TOP PICKS

May 2025

AXIS SECURITIES

Domestic Economy Shows Resilience; Macro Remains Watchful

The Axis Top Picks Basket delivered a return of 3.2% in Apr’25 against the 3.5% return posted by the Nifty 50, thereby underperforming the Nifty 50 by a slight margin. Over the last one year, the basket has gained 6.8%. Moreover, it gives us immense joy to share that our Top Picks Basket has delivered an impressive return of 310% since its inception (May’20), which stands well above the 163% return delivered by the NIFTY 50 index over the same period.

Domestic concerns addressed; Macroeconomic developments remain a key monitorable: FY26 started with the broad range of twists and turns in the global equity markets led by tariffs imposed by the Trump administration during the first week of Apr’25. The imposition of trade tariffs by the US government on almost all its trading partners has created uncertainty in the global economy, as they are inflationary. These are expected to pose challenges for the US FED in its upcoming policy decisions. The evolution of the ecosystem needs to be closely monitored over the near term. These developments are negative for global growth, and disruptions in the global supply chain could escalate recessionary risks in the US market. Later on, the 90-day pause on the new US reciprocal tariffs provided temporary relief, but it has not eliminated the uncertainty. The 10% uniform tariffs are still in effect, and retaliation from China suggests we are far from a resolution. While India may not be directly impacted, we are seeing ripple effects. Consequently, the second round of impact, driven by the progress in bilateral trade agreements, must be closely monitored in the coming months.

Indian market outperformed in the last one month: Although the challenges for the global economy have increased manifold, Indian equity markets have outperformed the global markets by a significant margin in the last one month. We see several structural reasons for the strong performance, indicating a stronger FY26 than FY25. These are 1) A 50bps CRR cut by the RBI in Dec’24, 2) Consumption boost in the Union Budget, 3) Two rounds of 25bps Rate cuts by the RBI, and 4) Improved liquidity measures by the RBI. These events indicate better days ahead in FY26, with improved credit growth and overall consumption improvements. With all these developments, our benchmark index Nifty-50 went up by 3.5% in the last one month, and the broader market indices, including mid and smallcaps, went up by 4.7% and 1.7% respectively over the same period.

We still believe that at the current juncture, the macroeconomic risks like 1) Trade policy uncertainty related to US and China, 2) Global growth rate (As the US economy saw a contraction in first quarter), 3) The direction of the US 10-year bond yields, 4) The dollar index, and 5) The current geopolitical tension between Indian and neighbouring country will continue to challenge the market direction and market multiple in near term. Keeping this in mind, we believe the market needs to sail through another couple of months smoothly before entering into a concrete direction of growth. As a result, we expect near-term consolidation in the market, with breadth likely to remain narrow in the immediate term. Hence, our focus will remain on style and sector rotation along with earnings recovery. Going forward, we continue to believe that the positioning in the Indian market will likely be divided between the domestic-facing and export-facing sectors. We further believe that at the current juncture, the risk-reward balance favours domestic-facing sectors due to the nil to low impact of the reciprocal tax. Export-oriented sectors will be in a wait-and-watch mode, and the impact and development related to the reciprocal tax will be closely tracked.

The valuations appear attractive for the Largecaps vs. the broader market, where the margin of safety is still missing. Against this backdrop, we believe that the Largecap stocks, ‘quality’ stocks, monopolies, market leaders in their respective domains, and domestically-focused sectors and stocks may outperform the market in the near term. Based on the current developments, we 1) Continue to like and overweight Largecap private banks, Telecom, Consumption, Hospitals, and Interest-rate proxies, 2) Are upgrading certain play in retail consumption and FMCG based on the expectation of the recovery in FY26, 3) Prefer certain capex-oriented plays that look attractive at the current juncture following the recent price correction and growth visibility in the domestic market for FY26, 4) Continue to maintain our underweight stance in the IT sector, as we foresee a slowdown in overall IT spending in the US market, and a probable delay in discretionary spending which may pose a downgrade risk in upcoming quarters.

Based on the recent developments, we have made multiple changes to our Top Picks recommendations. This includes the removal of Cholamandalam Investment, Trent, and Indian Hotels, and the addition of Shriram Finance (reasonable valuation after the recent correction), Avenue Supermarts (Expectation of healthier recovery in Value Retail in the second half), and Colgate (Valuation comfort play in FMCG). Our modifications reflect the changing market style and a slight shift towards consumption and domestically oriented play.

Our Key Themes

Key Monitorables in FY26: Most significant events are now behind us, with the majority of negative concerns regarding earnings already factored into the price.

Hereon, the market will closely monitor the global developments around the following events: 1) Developments in the US government's policies, 2) Developments in the reciprocal tax, 3) Further rate cuts by the US FED in 2025 based on the growth and inflation dynamics, and 4) The direction of currency and oil prices in the remaining part of 2025.

On the domestic front, a series of domestic events suggests better days ahead in FY26 than FY25. These events are 1) A 50bps CRR cut by the RBI in Dec'24, 2) Consumption boost in the Union Budget, 3) Two rounds of 25bps Rate cuts by the RBI, and 4) Improved liquidity measures by the RBI. These events indicate better days ahead in FY26, with improved credit growth and overall consumption improvements. These developments suggest a revival of economic momentum for FY26 compared to FY25, which would remain the primary driver of earnings growth for Indian corporates moving ahead. However, in the near term, macroeconomic risks such as trade policy uncertainty, relatively expensive valuations even after the correction, and the absence of a positive trigger will continue to challenge market direction. Once we approach Q1FY26, the base effect will come into play (last year's base is low due to the election quarter), and the market will likely look for the earnings trajectory of FY26.

We Maintain our Dec'25 Nifty Target at 24,600

Base case: We believe the Indian economy remains well-positioned for growth, serving as a stable haven amidst global economic volatility. We remain confident in India's long-term growth story, supported by its favourable economic structure, rising Capex, and the consumption boost from the recent Union Budget, which is expected to drive higher credit growth for banks. This is expected to support double-digit earnings growth, ensuring that Indian equities can deliver strong double-digit returns over the next 2-3 years. Against this backdrop, we foresee Nifty earnings to post excellent growth of 14% CAGR over FY23-27. Financials will remain the biggest contributors for FY25/26 earnings. However, trade policy uncertainty, rupee depreciation, and relatively higher valuations compared to other emerging markets, even after the correction, remain key risks to near-term market multiples. Based on these factors, we maintain our base case Dec'25 Nifty target at 24,600 by valuing it at 19x on Dec'26 earnings.

The current level of India's VIX is below its long-term average, indicating that the market is currently in a neutral zone (neither panic nor exuberance). While the medium to long-term outlook for the overall market remains positive, we may experience volatility in the short term. 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.

Bull Case: In the bull case, **we value NIFTY at 21x, translating into a Dec'25 target of 27,000.** Our bull case assumption is based on the Goldilocks scenario, which assumes an overall reduction in volatility and a successful soft landing in the US market. The market is keenly watching the global growth scenario in 2025 under Trump's presidency. Furthermore, private Capex, which has been sluggish for the last several years, is expected to receive a much-needed boost in the upcoming years, with the expectation of policy continuity. Backed by expectations of political stability, policy continuity, fiscal prudence, an improving private Capex cycle, rural revival, and a soft landing in the US market, Nifty earnings are likely to grow at 17-18% over FY23-27. This would augur well for capital inflows into emerging markets (EMs) and increase the market multiples in the domestic market.

Bear Case: In the bear case, we value NIFTY at 17x, translating into a Dec'25 target of 22,000. We assume the market will trade at above-average valuations, led by the likelihood of a policy shift in the Trump regime. Moreover, we presume that inflation will continue to pose challenges in the developed world. Currently, the global market has not seen such levels of interest rates in the past. Hence, the chances of going wrong have increased significantly. Nonetheless, the direction of currency, oil prices, and global trade developments will likely put pressure on export-oriented growth in 2025. Moreover, the probability of recession has significantly increased after the imposition of Trump tariffs. These developments will likely bring down the market multiple in the near term.

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

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Axis Securities Top Picks

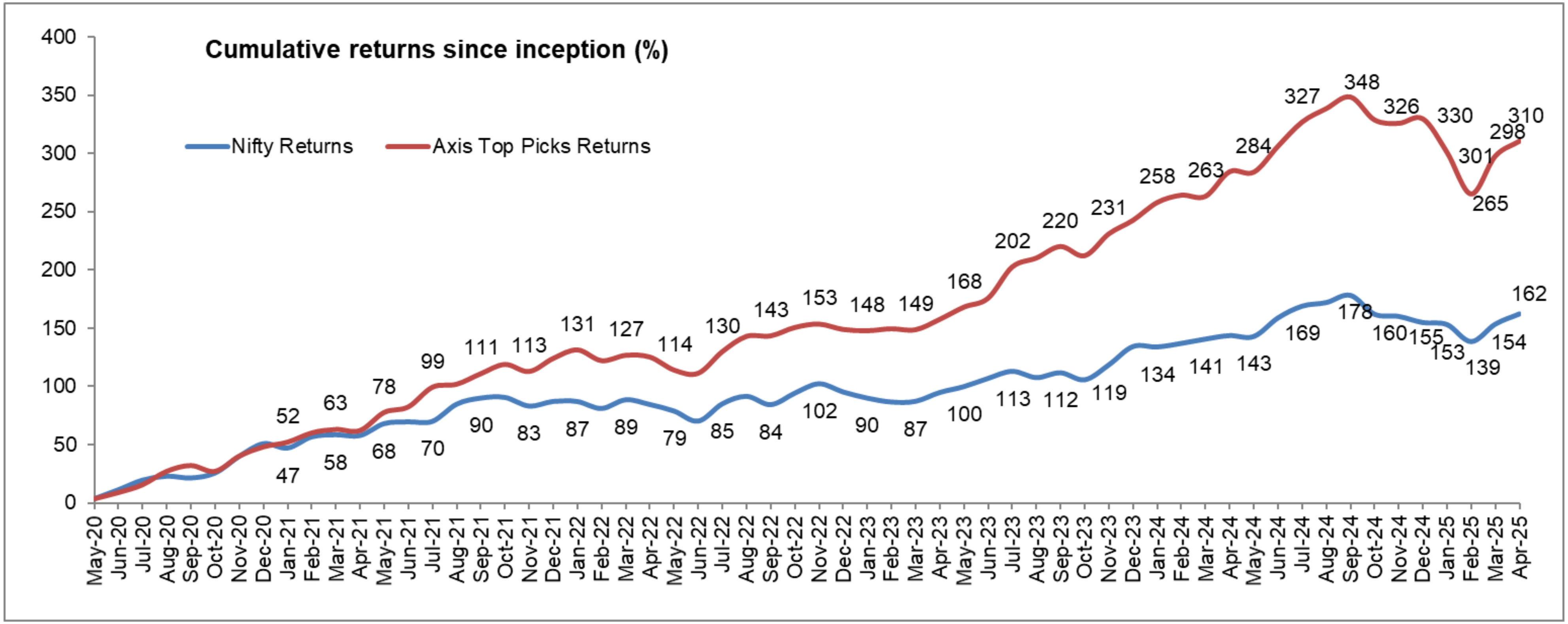
Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M%	TR 3M%	TR 6M%	TR YTD%
Large Cap	ICICI Bank Ltd	Financials	1,427	1,650	16%	19.2	2.8	0.8	8.2	13.7	10.5	11.3
Large Cap	State Bank of India Ltd	Financials	789	1,025	30%	9.6	1.6	1.7	2.2	3.0	-4.0	-0.8
Large Cap	Varun Beverages Ltd	Consumer Staples	522	650	24%	52.7	9.1	0.1	-3.0	-6.9	-14.1	-18.1
Large Cap	HDFC Bank Ltd.	Financials	1,925	2,250	17%	19.7	2.7	1.1	8.9	13.8	10.8	8.6
Large Cap	Bharti Airtel Ltd	Communication Services	1,865	2,200	18%	49.2	10.0	0.4	8.1	14.9	15.3	17.4
Large Cap	Shriram Finance Ltd.	Financials	612	790	29%	11.5	1.7	1.3	-4.0	15.0	-1.8	6.3
Large Cap	Hero MotoCorp Ltd.	Consumer Discretionary	3,827	5,285	38%	16.3	3.9	3.7	1.7	-10.9	-21.9	-5.7
Large Cap	Avenue Supermarts Ltd.	Consumer Staples	4,200	4,770	14%	92.8	12.6	NA	4.9	4.4	5.0	17.9
Mid Cap	Lupin Ltd	Health Care	2,096	2,500	19%	29.6	5.6	0.4	7.2	1.9	-4.6	-11.0
Mid Cap	Max Healthcare Institute Ltd.	Health Care	1,098	1,315	20%	75.1	10.2	0.1	1.3	-0.9	9.0	-2.7
Mid Cap	Colgate-Palmolive (India) Ltd.	Consumer Staples	2,587	2,950	14%	49.2	36.7	1.9	10.1	-10.7	-14.9	-3.5
Mid Cap	Dalmia Bharat Ltd	Materials	1,943	2,180	12%	34.7	2.0	0.5	8.7	6.3	5.7	9.9
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,375	1,820	32%	65.0	3.5	0.1	20.9	-4.0	-16.1	-18.8
Mid Cap	APL Apollo Tubes Ltd.	Materials	1,620	1,800	11%	62.5	10.9	0.3	5.9	7.5	5.1	3.3
Small Cap	Kalpataru Projects International Ltd.	Industrials	972	1,350	39%	24.9	2.5	0.8	-1.1	-5.5	-24.9	-25.1

Source: Company, Axis Securities, CMP as of 30th April 2025

Top Picks Performance

Axis Top Picks Performance							
	1M	3M	6M	1Y	3Y*	4Y*	Since Inception
Axis Top Picks Returns	3.2%	2.4%	-4.3%	6.8%	22.2%	26.2%	310.4%
Nifty Returns	3.5%	3.6%	0.1%	7.7%	12.5%	13.6%	162.5%
Alpha	**-0.3%**	**-1.2%**	**-4.4%**	**-0.8%**	**9.7%**	**12.6%**	**147.9%**

*CAGR Return



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

Multi-Asset Scorecard

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

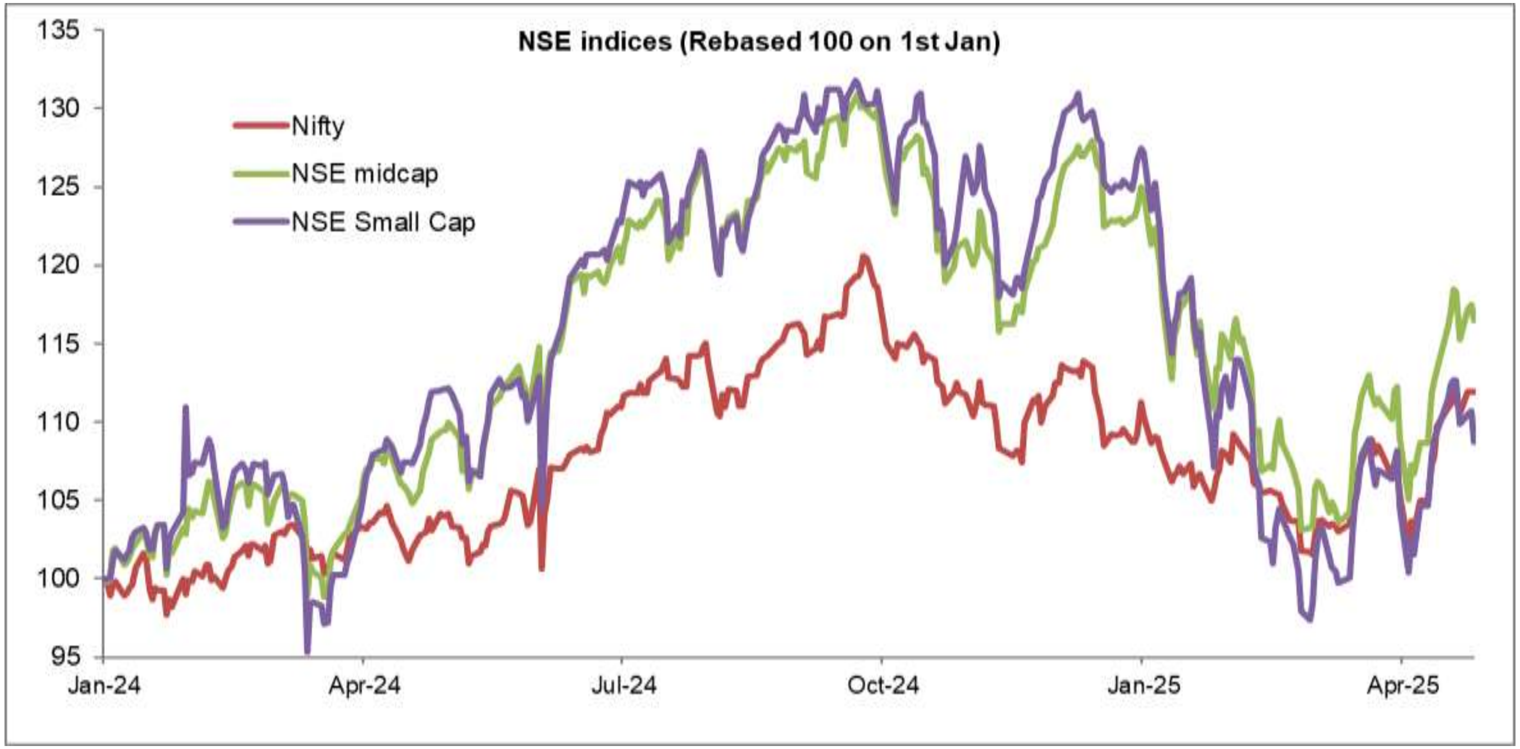
Rank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 (YTD)
1	MCX Gold: 32%	Mid Cap: 39%	S&P 500: 30%	Mid Cap: 56%	Crisil Comp Bond: 9%	Crisil comp Bond: 13%	SmallCap: 57%	MCX Gold: 8%	S&P 500: 29%	MCX Gold: 28%	SmallCap: 59%	MCX Gold: 14.3%	SmallCap: 55.6%	SmallCap: 23.9%	MCX Gold: 23.4%
2	Crisil comp Bond: 7%	SmallCap: 37%	Nifty 50: 7%	SmallCap: 55%	SmallCap: 7%	EM Index: 10%	Mid Cap: 47%	Crisil comp Bond: 6%	MCX Gold: 25%	Mid Cap: 22%	Mid Cap: 46%	Nifty 50: 4.3%	Midcap: 46.6%	Midcap: 23.8%	NSE G Sec composite: 5.1%
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	S&P 500: 23.8%	Nifty 50: 2.9%
4	EM Index: -21%	EM Index: 14%	Mid Cap: -5%	Crisil comp Bond: 14%	S&P 500: -1%	S&P 500: 10%	Nifty 50: 29%	S&P 500: -6%	Nifty 50: 12%	S&P 500: 16%	Nifty 50: 24%	BSE Bond index: 2.9%	Nifty 50: 20%	MCX Gold: 20.9%	EM Index: 2.2%
5	Nifty 50: -25%	S&P 500: 13%	EM Index: -6%	S&P 500: 11%	Nifty 50: -4%	Mid Cap: 7%	S&P 500: 19%	Mid Cap: -15%	Crisil comp Bond: 11%	Nifty 50: 15%	Crisil comp Bond: 2%	SmallCap: -13.8%	MCX Gold: 14.9%	NSE G Sec composite: 9.9%	S&P 500: -5.3%
6	Mid Cap: -31%	MCX Gold: 12%	MCX Gold: -8%	EM Index: -1%	MCX Gold: -7%	Nifty 50: 3%	MCX Gold: 6%	EM Index: -16%	Mid Cap: -4%	EM Index: 13%	EM Index: -2%	S&P 500: -19.2%	BSE Bond index: 7.9%	EM Index: 9.5%	Midcap: -5.4%
7	SmallCap: -34%	Crisil comp Bond: 9%	SmallCap: -8%	MCX Gold: -6%	EM Index: -18%	SmallCap: 2%	Crisil comp Bond: 5%	SmallCap: -29%	SmallCap: -10%	Crisil comp Bond: 12%	MCX Gold: -4%	EM Index: -19.6%	EM Index: 5.7%	Nifty 50: 8.8%	SmallCap: -12.4%

Source: Bloomberg, Axis Securities

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

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

After witnessing a correction of 16% from the top, the market rebounded by 10% in Apr’25. The broader market indices, Mid and Smallcap, which had corrected by 21% and 25%, respectively, also rebounded by 13%/11% respectively.



