TOP PICKS

August 2025

AXIS SECURITIES

Macro & Earnings will Continue to Drive the Market Fundamentals

Axis Top Picks Basket delivered a return of 6% in the last six months against the 5.5% returns posted by Nifty 50 over the same period. Amidst a highly volatile month of Jul'25, which witnessed notably mixed performance across sectors, market caps, and style indices, the Axis Top Picks basket declined by 2.7% MoM but managed to beat the benchmark Nifty 50, which declined by 2.9% over the same period. It gives us immense joy to share that our Top Picks Basket has delivered an impressive return of 325% since its inception (May'20), which stands well above the 167% return delivered by the NIFTY 50 index over the same period.

Some Pull Back after 4 Consecutive Months of Run-Up: After seeing a run-up for almost 4 months, Jul'25 saw some pull back, led by mixed trends in the first phase of the ongoing earnings season. While companies delivered the results as per the market expectations, they failed to build firm forward-looking guidance in the initial phase. Nonetheless, downgrades have been limited by far. 69% of Nifty 50 companies so far have either beaten the earnings expectations or have been in line with them. Trends in Banks & NBFCs by far are in line with the expectations, with larger banks reporting slower NIM contraction while mid-small banks reporting sharper NIM contraction. The IT sector delivered as per the expectations but did not gain much strength due to the weaker macroeconomic environment in the developed markets. Cement companies showcased resilient performance. On the other side, the FMCG companies delivered muted performance, primarily impacted by the softness in urban demand, driven by heightened competitive intensity, subdued discretionary spending, and a lag in fiscal measures, translating into muted ground consumption. In contrast, rural markets continued to recover at a relatively faster pace.

Tariff Surprise Opens the Window for Negotiation: In a surprise move on the evening of 30th July'25, President Trump announced 25% tariffs on Indian goods starting from 1st Aug'25 and an additional penalty due of buying Defence and Energy from Russia. These tariffs are slightly lower than the earlier announcement of 26% but higher than Indonesia, the Philippines, and Vietnam, which are in the rage of 19-20%. The imposition of a penalty was an additional surprise for the market, as the announced 25% tariffs turned out to be higher than the market expectations of 18-20%. However, the details related to goods and sectors which would not be a part of these tariffs have not been revealed yet. In the coming weeks, the negotiation window is open and based on the behaviour of the last 3-6 months, it could negotiate to the lower levels. Nonetheless Indian market opened on a weaker note on the last working day of July'25 due to this surprise development. But keep in mind that our market had already corrected in July'25 due to mixed earnings in the first half. Even with the negative surprise, the limited downside during the day reflects the resilience of the market and indicates that most of the negatives were already priced in. Buying interest was clearly visible across sectors and market caps, reinforcing underlying investor confidence.

We believe that at this juncture, despite external risks, India's domestic growth trajectory remains intact, with key macroeconomic factors supporting a stronger FY26 compared to FY25. The RBI and government are providing support to the Indian economy through policy measures such as a 50bps CRR cut in Dec'24, 100 bps of rate cut till now, improved bank liquidity, the RBI Dividend, a consumption boost provided in the budget, and an uptick in the government CAPEX spending. So far, the progress of the monsoon is good, and so are the reservoir levels. All eyes are now on the further progress of the monsoon and the festival demand, which is likely to start from the Ganesh Chaturthi festival.

Style and Sector Rotation - A Key to Generating Alpha Moving Forward: Risk-Reward is slowly building towards Mid and Smallcaps. Nonetheless, recovery will be slow and gradual as we progress towards FY26, led by strong earnings expectations, improving domestic liquidity, and stable Indian macros. We believe the market needs to sail through another couple of months smoothly before entering into a concrete direction of growth. As a result, we expect near-term consolidation in the market, with breadth likely remaining narrow in the immediate term. Against this backdrop, our focus remains on growth at a reasonable price, 'quality' stocks, monopolies, market leaders in their respective domains, and domestically-focused sectors and stocks. These, we believe, may outperform the market in the near term. Based on the current developments, we 1) Continue to like and overweight BFSI, Telecom, Consumption, Hospitals, and Interest-rate proxies, 2) Continue to maintain positive view in Retail consumption and selected FMCG play, 3) Prefer certain capex-oriented plays that look attractive at this point in light of the recent price correction as well as reasonable growth visibility in the domestic market in FY26, 4) Maintained cautious stance on export oriented sector due to tariff overhang and macroeconomic uncertainties.

Based on the recent developments, we have made one change to our Top Picks recommendations. This includes the removal of Colgate India due to weaker-than-expected results and the addition of Kirloskar Brothers. Our modifications reflect the expectations of higher growth and margin profile going forward.

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.

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Hereon, the market will closely monitor the global developments around the following events: 1) Developments in the US government's policies and negotiations, 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 than FY25. These are 1) A 50bps CRR cut by the RBI in Dec'24, 2) Consumption boost in the Union Budget, 3) 100 bps of rate cuts by the RBI, 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 would remain the primary driver of earnings growth for Indian corporates moving ahead. The progress of the monsoon, demand trends in the upcoming festival season remain a key watchful.

We maintain our Mar'26 Nifty target at 26,300

In our Mar'25 Top Picks report, we had reduced the Dec'25 Nifty target to 24,600 based on the development of various macroeconomic risks in the market at that time. Since then, the overall sentiment in the market has significantly improved, and tariff-related uncertainty has also reduced to a certain extent. On top of that, the earnings scenario for FY26 is likely to be better than FY25, indicating the continuation of the rally in the Indian equity market. 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 favourable economic structure, rising capex, and the consumption boost from the recent Union Budget, driving 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 FY26/27 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. **In our base case, we maintain our Mar'26 Nifty target at 26,300 by valuing it at 20x on Mar'27 earnings. (Last month, we upgraded our Base case multiple to 20x from 19x earlier, supported by the favourable addition of high PE stocks in the index, in which Jio Financial and Eternal have replaced Britannia and BPCL).**

Bull Case: In the bull case, **we value NIFTY at 21x, translating into a Mar'26 target of 27,600.** 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. 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 Mar'26 target of 22,300. 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. The global market has not seen such elevated interest rates in the recent past. Hence, the chances of going wrong have increased significantly. Nonetheless, the direction of currency, oil prices, and global trade developments will likely put pressure on export-oriented growth in 2025. Moreover, the probability of recession has significantly increased after the imposition of Trump tariffs. These developments will likely bring down the market multiple in the near term. However, based on the recent developments, the chances of this scenario playing out have reduced significantly.

Based on the above themes, we recommend the following stocks:* *HDFC Bank, Bajaj Finance, Shriram Finance, Avenue Supermarts, State Bank of India, Lupin, Hero Motocorp, Max Healthcare, Kirloskar Brothers, Kalpataru Projects, APL Apollo Tubes, Varun Beverages, Bharti Airtel, Prestige Estates, and Sansera Engineering

Axis Securities Top Picks

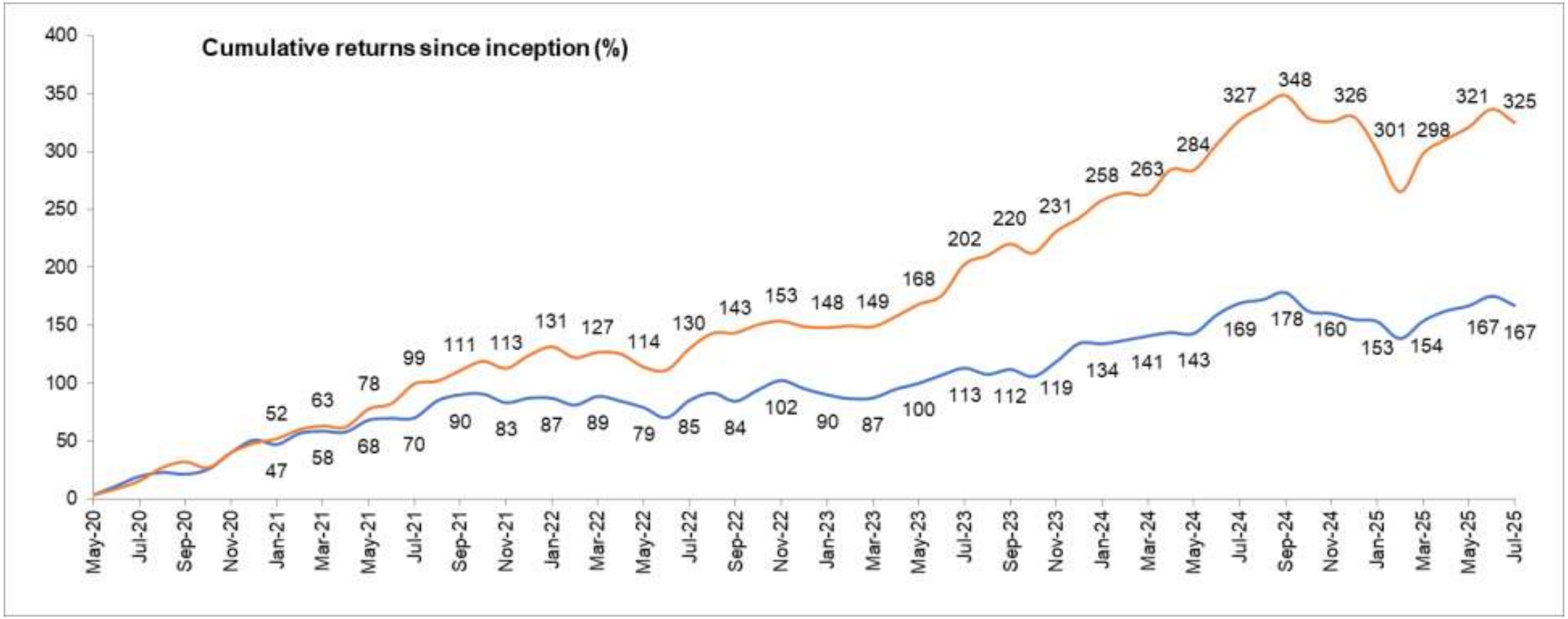
Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M %	TR 3M%	TR 6M%	TR YTD%
Large Cap	Bajaj Finance Ltd.	Financials	881	1,100	25%	27.1	4.8	0.5	-5.9	2.7	12.4	30.0
Large Cap	State Bank of India Ltd	Financials	797	1,025	29%	9.9	1.4	1.9	1.0	8.5	5.3	5.3
Large Cap	Varun Beverages Ltd	Consumer Staples	523	590	13%	47.2	8.0	0.2	-3.9	-15.1	-28.2	-28.2
Large Cap	HDFC Bank Ltd.	Financials	2,018	2,300	14%	20.5	2.8	1.1	4.0	10.7	14.1	14.1
Large Cap	Bharti Airtel Ltd	Communication Services	1,914	2,330	22%	39.4	8.7	0.8	8.3	15.9	26.6	26.6
Large Cap	Shriram Finance Ltd.	Financials	631	750	19%	13.8	2.0	1.2	10.6	7.8	22.9	22.9
Large Cap	Avenue Supermarts Ltd.	Consumer Staples	4,267	4,810	13%	86.6	11.4	NA	9.3	7.1	22.8	22.8
Large Cap	Lupin Ltd	Health Care	1,929	2,500	30%	22.0	4.3	0.6	-1.0	-4.4	-17.7	-17.7
Large Cap	Max Healthcare Institute Ltd.	Health Care	1,246	1,450	16%	66.9	10.3	0.1	13.4	16.3	13.1	13.1
Mid Cap	Hero MotoCorp Ltd.	Consumer Discretionary	4,261	5,030	18%	17.2	4.0	3.9	-1.7	13.8	4.4	4.4
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,627	1,900	17%	48.2	4.1	0.1	13.0	39.9	-2.2	-2.2
Mid Cap	APL Apollo Tubes Ltd.	Materials	1,601	1,950	22%	40.0	9.3	0.3	-4.0	14.0	10.9	10.9
Small Cap	Kirloskar Brothers Ltd	Industrials	1,971	2,330	18%	33.0	6.2	0.4	-16.1	15.5	6.5	-4.2
Small Cap	Sansera Engineering Ltd	Consumer Discretionary	1,335	1,580	18%	26.5	2.7	0.2	-3.2	23.2	5.8	-10.4
Small Cap	Kalpataru Projects International Ltd.	Industrials	1,147	1,350	18%	22.7	2.8	0.7	8.6	26.9	-4.7	-4.7

Source: Company, Axis Securities, CMP as of 31st July 2025; All Target Prices have an investment horizon of over one year.

Top Picks Performance

Axis Top Picks Performance							
	1M	**3M**	**6M**	**1Y**	**3Y***	**4Y***	**Since Inception**
Axis Top Picks Returns	-2.7%	3.5%	6.0%	-0.5%	22.7%	20.8%	324.7%
Nifty Returns	-2.9%	1.8%	5.5%	-0.7%	13.0%	12.0%	167.2%
Alpha	**0.3%**	**1.7%**	**0.5%**	**0.2%**	**9.7%**	**8.9%**	**157.6%**

*CAGR Return



Note: Equal weight basket Performance as of 31th July 2025

Multi-Asset Scorecard

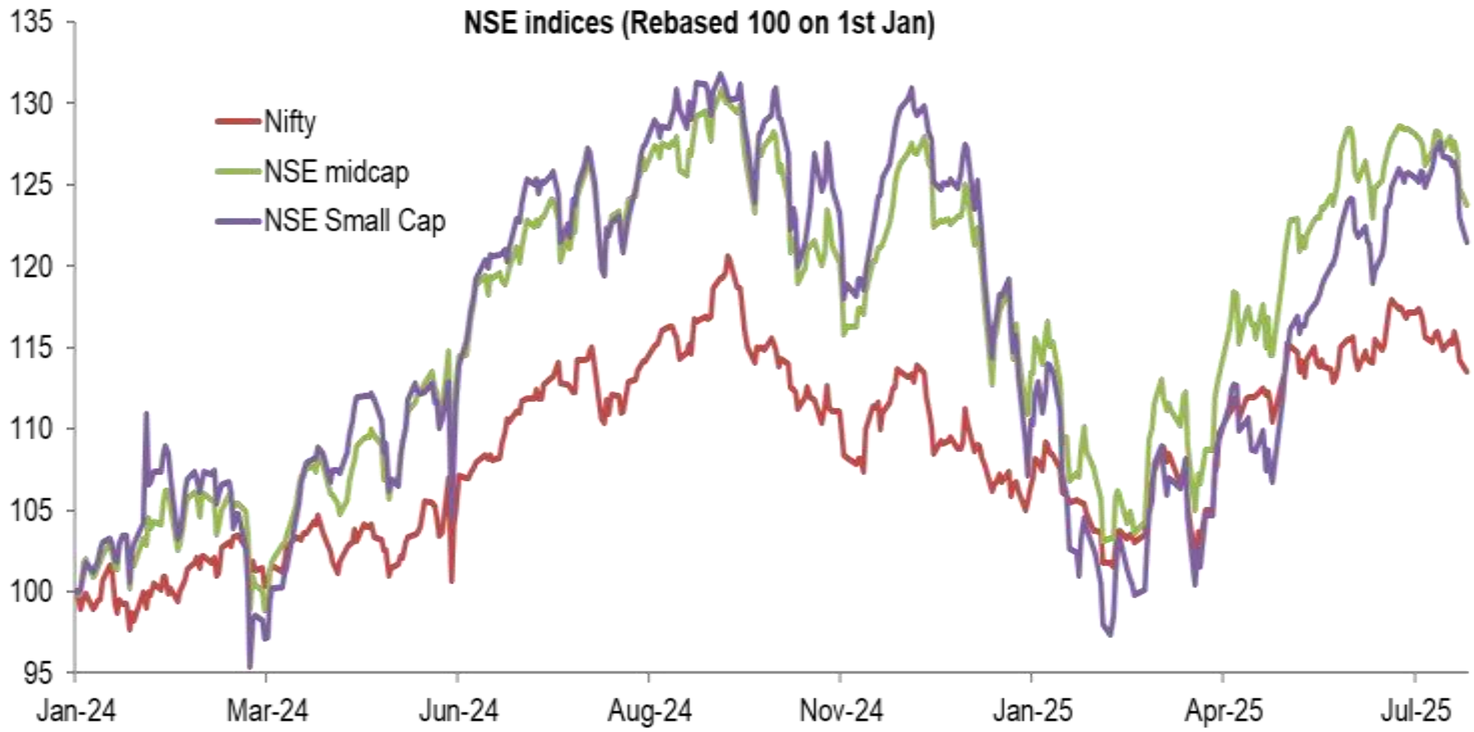
- In 2025, Gold emerged as the top-performing asset class once again.
- Gold led asset performance in 2024 until the end of May, after which the broader market took the lead. However, by Oct'24, Gold reclaimed its position as the top-performing asset class. On a YTD basis, Gold remains the best-performing 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. Nonetheless, recovery is clearly visible since the last 3-4 months.
- 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.
- On a YTD basis, Emerging and developed markets have outperformed the Indian market by a notable margin.

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: 28.9%
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: 12.0%
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%	S&P 500: 8.2%
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%	NSE G Sec composite: 5.6%
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%	Nifty 50: 4.7%
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: 0.35%
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: -4.3%

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

All Three Indices Moving in Tandem; Some Pause Witnessed in Jul'25

After witnessing a correction of 16% from the top till 28th Feb'25, the market rebounded by 12%. The broader market indices, Mid and Small cap, which had corrected by 21% and 25%, respectively, also rebounded by 20%/24% respectively.



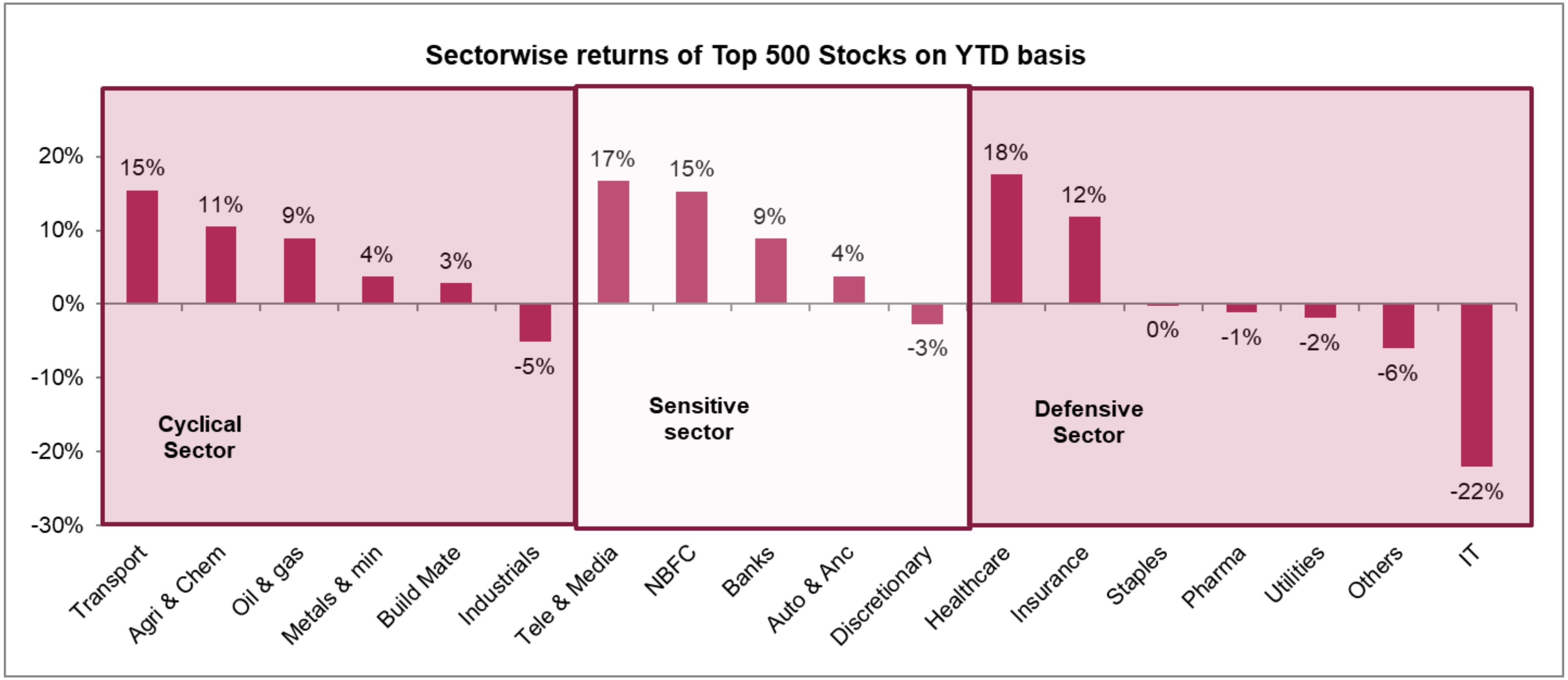
Correction from peak (26th Sep'24) till 28th Feb'25

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

Source: Bloomberg, Axis Securities

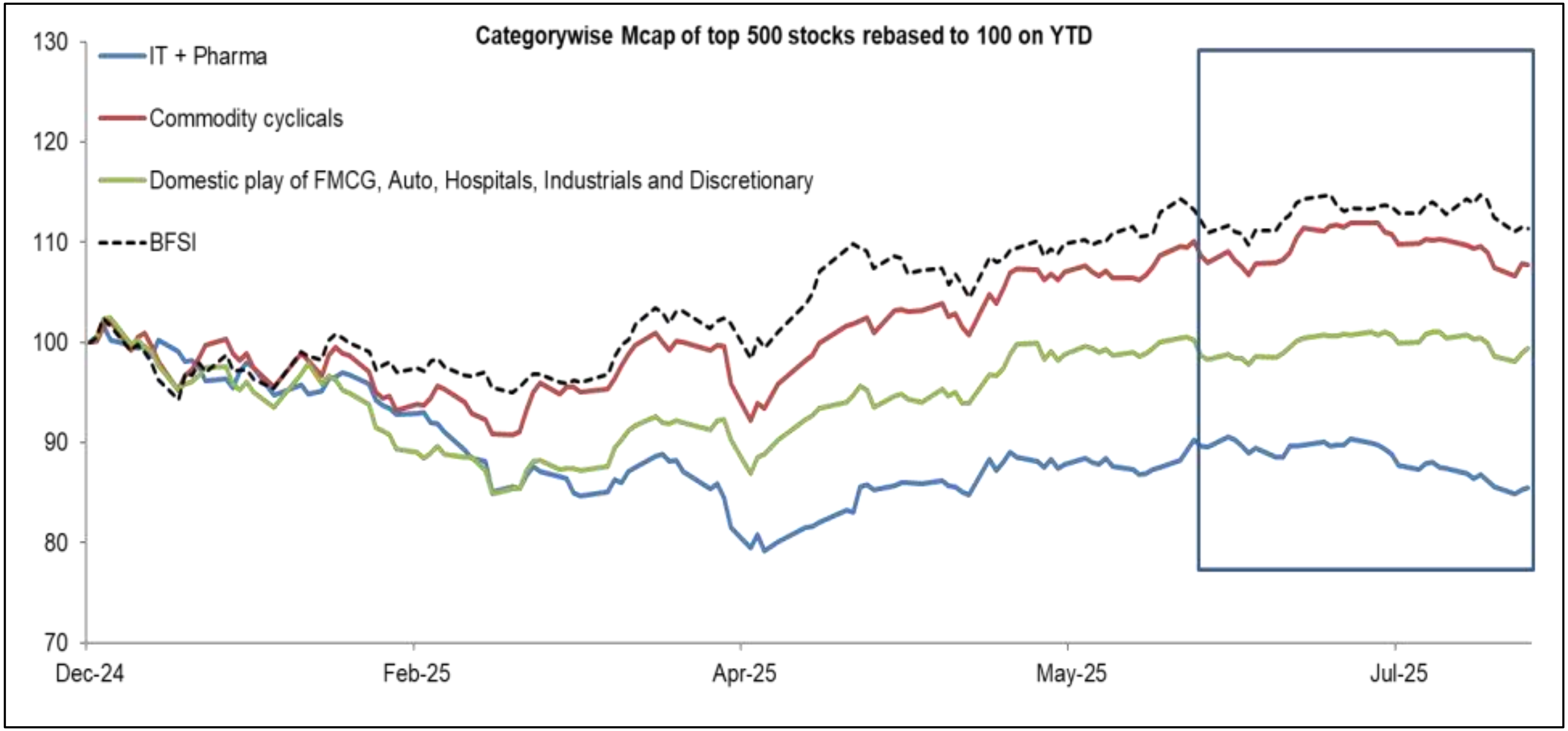
Performance on a YTD basis

- Cyclical and rate-sensitive sectors have outperformed the Defensive sector by a notable margin.
- Market positioning is slightly shifting towards rate-sensitive and domestic-oriented sectors.
- Export-oriented sectors continue to face challenges in the volatile global environment of the Trump tariffs.



