TOP PICKS

March 2024

AXIS SECURITIES

Market Continues to be Driven by the 'Narrative' in Near Term

Axis Top Picks basket delivered impressive returns of 46% in the last one year, against the 27% return posted by the benchmark Nifty 50, implying a commendable outperformance of 19% over the benchmark. In Feb'24 (Since 2nd Feb'24), the basket inched up further by 1.8%. We are extremely happy to share that our Top Picks Basket has delivered an astounding return of 264% since its inception (May'20), which stands well above the 137% return delivered by NIFTY 50 over the same period. Given these results, we maintain our confidence in our thematic approach to Top Picks selection.

Macroeconomic narrative turned positive for equities: Feb'24 turned out to be a favourable month for the Indian equity market as the macroeconomic narrative further strengthened in favour of the overall equity market. Thanks to this favourable narrative, Nifty touched an all-time high of 22,217 on 22nd Feb'24. This was driven by improvement in various macroeconomic parameters such as 1) Improved sentiments regarding policy continuity, 2) Q3FY24 earnings season meeting expectations, 3) Strong domestic inflows, and 4) Improvement in high-frequency indicators. Earlier during the month, our honourable Finance Minister Nirmala Sitaraman presented the Interim Budget 2024-25 on 1st Feb'24. Being the "vote of account" budget before the Union Election 2024, the expectations of the budget were naturally low. The finance minister delivered along the expected lines with an emphasis on the continuation of higher capital expenditure on top of the medium-term flavour of populism. We believe that the Budget has proactively set the tone for economic development in the upcoming years. Overall, we believe a Vote-of-Account-Budget has successfully set the narrative of "Viksit Bharat".

In Feb'24, the Largecap indices outperformed the broader market. Nifty 50 went up by 1.2% in Feb'24 while Midcap and Smallcap indices corrected by 0.5% and 0.7% respectively. However, in the last three months, Midcap and Smallcap indices went up by an impressive 12.6% and 12.9% respectively. In the last one month, PSU banks, Realty, Auto, Pharma, and Energy indices have given the highest returns while Media, Private Banks, and FMCG closed on a weaker note. Investors, both domestic and foreign, have actively demonstrated confidence in India's long-term growth narrative. In FY24 so far, DIIs and FIIs have invested $18 Bn and $21 Bn respectively in the Indian equity market. Moreover, after being net sellers in FY22 and FY23, FIIs regained confidence in FY24 and this sentiment was further reinforced by the BJP's big-bang performance in assembly elections across three out of four key states. However, over the last two months, FIIs have pulled out $ 2.8 Bn from the Indian market while DIIs have invested $ 6.3 Bn over the same period. Notably, SIP flow for Jan'24 has crossed Rs 18,000 Cr for the first time.

Q3FY24 Review: Mixed trend but largely in line with the expectations: In the recent earnings season, 72% of companies were either in line or beat earnings expectations while 74% of companies either met or exceeded revenue expectations. Earnings from the IT sector were largely in line with expectations, with some positive commentaries from mid-tier IT companies. Further recovery is anticipated in the upcoming quarters. Banking majors such as HDFC and Kotak were disappointed with their growth performance, with the pace of credit growth expected to be determined by deposit growth in the near term due to pressure on the credit-to-deposit ratio. Moreover, consumption growth has been disappointing, but a recovery is expected with a revival in rural areas. The Automobile sector posted a strong set of numbers, with market positioning showing a slight shift towards the two-wheeler space. Pharma companies demonstrated robust double-digit revenue growth on a YoY basis, driven by volume gains, stable demand, and the introduction of new products.

We believe the market fundamentals will be driven by "narrative" in the near term moving forward, especially in the absence of any major trigger. The market will continue to find direction based on 1) Macroeconomic developments, 2) US FED meeting, 3) Direction of bond yields, 4) Oil prices & dollar index, and 5) Pre-election cues. In light of the above developments in view, we believe style and sector rotation will play a critical role in the alpha generation moving ahead. Also, with a strong catch-up of Midcaps and Smallcaps in the last couple of months, we believe the margin of safety in terms of valuations for these segments at current levels has reduced as compared to that available in Largecaps. Keeping this in view, the broader market may see some time correction in certain pockets in the near term and flows will likely shift to Largecaps. However, the long-term story of the broader market continues to remain attractive. In this context, themes – 'Growth at a Reasonable Price' and 'Quality' look attractive at the current juncture. Hence, we recommend investors to remain invested in the market and maintain good liquidity (10%) to use any dips in a phased manner and build a position in high-quality companies (where the earnings visibility is quite high) with an investment horizon of 12-18 months.

We maintain our Top Picks recommendations unchanged for the month as we continue to focus on the thematic approach of superior-quality companies.

Our Key Themes

Outlook 2024: The Indian economy continues to be a 'star performing' economy as against other emerging markets. Moreover, we firmly believe that it is likely to continue its growth momentum in 2024 and remain the land of stability against the backdrop of a volatile global economy. On top of it, the macroeconomic scenario has changed in favour of the equity market in the last one to two months and multiple indicators are now indicating a positive start for 2024. The bolstered balance sheet strength of corporate India and the significantly enhanced health of the Indian banking system are additional positive factors that, we believe, will facilitate Indian equities in achieving double-digit returns over the next 2-3 years. This will be supported by robust double-digit earnings growth.

Key Monitorables in 2024: Multiple events are lined up in 2024 and the market will continue to closely monitor the developments around them. These key events are 1) General Election 2024; 2) Expectation of the FED rate cut around May-Jun'24; 3) Full-year budget around Jul'24 after the formation of new government; 4) Expectations of interest rates cut by the RBI in sync with global rate cut, and 5) US Election in Nov'24. The above-mentioned events are expected to keep the Indian equity market volatile and it could respond in either direction based on the developments. **In any case**, **we continue to believe in the long-term growth story of the Indian equity market.** With increasing Capex enabling banks to improve credit growth, we believe it is well-supported by the favourable structure emerging. With current valuations offering a limited scope for further expansion, an increase in corporate earnings will be the primary driver of the market returns moving forward. **Hence, bottom-up stock picking with a focus on 'growth at a reasonable price' and Quality stories would be key to generating satisfactory returns in the next one year.**

We maintain our Dec'24 Nifty target at 23000

Base case: The Indian economy stands at a sweet spot of growth and remains the land of stability against the backdrop of a volatile global economy. We continue to believe in its long-term growth story on account of the country's favourable structure, thanks to the increasing Capex which is enabling banks to improve credit growth. These factors will ensure that Indian equities will easily manage to deliver double-digit returns in the next 2-3 years, supported by double-digit earnings growth. Against this backdrop, we foresee Nifty earnings to post excellent growth of 15% CAGR over FY23-26. Financials remain the biggest contributors for FY24/25 earnings. In our base case, we assume the continuation of the political stability and consequent visibility on the policy continuity after the 2024 general elections.

In our base case, we maintain our Dec'24 Nifty target at 23000 as we value it at 20x on Dec'25 earnings. The current level of India VIX is below its long-term average, indicating that the market is currently in a neutral zone (neither panic nor exuberance). While the medium to long-term outlook for the overall market remains positive, we may see volatility in the short run with the market responding in either direction. **Keeping this in view, the current setup is a 'Buy on Dips' market.** We recommend investors to remain invested in the market and maintain good liquidity (10%) to use any dips in a phased manner and build a position in high-quality companies (where the earnings visibility is quite high) with an investment horizon of 12-18 months.

Bull case: In the bull case**, we value NIFTY at 22x, which translates into a Dec'24 target of 25,000.** Our bull case assumption is based on the overall reduction in volatility and the success of a soft landing in the US market. At present, we find ourselves near the peak of the current rate hike cycle, and the outlook for a soft landing has notably strengthened over the last one to two months. The market is currently building an expectation of one rate cut by US FED around May-Jun'24 and developments regarding the same will be keenly watched by the Street. If the market sails through the next 1 or 2 quarters smoothly, we would likely see the next level of triggers along with money flowing to EMs. In the Bull case, we foresee the Nifty earnings to grow at a CAGR of 16% from FY23-26. This, in turn, would increase the market multiple.

Bear Case: In the bear case, we value NIFTY at 16x, which translates into a Dec'24 target of 18,500. We assumed the market to trade at an average valuation led by political instability in case of no clear mandate in the 2024 General Election. Adding to that, we assumed inflation continues to pose challenges in the developed world. Currently, we are near the peak of the rate hike cycle and the market has not seen such levels of interest rate hike in the recent past. Hence the chances to go wrong have increased significantly. If this scenario materializes, it would translate into a slowdown or heightened recession in the developed market, which in turn, will impact export-oriented growth in the domestic market. This will consequently pose challenges to the earnings and market multiple of the domestic market.

Based on the above themes, we recommend the following stocks: **ICICI Bank, Coal India, Nestle India, State Bank of India, Lupin ltd, Federal Bank, Varun Beverages, TVS Motors, BhartiAirtel, PNC infra, CIE Automotive India, Bank of Baroda, WestlifeFoodworld, CreditAccessGrameen, JTL Industries**

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INVEST IN ONE CLICK

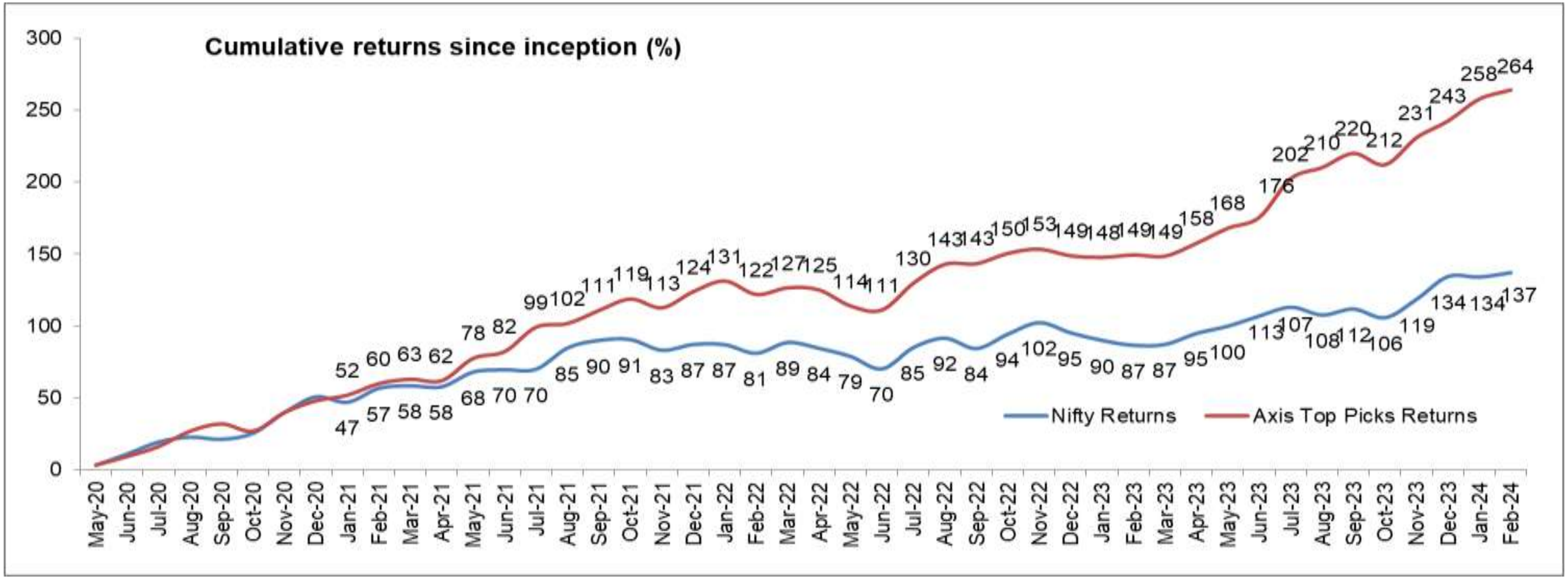
Axis Securities Top Picks

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	1,052	1,250	19%	18.1	3.0	0.8	2.3	12.5	9.7	5.6
Large Cap	Coal India Ltd	Materials	437	510	17%	8.9	3.8	5.6	8.8	29.1	100.8	17.5
Large Cap	Nestle India Ltd	Consumer Discretionary	2,596	2,880	11%	73.1	64.8	0.9	3.9	7.4	19.1	-2.0
Large Cap	State Bank of India	Financials	748	860	15%	11.3	1.8	1.5	16.8	32.5	33.3	16.5
Large Cap	Varun Beverages Ltd	Consumer Staples	1,408	1,550	10%	72.6	20.2	0.2	10.0	27.5	56.6	13.9
Large Cap	Bank of Baroda Ltd	Financials	265	300	13%	7.7	1.3	2.1	7.2	34.7	41.8	14.9
Large Cap	Bharti Airtel Ltd	Communication Services	1,123	1,400	25%	56.0	7.0	0.4	-4.0	10.7	31.2	8.8
Large Cap	TVS Motor Company Ltd	Consumer Discretionary	2,139	2,350	10%	48.3	13.1	0.2	6.9	14.7	50.7	5.6
Mid Cap	Lupin Ltd	Health Care	1,621	1,785	10%	38.5	5.2	0.2	7.7	26.6	47.7	22.5
Mid Cap	Federal Bank Ltd	Financials	150	180	20%	9.6	1.3	0.7	2.1	2.1	4.5	-3.7
Mid Cap	CreditAccess Grameen Ltd	Financials	1,470	1,970	34%	16.6	3.6	NA	-7.5	-13.4	3.9	-7.9
Small Cap	JTL Industries Ltd	Materials	260	300	16%	37.6	8.4	0.0	-3.8	19.4	27.3	9.1
Small Cap	CIE Automotive India Ltd	Consumer Discretionary	441	565	28%	17.3	2.5	1.1	-9.2	-7.7	-15.6	-6.3
Small Cap	Westlife Foodworld Ltd	Consumer Discretionary	749	930	24%	125.6	18.5	0.5	-9.9	-16.8	-20.2	-8.3
Small Cap	PNC Infratech Ltd	Industrials	427	510	19%	17.1	2.4	0.1	-6.6	26.2	28.9	21.6

Source: Company, Axis Securities, CMP as on 29th February 2024

Top Picks Performance

Axis Top Picks Performance						
	1M	2M	3M	6M	1Y	Since Inception (May 20)
Axis Top Picks Returns	1.8%	6.3%	10.0%	17.4%	46.0%	264.0%
Nifty Returns	1.3%	1.2%	8.5%	14.2%	27.0%	137.1%
Alpha	**0.4%**	**5.1%**	**1.6%**	**3.2%**	**18.9%**	**126.9%**



Note: Equal weight basket Performance as of 29st Feb 2024

Sector Outlook

Sector	Current View	Outlook
Automobiles	Over Weight	The Indian Automobile sector is witnessing significant demand improvement which is becoming more broad-based on a sequential basis. In FY24, FYTD domestic sales volumes of PV/2W/CV segments grew by 7.3%/10%/2.4% YoY respectively. It is noteworthy that this growth was despite the high base of FY23 and was driven by healthy demand. In the near term, demand momentum in PV/CV is expected to grow in low single digits, while 2W is anticipated to grow at high single digits (with volumes still below Pre-Covid levels). However, the tractor segment is expected to witness a single-digit decline. We expect EBITDA Margins to remain stable or even improve going forward, which will be led by a richer product mix, higher realizations, softer RM input cost, and positive operating leverage. We maintain our positive outlook on the sector as demand drivers remain intact. Based on the current development and positive outlook, we continue with our overweight stance on the sector. However, due to the recent rally in stocks, valuations are no longer attractive. Against this backdrop, we recommend a “Buy on Dips” strategy for Quality stocks.
Banking &Financial services	Over Weight	FY23 was a robust year for the BFSI sector as most of the Banks/NBFCs under our coverage remain well-placed to capitalize on growth opportunities going forward. Banks under our coverage continued to report healthy credit growth, largely led by the retail/SME segment, with some pick-up seen in the corporate lending segment as well. Commentary on the RBI asking banks to maintain a CD Ratio of ~75% dominated the discussion during the quarter. Most banks have highlighted that deposit accretion would remain a key lever to maintain the pace of credit growth. While credit growth has not shown any visible signs of slowdown, banks have indicated that they would calibrate growth in the unsecured segments (as the stress is visible in certain pockets) and will pursue growth where risk-reward is favourable. In our view, deposit mobilization remains a key lever to support the buoyancy in credit growth. The inability to do so would result in credit growth slowdown and/or NIM compression. Slippages during the quarter were marginally higher QoQ for certain banks. The outlook on asset quality remained largely stable supported by healthy recoveries/upgrades. Credit costs continued to remain under control. We believe RoAs for banks have peaked and should plateau or moderate marginally hereon for most banks. Current valuations are very attractive as compared to the market. Hence, we maintain the overweight stance on the sector.
Capital Goods	Equal Weight	The Capital Goods sector normalised towards the end of FY22/23 and companies are now being supported by the rise in the gross fixed capital formation. In the last three quarters, the domestic revenue of capital goods companies showed impressive growth on a YoY basis thanks to efficient execution and a healthy order book. Moreover, the government’s Capex cycle continues to be robust and house registrations in the metro cities continue to witness promising traction. The private Capex cycle is also expected to pick up soon, which would further support the sector. Notably, most companies are now witnessing excellent growth traction in terms of order inflows which was not the case in the past 8-10 years. These companies are now commanding significant operating leverage, which essentially implies that the profit growth will be higher than the revenue growth in the upcoming years with improvement in the Capex cycle. However, in the near term, a slowdown in global growth is likely to weigh the order book of capital goods companies. Based on these developments, **we maintain our Equal Weight stance on the sector.**

Sector Outlook (Cont'd)

Sector	Current View	Outlook
Cement	Equal Weight	In Q3FY24, cement volume for our coverage universe grew by 8%, which was better than our expectation of 6%. Moreover, realizations going up by 2% and operating costs declining by 5% YoY helped companies to report better-than-expected performance. Cement demand, while better than expected, stood lower compared to H1FY24. This was on account of 1) State elections in four major states, festivities, flooding in a few southern states, and tepid demand which impacted growth compared to H1FY24, 2) Higher government spending on infrastructure and housing supported non-trade demand, 3) Real estate demand remained robust, and the cost of construction remained under control. We expect EBITDA/tonne of companies under coverage to trend higher by 30% and stand at Rs 975/tonne vs. Rs 745/tonne in FY23. This will be driven by higher volume and realizations, and lower costs. Diesel prices, too, have been stable. We remain positive as demand drivers are intact and expect cement demand to grow at a CAGR of 8%-9% over FY23-FY26E. Despite companies adding capacities, we believe that cement demand will outpace the cement supply. Cement prices and trends in fuel prices remain key monitorable. Hence, we maintain our Equal Weight stance on the sector.
Consumer staples	Equal Weight	In Q3FY24, Most of the FMCG companies under our coverage witnessed a subdued demand environment. This was particularly observed in the mass end of the segment as rural areas continued to face pressure. Moreover, increased competitive intensity further hampered volume growth. We are hopeful for demand recovery, led by easing inflation, higher government spending, and increased urban remittances that are expected to drive rural demand in the coming quarters. However, the increasing competitive intensity from smaller and regional players, especially as raw material prices ease off, will be closely monitored. While gross margin continues its recovery path, we keep EBITDA margins in 'Wait & Watch' mode. Gross margins across Staples companies are improving as key raw material prices such as crude, palm, and packaging materials remain stable. However, as companies increase advertising spends to regain market share, a slowdown in EBITDA margin expansion may be visible in the short term. Nonetheless, it is expected to benefit in the long run. **Hence, we maintain our Equal Weight stance on the FMCG sector.**
Consumer Discretionary	Equal Weight	After eight quarters of outperformance, demand in the Consumer Discretionary space has started showing signs of moderation from Q4FY23 onwards. A few important reasons for the said slowdown in sales growth are 1) High base of the last year, 2) Slowdown in discretionary spends, and 3) Inflationary pressure. Some of the categories such as paints and retail had weaker commentary for the first time in the last few quarters. While the Premium segment has remained relatively insulated from demand slowdown, the Value/Economy segment remained impacted during the quarter. Full rural recovery will take a few more months. Companies have highlighted that rural growth is likely to pick up gradually with faster growth expected in the next 2 quarters. The focus is now shifted towards demand recovery as the slowdown in demand could limit the margin expansion from here onwards. Against this backdrop, we **continue with our Equal Weight stance on the sector** and remain watchful of the key developments in the space.
Information Technology	Equal Weight	After strong revenue growth momentum in FY22 and FY23, we believe Indian IT services may face short-term challenges on the demand front as well as on the margins front. This is on account of the economic slowdown, macroeconomic uncertainties, and weaker outlook. However, the industry's long-term outlook remains robust with the economy showing signs of recovery. We expect this recovery to begin in the second half of the year and FY24 will show strong revenue growth. We continue to believe that most IT services companies will regain momentum in H2FY24 as deal wins continue to remain resilient and supply-side challenges are gradually easing. Many companies are becoming increasingly system-oriented and will have to spend on automation to remain relevant in today's business landscape. This should lead to strong long-term demand and hence, **we maintain our Equal-weight stance on the sector**.

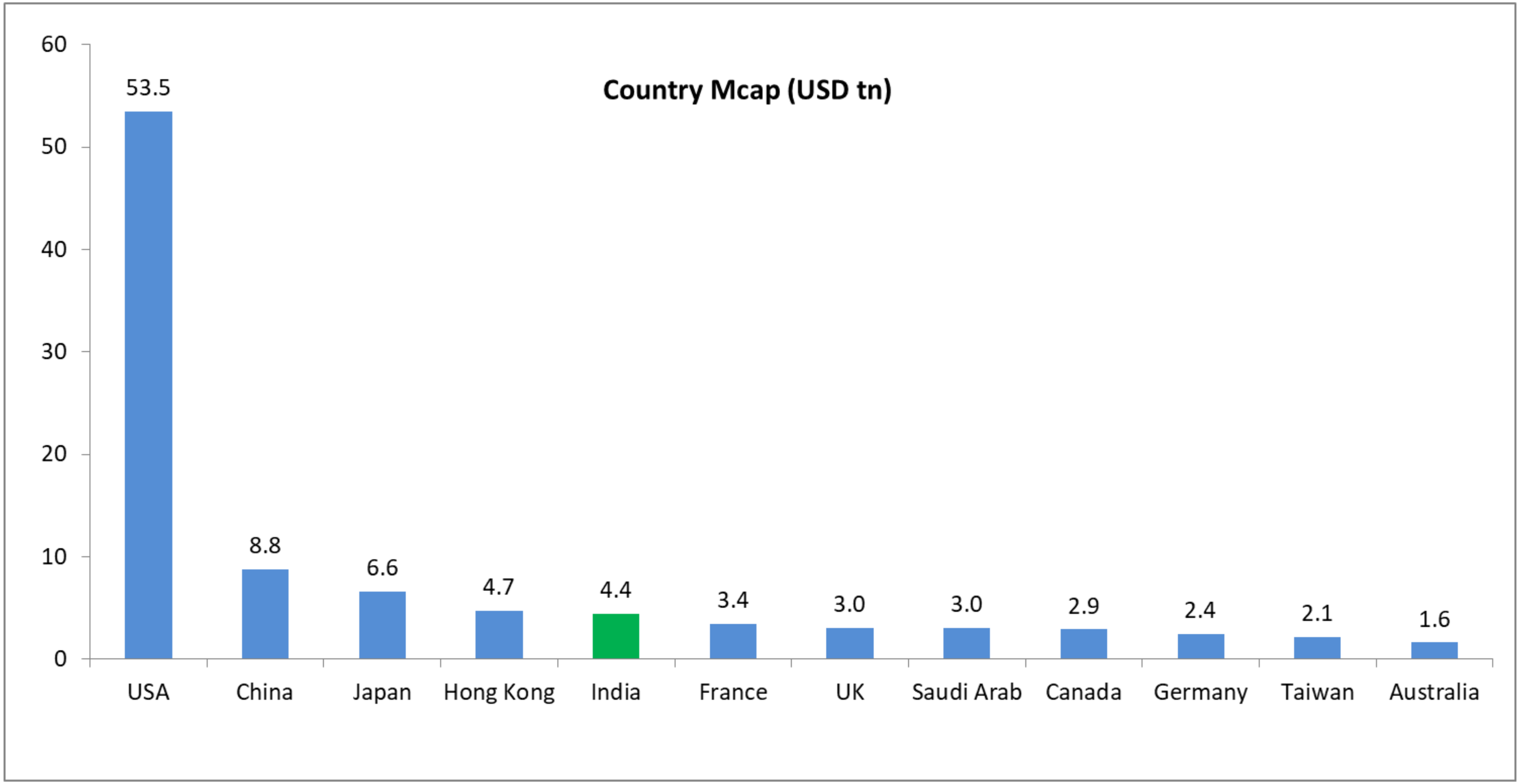
Sector Outlook (Cont'd)

Sector	Current View	Outlook
Metals &Mining	Equal Weight	Non-ferrous companies witnessed robust Margin Expansion in Q3FY24 on a QoQ basis. Ferrous reported mixed margin trends. In Q3FY24, the ex-Mumbai HRC prices rose by 2% YoY/QoQ each, averaging around Rs 57,374/t. Meanwhile, Chinese HRC prices remained range-bound, with a slight YoY increase of 1% and a QoQ decrease of 0.8%. China's Jan'24 annual CPI stood at -0.8% compared to the estimated -0.5% and the last year's -0.3%. Annual PPI declined by 2.5% YoY, against the estimate of -2.6% and last year's estimates of -2.7%. China's CPI experienced its longest phase of negative prices since Oct'09. Coking coal prices are still at an elevated level and are trading in the range of $310-$320/t. Iron ore prices have rallied to $130/t (CFR China), up 29%/12% YoY/QoQ in Q3FY24, led by restocking by China before the lunar holidays to replenish the stocks. Iron ore prices have corrected from the peak of $144/t in the 1st week of Jan'24 to the spot of $124/t. Steel spreads are likely to come under pressure or could remain flat QoQ in Q4FY24, primarily led by the surge in coking coal prices, while steel prices remain subdued. **We maintain our Equal Weight stance on the sector.**
Oil &Gas	Equal Weight	We have been noticing a high degree of uncertainty in the profitability of Oil marketing companies for the last several quarters. This has been on account of 1) Limited ability to change the retail prices of automotive fuels and 2) Significant volatility in the crude prices leading to uncertainties in the retail margins. Fundamentally, higher crude prices result in losses for the OMCs and lower crude prices translate into profits. Encouragingly, the GOI cut the excise duty in Nov'21 and May'22 to mitigate the impact of high crude prices. Given the government's top priority clearly being inflation control, it seems unlikely that auto-fuel retail prices will be raised anytime soon. We, therefore, do not see an immediate recovery in the marketing margins of the OMCs. Factoring in these developments, we continue with our Equal Weight stance on the sector and will keep a close tab on further developments in the space.
Pharmaceuticals	Equal Weight	In Q3FY24, the Pharma Coverage universe demonstrated robust revenue growth of 12.7% YoY and 2.8% QoQ, primarily driven by volume gains, stable demand, and the introduction of new products such as gRevlimid, gSpiriva, and gPrezista. Additionally, there has been a stabilization of pricing pressure in the US base business. EBITDA margin witnessed a healthy improvement of 220bps YoY and 55bps QoQ, attributed to normalizing cost inflation and stabilizing prices. US price erosion remains benign, mostly in the low to mid-single digits for most players, with benefits derived from drug shortages and supply issues. There is an increasing focus on complex molecules, with Indian companies advancing up the value chain. Margins will also improve as raw material and freight costs normalize, US price erosion eases, and a better mix is achieved. Therefore, we continue to eye on companies that are focused on launching niche products in the US market and a strong product mix (Chronic Portfolio) in the Indian market. **We maintain an Equal Weight stance on the sector.**

Sector Outlook (Cont'd)

Sector	Current View	Outlook
Real Estate	Equal Weight	The Real Estate sector is seeing record registrations in metro cities. Demand has picked up and bookings are being witnessed in most of the new launches. The sector is likely to witness more traction going forward as the RBI has already taken an interest rate pause and we are near the peak of the rate hike cycle. Keeping these developments in view, **we maintain our Equal weight stance on the sector.**
Specialty Chemicals	Equal Weight	The Specialty Chemicals sector has been one of the sunrise sectors of the country. India has been gaining global market share in this space by leveraging its capabilities and supply chain re-alignment from China to India. We believe Indian companies would gain further ground as companies reduce their dependence on China after the COVID-19 pandemic and shift their supply chains to India. However, in the near term, input costs and high freight costs will continue to pose challenges to the sector. During Q1/Q2/Q3FY24, the demand did not pick up as expected. This was mainly on account of intense competition from Chinese manufacturers. The slowdown in the Chinese domestic market prompted Chinese companies to aggressively pursue exports to regain lost market share from Covid shutdowns. Moreover, volume growth is likely to remain subdued in the near term due to inventory destocking, which was visible in the developed market. While the sector's long-term outlook remains robust, near-term volume growth challenges are likely to be visible in the near term and the broader demand scenario to normalize from FY25 onwards, given the current pace of recovery. Keeping this in view, we maintain an Equal Weight stance on the sector.
Telecom	Over Weight	The Telecom industry is highly consolidated with two strong and one weak player in the wireless space. Telecom has become the most critical sector during the current challenging times and has been playing a key role in keeping businesses up and running. The sector has also been seeing an improved pricing environment. Rising consumption of data with increasing rural penetration, and rising conversion to 4G and 5G from 2G will help to gain further realization for telecom players. **We recommend an Over Weight stance on the sector.**

