

DIWALI PICKS



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- ❖ State Bank of India
- ❖ Mahindra & Mahindra
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All stocks prices in this PPT are based 14 October 2025 closing levels.



State Bank of India

M-cap: US\$92.24bn; CMP: Rs877; TP: Rs1,040; Upside: 19%; Rating: Buy



- **Loan book expected to grow at 11.8% CAGR:** With a total balance sheet/loan book size of Rs66.8trn/Rs41.6trn as of FY25, SBI is the biggest bank in India. The bank's loan book has increased at a CAGR of 12.3% for FY15–FY25; from FY25–FY27E, we anticipate the loan book CAGR to be 11.8%.
- **Loan growth guided at 12% for FY26, SME to drive growth while PL/Auto to recover in H2:** With a leadership position in both corporate and retail lending, a strong capital base (CAR of 14.63%), and a robust deposit franchise (domestic CASA ratio of ~39.4%), the bank is well-positioned to selectively lend to the highest-quality borrowers. Retail demand, particularly for home loans, remains strong. Corporate loan growth was muted this quarter due to prepayments, refinancing and corporates preferring CP amid competitive rates, but management expects 10–11% growth in this segment by FY26. SME lending continues to be robust, currently growing 19% YoY, while PL/Auto Loans are expected to accelerate from H2FY26. Additionally, the bank is receiving enquiries in infrastructure, power, renewables, commercial real estate and slum redevelopment. Overall, SBI's total sanctions pipeline stands at Rs 7.2 trn and management is confident of achieving 12% credit growth in FY26.
- **Expect NIMs around 3% for FY26 as cost of deposit moderate and TD repricing benefit to flow in:** NIM guidance remains steady at 3%, with a 'U'-shaped recovery expected. Q2 NIMs may be lower, but improvements should start in Q3 as benefits from the CRR cut (releasing Rs 520 bn) and moderating deposit costs flow through. The fixed deposit book will be repriced over the next 8–12 months.
- **Asset Quality outlook positive:** With a GNPA of 1.83% and NNPA of 0.47%, the bank ranks among the best in the PSU space. Management aims to keep slippages below 0.6% in FY26 and targets recoveries of Rs 70–80 bn. While the MSME segment witnessed stress buildup across the sector in Q1, SBI remains relatively insulated as its MSME portfolio is largely secured or backed by CGTMSE guarantees. Enhanced underwriting through the business rule engine has strengthened credit assessment in this segment. Moreover, general provisions of Rs 303.5 bn (~0.7% of loans) provide additional comfort.
- **Estimating ~15% ROE in FY27E:** We estimate FY27E ROE at ~15%, supported by ~11.8%/~9.7% loan/earnings CAGR. Maintain 'BUY' on SBI with a TP of Rs 1,040 based on 1.3x Sep 2027E ABV plus Rs 226.5 per share from subsidiaries.