Source: Bloomberg, Axis Securities

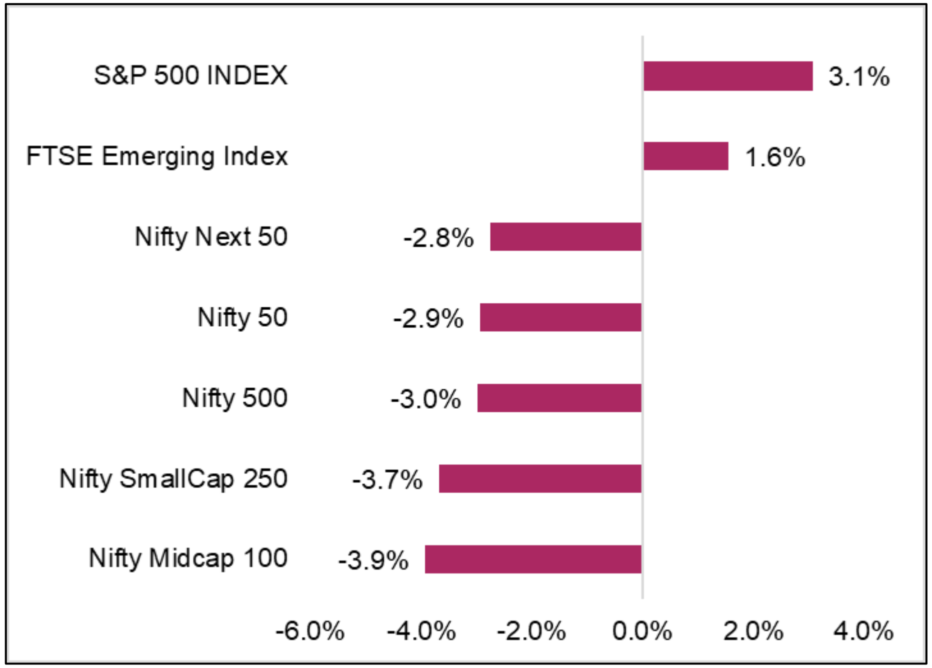
BFSI, Domestic, and Commodity Cyclical Plays Have Outperformed the Export Plays Since Mar'25

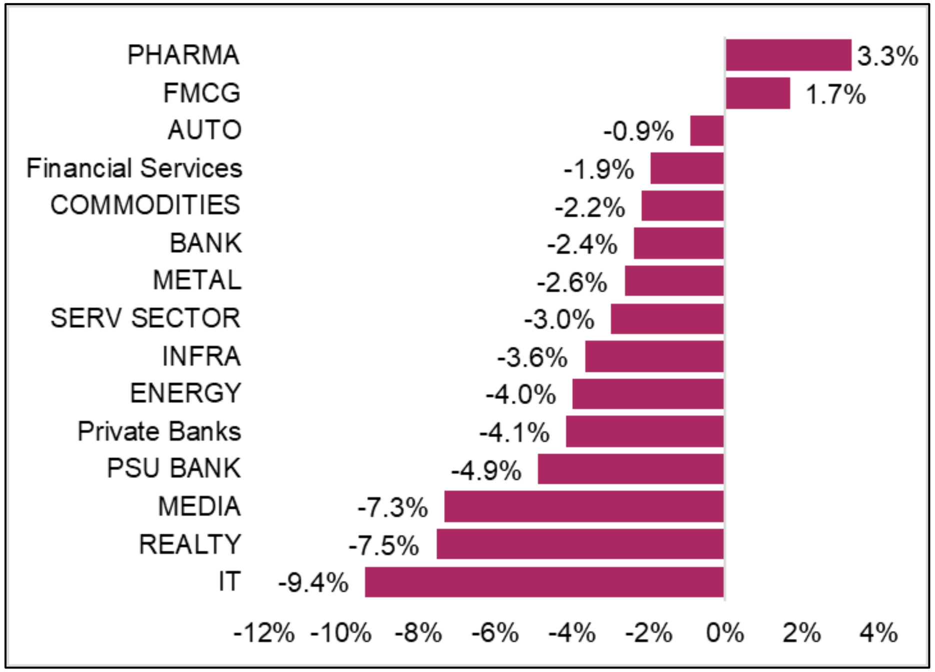


Source: Bloomberg, Axis Securities

What Happened in the Last One Month

- The Indian market underperformed other Emerging Markets and the S&P 500
- Defensive sectors like Pharma and FMCG witnessed a strong comeback in the last month, while IT, media, Reality, and PSU banks showcased some correction.
- After underperforming for a couple of years, the BFSI sector has been witnessing a strong comeback.





Source: Bloomberg, Axis Securities

Quarterly Sector Scorecard

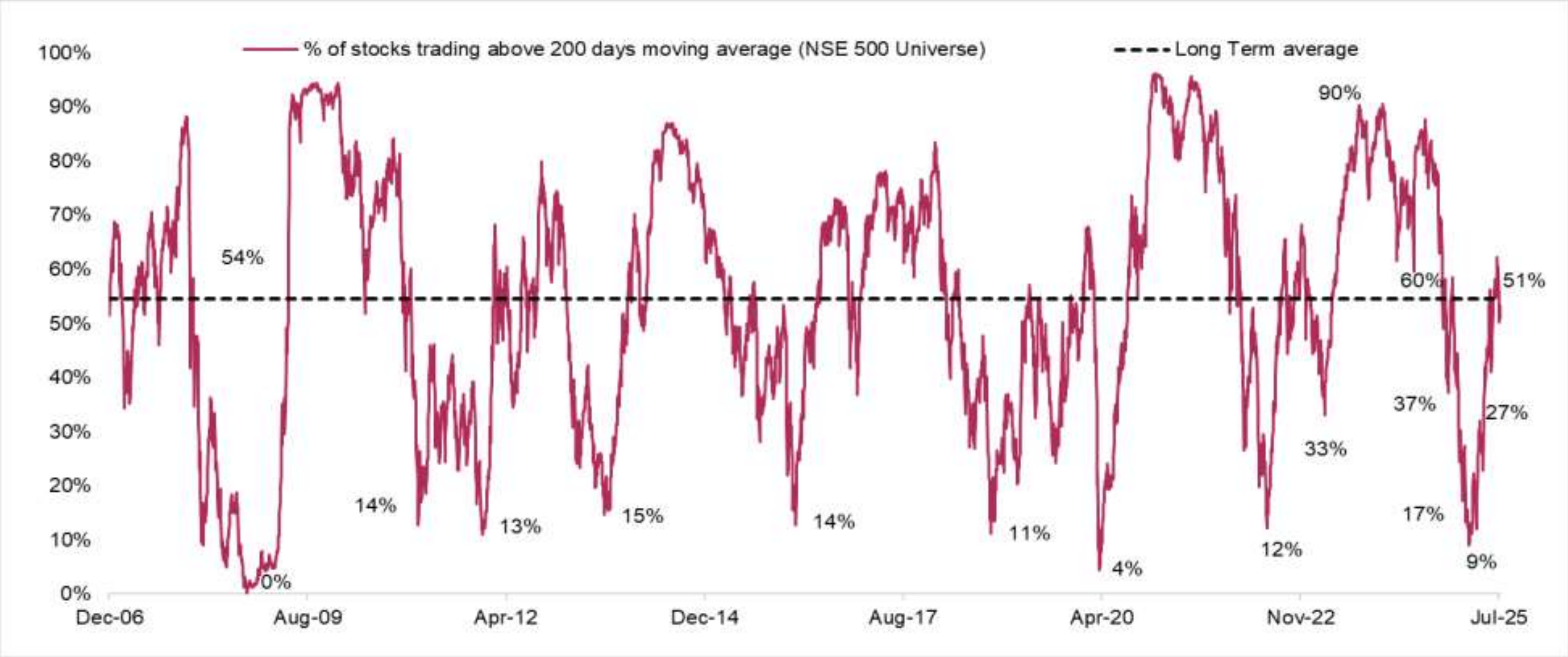
- 38% of the sectors have outperformed the Nifty 50 in the current quarter indicating a narrow rally.
- Dec’24 and Mar’25 quarter’s performance was similar to the Jun’22 (Russia-Ukraine) and Mar’23 (Adani crisis) quarters.
- In the current quarter, the Auto, Pharma, FMCG, and Financials sectors have 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	Mar'25	Jun'25	QTD
% of sectors outperformed the market	56%	50%	75%	38%	25%	63%	69%	50%	44%	56%	44%	50.0%	37.5%	50.0%	38%
Nifty 50	1%	-10%	8%	6%	-4%	11%	2%	11%	3%	7%	8%	-8.4%	-0.5%	8.5%	-2.9%
Nifty Next 50	-3%	-11%	16%	0%	-10%	16%	3%	18%	14%	18%	8%	-11.7%	-7.4%	9.4%	-2.8%
Nifty 500	-1%	-10%	11%	4%	-6%	13%	5%	12%	4%	11%	8%	-7.8%	-4.6%	10.7%	-3.0%
Nifty Midcap 100	-2%	-11%	16%	3%	-5%	19%	13%	14%	4%	15%	9%	-4.9%	-9.6%	15.6%	-3.9%
Nifty SmallCap 250	-4%	-14%	14%	3%	-7%	20%	16%	15%	2%	19%	8%	-4.2%	-14.4%	17.8%	-3.7%
AUTO	-4%	11%	9%	-1%	-3%	24%	7%	15%	15%	17%	8%	-16%	-6%	12.1%	-0.9%
BANK	3%	-8%	16%	11%	-6%	10%	0%	8%	-2%	12%	0%	-4%	1%	11.1%	-2.4%
COMMODITIES	7%	-16%	11%	7%	-7%	9%	8%	19%	8%	9%	8%	-18%	5%	5.5%	-2.2%
Financial Services	-1%	-10%	13%	8%	-5%	11%	-1%	8%	-2%	12%	4%	-4%	6%	8.4%	-1.9%
ENERGY	14%	-3%	2%	1%	-12%	8%	11%	22%	17%	5%	8%	-21%	-3.6%	8.9%	-4.0%
FMCG	-3%	4%	18%	-1%	4%	14%	-1%	10%	-5%	5%	16%	-14%	-5%	2.4%	1.7%
IT	-6%	-23%	-3%	6%	0%	3%	8%	12%	-2%	1%	18%	5%	-16.1%	5.6%	-9.4%
INFRA	1%	-8%	7%	6%	-3%	13%	9%	17%	14%	8%	6%	-12%	0%	11.3%	-3.6%
MEDIA	7%	-20%	9%	-3%	-15%	3%	30%	5%	-25%	13%	6%	-15%	-18.9%	18.9%	-7.3%
METAL	16%	-27%	24%	17%	-18%	13%	10%	17%	3%	18%	5%	-16%	6%	4.9%	-2.6%
PHARMA	-4%	-10%	7%	-3%	-5%	15%	12%	9%	13%	3%	19%	0%	-9.1%	4.3%	3.3%
PSU BANK	8%	-11%	23%	44%	-14%	11%	28%	9%	23%	5%	-8%	-4%	-3.5%	15.0%	-4.9%
Private Banks	2%	-9%	19%	10%	-6%	11%	1%	8%	-5%	12%	1%	-7%	4%	9.8%	-4.1%
REALTY	-4%	-17%	10%	2%	-10%	34%	11%	36%	15%	22%	0%	-4%	-19.3%	15.9%	-7.5%
SERV SECTOR	-1%	-12%	10%	6%	-7%	8%	1%	10%	1%	9%	9%	-4%	-1.3%	8.3%	-3.0%

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

NSE 500 Universe (200-day Moving Average): Maintained around Average Levels

- While the bounce back is clearly visible in the market since the Feb'25 bottom, NSE 500 is still halfway compared to the levels seen in Sep'24. Nonetheless, in the near term, it will continue to be driven by macroeconomic data. Its performance is likely to be range-bound for at least one quarter until signs of moderating inflation and earnings revival become visible. Sector and Style Rotation will likely be visible in the market moving forward.



Source: Bloomberg, Axis Securities

52W-High Analysis

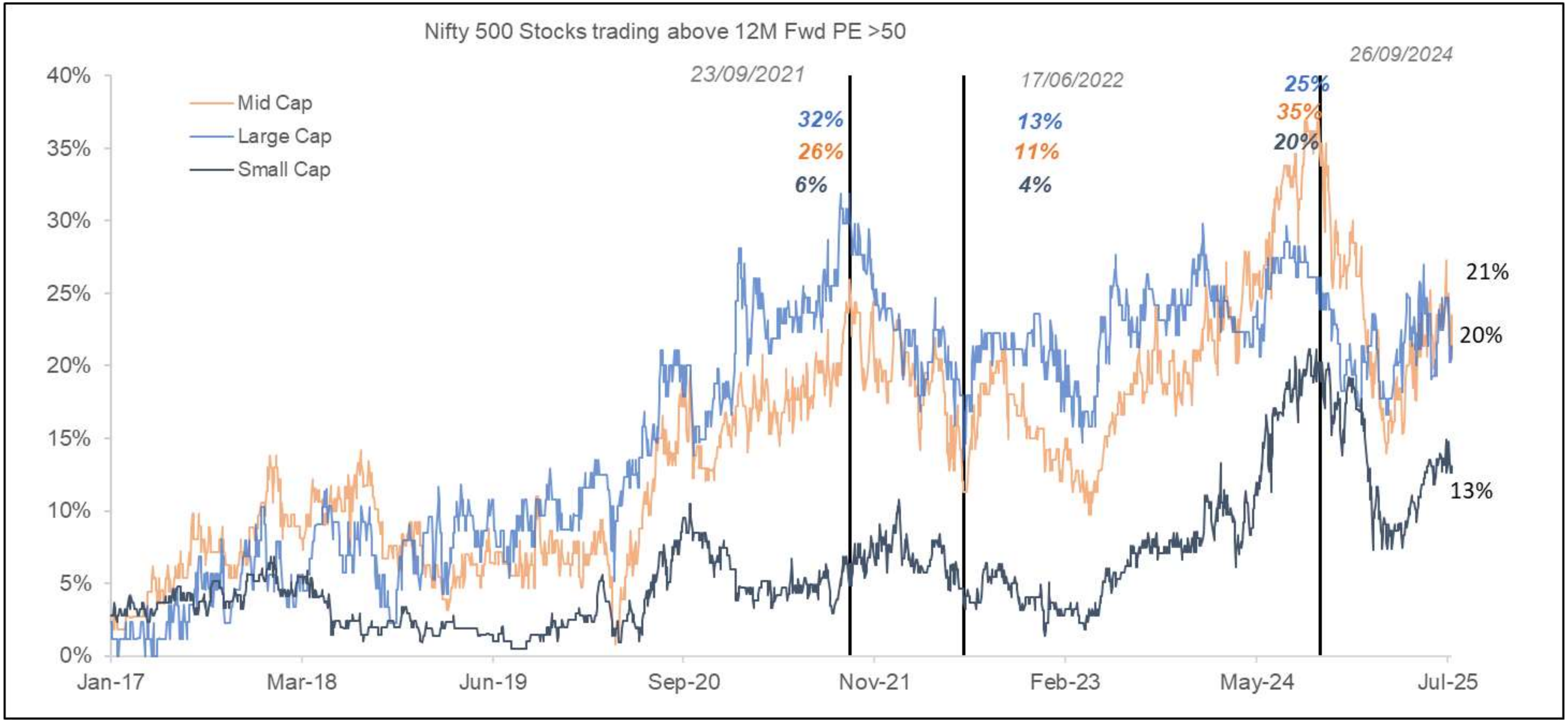
- After a recent fall, 52 stocks are now trading near their 52-week highs, compared to 73 stocks as of last month.
- 248 (~50%) stocks are trading below 20% of their 52-week highs; On 1st April, it was 76%.
- ~26% of the stocks have corrected by over 30% from their 52-week high, indicating that all negative factors are now priced in.
- The Largecap market looks attractive at current levels.
- Out of 55 PSUs, no stock is near its 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	36	5	16	8	7
Auto & Anc	42	6	9	11	16
Banks	28	10	13	1	4
Build Mate	40	5	14	4	17
Discretionary	30	2	11	7	10
Healthcare	49	11	18	13	7
Industrials	46	2	16	18	10
IT	42	2	14	12	14
Metals & min	25	1	14	6	4
NBFC	61	19	27	8	7
Oil & gas	16	1	2	9	4
Others	8	2	2	1	3
Staples	34	4	12	8	10
Tele & Media	15	2	2	2	9
Transport	10	1	3	2	4
tilities	18	0	6	7	5
Total	**500**	**73**	**179**	**117**	**131**
Large cap	**100**	**20**	**37**	**16**	**9**
Mid cap	**150**	**30**	**51**	**31**	**34**
Small cap	**250**	**22**	**90**	**69**	**88**
PSUs	**55**	**5**	**16**	**16**	**17**

Source: Bloomberg, Axis Securities

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

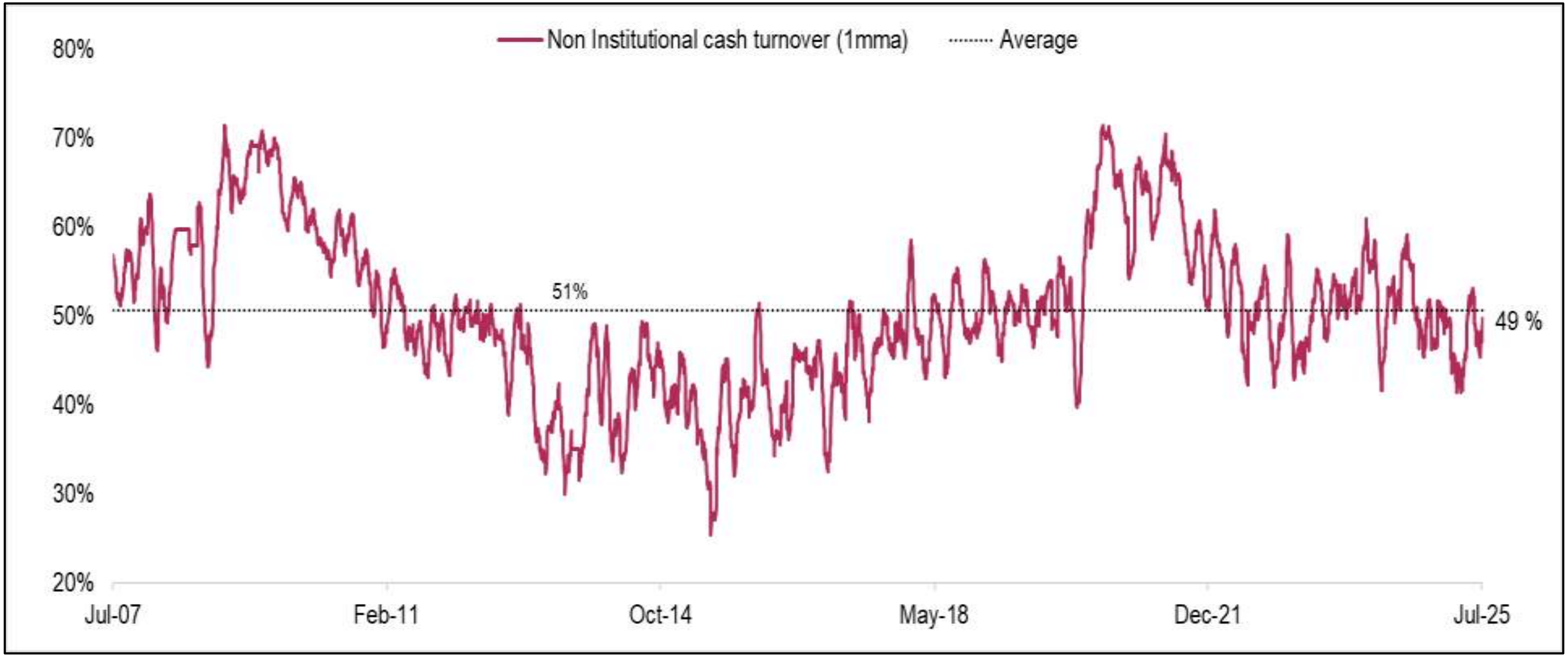
- PE compression was observed across the board during the previous FII selling phase between 09/2021 and 06/2022, when total FII outflows exceeded $34.5 Bn. In the current cycle, cumulative FII selling has reached approximately $23.4 Bn so far.



Source: Refinitiv, Axis Securities

Non-institutional Turnover Remains around Average Levels

- Non-institutional (Retail) turnover is currently near its long-term average of 51%. However, it had fallen below the LTA in the last 2 months 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.

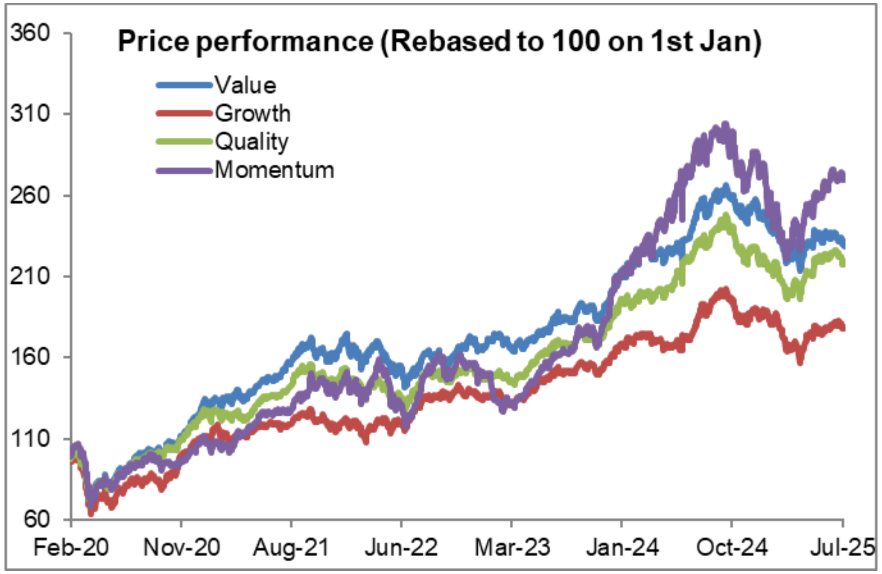


Source: Bloomberg, Axis Securities

Style Indicators

Quality is the Best-Performing Theme on a YTD Basis

- In the last three months, the 'Momentum' and 'Quality' styles have outperformed other styles by notable margins.
- In the last one year, the Growth and Quality theme delivered the highest returns.
- The theme 'Growth at a Reasonable Price' looks attractive because of the robust growth expectation, the cool-off in commodity prices, lowering inflation, rural recovery, and the expectation of margin recovery in the upcoming quarters.
- The selected Value stocks from the PSU, Metals, Commodities, Utility, and Cement sectors are well-placed to deliver superior performance. Furthermore, a structural growth play offering long-term earnings visibility will continue to do well.



Performance (%)				
Perf	Value	Growth	Quality	Momentum
2022	-0.9%	12.4%	-0.9%	7.1%
2023	27.8%	24.8%	32.0%	39.0%
2024	15.6%	9.8%	11.3%	30.0%
YTD	-4.9%	-5.5%	0.6%	-5.3%
1m	-3.4%	-0.5%	-2.6%	-2.1%
3m	-0.8%	2.8%	2.9%	7.1%
6m	-5.3%	-3.0%	0.4%	6.4%
1YR	-11.6%	-7.1%	-6.9%	-8.9%
2YR	23.7%	18.2%	29.6%	63.8%

Source: Bloomberg, Axis Securities , Performance as of 31th Jul 2025

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. Till 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 correction after positive returns for 4 consecutive months. The majority of the indices are in red except FMCG and Pharma.