India has retained its position as the fifth-largest market globally in terms of Mcap in USD Tn



Source: Bloomberg, Axis Securities

Multi-Asset Scorecard

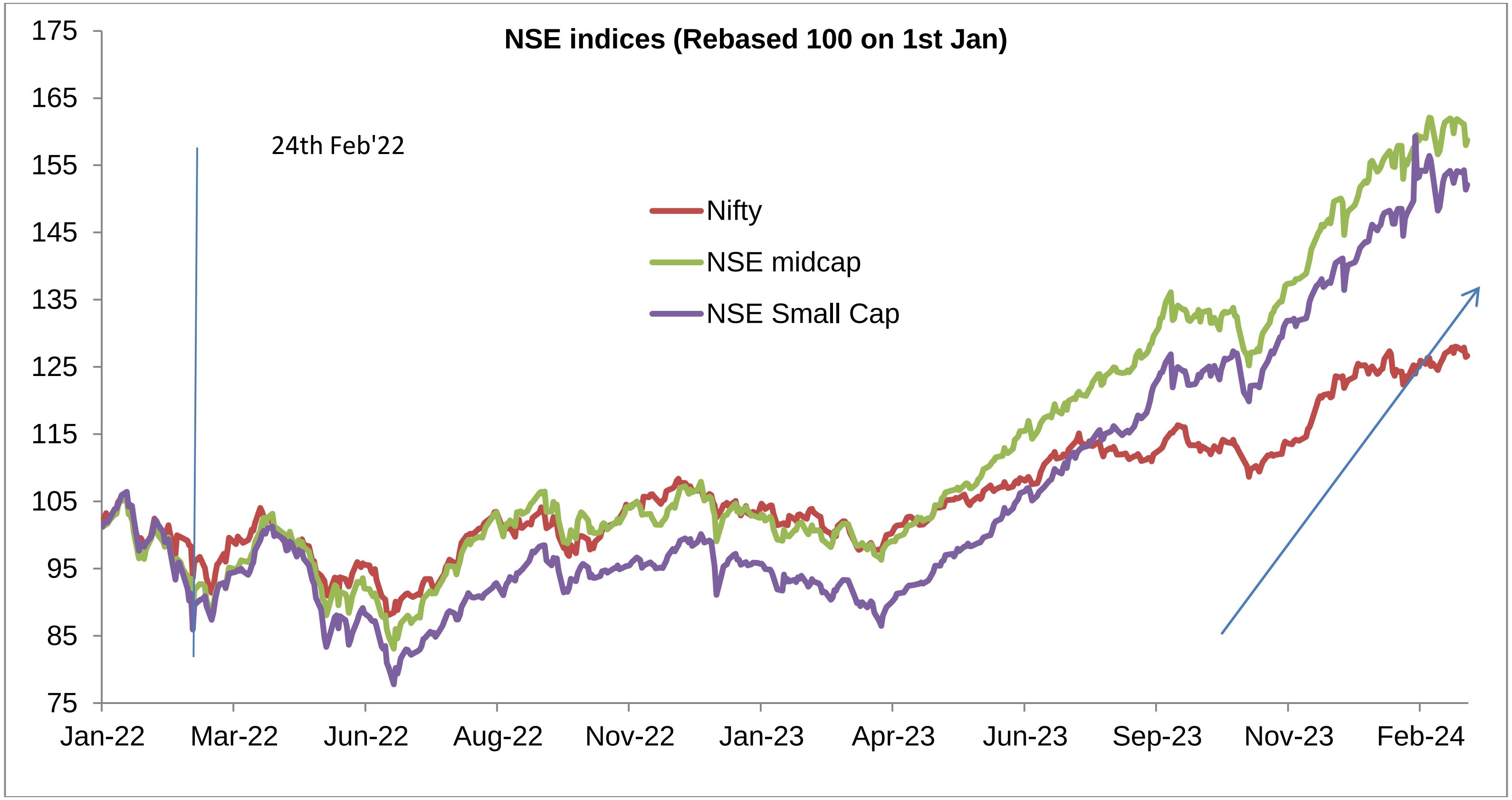
- On a YTD basis, US market has outperformed the other markets by a superior margin.
- The broader market has emerged as the best-performing asset class in 2023 and the last 1 year
- The Indian market has outperformed the Emerging markets by a significant margin
- The structural trend for the equity market continues to remain positive
- Top 3 Winners: Midcaps/Smallcaps – 7 times out of the last 13 years
- The trend for the broader market is likely to continue in 2024 and it is likely to witness margin expansion in the upcoming quarters

Rank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
1	MCX Gold: 32%	Mid Cap: 39%	S&P 500: 30%	Mid Cap: 56%	Crisil comp Bond: 9%	Crisil comp Bond: 13%	SmallCap: 57%	MCX Gold: 8%	S&P 500: 29%	MCX Gold: 28%	SmallCap: 59%	MCX Gold: 14.3%	SmallCap: 55.6%	S&P 500: 6.3%
2	Crisil comp Bond: 7%	SmallCap: 37%	Nifty 50: 7%	SmallCap: 55%	SmallCap: 7%	EM Index: 10%	Mid Cap: 47%	Crisil comp Bond: 6%	MCX Gold: 25%	Mid Cap: 22%	Mid Cap: 46%	Nifty 50: 4.3%	Midcap: 46.6%	SmallCap: 5.5%
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	Midcap: 4.6%
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%	BSE Bond index: 2.1%
5	Nifty 50: -25%	S&P 500: 13%	EM Index: -6%	S&P 500: 11%	Nifty 50: -4%	Mid Cap: 7%	S&P 500: 19%	Mid Cap: -15%	Crisil comp Bond: 11%	Nifty 50: 15%	Crisil comp Bond: 2%	SmallCap: -13.8%	MCX Gold: 14.9%	Nifty 50: 1.1%
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: 0.3%
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%	MCX Gold: -1.5%

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; Strong Recovery in the Last Three Months

- The broader market has rebounded strongly from the Mar'23 low, thanks to the improved macro sentiment.
- Midcaps are in a sweet spot of growth and have significantly outperformed Largecaps in the recent past.
- A catch-up rally has also been observed in the Smallcap Index, which has posted a robust 70% return since the low in Mar'23



Returns since 31st Mar'23

Nifty 50: 27%

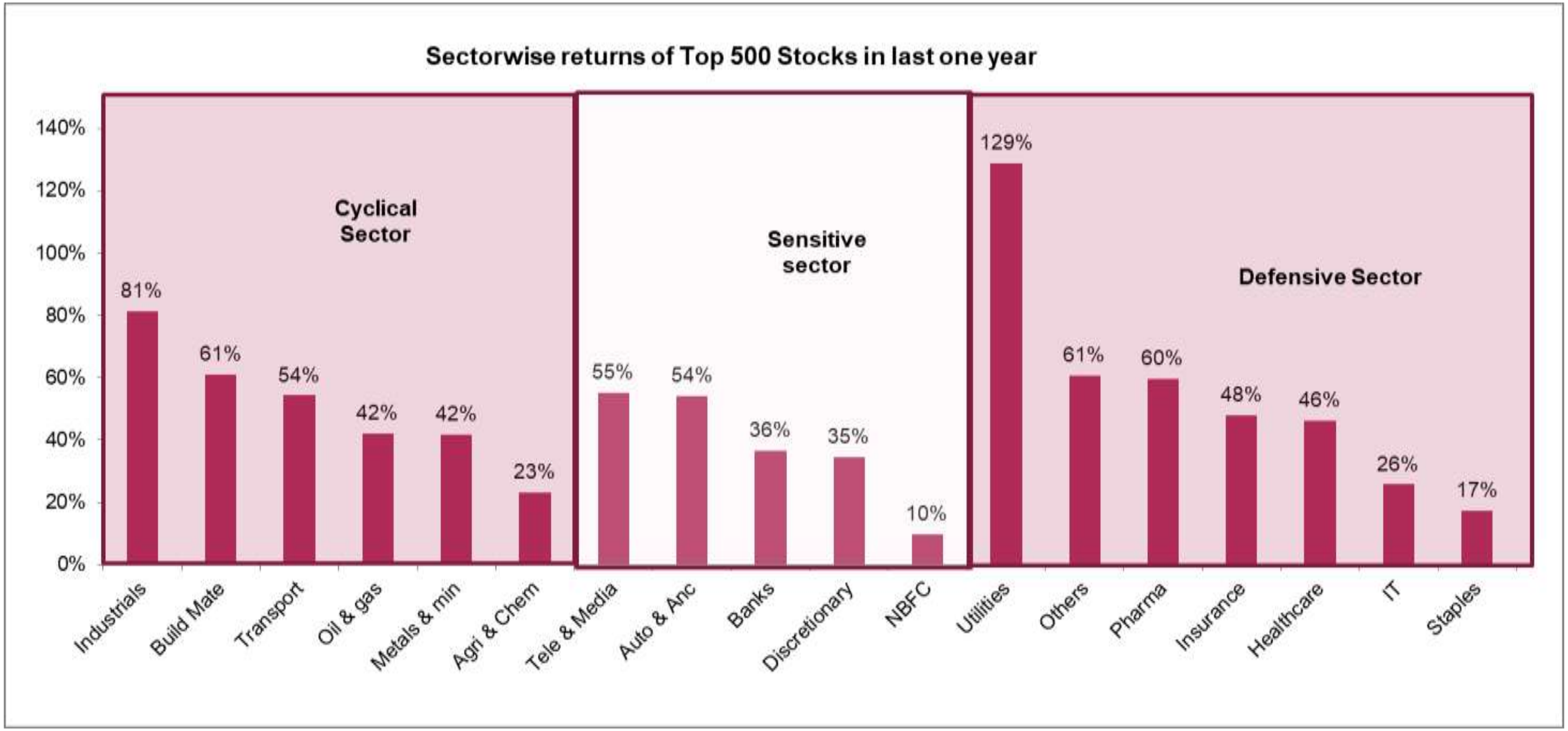
NSE Mid Cap 100: 61%

NSE Small Cap 250: 70%

Source: Bloomberg, Axis Securities

What Has Happened in the Last One Year!

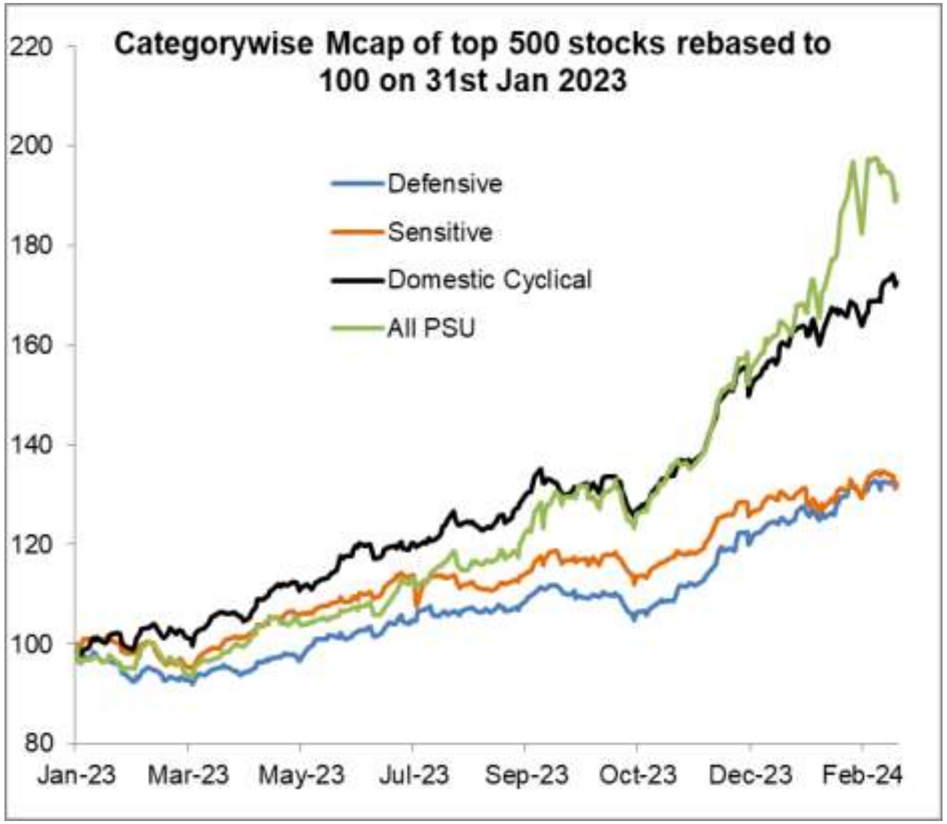
- Domestic cyclicals have outperformed the broader market
- Telecom and Auto have outperformed the other rate-sensitive play
- Utility (Due to Adani) and Pharma are the clear winners in the Defensive sector

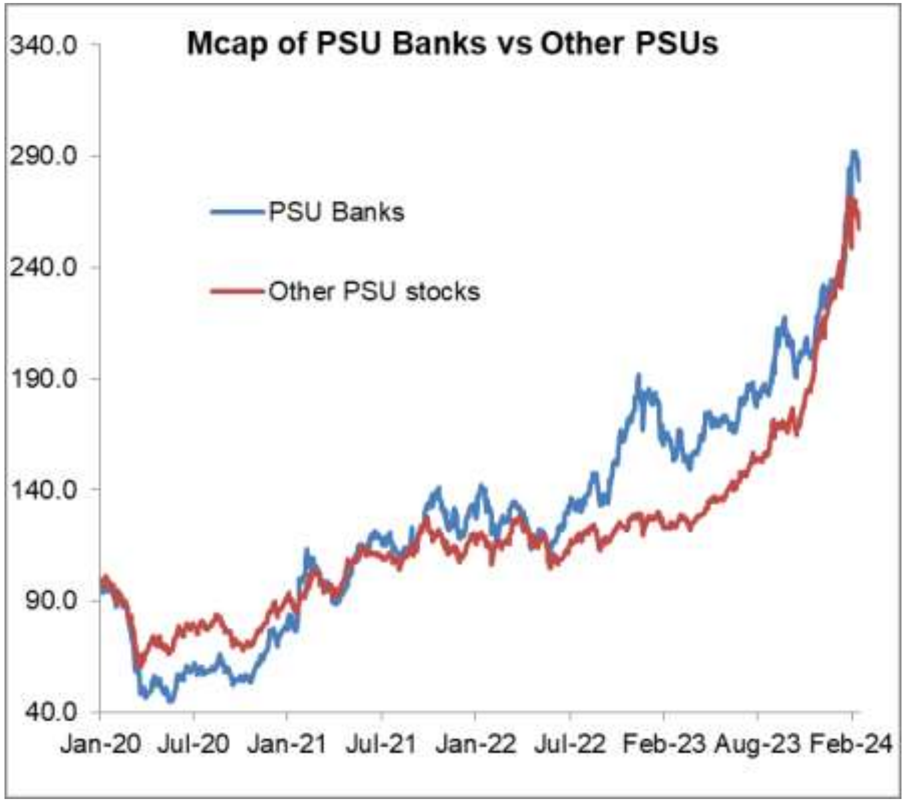


Source: Bloomberg, Axis Securities

All PSUs and Domestic Cyclicals are Holding the Performance

- Since last year's Budget, PSU stocks have outperformed other themes (Defensive, Cyclical, and Interest-rate sensitive).
- Other PSU stocks in Utilities, Defense, and Railways have outperformed the Banking PSUs by a superior margin in last three months

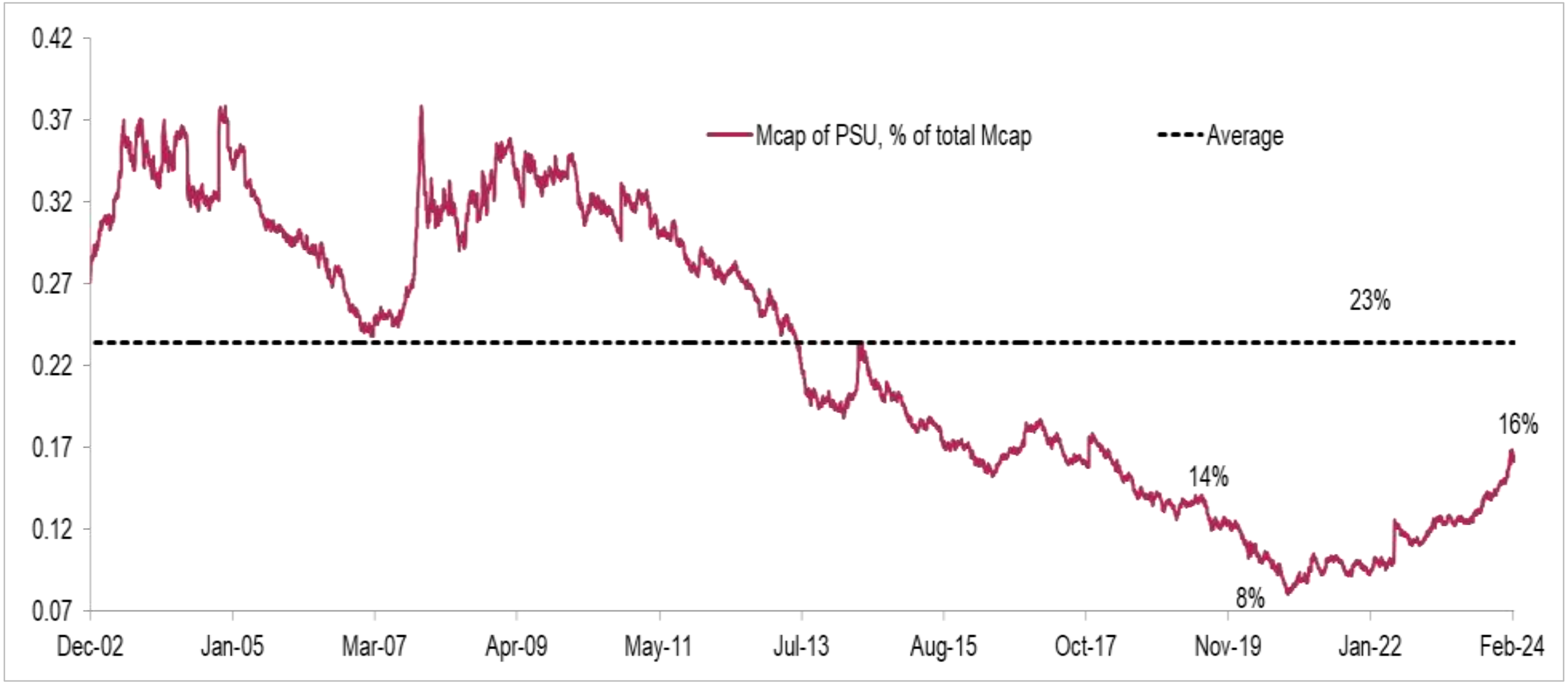




Source: Bloomberg, Axis Securities

PSU Performance May Sustain in 2024

- *PSUs Mcap as % of total Mcap has reached to 16% vs. 8% during the fall of Covid'19*
- *The historical 20-year average is 23%, implying enough growth headroom for the PSU stocks*
- ***Defence, PSU banks, OMCs, Utilities, Railway, PSUs might be the next big leaders***



Source: Bloomberg, Axis Securities

52W-High Analysis

- 92 stocks are now trading at all-time high levels vs. 57 stocks in Oct'23 end
- 303 (~60%) stocks are trading between 5%-20% below their 52W highs
- The Largecap market looks attractive at current levels
- Only 20 stocks are trading below 30% to their respective 52-week high
- Out of 55 PSUs, now 7 stocks are trading near their 52W high vs. 35 stocks last month

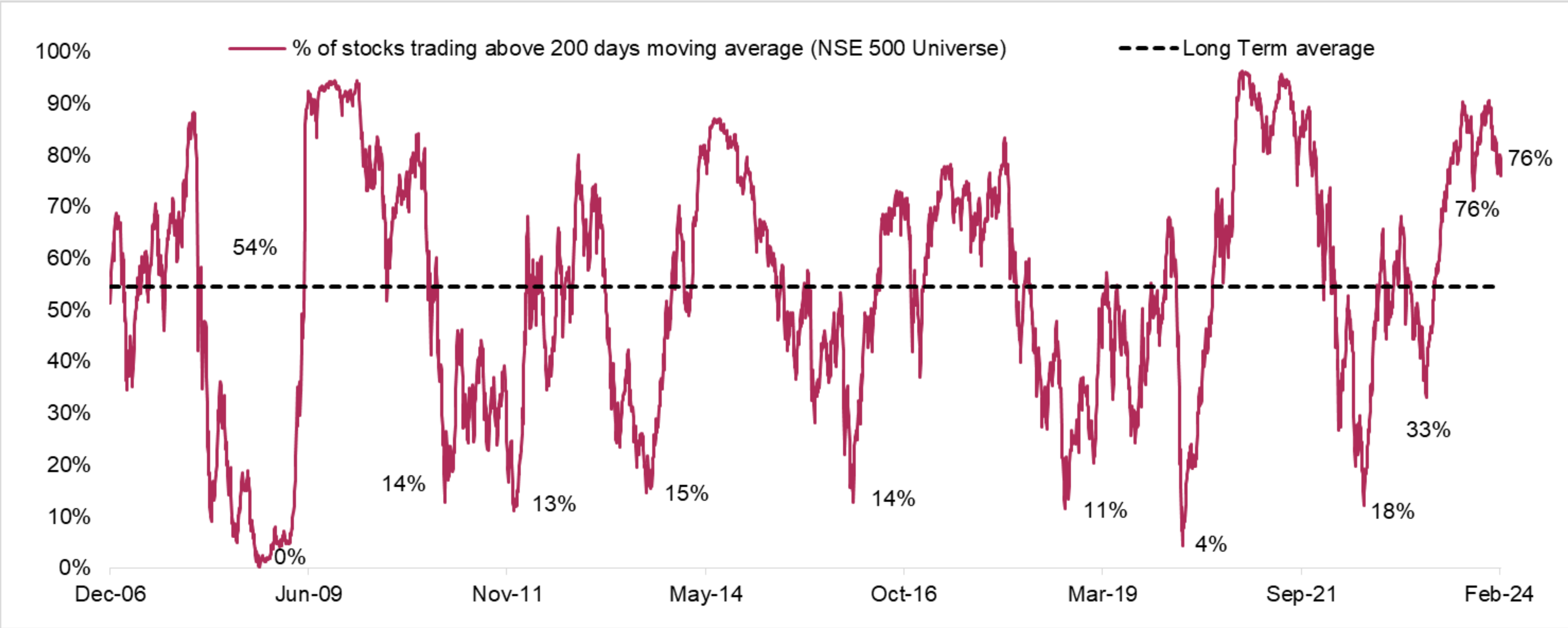
		Current level of number of stocks as compared to 52W high			
Sector	No of Stocks	Near to 52W high	5%-20% below 52W high	20%-30% below 52W high	Below 30%
Agri & Chem	42	2	25	10	4
Auto & Anc	36	10	17	8	0
Banks	28	2	20	6	0
Build Mate	34	6	23	4	1
Discretionary	54	7	25	17	5
Healthcare	43	12	30	1	0
Industrials	40	11	22	5	2
IT	36	6	25	3	2
Metals & min	16	3	12	1	0
NBFC	50	8	35	7	0
Oil & gas	14	3	10	1	0
Others	49	10	29	7	3
Staples	26	4	17	4	1
Tele & Media	12	2	4	4	2
Transport	8	4	2	2	0
Utilities	13	2	7	3	0
Total	501	92	303	83	20
Large cap	100	41	52	6	1
Mid cap	150	26	94	21	6
Small cap	250	25	155	55	13
PSUs	55	7	28	12	0

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

NSE 500 Universe (200-Day Moving Average)

After a volatile Feb'23 and Mar'23, the market recovered in the last six to seven months. This was led by improvements in macroeconomic conditions. In Mar'23, 33% of the stocks were trading above the 200-day moving average, indicating that the market was in the oversold zone. Since then, the market has witnessed a sharp recovery. Now, 76% of the stocks are trading above the 200-days moving average. This indicates that we are near the overbought zone.

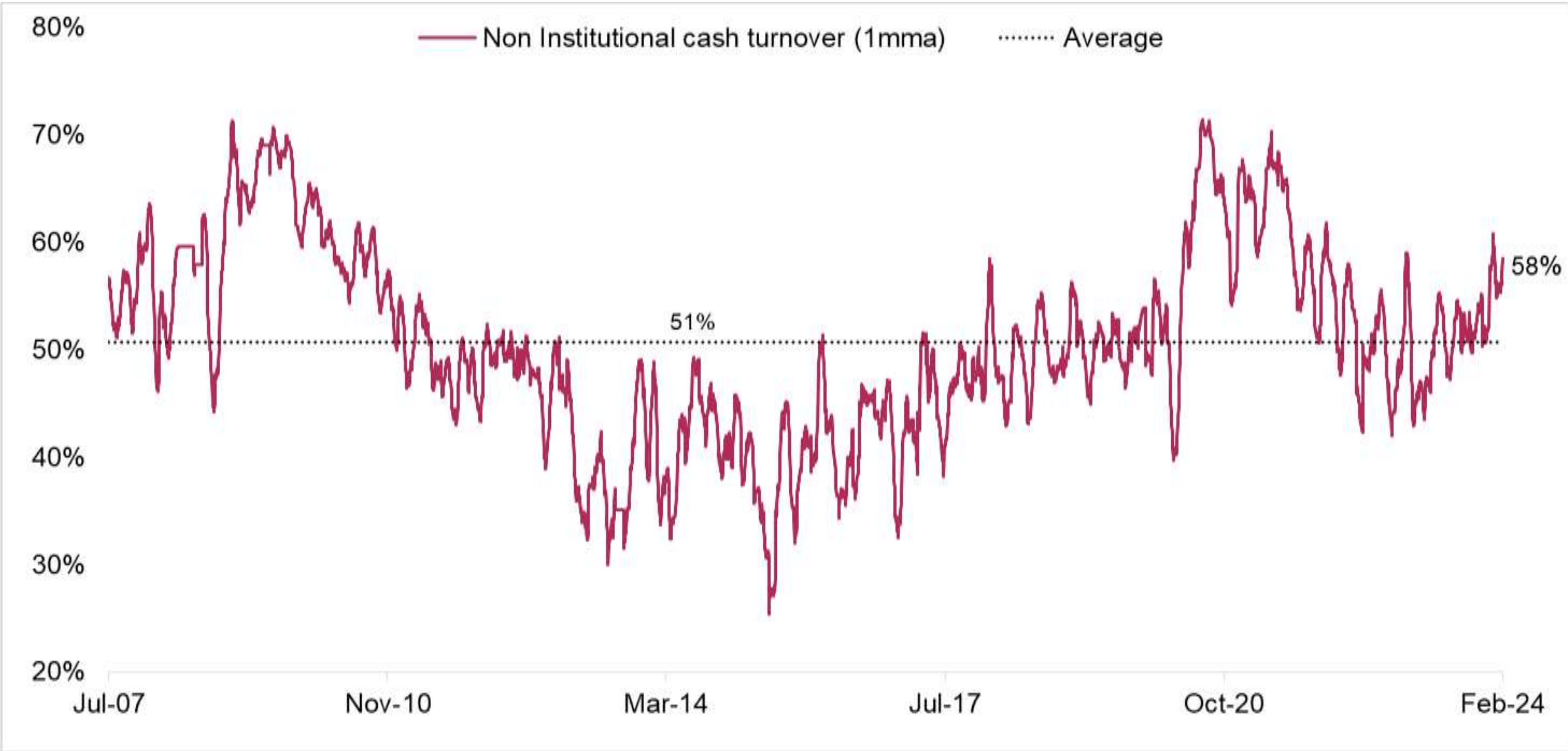
Nonetheless, in the near term, the market will continue to be driven by macroeconomic data and its performance is likely to be range-bound for at least one quarter until signs of inflation moderating become visible. Sector and Style Rotation are likely to be visible in the market moving forward.



