TOP PICKS

October 2025

AXIS DIRECT

Near-Term Consolidation Before Market Catch-up with Earnings Recovery

Volatile September, Failed to Build the Strength: After seeing a run-up for almost four months, Jul/Aug'25 saw some pullback. Sep'25 started on a positive note of structural reforms announced by the government on the rationalisation of GST. With these reforms, 12% and 28% categories have been scrapped, and the majority of the items are now under the 5% and 18% slabs. This reform aims to simplify the GST rates, ease compliance, create higher disposable income, and stimulate long-term economic revival. Consumption patterns have been clearly muted over the last 4-6 quarters due to multiple challenges like higher inflation, slowing urban demand, and slowing credit growth. Now with GST 2.0, a new leg of consumption-led growth opens the avenues of the multiplier effect in the economy. **However**, **even with this positive trigger, the market failed to build the positive strength. This was due to 1) GST 2.0 impact likely to be visible in H2FY26, 2) Depreciation in the Indian currency, 3) Mixed trend in US policies, 4) Inventory overhang in the immediate quarter due to GST rate cut, 5) FII selling,** and **6) Possibility of earnings revival still one quarter away.**

Indian Economy Well-Placed for Growth; Global Challenges Likely to Persist: Despite external risks, India's domestic growth trajectory remains intact, with key macroeconomic factors supporting a stronger FY26 compared to FY25. Both the RBI and the government are providing support by front-loading all pro-growth fiscal and monetary measures to the Indian economy. These include a) A 50 bps CRR cut in Dec'24, b) A 100 bps rate cut till now, c) Improved bank liquidity, d) The RBI Dividend, e) A consumption boost provided in the budget, and f) An uptick in the government CAPEX spending. On top of this, the government has implemented GST 2.0 reforms. These developments collectively indicate that our economy is at an inflexion point and will gain benefits in the second half and onwards. Moreover, in the 1st Oct'25 MPC, the RBI governor has also increased the FY26 GDP forecast to 6.8% from 6.5% earlier.

However, the current geopolitical situation has not been in India's favour as the Trump administration continues to impose tariffs on Indian products. One of the key factors behind the imposition of steep tariffs has been India's buying of crude oil from Russia, which, the Trump administration claims, is fueling the Russia-Ukraine conflict. Now in Sep'25, the IT sector has been imposed with higher visa charges, further hurting the sector, which was already struggling with growth. While the imposition of additional tariffs could be short-lived, the markets would remain under pressure during this period. Any prolonged negotiations will further dent export orders, accentuating pressure on the currency and creating headwind for the earnings of the Indian corporates. Till then, the Market would remain vigilant on developments around tariff negotiations.

Relative Underperformance Provides an Opportunity to Add Equity for the Long Term: On a YTD basis, the Indian market has underperformed the US market and other emerging markets by a notable margin. FTSE India is now trading at a PE premium of 49% to the EM index (PE), vs. an average premium of 44%. During Sep'24, the Indian market traded at a 97% PE premium to EM. And now, after the correction, it is trading at a 49% premium, which looks attractive compared to the past. Liquidity, on a YTD basis, remains strong in the market, led by strong domestic and SIP flows. Our DIIs have invested a massive $ 65.2 Bn in the Indian market while FIIs sold $17.4 Bn for the same period, indicating the Indian market's a shift from overdependence on the FII flows as visible in the pre-COVID era. That said, relative valuation stabilisation does not necessarily translate into an immediate rally in the current scenario. Markets are expected to track the following four key parameters, in addition to various other developments: 1) Progress on US trade deal negotiations, 2) Revival of the earnings growth cycle, which is likely to start from Q3FY26 onwards, 3) Revival in a credit growth cycle, and 4) Transmission of fiscal and monetary benefits into consumption growth.

Style & Sector Rotation - A Key to Generating Alpha Moving Forward: Risk-Reward is slowly building towards Mid and Smallcaps. Nonetheless, recovery will be slow and gradual as we progress towards FY26, led by strong earnings expectations, improving domestic liquidity, and stable Indian macros. We believe the market needs to sail through another couple of months smoothly before entering into a concrete direction of growth. As a result, we expect near-term consolidation in the market, with breadth likely remaining narrow in the immediate term. Against this backdrop, our focus remains on Growth at a Reasonable Price, 'Quality' stocks, Monopolies, Market Leaders in their respective domains, and domestically-focused sectors and stocks. These, we believe, may outperform the market in the near term. Based on the current developments, we 1) Continue to like and overweight BFSI, Telecom, Consumption, Hospitals, and Interest-rate proxies, 2) Continue to maintain positive view on Retail consumption plays, 3) Prefer certain capex-oriented plays that look attractive at this point due to the recent price correction as well as reasonable growth visibility in the domestic market in FY26, and 4) Maintain cautious stance on export-oriented sector due to tariff overhang and macroeconomic uncertainties.

Based on the recent developments, we have made one change to our Top Picks recommendations. This includes booking profit in Varun Beverages and the addition of Mahanagar Gas. Our modifications reflect our comfort towards 'Growth at a Reasonable Price' picks.

Our Key Themes

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

On the domestic front, a series of domestic events suggests better days ahead in FY26 than FY25. These are 1) A 50bps CRR cut by the RBI in Dec'24, 2) Consumption boost in the Union Budget, 3) 100 bps of rate cuts by the RBI, 4) Improved liquidity measures by the RBI and 5) GST 2.0 reforms. These events indicate better days ahead in FY26, with improved credit growth and overall consumption improvements. These developments suggest a revival of economic momentum in FY26 compared to FY25, which would remain the primary driver of earnings growth for Indian corporates moving ahead. Domestically, the key risk lies not in the intent of policy but in the pace of its transmission. While rate cuts, fiscal relief, and capital spending are already in motion, delayed reflection in corporate earnings could keep investor sentiment cautious. On the positive side, rural demand is showing early signs of recovery. If this holds alongside government spending, domestic risks should be well contained.

We maintain our Mar'26 Nifty Target at 25,500

We believe the Indian economy remains well-positioned for growth, serving as a stable haven amidst global economic volatility. We remain confident in India's long-term growth story, supported by its favourable economic structure, rising capex, and the consumption boost from the recent Union Budget and GST 2.0 reforms, driving credit growth for banks. This is expected to support double-digit earnings growth, ensuring that Indian equities can deliver strong double-digit returns over the next 2-3 years. Against this backdrop, we foresee Nifty earnings to post excellent growth of 13% CAGR over FY23-27. Financials will remain the biggest contributors for FY26/27 earnings. However, trade policy uncertainty, rupee depreciation, and delay in earning revival remain key risks to near-term market multiples. After the Q1FY26 earnings season, **in our base case, we revise our Mar'26 Nifty target to 25,500 by valuing it at 20x on Mar'27 earnings. (After Q1FY26, we saw a cut of 3% in FY27 earnings). Based on the expectations of the earnings upgrade starting from Q3FY26 onwards, we see upside risk to our target.**

The current level of India's VIX is below its long-term average, indicating that the market is currently in a neutral zone (neither panic nor exuberance). While the medium to long-term outlook for the overall market remains positive, we may see volatility in the short run. Hence, we recommend investors maintain good liquidity (10-15%) to use any dips in a phased manner and build a position in high-quality companies (where the earnings visibility is quite high) with an investment horizon of 12-18 months.

Bull Case: In the bull case, **we value NIFTY at 21x, translating into a Mar'26 target of 26,800.** Our bull case assumption is based on the Goldilocks scenario, which assumes an overall reduction in volatility and a successful soft landing in the US market. The market is keenly watching the global growth scenario in 2025 under Trump's presidency. Furthermore, private Capex, which has been sluggish for the last several years, is expected to receive a much-needed boost in the upcoming years, with the expectation of policy continuity. Backed by expectations of political stability, policy continuity, fiscal prudence, an improving private Capex cycle, rural revival, and a soft landing in the US market, Nifty earnings are likely to grow at 17-18% over FY23-27. This would augur well for capital inflows into emerging markets (EMs) and increase the market multiples in the domestic market.

Bear Case: In the bear case, we value NIFTY at 17x, translating into a Mar'26 target of 21,600. We assume the market will trade at above-average valuations, led by the likelihood of a policy shift in the Trump regime. Moreover, we presume that inflation will continue to pose challenges in the developed world. The global market has not seen such elevated interest rates in the recent past. Hence, the chances of going wrong have increased significantly. Nonetheless, the direction of currency, oil prices, and global trade developments will likely put pressure on export-oriented growth in the remaining part of FY26. Moreover, the question mark on the global growth has significantly increased after the imposition of Trump tariffs. These developments will likely bring down the market multiple in the near term. However, based on the recent developments, the chances of this scenario playing out have reduced significantly.

Based on the above themes, we recommend the following stocks: ***HDFC Bank, Bajaj Finance, Shriram Finance, Avenue Supermarts, State Bank of India, Lupin, Hero Motocorp, Max Healthcare, Kirloskar Brothers, Kalpataru Projects, APL Apollo Tubes, Mahanagar Gas, Bharti Airtel, Prestige Estates, and Sansera Engineering***

Neeraj Chadawar | neeraj.chadawar@axissecurities.in | Head of Research

Axis Securities Top Picks

Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M %	TR 3M%	TR 6M%	TR YTD%
Large Cap	Bajaj Finance Ltd.	Financials	999	1,100	10%	30.4	5.5	0.4	13.8	6.7	12.4	47.3
Large Cap	State Bank of India Ltd	Financials	872	1,025	17%	10.5	1.5	1.8	8.7	6.4	15.4	12.0
Large Cap	HDFC Bank Ltd.	Financials	951	1,150	21%	18.8	2.6	1.2	-0.1	-4.7	5.4	8.7
Large Cap	Bharti Airtel Ltd	Communication Services	1,878	2,300	22%	38.9	8.2	0.9	-0.6	-5.7	9.3	19.3
Large Cap	Shriram Finance Ltd.	Financials	616	750	22%	12.2	1.8	1.3	6.2	-12.4	-5.7	7.6
Large Cap	Avenue Supermarts Ltd.	Consumer Staples	4,475	5,280	18%	91.7	11.7	NA	-5.9	2.4	9.6	25.6
Large Cap	Lupin Ltd	Health Care	1,911	2,400	26%	21.3	4.2	0.6	0.9	-0.8	-5.2	-18.4
Large Cap	Max Healthcare Institute Ltd.	Health Care	1,115	1,450	30%	61.0	9.0	0.1	-3.4	-12.5	1.7	-1.1
Mid Cap	Hero MotoCorp Ltd.	Consumer Discretionary	5,473	6,245	14%	22.1	5.1	3.0	7.6	31.1	49.2	36.8
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,510	2,000	32%	47.3	3.8	0.1	-3.2	-8.8	27.6	-10.8
Mid Cap	APL Apollo Tubes Ltd.	Materials	1,686	1,950	16%	41.7	9.1	0.3	5.1	-2.7	10.9	7.9
Small Cap	Mahanagar Gas Ltd.	Utilities	1,295	1,540	19%	11.7	1.9	2.3	3.5	-11.5	-5.3	3.1
Small Cap	Kirloskar Brothers Ltd	Industrials	1,930	2,330	21%	32.3	6.1	0.4	-0.6	-17.9	13.1	-6.2
Small Cap	Sansera Engineering Ltd	Consumer Discretionary	1,372	1,580	15%	29.6	2.8	0.2	8.3	-0.3	13.0	-7.7
Small Cap	Kalpataru Projects International Ltd.	Industrials	1,253	1,470	17%	22.5	2.9	0.7	0.3	2.1	29.6	-2.7

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

Multi-Asset Scorecard

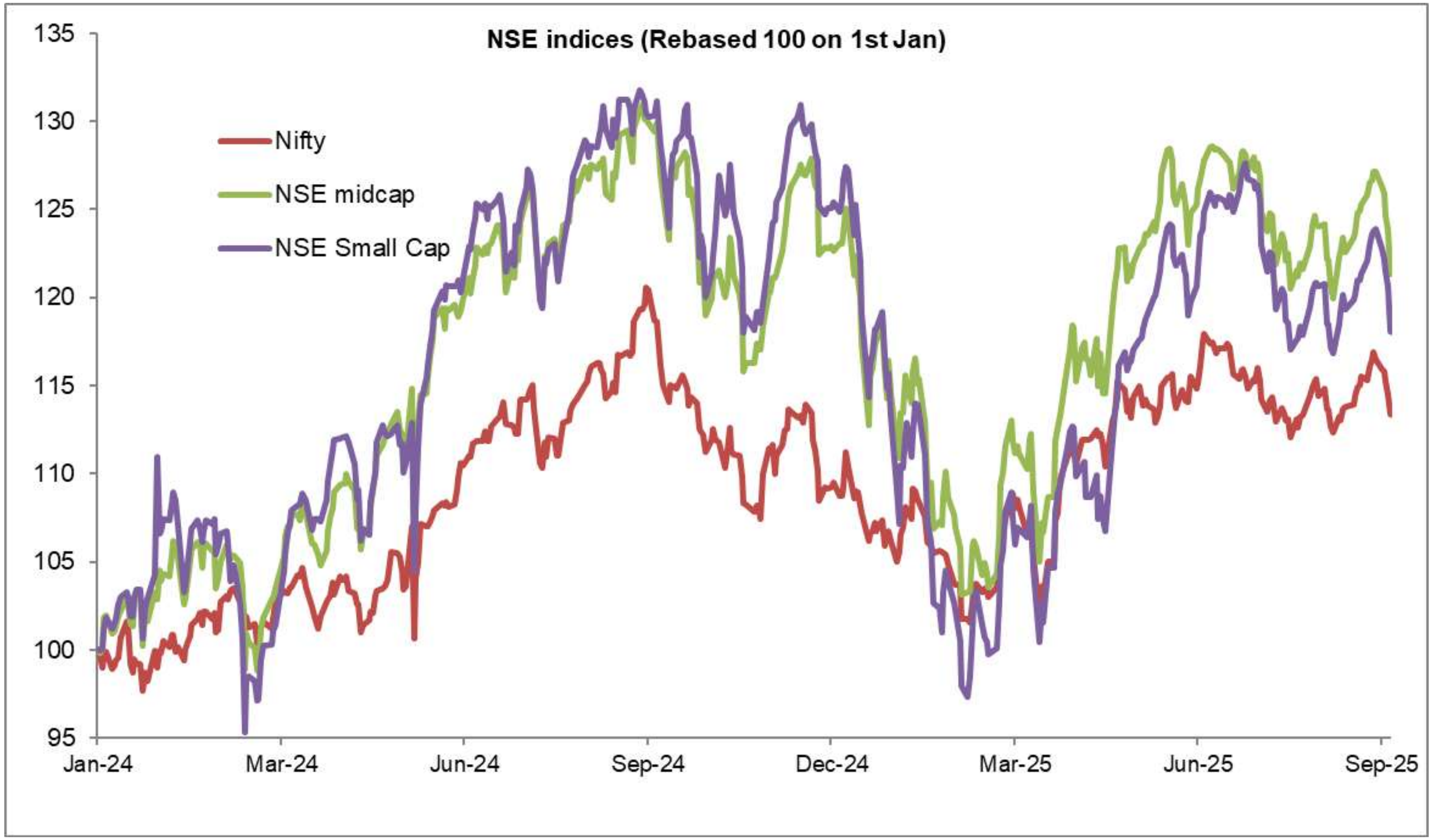
- In 2025, Gold emerged as the top-performing asset class once again.
- Gold led asset performance in 2024 until the end of May, after which the broader market took the lead. However, by Oct'24, Gold reclaimed its position as the top-performing asset class. On a YTD basis, Gold remains the best-performing asset.
- The broader market was the best-performing asset class domestically in 2023 and 2024. However, a sharp correction since Oct'24 impacted overall returns. Nonetheless, recovery is clearly visible since the last 3-4 months.
- Nifty 50 ranked at the bottom in 2024 for the first time in history, primarily due to sustained FII selling in the last three months of the year.
- On a YTD basis, Emerging and Developed Markets have outperformed the Indian market by a notable margin.

Rank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 (YTD)
1	MCX Gold: 32%	Mid Cap: 39%	S&P 500: 30%	Mid Cap: 56%	Crisil Comp Bond: 9%	Crisil comp Bond: 13%	SmallCap: 57%	MCX Gold: 8%	S&P 500: 29%	MCX Gold: 28%	SmallCap: 59%	MCX Gold: 14.3%	SmallCap: 55.6%	SmallCap: 23.9%	MCX Gold: 51.5%
2	Crisil comp Bond: 7%	SmallCap: 37%	Nifty 50: 7%	SmallCap: 55%	SmallCap: 7%	EM Index: 10%	Mid Cap: 47%	Crisil comp Bond: 6%	MCX Gold: 25%	Mid Cap: 22%	Mid Cap: 46%	Nifty 50: 4.3%	Midcap: 46.6%	Midcap: 23.8%	EM Index: 21.2%
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	S&P 500: 23.8%	S&P 500: 13.3%
4	EM Index: -21%	EM Index: 14%	Mid Cap: -5%	Crisil comp Bond: 14%	S&P 500: -1%	S&P 500: 10%	Nifty 50: 29%	S&P 500: -6%	Nifty 50: 12%	S&P 500: 16%	Nifty 50: 24%	BSE Bond index: 2.9%	Nifty 50: 20%	MCX Gold: 20.9%	NSE G Sec composite: 5.5%
5	Nifty 50: -25%	S&P 500: 13%	EM Index: -6%	S&P 500: 11%	Nifty 50: -4%	Mid Cap: 7%	S&P 500: 19%	Mid Cap: -15%	Crisil comp Bond: 11%	Nifty 50: 15%	Crisil comp Bond: 2%	SmallCap: -13.8%	MCX Gold: 14.9%	NSE G Sec composite: 9.9%	Nifty 50: 4.1%
6	Mid Cap: -31%	MCX Gold: 12%	MCX Gold: -8%	EM Index: -1%	MCX Gold: -7%	Nifty 50: 3%	MCX Gold: 6%	EM Index: -16%	Mid Cap: -4%	EM Index: 13%	EM Index: -2%	S&P 500: -19.2%	BSE Bond index: 7.9%	EM Index: 9.5%	Midcap: -1.2%
7	SmallCap: -34%	Crisil comp Bond: 9%	SmallCap: -8%	MCX Gold: -6%	EM Index: -18%	SmallCap: 2%	Crisil comp Bond: 5%	SmallCap: -29%	SmallCap: -10%	Crisil comp Bond: 12%	MCX Gold: -4%	EM Index: -19.6%	EM Index: 5.7%	Nifty 50: 8.8%	SmallCap: -6.4%

Source: Bloomberg, Axis Securities,

All Three Indices Moving in Tandem; Some Recovery Seen but Still Below the Levels seen in Mid Jul'25

- After witnessing a correction of 16% from the top till 28th Feb'25, the market rebounded by 11%. The broader market indices (Midcap and Smallcap), which had corrected by 21% and 25%, respectively, also rebounded by 18%/20.6% respectively



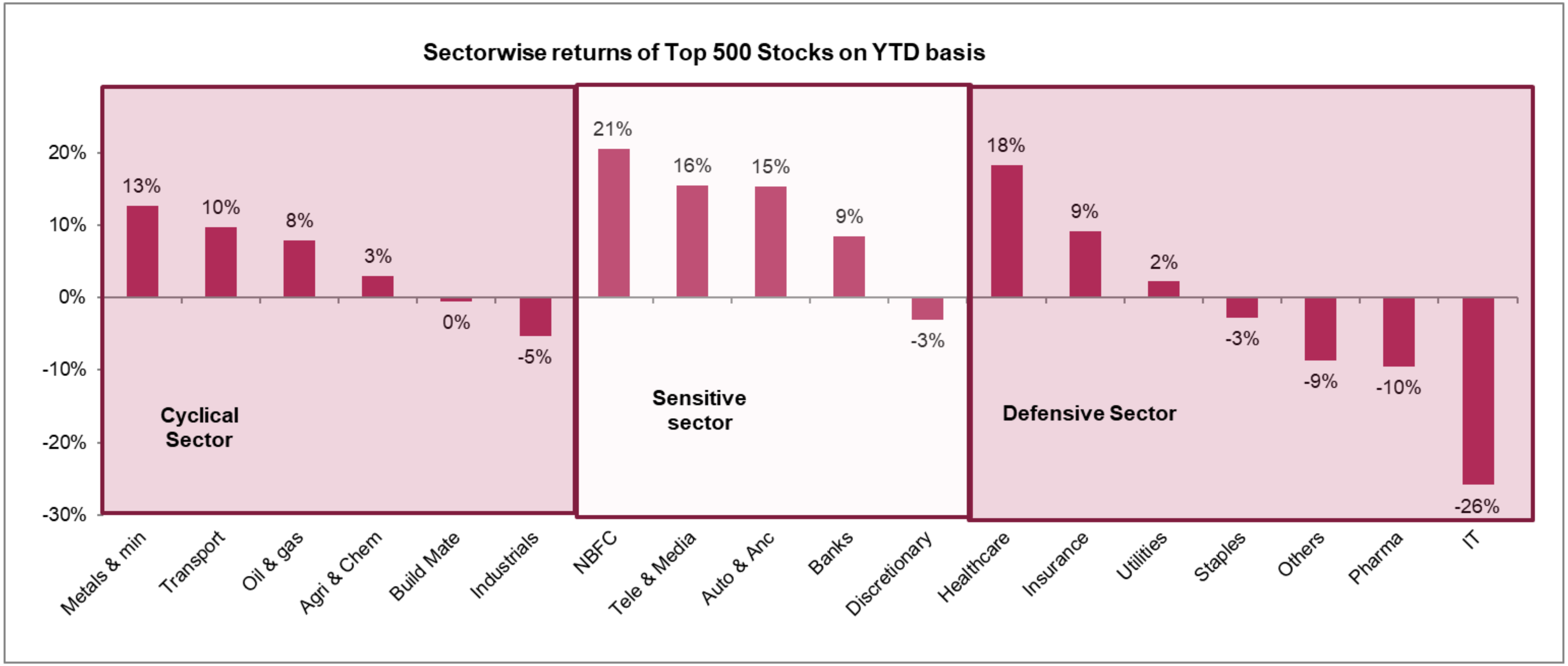
Correction from Peak (26th Sep'25) till 28th Feb'25

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

Source: Bloomberg, Axis Securities

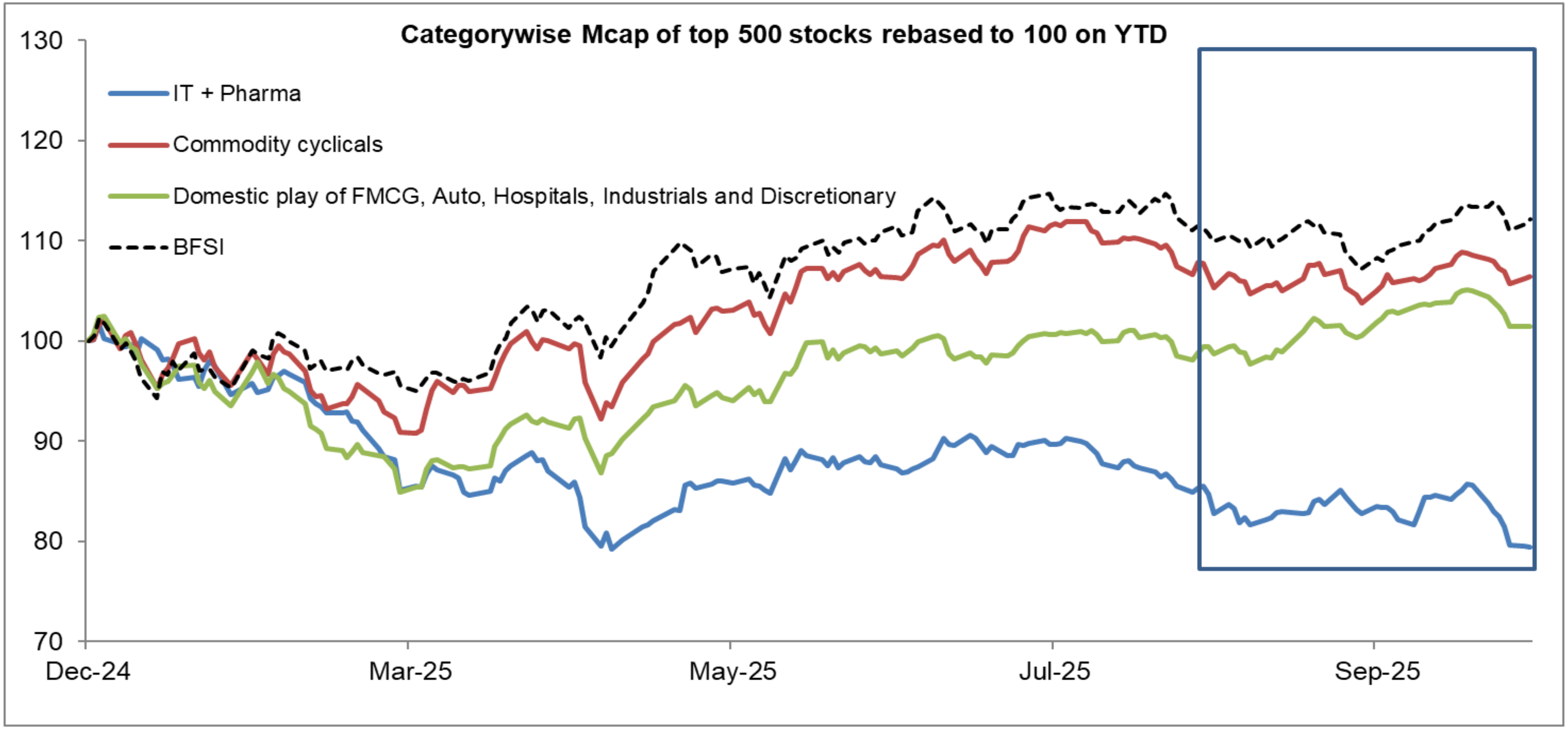
Performance on a YTD basis

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



Source: Bloomberg, Axis Securities

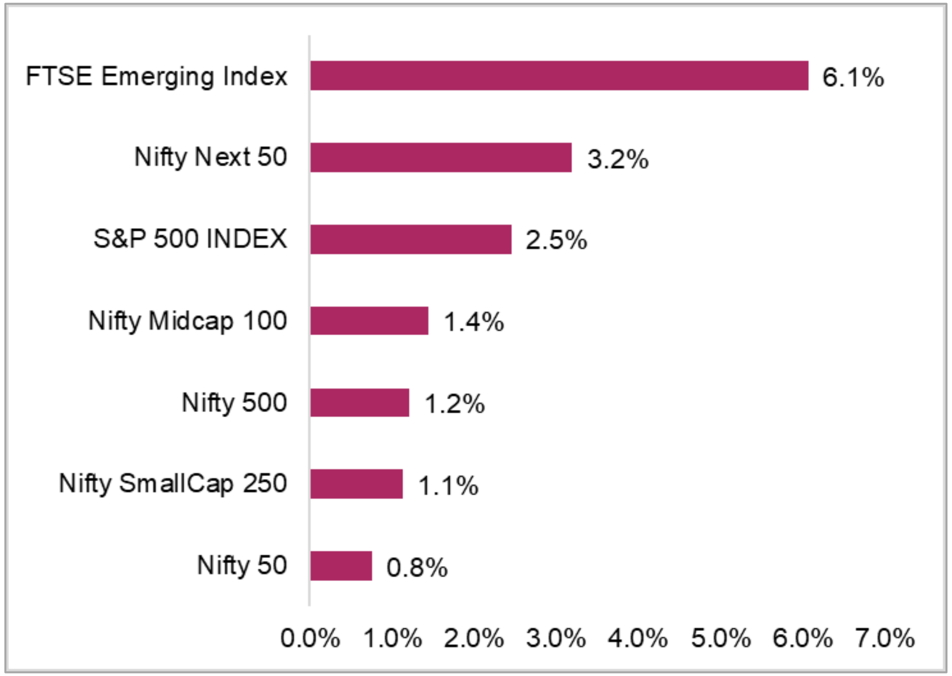
BFSI, Domestic, and Commodity Cyclical Plays Have Outperformed the Export Plays Since Mar'25