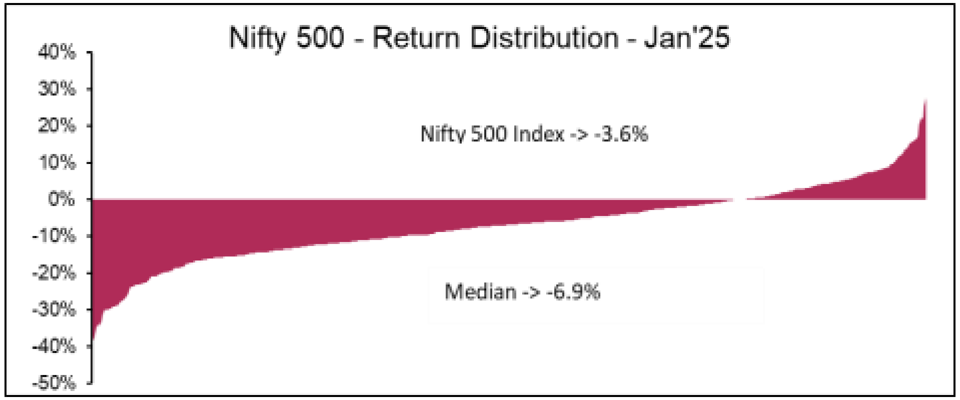
Correction from peak (26th Sep’24) till 28th Feb’25

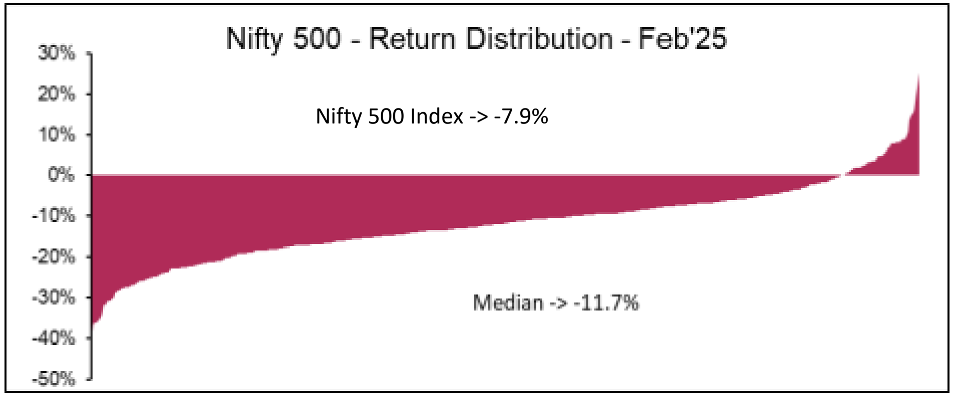
Nifty 50: 16%
NSE Mid Cap 100: 21%
NSE Small Cap 250: 25%

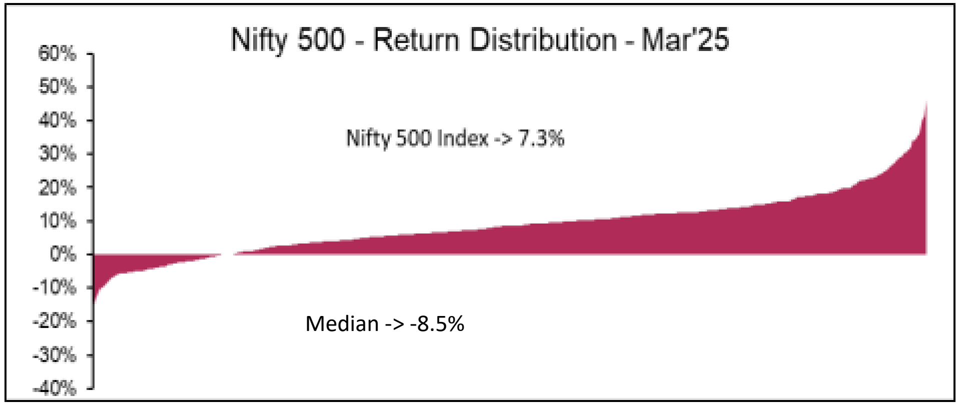
Source: Bloomberg, Axis Securities

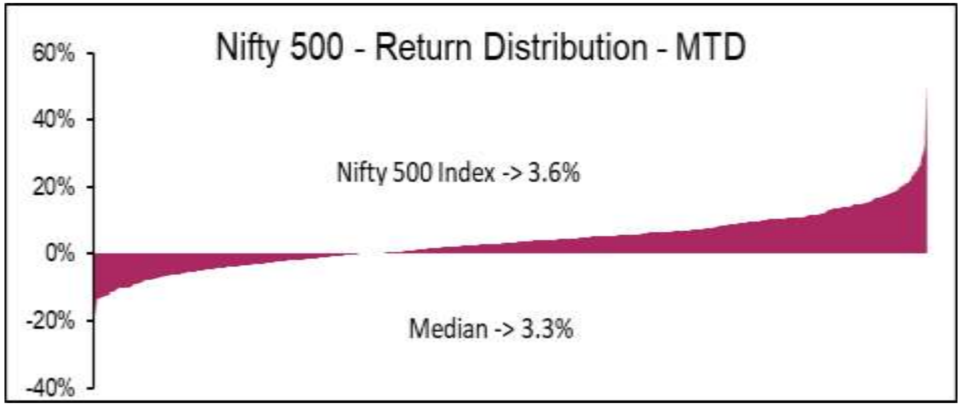
Market breadth has improved significantly in the last two months

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





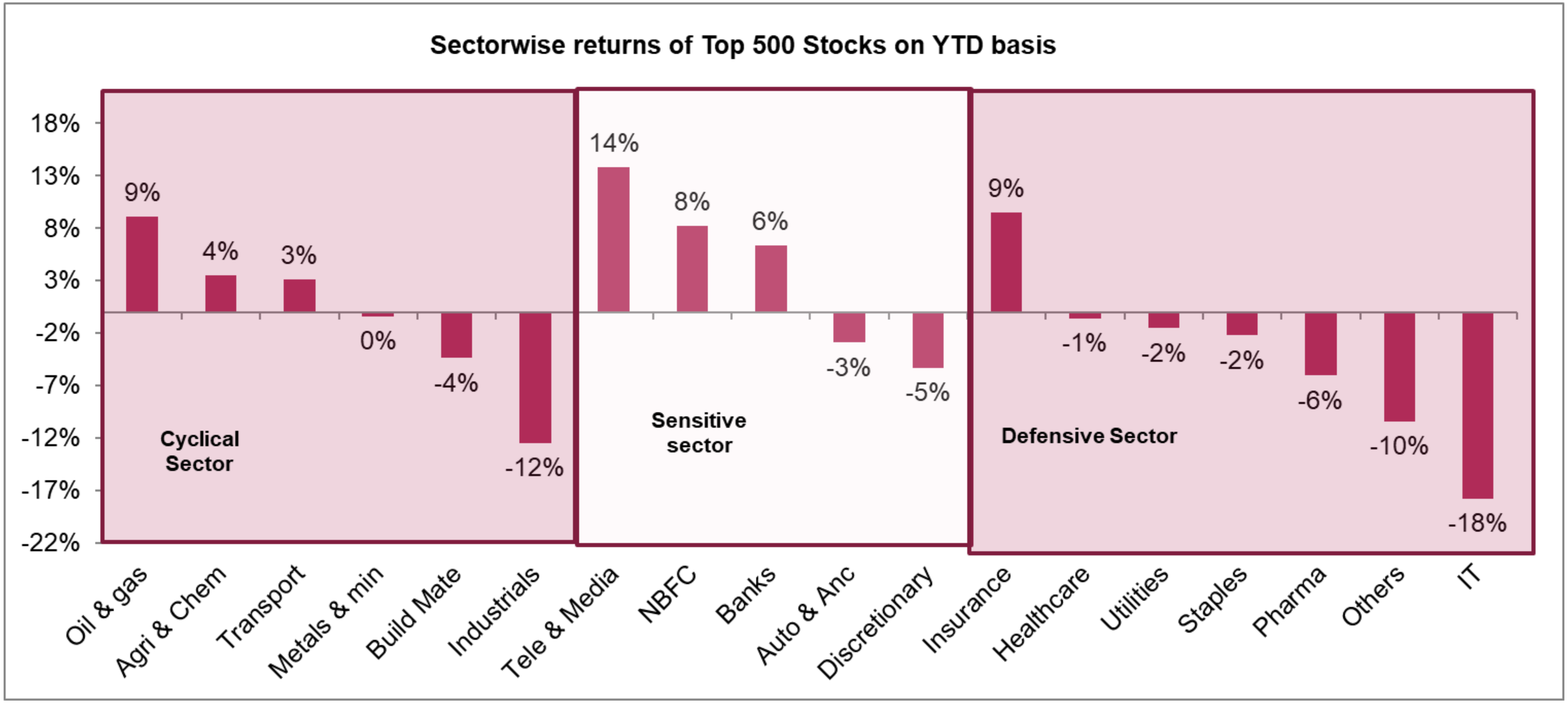




Source: Bloomberg, Axis Securities

Performance on a YTD basis

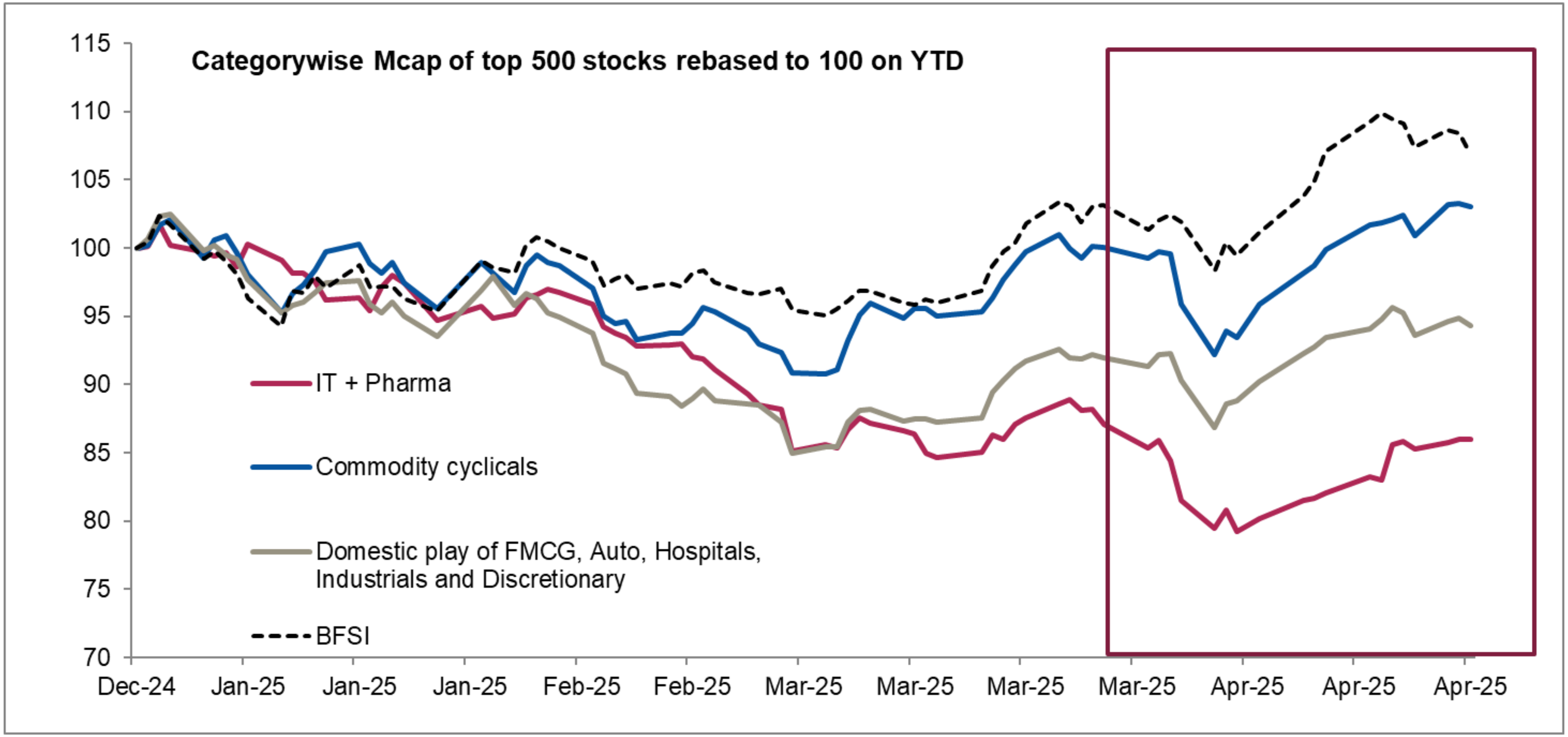
- Market positioning is slightly shifting towards rate-sensitive and domestic-owned sectors
- Export-oriented sectors continue to face challenges in the volatile global environment of the Trump tariff



Source: Bloomberg, Axis Securities

Performance on a YTD basis (Continued)

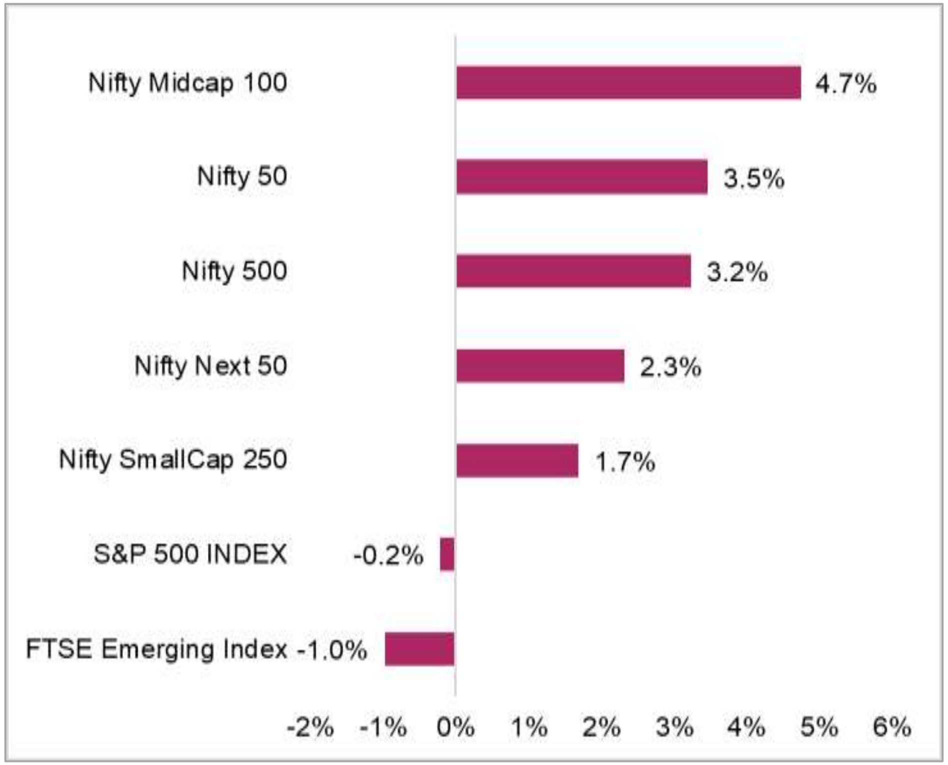
- BFSI, Domestic, and Commodity cyclical plays have outperformed the export plays since Mar'25

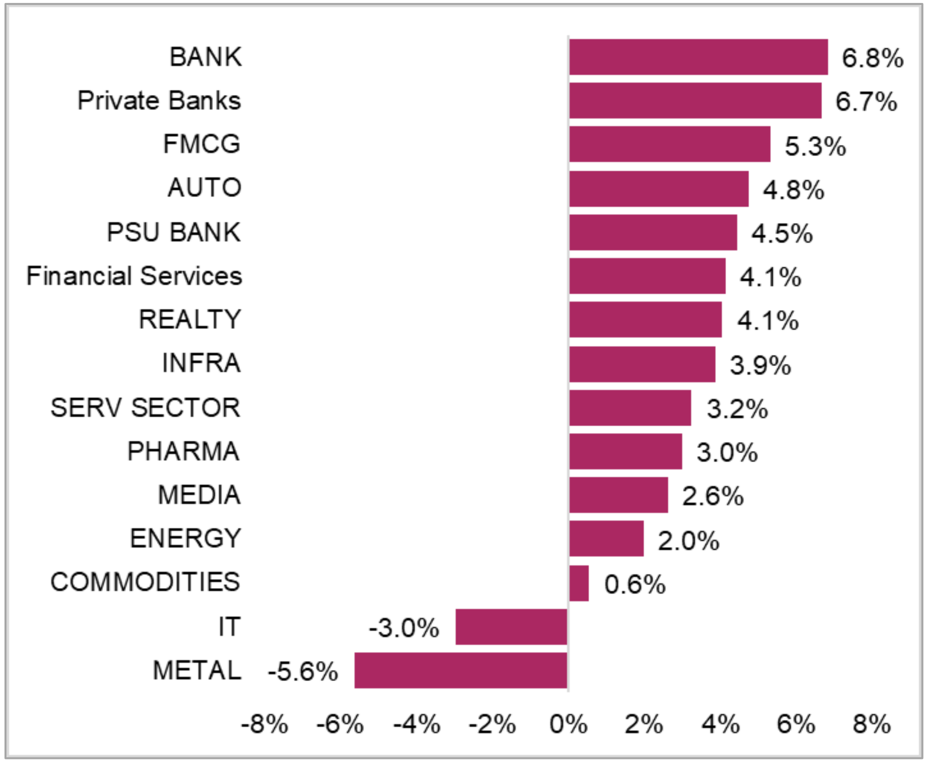


Source: Bloomberg, Axis Securities

What Happened in the Last One Month

- India has outperformed the US and other EM indices.
- Domestic-oriented sectors witnessed a strong comeback in the last month, while export-oriented sectors experienced pullback.
- After underperforming for a couple of years, the BFSI sector saw a strong comeback, while Metal and IT saw some pressure due to global





Source: Bloomberg, Axis Securities

Quarterly Sector Scorecard

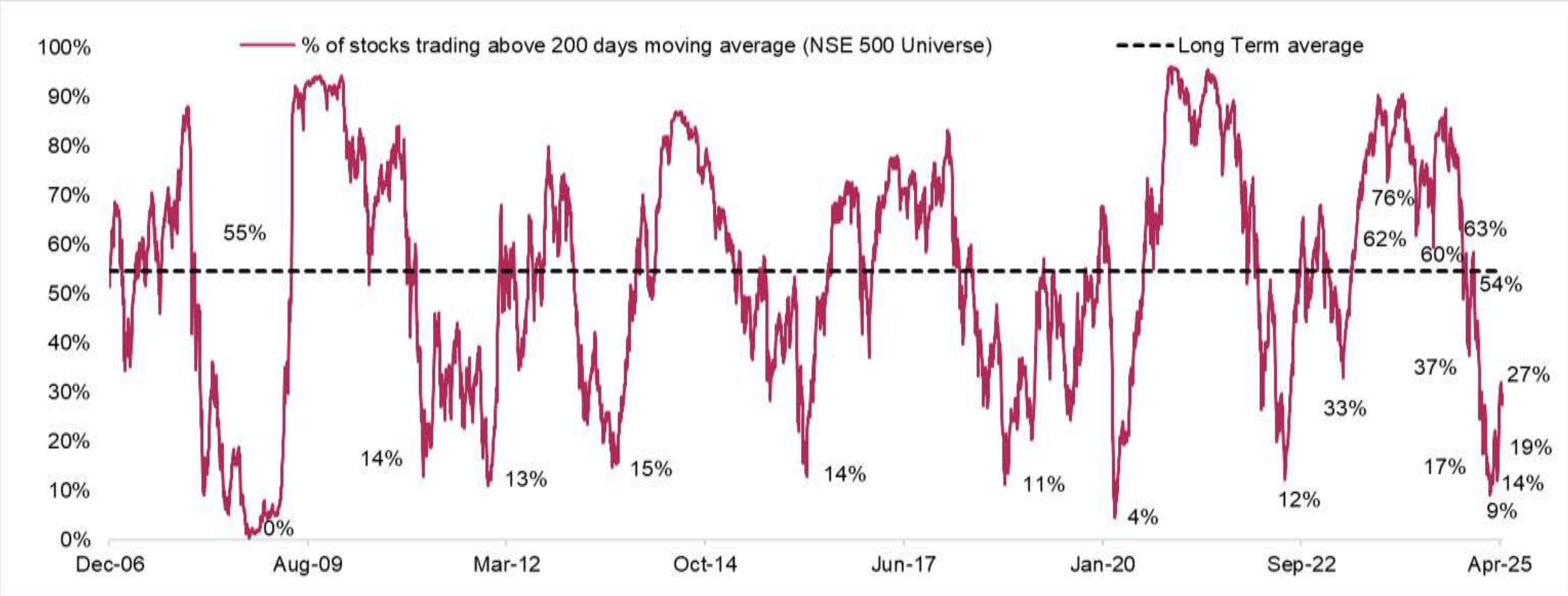
- 56% of the sectors have outperformed the Nifty 50 in the current quarter.
- Dec’24 and Mar’25 quarter’s performance was similar to the Jun’22 (Russia-Ukraine) and Mar’23 (Adani crisis) quarters.
- In the current quarter, Banks and domestically-owned sectors have outperformed the Nifty 50 index.

	Quarterly returns (%)													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar'25	QTD
% of sectors outperformed the market	56%	50%	75%	38%	25%	63%	69%	50%	44%	56%	44%	50%	38%	56%
Nifty 50	1%	-10%	8%	6%	-4%	11%	2%	11%	3%	7%	8%	-8.4%	-0.5%	3.5%
Nifty Next 50	-3%	-11%	16%	0%	-10%	16%	3%	18%	14%	18%	8%	-11.7%	-7.4%	2.3%
Nifty 500	-1%	-10%	11%	4%	-6%	13%	5%	12%	4%	11%	8%	-7.8%	-4.6%	3.2%
Nifty Midcap 100	-2%	-11%	16%	3%	-5%	19%	13%	14%	4%	15%	9%	-4.9%	-9.6%	4.7%
Nifty SmallCap 250	-4%	-14%	14%	3%	-7%	20%	16%	15%	2%	19%	8%	-4.2%	-14.4%	1.7%
AUTO	-4%	11%	9%	-1%	-3%	24%	7%	15%	15%	17%	8%	-16%	-6%	5%
BANK	3%	-8%	16%	11%	-6%	10%	0%	8%	-2%	12%	0%	-4%	1%	7%
COMMODITIES	7%	-16%	11%	7%	-7%	9%	8%	19%	8%	9%	8%	-18%	5%	0.6%
Financial Services	-1%	-10%	13%	8%	-5%	11%	-1%	8%	-2%	12%	4%	-4%	6%	4%
ENERGY	14%	-3%	2%	1%	-12%	8%	11%	22%	17%	5%	8%	-21%	-3.6%	2%
FMCG	-3%	4%	18%	-1%	4%	14%	-1%	10%	-5%	5%	16%	-14%	-5%	5%
IT	-6%	-23%	-3%	6%	0%	3%	8%	12%	-2%	1%	18%	5%	-16.1%	-3.0%
INFRA	1%	-8%	7%	6%	-3%	13%	9%	17%	14%	8%	6%	-12%	0%	4%
MEDIA	7%	-20%	9%	-3%	-15%	3%	30%	5%	-25%	13%	6%	-15%	-18.9%	3%
METAL	16%	-27%	24%	17%	-18%	13%	10%	17%	3%	18%	5%	-16%	6%	-5.6%
PHARMA	-4%	-10%	7%	-3%	-5%	15%	12%	9%	13%	3%	19%	0%	-9.1%	3%
PSU BANK	8%	-11%	23%	44%	-14%	11%	28%	9%	23%	5%	-8%	-4%	-3.5%	4%
Private Banks	2%	-9%	19%	10%	-6%	11%	1%	8%	-5%	12%	1%	-7%	4%	7%
REALTY	-4%	-17%	10%	2%	-10%	34%	11%	36%	15%	22%	0%	-4%	-19.3%	4%
SERV SECTOR	-1%	-12%	10%	6%	-7%	8%	1%	10%	1%	9%	9%	-4%	-1.3%	3%

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

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

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



Source: Bloomberg, Axis Securities

52W-High Analysis

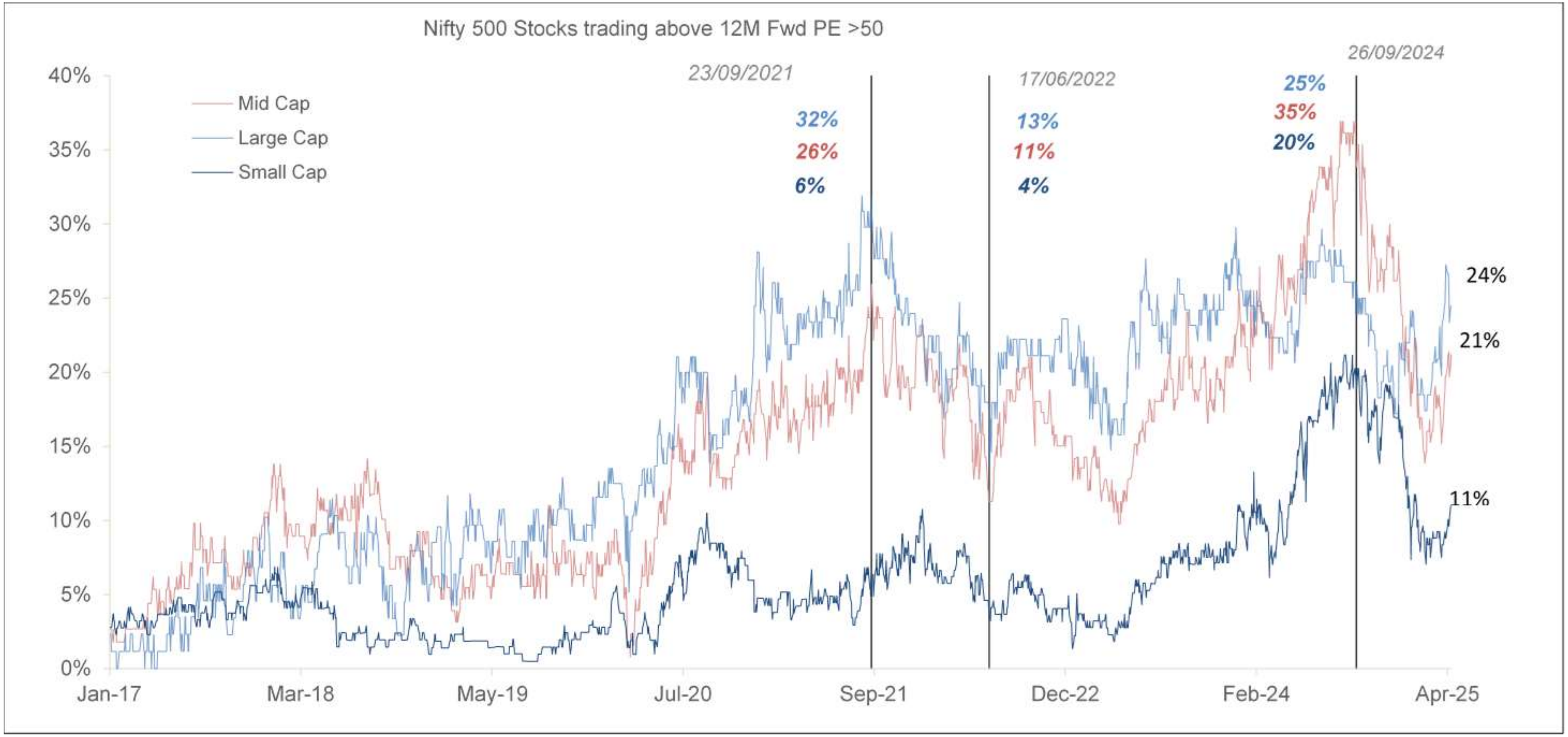
- After a recent comeback, 20 stocks are now trading near their 52-week highs, compared to only 6 stocks as of February 28, 2025.
- 355 (71%) stocks are trading below 20% from their 52-week highs; last month, it was 86%.
- ~46% of the stocks have corrected by over 30% from their 52-week high, indicating that all negative factors are now priced in.
- The Largecap market looks attractive at current levels.
- Out of 55 PSUs, none of the stocks are near their 52-week high, compared to 35 stocks in Feb'24.