State Bank of India

Income Statement (Rs mn)						Y/E March	FY23	FY24	FY25	FY26E	FY27E
Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E	Growth (%)					
Interest Income	33,21,031	41,51,307	46,24,894	48,56,715	54,61,196	NII growth	20.0	10.4	4.4	3.8	16.2
Interest expense	18,72,626	25,52,548	29,55,242	31,23,310	34,47,541	Pre-provision profit growth	23.3	3.6	27.5	10.3	13.7
Net interest income	14,48,405	15,98,758	16,69,651	17,33,405	20,13,654	PAT growth	58.6	21.6	16.1	3.4	16.4
Non-interest income	3,66,156	5,16,822	6,16,831	7,56,181	7,67,999	Business (%)					
Net Revenue	18,14,561	21,15,580	22,86,482	24,89,586	27,81,654	Deposit growth	9.2	11.1	9.5	11.1	12.0
Operating Expense	9,77,431	12,48,608	11,80,690	12,70,216	13,95,323	Advance growth	17.0	15.8	12.4	11.5	12.1
-Employee Exp	5,72,918	7,83,370	6,43,522	7,08,191	7,74,312	CD	72.3	75.3	77.4	77.6	77.7
-Other Exp	4,04,513	4,65,238	5,37,168	5,62,025	6,21,011	CASA	42.7	39.9	38.7	38.1	38.5
Operating profit	8,37,130	8,66,972	11,05,792	12,19,370	13,86,331	Operating efficiency (%)					
Provisions	1,65,073	49,142	1,53,079	2,39,556	2,48,883	Cost-to-income	53.9	59.0	51.6	51.0	50.2
PBT	6,72,056	8,17,830	9,52,713	9,79,814	11,37,449	Cost-to-assets	1.9	2.1	1.8	1.8	1.8
Taxes	1,69,732	2,07,063	2,43,706	2,46,739	2,84,362	Spreads (%)					
PAT	5,02,324	6,10,766	7,09,006	7,33,075	8,53,086	Yield on advances	7.5	8.3	8.4	8.0	8.1
						Yield on investments	6.3	6.7	6.8	6.5	6.6
Balance Sheet						Cost of deposits	3.8	4.7	5.0	4.9	4.9
Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E	Yield on assets	6.9	7.7	7.8	7.5	7.6
Share capital	8,925	8,925	8,925	9,233	9,233	Cost of funds	4.0	4.9	5.2	5.0	5.0
Reserves & Surplus	32,67,160	37,63,541	44,02,697	53,37,571	60,20,040	NIMs	3.0	3.0	2.8	2.7	2.8
Shareholder's Funds	32,76,084	37,72,465	44,11,621	53,46,804	60,29,273	Capital adequacy (%)					
Deposits	4,42,37,778	4,91,60,768	5,38,21,895	5,98,02,084	6,69,68,439	Tier I	12.1	11.9	12.1	12.7	12.5
Borrowings	49,31,352	59,75,609	56,35,725	58,75,577	64,83,994	Tier II	2.6	2.4	2.1	2.5	2.2
Other liabilities	27,24,571	28,88,097	28,91,291	30,12,280	27,66,259	Total CAR	14.7	14.3	14.3	15.2	14.7
Total liabilities	5,51,69,785	6,17,96,939	6,67,60,533	7,40,36,744	8,22,47,965	Asset Quality (%)					
Cash/Equivalent	30,78,996	31,08,020	34,02,297	40,69,063	45,56,677	Gross NPA	2.8	2.2	1.8	1.8	1.8
Advances	3,19,92,693	3,70,39,709	4,16,33,121	4,64,08,980	5,20,17,839	Net NPA	0.7	0.6	0.5	0.5	0.4
Investments	1,57,03,662	1,67,13,397	1,69,05,727	1,79,45,743	1,94,26,578	Provision coverage	76.4	75.0	74.4	75.2	76.2
Fixed Assets	4,23,818	4,26,173	4,41,076	4,85,183	5,33,701	Slippage	0.6	0.5	0.5	0.7	0.6
Other assets	39,70,616	45,09,642	43,78,312	51,27,776	57,13,169	Credit-cost	0.6	0.1	0.4	0.5	0.5
Total assets	5,51,69,785	6,17,96,939	6,67,60,533	7,40,36,744	8,22,47,965	Return (%)					
						ROE	16.5	17.3	17.3	15.0	15.0
						ROA	1.0	1.0	1.1	1.0	1.1
						RORWA	1.9	2.0	2.1	1.9	2.0
						Per share					
						EPS	56	68	79	79	92
						BV	367	423	494	579	653
						ABV	343	399	472	556	629
						Valuation					
						P/E	15.6	12.8	11.0	11.0	9.5
						P/BV	2.2	1.9	1.7	1.4	1.3
						P/ABV	2.4	2.1	1.7	1.5	1.3

Source: Company, Nirmal Bang Institutional Equities Research

Mahindra & Mahindra (MM)

M-cap: US\$48.4bn; CMP: Rs3,460 TP: Rs4,042; Upside: 17%; Rating: Buy



We are positive on M&M with BUY rating and SOTP based TP of Rs4,042 valuing core business at 23x Sept'27 EPS factoring in the superior growth prospects in the core segment and improved capital allocation strategy. We are building in 12% volume CAGR for the core Auto business and 10% volume CAGR for the Tractor business over FY25-27, with ASP growth in both segments, resulting in 18% consol revenue CAGR over the same period. MM is the best pick in terms of growth visibility as SUV-fication continues and it continues to gain market share in from incumbents like Hyundai with new and feature rich premium SUVs.

