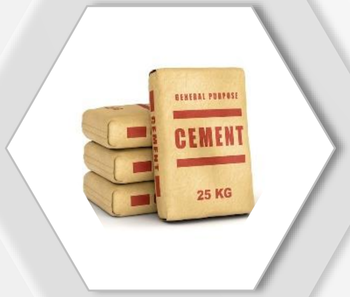
AXIS SECURITIES

JUNE 2025

Top Conviction Ideas
Q4FY25
(Consolidated)



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Top Conviction Ideas: Q4FY25 (Consolidated)

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MAY 2025

Top Conviction Ideas: Cement

Uttam Kumar Srimal

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Top Conviction Ideas - "Cement"

Sector Review

The Cement sector delivered a stronger-than-anticipated performance in Q4FY25, led by robust volume growth, improved operating efficiencies, and an encouraging pricing environment. Despite macro headwinds earlier in the year, the sector ended the fiscal year on a positive note, laying a solid foundation for sustained performance in FY26. Our conviction in the space is underpinned by the visible uptick in government-led infrastructure activity, continued housing momentum, and a supportive cost environment, all of which make this an opportune time to act on our recommendations.

During Q4FY25, companies in our coverage universe recorded YoY volume growth of 12%, revenue growth of 10%, and EBITDA growth of 12%, significantly exceeding our expectations. EBITDA/tonne rose to Rs 1,081, a 30% QoQ increase, while realisation/tonne improved 4% QoQ to Rs 5,561. These gains were driven by improved pricing, better utilisation, and softer input costs, particularly in power and fuel. Margin expansion was visible across most players, with standouts like JK Cement, Birla Corporation, Ambuja Cement, and Star Cement outperforming on multiple metrics. While PAT declined 4% YoY, this was better than the 10% drop we had anticipated, demonstrating resilience amidst operational challenges.

Top Conviction Ideas - “Cement”

Outlook

The demand outlook for FY26 remains robust. Cement prices have already improved from Q4FY25 exit levels, and we expect further strength supported by higher public capex, a rebound in housing and commercial demand, and revival in rural consumption. Capacity expansion plans announced by key players also indicate rising confidence in long-term demand. We estimate volume growth in double digits for FY26 and forecast the sector to grow at a 7–8% CAGR over FY24–27E. Despite the upcoming capacity additions, we believe long-term demand will continue to outpace supply, preserving healthy pricing power and margin sustainability across the sector.

Key Monitorables

We continue to closely track the following key variables: price realisations, trends in input costs-especially power and fuel-and sustained demand traction. Cement prices have already risen ~Rs 100/tonne from the Q4FY25 average, and while fuel costs have stabilised, any volatility in pet coke or diesel prices will require careful monitoring. Demand trends, especially post-election, along with the pace of government capital expenditure, will be critical determinants of sector performance in the coming quarters.

Top Conviction Ideas: Cement

UltraTech Cement Ltd. – BUY | Target Price: Rs 13,510*

JK Cement Ltd. – BUY | Target Price: Rs 5,740*

Birla Corporation Ltd. – BUY | Target Price: Rs 1,560*

(*Note: Target prices are based on Q4FY25 Result Update reports)

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
UltraTech Cement Ltd	**BUY**	**Rs 13,510***	✓ The company’s capacity expansion is on track. Its total grinding capacity in India stands at 183 mtpa after acquiring India Cement’s assets. ✓ The company plans to add a further 12 mtpa in FY26 and another 15 mtpa in FY27, bringing its total cement manufacturing capacity to 209.3 mtpa in India, including Kesoram’s 10.8 mtpa. ✓ With expanded capacity and scale, the company is positioned to strengthen its market leadership, targeting a market share increase from 25% to 28%. We project volume growth at an 11% CAGR over FY24–27E. ✓ In FY25, total efficiency improvements saved Rs 86 per tonne. The company projects a total cost reduction of Rs 200–300 per tonne over the next 2–3 years. We project that the company’s EBITDA margin will increase to 22% in FY27E, driven by higher volume, better realisations, and cost optimisation initiatives. ✓ Between 2013 and 2024, the market share of large players increased from 46% to 55%, and by FY27-28, it is expected to rise further to 65%-70%. With the growing pace of consolidation and capacity expansion by top players, its overall market share is set to increase further. This trend will positively influence cement pricing, economies of scale, and supply chain efficiency. The company, being the top player in the country, is well-positioned to benefit from this consolidation in the medium to long term.

**** Note: Target Price is based on our Q4FY25 Result Update Report***

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
JK Cements Ltd	BUY	Rs 5,740*	✓ The company's capacity expansion program, aiming to add 6 MTPA, is progressing well and will bring its total grey cement capacity to 30.3 MTPA from the current 24.3 MTPA, representing a 13% capacity CAGR over FY23-FY26 ✓ The ramp-up of recently commissioned capacity in Prayagraj (2 MTPA) and ongoing expansions is anticipated to support robust volume growth in the coming periods. Given these developments, the company is expected to achieve a volume CAGR of 12% over FY24-FY27E. ✓ The company delivered a strong operating performance during the quarter, driven by higher realisations and positive operating leverage, resulting in a 26% QoQ improvement in EBITDA per tonne, reaching Rs 1,262. This positive trend is expected to continue in FY26, supported by robust cement demand and better realisations. ✓ Management projects cost savings of Rs 150-200 per tonne over the next two years. Consequently, we anticipate the company will achieve an EBITDA margin range of 19%-20 % in FY26E/27E, driven by higher volumes, better realisations, and ongoing cost optimisation efforts. ✓ We project the company will grow its volume, revenue, EBITDA, and APAT at a CAGR of 12%, 9%, 25%, and 36%, respectively, over FY24-FY27E.

***** Note: Target Price is based on our Q4FY25 Result Update Report*

Top Conviction Ideas: Cement

Stock	Reco.	TP	Recommendation Rationale
Birla Corporation Ltd	BUY	Rs 1,560*	✓ With earlier expansions stabilising at Mukutban (Maharashtra) and Chanderia (Rajasthan), and a strong foothold in central India, Birla Corporation Limited is entering its next growth phase. ✓ The Board, along with subsidiary RCCPL Private Limited, has approved a Rs 4,335 Cr investment to increase production capacity from 20 Mn tons to 27.6 Mn tons by 2028–29. This will involve expanding an integrated unit and setting up three new grinding units in Prayagraj (1.4 mtpa), Gaya (2.8 mtpa), and Aligarh (2 mtpa). Additionally, a Clinker grinding unit of 3.7 mtpa will be set up at the existing unit at Maihar, MP. The ongoing Kundanganj expansion remains on track. We forecast volume growth at a CAGR of 7% over FY25-27E. . ✓ During the quarter, the company reported EBITDA/tonne of Rs 1,017, up 85% QoQ, driven by lower costs, better realisation, and the benefit of operating leverage. The cost of cement production decreased by 3%/4% YoY/QoQ to Rs 4,345/tonne. Current prices are similar to Q4FY25 exit prices and are expected to sustain, subject to higher demand. Consequently, we pencil in EBITDA/tonne growth of 12% CAGR over FY25-FY27E at Rs 850/tonne ✓ Strong infrastructure demand and ongoing needs from the housing and commercial sectors are anticipated to boost cement demand moving ahead. Strategic investments in roads, railways, and urban and commercial amenities are poised to drive robust growth. The company expects demand for the industry to grow in the range of 6-7% for the next few years.

Note: Target Price is based on our Q4FY25 Result Update Report

AXIS SECURITIES

June 2025

Top Conviction Ideas: Metals & Mining

Aditya Welekar

AXIS SECURITIES

Top Conviction Ideas - “Metals and Mining”

Sector Review

The Metals & Mining sector has shown sequential recovery in margins, with Q4FY25 being a seasonally strong quarter, despite ongoing macroeconomic headwinds. Our coverage universe across Aluminium, Steel, and Coal companies has delivered mixed but generally encouraging results. While some segments have faced challenges like tariff impacts and softer commodity prices, others have demonstrated resilience with robust operational performances and strong earnings beats. This dynamic environment presents significant selective opportunities for discerning investors.

This sector stands resilient amidst lot of geopolitical uncertainties and news, and we believe the sector could provide ‘Buy on Dips’ opportunities for investors.

A Strong Q4FY25 Performance

The Metals and Mining sector showed a sequential recovery in EBITDA in Q4FY25 despite ongoing macro headwinds. In the aluminium segment, Hindalco’s strong Indian operations offset Novelis's weaker performance, with consolidated revenue at Rs 64,890 Cr (+2% vs estimates) and EBITDA at Rs 9,609 Cr (+9%). NALCO outperformed expectations significantly, with revenue at Rs 5,268 Cr (+29% vs. consensus) and EBITDA at Rs 2,754 Cr (+52%), supported by strong alumina/aluminium performance and lower costs.

Top Conviction Ideas - “Metals and Mining”

In the steel segment, Tata Steel’s results were largely in line, with a 5% QoQ revenue increase and 11% QoQ EBITDA increase to Rs 6,559 Cr, aided by lower coal costs despite weaker realisations. SAIL posted Rs 2,797 Cr in adjusted EBITDA (+2% vs estimates), driven by higher volumes. APL Apollo Tubes saw EBITDA/t rise to Rs 4,864 (+18% YoY, +17% QoQ), beating estimates. In contrast, JTL Industries saw EBITDA fall 51% YoY due to higher input and operating costs.

Outlook: Positive Momentum Largely in Valuations; Strategy remains to “Buy on Dips”

Steel Sector Outlook:

Steel spreads are expected to improve in Q1FY26, with Tata Steel’s Indian NSR rising about Rs 3,000/t QoQ and European NSR up €20–30/t. Coking coal costs should decline by $10/t QoQ for both regions. SAIL’s imported coal costs may drop by Rs 1,000/t, while steel HRC prices have recovered 9% YTD, supported by a new safeguard duty protecting domestic steel.

Aluminium Sector Outlook:

LME Aluminium prices rose 19% YoY in Q4FY25 but have softened in Q1FY26 due to alumina price corrections and US tariffs. Guinea’s alumina supply is stabilising, though risks remain. The global primary aluminium market is forecasted to stay in a 0.4 MT deficit for CY25.

Top Conviction Ideas - "Metals and Mining"

Key Monitorables:

- Impact of US Tariffs
- Fed Rates Cut Trajectory
- China Stimulus and other Geopolitical Events and Risks
- Top Conviction Ideas: Metals & Mining

Hindalco – BUY | Target Price – Rs 775*

APL Apollo Tubes – BUY | Target Price – Rs 2,035**

NALCO – BUY | Target Price – Rs 220*

(* Note: Target Prices are based on our Q4FY25 Result Update Reports; **Target price based on our June Top Picks report)

Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
Hindalco Industries Ltd	BUY	Rs 775*	✓ **Aluminium upstream:** Aluminium smelting capacity will increase from 1,340 KT to 1,520 KT post the under-execution Aditya smelter expansion of 180 ktpa by FY28. Alumina refinery capacity will increase from 3,740 KT to 4,590 KT, led by the Aditya alumina greenfield refinery project of 850 ktpa by FY28. Incremental EBITDA/t from these upstream aluminium projects over the FY24 base is estimated at $200/t. Aluminium downstream: Aluminium Downstream capacity will rise to 600 ktpa from 430 ktpa as Aditya FRP-2 of 170 ktpa ramp up in Q1FY26. This will lead to a $120/t addition to EBITDA/t over the base of FY24. ✓ **Copper business:** The company's 300 ktpa brownfield copper smelter expansion is expected to be commissioned by FY29 at Gujarat, and management envisages that the Tc/Rcs will improve from the current low levels in the next few years as it embarks on the smelter capex. Copper smelting capacity will rise to 721kt from 421kt post this 300kt expansion. In line with the smelting capacity, the CCR expansion of 300 KT is also under execution over and above the existing 540 ktpa rods capacity. This will lead to a $100/t addition to EBITDA/t over the base of FY24. ✓ **Novelis:** The management has withdrawn EBITDA/t guidance for the near term, citing pressure on scrap spreads. However, the long-term EBITDA/t towards $600/t is maintained. ✓ **Outlook:** Expansion projects will be completed by keeping the Net Debt/EBITDA < 1.5x at India, 2.5x at Novelis and 2.0x at the consolidated level when the Capex peaks in FY28. The company aims to return 8-10% of annual FCF (post maintenance capex and WC) to shareholders.