		Current level of the number of stocks as compared to 52W high			
Sector	**No of Stocks**	**Near to 52W high**	**5%-20% below 52W high**	**20%-30% below 52W high**	**Below 30%**
Agri & Chem	43	6	9	7	21
Auto & Anc	43	0	8	8	26
Banks	28	3	8	9	8
Build Mate	37	3	8	6	20
Discretionary	43	0	12	10	20
Healthcare	47	0	21	14	12
Industrials	55	1	6	12	34
IT	36	0	4	13	19
Metals & min	23	1	6	5	11
NBFC	60	2	21	19	17
Oil & gas	16	0	4	3	9
Others	14	0	3	3	8
Staples	18	2	6	5	4
Tele & Media	16	2	1	2	11
Transport	7	0	1	0	6
Utilities	14	0	1	7	6
Total	**500**	**20**	**119**	**123**	**232**
Large cap	**100**	**7**	**40**	**30**	**23**
Mid cap	**150**	**10**	**39**	**37**	**62**
Small cap	**250**	**3**	**40**	**56**	**146**
PSUs	**55**	**0**	**8**	**14**	**32**

Source: Bloomberg, Axis Securities

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

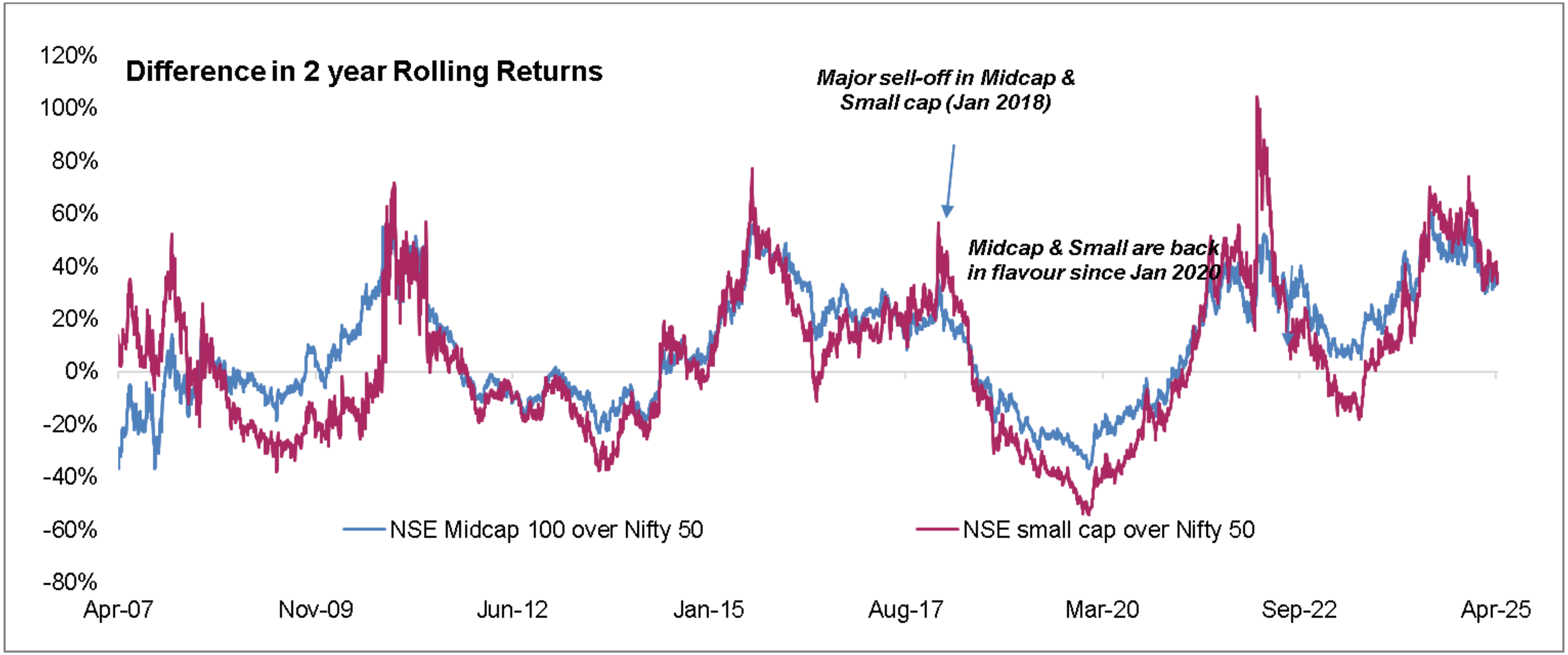
- PE compression was observed across the board during the previous FII selling phase between 09/2021 and 06/2022, when total FII outflows exceeded $34.5 Bn. In the current cycle, cumulative FII selling has reached approximately $25.1 Bn so far.



Source: Refinitiv, Axis Securities

Difference in 2-Year Returns

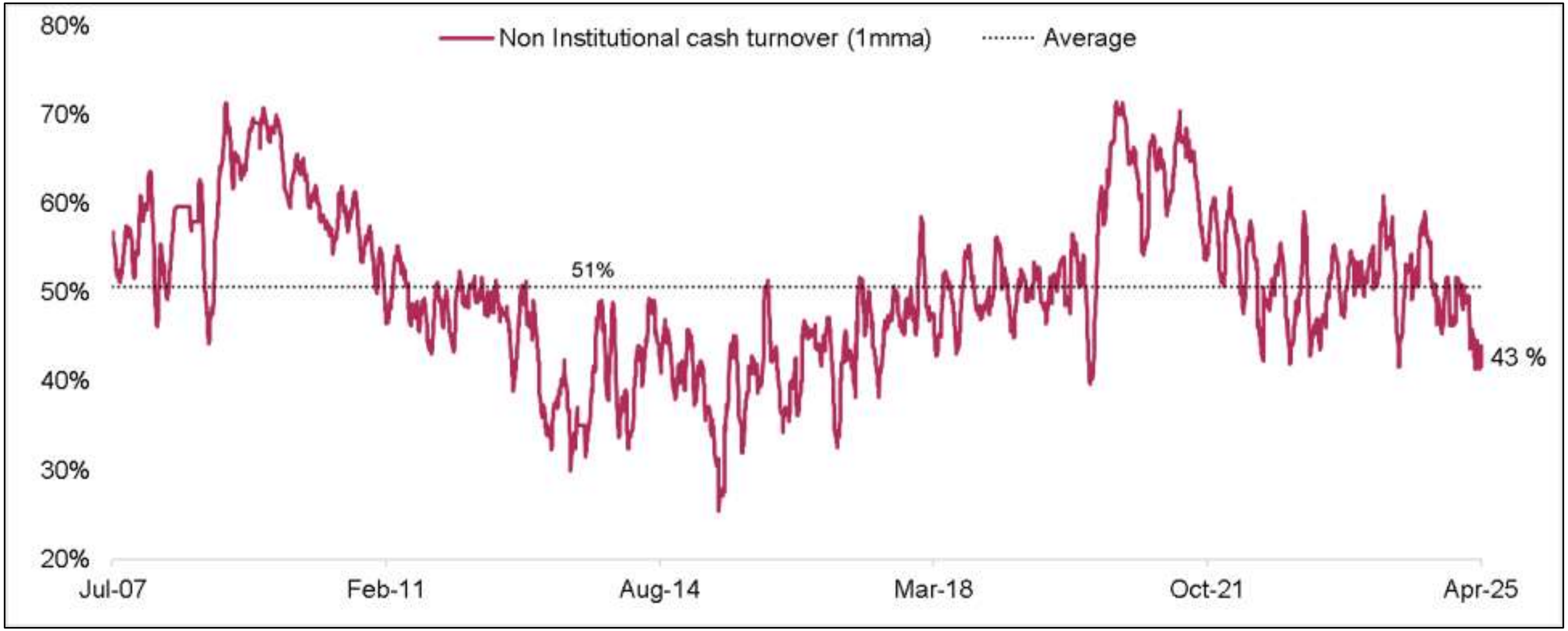
- Market positioning is likely to shift towards Largecaps in the near term



Source: Bloomberg, Axis Securities

Dip Observed in Non-institutional Turnover

- Non-institutional (Retail) turnover is currently at the long-term average of 43%. However, it had fallen below the LTA in the last month due to increased volatility and lower breadth in the broader market.
- Retail investor participation is expected to improve further in the coming months, given that equity is the only asset class that can beat the current inflationary scenario.



Source: Bloomberg, Axis Securities

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

- The Nifty 50 reached an all-time high of 26,216 on 26th Sep'24. Till 28th Feb'25, the benchmark experienced a correction of 16% from the top. The broader market indices, including Mid and Smallcap indices, also corrected by 21%/25%, respectively.
- In the last month, the market saw a recovery. However, in the previous six months, the majority of the indices are still in the red.
- **Positive Near-term Outlook:** Domestic-oriented stocks; Telecom; Rural theme; Domestic Cyclical
- **Improving Outlook:** Discretionary; Consumption; BFSI; Industrials; PSUs
- **Mixed Bag:** Pharma; IT
- **Near-term Challenging but Well-placed for Longer-time Horizons:** Metals; Commodity-linked stocks; and Selective Cyclicals (Cement)

	National Index					
Index Performance (%)	1m	3m	6m	04th Jun'24	YTD	1 YR
Nifty 50	3.5%	3.5%	0.5%	11.2%	2.9%	7.7%
Nifty Next 50	2.3%	2.2%	-7.7%	0.8%	-5.1%	-0.6%
Nifty 500	3.2%	2.1%	-2.9%	8.4%	-1.5%	4.9%
Nifty Midcap 100	4.7%	0.8%	-3.5%	10.1%	-5.4%	6.4%
Nifty SmallCap 250	1.7%	-3.1%	-13.5%	4.1%	-13.5%	-3.0%
Sector Index (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
NIFTY AUTO	4.8%	-2.4%	-5.1%	-3.8%	-2.3%	-0.8%
NIFTY BANK	6.8%	11.1%	7.0%	17.4%	8.3%	11.5%
NIFTY COMMODITIES	0.6%	5.3%	-4.2%	1.7%	4.9%	-3.2%
Nifty Financial Services	4.1%	12.5%	9.3%	25.4%	11.1%	19.6%
NIFTY ENERGY	2.0%	1.0%	-12.9%	-9.0%	-2.7%	-15.2%
NIFTY FMCG	5.3%	-0.4%	-4.7%	2.3%	-0.6%	4.1%
NIFTY IT	-3.0%	-16.1%	-11.4%	10.8%	-17.4%	7.8%
NIFTY INFRA	3.9%	5.2%	-0.4%	7.4%	3.8%	2.5%
NIFTY MEDIA	2.6%	-4.2%	-25.0%	-16.0%	-16.7%	-20.0%
NIFTY METAL	-5.6%	2.2%	-8.0%	-4.4%	-0.8%	-6.5%
NIFTY PHARMA	3.0%	1.6%	-4.2%	17.0%	-7.0%	14.8%
NIFTY PSU BANK	4.5%	3.6%	-2.7%	-3.7%	0.0%	-14.0%
Nifty Private Banks	6.7%	12.6%	8.8%	18.0%	10.8%	11.9%
NIFTY REALTY	4.1%	-3.9%	-11.4%	-9.2%	-15.8%	-9.0%
NIFTY SERV SECTOR	3.2%	4.8%	2.0%	18.2%	2.4%	12.9%

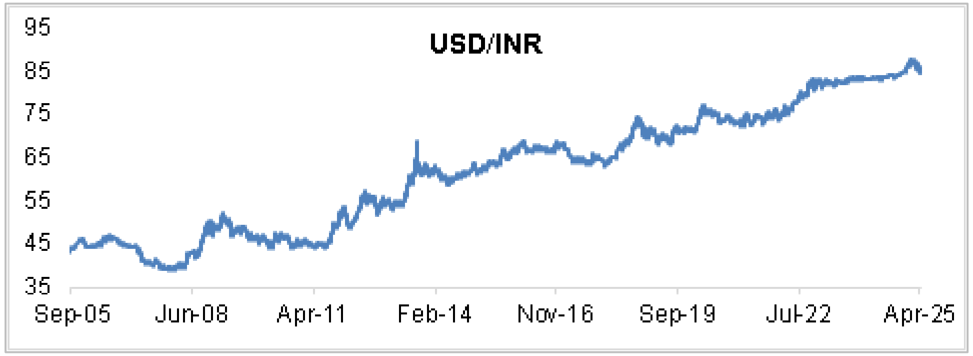
Source: Bloomberg, Axis Securities, and Performance as of 30th April 2025

	International Index					
Index Performance (%)	1m	3m	6m	04th Jun'24	YTD	1 YR
Shanghai Comp	-1.7%	0.9%	0.0%	6.1%	-2.2%	5.6%
Bovespa	3.7%	7.1%	4.1%	10.9%	12.3%	7.3%
south africa	3.5%	8.3%	8.9%	19.4%	11.7%	20.5%
Korea	3.0%	1.6%	0.0%	-4.0%	6.5%	-5.0%
Mexico	7.5%	10.9%	11.6%	5.8%	14.0%	0.0%
Indonesia	3.9%	-4.8%	-10.7%	-4.7%	-4.4%	-6.5%
Argentina	-10.2%	-18.1%	13.6%	32.9%	-17.1%	58.7%
Japan	1.2%	-8.9%	-7.8%	-7.2%	-9.6%	-6.1%
Hongkong	-4.3%	9.4%	8.9%	19.9%	10.3%	24.5%
Philipines	2.8%	8.4%	-11.0%	-0.5%	-2.7%	-5.2%
Taiwan	-2.2%	-14.0%	-11.3%	-5.3%	-12.2%	-0.8%
Singapore	-3.5%	-0.6%	7.7%	14.8%	1.2%	16.4%
Thailand	3.4%	-8.9%	-18.3%	-10.5%	-14.5%	-12.5%
Veitnam	-6.2%	-3.1%	-3.0%	-4.5%	-3.2%	1.4%
Dow	-3.2%	-8.7%	-2.6%	5.1%	-4.4%	7.5%
Nasdaq	0.9%	-11.1%	-3.6%	3.5%	-9.7%	11.4%
FTSE 100 INDEX	-1.0%	-2.1%	4.7%	3.2%	3.9%	4.3%
DAX INDEX	1.5%	3.5%	17.9%	22.2%	13.0%	25.5%
CAC 40 INDEX	-2.5%	-4.5%	3.3%	-4.3%	2.9%	-4.9%
S&P 500 Index	-0.8%	-7.8%	-2.4%	5.2%	-5.3%	10.6%

Commodities Witnessed a Marginal Recovery in The Last One Month

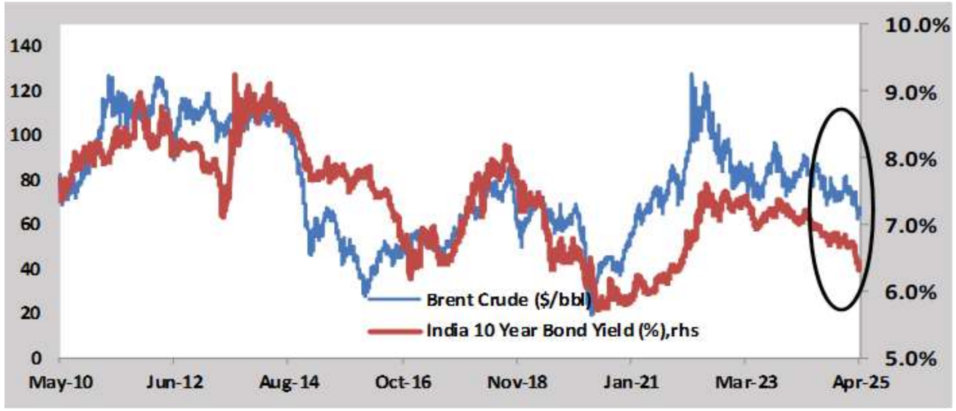
- **Precious Metals:** Gold prices increased by 20% in the last 6 months due to volatility in the equity market.
- **Commodities:** Steel and Aluminium prices saw some correction of 2.1% and 4.5% respectively in the last one month.
- **Crude:** Brent crude is now trading below $70/bbl and has been highly volatile due to the rising geopolitical risk, ongoing supply-side concerns and recessionary fear.

Market Indicator	30-04-2025	1m ago	3m ago	4th Jun'24	YTD	1 YR
Brent Crude ($/bbl)	63.1	74.7	76.8	77.5	74.6	87.9
Bond Yield (GOi 10Yr)	6.4	6.6	6.7	7.0	6.8	7.2
USD/INR	84.5	85.5	86.6	83.5	85.6	83.4
India Vix	18.2	12.7	16.2	26.7	14.4	12.9



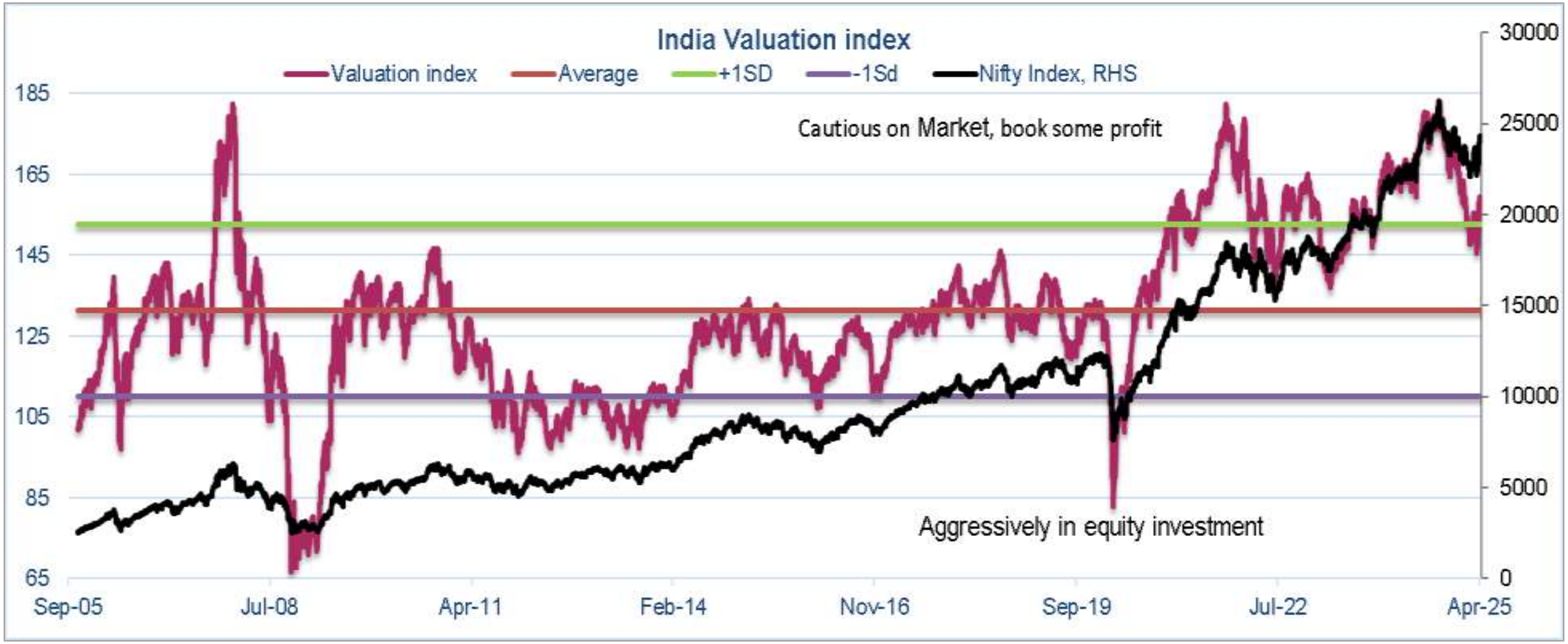
Commodity Index	1m	3m	6m	4th Jun'24	YTD	1 YR
Gold ($/OZ)	5.3%	17.5%	19.9%	41.3%	25.3%	43.8%
Steel ($/ton)	-2.1%	-3.2%	-9.8%	-14.0%	-6.1%	-13.2%
Aluminium ($/ton)	-4.5%	-7.4%	-8.1%	-7.6%	-4.4%	-5.5%
Copper ($/ton)	-5.6%	2.1%	-2.7%	-7.1%	5.4%	-7.8%
Zinc ($/ton)	-8.3%	-4.4%	-16.4%	-9.6%	-12.8%	-11.3%

Source: Bloomberg, Axis Securities, Performance as of 28th Mar 25



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

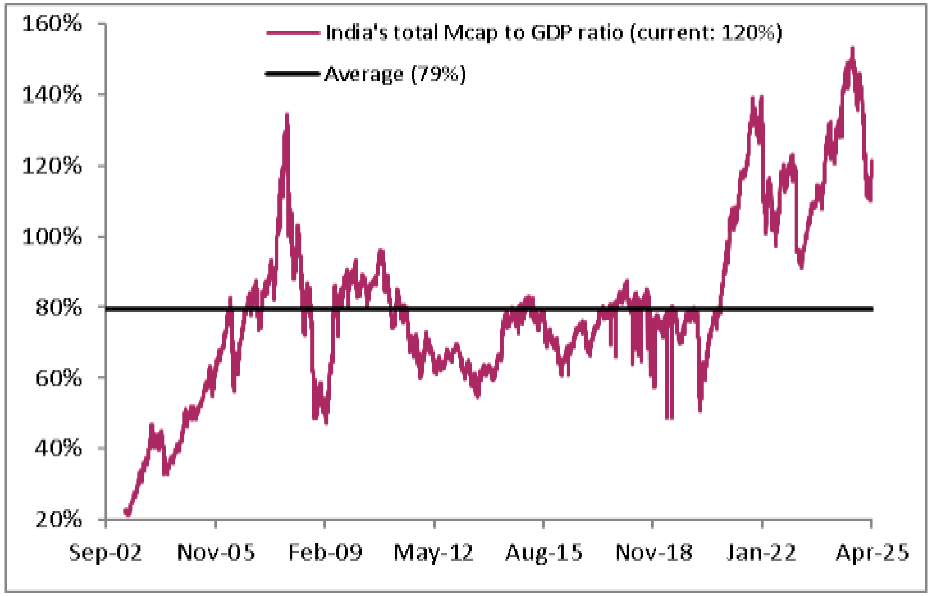
- Even after the recent correction, our market valuation index continues to trade slightly above the 1stdev. Current valuations offer limited scope for re-rating. Hence, the market will follow earnings growth. Stock selection and sector rotation will be key to achieving outperformance.
- The calculation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

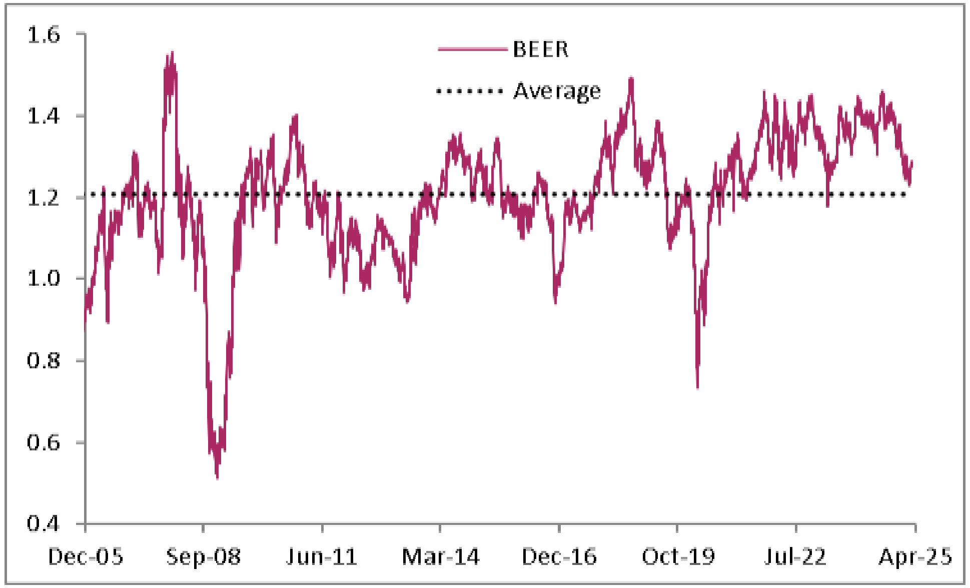


Source: Bloomberg, Axis Securities

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

- **BEER:** Indian bond yields have corrected by 50bps since Nov'24 (the start of the US Fed's Rate cut cycle). A consumption boost, fiscal consolidation in the Union budget, and two rate cuts by the RBI indicate some cooling off in bond yields. After a correction in the equity market, the Bond to Equity Earning Yields ratio is now trading near the long-term average.
- **India's Total Market Cap to GDP** is trading at 120%, above its long-term average (rebased after the FY25 GDP of Rs 324 Tn released by the government on 1st Feb'25). However, at projected levels of nominal GDP for FY26, the Mcap/GDP ratio translates into 115% (fairly valued). As per the Union Budget 2025-26, the FY26 GDP assumption is pegged at Rs 356.97 Tn.
- **Historical Perspective:** Historically, similar upward earnings momentum was witnessed in FY10 earnings immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we will likely see higher MCAP-to-GDP ratio levels in the upcoming quarters.



