

TOP PICKS

November 2024



Macro & Earnings Continue to Drive the Near-Term Market Direction

The Axis Top Picks Basket delivered a return of 11.6% in the last six months against the 7.5% returns posted by Nifty 50 over the same period. Amidst a highly volatile month of Oct'24 that witnessed notably mixed performance across sectors, market caps, and style indices, the Axis Top Picks basket declined by 4.4% in Oct'24 (Till 1st Nov'24 closing) but managed to beat the market performance as the benchmark Nifty 50 declined by 5.8% over the same period. It gives us immense joy to share that our Top Picks Basket has delivered an impressive return of 329% since its inception (May'20), which stands well above the 162% return delivered by the NIFTY 50 index over the same period. In light of this, we continue to believe in our thematic approach to Top Picks selection.

FY25 – Good Start but Volatile Path Ahead; Macro to Remain at the Centre: Nifty reached an all-time high of 26,216 on 26th Sep'24. The market has seen a 7-8% correction since then and now 54% of NSE 500 stocks are trading above the 200-day moving average vs 77% stocks on 26th Sep'24. The correction in the last one month was largely led by 1) FII selling, 2) Increase in bond yields, 3) Expectations of China recovery, 4) Muted Q2FY25 earnings, and 5) Higher valuation after the run-up. Over this same period, FIIs sold \$11.9 Bn in the Indian equity market while DIIs bought \$13.6 Bn. Moreover, in FY25 so far, FII pulled out \$1 Bn, while DIIs have invested a massive amount of \$41 Bn in the Indian equity market.

As expected, a certain market positioning has shifted in favour of large caps from the broader market in the last month. Style and sector rotation are clearly visible in the market with the Growth and Quality theme seeing a comeback in the last 1-Month/3-Month periods and outperforming the momentum theme by a wide margin. In the last one month, the Emerging market and the US market have outperformed the Indian market by a superior margin. In the last month, PSU banks, Pharma, Banks, and IT have outperformed the market while weakness was seen in the Auto, FMCG, and Energy sectors. Some earnings moderation was seen during the ongoing earnings season which was on expected lines. Now all eyes are on the earning recovery in H2FY25 based on 1) The expectation of an increase in government CAPEX, 2) Post-monsoon activities, 3) A good number of wedding days, and 4) The expectation of rural pickup in the second half. In the ongoing

earning season, selective Largecap private banks reported an excellent set of numbers while some pain was clearly visible in MFIs and unsecured space. IT companies reported an inline set of numbers, with some upgrades in demand expectations for FY25. Discretionary demand remains attractive at current levels compared to larger transformation deals. Workforce addition was clearly visible indicating a good set of sustainable demand in the next 12-18 months period. Some muted demand is expected for Automobiles in the festival season with inventory levels remaining quite high. Some breather was observed during Navratri, and now all attention is on Dhanteras' demand. 2W demand appears stronger compared to PVs. Cement is likely to surprise in upcoming quarters led by volume surprises and a reduction in the power and fuel cost. FMCG also reported a weaker set of numbers; All eyes now will be on H2FY25.

We believe that with the recent run-up in the market, most of the narrative has already been priced in. We see near-term consolidation in the market with the breadth of the market likely to narrow further in the near term. Hence, the focus remains on style and sector rotation. Moreover, with a strong catch-up by Midcaps and Smallcaps in the last couple of months, we still believe their margin of safety, in terms of valuation at current levels, has reduced as compared to Largecaps. Keeping this in view, the broader market may see time correction in certain pockets in the near term and flows will likely shift to Largecaps. In any case, the long-term story of the broader market continues to remain attractive and, in this context, two themes – 'Growth at a Reasonable Price' and 'Quality' look attractive at the current juncture. With the expected recovery in China, some cyclical sectors are likely to see come back in the domestic market. However, Largecap private banks, Telecom, Consumption, IT, and Pharma provide more margin of safety in the near 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.

Keeping these latest developments in view, we have made one change to our Top Picks recommendation. **We have removed Nestle India and added Chalet Hotel to the basket.** Our modifications reflect the changing market style and shift towards the 'Growth at a Reasonable Price' theme.

Our Key Themes

Key Monitorables in H2FY25: Two major domestic events and one major global event (the US FED rate cut cycle) are now behind us. The market will now closely monitor the developments around the following events going forward: 1) Development towards the US election, 2) Development towards pick up in the Chinese economy, 3) Activities around festival season, 4) US bond yields, 5) Oil Prices, and 6) Flows. These events are expected to keep the Indian equity market volatile and it could respond in either direction based on the developments. In the near term, some allocation is likely to shift towards China based on the recent development. **Nonetheless, we continue to believe in the long-term growth story of the Indian equity market.** With increasing Capex enabling banks to improve credit growth, we believe it is well-supported by a favourable structure emerging. However, with current valuations offering limited scope for further expansion, an increase in corporate earnings will be the primary driver of the market returns moving forward. **Hence, bottom-up stock picking with a focus on 'growth at a reasonable price' and 'Quality' would be keys to generating satisfactory returns in the next one year.**

We Maintain our Mar'25 Nifty Target at 24600

Base case: In our Dec'23 Top Picks report, we upgraded the Dec'24 Nifty target to 23,000 with an upside potential of 14% from the Nov'23 closing. We are happy to say that we have successfully achieved the target well before the time. This indicates our confidence in the current macroeconomic cycle and the earnings growth. We continue to believe that, the Indian economy stands at the sweet spot of growth and remains the land of stability against the backdrop of a volatile global economy. We continue to believe in its long-term growth story, driven by the country's favourable structure, thanks to the increasing Capex which is enabling banks to improve credit growth. This will ensure that Indian equities will easily manage to deliver double-digit returns in the next 2-3 years, supported by double-digit earnings growth. Against this backdrop, we foresee Nifty earnings to post excellent growth of 16% CAGR over FY23-26. Financials will remain the biggest contributors for FY25/26 earnings.

In our base case, we maintain our Mar'25 Nifty target at 24,600 by valuing it at 20x on Mar'26 earnings. While the medium to long-term outlook for the overall market remains positive, we may see volatility in the short run with the market responding in either direction. Keeping this in view, the current setup is a 'Buy on Dips' market. Hence, any market correction on account of global challenges will be an opportunity to add to the equity investment.

Bull Case: In the bull case, we value NIFTY at 22x, which translates into a Mar'25 target of 27,000. Our bull case assumption is based on the Goldilocks scenario which presumes an overall reduction in volatility and the success of a soft landing in the US market. At present, we find ourselves at the start of the rate cut cycle and the outlook for a soft landing has notably strengthened over the last one to two months. The market is currently building two rate cuts by US FED in the remaining part of 2024 and developments regarding the same will be keenly watched by the Street. Furthermore, the private Capex, which has been sluggish for the last several years, is expected to receive a much-needed push in the upcoming years with an expectation of policy continuity. In light of expectations of political stability, policy continuity, fiscal prudence path, private Capex cycle, rural revival, and soft landing in the US market, Nifty earnings are likely to grow at 17-18% over FY23-26. This would augur well for capital inflows into emerging markets (EMs) and would increase the market multiples in the domestic market. **We believe the likelihood of this scenario is very high at the current juncture.**

Bear Case: In the bear case, we value NIFTY at 16x, which translates into a Mar'25 target of 19,700. We assume the market to trade at an average valuation, led by political instability and deviation in policy continuity. Moreover, we assume inflation to continue posing challenges in the developed world. Currently, the market has not seen such levels of interest rates in the global market in the recent past. Hence the chances to go wrong have increased significantly. If this scenario materializes, it would translate into a slowdown or heightened chance of recession in the developed market, which in turn, will impact export-oriented growth in the domestic market. Consequently, this will pose challenges to the earnings and market multiple of the domestic market. However, the likelihood of this scenario appears slim at the current juncture.

Based on the above themes, we recommend the following stocks: HDFC Bank, ICICI Bank, Dalmia Bharat, State Bank of India, HCL Tech, Lupin, Aurobindo Pharma, Federal Bank, Varun Beverages, TVS Motors, Bharti Airtel, Chalet Hotel, J Kumar Infra, Prestige Estates, Sansera Engineering, and Cholamandalam Invest and Finance

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Axis Securities Top Picks

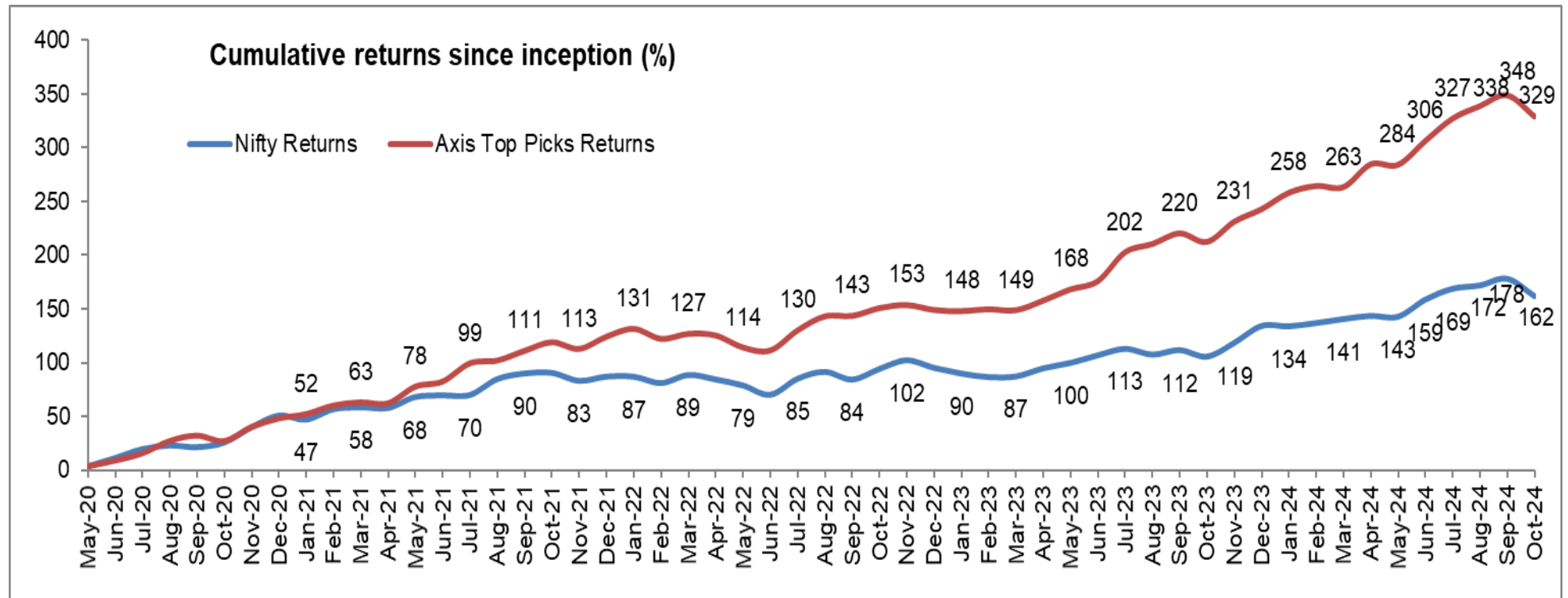
Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M%	TR 3M%	TR 6M%	TR YTD %
Large Cap	ICICI Bank Ltd	Financials	1,292	1,500	16%	19.3	3.0	0.8	2.9	7.5	12.6	29.1
Large Cap	State Bank of India	Financials	821	1,030	25%	10.2	1.6	1.7	2.4	-3.8	-0.2	29.2
Large Cap	Varun Beverages Ltd	Consumer Staples	609	700	15%	76.8	22.2	0.2	5.9	-2.4	1.8	24.1
Large Cap	HDFC Bank Ltd.	Financials	1,737	2,025	17%	18.6	2.7	1.1	4.9	4.8	16.0	3.1
Large Cap	Bharti Airtel Ltd	Communication Services	1,616	1,880	16%	47.7	9.4	0.5	-3.0	7.1	25.2	55.0
Large Cap	TVS Motor Company Ltd	Consumer Discretionary	2,508	2,890	15%	42.2	11.8	0.3	-9.0	-4.8	19.1	21.2
Large Cap	Cholamandalam Investment & Finance Company Ltd	Financials	1,283	1,675	31%	24.6	4.5	0.2	-15.4	-8.5	-3.2	0.7
Large Cap	HCL Technologies Ltd.	IT	1,757	2,045	16%	27.5	6.8	3.1	-0.4	10.0	34.0	24.2
Mid Cap	Aurobindo Pharma Ltd	Health Care	1,394	1,730	24%	20.7	2.5	0.3	-4.5	-3.0	21.6	29.3
Mid Cap	Lupin Ltd	Health Care	2,198	2,600	18%	35.6	6.0	0.4	0.1	12.2	33.6	67.1
Mid Cap	Dalmia Bharat Ltd	Materials	1,840	2,040	11%	38.4	2.0	0.5	-6.0	1.2	1.7	-19.7
Mid Cap	Federal Bank Ltd	Financials	204	230	13%	11.3	1.6	0.6	4.9	3.4	23.1	30.9
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,640	2,195	34%	65.0	4.2	0.1	-8.9	-5.9	9.3	35.4
Small Cap	Chalet Hotels Ltd	Consumer Discretionary	895	1,035	16%	55.4	6.1	0.0	0.4	5.2	-0.3	24.3
Small Cap	Sansera Engineering Ltd	Consumer Discretionary	1,577	1,875	19%	31.9	5.2	0.2	-5.5	6.6	52.2	50.3
Small Cap	J.Kumar Infraprojects Ltd	Industrial	792	950	20%	14.4	2.0	0.5	2.7	-8.2	14.0	34.0

Source: Company, Axis Securities, CMP as of 1st November 2024

Top Picks Performance

Axis Top Picks Performance							
	1M	3M	6M	1Y	3Y*	4Y*	Since Inception
Axis Top Picks Returns	-4.4%	0.4%	11.6%	37.3%	25.1%	35.5%	328.7%
Nifty Returns	-5.8%	-2.6%	7.5%	27.4%	11.2%	20.2%	162.2%
Alpha	1.4%	3.0%	4.0%	10.0%	13.9%	15.3%	166.5%

*CAGR Return



Note: Equal weight basket Performance as of 01th Nov 2024

Sector Outlook

Sector	Current View	Outlook
Automobiles	Equal Weight	<p>The Indian Automobile sector is witnessing significant demand improvement which is becoming more broad-based on a sequential basis. In Q1FY25, domestic sales volumes of 2W/PV/CV segments grew by 20%/3%/3% YoY respectively. For FY25E, demand momentum in 2Ws is anticipated to grow in early double-digits, though overall volumes are expected to remain below pre-covid levels. We expect EBITDA Margins to remain stable or even improve going forward, which will be led by a richer product mix, higher realizations, softer RM input cost, and positive operating leverage. We maintain our long-term positive outlook on the sector as demand drivers remain intact. However, due to the recent rally in stocks, valuations are no longer attractive. Against this backdrop, we recommend a “Buy on Dips” strategy for Quality stocks. Hence, we recommended an Equal-weight stance on the sector.</p>
Banking & Financial services	Over Weight	<p>FY24 was a robust year for the BFSI sector as most of the Banks/NBFCs under our coverage remain well-placed to capitalize on growth opportunities going forward. Banks under our coverage continued to report healthy credit growth for the quarter albeit marginally lower than the expectations. The growth was largely led by the retail/SME segment, with moderation in unsecured segment growth for certain banks. Deposit growth during the quarter disappointed and was sluggish for most banks. PSU banks continue to remain better placed than their private sector peers in terms of comfort on the C-D ratio, with scope to accelerate credit growth. CoF is nearly peaking out and thus, most managements have hinted at NIMs bottoming out in the coming quarter. Following a disappointing performance in deposit growth, we expect banks to enhance their focus on deposit mobilization. Despite intense competition among the banks and challenges in attracting CASA deposits, we anticipate sectoral deposit growth to pick up in the coming quarters. The outlook on asset quality remained largely stable which was supported by healthy recoveries/upgrades. We anticipate credit growth to be driven by the retail/MSME segment, with a gradual pick-up in corporate lending over FY25. We believe ROAs for the banks remain largely steady over the medium term with a slight negative bias. However, the current valuations remain very attractive as compared to the market. Hence, we maintain our Overweight stance on the sector.</p>
Capital Goods	Equal Weight	<p>The Capital Goods sector normalised towards the end of FY22/23 and companies are now being supported by the rise in the gross fixed capital formation. In the last three quarters, the domestic revenue of capital goods companies showed impressive growth on a YoY basis, thanks to efficient execution and a healthy order book. However, some moderation was seen in the last quarter. Moreover, the government’s Capex cycle continues to be robust and house registrations in the metro cities continue to witness promising traction. The private Capex cycle is also expected to pick up soon, which would further support the sector. Notably, most companies are now witnessing excellent growth traction in terms of order inflows which was not the case in the past 8-10 years. These companies are now commanding significant operating leverage, which essentially implies that the profit growth will be higher than the revenue growth in the upcoming years with improvement in the Capex cycle. However, in the near term, a slowdown in global growth is likely to weigh the order book of capital goods companies. Based on these developments, we maintain our Equal Weight stance on the sector.</p>

Sector Outlook (Cont'd)

Sector	Current View	Outlook
Cement	Equal Weight	In Q1FY25, cement volume for our coverage universe grew by 5%, which was in line with our expectations. EBITDA margins declined by 50bps YoY during the quarter, driven by lower realization, although positively impacted by lower costs. EBITDA/tonne for the quarter stood at Rs 816, down 18%/6% QoQ/YoY. Companies indicated that softness in cement prices is likely to persist until Q2FY25 due to current muted demand. Competitive intensity has escalated as the industry continues to consolidate and pricing has come under pressure. Election-related factors, extreme weather conditions, and a shortage of labour impacted the cement demand during the quarter, although it was in line with our expectations. Demand remained muted in April and May'24 before recovering in Jun'024, albeit at a slower pace. Current demand remains soft but is expected to improve after the conclusion of the monsoon season. Non-trade demand is anticipated to rise following budgetary allocations for various government projects. Price hikes implemented in Apr'24 have been rolled back and they were further corrected in Jul'24. Based on the current pricing trend, we anticipate an impact of Rs 200-Rs 250 per tonne on realizations in Q2FY25. However, we remain positive on the long-term demand drivers. We expect cement demand to grow at a CAGR of 7%-8% over FY23-FY26E. Hence, we maintain our Equal Weight stance on the sector.
Consumer staples	Equal Weight	Topline growth remains muted for staple companies as most have delivered low to mid-single-digit revenue growth due to increased competitive intensity and the anniversarization of price hikes. On a positive front, most companies under our coverage have highlighted early green shoots in rural areas. We are hopeful for demand recovery in the upcoming quarters. Easing inflation, higher government spending, and higher MSP are expected to drive rural demand in the coming quarters. However, the increasing competitive intensity from smaller and regional players, especially as raw material prices ease off, needs to be closely monitored. While gross margins continue on its recovery path, we keep EBITDA margins in 'Wait & Watch' mode. Gross margins across Staples companies are improving as key raw material prices such as crude, palm, and packaging materials remain stable. However, as companies increase advertising spends to regain market share, a slowdown in EBITDA margin expansion may be visible in the short term. Nonetheless, this is expected to benefit in the long run. Hence, we maintain our Equal Weight stance on the FMCG sector.
Consumer Discretionary	Equal Weight	After eight quarters of outperformance, demand in the Consumer Discretionary space has started showing signs of moderation from Q4FY23 onwards. A few important reasons for the said slowdown in sales growth are 1) the High base of the last year, 2) Slowdown in discretionary spends, and 3) Inflationary pressure. Some of the categories such as paints and retail had weaker commentary for the first time in the last few quarters. While the Premium segment has remained relatively insulated from demand slowdown, the Value/Economy segment was impacted during the quarter. Full rural recovery will take a few more months. Companies have highlighted that rural growth is likely to pick up gradually with faster growth expected in the next 2 quarters. The focus has now shifted towards demand recovery as the slowdown in demand could limit the margin expansion from here onwards. Against this backdrop, we continue with our Equal Weight stance on the sector and remain watchful of the key developments in the space.
Information Technology	Equal Weight	After strong revenue growth momentum in FY22 and FY23, we believe Indian IT services may face short-term challenges on the demand front as well as on the margins front. This is on account of the economic slowdown, macroeconomic uncertainties, and weaker outlook. However, the industry's long-term outlook remains robust with the economy showing signs of recovery. We expect this recovery to begin in the second half of the year and FY25 will deliver strong revenue growth. We continue to believe that most IT services companies will regain momentum in H2FY25 as deal wins continue to remain resilient and supply-side challenges are gradually easing. Many companies are becoming increasingly system-oriented and will have to spend on automation to remain relevant in today's business landscape. This should lead to strong long-term demand. Hence we maintain our Equal-weight stance on the sector.

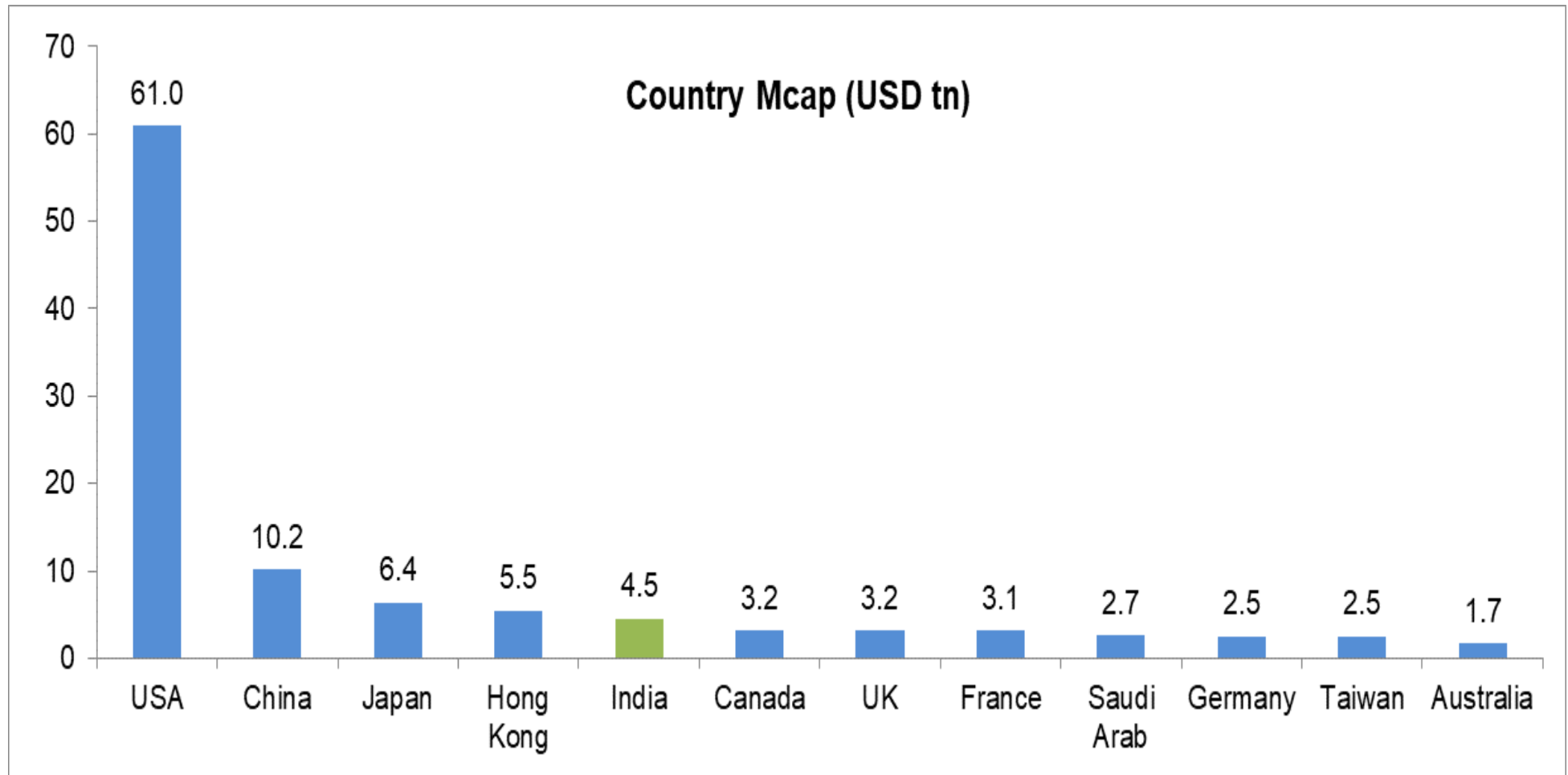
Sector Outlook (Cont'd)

Sector	Current View	Outlook
Metals & Mining	Equal Weight	<p>During Q1FY25, EBITDA/t improved across Steel and Non-Ferrous companies led by lower Coal costs, offsetting lower operating leverage. For Aluminium companies under coverage, Hindalco's Indian operations delivered a robust performance. Overall consolidated revenue stood largely in line with consensus (up 8% YoY, 2% QoQ), while reported EBITDA grew by 31%/11% YoY/QoQ (6% and 11% beat vs. our estimates and consensus), led by strong upstream Aluminium and copper division. During Q1FY25, Aluminium prices averaged \$2,525/t in Q1FY25, up 11%/15% YoY/QoQ. The aluminium price rally was led by Bauxite supply issues from Guinea, production cuts at Yunnan in China and sanctions on Russian metal at LME. Subdued Steel prices are likely to compress spreads in Q2FY25 for Steel companies. Tata Steel has guided that the NSR in India will be Rs 1,500/t lower on a QoQ basis. It will be flat in the UK and down by £60/t QoQ. For SAIL, blended coking coal consumption cost fell to Rs 23,000/t in Q1FY25 and will be flat on a QoQ basis in Q2FY25. Key Monitorable for the sector are decisions on Federal rate cuts, China Stimulus, and other Geopolitical events. We maintain our Equal Weight stance on the sector.</p>
Oil & Gas	Equal Weight	<p>We have been noticing a high degree of uncertainty in the profitability of Oil Marketing companies for the last several quarters. This has been on account of 1) Limited ability to change the retail prices of automotive fuels and 2) Significant volatility in the crude prices leading to uncertainties in the retail margins. Fundamentally, higher crude prices result in losses for the OMCs and lower crude prices translate into profits. Encouragingly, the GOI cut the excise duty in Nov'21 and May'22 to mitigate the impact of high crude prices. Given the government's top priority being inflation control, it seems unlikely that auto-fuel retail prices will be raised anytime soon. We, therefore, do not see an immediate recovery in the marketing margins of the OMCs. Factoring in these developments, we continue with our Equal-weight stance on the sector and will keep a close tab on further developments in the space.</p>
Pharmaceuticals	Equal Weight	<p>Q1FY25 Pharma Coverage Performance: In Q1FY25, the Pharma Coverage universe posted robust revenue growth of 11%/4% YoY/QoQ, driven by a strong domestic market, new launches (especially Darunavir, DDR D, gMyrbetriq, and gSpiriva), lower price erosion, gross margin expansion through cost optimization, and growth in the US base business portfolio. EBITDA margin improved by a healthy ~250bps/120bps YoY/QoQ amidst normalizing cost inflation and stabilizing prices. The US base business maintained healthy momentum, with new product launches offsetting single-digit price erosion. There is increasing focus on complex molecules as Indian companies move up the value chain. India's growth exceeded expectations, driven by field force expansion that fueled volume growth. Softening input costs and lower freight expenses contributed to improved margins. Hospitals experienced seasonally lower occupancies but saw a continuous YoY increase in ARPOB. Growth in the US market is projected to remain robust, driven by price normalization in the base business, continued ramp-up of gRevlimid, and new product launches, including Darunavir, gMyrbetriq, DRR D, and gSpiriva. In India, growth has primarily been fueled by price increases and strong performance in chronic therapies, with most major companies forecasting high single-digit growth for FY25E. Given these dynamics, the focus remains on companies launching niche products in the US market and those with a strong chronic portfolio in the Indian market. We maintain an Equal Weight stance on the sector.</p>

Sector Outlook (Cont'd)

Sector	Current View	Outlook
Real Estate	Equal Weight	The Real Estate sector is seeing record registrations in metro cities. Demand has picked up and bookings are being witnessed in most of the new launches. The sector is likely to witness more traction going forward as the RBI has already taken an interest rate pause and we are near the peak of the rate hike cycle. Keeping these developments in view, we maintain our Equal-weight stance on the sector.
Specialty Chemicals	Equal Weight	The Specialty Chemicals sector has been one of the sunrise sectors of the country. India has been gaining global market share in this space by leveraging its capabilities and supply chain re-alignment from China to India. We believe Indian companies would gain further ground as companies reduce their dependence on China after the COVID-19 pandemic and shift their supply chains to India. However, in the near term, input costs and high freight costs will continue to pose challenges to the sector. From the last four quarters, the demand did not pick up as expected. This was mainly on account of intense competition from Chinese manufacturers. The slowdown in the Chinese domestic market prompted Chinese companies to aggressively pursue exports to regain lost market share from Covid shutdowns. Moreover, volume growth is likely to remain subdued in the near term due to inventory destocking, which was visible in the developed market. While the sector's long-term outlook remains robust, volume growth challenges are likely to be visible in the near term. The broader demand scenario is to normalize only from H2FY25 onwards, given the current pace of recovery. Keeping this in view, we maintain an Equal-weight stance on the sector.
Telecom	Over Weight	The Telecom industry is highly consolidated with two strong and one weak player in the wireless space. Telecom has become the most critical sector during the current challenging times and has been playing a key role in keeping businesses up and running. The sector has also been seeing an improved pricing environment. Rising consumption of data with increasing rural penetration, and rising conversion to 4G and 5G from 2G will help gain further realization for telecom players. We recommend an overweight stance on the sector.