- **Mahindra's Expanding SUV Portfolio:** Mahindra's SUV lineup continues to expand without signs of internal competition, as each model targets a distinct customer segment. The **XUV700** maintains its strong performance, while new models such as the **3XO** are witnessing robust demand—particularly in international markets like **South Africa**. The **Thar Roxx** further showcases Mahindra's ability to appeal to a wide spectrum of buyers.

The company's **Battery Electric Vehicle (BEV)** adoption is led by premium variants catering primarily to **urban, high-end customers**, a group distinct from the traditional **Internal Combustion Engine (ICE)** user base.

Mahindra Vision 2027: In August Mahindra revealed four concept SUVs (Vision S, Vision T, Vision SXT, Vision X) built on the flexible NU_IQ modular platform that supports ICE, hybrid and electric powertrains and both LHD/RHD body styles — enabling scalable domestic and international (including U.S.) rollouts.

SML Partnership Synergies: The M&M–SML alliance combines SML's reach across school, corporate, and fleet operators with M&M's modern cabins, telematics, and service network. It strengthens SML's CNG and electric ICV platforms, improves component sourcing power, and leverages M&M's scale for cost efficiency and supplier priority.

- **Strengthening Agri Leadership:** M&M achieved a record 45.2% tractor market share in Q1 FY26, supported by strong rural demand. The farm machinery segment, led by rotavators, rose to a 25.2% share. Q2, FY26 strong tractor volumes has further increased FY26 optimism, backed by improved rural income from a good monsoon, a favorable crop outlook and higher Rabi MSPs. Pre-buying before implementation of TREM-V in Apr-26 is also expected to boost volumes for FY26.

Mahindra & Mahindra (MM)

Profit & Loss Statement (YE March)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	8,49,603	10,16,816	11,86,245	14,23,304	16,47,483
Growth YoY%	47.0	19.7	16.7	20.0	15.8
Gross profit	2,04,020	2,76,867	3,22,844	3,70,059	4,28,345
Gross margin %	24.0	27.2	27.2	26.0	26.0
Staff costs	36,499	44,164	48,815	59,779	65,899
% of sales	4.3	4.3	4.1	4.2	4.0
Other expenses	63,098	76,745	89,867	98,208	1,10,381
% of sales	7.4	7.5	7.6	6.9	6.7
EBITDA	1,04,424	1,55,958	1,84,162	2,12,072	2,52,065
Growth YoY%	48.6	49.4	18.1	15.2	18.9
EBITDA margin %	12.3	15.3	15.5	14.9	15.3
Depreciation	31,545	34,880	42,268	41,093	46,131
EBIT	72,879	1,21,078	1,41,894	1,70,979	2,05,934
Interest	2,728	1,405	2,505	567	364
Other income	25,452	19,561	17,119	18,659	20,339
PBT (bei)	95,603	1,39,234	1,56,508	1,89,071	2,25,909
PBT	81,308	1,39,234	1,56,508	1,89,071	2,25,909
ETR	19.5	20.2	24.2	24.5	24.5
PAT	65,486	1,11,079	1,18,557	1,42,749	1,70,562
Adj PAT	77,000	1,11,079	1,18,557	1,42,749	1,70,562
Growth YoY%	57.1	44.3	6.7	20.4	19.5

