TOP PICKS

February 2025

AXIS SECURITIES

Style & Sector Rotation: Key to Navigate the Current Phase

Axis Top Picks Basket delivered excellent returns of 12% in the last year against an 8.2% return posted by Nifty 50 over the same period, beating the benchmark by a wide margin of 3.8%. The previous four months were highly volatile for the market, and a notable mixed performance was seen across sectors, market caps, and style indices. The Axis Top Picks basket declined by 6.5% in the last three months, led by volatility, while the Nifty 50 was down by 3.4% during the same period. It gives us immense joy to share that our Top Picks Basket has delivered an impressive return of 301% since its inception (May'20), which stands well above the 153% return delivered by the NIFTY 50 index over the same period.

Volatile Start for 2025: After closing a solid 2024 for the broader market, Indian equities saw moderation during January. A wider correction was seen in the broader market as compared to large caps in the past month. With this correction, the market saw a recent bottom of 22,829 on 27th Jan'25, a correction of almost 13% from the top, which was seen on 27th Sep'24. During the same period, the broader market indices, including Midcap and Smallcap indices, corrected by 14% and 16%, respectively. A majority of the correction was driven by 1) FII selling, 2) A rise in US 10-year bond yields, 3) A rise in the dollar index, 4) Inflationary concerns due to US policies, and 5) A lack of positive news flows in the domestic market. Driven by the dominance of these negative factors, Indian markets entered an oversold zone on 27th Jan'25. On this day, 17% of the NSE 500 universe was trading above the 200-day moving average. Historically, whenever this number falls below 20%, the market tends to find a bottom for that period. Consequently, some breather rally was visible in the market in the last one week after the event. Nonetheless, the market will continue to follow the macroeconomic cues, and in that regard, style and sector rotation will play a meaningful role in alpha generation going forward.

Union Budget FY26: Consumption Bonanza – Delivering Growing Aspirations of Masses! The Union Budget 2025-26 was presented on Saturday by Finance Minister Nirmala Sitharaman. The expectations from the Budget were reasonably high as the Indian economy was facing signs of moderation in economic growth during H1FY25 due to a reduction in government spending, credit tightening in unsecured lending, consumption slowdown (especially in the urban areas), extended monsoon, and inflation. We believe the Finance Minister has laid the foundation for economic consumption growth by giving landmark tax rebates for individuals with income up to Rs 12 Lk, thereby providing a significant boost to the masses. The fiscal deficit for FY25 is now revised to 4.8%, 10bps lower than the projected number and is set at 4.4% for FY26. Overall, we believe the Union Budget has played a balancing act between maintaining fiscal discipline and supporting consumption-led demand in the economy.

The past decade was defined by development-focused schemes, with the construction of roads, bridges, metro systems, and other infrastructure projects serving as benchmarks for the ruling party's success. However, the capacity creation phase came with challenges, resulting in lower allocation to social schemes. Hereon, with this budget's increased emphasis on consumption, the focus is directed towards the rural, the masses, and the middle class for spurring consumption, indicating a shift in the economic regime. Consumption-led growth will have a cascading effect on the economy and provide a much-needed boost to the private capex, which has been sluggish for several years. This is expected to positively impact consumption-related stocks, while some moderation is anticipated in capex-related stocks. With this development, some incremental allocation of smart money is likely to shift towards certain consumption pockets in the upcoming quarters.

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). Meanwhile, the medium- to long-term outlook for the overall market remains positive. However, we may see volatility in the short run, with the market responding in either direction due to global volatility. Keeping this in view, the current setup is a 'Buy on Dips' market. We recommend that investors maintain good liquidity (10%), use any dips in a phased manner, and build a position in 'Growth at a Reasonable Price' & high-quality companies (where the earnings visibility is relatively high) with an investment horizon of 12-18 months.

Based on the recent developments, we have made multiple changes to our Top Picks Recommendations. This includes the removal of Aurobindo Pharma, Gravita India, Sansera Engineering, Chalet Hotels and J Kumar Infra, and the addition of Trent Limited, Hero Motocorp, Max Healthcare, and Indian Hotels. Our modifications reflect the changing market style and slight shift towards the consumption and large caps play.

Our Key Themes

Key Monitorables in H2FY25: Most of the events are now behind us, with most of the negatives related to earnings already factored into the price. **Hereon, the**

market will closely monitor the global developments around the following events: 1) Policies in the US government during the Trump presidency, 2) Trade policy, 3) Further rate cut by the US FED in 2025, and 4) The direction of currency and oil prices in 2025.

On the domestic front, the market will closely monitor developments around the **rate-cut trajectory** in India. We anticipate one to two rate cuts from the RBI in 2025, contingent upon inflation trends and the broader growth dynamics. These events are expected to keep the Indian equity market volatile, and it could respond in either direction based on these developments. **Nonetheless, we continue to believe in the long-term growth story of the Indian equity market.** The increased capex outlay would boost banks' ability to drive credit growth, which we believe is well-supported by a favourable emerging structure. However, with current valuations offering limited scope for further expansion, growth in corporate earnings will be the primary driver of the market returns going ahead. **Hence, bottom-up stock picking with a focus on 'Growth at a Reasonable Price' and 'Quality' would be key levers to generate satisfactory returns in the next one year.**

We maintain our Dec'25 Nifty target at 26100

Base case: We continue to believe that the Indian economy lies in a sweet spot for growth and continues to be a stable haven amidst the volatility of the global economy. We continue to believe in India's long-term growth story, driven by the country's favourable structure, credited to the increasing Capex and the consumption boost in the recent Union Budget which is enabling banks to improve credit growth. This would 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.** 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 that investors maintain good liquidity (10%), 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, translating 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 keenly watching the global growth scenario in 2025 under Trump's presidency. 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. Backed by expectations of political stability, policy continuity, fiscal prudence path, improving private Capex cycle, rural revival, and soft landing in the US market, Nifty earnings will likely grow at 17-18% over FY23-27. This would augur well for capital inflows into emerging markets (EMs) and increase the market multiples in the domestic market. **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, translating into a Dec'25 target of 23,500. We assume the market will trade at above-average valuations, led by the likelihood of a policy shift in the Trump regime. Moreover, we presume inflation will continue to pose challenges in the developed world. Currently, the global market has not seen such levels of interest rates in the past. Hence, the chances of going wrong have increased significantly. Nonetheless, the direction of currency, oil prices, and development towards global trade is likely to put pressure on export-oriented growth in 2025. These developments will likely bring down the market multiple in the near term. 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, Trent Ltd, Hero Motocorp, Max Healthcare, Indian Hotels, Healthcare Global, Varun Beverages, Bharti Airtel, Prestige Estates, and Cholamandalam Invest and Finance

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Axis Securities Top Picks

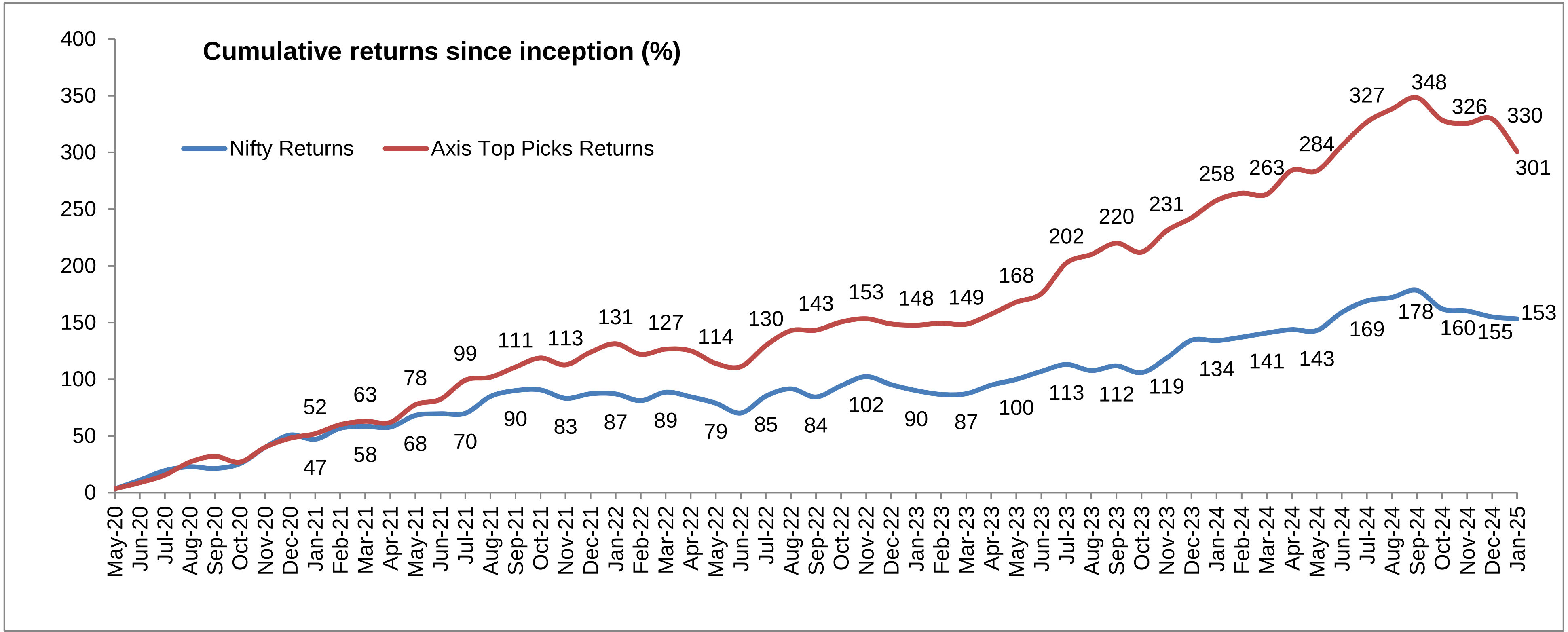
Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M%	TR 3M %	TR 6M%	TR YTD %
Large Cap	ICICI Bank Ltd	Financials	1,256	1,500	19%	18.1	3.2	0.8	-0.8	-2.8	5.8	-2.0
Large Cap	State Bank of India Ltd	Financials	766	1,040	36%	7.8	1.6	1.8	-3.5	-6.7	-9.7	-3.6
Large Cap	Varun Beverages Ltd	Consumer Staples	561	700	25%	71.4	16.7	0.2	-13.9	-7.7	-10.7	-12.1
Large Cap	HDFC Bank Ltd.	Financials	1,691	2,000	18%	18.1	2.6	1.2	-3.3	-2.7	1.9	-4.6
Large Cap	Bharti Airtel Ltd	Communication Services	1,623	1,880	16%	47.1	9.6	0.5	1.5	0.4	9.3	2.2
Large Cap	Cholamandalam Investment & Finance Company Ltd	Financials	1,266	1,650	30%	25.3	4.5	0.2	-4.1	-1.4	-8.6	6.7
Large Cap	HCL Technologies Ltd.	IT	1,694	2,175	28%	26.5	6.6	3.2	-12.1	-2.6	7.0	-10.8
Large Cap	Hero MotoCorp Ltd.	Consumer Discretionary	4,402	5,250	19%	18.8	4.5	2.6	3.7	-12.3	-16.5	5.8
Large Cap	Trent Ltd.	Consumer Discretionary	6,190	7,450	20%	131.7	39.0	0.1	-15.3	-13.4	11.8	-13.1
Mid Cap	Lupin Ltd	Health Care	2,056	2,600	26%	30.4	5.5	0.4	-13.2	-6.4	4.8	-12.7
Mid Cap	Max Healthcare Institute Ltd.	Health Care	1,108	1,315	19%	75.4	10.3	0.1	-5.9	10.0	21.2	-1.8
Mid Cap	The Indian Hotels Company Ltd.	Consumer Discretionary	801	950	19%	68.3	10.3	0.2	-8.1	16.6	27.5	-8.7
Mid Cap	Dalmia Bharat Ltd	Materials	1,827	2,040	12%	51.1	2.0	0.5	1.1	-0.6	1.8	3.4
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,432	1,820	27%	60.0	3.6	0.1	-13.6	-12.7	-15.5	-15.5
Small Cap	Healthcare Global Enterprises Ltd	Health Care	512	575	12%	99.5	7.9	NA	6.2	13.8	41.2	4.7

Source: Company, Axis Securities, CMP as of 1st February 2025

Top Picks Performance

Axis Top Picks Performance							
	1M	3M	6M	1Y	3Y*	4Y*	Since Inception
Axis Top Picks Returns	-6.7%	-6.5%	-6.1%	12.0%	20.1%	27.5%	300.8%
Nifty Returns	-0.7%	-3.4%	-5.9%	8.2%	10.6%	14.6%	153.3%
Alpha	**-6.0%**	**-3.1%**	**-0.2%**	**3.8%**	**9.5%**	**12.9%**	**147.5%**

*CAGR Return



Note: Equal weight basket Performance as of 01th Feb 2025

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 rwealization 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.**

Multi-Asset Scorecard

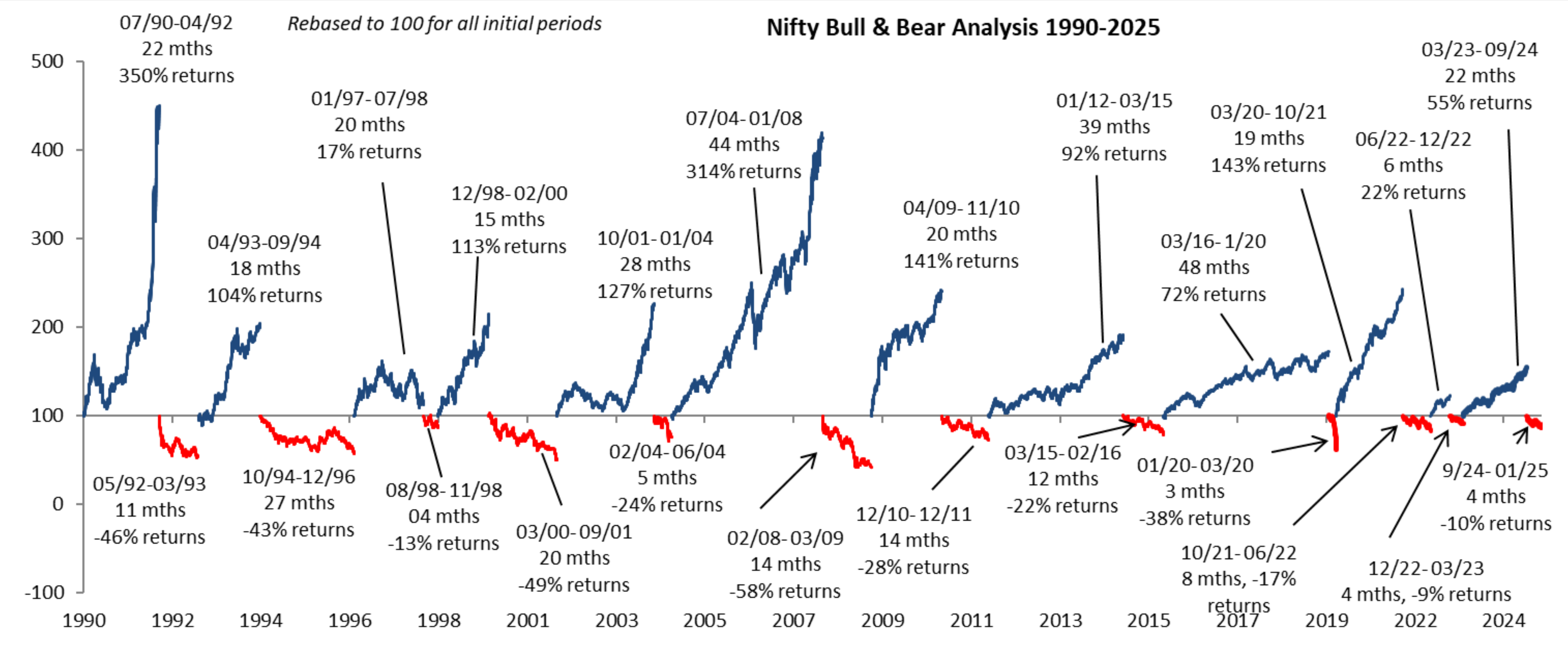
- In 2025, Gold again emerged as a Top performing asset class
- Gold was the top-performing asset in 2024 until the end of May, after which the broader market took the lead. In Oct'24, Gold turned out to be the top-performing asset class once again. However, after the US election results, the S&P 500 emerged as a top-performing asset class in Nov'24.
- The broader market had emerged as the best-performing asset class in 2023 and 2024 at a domestic level.
- Nifty 50 is positioned at the bottom in 2024 for the first time in history, led by FII selling in the last 3 months of 2024.
- 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	2024	2025 (YTD)
1	MCX Gold: 32%	Mid Cap: 39%	S&P 500: 30%	Mid Cap: 56%	Crisil comp Bond: 9%	Crisil comp Bond: 13%	SmallCap: 57%	MCX Gold: 8%	S&P 500: 29%	MCX Gold: 28%	SmallCap: 59%	MCX Gold: 14.3%	SmallCap: 55.6%	SmallCap: 23.9%	MCX Gold: 7.2%
2	Crisil comp Bond: 7%	SmallCap: 37%	Nifty 50: 7%	SmallCap: 55%	SmallCap: 7%	EM Index: 10%	Mid Cap: 47%	Crisil comp Bond: 6%	MCX Gold: 25%	Mid Cap: 22%	Mid Cap: 46%	Nifty 50: 4.3%	Midcap: 46.6%	Midcap: 23.8%	S&P 500: 2.7%
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	S&P 500: 23.8%	NSE G Sec composite: 0.7%
4	EM Index: -21%	EM Index: 14%	Mid Cap: -5%	Crisil comp Bond: 14%	S&P 500: -1%	S&P 500: 10%	Nifty 50: 29%	S&P 500: -6%	Nifty 50: 12%	S&P 500: 16%	Nifty 50: 24%	BSE Bond index: 2.9%	Nifty 50: 20%	MCX Gold: 20.9%	EM Index: 0.7%
5	Nifty 50: -25%	S&P 500: 13%	EM Index: -6%	S&P 500: 11%	Nifty 50: -4%	Mid Cap: 7%	S&P 500: 19%	Mid Cap: -15%	Crisil comp Bond: 11%	Nifty 50: 15%	Crisil comp Bond: 2%	SmallCap: -13.8%	MCX Gold: 14.9%	NSE G Sec composite: 9.9%	Nifty 50: -0.7%
6	Mid Cap: -31%	MCX Gold: 12%	MCX Gold: -8%	EM Index: -1%	MCX Gold: -7%	Nifty 50: 3%	MCX Gold: 6%	EM Index: -16%	Mid Cap: -4%	EM Index: 13%	EM Index: -2%	S&P 500: -19.2%	BSE Bond index: 7.9%	EM Index: 9.5%	Midcap: -6.5%
7	SmallCap: -34%	Crisil comp Bond: 9%	SmallCap: -8%	MCX Gold: -6%	EM Index: -18%	SmallCap: 2%	Crisil comp Bond: 5%	SmallCap: -29%	SmallCap: -10%	Crisil comp Bond: 12%	MCX Gold: -4%	EM Index: -19.6%	EM Index: 5.7%	Nifty 50: 8.8%	SmallCap: -9.5%

Source: Bloomberg, Axis Securities, Note: Midcap is NSE midcap 100, Smallcap is NSE smallcap100 index, EM is FTSE EM index, Data till 1st Feb'25