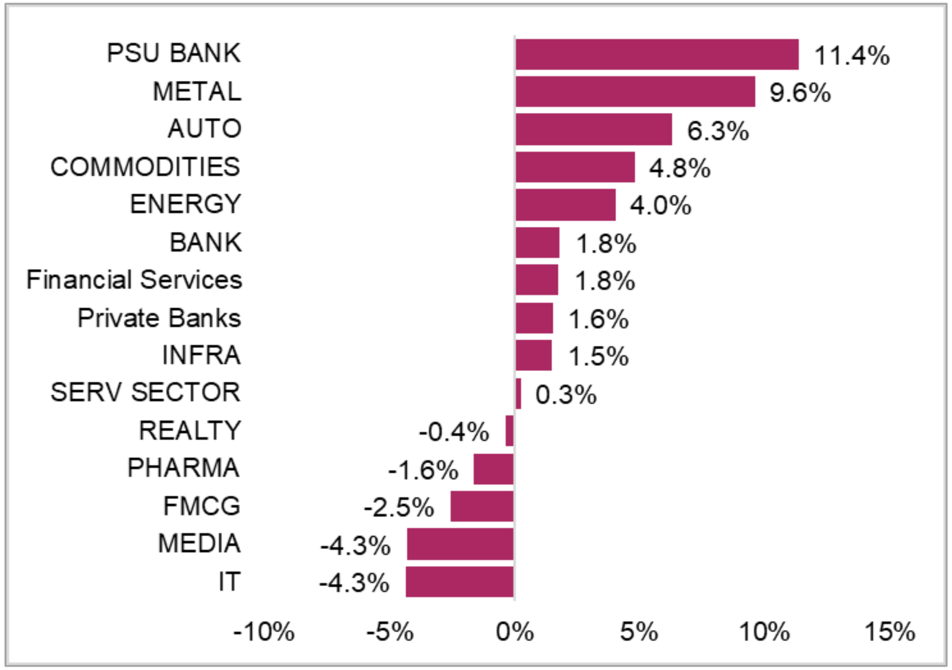


Source: Bloomberg, Axis Securities

What Happened in the Last One Month

- The Indian market continued its underperformance vs Emerging Markets and the S&P 500
- Nifty next 50 saw a comeback after a strong recovery seen in Adani stocks
- PSU Banks, Metals, and Auto saw a good rally, while IT, FMCG, and Pharma exhibited weakness
- After underperforming for a couple of years, the BFSI sector has been witnessing a strong comeback





Source: Bloomberg, Axis Securities

Quarterly Sector Scorecard

- 40% of the sectors have outperformed the Nifty 50 in the current quarter, indicating that a majority of the negatives are already priced in.
- Dec’24 and Mar’25 quarters’ performance was similar to the Jun’22 (Russia-Ukraine) and Mar’23 (Adani crisis) quarters.
- In the current quarter, the Auto, Commodities, Metals, FMCG, Pharma, and PSU Bank sectors have outperformed the Nifty 50 index

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar'25	Jun'25	Sep'25
% of sectors outperformed the market	56%	50%	75%	38%	25%	63%	69%	50%	44%	56%	44%	50.0%	37.5%	50.0%	40.0%
Nifty 50	1%	-10%	8%	6%	-4%	11%	2%	11%	3%	7%	8%	-8.4%	-0.5%	8.5%	-3.6%
Nifty Next 50	-3%	-11%	16%	0%	-10%	16%	3%	18%	14%	18%	8%	-11.7%	-7.4%	9.4%	-1.7%
Nifty 500	-1%	-10%	11%	4%	-6%	13%	5%	12%	4%	11%	8%	-7.8%	-4.6%	10.7%	-3.7%
Nifty Midcap 100	-2%	-11%	16%	3%	-5%	19%	13%	14%	4%	15%	9%	-4.9%	-9.6%	15.6%	-5.4%
Nifty SmallCap 250	-4%	-14%	14%	3%	-7%	20%	16%	15%	2%	19%	8%	-4.2%	-14.4%	17.8%	-6.2%
AUTO	-4%	11%	9%	-1%	-3%	24%	7%	15%	15%	17%	8%	-16%	-6%	12.1%	11.2%
BANK	3%	-8%	16%	11%	-6%	10%	0%	8%	-2%	12%	0%	-4%	1%	11.1%	-4.7%
COMMODITIES	7%	-16%	11%	7%	-7%	9%	8%	19%	8%	9%	8%	-18%	5%	5.5%	0.5%
Financial Services	-1%	-10%	13%	8%	-5%	11%	-1%	8%	-2%	12%	4%	-4%	6%	8.4%	-4.2%
ENERGY	14%	-3%	2%	1%	-12%	8%	11%	22%	17%	5%	8%	-21%	-3.6%	8.9%	-4.3%
FMCG	-3%	4%	18%	-1%	4%	14%	-1%	10%	-5%	5%	16%	-14%	-5%	2.4%	-0.3%
IT	-6%	-23%	-3%	6%	0%	3%	8%	12%	-2%	1%	18%	5%	-16.1%	5.6%	-13.6%
INFRA	1%	-8%	7%	6%	-3%	13%	9%	17%	14%	8%	6%	-12%	0%	11.3%	-4.3%
MEDIA	7%	-20%	9%	-3%	-15%	3%	30%	5%	-25%	13%	6%	-15%	-18.9%	18.9%	-12.1%
METAL	16%	-27%	24%	17%	-18%	13%	10%	17%	3%	18%	5%	-16%	6%	4.9%	5.3%
PHARMA	-4%	-10%	7%	-3%	-5%	15%	12%	9%	13%	3%	19%	0%	-9.1%	4.3%	-2.7%
PSU BANK	8%	-11%	23%	44%	-14%	11%	28%	9%	23%	5%	-8%	-4%	-3.5%	15.0%	4.5%
Private Banks	2%	-9%	19%	10%	-6%	11%	1%	8%	-5%	12%	1%	-7%	4%	9.8%	-6.3%
REALTY	-4%	-17%	10%	2%	-10%	34%	11%	36%	15%	22%	0%	-4%	-19.3%	15.9%	-12.1%
SERV SECTOR	-1%	-12%	10%	6%	-7%	8%	1%	10%	1%	9%	9%	-4%	-1.3%	8.3%	-5.6%

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

The Indian Market Underperformed the Global Market in the Last 3 Months

The Nifty 50 reached an all-time high of 26,216 on 26th Sep'24. Till 28th Feb'25, the benchmark experienced a correction of 16% from the top. The broader market indices, including Mid and Smallcap indices, also corrected by 21%/25%, respectively.

In the three months, the market saw a correction after positive returns for four consecutive months starting from Mar'25. In the last three months, except Auto, Metals, and PSU banks, most indices are in the red.

- **Positive Near-term Outlook:** Domestic-oriented stocks; Telecom; Rural theme; Domestic Cyclical
- **Improving Outlook:** Discretionary; Consumption; BFSI; Industrials; PSUs
- **Mixed Bag:** Pharma; IT
- **Near-term Challenging but Well-placed for Longer-time Horizons:** Metals; Commodity-linked stocks; and Selective Cyclicals (Cement)

National Index						
Index Performance (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
Nifty 50	0.8%	-3.6%	4.6%	12.5%	4.1%	-4.6%
Nifty Next 50	3.2%	-1.7%	7.6%	6.0%	-0.2%	-12.0%
Nifty 500	1.2%	-3.7%	6.5%	11.9%	1.6%	-6.2%
Nifty Midcap 100	1.4%	-5.4%	9.4%	15.0%	-1.2%	-6.0%
Nifty SmallCap 250	1.1%	-6.2%	10.5%	13.1%	-6.0%	-9.3%
Sector Index (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
NIFTY AUTO	6.3%	11.2%	24.6%	14.4%	16.2%	-1.8%
NIFTY BANK	1.8%	-4.7%	6.0%	16.4%	7.4%	3.1%
NIFTY COMMODITIES	4.8%	0.5%	6.1%	7.3%	10.7%	-8.5%
Nifty Financial Services	1.8%	-4.2%	3.8%	25.0%	10.7%	6.3%
NIFTY ENERGY	4.0%	-4.3%	4.3%	-7.0%	-0.5%	-20.5%
NIFTY FMCG	-2.5%	-0.3%	2.1%	-0.8%	-3.7%	-16.5%
NIFTY IT	-4.3%	-13.6%	-8.8%	4.1%	-22.3%	-19.8%
NIFTY INFRA	1.5%	-4.3%	6.5%	10.1%	6.4%	-5.9%
NIFTY MEDIA	-4.3%	-12.1%	4.6%	-14.4%	-15.1%	-27.8%
NIFTY METAL	9.6%	5.3%	10.4%	11.8%	16.0%	-1.6%
NIFTY PHARMA	-1.6%	-2.7%	1.5%	15.3%	-8.4%	-7.8%
NIFTY PSU BANK	11.4%	4.5%	20.2%	10.8%	15.1%	11.4%
Nifty Private Banks	1.6%	-6.3%	2.8%	13.7%	6.8%	-0.1%
NIFTY REALTY	-0.4%	-12.1%	1.9%	-11.1%	-17.6%	-21.1%
NIFTY SERV SECTOR	0.3%	-5.6%	2.2%	17.0%	1.4%	-3.5%

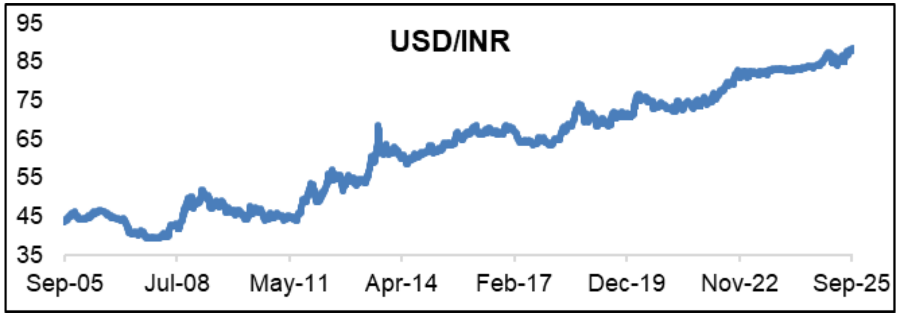
Source: Bloomberg, Axis Securities, and Performance as of 30th Sep'25

International Index						
Index Performance (%)	**1m**	**3m**	**6m**	**04th Jun'24**	**YTD**	**1 YR**
Shanghai Comp	0.6%	12.7%	16.4%	25.6%	15.8%	16.4%
Bovespa	3.5%	5.4%	12.3%	20.1%	21.7%	11.0%
south africa	6.3%	12.7%	22.9%	41.8%	32.8%	27.5%
Korea	7.5%	11.5%	38.0%	28.6%	42.7%	32.1%
Mexico	6.8%	9.1%	18.8%	16.9%	25.9%	19.0%
Indonesia	2.9%	16.4%	23.8%	13.5%	13.9%	7.1%
Argentina	-9.7%	-10.1%	-23.3%	13.4%	-29.2%	5.6%
Japan	5.2%	11.0%	26.2%	15.7%	12.6%	18.5%
Hongkong	7.1%	11.6%	16.2%	45.6%	33.9%	27.1%
Philipines	-3.3%	-6.5%	-3.7%	-6.8%	-8.8%	-18.1%
Taiwan	6.6%	16.0%	24.8%	20.9%	12.1%	16.2%
Singapore	0.7%	8.5%	8.3%	28.8%	13.5%	19.9%
Thailand	3.0%	16.9%	10.0%	-4.7%	-9.0%	-12.1%
Veitnam	-1.2%	20.8%	27.2%	29.5%	31.2%	29.0%
Dow	1.7%	5.0%	10.3%	19.6%	8.9%	9.4%
Nasdaq	5.3%	10.9%	30.6%	34.0%	17.0%	24.2%
FTSE 100 INDEX	1.2%	6.1%	8.3%	12.9%	13.8%	12.9%
DAX INDEX	-0.6%	-0.6%	7.2%	29.1%	19.4%	23.0%
CAC 40 INDEX	1.9%	2.4%	0.8%	-1.1%	6.4%	2.8%
S&P 500 Index	3.1%	7.4%	18.7%	25.9%	13.3%	15.6%

Commodities Saw A mixed trend in The Last One Month

- **Precious Metals:** Gold prices increased by 22% in the last 6 months due to volatility in the equity market.
- **Commodities:** Commodities prices saw some comeback in the last 3 months. Aluminium went up by 3% while Steel increased by 6.7%.
- **Crude:** Brent crude is now trading below $70/bbl and has been highly volatile due to the rising geopolitical risk, ongoing supply-side concerns, and recessionary fear.

Market Indicator	30-09-2025	1m ago	3m ago	04th Jun'24	YTD	1 YR
Brent Crude ($/bbl)	67.5	68.1	67.6	77.5	74.6	71.8
Bond Yield (GOi 10Yr)	6.6	6.6	6.3	7.0	6.8	6.8
USD/INR	88.8	88.2	85.8	83.5	85.6	83.8
India Vix	11.1	11.8	12.8	26.7	14.4	12.8

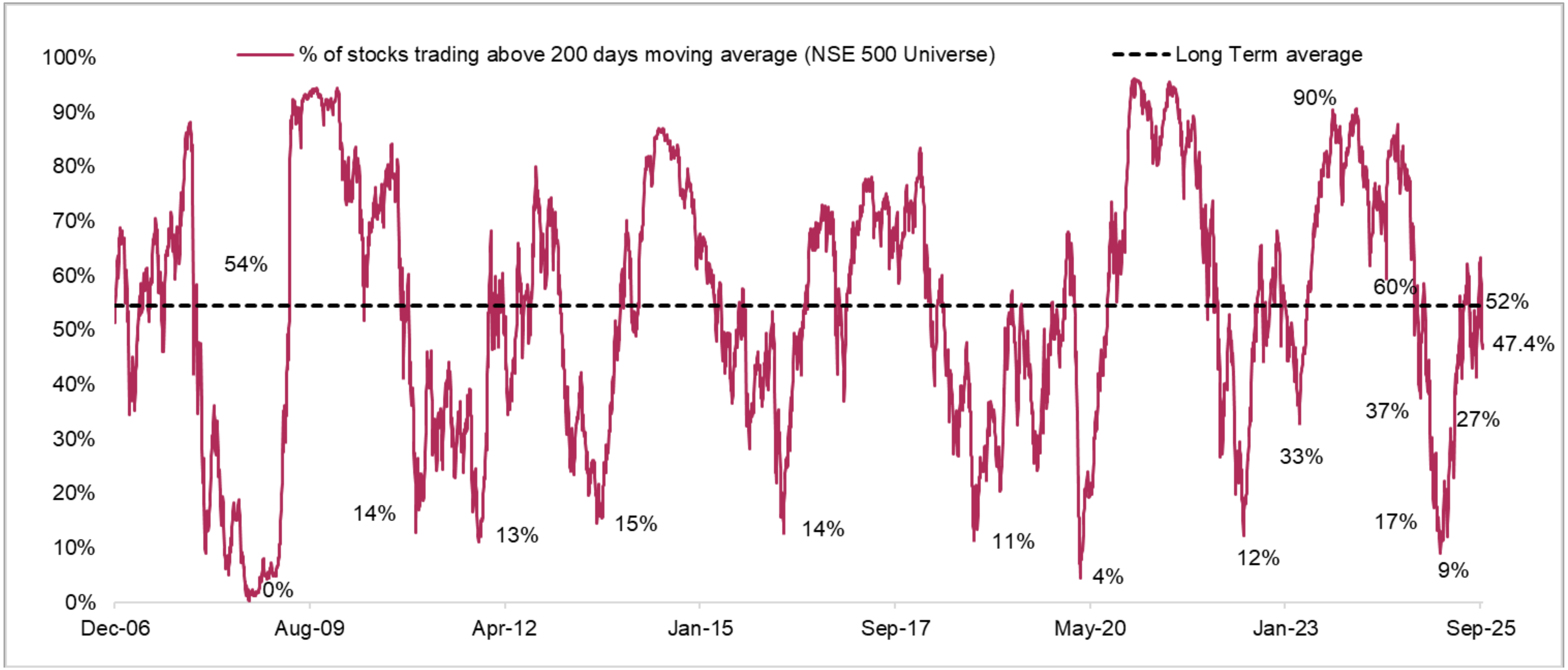


Commodity Index	1m	3m	6m	04th Jun'24	YTD	1 YR
Gold ($/OZ)	10.6%	15.5%	22.1%	63.9%	45.3%	44.8%
Steel ($/ton)	0.0%	6.7%	2.1%	-10.3%	-2.0%	0.0%
Aluminium ($/ton)	1.9%	3.0%	6.1%	2.7%	6.2%	2.3%
Copper ($/ton)	5.7%	3.3%	7.5%	5.8%	20.0%	7.1%
Zinc ($/ton)	5.6%	7.6%	5.1%	3.7%	0.0%	-3.3%

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

NSE 500 Universe (200-day Moving Average): Maintained around Average Levels

After a recent correction, the market is once again entering a slightly oversold zone, with only 47% of the NSE 500 stocks currently trading above the long-term average. Nonetheless, it will continue to be driven by macroeconomic data in the near term. Its performance is likely to be range-bound for at least one quarter until signs of relief in tariff negotiations and earnings revival become visible. Sector and Style Rotation will likely be visible in the market moving forward.



Source: Bloomberg, Axis Securities

52W-High Analysis

- After a recent fall, only 31 stocks are now trading near their 52-week highs, compared to 73 stocks as of three months back.
- 278 (~56%) stocks are trading below 20% of their 52-week highs; On 1st April, it was 76%.
- ~28% of the stocks have corrected by over 30% from their 52-week high, indicating that all negative factors are now priced in.
- The Largecap market looks attractive at current levels.
- Out of 55 PSUs, only two are near their 52-week high, compared to 35 stocks in Feb'24.

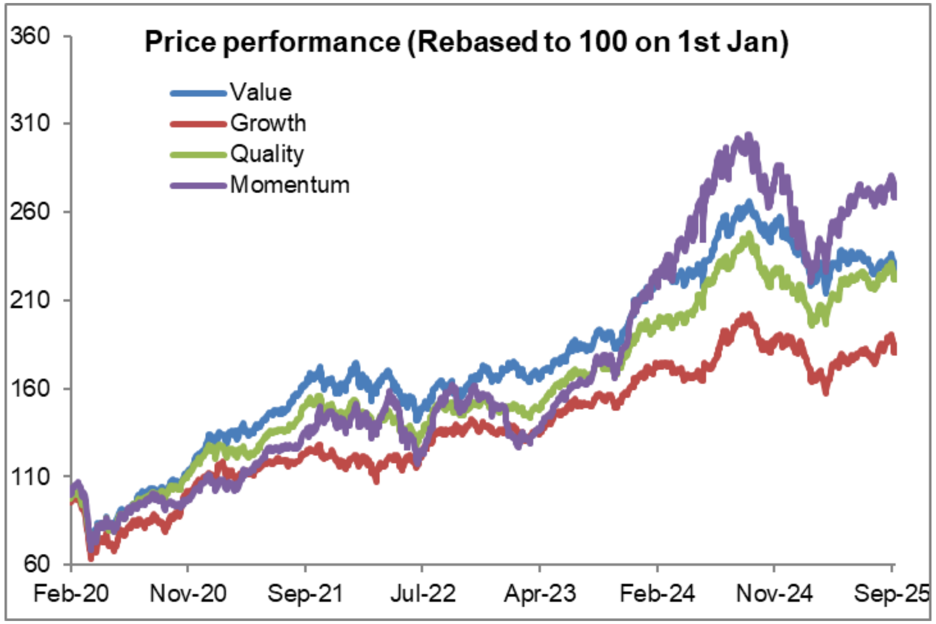
		Current level of number of stocks as compared to 52W high			
Sector	**No of Stocks**	**Near to 52W high**	**5%-20% below 52W high**	**20%-30% below 52W high**	**Below 30%**
Agri & Chem	36	0	13	9	14
Auto & Anc	42	6	16	9	11
Banks	28	6	16	2	4
Build Mate	40	0	14	12	14
Discretionary	30	2	12	7	9
Healthcare	49	2	27	13	7
Industrials	46	0	16	13	17
IT	42	0	4	18	20
Metals & min	25	5	15	3	2
NBFC	61	8	32	12	8
Oil & gas	16	1	3	9	3
Others	8	0	2	4	2
Staples	34	0	10	14	10
Tele & Media	15	0	2	5	8
Transport	10	0	5	4	1
Utilities	18	1	3	6	8
Total	**500**	**31**	**190**	**140**	**138**
Large cap	**100**	**12**	**40**	**19**	**11**
Mid cap	**150**	**12**	**60**	**46**	**28**
Small cap	**250**	**7**	**88**	**74**	**99**
PSUs	**55**	**7**	**20**	**18**	**9**

Source: Bloomberg, Axis Securities

Style Indicators

Quality is the Best-Performing Theme on a YTD Basis

- In the last three months, 'Quality' and 'Growth' styles have outperformed other styles by notable margins.
- In the last one year, the Growth and Quality themes delivered the highest returns.
- The theme 'Growth at a Reasonable Price' looks attractive, driven by the robust growth expectation, the cool-off in commodity prices, lowering inflation, rural recovery, and the expectation of margin recovery in the upcoming quarters.
- The selected Value stocks from the PSU, Metals, Commodities, Utility, and Cement sectors are well-placed to deliver superior performance. Furthermore, structural growth plays, offering long-term earnings visibility, will continue to do well.