- India is now the 5th largest market in the world with a \$4.5 Tn market cap



Source: Bloomberg, Axis Securities

Multi-Asset Scorecard

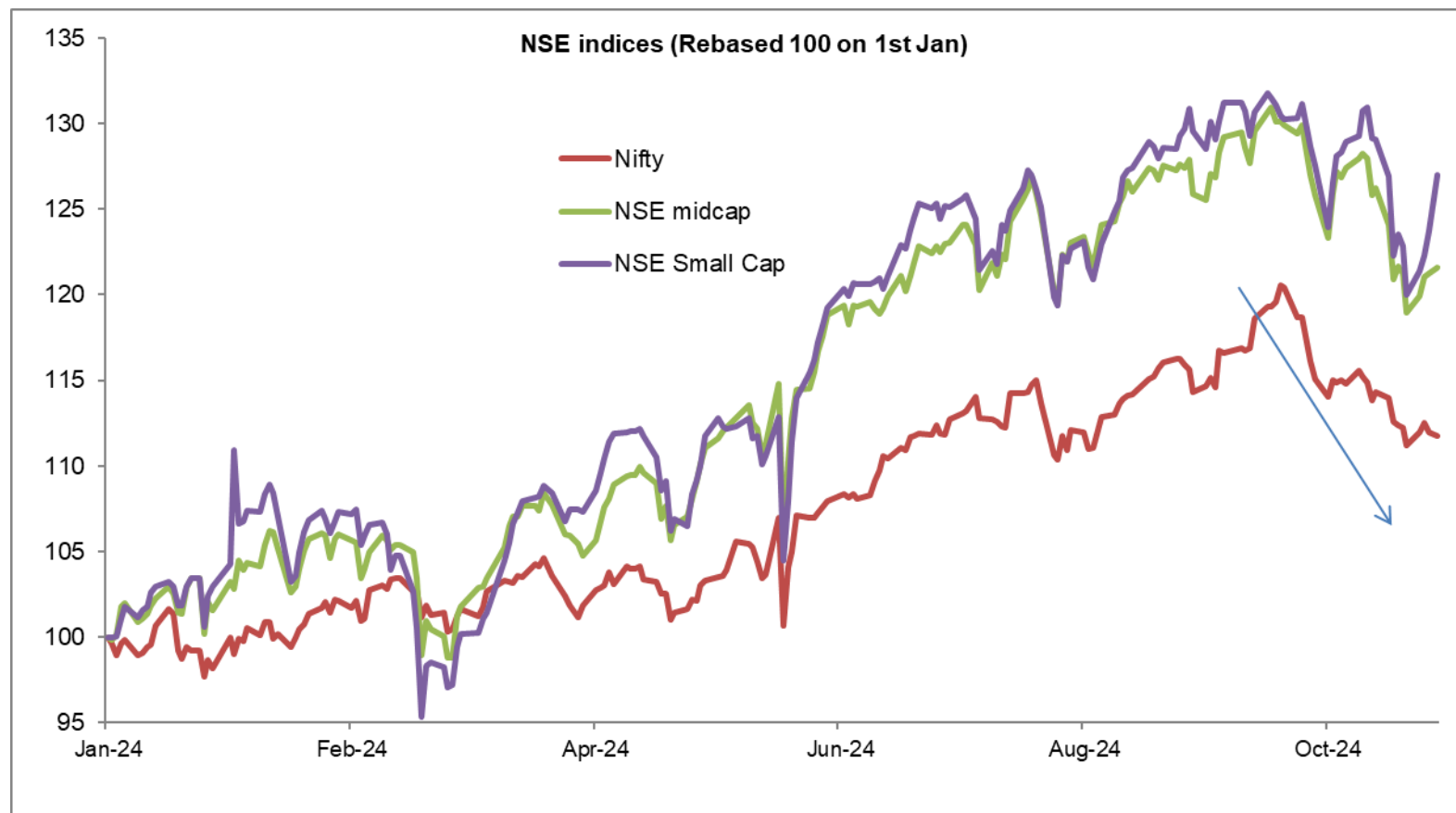
- Gold was the top-performing asset in 2024 until the end of May, after which the broader market took the lead. Currently, gold has regained its position as the top-performing asset class on a YTD basis.
- The broader market had emerged as the best-performing asset class in 2023, as well as over the last 10-month period at a domestic level
- The Indian broader market has outperformed the Emerging markets by a significant margin.
- The structural trend for the equity market continues to remain positive.
- Top 3 Winners: Midcaps/Smallcaps – 7 times out of the last 13 years.

Rank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
1	MCX Gold: 32%	Mid Cap: 39%	S&P 500: 30%	Mid Cap: 56%	Crisil comp Bond: 9%	Crisil comp Bond: 13%	SmallCap: 57%	MCX Gold: 8%	S&P 500: 29%	MCX Gold: 28%	SmallCap: 59%	MCX Gold: 14.3%	SmallCap: 55.6%	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%	SmallCap: 22.8%
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	Midcap: 21.5%
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%	S&P 500: 19.6%
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%	EM Index: 12.3%
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%	Nifty 50: 11.3%
7	SmallCap: -34%	Crisil comp Bond: 9%	SmallCap: -8%	MCX Gold: -6%	EM Index: -18%	SmallCap: 2%	Crisil comp Bond: 5%	SmallCap: -29%	SmallCap: -10%	Crisil comp Bond: 12%	MCX Gold: -4%	EM Index: -19.6%	EM Index: 5.7%	NSE G Sec composite: 8.6%

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; Some Correction in the Last 1M

- The broader market rebounded strongly from the Jun'24 low, thanks to the improved macro sentiment. However, a 7-8% correction was seen in the market in the last one month led by FII selling, recovery expectation in China, and overall subdued performance in the ongoing earnings



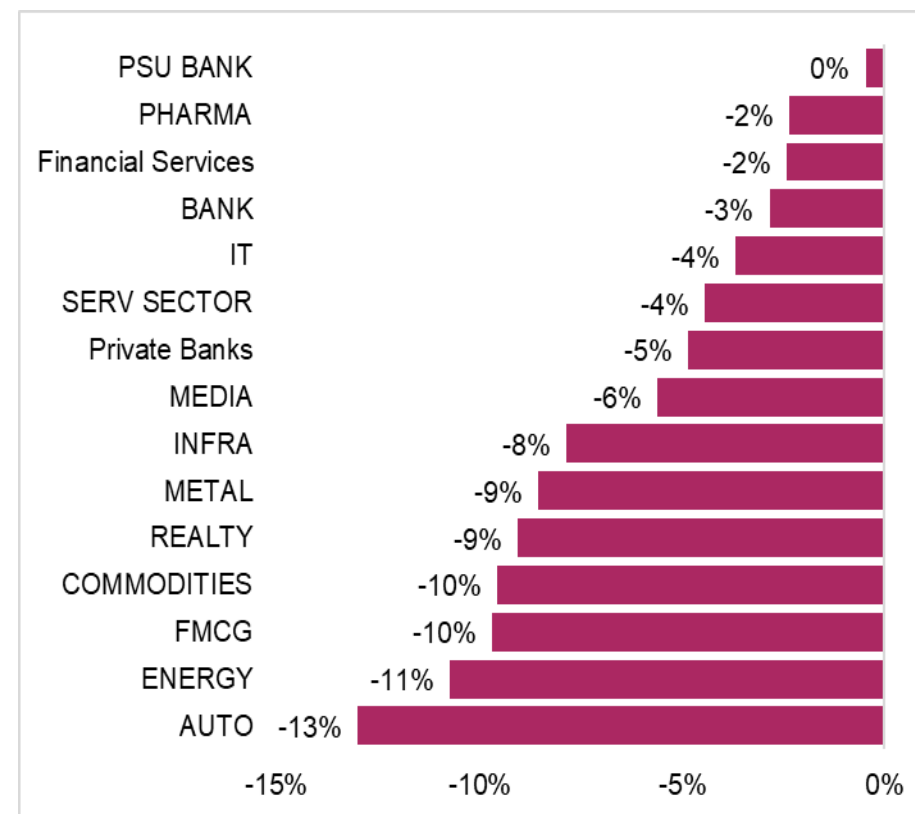
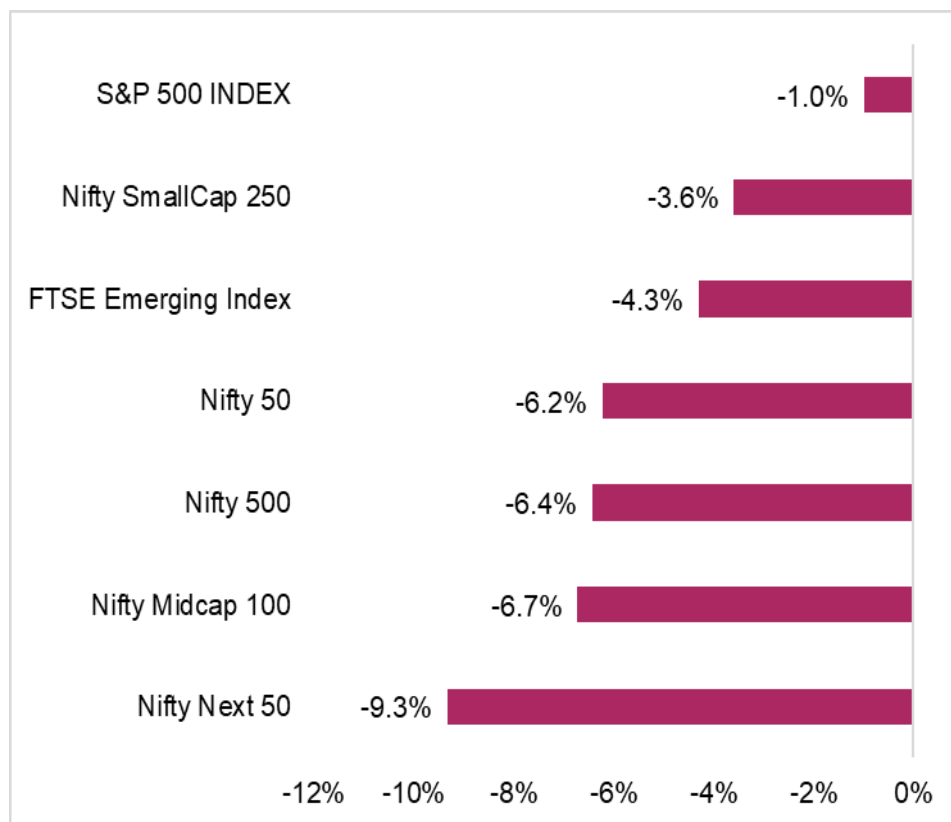
Correction from peak (26th Oct'24)

Nifty 50: 7.7%
NSE Mid Cap 100: 7.2%
NSE Small Cap 250: 3.2%

Source: Bloomberg, Axis Securities

What Happened in the Last One Month?

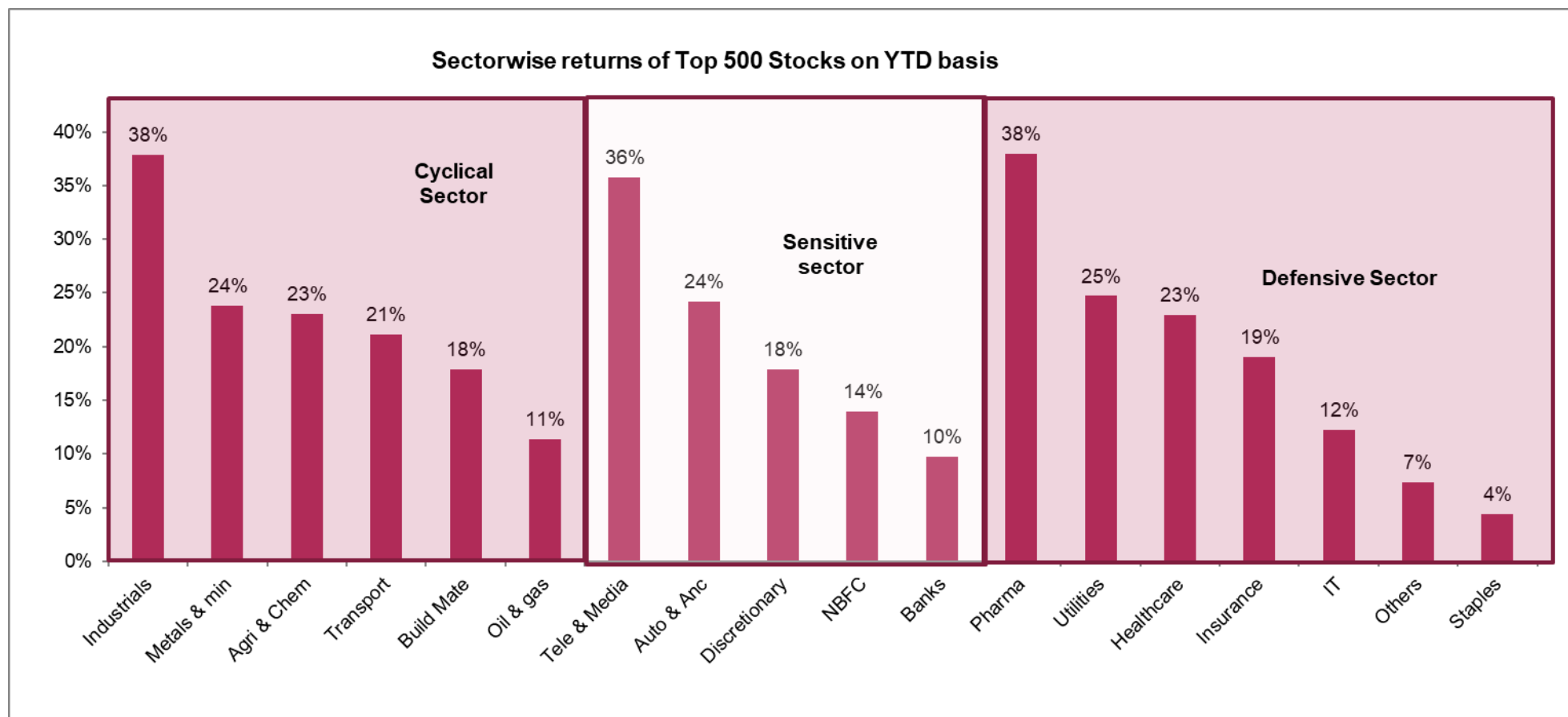
- In the last one month, the Emerging market and the US market outperformed the Indian market by notable margins.
- PSU banks, Pharma, Banks and IT have outperformed the market.



Source: Bloomberg, Axis Securities

What Has Happened in 2024 Till Now?

- Domestic cyclicals have outperformed the broader market; however, defensive sectors have seen a comeback in the last 1month/3month period
- Telecom and Auto have outperformed rate-sensitive plays
- Utility and Pharma are the clear winners in the Defensive sector



Source: Bloomberg, Axis Securities

Quarterly Sector Scorecard

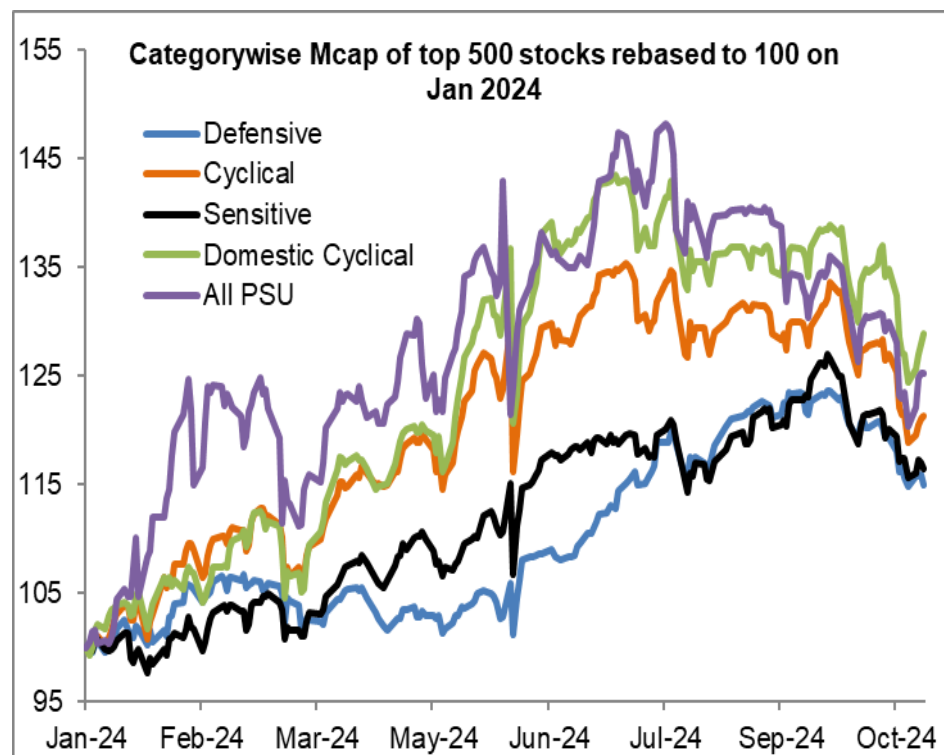
The performance of the current quarter is similar to the Jun'22 and Mar'23 quarters.

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	QTD
% of sectors outperformed the market	56%	50%	75%	38%	25%	63%	69%	50%	44%	56%	44%	50%
Nifty 50	1%	-10%	8%	6%	-4%	11%	2%	11%	3%	7%	8%	-6.2%
Nifty Next 50	-3%	-11%	16%	0%	-10%	16%	3%	18%	14%	18%	8%	-9.3%
Nifty 500	-1%	-10%	11%	4%	-6%	13%	5%	12%	4%	11%	8%	-6.4%
Nifty Midcap 100	-2%	-11%	16%	3%	-5%	19%	13%	14%	4%	15%	9%	-6.7%
Nifty SmallCap 250	-4%	-14%	14%	3%	-7%	20%	16%	15%	2%	19%	8%	-3.6%
AUTO	-4%	11%	9%	-1%	-3%	24%	7%	15%	15%	17%	8%	-13.0%
BANK	3%	-8%	16%	11%	-6%	10%	0%	8%	-2%	12%	0%	-2.8%
COMMODITIES	7%	-16%	11%	7%	-7%	9%	8%	19%	8%	9%	8%	-9.5%
Financial Services	-1%	-10%	13%	8%	-5%	11%	-1%	8%	-2%	12%	4%	-2.4%
ENERGY	14%	-3%	2%	1%	-12%	8%	11%	22%	17%	5%	8%	-10.7%
FMCG	-3%	4%	18%	-1%	4%	14%	-1%	10%	-5%	5%	16%	-9.7%
IT	-6%	-23%	-3%	6%	0%	3%	8%	12%	-2%	1%	18%	-3.7%
INFRA	1%	-8%	7%	6%	-3%	13%	9%	17%	14%	8%	6%	-7.8%
MEDIA	7%	-20%	9%	-3%	-15%	3%	30%	5%	-25%	13%	6%	-5.6%
METAL	16%	-27%	24%	17%	-18%	13%	10%	17%	3%	18%	5%	-8.5%
PHARMA	-4%	-10%	7%	-3%	-5%	15%	12%	9%	13%	3%	19%	-2.3%
PSU BANK	8%	-11%	23%	44%	-14%	11%	28%	9%	23%	5%	-8%	-0.5%
Private Banks	2%	-9%	19%	10%	-6%	11%	1%	8%	-5%	12%	1%	-4.8%
REALTY	-4%	-17%	10%	2%	-10%	34%	11%	36%	15%	22%	0%	-9.0%
SERV SECTOR	-1%	-12%	10%	6%	-7%	8%	1%	10%	1%	9%	9%	-4.4%

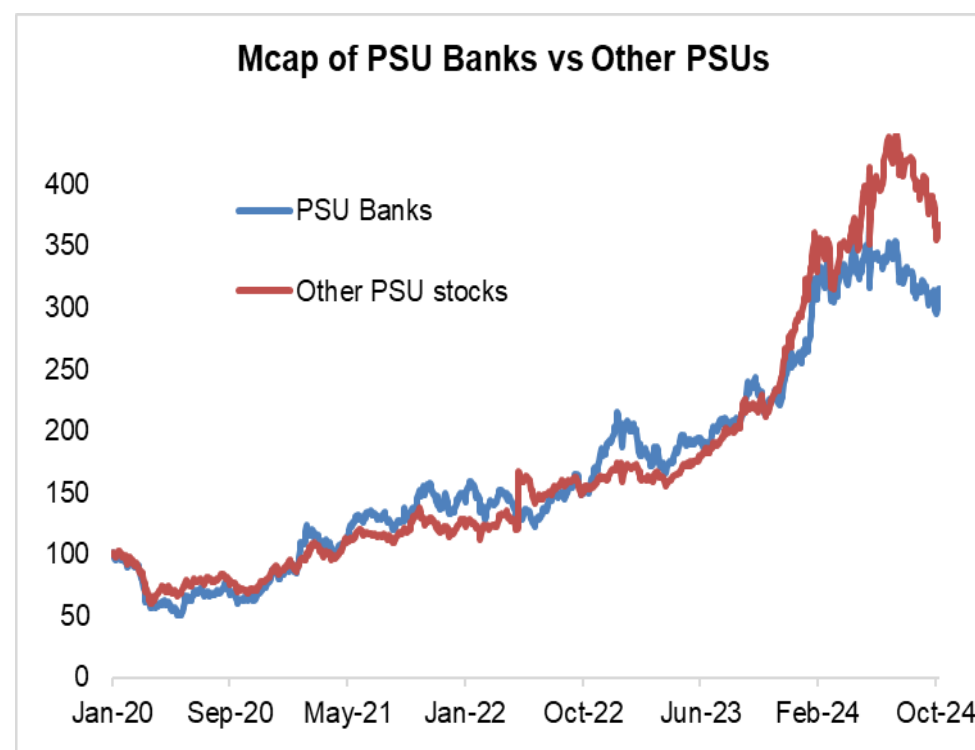
Source: Bloomberg, Axis Securities, Note: Outperforming sectors (vs. Nifty during the quarter) highlighted in green for the quarter

Some Moderation Seen in the PSU Rally

- Since the last year's Budget, PSU stocks have outperformed other themes (Defensive, Cyclical, and Interest-rate sensitive).
- However, in the last three months, some moderation was seen in the PSU rally and the market positioning has shifted towards some defensive names.



Source: Bloomberg, Axis Securities



52W-High Analysis

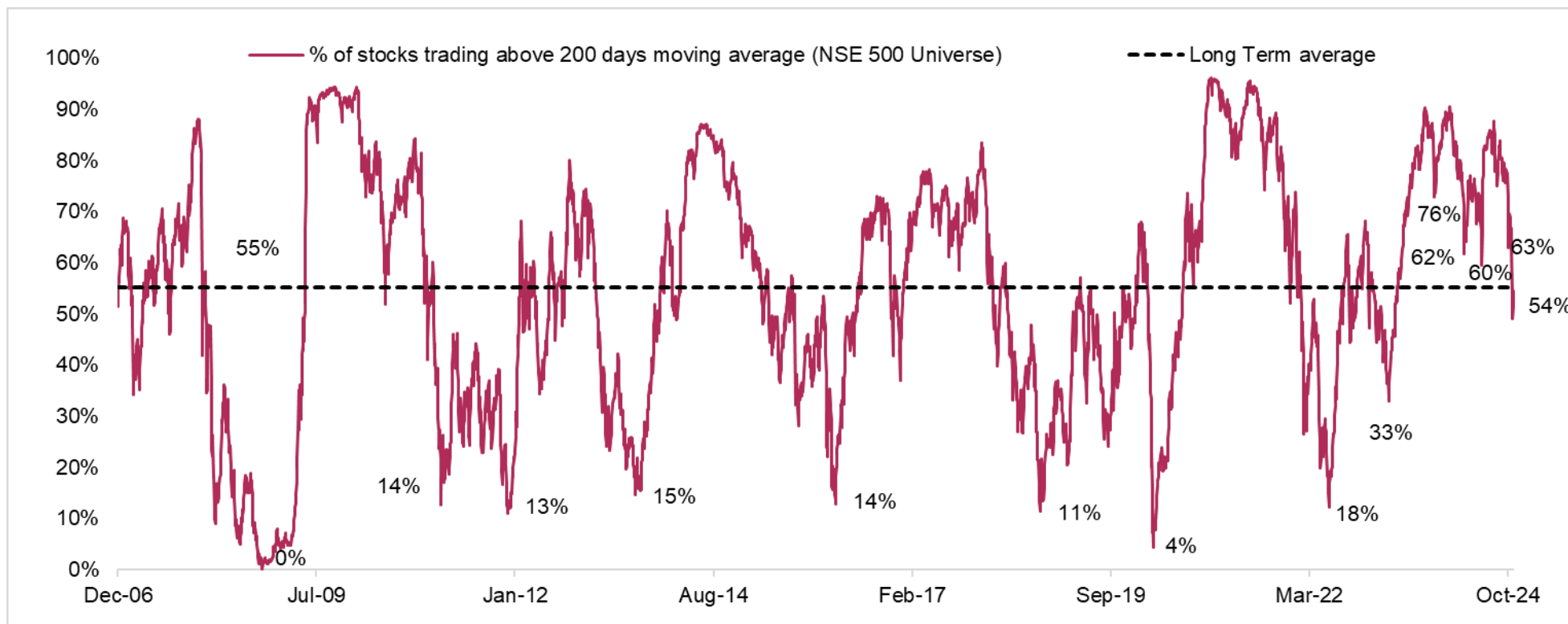
- After a recent correction, only 24 stocks are trading near the 52W high vs. 141 stocks at the Sep'24 end
- 255 (~51%) stocks are trading between 5%-20% below their 52W highs
- The Largecap market looks attractive at current levels
- 146+ stocks corrected by more than 20% from their respective 52W high
- Out of 55 PSUs, only one is near its 52W high vs. 35 stocks during Feb'24

Sector	No of Stocks	Current level of number of stocks as compared to 52W high			
		Near to 52W high	5%-20% below 52W high	20%-30% below 52W high	Below 30%
Agri & Chem	43	1	26	12	4
Auto & Anc	43	1	15	23	4
Banks	28	4	6	6	12
Build Mate	37	1	20	9	7
Discretionary	43	0	24	12	7
Healthcare	47	9	30	7	1
Industrials	55	0	23	26	6
IT	36	2	21	10	3
Metals & min	23	1	14	4	4
NBFC	60	4	32	14	10
Oil & gas	16	0	6	6	4
Others	14	0	7	4	3
Staples	18	1	14	3	0
Tele & Media	16	0	7	3	6
Transport	7	0	3	3	1
Utilities	14	0	7	4	3
Total	500	24	255	146	75
Large cap	100	4	66	22	9
Mid cap	150	7	75	49	19
Small cap	250	13	114	75	46
PSUs	55	1	11	17	25

Source: Bloomberg, Axis Securities, Performance as of 31th Oct 2024

NSE 500 Universe (200-Day Moving Average)

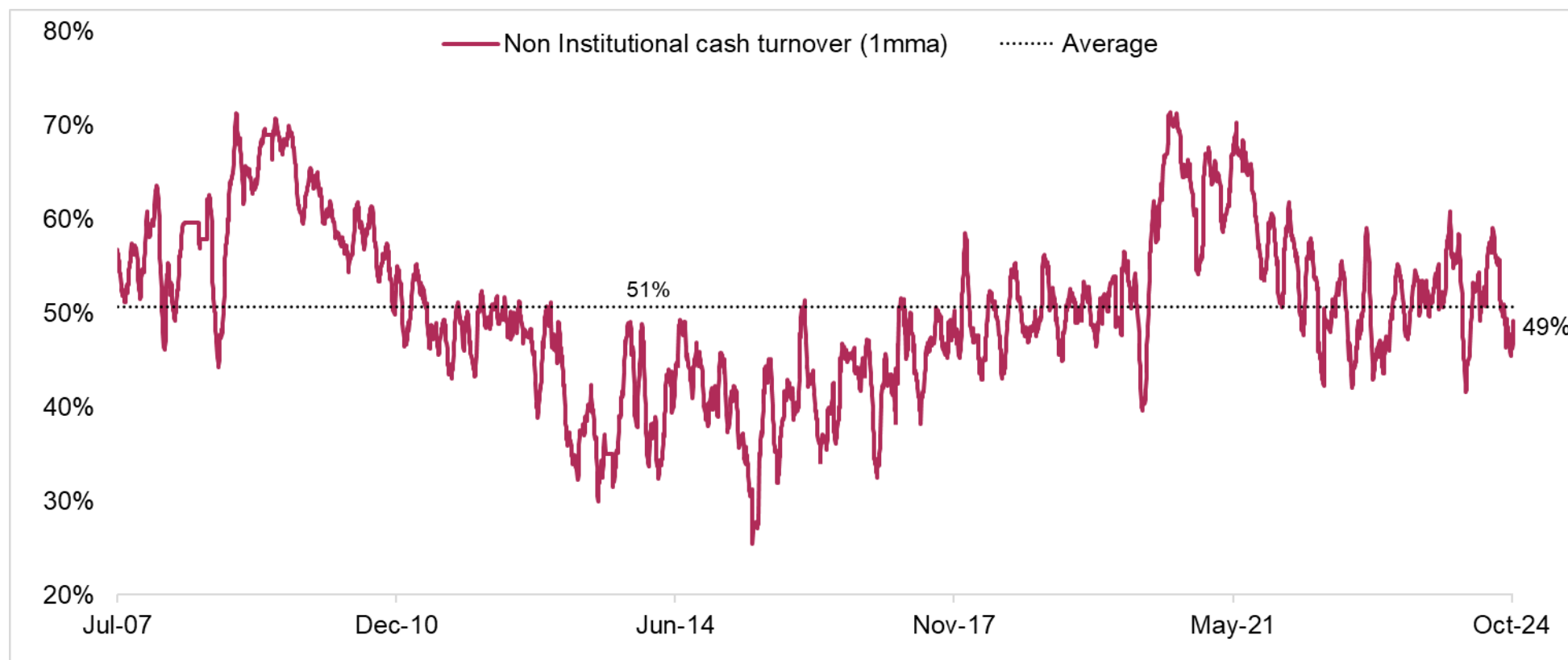
- After the recent correction, the Indian market optically reached below the 4th Jun'24 levels once again. Earlier during the year, similar volatility was seen during the first week of Mar'24. The current level indicates that the market has reached to the oversold zone and could see some breather in the next weeks.
- Nonetheless, in the near term, the market will continue to be driven by macroeconomic data and its performance is likely to be range-bound for at least one quarter until signs of inflation moderating become visible. Sector and Style Rotation are likely to be visible in the market moving forward.