Balance Sheet (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	5,991	5,996	6,004	6,004	6,004
Reserves	4,27,577	5,16,916	6,09,847	7,27,736	8,73,437
Net worth	4,33,567	5,22,912	6,15,851	7,33,740	8,79,441
Long term debt	23,316	11,349	10,559	7,559	4,559
Short term debt	23,122	4,500	792	-	-
Total debt	46,437	15,849	11,351	7,559	4,559
Net debt	1,620	-40,796	-96,555	-1,28,788	-2,15,157
Other non-current liabilities	14,703	15,631	16,629	16,629	16,629
Total Equity & Liabilities	7,57,798	8,37,086	9,96,489	11,69,220	13,69,201
Gross block	3,64,263	4,07,195	4,67,930	5,49,023	6,35,154
Accumulated depreciation	1,94,501	2,29,381	2,71,649	3,12,742	3,58,873
Net Block	1,69,762	1,77,814	1,96,281	2,36,281	2,76,281
CWIP	27,846	37,630	39,046	34,046	29,046
Intangible and others	-	-	-	-	-
Other non-current assets	1,15,271	1,30,066	1,37,987	1,48,190	1,59,413
Investments	2,70,871	2,92,071	3,54,681	3,89,681	4,24,681
Trade receivables	40,417	45,679	57,256	68,698	79,518
Inventories	88,814	97,180	1,03,333	1,55,979	1,80,546
Cash & Cash Equivalents	44,818	56,645	1,07,906	1,36,347	2,19,716
Other current assets	-	-	-	-	-
Total current assets	2,89,319	3,29,571	4,06,482	5,09,213	6,39,193
Trade payables	1,71,456	1,85,902	2,34,058	2,80,832	3,25,064
Other current liabilities	91,635	96,791	1,18,601	1,30,461	1,43,507
Total current liabilities	2,63,091	2,82,694	3,52,659	4,11,293	4,68,572
Total Assets	7,57,798	8,37,086	9,96,489	11,69,220	13,69,201

Cash Flow (Rsmn) (YE March)	FY23	FY24	FY25E	FY26E	FY27E
PBT	81,308	1,39,234	1,56,508	1,89,071	2,25,909
Depreciation	31,545	34,880	42,268	41,093	46,131
Interest	2,728	1,405	2,505	567	364
Other adjustments	-	-	-	-	-
Change in Working capital	-5,360	-20,648	-6,946	-44,097	-72,702
Tax paid	-18,740	-27,227	-36,954	-46,322	-55,348
Operating cash flow	91,480	1,27,644	1,57,381	1,40,312	1,44,354
Capex	4,059	-17,835	-19,883	-35,000	-35,000
Free cash flow	95,538	1,09,809	1,37,498	1,05,312	1,09,354
Other investing activities	-3,374	-1,640	-45,490	-16,341	-14,661
Investing cash flow	92,164	1,08,169	92,007	88,972	94,693
Issuance of share capital	8	6	8	-	-
Movement of Debt	-18,540	-30,588	-4,498	-3,792	-3,000
Dividend paid (incl DDT)	-20,510	-26,227	-31,448	-24,860	-24,860
Other financing activities	-2,728	-1,405	-2,505	-567	-364
Financing cash flow	50,394	49,954	53,564	59,753	66,469
Net change in cash flow	8,312	11,828	51,260	28,441	83,369
Opening C&CE	36,506	44,818	56,645	1,07,906	1,36,347
Closing C&CE	44,818	56,645	1,07,906	1,36,347	2,19,716

Ratios (YE March)					
Per Share (Rs)	FY23	FY24	FY25E	FY26E	FY27E
Adj EPS	66.6	69.3	84.3	111.6	131.8
Book value	348.7	420.5	495.2	590.0	707.2
DPS	16.5	21.1	25.3	20.0	20.0
Valuation (x)					
P/Sales	5.1	4.2	3.6	3.0	2.6
EV/EBITDA	41.1	27.3	22.8	19.6	16.2
P/E	53.8	49.8	44.0	30.1	25.2
P/BV	9.9	8.2	7.0	5.9	4.9
Return ratios (%)					
RoCE	11.9	17.4	16.7	17.0	17.3
RoCE (pre-tax)	14.7	21.8	22.0	22.6	22.9
RoE	17.8	21.2	19.3	19.5	19.4
RoIC	13.0	19.4	20.1	20.8	22.8
Profitability ratios (%)					
Gross margin	24.0	27.2	27.2	26.0	26.0
EBITDA margin	12.3	15.3	15.5	14.9	15.3
PAT margin	9.1	10.9	10.0	10.0	10.4
Liquidity ratios (%)					
Current ratio	1.1	1.2	1.2	1.2	1.4
Quick ratio	0.8	0.8	0.9	0.9	1.0
Solvency ratio (%)					
Net Debt to Equity ratio	0.0	(0.1)	(0.2)	(0.2)	(0.2)
Turnover ratios					
Fixed asset turnover ratio (x)	2.3	2.5	2.5	2.6	2.6
Debtor days	17.4	16.4	17.6	17.6	17.6
Inventory days	38.2	34.9	31.8	40.0	40.0
Creditor days	73.7	66.7	72.0	72.0	72.0
Net Working capital days	(18.1)	(15.5)	(22.6)	(14.4)	(14.4)