Nifty Bull & Bear Analysis

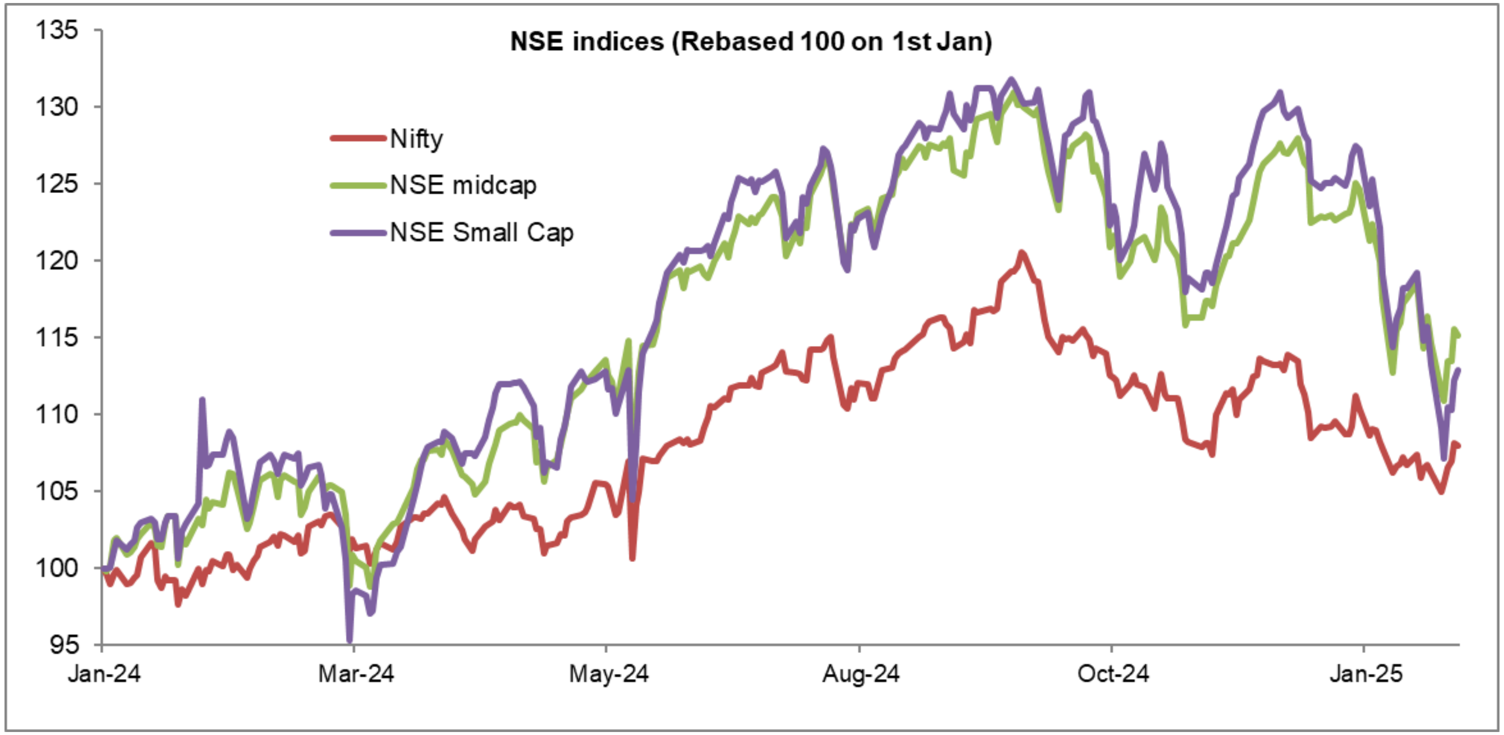
- **Average Bull period returns:** 129% (Average bull months 24 months)
- **Average Bear period returns:** -30% (Average Bear phase is 10 months, it is 9 months if we consider post-2000 falls only)
- Post-2000 bear phases are very short-lived as compared to the pre-2000 era.
- ***The Covid Bear Phase is an average of 5 months only, with an average downfall of 13%.***



Source: Bloomberg, Axis Securities

All Three Indices Moving in Tandem; Some Correction in the Last Three/Four months

- In the last three months, the market has corrected from the peak of 26th Sep'24. After a correction in Largecap stocks, the broader market has also joined the downtrend in Jan'25.
- The broader market saw a higher correction in the last one month



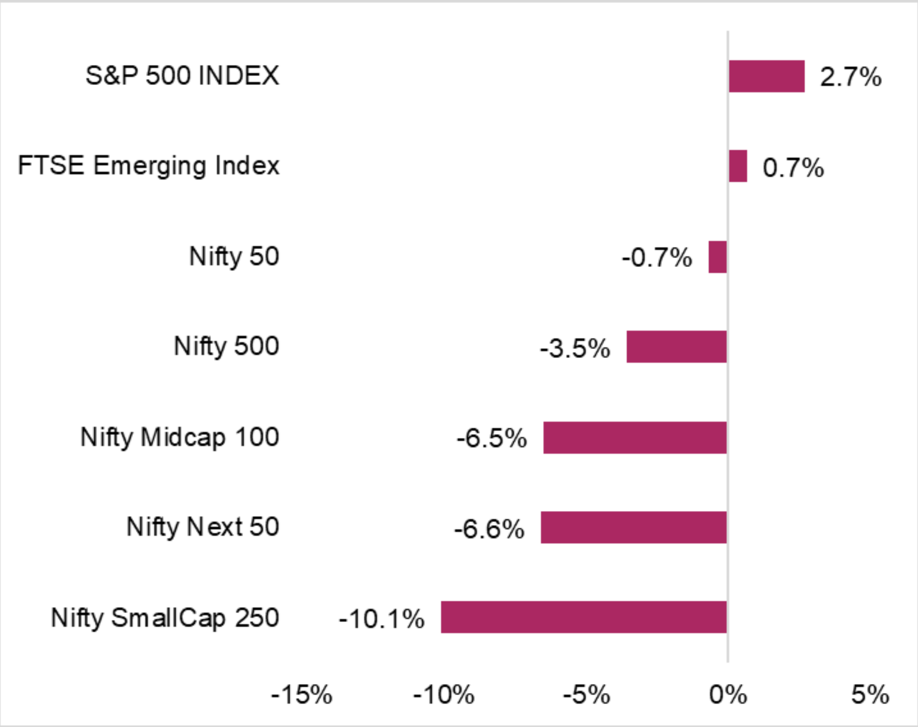
Source: Bloomberg, Axis Securities, Data till 1st Feb'25

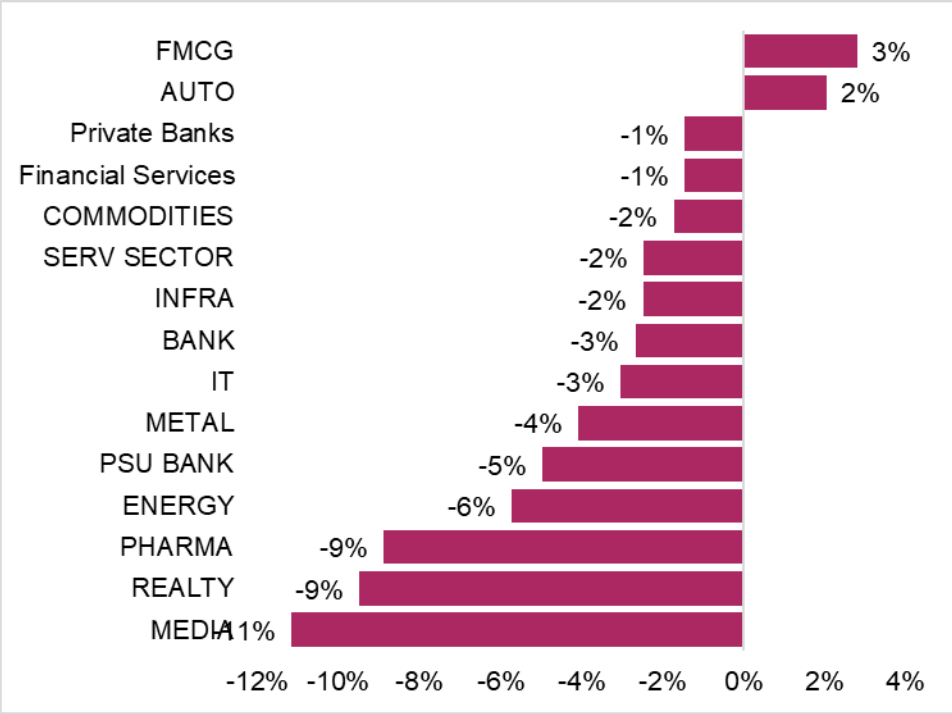
Correction from Peak (26th Sep'24)

- Nifty 50: 10%
- NSE Mid Cap 100: 12%
- NSE Small Cap 250: 13%

What Happened in the Last month

- In the last one month, the Indian market underperformed the other market
- Media, Realty, and Pharma saw a higher correction in the last one month.





Source: Bloomberg, Axis Securities, Data till 1st Feb'25

Quarterly Sector Scorecard

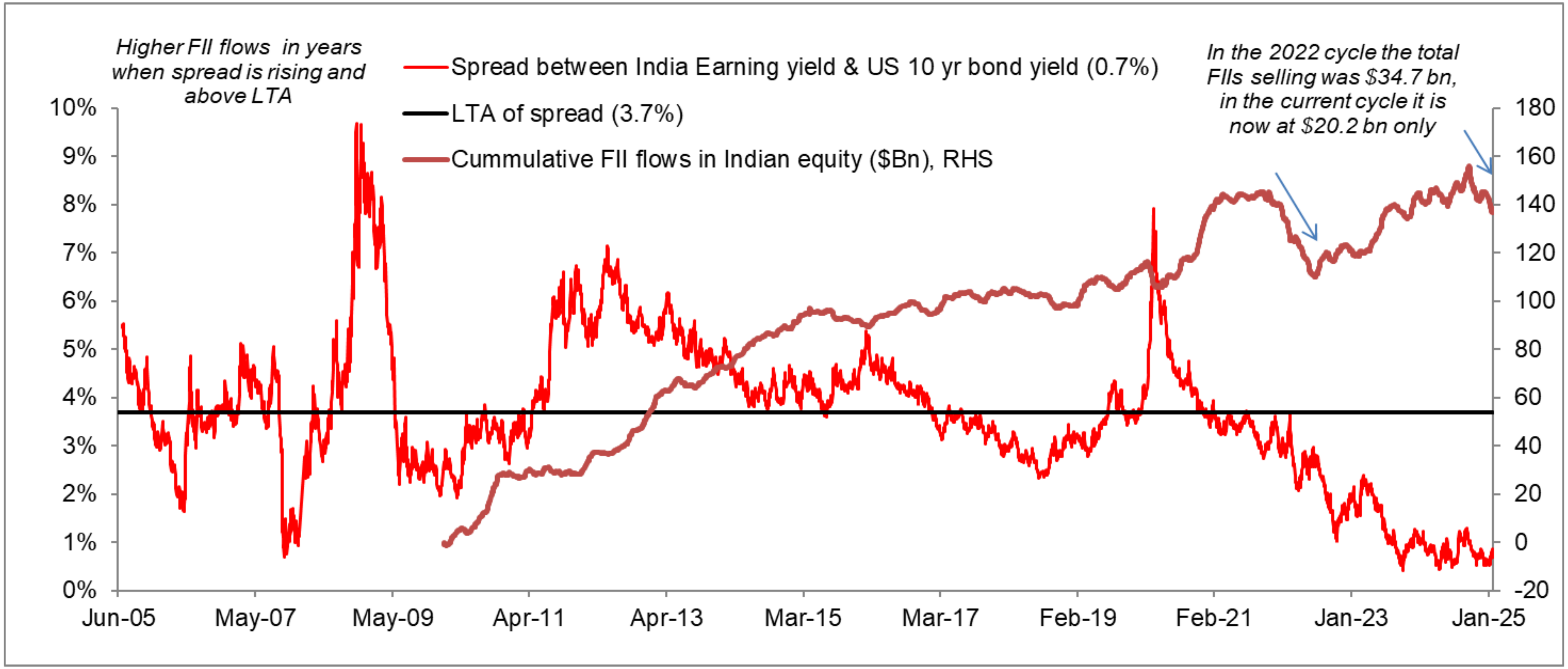
- The performance of the current quarter is similar to the Jun'22 (Russia-Ukraine) and Mar'23 (Adani crisis) quarters.
- In the current quarter till date, only Auto and FMCG have outperformed the Nifty 50 index.

	Quarterly returns (%)												
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	QTD
% of sectors outperformed the market	56%	50%	75%	38%	25%	63%	69%	50%	44%	56%	44%	50%	13%
Nifty 50	1%	-10%	8%	6%	-4%	11%	2%	11%	3%	7%	8%	-8.4%	-0.7%
Nifty Next 50	-3%	-11%	16%	0%	-10%	16%	3%	18%	14%	18%	8%	-11.7%	-6.7%
Nifty 500	-1%	-10%	11%	4%	-6%	13%	5%	12%	4%	11%	8%	-7.8%	-3.5%
Nifty Midcap 100	-2%	-11%	16%	3%	-5%	19%	13%	14%	4%	15%	9%	-4.9%	-6.5%
Nifty SmallCap 250	-4%	-14%	14%	3%	-7%	20%	16%	15%	2%	19%	8%	-4.2%	-9.5%
AUTO	-4%	11%	9%	-1%	-3%	24%	7%	15%	15%	17%	8%	-16%	2%
BANK	3%	-8%	16%	11%	-6%	10%	0%	8%	-2%	12%	0%	-4%	-2.8%
COMMODITIES	7%	-16%	11%	7%	-7%	9%	8%	19%	8%	9%	8%	-18%	-1.3%
Financial Services	-1%	-10%	13%	8%	-5%	11%	-1%	8%	-2%	12%	4%	-4%	-1.7%
ENERGY	14%	-3%	2%	1%	-12%	8%	11%	22%	17%	5%	8%	-21%	-4.8%
FMCG	-3%	4%	18%	-1%	4%	14%	-1%	10%	-5%	5%	16%	-14%	3%
IT	-6%	-23%	-3%	6%	0%	3%	8%	12%	-2%	1%	18%	5%	-4.4%
INFRA	1%	-8%	7%	6%	-3%	13%	9%	17%	14%	8%	6%	-12%	-2.0%
MEDIA	7%	-20%	9%	-3%	-15%	3%	30%	5%	-25%	13%	6%	-15%	-11.2%
METAL	16%	-27%	24%	17%	-18%	13%	10%	17%	3%	18%	5%	-16%	-3.6%
PHARMA	-4%	-10%	7%	-3%	-5%	15%	12%	9%	13%	3%	19%	0%	-8.2%
PSU BANK	8%	-11%	23%	44%	-14%	11%	28%	9%	23%	5%	-8%	-4%	-4.3%
Private Banks	2%	-9%	19%	10%	-6%	11%	1%	8%	-5%	12%	1%	-7%	-1.4%
REALTY	-4%	-17%	10%	2%	-10%	34%	11%	36%	15%	22%	0%	-4%	-9.7%
SERV SECTOR	-1%	-12%	10%	6%	-7%	8%	1%	10%	1%	9%	9%	-4%	-3.0%

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

Why the Market Saw Correction in the Current Rally

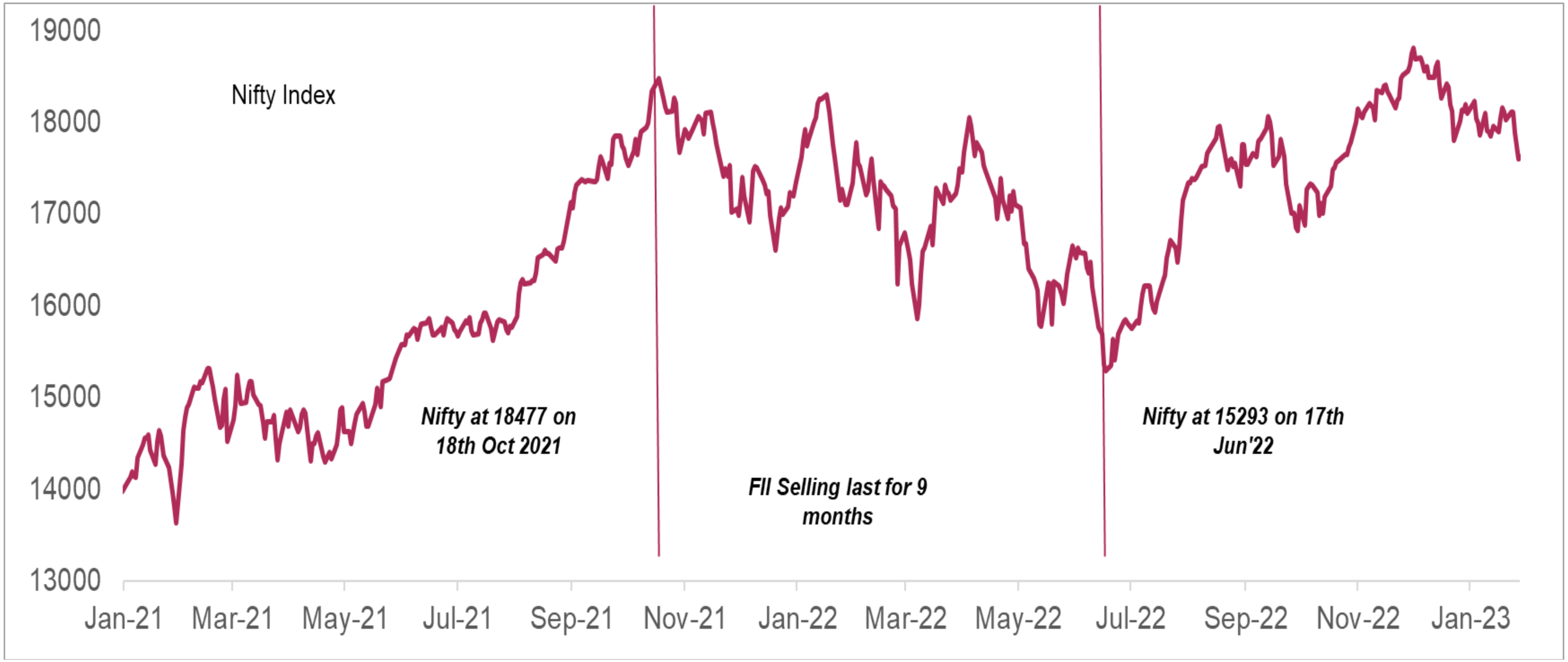
- Rise in the US 10-year bond yields by more than 100bps in the last two months
- Valuation concern in the domestic market in the middle of a consumption slowdown
- Higher FII flows in the years when the spread is rising and above the long-term average



Source: Bloomberg, Axis Securities, Data till 1st Feb'25

What Happened in 2022 Downfall?

