TOP PICKS

December 2024

AXIS SECURITIES

Tough Phase Coming to An End; All Eyes Now on H2 Recovery

Axis Top Picks Basket delivered a return of 10.9% in the last six months against the 7.1% returns posted by Nifty 50 over the same period. The last three months were highly volatile for the market and notable mixed performance was seen across sectors, market caps, and style indices. The Axis Top Picks basket declined by 2.9% in the last three months but managed to beat the market performance as the benchmark Nifty 50 which declined by 4.4% over the same period. It gives us immense joy to share that our Top Picks Basket has delivered an impressive return of 326% since its inception (May'20), which stands well above the 160% return delivered by the NIFTY 50 index over the same period. In light of this, we continue to believe in our thematic approach to Top Picks selection.

The tough phase of the market coming to an end: Oct'24 was a challenging month for the Indian equity market with broad-based correction witnessed across the market cap, styles, and sectors. The majority of the correction was led by 1) FII selling, 2) Lower-than-expected Q2FY25 earnings, 3) A rise in the US 10-year bond yields, and 4) Expectations of China recovery. The correction was further accentuated in Nov'24 due to continued selling by FIIs and a rising dollar index. While Nifty 50 reached an all-time high of 26,216 on 26th Sep'24, the benchmark saw a correction of 8% from the top till month end. The broader market indices including Mid and Smallcap indices corrected by 6.7%/3.9% respectively. The impact of foreign outflow was higher in Largecaps compared to Small and Midcaps as they predominantly owned the Largecap counters.

After tepid H1, green shoots lie in H2FY25: Q2FY25 earning season posted a slightly weaker set of numbers which is translating into some moderation in the earnings momentum. 56% of the Nifty 50 companies either beat or were in line with the earnings expectation while 66% companies either beat or were in line on the revenue front. This subdued performance was largely led by a slowdown in capex activities, some moderation in the urban consumption led by higher inflation and extended monsoon and a reduction in spread due to rationalization of the commodities prices. All these indicators impacted the margins of Indian corporates, which translated into earnings cuts. After Q2FY25, we saw an earnings cut of 1.5% for Nifty 50 companies for FY25 while the earnings cut for consensus was more than 3%. Now we foresee Nifty 50 EPS to grow by 7.6%/13.7% in FY25/26 respectively. In FY27, we expect earnings to grow by 11%. We foresee Nifty earnings growth of 14% CAGR from FY23-27. Based on the current economic momentum, stable political regime, capex and other infra-agenda, we believe this double-digit earnings growth to be achievable in the next 2-3 years. All eyes are now on the earning recovery in H2FY25, which will be based on 1) The expectation of an increase in government capex, 2) Post-monsoon activities, 3) A good number of wedding days, and 4) The expectation of rural pick-up in the second half.

With the recent run-up in the market, we believe most of the narrative has already been priced in. We see near-term consolidation in the market with the breadth of the market likely to narrow further. Hence, the focus remains on style and sector rotation. After the recent correction, we believe the market is in the oversold zone. The number of stocks trading above the 200-day moving average in the NSE 500 universe was hovering around 37% on 21st Nov'24 and the long-term average is 55%. Two months back, this number was hovering around 85-90%, typically indicating the overbought territory of the market. In the last 40-50 days, the market saw the journey from overbought to oversold. After the verdict of the Maharashtra election, some breather was seen in the market and now 50% of the NSE 500 stocks are trading above their 52W high. With this correction, valuations are also reasonable for the market. We believe this is the best time to *act and shift gears* to build a long-term portfolio. We believe the much-awaited correction has already happened and most of the stocks are available at reasonable valuations as compared to what was available three months before. However, the near-term direction of the market will be more macro-driven and the market could react in either direction based on the developments. Hence, we recommend building positions in two themes 'Growth at a Reasonable Price' and 'Quality' to generate satisfactory results in the next year.

Based on the recent developments, we have also made certain changes to our Top Picks. This includes booking profit in TVS motors and Federal Bank while adding Gravita India and Healthcare Global to it. Our modification reflects the changing market style and shift towards growth at a reasonable price stock.

Our Key Themes

Key Monitorables in H2FY25: The majority of the events are now behind us and most of the negatives related to earnings are now into the price. Going forward market will closely monitor the developments around the following events: 1) The outcome of RBI MPC and commentary on inflation and growth outlook, 2) Dec'24 FOMC meeting outcome and dot plot projections for 2025, 3) US 10-year bond yields, 4) Oil Prices, 5) Pick-up in the government capex, and 6) Consumption pick-up after the festival season. These events are expected to keep the Indian equity market volatile and it could respond in either direction based on the developments.

In the near term, some allocation is likely to shift towards China based on recent developments. **Nonetheless, we continue to believe in the long-term growth story of the Indian equity market.** With increasing capex enabling banks to improve credit growth, we believe it is well-supported by a favourable structure emerging. However, with current valuations offering limited scope for further expansion, an increase in corporate earnings will be the primary driver of the market returns moving forward. **Hence, bottom-up stock picking with a focus on 'Growth at a Reasonable Price' and 'Quality' would be keys to generating satisfactory returns in the next one year.**

We roll over the Nifty target to Dec'25 at 26100

Base case: We continue to believe that the Indian economy stands at the sweet spot of growth and remains the land of stability against the backdrop of a volatile global economy. We continue to believe in its long-term growth story, driven by the country's favourable structure, thanks to the increasing Capex which is enabling banks to improve credit growth. This will ensure that Indian equities will easily manage to deliver double-digit returns in the next 2-3 years, supported by double-digit earnings growth. Against this backdrop, we foresee Nifty earnings to post excellent growth of 14% CAGR over FY23-27. Financials will remain the biggest contributors for FY25/26 earnings. In our base case, we assume the continuation of the political stability in a coalition government, faster GDP growth rate vs. other emerging markets, stable monsoon, stable oil prices, and one to two rate cuts of 25bps each in the next one year. **In our base case, we roll over the Nifty target to Dec'25 to 26,100 by valuing it at 20x on Dec'26 earnings, implying an upside of 8% from the 29th Nov'24 levels.** The current level of India's VIX is below its long-term average, indicating that the market is currently in a neutral zone (neither panic nor exuberance). While the medium to long-term outlook for the overall market remains positive, we may see volatility in the short run with the market responding in either direction. Keeping this in view, the current setup is a 'Buy on Dips' market. We recommend investors maintain good liquidity (10%) to use any dips in a phased manner and build a position in high-quality companies (where the earnings visibility is quite high) with an investment horizon of 12-18 months.

Bull Case: In the bull case, **we value NIFTY at 22x, which translates into a Dec'25 target of 28,700.** Our bull case assumption is based on the Goldilocks scenario which presumes an overall reduction in volatility and the success of a soft landing in the US market. At present, we find ourselves at the start of the rate cut cycle and the outlook for a soft landing has notably strengthened over the last one to two months. The market is currently building one rate cut by US FED in the remaining part of 2024 and developments regarding the same will be keenly watched by the Street. Furthermore, the private Capex, which has been sluggish for the last several years, is expected to receive a much-needed push in the upcoming years with an expectation of policy continuity. In light of expectations of political stability, policy continuity, fiscal prudence path, private Capex cycle, rural revival, and 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 would increase the market multiples in the domestic market. **We believe the likelihood of this scenario is very high at the current juncture.**

Bear Case: In the bear case, we value NIFTY at 18x which translates into a Dec'25 target of 23,500. We assume the market to trade at above-average valuations, led by the likelihood of a policy shift in the Trump regime. Moreover, we assume inflation to continue posing challenges in the developed world. Currently, the market has not seen such levels of interest rates in the global market in the recent past. Hence the chances to go wrong have increased significantly. Nonetheless, the direction of currency, Oil price, and development towards global trade is likely to put pressure on export-oriented growth in 2025. All these developments are likely to bring down the market multiple in the near term, **However, the likelihood of this scenario appears slim at the current juncture.**

Based on the above themes, we recommend the following stocks:* *HDFC Bank, ICICI Bank, Dalmia Bharat, State Bank of India, HCL Tech, Lupin, Aurobindo Pharma, Healthcare Global, Varun Beverages, Gravita India, Bharti Airtel, Chalet Hotel, J Kumar Infra, Prestige Estates, Sansera Engineering, and Cholamandalam Invest and Finance

Table of Contents

Axis Securities Top Picks

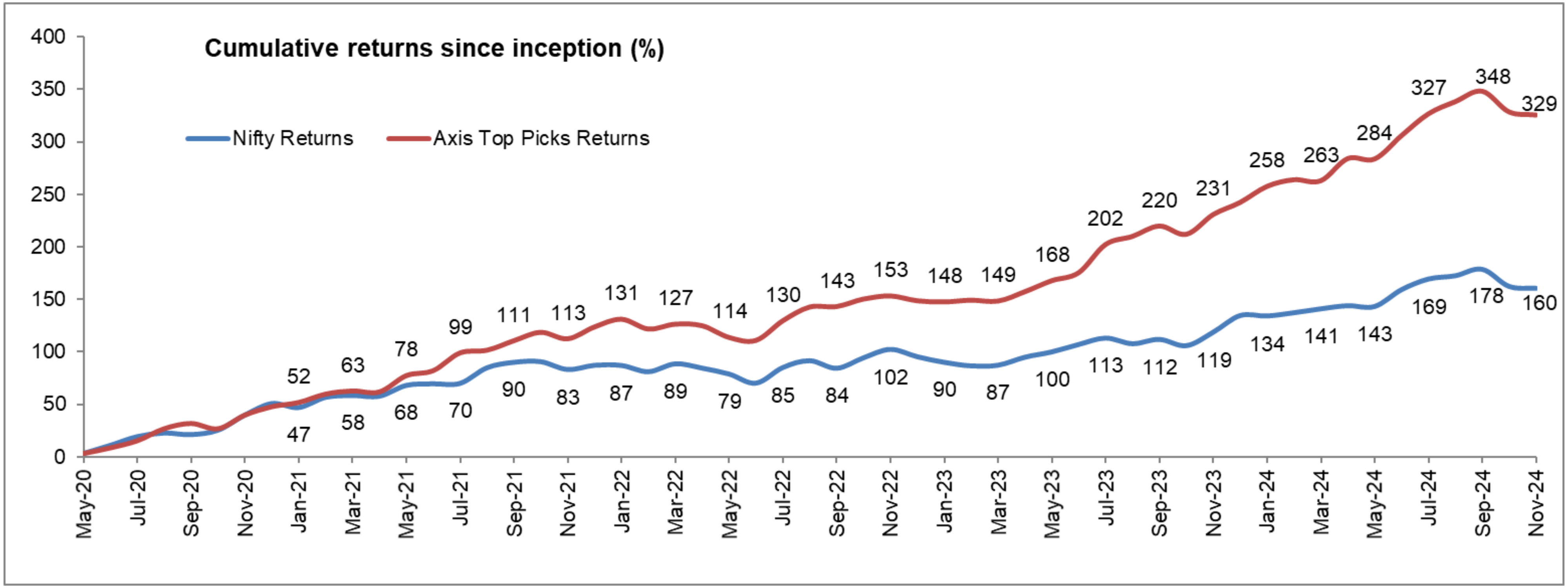
Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M%	TR 3M %	TR 6M%	TR YTD %
Large Cap	ICICI Bank Ltd	Financials	1,300	1,500	15%	19.7	3.1	0.8	0.9	6.0	17.3	32.0
Large Cap	State Bank of India Ltd	Financials	839	1,040	24%	10.4	1.6	1.6	1.7	1.4	0.4	32.0
Large Cap	Varun Beverages Ltd	Consumer Staples	621	700	13%	80.0	22.0	0.2	6.7	4.8	11.9	29.1
Large Cap	HDFC Bank Ltd.	Financials	1,796	2,025	13%	18.7	2.8	1.1	2.6	9.4	16.2	5.6
Large Cap	Bharti Airtel Ltd	Communication Services	1,627	1,880	16%	47.3	9.6	0.5	1.3	4.0	19.7	59.2
Large Cap	Cholamandalam Investment & Finance Company Ltd	Financials	1,234	1,675	36%	24.2	4.4	0.2	-2.2	-16.2	0.3	-1.0
Large Cap	HCL Technologies Ltd.	IT	1,848	2,100	14%	29.0	7.2	2.9	5.1	3.4	42.1	31.1
Mid Cap	Aurobindo Pharma Ltd	Health Care	1,263	1,730	37%	19.4	2.2	0.4	-10.9	-19.9	4.9	14.9
Mid Cap	Lupin Ltd	Health Care	2,051	2,600	27%	30.9	5.6	0.4	-5.1	-7.0	31.7	57.6
Mid Cap	Dalmia Bharat Ltd	Materials	1,820	2,040	12%	41.0	2.1	0.5	2.0	-2.4	5.8	-17.4
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,651	2,195	33%	69.0	4.1	0.1	0.8	-7.5	3.4	40.1
Small Cap	Chalet Hotels Ltd	Consumer Discretionary	890	1,035	16%	59.4	6.2	NA	1.2	3.0	12.3	26.5
Small Cap	Sansera Engineering Ltd	Consumer Discretionary	1,588	1,780	12%	36.1	4.7	0.2	4.6	9.6	51.9	56.3
Small Cap	Healthcare Global Enterprises Ltd	Health Care	502	575	14%	97.2	7.6	NA	11.2	29.4	38.7	36.9
Small Cap	Gravita India Ltd	Materials	2,177	3,000	38%	48.3	13.5	NA	2.2	-2.5	101.4	98.7
Small Cap	J.Kumar Infraprojects Ltd	Industrial	754	950	26%	14.1	1.9	0.5	-4.6	-5.5	0.6	31.7

Source: Company, Axis Securities, CMP as of 29th November 2024

Top Picks Performance

Axis Top Picks Performance							
	1M	3M	6M	1Y	3Y*	4Y*	Since Inception
Axis Top Picks Returns	-0.7%	-2.9%	10.9%	28.7%	26.0%	32.0%	325.7%
Nifty Returns	-0.7%	-4.4%	7.1%	19.1%	12.4%	16.8%	160.3%
Alpha	**0.03%**	**1.5%**	**3.8%**	**9.6%**	**13.6%**	**15.2%**	**165.4%**

*CAGR Return



Note: Equal weight basket Performance as of 29th Nov 2024

Sector Outlook

Sector	Current View	Outlook
Automobiles	Equal Weight	In Q2FY25, domestic sales volumes of the 2W grew 12.6% while PV/CV segments de-grew by 2%/11% YoY. Domestic tractor volumes remained flat. This lacklustre performance was due to weakness in passenger vehicles (while SUVs continue to grow) and Commercial vehicles. The pressure on margins was majorly due to lower operational inefficiencies, higher discounting, and lower domestic wholesale sales volumes. EBITDA margins were largely flat YoY; down 32bps QoQ. For FY25E, demand momentum in 2Ws is anticipated to grow in the early double digits, though overall volumes are expected to remain below pre-Covid levels. We anticipate EBITDA margins to largely remain stable in the near term. Any further improvement will be driven by a richer product mix. On account of near-term challenges, we maintain a cautiously positive outlook on the domestic industry, with a gradual recovery in exports. Against this backdrop, we recommend a “Buy on Dips” strategy for quality stocks. Hence, we recommended an Equal-weight stance on the sector.
Banking &Financial services	Over Weight	FY24 was a robust year for the BFSI sector as most of the Banks/NBFCs under our coverage remain well-placed to capitalize on growth opportunities going forward. Banks (incl. SFBs) under our coverage reported a largely in-line performance delivering a credit growth at ~14% YoY. A continuous and conscious slowdown was visible in the unsecured segments, particularly credit cards, personal loans, and microfinance as asset quality concerns continued to linger. Credit growth was primarily driven by Retail and SME segments, while corporate growth especially in the large corporates remained subdued owing to competitive pricing. Management commentary has been around credit growth gradually converging with deposit growth, in an attempt to maintain balanced LDR, especially in private (Pvt.) banks. Deposit growth during the quarter improved on a sequential basis, driven by healthy growth in both CASA deposits and TDs. Banks shifted focus towards mobilizing CASA Deposits and refrained from indulging in irrational TD pricing to maintain CoF amidst expectations of a rate cut in the next 6-9 months. NIMs for the sector are likely to have bottomed out and are expected to remain stable until the start of the rate-cut cycle. In the event of a rate cut, banks with a higher share of repo-linked loans will see a higher impact on margins vs. banks with a higher share of fixed-rate loans or banks with a higher share of MCLR-linked loans. However, the current valuations remain very attractive as compared to the market. **Hence, we maintain our Overweight stance on the sector.**

Sector Outlook (Cont'd)

Sector	Current View	Outlook
Capital Goods	Equal Weight	The Capital Goods sector normalised towards the end of FY22/23 and companies are now being supported by the rise in the gross fixed capital formation. In the last three quarters, the domestic revenue of capital goods companies showed impressive growth on a YoY basis, thanks to efficient execution and a healthy order book. However, some moderation was seen in the last quarter. Moreover, the government's Capex cycle continues to be robust and house registrations in the metro cities continue to witness promising traction. The private Capex cycle is also expected to pick up soon, which would further support the sector. Notably, most companies are now witnessing excellent growth traction in terms of order inflows which was not the case in the past 8-10 years. These companies are now commanding significant operating leverage, which essentially implies that the profit growth will be higher than the revenue growth in the upcoming years with improvement in the Capex cycle. However, in the near term, a slowdown in global growth is likely to weigh the order book of capital goods companies. Based on these developments, **we maintain our Equal Weight stance on the sector.**
Cement	Equal Weight	In Q2FY25, the companies under our coverage reported a Revenue/EBITDA/APAT de-growth of 5%/25%/50% YoY, against expectations of 6%/19%/38% de-growth. Volume growth during the quarter was higher by 100bps at 3%, compared to expectations of 2%. EBITDA margins declined by 350bps YoY, driven by lower realization and negative operating leverage, although partially offset by lower costs during the quarter. On a QoQ basis, EBITDA margins contracted by 350 bps as realization per tonne decreased by 2% to Rs 5,281 for the coverage universe. EBITDA per tonne for the quarter stood at Rs 600, down 27% QoQ and 31% YoY. Management indicated that cement prices have improved marginally since Q2FY25 exit levels and expect demand revival in H2FY25 as government infrastructure expenditure picks up. We anticipate better operating performance by cement companies as demand revives in H2FY25, supported by positive operating leverage benefits and improved government spending on infrastructure projects. Demand is reviving gradually and is expected to increase in H2FY25. Non-trade demand is anticipated to rise as the government expenditure on Infra revives. We remain positive on companies under our coverage as long-term demand drivers are intact. We expect cement demand to grow at a CAGR of 7%-8% over FY23-FY26E. Despite companies adding capacities, we believe cement demand will outpace cement supply. **Hence, we maintain our Equal Weight stance on the sector.**

Sector Outlook (Cont'd)

Sector	Current View	Outlook
Consumer staples	Equal Weight	Topline growth remains muted for staple companies as most have delivered low to mid-single-digit revenue growth due to increased competitive intensity and the anniversarization of price hikes. On a positive front, most companies under our coverage have highlighted early green shoots in rural areas. We are hopeful for demand recovery in the upcoming quarters. Easing inflation, higher government spending, and higher MSP are expected to drive rural demand in the coming quarters. However, the increasing competitive intensity from smaller and regional players, especially as raw material prices ease off, needs to be closely monitored. While gross margins continue on its recovery path, we keep EBITDA margins in 'Wait & Watch' mode. Gross margins across Staples companies are improving as key raw material prices such as crude, palm, and packaging materials remain stable. However, as companies increase advertising spends to regain market share, a slowdown in EBITDA margin expansion may be visible in the short term. Nonetheless, this is expected to benefit in the long run. Hence, **we maintain our Equal Weight stance on the FMCG sector**.
Consumer Discretionary	Equal Weight	After eight quarters of outperformance, demand in the Consumer Discretionary space has started showing signs of moderation from Q4FY23 onwards. A few important reasons for the said slowdown in sales growth are 1) High base of the last year, 2) Slowdown in discretionary spends, and 3) Inflationary pressure. Some of the categories such as paints and retail had weaker commentary for the first time in the last few quarters. While the **premium segment** has remained relatively insulated from demand slowdown, the Value/Economy segment was impacted during the quarter. Full rural recovery will take a few more months. Companies have highlighted that rural growth is likely to pick up gradually with faster growth expected in the next 2 quarters. The focus has now shifted towards demand recovery as the slowdown in demand could limit the margin expansion from here onwards. Against this backdrop, we **continue with our Equal Weight stance on the sector** and remain watchful of the key developments in the space.
Information Technology	Equal Weight	After strong revenue growth momentum in FY22 and FY23, we believe Indian IT services may face short-term challenges on the demand front as well as on the margins front. This is on account of the economic slowdown, macroeconomic uncertainties, and weaker outlook. However, the industry's long-term outlook remains robust with the economy showing signs of recovery. We expect this recovery to begin in the second half of the year and FY25 will deliver strong revenue growth. We continue to believe that most IT services companies will regain momentum in H2FY25 as deal wins continue to remain resilient and supply-side challenges gradually ease. Many companies are becoming increasingly system-oriented and will have to spend on automation to remain relevant in today's business landscape. This should lead to strong long-term demand. Hence, **we maintain our Equal-weight stance on the sector**.

Sector Outlook (Cont'd)

Sector	Current View	Outlook
Metals &Mining	Equal Weight	During Q1FY25, EBITDA/t improved across Steel and Non-Ferrous companies led by lower coal costs, offsetting lower operating leverage. For Aluminium companies under coverage, Hindalco's Indian operations delivered a robust performance. Overall consolidated revenue stood largely in line with consensus (up 8% YoY, 2% QoQ), while reported EBITDA grew by 31%/11% YoY/QoQ (6% and 11% beat vs. our estimates and consensus), led by strong upstream Aluminium and copper division. During Q1FY25, Aluminium prices averaged $2,525/t in Q1FY25, up 11%/15% YoY/QoQ. The aluminium price rally was led by Bauxite supply issues from Guinea, production cuts at Yunnan in China, and sanctions on Russian metal at LME. Subdued Steel prices are likely to compress spreads in Q2FY25 for Steel companies. Tata Steel has guided that the NSR in India will be Rs 1,500/t lower on a QoQ basis. It will be flat in the UK and down by £60/t QoQ. For SAIL, blended coking coal consumption cost fell to Rs 23,000/t in Q1FY25 and will be flat on a QoQ basis in Q2FY25. Key Monitorable for the sector are decisions on Federal rate cuts, China Stimulus, and other Geopolitical events. **We maintain our Equal Weight stance on the sector.**
Oil &Gas	Equal Weight	We have been noticing a high degree of uncertainty in the profitability of Oil Marketing companies for the last several quarters. This has been on account of 1) Limited ability to change the retail prices of automotive fuels and 2) Significant volatility in the crude prices leading to uncertainties in the retail margins. Fundamentally, higher crude prices result in losses for the OMCs and lower crude prices translate into profits. Encouragingly, the GOI cut the excise duty in Nov'21 and May'22 to mitigate the impact of high crude prices. Given the government's top priority being inflation control, it seems unlikely that auto-fuel retail prices will be raised anytime soon. We, therefore, do not see an immediate recovery in the marketing margins of the OMCs. Factoring in these developments, **we continue with our Equal-weight stance on the sector** and will keep a close tab on further developments in the space.

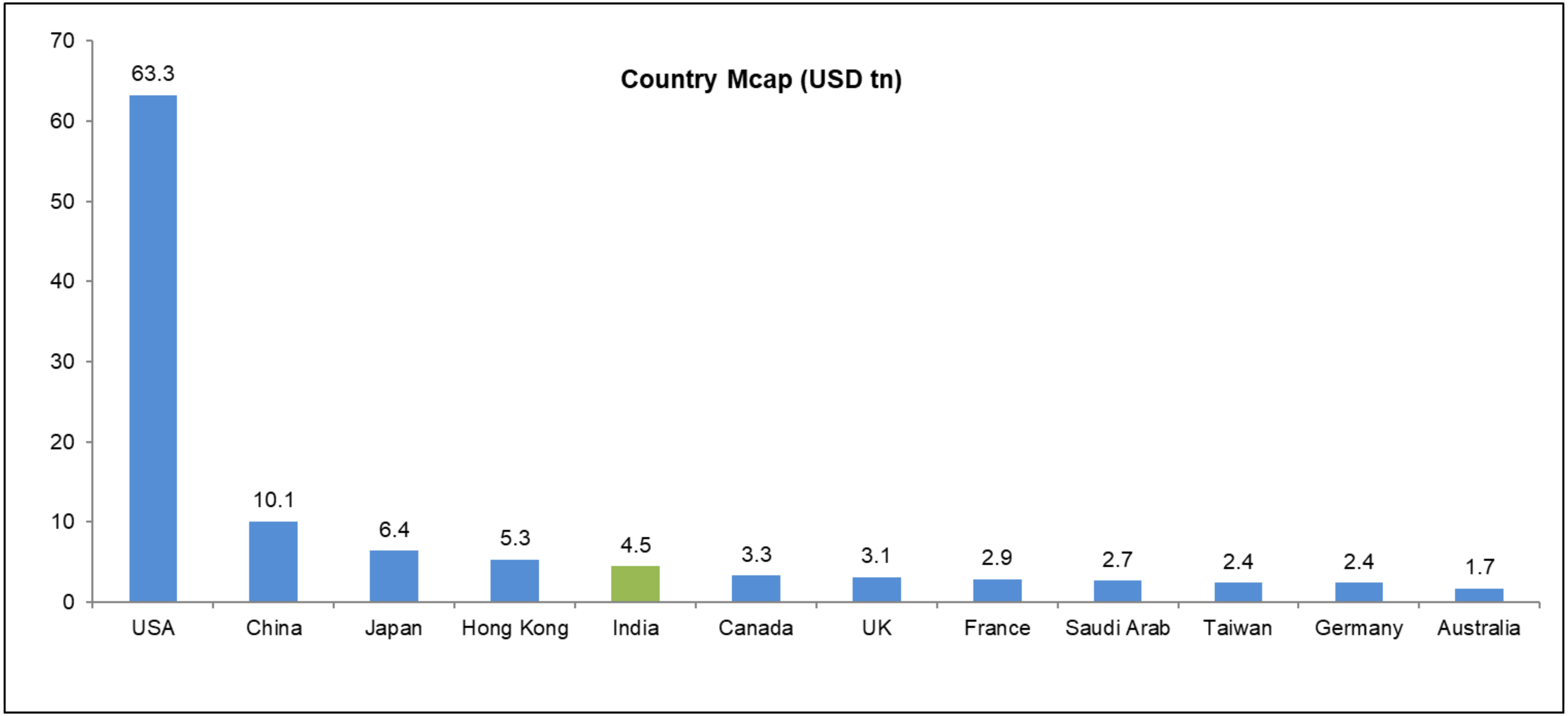
Sector Outlook (Cont'd)

Sector	Current View	Outlook
Pharmaceuticals	Equal Weight	In Q2FY25, the pharmaceutical coverage universe reported a growth of 10.2% YoY and 1.7% QoQ, driven by robust growth in North America (10.8% YoY) and the India business (9.8% YoY). In the domestic market, the Indian Pharmaceutical Market (IPM) recorded 8% YoY growth in Q2FY25. Chronic therapies grew by 9%, while acute therapies saw a modest 4% growth, primarily due to a weak season for acute segments. Gross margins improved to 65%, reflecting an increase of 149bps YoY but a decline of 30bps QoQ. This improvement was supported by the launch of niche products, low single-digit price erosion, a higher proportion of Indian business in the product mix, and stable raw material prices. Similarly, the healthcare sector delivered robust growth in Q2FY25, with top-line revenue increasing by 17.6% YoY and 10.4% QoQ. This growth was driven by improved occupancy rates, which rose by 340 bps YoY and 470bps QoQ. Overall, we anticipate a healthy pipeline in segments such as biosimilars, GLP-1, and peptides for pharmaceutical companies over the next three years. Companies with a higher proportion of chronic portfolios are outperforming the IPM. Given these dynamics, the focus remains on companies launching niche products in the US market and those with a strong chronic portfolio in the Indian market. **We maintain an Equal Weight stance on the sector.**
Real Estate	Equal Weight	The Real Estate sector is seeing record registrations in metro cities. Demand has picked up and bookings are being witnessed in most of the new launches. The sector is likely to witness more traction going forward as the RBI has already taken an interest rate pause and we are near the peak of the rate hike cycle. Keeping these developments in view, **we maintain our Equal-weight stance on the sector.**

Sector Outlook (Cont'd)

