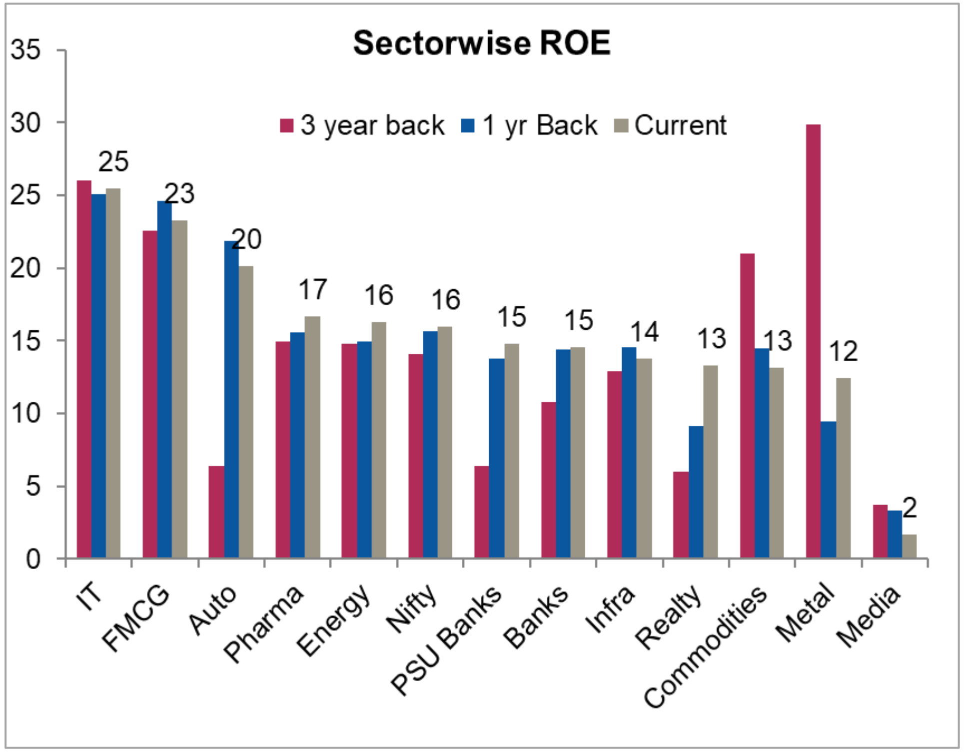
SEBI Categorization	**FY2021**	**FY2024**	**CAGR**	**9MFY24**	**9MFY25**	**Growth (%)**
Large Cap	4,79,964.04	9,87,357.02	27.2%	7,25,518.99	7,72,681.09	6.5%
Mid Cap	1,25,420.91	2,48,507.63	25.6%	1,80,444.47	2,07,469.39	15.0%
Small Cap	70,606.67	1,23,937.80	20.6%	92,726.13	99,217.31	7.0%
Total	**6,75,991.62**	**13,59,802.45**	**26.2%**	**9,98,689.59**	**10,79,367.78**	**8.1%**

Source: Bloomberg, Axis Securities

Return Ratios Improving

- ROE is improving across the market caps. Smaller stocks, too, have been showcasing a significant improvement. Even after the weaker Q3 show, overall index profitability is intact.
- Some moderation was seen in the ROE of the cyclical sector. However, current ratios are higher than the pre-pandemic levels.
- Significant improvement has been seen in the PSU banks, Auto, and Energy sectors in the last three years.

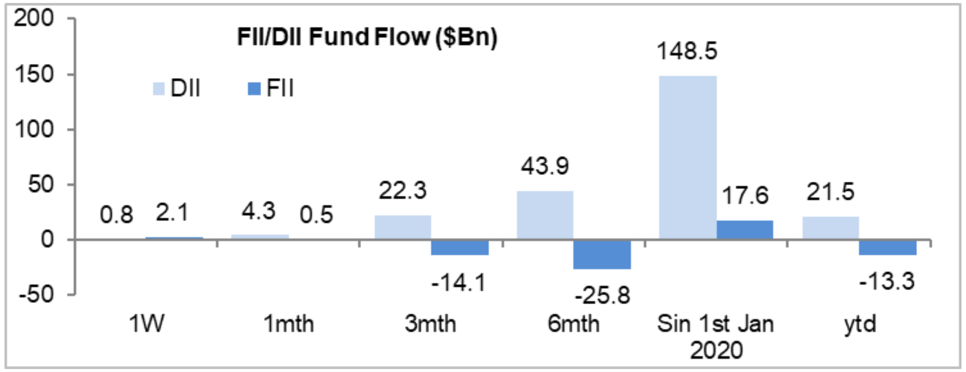


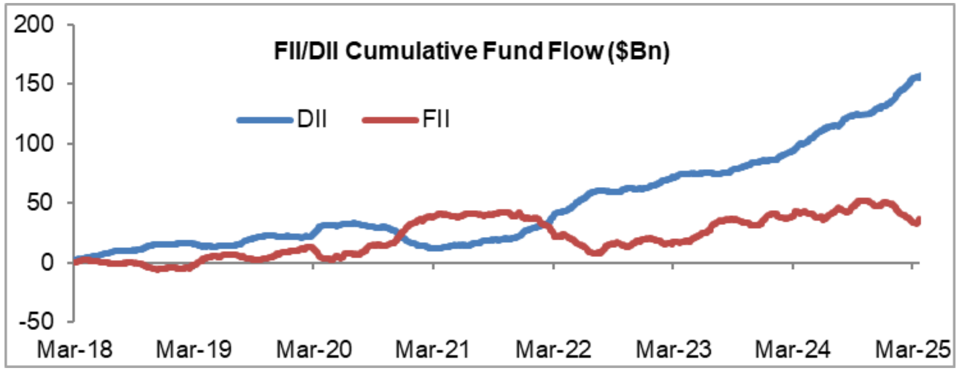


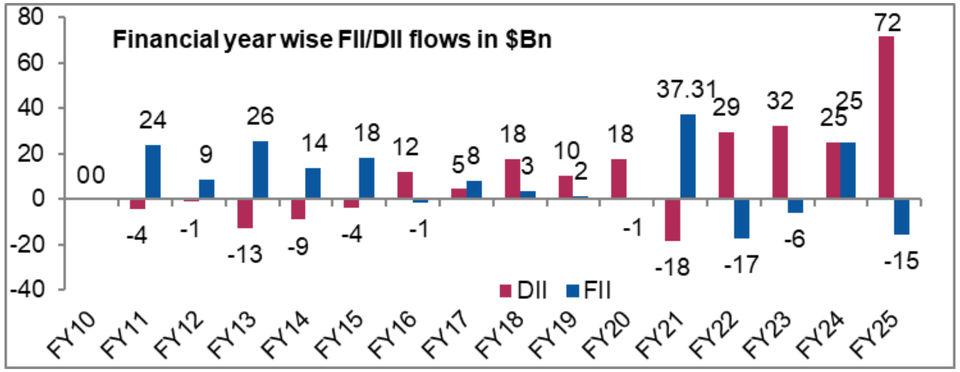
Source: Bloomberg, Axis Securities

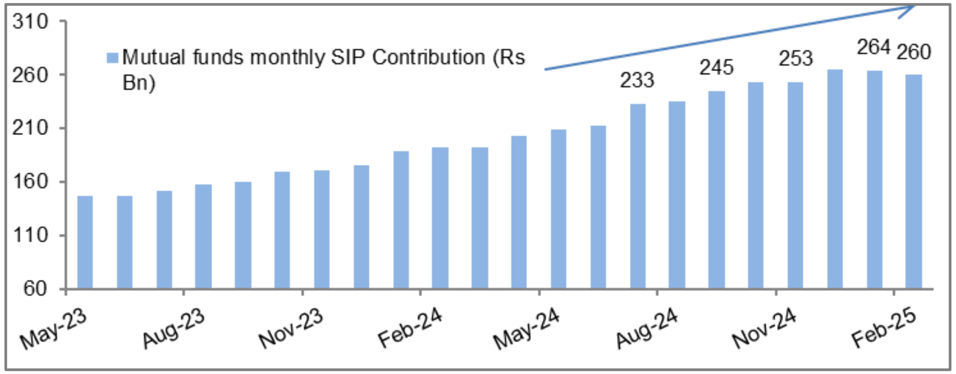
Intensity of FIIs Selling Reduced in Mar’25

Investors, both domestic and foreign, have actively demonstrated confidence in India’s long-term growth narrative. In FY24, both FIIs and DIIs invested $25 Bn each in the Indian equity market. After being net sellers in FY22 and FY23, FIIs regained confidence in FY24, and this sentiment was further reinforced by the BJP’s strong performance in the assembly elections in three out of four key states. In FY25 so far, FIIs have pulled out only $15 Bn, while DIIs have invested $72 Bn in the Indian equity market. Notably, mutual fund SIP contributions crossed 26,000 Cr for the first time in Dec’24.





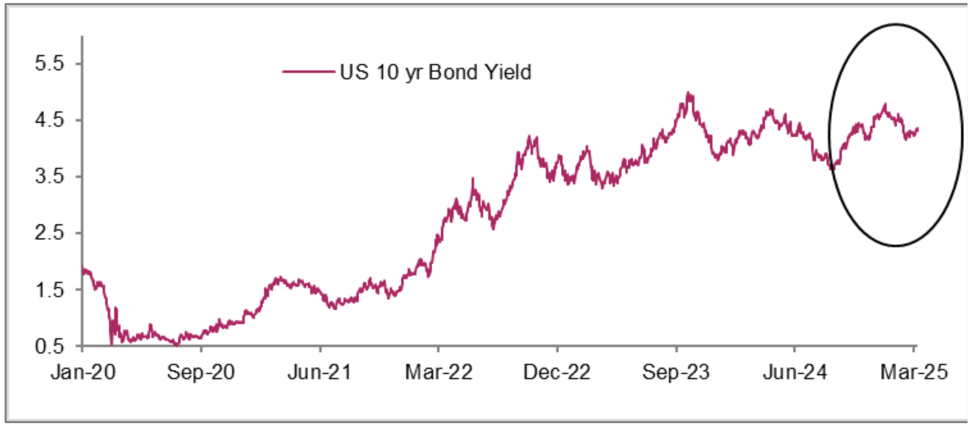


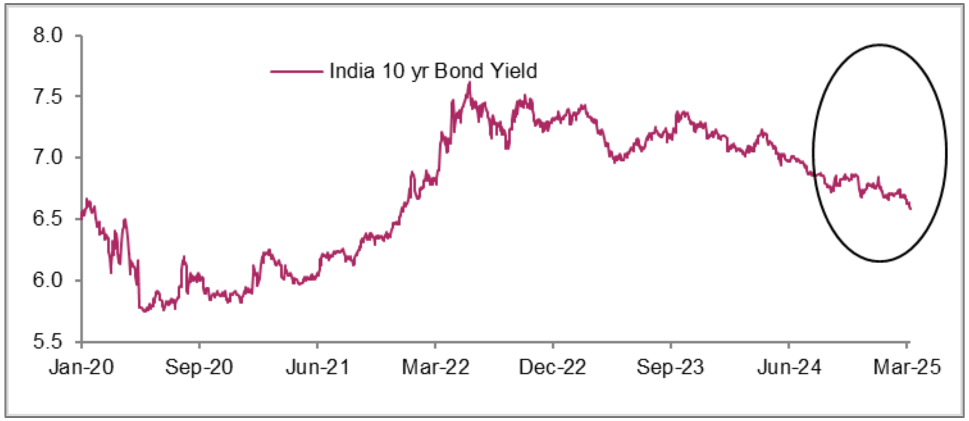


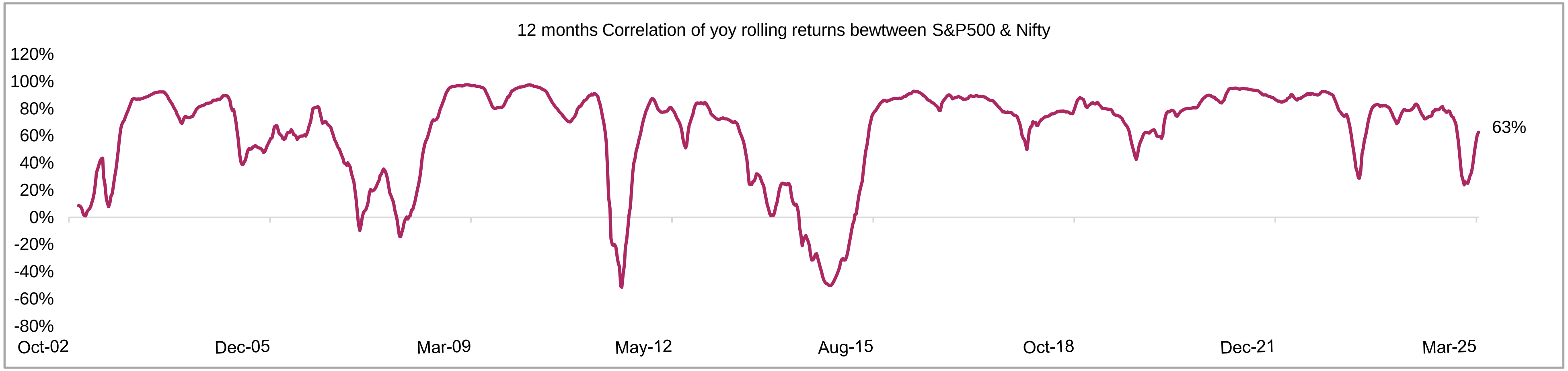
Source: Bloomberg, Axis Securities

Macro Continues to Drive Near-Term Market Fundamentals

- US bond yields have been largely flattish in the last one month and are hovering around 4.2-4.3% levels. Further direction remains critical for the market.
- Indian bond yields were largely volatile in the last one month and saw a decline of 20-24bps since the first week of Nov'24.
- The correlation between the Indian and US markets has now back to 63% levels vs the 44% seen as of 28th Feb'24







Source: Bloomberg, Axis Securities

ICICI BANK – IN A LEAGUE OF ITS OWN; PREFERRED PICK AMONGST BANKS

ICICI Bank (ICICIBC) is one of the largest private sector banks in India, with business operations spanning Retail, Corporate, and Insurance. It is supported by a strong liability franchise and a healthy retail corporate mix. The bank's subsidiaries, such as ICICI Venture Funds, ICICI Pru AMC, ICICI Securities, ICICI Prudential, and ICICI Lombard, are among the leading companies in their respective domains.

