

TOP PICKS

June 2025



Style & Sector Rotation A Key to Generate Alpha Going Forward

The Axis Top Picks Basket delivered a return of 15.3% in the last three months against the 11.9% return posted by the Nifty 50, outperforming the Nifty 50 by a notable margin of 3.4%. Moreover, over the last one month, the basket has gained 2.6%. We are happy to share that our Top Picks Basket has delivered an impressive return of 321% since its inception (May'20), which stands well above the 167% 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 government are providing support to the Indian economy through policy measures such as a 50bps CRR cut in Dec'24, two rate cuts of 25bps each, improved bank liquidity, a consumption boost provided in the budget, an uptick in the government Capex spending, and the 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. Nonetheless, further macroeconomic factors related to tariffs, yields, currencies, interest rates, and global growth need to be closely monitored going forward.

Bounce-back Continued in May'25: Indian market witnessed a bounce back from Mar'25 onwards as Nifty 50 went up by 12%, and Mid and Smallcap went up by 20% and 22% respectively since Feb'25 low. Multiple factors contributed to this rally: a) Q4FY25 earnings season on an expected line, b) Positive bilateral trade developments, c) Reduction of geopolitical tensions with neighbouring countries, 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 9.6% and the Midcap index by 6.1%, while the benchmark index, Nifty50, inched up marginally by 1.7%. The majority of the sectoral indices closed on a positive note, except for the FMCG and Pharma indices. Overall, the breadth of the market improved significantly in the last three months.

We still believe that, at the current juncture, the macroeconomic risks such as 1) Trade policy uncertainty related to US and China, 2) Global growth rate (As the US economy saw a contraction in first quarter), 3) The direction of the US 10-year bond yields, and 4) The dollar index will continue to challenge the market direction and market multiple in near term. 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 to remain narrow in the immediate term. Hence, our focus will remain on style and sector rotation along with earnings recovery. Going forward, we expect the Indian market positioning will likely be divided between the domestic-facing and export-facing sectors. We also believe that, at the current juncture, the risk-reward balance favours domestic-facing sectors due to the nil to low impact of the reciprocal tax. Export-oriented sectors will be in a wait-and-watch mode, and the impact and development related to the reciprocal tax will be closely tracked.

The valuations appear attractive for the Largecaps vs. the broader market, where the margin of safety is still missing. Against this backdrop, we believe that the Largecap stocks, 'quality' stocks, monopolies, market leaders in their respective domains, and domestically-focused sectors and stocks may outperform the market in the near term. Based on the current developments, we 1) Continue to like and overweight Largecap Private banks, Telecom, Consumption, Hospitals, and Interest-rate proxies, 2) Are upgrading certain plays 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) Continue to maintain our underweight stance in the IT sector, as we foresee a slowdown in overall IT spending in the US market, and a probable delay in discretionary spending which may pose a downgrade risk in the upcoming quarters.

Based on the recent developments, we have made one change to our Top Picks recommendations. This includes booking profits in Dalmia Bharat and the addition of Sansera Engineering. Our modifications reflect the changing market style and a slight shift towards superior quality play.

Our Key Themes

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

On the domestic front, a series of domestic events suggests better days ahead in FY26 than FY25. These are 1) A 50bps CRR cut by the RBI in Dec'24, 2)

Consumption boost in the Union Budget, 3) Two rounds of 25bps 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.

Q4FY25 Earnings Review: Large caps are witnessing recovery in earnings momentum: 81% of Nifty companies so far either beat or are in line with earnings expectations. Large-cap private banks reported an excellent set of numbers (except IndusInd) while some consolidation was visible in the NBFC space. IT companies reported a beat/inline set of numbers. However, the sector witnessed broad downgrades for FY26/27 estimates on the back of macro challenges in the US and Europe. Cement and Metals are likely to surprise in the upcoming quarters, led by volume surprises and a reduction in input costs. FMCG also reported a good set of numbers. Furthermore, management commentaries and good monsoon estimates set strong expectations for FY26 as well. **We Foresee FY26/27 NIFTY Earnings at 1151/1315 after Q4FY25:** We have downgraded our FY26/27 expectations by 3.3% and 2.0%, respectively. The majority of 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 roll over our Nifty target to Mar'26 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 sentiments in the market have 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, which is expected to drive higher credit growth for banks. This is expected to support double-digit earnings growth, ensuring that Indian equities can deliver strong double-digit returns over the next 2-3 years. Against this

backdrop, we foresee Nifty earnings to post excellent growth of 14% CAGR over FY23-27. Financials will remain the biggest contributors for 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 roll over the Nifty target to Mar'26 to 26,300 by valuing it at 20x on Mar'27 earnings. (We are upgrading 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 been replaced with 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. Currently, the global market has not seen such levels of interest rates in the past. Hence, the chances of going wrong have increased significantly. Nonetheless, the direction of currency, oil prices, and 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.

Based on the above themes, we recommend the following stocks: HDFC Bank, ICICI Bank, 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

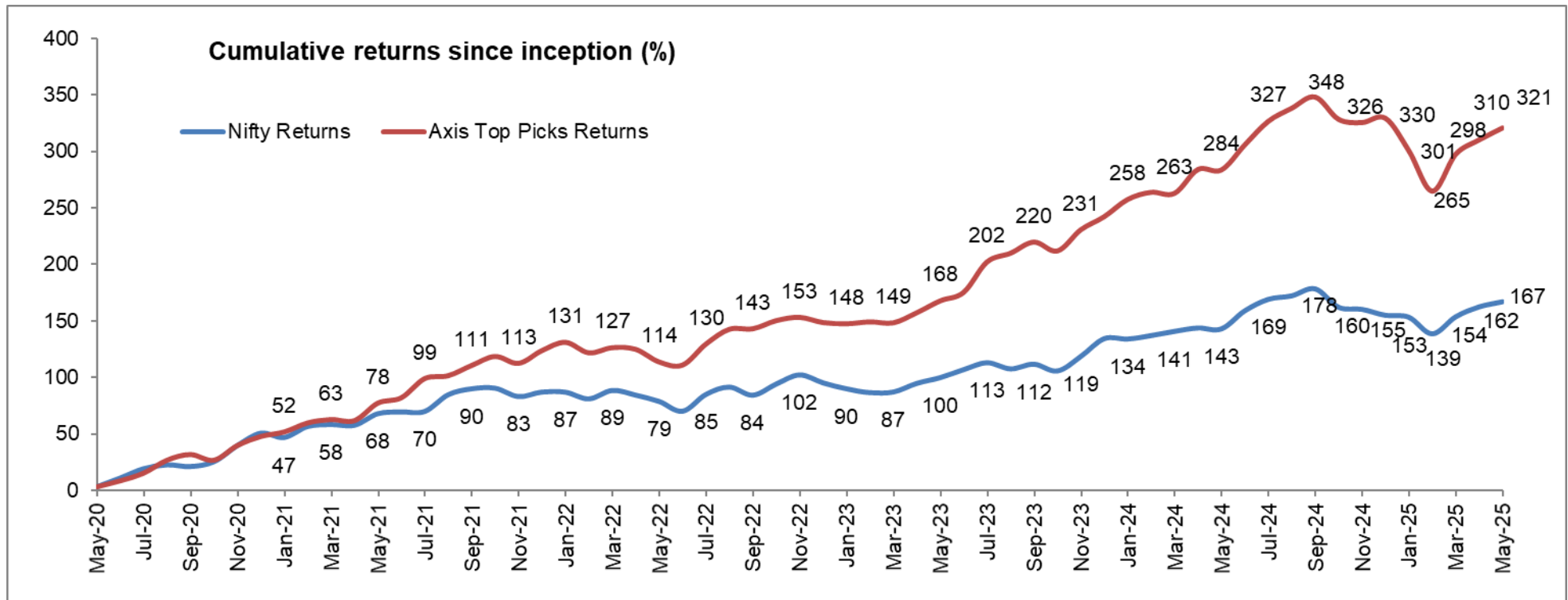
Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M%	TR 3M%	TR 6M%	TR YTD%
Large Cap	ICICI Bank Ltd	Financials	1,446	1,650	14%	19.2	2.8	0.8	8.2	13.7	10.5	11.3
Large Cap	State Bank of India Ltd	Financials	812	1,025	26%	9.6	1.6	1.7	2.2	3.0	-4.0	-0.8
Large Cap	Varun Beverages Ltd	Consumer Staples	476	650	37%	52.7	9.1	0.1	-3.0	-6.9	-14.1	-18.1
Large Cap	HDFC Bank Ltd.	Financials	1,945	2,250	16%	19.7	2.7	1.1	8.9	13.8	10.8	8.6
Large Cap	Bharti Airtel Ltd	Communication Services	1,856	2,200	19%	49.2	10.0	0.4	8.1	14.9	15.3	17.4
Large Cap	Shriram Finance Ltd.	Financials	639	790	24%	11.5	1.7	1.3	-4.0	15.0	-1.8	6.3
Large Cap	Hero MotoCorp Ltd.	Consumer Discretionary	4,309	5,030	17%	16.3	3.9	3.7	1.7	-10.9	-21.9	-5.7
Large Cap	Avenue Supermarts Ltd.	Consumer Staples	4,002	4,770	19%	92.8	12.6	NA	4.9	4.4	5.0	17.9
Mid Cap	Lupin Ltd	Health Care	1,958	2,500	28%	29.6	5.6	0.4	7.2	1.9	-4.6	-11.0
Mid Cap	Max Healthcare Institute Ltd.	Health Care	1,125	1,315	17%	75.1	10.2	0.1	1.3	-0.9	9.0	-2.7
Mid Cap	Colgate-Palmolive (India) Ltd.	Consumer Staples	2,456	2,830	15%	49.2	36.7	1.9	10.1	-10.7	-14.9	-3.5
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,467	1,850	26%	65.0	3.5	0.1	20.9	-4.0	-16.1	-18.8
Mid Cap	APL Apollo Tubes Ltd.	Materials	1,812	2,035	12%	62.5	10.9	0.3	5.9	7.5	5.1	3.3
Small Cap	Sansera Engineering Ltd	Consumer Discretionary	1,361	1,580	16%	26.8	2.6	0.2	25.5	21.6	-14.3	-8.7
Small Cap	Kalpataru Projects International Ltd.	Industrials	1,139	1,350	19%	24.9	2.5	0.8	-1.1	-5.5	-24.9	-25.1

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

Top Picks Performance

Axis Top Picks Performance							
	1M	3M	6M	1Y	3Y*	4Y*	Since Inception
Axis Top Picks Returns	2.6%	15.3%	-1.1%	9.7%	25.3%	24.1%	321.0%
Nifty Returns	1.7%	11.9%	2.6%	9.9%	14.3%	12.3%	167.0%
Alpha	0.9%	3.4%	-3.7%	-0.2%	11.0%	11.8%	154.0%

*CAGR Return



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

Multi-Asset Scorecard

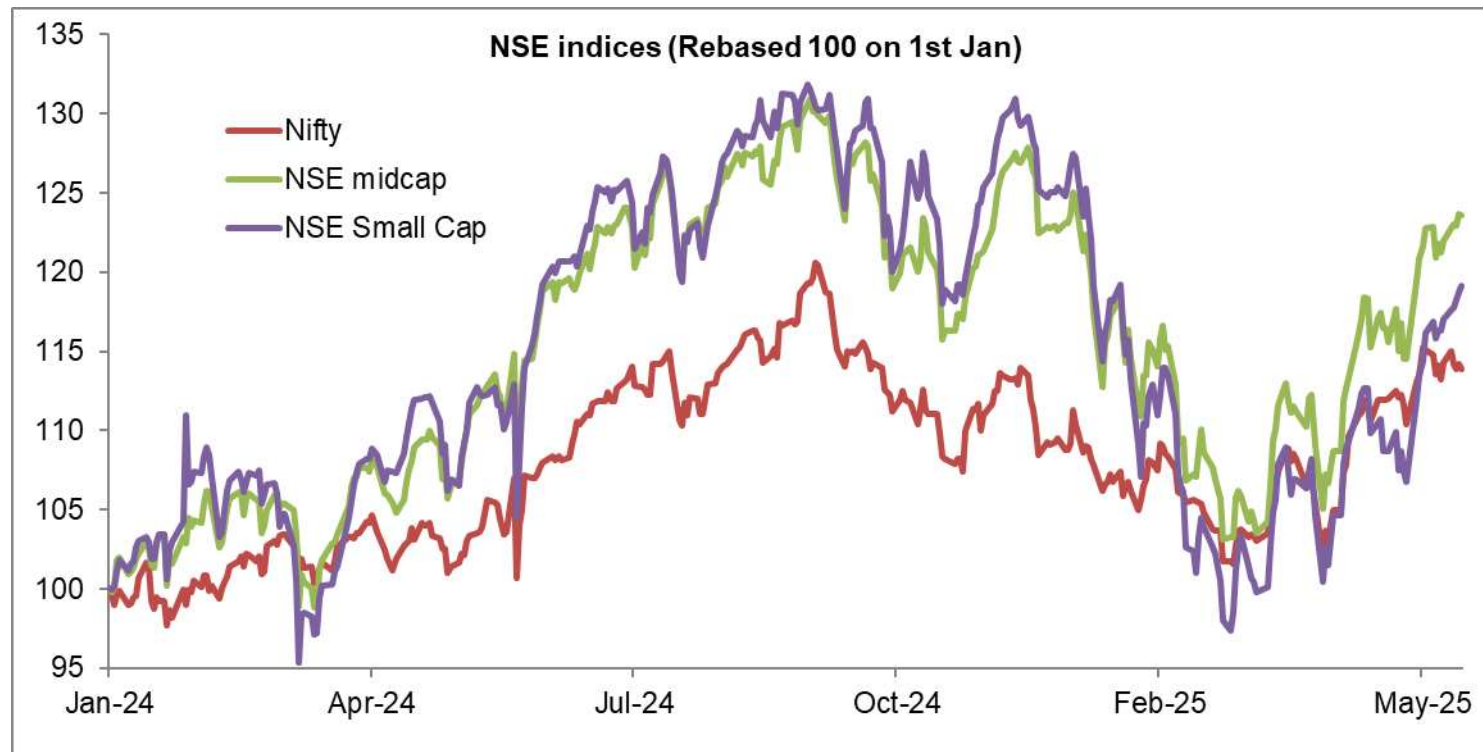
- In 2025, Gold emerged as the top-performing asset class once again.
- Gold led asset performance in 2024 until the end of May, after which the broader market took the lead. However, by Oct'24, Gold reclaimed its position as the top-performing asset class. On a YTD basis, Gold remains the best-performing asset.
- The broader market was the best-performing asset class domestically in 2023 and 2024. However, a sharp correction in the last three months impacted overall returns.
- Nifty 50 ranked at the bottom in 2024 for the first time in history, primarily due to sustained FII selling in the last three months of the year.
- 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: 25.1%
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: 6.3%
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	S&P 500: 23.8%	NSE G Sec composite: 6.2%
4	EM Index: -21%	EM Index: 14%	Mid Cap: -5%	Crisil comp Bond: 14%	S&P 500: -1%	S&P 500: 10%	Nifty 50: 29%	S&P 500: -6%	Nifty 50: 12%	S&P 500: 16%	Nifty 50: 24%	BSE Bond index: 2.9%	Nifty 50: 20%	MCX Gold: 20.9%	Nifty 50: 4.7%
5	Source: Bloomberg, Nifty 50: -25%	Axis Securities, 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: 0.5%
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: 0.4%
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: -4.7%

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 12%. The broader market indices, Mid and Smallcap, which had corrected by 21% and 25%, respectively, also rebounded by 20%/22% respectively.