*** Note: Target Price is based on our Q4FY25 Result Update Report***

Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
APL Apollo tubes	BUY	Rs 2,035*	✓ **Sharp improvement in EBITDA/t** at Rs 4,864/t (up 18%/17% YoY/QoQ, 6% beat vs. our and consensus estimates) in Q4FY25. The improvement was led by industry-leading EBITDA/t across product segments. Specifically, in the general products, the company achieved a 5% premium pricing over its competitors with an impressive EBITDA/t of Rs 2,897/t vs. a historical range of Rs 1,800-2,000/t. Brand value of APL Apollo, along with a narrow spread between Patra and HRC (at Rs 7k/t; market share loss is witnessed only when the spread is above Rs 15-20k/t), led to the higher EBITDA/t. ✓ **Guidance of upward EBITDA/t trajectory maintained:** For FY26, the EBITDA/t target is Rs 5,000/t. With an increasing share of VAP (value added products), focus on cost reduction (target to reduce employee cost/t from the current level of Rs 1,000/t to Rs 600/t by FY27), and tapping virgin domestic and export markets aided by a strong distribution network. The company expects to achieve EBITDA/t of Rs 5,000/t in FY26 and further surpass that level in future years. ✓ **Outlook & Valuation:** The company's vision is to expand its capacity to 10 MTPA by FY30, providing a growth tailwind in the longer term. We increase our FY26/27 EBITDA as we factor cost efficiency through lower employee costs and a higher share of VAP. We raise our TP to Rs 2,035/share from Rs 1,920/share earlier. The stock is now trading at a 12MF P/E multiple of 40x. We now value it at a 12MF target multiple of 35x on our FY27E EPS from 33x earlier.

** Note: Target Price is based on our June Top Picks report*

Top Conviction Ideas: Metals & Mining

Stock	Reco.	TP	Recommendation Rationale
NALCO	BUY	Rs 220*	✓ NALCO is currently undertaking brownfield expansion of its 5th stream of Alumina Refinery, increasing its capacity by 1 MT from the existing 2.1 MTPA to 3.1 MTPA. The timeline of the commercial production is Jun'26 (Q1FY27). The company has a target of 5-6 Lc tonnes of commercial alumina production in FY27. The Capex for this expansion is unchanged at Rs 5,677 Cr, and ~ 75% of the financing is completed. The CWIP of Rs 4,935 Cr as of FY25 includes the majority of the refinery expansion capex. ✓ Nalco is targeting operationalising the 3.5 MTPA Pottangi Bauxite mines, synchronising with the Alumina Refinery expansion. Capex for this mine development is Rs 2,200 Cr. The company has received board clearance for an MDO appointment, and it is expected to be operational by Jun'26. The mine has reserves of 120 MnT, which will be sufficient for the next 15-20 years, including the 3.5 MnT bauxite requirement for the 1 MTPA new refinery. ✓ Employee costs have come down by 12% YoY in FY25 at Rs 1,786 Cr, led by a reduction in headcount on account of 430 retirements with few new inductions (employee count is currently 4,800). Every year, 250 employees will be retired, and fresh inductions will not be proportionate. As a result, employee costs are expected to remain similar to FY25 levels in the coming years.

Note: Target Price is based on our Q4FY25 Result Update Report

AXIS SECURITIES

JUNE 2025

Top Conviction Ideas:
Pharmaceutical & Hospitals

Aman Goyal

Top Conviction Ideas - “Pharmaceutical & Hospitals”

Sector Review

Strong Quarter for Both Pharmaceuticals and Hospitals

The Pharmaceutical sector delivered a healthy performance in Q4FY25, with revenue growth of 12.3% YoY and 2.3% QoQ, driven primarily by the India business (11.2% YoY). The US generics business recorded 7.7% YoY growth in CC terms, aided by the launch of niche products and price stability. Improvement in gross margins to 66.1% (up 95 bps YoY) was underpinned by a favourable mix shift, muted price erosion, and stable input costs.

In the Hospital sector, revenue grew by 20% YoY and 2% QoQ, supported by higher occupancy rates (+60 bps YoY), an ARPOB increase of 6% YoY, and an 18% rise in operational bed days. Notably, the contribution of insurance payers rose to 33%, indicating deeper penetration and improved affordability.

Outlook

Pharma Back on Growth Track; Hospitals Poised for Sustained Upside: In Pharmaceuticals, the industry appears well-positioned for FY26 and beyond, supported by:

- A strong product pipeline in biosimilars, GLP-1, and peptides
- Higher contribution from chronic therapies, which continue to outperform the overall IPM
- Stable to improving margins

The US generics business shows continued strength, with leading players like Lupin and Aurobindo Pharma maintaining meaningful market shares despite competitive pressures and anticipated low-single-digit price erosion. Additionally, companies with a differentiated portfolio and exposure to complex generics are expected to outperform.

Top Conviction Ideas - “Pharmaceutical & Hospitals”

In the Hospital space, the trajectory remains strong with continued tailwinds from:

- Increased surgical volumes, improved payer mix, and
- Growth in cancer and cardiac care, driving ARPOB and occupancies higher.

We expect industry ARPOB to grow at 6-7% annually with a 100bps improvement in occupancy rates, supporting margin expansion. Max Healthcare and Fortis Healthcare are well-positioned to benefit from these secular trends.

Key Monitorables

Pharma:

- New product approvals and launches, especially in the US
- Margin expansion through product mix optimisation
- Resolution and clarity on tariff implications post the upcoming June 25, 2025 U.S.–India trade meeting

Top Conviction Ideas - “Pharmaceutical & Hospitals”

Hospitals:

- Occupancy ramp-up across new and existing facilities
- Insurance penetration and revenue mix improvements
- Commissioning of new hospital projects and capacity additions

Despite short-term volatility driven by potential U.S. tariff announcements, India’s structural cost advantage in pharmaceutical manufacturing remains intact. The likelihood of generics being excluded from punitive measures is high, and even if tariffs are imposed, the pass-through mechanism will protect profitability. The market may react in the interim, offering attractive entry points for long-term investors.

Top Conviction Ideas - “Pharmaceutical & Hospitals”

Top Conviction Ideas – Pharma & Healthcare

Based on our in-depth analysis, we reiterate our confidence in the following names:

Lupin Ltd – BUY | Target Price: Rs 2,500*

Aurobindo Pharma Ltd – BUY | Target Price: Rs 1,500*

Max Healthcare Institute Ltd – BUY | Target Price: Rs 1,315*

Fortis Healthcare Ltd – BUY | Target Price: Rs 775*

(*Note: Target Prices are based on our Q4FY25 Result Update Reports)

Top Conviction Ideas: Lupin

Stock	Reco.	TP	Recommendation Rationale
Lupin Ltd	BUY	Rs 2,500*	• **Lupin reported strong results, exceeding expectations.** The reported revenue grew 14% YoY, led by the India and US businesses, which grew 19% and 7% YoY, respectively, along with a 30% YoY increase in the EMEA business. The Other Developed Markets segment grew 10.7% YoY, while the API segment declined 10.3% YoY.. • **Gross margins improved by 200 bps YoY** and remained stable QoQ, supported by a favourable product mix, lower input costs, a reduced share of in-licensed products, and enhanced cost efficiencies. EBITDA margins improved by 320 bps YoY and were flat QoQ. Reported PAT grew 39.5% YoY, beating expectations. The company remains debt-free and cash surplus, backed by strong cash flows. Lupin continues to sell the gMyrebegron product under litigation, supported by non-infringement and invalidity defences. • **North America Business:** US sales stood at $245 Mn, registering a 17.2% YoY growth in constant currency terms, while overall reported revenue from the US was Rs 2,262 Cr, up 19% YoY. This growth was primarily driven by volume expansion in inline products and new launches. However, pricing pressure and competition in Suprep and Albuterol weighed on performance. Despite this, the company maintained a 20% market share in Albuterol. • **Outlook**: Lupin remains confident in its growth trajectory, supported by strong new launches, an expanding complex generics portfolio, and a solid pipeline. In the US market, recently launched Darunavir and Spiriva have achieved market shares of 30% and 25%, respectively. Recently launched Tolvaptan (market size: $287 Mn) and Xyway (market size: $958 Mn with 180-day exclusivity) are expected to contribute to revenue in the first half of the year..

Note: Target Price is based on our Q4FY25 Result Update Report

Top Conviction Ideas: AuroPharma

Stock	Reco.	TP	Recommendation Rationale
Aurobindo Pharma Ltd	BUY	Rs 1,500*	• **In-line Results:** Aurobindo Pharma's Q4FY25 results were in line with expectations. Revenue grew by 10.6% YoY and 5.1% QoQ, driven by strong performance in the US and European markets. Gross margins improved by 30 bps QoQ but declined by 50 bps YoY. EBITDA margins decreased by 70 bps YoY but improved by 128 bps QoQ. Reported profit stood at Rs 903 Cr. • **North America & Europe Business:** Aurobindo recorded revenue of $470 Mn (8.8% YoY growth in constant currency), with an estimated $35 Mn contribution from gRevlimid. Europe Business, which contributes 25.6% to total revenue, grew by 17.2% YoY (+1.2% QoQ) to Rs 2,147 Cr. This was driven by increased demand, strong volume growth, and an expanding product portfolio. The company continues to expand its presence in Europe, focusing on both generics and speciality products. • **Key facilities are poised to drive growth:** The China OST plant (2 Bn units/year) was commercialised in FY25 and will impact FY26 revenues. The US-based Dayton OST plant is set for FY26 launch, boosting North American presence. The Raleigh plant is nearing full operations, expanding into transdermal and respiratory products. A fire temporarily halted operations at the Kakinada Pen-G facility, which had shown strong yields. Aurobindo has applied for regulatory renewal and expects quick resumption, underscoring its focus on compliance and resilience. • **Outlook:** Aurobindo Pharma's management remains optimistic about sustaining its growth trajectory in FY26, building on the strong performance of FY25. The company targets a high single-digit revenue growth for FY26, excluding transient products, with expectations of continued momentum in key markets such as Europe and North America. Management also aims to maintain EBITDA margins at current levels of ~21%, supported by a favourable product mix, stable raw material prices, and improved operating efficiencies.

***Note: Target Price is based on our Q4FY25 Result Update Report**

Top Conviction Ideas: Max Healthcare Institute Ltd

Stock	Reco.	TP	Recommendation Rationale
Max Healthcare Institute Ltd	BUY	Rs 1,315*	• **Max Healthcare reported revenue of Rs 2,326 Cr,** in line with expectations, supported by steady ARPOB and contributions from new hospitals despite a marginal drop in occupancy. ARPOB stood at Rs 77,100, remaining flat YoY, while occupancy improved to 75% (up 300 bps YoY on a like-for-like basis), driven by a 30% YoY growth in occupied bed days. EBITDA margins stood at 26.4%, stable over the year despite additions of new assets. PAT was Rs 376 Cr, reflecting a 21% YoY growth driven by operational efficiencies and cost control. • **Developing Hospitals to Drive Growth:** Developing hospitals demonstrated a robust ramp-up, with revenue growing 22%. Occupancy rates improved significantly, by 800 bps sequentially and 400 bps YoY, driving a 14.5% increase in occupied bed days. However, ARPOB remained subdued, primarily due to a shift in payer mix. Max Dwarka reached EBITDA breakeven within just six months of operations, reporting Q4 revenue of Rs 59 Cr and achieving 73% occupancy on 235 commissioned beds as of Mar'25. Max Lucknow and Max Nagpur continued to deliver strong performance, with EBITDA rising 102% and 86% YoY, respectively, on the back of 56% and 23% revenue growth. The integration of new units, including Max Noida and JP Hospital, is progressing well, with management confident of further occupancy ramp-up and margin expansion as these hospitals mature and operational synergies are realised.. • **Revenue and Margins to Improve in matured hospitals:** Mature hospitals maintained their strong momentum, achieving 16% YoY revenue growth. Occupancy rates improved by 200 bps QoQ and 400 bps YoY, while ARPOB increased by 7% YoY, reflecting higher realisations and an enhanced therapy mix. This robust growth was underpinned by strong performance from existing hospitals and a continued focus on optimising service offerings. As a result, EBITDA margins for mature hospitals expanded by 70 bps YoY to 28.6%, benefiting from greater operating leverage and scale efficiencies. • **Outlook:** Max Healthcare's revenue mix remains well-balanced, with continued growth in institutional and international patient segments. The recent increase in institutional business share is expected to stabilise as higher-value payer segments expand. The short-term margin impact from new hospital ramp-ups should gradually ease as these facilities scale operations. Lucknow and Nagpur are expected to witness further profitability expansion, driven by higher occupancy rates and the introduction of new clinical programs.