Industry view

Over Weight

CMP
1,348

Target Price
1,500

Upside
11%

Key Rationale

- **Growth visibility healthy:** In Q3FY25, the bank witnessed a slight slowdown in retail loans, which grew by 11/1% YoY/QoQ. This was due to a marginal slowdown in the mortgage book resulting from pricing pressures. The vehicle finance portfolio, primarily focused on financing new cars, has experienced a slowdown in its growth momentum. The corrective actions taken in the credit card portfolio have resulted in growth slowing down in the credit card portfolio. However, the bank remains optimistic about growth prospects in the portfolio. In the business banking segment, management sees healthy growth visibility as a result of the digitisation and formalisation of the segment. Business banking remains a key focus segment. We expect ICICIB to deliver a steady advances growth of ~16% CAGR over FY25-27E.
- **Asset quality remains pristine:** Gauging the headwinds in the unsecured lending space, ICICIB gradually decelerated its pace of growth in the unsecured segment (~14% portfolio mix). In line with industry trends, the bank has also experienced an increase in delinquencies in its Credit Card and Personal Loan portfolios. However, trends are expected to stabilise in the coming quarters. The credit costs in the retail and corporate portfolios continue to remain stable. Business banking credit costs are lower than credit costs in the retail portfolio. The bank does not expect any major asset quality challenges, with performance remaining stable across segments and expects credit costs to be capped at ~50bps on a steady-state basis.
- **Cost ratios to remain steady:** The bank continues to invest in branches and technology (~10% of total operating expenses). ICICIB seeks opportunities to achieve cost efficiencies by streamlining internal processes, integrating workflows, and eliminating redundancies. Opex growth is expected to be mainly in line with business growth. We expect the C-I Ratio to remain stable at 38-39% over FY25-27E.
- **Outlook & Valuation:** We expect the bank to continue delivering a strong performance over the medium term, enabling a consistent RoA/RoE delivery of 2.2-2.3%/17-18%. This would be supported by (1) Strong business growth while maintaining a steady C-D Ratio, (2) Focus on strengthening fee income profile, (3) Range-bound Opex ratios, (4) Pristine asset quality metrics and (5) Adequate capitalisation. ICICI Bank remains our most preferred pick among banks.
- **Key Risks:** a) Slowdown in credit growth momentum due to lag in deposit mobilisation

Key Financials (Standalone)

Y/E Mar (RsBn)	NII (Rs Bn)	PPOP (Rs Bn)	PAT (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	743	581	409	58.2	315.1	4.3	2.4	0.5
FY25E	809	670	468	66.4	367.1	3.7	2.3	0.4
FY26E	920	759	516	73.2	429.7	3.1	2.2	0.4
FY27E	1,056	874	589	83.6	501.1	2.7	2.2	0.4

Source: Company, Axis Securities

Income Statement (Rs Bn)

Y/E March	FY24	FY25E	FY26E	FY27E
Net Interest Income	**743**	**809**	**920**	**1,056**
Other Income	230	288	320	357
Total Income	**973**	**1,097**	**1,239**	**1,413**
Total Operating Exp	391	427	480	539
PPOP	**581**	**670**	**759**	**874**
Provisions & Contingencies	36	51	70	86
PBT	**545**	**619**	**689**	**788**
Provision for Tax	136	152	174	199
PAT	**409**	**468**	**516**	**589**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E March	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share Capital	14	14	14	14
Reserves	2,370	2,751	3,198	3,708
Shareholder's Funds	**2,384**	**2,765**	**3,212**	**3,722**
Total Deposits	14,128	16,375	19,058	22,138
Borrowings	15,378	17,545	20,709	23,453
Other Liabilities & Provisions	953	1,000	1,204	1,368
Total Liabilities	**18,715**	**21,311**	**25,125**	**28,543**
APPLICATION OF FUNDS				
Cash & Bank Balance	1,399	1,556	1,716	1,772
Investments	4,619	5,239	6,479	7,083
Advances	11,844	13,630	15,886	18,502
Fixed &Other Assets	852	885	1,044	1,186
Total Assets	**18,715**	**21,311**	**25,125**	**28,543**

Source: Company, Axis Research

Valuation Ratios (%)

Y/E March	FY24	FY25E	FY26E	FY27E
EPS	58.2	66.4	73.2	83.6
Earnings growth (%)	*27.5*	*14.0*	*10.2*	*14.3*
BVPS	339.4	392.4	455.7	528.1
Adj. BVPS	315.1	367.1	429.7	501.1
ROAA (%)	2.4	2.3	2.2	2.2
ROAE (%)	18.6	18.1	17.3	17.0
P/E (x)	23.1	20.2	18.4	16.1
P/ABV (x)	4.3	3.7	3.1	2.7
Dividend Yield (%)	0.8	1.1	0.9	1.0
PROFITABILITY & OPERATING EFFICIENCY				
NIM (%)	4.5	4.2	4.1	4.1
Cost/Avg. Asset Ratio (%)	2.3	2.1	2.1	2.0
Cost-Income Ratio (%)	40.2	38.9	38.7	38.2

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E March	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	16.2	15.1	16.6	16.5
Deposit Growth (%)	19.6	15.9	16.4	16.2
C/D Ratio (%)	83.8	83.2	83.4	83.6
Equity/Assets (%)	12.7	13.0	12.8	13.0
Equity/Advances (%)	20.1	20.3	20.2	20.1
Total Capital Adequacy Ratio	16.3	16.6	16.4	16.0
Tier I CAR	15.6	16.0	15.8	15.6
ASSET QUALITY				
Gross NPLs	280	266	298	336
Net NPLs	54	61	68	76
Gross NPLs (%)	2.4	2.0	1.9	1.8
Net NPLs (%)	0.5	0.4	0.4	0.4
Coverage Ratio (%)	80.8	77.0	77.1	77.3
Provision/Avg. Loans (%)	0.3	0.4	0.5	0.5
ROAA TREE				
Net Interest Income	4.3	4.0	4.0	3.9
Non-Interest Income	1.3	1.4	1.4	1.3
Operating Cost	2.3	2.1	2.1	2.0
Provisions	0.2	0.3	0.3	0.3
Tax	0.8	0.8	0.7	0.7
ROAA	2.4	2.3	2.2	2.2
Leverage (x)	7.9	7.8	7.8	7.8
ROAE	18.6	18.2	17.3	17.0

Source: Company, Axis Research

STATE BANK OF INDIA – CRUISING COMFORTABLY TOWARDS ROA DELIVERY OF 1%+

The State Bank of India (SBIN) is the largest public sector bank in terms of assets, deposits, branches, customer base, and employees, and has a pan-India presence. The RBI has designated SBI as a Domestic Systemically Important Bank (D-SIB), underscoring its continued functioning as critical for the Indian economy.

Industry view

Over Weight

CMP
772

Target Price
1,025

Upside
33%

Key Rationale

- **Growth visibility remains healthy; momentum remains buoyant.** SBI has reaffirmed its credit growth guidance of 14-16% for FY25, supported by healthy demand visibility in the retail portfolio and a strong corporate pipeline. Currently, the corporate loan pipeline stands at Rs 4.8 Tn (largely capex-driven), of which Rs 2.2 Lc Cr has been sanctioned. Additionally, management remains confident that retail credit growth will hold up well as the bank exits FY25 and beyond. The recent budget announcements have opened doors for the bank to pursue credit growth opportunities in the SME segment. The bank also expects growth in the Xpress Credit portfolio to pick up gradually, with expectations of double-digit growth, supported by the budgetary boost to consumption. We expect SBI to deliver a healthy advances growth of 13% CAGR over FY25-27E.
- **Asset Quality trends to remain healthy**: In Q3FY25, the SMA2 book inched up sharply QoQ, owing to a long-term government sector customer with a fund-based outstanding of Rs 58 Bn. The account has been pulled back subsequently. The management highlighted that the risk of this account reverting to SMA 2 is negligible. The bank had consciously pulled back on growth in the unsecured Xpress credit portfolio, citing systemic concerns about asset quality. The portfolio quality continues to hold up well. Going forward, management does not expect any major negative surprises in asset quality. Thus, as credit costs continue to normalise with the book ageing, SBI remains confident of capping credit costs at 50bps across cycles.
- **Non-banking subsidiaries to boost overall performance:** Apart from the core banking, SBI's subsidiaries are expected to continue adding further value. The bank has a strong presence in various financial services operations, most of which are generating stable returns and support the overall performance of the bank.
- **Confident of maintaining NIMs at 3+%:** The bank will continue to focus on risk-adjusted returns while not compromising on yields. SBI has not shied away from letting go of growth opportunities where the risk-reward was not favorable. Going forward, with the SME segment exhibiting strong growth potential, the bank expects yields to find support, as SME yields are generally better than corporate advances. In the event of a 25bps rate cut, management expects the impact on NIMs to be negligible (2-3bps), despite the 28% EBLR book being repriced immediately. Currently, ~60% of SBI's book is MCLR-linked and fixed-rate, and the impact on NIMs would be felt with a lag, which would be offset by the downward repricing on CoD/CoF. Thus, management remains confident in defending NIMs at 3% or more over the medium term.
- **Valuation:** SBI remains well-positioned to sustain its growth momentum, supported by its comfortable Loan-to-Deposit Ratio (LDR), which provides it with levers to accelerate credit growth, especially in retail and SME segments, while also offering scope to support Net Interest Margins (NIMs). We believe SBI could continue to deliver a sustainable RoA of 1% over the medium term, supported by (1) Healthy growth visibility across segments, (2) Strengthening deposit franchise with focus on CASA deposits, (3) Ramping-up the fee income profile, (4) Controlled Opex and Provisions
- **Key risks:** a) Significant slowdown in credit growth

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	1,599	867	611	68.4	399.1	1.9	1.0	0.6
FY25E	1,671	1,062	703	78.8	461.2	1.7	1.1	0.5
FY26E	1,850	1,175	714	80.0	522.9	1.5	1.0	0.5
FY27E	2,094	1,369	828	92.8	593.2	1.3	1.0	0.5

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Net Interest Income	**1,599**	**1,671**	**1,850**	**2,094**
Other Income	517	537	563	612
Total Income	**2,116**	**2,208**	**2,413**	**2,706**
Total Operating Exp.	1,249	1,146	1,238	1,337
PPOP	**867**	**1,062**	**1,175**	**1,369**
Provisions & Contingencies	49	115	220	262
PBT	**818**	**946**	**955**	**1,107**
Provision for Tax	207	243	241	279
PAT	**611**	**703**	**714**	**828**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E MAR	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share capital	9	9	9	9
Reserves and surplus	3,764	4,326	4,897	5,560
Shareholders' funds	**3,772**	**4,335**	**4,906**	**5,569**
Total Deposits	49,161	54,269	60,457	67,370
Total Borrowings	55,136	61,134	68,198	76,651
Other Liabilities, provisions	2,888	3,427	3,826	4,303
Total	**61,797**	**68,896**	**76,930**	**86,523**
APPLICATION OF FUNDS				
Cash & Bank Balance	3,108	3,540	3,943	4,394
Investments	16,713	17,907	19,345	21,557
Advances	37,040	41,946	47,498	53,662
Fixed Assets & Other Assets	4,936	5,503	6,145	6,911
Total assets	**61,797**	**68,896**	**76,930**	**86,523**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	68.4	78.8	80.0	92.8
Earnings Growth (%)	*21.6%*	*15.1%*	*1.6%*	*16.0%*
BVPS	422.7	485.7	549.7	624.0
Adj. BVPS	399.1	461.2	522.9	593.2
ROAA (%)	1.0	1.1	1.0	1.0
ROAE (%)	17.3	17.3	15.5	15.8
P/E (x)	11.3	9.8	9.6	8.3
P/ABV (x)	1.9	1.7	1.5	1.3
Dividend Yield (%)	1.6	2.2	2.2	2.6
PROFITABILITY				
NIM (%) – Domestic	3.4	3.2	3.2	3.2
NIM (%) - Global	3.3	3.1	3.0	3.1
Cost-Income Ratio	59.0	51.9	51.3	49.4

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	15.8	13.2	13.2	13.0
Deposit Growth (%)	11.1	10.4	11.4	11.4
C-D Ratio (%)	75.3	77.3	78.6	79.7
Equity to Assets (%)	6.1	6.3	6.4	6.4
Equity to Loans (%)	10.2	10.3	10.3	10.4
CRAR (%)	14.3	13.8	13.6	13.2
Tier I (%)	11.9	11.6	11.5	11.3
ASSET QUALITY				
Gross NPLs (%)	2.2	2.1	2.0	2.0
Net NPLs (%)	0.6	0.5	0.5	0.5
PCR	75.0	75.0	75.0	75.0
Credit cost	0.1	0.3	0.5	0.5

Source: Company, Axis Research

Varun Beverages – Geared For Growth

VBL is a key player in the global beverage industry and the second-largest franchisee of PepsiCo worldwide, outside the US, with operations spanning 10 countries under franchise rights and an additional 4 countries under distribution rights. The company contributes ~90% of PepsiCo's beverage sales volume in India, which remains its largest market, accounting for ~73% of net revenues in CY24. VBL holds franchise rights for PepsiCo products in Nepal, Sri Lanka, Morocco, Zambia, Zimbabwe, South Africa, Lesotho, Eswatini, DRC, Tanzania, and Ghana, along with distribution rights in Namibia, Botswana, Mozambique, and Madagascar.

Industry view

Equal Weight

CMP
540

Target Price
710

Upside
32%

Key Rationale

- **Consistent top- and bottom-line performance despite a challenging environment: VBL's revenue and PAT grew at a 32% and 52**% CAGR over CY21-24, driven by the scaling of newly acquired territories in West and South India (pre-COVID) and strong growth in international markets. The company expanded its distribution reach to 4 Mn outlets as of Dec'24, up from 3 Mn in CY22. Key growth drivers include the aggressive expansion of the high-margin Sting energy drink, along with a heightened focus on value-added Dairy, Sports drinks (Gatorade), and the Juice segment.
- **Commissioning of multiple greenfield and brown field manufacturing facilities to lead to strong foundation for future growth:** Over the past several years, the company has commissioned new production facilities in Bundi (Rajasthan) and Jabalpur (Madhya Pradesh) while also expanding capacity at six existing locations in Pathankot, Kosi, Bharuch, Tirunelveli, Begusarai, and Guwahati. In CY24, it further strengthened its manufacturing footprint by commissioning new facilities in Gorakhpur, Uttar Pradesh, and Khordha, Odisha. Additionally, the company has proposed acquiring the remaining 39.93% stake in Lunarmech Technologies, thereby increasing its total shareholding to 100%. Lunarmech Technologies manufactures plastic closures for PET bottles used by VBL in-house. In Africa, the company has commissioned a CSD and packaged drinking water production facility in Kinshasa, Democratic Republic of Congo. These expansions have laid a strong foundation for VBL, positioning it for multi-year growth opportunities in the Indian and African markets.
- **Expanding South Africa territory:** VBL has announced the proposed acquisition of a 100% stake in SBC Beverages Tanzania Ltd and SBC Beverages Ghana, both PepsiCo bottlers operating in Tanzania and Ghana. This move further strengthens VBL's presence in the high-growth African market. Additionally, in CY24, the company has successfully completed the strategic acquisition of The Beverage Company (BevCo) in South Africa. With this, VBL will expand its footprint across several dynamic African markets, including Lesotho, Eswatini, Namibia, Botswana, Mozambique, and Madagascar. BevCo is engaged in the manufacturing and distribution of both PepsiCo-licensed and its own-branded non-alcoholic beverages in South Africa, further diversifying VBL's portfolio and reinforcing its leadership in the region.
- **Outlook**: VBL is set to sustain its strong growth momentum, supported by key strategic initiatives: 1) The acquisition of BevCo, strengthening its presence in South Africa and DRC; 2) Expansion of its snacks portfolio beyond India, targeting markets like Zimbabwe and Zambia; 3) A focused push to widen its distribution network, especially in rural areas; 4) Commissioning of greenfield and brownfield facilities to enhance manufacturing capacity, expand market reach, and optimise logistics costs; and 5) Scaling up its high-margin Sting energy drink while increasing focus on value-added dairy products, sports drinks (Gatorade), and juice offerings. These initiatives are expected to drive long-term growth and profitability. We expect revenue/EBITDA/PAT to grow at 23%/25%/33% CAGR over CY24-27E.