Source: Company, Nirmal Bang Institutional Equities Research

Hindustan Aeronautics Ltd

M-cap: US\$35.9bn; CMP: Rs4,747; TP: Rs6,142; Upside: 29.4%; Rating: Buy



- Robust order book of ~Rs2.5tn provides strong multi-year revenue visibility, supported by a solid pipeline across fighters (LCA Mk1A, Su-30MKI), helicopters (LCH Prachand), and engines (AL-31FP, RD-33).
- The company is transitioning from a repair-and-overhaul-driven model (70% of FY25 revenue) to manufacturing-led growth, aided by the ramp-up in LCA Mk1A and new Su-30MKI orders between FY27–FY29.
- Engine programs ensure steady execution, with 240 AL-31FP and RD-33 engines to be delivered over eight years (~30 engines annually), offering predictable cash flows.
- LCA Mk1A deliveries are set to ramp up as engine bottlenecks ease; two aircraft are planned for next month, followed by 5–7 in FY26 and 12 in FY27.
- A debt-free balance sheet, strong cash reserves, and consistent dividends highlight a robust financial profile and disciplined capital allocation.
- As a key beneficiary of India's 'Atmanirbhar Bharat' defense push, the company is strategically positioned for long-term growth and export opportunities across fighters, helicopters, and engines.
- Revenue, EBITDA, and PAT are projected to clock a CAGR of 15%, 15%, and 19%, respectively, over FY25-FY27E, outpacing the management guidance. The stock is trading at a 1-year forward P/E of 26.6x, above its 5-year average of 17x. We maintain our BUY rating at a target price of Rs6,142, valuing the stock at 35x Jun-27E EPS (+2 SD above the long-term average).

Hindustan Aeronautics Ltd

Income Statement					
Y/E March Rsmn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	2,69,275	3,03,811	3,09,810	3,44,583	4,13,108
Growth YoY%	9.4	12.8	2.0	11.2	19.9
Gross profit	1,68,254	1,93,220	1,86,929	2,13,340	2,57,065
Gross margin %	62.5	63.6	60.3	61.9	62.2
Staff costs	49,104	52,907	57,304	65,603	78,993
% of sales	18.2	17.4	18.5	19.0	19.1
Other expenses	46,384	42,902	33,545	44,273	49,979
% of sales	17.2	14.1	10.8	12.8	12.1
EBITDA	72,766	97,411	96,081	1,03,464	1,28,094
Growth YoY%	30.3	33.9	(1.4)	7.7	23.8
EBITDA margin %	27.0	32.1	31.0	30.0	31.0
Depreciation	23,821	14,072	13,404	18,104	21,561
EBIT	48,945	83,339	82,677	85,360	1,06,533
Interest	580	321	87	14	15
Other income	16,701	18,966	25,617	42,772	49,390
PBT (bei)	65,066	1,01,984	1,08,207	1,28,119	1,55,907
PBT	65,066	1,01,984	1,08,266	1,28,119	1,55,907
ETR	10%	26%	23%	25%	24%
PAT	58,277	76,211	83,641	97,063	1,19,319
Adj PAT	58,277	76,211	83,582	97,063	1,19,319
Growth YoY%	14.7	30.8	9.7	16.1	22.9