- **Positive Near-term Outlook:** Domestic-oriented stocks; Telecom; Rural theme; Domestic Cyclical
- **Improving Outlook:** Discretionary; Consumption; BFSI; Industrials; PSUs
- **Mixed Bag:** Pharma; IT
- **Near-term Challenging but Well-placed for Longer-time Horizons:** Metals; Commodity-linked stocks; and Selective Cyclicals (Cement)

National Index						
Index Performance (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
Nifty 50	-2.9%	1.8%	5.4%	13.2%	4.8%	-0.7%
Nifty Next 50	-2.8%	4.0%	6.3%	4.8%	-1.3%	-10.3%
Nifty 500	-3.0%	4.0%	6.2%	12.7%	2.4%	-2.6%
Nifty Midcap 100	-3.9%	6.1%	6.9%	16.8%	0.4%	-2.7%
Nifty SmallCap 250	-3.7%	11.6%	8.2%	16.1%	-3.4%	-4.5%
Sector Index (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
NIFTY AUTO	-0.9%	6.0%	3.4%	2.0%	3.6%	-11.4%
NIFTY BANK	-2.4%	1.6%	12.9%	19.2%	10.0%	8.6%
NIFTY COMMODITIES	-2.2%	2.7%	8.2%	4.5%	7.7%	-9.4%
Nifty Financial Services	-1.9%	2.1%	14.8%	28.0%	13.3%	13.8%
NIFTY ENERGY	-4.0%	2.6%	3.6%	-6.7%	-0.2%	-20.3%
NIFTY FMCG	1.7%	-1.1%	-1.6%	1.2%	-1.7%	-10.1%
NIFTY IT	-9.4%	-1.4%	-17.3%	9.2%	-18.5%	-13.6%
NIFTY INFRA	-3.6%	3.2%	8.6%	10.9%	7.1%	-4.6%
NIFTY MEDIA	-7.3%	7.4%	2.9%	-9.7%	-10.5%	-24.3%
NIFTY METAL	-2.6%	8.2%	10.5%	3.4%	7.3%	-3.1%
NIFTY PHARMA	3.3%	4.6%	6.2%	22.4%	-2.7%	4.6%
NIFTY PSU BANK	-4.9%	4.7%	8.4%	0.8%	4.7%	-7.4%
Nifty Private Banks	-4.1%	-1.3%	11.1%	16.4%	9.3%	5.3%
NIFTY REALTY	-7.5%	3.0%	-1.0%	-6.5%	-13.3%	-16.6%
NIFTY SERV SECTOR	-3.0%	1.8%	6.6%	20.3%	4.2%	4.1%

Source: Bloomberg, Axis Securities, and Performance as of 31th Jul'25

International Index						
Index Performance (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
Shanghai Comp	3.7%	9.0%	9.9%	15.6%	6.6%	21.6%
Bovespa	-3.5%	-0.8%	6.2%	10.0%	11.4%	5.0%
south africa	2.6%	8.1%	17.0%	29.0%	20.8%	20.3%
Korea	5.7%	26.9%	28.9%	21.9%	35.3%	17.1%
Mexico	-0.4%	0.8%	11.8%	6.6%	14.9%	6.5%
Indonesia	8.0%	10.6%	5.3%	5.4%	5.7%	3.2%
Argentina	15.6%	9.8%	-10.1%	45.9%	-9.0%	53.0%
Japan	1.4%	13.9%	3.8%	5.7%	2.9%	5.0%
Hongkong	2.9%	12.0%	22.5%	34.3%	23.5%	42.8%
Philipines	-1.8%	-1.6%	6.7%	-2.1%	-4.2%	-5.5%
Taiwan	5.8%	16.3%	0.1%	10.2%	2.2%	6.1%
Singapore	5.3%	8.9%	8.2%	25.0%	10.2%	20.8%
Thailand	14.0%	3.8%	-5.5%	-7.1%	-11.3%	-5.9%
Veitnam	9.2%	22.5%	18.8%	17.1%	18.6%	20.1%
Dow	0.8%	9.3%	-0.2%	14.9%	4.5%	8.9%
Nasdaq	3.7%	21.1%	7.7%	25.3%	9.4%	20.1%
FTSE 100 INDEX	4.9%	8.2%	5.9%	11.6%	12.4%	9.8%
DAX INDEX	1.5%	7.8%	11.6%	31.8%	21.9%	31.1%
CAC 40 INDEX	2.4%	3.4%	-1.3%	-1.1%	6.3%	4.2%
S&P 500 Index	2.5%	14.3%	5.3%	20.3%	8.2%	15.2%

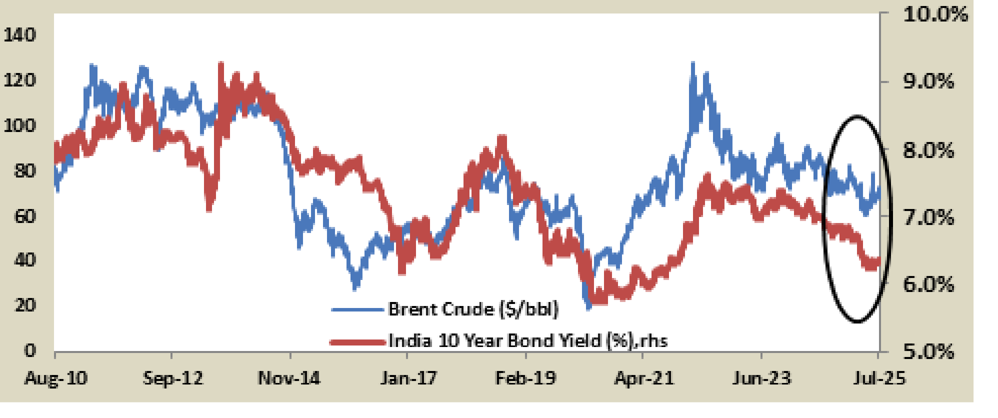
Commodities Saw a Marginal Recovery in The Last One Month

- **Precious Metals:** Gold prices increased by 18% in the last 6 months due to volatility in the equity market.
- **Commodities:** Steel and Zinc prices saw a comeback of 5.6% and 1% respectively in the last one month.
- **Crude:** Brent crude is now trading below $72/bbl and has been highly volatile due to the rising geopolitical risk, ongoing supply-side concerns, and recessionary fear.

Market Indicator	31-07-2025	1m ago	3m ago	04th Jun'24	YTD	1 YR
Brent Crude ($/bbl)	72.8	67.6	63.1	77.5	74.6	80.7
Bond Yield (GOi 10Yr)	6.4	6.3	6.4	7.0	6.8	6.9
USD/INR	87.6	85.8	84.5	83.5	85.6	83.7
India Vix	11.5	12.8	18.2	26.7	14.4	13.3

Commodity Index	1m	3m	6m	04th Jun'24	YTD	1 YR
Gold ($/OZ)	-0.1%	0.3%	17.9%	41.8%	25.7%	34.8%
Steel ($/ton)	5.6%	3.3%	0.0%	-11.2%	-3.1%	-6.9%
Aluminium ($/ton)	0.7%	8.6%	0.5%	0.3%	3.8%	15.9%
Copper ($/ton)	-4.0%	5.9%	8.1%	-1.7%	11.5%	6.0%
Zinc ($/ton)	1.1%	7.8%	3.1%	-2.6%	-6.0%	6.1%

Source: Bloomberg, Axis Securities, Performance as of 31th Jul 25



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

- Even after the recent rally, our market valuation index continues to trade slightly above 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).

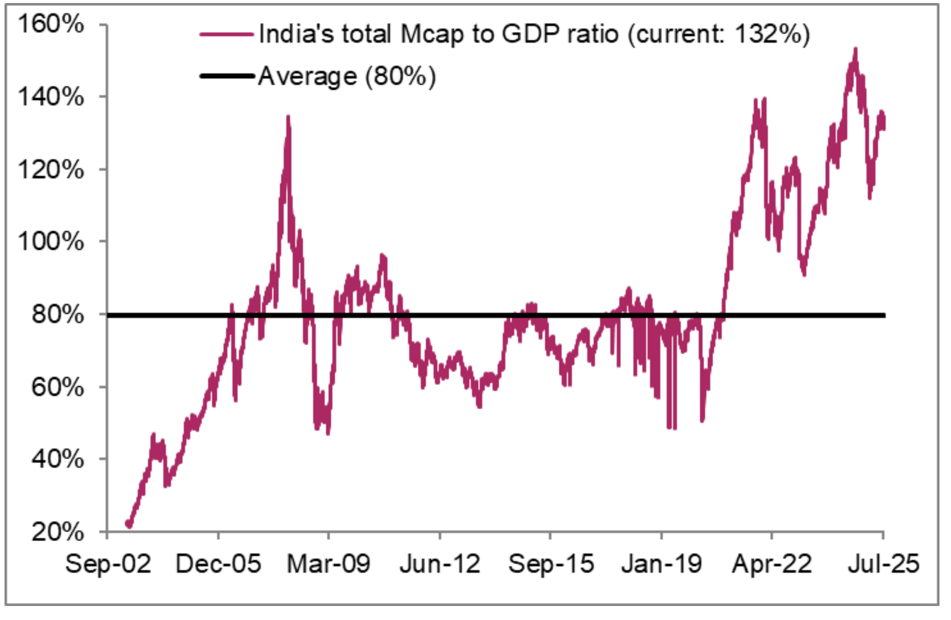
Source: Bloomberg, Axis Securities

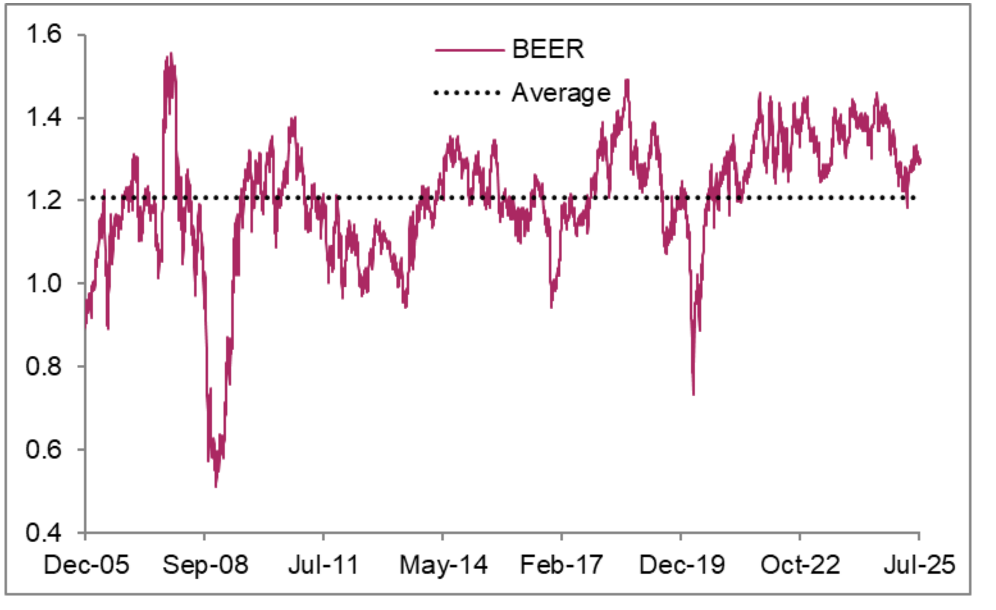
In terms of Mcap to GDP, India Stands Less Expensive Than the US Market

- **BEER:** Indian bond yields have corrected by 45 bps since Nov'24 (the start of the US Fed's Rate cut cycle). A consumption boost, fiscal consolidation in the Union budget, and rate cuts by the RBI indicate some cooling off in bond yields. After a correction in the equity market, the Bond to Equity Earning Yields ratio is now trading near the long-term average.

- **India's Total Market Cap to** GDP is trading at 132%, 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 120% (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.



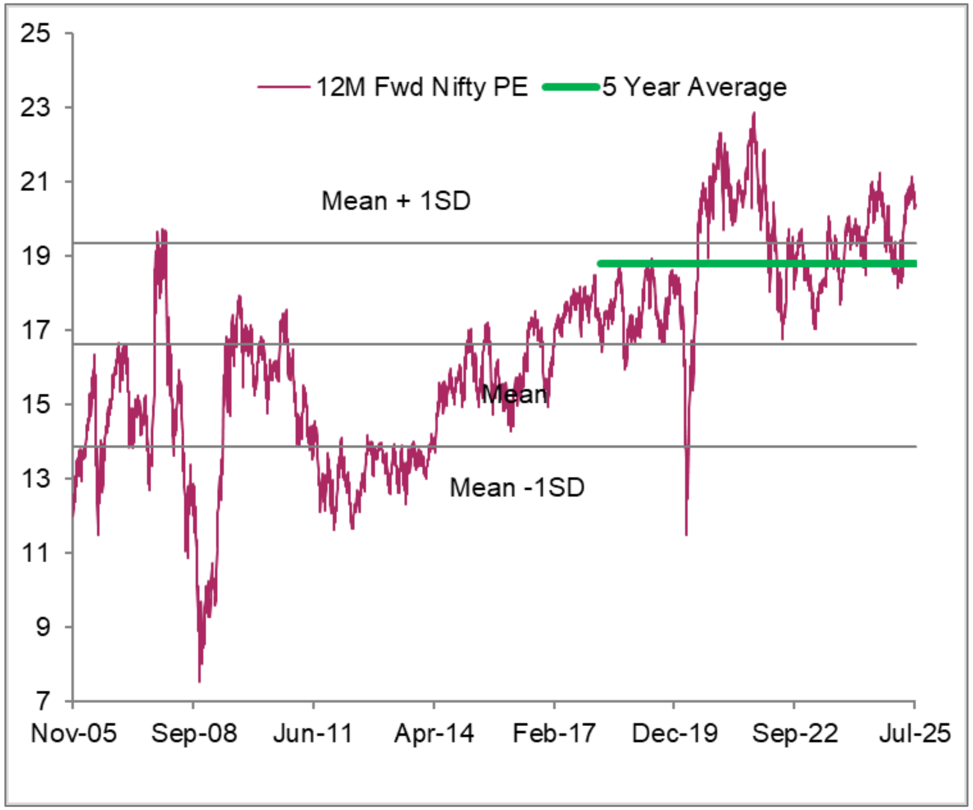


Source: Bloomberg, Axis Securities

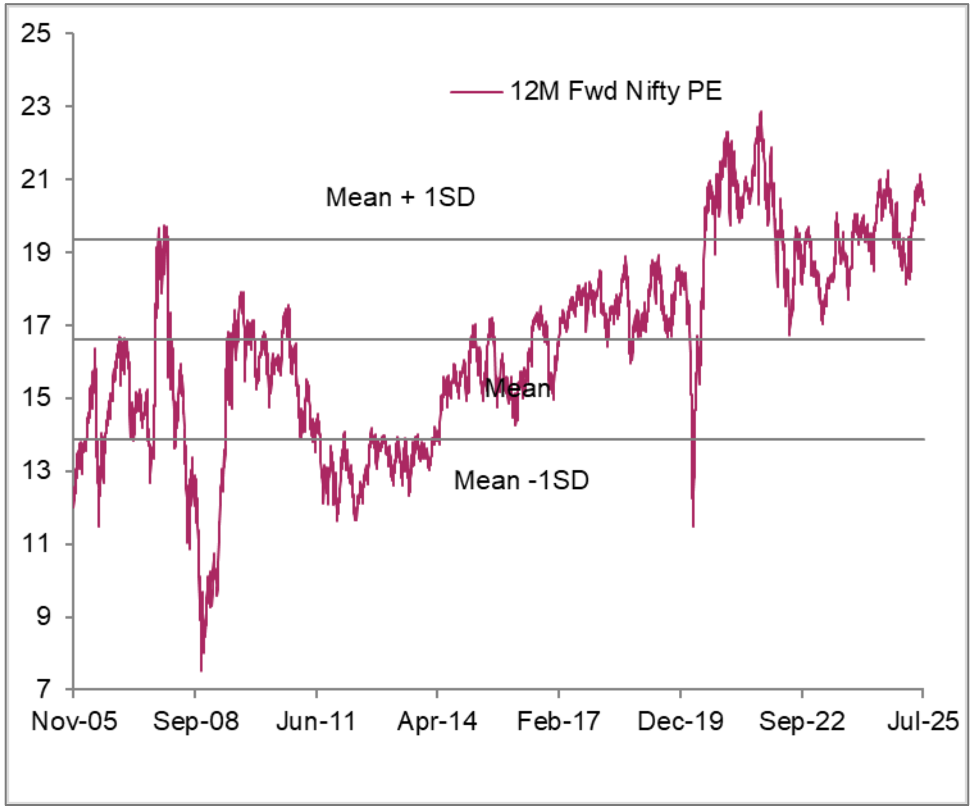
Market Valuations: 12M Fwd PE Now Trading at 20.4x

- NIFTY is currently trading at 20.4x on a 12M Fwd PE, which stands at 1.4 std to its long-term average (16.5x). However, it trades at 1std to its long-term average of a 12M Fwd PB.
- Current valuations provide limited scope for rerating. Style rotation and sector selection are keys to generating alpha as earnings expectations from the broader market remain intact.

Nifty 12M Fwd PE

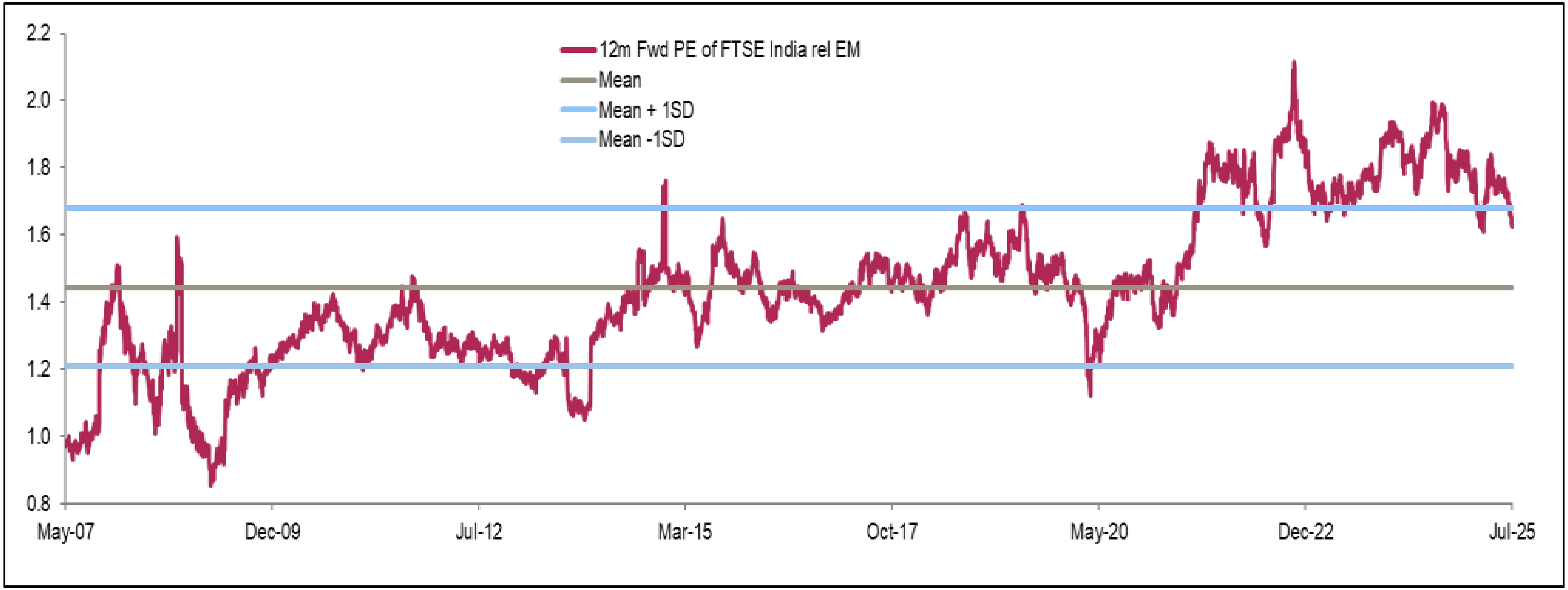


Nifty 12M Fwd PB



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 64% 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 64% 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

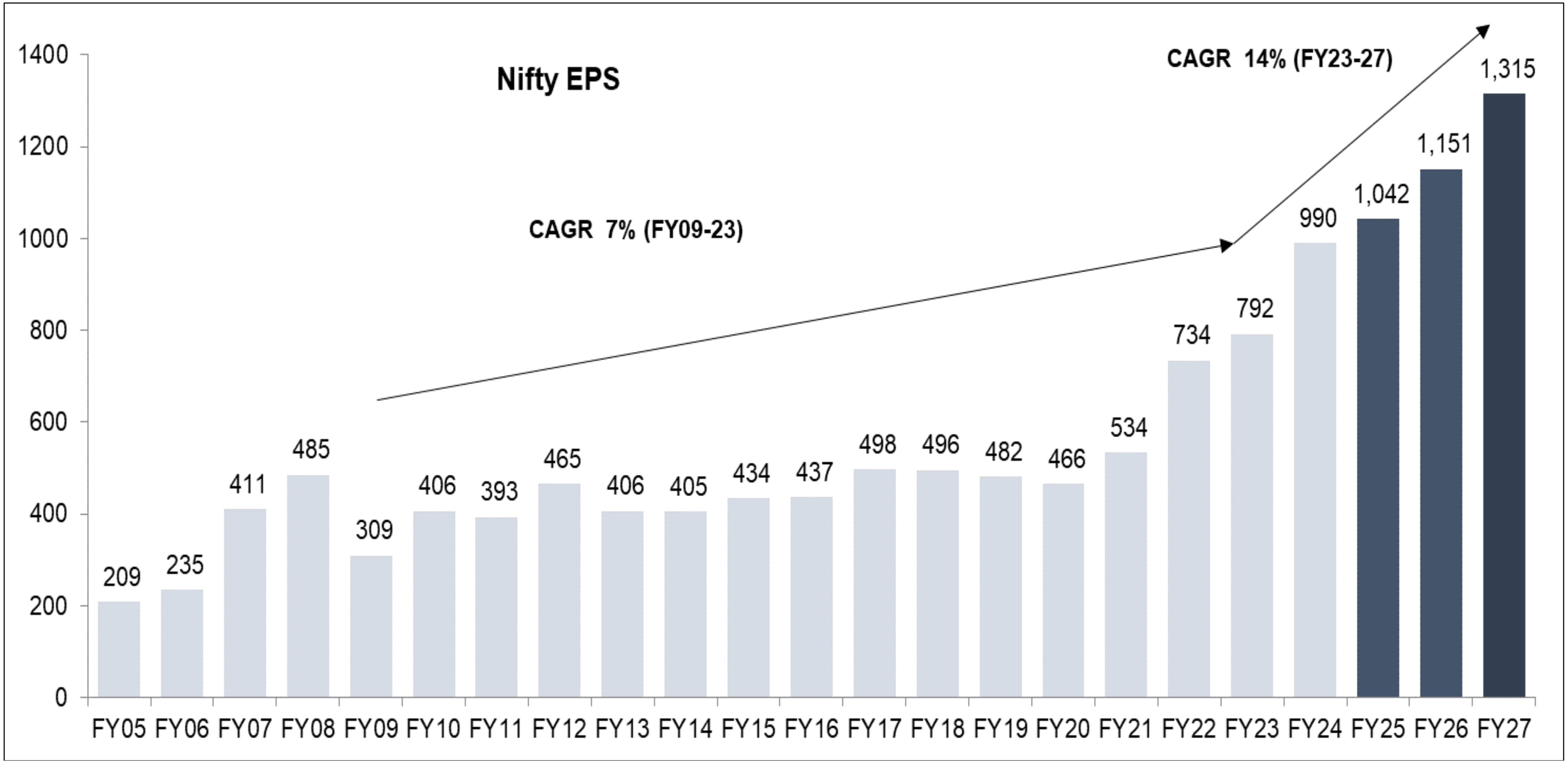
Most of the sectors are still in the Oversold zone as compared to the Sep'24 levels.

	12M fwd PE	Long-term Avg	Valuation as on Sep'24	% down from Sep'24
Banks	16.3	15.9	14.2	14.6%
PSU Banks	8.1	10.1	7.9	2.9%
Service sec	19.8	18.3	20.3	-2.1%
Pharma	29.8	23.8	30.7	-2.8%
Infra	21.8	18.7	22.6	-3.7%
Nifty	**20.4**	**18.2**	**21.3**	**-4.5%**
Energy	14.1	11.6	15.3	-7.4%
Auto	22.4	19.0	24.8	-9.8%
Metal	14.3	11.1	16.2	-11.8%
IT	23.1	20.9	29.2	-20.7%
FMCG	33.3	33.3	43.0	-22.5%
Media	19.4	22.8	25.1	-22.6%
Realty	34.2	26.7	44.8	-23.6%

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 Q4FY25, we foresee FY26/27 NIFTY Earnings at 1151/1315. We have downgraded our FY26/27 expectations by 3.0% and 1%, respectively. The majority of the downgrades are related to the removal of BPCL and Britannia from the Index (replaced by Zomato and Jio Financials). Adjusted to the previous constituents, FY26 Nifty EPS saw a downgrade of 2% only.
- We are closing the FY25 growth rate at 5.3% vs. the growth rate of 25% in FY24.
- Power, Metals, Auto, and Telecom saw upgrades while the Financials, IT and Pharma saw downgrades.
- Overall, FY26 will likely be better than FY25. 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 Q3FY25		Post Q4FY25				Change post Q4FY25	
Sector	FY25	FY26	FY24	FY25	FY26E	FY27E	FY26E	FY27E
Financials	459	520	434	457	493	574	-5.1%	0.4%
IT	112	126	108	111	119	130	-6.1%	-5.0%
Oil & Gas	121	140	141	102	119	133	-15.2%	-14.0%
FMCG	58	66	57	83	64	75	-2.2%	0.4%
Power	41	41	37	38	44	42	7.4%	-8.1%
Industrial	51	60	40	51	62	75	2.8%	2.1%
Pharma	32	35	28	28	33	34	-6.6%	0.2%
Metals	62	76	48	60	80	90	5.2%	2.4%
Automobile	79	88	82	86	92	100	4.6%	-1.4%
Cement	6	8	6	5	8	10	0.8%	4.7%
Telecom	22	28	8	21	30	41	5.5%	7.8%
Total	**1,043**	**1,187**	**990**	**1,042**	**1,151**	**1,315**	**-3.0%**	**-1.0%**
Growth			**25%**	**5.3%**	**10.4%**	**14.2%**		

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 Q4FY25, crossing the mark of 15 Lc Cr. This was led by improved profitability of the Agri & Chemical, Telecom, and staple 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 34% QoQ, led by improvement in Bharti Airtel.