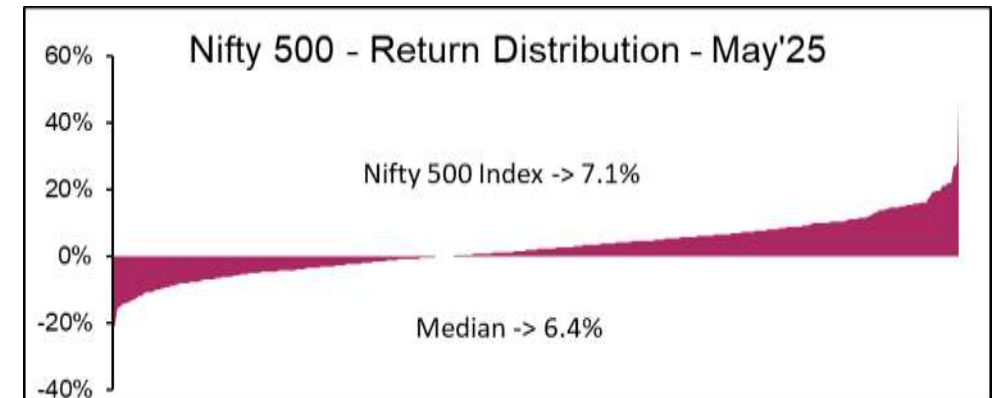
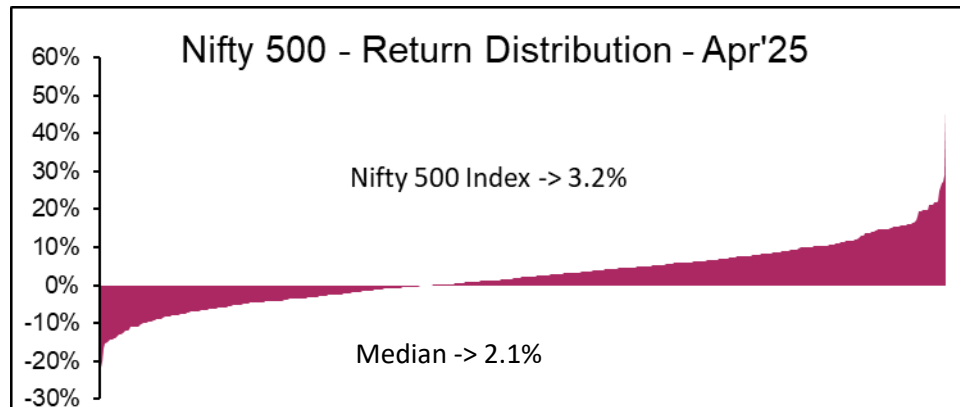
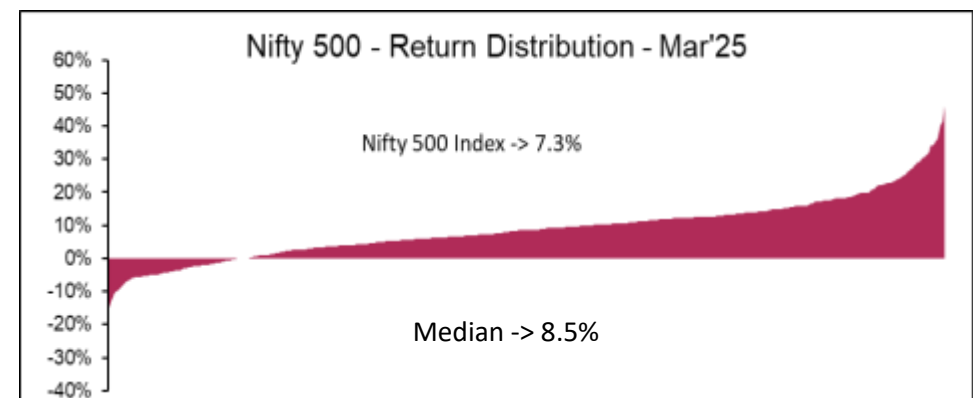
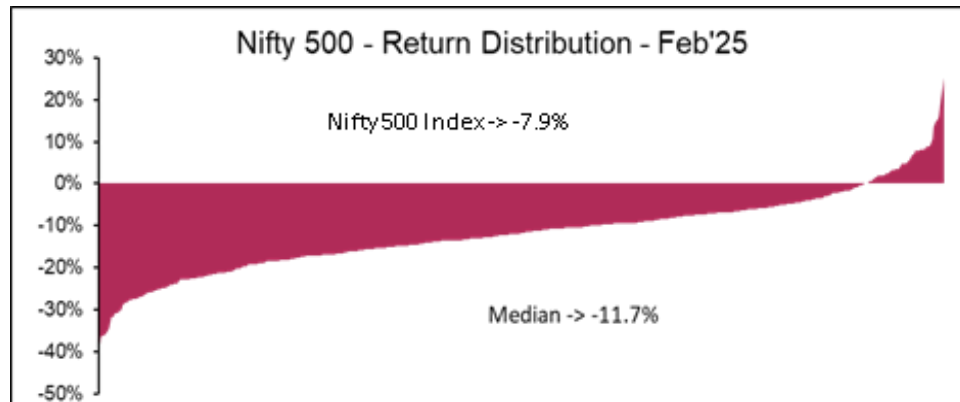
**Correction from peak
(26th Sep'24) till 28th Feb'25**

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.

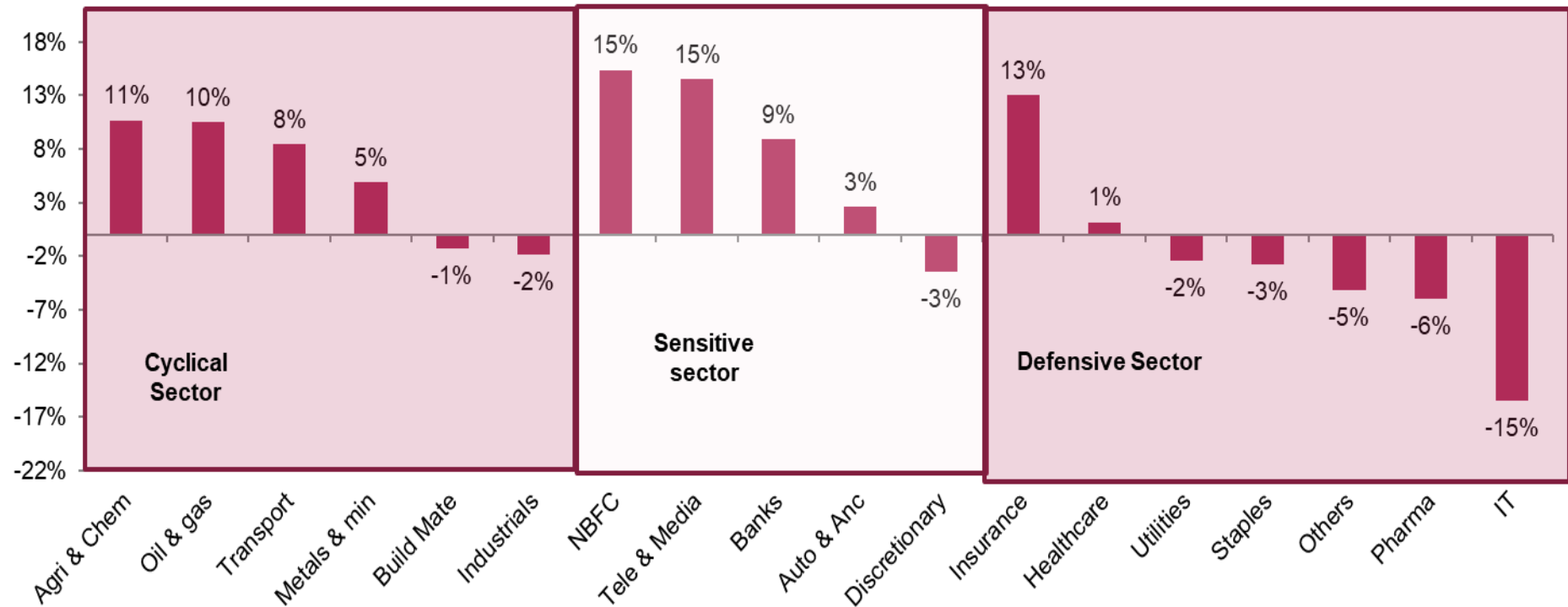


Source: Bloomberg, Axis Securities

Performance on a YTD basis

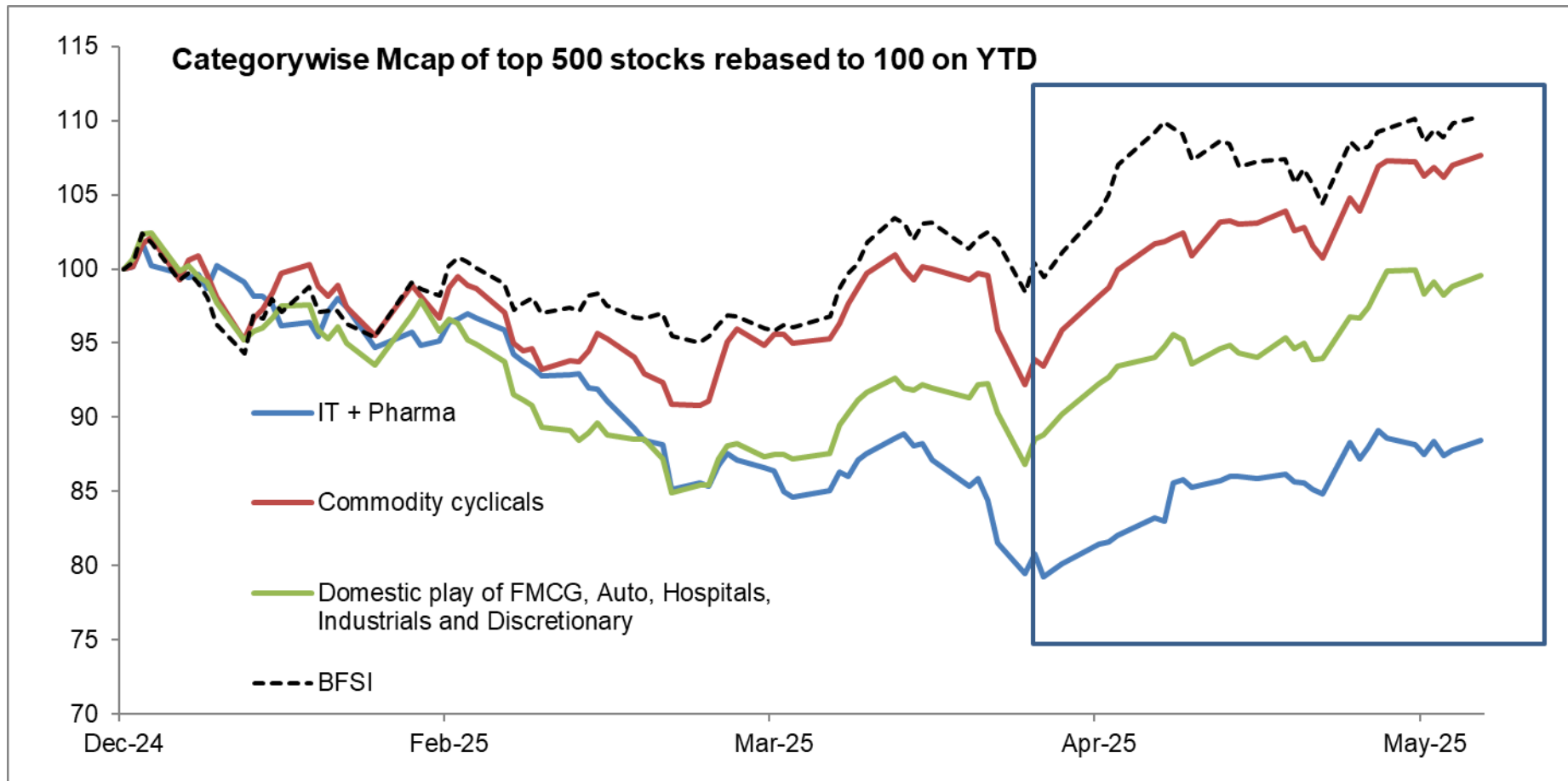
- Cyclical and rate-sensitive sectors have outperformed the Defensive sector by a superior margin.
- Market positioning is slightly shifting towards rate-sensitive and domestic-oriented sectors.
- Export-oriented sectors continue to face challenges in the volatile global environment of the Trump tariff.

Sectorwise returns of Top 500 Stocks on YTD basis



Source: Bloomberg, Axis Securities

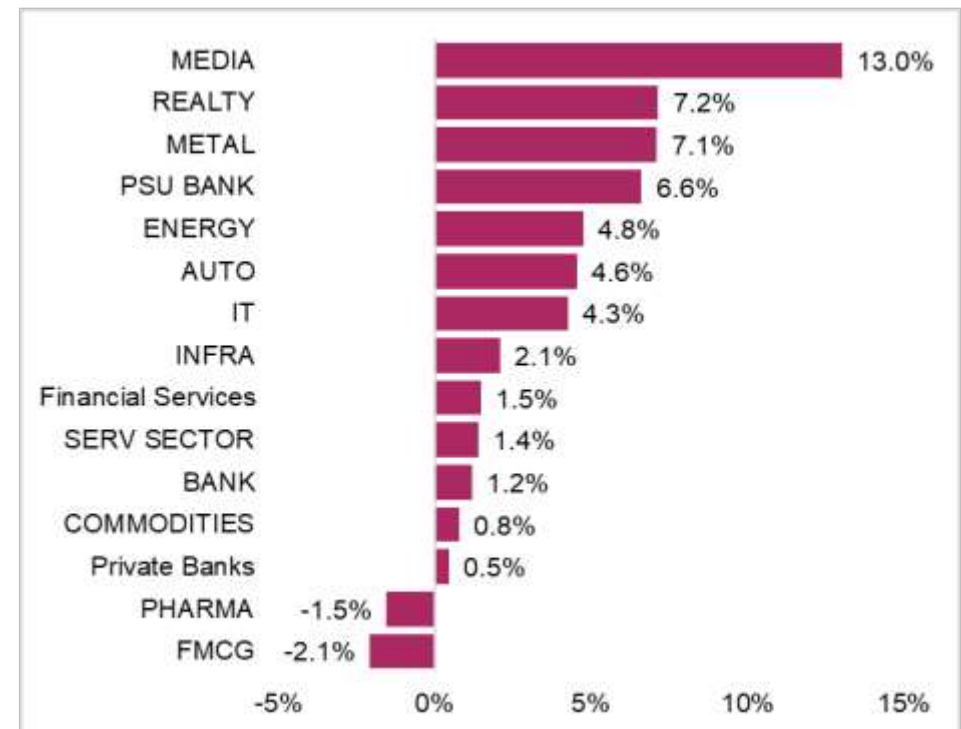
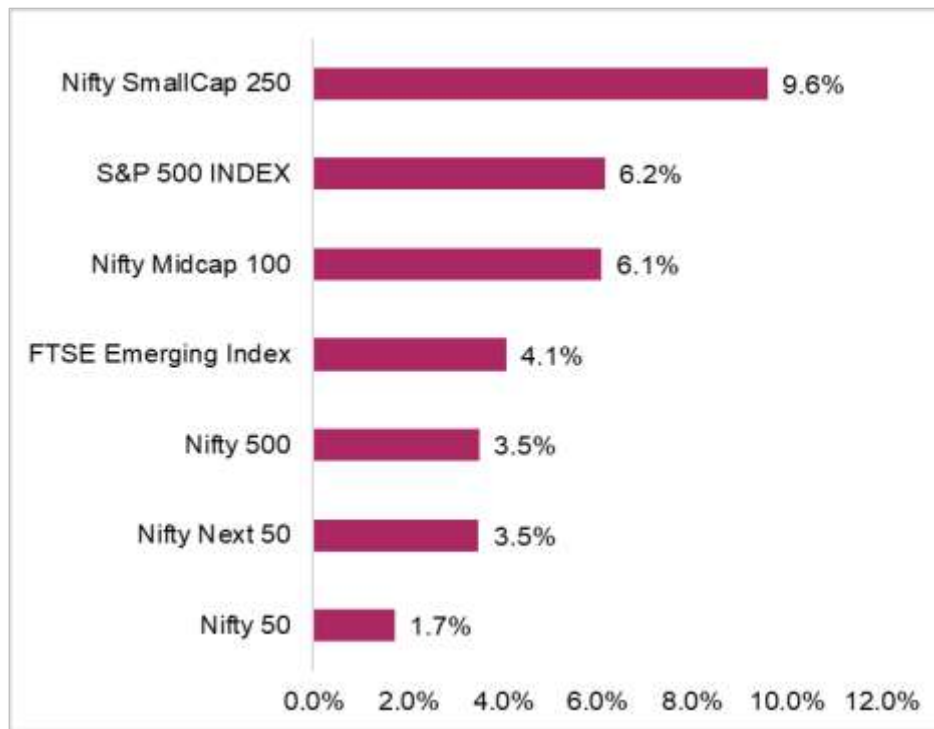
BFSI, Domestic, and Commodity Cyclical Plays Have Outperformed the Export Plays Since Mar'25



Source: Bloomberg, Axis Securities

What Happened in the Last One Month

- Small and Midcaps have outperformed the US and other EM indices in the last one month.
- Realty, Metals, and Energy sectors witnessed a strong comeback in the last month, while FMCG and Pharma showcased some underperformance.
- After underperforming for a couple of years, the BFSI sector saw a strong comeback.



