# TOP PICKS

July 2025

AXIS SECURITIES

## Management Commentaries & Guidance Remain Critical

We are happy to share that the Axis Top Picks Basket delivered a return of 9.7% in the last three months against the 8.5% return posted by the Nifty 50, outperforming the Nifty 50 by a notable margin of 1.2%. Moreover, over the last one month, the basket has gained 3.7%. Our Top Picks Basket has delivered an impressive return of 336% since its inception (May'20), which stands well above the 175% return delivered by the NIFTY 50 index over the same period.

**India's Domestic Economy Well-Positioned:** Despite external risks, India's domestic growth trajectory remains intact, with key macroeconomic factors supporting a stronger FY26 compared to FY25. Both the RBI and the government are providing support to the Indian economy through policy measures that are pro-growth in nature. These measures are a) 50bps CRR cut in Dec'24, b) 100 bps rate cut (front loading of 50 bps in Jun'25), c) Improved bank liquidity, d) A consumption boost provided in the budget, e) An uptick in the government Capex spending, and f) Dividend by the RBI. All these developments indicate better days for the Indian economy in FY26 as against FY25. Furthermore, in the last one month, some macroeconomic uncertainty has reduced significantly. Slowly but gradually, the bilateral trade developments are materialising towards a concrete conclusion. Most of the uncertain times are behind us. Soon, the market direction will be led by the management commentaries and the guidance in the upcoming earnings season. Nonetheless, further macroeconomic factors related to a conclusion on tariffs, yields, currencies, interest rates, and global growth need to be closely monitored going forward.

**Bounce-back Continued in Jun'25:** Indian market witnessed a bounce back from Mar'25 onwards as Nifty 50 went up by 15%, and Mid and Smallcap went up by 25% and 29% respectively since Feb'25 low. Multiple factors contributed to this rally: a) Reduction of overall macroeconomic volatility related to tariffs, b) Positive bilateral trade developments, c) Reduction of geopolitical tensions and correction in oil prices, d) Strong macro setup for FY26, and e) Positive flows supported by improving risk appetite. In the last one month, the Smallcap index went up by 5.7% and the Midcap index by 4%, while the benchmark index, Nifty50, inched up marginally by 3.1%. The majority of the sectoral indices closed on a positive note, except for the FMCG index. Overall, the breadth of the market has improved significantly over the last three months.

We believe that, at the current juncture, macroeconomic risk will continue to drive the market direction for another couple of months. However, the majority of the negatives related to trade uncertainty are behind us. Going forward, the upcoming earnings season will be very critical for the further market direction. In this regard, the management commentaries and guidance are critical for the further direction of the market. Keeping this in mind, we believe the market needs to sail through another couple of months smoothly before entering into a concrete direction of growth. As a result, we expect near-term consolidation in the market, with breadth likely remaining narrow in the immediate term. If the two upcoming events—trade-related uncertainty easing further and the absence of major negative surprises in Q1FY26 earnings—play out as expected, the market is likely to make a new high in the upcoming earnings season.

**Style and Sector Rotation - A Key to Generating Alpha Moving Forward:** Risk reward is slowly building towards Mid and Smallcaps. Nonetheless, recovery will be slow and gradual as we progress towards FY26, led by strong earnings expectations, improving domestic liquidity, and stable Indian macros. Against this backdrop, our focus remains on growth at a reasonable price, 'quality' stocks, monopolies, market leaders in their respective domains, and domestically-focused sectors and stocks. These, we believe, may outperform the market in the near term. Based on the current developments, we 1) Continue to like and overweight BFSI, Telecom, Consumption, Hospitals, and Interest-rate proxies, 2) Continue to maintain positive view in Retail consumption and FMCG sectors based on the recovery expectations in FY26, 3) Prefer certain capex-oriented plays that look attractive at this point in light of the recent price correction as well as reasonable growth visibility in the domestic market in FY26, 4) Monitor Q1FY26 earnings of the IT sector (as slowly and gradually the macroeconomics uncertainty is reducing which would materialize into the guidance.)

**Based on the recent developments, we have made one change to our Top Picks recommendations. This includes booking profits in ICICI Bank and the addition of Bajaj Finance. Our modifications reflect the changing market style and a slight shift towards interest rate cut proxies.**

**Our Key Themes**

**Key Monitorables in FY26:** Most significant events are now behind us, with the majority of negative concerns regarding earnings already factored into the price. Hereon, the market will closely monitor the global developments around the following events: 1) Developments in the US government's policies, 2) Developments in the reciprocal tax, 3) Further rate cuts by the US FED in 2025 based on the growth and inflation dynamics, and 4) The direction of currency and oil prices in the remaining part of 2025.

**On the domestic front,** a series of domestic events suggests better days ahead in FY26 than FY25. These are 1) A 50bps CRR cut by the RBI in Dec'24, 2) Consumption boost in the Union Budget, 3) 100 bps of Rate cuts by the RBI, and 4) Improved liquidity measures by the RBI. These events indicate better days ahead in FY26, with improved credit growth and overall consumption improvements. These developments suggest a revival of economic momentum for FY26 compared to FY25, which would remain the primary driver of earnings growth for Indian corporates moving ahead.

**Q1FY26 Earnings Preview:** Management commentaries and guidance will be critical for the market. However, domestic sectors are likely to showcase some strength based on sequential improvement in the capex spending and YoY improvement. On the other hand, export-oriented sectors may continue to witness pressure for some time. The consumption theme is likely to witness some dent due to geopolitical tension and early monsoon. Nonetheless, the Upgrade/Downgrade ratio is likely to improve as we progress into FY26.

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

In our Mar'25 Top Picks report, we had reduced the Dec'25 Nifty target to 24,600 based on the development of various Macroeconomic risks in the market at that time. Since then, the overall sentiment in the market has significantly improved, and tariff-related uncertainty has also reduced to a certain extent. On top of that, the earnings scenario for FY26 is likely to be better than FY25, indicating the continuation of the rally in the Indian equity market. We believe the Indian economy remains well-positioned for growth, serving as a stable haven amidst global economic volatility. We remain confident in India's long-term growth story, supported by its favourable economic structure, rising capex, and the consumption boost from the recent Union Budget, driving credit growth for banks. This is expected to support double-digit earnings growth, ensuring that Indian equities can deliver strong double-digit returns over the next 2-3 years. Against this backdrop, we foresee Nifty earnings to post excellent growth of 14% CAGR over FY23-27. Financials will remain the biggest contributors for FY26/27 earnings. However, trade policy uncertainty, rupee depreciation, and relatively higher valuations compared to other emerging markets, even after the correction, remain key risks to near-term market multiples. **In our base case, we maintain our Mar'26 Nifty target at 26,300 by valuing it at 20x on Mar'27 earnings. (Last month, we upgraded our Base case multiple to 20x from 19x earlier, supported by the favourable addition of high PE stocks in the index, in which Jio Financial and Eternal have replaced Britannia and BPCL).**

**Bull Case:** In the bull case, **we value NIFTY at 21x, translating into a Mar'26 target of 27,600.** Our bull case assumption is based on the Goldilocks scenario, which assumes an overall reduction in volatility and a successful soft landing in the US market. The market is keenly watching the global growth scenario in 2025 under Trump's presidency. Furthermore, private Capex, which has been sluggish for the last several years, is expected to receive a much-needed boost in the upcoming years, with the expectation of policy continuity. Backed by expectations of political stability, policy continuity, fiscal prudence, an improving private Capex cycle, rural revival, and a soft landing in the US market, Nifty earnings are likely to grow at 17-18% over FY23-27. This would augur well for capital inflows into emerging markets (EMs) and increase the market multiples in the domestic market.

**Bear Case: In the bear case, we value NIFTY at 17x, translating into a Mar'26 target of 22,300.** We assume the market will trade at above-average valuations, led by the likelihood of a policy shift in the Trump regime. Moreover, we presume that inflation will continue to pose challenges in the developed world. The global market has not seen such elevated interest rates in the recent past. Hence, the chances of going wrong have increased significantly. Nonetheless, the direction of currency, oil prices, and global trade developments will likely put pressure on export-oriented growth in 2025. Moreover, the probability of recession has significantly increased after the imposition of Trump tariffs. These developments will likely bring down the market multiple in the near term. However, based on the recent developments, the chances of this scenario playing out have reduced significantly.

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

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## Axis Securities Top Picks

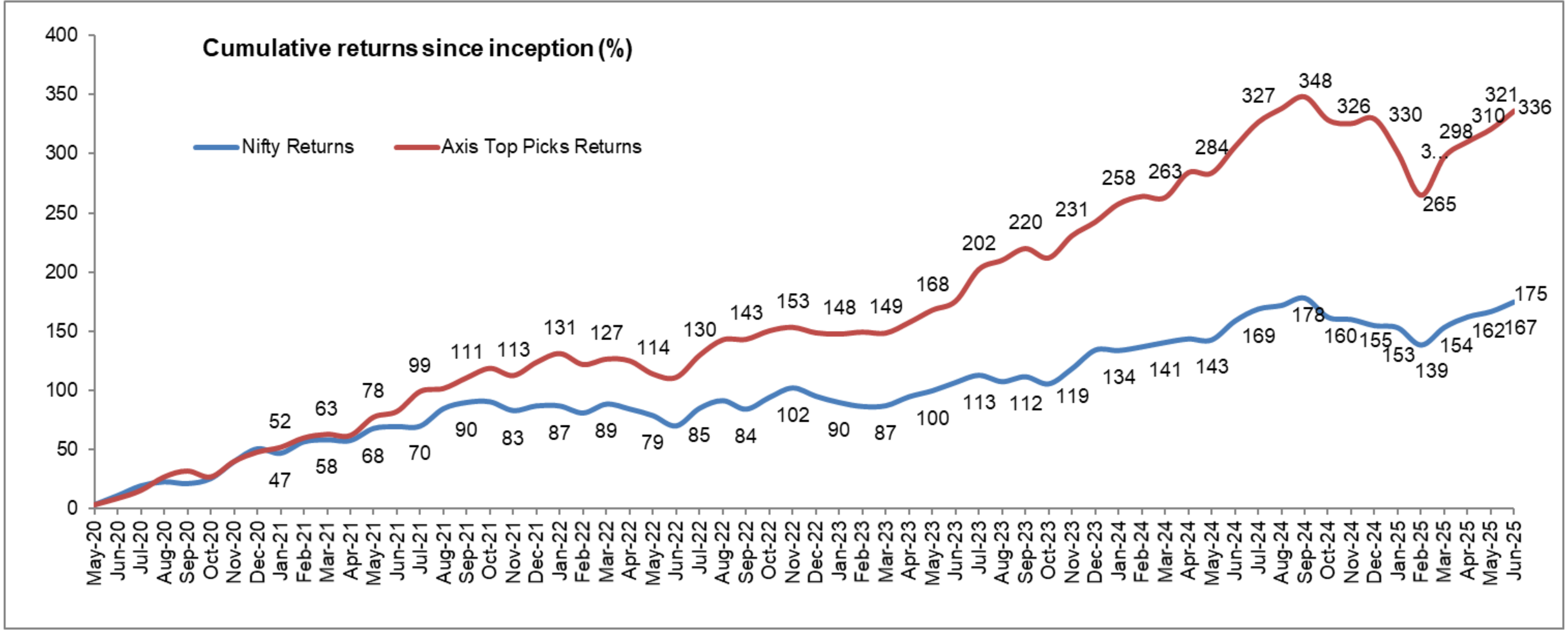
| Category | Company Name | Sector | Stock price | Target Price | Upside (%) | 12 Month Fwd PE | 12 Month Fwd P/BV | Dividend Yield | TR 1M % | TR 3M% | TR 6M% | TR YTD% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Large Cap | Bajaj Finance Ltd. | Financials | 937 | 1,050 | 12% | 27.8 | 5.2 | 0.5 | 2.0 | 5.3 | 38.1 | 38.1 |
| Large Cap | State Bank of India Ltd | Financials | 820 | 1,025 | 25% | 9.9 | 1.4 | 1.9 | 1.0 | 8.5 | 5.3 | 5.3 |
| Large Cap | Varun Beverages Ltd | Consumer Staples | 458 | 650 | 42% | 47.2 | 8.0 | 0.2 | -3.9 | -15.1 | -28.2 | -28.2 |
| Large Cap | HDFC Bank Ltd. | Financials | 2,002 | 2,250 | 12% | 20.5 | 2.8 | 1.1 | 4.0 | 10.7 | 14.1 | 14.1 |
| Large Cap | Bharti Airtel Ltd | Communication Services | 2,010 | 2,330 | 16% | 39.4 | 8.7 | 0.8 | 8.3 | 15.9 | 26.6 | 26.6 |
| Large Cap | Shriram Finance Ltd. | Financials | 707 | 790 | 12% | 13.8 | 2.0 | 1.2 | 10.6 | 7.8 | 22.9 | 22.9 |
| Large Cap | Hero MotoCorp Ltd. | Consumer Discretionary | 4,237 | 5,030 | 19% | 17.2 | 4.0 | 3.9 | -1.7 | 13.8 | 4.4 | 4.4 |
| Large Cap | Avenue Supermarts Ltd. | Consumer Staples | 4,372 | 5,091 | 16% | 86.6 | 11.4 | NA | 9.3 | 7.1 | 22.8 | 22.8 |
| Mid Cap | Lupin Ltd | Health Care | 1,938 | 2,500 | 29% | 22.0 | 4.3 | 0.6 | -1.0 | -4.4 | -17.7 | -17.7 |
| Mid Cap | Max Healthcare Institute Ltd. | Health Care | 1,276 | 1,450 | 14% | 66.9 | 10.3 | 0.1 | 13.4 | 16.3 | 13.1 | 13.1 |
| Mid Cap | Colgate-Palmolive (India) Ltd. | Consumer Staples | 2,407 | 2,830 | 18% | 43.5 | 36.4 | 2.1 | -2.0 | 1.8 | -9.2 | -9.2 |
| Small Cap | Sansera Engineering Ltd | Consumer Discretionary | 1,380 | 1,580 | 15% | 27.3 | 2.8 | 0.2 | 1.4 | 13.4 | -7.4 | -7.4 |
| Mid Cap | Prestige Estates Projects Ltd | Real Estate | 1,657 | 1,900 | 15% | 48.2 | 4.1 | 0.1 | 13.0 | 39.9 | -2.2 | -2.2 |
| Mid Cap | APL Apollo Tubes Ltd. | Materials | 1,739 | 2,035 | 17% | 40.0 | 9.3 | 0.3 | -4.0 | 14.0 | 10.9 | 10.9 |
| Small Cap | Kalpataru Projects International Ltd. | Industrials | 1,227 | 1,350 | 10% | 22.7 | 2.8 | 0.7 | 8.6 | 26.9 | -4.7 | -4.7 |

Source: Company, Axis Securities, CMP as of 30th Jun 2025; All Target Prices have an investment horizon of over one year.

## Top Picks Performance

| Axis Top Picks Performance | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **1M** | **3M** | **6M** | **1Y** | **3Y*** | **4Y*** | **Since Inception** |
| Axis Top Picks Returns | 3.7% | 9.7% | 1.6% | 7.5% | 27.4% | 24.4% | 336.4% |
| Nifty Returns | 3.1% | 8.5% | 7.9% | 6.3% | 17.4% | 12.9% | 175.2% |
| **Alpha** | **0.6%** | **1.2%** | **-6.3%** | **1.2%** | **10.0%** | **11.5%** | **161.2%** |

*CAGR Return




Note: Equal weight basket Performance as of 30th June 2025

## Multi-Asset Scorecard

- In 2025, Gold emerged as the top-performing asset class once again.
- Gold drove asset performance in 2024 until the end of May, after which the broader market took the lead. However, by Oct'24, Gold reclaimed its position as the top-performing asset class. On a YTD basis, Gold remains the best-performing asset.
- The broader market was the best-performing asset class domestically in 2023 and 2024. However, a sharp correction in the last three months impacted overall returns. Nonetheless, recovery is clearly visible since the last 3-4 months.
- Nifty 50 ranked at the bottom in 2024 for the first time in history, primarily due to sustained FII selling in the last three months of the year.
- On a YTD basis, the Indian equity market has emerged stronger and outperformed the US Markets by a notable margin.

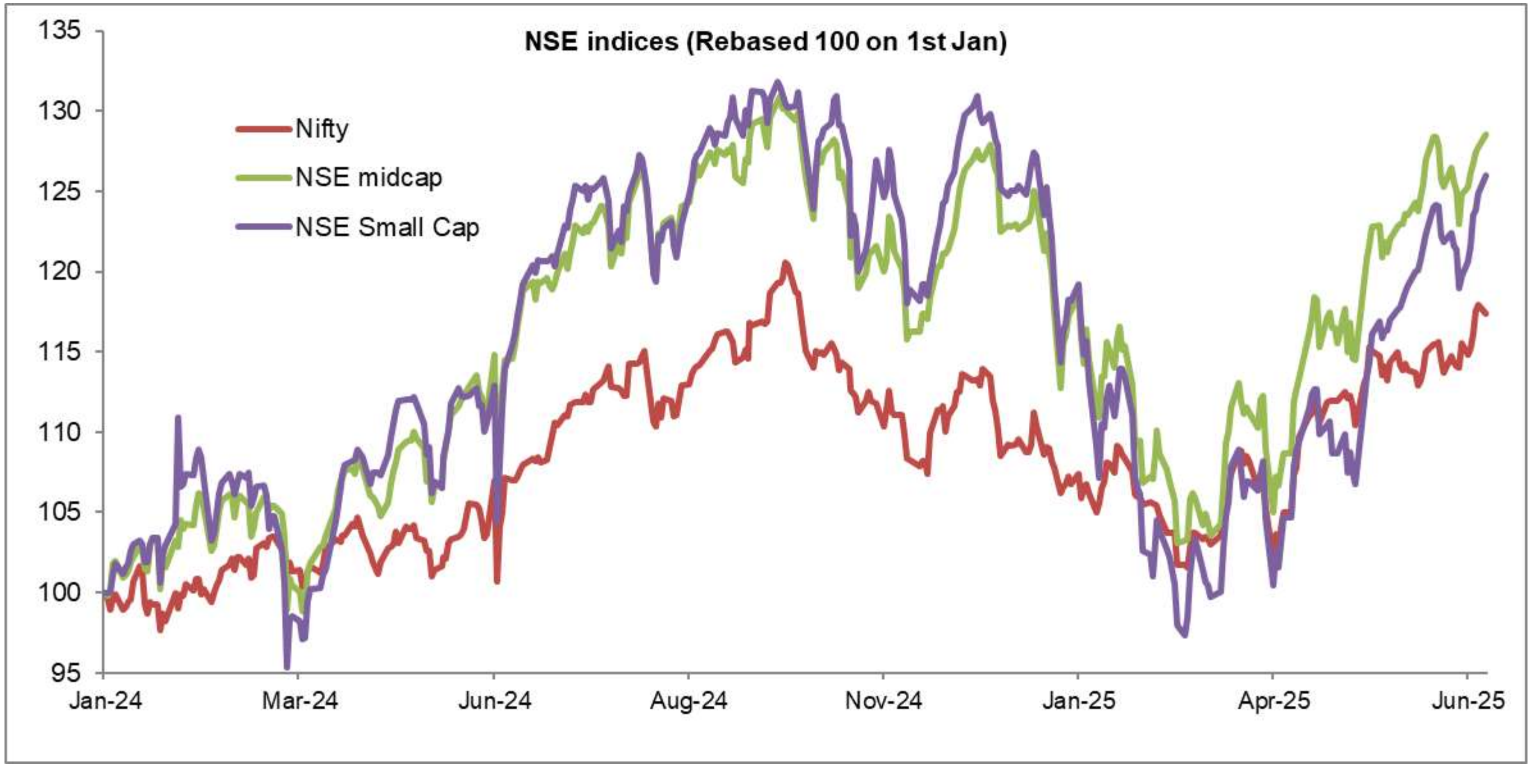
| Rank | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 (YTD) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | MCX Gold: 32% | Mid Cap: 39% | S&P 500: 30% | Mid Cap: 56% | Crisil Comp Bond: 9% | Crisil comp Bond: 13% | SmallCap: 57% | MCX Gold: 8% | S&P 500: 29% | MCX Gold: 28% | SmallCap: 59% | MCX Gold: 14.3% | SmallCap: 55.6% | SmallCap: 23.9% | MCX Gold: 24.8% |
| 2 | Crisil comp Bond: 7% | SmallCap: 37% | Nifty 50: 7% | SmallCap: 55% | SmallCap: 7% | EM Index: 10% | Mid Cap: 47% | Crisil comp Bond: 6% | MCX Gold: 25% | Mid Cap: 22% | Mid Cap: 46% | Nifty 50: 4.3% | Midcap: 46.6% | Midcap: 23.8% | EM Index: 10.4% |
| 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% | Nifty 50: 7.9% |
| 4 | EM Index: -21% | EM Index: 14% | Mid Cap: -5% | Crisil comp Bond: 14% | S&P 500: -1% | S&P 500: 10% | Nifty 50: 29% | S&P 500: -6% | Nifty 50: 12% | S&P 500: 16% | Nifty 50: 24% | BSE Bond index: 2.9% | Nifty 50: 20% | MCX Gold: 20.9% | NSE G Sec composite: 5.0% |
| 5 | Nifty 50: -25% | S&P 500: 13% | EM Index: -6% | S&P 500: 11% | Nifty 50: -4% | Mid Cap: 7% | S&P 500: 19% | Mid Cap: -15% | Crisil comp Bond: 11% | Nifty 50: 15% | Crisil comp Bond: 2% | SmallCap: -13.8% | MCX Gold: 14.9% | NSE G Sec composite: 9.9% | S&P 500: 5% |
| 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: 4.4% |
| 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: 1.6% |

Source: Bloomberg, Axis Securities

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

**All Three Indices Moving in Tandem; Bounce Back Rally since Mar'25**

After witnessing a correction of 16% from the top till 28th Feb'25, the market rebounded by 15%. The broader market indices, Mid and Smallcap, which had corrected by 21% and 25%, respectively, also rebounded by 25%/29% respectively.



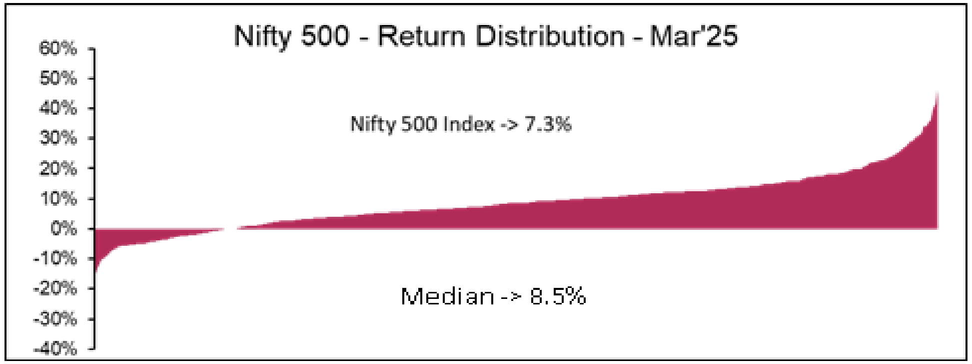

**Correction from peak (26th Sep'24) till 28th Feb'25**

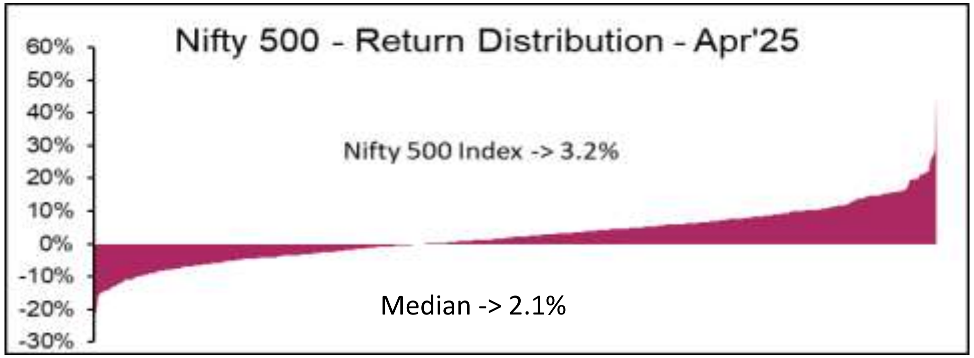
Nifty 50: 16%
NSE Mid Cap 100: 21%
NSE Small Cap 250: 25%

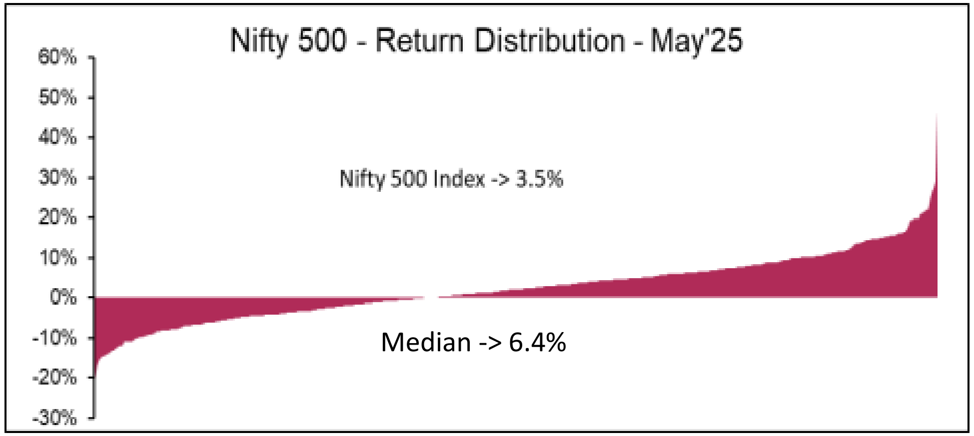
Source: Bloomberg, Axis Securities

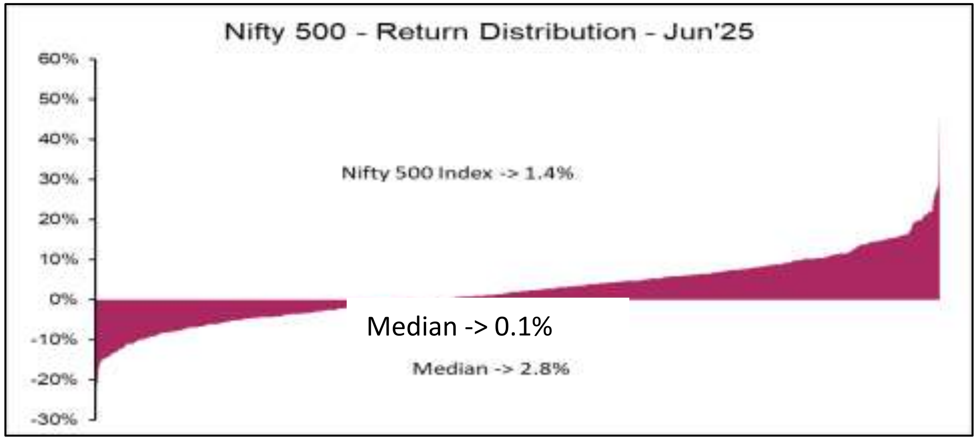
**Market Breadth Has Improved Significantly in The Last Three Months**

Investors, both domestic and foreign, have shown strong confidence, driving a shift in the market rally from narrow to broad-based over the past three months.