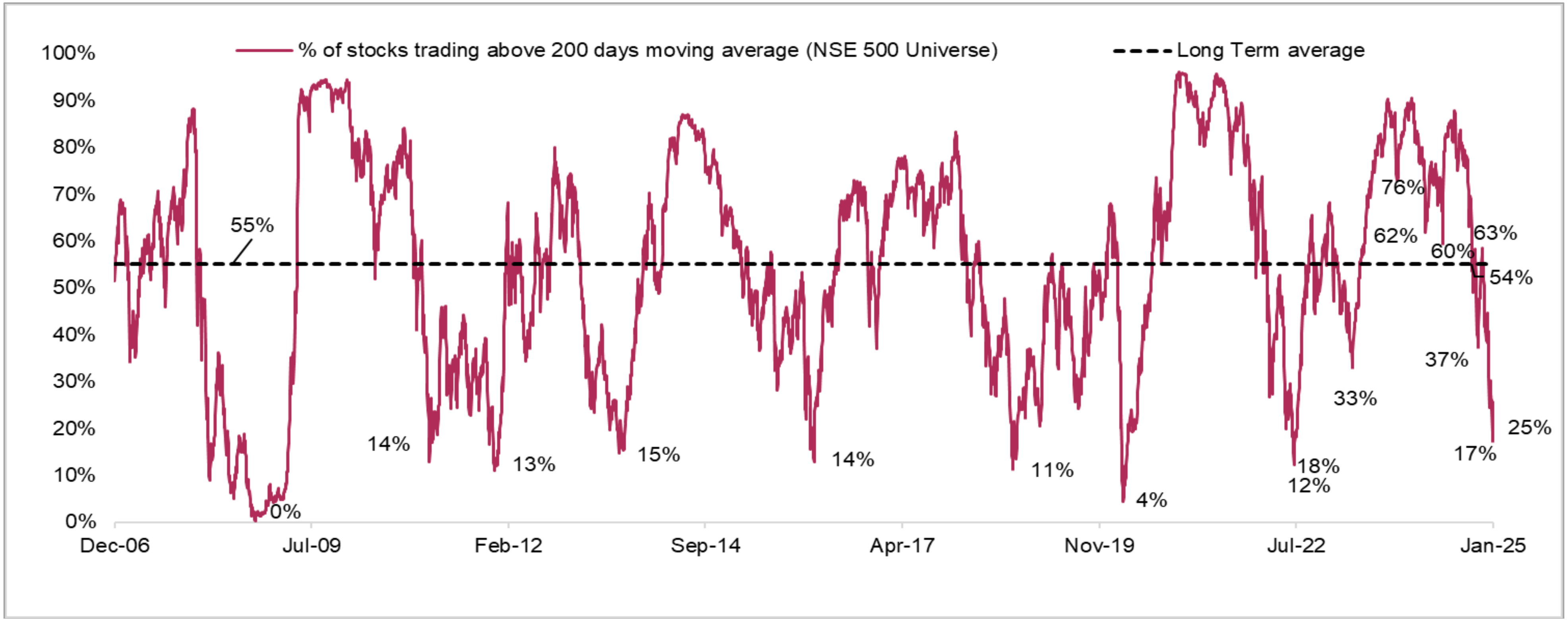
- In the earlier cycle of 2021-22, the market saw a correction of almost 17% from 18,477 to 15293 in nine months, led by valuation concerns and the Russia-Ukraine crisis.
- During this 9-month period, the market saw the up and down intermittent rally and for the entire period saw the FII selling of $34.7 Bn.
- Similar type of scenario could be possible in the current rally



Source: Bloomberg, Axis Securities, Data till 1st Feb'25

NSE 500 Universe (200-day moving average)

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



Source: Bloomberg, Axis Securities

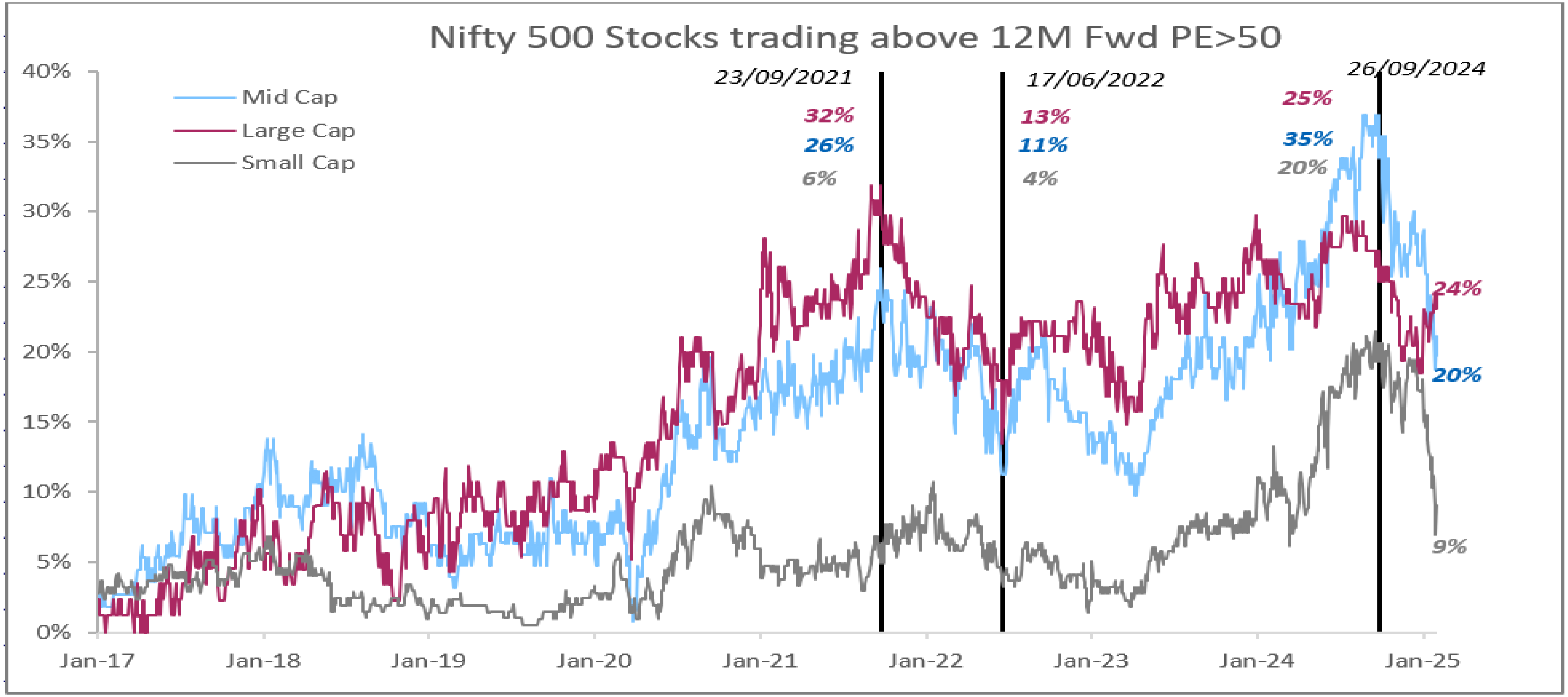
52W-High Analysis

- After a recent correction, only 14 stocks are trading near the 52W high vs. 141 stocks at the Sep'24 end
- 363 (~73%) stocks are trading below 20% from their 52W highs, which indicates the market is in the oversold zone
- Close to 42% of the stocks have corrected by over 30% from their 52W high, indicating all negatives are now priced in.
- The Largecap market looks attractive at current levels
- Out of 55 PSUs, none of the stock is near its 52W high vs. 35 stocks in Feb'24

		Current Level of Number of Stocks as Compared to 52W High			
Sector	**No of Stocks**	**Near to 52W high**	**5%-20% below 52W high**	**20%-30% below 52W high**	**Below 30%**
Agri & Chem	43	3	7	22	11
Auto & Anc	43	2	6	13	21
Banks	28	2	6	6	14
Build Mate	37	1	9	11	16
Discretionary	43	1	13	13	16
Healthcare	47	1	22	21	3
Industrials	55	0	5	12	36
IT	36	1	15	8	12
Metals & min	23	0	6	9	8
NBFC	60	3	14	23	20
Oil & gas	16	0	1	5	10
Others	14	0	3	0	11
Staples	18	0	10	4	4
Tele & Media	16	0	2	3	11
Transport	7	0	1	0	6
Utilities	14	0	0	3	11
Total	**500**	**14**	**120**	**153**	**210**
Large cap	**100**	**4**	**40**	**30**	**27**
Mid cap	**150**	**6**	**35**	**50**	**58**
Small cap	**250**	**4**	**45**	**73**	**124**
PSUs	**55**	**0**	**3**	**10**	**41**

Number of NSE 500 stocks trading above trailing PE of >50

In the earlier event of FII selling between 09/2021 to 06/2022, PE compression was seen across the board. During that period, total FII selling amounted to more than $34.5 Bn. In the current cycle, the total FII selling so far stands close to $20.2 Bn.



Source: Refinitiv, Axis Securities

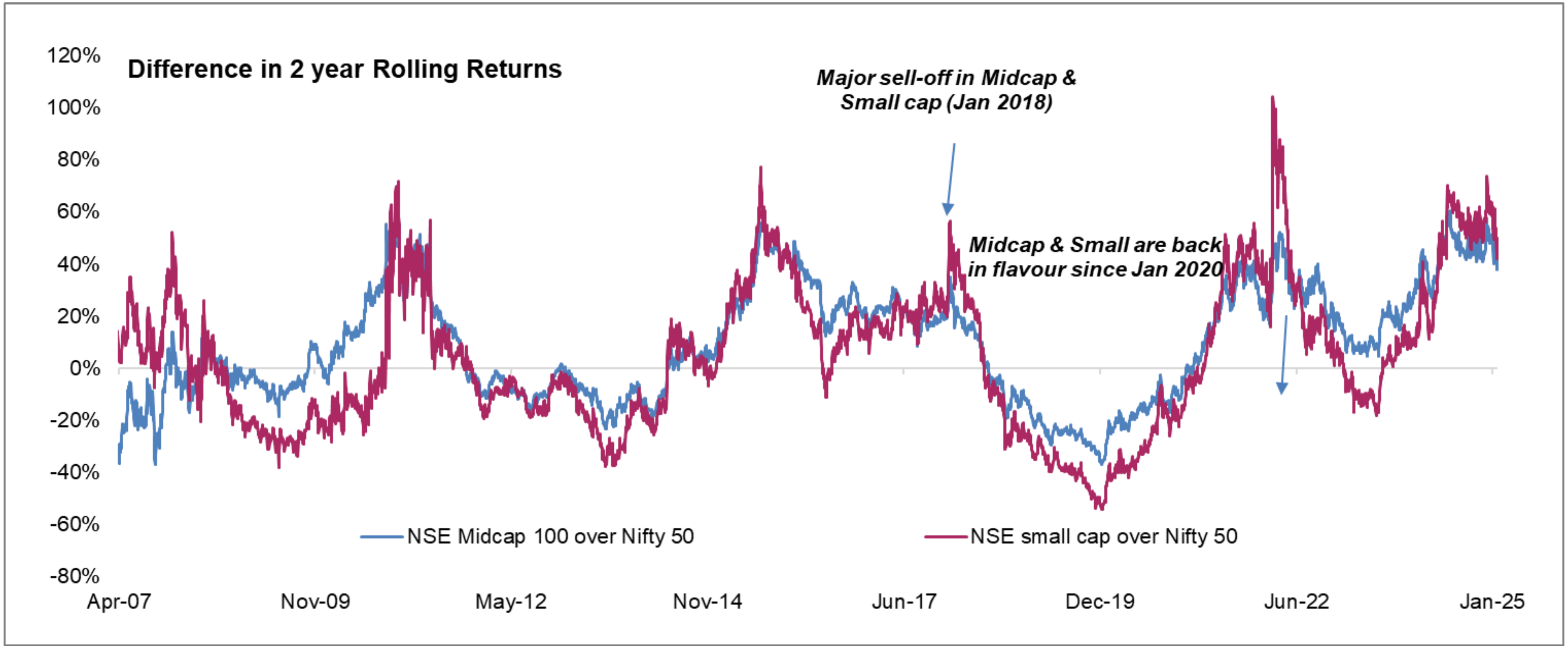
NSE 500 M-cap Analysis

Sector	31-Dec-22	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24	Current	Fall from Sep level
	Sectoral market cap of Top 500 stocks in Trillion as of										
Banks	35.8	33.1	36.2	37.9	40.7	42.1	46.1	45.3	43.7	41.5	-8.5%
IT	28.5	28.6	30.2	32.1	35.5	35.5	36.6	41.7	42.2	40.3	-3.3%
NBFC	28.5	25.7	31.3	28.6	32.2	34.0	36.7	40.3	36.1	34.5	-14.4%
Industrials	12.4	12.9	15.4	17.7	20.6	24.4	30.4	30.3	27.7	24.2	-20.0%
Auto & Anc	15.2	15.0	18.4	19.8	22.3	25.1	29.8	31.4	26.4	25.1	-20.0%
Discretionary	18.4	16.4	19.2	20.2	22.3	22.2	24.5	27.7	25.2	22.2	-19.6%
Healthcare	11.8	11.1	13.1	15.3	17.1	19.2	20.2	23.9	24.2	22.0	-7.9%
Staples	18.0	17.9	19.9	19.7	21.3	19.7	21.2	24.6	20.7	20.5	-16.4%
Oil & gas	17.8	14.3	15.2	15.9	18.4	22.0	23.3	23.7	19.3	18.7	-21.3%
Build Mate	10.3	9.8	11.4	12.2	14.7	15.7	18.4	19.0	17.7	16.0	-16.0%
Metals & min	10.1	9.4	10.1	11.4	13.2	14.2	18.1	18.5	15.7	15.2	-17.9%
Utilities	10.9	8.2	8.9	10.9	14.3	16.1	18.3	19.5	15.1	14.0	-28.3%
Tele & Media	6.9	6.1	7.2	8.1	9.0	10.1	12.0	13.4	12.2	12.0	-10.1%
Agri & Chem	8.1	7.6	8.3	8.2	9.3	8.7	10.0	11.4	10.2	9.5	-16.5%
Others	6.2	3.5	4.5	4.6	5.3	5.9	6.3	6.2	5.4	4.7	-24.2%
Transport	2.3	2.1	2.6	2.5	3.0	3.3	3.7	3.9	3.5	3.3	-17.4%
Total	**241.30**	**221.79**	**251.78**	**265.14**	**299.41**	**318.24**	**355.56**	**380.98**	**345.28**	**323.91**	-15.0%
Size	**31-Dec-22**	**31-Mar-23**	**30-Jun-23**	**30-Sep-23**	**31-Dec-23**	**31-Mar-24**	**30-Jun-24**	**30-Sep-24**	**31-Dec-24**	**Current**	
Large Cap	163.91	152.11	171.29	179.85	203.83	219.10	241.41	259.21	231.80	221.95	-14.4%
Mid Cap	51.19	45.38	52.25	53.62	60.99	65.25	74.61	78.91	73.39	66.71	-15.5%
Small Cap	26.21	24.30	28.25	31.67	34.58	33.89	39.54	42.86	40.08	35.24	-17.8%

Source: Refinitiv, Axis Securities

Difference in 2-Year Returns

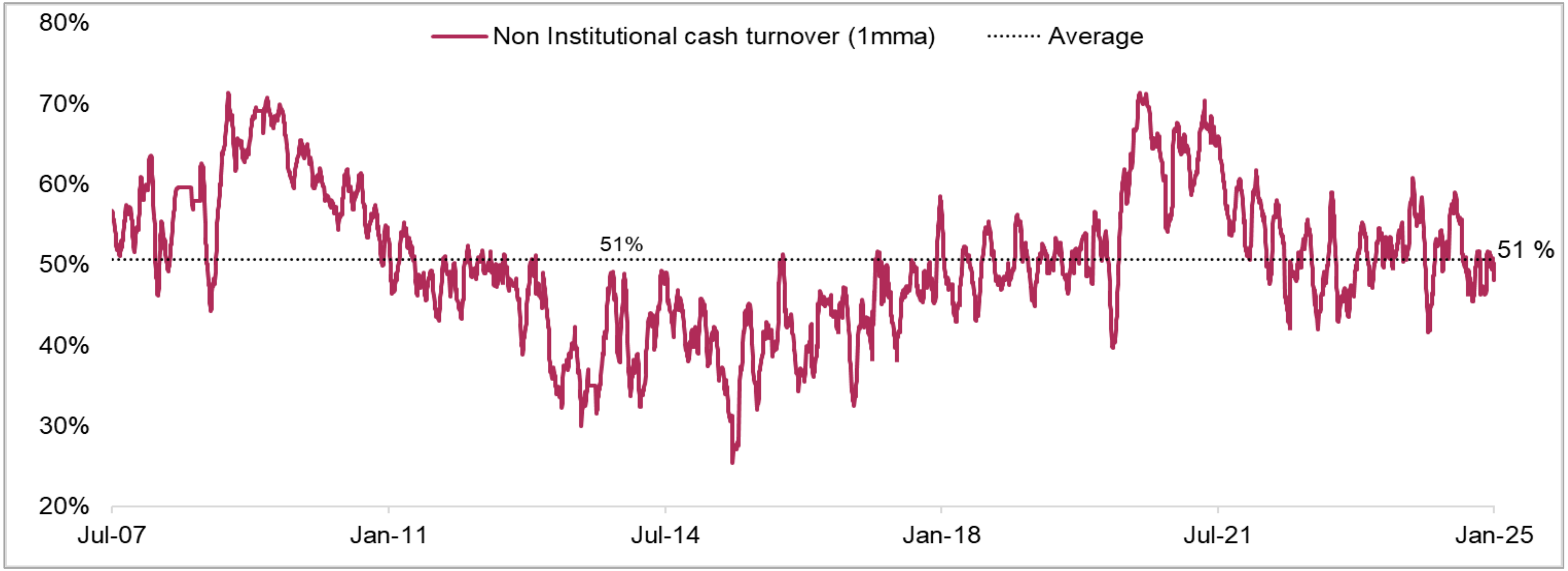
- Market positioning likely to shift towards Largecaps in the near term



Source: Bloomberg, Axis Securities

Non-institutional Turnover Recovered in the Last One Month

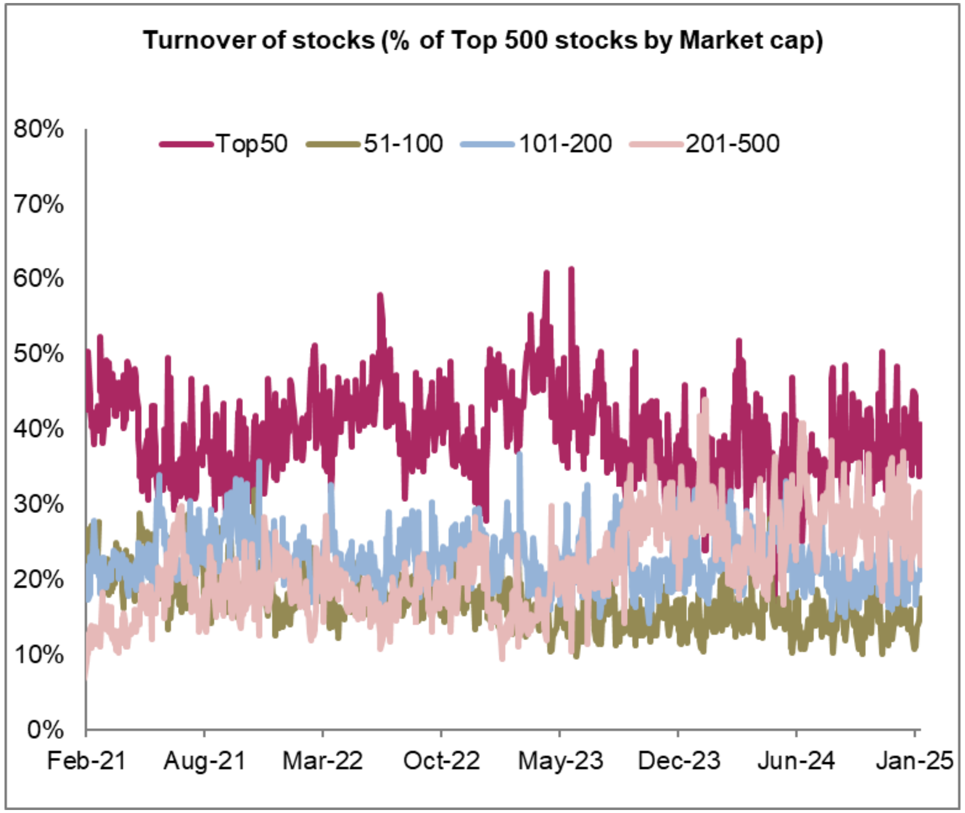
- Non-institutional (Retail) turnover is currently at 51%, at the long-term average. However, it has fallen below the LTA in the last month due to increased volatility and lower breadth in the broader market.
- Retail investor participation is expected to improve further in the coming months, given that equity is the only asset class that can beat the current inflationary scenario.