Source: Bloomberg, Axis Securities

Non-Institutional Turnover Recovered in the Last One Month

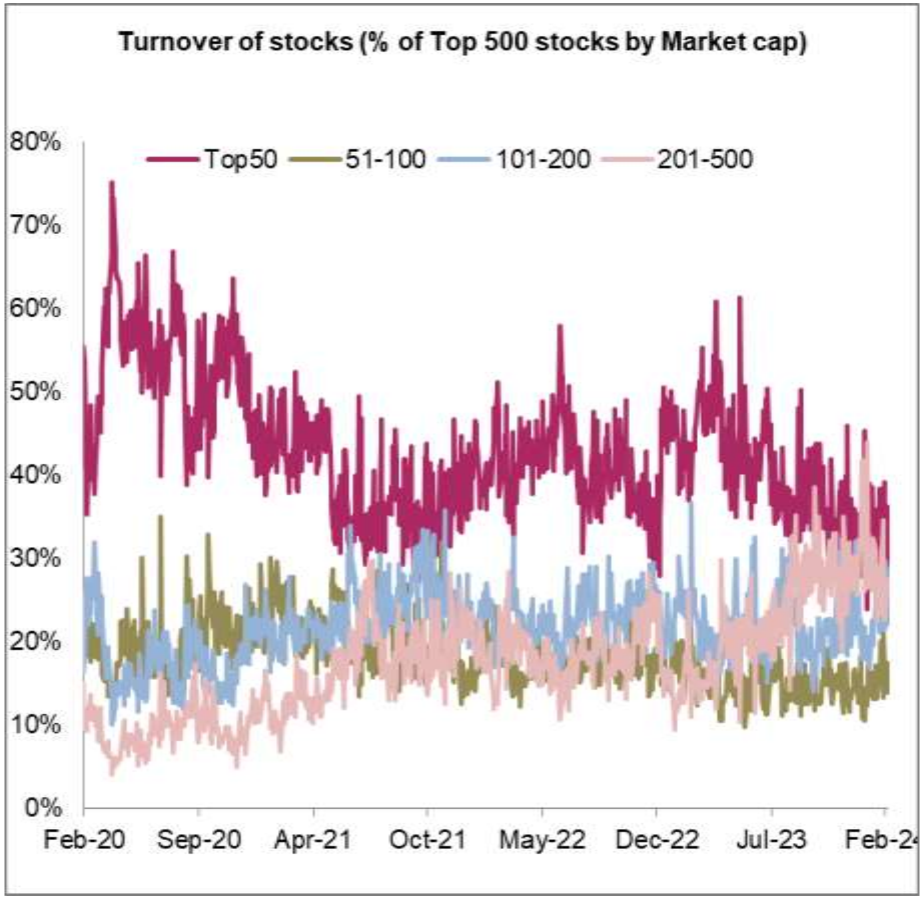
Non-Institutional (Retail) turnover is currently at 58%, which is above its long-term average of 51%. While it had fallen below the LTA in Feb/Mar'23 due to volatility in the domestic market, some recovery has been observed in the last month.
Participation by Retail investors is expected to improve further in the coming months, given equities are the only asset class that can beat the current inflationary scenario.

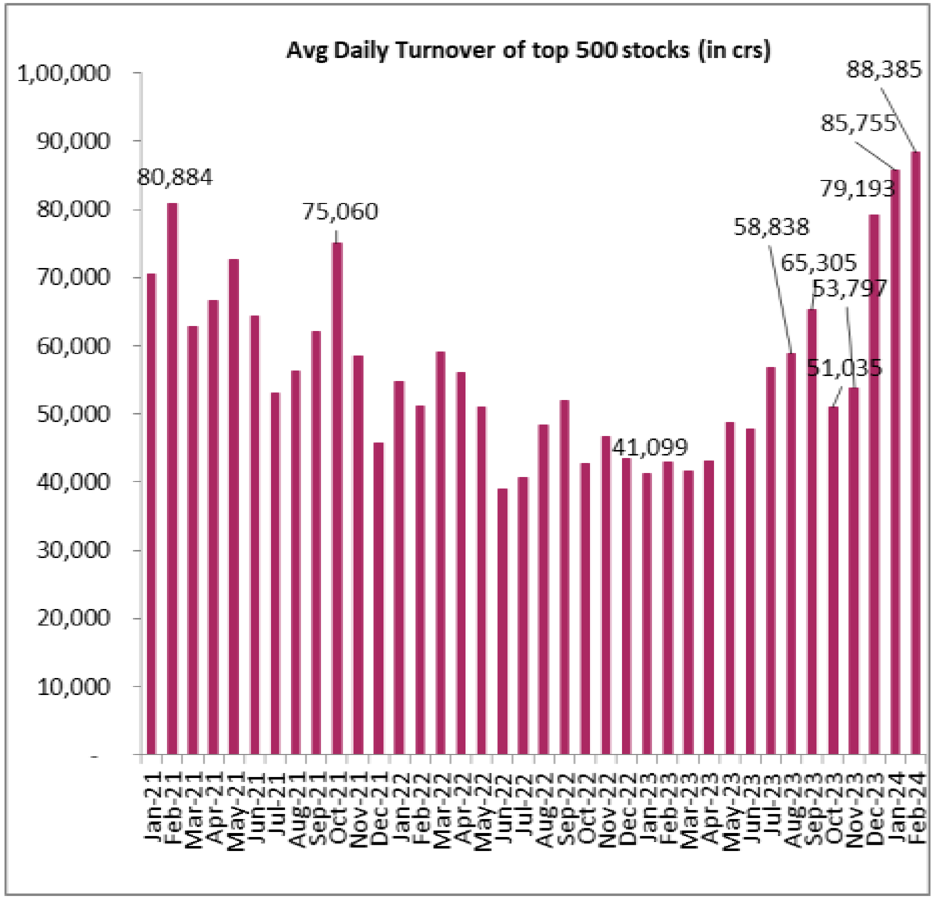


Source: Bloomberg, Axis Securities

Market Turnover (% of the Top 500 Names)

Market turnover shot up to ~88,000 Cr in Feb'24, led by improved sentiments and liquidity





Source: Bloomberg, Axis Securities

NSE200 Top Gainers & Losers (Last 1 Month)

Top Gainers	Last Price	% 1M Chg	Top Losers	Last Price	% 1M Chg
Oil India	547	40.7%	One 97	403	-46.8%
PB Fintech.	1,167	30.8%	AU Small Finance	570	-19.3%
B P C L	604	28.4%	I R F C	147	-15.2%
Cummins India	2,739	25.6%	Cholaman.Inv.&Fn	1,089	-14.1%
Bosch	28,591	24.4%	Devyani Intl.	154	-13.4%
Trent	3,882	21.4%	The Ramco Cement	835	-13.2%
St Bk of India	748	21.2%	Balkrishna Inds	2,229	-11.8%
Indian Hotels Co	587	20.5%	UPL	470	-11.4%
Havells India	1,531	18.9%	Tube Investments	3,489	-11.4%
DLF	901	18.5%	Hindalco Inds.	504	-11.1%

NSE200 Top Gainers & Losers (Last 3 Months)

Top Gainers	Last Price	% 3M Chg	Top Losers	Last Price	% 3M Chg
I R F C	147	95.0%	One 97	403	-54.3%
Oracle Fin.Serv.	7,673	90.0%	Zee Entertainmen	161	-36.7%
Oil India	547	89.7%	AU Small Finance	570	-22.5%
Adani Green	1,895	82.2%	Navin Fluo.Intl.	3,021	-18.3%
NHPC Ltd	88	63.5%	Whirlpool India	1,257	-17.3%
Adani Total Gas	1,026	58.2%	UPL	470	-15.6%
Adani Ports	1,321	55.1%	Balkrishna Inds	2,229	-14.9%
I O C L	166	54.7%	Devyani Intl.	154	-13.9%
Punjab Natl.Bank	122	53.7%	HDFC Life Insur.	582	-13.8%
Life Insurance	1,023	49.3%	Jubilant Food.	464	-13.8%

Source: Bloomberg, Axis Securities, Data till 29th Feb'24

Style Indicators

Momentum continues to be a dominating theme in the last six months

- In the last one year, Quality and Momentum themes have delivered the highest returns. However, Momentum was the dominating theme in the last 1-month, 3-month, and 6-month periods.
- Over the 2-year duration, Growth and Momentum themes have been the most dominating themes in the market.
- The theme ‘Growth at a Reasonable Price’ looks attractive on account of the robust growth expectation, the cool-off in commodity prices, lowering inflation, rural recovery, and the expectation of margin recovery in the upcoming quarters.
- The selected Value stocks from the PSU, Metals, Commodities, Utility, and Cement sectors are well-placed to deliver superior performance. Value stocks in the BFSI space have outperformed other themes for the last couple of months and their outperformance is likely to continue moving forward. Furthermore, a structural growth play offering long-term earnings visibility will continue to do well.

Source: Bloomberg, Axis Securities

Perf	Value	Growth	Quality	Momentum
2020	24.9%	10.2%	22.6%	6.6%
2021	34.1%	8.8%	22.2%	32.6%
2022	-0.9%	12.4%	-0.9%	7.1%
1m	2.6%	2.4%	3.1%	3.1%
3m	14.4%	10.9%	10.5%	20.4%
6m	22.7%	15.7%	18.4%	35.8%
1YR	33.7%	30.2%	34.5%	75.7%
2YR	41.3%	51.0%	39.9%	59.8%

India's Performance vis-à-vis Peers

Indian Market Bounced Back Sharply in the Last Three Months

On 22nd Feb'24, NIFTY made an all-time closing high of 22,217 on account of improvement in various macroeconomic indicators. These indicators are 1) Improved sentiments towards policy continuity, 2) Q3FY24 earnings season on expected lines, 3) Domestic inflows, and 4) Improvement in high-frequency indicators.

In the last three months, the broader market themes have outperformed Largecaps by a notable margin. PSU banks, Energy, Realty, Infra, Commodities, and Pharma have given the highest returns while Media, Private Banks, and FMCG closed on a weaker note.

Positive Near-term Outlook: Domestic-oriented stocks, Telecom, Auto, Domestic cyclical
Improving Outlook: Export-oriented themes, BFSI, Industrials, PSUs, Rural theme
Mixed bag: Pharma, Discretionary, and IT
Near-term challenging but well-placed for longer-time horizons: Metals, Commodity-linked stocks, and Selective Cyclicals (Cement).

	National Index					
Index Performance (%)	**1m**	**3m**	**6m**	**30th Nov'22**	**YTD**	**1 YR**
Nifty 50	1.2%	9.2%	14.2%	17.2%	1.2%	26.0%
Nifty Next 50	6.7%	22.8%	32.8%	35.0%	10.6%	56.5%
Nifty 500	1.5%	11.7%	18.7%	26.0%	3.4%	37.0%
Nifty Midcap 100	-0.5%	12.6%	23.6%	50.9%	4.7%	58.0%
Nifty SmallCap 250	-0.7%	12.9%	25.4%	55.1%	6.6%	65.6%
Sector Index (%)	**1m**	**3m**	**6m**	**30th Nov'22**	**YTD**	**1 YR**
NIFTY AUTO	6.2%	16.3%	30.3%	54.3%	9.6%	58.9%
NIFTY BANK	0.3%	3.7%	4.8%	6.7%	-4.5%	13.3%
NIFTY COMMODITIES	2.1%	18.7%	30.7%	33.8%	5.5%	49.2%
Nifty Financial Services	-0.4%	1.8%	4.1%	5.4%	-5.0%	12.7%
NIFTY ENERGY	5.7%	32.6%	51.0%	42.0%	16.0%	77.5%
NIFTY FMCG	-1.9%	1.9%	5.7%	18.6%	-5.2%	19.9%
NIFTY IT	3.0%	15.8%	21.0%	24.1%	6.2%	25.3%
NIFTY INFRA	2.9%	22.8%	36.0%	48.4%	10.7%	60.1%
NIFTY MEDIA	-4.7%	-10.7%	-10.6%	-3.1%	-14.2%	18.0%
NIFTY METAL	-0.6%	12.9%	19.0%	20.7%	-0.7%	44.6%
NIFTY PHARMA	5.9%	17.0%	25.9%	44.6%	12.9%	61.5%
NIFTY PSU BANK	10.5%	37.5%	55.1%	73.2%	21.3%	84.0%
Nifty Private Banks	-2.1%	-0.1%	0.8%	4.9%	-7.1%	11.1%
NIFTY REALTY	6.3%	27.6%	63.1%	102.3%	16.3%	128.9%
NIFTY SERV SECTOR	1.1%	8.2%	12.0%	7.7%	0.0%	19.5%

Source: Bloomberg, Axis Securities, Performance as of 29st Feb 24

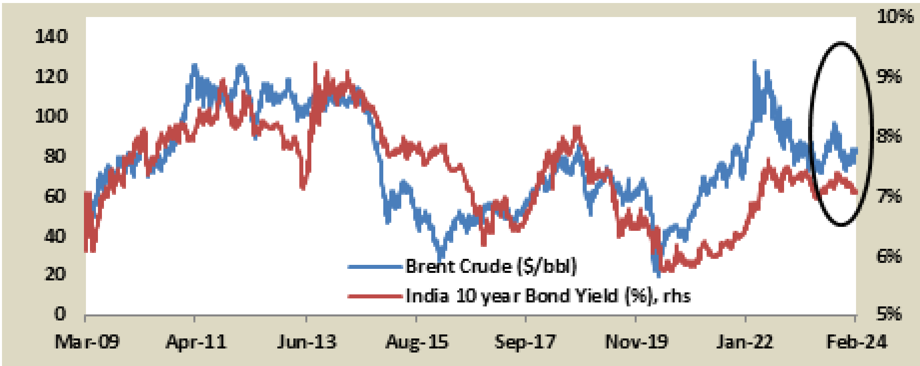
	International Index					
Index Performance (%)	**1m**	**3m**	**6m**	**30th Nov'22**	**YTD**	**1 YR**
Shanghai Comp	8.1%	-0.5%	-3.4%	-4.3%	1.4%	-9.0%
Bovespa	1.0%	1.3%	11.5%	14.7%	-3.8%	23.6%
Russia	0.2%	1.1%	6.4%	0.2%	4.0%	17.9%
south africa	-2.5%	-4.7%	-4.2%	-3.2%	-5.9%	-8.6%
Korea	5.8%	4.2%	3.4%	6.9%	-0.5%	9.5%
Mexico	-3.8%	2.1%	3.0%	6.5%	-3.7%	2.5%
Indonesia	1.5%	3.3%	5.2%	3.3%	0.6%	6.9%
Argentina	-19.5%	24.8%	55.2%	502.1%	9.1%	306.6%
Japan	7.9%	17.0%	20.1%	40.0%	17.0%	42.3%
Hongkong	6.6%	-3.1%	-10.2%	-11.2%	-3.1%	-19.9%
Philipines	4.5%	11.6%	12.5%	2.4%	7.7%	5.1%
Taiwan	6.0%	8.8%	14.0%	27.5%	5.8%	21.6%
Singapore	-0.4%	2.2%	-2.8%	-4.5%	-3.0%	-3.5%
Thailand	0.5%	-0.7%	-12.5%	-16.2%	-3.2%	-15.4%
Veitnam	7.6%	14.5%	2.3%	19.5%	10.9%	20.4%
Dow	2.2%	8.5%	12.3%	12.7%	3.5%	19.4%
Nasdaq	6.1%	13.1%	14.7%	40.3%	7.2%	41.4%
FTSE 100 INDEX	0.0%	2.4%	2.6%	0.8%	-1.3%	-3.6%
DAX INDEX	4.6%	9.0%	10.9%	22.8%	5.5%	15.5%
CAC 40 INDEX	3.5%	8.4%	8.3%	17.6%	5.1%	9.6%
S&P 500 Index	5.2%	11.6%	13.1%	24.9%	6.8%	29.0%

Cool-Off Seen in All Major Commodities

- **Precious Metals:** Gold prices went up by 5% in the last 6 months on account of a cool-off in bond yields.
- **Commodities**: Steel prices have corrected by 1% and Aluminium corrected by 5% in the last one month
- **Crude**: Brent crude is now trading above $83/bbl and has been highly volatile due to the rising geopolitical risk and ongoing supply-side concerns.

Market Indicator	29-02-2024	1m ago	3m ago	Nov-22	YTD	1 YR
Brent Crude ($/bbl)	83.6	81.7	82.8	85.4	77.0	84.3
Bond Yield (GOi 10Yr)	7.1	7.1	7.3	7.3	7.2	7.4
USD/INR	82.9	83.0	83.4	81.4	83.2	82.5
India Vix	15.6	16.0	12.7	13.8	14.5	13.0

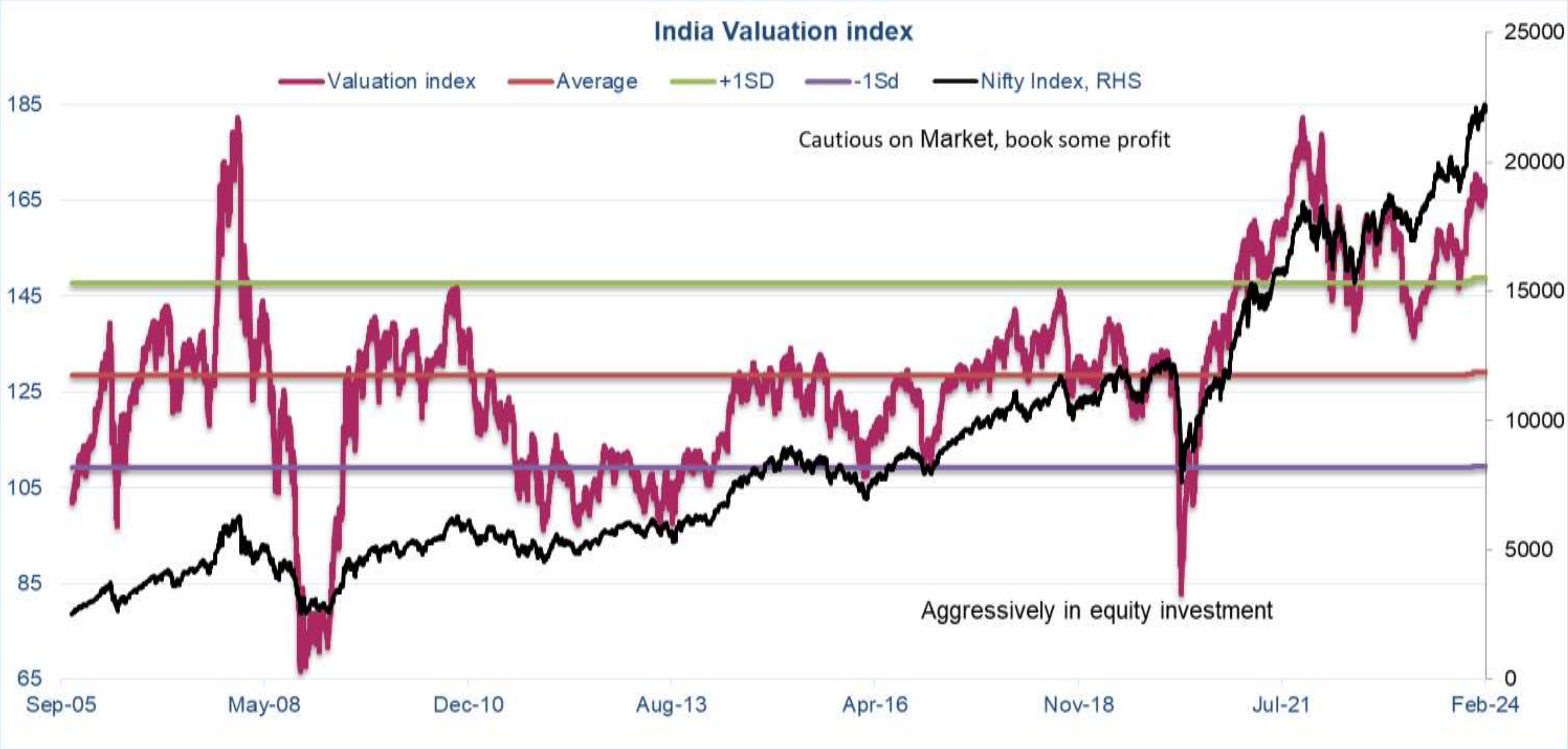
Commodity Index	1m	3m	6m	Since 01 Aug	YTD	1 YR
Gold ($/OZ)	0.2%	0.4%	5.4%	15.6%	-0.9%	11.3%
Steel ($/ton)	-0.9%	4.6%	1.8%	5.6%	0.0%	-13.1%
Aluminium ($/ton)	-3.1%	0.3%	-0.1%	-9.4%	-7.4%	-8.5%
Copper ($/ton)	-1.2%	0.2%	0.0%	2.1%	-0.7%	-7.5%
Zinc ($/ton)	-6.6%	-3.9%	-1.3%	-19.9%	-9.8%	-23.0%



Source: Bloomberg, Axis Securities, Performance as of 29st Feb 24

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

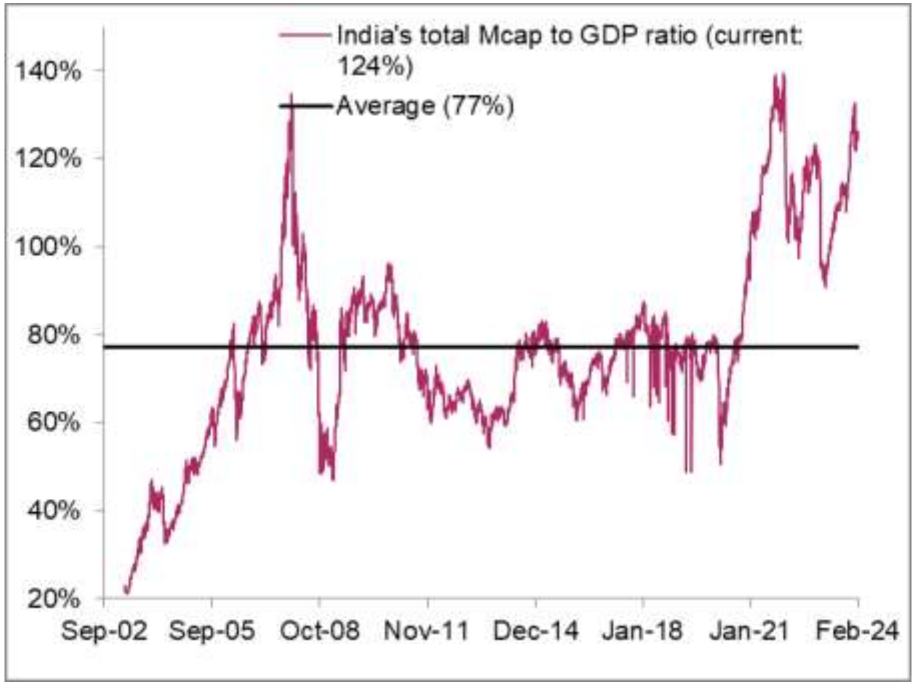
Our Market Valuation Index has retraced back to 1stdev after the recent rally. Current valuations offer limited scope for rerating. Hence, the market will follow the earnings growth going forward. At current levels, **stock selection and sector rotation are keys to achieving outperformance**. The calculation of the India Valuation Index is based on four fundamental market parameters (12m fwd PE, 12m fwd PB, Bond Equity Earnings Yield Ratio, and Mcap to GDP Ratio).

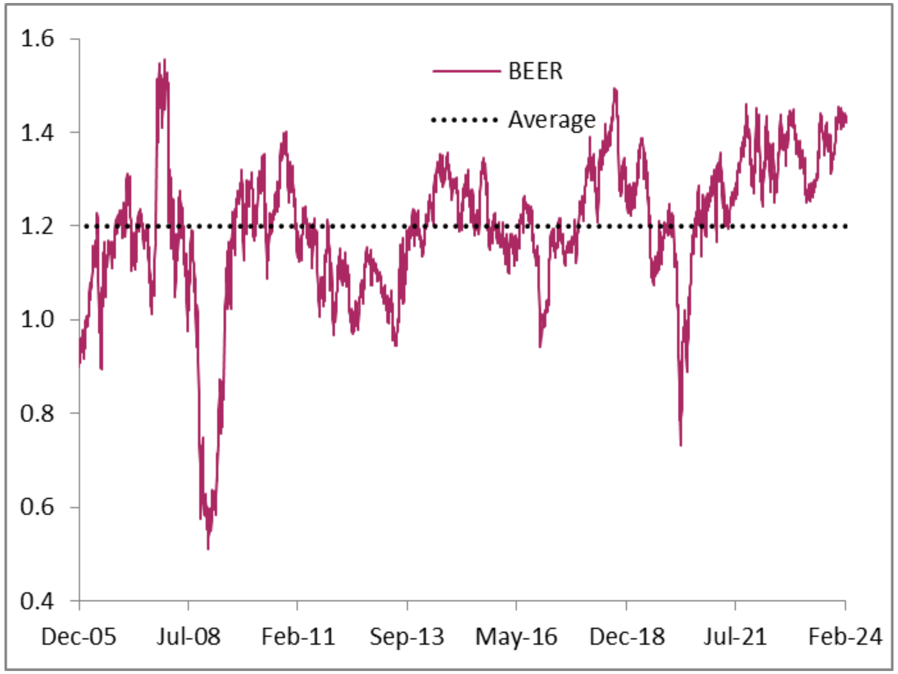


Source: Bloomberg, Axis Securities

In terms of Mcap to GDP, India is less expensive than the US market

- **BEER**: After a status quo by the US FED in the Jan'24 FOMC meeting and the Interim budget, a sharp correction of 7bps was seen in India's 10-year bond yields. BEER ratio is still trading above its LTA, suggesting that the stock market is slightly more expensive than the Bond market at current levels.
- **India's Total Market Cap to GDP** is trading at 124%, above its long-term average (rebased after FY24 GDP of Rs 297 Tn released by the government on 1st Feb'24). However, at projected levels of nominal GDP for FY25, the Mcap/GDP ratio translates into 113% (fairly valued). As per the Union Budget 2024-25, the FY25 GDP assumption is pegged at Rs 327 Tn.
- **Historical perspective:** Historically, similar upward earnings momentum was witnessed in FY10 earnings, immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we are likely to see higher levels of the Mcap to GDP ratio in the upcoming quarters.



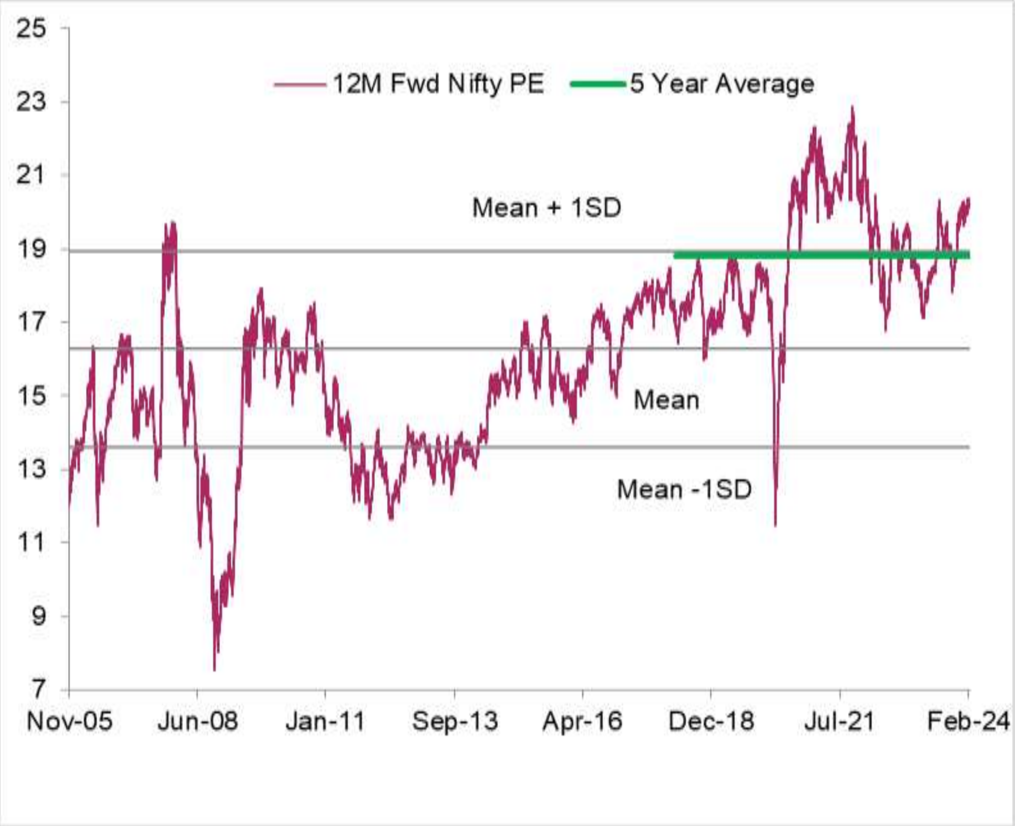


Source: Bloomberg, Axis Securities

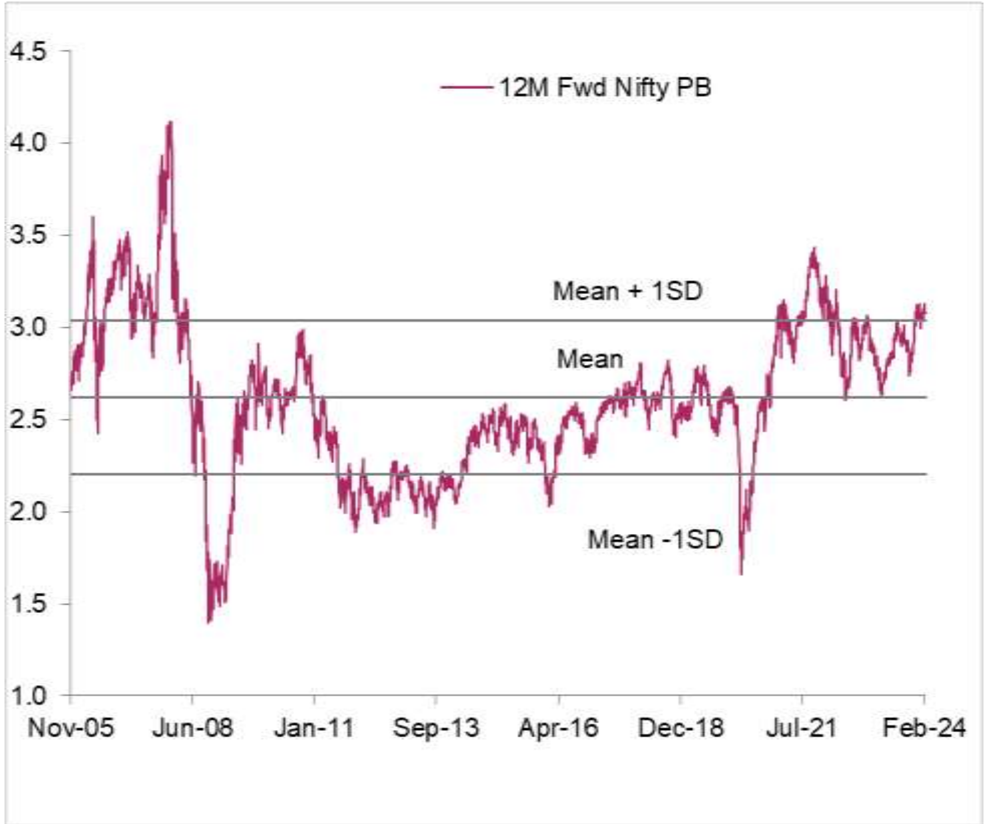
Market Valuations: 12M Fwd PE Now Trading at 20.1x

- NIFTY is currently trading at 20.1x on a 12M Fwd PE, which stands at 1.4std to its long-term average (16.2x). However, it is trading slightly above its long-term average on a 12M Fwd PB.
- Current valuations are slightly above its 5-year average (18.8x), providing a good entry point for long-term investors.
- **Style rotation and sector selection are keys** to generating alpha as earning expectations from the broader market remain intact.