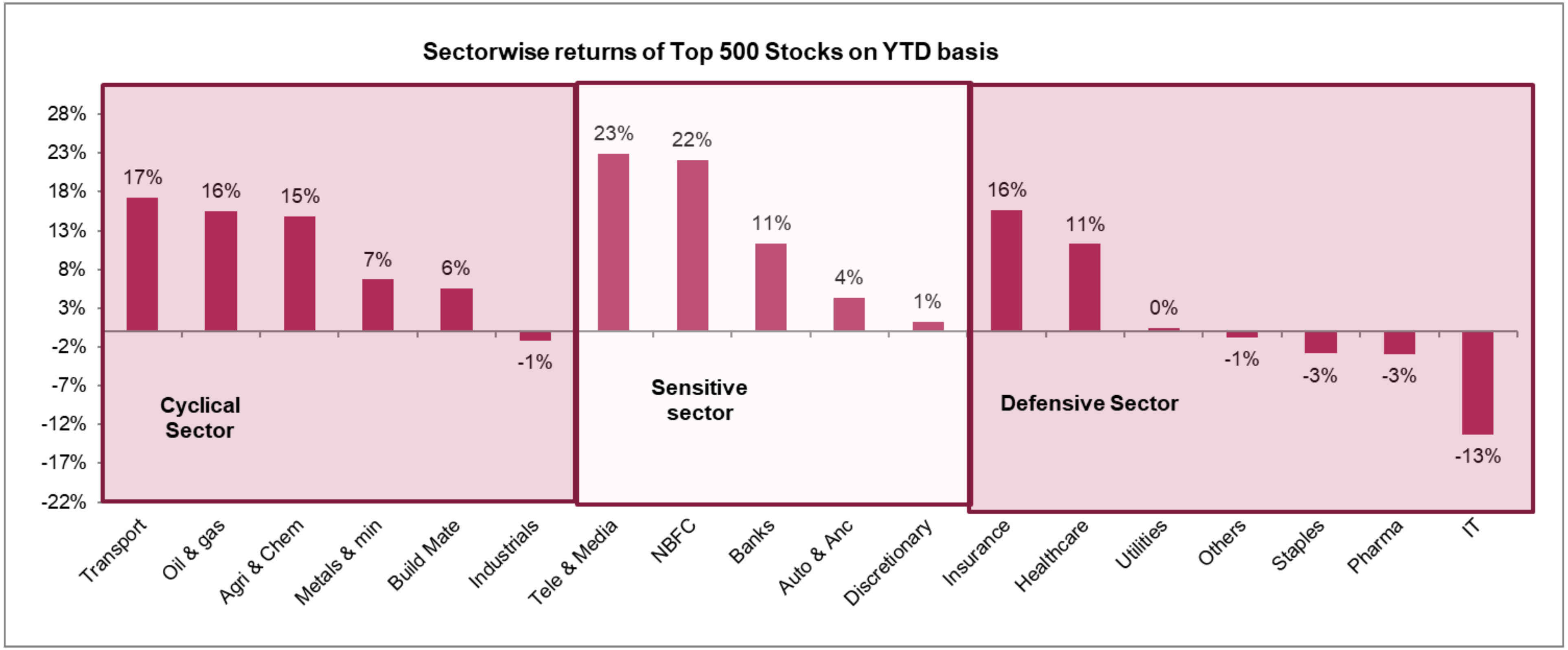




Source: Bloomberg, Axis Securities

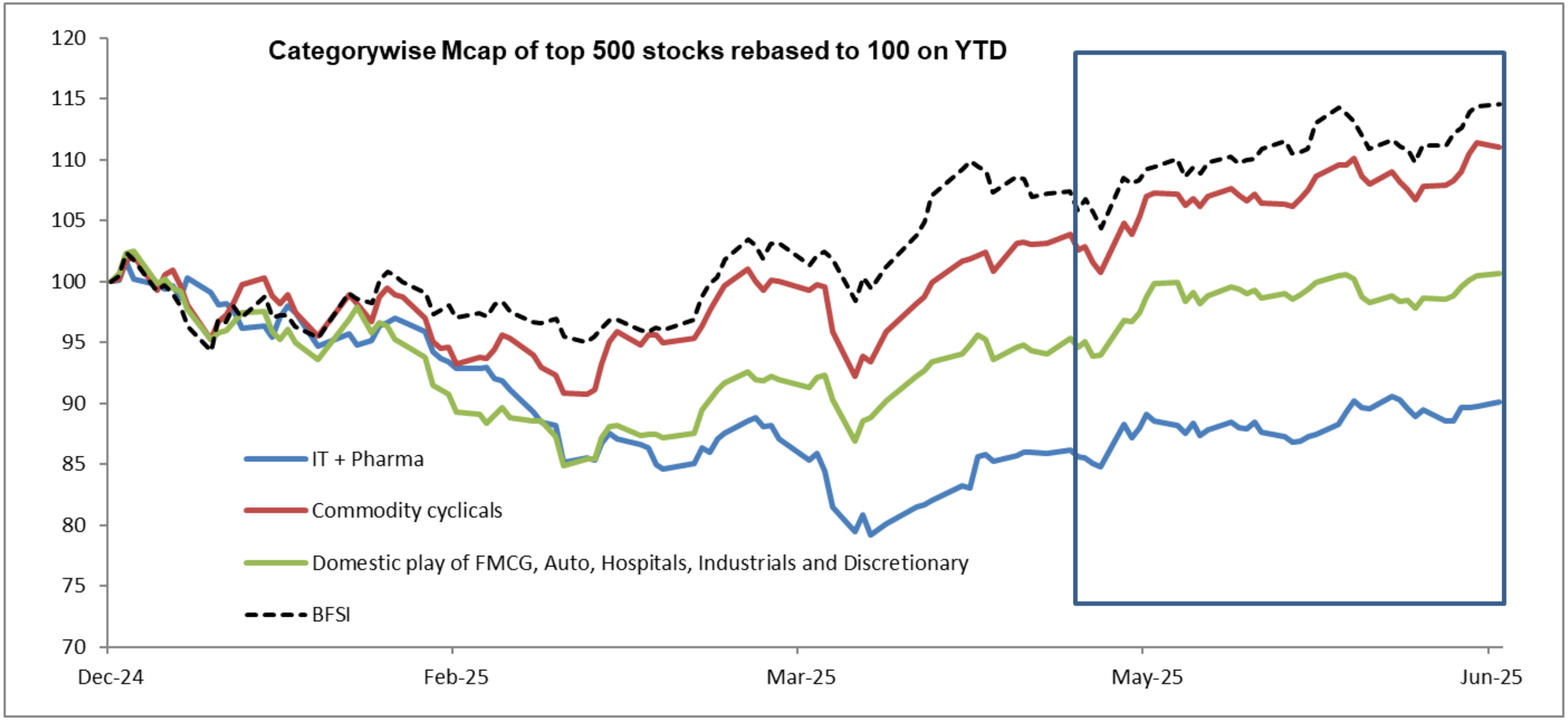
## Performance on a YTD basis

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




Source: Bloomberg, Axis Securities

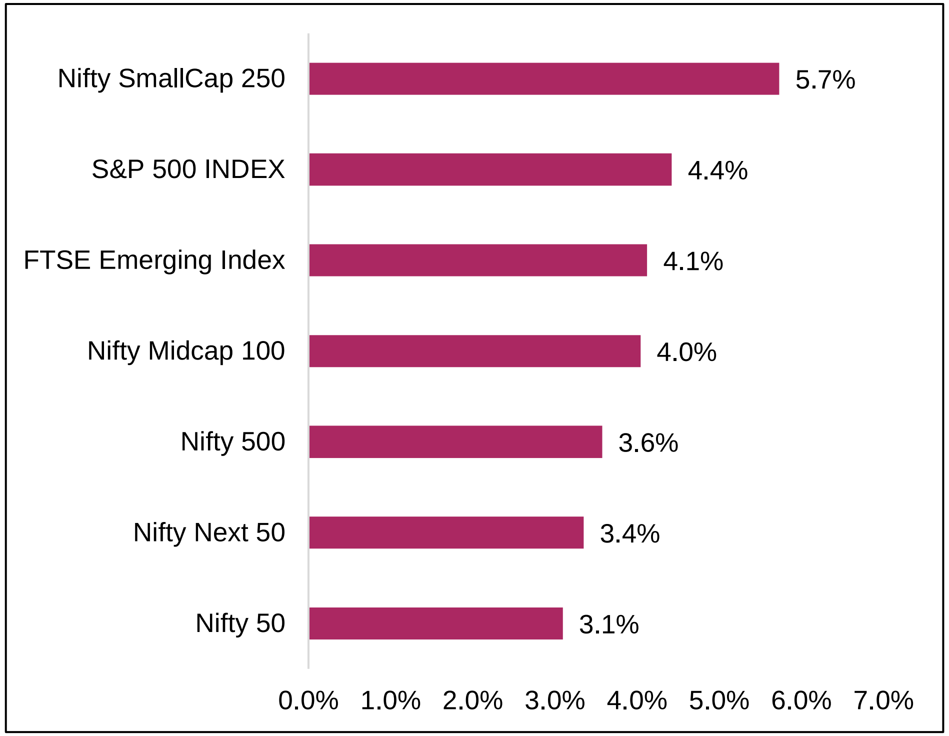
**BFSI, Domestic, and Commodity Cyclical Plays Have Outperformed the Export Plays Since Mar'25**

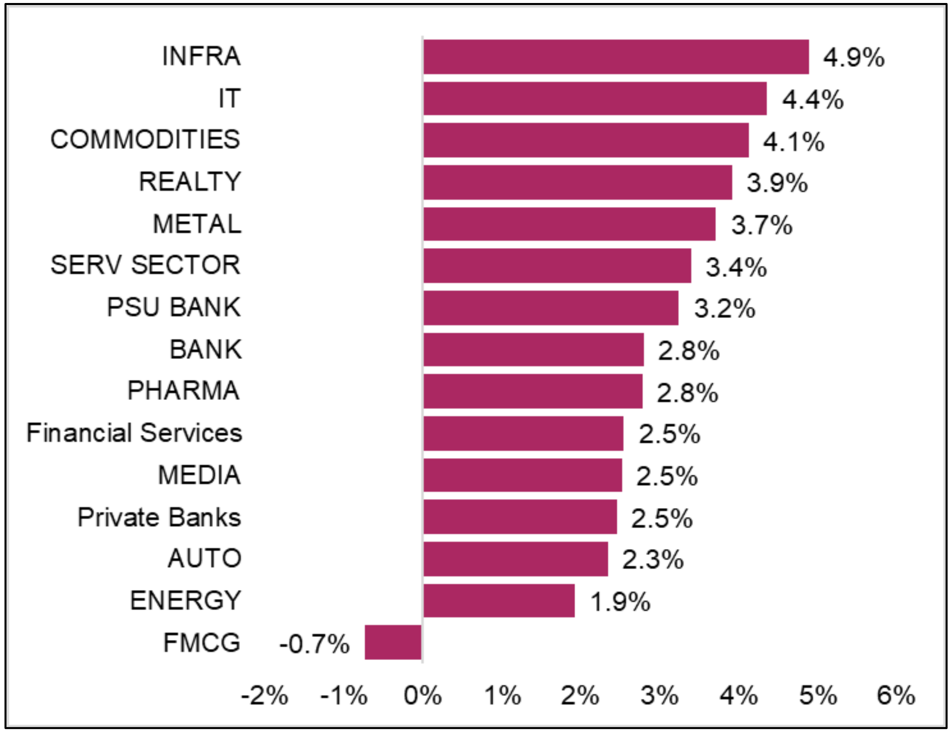



Source: Bloomberg, Axis Securities

### What Happened in the Last One Month

- Smallcaps have outperformed the US and other EM indices in the last one month.
- Infra, IT, Realty and Commodities sectors witnessed a strong comeback in the last month, while FMCG showcased some underperformance.
- After underperforming for a couple of years, the BFSI sector has been witnesssing a strong comeback.




Source: Bloomberg, Axis Securities

## Quarterly Sector Scorecard

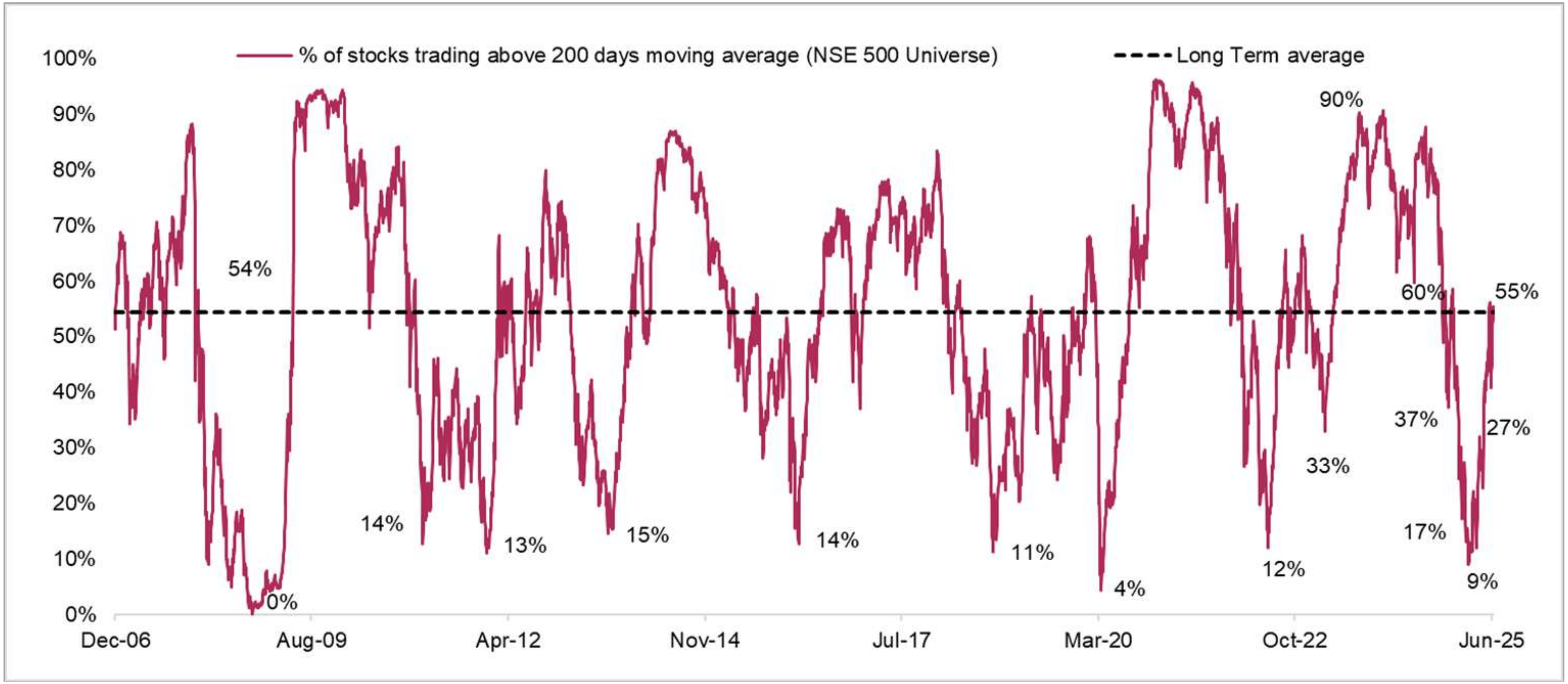
- 50% of the sectors have outperformed the Nifty 50 in the current quarter.
- Dec’24 and Mar’25 quarter’s performance was similar to the Jun’22 (Russia-Ukraine) and Mar’23 (Adani crisis) quarters.
- In the current quarter, Banks and domestically owned sectors have outperformed the Nifty 50 index.

| | Quarterly returns (%) | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar'25 | QTD |
| % of sectors outperformed the market | 56% | 50% | 75% | 38% | 25% | 63% | 69% | 50% | 44% | 56% | 44% | 50.0% | 37.5% | 50.0% |
| Nifty 50 | 1% | -10% | 8% | 6% | -4% | 11% | 2% | 11% | 3% | 7% | 8% | -8.4% | -0.5% | 8.5% |
| Nifty Next 50 | -3% | -11% | 16% | 0% | -10% | 16% | 3% | 18% | 14% | 18% | 8% | -11.7% | -7.4% | 9.4% |
| Nifty 500 | -1% | -10% | 11% | 4% | -6% | 13% | 5% | 12% | 4% | 11% | 8% | -7.8% | -4.6% | 10.7% |
| Nifty Midcap 100 | -2% | -11% | 16% | 3% | -5% | 19% | 13% | 14% | 4% | 15% | 9% | -4.9% | -9.6% | 15.6% |
| Nifty SmallCap 250 | -4% | -14% | 14% | 3% | -7% | 20% | 16% | 15% | 2% | 19% | 8% | -4.2% | -14.4% | 17.8% |
| AUTO | -4% | 11% | 9% | -1% | -3% | 24% | 7% | 15% | 15% | 17% | 8% | -16% | -6% | 12.1% |
| BANK | 3% | -8% | 16% | 11% | -6% | 10% | 0% | 8% | -2% | 12% | 0% | -4% | 1% | 11.1% |
| COMMODITIES | 7% | -16% | 11% | 7% | -7% | 9% | 8% | 19% | 8% | 9% | 8% | -18% | 5% | 5.5% |
| Financial Services | -1% | -10% | 13% | 8% | -5% | 11% | -1% | 8% | -2% | 12% | 4% | -4% | 6% | 8.4% |
| ENERGY | 14% | -3% | 2% | 1% | -12% | 8% | 11% | 22% | 17% | 5% | 8% | -21% | -3.6% | 8.9% |
| FMCG | -3% | 4% | 18% | -1% | 4% | 14% | -1% | 10% | -5% | 5% | 16% | -14% | -5% | 2.4% |
| IT | -6% | -23% | -3% | 6% | 0% | 3% | 8% | 12% | -2% | 1% | 18% | 5% | -16.1% | 5.6% |
| INFRA | 1% | -8% | 7% | 6% | -3% | 13% | 9% | 17% | 14% | 8% | 6% | -12% | 0% | 11.3% |
| MEDIA | 7% | -20% | 9% | -3% | -15% | 3% | 30% | 5% | -25% | 13% | 6% | -15% | -18.9% | 18.9% |
| METAL | 16% | -27% | 24% | 17% | -18% | 13% | 10% | 17% | 3% | 18% | 5% | -16% | 6% | 4.9% |
| PHARMA | -4% | -10% | 7% | -3% | -5% | 15% | 12% | 9% | 13% | 3% | 19% | 0% | -9.1% | 4.3% |
| PSU BANK | 8% | -11% | 23% | 44% | -14% | 11% | 28% | 9% | 23% | 5% | -8% | -4% | -3.5% | 15.0% |
| Private Banks | 2% | -9% | 19% | 10% | -6% | 11% | 1% | 8% | -5% | 12% | 1% | -7% | 4% | 9.8% |
| REALTY | -4% | -17% | 10% | 2% | -10% | 34% | 11% | 36% | 15% | 22% | 0% | -4% | -19.3% | 15.9% |
| SERV SECTOR | -1% | -12% | 10% | 6% | -7% | 8% | 1% | 10% | 1% | 9% | 9% | -4% | -1.3% | 8.3% |

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

## NSE 500 Universe (200-day Moving Average): Good Bounce back in the Last Month

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




Source: Bloomberg, Axis Securities

## 52W-High Analysis

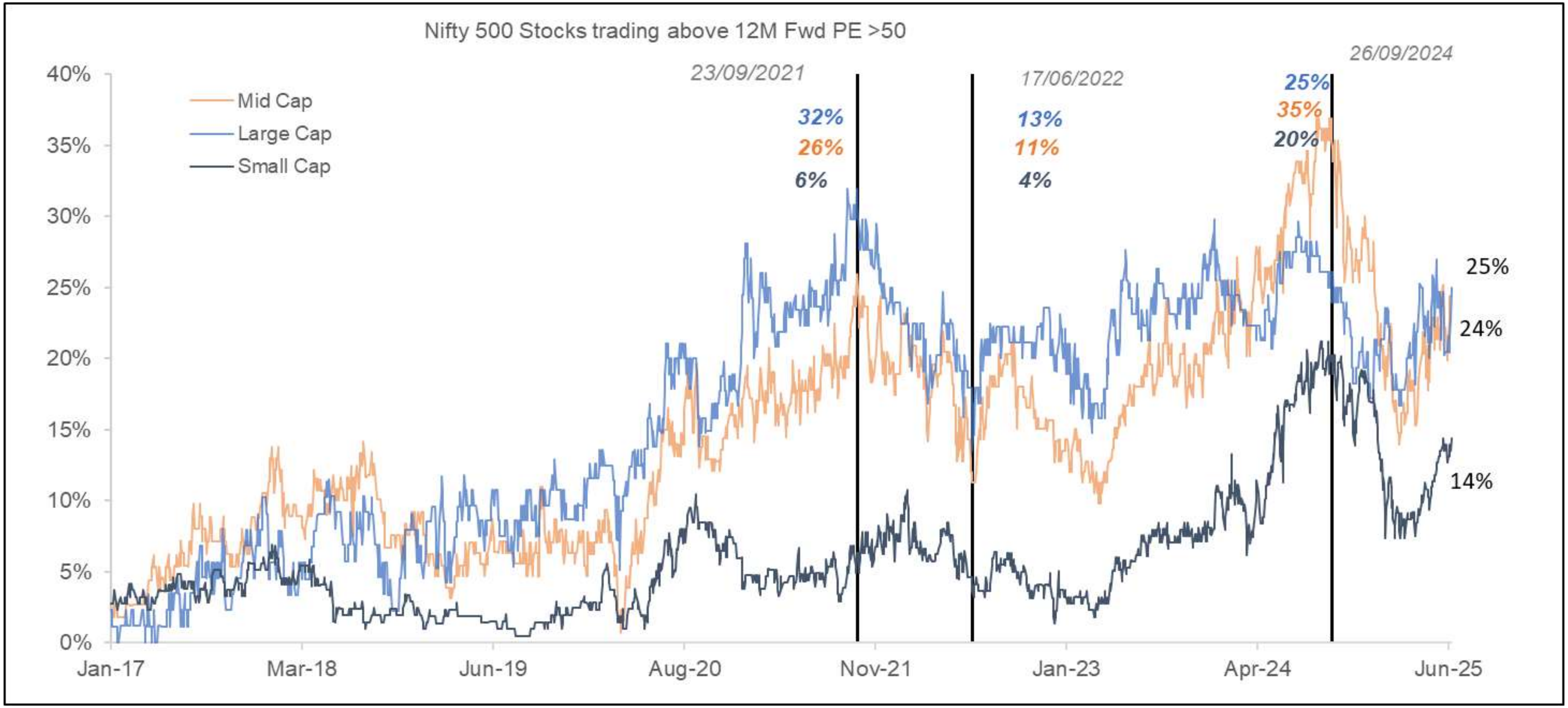
- After a recent comeback, 73 stocks are now trading near their 52-week highs, compared to only 6 stocks as of February 28, 2025.
- 248 (~50%) stocks are trading below 20% of their 52-week highs; last month, it was 86%.
- ~26% of the stocks have corrected by over 30% from their 52-week high, indicating that all negative factors are now priced in.
- The Largecap market looks attractive at current levels.
- Out of 55 PSUs, 5 stocks are near their 52-week high, compared to 35 stocks in Feb'24.

| | | Current level of number of stocks as compared to 52W high | | | |
|---|---|---|---|---|---|
| **Sector** | **No of Stocks** | **Near to 52W high** | **5%-20% below 52W high** | **20%-30% below 52W high** | **Below 30%** |
| Agri & Chem | 36 | 5 | 16 | 8 | 7 |
| Auto & Anc | 42 | 6 | 9 | 11 | 16 |
| Banks | 28 | 10 | 13 | 1 | 4 |
| Build Mate | 40 | 5 | 14 | 4 | 17 |
| Discretionary | 30 | 2 | 11 | 7 | 10 |
| Healthcare | 49 | 11 | 18 | 13 | 7 |
| Industrials | 46 | 2 | 16 | 18 | 10 |
| IT | 42 | 2 | 14 | 12 | 14 |
| Metals & min | 25 | 1 | 14 | 6 | 4 |
| NBFC | 61 | 19 | 27 | 8 | 7 |
| Oil & gas | 16 | 1 | 2 | 9 | 4 |
| Others | 8 | 2 | 2 | 1 | 3 |
| Staples | 34 | 4 | 12 | 8 | 10 |
| Tele & Media | 15 | 2 | 2 | 2 | 9 |
| Transport | 10 | 1 | 3 | 2 | 4 |
| Utilities | 18 | 0 | 6 | 7 | 5 |
| **Total** | **500** | **73** | **179** | **117** | **131** |
| **Large cap** | **100** | **20** | **37** | **16** | **9** |
| **Mid cap** | **150** | **30** | **51** | **31** | **34** |
| **Small cap** | **250** | **22** | **90** | **69** | **88** |
| **PSUs** | **55** | **5** | **16** | **16** | **17** |

Source: Bloomberg, Axis Securities

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

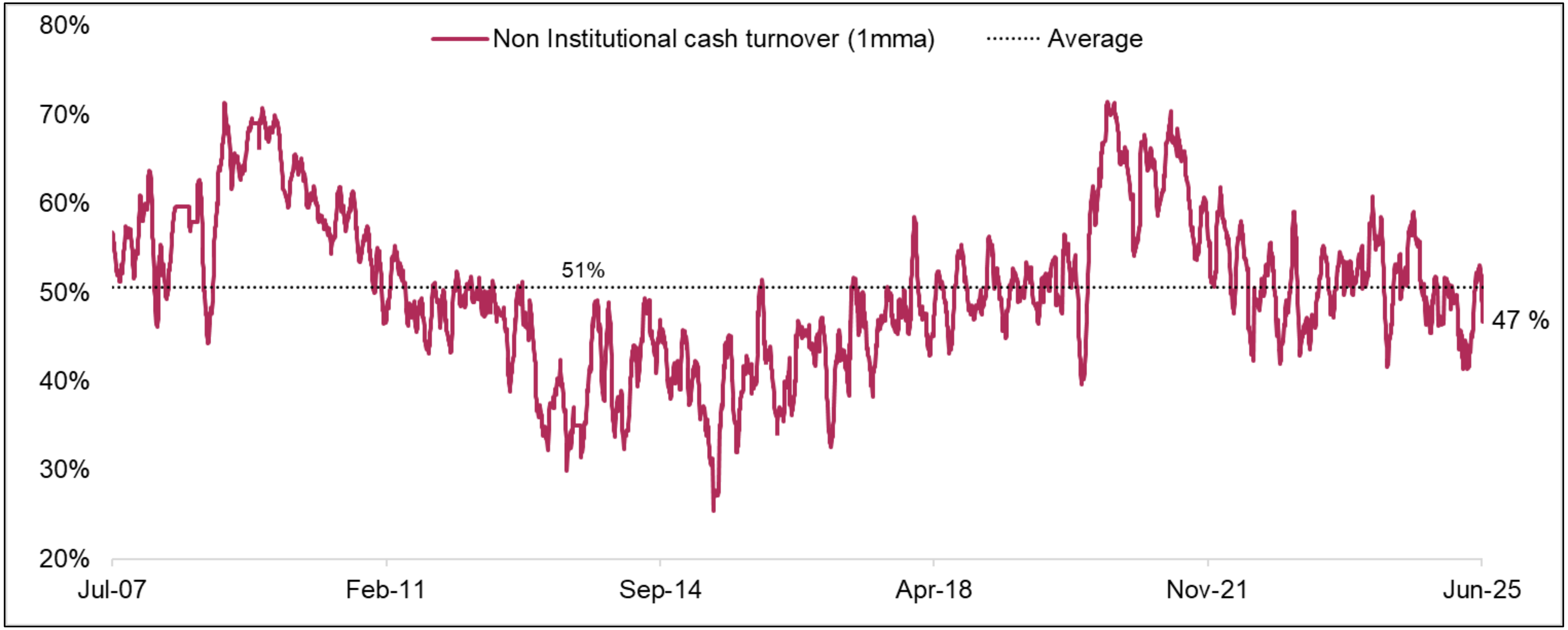
PE compression was observed across the board during the previous FII selling phase between 09/2021 and 06/2022, when total FII outflows exceeded $34.5 Bn. In the current cycle, cumulative FII selling has reached approximately $20.0 Bn so far.