Source: Bloomberg, Axis Securities

Non-Institutional Turnover Recovered in the Last One Month

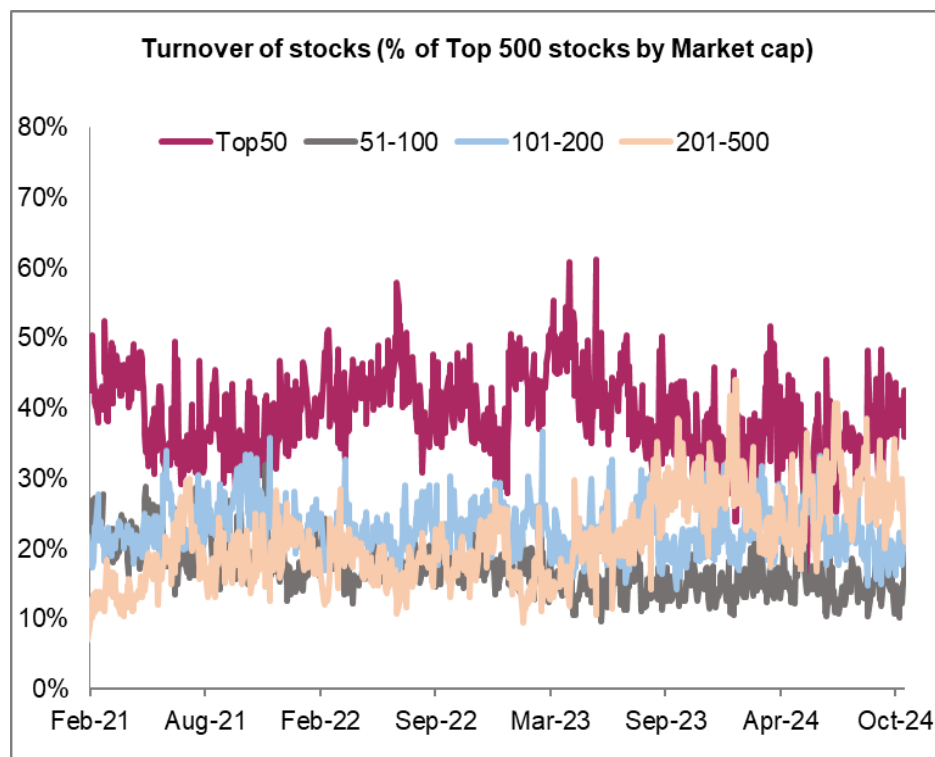
- Non-institutional (Retail) turnover is currently at 49%, which is slightly below the long-term average. It had fallen below the LTA in the last one month due to increased volatility and lower breadth in the broader market.
- Participation by Retail investors is expected to improve further in the coming months, given that equity is the only asset class that can beat the current inflationary scenario.



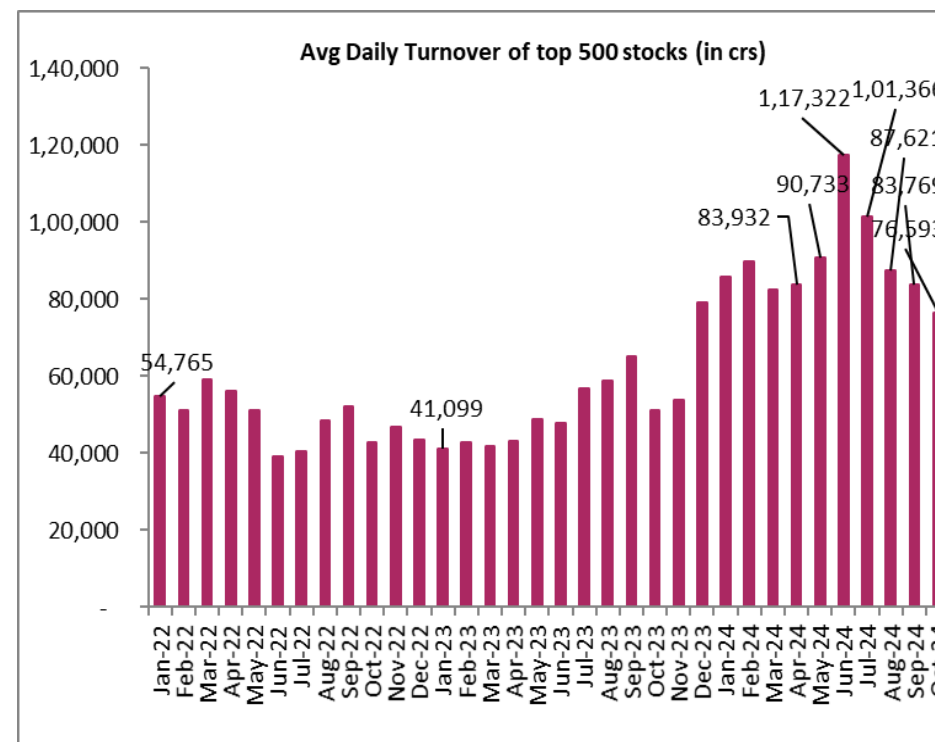
Source: Bloomberg, Axis Securities

Market Turnover (% of the Top 500 Names)

- Market turnover of NSE 500 crossed Rs 1 Lc Cr for the first time in Jun'24. A similar trend was observed in Jul'24. However, some moderation was seen in Aug'24 and Sep'24 which has continued in Oct'24.



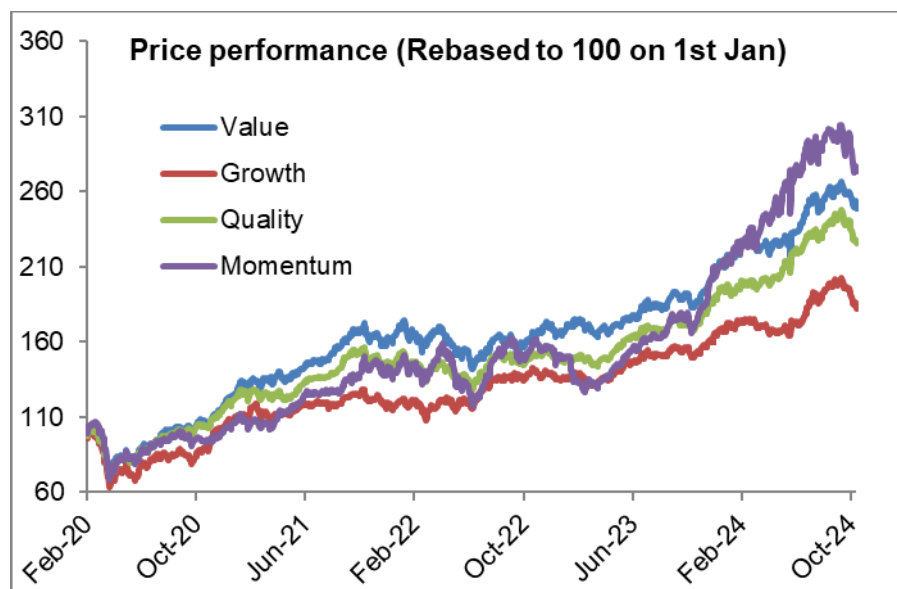
Source: Bloomberg, Axis Securities



Style Indicators

After Taking A Backseat For A While, The 'Quality' Style Has Come Back in The Last Six Months

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



Source: Bloomberg, Axis Securities

Perf	Performance (%)			
	Value	Growth	Quality	Momentum
2020	24.9%	10.2%	22.6%	6.6%
2021	34.1%	8.8%	22.2%	32.6%
2022	-0.9%	12.4%	-0.9%	7.1%
1m	-5.6%	-8.9%	-8.5%	-9.0%
3m	-3.7%	-5.5%	-4.2%	-7.9%
6m	9.8%	9.4%	11.4%	8.4%
1YR	35.0%	21.1%	33.0%	60.9%
2YR	51.2%	28.3%	49.3%	73.9%

India's Performance vis-à-vis Peers

Indian Market Bounced Back Sharply in the Last Three Month

On 26th Sep'24, NIFTY made an all-time closing high of 26,216 on account of improvement in various macroeconomic indicators such as 1) Positive development towards NDA 3.0, 2) Focus on CAPEX and other Infrastructure building, 3) Improved sentiments towards policy continuity, 4) Domestic and Foreign inflows, 5) Valuation comfort after the correction, 6) Cool-off in Oil prices, and 7) 50bps rate cut by the US FED.

In the last one month, PSU banks, Pharma, Banks and IT have outperformed the market while the underperformance was seen in the Realty, Energy, Auto and FMCG indexes

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

National Index						
Index Performance (%)	1m	3m	6m	04th Jun'24	YTD	1 YR
Nifty 50	-6.2%	-3.0%	7.1%	10.6%	11.4%	26.9%
Nifty Next 50	-9.3%	-6.5%	7.7%	9.2%	31.1%	58.8%
Nifty 500	-6.4%	-3.6%	8.1%	11.6%	16.8%	35.0%
Nifty Midcap 100	-6.7%	-4.9%	10.3%	14.2%	21.5%	44.3%
Nifty SmallCap 250	-3.6%	-1.1%	12.1%	20.3%	26.4%	47.6%
Sector Index (%)	1m	3m	6m	04th Jun'24	YTD	1 YR
NIFTY AUTO	-13.0%	-11.9%	4.6%	1.4%	26.3%	47.7%
NIFTY BANK	-2.8%	-0.2%	4.2%	9.7%	6.6%	20.1%
NIFTY COMMODITIES	-9.5%	-7.9%	1.0%	6.2%	15.2%	42.0%
Nifty Financial Services	-2.4%	2.0%	9.4%	14.7%	11.2%	24.4%
NIFTY ENERGY	-10.7%	-10.9%	-2.6%	4.5%	17.4%	46.7%
NIFTY FMCG	-9.7%	-4.6%	9.1%	7.3%	3.9%	15.5%
NIFTY IT	-3.7%	-1.1%	21.7%	25.0%	13.8%	32.1%
NIFTY INFRA	-7.8%	-7.1%	2.9%	7.9%	20.8%	44.8%
NIFTY MEDIA	-5.6%	-6.1%	6.7%	12.0%	-15.5%	-8.2%
NIFTY METAL	-8.5%	-2.7%	1.6%	3.9%	16.9%	44.5%
NIFTY PHARMA	-2.3%	4.4%	19.8%	22.2%	35.1%	54.8%
NIFTY PSU BANK	-0.5%	-9.1%	-11.6%	-1.0%	17.7%	36.3%
Nifty Private Banks	-4.8%	-1.9%	2.8%	8.4%	1.4%	13.4%
NIFTY REALTY	-9.0%	-8.6%	2.7%	2.4%	27.6%	65.8%
NIFTY SERV SECTOR	-4.4%	0.3%	10.7%	15.9%	13.9%	29.7%

Source: Bloomberg, Axis Securities, and Performance as of 31st October 2024

International Index						
Index Performance (%)	1m	3m	6m	04th Jun'24	YTD	1 YR
Shanghai Comp	-1.7%	11.6%	5.6%	6.1%	10.2%	8.6%
Bovespa	-0.9%	2.3%	3.7%	7.3%	-2.6%	15.5%
south africa	-0.4%	3.3%	11.8%	10.8%	10.9%	22.4%
Korea	-1.4%	-7.7%	-5.0%	-4.0%	-3.7%	12.2%
Mexico	-2.9%	-4.7%	-9.8%	-4.6%	-10.0%	5.0%
Indonesia	0.6%	4.4%	4.7%	6.7%	4.1%	12.2%
Argentina	8.3%	21.9%	38.8%	16.2%	97.6%	217.3%
Japan	3.1%	-0.1%	1.8%	0.6%	16.8%	26.6%
Hongkong	-3.9%	17.1%	14.4%	10.2%	19.2%	18.7%
Philippines	-1.8%	7.9%	6.6%	11.8%	10.7%	19.6%
Taiwan	2.7%	2.8%	11.9%	6.9%	27.3%	42.6%
Singapore	-0.7%	3.0%	8.1%	6.6%	9.8%	16.0%
Thailand	1.2%	11.0%	7.2%	9.6%	3.5%	6.1%
Vietnam	-1.8%	1.0%	4.5%	-1.5%	11.9%	23.0%
Dow	-0.4%	3.2%	11.4%	8.9%	11.8%	27.5%
Nasdaq	2.3%	5.7%	18.8%	10.4%	24.0%	44.8%
FTSE 100 INDEX	-1.7%	-3.2%	-0.6%	-1.6%	4.7%	10.6%
DAX INDEX	-0.8%	3.5%	6.9%	4.1%	14.4%	29.4%
CAC 40 INDEX	-3.6%	-2.3%	-7.9%	-7.3%	-2.5%	6.9%
S&P 500 Index	0.9%	5.3%	15.4%	9.9%	21.9%	38.6%

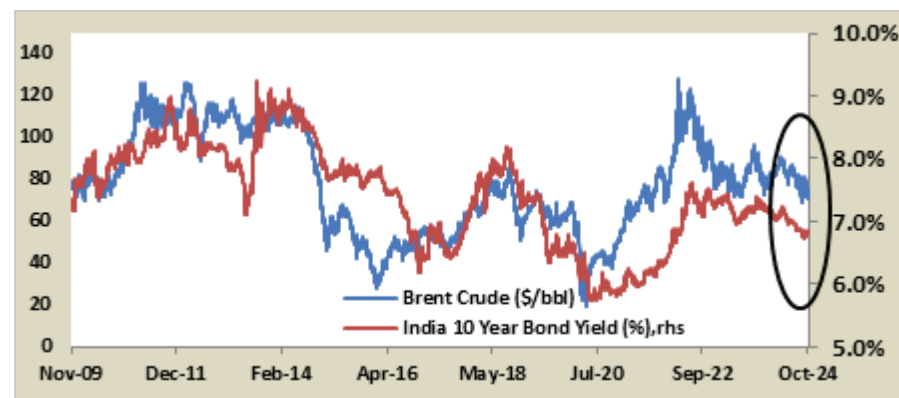
After Correction, Some Recovery Was Seen in the Last One Month

- **Precious Metals:** Gold prices went up 21.5% in the last 6 months on account of a cool-off in bond yields.
- **Commodities:** Steel prices have seen some recovery while Aluminium prices have gone up by 16.5% in the last three months.
- **Crude:** Brent crude is now trading below \$75/bbl and has been highly volatile due to the rising geopolitical risk and ongoing supply-side concerns.

Market Indicator	31-10-2024	1m ago	3m ago	04th Jun'24	YTD	1 YR
Brent Crude (\$/bbl)	73.0	71.8	80.7	77.5	77.0	87.4
Bond Yield (GOI 10Yr)	6.8	6.8	6.9	7.0	7.2	7.4
USD/INR	84.1	83.8	83.7	83.5	83.2	83.3
India Vix	15.6	12.8	13.3	26.7	14.5	11.8

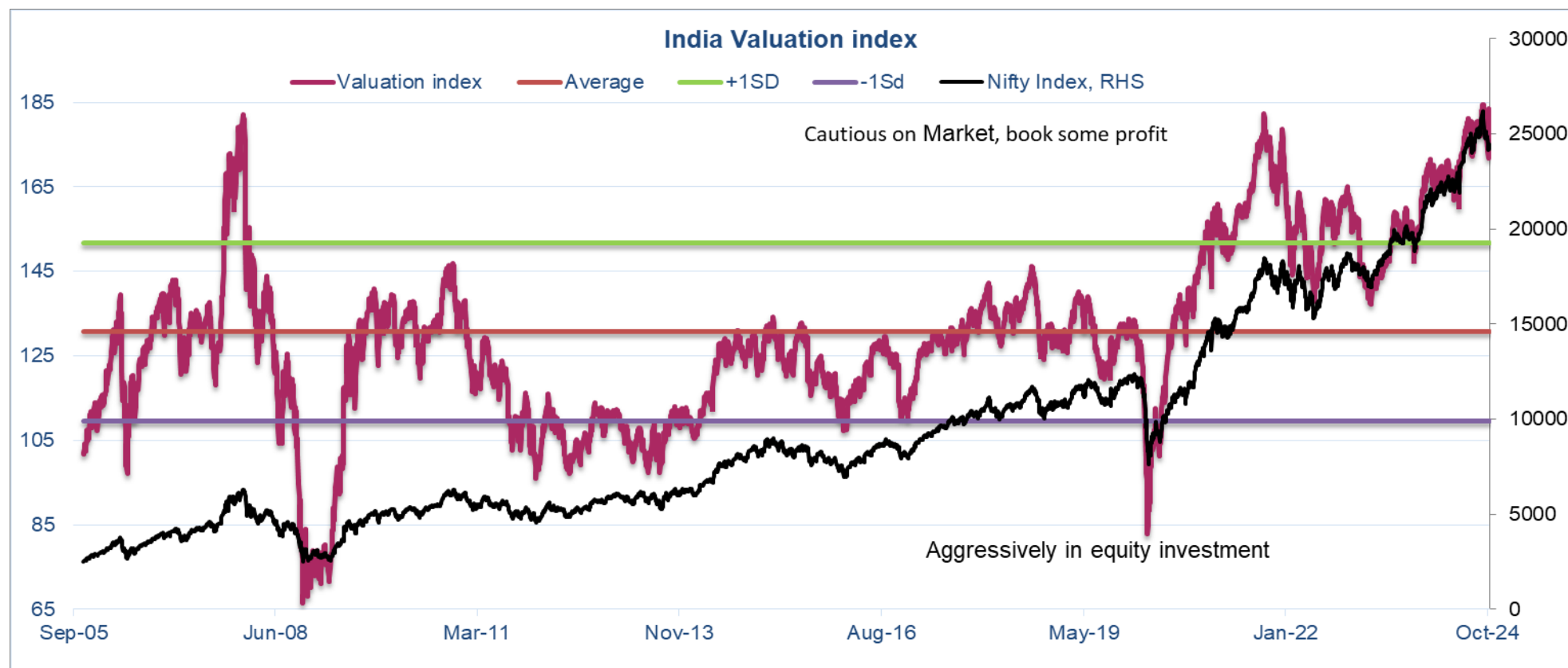
Commodity Index	1m	3m	6m	04th Jun'24	YTD	1 YR
Gold (\$/OZ)	5.5%	13.5%	21.5%	19.4%	34.7%	40.1%
Steel (\$/ton)	6.3%	0.0%	-3.8%	-4.7%	-9.7%	-2.9%
Aluminium (\$/ton)	0.5%	16.5%	3.1%	0.8%	12.3%	17.4%
Copper (\$/ton)	-3.0%	3.2%	-5.0%	-4.3%	11.0%	17.1%
Zinc (\$/ton)	2.5%	19.7%	7.8%	9.9%	19.4%	29.6%

Source: Bloomberg, Axis Securities, Performance as of 31st October 2024



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

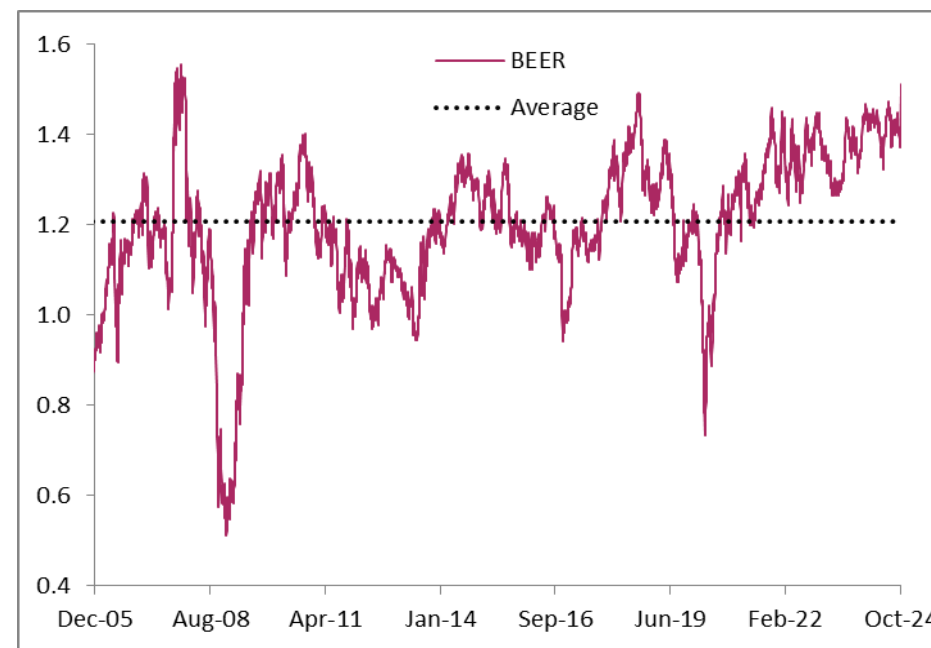
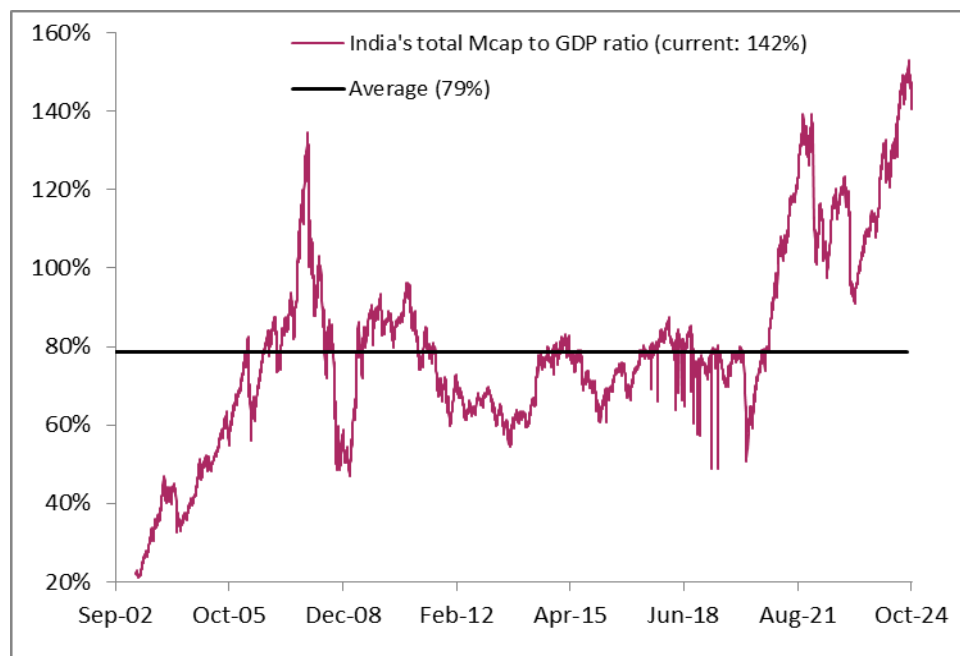
- Our Market Valuation Index has retraced back to 1stdev after the recent rally. Current valuations offer limited scope for rerating. Hence, the market will follow the earnings growth going forward. At current levels, stock selection and sector rotation are keys to achieving outperformance. The calculation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



Source: Bloomberg, Axis Securities

In Terms of Mcap to GDP, India Stands Less Expensive than The US Market

- **BEER:** After a status quo by the US FED in the Jan'24 FOMC meeting and the Interim budget, a sharp correction of 30-40bps was seen in India's 10-year bond yields. BEER ratio is still trading above its LTA, suggesting that the stock market is slightly more expensive than the Bond market at current levels.
- **India's Total Market Cap to GDP is trading at 142%**, above its long-term average (rebased after FY24 GDP of Rs 297 Tn released by the government on 1st Feb'24). However, at projected levels of nominal GDP for FY25, the Mcap/GDP ratio translates into 129% (fairly valued). As per the Union Budget 2024-25, the FY25 GDP assumption is pegged at Rs 327 Tn.
- **Historical perspective:** Historically, similar upward earnings momentum was witnessed in FY10 earnings, immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we are likely to see higher levels of the Mcap to GDP ratio in the upcoming quarters.