Nifty 12M Fwd PE



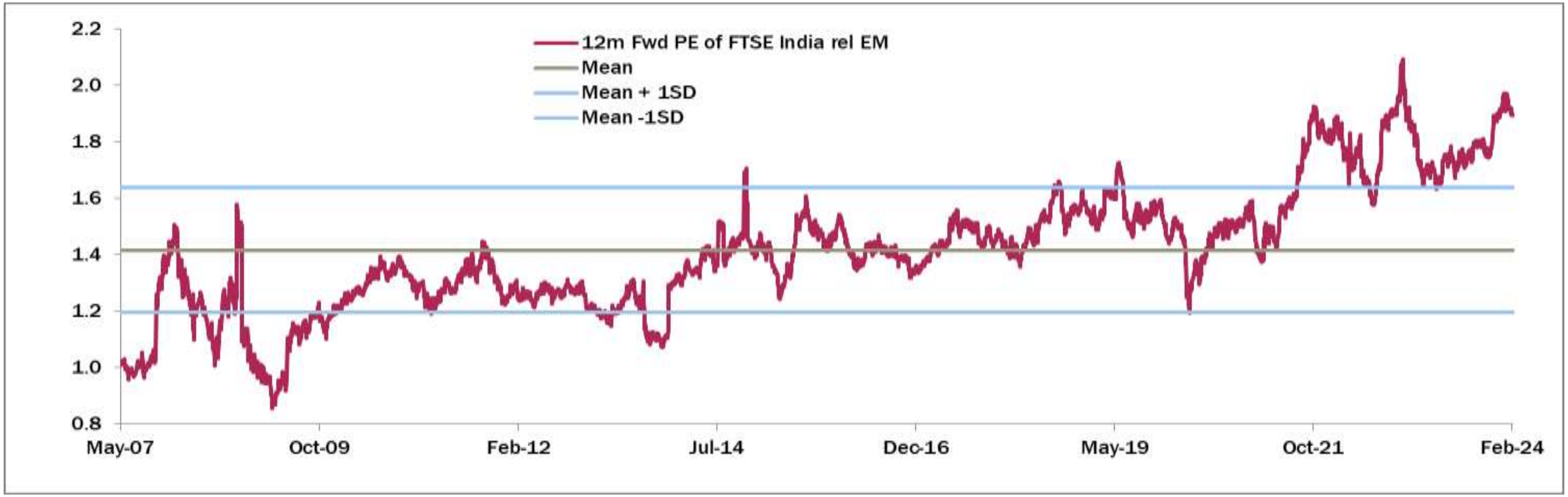
Nifty 12M Fwd PB



Source: Bloomberg, Axis Securities

Market Valuations: FTSE India rel. FTSE EM

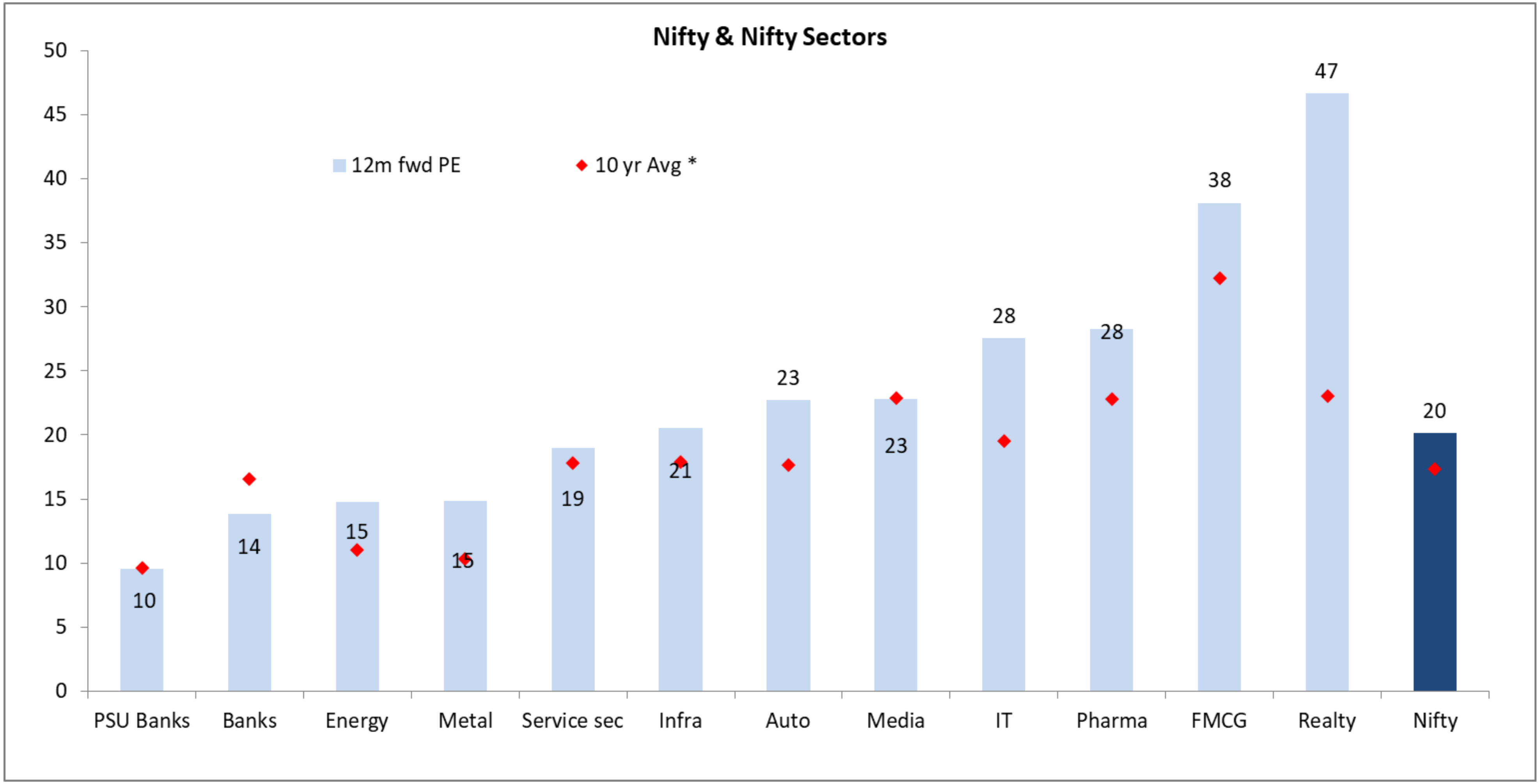
- Benchmark indices have reached all-time highs, and the FTSE India is currently trading at a PE premium of 89% to the EM index (PE), vs. an average premium of 42%. Last year, during Oct/Nov'22, the Indian market reached a previous all-time high on account of the underperformance of the Chinese equity market due to its zero-Covid policy. During this time, the Indian PE premium had risen to 110%. However, this huge divergence has narrowed over the last six months.
- Despite reaching another all-time high, the Indian market's price-to-earnings (PE) premium stands at only 89% currently. This indicates that, relative to previous periods, the market is not as expensive as it was last year. We believe these favourable valuations will continue to attract inflows going forward.
- We believe the Indian equity market will continue to trade at a higher premium to EM in the next one year due to a) Robust economic growth relative to other EM countries, b) Strong earnings outlook, c) Robust demand across sectors, d) Banking sector in better shape, e) Private Capex cycle expectations, f) Better performance of the ruling party in state elections, and g) Strengthening market confidence due to expected political continuity in the 2024 general election with the continuation of macro policies.



Source: Bloomberg, Axis Securities

Nifty and Sectors

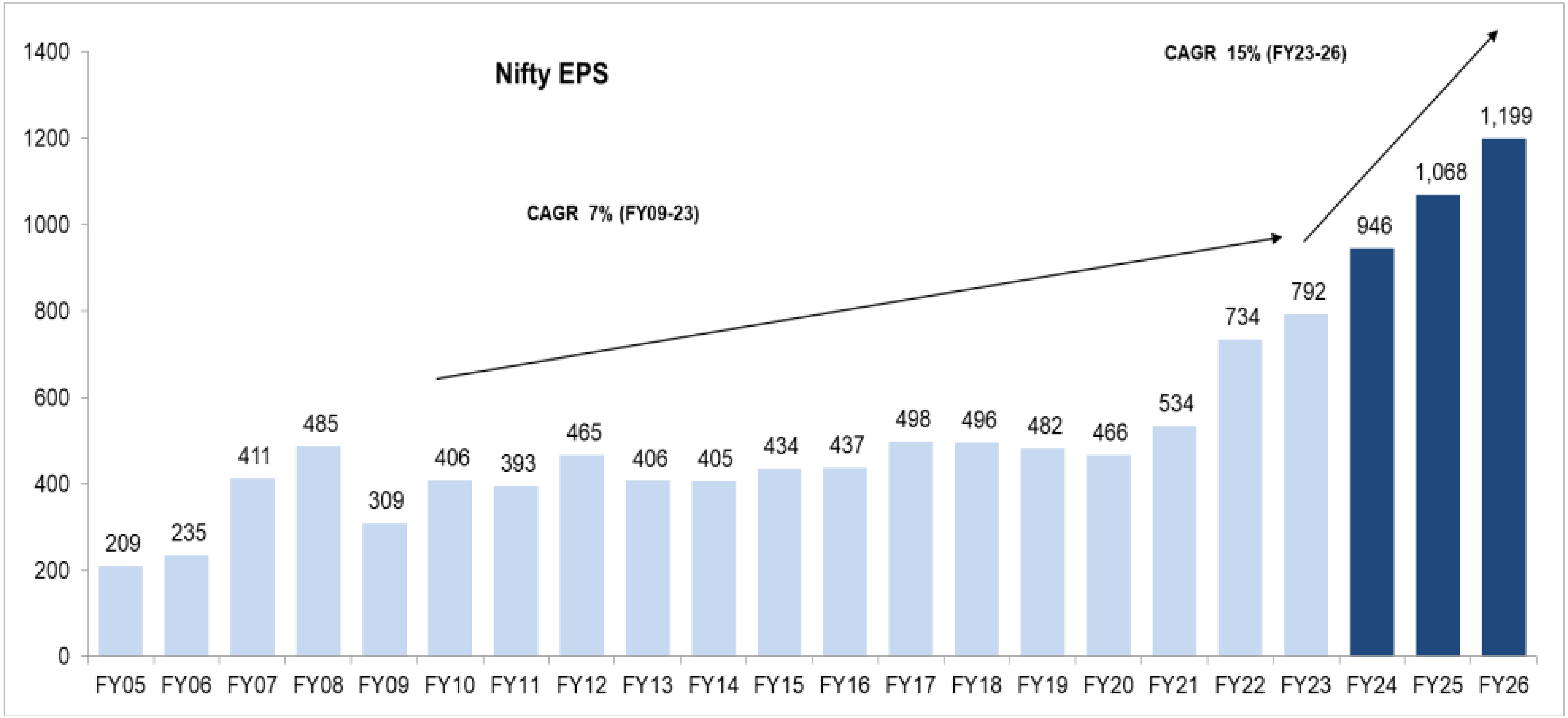
At current levels, PSU Banks, Energy, and the Metal Index are exhibiting valuation comfort. On the other hand, valuations for the IT, Pharma, and Auto sectors appear expensive. After a correction, the Banking sector looks attractive.



Source: Bloomberg, Axis Securities, Note: 10 yr average means historical 10 yr average of 12m fwd PE

NIFTY EPS Growth Expectation Remains Robust

Nifty EPS is expected to grow at 15% CAGR over FY23-FY26 vs. 7% CAGR over FY09-FY23



Source: Bloomberg, Axis Securities

Marginal Upgrade in Nifty EPS

- We foresee FY24/25 NIFTY Earnings at 9461068 after Q3FY24. FY24/25 expectations are marginally upgraded by 1.2% respectively. For FY24, upgrades in Financials, Auto, and Oil & Gas (BPCL) are compensated by downgrades in Metals, Chemicals, Pharma, and Cement
- We foresee 19%/13%/12% earnings growth in the Nifty EPS for FY24/25/26.
- Our estimates of FY24 stand conservative at 2% below street expectations. Financials remain the biggest contributors for FY24/25 earnings.

Nifty EPS	Post Q2FY24			Post Q3FY24			Chg post Q3FY24	
Sector	**FY24**	**FY25**	**FY26**	**FY24**	**FY25**	**FY26**	**FY24**	**FY25**
Financial	395	449	510	403	458	503	2.0%	2.0%
IT	103	118	132	102	117	132	-0.6%	-1.0%
Oil & Gas	129	134	145	137	137	147	6.0%	2.0%
FMCG	57	62	71	57	61	70	-0.4%	-1.8%
Power	39	39	43	39	40	45	0.4%	1.2%
Industrial	40	50	57	39	51	58	-2.0%	1.1%
Pharma	31	36	40	28	34	39	-9.8%	-5.4%
Metals	54	70	77	53	72	84	-1.9%	2.6%
Automobile	66	71	78	68	73	85	3.0%	3.3%
Cement	7	8	9	7	8	10	-4.1%	-1.9%
Telecom	12	19	25	12	19	26	-4.8%	0.1%
Total	**935**	**1056**	**1187**	**946**	**1068**	**1199**	**1.2%**	**1.2%**
				19%	**13%**	**12%**		

Source: Bloomberg, Axis Securities

The last 4 quarters' rolling profits for NSE 500 (Sum of the last 4 quarters earnings)

A few interesting findings from our study: Sector-wise

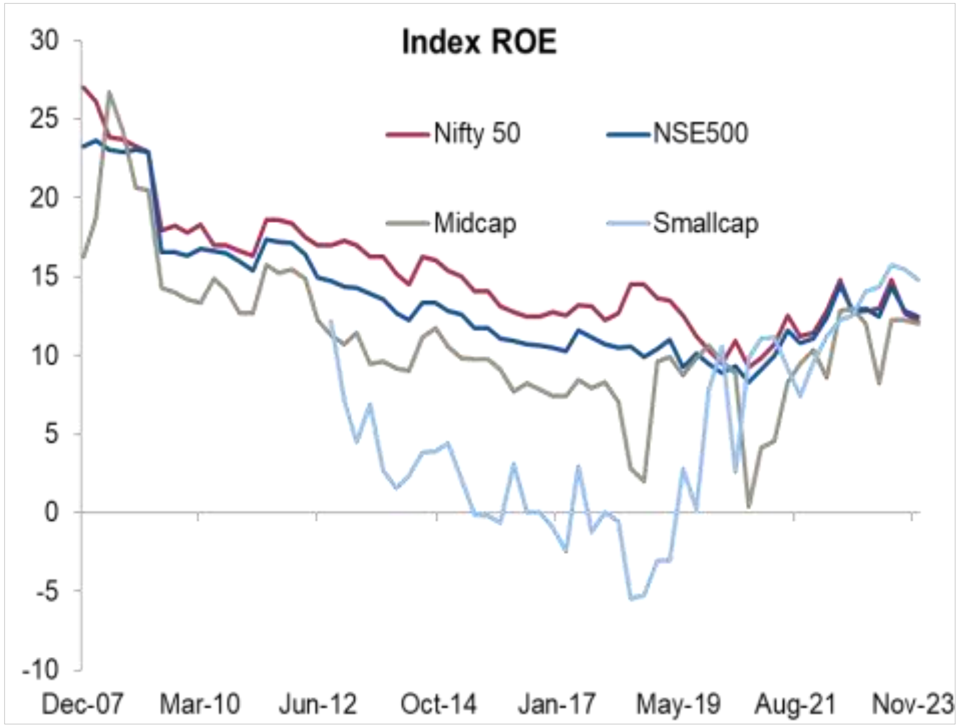
- The last 4 quarters' cumulative net profit reached an all-time high in Q3FY24, crossing the mark of 13 Lc Cr. This was led by improvement in the profitability of Oil Marketing Companies, Building materials, Auto and Financials.
- **Sequential improvement was seen in Oil & Gas, Automobiles, and Healthcare while a dip was observed in Agri and chemicals, and FMCG space**
- Significant improvement was seen in the profitability of Healthcare, up 25% QoQ
- Financials, Oil & Gas, Metals, and IT are now contributing 68% of the NSE 500 profitability.
- Loss-making sectors have turned positive post witnessing significant disruption by the pandemic.
- The Airlines sector has seen significant improvement in profitability. Overall, the Transport sector is up 15%.

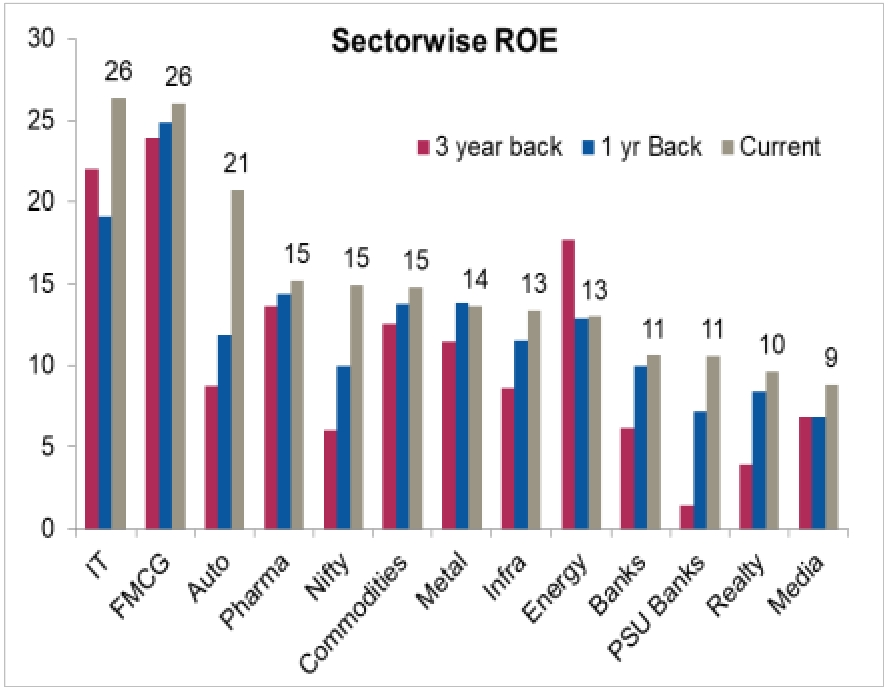
Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)									
	Q2FY20	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Growth %
Auto & Anc	36,212	40,331	42,081	45,088	43,028	49,650	57,353	63,506	16.00%
Staples	34,044	42,652	43,919	45,919	49,516	51,167	51,944	52,611	-0.90%
Discretionary	18,283	21,470	24,360	25,563	30,085	30,501	31,057	32,104	3.70%
Financials	85,507	2,69,282	2,95,407	3,25,923	3,87,050	4,22,052	4,48,298	4,57,619	2.30%
IT	81,462	1,05,164	1,06,797	1,09,167	1,14,293	1,17,849	1,18,865	1,17,800	-0.90%
Oil & gas	1,00,204	1,63,364	1,42,301	1,31,123	1,28,660	1,73,424	2,09,327	2,26,333	6.10%
Metals & min	58,266	1,47,291	1,19,152	99,487	88,438	76,782	76,168	87,213	14.20%
Industrials	31,188	33,254	34,465	36,668	37,174	37,386	40,485	42,217	4.30%
Build Mate	22,387	32,381	29,296	28,432	23,965	22,436	28,301	31,299	9.20%
Healthcare	28,133	41,786	39,280	41,744	39,045	41,068	43,207	55,281	25.50%
Utilities	27,165	52,660	54,488	55,146	59,631	63,288	73,665	77,279	5.10%
Transport	2,462	-1,624	-1,495	97	4,152	8,632	10,470	12,113	15.60%
Agri & Chem	12,424	24,919	25,999	26,702	31,842	27,988	26,267	21,664	-17.40%
Tele & Media	-19,015	13,207	13,347	11,188	12,474	13,107	12,719	15,351	20.70%
Others	12,486	25,407	17,533	17,011	16,661	18,422	15,787	17,951	13.70%
Total	**5,31,208**	**10,11,545**	**9,86,930**	**9,99,258**	**10,66,015**	**11,53,755**	**12,43,913**	**13,10,340**	
Ex Oil & Gas	**4,31,004**	**8,48,181**	**8,44,629**	**8,68,135**	**9,37,354**	**9,80,330**	**10,34,586**	**10,84,007**	
Total Growth		**5%**	**-2%**	**1%**	**2%**	**7%**	**8%**	**5%**	
Growth ex Oil & Gas		**7%**	**0%**	**3%**	**8%**	**5%**	**6%**	**5%**	

Source: Bloomberg, Axis Securities, Note: Tata Motors and Vodafone are not included in the study, Data of Q4FY23 , Q1FY24 and Q2FY24 are based on new constituents,

Return Ratios Improving

- ROE is improving across the market caps. Smaller stocks, too, have been showcasing a significant improvement.
- 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 in the last 3 years.
- Profitability of Auto, Commodities, Pharma, and Infra sectors has improved in the past couple of years, led by the positive outlook

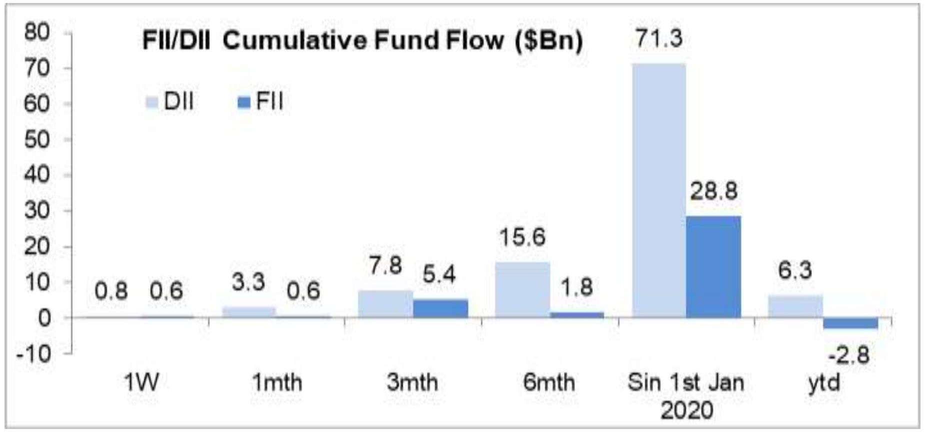


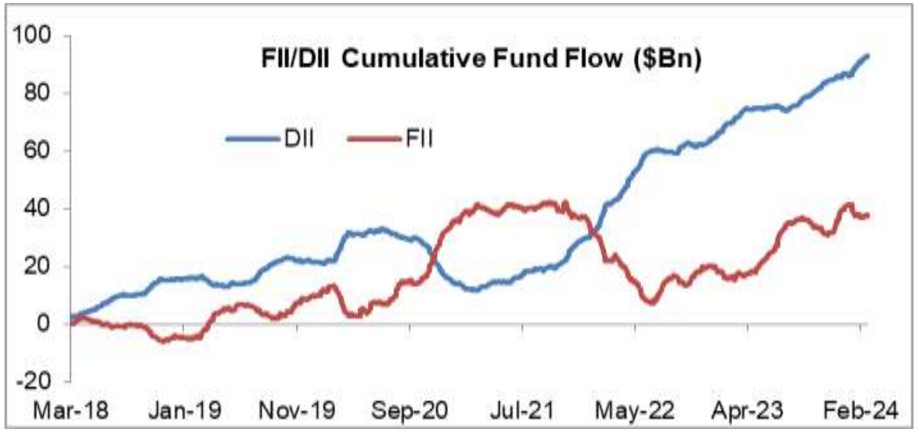


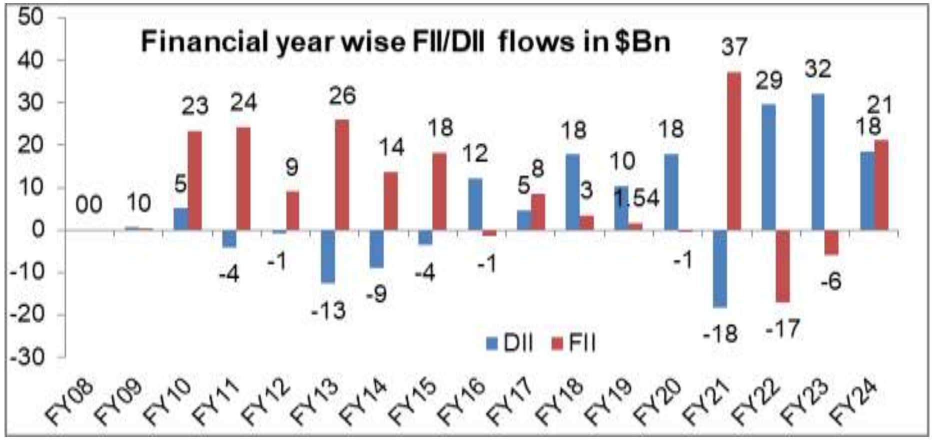
Source: Bloomberg, Axis Securities

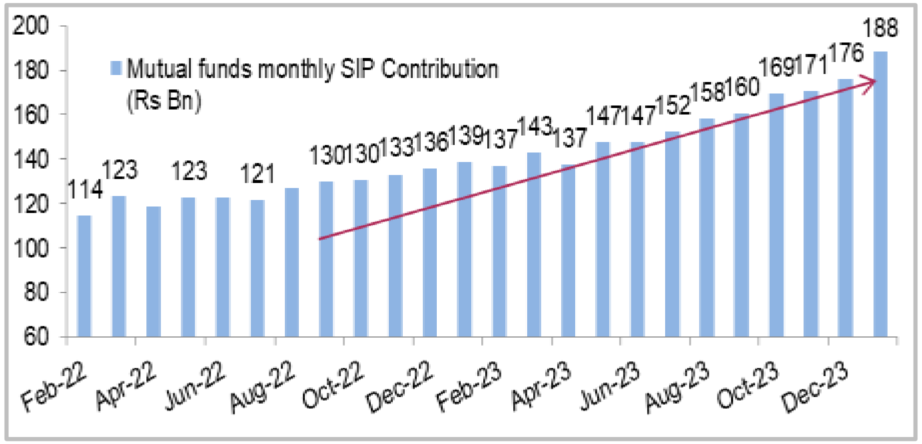
FIIs Turned Net Seller on a YTD basis

Investors, both domestic and foreign, have actively demonstrated confidence in India's long-term growth narrative. In FY24 so far, DIIs and FIIs have invested $18 Bn and $21 Bn respectively in the Indian equity market. After being net sellers in FY22 and FY23, FIIs regained confidence in FY24 and the sentiment was further reinforced by the BJP's big-bang performance in assembly elections across three out of four key states. However, in the last two months, FIIs pulled out $ 2.8 Bn from the Indian market while DIIs invested $ 6.3 Bn over the same period. SIP flow for Jan’24 has crossed Rs 18,000 Cr for the first time.