Source: Refinitiv, Axis Securities

**Strong Recovery in Non-institutional Turnover**

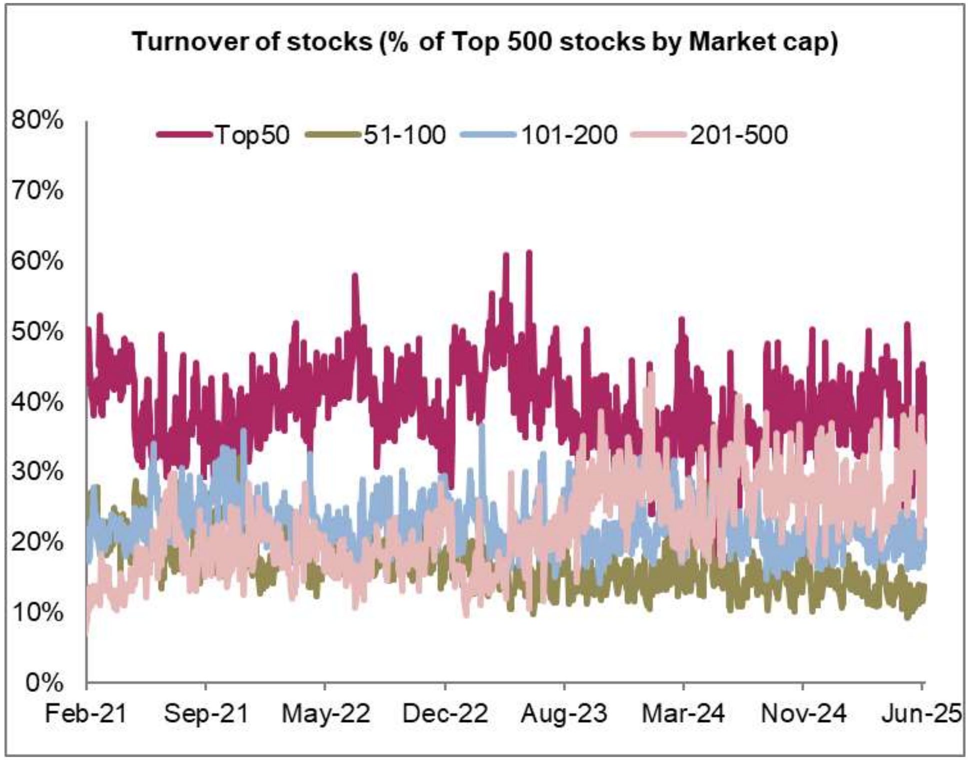
- Non-institutional (Retail) turnover is currently near its long-term average of 51%. However, it had fallen below the LTA in the last 2 months due to increased volatility and lower breadth in the broader market.
- Retail investor participation is expected to improve further in the coming months, given that equity is the only asset class that can beat the current inflationary scenario.

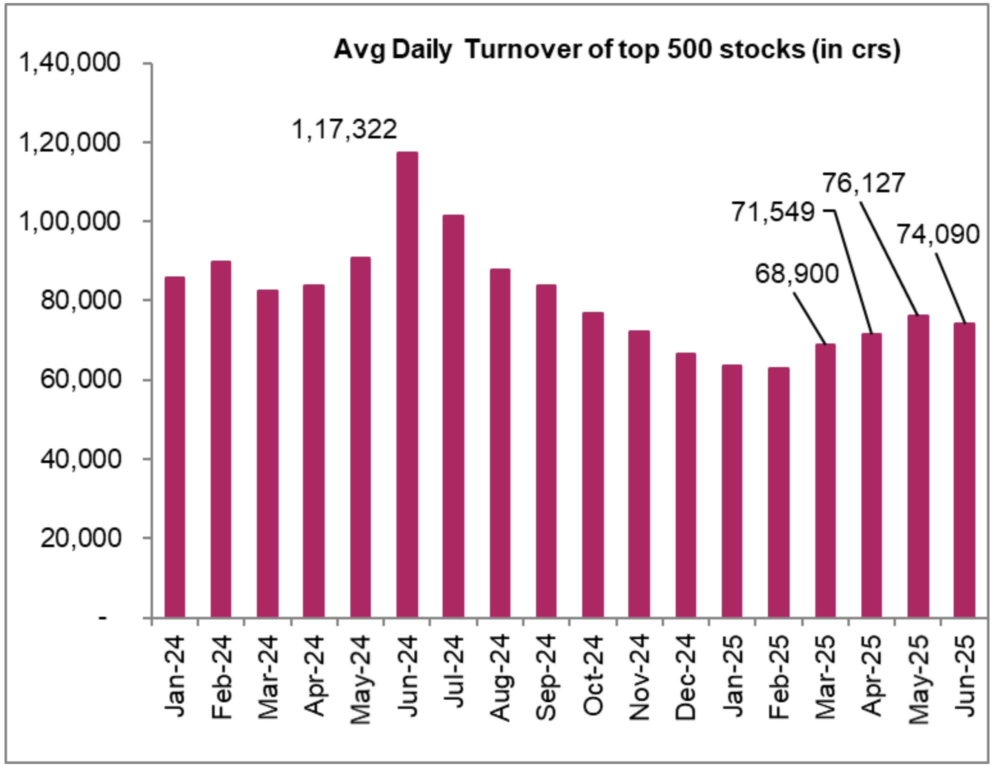



Source: Bloomberg, Axis Securities

**Market Turnover (% of the Top 500 Names)**

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



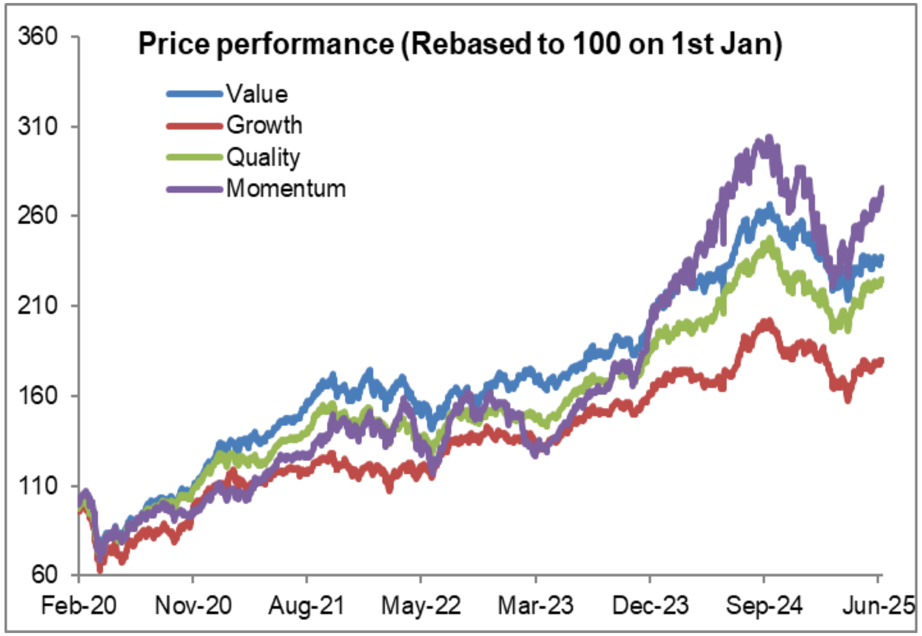




Source: Bloomberg, Axis Securities

## Style Indicators

**Quality is the Best-Performing Theme on a YTD Basis**

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




| Perf | Value | Growth | Quality | Momentum |
|---|---|---|---|---|
| 2022 | -0.9% | 12.4% | -0.9% | 7.1% |
| 2023 | 27.8% | 24.8% | 32.0% | 39.0% |
| 2024 | 15.6% | 9.8% | 11.3% | 30.0% |
| YTD | -4.9% | -5.5% | 0.6% | -5.3% |
| 1m | 1.5% | 3.0% | 2.3% | 6.5% |
| 3m | 3.6% | 7.9% | 8.7% | 14.5% |
| 6m | -3.7% | -2.9% | 3.2% | 1.5% |
| 1YR | -0.7% | 3.9% | 1.7% | 0.8% |
| 2YR | 31.4% | 20.0% | 34.7% | 74.4% |

Source: Bloomberg, Axis Securities , Performance as of 30th Jun 2025

## Indian Market Outperformed the Global Market in the Last 1 Month

The Nifty 50 reached an all-time high of 26,216 on 26th Sep'24. Till 28th Feb'25, the benchmark experienced a correction of 16% from the top. The broader market indices, including Mid and Smallcap indices, also corrected by 21%/25%, respectively.
In the last month, the market saw a recovery. However, over the last six months, the majority of the indices are still in the red.

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

| National Index | | | | | | |
|---|---|---|---|---|---|---|
| **Index Performance (%)** | **1m** | **3m** | **6m** | **04th Jun'24** | **YTD** | **1 YR** |
| **Nifty 50** | 3.1% | 8.5% | 7.9% | 16.6% | 7.9% | 6.3% |
| **Nifty Next 50** | 3.4% | 9.4% | 1.5% | 7.8% | 1.5% | -3.5% |
| **Nifty 500** | 3.6% | 10.7% | 5.5% | 16.2% | 5.5% | 4.7% |
| **Nifty Midcap 100** | 4.0% | 15.6% | 4.4% | 21.5% | 4.4% | 7.2% |
| **Nifty SmallCap 250** | 5.7% | 17.8% | 0.3% | 20.6% | 0.3% | 4.0% |
| **Sector Index (%)** | **1m** | **3m** | **6m** | **04th Jun'24** | **YTD** | **1 YR** |
| **NIFTY AUTO** | 2.3% | 12.1% | 4.5% | 2.9% | 4.5% | -5.3% |
| **NIFTY BANK** | 2.8% | 11.1% | 12.7% | 22.1% | 12.7% | 9.5% |
| **NIFTY COMMODITIES** | 4.1% | 5.5% | 10.1% | 6.8% | 10.1% | -3.5% |
| **Nifty Financial Services** | 2.5% | 8.4% | 15.6% | 30.5% | 15.6% | 16.0% |
| **NIFTY ENERGY** | 1.9% | 8.9% | 3.9% | -2.8% | 3.9% | -12.5% |
| **NIFTY FMCG** | -0.7% | 2.4% | -3.4% | -0.5% | -3.4% | -3.3% |
| **NIFTY IT** | 4.4% | 5.6% | -10.1% | 20.5% | -10.1% | 7.7% |
| **NIFTY INFRA** | 4.9% | 11.3% | 11.2% | 15.1% | 11.2% | 3.0% |
| **NIFTY MEDIA** | 2.5% | 18.9% | -3.5% | -2.6% | -3.5% | -11.9% |
| **NIFTY METAL** | 3.7% | 4.9% | 10.2% | 6.2% | 10.2% | -2.8% |
| **NIFTY PHARMA** | 2.8% | 4.3% | -5.9% | 18.5% | -5.9% | 11.7% |
| **NIFTY PSU BANK** | 3.2% | 15.0% | 10.1% | 6.0% | 10.1% | -2.2% |
| **Nifty Private Banks** | 2.5% | 9.8% | 14.0% | 21.4% | 14.0% | 8.4% |
| **NIFTY REALTY** | 3.9% | 15.9% | -6.3% | 1.1% | -6.3% | -10.7% |
| **NIFTY SERV SECTOR** | 3.4% | 8.3% | 7.4% | 23.9% | 7.4% | 10.9% |

| International Index | | | | | | |
|---|---|---|---|---|---|---|
| **Index Performance (%)** | **1m** | **3m** | **6m** | **04th Jun'24** | **YTD** | **1 YR** |
| **Shanghai Comp** | 2.9% | 3.3% | 2.8% | 11.4% | 2.8% | 16.1% |
| **Bovespa** | -0.1% | 5.1% | 13.8% | 12.4% | 13.8% | 10.5% |
| **south africa** | 2.7% | 9.2% | 17.9% | 26.0% | 17.9% | 21.8% |
| **Korea** | 13.9% | 23.8% | 28.0% | 15.4% | 28.0% | 9.8% |
| **Mexico** | -1.3% | 8.6% | 15.1% | 6.8% | 15.1% | 8.9% |
| **Indonesia** | -3.5% | 6.4% | -2.2% | -2.4% | -2.2% | -1.9% |
| **Argentina** | -10.4% | -12.7% | -19.4% | 29.1% | -19.4% | 26.7% |
| **Japan** | 6.6% | 13.7% | 1.5% | 4.2% | 1.5% | 2.3% |
| **Hongkong** | 3.4% | 4.1% | 20.0% | 30.5% | 20.0% | 35.9% |
| **Philipines** | 0.4% | 3.0% | -2.5% | -0.3% | -2.5% | -0.7% |
| **Taiwan** | 4.3% | 7.5% | -3.4% | 4.2% | -3.4% | -3.4% |
| **Singapore** | 1.8% | -0.2% | 4.7% | 18.7% | 4.7% | 18.9% |
| **Thailand** | -5.2% | -5.9% | -22.2% | -18.5% | -22.2% | -16.2% |
| **Veitnam** | 3.3% | 5.3% | 8.6% | 7.2% | 8.6% | 10.5% |
| **Dow** | 3.7% | 4.3% | 3.0% | 13.2% | 3.0% | 12.0% |
| **Nasdaq** | 6.1% | 17.2% | 5.0% | 20.3% | 5.0% | 14.3% |
| **FTSE 100 INDEX** | 0.1% | 2.3% | 7.4% | 6.7% | 7.4% | 7.6% |
| **DAX INDEX** | -0.1% | 8.2% | 20.5% | 30.3% | 20.5% | 31.5% |
| **CAC 40 INDEX** | -0.7% | -1.2% | 4.3% | -3.1% | 4.3% | 2.9% |
| **S&P 500 Index** | 4.4% | 10.0% | 5.0% | 16.7% | 5.0% | 13.0% |

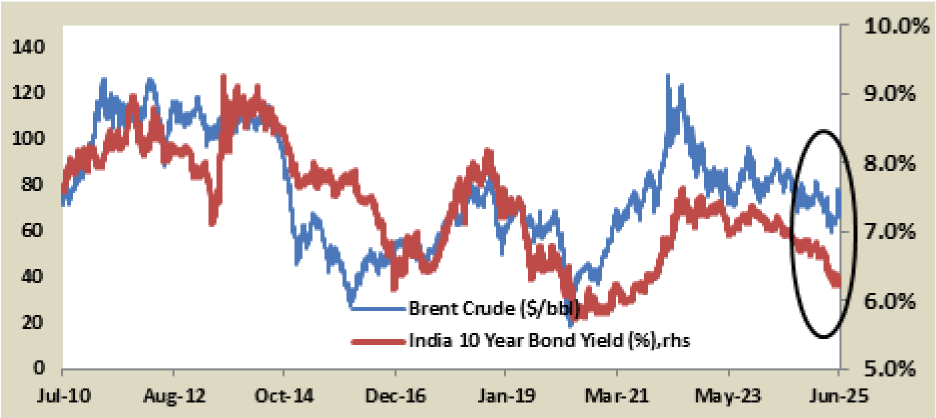
Source: Bloomberg, Axis Securities, and Performance as of 30th Jun'25

## Commodities Saw A Marginal Recovery in The Last One Month

- **Precious Metals:** Gold prices increased by 25% in the last 6 months due to volatility in the equity market.
- **Commodities:** Steel and Zinc prices saw some correction of 4.3% and 2.7% respectively in the last three months.
- **Crude:** Brent crude is now trading below $70/bbl and has been highly volatile due to the rising geopolitical risk, ongoing supply-side concerns and recessionary fear.

| Market Indicator | 30-06-2025 | 1m ago | 3m ago | 04th Jun'24 | YTD | 1 YR |
|---|---|---|---|---|---|---|
| Brent Crude ($/bbl) | 67.6 | 63.9 | 74.7 | 77.5 | 74.6 | 86.4 |
| Bond Yield (GOi 10Yr) | 6.3 | 6.3 | 6.6 | 7.0 | 6.8 | 7.0 |
| USD/INR | 85.8 | 85.6 | 85.5 | 83.5 | 85.6 | 83.4 |
| India Vix | 12.8 | 16.1 | 12.7 | 26.7 | 14.4 | 13.8 |

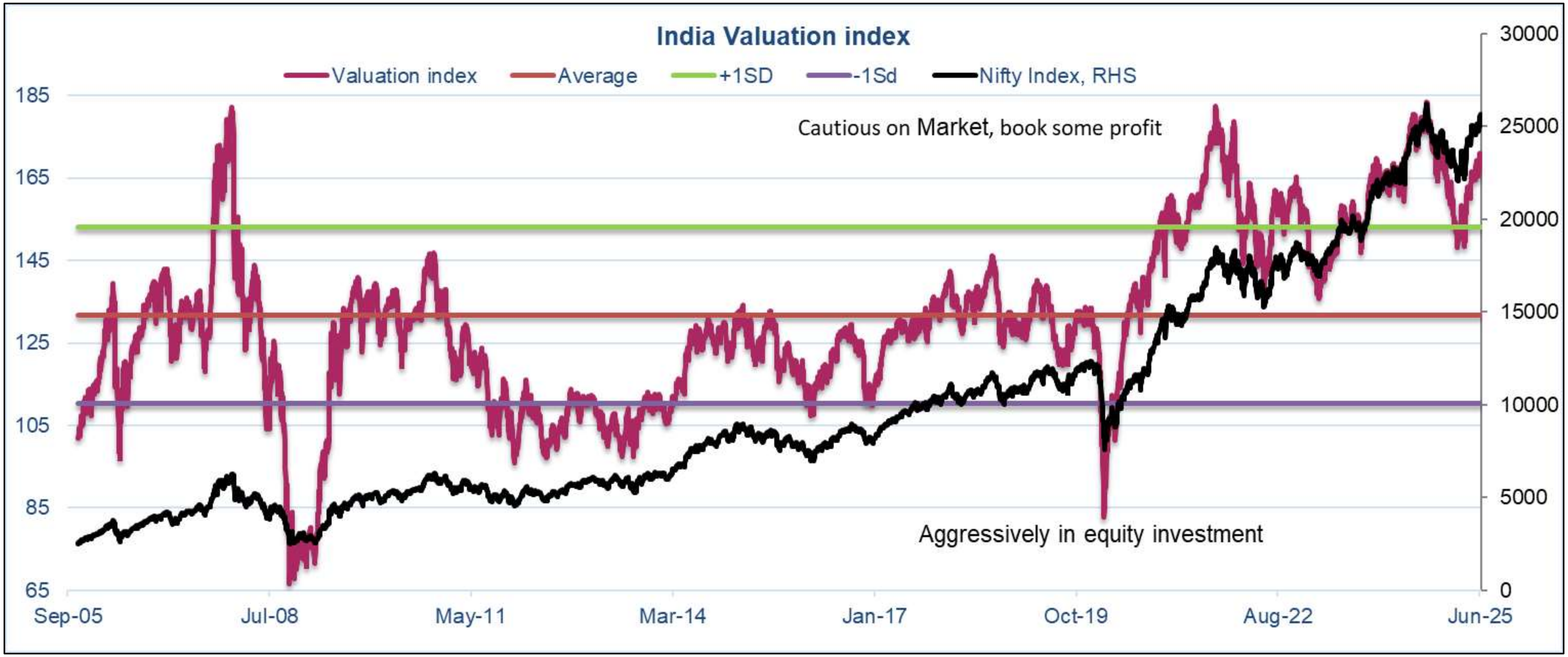

| Commodity Index | 1m | 3m | 6m | 04th Jun'24 | YTD | 1 YR |
|---|---|---|---|---|---|---|
| Gold ($/OZ) | -0.2% | 5.1% | 25.1% | 41.1% | 25.1% | 41.1% |
| Steel ($/ton) | -1.1% | -4.3% | -8.2% | -15.9% | -8.2% | -14.3% |
| Aluminium ($/ton) | 5.6% | 2.6% | 2.6% | -0.8% | 2.6% | 3.9% |
| Copper ($/ton) | 6.0% | 4.8% | 16.9% | 3.0% | 16.9% | 7.0% |
| Zinc ($/ton) | 4.6% | -2.7% | -7.4% | -4.0% | -7.4% | -5.7% |




Source: Bloomberg, Axis Securities, Performance as of 30th Jun 25

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

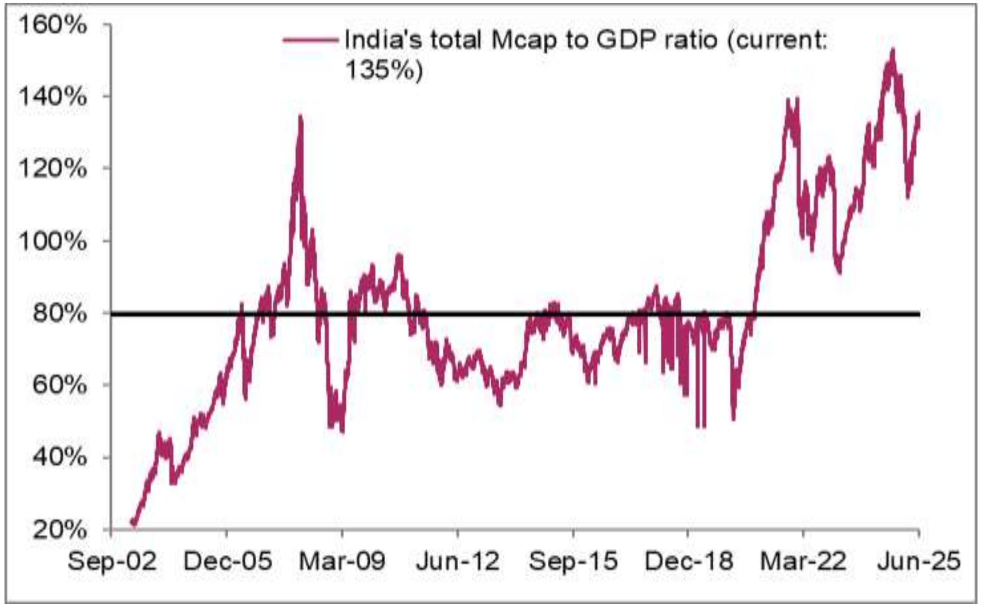
- Even after the recent rally, our market valuation index continues to trade slightly above the 1stdev. Current valuations offer limited scope for re-rating. Hence, the market will follow earnings growth. Stock selection and sector rotation will be key to achieving outperformance.
- The calculation of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

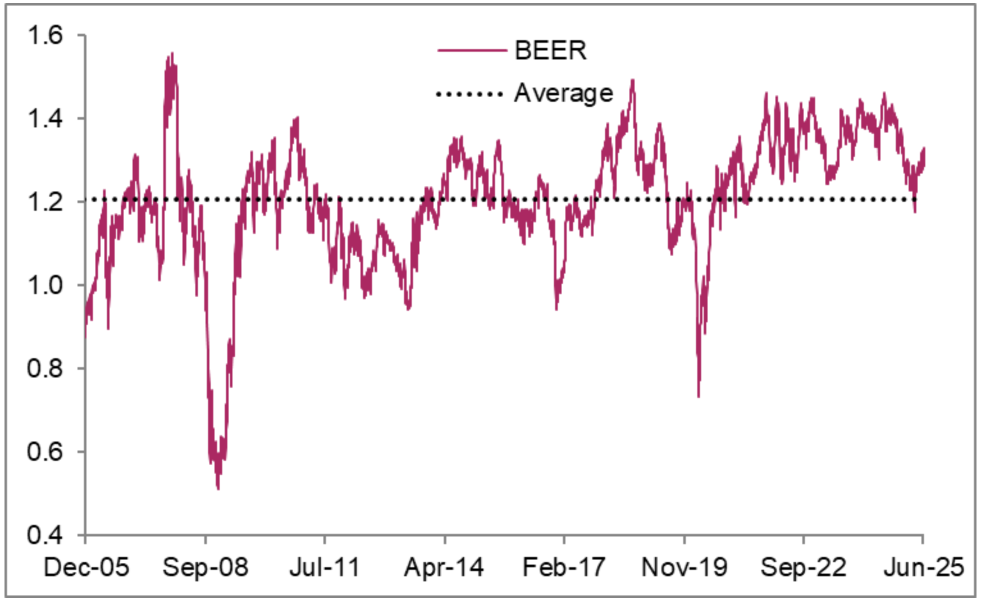



Source: Bloomberg, Axis Securities

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

- **BEER:** Indian bond yields have corrected by 52bps since Nov'24 (the start of the US Fed's Rate cut cycle). A consumption boost, fiscal consolidation in the Union budget, and rate cuts by the RBI indicate some cooling off in bond yields. After a correction in the equity market, the Bond to Equity Earning Yields ratio is now trading near the long-term average.
- **India's Total Market Cap to GDP** is trading at 135%, above its long-term average (rebased after the FY25 GDP of Rs 324 Tn released by the government on 1st Feb'25). However, at projected levels of nominal GDP for FY26, the Mcap/GDP ratio translates into 123% (fairly valued). As per the Union Budget 2025-26, the FY26 GDP assumption is pegged at Rs 356.97 Tn.
- **Historical Perspective:** Historically, similar upward earnings momentum was witnessed in FY10 earnings immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we will likely see higher MCAP-to-GDP ratio levels in the upcoming quarters.