Source: Bloomberg, Axis Securities

Quarterly Sector Scorecard

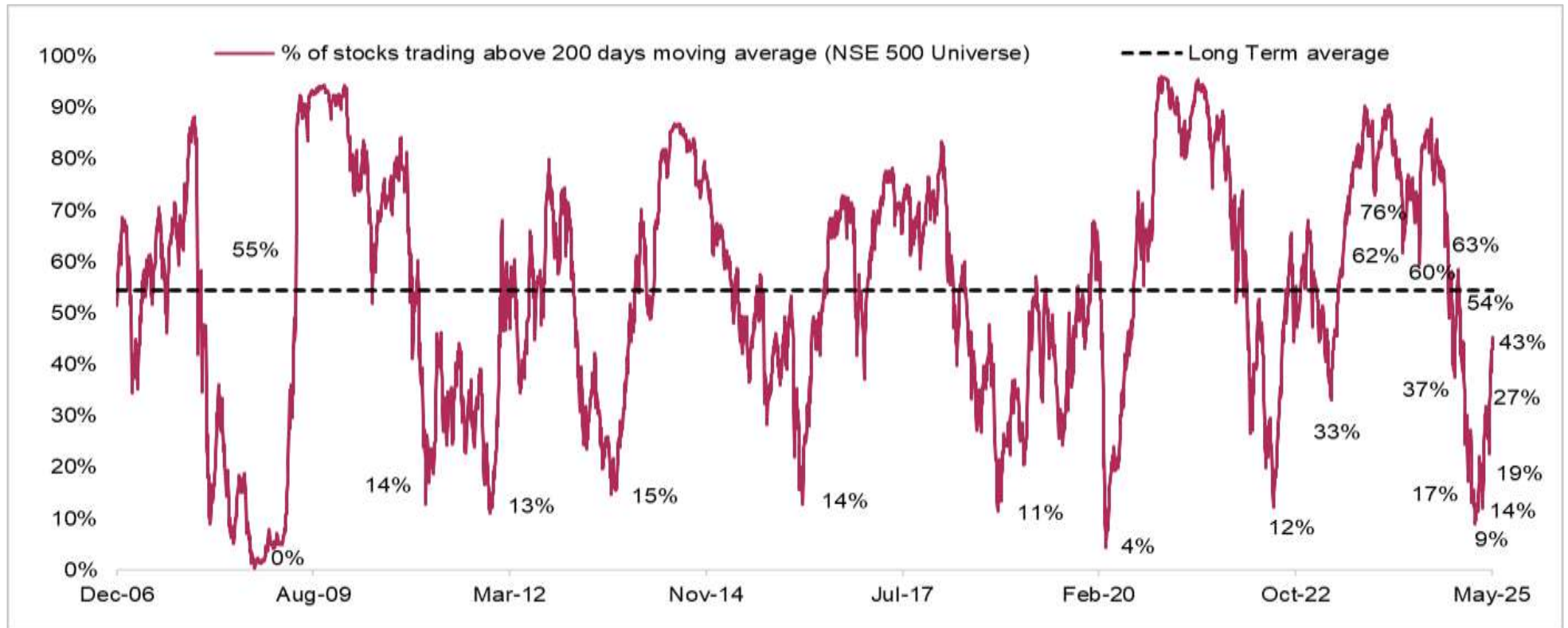
- 56% of the sectors have outperformed the Nifty 50 in the current quarter.
- Dec'24 and Mar'25 quarter's performance was similar to the Jun'22 (Russia-Ukraine) and Mar'23 (Adani crisis) quarters.
- In the current quarter, Banks and domestically owned sectors have outperformed the Nifty 50 index.

	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%	38%	56%
Nifty 50	1%	-10%	8%	6%	-4%	11%	2%	11%	3%	7%	8%	-8.4%	-0.5%	5.2%
Nifty Next 50	-3%	-11%	16%	0%	-10%	16%	3%	18%	14%	18%	8%	-11.7%	-7.4%	5.9%
Nifty 500	-1%	-10%	11%	4%	-6%	13%	5%	12%	4%	11%	8%	-7.8%	-4.6%	6.9%
Nifty Midcap 100	-2%	-11%	16%	3%	-5%	19%	13%	14%	4%	15%	9%	-4.9%	-9.6%	11.1%
Nifty SmallCap 250	-4%	-14%	14%	3%	-7%	20%	16%	15%	2%	19%	8%	-4.2%	-14.4%	11.4%
AUTO	-4%	11%	9%	-1%	-3%	24%	7%	15%	15%	17%	8%	-16%	-6%	10%
BANK	3%	-8%	16%	11%	-6%	10%	0%	8%	-2%	12%	0%	-4%	1%	8%
COMMODITIES	7%	-16%	11%	7%	-7%	9%	8%	19%	8%	9%	8%	-18%	5%	1%
Financial Services	-1%	-10%	13%	8%	-5%	11%	-1%	8%	-2%	12%	4%	-4%	6%	6%
ENERGY	14%	-3%	2%	1%	-12%	8%	11%	22%	17%	5%	8%	-21%	-3.6%	7%
FMCG	-3%	4%	18%	-1%	4%	14%	-1%	10%	-5%	5%	16%	-14%	-5%	3%
IT	-6%	-23%	-3%	6%	0%	3%	8%	12%	-2%	1%	18%	5%	-16.1%	1%
INFRA	1%	-8%	7%	6%	-3%	13%	9%	17%	14%	8%	6%	-12%	0%	6%
MEDIA	7%	-20%	9%	-3%	-15%	3%	30%	5%	-25%	13%	6%	-15%	-18.9%	16%
METAL	16%	-27%	24%	17%	-18%	13%	10%	17%	3%	18%	5%	-16%	6%	1%
PHARMA	-4%	-10%	7%	-3%	-5%	15%	12%	9%	13%	3%	19%	0%	-9.1%	1%
PSU BANK	8%	-11%	23%	44%	-14%	11%	28%	9%	23%	5%	-8%	-4%	-3.5%	11%
Private Banks	2%	-9%	19%	10%	-6%	11%	1%	8%	-5%	12%	1%	-7%	4%	7%
REALTY	-4%	-17%	10%	2%	-10%	34%	11%	36%	15%	22%	0%	-4%	-19.3%	12%
SERV SECTOR	-1%	-12%	10%	6%	-7%	8%	1%	10%	1%	9%	9%	-4%	-1.3%	5%

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

- After the recent correction, the Indian market has optically approached levels last seen in Jun'22 during the Russia-Ukraine crisis. This suggests the market is now in the oversold zone, which could lead to a short-term recovery.
- Nonetheless, in the near term, the market will continue to be driven by macroeconomic data. Its performance 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

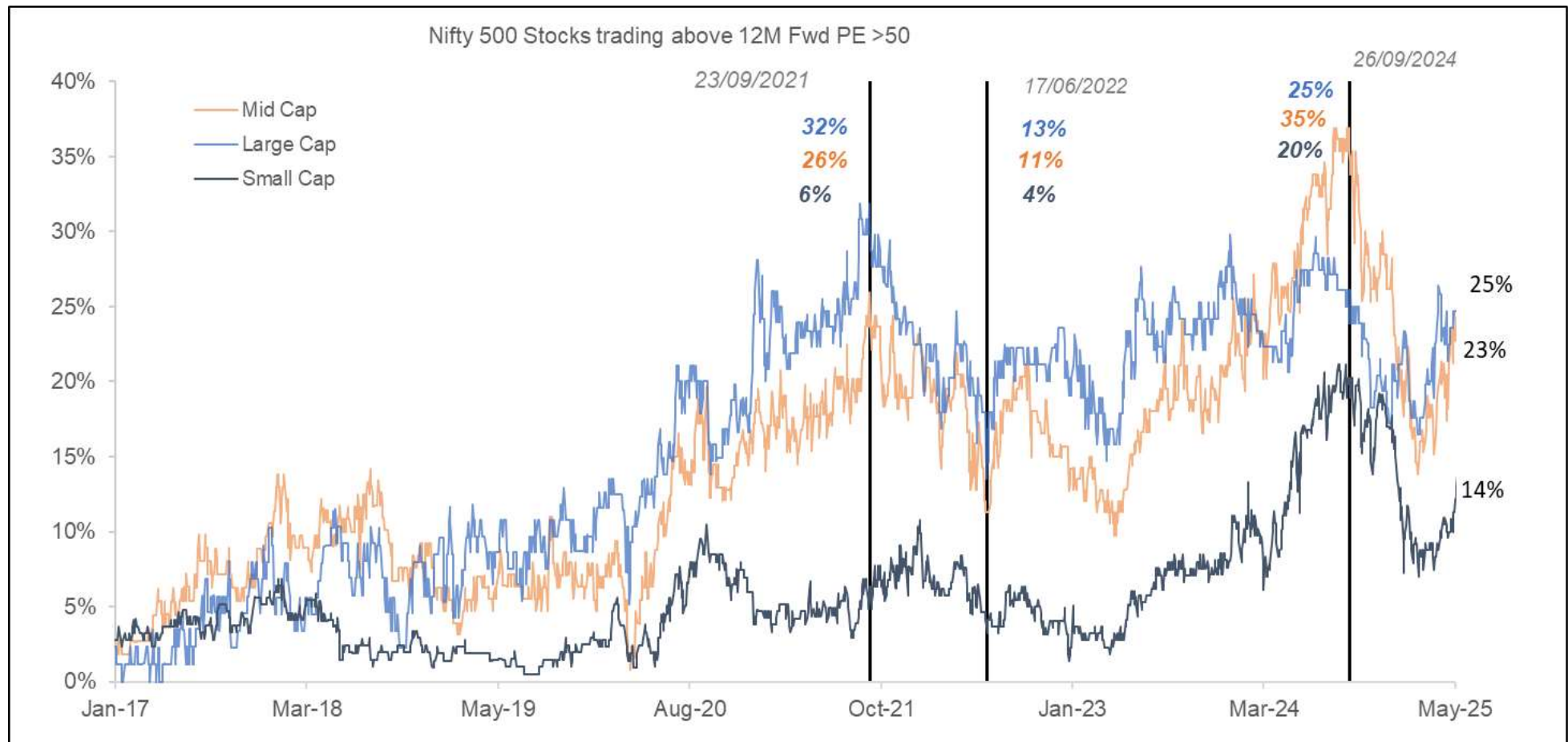
- After a recent comeback, 42 stocks are now trading near their 52-week highs, compared to only 6 stocks as of February 28, 2025.
- 306 (61%) stocks are trading below 20% of their 52-week highs; last month, it was 86%.
- ~32% of the stocks have corrected by over 30% from their 52-week high, indicating that all negative factors are now priced in.
- The Largecap market looks attractive at current levels.
- Out of 55 PSUs, 4 stocks are near their 52-week high, compared to 35 stocks in Feb'24.

Sector	No of Stocks	Current level of number of stocks as compared to 52W high			
		Near to 52W high	5%-20% below 52W high	20%-30% below 52W high	Below 30%
Agri & Chem	43	5	12	13	13
Auto & Anc	42	2	11	14	15
Banks	28	4	11	8	5
Build Mate	37	2	14	6	15
Discretionary	43	1	12	12	18
Healthcare	47	6	22	13	6
Industrials	57	6	13	18	20
IT	36	1	9	13	13
Metals & min	23	2	7	8	6
NBFC	60	8	27	14	10
Oil & gas	16	0	3	6	7
Others	14	1	2	4	7
Staples	17	2	5	5	5
Tele & Media	16	2	1	3	10
Transport	7	0	1	1	5
Utilities	14	0	1	6	7
Total	500	42	151	144	162
Large cap	100	8	48	24	21
Mid cap	150	17	41	50	42
Small cap	250	17	62	69	99
PSUs	55	4	8	19	23

Source: Bloomberg, Axis Securities

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

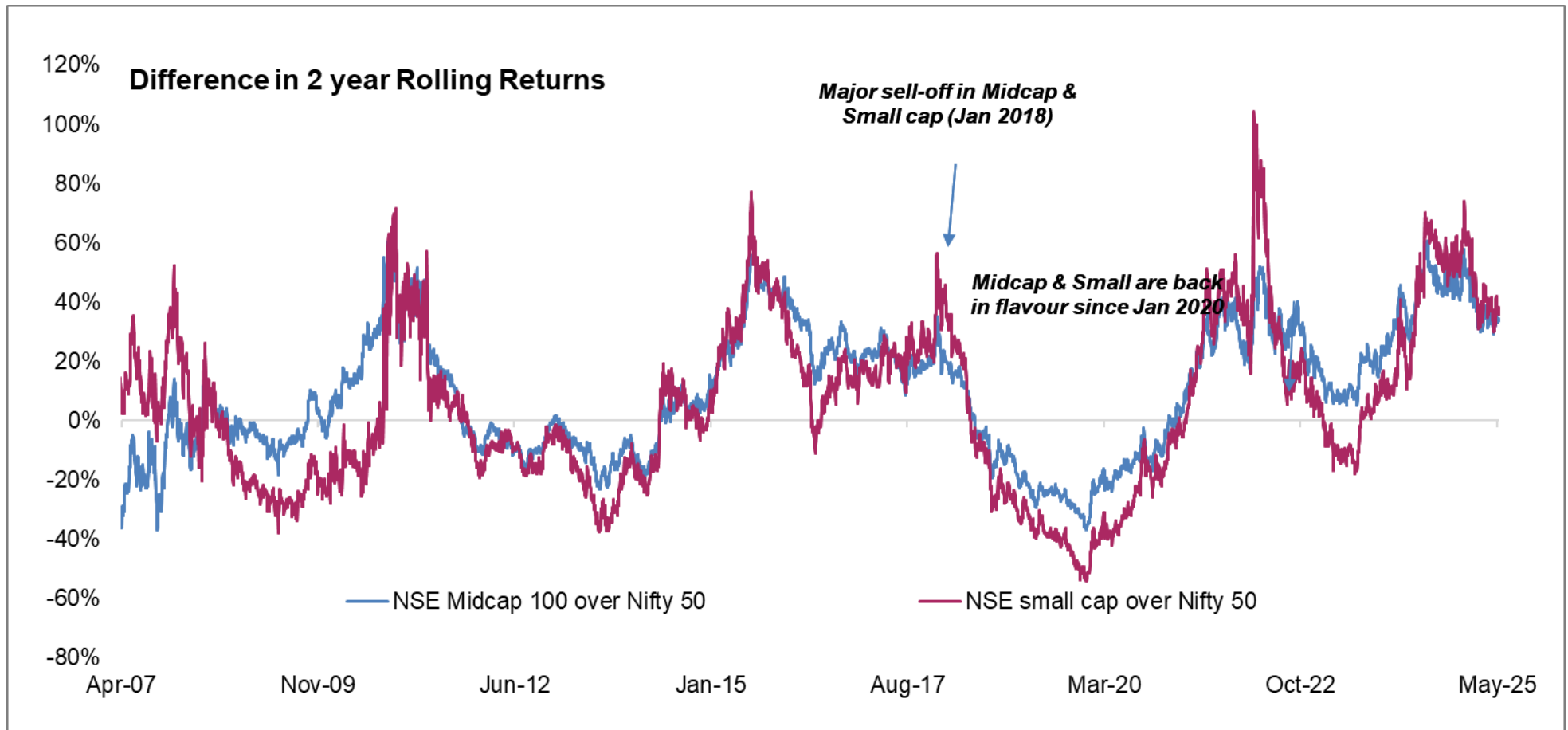
PE compression was observed across the board during the previous FII selling phase between 09/2021 and 06/2022, when total FII outflows exceeded \$34.5 Bn. In the current cycle, cumulative FII selling has reached approximately \$25.1 Bn so far.