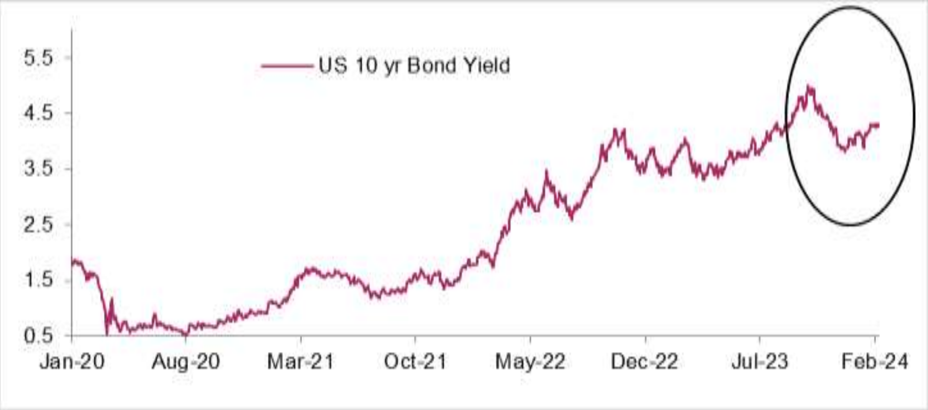


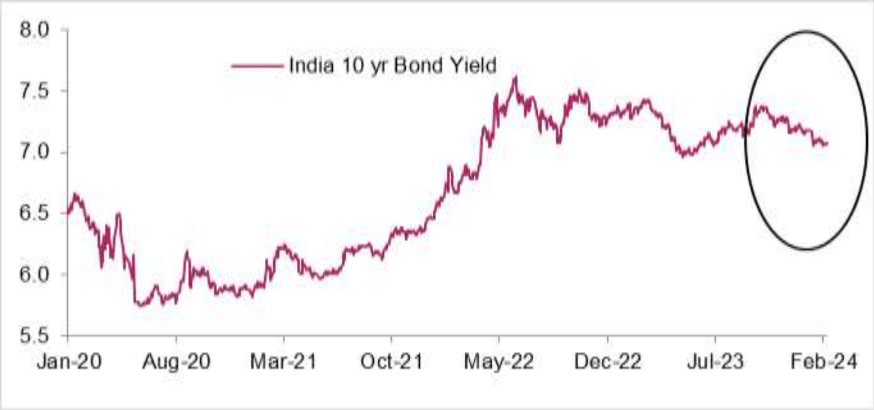


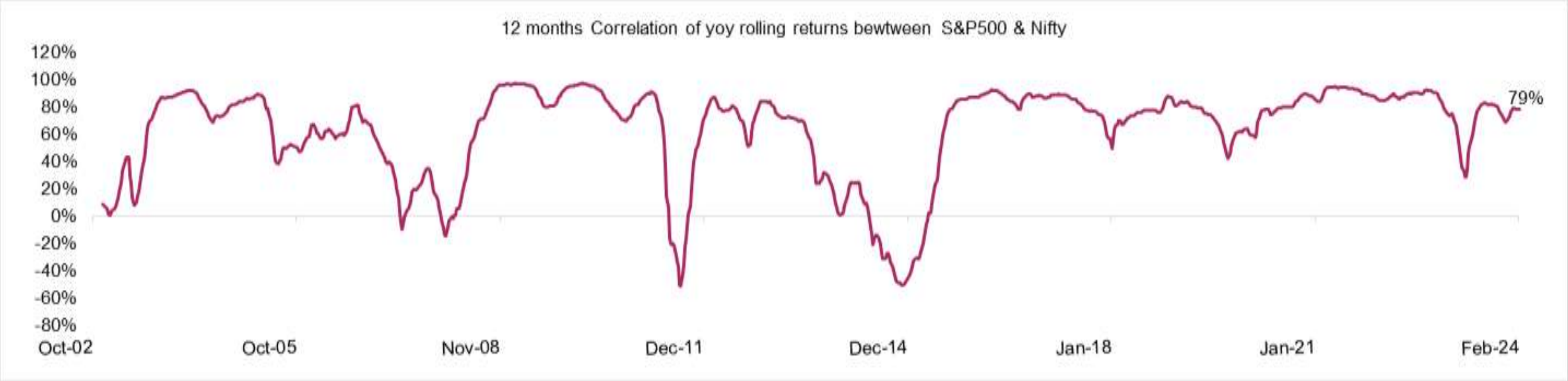
Source: Bloomberg, Axis Securities

Macro will continue to drive near-term market fundamentals

- The US bond yields went up to 4.99% in Oct'23. However, a sharp correction was seen in the last two to three months after the status quo maintained by the FOMC in the Nov'23 meeting. Currently, US bond yields are trading at ~4.3% levels. The market will continue to watch the direction of the bond yields.
- Indian bond yields were largely flat in the last one month and went down by 7bps after the Interim budget.
- The correlation between the Indian market and the US market remains high at 79%.







Source: Bloomberg, Axis Securities

Q3FY24 Earnings: Mixed Trend, Largely In Line With the Expectations

1. 72% of the companies were either in line or beat earnings expectations; 74% of companies were either in line or beat on the revenue front.
2. Earnings from the IT sector were largely in line with expectations with some positive commentaries from the mid-tier IT names. Further recovery is expected in the upcoming quarters.
3. Banking majors such as HDFC and Kotak were disappointed with their growth performance. Deposit growth is expected to determine the pace of credit growth in the near term due to pressure on the credit-to-deposit ratio.
4. Consumption is also disappointing on the growth front and a recovery is expected with rural revival.
5. Automobile posted a good set of numbers, and market positioning has slightly shifting towards the 2W space.
6. The Pharma companies demonstrated robust double digit revenue growth on a YoY basis, led by volume gains, stable demand, and the introduction of new products.

Q3FY24 Performance so far

Beat results: Bajaj Auto, HCL tech, JSW steel, Grasim, Tata Motor

Missed results: UPL, Insurance companies, HUL, Tech Mahindra, Tata Steel

Nifty Q3FY24	Earnings			EBITDA			Revenue		
Results Out	BEAT	INLINE	MISS	BEAT	INLINE	MISS	BEAT	INLINE	MISS
50	18	18	14	16	18	14	6	31	13

FY24 EPS

Key Upgrade: BPCL (+25%), Coal India (11.2%), Tata Motor (7%), Cipla (5%), Bajaj Auto (4%)

Key Downgrade: UPL, Tata Steel (-32%), Tech Mahindra (-15%), Divis (-9%)

ICICI BANK – CONSISTENT PERFORMER; PREFERRED PICK AMONGST BANKS

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

Industry view

Equal Weight

CMP
1,052

Target Price
1,250

Upside
19%

Key Rationale

- **Strong credit growth:** ICICIB reported a healthy credit growth of 19/4% YoY/QoQ in Q3FY24. Its tail book grew by 21%/5% YoY/QoQ, Business Banking grew by 32/7% YoY/QoQ, SME book grew by 28/7% YoY/QoQ, and the corporate book grew by 13/3% YoY/QoQ. The management expects growth to be largely led by mortgages, auto, and corporate loans. With the regulator increasing risk weights, the bank will focus on pursuing growth with a disciplined approach in the unsecured portfolio. ICICIB has trimmed growth in the part of the personal loan portfolio, wherein delinquencies have been higher and has also increased yields by ~20-25bps. Thus, it expects growth in this portfolio to moderate slightly moving forward. Similarly, in the NBFC financing portfolio, the bank would adopt a risk-reward approach and pricing would be largely client-specific. We expect credit growth over FY24-26E to be ~16%+ CAGR.
- **NIMs to remain flat YoY in FY24:** The management has indicated that a large part of the deposits have been re-priced and the quantum of increase in CoF going into the next couple of quarters would be slower. Thus, with yields remaining stable along with a marginal increase in CoF, ICICIB is likely to exit FY24 with NIMs at 4.5%, flat vs. FY23. With the bank taking a risk-calibrated approach in the unsecured segments, margins could settle at ~4.3-4.4% over FY25-26E.
- **Well-placed to deliver 2%+ ROA over the medium term:** A slowdown in the better-yielding segments and an increase in the cost of funds would weigh on the bank's margins. However, focusing on lending to better-rated customers with a favourable risk-reward ratio would impact credit costs positively. The management expects to maintain credit costs at 50bps of loans and 10bps of PPOP for the coming few quarters. ICICIB does not plan to aggressively add branches and employees and hence Opex growth would be largely in line with business growth. Thus, we expect Opex ratios to remain stable at 40-41% over the medium term. Collectively, these factors should enable ICICIB to deliver an ROA of 2.2-2.3% over FY24-26E.
- **Outlook & Valuation:** The bank has been consistently outperforming its peers and has been firing on all cylinders. We continue to like ICICIB for its (1) Strong retail-focused liability franchise, (2) Buoyant growth prospects, (3) Stable asset quality along with healthy provision cover, (4) Adequate capitalization, and (5) Potential to deliver robust return ratios. We maintain our BUY rating on the stock with a target price of Rs 1,250/share (SOTP basis core book at 2.75x Sep'25E and Rs 163 Subsidiary value). ICICI Bank remains our most preferred pick amongst the banks.
- **Key risks:** a) Slowdown in credit growth momentum due to lag in deposit mobilisation

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 (%)
FY23	621	491	319	45.7	270.0	3.9	2.1	0.5
FY24E	741	582	407	58.0	315.6	3.3	2.3	0.4
FY25E	826	656	443	63.2	365.7	2.9	2.2	0.4
FY26E	946	752	501	71.4	425.5	2.5	2.1	0.4

Source: Company, Axis Securities

Income Statement (Rs Bn)

Y/E March	FY23	FY24E	FY25E	FY26E
Net Interest Income	**621**	**741**	**826**	**946**
Other Income	198	239	286	331
Total Income	**820**	**979**	**1,112**	**1,276**
Total Operating Exp	329	398	456	524
PPOP	**491**	**582**	**656**	**752**
Provisions & Contingencies	67	37	64	82
PBT	**424**	**544**	**592**	**670**
Provision for Tax	105	137	149	169
PAT	**319**	**407**	**443**	**501**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E March	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS				
Share Capital	14	14	14	14
Reserves	1,993	2,324	2,681	3,109
Shareholder's Funds	**2,007**	**2,338**	**2,695**	**3,123**
Total Deposits	11,808	13,767	16,049	18,653
Borrowings	13,002	15,527	18,014	20,990
Other Liabilities & Provisions	833	1,012	1,173	1,366
Total Liabilities	**15,842**	**18,877**	**21,882**	**25,479**
APPLICATION OF FUNDS				
Cash & Bank Balance	1,194	1,248	1,439	1,672
Investments	3,623	4,541	5,133	5,966
Advances	10,196	12,092	14,155	16,496
Fixed &Other Assets	828	996	1,155	1,344
Total Assets	**15,842**	**18,877**	**21,882**	**25,479**

Source: Company, Axis Research

Valuation Ratios (%)

Y/E March	FY23	FY24E	FY25E	FY26E
EPS	45.7	58.0	63.2	71.4
Earnings growth (%)	*36.0*	*27.1*	*8.8*	*13.1*
Adj. BVPS	270.0	315.6	365.7	425.5
ROAA (%)	2.1	2.3	2.2	2.1
ROAE (%)	17.2	18.7	17.6	17.2
P/ABV (x)	3.9	3.3	2.9	2.5
Dividend Yield (%)	0.8	1.1	1.2	1.0
PROFITABILITY				
Yield on Advances (%)	8.9	9.8	9.7	9.5
Cost of Funds (%)	3.9	4.9	5.2	5.1
Cost of Deposits (%)	3.7	4.7	4.9	4.8
NIM (%)	4.5	4.6	4.4	4.3
OPERATING EFFICIENCY				
Cost/Avg. Asset Ratio (%)	2.0	2.2	2.3	2.2
Cost-Income Ratio (%)	40.5	40.1	40.7	40.8

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E March	FY23	FY24E	FY25E	FY26E
Loan Growth (%)	18.7	18.6	17.1	16.5
Deposit Growth (%)	10.9	16.6	16.6	16.2
C/D Ratio (%)	86.3	87.8	88.2	88.4
Equity/Assets (%)	12.7	12.4	12.3	12.3
Equity/Advances (%)	19.7	19.3	19.0	18.9
Total Capital Adequacy Ratio	18.3	14.9	13.0	13.0
Tier I CAR	*17.6*	*14.3*	*12.5*	*12.6*
ASSET QUALITY				
Gross NPLs	300	291	320	376
Net NPLs	52	54	60	70
Gross NPLs (%)	2.9	2.4	2.3	2.3
Net NPLs (%)	0.5	0.4	0.4	0.4
Coverage Ratio (%)	82.8	81.4	81.4	81.4
Provision/Avg. Loans (%)	0.7	0.3	0.5	0.5
ROAA TREE				
Net Interest Income	4.1	4.2	4.1	4.0
Non-Interest Income	1.3	1.4	1.4	1.4
Operating Cost	2.2	2.3	2.2	2.2
Provisions	0.4	0.2	0.3	0.3
Tax	0.7	0.8	0.7	0.7
ROAA	2.1	2.3	2.2	2.1
Leverage (x)	8.1	8.0	8.1	8.1
ROAE	17.2	18.7	17.6	17.2

Source: Company, Axis Research

COAL INDIA LTD. - COAL IS HERE TO STAY

Coal India Limited (CIL) – incorporated in 1975 is the largest coal producer in the world. CIL was conferred the Maharatna status by the government of India (GOI) on Apr'11, which gave the company operational and financial autonomy. CIL operates 322 mines (as of Mar'23), of which, 138 are underground, 171 opencast, and 13 mixed. The company has total resources of 178 billion tonnes (BT) and reserves of 54 BT. (as of Apr'21, India's total coal resource estimate stood at ~352 BT)

Industry view

Over Weight

CMP
437

Target Price
510

Upside
17%

Key Rationale

- **Delivering robust production and off take:** FYTD till Jan'24, CIL coal production and offtake stood at 610MT (up 11% YoY) and 620MT (up 8% YoY). CIL has ambitous coal production and offtake targets for FY24/FY25/FY26 of 770/838/1,000MT.
- **E-auction premiums moderating but E-auction volumes to rise**: E-auction premiums will moderate to 40-50% in future (In Jan-Feb'24, it ranged between 36%-50% vs. 117% in Q3FY24) as CIL ramps up coal volumes. In order to mitigate the negative impact of lower e-auction premiums, CIL has started the linkages to the Non-regulated sector (NRS) twice a year from once a year earlier. To tap more non-power consumers, CIL is offering more frequent rounds of NRS linkages.
- **E-auction volumes to rise to 15% in Q4FY24 and in FY25.** E-auction volumes stood at 8% in Q3FY24, which was lower than the target of 15% of the total offtake. In Jan'24, the e-auction volumes increased to 13% and in Feb'24 to date, it has increased to 17% and in Q4FY24, the 15% target will be achieved. In FY25, the e-auction volume target is to the north of 15%. Higher e-auction volumes will partly offset the lower e-auction prices.
- **Demand:** Demand for coal will continue to rise, driven by the addition of 80 GW of thermal power plants by FY30. In FY24 and FY25, CIL plans to increase coal supply to the power sector by 50 MT annually. Additionally, CIL aims to substitute ~175-200 MT of imported coal to reduce reliance on imports. The company has also initiated the supply of high-grade coal.
- **Employee cost:** FY24 guidance is Rs 46,000 Cr and in FY25 it will be at a similar or even at a lower level YoY with 4% to 5% of employees retiring every year. The company will not be taking any employee cost hikes in the next two years
- **Outlook & Valuation:** We value the stock at 5.0x 1-year forward EV/EBITDA multiple on FY26E Adj. EBITDA. We arrive at our target price of Rs 510/share, implying an upside of 17% from the CMP.
- **Key risks:** The key risk to our BUY rating is the fall in international coal prices from the current level leading to a collapse in e-auction premiums. The decline in E-Auction volumes vs. our expectations could pose a downside risk to our target price and rating.

Key Financials (Standalone)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY23A	1,38,252	36,818	28,165	45.7	4.4	5.7	56.11%	24.36%
FY24E	1,44,215	40,166	31,801	51.6	8.4	5.3	50.13%	23.90%
FY25E	1,55,385	42,876	32,393	52.6	8.2	4.8	42.57%	22.90%
FY26E	1,68,622	50,304	37,472	60.8	7.1	4.1	41.60%	24.65%

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Total Income From Operations	1,38,252	1,44,215	1,55,385	1,68,622
Consumption of Raw Materials	13,557	11,908	12,736	13,819
Increase / Decrease in Stocks	(208)	720	3,400	3,400
Contractual expense	23,289	27,422	30,224	33,129
Stripping activity adjustment	3,809	3,920	4,708	5,133
Power	2,760	3,067	3,343	3,621
Repairs	1,772	1,980	2,188	2,400
Employees Cost	49,409	46,795	47,263	47,735
Other Expenses	7,046	8,237	8,649	9,081
Total Expenditure	**1,01,434**	**1,04,049**	**1,12,510**	**1,18,318**
EBITDA	**36,818**	**40,166**	**42,876**	**50,304**
Adj EBIDA (Exl Overburden)	**40,820**	**44,086**	**47,584**	**55,437**
Depreciation and Amortization	4,675	4,828	6,103	7,291
EBIT	**32,143**	**35,338**	**36,773**	**43,013**
Other Income	6,551	7,986	8,592	9,323
Share Of P/L Of Associates (Net of Tax)	(8)	352	-	-
Less: Interest & Fin Chg.	684	814	905	905
Less: Exceptional Items	-	-	-	-
Profit before tax	**38,001**	**42,863**	**44,460**	**51,431**
Provision for Tax	9,876	11,054	12,067	13,959
Minority Interest	40	(9)	-	-
Attr Reported PAT	**28,165**	**31,801**	**32,393**	**37,472**
EPS (Rs/sh)	**45.7**	**51.6**	**52.6**	**60.8**
DPS (Rs/sh)	**24.3**	**31.0**	**31.5**	**36.5**

Balance Sheet (Rs Cr)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Net Block	44,448	54,883	65,280	74,990
CWIP	15,263	16,500	17,000	17,000
Intangible assets	4,947	4,947	4,947	4,947
Investments	7,139	7,139	7,139	7,139
Inventories	8,155	8,506	9,165	9,946
Trade Receivables	13,060	13,624	14,679	15,929
Cash / Bank balance	39,922	40,071	41,108	45,174
Misc. Assets	78,272	78,272	78,272	78,272
Total assets	**2,11,207**	**2,23,943**	**2,37,591**	**2,53,398**
Equity capital	6,163	6,163	6,163	6,163
Reserves	51,082	63,459	76,416	91,404
Borrowings	4,115	4,115	4,115	4,115
Def tax Liabilities	1,331	1,331	1,331	1,331
Other Liabilities	56,176	56,167	56,167	56,167
Provisions	83,791	83,791	83,791	83,791
Trade Payables	8,549	8,918	9,609	10,427
Capital employed	**2,11,207**	**2,23,943**	**2,37,591**	**2,53,398**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Profit before tax	38,001	42,855	44,460	51,431
Depreciation	4,675	4,828	6,103	7,291
Interest Expenses	684	814	905	905
Non-operating / EO item	(533)	(352)	-	-
Change in W/C	2,609	(546)	(1,023)	(1,213)
income Tax (Paid)/Refund	(9,750)	(11,054)	(12,067)	(13,959)
Operating Cash Flow	**35,686**	**36,543**	**38,377**	**44,455**
Capital Expenditure	(14,209)	(16,500)	(17,000)	(17,000)
Free cash Flow	**21,477**	**20,043**	**21,377**	**27,455**
Other Investments	(9,214)	-	-	-
Investing Cash Flow	**(23,423)**	**(16,500)**	**(17,000)**	**(17,000)**
Proceeds / (Repayment) of Borrowings	805	-	-	-
Finance cost paid	(138)	(814)	(905)	(905)
Dividend paid	(14,328)	(19,080)	(19,436)	(22,483)
Other Financing activities	-	-	-	-
Financing Cash Flow	**(13,661)**	**(19,894)**	**(20,341)**	**(23,388)**
Change in Cash	**(1,398)**	**149**	**1,036**	**4,067**
Opening Cash	7,063	5,665	5,815	6,851
Closing Cash	**5,665**	**5,815**	**6,851**	**10,918**

Source: Company, Axis Research

Ratio Analysis (%)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Operational Ratios				
Sales growth (% YoY)	26%	4%	8%	9%
EBITDA growth (% YoY)	43%	8%	8%	17%
Op. profit growth (% YoY)	59%	10%	4%	17%
Net Profit growth (% YoY)	62%	13%	2%	16%
EBITDA Margin %	30%	31%	31%	33%
Net profit Margin %	20%	22%	21%	22%
Tax Rate %	26%	26%	27%	27%
Efficiency Ratios				
Total Asset turnover (x)	0.7	0.7	0.7	0.7
Sales/Gross block (x)	2.1	1.9	1.7	1.5
Sales/Net block(x)	3.2	2.9	2.6	2.4
Working capital/Sales (x)	(0.00)	(0.00)	0.01	0.01
Valuation Ratios				
PER (x)	4.4	8.4	8.2	7.1
P/BV (x)	2.2	3.8	3.2	2.7
EV/Adj Ebitda (x)	5.7	5.3	4.8	4.1
EV/Sales (x)	1.7	1.6	1.5	1.3
Dividend Yield (%)	12%	7%	7%	8%
Return Ratios				
ROE	56.1%	50.1%	42.6%	41.6%
ROCE	24.4%	23.9%	22.9%	24.6%
ROIC	111.0%	77.7%	58.8%	55.5%

Source: Company, Axis Research

Nestle – The All Rounder

Nestle India manufactures and markets a wide range of food and beverage products including milk and milk products, coffee, tea, noodles, chocolates, confectionery, and infant nutrition. Some of its popular brands in India include Maggi, Nescafe, KitKat, MilkyBar, and Nestle Everyday. Furthermore, it recently acquired Purina Petcare to enter into the pet care business and launched Gerber Cereals to drive the premiumisation agenda. The company operates a robust distribution network (5.1 Mn outlets) that covers both urban and rural areas of India.

Industry view

Over Weight

CMP
2596

Target Price
2880

Upside
11%

Key Rationale

- **Resilient amidst weak macro environment:** Nestle delivered resilient all-round performance in CY23, driven by strong growth across all categories, with a healthy balance of the product mix, pricing, and volume growth.
- **Rural on a recovery path:** FMCG companies have been grappling with a rural slowdown for several quarters, significantly affecting their overall volume growth. We anticipate that rural growth is poised for a rebound in the upcoming quarters due to increased spending in the lead-up to the general election, higher minimum support prices (MSP), an uptick in urban remittances, all of which are expected to bolster rural recovery. Coupled with Nestle's endeavour to expand in rural will benefit company further in delivering market leading growth.
- **Betting on RURBAN –**Rural accounts for 20% of sales and the management highlighted that its various initiatives such as HAAT activations, improving shop visibility through RURBAN smart stores, and implementation of Project Swabhimaan to empower rural women (similar to HUL's Shakiamma's) is bearing fruits in overall rural growth. Moreover, it intends to cover 120,000 villages (+2,000 population) by CY24, while the current village reach stands at 1,07,844 villages. However, its overall village coverage stands at 1,91,395 villages.
- **NPD and Premiumisation growing strong:**Nestle launched over 125 products in the last seven years which now accounts for 6% of the sales. The company has further 10 new projects under the pipeline which will be launched in the next one year. It intends to increase the share of the overall NPD to 10% of the sales.
- **Valuation & Outlook**:We remain positive on Nestle as it has consistently delivered resilient performance, led by 1) Efforts towards rural penetration and market share gains through the RURBAN strategy, 2) Constant focus on innovation (launching 125 products in the last seven years), thereby leading growth, 3) Driving premiumisation in the core categories (Maggi noodles range) and launching differentiated products, 4) Entering into new categories of the future (Purina Pet care and Gerber's for toddler nutrition), and 5) Introducing D2C platform to gauge consumer attention. We believe Nestle has all the right levers for growth in the long run.

Key Financials (Standalone)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
CY22	16,790	3,713	2,391	24.8	104.7	97.2	44.6	67.1
CY23E	19,021	4,471	3,004	31.2	83.3	98.6	48.4	55.7
CY24E	21,613	5,347	3,506	36.4	71.4	88.7	47.4	46.6
CY25E	24,248	6,093	3,968	41.2	63.1	76.0	44.3	40.7

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar, Rs Cr	CY22	CY23E	CY24E	CY25E
Net sales	**16,790**	**19,021**	**21,613**	**24,248**
Growth, %	14	13	14	12
Other operating income	107	105	116	127
Total income	16,897	19,126	21,729	24,375
Raw material expenses	(7,750)	(8,433)	(9,360)	(10,484)
Employee expenses	(1,635)	(1,849)	(2,108)	(2,382)
Other Operating expenses	(3,799)	(4,373)	(4,913)	(5,417)
EBITDA (Core)	**3,713**	**4,471**	**5,347**	**6,093**
Growth, %	4	20	20	14
Margin, %	22	24	25	25
Depreciation	(403)	(429)	(618)	(752)
EBIT	**3,310**	**4,042**	**4,730**	**5,341**
Growth, %	4	22	17	13
Margin, %	20	21	22	22
Interest paid	(155)	(119)	(119)	(119)
Other Income	101	121	127	140
Non-recurring Items	-	(6)	-	-
Pre-tax profit	**3,256**	**4,038**	**4,738**	**5,362**
Tax provided	(865)	(1,040)	(1,232)	(1,394)
Profit after tax	**2,391**	**2,999**	**3,506**	**3,968**
Wtdavg shares (Cr)	96	96	96	96

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

Balance Sheet (Rs Cr)

As at 31st Mar, Rs Cr	FY23	FY24E	FY25E	FY26E
Cash & bank	946	968	763	2,265
Marketable securities at cost	217	217	217	217
Debtors	192	208	237	266
Inventory	1,929	2,185	2,483	2,786
Loans & advances	66	66	66	66
Other current assets	196	196	196	196
Total current assets	3,546	3,842	3,962	5,797
Investments	560	560	560	560
Gross fixed assets	5,293	6,593	8,793	9,793
Less: Depreciation	(2,249)	(2,678)	(3,296)	(4,048)
Add: Capital WIP	358	358	358	358
Net fixed assets	3,402	4,273	5,855	6,103
Non-current assets	1,445	1,445	1,445	1,445
Total assets	**8,979**	**10,145**	**11,849**	**13,930**
Current liabilities	3,047	3,199	3,504	3,815
Provisions	3,205	3,631	4,126	4,629
Total current liabilities	6,252	6,830	7,630	8,444
Non-current liabilities	268	268	268	268
Total liabilities	6,520	7,098	7,898	8,711
Paid-up capital	96	96	96	96
Reserves & surplus	2,363	2,951	3,854	5,123
Shareholders' equity	2,459	3,048	3,951	5,219
Total equity & liabilities	**8,979**	**10,145**	**11,848**	**13,930**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar (Rs Cr)	FY23	FY24E	FY25E	FY26E
Pre-tax profit	3,256	4,038	4,738	5,362
Depreciation	403	429	618	752
Chg in working capital	(170)	305	474	482
Total tax paid	(832)	(1,040)	(1,232)	(1,394)
Other operating activities	-	-	-	-
Cash flow from operating activities	**2,656**	**3,733**	**4,598**	**5,202**
Capital expenditure	(564)	(1,300)	(2,200)	(1,000)
Chg in investments	151	-	-	-
Chg in marketable securities	(154)	-	-	-
Other investing activities	-	-	-	-
Cash flow from investing activities	**(568)**	**(1,300)**	**(2,200)**	**(1,000)**
Free cash flow	2,089	2,433	2,398	4,202
Equity raised/(repaid)	68	-	-	-
Debt raised/(repaid)	(1)	-	-	-
Dividend (incl. tax)	(21,208)	(2,410)	(2,603)	(2,699)
Other financing activities	-	-	-	-
Cash flow from financing activities	**(21,141)**	**(2,410)**	**(2,603)**	**(2,699)**
Net chg in cash	(19,052)	23	(205)	1,502
Opening cash balance	735	946	968	763
Closing cash balance	946	968	763	2,265

Source: Company, Axis Research

Ratio Analysis (%)

Y/E Mar	FY23	FY24E	FY25E	FY26E
EPS (INR)	24.8	31.2	36.4	41.2
Growth, %	(89.8)	25.7	16.7	13.2
Book NAV/share (INR)	25.5	31.6	41.0	54.1
FDEPS (INR)	24.8	31.2	36.4	41.2
CEPS (INR)	29.0	35.7	42.8	49.0
CFPS (INR)	26.5	37.5	46.4	52.5
DPS (INR)	220.0	25.0	27.0	28.0
Return ratios				
Return on assets (%)	29.6	32.6	33.0	31.7
Return on equity (%)	97.2	98.6	88.7	76.0
Return on capital employed (%)	44.6	48.4	47.4	44.3
Turnover ratios				
Asset turnover (x)	7.0	6.3	5.0	4.6
Sales/Total assets (x)	2.0	2.0	2.0	1.9
Sales/Net FA (x)	5.1	5.0	4.3	4.1
Working capital/Sales (x)	4.2	4.0	4.0	4.0
Receivable days	41.9	41.9	41.9	41.9
Inventory days	53.5	51.9	52.8	53.1
Payable days	(14.4)	(10.4)	(8.8)	(7.5)
Working capital days				
Liquidity ratios	1.2	1.2	1.1	1.5
Current ratio (x)	0.5	0.5	0.4	0.8
Quick ratio (x)	21.4	33.9	39.6	44.8
Interest cover (x)	0.0	0.0	0.0	0.0
Net debt/Equity (%)	(0.5)	(0.4)	(0.2)	(0.5)
Valuation				
PER (x)	104.7	83.3	71.4	63.1
PEG (x) - y-o-y growth	(1.2)	3.2	4.3	4.8
Price/Book (x)	101.8	82.1	63.3	47.9
EV/Net sales (x)	14.8	13.1	11.5	10.2
EV/EBITDA (x)	67.1	55.7	46.6	40.7
EV/EBIT (x)	75.3	61.6	52.7	46.4