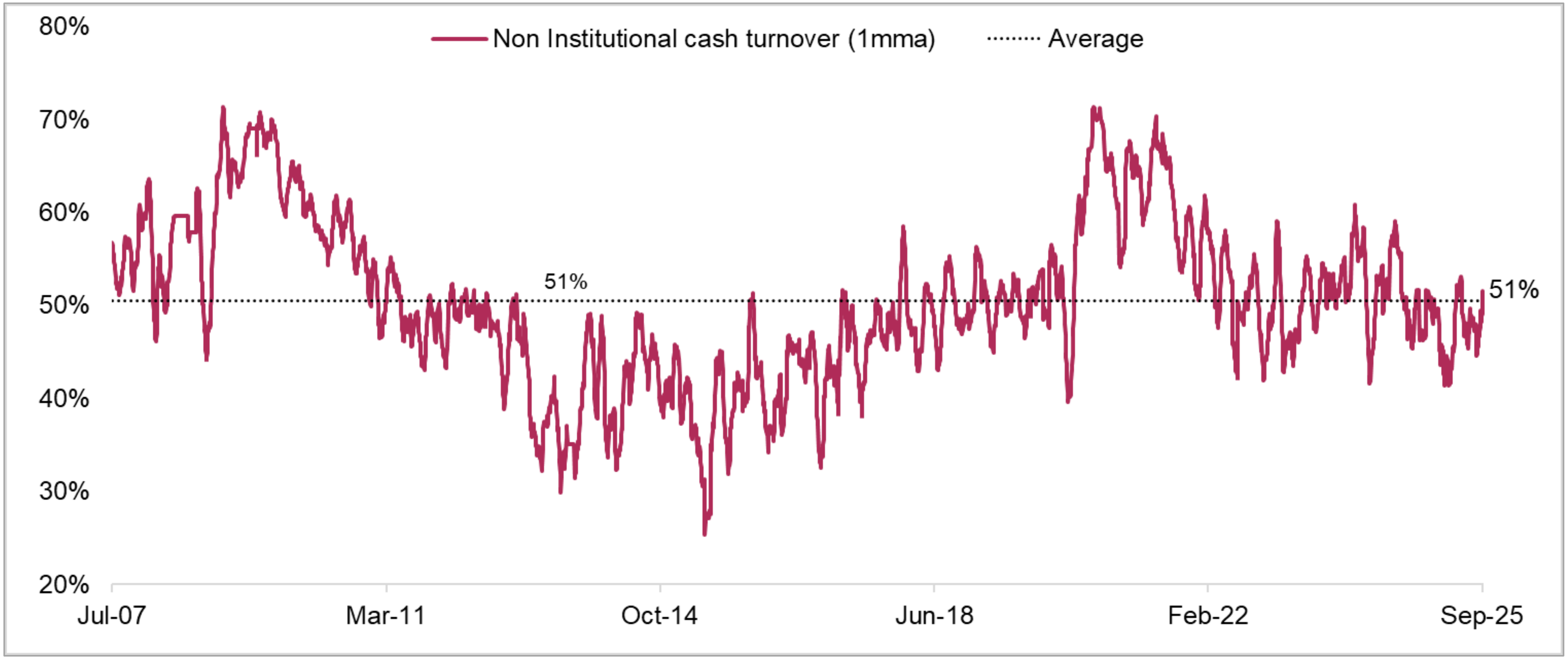


Perf	Value	Growth	Quality	Momentum
2022	-0.9%	12.4%	-0.9%	7.1%
2023	27.8%	24.8%	32.0%	39.0%
2024	15.6%	9.8%	11.3%	30.0%
YTD	-7.2%	-2.3%	1.7%	-1.8%
1m	-0.1%	-0.5%	-0.2%	1.2%
3m	-3.8%	0.4%	-1.2%	-2.7%
6m	-0.3%	8.3%	7.5%	11.4%
1YR	-13.6%	-9.7%	-9.8%	-10.6%
2YR	20.0%	17.3%	29.3%	50.1%

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

Non-institutional Turnover Remains around Average Levels

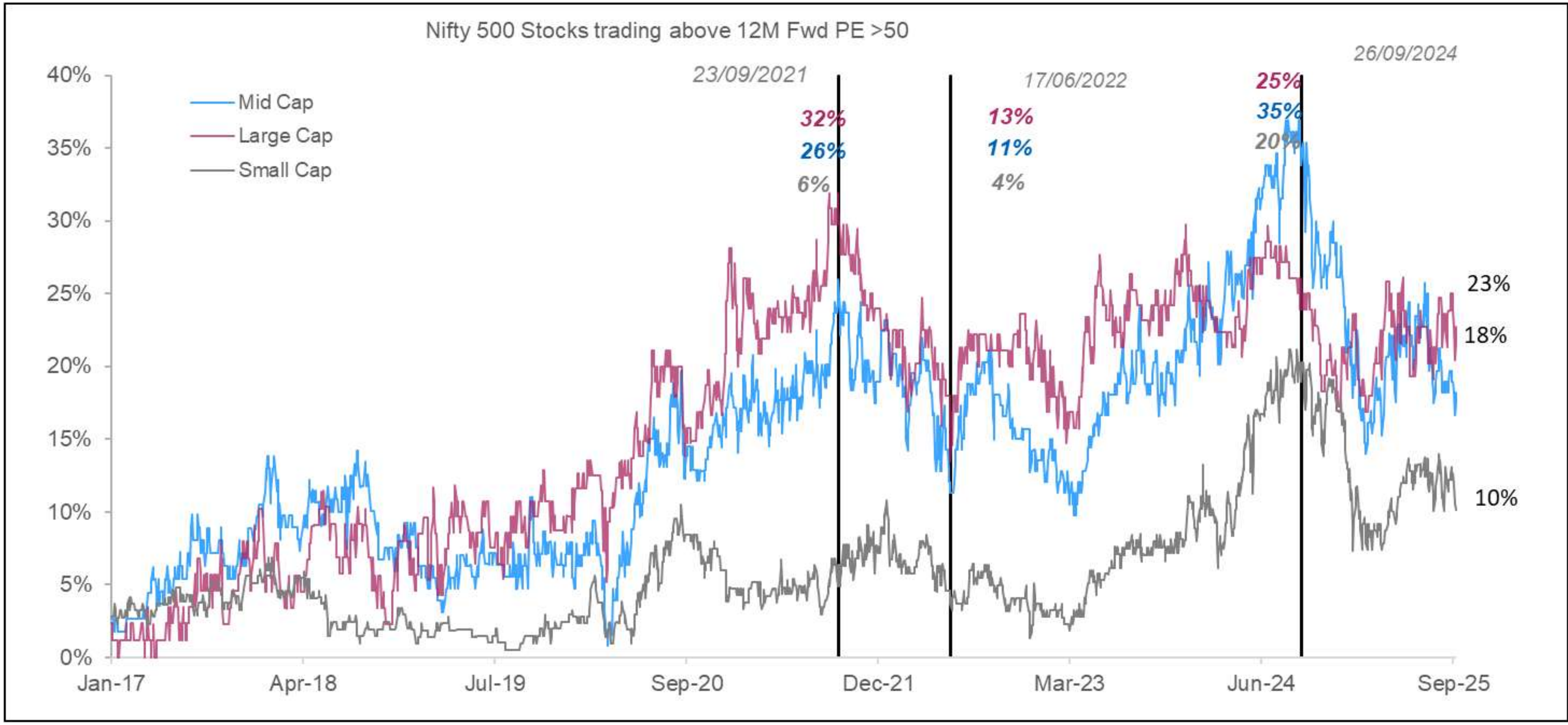
- Non-institutional (Retail) turnover is currently at its long-term average of 51%. Turnover saw a comeback in the last one month after the announcement of the GST rate cut decision.
- Retail investor participation is expected to improve further in the coming months, given that equity is the only asset class that can beat the current inflationary scenario.



Source: Bloomberg, Axis Securities

Number of NSE 500 Stocks Trading above 12M Fwd PE>50

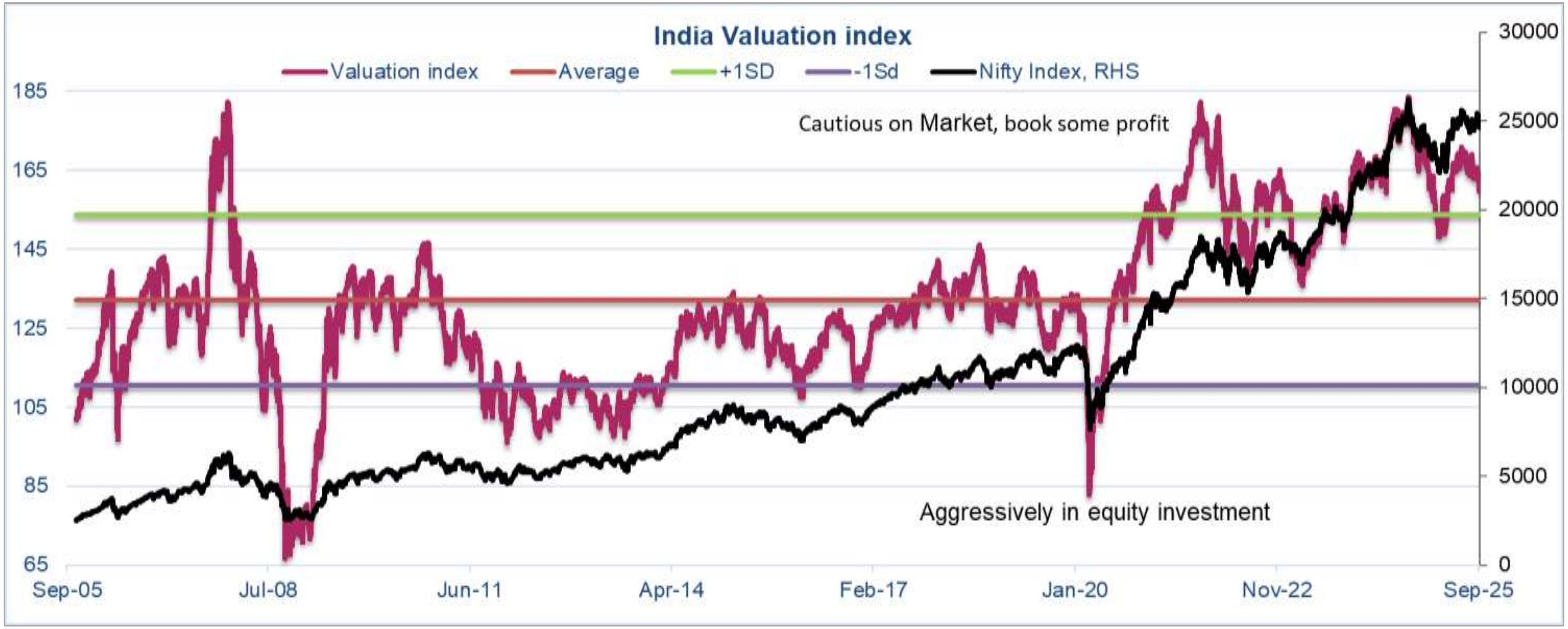
PE compression was observed across the board during the previous FII selling phase between 09/2021 and 06/2022, when total FII outflows exceeded $34.5 Bn. In the current cycle, cumulative FII selling has reached ~$29 Bn so far



Source: Refinitiv, Axis Securities

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

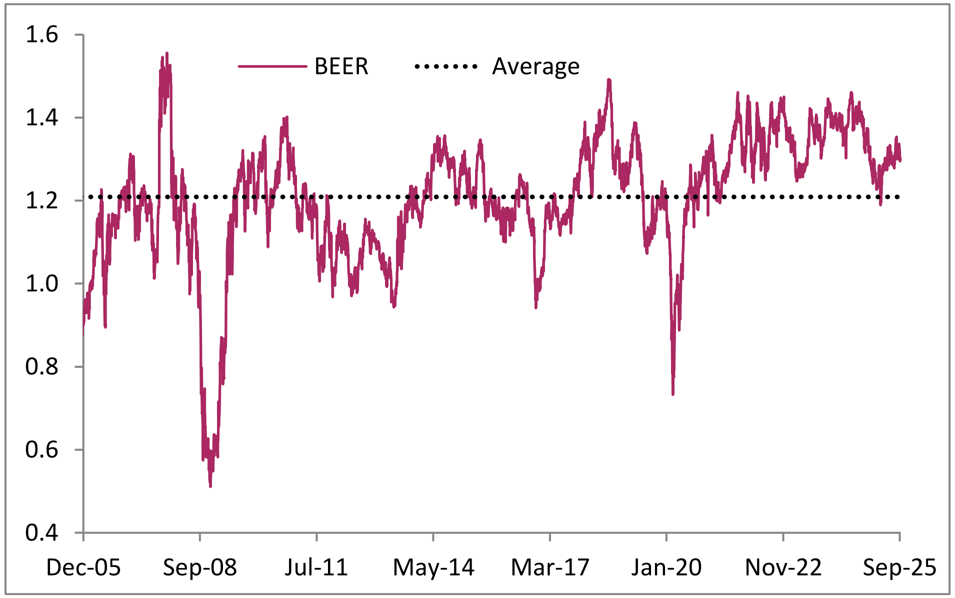
- Even after the recent rally, our market valuation index continues to trade slightly above the 1stdev. Current valuations offer limited scope for re-rating. Hence, the market will follow earnings growth. Stock selection and sector rotation will be key to achieving outperformance.
- The calculation of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



Source: Bloomberg, Axis Securities

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

- **BEER:** Indian bond yields have corrected by 30 bps since Nov'24 (the start of the US Fed's Rate cut cycle). A consumption boost, fiscal consolidation in the Union budget, and rate cuts by the RBI indicate some cooling off in bond yields. After correction in the equity market, the Bond to Equity Earning Yields ratio is now trading slightly above the long-term average.
- **India's Total Market Cap to GDP** is trading at 131%, above its long-term average (rebased after the FY25 GDP of Rs 324 Tn released by the government on 1st Feb'25). However, at projected levels of nominal GDP for FY26, the Mcap/GDP ratio translates into 119% (fairly valued). As per the Union Budget 2025-26, the FY26 GDP assumption is pegged at Rs 356.97 Tn.
- **Historical Perspective:** Historically, similar upward earnings momentum was witnessed in FY10 earnings immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we will likely see higher MCAP-to-GDP ratio levels in the upcoming quarters.

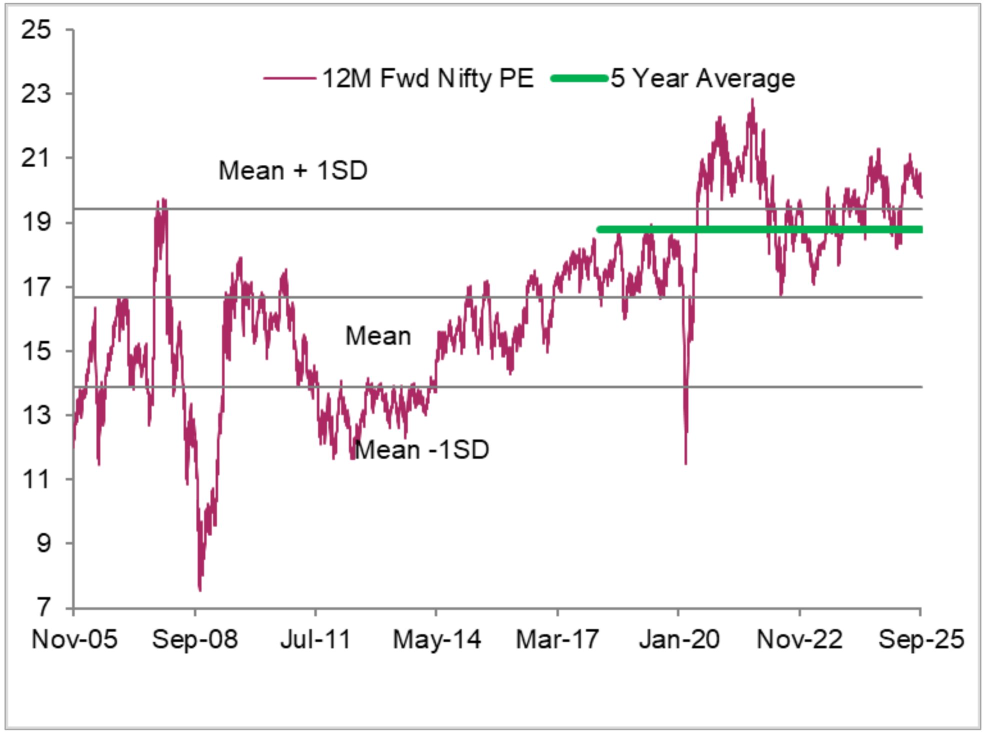


Source: Bloomberg, Axis Securities

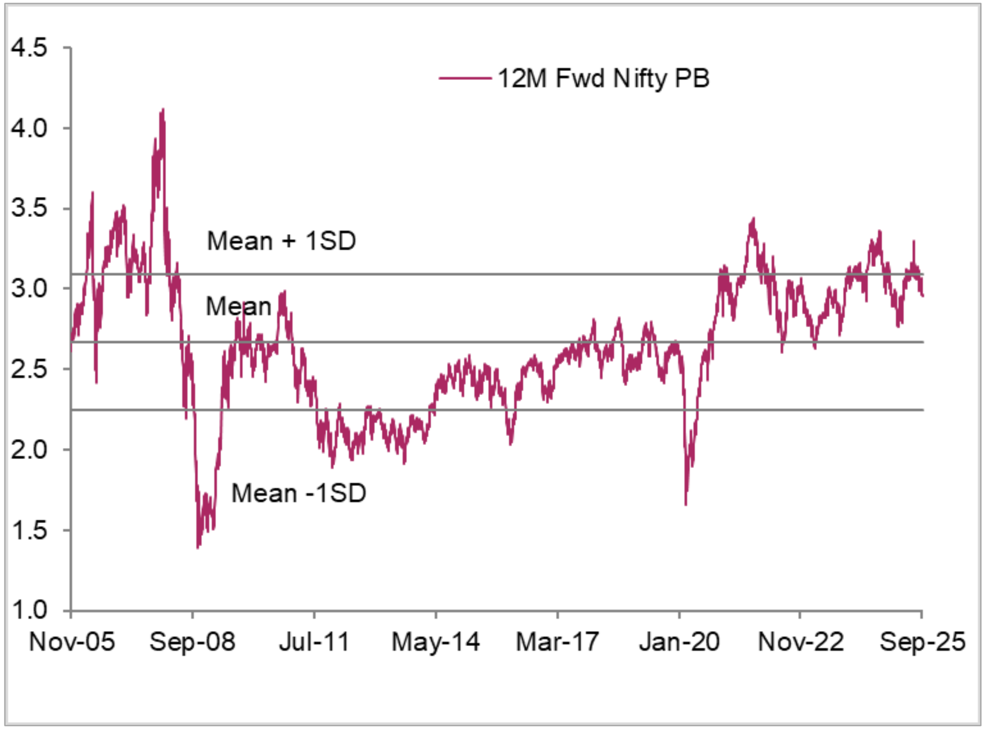
Market Valuations: 12M Fwd PE Now Trading at 19.8x

- NIFTY is currently trading at 19.8x on a 12M Fwd PE, which stands at 1.15 std to its long-term average (16.5x). However, it trades at slightly below the 1std to its long-term average of a 12M Fwd PB.
- Current valuations provide limited scope for rerating. Style rotation and sector selection are keys to generating alpha as earnings expectations from the broader market remain intact.

Nifty 12M Fwd PE

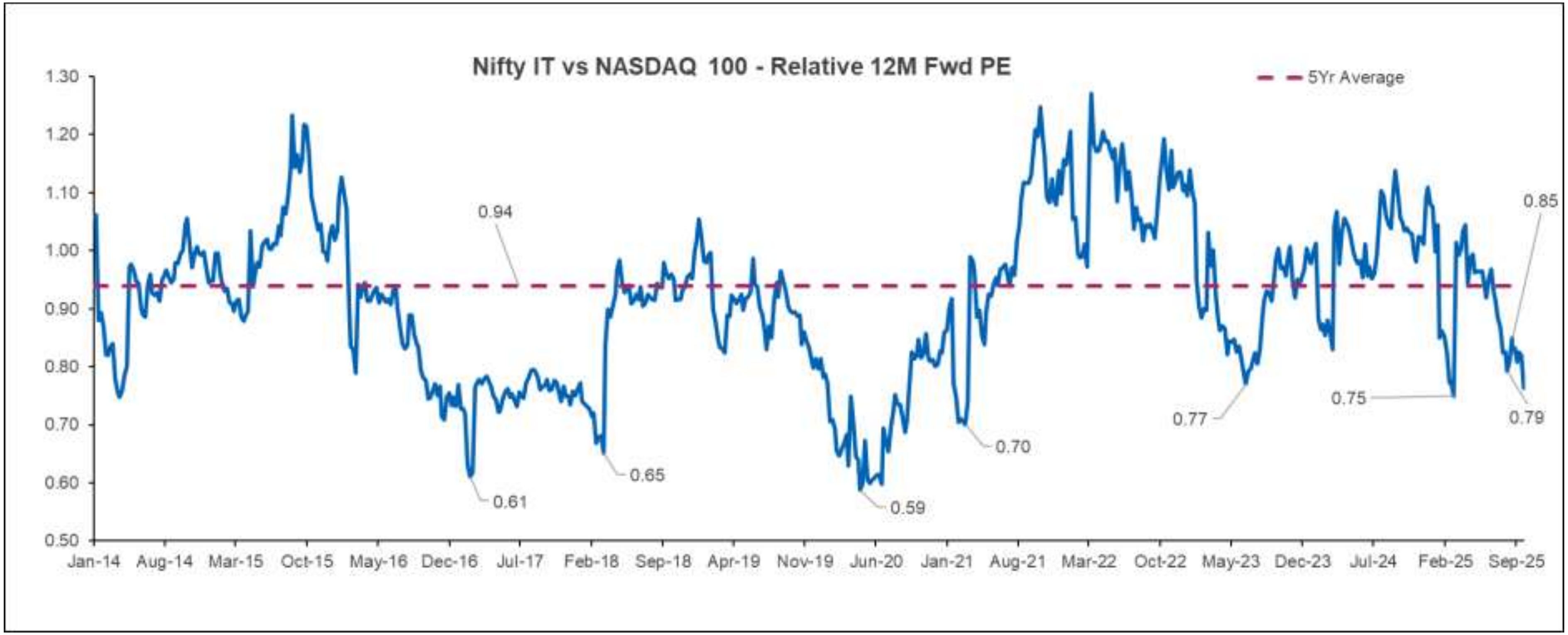


Nifty 12M Fwd PB



Source: Bloomberg, Axis Securities, Data: as of 30th September,'25

Nifty IT vs NASDAQ 100 - Relative 12M Fwd PE



Source: Bloomberg, Axis Securities

Valuation Correction in the Broader Index

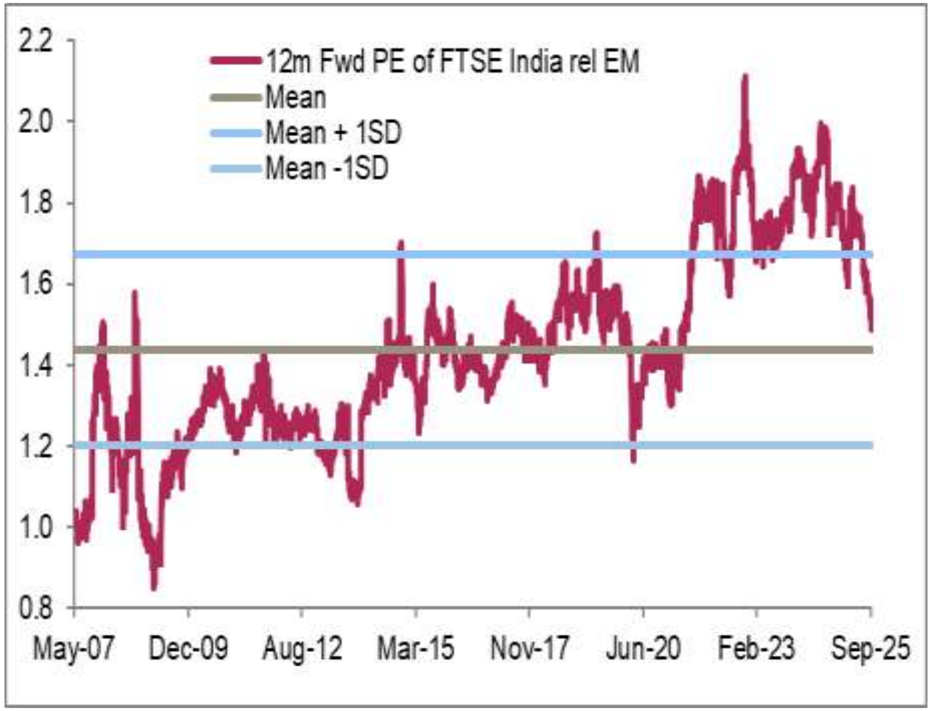
- Most of the sectors are still in the Oversold zone as compared to the Sep'24 levels

	12M fwd PE	Long-term Avg	Valuation as of Sep'24	% Down from Sep'24
Service Sec	23.2	18.3	20.7	12.3%
PSU Banks	8.8	10.0	7.9	11.4%
Banks	15.2	16.0	14.3	6.9%
Auto	24.2	19.2	24.8	-2.5%
Infra	21.2	18.7	22.6	-6.2%
Nifty	**19.8**	**18.1**	**21.3**	**-7.0%**
Pharma	28.6	23.9	30.8	-7.3%
Energy	14.1	11.6	15.3	-7.8%
Metal	14.9	11.2	16.2	-7.9%
FMCG	34.2	33.4	43.0	-20.4%
Media	19.8	22.7	25.3	-21.7%
IT	22.3	21.0	29.2	-23.6%
Realty	31.0	26.9	44.7	-30.7%

Source: Bloomberg, Axis Securities, Data as of 30th September 2025

Market Valuations: On a relative basis, India looks Attractive vs the EM Index

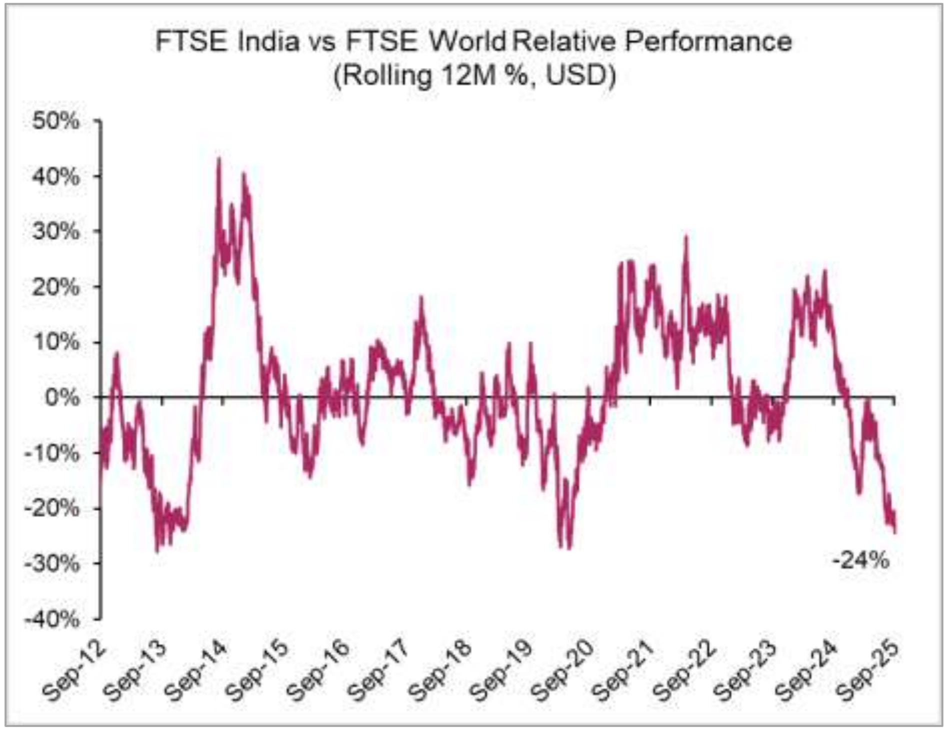
- Benchmark indices have corrected from all-time highs, and so have the valuations. FTSE India is now trading at a PE premium of 49% to the EM index (PE), vs. an average premium of 44%. During Sep'24, the Indian market traded at a 97% PE premium to EM, and now, after the correction, it is trading at a 49% premium, which looks attractive compared to the past.
- We believe the Indian equity market will continue to trade at a higher premium to EM over the next year due to a) Strong economic growth compared to other EM countries, b) A healthy earnings outlook for FY26-27, c) Sustained demand across sectors, d) A well-capitalized banking sector with improving fundamentals, e) Expectations of a revival in the private Capex cycle, f) Consumption-

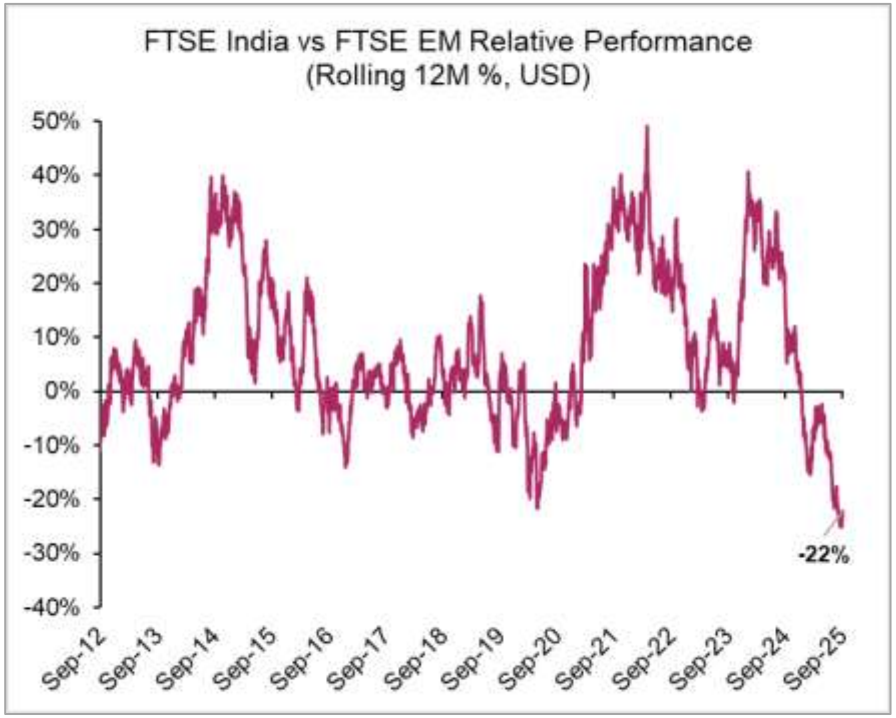


Source: Bloomberg, Axis Securities

Where India Stands vs the Emerging Market and World Index

- Relative Underperformance of the Indian market has led once again to near all-time low levels vs the world and the emerging markets.
- Stable currency, earnings recovery, and stable macro policy could lead to mean reversion going forward.