Key Financials (Consolidated)

Y/E Dec (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
CY23	16,043	3,609	2,056	15.8	33.1	20.6	30.3	25.4
CY24	20,008	4,711	2,595	8.0	66.5	37.2	15.9	20.8
CY25E	24,421	5,842	3,684	11.3	47.6	29.7	18.9	19.0
CY26E	30,258	7,312	4,810	14.8	36.4	23.3	20.5	20.8

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E DEC	CY24	CY25E	CY26E	CY27E
Net sales	**20,008**	**24,421**	**30,258**	**37,490**
Growth, %	24.7	22.1	23.9	23.9
Other operating income	-	-	-	-
Total income	20,008	24,421	30,258	37,490
Raw material expenses	(8,905)	(10,819)	(13,362)	(16,502)
Employee expenses	(1,885)	(2,262)	(2,986)	(3,941)
Other Operating expenses	(4,507)	(5,498)	(6,598)	(7,918)
EBITDA (Core)	**4,711**	**5,842**	**7,312**	**9,129**
Growth, %	30.5	24.0	25.2	24.8
Margin, %	23.5	23.9	24.2	24.4
Depreciation	(947)	(1,047)	(1,130)	(1,213)
EBIT	3,764	4,795	6,182	7,916
Growth, %	28.5	27.4	28.9	28.0
Margin, %	18.8	19.6	20.4	21.1
Other Income	121	139	153	169
Non-recurring Items	-	-	-	-
Pre-tax profit	3,435	4,799	6,268	8,020
Tax provided	(799)	(1,116)	(1,458)	(1,865)
Net Profit	**2,636**	**3,683**	**4,810**	**6,155**
Unadj. shares (Cr)	325	325	325	325

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E DEC	CY24	CY25E	CY26E	CY27E
Cash & bank	2,450	4,473	7,582	11,996
Debtors	846	669	829	1,027
Inventory	2,791	3,407	4,221	5,230
Loans & advances	840	840	840	840
Other current assets	936	936	936	936
Total current assets	7,864	10,326	14,410	20,030
Investments	6	6	6	6
Gross fixed assets	18,860	20,660	22,160	23,660
Less: Depreciation	(5,400)	(6,447)	(7,577)	(8,790)
Add: Capital WIP	1,162	1,162	1,162	1,162
Net fixed assets	14,622	15,375	15,745	16,032
Non-current assets	512	512	512	512
Total assets	**23,144**	**26,359**	**30,812**	**36,719**
Current liabilities	4,524	4,869	5,324	5,888
Provisions	189	189	189	189
Total current liabilities	4,714	5,058	5,513	6,077
Non-current liabilities	1,690	1,690	1,690	1,690
Total liabilities	6,404	6,749	7,204	7,768
Paid-up capital	676	676	676	676
Reserves & surplus	15,934	18,804	22,802	28,145
Shareholders’ equity	16,740	19,610	23,609	28,952
Total equity & liabilities	**23,144**	**26,359**	**30,812**	**36,719**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Cash Flow	CY24	CY25E	CY26E	CY27E
Pre-tax profit	3,435	4,799	6,268	8,020
Depreciation	947	1,047	1,130	1,213
Change in working capital.	(1,167)	(95)	(519)	(643)
Total tax paid	(674)	(1,116)	(1,458)	(1,865)
Cash flow from operating activities	**2,542**	**4,635**	**5,421**	**6,725**
Capital expenditure	(5,220)	(1,800)	(1,500)	(1,500)
Change in marketable securities	-	-	-	-
Cash flow from investing activities	**(5,223)**	**(1,800)**	**(1,500)**	**(1,500)**
Free cash flow	(2,681)	2,835	3,921	5,225
Equity raised/(repaid)	27	-	-	-
Dividend (incl. tax)	(227)	(812)	(812)	(812)
Cash flow from financing activities	**(2,567)**	**(812)**	**(812)**	**(812)**
Net change in cash	(5,248)	2,023	3,109	4,413
Opening cash balance	460	2,450	4,473	7,582
Closing cash balance	2,450	4,473	7,582	11,996

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	CY24	CY25E	CY26E	CY27E
Per Share data				
EPS (INR)	8.0	11.3	14.8	18.9
Growth, %	(50.2)	39.7	30.6	28.0
Book NAV/share (INR)	51.1	60.0	72.3	88.7
FDEPS (INR)	8.1	11.3	14.8	18.9
CEPS (INR)	11.0	14.6	18.3	22.7
CFPS (INR)	8.7	13.8	16.2	20.2
DPS (INR)	0.7	2.5	2.5	2.5
Return ratios				
Return on assets (%)	16.1	15.4	17.1	18.4
Return on equity (%)	15.9	18.9	20.5	21.4
Return on capital employed (%)	20.8	19.0	20.8	22.1
Turnover ratios				
Asset turnover (x)	1.4	1.4	1.7	2.0
Receivable days	15.4	10.0	10.0	10.0
Inventory days	50.9	50.9	50.9	50.9
Payable days	37.2	37.4	37.5	37.6
Working capital days	16.2	14.7	18.1	20.9
Liquidity ratios				
Current ratio (x)	1.7	2.1	2.7	3.4
Quick ratio (x)	1.1	1.4	1.9	2.5
Interest cover (x)	8.4	35.5	91.5	123.3
Total debt/Equity (%)	0.1	0.1	0.1	0.1
Net debt/Equity (%)	(0.2)	(0.3)	(0.4)	(0.5)
Valuation				
PER (x)	66.5	47.6	36.4	28.5
PEG (x) - y-o-y growth	(1.3)	1.2	1.2	1.0
Price/Book (x)	10.6	9.0	7.5	6.1
EV/Net sales (x)	8.8	7.1	5.6	4.4
EV/EBITDA (x)	37.2	29.7	23.3	18.2

Source: Company, Axis Research

HDFC Bank Ltd – Embracing the Upturn!

HDFC Bank (HDFCB) is the second-largest bank in the country with a balance sheet size of over ~Rs 36 Tn (post-merger). As of Sep'24, the bank has over 9,000 branches and 20,000 ATMs spread across 4,088 Indian cities. Key subsidiaries of the bank post the merger with HDFC Ltd. are HDFC Life, HDFC ERGO General Insurance, HDFC AMC, HDB Financial, and HDFC Securities.

Industry view

Equal weight

CMP
1,828

Target Price
2,150

Upside
18%

Key Rationale

- **Progressing well on LDR improvement; Growth momentum to resume from FY26.** In line with HDFCB's stance of aggressively improving LDR to pre-merger levels of mid-80%, the bank has been progressing well, with deposit growth outpacing credit growth. In Q3FY25, LDR stood at 98.2% vs 99.8% QoQ. The management has reiterated its guidance to limit growth to below systemic growth in FY25, aiming to accelerate LDR improvement. FY26 growth is expected to align with industry growth, gradually improving and outpacing industry growth from FY27E onwards. We expect the bank's efforts to materialise with LDR dropping to ~87% by FY27E. HDFCB continues to calibrate its growth, considering concerns about both credit quality and pricing, primarily in corporate lending. The bank is reorienting itself amidst a challenging environment, preparing to resume its growth journey and gaining market share as macroeconomic conditions change. Additionally, the bank remains well-capitalized to steer strong growth. Thus, going into FY26, HDFCB expects growth, led by the retail segment, to pick up. **We expect HDFCB to deliver a healthy Credit/Deposit growth of ~12/18% CAGR over FY25-27E.**
- **Controlled Opex growth:** Management has indicated that the bank will scale back its investments in people, technology, and distribution networks. However, Opex growth is expected to remain modest, with improving productivity driving Opex ratios, thereby partially supporting a gradual recovery in RoA. We expect the C-I Ratio to improve gradually and settle at <40% in FY27E.
- **Best-in-Class Asset Quality Metrics:** HDFC Bank has maintained pristine asset quality across cycles, which can be attributed to its strong underwriting practices and risk-calibrated lending. While slippages in Q3FY25 were marginally higher, led by seasonally high agri slippages, the management indicated that ex-agri slippages have remained flat QoQ. The management also emphasised that asset quality metrics across segments remain best-in-class, and the bank is confident that these trends are sustaining. We do not expect any major asset quality challenges and believe credit costs are likely to be contained at ~50bps over the medium term.
- **Outlook & Valuation:** Supported by (i) Adequate levers to improve NIMs, (ii) Controlled Opex growth and improving productivity ensuring cost ratio moderation, and (iii) Pristine asset quality, ensuring controlled credit costs should enable HDFCB to deliver an improving trend on return ratios. RoA/RoE is expected to range between 1.8-1.9%/14-15% over FY25-27E. **Faster improvements in LDR and NIM expansion remain key re-rating levers for the bank.**
- **Key risks:** a) Slowdown in overall credit momentum owing to the bank's inability to ensure deposit mobilisation, b) Slower substitution of higher-cost debt with lower-cost deposits

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	1,085	944	608	80.0	568.9	3.2	2.0	0.3
FY25E	1,219	996	668	87.8	637.2	2.9	1.8	0.4
FY26E	1,364	1,139	749	98.5	714.8	2.6	1.8	0.4
FY27E	1,580	1,348	892	117.3	807.6	2.3	1.9	0.4

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Net Interest Income	**1,085**	**1,219**	**1,364**	**1,580**
Other Income	492	463	542	637
Total Income	**1,578**	**1,681**	**1,906**	**2,216**
Total Operating Exp.	634	685	766	868
PPOP	**944**	**996**	**1,139**	**1,348**
Provisions & Contingencies	235	115	138	155
PBT	**709**	**881**	**1,001**	**1,193**
Provision for Tax	101	213	252	301
PAT	**608**	**668**	**749**	**892**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E MAR	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share capital	8	8	8	8
ESOPs	27	33	40	50
Reserves and Surplus	4,368	4,916	5,515	6,229
Deposits	**4,402**	**4,956**	**5,563**	**6,287**
Shareholders' funds	23,798	27,637	32,554	38,430
Borrowings	6,622	5,197	4,301	4,108
Other Liabilities, provisions	1,354	1,511	1,696	1,952
Total liabilities	**36,176**	**39,301**	**44,113**	**50,776**
APPLICATION OF FUNDS				
Cash & Bank Balance	2,191	2,628	2,933	3,366
Investments	7,024	8,295	9,771	11,535
Advances	24,849	26,142	28,922	33,013
Fixed Assets & Other Assets	2,112	2,235	2,487	2,863
Total assets	**36,176**	**39,301**	**44,113**	**50,776**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	80.0	87.8	98.5	117.3
Earnings Growth (%)	*1.3*	*9.7*	*12.1*	*19.1*
BVPS	579.5	651.4	731.2	826.4
Adj. BVPS	568.9	637.2	714.8	807.6
ROAA (%)	2.0	1.8	1.8	1.9
ROAE (%)	14.2	14.3	14.2	15.1
P/E (x)	23.0	20.9	18.7	15.7
P/ABV (x)	3.2	2.9	2.6	2.3
PROFITABILITY				
NIM (%)	3.8	3.4	3.5	3.5
Cost-Assets Ratio	2.1	1.8	1.8	1.8
Cost-Income Ratio	40.2	40.7	40.2	39.2

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	55.2	5.2	10.6	14.1
Deposit Growth (%)	26.4	16.1	17.8	18.0
C-D Ratio (%)	104.4	94.6	88.8	85.9
CRAR	12.2	12.6	12.6	12.4
Tier I	17.7	19.0	19.2	19.0
ASSET QUALITY				
Gross NPLs (%)	1.3	1.4	1.4	1.4
Net NPLs (%)	0.3	0.4	0.4	0.4
PCR	74.0	70.0	70.0	69.9
Credit Cost	1.0	0.5	0.5	0.5

Source: Company, Axis Research

Bharti Airtel Ltd – HIGHEST ARPU IN THE INDUSTRY

Bharti Airtel (Airtel), headquartered in New Delhi, is an Indian multinational telecommunications company operating in 18 countries across South Asia, Africa, and the Channel Islands. It is India's second-largest telecom operator, boasting a strong domestic presence and a comprehensive digital services portfolio that includes fiber optic networks, mobile and desktop telephony, as well as other digital solutions.

Industry view

Over Weight

CMP
1,733

Target Price
1,900

Upside
10%

Key Rationale

- **Best ARPU in the industry:** Bharti Airtel leads the industry in ARPU, with management expecting further improvement from the current Rs 245 level, compared to Reliance's Rs 195. This growth is driven by a more diverse customer base, continued migration from 2G to 4G/5G, and increasing adoption of value-added services. The company remains on track to reach its ARPU target of Rs 300, supported by rising data consumption and deeper rural penetration. Average data usage per customer remains strong at 24.5 GB/month, further bolstering revenue growth.
- **Huge revenue and profit growth potential:** Bharti Airtel's business fundamentals remain strong, with continued improvements across key metrics. Management anticipates sustained revenue and profit growth driven by expanding rural distribution, network investments, and increasing 4G coverage. The company also sees strategic opportunities in tower sales, minority investments, and potential IPOs in mobile money. Airtel's digital portfolio is gaining traction alongside market share expansion. The company maintained a substantial share of 4G/5G net additions, with the 4G customer base growing by 6.5 Mn QoQ and 25.2 Mn YoY, now accounting for 75% of the total customer base.
- **Improvement in the Digital/Home Segment:** Bharti Airtel's management anticipates an improvement in the Home Segment by offering multiple solutions simultaneously. The company has adopted a "Hunting" strategy, targeting existing high-value customers (primarily 50 Mn customers with strong financial profiles) while aggressively acquiring new ones. This approach is expected to drive growth in the Home Segment, enhancing revenue realisation and strengthening the overall business model. Management remains confident in achieving industry-leading growth, supported by intense rural penetration and an expanded service portfolio.
- **Moderated Capex and constant optimisation effort:** Bharti Airtel does not anticipate any immediate significant Capex despite the ongoing 5G rollout. Management expects Capex levels to remain stable, with investments primarily directed toward broadband expansion, enterprise solutions, and data centers. However, Capex related to 4G radio is expected to decline. Additionally, Airtel has identified over 2,500 sites for network cost reduction initiatives, which will help lower future operating costs.
- **Valuation & Recommendation:** We maintain our BUY rating on the stock, driven by the company's superior margins, impressive subscriber growth, and increased 4G conversions.
- **Key risks:** a) Competitors may eat market share, resulting in loss of sustainable revenue.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY23	1,39,145	71,274	15,356	27.5	63.0	15.3	8.1	9.0
FY24	1,49,982	78,292	16,130	28.9	60.0	13.8	8.4	8.8
FY25E	1,74,779	91,998	23,755	42.5	40.8	16.9	9.6	8.0
FY26E	2,28,762	1,24,780	50,099	125.2	13.8	26.3	14.6	3.5

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	1,39,145	1,49,982	1,74,779	2,28,762
Growth, %	19	8	17	31
Other income	0	0	0	0
Total income	1,39,145	1,49,982	1,74,779	2,28,762
Raw material expenses	-7,621	-7,519	-7,430	-7,436
Employee expenses	*(4,831)*	*(5,323)*	*(5,439)*	*(5,556)*
Other Operating expenses	-66,626	-70,406	-71,361	-73,446
EBITDA (Core)	71,274	78,292	91,998	1,24,780
Growth, %	24	10	18	36
Margin, %	51	52	53	55
Depreciation	*36,432*	*39,538*	*40,424*	*41,690*
EBIT	34,842	38,754	49,561	86,785
Growth, %	43	11	28	75
Margin, %	25	26	28	38
Interest paid	-16,901	-22,648	-22,186	-22,424
Other Non-Operating Income	937	1,435	1,451	1,375
Non-recurring Items	0	0	0	0
Pre-tax profit	19,629	20,251	34,757	77,075
Tax provided	-4,273	-4,121	-5,096	-4,994
Profit after tax	15,356	16,130	23,755	50,099
Others (Minorities, Associates)	0	0	0	0
Net Profit	15,356	16,130	23,755	50,099
Growth, %	132	5	47	111
Net Profit (adjusted)	15,356	16,130	23,755	50,099