Source: Company, Axis Research

STATE BANK OF INDIA –ROA DELIVERY OF 1% TO CONTINUE

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

Industry view

Equalweight

CMP
748

Target Price
860

Upside
15%

Key Rationale

- **Healthy growth momentum in advances to sustain:** The management remains confident to grow by 14-15% with opportunities under the Aatma Nirbhar Bharat scheme and renewable energy loans, among others. In the Agri portfolio, the bank's key focus area will be to finance players in the entire Agri value chain. To this end, the bank has launched two new products – Agri enterprise loans and Kisan Samriddhi Loans which will aim at acquiring high-value farmers.
- **Margins likely to remain stable at current levels going forward:** Margins declined by 28/7 bps YoY/QoQ as an increase in cost of deposits (+10 bps QoQ) due to deposit re-pricing at higher rates (mainly term deposits) outpaced yield on advances (up marginally by 2bps QoQ). The management highlighted that margin decline is expected to be arrested at current levels going forward as the majority of the deposits have been re-priced.
- **Asset quality improvement continues**: Asset quality continued to improve in Q3FY24. The slippage ratio reduced to 0.67% vs. 0.70% QoQ. We believe incremental stress formation would be lower and we do not expect any major asset quality challenges over the medium term. With stable asset quality, we believe, credit costs would remain under control, thereby supporting RoAs. We expect credit costs to remain under control despite gradually moving towards normalised levels and range between 30-50bps over FY24-26E.
- **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.
- **Outlook:** The management is confident of largely maintaining margins at current levels (+/-5bps), with CoF gradually stabilizing and healthy credit growth sustaining. Opex ratios are expected to remain at elevated levels, with the bank recording provision for wage revision in the near term. However, the focus remains on improving the C-I Ratio aided by improving productivity, digital sourcing, and improving core fee income. Thus, we believe the bank is well-placed to deliver a consistent ROA of 1% over FY24-26E.
- **Valuation:** Among PSU banks, SBI remains the best play on the gradual recovery of the Indian economy on account of its healthy PCR, robust capitalization, strong liability franchise, and improved asset quality outlook. We believe despite the margin pressures, SBIN remains well poised to deliver ROA/RoE of 1%/15-17% over FY24-25E, supported by stable credit costs and steady NIMs. We maintain our BUY rating on the stock with a target price of Rs 860/share (core book at 1.4x Sep'25E and subsidiaries at Rs 183/share)
- **Key risks:** a) Significant slowdown in credit growth

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY23	1,448	837	502	56.3	343.0	2.2	1.0	0.7
FY24E	1,588	851	630	62.6	394.1	1.9	1.0	0.6
FY25E	1,724	1,030	661	74.1	452.2	1.7	1.0	0.5
FY26E	1,925	1,159	717	80.3	514.6	1.5	1.0	0.5

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

Y/E MAR	FY23	FY24E	FY25E	FY26E
Net Interest Income	**1,448**	**1,588**	**1,724**	**1,925**
Other Income	366	469	506	563
Total Income	**1,815**	**2,057**	**2,229**	**2,488**
Total Operating Exp.	977	1,205	1,199	1,329
PPOP	**837**	**851**	**1,030**	**1,159**
Provisions & Contingencies	165	50	147	201
PBT	**672**	**801**	**884**	**958**
Provision for Tax	170	171	223	242
PAT	**502**	**630**	**661**	**717**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E MAR	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS				
Share capital	9	9	9	9
Reserves and surplus	3,267	3,715	4,244	4,817
Shareholders' funds	**3,276**	**3,723**	**4,252**	**4,826**
Total Deposits	44,238	49,001	54,857	61,520
Total Borrowings	49,169	55,634	62,457	70,695
Other Liabilities, provisions	2,725	3,018	3,392	3,840
Total	**55,170**	**62,376**	**70,101**	**79,361**
APPLICATION OF FUNDS				
Cash & Bank Balance	3,079	2,921	3,270	3,667
Investments	15,704	17,640	19,199	21,531
Advances	31,993	36,848	42,049	47,842
Fixed Assets & Other Assets	4,394	4,968	5,584	6,321
Total assets	**55,170**	**62,376**	**70,101**	**79,361**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY23	FY24E	FY25E	FY26E
VALUATION RATIOS				
EPS	56.3	62.6	74.1	80.3
Earnings Growth (%)	*58.6%*	*11.3%*	*18.3%*	*8.4%*
BVPS	367.1	417.2	476.5	540.8
Adj. BVPS	343.0	394.1	452.2	514.6
ROAA (%)	1.0	1.0	1.0	1.0
ROAE (%)	16.5	16.0	16.6	15.8
P/E (x)	13.3	11.9	10.1	9.3
P/ABV (x)	2.2	1.9	1.7	1.5
Dividend Yield (%)	1.5	1.7	2.0	2.1
PROFITABILITY				
NIM (%)	3.4	3.3	3.2	3.2
Cost-Income Ratio	53.9	58.6	53.8	53.4

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY23	FY24E	FY25E	FY26E
Loan Growth (%)	17.0	15.2	14.1	13.8
Deposit Growth (%)	9.2	10.8	12.0	12.1
C/D Ratio (%)	72.3	75.2	76.7	77.8
CASA	42.7	38.9	37.8	37.6
Tier 1	12.1	11.2	10.7	10.5
CAR	14.7	13.6	13.0	12.8
ASSET QUALITY				
Gross NPLs (%)	2.8	2.4	2.3	2.3
Net NPLs (%)	0.7	0.6	0.5	0.5
PCR	76.4	77.3	78.4	78.2
Credit cost	0.6	0.2	0.4	0.5

Source: Company, Axis Research

Varun Beverages – Geared For Growth

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

Industry view

Equal Weight

CMP
1,408

Target Price
1,550

Upside
10%

Key Rationale

- **Distribution-led market share gains:** VBL acquired South and West territories in CY19. However, due to COVID-19 disruption, it lost significant market share as it faced integration challenges. On the brighter side, the operations are now normalized and a new GTM strategy is in place (through this strategy, the company intends to increase the number of reach per route by ~40%). Keeping this in view, VBL seems to be well-placed to increase its lost market share. In CY23, it plans to increase the overall reach to 3.5 Mn outlets from ~3 Mn in CY22 and plans to add 40,000-50,000 visi-coolers annually going forward.
- **Energizing on Sting Energy Drink:** Sting contributed ~10% of CY22 sales, while its distribution reach stands at ~2 Mn outlets vs. the company's overall ~3 Mn outlets. The management highlighted that Sting's overall realization is higher by 65% vs. average realization which we believe will give further fillip to the overall margins going forward as it expands Sting's portfolio.
- **Other businesses**: **Dairy business –** VBL has now turned its focus on expanding its Value-Added Dairy, Sports Drinks (Gatorade) and Juice segments. Currently, it is present in certain markets but plans to expand pan-India post commencement of two new facilities in Maharashtra and Uttar Pradesh in CY24. **Morocco -** The company begins distribution of Lays, Doritos, and Cheetos on 1st Jan'23 in Morocco. VBL currently is importing the products, however, as the business stabilizes, VBL plans to manufacture these products locally in Morocco.
- **Favourable macro indicators:** India's per-capita soft drink consumption of 24 bottles stands much lower than 271 bottles in China, 1,496 bottles in the USA, and 1,489 bottles in Mexico, offering massive growth headroom. The soft drinks industry in India is expected to report healthy growth across categories on the back of better demographics, improving retail penetration across markets, better macroeconomics, and a rising trend of in-home consumption.
- **Acquires 100% stake in South Africa-based company –** The Beverage Company (BevCo): VBL has acquired a 100% stake in South Africa-based The Beverage Company along with its wholly-owned subsidiaries "BevCo" at EV valuation of Rs 1,320 Cr (~0.8x FY23 TTM sales). The company is engaged in the business of manufacturing and distribution of licensed (Pepsico) and own-branded non-alcoholic beverages in South Africa.
- **Outlook**: We believe VBL is expected to continue its strong growth momentum on account of 1) Normalcy of operation and market share gains of newly acquired territories post COVID-19 disruptions, 2) The management's continued focus on the efficient go-to-market execution in acquired and underpenetrated territories as reflected in its recently commissioned Bihar plant operations (it has started gaining market share), 3) Expansion in its distribution reach to 3.5 Mn outlets in CY23 from 3 Mn currently, 4) Focus on expanding high-margin Sting energy drink across outlets coupled with increased focus on expansion of Value Added Dairy, sports drink (Gatorade) and Juice segment and 5) Robust growth in the International geographies.

Key Financials (Consolidated)

Y/E Dec (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	NetProfit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
CY22	12,921	2,788	1,497	23.1	59.0	34.0	30.4	24.4
CY23E	16,043	3,609	2,102	16.2	87.0	51.5	30.6	27.8
CY24E	19,290	4,717	2,865	22.1	63.8	39.1	30.4	29.3
CY25E	23,958	6,077	3,871	29.8	47.3	29.9	29.9	30.2

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E DEC	CY22	CY23E	CY24E	CY25E
Net sales	**12,921**	**16,043**	**19,290**	**23,958**
Growth, %	49.5	24.2	20.2	24.2
Other operating income	252	-	-	-
Total income	13,173	16,043	19,290	23,958
Raw material expenses	(6,261)	(7,405)	(8,516)	(10,559)
Employee expenses	(1,217)	(1,447)	(1,736)	(2,135)
Other Operating expenses	(2,907)	(3,582)	(4,322)	(5,187)
EBITDA (Core)	**2,788**	**3,609**	**4,717**	**6,077**
Growth, %	68.5	29.5	30.7	28.8
Margin, %	21.6	22.5	24.5	25.4
Depreciation	(617)	(681)	(801)	(864)
EBIT	**2,171**	**2,929**	**3,916**	**5,213**
Growth, %	93.2	34.9	33.7	33.1
Margin, %	16.8	18.3	20.3	21.8
Other Income	39	79	95	114
Non-recurring Items	-	-	-	-
Pre-tax profit	**2,024**	**2,740**	**3,741**	**5,054**
Tax provided	(474)	(638)	(875)	(1,183)
Net Profit	**1,550**	**2,102**	**2,865**	**3,871**
Unadj. shares (Cr)	65	130	130	130

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E DEC	CY22	CY23E	CY24E	CY25E
Cash & bank	285	621	2,379	5,239
Debtors	299	440	528	656
Inventory	1,994	2,476	2,977	3,697
Loans & advances	436	436	436	436
Other current assets	389	389	389	389
Total current assets	3,404	4,362	6,710	10,418
Investments	0	0	0	0
Gross fixed assets	10,337	12,037	13,237	14,237
Less: Depreciation	(3,405)	(4,086)	(4,886)	(5,750)
Add: Capital WIP	607	607	607	607
Net fixed assets	7,539	8,558	8,957	9,094
Non-current assets	627	627	627	627
Total assets	**11,618**	**13,595**	**16,343**	**20,187**
Current liabilities	3,969	4,168	4,375	4,673
Provisions	204	204	204	204
Total current liabilities	4,173	4,372	4,579	4,877
Non-current liabilities	2,230	2,230	2,230	2,230
Total liabilities	6,403	6,602	6,809	7,107
Paid-up capital	650	650	650	650
Reserves & surplus	4,453	6,230	8,771	12,317
Shareholders' equity	5,215	6,993	9,534	13,080
Total equity & liabilities	**11,618**	**13,595**	**16,343**	**20,187**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Cash Flow	CY22	CY23E	CY24E	CY25E
Pre-tax profit	2,024	2,740	3,741	5,054
Depreciation	617	681	801	864
Chg in working capital	(280)	(423)	(383)	(550)
Total tax paid	(445)	(638)	(875)	(1,183)
Cash flow from operating activities	**1,915**	**2,360**	**3,283**	**4,184**
Capital expenditure	(1,349)	(1,700)	(1,200)	(1,000)
Chg in marketable securities	221	-	-	-
Cash flow from investing activities	**(1,127)**	**(1,700)**	**(1,200)**	**(1,000)**
Free cash flow	788	660	2,083	3,184
Equity raised/(repaid)	217	-	-	-
Dividend (incl. tax)	(162)	(325)	(325)	(325)
Cash flow from financing activities	**(36)**	**(325)**	**(325)**	**(325)**
Net chg in cash	752	336	1,758	2,860
Opening cash balance	337	285	621	2,379
Closing cash balance	285	621	2,379	5,239

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	CY22	CY23E	CY24E	CY25E
Per Share data				
EPS (INR)	23.1	16.2	22.1	29.8
Growth, %	38.5	(32.2)	36.3	35.1
Book NAV/share (INR)	78.6	53.0	72.5	99.8
FDEPS (INR)	23.9	16.2	22.1	29.8
CEPS (INR)	33.4	21.4	28.2	36.4
CFPS (INR)	14.7	17.6	24.5	31.3
DPS (INR)	2.5	2.5	2.5	2.5
Return ratios				
Return on assets (%)	16.4	18.8	20.9	22.7
Return on equity (%)	30.4	30.6	30.4	29.9
Return on capital employed (%)	24.4	27.8	29.3	30.2
Turnover ratios				
Asset turnover (x)	1.7	1.7	1.9	2.2
Receivable days	8.5	10.0	10.0	10.0
Inventory days	56.3	56.3	56.3	56.3
Payable days	29.0	30.0	30.8	31.2
Working capital days	(24.0)	(9.7)	(0.8)	7.7
Liquidity ratios				
Current ratio (x)	0.9	1.0	1.5	2.2
Quick ratio (x)	0.4	0.5	0.9	1.4
Interest cover (x)	11.7	10.9	14.5	19.1
Total debt/Equity (%)	0.7	0.5	0.4	0.3
Net debt/Equity (%)	0.3	0.1	(0.2)	(0.4)
Valuation				
PER (x)	59.0	87.0	63.8	47.3
PEG (x) - y-o-y growth	1.5	(2.7)	1.8	1.3
Price/Book (x)	17.9	26.6	19.4	14.1
EV/Net sales (x)	7.3	11.6	9.6	7.6
EV/EBITDA (x)	34.0	51.5	39.1	29.9

Source: Company, Axis Research

BANK OF BARODA – STEADY GROWTH WITH STABLE ASSET QUALITY

Bank of Baroda (BoB) is the second-largest PSU bank in India and is focused on unlocking its value by improving its retail distribution network and leveraging digitization across the value chain. BoB has a strong domestic presence of 8,200 branches and 11,401 ATMs and cash recyclers supported by self-service channels. It also has a significant international presence with a network of 93 overseas branches in 17 countries.

Industry view

Equal weight

CMP
265

Target Price
300

Upside
13%

Key Rationale

- **Credit growth momentum to continue –** The management maintained its earlier guidance of credit growth at 14-16% for FY24. Although ROA is higher in its International book, margins are lower. Thus, the management indicated to grow the international book in line with the overall growth of domestic books. Furthermore, in line with management's earlier guidance, growth in personal loans moderated in Q3FY24, wherein it grew by 8% QoQ vs. 16% QoQ in Q2FY24.
- **Margins to remain stable at 3.15% for FY24 –** In Q3FY24, NIMs improved to 3.1% compared to 3.07% QoQ. To moderate the growth of bulk deposits and reduce dependency on them, the management reduced the same by Rs 20,000 Cr (including CDs). This reduction in bulk deposits has been margin accretive, which contributed to the QoQ increase in margin. The management reaffirmed its earlier guidance for NIM to remain at 3.15% for FY24.
- **Healthy improvement in asset quality –** Provision reduced sharply, aided by a reduction of Rs 2,200 Cr in the restructured book. The restructured book currently stands at Rs 9,900 Cr and the management highlighted that it is expected to reduce by 15-20% every quarter. With strong improvement in asset quality in Q3FY24, credit cost reduced to 0.39% for Q3FY24. SMA1 and SMA2 accounts stand at 0.24%, indicating less incremental stress formation. The management maintained its stance to keep slippages within the 1-1.2% range. Thus, we expect credit costs to remain below 1% over FY24-26E.
- **Outlook:** Margin is expected to remain stable at 3.15% for FY24. Moreover, advances growth is expected to remain robust, aiding healthy growth in NII. Opex is expected to remain elevated mainly driven by provision for wage revision. Restructured book is expected to reduce, aiding improvement in the asset quality. Credit cost is expected to remain below 1%. Thus, although Opex is likely to remain elevated, we believe the same would be offset by strong growth in NII and better asset quality, thereby allowing the bank to maintain ROA at 1%+ over FY24-26E.
- **Valuation:** BOB currently trades at 1x Sep25E ABV which we believe is undervalued given the consistent growth and improving asset quality. We maintain our 'BUY' rating on the stock with a revised target price of Rs 300/share (SOTP basis core-book at 1.2x Sep25E ABV and subsidiaries at Rs 12/share), implying an upside of 21% from the CMP.
- **Key risks:** a) Slowdown in systemic credit growth

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 (%)
FY23	41,356	26,863	14,109	27.3	173.5	1.4	1.0	0.9
FY24E	44,020	30,616	17,567	33.9	202	1.2	1.1	0.7
FY25E	47,852	33,407	18,123	35.0	227	1.1	1.0	0.7
FY26E	53,948	38,306	19,919	38.5	254	1.0	1.0	0.7

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E MAR	FY23	FY24E	FY25E	FY26E
Net Interest Income	**41,356**	**44,020**	**47,852**	**53,948**
Other Income	10,026	13,984	15,863	17,971
Total Income	**51,381**	**58,004**	**63,716**	**71,920**
Total Operating Exp.	24,518	27,388	30,309	33,614
Staff expenses	*13,353*	15,195	17,019	19,061
Other operating expenses	*11,166*	12,193	13,290	14,553
PPOP	**26,863**	**30,616**	**33,407**	**38,306**
Provisions & Contingencies	7,137	6,551	9,177	11,676
PBT	**19,726**	**24,064**	**24,229**	**26,630**
Provision for Tax	5,617	6,497	6,106	6,711
PAT	**14,109**	**17,567**	**18,123**	**19,919**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E MAR	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS				
Share capital	1,036	1,036	1,036	1,036
Reserves and surplus	97,187	1,11,078	1,25,111	1,40,681
Shareholders' funds	98,223	**1,12,114**	**1,26,147**	**1,41,717**
Total Deposits	12,03,688	12,50,042	13,86,622	15,71,686
Total Borrowings	13,05,598	14,24,985	15,87,157	17,73,910
Other Liabilities, provisions	54,740	54,975	61,277	68,513
Total	**14,58,562**	**15,92,074**	**17,74,580**	**19,84,140**
APPLICATION OF FUNDS				
Cash & Bank Balance	95,703	**86,888**	**96,382**	**1,04,010**
Investments	3,62,485	3,63,944	3,82,910	4,18,297
Advances	9,40,998	10,74,839	12,19,500	13,75,111
Fixed Assets & Other Assets	59,375	66,402	75,788	86,722
Total assets	**14,58,562**	**15,92,074**	**17,74,580**	**19,84,140**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY23	FY24E	FY25E	FY26E
VALUATION RATIOS				
EPS	27.3	33.9	35.0	38.5
Earnings Growth (%)	94.0	24.5	3.2	9.9
BVPS	189.7	216.5	243.6	273.7
Adj. BVPS	173.5	201.7	226.7	253.8
ROAA (%)	1.0	1.1	1.0	1.0
ROAE (%)	15.3	16.4	14.5	14.2
P/E (x)	9.8	7.8	7.6	6.9
P/ABV (x)	1.5	1.3	1.2	1.0
DPS	5.5	7.1	7.9	8.4
Dividend Yield (%)	2.1	2.7	3.0	3.2
PROFITABILITY				
NIM (%)	3.3	3.2	3.1	3.1
Cost-Income Ratio	47.7	47.2	47.6	46.7

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY23	FY24E	FY25E	FY26E
Loan Growth (%)	21.1	14.2	13.5	12.8
Deposit Growth (%)	15.1	3.9	10.9	13.3
C/D Ratio (%)	78.2	86.0	87.9	87.5
CASA Ratio (%)	42.2	41.2	40.8	41.3
Tier 1 (%)	16.2	16.3	16.0	15.6
CAR (%)	14.0	14.0	13.7	13.4
ASSET QUALITY				
Gross NPLs (%)	3.8	3.5	3.5	3.7
Net NPLs (%)	0.9	0.7	0.7	0.8
PCR (%)	77.2	80.9	80.7	81.2
Credit cost (%)	0.8	0.7	0.8	0.9

Source: Company, Axis Research

BHARTI AIRTEL LTD – HIGHEST ARPU IN THE INDUSTRY

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

Industry view

Over Weight

CMP
1,123

Target Price
1,400

Upside
25%

Key Rationale

- **Best ARPU in the industry:** Bharti Airtel has the leading ARPU in the industry. The management expects ARPU to improve from the current level of Rs 203 (the current ARPU of Reliance is Rs 181). This improvement can be attributed to a richer customer mix. Moreover, aided by strong customer conversion from 2G to 4G/5G and other services, it continues with its ARPU trajectory and expects it to reach Rs 300 going ahead. The company has a strong focus on customers and will continue to increase its realizations going forward. An increase in data consumption with rising rural penetration would also help in gaining the ARPU. Average data usage per customer stands healthy at 21.7 GB/month.
- **Huge revenue and profit growth potential:** The company's business fundamentals remain strong and continue to improve. The management foresees huge potential for continued strong revenue and profit growth, supported by expanding distribution in rural areas, investments in the network, and increasing 4G coverage. Furthermore, strategic investment opportunities are available in tower sales, minority, and IPO investments in mobile money, among others. The company's digital portfolio is gaining momentum along with market share gains. The company continued a strong share of 4G/5G net ads in the market with the 4G customer base growing by 7.7 Mn QoQ and 27.2 Mn YoY. This forms 69% of the overall customer base now.
- **Improvement in the Digital/Home Segment:** The management sees improvement in the Home Segment with multiple solutions in one go. It has a strong strategy of Hunting (offering different solutions to existing customers (mainly 50 Mn customers having strong financial conditions) and mining new customers. Rising in the Home segment will also help Airtel to grow realization and make the business model more robust. The management is confident of gaining industry-leading growth backed by strong rural penetration and a better service portfolio.
- **Moderated Capex and const optimization effort:** The company anticipates no immediate significant capital expenditure despite the rollout of 5G. Management expects Capex levels to remain similar, with investments in broadband, enterprise, and data centers. However, Capex related to 4G radio is expected to decrease. The company has identified over 2,500 sites for cost reduction in the network, which will contribute to lowering operating costs in the future.
- **Valuation & Recommendation:** our BUY rating on the stock is retained due to the company's superior margins, impressive subscriber growth, and increased 4G conversions. The stock is valued at Rs 1,400/share through a SOTP valuation, suggesting a substantial upside of 25% from the current market price.
- **Key risks:** a) Competitors may eat market share resulting in loss of sustainable revenue.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY22	1,16,547	57,534	6,607	11.8	99.2	7.77	11.9	9.1
FY23	1,39,145	71,274	15,356	27.5	50.9	15.3	22.5	8.8
FY24E	1,57,219	65,934	13,522	18.8	105	16.7	26.6	8.1
FY25E	2,01,095	1,11,297	49,958	21.9	67.2	20.7	30.2	3.5

Source: Company, Axis Securities

Income Statement (Rs Cr)

Y/E March	FY22	FY23	FY24E	FY25E
Net sales	**1,16,547**	**1,39,145**	**1,57,219**	**2,01,095**
Growth, %	16	19	13	28
Total income	1,16,547	1,39,145	1,57,219	2,01,095
Raw material expenses	(6,761)	(7,621)	(8,653)	(10,272)
Employee expenses	(4,433)	(4,831)	(5,314)	(5,436)
Other Operating expenses	(57,894)	(66,626)	(89,889)	(88,227)
EBITDA (Core)	**57,534**	**71,274**	**65,934**	**1,11,297**
Growth, %	27	24	(7)	69
Margin, %	49	51	42	55
Depreciation	(33,091)	(36,432)	(39,523)	(39,466)
EBIT	**24,443**	**34,842**	**26,411**	**71,830**
Growth, %	53	43	(24)	172
Margin, %	21	25	17	36
Interest paid	(16,616)	(16,901)	(17,878)	(18,196)
Other Non-Operating Income	534	937	1,353	1,342
Non-recurring Items	-	-	-	-
Pre-tax profit	10,785	19,629	12,093	57,057
Tax provided	(4,178)	(4,273)	(1,571)	(7,099)
Profit after tax	**6,607**	**15,356**	**10,522**	**49,958**
Net Profit	**6,607**	**15,356**	**10,522**	**49,958**
Growth, %	(188)	132	(31)	375
Net Profit (adjusted)	**6,607**	**15,356**	**10,522**	**49,958**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E March	FY22	FY23	FY24E	FY25E
Cash & bank	12,980	19,088	14,649	14,417
Other current assets	38,659	39,033	39,109	37,672
Total current assets	51,640	58,121	53,758	52,089
Gross fixed assets	2,71,414	2,75,280	2,75,464	2,78,465
Net fixed assets	2,71,414	2,75,280	2,75,464	2,78,465
Non-current assets	32,806	32,435	32,973	33,102
Total assets	**3,82,132**	**4,69,456**	**4,51,173**	**5,01,139**
Current liabilities	1,14,026	1,21,964	1,21,964	1,21,964
Total current liabilities	1,14,026	1,21,964	1,21,964	1,21,964
Non-current liabilities	1,57,695	2,18,225	2,18,225	2,18,225
Total liabilities	2,71,721	3,40,189	3,40,189	3,40,189
Paid-up capital	2,795	2,795	2,795	2,795
Reserves & surplus	82,235	97,591	1,08,113	1,58,071
Shareholders' equity	1,10,411	1,29,267	1,10,984	1,60,950
Total equity & liabilities	**3,82,132**	**4,69,456**	**4,51,173**	**5,01,139**

Source: Company, Axis Research

Valuation ratios (%)

Y/E March	FY22	FY23	FY24E	FY25E
Per Share data				
EPS (INR)	12	27	19	89
Growth, %	(186)	132	(31)	375
Book NAV/share (INR)	152	180	198	288
FDEPS (INR)	12	27	19	89
CEPS (INR)	71	93	90	160
CFPS (INR)	63	104	83	156
Return ratios				
Return on assets (%)	5	7	6	17
Return on equity (%)	8	15	9	31
Return on capital employed (%)	6	8	6	17
Turnover ratios				
Asset turnover (x)	1	1	1	1
Sales/Total assets (x)	0	0	0	1
Sales/Net FA (x)	0	1	1	1
Working capital/Sales (x)	(1)	(1)	(1)	(0)
Fixed capital/Sales (x)	2	2	2	1
Working capital days	(236)	(218)	(192)	(153)
Liquidity ratios				
Current ratio (x)	0	0	0	0
Quick ratio (x)	0	0	0	0
Interest cover (x)	1	2	1	4
Dividend cover (x)				
Total debt/Equity (%)	168	202	182	126
PEG (x) - y-o-y growth	(0)	0	(1)	0
Price/Book (x)	5	4	4	2
Yield (%)				
EV/Net sales (x)	4.5	4.1	3.7	2.9
EV/EBITDA (x)	9.1	8.1	8.8	5.2

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY22	FY23	FY24E	FY25E
Pre-tax profit	10,785	19,629	12,093	57,057
Depreciation	33,091	36,432	39,523	39,466
Chg in working capital	1,254	1,131	(606)	1,163
Total tax paid	(3,340)	(4,646)	(1,571)	(7,099)
Cash flow from operating activities	**41,644**	**52,509**	**49,431**	**90,732**
Capital expenditure	(51,864)	(40,299)	(39,706)	(42,468)
Chg in marketable securities	(1,451)	(374)	(76)	1,437
Other investing activities	(6,560)	(12,647)	(3,542)	-
Cash flow from investing activities	(56,001)	(52,193)	(41,041)	(40,387)
Free cash flow	**(14,356)**	**316**	**8,389**	**50,345**
Equity raised/(repaid)	49	-	-	-
Debt raised/(repaid)	6,922	59,807	-	-
Cash flow from financing activities	10,078	63,308	(28,805)	7
Net chg in cash	(4,278)	63,623	(20,416)	50,352
Opening cash balance	17,582	12,980	19,088	14,649
Closing cash balance	**12,980**	**19,088**	**14,649**	**14,417**

Source: Company, Axis Research

TVS Motor Company Ltd – Product Launches To Drive Growth

TVS Motor Company Ltd. (TVSL) is the 3rd largest 2-wheeler company in India with an annual sale of more than 30 Lc units and annual 2-wheeler (2W) and 3-wheeler (3W) capacity of over ~50 Lc and ~1.2 Lc respectively. It manufactures the largest range of 2Ws including mopeds, scooters, commuter motorcycles, and premium bikes. TVS is also India's 2nd largest exporter with exports to over 60 Countries. The company has four manufacturing plants, three located in India (Hosur in Tamil Nadu, Mysore in Karnataka, and Nalagarh in Himachal Pradesh) and one in Indonesia at Karawang.