Sector	Current View	Outlook
Specialty Chemicals	Equal Weight	The Specialty Chemicals sector has been one of the sunrise sectors of the country. India has been gaining global market share in this space by leveraging its capabilities and supply chain re-alignment from China to India. We believe Indian companies would gain further ground as companies reduce their dependence on China after the COVID-19 pandemic and shift their supply chains to India. However, in the near term, input costs and high freight costs will continue to pose challenges to the sector. From the last four quarters, the demand did not pick up as expected. This was mainly on account of intense competition from Chinese manufacturers. The slowdown in the Chinese domestic market prompted Chinese companies to aggressively pursue exports to regain lost market share from Covid shutdowns. Moreover, volume growth is likely to remain subdued in the near term due to inventory destocking, which was visible in the developed market. While the sector's long-term outlook remains robust, volume growth challenges are likely to be visible in the near term. The broader demand scenario is to normalize only from H2FY25 onwards, given the current pace of recovery. Keeping this in view, **we maintain an Equal-weight stance on the sector.**
Telecom	Over Weight	The Telecom industry is highly consolidated with two strong and one weak player in the wireless space. Telecom has become the most critical sector during the current challenging times and has been playing a key role in keeping businesses up and running. The sector has also been seeing an improved pricing environment. Rising consumption of data with increasing rural penetration, and rising conversion to 4G and 5G from 2G will help gain further realization for telecom players. **We recommend an overweight stance on the sector.**

- **India continues to be the 5th largest market in the world with a $4.5 Tn market cap**



Source: Bloomberg, Axis Securities

Multi-Asset Scorecard

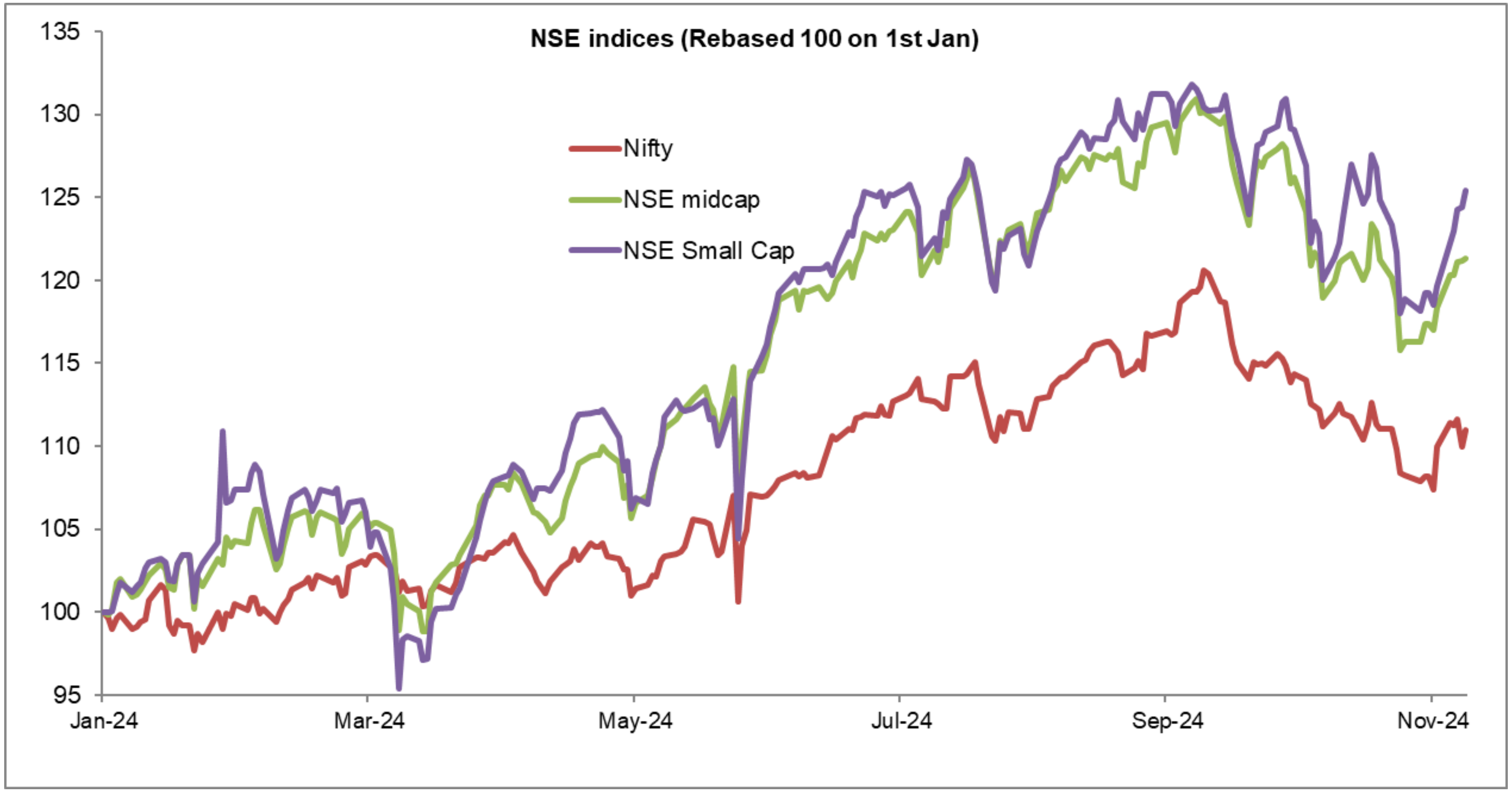
- Gold was the top-performing asset in 2024 until the May end, after which the broader market took the lead. In Oct'24, Gold turned out to be the top-performing asset class once again. However, the S&P 500 emerged as a top-performing asset class in Nov'24 after the results of the US election.
- The broader market had emerged as the best-performing asset class in 2023, as well as over the last 11-month period at a domestic level.
- The Indian broader market has outperformed the Emerging markets by a significant margin.
- The structural trend for the equity market continues to remain positive.
- Top 3 Winners: Midcaps/Smallcaps – 7 times out of the last 13 years.

Rank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	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%	S&P 500: 25.8%
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%	SmallCap: 23.2%
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	Midcap: 22.1%
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: 20.8%
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%	Nifty 50: 11.04%
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: 9.1%
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%	NSE G Sec composite: 9.1%

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 Correction Seen in Last two months

- In the last two months market saw a correction from the peak of 26th Sep'24. The correction in Largecaps was higher than the broader market led by a higher amount of FIIs selling.
- The broader market was relatively stable in the last two months.



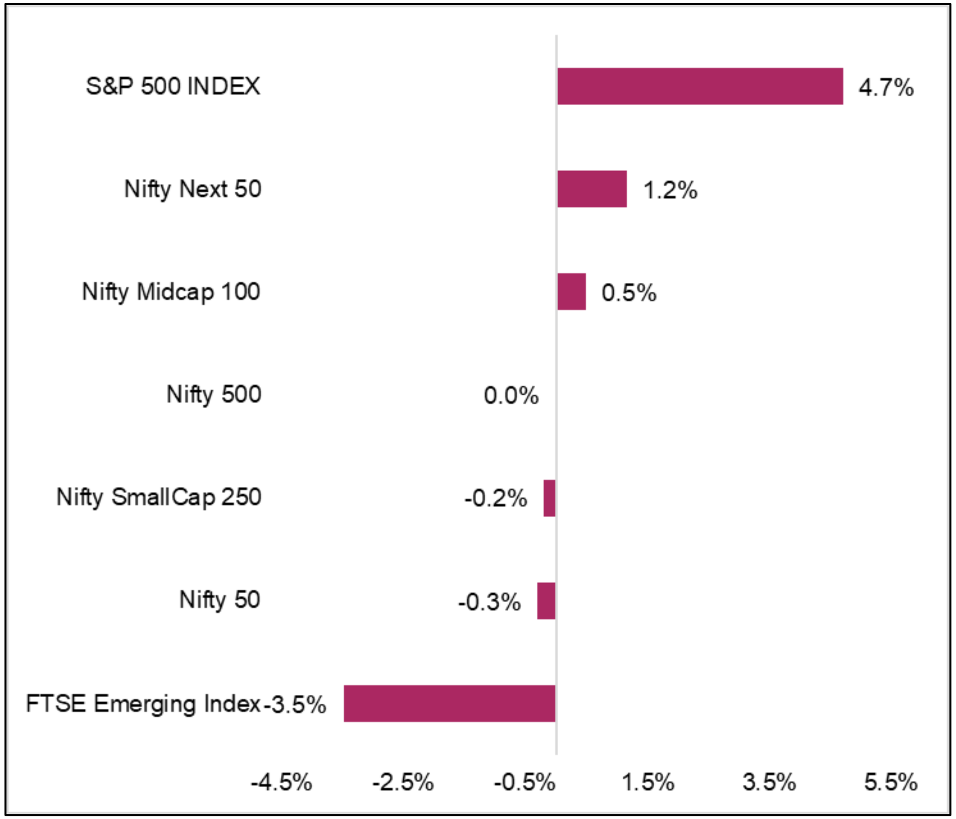
Correction from peak (26th Sep'24)

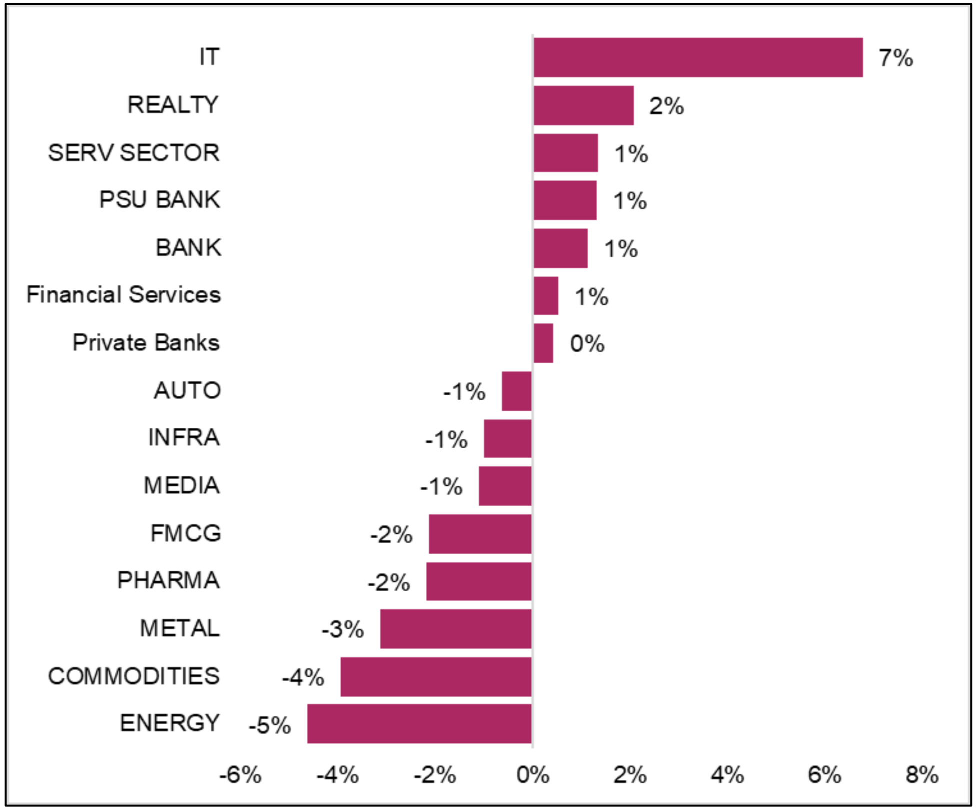
Nifty 50: 8%
NSE Mid Cap 100: 6.7%
NSE Small Cap 250: 3.9%

Source: Bloomberg, Axis Securities

What Happened in the Last One Month

- In the last one month, the Emerging market has underperformed the US market by a wide margin.
- IT, PSU Banks, Realty, and Banks have outperformed the market the broader market in last one month.

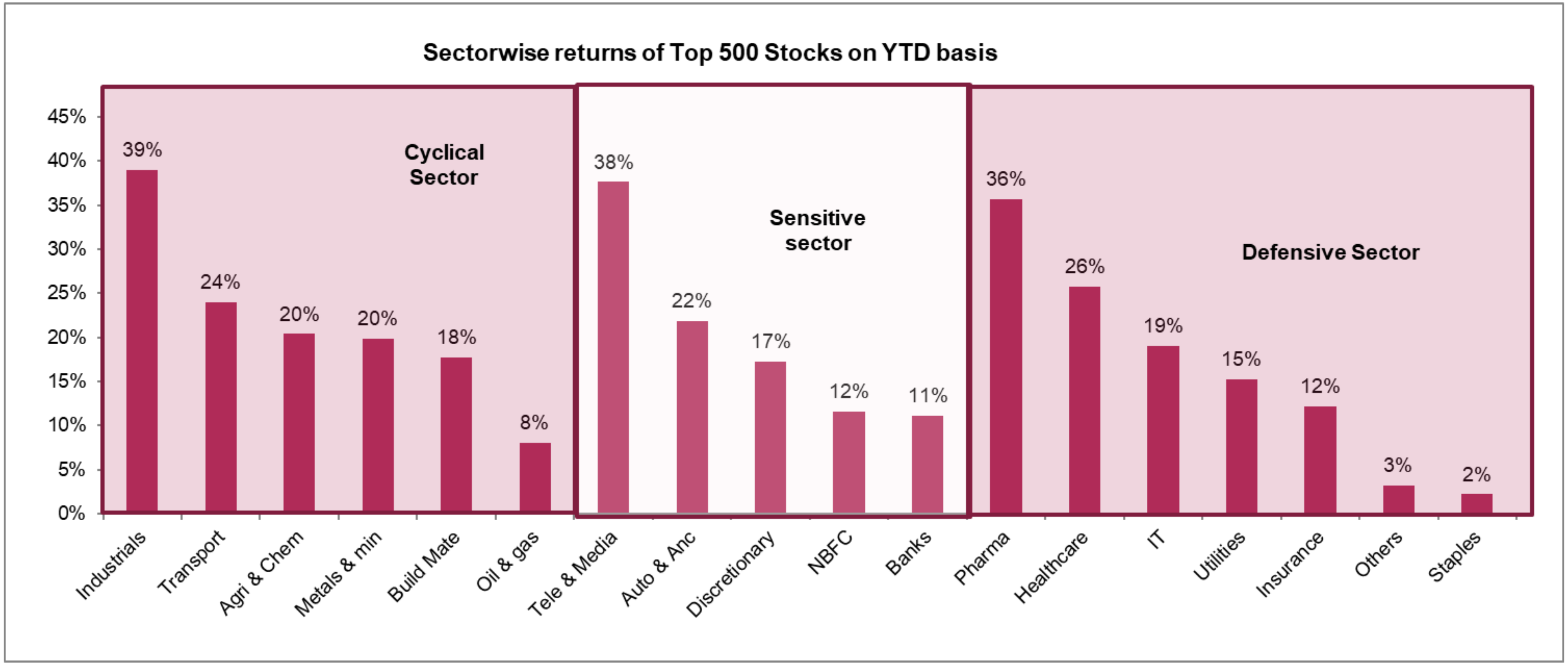




Source: Bloomberg, Axis Securities

What Has Happened in 2024 Till Now

- Domestic cyclicals have outperformed the broader market; however, defensive sectors have seen a comeback in the last 1month/3month period
- Telecom and Auto have outperformed rate-sensitive plays
- Utility and Pharma are the clear winners in the Defensive sector



Source: Bloomberg, Axis Securities

Quarterly Sector Scorecard

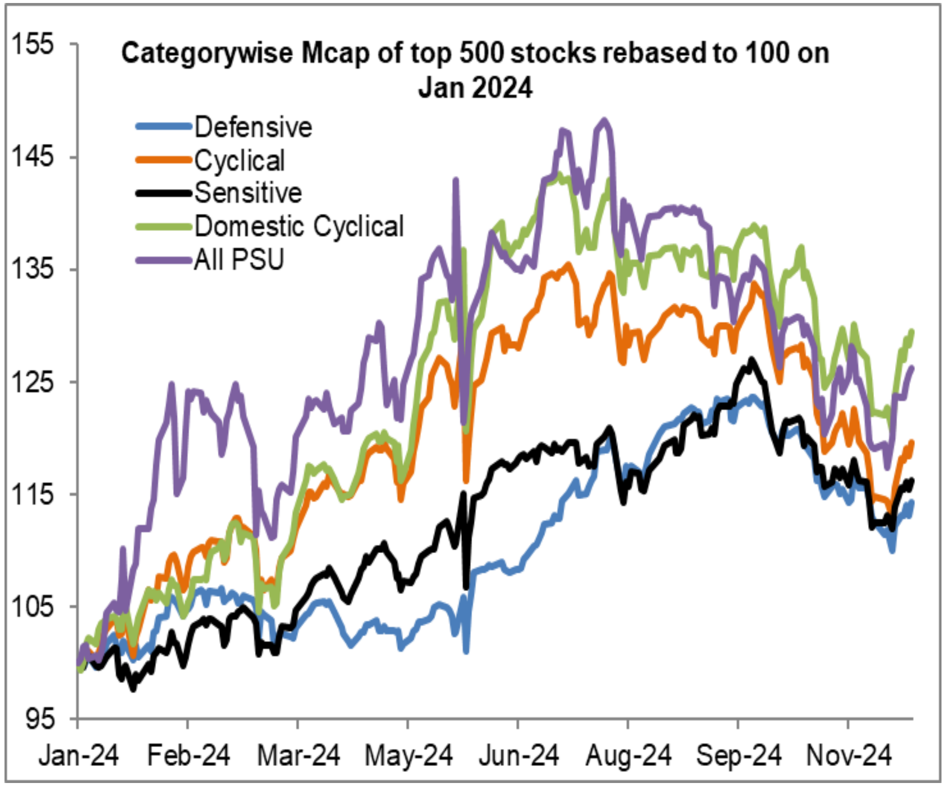
- The performance of the current quarter is similar to the Jun'22 (Russia-Ukraine) and Mar'23 (Adani crisis) quarters.
- In the current quarter till date, Banks, Financial Services, IT, PSU banks, Private Banks and Services sectors have outperformed the Nifty 50 index.

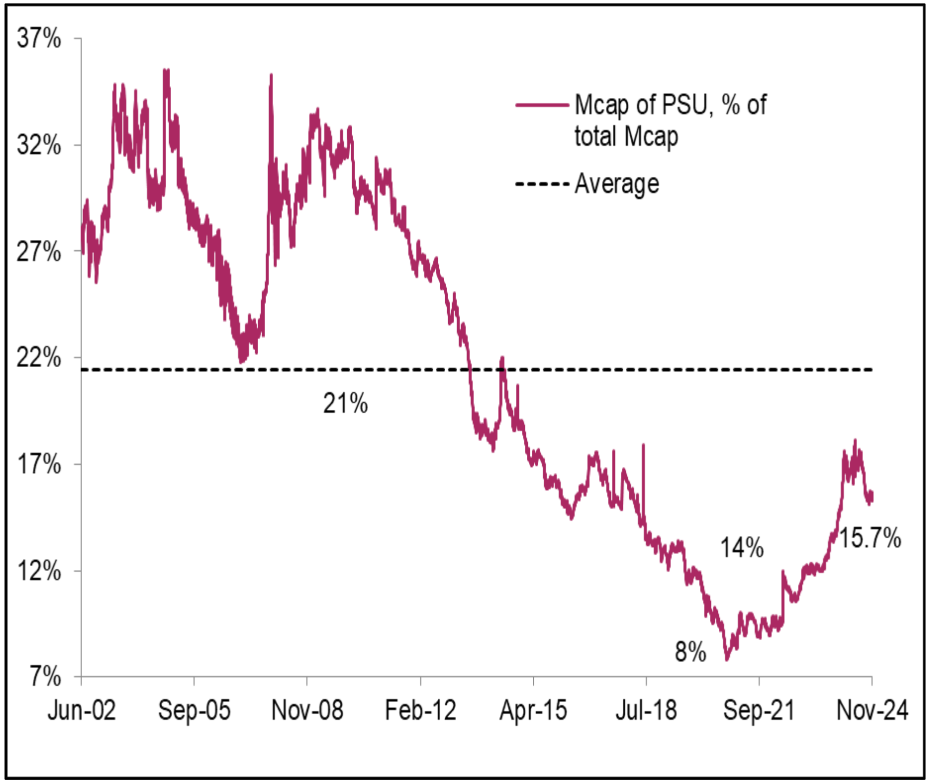
	Quarterly returns (%)											
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	QTD
% of sectors outperformed the market	56%	50%	75%	38%	25%	63%	69%	50%	44%	56%	44%	44%
Nifty 50	1%	-10%	8%	6%	-4%	11%	2%	11%	3%	7%	8%	-6.5%
Nifty Next 50	-3%	-11%	16%	0%	-10%	16%	3%	18%	14%	18%	8%	-8.3%
Nifty 500	-1%	-10%	11%	4%	-6%	13%	5%	12%	4%	11%	8%	-6.4%
Nifty Midcap 100	-2%	-11%	16%	3%	-5%	19%	13%	14%	4%	15%	9%	-6.3%
Nifty SmallCap 250	-4%	-14%	14%	3%	-7%	20%	16%	15%	2%	19%	8%	-3.8%
AUTO	-4%	11%	9%	-1%	-3%	24%	7%	15%	15%	17%	8%	-14%
BANK	3%	-8%	16%	11%	-6%	10%	0%	8%	-2%	12%	0%	-2%
COMMODITIES	7%	-16%	11%	7%	-7%	9%	8%	19%	8%	9%	8%	-13%
Financial Services	-1%	-10%	13%	8%	-5%	11%	-1%	8%	-2%	12%	4%	-2%
ENERGY	14%	-3%	2%	1%	-12%	8%	11%	22%	17%	5%	8%	-15%
FMCG	-3%	4%	18%	-1%	4%	14%	-1%	10%	-5%	5%	16%	-12%
IT	-6%	-23%	-3%	6%	0%	3%	8%	12%	-2%	1%	18%	3%
INFRA	1%	-8%	7%	6%	-3%	13%	9%	17%	14%	8%	6%	-9%
MEDIA	7%	-20%	9%	-3%	-15%	3%	30%	5%	-25%	13%	6%	-7%
METAL	16%	-27%	24%	17%	-18%	13%	10%	17%	3%	18%	5%	-11%
PHARMA	-4%	-10%	7%	-3%	-5%	15%	12%	9%	13%	3%	19%	-4%
PSU BANK	8%	-11%	23%	44%	-14%	11%	28%	9%	23%	5%	-8%	1%
Private Banks	2%	-9%	19%	10%	-6%	11%	1%	8%	-5%	12%	1%	-4%
REALTY	-4%	-17%	10%	2%	-10%	34%	11%	36%	15%	22%	0%	-7%
SERV SECTOR	-1%	-12%	10%	6%	-7%	8%	1%	10%	1%	9%	9%	-3%

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

Some Moderation Seen in the PSU Rally

- Since the last year's Budget, PSU stocks have outperformed other themes (Defensive, Cyclical, and Interest-rate sensitive).
- However, in the last three months, some moderation was seen in the PSU rally and the market positioning has shifted towards some defensive and rate-sensitive names. After the Maharashtra election, some comeback was seen in PSU and domestic cyclical stocks.





Source: Bloomberg, Axis Securities

52W-High Analysis

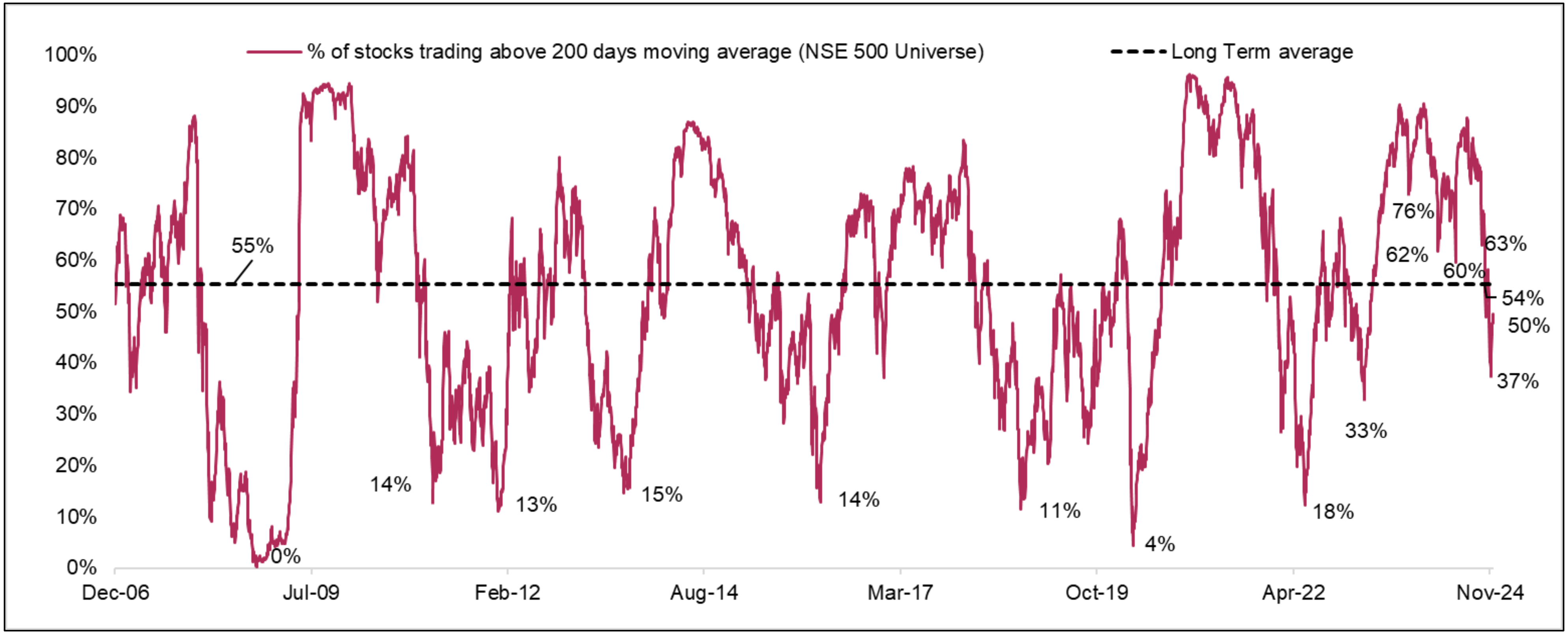
- After a recent correction, only 24 stocks are trading near the 52W high vs. 141 stocks at the Sep'24 end
- 255 (~50%) stocks are trading between 5%-20% below their 52W highs
- Close to 40% of the stocks are corrected by more than 20% from their 52W high, indicating all negatives are in price
- The Largecap market looks attractive at current levels
- Out of 55 PSUs, only one stock is near its 52W high vs. 35 stocks during Feb'24

		Current level of number of stocks as compared to 52W high			
Sector	**No of Stocks**	**Near to 52W high**	**5%-20% below 52W high**	**20%-30% below 52W high**	**Below 30%**
Agri & Chem	43	1	26	12	4
Auto & Anc	43	1	15	23	4
Banks	28	4	6	6	12
Build Mate	37	1	20	9	7
Discretionary	43	0	24	12	7
Healthcare	47	9	30	7	1
Industrials	55	0	23	26	6
IT	36	2	21	10	3
Metals & min	23	1	14	4	4
NBFC	60	4	32	14	10
Oil & gas	16	0	6	6	4
Others	14	0	7	4	3
Staples	18	1	14	3	0
Tele & Media	16	0	7	3	6
Transport	7	0	3	3	1
Utilities	14	0	7	4	3
Total	**500**	**24**	**255**	**146**	**75**
Large cap	**100**	**4**	**66**	**22**	**9**
Mid cap	**150**	**7**	**75**	**49**	**19**
Small cap	**250**	**13**	**114**	**75**	**46**
PSUs	**55**	**1**	**11**	**17**	**25**

Source: Bloomberg, Axis Securities, Performance as of 29th Nov'24

NSE 500 Universe (200-Day Moving Average)

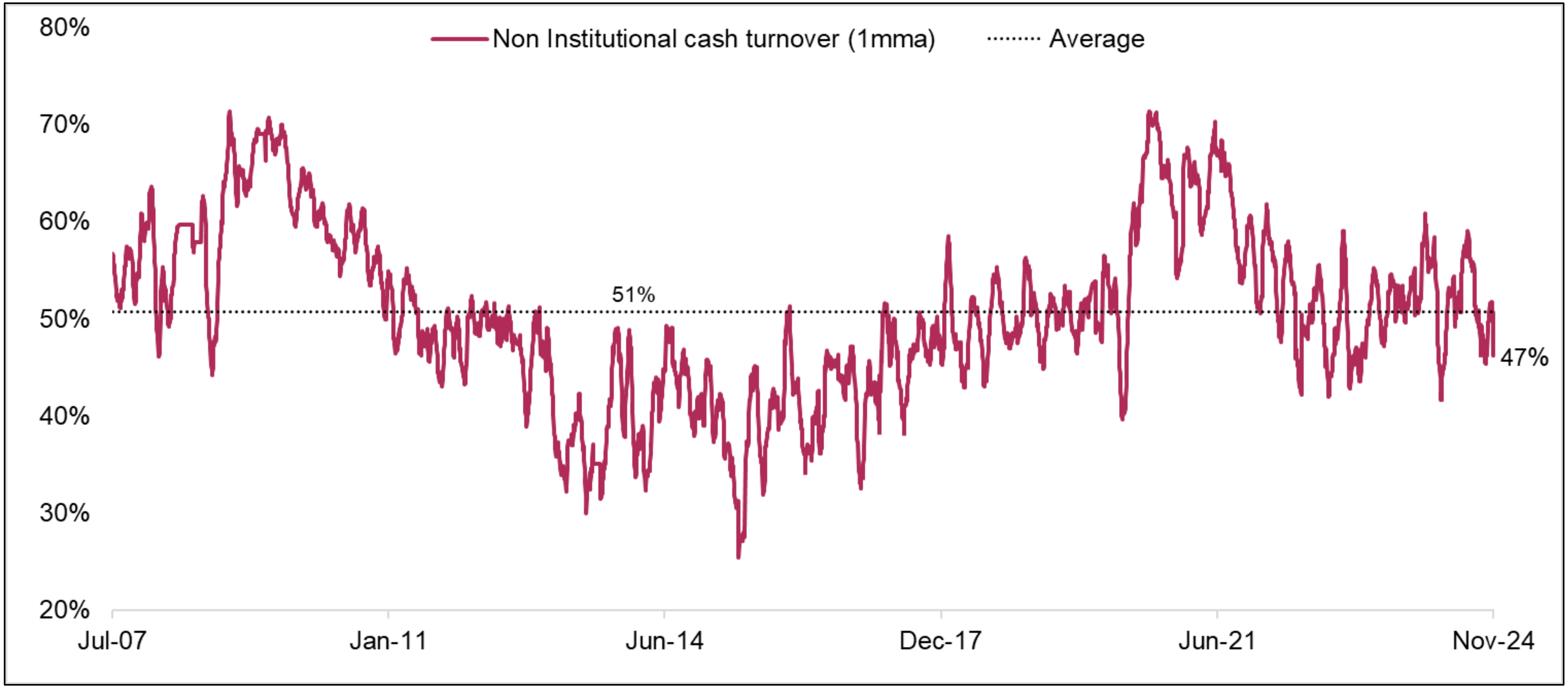
- After the recent correction, the Indian market optically reached closer to the Mar'23 levels (Adani Crisis). The current level indicates that the market has reached to the oversold zone and could see some breather in the coming days, already witnessed after the Maharashtra election results.
- Nonetheless, in the near term, the market will continue to be driven by macroeconomic data and its performance is likely to be range-bound for at least one quarter until signs of inflation moderating become visible. Sector and Style Rotation are likely to be visible in the market moving forward.