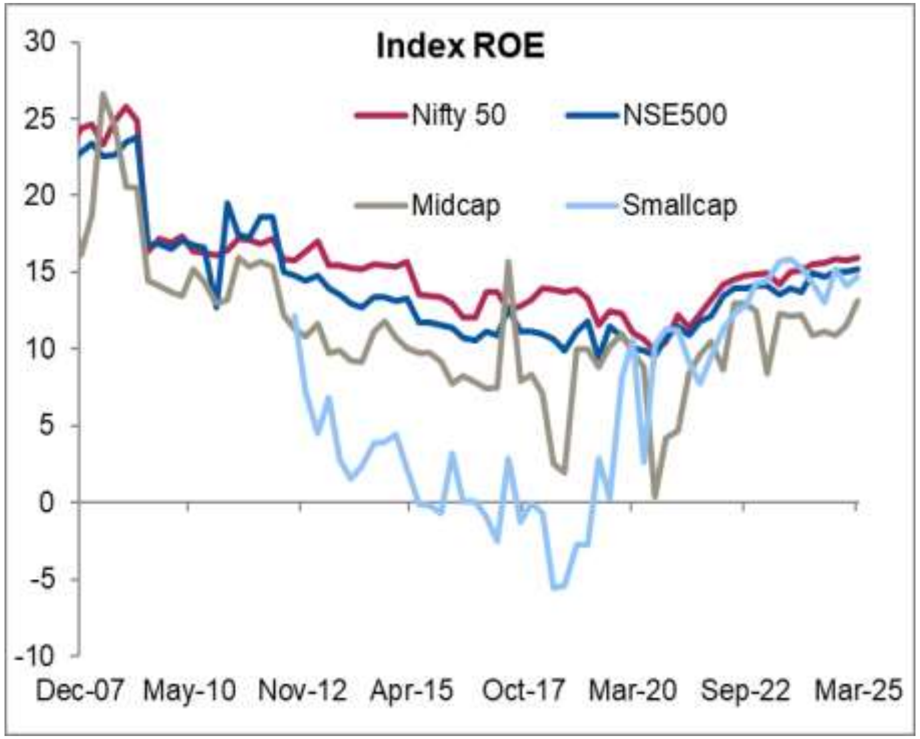
Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)

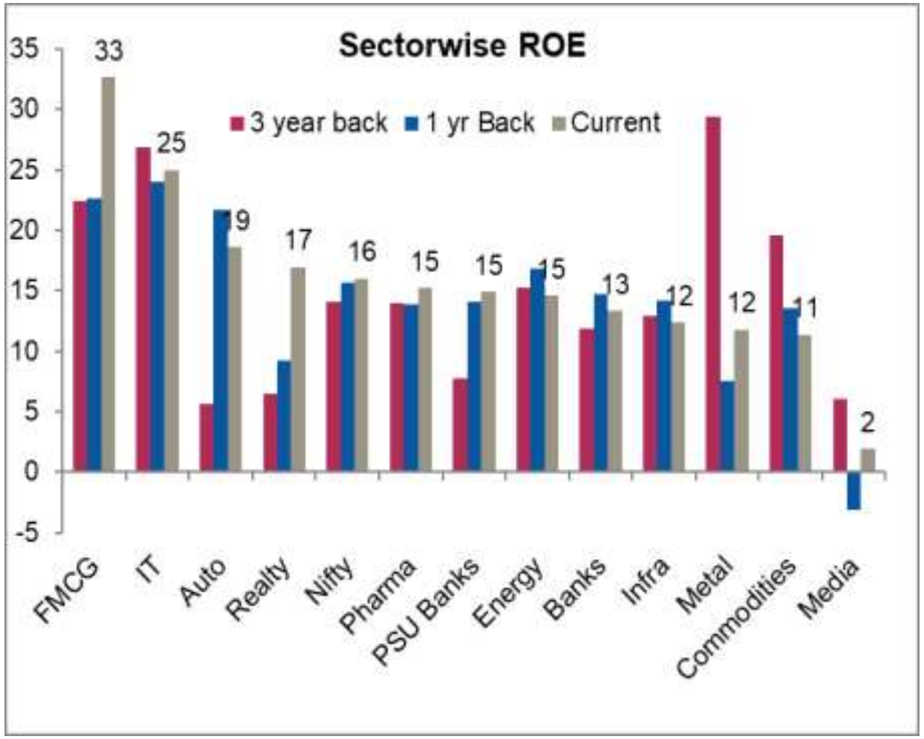
	Q2FY20	Q4FY23	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Growth %
Auto & Anc	36,212	43,028	68,426	70,977	72,945	73,813	74,518	0.5%
Staples	34,044	49,516	48,309	50,298	49,873	50,775	67,963	33.6%
Discretionary	18,283	30,085	30,085	33,752	35,517	37,134	38,922	-1.2%
Financials	85,507	3,87,050	4,91,062	5,12,352	5,32,335	5,55,935	5,67,395	2.0%
IT	81,462	1,14,293	1,22,274	1,24,997	1,29,644	1,33,100	1,32,401	0.4%
Oil & gas	1,00,204	1,28,660	2,29,182	1,99,877	1,73,186	1,69,965	1,67,156	-1.2%
Metals & min	58,266	88,438	87,823	91,399	1,01,569	1,00,859	1,11,763	6.8%
Industrials	31,188	37,174	48,191	50,923	59,526	60,645	67,375	5.4%
Build Mate	22,387	23,965	36,531	37,477	37,743	45,690	37,300	-3.9%
Healthcare	28,133	39,045	50,109	59,490	62,670	64,931	69,096	5.3%
Utilities	27,165	59,631	74,954	71,391	67,802	68,312	72,394	4.5%
Transport	2,462	4,152	13,326	13,307	12,377	11,988	13,443	5.6%
Agri & Chem	12,424	31,842	17,428	16,874	17,128	19,783	22,558	14.2%
Tele & Media	-19,015	12,474	15,212	18,160	22,784	38,279	50,976	23.8%
Others	12,486	16,661	16,277	23,158	29,535	26,194	14,000	32.1%
Total	**5,31,208**	**10,66,015**	**13,52,675**	**13,74,433**	**14,04,634**	**14,57,405**	**15,07,258**	
Ex Oil and Gas	**4,31,004**	**9,37,354**	**11,23,493**	**11,74,556**	**12,31,448**	**12,87,440**	**13,40,102**	
Total Growth		**2%**	**3%**	**2%**	**2%**	**4%**	**4%**	
Growth ex Oil and Gas		**8%**	**4%**	**5%**	**5%**	**5%**	**5%**	

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

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.

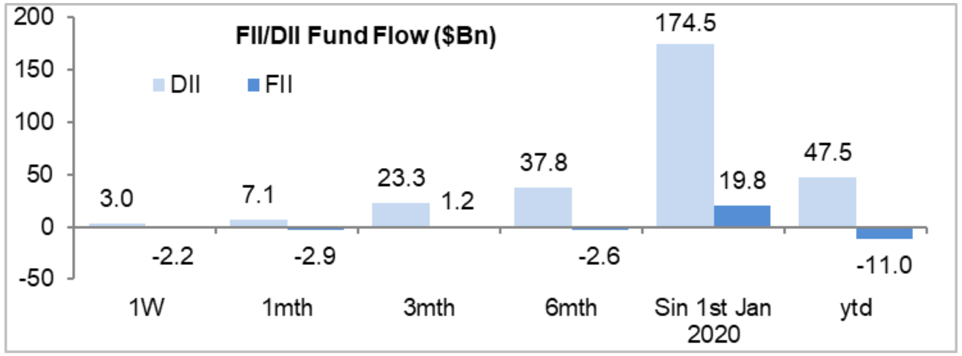


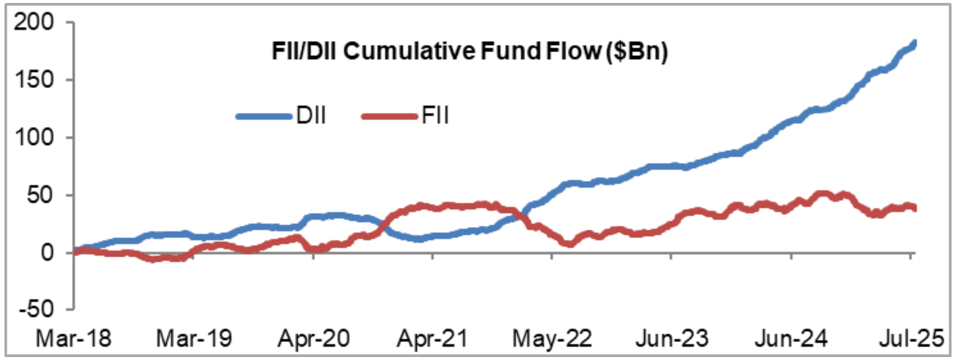


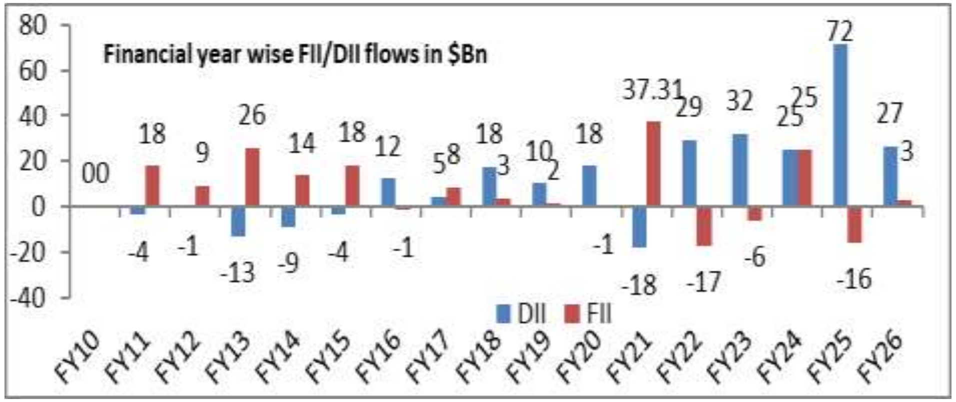
Source: Bloomberg, Axis Securities

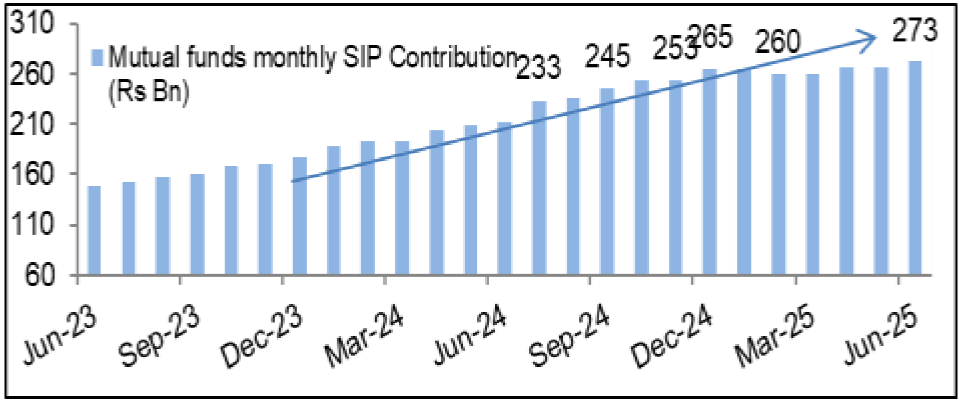
FIIs have Returned Over the Last Three Months

- 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, FIIs have pulled out only $16 Bn, while DIIs have invested $72 Bn in the Indian equity market. Notably, mutual fund SIP contributions crossed Rs 27,000 Cr for the first time in Jun'25.





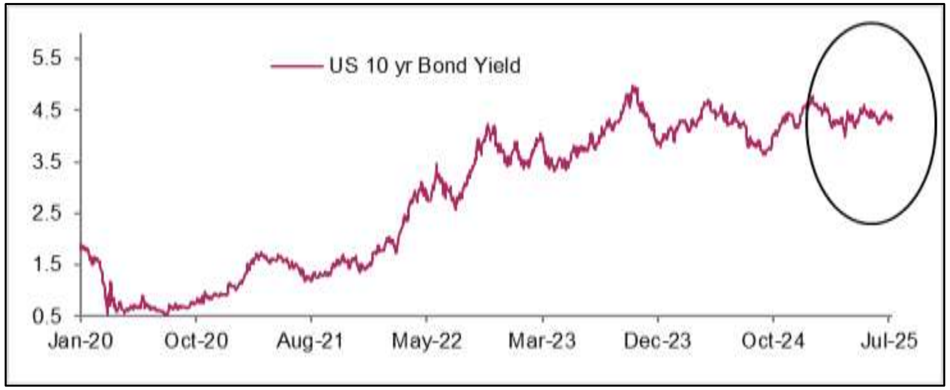


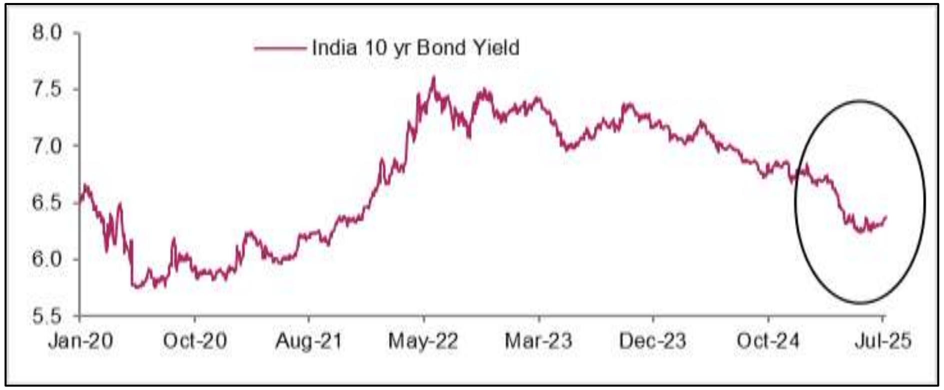


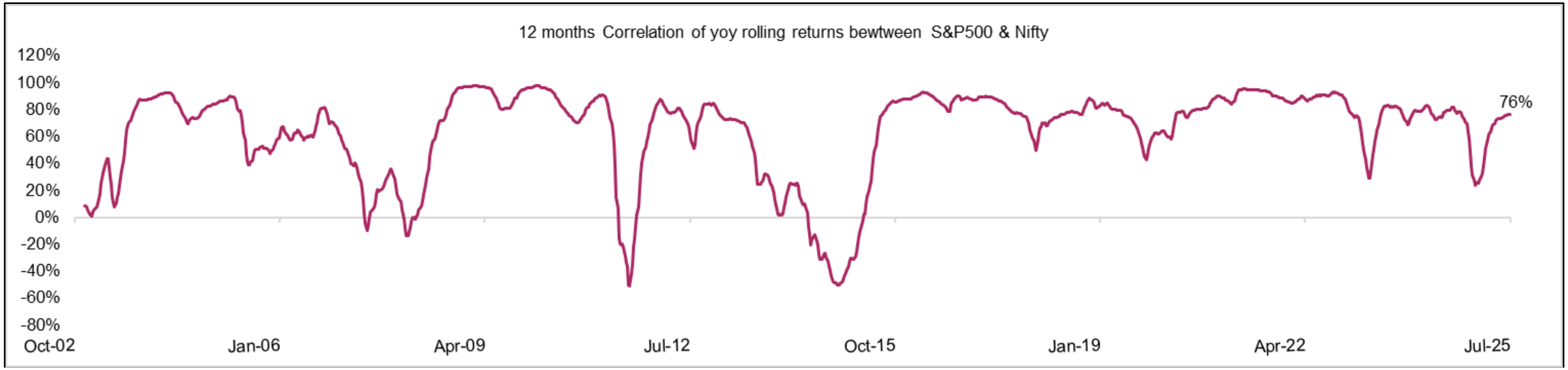
Source: Bloomberg, Axis Securities

Macro Continues to Drive Near-Term Market Fundamentals

- US bond yields have been largely flattish in the last one month and are hovering around 4.3-4.5% levels. Further direction remains critical for the market.
- Indian bond yields saw a correction on a YTD basis and adjusted by 100 bps of the rate cut by the RBI.
- The correlation between the Indian and US markets has now back to 76% levels vs. the 44% seen as of 28th Feb'24.







Source: Bloomberg, Axis Securities

Q1FY26 Earnings Performance: Mixed Performance; Commentaries are Cautiously Optimistic

1. Slight moderation in the earnings momentum: 69% of Nifty companies so far have either beaten the earnings expectations or are in line with them.
2. Q1 trends for banks and NBFCs that have reported their numbers so far have been largely on expected lines. The divergence vs our initial expectations has been on margins, wherein the larger banks reported a slower NIM contraction, while the mid-small banks reported a sharper NIM contraction during the quarter.
3. The broad-based growth in IT on average ranged from nearly flat to mid-single digits (-1% to 1% YoY) in the constant currency terms. Among the Largecap space, Infosys led the growth, followed by Tech Mahindra, HCL, TCS, and Wipro, which showed minimal expansion.
4. Cement companies have reported strong year-on-year growth across volume, revenue, EBITDA, and PAT, primarily driven by higher sales volumes and improved realisations.
5. FMCG also reported a weaker set of numbers. All eyes will now be on H2FY25.

Q1FY26 Performance so far

Beat results: Large Banks, Insurance, Industrials, Cipla

Missed results: Nestle, IT, Kotak Bank, Dr Reddy

Nifty Q1FY26	Earnings			EBITDA			Revenue		
Results Out	Beat	In Line	Miss	Beat	In Line	Miss	Beat	In Line	Miss
32	15	7	10	6	15	9	8	19	5

FY26 EPS

Key Upgrade: SBI Life (2.6%), M&M (2.3%), Reliance Industries (2.3%), Bharat electronics (1.6%)

Key Downgrade: Indusind Bank (-26%), Dr Reddy (6.7%), Kotak Bank (-5.5%), HCL tech (-4%)

BAJAJ FINANCE – PRIORITISING ASSET QUALITY OVER GROWTH; NIMS TO BENEFIT IN RATE CUT CYCLE!

Bajaj Finance (BAF) is one of India's largest NBFCs for consumer finance with a wide product portfolio comprising of loans for two-wheelers, consumer durables, housing, and small businesses among others. The company operates its business through 1,550+ urban and 2,600+ rural lending branches, with over 2.3+ Lc distribution points and caters to a customer base of 100+ Mn.

Industry view

Over Weight

CMP
881

Target Price
1,100

Upside
25%

Key Rationale

- **NIMs to Benefit from Rate Cut**: BAF's margins are expected to improve by ~10 bps in FY26, driven by a sharp decline in CoF. The management expects CoF to settle at 7.6-7.65% in FY25, vs. 7.79% reported in Q1. In order to optimise the CoF, BAF plans to reduce its dependence on Deposits and plans to reduce its mix to 15-16% vs 17-19%. The company has also tweaked its deposit rates sharply (by 70-80 bps), owing to which deposit volumes have declined. Moreover, it will look to increase the share of ECB loans, NCDs, and Bank borrowings, citing better pricing to improve the CoF. We expect BAF's NIMs (calc.) to remain steady, ranging between 8.9-9% over FY26-28E, driven by faster transmission of rate cuts reflecting in CoF.
- **Asset Quality to Improve:** During Q1, credit costs were elevated in 2 and 3-wheeler and MSME businesses (largely unsecured). BAF has taken significant credit actions in both these businesses and expects portfolio growth to remain subdued. It has also restructured standard advances to the tune of Rs 219 Cr and expects another Rs 150 Cr to be restructured in Q2. BAF is observing improvement in early vintages across all portfolios except MSME and hence remains confident of credit cost gradually tapering. While Q2 credit costs could continue to remain flat, improvement is likely over H2. The company is facing challenges across multiple product lines in Karnataka (~11% Mix), with political risk emerging. Resultantly, BAF has hacked volumes in the state by 40-50% in its efforts to trim exposure to the state. We expect credit costs to gradually taper and range between 1.9-2% over FY26-28E.
- **Growth Guidance Maintained; More Clarity in Q2:** Within the portfolio segments, the SME is witnessing emerging signs of stress, with most industries either showing signs of growth contraction or demand slowing down. Thus, BAF has pulled back growth in this segment, and FY26 growth is expected to be significantly lower. Its diversified loan book should help BAF navigate this stress, thereby delivering a consistently strong AUM growth of ~25% CAGR over FY25-28E. Along with the existing segments, the company will also look to scale up LAP, Commercial Vehicles, Tractors, Gold, and Affordable Housing. While the management has maintained its AUM growth guidance of 23-24% for FY26, more clarity would emerge post Q2FY26.
- **Outlook & Valuation:** BAF is set to witness improved margins, supported by faster transmission of the rate cuts in CoF and an optimal borrowing mix. While the majority of the segment continues to deliver healthy growth, emerging stress in the MSME segment could weigh on near-term growth for the company. It continued to adopt a prudent approach by trimming growth and prioritising asset quality. As near-term asset quality challenges subside, we expect credit costs to gravitate to normalised levels, thereby supporting earnings. The re-designation of Mr Rajeev Jain as VC & MD (post resignation of Mr Anup Saha) and BAF having strengthened its top management team would ensure seamless strategy execution.
- **Key Risks:** a) Slowdown in credit growth momentum b) Asset Quality challenges in newer segments

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	NII (Rs Bn)	PPOP (Rs Bn)	PAT (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	36,393	30,028	16,779	27.0	153.0	5.8	4.5	0.4
FY26E	45,238	36,952	20,909	33.7	181.4	4.9	4.5	0.5
FY27E	56,278	45,561	25,804	41.6	215.1	4.1	4.5	0.5
FY28E	70,059	56,419	31,832	51.3	257.3	3.4	4.4	0.5

Source: Company, Axis Securities

Income Statement (Rs Bn)

Y/E March	FY25	FY26E	FY27E	FY28E
Net Interest Income	**36,393**	**45,238**	**56,278**	**70,059**
Other Income	8,561	9,772	11,143	12,839
Total Income	**44,954**	**55,010**	**67,420**	**82,898**
Total Operating Exp	14,926	18,058	21,860	26,479
PPOP	**30,028**	**36,952**	**45,561**	**56,419**
Provisions & Contingencies	7,984	9,126	11,229	14,070
PBT	**22,044**	**27,827**	**34,332**	**42,349**
Provision for Tax	5,300	6,970	8,601	10,611
PAT	**16,779**	**20,909**	**25,804**	**31,832**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E March	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS				
Share capital	124	621	621	621
Reserves and Surplus	96,569	1,14,342	1,36,274	1,63,329
Shareholders' funds	**96,693**	**1,14,963**	**1,36,895**	**1,63,950**
Borrowings	**3,61,249**	**4,52,106**	**5,68,622**	**7,18,810**
Other Liabilities and provisions	8,185	10,136	12,611	15,779
Total liabilities	**4,66,127**	**5,77,205**	**7,18,127**	**8,98,539**
APPLICATION OF FUNDS				
Cash & Bank Balance	13,544	14,462	17,993	22,513
Investments	34,441	40,339	46,597	58,304
Advances	4,07,844	5,04,281	6,31,885	7,91,657
Fixed Assets & Other Assets	10,298	18,122	21,652	26,065
Total assets	**4,66,127**	**5,77,205**	**7,18,127**	**8,98,539**

Source: Company, Axis Research

Valuation Ratios (%)