Industry view

Over Weight

CMP
2,139

Target Price
2,350

Upside
10%

Key Rationale

- **Investments in Products, People, and Technology:** The TVSL leadership has an unwavering focus on building a healthy product portfolio over the long run, specifically in the EV and the Super Premium motorcycle category for both the domestic and global markets. In Q3FY24, TVSL deployed an additional Rs 300 Cr in investments for R&D expenditures, building a robust global engineering team, and making investments in subsidiaries such as Norton Motorcycles, SEMG, and Killwatt GmbH (acquiring a 25% stake in the German-based electric mobility products and components start-up). The forthcoming portfolio resulting from these investments is expected to complement the existing TVSL Motor product range, with multiple new launches anticipated in FY25 and beyond..
- **EV Strategy**: The management informed that the TVSL iQube is available at 400 touchpoints as of Dec' 23 and will be doubled over Q4FY24. We note that export of TVSL iQube has begun in Q3 and sufficient capacity is being built in the Chennai plant over the next few years to meet 2W EV demand. The EV market share of TVSL in Q3FY24 stands at ~20%, higher than the ICE market share levels (~18%). To attain a dominant position amid rising competition, TVSL will launch a portfolio of EV products over the next few quarters.
- **EBITDA growth outlook:** TVSL EBITDA margins have improved from 10.1% in Q3FY23 to 11.2% in Q3FY24, led by sustained material cost reduction efforts, commodity softening, opportunistic price hikes taken during the year and overall product mix. We factor EBITDA to grow at 21% CAGR over FY24E-26E.
- **Valuation & Outlook:** We believe TVSL to be ahead in introducing a range of EV products ahead of other 2W OEMs. Being well-placed among listed players, we expect the company's Revenue/EBITDA/PAT to grow by ~17%/21%/24% CAGR over FY24E-26E. We like TVSL because of its engineering and R&D capabilities, strong domestic retail network and increasing sales volumes from premium offerings in developed countries (Norton business to be developed in a few years). Based on the above strong fundamental outlook, we expect the company to deliver a strong ROE ranging between 27%-30% over the next few years. With the competitive intensity increasing over the next few quarters in the EV and mid-weight motorcycle category we value it at a sustainable premium P/E multiple of 32x on FY26 core EPS (earlier 34x on Dec'25 EPS) and other investments at 1x P/BV and TVSL Credit Services at 2x P/BV on FY23, thereby arriving at a TP of Rs 2,350 (unchanged). The TP implies an upside of 18% from the CMP.
- **Key risks:** a) Higher Interest rate, b) Macro Economic risks, and c) Higher fuel prices.

Key Financials (Standalone)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)	EV/EBIDTA (x)
FY23A	26,378	2,675	1,491	31.0	37.7	26.6	19.5	21.7
FY24E	32,066	3,511	2,178	45.9	46.7	30.5	23.6	29.4
FY25E	37,389	4,363	2,747	57.8	37.0	29.2	24.4	23.3
FY26E	43,595	5,146	3,375	71.0	30.1	27.5	24.5	19.3

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY23A	FY24E	FY25E	FY26E
Net revenues	**26,378**	**32,066**	**37,389**	**43,595**
Operating expenses	23,703	28,555	33,025	38,449
EBIDTA	**2,675**	**3,511**	**4,363**	**5,146**
EBIDTA margin (%)	**10.1**	**10.9**	**11.7**	**11.8**
Other income	76	230	233	369
Interest	141	189	144	144
Depreciation	631	659	750	823
Profit Before Tax	2,003	2,892	3,702	4,548
Tax	512	713	955	1,173
Reported Net Profit	**1,491**	**2,178**	**2,747**	**3,375**
Net Margin (%)	5.7	6.8	7.3	7.7
Adjusted Net Profit	**1,473**	**2,178**	**2,747**	**3,375**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY23A	FY24E	FY25E	FY26E
Equity capital	48	48	48	48
Reserves & surplus	6,000	8,000	10,557	13,742
Shareholders funds	**6,048**	**8,048**	**10,605**	**13,790**
Total Loans	2,663	2,263	1,863	1,463
Deferred tax liability	235	235	235	235
Total Liabilities and Equity	**8,947**	**10,547**	**12,704**	**15,488**
Gross block	7,988	9,366	10,366	11,291
Depreciation	4,392	5,051	5,801	6,624
Net block	3,596	4,314	4,564	4,666
Capital WIP	628	250	250	225
Investments	5,492	6,342	7,142	7,942
Inventory	1,236	1,757	2,049	2,389
Debtors	955	1,581	1,844	2,150
Cash & Bank Bal	242	604	1,839	3,895
Loans & Advances	1,843	2,324	2,590	2,900
Current Assets	**4,277**	**6,266**	**8,321**	**11,334**
Sundry Creditors	4,131	5,710	6,658	7,764
Other Current Liability	274	274	274	274
Current Liability& Provisions	5,046	6,626	7,574	8,679
Net current assets	-769	-359	747	2,655
Total Assets	**8,947**	**10,547**	**12,704**	**15,488**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
EBIT	2,043	2,851	3,614	4,323
Other Income	76	230	233	369
Depreciation & Amortisation	631	659	750	823
Interest paid(-)	-141	-189	-144	-144
Tax paid(-)	-512	-713	-955	-1,173
Extra Ord Income	25	0	0	0
Operating Cash Flow	**2,122**	**2,838**	**3,497**	**4,198**
Change in Working Capital	-680	-47	128	149
Cash flow from Operations	**1,443**	**2,790**	**3,624**	**4,346**
Capex	-1,124	-1,000	-1,000	-900
Strategic Investment	-944	-850	-800	-800
Non Strategic Investment	38	0	0	0
Cash flow from Investing	**-2,030**	**-1,850**	**-1,800**	**-1,700**
Change in borrowing	701	-400	-400	-400
Others	-58	0	0	0
Dividends paid(-)	-214	-178	-190	-190
Cashflow from Financial Activities	**428**	**-578**	**-590**	**-590**
Change in Cash	-159	362	1,234	2,056
Opening cash	401	242	604	1,839
Closing cash	242	604	1,839	3,895

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY23	FY24E	FY25E	FY26E
Revenue Growth	26.9	21.6	16.6	16.6
EBITDA Margin	10.1	10.9	11.7	11.8
Net Profit Margin	5.6	6.8	7.3	7.7
ROCE (%)	19.5	23.6	24.4	24.5
ROE (%)	26.6	30.5	29.2	27.5
EPS(Rs)	31.0	45.9	57.8	71.0
P/E (x)	37.7	46.7	37.0	30.1
P/ BV (x)	9.2	12.6	9.6	7.4
EV/ EBITDA (x)	21.7	29.4	23.3	19.3
Fixed Assets Turnover Ratio (x)	7.3	7.4	8.2	9.3
Debt / Equity (x)	0.4	0.3	0.2	0.1
EV/ Sales (x)	2.2	3.2	2.7	2.3

Source: Company, Axis Research

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

Lupin is an innovation-led transnational pharmaceutical company. It develops and commercializes a wide range of branded and generic formulations, biotechnology products, and APIs. The company enjoys a leadership position in the cardiovascular, anti-diabetic, and respiratory segments and has a significant presence in the anti-infective, gastrointestinal (GI), central nervous system (CNS), and women's health areas. Lupin is the third-largest pharmaceutical company in the US by prescriptions. The company invested 7.9% of its revenue in research and development in FY23.

Industry view

Over Weight

CMP
1,621

Target Price
1,785

Upside
10%

Key Rationale

- **Strong execution in gSpiriva & gPrezista:** Lupin has received approval for the generic version of Spiriva HandiHaler (Tiotropium Bromide Inhalation Powder) from the USFDA in the US Market. This is the first generic version of Spiriva that would enable Lupin to garner a higher market share. It is used in the treatment of patients with chronic obstructive pulmonary disease (COPD). The estimated size of this drug is $1,246 Mn in the US Market and we expect Lupin to generate sales of $80 MN and $114 Mn in FY24E and FY25E respectively. Based on NPV value, we have assigned a value of Rs 40 for gSpiriva.
- **Niche Drugs in pipeline:** LUPIN has two strong niche products in the pipeline that are expected to be launched in 2HFY24. These are gXyrem (180 days exclusivity) and gTolvaptan having a market size of $986 MN and $283 Mn respectively. Furthermore, LUPIN' has received approval for Canagliflozin, Bromfec (180 days exclusivity), Pitavastatin and Dapagliflozin in H2FY24, which could be realised into generic US sales of $1,050 Mn in FY26E. Against this backdrop, we are increasing our EPS by 9.4% for FY26E.
- **Outlook & Valuation:** Lupin has a strong pipeline of niche products for the US markets with limited competition. In a few of these products, LUPIN has a first-mover advantage. We believe these products would increase the company's gross margins by 150bps in the next two years. Moreover, further developments in the business could add value in its business such as 1) New launches such as Xyrem, gTolvaptan, Cynocobalamin, Diazepem Gel, Vereniciline, Bromfenac, etc. in the US market 2) Double-digit growth in the India business as the company has already increased MR numbers to 1,000, and 3) An uptick in the API business with the API industry witnessing demand comeback. Lupin's margins at 13% are still below the industry levels of 22%. We, therefore, foresee a significant scope for margin improvement in the upcoming quarters. We expect the macro environment to be in favour of the industry, led by a fall in raw material prices along with low logistics and fuel costs.
- **Valuation:** At the CMP, the stock trades at 28.0x and 23.8x its FY25E and FY26E earnings.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (%)	ROE (%)
FY24E	19,367	3,486	1,980	43.5	34.8	20.5	13.9
FY25E	21,360	4,058	2,460	54.1	28.0	17.2	15.0
FY26E	23,169	4,634	2,900	63.7	23.8	14.6	15.2

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24E	FY25E	FY26E
Total Net Sales	**19,367**	**21,360**	**23,169**
% Change	16.4%	10.3%	8.5%
Raw material Consumption	7,166	7,689	8,225
Staff costs	3,486	3,845	4,171
Other Expenditure	5,229	5,767	6,140
Total Expenditure	15,881	17,301	18,536
EBITDA	**3,486**	**4,058**	**4,634**
% Change	93.9%	16.4%	14.2%
EBITDA Margin %	**18.0%**	**19.0%**	**20.0%**
Depreciation	827	881	935
EBIT	2,659	3,177	3,699
EBIT Margin %	13.7%	14.9%	16.0%
Interest	212	127	81
Other Income	92	104	100
PBT	**2,538**	**3,154**	**3,718**
Tax	558	694	818
Tax Rate %	*22.0%*	*22.0%*	*22.0%*
APAT	1,980	2,460	2,900
P/L after discontinution	0	0	0
PAT after Ass.	1,980	2,460	2,900
Adj. PAT	**1,980**	**2,460**	**2,900**
Growth %	**360.2%**	**24.3%**	**17.9%**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24E	FY25E	FY26E
Share Capital	91	91	91
Reserves & Surplus	14,182	16,347	18,952
Shareholders Fund	14,273	16,438	19,043
Total Debt	3,541	2,541	1,541
- Trade Payables	2,918	3,219	3,491
- Other Long Term Liabilities	424	468	508
- Other Current Liabilities	2,122	2,341	2,539
TOTAL EQUITY & LIABILITIES	**24,367**	**26,094**	**28,210**
Gross Block	9,190	9,790	10,390
Depriciation	5,128	6,009	6,944
% of GB	55.8%	61.4%	66.8%
- Fixed Assets(incl. Capital Work in Progress)	9,396	9,115	8,780
- Other Non Current Assets	881	881	881
- Current Investments	440	440	440
- Inventories	5,253	5,793	6,284
- Trade Receivables	5,306	5,852	6,348
- Cash & Cash Equivalents	1,075	1,789	3,065
- Other Current Assets	2,016	2,224	2,412
TOTAL ASSETS	**24,367**	**26,094**	**28,210**

Cash Flow (Rs Cr)

Y/E Mar	FY24E	FY25E	FY26E
PBT	2,538	3,154	3,718
Add: depreciation	827	881	935
Add: Interest	212	127	81
Cash flow from operations	3,578	4,162	4,734
Change in working capital	1,176	732	664
Taxes	558	694	818
Miscellaneous expenses	0	0	0
Net cash from operations	1,844	2,737	3,252
Capital expenditure	-600	-600	-600
Change in Investments	0	0	0
Net cash from investing	-600	-600	-600
Increase/Decrease in debt	-1,000	-1,000	-1,000
Dividends	-250	-295	-295
Proceedings from equity	0	0	0
Interest	-212	-127	-81
Others	-0	0	0
Net cash from financing	-1,462	-1,422	-1,376
Net Inc./(Dec.) in Cash	-219	715	1,276
Opening cash balance	1,293	1,075	1,789
Closing cash balance	1,075	1,789	3,065

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24E	FY25E	FY26E
Sales growth (%)	16.4	10.3	8.5
OPM	18.0	19.0	20.0
Oper. profit growth	93.9	16.4	14.2
COGS / Net sales	37.0	36.0	35.5
Overheads/Net sales	-	-	-
Depreciation / G. block	9.0	9.0	9.0
Effective interest rate	22.0	22.0	22.0
Net wkg.cap / Net sales (%)	36.8	36.8	36.8
Net sales / Gr block (x)	2.1	2.2	2.2
RoCE	14.9	16.7	18.0
Debt / equity (x)	0.2	0.2	0.1
Effective tax rate	22.0	22.0	22.0
RoE	13.9	15.0	15.2
Payout ratio (Div/NP)	274.7	324.2	324.2
EPS (Rs.)	43.5	54.1	63.7
EPS Growth	360.2	24.3	17.9
CEPS (Rs.)	61.7	73.4	84.3
DPS (Rs.)	5.5	6.5	6.5

Source: Company, Axis Research

FEDERAL BANK – ASPIRING AN ROA OF 1.5% BY FY25E DESPITE NIM PRESSURES!

Federal Bank (FB) is a Kerala-based private sector bank with a pan-India presence. It has exposure to the Insurance and NBFC business through its joint venture with IDBI and its subsidiary FedFina. The bank continues to proactively execute its strategy of a branch-light and distribution-heavy franchise.

Industry view

Equal Weight

CMP
150

Target Price
180

Upside
20%

Key Rationale

- **Improved mix of high-yielding products:** Federal Bank (FB) reported healthy credit growth of 18/3% YoY/QoQ. FB's higher-yielding portfolio contributes ~24.6% of the total portfolio vs. 21.4% YoY. The management has continued to guide for 18-20% credit growth in FY24E. While there has been discussion around the RBI possibly asking banks to maintain a C/D Ratio at ~75%, the management highlighted that the regulator would be comfortable with FB maintaining a C/D Ratio at ~80% vs. ~83% currently. Focus will now shift to selective growth, wherein the bank will pursue growth in newer higher-yielding businesses in a risk-calibrated manner.
- **Improving Liability Franchise:** FB has been amongst the few mid-tier banks that have consistently improved their deposit base. Deposit growth of 19/3% YoY/QoQ was primarily driven by TDs (+25/4% YoY/QoQ) as CASA deposit growth was muted (+6/1% YoY/QoQ). Thus, the CASA ratio declined to 30.6% from 34.2/31.2% YoY/QoQ. Supported by footprint expansion and Fintech partnerships, FB is likely to deliver healthy deposit growth. We expect FB to deliver a deposit growth of ~17% CAGR over the medium term.
- **Asset Quality remains a priority –** FB has handled asset quality stress well and has seen significant improvement across metrics. The bank will continue to prioritize tapping better-quality customers in the newer segments, thereby keeping credit costs under control. FB has not eased any underwriting criteria in the co-lending partnerships and credit filters of the bank are applicable.
- **Outlook:** Despite the increase in the share of new higher-yielding products, the increase in CoF continues to eat into the bank's margins. Going forward, margin pressures are likely to persist in the near term, while yield improvement would be gradual. Delayed NIM recovery, improving core fee income, improving efficiency, and steady credit quality will drive ROA improvement for the bank. FB is eyeing to achieve an ROA of 1.5% over the next 18-24 months. Cost ratios are expected to remain elevated to account for the pension provision in Q4FY24 and early FY25. In the absence of NIM recovery, the bank will strive to achieve an ROA of ~1.4% by improving fee income and leveraging steady credit costs. We expect FB to maintain its ROA/RoE at 1.3-1.4%/14-15% over FY24-26E.
- **Valuation:** FB's key strengths continue to be i) Sustained credit growth, ii) Strong liability franchise, iii) Improving fee income, iv) Gradually improving Cost Ratios and v) Stable credit costs backed by healthy asset quality metrics. The bank is working closely with the recruitment agency to identify the successor for the current CEO Mr. Shyam Srinivasan who is slated to retire in Sep'24. We maintain our BUY rating on the stock with a target price of Rs 180/share (1.3x Sep'25E ABV).
- **Key risks**: a) Loan growth moderation, b) Asset quality challenges in the higher-yielding segment

Key Financials (Standalone)

Y/E Mar (Rs Cr)	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	ABV (x)	P/ABV (x)	ROAA (%)	NNPA (%)
FY23	7,232	4,794	3,011	14.2	95.9	1.6	1.3	0.7
FY24E	8,290	5,478	3,762	15.5	112.4	1.3	1.3	0.7
FY25E	9,679	6,526	4,236	17.4	127.2	1.2	1.3	0.7
FY26E	11,320	7,711	4,912	20.2	144.8	1.0	1.3	0.6

Source: Company, Axis Securities

Profit & Loss (RsCr)

Y/E MAR	FY23	FY24E	FY25E	FY26E
Net Interest Income	**7,232**	**8,290**	**9,679**	**11,320**
Other Income	2,330	3,115	3,790	4,447
Total Income	**9,562**	**11,405**	**13,469**	**15,767**
Total Operating Exp	4,768	5,927	6,943	8,057
PPOP	**4,794**	**5,478**	**6,526**	**7,711**
Provisions & Contingencies	750	428	840	1,118
PBT	**4,045**	**5,050**	**5,686**	**6,593**
Provision for Tax	1,034	1,288	1,450	1,681
PAT	**3,011**	**3,762**	**4,236**	**4,912**

Source: Company, Axis Research

Balance Sheet (RsCr)

Y/E MAR	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS				
Share Capital	423	487	487	487
Reserves	21,083	28,257	32,070	36,490
Shareholder's Funds	21,506	28,744	32,556	36,977
Total Deposits	2,13,386	2,52,840	2,96,989	3,45,858
Borrowings	19,319	10,506	12,491	16,286
Other Liabilities & Provisions	6,130	10,452	12,239	14,282
Total Liabilities	**2,60,342**	**3,02,542**	**3,54,275**	**4,13,403**
APPLICATION OF FUNDS				
Cash & Bank Balance	17,689	20,711	22,842	25,736
Investments	48,983	55,512	65,205	75,934
Advances	1,74,447	2,05,796	2,42,195	2,83,689
Fixed Assets & Other Assets	19,223	20,524	24,033	28,044
Total Assets	**2,60,342**	**3,02,542**	**3,54,275**	**4,13,403**

Source: Company, Axis Research

Key Ratios (%)

Y/E MAR	FY23	FY24E	FY25E	FY26E
VALUATION RATIOS				
EPS	14.2	15.5	17.4	20.2
Earnings Growth (%)	*58.3*	*8.7*	*12.6*	*15.9*
BVPS	101.6	118.1	133.8	152.0
Adj. BVPS	95.9	112.4	127.2	144.8
ROAA (%)	1.3	1.3	1.3	1.3
ROAE (%)	14.9	15.0	13.8	14.1
P/E (x)	10.6	9.7	8.6	7.5
P/ABV (x)	1.6	1.3	1.2	1.0
DPS	2.5	1.5	1.7	2.0
Dividend Yield (%)	0.7	1.0	1.2	1.3
PROFITABILITY				
NIM (%)	3.2	3.3	3.2	3.2
Cost-Income Ratio	49.9	52.0	51.5	51.1

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY23	FY24E	FY25E	FY26E
Loan Growth (%)	20.4	18.0	17.7	17.1
Deposit Growth (%)	17.4	18.5	17.5	16.5
C/D Ratio (%)	81.8	81.4	81.6	82.0
CAR	14.8	16.4	15.8	15.4
CAR Tier I	13.0	14.8	14.2	13.8
ASSET QUALITY				
Gross NPLs (%)	2.4	2.3	2.3	2.3
Net NPLs (%)	0.7	0.7	0.7	0.6
Coverage Ratio (%)	71.2	71.0	71.0	72.9
ROAA Tree				
Net Interest Income	3.0	2.9	2.9	2.9
Non-Interest Income	1.0	1.1	1.2	1.2
Operating Cost	2.0	2.1	2.1	2.1
Provisions	0.3	0.2	0.3	0.3
Tax	0.4	0.5	0.4	0.4
ROAA	1.3	1.3	1.3	1.3
Leverage (x)	11.9	11.2	10.7	11.0
ROAE	14.9	15.0	13.8	14.1

Source: Company, Axis Research

CREDITACCESS GRAMEEN – STRONG GROWTH RUNWAY, PREMIUM VALUATIONS JUSTIFIED!

CreditAccess Grameen (CAGrameen) is a rural-focused Microfinancier that caters mainly to women borrowers who lack access to the formal banking sector. The company is predominantly present in Karnataka, Maharashtra, and Tamil Nadu which cumulatively contribute~75% of the company's Gross Loan Portfolio (GLP) and ~68% of its total borrower base.

Industry view

Equal weight

CMP
1,470

Target Price
1,970

Upside
34%

Key Rationale

- **GLP growth to be led by core MFI segment and scale-up of retail portfolio:** CAGrameen will continue to witness strong growth in the core MFI business, led by new branch additions and customer acquisition. The company has been eyeing to double its GLP over the next 3-4 years, implying a 24-25% CAGR AUM Growth over the medium term. Currently, Retail Finance (RF) forms ~2% of the overall portfolio mix. Over the next 4 years, CAGrameen aspires to scale up its RF (Retail Finance) portfolio to contribute ~12-15% to the overall portfolio. This strategic move aims to lower attrition by offering products that cater to the needs of graduating customers.
- **NIMs to be maintained at current levels with CoF peaked out:** CAGrameen has reduced the lending rates by 50bps across both microfinance and retail finance business over Dec'23-Jan'24. Its strong control over CoF is driven by its diversified liability profile, continued access to PSL-linked funds, and improved credit ratings. The full impact of the revised pricing on the portfolio yield will be gradually realized over the next 18-20 months. Additionally, the CoF is expected to have peaked out and is likely to stabilize in Q4FY24. Thus, NIMs are expected to stabilize at 12.7-12.8%.
- **Best-in-Class Asset Quality:** While asset quality metrics saw a slight inch-up during Q3FY24, the management remains confident of recovery as the company exits FY24. Thus, credit costs are expected to normalize going into Q4FY24. In other than the core geography of Karnataka, CAGrmaeen has seen certain pockets of stress in North Gujarat and Rajasthan and is thus adopting a risk-calibrated and cautious approach
- **Geographic diversification efforts progressing well:** The Company has been strengthening its liability franchise and has been diversifying its funding sources beyond banks and domestic funding. CAGrameen has successfully reduced its dependence on bank borrowings from 55% to 50% currently. However, the mix may shift towards bank borrowings in Q4FY24 as the company intends to draw down the bank sanctions. However, on a steady state basis, the company would aim at improving the share of NCDs, ECBs and Domestic Financial Institutions (DFIs) by ~500bps from current levels of 45-50%.
- **Outlook & Valuation:** We prefer CAGrameen amongst the microfinanciers, despite its premium valuations. CAGrameen has continued to outperform its peers across parameters and is eligible to trade at a premium vs. its peers. We believe the company remains well-poised to deliver a strong performance backed by (a) Adequate capitalisation, (b) Improving operational efficiency, (c) Strong margin profile despite offering the lowest rates in the industry, and (d) Robust asset quality. We expect CAGrameen to deliver a healthy ROA/RoE of 5.5%+/24-25% over the medium term. We revise our earnings estimates upwards by 3-5% over FY24-26E.
- **Key risks:** a) Moderation in GLP growth momentum, b) Inability to scale up new products and business in new geographies

Key Financials (Consolidated)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	BV (Rs)	P/BV (x)	ROAA (%)	NNPA (%)
FY23	2,114	1,506	826	52.0	321.4	4.6	4.2	0.4
FY24	3,124	2,374	1,470	92.5	413.9	3.6	5.9	0.4
FY25E	3,897	2,945	1,814	114.1	528.1	2.8	5.8	0.4
FY26E	4,831	3,615	2,201	138.5	666.6	2.2	5.7	0.4

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E MAR	FY23	FY24E	FY25E	FY26E
Net Interest Income	**2,114**	**3,124**	**3,897**	**4,831**
Other Income	224	299	360	425
Total Income	**2,338**	**3,423**	**4,258**	**5,256**
Total Operating Exp.	831	1,050	1,312	1,641
PPOP	**1,506**	**2,374**	**2,945**	**3,615**
Provisions & Contingencies	401	395	504	653
PBT	**1,105**	**1,979**	**2,441**	**2,963**
Provision for Tax	279	509	627	761
PAT	**826**	**1,470**	**1,814**	**2,201**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E MAR	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS				
Share capital	159	159	159	159
Reserves and Surplus	4,948	6,418	8,232	10,434
Shareholders' funds	**5,107**	**6,577**	**8,391**	**10,593**
Borrowings	16,312	21,062	26,030	31,959
Other Liabilities, provisions	439	509	634	783
Total liabilities	**21,858**	**28,148**	**35,055**	**43,335**
APPLICATION OF FUNDS				
Cash & Bank Balance	1,436	1,399	1,743	2,154
Investments	455	1,402	1,658	1,941
Goodwill	376	376	376	376
Advances	19,043	24,270	30,313	37,582
Fixed Assets & Other Assets	548	701	966	1,283
Total assets	**21,858**	**28,148**	**35,055**	**43,335**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY23	FY24E	FY25E	FY26E
VALUATION RATIOS				
EPS	52.0	92.5	114.1	138.5
Earnings Growth (%)	*129.5*	*78.0*	*23.4*	*21.4*
BVPS	321.4	413.9	528.1	666.6
Adj. BVPS	315.8	407.1	519.7	654.9
ROAA (%)	4.2	5.9	5.8	5.7
ROAE (%)	18.2	25.3	24.4	23.3
P/E (x)	28.3	15.9	12.9	10.6
P/ABV (x)	4.7	3.6	2.8	2.2
PROFITABILITY				
NIM (%)	11.6	13.4	13.2	13.2
Cost-Assets Ratio	4.2	4.2	4.2	4.2
Cost-Income Ratio	35.6	30.7	30.8	31.2

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY23	FY24E	FY25E	FY26E
Loan Growth (%)	26.7	27.4	24.9	24.0
Borrowings Growth (%)	26.2	29.1	23.6	22.8
CRAR	23.6	22.0	21.3	21.0
Tier I	22.7	21.1	20.4	20.1
ASSET QUALITY				
Gross NPLs (%)	1.2	0.9	0.9	1.0
Net NPLs (%)	0.4	0.4	0.4	0.4
PCR	62.7	50.6	52.3	52.2
Credit costs	2.4	1.8	1.8	1.9

Source: Company, Axis Research

JTL INDUSTRIES – A STRUCTURAL GROWTH STORY

JTL Industries Ltd (JTL) (formerly known as JTL Infra Limited) – incorporated in 1991 as Jagan Tubes Pvt Ltd (a flagship company of Jagan Group), is a leading ERW steel tube pipes manufacturer. Promoted by the Chandigarh-based Singla family, JTL manufactures ERW black pipes and has also ventured into value-added products such as Galvanized Steel pipes, solar module mounting structures, and large-diameter steel tubes & pipes – produced in its 4 state-of-the-art facilities having a total manufacturing capacity of 5,86,000 TPA

Industry view

Equal Weight

CMP
260

Target Price
300

Upside
16%

Key Rationale

- **Compelling growth ahead:** JTL's capacity expansion gets impetus post the company's announcement in Dec'23 to raise Rs 1,310 Cr to enhance the capacity to 2 MTPA by the end of FY27. A fundraising plan involving Rs 540 Cr from the promoter, Rs 270 Cr from non-promoter, and Rs 500 Cr through QIP will spur growth ahead. Capacity will reach 2MT by the end of FY27 and full utilisation (max ~65% industry standard) on the 2MT capacity will be achieved in FY28.
- **Growing EBITDA/t trajectory:** JTL will enhance its SKUs from 1,000 to 4,000 by FY28 with a focus on VAP (Value-added products). This will translate to ~60% VAP share by FY28 as against 31% as of 9MFY24. The newer VAP products will have EBITDA/t of Rs 9,000-11,000/t, against the general products at Rs 2,000-2,500/t, which will drive the blended EBITDA/t to ~Rs 7,500/t by FY28 (Rs 5,383/t in FY23).
- **Product adjacencies and backward integration to enhance product profile**: The expansion plan from 0.56 MTPA to 1 MTPA is on track and will be completed by FY25.
- **For the next 1 MT incremental expansion, JTL will focus on enhancing its product profile** by adding more DFT lines, introducing color-coated products, and pre-galvanised sheets. All these measures will diversify the product portfolio and will earn higher EBITDA/t.
- **Company Outlook & Guidance:** Post strong Q3FY24 sales volumes, FY24 sales volume to reach ~3.5 Lc tonnes, up 45% YoY, ahead of earlier growth guidance of 30% YoY. In Q4FY23, the VAP share could bounce back to 40% (~35% for FY24) from 20% in Q3FY24, as the maintenance of the galvanising pot is over. 0.56 MT to 1 MT expansion is on track and will be complete before FY25. DFT facilities of 2 Lc tonnes out of the total incremental capacity of 4 Lc tonnes will start from Q1FY25.
- **Valuation & Recommendation:** We have a BUY rating on the stock and value JTL at 25x of our FY26 EPS to arrive at our Mar'25 target price of Rs 300/share, implying an upside potential of 16% from the CMP.