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Cash & bank	19,088	14,649	14,417	15,339
Other current assets	39,033	39,109	37,672	37,744
Total current assets	58,121	53,758	52,089	53,083
Gross fixed assets	2,75,280	2,75,464	2,78,465	2,88,631
Net fixed assets	2,75,280	2,75,464	2,78,465	2,88,631
Non-current assets	32,435	32,973	33,102	33,516
Total assets	4,69,456	4,56,782	4,80,544	5,30,650
Current liabilities	1,21,964	1,21,964	1,21,964	1,21,964
Total current liabilities	1,21,964	1,21,964	1,21,964	1,21,964
Non-current liabilities	2,18,225	2,18,225	2,18,225	2,18,225
Total liabilities	3,40,189	3,40,189	3,40,189	3,40,189
Paid-up capital	2,795	2,795	2,795	2,795
Reserves & surplus	97,591	1,13,721	1,37,476	1,87,575
Shareholders' equity	1,29,267	1,16,593	1,40,355	1,90,461
Total equity & liabilities	4,69,456	4,56,782	4,80,544	5,30,650

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Pre-tax profit	19,629	20,251	34,757	77,075
Depreciation	36,432	39,538	40,424	41,690
Change in working capital	1,131	-606	1,163	-479
Total tax paid	-4,646	-4,121	-5,096	-4,994
Other operating activities	0	0	0	0
Cash flow from operating activities	52,509	55,054	67,499	87,608
Capital expenditure	**-40,299**	**-39,721**	**-43,425**	**-51,856**
Chg in investments	0	0	0	0
Change in marketable securities	-374	-76	1,437	-72
Other investing activities	-12,647	-3,542	0	0
Cash flow from investing activities	-52,193	-40,554	-40,394	-48,337
Free cash flow	**316**	**14,500**	**26,072**	**43,521**
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	59,807	0	0	0
Dividend (incl. tax)	0	0	0	0
Other financing activities	0	0	0	0
Cash flow from financing activities	**63,308**	**-28,805**	**7**	**8**
Net change in cash	63,623	-14,305	26,080	43,529
Opening cash balance	12,980	19,088	14,649	14,417
Closing cash balance	**19,088**	**14,649**	**14,417**	**15,339**

Source: Company, Axis Securities Research

Ratio Analysis (%)

Y/E March	FY23	FY24	FY25E	FY26E
Per Share data				
EPS (INR)	27.5	28.9	39.8	118.2
Growth, %	132.4	5.0	37.9	197.0
Book NAV/share (INR)	179.6	208.4	248.2	465.1
FDEPS (INR)	27.5	28.9	39.8	118.2
CEPS (INR)	92.6	99.6	115.7	213.2
CFPS (INR)	104.4	92.0	109.4	200.7
DPS (INR)	0.0	0.0	0.0	0.0
Return ratios	0.0	0.0	0.0	0.0
Return on assets (%)	6.9	7.9	9.1	15.0
Return on equity (%)	15.3	13.8	16.0	25.4
Return on capital employed (%)	8.1	8.4	9.6	14.6
Turnover ratios	0%	0%	0%	0%
Asset turnover (x)	77%	84%	97%	122%
Sales/Total assets (x)	0.4	0.4	0.5	0.6
Sales/Net FA (x)	51%	54%	63%	80%
Working capital/Sales (x)	-60%	-55%	-48%	-37%
Fixed capital/Sales (x)	180%	167%	143%	115%
Receivable days	0%	0%	0%	0%
Inventory days	0.0	0.0	0.0	0.0
Payable days	0%	0%	0%	0%
Working capital days	(217.54)	(201.64)	(175.88)	(135.66)
Liquidity ratios				
Current ratio (x)	0.48	0.44	0.43	0.44
Quick ratio (x)	0.48	0.44	0.43	0.44
Interest cover (x)	2.06	1.71	2.45	5.49
Dividend cover (x)				
Total debt/Equity (%)	201.62	173.71	145.86	108.79
Net debt/Equity (%)	182.60	161.14	135.47	100.55
Valuation				
PER (x)	25.64	24.41	17.70	5.96
PEG (x) - y-o-y growth	0.19	4.84	0.47	0.03
Price/Book (x)	3.92	3.38	2.84	1.51
Yield (%)				
EV/Net sales (x)	4.15	3.88	3.33	2.07
EV/EBITDA (x)	8.10	7.43	6.43	3.88
EV/EBIT (x)	16.56	15.00	12.10	5.65

Source: Company, Axis Securities Research

CHOLAMANDALAM INVESTMENT & FINANCE CO. LTD. – STRONG GROWTH ACROSS KEY PARAMETERS

Cholamandalam Investment & Finance Company Ltd. (CIFC) is the financial services arm of the Murugappa Group. CIFC commenced business as an equipment financing company and has evolved into a comprehensive financial services provider, offering vehicle finance, home loans, loans against property, SME loans, Secured Business Personal Loans (SBPL), Consumer & Small Enterprises Loans (CSEL), and a range of other financial services to customers. Chola operates from 1309 branches across India.

Industry view

Equal weight

CMP
1,520

Target Price
1,780

Upside
17%

Key Rationale

- **Asset Quality improvement from Q4FY25 onwards:** In Q3FY25, the uptick in asset quality was due to stress in the vehicle finance (VF) and newer businesses (particularly CSEL). The management expects asset quality to improve going into Q4FY25 and beyond. A majority of the stress in the CSEL portfolio stems from the portfolio sourced through its partners, which the company is gradually phasing out over the next year, thereby helping to reduce NPAs in this segment. Additionally, the credit costs in the Home Loan (HL) and Loan Against Property (LAP) books are gradually normalising as the books continue to season. CIFC's focus remains on improving collection, with the company adding 55% of the incremental hiring towards strengthening collections. Currently, the strength of the collections team is ~31K employees. The management expects credit costs to trend downward from Q4FY25, with FY25 credit costs at ~1.4%.
- **Confident of delivering 25% growth:** Management has reiterated its guidance to deliver AUM growth of 25% over the medium term. CIFC aims to maintain a disbursement growth rate of 15% in HL over the medium term, which is expected to translate into AUM growth of 25-30%. Similarly, in the LAP portfolio, the company aims to achieve a healthy disbursement growth of 25% over the medium term, driving strong AUM growth of 35-40%. **We expect CIFC to deliver a broad-based AUM growth of ~26% CAGR over FY25-27E, driven by growth in the HL and LAP segments.**
- **VF portfolio asset quality expected to witness improvement:** The stress build-up in the SCV and LCV portfolios has been attributed to slowing consumption and rural demand, which are impacting vehicle capacity utilisation. However, on the brighter side, management has indicated that the capacity utilisation of SCVs/LCVs has improved significantly to 70-80% in Q3FY25, compared to a low of ~50% in Q1-Q2FY25. Within the VF portfolio, the asset quality of 2-wheelers, used CVs, and used cars continues to hold up well. In the HCV portfolio, the recovery is slower. However, given CIFC's lower exposure, the impact is expected to be limited. The management indicated that the delinquencies in the VF portfolio have been gradually declining from Nov'24 onwards; however higher bucket resolutions will remain a key monitorable. Stage 2 assets in the VF portfolio have exhibited an improving trend and are expected to continue improving over FY26. Thus, VF portfolio credit costs are expected to trend downwards over FY26 gradually.
- **Outlook & Valuation:** CIFC is expected to continue to deliver a strong AUM/NII/Earnings growth of 27/27/28% CAGR over FY25-27E. We expect CIFC to deliver a healthy RoA/RoE of 2.3-2.4%/19-22% over FY25-27E.
- **Key risks:** a) Moderation in growth momentum, b) Inability to scale up new products and c) Asset quality concerns cropping out

Key Financials (Standalone)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	BV (Rs)	P/BV (x)	ROAA (%)	NNPA (%)
FY24	8,383	5,904	3,423	40.7	232.7	6.5	2.5	2.3
FY25E	11,241	8,131	4,125	49.1	277.9	5.5	2.3	2.4
FY26E	14,463	10,395	5,484	65.3	337.9	4.5	2.4	2.3
FY27E	18,200	12,965	6,811	81.1	412.5	3.7	2.4	2.2

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Net Interest Income	**8,383**	**11,241**	**14,463**	**18,200**
Other Income	1,603	2,300	2,781	3,370
Total Income	**9,986**	**13,542**	**17,244**	**21,571**
Total Operating Exp.	4,082	5,411	6,848	8,606
PPOP	**5,904**	**8,131**	**10,395**	**12,965**
Provisions & Contingencies	1,322	2,571	3,063	3,858
PBT	**4,582**	**5,559**	**7,332**	**9,107**
Provision for Tax	1,159	1,434	1,848	2,296
PAT	**3,423**	**4,125**	**5,484**	**6,811**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E MAR	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share capital	168	168	168	168
Reserves and Surplus	19,388	23,183	28,228	34,494
Shareholders' funds	**19,557**	**23,352**	**28,396**	**34,663**
Borrowings	**1,34,474**	**1,74,869**	**2,22,574**	**2,76,705**
Other Liabilities, provisions	2,421	3,115	3,944	4,893
Total liabilities	**1,56,451**	**2,01,335**	**2,54,915**	**3,16,261**
APPLICATION OF FUNDS				
Cash & Bank Balance	4,320	5,962	7,549	7,784
Investments	4,100	6,082	7,700	7,972
Advances	1,44,424	1,85,053	2,34,300	2,93,847
Fixed Assets & Other Assets	3,606	4,238	5,366	6,657
Total assets	**1,56,451**	**2,01,335**	**2,54,915**	**3,16,261**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	40.7	49.1	65.3	81.1
Earnings Growth (%)	*25.6*	*20.5*	*32.9*	*24.2*
BVPS	232.7	277.9	337.9	412.5
Adj. BVPS	192.6	224.9	275.1	335.4
ROAA (%)	2.5	2.3	2.4	2.4
ROAE (%)	20.1	19.3	21.1	21.5
P/E (x)	37.3	31.0	23.3	18.8
P/BV (x)	6.5	5.5	4.5	3.7
PROFITABILITY				
NIM (%)	7.5	7.6	7.7	7.7
Cost-Assets Ratio	3.0	3.0	3.0	3.0
Cost-Income Ratio	40.9	40.0	39.7	39.9

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	36.7	28.4	26.6	25.4
Borrowings Growth (%)	38.1	30.0	27.3	24.3
Equity/Assets (%)	12.5	11.6	11.1	11.0
Equity/Loans (%)	13.5	12.6	12.1	11.8
Total Capital Adequacy Ratio (CAR)	18.6	18.0	16.6	15.7
ASSET QUALITY				
Gross NPLs (%)	3.6	3.9	3.6	3.2
Net NPLs (%)	2.3	2.4	2.3	2.2
PCR	35.2	38.0	37.5	31.9
Credit costs	1.1	1.6	1.5	1.5

Source: Company, Axis Research

Hero Motocorp Ltd – Government's Rural Push to Support Future Volume Growth

Hero Motocorp Ltd (HMCL) is a leading player in the Indian 2W industry, with motorcycles accounting for ~94% of total volumes and scooters making up the remaining 6%. The company remains primarily focused on the domestic market, which contributes ~90% of its total volumes. Entry-level motorcycles (75cc to 110cc) account for a significant share, comprising ~70% of the overall volumes. HMCL operates six plants in India and two international facilities in Colombia and Bangladesh, with a domestic manufacturing capacity of 9.30 Mn units per annum and a global capacity of 0.23 Mn units per annum.

Industry view

Over Weight

CMP
3,723

Target Price
5,285

Upside
42%

Key Rationale

- **Long-term Growth Strategy:** Hero MotoCorp's 2030 strategy is anchored on four key growth pillars: strengthening its core business, excelling in the premium segment, leading in EVs, and diversifying revenue streams. The strategy is driven by the 4S mantra—speed, scale, synergy, and simplification—while also focusing on building a future-ready organisation and advancing ESG initiatives. As part of its portfolio-reshaping efforts, the company introduced four new models at Bharat Mobility, reinforcing its positioning for long-term growth.
- **New Product Launches:** Product launches in premium scooters and EVs will be key growth drivers, with new models scheduled for FY26. The company is expanding its sub-Rs 1 Lc EV lineup through the Vida V2 platform, reinforcing its position in the mass-market scooter segment. New premium motorcycles, such as the Xpulse 210 and Xtreme 250R, have received strong market feedback. Meanwhile, upcoming models like the Xoom 125, Xoom 160, and Destini 125 will further strengthen Hero MotoCorp's scooter portfolio.
- **EBITDA Margins:** Hero MotoCorp achieved an EBITDA of over Rs 10,000 per vehicle, supported by a richer product mix and strategic pricing. The ICE segment's EBITDA margin stood at 16%, down 50 bps QoQ, primarily due to higher marketing and advertising expenses during the festive season. The company aims to sustain overall EBITDA margins in the 14-16% range in the medium term, driven by a stronger product mix—specifically, EVs and higher cc motorcycles —continued product premiumisation, lower material costs, and improved operational efficiencies, particularly in the EV segment.
- **Union Government's Budgetary Push to Support Rural/ Urban Middle-class Income:** (1) No Income Tax up to Rs 12 Lc (Rs 12.75 Lc for salaried individuals) and revised tax slabs (0-30%): This will increase disposable income and boost middle-class spending on discretionary items. (2) The budget's focus on Rural Development and Agriculture & Allied Activities through schemes like PM Dhan Dhaanya Krishi Yojna, which aims to cover 100 districts and benefit 1.7 Cr farmers; facilitating short-term credit loans to 7.7 Cr farmers through KCC; Mission for Cotton Productivity; and National Mission on High-Yielding Seeds—all of these initiatives indirectly support demand for entry-level 2Ws, where Hero holds a dominant market position.
- **Valuation & Outlook:** We are monitoring (1) Hero's roadmap in the EV product portfolio, including investments in Ather, the ramp-up of VIDA V2, and the launch of the sub-Rs 1 Lc Vida V2 Lite catering to mass markets; (2) Strategy in the mid-weight MC segment amidst growing competition; (3) Expansion into new international markets. Additionally, government initiatives to enhance rural income, higher disposable income (as announced in the recent Union Budget), and the marriage season are expected to drive the 2W industry's growth, benefiting Hero, particularly in the entry-level and 125cc segments. Consequently, we estimate an 8%/9%/9% CAGR in Revenue/EBITDA/PAT over FY24-27E.
- **Key risks:** a) Macro Economic Uncertainty, b) Increased competition Intensity.