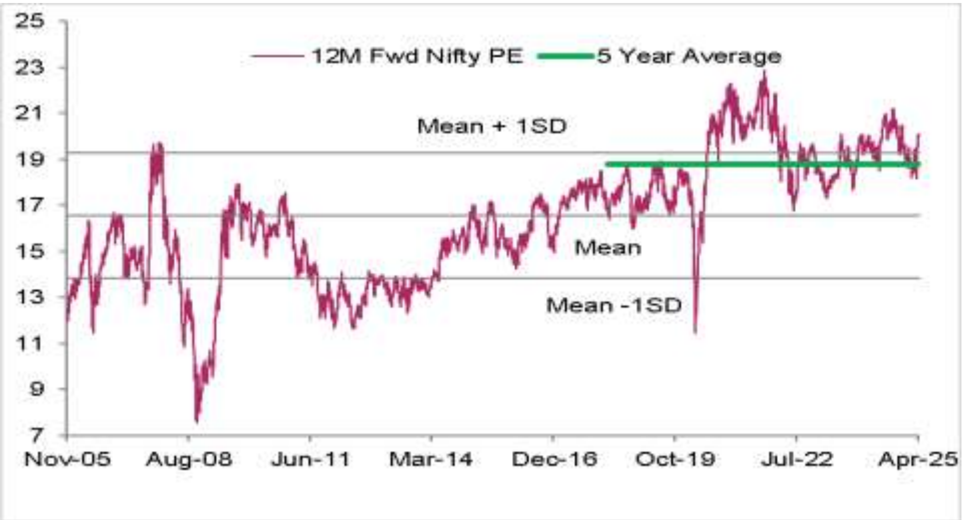


Source: Bloomberg, Axis Securities

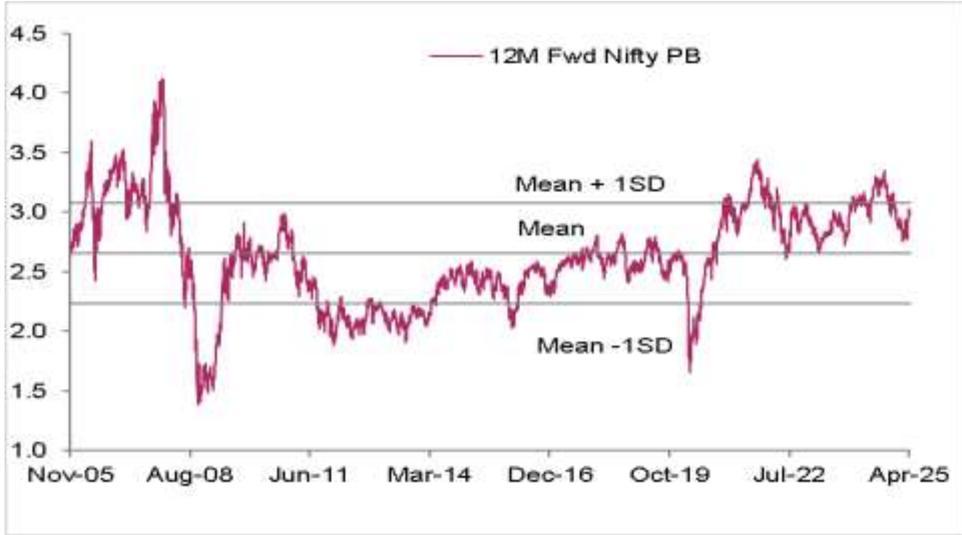
Market Valuations: 12M Fwd PE Now Trading at 20.0x

- NIFTY is currently trading at 20x on a 12M Fwd PE, which stands at 1.3 std to its long-term average (16.5x). However, it trades slightly above its long-term average of a 12M Fwd PB.
- Current valuations are trading slightly above 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 earnings expectations from the broader market remain intact.

Nifty 12M Fwd PE



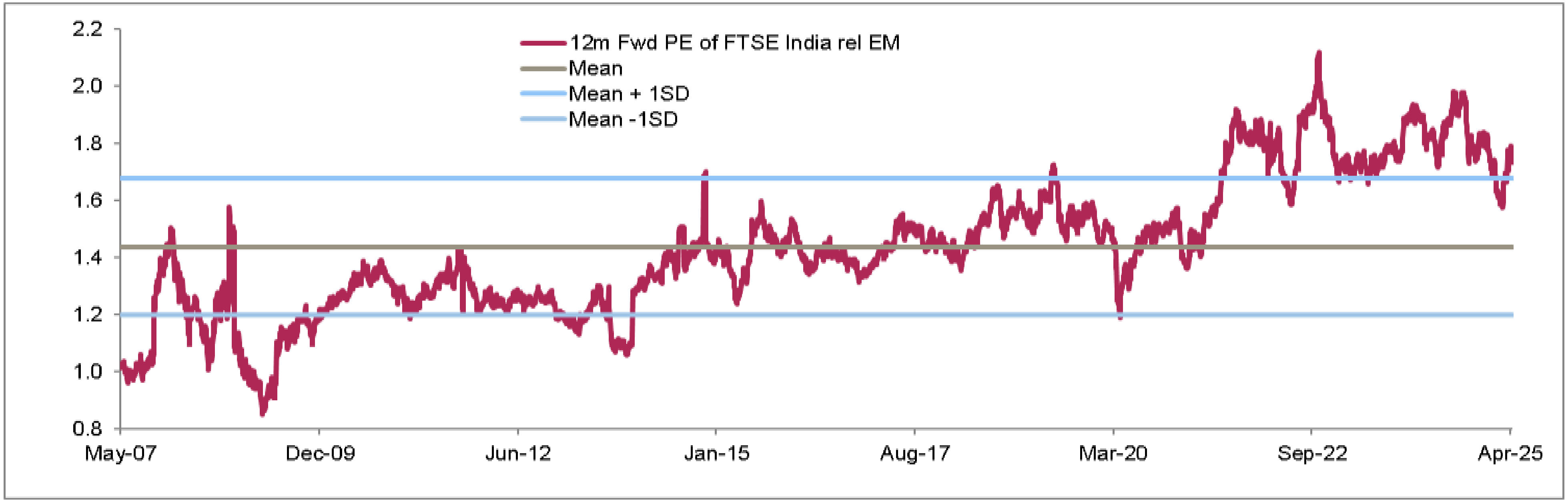
Nifty 12M Fwd PB



Source: Bloomberg, Axis Securities

Market Valuations: FTSE India Relative to FTSE EM

- Benchmark indices have corrected from all-time highs, and so have the valuations. FTSE India is now trading at a PE premium of 77% to the EM index (PE), vs. an average premium of 44%. During Sep'24, the Indian market traded at a 97% PE premium to EM, and now, after the correction, it is trading at a 77% premium, which looks attractive compared to the past.
- We believe the Indian equity market will continue to trade at a higher premium to EM over the next year due to a) Strong economic growth compared to other EM countries, b) A healthy earnings outlook for FY26, c) Sustained demand across sectors, d) A well-capitalized banking sector with improving fundamentals, e) Expectations of a revival in the private Capex cycle, f) The ruling party's improved performance in state elections, and g) Consumption-boosting measures announced in the Union Budget 2025-26.



Source: Bloomberg, Axis Securities

Valuation Correction in The Broader Index

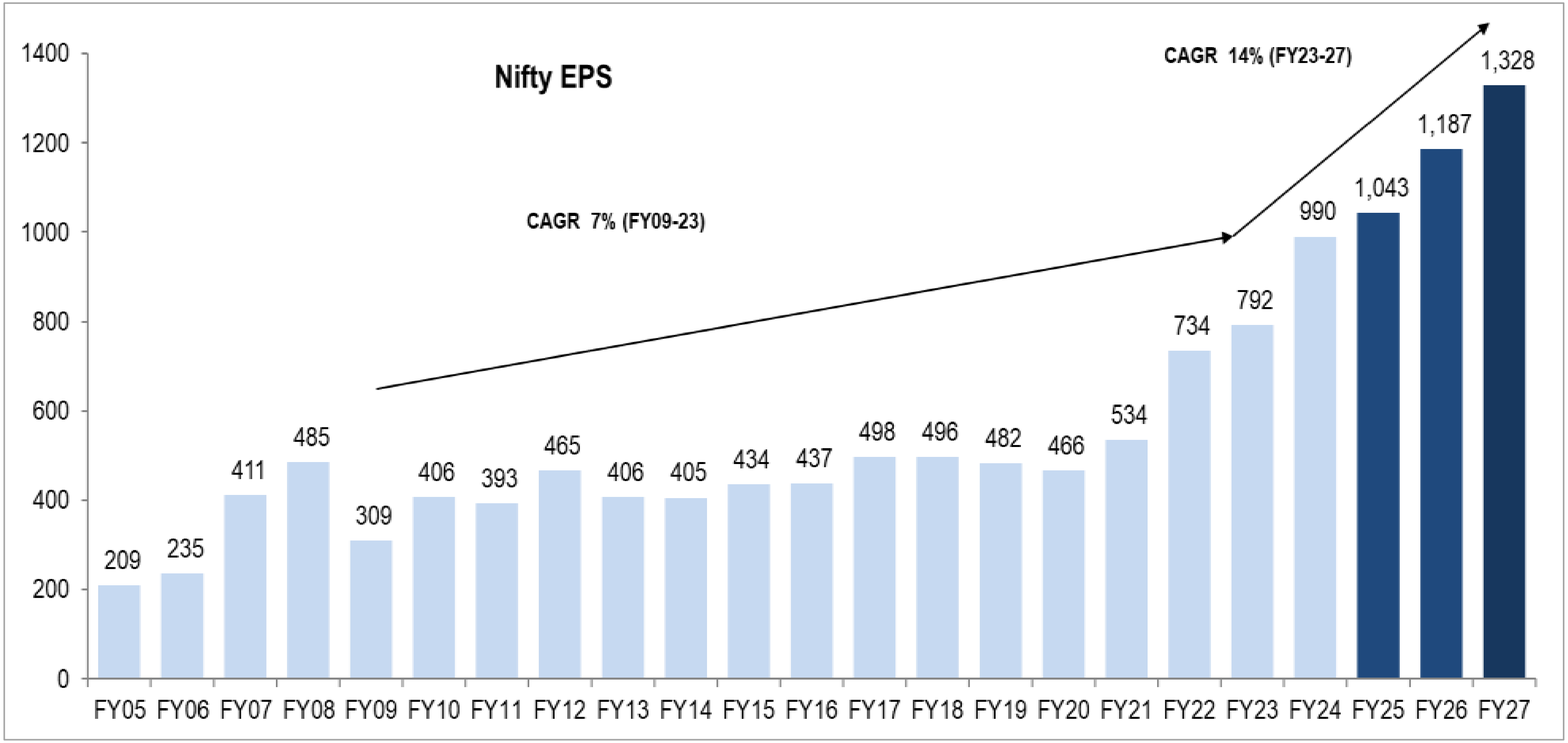
- Most of the sectors are still in the Oversold zone as compared to the Sep’24 levels.

	12m fwd PE	Long term Avg	Valuation as on Sep'24	% down from Sep'24
Banks	15.5	15.8	14.3	9.0%
Infra	21.8	18.6	22.4	-2.7%
Service sec	19.6	18.2	20.3	-3.4%
Nifty	**20.0**	**18.1**	**21.2**	**-5.4%**
Energy	14.4	11.5	15.4	-6.5%
FMCG	38.4	33.1	42.8	-10.3%
Metal	14.1	11.0	15.9	-11.2%
Pharma	27.2	23.6	30.8	-11.6%
PSU Banks	6.8	10.0	7.9	-14.3%
Auto	20.7	18.9	25.1	-17.3%
Media	18.7	22.7	23.2	-19.3%
IT	23.3	20.7	29.1	-20.0%
Realty	34.6	26.3	45.3	-23.6%

Source: Bloomberg, Axis Securities

NIFTY EPS Growth Expectation Remains Robust

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



Source: Bloomberg, Axis Securities

Some Downgrades in Nifty EPS

- After Q3FY25, we foresee FY25/26 NIFTY Earnings at 1043/1187. We have downgraded our FY25/26 expectations by 2.1% and 2.0%, respectively, while the street downgrade has been higher for FY25. Now, the consensus is at 1049 for FY25. During the quarter, upgrades were observed in the Pharmaceutical, Telecom, and select Industrial sectors, while downgrades were visible in cyclical sectors such as Oil & Gas, Metals, and Cement. The earnings for the IT sector were largely stable.
- We now foresee an FY25 EPS growth rate of 5.3%. Excluding Oil & Gas, the growth for FY25 is 8.5%. Most of the dent in the Nifty earnings was led by cyclical sectors like Oil & Gas and Metals.
- Overall, FY26 will likely be better than FY25. Like Q3FY25, Q4FY25 earnings will continue to be challenging for the cyclical sectors. More promising numbers are likely to be visible from Q1FY26, which will be led by the base effect (lower base due to the election), the likelihood of improvement in the high-frequency indicators, the expectation of higher government spending, and a pick-up in consumption.

Nifty EPS	Post Q2FY25		Post Q3FY25				Change post Q3FY25	
Sector	**FY25**	**FY26**	**FY24**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**
Financial	466	527	434	459	520	572	-1.5%	-1.3%
IT	112	127	108	112	126	137	0.0%	-0.4%
Oil & Gas	133	148	141	121	140	155	-8.4%	-5.5%
FMCG	60	68	57	58	66	75	-2.0%	-4.0%
Power	42	41	37	41	41	46	-0.8%	-0.3%
Industrial	50	57	40	51	60	73	3.0%	5.5%
Pharma	31	35	28	32	35	33	1.9%	-0.7%
Metals	67	82	48	62	76	88	-7.1%	-8.4%
Automobile	80	89	82	79	88	101	-1.0%	-2.0%
Cement	6	8	6	6	8	10	-9.0%	-5.2%
Telecom	20	28	8	22	28	38	6.3%	0.4%
Total	1065	1211	990	1043	1187	1328	-2.1%	-2.0%
Growth			25%	5.3%	13.8%	11.9%		
Growth Ex Oil & Gas				8.5%	13.6%	12.1%		
Growth ex Oil & Gas & Metals				7.2%	13.0%	11.8%		

Source: Bloomberg, Axis Securities

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

- The last 4 quarters' cumulative net profit reached an all-time high in Q3FY25, crossing the mark of 14.5 Lc Cr. This was led by improved profitability of the Agri & Chemical, Telecom, and BFSI sectors.
- Oil & Gas saw sequential underperformance
- Financials, Oil & Gas, Metals, and IT now contribute 65% of the NSE 500's profitability.
- Loss-making sectors have turned positive after witnessing significant disruption by the pandemic.
- The telecom sector saw sequential improvement, up 68% MoM, led by improvement in Bharti Airtel.

Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)							
	Q2FY20	Q4FY23	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Growth %
Auto & Anc	36,212	43,028	68,426	70,977	72,945	73,813	1.19%
Staples	34,044	49,516	48,309	50,298	49,873	50,775	1.81%
Discretionary	18,283	30,085	33,571	33,752	35,517	37,134	4.55%
Financials	85,507	3,87,050	4,91,062	5,12,352	5,32,335	5,55,935	4.43%
IT	81,462	1,14,293	1,22,274	1,24,997	1,29,644	1,33,100	2.67%
Oil & gas	1,00,204	1,28,660	2,29,182	1,99,877	1,73,186	1,69,965	-1.86%
Metals & min	58,266	88,438	87,823	91,399	1,01,569	1,00,859	-0.70%
Industrials	31,188	37,174	48,191	50,923	59,526	60,645	1.88%
Build Mate	22,387	23,965	36,531	37,477	37,743	45,690	21.06%
Healthcare	28,133	39,045	50,109	59,490	62,670	64,931	3.61%
Utilities	27,165	59,631	74,954	71,391	67,802	68,312	0.75%
Transport	2,462	4,152	13,326	13,307	12,377	11,988	-3.14%
Agri & Chem	12,424	31,842	17,428	16,874	17,128	19,783	15.50%
Tele & Media	-19,015	12,474	15,212	18,160	22,784	38,279	68.01%
Others	12,486	16,661	16,277	23,158	29,535	26,194	-11.31%
Total	5,31,208	10,66,015	13,52,675	13,74,433	14,04,634	14,57,405	
Ex Oil and Gas	**4,31,004**	**9,37,354**	**11,23,493**	**11,74,556**	**12,31,448**	**12,87,440**	
Total Growth		**2%**	**3%**	**2%**	**2%**	**4%**	
Growth Ex Oil and Gas		**8%**	**4%**	**5%**	**5%**	**5%**	

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

NSE 500 Profitability Analysis

- From FY21-FY24, NSE 500 profit grew at a CAGR of 26%, while in 9 months of FY25 so far, it has grown by only 8.1%
- Ex. Oil & Gas, Metal & Mining, 9MFY25 earnings grew 17.7%, in line with the expectations.

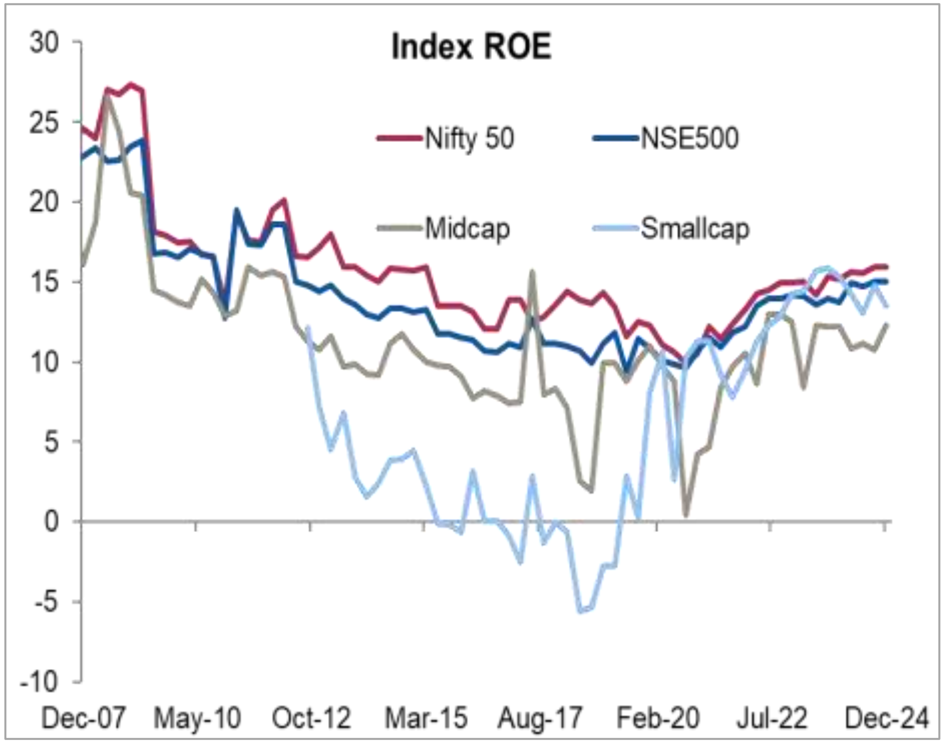
Sector-wise NSE500 Net Profit (in Cr)						
Rs Cr	**FY**			**9-Month Period "April-Dec"**		
	Actuals	**Actuals**	**3Y**	**Actuals**	**Actuals**	9m
Sectors	**FY21**	**FY24**	**CAGR**	**9MFY24**	**9MFY25**	**Growth (%)**
Banks	1,03,431.33	3,16,803.17	45.2%	2,24,133.12	2,72,149.51	21.4%
Oil & gas	1,33,566.16	2,31,409.66	20.1%	1,82,050.36	1,19,953.29	-34.1%
NBFC	81,677.77	1,75,389.47	29.0%	1,22,641.99	1,41,498.86	15.4%
IT	89,901.34	1,21,210.25	10.5%	88,264.60	98,401.18	11.5%
Metals & min	68,895.39	93,553.87	10.7%	68,678.71	79,343.98	15.5%
Utilities	37,819.88	73,793.19	25.0%	57,351.00	52,566.77	-8.3%
Auto & Anc	11,579.31	67,743.53	80.2%	49,753.27	55,473.16	11.5%
Industrials	27,016.85	56,481.91	27.9%	36,459.97	43,210.97	18.5%
Staples	37,380.36	50,459.04	10.5%	40,112.02	40,220.45	0.3%
Healthcare	34,991.73	50,165.53	12.8%	38,203.82	53,376.42	39.7%
Build Mate	25,932.59	35,514.78	11.1%	24,293.14	25,577.44	5.3%
Discretionary	14,845.22	32,411.54	29.7%	24,474.44	31,140.65	27.2%
Agri & Chem	20,126.27	16,931.48	-5.6%	14,063.54	16,482.79	17.2%
Tele & Media	-7,550.13	15,653.18	NM	11,300.63	32,905.02	191.2%
Transport	-4,391.32	13,325.24	NM	9,942.77	9,039.68	-9.1%
Others	768.87	8,956.59	126.7%	6,966.19	8,027.60	15.2%
Total	**6,75,991.62**	**13,59,802.45**	**26.2%**	**9,98,689.59**	**10,79,367.78**	**8.1%**
Total ex Oil&Gas,Metals & Min	**4,73,530.07**	**10,34,838.91**	**29.8%**	**7,47,960.52**	**8,80,070.51**	**17.7%**
Total ex Oil&Gas,Metals & Min, Industrials	**4,46,513.22**	**9,78,357.00**	**29.9%**	**7,11,500.54**	**8,36,859.54**	**17.6%**