Source: Refinitiv, Axis Securities

Difference in 2-Year Returns

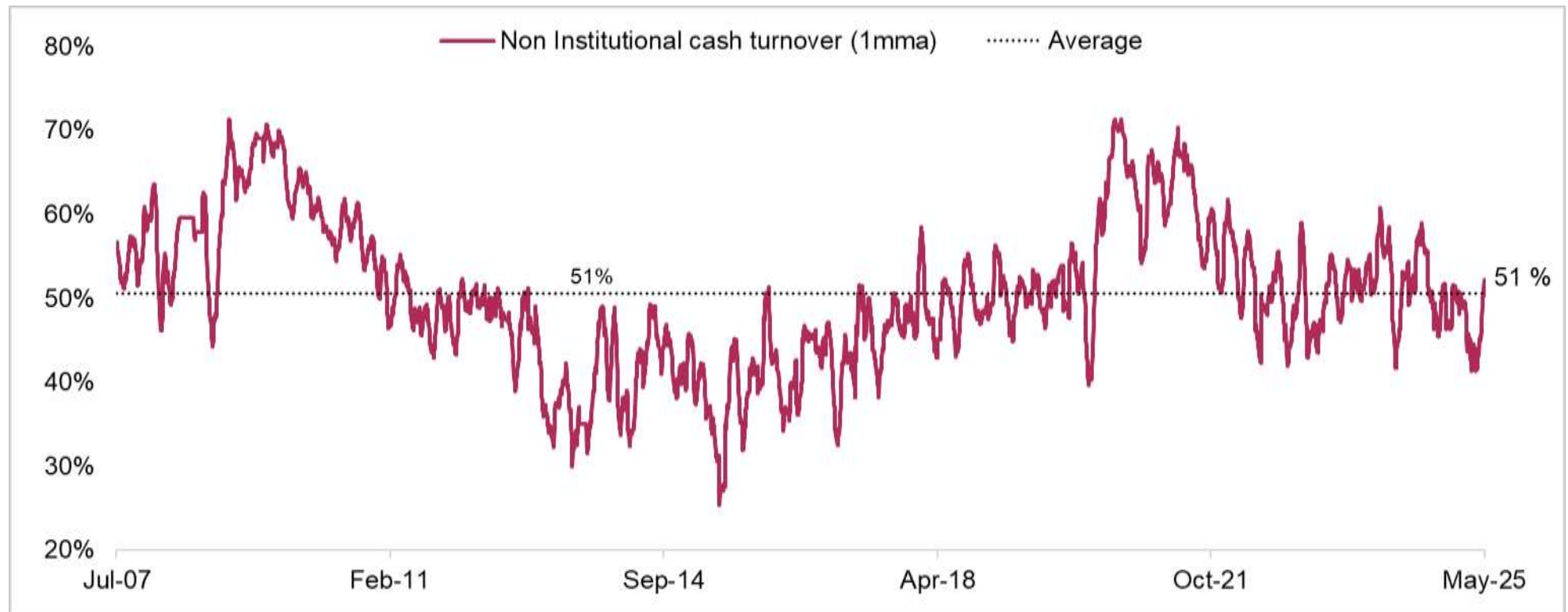
Market positioning is likely to shift towards Largecaps in the near term



Source: Bloomberg, Axis Securities

Strong Recovery in Non-institutional Turnover

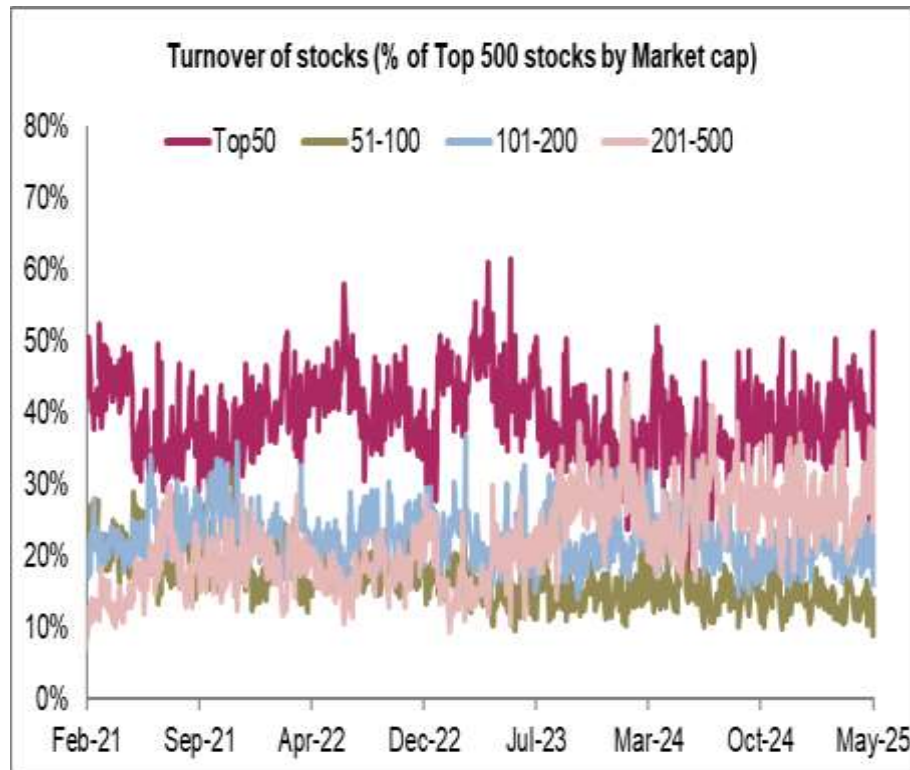
- Non-institutional (Retail) turnover is currently above the long-term average of 51%. However, it had fallen below the LTA in the last 2 months due to increased volatility and lower breadth in the broader market.
- Retail investor participation is expected to improve further in the coming months, given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



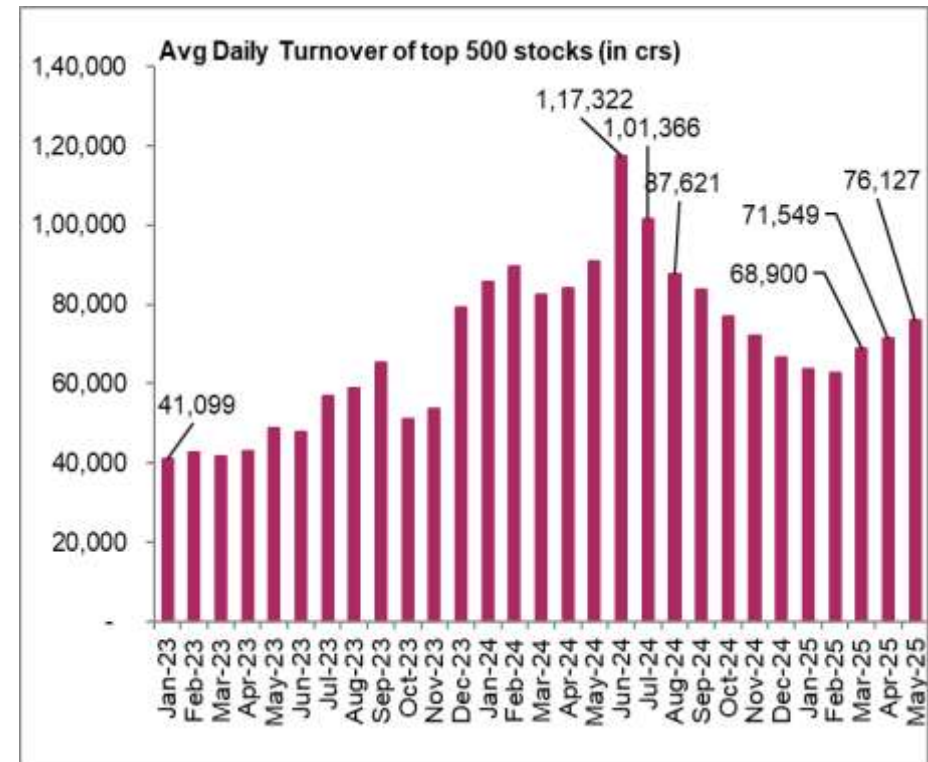
Source: Bloomberg, Axis Securities

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.



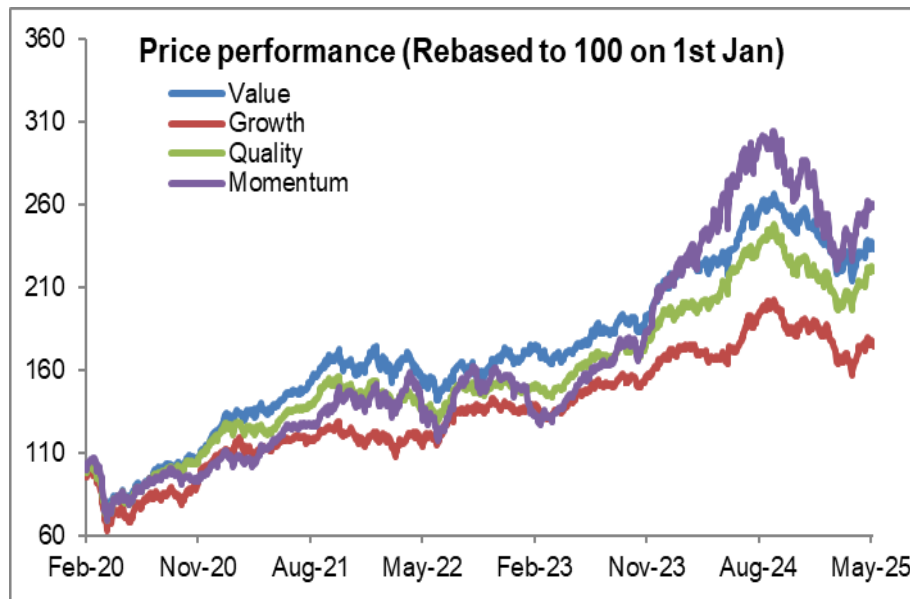
Source: Bloomberg, Axis Securities



Style Indicators

Momentum and Quality Themes Have Outperformed in the Last One/Three Months

- 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.



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

Perf	Performance (%)			
	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	1.2%	0.4%	3.2%	2.7%
3m	6.7%	6.0%	11.5%	17.4%
6m	-6.7%	-5.9%	-2.4%	-6.2%
1YR	3.8%	5.5%	4.9%	-0.7%
2YR	32.2%	20.2%	36.3%	72.3%

India's Performance vis-à-vis Peers; Indian Market outperformed the global market in the Last 1 month

- The Nifty 50 reached an all-time high of 26,216 on 26th Sep'24. 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, in the previous 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	1.7%	11.9%	2.6%	13.1%	4.7%	9.9%
Nifty Next 50	3.5%	17.0%	-5.6%	4.3%	-1.8%	-1.1%
Nifty 500	3.5%	14.7%	0.5%	12.2%	1.9%	8.0%
Nifty Midcap 100	6.1%	19.8%	1.8%	16.8%	0.4%	11.1%
Nifty SmallCap 250	9.6%	21.6%	-5.0%	14.0%	-5.2%	7.7%
Sector Index (%)	1m	3m	6m	04th Jun'24	YTD	1 YR
NIFTY AUTO	4.6%	13.8%	-0.2%	0.6%	2.2%	-0.4%
NIFTY BANK	1.2%	15.3%	7.1%	18.8%	9.6%	13.8%
NIFTY COMMODITIES	0.8%	13.0%	0.6%	2.5%	5.7%	-3.4%
Nifty Financial Services	1.5%	15.1%	10.4%	27.3%	12.7%	22.0%
NIFTY ENERGY	4.8%	19.5%	-4.3%	-4.6%	2.0%	-10.9%
NIFTY FMCG	-2.1%	9.1%	-4.6%	0.2%	-2.7%	2.2%
NIFTY IT	4.3%	0.0%	-13.5%	15.5%	-13.9%	15.2%
NIFTY INFRA	2.1%	17.0%	2.7%	9.7%	6.0%	3.5%
NIFTY MEDIA	13.0%	23.4%	-14.3%	-5.0%	-5.9%	-8.5%
NIFTY METAL	7.1%	11.9%	1.8%	2.4%	6.3%	-5.5%
NIFTY PHARMA	-1.5%	8.2%	-3.6%	15.3%	-8.4%	14.1%
NIFTY PSU BANK	6.6%	23.4%	2.4%	2.7%	6.7%	-5.6%
Nifty Private Banks	0.5%	13.8%	8.9%	18.5%	11.3%	13.8%
NIFTY REALTY	7.2%	19.0%	-6.9%	-2.7%	-9.8%	-6.9%
NIFTY SERV SECTOR	1.4%	11.0%	2.1%	19.9%	3.9%	15.8%

International Index						
Index Performance (%)	1m	3m	6m	04th Jun'24	YTD	1 YR
Shanghai Comp	2.1%	0.8%	0.6%	8.3%	-0.1%	8.4%
Bovespa	2.6%	12.8%	10.2%	13.7%	15.2%	13.5%
south africa	2.8%	10.3%	13.9%	22.8%	14.9%	22.9%
Korea	5.5%	6.5%	9.8%	1.3%	12.4%	2.3%
Mexico	3.7%	12.2%	18.2%	9.7%	18.2%	6.6%
Indonesia	6.0%	14.4%	0.9%	1.1%	1.4%	2.9%
Argentina	9.9%	4.6%	2.2%	46.0%	-8.9%	39.8%
Japan	5.3%	2.2%	-0.6%	-2.2%	-4.8%	-1.4%
Hongkong	5.3%	1.5%	19.9%	26.3%	16.1%	28.8%
Philippines	-0.2%	5.7%	-4.1%	-0.7%	-2.9%	-1.4%
Taiwan	5.5%	-7.4%	-4.1%	0.0%	-7.3%	0.8%
Singapore	1.6%	0.0%	4.2%	16.6%	2.8%	16.7%
Thailand	-4.0%	-4.5%	-19.5%	-14.1%	-17.9%	-14.6%
Veitnam	8.7%	2.1%	6.6%	3.8%	5.2%	5.6%
Dow	3.8%	-3.7%	-6.0%	9.1%	-0.8%	9.1%
Nasdaq	9.9%	1.7%	-0.2%	13.8%	-0.7%	14.6%
FTSE 100 INDEX	3.2%	-0.5%	5.8%	6.5%	7.3%	6.0%
DAX INDEX	7.2%	6.9%	22.8%	31.0%	21.1%	30.3%
CAC 40 INDEX	2.7%	-3.9%	7.8%	-1.8%	5.7%	-2.4%
S&P 500 Index	6.2%	-0.7%	-2.0%	11.7%	0.5%	12.0%