Key Financials (Standalone)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY24A	37,456	5,261	4,127	198	22.9	21.7	22.1	17.8
FY25E	40,871	5,858	4,634	232	15.9	22.4	22.8	12.5
FY26E	43,987	6,313	4,973	249	14.8	21.7	22.1	11.2
FY27E	47,609	6,765	5,311	266	13.9	21.0	21.3	10.1

Source: Company, Axis Securities Research

Profit & Loss (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
Net revenues	**37,456**	**40,871**	**43,987**	**47,609**
Operating expenses	32,194	35,013	37,674	40,844
EBIDTA	**5,261**	**5,858**	**6,313**	**6,765**
EBIDTA margin (%)	**14.0**	**14.3**	**14.4**	**14.2**
Other income	886	1,102	1,111	1,111
Interest	19	20	20	21
Depreciation	711	765	774	774
Profit Before Tax	5,418	6,175	6,630	7,082
Tax	1,290	1,443	1,658	1,770
Reported Net Profit	**3,968**	**4,732**	**4,973**	**5,311**
Net Margin (%)	10.6	11.6	11.3	11.2
Adjusted Net Profit	**4,127**	**4,634**	**4,973**	**5,311**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
Equity capital	40	40	40	40
Reserves & surplus	17,946	19,979	22,253	24,866
Shareholders funds	17,986	20,019	22,293	24,906
Total Loans	0	0	0	0
Deferred tax liability	435	435	435	435
Total Liabilities and Equity	**18,421**	**20,454**	**22,728**	**25,341**
Gross block	12,465	13,445	14,195	14,695
Depreciation	6,631	7,396	8,170	8,944
Net block	5,834	6,049	6,025	5,752
Capital WIP	481	500	250	250
Investments	13,086	13,486	13,886	14,286
Inventory	1,444	1,680	1,687	1,826
Debtors	2,703	3,247	3,374	3,652
Cash & Bank Bal	609	509	2,894	5,312
Loans & Advances	1,415	2,092	1,777	1,886
Current Assets	6,171	7,528	9,732	12,675
Sundry Creditors	5,528	5,487	5,544	6,000
Other Current Liability	1,622	1,622	1,622	1,622
Current Liability& Provisions	7,151	7,109	7,166	7,622
Net current assets	-980	419	2,566	5,053
Total Assets	**18,421**	**20,454**	**22,728**	**25,341**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
EBIT	4,550	5,093	5,539	5,991
Other Income	886	1,102	1,111	1,111
Depreciation & Amortisation	711	765	774	774
Interest paid(-)	-19	-20	-20	-21
Tax paid(-)	-1,290	-1,443	-1,658	-1,770
Extra Ord Income	-159	0	0	0
Operating Cash Flow	**4,679**	**5,497**	**5,747**	**6,085**
Change in Working Capital	1,118	-1,498	237	-69
Cash flow from Operations	**5,797**	**3,998**	**5,984**	**6,016**
Capex	-801	-1,000	-500	-500
Strategic Investment	0	0	0	0
Non-Strategic Investment	-2,076	-400	-400	-400
Cash flow from Investing	**-2,876**	**-1,400**	**-900**	**-900**
Change in borrowing	0	0	0	0
Others	41	-0	0	-0
Dividends paid(-)	-2,699	-2,699	-2,699	-2,699
Cashflow from Financial Activities	**-2,657**	**-2,699**	**-2,699**	**-2,699**
Change in Cash	263	-100	2,385	2,418
Opening cash	346	609	509	2,894
Closing Cash	**609**	**509**	**2,894**	**5,312**

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY24A	FY25E	FY26E	FY27E
Revenue Growth	10.8	9.1	7.6	8.2
EBITDA Margin	14.0	14.3	14.4	14.2
Net Profit Margin	11.0	11.3	11.3	11.2
ROCE (%)	21.7	22.4	21.7	21.0
ROE (%)	22.1	22.8	22.1	21.3
EPS (Rs)	198	232	249	266
P/E (x)	22.9	15.9	14.8	13.9
P/ BV (x)	5.3	3.7	3.3	3.0
EV/ EBITDA (x)	17.8	12.5	11.2	10.1
Fixed Assets Turnover Ratio (x)	5.9	6.2	7.0	7.9
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	2.5	1.8	1.6	1.4

Source: Axis Securities Research

Trent Ltd – India's Fast Fashion Retailer

As part of the Tata Group, Trent operates stores under five key concepts: Westside, Zudio, Star, Landmark, and Utsa. Its flagship format, Westside, offers a range of branded fashion apparel, footwear, and accessories for women, men, and children, along with a diverse selection of home furnishings and decor. Zudio, Trent's value fashion concept, offers trendy fashion at affordable price points for men, women, and children, featuring exclusive in-house designs. Other formats include Star Bazaar, a hypermarket and supermarket chain, and Landmark, which offers a curated selection of toys, books, stationery, and sports merchandise. Additionally, Trent operates Zara and Booker stores in India as a subsidiary.

Industry view

Equal Weight

CMP
5,325

Target Price
6,570

Upside
23%

Key Rationale

- **Leading with Distinction:** The Revenue growth of 37% YoY to Rs 4,535 Cr in Q3FY25 is commendable despite a challenging environment. The fashion format reported high single-digit LFL growth. For 9MFY25, revenue increased 43%, with volume growth of 39%, driven by an aggressive expansion of stores. The total footprint expanded by 33% over the last year, reaching 11 msq. ft across fashion brands. Trent's differentiated model, strong focus on private labels, efficient store economics, and rapid inventory turnaround continue to drive outperformance against peers. With consistent leadership in key metrics such as revenue per store and margins, the company is well-positioned for sustained growth through high-quality offerings and strategic expansion.
- **Zudio - Fast fashion revolutionised:** Zudio has been the key growth driver for Trent over the last couple of years, driven by its fast fashion proposition targeting college students with affordable yet trendy apparel, which attracts high footfall. Additionally, its cluster approach provides significant economies of scale. The brand's distinct appeal continues to strengthen its dominance in the fast fashion segment.
- **Extensive retail network:** Trent operates an extensive store network with 238 Westside stores, 635 Zudio stores, and 74 Star stores as of Dec-24, reflecting its commitment to expanding its reach across diverse retail segments.
- **Strong outlook:** We anticipate continued strong sales growth in the coming quarters, driven by Trent's rapid store expansion and ongoing assortment renewal, which is expected to increase overall foot traffic. The improving earnings profile across all formats, reduction in losses at Star Bazaar, and increasing traction at the Inditex JV are positive indicators. Trent's adoption of the Trent playbook for the Star business, led by private labels, is yielding positive results and is expected to be a key driver of growth. Additionally, its geographical expansion in the UAE, the launch of Zudio Beauty, and its recent entry into the fast-growing LGD jewellery segment will be significant long-term growth catalysts. Given these factors, we remain positive on Trent from a mid to long-term perspective.

Key Financials (Standalone)

Y/E Dec (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)
FY24	11,927	1,927	1,436	40.4	212.1	20.1	24.8
FY25E	16,207	2,683	1,618	45.5	117.0	27.1	24.1
FY26E	19,957	3,418	2,119	59.6	89.3	26.5	25.1
FY27E	23,412	3,993	2,503	70.4	75.6	24.0	23.7

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	**11,927**	**16,207**	**19,957**	**23,412**
Growth, %	54.6	35.9	23.1	17.3
Other operating income	-	-	-	-
Total income	11,927	16,207	19,957	23,412
Raw material expenses	(6,541)	(8,830)	(10,772)	(12,604)
Employee expenses	(938)	(1,219)	(1,500)	(1,800)
Other Operating expenses	(2,521)	(3,475)	(4,266)	(5,015)
EBITDA (Core)	**1,927**	**2,683**	**3,418**	**3,993**
Growth, %	72.2	39.2	27.4	16.8
Margin, %	16.2	16.6	17.1	17.1
Depreciation	(639)	(743)	(827)	(910)
EBIT	**1,288**	**1,939**	**2,592**	**3,083**
Growth, %	96.4	50.5	33.6	19.0
Margin, %	10.8	12.0	13.0	13.2
Other Income	351	386	425	467
Non-recurring Items	543	-	-	-
Pre-tax profit	**1,873**	**2,186**	**2,863**	**3,382**
Tax provided	(438)	(568)	(744)	(879)
Profit after tax	**1,436**	**1,618**	**2,119**	**2,503**
Growth, %	60.9	81.3	31.0	18.1
Unadj. shares (Cr)	36	36	36	36
Wtdavg shares (Cr)	36	36	36	36

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	286	1,716	3,877	6,528
Debtors	79	107	132	154
Inventory	1,565	2,126	2,618	3,072
Loans & advances	-	-	-	-
Other current assets	408	408	408	408
Total current assets	2,957	4,977	7,655	10,782
Investments	1,282	1,282	1,282	1,282
Gross fixed assets	3,283	3,806	4,221	4,636
Less: Depreciation	(883)	(1,627)	(2,453)	(3,363)
Add: Capital WIP	161	161	161	161
Net fixed assets	2,562	2,341	1,929	1,434
Non-current assets	657	657	657	657
Total assets	**7,429**	**9,228**	**11,494**	**14,126**
Current liabilities	913	1,183	1,420	1,638
Provisions	-	-	-	-
Total current liabilities	913	1,183	1,420	1,638
Non-current liabilities	2,068	2,068	2,068	2,068
Total liabilities	2,982	3,252	3,488	3,706
Paid-up capital	36	36	36	36
Reserves & surplus	4,412	5,940	7,970	10,384
Shareholders' equity	4,447	5,976	8,006	10,420
Total equity & liabilities	**7,429**	**9,228**	**11,494**	**14,126**

Source: Company, Axis Research

Cash flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,873	2,186	2,863	3,382
Depreciation	639	743	827	910
Change in working capital	(275)	(320)	(280)	(258)
Total tax paid	(410)	(568)	(744)	(879)
Cash flow from operating activities	**1,827**	**2,041**	**2,665**	**3,154**
Capital expenditure	1,207	(523)	(415)	(415)
Change in marketable securities	(164)	-	-	-
Cash flow from investing activities	**953**	**(523)**	**(415)**	**(415)**
Free cash flow	2,780	1,519	2,250	2,739
Equity raised/(repaid)	-	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	**(2,504)**	**-**	**-**	**-**
Net change in cash	276	1,519	2,250	2,739
Opening cash balance	79	286	1,716	3,877
Closing cash balance	286	1,716	3,877	6,528

Source: Company, Axis Research

Ratios (%)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	40.4	45.5	59.6	70.4
Growth, %	60.9	81.3	31.0	18.1
Book NAV/share (INR)	125.1	168.1	225.2	293.1
FDEPS (INR)	25.1	45.5	59.6	70.4
CEPS (INR)	27.8	66.4	82.9	96.0
CFPS (INR)	46.0	46.6	63.0	75.6
DPS (INR)	-	-	-	-
Return ratios				
Return on assets (%)	22.2	21.1	21.9	20.8
Return on equity (%)	20.1	27.1	26.5	24.0
Return on capital employed (%)	24.8	24.1	25.1	23.7
Turnover ratios				
Asset turnover (x)	2.7	4.5	5.6	6.9
Sales/Total assets (x)	1.5	1.9	1.9	1.8
Sales/Net FA (x)	3.4	6.6	9.3	13.9
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	2.4	2.4	2.4	2.4
Inventory days	47.9	47.9	47.9	47.9
Payable days	27.5	27.6	27.8	27.8
Working capital days	34.8	32.8	31.8	31.1
Liquidity ratios				
Current ratio (x)	3.2	4.2	5.4	6.6
Quick ratio (x)	1.5	2.4	3.5	4.7
Interest cover (x)	4.2	13.9	16.9	18.3
Total debt/Equity (x)	0.4	0.3	0.2	0.2
Valuation				
PER (x)	212.1	117.0	89.3	75.6
PEG (x) - y-o-y growth	3.5	1.4	2.9	4.2
Price/Book (x)	42.6	31.7	23.6	18.2
EV/Net sales (x)	16.0	11.7	9.4	7.9
EV/EBITDA (x)	98.8	70.4	54.6	46.1
EV/EBIT (x)	147.7	97.4	72.0	59.7

Source: Company, Axis Research

LUPIN Ltd – NICHE APPROVALS, INPUT COSTS LOW; OUTLOOK POSITIVE

Lupin Limited, a leading global pharmaceutical company based in Mumbai, India, distributes its products across more than 100 markets. It specialises in branded and generic formulations, complex generics, and biotechnology products, earning the trust of healthcare professionals worldwide. With 15 advanced manufacturing sites and seven research centres, the company remains committed to improving patient health outcomes through its subsidiaries, including Lupin Diagnostics and Lupin Digital Health.

Industry view

Over Weight

CMP
2,028

Target Price
2,500

Upside
23%

Key Rationale

- **Strong Q3FY25:** Lupin delivered strong results, exceeding expectations. Revenue grew 11% YoY, driven by robust performance in the India and US businesses, which expanded by 11.9% and 12.3% YoY, respectively. Meanwhile, the EMEA business posted a 20.9% YoY increase. However, the Emerging Markets business declined by 4.7% YoY, while API saw a gradual recovery with 4% YoY growth. Gross margins improved by 330 bps YoY and remained stable QoQ, supported by a favourable product mix, lower input costs, a reduced share of in-licensed products, and enhanced cost efficiencies. EBITDA margins expanded by 350 bps YoY and remained flat QoQ. Reported PAT surged 40.1% YoY, surpassing expectations.
- **USA Front:** Lupin reported U.S. sales of $235 Mn, marking a 10.8% YoY growth in constant currency, with overall revenue at Rs 2,121 Cr, up 12.3% YoY. Growth was primarily driven by volume expansion in inline products and contributions from new launches, though pricing pressure and competition in Suprep and Albuterol impacted performance.
- **Outlook & Valuation:** New launches in the U.S. market, such as Darunavir and Spiriva, have gained market shares of up to 30% and 25%, respectively. The recent approval for gMegabran has the potential to contribute $50 Mn in annual incremental sales. Additionally, approvals for Tolvaptan (market size $287 Mn) and Xyway (market size $958 Mn with 180-day exclusivity) could drive growth in the second half. The company has a robust product pipeline, which includes Cynocobalamin, Diazepam Gel, Varenicline, Bromfenac, Glucagen, and Risperidone, among others.
- **Double-digit growth in India's business is expected,** supported by an increase in MR count to 1,000. The API business is also witnessing an uptick, benefiting from a broader demand revival in the industry. Lupin's margins, currently at 18%, remain below the industry average of 22%, indicating significant potential for improvement in the coming quarters. This margin expansion will be further supported by a favourable macro environment, including declining raw material prices, lower logistics costs, and reduced fuel expenses.
- **Valuation:** At the CMP, the stock trades at 29.2x and 25x its FY25E and FY26E earnings.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (%)	ROE (%)
FY24	20,011	3,811	1,915	42.0	48.3	23.3	13.3
FY25E	21,503	4,838	2,980	65.4	31.0	17.8	17.5
FY26E	25,813	5,529	3,490	76.6	26.5	15.0	17.2