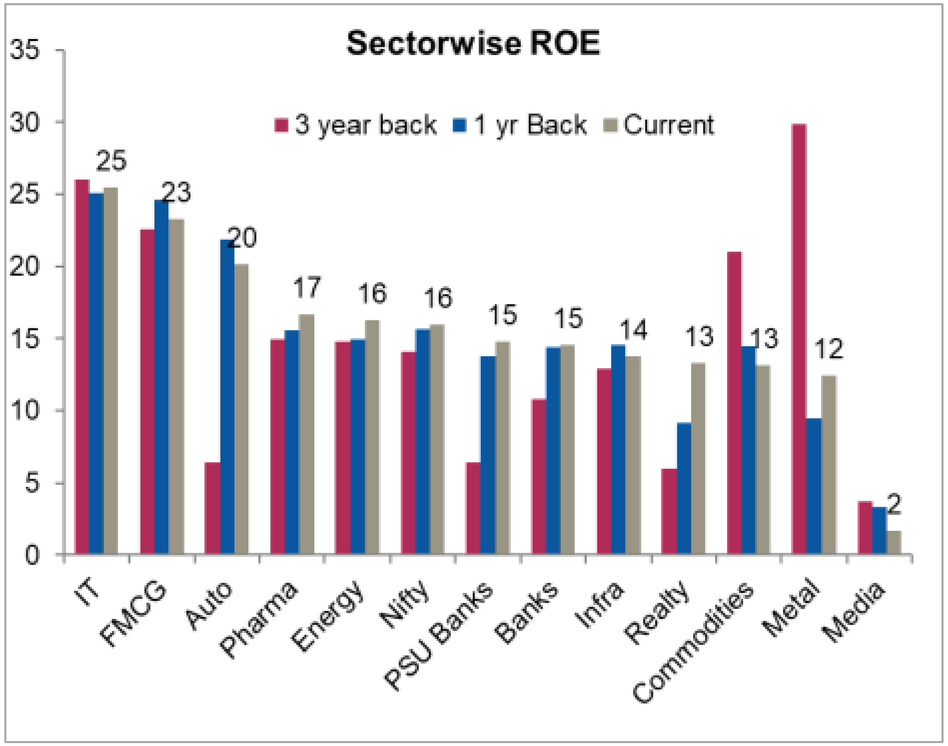
SEBI Categorization	**FY2021**	**FY2024**	**CAGR**	**9MFY24**	**9MFY25**	**Growth (%)**
Large Cap	4,79,964.04	9,87,357.02	27.2%	7,25,518.99	7,72,681.09	6.5%
Mid Cap	1,25,420.91	2,48,507.63	25.6%	1,80,444.47	2,07,469.39	15.0%
Small Cap	70,606.67	1,23,937.80	20.6%	92,726.13	99,217.31	7.0%
Total	**6,75,991.62**	**13,59,802.45**	**26.2%**	**9,98,689.59**	**10,79,367.78**	**8.1%**

Source: Bloomberg, Axis Securities

Return Ratios Improving

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

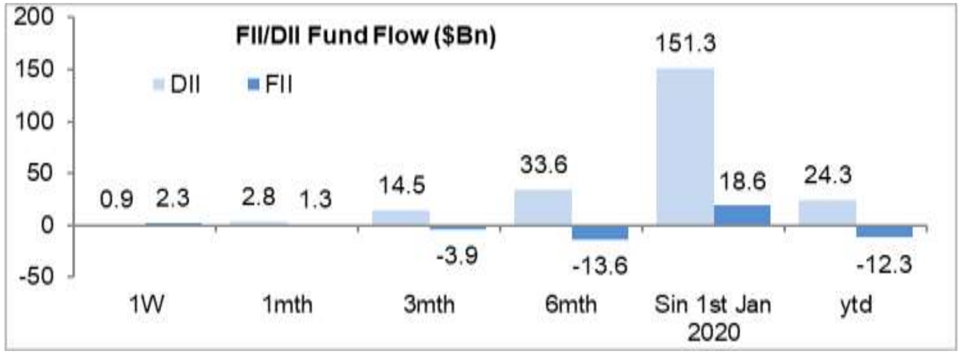


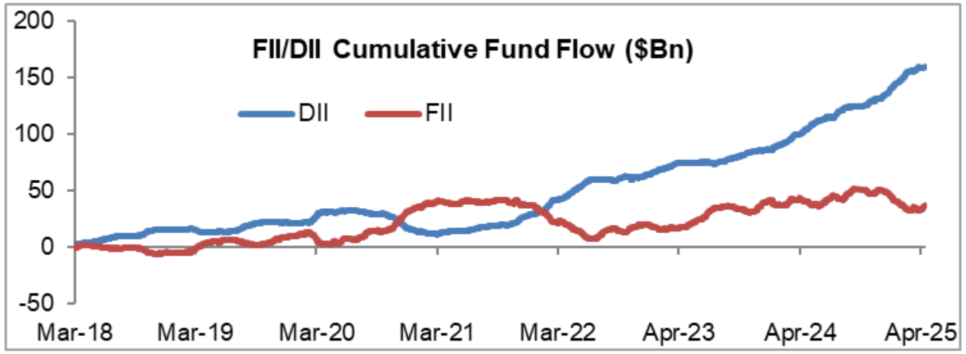


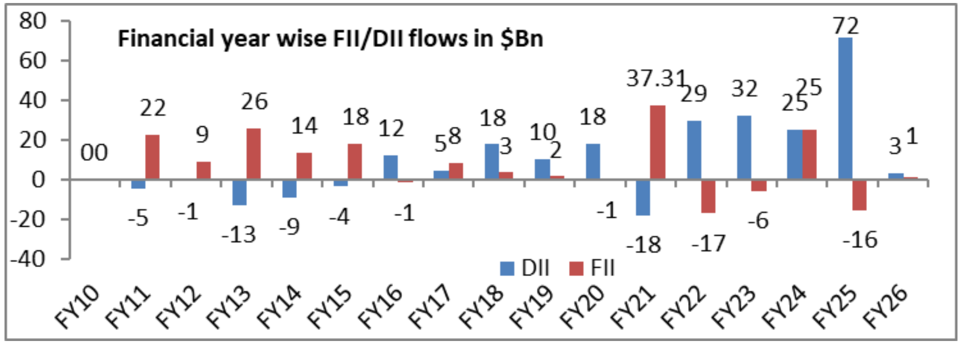
Source: Bloomberg, Axis Securities

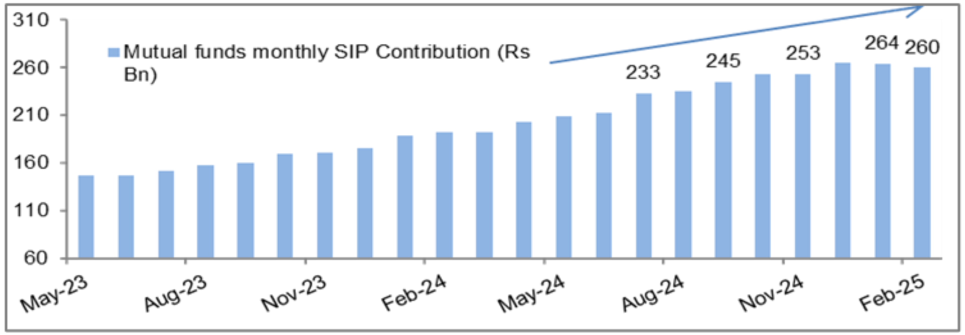
FIIs have Returned over the Last One Week

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





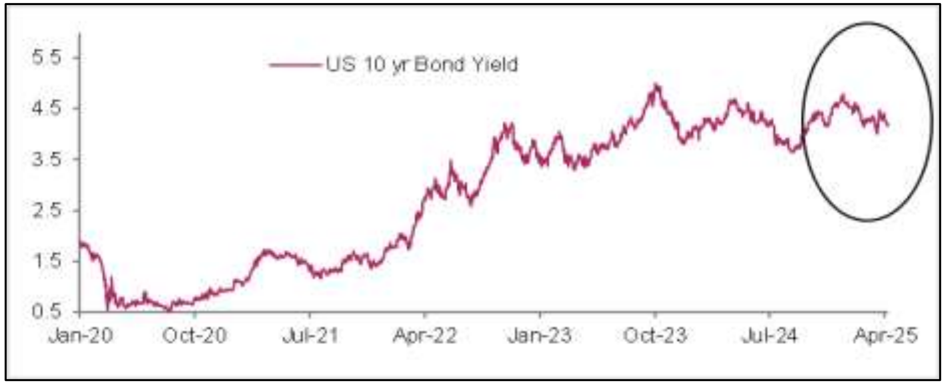


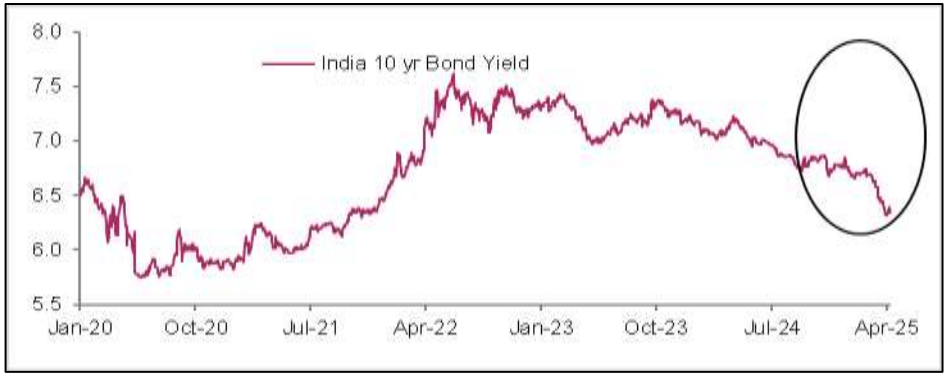


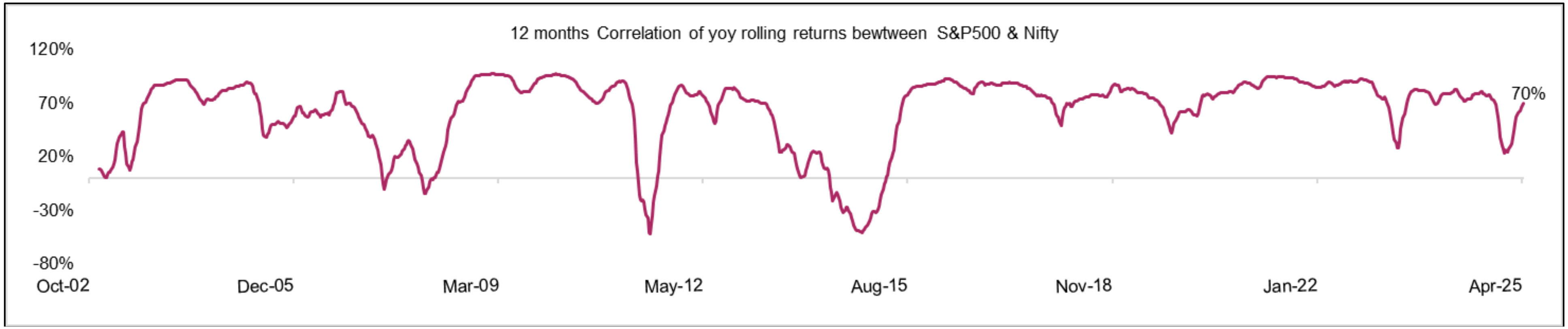
Source: Bloomberg, Axis Securities

Macro Continues to Drive Near-Term Market Fundamentals

- US bond yields have been largely flattish in the last one month and are hovering around 4-4.4% levels. Further direction remains critical for the market.
- Indian bond yields saw a correction on a YTD basis and adjusted by 2 rate cuts by the RBI.
- The correlation between the Indian and US markets has now back to 70% levels vs. the 44% seen as of 28th Feb'24.







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

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

Industry view

Over Weight

CMP
1,427

Target Price
1,650

Upside
16%

Key Rationale

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

Key Financials (Standalone)

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

Source: Company, Axis Securities

Income Statement (Rs Bn)

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

Source: Company, Axis Research

Balance Sheet (Rs Bn)

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

Source: Company, Axis Research

Valuation Ratios (%)

Y/E March	FY24	FY25	FY26E	FY27E
EPS	58.2	66.3	72.1	84.7
Earnings growth (%)	27.5	13.9	8.8	17.4
BVPS	339.4	410.0	470.3	541.1
Adj. BVPS	315.1	385.8	446.0	515.5
ROAA (%)	2.4	2.3	2.3	2.3
ROAE (%)	18.6	17.8	16.4	16.8
P/E (x)	24.4	21.5	19.7	16.8
P/ABV (x)	4.5	3.7	3.2	2.8
Dividend Yield (%)	0.7	0.8	0.9	1.1
PROFITABILITY & OPERATING EFFICIENCY				
NIM (%)	4.5	4.3	4.2	4.3
Cost/Avg. Asset Ratio (%)	2.3	2.1	2.1	2.0
Cost-Income Ratio (%)	40.2	38.6	38.5	37.5

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E March	FY24	FY25	FY26E	FY27E
Loan Growth (%)	16.2	13.3	14.9	15.4
Deposit Growth (%)	19.6	14.0	14.7	15.4
C/D Ratio (%)	83.8	83.3	83.4	83.4
Equity/Assets (%)	12.7	13.8	13.8	13.7
Equity/Advances (%)	20.1	21.8	21.7	21.7
Total Capital Adequacy Ratio	16.3	17.2	17.5	17.2
Tier I CAR	15.6	16.6	17.0	16.8
ASSET QUALITY				
Gross NPLs	280	242	252	296
Net NPLs	54	56	58	68
Gross NPLs (%)	2.4	1.8	1.6	1.7
Net NPLs (%)	0.5	0.4	0.4	0.4
Coverage Ratio (%)	80.8	76.9	77.0	77.0
Provision/Avg. Loans (%)	0.3	0.4	0.5	0.5
ROAA TREE				
Net Interest Income	4.3	4.1	4.0	4.0
Non-Interest Income	1.3	1.4	1.4	1.4
Operating Cost	2.3	2.1	2.1	2.0
Provisions	0.2	0.2	0.3	0.3
Tax	0.8	0.8	0.7	0.7
ROAA	2.4	2.3	2.3	2.3
Leverage (x)	7.9	7.5	7.3	7.3
ROAE	18.6	17.8	16.4	16.8

Source: Company, Axis Research

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

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

Industry view

Over Weight

CMP
789

Target Price
1,025

Upside
30%

Key Rationale

- **Growth visibility is healthy; momentum remains buoyant:** SBI has reaffirmed its credit growth guidance of 14-16% in FY25, supported by healthy demand visibility in the retail portfolio and a strong corporate pipeline. Currently, the corporate loan pipeline stands at Rs 4.8 Tn (largely capex driven), of which Rs 2.2 Lk Cr have been sanctioned. Additionally, the management remains confident that retail credit growth will hold up well as the bank exits FY25 and beyond. The recent budget announcements have opened doors for the bank to pursue credit growth opportunities in the SME segment. The bank also expects growth in the Xpress Credit portfolio to pick up gradually (expecting double-digit growth), supported by the budgetary boost to consumption. We expect SBI to deliver a healthy advances growth of 13% CAGR over FY25-27E.
- **Asset Quality trends to remain healthy**: In Q3FY25, the SMA2 book inched-up sharply QoQ, owing to a long-term government sector customer with a fund-based outstanding of Rs 58 Bn. The account has been pulled back subsequently. The management highlighted that the risk of this account falling back into SMA 2 is negligible. The bank had consciously pulled back growth in the unsecured Xpress credit portfolio, citing systemic asset quality concerns. The portfolio quality continues to hold up well. Going ahead, the management does not expect any major negative surprises on asset quality. Thus, as credit costs continue to normalise with the book ageing, SBI remains confident of capping credit costs at 50bps across cycles.
- **Non-banking subsidiaries to boost overall performance:** Apart from core banking, SBI's subsidiaries are expected to continue adding value. The bank has a strong presence in various financial services operations, most of which generate stable returns and support the bank's overall performance.
- **Confident of maintaining NIMs at 3+%:** The bank will continue to focus on risk-adjusted returns while not compromising on yields. SBI has not shied away from letting go of growth opportunities where the risk-reward was not favourable. Going ahead, with the SME segment exhibiting strong growth potential, the bank expects yields to find support, given that SME yields are better than corporate advances. In the event of a 25bps rate cut, the management expects the impact on NIMs to be negligible (2-3bps) despite the 28% EBLR book getting repriced immediately. Currently, ~60% of SBI's book is MCLR-linked and fixed rate and the impact on NIMs would be with a lag, which would be offset by the downward repricing on CoD/CoF. Thus, the management remains confident of defending NIMs at 3+% over the medium term.
- **Valuation:** SBI remains well-poised to sustain its growth momentum supported by its comfortable LDR, providing it levers to accelerate credit growth (especially in retail and SME), offering scope to support NIMs. We believe SBI could continue to deliver a sustainable RoA of 1% over the medium term, supported by (1) Healthy growth visibility across segments, (2) Strengthening deposit franchise with focus on CASA deposits, (3) Ramping up the fee income profile, (4) Controlled Opex and Provisions
- **Key risks:** a) Significant slowdown in credit growth

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	1,599	867	611	68.4	399.1	2.0	1.0	0.6
FY25E	1,671	1,062	703	78.8	461.2	1.7	1.1	0.5
FY26E	1,850	1,175	714	80.0	522.9	1.5	1.0	0.5
FY27E	2,094	1,369	828	92.8	593.2	1.3	1.0	0.5

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Net Interest Income	**1,599**	**1,671**	**1,850**	**2,094**
Other Income	517	537	563	612
Total Income	**2,116**	**2,208**	**2,413**	**2,706**
Total Operating Exp.	1,249	1,146	1,238	1,337
PPOP	**867**	**1,062**	**1,175**	**1,369**
Provisions & Contingencies	49	115	220	262
PBT	**818**	**946**	**955**	**1,107**
Provision for Tax	207	243	241	279
PAT	**611**	**703**	**714**	**828**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E MAR	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share capital	9	9	9	9
Reserves and surplus	3,764	4,326	4,897	5,560
Shareholders' funds	**3,772**	**4,335**	**4,906**	**5,569**
Total Deposits	49,161	54,269	60,457	67,370
Total Borrowings	55,136	61,134	68,198	76,651
Other Liabilities, provisions	2,888	3,427	3,826	4,303
Total	**61,797**	**68,896**	**76,930**	**86,523**
APPLICATION OF FUNDS				
Cash & Bank Balance	3,108	3,540	3,943	4,394
Investments	16,713	17,907	19,345	21,557
Advances	37,040	41,946	47,498	53,662
Fixed Assets & Other Assets	4,936	5,503	6,145	6,911
Total assets	**61,797**	**68,896**	**76,930**	**86,523**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	68.4	78.8	80.0	92.8
Earnings Growth (%)	*21.6%*	*15.1%*	*1.6%*	*16.0%*
BVPS	422.7	485.7	549.7	624.0
Adj. BVPS	399.1	461.2	522.9	593.2
ROAA (%)	1.0	1.1	1.0	1.0
ROAE (%)	17.3	17.3	15.5	15.8
P/E (x)	11.5	10.0	9.9	8.5
P/ABV (x)	2.0	1.7	1.5	1.3
Dividend Yield (%)	1.6	2.2	2.2	2.6
PROFITABILITY				
NIM (%) – Domestic	3.4	3.2	3.2	3.2
NIM (%) - Global	3.3	3.1	3.0	3.1
Cost-Income Ratio	59.0	51.9	51.3	49.4

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	15.8	13.2	13.2	13.0
Deposit Growth (%)	11.1	10.4	11.4	11.4
C-D Ratio (%)	75.3	77.3	78.6	79.7
Equity to Assets (%)	6.1	6.3	6.4	6.4
Equity to Loans (%)	10.2	10.3	10.3	10.4
CRAR (%)	14.3	13.8	13.6	13.2
Tier I (%)	11.9	11.6	11.5	11.3
ASSET QUALITY				
Gross NPLs (%)	2.2	2.1	2.0	2.0
Net NPLs (%)	0.6	0.5	0.5	0.5
PCR	75.0	75.0	75.0	75.0
Credit cost	0.1	0.3	0.5	0.5

Source: Company, Axis Research

Varun Beverages – Geared For Growth

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

Industry view

Equal Weight

CMP
522

Target Price
650

Upside
24%

Key Rationale

- **Consistent topline and bottomline performance despite a challenging environment:** VBL's revenue and PAT registered a 32% and 52% CAGR over CY21–24, respectively, supported by the scaling of newly acquired territories in West and South India (pre-COVID) and robust performance in international markets. The company expanded its distribution reach to 4 Mn outlets as of Dec'24, up from 3 Mn in CY22. Key growth drivers include the aggressive expansion of the high-margin Sting energy drink, along with an increased focus on value-added Dairy, Sports drinks (Gatorade), and the Juice segment.
- **Commissioning of multiple greenfield and brownfield manufacturing facilities to lead to strong foundation for future growth:** Over the past several years, the company has commissioned new production facilities in Bundi (Rajasthan) and Jabalpur (Madhya Pradesh) while also expanding capacity at six existing locations in Pathankot, Kosi, Bharuch, Tirunelveli, Begusarai, and Guwahati. In CY24, it further strengthened its manufacturing footprint by commissioning new facilities in Gorakhpur, Uttar Pradesh, and Khordha, Odisha. Additionally, the company has proposed acquiring the remaining 39.93% stake in Lunarmech Technologies, thereby increasing its total shareholding to 100%. Lunarmech Technologies manufactures plastic closures for PET bottles used by the company in-house. In Africa, the company commissioned a CSD and packaged drinking water production facility in Kinshasa, Democratic Republic of Congo. These expansions have laid a strong foundation for the company, positioning it for multi-year growth opportunities in the Indian and African markets.
- **Expanding South Africa territory:** The company has announced the proposed acquisition of a 100% stake in SBC Beverages Tanzania Ltd and SBC Beverages Ghana, both PepsiCo bottlers operating in Tanzania and Ghana. This move further strengthens the company's presence in the high-growth African market. Additionally, in CY24, it successfully completed the strategic acquisition of The Beverage Company (BevCo) in South Africa. With this, the company will expand its footprint across several dynamic African markets, including Lesotho, Eswatini, Namibia, Botswana, Mozambique, and Madagascar. BevCo is engaged in the manufacturing and distribution of both PepsiCo-licensed and its own-branded non-alcoholic beverages in South Africa, further diversifying the company's portfolio and reinforcing its leadership in the region.
- **Outlook**: VBL is set to sustain its strong growth momentum, supported by key strategic initiatives: 1) The acquisition of BevCo, strengthening its presence in South Africa and DRC; 2) Expansion of its snacks portfolio beyond India, targeting markets like Zimbabwe and Zambia; 3) A focused push to widen its distribution network, especially in rural areas; 4) Commissioning of greenfield and brownfield facilities to enhance manufacturing capacity, expand market reach, and optimise logistics costs; and 5) Scaling up its high-margin Sting energy drink while increasing focus on value-added dairy products, sports drinks (Gatorade), and juice offerings. These initiatives are expected to drive long-term growth and profitability. We expect revenue/EBITDA/PAT to grow at 23%/25%/33% CAGR over CY24-27E.