** Note: Target Price is based on our Q4FY25 Result Update Report*

Top Conviction Ideas: Fortis Healthcare Ltd

Stock	Reco.	TP	Recommendation Rationale
Fortis Healthcare Ltd	BUY	Rs 775*	• **Fortis Healthcare reported revenue of Rs 2,007 Cr**, which is in line with expectations and supported by higher ARPOB and improved occupancy levels. ARPOB stood at Rs 68,770, up 8.2% YoY, while occupancy improved to 69% (up 200 bps YoY), driven by a 7.2% YoY growth in occupied bed days. Hospital Segment's EBITDA margins stood at 22% flat on YoY. • **Robust Revenue Growth with Sharp Rise in Adjusted PAT:** The company's topline grew by 12.4% YoY, while overall EBITDA margins stood at 21.7%, up 220 bps QoQ but showing flat growth on an annual basis. The reported PAT was Rs 237 Cr, including an exceptional loss of Rs 54 Cr from impairments on its investment in an associate and PPE. Adjusted PAT grew 31% YoY, driven by operational efficiencies and cost control. • **Specialties and International Segment Fuel Revenue Gains:** The 8.2% rise in ARPOB was primarily driven by an improved payer and case mix. During the quarter, the international patient segment reported revenue of Rs 145 Cr, up 17% YoY, contributing 8.1% to Hospital revenue. Key specialities delivered strong performance, contributing 62% of total hospital revenue. Oncology grew 25% YoY, while neurosciences saw 19% growth, supported by strong volume. Robotic surgeries grew 72%, and neuro and spine procedures grew 17%. • **Outlook:** Fortis Healthcare remains focused on a profitable growth trajectory, leveraging brownfield expansions, operational efficiencies, and portfolio optimisation. The company targets 14-15% revenue growth in the hospital business, with ARPOB expected to grow at 5-6% YoY. Management reiterates its margin expansion guidance of 200 bps for FY26, also driven by higher occupancy and improvements in the speciality mix. Strategic initiatives such as the acquisition of the Fortis brand, expansion in key clusters (notably Punjab and NCR), and investment in advanced medical technology are expected to further strengthen Fortis's market position

Note: Target Price is based on our Q4FY25 Result Update Report

AXIS SECURITIES

May 2025

Top Conviction Ideas

Banking, Financial Services & Insurance (BFSI)

Dnyanada Vaidya
Pranav Nawale

Top Conviction Ideas - "Banks, Financial Services and Insurance (BFSI) "

Sector Review

While the broader BFSI universe continues to navigate through transitional macroeconomic dynamics, our research indicates strong undercurrents of recovery and resilience, particularly across select names we have identified with robust fundamentals, improved earnings visibility, and strategic sector positioning.

Q4FY25 Performance Review

The Q4FY25 earnings season reflected a mix of consolidation and early signs of resurgence. For banks, credit growth at 11% YoY trailed estimates, largely impacted by a strategic slowdown in unsecured segments and cautious lending amidst persistent asset quality concerns. Larger private banks delivered slower growth vs. mid-sized banks, which delivered broadly in-line credit growth. PSU Banks gained traction in corporate lending. On the margins front, larger banks delivered a positive surprise on NIMs, supported by seasonality, limited impact of the rate cuts and and a marginal decline in slippages QoQ, resulting in relatively lower interest reversals. Deposit growth stayed healthy at 12% YoY with improved CASA ratios adding to the strength.

Among NBFCs, microfinanciers' disbursements rebounded sequentially, though YoY growth remained tepid. Vehicle financiers faced asset quality pressures, with growth remaining healthy. In diversified financials, SBICARD showcased signs of asset quality metrics improvement, SBILIFE surprised on VNB margins, and NAM strengthened its SIP franchise despite a marginal dip in MF QAAUM.

Top Conviction Ideas - "Banks, Financial Services and Insurance (BFSI) "

Outlook

Going ahead, we anticipate a pick-up in BFSI growth in H2FY26. For banks, credit expansion will likely be driven by falling interest rates, expectations of a robust monsoon, consumption-led momentum from tax cuts, and stress normalisation in unsecured portfolios. Deposit growth should remain aligned with credit growth, with banks maintaining balanced LDRs between 80-83% over FY26-27E. NIMs are poised to improve from H2FY26 onwards as deposit rate cuts reflect with a lag. PPOP growth is expected to remain healthy at ~14% CAGR over FY25-27E, supported by improved operating efficiency. Earnings are projected to expand at ~13% CAGR during the same period.

For NBFCs, especially Microfinanciers, the stress seems to be peaking and should begin receding by H2FY26. With better rural cash flows and stable operating metrics, diversified financiers and housing finance companies are expected to deliver strong AUM growth. Vehicle financiers are also set to benefit from the infrastructure push and better fleet utilisation. Overall, we estimate AUM growth at ~21% CAGR and NII growth at ~22% CAGR over FY25-27E across our NBFC coverage.

Key Monitorables

1. Credit growth pick-up
2. Asset Quality improving trends in the unsecured lending space
3. NIM movement for banks in the current rate-easing cycle

Top Conviction Ideas - "Banks, Financial Services and Insurance (BFSI) "

Top Conviction Ideas

Against this backdrop, our top BFSI picks reflect institutions that stand out due to their resilient balance sheets, margin-accretive loan mix, and strong operating leverage. The following stocks represent our highest conviction BUY recommendations within the BFSI space, backed by strong fundamentals, earnings visibility, and favorable risk-reward profiles:

Top Conviction Ideas - BFSI

ICICI Bank Ltd. – BUY | Target Price: Rs 1,650*

HDFC Bank Ltd. – BUY | Target Price: Rs 2,250*

State Bank of India – BUY | Target Price: Rs 1,025*

City Union Bank – BUY | Target Price: Rs 225*

Bajaj Finance Ltd. – BUY | Target Price: Rs 10,500*

Cholamandalam Investment & Finance Company Ltd. – BUY | Target Price: Rs 1,780*

Shriram Finance Ltd . – BUY | Target Price: Rs 790*

(*Note: Target Prices are based on our Q4FY25 Result Update Reports)

AXIS SECURITIES

Top Conviction Ideas: Tier I Banks

Stock	Reco.	TP	Recommendation Rationale
ICICI Bank Ltd.	BUY	Rs 1,650*	✓ **Consistent Outperformer**: The bank has continued to report consistent performance across metrics, demonstrating healthy credit growth, healthy margins, and robust asset quality. ***ICICI Bank remains our most preferred pick amongst the banks.*** ✓ **2%+ RoA Delivery**: We expect the bank to continue to deliver a strong performance over the medium-term enabling a consistent RoA/RoE delivery of 2.3-2.4%/16-17% supported by (1) strong business growth while maintaining a steady C-D Ratio, (2) Focus on strengthening fee income profile, (3) Controlled Opex growth, (4) Pristine asset quality metrics, and (5) Adequate capitalisation. We factor in healthy business growth and expect the pace of earnings growth to remain healthy. We expect Advances/Deposits/NII/Earnings growth of 15/15/14/13% CAGR over FY25-27E. ✓ **Asset Quality Remains Pristine:** The asset quality in the corporate and business banking portfolio continues to hold up well. Similarly, asset quality trends in the secured products are encouraging in retail lending. The NPA formation in the unsecured segments has broadly stabilised and is expected to taper in the coming couple of quarters. The bank remains comfortable in terms of overall asset quality and does not expect a sharp increase in credit cost going ahead. Moreover, the credit quality of the unsecured portfolio customers sourced over the last 18 months post-tightening of credit filters imparts confidence in the bank’s ability to pursue strong growth in the portfolio. Thus, we expect credit costs to remain broadly steady at 45-50 bps over FY26-27E.

Note: Target Price is based on our Q4FY25 Result Update Report

AXIS SECURITIES

Top Conviction Ideas: Tier I Banks

Stock	Reco.	TP	Recommendation Rationale
HDFC BANK We understand your world HDFC Bank Ltd.	BUY	Rs 2,250*	✓ **NIMs Remain Priority:** We believe HDFCB's margins will continue to operate in the range of 3.4-3.5% over FY26-27E with support from (i) an optimal portfolio mix while balancing between retail and non-retail loans, (ii) the scope to replace high-cost borrowings (intend to bring down borrowings mix to 8-9%) with retail granular deposits, and (iii) benefit flowing in from gradual downward repricing of deposits. ✓ **LDR Improvement to Continue**: HDFCB 's endeavour to bring down its LDR aggressively over FY25 has yielded results with LDR at 96.5% in Mar'25 vs 104.4% in Mar'24. Hereon, the bank intends to further bring down the LDR to pre-merger levels of 85-90% by FY27E, with improvement being less steep vs FY25. Thus, we expect the pace of credit growth to improve in FY26E and mirror systemic credit growth. We expect HDFCB to deliver a steady 13/18% CAGR advances/deposits growth over FY25-27E, driving LDR improvement to ~88% by FY27E. ✓ **RoA Optimisation Underway**: NIMs are a function of the repo rate movements and will remain volatile (5-10bps) based on the rate changes. The bank has been an outlier in terms of asset quality by maintaining pristine asset quality metrics across credit cycles. With expectations of no major headwinds on asset quality, credit costs hereon are expected to remain steady. The bank will now look to leverage this strength to improve branch and employee-level productivity. This should aid the Cost-Income ratio over the medium term, a RoA improvement driver. Thus, RoA is expected to bounce back to historical levels ranging between 1.9%-2.1%.

Note: Target Price is based on our Q4FY25 Result Update Report

Top Conviction Ideas: Tier I Banks

Stock	Reco.	TP	Recommendation Rationale
SBI State Bank of India	BUY	Rs 1,025*	✓ **Growth Buoyancy to Continue:** SBI's credit growth in FY25 was a shade below its guidance of 14-16%, primarily owing to a slightly slower growth in the corporate portfolio, owing to unusually high pre-repayments from certain large PSUs, while retail growth continued to remain healthy. However, the management has indicated that the corporate loan pipeline continues to remain healthy at Rs 3.4 Lc Cr. Thus, corporate growth in FY26 is expected to be healthy at ~12-13%. The bank has also seen an uptick in Xpress credit portfolio and expects to resume its growth trajectory after a pause in FY25. ✓ **Working Towards Maintaining NIMs:** The management is confident of defending NIMs at ~3%, supported by a bulk of the bank's loan book (~70%), which is either MCLR-linked or fixed rate and would reprice with a lag. On the CoF, the bank does not see headroom to revise SA rates downwards, though it will consider tweaking the TD rates. The bank also indicated that the MCLR adjustment would be largely contingent on the incremental CoF/CoD trending downwards. ✓ **Cruising Along to Deliver RoA of over 1%**: SBI remains well-poised to sustain its growth momentum, supported by its comfortable LDR, which provides it with levers to accelerate credit growth. We believe SBI could continue to deliver a sustainable RoA of 1% over the medium term, supported by (1) Healthy growth visibility across segments, (2) Strengthening deposit franchise with focus on CASA deposits, (3) Ramping up the fee income profile, and (4) Controlled Opex and steady provisions. We expect SBI's RoA/RoE to range between ~1%/14-15% over FY26-27E.