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Total Net Sales	**20,011**	**21,503**	**24,038**	**25,813**
% Change	20.2%	7.5%	11.8%	7.4%
Raw Material Consumption	6,643	6,666	7,332	7,847
Staff costs	3,495	3,655	4,087	4,388
Other Expenditure	6,062	6,343	7,091	7,512
Total Expenditure	16,200	16,665	18,510	19,747
EBITDA	**3,811**	**4,838**	**5,529**	**6,066**
% Change	111.9%	27.0%	14.3%	9.7%
EBITDA Margin %	**19.0%**	**22.5%**	**23.0%**	**23.5%**
Depreciation	1,197	1,014	1,074	1,134
EBIT	2,614	3,825	4,455	4,932
EBIT Margin %	13.1%	17.8%	18.5%	19.1%
Interest	312	121	106	78
Other Income	120	117	125	146
PBT	**2,422**	**3,821**	**4,475**	**5,000**
Tax	487	841	984	1,100
Tax Rate %	*20.1%*	*22.0%*	*22.0%*	*22.0%*
APAT	1,936	2,980	3,490	3,900
P/L after discontinuation	-21	0	0	0
PAT after Ass.	1,915	2,980	3,490	3,900
Adj. PAT	**1,915**	**2,980**	**3,490**	**3,900**
Growth %	**345.1%**	**55.6%**	**17.1%**	**11.7%**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Share Capital	91	91	91	91
Reserves & Surplus	14,282	16,967	20,162	23,768
Shareholders Fund	14,373	17,058	20,254	23,859
Total Debt	2,922	2,422	1,922	1,422
- Trade Payables	2,958	3,181	3,556	3,819
- Other Long Term Liabilities	346	353	395	424
- Other Current Liabilities	2,252	2,415	2,700	2,900
TOTAL EQUITY & LIABILITIES	**23,997**	**26,576**	**29,973**	**33,569**
Gross Block	9,535	10,135	10,735	11,335
Depreciation	4,951	5,965	7,038	8,172
% of GB	51.9%	58.9%	65.6%	72.1%
- Fixed Assets(incl. Capital Work in Progress)	9,677	9,264	8,790	8,257
- Other Non Current Assets	872	881	881	881
- Current Investments	847	847	847	847
- Inventories	4,954	5,302	5,927	6,365
- Trade Receivables	4,692	5,066	5,664	6,082
- Cash & Cash Equivalents	1,202	3,331	5,756	8,875
- Other Current Assets	1,752	1,885	2,107	2,263
TOTAL ASSETS	**23,997**	**26,576**	**29,973**	**33,569**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
PBT	2,422	3,821	4,475	5,000
Add: Depreciation	1,197	1,014	1,074	1,134
Add: Interest	312	121	106	78
Cash flow from operations	3,931	4,955	5,654	6,212
Change in working capital	-143	470	743	520
Taxes	487	841	984	1,100
Miscellaneous expenses	21	0	0	0
Net cash from operations	3,566	3,644	3,926	4,592
Capital expenditure	-1,251	-600	-600	-600
Change in Investments	-407	0	0	0
Net cash from investing	-1,658	-600	-600	-600
Increase/Decrease in debt	-1,620	-500	-500	-500
Dividends	-385	-295	-295	-295
Proceedings from equity	0	0	0	0
Interest	-312	-121	-106	-78
Others	317	0	0	-0
Net cash from financing	-1,999	-916	-901	-873
Net Inc./(Dec.) in Cash	-91	2,128	2,425	3,119
Opening cash balance	1,293	1,202	3,331	5,756
Closing cash balance	1,202	3,331	5,756	8,875

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Sales growth (%)	20.2	7.5	11.8	7.4
OPM	19.0	22.5	23.0	23.5
Oper. profit growth	111.9	27.0	14.3	9.7
COGS / Net sales	33.2	31.0	30.5	30.4
Overheads/Net sales	-	-	-	-
Depreciation / G. block	12.6	10.0	10.0	10.0
Effective interest rate	20.1	22.0	22.0	22.0
Net wkg. cap / Net sales (%)	29.1	29.2	29.2	29.2
Net sales / Gr block (x)	2.1	2.1	2.2	2.3
RoCE	15.1	19.6	20.1	19.5
Debt/equity (x)	0.2	0.1	0.1	0.1
Effective tax rate	20.1	22.0	22.0	22.0
RoE	13.3	17.5	17.2	16.3
Payout ratio (Div/NP)	422.4	323.7	323.7	323.7
EPS (Rs.)	42.0	65.4	76.6	85.6
EPS Growth	345.1	55.6	17.1	11.7
CEPS (Rs.)	68.3	87.6	100.1	110.5
DPS (Rs.)	8.4	6.5	6.5	6.5

Source: Company, Axis Research

MAX HEALTHCARE INSTITUTE LIMITED – LEADER IN CHARGE

Max Healthcare is a market leader in the Delhi-NCR and Mumbai regions, with over 2,900 beds and a strong presence in oncology. The company plans to add 3,000 beds over the next three years, primarily through brownfield expansions. Strong operational performance has driven significant EBITDA growth, with margins currently at 26.5%. Backed by robust cash flows and strategic expansions, Max Healthcare is well-positioned for sustained profitability and growth.

Industry view

Equal Weight

CMP
1,097

Target Price
1,315

Upside
20%

Key Rationale

- **Q3FY24 Performance:** Max Healthcare reported revenue of Rs 2,281 Cr, surpassing expectations, driven by a slight decline in occupancy and a stable ARPOB, supported by the addition of new hospitals. ARPOB stood at Rs 75,900, remaining flat YoY, while occupancy improved to 75%, up 200 bps YoY on a like-to-like basis, backed by an 8% YoY increase in occupied bed days. The company's topline grew 34% YoY, with strong contributions from both mature and developing hospitals. EBITDA margins stood at 26.3%, down 136 bps YoY but improving sequentially by 65 bps. Adjusted PAT came in at Rs 390 Cr, reflecting 15% YoY growth, driven by operational efficiencies and cost control.
- **New Expansion Plans: Network Expansion -** The company plans to add 3,500 beds over the next three years, representing 70% of its existing capacity, with 80% of these additions expected to come through brownfield expansions. MAX continues to focus on value investing and has recently acquired a hospital chain from Jaypee Healthcare, adding 800 beds to strategically increase foot traffic in the Noida region. The newly added 300-bed facility in Dwarka currently operates at an occupancy rate of around 45% and is expected to break even within the next 12 months. Additionally, the company has announced a 500-bed expansion in Thane under an asset-light model in Q3FY25. It has also increased the capacity of its upcoming Mohali Zirakpur facility to 400 beds from the initially planned 250 beds.
- **Margins**: Max has demonstrated impressive growth in both EBITDA and EBITDA margin over recent years, reflecting strong operational efficiency. EBITDA has increased significantly from Rs 332 Cr in FY21 to Rs 1,806 Cr in FY24, highlighting consistent expansion in core operations. During the same period, EBITDA margins improved from 9.2% to 26.5%. Looking ahead, margins are expected to remain stable in the 27-28% range, as new incremental beds from brownfield expansions will take some time to achieve operational profitability.
- **Outlook & Valuation:** Max Healthcare’s revenue mix remains well-balanced, with sustained growth in both institutional and international patient segments. The recent rise in institutional business share is expected to stabilise as higher-value payer segments expand. While new hospital ramp-ups may have a short-term margin impact, this should ease as these facilities scale operations. Profitability in Lucknow and Nagpur is expected to improve further, driven by higher occupancy rates and the introduction of new clinical programs.
- **Valuation:** We value the stock at a Multiple of 35x EV/EBITDA FY27E.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (%)	ROE (%)	ROCE (%)
FY24	6,815	1,806	1,279	13.2	83.1	56	11	13.8
FY25E	8,868	2,368	1,528	15.7	69.9	43	9	14.1
FY26E	10,951	2,946	1,914	19.7	55.7	35	8	15.0

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25E	FY26E	FY27E
Net sales	**6,815**	**8,868**	**10,951**	**13,067**
Growth	16%	30%	23%	19%
Total Expenditure	5,009	6,501	8,005	9,454
Raw Material Consumed	1,635	2,128	2,628	3,110
Gross Margins(%)	76.0%	76.0%	76.0%	76.2%
EBITDA	**1,806**	**2,368**	**2,946**	**3,613**
EBITDA(%)	**26.5%**	**26.7%**	**26.9%**	**27.7%**
Depreciation	284	374	446	524
% of GB	6%	6%	6%	6%
Interest & Fin Chg.	(38)	109	130	121
EBIT	1,844	2,259	2,816	3,492
EBIT(%)	27.1%	25.5%	25.7%	26.7%
Other Income	35	35	35	35
Exceptional Items	-	-	-	-
Share of P/L of Associates	-	-	-	-
PBT	1,595	1,920	2,405	3,003
Tax Rate (%)	20%	20%	20%	20%
Tax	316	392	491	613
Reported PAT	**1,279**	**1,528**	**1,914**	**2,390**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25E	FY26E	FY27E
Share Capital	971	971	971	971
Reserves & Surplus	8324	9852	11766	14156
Shareholders Fund	**9295**	**10823**	**12737**	**15127**
- Long-term Borrowings	1177	1977	2377	2177
- Other Long-Term Liabilities	87	87	87	87
- Long Term Provisions	461	486	600	716
Total Non-Current Liabilities	**1762**	**2587**	**3101**	**3017**
- Short-term Borrowings	173	200	226	250
- Trade Payables	814	1020	1230	1432
Total Current Liabilities	**987**	**1220**	**1456**	**1682**
TOTAL EQUITY & LIABILITIES	**12044**	**14631**	**17294**	**19826**
Net Block	3329	4755	5509	6284
CWIP	445	445	445	445
Goodwill	4267	5092	5092	5092
Other intangible assets	1459	1459	1459	1459
Right of use asset	689	689	689	689
- Fixed Assets (incl. Capital Work in Progress)	**10189**	**12440**	**13194**	**13970**
Total Non-Current Assets	**10189**	**12440**	**13194**	**13970**
- Current Investments	66	66	66	66
- Inventories	106	146	180	215
- Trade Receivables	600	802	990	1181
- Cash & Cash Equivalents	1286	677	2165	3495
TOTAL ASSETS	**12044**	**14631**	**17294**	**19826**

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
PBT	1,595	1,920	2,405	3,003
Add: depreciation	284	374	446	524
Add: Interest	-38	109	130	121
Cash flow from operations	1,841	2,403	2,981	3,648
Change in working capital	-18	713	99	108
Taxes	316	392	491	613
Miscellaneous expenses	0	0	0	0
Net cash from operations	1,543	1,298	2,392	2,927
Capital expenditure	-2,358	-2,625	-1,200	-1,300
Change in Investments	-64	0	0	0
Net cash from investing	-2,422	-2,625	-1,200	-1,300
Increase/Decrease in debt	529	827	426	-176
Dividends	-97	0	0	0
Proceedings from equity	0	0	0	0
Interest	38	-109	-130	-121
Others	130	0	0	0
Net cash from financing	600	718	296	-297
Net Inc./(Dec.) in Cash	-279	-609	1,487	1,330
Opening cash balance	1,565	1,286	677	2,165
Closing cash balance	1,286	677	2,165	3,495

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Sales growth	16	30	23	19
OPM	27	27	27	28
Oper. profit growth	15%	31%	24%	23%
COGS / Net sales	24%	24%	24%	24%
Depreciation / G. block	6%	6%	6%	6%
Effective interest rate	-3%	5%	5%	5%
Net working capital / Net sales	-13%	-2%	0%	0%
Net sales / Gr block (x)	1.5	1.4	1.5	1.5
ROCE	15	16	19	22
Debt/equity (x)	0.1	0.2	0.2	0.1
Effective tax rate	20%	20%	20%	20%
RoE	14	14	15	16
Payout ratio (Div/NP)	10%	0%	0%	0%
EPS (Rs.)	13	16	20	25
EPS Growth	-4%	19%	25%	25%
CEPS (Rs.)	16	20	24	30
DPS (Rs.)	1	0	0	0

Source: Company, Axis Research

THE INDIAN HOTELS LTD – RIDING THE UPCYCLE

The Indian Hotels Limited (IHCL) is South Asia's largest hospitality company, boasting over 120 years of industry leadership. Known for its iconic properties and the concept of 'Tajness,' IHCL continues to drive innovation and growth through an asset-light approach. This strategy enables the company to expand its portfolio and room supply efficiently, catering to the growing demand in the leisure and MICE segments.

Industry view

Over Weight

CMP
788

Target Price
950

Upside
21%

Key Rationale

- **MICE A Catalyst for Hospitality Growth:** The Indian MICE market is projected to be valued at $3.30 Bn in 2023, growing to $10.52 Bn by 2030 at an 18% CAGR (Source: Coherent Market Insights). If 10% of this revenue contributes to room revenues and F&B in the hospitality sector, it would add approximately $330 Mn (Rs 2,739 Cr). This growth is expected to support ARRs for major hospitality players, including IHCL, EIH, Chalet, Park, Lemon Tree, and Juniper.
- **Robust Operational Metrics: The** Standalone domestic business continues to show strong growth, reporting a 15.1% YoY increase. Standalone ARR rose to Rs 20,440 (+12.9% YoY), with occupancy improving by 100 bps YoY to 78%. This led to a 14.7% YoY growth in standalone RevPAR, primarily driven by the F&B segment. The US market reported robust revenue growth of 20% YoY, while the UK remained muted at 1% growth. EBITDA margins stood at 13.5% for the US and 26.2% for the UK. Ginger achieved strong revenue growth of 40%, with EBITDA margins reaching 45% for Q3FY25.
- **Improving Margins:** EBITDA margins for the US and UK stood at 13.5% and 26.2%, respectively. Ginger reported strong revenue growth of 40%, with EBITDA margins reaching 45% for Q3FY25. Overall, subsidiaries are also witnessing margin improvements. Comparing 9MFY25 to 9MFY24, subsidiaries reported ~22% EBITDA margins, marking a 510bps improvement from 16.9% in 9MFY24, driven by strong growth in new businesses, Ginger, and a steady recovery in US subsidiaries. Looking ahead, the US business is expected to maintain its momentum and further enhance margins.
- **Expansion plans:** IHCL signed 55 new hotels and opened 20 properties between Apr'24 and Dec'24, bringing its total portfolio to 360 hotels. With an industry-leading pipeline of 123 hotels, the company remains on track to achieve its target of 25 hotel openings in FY25 and plans to open 30 hotels in FY26. This aggressive expansion aligns with IHCL's asset-light strategy, supporting its long-term growth objectives while maintaining a balanced portfolio across key business segments.
- **Outlook:** The hospitality industry upcycle is expected to be long and sustained. As per Horwath HTL, demand is projected to grow at over 10% annually for the next 3-4 years, while supply is likely to lag, creating a favorable pricing environment for hotel operators. Foreign Tourist Arrivals stood at 92 Lc in FY24, and corporate travel expenses under MICE remain below pre-COVID levels, indicating room for further recovery. Additionally, upcoming events such as the World Cup Hockey and Kabaddi championships could drive occupancies in the coming quarters. The leisure segment continues to be a key growth driver, and these structural tailwinds are expected to support the Indian hotel sector's performance in the near to medium term.
- **Valuation:** As per impressive revenue growth and excellent performance, we value the stock at EV/EBITDA 40x for FY27E earnings
- **Key risks:** a) Economic slowdown, b) Negative operating leverage, c) Delay in Commissioning

Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	P/B (x)	ROE (%)
FY23	5,810	1,805	1,053	7	112.6	64	14	13
FY24	6,769	2,156	1,330	9	87.6	53	12	14
FY25E	8,246	2,678	1,793	13	60.6	42	10	16
FY26E	9,143	3,034	2,107	15	52.5	37	9	16