Key Financials (Consolidated)

Y/E Dec (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
CY23	16,043	3,609	2,056	15.8	33.1	20.6	30.3	25.4
CY24	20,008	4,711	2,595	8.0	66.5	37.2	15.9	20.8
CY25E	24,421	5,842	3,684	11.3	47.6	29.7	18.9	19.0
CY26E	30,258	7,312	4,810	14.8	36.4	23.3	20.5	20.8

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E DEC	CY24	CY25E	CY26E	CY27E
Net sales	**20,008**	**24,421**	**30,258**	**37,490**
Growth, %	24.7	22.1	23.9	23.9
Other operating income	-	-	-	-
Total income	20,008	24,421	30,258	37,490
Raw material expenses	(8,905)	(10,819)	(13,362)	(16,502)
Employee expenses	(1,885)	(2,262)	(2,986)	(3,941)
Other Operating Expenses	(4,507)	(5,498)	(6,598)	(7,918)
EBITDA (Core)	**4,711**	**5,842**	**7,312**	**9,129**
Growth, %	30.5	24.0	25.2	24.8
Margin, %	23.5	23.9	24.2	24.4
Depreciation	(947)	(1,047)	(1,130)	(1,213)
EBIT	3,764	4,795	6,182	7,916
Growth, %	28.5	27.4	28.9	28.0
Margin, %	18.8	19.6	20.4	21.1
Other Income	121	139	153	169
Non-recurring Items	-	-	-	-
Pre-tax profit	3,435	4,799	6,268	8,020
Tax provided	(799)	(1,116)	(1,458)	(1,865)
Net Profit	**2,636**	**3,683**	**4,810**	**6,155**
Unadj. shares (Cr)	325	325	325	325

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E DEC	CY24	CY25E	CY26E	CY27E
Cash & bank	2,450	4,473	7,582	11,996
Debtors	846	669	829	1,027
Inventory	2,791	3,407	4,221	5,230
Loans & advances	840	840	840	840
Other current assets	936	936	936	936
Total current assets	7,864	10,326	14,410	20,030
Investments	6	6	6	6
Gross fixed assets	18,860	20,660	22,160	23,660
Less: Depreciation	(5,400)	(6,447)	(7,577)	(8,790)
Add: Capital WIP	1,162	1,162	1,162	1,162
Net fixed assets	14,622	15,375	15,745	16,032
Non-current assets	512	512	512	512
Total assets	**23,144**	**26,359**	**30,812**	**36,719**
Current liabilities	4,524	4,869	5,324	5,888
Provisions	189	189	189	189
Total current liabilities	4,714	5,058	5,513	6,077
Non-current liabilities	1,690	1,690	1,690	1,690
Total liabilities	6,404	6,749	7,204	7,768
Paid-up capital	676	676	676	676
Reserves & surplus	15,934	18,804	22,802	28,145
Shareholders' equity	16,740	19,610	23,609	28,952
Total equity & liabilities	**23,144**	**26,359**	**30,812**	**36,719**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Cash Flow	CY24	CY25E	CY26E	CY27E
Pre-tax profit	3,435	4,799	6,268	8,020
Depreciation	947	1,047	1,130	1,213
Change in working capital.	(1,167)	(95)	(519)	(643)
Total tax paid	(674)	(1,116)	(1,458)	(1,865)
Cash flow from operating activities	**2,542**	**4,635**	**5,421**	**6,725**
Capital expenditure	(5,220)	(1,800)	(1,500)	(1,500)
Change in marketable securities	-	-	-	-
Cash flow from investing activities	**(5,223)**	**(1,800)**	**(1,500)**	**(1,500)**
Free cash flow	(2,681)	2,835	3,921	5,225
Equity raised/(repaid)	27	-	-	-
Dividend (incl. tax)	(227)	(812)	(812)	(812)
Cash flow from financing activities	**(2,567)**	**(812)**	**(812)**	**(812)**
Net change in cash	(5,248)	2,023	3,109	4,413
Opening cash balance	460	2,450	4,473	7,582
Closing cash balance	2,450	4,473	7,582	11,996

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	CY24	CY25E	CY26E	CY27E
Per Share data				
EPS (INR)	8.0	11.3	14.8	18.9
Growth, %	(50.2)	39.7	30.6	28.0
Book NAV/share (INR)	51.1	60.0	72.3	88.7
FDEPS (INR)	8.1	11.3	14.8	18.9
CEPS (INR)	11.0	14.6	18.3	22.7
CFPS (INR)	8.7	13.8	16.2	20.2
DPS (INR)	0.7	2.5	2.5	2.5
Return ratios				
Return on assets (%)	16.1	15.4	17.1	18.4
Return on equity (%)	15.9	18.9	20.5	21.4
Return on capital employed (%)	20.8	19.0	20.8	22.1
Turnover ratios				
Asset turnover (x)	1.4	1.4	1.7	2.0
Receivable days	15.4	10.0	10.0	10.0
Inventory days	50.9	50.9	50.9	50.9
Payable days	37.2	37.4	37.5	37.6
Working capital days	16.2	14.7	18.1	20.9
Liquidity ratios				
Current ratio (x)	1.7	2.1	2.7	3.4
Quick ratio (x)	1.1	1.4	1.9	2.5
Interest cover (x)	8.4	35.5	91.5	123.3
Total debt/Equity (%)	0.1	0.1	0.1	0.1
Net debt/Equity (%)	(0.2)	(0.3)	(0.4)	(0.5)
Valuation				
PER (x)	66.5	47.6	36.4	28.5
PEG (x) - y-o-y growth	(1.3)	1.2	1.2	1.0
Price/Book (x)	10.6	9.0	7.5	6.1
EV/Net sales (x)	8.8	7.1	5.6	4.4
EV/EBITDA (x)	37.2	29.7	23.3	18.2

Source: Company, Axis Research

HDFC BANK LTD – EMBRACING THE UPTURN!

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

Industry view

Equal weight

CMP
1,925

Target Price
2,250

Upside
17%

Key Rationale

- **NIMs remain priority:** Since the merger, the bank has maintained its NIMs in a narrow range of 3.4-3.5% and the management expects to maintain margins within a similar range, barring quarterly variations. The yield repricing on repo-linked loans generally happens within a quarter, with mortgage and corporate loans repricing immediately. With the regulator easing the rate cycle from Feb'24, the impact of the same on yields of repo-linked loans in Q4FY25 was limited, and the full impact on margins will be visible from Q1FY26 onwards. The bank continues to prioritise NIMs over growth and not indulge in irrational pricing across segments. **We believe HDFCB's margins will continue to operate in the range of 3.4-3.5% over FY26-27E with support from (i) an optimal portfolio mix while balancing between retail and non-retail loans, (ii) the scope to replace high-cost borrowings (intend to bring down borrowings mix to 8-9%) with retail granular deposits, and (iii) benefit flowing in from gradual downward repricing of deposits.**
- **LDR improvement to continue:** Hereon, the bank intends to further bring down the LDR to pre-merger levels of 85-90% by FY27E, with improvement being less steep vs FY25. Thus, we expect the pace of credit growth to improve in FY26E and mirror systemic credit growth. The bank's focus on asset quality and profitable growth remains unabated. **We expect HDFCB to deliver a steady 13/18% CAGR advances/deposits growth over FY25-27E, driving LDR improvement to ~88% by FY27E.**
- **ROA optimisation underway:** NIMs are a function of the repo rate movements and will remain volatile (5-10bps) based on the rate changes. The bank has been an outlier in terms of asset quality by maintaining pristine asset quality metrics across credit cycles. With expectations of no major headwinds on asset quality, credit costs hereon are expected to remain steady. The bank has been investing in ramping up its distribution strength and will now look to leverage this strength to improve branch and employee-level productivity. This should aid the Cost-Income ratio over the medium term, an RoA improvement driver. **Thus, the management remains confident of maintaining RoA, similar to historical levels ranging between 1.9-2.1%.**
- **Outlook & Valuation:** HDFCB has been consistently performing on its guidance in its endeavour to revert to its pre-merger levels across metrics, and its execution capabilities remain strong. Supported by (i) Adequate levers to support NIMs, (ii) Controlled Opex growth and improving productivity ensuring Opex ratio moderation, (iii) Pristine asset quality ensuring controlled credit costs should enable HDFCB to deliver an improving trend on return ratios. RoA/RoE is expected to range between 1.8-1.9%/14-15% over FY26-27E**.**
- **Key risks:** a) Slowdown in overall credit momentum owing to the bank's inability to ensure deposit mobilisation, b) Slower substitution of higher-cost debt with lower-cost deposits

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	1,085	944	608	80.0	568.9	3.4	2.0	0.3
FY25E	1,227	1,001	673	88.0	640.5	3.0	1.8	0.4
FY26E	1,345	1,122	746	97.6	712.5	2.7	1.8	0.4
FY27E	1,560	1,323	880	115.0	797.7	2.4	1.9	0.4

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

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

Source: Company, Axis Research

Balance Sheet (Rs Bn)

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

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25	FY26E	FY27E
VALUATION RATIOS				
EPS	80.0	88.0	97.6	115.0
Earnings Growth (%)	*1.3*	*9.9*	*10.8*	*17.9*
BVPS	579.5	655.3	729.4	817.0
Adj. BVPS	568.9	640.5	712.5	797.7
ROAA (%)	2.0	1.8	1.8	1.9
ROAE (%)	14.2	14.3	14.1	14.9
P/E (x)	24.0	21.9	19.7	16.7
P/ABV (x)	3.4	3.0	2.7	2.4
PROFITABILITY				
NIM (%)	3.8	3.5	3.4	3.5
Cost-Assets Ratio	2.1	1.8	1.8	1.8
Cost-Income Ratio	40.2	40.5	40.2	39.2

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

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

Source: Company, Axis Research

BHARTI AIRTEL LTD – HIGHEST ARPU IN THE INDUSTRY

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

Industry view

Over Weight

CMP
1,865

Target Price
2,200

Upside
18%

Key Rationale

- **Best ARPU in the industry:** Bharti Airtel leads the industry in ARPU, with management expecting further improvement from the current Rs 245 level, compared to Reliance's Rs 195. This growth is driven by a more diverse customer base, continued migration from 2G to 4G/5G, and increasing adoption of value-added services. The company remains on track to reach its ARPU target of Rs 300, supported by rising data consumption and deeper rural penetration. Average data usage per customer remains strong at 24.5 GB/month, further bolstering revenue growth.
- **Huge revenue and profit growth potential:** Bharti Airtel's business fundamentals remain strong, with continued improvements across key metrics. Management anticipates sustained revenue and profit growth driven by expanding rural distribution, network investments, and increasing 4G coverage. The company also sees strategic opportunities in tower sales, minority investments, and potential IPOs in mobile money. Airtel's digital portfolio is gaining traction alongside market share expansion. The company maintained a substantial share of 4G/5G net additions, with the 4G customer base growing by 6.5 Mn QoQ and 25.2 Mn YoY, now accounting for 75% of the total customer base.
- **Improvement in the Digital/Home Segment:** Bharti Airtel's management anticipates an improvement in the Home Segment by offering multiple solutions simultaneously. The company has adopted a "Hunting" strategy, targeting existing high-value customers (primarily 50 Mn customers with strong financial profiles) while aggressively acquiring new ones. This approach is expected to drive growth in the Home Segment, enhancing revenue realisation and strengthening the overall business model. Management remains confident in achieving industry-leading growth, supported by intense rural penetration and an expanded service portfolio.
- **Moderated Capex and constant optimisation effort:** Bharti Airtel does not anticipate any immediate significant Capex despite the ongoing 5G rollout. Management expects Capex levels to remain stable, with investments primarily directed toward broadband expansion, enterprise solutions, and data centres. However, Capex related to 4G radio is expected to decline. Additionally, Airtel has identified over 2,500 sites for network cost reduction initiatives, which will help lower future operating costs.
- **Valuation & Recommendation:** We maintain our BUY rating on the stock, driven by the company's superior margins, impressive subscriber growth, and increased 4G conversions.
- **Key risks:** a) Competitors may eat market share, resulting in loss of sustainable revenue.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY23	1,39,145	71,274	15,356	27.5	67.5	15.3	8.1	9.0
FY24	1,49,982	78,292	16,130	28.9	64.2	13.8	8.4	8.8
FY25E	1,74,779	91,998	23,755	42.5	43.6	16.9	9.6	8.0
FY26E	2,28,762	1,24,780	50,099	125.2	14.8	26.3	14.6	3.5

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net sales	1,39,145	1,49,982	1,74,779	2,28,762
Growth, %	19	8	17	31
Other income	0	0	0	0
Total income	1,39,145	1,49,982	1,74,779	2,28,762
Raw material expenses	-7,621	-7,519	-7,430	-7,436
Employee expenses	*(4,831)*	*(5,323)*	*(5,439)*	*(5,556)*
Other Operating Expenses	-66,626	-70,406	-71,361	-73,446
EBITDA (Core)	71,274	78,292	91,998	1,24,780
Growth, %	24	10	18	36
Margin, %	51	52	53	55
Depreciation	*36,432*	*39,538*	*40,424*	*41,690*
EBIT	34,842	38,754	49,561	86,785
Growth, %	43	11	28	75
Margin, %	25	26	28	38
Interest paid	-16,901	-22,648	-22,186	-22,424
Other Non-Operating Income	937	1,435	1,451	1,375
Non-recurring Items	0	0	0	0
Pre-tax profit	19,629	20,251	34,757	77,075
Tax provided	-4,273	-4,121	-5,096	-4,994
Profit after tax	15,356	16,130	23,755	50,099
Others (Minorities, Associates)	0	0	0	0
Net Profit	15,356	16,130	23,755	50,099
Growth, %	132	5	47	111
Net Profit (adjusted)	15,356	16,130	23,755	50,099

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Cash & bank	19,088	14,649	14,417	15,339
Other current assets	39,033	39,109	37,672	37,744
Total current assets	58,121	53,758	52,089	53,083
Gross fixed assets	2,75,280	2,75,464	2,78,465	2,88,631
Net fixed assets	2,75,280	2,75,464	2,78,465	2,88,631
Non-current assets	32,435	32,973	33,102	33,516
Total assets	4,69,456	4,56,782	4,80,544	5,30,650
Current liabilities	1,21,964	1,21,964	1,21,964	1,21,964
Total current liabilities	1,21,964	1,21,964	1,21,964	1,21,964
Non-current liabilities	2,18,225	2,18,225	2,18,225	2,18,225
Total liabilities	3,40,189	3,40,189	3,40,189	3,40,189
Paid-up capital	2,795	2,795	2,795	2,795
Reserves & surplus	97,591	1,13,721	1,37,476	1,87,575
Shareholders' equity	1,29,267	1,16,593	1,40,355	1,90,461
Total equity & liabilities	4,69,456	4,56,782	4,80,544	5,30,650

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Pre-tax profit	19,629	20,251	34,757	77,075
Depreciation	36,432	39,538	40,424	41,690
Change in working capital	1,131	-606	1,163	-479
Total tax paid	-4,646	-4,121	-5,096	-4,994
Other operating activities	0	0	0	0
Cash flow from operating activities	52,509	55,054	67,499	87,608
Capital expenditure	**-40,299**	**-39,721**	**-43,425**	**-51,856**
Chg in investments	0	0	0	0
Change in marketable securities	-374	-76	1,437	-72
Other investing activities	-12,647	-3,542	0	0
Cash flow from investing activities	-52,193	-40,554	-40,394	-48,337
Free cash flow	**316**	**14,500**	**26,072**	**43,521**
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	59,807	0	0	0
Dividend (incl. tax)	0	0	0	0
Other financing activities	0	0	0	0
Cash flow from financing activities	**63,308**	**-28,805**	**7**	**8**
Net change in cash	63,623	-14,305	26,080	43,529
Opening cash balance	12,980	19,088	14,649	14,417
Closing cash balance	**19,088**	**14,649**	**14,417**	**15,339**

Source: Company, Axis Securities Research

Ratio Analysis (%)

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

Source: Company, Axis Securities Research

SHRIRAM FINANCE LTD – MERGER DRIVES LESS CYCLICITY; MORE STABILITY!

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

Industry view

Equal weight

CMP
612

Target Price
790

Upside
29%

Key Rationale

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

Key Financials (Standalone)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	18,794	14,202	7,190	38.3	227.5	2.7	3.3	2.7
FY25E	21,853	16,261	9,761	51.9	263.6	2.3	3.7	2.6
FY26E	25,326	18,983	9,663	51.4	300.1	2.0	3.2	2.6
FY27E	29,211	22,075	11,511	61.2	342.5	1.8	3.3	2.6

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Net Interest Income	**18,794**	**21,853**	**25,326**	**29,211**
Other Income	1,398	1,552	1,657	1,826
Total Income	**20,191**	**23,405**	**26,983**	**31,037**
Total Operating Exp.	5,990	7,144	8,000	8,962
PPOP	**14,202**	**16,261**	**18,983**	**22,075**
Provisions & Contingencies	4,518	5,312	6,065	6,687
PBT	0	1,657	0	0
Provision for Tax	**9,684**	**12,606**	**12,918**	**15,389**
PAT	2,493	2,845	3,255	3,878

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E MAR	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share capital	376	376	376	376
Reserves and Surplus	48,193	55,904	63,635	72,843
Shareholders' funds	**48,568**	**56,281**	**64,011**	**73,219**
Borrowings	1,86,468	2,34,915	2,66,661	3,06,637
Other Liabilities, provisions	2,239	2,337	2,654	3,048
Total liabilities	**2,37,276**	**2,93,533**	**3,33,326**	**3,82,905**
APPLICATION OF FUNDS				
Cash & Bank Balance	10,813	21,366	19,929	20,979
Investments	10,657	15,599	17,713	22,263
Advances	2,07,929	2,45,393	2,83,487	3,26,214
Fixed Assets & Other Assets	1,407	1,189	1,189	1,189
Total assets	6,471	9,986	11,007	12,261

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	38.3	51.9	51.4	61.2
Earnings Growth (%)	*-76.0*	*35.6*	*-1.0*	*19.1*
BVPS	258.5	299.3	340.4	389.4
Adj. BVPS	227.5	263.6	300.1	342.5
ROAA (%)	3.3	3.7	3.2	3.3
ROAE (%)	15.7	18.6	16.6	17.4
P/E (x)	16.0	11.8	11.9	10.0
P/BV (x)	2.7	2.3	2.0	1.8
PROFITABILITY				
NIM (%)	8.8	8.6	8.4	8.5
Cost-Assets Ratio	2.7	2.7	2.6	2.5
Cost-Income Ratio	29.7	30.5	29.6	28.9

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	20.9	18.0	15.5	15.1
Borrowings Growth (%)	17.7	26.0	13.5	15.0
Equity/Assets (%)	23.4	22.9	22.6	22.4
Equity/Loans (%)	20.5	19.2	19.2	19.1
Total Capital Adequacy Ratio (CAR)	20.3	20.7	20.3	20.1
ASSET QUALITY				
Gross NPLs (%)	5.5	4.6	4.6	4.6
Net NPLs (%)	2.7	2.6	2.6	2.6
PCR	53.2	43.3	45.0	45.0
Credit costs	2.4	2.3	2.3	2.2

Source: Company, Axis Research

HERO MOTOCORP LTD – RURAL RECOVERY TO SUPPORT FUTURE VOLUME GROWTH

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

Industry view

Over Weight

CMP
3,827

Target Price
5,285

Upside
38%

Key Rationale

- **Long-term Growth Strategy:** Hero MotoCorp's 2030 strategy is anchored on four key growth pillars: strengthening its core business, excelling in the premium segment, leading in EVs, and diversifying revenue streams. The strategy is driven by the 4S mantra—speed, scale, synergy, and simplification—while also focusing on building a future-ready organisation and advancing ESG initiatives. As part of its portfolio-reshaping efforts, the company introduced four new models at Bharat Mobility, reinforcing its positioning for long-term growth.
- **New Product Launches:** Product launches in premium scooters and EVs will be key growth drivers, with new models scheduled for FY26. The company is expanding its sub-Rs 1 Lc EV lineup through the Vida V2 platform, reinforcing its position in the mass-market scooter segment. New premium motorcycles, such as the Xpulse 210 and Xtreme 250R, have received strong market feedback. Meanwhile, upcoming models like the Xoom 125, Xoom 160, and Destini 125 will further strengthen Hero MotoCorp's scooter portfolio.
- **EBITDA Margins:** Hero MotoCorp achieved an EBITDA of over Rs 10,000 per vehicle, supported by a richer product mix and strategic pricing. The ICE segment's EBITDA margin stood at 16%, down 50 bps QoQ, primarily due to higher marketing and advertising expenses during the festive season. The company aims to sustain overall EBITDA margins in the 14-16% range in the medium term, driven by a stronger product mix—specifically, EVs and higher cc motorcycles —continued product premiumisation, lower material costs, and improved operational efficiencies, particularly in the EV segment.
- **Union Government's Budgetary Push to Support Rural/ Urban Middle-class Income:** (1) No Income Tax up to Rs 12 Lc (Rs 12.75 Lc for salaried individuals) and revised tax slabs (0-30%): This will increase disposable income and boost middle-class spending on discretionary items.(2) The budget's focus on Rural Development and Agriculture & Allied Activities through schemes like PM Dhan Dhaanya Krishi Yojna, which aims to cover 100 districts and benefit 1.7 Cr farmers; facilitating short-term credit loans to 7.7 Cr farmers through KCC; Mission for Cotton Productivity; and National Mission on High-Yielding Seeds—all of these initiatives indirectly support demand for entry-level 2Ws, where Hero holds a dominant market position.
- **Valuation & Outlook:** We are monitoring (1) Hero's roadmap in the EV product portfolio, including investments in Ather, the ramp-up of VIDA V2, and the launch of the sub-Rs 1 Lc Vida V2 Lite catering to mass markets;(2) Strategy in the mid-weight MC segment amidst growing competition; (3) Expansion into new international markets. Additionally, government initiatives to enhance rural income, higher disposable income (as announced in the recent Union Budget), and the marriage season are expected to drive the 2W industry's growth, benefiting Hero, particularly in the entry-level and 125cc segments. Consequently, we estimate an 8%/9%/9% CAGR in Revenue/EBITDA/PAT over FY24-27E.
- **Key risks:** a) Geopolitical Uncertainty, b) Increased competition.