Key Financials (Standalone)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	ROE (%)	P/E Ratio (x)	P/BV (x)	EV/ EBITDA (X)
FY23	1,550	129	90	11	30%	17	3.8	10.4
FY24E	2,088	154	110	6	12%	45	5.5	27.7
FY25E	3,182	250	167	9	9%	34	3.1	17.6
FY26E	4,406	410	276	13	10%	22	2.3	12.2

Source: Company, Axis Securities

Income Statement (Rs Bn)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Revenue From Operations	1,550	2,088	3,182	4,406
Other Income	5	6	7	8
Total Income	**1,555**	**2,093**	**3,189**	**4,414**
Cost of materials consumed	1,365	1,809	2,777	3,845
Purchases of stock-in-trade	-	36	-	-
Changes in inventories of finished goods, stock-in-trade.	(6)	12	-	-
Employee benefits expense	20	23	35	49
Other expenses	41	53	120	103
Total Expenditure	**1,421**	**1,933**	**2,933**	**3,996**
EBITDA	**129**	**154**	**250**	**410**
EBITDA per tonne (Rs/T)	5,383	4,405	4,900	6,030
Depreciation and amortization expense	4	7	29	45
EBIT	**125**	**147**	**221**	**365**
Finance costs	6	5	5	5
Profit Before Exceptional Items And Tax	**124**	**147**	**223**	**368**
Exceptional Items	(1)	-	-	-
Profit Before Tax	**123**	**147**	**223**	**368**
Total Tax Expenses	32	37	56	92
Profit For The Year / Period Attributable To Owners Of The Parent	**90**	**110**	**167**	**276**
Non-Controlling Interests	-	-	-	-
Wt Avg No of shares outstanding (Cr) Basic (FV Rs 2/sh)	8.43	17.02	18.22	20.97
Wt Avg No of shares outstanding (Cr) Diluted	9.71	18.22	20.97	23.07
Earnings Per Share (Not Annualised)				
Basic (Rs.)	10.69	6.45	9.16	13.15
Diluted (Rs.)	**9.28**	**6.02**	**7.96**	**11.95**
DPS (Rs/sh)	0.20	0.20	0.20	0.20
Payout Ratio	2.2%	3.3%	2.5%	1.7%

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Net Block	65	208	779	1,334
CWIP	4	4	4	4
Intangible assets				
Investments	16	16	16	16
Inventories	168	198	304	421
Trade Receivables	141	172	218	241
Cash / Bank balance	53	347	541	702
Misc. Assets	115	115	115	115
Total assets	**563**	**1,061**	**1,978**	**2,835**
Equity capital	17	36	42	46
Reserves	390	861	1,762	2,596
Borrowings	53	53	53	53
Def tax Liabilities	4	4	4	4
Other Liabilities	68	68	68	68
Provisions	3	3	3	3
Trade Payables	29	36	47	65
Capital employed	**563**	**1,061**	**1,978**	**2,835**

Source: Company, Axis Research

Cash Flow (%)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Profit before tax	123	147	223	368
Depreciation	4	7	29	45
Interest Expenses	6	5	5	5
Non-operating / EO item	(0)	-	-	-
Change in W/C	(102)	(55)	(141)	(123)
Tax paid	(26)	(37)	(56)	(92)
Operating Cash Flow	**5**	**68**	**60**	**203**
Capital Expenditure	(19)	(150)	(600)	(600)
Free cash Flow	**(14)**	**(82)**	**(540)**	**(397)**
Other Investments	(2)	-	-	-
Investing Cash Flow	**(21)**	**(150)**	**(600)**	**(600)**
Proceeds / (Repayment) of Borrowings	(41)	-	-	-
Equity Share Capital raised	1	2	6	4
Securities premium received	22	-	-	-
Money received against share warrant	90	381	737	563
Finance cost paid	(6)	(5)	(5)	(5)
Dividend paid	-	(2)	(4)	(4)
Other financing activities	0	-	-	-
Financing Cash Flow	**66**	**377**	**734**	**557**
Change in Cash	**49.8**	**294.3**	**193.8**	**160.7**
Opening Cash	0.3	50.1	344.4	538.2
Closing Cash	**50.1**	**344.4**	**538.2**	**698.9**

Source: Company, Axis Research

Raito Analysis (%)

Y/E March	FY 23A	FY 24E	FY 25E	FY 26E
Operational Ratios				
Sales growth (% YoY)	14.4%	34.7%	52.4%	38.5%
EBITDA growth (% YoY)	44.7%	19.2%	62.1%	64.1%
Op. profit growth (% YoY)	45.0%	17.3%	50.5%	65.2%
Net Profit growth (% YoY)	47.6%	21.8%	52.1%	65.2%
EBITDA Margin %	8.3%	7.4%	7.9%	9.3%
Net profit Margin %	5.8%	5.3%	5.2%	6.3%
Tax Rate %	26.5%	25.4%	25.0%	25.0%
Efficiency Ratios				
Total Asset turnover (x)	3.43	2.57	2.09	1.83
Sales/Gross block (x)	19.99	9.17	3.85	3.09
Sales/Net block(x)	23.71	10.04	4.09	3.30
Working capital/Sales (x)	0.18	0.16	0.15	0.14
Valuation Ratios				
PER (x)	17.13	44.62	33.77	22.49
P/BV (x)	3.79	5.46	3.12	2.35
EV/Ebitda (x)	10.36	27.75	17.64	12.16
EV/Sales (x)	0.86	2.05	1.39	1.13
Dividend Yield (%)	0.00	0.00	0.00	0.00
Return Ratios				
ROE	0.30	0.12	0.09	0.10
ROCE	0.28	0.16	0.12	0.14
Leverage Ratios				
Debt / equity (x)	0.13	0.06	0.03	0.02
Net debt/ Equity (x)	(0.00)	(0.33)	(0.27)	(0.25)
Net debt/Ebitda (x)	(0.00)	(1.91)	(1.96)	(1.58)

Source: Company, Axis Research

CIE AUTOMOTIVE INDIA LTD- BUOYANT INDIAN OPERATIONS & RECOVERY IN EU EXPECTED

Mahindra CIE Automotive(MCIE) – a multi-technology, multi-product automotive component supplier with a strong focus on innovation, quality, and sustainability. The company is headquartered in Mumbai (India) and has operations in over 20 countries, including Spain, Germany, Brazil, Mexico, China, and the USA. MCIE offers a wide range of products and services, including forging, casting, magnetic, aluminum, gears, composites, machining and assembly of components for engines, transmission, chassis, and other applications.

Industry view

Over Weight

CMP
441

Target Price
565

Upside
28%

Key Rationale

- **Indian operations likely to outperform underlying industry growth:** In CY24, we expect outperformance in Indian operations going ahead, which will be led by overall industry growth, demand-backed Capex (~Rs 250 Cr in CY24) and ramp-up of existing order commitments from OEMs. The management indicated improvement across segments and across customers in CY24 as well as demand-backed Capex. We expect the company to report revenue growth of 9.6% CAGR over CY23-26E in the Indian operations.
- **Europe Business – Structurally Positive with tailwinds likely to emerge in the medium term:** The management expects flat industry growth in CY24 on a YoY basis. However, CIEAUTO reports similar to slightly more growth than the industry. In Q4CY23, the management reiterated its confidence in maintaining EBITDA margins on account of lower energy prices, internal efficiencies, and higher volumes from the ramp-up of the EV business. We estimate a 5.7% CAGR revenue growth over CY23-26E in the EU business.
- **EV business:** Light-weighting and safety concerns will push the industry towards AL castings and composites which are the key focus areas for the management. The management reported that within the total new orders in CY23, electric vehicles (EVs) constitute 73% of the EU Forgings business, 51% in Metalcastello, and 15% in the Indian operation. The transition to EVs requires components with higher precision, closer tolerances and better quality, which will lead to greater opportunities in India (Bill Forge, AEL castings, and Gears division to benefit from export demand).
- **Valuation & Outlook:** We like the company's growth story driven by (a) Operational Performance and focus on building an EV product portfolio, (b) Healthy orderbook position skewed towards EVs in Europe and steady growth in Indian/Mexican operations, (c) Strong FCF generations capabilities, (d) Capacity building to meet demand from India OEMs. The growth trajectory in EU operations is expected to gradually recover from H2CY24 as per the management. Keeping these factors in view, we forecast the company to post consolidated Revenue/EBITDA/PAT CAGR of 8.2%/10.6%/15.8% over CY23-26E. We like CIEAUTO based on its strong execution capabilities and reiterate our BUY rating on the company at a 1-year Forward PE multiple of 24x on Indian operations (aided by overall industry growth and demand-backed capacity expansions) and 10x on moderate European operational earnings for CY25 EPS. Based on this, we arrive at our SOTP-based TP of Rs 565/share.
- **Key risks:** a) Higher Interest rate, b) Business skewed towards ICE vehicles

Key Financials (Standalone)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
CY23E	9.280	1,424	798	21	22.4	17.6	13.3%	7.5
CY24E	9,954	1,568	953	25.1	17.5	18.5%	13.9%	5.6
CY25E	10,777	1,757	1103	29.1	15.2	18.8%	14.0%	4.4
CY26E	11,750	1,927	1,237	32.6	13.5	18.5%	13.8%	3.6

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	CY23	CY24E	CY25E	CY26E
Net sales	**9,280**	**9,954**	**10,777**	**11,750**
Raw materials	(4,911)	(5,201)	(5,572)	(6,063)
Staff costs	(994)	(1,095)	(1,186)	(1,292)
Other expenses	(1,951)	(2,090)	(2,263)	(2,467)
Total expenses	**(7,856)**	**(8,386)**	**(9,021)**	**(9,823)**
EBITDA	**1,424**	**1,568**	**1,757**	**1,927**
Depreciation	(322)	(339)	(354)	(357)
EBIT	**1,102**	**1,229**	**1,403**	**1,570**
Other income	82	114	114	108
Interest expense	(107)	(57)	(26)	(5)
Share of Profit/loss from associates	(0)	(0)	(0)	(0)
Exceptional (expenses)/income	-	-	-	-
Profit before tax	**1,076**	**1,285**	**1,490**	**1,672**
Tax expense	(278)	(332)	(387)	(435)
Adjusted PAT	798	953	1,103	1,237
Reported PAT	**798**	**953**	**1,103**	**1,237**
No. of shares	37.9	37.9	37.9	37.9
Reported EPS (Rs/share)	21.0	25.1	29.1	32.6

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	CY23	CY24E	CY25E	CY26E
Equity Share Capital	379	379	379	379
Reserves and Surplus	5,609	6,467	7,475	8,617
Total Shareholders Funds	**5,988**	**6,846**	**7,854**	**8,996**
NON-CURRENT LIABILITIES				
Long Term Borrowings	101	71	41	12
Long Term Finance/Lease Liabilities	34	34	34	34
Long Term Provisions	101	101	101	101
Defered Tax Liabilities	333	333	333	333
Other LT liabilities	103	103	103	103
Total Non-Current Liabilities	**671**	**641**	**611**	**582**
CURRENT LIABILITIES				
Short Term Borrowings	702	502	252	52
Short Term Lease Liabilities	19	19	19	19
Trade Payables	1,934	2,427	2,603	2,409
Other Financial Liabilities	57	57	57	57
Other Current Liabilities	279	279	279	279
Short Term Provisions	52	52	52	52
Current Tax Liabilities	60	60	60	60
Disposal group	-	-	-	-
Total Current Liabilities	**3,103**	**3,395**	**3,321**	**2,927**
Total Capital And Liabilities	**9,762**	**10,883**	**11,787**	**12,506**

Cash Flow (Rs Cr)

Y/E Mar	CY22A	CY23E	CY24E	CY25E
Cash flows from operating activities				
Profit before tax for the year	**1,076**	**1,285**	**1,490**	**1,672**
Finance costs	107	57	26	5
Depreciation and amortisation	322	339	354	357
Others	266			
Cash Flow From operation before changes in WC	1,772	1,681	1,870	2,034
Change in operating assets and liabilities:	**(389)**	**(505)**	**(419)**	**(870)**
Net cash generated by operating activities	**1,383**	**1,177**	**1,452**	**1,164**
Cash flows from investing activities				
Payments for PPE & IA	(530)	(300)	(300)	(300)
Others	(379)			
Net cash (used in)/generated by investing activities	(910)	(300)	(300)	(300)
Cash flows from financing activities				
Dividends Paid	(95)	(95)	(95)	(95)
Net Proceeds/(Repayment) of LT borrowings	18	(30)	(30)	(29)
Net Proceeds/(Repayment) of ST borrowings	(248)	(200)	(250)	(200)
Interest paid	(104)	(57)	(26)	(5)
Net cash used in financing activities	(427)	(382)	(401)	(329)
Net increase/(decrease) in CCE	46	495	751	536
Opening Cash and cash equivalents	158	210	704	1,455
Effects of exchange rate changes	5	-	-	-
Closing Cash and cash equivalents	210	704	1,455	1,990

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	CY22A	CY23E	CY24E	CY25E
Operational Ratios				
Sales growth (% YoY)	6.0%	7.3%	8.3%	9.0%
EBITDA growth (% YoY)	21.5%	10.1%	12.1%	9.7%
Net Profit growth (% YoY)	12.1%	19.5%	15.7%	12.2%
EBITDA Margin %	15.3%	15.8%	16.3%	16.4%
Net profit Margin %	8.6%	9.6%	10.2%	10.5%
Efficiency Ratios				
Total Asset Turnover (x)	0.94	0.96	0.95	0.97
Sales/Gross block (x)	1.76	1.74	1.78	1.85
Sales/Net block(x)	3.4	3.6	4.1	4.6
Valuation Ratios				
PER (x)	22	18	15	14
P/BV (x)	3	2	2	2
EV/Ebitda (x)	7.5	5.6	4.4	3.6
Return Ratios				
ROE	13.3%	13.9%	14.0%	13.8%
ROCE	17.6%	18.5%	18.8%	18.5%
ROIC	18.21%	17.57%	17.58%	17.23%
Leverage Ratios				
Debt / equity (x)	0.18	0.12	0.07	0.04
Net debt/ Equity (x)	0.10	0.00	0.00	0.00
Interest Coverage ratio (x)	10.26	21.43	53.14	304.06

Source: Company, Axis Research

WESTLIFE FOODWORLD LTD – WELL-PLACED TO GROW

WestlifeFoodworld Ltd (WFL), through its 100% subsidiary - Hardcastle Restaurants Pvt Ltd (HRPL) owns and operates McDonald's restaurants in West and South India. McDonald's operates in various formats that include standalone restaurants, delivery, drive-thru's, and On the Go. It also has four brand extensions – McCafe, McBreakfast, McDelivery, and Dessert Kiosks. As on Sep-23, WFL operates 370 McDonald's restaurants across west and south India.

Industry view

Overweight

CMP
749

Target Price
930

Upside
24%

Key Rationale

- **Q3FY24 results, market share gain:** Revenue de-grew 2% YoY, while SSSG declined 9%, owing to weak consumer demand, high base and external challenges which were beyond company's control mainly floods in Chennai. Adjusting for that, SSSG declined 3%. The management highlighted the weakness is bottomed out and shall see some improvement in coming quarters.
- **Multi-year growth tailwinds in the QSR space –** QSR (Quick Service Restaurant) segment comprises 22% of the organised foodservice market and is expected to grow at 23% CAGR over FY20-25E, outpacing all other chain food segments on account of 1) Younger demographics of the country, 2) Increasing participation of women workforce, and 3) Shutdown of over 25% of the restaurants after the pandemic, which in turn, will lead to faster market share gains, and 4) New players entering in the QSR turf which would further expand the market opportunity.
- **WLDL well-placed to capture QSR opportunity:** The company is well-placed to capitalize on the growing QSR opportunity on account of a) Driving consistent growth in the SSSG and keeping the innovation funnel on, b) Launching new products that suit the Indian taste palate, c) Entering and quickly scaling up the growing QSR categories – Fried chicken and coffee, d) Pushing affordability through combo meals, and, e) Driving premiumisation through launching premium products to increase overall ticket size (from current Rs 200-250). Moreover, the company continues its sharp focus on driving convenience format – delivery, drive thru's and On The Go format to mitigate the future risk of dine-in while simultaneously providing customers with more touch points that will improve the overall consumer experience.
- **Large headroom for expansion**: WFL has 370 stores currently and plans to reach 580-630 stores by 2027, implying an addition of 40-45 stores annually. Its 70-80% of stores are present in metros and tier 1 cities, implying significant headroom for further expansion into smaller cities/towns.
- **Outlook:** We maintain our positive outlook on WLDL. Our confidence in the company's bright future prospects is supported by its strong execution track record of Revenue/EBITDA growth of 17%/51% over FY16-20, which was driven by new product launches and cost rationalization programs (100-200bps cost reduction every year). We expect the company to deliver healthy Revenue/EBITDA growth of 28%/43% CAGR over FY22-25E (Post Ind. AS) led by above growth tailwinds.

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	2,259	374	112	7.2	NA	19.7	28.4	31.2
FY24E	2,473	386	98	6.3	118.6	16.1	25.1	30.2
FY25E	2,932	471	136	8.7	85.6	19.1	28.6	24.6
FY26E	3,472	573	185	11.9	62.9	21.8	31.2	20.0

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar, Rs Cr	FY23	FY24E	FY25E	FY26E
Net sales	**2,259**	**2,473**	**2,932**	**3,472**
Growth, %	45	9	19	18
Raw material expenses	(686)	(737)	(870)	(1,031)
Employee expenses	(311)	(348)	(410)	(488)
Rent	-	-	-	-
Other Operating expenses	(908)	(1,021)	(1,201)	(1,403)
EBITDA (Core)	**374**	**386**	**471**	**573**
Growth, %	98	3	22	22
Margin, %	17	16	16	17
Depreciation	(152)	(175)	(201)	(227)
EBIT	**222**	**211**	**271**	**346**
Growth, %	320	(5)	28	28
Margin, %	10	9	9	10
Other Non-Operating Income	20	22	23	24
Pre-tax profit	**149**	**131**	**181**	**247**
Tax provided	(38)	(33)	(45)	(62)
Net Profit	**112**	**98**	**136**	**185**
Growth, %	(6,800)	(12)	39	36
Unadj. shares (Cr)	16	16	16	16

Source: Company, Axis Research

Balance Sheet (Rs Cr)

As at 31st Mar, Rs Cr	FY23	FY24E	FY25E	FY26E
Cash & bank	158	158	235	378
Debtors	11	12	14	16
Inventory	71	78	93	110
Loans & advances	99	99	99	99
Other current assets	6	6	6	6
Total current assets	345	353	446	609
Investments	-	-	-	-
Gross fixed assets	1,945	2,350	2,694	3,049
Less: Depreciation	(322)	(577)	(767)	(994)
Add: Capital WIP	57	57	57	57
Net fixed assets	1,680	1,830	1,984	2,112
Total assets	**2,099**	**2,257**	**2,504**	**2,795**
Current liabilities	13,260	14,404	15,859	17,380
Provisions	-	-	-	-
Total current liabilities	13,260	14,404	15,859	17,380
Total liabilities	1,533	1,647	1,793	1,945
Paid-up capital	31	31	31	31
Reserves & surplus	535	578	680	819
Shareholders' equity	566	610	712	850
Total equity & liabilities	**2,099**	**2,257**	**2,504**	**2,795**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar (Rs Cr)	FY23	FY24E	FY25E	FY26E
Pre-tax profit	149	131	181	247
Depreciation	152	175	201	227
Chg in working capital	165	107	129	133
Total tax paid	(46)	(33)	(45)	(62)
Cash flow from operating activities	**420**	**380**	**466**	**545**
Capital expenditure	(434)	(325)	(355)	(355)
Chg in investments	-	-	-	-
Cash flow from investing activities	**(434)**	**(325)**	**(355)**	**(355)**
Free cash flow	(14)	54	111	190
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	**(3)**	**(0)**	**0**	**0**
Net chg in cash	(16)	54	111	190
Opening cash balance	174	158	158	235
Closing cash balance	158	158	235	378

Source: Company, Axis Research

Ratio Analysis (%)

Y/E Mar	FY23	FY24E	FY25E	FY26E
EPS (INR)	7.2	6.3	8.7	11.9
Growth, %	(6,800.3)	(12.1)	38.6	36.1
Book NAV/share (INR)	36.4	39.2	45.7	54.7
FDEPS (INR)	7.2	6.3	8.7	11.9
CEPS (INR)	17.0	17.6	21.7	26.5
CFPS (INR)	25.7	23.0	28.5	33.5
DPS (INR)	-	-	-	-
Return ratios				
Return on assets (%)	10.5	9.2	10.4	11.6
Return on equity (%)	19.7	16.1	19.1	21.8
Return on capital employed (%)	28.4	25.1	28.6	31.2
Turnover ratios				
Asset turnover (x)	4.7	4.4	4.9	5.7
Sales/Total assets (x)	1.2	1.1	1.2	1.3
Sales/Net FA (x)	1.5	1.4	1.5	1.7
Working capital/Sales (x)	(0.5)	(0.5)	(0.5)	(0.4)
Receivable days	1.7	1.7	1.7	1.7
Inventory days	11.5	11.5	11.5	11.5
Payable days	36.0	35.6	35.8	36.0
Liquidity ratios				
Current ratio (x)	0.3	0.2	0.3	0.4
Quick ratio (x)	0.2	0.2	0.2	0.3
Valuation				
PER (x)	104	119	86	63
PEG (x) - y-o-y growth	(0.0)	(9.8)	2.2	1.7
Price/Book (x)	20.6	19.1	16.4	13.7
EV/Net sales (x)	5.2	4.7	4.0	3.3
EV/EBITDA (x)	31.2	30.2	24.6	20.0
EV/EBIT (x)	52.7	55.3	42.9	33.1

Source: Company, Axis Research

PNC Infratech Limited– Robust order book & Diversification to drive growth

PNC Infratech Limited was incorporated on August 09, 1999, as PNC Construction Company Private Limited. It has played a crucial role in India's infrastructural growth, particularly in the Highway and Airport sectors. The company was converted into a limited company in 2001 and was renamed PNC Infratech limited in 2007. Over the past 20 years, PNC Infratech has emerged as one of the most efficient players across several infra-segments such as roads and highways, bridges, and airport runways. Today, it is one of the leading highway development, construction and management companies in the country.

Industry view

CMP
427

Target Price
510

Upside
19%

Key Rationale

- **Robust & Diversified Order Book:** As of Sept'23-end, PNCIL's order stands robust at Rs.17,380 Cr (2.5x of FY23 revenue) and comprises of road projects both EPC and HAM and also Water projects. The company's order book is comprised of road projects commanding 60% share and the balance 40% is contributed by water and other projects The order book gives revenue visibility for the next 2-3 years. We expect the company to deliver healthy revenue growth of 11% CAGR over FY23-26E. Further HAM asset monetization will release capital for future growth.
- **Established track record:** PNCIL is one of the leading EPC contractors in India having a demonstrated project execution experience of more than three decades. Leveraging this, it has efficiently and timely delivered complex and prestigious projects including highways, bridges, flyovers, power transmission lines, airport runways, and development of industrial areas, amongst other. Factoring in better order inflows, we expect the company to maintain its margin profile between 13%-14% over FY23-25E
- **Favourable Industry tailwind:** In the 2024-25 interim Union Budget, capex has been increased by 11% in the Road sector providing greater opportunities for companies like PNCIL. With a strong bid pipeline of over Rs 1,80,,000 Cr, the management expects an order inflow of Rs8,000 Cr in FY24.

Key Rationale

- **Outlook:** The Road sector is witnessing encouraging development owing to increased government thrust on infrastructure investment. Furthermore, diversification into Railways augurs well for the company implying lower dependence on road projects. The company reported good operating performance in Q3FY24 with Revenue/EBITDA/PAT growth of 11%/15%/17% which were broadly in line with estimates. Considering strong and diversified order book position, healthy bidding pipeline, new order inflows, emerging opportunities in the construction space, the company's efficient and timely execution and strong financial credence, we expect PNCIL to report Revenue/EBITDA/APAT CAGR of 11%/11%/12% respectively over FY23-FY26E..
- **Valuation:** Stock is currently trading at 15x and 13x FY25E/FY26E EPS. We recommend a BUY rating on the company and value the stock at 12x FY26 EPS and HAM portfolio at 1x book value to arrive at a target price of Rs 510/share, implying an upside potential of 19% from CMP.
- **Key risks:** a) Delay in getting Appointed date for new HAM projects; b) Lower Order inflow than expected c) Delay in HAM asset monetization.

Key Financials

Y/E Mar (Rs Cr)	NetSales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
2023	7,061	954	611	24	18	12	17	20
2024E	7,768	1037	697	27	16	10	16	20
2025E	8,700	1165	750	29	15	9	15	19
2026E	9,744	1,296	845	33	13	8	14	18

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Net sales	**7,061**	**7,768**	**8,700**	**9,744**
Other operating inc.	0	0	0	0
Total income	7,061	7,768	8,700	9,744
Cost of goods sold	5,262	5,793	6,473	7,240
Contribution (%)	*25.5%*	*25.4%*	*25.6%*	*25.7%*
Operating Profit	845	937	1,061	1,208
Depreciation	**954**	**1,038**	**1,166**	**1,296**
Interest & Fin Chg.	38	30	44	49
E/o income / (Expense)	**992**	**1,067**	**1,209**	**1,345**
Pre-tax profit	110	102	115	123
Tax provision	64	72	80	80
(-) Minority Interests	**818**	**894**	**1,014**	**1,142**
Associates	207	241	264	297
Adjusted PAT	611	**653**	**750**	**845**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Total assets	**6,070**	**6,784**	**7,663**	**8,649**
Net Block	525	498	483	450
CWIP	9	9	9	9
Investments	0	0	0	0
Wkg. cap. (excl cash)	1035	1435	1685	2135
Cash / Bank balance	1991	1993	2232	2501
Misc. Assets	373	432	533	502
	2137	2416	2720	3053
Capital employed				
Equity capital	**6,070**	**6,784**	**7,663**	**8,649**
Reserves	51	51	51	51
Pref. Share Capital	3890	4588	5338	6183
Minority Interests	0	0	0	0
Borrowings	450	450	450	450
Def tax Liabilities	1679	1695	1823	1965

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
PBT	818	938	1014	1142
Depreciation	110	102	115	123
Interest Expense	64	72	80	80
Changes in Working Capital	-935	-33	-280	-322
Others	6	-30	-44	-49
Tax Paid	-217	-241	-264	-297
Net Cash from Operations	(153)	808	622	677
Capex	-62	-75	-100	-90
Investment	-163	-600	-350	-550
Others	112	30	44	49
Net Cash from Investing	(114)	(645)	(406)	(591)
Borrowings	-83	0	0	0
Interest Expense	-64	-72	-80	-80
Dividend paid	-13	0	0	0
Others	312	-33	-34	-36
Net Cash from Financing	153	(104)	(114)	(116)
Net Change in Cash	(114)	59	101	(31)
Opening cash	407	293	351	452
Closing cash	293	351	452	422

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY23	FY24E	FY25E	FY26E
Sales Growth	12%	10%	12%	12%
Ebitda Growth	21%	9%	12%	11%
PAT Growth	37%	14%	8%	13%
PROFITABILITY RATIOS				
EBITDA Margin	13.5%	13.4%	13.4%	13.3%
Adjusted net margin	8.7%	9.0%	8.6%	8.7%
EFFICIENCY RATIOS (x)				
Capital Turnover	1.79	1.67	1.61	1.56
Total Asset Turnover	1.52	1.45	1.42	1.39
Fixed Asset Turnover	13.4	15.6	18.0	21.7
Debtor days	99	85	85	85
Inventory days	46	45	45	45
Payable days	41	35	35	35
Cash Conversion Cycle (days)	104	95	95	95
Leverage ratios				
Debt to equity	0.06	0.05	0.04	0.04
Net debt to equity	0.02	0.01	-0.01	0.00
Interest coverage	15	15	15	16
PER SHARE DATA				
Diluted EPS (Rs)	23.8	27.2	29.2	32.9
Book value per share (Rs)	154	181	210	243
DPS (Rs)	0.5	0.0	0.0	0.0

Source: Company, Axis Research

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