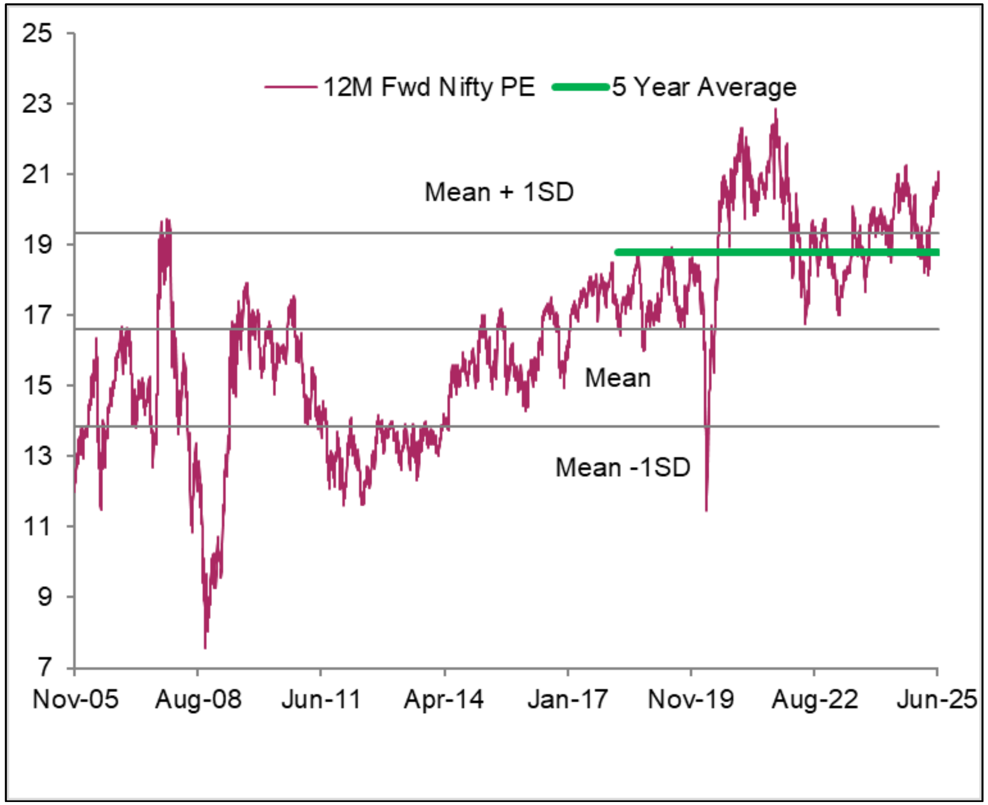




Source: Bloomberg, Axis Securities

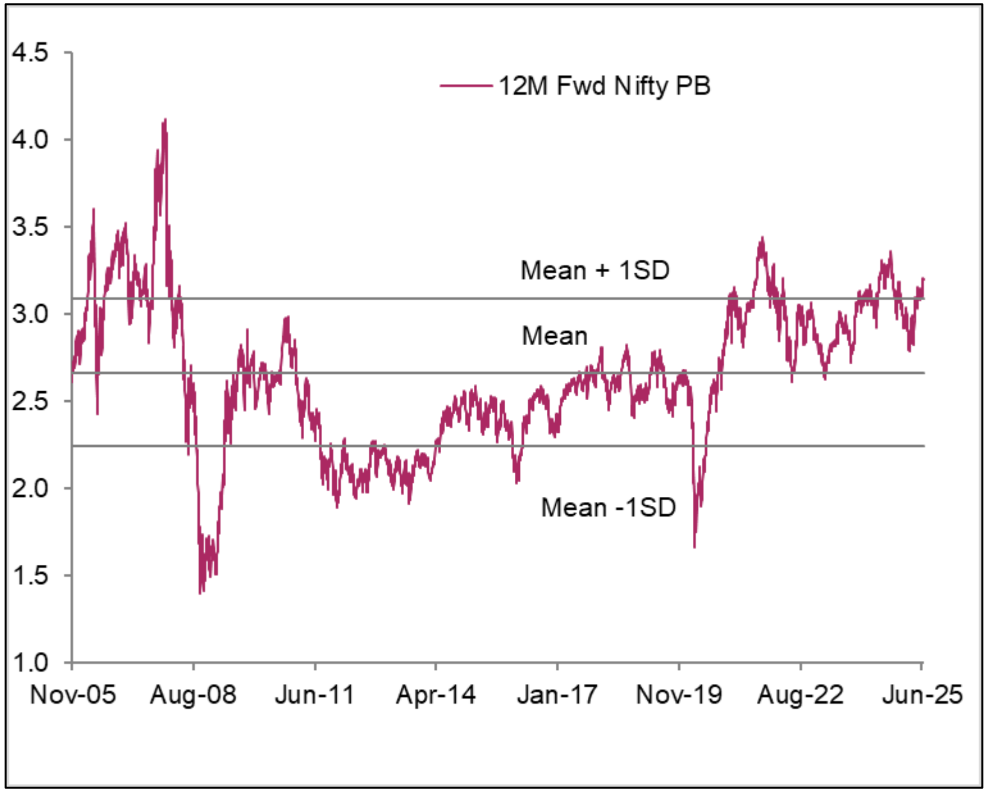
### Market Valuations: 12M Fwd PE Now Trading at 20.9x

- NIFTY is currently trading at 20.9x on a 12M Fwd PE, which stands at 1.6 std to its long-term average (16.5x). However, it trades at 1std to its long-term average of a 12M Fwd PB.
- Current valuations provide limited scope for rerating. Style rotation and sector selection are keys to generating alpha as earnings expectations from the broader market remain intact.

Nifty 12M Fwd PE

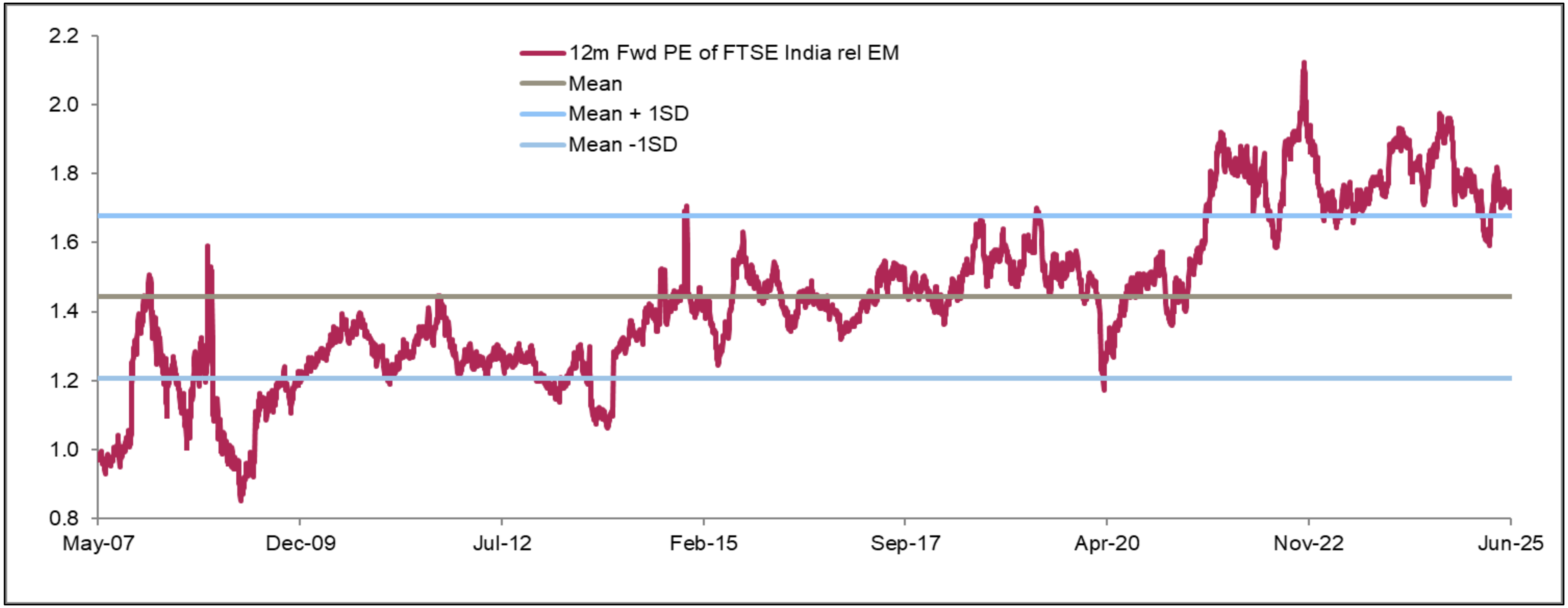



Nifty 12M Fwd PB



**Market Valuations: FTSE India Relative to FTSE EM**

- Benchmark indices have corrected from all-time highs, and so have the valuations. FTSE India is now trading at a PE premium of 73% 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 73% premium, which looks attractive compared to the past.
- We believe the Indian equity market will continue to trade at a higher premium to EM over the next year due to a) Strong economic growth compared to other EM countries, b) A healthy earnings outlook for FY26, c) Sustained demand across sectors, d) A well-capitalized banking sector with improving fundamentals, e) Expectations of a revival in the private Capex cycle, f) The ruling party's improved performance in state elections, and g) Consumption-boosting measures announced in the Union Budget 2025-26.




Source: Bloomberg, Axis Securities

**Valuation Correction in The Broader Index**

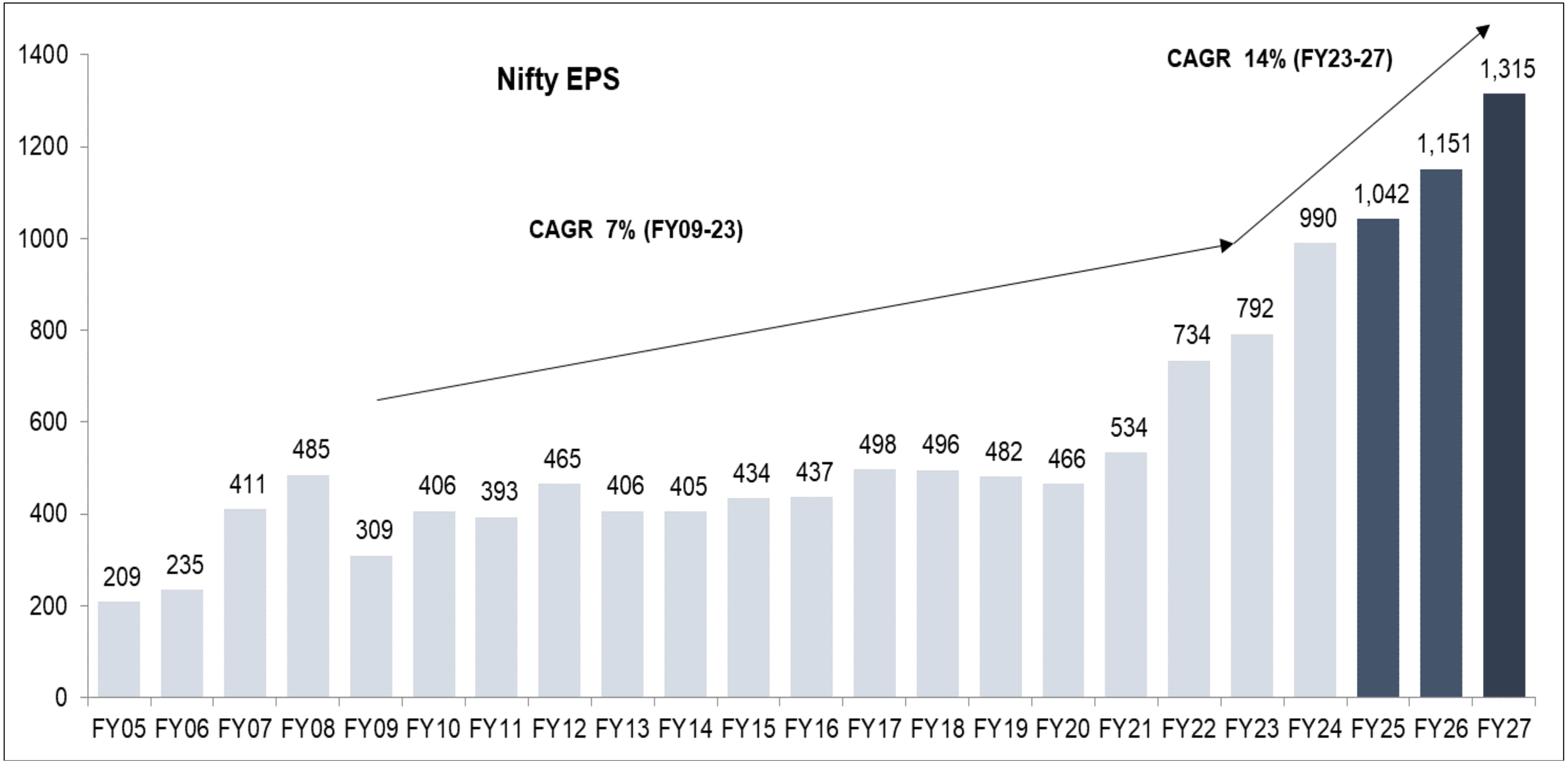
Most of the sectors are still in the Oversold zone as compared to the Sep’24 levels.

| | 12m fwd PE | Long term Avg | Valuation as on Sep'24 | % down from Sep'24 |
|---|---|---|---|---|
| Service sec | 23.0 | 18.3 | 20.3 | 13.5% |
| Banks | 16.1 | 15.9 | 14.2 | 13.0% |
| PSU Banks | 8.3 | 10.1 | 7.9 | 5.6% |
| Infra | 22.9 | 18.6 | 22.6 | 1.2% |
| **Nifty** | **20.9** | **18.2** | **21.3** | **-1.7%** |
| Energy | 14.8 | 11.5 | 15.3 | -2.9% |
| Pharma | 28.2 | 23.7 | 30.7 | -8.0% |
| Metal | 14.6 | 11.1 | 16.2 | -9.9% |
| Media | 22.3 | 22.8 | 25.1 | -11.2% |
| Auto | 22.0 | 19.0 | 24.8 | -11.3% |
| FMCG | 37.2 | 33.3 | 43.0 | -13.4% |
| IT | 25.2 | 20.9 | 29.2 | -13.5% |
| Realty | 37.7 | 26.6 | 44.8 | -15.9% |

Source: Bloomberg, Axis Securities

**NIFTY EPS Growth Expectation Remains Robust**

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




Source: Bloomberg, Axis Securities

## Some Downgrades in Nifty EPS

- After Q4FY25, we foresee FY26/27 NIFTY Earnings at 1151/1315. We have downgraded our FY26/27 expectations by 3.0% and 1%, respectively. The majority of the downgrades are related to the removal of BPCL and Britannia from the Index (replaced by Zomato and Jio Financials). Adjusted to the previous constituents, FY26 Nifty EPS saw a downgrade of 2% only.
- We are closing the FY25 growth rate at 5.3% vs. the growth rate of 25% in FY24.
- Power, Metals, Auto and Telecom saw upgrades while the Financials, IT and Pharma saw downgrades.
- Overall, FY26 will likely be better than FY25. More promising numbers are likely to be visible from Q1FY26, which will be led by the base effect (lower base due to the election), the likelihood of improvement in the high-frequency indicators, the expectation of higher government spending, and a pick-up in consumption.

| Nifty EPS | Post Q3FY25 | | Post Q4FY25 | | | | Chg post Q4FY25 | |
|---|---|---|---|---|---|---|---|---|
| **Sector** | **FY25** | **FY26** | **FY24** | **FY25** | **FY26E** | **FY27E** | **FY26E** | **FY27E** |
| **Financial** | 459 | 520 | 434 | 457 | 493 | 574 | -5.1% | 0.4% |
| **IT** | 112 | 126 | 108 | 111 | 119 | 130 | -6.1% | -5.0% |
| **Oil & Gas** | 121 | 140 | 141 | 102 | 119 | 133 | -15.2% | -14.0% |
| **FMCG** | 58 | 66 | 57 | 83 | 64 | 75 | -2.2% | 0.4% |
| **Power** | 41 | 41 | 37 | 38 | 44 | 42 | 7.4% | -8.1% |
| **Industrial** | 51 | 60 | 40 | 51 | 62 | 75 | 2.8% | 2.1% |
| **Pharma** | 32 | 35 | 28 | 28 | 33 | 34 | -6.6% | 0.2% |
| **Metals** | 62 | 76 | 48 | 60 | 80 | 90 | 5.2% | 2.4% |
| **Automobile** | 79 | 88 | 82 | 86 | 92 | 100 | 4.6% | -1.4% |
| **Cement** | 6 | 8 | 6 | 5 | 8 | 10 | 0.8% | 4.7% |
| **Telecom** | 22 | 28 | 8 | 21 | 30 | 41 | 5.5% | 7.8% |
| **Total** | **1,043** | **1,187** | **990** | **1,042** | **1,151** | **1,315** | **-3.0%** | **-1.0%** |
| **Growth** | | | **25%** | **5.3%** | **10.4%** | **14.2%** | | |

Source: Bloomberg, Axis Securities

**The Last 4 Quarters' Rolling Profits for NSE 500 (Sum of the Earnings of the Last 4 Quarters)**
**A few interesting findings from our study: Sector-wise**

- The last 4 quarters' cumulative net profit reached an all-time high in Q4FY25, crossing the mark of 15 Lc Cr. This was led by improved profitability of the Agri & Chemical, Telecom, and staple sectors.
- **Oil & Gas saw sequential underperformance**
- Financials, Oil & Gas, Metals, and IT now contribute 65% of the NSE 500's profitability.
- Loss-making sectors have turned positive after witnessing significant disruption by the pandemic.
- The Telecom sector saw sequential improvement, up 34% QoQ, led by improvement in Bharti Airtel.

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

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

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

## NSE 500 Profitability Analysis

- From FY21-FY24, NSE 500 profit grew at a CAGR of 26%, while in FY25, it has grown by only 11.4%.
- Ex. Oil & Gas, Metal & Mining, FY25 earnings grew 19.3%.

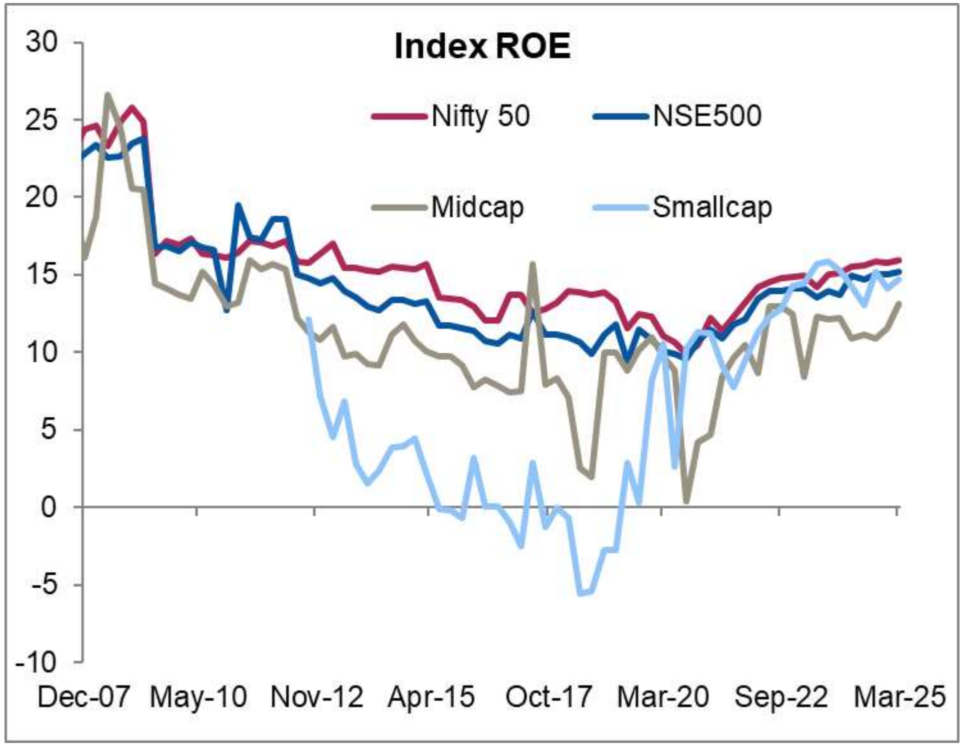
| *Rs Cr.* | FY | | | FY | |
|---|---|---|---|---|---|
| | Actuals | Actuals | 3Y | Actuals | 1-year |
| **Sectors** | **2021** | **2024** | **CAGR** | **2025** | **Growth (%)** |
| Banks | 1,03,431 | 3,16,803 | 45.2% | 3,66,484 | 15.7% |
| Oil & gas | 1,33,566 | 2,31,410 | 20.1% | 1,67,156 | -27.8% |
| NBFC | 81,678 | 1,75,389 | 29.0% | 2,03,282 | 15.9% |
| IT | 89,901 | 1,21,210 | 10.5% | 1,32,521 | 9.3% |
| Metals & min | 68,895 | 93,554 | 10.7% | 1,12,467 | 20.2% |
| Utilities | 37,820 | 73,793 | 25.0% | 72,393 | -1.9% |
| Auto & Anc | 11,579 | 67,744 | 80.2% | 75,760 | 11.8% |
| Industrials | 27,017 | 56,482 | 27.9% | 68,590 | 21.4% |
| Staples | 37,380 | 50,459 | 10.5% | 69,004 | 36.8% |
| Healthcare | 34,992 | 50,166 | 12.8% | 69,250 | 38.0% |
| Build Mate | 25,933 | 35,515 | 11.1% | 37,688 | 6.1% |
| Discretionary | 14,845 | 32,412 | 29.7% | 39,175 | 20.9% |
| Agri & Chem | 20,126 | 16,931 | -5.6% | 22,963 | 35.6% |
| Tele & Media | -7,550 | 15,653 | NM | 51,193 | 227.0% |
| Transport | -4,391 | 13,325 | NM | 13,443 | 0.9% |
| Others | 769 | 8,957 | 126.7% | 13,788 | 53.9% |
| **Total** | **6,75,992** | **13,59,802** | **26.2%** | **15,15,156** | **11.4%** |
| Total ex Oil&Gas,Metals & Min | 4,73,530 | 10,34,839 | 29.8% | 12,35,533 | 19.4% |
| **Total ex Oil&Gas,Metals & Min, Industrials** | **4,46,513** | **9,78,357** | **29.9%** | **11,66,943** | **19.3%** |

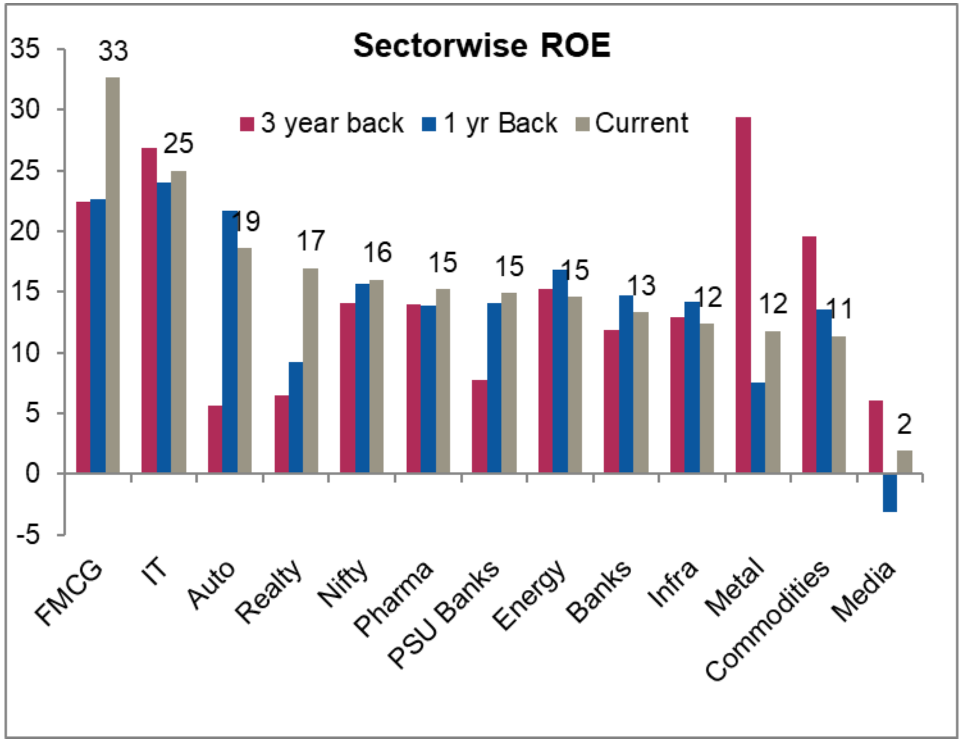
| **Size** | **FY2021** | **FY2024** | **CAGR** | **FY25** | **Growth (%)** |
|---|---|---|---|---|---|
| Large Cap | 4,79,964 | 9,87,357 | 27.2% | 10,89,686 | 10.4% |
| Mid Cap | 1,25,421 | 2,48,508 | 25.6% | 2,85,553 | 14.9% |
| Small Cap | 70,607 | 1,23,938 | 20.6% | 1,39,917 | 12.9% |

Source: Bloomberg, Axis Securities;