Balance Sheet					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
Share capital	3,344	3,344	3,344	3,344	3,344
Reserves	2,32,378	2,88,038	3,46,472	4,21,258	5,13,191
Net worth	2,35,722	2,91,382	3,49,816	4,24,602	5,16,535
Long term debt	25	-	11	-	-
Short term debt	1	0	0	0	0
Total debt	27	0	12	0	0
Net debt	(2,03,140)	(2,64,316)	(3,81,811)	(8,06,053)	(5,54,435)
Other non-current liabilities	1,27,981	1,26,290	2,71,853	2,71,853	2,71,853
Total Equity & Liabilities	6,72,038	7,80,952	10,62,669	11,24,500	12,23,636
Gross block	1,17,903	1,25,739	1,36,012	1,66,012	1,96,012
Accumulated depreciation	54,887	62,906	76,310	94,413	1,15,974
Net Block	57,986	57,802	59,703	71,599	80,039
CWIP	6,369	9,369	10,911	10,911	10,911
Intangible and others	22,839	25,132	27,072	27,072	27,072
Other non-current assets	64,311	56,458	61,590	62,933	64,344
Investments	1,683	2,016	2,447	2,447	2,447
Trade receivables	47,191	46,169	46,478	51,523	61,769
Inventories	1,21,487	1,32,175	2,16,757	1,72,593	1,66,731
Cash & Cash Equivalents	2,03,166	2,64,316	3,81,823	4,69,533	5,54,435
Other current assets	1,47,007	1,87,515	2,55,889	2,55,889	2,55,889
Total current assets	5,18,850	6,30,175	9,00,946	9,49,538	10,38,823
Trade payables	31,350	34,129	51,057	38,114	45,317
Other current liabilities	2,76,922	3,29,114	3,89,896	3,89,896	3,89,896
Total current liabilities	3,08,273	3,63,243	4,40,953	4,28,010	4,35,212
Total Assets	6,72,038	7,80,952	10,62,669	11,24,500	12,23,636

Cash Flow Statement					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
PBT	65,095	1,02,249	1,08,673	1,28,119	1,55,907
Depreciation	23,821	14,221	13,627	18,104	21,561
Interest	258	314	87	14	15
Other adjustments	22,165	16,389	1,874	-	-
Change in Working capital	4,515	(31,251)	(1,10,192)	26,177	2,818
Tax paid	(27,557)	(19,693)	(35,382)	(31,467)	(36,794)
Operating cash flow	88,297	82,228	1,36,435	1,40,946	1,43,507
Capex	(7,824)	(9,164)	(9,301)	(30,000)	(30,000)
Free cash flow	80,473	73,064	1,27,134	1,10,946	1,13,507
Other investing activities	(49,456)	(54,936)	(98,410)	(1,343)	(1,411)
Investing cash flow	(57,280)	(64,101)	(1,07,711)	(31,343)	(31,411)
Issuance of share capital	-	-	-	-	-
Movement of Debt	(37)	(3)	(0)	-	-
Dividend paid (incl DDT)	(16,719)	(19,729)	(25,414)	(22,278)	(27,386)
Other financing activities	(557)	(257)	(371)	203	93
Financing cash flow	(17,313)	(19,989)	(25,785)	(22,074)	(27,293)
Net change in cash flow	13,704	(1,861)	2,939	87,528	84,804
Opening C&CE	30,704	44,408	42,547	45,486	4,69,533
Closing C&CE	44,408	42,547	45,486	4,69,533	5,54,435

Key Ratios					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	87.1	114.0	125.0	145.1	178.4
Book value	352.5	435.7	523.1	634.9	772.4
DPS	20.0	26.2	28.7	33.3	40.9
Valuation (x)					
P/Sales	11.8	10.5	10.3	9.2	7.7
EV/EBITDA	41.0	30.0	29.2	23.0	20.5
P/E	54.6	41.8	38.1	32.8	26.7
P/BV	13.5	10.9	9.1	7.5	6.2
Return ratios (%)					
RoCE	12.6	15.9	12.2	9.8	11.0
RoCE (pre-tax)	14.0	21.3	15.9	13.0	14.3
RoE	27.2	28.9	26.1	25.1	25.4
RoIC	72.5	72.9	36.1	30.4	38.9
Profitability ratios (%)					
Gross margin	62.5	63.6	60.3	61.9	62.2
EBITDA margin	27.0	32.1	31.0	30.0	31.0
PAT margin	21.6	25.1	27.0	28.2	28.9
Liquidity ratios (%)					
Current ratio	1.7	1.7	2.0	2.2	2.4
Quick ratio	1.3	1.4	1.6	1.8	2.0
Solvency ratio (%)					
Net Debt to Equity ratio	(0.86)	(0.91)	(1.09)	(1.90)	(1.07)
Turnover ratios					
Fixed asset turnover ratio (x)	2.4	2.5	2.4	2.3	2.3
Debtor days	63	56	55	55	55
Inventory days	479	419	518	480	390
Creditor days	103	108	127	106	106
Net Working capital days	439	367	446	429	339

Swiggy Ltd.