**** Note: Target Price is based on our Q4FY25 Result Update Report***

Top Conviction Ideas: Mid-Sized Banks

Stock	Reco.	TP	Recommendation Rationale
City Union Bank	BUY	Rs 225*	✓ **Growth Visibility Healthy; Share of Retail Loans to Improve:** CUB has resumed its growth trajectory underpinned by its new digital transformation. The management has indicated that the growth visibility in the core segments continues to remain healthy. The retail loans (Home Loans and LAP) have been seeing strong traction and are expected to scale up to form ~3% of the portfolio (~Rs 3,000 Cr) as the bank exits FY26. CUB is likely to deliver stable and healthy credit growth, ~2-3% higher than systemic growth. We pencil in a stable loan growth of ~15% CAGR over FY25-27E. ✓ **Optimistic NIM Guidance:** Despite ~70% of CUB's portfolio being floating rate (of which ~48% is EBLR linked), the management remains confident of defending margins in the range of ~3.6% (+/-10 bps). The underlying assumptions include: (a) the bank's decision to migrate from floating rate to fixed rate in the gold loans segment (in Jul'24), thereby partially offsetting yield pressures in a rate cut environment; (b) benefits accruing on CoF in the coming quarters from the 25bps rate cut taken on SA (in Feb'25) and TDs (in Apr'25) and (c) scaling up the retail portfolio where yields are in double digit vs blended yields of ~9.8%. ✓ **Strong RoA Delivery to Continue:** We expect CUB to deliver consistent RoA/RoE of 1.5-1.6%/12-14% over FY26-27E, despite higher Opex ratios, and supported by (i) strengthening fee income, (ii) steady NIMs and (iii) controlled credit costs.

Note: Target Price is based on our Q4FY25 Result Update Report

Top Conviction Ideas: NBFCs and Diversified Financials

Stock	Reco.	TP	Recommendation Rationale
BAJAJ FINANCE LIMITED Bajaj Finance Ltd.	BUY	Rs 10,500*	✓ **Growth to Remain Healthy:** BAF's current market share in overall credit stands at ~2.1%, and the company intends to grow its AUM with a focus on improving the market share across segments. Going ahead, AUM growth will be driven across segments with strong contribution from the core businesses and a gradual ramp-up in the newer secured businesses. **We expect BAF to deliver a consistent AUM growth of ~25% CAGR over FY25-27E while prioritising asset quality. This growth will be driven by a steady growth in customer acquisitions, strengthening the cross-sell franchise and strong growth visibility across segments**. ✓ **Credit Costs to Moderate; Asset Quality Healthy:** BAF conducted an annual refresh of its ECL model, incorporating the last 12 months' portfolio performance and forward-looking macro-outlook, given the higher flow-forward rates and elevated credit costs observed over 9MFY25. Hereon, credit costs are expected to moderate as the captive 2/3 Wheeler financing business continues to wind down. The asset quality outlook in the rural B2C business continues to improve, and credit costs are expected to remain under control. Furthermore, the newer vintage in both the rural B2C and open architecture 2-Wheeler business continues to behave well and can be credited to the credit filter tightening and a conscious growth slowdown in these segments. Thus, supported by a positive outlook on credit costs and asset quality headwinds in certain segments gradually fading away, we expect credit costs to taper to ~2% over FY26-27E vs 2.2% in FY25. ✓ **NIMs to Remain Stable:** The company has moderated pricing in certain unsecured products, which impacted yields. With the beginning of the rate cut cycle, BAF expects CoF to gradually decline by 10-15 bps over FY26 (assuming 3 rate cuts) and settle at 7.75-7.85% in FY26. This decline factors in the lag in the downward repricing of long tenor loans and ~75% of borrowings, which are fixed-rate. However, bank borrowings would be repriced faster, and the company has already seen a decline in NCD/CP rates. Thus, **citing pressure on yields and a 10-15 bps conservative estimate on CoF decline, BAF expects NIMs to remain stable in FY26, though with a positive bias.**

*** Note: Target Price is based on our Q4FY25 Result Update Report***

Top Conviction Ideas: NBFCs

Stock	Reco.	TP	Recommendation Rationale
Cholamandalam Investment & Finance Company Ltd.	BUY	Rs 1,780*	✓ **Growth Momentum to Remain Healthy; Led by Non-vehicle Portfolio:** The management remains confident of delivering a continued 20-25% AUM growth over the medium term, primarily driven by the non-vehicle portfolios. The Vehicle Finance (VF) portfolio growth is ~20%, driven by a ~15% disbursement growth, while the non-vehicle portfolio will remain stronger at ~30%. CIFC's confidence in continued healthy growth in the VF portfolio in FY26 is contingent on a pick-up in SCV and LCV demand and continued growth in the PV, used vehicles, 2-Wheeler and Tractor segments. In the LAP portfolio, CIFC expects a 25-30% disbursement growth delivery, translating into AUM growth of 30%. CIFC plans to venture into gold lending and consumer durable financing in FY26 to tap into the existing customer base, which had to access the market for these loans (run-rate of ~Rs 1,000 Cr/month disbursement), thereby ensuring better customer retention. Driven by continued momentum in the core products and a gradual scale-up of newer products, we pencil down a strong AUM growth of ~24% CAGR over FY25-27E. ✓ **Credit Costs on a Downward Trajectory:** Expectations of a strong monsoon and improved capacity utilisation should drive VF credit costs down by ~20bps in FY26. Similarly, the credit costs in the newer businesses (CSEL and SME) are expected to trend downwards over FY26 (mainly from Q3FY26). These portfolios collectively are expected to contribute positively to overall credit costs by ~15bps. The credit costs in the home loans and LAP book are benign, and as the portfolio ages, it will continue to normalise and inch up by 10bps. Thus, collectively, credit costs in FY26 are expected to be ~10bps lower vs FY25. ✓ **Margins to Move with a Positive Bias:** CIFC's LAP, Home Loans, and SME book are floating rate portfolios and will reprice downwards as rates ease. However, the company's CoF would find support from the decline in the CoF for borrowings (20% mix), which are repo/t-bill linked. Moreover, ~50% of the borrowings in the form of bank borrowings would also begin to reprice downwards post the MCLR reset. Thus, the net decrease in CoF considering the pass-on on the floating rate book is expected to be 10-15 bps in FY26. This should support margins, which are expected to improve by ~10bps over FY25.

***** Note: Target Price is based on our Q4FY25 Result Update Report***

AXIS SECURITIES

Top Conviction Ideas: NBFCs

Stock	Reco.	TP	Recommendation Rationale
SHRIRAM Finance Shriram Finance Ltd.	BUY	Rs 790*	✓ **NIMs to Rebound as Excess Liquidity Eases:** Another sharp contraction in NIMs during Q4FY25 was attributed to excess liquidity of up to 6 months of liability repayments (~Rs 31,000 Cr) vs. an average liquidity of 3 months of liability repayments (~Rs 19,000 Cr). The impact of excess liquidity on margins was 20-25 bps. The management has assured that this will be utilised over the next couple of quarters. The excess liquidity is on account of 2 large ECB transactions at the end of Q3FY25 and in Q4FY25. The CoF has peaked, and SFL has seen the incremental CoF taper to 8.86% vs 8.95% in Q4FY25. The management expects the impact of rate cuts to play out over FY26, driving CoF improvement. Additionally, ~30% of the borrowings are set to mature in FY26E and will be repriced downwards. However, the company will look to pass on some of the rate cut benefits to customers. With CoF improving and excess liquidity easing, NIMs are expected to rebound to normalised levels of 8.5-8.6% during the year. ✓ **Asset Quality Stress Manageable:** Barring the write-off, SFL's GNPA would have inched up marginally by 3bps QoQ, a contrast to the seasonal improvement in asset quality. Supported by (i) expectations of a normalised monsoon aiding a bumper rabi produce, (ii) rural growth continuing its strong trajectory and (iii) revival in infra spending by the government and (iv) recovery in urban demand, the management remains confident of capping credit costs at ~2% in FY26. While the Stage 2 assets have inched up in Q4FY25, the ground-level feedback gives the management the confidence to contain stress and limit slippages into Stage 3. Owing to the technical write-off, the PCR declined to ~43%, and the management is comfortable maintaining it at current levels. ✓ **Growth to Remain Healthy:** The management has guided for 15% AUM growth in FY26, driven by a 12-15% growth in the CV portfolio, over 20% in the MSME book, 20% in the PV portfolio, and 20% growth in the other segments. We pencil down a healthy AUM growth of 15% CAGR over FY25-27E, with the portfolio mix remaining broadly unchanged.

Note: Target Price is based on our Q4FY25 Result Update Report

AXIS SECURITIES

JUNE 2025

Top Sector Ideas: Infra-Road & Others

Uttam Kumar Srimal
Shikha Doshi

Top Conviction Ideas - “ Infra-Road & Others”

Sector Review

Project Execution Set to Accelerate; Diversification to Enhance Profitability

Despite near-term challenges, the Indian infrastructure sector is entering a critical growth phase, underpinned by strong government capex, increasing project awards, and segmental diversification. Q4FY25 served as a transitional quarter with visible execution bottlenecks; however, the medium- to long-term trajectory remains structurally strong. The sector is now seeing a pivotal shift from road-only focus to multi-segment execution—including Railways, T&D, Water, and Urban Infra—setting the stage for broader margin accretion and revenue stability.

Q4FY25 Review: Execution Hurdles Yet Earnings Surpass Expectations

In Q4FY25, the companies under our coverage reported revenue/EBITDA degrowth of 8%/4% YoY, slightly missing expectations due to execution delays and slower Appointed Date (AD) receipts. However, Adj. PAT grew 14% YoY, exceeding our 9% YoY forecast, indicating strong cost control and disciplined execution. EBITDA Margins stood at 14.6% vs. 14.4% estimate, driven by cost efficiencies at J Kumar Infraprojects.

Top Conviction Ideas - " Infra-Road & Others"

Company-specific performance was mixed:

- H.G. Infra and J Kumar executed well and reported YoY revenue growth.
- GR Infra, PNC Infratech, and KNR saw execution headwinds.
- In the non-road space, KEC and Kalpataru Projects performed well, led by T&D order execution.
- RITES, PSP Projects, and Ahluwalia Contracts faced delays, regulatory issues, and seasonality-led disruptions.

Outlook: Strong Visibility, Multi-Year Growth Cycle in Play

Awarding Activity Gaining Momentum: FY25 witnessed a late surge in NHAI project awards (~2,600 km in Q4 vs. 970 km in 9MFY25). Awarding is expected to cross Rs 3,00,000 Cr in FY26 and beyond as per MoRTH's plan, supported by a robust bidding pipeline.

Construction Pace Improving: Despite subdued awarding, NHAI exceeded its construction target with 5,614 km completed in FY25 vs. 5,150 km target, aided by a record Rs 2.5 Lc Cr in capex (up 21% YoY).

Diversification to Drive Resilience: Companies are actively building capabilities in railways, metros, solar, power T&D, and tunnelling, which are expected to contribute 25–30% of total revenue over the next few years.

Top Conviction Ideas - " Infra-Road & Others"

Favourable T&D Tailwinds:

- KEC has Rs 24,500 Cr in order book and L1, with a Rs 90,000 Cr pipeline.
- KPIL is scaling both domestic and overseas T&D projects, including HVDC bids, aligning with India's increasing renewable power capacity.

Government Policy Support Strengthens Visibility

The Union Budget 2025-26 revised capex to Rs 10.2 Lc Cr for FY25 and hiked FY26 capex to Rs 11.2 Lc Cr. Additional measures such as the Rs 1.5 Lc Cr interest-free loan scheme for state-level infra projects, PPP pipelines, and land record digitisation under the National Geospatial Mission will directly improve project execution timelines and transparency, key factors in margin expansion and timely order inflow.

Long-Term Roadmap Remains Firmly Intact

NHAI's commitment to double access-controlled highways to 3,300 km in FY26, the National Infrastructure Pipeline's continued thrust, and policy continuity post-elections reaffirm our conviction in the sector's multi-year growth potential. Road developers with strong balance sheets, diversified order books, and execution capabilities will be major beneficiaries of this cycle.

AXIS SECURITIES

Top Conviction Ideas - " Infra-Road & Others"

Key Monitorables

- Timely Appointed Dates (ADs);
- Pace of New Order Inflows;
- Actual Execution Progress

Top Conviction Ideas - Infra-Road & Others

GR Infraprojects Ltd – BUY, Target Price: Rs 1,580*

Kalpataru Projects International Ltd – BUY, Target Price: Rs 1,350*

KEC International Ltd – BUY, Target Price: Rs 1,030*

(*Note: Target Prices based on our Q4FY25 Result Update Reports.)