Source: Bloomberg, Axis Securities

Non-Institutional Turnover Recovered in the Last One Month

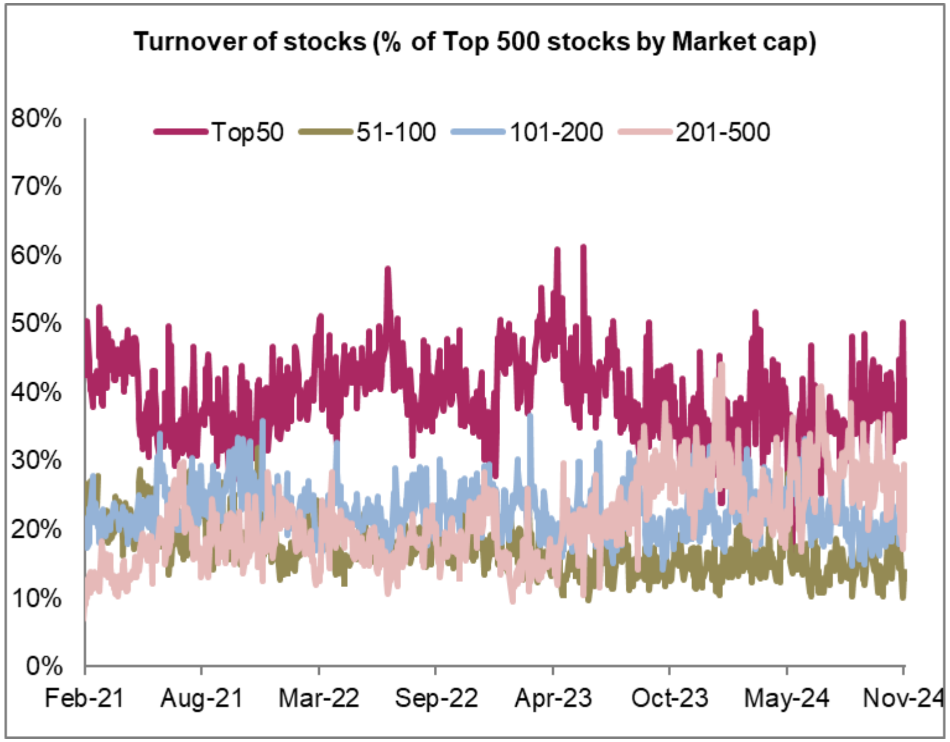
- Non-institutional (Retail) turnover is currently at 47%, which is slightly below the long-term average. It had fallen below the LTA in the last one month due to increased volatility and lower breadth in the broader market.
- Participation by Retail investors is expected to improve further in the coming months, given that equity is the only asset class that can beat the current inflationary scenario.

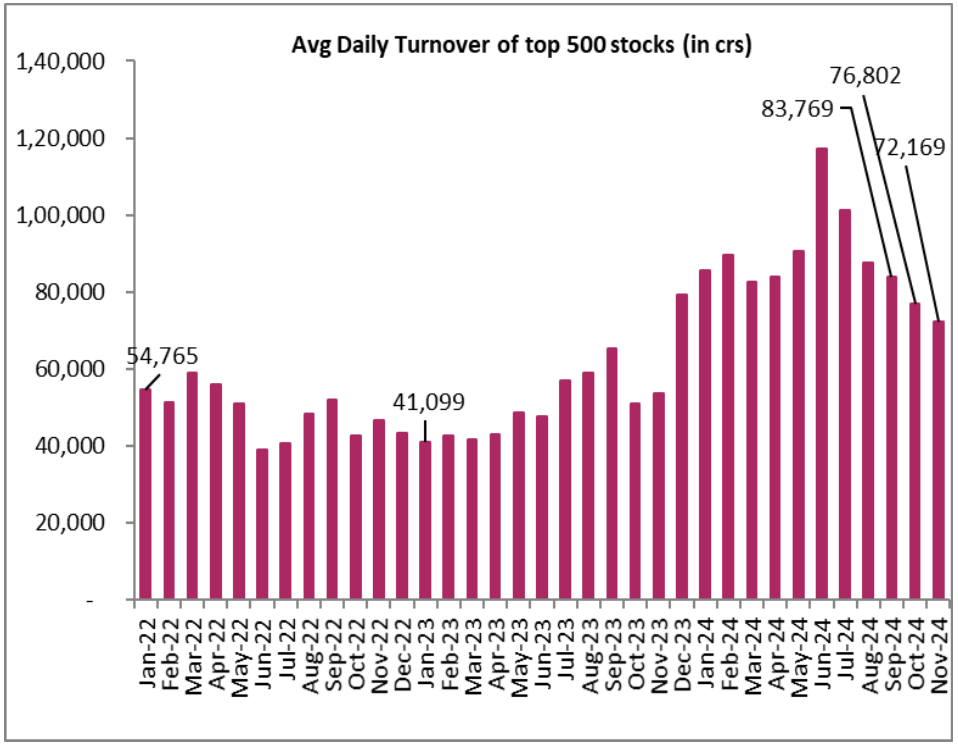


Source: Bloomberg, Axis Securities

Market Turnover (% of the Top 500 Names)

- Market turnover of NSE 500 crossed Rs 1 Lc Cr for the first time in Jun'24. A similar trend was observed in Jul'24. However, some moderation was seen since and the turnover for Nov'24 stands at 72K Cr.



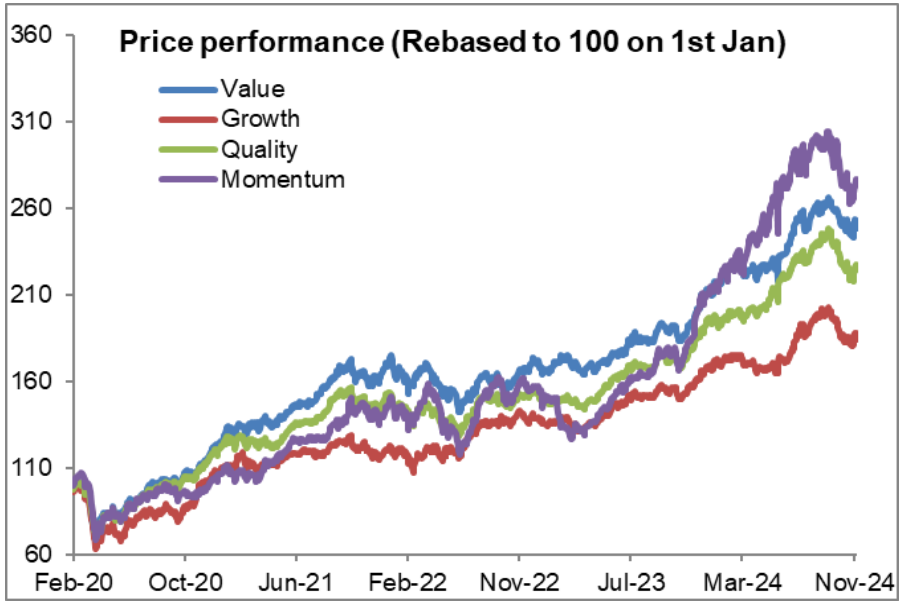


Source: Bloomberg, Axis Securities

Style Indicators

After Taking a Backseat For A While, Value and Growth have Come Back in the Last 6 Months

- In the last three months, the 'Value' styles have outperformed the other styles by notable margins.
- In the last one year, Value, Quality and Momentum themes delivered the highest returns. However, value and growth have been the dominating themes in the last 6 months.
- The theme 'Growth at a Reasonable Price' looks attractive on account 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. Value stocks in the BFSI space have outperformed other themes for the last couple of months and their outperformance is likely to continue moving forward. Furthermore, a structural growth play offering long-term earnings visibility will continue to do well.



Perf	Performance (%) Value	Growth	Quality	Momentum
2020	24.9%	10.2%	22.6%	6.6%
2021	34.1%	8.8%	22.2%	32.6%
2022	-0.9%	12.4%	-0.9%	7.1%
1m	0.5%	1.9%	-0.5%	1.1%
3m	-4.6%	-6.2%	-6.4%	-8.5%
6m	11.5%	13.0%	7.2%	5.6%
1YR	27.6%	17.0%	23.5%	45.7%
2YR	45.6%	31.5%	44.9%	76.1%

Source: Bloomberg, Axis Securities

India's Performance vis-à-vis Peers

Indian Market Witnessed a Comeback in the Last One Month

Nifty 50 reached an all-time high of 26,216 on 26th Sep'24. The benchmark saw a correction of 8% from the top till month end. The broader market indices including Mid and Smallcap indices corrected by 6.7%/3.9% respectively.

In the last one month, PSU banks, Banks, Realty, and IT have outperformed the market while the underperformance was seen in the Pharma, Energy, and Commodities indices.

Positive Near-term Outlook: Domestic-oriented stocks, Telecom, Auto, Rural theme, Domestic Cyclical

Improving Outlook: Export-oriented themes, BFSI, Industrials, PSUs

Mixed Bag: Pharma, Discretionary, and 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	-0.3%	-4.4%	7.1%	10.3%	11.0%	19.9%
Nifty Next 50	1.2%	-6.0%	4.7%	10.5%	32.6%	47.3%
Nifty 500	0.0%	-4.4%	7.5%	11.6%	16.8%	26.1%
Nifty Midcap 100	0.5%	-4.9%	9.1%	14.7%	22.1%	31.4%
Nifty SmallCap 250	-0.2%	-2.5%	13.4%	20.0%	26.2%	33.7%
Sector Index (%)	**1M**	**3M**	**6M**	**04th Jun'24**	**YTD**	**1 YR**
NIFTY AUTO	-0.6%	-10.7%	-0.2%	0.8%	25.5%	33.1%
NIFTY BANK	1.1%	1.4%	6.3%	10.9%	7.8%	17.0%
NIFTY COMMODITIES	-4.0%	-10.0%	-3.9%	2.0%	10.6%	24.5%
Nifty Financial Services	0.5%	1.6%	10.6%	15.3%	11.7%	19.7%
NIFTY ENERGY	-4.6%	-14.3%	-6.9%	-0.4%	12.0%	27.9%
NIFTY FMCG	-2.1%	-8.1%	7.1%	5.0%	1.7%	9.3%
NIFTY IT	6.8%	0.8%	33.2%	33.5%	21.5%	32.4%
NIFTY INFRA	-1.0%	-7.3%	0.8%	6.8%	19.6%	32.6%
NIFTY MEDIA	-1.1%	-5.1%	6.8%	10.8%	-16.4%	-13.1%
NIFTY METAL	-3.1%	-3.9%	-7.1%	0.6%	13.2%	28.7%
NIFTY PHARMA	-2.2%	-4.2%	18.3%	19.6%	32.1%	37.0%
NIFTY PSU BANK	1.3%	-2.5%	-7.7%	0.3%	19.3%	35.2%
Nifty Private Banks	0.4%	-1.4%	4.6%	8.8%	1.8%	9.5%
NIFTY REALTY	2.1%	-3.2%	0.1%	4.5%	30.3%	43.0%
NIFTY SERV SECTOR	1.3%	-0.3%	13.4%	17.4%	15.4%	24.9%

Source: Bloomberg, Axis Securities, and Performance as of 29th November 2024

	International Index					
Index Performance (%)	**1M**	**3M**	**6M**	**04th Jun'24**	**YTD**	**1 YR**
Shanghai Comp	1.4%	17.0%	7.8%	7.6%	11.8%	9.8%
Bovespa	-3.9%	-8.4%	2.1%	2.3%	-7.1%	-2.1%
south africa	-1.5%	-0.2%	8.1%	7.9%	8.0%	9.3%
Korea	-3.9%	-8.2%	-6.9%	-7.7%	-7.5%	-3.1%
Mexico	-1.6%	-4.6%	-9.4%	-6.8%	-12.0%	-6.7%
Indonesia	-6.1%	-7.3%	2.1%	0.2%	-2.2%	0.5%
Argentina	20.7%	29.9%	35.1%	41.1%	139.9%	174.3%
Japan	-2.2%	-1.1%	-0.7%	-1.6%	14.2%	14.1%
Hongkong	-4.4%	8.0%	7.4%	5.3%	13.9%	14.0%
Philipines	-7.4%	-4.1%	2.8%	3.6%	2.5%	6.3%
Taiwan	-2.4%	0.0%	5.1%	4.2%	24.2%	27.7%
Singapore	5.1%	8.6%	12.1%	12.0%	15.4%	21.7%
Thailand	-2.6%	5.0%	6.1%	6.7%	0.8%	3.4%
Veitnam	-1.1%	-2.6%	-0.9%	-2.6%	10.7%	14.3%
Dow	7.1%	7.6%	15.6%	15.5%	18.7%	24.4%
Nasdaq	5.3%	7.6%	13.9%	13.1%	27.0%	34.0%
FTSE 100 INDEX	2.0%	-1.2%	0.0%	0.5%	7.0%	11.0%
DAX INDEX	1.8%	2.8%	5.0%	5.6%	16.0%	19.8%
CAC 40 INDEX	-2.3%	-5.9%	-10.1%	-9.5%	-4.8%	-1.7%
S&P 500 Index	5.1%	6.2%	13.7%	13.4%	25.8%	31.3%

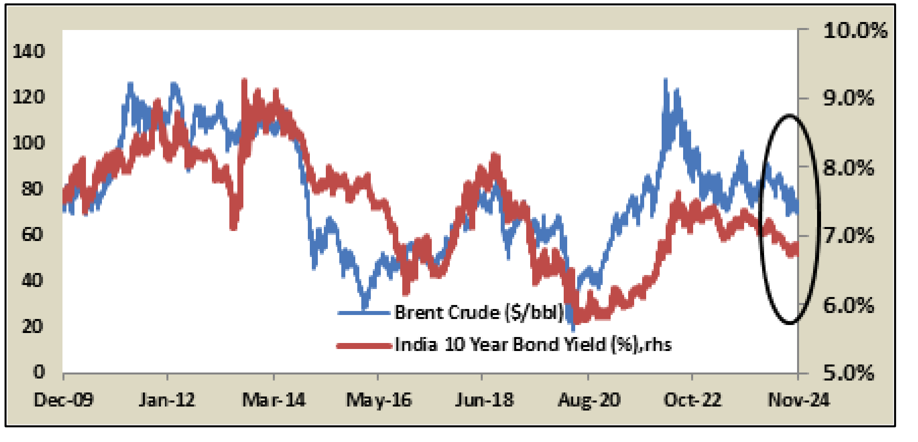
After Correction, Some Recovery Was Seen in the Last One Month

- **Precious Metals:** Gold prices went up 14.4% in the last 6 months on account of a cool-off in bond yields.
- **Commodities:** Steel prices witnessed a recovery of 4.3% while Aluminium recovered by 4.3% in the last three months.
- **Crude:** Brent crude is now trading below $73/bbl and has been highly volatile due to the rising geopolitical risk and ongoing supply-side concerns.

Market Indicator	29-11-2024	1m ago	3m ago	04th Jun'24	YTD	1 YR
Brent Crude ($/bbl)	72.6	73.2	78.8	77.5	77.0	82.8
Bond Yield (GOi 10Yr)	6.8	6.8	6.9	7.0	7.2	7.3
USD/INR	84.5	84.1	83.9	83.5	83.2	83.4
India Vix	14.4	15.6	13.4	26.7	14.5	12.7

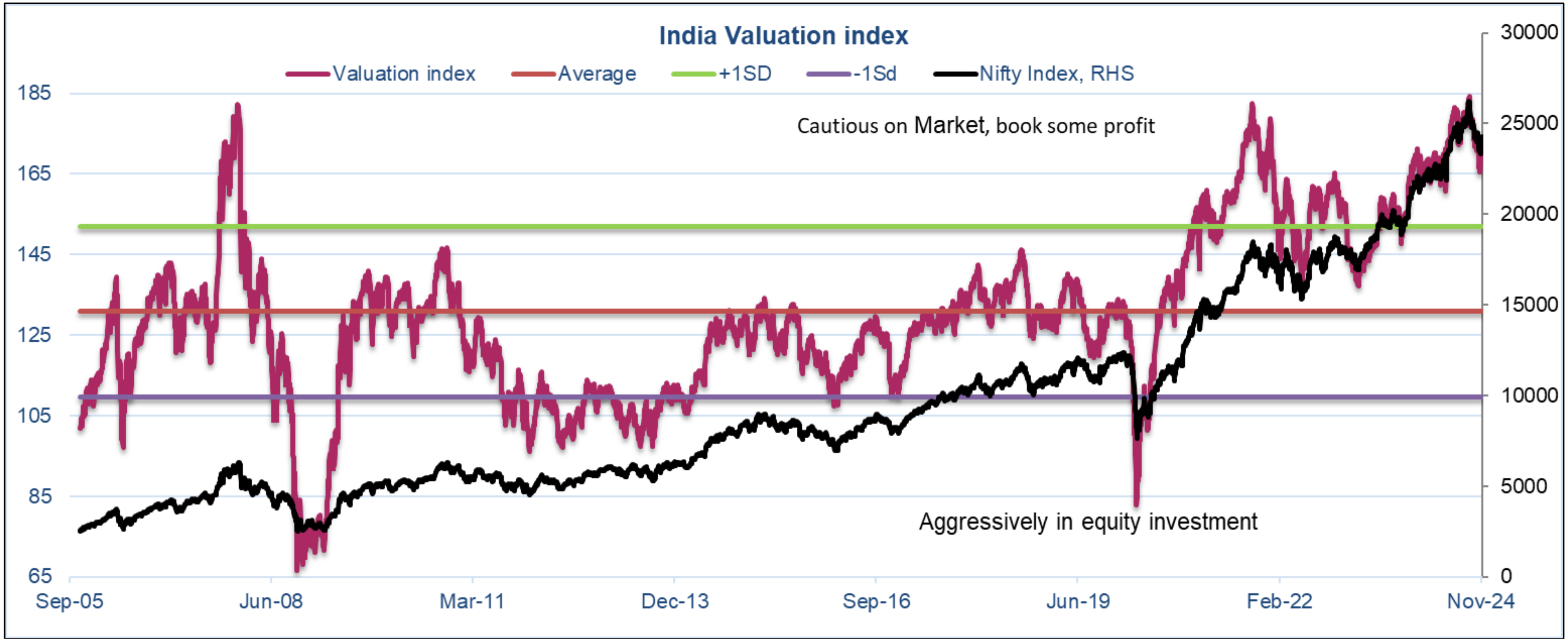
Commodity Index	1m	3m	6m	04th Jun'24	YTD	1 YR
Gold ($/OZ)	-3.0%	6.4%	14.4%	14.4%	29.1%	30.7%
Steel ($/ton)	-3.9%	4.3%	-8.4%	-8.4%	-13.3%	-9.3%
Aluminium ($/ton)	-2.0%	4.1%	-4.2%	-1.5%	9.8%	18.8%
Copper ($/ton)	-5.2%	-2.6%	-10.4%	-9.5%	5.0%	5.9%
Zinc ($/ton)	-1.8%	6.4%	1.7%	6.1%	15.3%	22.9%

Source: Bloomberg, Axis Securities, Performance as of 29th November 2024



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

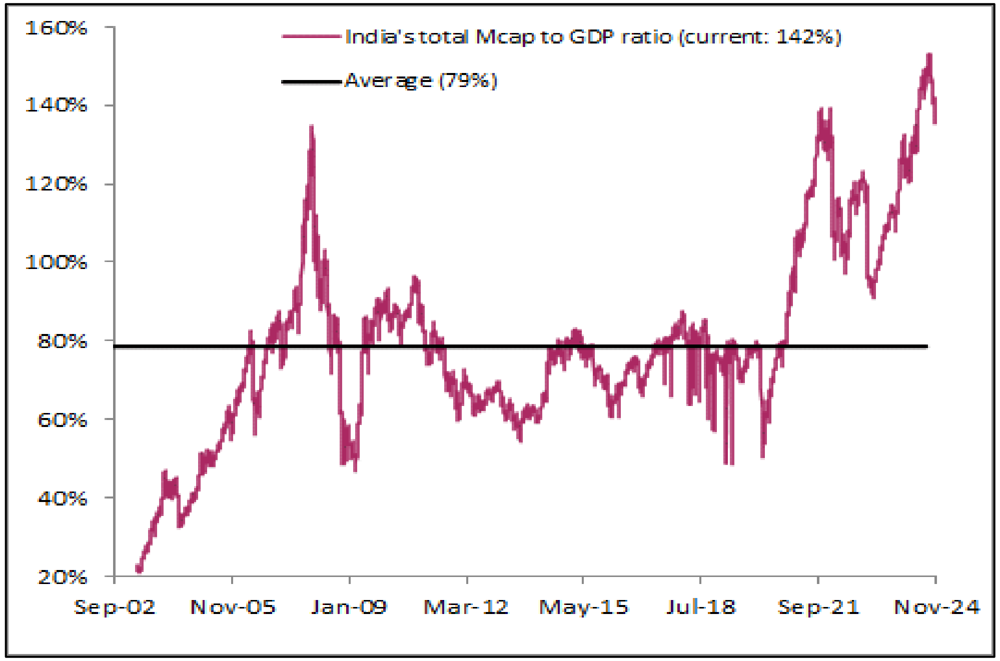
Our Market Valuation Index is still trading above the 1stdev even after the recent correction. Current valuations offer limited scope for rerating. Hence, the market will follow the earnings growth going forward. At current levels, stock selection and sector rotation are keys to achieving outperformance. 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).

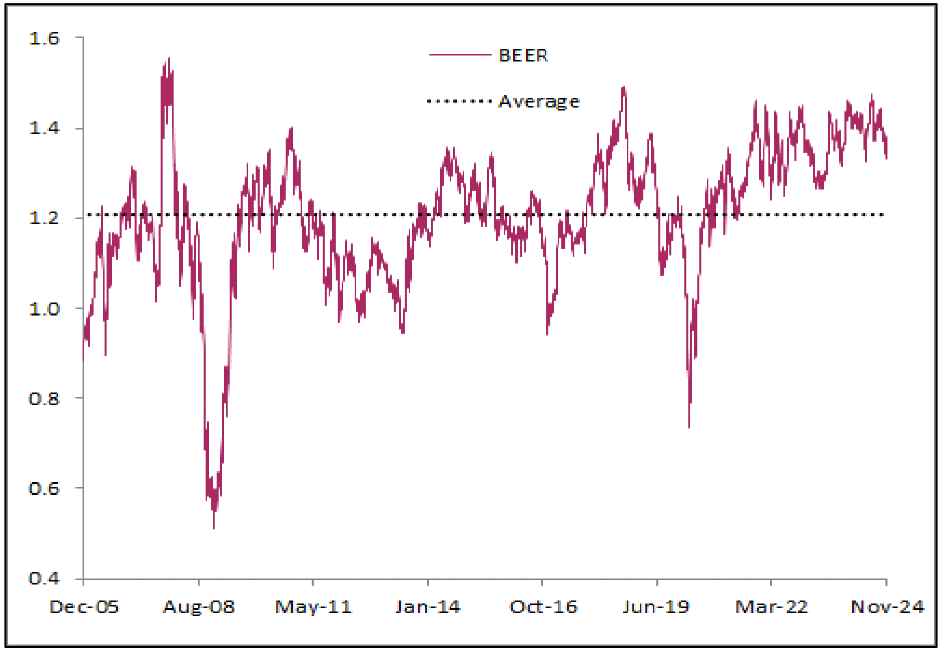


Source: Bloomberg, Axis Securities

In Terms of Mcap to GDP, India Stands Less Expensive than The US Market

- **BEER**: After a status quo by the US FED in the Jan'24 FOMC meeting and the Interim budget, a sharp correction of 30-40bps was seen in India's 10-year bond yields. BEER ratio is still trading above its LTA, suggesting that the stock market is slightly more expensive than the Bond market at current levels.
- **India's Total Market Cap to GDP is trading at 142%,** above its long-term average (rebased after FY24 GDP of Rs 297 Tn released by the government on 1st Feb'24). However, at projected levels of nominal GDP for FY25, the Mcap/GDP ratio translates into 128% (fairly valued). As per the Union Budget 2024-25, the FY25 GDP assumption is pegged at Rs 327 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 are likely to see higher levels of the Mcap to GDP ratio in the upcoming quarters.