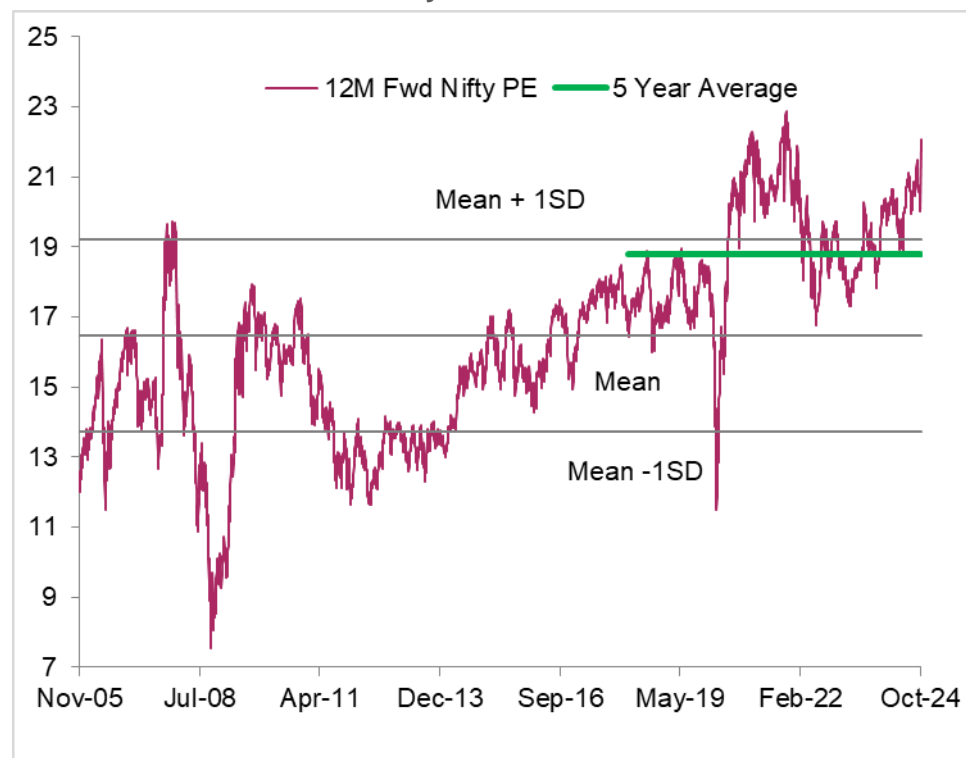


Source: Bloomberg, Axis Securities

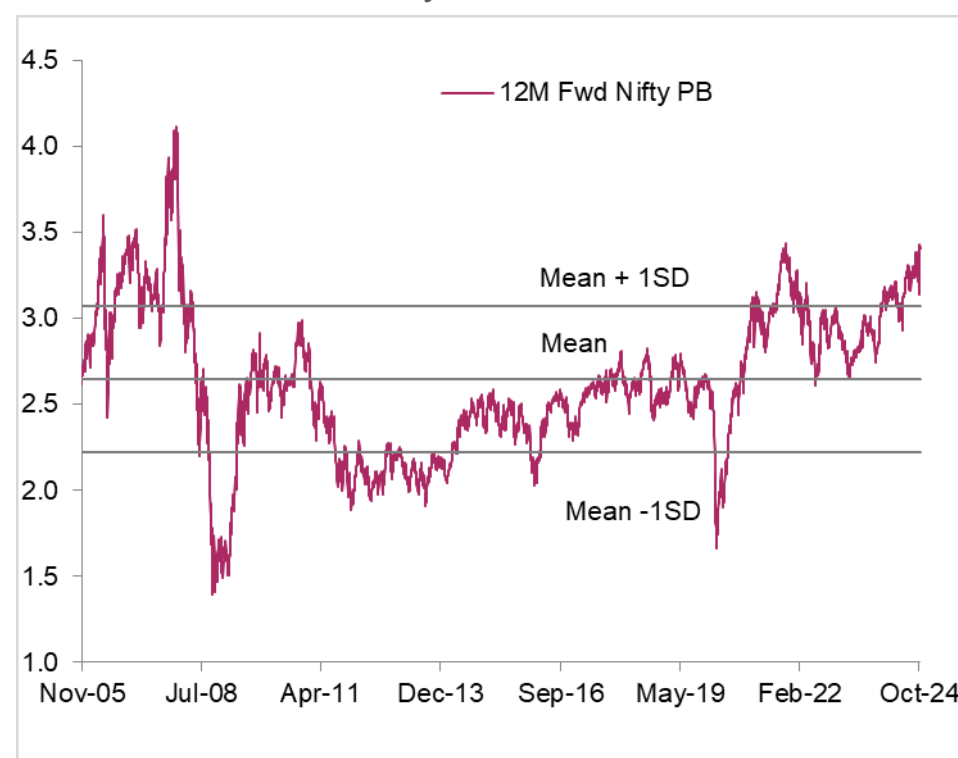
Market Valuations: 12M Fwd PE Now Trading at 21.8x

- NIFTY is currently trading at 21.8x on a 12M Fwd PE, which stands at 1.9std to its long-term average (16.2x). However, it is trading slightly above its long-term average of a 12M Fwd PB.
- Current valuations are slightly above its 5-year average (18.8x), providing a good entry point for long-term investors.
- Style rotation and sector selection are keys to generating alpha as earning expectations from the broader market remain intact.

Nifty 12M Fwd PE



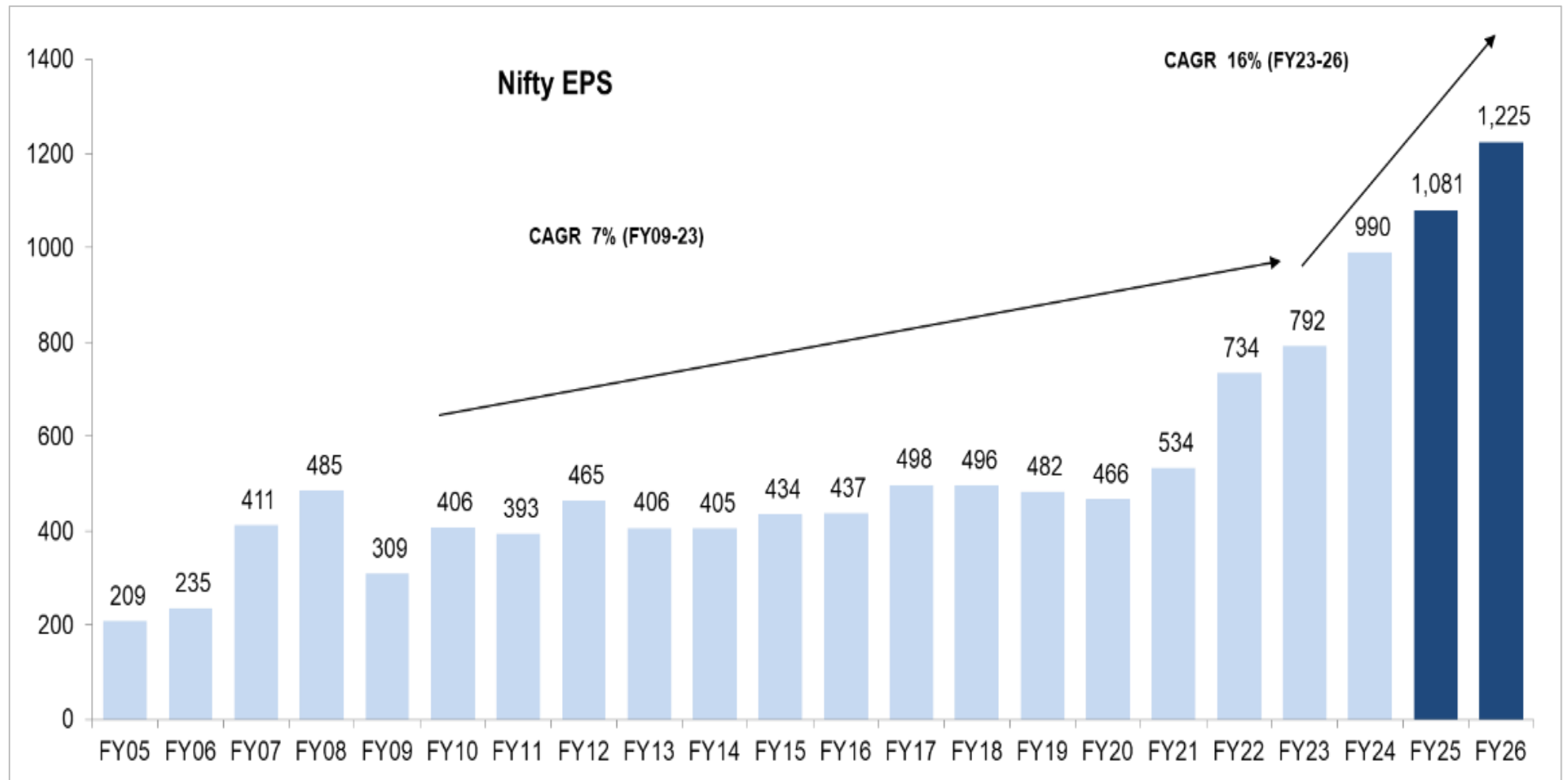
Nifty 12M Fwd PB



Source: Bloomberg, Axis Securities

NIFTY EPS Growth Expectation Remains Robust after Q1FY25

- Nifty EPS is expected to grow at 16% CAGR over FY23-FY26 vs. 7% CAGR over FY09-FY23



Source: Bloomberg, Axis Securities

Marginal Downgrade in Nifty EPS

- We foresee FY25/26 NIFTY Earnings at 1081/1225 after Q1FY25. We have marginally downgraded FY25/26 expectations by 1% each after the upgrade of 2.4%/3% after Q4FY24. During the quarter, upgrades were seen in Automobiles, Power, and Pharma while downgrades were visible in Oil & Gas, Metals, Cement, and Industrial sectors.
- We foresee 9%/13% earnings growth in Nifty EPS for FY25/26.
- Our estimates for FY25 stand conservative at 1% below street expectations. Financials remain the biggest contributors for FY25/26 earnings.

Nifty EPS Sector	Post Q4FY24		Post Q1FY25			Chg post Q1FY25	
	FY25	FY26	FY24	FY25E	FY26E	FY25E	FY26E
Financial	476	540	434	470	532	-1.2%	-1.5%
IT	113	128	108	113	128	0.0%	0.0%
Oil & Gas	138	151	141	134	149	-3.0%	-1.1%
FMCG	60	67	57	60	68	-0.1%	1.1%
Power	42	42	37	42	42	1.0%	-1.1%
Industrial	48	55	40	47	54	-2.7%	-2.2%
Pharma	32	36	28	32	37	1.3%	1.0%
Metals	78	89	48	76	88	-3.0%	-2.0%
Automobile	78	88	82	80	89	2.0%	2.0%
Cement	8	9	6	7	9	-5.7%	-2.3%
Telecom	21	28	8	20	29	-2.3%	2.6%
Total	1094	1234	990	1081	1225	-1.1%	-0.8%
Growth			25%	9%	13%		

The Last 4 Quarters' Rolling Profits for NSE 500 (Sum of the last 4 quarters earnings)

A few interesting findings from our study: Sector-wise

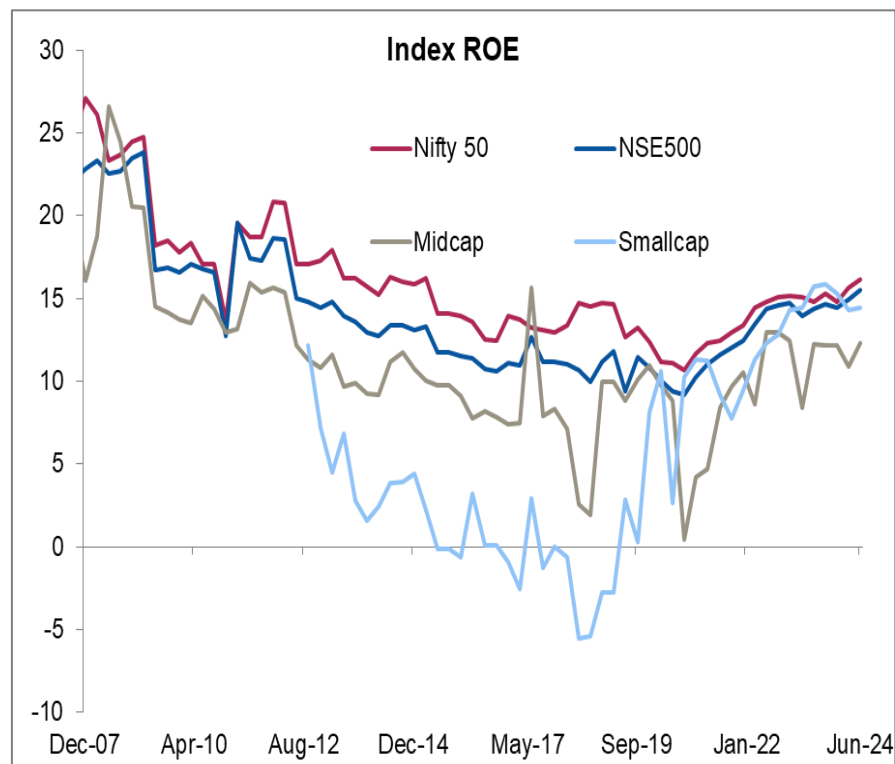
- The last 4 quarters' cumulative net profit reached an all-time high in Q1FY25, crossing the mark of 13.7 Lc Cr. This was led by improvement in the profitability of Industrials, Auto, Financials, Transport, and Metals.
- **Sequential improvement was seen in Telecom, Helathcare, Metals, and Industrials while de-growth was seen in Oil & Gas, Utilities, and Agri**
- Financials, Oil & Gas, Metals, and IT are now contributing 67% of the NSE 500 profitability.
- Loss-making sectors have turned positive post witnessing significant disruption by the pandemic.
- The Airline sector has seen significant improvement in profitability. Overall, the Transport sector is up 10%.

	Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)										Growth %
	Q2FY20	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	
Auto & Anc	36,212	40,331	42,081	45,088	43,028	49,650	57,353	63,931	68,321	70,962	3.86%
Staples	34,044	42,652	43,919	45,919	49,516	51,167	51,944	53,081	50,374	51,233	1.71%
Discretionary	18,283	21,470	24,360	25,563	30,085	30,501	31,057	32,531	33,867	33,943	0.23%
Financials	85,507	2,69,282	2,95,407	3,25,923	3,87,050	4,22,052	4,48,298	4,58,423	4,93,186	5,14,171	4.26%
IT	81,462	1,05,164	1,06,797	1,09,167	1,14,293	1,17,849	1,18,865	1,17,801	1,22,299	1,25,021	2.23%
Oil & gas	1,00,204	1,63,364	1,42,301	1,31,123	1,28,660	1,73,424	2,09,327	2,28,237	2,28,100	1,98,794	-12.85%
Metals & min	58,266	1,47,291	1,19,152	99,487	88,438	76,782	76,168	87,215	86,559	90,737	4.83%
Industrials	31,188	33,254	34,465	36,668	37,174	37,386	40,485	43,798	47,698	50,331	5.52%
Build Mate	22,387	32,381	29,296	28,432	23,965	22,436	28,301	31,700	36,272	37,215	2.60%
Healthcare	28,133	41,786	39,280	41,744	39,045	41,068	43,207	47,032	50,094	59,401	18.58%
Utilities	27,165	52,660	54,488	55,146	59,631	63,288	73,665	75,970	72,289	69,544	-3.80%
Transport	2,462	-1,624	-1,495	97	4,152	8,632	10,470	12,116	13,331	13,310	-0.16%
Agri & Chem	12,424	24,919	25,999	26,702	31,842	27,988	26,267	21,744	17,341	16,803	-3.10%
Tele & Media	-19,015	13,207	13,347	11,188	12,474	13,107	12,719	15,351	15,213	18,340	20.55%
Others	12,486	25,407	17,533	17,011	16,661	18,422	15,787	16,829	16,014	22,491	40.44%
Total	5,31,208	10,11,545	9,86,930	9,99,258	10,66,015	11,53,755	12,43,913	13,05,757	13,50,957	13,72,297	
Ex Oil and Gas	4,31,004	8,48,181	8,44,629	8,68,135	9,37,354	9,80,330	10,34,586	10,77,521	11,22,858	11,73,503	
Total Growth		5%	-2%	1%	2%	7%	8%	4%	3%	2%	
Growth ex Oil and Gas		7%	0%	3%	8%	5%	6%	4%	4%	5%	

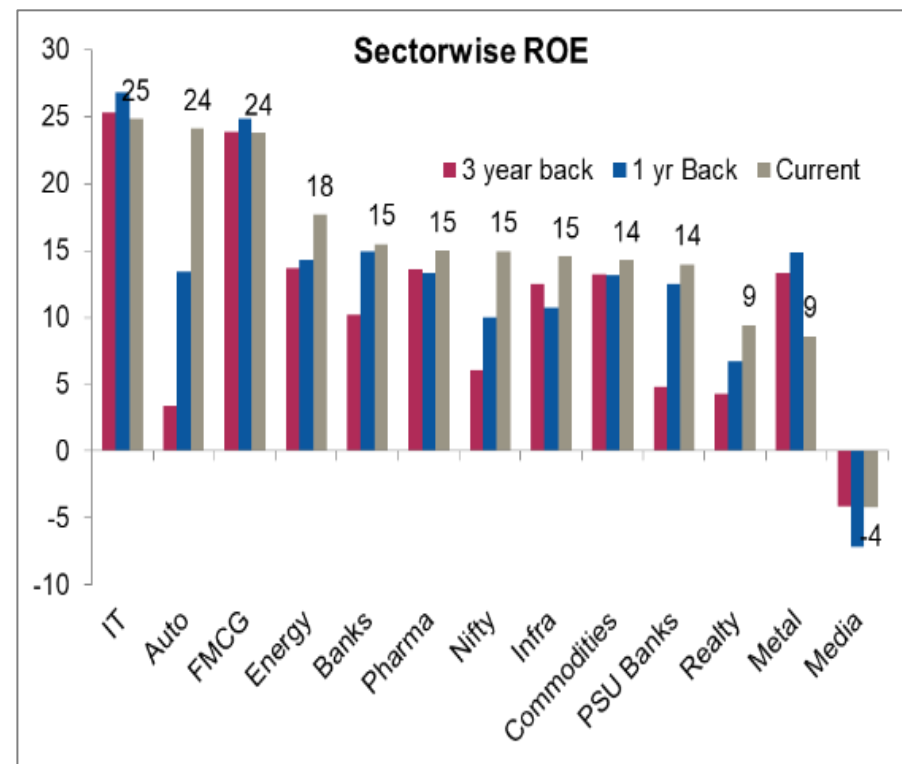
Source: Bloomberg, Axis Securities, Note: Tata Motors and Vodafone are not included in the study,

Return Ratios Improving

- ROE is improving across the market caps. Smaller stocks, too, have been showcasing a significant improvement.
- Some moderation was seen in the ROE of the cyclical sector. However, current ratios are higher than the pre-pandemic levels.
- Significant improvement has been seen in the PSU banks in the last 3 years.
- Profitability of Auto, Commodities, Pharma, and Infra sectors have improved in the past couple of years, led by the positive outlook.

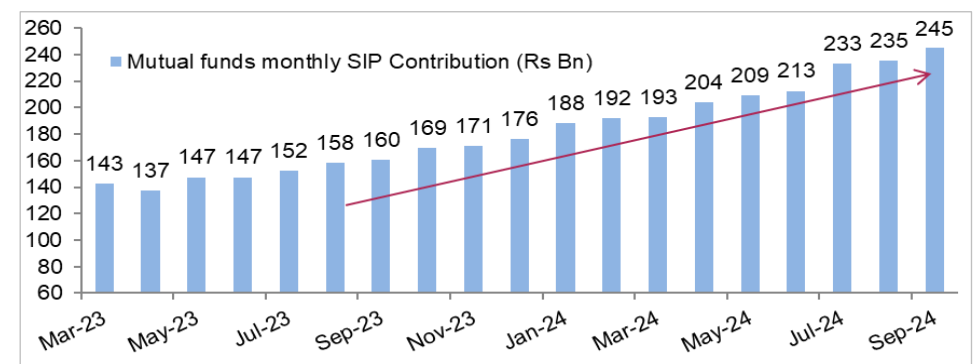
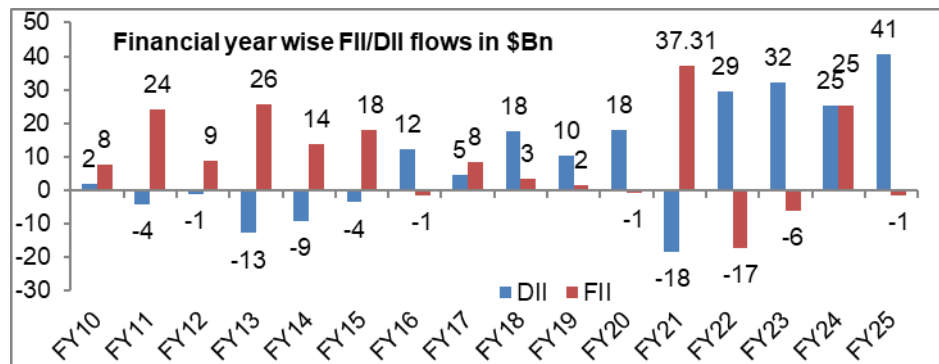
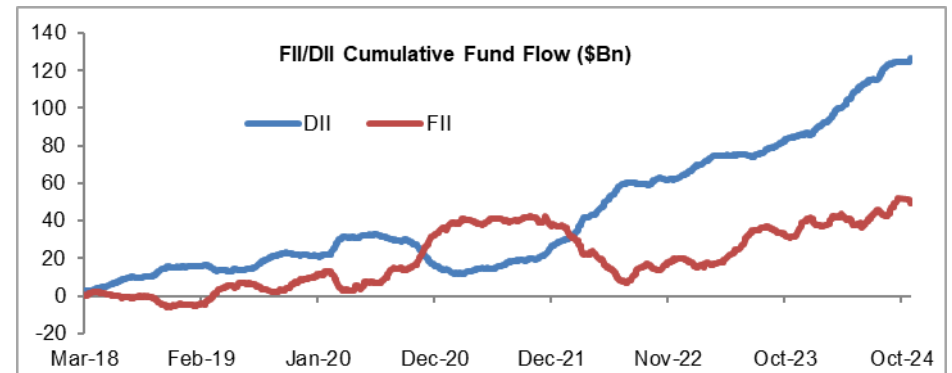
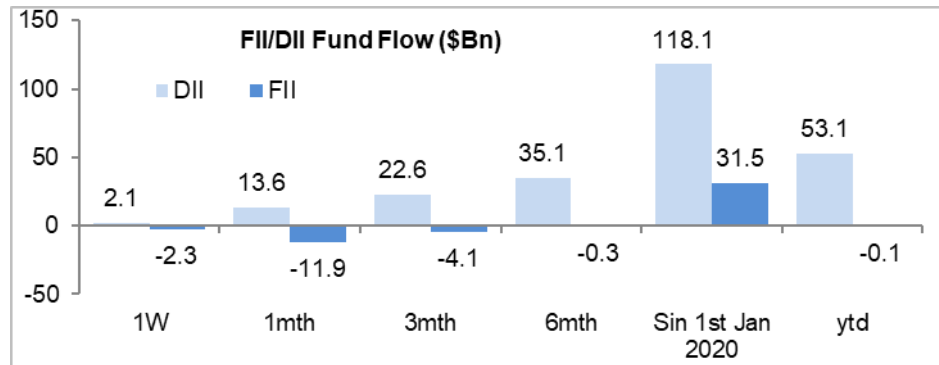


Source: Bloomberg, Axis Securities



FII stand at Flat Flows on an FYTD basis

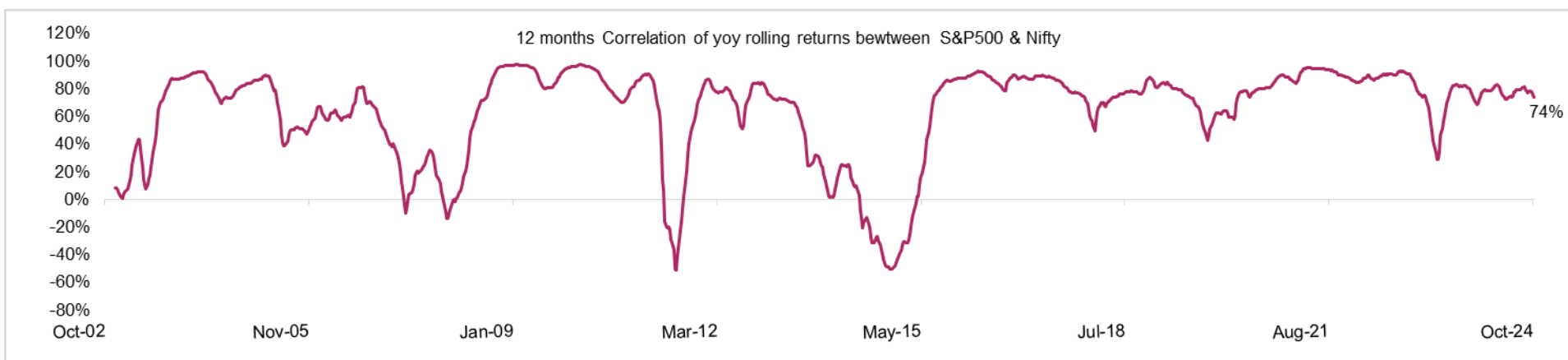
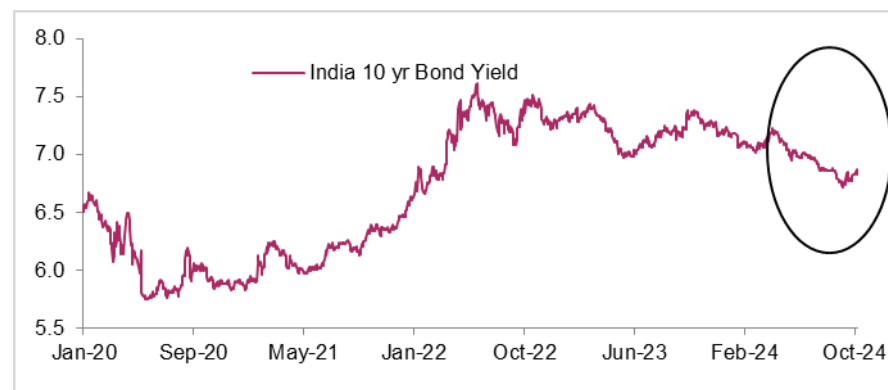
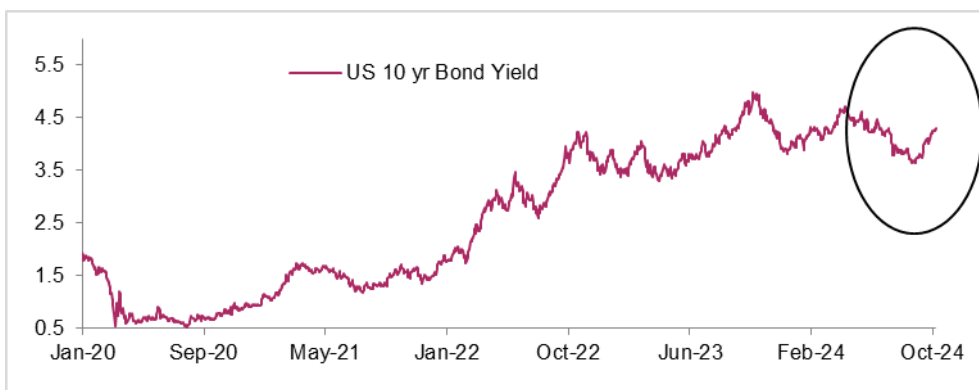
Investors, both domestic and foreign, have actively demonstrated confidence in India's long-term growth narrative. In FY24, both FIIs and DIIs invested \$25 Bn each in the Indian equity market. After being net sellers in FY22 and FY23, FIIs regained confidence in FY24 and the sentiment was further reinforced by the BJP's big-bang performance in assembly elections in three out of four key states. In FY25 so far, FIIs have remained flat in the market and pulled out \$1 Bn, while DIIs have invested \$41 Bn in the Indian equity market. Notably, mutual fund SIP contributions crossed 24,000 Cr for the first time in Sep'24.



Source: Bloomberg, Axis Securities

Macro will Continue to Drive Near-term Market Fundamentals

- US bond yields saw some inch up in the last one month and crossed 4% in recent times. Further direction remains critical for the market. Now all eyes are on the Nov'24 FOMC meeting.
- Indian bond yields were largely volatile in the last one month and went down by 30-40bps after the Interim budget.
- The correlation between the Indian market and the US market remains high at 74%.



Source: Bloomberg, Axis Securities

Q1FY25 Earnings: Mixed Bag, Commentaries are Cautiously Optimistic

- Slight moderation in the earnings momentum: 57% of Nifty companies so far either beat or are in line with earnings expectations
- Selective Largecap private banks reported a solid set of numbers while some pain was clearly visible in MFIs and unsecured space.
- IT companies reported an inline set of numbers, with some upgrades in demand expectations for FY25. Discretionary demand remains attractive at current levels compared to larger transformation deals. Workforce addition was clearly visible indicating a good set of sustainable demand in the next 12-18 months period.
- Some muted demand is expected for Automobiles in the festival season, and inventories remain very high. Some breather was observed during Navratri, and now all attention is on Dhanteras demand. 2W demand appears stronger compared to PVs.
- Cement is likely to surprise in upcoming quarters led by volume surprises and reduction in the power and fuel costs.
- FMCG also reported a weaker set of numbers. All eyes now will be on H2FY25.