Key Financials (Standalone)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY24A	37,456	5,261	4,127	198	22.5	21.7	22.1	17.6
FY25E	40,871	5,858	4,634	232	15.5	22.4	22.8	12.3
FY26E	43,987	6,313	4,973	249	14.4	21.7	22.1	11.1
FY27E	47,609	6,765	5,311	266	13.9	21.0	21.3	10.1

Source: Company, Axis Securities Research

Profit & Loss (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
Net revenues	**37,456**	**40,871**	**43,987**	**47,609**
Operating expenses	32,194	35,013	37,674	40,844
EBIDTA	**5,261**	**5,858**	**6,313**	**6,765**
EBIDTA margin (%)	**14.0**	**14.3**	**14.4**	**14.2**
Other income	886	1,102	1,111	1,111
Interest	19	20	20	21
Depreciation	711	765	774	774
Profit Before Tax	5,418	6,175	6,630	7,082
Tax	1,290	1,443	1,658	1,770
Reported Net Profit	**3,968**	**4,732**	**4,973**	**5,311**
Net Margin (%)	10.6	11.6	11.3	11.2
Adjusted Net Profit	**4,127**	**4,634**	**4,973**	**5,311**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
Equity capital	40	40	40	40
Reserves & surplus	17,946	19,979	22,253	24,866
Shareholders funds	17,986	20,019	22,293	24,906
Total Loans	0	0	0	0
Deferred tax liability	435	435	435	435
Total Liabilities and Equity	**18,421**	**20,454**	**22,728**	**25,341**
Gross block	12,465	13,445	14,195	14,695
Depreciation	6,631	7,396	8,170	8,944
Net block	5,834	6,049	6,025	5,752
Capital WIP	481	500	250	250
Investments	13,086	13,486	13,886	14,286
Inventory	1,444	1,680	1,687	1,826
Debtors	2,703	3,247	3,374	3,652
Cash & Bank Bal	609	509	2,894	5,312
Loans & Advances	1,415	2,092	1,777	1,886
Current Assets	6,171	7,528	9,732	12,675
Sundry Creditors	5,528	5,487	5,544	6,000
Other Current Liability	1,622	1,622	1,622	1,622
Current Liability& Provisions	7,151	7,109	7,166	7,622
Net current assets	-980	419	2,566	5,053
Total Assets	**18,421**	**20,454**	**22,728**	**25,341**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
EBIT	4,550	5,093	5,539	5,991
Other Income	886	1,102	1,111	1,111
Depreciation & Amortisation	711	765	774	774
Interest paid(-)	-19	-20	-20	-21
Tax paid(-)	-1,290	-1,443	-1,658	-1,770
Extra Ord Income	-159	0	0	0
Operating Cash Flow	**4,679**	**5,497**	**5,747**	**6,085**
Change in Working Capital	1,118	-1,498	237	-69
Cash flow from Operations	**5,797**	**3,998**	**5,984**	**6,016**
Capex	-801	-1,000	-500	-500
Strategic Investment	0	0	0	0
Non-Strategic Investment	-2,076	-400	-400	-400
Cash flow from Investing	**-2,876**	**-1,400**	**-900**	**-900**
Change in borrowing	0	0	0	0
Others	41	-0	0	-0
Dividends paid(-)	-2,699	-2,699	-2,699	-2,699
Cashflow from Financial Activities	**-2,657**	**-2,699**	**-2,699**	**-2,699**
Change in Cash	263	-100	2,385	2,418
Opening cash	346	609	509	2,894
Closing Cash	**609**	**509**	**2,894**	**5,312**

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY24A	FY25E	FY26E	FY27E
Revenue Growth	10.8	9.1	7.6	8.2
EBITDA Margin	14.0	14.3	14.4	14.2
Net Profit Margin	11.0	11.3	11.3	11.2
ROCE (%)	21.7	22.4	21.7	21.0
ROE (%)	22.1	22.8	22.1	21.3
EPS (Rs)	198	232	249	266
P/E (x)	22.9	15.9	14.8	13.9
P/ BV (x)	5.3	3.7	3.3	3.0
EV/ EBITDA (x)	17.8	12.5	11.2	10.1
Fixed Assets Turnover Ratio (x)	5.9	6.2	7.0	7.9
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	2.5	1.8	1.6	1.4

Source: Axis Securities Research

Avenue Supermarts Ltd – Earnings Bottoming Out

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

Industry view

Equal Weight

CMP
4,200

Target Price
4,770

Upside
14%

Key Rationale

- **Earnings bottoming out:** D-Mart has consistently delivered 17-20% CAGR revenue growth over the past several quarters, driven by 14-15% expansion in its network and retail space. The recent investment of approximately Rs 175 Cr in D-Mart Ready to support operations, working capital, and expansion is a step in the right direction. This strategic move will strengthen the company's position in the competitive online grocery market and is expected to yield long-term benefits.
- **Margins remain intact:** Despite a challenging environment marked by pressure in GM&A sales and rising competition from other value retailers and Q-commerce players, the company has maintained its overall Gross and EBITDA margins at approximately 15% and 7-8%, respectively, over the past several quarters. This reflects D-Mart's strong execution capabilities, robust business model (EDLP), and operational efficiencies.
- **Extensive retail network:** D-Mart has consistently maintained its store opening expansion, with its total store network reaching 418 as of April 25. This represents a 14% CAGR, positioning the company to benefit as demand revives in the coming quarters. The company aims to increase its store count by 15% in the coming years.
- **Management Transition:** Neville Noronha will step down as MD & CEO in January 2026, and Anshul Aswa, previously with Unilever, will assume the role of CEO from March 2025. Additionally, the appointment of new leadership to the revamped and slowing GM&A category will be closely watched, as it may signal potential shifts in strategic direction or operational priorities.
- **Improving outlook:** D-Mart has faced several challenges over the past few years, impacted by a subdued demand environment, particularly in the value segment. Larger and newer stores have longer gestation periods, affecting overall profitability, along with increasing competition from both organised players and online platforms. However, the company has undertaken several initiatives to address these challenges, such as: 1) changes in leadership to revamp the slowing GM&A category, 2) focusing on improving profitability in D-Mart Ready through a gradual expansion strategy, and 3) targeting a 15% store addition on an existing base of 418 stores, which is a step in the right direction. Additionally, the overall improving consumer demand, supported by stable macroeconomics and a strong festive outlook in H2FY26, is expected to further support these initiatives and drive growth in high-margin general merchandise and apparel categories. As a result, we upgrade the stock from HOLD to BUY.

Key Financials (Standalone)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)
FY24	50,789	4,766	2,536	39.0	110.2	13.6	14.5
FY25E	59,729	4,766	2,929	45.0	95.4	13.5	14.5
FY26E	71,598	5,836	3,622	55.7	77.1	14.3	15.4
FY27E	86,102	7,061	4,432	68.1	63.0	14.9	16.1

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	**50,789**	**59,729**	**71,598**	**86,102**
Growth, %	18.6	17.6	19.9	20.3
Raw material expenses	(43,275)	(50,848)	(60,763)	(72,915)
Employee expenses	(906)	(1,133)	(1,371)	(1,658)
Other Operating Expenses	(2,504)	(2,983)	(3,628)	(4,468)
EBITDA (Core)	**4,104**	**4,766**	**5,836**	**7,061**
Growth, %	12.8	16.1	22.5	21.0
Margin, %	8.1	8.0	8.2	8.2
Depreciation	(731)	(860)	(1,013)	(1,166)
EBIT	**3,373**	**3,906**	**4,824**	**5,895**
Growth, %	12.5	15.8	23.5	22.2
Margin, %	6.6	6.5	6.7	6.8
Other Income	146	176	211	253
Non-recurring Items	-	-	-	-
Pre-tax profit	**3,461**	**4,012**	**4,961**	**6,071**
Tax provided	(926)	(1,083)	(1,340)	(1,639)
Profit after tax	**2,536**	**2,929**	**3,622**	**4,432**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	638	969	1,427	2,687
Debtors	166	196	235	282
Inventory	3,927	4,619	5,536	6,658
Loans & advances	-	-	-	-
Other current assets	1,364	1,364	1,364	1,364
Total current assets	6,203	7,254	8,669	11,098
Investments	243	243	243	243
Gross fixed assets	16,562	19,472	22,922	26,372
Less: Depreciation	(3,155)	(4,014)	(5,027)	(6,193)
Add: Capital WIP	935	935	935	935
Net fixed assets	14,342	16,392	18,830	21,114
Non-current assets	390	390	390	390
Total assets	**21,178**	**24,280**	**28,131**	**32,845**
Current liabilities	1,979	2,152	2,383	2,664
Provisions	-	-	-	-
Total current liabilities	1,979	2,152	2,383	2,664
Non-current liabilities	501	501	501	501
Total liabilities	2,480	2,653	2,883	3,165
Paid-up capital	651	651	651	651
Reserves & surplus	18,047	20,976	24,597	29,029
Shareholders' equity	18,698	21,626	25,248	29,680
Total equity & liabilities	**21,178**	**24,280**	**28,131**	**32,845**

Source: Company, Axis Research

Cash flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Pre-tax profit	3,461	4,012	4,961	6,071
Depreciation	731	860	1,013	1,166
Change in working capital	(1,193)	(547)	(727)	(888)
Total tax paid	(911)	(1,083)	(1,340)	(1,639)
Cash flow from operating activities	**2,088**	**3,241**	**3,908**	**4,710**
Capital expenditure	(2,912)	(2,910)	(3,450)	(3,450)
Change in marketable securities	96	-	-	-
Cash flow from investing activities	**(2,942)**	**(2,910)**	**(3,450)**	**(3,450)**
Free cash flow	(854)	331	458	1,260
Equity raised/(repaid)	2	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	**2**	**-**	**-**	**-**
Net change in cash	(851)	331	458	1,260
Opening cash balance	1,408	638	969	1,427
Closing cash balance	638	969	1,427	2,687

Source: Company, Axis Research

Ratios (%)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	39.0	45.0	55.7	68.1
Growth, %	6.0	15.5	23.7	22.4
Book NAV/share (INR)	287.3	332.3	388.0	456.1
FDEPS (INR)	39.0	45.0	55.7	68.1
CEPS (INR)	50.2	58.2	71.2	86.0
CFPS (INR)	30.0	47.1	56.8	68.5
Return ratios				
Return on assets (%)	13.2	13.2	14.1	14.8
Return on equity (%)	13.6	13.5	14.3	14.9
Return on capital employed (%)	14.5	14.5	15.4	16.1
Turnover ratios				
Asset turnover (x)	3.2	3.2	3.3	3.5
Sales/Total assets (x)	2.6	2.6	2.7	2.8
Sales/Net FA (x)	3.8	3.9	4.1	4.3
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	1.2	1.2	1.2	1.2
Inventory days	28.2	28.2	28.2	28.2
Payable days	7.7	7.7	7.7	7.7
Working capital days	25.0	24.6	24.2	23.9
Liquidity ratios				
Current ratio (x)	3.1	3.4	3.6	4.2
Quick ratio (x)	1.1	1.2	1.3	1.7
Valuation				
PER (x)	110.2	95.4	77.1	63.0
PEG (x) - y-o-y growth	18.4	6.2	3.3	2.8
Price/Book (x)	14.9	12.9	11.1	9.4
EV/Net sales (x)	5.5	4.7	3.9	3.2
EV/EBITDA (x)	67.9	58.4	47.6	39.2
EV/EBIT (x)	82.6	71.2	57.6	46.9

Source: Company, Axis Research

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

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

Industry view

Over Weight

CMP
2,096

Target Price
2,500

Upside
19%

Key Rationale

- **Strong Q3FY25:** Lupin delivered strong results, exceeding expectations. Revenue grew 11% YoY, driven by robust performance in the India and US businesses, which expanded by 11.9% and 12.3% YoY, respectively. Meanwhile, the EMEA business posted a 20.9% YoY increase. However, the Emerging Markets business declined by 4.7% YoY, while API saw a gradual recovery with 4% YoY growth. Gross margins improved by 330 bps YoY and remained stable QoQ, supported by a favourable product mix, lower input costs, a reduced share of in-licensed products, and enhanced cost efficiencies. EBITDA margins expanded by 350 bps YoY and remained flat QoQ. Reported PAT surged 40.1% YoY, surpassing expectations.
- **USA Front:** Lupin reported U.S. sales of $235 Mn, marking a 10.8% YoY growth in constant currency, with overall revenue at Rs 2,121 Cr, up 12.3% YoY. Growth was primarily driven by volume expansion in inline products and contributions from new launches, though pricing pressure and competition in Suprep and Albuterol impacted performance.
- **Outlook & Valuation:** New launches in the U.S. market, such as Darunavir and Spiriva, have gained market shares of up to 30% and 25%, respectively. The recent approval for gMegabran has the potential to contribute $50 Mn in annual incremental sales. Additionally, approvals for Tolvaptan (market size $287 Mn) and Xyway (market size $958 Mn with 180-day exclusivity) could drive growth in the second half. The company has a robust product pipeline, which includes Cynocobalamin, Diazepam Gel, Varenicline, Bromfenac, Glucagen, and Risperidone, among others.
- **Double-digit growth in India's business is expected,** supported by an increase in the MR count to 1,000. The API business is also witnessing an uptick, benefiting from a broader demand revival in the industry. Lupin's margins, currently at 18%, remain below the industry average of 22%, indicating significant potential for improvement in the coming quarters. This margin expansion will be further supported by a favourable macro environment, including declining raw material prices, lower logistics costs, and reduced fuel expenses.
- **Valuation:** At the CMP, the stock trades at 29.2x and 25x its FY25E and FY26E earnings.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (%)	ROE (%)
FY24	20,011	3,811	1,915	42.0	48.3	23.3	13.3
FY25E	21,503	4,838	2,980	65.4	31.0	17.8	17.5
FY26E	25,813	5,529	3,490	76.6	26.5	15.0	17.2

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Total Net Sales	**20,011**	**21,503**	**24,038**	**25,813**
% Change	20.2%	7.5%	11.8%	7.4%
Raw Material Consumption	6,643	6,666	7,332	7,847
Staff costs	3,495	3,655	4,087	4,388
Other Expenditure	6,062	6,343	7,091	7,512
Total Expenditure	16,200	16,665	18,510	19,747
EBITDA	**3,811**	**4,838**	**5,529**	**6,066**
% Change	111.9%	27.0%	14.3%	9.7%
EBITDA Margin %	**19.0%**	**22.5%**	**23.0%**	**23.5%**
Depreciation	1,197	1,014	1,074	1,134
EBIT	2,614	3,825	4,455	4,932
EBIT Margin %	13.1%	17.8%	18.5%	19.1%
Interest	312	121	106	78
Other Income	120	117	125	146
PBT	**2,422**	**3,821**	**4,475**	**5,000**
Tax	487	841	984	1,100
Tax Rate %	*20.1%*	*22.0%*	*22.0%*	*22.0%*
APAT	1,936	2,980	3,490	3,900
P/L after discontinuation	-21	0	0	0
PAT after Ass.	1,915	2,980	3,490	3,900
Adj. PAT	**1,915**	**2,980**	**3,490**	**3,900**
Growth %	**345.1%**	**55.6%**	**17.1%**	**11.7%**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Share Capital	91	91	91	91
Reserves & Surplus	14,282	16,967	20,162	23,768
Shareholders Fund	14,373	17,058	20,254	23,859
Total Debt	2,922	2,422	1,922	1,422
- Trade Payables	2,958	3,181	3,556	3,819
- Other Long-Term Liabilities	346	353	395	424
- Other Current Liabilities	2,252	2,415	2,700	2,900
TOTAL EQUITY & LIABILITIES	**23,997**	**26,576**	**29,973**	**33,569**
Gross Block	9,535	10,135	10,735	11,335
Depreciation	4,951	5,965	7,038	8,172
% of GB	51.9%	58.9%	65.6%	72.1%
- Fixed Assets(incl. Capital Work in Progress)	9,677	9,264	8,790	8,257
- Other Non-Current Assets	872	881	881	881
- Current Investments	847	847	847	847
- Inventories	4,954	5,302	5,927	6,365
- Trade Receivables	4,692	5,066	5,664	6,082
- Cash & Cash Equivalents	1,202	3,331	5,756	8,875
- Other Current Assets	1,752	1,885	2,107	2,263
TOTAL ASSETS	**23,997**	**26,576**	**29,973**	**33,569**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
PBT	2,422	3,821	4,475	5,000
Add: Depreciation	1,197	1,014	1,074	1,134
Add: Interest	312	121	106	78
Cash flow from operations	3,931	4,955	5,654	6,212
Change in working capital	-143	470	743	520
Taxes	487	841	984	1,100
Miscellaneous expenses	21	0	0	0
Net cash from operations	3,566	3,644	3,926	4,592
Capital expenditure	-1,251	-600	-600	-600
Change in Investments	-407	0	0	0
Net cash from investing	-1,658	-600	-600	-600
Increase/Decrease in debt	-1,620	-500	-500	-500
Dividends	-385	-295	-295	-295
Proceedings from equity	0	0	0	0
Interest	-312	-121	-106	-78
Others	317	0	0	-0
Net cash from financing	-1,999	-916	-901	-873
Net Inc./(Dec.) in Cash	-91	2,128	2,425	3,119
Opening cash balance	1,293	1,202	3,331	5,756
Closing cash balance	1,202	3,331	5,756	8,875

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Sales growth (%)	20.2	7.5	11.8	7.4
OPM	19.0	22.5	23.0	23.5
Oper. profit growth	111.9	27.0	14.3	9.7
COGS / Net sales	33.2	31.0	30.5	30.4
Overheads/Net sales	-	-	-	-
Depreciation / G. block	12.6	10.0	10.0	10.0
Effective interest rate	20.1	22.0	22.0	22.0
Net wkg. cap / Net sales (%)	29.1	29.2	29.2	29.2
Net sales / Gr block (x)	2.1	2.1	2.2	2.3
RoCE	15.1	19.6	20.1	19.5
Debt/equity (x)	0.2	0.1	0.1	0.1
Effective tax rate	20.1	22.0	22.0	22.0
RoE	13.3	17.5	17.2	16.3
Payout ratio (Div/NP)	422.4	323.7	323.7	323.7
EPS (Rs.)	42.0	65.4	76.6	85.6
EPS Growth	345.1	55.6	17.1	11.7
CEPS (Rs.)	68.3	87.6	100.1	110.5
DPS (Rs.)	8.4	6.5	6.5	6.5

Source: Company, Axis Research

MAX HEALTHCARE INSTITUTE LIMITED – LEADER IN CHARGE

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

Industry view

Equal Weight

CMP
1,098

Target Price
1,315

Upside
20%

Key Rationale

- **Q3FY24 Performance:** Max Healthcare reported revenue of Rs 2,281 Cr, surpassing expectations, driven by a slight decline in occupancy and a stable ARPOB, supported by the addition of new hospitals. ARPOB stood at Rs 75,900, remaining flat YoY, while occupancy improved to 75%, up 200 bps YoY on a like-for-like basis, backed by an 8% YoY increase in occupied bed days. The company's topline grew 34% YoY, with strong contributions from both mature and developing hospitals. EBITDA margins stood at 26.3%, down 136 bps YoY but improving sequentially by 65 bps. Adjusted PAT came in at Rs 390 Cr, reflecting 15% YoY growth, driven by operational efficiencies and cost control.
- **New Expansion Plans: Network Expansion -** The company plans to add 3,500 beds over the next three years, representing 70% of its existing capacity, with 80% of these additions expected to come through brownfield expansions. MAX continues to focus on value investing and has recently acquired a hospital chain from Jaypee Healthcare, adding 800 beds to strategically increase foot traffic in the Noida region. The newly added 300-bed facility in Dwarka currently operates at an occupancy rate of around 45% and is expected to break even within the next 12 months. Additionally, the company has announced a 500-bed expansion in Thane under an asset-light model in Q3FY25. It has also increased the capacity of its upcoming Mohali Zirakpur facility to 400 beds from the initially planned 250 beds.
- **Margins**: Max has demonstrated impressive growth in both EBITDA and EBITDA margin over recent years, reflecting strong operational efficiency. EBITDA has increased significantly from Rs 332 Cr in FY21 to Rs 1,806 Cr in FY24, highlighting consistent expansion in core operations. During the same period, EBITDA margins improved from 9.2% to 26.5%. Looking ahead, margins are expected to remain stable in the 27-28% range, as new incremental beds from brownfield expansions will take some time to achieve operational profitability.
- **Outlook & Valuation:** Max Healthcare's revenue mix remains well-balanced, with sustained growth in both institutional and international patient segments. The recent rise in institutional business share is expected to stabilise as higher-value payer segments expand. While new hospital ramp-ups may have a short-term margin impact, this should ease as these facilities scale operations. Profitability in Lucknow and Nagpur is expected to improve further, driven by higher occupancy rates and the introduction of new clinical programs.
- **Valuation:** We value the stock at a Multiple of 35x EV/EBITDA FY27E.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (%)	ROE (%)	ROCE (%)
FY24	6,815	1,806	1,279	13.2	83.1	56	11	13.8
FY25E	8,868	2,368	1,528	15.7	69.9	43	9	14.1
FY26E	10,951	2,946	1,914	19.7	55.7	35	8	15.0

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

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

Source: Company, Axis Research

Balance Sheet (Rs Cr)

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

Cash Flow (Rs Cr)

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

Source: Company, Axis Research

Ratio Analysis (%)

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

Source: Company, Axis Research

Colgate Pamolive India – CONSUMPTION PLAY

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

Industry view

Equal Weight

CMP
2,587

Target Price
2,950

Upside
14%

Key Rationale

- **Near-term challenges persist**, but the long-term outlook remains strong. Following high single-digit revenue growth, H2FY25 saw subdued performance in revenue due to demand constraints. However, we believe that as the macro environment improves, revenue is likely to grow in the coming quarters. Moreover, in Q3FY25, management indicated that despite weak near-term challenges, it continues to focus on its core growth drivers, which include: 1) Accelerating growth in the core portfolio through increased marketing spends, 2) Driving premiumisation through science-based innovations, 3) Expanding category growth in Toothbrush and building the personal care portfolio under Palmolive, and 4) Increasing usage frequency while driving rural penetration.
- **Margins likely to remain stable** – With continued strong growth momentum in the premium portfolio, led by science-based innovations, coupled with subdued raw material prices, margins are likely to remain stable in the coming quarters.
- **Margin of safety:** Colgate's stock price has corrected 32% from its peak on account of near-term challenges, which provides a huge margin of safety as long-term growth prospects remain positive.
- **Outlook:** We appreciate the company's overall long-term strategy, which focuses on driving top-line growth through initiatives such as: 1) Launching science-based premium products to enhance overall realisations, 2) Developing the category by increasing awareness through marketing initiatives, 3) Increasing the frequency of consumption and penetration in rural markets, and 4) Expanding the personal care portfolio to mitigate risks associated with the slow-growing oral care category, moreover demand environment likely to improve in coming quarters and recent stock price correction provide better margin of safety. **Hence, we upgrade the stock to BUY from HOLD.**

Key Financials (Standalone)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
FY24	5,644	1,901	1,338	49.2	52.5	36.4	71.7	73.6
FY25	6,160	2,033	1,482	54.5	47.6	34.0	87.2	82.3
FY26E	6,855	2,315	1,646	60.5	42.8	29.9	102.5	98.8
FY27E	7,630	2,609	1,860	68.4	37.9	26.4	113.4	113.6

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E DEC	FY24	FY25E	FY26E	FY27E
Net sales	**5,644**	**6,160**	**6,855**	**7,630**
Growth, %	9	9	11	11
Other operating income	36	40	44	48
Total income	5,680	6,200	6,899	7,678
Raw material expenses	(1,723)	(1,878)	(2,056)	(2,283)
Employee expenses	(412)	(473)	(521)	(578)
Other Operating Expenses	(1,645)	(1,816)	(2,006)	(2,208)
EBITDA (Core)	**1,901**	**2,033**	**2,315**	**2,609**
Growth, %	23	7	14	13
Margin, %	34	33	34	34
Depreciation	(172)	(179)	(186)	(193)
EBIT	**1,729**	**1,854**	**2,129**	**2,416**
Growth, %	26	7	15	13
Margin, %	31	30	31	32
Other Income	77	138	83	83
Non-recurring Items	-	-	-	-
Pre-tax profit	**1,801**	**1,987**	**2,207**	**2,494**
Tax provided	(458)	(505)	(561)	(634)
Profit after tax	**1,343**	**1,482**	**1,646**	**1,860**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E DEC	FY24	FY25E	FY26E	FY27E
Cash & bank	1,374	1,312	1,365	1,558
Debtors	167	183	203	226
Inventory	296	338	376	418
Loans & advances	7	7	7	7
Other current assets	60	60	60	60
Total current assets	1,904	1,899	2,010	2,268
Investments	-	-	-	-
Gross fixed assets	2,219	2,309	2,399	2,489
Less: Depreciation	(1,425)	(1,604)	(1,790)	(1,983)
Add: Capital WIP	110	110	110	110
Net fixed assets	904	815	719	616
Non-current assets	26	26	26	26
Total assets	**3,132**	**3,038**	**3,053**	**3,208**
Current liabilities	1,239	1,320	1,429	1,550
Provisions	22	22	22	22
Total current liabilities	1,261	1,342	1,450	1,571
Non-current liabilities	(4)	(4)	(4)	(4)
Total liabilities	1,257	1,338	1,447	1,568
Paid-up capital	27	27	27	27
Reserves & surplus	1,847	1,673	1,580	1,614
Shareholders’ equity	1,874	1,700	1,607	1,641
Total equity & liabilities	**3,132**	**3,038**	**3,053**	**3,208**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Cash Flow	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,801	1,987	2,207	2,494
Depreciation	172	179	186	193
Change in working capital	257	24	50	56
Total tax paid	(494)	(505)	(561)	(634)
Cash flow from operating activities	**1,736**	**1,685**	**1,882**	**2,109**
Capital expenditure	(100)	(90)	(90)	(90)
Change in marketable securities	-	-	-	-
Cash flow from investing activities	**(100)**	**(90)**	**(90)**	**(90)**
Free cash flow	1,636	1,595	1,792	2,019
Equity raised/(repaid)	3	0	-	-
Dividend (incl. tax)	(1,578)	(1,656)	(1,739)	(1,826)
Cash flow from financing activities	**(1,575)**	**(1,656)**	**(1,739)**	**(1,826)**
Net change in cash	61	(61)	53	193
Opening cash balance	923	1,374	1,312	1,365
Closing cash balance	1,374	1,312	1,365	1,558

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	49.2	54.5	60.5	68.4
Growth, %	26.9	10.3	11.1	13.0
Book NAV/share (INR)	68.9	62.5	59.1	60.3
FDEPS (INR)	49.4	54.5	60.5	68.4
CEPS (INR)	55.7	61.1	67.4	75.5
CFPS (INR)	60.8	56.9	66.2	74.5
DPS (INR)	58.0	60.9	63.9	67.1
Return ratios				
Return on assets (%)	45.0	48.2	54.2	59.6
Return on equity (%)	71.7	87.2	102.5	113.4
Return on capital employed (%)	73.6	82.3	98.8	113.6
Turnover ratios				
Asset turnover (x)	19.1	79.7	(131.2)	(37.3)
Sales/Total assets (x)	1.9	2.0	2.3	2.4
Sales/Net FA (x)	6.0	7.2	8.9	11.4
Working capital/Sales (x)	(0.1)	(0.1)	(0.1)	(0.1)
Receivable days	10.8	10.8	10.8	10.8
Inventory days	19.2	20.0	20.0	20.0
Payable days	85.2	84.3	85.3	85.8
Working capital days	(45.9)	(43.5)	(41.7)	(40.1)
Liquidity ratios				
Current ratio (x)	1.5	1.4	1.4	1.5
Quick ratio (x)	1.3	1.2	1.1	1.2
Net debt/Equity (%)	(73.3)	(77.2)	(85.0)	(95.0)
Valuation				
PER (x)	52.5	47.6	42.8	37.9
PEG (x) - y-o-y growth	1.9	4.6	3.9	2.9
Price/Book (x)	37.6	41.5	43.9	43.0
EV/Net sales (x)	12.2	11.2	10.1	9.0
EV/EBITDA (x)	36.4	34.0	29.9	26.4
EV/EBIT (x)	40.0	37.3	32.5	28.5

Source: Company, Axis Research

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

Dalmia Bharat Ltd (DBL), established in 1939, is one of the fastest-growing players in the Indian cement sector, holding a 5% share of India's cement capacity in its operational regions. The company has a total cement production capacity of 46.6 mtpa, a clinker capacity of 22.6 mtpa, and a power generation capacity of 397 MW, including WHRS and solar power. DBL operates across 16 locations in India, with 10 integrated plants and six grinding units, supported by a strong distribution network of 49,000 channel partners nationwide.