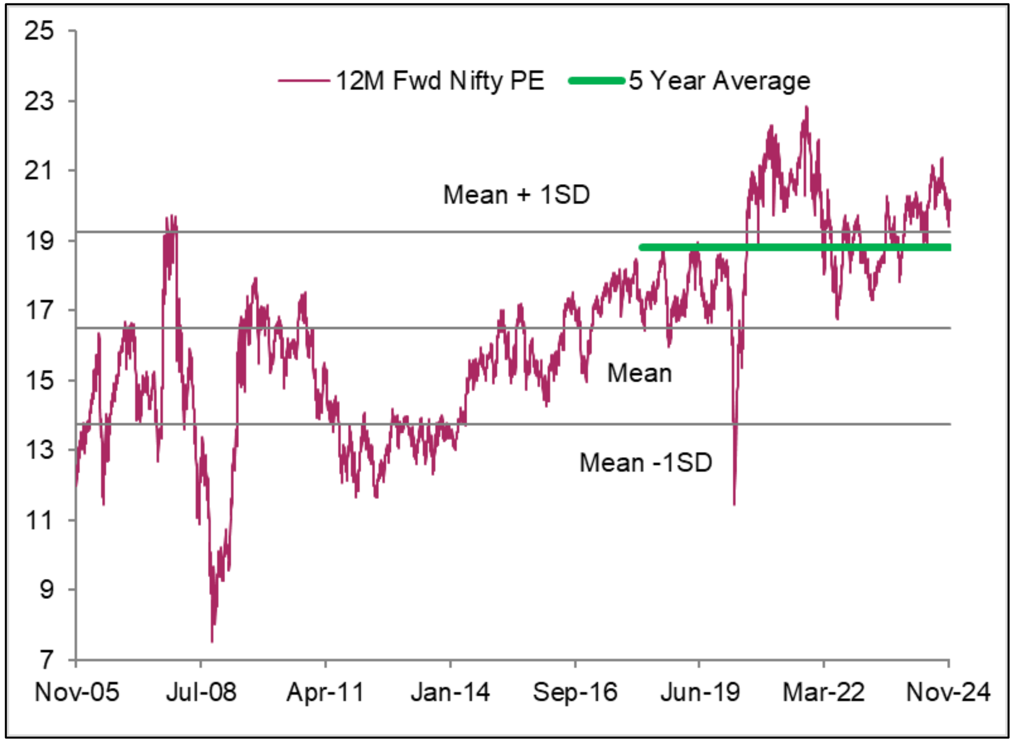


Source: Bloomberg, Axis Securities

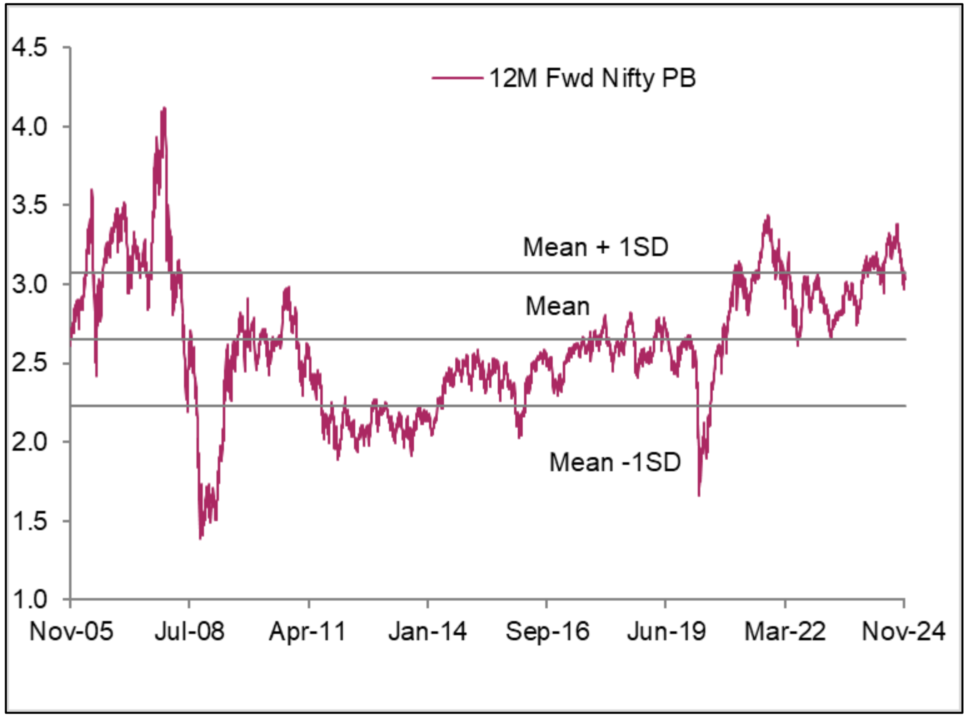
Market Valuations: 12M Fwd PE Now Trading at 19.8x

- NIFTY is currently trading at 19.8x on a 12M Fwd PE, which stands at 1.22std to its long-term average (16.2x). However, it is trading slightly above its long-term average of a 12M Fwd PB.
- Current valuations are slightly above its 5-year average (18.8x), providing a good entry point for long-term investors.
- Style rotation and sector selection are keys to generating alpha as earning expectations from the broader market remain intact.

Nifty 12M Fwd PE



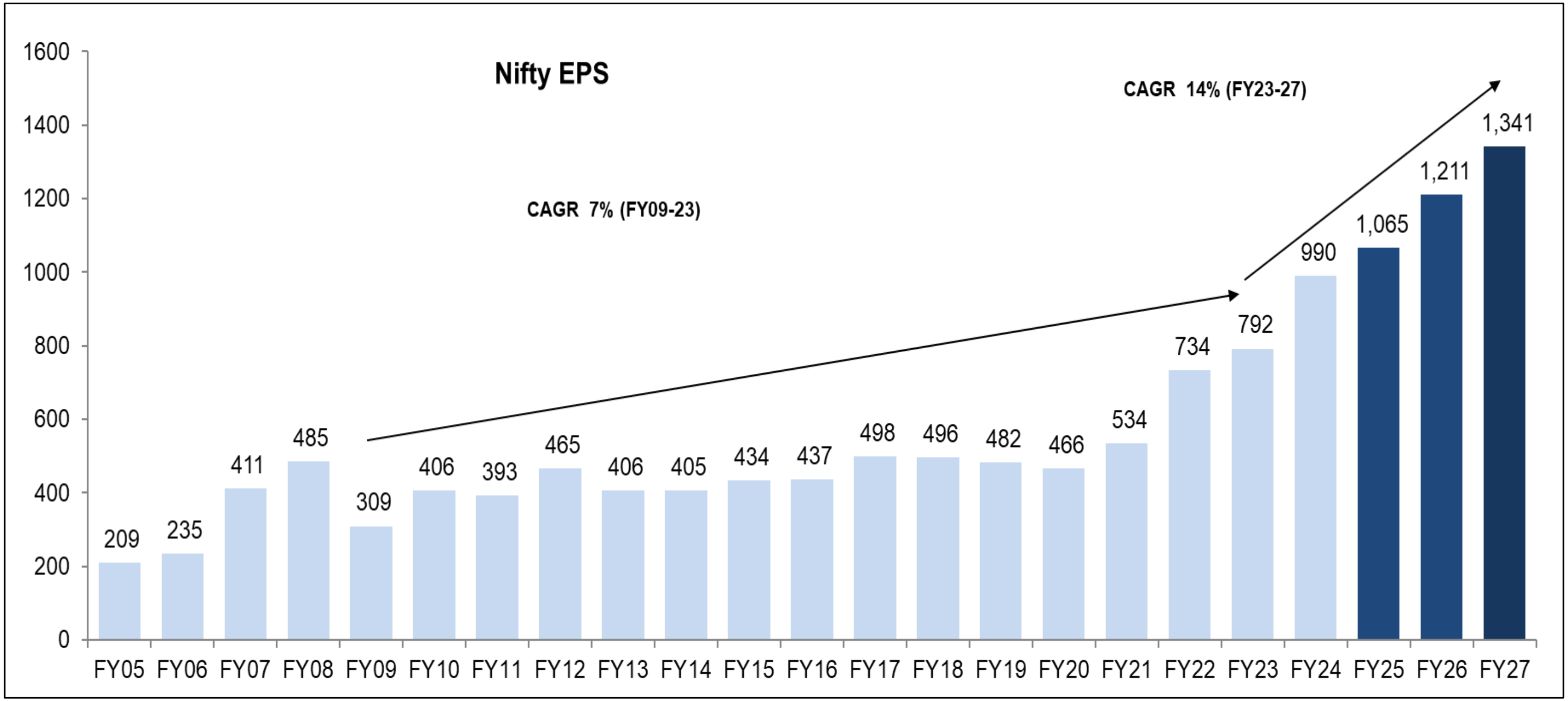
Nifty 12M Fwd PB



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

Marginal Downgrade in Nifty EPS

- After Q2FY25, we foresee FY25/26 NIFTY Earnings at 1065/1211. We have marginally downgraded FY25/26 expectations by 1.5%/1.1% respectively while the downgrade for the street was 3% for FY25. Now consensus is at 1071 for FY25. During the quarter, upgrades were seen in the Industrial sector (led by the addition of Bharat Electronics) while downgrades were seen in Cement and Metals. The muted performance was seen in the IT and FMCG sectors.
- In the Sep'24 rebalance, Trent and Bharat Electronics entered the Nifty 50 index while Divis and LTI Mindtree exited.
- Based on the current economic momentum, stable political regime, capex and other infra-agenda, we believe this double-digit earnings growth to be achievable in the next 2-3 years. All eyes are now on the earning recovery in H2FY25, which will be based on 1) The expectation of an increase in government capex, 2) Post-monsoon activities, 3) A good number of wedding days, and 4) The expectation of rural pick-up in the second half.

Nifty EPS	Post Q1FY25		Post Q2FY25				Chg. post Q2FY25	
Sector	**FY25**	**FY26**	**FY24**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**
Financial	470	532	434	466	527	578	-1.0%	-1.0%
IT	113	128	108	112	127	135	-1.0%	-1.0%
Oil & Gas	134	149	141	133	148	159	-1.0%	-1.0%
FMCG	60	68	57	60	68	77	0.0%	0.5%
Power	42	42	37	42	41	46	-2.0%	-1.5%
Industrial	47	54	40	50	57	70	6.0%	5.6%
Pharma	32	37	28	31	35	33	-4.0%	-4.0%
Metals	76	88	48	67	82	94	-12.0%	-5.8%
Automobile	80	89	82	80	89	102	0.0%	0.0%
Cement	7	9	6	6	8	12	-12.0%	-8.0%
Telecom	20	29	8	20	28	36	-0.2%	-3.0%
Total	**1081**	**1225**	**990**	**1065**	**1211**	**1341**	**-1.5%**	**-1.1%**
Growth			**25%**	**7.6%**	**13.7%**	**10.7%**		

The Last 4 Quarters' Rolling Profits for NSE 500 (Sum of the last 4 quarters earnings)

A few interesting findings from our study: Sector-wise

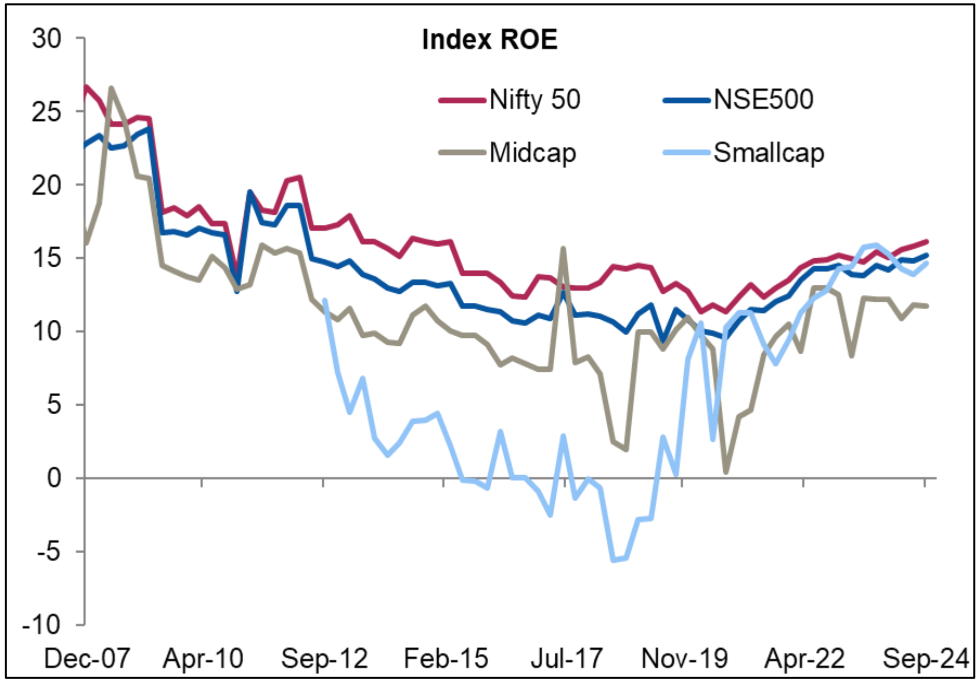
- The last 4 quarters' cumulative net profit reached an all-time high in Q2FY25, crossing the mark of 13.9 Lc Cr. This was led by improvement in the profitability of Industrials, Telecom, Discretionary and Others sector
- **Oil & Gas saw sequential underperformance**
- Financials, Oil & Gas, Metals, and IT are now contributing 67% of the NSE 500 profitability.
- Loss-making sectors have turned positive post witnessing significant disruption by the pandemic.
- The telecom sector saw sequential improvement, up 25% MOM.

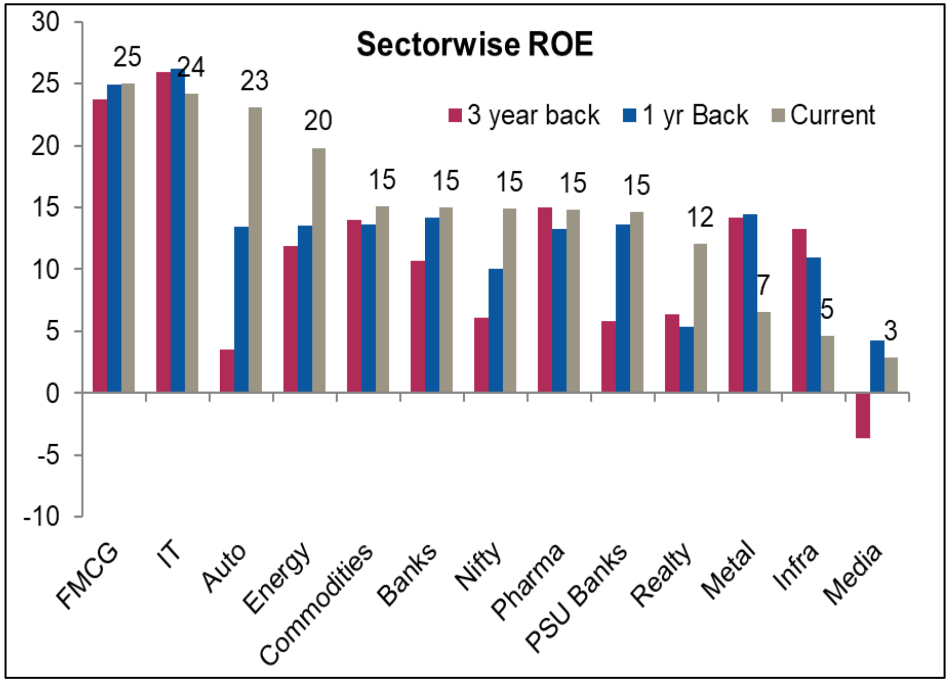
Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)												
	Q2FY20	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Growth %
Auto & Anc.	36,212	40,331	42,081	45,088	43,028	49,650	57,353	64,029	68,426	70,977	72,525	2.18%
Staples	34,044	42,652	43,919	45,919	49,516	51,167	51,944	50,819	48,309	50,298	48,801	-2.98%
Discretionary	18,283	21,470	24,360	25,563	30,085	30,501	31,057	32,256	33,571	33,752	35,366	4.78%
Financials	85,507	2,69,282	2,95,407	3,25,923	3,87,050	4,22,052	4,48,298	4,58,216	4,91,062	5,12,352	5,30,378	3.52%
IT	81,462	1,05,164	1,06,797	1,09,167	1,14,293	1,17,849	1,18,865	1,17,776	1,22,274	1,24,997	1,29,644	3.72%
Oil & gas	1,00,204	1,63,364	1,42,301	1,31,123	1,28,660	1,73,424	2,09,327	2,29,319	2,29,182	1,99,877	1,72,655	-13.62%
Metals & min	58,266	1,47,291	1,19,152	99,487	88,438	76,782	76,168	88,546	87,823	91,399	1,00,113	9.53%
Industrials	31,188	33,254	34,465	36,668	37,174	37,386	40,485	44,347	48,191	50,923	60,010	17.84%
Build Mate	22,387	32,381	29,296	28,432	23,965	22,436	28,301	31,728	36,531	37,477	37,353	-0.33%
Healthcare	28,133	41,786	39,280	41,744	39,045	41,068	43,207	47,034	50,109	59,490	62,318	4.75%
Utilities	27,165	52,660	54,488	55,146	59,631	63,288	73,665	78,024	74,954	71,391	67,802	-5.03%
Transport	2,462	-1,624	-1,495	97	4,152	8,632	10,470	12,112	13,326	13,307	12,375	-7.00%
Agri & Chem	12,424	24,919	25,999	26,702	31,842	27,988	26,267	21,852	17,428	16,874	16,940	0.39%
Tele & Media	-19,015	13,207	13,347	11,188	12,474	13,107	12,719	15,351	15,212	18,160	22,784	25.46%
Others	12,486	25,407	17,533	17,011	16,661	18,422	15,787	17,065	16,277	23,158	28,598	23.49%
Total	**5,31,208**	**10,11,545**	**9,86,930**	**9,99,258**	**10,66,015**	**11,53,755**	**12,43,913**	**13,08,474**	**13,52,675**	**13,74,433**	**13,97,662**	
Ex Oil and Gas	**4,31,004**	**8,48,181**	**8,44,629**	**8,68,135**	**9,37,354**	**9,80,330**	**10,34,586**	**10,79,155**	**11,23,493**	**11,74,556**	**12,25,007**	
Total Growth		**5%**	**-2%**	**1%**	**2%**	**7%**	**8%**	**4%**	**3%**	**2%**	**2%**	
Growth ex Oil and Gas		**7%**	**0%**	**3%**	**8%**	**5%**	**6%**	**4%**	**4%**	**5%**	**4%**	

Source: Bloomberg, Axis Securities, Note: Tata Motors 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 Q2 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 in the last 3 years.

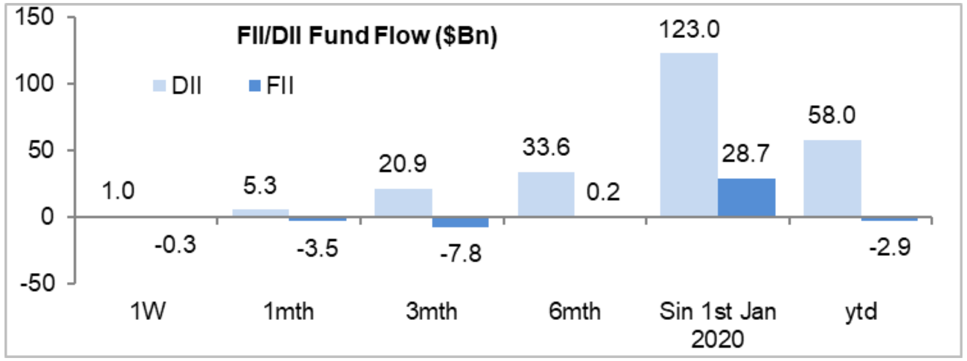


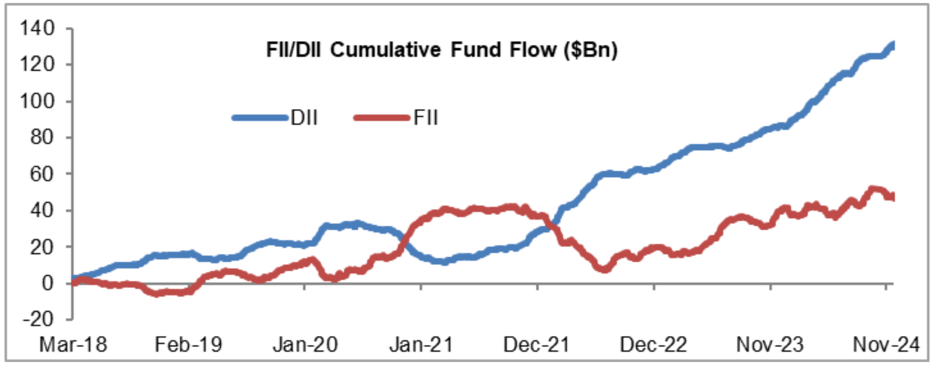


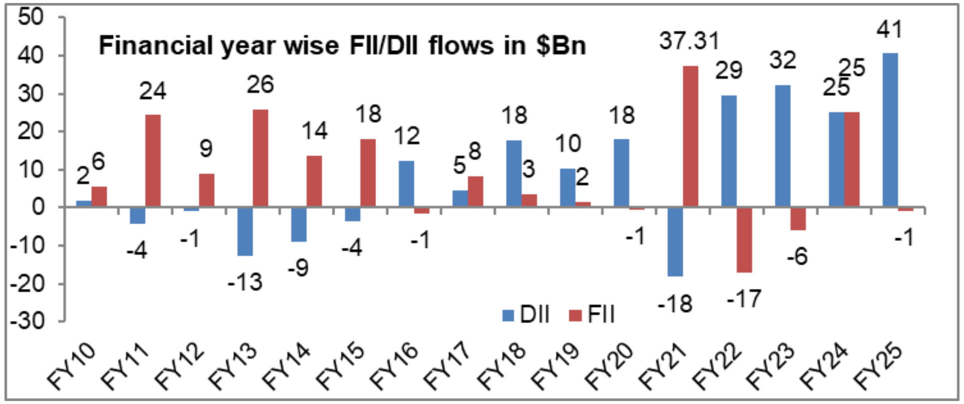
Source: Bloomberg, Axis Securities

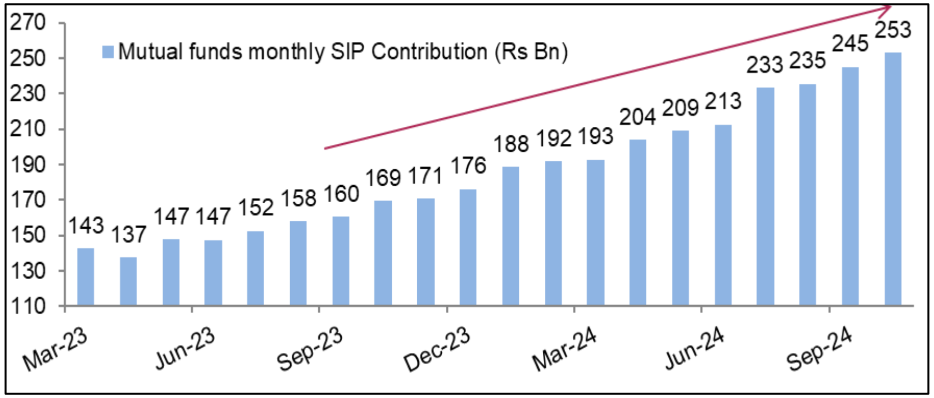
FIIs Pulled Out $1 Bn FYTD

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 the sentiment was further reinforced by the BJP's big-bang performance in assembly elections in three out of four key states. In FY25 so far, FIIs have pulled out only $1 Bn, while DIIs have invested $41 Bn in the Indian equity market. Notably, mutual fund SIP contributions crossed 25,000 Cr for the first time in Oct'24.





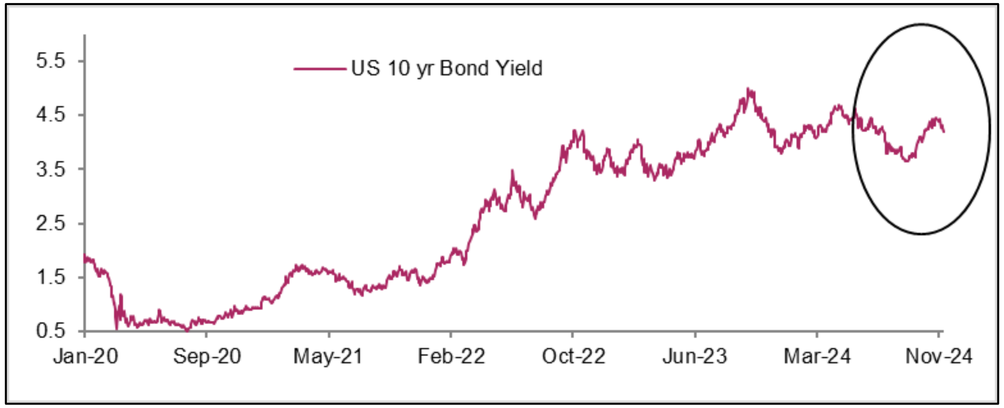


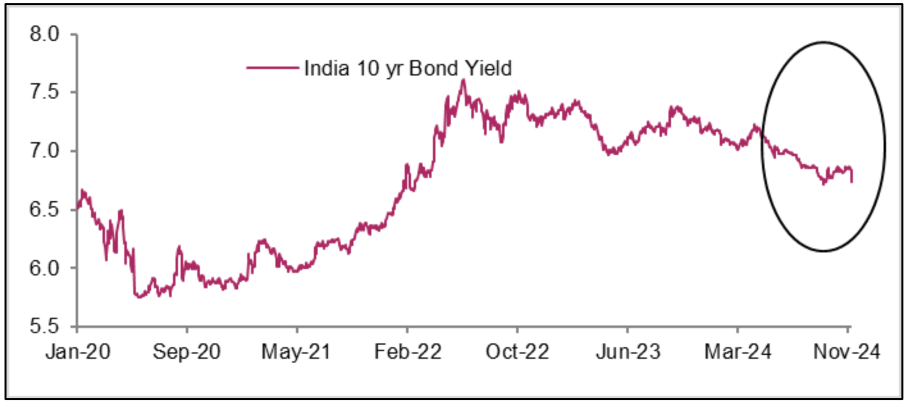


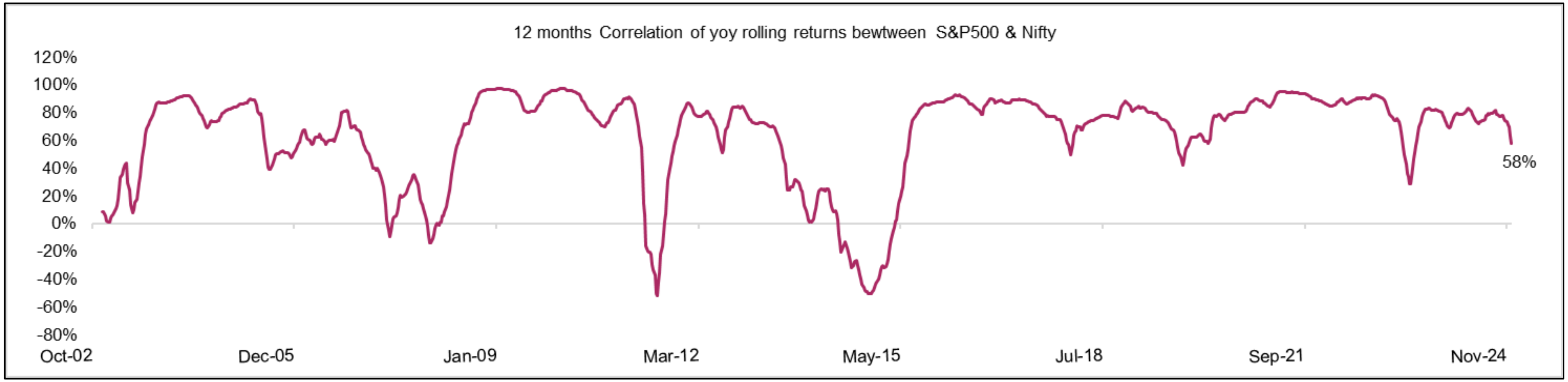
Source: Bloomberg, Axis Securities

Macro will Continue to Drive Near-term Market Fundamentals

- US bond yields saw some inch up in the last one month and crossed 4% in recent times. Further direction remains critical for the market.
- Indian bond yields were largely volatile in the last one month and went down by 30-40 bps after the Interim budget.
- The correlation between the Indian market and the US market has now reduced to 58%.







Source: Bloomberg, Axis Securities

Q2FY24 Earnings Performance: Slightly Weaker Set of Numbers translating into Moderation in the Earnings Momentum

1. 56% of the Nifty 50 companies either beat or were in line with the earnings expectation while 66% on the revenue front.
2. Selective Largecap private banks reported a solid set of numbers while some pain was clearly visible in MFIs and unsecured space.
3. IT companies reported an inline set of numbers, with some upgrades in demand expectations for FY25. Discretionary demand remains attractive at current levels compared to larger transformation deals. Workforce addition was clearly visible, indicating a good set of sustainable demand in the next 12-18 months period.
4. Some muted demand is expected for Automobiles in the festival season and inventories remain very high. Some breather was observed during Navratri. Now all attention is on Dhanteras' demand. 2W demand appears stronger compared to PVs.
5. Cement is likely to surprise in coming quarters, which will be led by volume surprises and a reduction in power and fuel costs.
6. FMCG reported a weaker set of numbers. All eyes now will be on H2FY25 performance.