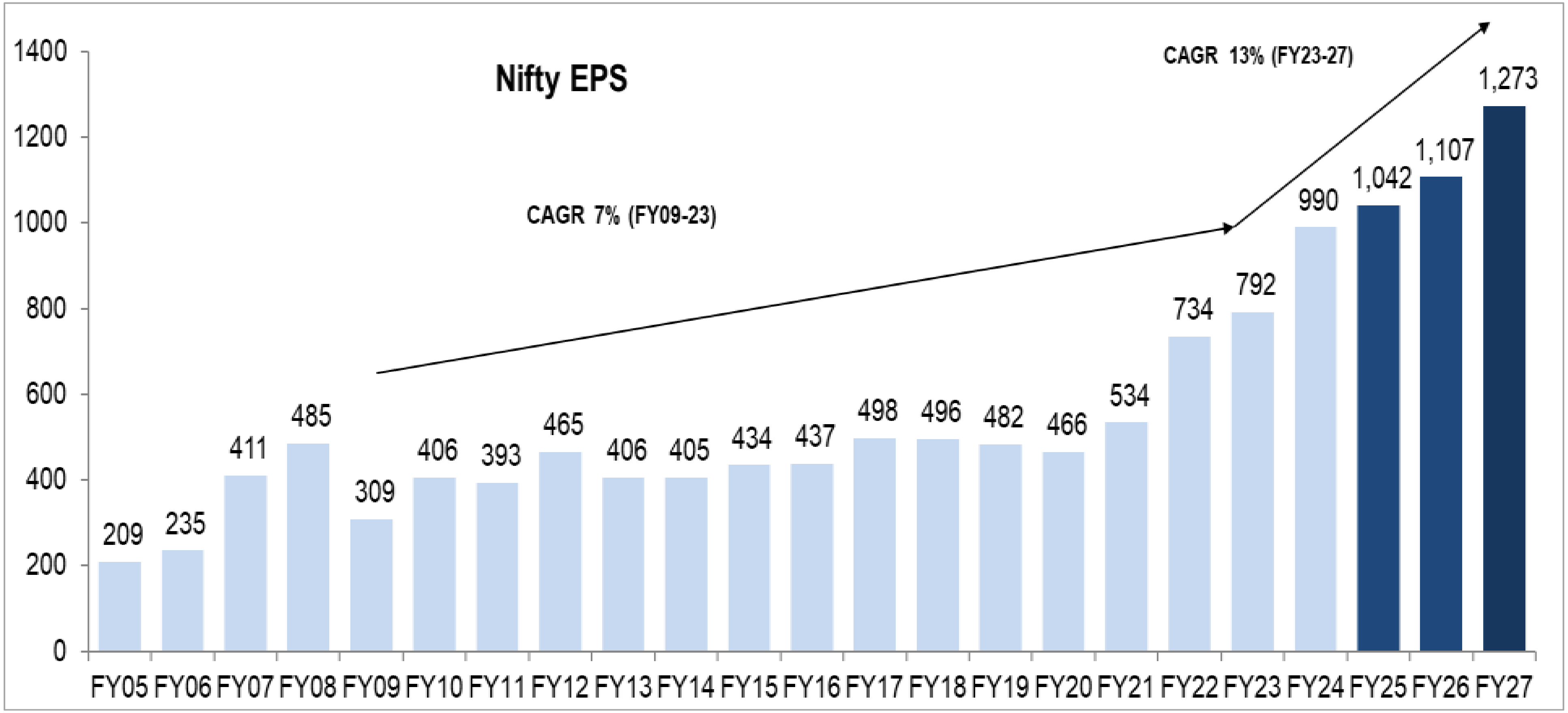




Source: Bloomberg, Axis Securities

NIFTY EPS Growth Expectation Remains Robust

- Nifty EPS is expected to grow at 13% CAGR over FY23-FY27 vs. 7% CAGR over FY09-FY23.



Source: Bloomberg, Axis Securities

Some Downgrades in Nifty EPS

- After Q1FY26, we foresee FY26/27 NIFTY Earnings at 1107/1273. We have downgraded our FY26/27 expectations by 3.8% and 3.2%, respectively. The majority of the downgrades are related to downgrades seen in IT (muted guidance), BFSI (NIM compression due to rate cut) and the Pharma sector, while upgrades were visible in Cement (continues improvement in Profitability trends). Earnings for the BFSI and IT sectors are likely to bottom out in Q2FY26.
- All hopes are on the earnings recovery in the second half of FY26. This is expected to be led by the Fiscal and Monetary reforms by the Government and the RBI. The probable impact of the GST cut is also likely to be visible in the second half.
- Overall, FY26 will likely be better than FY25. More promising numbers are to be visible from Q3FY26, which will be led by the base effect, the likelihood of improvement in the high-frequency indicators, the expectation of higher government spending, and a pick-up in consumption.

Nifty EPS	Post Q4FY25		Post Q1FY26					Chg post Q1FY26	
Sector	FY25	FY26	FY24	FY25	FY26E	FY27E	FY28	FY26E	FY27E
Financial	493	574	434	457	473	554	639	-4.0%	-3.5%
IT	119	130	108	111	107	118	124	-9.7%	-9.9%
Oil & Gas	119	133	141	102	115	128	138	-2.9%	-4.1%
FMCG	64	75	57	83	63	75	84	-1.9%	-0.5%
Power	44	42	37	38	44	42	48	-0.6%	-1.9%
Industrial	62	75	40	51	60	74	83	-2.9%	-1.6%
Pharma	33	34	28	28	31	33	36	-5.6%	-2.0%
Metals	80	90	48	60	79	90	92	-1.0%	-0.2%
Automobile	92	100	82	86	90	97	103	-2.4%	-3.1%
Cement	8	10	6	5	9	12	13	13.0%	12.9%
Telecom	30	41	8	21	29	41	50	-1.4%	1.0%
Total	**1151**	**1315**	**990**	**1042**	**1107**	**1273**	**1410**	**-3.8%**	**-3.2%**
Growth			**25%**	**5.3%**	**6.2%**	**15.0%**	**10.8%**		

Source: Bloomberg, Axis Securities

The Last 4 Quarters' Rolling Profits for NSE 500 (Sum of the Earnings of the Last 4 Quarters)

A few interesting findings from our study: Sector-wise

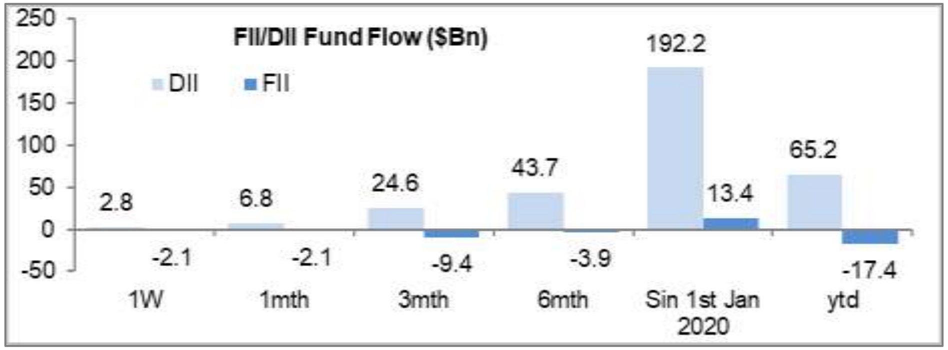
- The last 4 quarters' cumulative net profit reached an all-time high in Q1FY26, crossing the mark of 15.5 Lc Cr.
- **Oil & Gas saw sequential Outperformance, while Discretionary, Healthcare, and Transport saw sequential underperformance**
- Financials, Oil & Gas, Metals, and IT now contribute 65% of the NSE 500's profitability.

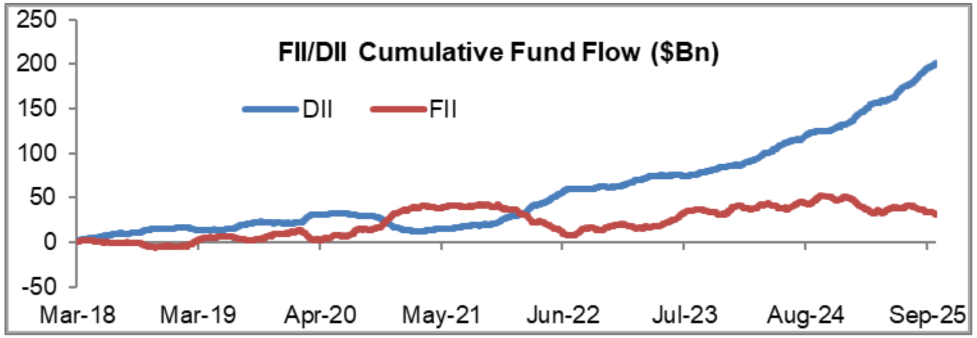
Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)									
	Q2FY20	Q4FY23	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Growth %
Auto & Anc	36,212	43,028	68,426	70,977	72,945	73,813	75,509	77,647	2.8%
Staples	34,044	49,516	48,309	50,298	49,873	50,775	69,875	70,478	0.9%
Discretionary	18,283	30,085	30,085	33,752	35,517	37,134	38,828	36,400	-6.3%
Financials	85,507	3,87,050	4,91,062	5,12,352	5,32,335	5,55,935	5,67,553	5,79,079	2.0%
IT	81,462	1,14,293	1,22,274	1,24,997	1,29,644	1,33,100	1,32,401	1,35,566	2.4%
Oil & gas	1,00,204	1,28,660	2,29,182	1,99,877	1,73,186	1,69,965	1,67,660	1,87,145	11.6%
Metals & min	58,266	88,438	87,823	91,399	1,01,569	1,00,859	1,11,935	1,16,729	4.3%
Industrials	31,188	37,174	48,191	50,923	59,526	60,645	70,638	72,172	2.2%
Build Mate	22,387	23,965	36,531	37,477	37,743	45,690	37,098	38,758	4.5%
Healthcare	28,133	39,045	50,109	59,490	62,670	64,931	69,323	64,035	-7.6%
Utilities	27,165	59,631	74,954	71,391	67,802	68,312	72,397	74,382	2.7%
Transport	2,462	4,152	13,326	13,307	12,377	11,988	13,445	12,705	-5.5%
Agri & Chem	12,424	31,842	17,428	16,874	17,128	19,783	23,502	24,661	4.9%
Tele & Media	-19,015	12,474	15,212	18,160	22,784	38,279	50,953	52,344	2.7%
Others	12,486	16,661	16,277	23,158	29,535	26,194	13,991	12,780	-8.7%
Total	5,31,208	10,66,015	13,52,675	13,74,433	14,04,634	14,57,405	15,15,109	15,54,882	
Ex Oil and Gas	**4,31,004**	**9,37,354**	**11,23,493**	**11,74,556**	**12,31,448**	**12,87,440**	**13,47,448**	**13,67,737**	
Total Growth		**2%**	**3%**	**2%**	**2%**	**4%**	**4%**	**3%**	
Growth ex Oil and Gas		**8%**	**4%**	**5%**	**5%**	**5%**	**5%**	**2%**	

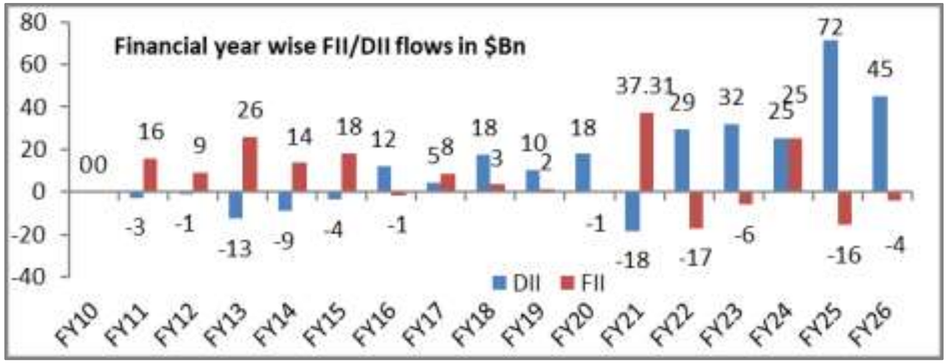
Source: Bloomberg, Axis Securities, Note: Tata Motors, IRB and Vodafone are not included in the study

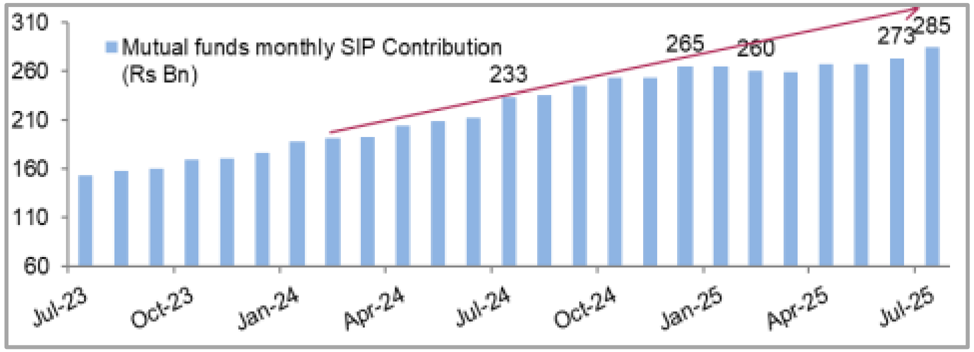
FII Selling Seen in the Last 1M/3M

- The Indian market has emerged from the overdependence on the FII flows since FY22. From FY22 till now, our DIIs have invested $203.5 Bn while FIIs have taken out $17.3 Bn from the Indian market. Even with FII selling, our market remains resilient, and buying has been seen at every level, indicating the improvement in the risk appetite of the domestic investors and confidence in the India story.
- In FY25, FIIs have pulled out only $16 Bn, while DIIs have invested $72 Bn in the Indian equity market. Notably, mutual fund SIP contributions crossed Rs 28,000 Cr for the first time in Jul'25.









Source: Bloomberg, Axis Securities

Sector-wise FII Flows since Sep'24 (Data NSDL): In FY26 so far, Financials, Telecom, Materials and Others saw a strong Inflow, while Outflow was seen in Tech, Utilities, Consumer Discretionary, and Real Estate

Sector	FII Flows in USD Mn													Outflow	Outflow
	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	since Oct'24	Apr'25-Sep'25
Financials	3244	(3109)	296	368	(2882)	(803)	1675	2169	470	1042	(671)	(2657)	185	(3917)	538
Cons Dics	(146)	(2640)	(857)	(144)	(1959)	(1066)	(848)	(168)	(258)	395	(365)	(140)	(209)	(8259)	(745)
Cons Staples	584	(1378)	(167)	(327)	(627)	(793)	(643)	343	95	(463)	175	(125)	(124)	(4034)	(99)
Tech	61	(451)	212	1270	(931)	114	(906)	(1798)	648	177	(1884)	(1019)	(201)	(4769)	(4077)
Industrials	608	(884)	200	533	(991)	(898)	(59)	(343)	654	(243)	(117)	372	187	(1589)	510
Energy	(77)	(2550)	(1581)	(1270)	(182)	(388)	(397)	(40)	295	716	(372)	(698)	(170)	(6637)	(269)
Materials	209	(331)	(454)	149	(486)	(526)	95	(321)	229	261	561	381	25	(417)	1136
Healthcare	791	(7)	57	442	(505)	(166)	15	(84)	(306)	(47)	(8)	(162)	(181)	(952)	(788)
Utilities	202	(145)	(77)	(210)	(490)	(363)	(22)	107	(289)	(739)	6	(465)	(244)	(2931)	(1624)
Telecom	230	(321)	(601)	44	16	917	360	544	946	320	169	660	(170)	2884	2469
Real Estate	641	(165)	244	562	(115)	(137)	68	(84)	(194)	156	(450)	(142)	(218)	(475)	(932)
Others	535	800	170	408	140	143	260	203	30	130	929	4	15	3232	1311
Total	**6882**	**(11181)**	**(2558)**	**1825**	**(9012)**	**(3966)**	**(402)**	**528**	**2320**	**1705**	**(2027)**	**(3991)**	**(1105)**	**(27864)**	**(1465)**

Source: Bloomberg, NSDL, Axis Securities

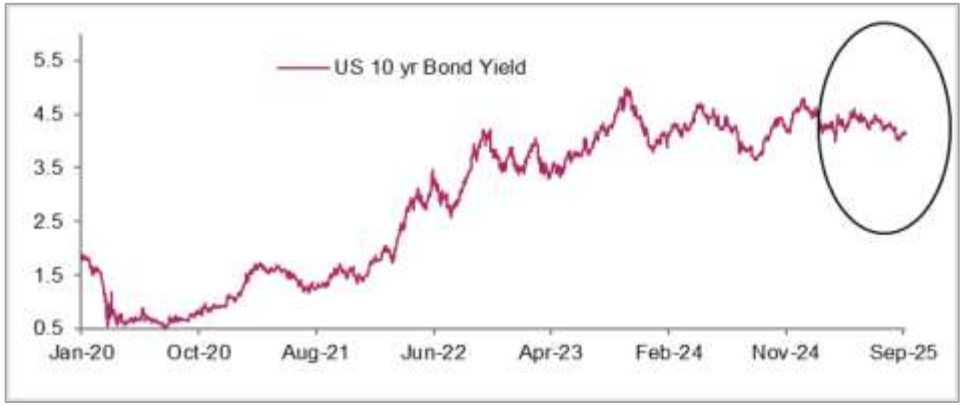
FII Flows in Emerging Markets: South Korea and Taiwan saw Positive flows in Jul'25 and Sep'25. In FY26 so far, China, Taiwan, Brazil, and South Korea saw Positive FII flows, while India, Indonesia, Malaysia, and Thailand witnessed outflows.

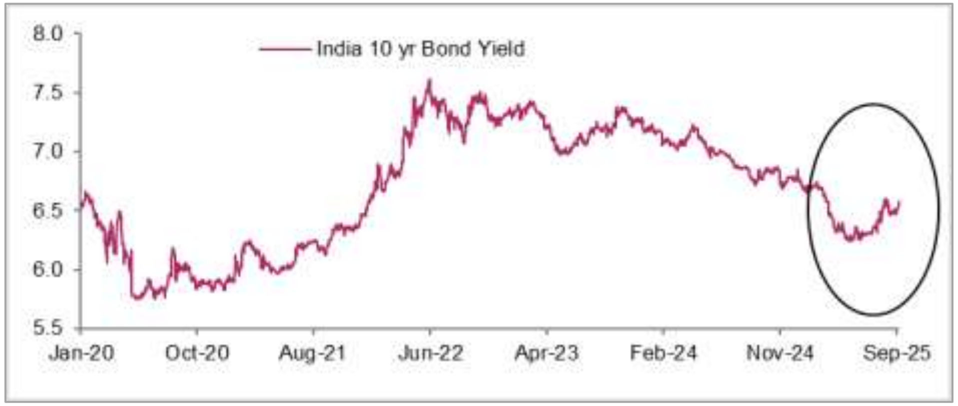
Monthly FII equity flows in Emerging market $Bn										
Month	India	Indonesia	Malaysia	Brazil	Phillipines	S. Korea	Taiwan	Thailand	Vietnam	China
Aug-24	1.4	1.8	0.6	1.8	0.1	-2.1	-2.5	-0.2	-0.1	-9.6
Sep-24	5.9	1.4	0.1	-0.3	0.3	-5.7	-2.3	0.9	-0.1	96.4
Oct-24	-10.4	-0.7	-0.4	-0.5	0.0	-3.4	1.1	-0.8	-0.4	-21.6
Nov-24	-2.7	-1.1	-0.7	-0.5	-0.3	-3.2	-8.0	-0.4	-0.5	-15.4
Dec-24	1.3	-0.3	-0.6	0.1	-0.1	-1.5	0.7	-0.3	-0.1	-5.8
Jan-25	-8.4	-0.2	-0.7	1.2	-0.1	-1.0	-1.3	-0.3	-0.3	-13.4
Feb-25	-5.4	-1.1	-0.5	0.1	-0.1	-2.8	-3.9	-0.2	-0.4	17.9
Mar-25	0.2	-0.5	-1.0	0.6	0.0	-1.5	-13.1	-0.6	-0.4	4.3
Apr-25	1.3	-1.2	-0.4	0.0	-0.1	-7.0	-0.2	-0.4	-0.5	-24.0
May-25	1.7	0.3	0.2	1.9	-0.3	0.9	7.6	-0.5	0.0	25.0
Jun-25	2.4	-0.5	-0.3	1.0	-0.1	2.0	5.0	-0.2	-0.1	17.6
Jul-25	-2.9	-0.5	-0.2	-1.1	0.0	4.5	8.3	0.5	0.3	NA
Aug-25	-4.3	0.7	-0.8	0.2	-0.1	-1.1	-2.2	-0.7	-1.6	NA
Sep-25	-1.5	-0.1	0.0	0.9	0.0	5.1	7.3	-0.3	-0.9	NA
Since Oct'24	**-28.6**	**-5.3**	**-5.5**	**3.9**	**-1.1**	**-8.9**	**1.2**	**-4.3**	**-4.7**	**-15.3**
FY26 So Far	**-3.3**	**-1.4**	**-1.5**	**2.9**	**-0.4**	**4.5**	**25.7**	**-1.6**	**-2.7**	**18.6**

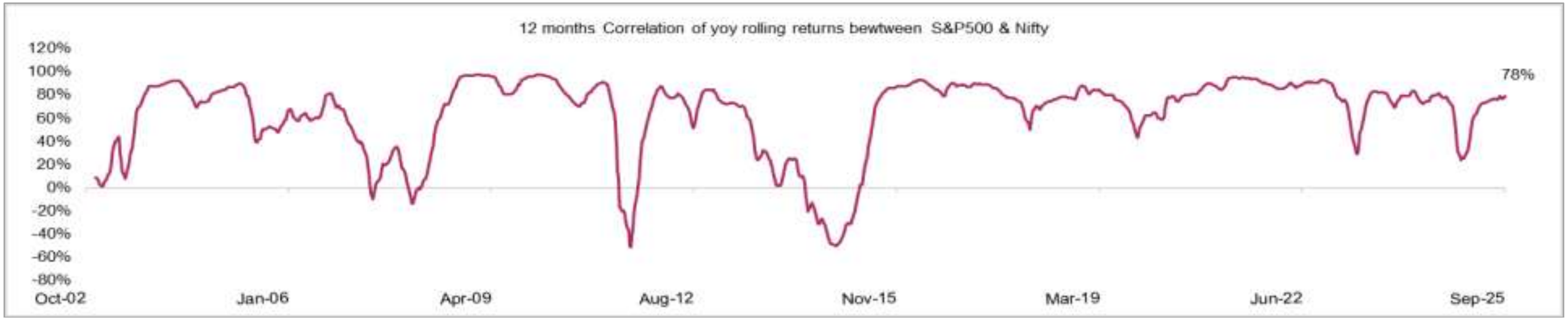
Source: Bloomberg, Axis Securities, Data as of 30th Sep'25

Macro Continues to Drive Near-Term Market Fundamentals

- US bond yields have been largely flattish in the last one month and are hovering around 4.1-4.3% levels. Further direction remains critical for the market.
- Indian bond yields corrected on a YTD basis and adjusted for the 100-bps rate cut by the RBI.
- The correlation between the Indian and US markets has now back to 78% levels vs. the 44% seen as of 28th Feb'24.







Source: Bloomberg, Axis Securities

BAJAJ FINANCE – PRIORITISING ASSET QUALITY OVER GROWTH; NIMS TO BENEFIT IN RATE CUT CYCLE!

Bajaj Finance (BAF) is one of India's largest NBFCs for consumer finance with a wide product portfolio comprising loans for two-wheelers, consumer durables, housing, and small businesses, among others. The company operates its business through 1,550+ urban and 2,600+ rural lending branches, with over 2.3+ Lc distribution points and caters to a customer base of 100+ Mn.