Top Conviction Ideas: Road Infra

Stock	Reco.	TP*	Recommendation Rationale
GR Infraprojects Ltd	BUY	Rs. 1,580*	✓ **Robust order book:** The company's order book position, including L1 projects, stands at Rs 24,346 Cr, providing revenue visibility for the next 24-36 months. For FY26, the company anticipates an order inflow of Rs 20,000 Cr, out of which Rs 11,500 Cr will be from highways, Rs 3,000 Cr from railways and metros, Rs 2,000 Cr from power transmission, Rs 3,500 Cr from ropeway and hydro, Rs 500 Cr from logistics, and Rs 500 Cr from telecom projects. ✓ **Strong bidding pipeline & segment diversification:** The bidding pipeline for FY26 remains strong at Rs 1.75 Lc Cr, with Rs 75,000 Cr from highways, Rs 50,000 Cr from hydro, Rs 20,000 Cr from transmission, Rs 20,000 Cr from ropeways and tunnels, and Rs 10,000 Cr from railway projects. In addition to road projects, the company has successfully diversified into other segments such as railways, ropeways, optical fibre, multi-modal logistic parks (MMLPs), and power transmission to reduce its dependence on road projects. ✓ **Revenue growth to pick up:** In FY25, the company’s revenue declined due to a lower executable order book resulting from a delay in receiving AD. However, most of the projects have received AD, making the executable order book of Rs 14,370 Cr, which is expected to be completed in the next 2 years. This will support a revenue growth of 14% CAGR over FY25-27E.

*** Note: Target Price is based on our Q4FY25 Result Update Report***

Top Conviction Ideas: Non-Road

Stock	Reco.	TP*	Recommendation Rationale
Kalpataru Projects International Ltd	BUY	Rs 1,350*	✓ **Robust order book:** As of 31st Mar'25, the company's order book stands at Rs 64,495 Cr, 41% from T&D, 22% from B&F, 15% from Water, 12% from Oil & Gas, 5% from Railways, and 5% from Urban Infra. With a strong execution track record and growing opportunities across all segments, the company is well-positioned for steady revenue growth, projecting an 18% CAGR from FY25 to FY27E. ✓ **Order inflow:** In FY25, the order inflow stood at Rs 25,475 Cr. The management expects an order inflow of Rs 26,000-28,000 Cr (out of which Rs 2,372 Cr has been received) in FY26, with a major focus on the T&D and B&F segments. Management foresees some traction in Oil & Gas as well as the international water segment. Overall, management is positive about growth across all businesses, except for Railways. ✓ **EBITDA margins to improve:** Recent order wins are expected to enhance margins, driving improved profitability. Management anticipates a 100 bps expansion in operating margins for the current fiscal year. Additionally, reduced debt levels are lowering finance costs, further strengthening the bottom line. We forecast robust growth in EBITDA and PAT, with projected CAGRs of 22% and 41%, respectively, over FY25–FY27. We expect the company to achieve an EBITDA margin **in the range of 8.5%-9% in FY26/27.**

Note: Target Price is based on our Q4FY25 Result Update Report

Top Conviction Ideas: Road Infra

Stock	Reco.	TP*	Recommendation Rationale
KEC International Ltd	BUY	Rs. 1,030*	✓ **Robust order book:** As of 31st Mar'25, the company's order book stands at Rs 33,398 Cr. This, combined with an order inflow of Rs 24,689 Cr, provides strong revenue growth visibility for the next 18-24 months. Additionally, the company holds the L1 position in projects valued at over Rs 4,500 Cr, primarily in the T&D business. With its established execution track record and the government's increasing focus on infrastructure development, the company is well-positioned for steady revenue growth, projecting a 15% CAGR from FY25 to FY27E. ✓ **Robust tender pipeline:** A substantial tender pipeline of Rs 1,80,000 Cr ensures a healthy order intake for the company in the foreseeable future. For FY26, the company has set a target of Rs 30,000 Cr in order inflow, out of which Rs 2,000 Cr has already been achieved, maintaining its growth momentum. ✓ **Revision in EBITDA margins:** EBITDA margins are improving, driven by the execution of international T&D projects and high-margin assignments. However, management has lowered their margin guidance from previous levels of 9% to 8-8.5% in FY26 due to labour shortage and delay in receivables from the water segment. We expect margins to improve to 9% in FY27.

Note: Target Price is based on our Q4FY25 Result Update Report

AXIS SECURITIES

JUNE 2025

Top Conviction Ideas: Chemicals & Midcaps

SANI VISHE
SHIVANI MORE

Top Conviction Ideas - "Chemicals & Midcaps"

Q4FY25 Review

Volume-Led Recovery Underway

Most chemical companies under our coverage posted healthy YoY revenue growth in Q4FY25, driven by higher volumes supported by recent capacity additions. While global oversupply—particularly from China—continues to weigh on realisations, early signs of recovery are visible, especially in non-discretionary segments. Domestically, the agrochemical segment remained stable, aided by healthy water availability and positive Rabi crop indicators.

Customer-Centric Adaptation Amidst Volatility

Despite pricing and supply chain pressures, several companies delivered steady performance through volume growth and product diversification. Managements are increasingly focusing on aligning with evolving end-market needs. Discretionary segments such as dyes, pigments, and polymers showed gradual improvement, while fluorochemicals/refrigerants continued to benefit from strong volumes and favourable pricing.

Top Conviction Ideas - “Chemicals & Midcaps”

Sector Outlook

Building for the Next Phase of Growth

FY25 was a challenging year for the chemical industry, marked by weak global demand, economic headwinds, inventory destocking, and excess supply from China. However, the long-term growth trajectory remains intact, supported by export opportunities and resilient domestic demand.

Chemicals

Despite a tough macro environment, most companies under our coverage delivered stable performance by balancing pricing and volumes to protect EBITDA margins. Cost optimisation remains a key theme, with firms increasingly focusing on sustainable-margin businesses. While some managements indicated early signs of price recovery, uncertainty around U.S. tariffs continues to be a watch factor. That said, structurally, the sector offers some opportunities with an attractive risk-reward. Companies driving cost discipline and operational efficiency are well placed to benefit once the recovery becomes more pronounced.

Agrochemicals

Domestic-focused players are likely to sustain momentum, supported by new product introductions and innovation. The forecast for normal-to-above-normal monsoons in 2025 provides a further tailwind. Pricing has largely bottomed out, and upcoming launches are expected to aid revenue growth. While the global market may remain subdued in the near term, the long-term outlook is constructive. Firms investing in R&D and differentiated offerings are better positioned to outperform as the cycle turns.

Top Conviction Ideas - “Chemicals & Midcaps”

Key Monitorables

- Chinese dumping exerting price pressures and potential Anti-Dumping Duties;
- Capex Plans and Execution;
- Demand trends across key end-user Industries;
- Impact of US Tariffs and any retaliatory measures on global supply chains

Our Top Conviction Ideas: Chemicals & Midcaps

Dhanuka Agritech Ltd. - BUY | Target Price - Rs 1,800*

Aarti Industries Ltd. - BUY | Target Price - Rs 540*

Pitti Engineering Ltd . - BUY | Target Price - Rs 1,350*

VA Tech Wabag Ltd. - BUY | Target Price - Rs 1,920*

Kirloskar Brothers Ltd. - BUY | Target Price - Rs 2,070*

(*Note: Target Prices are based on our Q4FY25 Result Update Reports)

Top Conviction Ideas: Chemicals

Stock	Reco.	TP*	Recommendation Rationale
Dhanuka Agritech Ltd	BUY	Rs. 1,800*	• **Revenue Growth Along With Margin Expansion:** Dhanuka delivered impressive results this quarter, with a 20% YoY revenue growth driven by 19% volume growth and 20% value growth. Operating margins expanded significantly to 24.8%, supported by a favourable product mix, strong sales performance, and the launch of new products. The company's ongoing investment in process research is showing promising outcomes, with several new products in the pipeline. • **Multiple Growth Drivers for FY26:** Dhanuka acquired two fungicides from Bayer in FY25, which enhances Dhanuka's global footprint, expanding its presence to over 20 countries. The company also plans to launch one of these fungicides in India under Dhanuka's brand name. These new products are expected to add ~Rs 110 Cr to FY26 revenue. Additionally, the export business (excluding Bayer products) is projected to contribute around Rs 50 Cr, while the Dahej facility is expected to generate Rs 60 Cr in revenue. EBITDA margins for FY26 are likely to remain in line with FY25. These factors, along with organic growth driven by a favourable monsoon and the launch of new products, are expected to continue the growth momentum in FY26. • **Valuation & Recommendation:** Dhanuka's consistent performance can be attributed to its strategic focus on launching innovative, high-margin products and leveraging a strong distribution network. With a positive monsoon forecast, the company is well-placed to deliver robust revenue growth. Accordingly, we continue to value the stock at 18x FY27E, and recommend a **BUY** with a target price of Rs 1,800/share.

**** Note: Target Price is based on our Q4FY25 Result Update Report***

Top Conviction Ideas: Chemicals

Stock	Reco.	TP*	Recommendation Rationale
Aarti Industries Ltd	BUY	Rs. 540*	• **Volume Led Revenue Growth:** AIL reported robust revenue growth for the quarter, despite ongoing pricing challenges. This performance was primarily driven by increased volumes, supported by the company's continued execution of its expansion strategy. The non-energy segment recorded a 14% quarter-on-quarter (QoQ) growth in volumes, while the energy segment registered a 21% QoQ increase. Management has guided for steady volume growth over the next three years, underpinned by capacity expansions and improved MMA volumes. • **Strategic Focus on Market Development:** The company's performance is anticipated to improve significantly, supported by strategic initiatives aimed at cost optimisation and operational efficiency. AIL's emphasis on customised shipments, alongside its efforts to cultivate long-term customer relationships and identify new growth avenues, is expected to further strengthen its competitive position. • **Growth to be Fueled by Capacity Expansion and New Chemistries:** During Q4, AIL invested approximately Rs 352 Cr in Capex focused on expansion projects. With expanded capacity, AIL targets consistent volume growth over the next three years. Combined with operating leverage and cost efficiency measures, these efforts are expected to bring the company closer to achieving its FY28 EBITDA goal. • **Valuation:** We value the stock at 25x FY27E, which translates to a TP of Rs 540/share, and have a **BUY** rating on the stock.

*** Note: Target Price is based on our Q4FY25 Result Update Report***

Top Conviction Ideas: Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Pitti Engineering Ltd	BUY	Rs. 1,350*	• **Volume Growth Continues:** PEL reported a 40% YoY increase in revenue, primarily fueled by contributions from recent acquisitions, leading to a ~50% rise in sales volumes. During the quarter, the company commissioned a new production line at its Aurangabad facility, bringing its total sheet metal capacity to 72,000 MT. Pitti is also focusing on increasing capacity utilisation, which is expected to drive volume growth going ahead. It also highlighted a robust pipeline for new machine component products, which has been further enhanced with the start of machining operations for castings manufactured at DFPL. • **Maintains Growth Outlook:** Management highlighted that the challenges in the LV motor market are being resolved. While there are uncertainties related to US tariffs, the company is cautiously optimistic about demand. It continues to witness healthy demand across its major end-user industries, including railways, wind and hydro (under green energy), pumps, and power generation. PEL aims for a 10% increase in volumes for FY26, targeting Rs 2,000 Cr in revenue for FY26 and Rs 2,100–2,200 Cr for FY27. In terms of volumes, the goal is to reach 68,000 tonnes in FY26 and achieve full capacity utilisation of 72,000 tonnes in FY27. • **Valuation & Recommendation:** We value the stock at 25x its FY27 EPS with target price to Rs 1,350/share. We believe that the current valuations appear attractive and have a **BUY** rating on the stock.