Q2FY25 Performance So Far

Beat results: Large Banks, Insurance, IT, JSW steel, NTPC

Missed results: Maruti, Bajaj Auto, Indusind Bank, Nestle, Reliance

Nifty Q2FY25	Earnings			EBITDA			Revenue		
	Results Out	BEAT	IN LINE	MISS	BEAT	IN LINE	MISS	BEAT	IN LINE
33	12	7	14	6	15	10	5	17	11

FY25 EPS

Key Upgrade: HDFC Life (4.8%), M&M (2%), Tech Mahindra (2%), HCL tech (1.3%)

Key Downgrade: Indusind Bank (-16%), Ultra tech (11.7%), Tata Steel (-10%)

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

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

Industry view



Equal Weight

CMP
1,292

Target Price
1,500

Upside
16%

Key Rationale

- NIMs to stabilize:** In Q2FY25, margin compression of 9bps was higher than expected and the management attributed this to the higher number of days in Q2FY25, which should seasonally reverse in Q4FY25. ICICIB indicated that the retail deposit rates have largely stabilised and the management does not expect any meaningful increase hereon. However, the wholesale deposit rates continue to remain higher and are expected to stabilise as the systemic liquidity improves. Thus, the management expects NIMs to remain steady over the next few quarters until the start of the rate cut cycle. Currently, 51% of loans are repo-rate linked, 16% MCLR linked and 32% of loans are fixed rate. While the impact of a rate cut could be higher initially, in the event of a rate cut, we expect ICICIB's NIMs to remain stable at 4.2-4.3% over FY25.
- Asset quality remains pristine:** Gauging the headwinds in the unsecured lending space, ICICIB gradually decelerated its pace of growth in the unsecured segment (~14% portfolio mix). In line with industry performance, the bank has also seen an inch-up in delinquencies in the Credit Card and Personal Loan portfolio. The bank has taken measures to improve the quality of underwriting and tightening credit filters for each category of customers sourced while adjusting the pricing. With these measures, the bank has been able to control slippages in the personal loans portfolio (slippages are flat QoQ). The management expects credit costs to be contained at 40-50bps on a normalised basis.
- Growth momentum to sustain:** The bank has invested in developing its business banking segment and continues to see substantial headroom for growth in this vertical. Similarly, despite the asset quality challenges in the credit card segment, the bank will continue to pursue growth in this segment. The management indicated that the penetration of credit cards in the overall customer base is lower and the bank will continue to grow this segment. We expect ICICIB to deliver a healthy 16% CAGR broad-based credit growth over FY25-27E.
- Outlook & Valuation:** We expect the bank to continue delivering a strong performance over the medium term enabling a consistent RoA/RoE delivery of 2.2-2.3%/17-18% supported by (1) strong business growth while maintaining a steady C-D Ratio, (2) focus on strengthening fee income, (3) range-bound Opex ratios with no aggressive investments in sight, (4) pristine asset quality metrics and (5) adequate capitalisation. ICICIB remains our most preferred pick amongst banks.
- Key Risks:** a) Slowdown in credit growth momentum due to lag in deposit mobilisation

Key Financials (Standalone)

Y/E Mar (Rs Bn)	NII (Rs Bn)	PPOP (Rs Bn)	PAT (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	743.1	581.3	408.9	58.2	321.8	4.1	2.4	0.4
FY25E	818.6	671.7	465.5	66.1	366.7	3.5	2.3	0.4
FY26E	933.4	758.8	518.8	73.7	429.0	3.0	2.2	0.4
FY27E	1,080.1	873.9	590.3	83.9	499.5	2.6	2.2	0.4

Source: Company, Axis Securities

Income Statement (Rs Bn)

Y/E March	FY24	FY25E	FY26E	FY27E
Net Interest Income	743	819	933	1,080
Other Income	230	291	325	365
Total Income	973	1,110	1,258	1,445
Total Operating Exp	391	438	499	571
PPOP	581	672	759	874
Provisions & Contingencies	36	55	72	92
PBT	545	617	687	782
Provision for Tax	136	151	168	192
PAT	409	465	519	590

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E March	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share Capital	14	14	14	14
Reserves	2,370	2,745	3,188	3,691
Shareholder's Funds	2,384	2,759	3,202	3,705
Total Deposits	14,128	16,375	19,058	22,138
Borrowings	15,378	17,705	20,674	23,807
Other Liabilities & Provisions	953	1,030	1,255	1,446
Total Liabilities	18,715	21,494	25,131	28,959
APPLICATION OF FUNDS				
Cash & Bank Balance	1,399	1,556	1,716	1,772
Investments	4,619	5,239	6,288	7,305
Advances	11,844	13,784	16,058	18,650
Fixed & Other Assets	852	914	1,069	1,232
Total Assets	18,715	21,494	25,131	28,959

Source: Company, Axis Research

Valuation Ratios				(%)
Y/E March	FY24	FY25E	FY26E	FY27E
EPS	58.2	66.1	73.7	83.9
Earnings growth (%)	27.5	13.6	11.4	13.8
BVPS	339.4	392.0	455.1	526.5
Adj. BVPS	315.1	366.7	429.0	499.5
ROAA (%)	2.4	2.3	2.2	2.2
ROAE (%)	18.6	18.1	17.4	17.1
P/E (x)	22.2	19.5	17.5	15.4
P/ABV (x)	4.1	3.5	3.0	2.6
Dividend Yield (%)	0.8	1.1	0.9	1.0
PROFITABILITY & OPERATING EFFICIENCY				
NIM (%)	4.5	4.3	4.2	4.2
Cost/Avg. Asset Ratio (%)	2.3	2.2	2.1	2.1
Cost-Income Ratio (%)	40.2	39.5	39.7	39.5

Source: Company, Axis Research

Balance Sheet Structure Ratios				(%)
Y/E March	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	16.2	16.4	16.5	16.1
Deposit Growth (%)	19.6	15.9	16.4	16.2
C/D Ratio (%)	83.8	84.2	84.3	84.2
Equity/Assets (%)	12.7	12.8	12.7	12.8
Equity/Advances (%)	20.1	20.0	19.9	19.9
Total Capital Adequacy Ratio	16.3	16.5	16.1	15.8
Tier I CAR	15.6	15.9	15.6	15.4
ASSET QUALITY				
Gross NPLs	280	292	324	362
Net NPLs	54	61	68	76
Gross NPLs (%)	2.4	2.1	2.0	1.9
Net NPLs (%)	0.5	0.4	0.4	0.4
Coverage Ratio (%)	80.8	79.0	79.0	79.0
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	1.3
Operating Cost	2.3	2.2	2.1	2.1
Provisions	0.2	0.3	0.3	0.3
Tax	0.8	0.8	0.7	0.7
ROAA	2.4	2.3	2.2	2.2
Leverage (x)	7.9	7.8	7.8	7.8
ROAE	18.6	18.1	17.4	17.1

Source: Company, Axis Research

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

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

Key Rationale

- Judiciously pursuing deposit growth:** The management has highlighted that SBI does not envisage any challenges on deposit mobilisation. Deposit accretion, particularly CASA accounts is being adequately supported by strong traction on the 'YONO' app. However, SBI remains selective in garnering deposits, prioritizing the rate at which deposits are raised rather than pursuing irrational deposit growth. Additionally, SBI's adequate balance sheet liquidity offers the opportunity to utilise it rather than raising deposits at a higher cost, thereby enabling the bank to defend margins at current levels. However, the bank will focus on protecting its deposit market share.
- Credit growth to remain buoyant:** SBI highlighted that growth opportunities across segments continue to remain buoyant. The bank will look to maintain credit growth momentum of ~15% in FY25, with growth being broad-based. The bank remains comfortably placed on the C-D Ratio to pursue faster credit growth vs deposit growth. The bank will aim at maintaining its domestic C-D Ratio between 70-72% on a steady state basis. Hereon, credit growth will calibrate its growth across segments and growth will be an outcome of its impact on capital consumption (primarily in the Xpress Credit Card segment). The management has highlighted that the corporate sanctions pipeline continues to remain healthy (at ~Rs 4.6 Tn), with the majority being from the private sector. We expect SBI to deliver a robust 14% CAGR credit growth vs. a 12% CAGR deposit growth over FY24-27E.
- Non-banking subsidiaries to boost overall performance:** Apart from the core banking, SBI's subsidiaries are expected to continue adding further value. The bank has a strong presence in various financial services operations, most of which are generating stable returns and support the overall performance of the bank.
- Outlook:** The bank is focusing on increasing deposits by giving priority to CoD and CoF rather than overall growth. It is also moving assets from investments to loans, which should help improve the Loan-to-Deposit Ratio (LDR) and maintain its margins at ~3.2% in the medium term. Despite challenges with non-interest income, keeping operating expenses low (with the current Cost-to-Income ratio considered the new normal) should lead to healthy PPOP growth. While major asset quality challenges are not visible currently, the ageing provisions on standard assets are likely to drive credit costs to settle at ~50bps on a steady state basis. However, we do not expect any challenges to the bank's ability to protect RoA at 1-1.1% over FY25-27E.
- Valuation:** Amongst PSU banks, SBI is the best play on the growth trajectory of India's economic growth supported by its (1) Comfortable footing on the C-D Ratio, (2) Healthy PCR, (3) Adequate capitalization and (4) improved asset quality outlook. We recommend a BUY with a target price of Rs 1,030/share.
- Key risks:** a) Significant slowdown in credit growth

Industry view



Equalweight

CMP
821

Target Price
1,030

Upside
25%

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	2.1	1.0	0.6
FY25E	1,723	1,102	719	80.6	460.7	1.8	1.1	0.6
FY26E	1,969	1,257	786	88.0	526.6	1.6	1.1	0.6
FY27E	2,224	1,410	859	96.2	598.3	1.4	1.0	0.6

Source: Company, Axis Securities.

Profit & Loss		(Rs Bn)			
Y/E MAR	FY24	FY25E	FY26E	FY27E	
Net Interest Income	1,599	1,723	1,969	2,224	
Other Income	517	486	528	575	
Total Income	2,116	2,209	2,497	2,799	
Total Operating Exp.	1,249	1,108	1,241	1,390	
PPOP	867	1,102	1,257	1,410	
Provisions & Contingencies	49	140	206	262	
PBT	818	962	1,050	1,148	
Provision for Tax	207	242	265	289	
PAT	611	719	786	859	

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	4,339	4,967	5,654	
Shareholders' funds	3,772	4,348	4,976	5,663	
Total Deposits	49,161	54,154	60,851	68,511	
Total Borrowings	55,136	61,141	69,451	78,956	
Other Liabilities, provisions	2,888	3,428	3,895	4,429	
Total	61,797	68,916	78,323	89,048	
APPLICATION OF FUNDS					
Cash & Bank Balance	3,108	3,532	3,969	4,468	
Investments	16,713	17,328	19,471	21,922	
Advances	37,040	42,552	48,627	55,545	
Fixed Assets & Other Assets	4,936	5,504	6,256	7,112	
Total assets	61,797	68,916	78,323	89,048	

Source: Company, Axis Research

KEY RATIOS				(%)
Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	68.4	80.6	88.0	96.2
Earnings Growth (%)	21.6%	17.7%	9.2%	9.3%
BVPS	422.7	487.2	557.6	634.5
Adj. BVPS	399.1	460.7	526.6	598.3
ROAA (%)	1.0	1.1	1.1	1.0
ROAE (%)	17.3	17.7	16.8	16.1
P/E (x)	12.0	10.2	9.3	8.5
P/ABV (x)	2.1	1.8	1.6	1.4
Dividend Yield (%)	1.3	1.9	2.1	2.3
PROFITABILITY				
NIM (%) – Domestic	3.4	3.3	3.3	3.3
NIM (%) - Global	3.3	3.2	3.2	3.2
Cost-Income Ratio	59.0	50.1	49.7	49.6

Source: Company, Axis Research

Balance Sheet Structure Ratios				(%)
Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	15.8	14.9	14.3	14.2
Deposit Growth (%)	11.1	10.2	12.4	12.6
C-D Ratio (%)	75.3	78.6	79.9	81.1
Equity to Assets (%)	6.1	6.3	6.4	6.4
Equity to Loans (%)	10.2	10.2	10.2	10.2
CRAR (%)	14.3	13.9	13.5	13.1
Tier I (%)	11.9	11.7	11.5	11.2
ASSET QUALITY				
Gross NPLs (%)	2.2	2.2	2.2	2.3
Net NPLs (%)	0.6	0.6	0.6	0.6
PCR	75.0	75.0	75.0	75.0
Credit cost	0.1	0.4	0.5	0.5

Source: Company, Axis Research

VARUN BEVERAGES – GEARED FOR GROWTH

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

Key Rationale

- **Higher opex played spoilsport:** The company delivered strong results, driven by robust consolidated volume growth of ~22% YoY to 267.5 Mn cases (including 34 Mn cases from Bevco). This growth was led by an expanded distribution network, deeper product penetration, and favourable demand trends in key markets. However, domestic volume growth was moderate at 5.7% YoY, impacted by heavy rains during the quarter. Realization per case in Q3CY24 increased by 1.9% to Rs 179.6/case, supported by a favourable product mix in India and a higher contribution from international markets, which grew by approximately 8%.
- **Continued Focus on Energy drink/sports drink:** The company continues to focus on expanding high-margin Sting energy drink across outlets. It is also expanding the value-added dairy, sports drink (Gatorade), and juice segment.
- **Entry into the Snacks Food:** Varun Beverages Morocco SA, a wholly-owned subsidiary, has entered into an Exclusive Snacks agreement to manufacture and package Cheetos in Morocco by May 2025. DRC: It has also entered into the new territory of DRC, thereby expecting to start commercial production at the Greenfield plant in the next quarter. The management believes that the forthcoming Capex of Rs 4,000 Mn for the DRC unit will enhance its capacity and expansion strategy in the African territory.
- **Commencing multiple manufacturing facilities:** Successfully commenced three new Greenfield facilities located in Supa (Maharashtra), Gorakhpur (Uttar Pradesh), and Khordha (Odissa). Furthermore, it is setting up backward integration facilities at Guwahati Plant, thereby taking the total number of integrated plants to 13.
- **Acquires 100% stake in South Africa-based company –** The company successfully concluded the strategic acquisition of the Beverage Company (BevCo) in South Africa. Now it will expand its footprint across several dynamic markets in the African region - Lesotho, Eswatini, Namibia, Botswana, Mozambique, and Madagascar. The company is engaged in the business of manufacturing and distribution of licensed (Pepsico) and own-branded non-alcoholic beverages in South Africa.
- **Outlook:** We believe VBL is expected to continue its strong growth momentum on account of 1) Successful strategic acquisition of the Beverage Company, thereby consolidating its presence in South Africa and DRC, 2) Continued focus on expansion in its distribution reach, mainly in rural areas and 3) Commissioning of multiple green field and brownfield facilities across geographies, strengthening manufacturing capabilities and extending market reach, thus saving significant transportation costs. We believe these investments are poised to support the company's long-term growth objectives and profitability.

Industry view



Equal Weight

CMP
609

Target Price
700

Upside
15%

Key Financials (Consolidated)

Y/E Dec (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
CY23	15,622	3,609	2,056	15.8	37.2	23.0	30.3	25.4
CY24E	19,661	4,908	2,824	8.7	69.8	41.4	31.6	26.8
CY25E	23,967	6,044	3,637	11.2	54.2	33.4	30.9	27.8
CY26E	29,215	7,473	4,687	14.4	42.1	26.6	30.0	28.4

Source: Company, Axis Securities

Profit & Loss

(Rs Cr) Balance Sheet

(Rs Cr)

Y/E DEC	CY23	CY24	CY25E	CY26E
Net sales	15,622	19,661	23,967	29,215
Growth, %	20.9	25.9	21.9	21.9
Other operating income	421	463	509	560
Total income	16,043	20,124	24,476	29,776
Raw material expenses	(7,405)	(8,738)	(10,573)	(12,793)
Employee expenses	(1,447)	(1,765)	(2,153)	(2,627)
Other Operating expenses	(3,582)	(4,714)	(5,706)	(6,883)
EBITDA (Core)	3,609	4,908	6,044	7,473
Growth, %	29.5	36.0	23.2	23.6
Margin, %	23.1	25.0	25.2	25.6
Depreciation	(681)	(928)	(1,036)	(1,126)
EBIT	2,929	3,980	5,008	6,347
Growth, %	34.9	35.9	25.8	26.7
Margin, %	18.7	20.2	20.9	21.7
Other Income	79	103	113	125
Non-recurring Items	-	-	-	-
Pre-tax profit	2,740	3,681	4,740	6,109
Tax provided	(638)	(856)	(1,103)	(1,422)
Net Profit	2,102	2,824	3,637	4,687
Unadj. shares (Cr)	129	325	325	325

Source: Company, Axis Research

Y/E DEC	CY23	CY24	CY25E	CY26E
Cash & bank	460	(839)	719	3,609
Debtors	359	539	657	800
Inventory	2,151	2,707	3,299	4,022
Loans & advances	539	539	539	539
Other current assets	726	726	726	726
Total current assets	4,235	3,671	5,941	9,697
Investments	3	3	3	3
Gross fixed assets	12,463	16,163	17,963	19,463
Less: Depreciation	(4,036)	(4,964)	(6,000)	(7,126)
Add: Capital WIP	1,922	1,922	1,922	1,922
Net fixed assets	10,349	13,121	13,885	14,260
Non-current assets	537	537	537	537
Total assets	15,187	17,395	20,428	24,559
Current liabilities	4,153	4,349	4,558	4,813
Provisions	213	213	213	213
Total current liabilities	4,366	4,562	4,771	5,026
Non-current liabilities	3,737	3,737	3,737	3,737
Total liabilities	8,103	8,299	8,508	8,762
Paid-up capital	650	650	650	650
Reserves & surplus	6,287	8,299	11,123	14,999
Shareholders' equity	7,085	9,097	11,921	15,796
Total equity & liabilities	15,187	17,395	20,429	24,559

Source: Company, Axis Research

Cash Flow	(Rs Cr)			
	CY23	CY24	CY25E	CY26E
Cash Flow				
Pre-tax profit	2,740	3,681	4,740	6,109
Depreciation	681	928	1,036	1,126
Chg in working capital	(349)	(539)	(502)	(612)
Total tax paid	(631)	(856)	(1,103)	(1,422)
Cash flow from operating activities	2,441	3,213	4,171	5,202
Capital expenditure	(3,491)	(3,700)	(1,800)	(1,500)
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	(3,495)	(3,700)	(1,800)	(1,500)
Free cash flow	(1,054)	(487)	2,371	3,702
Equity raised/(repaid)	0	-	-	-
Dividend (incl. tax)	(227)	(812)	(812)	(812)
Cash flow from financing activities	1,270	(812)	(812)	(812)
Net chg in cash	216	(1,299)	1,559	2,890
Opening cash balance	285	460	(839)	719
Closing cash balance	460	(839)	719	3,609

Source: Company, Axis Research

Ratio Analysis	(%)			
	CY23	CY24	CY25E	CY26E
Key Ratios				
Per Share data				
EPS (INR)	15.8	8.7	11.2	14.4
Growth, %	(32.7)	(46.7)	28.8	28.9
Book NAV/share (INR)	53.8	27.5	36.2	48.2
FDEPS (INR)	16.3	8.7	11.2	14.4
CEPS (INR)	21.6	11.5	14.4	17.9
CFPS (INR)	17.2	9.6	12.5	15.6
DPS (INR)	1.8	2.5	2.5	2.5
Return ratios				
Return on assets (%)	17.7	19.8	21.2	22.4
Return on equity (%)	30.3	31.6	30.9	30.0
Return on capital employed (%)	25.4	26.8	27.8	28.4
Turnover ratios				
Asset turnover (x)	1.5	1.5	1.5	1.7
Receivable days	8.4	10.0	10.0	10.0
Inventory days	50.2	50.2	50.2	50.2
Payable days	22.3	22.9	23.0	23.2
Working capital days	(8.8)	3.0	10.1	15.9
Liquidity ratios				
Current ratio (x)	1.0	0.8	1.3	2.0
Quick ratio (x)	0.5	0.2	0.6	1.2
Interest cover (x)	10.9	9.9	13.1	17.5
Total debt/Equity (%)	0.7	0.6	0.4	0.3
Net debt/Equity (%)	0.4	0.4	0.1	(0.2)
Valuation				
PER (x)	37.2	69.8	54.2	42.1
PEG (x) - y-o-y growth	(1.1)	(1.5)	1.9	1.5
Price/Book (x)	11.3	22.0	16.7	12.6
EV/Net sales (x)	5.3	10.3	8.4	6.8
EV/EBITDA (x)	23.0	41.4	33.4	26.6

Source: Company, Axis Research

HDFC BANK LTD – EMBRACING THE UPTURN!

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

Key Rationale

- Eyeing accelerated LDR improvement:** HDFCB has re-iterated its stance of reducing its LDR to pre-merger levels of mid-to-high 80%. The management indicated that the bank would adopt an accelerated approach to trim LDR to the desired level from the current levels of ~100%. While deposit growth has seen a strong pick-up in Q2FY25, the bank will continue to maintain the momentum, with a focus on granular retail deposits. Credit growth slowdown is imperative and the management highlighted that credit growth in FY25E would be below systemic growth. It would pick up in FY26E and be largely in line with systemic growth before accelerating in FY27E. Thus, the bank aims to reduce its LDR to high-80% over the next 2-3 years. We factor in a slower credit growth of ~12% CAGR over FY24-27E vs a deposit growth of ~17% CAGR over the same period, thereby enabling HDFCB to bring down its LDR to ~90-91% by FY27E.
- Pursuing credit growth judiciously:** HDFCB continues to focus on mortgages as it provides a better customer relationship. In the non-mortgage retail segments, the bank has moderated growth purely based on credit dynamics. HDFCB continues to focus on growing the priority sector advances organically while maintaining high quality by passing them through stringent credit filters. In the corporate book, the bank has refrained from pursuing growth in the higher ticket-size loans, wherein the spreads are unencouraging. Going ahead, as the unsecured loan cycle turns positive, HDFCB will resume its growth trajectory by cherry-picking the right customers at the right price.
- Best-in-Class Asset Quality:** HDFCB has been able to maintain pristine asset quality across cycles and this can be credited to its strong underwriting practices and risk-calibrated lending. Currently, amidst stress in the unsecured portfolios at a systemic level, HDFCB's unsecured portfolio continues to perform well, with retail GNPA at 0.8%. This is primarily owing to the bank being ahead of the curve in identifying stress based on early warning indicators and pruning growth in the unsecured segment. Asset quality in the other segments (CRB, Agri, and Corporate) continues to remain healthy, given the bank's ability to judiciously balance between growth and risk. We do not expect any major asset quality challenges and believe credit costs are likely to be contained at ~50bps over the medium term.
- Outlook & Valuation:** The management has clearly highlighted its focus on reducing its LDR to pre-merger levels adopting an accelerated approach, resulting in a significantly slower credit growth vs deposit growth. HDFCB does not intend to disturb the deposit growth momentum that has picked up in the current quarter. We expect HDFCB to deliver RoA/RoE of 1.8-1.9%/14-16% over FY25-27E, supported by gradually improving cost ratios and steady credit costs.
- Key risks:** a) Slowdown in overall credit momentum owing to the bank's inability to ensure deposit mobilization, b) Slower substitution of higher-cost debt with lower-cost deposits

Industry view



Equalweight

CMP
1,737

Target Price
2,025

Upside
17%

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	1,085	944	608	80.0	568.9	3.0	2.0	0.3
FY25E	1,238	1,013	679	89.2	652.6	2.6	1.7	0.3
FY26E	1,418	1,181	786	103.3	736.2	2.3	1.8	0.3
FY27E	1,649	1,375	919	120.7	834.2	2.1	1.9	0.3

Source: Company, Axis Securities.

Profit & Loss		(Rs Bn)			
66 Y/E MAR	FY24	FY25E	FY26E	FY27E	
Net Interest Income	1,085	1,238	1,418	1,649	
Other Income	492	469	549	630	
Total Income	1,578	1,707	1,968	2,279	
Total Operating Exp.	634	694	787	904	
PPOP	944	1,012	1,181	1,375	
Provisions & Contingencies	235	117	144	163	
PBT	709	895	1,037	1,212	
Provision for Tax	101	217	251	293	
PAT	608	679	786	919	

Source: Company, Axis Research

Balance Sheet		(Rs Bn)			
Y/E MAR	FY24	FY25E	FY26E	FY27E	
SOURCES OF FUNDS					
Share capital	8	8	8	8	
ESOPs	27	33	40	50	
Reserves and Surplus	4,368	4,925	5,554	6,289	
Deposits	4,402	4,965	5,601	6,347	
Shareholders' funds	23,798	27,795	32,510	38,040	
Borrowings	6,622	5,608	5,100	5,291	
Other Liabilities, provisions	1,354	1,534	1,727	1,986	
Total liabilities	36,176	39,902	44,938	51,663	
APPLICATION OF FUNDS					
Cash & Bank Balance	2,191	2,365	2,766	3,237	
Investments	7,024	8,065	9,108	10,657	
Advances	24,849	27,063	30,373	34,650	
Fixed Assets & Other Assets	2,112	2,409	2,691	3,119	
Total assets	36,176	39,902	44,938	51,663	

Source: Company, Axis Research

KEY RATIOS				(%)
Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	80.0	88.1	105.1	121.8
Earnings Growth (%)	1.3	10.1	19.3	15.9
BVPS	579.5	650.0	735.1	833.9
Adj. BVPS	568.9	638.5	721.2	817.9
ROAA (%)	2.0	1.7	1.8	1.9
ROAE (%)	14.2	14.3	15.2	15.5
P/E (x)	21.6	19.7	16.5	14.2
P/ABV (x)	3.0	2.7	2.4	2.1
PROFITABILITY				
NIM (%)	3.8	3.7	3.8	3.9
Cost-Assets Ratio	2.1	1.9	1.9	1.9
Cost-Income Ratio	40.2	40.4	39.7	39.3

Source: Company, Axis Research

Balance Sheet Structure Ratios				(%)
Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	55.2	8.9	12.2	14.1
Deposit Growth (%)	26.4	16.8	17.0	17.0
C-D Ratio (%)	104.4	97.4	93.4	91.1
CRAR	12.2	12.4	12.5	12.3
Tier I	17.7	18.3	18.4	18.3
ASSET QUALITY				
Gross NPLs (%)	1.3	1.2	1.2	1.2
Net NPLs (%)	0.3	0.4	0.4	0.4
PCR	74.0	70.0	70.0	70.0
Credit Cost	1.0	0.5	0.5	0.5

Source: Company, Axis Research

Bharti Airtel Ltd – HIGHEST ARPU IN THE INDUSTRY

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

Key Rationale

- Best ARPU in the industry:** Bharti Airtel has the leading ARPU in the industry. Management expects ARPU to improve from the current level of Rs 233 (compared to Reliance's current ARPU of Rs 189). This improvement is attributed to a richer customer mix and strong customer conversion from 2G to 4G/5G and other services. The company continues on its ARPU growth trajectory and expects it to reach Rs 300 in the future. With a strong focus on customers, Airtel will continue to increase its realizations going forward. Rising data consumption and increasing rural penetration will also contribute to gaining ARPU. Average data usage per customer is healthy at 21.7 GB/month.
- Huge revenue and profit growth potential:** The company's business fundamentals remain strong and continue to improve. Management foresees significant potential for sustained revenue and profit growth, driven by expanding distribution in rural areas, investments in the network, and increasing 4G coverage. Additionally, strategic investment opportunities are available in tower sales, minority, and IPO investments in mobile money, among others. The company's digital portfolio is gaining momentum, along with market share gains. Airtel maintained a strong share of 4G/5G net ads in the market, with the 4G customer base growing by 7.7 Mn QoQ and 27.2 Mn YoY. This now constitutes 75% of the overall customer base.
- Improvement in the Digital/Home Segment:** The management anticipates improvement in the Home Segment by offering multiple solutions in one go. Airtel has adopted a robust strategy of "Hunting" by providing diverse solutions to existing customers (primarily 50 Mn customers with strong financial conditions) and actively acquiring new customers. Enhanced growth in the Home segment is expected to bolster revenue realization and fortify the business model. Management expresses confidence in achieving industry-leading growth supported by robust rural penetration and an enhanced service portfolio.
- Moderated Capex and const optimization effort:** The company anticipates no immediate significant capital expenditure despite the rollout of 5G. Management expects Capex levels to remain stable, with investments focused on broadband expansion, enterprise solutions, and data centres. However, Capex related to 4G radio is expected to decline. Airtel has identified over 2,500 sites for network cost reduction initiatives, which will contribute to lowering operating costs in the future.
- Valuation & Recommendation:** our BUY rating on the stock is retained due to the company's superior margins, impressive subscriber growth, and increased 4G conversions.
- Key risks:** a) Competitors may eat market share resulting in loss of sustainable revenue.