Q2FY25 Performance So Far

Beat results: Large Banks, Insurance, IT, JSW steel, NTPC

Missed results: Maruti, Bajaj Auto, Indusind Bank, Nestle, Reliance

Nifty Q2FY25	Earnings			EBITDA			Revenue		
Results Out	BEAT	IN LINE	MISS	BEAT	IN LINE	MISS	BEAT	IN LINE	MISS
50	18	10	22	10	19	19	8	25	17

FY25 EPS

Key Upgrade: M&M (5%), HDFC Life (8.7%), Hindalco (3%), SBI Life (1%), Tech Mahindra (2%), HCL Tech (1.3%)

Key Downgrade: IndusInd Bank (-17.5%), Ultratech (12%), Tata Steel (-10%)

ICICI BANK – In a League of its Own; Preferred Pick Amongst Banks

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

Industry view

Equal Weight

CMP
1,300

Target Price
1,500

Upside
15%

Key Rationale

- **NIMs to stabilize:** In Q2FY25, margin compression of 9bps was higher than expected and the management attributed this to the higher number of days in Q2FY25, which should seasonally reverse in Q4FY25. ICICIB indicated that the retail deposit rates have largely stabilized and the management does not expect any meaningful increase hereon. However, the wholesale deposit rates continue to remain higher and are expected to stabilize as the systemic liquidity improves. Thus, the management expects NIMs to remain steady over the next few quarters until the start of the rate cut cycle. Currently, 51% of loans are repo-rate linked, 16% MCLR linked and 32% of loans are fixed rate. While the impact of a rate cut could be higher initially, in the event of a rate cut, we expect ICICIB's NIMs to remain stable at 4.2-4.3% over FY25.
- **Asset quality remains pristine:** Gauging the headwinds in the unsecured lending space, ICICIB gradually decelerated its pace of growth in the unsecured segment (~14% portfolio mix). In line with industry performance, the bank has also seen an inch-up in delinquencies in the Credit Card and Personal Loan portfolio. The bank has taken measures to improve the quality of underwriting and tightening credit filters for each category of customers sourced while adjusting the pricing. With these measures, the bank has been able to control slippages in the personal loans portfolio (slippages are flat QoQ). The management expects credit costs to be contained at 40-50bps on a normalised basis.
- **Growth momentum to sustain:** The bank has invested in developing its business banking segment and continues to see substantial headroom for growth in this vertical. Similarly, despite the asset quality challenges in the credit card segment, the bank will continue to pursue growth in this segment. The management indicated that the penetration of credit cards in the overall customer base is lower and the bank will continue to grow this segment. We expect ICICIB to deliver a healthy 16% CAGR broad-based credit growth over FY25-27E.
- **Outlook & Valuation:** We expect the bank to continue delivering a strong performance over the medium term enabling a consistent RoA/RoE delivery of 2.2-2.3%/17-18% supported by (1) strong business growth while maintaining a steady C-D Ratio, (2) focus on strengthening fee income, (3) range-bound Opex ratios with no aggressive investments in sight, (4) pristine asset quality metrics and (5) adequate capitalization. ICICIB remains our most preferred pick amongst banks**.**
- **Key Risks:** a) Slowdown in credit growth momentum due to lag in deposit mobilization

Key Financials (Standalone)

Y/E Mar (RsBn)	NII (Rs Bn)	PPOP (Rs Bn)	PAT (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	743.1	581.3	408.9	58.2	321.8	4.1	2.4	0.4
FY25E	818.6	671.7	465.5	66.1	366.7	3.5	2.3	0.4
FY26E	933.4	758.8	518.8	73.7	429.0	3.0	2.2	0.4
FY27E	1,080.1	873.9	590.3	83.9	499.5	2.6	2.2	0.4

Source: Company, Axis Securities

Income Statement (Rs Bn)

Y/E March	FY24	FY25E	FY26E	FY27E
Net Interest Income	**743**	**819**	**933**	**1,080**
Other Income	230	291	325	365
Total Income	**973**	**1,110**	**1,258**	**1,445**
Total Operating Exp	391	438	499	571
PPOP	**581**	**672**	**759**	**874**
Provisions & Contingencies	36	55	72	92
PBT	**545**	**617**	**687**	**782**
Provision for Tax	136	151	168	192
PAT	**409**	**465**	**519**	**590**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E March	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share Capital	14	14	14	14
Reserves	2,370	2,745	3,188	3,691
Shareholder's Funds	**2,384**	**2,759**	**3,202**	**3,705**
Total Deposits	14,128	16,375	19,058	22,138
Borrowings	15,378	17,705	20,674	23,807
Other Liabilities & Provisions	953	1,030	1,255	1,446
Total Liabilities	**18,715**	**21,494**	**25,131**	**28,959**
APPLICATION OF FUNDS				
Cash & Bank Balance	1,399	1,556	1,716	1,772
Investments	4,619	5,239	6,288	7,305
Advances	11,844	13,784	16,058	18,650
Fixed &Other Assets	852	914	1,069	1,232
Total Assets	**18,715**	**21,494**	**25,131**	**28,959**

Source: Company, Axis Research

Valuation Ratios (%)

Y/E March	FY24	FY25E	FY26E	FY27E
EPS	58.2	66.1	73.7	83.9
Earnings growth (%)	27.5	13.6	11.4	13.8
BVPS	339.4	392.0	455.1	526.5
Adj. BVPS	315.1	366.7	429.0	499.5
ROAA (%)	2.4	2.3	2.2	2.2
ROAE (%)	18.6	18.1	17.4	17.1
P/E (x)	22.2	19.5	17.5	15.4
P/ABV (x)	4.1	3.5	3.0	2.6
Dividend Yield (%)	0.8	1.1	0.9	1.0
PROFITABILITY & OPERATING EFFICIENCY				
NIM (%)	4.5	4.3	4.2	4.2
Cost/Avg. Asset Ratio (%)	2.3	2.2	2.1	2.1
Cost-Income Ratio (%)	40.2	39.5	39.7	39.5

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E March	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	16.2	16.4	16.5	16.1
Deposit Growth (%)	19.6	15.9	16.4	16.2
C/D Ratio (%)	83.8	84.2	84.3	84.2
Equity/Assets (%)	12.7	12.8	12.7	12.8
Equity/Advances (%)	20.1	20.0	19.9	19.9
Total Capital Adequacy Ratio	16.3	16.5	16.1	15.8
Tier I CAR	15.6	15.9	15.6	15.4
ASSET QUALITY				
Gross NPLs	280	292	324	362
Net NPLs	54	61	68	76
Gross NPLs (%)	2.4	2.1	2.0	1.9
Net NPLs (%)	0.5	0.4	0.4	0.4
Coverage Ratio (%)	80.8	79.0	79.0	79.0
Provision/Avg. Loans (%)	0.3	0.4	0.5	0.5
ROAA TREE				
Net Interest Income	4.3	4.1	4.0	4.0
Non-Interest Income	1.3	1.4	1.4	1.3
Operating Cost	2.3	2.2	2.1	2.1
Provisions	0.2	0.3	0.3	0.3
Tax	0.8	0.8	0.7	0.7
ROAA	2.4	2.3	2.2	2.2
Leverage (x)	7.9	7.8	7.8	7.8
ROAE	18.6	18.1	17.4	17.1

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

Equal Weight

CMP
839

Target Price
1,040

Upside
24%

Key Rationale

- **Strengthening deposit franchise:** The bank remains confident of delivering strong deposit growth of 10-11% in FY25 while maintaining its deposit market share at 22-23% and funding incremental credit growth with incremental deposits. SBI has witnessed strong growth in CA deposits, supported by multiple initiatives, along with TD. It is now focusing on enhancing growth in SA deposits. SBI aims to reduce its dependence on government accounts for CA deposits. To shift back to business-driven CA deposits, the bank has established transactional business hubs and set up relationship management teams for CA deposits, to ensure strong growth in this segment. We expect deposit growth to remain healthy at ~11% CAGR over FY24-27E.
- **Broad-based credit growth; Momentum to remain buoyant:** The management has highlighted that growth opportunities across segments continue to remain buoyant and has reiterated its guidance of delivering credit growth of 14-16% in FY25. In its retail portfolio, the bank is seeing growth improving in the Xpress Credit portfolio alongside auto loans, home loans, and personal gold loans. The Agri and SME portfolio continues to deliver healthy growth driven by portfolio diversification efforts and enhancing distribution. In the corporate portfolio, the management has highlighted a strong pipeline of Rs 6 Tn, with demand remaining buoyant across sectors. We believe SBI remains well positioned to deliver a strong credit growth of ~15% CAGR over FY24-27E while maintaining a balanced LDR.
- **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.
- **Cruising along to deliver RoA of 1%+:** The management has indicated that the CoD/CoF have peaked out and should stabilise hereon. In terms of yields, the bank raised ~30bps MCLR in H1FY25 and the full impact of the same would be visible in the coming quarters. 42% of the book is linked to MCLR. Thus, the management remains confident of maintaining NIMs even in the event of a rate cut in Feb'25. We expect NIMs to remain steady at ~3.3% over FY25-27E. With the impact of wage revision behind, the bank will aim at maintaining a C-I Ratio at <50% over the medium term. Asset quality across segments continues to remain strong. With the bank focusing on risk-calibrated growth, we do not expect any major asset quality challenges, thereby keeping credit costs steady at 50-60bps.
- **Valuation:** SBI remains well-poised to deliver a strong earnings growth of 12% CAGR over FY24-27E alongside maintaining RoA of 1-1.1%, driven by (1) Strong growth while maintaining a comfortable LDR, (2) Focused efforts to improve fee income profile, (3) Contained Opex ratios, and (4) Steady credit costs and strong asset quality.
- **Key risks:** a) Significant slowdown in credit growth

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	1,599	867	611	68.4	399.1	2.0	1.0	0.6
FY25E	1,711	1,131	717	80.3	461.7	1.8	1.1	0.5
FY26E	1,919	1,266	777	87.0	527.9	1.5	1.1	0.5
FY27E	2,180	1,441	853	95.6	600.7	1.3	1.0	0.5

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Net Interest Income	**1,599**	**1,711**	**1,919**	**2,180**
Other Income	517	514	563	621
Total Income	**2,116**	**2,224**	**2,481**	**2,802**
Total Operating Exp.	1,249	1,093	1,215	1,361
PPOP	**867**	**1,131**	**1,266**	**1,441**
Provisions & Contingencies	49	168	228	300
PBT	**818**	**963**	**1,039**	**1,141**
Provision for Tax	207	245	262	287
PAT	**611**	**717**	**777**	**853**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E MAR	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share capital	9	9	9	9
Reserves and surplus	3,764	4,337	4,959	5,641
Shareholders' funds	**3,772**	**4,346**	**4,968**	**5,650**
Total Deposits	49,161	54,269	60,704	67,970
Total Borrowings	55,136	61,297	69,645	79,162
Other Liabilities, provisions	2,888	3,436	3,905	4,439
Total	**61,797**	**69,079**	**78,518**	**89,251**
APPLICATION OF FUNDS				
Cash & Bank Balance	3,108	3,540	3,959	4,433
Investments	16,713	17,365	19,424	21,749
Advances	37,040	42,658	48,864	55,940
Fixed Assets & Other Assets	4,936	5,517	6,271	7,129
Total assets	**61,797**	**69,079**	**78,518**	**89,251**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	68.4	80.3	87.0	95.6
Earnings Growth (%)	*21.6%*	*17.4%*	*8.3%*	*9.8%*
BVPS	422.7	487.0	556.6	633.1
Adj. BVPS	399.1	461.7	527.9	600.7
ROAA (%)	1.0	1.1	1.1	1.0
ROAE (%)	17.3	17.7	16.7	16.1
P/E (x)	11.8	10.1	9.3	8.5
P/ABV (x)	2.0	1.8	1.5	1.3
Dividend Yield (%)	1.4	2.0	2.2	2.4
PROFITABILITY				
NIM (%) – Domestic	3.4	3.3	3.3	3.3
NIM (%) - Global	3.3	3.1	3.1	3.1
Cost-Income Ratio	59.0	49.2	49.0	48.6

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	15.8	15.2	14.5	14.5
Deposit Growth (%)	11.1	10.4	11.9	12.0
C-D Ratio (%)	75.3	78.6	80.5	82.3
Equity to Assets (%)	6.1	6.3	6.3	6.3
Equity to Loans (%)	10.2	10.2	10.2	10.1
CRAR (%)	14.3	13.8	13.5	13.1
Tier I (%)	11.9	11.6	11.5	11.2
ASSET QUALITY				
Gross NPLs (%)	2.2	2.1	2.1	2.0
Net NPLs (%)	0.6	0.5	0.5	0.5
PCR	75.0	75.0	75.0	75.0
Credit cost	0.1	0.4	0.5	0.6

Source: Company, Axis Research

Varun Beverages – Geared For Growth

VBL – the second largest franchisee of PepsiCo in the world (outside the USA), manufactures Carbonated Soft Drinks including Pepsi, Mountain Dew, Seven Up, and Mirinda; Non-Carbonated Beverages – Tropicana Slice, and Tropicana Frutz; and Bottled water – Aquafina. The company accounts for ~90% of PepsiCo's beverage sales volume in India and is present in 27 States and seven UT. It is also the exclusive bottler for PepsiCo in Nepal, Sri Lanka, Morocco, Zambia, and Zimbabwe.

Industry view

Equal Weight

CMP
621

Target Price
700

Upside
13%

Key Rationale

- **Higher opex played spoilsport:** The company delivered strong results, driven by robust consolidated volume growth of ~22% YoY to 267.5 Mn cases (including 34 Mn cases from Bevco). This growth was led by an expanded distribution network, deeper product penetration, and favourable demand trends in key markets. However, domestic volume growth was moderate at 5.7% YoY, impacted by heavy rains during the quarter. Realization per case in Q3CY24 increased by 1.9% to Rs 179.6/case, supported by a favourable product mix in India and a higher contribution from international markets, which grew by approximately 8%.
- **Entry into the Snacks Food:** Varun Beverages Morocco SA, a wholly-owned subsidiary, has entered into an Exclusive Snacks agreement to manufacture and package Cheetos in Morocco by May 2025. DRC: It has also entered into the new territory of DRC, thereby expecting to start commercial production at the Greenfield plant in the next quarter. The management believes that the forthcoming Capex of Rs 4,000 Mn for the DRC unit will enhance its capacity and expansion strategy in the African territory.
- **Expanding South Africa territory –** VBL announced a proposed acquisition of a 100% stake in SBC Beverages Tanzania Ltd and SBC Beverages Ghana, both PepsiCo bottlers operating in the territories of Tanzania and Ghana, further reinforcing its position in the high-growth African market following the acquisition of BevCo in Dec-23. Additionally, it has proposed acquiring the remaining 39.93% (taking its total shareholding to 100%) stake in Lunarmech Technologies which is engaged in manufacturing plastic closures for PET bottles used by VBL inhouse, Further, the company successfully concluded the strategic acquisition of the Beverage Company (BevCo) in South Africa. Now it will expand its footprint across several dynamic markets in the African region - Lesotho, Eswatini, Namibia, Botswana, Mozambique, and Madagascar. The company is engaged in the business of manufacturing and distribution of licensed (Pepsico) and own-branded non-alcoholic beverages in South Africa.
- **Outlook**: We believe VBL is expected to continue its strong growth momentum on account of 1) Successful strategic acquisition of the Beverage Company, thereby consolidating its presence in South Africa and DRC, 2) Continued focus on expansion in its distribution reach, mainly in rural areas and 3) Commissioning of multiple green field and brownfield facilities across geographies, strengthening manufacturing capabilities and extending market reach, thus saving significant transportation costs. We believe these investments are poised to support the company's long-term growth objectives and profitability.

Key Financials (Consolidated)

Y/E Dec (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
CY23	15,622	3,609	2,056	15.8	38.1	23.5	30.3	25.4
CY24E	19,661	4,908	2,824	8.7	71.4	42.3	31.6	26.8
CY25E	23,967	6,044	3,637	11.2	55.5	34.1	30.9	27.8
CY26E	29,215	7,473	4,687	14.4	43.0	27.2	30.0	28.4

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E DEC	CY23	CY24	CY25E	CY26E
Net sales	**15,622**	**19,661**	**23,967**	**29,215**
Growth, %	20.9	25.9	21.9	21.9
Other operating income	421	463	509	560
Total income	16,043	20,124	24,476	29,776
Raw material expenses	(7,405)	(8,738)	(10,573)	(12,793)
Employee expenses	(1,447)	(1,765)	(2,153)	(2,627)
Other Operating expenses	(3,582)	(4,714)	(5,706)	(6,883)
EBITDA (Core)	**3,609**	**4,908**	**6,044**	**7,473**
Growth, %	29.5	36.0	23.2	23.6
Margin, %	23.1	25.0	25.2	25.6
Depreciation	(681)	(928)	(1,036)	(1,126)
EBIT	**2,929**	**3,980**	**5,008**	**6,347**
Growth, %	34.9	35.9	25.8	26.7
Margin, %	18.7	20.2	20.9	21.7
Other Income	79	103	113	125
Non-recurring Items	-	-	-	-
Pre-tax profit	**2,740**	**3,681**	**4,740**	**6,109**
Tax provided	(638)	(856)	(1,103)	(1,422)
Net Profit	**2,102**	**2,824**	**3,637**	**4,687**
Unadj. shares (Cr)	129	325	325	325

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E DEC	CY23	CY24	CY25E	CY26E
Cash & bank	460	(839)	719	3,609
Debtors	359	539	657	800
Inventory	2,151	2,707	3,299	4,022
Loans & advances	539	539	539	539
Other current assets	726	726	726	726
Total current assets	4,235	3,671	5,941	9,697
Investments	3	3	3	3
Gross fixed assets	12,463	16,163	17,963	19,463
Less: Depreciation	(4,036)	(4,964)	(6,000)	(7,126)
Add: Capital WIP	1,922	1,922	1,922	1,922
Net fixed assets	10,349	13,121	13,885	14,260
Non-current assets	537	537	537	537
Total assets	**15,187**	**17,395**	**20,428**	**24,559**
Current liabilities	4,153	4,349	4,558	4,813
Provisions	213	213	213	213
Total current liabilities	4,366	4,562	4,771	5,026
Non-current liabilities	3,737	3,737	3,737	3,737
Total liabilities	8,103	8,299	8,508	8,762
Paid-up capital	650	650	650	650
Reserves & surplus	6,287	8,299	11,123	14,999
Shareholders' equity	7,085	9,097	11,921	15,796
Total equity & liabilities	**15,187**	**17,395**	**20,429**	**24,559**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Cash Flow	CY23	CY24	CY25E	CY26E
Pre-tax profit	2,740	3,681	4,740	6,109
Depreciation	681	928	1,036	1,126
Chg in working capital	(349)	(539)	(502)	(612)
Total tax paid	(631)	(856)	(1,103)	(1,422)
Cash flow from operating activities	**2,441**	**3,213**	**4,171**	**5,202**
Capital expenditure	(3,491)	(3,700)	(1,800)	(1,500)
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	**(3,495)**	**(3,700)**	**(1,800)**	**(1,500)**
Free cash flow	(1,054)	(487)	2,371	3,702
Equity raised/(repaid)	0	-	-	-
Dividend (incl. tax)	(227)	(812)	(812)	(812)
Cash flow from financing activities	**1,270**	**(812)**	**(812)**	**(812)**
Net chg in cash	216	(1,299)	1,559	2,890
Opening cash balance	285	460	(839)	719
Closing cash balance	460	(839)	719	3,609

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	CY23	CY24	CY25E	CY26E
Per Share data				
EPS (INR)	15.8	8.7	11.2	14.4
Growth, %	(32.7)	(46.7)	28.8	28.9
Book NAV/share (INR)	53.8	27.5	36.2	48.2
FDEPS (INR)	16.3	8.7	11.2	14.4
CEPS (INR)	21.6	11.5	14.4	17.9
CFPS (INR)	17.2	9.6	12.5	15.6
DPS (INR)	1.8	2.5	2.5	2.5
Return ratios				
Return on assets (%)	17.7	19.8	21.2	22.4
Return on equity (%)	30.3	31.6	30.9	30.0
Return on capital employed (%)	25.4	26.8	27.8	28.4
Turnover ratios				
Asset turnover (x)	1.5	1.5	1.5	1.7
Receivable days	8.4	10.0	10.0	10.0
Inventory days	50.2	50.2	50.2	50.2
Payable days	22.3	22.9	23.0	23.2
Working capital days	(8.8)	3.0	10.1	15.9
Liquidity ratios				
Current ratio (x)	1.0	0.8	1.3	2.0
Quick ratio (x)	0.5	0.2	0.6	1.2
Interest cover (x)	10.9	9.9	13.1	17.5
Total debt/Equity (%)	0.7	0.6	0.4	0.3
Net debt/Equity (%)	0.4	0.4	0.1	(0.2)
Valuation				
PER (x)	38.1	71.4	55.5	43.0
PEG (x) - y-o-y growth	(1.2)	(1.5)	1.9	1.5
Price/Book (x)	11.5	22.5	17.1	12.9
EV/Net sales (x)	5.4	10.6	8.6	7.0
EV/EBITDA (x)	23.5	42.3	34.1	27.2

Source: Company, Axis Research

HDFC Bank Ltd – Embracing the Upturn!

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

Industry view

Equal weight

CMP
1,796

Target Price
2,025

Upside
13%

Key Rationale

- **Eyeing accelerated LDR improvement:** HDFCB has re-iterated its stance of reducing its LDR to pre-merger levels of mid-to-high 80%. The management indicated that the bank would adopt an accelerated approach to trim LDR to the desired level from the current levels of ~100%. While deposit growth has seen a strong pick-up in Q2FY25, the bank will continue to maintain the momentum, with a focus on granular retail deposits. **Credit growth slowdown is imperative and the management highlighted that credit growth in FY25E would be below systemic growth. It would pick up in FY26E and be largely in line with systemic growth before accelerating in FY27E**. **Thus, the bank aims to reduce its LDR to high-80% over the next 2-3 years. We factor in a slower credit growth of ~12% CAGR over FY24-27E vs a deposit growth of ~17% CAGR over the same period,** thereby enabling HDFCB to bring down its LDR to ~90-91% by FY27E.
- **Pursuing credit growth judiciously:** HDFCB continues to focus on mortgages as it provides a better customer relationship. In the non-mortgage retail segments, the bank has moderated growth purely based on credit dynamics. HDFCB continues to focus on growing the priority sector advances organically while maintaining high quality by passing them through stringent credit filters. In the corporate book, the bank has refrained from pursuing growth in the higher ticket-size loans, wherein the spreads are unencouraging. Going ahead, as the unsecured loan cycle turns positive, HDFCB will resume its growth trajectory by cherry-picking the right customers at the right price.
- **Best-in-Class Asset Quality:** HDFCB has been able to maintain pristine asset quality across cycles and this can be credited to its strong underwriting practices and risk-calibrated lending. Currently, amidst stress in the unsecured portfolios at a systemic level, HDFCB's unsecured portfolio continues to perform well, with retail GNPA at 0.8%. This is primarily owing to the bank being ahead of the curve in identifying stress based on early warning indicators and pruning growth in the unsecured segment. Asset quality in the other segments (CRB, Agri, and Corporate) continues to remain healthy, given the bank's ability to judiciously balance between growth and risk. **We do not expect any major asset quality challenges and believe credit costs are likely to be contained at ~50bps over the medium term.**
- **Outlook & Valuation:** The management has clearly highlighted its focus on reducing its LDR to pre-merger levels adopting an accelerated approach, resulting in a significantly slower credit growth vs deposit growth. HDFCB does not intend to disturb the deposit growth momentum that has picked up in the current quarter. We expect HDFCB to deliver RoA/RoE of 1.8-1.9%/14-16% over FY25-27E, supported by gradually improving cost ratios and steady credit costs.
- **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 (%)
FY24	1,085	944	608	80.0	568.9	3.0	2.0	0.3
FY25E	1,238	1,013	679	89.2	652.6	2.6	1.7	0.3
FY26E	1,418	1,181	786	103.3	736.2	2.3	1.8	0.3
FY27E	1,649	1,375	919	120.7	834.2	2.1	1.9	0.3

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Net Interest Income	**1,085**	**1,238**	**1,418**	**1,649**
Other Income	492	469	549	630
Total Income	**1,578**	**1,707**	**1,968**	**2,279**
Total Operating Exp.	634	694	787	904
PPOP	**944**	**1,012**	**1,181**	**1,375**
Provisions & Contingencies	235	117	144	163
PBT	**709**	**895**	**1,037**	**1,212**
Provision for Tax	101	217	251	293
PAT	**608**	**679**	**786**	**919**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E MAR	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share capital	8	8	8	8
ESOPs	27	33	40	50
Reserves and Surplus	4,368	4,925	5,554	6,289
Deposits	**4,402**	**4,965**	**5,601**	**6,347**
Shareholders' funds	23,798	27,795	32,510	38,040
Borrowings	6,622	5,608	5,100	5,291
Other Liabilities, provisions	1,354	1,534	1,727	1,986
Total liabilities	**36,176**	**39,902**	**44,938**	**51,663**
APPLICATION OF FUNDS				
Cash & Bank Balance	2,191	2,365	2,766	3,237
Investments	7,024	8,065	9,108	10,657
Advances	24,849	27,063	30,373	34,650
Fixed Assets & Other Assets	2,112	2,409	2,691	3,119
Total assets	**36,176**	**39,902**	**44,938**	**51,663**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	80.0	88.1	105.1	121.8
Earnings Growth (%)	*1.3*	*10.1*	*19.3*	*15.9*
BVPS	579.5	650.0	735.1	833.9
Adj. BVPS	568.9	638.5	721.2	817.9
ROAA (%)	2.0	1.7	1.8	1.9
ROAE (%)	14.2	14.3	15.2	15.5
P/E (x)	21.6	19.7	16.5	14.2
P/ABV (x)	3.0	2.7	2.4	2.1
PROFITABILITY				
NIM (%)	3.8	3.7	3.8	3.9
Cost-Assets Ratio	2.1	1.9	1.9	1.9
Cost-Income Ratio	40.2	40.4	39.7	39.3

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	55.2	8.9	12.2	14.1
Deposit Growth (%)	26.4	16.8	17.0	17.0
C-D Ratio (%)	104.4	97.4	93.4	91.1
CRAR	12.2	12.4	12.5	12.3
Tier I	17.7	18.3	18.4	18.3
ASSET QUALITY				
Gross NPLs (%)	1.3	1.2	1.2	1.2
Net NPLs (%)	0.3	0.4	0.4	0.4
PCR	74.0	70.0	70.0	70.0
Credit Cost	1.0	0.5	0.5	0.5

Source: Company, Axis Research

Bharti Airtel Ltd – Highest ARPU in the industry

Bharti Airtel (Airtel) is an Indian multinational telecommunications services company headquartered in New Delhi. Operating in 18 countries across South Asia, Africa, and the Channel Islands, Airtel is India's second-largest telecom operator. The company boasts a robust presence in India, offering a comprehensive digital services portfolio that includes fibre optic cables, desktop telephones, mobile phones, and other offerings.