**Return Ratios Improving**

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

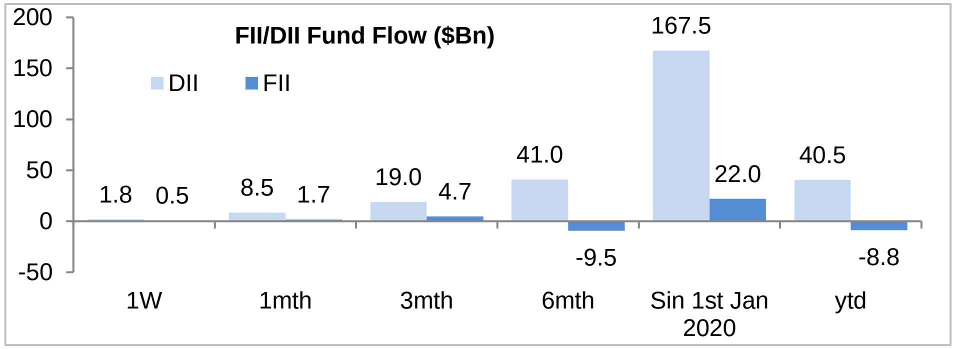


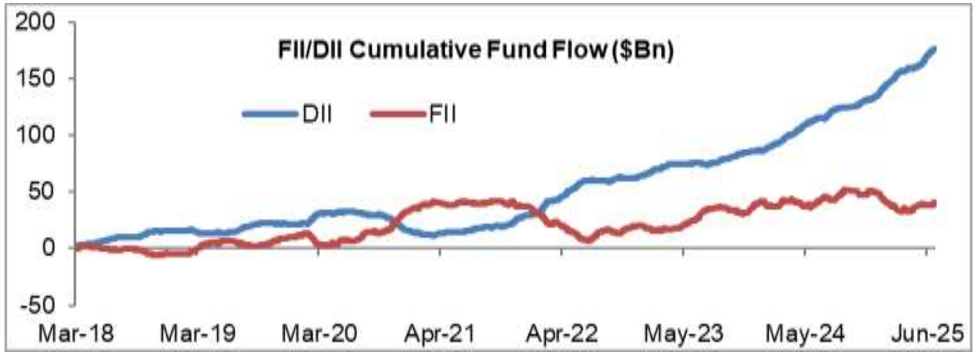



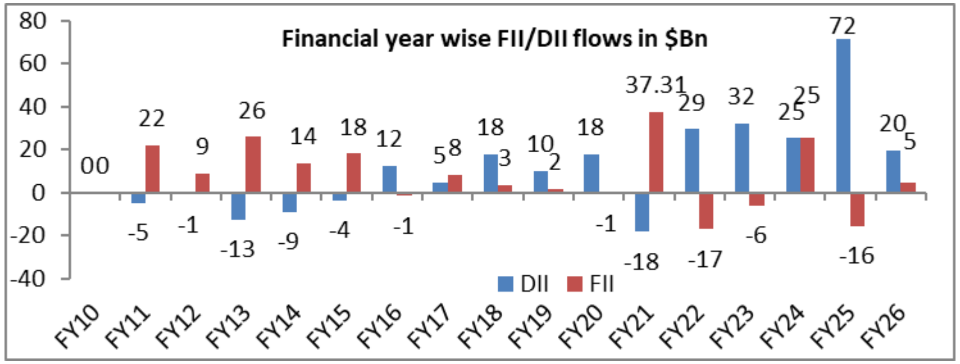

Source: Bloomberg, Axis Securities

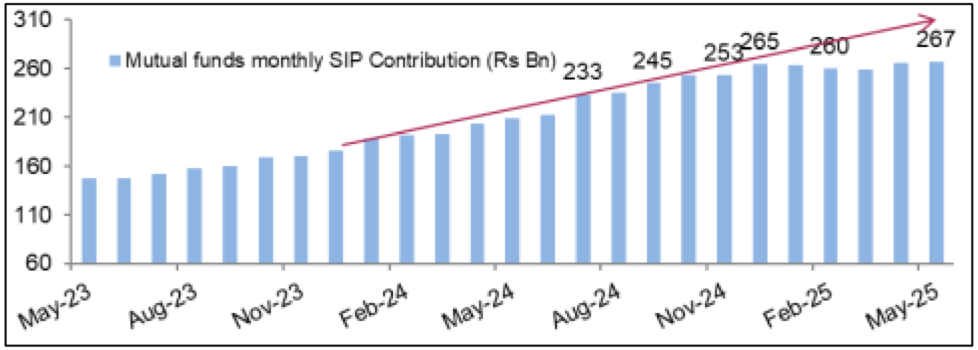
## FIIs have Returned Over the Last Three Months

Investors, both domestic and foreign, have actively demonstrated confidence in India's long-term growth narrative. In FY24, both FIIs and DIIs invested $25 Bn each in the Indian equity market. After being net sellers in FY22 and FY23, FIIs regained confidence in FY24, and this sentiment was further reinforced by the BJP's strong performance in the assembly elections in three out of four key states. In FY25, FIIs have pulled out only $16 Bn, while DIIs have invested $72 Bn in the Indian equity market. Notably, mutual fund SIP contributions crossed Rs 26,000 Cr for the first time in Dec'24.



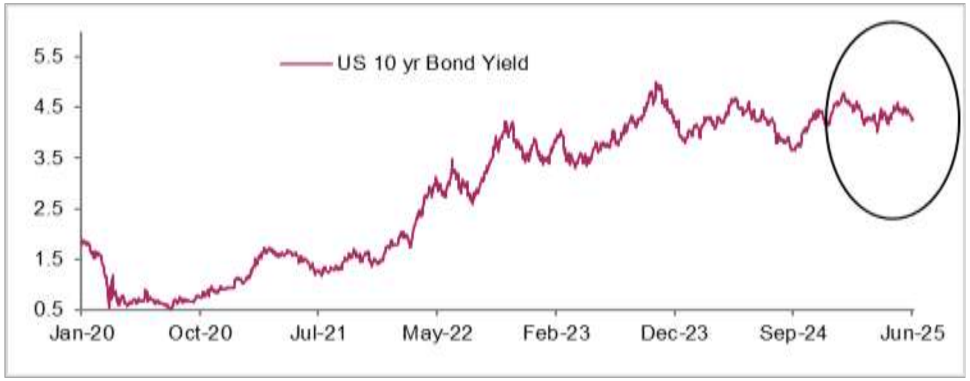



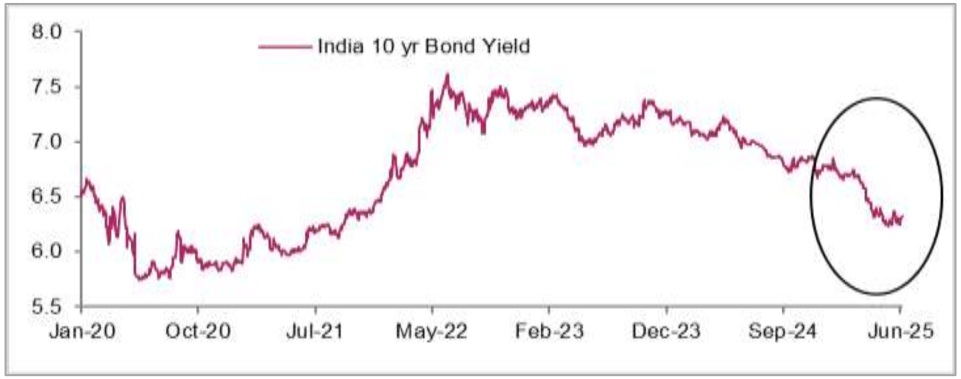



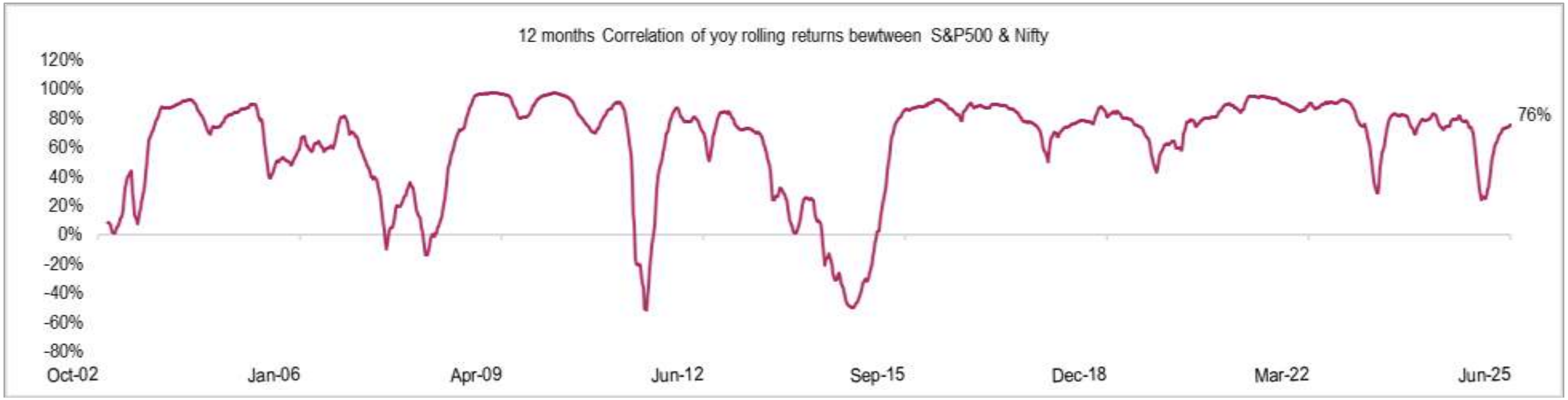

Source: Bloomberg, Axis Securities

## Macro Continues to Drive Near-Term Market Fundamentals

- US bond yields have been largely flattish in the last one month and are hovering around 4.3-4.4% levels. Further direction remains critical for the market.
- Indian bond yields saw a correction on a YTD basis and adjusted by 100bps of the rate cut by the RBI.
- The correlation between the Indian and US markets is now back to 76% levels vs. the 44% seen on 28th Feb'24.




Source: Bloomberg, Axis Securities Source: Bloomberg, Axis Securities, Adani Enterprises not included

## BAJAJ FINANCE – PRIORITISING ASSET QUALITY OVER GROWTH!

Bajaj Finance (BAF) is one of India's largest NBFCs for consumer finance with a wide product portfolio comprising loans for two-wheelers, consumer durables, housing, and small businesses, among others. The company operates its business through 1,550+ urban and 2,600+ rural lending branches, with over 2.3 Lc distribution points and caters to a customer base of 102 Mn as of Mar'25.

**Industry view**

Over Weight

**CMP**
937

**Target Price**
1,050

**Upside**
12%

### Key Rationale

- **Growth Buoyancy to continue:** AUM growth will be visible across segments with strong contribution from the core businesses and a gradual ramp-up in the newer secured businesses. The gold and new car loans business continues to see strong traction, albeit on a lower base. Moreover, the concerns around the rural B2C business continue to fade, and the management remains optimistic that growth will bounce back in this portfolio from FY26 onwards. The captive 2/3-Wheeler financing book is expected to run down by Mar/Jun'26. We expect BAF to deliver a consistent AUM growth of ~25% CAGR over FY25-27E while prioritising asset quality. This growth will be driven by a steady growth in customer acquisitions, strengthening the cross-sell franchise and strong growth visibility across segments.
- **Asset Quality is a troubled segment on the med, credit costs to moderate:** Hereon, credit costs are expected to moderate as the captive 2/3-Wheeler financing business continues to wind down. The asset quality outlook in the rural B2C business continues to improve, and credit costs are expected to remain under control. Furthermore, the newer vintage in both the rural B2C and open architecture 2-Wheeler business continues to behave well and can be credited to the credit filter tightening and a conscious growth slowdown in these segments. Thus, supported by a positive outlook on credit costs and asset quality headwinds in certain segments gradually fading away, we expect credit costs to taper to ~2% over FY26-27E vs 2.2% in FY25.
- **NIMs to find support in the rate cut cycle:** The company has moderated pricing in certain unsecured products, which impacted yields. Thus, NIMs contraction in FY25 was sharper than anticipated (49bps vs management's initial guidance of 30-35bps). With the beginning of the rate cut cycle, BAF expects CoF to gradually decline by 10-15bps over FY26 (assuming 3 rate cuts) and settle at 7.75-7.85% in FY26. This decline factors in the lag in the downward repricing of long tenor loans and ~75% of borrowings, which are fixed-rate. However, bank borrowings would be repriced faster, and the company has already seen a decline in NCD/CP rates. Thus, BAF remains well placed to navigate the rate cut cycle despite the pricing pressure in certain products and protect NIMs with a scope to improve margins over the medium term.
- **Outlook & Valuation:** Mr Rajeev Jain's continuation with BAF in the capacity of Vice Chairman addresses leadership continuity issues and ensures the seamless execution of the strategy. BAF remains well-positioned to deliver a strong AUM/NII/Earnings growth of 25/26/25% CAGR over the medium term, driven by (i) steady to marginally improving NIMs, (ii) Operating leverage driving cost ratio improvement and (iii) positive outlook on asset quality keeping credit costs under control.
- **Key Risks:** a) Slowdown in credit growth momentum, b) Asset Quality challenges in newer segments

### Key Financials (Consolidated)

| Y/E Mar (Rs Cr) | NII (Rs Bn) | PPOP (Rs Bn) | PAT (Rs Bn) | EPS (Rs) | ABV (Rs) | P/ABV (x) | ROAA (%) | NNPA (%) |
|---|---|---|---|---|---|---|---|---|
| FY24 | 29,582 | 23,933 | 14,452 | 23.4 | 122.3 | 7.7 | 5.0 | 0.3 |
| FY25 | 36,393 | 30,028 | 16,779 | 27.0 | 152.8 | 6.1 | 4.5 | 0.4 |
| FY26E | 45,703 | 37,332 | 20,916 | 33.7 | 180.6 | 5.2 | 4.5 | 0.6 |
| FY27E | 57,542 | 46,588 | 26,083 | 42.0 | 215.1 | 4.4 | 4.5 | 0.6 |

Source: Company, Axis Securities

## Income Statement (Rs Bn)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Net Interest Income | **29,582** | **36,393** | **45,684** | **57,504** |
| Other Income | 6,676 | 8,561 | 9,836 | 11,263 |
| **Total Income** | **36,258** | **44,954** | **55,521** | **68,767** |
| Total Operating Exp | 12,325 | 14,926 | 18,208 | 22,217 |
| **PPOP** | **23,933** | **30,028** | **37,313** | **46,550** |
| Provisions & Contingencies | 4,638 | 7,984 | 9,418 | 11,786 |
| **PBT** | **19,295** | **22,044** | **27,895** | **34,764** |
| Provision for Tax | 4,858 | 5,300 | 7,046 | 8,782 |
| **PAT** | **14,452** | **16,779** | **20,902** | **26,055** |

Source: Company, Axis Research

## Balance Sheet (Rs Bn)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Share capital | 124 | 124 | 124 | 124 |
| Reserves and Surplus | 76,572 | 96,569 | 1,14,335 | 1,36,481 |
| Shareholders' funds | **76,695** | **96,693** | **1,14,459** | **1,36,605** |
| Borrowings | **2,93,346** | **3,61,249** | **4,56,246** | **5,72,930** |
| Other Liabilities and provisions | 5,700 | 8,185 | 10,201 | 12,682 |
| **Total liabilities** | **3,75,742** | **4,66,127** | **5,80,907** | **7,22,217** |
| | | | | |
| **APPLICATION OF FUNDS** | | | | |
| Cash & Bank Balance | 10,624 | 13,544 | 16,879 | 20,984 |
| Investments | 30,881 | 34,441 | 40,598 | 46,863 |
| Advances | 3,26,293 | 4,07,844 | 5,10,596 | 6,38,414 |
| Fixed Assets & Other Assets | 7,944 | 10,298 | 12,834 | 15,956 |
| **Total assets** | **3,75,742** | **4,66,127** | **5,80,907** | **7,22,217** |

Source: Company, Axis Research

## Valuation Ratios (%)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| EPS | 23.4 | 27.0 | 33.7 | 42.0 |
| Earnings growth (%) | 22.8 | 15.6 | 24.7 | 24.7 |
| BVPS | 124.1 | 155.7 | 185.2 | 220.9 |
| Adj. BVPS | 122.3 | 152.8 | 180.6 | 215.1 |
| ROAA (%) | 5.0 | 4.5 | 4.5 | 4.5 |
| ROAE (%) | 22.0 | 19.0 | 19.7 | 20.7 |
| P/E (x) | 40.2 | 34.7 | 27.9 | 22.4 |
| P/ABV (x) | 7.7 | 6.1 | 5.2 | 4.4 |
| Dividend Yield (%) | 0.3 | 0.6 | 0.5 | 0.7 |
| | | | | |
| **PROFITABILITY & OPERATING EFFICIENCY** | | | | |
| NIM (%) | 10.2 | 9.7 | 9.7 | 9.8 |
| Cost/Avg. Asset Ratio (%) | 3.8 | 3.5 | 3.5 | 3.4 |
| Cost-Income Ratio (%) | 34.0 | 33.2 | 32.8 | 32.3 |

Source: Company, Axis Research

## Balance Sheet Structure Ratios (%)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Loan Growth (%) | 33.6 | 26.0 | 25.2 | 25.0 |
| Borrowings Growth (%) | 35.4 | 23.1 | 26.2 | 25.6 |
| Equity/Assets (%) | 23.5 | 23.7 | 22.5 | 21.5 |
| Equity/Advances (%) | 20.4 | 20.7 | 19.8 | 19.0 |
| Total Capital Adequacy Ratio | 22.5 | 21.7 | 21.3 | 20.2 |
| | | | | |
| **ASSET QUALITY** | | | | |
| Gross NPLs | 2,601 | 4,000 | 6,294 | 8,014 |
| Net NPLs | 1,132 | 1,833 | 2,818 | 3,593 |
| Gross NPLs (%) | 0.8 | 1.0 | 1.2 | 1.3 |
| Net NPLs (%) | 0.3 | 0.4 | 0.6 | 0.6 |
| Coverage Ratio (%) | 57.0 | 53.7 | 54.8 | 54.7 |
| Provision/Avg. Loans (%) | 1.6 | 2.2 | 2.0 | 2.0 |
| | | | | |
| **ROAA TREE** | | | | |
| Net Interest Income | 9.1 | 8.6 | 8.7 | 8.8 |
| Non-Interest Income | 2.1 | 2.0 | 1.9 | 1.7 |
| Operating Cost | 3.8 | 3.5 | 3.5 | 3.4 |
| Provisions | 1.4 | 1.9 | 1.8 | 1.8 |
| Tax | 1.5 | 1.3 | 1.3 | 1.3 |
| ROAA | 4.4 | 3.9 | 4.0 | 4.0 |
| Leverage (x) | 5.0 | 4.9 | 5.0 | 5.2 |
| ROAE | 22.0 | 19.0 | 19.8 | 20.7 |

Source: Company, Axis Research

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

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

**Industry view**

Over Weight

**CMP**
820

**Target Price**
1,025

**Upside**
25%

### Key Rationale

- **Growth buoyancy to continue:** SBI's credit growth in FY25 was a shade below its guidance of 14-16%, primarily owing to a slightly slower growth in the corporate portfolio, owing to unusually high pre-repayments from certain large PSUs, while retail growth continued to remain healthy. However, the management has indicated that the corporate loan pipeline continues to remain healthy at Rs 3.4 Lc Cr. Thus, corporate growth in FY26 is expected to be healthy at ~12-13%. The bank has also seen an uptick in Xpress credit portfolio and expects to resume its growth trajectory after a pause in FY25. The change in tax rate structure supporting consumption could support growth in Xpress Credit. SBI has acquired ~6.5 Lc corporate salary banking customers, which can further boost credit demand in the Xpress credit segment. We expect SBI to deliver a steady ~13% CAGR growth over FY25-27E.
- **Working towards maintaining NIMs**: In Q4FY25, SBI's NIMs contracted marginally by 3bps QoQ, mainly owing to an inch-up in CoF (+4bps QoQ). However, the management is confident of defending NIMs at ~3% supported by a bulk of the bank's loan book (~70%), which is either MCLR-linked or fixed rate and would reprice with a lag. On the CoF, the bank does not see headroom to revise SA rates downwards, though it will consider tweaking the TD rates. The bank also indicated that the MCLR adjustment would be largely contingent to the incremental CoF/CoD trending downwards. Thus, with ~29% of the book being EBLR-linked, there could be some volatility in margins on a quarterly basis. We expect NIMs (calc.) to remain steady at 3.1-3.2% over FY26-27E.
- **Non-banking subsidiaries to boost overall performance:** Apart from the core banking, SBI's subsidiaries are expected to continue adding further value. The bank has a strong presence in various financial services operations, most of which are generating stable returns and support the overall performance of the bank.
- **Asset Quality trends to remain healthy:** SMA1 remained steady QoQ, while SMA 2 improved by 16bps QoQ. The management has highlighted that the bank's recoveries are mainly from smaller accounts rather than large chunky accounts. SBI has strengthened its recovery process and renewed its focus on smaller accounts. It intends to maintain the quarterly run-rate from retail and smaller value accounts. During Q4FY25, the bank made an additional non-loan related provision (to the tune of Rs 16 Bn) towards the Performance-linked incentive (PLI) scheme and contingent liabilities. **SBI's credit costs are expected to remain steady at 50-60bps over the medium term.**
- **Valuation:** SBI remains well-poised to sustain its growth momentum, supported by its comfortable LDR, which provides it with levers to accelerate credit growth. We believe SBI could continue to deliver a sustainable RoA of 1% over the medium term, supported by (1) Healthy growth visibility across segments, (2) Strengthening deposit franchise with focus on CASA deposits, (3) Ramping up the fee income profile, and (4) Controlled Opex and steady provisions. We expect SBI's RoA/RoE to range between ~1%/14-15% over FY26-27E
- **Key risks:** a) Significant slowdown in credit growth

### Key Financials (Standalone)

| Y/E Mar | NII (Rs Bn) | PPOP (Rs Bn) | Net Profit (Rs Bn) | EPS (Rs) | ABV (Rs) | P/ABV (x) | ROAA (%) | NNPA (%) |
|---|---|---|---|---|---|---|---|---|
| FY24 | 1,599 | 938 | 611 | 68.4 | 399.1 | 2.1 | 1.0 | 0.6 |
| FY25 | 1,670 | 1,106 | 709 | 79.4 | 472.3 | 1.7 | 1.1 | 0.5 |
| FY26E | 1,810 | 1,158 | 704 | 78.9 | 537.0 | 1.5 | 1.0 | 0.4 |
| FY27E | 2,080 | 1,348 | 798 | 89.4 | 608.3 | 1.3 | 1.0 | 0.3 |

Source: Company, Axis Securities.

## Profit & Loss (Rs Bn)

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

Source: Company, Axis Research

## Balance Sheet (Rs Bn)

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

Source: Company, Axis Research

## KEY RATIOS (%)

| Y/E MAR | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **VALUATION RATIOS** | | | | |
| EPS | 68.4 | 79.4 | 78.9 | 89.4 |
| Earnings Growth (%) | *21.6%* | *16.1%* | *-0.7%* | *13.4%* |
| BVPS | 422.7 | 494.3 | 557.4 | 628.9 |
| Adj. BVPS | 399.1 | 472.3 | 537.0 | 608.3 |
| ROAA (%) | 1.0 | 1.1 | 1.0 | 1.0 |
| ROAE (%) | 17.3 | 17.3 | 15.0 | 15.1 |
| P/E (x) | 12.0 | 10.3 | 10.4 | 9.2 |
| P/ABV (x) | 2.1 | 1.7 | 1.5 | 1.3 |
| Dividend Yield (%) | 1.7 | 2.0 | 2.0 | 2.2 |
| | | | | |
| **PROFITABILITY** | | | | |
| NIM (%) – Domestic | 3.4 | 3.3 | 3.2 | 3.3 |
| NIM (%) - Global | 3.3 | 3.2 | 3.1 | 3.2 |
| Cost-Income Ratio | 55.7 | 51.6 | 52.6 | 51.1 |

Source: Company, Axis Research

## Balance Sheet Structure Ratios (%)

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

Source: Company, Axis Research

# Varun Beverages – Geared For Growth

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

**Industry view**

Equal Weight

**CMP**
458

**Target Price**
650

**Upside**
42%

## Key Rationale

- **VBL is well-placed for growth, backed by a strong set of numbers:** VBL delivered a strong Q1CY24 performance, with consolidated volumes rising 30% YoY to 312.4 Mn cases, led by healthy 15.5% organic growth in India and additional volumes from South Africa and the DRC. While realisations in India improved by 1.8%, a weaker mix in South Africa pulled down overall realisation by 0.9% YoY. Trailing 12-month volumes in South Africa rose 13% to 141 Mn cases. Backed by this momentum, management remains optimistic about sustaining double-digit volume growth ahead.
- **Continued Focus on Energy drink/sports drink:** The company continues to focus on expanding the high-margin Sting energy drink across outlets. The newly launched variant "Sting Gold" was introduced in March and has received encouraging initial feedback.
- **Fueling Future Growth Through Strategic Capacity Expansion:** VBL has laid a solid foundation for future growth through timely capacity additions. The company has recently operationalised new greenfield plants in Kangra (HP) and Prayagraj (UP), ahead of the peak season, while also expanding brownfield capacities across six key locations. Upcoming facilities in Bihar and Meghalaya are on schedule for the 2025 season, with Bihar already live from May 1. Additionally, backward integration units in Prayagraj and DRC have been commissioned to strengthen supply chain efficiency.
- **South Africa Business Performance:** The company has announced that South Africa is progressing well, though early-stage adjustments, like discontinuing non-profitable SKUS, are impacting reported growth. Profitability is improving as focus shifts to high-margin packs. Pepsi's share has increased from 15% to nearly 20%, and while both PepsiCo and its own brands are growing, reported volume growth appears modest due to product rationalisation. The company remains optimistic about long-term potential in the region.
- **Outlook**: VBL is poised to maintain its strong growth trajectory, driven by multiple levers: (1) The BevCo acquisition is strengthening its presence in South Africa and the DRC; (2) International expansion of its snacks business, especially into Zimbabwe and Zambia; (3) Deepening rural distribution to widen market reach; (4) Capacity enhancement through new greenfield and brownfield facilities, improving operational efficiency; and (5) scaling high-margin brands like Sting, alongside increased focus on value-added dairy, sports drinks, and juices. These strategic initiatives are set to support sustained revenue and margin expansion. We expect revenue/EBITDA/PAT to grow at 23%/24%/32% CAGR over CY24-27E.