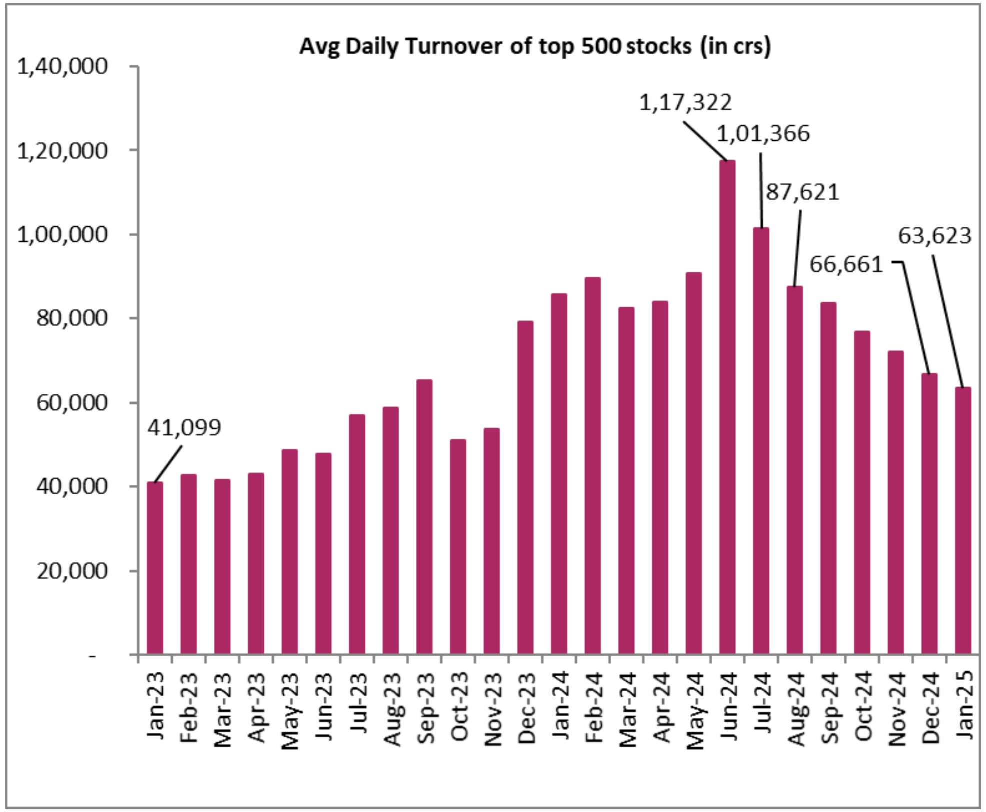


Source: Bloomberg, Axis Securities

Market Turnover (% of the Top 500 Names)

- Market turnover of NSE 500 crossed Rs 1 Lc Cr for the first time in Jun’24. A similar trend was observed in Jul’24. However, some moderation has been seen since. The turnover for Jan’25 stood at 63,000 Cr.



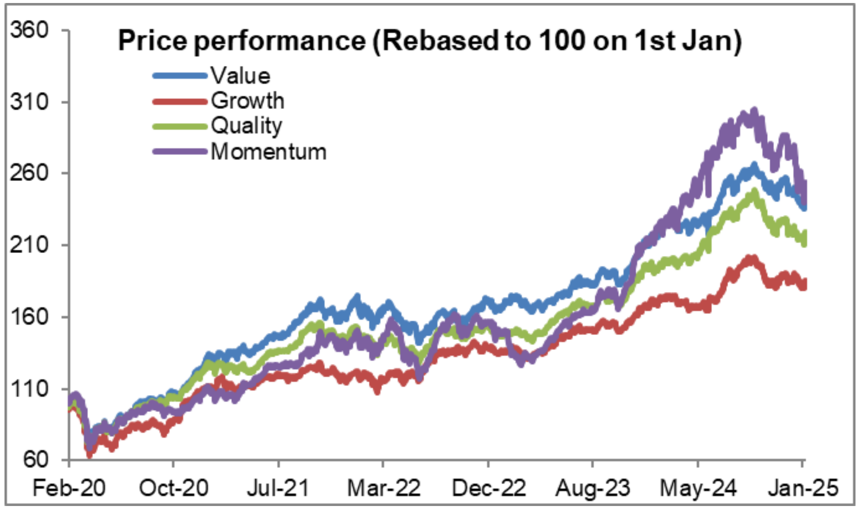


Source: Bloomberg, Axis Securities

Style Indicators

After Taking a Backseat for a while, the Quality Theme is Back in the Last One Month

- In the last three months, the 'Growth' styles have outperformed the others by notable margins.
- In the last one year, Value, Quality, and Momentum themes delivered the highest returns. However, Quality and Growth have been the dominating themes in the previous 6 months.
- The theme 'Growth at a Reasonable Price' looks attractive because of the robust growth expectation, the cool-off in commodity prices, lowering inflation, rural recovery, and the expectation of margin recovery in the upcoming quarters.
- The selected Value stocks from the PSU, Metals, Commodities, Utility, and Cement sectors are well-placed to deliver superior performance. Furthermore, a structural growth play offering long-term earnings visibility will continue to do well



Performance (%)				
Perf	Value	Growth	Quality	Momentum
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	-2.1%	0.5%	0.3%	-7.5%
3m	-3.4%	1.9%	-2.8%	-7.4%
6m	-7.0%	-3.7%	-6.9%	-14.8%
1YR	9.9%	9.1%	12.7%	13.6%
2YR	41.0%	34.7%	47.9%	80.4%

Source: Bloomberg, Axis Securities , Performance as of **01**[th] **Feb** 202**5**

India's Performance vis-à-vis Peers

Indian Market Witnessed Volatility 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 10% till now from the top. The broader market indices, including Mid and Smallcap indices, corrected by 12%/13%, respectively.

In the last month, everything has been in the red except Auto and FMCG. Over the past 6 months, the IT index remains in positive territory.

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

Improving Outlook: Discretionary, Consumption, BFSI, Industrials, PSUs

Mixed Bag: Pharma, 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	-0.7%	-3.0%	-5.9%	7.3%	-0.7%	8.2%
Nifty Next 50	-6.6%	-9.2%	-15.1%	-0.8%	-6.6%	14.4%
Nifty 500	-3.5%	-4.9%	-8.3%	6.2%	-3.5%	9.1%
Nifty Midcap 100	-6.5%	-4.7%	-9.3%	8.8%	-6.5%	10.7%
Nifty SmallCap 250	-10.1%	-10.1%	-11.1%	8.1%	-10.1%	5.8%
Sector Index (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
NIFTY AUTO	2.1%	-0.9%	-12.7%	0.5%	2.1%	20.6%
NIFTY BANK	-2.7%	-3.8%	-4.0%	5.5%	-2.7%	7.2%
NIFTY COMMODITIES	-1.7%	-10.2%	-17.3%	-4.6%	-1.7%	0.6%
Nifty Financial Services	-1.5%	-3.0%	-1.0%	11.3%	-1.5%	12.9%
NIFTY ENERGY	-5.7%	-15.6%	-24.8%	-11.8%	-5.7%	-10.1%
NIFTY FMCG	2.8%	-1.4%	-5.9%	5.8%	2.8%	5.8%
NIFTY IT	-3.0%	4.0%	2.9%	30.1%	-3.0%	15.0%
NIFTY INFRA	-2.5%	-6.4%	-13.1%	0.9%	-2.5%	5.5%
NIFTY MEDIA	-11.2%	-20.0%	-24.9%	-10.4%	-11.2%	-24.1%
NIFTY METAL	-4.1%	-11.0%	-13.4%	-7.6%	-4.1%	5.2%
NIFTY PHARMA	-8.9%	-6.2%	-2.0%	14.7%	-8.9%	19.6%
NIFTY PSU BANK	-5.0%	-7.6%	-16.0%	-8.5%	-5.0%	-3.9%
Nifty Private Banks	-1.4%	-3.2%	-5.0%	5.0%	-1.4%	3.4%
NIFTY REALTY	-9.5%	-4.7%	-12.9%	-2.4%	-9.5%	12.3%
NIFTY SERV SECTOR	-2.4%	-2.8%	-2.6%	12.6%	-2.4%	11.8%

Source: Bloomberg, Axis Securities, and Performance as of 01th February 2025

	International Index					
Index Performance (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
Shanghai Comp	-3.0%	-0.9%	10.6%	5.2%	-3.0%	17.3%
Bovespa	4.9%	-2.8%	-1.2%	3.6%	4.9%	-1.8%
south africa	3.2%	0.6%	2.8%	10.3%	3.2%	14.5%
Korea	4.9%	-1.5%	-9.1%	-5.4%	4.9%	-1.0%
Mexico	2.8%	0.6%	-4.7%	-4.6%	2.8%	-10.9%
Indonesia	0.4%	-6.1%	-2.0%	0.1%	0.4%	-1.3%
Argentina	1.2%	38.7%	70.1%	62.2%	1.2%	96.9%
Japan	-0.8%	1.3%	1.2%	1.9%	-0.8%	9.9%
Hongkong	0.8%	-0.5%	16.6%	9.7%	0.8%	29.9%
Philipines	-10.2%	-17.9%	-11.4%	-8.2%	-10.2%	-11.5%
Taiwan	2.1%	3.1%	6.0%	10.2%	2.1%	30.9%
Singapore	1.8%	8.3%	11.6%	15.5%	1.8%	22.7%
Thailand	-6.1%	-10.3%	-0.5%	-1.7%	-6.1%	-3.9%
Veitnam	-0.1%	0.0%	1.1%	-1.4%	-0.1%	7.8%
Dow	4.7%	6.7%	9.1%	15.1%	4.7%	15.6%
Nasdaq	1.6%	8.5%	11.5%	16.4%	1.6%	27.8%
FTSE 100 INDEX	6.1%	7.0%	3.7%	5.4%	6.1%	13.8%
DAX INDEX	9.2%	13.9%	17.4%	18.1%	9.2%	28.9%
CAC 40 INDEX	7.7%	8.2%	5.6%	0.2%	7.7%	4.8%
S&P 500 Index	2.7%	5.9%	9.4%	14.2%	2.7%	23.1%

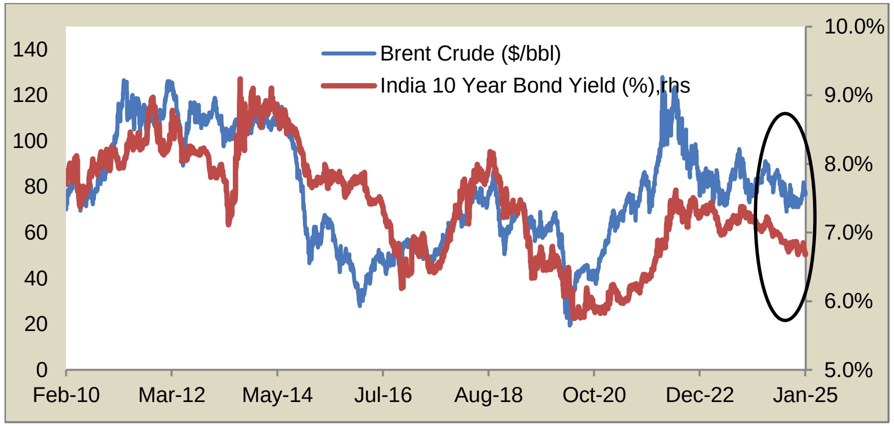
Correction Seen in Key Commodities with Muted Chinese Data

- **Precious Metals:** Gold prices went up 16% in the last 6 months on account of a cool-off in bond yields.
- **Commodities:** Steel and Aluminium prices have corrected by 7% and O.7% over the last six months.
- **Crude:** Brent crude is now trading below $80/bbl and has been highly volatile due to the rising geopolitical risk and ongoing supply-side concerns.

Market Indicator	01-02-2025	1m ago	3m ago	04th Jun'24	YTD	1 YR
Brent Crude ($/bbl)	76.8	74.6	73.2	77.5	74.6	78.7
Bond Yield (GOi 10Yr)	6.7	6.8	6.8	7.0	6.8	7.1
USD/INR	86.6	85.6	84.1	83.5	85.6	83.0
India Vix	14.1	14.4	15.6	26.7	14.4	14.5

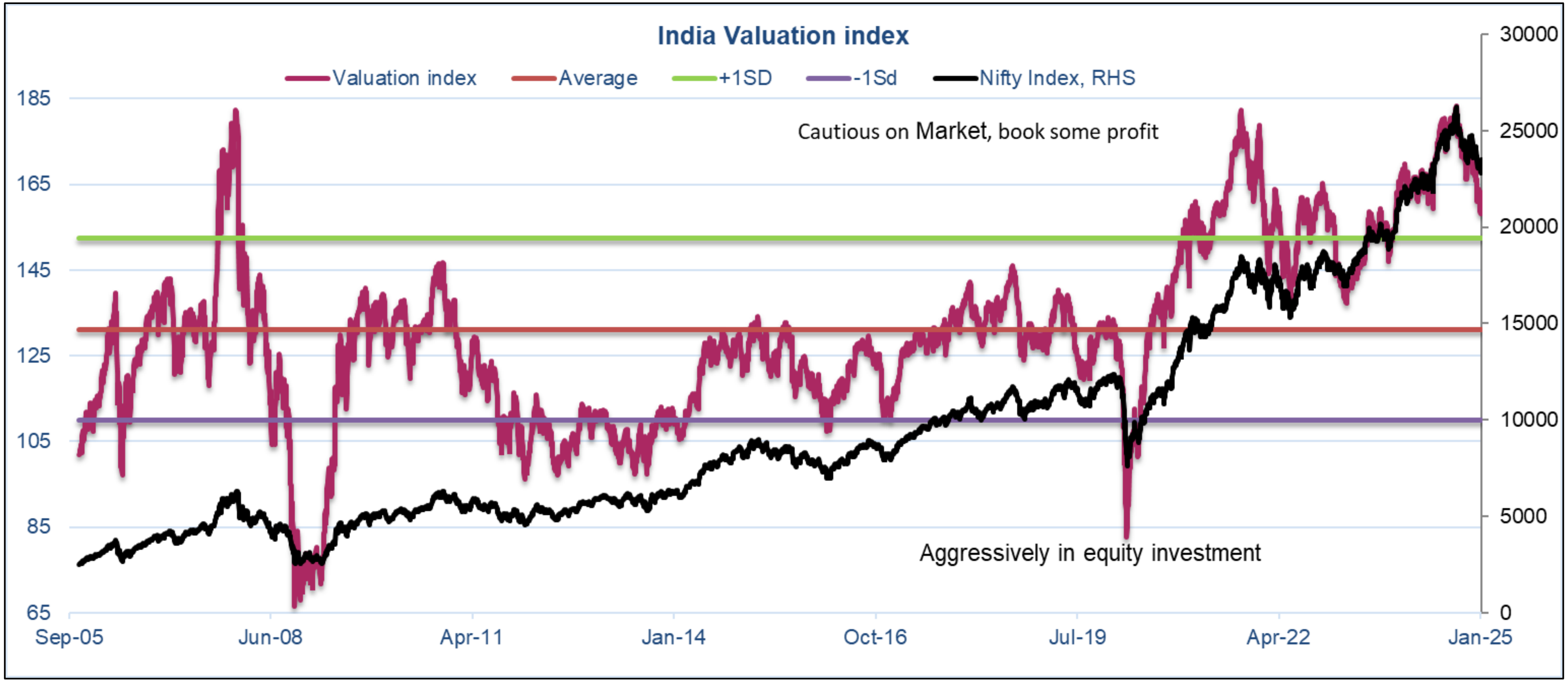
Commodity Index	1m	3m	6m	04th Jun'24	YTD	1 YR
Gold ($/OZ)	6.6%	2.0%	14.3%	20.3%	6.6%	36.2%
Steel ($/ton)	-3.1%	-6.9%	-6.9%	-11.2%	-3.1%	-16.7%
Aluminium ($/ton)	3.2%	-0.7%	15.4%	-0.2%	3.2%	17.4%
Copper ($/ton)	3.2%	-4.7%	-1.9%	-9.1%	3.2%	6.0%
Zinc ($/ton)	-8.8%	-12.6%	2.9%	-5.5%	-8.8%	9.4%

Source: Bloomberg, Axis Securities, Performance as of 01th Feb 25



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

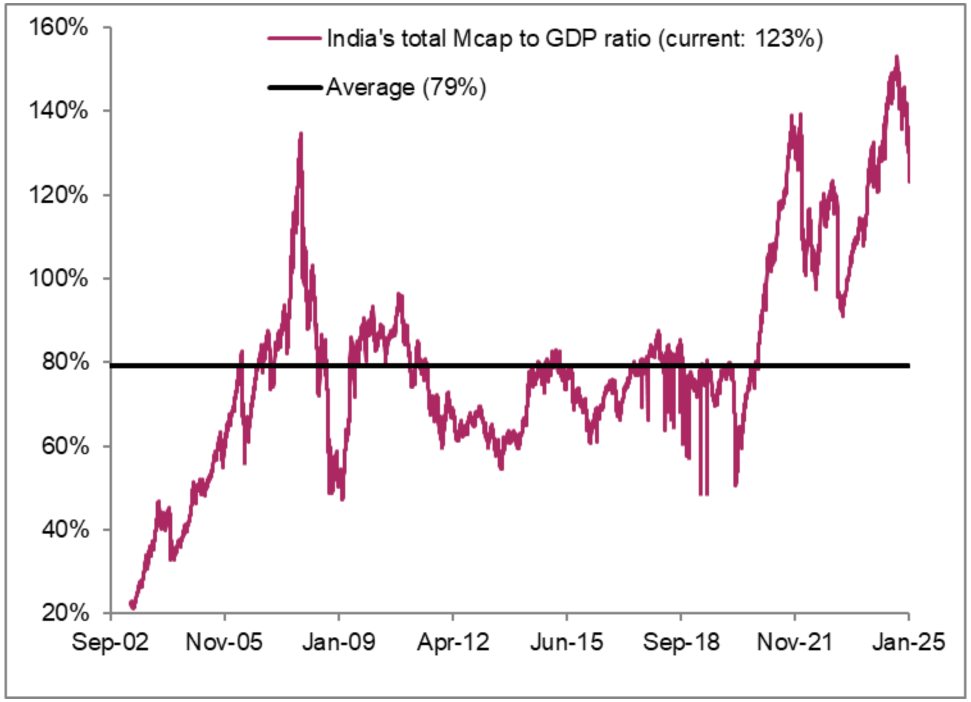
Our Market Valuation Index continues to trade above the 1stdev even after the recent correction. Current valuations offer limited scope for rerating. Hence, the market will follow earnings growth, and stock selection and sector rotation will be key to achieving outperformance. The calculation of the India Valuation Index is based on four fundamental market parameters (12m fwd PE, 12m fwd PB, Bond Equity Earnings Yield Ratio, and MCAP to GDP Ratio).