Industry view

Over Weight

CMP
1,627

Target Price
1,880

Upside
16%

Key Rationale

- **Best ARPU in the industry:** Bharti Airtel has the leading ARPU in the industry. Management expects ARPU to improve from the current level of Rs 233 (compared to Reliance's current ARPU of Rs 189). This improvement is attributed to a richer customer mix and strong customer conversion from 2G to 4G/5G and other services. The company continues on its ARPU growth trajectory and expects it to reach Rs 300 in the future. With a strong focus on customers, Airtel will continue to increase its realizations going forward. Rising data consumption and increasing rural penetration will also contribute to gaining ARPU. Average data usage per customer is healthy at 21.7 GB/month.
- **Huge revenue and profit growth potential:** The company's business fundamentals remain strong and continue to improve. Management foresees significant potential for sustained revenue and profit growth, driven by expanding distribution in rural areas, investments in the network, and increasing 4G coverage. Additionally, strategic investment opportunities are available in tower sales, minority, and IPO investments in mobile money, among others. The company's digital portfolio is gaining momentum, along with market share gains. Airtel maintained a strong share of 4G/5G net ads in the market, with the 4G customer base growing by 7.7 Mn QoQ and 27.2 Mn YoY. This now constitutes 75% of the overall customer base.
- **Improvement in the Digital/Home Segment:** The management anticipates improvement in the Home Segment by offering multiple solutions in one go. Airtel has adopted a robust strategy of "Hunting" by providing diverse solutions to existing customers (primarily 50 Mn customers with strong financial conditions) and actively acquiring new customers. Enhanced growth in the Home segment is expected to bolster revenue realization and fortify the business model. Management expresses confidence in achieving industry-leading growth supported by robust rural penetration and an enhanced service portfolio.
- **Moderated Capex and const optimization effort:** The company anticipates no immediate significant capital expenditure despite the rollout of 5G. Management expects Capex levels to remain stable, with investments focused on broadband expansion, enterprise solutions, and data centres. However, Capex related to 4G radio is expected to decline. Airtel has identified over 2,500 sites for network cost reduction initiatives, which will contribute to lowering operating costs in the future.
- **Valuation & Recommendation:** our BUY rating on the stock is retained due to the company's superior margins, impressive subscriber growth, and increased 4G conversions.
- **Key risks:** a) Competitors may eat market share resulting in loss of sustainable revenue.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY23	1,39,145	71,274	15,356	27.5	59.2	15.3	8.1	9.0
FY24	1,49,982	78,292	16,130	28.9	56.3	13.8	8.4	8.8
FY25E	1,74,926	90,526	22,245	38.9	41.8	16.0	9.6	8.0
FY26E	2,26,595	1,20,909	47,280	118.2	13.8	25.4	14.6	3.5

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	**1,39,145**	**1,49,982**	**1,74,926**	**2,26,595**
Growth, %	19	8	17	30
Other income	0	0	0	0
Total income	**1,39,145**	**1,49,982**	**1,74,926**	**2,26,595**
Raw material expenses	-7,621	-7,519	-9,441	-10,830
Employee expenses	*(4,831)*	*(5,323)*	*(6,123)*	*(7,669)*
Other Operating expenses	-66,626	-70,406	-82,843	-1,03,836
EBITDA (Core)	**71,274**	**78,292**	**90,526**	**1,20,909**
Growth, %	24	10	16	34
Margin, %	51	52	52	53
Depreciation	*36,432*	*39,538*	*42,436*	*37,995*
EBIT	**34,842**	**38,754**	**48,090**	**82,914**
Growth, %	43	11	24	72
Margin, %	25	26	27	37
Interest paid	-16,901	-22,648	-19,660	-15,106
Other Non-Operating Income	937	1,435	1,402	1,392
Non-recurring Items	0	0	0	0
Pre-tax profit	**19,629**	**20,251**	**33,387**	**72,739**
Tax provided	-4,273	-4,121	-11,142	-25,459
Profit after tax	**15,356**	**16,130**	**22,245**	**47,280**
Others (Minorities, Associates)	0	0	0	0
Net Profit	**15,356**	**16,130**	**22,245**	**47,280**
Growth, %	132	5	38	113
Net Profit (adjusted)	**15,356**	**16,130**	**22,245**	**47,280**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Cash & bank	19,088	14,649	14,417	15,339
Other current assets	39,033	39,109	37,672	37,744
Total current assets	58,121	53,758	52,089	53,083
Gross fixed assets	2,75,280	2,75,464	2,78,465	2,88,631
Net fixed assets	2,75,280	2,75,464	2,78,465	2,88,631
Non-current assets	32,435	32,973	33,102	33,516
Total assets	**4,69,456**	**4,56,782**	**4,79,034**	**5,26,322**
Current liabilities	1,21,964	1,21,964	1,21,964	1,21,964
Total current liabilities	1,21,964	1,21,964	1,21,964	1,21,964
Non-current liabilities	2,18,225	2,18,225	2,18,225	2,18,225
Total liabilities	3,40,189	3,40,189	3,40,189	3,40,189
Paid-up capital	2,795	2,795	2,795	2,795
Reserves & surplus	97,591	1,13,721	1,35,967	1,83,247
Shareholders' equity	1,29,267	1,16,593	1,38,845	1,86,133
Total equity & liabilities	**4,69,456**	**4,56,782**	**4,79,034**	**5,26,322**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Pre-tax profit	19,629	20,251	33,387	72,739
Depreciation	36,432	39,538	42,436	37,995
Chg in working capital	1,131	-606	1,163	-479
Total tax paid	-4,646	-4,121	-11,142	-25,459
Other operating activities	0	0	0	0
Cash flow from operating activities	52,509	55,054	65,989	84,790
Capital expenditure	**-40,299**	**-39,721**	**-45,438**	**-48,162**
Chg in investments	0	0	0	0
Chg in marketable securities	-374	-76	1,437	-72
Other investing activities	-12,647	-3,542	0	0
Cash flow from investing activities	-52,193	-40,554	-41,882	-44,622
Free cash flow	**316**	**14,500**	**24,106**	**40,167**
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	59,807	0	0	0
Dividend (incl. tax)	0	0	0	0
Other financing activities	0	0	0	0
Cash flow from financing activities	**63,308**	**-28,805**	**7**	**8**
Net chg in cash	63,623	-14,305	24,113	40,175
Opening cash balance	12,980	19,088	14,649	14,417
Closing cash balance	**19,088**	**14,649**	**14,417**	**15,339**

Source: Company, Axis Securities Research

Ratio Analysis (%)

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

Source: Company, Axis Securities Research

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

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

Industry view

Equal weight

CMP
1,234

Target Price
1,675

Upside
36%

Key Rationale

- **Asset Quality deteriorates in Q2; H2 outlook better**: CIFC's slippages in Q2FY25 were ~Rs 600 Cr, of which Rs 300 Cr were from the Vehicle Finance (VF) book. H1FY25 witnessed deterioration in VF asset quality owing to heatwaves, extended monsoons, and delayed harvesting. However, the management expects the trends to reverse in H2FY25, with Q3FY25 trends stabilizing and the company witnessing an improvement in Q4FY25 (seasonal phenomena). The delinquency levels in the used and new CVs are currently at similar levels. Similarly, with the SME book maturing, credit costs are expected to remain higher in H1FY25; however, management anticipates that these costs will taper going into H2FY25 due to SARFAESI. On an overall basis, the management expects the credit costs to improve in H2FY25 (and settle at ~1.3-1.4%)
- **NIMs to remain range-bound:** CIFC's borrowing mix is skewed towards bank borrowings which constitutes ~45% of the total borrowing mix and the company would continue to maintain it at current levels. Of the total bank borrowings, ~50-60% are EBLR linked, 10% are fixed rate, and the balance is MCLR linked. The management expects some yield improvement in the fixed-rate portfolios. The management also indicated that the company will look to maintain yields in the home loan portfolio as it forays into newer geographies. Thus, margins are expected to remain steady between 7.4%-7.5% over FY25-26E.
- **AUM growth to moderate and settle at ~25%:** CIFC indicated that the company is planning on slowing down the pace of disbursements as it aims at pruning growth to ~25-28% in FY25 vs 33% currently. That said, CIFC's disbursements in Oct'24 have been better vs. Sep'24 across most segments and H2FY25 disbursement momentum is expected to be better than H1FY25. Similarly, the disbursements in the VF segment are expected to improve in H2FY25, with VF AUM growth ranging between 18-20% in FY25E. Moreover, LAP and Home Loans will continue to maintain their growth momentum. CIFC continues to diversify its product basket by adding new products across segments. The management has also indicated that it will look to cap the share of unsecured businesses at ~10% over the medium term vs. 8% currently.
- **Outlook & Valuation:** CIFC continues to eye pre-tax RoTA of 3.5% over the medium term, while FY25 RoTA could range between ~3.2-3.3%. We expect CIFC to deliver RoA/RoE of 2.3-2.5%/20-23% over FY25-27E. We recommend a BUY on the stock with a target price of Rs 1,675/share.
- **Key risks:** a) Moderation in growth momentum, b) Inability to scale up new products and c) Asset quality concerns cropping out

Key Financials (Standalone)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	BV (Rs)	P/BV (x)	ROAA (%)	NNPA (%)
FY24	8,383	5,904	3,423	40.7	232.7	5.5	2.5	2.3
FY25E	11,122	7,929	4,174	49.7	278.7	4.6	2.3	2.4
FY26E	14,302	10,358	5,666	67.4	341.0	3.7	2.5	2.3
FY27E	18,008	13,129	7,149	85.1	419.7	3.0	2.5	2.2

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Net Interest Income	**8,383**	**11,122**	**14,302**	**18,008**
Other Income	1,603	2,078	2,467	2,922
Total Income	**9,986**	**13,200**	**16,769**	**20,930**
Total Operating Exp.	4,082	5,271	6,410	7,800
PPOP	**5,904**	**7,929**	**10,358**	**13,129**
Provisions & Contingencies	1,322	2,308	2,728	3,501
PBT	**4,582**	**5,621**	**7,631**	**9,628**
Provision for Tax	1,159	1,447	1,964	2,479
PAT	**3,423**	**4,174**	**5,666**	**7,149**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E MAR	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share capital	168	168	168	168
Reserves and Surplus	19,388	23,249	28,490	35,103
Shareholders' funds	**19,557**	**23,417**	**28,658**	**35,271**
Borrowings	**1,34,474**	**1,78,203**	**2,25,213**	**2,83,121**
Other Liabilities, provisions	2,421	3,169	3,990	5,004
Total liabilities	**1,56,451**	**2,04,789**	**2,57,861**	**3,23,396**
APPLICATION OF FUNDS				
Cash & Bank Balance	4,320	8,112	10,215	12,811
Investments	4,100	7,210	7,789	9,769
Advances	1,44,424	1,85,053	2,34,300	2,93,847
Fixed Assets & Other Assets	3,606	4,413	5,557	6,969
Total assets	**1,56,451**	**2,04,789**	**2,57,861**	**3,23,396**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	40.7	49.7	67.4	85.1
Earnings Growth (%)	*25.6*	*21.9*	*35.8*	*26.2*
BVPS	232.7	278.7	341.0	419.7
Adj. BVPS	192.6	225.7	278.2	342.6
ROAA (%)	2.5	2.3	2.5	2.5
ROAE (%)	20.1	19.4	21.8	22.4
P/E (x)	31.2	25.6	18.8	14.9
P/BV (x)	5.5	4.6	3.7	3.0
PROFITABILITY				
NIM (%)	7.5	7.4	7.5	7.5
Cost-Assets Ratio	3.0	2.9	2.8	2.7
Cost-Income Ratio	40.9	39.9	38.2	37.3

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	36.7	28.4	26.6	25.4
Borrowings Growth (%)	38.1	32.5	26.4	25.7
Equity/Assets (%)	12.5	11.4	11.1	10.9
Equity/Loans (%)	13.5	12.7	12.2	12.0
Total Capital Adequacy Ratio (CAR)	18.6	18.0	16.7	15.9
ASSET QUALITY				
Gross NPLs (%)	3.6	3.7	3.5	3.4
Net NPLs (%)	2.3	2.4	2.3	2.2
PCR	35.2	35.0	35.0	35.0
Credit costs	1.1	1.4	1.3	1.3

Source: Company, Axis Research

HCL TECH LTD – BETTER BUSINESS MATRIX; BEATING GROWTH COMPARED TO LARGE CAP PEERS

HCL Technologies (HCLT) is India's third-largest IT services exporter with a strong global presence. It offers industry-wide solutions, including next-gen services such as Cloud Computing, Digital Transformations, IoT, Machine Learning, and ER&D. Additionally, HCLT has expertise in providing solutions in banking, financial services, and other sectors through its product and platform portfolio.

Industry view

Equal Weight

CMP
1,848

Target Price
2,100

Upside
14%

Key Rationale

- **Capitalizing demand for digital transformation services:** The recent deal trend remains robust for HCL Tech, reflecting strong traction in BFSI, Retail & CPG, and Manufacturing verticals. HCL Tech will continue to invest in digital capabilities, digital talent, and S&M to drive growth. We believe the company has a significant opportunity to achieve strong organic growth across various verticals globally. The ramp-up in the Verizon deal will also contribute to better revenue growth for HCL Tech compared to its peers.
- **Robust deal wins despite challenging macroeconomic conditions:** HCLT's deal pipeline remained industry-leading in Q2FY25 at $3.2 Bn. Despite uncertainty across verticals such as BFSI, Communication, Manufacturing, and Automobile, HCLT secured many large transformation deals. This robust deal pipeline enhances revenue visibility for FY25-26E. The company won 21 large deals, including 13 in the Services vertical and eight in the Software vertical. With a strong deal pipeline, the company anticipates signing mega deals in FY25 as well.
- **The robust recovery in ER&D; IT Services & Products remain Flat**: IT services, comprising 72% of revenue, showed a growth of 4% QoQ. However, ER&D services, accounting for 16.4% of revenue, declined by 1.6% QoQ despite strong traction for automation. IT software, which represents 12.3% of the company's revenue, improved by 18.5% QoQ. While the near-term outlook remains uncertain, management is confident about the company's medium to long-term prospects.
- **Accelerating demand for ER&D services:** Digital engineering spends is accelerating across industries, with companies swiftly transitioning from traditional to digital engineering. Major industries such as Manufacturing, BFSI, Media & Technology, Retail, Healthcare Payers & Providers, and Travel & Hospitality are developing new products and services to differentiate themselves, thereby creating significant opportunities for the company. HCL Tech's large pool of expertise in the ER&D vertical enhances its vertical-specific capabilities in ER&D services.
- **Capitalizing on growing investment in the Transportation vertical**: The outlook for the Auto sector remains strong, with a growth of 30% YoY. HCLT is uniquely positioned to meet the increased demand in areas such as Infotainment, Connected, ADAS, Autonomous, and Hybrid & Electric Mobility. In the Semiconductor sector, recent softness due to macro issues has been observed; however, management anticipates demand recovery in the latter part of the year, driven by high-performance computing, AI, and automotive segments. Growth in the medical vertical has been paused over the last couple of quarters, but opportunities in Predictive, Proactive, and Personalized patient care, connected devices, digital platforms, the shift to value-based care, and the need for accelerated testing should help it grow in H2FY25.
- **Outlook & Valuation:** HCL Tech is well-placed to encourage long-term growth, given its multiple long-term contracts with the world's leading brands. Enhanced revenue visibility instils confidence in its future business growth. However, rising concerns over business uncertainties in large economies and ongoing supply-side constraints present challenges for the company's growth prospects moving forward.
- **Key risks:** a) Slowdown in North America may impact IT spend creating an adverse impact on revenue growth.

Key Financials (Standalone)

Y/E March	Sales (Rs Cr)	PAT (Rs Cr)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
FY24	1,09,913	15,710	57.8	12%	32.1	25%	31%	15.1	52.0
FY25E	1,15,667	22,555	75.0	30%	24.7	27%	34%	14.3	53.0
FY26E	1,25,202	28,796	83.0	11%	22.4	28%	36%	12.6	54.0

Source: Company, Axis Securities

Income Statement (Rs Bn)

Y/E March	FY23A	FY24A	FY25E	FY26E
Net sales	**1,01,456**	**1,09,913**	**1,15,667**	**1,25,202**
Other operating income	0%	0%	0%	0%
Total income	1,01,456	1,09,913	1,15,667	1,25,202
Total Expenditure				
Employee benefit expenses	55,280	62,480	66,509	71,991
Outsourcing cost	14,950	14,578	15,615	16,902
Other Costs	6,593	6,860	7,518	8,138
Total Cost	**78,828**	**85,715**	**89,642**	**97,032**
EBITDA	**22,628**	**24,198**	**26,025**	**28,170**
Other income	1,358	1,495	1,735	626
PBIDT	**23,986**	**25,693**	**27,760**	**28,796**
Depreciation	4,145	4,173	4,627	4,181
Interest & Fin Chg.	353	553	578	600
Pre-tax profit	**19,488**	**20,967**	**22,555**	**28,796**
Tax provision	4,643	5,257	0	0
Profit after Tax	**14,845**	**15,710**	**22,555**	**28,796**
Other Comprehensive Income	0	0	0	0
PAT after Comprehensive Income	**14,845**	**15,710**	**22,555**	**28,796**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E March	FY23A	FY24A	FY25E	FY26E
Total assets	**72,089**	**80,336**	**99,315**	**1,13,763**
Net Block	5,371	5,612	5,371	0
CWIP	18,677	21,910	23,851	26,226
Investments	**15,896**	**16,392**	**17,914**	**19,851**
Wkg. cap. (excl cash)	6,640	20,971	23,627	26,824
Cash / Bank balance	25,506	15,453	28,554	40,862
Misc. Assets	-1	-1	-1	-1
Capital employed	**72,089**	**80,336**	**99,315**	**1,13,763**
Equity capital	543	543	543	543
Reserves	**64,863**	**67,039**	**82,997**	**99,988**
Minority Interests	-7	-7	-7	-7
Borrowings	3,485	3,480	3,480	3,480
Def Tax Liabilities	161	161	161	161

Source: Company, Axis Research

Cash Flow (%)

Y/E March	FY23A	FY24A	FY25E	FY26E
Sources	11,066	7,631	20,097	20,792
Cash profit	19,343	20,436	27,760	28,796
(-) Dividends	4,342	4,595	6,597	7,025
Retained earnings	15,001	15,841	21,163	21,772
Change in Oth. Reserves	-1,471	-7,652	-487	-380
Borrowings	59	-5	0	0
Others	-2,523	-553	-578	-600
0	0	0	0	0
Applications	11,066	7,631	20,097	20,792
Capital expenditure	5,793	8,991	6,418	6,418
Investments	1,793	757	798	841
Net current assets	-1,355	7,936	1,967	2,467
Change in cash	4,835	-10,053	13,101	12,308
Closing cash	**25,506**	**15,453**	**28,554**	**40,862**

Source: Company, Axis Research

Ratio Analysis (%)

Y/E March	FY23A	FY24A	FY25E	FY26E
Sales growth	18.5	8.3	5.2	8.2
	0%	0%	0%	0%
OPM	22.3	22.0	22.5	22.5
Oper. profit growth	10.2	6.9	7.6	8.2
COGS / Net sales	0.0	0.0	0.0	0.0
Depreciation / G. block	-1256.1	1731.5	-1919.8	-77.8
Effective interest rate (%)	11.4	17.0	17.8	18.4
Net wkg. cap / Net sales	9%	14%	21%	21%
Net sales / Gr block (x)	736%	796%	826%	882%
	0%	0%	0%	0%
RoCE	28%	30%	29%	26%
Debt/equity (x)	0	0	0	0
Effective tax rate	24	25	0	0
RoE	23%	23%	29%	25%
Payout ratio (Div/NP)	25	25	25	25
EPS (Rs.)	**55**	**58**	**75**	**83**
EPS Growth	10	6	44	6
CEPS (Rs.)	70	73	100	104
DPS (Rs.)	14	14	21	22

Source: Company, Axis Research

AUROBINDO PHARMA LIMITED – SEVERAL GROWTH LEVERS TO DRIVE TOPLINE

Aurobindo Pharma Limited (ARBP) is an integrated global pharmaceutical company based in Hyderabad, India. The company develops, manufactures, and commercializes a wide range of generic pharmaceuticals, branded specialty pharmaceuticals and active pharmaceutical ingredients globally in over 150 countries. The company has 25 manufacturing and packaging facilities that are approved by leading regulatory agencies, including USFDA, UK MHRA, EDQM, Japan PMDA, WHO, Health Canada, South Africa MCC, and Brazil ANVISA. The company's robust product portfolio is spread over 7 major therapeutic product areas, encompassing CNS, AntiRetroviral, CVS, Antibiotics, Gastroenterological, Anti-Diabetics and Anti-Allergic, supported by a strong R&D set-up.

Industry view

Over Weight

CMP
1,263

Target Price
1,730

Upside
37%

Key Rationale

- **Q2FY24 Performance:** Aurobindo Pharma& Q2FY25 results were below expectations, with US revenue of $421 Mn showing minimal growth QoQ.Revenue increases in the European market were offset by declines in the ARV and API segments. In the US market, injectablesales experienced a $81 Mn decline, representing a -20% QoQ drop, reflecting significant price erosion despite approximately$20-$30 Mn in additional revenue from gRevlimid. Gross margins decreased by -365/+57 bps YoY/QoQ, while EBITDA marginsimproved by 106/-131 bps YoY/QoQ. The reported profit was Rs 917 Cr, falling short of the Rs 925 Cr expectation.

- **New Expansion Plans:** The Pen-G API and China plants are expected to begin commercialization in H1FY25. 40-50% of ABRP' Pen-G API capacities of 15K TPA will be consumed internally and we expect ABRP's external Pen-G API sales to be $100/150 Mn in FY25/FY26, assuming pricing of $20/kg. The new China plant and the Vizag plant will help to scale up injectable supplies in the EU market and will aid in improving EU margins to the mid-teens.

- **Eugia III Unit:** This unit has recently received an Official Action Indicated (OAI) status from the USFDA. It is a significant unit, encompassing injectables and ophthalmology, and the company has already received 111 approvals from this unit, with 29 approvals currently under review. This development is expected to potentially have a negative impact on Aurobindo Pharma's upcoming launches.
- **Outlook & Valuation:** The Injectable Business represents $500 Mn in revenues, constituting 30% of US sales, and boasts the highest gross margins. However, the issuance of OAI for injectable segments may negatively impact new launches. Additionally, price erosion within the injectable portfolio poses a risk to gross margins in upcoming quarters. Aurobindo has allocated Rs 7,000 Cr in Capex over the past two years, focusing on areas such as Biosimilars and Pen-G (API). The company's future valuations will largely hinge on the return on invested capital (ROIC) generated from this significant investment.

- **Valuation:** At the CMP, the stock trades at 22.9x and 19.9x its FY25E and FY26E earnings.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (%)	ROE (%)	ROCE (%)
FY24	29,002	5,843	3,169	54.2	23.2	14.1	10.6	15.1
FY25E	31,215	6,399	3,577	61.2	20.5	12.6	10.8	15.6
FY26E	34,229	7,154	4,108	70.2	17.9	11.0	11.1	17.1

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net Sales	**29,002**	**31,215**	**34,229**	**36,338**
Growth (%)	**16.7%**	**7.6%**	**9.7%**	**6.2%**
Total Expenditure	23,159	24,816	27,075	28,634
Raw Material Consumed	12,603	13,422	14,547	15,262
% of sales	43.5%	43.0%	42.5%	42.0%
Gross margins (%)	**56.5%**	**57.0%**	**57.5%**	**58.0%**
Employee Expenses	3,923	4,214	4,621	4,906
% of sales	13.5%	13.5%	13.5%	13.5%
Other Expenses	5,155	5,556	6,093	6,468
% of sales	17.8%	17.8%	17.8%	17.8%
EBIDTA	**5,843**	**6,399**	**7,154**	**7,704**
EBITDAM (%)	**20.1%**	**20.5%**	**20.9%**	**21.2%**
Depreciation	1,522	1,676	1,741	1,885
EBIT	4,321	4,723	5,413	5,819
EBITM (%)	14.9%	15.1%	15.8%	16.0%
Interest	290	277	277	277
Other Income	557	304	311	323
Exceptional Items	-192	0	0	0
Share of P/L of Associates	-17	20	30	30
PBT	**4,380**	**4,770**	**5,478**	**5,896**
Tax Rate (%)	27.6%	25.0%	25.0%	25.0%
Tax	1,211	1,192	1,369	1,474
Reported PAT	**3,169**	**3,577**	**4,108**	**4,422**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Share Capital	59	59	59	59
Reserves & Surplus	29,792	33,106	36,951	41,109
Shareholders Fund	29,851	33,165	37,009	41,167
Total Debt	6,648	6,148	6,148	6,148
Total Non-Current Liabilities	3,022	3,012	3,072	3,114
- Trade Payables	4,454	4,704	4,876	4,978
Total Current Liabilities	12,199	12,312	12,857	13,218
TOTAL EQUITY & LIABILITIES	**45,071**	**48,489**	**52,938**	**57,500**
Turnover	1.6	1.6	1.6	1.5
Capex	5,239	1,800	1,800	1,800
Gross Block	**18,157**	**19,957**	**21,757**	**23,557**
Depreciation	6,896	8,572	10,313	12,197
% of GB	38.0%	43.0%	47.4%	51.8%
Net Block	11,261	11,384	11,444	11,359
CWIP	2,739	2,739	2,739	2,739
Total Non-Current Assets	20,866	21,076	21,377	21,461
- Current Investments	51	51	51	51
- Inventories	9,808	10,690	11,722	12,445
- Trade Receivables	4,817	5,644	6,189	6,571
- Cash & Cash Equivalents	6,278	7,423	9,647	12,778
- Other Current Assets	3,239	3,592	3,939	4,181
Total Current Assets	24,205	27,412	31,561	36,038
TOTAL ASSETS	45,071	48,488	52,938	57,499

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
PBT	4,380	4,770	5,478	5,896
Add: Depreciation	1,522	1,676	1,741	1,885
Add: Interest	290	277	277	277
Cash flow from operations	6,191	6,723	7,495	8,057
Change in working capital	1,926	1,545	1,560	1,112
Taxes	1,211	1,192	1,369	1,474
Miscellaneous expenses	0	0	0	0
Net cash from operations	3,055	3,985	4,565	5,471
Capital expenditure	-3,473	-1,800	-1,800	-1,800
Change in Investments	101	-1	0	0
Net cash from investing	-3,373	-1,801	-1,800	-1,800
Increase/Decrease in debt	1,362	-500	0	0
Dividends	-264	-264	-264	-264
Interest	-290	-277	-277	-277
Others	-296	-0	0	0
Net cash from financing	512	-1,040	-540	-540
Net Inc./(Dec.) in Cash	194	1,144	2,225	3,131
Opening cash balance	6,084	6,278	7,423	9,647
Closing cash balance	6,278	7,423	9,647	12,778

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Sales growth	**16.7**	7.6	9.7	6.2
OPM	20.1	20.5	20.9	21.2
Oper. profit growth	57.1	9.5	11.8	7.7
COGS / Net sales	43.5	43.0	42.5	42.0
Overheads/Net sales	31.3	31.3	31.3	31.3
Depreciation / G. block	8.4	8.4	8.0	8.0
Effective interest rate	27.6	25.0	25.0	25.0
Net wkg. cap / Net sales	40.4	42.5	43.3	43.8
Net sales / Gr block (x)	1.6	1.6	1.6	1.5
RoCE	15.1	15.6	17.1	17.9
Debt/equity (x)	0.2	0.2	0.2	0.1
Effective tax rate	27.6	25.0	25.0	25.0
RoE	10.6	10.8	11.1	10.7
Pay-out ratio (Div/NP)	4.5	4.5	4.5	4.5
EPS (Rs.)	54.2	61.2	70.2	75.6
EPS Growth	64.4	12.9	14.8	7.6
CEPS (Rs.)	80.2	89.8	100.0	107.8
DPS (Rs.)	4.5	4.5	4.5	4.5

Source: Company, Axis Research

LUPIN LTD – NICHE APPROVALS AND LOW INPUT COSTS, POSITIVE OUTLOOK

Lupin Limited is a prominent global pharmaceutical leader based in Mumbai, India, distributing its products across over 100 markets. Specializing in a wide array of pharmaceutical solutions—including branded and generic formulations, complex generics, and biotechnology products—Lupin is trusted by healthcare professionals worldwide. With a robust infrastructure of 15 advanced manufacturing sites and 7 research centres, the company is dedicated to enhancing patient health outcomes through its subsidiaries, including Lupin Diagnostics and Lupin Digital Health.