### Key Financials (Consolidated)

| Y/E Dec (Rs Cr) | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | EV/EBITDA (x) | ROE (%) | ROCE (%) |
|---|---|---|---|---|---|---|---|---|
| CY24 | 20,008 | 4,711 | 2,595 | 8.0 | 56.4 | 31.6 | 15.9 | 20.8 |
| CY25 | 24,447 | 5,687 | 3,564 | 11.0 | 41.7 | 25.8 | 18.4 | 18.5 |
| CY26E | 30,290 | 7,127 | 4,668 | 14.4 | 31.8 | 20.2 | 20.1 | 20.3 |
| CY27E | 37,529 | 8,905 | 5,983 | 18.4 | 24.8 | 15.7 | 21.1 | 21.7 |

Source: Company, Axis Securities

## Profit & Loss (Rs Cr)

| Y/E DEC | CY24 | CY25A | CY26E | CY27E |
|---|---|---|---|---|
| **Net sales** | **20,008** | **24,447** | **30,290** | **37,529** |
| Growth, % | 24.7 | 22.2 | 23.9 | 23.9 |
| Other operating income | - | - | - | - |
| Total income | 20,008 | 24,447 | 30,290 | 37,529 |
| Raw material expenses | (8,905) | (10,864) | (13,417) | (16,570) |
| Employee expenses | (1,885) | (2,262) | (2,986) | (3,941) |
| Other Operating Expenses | (4,507) | (5,634) | (6,760) | (8,112) |
| **EBITDA (Core)** | **4,711** | **5,687** | **7,127** | **8,905** |
| Growth, % | 30.5 | 20.7 | 25.3 | 25.0 |
| Margin, % | 23.5 | 23.3 | 23.5 | 23.7 |
| Depreciation | (947) | (1,047) | (1,130) | (1,213) |
| EBIT | **3,764** | **4,640** | **5,997** | **7,692** |
| Growth, % | 28.5 | 23.3 | 29.2 | 28.3 |
| Margin, % | 18.8 | 19.0 | 19.8 | 20.5 |
| Other Income | 121 | 139 | 153 | 169 |
| Non-recurring Items | - | - | - | - |
| **Pre-tax profit** | **3,435** | **4,645** | **6,082** | **7,797** |
| Tax provided | (799) | (1,080) | (1,415) | (1,813) |
| **Net Profit** | **2,636** | **3,564** | **4,668** | **5,983** |
| Unadj. shares (Cr) | 325 | 325 | 325 | 325 |

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

| Y/E DEC | CY24 | CY25A | CY26E | CY27E |
|---|---|---|---|---|
| Cash & bank | 2,450 | 4,352 | 7,319 | 11,559 |
| Debtors | 846 | 670 | 830 | 1,028 |
| Inventory | 2,791 | 3,411 | 4,226 | 5,236 |
| Loans & advances | 840 | 840 | 840 | 840 |
| Other current assets | 936 | 936 | 936 | 936 |
| Total current assets | 7,864 | 10,210 | 14,151 | 19,600 |
| Investments | 6 | 6 | 6 | 6 |
| Gross fixed assets | 18,860 | 20,660 | 22,160 | 23,660 |
| Less: Depreciation | (5,400) | (6,447) | (7,577) | (8,790) |
| Add: Capital WIP | 1,162 | 1,162 | 1,162 | 1,162 |
| Net fixed assets | 14,622 | 15,375 | 15,745 | 16,032 |
| Non-current assets | 512 | 512 | 512 | 512 |
| **Total assets** | **23,144** | **26,242** | **30,554** | **36,290** |
| | | | | |
| Current liabilities | 4,524 | 4,871 | 5,326 | 5,891 |
| Provisions | 189 | 189 | 189 | 189 |
| Total current liabilities | 4,714 | 5,060 | 5,516 | 6,080 |
| Non-current liabilities | 1,690 | 1,690 | 1,690 | 1,690 |
| Total liabilities | 6,404 | 6,750 | 7,206 | 7,771 |
| Paid-up capital | 676 | 676 | 676 | 676 |
| Reserves & surplus | 15,934 | 18,686 | 22,542 | 27,713 |
| Shareholders' equity | 16,740 | 19,492 | 23,348 | 28,519 |
| **Total equity & liabilities** | **23,144** | **26,242** | **30,554** | **36,290** |

Source: Company, Axis Research

## Cash Flow (Rs Cr)

| Cash Flow | CY24 | CY25A | CY26E | CY27E |
|---|---|---|---|---|
| Pre-tax profit | 3,435 | 4,645 | 6,082 | 7,797 |
| Depreciation | 947 | 1,047 | 1,130 | 1,213 |
| Change in working capital. | (1,167) | (97) | (520) | (644) |
| Total tax paid | (674) | (1,080) | (1,415) | (1,813) |
| **Cash flow from operating activities** | **2,542** | **4,515** | **5,278** | **6,553** |
| Capital expenditure | (5,220) | (1,800) | (1,500) | (1,500) |
| Change in marketable securities | - | - | - | - |
| **Cash flow from investing activities** | **(5,223)** | **(1,800)** | **(1,500)** | **(1,500)** |
| Free cash flow | (2,681) | 2,715 | 3,778 | 5,053 |
| Equity raised/(repaid) | 27 | - | - | - |
| Dividend (incl. tax) | (227) | (812) | (812) | (812) |
| **Cash flow from financing activities** | **(2,567)** | **(812)** | **(812)** | **(812)** |
| Net change in cash | (5,248) | 1,902 | 2,966 | 4,241 |
| Opening cash balance | 460 | 2,450 | 4,352 | 7,319 |
| Closing cash balance | 2,450 | 4,352 | 7,319 | 11,559 |

Source: Company, Axis Research

## Ratio Analysis (%)

| Key Ratios | CY24 | CY25A | CY26E | CY27E |
|---|---|---|---|---|
| **Per Share data** | | | | |
| EPS (INR) | 8.0 | 11.0 | 14.4 | 18.4 |
| Growth, % | (50.2) | 35.2 | 31.0 | 28.2 |
| Book NAV/share (INR) | 51.1 | 59.6 | 71.5 | 87.4 |
| FDEPS (INR) | 8.1 | 11.0 | 14.4 | 18.4 |
| CEPS (INR) | 11.0 | 14.2 | 17.8 | 22.2 |
| CFPS (INR) | 8.7 | 13.5 | 15.8 | 19.7 |
| DPS (INR) | 0.7 | 2.5 | 2.5 | 2.5 |
| **Return ratios** | | | | |
| Return on assets (%) | 16.1 | 15.0 | 16.7 | 18.1 |
| Return on equity (%) | 15.9 | 18.4 | 20.1 | 21.1 |
| Return on capital employed (%) | 20.8 | 18.5 | 20.3 | 21.7 |
| **Turnover ratios** | | | | |
| Asset turnover (x) | 1.4 | 1.4 | 1.7 | 2.0 |
| Receivable days | 15.4 | 10.0 | 10.0 | 10.0 |
| Inventory days | 50.9 | 50.9 | 50.9 | 50.9 |
| Payable days | 37.2 | 37.1 | 37.2 | 37.3 |
| Working capital days | 16.2 | 14.7 | 18.1 | 20.9 |
| **Liquidity ratios** | | | | |
| Current ratio (x) | 1.7 | 2.1 | 2.7 | 3.3 |
| Quick ratio (x) | 1.1 | 1.4 | 1.9 | 2.4 |
| Interest cover (x) | 8.4 | 34.3 | 88.8 | 119.9 |
| Total debt/Equity (%) | 0.1 | 0.1 | 0.1 | 0.1 |
| Net debt/Equity (%) | (0.2) | (0.3) | (0.4) | (0.5) |
| **Valuation** | | | | |
| PER (x) | 56.4 | 41.7 | 31.8 | 24.8 |
| PEG (x) - y-o-y growth | (1.1) | 1.2 | 1.0 | 0.9 |
| Price/Book (x) | 8.9 | 7.7 | 6.4 | 5.2 |
| EV/Net sales (x) | 7.4 | 6.0 | 4.7 | 3.7 |
| EV/EBITDA (x) | 31.6 | 25.8 | 20.2 | 15.7 |

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**
2,002

**Target Price**
2,250

**Upside**
12%

### Key Rationale

- **NIMs remain a priority:** Since the merger, the bank has maintained its NIMs in a narrow range of 3.4-3.5% and the management expects to maintain margins within a similar range, barring quarterly variations. The yield repricing on repo-linked loans generally happens within a quarter, with mortgage and corporate loans repricing immediately. With the regulator easing the rate cycle from Feb'24, the impact of the same on yields of repo-linked loans in Q4FY25 was limited, and the full impact on margins will be visible from Q1FY26 onwards. The bank continues to prioritise NIMs over growth and not indulge in irrational pricing across segments. **We believe HDFCB's margins will continue to operate in the range of 3.4-3.5% over FY26-27E with support from (i) an optimal portfolio mix while balancing between retail and non-retail loans, (ii) the scope to replace high-cost borrowings (intend to bring down borrowings mix to 8-9%) with retail granular deposits, and (iii) benefit flowing in from gradual downward repricing of deposits.**
- **LDR improvement to continue:** Hereon, the bank intends to further bring down the LDR to pre-merger levels of 85-90% by FY27E, with improvement being less steep vs FY25. Thus, we expect the pace of credit growth to improve in FY26E and mirror systemic credit growth. The bank's focus on asset quality and profitable growth remains unabated. **We expect HDFCB to deliver a steady 13/18% CAGR advances/deposits growth over FY25-27E, driving LDR improvement to ~88% by FY27E.**
- **ROA optimisation underway:** NIMs are a function of the repo rate movements and will remain volatile (5-10bps) based on the rate changes. The bank has been an outlier in terms of asset quality by maintaining pristine asset quality metrics across credit cycles. With expectations of no major headwinds on asset quality, credit costs hereon are expected to remain steady. The bank has been investing in ramping up its distribution strength and will now look to leverage this strength to improve branch and employee-level productivity. This should aid the Cost-Income ratio over the medium term, a RoA improvement driver. **Thus, the management remains confident of maintaining RoA, similar to historical levels ranging between 1.9-2.1%.**
- **Outlook & Valuation:** HDFCB has been consistently performing on its guidance in its endeavour to revert to its pre-merger levels across metrics, and its execution capabilities remain strong. Supported by (i) Adequate levers to support NIMs, (ii) Controlled Opex growth and improving productivity ensuring Opex ratio moderation, (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 FY26-27E.
- **Key risks:** a) Slowdown in overall credit momentum owing to the bank's inability to ensure deposit mobilisation, b) Slower substitution of higher-cost debt with lower-cost deposits

### Key Financials (Standalone)

| Y/E Mar | NII (Rs Bn) | PPOP (Rs Bn) | Net Profit (Rs Bn) | EPS (Rs) | ABV (Rs) | P/ABV (x) | ROAA (%) | NNPA (%) |
|---|---|---|---|---|---|---|---|---|
| FY24 | 1,085 | 944 | 608 | 80.0 | 568.9 | 3.5 | 2.0 | 0.3 |
| FY25 | 1,227 | 1,001 | 673 | 88.0 | 640.5 | 3.1 | 1.8 | 0.4 |
| FY26E | 1,345 | 1,122 | 746 | 97.6 | 712.5 | 2.8 | 1.8 | 0.4 |
| FY27E | 1,560 | 1,323 | 880 | 115.0 | 797.7 | 2.5 | 1.9 | 0.4 |

Source: Company, Axis Securities.

## Profit & Loss (Rs Bn)

| Y/E MAR | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **Net Interest Income** | **1,085** | **1,227** | **1,345** | **1,560** |
| Other Income | 492 | 456 | 532 | 617 |
| **Total Income** | **1,578** | **1,683** | **1,877** | **2,177** |
| Total Operating Exp. | 634 | 682 | 755 | 854 |
| **PPOP** | **944** | **1,001** | **1,122** | **1,323** |
| Provisions & Contingencies | 235 | 116 | 132 | 156 |
| **PBT** | **709** | **885** | **990** | **1,167** |
| Provision for Tax | 101 | 211 | 244 | 287 |
| **PAT** | **608** | **673** | **746** | **880** |

Source: Company, Axis Research

## Balance Sheet (Rs Bn)

| Y/E MAR | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Share capital | 8 | 8 | 8 | 8 |
| ESOPs | 27 | 38 | 46 | 56 |
| Reserves and Surplus | 4,368 | 4,969 | 5,528 | 6,188 |
| Deposits | **4,402** | **5,014** | **5,582** | **6,252** |
| Shareholders' funds | 23,798 | 27,147 | 31,824 | 37,563 |
| Borrowings | 6,622 | 5,479 | 5,002 | 4,991 |
| Other Liabilities, provisions | 1,354 | 1,461 | 1,695 | 1,951 |
| **Total liabilities** | **36,176** | **39,102** | **44,103** | **50,756** |
| | | | | |
| **APPLICATION OF FUNDS** | | | | |
| Cash & Bank Balance | 2,191 | 2,396 | 2,872 | 3,390 |
| Investments | 7,024 | 8,364 | 9,552 | 11,275 |
| Advances | 24,849 | 26,196 | 29,192 | 33,230 |
| Fixed Assets & Other Assets | 2,112 | 2,147 | 2,487 | 2,862 |
| **Total assets** | **36,176** | **39,102** | **44,103** | **50,756** |

Source: Company, Axis Research

## KEY RATIOS (%)

| Y/E MAR | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **VALUATION RATIOS** | | | | |
| EPS | 80.0 | 88.0 | 97.6 | 115.0 |
| Earnings Growth (%) | *1.3* | *9.9* | *10.8* | *17.9* |
| BVPS | 579.5 | 655.3 | 729.4 | 817.0 |
| Adj. BVPS | 568.9 | 640.5 | 712.5 | 797.7 |
| ROAA (%) | 2.0 | 1.8 | 1.8 | 1.9 |
| ROAE (%) | 14.2 | 14.3 | 14.1 | 14.9 |
| P/E (x) | 25.0 | 22.7 | 20.5 | 17.4 |
| P/ABV (x) | 3.5 | 3.1 | 2.8 | 2.5 |
| | | | | |
| **PROFITABILITY** | | | | |
| NIM (%) | 3.8 | 3.5 | 3.4 | 3.5 |
| Cost-Assets Ratio | 2.1 | 1.8 | 1.8 | 1.8 |
| Cost-Income Ratio | 40.2 | 40.5 | 40.2 | 39.2 |

Source: Company, Axis Research

## Balance Sheet Structure Ratios (%)

| Y/E MAR | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Loan Growth (%) | 55.2 | 5.4 | 11.4 | 13.8 |
| Deposit Growth (%) | 26.4 | 14.1 | 17.2 | 18.0 |
| C-D Ratio (%) | 104.4 | 96.5 | 91.7 | 88.5 |
| CRAR | 12.2 | 12.8 | 12.7 | 12.3 |
| Tier I | 17.7 | 19.1 | 19.1 | 18.8 |
| | | | | |
| **ASSET QUALITY** | | | | |
| Gross NPLs (%) | 1.3 | 1.3 | 1.4 | 1.4 |
| Net NPLs (%) | 0.3 | 0.4 | 0.4 | 0.4 |
| PCR | 74.0 | 67.9 | 68.2 | 68.3 |
| Credit Cost | 1.0 | 0.5 | 0.5 | 0.5 |

Source: Company, Axis Research

# BHARTI AIRTEL LTD – HIGHEST ARPU IN THE INDUSTRY

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

**Industry view**

Over Weight

**CMP**
2,010

**Target Price**
2,330

**Upside**
16%

## Key Rationale

- **Best ARPU in the Industry:** Bharti Airtel leads the industry in ARPU, with management expecting further improvement from the current Rs 245 level, compared to Reliance's Rs 195. This growth is driven by a more diverse customer base, continued migration from 2G to 4G/5G, and increasing adoption of value-added services. The company remains on track to reach its ARPU target of Rs 300, supported by rising data consumption and deeper rural penetration. Average data usage per customer remains strong at 25.1 GB/month, further bolstering revenue growth.
- **Huge Revenue and Profit Growth Potential:** Bharti Airtel's business fundamentals remain strong, with continued improvements across key metrics. Management anticipates sustained revenue and profit growth driven by expanding rural distribution, network investments, and increasing 4G coverage. The company also sees strategic opportunities in tower sales, minority investments, and potential IPOs in mobile money. Airtel's digital portfolio is gaining traction alongside market share expansion. The company maintained a substantial share of 4G/5G net additions, with the 4G customer base growing by 6.6 Mn QoQ, now accounting for 75% of the total customer base. Moreover, Airtel's Africa business is expected to continue its strong performance on a sequential basis.
- **Improvement in the Digital/Home Segment:** Bharti Airtel's management anticipates an improvement in the Home Segment by offering multiple solutions simultaneously. The company has adopted a "Hunting" strategy, targeting existing high-value customers (primarily 50 Mn customers with strong financial profiles) while aggressively acquiring new ones. This approach is expected to drive growth in the Home Segment, enhancing revenue realisation and strengthening the overall business model. Management remains confident in achieving industry-leading growth, supported by intense rural penetration and an expanded service portfolio.
- **Moderated Capex and capital allocation initiatives:** Bharti Airtel does not anticipate any immediate significant Capex despite the ongoing 5G rollout. Management expects Capex levels to remain stable, with investments primarily directed toward broadband expansion, enterprise solutions, and data centres. However, Capex related to 4G radio is expected to decline with the completion of rural rollout. Airtel aims to implement a few initiatives such as deleveraging the balance sheet, dividend payments, and selective investment verticals.
- **Valuation & Recommendation:** We maintain our **BUY** rating on the stock, driven by the company's superior margins, impressive subscriber growth, and increased 4G conversions.
- **Key risks:** a) Competitors may eat market share, resulting in loss of sustainable revenue.

## Key Financials (Consolidated)

| Y/E March | Sales (Rs Cr) | EBITDA (Rs Cr) | PAT (Rs Cr) | EPS (Rs ) | P/E (X) | ROE (%) | ROCE (%) | EV/EBITDA (X) |
|---|---|---|---|---|---|---|---|---|
| 2023 | 1,39,145 | 71,274 | 12,287 | 15.0 | 133.6 | 17.1 | 9.57 | 18.4 |
| 2024 | 1,49,982 | 78,292 | 8,558 | 13.2 | 151.5 | 10.7 | 6.5 | 16.6 |
| 2025 | 1,72,985 | 93,159 | 37,481 | 58.6 | 34.1 | 38.3 | 17.7 | 13.4 |
| 2026E | 2,14,194 | 1,21,482 | 33,216 | 75.6 | 26.5 | 26.8 | 16.1 | 9.3 |

Source: Company, Axis Securities

## Profit & Loss (Rs Cr)

| Y/E March | FY23 | FY24 | FY25 | FY26E |
|---|---|---|---|---|
| **Net sales** | **1,39,145** | **1,49,982** | **1,72,985** | **2,14,194** |
| Change(YoY,%) | 19.4 | 7.8 | 15.3 | 23.8 |
| **Operating expenses** | **67,871** | **71,691** | **79,826** | **92,712** |
| **EBITDA** | **71,274** | **78,292** | **93,159** | **1,21,482** |
| *Change(YoY,%)* | *23.88* | *9.85* | *18.99* | *30.40* |
| Margin (%) | 51.22 | 52.20 | 53.85 | 56.72 |
| Depreciation | 36,432 | 39,538 | 45,570 | 55,938 |
| Interest paid | 19,300 | 22,648 | 21,754 | 23,250 |
| Other income | 937 | 1,435 | 1,574 | 1,993 |
| Tax | 4,273 | 4,121 | 917 | 11,072 |
| Effective tax rate (%) | 27% | 41% | 3% | 25% |
| **Net profit** | **12,287** | **8,558** | **37,481** | **33,216** |
| Exceptional items | 670 | 7,572 | (7,287) | - |
| Adjusted net profit | 11,618 | 986 | 44,768 | 33,216 |
| Change(YoY,%) | 0 | NA | NA | (26) |
| Adj EPS | 17 | (7) | 61 | 55 |
| Dividend per sh | 4 | 8 | 16 | 21 |
| Dividend Payout (%) | 19 | 57 | 26 | 26 |

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

| Y/E March | FY23 | FY24 | FY25 | FY26E |
|---|---|---|---|---|
| **Share capital** | **2,837** | **2,877** | **2,900** | **2,900** |
| Reserves & surplus | 74,726 | 79,142 | 1,10,772 | 1,31,311 |
| Shareholders' funds | 77,563 | 82,019 | 1,13,672 | 1,34,211 |
| Total Debt | 1,56,910 | 1,38,747 | 1,48,312 | 1,42,312 |
| Other liabilities | 47,705 | 50,094 | 75,589 | 75,589 |
| Current Liabilities & Provisions | 1,21,964 | 1,38,668 | 1,80,440 | 2,15,174 |
| Current liabilities | 89,096 | 99,252 | 1,00,837 | 1,13,625 |
| Provisions | 27,526 | 31,631 | 36,155 | 44,624 |
| **Total liabilities** | **3,21,237** | **3,19,724** | **3,60,893** | **3,76,150** |
| **Total equity & liabilities** | **4,27,681** | **4,25,288** | **5,14,360** | **5,10,361** |
| | | | | |
| Net fixed assets | 2,77,394 | 3,03,303 | 1,43,272 | 1,32,335 |
| Investments | 28,249 | 31,333 | 544 | 544 |
| Other non-curr assets | 64,537 | 32,376 | 3,02,956 | 3,02,956 |
| Current assets | 57,501 | 58,276 | 67,589 | 74,527 |
| Inventories | 258 | 364 | 452 | 0 |
| Sundry Debtors | 3,982 | 4,728 | 7,456 | 9,520 |
| Cash & Liquid | 13,419 | 16,340 | 16,720 | 18,738 |
| Other Curr Assets | 39,844 | 36,845 | 16,195 | 19,503 |
| **Total assets** | **4,27,681** | **4,28,930** | **5,14,360** | **5,10,361** |

Source: Company, Axis Securities Research

## Cash Flow (Rs Cr)

| Y/E March | FY23 | FY24 | FY25 | FY26E |
|---|---|---|---|---|
| **Pre-tax Profit** | **16,561** | **12,679** | **38,399** | **44,287** |
| Depreciation | 36,432 | 39,538 | 45,570 | 55,938 |
| Chg in working capital | 2,389 | 18,851 | 32,840 | 29,814 |
| Other operating activities | 17,694 | 13,640 | 27,467 | 21,257 |
| **Cash flow from operations (a)** | **68,801** | **80,586** | **1,43,358** | **1,40,224** |
| Capital expenditure | (65,124) | (48,971) | 1,14,460 | (45,000) |
| Chg in investments | (1,696) | (3,444) | 3,142 | - |
| Other investing activities | (42,534) | 33,957 | (2,41,359 ) | 1,993 |
| **Cash flow from investing (b)** | **(1,09,354 )** | **(18,458)** | **(1,23,756 )** | **(43,007)** |
| Equity raised/(repaid) | 42 | 40 | 24 | - |
| Debt raised/(repaid) | 61,503 | (18,217) | (604) | (19,476) |
| Dividend paid | (2,387) | (4,838) | (9,751) | (10,726) |
| Chang in minorities | 3,501 | (5,336) | 16,251 | (39,796) |
| Other financing activities | (22,182) | (30,856) | (25,141) | (25,200) |
| **Cash flow from financing (c)** | **40,477** | **(59,207)** | **(19,222)** | **(95,199)** |
| **Net chg in cash (a+b+c)** | **(76)** | **2,921** | **380** | **2,018** |
| Opening cash balance | 13,494 | 13,419 | 16,340 | 16,720 |
| Closing cash balance | 13,419 | 16,340 | 16,720 | 18,738 |

Source: Company, Axis Securities Research

## Ratio Analysis (%)

| Y/E March | FY23 | FY24 | FY25 | FY26E |
|---|---|---|---|---|
| **Book Value (Rs)** | **130** | **136** | **187** | **220** |
| Adj EPS (Rs) | 17 | (7) | 61 | 55 |
| **Adj EPS growth (%)** | 256 | -143 | -936 | -11 |
| EBITDA margin (%) | 51 | 52 | 54 | 57 |
| Pre-tax margin (%) | 11 | 7 | 20 | 21 |
| Debt/Equity (x) | 2 | 2 | 1 | 1 |
| ROCE (%) | 10 | 6 | 18 | 16 |
| ROE (%) | 17 | 11 | 38 | 27 |
| **Financial leverage ratios** | | | | |
| Debt / Equity (x) | 2.0 | 1.6 | 0.9 | 0.6 |
| Interest Coverage (x) | 3.7 | 3.5 | 4.3 | 5.2 |
| Interest / Debt (%) | 15 | 16 | 18 | 24 |
| **Working Capital & Liquidity Ratio** | | | | |
| Inventory days | 0 | 0 | 0 | 0 |
| Receivable days | 10 | 11 | 16 | 16 |
| Payable days | 85 | 84 | 79 | 75 |
| **Valuation ratio** | | | | |
| PER (x) | 95.5 | 138.9 | 32.0 | 36.1 |
| Adjusted PER (x) | 116.0 | NA | 32.1 | 36.1 |
| P/BV (x) | 15.1 | 14.5 | 10.5 | 8.9 |
| EV/EBITDA (x) | 18.4 | 16.6 | 13.8 | 10.4 |
| Market Cap. / Sales (x) | 8.4 | 7.9 | 6.9 | 5.6 |

Source: Company, Axis Securities Research

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

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

**Industry view**

Equal weight

**CMP**
707

**Target Price**
790

**Upside**
12%

### Key Rationale

- **NIMs to rebound as excess liquidity eases:** Another sharp contraction in NIMs during Q4FY25 was attributed to excess liquidity of up to 6 months of liability repayments (~Rs 31,000 Cr) vs. an average liquidity of 3 months of liability repayments (~Rs 19,000 Cr). The impact of excess liquidity on margins was 20-25bps. The management has assured that this will be utilised over the next couple of quarters. The excess liquidity is on account of 2 large ECB transactions at the end of Q3FY25 and in Q4FY25. The CoF has peaked, and SFL has seen the incremental CoF taper to 8.86% vs 8.95% in Q4FY25. The management expects the impact of rate cuts to play out over FY26, driving CoF improvement. Additionally, ~30% of the borrowings are set to mature in FY26E and will be repriced downwards. However, the company will look to pass on some of the rate cut benefits to customers. **With CoF improving and excess liquidity easing, NIMs are expected to rebound to normalised levels of 8.5-8.6% during the year.**
- **Growth to remain healthy:** The management has guided for 15% AUM growth in FY26, driven by a 12-15% growth in the CV portfolio, 20%+ in the MSME book, 20% in the PV portfolio and 20% growth in the other segments. **We pencil down a healthy AUM growth of 15% CAGR over FY25-27E, with the portfolio mix remaining broadly unchanged.** Currently, growth in the CV segment is primarily driven by an increase in ATS. However, improved CV sales in 2022 should translate into better volumes for the used CV financing over FY26-28E.
- **Write-offs aid asset quality improvement; Outlook remains stable:** On the brighter side, the stress in these geographies seems to have peaked out. Supported by (i) Expectations of a normalised monsoon aiding a bumper rabi produce, (ii) Rural growth continuing its strong trajectory and (iii) Revival in infra spending by the government and (iv) Recovery in urban demand, the management remains confident of capping credit costs at ~2% in FY26. While the Stage 2 assets have inched up in Q4FY25, the ground-level feedback gives the management the confidence to contain stress and limit slippages into Stage 3. Owing to the technical write-off, the PCR declined to ~43%, and the management is comfortable maintaining it at current levels.
- **Outlook & Valuation:** With expectations of recovery in the rural economy and a pick-up in urban demand, SFL's asset quality concerns seem to have peaked out and are on a path of recovery. With easing asset quality stress backed by a favourable on-ground feedback and management's confidence of capping Stage 2 flows. SFL is well-placed to deliver RoA/RoE of 3+%/16-18% over FY26-27E. **Improvement in NIMs and moderation in credit costs remain key factors to drive further re-rating in the stock.**
- **Key risks:** a) Moderation in growth momentum, b) Asset quality concerns cropping out

### Key Financials (Standalone)

| Y/E Mar | NII (Rs Cr) | PPOP (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | ABV (Rs) | P/ABV (x) | ROAA (%) | NNPA (%) |
|---|---|---|---|---|---|---|---|---|
| FY24 | 18,794 | 14,202 | 7,190 | 38.3 | 227.5 | 3.1 | 3.3 | 2.7 |
| FY25 | 21,853 | 16,261 | 9,761 | 51.9 | 263.6 | 2.7 | 3.7 | 2.6 |
| FY26E | 25,326 | 18,983 | 9,663 | 51.4 | 300.1 | 2.3 | 3.2 | 2.6 |
| FY27E | 29,211 | 22,075 | 11,511 | 61.2 | 342.5 | 2.1 | 3.3 | 2.6 |

Source: Company, Axis Securities.