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

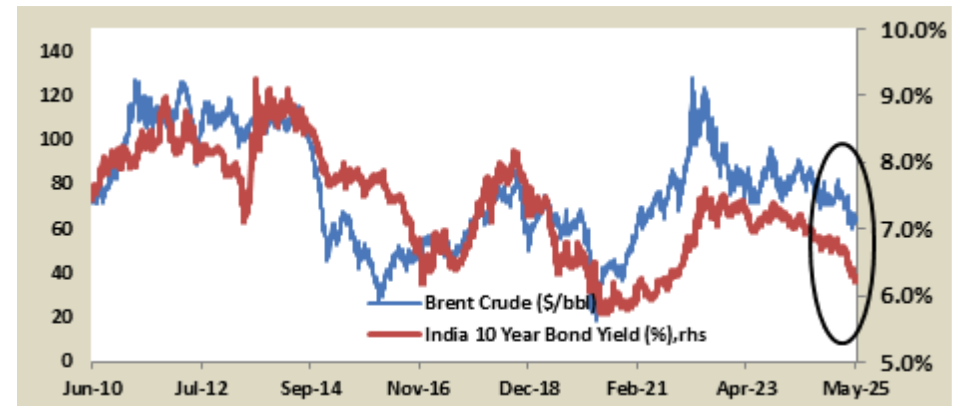
Commodities Saw A Marginal Recovery in The Last One Mont

- **Precious Metals:** Gold prices increased by 25% in the last 6 months due to volatility in the equity market.
- **Commodities:** Steel and Aluminium prices saw some correction of 3.2% and 6.4% 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	30-05-2025	1m ago	3m ago	04th Jun'24	YTD	1 YR
Brent Crude (\$/bbl)	64.0	63.1	73.2	77.5	74.6	81.6
Bond Yield (GOI 10Yr)	6.3	6.4	6.7	7.0	6.8	7.0
USD/INR	85.6	84.5	87.5	83.5	85.6	83.5
India Vix	16.1	18.2	13.9	26.7	14.4	24.6



Commodity Index	1m	3m	6m	04th Jun'24	YTD	1 YR
Gold (\$/OZ)	0.5%	15.6%	25.0%	42.0%	25.9%	42.0%
Steel (\$/ton)	0.0%	-3.2%	-6.1%	-14.0%	-6.1%	-14.0%
Aluminium (\$/ton)	2.6%	-6.4%	-4.0%	-5.2%	-1.9%	-7.8%
Copper (\$/ton)	5.5%	3.0%	8.2%	-2.0%	11.2%	-3.0%
Zinc (\$/ton)	3.4%	-3.1%	-13.3%	-6.5%	-9.8%	-10.4%



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

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

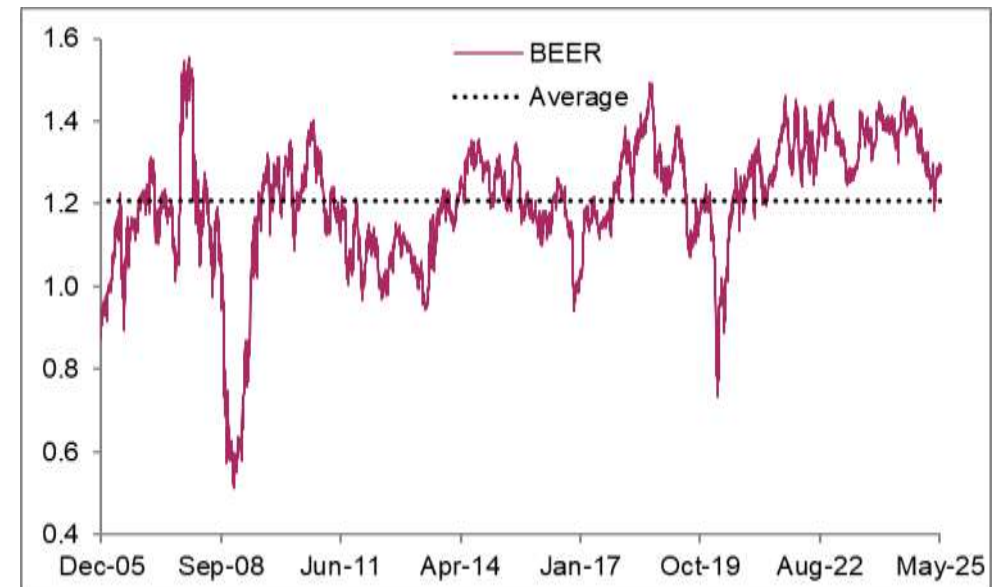
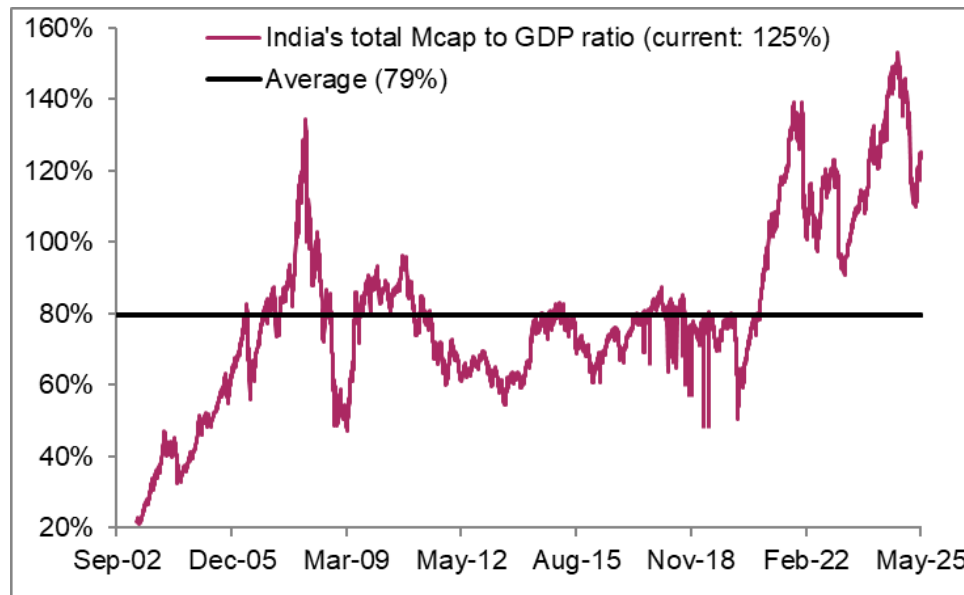
- Even after the recent rally, our market valuation index continues to trade slightly above the 1std. Current valuations offer limited scope for re-rating. Hence, the market will follow earnings growth. Stock selection and sector rotation will be key to achieving outperformance.
- The calculation of 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 59bps since Nov'24 (the start of the US Fed's Rate cut cycle). A consumption boost, fiscal consolidation in the Union budget, and two 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 125%, 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 119% (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.

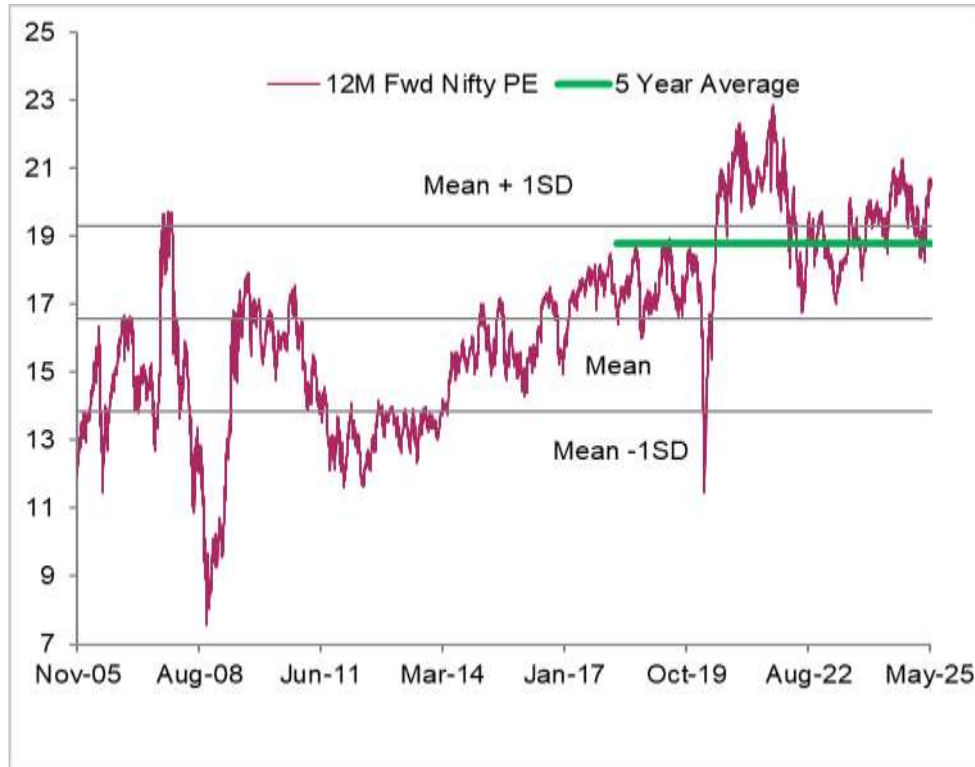


Source: Bloomberg, Axis Securities

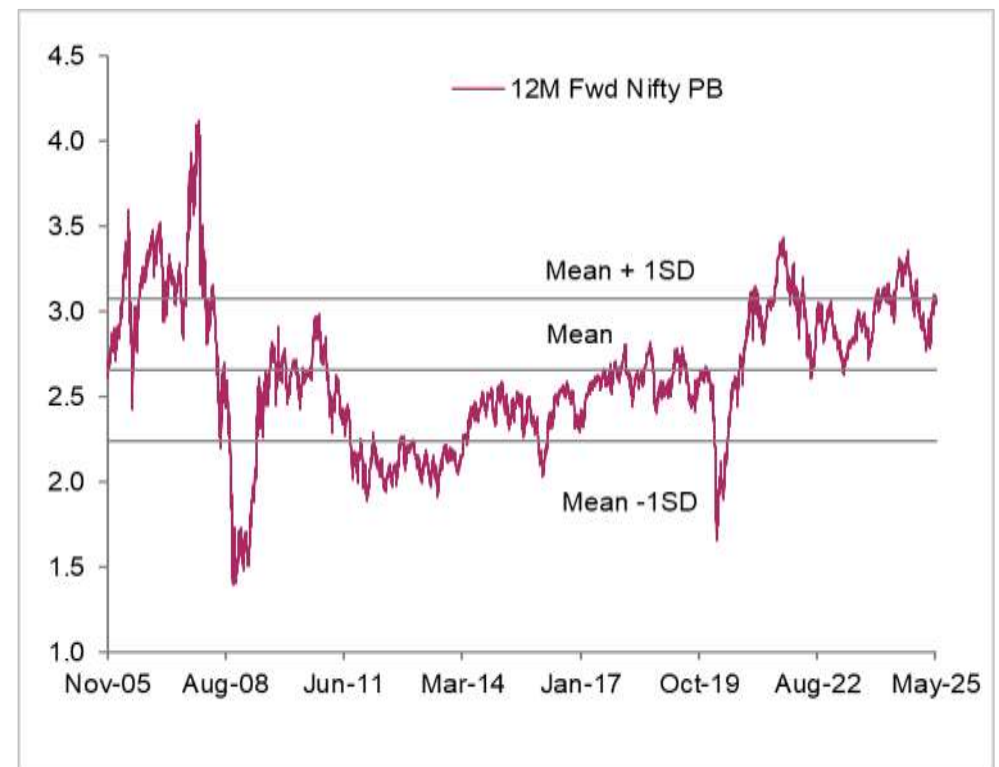
Market Valuations: 12M Fwd PE Now Trading at 20.5x

- NIFTY is currently trading at 20.5x on a 12M Fwd PE, which stands at 1.4 std to its long-term average (16.5x). However, it trades at 1std to its long-term average of a 12M Fwd PB.
- Current valuations provide limited scope for rerating. Style rotation and sector selection are keys to generating alpha as earnings expectations from the broader market remain intact.

Nifty 12M Fwd PE



Nifty 12M Fwd PB



Valuation Correction in The Broader Index

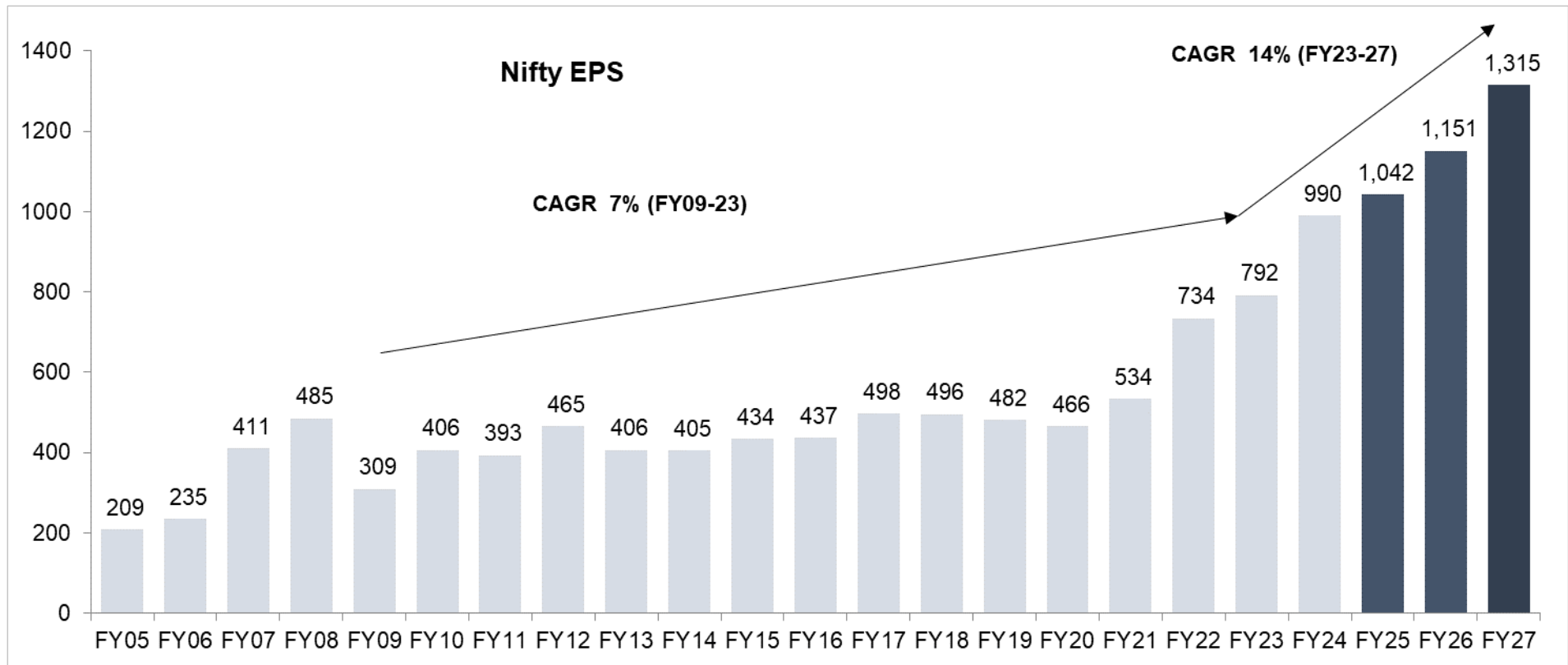
Most of the sectors are still in the Oversold zone as compared to the Sep'24 levels.

	12m fwd PE	Long term Avg	Valuation as on Sep'24	% down from Sep'24
Banks	15.7	15.9	14.3	10.0%
PSU Banks	8.0	10.1	7.9	1.6%
Energy	15.1	11.5	15.3	-1.2%
Infra	22.1	18.6	22.6	-2.0%
Service sec	19.6	18.3	20.3	-3.3%
Nifty	20.5	18.1	21.3	-3.6%
Metal	14.7	11.1	16.2	-9.2%
Pharma	27.7	23.7	30.7	-9.6%
Auto	22.1	18.9	24.6	-10.5%
FMCG	37.3	33.2	43.0	-13.2%
IT	24.8	20.8	29.2	-15.1%
Media	21.3	22.8	25.1	-15.3%
Realty	36.6	26.5	45.2	-19.1%

Source: Bloomberg, Axis Securities

NIFTY EPS Growth Expectation Remains Robust

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



Source: Bloomberg, Axis Securities

Some Downgrades in Nifty EPS

- After 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 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 24% MOM, led by improvement in Bharti Airtel.

Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)								
	Q2FY20	Q4FY23	Q4FY24	Q1FY25	Q2FY25	Q3FY25	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, *Q4'25 results are for 458 companies only

NSE 500 Profitability Analysis

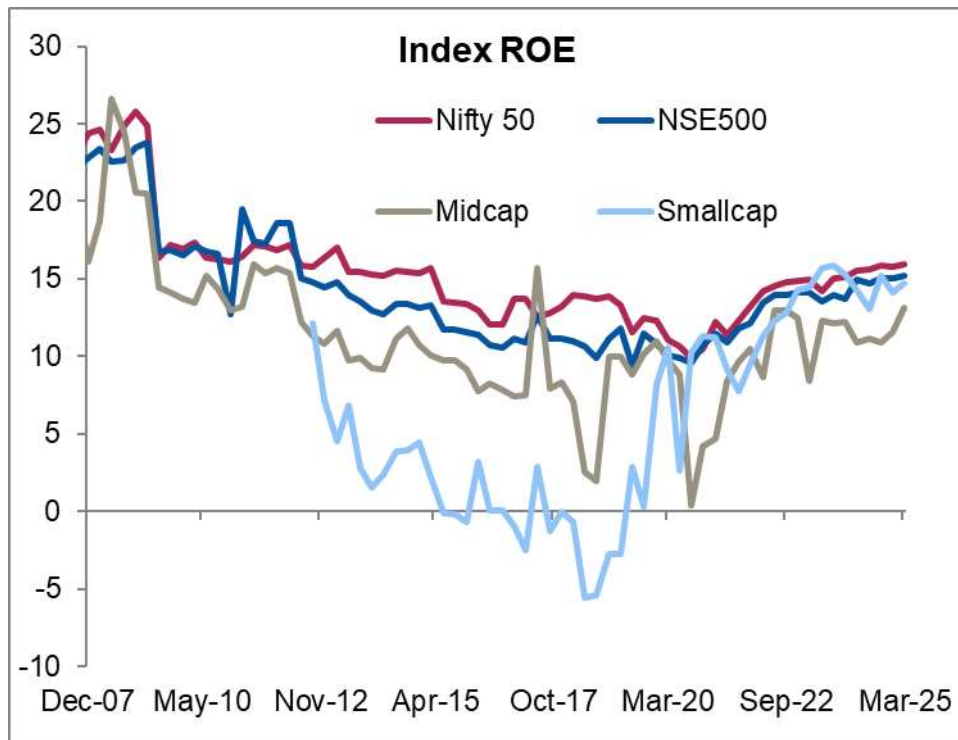
- From FY21-FY24, NSE 500 profit grew at a CAGR of 26%, while in FY25*, it has grown by only 10.0%.
- Ex. Oil & Gas, Metal & Mining, FY25 earnings grew 18.9%.

<i>Inr Cr.</i>	FY			FY (for 458/500 companies)		
	Actuals	Actuals	3Y	Actuals	Actuals	1-year
Sectors	2021	2024	CAGR	2024	2025	Growth (%)
Banks	1,03,431.33	3,16,803.17	45.2%	3,18,723.91	3,66,421.39	4.8%
Oil & gas	1,33,566.16	2,31,409.66	20.1%	2,30,999.89	1,67,156.08	-10.2%
NBFC	81,677.77	1,75,389.47	29.0%	1,67,070.03	1,94,498.28	5.2%
IT	89,901.34	1,21,210.25	10.5%	1,20,770.92	1,31,897.31	3.0%
Metals & min	68,895.39	93,553.87	10.7%	89,979.12	1,11,177.02	7.3%
Utilities	37,819.88	73,793.19	25.0%	75,537.62	72,393.73	-1.4%
Auto & Anc	11,579.31	67,743.53	80.2%	65,442.01	71,753.58	3.1%
Industrials	27,016.85	56,481.91	27.9%	53,929.78	66,708.76	7.3%
Staples	37,380.36	50,459.04	10.5%	46,479.71	67,223.32	13.1%
Healthcare	34,991.73	50,165.53	12.8%	50,566.82	68,853.02	10.8%
Build Mate	25,932.59	35,514.78	11.1%	36,120.81	36,528.50	0.4%
Discretionary	14,845.22	32,411.54	29.7%	29,589.52	37,596.12	8.3%
Agri & Chem	20,126.27	16,931.48	-5.6%	16,145.67	21,981.48	10.8%
Tele & Media	-7,550.13	15,653.18	NM	16,458.92	50,896.27	45.7%
Transport	-4,391.32	13,325.24	NM	13,854.51	13,443.20	-1.0%
Others	768.87	8,956.59	126.7%	6,630.06	12,316.04	22.9%
Total	6,75,991.62	13,59,802.45	26.2%	13,38,299.29	14,90,844.10	11.4%
Total ex Oil&Gas, Metals & Min	4,73,530.07	10,34,838.91	29.8%	10,17,320.29	12,12,511.00	19.2%
Total ex Oil&Gas, Metals & Min, Industrials	4,46,513.22	9,78,357.00	29.9%	9,63,390.51	11,45,802.24	18.9%
Size	FY2021	FY2024	CAGR	FY24	FY25	Growth (%)
Large Cap	4,79,964.04	9,87,357.02	27.2%	9,89,168.64	10,85,290.59	9.7%
Mid Cap	1,25,420.91	2,48,507.63	25.6%	2,53,428.98	2,83,301.41	11.8%
Small Cap	70,606.67	1,23,937.80	20.6%	1,27,745.06	1,38,665.59	8.5%

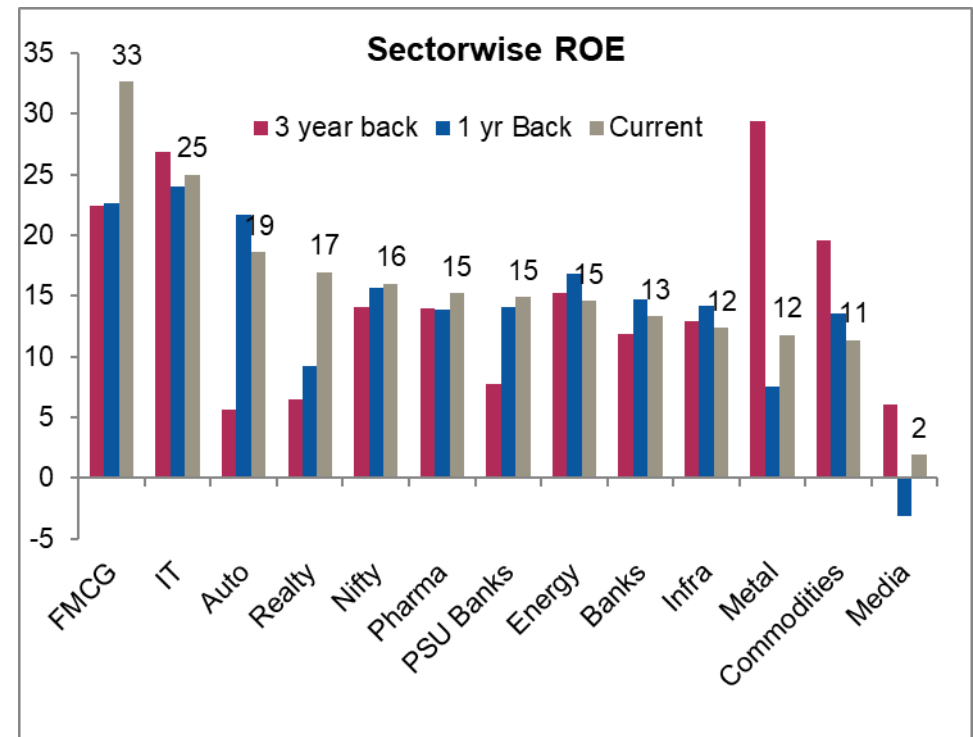
Source: Bloomberg, Axis Securities; * calculated only for 458 companies who reported Q4'25 results so far

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.

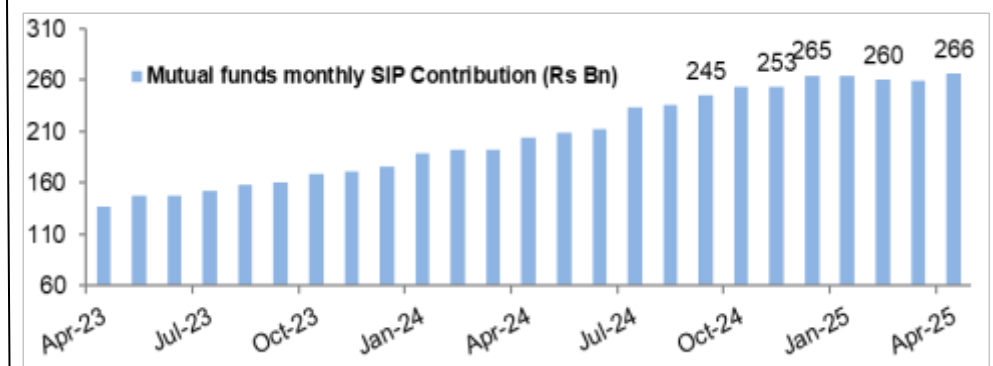
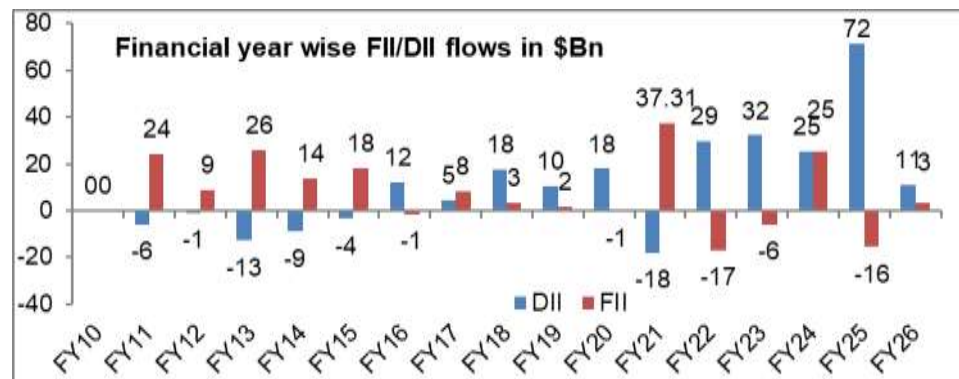
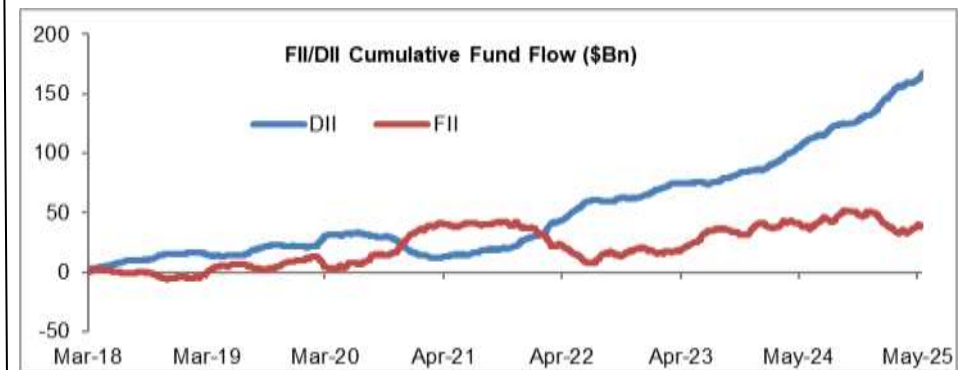
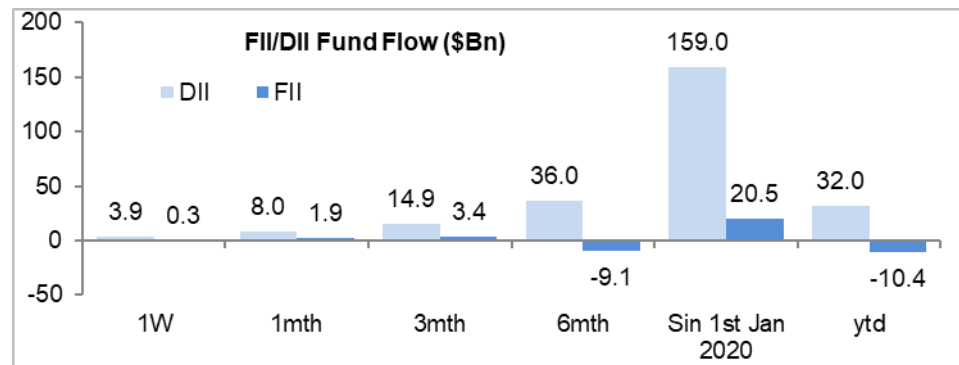


Source: Bloomberg, Axis Securities



FII have Returned over the Last One Month

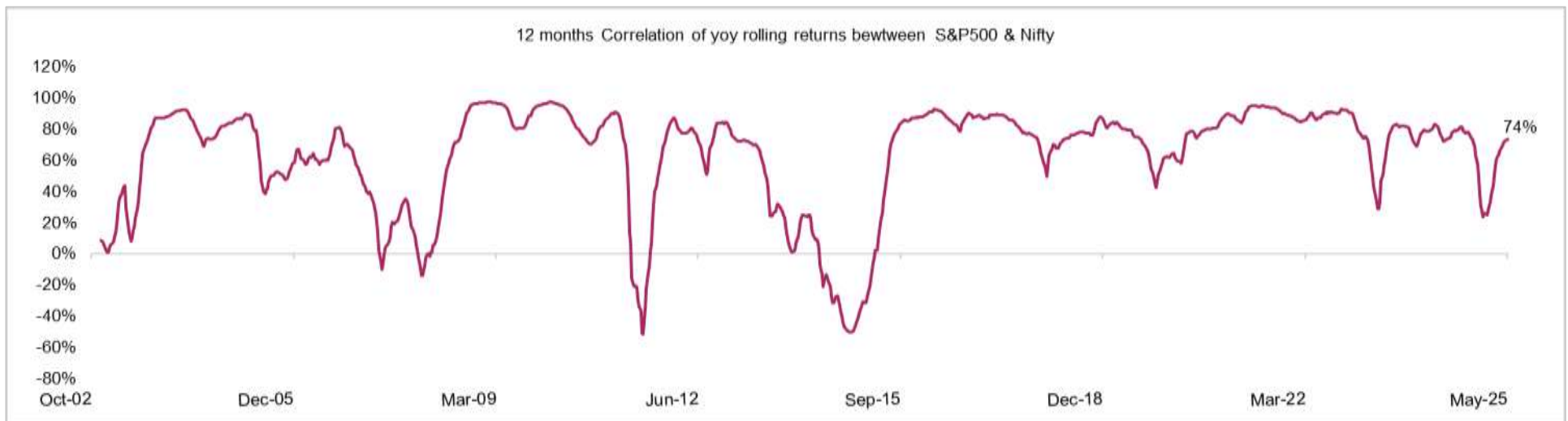
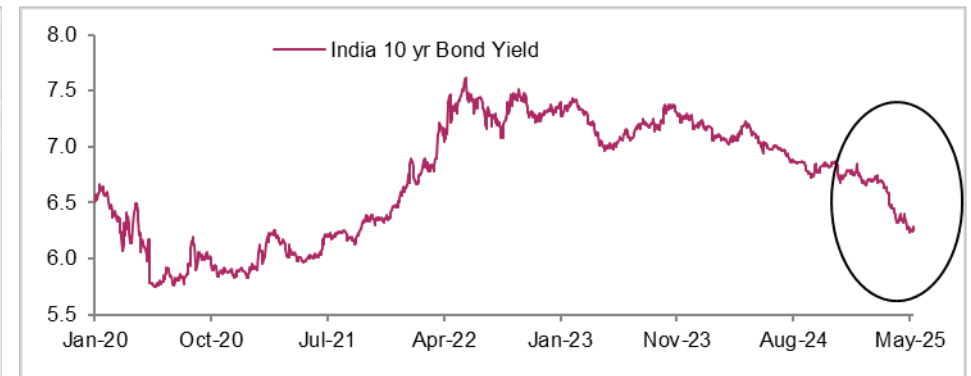
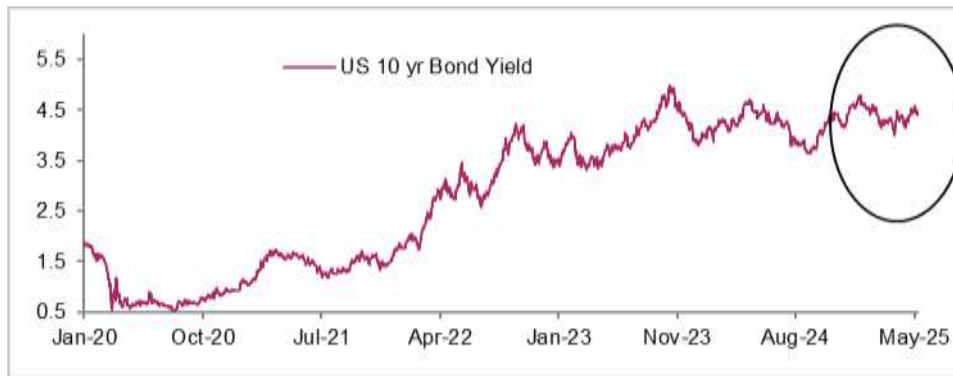
Investors, both domestic and foreign, have actively demonstrated confidence in India's long-term growth narrative. In FY24, both FIIs and DIIs invested \$25 Bn each in the Indian equity market. After being net sellers in FY22 and FY23, FIIs regained confidence in FY24, and this sentiment was further 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 4.3-4.46% levels. Further direction remains critical for the market.
- Indian bond yields saw a correction on a YTD basis and adjusted by 2 rate cuts by the RBI.
- The correlation between the Indian and US markets has now back to 74% levels vs. the 44% seen as of 28th Feb'24.