Y/E March	FY25	FY26E	FY27E	FY28E
EPS	27.0	33.7	41.6	51.3
Earnings growth (%)	*15.6*	*24.6*	*23.4*	*23.4*
BVPS	155.7	185.2	220.5	264.1
Adj. BVPS	153.0	181.4	215.1	257.3
ROAA (%)	4.5	4.5	4.5	4.4
ROAE (%)	19.0	19.7	20.4	21.1
P/E (x)	32.6	26.1	21.2	17.2
P/ABV (x)	5.8	4.9	4.1	3.4
Dividend Yield (%)	0.6	0.6	0.7	0.9
PROFITABILITY & OPERATING EFFICIENCY				
NIM (%)	8.8	8.9	9.0	8.9
Cost/Avg. Asset Ratio (%)	3.5	3.5	3.4	3.3
Cost-Income Ratio (%)	33.2	32.8	32.4	31.9

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E March	FY25	FY26E	FY27E	FY28E
Loan Growth (%)	26.0	23.6	25.3	25.3
Borrowings Growth (%)	23.1	25.2	25.8	26.4
Equity/Assets (%)	23.7	22.8	21.7	20.7
Equity/Advances (%)	20.7	19.9	19.1	18.2
Total Capital Adequacy Ratio	21.9	21.6	20.5	19.5
ASSET QUALITY				
Gross NPLs	3,678	5,017	7,252	8,985
Net NPLs	1,720	2,335	3,370	4,180
Gross NPLs (%)	0.9	1.0	1.1	1.1
Net NPLs (%)	0.4	0.5	0.5	0.5
Coverage Ratio (%)	53.7	54.0	54.0	54.0
Provision/Avg. Loans (%)	2.2	2.0	2.0	2.0
ROAA TREE				
Net Interest Income	8.6	8.7	8.7	8.7
Non-Interest Income	2.0	1.9	1.7	1.6
Operating Cost	3.5	3.5	3.4	3.3
Provisions	1.9	1.7	1.7	1.7
Tax	1.3	1.3	1.3	1.3
ROAA	3.9	4.0	4.0	4.0
Leverage (x)	4.9	4.9	5.1	5.4
ROAE	19.0	19.7	20.4	21.1

Source: Company, Axis Research

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

State Bank of India (SBIN) is the largest public sector bank in terms of assets, deposits, branches, number of customers, 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
797

Target Price
1,025

Upside
29%

Key Rationale

- **Growth buoyancy to continue:** SBI's credit growth in FY25 was a shade below its guidance of 14-16%, primarily owing to a slightly slower growth in the corporate portfolio owing to unusually high pre-repayments from certain large PSUs, while retail growth continued to remain healthy. However, the management has indicated that the corporate loan pipeline continues to remain healthy at Rs 3.4 Lc Cr. Thus, corporate growth in FY26 is expected to be healthy at ~12-13%. The bank has also seen an uptick in Xpress credit portfolio and expects to resume its growth trajectory after a pause in FY25. The change in tax rate structure supporting consumption could support growth in Xpress Credit. SBI has acquired ~6.5 Lc corporate salary banking customers, which can further boost credit demand in the Xpress credit segment. We expect SBI to deliver a steady ~13% CAGR growth over FY25-27E.
- **Working towards maintaining NIMs**: In Q4FY25, SBI's NIMs contracted marginally by 3bps QoQ mainly owing to inch-up in CoF (+4bps QoQ). However, the management is confident of defending NIMs ar ~3% supported by a bulk of the bank's loan book (~70%) which is either MCLR-linked or fixed rate and would reprice with a lag. On the CoF, the bank does not see headroom to revise SA rates downwards, though it will consider tweaking the TD rates. The bank also indicated that the MCLR adjustment would be largely contingent to the incremental CoF/CoD trending downwards. Thus, with ~29% of the book being EBLR-linked, there could be some volatility in margins on a quarterly basis. We expect NIMs (calc.) to remain steady at 3.1-3.2% over FY26-27E.
- **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.
- **Asset Quality trends to remain healthy:** SMA1 remained steady QoQ, while SMA 2 improved by 16bps QoQ. The management has highlighted that the bank's recoveries are mainly from smaller accounts rather than large chunky accounts. SBI has strengthened its recovery process and renewed its focus on smaller accounts. It intends to maintain the quarterly run-rate from retail and smaller value accounts. During Q4FY25, the bank made an additional non-loan related provision (to the tune of Rs 16 Bn) towards the Performance-linked incentive (PLI) scheme and contingent liabilities. **SBI's credit costs are expected to remain steady at 50-60bps over the medium term.**
- **Valuation:** SBI remains well-poised to sustain its growth momentum, supported by its comfortable LDR, which provides it with levers to accelerate credit growth. 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, and (4) Controlled Opex and steady provisions. We expect SBI's RoA/RoE to range between ~1%/14-15% over FY26-27E
- **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	938	611	68.4	399.1	2.0	1.0	0.6
FY25	1,670	1,106	709	79.4	472.3	1.7	1.1	0.5
FY26E	1,810	1,158	704	78.9	537.0	1.5	1.0	0.4
FY27E	2,080	1,348	798	89.4	608.3	1.3	1.0	0.3

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

Y/E MAR	FY24	FY25	FY26E	FY27E
Net Interest Income	**1,599**	**1,670**	**1,810**	**2,080**
Other Income	517	617	632	678
Total Income	**2,116**	**2,286**	**2,442**	**2,758**
Total Operating Exp.	1,178	1,181	1,284	1,411
PPOP	**938**	**1,106**	**1,158**	**1,348**
Provisions & Contingencies	49	153	217	281
Extraordinary Items	71	0	0	0
PBT	**818**	**953**	**941**	**1,067**
Provision for Tax	207	244	237	269
PAT	**611**	**709**	**704**	**798**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E MAR	FY24	FY25	FY26E	FY27E
SOURCES OF FUNDS				
Share capital	9	9	9	9
Reserves and surplus	3,764	4,403	4,966	5,604
Shareholders' funds	**3,772**	**4,412**	**4,975**	**5,613**
Total Deposits	49,161	53,822	59,769	66,531
Total Borrowings	55,136	59,458	67,405	75,141
Other Liabilities, provisions	2,888	2,891	3,277	3,656
Total	**61,797**	**66,761**	**75,656**	**84,409**
APPLICATION OF FUNDS				
Cash & Bank Balance	3,108	3,402	3,898	4,339
Investments	16,713	16,906	19,132	20,632
Advances	37,040	41,633	47,164	53,345
Fixed Assets & Other Assets	4,936	4,819	5,462	6,093
Total assets	**61,797**	**66,761**	**75,656**	**84,409**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25	FY26E	FY27E
VALUATION RATIOS				
EPS	68.4	79.4	78.9	89.4
Earnings Growth (%)	*21.6%*	*16.1%*	*-0.7%*	*13.4%*
BVPS	422.7	494.3	557.4	628.9
Adj. BVPS	399.1	472.3	537.0	608.3
ROAA (%)	1.0	1.1	1.0	1.0
ROAE (%)	17.3	17.3	15.0	15.1
P/E (x)	11.6	10.0	10.1	8.9
P/ABV (x)	2.0	1.7	1.5	1.3
Dividend Yield (%)	1.7	2.0	2.0	2.2
PROFITABILITY				
NIM (%) – Domestic	3.4	3.3	3.2	3.3
NIM (%) - Global	3.3	3.2	3.1	3.2
Cost-Income Ratio	55.7	51.6	52.6	51.1

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY24	FY25	FY26E	FY27E
Loan Growth (%)	15.8	12.4	13.3	13.1
Deposit Growth (%)	11.1	9.5	11.0	11.3
C-D Ratio (%)	75.3	77.4	78.9	80.2
Equity to Assets (%)	6.1	6.6	6.6	6.6
Equity to Loans (%)	10.2	10.6	10.5	10.5
CRAR (%)	14.3	14.2	13.8	13.2
Tier I (%)	11.9	12.0	11.7	11.3
ASSET QUALITY				
Gross NPLs (%)	2.2	1.8	1.5	1.4
Net NPLs (%)	0.6	0.5	0.4	0.3
PCR	75.0	74.4	75.0	75.0
Credit cost	0.1	0.4	0.5	0.6

Source: Company, Axis Research

Varun Beverages – GEARED FOR GROWTH

VBL stands as a major player in the global beverage landscape and is the second-largest franchisee of PepsiCo globally (excluding the US). The company operates across 10 countries under franchise agreements and maintains distribution rights in 4 additional countries. India remains VBL's largest and most critical market, contributing approximately 90% of PepsiCo's beverage volume in the country and accounting for ~73% of its net revenues in CY24. The company's international footprint includes franchise rights in Nepal, Sri Lanka, Morocco, Zambia, Zimbabwe, South Africa, Lesotho, Eswatini and DRC, along with distribution rights in Namibia, Botswana, Mozambique, and Madagascar—underscoring its strategic significance in PepsiCo's global operations.

Industry view

Equal Weight

CMP
523

Target Price
590

Upside
13%

Key Rationale

- **VBL volume dips temporary, however long-term growth remains intact:** In Q2CY25, VBL's consolidated sales declined by 3%yoy. In India, volumes were adversely impacted by abnormally high and unseasonal rainfall throughout the quarter, leading to a 7.1% decline. However, this was partially offset by strong performance in international markets, where volumes grew 15.1%, led by a 16.1% increase in South Africa. Realisation per case at the consolidated level rose by 0.5%, supported by a 6.6% improvement in international markets.
- **Sustained Focus on Energy Drinks, Sting Gold Launch Under Evaluation:** The company remains focused on expanding its high-margin Sting energy drink across a wider retail footprint. The newly launched variant, Sting Gold, introduced in March, has seen a mixed initial response. However, management remains cautious and indicated that consumer traction will be better assessed over the next two quarters, especially given the impact of an unfavourable monsoon this quarter.
- **Strategic Capacity Expansion to drive future growth:** VBL has laid a solid foundation for future growth through timely capacity additions. Four new greenfield plants—Prayagraj, Damtal, Buxar, and Mendipathar—have been commissioned to enhance capacity and logistics efficiency in high-growth, under-penetrated regions. Brownfield expansions are also underway across six key locations. Additionally, commercial production of Cheetos at the Morocco facility began during the June quarter.
- **South Africa Business Performance:** Excluding Zimbabwe, the international business continued to deliver strong performance, led by South Africa. Profitability improved during the quarter, supported by backward integration, favourable sugar prices, and currency tailwinds. Zimbabwe's operations are showing signs of recovery after a temporary setback due to the sugar tax and price-led disruption, with volumes normalising and growth anticipated in the coming quarter. The newly commissioned snacks facility in Morocco began production in June and has received encouraging consumer response. Meanwhile, the Zimbabwe snacks plant is expected to become operational by October–November, with distribution already underway in Zimbabwe and Zambia. Other key international markets—including Morocco, Zambia, and the DRC—also reported healthy performance, reinforcing VBL's global growth trajectory.
- **Outlook**: VBL is poised to maintain its strong growth trajectory, driven by multiple levers: (1) The BevCo acquisition is strengthening its presence in South Africa and the DRC; (2) International expansion of its snacks business, especially into Zimbabwe and Zambia; (3) Deepening rural distribution to widen market reach; (4) Capacity enhancement through new greenfield and brownfield facilities, improving operational efficiency; and (5) scaling high-margin brands like Sting, alongside increased focus on value-added dairy, sports drinks, and juices. These strategic initiatives are set to support sustained revenue and margin expansion. We expect revenue/EBITDA/PAT to grow at 23%/23%/31% 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 (%)
CY24	19,445	4,711	2,595	7.7	67.0	37.5	15.9	20.8
CY25E	23,519	5,600	3,498	10.3	50.5	31.2	18.2	18.2
CY26E	29,141	7,021	4,584	13.6	38.5	24.5	19.9	20.1
CY27E	36,105	8,783	5,885	17.4	30.0	19.1	21.0	21.6

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E DEC	CY24	CY25E	CY26E	CY27E
Net sales	**19,445**	**23,519**	**29,141**	**36,105**
Growth, %	24.5	21.0	23.9	23.9
Other operating income	563	608	668	735
Total income	20,008	24,127	29,809	36,840
Raw material expenses	(8,905)	(10,775)	(13,253)	(16,301)
Employee expenses	(1,885)	(2,205)	(2,911)	(3,843)
Other Operating Expenses	(4,507)	(5,547)	(6,624)	(7,914)
EBITDA (Core)	**4,711**	**5,600**	**7,021**	**8,783**
Growth, %	30.5	18.9	25.4	25.1
Margin, %	24.2	23.8	24.1	24.3
Depreciation	(947)	(1,047)	(1,130)	(1,213)
EBIT	**3,764**	**4,553**	**5,890**	**7,570**
Growth, %	28.5	21.0	29.4	28.5
Margin, %	19.4	19.4	20.2	21.0
Other Income	121	139	151	163
Non-recurring Items	-	-	-	-
Pre-tax profit	**3,435**	**4,558**	**5,974**	**7,668**
Tax provided	(799)	(1,060)	(1,389)	(1,783)
Net Profit	**2,636**	**3,498**	**4,584**	**5,885**
Unadj. shares (Cr)	338	338	338	338

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E DEC	CY24	CY25E	CY26E	CY27E
Cash & bank	2,450	4,293	7,153	11,274
Debtors	846	644	798	989
Inventory	2,791	3,376	4,183	5,183
Loans & advances	840	840	840	840
Other current assets	936	936	936	936
Total current assets	7,864	10,091	13,911	19,223
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**	**26,123**	**30,314**	**35,913**
Current liabilities	4,524	4,851	5,302	5,861
Provisions	189	189	189	189
Total current liabilities	4,714	5,041	5,492	6,051
Non-current liabilities	1,690	1,690	1,690	1,690
Total liabilities	6,404	6,731	7,182	7,741
Paid-up capital	676	676	676	676
Reserves & surplus	15,934	18,586	22,325	27,365
Shareholders’ equity	16,740	19,392	23,131	28,171
Total equity & liabilities	**23,144**	**26,123**	**30,314**	**35,913**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Cash Flow	CY24	CY25E	CY26E	CY27E
Pre-tax profit	3,435	4,558	5,974	7,668
Depreciation	947	1,047	1,130	1,213
Change in working capital.	(1,167)	(56)	(510)	(632)
Total tax paid	(674)	(1,060)	(1,389)	(1,783)
Cash flow from operating activities	**2,542**	**4,488**	**5,205**	**6,466**
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)	2,688	3,705	4,966
Equity raised/(repaid)	27	-	-	-
Dividend (incl. tax)	(227)	(845)	(845)	(845)
Cash flow from financing activities	**(2,567)**	**(845)**	**(845)**	**(845)**
Net change in cash	(5,248)	1,843	2,860	4,121
Opening cash balance	460	2,450	4,293	7,153
Closing cash balance	2,450	4,293	7,153	11,274

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	CY24	CY25E	CY26E	CY27E
Per Share data				
EPS (INR)	7.7	10.3	13.6	17.4
Growth, %	(52.1)	32.7	31.1	28.4
Book NAV/share (INR)	49.1	57.0	68.1	83.0
FDEPS (INR)	7.8	10.3	13.6	17.4
CEPS (INR)	10.6	13.4	16.9	21.0
CFPS (INR)	8.3	12.9	15.0	18.7
DPS (INR)	0.7	2.5	2.5	2.5
Return ratios				
Return on assets (%)	16.1	14.7	16.5	18.0
Return on equity (%)	15.9	18.2	19.9	21.0
Return on capital employed (%)	20.8	18.2	20.1	21.6
Turnover ratios				
Asset turnover (x)	1.4	1.4	1.6	1.9
Receivable days	15.9	10.0	10.0	10.0
Inventory days	52.4	52.4	52.4	52.4
Payable days	37.2	37.2	37.5	37.7
Working capital days	16.7	14.7	18.2	21.1
Liquidity ratios				
Current ratio (x)	1.7	2.1	2.6	3.3
Quick ratio (x)	1.1	1.4	1.8	2.4
Interest cover (x)	8.4	33.7	87.2	117.9
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)	67.0	50.5	38.5	30.0
PEG (x) - y-o-y growth	(1.3)	1.5	1.2	1.1
Price/Book (x)	10.6	9.2	7.7	6.3
EV/Net sales (x)	9.1	7.4	5.9	4.6
EV/EBITDA (x)	37.5	31.2	24.5	19.1

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). The bank has over 9,000 branches and 20,000 ATMs spread across 4,000+ 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
2,018

Target Price
2,300

Upside
14%

Key Rationale

- **Readying to Accelerate Growth:** With the LDR now <100%, the bank will look to resume its growth journey, with FY26 pegged at par with systemic growth and a further acceleration going into FY27E, with growth ahead of systemic growth. The management has identified segments to drive this growth, with the retail portfolio, particularly non-mortgage segments, poised for a strong growth uptick. This growth will be driven by a pick-up in consumption demand on the back of tax rate cuts and improved demand during the festive season. The bank is confident of pursuing growth in the MSME customer category, given demand buoyancy. In the corporate segment, the bank will continue lending to highly-rated corporates despite pricing pressures persisting. **We expect HDFCB to deliver a healthy 14% CAGR advances growth over FY25-28E, against deposits growth of ~17% CAGR over the same period. Resultantly, LDR is set to improve to ~88% by FY28E (near pre-merger levels).**
- **Near-term NIM Pressures to Persist:** The sharp margin compression in Q1 was on account of the higher share of floating rate loans driving a sharp decline in lending yields by ~30bps QoQ, with the impact of the Feb'25 and Apr'25 repo rate cuts visible. In Q2FY26, **the management expects NIMs to remain under pressure and are likely to bottom out with the Jun'25 repo rate cut (of 50bps) reflecting in the yields**. The SA rate cut taken by the bank reflected in the CoF (down 10bps QoQ); however, the TD repricing is expected to happen with a lag, given the average tenor for TDs is ~12-18 months. Margins are expected to stabilise from H2FY26 onwards as the deposits reprice downwards.
- **Asset Quality remains Best-in-class:** Despite unfavourable macros, especially in the unsecured segments over the past year, the bank's asset quality has remained pristine and credit costs benign. The management has indicated that the asset quality in the personal loans, credit cards and other retail assets continues to remain stable. **The bank made a floating provision of Rs 90 Bn and a contingent provision of Rs 17 Bn, which is purely towards strengthening the balance sheet and not towards any risks emerging across segments. Resultantly, credit costs are expected to remain benign at ~50bps (+/-5bps) over the medium term**.
- **Outlook & Valuation:** HDFCB has been consistently performing on its guidance in its endeavour to revert to its pre-merger levels across metrics, and its execution capabilities remain strong. With LDR at a <100% level, the bank will look to accelerate growth momentum in FY26 to match systemic growth. While near-term pressures on NIMs will weigh on earnings, healthy fee income growth, controlled costs, and pristine asset quality, keeping credit costs benign, will offset the impact of margin compression. We expect HDFCB's RoA/RoE to improve to 1.9%/15-16% over FY27-28E vs 1.7%/13.6% in FY26.
- **Key risks:** a) Slowdown in overall credit momentum owing to the bank's inability to ensure deposit mobilization, 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 (%)
FY25	1,227	1,001	673	88.0	640.5	3.2	1.8	0.4
FY26E	1,319	1,201	718	93.8	710.1	2.8	1.7	0.4
FY27E	1,547	1,333	887	115.9	796.3	2.5	1.9	0.4
FY28E	1,768	1,526	1,009	131.8	892.6	2.3	1.9	0.4

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Net Interest Income	**1,227**	**1,319**	**1,547**	**1,768**
Other Income	456	618	612	691
Total Income	**1,683**	**1,938**	**2,159**	**2,459**
Total Operating Exp.	682	736	826	932
PPOP	**1,001**	**1,201**	**1,333**	**1,526**
Provisions & Contingencies	116	249	156	188
PBT	**885**	**952**	**1,177**	**1,338**
Provision for Tax	211	234	289	329
PAT	**673**	**718**	**887**	**1,009**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E MAR	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS				
Share capital	8	8	8	8
ESOPs	38	46	56	66
Reserves and Surplus	4,969	5,507	6,172	6,929
Deposits	**5,014**	**5,560**	**6,236**	**7,003**
Shareholders' funds	27,147	31,650	37,145	43,346
Borrowings	5,479	5,077	4,530	4,849
Other Liabilities, provisions	1,461	1,690	1,915	2,207
Total liabilities	**39,102**	**43,978**	**49,825**	**57,405**
APPLICATION OF FUNDS				
Cash & Bank Balance	2,396	2,856	3,352	3,695
Investments	8,364	9,500	10,406	12,144
Advances	26,196	29,142	33,257	38,329
Fixed Assets & Other Assets	2,147	2,480	2,809	3,237
Total assets	**39,102**	**43,978**	**49,825**	**57,405**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS				
EPS	88.0	93.8	115.9	131.8
Earnings Growth (%)	*9.9*	*6.6*	*23.6*	*13.7*
BVPS	655.3	726.6	814.9	915.1
Adj. BVPS	640.5	710.1	796.3	892.6
ROAA (%)	1.8	1.7	1.9	1.9
ROAE (%)	14.3	13.6	15.0	15.2
P/E (x)	22.9	21.5	17.4	15.3
P/ABV (x)	3.1	2.8	2.5	2.3
PROFITABILITY				
NIM (%)	3.5	3.4	3.5	3.5
Cost-Assets Ratio	1.8	1.8	1.8	1.7
Cost-Income Ratio	40.5	38.0	38.3	37.9

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Loan Growth (%)	5.4	11.2	14.1	15.3
Deposit Growth (%)	14.1	16.6	17.4	16.7
C-D Ratio (%)	96.5	92.1	89.5	88.4
CRAR	12.8	12.6	12.5	12.2
Tier I	19.1	19.1	18.8	18.3
ASSET QUALITY				
Gross NPLs (%)	1.3	1.4	1.3	1.4
Net NPLs (%)	0.4	0.4	0.4	0.4
PCR	67.9	68.0	68.0	68.0
Credit Cost	0.5	0.9	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 fibre optic networks, mobile and desktop telephony, and other digital solutions.

Industry view

Over Weight

CMP
1,914

Target Price
2,330

Upside
22%

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 25.1 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. It has maintained a substantial share of 4G/5G net additions, with the 4G customer base growing by 6.6 Mn QoQ, now accounting for 75% of the total customer base. Moreover, Airtel's Africa business is expected to continue its strong performance on a sequential basis.
- **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 capital allocation initiatives:** 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 centres. However, capex related to 4G radio is expected to decline with the completion of rural rollout. Airtel aims to implement a few initiatives, such as deleveraging the balance sheet, dividend payments, and selective investment verticals.
- **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)
2023	1,39,145	71,274	12,287	15.0	128.9	17.1	9.57	18.4
2024	1,49,982	78,292	8,558	13.2	146.2	10.7	6.5	16.6
2025	1,72,985	93,159	37,481	58.6	32.9	38.3	17.7	13.4
2026E	2,12,956	1,20,780	36,176	80.9	23.9	28.8	17.0	10

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E
Net sales	**1,39,145**	**1,49,982**	**1,72,985**	**2,12,956**
Change (YoY, %)	19.4	7.8	15.3	23.1
Operating expenses	**67,871**	**71,691**	**79,826**	**92,176**
EBITDA	**71,274**	**78,292**	**93,159**	**1,20,780**
Change (YoY, %)	23.88	9.85	18.99	29.65
Margin (%)	51.22	52.20	53.85	56.72
Depreciation	36,432	39,538	45,570	51,276
Interest paid	19,300	22,648	21,754	23,250
Other income	937	1,435	1,574	1,981
PBT	**15,809**	**9,970**	**34,696**	**48,235**
Tax	4,273	4,121	917	12,059
Effective tax rate (%)	27%	41%	3%	25%
Share of JV/Associate	752	2,709	3,703	-
Exceptional items	**(670)**	**(7,572)**	**7,287**	**-**
Net profit	12,287	8,558	37,481	36,176
Adjusted net profit	**12,957**	**16,130**	**30,195**	**36,176**
Change (YoY, %)	0	0	1	20
Adj EPS	22	27	50	59
Dividend per share	4	8	16	21
Dividend Payout (%)	19	57	26	26

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E
Share capital	**2,837**	**2,877**	**2,900**	**2,900**
Reserves & surplus	74,726	79,142	1,10,772	1,34,272
Shareholders' funds	77,563	82,019	1,13,672	1,37,172
Total Debt	1,56,910	1,38,747	1,48,312	1,42,312
Other liabilities	47,705	50,094	75,589	75,589
Current Liabilities & Provisions	1,21,964	1,38,668	1,80,440	2,14,451
Current liabilities	89,096	99,252	1,00,837	1,13,161
Provisions	27,526	31,631	36,155	44,366
Total liabilities	**3,21,237**	**3,19,724**	**3,60,893**	**3,75,428**
Total equity & liabilities	**4,27,681**	**4,25,288**	**5,14,360**	**5,12,600**
Net fixed assets	2,77,394	3,03,303	1,43,272	1,36,996
Investments	28,249	31,333	544	544
Other non-current assets	64,537	32,376	3,02,956	3,02,956
Current assets	57,501	58,276	67,589	72,104
Inventories	258	364	452	0
Sundry Debtors	3,982	4,728	7,456	9,465
Cash & Liquid	13,419	16,340	16,720	16,474
Other Current Assets	39,844	36,845	16,195	19,400
Total assets	**4,27,681**	**4,25,288**	**5,14,360**	**5,12,600**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E
Pre-tax Profit	**16,561**	**12,679**	**38,399**	**48,235**
Depreciation	36,432	39,538	45,570	51,276
Change in working capital	2,389	18,851	32,840	29,250
Other operating activities	19,033	28,785	12,893	21,269
Cash flow from operations (a)	**70,141**	**95,731**	**1,28,785**	**1,37,971**
Capital expenditure	(65,124)	(48,971)	1,14,460	(45,000)
Change in investments	(1,696)	(3,444)	3,142	-
Other investing activities	(42,534)	33,957	(2,41,359)	1,981
Cash flow from investing (b)	**(1,09,354)**	**(18,458)**	**(1,23,756)**	**(43,019)**
Equity raised/(repaid)	42	40	24	-
Debt raised/(repaid)	61,503	(18,217)	(604)	(19,476)
Dividend paid	(2,387)	(4,838)	(9,751)	(10,726)
Chang in minorities	3,501	(5,336)	16,251	(39,796)
Other financing activities	(23,522)	(46,001)	(10,568)	(25,200)
Cash flow from financing (c)	**39,137**	**(74,352)**	**(4,649)**	**(95,199)**
Net change in cash (a+b+c)	**(76)**	**2,921**	**380**	**(246)**
Opening cash balance	13,494	13,419	16,340	16,720
Closing cash balance	13,419	16,340	16,720	16,474

Source: Company, Axis Securities Research

Ratio Analysis (%)

Y/E March	FY23	FY24	FY25	FY26E
Book Value (Rs)	**130**	**136**	**187**	**225**
Adj EPS (Rs)	22	27	50	59
Adj EPS growth (%)	135	23	86	20
EBITDA margin (%)	51	52	54	57
Pre-tax margin (%)	11	7	20	23
Debt/Equity (x)	2	2	1	1
ROCE (%)	10	6	18	17
ROE (%)	17	11	38	29
Financial leverage ratios				
Debt / Equity (x)	2.0	1.6	0.9	0.6
Interest Coverage (x)	3.7	3.5	4.3	5.2
Interest / Debt (%)	15	16	18	24
Working Capital & Liquidity Ratio				
Inventory days	0	0	0	0
Receivable days	10	11	16	16
Payable days	85	84	79	75
Valuation ratio				
PER (x)	92.8	135.0	31.1	32.2
Adjusted PER (x)	88.0	71.6	38.6	32.2
P/BV (x)	14.7	14.1	10.2	8.5
EV/EBITDA (x)	17.9	16.2	13.4	10.2
Market Cap. / Sales (x)	8.2	7.7	6.7	5.5

Source: Company, Axis Securities Research

SHRIRAM FINANCE LIMITED – MERGER DRIVES LESS CYCLICITY; MORE STABILITY!