### Profit & Loss (Rs Cr)

| Y/E MAR | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **Net Interest Income** | **18,794** | **21,853** | **25,326** | **29,211** |
| Other Income | 1,398 | 1,552 | 1,657 | 1,826 |
| **Total Income** | **20,191** | **23,405** | **26,983** | **31,037** |
| Total Operating Exp. | 5,990 | 7,144 | 8,000 | 8,962 |
| **PPOP** | **14,202** | **16,261** | **18,983** | **22,075** |
| Provisions & Contingencies | 4,518 | 5,312 | 6,065 | 6,687 |
| **PBT** | 0 | 1,657 | 0 | 0 |
| Provision for Tax | **9,684** | **12,606** | **12,918** | **15,389** |
| **PAT** | 2,493 | 2,845 | 3,255 | 3,878 |

Source: Company, Axis Research

### Balance Sheet (Rs Cr)

| Y/E MAR | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Share capital | 376 | 376 | 376 | 376 |
| Reserves and Surplus | 48,193 | 55,904 | 63,635 | 72,843 |
| Shareholders' funds | **48,568** | **56,281** | **64,011** | **73,219** |
| Borrowings | 1,86,468 | 2,34,915 | 2,66,661 | 3,06,637 |
| Other Liabilities, provisions | 2,239 | 2,337 | 2,654 | 3,048 |
| **Total liabilities** | **2,37,276** | **2,93,533** | **3,33,326** | **3,82,905** |
| | | | | |
| **APPLICATION OF FUNDS** | | | | |
| Cash & Bank Balance | 10,813 | 21,366 | 19,929 | 20,979 |
| Investments | 10,657 | 15,599 | 17,713 | 22,263 |
| Advances | 2,07,929 | 2,45,393 | 2,83,487 | 3,26,214 |
| Fixed Assets & Other Assets | 1,407 | 1,189 | 1,189 | 1,189 |
| **Total assets** | 6,471 | 9,986 | 11,007 | 12,261 |

Source: Company, Axis Research

## KEY RATIOS (%)

| Y/E MAR | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **VALUATION RATIOS** | | | | |
| EPS | 38.3 | 51.9 | 51.4 | 61.2 |
| Earnings Growth (%) | *-76.0* | *35.6* | *-1.0* | *19.1* |
| BVPS | 258.5 | 299.3 | 340.4 | 389.4 |
| Adj. BVPS | 227.5 | 263.6 | 300.1 | 342.5 |
| ROAA (%) | 3.3 | 3.7 | 3.2 | 3.3 |
| ROAE (%) | 15.7 | 18.6 | 16.6 | 17.4 |
| P/E (x) | 18.5 | 13.6 | 13.6 | 11.4 |
| P/BV (x) | 3.1 | 2.7 | 2.3 | 2.1 |
| | | | | |
| **PROFITABILITY** | | | | |
| NIM (%) | 8.8 | 8.6 | 8.4 | 8.5 |
| Cost-Assets Ratio | 2.7 | 2.7 | 2.6 | 2.5 |
| Cost-Income Ratio | 29.7 | 30.5 | 29.6 | 28.9 |

Source: Company, Axis Research

## Balance Sheet Structure Ratios (%)

| Y/E MAR | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Loan Growth (%) | 20.9 | 18.0 | 15.5 | 15.1 |
| Borrowings Growth (%) | 17.7 | 26.0 | 13.5 | 15.0 |
| Equity/Assets (%) | 23.4 | 22.9 | 22.6 | 22.4 |
| Equity/Loans (%) | 20.5 | 19.2 | 19.2 | 19.1 |
| Total Capital Adequacy Ratio (CAR) | 20.3 | 20.7 | 20.3 | 20.1 |
| | | | | |
| **ASSET QUALITY** | | | | |
| Gross NPLs (%) | 5.5 | 4.6 | 4.6 | 4.6 |
| Net NPLs (%) | 2.7 | 2.6 | 2.6 | 2.6 |
| PCR | 53.2 | 43.3 | 45.0 | 45.0 |
| Credit costs | 2.4 | 2.3 | 2.3 | 2.2 |

Source: Company, Axis Research

## Hero Motocorp Ltd – Rural Recovery to Support Future Volume Growth

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

**Industry view**

**Over Weight**

**CMP**
4,237

**Target Price**
5,030

**Upside**
19%

### Key Rationale

- **Industry Growth Outlook:** The domestic economy has begun FY26 on a positive trajectory, supported by tapering inflation, declining interest rates, income tax cuts, strong marriage season and expectations of a favourable monsoon. These macroeconomic tailwinds are fueling optimism in the two-wheeler market. The 2W industry growth for FY26 is projected to be in the mid-to-high single digits, despite some headwinds from OBD 2 norms and related price increases.
- **New Product Launches:** In Q4FY25, Hero MotoCorp rolled out a series of product launches across key segments, reinforcing its focus on both commuter and premium motorcycles. The company launched Splendor+ XTEC 2.0 and updated its commuter lineup with the 2024 Hero Glamour. In the premium segment, it introduced the Xtreme 250R and Xpulse 210 at Bharat Mobility 2025, along with the Mavrick 440 Thunderwheels and the Xpulse 200 4V Dakar Edition. The 2024 Harley-Davidson lineup, including the Breakout 117, Road Glide, and Street Glide, was also unveiled. In the scooter segment, Hero launched the new Destini 125 and the Xoom 125 and 160 models. These launches highlight Hero's ongoing efforts to strengthen its product portfolio and address a wider range of customers.
- **Focus on growing the EV vertical:** Hero ended Mar'25 with 7% EV market share, and also acquired a 34.1% stake in Euler Motors for Rs 510 Cr, marking entry into the EV 3W space (e3W industry is valued at Rs 17,000 Cr, is expected to grow to Rs 22,000 Cr over the next 5 years, with 20%+ EBITDA margin potential). Overall profitability in EVs is expected to improve with localisation, cost reductions, and PLI benefits and the management projects EV break-even at 25k–30k units/month (currently 7k-8k/month).
- **Exports**: Export performance was broad-based with strong growth in Bangladesh, Colombia, Nepal, and Mexico. In FY25, exports grew 43% YoY, and the management noted that 40% of exports comprised premium products, indicating strong traction in higher-margin segments.
- **Outlook**: We are monitoring (1) Hero's roadmap in the EV product portfolio; (2) Strategy in the mid-weight MC segment amidst growing competition; (3) Expansion into new international markets. Additionally, government initiatives to enhance rural income, higher disposable income and the marriage season are expected to drive 2W industry growth, benefiting Hero, particularly in the entry and 125cc segments. Consequently, we estimate an 8%/9% CAGR in Revenue/EBITDA over FY25-27E.
- **Key risks:** a) Geopolitical Uncertainty, b) Increased competition.

### Key Financials (Standalone)

| Y/E Mar | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | ROCE (%) | ROE (%) | EV/EBIDTA (x) |
|---|---|---|---|---|---|---|---|---|
| FY24A | 37,456 | 5,261 | 4,127 | 198 | 22.9 | 21.7 | 22.1 | 17.8 |
| FY25 | 40,756 | 5,861 | 4,610 | 231 | 18.9 | 22.3 | 22.7 | 14.8 |
| FY26E | 43,940 | 6,415 | 4,966 | 249 | 17.5 | 21.8 | 22.1 | 13.1 |
| FY27E | 47,561 | 6,941 | 5,401 | 270 | 16.1 | 21.4 | 21.7 | 11.8 |

Source: Company, Axis Securities Research

## Profit & Loss (Rs Cr)

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

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

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

Source: Company, Axis Securities Research

## Cash Flow (Rs Cr)

| Y/E Mar | FY24A | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| EBIT | 4,550 | 5,085 | 5,531 | 6,112 |
| Other Income | 886 | 1,056 | 1,111 | 1,111 |
| Depreciation & Amortisation | 711 | 776 | 884 | 829 |
| Interest paid(-) | -19 | -20 | -20 | -21 |
| Tax paid(-) | -1,290 | -1,443 | -1,655 | -1,800 |
| Extra Ord Income | -159 | 0 | 0 | 0 |
| **Operating Cash Flow** | **4,679** | **5,454** | **5,850** | **6,231** |
| Change in Working Capital | 1,118 | -1,495 | 235 | -69 |
| **Cash flow from Operations** | **5,797** | **3,958** | **6,086** | **6,162** |
| Capex | -801 | -1,000 | -500 | -500 |
| Strategic Investment | 0 | 0 | 0 | 0 |
| Non-Strategic Investment | -2,076 | -400 | -400 | -400 |
| **Cash flow from Investing** | **-2,876** | **-1,400** | **-900** | **-900** |
| Change in borrowing | 0 | 0 | 0 | 0 |
| Others | 41 | -0 | 0 | 0 |
| Dividends paid(-) | -2,699 | -2,699 | -2,699 | -2,699 |
| **Cashflow from Financial Activities** | **-2,657** | **-2,699** | **-2,699** | **-2,699** |
| Change in Cash | 263 | -140 | 2,487 | 2,563 |
| Opening cash | 346 | 609 | 468 | 2,956 |
| **Closing Cash** | **609** | 468 | 2,956 | 5,518 |

Source: Axis Securities Research

## Ratio Analysis (%)

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

Source: Axis Securities Research

## Avenue Supermarts Ltd – EARNINGS BOTTOMING OUT

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

**Industry view**

Equal Weight

**CMP**
4,372

**Target Price**
5,091

**Upside**
16%

### Key Rationale

- **Earnings bottoming out:** D-Mart has consistently delivered 17-20% CAGR revenue growth over the past several quarters, driven by 14-15% expansion in its network and retail space. The recent investment of ~Rs 175 Cr in D-Mart, Ready to support operations, working capital, and expansion, is a step in the right direction. This strategic move will strengthen the company's position in the competitive online grocery market and is expected to yield long-term benefits. In fact, in Q4FY25, DMart reported ~18% YoY revenue growth, driven by increased footfalls.
- **Margins remain intact:** Despite a challenging environment marked by pressure in GM&A sales and rising competition from other value retailers and Q-commerce players, the company has maintained its overall Gross and EBITDA margins at approximately 15% and 7-8%, respectively, over the past several quarters. This reflects D-Mart's strong execution capabilities, robust business model (EDLP), and operational efficiencies.
- **Extensive retail network:** D-Mart has consistently maintained its store opening expansion, with its total store network reaching 422 as of Jun 25. This represents a 14% CAGR, positioning the company to benefit as demand revives in the coming quarters. The company aims to increase its store count by 15% in the coming years.
- **Management Transition:** Neville Noronha will step down as MD & CEO in January 2026, and Anshul Asawa, previously with Unilever, has joined the organisation in mid-Mar'25 and will take over retail operations in 4–5 months, allowing the current leadership to focus on store expansion and e-commerce growth. Additionally, the appointment of new leadership to the revamped and slowing GM&A category will be closely watched, as it may signal potential shifts in strategic direction or operational priorities.
- **Improving outlook:** D-Mart has faced several challenges over the past few years, impacted by a subdued demand environment, particularly in the value segment. Larger and newer stores have longer gestation periods, affecting overall profitability, along with increasing competition from both organised players and online platforms. However, the company has undertaken several initiatives to address these challenges, such as: 1) Changes in leadership to revamp the slowing GM&A category, 2) Focusing on improving profitability in D-Mart Ready through a gradual expansion strategy, and 3) Targeting a 15% store addition on an existing base of 420 stores, which is a step in the right direction. Additionally, the overall improving consumer demand, supported by stable macroeconomics and a strong festive outlook in H2FY26, is expected to further support these initiatives and drive growth in high-margin general merchandise and apparel categories. **Hence, we maintain our BUY rating on the stock.**

### Key Financials (Standalone)

| Y/E Mar (Rs Cr) | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | ROE (%) | ROCE (%) |
|---|---|---|---|---|---|---|---|
| FY24 | 50,789 | 4,104 | 2,536 | 39.0 | 112.2 | 13.6 | 14.5 |
| FY25A | 59,358 | 4,487 | 2,707 | 41.6 | 105.1 | 12.6 | 13.4 |
| FY26E | 71,165 | 5,940 | 3,673 | 56.4 | 77.5 | 14.6 | 15.6 |
| FY27E | 85,848 | 7,409 | 4,664 | 71.7 | 61.0 | 15.7 | 16.9 |

Source: Company, Axis Securities.

## Profit & Loss (Rs Cr)

| Y/E Mar | FY24 | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| **Net sales** | **50,789** | **59,358** | **71,165** | **85,848** |
| Growth, % | 18.6 | 16.9 | 19.9 | 20.6 |
| Raw material expenses | (43,275) | (50,552) | (60,157) | (72,489) |
| Employee expenses | (906) | (1,166) | (1,411) | (1,707) |
| Other Operating Expenses | (2,504) | (3,153) | (3,658) | (4,243) |
| **EBITDA (Core)** | **4,104** | **4,487** | **5,940** | **7,409** |
| Growth, % | 12.8 | 9.3 | 32.4 | 24.7 |
| Margin, % | 8.1 | 7.6 | 8.3 | 8.6 |
| Depreciation | (731) | (870) | (1,012) | (1,154) |
| **EBIT** | **3,373** | **3,618** | **4,928** | **6,255** |
| Growth, % | 12.5 | 7.3 | 36.2 | 26.9 |
| Margin, % | 6.6 | 6.1 | 6.9 | 7.3 |
| Other Income | 146 | 124 | 176 | 211 |
| Non-recurring Items | - | - | - | - |
| **Pre-tax profit** | **3,461** | **3,673** | **5,031** | **6,389** |
| Tax provided | (926) | (965) | (1,358) | (1,725) |
| **Profit after tax** | **2,536** | **2,707** | **3,673** | **4,664** |

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

| Y/E Mar | FY24 | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Cash & bank | 638 | 358 | 922 | 2,419 |
| Debtors | 166 | 154 | 184 | 222 |
| Inventory | 3,927 | 5,044 | 6,048 | 7,296 |
| Loans & advances | - | - | - | - |
| Other current assets | 1,364 | 835 | 835 | 835 |
| Total current assets | 6,203 | 6,393 | 7,990 | 10,774 |
| Investments | 243 | 178 | 178 | 178 |
| Gross fixed assets | 16,562 | 20,224 | 23,524 | 26,824 |
| Less: Depreciation | (3,155) | (4,024) | (5,036) | (6,191) |
| Add: Capital WIP | 935 | 1,099 | 1,099 | 1,099 |
| Net fixed assets | 14,342 | 17,299 | 19,587 | 21,732 |
| Non-current assets | 390 | 452 | 452 | 452 |
| **Total assets** | **21,178** | **24,321** | **28,207** | **33,136** |
| | | | | |
| Current liabilities | 1,979 | 2,212 | 2,425 | 2,690 |
| Provisions | - | - | - | - |
| Total current liabilities | 1,979 | 2,212 | 2,425 | 2,690 |
| Non-current liabilities | 501 | 681 | 681 | 681 |
| Total liabilities | 2,480 | 2,894 | 3,107 | 3,371 |
| Paid-up capital | 651 | 651 | 651 | 651 |
| Reserves & surplus | 18,047 | 20,777 | 24,450 | 29,114 |
| Shareholders' equity | 18,698 | 21,428 | 25,101 | 29,765 |
| **Total equity & liabilities** | **21,178** | **24,321** | **28,207** | **33,136** |

Source: Company, Axis Research

## Cash flow (Rs Cr)

| Y/E Mar | FY24 | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Pre-tax profit | 3,461 | 3,673 | 5,031 | 6,389 |
| Depreciation | 731 | 870 | 1,012 | 1,154 |
| Change in working capital | (1,193) | (244) | (821) | (1,021) |
| Total tax paid | (911) | (945) | (1,358) | (1,725) |
| Cash flow from operating activities | **2,088** | **3,353** | **3,864** | **4,798** |
| Capital expenditure | (2,912) | (3,826) | (3,300) | (3,300) |
| Change in marketable securities | 96 | 105 | - | - |
| Cash flow from investing activities | **(2,942)** | **(3,656)** | **(3,300)** | **(3,300)** |
| Free cash flow | (854) | (302) | 564 | 1,498 |
| Equity raised/(repaid) | 2 | - | - | - |
| Dividend (incl. tax) | - | - | - | - |
| Cash flow from financing activities | **2** | **-** | **-** | **-** |
| Net change in cash | (851) | (302) | 564 | 1,498 |
| Opening cash balance | 1,408 | 638 | 358 | 922 |
| Closing cash balance | 638 | 358 | 922 | 2,419 |

Source: Company, Axis Research

## Ratios (%)

| Y/E Mar | FY24 | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| **Per Share data** | | | | |
| EPS (INR) | 39.0 | 41.6 | 56.4 | 71.7 |
| Growth, % | 6.0 | 6.8 | 35.7 | 27.0 |
| Book NAV/share (INR) | 287.3 | 329.3 | 385.7 | 457.4 |
| FDEPS (INR) | 39.0 | 41.6 | 56.4 | 71.7 |
| CEPS (INR) | 50.2 | 55.0 | 72.0 | 89.4 |
| CFPS (INR) | 30.0 | 50.6 | 56.7 | 70.5 |
| **Return ratios** | | | | |
| Return on assets (%) | 13.2 | 12.2 | 14.3 | 15.5 |
| Return on equity (%) | 13.6 | 12.6 | 14.6 | 15.7 |
| Return on capital employed (%) | 14.5 | 13.4 | 15.6 | 16.9 |
| **Turnover ratios** | | | | |
| Asset turnover (x) | 3.2 | 3.1 | 3.2 | 3.4 |
| Sales/Total assets (x) | 2.6 | 2.6 | 2.7 | 2.8 |
| Sales/Net FA (x) | 3.8 | 3.8 | 3.9 | 4.2 |
| Working capital/Sales (x) | 0.1 | 0.1 | 0.1 | 0.1 |
| Receivable days | 1.2 | 0.9 | 0.9 | 0.9 |
| Inventory days | 28.2 | 31.0 | 31.0 | 31.0 |
| Payable days | 7.7 | 7.1 | 7.2 | 7.2 |
| Working capital days | 25.0 | 23.5 | 23.8 | 24.1 |
| **Liquidity ratios** | | | | |
| Current ratio (x) | 3.1 | 2.9 | 3.3 | 4.0 |
| Quick ratio (x) | 1.1 | 0.6 | 0.8 | 1.3 |
| **Valuation** | | | | |
| PER (x) | 112.2 | 105.1 | 77.5 | 61.0 |
| PEG (x) - y-o-y growth | 18.7 | 15.5 | 2.2 | 2.3 |
| Price/Book (x) | 15.2 | 13.3 | 11.3 | 9.6 |
| EV/Net sales (x) | 5.6 | 4.8 | 4.0 | 3.3 |
| EV/EBITDA (x) | 69.1 | 63.3 | 47.7 | 38.1 |
| EV/EBIT (x) | 84.1 | 78.5 | 57.5 | 45.1 |

Source: Company, Axis Research

## LUPIN Ltd – NICHE APPROVALS, LOWER INPUT COSTS; OUTLOOK POSITIVE

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

**Industry view**

Over Weight

**CMP**
1,938

**Target Price**
2,500

**Upside**
29%

### Key Rationale

- **Strong Q4FY25:** Reported revenue grew 14% YoY, led by the India and US businesses, which grew 19% and 7% YoY, respectively, along with a 30% YoY increase in the EMEA business. The Other Developed Markets segment grew 10.7% YoY, while the API segment declined 10.3% YoY. Gross margins improved by 200 bps YoY and remained stable QoQ, supported by a favourable product mix, lower input costs, a reduced share of in-licensed products, and enhanced cost efficiencies. EBITDA margins improved by 320 bps YoY and were flat QoQ. Reported PAT grew 39.5% YoY, beating expectations. The company remains debt-free and cash surplus, backed by strong cash flows. Lupin continues to sell the gMyrebegron product under litigation, supported by non-infringement and invalidity defences.
- **Robust USA Front:** US sales stood at $245 Mn, registering a 17.2% YoY growth in constant currency terms, while overall reported revenue from the US was Rs 2,262 Cr, up 19% YoY. This growth was primarily driven by volume expansion in inline products and new launches. However, pricing pressure and competition in Suprep and Albuterol weighed on performance. Despite this, the company maintained a 20% market share in Albuterol.
- **Outlook & Valuation:** Lupin remains confident in its growth trajectory, supported by strong new launches, an expanding complex generics portfolio, and a solid pipeline. In the US market, recently launched Darunavir and Spiriva have achieved market shares of 30% and 25%, respectively. Recently launched Tolvaptan (market size: $287 Mn) and Xyway (market size: $958 Mn with 180-day exclusivity) are expected to contribute to revenue in the first half of the year.
- **Double-digit growth in India's business expected**: Lupin reported Rs 1,711 Cr in Q4FY25, reflecting a modest 7% YoY growth, driven by strong performance in chronic therapies such as diabetes, cardiology, and gastroenterology, in line with market growth. The company further strengthened its portfolio through the acquisition of Eli Lilly's human insulin range and three trademarks from Boehringer Ingelheim. For FY25, the India formulations business grew 13.8%, although muted growth in the respiratory segment impacted overall performance. Lupin remains confident in sustaining above-market growth, supported by new product launches, in-licensed products, and a robust 10,000-member sales force.
- **Valuation:** At the CMP, the stock trades at 25x and 23x its FY26E and FY27E earnings, respectively.

### Key Financials (Consolidated)

| Y/E March (Rs Cr) | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | EV/EBIDTA (%) | ROE (%) |
|---|---|---|---|---|---|---|---|
| FY25 | 22,708 | 5,283 | 3,306 | 72.4 | 27.0 | 17.2 | 19.1 |
| FY26E | 25,093 | 5,922 | 3,571 | 78.2 | 25.0 | 14.7 | 17.6 |
| FY27E | 26,794 | 6,350 | 3,869 | 84.7 | 23 | 13.2 | 16.4 |

Source: Company, Axis Securities

## Profit & Loss (Rs Cr)

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

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

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

Source: Company, Axis Research

## Cash Flow (Rs Cr)

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

Source: Company, Axis Research

## Ratio Analysis (%)

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

Source: Company, Axis Research

# MAX HEALTHCARE INSTITUTE LIMITED – LEADER IN CHARGE

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

**Industry view**

Equal Weight

**CMP**
1,276

**Target Price**
1,450

**Upside**
14%

## Key Rationale

- **Q4FY25 Performance:** Max Healthcare reported revenue of Rs 2,326 Cr, in line with expectations, supported by steady ARPOB and contributions from new hospitals despite a marginal drop in occupancy. ARPOB stood at Rs 77,100, remaining flat YoY, while occupancy improved to 75% (up 300 bps YoY on a like-for-like basis), driven by a 30% YoY growth in occupied bed days. EBITDA margins stood at 26.4%, stable over the year despite additions of new assets. PAT was Rs 376 Cr, reflecting a 21% YoY growth driven by operational efficiencies and cost control.
- **Network Expansion:** Max Healthcare is set to add ~1,500 beds over the next year, strengthening its capacity across key regions. The first phase of Nanavati (268 beds) and Mohali (155 beds) is expected to be operational within the next 90 days. The 400-bed Max Mart facility in Saket is scheduled for commissioning by Q2FY26, while the Greenfield hospital in Gurgaon (500 beds) is targeted for completion by the end of 2025. In Lucknow, 128 beds have already been added, with additional capacity and the onco block is expected by Q2FY26. At Max Dwarka, the onco block is set to be ready by Q3FY26, with a further 200-bed expansion planned. Other projects—Patparganj (397 beds), Vikrant Saket (550 beds), Zirakpur Mohali (400 beds), and Vaishali (140 beds)—are progressing as per schedule, with expected completion timelines of 24 to 30 months. These ongoing expansions position Max Healthcare to materially enhance its footprint and service capability, driving long-term growth.
- **Developing units set for contribution**: Developing hospitals under Max Healthcare witnessed a strong ramp-up, with revenue growing 22%. Occupancy rates improved meaningfully—up 800 bps QoQ and 400 bps YoY—driving a 14.5% increase in occupied bed days. However, ARPOB remained muted due to an adverse shift in payer mix. Notably, Max Dwarka achieved EBITDA breakeven within just six months of operations, reporting Q4 revenue of Rs 59 Cr and achieving 73% occupancy on 235 commissioned beds as of Mar'25. Max Lucknow and Max Nagpur continued their strong performance, with EBITDA increasing 102% and 86% YoY, respectively, driven by 56% and 23% YoY revenue growth. The integration of newer units, including Max Noida and JP Hospital, is progressing as planned. Management remains confident of further occupancy ramp-up and margin expansion, supported by operational synergies and the natural maturing of recently added assets.
- **Outlook & Valuation:** Max Healthcare's revenue mix remains well-balanced, with sustained growth in both institutional and international patient segments. The recent rise in institutional business share is expected to stabilise as higher-value payer segments expand. While new hospital ramp-ups may have a short-term margin impact, this should ease as these facilities scale operations. Profitability in Lucknow and Nagpur is expected to improve further, driven by higher occupancy rates and the introduction of new clinical programs.
- **Valuation:** We value the stock at a Multiple of 38x EV/EBITDA FY27E.