Note: Target Price is based on our Q4FY25 Result Update Report

Top Conviction Ideas: Midcaps

Stock	Reco.	TP*	Recommendation Rationale
VA Tech Wabag Ltd	BUY	Rs. 1,920*	• **Order Book Remains Healthy:** The company secured new orders of around Rs 5,700 Cr this year, boosting its total order book to ~Rs 13,700 Cr, including framework agreements. Additionally, it is the preferred bidder for orders worth over Rs 3,000 Cr, which are expected to materialise in the coming months. WABAG expects the order book to strengthen further with expected order inflows similar to the previous year. • **Improved Order Execution:** The company reported strong revenue growth of 24% YoY, indicating efficient conversion of the order book into revenues and alleviating concerns regarding order execution. Past order wins, which were in initial stages, are expected to begin contributing to revenues in the coming quarters, further improving the execution rate. It is also focusing on optimising working capital and expects to improve the cash position further going ahead. • **Maintains Medium-Term Outlook:** The company is expected to continue benefiting from the rising focus on water infrastructure domestically as well as in its key international markets. Accordingly, it has maintained its medium-term outlook of 15-20% revenue CAGR with targeted EBITDA margins in the range of 13-15%. • **Valuation & Recommendation:** We believe the order book remains healthy and have a positive long-term view on the stock. Accordingly, we continue to value the stock at 21x FY27E with a target price of Rs 1,920/share, recommending a **BUY** rating on the stock.

*** Note: Target Price is based on our Q4FY25 Result Update Report***

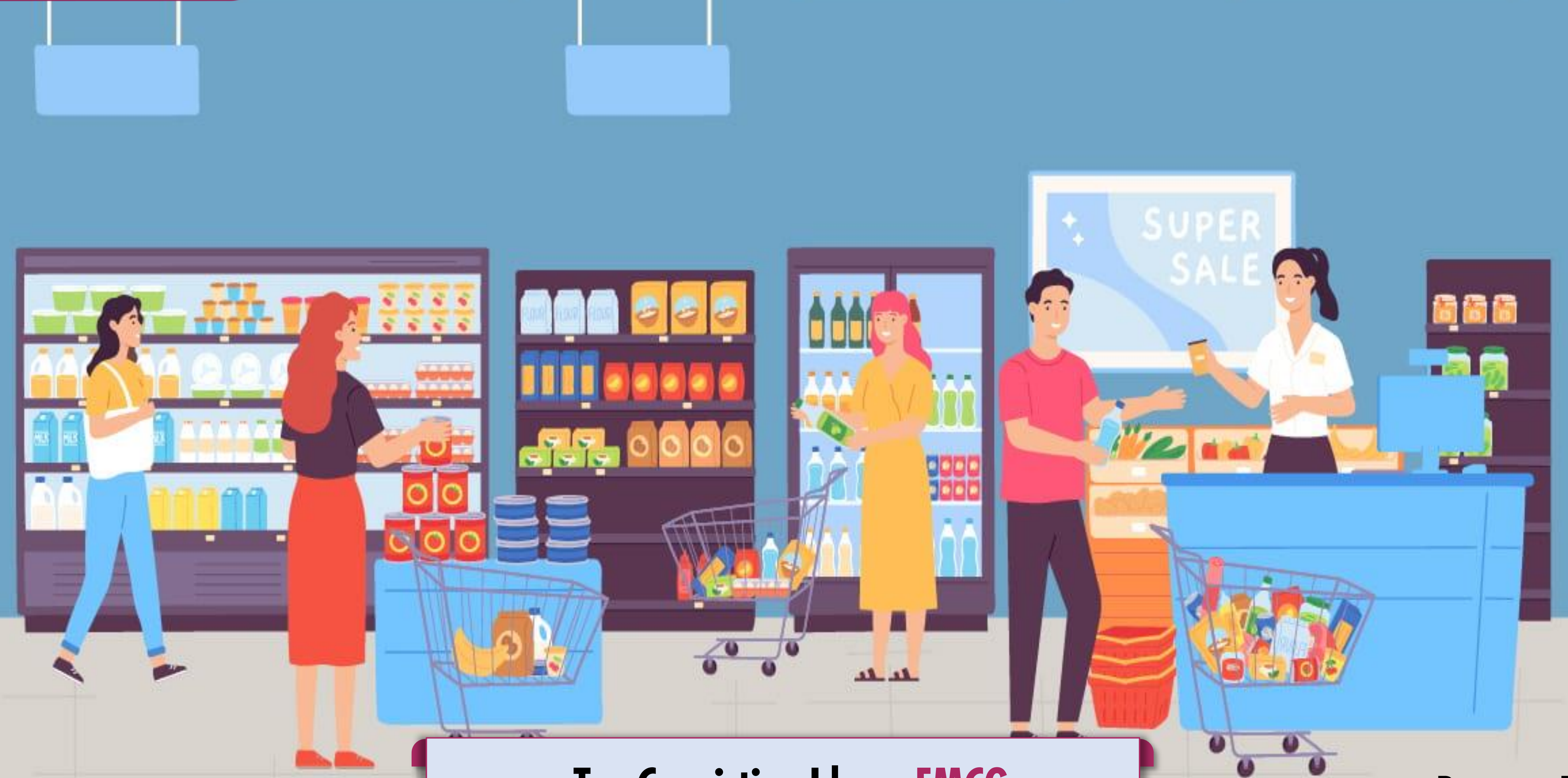
Top Conviction Ideas: Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Kirloskar Brothers Ltd	BUY	Rs. 2,070*	• **Strong Order Pipeline Maintaining Revenue Visibility:** KBL reported a 5% YoY revenue increase for the quarter, with overseas business growing by a notable 39% YoY. This international growth was driven by strong contributions from SPP UK, SPP Inc. (USA), and KBTL (Thailand & Singapore). While revenue in the current quarter was partially impacted by deferred orders and delays in raw material sourcing, management remains confident in regaining growth momentum. KBL continues to hold a healthy order book of Rs 3,118 Cr (up from Rs 3,094 Cr in Q3FY25), providing solid revenue visibility going forward. • **Operational Efficiencies and Product Mix to Aid Profitability:** For FY25, KBL posted EBITDA growth of 18% along with an improvement in EBITDA margins. This was driven by a strategic shift toward higher-value products and a significant reduction in reliance on low-margin, large-scale EPC projects, coupled with cost optimisation initiatives. KBL has been investing in technology upgrades to enhance operational efficiency and product value. Management remains focused on these initiatives and is optimistic about continued margin improvement. • **Valuation & Recommendation:** We continue to value the stock at 25x FY27E EPS, with a target price of Rs 2,070/share. Accordingly, we recommend a **BUY** rating on the stock.

Note: Target Price is based on our Q4FY25 Result Update Report

AXIS SECURITIES

JUNE 2025



Top Conviction Ideas: FMCG

Preeyam Tolia
Suhanee Shome

Top Conviction Ideas - “FMCG”

Q4FY25 Review

Urban Weakness Offset by Rural Resilience

The overall Q4FY25 performance of FMCG companies under our coverage remained muted, with topline growth under pressure due to weak urban demand and low single-digit volume growth. Urban markets, which contribute nearly 50–60% of sector sales, saw subdued performance, driven by:

- A slowdown in discretionary spending,
- Muted wage growth and persistently high EMIs and rentals, and
- Rising competition from D2C and Q-commerce platforms.

On the other hand, rural demand showed early signs of recovery, supported by easing inflation, higher MSPs, increased government spending, and a promising monsoon outlook.

Top Conviction Ideas - "FMCG"

Margins remained under pressure, with elevated input costs especially palm oil and other agri commodities eroding gross margins. EBITDA margin expansion was limited in this environment, leading most companies to adopt a cautious 'wait-and-watch' stance on profitability improvement.

Outlook

H2FY26 Recovery in Sight

While Q4 remained challenging, company managements have indicated a potential recovery beginning in H2FY26, supported by:

- Expected interest rate cuts and tax benefits, which will aid urban consumption
- Above-normal rainfall, improving sowing patterns and rural demand
- Continued focus on cost rationalisation and efficiency

We expect volume growth and margin expansion to gather pace gradually over the next 2–3 quarters.

What Makes the FMCG Sector Attractive Now?

Despite short-term headwinds, we remain constructive on the FMCG sector from a medium- to long-term investment perspective due to several structural drivers:

Top Conviction Ideas - "FMCG"

Premiumisation Drive: Indian consumers are rapidly shifting toward higher-end and branded products, creating opportunities for companies well-positioned in premium categories.

Underpenetrated Categories: Core segments such as shampoos, dishwashing liquids, and packaged foods still show significant room for growth, particularly in Tier 3+ towns.

Resilient Financial Metrics: Even in volatile times, FMCG companies deliver best-in-class return ratios (ROCE, ROE) and healthy dividend yields, making them strong candidates for capital preservation and compounding.

Key Monitorables

To effectively track the sector's progress, we recommend monitoring the following:

- **Urban Consumption Recovery:** Key driver for broad-based topline growth
- **Gross Margin Trajectory:** Input price trends and operating leverage to influence profitability
- **Competitive Intensity:** Rise of D2C/Q-commerce and pricing actions from incumbents

Top Conviction Ideas - “FMCG”

Top Conviction Ideas - FMCG

Based on our comprehensive analysis, we strongly recommend the following stocks as our top conviction picks from the FMCG sector:

Varun Beverages Ltd – BUY, Target Price: Rs 650*

DOMS Industries Ltd – BUY, Target Price: Rs 2,820*

(*Note: Target Prices are based on our Q4FY25 Result Updates. We remain optimistic on both companies’ long-term potential and advise ‘BUY on Dips’ for optimal entry points.)

Top Conviction Ideas

Stock	Reco.	TP*	Recommendation Rationale
Varun Beverages	BUY	Rs 650*	✓ VBL has consistently outperformed its peers in recent quarters despite a volatile environment. ✓ The company is expected to sustain its strong growth momentum, driven by key factors: 1) The strategic acquisition of BevCo, strengthening its presence in South Africa and DRC; 2) Expansion of its snacks portfolio beyond India, particularly in Zimbabwe and Zambia; 3) A continued push to increase distribution reach, especially in rural markets; 4) Commissioning of multiple greenfield and brownfield facilities, enhancing manufacturing capacity, expanding market reach, and optimizing transportation costs; and 5) Scaling up the high-margin Sting energy drink while expanding its value-added dairy, sports drinks (Gatorade), and juice segments. These strategic initiatives are set to drive long-term growth and profitability.

Note: The Target price is based on our Q4FY25 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.

Top Conviction Ideas

Stock	Reco.	TP*	Recommendation Rationale
DOMS Industries	BUY	Rs 2,820*	The company has been executing strategic initiatives over the past few years, which are expected to drive growth in the coming years. Key initiatives include: 1. Managing end-to-end operations to enhance efficiency while maintaining high-quality standards. The new 44-acre greenfield facility will further accelerate growth. 2. Expanding beyond the small pencil segment into the larger pens category, broadening the product portfolio. Additionally, entering fast-growing segments such as bags, toys, and diapers will provide an incremental growth boost. 3. Significant potential for distribution expansion, with DOMS currently reaching 1.35 Lc outlets. The company has scope to scale up to ~3-3.5 Lc outlets, particularly in the underpenetrated east and south markets and smaller towns in India. 4. The strategic partnership with FILA, enabling DOMS to expand its global footprint while leveraging FILA's R&D capabilities, offering a long-term competitive edge.

Note: The Target price is based on our Q4FY25 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips'.

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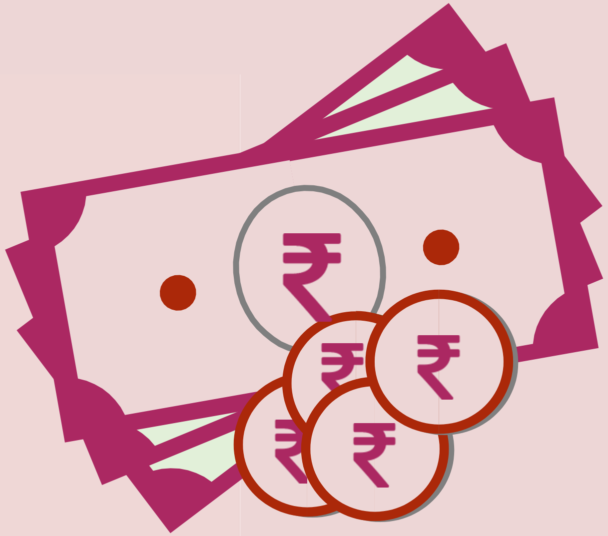
JUNE 2025



Top Conviction Ideas: Retail

PREEYAM TOLIA
SUHANEE SHOME

Top Conviction Ideas - “Retail”

Sector Overview

Retail at an Inflection Point

The Indian retail space is undergoing a pivotal transformation, shaped by a rapidly formalising economy, rising incomes, and growing aspirations across both metros and smaller towns. Despite near-term challenges, we believe the sector remains a long-term structural story, driven by demographic tailwinds, urbanisation, and improving per-capita incomes. Our conviction is built not only on macroeconomic fundamentals but also on the operational resilience and expansion strategies of key players.