Industry view

Over Weight

CMP
999

Target Price
1,100

Upside
10%

Key Rationale

- **NIMs to Benefit from Rate Cut**: BAF's margins are expected to improve by ~10 bps in FY26, driven by a sharp decline in CoF. The management expects CoF to settle at 7.6-7.65% in FY25, vs. 7.79% reported in Q1. In order to optimise the CoF, BAF plans to reduce its dependence on Deposits and plans to reduce its mix to 15-16% vs 17-19%. The company has also tweaked its deposit rates sharply (by 70-80 bps), owing to which deposit volumes have declined. Moreover, it will look to increase the share of ECB loans, NCDs, and Bank borrowings, citing better pricing to improve the CoF. We expect BAF's NIMs (calc.) to remain steady, ranging between 8.9-9% over FY26-28E, driven by faster transmission of rate cuts reflecting in CoF.
- **Asset Quality to Improve:** During Q1, credit costs were elevated in 2 and 3-wheeler and MSME businesses (largely unsecured). BAF has taken significant credit actions in both these businesses and expects portfolio growth to remain subdued. It has also restructured standard advances to the tune of Rs 219 Cr and expects another Rs 150 Cr to be restructured in Q2. BAF is observing improvement in early vintages across all portfolios except MSME and hence remains confident of credit cost gradually tapering. While Q2 credit costs could continue to remain flat, improvement is likely over H2. The company is facing challenges across multiple product lines in Karnataka (~11% Mix), with political risk emerging. Resultantly, BAF has hacked volumes in the state by 40-50% in its efforts to trim exposure to the state. We expect credit costs to gradually taper and range between 1.9-2% over FY26-28E.
- **Growth Guidance Maintained; More Clarity in Q2:** Within the portfolio segments, the SME is witnessing emerging signs of stress, with most industries either showing signs of growth contraction or demand slowing down. Thus, BAF has pulled back growth in this segment, and FY26 growth is expected to be significantly lower. Its diversified loan book should help BAF navigate this stress, thereby delivering a consistently strong AUM growth of ~25% CAGR over FY25-28E. Along with the existing segments, the company will also look to scale up LAP, Commercial Vehicles, Tractors, Gold, and Affordable Housing. While the management has maintained its AUM growth guidance of 23-24% for FY26, more clarity would emerge post Q2FY26.
- **Outlook & Valuation:** BAF is set to witness improved margins, supported by faster transmission of the rate cuts in CoF and an optimal borrowing mix. While the majority of the segment continues to deliver healthy growth, emerging stress in the MSME segment could weigh on near-term growth for the company. It continued to adopt a prudent approach by trimming growth and prioritising asset quality. As near-term asset quality challenges subside, we expect credit costs to gravitate to normalised levels, thereby supporting earnings. The re-designation of Mr Rajeev Jain as VC & MD (post resignation of Mr Anup Saha) and BAF having strengthened its top management team would ensure seamless strategy execution.
- **Key Risks:** a) Slowdown in credit growth momentum, b) Asset Quality challenges in newer segments

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	NII (Rs Cr)	PPOP (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	36,393	30,028	16,779	27.0	153.0	6.5	4.5	0.4
FY26E	45,238	36,952	20,909	33.7	181.4	5.5	4.5	0.5
FY27E	56,278	45,561	25,804	41.6	215.1	4.6	4.5	0.5
FY28E	70,059	56,419	31,832	51.3	257.3	3.9	4.4	0.5

Source: Company, Axis Securities

Income Statement (Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Net Interest Income	**36,393**	**45,238**	**56,278**	**70,059**
Other Income	8,561	9,772	11,143	12,839
Total Income	**44,954**	**55,010**	**67,420**	**82,898**
Total Operating Expense	14,926	18,058	21,860	26,479
PPOP	**30,028**	**36,952**	**45,561**	**56,419**
Provisions & Contingencies	7,984	9,126	11,229	14,070
PBT	**22,044**	**27,827**	**34,332**	**42,349**
Provision for Tax	5,300	6,970	8,601	10,611
PAT	**16,779**	**20,909**	**25,804**	**31,832**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS				
Share capital	124	621	621	621
Reserves and Surplus	96,569	1,14,342	1,36,274	1,63,329
Shareholders' funds	**96,693**	**1,14,963**	**1,36,895**	**1,63,950**
Borrowings	**3,61,249**	**4,52,106**	**5,68,622**	**7,18,810**
Other Liabilities and provisions	8,185	10,136	12,611	15,779
Total liabilities	**4,66,127**	**5,77,205**	**7,18,127**	**8,98,539**
APPLICATION OF FUNDS				
Cash & Bank Balance	13,544	14,462	17,993	22,513
Investments	34,441	40,339	46,597	58,304
Advances	4,07,844	5,04,281	6,31,885	7,91,657
Fixed Assets & Other Assets	10,298	18,122	21,652	26,065
Total assets	**4,66,127**	**5,77,205**	**7,18,127**	**8,98,539**

Source: Company, Axis Research

Valuation Ratios (%)

Y/E March	FY25	FY26E	FY27E	FY28E
EPS	27.0	33.7	41.6	51.3
Earnings growth (%)	*15.6*	*24.6*	*23.4*	*23.4*
BVPS	155.7	185.2	220.5	264.1
Adj. BVPS	153.0	181.4	215.1	257.3
ROAA (%)	4.5	4.5	4.5	4.4
ROAE (%)	19.0	19.7	20.4	21.1
P/E (x)	36.9	29.7	24.0	19.5
P/ABV (x)	6.5	5.5	4.6	3.9
Dividend Yield (%)	0.6	0.6	0.7	0.9
PROFITABILITY & OPERATING EFFICIENCY				
NIM (%)	8.8	8.9	9.0	8.9
Cost/Avg. Asset Ratio (%)	3.5	3.5	3.4	3.3
Cost-Income Ratio (%)	33.2	32.8	32.4	31.9

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E March	FY25	FY26E	FY27E	FY28E
Loan Growth (%)	26.0	23.6	25.3	25.3
Borrowings Growth (%)	23.1	25.2	25.8	26.4
Equity/Assets (%)	23.7	22.8	21.7	20.7
Equity/Advances (%)	20.7	19.9	19.1	18.2
Total Capital Adequacy Ratio	21.9	21.6	20.5	19.5
ASSET QUALITY				
Gross NPLs	3,678	5,017	7,252	8,985
Net NPLs	1,720	2,335	3,370	4,180
Gross NPLs (%)	0.9	1.0	1.1	1.1
Net NPLs (%)	0.4	0.5	0.5	0.5
Coverage Ratio (%)	53.7	54.0	54.0	54.0
Provision/Avg. Loans (%)	2.2	2.0	2.0	2.0
ROAA TREE				
Net Interest Income	8.6	8.7	8.7	8.7
Non-Interest Income	2.0	1.9	1.7	1.6
Operating Cost	3.5	3.5	3.4	3.3
Provisions	1.9	1.7	1.7	1.7
Tax	1.3	1.3	1.3	1.3
ROAA	3.9	4.0	4.0	4.0
Leverage (x)	4.9	4.9	5.1	5.4
ROAE	19.0	19.7	20.4	21.1

Source: Company, Axis Research

STATE BANK OF INDIA – STEADY SHIP AMIDST TURBULENT MACROS; 1% ROA DELIVERY TO CONTINUE!

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

Industry view

Over Weight

CMP
872

Target Price
1,025

Upside
17%

Key Rationale

- **Growth Buoyancy to Continue:** SBI has seen strong growth in the Home Loans and SME segments and expects the momentum to continue. The bank has seen stress emerging amongst the low-net-income government employee customer segment in Xpress Credit, owing to over-leveraging. However, the demand is gradually picking up from Q2 onwards, and the bank is also re-examining growth in certain segments it had placed on the back burner earlier. The higher prepayments, a common phenomenon in a declining rate cycle in the corporate portfolio, have been a growth dampener. The bank has let go of an opportunity of ~Rs 120 Bn, citing unfavourable risk-reward. Additionally, a few large corporates have tapped the CP market, where rates are attractive, denting the corporate book by another ~Rs 160-180 Bn. However, **the corporate sanctions pipeline remains strong at Rs 7.2 Tn, and SBI expects double-digit corporate growth to resume from Q2 onwards. Management has continued to guide for 12-13% growth in advances for FY26.**
- **Asset Quality–No Cause for Concern:** The management has reiterated that the bank does not expect any major asset quality headwinds in any of its segments. The SME segment asset quality continues to hold up well, in contrast to the stress highlighted by certain banks. Of the Rs 79.4 Bn slippages in Q1, the bank has been able to pull back Rs 15.9 Bn so far. **The management remains confident of containing slippages at 0.6% in FY26. Thus, with no major asset quality challenges in sight and a healthy recovery pipeline (guidance of Rs 7-8 Bn in FY26), we expect asset quality to remain stable. This will keep credit costs under check**.
- **Non-banking Subsidiaries to Boost Overall Performance:** Apart from the core banking, SBI's subsidiaries are expected to continue adding further value. The bank has a strong presence in various financial services operations, most of which are generating stable returns and support the overall performance of the bank.
- **Confident on Maintaining Domestic NIMs at 3%:** In Q1FY26, SBI's Domestic/Global NIMs contracted by 13/10 bps QoQ to stand at 3.02/2.9%. The increase in CoF during the quarter was on account of higher flows into TDs and lower CASA balances. Currently, 30.2% of the portfolio is EBLR-linked, 30.7% is MCLR-linked, 22.6% is fixed rate, and 15.9% is T-bill-linked. Thus, NIMs will continue to contract in Q2, reflecting repo rate changes. However, the bank is confident of maintaining domestic NIMs at 3% in FY26, driven by recovery in margins in H2. The CRR cut (releasing ~Rs 520 Bn) and the benefit of the rate cut actions taken on SA and TDs flowing in the CoF from Q3 onwards, should support margin recovery. We expect NIMs to remain range-bound between 3.0-3.2% over FY26-28E.
- **Outlook & Valuation:** SBI remains well-poised to sustain its growth momentum, supported by its comfortable LDR, providing it with leverage to accelerate credit growth. While near-term pressures are expected to be visible on NIMs, benefit from deposit rate cuts, which will reflect in CoF from H2 onwards, should support NIM recovery. Asset quality does not pose challenges, and thus, credit costs should remain benign. Collectively, this should ensure a comfortable 1% RoA delivery over FY26-28E. The recent QIP has strengthened the Tier I capital, adequate to fuel medium-term growth.
- **Key risks:** a) Significant slowdown in credit growth

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	1,670	1,106	709	79.4	472.3	1.8	1.1	0.5
FY26E	1,741	1,168	709	76.8	544.8	1.6	1.0	0.4
FY27E	2,036	1,349	806	87.3	612.5	1.4	1.0	0.4
FY28E	2,278	1,501	894	96.9	686.0	1.3	1.0	0.4

Source: Company, Axis Securities.

Profit & Loss (Rs Bn)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Net Interest Income	**1,670**	**1,741**	**2,036**	**2,278**
Other Income	617	702	713	761
Total Income	**2,286**	**2,443**	**2,749**	**3,039**
Total Operating Exp.	1,181	1,275	1,400	1,538
PPOP	**1,106**	**1,168**	**1,349**	**1,501**
Provisions & Contingencies	153	220	272	305
PBT	**953**	**947**	**1,077**	**1,196**
Provision for Tax	244	239	272	301
PAT	**709**	**709**	**806**	**894**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E MAR	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS				
Share capital	9	9	9	9
Reserves and surplus	4,403	5,219	5,863	6,579
Shareholders' funds	**4,412**	**5,228**	**5,873**	**6,588**
Total Deposits	53,822	59,921	66,747	74,282
Total Borrowings	59,458	66,352	74,045	82,906
Other Liabilities, provisions	2,891	3,123	3,487	3,905
Total	**66,761**	**74,704**	**83,405**	**93,398**
APPLICATION OF FUNDS				
Cash & Bank Balance	3,402	4,087	4,353	4,844
Investments	16,906	18,582	20,699	23,035
Advances	41,633	46,641	52,333	58,777
Fixed Assets & Other Assets	4,819	5,393	6,021	6,742
Total assets	**66,761**	**74,704**	**83,405**	**93,398**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS				
EPS	79.4	76.8	87.3	96.9
Earnings Growth (%)	*16.1%*	*-3.4%*	*13.7%*	*11.0%*
BVPS	494.3	566.4	636.2	713.7
Adj. BVPS	472.3	544.8	612.5	686.0
ROAA (%)	1.1	1.0	1.0	1.0
ROAE (%)	17.3	14.7	14.5	14.4
P/E (x)	11.0	11.4	10.0	9.0
P/ABV (x)	1.8	1.6	1.4	1.3
Dividend Yield (%)	2.0	1.9	2.2	2.4
PROFITABILITY				
NIM (%) – Domestic	3.3	3.1	3.2	3.2
NIM (%) - Global	3.2	3.0	3.2	3.2
Cost-Income Ratio	51.6	52.2	50.9	50.6

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Loan Growth (%)	12.4	12.0	12.2	12.3
Deposit Growth (%)	9.5	11.3	11.4	11.3
C-D Ratio (%)	77.4	77.8	78.4	79.1
Equity to Assets (%)	6.6	7.0	7.0	7.1
Equity to Loans (%)	10.6	11.2	11.2	11.2
CRAR (%)	14.3	14.4	14.1	13.6
Tier I (%)	12.1	12.4	12.2	11.9
ASSET QUALITY				
Gross NPLs (%)	1.8	1.7	1.7	1.7
Net NPLs (%)	0.5	0.4	0.4	0.4
PCR	74.4	75.0	75.0	75.0
Credit cost	0.4	0.5	0.5	0.5

Source: Company, Axis Research

HDFC BANK LTD – EMBRACING THE UPTURN!

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

Industry view

Equal weight

CMP
951

Target Price
1,150

Upside
21%

Key Rationale

- **Readying to Accelerate Growth:** With the LDR now <100%, the bank will look to resume its growth journey, with FY26 pegged at par with systemic growth and a further acceleration going into FY27E, with growth ahead of systemic growth. The management has identified segments to drive this growth, with the retail portfolio, particularly non-mortgage segments, poised for a strong growth uptick. This growth will be driven by a pick-up in consumption demand on the back of tax rate cuts and improved demand during the festive season. The bank is confident of pursuing growth in the MSME customer category, given demand buoyancy. In the corporate segment, the bank will continue lending to highly-rated corporates despite pricing pressures persisting. **We expect HDFCB to deliver a healthy 14% CAGR, advances growth over FY25-28E, against deposits growth of ~17% CAGR over the same period. Resultantly, LDR is set to improve to ~88% by FY28E (near pre-merger levels).**
- **Near-term NIM Pressures to Persist:** The sharp margin compression in Q1 was on account of the higher share of floating rate loans driving a sharp decline in lending yields by ~30bps QoQ, with the impact of the Feb'25 and Apr'25 repo rate cuts visible. In Q2FY26, **the management expects NIMs to remain under pressure and are likely to bottom out with the Jun'25 repo rate cut (of 50bps), reflecting in the yields**. The SA rate cut taken by the bank reflected in the CoF (down 10bps QoQ); however, the TD repricing is expected to happen with a lag, given the average tenor for TDs is ~12-18 months. Margins are expected to stabilise from H2FY26 onwards as the deposits reprice downwards.
- **Asset Quality remains Best-in-class:** Despite unfavourable macros, especially in the unsecured segments over the past year, the bank's asset quality has remained pristine and credit costs benign. The management has indicated that the asset quality in the personal loans, credit cards and other retail assets continues to remain stable. **The bank made a floating provision of Rs 90 Bn and a contingent provision of Rs 17 Bn, which is purely towards strengthening the balance sheet and not towards any risks emerging across segments. Resultantly, credit costs are expected to remain benign at ~50bps (+/-5bps) over the medium term**.
- **Outlook & Valuation:** HDFCB has been consistently performing on its guidance in its endeavour to revert to its pre-merger levels across metrics, and its execution capabilities remain strong. With LDR at a <100% level, the bank will look to accelerate growth momentum in FY26 to match systemic growth. While near-term pressures on NIMs will weigh on earnings, the impact of margin compression will be offset by healthy fee income growth, controlled costs, and pristine asset quality, which will keep credit costs benign. We expect HDFCB's RoA/RoE to improve to 1.9%/15-16% over FY27-28E vs 1.7%/13.6% in FY26.
- **Key risks:** a) Slowdown in overall credit momentum owing to the bank's inability to ensure deposit mobilisation, b) Slower substitution of higher-cost debt with lower-cost deposits

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	1,227	1,001	673	88.0	640.5	3.0	1.8	0.4
FY26E*	1,319	1,201	718	46.9	355.5	2.7	1.7	0.4
FY27E*	1,547	1,333	887	58.0	398.7	2.4	1.9	0.4
FY28E*	1,768	1,526	1,009	66.0	446.9	2.2	1.9	0.4

Source: Company, Axis Securities. *Post Bonus Numbers

Profit & Loss (Rs Bn)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Net Interest Income	**1,227**	**1,319**	**1,547**	**1,768**
Other Income	456	618	612	691
Total Income	**1,683**	**1,938**	**2,159**	**2,459**
Total Operating Exp.	682	736	826	932
PPOP	**1,001**	**1,201**	**1,333**	**1,526**
Provisions & Contingencies	116	249	156	188
PBT	**885**	**952**	**1,177**	**1,338**
Provision for Tax	211	234	289	329
PAT	**673**	**718**	**887**	**1,009**

Source: Company, Axis Research

Balance Sheet (Rs Bn)

Y/E MAR	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS				
Share capital	8	15	15	15
ESOPs	38	46	56	66
Reserves and Surplus	4,969	5,507	6,173	6,930
Deposits	**5,014**	**5,568**	**6,244**	**7,012**
Shareholders' funds	27,147	31,650	37,145	43,346
Borrowings	5,479	5,069	4,521	4,840
Other Liabilities, provisions	1,461	1,690	1,915	2,207
Total liabilities	**39,102**	**43,978**	**49,825**	**57,405**
APPLICATION OF FUNDS				
Cash & Bank Balance	2,396	2,856	3,352	3,695
Investments	8,364	9,500	10,406	12,144
Advances	26,196	29,142	33,257	38,329
Fixed Assets & Other Assets	2,147	2,480	2,809	3,237
Total assets	**39,102**	**43,978**	**49,825**	**57,405**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS				
EPS	88.0	46.9*	58.0*	66.0*
BVPS	655.3	363.8*	408.0*	458.1*
Adj. BVPS	640.5	355.5*	398.7*	446.9*
ROAA (%)	1.8	1.7	1.9	1.9
ROAE (%)	14.3	13.6	15.0	15.2
P/E (x)	21.8	20.5	16.6	14.6
P/ABV (x)	3.1	2.7	2.4	2.2
PROFITABILITY				
NIM (%)	3.5	3.4	3.5	3.5
Cost-Assets Ratio	1.8	1.8	1.8	1.7
Cost-Income Ratio	40.5	38.0	38.3	37.9

Source: Company, Axis Research; *Post Bonus Numbers

Balance Sheet Structure Ratios (%)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Loan Growth (%)	5.4	11.2	14.1	15.3
Deposit Growth (%)	14.1	16.6	17.4	16.7
C-D Ratio (%)	96.5	92.1	89.5	88.4
CRAR	12.8	12.6	12.5	12.2
Tier I	19.1	19.1	18.8	18.3
ASSET QUALITY				
Gross NPLs (%)	1.3	1.4	1.3	1.4
Net NPLs (%)	0.4	0.4	0.4	0.4
PCR	67.9	68.0	68.0	68.0
Credit Cost	0.5	0.9	0.5	0.5

Source: Company, Axis Research

BHARTI AIRTEL LTD – HIGHEST ARPU IN THE INDUSTRY

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

Industry view

Over Weight

CMP
1,878

Target Price
2,300

Upside
22%

Key Rationale

- **Best ARPU in the Industry:** Bharti Airtel leads the industry in ARPU, with management expecting further improvement from the current Rs 250 level, compared to Reliance's Rs 209. This growth is driven by a more diverse customer base, continued migration from 2G to 4G/5G, and increasing adoption of value-added services. The company remains on track to reach its ARPU target of Rs 300, supported by rising data consumption and deeper rural penetration. Average data usage per customer remains strong at 26.9 GB/month, further bolstering revenue growth.
- **Huge Revenue and Profit Growth Potential:** Bharti Airtel's business fundamentals remain strong, with continued improvements across key metrics. Management anticipates sustained revenue and profit growth driven by expanding rural distribution, network investments, and increasing 4G coverage. The company also sees strategic opportunities in tower sales, minority investments, and potential IPOs in mobile money. Airtel’s digital portfolio is gaining traction alongside market share expansion. It has maintained a substantial share of 4G/5G net additions, with the smartphone customer base growing by 3.9 Mn QoQ, now accounting for 77% of the total customer base. Moreover, Airtel’s Africa business is expected to continue its strong performance on a sequential basis.
- **Improvement in the Digital/Home Segment:** Bharti Airtel’s management anticipates an improvement in the Home Segment by offering multiple solutions simultaneously. The company has adopted a “Hunting” strategy, targeting existing high-value customers (primarily 50 Mn customers with strong financial profiles), while aggressively acquiring new ones. This approach is expected to drive growth in the Home Segment, enhancing revenue realisation and strengthening the overall business model. Management remains confident in achieving industry-leading growth, supported by intense rural penetration and an expanded service portfolio.
- **Moderated Capex and Capital Allocation Initiatives:** Bharti Airtel does not anticipate any immediate significant capex despite the ongoing 5G rollout. Management expects capex levels to remain stable, with investments primarily directed toward broadband expansion, enterprise solutions, and data centres. However, capex related to 4G radio is expected to decline with the completion of rural rollout. Airtel aims to implement a few initiatives, such as deleveraging the balance sheet, dividend payments, and selective investment verticals.
- **Valuation & Recommendation: We maintain our BUY rating on the stock**, driven by the company's superior margins, impressive subscriber growth, and increased 4G conversions.
- **Key risks:** a) Competitors may eat market share, resulting in loss of sustainable revenue.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY24	1,49,982	78,292	8,558	13.2	133.1	10.7	6.5	16.6
FY25	1,72,985	93,159	37,481	58.6	30.6	38.3	17.7	13.4
FY26E	2,13,190	1,20,508	36,542	60.0	31.4	29.1	15.3	10.4
FY27E	2,48,303	1,42,394	48,619	79.8	23.6	31.7	17.3	8.2

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Net sales	**1,49,982**	**1,72,985**	**2,13,190**	**2,48,303**
Change (YoY, %)	7.8	15.3	23.2	16.5
Operating expenses	**71,691**	**79,826**	**92,682**	**1,05,909**
EBITDA	**78,292**	**93,159**	**1,20,508**	**1,42,394**
Change (YoY, %)	9.85	18.99	29.36	18.16
Margin (%)	52.20	53.85	56.53	57.35
Depreciation	39,538	45,570	51,276	57,876
Interest paid	22,648	21,754	22,097	21,797
Other income	1,435	1,574	2,474	2,980
PBT	**9,970**	**34,696**	**49,609**	**65,701**
Tax	4,121	917	12,984	17,082
Effective tax rate (%)	41%	3%	26%	26%
Share of JV/Associate	2,709	3,703	(83)	-
Exceptional items	(7,572)	7,287	-	-
Net profit	**8,558**	**37,481**	**36,542**	**48,619**
Adjusted net profit	16,130	30,195	36,542	48,619
Change (YoY, %)	24	87	21	33
Adj EPS	27	50	60	80
Dividend per share	8	16	21	27
Dividend Payout (%)	57	26	26	26

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Share capital	**2,877**	**2,900**	**2,900**	**2,900**
Reserves & surplus	79,142	1,10,772	1,34,638	1,66,777
Shareholders' funds	82,019	1,13,672	1,37,538	1,69,677
Total Debt	1,38,747	1,48,312	1,46,312	1,44,312
Other liabilities	50,094	75,589	75,589	75,589
Current Liabilities & Provisions	1,38,668	1,80,440	2,04,518	2,24,888
Current liabilities	99,252	1,00,837	1,16,210	1,29,865
Provisions	31,631	36,155	44,415	51,730
Total liabilities	**3,19,724**	**3,60,893**	**3,82,525**	**4,01,495**
Total equity & liabilities	**4,25,288**	**5,14,360**	**5,61,849**	**6,15,048**
Net fixed assets	3,03,303	1,43,272	1,36,996	1,39,120
Investments	31,333	544	544	544
Other non-current assets	32,376	3,02,956	3,02,956	3,02,956
Current assets	58,276	67,589	1,21,353	1,72,428
Inventories	364	452	0	0
Sundry Debtors	4,728	7,456	9,475	11,036
Cash & Liquid	16,340	16,720	65,693	1,12,281
Other Current Assets	36,845	16,195	19,419	22,345
Total assets	**4,25,288**	**5,14,361**	**5,61,849**	**6,15,048**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Pre-tax Profit	12,679	38,399	49,526	65,701
Depreciation	39,538	45,570	51,276	57,876
Change in working capital	18,851	32,840	19,286	15,884
Other operating activities	28,785	12,893	19,623	18,817
Cash flow from operations (a)	**95,731**	**1,28,785**	**1,26,728**	**1,41,195**
Capital expenditure	(48,971)	1,14,460	(45,000)	(60,000)
Change in investments	(3,444)	3,142	-	-
Other investing activities	33,957	(2,41,359)	2,474	2,980
Cash flow from investing (b)	**(18,458)**	**(1,23,756)**	**(42,526)**	**(57,020)**
Equity raised/(repaid)	40	24	-	-
Debt raised/(repaid)	(18,217)	(604)	(2,445)	(1,400)
Dividend paid	(4,838)	(9,751)	(10,726)	(11,262)
Chang in minorities	(5,336)	16,251	1,990	2,089
Other financing activities	(46,001)	(10,568)	(24,047)	(27,014)
Cash flow from financing (c)	**(74,352)**	**(4,649)**	**(35,229)**	**(37,587)**
Net change in cash (a+b+c)	**2,921**	**380**	**48,973**	**46,588**
Opening cash balance	13,419	16,340	16,720	65,693
Closing cash balance	16,340	16,720	65,693	1,12,281

Source: Company, Axis Securities Research

Ratio Analysis (%)

Y/E March	FY24	FY25	FY26E	FY27E
Book Value (Rs)	**136**	**187**	**226**	**278**
Adj EPS (Rs)	27	50	60	80
Adj EPS growth (%)	**24**	**87**	**21**	**33**
EBITDA margin (%)	52	54	57	57
Pre-tax margin (%)	7	20	23	26
Debt/Equity (x)	1.6	0.9	0.7	0.6
ROCE (%)	6	18	15	17
ROE (%)	11	38	29	32
Financial leverage ratios				
Debt / Equity (x)	1.6	0.9	0.7	0.6
Interest Coverage (x)	3.5	4.3	5.5	6.5
Interest / Debt (%)	16	18	21	21
Working Capital & Liquidity Ratio				
Inventory days	-	-	-	-
Receivable days	11	16	16	16
Payable days	84	79	80	80
Valuation ratio				
PER (x)	143.2	32.2	31.5	23.7
Adjusted PER (x)	70.8	38.1	31.5	23.7
P/BV (x)	14.2	10.3	8.6	6.9
EV/EBITDA (x)	16.4	13.6	10.1	8.2
Market Cap. / Sales (x)	7.8	6.8	5.5	4.7