Born out of the merger of Shriram Transport Finance (SHTF), a pioneer in used CV financing and Shriram City Union Finance (SCUF), a diversified retail-focused NBFC – Shriram Finance (SFL) is the flagship company of the Shriram Group. The company provides lending services from its diversified product suite. It has been able to deliver strong AUM growth of ~20% CAGR over the 2 years post-merger, while continuously improving asset quality.

Industry view

Equal weight

CMP
631

Target Price
750

Upside
19%

Key Rationale

- **NIMs to rebound as excess liquidity eases:** The NIM improvement trajectory is panning out slower than expected, with Q1 NIMs witnessing a 14bps QoQ contraction on account of the negative carry from the excess liquidity. The management has indicated that SFL will look to ease the excess liquidity (by ~Rs 10,000 Cr) over the next 4-5 months, while maintaining liquidity to cover 3 months of liabilities cover vs 5-month cover currently. SFL's yields across segments have remained largely stable. Thus, apart from easing liquidity, NIMs are expected to find support from the downward repricing of liabilities. The company has seen a sharp improvement in the incremental CoF, declining to 8.3-8.4% vs the current CoF of 8.86%. Furthermore, SFL has slashed its deposit rates by 40bps effective Aug'25, which should augur well from the CoF perspective. **The company will look to repay the high-cost borrowings alongside re-aligning the borrowing mix to optimise CoF. Currently, ~85% of the company's borrowings are fixed-rate, and hence the pass-through of the rate cut benefit could be with a slight lag. Resultantly, the management expects NIMs to improve to 8.5-8.6% by Q4FY25.**
- **Increase in Stage 2 Assets Not Worrisome; Credit Costs to be Under Control:** The increase in Stage 2 has been primarily owing to unseasonal monsoons causing business disruptions and borrower cashflow mismatch. Given these issues being transient, the management is confident that most of these accounts would be rolled back, and forward flows will not be meaningful. In Q1FY26, asset quality (GNPA/NNPA) has remained largely stable. **The management has continued to guide for credit costs of <2% for FY26.**
- **Growth Visibility Healthy: Growth Visibility Healthy**: SFL's AUM growth in Q1 was marginally ahead of the management's guidance of 15% AUM growth. This was primarily led by improved growth in CVs (12/4% YoY/QoQ) and strong growth in PVs (+23/5% YoY/QoQ), Farm Equipments (+46/12% YoY/QoQ) and MSME (+35/4% YoY/QoQ). The company will continue to pursue strong growth in the MSME, PVs, and 2-Wheelers segment, wherein growth visibility remains strong. **We pencil in AUM growth of 15% CAGR over FY25-28E, largely in line with management guidance.**
- **Outlook & Valuation:** With demand buoyancy in the rural markets and healthy growth visibility across most of the segment, SFL is expected to deliver a consistent and healthy 15% CAGR AUM growth over the medium term. NIMs should find support from the easing of excess liquidity and the gradual downward repricing of CoF. The Opex structure continues to remain fairly lean, and improved productivity should drive a gradual improvement in cost ratios. The increase in GSII is transient, and the management is confident that most of it will roll back in the coming quarters. Thus, forward flow is expected to be minimal, keeping credit costs under control/ SFL is well-placed to deliver RoA/RoE of 3.0-3.2%/16-17% over FY26-28E. **Consistent growth delivery while maintaining asset quality alongside NIM improvement on expected lines should drive stock performance. At current levels, we believe the risk-reward is favourable.**
- **Key risks:** a) Moderation in growth momentum, b) Asset quality concerns cropping out

Key Financials (Standalone)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	21,853	16,261	9,761	51.9	263.6	2.4	3.7	2.6
FY26E	25,004	18,519	9,268	49.3	299.5	2.1	3.0	2.5
FY27E	28,915	21,470	11,004	58.5	339.7	1.9	3.1	2.5
FY28E	33,260	24,735	12,685	67.5	387.0	1.6	3.2	2.5

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Net Interest Income	**21,853**	**25,004**	**28,915**	**33,260**
Other Income	1,552	1,587	1,758	1,971
Total Income	**23,405**	**26,591**	**30,674**	**35,231**
Total Operating Exp.	7,144	8,072	9,204	10,496
PPOP	**16,261**	**18,519**	**21,470**	**24,735**
Provisions & Contingencies	5,312	6,129	6,758	7,777
Extraordinary Items	1,657	0	0	0
PBT	**12,606**	**12,390**	**14,712**	**16,958**
Provision for Tax	2,845	3,122	3,707	4,273
PAT	**9,761**	**9,268**	**11,004**	**12,685**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E MAR	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS				
Share capital	376	376	376	376
Reserves and Surplus	55,904	63,319	72,122	82,270
Shareholders' funds	**56,281**	**63,695**	**72,498**	**82,646**
Borrowings	2,34,916	2,72,571	3,07,714	3,57,441
Other Liabilities, provisions	2,336	4,070	4,602	5,327
Total liabilities	**2,93,533**	**3,40,336**	**3,84,814**	**4,45,414**
APPLICATION OF FUNDS				
Cash & Bank Balance	21,366	23,751	23,007	26,631
Investments	15,599	20,468	21,219	26,788
Advances	2,45,393	2,83,349	3,25,922	3,75,207
Goodwill	1,189	1,189	1,189	1,189
Fixed Assets & Other Assets	9,986	11,579	13,476	15,599
Total assets	**2,93,533**	**3,40,336**	**3,84,814**	**4,45,414**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS				
EPS	51.9	49.3	58.5	67.5
Earnings Growth (%)	*35.6*	*-5.1*	*18.7*	*15.3*
BVPS	299.3	338.7	385.5	439.5
Adj. BVPS	263.6	299.5	339.7	387.0
ROAA (%)	3.7	3.0	3.1	3.2
ROAE (%)	18.6	16.0	16.7	16.9
P/E (x)	12.2	12.8	10.8	9.4
P/BV (x)	2.4	2.1	1.9	1.6
PROFITABILITY				
NIM (%)	8.6	8.2	8.3	8.3
Cost-Assets Ratio	2.7	2.5	2.5	2.5
Cost-Income Ratio	30.5	30.4	30.0	29.8

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Loan Growth (%)	18.0	15.5	15.0	15.1
Borrowings Growth (%)	26.0	16.0	12.9	16.2
Equity/Assets (%)	22.9	22.5	22.2	22.0
Equity/Loans (%)	19.2	18.7	18.8	18.6
Total Capital Adequacy Ratio (CAR)	20.7	20.7	20.4	20.1
ASSET QUALITY				
Gross NPLs (%)	4.6	4.5	4.5	4.5
Net NPLs (%)	2.6	2.5	2.6	2.5
PCR	43.3	45.0	45.0	44.9
Credit costs	2.3	2.3	2.2	2.2

Source: Company, Axis Research

Avenue Supermarts Ltd – Earnings Bottoming Out

D-Mart is a one-stop supermarket chain that aims to offer customers a wide range of basic home and personal products under one roof. The company was founded by Mr. Radhakishan Damani and his family to cater to the evolving needs of the Indian family. Since the launch of its first store in Powai in 2002, D-Mart has established a strong presence with 418 locations (as on Apr-25) across Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Karnataka, Telangana, Chhattisgarh, NCR, Tamil Nadu, Punjab, and Rajasthan. Additionally, the company operates in the online and multi-channel grocery retail segment under the brand name D-Mart Ready. Through D-Mart Ready, customers can order a broad range of grocery and household products via its mobile app and website, www.dmart.in. Orders can be picked up from designated D-Mart Ready Pick-up Points or delivered directly to customers' doorsteps. Many Pick-up Points also feature a curated selection of merchandise available for instant purchase.

Industry view

Equal Weight

CMP
4,267

Target Price
4,810

Upside
13%

Key Rationale

- **Positioning for the next phase of growth:** D-Mart has consistently delivered 17-20% CAGR revenue growth over the past several quarters, driven by 14-15% expansion in its network and retail space. The recent investment in D-Mart Ready to support operations, working capital, and expansion is a step in the right direction. This strategic move will strengthen the company's position in the competitive online grocery market and is expected to yield long-term benefits. In fact, in Q1FY26, DMart reported ~18% YoY revenue growth, driven by increased footfalls.
- **Margins remain intact:** Despite a challenging environment marked by pressure in GM&A sales and rising competition from other value retailers and Q-commerce players, the company has maintained its overall Gross and EBITDA margins at approximately 15% and 7-8%, respectively, over the past several quarters. This reflects D-Mart's strong execution capabilities, robust business model (EDLP), and operational efficiencies.
- **Extensive retail network:** D-Mart has consistently maintained its store opening expansion, with its total store network reaching 426 as on date. This represents a 14% CAGR, positioning the company to benefit as demand revives in the coming quarters. The company aims to increase its store count by 10-20% in the coming years. Further, the management sees potential for 1800+ store additions across India over a longer period.
- **Management Transition:** With Neville Noronha continuing as CEO till Jan'26, his focus shifts toward real estate, project execution, and scaling the staples portfolio—particularly intensifying expansion in the North, a high-opportunity cluster. CEO-designate Anshul Asawa signals strategic continuity while aiming to enhance organisational capabilities to support DMart's evolving growth ambitions
- **Improving outlook:** D-Mart has faced several challenges over the past few years, impacted by a subdued demand environment, particularly in the value segment. Larger and newer stores have longer gestation periods, affecting overall profitability, long with increasing competition from both organised players and online platforms. However, the company has undertaken several initiatives to address these challenges, such as: 1) changes in leadership to revamp the slowing GM&A category, 2) focusing on improving profitability in D-Mart Ready through a gradual expansion strategy, and 3) targeting a 10-20% store addition on an existing base of 426 stores, which is a step in the right direction. Additionally, the overall improving consumer demand, supported by stable macroeconomics and a strong festive outlook in H2FY26, is expected to further support these initiatives and drive growth in high-margin general merchandise and apparel categories. **Hence, we maintain our BUY rating on the stock.**

Key Financials (Standalone)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)
FY24	50,789	4,487	2,536	39.0	109.5	13.6	14.5
FY25	59,358	4,487	2,707	41.6	102.6	12.6	13.4
FY26E	71,165	5,536	3,357	51.6	82.7	13.5	14.4
FY27E	85,848	6,922	4,283	65.8	64.8	14.7	15.8

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Net sales	**50,789**	**59,358**	**71,165**	**85,848**
Growth, %	18.6	16.9	19.9	20.6
Raw material expenses	(43,275)	(50,552)	(60,561)	(72,976)
Employee expenses	(906)	(1,166)	(1,411)	(1,707)
Other Operating Expenses	(2,504)	(3,153)	(3,658)	(4,243)
EBITDA (Core)	**4,104**	**4,487**	**5,536**	**6,922**
Growth, %	12.8	9.3	23.4	25.0
Margin, %	8.1	7.6	7.8	8.1
Depreciation	(731)	(870)	(1,013)	(1,156)
EBIT	**3,373**	**3,618**	**4,523**	**5,766**
Growth, %	12.5	7.3	25.0	27.5
Margin, %	6.6	6.1	6.4	6.7
Other Income	146	124	149	179
Non-recurring Items	-	-	-	-
Pre-tax profit	**3,461**	**3,673**	**4,599**	**5,868**
Tax provided	(926)	(965)	(1,242)	(1,584)
Profit after tax	**2,536**	**2,707**	**3,357**	**4,283**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Cash & bank	638	358	607	1,726
Debtors	166	154	184	222
Inventory	3,927	5,044	6,048	7,296
Loans & advances	-	-	-	-
Other current assets	1,364	835	835	835
Total current assets	6,203	6,393	7,676	10,080
Investments	243	178	178	178
Gross fixed assets	16,562	20,097	23,397	26,697
Less: Depreciation	(3,155)	(3,898)	(4,911)	(6,067)
Add: Capital WIP	935	1,099	1,099	1,099
Net fixed assets	14,342	17,299	19,586	21,730
Non-current assets	390	452	452	452
Total assets	**21,178**	**24,321**	**27,892**	**32,440**
Current liabilities	1,979	2,212	2,425	2,690
Provisions	-	-	-	-
Total current liabilities	1,979	2,212	2,425	2,690
Non-current liabilities	501	681	681	681
Total liabilities	2,480	2,894	3,107	3,371
Paid-up capital	651	651	651	651
Reserves & surplus	18,047	20,777	24,134	28,418
Shareholders' equity	18,698	21,428	24,785	29,068
Total equity & liabilities	**21,178**	**24,321**	**27,892**	**32,440**

Source: Company, Axis Research

Cash flow (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Pre-tax profit	3,461	3,673	4,599	5,868
Depreciation	731	870	1,013	1,156
Change in working capital	(1,193)	(244)	(821)	(1,021)
Total tax paid	(911)	(945)	(1,242)	(1,584)
Cash flow from operating activities	**2,088**	**3,353**	**3,549**	**4,419**
Capital expenditure	(2,912)	(3,826)	(3,300)	(3,300)
Change in marketable securities	96	105	-	-
Cash flow from investing activities	**(2,942)**	**(3,656)**	**(3,300)**	**(3,300)**
Free cash flow	(854)	(302)	249	1,119
Equity raised/(repaid)	2	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	**2**	**-**	**-**	**-**
Net change in cash	(851)	(302)	249	1,119
Opening cash balance	1,408	638	358	607
Closing cash balance	638	358	607	1,726

Source: Company, Axis Research

Ratios (%)

Y/E Mar	FY24	FY25	FY26E	FY27E
Per Share data				
EPS (INR)	39.0	41.6	51.6	65.8
Growth, %	6.0	6.8	24.0	27.6
Book NAV/share (INR)	287.3	329.3	380.9	446.7
FDEPS (INR)	39.0	41.6	51.6	65.8
CEPS (INR)	50.2	55.0	67.2	83.6
CFPS (INR)	30.0	50.6	52.3	65.2
Return ratios				
Return on assets (%)	13.2	12.2	13.1	14.5
Return on equity (%)	13.6	12.6	13.5	14.7
Return on capital employed (%)	14.5	13.4	14.4	15.8
Turnover ratios				
Asset turnover (x)	3.2	3.1	3.2	3.4
Sales/Total assets (x)	2.6	2.6	2.7	2.8
Sales/Net FA (x)	3.8	3.8	3.9	4.2
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	1.2	0.9	0.9	0.9
Inventory days	28.2	31.0	31.0	31.0
Payable days	7.7	7.1	7.1	7.2
Working capital days	25.0	23.5	23.8	24.1
Liquidity ratios				
Current ratio (x)	3.1	2.9	3.2	3.7
Quick ratio (x)	1.1	0.6	0.7	1.0
Valuation				
PER (x)	109.5	102.6	82.7	64.8
PEG (x) - y-o-y growth	18.2	15.1	3.4	2.3
Price/Book (x)	14.9	13.0	11.2	9.6
EV/Net sales (x)	5.5	4.7	3.9	3.2
EV/EBITDA (x)	67.5	61.8	50.1	39.9
EV/EBIT (x)	82.1	76.7	61.3	47.9

Source: Company, Axis Research

LUPIN Ltd – NICHE APPROVALS, LOWER INPUT COSTS; 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
1,929

Target Price
2,500

Upside
30%

Key Rationale

- **Strong Q4FY25:** Reported revenue grew 14% YoY, led by the India and US businesses, which grew 19% and 7% YoY, respectively, along with a 30% YoY increase in the EMEA business. The Other Developed Markets segment grew 10.7% YoY, while the API segment declined 10.3% YoY. Gross margins improved by 200 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 improved by 320 bps YoY and were flat QoQ. Reported PAT grew 39.5% YoY, beating expectations. The company remains debt-free and cash surplus, backed by strong cash flows. Lupin continues to sell the gMyrebegron product under litigation, supported by non-infringement and invalidity defences.
- **Robust USA Front:** US sales stood at $245 Mn, registering a 17.2% YoY growth in constant currency terms, while overall reported revenue from the US was Rs 2,262 Cr, up 19% YoY. This growth was primarily driven by volume expansion in inline products and new launches. However, pricing pressure and competition in Suprep and Albuterol weighed on performance. Despite this, the company maintained a 20% market share in Albuterol.
- **Outlook & Valuation:** Lupin remains confident in its growth trajectory, supported by strong new launches, an expanding complex generics portfolio, and a solid pipeline. In the US market, recently launched Darunavir and Spiriva have achieved market shares of 30% and 25%, respectively. Recently launched Tolvaptan (market size: $287 Mn) and Xyway (market size: $958 Mn with 180-day exclusivity) are expected to contribute to revenue in the first half of the year.
- **Double-digit growth in India's business expected**: Lupin reported Rs 1,711 Cr in Q4FY25, reflecting a modest 7% YoY growth, driven by strong performance in chronic therapies such as diabetes, cardiology, and gastroenterology, in line with market growth. The company further strengthened its portfolio through the acquisition of Eli Lilly's human insulin range and three trademarks from Boehringer Ingelheim. For FY25, the India formulations business grew 13.8%, although muted growth in the respiratory segment impacted overall performance. Lupin remains confident in sustaining above-market growth, supported by new product launches, in-licensed products, and a robust 10,000-member sales force.
- **Valuation:** At the CMP, the stock trades at 24.6x and 22.7x its FY26E and FY27E earnings, respectively.

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 (x)	ROE (%)
FY25	22,708	5,283	3,306	72.4	26.6	17.2	19.1
FY26E	25,093	5,922	3,571	78.2	24.6	14.7	17.6
FY27E	26,794	6,350	3,869	84.7	22.7	13.2	16.4

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Total Net Sales	**20,011**	**22,708**	**25,093**	**26,794**
% Change	20.2%	13.5%	10.5%	6.8%
Raw Material Consumption	6,643	6,842	7,653	8,145
Staff costs	3,495	3,964	4,241	4,528
Other Expenditure	6,062	6,618	7,277	7,770
Total Expenditure	16,200	17,425	19,171	20,444
EBITDA	**3,811**	**5,283**	**5,922**	**6,350**
% Change	111.9%	38.6%	12.1%	7.2%
EBITDA Margin %	**19.0%**	**23.3%**	**23.6%**	**23.7%**
Depreciation	1,197	1,169	1,202	1,302
EBIT	2,614	4,114	4,720	5,048
EBIT Margin %	13.1%	18.1%	18.8%	18.8%
Interest	312	295	267	234
Other Income	120	196	125	146
PBT	**2,422**	**4,015**	**4,578**	**4,961**
Tax	487	709	1,007	1,091
Tax Rate %	*20.1%*	*17.7%*	*22.0%*	*22.0%*
APAT	1,936	3,306	3,571	3,869
P/L after discontinuation	-21	0	0	0
PAT after Ass.	1,915	3,306	3,571	3,869
Adj. PAT	**1,915**	**3,306**	**3,571**	**3,869**
Growth %	**345.1%**	**72.7%**	**8.0%**	**8.3%**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Share Capital	91	91	91	91
Reserves & Surplus	14,282	17,203	20,226	23,547
Shareholders Fund	14,373	17,294	20,317	23,639
Total Debt	2,922	5,448	4,848	4,248
- Trade Payables	2,958	2,958	3,712	3,964
- Other Long-Term Liabilities	346	256	412	440
- Other Current Liabilities	2,252	2,313	2,819	3,010
TOTAL EQUITY & LIABILITIES	**23,997**	**29,205**	**33,296**	**36,488**
Gross Block	9,535	10,820	12,020	13,020
Depreciation	4,951	6,121	7,323	8,625
% of GB	51.9%	56.6%	60.9%	66.2%
- Fixed Assets(incl. Capital Work in Progress)	9,677	10,254	10,252	9,950
- Other Non-Current Assets	872	2,153	1,200	1,000
- Current Investments	847	1,059	1,059	1,059
- Inventories	4,954	5,476	6,187	6,607
- Trade Receivables	4,692	5,497	5,912	6,313
- Cash & Cash Equivalents	1,202	3,142	6,486	9,211
- Other Current Assets	1,752	1,624	2,200	2,349
TOTAL ASSETS	**23,997**	**29,205**	**33,296**	**36,488**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
PBT	2,422	4,015	4,578	4,961
Add: Depreciation	1,197	1,169	1,202	1,302
Add: Interest	312	295	267	234
Cash flow from operations	3,931	5,479	6,047	6,496
Change in working capital	-143	2,699	-918	299
Taxes	487	709	1,007	1,091
Miscellaneous expenses	21	0	0	0
Net cash from operations	3,566	2,071	5,958	5,106
Capital expenditure	-1,251	-1,746	-1,200	-1,000
Change in Investments	-407	-212	0	0
Net cash from investing	-1,658	-1,958	-1,200	-1,000
Increase/Decrease in debt	-1,620	2,526	-600	-600
Dividends	-385	-548	-548	-548
Proceedings from equity	0	0	0	0
Interest	-312	-295	-267	-234
Others	317	143	-0	0
Net cash from financing	-1,999	1,827	-1,415	-1,382
Net Inc./(Dec.) in Cash	-91	1,940	3,344	2,725
Opening cash balance	1,293	1,202	3,142	6,486
Closing cash balance	1,202	3,142	6,486	9,211

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25	FY26E	FY27E
Sales growth (%)	20.2	13.5	10.5	6.8
OPM	19.0	23.3	23.6	23.7
Operating profit growth	111.9	38.6	12.1	7.2
COGS / Net sales	33.2	30.1	30.5	30.4
Overheads/Net sales	-	-	-	-
Depreciation / G. block	12.6	10.8	10.0	10.0
Effective interest rate	20.1	17.7	22.0	22.0
Net wkg. cap / Net sales (%)	29.1	37.5	30.3	29.5
Net sales / Gr block (x)	2.1	2.1	2.1	2.1
RoCE	15.1	18.1	18.8	18.1
Debt/equity (x)	0.2	0.3	0.2	0.2
Effective tax rate	20.1	17.7	22.0	22.0
RoE	13.3	19.1	17.6	16.4
Payout ratio (Div/NP)	422.4	600.0	600.0	600.0
EPS (Rs.)	42.0	72.4	78.2	84.7
EPS Growth	345.1	72.7	8.0	8.3
CEPS (Rs.)	68.3	98.0	104.5	113.3
DPS (Rs.)	8.4	12.0	12.0	12.0