Industry view



Over Weight

CMP
1,616

Target Price
1,880

Upside
16%

Key Financials (Consolidated)

Y/E	Sales	EBITDA	PAT	EPS	P/E	ROE	ROCE	EV/EBITDA
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(X)	(%)	(%)	(X)
FY22	1,16,547	57,534	6,607	11.8	99.2	7.77	11.9	9.1
FY23	1,39,145	71,274	15,356	27.5	50.9	15.3	22.5	8.8
FY24	1,57,219	65,934	13,522	18.8	105	16.7	26.6	8.1
FY25E	2,01,095	1,11,297	49,958	21.9	67.2	20.7	30.2	3.5

Source: Company, Axis Securities

Income Statement				(Rs Cr)
Y/E March	FY22	FY23	FY24	FY25E
Net sales	1,16,547	1,39,145	1,57,219	2,01,095
Growth, %	16	19	13	28
Total income	1,16,547	1,39,145	1,57,219	2,01,095
Raw material expenses	(6,761)	(7,621)	(8,653)	(10,272)
Employee expenses	(4,433)	(4,831)	(5,314)	(5,436)
Other Operating expenses	(57,894)	(66,626)	(89,889)	(88,227)
EBITDA (Core)	57,534	71,274	65,934	1,11,297
Growth, %	27	24	(7)	69
Margin, %	49	51	42	55
Depreciation	(33,091)	(36,432)	(39,523)	(39,466)
EBIT	24,443	34,842	26,411	71,830
Growth, %	53	43	(24)	172
Margin, %	21	25	17	36
Interest paid	(16,616)	(16,901)	(17,878)	(18,196)
Other Non-Operating Income	534	937	1,353	1,342
Non-recurring Items	-	-	-	-
Pre-tax profit	10,785	19,629	12,093	57,057
Tax provided	(4,178)	(4,273)	(1,571)	(7,099)
Profit after tax	6,607	15,356	10,522	49,958
Net Profit	6,607	15,356	10,522	49,958
Growth, %	(188)	132	(31)	375
Net Profit (adjusted)	6,607	15,356	10,522	49,958

Source: Company, Axis Research

Balance Sheet				(Rs Cr)
Y/E March	FY22	FY23	FY24	FY25E
Cash & bank	12,980	19,088	14,649	14,417
Other current assets	38,659	39,033	39,109	37,672
Total current assets	51,640	58,121	53,758	52,089
Gross fixed assets	2,71,414	2,75,280	2,75,464	2,78,465
Net fixed assets	2,71,414	2,75,280	2,75,464	2,78,465
Non-current assets	32,806	32,435	32,973	33,102
Total assets	3,82,132	4,69,456	4,51,173	5,01,139
Current liabilities	1,14,026	1,21,964	1,21,964	1,21,964
Total current liabilities	1,14,026	1,21,964	1,21,964	1,21,964
Non-current liabilities	1,57,695	2,18,225	2,18,225	2,18,225
Total liabilities	2,71,721	3,40,189	3,40,189	3,40,189
Paid-up capital	2,795	2,795	2,795	2,795
Reserves & surplus	82,235	97,591	1,08,113	1,58,071
Shareholders' equity	1,10,411	1,29,267	1,10,984	1,60,950
Total equity & liabilities	3,82,132	4,69,456	4,51,173	5,01,139

Source: Company, Axis Research

Valuation ratios (%)

Y/E March	FY22	FY23	FY24	FY25
Per Share data				
EPS (INR)	12	27	19	89
Growth, %	(186)	132	(31)	375
Book NAV/share (INR)	152	180	198	288
FDEPS (INR)	12	27	19	89
CEPS (INR)	71	93	90	160
CFPS (INR)	63	104	83	156
Return ratios				
Return on assets (%)	5	7	6	17
Return on equity (%)	8	15	9	31
Return on capital employed (%)	6	8	6	17
Turnover ratios				
Asset turnover (x)	1	1	1	1
Sales/Total assets (x)	0	0	0	1
Sales/Net FA (x)	0	1	1	1
Working capital/Sales (x)	(1)	(1)	(1)	(0)
Fixed capital/Sales (x)	2	2	2	1
Working capital days	(236)	(218)	(192)	(153)
Liquidity ratios				
Current ratio (x)	0	0	0	0
Quick ratio (x)	0	0	0	0
Interest cover (x)	1	2	1	4
Dividend cover (x)				
Total debt/Equity (%)	168	202	182	126
PEG (x) - y-o-y growth	(0)	0	(1)	0
Price/Book (x)	5	4	4	2
Yield (%)				
EV/Net sales (x)	4.5	4.1	3.7	2.9
EV/EBITDA (x)	9.1	8.1	8.8	5.2

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY22	FY23	FY24	FY25
Pre-tax profit	10,785	19,629	12,093	57,057
Depreciation	33,091	36,432	39,523	39,466
Chg in working capital	1,254	1,131	(606)	1,163
Total tax paid	(3,340)	(4,646)	(1,571)	(7,099)
Cash flow from operating activities	41,644	52,509	49,431	90,732
Capital expenditure	(51,864)	(40,299)	(39,706)	(42,468)
Chg in marketable securities	(1,451)	(374)	(76)	1,437
Other investing activities	(6,560)	(12,647)	(3,542)	-
Cash flow from investing activities	(56,001)	(52,193)	(41,041)	(40,387)
Free cash flow	(14,356)	316	8,389	50,345
Equity raised/(repaid)	49	-	-	-
Debt raised/(repaid)	6,922	59,807	-	-
Cash flow from financing activities	10,078	63,308	(28,805)	7
Net chg in cash	(4,278)	63,623	(20,416)	50,352
Opening cash balance	17,582	12,980	19,088	14,649
Closing cash balance	12,980	19,088	14,649	14,417

Source: Company, Axis Research

TVS Motor Company Ltd – “RURAL AND EXPORTS RECOVERY TO DRIVE GROWTH”

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

Industry view



Over Weight

CMP
2,508

Target Price
2,890

Upside
15%

Key Rationale

- Business Outlook:** In Q2FY25, TVS Motor Co Ltd (TVS) saw two-wheeler (2W) domestic volumes grow by 15% YoY, outperforming the industry's 11% YoY growth. The 2W export volume also increased by 16% YoY. We anticipate TVS's total volumes to rise by 13% YoY in FY25E, driven by factors such as a favourable festive season, a recovery in rural demand (boosted by high water reservoir levels), and an expanded international presence in regions like the Middle East, LATAM, and ASEAN. The African taxi market (particularly Nigeria), is expected to gradually rebound from the macroeconomic currency shocks experienced in earlier years.
- EV Strategy:** iQube has become an established brand for TVS. In Q2FY25, sales of the TVS iQUBE electric two-wheeler (e2W) grew by 31% YoY, increasing from 57.5k units to 75k units. Management highlighted that the TVS iQUBE is now available at over 750 dealerships across India as of Sep'24, with exports having begun to Asian markets. TVS is also preparing to launch one new electric two-wheeler and one electric three-wheeler, catering to a variety of customer preferences.
- EBITDA growth outlook:** EBITDA margins have improved from 11.0% in Q2FY24 to 11.7% in Q2FY25 driven by sustained material cost reduction efforts, commodity softening, opportunistic price hikes taken during the year, and an overall better geographical and product mix. This improvement occurred despite a higher mix of margin-dilutive EVs in the sales mix. We estimate EBITDA to grow at a CAGR of 18.5% over FY24E-27E.
- Valuation & Outlook:** Being well-placed among listed players, we expect the company's Revenue/EBITDA/PAT to grow by ~15%/18%/25% CAGR over FY24E-27E. We like TVS for its engineering and R&D capabilities, strong domestic retail network, export recovery and increasing sales volumes from premium offerings in developed countries (we estimate Norton business to be able to generate revenues by FY27). Based on the above fundamental outlook, we expect the company to deliver a strong ROCE ranging between 23%-26% over the next few years.
- Key risks:** a) Slower-than-expected rural demand, b) Further delay in volume pickup of Export markets

Key Financials (Standalone)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)	EV/EBITDA (x)
FY24	31,776	3,515	2,083	41.5	51.8	28.3	22.2	29.5
FY25E	36,353	4,226	2,568	54.1	46.1	28.5	24.2	28.1
FY26E	41,290	5,218	3,226	67.9	36.7	27.5	24.9	22.3
FY27E	48,144	5,850	4,116	86.6	28.8	27.1	25.6	19.3

Source: Company, Axis Securities Research

Profit & Loss		(Rs Cr)			
Y/E Mar	FY24	FY25E	FY26E	FY27E	
Net revenues	31,776	36,353	41,290	48,144	
Operating expenses	28,261	32,127	36,071	42,294	
EBIDTA	3,515	4,226	5,218	5,850	
EBIDTA margin (%)	11.1	11.6	12.6	12.2	
Other income	1	167	175	720	
Interest	182	122	123	95	
Depreciation	700	802	911	987	
Profit Before Tax	2,781	3,470	4,359	5,488	
Tax	698	902	1,133	1,372	
Reported Net Profit	2,083	2,568	3,226	4,116	
Net Margin (%)	6.6	7.1	7.8	8.5	
Adjusted Net Profit	1,973	2,568	3,226	4,116	

Source: Company, Axis Securities Research

Balance Sheet		(Rs Cr)			
Y/E Mar	FY24	FY25E	FY26E	FY27E	
Equity capital	48	48	48	48	
Reserves & surplus	7,684	10,062	13,097	17,023	
Shareholders funds	7,731	10,109	13,145	17,071	
Total Loans	1,964	1,564	1,164	764	
Deferred tax liability	219	219	219	219	
Total Liabilities and Equity	9,913	11,891	14,527	18,053	
Gross block	8,726	10,406	11,331	12,231	
Depreciation	4,954	5,756	6,667	7,654	
Net block	3,772	4,650	4,664	4,577	
Capital WIP	930	250	225	225	
Investments	6,828	7,628	8,228	8,828	
Inventory	1,371	1,992	2,262	2,638	
Debtors	1,302	1,793	2,036	2,374	
Cash & Bank Bal	531	1,242	3,043	6,220	
Loans & Advances	1,328	1,847	2,458	2,800	
Current Assets	4,532	6,874	9,799	14,033	
Sundry Creditors	5,112	6,474	7,353	8,574	
Other Current Liability	349	349	349	349	
Current Liability & Provisions	6,149	7,511	8,390	9,610	
Net current assets	-1,617	-637	1,410	4,423	
Total Assets	9,913	11,891	14,527	18,053	

Source: Company, Axis Securities Research

Cash Flow		(Rs Cr)			
Y/E Mar	FY24	FY25E	FY26E	FY27E	
EBIT	2,815	3,425	4,308	4,863	
Other Income	1	167	175	720	
Depreciation & Amortisation	700	802	911	987	
Interest paid(-)	-182	-122	-123	-95	
Tax paid(-)	-698	-902	-1,133	-1,372	
Extra Ord Income	147	0	0	0	
Operating Cash Flow	2,783	3,370	4,137	5,103	
Change in Working Capital	1,137	-269	-245	164	
Cash flow from Operations	3,920	3,101	3,892	5,267	
Capex	-1,179	-1,000	-900	-900	
Strategic Investment	-1,343	-800	-600	-600	
Non Strategic Investment	7	0	0	0	
Cash flow from Investing	-2,515	-1,800	-1,500	-1,500	
Change in borrowing	-700	-400	-400	-400	
Others	-238	-0	0	0	
Dividends paid(-)	-178	-190	-190	-190	
Cashflow from Financial Activities	-1,116	-590	-590	-590	
Change in Cash	289	711	1,802	3,177	
Opening cash	242	531	1,242	3,043	
Closing cash	531	1,242	3,043	6,220	

Source: Company, Axis Securities Research

Ratio Analysis		(%)			
Key Ratios	FY24	FY25E	FY26E	FY27E	
Revenue Growth	20.5	14.4	13.6	16.6	
EBITDA Margin	11.1	11.6	12.6	12.2	
Net Profit Margin	6.2	7.1	7.8	8.5	
ROCE (%)	22.2	24.2	24.9	25.6	
ROE (%)	28.3	28.5	27.5	27.1	
EPS (Rs)	41.5	54.1	67.9	86.6	
P/E (x)	51.8	46.1	36.7	28.8	
P/ BV (x)	13.2	11.7	9.0	6.9	
EV/ EBITDA (x)	29.5	28.1	22.3	19.3	
Fixed Assets Turnover Ratio (x)	8.4	7.8	8.9	10.5	
Debt / Equity (x)	0.3	0.2	0.1	0.0	
EV/ Sales (x)	3.3	3.3	2.8	2.3	

Source: Company, Axis Securities Research

CHOLAMANDALAM INVESTMENT & FINANCE Co. LTD. – STRONG GROWTH ACROSS KEY PARAMETERS

Cholamandalam Investment & Finance Company Ltd. (CIFC) is the financial services arm of the Murugappa Group. CIFC commenced business as an equipment financing company and has emerged as a comprehensive financial services provider offering vehicle finance, home loans, loan against property, SME loans, Secured Business Personal Loans (SBPL), Consumer & Small Enterprises Loans (CSEL) and a variety of other financial services to customers. Chola operates from 1309 branches across India.

Industry view



Equal weight

CMP
1,283

Target Price
1,675

Upside
31%

Key Rationale

- Asset Quality deteriorates in Q2; H2 outlook better:** CIFC's slippages in Q2FY25 were ~Rs 600 Cr, of which Rs 300 Cr were from the Vehicle Finance (VF) book. H1FY25 witnessed deterioration in VF asset quality owing to heatwaves, extended monsoons, and delayed harvesting. However, the management expects the trends to reverse in H2FY25, with Q3FY25 trends stabilizing and the company witnessing an improvement in Q4FY25 (seasonal phenomena). The delinquency levels in the used and new CVs are currently at similar levels. Similarly, with the SME book maturing, credit costs are expected to remain higher in H1FY25; however, management anticipates that these costs will taper going into H2FY25 due to SARFAESI. On an overall basis, the management expects the credit costs to improve in H2FY25 (and settle at ~1.3-1.4%).
- AUM growth to moderate and settle at ~25%:** CIFC indicated that the company is planning on slowing down the pace of disbursements as it aims at pruning growth to ~25-28% in FY25 vs 33% currently. That said, CIFC's disbursements in Oct'24 have been better vs. Sep'24 across most segments and H2FY25 disbursement momentum is expected to be better than H1FY25. Similarly, the disbursements in the VF segment are expected to improve in H2FY25, with VF AUM growth ranging between 18-20% in FY25E. Moreover, LAP and Home Loans will continue to maintain their growth momentum. CIFC continues to diversify its product basket by adding new products across segments. The management has also indicated that it will look to cap the share of unsecured businesses at ~10% over the medium term vs. 8% currently.
- NIMs to remain range-bound:** CIFC's borrowing mix is skewed towards bank borrowings which constitutes ~45% of the total borrowing mix and the company would continue to maintain it at current levels. Of the total bank borrowings, ~50-60% are EBLR linked, 10% are fixed rate, and the balance is MCLR linked. The management expects some yield improvement in the fixed-rate portfolios. The management also indicated that the company will look to maintain yields in the home loan portfolio as it forays into newer geographies. Thus, margins are expected to remain steady between 7.4%-7.5% over FY25-26E.
- Outlook & Valuation:** CIFC continues to eye pre-tax RoTA of 3.5% over the medium term, while FY25 RoTA could range between ~3.2-3.3%. We expect CIFC to deliver RoA/RoE of 2.3-2.5%/20-23% over FY25-27E. We recommend a BUY on the stock with a target price of Rs 1,675/share.
- Key risks:** a) Moderation in growth momentum, b) Inability to scale up new products and c) Asset quality concerns cropping out

Key Financials (Standalone)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	BV (Rs)	P/BV (x)	ROAA (%)	NNPA (%)
FY24	8,383	5,904	3,423	40.7	232.7	5.5	2.5	2.3
FY25E	11,122	7,929	4,174	49.7	278.7	4.6	2.3	2.4
FY26E	14,302	10,358	5,666	67.4	341.0	3.7	2.5	2.3
FY27E	18,008	13,129	7,149	85.1	419.7	3.0	2.5	2.2

Source: Company, Axis Securities.

Profit & Loss				(Rs Cr)
Y/E MAR	FY24	FY25E	FY26E	FY27E
Net Interest Income	8,383	11,122	14,302	18,008
Other Income	1,603	2,078	2,467	2,922
Total Income	9,986	13,200	16,769	20,930
Total Operating Exp.	4,082	5,271	6,410	7,800
PPOP	5,904	7,929	10,358	13,129
Provisions & Contingencies	1,322	2,308	2,728	3,501
PBT	4,582	5,621	7,631	9,628
Provision for Tax	1,159	1,447	1,964	2,479
PAT	3,423	4,174	5,666	7,149

Source: Company, Axis Research

Balance Sheet					(Rs Cr)
Y/E MAR	FY24	FY25E	FY26E	FY27E	
SOURCES OF FUNDS					
Share capital	168	168	168	168	
Reserves and Surplus	19,388	23,249	28,490	35,103	
Shareholders' funds	19,557	23,417	28,658	35,271	
Borrowings	1,34,474	1,78,203	2,25,213	2,83,121	
Other Liabilities, provisions	2,421	3,169	3,990	5,004	
Total liabilities	1,56,451	2,04,789	2,57,861	3,23,396	
APPLICATION OF FUNDS					
Cash & Bank Balance	4,320	8,112	10,215	12,811	
Investments	4,100	7,210	7,789	9,769	
Advances	1,44,424	1,85,053	2,34,300	2,93,847	
Fixed Assets & Other Assets	3,606	4,413	5,557	6,969	
Total assets	1,56,451	2,04,789	2,57,861	3,23,396	

Source: Company, Axis Research

KEY RATIOS				(%)
Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	40.7	49.7	67.4	85.1
Earnings Growth (%)	25.6	21.9	35.8	26.2
BVPS	232.7	278.7	341.0	419.7
Adj. BVPS	192.6	225.7	278.2	342.6
ROAA (%)	2.5	2.3	2.5	2.5
ROAE (%)	20.1	19.4	21.8	22.4
P/E (x)	31.2	25.6	18.8	14.9
P/BV (x)	5.5	4.6	3.7	3.0
PROFITABILITY				
NIM (%)	7.5	7.4	7.5	7.5
Cost-Assets Ratio	3.0	2.9	2.8	2.7
Cost-Income Ratio	40.9	39.9	38.2	37.3

Source: Company, Axis Research

Balance Sheet Structure Ratios					(%)
Y/E MAR	FY24	FY25E	FY26E	FY27E	
Loan Growth (%)	36.7	28.4	26.6	25.4	
Borrowings Growth (%)	38.1	32.5	26.4	25.7	
Equity/Assets (%)	12.5	11.4	11.1	10.9	
Equity/Loans (%)	13.5	12.7	12.2	12.0	
Total Capital Adequacy Ratio (CAR)	18.6	18.0	16.7	15.9	
ASSET QUALITY					
Gross NPLs (%)	3.6	3.7	3.5	3.4	
Net NPLs (%)	2.3	2.4	2.3	2.2	
PCR	35.2	35.0	35.0	35.0	
Credit costs	1.1	1.4	1.3	1.3	

Source: Company, Axis Research

HCL Tech Ltd – BETTER BUSINESS MATRIX; BEATING GROWTH COMPARED TO LARGE CAP PEERS

HCL Technologies (HCLT) is India's third-largest IT services exporter with a strong global presence. It offers industry-wide solutions, including next-gen services such as Cloud Computing, Digital Transformations, IoT, Machine Learning, and ER&D. Additionally, HCLT has expertise in providing solutions in banking, financial services, and other sectors through its product and platform portfolio.

Industry view



Equal Weight

CMP
1,757

Target Price
2,045

Upside
16%

Key Rationale

- Capitalizing demand for digital transformation services:** The recent deal trend remains robust for HCL Tech, reflecting strong traction in BFSI, Retail & CPG, and Manufacturing verticals. HCL Tech will continue to invest in digital capabilities, digital talent, and S&M to drive growth. We believe the company has a significant opportunity to achieve strong organic growth across various verticals globally. The ramp-up in the Verizon deal will also contribute to better revenue growth for HCL Tech compared to its peers.
- Robust deal wins despite challenging macroeconomic conditions:** HCLT's deal pipeline remained industry-leading in Q2FY25 at \$3.2 Bn. Despite uncertainty across verticals such as BFSI, Communication, Manufacturing, and Automobile, HCLT secured many large transformation deals. This robust deal pipeline enhances revenue visibility for FY25-26E. The company won 21 large deals, including 13 in the Services vertical and eight in the Software vertical. With a strong deal pipeline, the company anticipates signing mega deals in FY25 as well.
- The robust recovery in ER&D; IT Services & Products remain Flat:** IT services, comprising 72% of revenue, showed a growth of 4% QoQ. However, ER&D services, accounting for 16.4% of revenue, declined by 1.6% QoQ despite strong traction for automation. IT software, which represents 12.3% of the company's revenue, improved by 18.5% QoQ. While the near-term outlook remains uncertain, management is confident about the company's medium to long-term prospects.
- Accelerating demand for ER&D services:** Digital engineering spends is accelerating across industries, with companies swiftly transitioning from traditional to digital engineering. Major industries such as Manufacturing, BFSI, Media & Technology, Retail, Healthcare Payers & Providers, and Travel & Hospitality are developing new products and services to differentiate themselves, thereby creating significant opportunities for the company. HCL Tech's large pool of expertise in the ER&D vertical enhances its vertical-specific capabilities in ER&D services.
- Capitalizing on growing investment in the Transportation vertical:** The outlook for the Auto sector remains strong, with a growth of 30% YoY. HCLT is uniquely positioned to meet the increased demand in areas such as Infotainment, Connected, ADAS, Autonomous, and Hybrid & Electric Mobility. In the Semiconductor sector, recent softness due to macro issues has been observed; however, management anticipates demand recovery in the latter part of the year, driven by high-performance computing, AI, and automotive segments. Growth in the medical vertical has been paused over the last couple of quarters, but opportunities in Predictive, Proactive, and Personalized patient care, connected devices, digital platforms, the shift to value-based care, and the need for accelerated testing should help it grow in H2FY25.
- Outlook & Valuation:** HCL Tech is well-placed to encourage long-term growth, given its multiple long-term contracts with the world's leading brands. Enhanced revenue visibility instils confidence in its future business growth. However, rising concerns over business uncertainties in large economies and ongoing supply-side constraints present challenges for the company's growth prospects moving forward.
- Key risks:** a) Slowdown in North America may impact IT spend creating an adverse impact on revenue growth.

Key Financials (Standalone)

Y/E March	Sales (Rs Cr)	PAT (Rs Cr)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
FY24	1,09,913	15,710	57.8	12%	25.7	25%	31%	15.1	52.0
FY25E	1,15,667	22,555	75.0	30%	22.6	27%	34%	14.3	53.0
FY26E	1,25,202	28,796	83.0	11%	20.2	28%	36%	12.6	54.0

Source: Company, Axis Securities

Income Statement

(Rs Bn)

Y/E March	FY23A	FY24A	FY25E	FY26E
Net sales	1,01,456	1,09,913	1,15,667	1,25,202
Other operating income	0%	0%	0%	0%
Total income	1,01,456	1,09,913	1,15,667	1,25,202
Total Expenditure				
Employee benefit expenses	55,280	62,480	66,509	71,991
Outsourcing cost	14,950	14,578	15,615	16,902
Other Costs	6,593	6,860	7,518	8,138
Total Cost	78,828	85,715	89,642	97,032
EBITDA	22,628	24,198	26,025	28,170
Other income	1,358	1,495	1,735	626
PBITD	23,986	25,693	27,760	28,796
Depreciation	4,145	4,173	4,627	4,181
Interest & Fin Chg.	353	553	578	600
Pre-tax profit	19,488	20,967	22,555	28,796
Tax provision	4,643	5,257	0	0
Profit after Tax	14,845	15,710	22,555	28,796
Other Comprehensive Income	0	0	0	0
PAT after Comprehensive Income	14,845	15,710	22,555	28,796

Source: Company, Axis Research

Balance Sheet

(Rs Bn)

Y/E March	FY23A	FY24A	FY25E	FY26E
Total assets	72,089	80,336	99,315	1,13,763
Net Block	5,371	5,612	5,371	0
CWIP	18,677	21,910	23,851	26,226
Investments	15,896	16,392	17,914	19,851
Wkg. cap. (excl cash)	6,640	20,971	23,627	26,824
Cash / Bank balance	25,506	15,453	28,554	40,862
Misc. Assets	-1	-1	-1	-1
Capital employed	72,089	80,336	99,315	1,13,763
Equity capital	543	543	543	543
Reserves	64,863	67,039	82,997	99,988
Minority Interests	-7	-7	-7	-7
Borrowings	3,485	3,480	3,480	3,480
Def Tax Liabilities	161	161	161	161

Source: Company, Axis Research

Cash Flow

	(%)			
Y/E March	FY23A	FY24A	FY25E	FY26E
Sources	11,066	7,631	20,097	20,792
Cash profit	19,343	20,436	27,760	28,796
(-) Dividends	4,342	4,595	6,597	7,025
Retained earnings	15,001	15,841	21,163	21,772
Change in Oth. Reserves	-1,471	-7,652	-487	-380
Borrowings	59	-5	0	0
Others	-2,523	-553	-578	-600
0	0	0	0	0
Applications	11,066	7,631	20,097	20,792
Capital expenditure	5,793	8,991	6,418	6,418
Investments	1,793	757	798	841
Net current assets	-1,355	7,936	1,967	2,467
Change in cash	4,835	-10,053	13,101	12,308
Closing cash	25,506	15,453	28,554	40,862

Source: Company, Axis Research

Ratio Analysis

	(%)			
Y/E March	FY23A	FY24A	FY25E	FY26E
Sales growth	18.5	8.3	5.2	8.2
	0%	0%	0%	0%
OPM	22.3	22.0	22.5	22.5
Oper. profit growth	10.2	6.9	7.6	8.2
COGS / Net sales	0.0	0.0	0.0	0.0
Depreciation / G. block	-1256.1	1731.5	-1919.8	-77.8
Effective interest rate (%)	11.4	17.0	17.8	18.4
Net wkg. cap / Net sales	9%	14%	21%	21%
Net sales / Gr block (x)	736%	796%	826%	882%
	0%	0%	0%	0%
RoCE	28%	30%	29%	26%
Debt/equity (x)	0	0	0	0
Effective tax rate	24	25	0	0
RoE	23%	23%	29%	25%
Payout ratio (Div/NP)	25	25	25	25
EPS (Rs.)	55	58	75	83
EPS Growth	10	6	44	6
CEPS (Rs.)	70	73	100	104
DPS (Rs.)	14	14	21	22

Source: Company, Axis Research

Aurobindo Pharma Limited – SEVERAL GROWTH LEVERS TO DRIVE TOPLINE

Aurobindo Pharma Limited (ARBP) is an integrated global pharmaceutical company based in Hyderabad, India. The company develops, manufactures, and commercializes a wide range of generic pharmaceuticals, branded specialty pharmaceuticals and active pharmaceutical ingredients globally in over 150 countries. The company has 25 manufacturing and packaging facilities that are approved by leading regulatory agencies, including USFDA, UK MHRA, EDQM, Japan PMDA, WHO, Health Canada, South Africa MCC, and Brazil ANVISA. The company's robust product portfolio is spread over 7 major therapeutic product areas, encompassing CNS, AntiRetroviral, CVS, Antibiotics, Gastroenterological, Anti-Diabetics and Anti-Allergic, supported by a strong R&D set-up.