Industry view

Over Weight

CMP
2,051

Target Price
2,600

Upside
27%

Key Rationale

- **Strong Q1FY25:** Lupin reported a strong set of results, exceeding our expectations. Reported revenue grew by12.6% YoY, led by the India business, which grew by 18.8% YoY, and the Asia-Pacific business which grew by 30% YoY. However, the U.S. business grew by only 5.6% YoY, while the APIbusiness declined by 18.1% YoY.Gross margins improved by 293bps YoY and 58bps QoQ, driven by a favourable product mix, lowerinput costs, a reduced share of in-licensed products, and increased cost efficiencies. EBITDAmargins improved by 437bps YoY and 207bps QoQ. Reported PAT grew by 74% YoY, surpassingexpectations.
- **New Products Launch:** In the US, Driven by key products like gMirabegron, gSpiriva, Albuterol and Pred Forte, along with a promising revenue boost from recently launched Tolvaptan. With a strong foothold in the stable US generics market and no expected competition for Spiriva until FY2027, Lupin presents a compelling opportunity for investors looking to capitalize on the pharmaceutical sector's growth...
- **Outlook & Valuation:** New launches in the US market like Darunavir and Spiriva have gained market shares of up to 30% and 25% respectively. The recent launch approval of gMegabran has the potential to add yearly incremental sales of $50 Mn. Recent approvals for Tolvaptan (market size $287 Mn) and Xyway (market size $958 Mn with 180 days exclusivity, could add business in the second half. The company has a strong pipeline of products including Cynocobalamin, Diazepam Gel, Vereniciline, Bromfenac, Glucagen, and Risperidone, among others. Double-digit growth in the India business is expected as the company has already increased MR (Medical Representative) numbers to 1,000. An uptick in the API (Active Pharmaceutical Ingredient) business, as the API industry is witnessing a demand revival. Lupin's margins, currently at 18%, are still below the industry levels of 22%, which implies a significant scope for margin improvement in the upcoming quarters. This improvement will also be supported by the macro environment, which is currently favourable for the industry, such as falling raw material prices, low logistic costs, and fuel costs.
- **Valuation:** At the CMP, the stock trades at 31.7x and 26.9x its FY25E and FY26E earnings.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (%)	ROE (%)
FY24	20,011	3,811	1,915	42.0	48.8	25.0	13.3
FY25E	21,352	4,804	2,950	64.7	31.7	19.3	17.3
FY26E	25,678	5,508	3,475	76.3	26.9	16.3	17.2

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Total Net Sales	**20,011**	**21,352**	**23,946**	**25,678**
% Change	20.2%	6.7%	12.2%	7.2%
Raw material Consumption	6,643	6,619	7,304	7,806
Staff costs	3,495	3,630	4,071	4,365
Other Expenditure	6,062	6,299	7,064	7,472
Total Expenditure	16,200	16,547	18,438	19,644
EBITDA	**3,811**	**4,804**	**5,508**	**6,034**
% Change	111.9%	26.1%	14.6%	9.6%
EBITDA Margin %	**19.0%**	**22.5%**	**23.0%**	**23.5%**
Depreciation	1,197	1,014	1,074	1,134
EBIT	2,614	3,791	4,434	4,901
EBIT Margin %	13.1%	17.8%	18.5%	19.1%
Interest	312	121	106	78
Other Income	120	113	127	139
PBT	**2,422**	**3,782**	**4,455**	**4,962**
Tax	487	832	980	1,092
Tax Rate %	*20.1%*	*22.0%*	*22.0%*	*22.0%*
APAT	1,936	2,950	3,475	3,870
P/L after discontinuation	-21	0	0	0
PAT after Ass.	1,915	2,950	3,475	3,870
Adj. PAT	**1,915**	**2,950**	**3,475**	**3,870**
Growth %	**345.1%**	**54.1%**	**17.8%**	**11.4%**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Share Capital	91	91	91	91
Reserves & Surplus	14,282	16,938	20,118	23,693
Shareholders Fund	14,373	17,029	20,209	23,784
Total Debt	2,922	2,422	1,922	1,422
- Trade Payables	2,958	3,159	3,543	3,799
- Other Long Term Liabilities	346	351	394	422
- Other Current Liabilities	2,252	2,398	2,690	2,884
TOTAL EQUITY & LIABILITIES	**23,997**	**26,505**	**29,903**	**33,457**
Gross Block	9,535	10,135	10,735	11,335
Depreciation	4,951	5,965	7,038	8,172
% of GB	51.9%	58.9%	65.6%	72.1%
- Fixed Assets(incl. Capital Work in Progress)	9,677	9,264	8,790	8,257
- Other Non Current Assets	872	881	881	881
- Current Investments	847	847	847	847
- Inventories	4,954	5,265	5,905	6,332
- Trade Receivables	4,692	5,031	5,642	6,050
- Cash & Cash Equivalents	1,202	3,345	5,739	8,839
- Other Current Assets	1,752	1,872	2,099	2,251
TOTAL ASSETS	**23,997**	**26,505**	**29,903**	**33,457**

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
PBT	2,422	3,782	4,455	4,962
Add: Depreciation	1,197	1,014	1,074	1,134
Add: Interest	312	121	106	78
Cash flow from operations	3,931	4,917	5,635	6,173
Change in working capital	-143	426	761	508
Taxes	487	832	980	1,092
Miscellaneous expenses	21	0	0	0
Net cash from operations	3,566	3,659	3,894	4,574
Capital expenditure	-1,251	-600	-600	-600
Change in Investments	-407	0	0	0
Net cash from investing	-1,658	-600	-600	-600
Increase/Decrease in debt	-1,620	-500	-500	-500
Dividends	-385	-295	-295	-295
Proceedings from equity	0	0	0	0
Interest	-312	-121	-106	-78
Others	317	-0	0	-0
Net cash from financing	-1,999	-916	-901	-873
Net Inc./(Dec.) in Cash	-91	2,143	2,393	3,101
Opening cash balance	1,293	1,202	3,345	5,739
Closing cash balance	1,202	3,345	5,739	8,839

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Sales growth (%)	20.2	6.7	12.2	7.2
OPM	19.0	22.5	23.0	23.5
Oper. profit growth	111.9	26.1	14.6	9.6
COGS / Net sales	33.2	31.0	30.5	30.4
Overheads/Net sales	-	-	-	-
Depreciation / G. block	12.6	10.0	10.0	10.0
Effective interest rate	20.1	22.0	22.0	22.0
Net wkg. cap / Net sales (%)	29.1	29.2	29.2	29.2
Net sales / Gr block (x)	2.1	2.1	2.2	2.3
RoCE	15.1	19.5	20.0	19.4
Debt/equity (x)	0.2	0.1	0.1	0.1
Effective tax rate	20.1	22.0	22.0	22.0
RoE	13.3	17.3	17.2	16.3
Payout ratio (Div/NP)	422.4	323.7	323.7	323.7
EPS (Rs.)	42.0	64.7	76.3	84.9
EPS Growth	345.1	54.1	17.8	11.4
CEPS (Rs.)	68.3	87.0	99.8	109.8
DPS (Rs.)	8.4	6.5	6.5	6.5

Source: Company, Axis Research

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

Dalmia Bharat Limited (DBL), established in 1939, has emerged as one of the fastest-growing players in the Indian cement sector. It holds a 5% share of India's cement capacity in its operational areas. DBL boasts a total cement production capacity of 46.6 million tonnes per annum (mtpa), a clinker capacity of 22.6 mtpa, and a power generation capacity of 397 MW, including waste heat recovery systems (WHRS) and solar power. The company's operations extend across 16 locations in India, encompassing 10 integrated plants and 6 grinding units, supported by a robust distribution network of 49,000 channel partners nationwide.

Industry view

Overweight

CMP
1,820

Target Price
2,040

Upside
12%

Key Rationale

- **Capacity expansion to sustain growth:** The company's total cement grinding capacity is projected to increase to 49.5 mtpa in FY25E from the current 46.6 mtpa, which will support its volume growth. With the current capacity utilization at 60%, there is considerable potential for the company to enhance its capacity utilization. Additionally, the ramp-up of recently commercialized new capacities is expected to provide a significant growth impetus. We anticipate DBL will achieve a revenue CAGR of 8% over FY24-FY26E, driven by a volume CAGR of 9% during the same period.
- **Efficient operations with a focus on reducing costs further:** DBL's integrated operations, superior cement/clinker ratio, introduction of Portland composite cement, digitization of its sales channels, and effective resource utilization make it one of the lowest-cost cement producers in India. Additionally, various cost optimization initiatives at its operating facilities are expected to enhance margins going forward. The company also plans to increase its share of green energy in its overall power mix to 35-45%, which will further reduce power and fuel costs. Supported by these cost optimization measures and improved price realization, we expect DBL's EBITDA margin to improve to 19% from the current 18% by FY26E.
- **Higher consolidation to benefit large players:** Between 2013 and 2024, the market share of large players in the cement sector has risen from 46% to 55%. With the accelerating pace of consolidation and capacity expansion among top players, their overall market share is expected to increase further. This trend is likely to positively influence cement pricing, economies of scale, and supply chain efficiency. As one of the top five players in the country, the company is well-positioned to benefit from this consolidation trend in the medium to long term.
- Cement demand in its operating regions is anticipated to remain robust, supporting the company's projected double-digit growth going forward.
- **Outlook:** Cement demand is anticipated to stay strong, driven by infrastructure development. The industry is expected to grow at 1.2 times the GDP growth, which is projected to be 6.5%-7% over the next several years.
- Given the company's superior positioning in key markets in the East and South, exposure to the West region, the government's focus on infrastructure and affordable housing, increasing real estate demand, new capacity ramp-up, and ongoing cost optimization measures, DBL is expected to deliver stable performance. The company is projected to grow its Volume/Revenue/EBITDA/APAT at a CAGR of 9%/7%/9%/17% over FY24-FY26E.
- **Valuation**: The stock is currently trading at 13x and 11x FY25E/FY26E EV/EBITDA and EV/tonne of $88 and $85. Valuation remains attractive.
- **Key risks:** a) Lower demand and contraction in Cement prices impacting realization; b) Further rise in input prices hampering margin profile.

Key Financials

Y/E Mar (Rs Cr)	NetSales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY23	13,540	2,316	1,035	55	36	16	7%	6
FY24	14,680	2,628	827	44	41	13	5%	7
FY25E	15,094	2,453	751	34	54	14	4%	7
FY26E	16,906	3,146	1,133	60	30	11	6%	8

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Net sales	13,540	14,680	15,094	16,906
Other operating income	0	0	0	0
Total income	13,540	14,680	15,094	16,906
Raw Material	1,981	2,703	2,646	2,884
Power & Fuel	3,679	3,116	3,277	3,572
Freight & Forwarding	2,802	3,203	3,479	3,792
Employee benefit expenses	771	871	885	938
Other Expenses	1,991	2,159	2,354	2,573
EBITDA	**2,316**	**2,628**	**2,453**	**3,146**
Other income	138	326	269	287
PBIDT	2,454	2,954	2,722	3,434
Depreciation	1,305	1,498	1,341	1,540
Interest & Fin Chg.	234	386	385	361
E/o income / (Expense)	-	-	-	-
Pre-tax profit	915	1,070	996	1,534
Tax provision	242	216	229	383
RPAT	673	854	768	1,150
Minority Interests	44	27	17	17
Associates	554	-	-	-
APAT after EO item	**1,035**	**827**	**751**	**1,133**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Total assets	25,543	27,749	28,475	29,728
Net Block	16,467	17,855	19,238	20,235
CWIP	1,859	2,284	2,284	2,284
Investments	587	588	588	588
Wkg. cap. (excl cash)	881	738	757	851
Cash / Bank balance	285	582	350	389
Misc. Assets	5,464	5,702	5,258	5,381
Capital employed	25,543	27,749	28,475	29,728
Equity capital	37	38	38	38
Reserves	15,591	16,359	16,903	17,942
Minority Interests	116	110	127	144
Borrowings	3,742	4,630	4,735	4,807
Def Tax Liabilities	1,634	1,795	1,795	1,795
Other Liabilities and Provision	4,423	4,817	4,878	5,001

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Profit before tax	1,321	1,069	883	1,534
Depreciation	1,305	1,498	1,341	1,540
Interest Expenses	231	386	385	361
Non-operating/ EO item	-95	-304	-269	-287
Change in W/C	-77	46	-19	-94
Income Tax	-14	-54	-229	-383
Operating Cash Flow	2,252	2,635	2,092	2,669
Capital Expenditure	-2,709	-2,827	-3,019	-2,536
Investments	329	-570	500	-
Others	87	47	269	287
Investing Cash Flow	-2,326	-2,750	-2,250	-2,249
Borrowings	-677	1,099	405	72
Interest Expenses	-297	-439	-385	-361
Dividend paid	-169	-169	-94	-94
Others	-33	-13	-	-
Financing Cash Flow	-118	48	-7	-38
Change in Cash	94	107	-232	39
Opening Cash	140	234	341	109
Closing Cash	234	341	109	148

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY23	FY24E	FY25E	FY26E
Operational Ratios				
Sales growth	20%	8%	3%	12%
OPM	17%	18%	16%	19%
Op. profit growth	-5%	13%	-7%	28%
COGS / Net sales	62%	61%	62%	61%
Overheads/Net sales	20%	21%	21%	21%
Depreciation / G. block	5.3%	5.6%	4.6%	4.7%
Effective interest rate	6.3%	8.3%	8.1%	7.5%
Efficiency Ratios				
Total Asset Turnover (x)	0.53	0.53	0.53	0.57
Sales/Gross block (x)	0.55	0.54	0.50	0.52
Sales/Net block(x)	0.82	0.82	0.78	0.84
Working capital/Sales (x)	0.20	0.21	0.14	0.13
Valuation Ratios				
P/BV (x)	2.17	2.07	2.00	1.88
PER (x)	33	41	54	30
EV/Ebitda (x)	15.0	13.1	14.4	11.2
EV/Sales (x)	2.6	2.3	2.3	2.1
EV/Tonne $ (x)	110	94	87	87

Source: Company, Axis Research

PRESTIGE ESTATES PROJECTS LTD – GROWTH DRIVEN BY BUSINESS MODEL

Prestige Group, founded in 1986, stands as one of India's leading and most prominent real estate developers. Originating in Bangalore, where it holds a significant market share, the company has expanded its presence across several metro cities. The group has made a mark across all asset classes and with over 38 years of experience, it has completed more than 300 projects, delivering over 180 Mn sq. ft.

Industry view

Equal Weight

CMP
1,651

Target Price
2,195

Upside
33%

Key Rationale

- **Launch trajectory for H2FY25:** The management has guided a pre-sale of ~Rs24,000 Cr for the financial year. In H1FY25, the company has achieved the pre-sales of~ Rs8,000 Cr. The management is confident in achieving their guidance and launching major projects during the remaining quarters. These launches will include projects like Prestige Southern Star, Prestige City-Indirapuram, Pallava Gardens etc. The remaining launches will have a GDV of Rs 52,000 Cr, which could result in Pre-sales of ~Rs 20,000-Rs 22,000 Cr. This would comply with management's guidance of pre-sales numbers with a possibility of exceeding the same during FY25.
- **Execution Supremacy –** Prestige has recorded its best-ever pre-sales of ~Rs 21,000 Cr and the highest-ever collections of Rs 11,950 Cr in FY24. The company has delivered 25 Mn sq. ft in FY24 with over 300 projects completed. In FY24, it has also managed to achieve 75% of its sales from newly launched projects at ~Rs 15,700 Cr, demonstrating its execution capability and excellence in delivering large projects. The Prestige City Hyderabad achieved sales worth Rs 3,700 Cr within 4 months of its launch. On average, the company has sold 10,068 units, which means an average of 28 units per day in FY24.
- **Strong Cashflows and Net debt reductions:** The company has completed its QIP for Rs5,000Cr. These funds will be utilized for repayment of debt, BD and construction for rental assets. The free cash flows expected from ongoing and upcoming projects stand at Rs 13,863Cr and Rs 32,037Cr respectively. This gives a total of ~Rs 45,000Cr in free cash flows expected for the company. The collections for Q2FY25 stood at Rs 2,737Cr (PEPL share: Rs2,554Cr). The company's debt stands at ~Rs 10,000Cr and the net debt is Rs 3,592Cr. This indicates a net debt-to-equity ratio of 0.21 which is within their guidance. This will comfortably fund the future capex of Rs ~13,000Cr for their annuity portfolio build-up.
- **Additional GDV & Annuity Stream**: With the company acquiring a stake in PPP, and Prestige Acres among others, the company has added an additional Rs 20,000 Cr of GDV to their portfolio. The cost of acquisition incurred by them is ~Rs 844 Cr and will eventually lead to a pre-tax EBITDA of Rs 8,000Cr. The company's annual rentals stand at Rs523 Cr for commercial projects and Rs 226 Cr for retail projects. The remaining capex spend to be incurred is Rs 9,000Cr for commercial properties and Rs3,46Cr for its retail assets. Their annuity rentals are due to produce exit rentals of Rs 4,300 Cr by FY29 (assuming full occupancy).
- **Outlook & Valuation**: We maintain a BUY recommendation on Prestige Estates. Based on our DCF valuation method

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	Debt/Equity (%)	EV/EBITDA (X)
FY24	7,877	2,498	1,374	34.3	47.6	12.2	108.1	30
FY25E	11,765	2,651	713	17.8	43.3	11.4	85.5	19.9
FY26E	16,071	3,435	1,205	30	27	15.5	72.9	14

Source: Company, Axis Securities

Profit & Los (Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E
Net sales	7,877	11,764	16,070
Growth, %	(0.5)	4.9	3.7
Other operating income	-	-	-
Total income	7,877	11,764	16,070
Raw material expenses	(2,692)	(5,937)	(8,296)
Employee expenses	(746)	(823)	(1,125)
Other Operating expenses	(1,939)	(2,353)	(3,214)
EBITDA (Core)	**2,498**	**2,650**	**3,435**
Growth, %	2.0	0.6	3.0
Margin, %	3.2	2.3	2.1
Depreciation	(716)	(822)	(1,024)
EBIT	**1,781**	**1,828**	**2,410**
Growth, %	2.4	0.3	3.2
Margin, %	2.3	1.6	1.5
Interest paid	(1,219)	(1,031)	(1,031)
Other Income	1,548	313	376
Share of profits from associates	11.3	16.9	23.1
Pre-tax profit	**2,122**	**1,127**	**1,778**
Tax provided	(493)	(259)	(410)
Profit after tax	1,628	867	1,368
Growth, %	(254)	(155)	(163)

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

Balance Sheet (Rs Cr)

As of 31st Mar, Rs Cr	FY24	FY25E	FY26E
Cash & bank	2,558	4,643	4,825
Loans & advances	2,363	2,613	2,863
Other current assets	6,258	6,158	6,058
Investments	1,279	1,279	1,279
Gross fixed assets	11,945	15,697	19,165
Additions:	2,605	3,752	3,469
Less: Depreciation	3,329	4,158	5,204
Net fixed assets	8,616	11,539	13,961
Other Current Assets	6,258	6,158	6,058
Total assets	**23,808**	**25,063**	**26,304**
	-	-	-
Current liabilities	15,855	15,855	15,855
Provisions	739	739	739
Loan Funds	11,462	11,462	11,462
Paid-up capital	401	401	401
Reserves & surplus	10,888	11,989	13,069
Non Controlling Interest	512	666	828
Total equity & liabilities	**23,808**	**25,063**	**26,304**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Pre-tax profit	2,122	1,057	1,685
Depreciation	717	829	1,046
Changes in working capital	**-838**	**3,753**	**1,363**
Total tax paid	-416	-247	-394
Cash flow from operating activities	**1,297**	**6,106**	**4,345**
Change in Fixed Assets	-1,907	-3,752	-3,469
Interest/Dividend Received	275	318	386
Other investing activities	-	17	23
Cash flow from investing activities	**-2,548**	**-3,417**	**-3,060**
Equity raised/(repaid)	-	500	-
Proceeds from Borrowings	3,271	-	-
Dividend (incl. tax)	-60	-72	-72
Other financing activities	-26	-	-
Cash flow from financing activities	**1,969**	**-604**	**-1,104**
Net cash	718	2,085	181
Closing cash balance	**2,558**	**3,809**	**3,991**

Source: Company, Axis Research

Ratio Analysis (%)

Y/E Mar	FY24	FY25E	FY26E
EPS (INR)	34.3	16.8	28.7
Growth, %	116.8	(51.0)	71.2
Book NAV/share (INR)	281.6	309.0	336.0
FDEPS (INR)	34.3	16.8	28.7
CEPS (INR)	52.1	37.5	54.8
CFPS (INR)	(42.3)	126.6	82.6
DPS (INR)	(1.5)	(1.5)	(1.5)
Return ratios			
Return on assets (%)	6.7	3.2	3.1
Return on equity (%)	12.2	5.4	8.6
Return on capital employed (%)	13.4	7.6	9.1
Turnover ratios			
Asset turnover (x)	0.5	0.6	0.8
Sales/Total assets (x)	0.2	0.2	0.2
Sales/Net FA (x)	0.8	1.0	1.1
Working capital/Sales (x)	1.0	0.4	0.2
Receivable days	-	-	-
Inventory days	1,119.3	1,161.0	1,199.2
Payable days	1,075.9	639.3	461.4
Working capital days	373.8	135.1	67.7
Liquidity ratios			
Current ratio (x)	1.4	1.2	1.1
Quick ratio (x)	0.5	0.3	0.2
Interest cover (x)	1.5	1.7	2.3
Net debt/Equity (%)	85.4	61.0	54.8
Valuation			
PER (x)	47.6	43.3	27.0
PEG (x) - y-o-y growth	0.4	4.4	0.4
Price/Book (x)	5.8	4.9	4.2
EV/Net sales (x)	9.5	5.7	4.0
EV/EBITDA (x)	30.0	19.9	14.0
EV/EBIT (x)	42.1	25.4	17.8

Source: Company, Axis Research

Chalet Hotels Ltd – Riding the upcycle

Chalet Hotels Limited, part of the K Raheja Corp Group, is a leading owner, developer, and operator of hotels and resorts in key Indian cities such as Mumbai, Bengaluru, Hyderabad, NCR, Lonavala, and Pune. The company partners with international hotel brands like Marriott, leveraging global marketing strategies and the "Bonvoy by Marriott" loyalty program to attract both local and international business travellers. In addition to its hospitality ventures, Chalet has significant interests in commercial real estate, leasing nearly 2.5 million square feet to corporate clients, which provides a robust annuity business and enhances its overall portfolio.

Industry view

Positive

CMP
890

Target Price
1035

Upside
16%

Key Rationale

- **MICE A Catalyst for Hospitality Growth:** The Indian MICE market is expected to be valued at $3.30 Bn in 2023, growing to $10.52 Bn by 2030, with an 18% CAGR (Source: Coherent Market Insights). Assuming that 10% of this revenue contributes to room revenues and F&B in the hospitality sector, it would add ~$330 Mn (Rs 2,739 Cr). This growth is anticipated to support the ARRs of major players in the hospitality sector, including IHCL, EIH, Chalet, Park, Lemon Tree, and Juniper.
- **Robust Operational Metrics:** The Hospitality business reported a growth of 18% YoY. ARR (Average Room Rate) increased to ₹10,532 (+2.3% YoY), with occupancy reaching 74%, an improvement of 82 basis points YoY. In comparison, the MMR and other regions reported RevPAR growth rates of 9% and 12% YoY, respectively. Rental Annuity reported strong growth of 40%, driven by a new lease made & signed. Consolidated margins stood at 39.7%, down by 39 basis points YoY, due to one-time expenses like advertisement & credit rating fees. The company's Adjusted PAT (Profit After Tax) stood at ₹63 Cr, up 73% YoY.
- **Leisure Expansion to Newer Horizons:** The company anticipates a 30% growth in keys, with ~870 rooms in the pipeline over the next three financial years. These upcoming offerings are strategically located in high ARR, high-margin regions such as the Delhi Airport zone (NCR), Airoli (Navi Mumbai), and a beachfront land parcel in South Goa. Additionally, there will be an increase in the number of keys at existing lucrative properties like Dukes Retreat (Lonavala) and Marriott Whitefield (Bengaluru). The CAPEX for the Signus Tower 2 at Powai is set at Rs 700 Cr, while the company plans to allocate Ra 600 Cr for key expansions and the development of other land parcels, including those in Goa and Kerala.
- **Impressive Financials:** Chalet Hotels reported consolidated Revenue/EBITDA growth of 20%/19% YoY, which is in line with our expectations. In Q2FY25, this growth was significantly supported by domestic & international travel, and weeding events also Within the portfolio, Hyderabad led the occupancy improvement, and Bangalore followed by Hyderabad led the pack on the room rate growth.
- **Outlook:** The Hospitality Industry upcycle is expected to be a long and sustained one. As per Horwath HTL prediction, demand will grow at over 10% annually for the next 3-4 years, while the supply will continue to lag demand. The Foreign Tourist Arrival (FTA) number 92 lakhs in FY24 and Corporate Travel Expenses under MICE are still below pre-covid levels. Additionally, upcoming events such as the World Cup hockey or Kabaddi championships could enhance occupancies in the upcoming quarters. The leisure segment is already driving business in the hotel industry, leading us to believe that the aforementioned factors will benefit the Indian hotel sector in the coming quarters.
- **Valuation:** As per impressive revenue growth & Revenue recognition of residential units to be kicked in From Q4FY25E. We value the stock the 1035 at SOTP Basis.
- **Key risks:** a) economic slowdown b) Negative operating leverage c) Delay in commissioning

Key Financials

Y/E Mar (Rs Cr)	NetSales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY23	1,128	418	183	9	101	49	12	12
FY24	1,417	585	278	14	66	36	10	15
FY25E	2,135	865	423	19	46	25	6	13
FY26E	2,821	1,100	586	27	34	19	5	15

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net Sales	**1,417**	**2,135**	**2,821**	**2,830**
Growth (%)	**25.6%**	**50.6%**	**32.1%**	**0.3%**
Total Expenditure	833	1,270	1,721	1,650
Raw Material Consumed	106	192	254	255
Gross margins (%)	**92.6%**	**91.0%**	**91.0%**	**91.0%**
Employee Expenses	195	288	381	382
% of sales	13.7%	13.5%	13.5%	13.5%
Other Expenses	533	790	1,086	1,013
% of sales	37.6%	37.0%	38.5%	35.8%
EBIDTA	**585**	**865**	**1,100**	**1,180**
EBITDAM (%)	**41.2%**	**40.5%**	**39.0%**	**41.7%**
Depreciation	138	159	174	194
% of GB	3.6%	3.6%	3.6%	3.6%
EBIT	446	705	926	986
EBITM (%)	31.5%	33.0%	32.8%	34.9%
Interest	197	175	166	157
Other Income	20	20	22	24
PBT	269	550	781	853
Tax Rate (%)	**23.7%**	**23.0%**	**25.0%**	**25.0%**
Tax	-9	126	195	213
Reported PAT	**278**	**423**	**586**	**640**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Share Capital	205	218	218	218
Reserves & Surplus	1,646	3,054	3,640	4,279
Net Worth	1,851	3,272	3,857	4,497
Total Loan funds	2,950	1,950	1,850	1,750
Deferred Tax Liability	-162	-162	-162	-162
Long Term Provisions	12	12	12	12
Other Long Term Liability	120	181	240	240
Capital Employed	**5,587**	**6,055**	**6,538**	**6,924**
Gross Block	3,854	4,424	4,844	5,384
Less: Depreciation	1,293	1,452	1,627	1,820
Net Block	2,561	2,972	3,217	3,563
Investments	1	1	1	1
Sundry Debtors	55	88	116	116
Cash & Bank Bal	132	119	427	658
Loans & Advances	121	149	197	198
Inventory	542	432	222	22
Other Current Assets	31	43	56	57
Total Current Assets	1,913	898	837	683
CurrLiab&Prov	882	831	1,019	1,052
Net Current Assets	-1,031	-67	182	369
Total Assets	**5,587**	**6,055**	**6,538**	**6,925**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
PBT	269	550	781	853
Add: Depreciation	138	159	174	194
Add: Interest	197	175	166	157
Cash flow from operations	604	884	1,122	1,204
Change in working capital	516	-113	-68	-38
Taxes	-9	126	195	213
Net cash from operations	97	871	995	1,029
Capital expenditure	-630	-570	-420	-540
Net cash from investing	-633	-707	-420	-540
Increase/Decrease in debt	729	-1,000	-100	-100
Dividends	0	0	0	0
Proceedings from equity	0	13	-0	0
Interest	-197	-175	-166	-157
Others	13	985	0	0
Net cash from financing	546	-177	-267	-257
Net Inc./(Dec.) in Cash	10	-14	308	232
Opening cash balance	122	132	119	427
Closing cash balance	132	119	427	658

Source: Company, Axis Research

Ratio Analysis (%)

Y/E March	FY24	FY25E	FY26E	FY27E
Sales growth	**25.6**	**50.6**	**32.1**	**0.3**
OPM	**41.2**	**40.5**	**39.0**	**41.7**
Oper. profit growth	39.9	47.9	27.2	7.3
COGS / Net sales	7.4	9.0	9.0	9.0
Overheads/Net sales	51.3	50.5	52.0	49.3
Depreciation / G. block	**3.6**	**3.6**	**3.6**	**3.6**
Effective interest rate	23.7	23.0	25.0	25.0
Net wkg. cap / Net sales	0.0	(0.0)	(0.0)	(0.1)
Net sales / Gr block (x)	0.4	0.5	0.6	0.5
RoCE	**9.2**	**13.9**	**18.3**	**19.0**
Debt/equity (x)	1.6	0.6	0.5	0.4
Effective tax rate	23.7	23.0	25.0	25.0
RoE	**15.0**	**12.9**	**15.2**	**14.2**
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
EPS (Rs.)	**13.6**	**19.4**	**26.9**	**29.3**
EPS Growth	51.8	52.1	38.4	9.2
CEPS (Rs.)	20.3	26.7	34.9	38.2
DPS (Rs.)	0.0	0.0	0.0	0.0

Source: Company, Axis Research

Sansera Engineering Ltd - Robust Order Book & Strong Financials 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 the high precision IC engine components, it extends its design and engineering capabilities to cater to fast-growing areas like EV, Defence, and Aerospace. 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
1,588

Target Price
1,780

Upside
12%

Key Rationale

- **New Orders and Customer Additions:** Sansera maintains a healthy order book, with annual peak revenues of Rs 2,005 Cr (Rs 320 Cr in Q2FY25), with 51% of orders coming from the Non-Auto and Auto Tech Agnostic and EV segments. 60% of the orders are international. The company has signed an MoU with Dynamatics Technologies Ltd to manufacture Airbus A220 aircraft door assemblies, which is expected to generate Rs 50 Cr in annual orders starting from FY26.
- **EBITDA Margins:** Supported by a strong order book, management is confident of achieving 20% margins in the long term. We conservatively expect the company to deliver margins of 17-18% in FY25/26/27E, with projected EBITDA/PAT growth of ~18%/25% CAGR over FY24-27E. This anticipated growth is driven by a shift in the sales mix towards non-Auto ICE components, higher capacity utilisation, growth in the export business, volume expansion, and a recovery in Swedish operations driven by enhanced operational efficiency.
- **Annual Capex to Drive Growth:** The company incurred a Capex of Rs 294 Cr in H1FY25, and with a strong order book, the total planned Capex for FY25 is around Rs 450 Cr, with 60% allocated to Tech Agnostic EV and Non-Auto products. Additionally, Sansera has entered into an MoU with the Karnataka government to acquire 55 acres of land for greenfield expansion.
- **Capacity Expansion:** The commissioning of a 4,000-ton press is expected to begin and ramp up in H2FY25. This will support Sansera's move into the higher-engine non-automotive category (18 to 20-litre engines), with components catering to customers such as Cummins, JTV, Kohler, Lieber, and CNH.
- **Growth Across Geographies:** Domestic revenue grew by 8% YoY, while international business saw a 15% YoY increase. Sector-wise, Non-Auto revenue declined by 20%, whereas Auto-Tech Agnostic and EV recorded a 53% growth, driven primarily by ramped-up order execution for North American-based xEV customers. The Auto ICE segment grew by 9%, with the top 5 customers contributing 46.2% to the overall business.
- **Valuation & Outlook:** In light of attributes such as a) Higher sales mix in Non-Auto ICE components, b) Higher International business (exports), c) Focused approach on improving margin trends, d) The company’s capability to generate strong operating cash flows, and e) Capacity expansion plans, we expect Revenue, EBITDA, and PAT to grow at CAGRs of 15%, 18%, and 26% respectively over FY24-27E.
- **Key risks:** a) Macro Economic Uncertainty, b) Business skewed towards ICE vehicles.