Review: Mixed Bag in the Short Term

The recent quarterly performance paints a cautiously optimistic picture. While consumer demand remains tepid, particularly in the footwear segment, QSRs (Quick Service Restaurants) are showing early signs of SSSG (Same Store Sales Growth) recovery. Value-focused retailers such as V-Mart and D-Mart have performed relatively better, thanks to a strong value proposition and a deep connection with price-conscious consumers.

Top Conviction Ideas - “Retail”

We also observed that the premium and luxury segments continue to hold up well, though certain urban consumption categories are facing temporary headwinds. Importantly, despite the near-term softness, companies have not slowed down on their store expansion plans, particularly into Tier 2 and 3 cities, a sign of strong confidence in the long-term growth runway.

Outlook

Strong Structural Tailwinds

We believe the retail sector is a compelling investment opportunity due to several factors. India's retail market is undergoing rapid formalisation, with significant opportunities emerging in smaller cities and towns that are largely unorganised. The increasing disposable income of consumers is leading to a noticeable shift towards branded products. Smaller cities and towns are outpacing metros in growth across categories such as apparel, QSR, and footwear, fueled by rising aspirations for branded products and increased disposable income. This structural growth story is expected to continue. With India's average per-capita income at $2,200, any increase is likely to translate into higher discretionary spending, as essential goods expenditure remains largely constant. Furthermore, the increased participation of women in the workforce is driving higher sales in the women's wear segment.

Top Conviction Ideas - “Retail”

Key Monitorables

In the short to medium term, we will be closely monitoring several key factors. On the demand front, we anticipate a slowdown in discretionary spending in the short term, with a gradual recovery in margins. However, we expect rural demand to pick up, supported by increased government spending and urban remittances, coupled with an eventual receding of consumer price inflation and stable raw material prices. We believe domestic consumption plays are likely to deliver better returns in the current volatile environment.

Top Conviction Ideas

Trent – BUY | Target Price – Rs 6,650*

Ethos – BUY | Target Price – Rs 3,150*

(*Note: The Target price is based on our Q4FY25 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips.’)

AXIS SECURITIES

Top Conviction Ideas: Retail

Stock	Reco.	TP	Recommendation Rationale
Trent Ltd	BUY	Rs 6,650*	✓ We expect strong sales growth to continue in the coming quarters, supported by Trent's aggressive store expansion and ongoing assortment renewal, which should drive higher footfall. Additionally, improved earnings across all formats, reduced losses at Star Bazaar, and increasing traction at the Inditex JV are positive indicators for the company. ✓ In recent years, Trent has implemented its playbook for the Star business, focusing on private labels, which is proving beneficial and is expected to be a key growth driver. Further, its expansion into the UAE, the launch of Zudio Beauty, and its recent entry into the fast-growing LGD jewellery segment are likely to contribute to long-term growth. ✓ Given these factors, we remain positive on Trent from a mid- to long-term perspective.

Note: The Target price is based on our Q4FY25 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips.'

Top Conviction Ideas: Retail

Stock	Reco.	TP	Recommendation Rationale
Ethos Ltd	BUY	Rs 3,150*	✓ Ethos' strong and consistent performance over the past several quarters underscores its promising future. Key growth drivers include: 1) Sustained demand in the premium and luxury watch segment, 2) Expansion into the fast-growing CPO segment, 3) Rising contribution from high-margin exclusive brands, 4) Diversification into the luxury luggage and jewellery segments, and 5) Significant potential for margin and ROCE expansion. ✓ With these factors in play, the company is expected to achieve a robust revenue CAGR of 33% and PAT growth of 38% over FY24-27E. At the current CMP, Ethos is trading at 44x/32x its FY26/27E EPS. Given its improving earnings visibility and enhanced return profile, the stock presents an attractive opportunity within the Smallcap space.

Note: The Target price is based on our Q4FY25 Result Update. We remain positive on the stock's long-term prospects and recommend 'BUY on Dips.'

AXIS SECURITIES

June 2025

Top Conviction Ideas: Automobile Industry

Shridhar Kallani
Automobile Analyst

Top Conviction Ideas - “Auto & Auto Ancillaries ”

Q4FY25 Review

Performance Driven by 2W and Tractors; Mixed Trends Across Segments

Auto OEMs delivered a stable performance in Q4FY25. Revenue/EBITDA grew 9%/6% YoY, led by improved sales volume in 2Ws and tractors, along with the ongoing premiumisation trend. Both Revenue and EBITDA registered healthy growth QoQ, driven by better cost controls, operating leverage with marginal impact from commodities for some auto OEMs. While PAT was flat YoY due to one-offs in select OEMs, it improved by 16% QoQ, broadly in line with our expectations.

Margins were impacted for select OEMs such as Maruti, Eicher, and Hero due to product mix and input costs, while Ashok Leyland and TVS posted significant margin gains. On the ancillaries’ side, companies like Endurance Technologies, UNO Minda, SSWL, and Minda Corp reported strong operating performance, whereas CIE Automotive and Sansera Engineering saw some short-term pressures due to slower OEM order ramp-ups.

Top Conviction Ideas - “Auto & Auto Ancillaries ”

Sector Outlook

Poised for Gradual but Sustained Growth

2W Segment: Export recovery (+21.4% YoY) remains a key driver, signalling demand rebound from Africa, LATAM, and ASEAN. Domestic demand (+9.1% YoY) is benefiting from rural recovery and festive demand. The segment outlook remains positive with premium segment launches and replacement demand offering tailwinds.

PV Segment: Exports grew by 14.6% YoY, while domestic volumes remained flat due to saturation in premium SUVs. However, new launches and festive support in H2FY26 are likely to support the segment.

CV Segment: While domestic volumes declined marginally, long-term prospects remain intact with infrastructure push, mining revival, and policy tailwinds like the Vehicle Scrappage Policy.

Tractors: Domestic demand rose 8.4% YoY, aided by good harvest and government schemes. H2FY26 performance will hinge on monsoon distribution and Kharif sowing trends.

Across categories, OEMs are gearing up for long-term growth supported by rising infrastructure Capex, supportive policy measures, tax incentives and demand stabilisation in both rural and export markets.

AXIS SECURITIES

Top Conviction Ideas - "Auto & Auto Ancillaries "

Key Monitorables

- Pace of rural recovery, especially for 2Ws and tractors
- Pick-up in exports across 2Ws, CVs, PVs and Ancillaries
- Evolution of commodity costs and their impact on margins
- Inventory trends in PVs, particularly in the entry and mid-size segments

Top Conviction Ideas: Auto Sector

Hero Motocorp Ltd – BUY | TP: Rs 5,285*

Ashok Leyland – BUY | TP: Rs 270*

Sansera Engineering Ltd – BUY | TP: Rs 1,580*

Steel Strip Wheels Ltd – BUY | TP: Rs 265*

(*Note: The Target price is based on our Q4FY25 Result Updates)

We also recommend a Buy on Dips approach for TVS Motors, Bajaj Auto, Eicher Motors in OEMs and CIE Automotive, Endurance Technologies, and UNO Minda, in Auto Anc considering their long-term growth potential and strong positioning in the evolving EV and premiumisation ecosystem.

Top Conviction Ideas: Auto

Stock	Reco.	TP	Recommendation Rationale
Hero Motocorp Ltd	BUY	Rs 5,285*	✓ **Industry Growth Outlook:** The domestic economy has begun FY26 on a positive trajectory, supported by tapering inflation, declining interest rates, income tax cuts, strong marriage season and expectations of a favourable monsoon. These macroeconomic tailwinds are fueling optimism in the two-wheeler market. The 2W industry growth for FY26 is projected to be in the mid-to-high single digits, despite some headwinds from OBD 2 norms and related price increases. ✓ **Product Launches:** In Q4FY25, Hero MotoCorp rolled out a series of product launches across key segments, reinforcing its focus on both commuter and premium motorcycles. The company launched Splendor+ XTEC 2.0 and updated its commuter lineup with the 2024 Hero Glamour. In the premium segment, it introduced the Xtreme 250R and Xpulse 210 at Bharat Mobility 2025, along with the Mavrick 440 Thunderwheels and the Xpulse 200 4V Dakar Edition. The 2024 Harley-Davidson lineup, including the Breakout 117, Road Glide, and Street Glide, was also unveiled. In the scooter segment, Hero launched the new Destini 125 and the Xoom 125 and 160 models. These launches highlight Hero's ongoing efforts to strengthen its product portfolio and address a wider range of customers. ✓ **Focus on growing the EV vertical:** Hero ended Mar'25 with 7% EV market share; and also acquired 34.1% stake in Euler Motors for Rs 510 Cr, marking entry into the EV 3W space (e3W industry is valued at Rs 17,000 Cr, is expected to grow to Rs 22,000 Cr over the next 5 years, with 20%+ EBITDA margin potential). Overall profitability in EVs is expected to improve with localisation, cost reductions, and PLI benefits and the management projects EV break-even at 25k–30k units/month (currently 7k–8k/month).

**** Note: Target Price is based on our Q4FY25 Result Update Report***

AXIS SECURITIES

Top Conviction Ideas: Auto Ancillaries

Stock	Reco.	TP	Recommendation Rationale
Ashok Leyland	BUY	Rs 270*	✓ **Domestic CV Industry:** Ashok Leyland expects a positive FY26 for the CV industry, aided by favourable macroeconomic indicators such as robust monsoon forecasts, core sector expansion, and renewed government capex. While Q1FY26 may remain subdued due to high base effects, growth is expected to pick up meaningfully from Q2 onwards. The company anticipates low single-digit volume growth in FY26, in line with industry peers ✓ **EV & Alternative Fuel:** The company is intensifying efforts in the electric and alternative fuel space, with substantial investment earmarked for FY26. (1) 6 new LCV models, Intelligent Vehicle Acceleration Control (IVAC) for MHCVs, fully built CNG buses, and 19T and 55T EV trucks launched. (2) EV Terminal Tractor and 15mt SE Bus showcased at Auto Expo 2025 – commercial production due in FY26. (3) EV Centre of Excellence is operational to support critical component development (battery, motor, etc.). ✓ **Cost Leadership & Margin Levers:** Ashok Leyland is focused on premiumisation, cost optimisation, and service differentiation to strengthen margins. It targets Rs 100 Cr in cost savings for FY26 and is enhancing services to reduce vehicle downtime. Despite expected steel price increases, management anticipates stable margins due to internal efficiencies.

Note: Target Price is based on our Q4FY25 Result Update Report

Top Conviction Ideas: Auto

Stock	Reco.	TP	Recommendation Rationale
Sansera Engineering	BUY	Rs 1,580*	✓ **Revenue and EBITDA Margins:** Despite a challenging FY25 due to geopolitical headwinds, Sansera expects to report high-teen revenue growth in FY26, supported by continued strength in xEV, ADS, and overseas businesses. The management has guided a 50–60 bps expansion in EBITDA margins, driven by better product mix (more tech-agnostic, EV, and ADS), favourable operating leverage, and reduced dependency on commodity-heavy ICE components. ✓ **Robust Order Book:** As of Mar'25, Sansera's total unexecuted order book stood at Rs 1,851 Cr, with a diversified mix across geographies and end segments. Notably, 28% of the new orders originated from the ADS segment, highlighting the growing relevance of this business line. Geographically, 27% of the order book is linked to North America, 24% to Europe, and 9% to other Asian countries. ✓ **Capex to Support Orderbook**: Sansera is executing both brownfield and greenfield expansions to support its long-term growth strategy. In FY25, the company incurred a capex of Rs 591 Cr, largely towards enhancing capacity in machining, forging, and the ADS facility. Additionally, it acquired 55 acres of land in Karnataka for future greenfield expansion, expected to begin post FY27. These investments are to meet the growing demand from high-content EV products and aerospace-defence applications.