Industry view



Over Weight

CMP
1,394

Target Price
1,730

Upside
24%

Key Rationale

- Q1FY24 Performance:** Aurobindo Pharma's Q1FY25 results were below expectations, with US revenue of \$426 Mn showing minimal growth QoQ. Revenue increases in the European market were offset by declines in growth markets and API segments. In the US market, injectable sales experienced a \$102 Mn decline, representing a 1.8% QoQ drop, reflecting significant price erosion despite approximately \$30 Mn in additional revenue from gRevlimid. Gross margins decreased by 23bps QoQ, while EBITDA margins fell by 67bps QoQ. The reported profit was Rs 919 Cr, falling short of the Rs 1,000 Cr expectation.
- New Expansion Plans:** The Pen-G API and China plants are expected to begin commercialization in H1FY25. 40-50% of ABRP's Pen-G API capacities of 15K TPA will be consumed internally and we expect ABRP's external Pen-G API sales to be \$100/150 Mn in FY25/FY26, assuming pricing of \$20/kg. The new China plant and the Vizag plant will help to scale up injectable supplies in the EU market and will aid in improving EU margins to the mid-teens.
- Eugia III Unit:** This unit has recently received an Official Action Indicated (OAI) status from the USFDA. It is a significant unit, encompassing injectables and ophthalmology, and the company has already received 111 approvals from this unit, with 29 approvals currently under review. This development is expected to potentially have a negative impact on Aurobindo Pharma's upcoming launches.
- Outlook & Valuation:** The Injectable Business represents \$500 Mn in revenues, constituting 30% of US sales, and boasts the highest gross margins. However, the issuance of OAI for injectable segments may negatively impact new launches. Additionally, price erosion within the injectable portfolio poses a risk to gross margins in upcoming quarters. Aurobindo has allocated Rs 7,000 Cr in Capex over the past two years, focusing on areas such as Biosimilars and Pen-G (API). The company's future valuations will largely hinge on the return on invested capital (ROIC) generated from this significant investment.
- Valuation:** At the CMP, the stock trades at 22.9x and 19.9x its FY25E and FY26E earnings.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (%)	ROE (%)	ROCE (%)
FY24	29,002	5,843	3,169	54.2	25.8	14.1	2.7	10.6
FY25E	31,215	6,399	3,577	61.2	22.9	12.6	2.5	10.8
FY26E	34,229	7,154	4,108	70.2	19.9	11.0	2.2	11.1

Source: Company, Axis Securities

Profit & Loss		(Rs Cr)			
Y/E Mar	FY24	FY25E	FY26E	FY27E	
Net Sales	29,002	31,215	34,229	36,338	
Growth (%)	16.7%	7.6%	9.7%	6.2%	
Total Expenditure	23,159	24,816	27,075	28,634	
Raw Material Consumed	12,603	13,422	14,547	15,262	
% of sales	43.5%	43.0%	42.5%	42.0%	
Gross margins (%)	56.5%	57.0%	57.5%	58.0%	
Employee Expenses	3,923	4,214	4,621	4,906	
% of sales	13.5%	13.5%	13.5%	13.5%	
Other Expenses	5,155	5,556	6,093	6,468	
% of sales	17.8%	17.8%	17.8%	17.8%	
EBIDTA	5,843	6,399	7,154	7,704	
EBITDAM (%)	20.1%	20.5%	20.9%	21.2%	
Depreciation	1,522	1,676	1,741	1,885	
EBIT	4,321	4,723	5,413	5,819	
EBITM (%)	14.9%	15.1%	15.8%	16.0%	
Interest	290	277	277	277	
Other Income	557	304	311	323	
Exceptional Items	-192	0	0	0	
Share of P/L of Associates	-17	20	30	30	
PBT	4,380	4,770	5,478	5,896	
Tax Rate (%)	27.6%	25.0%	25.0%	25.0%	
Tax	1,211	1,192	1,369	1,474	
Reported PAT	3,169	3,577	4,108	4,422	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E Mar	FY24	FY25E	FY26E	FY27E	
Share Capital	59	59	59	59	
Reserves & Surplus	29,792	33,106	36,951	41,109	
Shareholders Fund	29,851	33,165	37,009	41,167	
Total Debt	6,648	6,148	6,148	6,148	
Total Non-Current Liabilities	3,022	3,012	3,072	3,114	
- Trade Payables	4,454	4,704	4,876	4,978	
Total Current Liabilities	12,199	12,312	12,857	13,218	
TOTAL EQUITY & LIABILITIES	45,071	48,489	52,938	57,500	
Turnover	1.6	1.6	1.6	1.5	
Capex	5,239	1,800	1,800	1,800	
Gross Block	18,157	19,957	21,757	23,557	
Depreciation	6,896	8,572	10,313	12,197	
% of GB	38.0%	43.0%	47.4%	51.8%	
Net Block	11,261	11,384	11,444	11,359	
CWIP	2,739	2,739	2,739	2,739	
Total Non-Current Assets	20,866	21,076	21,377	21,461	
- Current Investments	51	51	51	51	
- Inventories	9,808	10,690	11,722	12,445	
- Trade Receivables	4,817	5,644	6,189	6,571	
- Cash & Cash Equivalents	6,278	7,423	9,647	12,778	
- Other Current Assets	3,239	3,592	3,939	4,181	
Total Current Assets	24,205	27,412	31,561	36,038	
TOTAL ASSETS	45,071	48,488	52,938	57,499	

Cash Flow		(Rs Cr)			
Y/E Mar	FY24	FY25E	FY26E	FY27E	
PBT	4,380	4,770	5,478	5,896	
Add: Depreciation	1,522	1,676	1,741	1,885	
Add: Interest	290	277	277	277	
Cash flow from operations	6,191	6,723	7,495	8,057	
Change in working capital	1,926	1,545	1,560	1,112	
Taxes	1,211	1,192	1,369	1,474	
Miscellaneous expenses	0	0	0	0	
Net cash from operations	3,055	3,985	4,565	5,471	
Capital expenditure	-3,473	-1,800	-1,800	-1,800	
Change in Investments	101	-1	0	0	
Net cash from investing	-3,373	-1,801	-1,800	-1,800	
Increase/Decrease in debt	1,362	-500	0	0	
Dividends	-264	-264	-264	-264	
Interest	-290	-277	-277	-277	
Others	-296	-0	0	0	
Net cash from financing	512	-1,040	-540	-540	
Net Inc./(Dec.) in Cash	194	1,144	2,225	3,131	
Opening cash balance	6,084	6,278	7,423	9,647	
Closing cash balance	6,278	7,423	9,647	12,778	

Source: Company, Axis Research

Ratio Analysis		(%)			
Key Ratios	FY24	FY25E	FY26E	FY27E	
Sales growth	16.7	7.6	9.7	6.2	
OPM	20.1	20.5	20.9	21.2	
Oper. profit growth	57.1	9.5	11.8	7.7	
COGS / Net sales	43.5	43.0	42.5	42.0	
Overheads/Net sales	31.3	31.3	31.3	31.3	
Depreciation / G. block	8.4	8.4	8.0	8.0	
Effective interest rate	27.6	25.0	25.0	25.0	
Net wkg. cap / Net sales	40.4	42.5	43.3	43.8	
Net sales / Gr block (x)	1.6	1.6	1.6	1.5	
RoCE	15.1	15.6	17.1	17.9	
Debt/equity (x)	0.2	0.2	0.2	0.1	
Effective tax rate	27.6	25.0	25.0	25.0	
RoE	10.6	10.8	11.1	10.7	
Pay-out ratio (Div/NP)	4.5	4.5	4.5	4.5	
EPS (Rs.)	54.2	61.2	70.2	75.6	
EPS Growth	64.4	12.9	14.8	7.6	
CEPS (Rs.)	80.2	89.8	100.0	107.8	
DPS (Rs.)	4.5	4.5	4.5	4.5	

Source: Company, Axis Research

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

Lupin Limited is a prominent global pharmaceutical leader based in Mumbai, India, distributing its products across over 100 markets. Specializing in a wide array of pharmaceutical solutions—including branded and generic formulations, complex generics, and biotechnology products—Lupin is trusted by healthcare professionals worldwide. With a robust infrastructure of 15 advanced manufacturing sites and 7 research centres, the company is dedicated to enhancing patient health outcomes through its subsidiaries, including Lupin Diagnostics and Lupin Digital Health.

Industry view



Over Weight

CMP
2,198

Target Price
2,600

Upside
18%

Key Rationale

- Strong Q1FY25:** Lupin reported strong financial results, largely above expectations. Its revenue increased by 16.3%, supported by notable improvements in EBITDA margins, resulting in Reported PAT reaching Rs 802 Cr. Gross margin showed a significant improvement of 293 bps YoY and 58 bps QoQ, driven by higher margins from high-value drugs in the portfolio. EBITDA stood at 22.2%, up by 435 bps YoY and 207 bps QoQ, contributing to a substantial growth in Reported PAT, which surged by 77.1% YoY. US revenue showed robust growth, reaching \$227 Mn, up 25.4% YoY. The company's India business grew by 10.5%, outpacing industry growth (1.3x IPM Growth), with core therapies like cardio and respiratory treatments exceeding market growth at 10.5% over IPM growth of 8%. Other markets also performed well in the last quarter.
- New Products Launch:** In the US, Driven by key products like gMirabegron, gSpiriva, Albuterol and Pred Forte, along with a promising revenue boost from recently launched Tolvaptan. With a strong foothold in the stable US generics market and no expected competition for Spiriva until FY2027, Lupin presents a compelling opportunity for investors looking to capitalize on the pharmaceutical sector's growth...
- Outlook & Valuation:** New launches in the US market like Darunavir and Spiriva have gained market shares of up to 30% and 25% respectively. The recent launch approval of gMegabran has the potential to add yearly incremental sales of \$50 Mn. Recent approvals for Tolvaptan (market size \$287 Mn) and Xyway (market size \$958 Mn with 180 days exclusivity, could add business in the second half. The company has a strong pipeline of products including Cynocobalamin, Diazepam Gel, Vereniciline, Bromfenac, Glucagen, and Risperidone, among others. Double-digit growth in the India business is expected as the company has already increased MR (Medical Representative) numbers to 1,000. An uptick in the API (Active Pharmaceutical Ingredient) business, as the API industry is witnessing a demand revival. Lupin's margins, currently at 18%, are still below the industry levels of 22%, which implies a significant scope for margin improvement in the upcoming quarters. This improvement will also be supported by the macro environment, which is currently favourable for the industry, such as falling raw material prices, low logistic costs, and fuel costs.
- Valuation:** At the CMP, the stock trades at 38.2x and 31.3x 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	52.3	26.7	13.3
FY25E	20,854	4,379	2,620	57.5	38.2	22.7	15.7
FY26E	23,433	5,155	3,200	70.2	31.3	18.8	16.3

Source: Company, Axis Securities

Profit & Loss		(Rs Cr)			
Y/E Mar	FY24	FY25E	FY26E	FY27E	
Total Net Sales	20,011	20,854	23,433	25,259	
% Change	20.2%	4.2%	12.4%	7.8%	
Raw material Consumption	6,643	6,673	7,264	7,830	
Staff costs	3,495	3,545	3,984	4,294	
Other Expenditure	6,062	6,256	7,030	7,578	
Total Expenditure	16,200	16,475	18,278	19,702	
EBITDA	3,811	4,379	5,155	5,557	
% Change	111.9%	14.9%	17.7%	7.8%	
EBITDA Margin %	19.0%	21.0%	22.0%	22.0%	
Depreciation	1,197	1,014	1,074	1,134	
EBIT	2,614	3,366	4,082	4,423	
EBIT Margin %	13.1%	16.1%	17.4%	17.5%	
Interest	312	121	106	78	
Other Income	120	114	126	142	
PBT	2,422	3,359	4,102	4,487	
Tax	487	739	902	987	
<i>Tax Rate %</i>	<i>20.1%</i>	<i>22.0%</i>	<i>22.0%</i>	<i>22.0%</i>	
APAT	1,936	2,620	3,200	3,500	
P/L after discontinuation	-21	0	0	0	
PAT after Ass.	1,915	2,620	3,200	3,500	
Adj. PAT	1,915	2,620	3,200	3,500	
Growth %	345.1%	36.8%	22.1%	9.4%	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E Mar	FY24	FY25E	FY26E	FY27E	
Share Capital	91	91	91	91	
Reserves & Surplus	14,282	16,607	19,512	22,717	
Shareholders Fund	14,373	16,698	19,603	22,808	
Total Debt	2,922	2,422	1,922	1,422	
- Trade Payables	2,958	3,085	3,467	3,737	
- Other Long Term Liabilities	346	343	385	415	
- Other Current Liabilities	2,252	2,343	2,632	2,837	
TOTAL EQUITY & LIABILITIES	23,997	26,036	29,155	32,365	
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	5,142	5,778	6,228	
- Trade Receivables	4,692	4,914	5,521	5,951	
- Cash & Cash Equivalent	1,202	3,161	5,283	7,986	
- Other Current Assets	1,752	1,828	2,054	2,214	
TOTAL ASSETS	23,997	26,037	29,155	32,365	

Cash Flow		(Rs Cr)			
Y/E Mar	FY24	FY25E	FY26E	FY27E	
PBT	2,422	3,359	4,102	4,487	
Add: Depreciation	1,197	1,014	1,074	1,134	
Add: Interest	312	121	106	78	
Cash flow from operations	3,931	4,493	5,281	5,699	
Change in working capital	-143	280	756	535	
Taxes	487	739	902	987	
Miscellaneous expenses	21	0	0	0	
Net cash from operations	3,566	3,474	3,623	4,177	
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	1,958	2,122	2,703	
Opening cash balance	1,293	1,202	3,161	5,283	
Closing cash balance	1,202	3,161	5,283	7,986	

Source: Company, Axis Research

Ratio Analysis		(%)			
Key Ratios	FY24	FY25E	FY26E	FY27E	
Sales growth (%)	20.2	4.2	12.4	7.8	
OPM	19.0	21.0	22.0	22.0	
Oper. profit growth	111.9	14.9	17.7	7.8	
COGS / Net sales	33.2	32.0	31.0	31.0	
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	2.2	
RoCE	15.1	17.6	19.0	18.3	
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	15.7	16.3	15.3	
Payout ratio (Div/NP)	422.4	323.7	323.7	323.7	
EPS (Rs.)	42.0	57.5	70.2	76.8	
EPS Growth	345.1	36.8	22.1	9.4	
CEPS (Rs.)	68.3	79.7	93.8	101.7	
DPS (Rs.)	8.4	6.5	6.5	6.5	

Source: Company, Axis Research

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

Dalmia Bharat Limited (DBL), established in 1939, has emerged as one of the fastest-growing players in the Indian cement sector. It holds a 5% share of India's cement capacity in its operational areas. DBL boasts a total cement production capacity of 46.6 million tonnes per annum (mtpa), a clinker capacity of 22.6 mtpa, and a power generation capacity of 397 MW, including waste heat recovery systems (WHRS) and solar power. The company's operations extend across 16 locations in India, encompassing 10 integrated plants and 6 grinding units, supported by a robust distribution network of 49,000 channel partners nationwide.

Industry view



Overweight

CMP
1,840

Target Price
2,040

Upside
11%

Key Rationale

- Capacity expansion to sustain growth:** The company's total cement grinding capacity is projected to increase to 49.5 mtpa in FY25E from the current 46.6 mtpa, which will support its volume growth. With the current capacity utilization at 60%, there is considerable potential for the company to enhance its capacity utilization. Additionally, the ramp-up of recently commercialized new capacities is expected to provide a significant growth impetus. We anticipate DBL will achieve a revenue CAGR of 8% over FY24-FY26E, driven by a volume CAGR of 9% during the same period.
- Efficient operations with a focus on reducing costs further:** DBL's integrated operations, superior cement/clinker ratio, the introduction of Portland composite cement, digitization of its sales channels, and effective resource utilization make it one of the lowest-cost cement producers in India. Additionally, various cost optimization initiatives at its operating facilities are expected to enhance margins going forward. The company also plans to increase its share of green energy in its overall power mix to 35-45%, which will further reduce power and fuel costs. Supported by these cost optimization measures and improved price realization, we expect DBL's EBITDA margin to improve to 19% from the current 18% by FY26E.
- Higher consolidation to benefit large players:** Between 2013 and 2024, the market share of large players in the cement sector has risen from 46% to 55%. With the accelerating pace of consolidation and capacity expansion among top players, their overall market share is expected to increase further. This trend is likely to positively influence cement pricing, economies of scale, and supply chain efficiency. As one of the top five players in the country, the company is well-positioned to benefit from this consolidation trend in the medium to long term.
- Cement demand in its operating regions is anticipated to remain robust, supporting the company's projected double-digit growth going forward.**
- Outlook:** Cement demand is anticipated to stay strong, driven by infrastructure development. The industry is expected to grow at 1.2 times the GDP growth, which is projected to be 6.5%-7% over the next several years.
- Given the company's superior positioning in key markets in the East and South, exposure to the West region, the government's focus on infrastructure and affordable housing, increasing real estate demand, new capacity ramp-up, and ongoing cost optimization measures, DBL is expected to deliver stable performance. The company is projected to grow its Volume/Revenue/EBITDA/APAT at a CAGR of 9%/7%/9%/17% over FY24-FY26E.**
- Valuation:** The stock is currently trading at 13x and 11x FY25E/FY26E EV/EBITDA and EV/tonne of \$88 and \$85. Valuation remains attractive.
- Key risks:** a) Lower demand and contraction in Cement prices impacting realization; b) Further rise in input prices hampering margin profile.

Key Financials

Y/E Mar (Rs Cr)	NetSales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
FY23	13,540	2,316	1,035	55	36	16	7%	6
FY24	14,680	2,628	827	44	41	13	5%	7
FY25E	15,094	2,453	751	34	54	14	4%	7
FY26E	16,906	3,146	1,133	60	30	11	6%	8

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Net sales	13,540	14,680	15,094	16,906
Other operating income	0	0	0	0
Total income	13,540	14,680	15,094	16,906
Raw Material	1,981	2,703	2,646	2,884
Power & Fuel	3,679	3,116	3,277	3,572
Freight & Forwarding	2,802	3,203	3,479	3,792
Employee benefit expenses	771	871	885	938
Other Expenses	1,991	2,159	2,354	2,573
EBITDA	2,316	2,628	2,453	3,146
Other income	138	326	269	287
PBIDT	2,454	2,954	2,722	3,434
Depreciation	1,305	1,498	1,341	1,540
Interest & Fin Chg.	234	386	385	361
E/o income / (Expense)	-	-	-	-
Pre-tax profit	915	1,070	996	1,534
Tax provision	242	216	229	383
RPAT	673	854	768	1,150
Minority Interests	44	27	17	17
Associates	554	-	-	-
APAT after EO item	1,035	827	751	1,133

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY23	FY24E	FY25E	FY26E
Total assets	25,543	27,749	28,475	29,728
Net Block	16,467	17,855	19,238	20,235
CWIP	1,859	2,284	2,284	2,284
Investments	587	588	588	588
Wkg. cap. (excl cash)	881	738	757	851
Cash / Bank balance	285	582	350	389
Misc. Assets	5,464	5,702	5,258	5,381
Capital employed	25,543	27,749	28,475	29,728
Equity capital	37	38	38	38
Reserves	15,591	16,359	16,903	17,942
Minority Interests	116	110	127	144
Borrowings	3,742	4,630	4,735	4,807
Def Tax Liabilities	1,634	1,795	1,795	1,795
Other Liabilities and Provision	4,423	4,817	4,878	5,001

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Y/E Mar	FY23	FY24E	FY25E	FY26E	
Profit before tax	1,321	1,069	883	1,534	
Depreciation	1,305	1,498	1,341	1,540	
Interest Expenses	231	386	385	361	
Non-operating/ EO item	-95	-304	-269	-287	
Change in W/C	-77	46	-19	-94	
Income Tax	-14	-54	-229	-383	
Operating Cash Flow	2,252	2,635	2,092	2,669	
Capital Expenditure	-2,709	-2,827	-3,019	-2,536	
Investments	329	-570	500	-	
Others	87	47	269	287	
Investing Cash Flow	-2,326	-2,750	-2,250	-2,249	
Borrowings	-677	1,099	405	72	
Interest Expenses	-297	-439	-385	-361	
Dividend paid	-169	-169	-94	-94	
Others	-33	-13	-	-	
Financing Cash Flow	-118	48	-7	-38	
Change in Cash	94	107	-232	39	
Opening Cash	140	234	341	109	
Closing Cash	234	341	109	148	

Source: Company, Axis Research

Ratio Analysis		(%)			
Key Ratios	FY23	FY24E	FY25E	FY26E	
Operational Ratios					
Sales growth	20%	8%	3%	12%	
OPM	17%	18%	16%	19%	
Op. profit growth	-5%	13%	-7%	28%	
COGS / Net sales	62%	61%	62%	61%	
Overheads/Net sales	20%	21%	21%	21%	
Depreciation / G. block	5.3%	5.6%	4.6%	4.7%	
Effective interest rate	6.3%	8.3%	8.1%	7.5%	
Efficiency Ratios					
Total Asset Turnover (x)	0.53	0.53	0.53	0.57	
Sales/Gross block (x)	0.55	0.54	0.50	0.52	
Sales/Net block(x)	0.82	0.82	0.78	0.84	
Working capital/Sales (x)	0.20	0.21	0.14	0.13	
Valuation Ratios					
P/BV (x)	2.17	2.07	2.00	1.88	
PER (x)	33	41	54	30	
EV/Ebitda (x)	15.0	13.1	14.4	11.2	
EV/Sales (x)	2.6	2.3	2.3	2.1	
EV/Tonne \$ (x)	110	94	87	87	

Source: Company, Axis Research

FEDERAL BANK – BEST PLACED AMONGST MID-SIZED PEERS

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

Key Rationale

- **Re-evaluating the deposit strategy:** FB's slow deposit growth in Q2FY25 was an outcome of slower TD growth, as the bank intentionally avoided garnering higher-cost deposits. Hereon, FB will continue to focus on pursuing growth in CASA Deposits as it aspires to become a primary banker for its retail and corporate customers. The management has also indicated that TD growth will be pursued based on the rates on an opportunistic basis especially in the larger ticket size deposits, while continuing to maintain competitive rates on certain tenors.
- **Credit deposit growth to converge:** While credit growth outpaced deposit growth in Q2FY25, the management has indicated that the bank will not look to calibrate credit growth even as it revisits its deposit strategy. Going ahead, the bank expects the gap between credit and deposit growth to narrow and eventually converge. **The management has reiterated its credit growth guidance of 18% in FY25.** The focus will remain on maintaining a balanced LDR.
- **Identifying NIM improvement levers:** The management has been identifying levers both on the asset and liability side to improve NIMs. The bank will continue to pursue growth in the high-yielding segment, while not compromising on asset quality. The bank will strive to improve NIMs given its renewed focus on low-cost CASA deposits and revisiting the deposit strategy. **We expect FB's NIMs to remain in the range of 3.1-3.2% over FY25-27E.**
- **Asset Quality Strong; Unsecured book stress manageable:** FB continued to remain stable with slippages remaining under control. FB's strong performance on asset quality can be attributed to its cautious approach to pursuing growth in the unsecured segments. In line with industry trends, FB has seen an inch-up in the MFI slippages. However, the management believes that the stress is likely to settle in the next couple of quarters. Similarly, in the personal loans and credit cards segment, despite the marginal increase in slippages, the management remains confident of no major challenges in these segments.
- **Outlook & Valuation:** With the new management at the helm, the bank is revisiting its strategy on certain key parameters – NIMs, Opex ratios, and Deposits to drive the next leg of growth. We continue to prefer FB amongst the mid-sized banks given its (a) strong deposit franchise, (b) potential to deliver healthy growth driven by an improving mix of higher-yielding segments, (c) pristine asset quality and (d) strong RoA/RoE delivery of 1.3%/14-16% over the medium term. We maintain our BUY recommendation on the stock with a target price of Rs 230/share
- **Key risks:** a) Loan growth moderation, b) Asset quality challenges in the higher-yielding segment

Industry view



Equal Weight

CMP
204

Target Price
230

Upside
13%

Key Financials (Standalone)

Y/E Mar (Rs Cr)	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	ABV (x)	P/ABV (x)	ROAA (%)	NNPA (%)
FY24	8,293	5,174	3,721	15.3	114.3	1.8	1.3	0.6
FY25E	9,741	6,400	4,311	17.7	128.8	1.6	1.3	0.6
FY26E	11,569	7,874	5,223	21.4	146.3	1.4	1.3	0.5
FY27E	13,762	9,685	6,339	26.0	167.1	1.2	1.4	0.5

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E MAR	FY24	FY25E	FY26E	FY27E
Net Interest Income	8,293	9,741	11,569	13,762
Other Income	3,079	3,905	4,710	5,672
Total Income	11,373	13,646	16,279	19,434
Total Operating Exp	6,198	7,246	8,405	9,749
PPOP	5,174	6,400	7,874	9,685
Provisions & Contingencies	196	636	890	1,209
PBT	4,978	5,764	6,984	8,476
Provision for Tax	1,258	1,453	1,761	2,137
PAT	3,721	4,311	5,223	6,339

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E MAR	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share Capital	487	487	487	487
Reserves	28,607	32,272	36,712	42,100
Shareholder's Funds	29,094	32,759	37,199	42,587
Total Deposits	2,52,534	3,00,168	3,55,219	4,18,321
Borrowings	18,026	24,253	29,837	35,786
Other Liabilities & Provisions	8,657	10,697	12,646	14,876
Total Liabilities	3,08,312	3,67,876	4,34,901	5,11,570
APPLICATION OF FUNDS				
Cash & Bank Balance	18,963	22,248	26,329	31,006
Investments	60,860	73,540	87,027	1,02,487
Advances	2,09,403	2,49,315	2,94,623	3,46,408
Fixed Assets & Other Assets	19,086	22,773	26,923	31,669
Total Assets	3,08,312	3,67,876	4,34,901	5,11,570

Source: Company, Axis Research

Key Ratios	(%)			
Y/E MAR	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	15.3	17.7	21.4	26.0
Earnings Growth (%)	7.4	15.9	21.2	21.4
BVPS	119.5	134.5	152.7	174.9
Adj. BVPS	114.3	128.8	146.3	167.1
ROAA (%)	1.3	1.3	1.3	1.3
ROAE (%)	14.7	13.9	14.9	15.9
P/E (x)	13.4	11.5	9.5	7.8
P/ABV (x)	1.8	1.6	1.4	1.2
DPS	2.0	2.7	3.2	3.9
Dividend Yield (%)	1.1	1.4	1.7	2.1
PROFITABILITY				
NIM (%)	3.2	3.1	3.1	3.2
Cost-Income Ratio	54.5	53.1	51.6	50.2

Source: Company, Axis Research

Balance Sheet Structure Ratios	(%)			
Y/E MAR	FY24	FY25E	FY26E	FY27E
Loan Growth (%)	20.0	19.1	18.2	17.6
Deposit Growth (%)	18.3	18.9	18.3	17.8
C/D Ratio (%)	82.9	83.1	82.9	82.8
CAR	20.0	19.1	18.2	17.6
CAR Tier I	18.3	18.9	18.3	17.8
ASSET QUALITY				
Gross NPLs (%)	2.2	2.0	1.9	2.0
Net NPLs (%)	0.6	0.6	0.5	0.5
Coverage Ratio (%)	72.3	72.0	72.0	72.0
Credit Costs (%)	0.1	0.3	0.3	0.4
ROAA Tree				
Net Interest Income	2.9	2.9	2.9	2.9
Non-Interest Income	1.1	1.2	1.2	1.2
Operating Cost	2.2	2.1	2.1	2.1
Provisions	0.1	0.2	0.2	0.3
Tax	0.4	0.4	0.4	0.5
ROAA	1.3	1.3	1.3	1.3
Leverage (x)	11.2	10.9	11.5	11.9
ROAE	14.7	13.9	14.9	15.9

Source: Company, Axis Research

Prestige Estates Projects Ltd – GROWTH DRIVEN BY BUSINESS MODEL

Prestige Group, founded in 1986, stands as one of India's leading and most prominent real estate developers. Originating in Bangalore, where it holds a significant market share, the company has expanded its presence across several metro cities. The group has made a mark across all asset classes and with over 38 years of experience, it has completed more than 300 projects, delivering over 180 Mn sq. ft.