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
1,246

Target Price
1,450

Upside
16%

Key Rationale

- **Q4FY25 Performance:** Max Healthcare reported revenue of Rs 2,326 Cr, in line with expectations, supported by steady ARPOB and contributions from new hospitals despite a marginal drop in occupancy. ARPOB stood at Rs 77,100, remaining flat YoY, while occupancy improved to 75% (up 300 bps YoY on a like-for-like basis), driven by a 30% YoY growth in occupied bed days. EBITDA margins stood at 26.4%, stable over the year despite additions of new assets. PAT was Rs 376 Cr, reflecting a 21% YoY growth driven by operational efficiencies and cost control.
- **Network Expansion:** Max Healthcare is set to add ~1,500 beds over the next year, strengthening its capacity across key regions. The first phase of Nanavati (268 beds) and Mohali (155 beds) is expected to be operational within the next 90 days. The 400-bed Max Mart facility in Saket is scheduled for commissioning by Q2FY26, while the Greenfield hospital in Gurgaon (500 beds) is targeted for completion by the end of 2025. In Lucknow, 128 beds have already been added, with additional capacity and the onco block is expected by Q2FY26. At Max Dwarka, the onco block is set to be ready by Q3FY26, with a further 200-bed expansion planned. Other projects—Patparganj (397 beds), Vikrant Saket (550 beds), Zirakpur Mohali (400 beds), and Vaishali (140 beds)—are progressing as per schedule, with expected completion timelines of 24 to 30 months. These ongoing expansions position Max Healthcare to materially enhance its footprint and service capability, driving long-term growth.
- **Developing units set for contribution**: Developing hospitals under Max Healthcare witnessed a strong ramp-up, with revenue growing 22%. Occupancy rates improved meaningfully—up 800 bps QoQ and 400 bps YoY—driving a 14.5% increase in occupied bed days. However, ARPOB remained muted due to an adverse shift in payer mix. Notably, Max Dwarka achieved EBITDA breakeven within just six months of operations, reporting Q4 revenue of Rs 59 Cr and achieving 73% occupancy on 235 commissioned beds as of Mar'25. Max Lucknow and Max Nagpur continued their strong performance, with EBITDA increasing 102% and 86% YoY, respectively, driven by 56% and 23% YoY revenue growth. The integration of newer units, including Max Noida and JP Hospital, is progressing as planned. Management remains confident of further occupancy ramp-up and margin expansion, supported by operational synergies and the natural maturing of recently added assets.
- **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 38x 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 (x)	ROE (%)	ROCE (%)
FY25	8,621	2,193	1,335	14	89	56	13	12
FY26E	11,103	3,053	2,005	21	60	41	16	16
FY27E	13,100	3,707	2,496	26	48	34	17	19

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25	FY26E	FY27E
Net sales	**6,815**	**8,621**	**11,103**	**13,100**
Growth	16%	27%	29%	18%
Total Expenditure	5,009	6,428	8,049	9,393
Raw Material Consumed	1,635	2,115	2,831	3,301
Gross Margins (%)	76.0%	75.5%	74.5%	74.8%
EBITDA	**1,806**	**2,193**	**3,053**	**3,707**
EBITDA (%)	**26.5%**	**25.4%**	**27.5%**	**28.3%**
Depreciation	284	406	448	498
% of GB	6%	6%	5%	5%
Interest & Fin Chg.	(38)	84	137	129
EBIT	1,844	2,109	2,916	3,578
EBIT (%)	0	0	0	0
Other Income	35	45	50	55
Exceptional Items	-	(74)	-	-
Share of P/L of Associates	-	-	-	-
PBT	1,595	1,674	2,518	3,135
Tax Rate (%)	20%	20%	20%	20%
Tax	316	339	514	640
Reported PAT	**1,279**	**1,335**	**2,005**	**2,496**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25	FY26E	FY27E
Share Capital	971	972	972	972
Reserves & Surplus	8324	9561	11468	13867
Shareholders Fund	**9295**	**10533**	**12440**	**14839**
- Long-term Borrowings	1177	3029	3429	3229
- Other Long-Term Liabilities	87	95	95	95
- Long Term Provisions	461	489	608	718
Total Non-Current Liabilities	**1762**	**3764**	**4169**	**4079**
TOTAL EQUITY & LIABILITIES	**12044**	**14297**	**16610**	**18918**
Net Block	3329	5597	6996	7498
CWIP	445	1292	445	445
Goodwill	4267	4795	4795	4795
Other intangible assets	1459	698	1459	1459
Right-of-use asset	689	1344	1344	1344
- Fixed Assets (incl. Capital Work in Progress)	**10189**	**13726**	**15039**	**15541**
Total Non-Current Assets	**10189**	**13726**	**15039**	**15541**
- Current Investments	66	4	66	66
- Inventories	106	134	183	215
- Trade Receivables	600	857	1004	1184
- Cash & Cash Equivalents	1286	1011	1753	3346
TOTAL ASSETS	**12044**	**14297**	**16610**	**18918**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
PBT	1,595	1,674	2,518	3,135
Add: depreciation	284	406	448	498
Add: Interest	-38	84	137	129
Cash flow from operations	1,841	2,164	3,103	3,762
Change in working capital	-18	-169	76	104
Taxes	316	339	514	640
Miscellaneous expenses	0	0	0	0
Net cash from operations	1,543	1,994	2,514	3,019
Capital expenditure	-2,358	-3,943	-1,761	-1,000
Change in Investments	-64	62	-62	0
Net cash from investing	-2,422	-3,881	-1,823	-1,000
Increase/Decrease in debt	529	1,679	400	-200
Dividends	-97	-97	-97	-97
Proceedings from equity	0	1	0	0
Interest	38	-84	-137	-129
Others	130	113	-114	0
Net cash from financing	600	1,612	52	-426
Net Inc./(Dec.) in Cash	-279	-275	742	1,592
Opening cash balance	1,565	1,286	1,011	1,753
Closing cash balance	1,286	1,011	1,753	3,346

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25	FY26E	FY27E
Sales growth	16	27	29	18
OPM	27	25	28	28
Operating profit growth	15%	21%	39%	21%
COGS / Net sales	24%	25%	26%	25%
Depreciation / G. block	6%	6%	5%	5%
Effective interest rate	-3%	3%	4%	4%
Net working capital / Net sales	-13%	-12%	-9%	-6%
Net sales / Gr block (x)	1.5	1.2	1.2	1.3
ROCE	15	12	16	19
Debt/equity (x)	0.1	0.3	0.3	0.2
Effective tax rate	20%	20%	20%	20%
RoE	14	13	16	17
Payout ratio (Div/NP)	10%	10%	10%	10%
EPS (Rs.)	13	14	21	26
EPS Growth	-4%	4%	50%	25%
CEPS (Rs.)	16	18	25	31
DPS (Rs.)	1	1	1	1

Source: Company, Axis Research

HERO MOTOCORP LTD – RURAL RECOVERY 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
4,261

Target Price
5,030

Upside
18%

Key Rationale

- **Industry Growth Outlook:** The domestic economy has begun FY26 on a positive trajectory, supported by tapering inflation, declining interest rates, income tax cuts, strong marriage season and expectations of a favourable monsoon. These macroeconomic tailwinds are fueling optimism in the two-wheeler market. The 2W industry growth for FY26 is projected to be in the mid-to-high single digits, despite some headwinds from OBD 2 norms and related price increases.
- **New Product Launches:** In FY25, Hero MotoCorp rolled out a series of product launches across key segments, reinforcing its focus on both commuter and premium motorcycles. The company launched Splendor+ XTEC 2.0 and updated its commuter lineup with the 2024 Hero Glamour. In the premium segment, it introduced the Xtreme 250R and Xpulse 210 at Bharat Mobility 2025, along with the Mavrick 440 Thunderwheels and the Xpulse 200 4V Dakar Edition. The 2024 Harley-Davidson lineup, including the Breakout 117, Road Glide, and Street Glide, was also unveiled. In the scooter segment, Hero launched the new Destini 125 and the Xoom 125 and 160 models. These launches highlight Hero's ongoing efforts to strengthen its product portfolio and address a wider range of customers.
- **Focus on growing the EV vertical:** Hero ended Mar'25 with 7% EV market share, and also acquired a 34.1% stake in Euler Motors for Rs 510 Cr, marking entry into the EV 3W space (e3W industry is valued at Rs 17,000 Cr, is expected to grow to Rs 22,000 Cr over the next 5 years, with 20%+ EBITDA margin potential). Overall profitability in EVs is expected to improve with localisation, cost reductions, and PLI benefits and the management projects EV break-even at 25k–30k units/month (currently 7k-8k/month).
- **Exports**: Export performance was broad-based with strong growth in Bangladesh, Colombia, Nepal, and Mexico. In FY25, exports grew 43% YoY, and the management noted that 40% of exports comprised premium products, indicating strong traction in higher-margin segments.
- **Outlook**: We are monitoring (1) Hero's roadmap in the EV product portfolio; (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 and the marriage season are expected to drive 2W industry growth, benefiting Hero, particularly in the entry and 125cc segments. Consequently, we estimate an 8%/9% CAGR in Revenue/EBITDA over FY25-27E.
- **Key risks:** a) Geopolitical Uncertainty, b) Increased competition.

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
FY25	40,756	5,861	4,610	231	18.9	22.3	22.7	14.8
FY26E	43,940	6,415	4,966	249	17.5	21.8	22.1	13.1
FY27E	47,561	6,941	5,401	270	16.1	21.4	21.7	11.8

Source: Company, Axis Securities Research

Profit & Loss (Rs Cr)

Y/E Mar	FY24A	FY25	FY26E	FY27E
Net revenues	**37,456**	**40,756**	**43,940**	**47,561**
Operating expenses	32,194	34,896	37,525	40,620
EBIDTA	**5,261**	**5,861**	**6,415**	**6,941**
EBIDTA margin (%)	**14.0**	**14.4**	**14.6**	**14.6**
Other income	886	1,056	1,111	1,111
Interest	19	20	20	21
Depreciation	711	776	884	829
Profit Before Tax	5,418	6,121	6,621	7,202
Tax	1,290	1,443	1,655	1,800
Reported Net Profit	**3,968**	**4,678**	**4,966**	**5,401**
Net Margin (%)	10.6	11.5	11.3	11.4
Adjusted Net Profit	**4,127**	**4,610**	**4,966**	**5,401**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24A	FY25	FY26E	FY27E
Equity capital	40	40	40	40
Reserves & surplus	17,946	19,925	22,193	24,895
Shareholders funds	17,986	19,965	22,233	24,935
Total Loans	0	0	0	0
Deferred tax liability	435	435	435	435
Total Liabilities and Equity	**18,421**	**20,400**	**22,667**	**25,370**
Gross block	12,465	13,445	14,195	14,695
Depreciation	6,631	7,406	8,291	9,120
Net block	5,834	6,039	5,904	5,575
Capital WIP	481	500	250	250
Investments	13,086	13,486	13,886	14,286
Inventory	1,444	1,675	1,685	1,824
Debtors	2,703	3,238	3,371	3,648
Cash & Bank Bal	609	468	2,956	5,518
Loans & Advances	1,415	2,088	1,776	1,884
Current Assets	6,171	7,469	9,787	12,875
Sundry Creditors	5,528	5,471	5,538	5,994
Other Current Liability	1,622	1,622	1,622	1,622
Current Liability& Provisions	7,151	7,094	7,160	7,616
Net current assets	-980	375	2,627	5,259
Total Assets	**18,421**	**20,400**	**22,667**	**25,370**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY24A	FY25	FY26E	FY27E
EBIT	4,550	5,085	5,531	6,112
Other Income	886	1,056	1,111	1,111
Depreciation & Amortisation	711	776	884	829
Interest paid(-)	-19	-20	-20	-21
Tax paid(-)	-1,290	-1,443	-1,655	-1,800
Extra Ord Income	-159	0	0	0
Operating Cash Flow	**4,679**	**5,454**	**5,850**	**6,231**
Change in Working Capital	1,118	-1,495	235	-69
Cash flow from Operations	**5,797**	**3,958**	**6,086**	**6,162**
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	-140	2,487	2,563
Opening cash	346	609	468	2,956
Closing Cash	**609**	468	2,956	5,518

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY24A	FY25	FY26E	FY27E
Revenue Growth	10.8	8.8	7.8	8.2
EBITDA Margin	14.0	14.4	14.6	14.6
Net Profit Margin	11.0	11.3	11.3	11.4
ROCE (%)	21.7	22.3	21.8	21.4
ROE (%)	22.1	22.7	22.1	21.7
EPS (Rs)	198	231	249	270
P/E (x)	22.9	18.9	17.5	16.1
P/ BV (x)	5.3	4.4	3.9	3.5
EV/ EBITDA (x)	17.8	14.8	13.1	11.8
Fixed Assets Turnover Ratio (x)	5.9	6.2	7.1	8.2
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	2.5	2.1	1.9	1.7

Source: Axis Securities 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
1,627

Target Price
1,900

Upside
17%

Key Rationale

- **Launches lead to pick up in sales; strong guidance:** Prestige reported pre sales of Rs 6,957Cr for the quarter, a 48% growth YoY. This was slightly above our expectations mainly due to launches in the far end of March. The company launched projects of 14.04mn sqft in Q4- 2 big projects including Prestige southern star and Prestige Spring heights, each covering ~5mn sqft As opposed to ~10mn sqft. in 9MFY25. The company's pre sales for FY25 stood at Rs 17,000Cr, missing their earlier guidance of ~24,000Cr but in line with our expectations post Q3. Mumbai's contribution to the pre sales was ~5,100Cr, translating to 30% of pre sales driven by Nautilus launch, while Bengaluru/Hyderabad contributed ~45%/23% of pre sales for the year. The company has guided towards a launch pipeline of GDV Rs 42,000Cr while having unsold inventory of Rs ~20,000Cr. They have guided towards a pre-sales of Rs 27,000Cr, of which Q1 is expected to contribute ~12,000Cr on the back of recent 3 Mumbai launches. This shows a good upcomjing FY26 on the back of spill over launches and a lower base.
- **Annuity Performs well:** The company showed an occupancy level of ~90% for their office segments and a strong 99% for their retail presence. EBITDA margins stood aat 79%, leading to rise in EBITDA from annuity space of Rs 5,932Cr for FY25. The exit rentals for their commercial/Retail portfolio stood at Rs 5,230Cr/ Rs 2,185Cr. Upcoming pipeline stood at 8/10mn sqft for commercial/retail segments. It's annuity capex stood at ~Rs 13,460Cr up from previous ~Rs12,800Cr. The company sees exit rentals escalating from current Rs 7,400Cr to Rs 44,000Cr by FY29E.
- **Muted Collections; recovery in coming quarters:** While the company saw decent pre sales inspite of delayed launches, their collections remained subdued. Its reported collections for Q4 of Rs 3,155Cr showed -9% degrowth YoY. This was mainly impacted due to launches happening at the far end of March, and hence could not translate into collections. The company expects this spill over to happen in the first quarter of FY26. The collections for the year stood at Rs 12,084Cr flat over previous year. This also impacted the company's financial performance, while increasing their net debt to Rs 6,716Cr from previous Rs5,960Cr. Net debt to equity was 0.42x.
- **Recommendation & Valuation**: After a subdued performance in 9MFY25, PEPL's pre-sales rebounded in Q4FY25, reaching Rs 6,957r (+48% YoY), driven by a pickup in launches (14 mn sq ft). The growth was largely price-led, supported by a stronger geographical contribution. Despite this recovery, FY25 pre-sales declined 19% YoY due to delayed launches stemming from regulatory hurdles—resulting in a ~30% miss against the initial guidance of ~Rs24,000Cr. Going forward for FY26E, Prestige aims to offset the muted FY25 performance, with a robust launch pipeline worth Rs 42,000Cr. Combined with an existing inventory base of Rs21,000Cr, we believe Prestige is well-positioned to achieve a 65% YoY growth in pre-sales to Rs 28,000Cr.

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	1,374	34.3	43.3	12.2	13.4	27.7
FY25E	7,349	2,559	468	11.7	127.3	3.0	7.6	26.7
FY26E	10,102	3,391	1,111	27.7	59.6	6.7	7.9	21.1
FY27E	13,088	4,505	1,985	49.5	29.4	10.8	10.6	13.6

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E
Net sales	7,349	10,102	13,088
Growth, %	-7	37	30
Other operating income	-	-	-
Total income	7,349	10,102	13,088
Raw material expenses	-1,203	-4,489	-5,704
Employee expenses	-822	-707	-916
Other Operating expenses	-2,766	-1,515	-1,963
EBITDA (Core)	2,559	3,391	4,505
Growth, %	2	33	33
Margin, %	35	34	34
Depreciation	-812	-930	-1,048
EBIT	1,747	2,461	3,457
Growth, %	-2	41	40
Margin, %	24	24	26
Interest paid	-1,334	-1,022	-1,202
Other Income	386	192	518
Share of profits from associates	-43	-59	19
Pre-tax profit	756	1,573	2,792
Tax provided	-139	-359	-610
Profit after tax	617	1,214	2,182
Others (Minorities, Associates)	-149	-102	-197

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

Balance Sheet (Rs Cr)

As of 31st Mar, Rs Cr	FY25	FY26E	FY27E
Shareholders' funds	15,423	16,462	18,375
Share capital	431	431	431
Reserves and surplus	14,992	16,031	17,944
Non Controlling Interest	482	584	781
Loan funds	10,600	12,100	14,600
Deferred tax liability	584	584	584
Total liabilities & shareholders' funds	27,089	29,730	34,340
Fixed assets (including Investments)	13,219	15,896	18,340
Deferred Tax asset and Other Tax assets	1,331	1,331	1,331
Net Current Assets	12,540	12,503	14,669
Current assets	44,246	59,451	87,477
Inventories	31,883	48,779	63,874
L&A	2,189	2,439	2,689
Other Current Assets	6,423	6,423	6,423
Receivables	1,358	1,234	1,234
Cash and bank balance	2,393	577	13,258
Current Liabilities	31,706	46,947	72,808
Current Liabilities	1,663	1,663	1,663
Customer advances	25,073	40,528	66,389
Trade Payables	1,871	1,657	1,657
Lease Liabilities	2,580	2,580	2,580
Provisions	520	520	520
Total assets	27,089	29,730	34,340

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
PBT	756	1,632	2,774
Op profit before WC changes	2,611	3,391	4,505
Change in Working Capital	-2,084	-1,780	10,516
Cash from operations	526	1,611	15,020
Taxes paid	-396	-359	-610
Cash from operating activities	131	1,252	14,410
Change in Fixed Assets	-1,583	-3,607	-3,492
Interest/ Dividend received	278	192	518
Net cash from investing activities	-1,348	-3,474	-2,955
	-	-	-
Interest paid	-1,666	-1,022	-1,202
Dividend paid	-78	-72	-72
Others	-1,435	-	-
Net Cash from Financing	959	406	1,226
Net cash for the period	-259	-1,816	12,681

Source: Company, Axis Research

Ratio Analysis (%

Y/E Mar	FY25	FY26E	FY27E
EPS (INR)	11.7	27.7	49.5
Growth, %	(66.0)	137.7	78.7
Book NAV/share (INR)	384.7	410.6	458.3
FDEPS (INR)	11.7	27.7	49.5
CEPS (INR)	31.9	50.9	75.7
CFPS (INR)	(40.9)	8.0	329.5
DPS (INR)	(1.5)	(1.5)	(1.5)
Return ratios			
Return on assets (%)	3.7	3.4	3.7
Return on equity (%)	3.0	6.7	10.8
Return on capital employed (%)	7.6	7.9	10.6
Current ratio (x)	1.6	1.4	1.3
Quick ratio (x)	0.4	0.2	0.3
Interest cover (x)	1.3	2.4	2.9
Net debt/Equity (%)	56.6	73.2	10.1
Valuation			
PER (x)	127.3	53.5	30.0
PEG (x) - y-o-y growth	(1.9)	0.4	0.4
Price/Book (x)	3.9	3.6	3.2

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-Galvanised Tubes, Structural Steel Tubes, Galvanised 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
1,601

Target Price
1,950

Upside
22%

Key Rationale

- **Leader in the structural steel tubes market in India:** The company is the leader in the structural steel tubes market in India with largest saleable capacity of 4.5 MT. It targets to expand its current capacity from 4.5 MTPA to 6.8 MTPA by FY28. The expansion will help it cater to the virgin East Indian market and high-margin international markets. The expansion would include a brownfield expansion of 2 Lc Ton in Dubai, 5 Lc Ton roofing sheets and 1 Lc Ton Heavy structure in Raipur. Greenfield expansion would include 2 Lc Ton in Gorakhpur, 3 Lc Ton in Kolkata, 3 Lc Ton in Bhuj (for focusing on exports from India) and 3.6 Lc Ton in New Malur (including 1.6 Lc Ton shifting of existing lines). Furthermore, the company is also expanding into speciality tubes with a 0.5 MTPA expansion. The total capex outlay is expected to be Rs 15 Bn over the next 3 years.
- **Long term growth vision:** The company's vision is to expand its capacity to 10 MTPA by FY30, providing a growth tailwind in the longer term. India's structural steel tube market is expected to grow by 10% CAGR from 9.0MT to 17.3MT over 2024-30: Out of this, the Hot rolled coil-based structural steel tube market (APL Apollo's addressable market) is expected to grow faster at a 20% CAGR over the same period, increasing from 4.5MT to 13.3MT.
- **Capacity expansion in Value added segment:** The company will add 4x2,50,000 tons of value-added plants, which will include seamless, API, automotive tubes and SS pipes. This expansion is expected by 2030 and will require a capex outlay of Rs 1,000 Cr.
- **Sluggish Q1FY26 Results, but growth to pick up in H2FY26:** H1FY26 is likely to be a transient period of weakness for the structural steel demand due to monsoon. The company is well placed to gain market share when demand will increase in H2FY26 when the government spending gets boost. APL's focus is on improving its profitability and increasing its EBITDA/t to Rs 5,500/t+ and achieving sustainable ROCE of 30%.
- **Outlook & Valuation:** With the growth drivers intact, we believe APL Apollo tubes is well positioned to capture India's infrastructure growth. We project EBITDA CAGR of 38% over FY25-27E. The stock is trading at 12-month forward P/E of 35x. We maintain our BUY rating on the stock with a TP of Rs 1950.