Source: Company, Axis Securities Research

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

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

Industry view

Equal weight

CMP
616

Target Price
750

Upside
22%

Key Rationale

- **NIMs to Rebound as Excess Liquidity Eases:** The NIM improvement trajectory is panning out slower than expected, with Q1 NIMs witnessing a 14bps QoQ contraction on account of the negative carry from the excess liquidity. The management has indicated that SFL will look to ease the excess liquidity (by ~Rs 10,000 Cr) over the next 4-5 months, while maintaining liquidity to cover 3 months of liabilities cover vs 5-month cover currently. SFL's yields across segments have remained largely stable. Thus, apart from easing liquidity, NIMs are expected to find support from the downward repricing of liabilities. The company has seen a sharp improvement in the incremental CoF, declining to 8.3-8.4% vs the current CoF of 8.86%. Furthermore, SFL has slashed its deposit rates by 40bps effective Aug'25, which should augur well from the CoF perspective. **The company will look to repay the high-cost borrowings alongside re-aligning the borrowing mix to optimise CoF. Currently, ~85% of the company's borrowings are fixed-rate, and hence the pass-through of the rate cut benefit could be with a slight lag. Resultantly, the management expects NIMs to improve to 8.5-8.6% by Q4FY26.**
- **Increase in Stage 2 Assets Not Worrisome; Credit Costs to be Under Control:** The increase in Stage 2 has been primarily owing to unseasonal monsoons causing business disruptions and borrower cashflow mismatch. Given these issues being transient, the management is confident that most of these accounts would be rolled back, and forward flows will not be meaningful. In Q1FY26, asset quality (GNPA/NNPA) has remained largely stable. **The management has continued to guide for credit costs of <2% for FY26.**
- **Growth Visibility Healthy:** SFL's AUM growth in Q1 was marginally ahead of the management's guidance of 15% AUM growth. This was primarily led by improved growth in CVs (12/4% YoY/QoQ) and strong growth in PVs (+23/5% YoY/QoQ), Farm Equipment (+46/12% YoY/QoQ) and MSME (+35/4% YoY/QoQ). The company will continue to pursue strong growth in the MSME, PVs, and 2-Wheelers segment, wherein growth visibility remains strong. **We pencil in AUM growth of 15% CAGR over FY25-28E, largely in line with management guidance.**
- **Outlook & Valuation:** With demand buoyancy in the rural markets and healthy growth visibility across most of the segment, SFL is expected to deliver a consistent and healthy 15% CAGR AUM growth over the medium term. NIMs should find support from the easing of excess liquidity and the gradual downward repricing of CoF. The Opex structure continues to remain fairly lean, and improved productivity should drive a gradual improvement in cost ratios. The increase in GSII is transient, and the management is confident that most of it will roll back in the coming quarters. Thus, forward flow is expected to be minimal, keeping credit costs under control/ SFL is well-placed to deliver RoA/RoE of 3.0-3.2%/16-17% over FY26-28E. **Consistent growth delivery while maintaining asset quality alongside NIM improvement on expected lines should drive stock performance. At current levels, we believe the risk-reward is favourable.**
- **Key risks:** a) Moderation in growth momentum, b) Asset quality concerns cropping out

Key Financials (Standalone)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	21,853	16,261	9,761	51.9	263.6	2.3	3.7	2.6
FY26E	25,004	18,519	9,268	49.3	299.5	2.1	3.0	2.5
FY27E	28,915	21,470	11,004	58.5	339.7	1.8	3.1	2.5
FY28E	33,260	24,735	12,685	67.5	387.0	1.6	3.2	2.5

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Net Interest Income	**21,853**	**25,004**	**28,915**	**33,260**
Other Income	1,552	1,587	1,758	1,971
Total Income	**23,405**	**26,591**	**30,674**	**35,231**
Total Operating Exp.	7,144	8,072	9,204	10,496
PPOP	**16,261**	**18,519**	**21,470**	**24,735**
Provisions & Contingencies	5,312	6,129	6,758	7,777
Extraordinary Items	1,657	0	0	0
PBT	**12,606**	**12,390**	**14,712**	**16,958**
Provision for Tax	2,845	3,122	3,707	4,273
PAT	**9,761**	**9,268**	**11,004**	**12,685**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E MAR	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS				
Share capital	376	376	376	376
Reserves and Surplus	55,904	63,319	72,122	82,270
Shareholders' funds	**56,281**	**63,695**	**72,498**	**82,646**
Borrowings	2,34,916	2,72,571	3,07,714	3,57,441
Other Liabilities, provisions	2,336	4,070	4,602	5,327
Total liabilities	**2,93,533**	**3,40,336**	**3,84,814**	**4,45,414**
APPLICATION OF FUNDS				
Cash & Bank Balance	21,366	23,751	23,007	26,631
Investments	15,599	20,468	21,219	26,788
Advances	2,45,393	2,83,349	3,25,922	3,75,207
Goodwill	1,189	1,189	1,189	1,189
Fixed Assets & Other Assets	9,986	11,579	13,476	15,599
Total assets	**2,93,533**	**3,40,336**	**3,84,814**	**4,45,414**

Source: Company, Axis Research

KEY RATIOS (%)

Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS				
EPS	51.9	49.3	58.5	67.5
Earnings Growth (%)	*35.6*	*-5.1*	*18.7*	*15.3*
BVPS	299.3	338.7	385.5	439.5
Adj. BVPS	263.6	299.5	339.7	387.0
ROAA (%)	3.7	3.0	3.1	3.2
ROAE (%)	18.6	16.0	16.7	16.9
P/E (x)	11.9	12.5	10.5	9.1
P/BV (x)	2.3	2.1	1.8	1.6
PROFITABILITY				
NIM (%)	8.6	8.2	8.3	8.3
Cost-Assets Ratio	2.7	2.5	2.5	2.5
Cost-Income Ratio	30.5	30.4	30.0	29.8

Source: Company, Axis Research

Balance Sheet Structure Ratios (%)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Loan Growth (%)	18.0	15.5	15.0	15.1
Borrowings Growth (%)	26.0	16.0	12.9	16.2
Equity/Assets (%)	22.9	22.5	22.2	22.0
Equity/Loans (%)	19.2	18.7	18.8	18.6
Total Capital Adequacy Ratio (CAR)	20.7	20.7	20.4	20.1
ASSET QUALITY				
Gross NPLs (%)	4.6	4.5	4.5	4.5
Net NPLs (%)	2.6	2.5	2.6	2.5
PCR	43.3	45.0	45.0	44.9
Credit costs	2.3	2.3	2.2	2.2

Source: Company, Axis Research

Avenue Supermarts Ltd – POSITIONING FOR THE NEXT PHASE OF GROWTH

D-Mart is a one-stop supermarket chain that aims to offer customers a wide range of basic home and personal products under one roof. The company was founded by Mr. Radhakishan Damani and his family to cater to the evolving needs of the Indian family. Since the launch of its first store in Powai in 2002, D-Mart has established a strong presence with 422 locations (as on Jun-25) across Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Karnataka, Telangana, Chhattisgarh, NCR, Tamil Nadu, Punjab, and Rajasthan. Additionally, the company operates in the online and multi-channel grocery retail segment under the brand name D-Mart Ready. Through D-Mart Ready, customers can order a broad range of grocery and household products via its mobile app and website, www.dmart.in. Orders can be picked up from designated D-Mart Ready Pick-up Points or delivered directly to customers' doorsteps. Many Pick-up Points also feature a curated selection of merchandise available for instant purchase.

Industry view

Equal Weight

CMP
4,475

Target Price
5,280

Upside
18%

Key Rationale

- **Positioning for the Next Phase of Growth:** D-Mart has consistently delivered 17-20% CAGR revenue growth over the past several quarters, driven by 14-15% expansion in its network and retail space. The recent investment in D-Mart Ready to support operations, working capital, and expansion, is a step in the right direction. This strategic move will strengthen the company’s position in the competitive online grocery market and is expected to yield long-term benefits. In fact, in Q1FY26, DMart reported ~16% YoY revenue growth, driven by increased footfalls.
- **Margins Remain Intact:** Despite a challenging environment marked by pressure in GM&A sales and rising competition from other value retailers and Q-commerce players, the company has maintained its overall Gross and EBITDA margins at approximately 15% and 7-8%, respectively, over the past several quarters. This reflects D-Mart’s strong execution capabilities, robust business model (EDLP), and operational efficiencies.
- **Extensive Retail Network:** D-Mart has consistently maintained its store opening expansion, with its total store network reaching 432 as of the date. This represents a 14% CAGR, positioning the company to benefit as demand revives in the coming quarters. The company aims to increase its store count by 10-20% in the coming years. Further, the management sees potential for 1800+ store additions across India over a longer period.
- **Management Transition:** With Neville Noronha continuing as CEO till Jan’26, his focus shifts toward real estate, project execution, and scaling the staples portfolio—particularly intensifying expansion in the North, a high-opportunity cluster. CEO-designate Anshul Asawa signals strategic continuity while aiming to enhance organisational capabilities to support DMart’s evolving growth ambitions
- **Improving outlook:** D-Mart has faced several challenges over the past few years, impacted by a subdued demand environment, particularly in the value segment. Larger and newer stores have longer gestation periods, affecting overall profitability, along with increasing competition from both organised players and online platforms. However, the company has undertaken several initiatives to address these challenges, such as: 1) changes in leadership to revamp the slowing GM&A category, 2) focusing on improving profitability in D-Mart Ready through a gradual expansion strategy, and 3) targeting a 10-20% store addition on an existing base of 429 stores, which is a step in the right direction. The overall improving consumer demand, supported by stable macroeconomics and a strong festive outlook in H2FY26, is expected to further support these initiatives and drive growth in high-margin general merchandise and apparel categories. Additionally, any reduction in the GST rate would spur consumption and indirectly support discretionary spending. **Hence, we maintain our BUY rating on the stock.**

Key Financials (Standalone)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)
FY24	50,789	4,487	2,536	39.0	114.8	13.6	14.5
FY25	59,358	4,487	2,707	41.6	107.5	12.6	13.4
FY26E	71,499	5,870	3,601	55.3	80.9	14.4	15.4
FY27E	86,251	7,325	4,578	70.3	63.6	15.5	16.6

Source: Company, Axis Securities.

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Net sales	**50,789**	**59,358**	**71,499**	**86,251**
Growth, %	18.6	16.9	20.5	20.6
Raw material expenses	(43,275)	(50,552)	(60,561)	(72,976)
Employee expenses	(906)	(1,166)	(1,411)	(1,707)
Other Operating Expenses	(2,504)	(3,153)	(3,658)	(4,243)
EBITDA (Core)	**4,104**	**4,487**	**5,870**	**7,325**
Growth, %	12.8	9.3	30.8	24.8
Margin, %	8.1	7.6	8.2	8.5
Depreciation	(731)	(870)	(1,013)	(1,156)
EBIT	**3,373**	**3,618**	**4,857**	**6,169**
Growth, %	12.5	7.3	34.3	27.0
Margin, %	6.6	6.1	6.8	7.2
Other Income	146	124	149	179
Non-recurring Items	-	-	-	-
Pre-tax profit	**3,461**	**3,673**	**4,933**	**6,271**
Tax provided	(926)	(965)	(1,332)	(1,693)
Profit after tax	**2,536**	**2,707**	**3,601**	**4,578**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Cash & bank	638	358	828	2,236
Debtors	166	154	185	223
Inventory	3,927	5,044	6,076	7,330
Loans & advances	-	-	-	-
Other current assets	1,364	835	835	835
Total current assets	6,202	6,392	7,925	10,625
Investments	243	178	178	178
Gross fixed assets	16,562	20,097	23,397	26,697
Less: Depreciation	(3,155)	(3,897)	(4,909)	(6,066)
Add: Capital WIP	935	1,099	1,099	1,099
Net fixed assets	14,343	17,299	19,586	21,730
Non-current assets	390	452	452	452
Total assets	**21,178**	**24,321**	**28,142**	**32,985**
Current liabilities	1,979	2,212	2,431	2,697
Provisions	-	-	-	-
Total current liabilities	1,979	2,212	2,431	2,697
Non-current liabilities	501	681	681	681
Total liabilities	2,480	2,894	3,113	3,379
Paid-up capital	651	651	651	651
Reserves & surplus	18,047	20,777	24,378	28,956
Shareholders' equity	18,698	21,428	25,029	29,607
Total equity & liabilities	**21,178**	**24,321**	**28,142**	**32,985**

Source: Company, Axis Research

Cash flow (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Pre-tax profit	3,461	3,673	4,933	6,271
Depreciation	731	870	1,013	1,156
Change in working capital	(1,192)	(244)	(844)	(1,026)
Total tax paid	(911)	(945)	(1,332)	(1,693)
Cash flow from operating activities	**2,089**	**3,353**	**3,770**	**4,708**
Capital expenditure	(2,912)	(3,826)	(3,300)	(3,300)
Change in marketable securities	96	105	-	-
Cash flow from investing activities	**(2,943)**	**(3,656)**	**(3,300)**	**(3,300)**
Free cash flow	(854)	(302)	470	1,408
Equity raised/(repaid)	2	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	**2**	**-**	**-**	**-**
Net change in cash	(851)	(302)	470	1,408
Opening cash balance	1,408	638	358	828
Closing cash balance	638	358	828	2,236

Source: Company, Axis Research

Ratios (%)

Y/E Mar	FY24	FY25	FY26E	FY27E
Per Share data				
EPS (INR)	39.0	41.6	55.3	70.3
Growth, %	6.0	6.8	33.0	27.1
Book NAV/share (INR)	287.3	329.3	384.6	455.0
FDEPS (INR)	39.0	41.6	55.3	70.3
CEPS (INR)	50.2	55.0	70.9	88.1
CFPS (INR)	30.0	50.6	55.6	69.6
Return ratios				
Return on assets (%)	13.2	12.2	14.0	15.2
Return on equity (%)	13.6	12.6	14.4	15.5
Return on capital employed (%)	14.5	13.4	15.4	16.6
Turnover ratios				
Asset turnover (x)	3.2	3.1	3.2	3.4
Sales/Total assets (x)	2.6	2.6	2.7	2.8
Sales/Net FA (x)	3.8	3.8	3.9	4.2
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	1.2	0.9	0.9	0.9
Inventory days	28.2	31.0	31.0	31.0
Payable days	7.7	7.1	7.2	7.2
Working capital days	25.0	23.5	23.8	24.1
Liquidity ratios				
Current ratio (x)	3.1	2.9	3.3	3.9
Quick ratio (x)	1.1	0.6	0.8	1.2
Valuation				
PER (x)	114.8	107.5	80.9	63.6
PEG (x) - y-o-y growth	19.1	15.9	2.4	2.3
Price/Book (x)	15.6	13.6	11.6	9.8
EV/Net sales (x)	5.7	4.9	4.1	3.3
EV/EBITDA (x)	70.8	64.8	49.5	39.4
EV/EBIT (x)	86.1	80.4	59.8	46.8

Source: Company, Axis Research

LUPIN LTD – NICHE APPROVALS, LOWER INPUT COSTS; OUTLOOK POSITIVE

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

Industry view

Over Weight

CMP
1,911

Target Price
2,400

Upside
26%

Key Rationale

- **Strong Q1FY26:** Lupin reported a robust performance in Q1FY26, with revenue of Rs 6,268 Cr, up 12% YoY and 10.6% QoQ, broadly in line with estimates. Growth was led by strong execution in the US business (+24.3% YoY, Rs 2,404 Cr/ $282 Mn) and steady momentum in the India business (+7.8% YoY). The EMEA region also witnessed healthy growth, while Other Developed Markets grew moderately. However, the API segment saw a YoY decline, impacted by pricing pressure. Gross margin expanded by 288 bps YoY to 71.7%, aided by a better product mix (including Tolvaptan and Myrbetriq), lower share of in-licensed products, and improved cost efficiencies. EBITDA stood at Rs 1,727 Cr, up 39% YoY and 31% QoQ, with EBITDA margin improving by 540 bps YoY to 27.6%, driven by strong operating leverage. Reported PAT grew 52% YoY to Rs 1,221 Cr, significantly beating expectations.
- **Robust USA Front** US sales stood at $282 Mn, registering a 24.2% YoY growth in constant currency terms, the highest since Q4FY17, while overall reported revenue from the US was Rs 2,516 Cr, up 23% YoY. This growth was primarily driven by new launches and the 180-day exclusivity of Tolvaptan. However, lower seasonal business and competition in Suprep and Albuterol weighed on performance. Despite this, the company maintained a 19% market share in Albuterol.
- **Outlook & Valuation:** Lupin is poised for sustained double-digit revenue growth in FY26, led by strong US market execution, new launches like Glucagon and Liraglutide, and a robust injectable and biosimilar pipeline. While some loss of exclusivity in FY27 (e.g., Tolvaptan, Mirabegron) may create near-term volatility, management projects high single-digit to potential double-digit growth, supported by new approvals including Risperdal, Pegfilgrastim, and Ranibizumab. EBITDA margins are expected to remain healthy at 24–25% in FY26, with further expansion in FY27, driven by premium product mix and continued cost optimisation. R&D spending will stay elevated (7.5–8.5% of sales) as focus shifts toward complex generics, 505(b)(2) products, and global biosimilar expansion. Adjacency businesses are currently dragging margins by ~1% but are expected to break even by FY27, adding further upside to profitability.
- **Double-digit Growth in India's Business Expected**: Lupin reported Rs 2,089 Cr in Q1FY26, reflecting a modest 7.8% YoY growth, driven by strong performance in chronic therapies such as diabetes, cardiology, and gastroenterology, in line with market growth. The company has launched 5 Products in the Quarter in India and is planning 20+ Products for FY26.
- **Valuation:** At the CMP, the stock trades at 23.5x and 21.5x its FY26E and FY27E earnings, respectively.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)
FY25	22,708	5,283	3,306	72.4	26.4	16.9	19.1
FY26E	25,162	5,963	3,717	81.4	23.5	14.3	18.2
FY27E	27,113	6,480	4,053	88.8	21.5	12.6	16.9

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Total Net Sales	**22,708**	**25,162**	**27,113**	**28,571**
% Change	13.5%	10.8%	7.8%	5.4%
Raw Material Consumption	6,842	7,675	8,242	8,686
Staff costs	3,964	4,252	4,555	4,786
Other Expenditure	6,618	7,272	7,836	8,234
Total Expenditure	17,425	19,199	20,633	21,705
EBITDA	**5,283**	**5,963**	**6,480**	**6,866**
% Change	38.6%	12.9%	8.7%	5.9%
EBITDA Margin %	**23.3%**	**23.7%**	**23.9%**	**24.0%**
Depreciation	1,169	1,172	1,262	1,322
EBIT	4,114	4,791	5,218	5,544
EBIT Margin %	18.1%	19.0%	19.2%	19.4%
Interest	295	257	225	193
Other Income	196	200	200	200
PBT	**4,015**	**4,735**	**5,193**	**5,550**
Tax	709	1,018	1,140	1,219
Tax Rate %	*17.7%*	*21.5%*	*22.0%*	*22.0%*
APAT	3,306	3,717	4,053	4,331
P/L after discontinuation	0	0	0	0
PAT after Ass.	3,306	3,717	4,053	4,331
Adj. PAT	**3,306**	**3,717**	**4,053**	**4,331**
Growth %	**72.7%**	**12.4%**	**9.0%**	**6.9%**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Share Capital	91	91	91	91
Reserves & Surplus	17,203	20,372	23,876	27,660
Shareholders Fund	17,294	20,463	23,968	27,751
Total Debt	5,448	4,848	4,248	3,648
- Trade Payables	2,958	3,723	4,011	4,227
- Other Long-Term Liabilities	256	414	446	470
- Other Current Liabilities	2,313	2,826	3,046	3,209
TOTAL EQUITY & LIABILITIES	**29,205**	**33,461**	**36,905**	**40,492**
Gross Block	10,820	11,720	12,620	13,220
Depreciation	6,121	7,293	8,555	9,877
% of GB	56.6%	62.2%	67.8%	74.7%
- Fixed Assets(incl. Capital Work in Progress)	10,254	9,982	9,620	8,898
- Other Non-Current Assets	2,153	1,200	1,000	1,000
- Current Investments	1,059	1,059	1,059	1,059
- Inventories	5,476	6,204	6,686	7,045
- Trade Receivables	5,497	5,929	6,388	6,732
- Cash & Cash Equivalents	3,142	6,881	9,776	13,254
- Other Current Assets	1,624	2,206	2,377	2,505
TOTAL ASSETS	**29,205**	**33,461**	**36,905**	**40,492**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
PBT	4,015	4,735	5,193	5,550
Add: Depreciation	1,169	1,172	1,262	1,322
Add: Interest	295	257	225	193
Cash flow from operations	5,479	6,163	6,680	7,066
Change in working capital	2,699	-898	372	427
Taxes	709	1,018	1,140	1,219
Miscellaneous expenses	0	0	0	0
Net cash from operations	2,071	6,044	5,168	5,420
Capital expenditure	-1,746	-900	-900	-600
Change in Investments	-212	0	0	0
Net cash from investing	-1,958	-900	-900	-600
Increase/Decrease in debt	2,526	-600	-600	-600
Dividends	-548	-548	-548	-548
Proceedings from equity	0	0	0	0
Interest	-295	-257	-225	-193
Others	143	0	0	0
Net cash from financing	1,827	-1,405	-1,373	-1,341
Net Inc./(Dec.) in Cash	1,940	3,739	2,895	3,478
Opening cash balance	1,202	3,142	6,881	9,776
Closing cash balance	3,142	6,881	9,776	13,254

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25	FY26E	FY27E
Sales growth (%)	13.5	10.8	7.8	5.4
OPM	23.3	23.7	23.9	24.0
Operating profit growth	38.6	12.9	8.7	5.9
COGS / Net sales	30.1	30.5	30.4	30.4
Overheads/Net sales	-	-	-	-
Depreciation / G. block	10.8	10.0	10.0	10.0
Effective interest rate	17.7	21.5	22.0	22.0
Net wkg. cap / Net sales (%)	37.5	30.3	29.5	29.5
Net sales / Gr block (x)	2.1	2.1	2.1	2.2
RoCE	18.1	18.9	18.5	17.7
Debt/equity (x)	0.3	0.2	0.2	0.1
Effective tax rate	17.7	21.5	22.0	22.0
RoE	19.1	18.2	16.9	15.6
Payout ratio (Div/NP)	600.0	600.0	600.0	600.0
EPS (Rs.)	72.4	81.4	88.8	94.9
EPS Growth	72.7	12.4	9.0	6.9
CEPS (Rs.)	98.0	107.1	116.4	123.8
DPS (Rs.)	12.0	12.0	12.0	12.0

Source: Company, Axis Research

MAX HEALTHCARE – LEADER IN CHARGE

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

Industry view

Equal Weight

CMP
1,115

Target Price
1,450

Upside
30%

Key Rationale

- **Q1FY26 Performance:** Max Healthcare reported a strong Q1FY26 performance with revenues at Rs 2,460 Cr, up 27.1% YoY and 5.8% QoQ, marginally ahead of estimates. Growth was supported by higher patient volumes, steady ARPOB and contributions from newly acquired hospitals. EBITDA came in at Rs 592 Cr, up 23.3% YoY, but down 3.4% QoQ, impacted by annual wage revisions and upfront staffing costs for upcoming brownfield expansions. EBITDA margins stood at 24.1%, down 74 bps YoY. It reported PAT of Rs 345 Cr, up 16.9% YoY, in line with expectations
- **Network Expansion:** Max Healthcare is on track to add ~1,500 beds over the next year, reinforcing its leadership in key markets. The first phase of Nanavati, Mumbai (268 beds) and the brownfield tower at Max Mohali (160 beds) are expected to be commissioned within the next 2–3 months. The 400-bed Smart facility at Saket is scheduled for phased commissioning by Q2FY26, while the 500-bed Greenfield hospital at Sector 56, Gurgaon, is targeted for completion by the end of FY26. In Lucknow, 107 additional beds are being rolled out, with the oncology bunker (LINAC installation) expected to be ready by Q2–Q3FY26. At Max Dwarka, the oncology block is slated for commissioning by Q3FY26, alongside plans for a 200-bed expansion. Further projects include Patparganj (397 beds), Vikrant Saket (550 beds), Zirakpur Mohali (400 beds), and Vaishali (140 beds), all of which are progressing steadily with completion timelines of 24–30 months.
- **Strong Operating KPI:** ARPOB stood at Rs 78,000, flat YoY (Existing units +7% Growth YoY), while overall occupancy improved to 76% and Mature Hospitals reported 80%. Occupancy led to a 26% YoY growth in occupied bed days. The company remains on an aggressive expansion path, with ~1,500 beds (1,000 brownfield + 500 greenfield) slated for commissioning in FY26. Key projects include Nanavati (Mumbai), Smart Saket (Delhi), Lucknow, and Gurgaon Sector 56. Net debt rose to Rs 1,755 Cr due to ongoing capex; however, leverage remains comfortable with net Debt/EBITDA expected to stay <1x, even after planned Rs 400-500 Cr increase by the end of FY26.
- **Outlook & Valuation:** Management reiterated guidance of 3–7% ARPOB growth in mature hospitals, led by higher case complexity and clinical mix, alongside sustained ~80% occupancy levels. Developing hospitals are expected to ramp up gradually, driving incremental occupancy and revenue growth. Focus remains on scaling oncology and international patient business while maintaining strong return ratios.
- **Valuation:** We value the stock at a Multiple of 35x EV/EBITDA H1FY28E.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY25	8,621	2,193	1,335	14	80	54	13	12
FY26E	11,103	2,831	1,824	19	59	43	15	14
FY27E	13,016	3,397	2,239	23	48	35	16	16

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar, Rs. Cr	FY25	FY26E	FY27E	FY28E
Net sales	**8,621**	**11,103**	**13,016**	**16,964**
Growth	27%	29%	17%	30%
Total Expenditure	6,428	8,272	9,619	12,333
Raw Material Consumed	2,115	2,831	3,280	4,275
Gross Margins (%)	75.5%	74.5%	74.8%	74.8%
EBITDA	**2,193**	**2,831**	**3,397**	**4,631**
EBITDA (%)	**25.4%**	**25.5%**	**26.1%**	**27.3%**
Depreciation	406	473	533	573
% of GB	6%	5%	5%	5%
Interest & Fin Chg.	84	137	129	121
EBIT	2,109	2,694	3,268	4,510
EBIT (%)	0	0	0	0
Other Income	45	70	78	88
Exceptional Items	(74)	-	-	-
Share of P/L of Associates	-	-	-	-
PBT	1,674	2,291	2,813	4,025
Tax Rate (%)	20%	20%	20%	20%
Tax	339	467	574	821
Reported PAT	**1,335**	**1,824**	**2,239**	**3,204**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar, Rs. Cr	FY25	FY26E	FY27E	FY28E
Share Capital	972	972	972	972
Reserves & Surplus	9561	11287	13429	16536
Shareholders Fund	**10533**	**12260**	**14402**	**17509**
- Long Term Borrowings	3029	3429	3229	3029
- Deferred Tax Liabilities(Net)	151	37	37	37
- Other Long-Term Liabilities	95	95	95	95
- Long Term Provisions	489	608	713	930
Total Non-Current Liabilities	**3764**	**4169**	**4074**	**4091**
TOTAL EQUITY & LIABILITIES	**14297**	**16429**	**18476**	**21599**
Net Block	5597	7471	8138	8365
CWIP	1292	445	445	445
Goodwill	4795	4795	4795	4795
Other intangible assets	698	1459	1459	1459
Right-of-use asset	1344	1344	1344	1344
- Fixed Assets(incl. Capital Work in Progress)	**13726**	**15514**	**16181**	**16409**
Total Non-Current Assets	**13726**	**15514**	**16181**	**16409**
- Current Investments	4	66	66	66
- Inventories	134	183	214	279
- Trade Receivables	857	1004	1177	1534
- Cash & Cash Equivalents	1011	1097	2273	4747
- Other Current Assets(Net)	-1435	-1435	-1435	-1435
Total Current Assets	**571**	**915**	**2294**	**5190**
TOTAL ASSETS	**14297**	**16429**	**18476**	**21599**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
PBT	1,674	2,291	2,813	4,025
Add: depreciation	406	473	533	573
Add: Interest	84	137	129	121
Cash flow from operations	2,164	2,901	3,475	4,719
Change in working capital	-169	76	100	206
Taxes	339	467	574	821
Miscellaneous expenses	0	0	0	0
Net cash from operations	1,994	2,358	2,802	3,693
Capital expenditure	-3,943	-2,261	-1,200	-800
Change in Investments	62	-62	0	0
Net cash from investing	-3,881	-2,323	-1,200	-800
Increase/Decrease in debt	1,679	400	-200	-200
Dividends	-97	-97	-97	-97
Proceedings from equity	1	0	0	0
Interest	-84	-137	-129	-121
Others	113	-114	0	0
Net cash from financing	1,612	52	-426	-418
Net Inc./(Dec.) in Cash	-275	86	1,175	2,474
Opening cash balance	1,286	1,011	1,097	2,273
Closing cash balance	1,011	1,097	2,273	4,747