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net Sales	**6,769**	**8,246**	**9,143**	**10,183**
Growth (%)	**16.5%**	**21.8%**	**10.9%**	**11.4%**
Total Expenditure	4,612	5,567	6,109	6,774
Raw Material Consumed	521	659	732	815
Gross margins (%)	**92.3%**	**92.0%**	**92.0%**	**92.0%**
Employee Expenses	1,806	2,234	2,435	2,686
% of sales	26.7%	27.1%	26.6%	26.4%
Other Expenses	2,286	2,674	2,943	3,273
% of sales	33.8%	32.4%	32.2%	32.1%
EBIDTA	**2,156**	**2,678**	**3,034**	**3,409**
EBITDAM (%)	**31.9%**	**32.5%**	**33.2%**	**33.5%**
Depreciation	454	460	478	495
% of GB	3.6%	3.5%	3.5%	3.5%
EBIT	1,702	2,218	2,556	2,914
EBITM (%)	25.1%	26.9%	28.0%	28.6%
Interest	220	188	142	97
Other Income	183	193	210	213
Share of P/L of Associates	129	136	149	150
PBT	1,794	2,360	2,773	3,179
Tax Rate (%)	**23.7%**	**24.0%**	**24.0%**	**24.0%**
Tax	464	566	665	763
Reported PAT	**1,330**	**1,793**	**2,107**	**2,416**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25E	FY26E	FY27E
Share Capital	142	142	142	142
Reserves & Surplus	9,314	11,043	13,085	15,436
Net Worth	9,457	11,185	13,227	15,578
Total Loan Funds	2,736	2,206	1,676	1,146
Deferred Tax Liability	144	144	144	144
Long Term Provisions	98	98	98	98
Other Long Term Liability	16	16	16	16
Capital Employed	**14,855**	**16,394**	**18,106**	**20,159**
Gross Block	12,647	13,147	13,647	14,147
Less: Depreciation	3,311	3,771	4,249	4,744
Net Block	9,336	9,376	9,398	9,403
Investments	724	724	724	724
Sundry Debtors	476	633	701	781
Cash & Bank Bal	1,485	2,472	3,847	5,451
Loans & Advances	9	9	9	9
Inventory	116	181	200	223
Other Current Assets	257	330	366	407
Total Current Assets	1,998	2,309	2,478	2,680
Curr Liab & Prov	3,068	4,348	5,847	7,595
Net Current Assets	1,070	2,039	3,368	4,916
Total Assets	**14,856**	**16,395**	**18,106**	**20,159**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
PBT	1,794	2,360	2,773	3,179
Add: Depreciation	454	460	478	495
Add: Interest	220	188	142	97
Cash flow from operations	2,468	3,007	3,393	3,772
Change in working capital	256	171	115	212
Taxes	464	566	665	763
Net cash from operations	1,748	2,270	2,612	2,797
Capital expenditure	(871)	(500)	(500)	(500)
Net cash from investing	(837)	(500)	(500)	(500)
Increase/Decrease in debt	(403)	(530)	(530)	(530)
Dividends	(65)	(65)	(65)	(65)
Proceedings from equity	0	(0)	0	0
Interest	(220)	(188)	(142)	(97)
Others	209	0	0	0
Net cash from financing	(479)	(783)	(737)	(692)
Net Inc./(Dec.) in Cash	432	987	1,374	1,604
Opening cash balance	1,053	1,485	2,472	3,847
Closing cash balance	1,485	2,472	3,847	5,451

Source: Company, Axis Research

Ratio Analysis (%)

Y/E March	FY24	FY25E	FY26E	FY27E
Sales growth	**16.5**	**21.8**	**10.9**	**11.4**
OPM	**31.9**	**32.5**	**33.2**	**33.5**
Oper. profit growth	19.5	24.2	13.3	12.4
COGS / Net sales	7.7	8.0	8.0	8.0
Overheads/Net sales	60.4	59.5	58.8	58.5
Depreciation / G. block	**3.6**	**3.5**	**3.5**	**3.5**
Effective interest rate	23.7	24.0	24.0	24.0
Net wkg. cap / Net sales	0.2	0.2	0.2	0.2
Net sales / Gr block (x)	0.5	0.6	0.7	0.7
RoCE	**17.7**	**22.8**	**26.1**	**29.7**
Debt/equity (x)	0.3	0.2	0.1	0.1
Effective tax rate	23.7	24.0	24.0	24.0
RoE	**14.1**	**16.0**	**15.9**	**15.5**
Payout ratio (Div/NP)	45.7	45.8	45.8	45.8
EPS (Rs.)	**9.3**	**12.6**	**14.8**	**17.0**
EPS Growth	26.3	34.9	17.5	14.7
CEPS (Rs.)	12.5	15.9	18.2	20.5
DPS (Rs.)	0.5	0.5	0.5	0.5

Source: Company, Axis Research

DALMIA BHARAT LIMITED – DEMAND TAILWINDS AND STRONG MARKET POSITION TO DRIVE GROWTH

Dalmia Bharat Ltd (DBL), established in 1939, is one of the fastest-growing players in the Indian cement sector, holding a 5% share of India's cement capacity in its operational regions. The company has a total cement production capacity of 46.6 mtpa, a clinker capacity of 22.6 mtpa, and a power generation capacity of 397 MW, including WHRS and solar power. DBL operates across 16 locations in India, with 10 integrated plants and six grinding units, supported by a strong distribution network of 49,000 channel partners nationwide.

Industry view

Overweight

CMP
1,822

Target Price
2,180

Upside
20%

Key Rationale

- **Capacity expansion to sustain growth:** The company's total cement grinding capacity now stands at 49 mtpa, following the recent commissioning of 2.4 mtpa of Cement capacity in Assam, which will support its volume growth going forward. With the current capacity utilisation at 58%, the company has substantial scope to increase its utilisation levels. The company is expected to achieve a volume growth of 9% CAGR over FY25-27E, driven by this capacity expansion and improved utilisation.
- **Efficient operations with a focus on reducing costs further:** DBL's integrated operations, superior cement/clinker ratio, introduction of Portland composite cement, digitisation of its sales channels, and effective resource utilisation make it one of the lowest-cost cement producers in India. Additionally, various cost optimisation initiatives at its operating facilities are expected to enhance margins going forward. The company also plans to increase its share of green energy in its overall power mix to 35-45%, which will further reduce power and fuel costs. Supported by these cost optimisation measures and improved price realisation, we expect DBL's EBITDA margin to improve to 20% from the current 18% by FY27E
- **Higher consolidation to benefit large players:** Between 2013 and 2024, the market share of large players increased from 46% to 55%, and by FY27-28, it is expected to rise further to 65%-70%. With the growing pace of consolidation and capacity expansion by top players, their overall market share is set to increase further. This trend will have a positive impact on cement pricing, economies of scale, and supply chain efficiency. As one of the top 5 players in the country, the company is well-positioned to benefit from this consolidation in the medium to long term. Cement demand in its operating regions is expected to remain strong, and the company is projected to achieve double-digit growth.
- **Outlook:** Cement demand is expected to remain strong, driven by ongoing infrastructure development. The industry is expected to grow at 1.2 times the GDP growth, which is projected to be 6.5%-7% over the next several years. Given the company's superior positioning in key markets in the East and South, exposure to the West region, the government's focus on infrastructure and affordable housing, increasing real estate demand, new capacity ramp-up, and ongoing cost optimisation measures, DBL is expected to deliver stable performance. The company is projected to grow its Volume/Revenue/EBITDA/APAT at a CAGR of 9%/11%/22%/47% over FY25-FY27E.
- **Valuation**: The stock is currently trading at 11x and 10x FY25E/FY26E EV/EBITDA and EV/tonne of $83 and $84. Valuation remains attractive.
- **Key risks:** a) Lower demand and contraction in Cement prices impacting realisation; b) Further rise in input prices hampering margin profile.

Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY24	14,680	2,628	827	44	41	13	5	7
FY25E	14,427	2,391	672	30	61	15	3	5
FY26E	16,279	3,083	1,066	57	32	11	6	8
FY27E	17,738	3,539	1,203	64	28	10	6	8

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	14,680	14,427	16,279	17,738
Other operating income	0	0	0	0
Total income	14,680	14,427	16,279	17,738
Raw Material	2,703	2,403	2,643	2,855
Power & Fuel	3,116	3,069	3,345	3,579
Freight & Forwarding	3,203	3,369	3,706	4,002
Employee benefit expenses	871	893	947	1,003
Other Expenses	2,159	2,302	2,555	2,759
EBITDA	**2,628**	**2,391**	**3,083**	**3,539**
Other income	326	240	244	266
PBIDT	2,954	2,631	3,327	3,805
Depreciation	1,498	1,357	1,525	1,796
Interest & Fin Chg.	386	390	359	383
E/o income / (Expense)	-	-	-	-
Pre-tax profit	1,070	884	1,444	1,627
Tax provision	216	195	361	407
RPAT	854	689	1,083	1,220
Minority Interests	27	17	17	17
Associates	-	-	-	-
APAT after EO item	**827**	**672**	**1,066**	**1,203**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Total assets	27,749	28,554	29,741	30,976
Net Block	17,855	19,354	20,272	22,023
CWIP	2,284	2,284	2,284	2,284
Investments	588	588	588	588
Wkg. cap. (excl cash)	738	726	822	897
Cash / Bank balance	582	426	476	476
Misc. Assets	5,702	5,176	5,300	4,708
Capital employed	27,749	28,554	29,741	30,976
Equity capital	38	38	38	38
Reserves	16,359	16,824	17,796	18,906
Minority Interests	110	127	144	161
Borrowings	4,630	4,708	4,782	4,782
Def Tax Liabilities	1,795	1,795	1,795	1,795
Other Liabilities and Provision	4,817	5,062	5,186	5,294

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Profit before tax	1,069	771	1,444	1,627
Depreciation	1,498	1,357	1,525	1,796
Interest Expenses	386	390	359	383
Non-operating/ EO item	-304	-240	-244	-266
Change in W/C	46	12	-96	-75
Income Tax	-54	-195	-361	-407
Operating Cash Flow	2,635	2,095	2,626	3,058
Capital Expenditure	-2,827	-2,885	-2,442	-3,548
Investments	-570	500	-	700
Others	47	240	244	266
Investing Cash Flow	-2,750	-2,145	-2,198	-2,582
Borrowings	1,099	378	74	-
Interest Expenses	-439	-390	-359	-383
Dividend paid	-169	-94	-94	-94
Others	-13	-	-	-
Financing Cash Flow	48	-11	-38	-48
Change in Cash	107	-156	50	-0
Opening Cash	234	341	185	235
Closing Cash	341	185	235	235

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Operational Ratios				
Sales growth	8%	-2%	13%	9%
OPM	18%	17%	19%	20%
Op. profit growth	13%	-9%	29%	15%
COGS / Net sales	61%	61%	60%	59%
Overheads/Net sales	21%	22%	22%	21%
Depreciation / G. block	5.5%	4.5%	4.7%	5.0%
Effective interest rate	8.3%	8.3%	7.5%	8.0%
Efficiency Ratios				
Total Asset Turnover (x)	0.53	0.51	0.55	0.57
Sales/Gross block (x)	0.54	0.48	0.50	0.49
Sales/Net block(x)	0.82	0.75	0.80	0.81
Working capital/Sales (x)	0.21	0.15	0.13	0.09
Valuation Ratios				
P/BV (x)	2.07	2.01	1.90	1.79
PER (x)	41	61	32	28
EV/EBITDA (x)	13.1	14.7	11.4	10.2
EV/Sales (x)	2.3	2.4	2.2	2.0
EV/Tonne $ (x)	89	82	82	83

Source: Company, Axis Research

Prestige Estates Projects Ltd – Launch Approvals are Key; Sales Remain Strong

Prestige Group, established in 1986, is one of India's leading real estate developers with a strong foothold in Bangalore and an expanding presence across major metro cities. With over 38 years of experience, the company has developed a diverse portfolio across all asset classes. It has successfully completed over 300 projects, delivering more than 180 Mn sq. ft.

Industry view

Equal Weight

CMP
1,184

Target Price
1,820

Upside
54%

Key Rationale

- **Launches in Q4FY25**: The management has guided for pre-sales of approximately Rs 24,000 Cr for FY25, assuming all planned launches proceed as expected. In 9MFY25, the company achieved pre-sales of around Rs 10,000 Cr. Management remains confident in meeting its target, contingent on the timely launch of key projects in the remaining quarter, including Prestige Southern Star, Prestige City-Indirapuram, Pallava Gardens, Prestige Suncrest, and Prestige Nautilus. These launches were delayed due to regulatory and approval challenges; however, the company has secured RERA numbers for some projects and anticipates approvals for the remaining ones soon. The upcoming launches have a GDV of Rs 30,000 Cr, with the potential to generate pre-sales of around Rs 20,000 Cr, aligning with management's guidance and offering a potential upside. However, any further delays in approvals could lead to a slight shortfall in pre-sales estimates for FY25.
- **Healthy Booking Run Rate**: Despite the absence of major launches this quarter, the company recorded sales of Rs 3,013 Cr (Rs 2,947 Cr attributable to PEPL), showcasing its ability to generate sales from ongoing inventory. Management remains confident in the demand for its projects and expects ~30% sales on launch for upcoming developments. This should support its booking guidance and reinforce a strong pipeline for future project acquisitions.
- **Annuity Strength:** Although the company is facing challenges with residential launches, its annuity business remains strong. It launched three new projects this quarter with a total developable area of 2.2 Mn sq. ft. (Commercial: 0.28 Mn, Retail: 1.27 Mn, and Hospitality: 0.65 Mn). The company has reiterated its exit rentals guidance of Rs 719 Cr for FY25 and is targeting exit rentals of Rs 3,312 Cr by FY28 for its commercial portfolio. Additionally, it has achieved approximately 90% occupancy in its annuity projects. For retail assets, the company has maintained its guidance of Rs 217 Cr in exit rentals for FY25 and aims to reach Rs 991 Cr by FY28, with its retail spaces currently operating at a 99.2% occupancy rate.
- **Recommendation & Valuation**: We maintain our BUY recommendation on Prestige Estates based on our DCF and NAV premium valuation methodology.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	Net Debt/Equity (%)	EV/EBITDA (X)
FY24	7,877	2,498	13,741	34.3	50	12.2	0.7	23.1
FY25E	7,909	2,478	571	41.5	28.8	4	0.2	24.2
FY26E	10,351	3,299	1,014	57.0	21	5.7	0.4	18.9

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E
Net sales	7,877	7,909	10,351
Growth, %	(5)	0	31
Other operating income	-	-	-
Total income	788	791	1,035
Raw material expenses	(2,692)	(3,454)	(4,465)
Employee expenses	(747)	(554)	(725)
Other Operating expenses	(5,035)	(5,031)	(6,534)
EBITDA (Core)	2,498	2,478	3,299
Growth, %	20	(1)	33
Margin, %	32	31	32
Depreciation	(717)	(787)	(1,030)
EBIT	1,782	1,691	2,269
Growth, %	24	(5)	34
Margin, %	23	21	22
Interest paid	(1,219)	(1,214)	(1,167)
Other Income	1,548	408	386
Share of profits from associates	11	(3)	2
Pre-tax profit	2,122	882	1,491
Tax provided	(494)	(207)	(372)
Profit after tax	1,629	675	1,118
Net Profit	1,374	571	1,014

Source: Company, Axis Research, *P&L numbers are adjusted for split

Balance Sheet (Rs Cr)