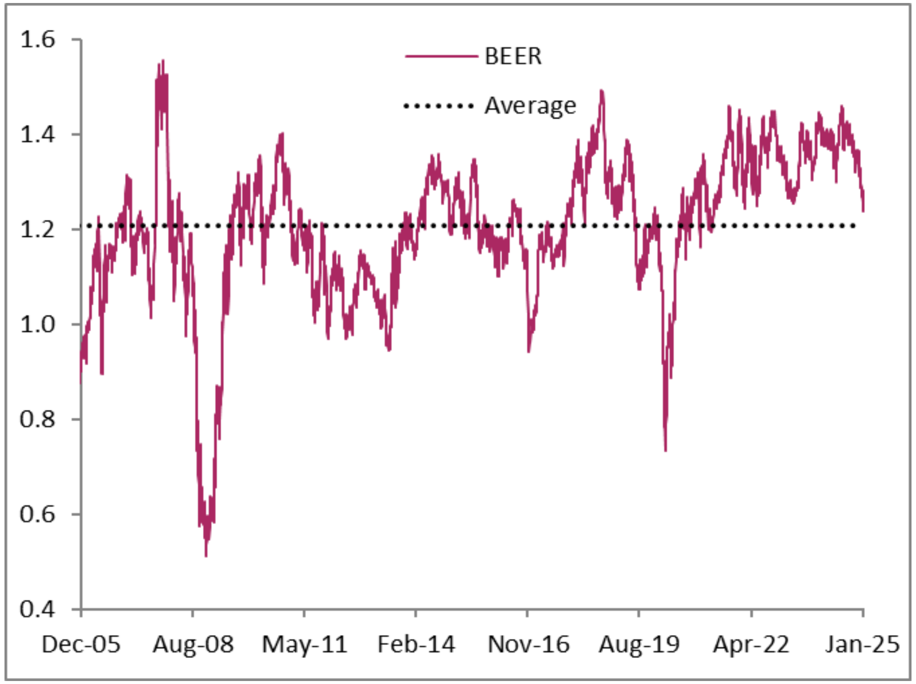


Source: Bloomberg, Axis Securities

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

- **BEER**: Indian bond yields have corrected by 14-15bps since Nov'24 (Start of Rate cut cycle by US FED). Consumption boost and fiscal consolidation in the Union budget indicate one rate cut in the upcoming RBI MPC meeting. After a correction in the equity market, the Bond equity earning yield ratio is now trading near the long-term average.
- **India's Total Market Cap to GDP is trading at 123%,** above its long-term average (rebased after FY25 GDP of Rs 324 Tn released by the government on 1st Feb'25). However, at projected levels of nominal GDP for FY26, the Mcap/GDP ratio translates into 112% (fairly valued). As per the Union Budget 2025-26, the FY26 GDP assumption is pegged at Rs 356.97 Tn.
- **Historical Perspective**: Historically, similar upward earnings momentum was witnessed in FY10 earnings immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we will likely see higher MCAP to GDP ratio levels in the upcoming quarters.



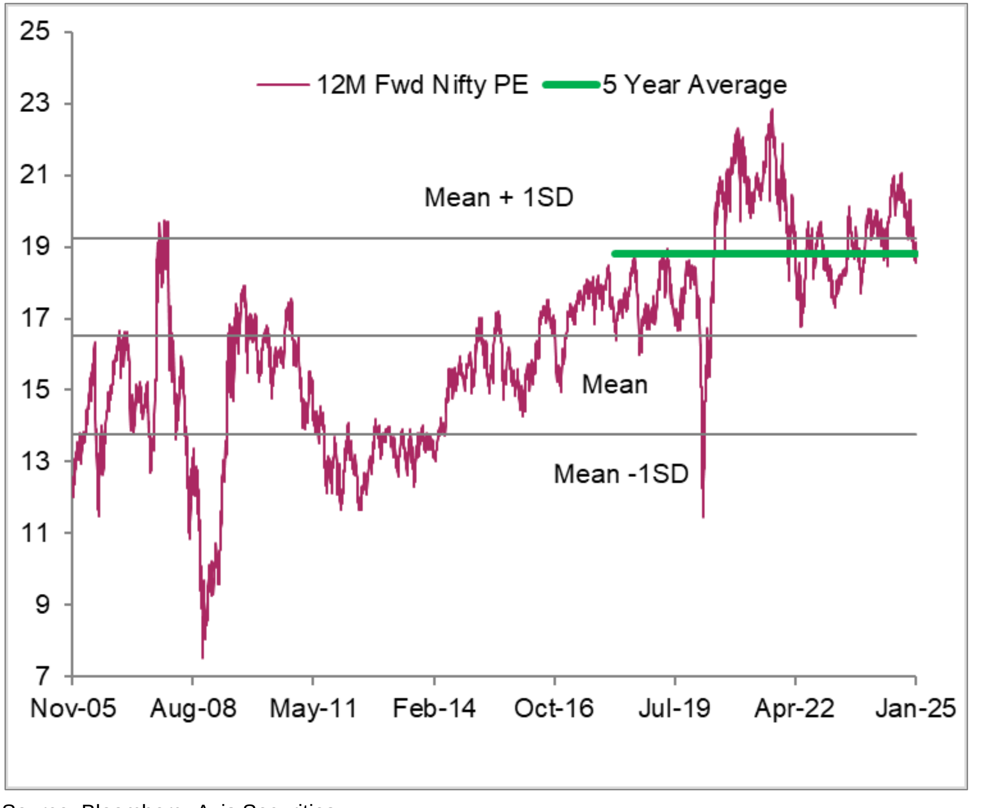


Source: Bloomberg, Axis Securities

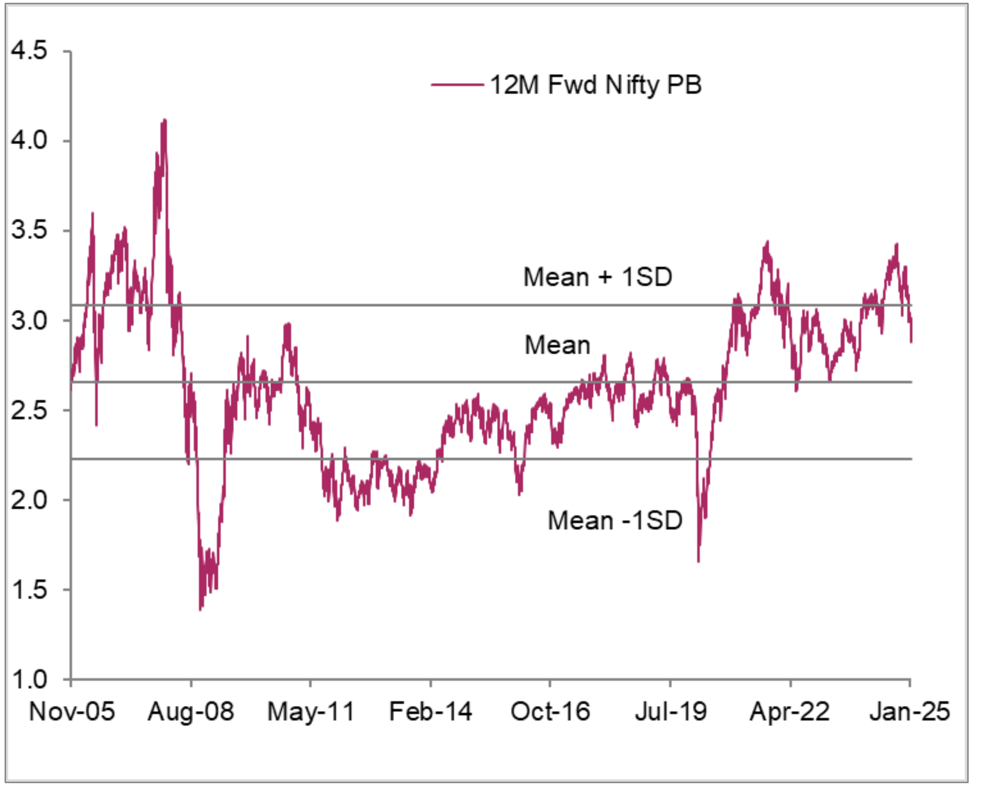
Market Valuations: 12M Fwd PE Now Trading at 19.1x

- NIFTY is currently trading at 19.1x on a 12M Fwd PE, which stands at 0.95std 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 at a 5-year average (18.8x), providing a good entry point for long-term investors.
- Style rotation and sector selection are keys to generating alpha as earning expectations from the broader market remain intact

Nifty 12M Fwd PE



Nifty 12M Fwd PB



Source: Bloomberg, Axis Securities

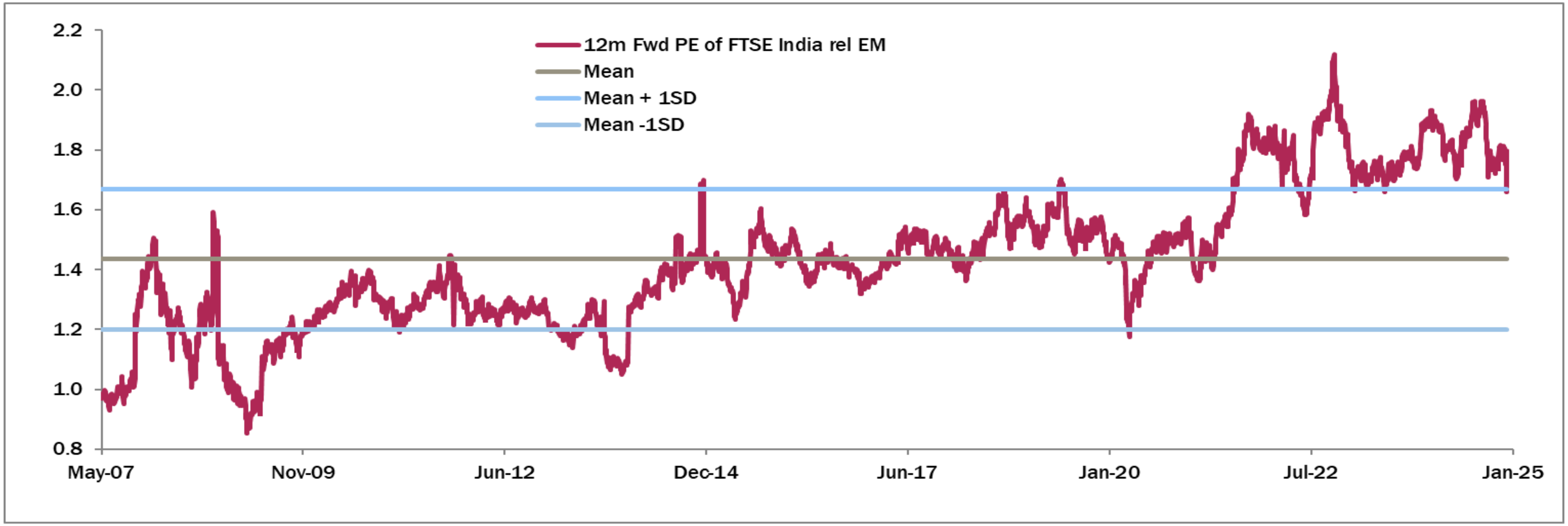
Valuation Correction in The Broader Index
Most of the sectors are in the Oversold zone as compared to the Sep’24 levels.

	12m fwd PE	Long term Avg	Valuation as on Sep'24	% down from Sep'24
IT	28.5	20.6	29.1	-2.0%
Banks	12.9	15.9	13.8	-6.9%
Energy	14.2	11.4	15.4	-7.7%
Infra	20.5	18.5	22.4	-8.2%
Nifty	**19.1**	**17.9**	**21.0**	**-9.2%**
Service sec	17.9	17.9	19.7	-9.4%
PSU Banks	6.7	10.1	7.4	-10.2%
Pharma	27.5	23.5	30.7	-10.3%
FMCG	37.1	32.9	42.4	-12.7%
Auto	21.6	18.7	25.8	-16.5%
Metal	13.3	10.9	16.0	-16.9%
Realty	34.9	25.8	45.4	-23.1%
Media	18.1	22.9	24.8	-27.0%

Source: Bloomberg, Axis Securities

Market Valuations: FTSE India rel. FTSE EM

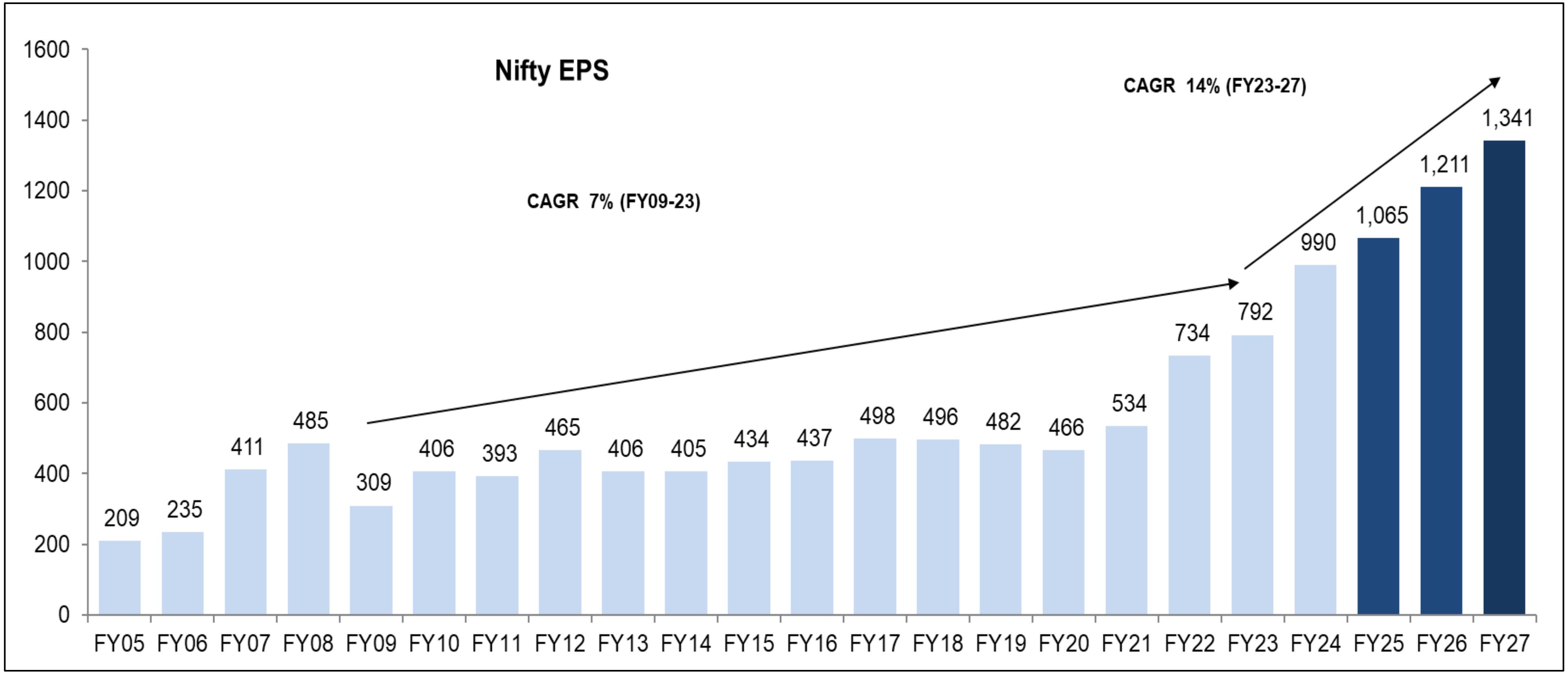
- Benchmark indices have corrected from all-time highs, and so have the valuations. FTSE India is now trading at a PE premium of 71% to the EM index (PE), vs. an average premium of 44%. During Sep’24, the Indian market traded at a 97% PE premium to EM, and now, after the correction, it is trading at a 70% premium, which looks attractive compared to the past.
- We believe the Indian equity market will continue to trade at a higher premium to EM in the next one year due to a) Robust economic growth relative to other EM countries, b) Strong earnings outlook for FY26, c) Robust demand across sectors, d) Banking sector in better shape, e) Private Capex cycle expectations, f) Better performance of the ruling party in state elections, and g) Consumption booster given in the Union Budget 2025-26.



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, the 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 will be achievable in the next 2-3 years. All eyes are now on the earning recovery in H2FY25, which will be driven by 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%**		

Source: Bloomberg, Axis Securities

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

A few interesting findings from our study: Sector-wise

- The last 4 quarters' cumulative net profit reached an all-time high in 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 now contribute 67% of the NSE 500's profitability.
- Loss-making sectors have turned positive after witnessing significant disruption by the pandemic.
- The telecom sector saw sequential improvement, up 25% MOM.