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY25	FY26E	FY27E	FY28E
Sales growth	27	29	17	30
OPM	25	26	26	27
Operating profit growth	40%	57%	55%	64%
COGS / Net sales	25%	26%	25%	25%
Depreciation / G. block	6%	5%	5%	5%
Effective interest rate	3%	4%	4%	4%
Net working capital / Net sales	-12%	-9%	-7%	-4%
Net sales / Gr block (x)	1.2	1.2	1.2	1.5
ROCE	12	14	16	22
Debt/equity (x)	0.3	0.3	0.2	0.2
Effective tax rate	20%	20%	20%	20%
RoE	13	15	16	18
Payout ratio (Div/NP)	10%	10%	10%	10%
EPS (Rs.)	14	19	23	33
EPS Growth	4%	37%	23%	43%
CEPS (Rs.)	18	24	29	39
DPS (Rs.)	1	1	1	1

Source: Company, Axis Research

HERO MOTOCORP LTD – GST RATE CUT & RURAL RECOVERY TO SUPPORT FUTURE VOLUME GROWTH

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

Industry view

Over Weight

CMP
5,473

Target Price
6,245

Upside
14%

Key Rationale

- **Encouraging 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. The 2W industry is poised to benefit from macro tailwinds, including multi-year low inflation, recent RBI rate cuts, and a favourable monsoon outlook — all of which are expected to boost rural sentiment and drive a cyclical recovery in demand during the upcoming festive season.
- **New Product Launches:** In FY25, 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 Aug'25 with 12-13% Two Wheeler EV market share. In Mar'25, the company acquired a 34.1% stake in Euler Motors for Rs 510 Cr, making an entry into the EV 3W Space (e3W industry is valued at Rs 17,000 Cr, is expected to grow to Rs 22,000 Cr over the next 5 years, with 20%+ EBITDA margin potential). Overall profitability in EVs is expected to improve with localisation, cost reductions, and PLI benefits and the management projects EV break-even at 25k–30k units/month (currently 7k-8k/month).
- **Exports**: Export performance was broad-based with strong growth in Bangladesh, Colombia, Nepal, and Mexico. In FY25, exports grew 43% YoY, and the management noted that 40% of exports comprised premium products, indicating strong traction in higher-margin segments.
- **Outlook**: We are monitoring (1) Hero's roadmap in the EV product portfolio; (2) Strategy in the mid-weight MC segment amidst growing competition; (3) Expansion into new international markets. Additionally, government initiatives to enhance rural income, higher disposable income and the marriage season are expected to drive 2W industry growth, benefiting Hero, particularly in the entry and 125cc segments. Consequently, we estimate a 13%-14% CAGR in EBITDA over FY26E-28E.
- **Key risks:** a) Geopolitical Uncertainty, b) Increased competition

Key Financials (Standalone)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY25A	40,756	5,872	4,612	230	16.2	22.3	22.8	12.6
FY26E	43,870	6,366	4,984	249	21.9	21.9	22.4	16.5
FY27E	47,155	6,919	5,333	267	20.5	21.2	21.6	14.8
FY28E	50,730	7,476	5,752	288	19.0	10.5	20.9	13.1

Source: Company, Axis Securities Research

Profit & Loss **(Rs Cr)**

Y/E Mar	FY25A	FY26E	FY27E	FY28E
Net revenues	**40,756**	**43,870**	**47,155**	**50,730**
Operating expenses	34,885	37,505	40,237	43,254
EBIDTA	**5,872**	**6,366**	**6,919**	**7,476**
EBIDTA margin (%)	**14.4**	**14.5**	**14.7**	**14.7**
Other income	1,054	1,222	1,257	1,289
Interest	20	21	21	22
Depreciation	776	988	1,043	1,073
Profit Before Tax	6,130	6,579	7,111	7,670
Tax	1,518	1,622	1,778	1,917
Reported Net Profit	**4,610**	**4,956**	**5,333**	**5,752**
Net Margin (%)	11.3	11.3	11.3	11.3
Adjusted Net Profit	**4,612**	**4,984**	**5,333**	**5,752**

Source: Company, Axis Securities Research

Balance Sheet **(Rs Cr)**

Y/E Mar	FY25A	FY26E	FY27E	FY28E
Equity capital	40	40	40	40
Reserves & surplus	19,767	22,023	24,656	27,709
Shareholders funds	19,807	22,063	24,696	27,749
Total Loans	0	0	0	0
Deferred tax liability	510	510	510	510
Total Liabilities and Equity	**20,316**	**22,573**	**25,206**	**28,258**
Gross block	16,003	17,139	17,639	18,139
Depreciation	10,495	11,483	12,526	13,599
Net block	5,508	5,656	5,112	4,539
Capital WIP	886	250	250	250
Investments	14,910	15,310	15,710	16,110
Inventory	1,458	1,683	1,809	1,946
Debtors	3,674	3,365	3,617	3,892
Cash & Bank Bal	353	1,959	4,672	7,830
Loans & Advances	1,131	1,917	2,016	2,123
Current Assets	6,617	8,924	12,114	15,790
Sundry Creditors	5,566	5,529	5,943	6,393
Other Current Liability	2,038	2,038	2,038	2,038
Current Liability& Provisions	7,604	7,566	7,980	8,431
Net current assets	-987	1,357	4,134	7,360
Total Assets	**20,316**	**22,573**	**25,206**	**28,258**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY25A	FY26E	FY27E	FY28E
EBIT	5,096	5,377	5,875	6,403
Other Income	1,054	1,222	1,257	1,289
Depreciation & Amortisation	776	988	1,043	1,073
Interest paid(-)	-20	-21	-21	-22
Tax paid(-)	-1,518	-1,622	-1,778	-1,917
Extra Ord Income	-2	0	0	0
Operating Cash Flow	**5,386**	**5,944**	**6,376**	**6,826**
Change in Working Capital	-248	-739	-63	-68
Cash flow from Operations	**5,137**	**5,205**	**6,314**	**6,758**
Capex	-855	-500	-500	-500
Strategic Investment	0	0	0	0
Non-Strategic Investment	-1,823	-400	-400	-400
Cash flow from Investing	**-2,679**	**-900**	**-900**	**-900**
Change in borrowing	0	0	0	0
Others	-15	0	-0	0
Dividends paid(-)	-2,700	-2,700	-2,700	-2,700
Cashflow from Financial Activities	**-2,715**	**-2,700**	**-2,700**	**-2,700**
Change in Cash	-256	1,605	2,714	3,158
Opening cash	609	353	1,959	4,672
Closing Cash	353	1,959	4,672	7,830

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY25A	FY26E	FY27E	FY28E
Revenue Growth	8.8	7.6	7.5	7.6
EBITDA Margin	14.4	14.5	14.7	14.7
Net Profit Margin	11.3	11.4	11.3	11.3
ROCE (%)	22.3	21.9	21.2	20.5
ROE (%)	22.8	22.4	21.6	20.9
EPS (Rs)	230	249	267	288
P/E (x)	16.2	21.0	20.5	19.0
P/ BV (x)	3.8	4.9	4.3	3.9
EV/ EBITDA (x)	12.6	16.9	15.1	13.6
Fixed Assets Turnover Ratio (x)	6.4	7.4	8.8	10.6
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	1.8	2.4	2.2	2.0

Source: Axis Securities Research

PRESTIGE ESTATES PROJECTS LTD – LAYING FOUNDATION FOR A ROBUST FY26

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

Industry view

Equal Weight

CMP
1,510

Target Price
2,000

Upside
32%

Key Rationale

- **Strongest-ever Quarterly Performance:** Prestige reported pre-sales of Rs 12,126 Cr for the quarter, marking a 300% YoY growth. Collections stood at Rs 4,523 Cr, in line with expectations and management guidance. The company launched 14.94 Mn sq. ft. across four projects in Q1FY26, including its maiden NCR launch with ~Rs 9,500 Cr in GDV. The total GDV of launched projects stood at ~Rs 13,600 Cr. NCR contributed ~Rs 7,162 Cr or 59% of pre-sales, primarily driven by The Prestige City Indirapuram, while Bengaluru and Mumbai contributed ~20% and 12%, respectively. The company has guided for a launch pipeline of GDV Rs 43,000 Cr and pre-sales of Rs 27,000 Cr for FY26. Q2FY26 is expected to see launches with a GDV of ~Rs 12,000 Cr, driven by Evergreen at Raintree Park, Phase 3 of The Prestige City Indirapuram, Prestige Highland Park, and plotted developments from Greenbrooks, Crystal, and Autumn Leaves. This indicates that Prestige is back on track with its growth trajectory and has largely resolved the earlier issues affecting its launch timelines.

- **Annuity Gains Traction:** The company reported a healthy occupancy level of ~94% for its office segment across 1.21 Mn sq. ft. and a strong 99% for its retail portfolio, generating GTO of Rs 590 Cr. EBITDA margins stood at 76%, resulting in an EBITDA of Rs 1,769 Cr from the annuity segment for Q1FY26. Exit rentals for the commercial and retail portfolios stood at Rs 523 Cr and Rs 271 Cr, respectively. The upcoming pipeline comprises 14 Mn sq. ft. of commercial and 10 Mn sq. ft. of retail space. Annuity capex rose to ~Rs 15,000 Cr, up from ~Rs 13,500 Cr earlier. Prestige expects exit rentals to increase from the current Rs 1,091 Cr to ~Rs 4,900 Cr by FY30E.

- **Resilient Cashflows leading to Healthy BD:** The company added projects worth ~Rs 20,400 Cr in GDV across 7 projects during the quarter, predominantly in southern India, with one commercial project in the MMR region. It has budgeted Rs 7,500–8,000 Cr of operating cashflows for FY26, of which ~Rs 4,000 Cr is earmarked for BD and the remaining for capex. Free cash flows from residential (ongoing and upcoming) projects, net of spends, stand at ~Rs 50,000 Cr, while the balance capex required for annuity assets is ~Rs 15,000 Cr. This implies significant headroom for further BD and acquisitions. The company aims to replenish the year's sales through BD. Net debt stands at Rs 6,830 Cr, with a net debt-to-equity ratio of 0.42x. Debt is expected to rise by Rs 1,200 Cr going forward.

- **Recommendation & Valuation**: Prestige Estates has set FY26 guidance targeting pre-sales of Rs 27,000 Cr and a robust launch pipeline with Rs 43,000 Cr in GDV. The strong Q1 performance, particularly in NCR, establishes a solid base for achieving these targets. Q2 launches are expected to contribute ~Rs 12,000 Cr in GDV, and management remains confident of sustaining the sales momentum. The annuity portfolio is also expected to scale up meaningfully, with exit rentals projected to reach ~Rs 4,900 Cr by FY30.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	EPS (Rs Cr)	PER (X)	RoE (%)	RoCE (%)	EV/EBIDTA (X)	Net Debt/Equity (X)
FY24	7,877	2,498	34.3	46.8	12.2	13.4	29.6	0.7
FY25	7,349	2,559	11.7	129.5	3.0	7.6	28.6	0.5
FY26E	10,102	3,391	31.5	48.0	7.6	8.4	22.4	0.6
FY27E	13,088	4,505	49.1	30.7	10.6	10.5	15.6	0.2

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E
Sales & other receipts	7,349	10,102	13,088
% YoY growth	(6.7)	37.5	29.6
Cost of construction	-1,203	-4,489	-5,704
Property and facilities operating expense	0	0	0
Employee Cost	-822	-707	-916
Other Expenses	-2,766	-1,515	-1,963
Total expenditure	-4,791	-6,711	-8,583
EBITDA	2,559	3,391	4,505
EBITDA margin (%)	**34.8**	**33.6**	**34.4**
Depreciation	-812	-930	-1,048
Ebit	1,747	2,461	3,457
Interest	-1,334	-1,022	-1,089
Other Income	386	386	386
PBT	799	1,826	2,754
Taxes	-139	-402	-606
% of PBT	2	2	2
Profit in Associates	-43	-59	19
Group PAT (before Minority & Associates)	617	1,365	2,167
Minority interest	-149	-102	-197
PAT	468	1,262	1,970
PAT Margin (%)	**6.4**	**12.5**	**15.1**

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

Balance Sheet (Rs Cr)

As of 31st Mar, Rs Cr	FY25	FY26E	FY27E
Shareholders' funds	15,423	16,613	18,511
Share capital	431	431	431
Reserves and surplus	14,992	16,182	18,080
Non-Controlling Interest	482	584	781
Loan funds	10,600	12,100	12,100
Deferred tax liability	584	584	584
Total liabilities & shareholders' funds	**27,089**	**29,882**	**31,976**
Fixed assets (including Investments)	13,219	15,896	18,340
Net block	10,491	13,169	15,613
Investments	1,250	1,250	1,250
Net Current Assets	12,540	12,655	12,305
Current assets	44,246	59,815	85,327
Inventories	31,883	48,779	68,571
L&A	2,189	2,189	2,189
Other Current Assets	6,423	6,423	6,423
Receivables	1,358	1,358	1,358
Cash and bank balance	2,393	1,067	6,786
Current Liabilities	31,706	47,161	73,022
Current Liabilities	1,663	1,663	1,663
Customer advances	25,073	40,528	66,389
Trade Payables	1,871	1,871	1,871
Lease Liabilities	2,580	2,580	2,580
Provisions	520	520	520
Total assets	**27,089**	**29,882**	**31,976**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
PBT	756	1,826	2,754
Add: Share of JVs	44	0	0
Add: Depreciation	812	930	1,048
Interest Paid	1,334	1,022	1,089
Op profit before WC changes	2,611	3,391	4,505
Change in Working Capital	-2,084	-1,441	6,068
Cash from operations	526	1,950	10,573
Taxes paid	-396	-402	-606
Cash from operating activities	131	1,548	9,967
Change in Fixed Assets	-1,583	-3,607	-3,492
Change in Investments & Others	-44	0	0
Interest/ Dividend received	278	386	386
Others	0	-59	19
Net cash from investing activities	-1,348	-3,280	-3,087
Proceeds from Equity	5,000	0	0
Proceeds from Borrowings	-862	1,500	0
Interest paid	-1,666	-1,022	-1,089
Dividend paid	-78	-72	-72
Others	-1,435	0	0
Net Cash from Financing	959	406	-1,161
Net cash for the period	-259	-1,326	5,718

Source: Company, Axis Research

Ratio Analysis (x,%)

Y/E Mar	FY25	FY26E	FY27E
Return ratios			
Return on assets (%)	3.8	3.4	4.7
Return on equity (%)	(0.2)	3.8	6.4
Return on capital employed (%)	8.2	7.0	8.9
Turnover ratios			
Asset turnover (x)	0.8	0.6	0.6
Sales/Total assets (x)	0.3	0.2	0.2
Sales/Net FA (x)	0.9	0.9	1.0
Working capital/Sales (x)	0.0	0.8	0.7
Liquidity ratios			
Current ratio (x)	1.2	1.5	1.4
Quick ratio (x)	0.6	0.7	0.6
Net Debt/Equity	0.5	0.6	0.2
Valuation			
EV/Net sales (x)	9.1	10.9	8.6
EV/EBITDA (x)	33.5	45.3	34.1
EV/EBIT (x)	47.9	65.4	49.4

Source: Company, Axis Research

APL APOLLO TUBES LTD – LEADING THE STRUCTURAL STEEL TUBES GROWTH STORY

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

Industry view

Equal Weight

CMP
1,686

Target Price
1,950

Upside
16%

Key Rationale

- **Leader in the Structural Steel Tubes Market in India:** The company is the leader in the structural steel tubes market in India with the largest saleable capacity of 4.5 MT. It targets to expand its current capacity from 4.5 MTPA to 6.8 MTPA by FY28. The expansion will help it cater to the virgin East Indian market and high-margin international markets. The expansion would include a brownfield expansion of 2 Lc Ton in Dubai, 5 Lc Ton roofing sheets and 1 Lc Ton Heavy structure in Raipur. Greenfield expansion would include 2 Lc Ton in Gorakhpur, 3 Lc Ton in Kolkata, 3 Lc Ton in Bhuj (for focusing on exports from India) and 3.6 Lc Ton in New Malur (including 1.6 Lc Ton shifting of existing lines). Furthermore, the company is also expanding into speciality tubes with a 0.5 MTPA expansion. The total capex outlay is expected to be Rs 15 Bn over the next 3 years.
- **Long-term Growth Vision:** The company's vision is to expand its capacity to 10 MTPA by FY30, providing a growth tailwind in the longer term. India's structural steel tube market is expected to grow by 10% CAGR from 9.0MT to 17.3MT over 2024-30: Out of this, the hot-rolled coil-based structural steel tube market (APL Apollo's addressable market) is expected to grow faster at a 20% CAGR over the same period, increasing from 4.5MT to 13.3MT.
- **Capacity Expansion in Value-added Segment:** The company will add 4x2,50,000 tons of value-added plants, which will include seamless, API, automotive tubes and SS pipes. This expansion is expected by 2030 and will require a capex outlay of Rs 1,000 Cr.
- **Sluggish Q1FY26 Results, but Growth to Pick Up in H2FY26:** H1FY26 is likely to be a transient period of weakness for the structural steel demand due to the monsoon. The company is well placed to gain market share when demand increases in H2FY26, when the government spending gets a boost. APL's focus is on improving its profitability and increasing its EBITDA/t to Rs 5,500/t+ and achieving a sustainable ROCE of 30%.
- **Outlook & Valuation:** With the growth drivers intact, we believe APL Apollo tubes is well-positioned to capture India's infrastructure growth. We project EBITDA CAGR of 38% over FY25-27E. The stock is trading at a 12-month forward P/E of 35x. We maintain our BUY rating on the stock with a TP of Rs 1950.

Key Financials (Consolidated)

Y/E Mar	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	EV/EBITDA (X)	ROE (%)	ROCE (%)
FY24	18,119	1,192	732	26.4	56.7	35.8	22.2	22.8
FY25	20,690	1,199	757	27.3	56.1	35.9	19.4	20.1
FY26E	24,285	1,769	1,153	41.6	40.7	26.8	24.2	27.9
FY27E	29,493	2,299	1,547	55.7	30.3	20.6	25.6	30.3

Source: Company, Axis Securities

Income Statement (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Total Sales	**18,119**	**20,690**	**24,285**	**29,493**
Total Raw Materials	15,617	17,870	20,686	25,095
COGS	16,669	19,158	22,168	26,820
EBITDA	**1,192**	**1,199**	**1,769**	**2,299**
EBITDA per tonne	**4,553**	**3,797**	**4,853**	**5,225**
Depreciation	176	201	223	246
Interest & Finance charges	113	133	103	83
Other Income	75	96	102	118
EBT (as reported)	**978**	**960**	**1,545**	**2,088**
Tax	245	203	391	541
RPAT	**732**	**757**	**1,153**	**1,547**

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Equity Share Capital	56	56	56	56
Reserves	3,549	4,153	5,251	6,742
Net worth	3,605	4,209	5,306	6,798
Total loans	1,125	615	515	415
Deferred tax liability (Net)	126	153	153	153
Capital Employed	**5,029**	**5,172**	**6,200**	**7,639**
Net block	3,031	3,370	3,647	3,901
Investments	103	126	194	236
Inventories	1,638	1,623	1,930	2,343
Sundry debtors	139	267	266	323
Cash and cash equivalents	345	369	345	1,264
Total Current Assets	3,341	3,183	3,638	5,214
Total Current Liabilities	2,157	2,424	2,353	2,855
Net Current Assets	1,184	759	1,285	2,359
Capital Deployed	**5,029**	**5,172**	**6,200**	**7,639**

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
PBT	978	960	1,545	2,088
Depriciation & Amortization	176	201	223	246
Incr/(Decr) in Deferred Tax Liability	-	-	-	-
(Incr)/Decr in Working Capital	124	167	(551)	(154)
Net Cash Flow from Operating	**1,112**	**1,213**	**827**	**1,603**
(Incr)/ Decr in Gross PP&E incl Capital Advances	(695)	(723)	(500)	(500)
(Incr)/Decr In Work in Progress	-	-	-	-
(Incr)/Decr In Investments	(5)	-	(68)	(42)
(Incr)/Decr in Other Non-Current Assets	-	-	(157)	(70)
Cash Flow from Investing	**(916)**	**(375)**	**(592)**	**(446)**
(Decr)/Incr in Borrowings	259	(514)	(100)	(100)
Dividend	(139)	(153)	(56)	(56)
Cash Flow from Financing	**27**	**(815)**	**(258)**	**(238)**
Cash at the Start of the Year	123	345	369	345
Cash at the End of the Year	**345**	**369**	**345**	**1,264**

Source: Company, Axis Research

Ratio Analysis (%)

Ratios	FY24	FY25	FY26E	FY27E
Growth (%)				
Sales	12.1	14.2	17.4	21.4
EBITDA	16.7	0.6	47.5	30.0
APAT	14.1	3.4	52.3	34.1
Profitability (%)				
EBITDA Margin	6.6	5.8	7.3	7.8
Adj. Net Profit Margin	4.0	3.7	4.7	5.2
ROCE	22.8	20.1	27.9	30.3
ROE	22.2	19.4	24.2	25.6
Per Share Data (Rs.)				
AEPS	26.4	27.3	41.6	55.7
Reported CEPS	32.9	35.6	49.7	65.1
BVPS	129.9	151.6	191.2	244.9
Valuations (x)				
PER (x)	56.7	56.1	40.7	30.3
PEG (x)	4.0	16.7	0.8	0.9
P/BV (x)	11.5	10.1	8.8	6.9
EV/EBITDA (x)	35.8	35.9	26.8	20.6
Dividend Yield (%)	0.37%	0.38%	0.12%	0.12%
Turnover days				
Inventory Days	34.1	31.1	29.2	29.1
Debtor Days	2.9	3.7	4.2	3.8
Payable Days	42.4	43.6	39.3	35.4
Gearing Ratio				
D/E	0.3	0.1	0.1	0.1

Source: Company, Axis Research

MAHANAGAR GAS LTD – ROBUST FUNDAMENTALS AT ATTRACTIVE VALUATION

Mahanagar Gas Ltd is one of the largest city gas distribution (CGD) companies in India, providing Compressed Natural Gas (CNG) for mobility and Piped Natural Gas (PNG) to residential (D-PNG), commercial, and industrial customers (C&I), serving Mumbai, Urban Thane, and the Raigad district of Maharashtra. MGL did a strategic acquisition of 100% equity share capital of Unison Enviro Private Limited (UEPL) in Feb'24, which operates in the Geographical Areas (GAs) of Ratnagiri, Latur, and Osmanabad in the state of Maharashtra and Chitradurga and Davanagere in the State of Karnataka.

Industry view

Over Weight

CMP
1,295

Target Price
1,540

Upside
19%

Key Rationale

- **Strategic Expansion Unlocking New Growth Avenues:** MGL's volume growth stood at 4.9% CAGR over FY19-24, which lagged the CGD sector growth of 7.9% CAGR over the same period. This was due to the lower capex spend of Rs 300-400 Cr per annum till FY21. The company has stepped up capex from FY22 onwards, reaching ~1,000 Cr in FY25 and guided for higher capex of Rs 1,100-1,300 Cr at least for the next couple of years. It also acquired Unison Enviro Pvt Ltd (UEPL) in Feb'24, adding the prospective Ratnagiri, Latur-Osmanabad, and Chitradurga-Davangere districts to its portfolio. These newer geographical areas (GAs) offer large untapped potential, especially in commercial and industrial segments where PNG penetration remains low. Higher capex spending will boost the infrastructure in newer GAs, which, along with the marketing initiatives, will drive volume growth in future. In FY25, it achieved gas volumes of 4.24 mmscmd (up 13% YoY), a 17.6% CAGR over FY21-25 (FY21 impacted base). Management guides at high single-digit to low double-digit volume growth for at least 2-3 years. We estimate volume to grow at 9.4% CAGR over FY25-28E and 8.7% CAGR over FY25-30E.
- **Volume Growth to Support Earnings:** We estimate a robust 9.5%/8% EBITDA/PAT CAGR over FY25–28E, driven by a 9.4% volume CAGR over the same period. Volume growth should be driven by network expansion in GA-3 (Raigad) and UEPL (~50%/~40% YoY growth in GA-3 and UEPL in FY25). Growth could get a further boost if regulatory or legislative actions pick up to promote clean air in the Mumbai Metropolitan Region (MMR). We expect EBITDA margin to sustain between ~Rs 9-10/scm in the medium term, in line with the management guidance.
- **Valuation & Recommendation:** We arrive at our TP of Rs 1,540 using DCF, implying 19% upside from the CMP. We value MGL on a DCF basis, with a WACC of 11.6% and a terminal growth rate of 3%. The key downside risks to our TP are i) Slower-than-expected volume growth due to slower growth in CNG vehicles, ii) Rising input costs due to reduced allocation of low-cost domestic gas (APM Gas) and greater reliance on market-linked imported gas, affecting its margins, and iii) Faster EV adoption and lower alternative fuel prices.