As of 31st Mar, Rs Cr	FY24	FY25E	FY26E
Shareholders' funds	11,289	16,787	17,728
Share capital	401	401	401
Reserves and surplus	10,888	16,386	17,328
Non Controlling Interest	512	617	722
Loan funds	11,462	10,608	10,608
Deferred tax liability	614	614	614
Total liabilities & shareholders' funds	**23,877**	**28,626**	**29,672**
Fixed assets (including Investments)	12,085	15,498	18,371
Gross block	11,009	15,208	19,111
New additions	1,670	4,199	3,903
Depreciation	2,393	3,180	4,209
Net block	8,616	12,028	14,901
Net Current Assets	10,694	12,030	10,203
Current assets	35,336	43,644	48,408
Current Liabilities	24,642	31,614	38,204
Current Liabilities	3,844	3,844	3,844
Total assets	**23,877**	**28,626**	**29,672**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
PBT	2,122	886	1,489
Op profit before WC changes	2,552	2,478	3,299
Change in Working Capital	-838	2,050	-589
Cash from operations	**1,714**	**4,527**	**2,709**
Taxes paid	-416	-207	-372
Cash from operating activities	1,297	4,320	2,337
Change in Fixed Assets	-1,907	-4,199	-3,903
Interest/ Dividend received	294	408	386
Others	0	-3	2
Net cash from investing activities	**-2,548**	**-3,794**	**-3,514**
Proceeds from Equity	0	5,000	0
Interest paid	-1,216	-1,214	-1,167
Dividend paid	-60	-72	-72
Net Cash from Financing	**1,969**	**2,860**	**-1,239**
Net cash for the period	718	3,385	-2,416
Cash at end of period	**2,235**	**5,620**	**3,204**

Source: Company, Axis Research

Ratio Analysis (%)

Y/E Mar	FY24	FY25E	FY26E
EPS (INR)	34.3	14.2	25.3
Growth, %	116.8	(58.5)	77.6
DPS (INR)	(1.5)	(1.5)	(1.5)
Return ratios			
Return on assets (%)	6.8	3.6	3.6
Return on equity (%)	12.2	3.4	5.7
Return on capital employed (%)	13.4	7.2	7.8
Liquidity ratios			
Current ratio (x)	1.6	1.5	1.4
Quick ratio (x)	0.5	0.5	0.3
Interest cover (x)	1.5	1.4	1.9
Net debt/Equity (%)	0.7	0.2	0.4
Valuation			
PER (x)	39.8	95.7	53.9
PEG (x) - y-o-y growth	0.3	(1.6)	0.7
Price/Book (x)	4.8	3.3	3.1
EV/Net sales (x)	8.2	7.6	6.0
EV/EBITDA (x)	25.7	24.2	18.9
EV/EBIT (x)	36.1	35.5	27.5

Source: Company, Axis Research

APL Apollo Tubes Ltd – Leading the Structural Steel Tubes Growth Story

APL Apollo Tubes (APT) is a leading structural steel tube brand with an extended distribution network of warehouses and branch offices in 29 cities across the country. The company caters to domestic as well as 20 countries worldwide. Its multi-product offerings include over 2500 varieties of Pre-Galvanized Tubes, Structural Steel Tubes, Galvanized Tubes, MS Black Pipes and Hollow Sections. It has a 4.3 MTPA capacity for structural steel tubes. The Company operates 11 manufacturing facilities. Its vast 3-tier distribution network, comprising over 800 distributors, is spread across India.

Industry view

Equal Weight

CMP
1,525

Target Price
1,750

Upside
15%

Key Rationale

- **Robust Results Despite Macro Headwinds:** APL Apollo reported strong numbers in Q3 FY25 (EBITDA/t at Rs 4,173/t), despite continued macroeconomic headwinds. The company successfully grabbed the market share of its competitors, mainly from the secondary Patra market, as the spread between HRC and Patra narrowed. The general products segment, which competes with the Patra market, posted a marked improvement in the EBITDA/t at ~Rs 2,000/t
- **Guidance of Upward EBITDA/t Trajectory:** For FY26, the EBITDA/t target is Rs 5,000/t. This could be achieved through i) Incremental gain of Rs 400-500/t from operating leverage as capacity increases from 4.3MT to 5MT next year, and ii) Another Rs 400-500/t increment in margin from a higher VAP mix through its Raipur and Dubai plants. In H2CY25, retail demand could pick up, and current discounts would be put on hold.

- **Strategy to Penetrate Newer Markets:** To cater to the East Indian market, two greenfield plants are coming in Siliguri and Gorakhpur and one plant in Bangalore for a lighter section. These three plants will provide an incremental market of ~1.5 MTPA, which is expected to be ramped up over the next 2-3 years. Furthermore, the company is also focusing on international markets with the commencement of the Dubai plant, which is operating at 58% utilisation, and has received orders from Saudi Arabia.
- **Outlook & Valuation:** The company's vision is to expand its capacity to 10 MTPA by FY30, providing a long-term growth tailwind. The current capacity is 4.3MT, which will increase to 5MT by FY26. The residual capex of Rs 500 Cr will bring the total capacity to 5.5 MTPA. We value the company using a Dec'26 EPS estimate, based on a 1-year forward P/E target of 33x, to arrive at our target price of Rs 1,750/share.
- **Key Risks:** a) Steep fall in regional HRC prices compared to domestic HRC prices, leading to traders destocking, b) Macroeconomic risk impacting the demand for structural steel.

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (Rs)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY24	18,119	1,192	732	26.4	56.7	22.2	22.8	35.8
FY25E	20,596	1,143	699	25.2	62.9	17.8	18.7	39.4
FY26E	25,969	1,803	1,186	42.7	37.1	24.6	27.5	24.9
FY27E	31,127	2,226	1,516	54.6	29.0	24.8	28.6	20.1

Source: Company, Axis Securities

Income Statement (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Total Sales	**18,119**	**20,596**	**25,969**	**31,127**
Total Raw Materials	15,617	17,831	22,274	26,675
COGS	16,669	19,121	23,818	28,496
EBITDA	**1,192**	**1,143**	**1,803**	**2,226**
EBITDA per tonne	**4,553**	**3,563**	**4,398**	**4,735**
Depreciation	176	192	205	210
Interest & Finance charges	113	115	101	94
Other Income	75	83	104	125
EBT (as reported)	**978**	**918**	**1,601**	**2,047**
Tax	245	220	415	531
RPAT	**732**	**699**	**1,186**	**1,516**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Equity Share Capital	56	56	56	56
Reserves	3,549	4,192	5,322	6,783
Net worth	3,605	4,248	5,378	6,838
Total loans	1,125	825	725	625
Deferred tax liability (Net)	126	126	126	126
Capital Employed	**5,029**	**5,398**	**6,477**	**7,887**
Net block	3,031	3,289	3,284	3,174
Investments	103	165	208	249
Inventories	1,638	1,636	2,063	2,473
Sundry debtors	139	226	285	341
Cash and cash equivalents	345	539	1,353	2,606
Total Current assets	3,341	3,172	4,659	6,566
Total Current Liabilities	2,157	2,000	2,517	3,016
Net Current assets	1,184	1,172	2,143	3,550
Capital Deployed	**5,029**	**5,398**	**6,477**	**7,887**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
PBT	978	918	1,601	2,047
Depreciation & Amortization	176	192	205	210
Incr/(Decr) in Deferred Tax Liability	-	-	-	-
(Incr)/Decr in Working Capital	124	206	(157)	(155)
Net Cash Flow from Operating	**1,112**	**1,129**	**1,231**	**1,540**
(Incr)/ Decr in Gross PP&E incl Capital Advances	(695)	(450)	(200)	(100)
(Incr)/Decr in Work in Progress	-	-	-	-
(Incr)/Decr in Investments	(5)	(62)	(43)	(41)
(Incr)/Decr in Other Non-Current Assets	-	(61)	(70)	(70)
Cash Flow from Investing	**(916)**	**(464)**	**(160)**	**(38)**
(Decr)/Incr in Borrowings	259	(300)	(100)	(100)
Dividend	(139)	(56)	(56)	(56)
Cash Flow from Financing	**27**	**(471)**	**(257)**	**(249)**
Cash at the Start of the Year	123	345	539	1,353
Cash at the End of the Year	**345**	**539**	**1,353**	**2,606**

Source: Company, Axis Research

Ratio Analysis (%)

Ratios	FY24	FY25E	FY26E	FY27E
Growth (%)				
Sales	12.1	13.7	26.1	19.9
EBITDA	16.7	-4.1	57.8	23.4
APAT	14.1	-4.6	69.7	27.9
Profitability (%)				
EBITDA Margin	6.6	5.5	6.9	7.2
Adj. Net Profit Margin	4.0	3.4	4.6	4.9
ROCE	22.8	18.7	27.5	28.6
ROE	22.2	17.8	24.6	24.8
Per Share Data (Rs.)				
AEPS	26.4	25.2	42.7	54.6
Reported CEPS	32.9	31.7	50.5	62.7
BVPS	129.9	153.0	193.8	246.4
Valuations (x)				
PER (x)	56.7	63.3	37.3	29.1
PEG (x)	4.0	-13.7	0.5	1.0
P/BV (x)	11.5	10.4	8.2	6.5
EV/EBITDA (x)	35.8	39.4	24.9	20.1
Dividend Yield (%)	0.37%	0.13%	0.13%	0.13%
Turnover days				
Inventory Days	34.1	31.3	28.3	29.1
Debtor Days	2.9	3.3	3.7	3.8
Payable Days	42.4	39.7	34.6	35.4
Gearing Ratio				
D/E	0.3	0.2	0.1	0.1

Source: Company, Axis Research

KALPATARU PROJECTS INTERNATIONAL LTD – T&D & B&F BUSINESS TO DRIVE REVENUE GROWTH

KPIL, founded in 1981, is a prominent specialised EPC company with a strong global presence across 74 countries. The company has established itself as a key player in the international EPC market, leveraging its high-growth and diversified business model to deliver innovative solutions. KPIL consistently focuses on creating sustainable value for diverse stakeholders, reinforcing its reputation as a reliable and forward-looking organisation.

Industry view

Equal Weight

Key Rationale

- **Robust order book:** YTD order inflows stood at Rs 24,853 Cr. As of 31st Mar'25, the company's order book stands at Rs 66,101 Cr. With a strong execution track record and growing opportunities across all segments, the company is well-positioned for steady revenue growth, projecting a 16% CAGR from FY24 to FY27.
- **EBITDA margins to improve:** This assessment highlights the temporary margin pressures faced by the company due to external factors; however, the strong order book composition and efficiency-driven initiatives are expected to support margin recovery. The projected 19%/31% CAGR in EBITDA/PAT over FY24-27E underscores the company's growth trajectory.
- **Reduction of stress in water segment:** The sluggish performance in the water business has weighed on overall growth, with Rs 1,000 Cr infused into the segment during 9MFY25. Slow collections from JJM projects have been a key challenge; however, the recent realisation of over Rs 240 Cr from January 2025 onward, along with an anticipated Rs 500-700 Cr collection in Q4FY25 or Q1FY26, signals an improving cash flow. Furthermore, the Union Budget's commitment to 100% tap water coverage and increased funding for FY25-26 should drive faster collections and execution, supporting overall business momentum.
- **Outlook:** The company is well-positioned to benefit from a robust order book, favourable sectoral tailwinds in both domestic and international T&D and B&F segments, improved performance of its international subsidiaries, supportive government initiatives, and expected margin improvements. It is projected to deliver a CAGR of 16%, 19%, and 31% over FY24-27E.
- **Valuation:** The stock is currently trading at 18x/14x FY26E/27E EPS. We maintain our BUY rating on the stock with a TP of Rs 1,350/share, implying an upside of 38% from the CMP.
- **Key risks:** a) Delay in collections may impact revenue growth; b) A rise in commodity prices may impact margins.

CMP
975

Target Price
1,350

Upside
39%

Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY24	19,626	1,693	516	31.9	31	11.5	10.4%	16.1%
FY25E	22,116	1,963	612	35.8	27	9.1	10.3%	17.7%
FY26E	26,290	2,419	909	53.3	18	7.3	12.9%	19.5%
FY27E	30,920	2,845	1,151	67.4	14	6	14.5%	21.6%

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	**19,626**	**22,116**	**26,290**	**30,920**
Other operating income	0	0	0	0
Total income	19,626	22,116	26,290	30,920
Net RM	8,205	8,771	10,884	12,801
Contribution (%)	*58.2%*	*60.3%*	*58.6%*	*58.6%*
Other Expenses	9,793	11,452	13,066	15,367
Operating Profit	**1,629**	**1,893**	**2,340**	**2,752**
Other income	64	70	79	93
PBIDT	**1,693**	**1,963**	**2,419**	**2,845**
Depreciation	473	481	577	627
Interest & Fin Chg.	518	596	578	618
E/o income / (Expense)	0	0	0	0
Share of Profit from Associates	0	0	0	0
Pre-tax profit	**701**	**887**	**1,263**	**1,599**
Tax provision	185	275	354	448
PAT	516	612	909	1,151

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Capital Applied	**7,659**	**9,084**	**9,807**	**10,771**
Net Block	2,970	3,040	2,962	2,835
Other non-current assets	788	788	788	788
Wkg. cap. (excl cash)	1,850	2,270	2,907	3,607
Cash / Bank balance	1,032	1,968	2,130	2,522
Misc Assets	1,019	1,019	1,019	1,019
Capital employed	**7,659**	**9,084**	**9,807**	**10,772**
Equity capital	32	34.2	34.2	34.2
Reserves	5,106	6,579	7,352	8,366
Minority Interests	(25)	(25)	(25)	(25)
Borrowings	1,448	1,398	1,348	1,298
Other non-current liab.	1,099	1,099	1,099	1,099

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
PAT	516	612	909	1151
Depreciation	473	481	577	627
Interest Expense	518	596	578	618
Changes in Working Capital	(635)	(419)	(638)	(700)
Others	253	205	275	355
Tax Paid	(282)	(275)	(354)	(448)
Net Cash from Operations	**843**	**1199**	**1348**	**1604**
Capex	(352)	(550)	(500)	(500)
Others	89	70	79	93
Net Cash from Investing	**(263)**	**(480)**	**(421)**	**(407)**
Borrowings	137	(50)	(50)	(50)
Interest Expense	(504)	(596)	(578)	(618)
Dividend paid	(114)	(137)	(137)	(137)
Others	182	0	0	0
Net Cash from Financing	**(524)**	**218**	**(765)**	**(805)**
Net Change in Cash	**56**	**936**	**162**	**392**
Opening cash	956	1009	1945	2107
Closing cash	**1009**	**1945**	**2107**	**2500**
FCF	492	649	848	1104

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Sales growth	**20.0%**	**13%**	**19%**	**18%**
OPM	**8.3%**	**8.6%**	**8.9%**	**8.9%**
Oper. profit growth	19%	16%	24%	18%
COGS / Net sales	42%	40%	41%	41%
Overheads/Net sales	50%	52%	50%	50%
Depreciation / G. block	10%	9%	10%	10%
Effective interest rate	13.6%	15.3%	15.1%	16.3%
Net working capital / Net sales	0.21	0.21	0.19	0.19
Net sales / Gr block (x)	4.2	4.2	4.6	4.9
RoCE	**16%**	**18%**	**19%**	**22%**
Debt/equity (x)	0.8	0.6	0.5	0.4
Effective tax rate	26.4%	31.0%	28.0%	28.0%
RoE	**10%**	**10%**	**13%**	**14%**
Payout ratio (Div/NP)	22.0%	22%	15%	12%
EPS (Rs.)	**31.9**	**35.8**	**53.3**	**67.4**
EPS Growth	18.6%	12.4%	48.7%	26.6%
CEPS (Rs.)	61.1	64.0	87.1	104.1
DPS (Rs.)	7.0	8.0	8.0	8.0

Source: Company, Axis Research

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks, and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

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