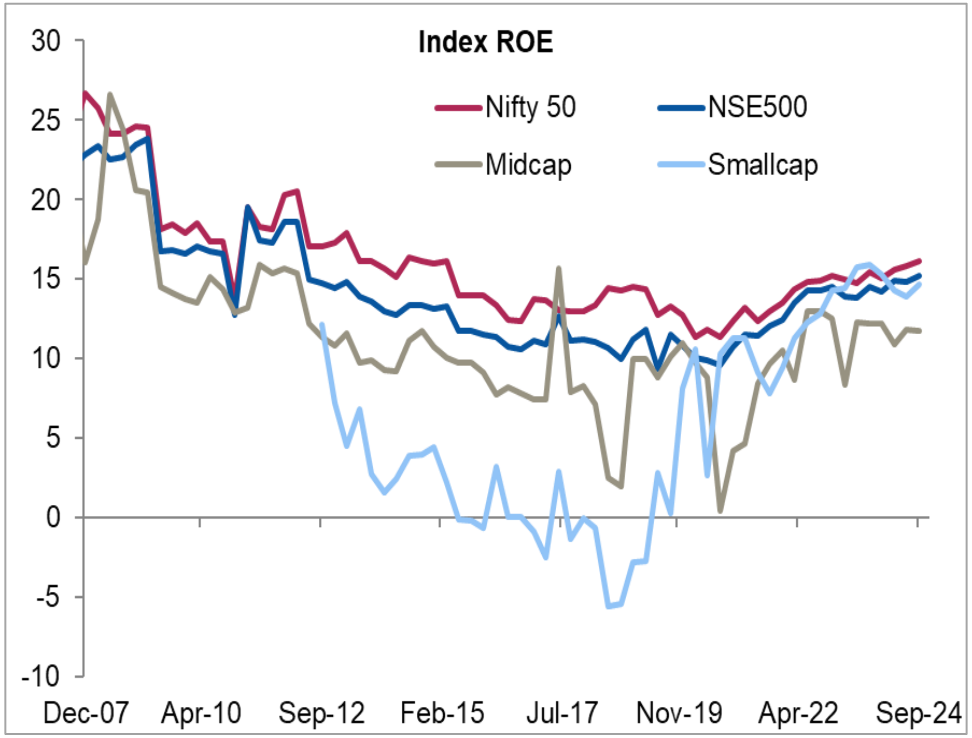
Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)

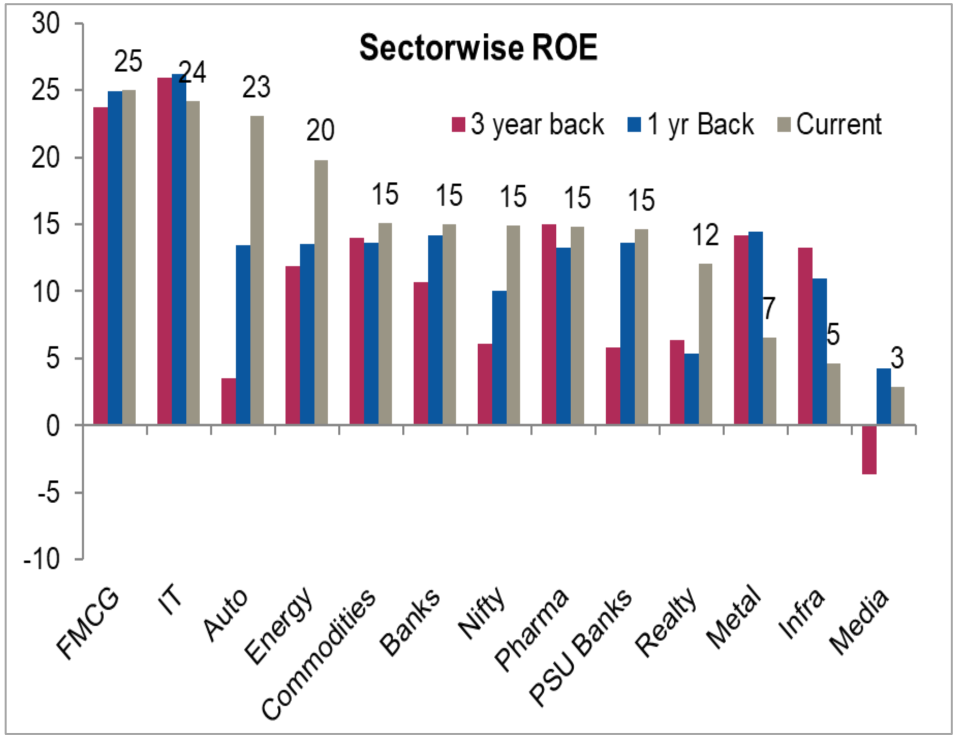
	Q2FY20	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Growth %
Auto & Anc.	36,212	40,331	42,081	45,088	43,028	49,650	57,353	64,029	68,426	70,977	72,525	2.18%
Staples	34,044	42,652	43,919	45,919	49,516	51,167	51,944	50,819	48,309	50,298	48,801	-2.98%
Discretionary	18,283	21,470	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 sectors in the last three years.

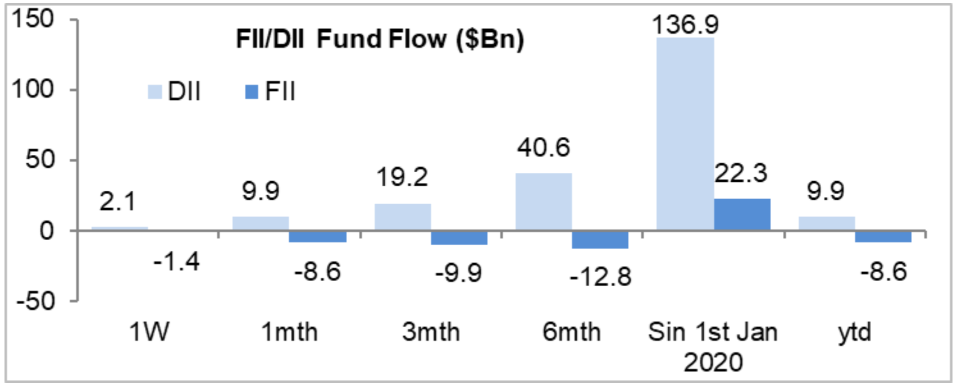


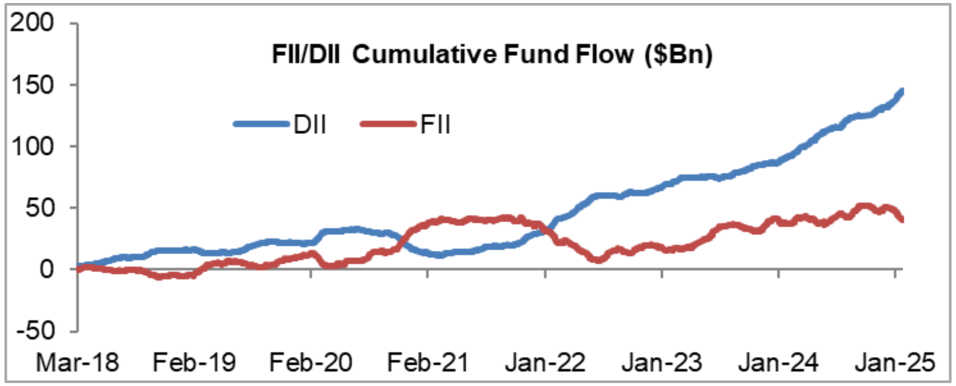


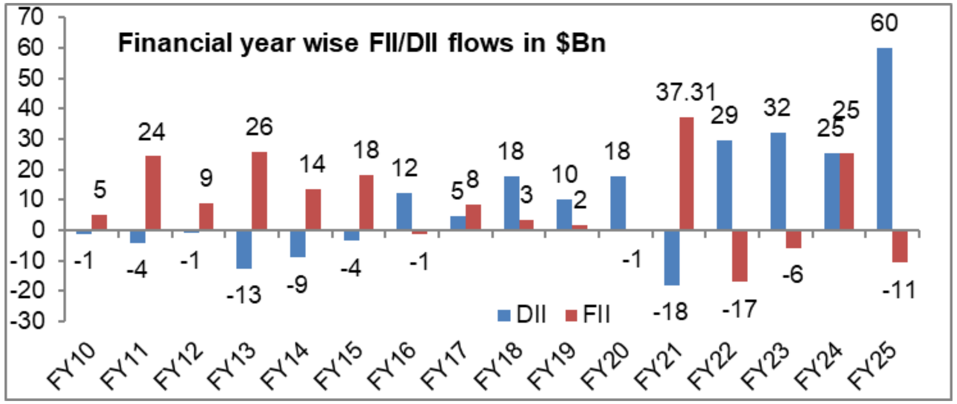
Source: Bloomberg, Axis Securities

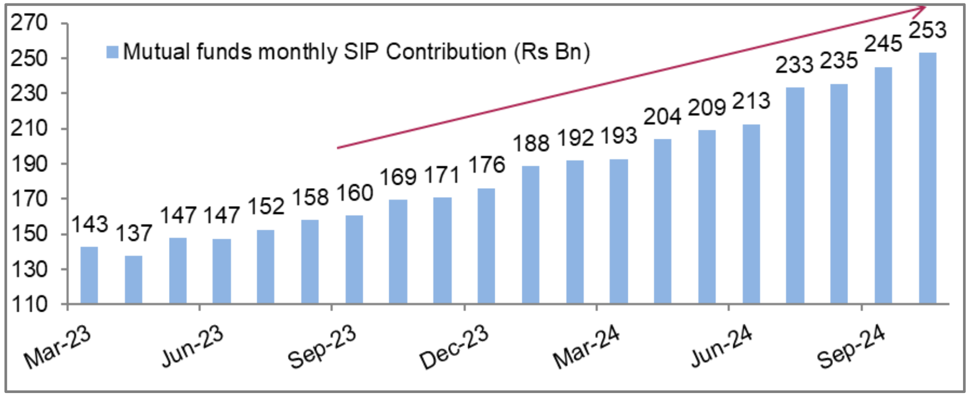
FIIs Pulled Out $11 Bn FYTD

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 $11 Bn, while DIIs have invested $60 Bn in the Indian equity market. Notably, mutual fund SIP contributions crossed 25,000 Cr for the first time in Oct'24.





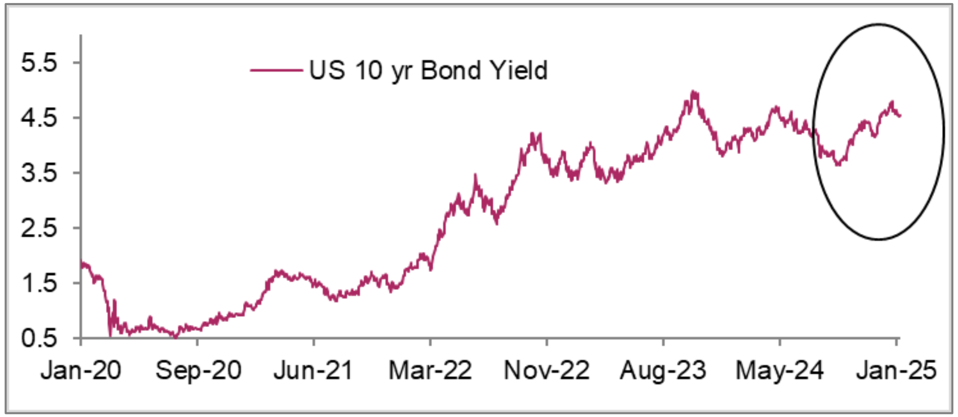


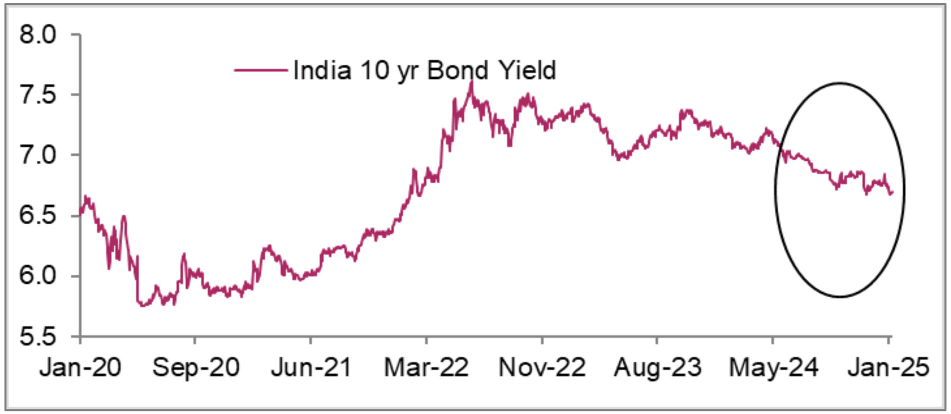


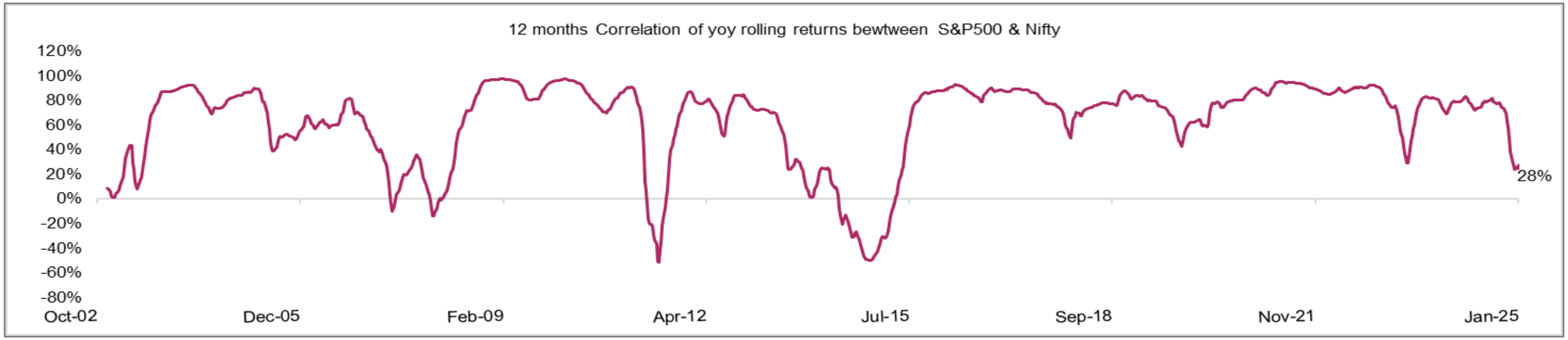
Source: Bloomberg, Axis Securities

Macro will Continue to Drive Near-term Market Fundamentals

- US bond yields saw some inch up in the last one month and crossed 4.5% in recent times. Further direction remains critical for the market.
- Indian bond yields were largely volatile in the last one month and saw a decline of 14-15 bps since the first week of Nov'24.
- The correlation between the Indian and US markets has now reduced to 28%, which is similar to 2022.







Source: Bloomberg, Axis Securities

Q3FY25 Earnings: Largely In Line with the Expectations

- **Performance against earnings expectations:** 69% of the companies were either in line or beat earnings expectations; 77% of companies were either in line or beat on the revenue front.
- **IT Sector:** Earnings from the IT sector were largely in line with expectations with some positive commentaries from the mid-tier IT names. Further recovery is expected in the upcoming quarters.
- **Banking sector:** In the banking sector, while credit growth remains robust, banks are facing challenges with deposit mobilization. Most banks have reported modest deposit growth, primarily driven by term deposits (TDs). Banks are focused on improving deposit accretion, with future credit growth expected to be largely deposit-led. Margin pressures have been noticeable during the quarter.
- **FMCG:** Moderation in volume growth, the revenue growth was mainly led by rural areas as it recovered and grew faster than urban growth.
- Earning growth is likely to be better in the consumption sector for FY26, led by a consumption boost given in the Union Budget. Urban focus sectors like Discretionary consumption, QSR, Retail, Travel and Tourism are better placed as compared to the past.

Q3FY25 Performance So Far

Beat results: Ultratech, BEL, Cipla
Missed results: L&T, BPCL, Indusind Bank, Tata Motor

Nifty Q3FY25	Earnings			EBITDA			Revenue		
Results Out	Beat	In Line	Miss	Beat	In Line	Miss	Beat	In Line	Miss
36	9	16	11	9	20	5	5	23	8

FY25 EPS

Key Upgrade: Cipla (5.9%), Wipro (4.4%), Shriram Finance (3.4%)
Key Downgrade: Coal India (-3.1%), L&T (-3%)

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
1,256

Target Price
1,500

Upside
19%

Key Rationale

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

Key Financials (Standalone)

Y/E Mar (RsBn)	NII (Rs Bn)	PPOP (Rs Bn)	PAT (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	743	581	409	58.2	315.1	4.0	2.4	0.4
FY25E	809	670	468	66.4	367.1	3.4	2.3	0.4
FY26E	920	759	516	73.2	429.7	2.9	2.2	0.4
FY27E	1,056	874	589	83.6	501.1	2.5	2.2	0.4

Source: Company, Axis Securities

Income Statement (Rs Bn)

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

Source: Company, Axis Research

Balance Sheet (Rs Bn)

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

Source: Company, Axis Research

Valuation Ratios (%)

Y/E March	FY24	FY25E	FY26E	FY27E
EPS	58.2	66.4	73.2	83.6
Earnings growth (%)	*27.5*	*14.0*	*10.2*	*14.3*
BVPS	339.4	392.4	455.7	528.1
Adj. BVPS	315.1	367.1	429.7	501.1
ROAA (%)	2.4	2.3	2.2	2.2
ROAE (%)	18.6	18.1	17.3	17.0
P/E (x)	21.5	18.9	17.1	15.0
P/ABV (x)	4.0	3.4	2.9	2.5
Dividend Yield (%)	0.8	1.1	0.9	1.0
PROFITABILITY & OPERATING EFFICIENCY				
NIM (%)	4.5	4.2	4.1	4.1
Cost/Avg. Asset Ratio (%)	2.3	2.1	2.1	2.0
Cost-Income Ratio (%)	40.2	38.9	38.7	38.2

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

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

Source: Company, Axis Research

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

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
766

Target Price
1,040

Upside
36%

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, and 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	1.9	1.0	0.6
FY25E	1,711	1,131	717	80.3	461.7	1.7	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)	11.2	9.5	8.8	8.0
P/ABV (x)	1.9	1.7	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 is the key player in the global beverage industry and the second largest franchisee of PepsiCo in the world (outside US) with operations spanning across 10 countries with franchise rights and additional 4 countries with distribution rights. The company accounts for ~90% of PepsiCo's beverage sales volume in India. India is the largest market and contributed ~79% of revenues from operations (net) in Fiscal 2023. VBL has also been granted the franchise for various PepsiCo products for the territories of Nepal, Sri Lanka, Morocco, Zambia, Zimbabwe, South Africa, Lesotho, Eswatini, DRC, Tanzania & Ghana and distribution rights for Namibia, Botswana, Mozambique and Madagascar.

Industry view

Equal Weight

CMP
561

Target Price
700

Upside
25%

Key Rationale

- **Consistent top /bottom line performance despite challenging environment -** VBL revenue/PAT grew 22%/45% CAGR over CY19-23 on account of scaling of new territories of west and south India which was acquired pre-covid and strong growth in international geographies. Moreover, expansion of its distribution reach to 4 Mn outlets as on Sep-24 from 3 Mn in CY22, expanding high-margin Sting energy drink across outlets coupled with increased focus on expansion of value-added Dairy, Sports drink (Gatorade), and Juice segment are some of the key growth drivers of the company
- **The commissioning of multiple greenfield and brown field manufacturing facilities will lead to strong foundation for future growth.** In last several years - CY23 company commissioned new production facilities at Bundi (Rajasthan) and at Jabalpur (Madhya Pradesh), as well as expanded capacity at six existing locations in Pathankot, Kosi, Bharuch, Tirunelveli, Begusarai and Guwahati. Moreover, in CY24 it commissioned new facilities in Gorakhpur (Uttar Pradesh), Khordha (Odisha) and additionally, it proposed to acquire 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. In Africa, it has commissioned CSD and packaged drinking water at production facility in Kinshasa, Democratic Republic of Congo. All these expansions have led to strong foundation for VBL for multiyear growth opportunities in India and Africa market.
- **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. 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**: VBL is poised to sustain its strong growth momentum, driven by several strategic factors: 1) The successful acquisition of BevCo, which strengthens its market presence in South Africa and DRC; 2) Expansion of its snacks portfolio beyond India, with a focus on markets such as Zimbabwe and Zambia; 3) A continued push to expand its distribution network, particularly in rural areas; 4) The commissioning of various greenfield and brownfield facilities, boosting manufacturing capacity and market coverage while optimizing transportation costs; and 5) The expansion of its high-margin Sting energy drink and a greater focus on value-added dairy products, sports drinks (Gatorade), and juice offerings. These initiatives are anticipated to underpin the company's long-term growth trajectory and enhance profitability. We expect the revenue/ EBITDA/ PAT to grow at 23%/27%/30% CAGR over CY23-26E.