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY24	6,245	1,843	1,276	129	10	33%	25%	6.10
FY25	6,924	1,510	1,041	105	12	20%	18%	7.49
FY26E	8,524	1,685	1,122	114	11	20%	17%	6.44
FY27E	9,225	1,828	1,222	124	10	19%	16%	5.86
FY28E	10,384	1,985	1,316	133	10	18%	15%	5.25

Source: Company, Axis Securities Research

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
Total Operating Income	6,245	6,924	8,524	9,225	10,384
Cost of Natural Gas	3,618	4,458	5,772	6,204	7,065
Change in inventories	0	(0)	-	-	-
Employees Cost	118	138	145	152	159
Other Expenses	666	818	922	1,041	1,175
Total Expenditure	4,402	5,414	6,839	7,397	8,399
EBITDA	**1,843**	**1,510**	**1,685**	**1,828**	**1,985**
Depreciation and Amortisation	274	306	315	368	413
EBIT	**1,569**	**1,204**	**1,370**	**1,460**	**1,571**
Other Income	175	184	125	166	179
Less: Interest & Fin Chg.	12	13	14	14	14
Profit before tax	**1,733**	**1,374**	**1,481**	**1,612**	**1,736**
Provision for Tax	444	329	355	386	416
Net Profit from associates/JVs	(13)	(4)	(4)	(4)	(4)
Reported PAT	**1,276**	**1,041**	**1,122**	**1,222**	**1,316**
EPS (Rs/sh)	**129.2**	**105.3**	**113.6**	**123.7**	**133.2**
DPS (Rs/sh)	**30.0**	**30.0**	**32.3**	**35.2**	**37.9**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
Net Block	3,557	4,153	4,377	5,584	6,518
CWIP	823	1,068	1,358	1,032	935
Intangible assets	518	421	421	421	421
Investments	1,019	1,054	1,054	1,054	1,054
Inventories	42	52	68	73	83
Trade Receivables	296	364	448	485	546
Cash / Bank balance	426	333	788	930	1,212
Misc. Assets	700	824	836	847	858
Total assets	**7,381**	**8,270**	**9,350**	**10,426**	**11,627**
Equity capital	99	99	99	99	99
Reserves	5,031	5,781	6,591	7,470	8,415
Minority Interest	5	15	15	15	15
Borrowings	-	-	-	-	-
Def tax Liabilities	380	277	277	277	277
Other Liabilities	1,458	1,592	1,734	1,891	2,063
Provisions	60	75	75	75	75
Trade Payables	348	431	558	600	683
Capital employed	**7,381**	**8,270**	**9,350**	**10,426**	**11,627**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
Profit After Tax	1,289	1,045	1,126	1,226	1,320
Depreciation	274	306	315	368	413
Change in W/C	401	(15)	170	156	184
Operating Cash Flow	**1,964**	**1,336**	**1,611**	**1,750**	**1,918**
Capital Expenditure	(2,092)	(1,051)	(829)	(1,250)	(1,250)
Free Cash Flow	**(128)**	**286**	**782**	**500**	**668**
Other Investments	(197)	(141)	(11)	(11)	(12)
Investing Cash Flow	**(2,289)**	**(1,192)**	**(840)**	**(1,261)**	**(1,262)**
Dividend paid	(247)	(296)	(296)	(319)	(348)
Other Financing cash flow	533	59	(20)	(28)	(27)
Financing Cash Flow	**286**	**(238)**	**(316)**	**(348)**	**(374)**
Change in Cash	**(39)**	**(93)**	**456**	**141**	**282**
Opening Cash	465	426	333	788	930
Closing Cash	**426**	**333**	**788**	**930**	**1,212**

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Operational Ratios					
Sales growth (% YoY)	-1%	11%	23%	8%	13%
EBITDA growth (% YoY)	56%	-18%	12%	9%	9%
Op. profit growth (% YoY)	65%	-23%	14%	7%	8%
Net Profit growth (% YoY)	62%	-18%	8%	9%	8%
EBITDA Margin %	30%	22%	20%	20%	19%
Net profit Margin %	28%	20%	17%	17%	17%
Tax Rate %	26%	24%	24%	24%	24%
Efficiency Ratios					
Total Asset turnover (x)	0.9	0.9	1.0	0.9	0.9
Sales/Net block(x)	1.5	1.3	1.4	1.4	1.4
Working capital/Sales (x)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Valuation Ratios					
PER (x)	9.9	12.2	11.3	10.4	9.6
P/BV (x)	2.5	2.2	1.9	1.7	1.5
EV/EBITDA (x)	6.1	7.5	6.5	5.9	5.3
EV/Sales (x)	1.8	1.6	1.3	1.2	1.0
Return Ratios					
ROE	24.9%	17.7%	16.7%	16.1%	15.4%
ROCE	32.7%	19.9%	20.1%	19.1%	18.4%
ROIC	31.6%	20.3%	21.4%	19.8%	19.1%
Leverage Ratios					
Debt / Equity (x)	-	-	-	-	-
Net debt / Equity (x)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)
Net debt / EBITDA (x)	(0.8)	(0.9)	(1.1)	(1.1)	(1.1)
Operational Ratios					

Source: Axis Securities Research

KIRLOSKAR BROTHERS LTD – REVENUE VISIBILITY DRIVEN BY STRONG ORDER PIPELINE

Kirloskar Brothers Limited (KBL) is a world-class pump manufacturing company with expertise in engineering and manufacturing fluid management systems. Established in 1888 and incorporated in 1920, KBL is the parent company of the Kirloskar Group. It provides complete fluid management solutions for large infrastructure projects across sectors such as water supply, power plants, irrigation, building & construction, oil & gas, and marine & defence. KBL manufactures a wide range of industrial, agricultural, and domestic pumps, along with valves and hydro-turbines.

Industry view

Over Weight

CMP
1,930

Target Price
2,330

Upside
21%

Key Rationale

- **Strong Order Pipeline Maintaining Revenue Visibility**: KBL reported a 5% YoY revenue decline for the quarter, with overseas business growing by a notable 43% YoY. This international growth was mainly driven by strong performance at SPP UK, while the US and Thailand businesses were impacted by order deferrals. Domestic revenues were impacted by a temporary slowdown in small pumps due to the early onset of the monsoon. KBL continues to hold a healthy order book of Rs 3,345 Cr (up from Rs 3,118 Cr in Q4FY25), providing clear revenue visibility going forward.

- **Operational Efficiencies and Product Mix to Aid Profitability:** While the EBIDTA margins declined sequentially due to seasonality, the company witnessed improvement in EBITDA margins on a YoY basis (11.4% vs 10.8%). This was driven by a decline in raw material prices, coupled with cost optimisation initiatives. KBL has been investing in technology upgrades to enhance operational efficiency and product value. KBL continues to take efforts to improve operational efficiencies and remains optimistic about continued margin improvement.

- **Growth Momentum to Continue:** The management has recently reiterated its expectations of sustaining the growth momentum, with double-digit revenue growth likely to continue over the medium term, supported by strong demand and a healthy order book. The company delivered robust performance across most overseas markets and anticipates further improvement ahead. Additionally, the management remains optimistic about continued improvement in EBITDA margins.

- **Outlook & Recommendation:** With sustained demand from key end markets and a robust order book, KBL remains on track to achieve double-digit revenue growth in the medium term. The current order book provides strong revenue visibility, with the execution cycle ranging from a few weeks to as much as 18 months. Order intake is also expected to remain strong. Additionally, the focus on cost optimisation and an improved product mix should support continued margin expansion. Accordingly, we value the stock at 25x Sep'27E EPS and maintain a BUY rating on the stock.

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY24	4,001	578	333	44	44	28	22	29
FY25	4,492	681	411	52	37	28	21	24
FY26E	5,481	850	515	68	29	30	22	19
FY27E	6,651	1,033	648	83	23	31	23	15
FY28E	7,782	1,247	800	103	19	31	23	12

Source: Company, Axis Securities Research

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	**4,001**	**4,492**	**5,481**	**6,651**	**7,782**
Growth (%)	7.3	12.3	22.0	21.4	17.0
Total Income	**4,001**	**4,492**	**5,481**	**6,651**	**7,782**
Raw Material Expense	1,983	2,198	2,675	3,246	3,767
Employee Expense	673	708	833	1,011	1,175
Other Operating Expense	826	977	1,195	1,437	1,673
EBITDA (Excl. Other Income)	**520**	**609**	**778**	**958**	**1,167**
Growth (%)	30	17	28	23	22
EBITDA Margin (Excl. Other Income - %)	**13.0**	**13.6**	**14.2**	**14.4**	**15.0**
Other Income	59	72	72	75	80
EBITDA (Incl. Other Income)	**578**	**681**	**850**	**1,033**	**1,247**
Growth (%)	35.6	17.8	24.8	21.5	20.8
EBITDA Margin (Incl. Other Income - %)	**14.5**	**15.2**	**15.5**	**15.5**	**16.0**
Depreciation	78	89	108	123	138
EBIT	**500**	**592**	**742**	**910**	**1,109**
Interest Cost	26	25	25	18	10
Profit Before Tax	**474**	**567**	**717**	**892**	**1,099**
Tax	141	156	202	244	300
Profit After Tax	**333**	**411**	**515**	**648**	**800**
Growth (%)	45.2	23.5	25.3	25.7	23.5
Exceptional Items	6.6	-7.8	-	-	-
Share of Profit of an associate/OCI	**9**	**12**	**21**	**16**	**16**
Net Profit (Adjusted)	**348**	**415**	**537**	**664**	**816**
EPS	**44**	**52**	**67**	**83**	**103**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS					
Equity Share Capital	16	16	16	16	16
Reserves & Surplus	1708	2086	2550	3123	3847
Net Worth	**1724**	**2101**	**2566**	**3139**	**3863**
Borrowings	192	182	150	90	40
Other Liabilities	1409	1383	1394	1427	1584
Total Liabilities	**1601**	**1564**	**1544**	**1517**	**1624**
Total Equity & Liability	**3325**	**3665**	**4111**	**4656**	**5487**
APPLICATION OF FUNDS					
Cash & Bank Balance	293	349	597	795	1318
Investments	410	619	619	619	619
Advances	201	108	108	108	108
Fixed & Other Assets	2421	2590	2787	3135	3443
Total Assets	**3325**	**3665**	**4111**	**4656**	**5487**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
PBT	**474**	**559**	**717**	**892**	**1099**
Depreciation & amortisation	78	89	108	123	138
Interest expense	26	14	25	18	10
Interest / Dividend	-47	-36	-51	-59	-64
Other Adjustments	3	17	0	0	0
(Inc)/Dec in working capital	-95	-97	-143	-188	-40
Tax paid	-141	-160	-202	-244	-300
CF from operating activities	**299**	**386**	**454**	**542**	**844**
Capital expenditure	-174	-89	-150	-250	-250
(Purchase) / Sale of Investments	0	0	0	0	0
Income from investments and others	-5	-151	72	75	80
CF from investing activities	**-179**	**-240**	**-78**	**-175**	**-170**
Inc/(Dec) in share capital	0	0	0	0	0
Inc/(Dec) in debt	-94	-24	-32	-60	-50
Dividends & Interest paid	-83	-52	-96	-109	-101
Other Financial Activities	0	-17	0	0	0
CF from financing activities	**-177**	**-92**	**-128**	**-169**	**-151**
Net cash flow	**-57**	**54**	**248**	**198**	**523**
Opening balance	253	266	349	597	795
Other Bank Balance	0	3	0	0	0
Closing balance	**293**	**349**	**597**	**795**	**1318**

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Financial Ratios					
RoE (%)	21.7	21.1	22.1	22.7	22.8
RoCE (%)	27.7	28.2	29.7	30.6	31.1
Debt/Equity (x)	0.1	0.1	0.1	0.0	0.0
EBIT/Interest (x)	19.4	23.9	29.8	50.5	113.8
Turnover Ratios					
Asset turnover (x)	2.1	2.0	2.0	2.1	2.0
Sales/Net FA (x)	6.0	6.5	7.5	7.8	8.0
Working capital/Sales (x)	0.1	0.1	0.1	0.1	0.1
Working capital days	7.0	8.0	17.0	25.0	23.0
Liquidity Ratios					
Current ratio (x)	1.6	1.7	2.0	2.2	2.5
Quick ratio (x)	1.0	1.1	1.3	1.5	1.7
Interest cover (x)	17.2	20.9	26.1	43.8	97.2
Net debt/Equity (x)	-0.1	-0.1	-0.2	-0.2	-0.3
Valuation (x)					
PE	44.1	37.0	28.6	23.1	18.8
PEG (x) YoY growth	0.9	2.0	1.0	0.9	0.8
P/BV	8.9	7.3	6.0	4.9	4.0
EV/EBITDA	28.8	24.3	18.7	14.9	11.7
EV/Sales	3.7	3.3	2.7	2.1	1.8
EV/EBIT	29.9	25.1	19.6	15.7	12.4

Source: Axis Securities Research

SANSERA ENGINEERING LTD - STRONG ORDER BOOK & BALANCE SHEET TO SUPPORT FUTURE GROWTH

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

Industry view

Over Weight

CMP
1,372

Target Price
1,580

Upside
15%

Key Rationale

- **Encouraging Revenue and EBITDA Margins:** Despite a challenging FY25 due to geopolitical headwinds, Sansera expects to report high-teen revenue growth in FY26, supported by continued strength in xEV, ADS, and overseas businesses. The management has guided a 50–60 bps expansion in EBITDA margins, driven by better product mix (more tech-agnostic, EV, and ADS), favourable operating leverage, and reduced dependency on commodity-heavy ICE components.
- **Strong Order Book:** As of Jun'25, Sansera's total unexecuted order book stood at Rs 2,024 Cr, with 24% of the new orders originating from the ADS segment, highlighting the growing relevance of this business line.
- **Capex to Support Orderbook:** Sansera is executing both brownfield and greenfield expansions to support its long-term growth strategy. In FY25, the company incurred 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, which is expected to begin in FY27 onwards.
- **Growth in ADS Business:** Sansera's ADS vertical is on a high-growth trajectory and is expected to increase from Rs 132 Cr in FY25 to Rs 280–300 Cr in FY26, backed by a strong order pipeline. The company has already invested Rs 300 Cr in setting up a dedicated ADS facility, which has a potential revenue-generating capacity of Rs 600–650 Cr at full utilisation. *ADS contracts tend to be long-cycle, high-margin, and less price-sensitive compared to auto components.*
- **Developments in MMRFIC:** Sansera currently holds a 30% stake (option to raise to 51%) in MMRFIC, a deep-tech company. It specialises in microwave and mm-wave technologies used in radar systems and defence communications. MMRFIC has an active order pipeline of over Rs 100 Cr from organisations such as ISRO, DRDO, and the Indian Army. While its FY25 revenue is still modest at ~Rs 20 Cr, the EBITDA margins exceed 40% due to grant-based development projects. Management expects a significant scale-up in FY27 as projects move into the production phase.
- **Valuation & Outlook:** Given factors such as a) A higher sales mix in Non-Auto ICE components, b) Increased premiumisation trend, c) A focused approach on improving margin trends, d) Strong ability to generate operating cash flows, and e) Capacity expansion plans, we expect Revenue, EBITDA, and PAT to grow at CAGR of 10%, 12%, and 18%, respectively, over FY26E-28E.
- **Key risks:** Macro Economic Uncertainty, Low Promoter Holding

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY25	3,017	515	217	37.4	32.5	13.81%	10.50%	13.69
FY26E	3,275	567	272	43.5	31.4	13.14%	9.38%	13.68
FY27E	3,603	634	316	50.6	27.0	14.37%	9.96%	12.00
FY28E	4,059	714	360	57.8	23.7	15.44%	10.34%	10.40

Source: Company, Axis Securities Research

Profit & Loss (Rs Cr)

Y/E Mar	FY25A	FY26E	FY27E	FY28E
Net sales	3,017	3,275	3,603	4,059
Raw materials	1,241	1,375	1,528	1,721
Staff costs	443	481	504	568
Other expenses	818	851	937	1,055
Total expenses	250	271	297	334
EBITDA	515	567	634	714
Depreciation	174	199	214	240
EBIT	341	368	420	475
Other income	20	33	32	29
Interest expense	70	37	29	20
Share of Profit/loss from associates	-	-	-	-
Exceptional (expenses)/income	-	-	-	-
Profit before tax	291	365	424	484
Tax expense	75	95	110	126
Adjusted PAT	-	-	1	1
Reported PAT	217	272	316	360
No. of shares	58.0	61.9	61.9	61.9
Reported EPS (Rs/share)	37.4	43.5	50.6	57.7

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar	FY25A	FY26E	FY27E	FY28E
Equity Share Capital	12	12	12	12
Reserves and Surplus	2738	2989	3279	3610
Non-Controlling Interest	17	19	22	25
Total Shareholders' Funds	**2768**	**3021**	**3313**	**3647**
NON-CURRENT LIABILITIES				
Long-term Borrowings	171	81	-19	-119
Long-Term Finance/Lease Liabilities	94	94	94	94
Long Term Provisions	4	4	4	4
Deferred Tax Liabilities	80	80	80	80
Other LT liabilities	46	46	46	46
Total Non-Current Liabilities	**396**	**306**	**206**	**106**
CURRENT LIABILITIES				
Short-Term Borrowings	128	128	128	128
Short-Term Lease Liabilities	13	13	13	13
Trade Payables	362	393	433	487
Other Current Liabilities	68	68	68	68
Total Current Liabilities	**572**	**603**	**642**	**697**
Total Capital And Liabilities	**3736**	**3929**	**4162**	**4450**
ASSETS				
NON-CURRENT ASSETS				
Net Tangible Assets	1778	1779	1805	1806
Capital Work in progress	195	245	305	365
Intangible Assets	160	160	160	160
Financial Assets	82	82	82	82
Other Non-Current Assets	62	62	62	62
Total Non-Current Assets	**2276**	**2327**	**2413**	**2474**
CURRENT ASSETS				
Inventories	501	544	598	674
Current Investments	1	1	1	1
Trade Receivables	455	494	543	612
Cash And Cash Equivalents	427	488	530	614
Other Current Assets	76	76	76	76
Total Current Assets	**1459**	**1602**	**1748**	**1976**
TOTAL ASSETS	**3736**	**3929**	**4162**	**4450**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY25A	FY26E	FY27E	FY28E
Cash flows from operating activities				
Profit before tax for the year	292	367	426	486
Finance costs	70	37	29	20
Depreciation and amortisation	174	199	214	240
Others	-78	-95	-110	-126
Cash Flow from Operations before Changes in WC	458	507	558	619
Change in operating assets and liabilities	-81	-51	-65	-90
Net cash generated by operating activities	**377**	**456**	**494**	**590**
Cash flows from investing activities				
Capex	-596	-250	-300	-300
Investments	-371	-	-	-
Others	12	-	-	-
Net cash (used in)/generated by investing activities	**-955**	**-250**	**-300**	**-300**
Cash flows from financing activities				
Change in borrowing	665	-90	-100	-100
Interest on borrowings	-65	-37	-29	-20
Other	-	-	1	1
Dividends paid (-)	-16	-19	-23	-26
Net cash used in financing activities	**583**	**-145**	**-151**	**-145**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**52**	610	419	840
CCE at the beginning of the year	49	51	112	154
Effect of exchange differences on translation of foreign currency cash and cash equivalents	-2	-	-	-
CCE at the end of the year	**515**	**1,125**	**1,544**	**2,384**

Source: Axis Securities Research

Ratio Analysis (%)

Key Ratios	FY25A	FY26E	FY27E	FY28E
Valuation Ratios				
PER	32.5	31.4	27.0	23.7
P/BV (x)	2.7	2.6	2.4	2.2
EV/Ebitda (x)	14.3	13.7	12.0	10.4
EV/Sales (x)	2.44	2.4	2.1	1.8
Dividend Yield %	0.26%	0.3%	0.3%	0.4%
Return Ratios				
ROE	10.50%	9.4%	10.0%	10.3%
ROCE	13.81%	13.1%	14.4%	15.4%
ROIC	14.64%	12.0%	12.9%	13.7%
Leverage Ratios				
Debt/equity (x)	0.17	0.1	0.1	0.0
Net debt/ Equity (x)	-0.01	-0.1	-0.1	-0.1
Net debt/Ebitda (x)	-0.04	-0.3	-0.5	-0.7
Operational Ratios				
Sales growth (% YoY)	7.3%	8.6%	10.0%	12.6%
EBITDA growth (% YoY)	7.3%	10.1%	11.9%	12.6%
Net Profit growth (% YoY)	15.6%	25.3%	16.2%	13.1%
EBITDA Margin %	17.06%	17.3%	17.6%	17.6%
Net profit Margin %	7.19%	8.3%	8.8%	8.9%
Efficiency Ratios				
Total Asset Turnover (x)	0.92	0.9	0.9	0.9
Sales/Net block(x)	1.86	1.8	2.0	2.2

Source: Axis Securities Research

KALPATARU PROJECTS INTERNATIONAL LTD – ROBUST EXECUTION & STRONG ORDER BOOK TO PROPEL GROWTH

KPIL, founded in 1981, is a prominent specialised EPC company with a strong global presence across 75 countries. The company has established itself as a key player in the international EPC market, leveraging its high-growth and diversified business model to deliver innovative solutions. KPIL consistently focuses on creating sustainable value for diverse stakeholders, reinforcing its reputation as a reliable and forward-looking organisation.

Industry view

Equal Weight

Key Rationale

- **Robust Order Book:** As of 30th June, 2025, the company's order book stands at Rs 65,475 Cr, with 41% from T&D, 25% from B&F, 14% from Water, 11% from Oil & Gas, 5% from Railways, and 4% from Urban Infra. Backed by a strong execution track record and expanding opportunities across all segments, KPIL is positioned for steady revenue growth, projecting a 19% CAGR from FY25 to FY27E
- **New Order Inflow to Sustain Growth:** The YTD order inflow stood at Rs 9,899 Cr. The management expects full-year order inflow in the range of Rs 26,000-28,000 Cr, with a major focus on the T&D and B&F segments. It anticipates traction in Oil & Gas and the international Water segment, while remaining positive on growth across all businesses except Railways.
- **EBITDA Margins & PAT Expected to Expand:** Recent order wins are expected to support margin expansion, driving improved profitability. Management anticipates a 100 bps increase in operating margins for the current fiscal year. Additionally, reduced debt levels are lowering finance costs, strengthening the bottom line. We project robust growth in EBITDA and PAT, with expected CAGRs of 24% and 47%, respectively, over FY25–FY27E, and forecast EBITDA margins in the range of 8.5%-9% for FY26E/27E.
- **Outlook:** The company is well-placed to capitalise on its strong order book, favourable sectoral trends in domestic and international T&D and B&F segments, improved performance of international subsidiaries, supportive government initiatives, and anticipated margin gains. It is projected to deliver a CAGR of 19%/24%/47% over FY25–FY27E.
- **Valuation:** The stock is currently trading at 21x/17x FY26E/27E EPS. We maintain our BUY rating on the stock with a TP of Rs 1,470/share, implying an upside of 18% from the CMP.
- **Key risks:** a) Delay in collections may impact revenue growth; b) A rise in commodity prices may impact margins.

CMP
1,253

Target Price
1,470

Upside
17%

Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)
FY24	19,626	1,629	516	31.9	37	13.6	10.4	16.1
FY25	22,316	1,834	567	33.2	36	12.5	9.6	16.8
FY26E	26,833	2,362	978	57.2	21	9.5	14	20.4
FY27E	31,442	2,798	1,223	71.5	17	8.1	15.3	22.5

Source: Company, Axis Securities

Profit & Loss (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Net sales	**19,626**	**22,316**	**26,833**	**31,442**
Other operating income	0	0	0	0
Total income	19,626	22,316	26,833	31,442
Net RM	8,205	8,581	10,610	13,017
Contribution (%)	*58.2%*	*61.5%*	*60.5%*	*58.6%*
Other Expenses	9,793	11,901	13,861	15,627
Operating Profit	**1,629**	**1,834**	**2,362**	**2,798**
Other income	64	62	73	94
PBIDT	**1,693**	**1,897**	**2,436**	**2,893**
Depreciation	473	497	535	597
Interest & Fin Chg.	518	577	549	597
E/o income / (Expense)	0	0	0	0
Share of Profit from Associates	0	0	0	0
Pre-tax profit	**701**	**823**	**1,352**	**1,699**
Tax provision	185	256	374	476
PAT	516	567	978	1,223

Source: Company, Axis Research

Balance Sheet (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Capital Applied	**7,659**	**8,971**	**9,699**	**10,743**
Net Block	2,970	3,090	3,155	3,158
Other non-current assets	788	984	984	984
Wkg. cap. (excl cash)	1,850	2,114	2,293	3,853
Cash / Bank balance	1,032	1,759	2,244	1,723
Misc Assets	1,019	1,024	1,024	1,024
Capital employed	**7,659**	**8,970**	**9,699**	**10,742**
Equity capital	32	34.1	34.1	34.1
Reserves	5,105	6,479	7,327	8,420
Minority Interests	(25)	(44)	(44)	(44)
Borrowings	1,448	1,467	1,348	1,298
Other non-current liab.	1,099	1,035	1,035	1,035

Source: Company, Axis Research

Cash Flow (Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
PAT	516	567	978	1223
Depreciation	473	497	535	597
Interest Expense	518	577	549	597
Changes in Working Capital	(635)	(677)	(179)	(1560)
Others	253	222	301	381
Tax Paid	(282)	(272)	(374)	(476)
Net Cash from Operations	**843**	**914**	**1810**	**763**
Capex	(352)	(575)	(600)	(600)
Others	89	(144)	73	94
Net Cash from Investing	**(263)**	**(719)**	**(527)**	**(506)**
Borrowings	137	487	(120)	(50)
Interest Expense	(504)	(566)	(549)	(597)
Dividend paid	(114)	(130)	(130)	(130)
Others	182	200	0	0
Net Cash from Financing	**(524)**	**400**	**(799)**	**(777)**
Net Change in Cash	**56**	**596**	**484**	**(520)**
Opening cash	956	1009	1602	2086
Closing cash	**1009**	**1602**	**2086**	**1566**
FCF	492	340	1210	163

Source: Company, Axis Research

Ratio Analysis (%)

Key Ratios	FY24	FY25	FY26E	FY27E
Sales growth	**20.0%**	**14%**	**20%**	**17%**
OPM	**8.3%**	**8.2%**	**8.8%**	**8.9%**
Operating profit growth	19%	13%	29%	18%
COGS / Net sales	42%	38%	40%	41%
Overheads/Net sales	50%	53%	52%	50%
Depreciation / G. block	10%	10%	9%	10%
Effective interest rate	13.6%	14.2%	13.3%	14.8%
Net working capital / Net sales	0.21	0.21	0.19	0.19
Net sales / Gr block (x)	4.2	4.4	4.7	5.0
RoCE	**16%**	**17%**	**20%**	**22%**
Debt/equity (x)	0.8	0.6	0.6	0.5
Effective tax rate	26.4%	31.0%	27.7%	28.0%
RoE	**10%**	**10%**	**14%**	**15%**
Payout ratio (Div/NP)	22.0%	23%	13%	11%
EPS (Rs.)	**31.9**	**33.2**	**57.2**	**71.5**
EPS Growth	18.6%	4.2%	72.4%	25.0%
CEPS (Rs.)	61.1	62.3	88.5	106.4
DPS (Rs.)	7.0	7.6	7.6	7.6

Source: Company, Axis Research

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

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

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

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