Industry view

Overweight

CMP
1,943

Target Price
2,180

Upside
12%

Key Rationale

- **Capacity expansion to sustain growth:** The company's total cement grinding capacity now stands at 49 mtpa, following the recent commissioning of 2.4 mtpa of Cement capacity in Assam, which will support its volume growth going forward. With the current capacity utilisation at 58%, the company has substantial scope to increase its utilisation levels. The company is expected to achieve a volume growth of 9% CAGR over FY25-27E, driven by this capacity expansion and improved utilisation.
- **Efficient operations with a focus on reducing costs further:** DBL's integrated operations, superior cement/clinker ratio, introduction of Portland composite cement, digitisation of its sales channels, and effective resource utilisation make it one of the lowest-cost cement producers in India. Additionally, various cost optimisation initiatives at its operating facilities are expected to enhance margins going forward. The company also plans to increase its share of green energy in its overall power mix to 35-45%, which will further reduce power and fuel costs. Supported by these cost optimisation measures and improved price realisation, we expect DBL's EBITDA margin to improve to 20% from the current 18% by FY27E
- **Higher consolidation to benefit large players:** Between 2013 and 2024, the market share of large players increased from 46% to 55%, and by FY27-28, it is expected to rise further to 65%-70%. With the growing pace of consolidation and capacity expansion by top players, their overall market share is set to increase further. This trend will have a positive impact on cement pricing, economies of scale, and supply chain efficiency. As one of the top 5 players in the country, the company is well-positioned to benefit from this consolidation in the medium to long term. Cement demand in its operating regions is expected to remain strong, and the company is projected to achieve double-digit growth.
- **Outlook:** We remain positive on the company's growth prospects and expect it to deliver a Volume/Revenue/EBITDA/PAT CAGR of 8%/6%/11%/17% over FY24-FY27E. Capacity expansion, market share gains, and operational efficiencies will drive this growth. Additionally, with the growing pace of consolidation and capacity expansion by top players, their overall market share is set to increase further to 65%-70% by FY27-28. This trend will positively influence cement pricing, economies of scale, and supply chain efficiency. The company, being among the top 5 players in the country, is well-positioned to benefit from this consolidation in the medium to long term. Pricing remains a key factor to monitor closely.
- **Valuation**: The stock is currently trading at 13x and 11x FY26E/FY27E EV/EBITDA and EV/tonne of $95 and $97. Valuation remains attractive.
- **Key risks:** a) Lower demand and contraction in cement prices impact realisation; b) Further rise in input prices hampers margin profile.

Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY24	14,680	2,628	827	44	41	13	5	7
FY25E	14,427	2,391	672	30	61	15	3	5
FY26E	16,279	3,083	1,066	57	32	11	6	8
FY27E	17,738	3,539	1,203	64	28	10	6	8

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	14,680	13,980	15,717	17,615
Other operating income	0	0	0	0
Total income	14,680	13,980	15,717	17,615
Raw Material	2,703	2,328	2,666	2,986
Power & Fuel	3,116	2,903	2,938	3,231
Freight & Forwarding	3,203	3,286	3,702	4,110
Employee benefit expenses	871	885	938	1,004
Other Expenses	2,159	2,171	2,388	2,674
EBITDA	**2,628**	**2,407**	**3,085**	**3,610**
Other income	326	253	245	264
PBIDT	2,954	2,660	3,330	3,875
Depreciation	1,498	1,331	1,300	1,676
Interest & Fin Chg.	386	399	384	421
E/o income / (Expense)	-	-	-	-
Pre-tax profit	1,070	930	1,646	1,777
Tax provision	216	118	412	444
RPAT	854	812	1,235	1,333
Minority Interests	27	16	17	17
Associates	-	-	-	-
APAT after EO item	**827**	**796**	**1,218**	**1,316**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Total assets	27,749	30,226	31,360	32,784
Net Block	17,855	19,228	21,355	23,202
CWIP	2,284	2,497	2,497	2,497
Investments	588	675	675	675
Wkg. cap. (excl cash)	738	736	832	935
Cash / Bank balance	582	158	145	135
Misc. Assets	5,702	6,932	5,856	5,340
Capital employed	27,749	30,226	31,360	32,784
Equity capital	38	38	38	38
Reserves	16,359	17,336	18,460	19,682
Minority Interests	110	126	143	160
Borrowings	4,630	5,258	5,258	5,258
Def Tax Liabilities	1,795	2,036	2,036	2,036
Other Liabilities and Provision	4,817	5,432	5,425	5,610

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Profit before tax	1,069	817	1,646	1,777
Depreciation	1,498	1,331	1,300	1,676
Interest Expenses	386	399	384	421
Non-operating/ EO item	-304	-258	-245	-264
Change in W/C	46	-230	-96	-102
Income Tax	-54	-71	-412	-444
Operating Cash Flow	2,635	2,117	2,577	3,064
Capital Expenditure	-2,827	-2,664	-3,458	-3,523
Investments	-570	-54	1,100	700
Others	47	371	245	264
Investing Cash Flow	-2,750	-2,270	-2,113	-2,559
Borrowings	1,099	183	-	-
Interest Expenses	-439	-444	-384	-421
Dividend paid	-169	-169	-94	-94
Others	-13	-20	-	-
Financing Cash Flow	48	-45	-48	-51
Change in Cash	107	-192	-13	-10
Opening Cash	234	341	149	136
Closing Cash	341	149	136	126

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Operational Ratios				
Sales growth	8%	-5%	12%	12%
OPM	18%	17%	20%	20%
Op. profit growth	13%	-8%	28%	17%
COGS / Net sales	61%	61%	59%	59%
Overheads/Net sales	21%	22%	21%	21%
Depreciation / G. block	5.5%	4.5%	3.9%	4.6%
Effective interest rate	8.3%	7.6%	7.3%	8.0%
Efficiency Ratios				
Total Asset Turnover (x)	0.53	0.46	0.50	0.54
Sales/Gross block (x)	0.54	0.47	0.48	0.48
Sales/Net block(x)	0.82	0.73	0.74	0.76
Working capital/Sales (x)	0.21	0.21	0.12	0.08
Valuation Ratios				
P/BV (x)	2.24	2.11	1.98	1.86
PER (x)	45	54	30	28
EV/EBITDA (x)	14.2	15.8	12.7	11.0
EV/Sales (x)	2.5	2.7	2.5	2.3
EV/Tonne $ (x)	96	88	91	93

Source: Company, Axis Research

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

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

Industry view

Equal Weight

CMP
1,375

Target Price
1,820

Upside
32%

Key Rationale

- **Upcoming Launches**: Prestige Estates will have many spillover launches from previous years. These launches were delayed due to approval issues and are expected to drive the pre-sales for FY26. Prestige's most awaited launch – The Prestige City -Indirapuram is launched, worth a total GDV of Rs 12,000Cr. Out of this, the company has currently launched towers worth a GDV of Rs 9,000 Cr. This will contribute largely to pre-sales for FY26. Due to a lower base year with underwhelming launches, Prestige is set to perform well for the upcoming year.
- **Healthy Booking Run Rate**: Despite the absence of major launches in Q3FY25, the company recorded sales of Rs 3,013 Cr (Rs 2,947 Cr attributable to PEPL), showcasing its ability to generate sales from ongoing inventory. Management remains confident in the demand for its projects and expects ~30% sales on launch for upcoming developments. This should support its booking guidance and reinforce a strong pipeline for future project acquisitions.
- **Annuity Strength:** Although the company is facing challenges with residential launches, its annuity business remains strong. It launched three new projects this quarter with a total developable area of 2.2 Mn sq. ft. (Commercial: 0.28 Mn, Retail: 1.27 Mn, and Hospitality: 0.65 Mn). The company has reiterated its exit rentals guidance of Rs 719 Cr for FY25 and is targeting exit rentals of Rs 3,312 Cr by FY28 for its commercial portfolio. Additionally, it has achieved approximately 90% occupancy in its annuity projects. For retail assets, the company has maintained its guidance of Rs 217 Cr in exit rentals for FY25 and aims to reach Rs 991 Cr by FY28, with its retail spaces currently operating at a 99.2% occupancy rate.
- **Recommendation & Valuation**: We maintain our BUY recommendation on Prestige Estates based on our DCF and NAV premium valuation methodology.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	Net Debt/Equity (%)	EV/EBITDA (X)
FY24	7,877	2,498	13,741	34.3	83	12.2	0.7	23.1
FY25E	7,909	2,478	571	41.5	50	4	0.2	24.2
FY26E	10,351	3,299	1,014	57.0	29	5.7	0.4	18.9

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

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

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

Balance Sheet (Rs Cr)

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

Source: Company, Axis Research

Cash Flow (Rs Cr)

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

Source: Company, Axis Research

Ratio Analysis (%)

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

Source: Company, Axis Research

APL Apollo Tubes Ltd – LEADING THE STRUCTURAL STEEL TUBES GROWTH STORY

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

Industry view

Equal Weight

Key Rationale

- **Robust Results Despite Macro Headwinds:** APL Apollo reported strong numbers in Q3 FY25 (EBITDA/t at Rs 4,173/t), despite continued macroeconomic headwinds. The company successfully grabbed the market share of its competitors, mainly from the secondary Patra market, as the spread between HRC and Patra narrowed. The general products segment, which competes with the Patra market, posted a marked improvement in the EBITDA/t at ~Rs 2,000/t. In Q4FY25, Sales volume increased to a new high of 850kt, up 25%/3% YoY/QoQ.
- **Guidance of Upward EBITDA/t Trajectory:** For FY26, the EBITDA/t target is Rs 5,000/t. This could be achieved through i) Incremental gain of Rs 400-500/t from operating leverage as capacity increases from 4.3MT to 5MT next year, and ii) Another Rs 400-500/t increment in margin from a higher VAP mix through its Raipur and Dubai plants. In H2CY25, retail demand could pick up, and current discounts would be put on hold.
- **Strategy to Penetrate Newer Markets:** To cater to the East Indian market, two greenfield plants are coming in Siliguri and Gorakhpur and one plant in Bangalore for a lighter section. These three plants will provide an incremental market of ~1.5 MTPA, which is expected to be ramped up over the next 2-3 years. Furthermore, the company is also focusing on international markets with the commencement of the Dubai plant, which is operating at 58% utilisation, and has received orders from Saudi Arabia.
- **Outlook & Valuation:** The company's vision is to expand its capacity to 10 MTPA by FY30, providing a long-term growth tailwind. The current capacity is 4.3MT, which will increase to 5MT by FY26. The residual capex of Rs 500 Cr will bring the total capacity to 5.5 MTPA. We value the company using a Mar'26 EPS (roll forward from Dec'26 EPS estimate), based on a 1-year forward P/E target of 33x, to arrive at our target price of Rs 1,800/share.
- **Key Risks:** a) Steep fall in regional HRC prices compared to domestic HRC prices, leading to traders destocking, b) Macroeconomic risk impacting the demand for structural steel.

CMP
1,620

Target Price
1,800

Upside
11%

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY24	18,119	1,192	732	26.4	56.7	22.2	22.8	35.8
FY25E	20,596	1,143	699	25.2	63.9	17.8	18.7	39.8
FY26E	25,969	1,803	1,186	42.7	37.6	24.6	27.5	25.2
FY27E	31,127	2,226	1,516	54.6	29.4	24.8	28.6	20.3

Source: Company, Axis Securities

Income Statement (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Total Sales	**18,119**	**20,596**	**25,969**	**31,127**
Total Raw Materials	15,617	17,831	22,274	26,675
COGS	16,669	19,121	23,818	28,496
EBITDA	**1,192**	**1,143**	**1,803**	**2,226**
EBITDA per tonne	**4,553**	**3,563**	**4,398**	**4,735**
Depreciation	176	192	205	210
Interest & Finance charges	113	115	101	94
Other Income	75	83	104	125
EBT (as reported)	**978**	**918**	**1,601**	**2,047**
Tax	245	220	415	531
RPAT	**732**	**699**	**1,186**	**1,516**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Equity Share Capital	56	56	56	56
Reserves	3,549	4,192	5,322	6,783
Net worth	3,605	4,248	5,378	6,838
Total loans	1,125	825	725	625
Deferred tax liability (Net)	126	126	126	126
Capital Employed	**5,029**	**5,398**	**6,477**	**7,887**
Net block	3,031	3,289	3,284	3,174
Investments	103	165	208	249
Inventories	1,638	1,636	2,063	2,473
Sundry debtors	139	226	285	341
Cash and cash equivalents	345	539	1,353	2,606
Total Current Assets	3,341	3,172	4,659	6,566
Total Current Liabilities	2,157	2,000	2,517	3,016
Net Current Assets	1,184	1,172	2,143	3,550
Capital Deployed	**5,029**	**5,398**	**6,477**	**7,887**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
PBT	978	918	1,601	2,047
Depreciation & Amortization	176	192	205	210
Incr/(Decr) in Deferred Tax Liability	-	-	-	-
(Incr)/Decr in Working Capital	124	206	(157)	(155)
Net Cash Flow from Operating	**1,112**	**1,129**	**1,231**	**1,540**
(Incr)/ Decr in Gross PP&E incl Capital Advances	(695)	(450)	(200)	(100)
(Incr)/Decr in Work in Progress	-	-	-	-
(Incr)/Decr in Investments	(5)	(62)	(43)	(41)
(Incr)/Decr in Other Non-Current Assets	-	(61)	(70)	(70)
Cash Flow from Investing	**(916)**	**(464)**	**(160)**	**(38)**
(Decr)/Incr in Borrowings	259	(300)	(100)	(100)
Dividend	(139)	(56)	(56)	(56)
Cash Flow from Financing	**27**	**(471)**	**(257)**	**(249)**
Cash at the Start of the Year	123	345	539	1,353
Cash at the End of the Year	**345**	**539**	**1,353**	**2,606**

Source: Company, Axis Research

Ratio Analysis (%)

Ratios	FY24	FY25E	FY26E	FY27E
Growth (%)				
Sales	12.1	13.7	26.1	19.9
EBITDA	16.7	-4.1	57.8	23.4
APAT	14.1	-4.6	69.7	27.9
Profitability (%)				
EBITDA Margin	6.6	5.5	6.9	7.2
Adj. Net Profit Margin	4.0	3.4	4.6	4.9
ROCE	22.8	18.7	27.5	28.6
ROE	22.2	17.8	24.6	24.8
Per Share Data (Rs.)				
AEPS	26.4	25.2	42.7	54.6
Reported CEPS	32.9	31.7	50.5	62.7
BVPS	129.9	153.0	193.8	246.4
Valuations (x)				
PER (x)	56.7	63.3	37.3	29.1
PEG (x)	4.0	-13.7	0.5	1.0
P/BV (x)	11.5	10.4	8.2	6.5
EV/EBITDA (x)	35.8	39.4	24.9	20.1
Dividend Yield (%)	0.37%	0.13%	0.13%	0.13%
Turnover days				
Inventory Days	34.1	31.3	28.3	29.1
Debtor Days	2.9	3.3	3.7	3.8
Payable Days	42.4	39.7	34.6	35.4
Gearing Ratio				
D/E	0.3	0.2	0.1	0.1

Source: Company, Axis Research

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

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

Industry view

Equal Weight

CMP
972

Target Price
1,350

Upside
39%

Key Rationale

- **Robust order book:** YTD order inflows stood at Rs 24,853 Cr. As of 31st Mar'25, the company's order book stands at Rs 66,101 Cr. With a strong execution track record and growing opportunities across all segments, the company is well-positioned for steady revenue growth, projecting a 16% CAGR from FY24 to FY27.
- **EBITDA margins to improve:** This assessment highlights the temporary margin pressures faced by the company due to external factors; however, the strong order book composition and efficiency-driven initiatives are expected to support margin recovery. The projected 19%/31% CAGR in EBITDA/PAT over FY24-27E underscores the company's growth trajectory.
- **Reduction of stress in water segment:** The sluggish performance in the water business has weighed on overall growth, with Rs 1,000 Cr infused into the segment during 9MFY25. Slow collections from JJM projects have been a key challenge; however, the recent realisation of over Rs 240 Cr from January 2025 onward, along with an anticipated Rs 500-700 Cr collection in Q4FY25 or Q1FY26, signals an improving cash flow. Furthermore, the Union Budget's commitment to 100% tap water coverage and increased funding for FY25-26 should drive faster collections and execution, supporting overall business momentum.
- **Outlook:** The company is well-positioned to benefit from a robust order book, favourable sectoral tailwinds in both domestic and international T&D and B&F segments, improved performance of its international subsidiaries, supportive government initiatives, and expected margin improvements. It is projected to deliver a CAGR of 16%, 19%, and 31% over FY24-27E.
- **Valuation:** The stock is currently trading at 18x/14x FY26E/27E EPS. We maintain our BUY rating on the stock with a TP of Rs 1,350/share, implying an upside of 38% from the CMP.
- **Key risks:** a) Delay in collections may impact revenue growth; b) A rise in commodity prices may impact margins.

Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY24	19626	1693	516	31.9	31	11.5	10.4%	16.1%
FY25E	22116	1963	612	35.8	27	9.1	10.3%	17.7%
FY26E	26290	2419	909	53.3	18	7.3	12.9%	19.5%
FY27E	30920	2845	1151	67.4	14	6	14.5%	21.6%

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	**19,626**	**22,116**	**26,290**	**30,920**
Other operating income	0	0	0	0
Total income	19,626	22,116	26,290	30,920
Net RM	8,205	8,771	10,884	12,801
Contribution (%)	*58.2%*	*60.3%*	*58.6%*	*58.6%*
Other Expenses	9,793	11,473	13,066	15,367
Operating Profit	**1,629**	**1,872**	**2,340**	**2,752**
Other income	64	70	79	93
PBIDT	**1,693**	**1,942**	**2,419**	**2,845**
Depreciation	473	481	577	627
Interest & Fin Chg.	518	596	578	618
E/o income / (Expense)	0	0	0	0
Share of Profit from Associates	0	0	0	0
Pre-tax profit	**701**	**866**	**1,263**	**1,599**
Tax provision	185	269	354	448
PAT	516	597	909	1,151

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Capital Applied	**7,659**	**9,069**	**9,791**	**10,756**
Net Block	2,970	3,040	2,962	2,835
Other non-current assets	788	788	788	788
Wkg. cap. (excl cash)	1,850	2,265	2,907	3,607
Cash / Bank balance	1,032	1,958	2,115	2,507
Misc Assets	1,019	1,019	1,019	1,019
Capital employed	**7,659**	**9,069**	**9,792**	**10,757**
Equity capital	32	34.2	34.2	34.2
Reserves	5,106	6,564	7,336	8,351
Minority Interests	(25)	(25)	(25)	(25)
Borrowings	1,448	1,398	1,348	1,298
Other non-current liab.	1,099	1,099	1,099	1,099

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
PAT	516	597	909	1151
Depreciation	473	481	577	627
Interest Expense	518	596	578	618
Changes in Working Capital	(635)	(414)	(643)	(700)
Others	253	200	275	355
Tax Paid	(282)	(269)	(354)	(448)
Net Cash from Operations	**843**	**1189**	**1343**	**1604**
Capex	(352)	(550)	(500)	(500)
Others	89	70	79	93
Net Cash from Investing	**(263)**	**(480)**	**(421)**	**(407)**
Borrowings	137	(50)	(50)	(50)
Interest Expense	(504)	(596)	(578)	(618)
Dividend paid	(114)	(137)	(137)	(137)
Others	182	0	0	0
Net Cash from Financing	**(524)**	**218**	**(765)**	**(805)**
Net Change in Cash	**56**	**926**	**157**	**392**
Opening cash	956	1009	1935	2092
Closing cash	**1009**	**1935**	**2092**	**2485**
FCF	492	639	843	1104

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25E	FY26E	FY27E
Sales growth	**20.0%**	**13%**	**19%**	**18%**
OPM	**8.3%**	**8.5%**	**8.9%**	**8.9%**
Oper. profit growth	19%	15%	25%	18%
COGS / Net sales	42%	40%	41%	41%
Overheads/Net sales	50%	52%	50%	50%
Depreciation / G. block	10%	9%	10%	10%
Effective interest rate	13.6%	15.3%	15.1%	16.3%
Net working capital / Net sales	0.21	0.21	0.19	0.19
Net sales / Gr block (x)	4.2	4.2	4.6	4.9
RoCE	**16%**	**17%**	**20%**	**22%**
Debt/equity (x)	0.8	0.6	0.5	0.4
Effective tax rate	26.4%	31.1%	28.0%	28.0%
RoE	**10%**	**10%**	**13%**	**14%**
Payout ratio (Div/NP)	22.0%	23%	15%	12%
EPS (Rs.)	**31.9**	**34.9**	**53.3**	**67.4**
EPS Growth	18.6%	9.7%	52.4%	26.6%
CEPS (Rs.)	61.1	63.1	87.1	104.1
DPS (Rs.)	7.0	8.0	8.0	8.0

Source: Company, Axis Research

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

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

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

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

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