Key Rationale

- Launch trajectory for H2FY25:** The management has guided a pre-sale of ~Rs24,000 Cr for the financial year. In H1FY25, the company has achieved the pre-sales of~ Rs8,000 Cr. The management is confident in achieving their guidance and launching major projects during the remaining quarters. These launches will include projects like Prestige Southern Star, Prestige City-Indirapuram, Pallava Gardens etc. The remaining launches will have a GDV of Rs 52,000 Cr, which could result in Pre-sales of ~Rs 20,000-Rs 22,000 Cr. This would comply with management's guidance of pre-sales numbers with a possibility of exceeding the same during FY25.
- Execution Supremacy –** Prestige has recorded its best-ever pre-sales of ~Rs 21,000 Cr and the highest-ever collections of Rs 11,950 Cr in FY24. The company has delivered 25 Mn sq. ft in FY24 with over 300 projects completed. In FY24, it has also managed to achieve 75% of its sales from newly launched projects at ~Rs 15,700 Cr, demonstrating its execution capability and excellence in delivering large projects. The Prestige City Hyderabad achieved sales worth Rs 3,700 Cr within 4 months of its launch. On average, the company has sold 10,068 units, which means an average of 28 units per day in FY24.
- Strong Cashflows and Net debt reductions:** The company has completed its QIP for Rs5,000Cr. These funds will be utilized for repayment of debt, BD and construction for rental assets. The free cash flows expected from ongoing and upcoming projects stand at Rs 13,863Cr and Rs 32,037Cr respectively. This gives a total of ~Rs 45,000Cr in free cash flows expected for the company. The collections for Q2FY25 stood at Rs 2,737Cr (PEPL share: Rs2,554Cr). The company's debt stands at ~Rs 10,000Cr and the net debt is Rs 3,592Cr. This indicates a net debt-to-equity ratio of 0.21 which is within their guidance. This will comfortably fund the future capex of Rs ~13,000Cr for their annuity portfolio build-up.
- Additional GDV & Annuity Stream:** With the company acquiring a stake in PPP, and Prestige Acres among others, the company has added an additional Rs 20,000 Cr of GDV to their portfolio. The cost of acquisition incurred by them is ~Rs 844 Cr and will eventually lead to a pre-tax EBITDA of Rs 8,000Cr. The company's annual rentals stand at Rs523 Cr for commercial projects and Rs 226 Cr for retail projects. The remaining capex spend to be incurred is Rs 9,000Cr for commercial properties and Rs3,46Cr for its retail assets. Their annuity rentals are due to produce exit rentals of Rs 4,300 Cr by FY29 (assuming full occupancy).
- Outlook & Valuation:** We maintain a BUY recommendation on Prestige Estates. Based on our DCF valuation method

Industry view



Equal Weight

CMP
1,640

Target Price
2,195

Upside
34%

Key Financials (Consolidated)

Y/E	Sales	EBITDA	PAT	EPS	P/E	ROE	Debt/Equity	EV/EBITDA
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(X)	(%)	(%)	(X)
FY24	7,877	2,498	1,374	34.3	47.6	12.2	108.1	30
FY25E	11,765	2,651	713	17.8	43.3	11.4	85.5	19.9
FY26E	16,071	3,435	1,205	30	27	15.5	72.9	14

Source: Company, Axis Securities

Profit & Los		(Rs Cr)		
Y/E Mar, Rs Cr	FY24	FY25E	FY26E	
Net sales	7,877	11,764	16,070	
Growth, %	(0.5)	4.9	3.7	
Other operating income	-	-	-	
Total income	7,877	11,764	16,070	
Raw material expenses	(2,692)	(5,937)	(8,296)	
Employee expenses	(746)	(823)	(1,125)	
Other Operating expenses	(1,939)	(2,353)	(3,214)	
EBITDA (Core)	2,498	2,650	3,435	
Growth, %	2.0	0.6	3.0	
Margin, %	3.2	2.3	2.1	
Depreciation	(716)	(822)	(1,024)	
EBIT	1,781	1,828	2,410	
Growth, %	2.4	0.3	3.2	
Margin, %	2.3	1.6	1.5	
Interest paid	(1,219)	(1,031)	(1,031)	
Other Income	1,548	313	376	
Share of profits from associates	11.3	16.9	23.1	
Pre-tax profit	2,122	1,127	1,778	
Tax provided	(493)	(259)	(410)	
Profit after tax	1,628	867	1,368	
Growth, %	(254)	(155)	(163)	

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

Balance Sheet		(Rs Cr)		
As of 31st Mar, Rs Cr	FY24	FY25E	FY26E	
Cash & bank	2,558	4,643	4,825	
Loans & advances	2,363	2,613	2,863	
Other current assets	6,258	6,158	6,058	
Investments	1,279	1,279	1,279	
Gross fixed assets	11,945	15,697	19,165	
Additions:	2,605	3,752	3,469	
Less: Depreciation	3,329	4,158	5,204	
Net fixed assets	8,616	11,539	13,961	
Other Current Assets	6,258	6,158	6,058	
Total assets	23,808	25,063	26,304	
	-	-	-	
Current liabilities	15,855	15,855	15,855	
Provisions	739	739	739	
Loan Funds	11,462	11,462	11,462	
Paid-up capital	401	401	401	
Reserves & surplus	10,888	11,989	13,069	
Non Controlling Interest	512	666	828	
Total equity & liabilities	23,808	25,063	26,304	

Source: Company, Axis Research

Cash Flow	(Rs Cr)		
Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Pre-tax profit	2,122	1,057	1,685
Depreciation	717	829	1,046
Changes in working capital	-838	3,753	1,363
Total tax paid	-416	-247	-394
Cash flow from operating activities	1,297	6,106	4,345
Change in Fixed Assets	-1,907	-3,752	-3,469
Interest/Dividend Received	275	318	386
Other investing activities	-	17	23
Cash flow from investing activities	-2,548	-3,417	-3,060
Equity raised/(repaid)	-	500	-
Proceeds from Borrowings	3,271	-	-
Dividend (incl. tax)	-60	-72	-72
Other financing activities	-26	-	-
Cash flow from financing activities	1,969	-604	-1,104
Net cash	718	2,085	181
Closing cash balance	2,558	3,809	3,991

Source: Company, Axis Research

Ratio Analysis	(%)		
Y/E Mar	FY24	FY25E	FY26E
EPS (INR)	34.3	16.8	28.7
Growth, %	116.8	(51.0)	71.2
Book NAV/share (INR)	281.6	309.0	336.0
FDEPS (INR)	34.3	16.8	28.7
CEPS (INR)	52.1	37.5	54.8
CFPS (INR)	(42.3)	126.6	82.6
DPS (INR)	(1.5)	(1.5)	(1.5)
Return ratios			
Return on assets (%)	6.7	3.2	3.1
Return on equity (%)	12.2	5.4	8.6
Return on capital employed (%)	13.4	7.6	9.1
Turnover ratios			
Asset turnover (x)	0.5	0.6	0.8
Sales/Total assets (x)	0.2	0.2	0.2
Sales/Net FA (x)	0.8	1.0	1.1
Working capital/Sales (x)	1.0	0.4	0.2
Receivable days	-	-	-
Inventory days	1,119.3	1,161.0	1,199.2
Payable days	1,075.9	639.3	461.4
Working capital days	373.8	135.1	67.7
Liquidity ratios			
Current ratio (x)	1.4	1.2	1.1
Quick ratio (x)	0.5	0.3	0.2
Interest cover (x)	1.5	1.7	2.3
Net debt/Equity (%)	85.4	61.0	54.8
Valuation			
PER (x)	47.6	43.3	27.0
PEG (x) - y-o-y growth	0.4	4.4	0.4
Price/Book (x)	5.8	4.9	4.2
EV/Net sales (x)	9.5	5.7	4.0
EV/EBITDA (x)	30.0	19.9	14.0
EV/EBIT (x)	42.1	25.4	17.8

Source: Company, Axis Research

Chalet Hotels Ltd – RIDING THE UPCYCLE

Chalet Hotels Limited, part of the K Raheja Corp Group, is a leading owner, developer, and operator of hotels and resorts in key Indian cities such as Mumbai, Bengaluru, Hyderabad, NCR, Lonavala, and Pune. The company partners with international hotel brands like Marriott, leveraging global marketing strategies and the "Bonvoy by Marriott" loyalty program to attract both local and international business travellers. In addition to its hospitality ventures, Chalet has significant interests in commercial real estate, leasing nearly 2.5 million square feet to corporate clients, which provides a robust annuity business and enhances its overall portfolio.

Industry view



Positive

CMP
895

Target Price
1035

Upside
16%

Key Rationale

- MICE A Catalyst for Hospitality Growth:** The Indian MICE market is expected to be valued at \$3.30 Bn in 2023, growing to \$10.52 Bn by 2030, with an 18% CAGR (Source: Coherent Market Insights). Assuming that 10% of this revenue contributes to room revenues and F&B in the hospitality sector, it would add ~\$330 Mn (Rs 2,739 Cr). This growth is anticipated to support the ARR of major players in the hospitality sector, including IHCL, EIH, Chalet, Park, Lemon Tree, and Juniper.
- Robust Operational Metrics:** The Hospitality business reported a growth of 18% YoY. ARR (Average Room Rate) increased to ₹10,532 (+2.3% YoY), with occupancy reaching 74%, an improvement of 82 basis points YoY. In comparison, the MMR and other regions reported RevPAR growth rates of 9% and 12% YoY, respectively. Rental Annuity reported strong growth of 40%, driven by a new lease made & signed. Consolidated margins stood at 39.7%, down by 39 basis points YoY, due to one-time expenses like advertisement & credit rating fees. The company's Adjusted PAT (Profit After Tax) stood at ₹63 Cr, up 73% YoY.
- Leisure Expansion to Newer Horizons:** The company anticipates a 30% growth in keys, with ~870 rooms in the pipeline over the next three financial years. These upcoming offerings are strategically located in high ARR, high-margin regions such as the Delhi Airport zone (NCR), Airoli (Navi Mumbai), and a beachfront land parcel in South Goa. Additionally, there will be an increase in the number of keys at existing lucrative properties like Dukes Retreat (Lonavala) and Marriott Whitefield (Bengaluru). The CAPEX for the Signus Tower 2 at Powai is set at Rs 700 Cr, while the company plans to allocate Ra 600 Cr for key expansions and the development of other land parcels, including those in Goa and Kerala.
- Impressive Financials:** Chalet Hotels reported consolidated Revenue/EBITDA growth of 20%/19% YoY, which is in line with our expectations. In Q2FY25, this growth was significantly supported by domestic & international travel, and wedding events also. Within the portfolio, Hyderabad led the occupancy improvement, and Bangalore followed by Hyderabad led the pack on the room rate growth.
- Outlook:** The Hospitality Industry upcycle is expected to be a long and sustained one. As per Horwath HTL prediction, demand will grow at over 10% annually for the next 3-4 years, while the supply will continue to lag demand. The Foreign Tourist Arrival (FTA) number 92 lakhs in FY24 and Corporate Travel Expenses under MICE are still below pre-covid levels. Additionally, upcoming events such as the World Cup hockey or Kabaddi championships could enhance occupancies in the upcoming quarters. The leisure segment is already driving business in the hotel industry, leading us to believe that the aforementioned factors will benefit the Indian hotel sector in the coming quarters.
- Valuation:** As per impressive revenue growth & Revenue recognition of residential units to be kicked in From Q4FY25E. We value the stock the 1035 at SOTP Basis.
- Key risks:** a) economic slowdown b) Negative operating leverage c) Delay in commissioning

Key Financials

Y/E Mar (Rs Cr)	NetSales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY23	1,128	418	183	9	101	49	12	12
FY24	1,417	585	278	14	66	36	10	15
FY25E	2,135	865	423	19	46	25	6	13
FY26E	2,821	1,100	586	27	34	19	5	15

Source: Company, Axis Securities

Profit & Loss		(Rs Cr)			
Y/E March	FY24	FY25E	FY26E	FY27E	
Net Sales	1,417	2,135	2,821	2,830	
Growth (%)	25.6%	50.6%	32.1%	0.3%	
Total Expenditure	833	1,270	1,721	1,650	
Raw Material Consumed	106	192	254	255	
Gross margins (%)	92.6%	91.0%	91.0%	91.0%	
Employee Expenses	195	288	381	382	
% of sales	13.7%	13.5%	13.5%	13.5%	
Other Expenses	533	790	1,086	1,013	
% of sales	37.6%	37.0%	38.5%	35.8%	
EBIDTA	585	865	1,100	1,180	
EBITDAM (%)	41.2%	40.5%	39.0%	41.7%	
Depreciation	138	159	174	194	
% of GB	3.6%	3.6%	3.6%	3.6%	
EBIT	446	705	926	986	
EBITM (%)	31.5%	33.0%	32.8%	34.9%	
Interest	197	175	166	157	
Other Income	20	20	22	24	
PBT	269	550	781	853	
Tax Rate (%)	23.7%	23.0%	25.0%	25.0%	
Tax	-9	126	195	213	
Reported PAT	278	423	586	640	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E March	FY24	FY25E	FY26E	FY27E	
Share Capital	205	218	218	218	
Reserves & Surplus	1,646	3,054	3,640	4,279	
Net Worth	1,851	3,272	3,857	4,497	
Total Loan funds	2,950	1,950	1,850	1,750	
Deferred Tax Liability	-162	-162	-162	-162	
Long Term Provisions	12	12	12	12	
Other Long Term Liability	120	181	240	240	
Capital Employed	5,587	6,055	6,538	6,924	
Gross Block	3,854	4,424	4,844	5,384	
Less: Depreciation	1,293	1,452	1,627	1,820	
Net Block	2,561	2,972	3,217	3,563	
Investments	1	1	1	1	
Sundry Debtors	55	88	116	116	
Cash & Bank Bal	132	119	427	658	
Loans & Advances	121	149	197	198	
Inventory	542	432	222	22	
Other Current Assets	31	43	56	57	
Total Current Assets	1,913	898	837	683	
CurrLiab&Prov	882	831	1,019	1,052	
Net Current Assets	-1,031	-67	182	369	
Total Assets	5,587	6,055	6,538	6,925	

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Y/E March	FY24	FY25E	FY26E	FY27E	
PBT	269	550	781	853	
Add: Depreciation	138	159	174	194	
Add: Interest	197	175	166	157	
Cash flow from operations	604	884	1,122	1,204	
Change in working capital	516	-113	-68	-38	
Taxes	-9	126	195	213	
Net cash from operations	97	871	995	1,029	
Capital expenditure	-630	-570	-420	-540	
Net cash from investing	-633	-707	-420	-540	
Increase/Decrease in debt	729	-1,000	-100	-100	
Dividends	0	0	0	0	
Proceedings from equity	0	13	-0	0	
Interest	-197	-175	-166	-157	
Others	13	985	0	0	
Net cash from financing	546	-177	-267	-257	
Net Inc./(Dec.) in Cash	10	-14	308	232	
Opening cash balance	122	132	119	427	
Closing cash balance	132	119	427	658	

Source: Company, Axis Research

Ratio Analysis		(%)			
Y/E March	FY24	FY25E	FY26E	FY27E	
Sales growth	25.6	50.6	32.1	0.3	
OPM	41.2	40.5	39.0	41.7	
Oper. profit growth	39.9	47.9	27.2	7.3	
COGS / Net sales	7.4	9.0	9.0	9.0	
Overheads/Net sales	51.3	50.5	52.0	49.3	
Depreciation / G. block	3.6	3.6	3.6	3.6	
Effective interest rate	23.7	23.0	25.0	25.0	
Net wkg. cap / Net sales	0.0	(0.0)	(0.0)	(0.1)	
Net sales / Gr block (x)	0.4	0.5	0.6	0.5	
RoCE	9.2	13.9	18.3	19.0	
Debt/equity (x)	1.6	0.6	0.5	0.4	
Effective tax rate	23.7	23.0	25.0	25.0	
RoE	15.0	12.9	15.2	14.2	
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0	
EPS (Rs.)	13.6	19.4	26.9	29.3	
EPS Growth	51.8	52.1	38.4	9.2	
CEPS (Rs.)	20.3	26.7	34.9	38.2	
DPS (Rs.)	0.0	0.0	0.0	0.0	

Source: Company, Axis Research

SANSERA ENGINEERING LTD - STRONG ORDER BOOK; CAPEX & DIVERSIFIED PRODUCT SEGMENT TO DRIVE GROWTH

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

Industry view



Over Weight

CMP
1,577

Target Price
1,875

Upside
19%

Key Rationale

- **New Orders and Customer Additions:** Sansera boasts a healthy order book with annual peak revenues of Rs 1,685 Cr, with 49% of orders coming from the Non-Auto and Auto Tech Agnostic & EV space (and 63% being international). The company has also added Saab and Triumph Aerospace to its customer list and is receiving heightened interest in ultra-high precision components used in semiconductor machining/manufacturing.
- **EBITDA Margins:** With a strong order book, the management is confident of achieving 20% margins in the long term. We conservatively expect the company to deliver 17-18% margins in FY25/26E and to deliver EBITDA/PAT growth of ~20%/23% CAGR over FY24-26E. This growth is attributed to the sales mix shifting towards non-Auto ICE components, fungible production lines, growth in the exports business, and recovery in Sweden operations driven by improved operational efficiency
- **Annual Capex to Drive Growth:** The company incurred a capex of Rs 340 Cr in FY24, largely towards the 4,000-ton press at Sansera Plant 11, Bidadi. With a strong order book, the planned capex for FY25 is approximately Rs 450 Cr, with 40-45% allocated to Tech Agnostic EV and Non-Auto products. Sansera has entered into a MoU with the Karnataka government to acquire 55 acres of land for greenfield expansion
- **Capacity Expansion:** The commissioning of a 4,000-ton press is expected to begin and ramp up in H2FY25. This will support Sansera's move into the higher-engine non-automotive category (18 to 20-litre engines), with components catering to customers such as Cummins, JTV, Kohler, Lieber, and CNH. During the quarter, the company signed an MoU with the Government of Karnataka to acquire 55 acres of industrial land in Harohalli, Ramanagara, Bengaluru. This strategic move is part of Sansera's long-term growth and expansion plans for both automotive and non-automotive sectors
- **Valuation & Outlook:** In light of attributes such as a) Higher sales mix in Non-Auto ICE components, b) Higher International business (exports), c) Focused approach on improving margin trends, d) The company's capability to generate strong operating cash flows, and e) Capacity expansion plans, we expect Revenue, EBITDA, and PAT to grow at CAGRs of 17%, 20% and 22% respectively over FY24-26E.
- **Key risks:** a) Macro Economic Uncertainty, b) Business skewed towards ICE vehicles.

Key Financials (Standalone)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBITDA (x)
FY23A	2,346	385	148	27.7	26.9	13.93%	13.34%	12.20
FY24A	2,811	480	188	34.8	29.2	16.05%	14.77%	13.18
FY25E	3,318	584	244	44.9	35.7	17.99%	16.54%	16.13
FY26E	3,850	704	318	58.5	27.3	19.83%	18.30%	13.19

Source: Company, Axis Securities Research

Profit & Loss		(Rs Cr)			
Y/E Mar	FY23A	FY24A	FY25E	FY26E	
Net sales	2,346	2,811	3,318	3,850	
Raw materials	1,017	1,218	1,410	1,632	
Staff costs	318	380	448	512	
Other expenses	626	734	876	1,001	
Total expenses	196	233	273	315	
EBITDA	385	480	584	704	
Depreciation	130	149	195	217	
EBIT	255	330	388	487	
Other income	10	2	3	3	
Interest expense	62	77	80	62	
Share of Profit/loss from associates	-	1	-	-	
Exceptional (expenses)/income	-	-	-	-	
Profit before tax	203	256	311	429	
Tax expense	55	69	84	112	
Adjusted PAT	-	-	-	-	
Reported PAT	148	188	227	318	
No. of shares	52.7	53.8	53.8	53.8	
Reported EPS (Rs/share)	27.7	34.8	41.8	58.4	

Source: Company, Axis Securities Research

Balance Sheet		(Rs Cr)			
Y/E Mar	FY23A	FY24A	FY25E	FY26E	
Equity Share Capital	11	11	11	11	
Reserves and Surplus	1157	1337	1546	1844	
Non-Controlling Interest	14	16	18	21	
Total Shareholders' Funds	1182	1363	1575	1876	
NON-CURRENT LIABILITIES					
Long Term Borrowings	263	252	172	52	
Long-Term Finance/Lease Liabilities	82	80	80	80	
Long Term Provisions	3	3	3	3	
Deferred Tax Liabilities	69	69	69	69	
Other LT liabilities	49	50	50	50	
Total Non-Current Liabilities	466	453	373	253	
CURRENT LIABILITIES					
Short Term Borrowings	449	550	550	550	
Short-Term Lease Liabilities	10	10	10	10	
Trade Payables	293	356	436	506	
Other Current Liabilities	64	61	61	61	
Total Current Liabilities	815	977	1057	1127	
Total Capital And Liabilities	2463	2793	3005	3256	
ASSETS					
NON-CURRENT ASSETS					
Net Tangible Assets	1269	1463	1507	1530	
Financial Assets	39	71	71	71	
Other Non-Current Assets	40	54	54	54	
Total Non-Current Assets	1548	1793	1898	1981	
CURRENT ASSETS					
Inventories	371	419	491	570	
Current Investments	1	1	1	1	
Trade Receivables	433	462	527	612	
Cash And Cash Equivalents	62	63	33	38	
Other CurrentAssets	48	54	54	54	
Total Current Assets	914	1000	1107	1275	
TOTAL ASSETS	2463	2793	3005	3256	

Source: Company, Axis Securities Research

Cash Flow	(Rs Cr)			
	Y/E Mar	FY23A	FY24A	FY25E
Cash flows from operating activities				
Profit before tax for the year	203	256	311	429
Finance costs	62	77	80	62
Depreciation and amortisation	130	149	195	217
Others	-56	-69	-84	-112
Cash Flow From operation before changes in WC	339	414	503	596
Change in operating assets and liabilities	-82	-40	-56	-93
Net cash generated by operating activities	256	374	447	503
Cash flows from investing activities				
Capex	-242	-339	-300	-300
Investments	-1	-31	-	-
Others	2	1	-	-
Net cash (used in)/generated by investing activities	-241	-368	-300	-300
Cash flows from financing activities				
Change in borrowing	60	80	-80	-120
Interest on borrowings	-56	-74	-80	-62
Other	-	-	-	-
Dividends paid(-)	-11	-13	-16	-16
Net cash used in financing activities	-6	-8	-176	-198
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	94	-20	-298	52
CCE at the beginning of the year	38	50	49	19
Effect of exchange differences on translation of foreign currency cash and cash equivalents	2	1	-	-
CCE at the end of the year	496	486	189	241

Source: Axis Securities Research

Ratio Analysis	(%)			
	FY23A	FY24A	FY25E	FY26E
Key Ratios				
Valuation Ratios				
PER	26.9	29.2	35.7	27.3
P/BV (x)	3.3	4.0	5.4	4.6
EV/Ebitda (x)	12.2	13.2	16.1	13.2
EV/Sales (x)	2.00	2.25	2.84	2.41
Dividend Yield %	0.33%	0.29%	0.19%	0.19%
Return Ratios				
ROE	13.34%	14.77%	16.54%	18.30%
ROCE	13.93%	16.05%	17.99%	19.83%
ROIC	18.43%	21.20%	23.90%	25.80%
Leverage Ratios				
Debt/equity (x)	0.72	0.69	0.54	0.39
Net debt/ Equity (x)	0.63	0.61	0.49	0.35
Net debt/Ebitda (x)	1.93	1.72	1.34	0.93
Operational Ratios				
Sales growth (% YoY)	17.9%	19.8%	18.0%	16.0%
EBITDA growth (% YoY)	15.3%	24.7%	21.6%	20.7%
Net Profit growth (% YoY)	12.5%	26.4%	30.0%	30.5%
EBITDA Margin %	16.40%	17.07%	17.59%	18.30%
Net profit Margin %	6.32%	6.67%	7.35%	8.27%
Efficiency Ratios				
Total Asset Turnover (x)	1.00	1.07	1.14	1.22
Sales/Net block(x)	1.98	2.06	2.22	2.50

Source: Axis Securities Research

J KUMAR INFRAPROJECTS LTD – ROBUST ORDER BOOK & EFFICIENT EXECUTION TO DRIVE GROWTH

J. Kumar Infraprojects Limited (JKIL) is an EPC player with more than 24 years of experience in the construction of Urban Infra Projects including Metros, Flyovers, Bridges, Tunnels, and STPs to name a few. It is renowned for undertaking design and construction projects on a turnkey basis, meeting clients' requirements with precision and efficiency. JKIL is focused on EPC projects, with a specific focus on Urban Infrastructure, Transportation, Infrastructure and Civil Construction. The company has a diverse portfolio of projects across different sectors, including roads, highways, bridges, metro railways, urban infrastructure, and tunnelling water supply, among others.

Industry view



Overweight

CMP
792

Target Price
950

Upside
20%

Key Rationale

- Robust order book to drive revenue growth:** As of 30th Sep 2024, the company's order book stood at Rs 18,721 Cr. The company is L1 in projects worth Rs 4,500 cr and including order received in October'24 worth over Rs 2,000 cr, the total order book stands over Rs. 25,000 cr (5x FY24 revenue). A healthy and robust order book provides revenue visibility for the next 3-4 years. We expect the company to report a revenue CAGR of 17% over FY24-FY26E.
- Established track record of timely project execution:** JKIL has a proven track record of successfully undertaking and timely executing large and complex projects, including notable projects such as the Mumbai Metro, Delhi Metro, JNPT, and Dwarka Expressway. The company is recognised for its scale, technical intricacies, and expertise in managing such projects. This combined with its meticulous planning and execution capabilities has allowed it to deliver outstanding results. The company owns and operates a remarkable fleet of eight Tunnel Boring Machines (TBMs), one of the highest in India, enabling it to undertake and execute underground projects more efficiently and with exceptional precision.
- Improvement in EBITDA margin:** The company expects EBITDA margins to trend higher in FY26 from current 14%-15% range to 15%-16% range backed by efficient project execution and accretion of more orders.
- Outlook:** The government has made a commitment to allocate Rs 11.1 Lc Cr in the Interim union budget 2024-25 for the infrastructure sector, taking into consideration its vital contribution to economic growth. The allocation for Roads & Railways has been raised to Rs 2.78 Lc Cr and 2.55 Lc Cr in the budget 2024-25. To increase the ambit of the metro rail system across the country, the government had also earmarked Rs 19,518 Cr for Metro Projects in last year's budget. This higher allocation demonstrates the government's commitment to achieving inclusive and sustainable urban development as well as to modernising and improving the efficiency of Indian Railways, which stands as one of the most extensive railway networks in the world.. The company reported good operating performance in Q2FY25 with Revenue/EBITDA/PAT growth of 17%/18%/23% which were above estimates. Considering strong and diversified order book position, healthy bidding pipeline, new order inflows, emerging opportunities in the construction space, the company's efficient and timely execution and strong financial credence, we expect JKIL to report Revenue/EBITDA/APAT CAGR of 17%/19%/23% respectively over FY24-FY26E.
- Valuation:** Stock is currently trading at 14x and 12x FY25E/FY26E EPS..
- Key risks:** a) Delay in project execution; b) Lower Order inflow than expected c) Increase in input cost.

Key Financials

Y/E Mar (Rs Cr)	NetSales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY23	4,203	597	274	36	18	9	12	20
FY24	4,879	704	329	43	19	9	13	21
FY25E	5,682	828	402	53	14	7	14	21
FY26E	6,648	997	497	66	12	6	15	23

Source: Company, Axis Securities

Profit & Loss		(Rs Cr)			
Y/E Mar	FY23	FY24E	FY25E	FY26E	
Net sales	4,203	4,879	5,607	6,616	
Other operating income	0	0	0	0	
Total income	4,203	4,879	5,607	6,616	
Cost of materials consumed	2,784	3,170	3,624	4,287	
Civil construction cost	457	550	634	708	
Contribution (%)	22.9%	23.8%	24.1%	24.5%	
Other Expenses	365	455	532	629	
Operating Profit	597	704	816	992	
Other income	30	28	34	33	
PBIDT	627	732	850	1,025	
Depreciation	155	168	176	211	
Interest & Fin Chg.	99	124	145	155	
Pre-tax profit	374	441	529	659	
Tax provision	99	112	135	165	
PAT	274	329	393	494	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E Mar	FY23	FY24E	FY25E	FY26E	
Total assets	4,356	4,708	5,346	5,947	
Net Block	925	971	1195	1234	
CWIP	107	111	111	111	
Investments	1	1	1	1	
Wkg. cap. (excl cash)	1128	1394	1604	1977	
Cash / Bank balance	377	504	433	485	
Other assets	1818	1726	2001	2138	
Capital employed	4,356	4,708	5,346	5,947	
Equity capital	38	38	38	38	
Reserves	2302	2604	2967	3431	
Minority Interests	0	0	0	0	
Borrowings	516	576	576	576	
Other Liabilities	1500	1490	1765	1902	

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Y/E Mar	FY23	FY24E	FY25E	FY26E	
PBT	374	441	529	659	
Depreciation	155	168	176	211	
Interest Expense	99	124	145	155	
Changes in Working Capital	-323	-250	-210	-373	
Others	-30	-26	-34	-33	
Tax Paid	-92	-120	-135	-165	
Net Cash from Operations	183	337	471	455	
Capex	-218	-218	-400	-250	
Others	32	25	34	33	
Net Cash from Investing	(186)	(193)	(366)	(217)	
Interest Expense	-96	-124	-145	-155	
Others	53	19	-30	-30	
Net Cash from Financing	(43)	(105)	(176)	(186)	
Net Change in Cash	(46)	38	(71)	52	
Opening cash	86	65	103	32	
Closing cash	40	103	32	84	

Source: Company, Axis Research

Ratio Analysis		(%)			
Key Ratios	FY23	FY24E	FY25E	FY26E	
Sales Growth	19%	16%	15%	18%	
EBITDA Growth	18%	18%	16%	22%	
PAT Growth	33%	20%	20%	26%	
Profitability Ratio					
EBITDA Margin	14.2%	14.4%	14.6%	15.0%	
Adjusted Net Margin	6.5%	6.7%	7.0%	7.5%	
Effeciency Ratio					
Capital Turnover	1.8	1.8	1.9	1.9	
Total Asset Turnover	1.7	1.7	1.7	1.8	
Fixed Asset Turnover	4.1	4.5	4.3	4.9	
Debtor days	99	89	89	89	
Inventory days	40	42	42	42	
Creditor days	64	51	51	51	
Cash Conversion Cycle (days)	75	80	80	80	
Leverage Ratios					
Debt to equity	0.2	0.2	0.2	0.2	
Net debt to equity	0.1	0.0	0.0	0.0	
Interest coverage	6	6	6	6	
Per Share Data					
Diluted EPS (Rs)	36	43	52	65	
Book value per share (Rs)	309	349	397	458	
DPS (Rs)	3.0	3.5	4.0	4.0	

Source: Company, Axis Research

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