Q4FY25 Earnings Performance: Largely Beat/Inline; Commentaries are Cautiously Optimistic

- Large caps are witnessing recovery in earnings momentum: 81% of Nifty companies so far either beat or are in line with earnings expectations
- Largecap private banks reported a solid set of numbers (*except IndusInd*) while some consolidation was visible in the NBFC space.
- IT companies reported beat/inline set of numbers. However, the sector witnessed broad downgrades for FY26/27 estimates on the back of macro challenges in the US and Europe.
- Cement and Metals are likely to surprise in upcoming quarters, led by volume surprises and the reduction in input costs.
- FMCG also reported a good set of numbers. Furthermore, the management commentaries and good monsoon estimates set strong expectations for FY26 as well.

Q4FY25 Performance:

Beat results: Large Banks, Metals & Mining, Pharma, FMCG

Missed results: Life Insurance, Automobile

Nifty Q4FY25	Earnings				EBITDA			Revenue	
Results Out	BEAT	INLINE	MISS	BEAT	INLINE	MISS	BEAT	INLINE	MISS
49	27	13	9	16	19	12	9	31	9

FY26 EPS

Key Upgrade: BPCL (13%), Adani Ports (3.5%), Bharat Electronics (2.7%), Britannia Ind (2.7%)

Key Downgrade: IndusInd Bank (-36.5%), Adani Enterprises (-28.5%), Grasim Industries (-27.5%), Tata Motors (-11.8%)

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

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

Key Rationale

- **Growth visibility healthy; unsecured growth likely to pick up:** The bank continues to remain comfortable with the loans underwritten and does not expect any specific caution to be exercised incrementally on the credit side. The bank has tightened the credit filters in the Personal Loans (PL) and Credit Cards (CC) portfolio, which is reflected in the volumes. Moreover, with the rate cut cycle beginning, the bank has been additionally disciplined on the spreads charged over the benchmark. ICICIB's focus remains on optimising risk-adjusted PPOP. The management expects growth in the business banking to remain strong, with investment made in the portfolio yielding results. On the unsecured lending, the bank believes growth has bottomed out and expects momentum to improve hereon. With growth visibility remaining healthy, we expect ICICIB to continue its strong growth trajectory, thereby delivering credit growth of 15% CAGR over FY25-27E.
- **Asset quality remains pristine:** The asset quality in the corporate and business banking portfolio continues to hold up well. Similarly, asset quality trends in the secured products are encouraging in retail lending. The NPA formation in the unsecured segments has broadly stabilised and is expected to taper in the coming couple of quarters. The bank remains comfortable in terms of overall asset quality and does not expect a sharp increase in credit cost going ahead. Moreover, the credit quality of the unsecured portfolio customers sourced over the last 18 months post-tightening of credit filters imparts confidence in the bank's ability to pursue strong growth in the portfolio.
- **NIMs to remain in a narrow range:** In Q4FY25, margin improvement was mainly led by lower interest reversal, better deployment of excess liquidity, and the benefit of the day count convention. However, the impact of the rate cuts will be visible from Q1FY26 onwards as loans will get repriced faster vs deposits. Currently, 53% of loans are repo-linked, 15% MCLR-linked, 1% to other interest rates, and the balance 31% are fixed-rate loans. **We expect margins to range between 4.2% and 4.3% over FY26-27E, while factoring in near-term pressures.**
- **Outlook & Valuation:** We expect the bank to continue to deliver a strong performance over the medium-term enabling a consistent RoA/RoE delivery of 2.3-2.4%/16-17% supported by (1) strong business growth while maintaining a steady C-D Ratio, (2) Focus on strengthening fee income profile, (3) Controlled Opex growth, (4) Pristine asset quality metrics, and (5) Adequate capitalisation. **ICICIB remains our preferred pick amongst banks.**
- **Key Risks:** a) Slowdown in credit growth momentum due to lag in deposit mobilisation

Industry view



Over Weight

CMP
1,446

Target Price
1,650

Upside
14%

Key Financials (Standalone)

Y/E Mar (Rs Bn)	NII (Rs Bn)	PPOP (Rs Bn)	PAT (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	743	581	409	58.2	315.1	4.5	2.4	0.5
FY25	812	673	472	66.3	385.8	3.7	2.3	0.4
FY26E	910	756	514	72.1	446.0	3.2	2.3	0.4
FY27E	1,056	887	603	84.7	515.5	2.8	2.3	0.4

Source: Company, Axis Securities

Income Statement		(Rs Bn)			
Y/E March	FY24	FY25	FY26E	FY27E	
Net Interest Income	743	812	910	1,056	
Other Income	230	285	321	362	
Total Income	973	1,097	1,231	1,418	
Total Operating Exp	391	424	475	532	
PPOP	581	673	756	887	
Provisions & Contingencies	36	47	71	82	
PBT	545	626	685	805	
Provision for Tax	136	154	171	201	
PAT	409	472	514	603	

Source: Company, Axis Research

Balance Sheet		(Rs Bn)			
Y/E March	FY24	FY25	FY26E	FY27E	
SOURCES OF FUNDS					
Share Capital	14	14	14	14	
Reserves	2,370	2,907	3,336	3,840	
Shareholder's Funds	2,384	2,921	3,350	3,854	
Total Deposits	14,128	16,103	18,476	21,326	
Borrowings	15,378	17,339	19,926	23,008	
Other Liabilities & Provisions	953	923	1,060	1,223	
Total Liabilities	18,715	21,182	24,337	28,085	
APPLICATION OF FUNDS					
Cash & Bank Balance	1,399	1,856	2,037	2,351	
Investments	4,619	5,048	5,921	6,834	
Advances	11,844	13,418	15,414	17,786	
Fixed & Other Assets	852	862	966	1,114	
Total Assets	18,715	21,182	24,337	28,085	

Source: Company, Axis Research

Valuation Ratios

(%)

Y/E March	FY24	FY25	FY26E	FY27E
EPS	58.2	66.3	72.1	84.7
Earnings growth (%)	27.5	13.9	8.8	17.4
BVPS	339.4	410.0	470.3	541.1
Adj. BVPS	315.1	385.8	446.0	515.5
ROAA (%)	2.4	2.3	2.3	2.3
ROAE (%)	18.6	17.8	16.4	16.8
P/E (x)	24.4	21.5	19.7	16.8
P/ABV (x)	4.5	3.7	3.2	2.8
Dividend Yield (%)	0.7	0.8	0.9	1.1

PROFITABILITY & OPERATING EFFICIENCY

NIM (%)	4.5	4.3	4.2	4.3
Cost/Avg. Asset Ratio (%)	2.3	2.1	2.1	2.0
Cost-Income Ratio (%)	40.2	38.6	38.5	37.5

Source: Company, Axis Research

Balance Sheet Structure Ratios

(%)

Y/E March	FY24	FY25	FY26E	FY27E
Loan Growth (%)	16.2	13.3	14.9	15.4
Deposit Growth (%)	19.6	14.0	14.7	15.4
C/D Ratio (%)	83.8	83.3	83.4	83.4
Equity/Assets (%)	12.7	13.8	13.8	13.7
Equity/Advances (%)	20.1	21.8	21.7	21.7
Total Capital Adequacy Ratio	16.3	17.2	17.5	17.2
Tier I CAR	15.6	16.6	17.0	16.8

ASSET QUALITY

Gross NPLs	280	242	252	296
Net NPLs	54	56	58	68
Gross NPLs (%)	2.4	1.8	1.6	1.7
Net NPLs (%)	0.5	0.4	0.4	0.4
Coverage Ratio (%)	80.8	76.9	77.0	77.0
Provision/Avg. Loans (%)	0.3	0.4	0.5	0.5

ROAA TREE

Net Interest Income	4.3	4.1	4.0	4.0
Non-Interest Income	1.3	1.4	1.4	1.4
Operating Cost	2.3	2.1	2.1	2.0
Provisions	0.2	0.2	0.3	0.3
Tax	0.8	0.8	0.7	0.7
ROAA	2.4	2.3	2.3	2.3
Leverage (x)	7.9	7.5	7.3	7.3
ROAE	18.6	17.8	16.4	16.8

Source: Company, Axis Research

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

State Bank of India (SBI) 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.

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 ~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 on 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 SMA2 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

Industry view



Over Weight

CMP
812

Target Price
1,025

Upside
26%

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	1,599	938	611	68.4	399.1	2.0	1.0	0.6
FY25	1,670	1,106	709	79.4	472.3	1.7	1.1	0.5
FY26E	1,810	1,158	704	78.9	537.0	1.5	1.0	0.4
FY27E	2,080	1,348	798	89.4	608.3	1.3	1.0	0.3

Source: Company, Axis Securities.

Profit & Loss		(Rs Bn)			
Y/E MAR	FY24	FY25E	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	FY25E	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	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	68.4	79.4	78.9	89.4
Earnings Growth (%)	21.6%	16.1%	-0.7%	13.4%
BVPS	422.7	494.3	557.4	628.9
Adj. BVPS	399.1	472.3	537.0	608.3
ROAA (%)	1.0	1.1	1.0	1.0
ROAE (%)	17.3	17.3	15.0	15.1
P/E (x)	11.7	10.1	10.1	9.0
P/ABV (x)	2.0	1.7	1.5	1.3
Dividend Yield (%)	1.7	2.0	2.0	2.2
PROFITABILITY				
NIM (%) – Domestic	3.4	3.3	3.2	3.3
NIM (%) - Global	3.3	3.2	3.1	3.2
Cost-Income Ratio	55.7	51.6	52.6	51.1

Source: Company, Axis Research

Balance Sheet Structure Ratios				(%)
Y/E MAR	FY24	FY25E	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.

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 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%/23%/32% CAGR over CY24-27E.

Industry view



Equal Weight

CMP
476

Target Price
650

Upside
37%

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	58.7	32.8	15.9	20.8
CY25E	24,447	5,687	3,564	11.0	43.4	26.9	18.4	18.5
CY26E	30,290	7,127	4,668	14.4	33.1	21.0	20.1	20.3
CY27E	37,529	8,905	5,983	18.4	25.8	16.3	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

(<div>%)</div>

Key Ratios	CY24	CY25E	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)	58.7	43.4	33.1	25.8
PEG (x) - y-o-y growth	(1.2)	1.2	1.1	0.9
Price/Book (x)	9.3	8.0	6.7	5.4
EV/Net sales (x)	7.7	6.2	4.9	3.9
EV/EBITDA (x)	32.8	26.9	21.0	16.3

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.

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, an 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

Industry view



Equal weight

CMP
1,945

Target Price
2,250

Upside
16%

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	3.4	2.0	0.3
FY25E	1,227	1,001	673	88.0	640.5	3.0	1.8	0.4
FY26E	1,345	1,122	746	97.6	712.5	2.7	1.8	0.4
FY27E	1,560	1,323	880	115.0	797.7	2.4	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)	24.0	21.9	19.7	16.7
P/ABV (x)	3.4	3.0	2.7	2.4
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.

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.

Industry view



Over Weight

CMP

1,856

Target Price

2,200

Upside

19%

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY23	1,39,145	71,274	15,356	27.5	67.6	15.3	8.1	9.0
FY24	1,49,982	78,292	16,130	28.9	64.4	13.8	8.4	7.4
FY25	1,72,985	1,00,337	23,755	65.4	28.4	24.2	14.0	10.7
FY26E	2,17,961	1,23,911	48,992	86.6	21.5	22.5	15.2	9.1

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	2,17,961
Growth, %	19	8	15	26
Other income	0	0	0	0
Total income	1,39,145	1,49,982	1,72,985	2,17,961
Raw material expenses	-7,621	-7,519	-7,430	-8,850
Employee expenses	(4,831)	(5,323)	(5,439)	(6,730)
Other Operating Expenses	-66,626	-70,406	-71,361	-78,470
EBITDA (Core)	71,274	78,292	1,00,337	1,23,911
Growth, %	24	10	28	0
Margin, %	51	52	58	57
Depreciation	36,432	39,538	40,424	42,369
EBIT	34,842	38,754	59,913	81,542
Growth, %	43	11	55	0
Margin, %	25	26	35	0
Interest paid	-16,901	-22,648	-22,186	-23,296
Other Non-Operating Income	937	1,435	1,451	1,500
Non-recurring Items	0	0	0	0
Pre-tax profit	19,629	20,251	42,209	59,747
Tax provided	-4,273	-4,121	-5,096	10,754
Profit after tax	15,356	16,130	37,113	48,992
Others (Minorities, Associates)	0	0	0	0
Net Profit	15,356	16,130	23,755	48,992
Growth, %	132	5	47	32
Net Profit (adjusted)	15,356	16,130	23,755	48,992

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E
Cash & bank	19,088	14,649	14,417	19,088
Other current assets	39,033	39,109	49,216	39,033
Total current assets	58,121	53,758	68,132	58,121
Gross fixed assets	2,75,280	2,75,464	4,03,109	4,12,023
Net fixed assets	2,75,280	2,75,464	4,03,109	4,12,023
Non-current assets	32,435	32,973	43,119	50,342
Total assets	4,69,456	4,56,782	4,93,944	5,30,650
Current liabilities	1,21,964	1,21,964	1,21,964	1,21,964
Total current liabilities	1,21,964	1,21,964	1,21,964	1,21,964
Non-current liabilities	2,18,225	2,18,225	2,18,225	2,18,225
Total liabilities	3,40,189	3,40,189	3,40,189	2,18,225
Paid-up capital	2,795	2,795	2,837	2,837
Reserves & surplus	97,591	1,13,721	1,50,834	1,87,575
Shareholders' equity	1,29,267	1,16,593	1,53,755	1,90,461
Total equity & liabilities	4,69,456	4,56,782	4,93,944	5,30,650