## Key Financials (Consolidated)

| Y/E March (Rs Cr) | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | EV/EBIDTA (%) | ROE (%) | ROCE (%) |
|---|---|---|---|---|---|---|---|---|
| FY25 | 8,621 | 2,193 | 1,335 | 14 | 93 | 57 | 13 | 12 |
| FY26E | 11,103 | 3,053 | 2,005 | 21 | 62 | 41 | 16 | 16 |
| FY27E | 13,100 | 3,707 | 2,496 | 26 | 50 | 34 | 17 | 19 |

Source: Company, Axis Securities

## Profit & Loss (Rs Cr)

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

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

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

Source: Company, Axis Research

## Cash Flow (Rs Cr)

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

Source: Company, Axis Research

## Ratio Analysis (%)

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

Source: Company, Axis Research

## Colgate Pamolive India – CONSUMPTION PLAY

Colgate-Palmolive (India) Limited is the market leader in Oral Care in the country, committed to delivering sustainable, profitable growth for its shareholders, while fostering an inclusive workplace for its people. With a primary focus on Oral Care & Personal Care in the Indian market, the Company is recognised for its leadership and innovative efforts in advancing sustainability and community well-being. Among its recent accomplishments, the company has made significant strides in reducing plastic waste, promoting recyclability, and conserving water and energy, not only at its manufacturing facilities but also in the communities they serve. It also engages children in imparting good oral health practices through its Colgate Bright Smiles, Bright Futures® program. Madagascar.

**Industry view**

Equal Weight

**CMP**
2,407

**Target Price**
2,830

**Upside**
18%

### Key Rationale

- **Near-term challenges persist, but the long-term outlook remains strong.** Following high single-digit revenue growth, H2FY25 saw subdued performance in revenue due to demand constraints. However, we believe that as the macro environment improves, revenue is likely to grow in the coming quarters. Moreover, in Q4FY25, management indicated that despite weak near-term challenges, it continues to focus on its core growth drivers, which include: 1) Accelerating growth in the core portfolio through increased marketing spends, 2) Driving premiumisation through science-based innovations, 3) Expanding category growth in Toothbrush and building the personal care portfolio under Palmolive, and 4) Increasing usage frequency while driving rural penetration.
- **Margins likely to remain stable –** Despite the soft revenue print, management highlighted that margin remained resilient, driven by disciplined cost controls rather than price hikes.
- **Margin of safety:** Colgate's stock price has corrected 35% from its peak on account of near-term challenges, which provides a huge margin of safety as long-term growth prospects remain positive.
- **Outlook:** We appreciate the company's overall long-term strategy, which focuses on driving top-line growth through initiatives such as: 1) Launching science-based premium products to enhance overall realisations, 2) Developing the category by increasing awareness through marketing initiatives, 3) Increasing the frequency of consumption and penetration in rural markets, and 4) Expanding the personal care portfolio to mitigate risks associated with the slow-growing oral care category, moreover demand environment likely to improve in coming quarters and recent stock price correction provide better margin of safety. **Hence, we maintain our BUY rating with a revised TP- 2830/share.**

### Key Financials (Standalone)

| Y/E Mar (Rs Cr) | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | EV/EBITDA (x) | ROE (%) | ROCE (%) |
|---|---|---|---|---|---|---|---|---|
| FY24 | 5,644 | 1,901 | 1,338 | 49.2 | 48.8 | 33.7 | 71.7 | 73.6 |
| FY25A | 5,999 | 1,958 | 1,437 | 52.8 | 45.6 | 32.9 | 86.3 | 80.8 |
| FY26E | 6,551 | 2,157 | 1,556 | 57.2 | 42.1 | 29.8 | 88.2 | 90.6 |
| FY27E | 7,223 | 2,483 | 1,792 | 65.9 | 36.5 | 25.7 | 88.4 | 94.3 |

Source: Company, Axis Securities

## Profit & Loss (Rs Cr)

| Y/E DEC | FY24 | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| **Net sales** | **5,644** | **5,999** | **6,551** | **7,223** |
| Growth, % | 9 | 6 | 9 | 10 |
| Other operating income | 36 | 41 | 45 | 50 |
| Total income | 5,680 | 6,040 | 6,596 | 7,272 |
| Raw material expenses | (1,723) | (1,818) | (1,964) | (2,111) |
| Employee expenses | (412) | (447) | (465) | (488) |
| Other Operating Expenses | (1,645) | (1,817) | (2,011) | (2,190) |
| **EBITDA (Core)** | **1,901** | **1,958** | **2,157** | **2,483** |
| Growth, % | 23 | 3 | 10 | 15 |
| Margin, % | 34 | 33 | 33 | 34 |
| Depreciation | (172) | (163) | (173) | (183) |
| **EBIT** | **1,729** | **1,795** | **1,984** | **2,299** |
| Growth, % | 26 | 4 | 11 | 16 |
| Margin, % | 31 | 30 | 30 | 32 |
| Other Income | 77 | 139 | 111 | 112 |
| Non-recurring Items | - | - | - | - |
| **Pre-tax profit** | **1,801** | **1,930** | **2,090** | **2,407** |
| Tax provided | (458) | (493) | (534) | (615) |
| **Profit after tax** | **1,343** | **1,437** | **1,556** | **1,792** |

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

| Y/E DEC | FY24 | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Cash & bank | 1,374 | 1,095 | 1,305 | 1,647 |
| Debtors | 167 | 226 | 247 | 272 |
| Inventory | 296 | 377 | 359 | 396 |
| Loans & advances | 7 | 7 | 7 | 7 |
| Other current assets | 60 | 57 | 57 | 57 |
| Total current assets | 1,904 | 1,763 | 1,975 | 2,379 |
| Investments | - | - | - | - |
| Gross fixed assets | 2,219 | 2,364 | 2,509 | 2,654 |
| Less: Depreciation | (1,425) | (1,587) | (1,760) | (1,944) |
| Add: Capital WIP | 110 | 38 | 38 | 38 |
| Net fixed assets | 904 | 815 | 787 | 749 |
| Non-current assets | 26 | 28 | 28 | 28 |
| **Total assets** | **3,132** | **2,951** | **3,135** | **3,501** |
| | | | | |
| Current liabilities | 1,239 | 1,277 | 1,362 | 1,465 |
| Provisions | 22 | 30 | 30 | 30 |
| Total current liabilities | 1,261 | 1,307 | 1,392 | 1,495 |
| Non-current liabilities | (4) | (21) | (21) | (21) |
| Total liabilities | 1,257 | 1,286 | 1,371 | 1,474 |
| Paid-up capital | 27 | 27 | 27 | 27 |
| Reserves & surplus | 1,847 | 1,637 | 1,737 | 2,000 |
| Shareholders' equity | 1,874 | 1,664 | 1,764 | 2,027 |
| **Total equity & liabilities** | **3,132** | **2,951** | **3,135** | **3,501** |

Source: Company, Axis Research

## Cash Flow (Rs Cr)

| Cash Flow | FY24 | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Pre-tax profit | 1,801 | 1,930 | 2,090 | 2,407 |
| Depreciation | 172 | 163 | 173 | 183 |
| Change in working capital | 257 | (108) | 82 | 41 |
| Total tax paid | (494) | (543) | (534) | (615) |
| **Cash flow from operating activities** | **1,736** | **1,441** | **1,812** | **2,016** |
| Capital expenditure | (100) | (73) | (145) | (145) |
| Change in marketable securities | - | - | - | - |
| **Cash flow from investing activities** | **(100)** | **(73)** | **(145)** | **(145)** |
| Free cash flow | 1,636 | 1,368 | 1,667 | 1,871 |
| Equity raised/(repaid) | 3 | (210) | (0) | 0 |
| Dividend (incl. tax) | (1,578) | (1,387) | (1,457) | (1,529) |
| **Cash flow from financing activities** | **(1,575)** | **(1,597)** | **(1,457)** | **(1,529)** |
| Net change in cash | 61 | (229) | 210 | 342 |
| Opening cash balance | 923 | 1,374 | 1,095 | 1,305 |
| Closing cash balance | 1,374 | 1,095 | 1,305 | 1,647 |

Source: Company, Axis Research

## Ratio Analysis (%)

| Key Ratios | FY24 | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| **Per Share data** | | | | |
| EPS (INR) | 49.2 | 52.8 | 57.2 | 65.9 |
| Growth, % | 26.9 | 7.0 | 8.3 | 15.1 |
| Book NAV/share (INR) | 68.9 | 61.2 | 64.9 | 74.5 |
| FDEPS (INR) | 49.4 | 52.8 | 57.2 | 65.9 |
| CEPS (INR) | 55.7 | 58.8 | 63.6 | 72.6 |
| CFPS (INR) | 60.8 | 48.0 | 62.5 | 70.0 |
| DPS (INR) | 58.0 | 51.0 | 53.6 | 56.2 |
| **Return ratios** | | | | |
| Return on assets (%) | 45.0 | 47.4 | 51.3 | 54.2 |
| Return on equity (%) | 71.7 | 86.3 | 88.2 | 88.4 |
| Return on capital employed (%) | 73.6 | 80.8 | 90.6 | 94.3 |
| **Turnover ratios** | | | | |
| Asset turnover (x) | 19.1 | 41.1 | 63.5 | 840.9 |
| Sales/Total assets (x) | 1.9 | 2.0 | 2.2 | 2.2 |
| Sales/Net FA (x) | 6.0 | 7.0 | 8.2 | 9.4 |
| Working capital/Sales (x) | (0.1) | (0.1) | (0.1) | (0.1) |
| Receivable days | 10.8 | 13.8 | 13.8 | 13.8 |
| Inventory days | 19.2 | 23.0 | 20.0 | 20.0 |
| Payable days | 85.2 | 82.3 | 82.7 | 84.5 |
| Working capital days | (45.9) | (37.1) | (38.5) | (37.0) |
| **Liquidity ratios** | | | | |
| Current ratio (x) | 1.5 | 1.4 | 1.5 | 1.6 |
| Quick ratio (x) | 1.3 | 1.1 | 1.2 | 1.4 |
| Net debt/Equity (%) | (73.3) | (65.8) | (74.0) | (81.2) |
| **Valuation** | | | | |
| PER (x) | 48.8 | 45.6 | 42.1 | 36.5 |
| PEG (x) - y-o-y growth | 1.8 | 6.5 | 5.1 | 2.4 |
| Price/Book (x) | 34.9 | 39.3 | 37.1 | 32.3 |
| EV/Net sales (x) | 11.4 | 10.7 | 9.8 | 8.8 |
| EV/EBITDA (x) | 33.7 | 32.9 | 29.8 | 25.7 |
| EV/EBIT (x) | 37.8 | 36.6 | 33.0 | 28.3 |

Source: Company, Axis Research

## Sansera Engineering Ltd - Strong Order Book & Supportive Balance Sheet to Support Future Growth

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

**Industry view**

**Over Weight**

**CMP**
1,380

**Target Price**
1,580

**Upside**
15%

### Key Rationale

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

### Key Financials (Standalone)

| Y/E Mar | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | ROCE (%) | ROE (%) | EV/EBIDTA (x) |
|---|---|---|---|---|---|---|---|---|
| FY24A | 2,811 | 480 | 188 | 34.8 | 29.2 | 16.05% | 14.77% | 13.18 |
| FY25 | 3,017 | 515 | 217 | 37.4 | 34.0 | 13.81% | 10.50% | 14.32 |
| FY26E | 3,527 | 624 | 278 | 44.5 | 30.5 | 13.76% | 9.58% | 13.23 |
| FY27E | 4,126 | 755 | 365 | 58.5 | 23.2 | 16.96% | 11.41% | 10.70 |

Source: Company, Axis Securities Research

## Profit & Loss (Rs Cr)

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

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

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

Source: Company, Axis Securities Research

## Cash Flow (Rs Cr)

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

Source: Axis Securities Research

## Ratio Analysis (%)

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

Source: Axis Securities Research

## Prestige Estates Projects Ltd – LAUNCH APPROVALS ARE KEY; SALES REMAIN STRONG

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

**Industry view**

Equal Weight

**CMP**
1,657

**Target Price**
1,900

**Upside**
15%

### Key Rationale

- **Launches lead to a pick-up in sales; strong guidance:** Prestige reported pre-sales of Rs 6,957 Cr for the quarter, a 48% growth YoY. This was slightly above our expectations, mainly due to launches at the far end of March. The company launched projects of 14 Mn sq. ft in Q4 - 2 big projects, including Prestige Southern Star and Prestige Spring Heights, each covering ~5mn sq. ft. As opposed to ~10mn sq. ft. in 9MFY25. The company's pre-sales for FY25 stood at Rs 17,000Cr, missing its earlier guidance of ~Rs 24,000 Cr but in line with our expectations post Q3. Mumbai's contribution to the pre-sales was ~Rs 5,100 Cr, translating to 30% of pre-sales driven by Nautilus launch, while Bengaluru/Hyderabad contributed ~45%/23% of pre-sales for the year. The company has guided towards a launch pipeline of GDV Rs 42,000 Cr while having an unsold inventory of Rs ~20,000 Cr. They have guided towards a pre-sale of Rs 27,000 Cr, of which Q1 is expected to contribute ~Rs 12,000 Cr on the back of the recent 3 Mumbai launches. This shows a good upcoming FY26 on the back of spill-over launches and a lower base.
- **Annuity performs well:** The company showed an occupancy level of ~90% for their office segments and a strong 99% for their retail presence. EBITDA margins stood at 79%, leading to a rise in EBITDA from the annuity space of Rs 5,932 Cr for FY25. The exit rentals for their commercial/Retail portfolio stood at Rs 5,230 Cr/ Rs 2,185 Cr. The upcoming pipeline stood at 8/10 Mn sq. ft. for commercial/retail segments. Its annuity capex stood at ~Rs 13,460 Cr, up from the previous ~Rs 12,800 Cr. The company sees exit rentals escalating from the current Rs 7,400 Cr to Rs 44,000 Cr by FY29E.
- **Muted Collections; recovery in coming quarters:** While the company saw decent pre-sales despite delayed launches, its collections remained subdued. Its reported collections for Q4 of Rs 3,155 Cr showed -9% degrowth YoY. This was mainly impacted due to launches happening at the far end of March, and hence could not translate into collections. The company expects this spill over to happen in the first quarter of FY26. The collections for the year stood at Rs 12,084 Cr flat over the previous year. This also impacted the company's financial performance, while increasing their net debt to Rs 6,716 Cr from the previous Rs 5,960 Cr. Net debt to equity was 0.42x.
- **Recommendation & Valuation**: After a subdued performance in 9MFY25, PEPL's pre-sales rebounded in Q4FY25, reaching Rs 6,957 Cr (+48% YoY), driven by a pickup in launches (14 Mn sq. ft.). The growth was largely price-led, supported by a stronger geographical contribution. Despite this recovery, FY25 pre-sales declined 19% YoY due to delayed launches stemming from regulatory hurdles, resulting in a ~30% miss against the initial guidance of ~Rs 24,000 Cr. Going forward for FY26E, Prestige aims to offset the muted FY25 performance with a robust launch pipeline worth Rs 42,000 Cr. Combined with an existing inventory base of Rs 21,000 Cr, we believe Prestige is well-positioned to achieve a 65% YoY growth in pre-sales to Rs 28,000 Cr.

### Key Financials (Consolidated)

| Y/E March | Sales (Rs Cr) | EBITDA (Rs Cr) | PAT (Rs Cr) | EPS (Rs) | P/E (X) | ROE (%) | Net Debt/Equity (%) | EV/EBITDA (X) |
|---|---|---|---|---|---|---|---|---|
| FY24 | 7,877 | 2,498 | 1,374 | 34.3 | 43.3 | 12.2 | 13.4 | 27.7 |
| FY25 | 7,349 | 2,559 | 468 | 11.7 | 127.3 | 3.0 | 7.6 | 26.7 |
| FY26E | 10,102 | 3,391 | 1,111 | 27.7 | 53.5 | 6.7 | 7.9 | 21.1 |
| FY27E | 13,088 | 4,505 | 1,985 | 49.5 | 30.0 | 10.8 | 10.6 | 13.6 |

Source: Company, Axis Securities

## Profit & Loss (Rs Cr)

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

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

## Balance Sheet (Rs Cr)

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

Source: Company, Axis Research

## Cash Flow (Rs Cr)

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

Source: Company, Axis Research

## Ratio Analysis (%)

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

Source: Company, Axis Research

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

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

**Industry view**

**Equal Weight**

**CMP**
1,739

**Target Price**
2,035

**Upside**
17%

### Key Rationale

- **Sharp improvement in EBITDA/t** at Rs 4,864/t (up 18%/17% YoY/QoQ, 6% beat vs. our and consensus estimates). The improvement was led by industry-leading EBITDA/t across product segments. Specifically, in the general products, the company achieved a 5% premium pricing over its competitors with an impressive EBITDA/t of Rs 2,897/t vs. a historical range of Rs 1,800-2,000/t. Brand value of APL Apollo, along with a narrow spread between Patra and HRC (at Rs 7k/t; market share loss is witnessed only when the spread is above Rs 15-20k/t), led to the higher EBITDA/t.
- **Guidance of upward EBITDA/t trajectory maintained:** For FY26, the EBITDA/t target is Rs 5,000/t. With increasing share of VAP (value added products), focus on cost reduction (target to reduce employee cost/t from the current level of Rs 1,000/t to Rs 600/t by FY27), and tapping virgin domestic and export markets aided by strong distribution network, the company expects to achieve EBITDA/t of Rs 5,000/t in FY26 and further surpass that level in future years.
- **Strategy to Penetrate Newer Markets:** Strategy to penetrate new markets - capacity expansion: The company targets to expand its current capacity from 4.5 MTPA to 6.8 MTPA by FY28. The expansion will help it cater to the virgin East Indian market and high-margin international markets. The expansion would include a brownfield expansion of 2 Lc Ton in Dubai, 5 Lc Ton roofing sheets and 1 Lc Ton Heavy structure in Raipur. Greenfield expansion would include 2 Lc Ton in Gorakhpur, 3 Lc Ton in Kolkata, 3 Lc Ton in Bhuj (for focusing on exports from India) and 3.6 Lc Ton in New Malur (including 1.6 Lc Ton shifting of existing lines). Furthermore, the company is also expanding in speciality tubes with a 0.5 MTPA expansion. The total capex outlay is expected to be Rs 15 Bn over the next 3 years.
- **Outlook & Valuation:** The company's vision is to expand its capacity to 10 MTPA by FY30, providing a growth tailwind in the longer term. We maintain our TP of Rs 2,035/share. The stock is now trading at a 12MF P/E multiple of 38x. We value it at a 12MF target multiple of 35x on our FY27E EPS.

### Key Financials (Consolidated)

| Y/E Mar | Sales (Rs Cr) | EBITDA (Rs Cr) | PAT (Rs Cr) | EPS (Rs) | P/E (X) | EV/EBITDA (X) | ROE (%) | ROCE (%) |
|---|---|---|---|---|---|---|---|---|
| FY24 | 18,119 | 1,192 | 732 | 26.4 | 56.7 | 35.8 | 22.2 | 22.8 |
| FY25 | 20,690 | 1,199 | 757 | 27.3 | 56.1 | 35.9 | 19.4 | 20.1 |
| FY26E | 25,214 | 1,871 | 1,242 | 44.7 | 40.2 | 27.0 | 25.9 | 29.5 |
| FY27E | 31,077 | 2,363 | 1,614 | 58.2 | 31.0 | 21.3 | 26.1 | 30.7 |

Source: Company, Axis Securities

## Income Statement (Rs Cr)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **Total Sales** | **18,119** | **20,690** | **25,214** | **31,077** |
| Total Raw Materials | 15,617 | 17,870 | 21,507 | 26,509 |
| COGS | 16,669 | 19,158 | 23,006 | 28,327 |
| **EBITDA** | **1,192** | **1,199** | **1,871** | **2,363** |
| **EBITDA per tonne** | **4,553** | **3,797** | **4,859** | **5,137** |
| Depreciation | 176 | 201 | 223 | 246 |
| Interest & Finance charges | 113 | 133 | 72 | 62 |
| Other Income | 75 | 96 | 101 | 124 |
| **EBT (as reported)** | **978** | **960** | **1,677** | **2,179** |
| Tax | 245 | 203 | 435 | 565 |
| **RPAT** | **732** | **757** | **1,242** | **1,614** |

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| Equity Share Capital | 56 | 56 | 56 | 56 |
| Reserves | 3,549 | 4,153 | 5,340 | 6,898 |
| Net worth | 3,605 | 4,209 | 5,395 | 6,954 |
| Total loans | 1,125 | 615 | 515 | 415 |
| Deferred tax liability (Net) | 126 | 153 | 153 | 153 |
| **Capital Employed** | **5,029** | **5,172** | **6,297** | **7,810** |
| Net block | 3,031 | 3,370 | 3,647 | 3,901 |
| Investments | 103 | 126 | 202 | 249 |
| Inventories | 1,638 | 1,623 | 2,003 | 2,469 |
| Sundry debtors | 139 | 267 | 276 | 341 |
| Cash and cash equivalents | 345 | 369 | 394 | 1,351 |
| Total Current Assets | 3,341 | 3,183 | 3,805 | 5,504 |
| Total Current Liabilities | 2,157 | 2,424 | 2,442 | 3,009 |
| Net Current Assets | 1,184 | 759 | 1,363 | 2,495 |
| **Capital Deployed** | **5,029** | **5,172** | **6,297** | **7,810** |

Source: Company, Axis Research

## Cash Flow (Rs Cr)

| Y/E March | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| PBT | 978 | 960 | 1,677 | 2,179 |
| Depriciation & Amortization | 176 | 201 | 223 | 246 |
| Incr/(Decr) in Deferred Tax Liability | - | - | - | - |
| (Incr)/Decr in Working Capital | 124 | 167 | (578) | (176) |
| **Net Cash Flow from Operating** | **1,112** | **1,213** | **858** | **1,622** |
| | | | | |
| (Incr)/ Decr in Gross PP&E incl Capital Advances | (695) | (723) | (500) | (500) |
| (Incr)/Decr In Work in Progress | - | - | - | - |
| (Incr)/Decr In Investments | (5) | - | (76) | (47) |
| (Incr)/Decr in Other Non-Current Assets | - | - | (169) | (80) |
| **Cash Flow from Investing** | **(916)** | **(375)** | **(605)** | **(448)** |
| | | | | |
| (Decr)/Incr in Borrowings | 259 | (514) | (100) | (100) |
| Dividend | (139) | (153) | (56) | (56) |
| **Cash Flow from Financing** | **27** | **(815)** | **(228)** | **(218)** |
| Cash at the Start of the Year | 123 | 345 | 369 | 394 |
| **Cash at the End of the Year** | **345** | **369** | **394** | **1,351** |

Source: Company, Axis Research

## Ratio Analysis (%)

| Ratios | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|
| **Growth (%)** | | | | |
| Sales | 12.1 | 14.2 | 21.9 | 23.3 |
| EBITDA | 16.7 | 0.6 | 56.0 | 26.3 |
| APAT | 14.1 | 3.4 | 64.0 | 30.0 |
| **Profitability (%)** | | | | |
| EBITDA Margin | 6.6 | 5.8 | 7.4 | 7.6 |
| Adj. Net Profit Margin | 4.0 | 3.7 | 4.9 | 5.2 |
| ROCE | 22.8 | 20.1 | 29.5 | 30.7 |
| ROE | 22.2 | 19.4 | 25.9 | 26.1 |
| **Per Share Data (Rs.)** | | | | |
| AEPS | 26.4 | 27.3 | 44.7 | 58.2 |
| Reported CEPS | 32.9 | 35.6 | 53.2 | 67.6 |
| BVPS | 129.9 | 151.6 | 194.4 | 250.5 |
| **Valuations (x)** | | | | |
| PER (x) | 56.7 | 56.1 | 40.2 | 31.0 |
| PEG (x) | 4.0 | 16.7 | 0.6 | 1.0 |
| P/BV (x) | 11.5 | 10.1 | 9.3 | 7.2 |
| EV/EBITDA (x) | 35.8 | 35.9 | 27.0 | 21.3 |
| Dividend Yield (%) | 0.37% | 0.38% | 0.11% | 0.11% |
| **Turnover days** | | | | |
| Inventory Days | 34.1 | 31.1 | 28.8 | 28.8 |
| Debtor Days | 2.9 | 3.7 | 4.1 | 3.8 |
| Payable Days | 42.4 | 43.6 | 38.6 | 35.1 |
| **Gearing Ratio** | | | | |
| D/E | 0.3 | 0.1 | 0.1 | 0.1 |

Source: Company, Axis Research

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

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

**Industry view**

Equal Weight

**CMP**
1,227

**Target Price**
1,350

**Upside**
10%

### Key Rationale

- **Robust order book:** As of 31st March, 2025, the company's order book stands at Rs 64,495 Cr, 41% from T&D, 22% from B&F, 15% from Water, 12% from Oil & Gas, 5% from Railways, and 5% from Urban Infra. With a strong execution track record and growing opportunities across all segments, the company is well-positioned for steady revenue growth, projecting an 18% CAGR from FY25 to FY27E.
- **Order inflow:** In FY25, the order inflow stood at Rs 25,475 Cr. The management expects an order inflow of Rs 26,000-28,000 Cr (out of which Rs 2,372 Cr has been received) in FY26, with a major focus on the T&D and B&F segments. Management foresees some traction in Oil & Gas as well as the international water segment. Overall, management is positive about growth across all businesses, except for Railways.
- **EBITDA margins to improve:** Recent order wins are expected to enhance margins, driving improved profitability. Management anticipates a 100 bps expansion in operating margins for the current fiscal year. Additionally, reduced debt levels are lowering finance costs, further strengthening the bottom line. We forecast robust growth in EBITDA and PAT, with projected CAGRs of 22% and 41%, respectively, over FY25–FY27. We expect the company to achieve an EBITDA margin in the range of 8.5%- 9% in FY26/27.
- **Outlook:** The company is well-positioned to benefit from a robust order book, favourable sectoral tailwinds in both domestic and international T&D and B&F segments, improved performance of its international subsidiaries, supportive government initiatives, and expected margin improvements. It is projected to deliver a CAGR of 18%/22%/41% over FY25-27E.
- **Valuation:** The stock is currently trading at 22x/18x FY26E/27E EPS. We maintain our BUY rating on the stock with a TP of Rs 1,350/share, implying an upside of 11% from the CMP.
- **Key risks:** a) Delay in collections may impact revenue growth; b) A rise in commodity prices may impact margins.

### Key Financials

| Y/E Mar (Rs Cr) | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | EV/EBIDTA (x) | ROE (%) | ROCE (%) |
|---|---|---|---|---|---|---|---|---|
| FY24 | 19,626 | 1,629 | 516 | 31.9 | 35 | 12.9 | 10.4% | 16.1% |
| FY25 | 22,316 | 1,834 | 567 | 33.2 | 34 | 11.8 | 9.6% | 16.8% |
| FY26E | 26,185 | 2,330 | 914 | 53.4 | 22 | 9 | 13.1% | 19.8% |
| FY27E | 30,923 | 2,752 | 1156 | 67.6 | 18 | 7.8 | 14.7% | 22% |

Source: Company, Axis Securities

## Profit & Loss (Rs Cr)

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

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

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

Source: Company, Axis Research

## Cash Flow (Rs Cr)

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

Source: Company, Axis Research

## Ratio Analysis (%)

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

Source: Company, Axis Research

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