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	34.5	21.4	30.3	25.4
CY24E	19,661	4,908	2,824	8.7	64.6	38.4	31.6	26.8
CY25E	23,967	6,044	3,637	11.2	50.2	31.0	30.9	27.8
CY26E	29,215	7,473	4,687	14.4	38.9	24.6	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)	34.5	64.6	50.2	38.9
PEG (x) - y-o-y growth	(1.1)	(1.4)	1.7	1.3
Price/Book (x)	10.5	20.4	15.5	11.7
EV/Net sales (x)	4.9	9.6	7.8	6.3
EV/EBITDA (x)	21.4	38.4	31.0	24.6

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
1,691

Target Price
2,000

Upside
18%

Key Rationale

- **Progressing well on LDR improvement; Growth momentum to resume from FY26:** In line with HDFCB's stance of improving LDR aggressively to pre-merger levels of mid-80%, the bank has been progressing well with deposit growth outpacing credit growth. In Q3FY25, LDR stood at 98.2% vs 99.8% QoQ. The management has reiterated its guidance of limiting growth to below systemic growth in FY25 to accelerate LDR improvement. FY26 growth will align with industry growth, gradually improving (outpacing industry growth) from FY27E onwards. We expect the bank's efforts to materialise with LDR dropping to ~87% by FY27E. HDFCB continues to calibrate growth, considering concerns about both credit quality and pricing (mainly in corporate lending). The bank is re-orienting itself amidst a challenging environment, preparing to resume its growth journey, and gaining market share as macros change. Additionally, the bank remains well-capitalized to steer strong growth. Thus, going into FY26, HDFCB expects growth, led by the retail segment, to pick up. **We expect HDFCB to deliver a healthy Credit/Deposit growth of ~12/18% CAGR over FY25-27E.**
- **Controlled Opex growth:** The management has indicated that the bank will pull back from investing in people, technology and distribution networks. However, Opex growth is expected to remain modest, with improving productivity driving Opex ratios, thereby partially supporting gradual RoA recovery. We expect the C-I Ratio to improve gradually and settle at <40% in FY27E
- **Best-in-Class Asset Quality Metrics:** HDFCB has maintained pristine asset quality across cycles, which can be credited to its strong underwriting practices and risk-calibrated lending. While slippages in Q3FY25 were marginally higher, led by seasonally high agri slippages, the management indicated that ex-agri, slippages have remained flat QoQ. The management also emphasised that asset quality metrics across segments remain best-in-class, and the bank is confident that these trends are sustaining. We do not expect any major asset quality challenges and believe credit costs are likely to be contained at ~50bps over the medium term.
- **Outlook & Valuation:** Supported by (i) Adequate levers to improve NIMs, (ii) Controlled Opex growth and improving productivity ensuring cost ratio moderation, and (iii) Pristine asset quality ensuring controlled credit costs should enable HDFCB to deliver an improving trend on return ratios. RoA/RoE is expected to range between 1.8-1.9%/14-15% over FY25-27E. **Faster improvements in LDR and NIM expansion remain key re-rating levers for the bank.**
- **Key risks:** a) Slowdown in overall credit momentum owing to the bank's inability to ensure deposit 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	1,219	996	668	87.8	637.2	2.7	1.8	0.4
FY26E	1,364	1,139	749	98.5	714.8	2.4	1.8	0.4
FY27E	1,580	1,348	892	117.3	807.6	2.1	1.9	0.4

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

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

Source: Company, Axis Research

Balance Sheet (Rs Bn)

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

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	80.0	87.8	98.5	117.3
Earnings Growth (%)	*1.3*	*9.7*	*12.1*	*19.1*
BVPS	579.5	651.4	731.2	826.4
Adj. BVPS	568.9	637.2	714.8	807.6
ROAA (%)	2.0	1.8	1.8	1.9
ROAE (%)	14.2	14.3	14.2	15.1
P/E (x)	21.1	19.3	17.2	14.4
P/ABV (x)	3.0	2.7	2.4	2.1
PROFITABILITY				
NIM (%)	3.8	3.4	3.5	3.5
Cost-Assets Ratio	2.1	1.8	1.8	1.8
Cost-Income Ratio	40.2	40.7	40.2	39.2

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

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

Source: Company, Axis Research

Bharti Airtel Ltd – HIGHEST ARPU IN THE INDUSTRY

Bharti Airtel (Airtel) 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
1,623

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	59.0	15.3	8.1	9.0
FY24	1,49,982	78,292	16,130	28.9	56.2	13.8	8.4	8.8
FY25E	1,74,926	90,526	22,245	38.9	41.7	16.0	9.6	8.0
FY26E	2,26,595	1,20,909	47,280	118.2	13.7	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
1,266

Target Price
1,650

Upside
30%

Key Rationale

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

Key Financials (Standalone)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	BV (Rs)	P/BV (x)	ROAA (%)	NNPA (%)
FY24	8,383	5,904	3,423	40.7	232.7	5.4	2.5	2.3
FY25E	11,241	8,131	4,125	49.1	277.9	4.6	2.3	2.4
FY26E	14,463	10,395	5,484	65.3	337.9	3.7	2.4	2.3
FY27E	18,200	12,965	6,811	81.1	412.5	3.1	2.4	2.2

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

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

Source: Company, Axis Research

Balance Sheet (Rs Cr)

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

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	40.7	49.1	65.3	81.1
Earnings Growth (%)	*25.6*	*20.5*	*32.9*	*24.2*
BVPS	232.7	277.9	337.9	412.5
Adj. BVPS	192.6	224.9	275.1	335.4
ROAA (%)	2.5	2.3	2.4	2.4
ROAE (%)	20.1	19.3	21.1	21.5
P/E (x)	31.1	25.8	19.4	15.6
P/BV (x)	5.4	4.6	3.7	3.1
PROFITABILITY				
NIM (%)	7.5	7.6	7.7	7.7
Cost-Assets Ratio	3.0	3.0	3.0	3.0
Cost-Income Ratio	40.9	40.0	39.7	39.9

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

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

Source: Company, Axis Research

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
1,694

Target Price
2,175

Upside
28%

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 Q3FY25 at 2.1$ Bn win during the quarter. 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 12 deals, Total 12 deals won during the quarter, with 7 from the services segment and 5 from the software business. The company anticipates signing mega deals in FY26 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%	25.7	25%	31%	15.1	52.0
FY25E	1,16,386	24,469	90.1	56%	22.6	27%	34%	14.3	53.0
FY26E	1,28,380	24,754	91.1	1%	20.2	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**	**1,16,386**	**1,28,380**
Other operating income	0%	0%	0%	0%
Total income	1,01,456	1,09,913	1,16,386	1,28,380
Total Expenditure				
Employee benefit expenses	55,280	62,480	66,775	73,818
Outsourcing cost	14,950	14,578	15,217	17,331
Other Costs	6,593	6,860	7,528	8,345
Total Cost	**78,828**	**85,715**	**89,520**	**99,494**
EBITDA	**22,628**	**24,198**	**26,867**	**28,885**
Other income	1,358	1,495	2,486	642
PBIDT	**23,986**	**25,693**	**29,353**	**29,527**
Depreciation	4,145	4,173	4,245	4,173
Interest & Fin Chg.	353	553	638	600
Pre-tax profit	**19,488**	**20,967**	**24,470**	**24,754**
Tax provision	4,643	5,257	0	0
Profit after Tax	**14,845**	**15,710**	**24,469**	**24,754**
Other Comprehensive Income	0	0	0	0
PAT after Comprehensive Income	**14,845**	**15,710**	**24,469**	**24,754**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E March	FY23A	FY24A	FY25E	FY26E
Total assets	**72,089**	**80,336**	**1,00,209**	**1,14,902**
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	23,707	27,146
Cash / Bank balance	25,506	15,453	29,368	41,680
Misc. Assets	-1	-1	-1	-1
Capital employed	**72,089**	**80,336**	**1,00,209**	**1,14,902**
Equity capital	543	543	543	543
Reserves	**64,863**	**67,039**	**84,351**	**1,01,865**
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	21,070	21,306
Cash profit	19,343	20,436	29,353	29,527
(-) Dividends	4,342	4,595	7,157	7,241
Retained earnings	15,001	15,841	22,195	22,286
Change in Oth. Reserves	-1,471	-7,652	-487	-380
Borrowings	59	-5	0	0
Others	-2,523	-553	-638	-600
0	0	0	0	0
Applications	11,066	7,631	21,070	21,306
Capital expenditure	5,793	8,991	6,418	6,418
Investments	1,793	757	798	841
Net current assets	-1,355	7,936	2,047	2,708
Change in cash	4,835	-10,053	13,915	12,313
Closing cash	**25,506**	**15,453**	**29,368**	**41,680**

Source: Company, Axis Research

Ratio Analysis (%)

Y/E March	FY23A	FY24A	FY25E	FY26E
Sales growth	18.5	8.3	5.9	10.3
	0%	0%	0%	0%
OPM	22.3	22.0	23.1	22.5
Oper. profit growth	10.2	6.9	11.0	7.5
COGS / Net sales	0.0	0.0	0.0	0.0
Depreciation / G. block	-1256.1	1731.5	-1761.5	-77.7
Effective interest rate (%)	11.4	17.0	19.6	18.4
Net wkg. cap / Net sales	9%	14%	21%	21%
Net sales / Gr block (x)	736%	796%	831%	904%
	0%	0%	0%	0%
RoCE	28%	30%	31%	26%
Debt/equity (x)	0	0	0	0
Effective tax rate	24	25	0	0
RoE	23%	23%	31%	25%
Payout ratio (Div/NP)	25	25	25	25
EPS (Rs.)	**55**	**58**	**90**	**91**
EPS Growth	10	6	56	1
CEPS (Rs.)	70	73	106	106
DPS (Rs.)	14	14	23	23

Source: Company, Axis Research

Hero Motocorp Ltd – Governments Rural Push to Support Future Volume Growth

Hero Motocorp Ltd (HMCL) is a dominant player in the Indian 2W industry. Motorcycles constitute the primary source of its revenue, contributing ~94% of total volumes, while scooters contribute 6% to its total volumes. Hero is primarily focused on the domestic market, with ~90% of its volumes originating from India. Entry-level motorcycles (75cc to 110cc) represent a significant portion of ~70% of overall volumes. The company operates six plants in India and two international plants in Colombia and Bangladesh. Hero boasts a domestic manufacturing capacity of 9.30 Mn units per annum and a Global capacity of 0.23 Mn units per annum.

Industry view

Over Weight

CMP
4,402

Target Price
5,250

Upside
19%

Key Rationale

- **Demand Outlook**: Hero Motocorp (Hero) witnessed 13% YoY growth in retail volumes during the festive season (a 32 day period) largely being driven by targeted marketing and effective inventory/product-mix planning. The management indicated strong demand post festive season and expects volume growth in medium term to be driven by the upcoming marriage period, rural recovery, and increased government spending.
- **EBITDA Margins:** The company aims to maintain the margins between 14-16% in the medium term led by richer product mix, product premiumization, lower material costs and operational efficiencies in the EV segment.
- **New Product Launches:** The new product launches in H2FY25 and FY26 – both at the entry level and the premium segment (Xpulse 210, Xtreme 250R and Karizma XMR250) will help expand product portfolio. The management also aims at expanding EV models across all price points, over the next few quarters. The company has invested Rs 175 Cr in the EV business for Q2FY25 and expects to receive PLI benefits in FY26.

  Exports: In Q2 Hero's global business grew by 30% YoY in volumes, while the industry grew 16% YoY. The company's export market share was 6.1%, with Colombia having it's first profitable quarter with a positive EBITDA and cash flow. Mexico and Latin American countries are showing steady demand.
- **Union Governments Budgetary Push to Support Rural/ Urban Middle-class Income:** (1) No Income Tax upto 12 lakh (12.75 lakh for salaried individuals) and revised tax slabs (0-30%): This will give higher disposable income, boost middle class spending on discretionary items. (2) The budget's focus on Rural Development and Agriculture & Allied Activities with schemes like – PM Dhan Dhaanya Krishi Yojna which aims to cover 100 districts and likely help 1.7Cr farmers; facilitating short term credit loans to 7.7 Cr farmers through KCC; Mission for Cotton Productivity and National Mission on High Yielding Seeds – all these indirectly bodes well for the entry-level 2Ws where Hero is a dominant player.
- **Valuation & Outlook:** We monitor (1) Hero's roadmap in the EV product portfolio – investments in Ather, ramp up of VIDA, launch of new affordable product range over next few quarters. (2) Strategy in the mid-weight MC segment amidst the landscape of increasing competition (3) Expansion into new international geographies. Further normal monsoons, a government push to improve rural income, and the marriage season are expected to foster 2W industry growth and benefit Hero specifically in the entry and 125cc segments. Consequently, an 8%/8.5%/10% CAGR in Revenue/EBITDA/PAT over FY24-27E is estimated.
- **Key risks:** a) Macro Economic Uncertainty, b) Increased competition Intensity.

Key Financials (Standalone)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY24A	37,456	5,261	4,127	198	22.9	21.7	22.1	17.8
FY25E	40,702	5,827	4,538	227	19.4	21.9	22.3	15.0
FY26E	43,799	6,274	4,944	247	17.8	21.7	22.1	13.6
FY27E	47,400	6,722	5,279	264	16.7	21.0	21.3	12.3

Source: Company, Axis Securities Research

Profit & Loss (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
Net revenues	**37,456**	**40,702**	**43,799**	**47,400**
Operating expenses	32,194	34,875	37,525	40,678
EBIDTA	**5,261**	**5,827**	**6,274**	**6,722**
EBIDTA margin (%)	**14.0**	**14.3**	**14.3**	**14.2**
Other income	886	1,054	1,111	1,111
Interest	19	19	19	20
Depreciation	711	776	774	774
Profit Before Tax	5,418	6,086	6,592	7,039
Tax	1,290	1,450	1,648	1,760
Reported Net Profit	**3,968**	**4,637**	**4,944**	**5,279**
Net Margin (%)	10.6	11.4	11.3	11.1
Adjusted Net Profit	**4,127**	**4,538**	**4,944**	**5,279**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
Equity capital	40	40	40	40
Reserves & surplus	17,946	19,884	22,130	24,710
Shareholders funds	17,986	19,924	22,170	24,750
Total Loans	0	0	0	0
Deferred tax liability	435	435	435	435
Total Liabilities and Equity	**18,421**	**20,359**	**22,605**	**25,185**
Gross block	12,465	13,445	14,195	14,695
Depreciation	6,631	7,406	8,180	8,954
Net block	5,834	6,039	6,015	5,741
Capital WIP	481	500	250	250
Investments	13,086	13,486	13,886	14,286
Inventory	1,444	1,673	1,680	1,818
Debtors	2,703	3,234	3,360	3,636
Cash & Bank Bal	609	429	2,784	5,171
Loans & Advances	1,415	2,085	1,771	1,879
Current Assets	6,171	7,421	9,596	12,504
Sundry Creditors	5,528	5,464	5,520	5,974
Other Current Liability	1,622	1,622	1,622	1,622
Current Liability& Provisions	7,151	7,087	7,142	7,596
Net current assets	-980	334	2,453	4,908
Total Assets	**18,421**	**20,359**	**22,605**	**25,185**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
EBIT	4,550	5,051	5,500	5,948
Other Income	886	1,054	1,111	1,111
Depreciation & Amortisation	711	776	774	774
Interest paid(-)	-19	-19	-19	-20
Tax paid(-)	-1,290	-1,450	-1,648	-1,760
Extra Ord Income	-159	0	0	0
Operating Cash Flow	**4,679**	**5,412**	**5,718**	**6,053**
Change in Working Capital	1,118	-1,494	237	-69
Cash flow from Operations	**5,797**	**3,918**	**5,954**	**5,985**
Capex	-801	-1,000	-500	-500
Strategic Investment	0	0	0	0
Non Strategic Investment	-2,076	-400	-400	-400
Cash flow from Investing	**-2,876**	**-1,400**	**-900**	**-900**
Change in borrowing	0	0	0	0
Others	41	-0	0	0
Dividends paid(-)	-2,699	-2,699	-2,699	-2,699
Cashflow from Financial Activities	**-2,657**	**-2,699**	**-2,699**	**-2,699**
Change in Cash	263	-180	2,356	2,386
Opening cash	346	609	429	2,784
Closing Cash	**609**	**429**	**2,784**	**5,171**

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY24A	FY25E	FY26E	FY27E
Revenue Growth	10.8	8.7	7.6	8.2
EBITDA Margin	14.0	14.3	14.3	14.2
Net Profit Margin	11.0	11.1	11.3	11.1
ROCE (%)	21.7	21.9	21.7	21.0
ROE (%)	22.1	22.3	22.1	21.3
EPS(Rs)	198	227	247	264
P/E (x)	22.9	19.4	17.8	16.7
P/ BV (x)	5.3	4.4	4.0	3.6
EV/ EBITDA (x)	17.8	15.0	13.6	12.3
Fixed Assets Turnover Ratio (x)	5.9	6.2	7.0	7.9
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	2.5	2.2	1.9	1.7

Source: Axis Securities Research

Trent ltd – INDIA'S FAST FASHION RETAILER

As part of the Tata Group, Trent primarily operates stores across five concepts – Westside, Zudio, Star, Landmark and Utsa. Trent's flagship concept – Westside offer branded fashion apparel, footwear and accessories for women, men and children, along with a wide range of home furnishings & decor. Trent's value fashion concept- Zudio offers fashion at irresistible prices for men, women and children. Exclusive fashion is curated in-house and made available at very sharp price points. Other formats include Star Bazaar (Hypermarket and supermarket store chain), Landmark (offers a curated range of toys, front list books, stationery and sports merchandise, it also operates Zara and Booker stores in India as a subsidiary.

Industry view

Equal Weight

CMP
6190

Target Price
7450

Upside
20%

Key Rationale

- **Leading with Distinction:** Trent posted strong Q2FY25 results, with revenue up 39.6% YoY to Rs4,036 crore and EBITDA rising 39% YoY at stable EBITDA margins of 15.9%, strong performance likely to continue in Q3FY25 despite a challenging environment. Trent's differentiated model, focus on private labels, efficient store economics, and rapid inventory turnaround continues to outperform peers. With consistent leadership in key metrics like revenue per store and margins, Trent is well-positioned for sustained growth driven by quality offerings and strategic expansion.
- **Zudio: Fast fashion revolutionized-** Zudio has been the key growth driver for Trent in last couple of years led by its fast fashion proposition targeting college students by providing affordable yet trendy apparel, drive high footfall, moreover its clusture approach provides huge economies of scale. The brand's distinct appeal ensures its growing dominance in the fast fashion segment.
- **Extensive retail network-** Trent operates an extensive store network comprising 226 Westside stores, 577 Zudio stores, and 74 Star stores as on Sep-24 demonstrating the company's commitment to reaching a broad customer base across diverse retail segments.
- **Strong outlook:** We expect strong sales growth to continue in the coming quarters, driven by Trent's focus on rapid store expansion and ongoing assortment renewal, which should result in increased overall footfall. Additionally, the improvement in the earnings profile across all formats, the reduction in losses at Star Bazaar, and the enhanced traction at the Inditex JV are positive indicators for the company. In recent years, Trent has adopted a Trent playbook to Star Business led by private label is auguring well for the company and is likely to be the key growth driver for the company in coming years, further its geographical expansion in in UAE, launching of Zudio Beauty and recent initiative of entering into fast growing LGD Jewellery will be key growth driver in the long run. Based on above thesis we continue to remain positive on Trent on a mid to long term basis.