***** Note: Target Price is based on our Q4FY25 Result Update Report***

Top Conviction Ideas: Auto

Stock	Reco.	TP	Recommendation Rationale
Steel Strip Wheels Ltd	BUY	Rs 265*	✓ **Growth in Export Demand:** In Q4FY25, SSWL's export revenue stood at Rs 157 Cr, registering a 22% YoY growth. The company sold 2.35 Lc alloy wheels in FY25, generating revenue of Rs 102.68 Cr. The total export revenue for FY25 stood at Rs 561 Cr, with a target to reach Rs 1,000 Cr by FY27E. The USA accounted for 64% of the total exports, followed by the EU at 32%. Going forward, the company anticipates that India will benefit from a competitive advantage driven by a favourable US tariff structure compared to China, Vietnam, and Thailand. ✓ **Alloy Wheel Capacity Expansion**: The company plans to expand its annual capacity to 5.3 Mn units by FY26 from 4.8 Mn in FY25, with an anticipated capacity utilisation of 75–80%, supported by expected orders from Maruti and a gradual recovery in the European and US markets. In FY25, the company sold 33.28 Lc alloy wheels, contributing 32% to the overall sales mix. ✓ **Higher EBITDA Margins Moving Ahead:** The aggregate EBITDA/wheel for Q4FY25 stood at Rs 270/wheel and Rs 261/wheel for FY25, compared to Rs 253/wheel in FY24. Future growth is expected to be driven by a revival in CV and tractor wheel volumes, an increasing focus on a richer mix of higher-margin alloy products such as knuckles and alloy wheels, and higher exports.

***Note: Target Price is based on our Q4FY25 Result Update Report**

AXIS SECURITIES

JUNE 2025

Top Conviction Ideas: Real Estate

EESHA SHAH

Top Conviction Ideas - “Real Estate”

Q4FY25 Review

Stable Presales; Launch Spillovers Set Stage for FY26E Growth

The real estate sector ended FY25 on a relatively steady note despite macro headwinds, reporting pre-sales of Rs 36,092 Cr, flattish YoY. The muted growth was largely attributed to delayed project launches and the ongoing election cycle that impacted momentum. While developers such as SignatureGlobal and Man Infraconstruction exceeded their annual pre-sales guidance, others like Prestige Estates, Arvind SmartSpaces, and Oberoi Realty fell short, primarily due to delays in approvals.

A positive highlight was the strong booking traction seen by MICL and Q4 recovery by Prestige, suggesting a healthy spill-over into Q1FY26E. SignatureGlobal delivered a commendable performance, aided by robust sustenance sales and the contribution from new launches. Our coverage universe continues to focus heavily on premium and luxury housing, which remains resilient, underpinned by end-user demand and aspirational upgrades.

Top Conviction Ideas - “Real Estate”

While project pipelines and land acquisition capex remain robust, launch schedules were pushed due to systemic approval bottlenecks, especially in MMR, NCR, Bengaluru, and Gujarat. These delays—coupled with election-induced inertia—affected launches. However, the backlog now forms a strong base for FY26, with projects having cleared later-stage approvals, creating a more predictable launch trajectory ahead.

Collection performance was mixed: Prestige and Arvind posted flat YoY numbers, whereas Signature, MICL, and Oberoi showed improved traction, supported by better realisations and higher absorption from new launches. Across the board, guidance for FY26 bookings points to 25%-30% YoY growth, reinforcing our confidence in the sector’s momentum.

Outlook

Growth Levers Intact; Robust Demand

Despite FY25 being a transition year marked by delays and policy-driven pauses, the sector’s underlying demand drivers remain intact. The premium and luxury residential segments continue to see robust interest, and demand from the mid-income and nuclear housing segments is gaining pace, fuelled by growing disposable incomes and double-income households.

Top Conviction Ideas - “Real Estate”

FY26 is expected to benefit from:

- An anticipated rate cut in June, which will further support affordability
- Spillover of government expenditure into urban infrastructure
- Rising urbanisation in Tier 2 and Tier 3 cities, creating incremental residential demand
- On the annuity side, the commercial and retail segments showed impressive resilience and growth. Oberoi and Prestige reported occupancy levels as high as 90% in commercial and 99% in retail assets. Demand remains strong across:

GCC/IT and BFSI sectors,

- A robust REIT ecosystem (Embassy, Brookfield, Mindspace),
- Limited Grade-A office supply,
- And inflation-hedged lease escalations over 3–5 years.
- These dynamics reinforce our positive stance on annuity-based developers with established portfolios.

Top Conviction Ideas - “Real Estate”

Key Monitorables

- Rate cut cycles and their impact on affordability
- Execution of delayed project launches and new supply absorption
- Price discovery trends in key micro-markets
- Sustained absorption in both luxury and mid-income segments
- Trajectory of realisation growth across regions and formats
- With these metrics pointing toward a strong rebound, the current market conditions offer an attractive entry point for long-term investors.

Top Conviction Ideas - “Real Estate”

Top Conviction Ideas: Real Estate

Based on our detailed Q4FY25 analysis and forward guidance, we reiterate our BUY calls on the following names:

Prestige Estates Projects Ltd – BUY, Target Price: Rs 1,850*

SignatureGlobal India Ltd – BUY, Target Price: Rs 1,470*

Arvind Smartspaces Ltd – BUY, Target Price: Rs 970*

(*Note: Target Prices are based on our Q4FY25 Result Update Reports)

Top Conviction Ideas: Real Estate

Stock	Reco.	TP*	Recommendation Rationale
Prestige Estates Projects Ltd	BUY	Rs. 1,850*	• **Launches led to pick-up in sales; Strong guidance:** Prestige reported pre-sales of Rs 6,957 Cr for the quarter, a 48% growth YoY. This was slightly above our expectations, mainly due to launches at the far end of March. The company launched projects of 14 Mn sq. ft. in Q4FY25, including two big projects, Prestige Southern Star and Prestige Spring Heights, each covering ~5 Mn sq. ft. As opposed to ~10 Mn sq. ft. in 9MFY25. The company's pre-sales for FY25 stood at Rs 17,000 Cr, missing its earlier guidance of Rs ~24,000 Cr but in line with our expectations post Q3FY25. Mumbai's contribution to the pre-sales was ~ Rs 5,100 Cr, translating to 30% of pre-sales driven by Nautilus launch, while Bengaluru/Hyderabad contributed ~45%/23% of pre-sales for the year. It has guided towards a launch pipeline of GDV Rs 42,000 Cr while having an unsold inventory of Rs ~20,000 Cr. The company has guided towards a pre-sales of Rs 27,000 Cr, of which Q1FY26 is expected to contribute ~Rs 12,000 Cr on the back of the recent three Mumbai launches. This shows a good upcoming FY26 on the back of spill-over launches and a lower base. • **Annuity performs well:** The company showed an occupancy level of ~90% for its office segments and a strong 99% for its retail presence. EBITDA margins stood at 79%, leading to a rise in EBITDA from the annuity space of Rs 5,932 Cr for FY25. The exit rentals for its commercial/retail portfolio stood at Rs 5,230 Cr/ Rs 2,185 Cr. The upcoming pipeline stands at 8/10 Mn sq. ft. for commercial/retail segments. Its annuity capex stood at ~Rs 13,460 Cr, up from ~Rs 12,800 Cr. Prestige sees exit rentals escalating from the current Rs 7,400 Cr to Rs 44,000 Cr by FY29E. • **Muted Collections; Recovery in coming quarters:** While the company saw decent pre-sales despite delayed launches, its collections remained subdued. The reported collections for Q4FY25 of Rs 3,155 Cr showed 9% de-growth YoY. This was mainly impacted due to launches happening at the far end of March, and hence could not translate into collections. Prestige expects this spill over to happen in Q1FY26. The collections for the year stood at Rs 12,084 Cr, flat over the previous year. This also impacted the company's financial performance, while increasing its net debt to Rs 6,716 Cr from the previous Rs 5,960 Cr. Net debt to equity was 0.42x.

Note: Target Price is based on our Q4FY25 Result Update Report

Top Conviction Ideas: Real Estate

Stock	Reco.	TP*	Recommendation Rationale
SignatureGlobal India Ltd	BUY	Rs. 1,470*	• **Pre-sales for the year remain intact despite delayed launches:** Signature Global clocked pre-sales of Rs 1,620 Cr for the quarter, down 42% QoQ. This decline was mainly impacted by delayed launches, which were caused by approval delays and are expected to spill over into Q1FY26. Pre-sales for the year stood at Rs 10,290 Cr, beating their guidance for the year of Rs 10,000 Cr. For the year, the company launched projects worth ~Rs 13,800 Cr GDV and added projects of ~8 Mn sqft. The average ticket price went up to ~Rs 2.5 Cr.The company's transition to premium housing led to healthy sales momentum. For FY26, the company has guided sales growth of ~21% to ~Rs 12,500 Cr. • **Strong upcoming launches:** For the year FY25, the company launched five projects with a GDV worth Rs 13,800 Cr. For the upcoming year, the company plans to launch GDV worth Rs 17,000 Cr (~23% growth), with around Rs 10,000- 11,000 Cr being launched in H1FY26. SGIL plans to launch phase 2 of the Titanium project in Sector 71 and Deluxe-DXP in Sec-37D. To continue its launch trajectory, it incurred business development expenses of Rs 1,060 Cr and acquired ~8 Mn sqft. and GDV of Rs 12,500 Cr. Signature continues to focus on its key areas of micro markets of SPR, Dwarka Expressway, and Sohna Corridor. • **Robust cashflow management:** Signature Global's collections stood at Rs 1,170 Cr for the quarter, up 8% QoQ and 16% YoY, and at Rs 4,380 Cr for the year, up 41% YoY. The company has guided for collections of Rs 6,000 Cr for the coming year, translating to 37% growth YoY. It generated OCF of Rs 1,630 Cr (ex land capex), which shows a stellar growth of 79% YoY and aims at operating surplus of ~40% of collections. Net debt is down by Rs 280 Cr, standing at Rs 880 Cr. The company continues to aim for a net debt below 0.5x of projected operating surplus.

Note: Target Price is based on our Q4FY25 Result Update Report

Top Conviction Ideas: Real Estate

Stock	Reco.	TP*	Recommendation Rationale
Arvind Smartspaces Ltd	BUY	Rs. 970*	• **Business Development:** The company has clocked pre-sales of Rs 1,271 Cr, missing its guidance of 30% growth. This shortfall was primarily due to the company's inability to launch all the projects planned for the year, including the Bannerghatta and Surat projects. However, it continues to believe that these launch spill-overs will occur in FY26. For FY26, Arvind has guided for ~Rs 4,000 Cr of launches, comprising Rs 2,000 Cr from Bangalore, Rs 1,000 Cr from Gujarat, and the rest ~Rs 1,000 Cr from the MMR regions. The company has added new projects with topline potential of ~Rs 4,450 Cr, including the MMR horizontal township, ITPL Bangalore project, Industrial Park in Ahmedabad, and new plotted development in Sanand. For additional BD in FY26, it has guided on capex of Rs 1,000 Cr, which will convert into topline potential of Rs 5,000 Cr. • **Strong Bookings for Launches:** Arvind has historically proven to have a robust sale on launch trajectory. For the FY25, the Arvind Aqua City and The Park, Devanhalli project saw ~100% sales on launch. These were the primary drivers of its total bookings, with Aquacity contributing Rs 675 Cr and The Park showing Rs 180 Cr. The Forest Trails project also received a good response in Q4FY25, clocking Rs 164 Cr. As a leader in urban lifestyle quality living, Arvind has experienced good sales momentum in its projects, with ~22% of sales driven by referral bookings. • **Upcoming Portfolio:** Arvind continues to follow its no-land-bank strategy, undertaking more projects under an asset-light model. The company's performance is strongly dependent on upcoming launches. It is confident in continuing its previous growth trajectory of ~30% growth for the coming years, based on upcoming launches of ~Rs 4,000 Cr. These launches are geographically diversified among Bangalore, Gujarat and MMR. For its Gujarat portfolio, we expect the Surat project, Industrial Park, and new plots in Ahmedabad. For its Bangalore portfolio, we foresee the Bannerghatta project to be launched by H1FY26, and for its MMR projects, the company is exploring weekend homes projects along with redevelopment projects. Additionally, Arvind has an unsold inventory of ~Rs 1,400 Cr.

**** Note: Target Price is based on our Q4FY25 Result Update Report***

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