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E
Pre-tax profit	19,629	20,251	34,757	59,747
Depreciation	36,432	39,538	40,424	42,369
Change in working capital	1,131	-606	1,163	-63,843
Total tax paid	-4,646	-4,121	-5,096	-10,754
Other operating activities	0	0	0	-3,853
Cash flow from operating activities	52,509	55,054	67,499	23,666
Capital expenditure	-40,299	-39,721	-43,425	-12,000
Chg in investments	0	0	0	0
Change in marketable securities	-374	-76	1,437	-1,666
Other investing activities	-12,647	-3,542	0	0
Cash flow from investing activities	-52,193	-40,554	-40,394	-13,666
Free cash flow	316	14,500	26,072	11,666
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	59,807	0	0	0
Dividend (incl. tax)	0	0	0	-10,000
Other financing activities	0	0	0	0
Cash flow from financing activities	63,308	-28,805	7	-10,000
Net change in cash	63,623	-14,305	26,080	171
Opening cash balance	12,980	19,088	14,649	18,917
Closing cash balance	19,088	14,649	14,417	19,088

Source: Company, Axis Securities Research

Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25	FY26E
Per Share data				
EPS (INR)	27.5	28.9	65.4	86.6
Growth, %	132.4	5.0	130.1	32
Book NAV/share (INR)	179.6	208.4	270.8	346
FDEPS (INR)	27.5	28.9	65.4	86.6
CEPS (INR)	92.6	99.6	136.7	140
CFPS (INR)	104.4	92.0	115.4	133
DPS (INR)	0.0	0.0	0.0	16
Return ratios				
Return on assets (%)	6.9	7.9	10.3	15.7
Return on equity (%)	15.3	13.8	24.2	22
Return on capital employed (%)	8.1	8.4	14.0	15.2
Turnover ratios				
Asset turnover (x)	77%	84%	60%	61%
Sales/Total assets (x)	0.4	0.4	0.4	0.4
Sales/Net FA (x)	51%	54%	46%	55%
Working capital/Sales (x)	-60%	-55%	-42%	-37%
Fixed capital/Sales (x)	180%	167%	231%	185%
Receivable days	0%	0%	0%	0%
Inventory days	0.0	0.0	0.0	0.0
Payable days	0%	0%	0%	0%
Working capital days	(217.54)	(201.64)	(153.50)	(134.38)
Liquidity ratios				
Current ratio (x)	0.48	0.44	0.56	0.44
Quick ratio (x)	0.48	0.44	0.56	0.44
Interest cover (x)	2.06	1.71	2.70	2.5
Dividend cover (x)				
Total debt/Equity (%)	201.62	173.71	131.71	106.32
Net debt/Equity (%)	182.60	161.14	119.40	98.26

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.

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 normalized 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

Industry view



Equal weight

CMP
639

Target Price
790

Upside
24%

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	2.7	3.3	2.7
FY25E	21,853	16,261	9,761	51.9	263.6	2.3	3.7	2.6
FY26E	25,326	18,983	9,663	51.4	300.1	2.0	3.2	2.6
FY27E	29,211	22,075	11,511	61.2	342.5	1.8	3.3	2.6

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)				
Y/E MAR	FY24	FY25E	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	FY25E	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	FY25E	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)	16.0	11.8	11.9	10.0
P/BV (x)	2.7	2.3	2.0	1.8
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	FY25E	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
4,309

Target Price
5,030

Upside
17%

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/EBITDA (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
4,002

Target Price
4,770

Upside
19%

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 approximately 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 420 as of May 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	102.7	13.6	14.5
FY25A	59,358	4,487	2,707	41.6	96.2	12.6	13.4
FY26E	70,831	5,606	3,429	52.7	76.0	13.8	14.7
FY27E	85,445	7,006	4,370	67.2	59.6	15.0	16.0

Source: Company, Axis Securities.

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25A	FY26E	FY27E
Net sales	50,789	59,358	70,831	85,445
Growth, %	18.6	16.9	19.3	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	5,606	7,006
Growth, %	12.8	9.3	24.9	25.0
Margin, %	8.1	7.6	7.9	8.2
Depreciation	(731)	(870)	(1,012)	(1,154)
EBIT	3,373	3,618	4,594	5,852
Growth, %	12.5	7.3	27.0	27.4
Margin, %	6.6	6.1	6.5	6.8
Other Income	146	124	176	211
Non-recurring Items	-	-	-	-
Pre-tax profit	3,461	3,673	4,697	5,986
Tax provided	(926)	(965)	(1,268)	(1,616)
Profit after tax	2,536	2,707	3,429	4,370

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	638	358	701	1,909
Debtors	166	154	184	221
Inventory	3,927	5,044	6,019	7,261
Loans & advances	-	-	-	-
Other current assets	1,364	835	835	835
Total current assets	6,203	6,393	7,740	10,228
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	27,957	32,591
Current liabilities	1,979	2,212	2,419	2,683
Provisions	-	-	-	-
Total current liabilities	1,979	2,212	2,419	2,683
Non-current liabilities	501	681	681	681
Total liabilities	2,480	2,894	3,101	3,364
Paid-up capital	651	651	651	651
Reserves & surplus	18,047	20,777	24,206	28,576
Shareholders' equity	18,698	21,428	24,857	29,227
Total equity & liabilities	21,178	24,321	27,957	32,591

Source: Company, Axis Research

Cash flow

(Rs Cr)

Y/E Mar	FY24	FY25A	FY26E	FY27E
Pre-tax profit	3,461	3,672.67	4,697.05	5,986.12
Depreciation	730.76	869.52	1,011.96	1,154.40
Change in working capital	-1,192.92	-244.35	-797.76	-1,016.13
Total tax paid	-910.75	-944.67	-1,268.20	-1,616.25
Cash flow from operating activities	2,088.42	3,353.17	3,643.05	4,508.14
Capital expenditure	-2,911.79	-3,826.05	-3,300.10	(3,300)
Change in marketable securities	95.53	105.41	-	-
Cash flow from investing activities	-2,942.02	-3,655.56	-3,300.10	(3,300)
Free cash flow	-853.60	-302.39	342.95	1,208.14
Equity raised/(repaid)	2.47	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	2.47	-	-	-
Net change in cash	-851.13	-302.39	342.95	1,208.14
Opening cash balance	1,408.33	638.18	358.20	701.25
Closing cash balance	638.18	358.20	701.25	1,909.39

Source: Company, Axis Research

Ratios

(%)

Y/E Mar	FY24	FY25A	FY26E	FY27E
Per Share data				
EPS (INR)	39.0	41.6	52.7	67.2
Growth, %	6.0	6.8	26.6	27.4
Book NAV/share (INR)	287.3	329.3	382.0	449.1
FDEPS (INR)	39.0	41.6	52.7	67.2
CEPS (INR)	50.2	55.0	68.2	84.9
CFPS (INR)	30.0	50.6	53.3	66.0
Return ratios				
Return on assets (%)	13.2	12.2	13.4	14.7
Return on equity (%)	13.6	12.6	13.8	15.0
Return on capital employed (%)	14.5	13.4	14.7	16.0
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	3.8	4.1
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	3.2	3.8
Quick ratio (x)	1.1	0.6	0.7	1.1
Valuation				
PER (x)	102.7	96.2	76.0	59.6
PEG (x) - y-o-y growth	17.1	14.2	2.9	2.2
Price/Book (x)	13.9	12.2	10.5	8.9
EV/Net sales (x)	5.1	4.4	3.7	3.0
EV/EBITDA (x)	63.3	58.0	46.3	36.9
EV/EBIT (x)	77.0	71.9	56.5	44.2

Source: Company, Axis Research

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

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

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.

Industry view



Over Weight

CMP

1,958

Target Price

2,500

Upside

28%

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (%)	ROE (%)
FY25	22,708	5,283	3,306	72.4	27.0	17.3	19.1
FY26E	25,093	5,922	3,571	78.2	25.0	14.8	17.6
FY27E	26,794	6,350	3,869	85	23	13	16

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
<i>Tax Rate %</i>	<i>20.1%</i>	<i>17.7%</i>	<i>22.0%</i>	<i>22.0%</i>
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
Oper. 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.

Key Rationale

- **Q4FY24 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 approximately 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 end-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 35x EV/EBITDA FY27E.

Industry view



Equal Weight

CMP

1,125

Target Price

1,315

Upside

17%

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (%)	ROE (%)	ROCE (%)
FY25	8,621	2,193	1,335	14	83	52	13	12
FY26E	11,103	3,053	2,005	21	55	37	16	16
FY27E	13,100	3,707	2,496	26	45	30	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

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
Oper. 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 it serves. It also engages children in imparting good oral health practices through its Colgate Bright Smiles, Bright Futures® program. Madagascar.

Industry view



Equal Weight

CMP
2,456

Target Price
2,830

Upside
15%

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.
- **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 of 2,830/share.**
- **Margins likely to remain stable:** Despite the soft revenue print, management highlighted that margins 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.

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	49.7	34.2	35.6	73.6
FY25A	5,999	1,958	1,437	52.8	46.5	33.5	40.1	80.8
FY26E	6,551	2,157	1,556	57.2	42.9	30.4	37.8	90.6
FY27E	7,223	2,483	1,792	65.9	37.3	26.2	32.9	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	FY25E	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)	49.7	46.5	42.9	37.3
PEG (x) - y-o-y growth	1.8	6.7	5.2	2.5
Price/Book (x)	35.6	40.1	37.8	32.9
EV/Net sales (x)	11.6	10.9	10.0	9.0
EV/EBITDA (x)	34.4	33.5	30.4	26.2
EV/EBIT (x)	37.8	36.6	33.0	28.3

Source: Company, Axis Research

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

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

Key Rationale

- **Launches led to a pick-up in sales; Strong guidance:** Prestige reported pre-sales of Rs 6,957 Cr for the quarter, marking a 48% YoY growth and coming in slightly above expectations, primarily due to launches towards the end of March. The company launched 14.04 Mn sqft in Q4, including two major projects—Prestige Southern Star and Prestige Spring Heights—each spanning ~5 Mn sqft, compared to ~10 Mn sqft launched in 9MFY25. For FY25, pre-sales stood at Rs 17,000 Cr, falling short of the earlier guidance of Rs ~24,000 Cr but aligning with revised expectations post Q3. Mumbai contributed ~Rs 5,100 Cr (30% of total pre-sales), primarily driven by the Nautilus launch, while Bengaluru and Hyderabad accounted for ~45% and ~23% of annual pre-sales, respectively. The company has guided for a launch pipeline with a GDV of Rs 42,000 Cr and holds unsold inventory worth ~Rs 20,000 Cr. For FY26, it has set a pre-sales target of Rs 27,000 Cr, with Q1 expected to contribute ~Rs 12,000 Cr, backed by three recent launches in Mumbai. This sets up a strong FY26 outlook, supported by spillover launches and a lower base.
- **Muted Collections; Recovery in coming quarters:** While the company saw decent pre-sales despite delayed launches, collections remained subdued. Reported collections for Q4 stood at Rs 3,155 Cr, showing a -9% degrowth YoY. This was primarily due to launches occurring at the far end of March, which could not translate into collections. The company expects this spillover to reflect in the first quarter of FY26. Collections for the year stood at Rs 12,084 Cr, flat over the previous year. This impacted the company's financial performance, resulting in an increase in net debt to Rs 6,716 Cr from Rs 5,960 Cr. Net debt to equity stood at 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.
- **Annuity performs well:** The company reported a healthy occupancy level of ~90% in its office segment and a robust 99% in retail. EBITDA margins stood at 79%, resulting in EBITDA of Rs 5,932 Cr from the annuity segment for FY25. Exit rentals for the commercial and retail portfolios were Rs 5,230 Cr and Rs 2,185 Cr, respectively. The upcoming development pipeline comprises 8 Mn sqft for commercial and 10 Mn sqft for retail segments. Annuity capex increased to ~Rs 13,460 Cr, compared to ~Rs 12,800 Cr previously. The company projects exit rentals to scale up significantly from the current Rs 7,400 Cr to Rs 44,000 Cr by FY29E.

Industry view



Equal Weight

CMP
1,467

Target Price
1,850

Upside
26%

Key Financials (Consolidated)

Y/E	Sales	EBITDA	PAT	EPS	P/E	ROE	Net Debt/Equity	EV/EBITDA
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(X)	(%)	(%)	(X)
FY24	7,877	2,498	1,374	34.3	43.3	12.2	13.4	27.7
FY25E	7,349	2,559	468	11.7	127.3	3.0	7.6	26.7
FY26E	10,102	3,391	1,111	27.7	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

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 specialty 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 increase our FY26/27 EBITDA as we factor cost efficiency through lower employee costs and a higher share of VAP. We raise our TP to Rs 2,035/share from Rs 1,920/share earlier. The stock is now trading at a 12MF P/E multiple of 40x. We now value it at a 12MF target multiple of 35x on our FY27E EPS from 33x earlier.

CMP
1,812

Target Price
2,035

Upside
12%

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
Depreciation & 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

SANSERA ENGINEERING LTD - ROBUST ORDER BOOK & STRONG FINANCIALS TO SUPPORT FUTURE GROWTH

Sansera Engineering (Sansera), incorporated in 1981 and headquartered in Bengaluru, is a technology-driven manufacturer of complex and critical high-precision iron and aluminium components for automotive and non-automotive sectors. It is the largest supplier of Connecting Rods, Rocker Arms, and Gear Shifter Forks for the 2W segment and the largest supplier of Connecting Rods and Rocker Arms for LMV in India. With a strong presence in 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
1,361

Target Price
1,580

Upside
16%

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

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/EBITDA (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

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

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

Industry view



Equal Weight

Key Rationale

- **Robust order book:** As of 31st Mar'25, 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 21x/16x FY26E/27E EPS. We maintain our BUY rating on the stock with a TP of Rs 1,350/share, implying an upside of % from the CMP.
- **Key risks:** a) Delay in collections may impact revenue growth; b) A rise in commodity prices may impact margins.

CMP

1,139

Target Price

1,350

Upside

19%

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	35.7	12.9	10.4%	16.1%
FY25E	22,316	1,834	567	33.2	34.3	11.8	9.6%	16.8%
FY26E	26,185	2,330	914	53.4	21.3	9	13.1%	19.8%
FY27E	30,923	2,752	1,156	67.6	16.8	7.8	14.7%	22%

Source: Company, Axis Securities

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25E	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	564	621
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	1,269	1,605
Tax provision	185	256	355	449
PAT	516	567	914	1,156

Source: Company, Axis Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Capital Applied	7,659	8,971	9,635	10,611
Net Block	2,970	3,090	3,126	3,104
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	2,247	1,681
Misc Assets	1,019	1,024	1,024	1,024
Capital employed	7,659	8,969	9,633	10,609
Equity capital	32	32.4	32.4	32.4
Reserves	5,106	6,479	7,263	8,289
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	FY25E	FY26E	FY27E	
PAT	516	567	914	1156	
Depreciation	473	497	564	621	
Interest Expense	518	577	576	618	
Changes in Working Capital	(635)	(677)	(141)	(1563)	
Others	253	222	277	357	
Tax Paid	(282)	(272)	(355)	(449)	
Net Cash from Operations	843	914	1834	740	
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	487	(566)	
Opening cash	956	1009	1602	2089	
Closing cash	1009	1602	2089	1524	
FCF	492	340	1234	140	

Source: Company, Axis Research

Ratio Analysis		(%)			
Key Ratios	FY24	FY25E	FY26E	FY27E	
Sales growth	20.0%	14%	17%	18%	
OPM	8.3%	8.2%	8.9%	8.9%	
Oper. profit growth	19%	13%	27%	18%	
COGS / Net sales	42%	38%	41%	41%	
Overheads/Net sales	50%	53%	50%	50%	
Depreciation / G. block	10%	9%	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	4.2	4.4	4.7	
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	53.4	67.6	
EPS Growth	18.6%	4.2%	61.0%	26.5%	
CEPS (Rs.)	61.1	62.3	86.4	103.9	
DPS (Rs.)	7.0	7.6	7.6	7.6	

Source: Company, Axis Research

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

Axis Securities Limited, is registered as a

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- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

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

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

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

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

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