Key Financials (Standalone)

Y/E Dec (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)
FY24	11,927	1,927	1,436	40.4	245.2	24.8	11,927
FY25E	16,173	2,648	1,598	44.9	137.0	23.9	16,173
FY26E	20,012	3,473	2,150	60.5	101.8	25.4	20,012
FY27E	23,914	4,197	2,629	73.9	83.2	24.6	23,914

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	**11,927**	**16,173**	**20,012**	**23,914**
Growth, %	54.6	35.6	23.7	19.5
Other operating income	-	-	-	-
Total income	11,927	16,173	20,012	23,914
Raw material expenses	(6,541)	(8,830)	(10,772)	(12,819)
Employee expenses	(938)	(1,219)	(1,500)	(1,800)
Other Operating expenses	(2,521)	(3,475)	(4,266)	(5,098)
EBITDA (Core)	**1,927**	**2,648**	**3,473**	**4,197**
Growth, %	72.2	37.4	31.2	20.8
Margin, %	16.2	16.4	17.4	17.6
Depreciation	(639)	(736)	(840)	(944)
EBIT	**1,288**	**1,912**	**2,634**	**3,254**
Growth, %	96.4	48.4	37.7	23.5
Margin, %	10.8	11.8	13.2	13.6
Other Income	351	386	425	467
Non-recurring Items	543	-	-	-
Pre-tax profit	**1,873**	**2,159**	**2,905**	**3,552**
Tax provided	(438)	(561)	(755)	(924)
Profit after tax	**1,436**	**1,598**	**2,150**	**2,629**
Growth, %	60.9	79.0	34.6	22.3
Unadj. shares (Cr)	36	36	36	36
Wtdavg shares (Cr)	36	36	36	36

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	286	1,728	3,825	6,499
Debtors	79	107	132	158
Inventory	1,565	2,122	2,626	3,138
Loans & advances	-	-	-	-
Other current assets	408	408	408	408
Total current assets	2,957	4,985	7,610	10,822
Investments	1,282	1,282	1,282	1,282
Gross fixed assets	3,283	3,768	4,286	4,803
Less: Depreciation	(883)	(1,619)	(2,459)	(3,402)
Add: Capital WIP	161	161	161	161
Net fixed assets	2,562	2,311	1,989	1,563
Non-current assets	657	657	657	657
Total assets	**7,429**	**9,206**	**11,509**	**14,295**
Current liabilities	913	1,181	1,423	1,670
Provisions	-	-	-	-
Total current liabilities	913	1,181	1,423	1,670
Non-current liabilities	2,068	2,068	2,068	2,068
Total liabilities	2,982	3,250	3,492	3,738
Paid-up capital	36	36	36	36
Reserves & surplus	4,412	5,920	7,981	10,521
Shareholders' equity	4,447	5,956	8,017	10,557
Total equity & liabilities	**7,429**	**9,206**	**11,509**	**14,295**

Source: Company, Axis Research

Cashflow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,873	2,159	2,905	3,552
Depreciation	639	736	840	944
Chg in working capital	(275)	(317)	(287)	(292)
Total tax paid	(410)	(561)	(755)	(924)
Cash flow from operating activities	**1,827**	**2,016**	**2,703**	**3,281**
Capital expenditure	1,207	(485)	(518)	(518)
Chg in marketable securities	(164)	-	-	-
Cash flow from investing activities	**953**	**(485)**	**(518)**	**(518)**
Free cash flow	2,780	1,531	2,185	2,763
Equity raised/(repaid)	-	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	**(2,504)**	**-**	**-**	**-**
Net chg in cash	276	1,531	2,185	2,763
Opening cash balance	79	286	1,728	3,825
Closing cash balance	286	1,728	3,825	6,499

Source: Company, Axis Research

Ratios (%)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	40.4	44.9	60.5	73.9
Growth, %	60.9	79.0	34.6	22.3
Book NAV/share (INR)	125.1	167.5	225.5	297.0
FDEPS (INR)	25.1	44.9	60.5	73.9
CEPS (INR)	27.8	65.6	84.1	100.5
CFPS (INR)	46.0	45.9	64.1	79.1
DPS (INR)	-	-	-	-
Return ratios				
Return on assets (%)	22.2	20.9	22.2	21.7
Return on equity (%)	20.1	26.8	26.8	24.9
Return on capital employed (%)	24.8	23.9	25.4	24.6
Turnover ratios				
Asset turnover (x)	2.7	4.5	5.6	6.8
Sales/Total assets (x)	1.5	1.9	1.9	1.9
Sales/Net FA (x)	3.4	6.6	9.3	13.5
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	2.4	2.4	2.4	2.4
Inventory days	47.9	47.9	47.9	47.9
Payable days	27.5	27.5	27.9	27.9
Working capital days	34.8	32.8	31.8	31.0
Liquidity ratios				
Current ratio (x)	3.2	4.2	5.3	6.5
Quick ratio (x)	1.5	2.4	3.5	4.6
Interest cover (x)	4.2	13.7	17.2	19.3
Total debt/Equity (x)	0.4	0.3	0.2	0.2
Valuation				
PER (x)	245.2	137.0	101.8	83.2
PEG (x) - y-o-y growth	4.0	1.7	2.9	3.7
Price/Book (x)	49.2	36.7	27.3	20.7
EV/Net sales (x)	18.4	13.5	10.8	8.9
EV/EBITDA (x)	114.1	82.5	62.3	50.9
EV/EBIT (x)	170.6	114.2	82.1	65.6

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
2,056

Target Price
2,600

Upside
26%

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 36.4x and 30.9x 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	56.1	25.0	13.3
FY25E	21,352	4,804	2,950	64.7	36.4	19.3	17.3
FY26E	25,678	5,508	3,475	76.3	30.9	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**

Source: Company, Axis Research

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

Max Healthcare Institute Limited – LEADER IN CHARGE

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

Industry view

Equal Weight

CMP
1,108

Target Price
1,315

Upside
19%

Key Rationale

- **Q3FY24 Performance:** Max Healthcare reported revenue of Rs 2,281 Cr, exceeding expectations, driven by a marginal drop in occupancies and steady ARPOB, aided by new hospitals. ARPOB stood at Rs 75,900, remaining flat YoY, while occupancy improved to 75%, up 200 bps YoY (like-to-like basis), supported by an 8% YoY growth in occupied bed days. The company's topline grew by 34% YoY, with strong contributions from both mature and developing hospitals. EBITDA margins stood at 26.3%, down slightly by 136 bps YoY but showing a sequential improvement of 65 bps. Adjusted PAT was Rs 390 Cr, reflecting a 15% YoY growth driven by operational efficiencies and cost control.
- **New Expansion Plans:** Expansions of Network: The company plans to add 3,500 beds to its network over the next three years, which is 70% of its existing capacity. Moreover, 80% of these beds will come through brownfield expansions. MAX also focuses on value investing and has recently acquired a hospital chain from Jaypee Healthcare, which includes 800 capacity beds, to increase footfalls in the Noida region strategically. A newly added facility, a 300-bed hospital in Dwarka, currently has an occupancy rate of around 45% and is expected to break even within the next 12 months. Additionally, Max has announced its expansion, with 500 new beds planned in Thane under an asset-light model in Q3FY25. It has also increased capacity at its upcoming Mohali Zirakpur facility to 400 beds from 250 beds.
- **Margins**: Max has shown impressive growth in both EBITDA and its EBITDA margin over recent years, reflecting strong operational efficiency. EBITDA has grown significantly from Rs 332 Cr in FY21 to Rs 1,806 Cr in FY24, demonstrating consistent expansion in core operational performance. Alongside this growth, the EBITDA margin has also improved, rising from 9.2% to 26.5% over the same period. Looking ahead, we expect these margins to remain stable in the range of 27-28%, as new incremental beds from brownfield expansions will take some time to become operationally profitable.
- **Outlook & Valuation:** Max Healthcare's revenue mix remains well-balanced, with continued growth in institutional and international patient segments. The recent increase in institutional business share is expected to stabilise as higher-value payer segments expand. The short-term margin impact from new hospital ramp-ups should gradually ease as these facilities scale operations. Lucknow and Nagpur are expected to see further profitability expansion, supported by higher occupancy rates and the introduction of new clinical programs.
- **Valuation:** We value the stock at a Multiple of 35x EV/EBITDA FY27E.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (%)	ROE (%)	ROCE (%)
FY24	6,815	1,806	1,279	13.2	79	56	11	13.8
FY25E	8,868	2,368	1,528	15.7	66	43	9	14.1
FY26E	10,951	2,946	1,914	19.7	53	35	8	15.0

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

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

Source: Company, Axis Research

Balance Sheet (Rs Cr)

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

Cash Flow (Rs Cr)

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

Source: Company, Axis Research

Ratio Analysis (%)

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

Source: Company, Axis Research

THE INDIAN Hotels Ltd – RIDING THE UPCYCLE

The Indian Hotels Limited (IHCL) is South Asia's largest hospitality company, with over 120 years of industry leadership. Renowned for its exclusive properties and the concept of 'Tajness,' IHCL is committed to innovation and growth through an asset-light approach, enabling the expansion of its portfolio and room supply to meet rising demand in the leisure and MICE segments.

Industry view

Over Weight

CMP
801

Target Price
950

Upside
19%

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:** Standalone domestic business shows encouraging growth: The standalone domestic business reported a growth of 15.1% YoY. Standalone ARR (Average Room Rate) increased to Rs 20,440 (+12.9% YoY), with occupancy reaching 78%, an improvement of 100bps YoY. This resulted in standalone RevPAR growth of 14.7% YoY, primarily driven by growth in the F&B segment. In comparison, the USA reported revenue growth of 20% YoY, showing strength, whereas the UK showed muted growth of 1%. EBITDA margins for the US and UK were 13.5% and 26.2%, respectively. Ginger reported strong revenue growth of 40%, with 45% EBITDA margins for Q3FY25
- **Margins:** EBITDA margins for the US and UK were 13.5% and 26.2%, respectively. Ginger reported strong revenue growth of 40%, with 45% EBITDA margins for Q3FY25. Overall, subsidiaries are also improving their margins. Comparing 9MFY25 to 9MFY24, subsidiaries reported ~22% EBITDA margins, an improvement of 510bps (16.9% in 9MFY24), driven by robust growth in the new business, Ginger, and a gradual recovery in U.S. subsidiaries. Furthermore, we anticipate that the US business will continue the momentum and boost its margins.
- **Expansion plans:** IHCL signed 55 new hotels and opened 20 between Apr'24 and Dec'24. The total portfolio now stands at 360 hotels, with an industry-leading pipeline of 123 hotels. The company is on track to achieve its target of 25 hotel openings in FY25, with plans to open 30 hotels in FY26
- **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 Lc 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 forthcoming quarters. The leisure segment is already driving business in the hotel industry, leading us to believe that the factors above will benefit the Indian hotel sector in the coming quarters.
- **Valuation:** As per impressive revenue growth and excellent performance, we value the stock at EV/EBITDA 40x for FY27E earnings
- **Key risks:** a) Economic slowdown, b) Negative operating leverage, c) Delay in Commissioning

Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	P/B (x)	ROE (%)
FY23	5,810	1,805	1,053	7	108	64	14	13
FY24	6,769	2,156	1,330	9	86	53	12	14
FY25E	8,246	2,678	1,793	13	63	42	10	16
FY26E	9,143	3,034	2,107	15	54	37	9	16

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

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

Source: Company, Axis Research

Balance Sheet (Rs Cr)

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

Source: Company, Axis Research

Cash Flow (Rs Cr)

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

Source: Company, Axis Research

Ratio Analysis (%)

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

Source: Company, Axis Research

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

Dalmia Bharat 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
1,827

Target Price
2,040

Upside
12%

Key Rationale

- **Capacity expansion to sustain growth:** The company's total cement grinding capacity is projected to rise to 49.5 mtpa by FY25E from the current 46.6 mtpa, which will support its volume growth going forward. With the current capacity utilisation at 58%, the company has substantial scope to increase its utilisation levels. The company is expected to achieve a volume growth of 7.5% CAGR over FY24-26E, driven by this capacity expansion and improved utilisation.
- **Efficient operations with a focus on reducing costs further:** DBL's integrated operations, superior cement/clinker ratio, introduction of Portland composite cement, 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 increased from 46% to 55%, and by FY27-28, it is expected to rise further to 65%-70%. With the growing pace of consolidation and capacity expansion by top players, their overall market share is set to increase further. This trend will positively influence cement pricing, economies of scale, and supply chain efficiency. The company, being among the top 5 players in the country, is well-positioned to benefit from this consolidation 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 7%/5%/8%/13% over FY24-FY26E.
- **Valuation**: The stock is currently trading at 13x and 11x FY25E/FY26E EV/EBITDA and EV/tonne of $85 and $81. 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	14,427	2,391	672	30	60	14	4%	7
FY26E	16,279	3,083	1,062	57	31	11	6%	8

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Net sales	13,540	14,680	14,427	16,279
Other operating income	0	0	0	0
Total income	13,540	14,680	14,427	16,279
Raw Material	1,981	2,703	2,403	2,643
Power & Fuel	3,679	3,116	3,069	3,345
Freight & Forwarding	2,802	3,203	3,369	3,706
Employee benefit expenses	771	871	893	947
Other Expenses	1,991	2,159	2,302	2,555
EBITDA	**2,316**	**2,628**	**2,391**	**3,083**
Other income	138	326	240	244
PBIDT	2,454	2,954	2,631	3,327
Depreciation	1,305	1,498	1,357	1,530
Interest & Fin Chg.	234	386	390	359
E/o income / (Expense)	-	-	-	-
Pre-tax profit	915	1,070	884	1,439
Tax provision	242	216	195	360
RPAT	673	854	689	1,079
Minority Interests	44	27	17	17
Associates	554	-	-	-
APAT after EO item	**1,035**	**827**	**672**	**1,062**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Total assets	25,543	27,749	28,310	29,494
Net Block	16,467	17,855	19,110	20,023
CWIP	1,859	2,284	2,284	2,284
Investments	587	588	588	588
Wkg. cap. (excl cash)	881	738	726	822
Cash / Bank balance	285	582	426	477
Misc. Assets	5,464	5,702	5,176	5,300
Capital employed	25,543	27,749	28,310	29,494
Equity capital	37	38	38	38
Reserves	15,591	16,359	16,824	17,793
Minority Interests	116	110	127	144
Borrowings	3,742	4,630	4,708	4,782
Def Tax Liabilities	1,634	1,795	1,795	1,795
Other Liabilities and Provision	4,423	4,817	4,818	4,942

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Profit before tax	1,321	1,069	771	1,439
Depreciation	1,305	1,498	1,357	1,530
Interest Expenses	231	386	390	359
Non-operating/ EO item	-95	-304	-240	-244
Change in W/C	-77	46	12	-96
Income Tax	-14	-54	-195	-360
Operating Cash Flow	2,252	2,635	2,095	2,627
Capital Expenditure	-2,709	-2,827	-2,885	-2,442
Investments	329	-570	500	-
Others	87	47	240	244
Investing Cash Flow	-2,326	-2,750	-2,145	-2,198
Borrowings	-677	1,099	378	74
Interest Expenses	-297	-439	-390	-359
Dividend paid	-169	-169	-94	-94
Others	-33	-13	-	-
Financing Cash Flow	-118	48	-11	-38
Change in Cash	94	107	-156	51
Opening Cash	140	234	341	185
Closing Cash	234	341	185	236

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY23	FY24E	FY25E	FY26E
Operational Ratios				
Sales growth	20%	8%	-2%	13%
OPM	17%	18%	17%	19%
Op. profit growth	-5%	13%	-9%	29%
COGS / Net sales	62%	61%	61%	60%
Overheads/Net sales	20%	21%	22%	22%
Depreciation / G. block	5.3%	5.6%	4.6%	4.7%
Effective interest rate	6.3%	8.3%	8.3%	7.5%
Efficiency Ratios				
Total Asset Turnover (x)	0.53	0.53	0.51	0.55
Sales/Gross block (x)	0.55	0.54	0.48	0.50
Sales/Net block(x)	0.82	0.82	0.75	0.81
Working capital/Sales (x)	0.20	0.21	0.15	0.13
Valuation Ratios				
P/BV (x)	2.17	2.02	1.96	1.86
PER (x)	33	40	60	31
EV/Ebitda (x)	15.0	12.8	14.4	11.2
EV/Sales (x)	2.6	2.3	2.4	2.1
EV/Tonne $ (x)	110	92	85	85

Source: Company, Axis Research

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

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
1,432

Target Price
1,820

Upside
27%

Key Rationale

- **Launches in Q4FY25**: The management has guided for pre-sales of approximately Rs 24,000 Cr for the financial year, assuming all expected launches proceed as planned. In 9MFY25, the company achieved pre-sales of around Rs 10,000 Cr. Management remains confident in meeting its guidance, contingent on the successful launch of major projects in the remaining quarter, including Prestige Southern Star, Prestige City-Indirapuram, Pallava Gardens, Prestige Suncrest, and Prestige Nautilus. These launches were delayed due to regulatory and approval issues, but the company has received RERA numbers for some projects and expects approvals for the remaining soon. The upcoming launches have a Gross Development Value (GDV) of Rs 30,000 Cr, potentially driving pre-sales of approximately Rs 20,000 Cr, aligning with management's guidance and offering potential upside. However, any further delays in launches could result in a slight shortfall in pre-sales estimates for FY25.
- **Healthy Bookings Run-rate**: Despite the absence of substantial launches this quarter, the company achieved sales of Rs 3,013 Cr (Rs 2,947 Cr attributable to PEPL), demonstrating its ability to drive sales from ongoing inventory. Management remains confident in the demand for its products and anticipates ~30% sales on launch for upcoming projects. This is expected to support its booking guidance and indicates a strong runway for future project acquisitions.
- **Annuity Strength:** While the company is facing issues with residential launches, it is performing well on its annuity front. It has launched 3 new projects in this quarter with a total developable area of 2.2 mn sqft (Commercial 0.28, Retail 1.27, and Hospitality 0.65). The company has maintained its exit rentals guidance of Rs 719 Cr for FY25 and is aiming for exit rentals of Rs 3,312 Cr by FY28 for its commercial portfolio. It has also achieved approximately 90% occupancy on its annuity projects. Similarly, for retail projects, the company has maintained its guidance of Rs 217 Cr by FY25 and exit rentals of Rs 991 Cr by FY28. Currently, its retail spaces enjoy a 99.2% occupancy.
- **Outlook & Valuation**: We maintain a BUY recommendation on Prestige Estates. Based on our DCF and NAV premium valuation method.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	Net Debt/Equity (%)	EV/EBITDA (X)
FY24	7,877	2,498	13,741	34.3	39.8	12.2	0.7	25.7
FY25E	7,909	2,478	571	14.2	95.7	4	0.2	24.2
FY26E	10,351	3,299	1,014	25.3	53.9	5.7	0.4	18.9

Source: Company, Axis Securities

Profit & Los (Rs Cr)

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

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

Balance Sheet (Rs Cr)

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

Source: Company, Axis Research

Cash Flow (Rs Cr)

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

Source: Company, Axis Research

Ratio Analysis (%)

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

Source: Company, Axis Research

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
512

Target Price
575

Upside
12%

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	163.3	8.4	22.3	5.0
FY25E	2,290	430	90	6.5	75.4	7.6	16.7	9.8
FY26E	2,642	534	150	10.8	45.4	6.5	13.4	14.1
FY27E	2,990	622	215	15.5	31.6	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

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