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
FY25E	3,258	573	236	43.4	36.1	17.79%	16.06%	16.03
FY26E	3,743	663	282	51.9	30.2	19.00%	16.48%	13.65
FY27E	4,317	790	372	68.4	22.9	22.24%	18.38%	11.22

Source: Company, Axis Securities Research

Profit & Loss (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
Net sales	2,811	3,258	3,743	4,317
Raw materials	1,218	1,385	1,610	1,830
Staff costs	380	440	498	574
Other expenses	734	860	973	1,122
Total expenses	233	269	308	353
EBITDA	480	573	663	790
Depreciation	149	173	212	230
EBIT	330	400	450	560
Other income	2	3	3	4
Interest expense	77	80	72	61
Share of Profit/loss from associates	1	-	-	-
Exceptional (expenses)/income	-	-	-	-
Profit before tax	256	323	382	503
Tax expense	69	87	99	131
Adjusted PAT	-	-	-	1
Reported PAT	188	236	282	372
No. of shares	53.8	53.8	53.8	53.8
Reported EPS (Rs/share)	34.8	43.4	51.9	68.4

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
Equity Share Capital	11	11	11	11
Reserves and Surplus	1337	1554	1818	2170
Non-Controlling Interest	16	18	21	24
Total Shareholders' Funds	**1363**	**1583**	**1850**	**2205**
NON-CURRENT LIABILITIES				
Long Term Borrowings	252	262	172	52
Long-Term Finance/Lease Liabilities	80	80	80	80
Long Term Provisions	3	3	3	3
Deferred Tax Liabilities	69	69	69	69
Other LT liabilities	50	50	50	50
Total Non-Current Liabilities	**453**	**463**	**373**	**253**
CURRENT LIABILITIES				
Short Term Borrowings	550	550	550	550
Short-Term Lease Liabilities	10	10	10	10
Trade Payables	356	428	492	568
Other Current Liabilities	61	61	61	61
Total Current Liabilities	**977**	**1049**	**1113**	**1188**
Total Capital And Liabilities	**2793**	**3095**	**3335**	**3647**
ASSETS				
NON-CURRENT ASSETS				
Net Tangible Assets	1463	1486	1473	1483
Financial Assets	84	133	183	243
Other Non-Current Assets	121	121	121	121
Total Non-Current Assets	71	71	71	71
CURRENT ASSETS	54	54	54	54
Inventories	**1793**	**1865**	**1903**	**1973**
Current Investments				
Trade Receivables	419	482	554	639
Cash And Cash Equivalents	1	1	1	1
Other CurrentAssets	462	518	595	686
Total Current Assets	63	175	228	294
TOTAL ASSETS	54	54	54	54

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
Cash flows from operating activities				
Profit before tax for the year	256	323	382	503
Finance costs	77	80	72	61
Depreciation and amortisation	149	173	212	230
Others	-69	-87	-99	-131
Cash Flow From operation before changes in WC	414	489	567	663
Change in operating assets and liabilities	-40	-46	-85	-101
Net cash generated by operating activities	**374**	**443**	**482**	**562**
Cash flows from investing activities				
Capex	-339	-245	-250	-300
Investments	-31	-	-	-
Others	1	-	-	-
Net cash (used in)/generated by investing activities	**-368**	**-245**	**-250**	**-300**
Cash flows from financing activities				
Change in borrowing	80	10	-90	-120
Interest on borrowings	-74	-80	-72	-61
Other	-	-	-	1
Dividends paid(-)	-13	-16	-16	-16
Net cash used in financing activities	**-8**	**-86**	**-178**	**-196**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**-20**	**1,119**	**533**	**655**
CCE at the beginning of the year	50	49	161	214
Effect of exchange differences on translation of foreign currency cash and cash equivalents	1	-	-	-
CCE at the end of the year	**486**	**1,606**	**2,139**	**2,794**

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY24A	FY25E	FY26E	FY27E
Valuation Ratios				
PER	29.2	36.1	30.2	22.9
P/BV (x)	4.0	5.3	4.6	3.8
EV/Ebitda (x)	13.2	16.0	13.7	11.2
EV/Sales (x)	2.25	2.82	2.42	2.05
Dividend Yield %	0.29%	0.19%	0.19%	0.19%
Return Ratios				
ROE	14.77%	16.06%	16.48%	18.38%
ROCE	16.05%	17.79%	19.00%	22.24%
ROIC	21.20%	22.74%	22.84%	25.62%
Leverage Ratios				
Debt/equity (x)	0.69	0.60	0.47	0.34
Net debt/ Equity (x)	0.61	0.46	0.31	0.18
Net debt/Ebitda (x)	1.72	1.27	0.88	0.50
Operational Ratios				
Sales growth (% YoY)	19.8%	15.9%	14.9%	15.3%
EBITDA growth (% YoY)	24.7%	19.5%	15.6%	19.2%
Net Profit growth (% YoY)	26.4%	25.9%	19.6%	31.8%
EBITDA Margin %	17.07%	17.59%	17.70%	18.30%
Net profit Margin %	6.67%	7.25%	7.54%	8.62%
Efficiency Ratios				
Total Asset Turnover (x)	1.07	1.11	1.16	1.24
Sales/Net block(x)	2.06	2.21	2.53	2.92

Source: Axis Securities Research

HEALTHCARE GLOBAL ENTERPRISE LIMITED – PURE CANCER SPECIALITY

HCG is one of India's leading cancer care providers, operating 21 comprehensive centers dedicated to advanced treatment. The organization boasts a team of over 275 oncologists across various specialties, offering patient-centric and value-based care. Known for utilizing cutting-edge technology, HCG focuses on innovation and research to ensure the best possible outcomes. With three decades of experience, the company has successfully treated millions of cancer patients. HCG's commitment to clinical excellence and continuous improvement has made it a trusted name in cancer care.

Industry view

Equal Weight

CMP
502

Target Price
575

Upside
14%

Key Rationale

- **Solid Performance:** In Q2FY25HCG reported a strong set of results, in line with our expectations. Revenue grew by 13.7%, driven by a 7.5% YoY ARPOB increase and a 6.4% growth in the number of occupied days. The ARPOB of Rs 45,188 rose by 7.5% YoY and 1.9% QoQ, showing healthy growth, while occupancy at 65.6% remained nearly flat YoY/QoQ.EBITDA margins improved to 18.5%, up by 109/118bps YoY/QoQ, meeting our expectation of 18%. Reported PAT stood at Rs 21 Cr, showing a growth of 91% YoY and 51% QoQ.
- **Operational Excellence:** Existing centers reported revenue of Rs 485 Cr, with EBITDA margins around 23.3% for the last quarter. Management has guided that, excluding MG, Consol. EBITDA margins could reach 20% in Q4FY25. Emerging centers currently comprise 163 beds, down from 532 beds six months ago. Revenue from emerging centers was Rs 53 Cr, compared to Rs 121 Cr YoY, reflecting that most centers have now matured and are contributing to profit at the operating level. These 163 beds in emerging centers are expected to reach EBITDA breakeven by year-end.

- **Capacity Expansion:** HCG recently acquired MG Hospital in Vizag, a comprehensive care provider with 196 operational beds and healthy margins of 35%. This deal, valued at 9.8x EV/EBITDA, appears favourable for shareholders. Additionally, HCG inaugurated a 200-bed comprehensive cancer care center in Ahmedabad last quarter, and the company is adding 125 beds in North Bangalore through a brownfield capacity expansion
- **Outlook:** The cancer industry is growing at a CAGR of 17% and HCG is outpacing this industry growth. The company plans to add 900 incremental beds over the next 4-5 years to capture upcoming opportunities.
- **Valuation** We anticipate a 1000bps improvement in RoIC for HCG over the next three years, driven by increased operating profitability. Currently, the stock trades at 13x and 11x EV/EBITDA for FY26 and FY27, respectively.
- **Key Risks:** a) Slowdown in commissioning projects. b) Govt. Regulations changes. c) High Attrition Of clinicals.

Key Financials

Y/E Mar (Rs Cr)	Net Sales	EBITDA	Net Profit	EPS	PE (x)	P/BV (x)	EV/ EBITDA	RoE (%)
FY24	1,912	330	41	3.0	168.8	8.4	22.3	5.0
FY25E	2,290	430	90	6.5	77.5	7.6	16.7	9.8
FY26E	2,642	534	150	10.8	46.4	6.5	13.4	14.1
FY27E	2,990	622	215	15.5	32.3	5.4	11.2	16.8

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net Sales	1,912	2,290	2,642	2,990
Growth (%)	12.8%	19.7%	15.4%	13.2%
Total Expenditure	1,583	1,859	2,108	2,368
Raw Material Consumed	479	572	660	748
% of sales	24.9%	25.0%	25.0%	25.0%
Gross margins (%)	75.1%	74.5%	75.0%	75.0%
Employee Expenses	308	371	428	484
% of sales	16.1%	16.2%	16.2%	16.2%
Other Expenses	799	916	1,020	1,136
% of sales	41.8%	40.0%	38.6%	38.0%
EBIDTA	330	430	534	622
EBITDAM (%)	17.2%	18.8%	20.2%	20.8%
EBIT	155	223	307	385
EBITM (%)	8.1%	9.7%	11.6%	12.9%
Other Income	17	22	16	18
Exceptional Items	4	0	0	0
Share of P/L of Associates	0	2	2	2
PBT	68	120	200	287
Tax Rate (%)	39.0%	25.0%	25.0%	25.0%
Tax	26	30	50	72
Reported PAT	41	90	150	215

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Share Capital	139	139	139	139
Reserves & Surplus	686	776	926	1,141
Shareholders Fund	826	915	1,065	1,280
Minority Interest	39	41	43	45
- Long Term Borrowings	1,044	1,297	1,267	1,187
- Deferred Tax Liabilities(Net)	6	6	6	6
- Other Long Term Liabilities	33	38	43	49
- Long Term Provisions	16	16	16	16
Total Non Current Liabilities	1,099	1,356	1,332	1,258
- Short Term Borrowings	187	187	187	187
- Trade Payables	281	339	362	410
Total Current Liabilities	744	826	828	904
Total Liabilities	**2,707**	**3,138**	**3,268**	**3,487**
Gross Block	1,699	2,075	2,268	2,368
Depriciation	685	892	1,119	1,356
% of GB	40.3%	43.0%	49.3%	57.3%
- Fixed Assets	1,845	1,962	1,928	1,792
- Non Current Investments	7	7	7	7
- Other Non Current Assets	92	150	170	200
Total Non Current Assets	2,027	2,203	2,189	2,082
- Inventories	43	48	55	62
- Trade Receivables	294	351	405	459
- Cash & Cash Equivalents	303	495	516	682
Total Current Assets	680	935	1,078	1,404
TOTAL ASSETS	**2,707**	**3,138**	**3,267**	**3,487**

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
PBT	68	120	200	287
Add: depreciation	174	207	227	237
Add: Interest	109	127	125	118
Cash flow from operations	351	454	552	642
Change in working capital	-17	35	134	109
Taxes	26	30	50	72
Miscellaneous expenses	0	0	0	0
Net cash from operations	341	389	368	462
Capital expenditure	-445	-325	-193	-100
Change in Investments	-0	0	0	0
Net cash from investing	-445	-325	-193	-100
Increase/Decrease in debt	373	253	-30	-80
Dividends	0	0	0	0
Proceedings from equity	0	-0	0	0
Interest	-109	-127	-125	-118
Others	-54	2	2	2
Net cash from financing	211	127	-153	-196
Net Inc./(Dec.) in Cash	107	192	22	165
Opening cash balance	197	303	495	516
Closing cash balance	303	495	516	682

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Sales growth	12.8%	19.7%	15.4%	13.2%
OPM	17.2%	18.8%	20.2%	20.8%
Oper. profit growth	10.3%	30.6%	24.0%	16.6%
COGS / Net sales	24.9%	25.0%	25.0%	25.0%
Overheads/Net sales	41.8%	40.0%	38.6%	38.0%
Depreciation / G. block	-	-	-	-
Effective interest rate	-	-	-	-
Net wkg.cap / Net sales	-0.9%	0.8%	5.8%	8.7%
Net sales / Gr block (x)	1.1	1.1	1.2	1.3
RoCE	8.2	11.0	15.1	20.2
Debt / equity (x)	0.8	0.8	0.7	0.5
Effective tax rate	0.4	0.3	0.3	0.3
RoE	5.0	9.8	14.1	16.8
Payout ratio (Div/NP)	4.0	4.0	4.0	4.0
EPS (Rs.)	3.0	6.5	10.8	15.5
EPS Growth	127%	118%	67%	44%
CEPS (Rs.)	10.8	15.6	19.8	24.0
DPS (Rs.)	0.0	0.0	0.0	0.0

Source: Company, Axis Research

GRAVITA INDIA LTD – CAPITALIZING ON THE RECYCLING REVOLUTION

Gravita India Limited is a prominent player in the global recycling industry, specialising in the recycling of lead, aluminium, plastic, and rubber. Headquartered in Jaipur, Rajasthan, India, the company operates multiple recycling plants both domestically and internationally. As of FY24, Gravita had 11 recycling plants and 31 owned scrap yards, with an annual recycling capacity exceeding 3 Lc tonnes and a scrap collection capacity of 2.5 Lc tonnes.

Industry view

Weight

CMP
2,177

Target Price
3,000

Upside
38%

Key Rationale

- **Continued volume growth in Lead and Aluminium:** During the Q2FY25 earnings call, the company noted that recent regulatory changes have improved scrap availability, contributing to an overall volume growth of 8% during the quarter. Some of the output from the overseas subsidiary was utilized to manufacture further refined products internally (in India), without which the volumes would have been higher. The management continues to maintain its three-year volume growth expectations at a CAGR of 25%, with a similar growth range in FY25.
- **EBITDA to grow at a higher pace:** The company has hedged its exposure to lead prices through forward contracts, which allows it to maintain EBITDA even if pricing variations impact revenue growth. Gravita's overseas presence also allows it to benefit from arbitrage opportunities between domestic and overseas markets, depending on where prices are comparatively higher. Going ahead, the expected introduction of Aluminium hedging contracts shall allow the company to protect its margins against price variations. The company is also focusing on increasing the share of value-added items and newer recycling products which generate higher margins. Accordingly, Gravita expects EBITDA growth in the next three years at a CAGR of 35% which is much higher than the expected revenue growth rate.
- **Strong industry tailwinds:** The company is expected to benefit from regulatory tailwinds and growth opportunities in newer segments and geographies. With an increasing focus on the circular economy globally, the recycling industry is expected to gain strong momentum aided by regulatory incentives. Gravita is also actively exploring inorganic growth opportunities and has received board approval for fundraising of up to Rs 1,000 Cr. It plans to utilize the funds for potential capacity expansion, anticipating demand growth driven by recent regulatory changes, or for acquisition opportunities if a suitable target arises.
- **Outlook & Valuation:** Gravita is well positioned to capitalize on the industry growth and continues to focus on increasing the share of value-added products, which generate higher margins. The company has consistently increased its recycling capacity and plans to expand it further including in new areas of recycling. We expect Gravita to deliver strong performance supported by a) Its dominant share in a growing market, b) Steady improvement in profitability, c) Regulatory tailwinds, and d) Expanding offerings.

Key Financials (Standalone)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)	EV/EBIDTA (x)
FY24	3,161	331	242	34.6	62	32.9%	35.4%	55.1
FY25E	3,919	430	301	43.6	50	30.6%	30.7%	41.0
FY26E	5,121	594	421	61.0	36	32.4%	33.7%	29.3
FY27E	6,276	758	560	81.0	27	32.4%	34.5%	22.8

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net revenues	**3,161**	**3,919**	**5,121**	**6,276**
Operating profit	284	380	529	671
EBIDTA (Adj.)	**331**	**430**	**594**	**758**
EBIDTA margin (%)	**10.5**	**11.0**	**11.6**	**12.1**
Other income	31	5	5	5
Interest	49	49	57	45
Depreciation	38	45	65	85
Profit Before Tax	274	341	477	633
Tax	32	40	55	74
Reported Net Profit	**242**	**301**	**421**	**560**
Net Margin (%)	7.7%	7.7%	8.2%	8.9%
Adjusted Net Profit	**239**	**301**	**421**	**560**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Equity Share Capital	14	14	14	14
Reserves & Surplus	824	1089	1458	1945
Minority Interest and Others	13	13	13	13
Net Worth	**851**	**1116**	**1485**	**1972**
Non-Current Liabilities	**261**	**311**	**211**	**211**
Long-Term Borrowings	251	301	201	201
Other Non-Current Liabilities	10	10	10	10
Current Liabilities	**490**	**531**	**576**	**625**
ST Borrowings, Current Maturity	297	297	297	297
Other Current Liabilities	194	235	279	329
Total (Equity and Liabilities)	**1602**	**1958**	**2273**	**2809**
Non-Current Assets	**426**	**562**	**747**	**911**
Fixed Assets (Net Block)	391	527	712	876
Non-Current Investments	9	9	9	9
Long-Term Tax Assets	5	5	5	5
Other Non-Current Assets	8	8	8	8
Current Assets	**1176**	**1397**	**1526**	**1898**
Cash & Bank Balances	36	161	116	336
Inventories	675	817	967	1116
Receivables	264	218	242	244
Other Current Assets	**201**	**201**	**201**	**201**
Total (Assets)	**1602**	**1958**	**2273**	**2809**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Cash Flow	FY24	FY25E	FY26E	FY27E
PBT	**274**	**341**	**477**	**633**
Depreciation & amortisation	38	45	65	85
Interest expense	49	49	57	45
Interest / Dividend Recd	-28	0	0	0
Other Adjustments	4	0	0	0
(Inc)/Dec in working capital	-245	-55	-130	-101
Tax paid	-50	-40	-55	-74
CF from operating activities	**42**	**340**	**413**	**588**
Capital expenditure	-98	-180	-250	-250
(Purchase) / Sale of Investments	-15	0	0	0
Income from investments and others	-44	0	0	0
CF from investing activities	**-158**	**-180**	**-250**	**-250**
Inc/(Dec) in share capital	0	0	0	0
Inc/(Dec) in debt	199	50	-100	0
Dividends & Interest paid	-78	-85	-109	-118
CF from financing activities	**121**	**-35**	**-209**	**-118**
Net cash flow	5	125	-45	221
Opening balance	30	36	161	116
Other Bank Balance	0	0	0	0
Closing balance	**36**	**161**	**116**	**336**

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Per Share data				
No. of shares (Cr)	6.9	6.9	6.9	6.9
BVPS (INR)	123.2	161.6	215.1	285.6
CEPS (INR)	40.6	50.1	70.4	93.4
DPS (INR)	5.2	7.5	10.6	14.0
Financial Ratios				
RoE (%)	32.9	30.6	32.4	32.4
RoCE (%)	35.4	30.7	33.7	34.5
Debt/Equity (x)	0.6	0.5	0.3	0.3
EBIT/Interest (x)	6.6	7.9	9.4	15.1
Liquidity Ratios				
Current ratio (x)	2.4	2.6	2.6	3.0
Quick ratio (x)	1.0	1.1	1.0	1.3
Interest cover (x)	6.7	8.0	9.6	15.4
Net debt/Equity (x)	0.6	0.4	0.3	0.1
Valuation Ratios				
PE	62.0	49.9	35.7	26.9
PEG (x) YoY growth	3.3	2.1	0.9	0.8
P/BV	17.7	13.5	10.1	7.6
EV/EBITDA	54.8	40.7	29.1	22.6
EV/Sales	4.9	3.9	3.0	2.4
EV/EBIT	48.0	39.6	28.9	22.4

Source: Company, Axis Research

J Kumar Infraprojects Ltd – Robust Order Book & Efficient Execution To Drive Growth

J. Kumar Infraprojects Limited (JKIL) is an EPC player with more than 24 years of experience in the construction of Urban Infra Projects including Metros, Flyovers, Bridges, Tunnels, and STPs to name a few. It is renowned for undertaking design and construction projects on a turnkey basis, meeting clients' requirements with precision and efficiency. JKIL is focused on EPC projects, with a specific focus on Urban Infrastructure, Transportation, Infrastructure and Civil Construction. The company has a diverse portfolio of projects across different sectors, including roads, highways, bridges, metro railways, urban infrastructure, and tunnelling water supply, among others.

Industry view

Overweight

CMP
754

Target Price
950

Upside
26%

Key Rationale

- **Robust order book to drive revenue growth:** As of 30th Sep 2024, the company's order book stood at Rs 18,721 Cr. The company is L1 in projects worth Rs 4,500 cr and including order received in October'24 worth over Rs 2,000 cr, the total order book stands over Rs. 25,000 cr (5x FY24 revenue). A healthy and robust order book provides revenue visibility for the next 3-4 years. We expect the company to report a revenue CAGR of 17% over FY24-FY26E.
- **Established track record of timely project execution:** JKIL has a proven track record of successfully undertaking and timely executing large and complex projects, including notable projects such as the Mumbai Metro, Delhi Metro, JNPT, and Dwarka Expressway. The company is recognised for its scale, technical intricacies, and expertise in managing such projects. This combined with its meticulous planning and execution capabilities has allowed it to deliver outstanding results. The company owns and operates a remarkable fleet of eight Tunnel Boring Machines (TBMs), one of the highest in India, enabling it to undertake and execute underground projects more efficiently and with exceptional precision.
- **Improvement in EBITDA margin:** The company expects EBITDA margins to trend higher in FY26 from current 14%-15% range to 15%-16% range backed by efficient project execution and accretion of more orders.
- **Outlook:** The government has made a commitment to allocate Rs 11.1 Lc Cr in the Interim union budget 2024-25 for the infrastructure sector, taking into consideration its vital contribution to economic growth. The allocation for Roads & Railways has been raised to Rs 2.78 Lc Cr and 2.55 Lc Cr in the budget 2024-25. To increase the ambit of the metro rail system across the country, the government had also earmarked Rs 19,518 Cr for Metro Projects in last year's budget. This higher allocation demonstrates the government's commitment to achieving inclusive and sustainable urban development as well as to modernising and improving the efficiency of Indian Railways, which stands as one of the most extensive railway networks in the world.. The company reported good operating performance in Q2FY25 with Revenue/EBITDA/PAT growth of 17%/18%/23% which were above estimates. Considering strong and diversified order book position, healthy bidding pipeline, new order inflows, emerging opportunities in the construction space, the company's efficient and timely execution and strong financial credence, we expect JKIL to report Revenue/EBITDA/APAT CAGR of 17%/19%/23% respectively over FY24-FY26E.
- **Valuation:** Stock is currently trading at 14x and 12x FY25E/FY26E EPS..
- **Key risks:** a) Delay in project execution; b) Lower Order inflow than expected c) Increase in input cost.

Key Financials

Y/E Mar (Rs Cr)	NetSales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY23	4,203	597	274	36	18	9	12	20
FY24	4,879	704	329	43	19	9	13	21
FY25E	5,682	828	402	53	14	7	14	21
FY26E	6,648	997	497	66	11	6	15	23

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Net sales	**4,203**	**4,879**	**5,682**	**6,648**
Other operating income	0	0	0	0
Total income	4,203	4,879	5,682	6,648
Cost of materials consumed	2,784	3,170	3,697	4,308
Civil construction cost	457	550	622	711
Contribution (%)	*22.9%*	*23.8%*	*24.0%*	*24.5%*
Other Expenses	365	455	534	632
Operating Profit	**597**	**704**	**829**	**997**
Other income	30	28	35	33
PBIDT	**627**	**732**	**864**	**1,030**
Depreciation	155	168	173	207
Interest & Fin Chg.	99	124	148	156
Pre-tax profit	**374**	**441**	**544**	**667**
Tax provision	99	112	141	167
PAT	274	329	403	500

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Total assets	**4,356**	**4,708**	**5,366**	**5,967**
Net Block	925	971	1198	1241
CWIP	107	111	111	111
Investments	1	1	1	1
Wkg. cap. (excl cash)	1128	1394	1621	1984
Cash / Bank balance	377	504	422	487
Other assets	1818	1726	2012	2143
Capital employed	**4,356**	**4,708**	**5,366**	**5,967**
Equity capital	38	38	38	38
Reserves	2302	2604	2977	3447
Minority Interests	0	0	0	0
Borrowings	516	576	576	576
Other Liabilities	1500	1490	1775	1906

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
PBT	374	441	544	667
Depreciation	155	168	173	207
Interest Expense	99	124	148	156
Changes in Working Capital	-323	-250	-227	-363
Others	-30	-26	-35	-33
Tax Paid	-92	-120	-141	-167
Net Cash from Operations	**183**	**337**	**461**	**468**
Capex	-218	-218	-400	-250
Others	32	25	35	33
Net Cash from Investing	**(186)**	**(193)**	**(365)**	**(217)**
Interest Expense	-96	-124	-148	-156
Others	53	19	-30	-30
Net Cash from Financing	**(43)**	**(105)**	**(178)**	**(187)**
Net Change in Cash	**(46)**	**38**	**(82)**	**64**
Opening cash	86	65	103	21
Closing cash	**40**	**103**	**21**	**86**

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY23	FY24E	FY25E	FY26E
Sales Growth	19%	16%	16%	17%
EBITDA Growth	18%	18%	18%	20%
PAT Growth	33%	20%	23%	24%
Profitabilty Ratio				
EBITDA Margin	14.2%	14.4%	14.6%	15.0%
Adjusted Net Margin	6.5%	6.7%	7.1%	7.5%
Effeciency Ratio				
Capital Turnover	1.8	1.8	1.9	1.9
Total Asset Turnover	1.7	1.7	1.7	1.8
Fixed Asset Turnover	4.1	4.5	4.3	4.9
Debtor days	99	89	89	89
Inventory days	40	42	42	42
Creditor days	64	51	51	51
Cash Conversion Cycle (days)	75	80	80	80
Leverage Ratios				
Debt to equity	0.2	0.2	0.2	0.2
Net debt to equity	0.1	0.0	0.1	0.0
Interest coverage	6	6	6	6
Per Share Data				
Diluted EPS (Rs)	36	43	53	66
Book value per share (Rs)	309	349	398	461
DPS (Rs)	3.0	3.5	4.0	4.0

Source: Company, Axis Research

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

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE,MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Mr. Maneesh Mathew, 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.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm’s length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock'sprice movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

NEERAJ CHADAWAR

Digitally signed by NEERAJ CHADAWAR
Date: 2024.12.02 16:33:35 +05'30'