Key Financials (Consolidated)

Y/E Mar	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	EV/EBITDA (X)	ROE (%)	ROCE (%)
FY24	18,119	1,192	732	26.4	56.7	35.8	22.2	22.8
FY25	20,690	1,199	757	27.3	56.1	35.9	19.4	20.1
FY26E	24,285	1,769	1,153	41.6	37.7	24.9	24.2	27.9
FY27E	29,493	2,299	1,547	55.7	28.1	19.1	25.6	30.3

Source: Company, Axis Securities

Income Statement (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Total Sales	**18,119**	**20,690**	**24,285**	**29,493**
Total Raw Materials	15,617	17,870	20,686	25,095
COGS	16,669	19,158	22,168	26,820
EBITDA	**1,192**	**1,199**	**1,769**	**2,299**
EBITDA per tonne	**4,553**	**3,797**	**4,853**	**5,225**
Depreciation	176	201	223	246
Interest & Finance charges	113	133	103	83
Other Income	75	96	102	118
EBT (as reported)	**978**	**960**	**1,545**	**2,088**
Tax	245	203	391	541
RPAT	**732**	**757**	**1,153**	**1,547**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Equity Share Capital	56	56	56	56
Reserves	3,549	4,153	5,251	6,742
Net worth	3,605	4,209	5,306	6,798
Total loans	1,125	615	515	415
Deferred tax liability (Net)	126	153	153	153
Capital Employed	**5,029**	**5,172**	**6,200**	**7,639**
Net block	3,031	3,370	3,647	3,901
Investments	103	126	194	236
Inventories	1,638	1,623	1,930	2,343
Sundry debtors	139	267	266	323
Cash and cash equivalents	345	369	345	1,264
Total Current assets	3,341	3,183	3,638	5,214
Total Current liabilities	2,157	2,424	2,353	2,855
Net Current assets	1,184	759	1,285	2,359
Capital Deployed	**5,029**	**5,172**	**6,200**	**7,639**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
PBT	978	960	1,545	2,088
Depriciation & Amortization	176	201	223	246
Incr/(Decr) in Deferred Tax Liability	-	-	-	-
(Incr)/Decr in Working Capital	124	167	(551)	(154)
Net Cash Flow from Operating	**1,112**	**1,213**	**827**	**1,603**
(Incr)/ Decr in Gross PP&E incl Capital Advances	(695)	(723)	(500)	(500)
(Incr)/Decr In Work in Progress	-	-	-	-
(Incr)/Decr In Investments	(5)	-	(68)	(42)
(Incr)/Decr in Other Non-Current Assets	-	-	(157)	(70)
Cash Flow from Investing	**(916)**	**(375)**	**(592)**	**(446)**
(Decr)/Incr in Borrowings	259	(514)	(100)	(100)
Dividend	(139)	(153)	(56)	(56)
Cash Flow from Financing	**27**	**(815)**	**(258)**	**(238)**
Cash at the Start of the Year	123	345	369	345
Cash at the End of the Year	**345**	**369**	**345**	**1,264**

Source: Company, Axis Research

Ratio Analysis (%)

Ratios	FY24	FY25	FY26E	FY27E
Growth (%)				
Sales	12.1	14.2	17.4	21.4
EBITDA	16.7	0.6	47.5	30.0
APAT	14.1	3.4	52.3	34.1
Profitability (%)				
EBITDA Margin	6.6	5.8	7.3	7.8
Adj. Net Profit Margin	4.0	3.7	4.7	5.2
ROCE	22.8	20.1	27.9	30.3
ROE	22.2	19.4	24.2	25.6
Per Share Data (Rs.)				
AEPS	26.4	27.3	41.6	55.7
Reported CEPS	32.9	35.6	49.7	65.1
BVPS	129.9	151.6	191.2	244.9
Valuations (x)				
PER (x)	56.7	56.1	37.7	28.1
PEG (x)	4.0	16.7	0.7	0.8
P/BV (x)	11.5	10.1	8.2	6.4
EV/EBITDA (x)	35.8	35.9	24.9	19.1
Dividend Yield (%)	0.37%	0.38%	0.13%	0.13%
Turnover days				
Inventory Days	34.1	31.1	29.2	29.1
Debtor Days	2.9	3.7	4.2	3.8
Payable Days	42.4	43.6	39.3	35.4
Gearing Ratio				
D/E	0.3	0.1	0.1	0.1

Source: Company, Axis Research

KIRLOSKAR BROTHERS LTD – REVENUE VISIBILITY DRIVEN BY STRONG ORDER PIPELINE

Kirloskar Brothers Limited (KBL) is a world-class pump manufacturing company with expertise in engineering and manufacturing fluid management systems. Established in 1888 and incorporated in 1920, KBL is the parent company of the Kirloskar Group. It provides complete fluid management solutions for large infrastructure projects across sectors such as water supply, power plants, irrigation, building & construction, oil & gas, and marine & defence. KBL manufactures a wide range of industrial, agricultural, and domestic pumps, along with valves and hydro-turbines

Industry view

Over Weight

CMP
1,971

Target Price
2,330

Upside
19%

Key Rationale

- **Strong Order Pipeline Maintaining Revenue Visibility**: KBL reported a double-digit revenue growth in FY25, with significant traction in overseas business (growing by a notable 21%). This international growth was driven by strong contributions from SPP UK, the Dutch entity, and KBTL (Thailand and Singapore). KBL continues to hold a healthy order book of Rs 3,118 Cr (up from Rs 3,094 Cr in Q3FY25), providing solid revenue visibility going forward. Some of the orders that were deferred or delayed at the end of FY25 are expected to contribute to growth going forward.

- **Operational Efficiencies and Product Mix to Aid Profitability:** For FY25, KBL posted EBITDA growth of 18% along with an improvement in EBITDA margins. This was driven by a strategic shift toward higher-value products and a significant reduction in reliance on low-margin, large-scale EPC projects, coupled with cost optimisation initiatives. KBL has been investing in technology upgrades to enhance operational efficiency and product value. The company has also developed a subscription platform to leverage the technological and domain expertise, which shall also help in customer retention in the long term. Management remains focused on these initiatives and is optimistic about continued margin improvement.

Growth Momentum to Continue: The management has recently reiterated its expectations of sustaining the growth momentum witnessed in FY25, with double-digit revenue growth likely to continue over the medium term, supported by strong demand and a healthy order book. The company delivered robust performance across most overseas markets and anticipates further improvement ahead. Additionally, the management remains optimistic about continued improvement in EBITDA margins.

Outlook and Recommendation: With sustained demand from key end markets and a robust order book, KBL remains on track to achieve double-digit revenue growth in the medium term. The current order book provides strong revenue visibility, with the execution cycle ranging from a few weeks to as much as 18 months. Order intake is also expected to remain strong. Additionally, the focus on cost optimisation and an improved product mix should support continued margin expansion. **Accordingly, we value the stock at 25x Sep'27E EPS and maintain a BUY rating on the stock.**

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY24	4,001	578	333	44	44.8	27.7	21.7	29.3
FY25	4,492	681	411	52	37.6	28.2	21.1	24.8
FY26E	5,487	851	522	68	29.0	29.7	22.4	19.0
FY27E	6,651	1,033	649	84	23.5	30.6	22.7	15.2
FY28E	7,780	1,247	800	103	19.1	31.1	22.9	12.0

Source: Company, Axis Securities Research

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	**4,001**	**4,492**	**5,487**	**6,651**	**7,780**
Growth (%)	7.3	12.3	22.1	21.2	17.0
Total Income	**4,001**	**4,492**	**5,487**	**6,651**	**7,780**
Raw Material Expense	1,983	2,198	2,677	3,246	3,766
Employee Expense	673	708	834	1,011	1,175
Other Operating Expense	826	977	1,196	1,437	1,673
EBITDA (Excl. Other Income)	**520**	**609**	**779**	**958**	**1,167**
Growth (%)	30	17	28	23	22
EBITDA Margin (Excl. Other Income - %)	**13.0**	**13.6**	**14.2**	**14.4**	**15.0**
Other Income	59	72	72	75	80
EBITDA (Incl. Other Income)	**578**	**681**	**851**	**1,033**	**1,247**
Growth (%)	35.6	17.8	24.9	21.4	20.8
EBITDA Margin (Incl. Other Income - %)	**14.5**	**15.2**	**15.5**	**15.5**	**16.0**
Depreciation	78	89	108	123	138
EBIT	**500**	**592**	**743**	**910**	**1,109**
Interest Cost	26	25	25	18	10
Profit Before Tax	**474**	**567**	**718**	**892**	**1,099**
Tax	141	156	196	243	299
Profit After Tax	**333**	**411**	**522**	**649**	**800**
Growth (%)	45.2	23.5	27.0	24.3	23.4
Exceptional Items	6.6	-7.8	-	-	-
Share of Profit of an associate/OCI	**9**	**12**	**15**	**15**	**15**
Net Profit (Adjusted)	**348**	**415**	**537**	**664**	**816**
EPS	**44**	**52**	**68**	**84**	**103**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS					
Equity Share Capital	16	16	16	16	16
Reserves & Surplus	1708	2086	2551	3124	3848
Net Worth	**1724**	**2101**	**2567**	**3140**	**3864**
Borrowings	192	182	150	90	40
Other Liabilities	1409	1383	1396	1427	1584
Total Liabilities	**1601**	**1564**	**1546**	**1517**	**1624**
Total Equity & Liability	**3325**	**3665**	**4113**	**4657**	**5488**
APPLICATION OF FUNDS					
Cash & Bank Balance	293	349	598	796	1319
Investments	410	619	619	619	619
Advances	201	108	108	108	108
Fixed & Other Assets	2421	2590	2789	3134	3443
Total Assets	**3325**	**3665**	**4113**	**4657**	**5488**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
PBT	**474**	**559**	**718**	**892**	**1099**
Depreciation & amortisation	78	89	108	123	138
Interest expense	26	14	25	18	10
Interest / Dividend	-47	-36	-57	-60	-65
Other Adjustments	3	17	0	0	0
(Inc)/Dec in working capital	-95	-97	-144	-188	-40
Tax paid	-141	-160	-196	-243	-299
CF from operating activities	**299**	**386**	**455**	**543**	**844**
Capital expenditure	-174	-89	-150	-250	-250
(Purchase) / Sale of Investments	0	0	0	0	0
Income from investments and others	-5	-151	72	75	80
CF from investing activities	**-179**	**-240**	**-78**	**-175**	**-170**
Inc/(Dec) in share capital	0	0	0	0	0
Inc/(Dec) in debt	-94	-24	-32	-60	-50
Dividends & Interest paid	-83	-52	-96	-109	-101
Other Financial Activities	0	-17	0	0	0
CF from financing activities	**-177**	**-92**	**-128**	**-169**	**-151**
Net cash flow	**-57**	**54**	**249**	**198**	**523**
Opening balance	253	266	349	598	796
Other Bank Balance	0	3	0	0	0
Closing balance	**293**	**349**	**598**	**796**	**1319**

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Financial Ratios					
RoE (%)	21.7	21.1	22.4	22.7	22.9
RoCE (%)	27.7	28.2	29.7	30.6	31.1
Debt/Equity (x)	0.1	0.1	0.1	0.0	0.0
EBIT/Interest (x)	19.4	23.9	29.9	50.5	113.7
Turnover Ratios					
Asset turnover (x)	2.1	2.0	2.0	2.1	2.0
Sales/Net FA (x)	6.0	6.5	7.5	7.8	8.0
Working capital/Sales (x)	0.1	0.1	0.1	0.1	0.1
Working capital days	52.7	46.5	40.0	38.0	35.0
Liquidity Ratios					
Current ratio (x)	1.6	1.7	2.0	2.2	2.5
Quick ratio (x)	1.0	1.1	1.3	1.5	1.7
Interest cover (x)	17.2	20.9	26.4	43.9	97.3
Net debt/Equity (x)	-0.1	-0.1	-0.2	-0.2	-0.3
Valuation (x)					
PE	44.8	37.6	29.0	23.5	19.1
PEG (x) YoY growth	0.9	2.0	1.0	1.0	0.8
P/BV	9.0	7.4	6.1	5.0	4.0
EV/EBITDA	29.3	24.8	19.0	15.2	12.0
EV/Sales	3.8	3.4	2.7	2.2	1.8
EV/EBIT	30.4	25.5	19.9	16.0	12.6

Source: Axis Securities Research

SANSERA ENGINEERING LTD - STRONG ORDER BOOK & SUPPORTIVE BALANCE SHEET TO SUPPORT FUTURE GROWTH

Sansera Engineering (Sansera), incorporated in 1981 and headquartered in Bengaluru, is a technology-driven manufacturer of complex and critical high-precision iron and aluminium components for automotive and non-automotive sectors. It is the largest supplier of Connecting Rods, Rocker Arms, and Gear Shifter Forks for the 2W segment and the largest supplier of Connecting Rods and Rocker Arms for LMV in India. With a strong presence in high-precision IC engine components, it extends its design and engineering capabilities to cater to fast-growing areas like EV, Defence, and Aerospace, among others. It has 17 integrated manufacturing facilities (16 in India and 1 in Sweden) and has evolved organically by supplying premium quality components to Auto ICE, Tech Agnostic, xEV, and Non-Auto OEMs globally.

Industry view

Over Weight

CMP
1,335

Target Price
1,580

Upside
18%

Key Rationale

- **Encouraging Revenue and EBITDA Margins:** Despite a challenging FY25 due to geopolitical headwinds, Sansera expects to report high-teen revenue growth in FY26, supported by continued strength in xEV, ADS, and overseas businesses. The management has guided a 50–60 bps expansion in EBITDA margins, driven by better product mix (more tech-agnostic, EV, and ADS), favourable operating leverage, and reduced dependency on commodity-heavy ICE components.
- **Robust Order Book:** As of Mar'25, Sansera's total unexecuted order book stood at Rs 1,851 Cr, with 28% of the new orders originating from the ADS segment, highlighting the growing relevance of this business line. Geographically, 27% of the order book is linked to North America, 24% to Europe, and 9% to other Asian countries.
- **Capex to Support Orderbook:** Sansera is executing both brownfield and greenfield expansions to support its long-term growth strategy. In FY25, the company incurred a capex of Rs 591 Cr, largely towards enhancing capacity in machining, forging, and the ADS facility. Additionally, it acquired 55 acres of land in Karnataka for future greenfield expansion, expected to begin post FY27.
- **Growth in ADS Business:** Sansera's ADS vertical is on a high-growth trajectory and is expected to increase from Rs 132 Cr in FY25 to Rs 280–300 Cr in FY26, backed by a strong order pipeline. The company has already invested Rs 300 Cr in setting up a dedicated ADS facility, which has a potential revenue-generating capacity of Rs 600–650 Cr at full utilisation. *ADS contracts tend to be long-cycle, high-margin, and less price-sensitive compared to auto components.*
- **Developments in MMRFIC:** Sansera currently holds a 30% stake (option to raise to 51%) in MMRFIC, a deep-tech company, specialising in microwave and mm-wave technologies used in radar systems and defence communications. MMRFIC has an active order pipeline of over Rs 100 Cr from organisations such as ISRO, DRDO, and the Indian Army. While its FY25 revenue is still modest at ~Rs 20 Cr, the EBITDA margins exceed 40% due to grant-based development projects. Management expects a significant scale-up in FY27 as projects move into the production phase.
- **Valuation & Outlook:** Given factors such as a) A higher sales mix in Non-Auto ICE components, b) Increased premiumisation trend, c) A focused approach on improving margin trends, d) Strong ability to generate operating cash flows, and e) Capacity expansion plans, we expect Revenue, EBITDA, and PAT to grow at CAGR of 17%, 21%, and 30%, respectively, over FY25-27E.
- **Key risks:** Macro Economic Uncertainty, Low Promoter Holding

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	2,811	480	188	34.8	29.2	16.05%	14.77%	13.18
FY25	3,017	515	217	37.4	34.0	13.81%	10.50%	14.32
FY26E	3,527	624	278	44.5	28.5	13.76%	9.58%	12.91
FY27E	4,126	755	365	58.5	21.2	16.96%	11.41%	10.22

Source: Company, Axis Securities Research

Profit & Loss (Rs Cr)

Y/E Mar	FY24A	FY25	FY26E	FY27E
Net sales	2,811	3,017	3,527	4,126
Raw materials	1,218	1,241	1,517	1,749
Staff costs	380	443	469	549
Other expenses	734	818	917	1,073
Total expenses	233	250	290	337
EBITDA	480	515	624	755
Depreciation	149	174	239	257
EBIT	330	341	386	498
Other income	2	20	20	21
Interest expense	77	70	33	29
Share of Profit/loss from associates	1	-	-	-
Exceptional (expenses)/income	-	-	-	-
Profit before tax	256	291	373	491
Tax expense	69	75	97	128
Adjusted PAT	-	-	-	1
Reported PAT	188	217	278	365
No. of shares	53.8	58.0	61.9	61.9
Reported EPS (Rs/share)	34.8	37.4	44.5	58.5

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24A	FY25	FY26E	FY27E
Equity Share Capital	11	12	12	12
Reserves and Surplus	1337	2738	2995	3334
Non-Controlling Interest	16	17	20	22
Total Shareholders' Funds	**1363**	**2768**	**3027**	**3369**
NON-CURRENT LIABILITIES				
Long-term Borrowings	252	171	81	-39
Long-Term Finance/Lease Liabilities	80	94	94	94
Long Term Provisions	3	4	4	4
Deferred Tax Liabilities	69	80	80	80
Other LT liabilities	50	46	46	46
Total Non-Current Liabilities	**453**	**396**	**306**	**186**
CURRENT LIABILITIES				
Short-Term Borrowings	550	128	128	128
Short-Term Lease Liabilities	10	13	13	13
Trade Payables	356	362	424	496
Other Current Liabilities	61	68	68	68
Total Current Liabilities	**977**	**572**	**633**	**705**
Total Capital And Liabilities	**2793**	**3736**	**3966**	**4260**
ASSETS				
NON-CURRENT ASSETS				
Net Tangible Assets	1463	1778	1739	1723
Financial Assets	71	82	82	82
Other Non-Current Assets	259	416	466	526
Total Non-Current Assets	**1793**	**2276**	**2288**	**2331**
CURRENT ASSETS				
Inventories	419	501	586	685
Current Investments	1	1	1	1
Trade Receivables	462	455	532	622
Cash And Cash Equivalents	63	427	484	545
Other Current Assets	54	76	76	76
Total Current Assets	**1000**	**1459**	**1678**	**1929**
TOTAL ASSETS	**2793**	**3736**	**3966**	**4260**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY24A	FY25	FY26E	FY27E
Cash flows from operating activities				
Profit before tax for the year	256	292	375	493
Finance costs	77	70	33	29
Depreciation and amortisation	149	174	239	257
Others	-69	-78	-97	-128
Cash Flow From Operations before Changes in WC	414	458	549	650
Change in operating assets and liabilities	-40	-81	-100	-118
Net cash generated by operating activities	**374**	**377**	**449**	**533**
Cash flows from investing activities				
Capex	-339	-596	-250	-300
Investments	-31	-371	-	-
Others	1	12	-	-
Net cash (used in)/generated by investing activities	**-368**	**-955**	**-250**	**-300**
Cash flows from financing activities				
Change in borrowing	80	665	-90	-120
Interest on borrowings	-74	-65	-33	-29
Other	-	-	-	1
Dividends paid(-)	-13	-16	-19	-23
Net cash used in financing activities	**-8**	**583**	**-141**	**-171**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**-20**	**52**	**573**	**609**
CCE at the beginning of the year	50	49	51	109
Effect of exchange differences on translation of foreign currency cash and cash equivalents	1	-2	-	-
CCE at the end of the year	**486**	**515**	**1,088**	**1,697**

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY24A	FY25	FY26E	FY27E
Valuation Ratios				
PER	29.2	34.0	30.5	23.2
P/BV (x)	4.0	2.7	2.8	2.5
EV/Ebitda (x)	13.2	14.3	13.2	10.7
EV/Sales (x)	2.25	2.44	2.34	1.96
Dividend Yield %	0.29%	0.26%	0.28%	0.33%
Return Ratios				
ROE	14.77%	10.50%	9.58%	11.41%
ROCE	16.05%	13.81%	13.76%	16.96%
ROIC	21.20%	14.64%	12.54%	15.19%
Leverage Ratios				
Debt/equity (x)	0.69	0.17	0.12	0.07
Net debt/ Equity (x)	0.61	-0.01	-0.06	-0.10
Net debt/Ebitda (x)	1.72	-0.04	-0.27	-0.46
Operational Ratios				
Sales growth (% YoY)	19.8%	7.3%	16.9%	17.0%
EBITDA growth (% YoY)	24.7%	7.3%	21.3%	20.9%
Net Profit growth (% YoY)	26.4%	15.6%	28.1%	31.5%
EBITDA Margin %	17.07%	17.06%	17.70%	18.30%
Net profit Margin %	6.67%	7.19%	7.88%	8.85%
Efficiency Ratios				
Total Asset Turnover (x)	1.07	0.92	0.92	1.00
Sales/Net block(x)	2.06	1.86	2.01	2.38

Source: Axis Securities 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:** As of 31st March, 2025, the company's order book stands at Rs 64,495 Cr, 41% from T&D, 22% from B&F, 15% from Water, 12% from Oil & Gas, 5% from Railways, and 5% from Urban Infra. With a strong execution track record and growing opportunities across all segments, it is well-positioned for steady revenue growth, projecting an 18% CAGR from FY25 to FY27E.
- **Order inflow:** In FY25, the order inflow stood at Rs 25,475 Cr. For FY26, management expects an order inflow of Rs 26,000-Rs 28,000 Cr, of which Rs 9,075 Cr has already been secured, with a major focus on the T&D and B&F segments. It also anticipates some traction in Oil & Gas and the International Water segment. Overall, management is positive about growth across all businesses, except for Railways.
- **EBITDA margins to improve:** Recent order wins are expected to enhance margins, driving improved profitability. Management anticipates a 100 bps expansion in operating margins for FY26. Additionally, reduced debt levels are lowering finance costs, further strengthening the bottom line. We forecast robust growth in EBITDA and PAT, with projected CAGRs of 22% and 41%, respectively, over FY25-FY27E. We expect the company to achieve an EBITDA margin in the range of 8.5%- 9% in FY26/27.
- **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. KPIL is projected to deliver a CAGR of 18%/22%/41% over FY25-27E.
- **Valuation:** The stock is currently trading at 20x/16x FY26E/27E EPS. We maintain our BUY rating on the stock with a TP of Rs 1,350/share, implying an upside of 21% from the CMP.
- **Key risks:** a) Delay in collections may impact revenue growth; b) A rise in commodity prices may impact margins.

CMP
1,147

Target Price
1,350

Upside
18%

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	1,629	516	31.9	35	12.9	10.4%	16.1%
FY25	22,316	1,834	567	33.2	34	11.8	9.6%	16.8%
FY26E	26,185	2,330	914	53.4	22	9	13.1%	19.8%
FY27E	30,923	2,752	1156	67.6	18	7.8	14.7%	22%

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Net sales	**19,626**	**22,316**	**26,185**	**30,923**
Other operating income	0	0	0	0
Total income	19,626	22,316	26,185	30,923
Net RM	8,205	8,581	10,841	12,802
Contribution (%)	*58.2%*	*61.5%*	*58.6%*	*58.6%*
Other Expenses	9,793	11,901	13,014	15,369
Operating Profit	**1,629**	**1,834**	**2,330**	**2,752**
Other income	64	62	79	93
PBIDT	**1,693**	**1,897**	**2,409**	**2,845**
Depreciation	473	497	540	597
Interest & Fin Chg.	518	577	576	618
E/o income / (Expense)	0	0	0	0
Share of Profit from Associates	0	0	0	0
Pre-tax profit	**701**	**823**	**1,293**	**1,630**
Tax provision	185	256	362	456
PAT	516	567	931	1,173

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Capital Applied	**7,659**	**8,971**	**9,653**	**10,646**
Net Block	2,970	3,090	3,150	3,153
Other non-current assets	788	984	984	984
Wkg. cap. (excl cash)	1,850	2,114	2,255	3,818
Cash / Bank balance	1,032	1,759	2,240	1,667
Misc Assets	1,019	1,024	1,024	1,024
Capital employed	**7,659**	**8,970**	**9,652**	**10,645**
Equity capital	32	34.1	34.1	34.1
Reserves	5,105	6,479	7,280	8,324
Minority Interests	(25)	(44)	(44)	(44)
Borrowings	1,448	1,467	1,348	1,298
Other non-current liab.	1,099	1,035	1,035	1,035

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
PAT	516	567	931	1173
Depreciation	473	497	540	597
Interest Expense	518	577	576	618
Changes in Working Capital	(635)	(677)	(141)	(1563)
Others	253	222	284	364
Tax Paid	(282)	(272)	(362)	(456)
Net Cash from Operations	**843**	**914**	**1828**	**733**
Capex	(352)	(575)	(600)	(600)
Others	89	(144)	79	93
Net Cash from Investing	**(263)**	**(719)**	**(521)**	**(507)**
Borrowings	137	487	(120)	(50)
Interest Expense	(504)	(566)	(576)	(618)
Dividend paid	(114)	(130)	(130)	(130)
Others	182	200	0	0
Net Cash from Financing	**(524)**	**400**	**(826)**	**(798)**
Net Change in Cash	**56**	**596**	**480**	**(572)**
Opening cash	956	1009	1602	2082
Closing cash	**1009**	**1602**	**2082**	**1510**
FCF	492	340	1228	133

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25	FY26E	FY27E
Sales growth	**20.0%**	**14%**	**17%**	**18%**
OPM	**8.3%**	**8.2%**	**8.9%**	**8.9%**
Operating profit growth	19%	13%	27%	18%
COGS / Net sales	42%	38%	41%	41%
Overheads/Net sales	50%	53%	50%	50%
Depreciation / G. block	10%	10%	10%	10%
Effective interest rate	13.6%	14.2%	14.0%	15.3%
Net working capital / Net sales	0.21	0.21	0.19	0.19
Net sales / Gr block (x)	4.2	4.4	4.6	4.9
RoCE	**16%**	**17%**	**20%**	**22%**
Debt/equity (x)	0.8	0.6	0.6	0.5
Effective tax rate	26.4%	31.0%	28.0%	28.0%
RoE	**10%**	**10%**	**13%**	**15%**
Payout ratio (Div/NP)	22.0%	23%	14%	11%
EPS (Rs.)	**31.9**	**33.2**	**54.5**	**68.6**
EPS Growth	18.6%	4.2%	64.1%	26.0%
CEPS (Rs.)	61.1	62.3	86.0	103.5
DPS (Rs.)	7.0	7.6	7.6	7.6

Source: Company, Axis Research

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- Distributor for Mutual Funds with AMFI

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Compliance Officer Details: Name – Mr. Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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