M-cap: US\$12.36bn; CMP: Rs440; TP: Rs544; Upside: 24%; Rating: Buy



- **Disciplined Growth Driving Margin Expansion:** Swiggy's food delivery business saw strong margin expansion in FY25, supported by higher AOV, disciplined discounting, and improved delivery efficiency. The margin gap with competitors narrowed meaningfully, aided by better variable cost control and rising advertisement-led revenue, with adjusted EBITDA margin expected to reach ~4% of GOV by FY27E. Instamart, despite trailing Blinkit, is shifting from aggressive expansion to network densification, efficiency, and early signs of monetization through higher take rates and ad revenues. Cohort behavior also improved, with faster payback periods and stronger engagement, supported by curated formats like megapods and Maxxsaver, enhancing monetization visibility. Additionally, Swiggy's Out-of-Home segment turned profitable in Q4FY25, benefiting from strong GOV growth, dine-out integration, and ad monetization, targeting 4–5% EBITDA margin going forward. We continue to believe that the food delivery business is likely to deliver 18%/30%/67% CAGR in GOV, contribution profit, and adjusted EBITDA, respectively, during FY25–FY27E. This will be driven by higher order volumes, improved delivery cost optimization, and the benefits of operating leverage. For the quick commerce business, we remain optimistic that it will turn contribution profit positive by Q1FY27, supported by higher GOV, rising AOV, and an improving assortment mix. We project GOV and gross revenue to clock a CAGR of 72% and 80%, respectively, during FY25–FY27E with contribution profit turning positive in FY27. We are rolling forward our valuation to Jun-27E using the SOTP method and maintain our target price of Rs544.
- **Swiggy Narrows Food Delivery Margin Gap:** Swiggy's food delivery business has demonstrated resilience with notable margin improvements, steadily narrowing its gap with Zomato. While Swiggy's contribution margin was 148 bps lower than Zomato's in Q2FY24, the gap reduced to 90 bps by Q1FY26 as Swiggy's margin improved from 5.1% to 7.3%. On a full-year basis, Swiggy reduced the margin gap from 118 bps in FY24 to 93 bps in FY25, expanding its margin from 5.72% in FY24 to 7.1% in FY25, supported by growth in average order value (Rs428 in FY24 to Rs458 in FY25), a stronger mix of advertisement revenue, and improved last-mile delivery efficiency.
- **Swiggy's Unit Economics Strengthen in Food Delivery:** Swiggy delivered tangible improvement in unit-level economics in FY25, supporting its transition toward sustainable profitability. Average Order Value (AOV) rose 7% YoY, while contribution profit per order increased 33% from Rs24 in FY24 to Rs32 in FY25, aided by just a 3% rise in variable costs and improved last-mile efficiency. Fixed cost per order declined from Rs25 to Rs23, driving adjusted EBITDA per order from negative levels to Rs9. With further scale, fixed cost absorption could lift adjusted EBITDA toward Rs19 per order, though Swiggy may still trail Eternal on absolute profitability given Eternal's larger scale and operational maturity. Overall, structural gains from rational discounting, AOV growth, logistics efficiency, and fixed cost leverage strengthen the investment case for Swiggy's food delivery business.
- **Swiggy's Instamart Trails Blinkit but Eyes Margin Recovery:** Swiggy's Instamart continues to trail Blinkit in both scale and efficiency, operating 1,062 dark stores with a Q1FY26 GOV of Rs 56,550mn, nearly half of Blinkit's. Profitability remains weak, with contribution margin slipping to -4.6% and adjusted EBITDA margin declining to -16% in Q1FY26. The underperformance stems from lower operating scale, execution inefficiencies, and high costs tied to rapid expansion. With the core rollout phase largely complete, Instamart is now pivoting toward network densification and improving order density to unlock operating leverage. AOV rose 25.7% YoY to Rs612 in Q1FY26, supported by formats like megapods and Maxxsaver. While Swiggy guides for high-teen AOV growth, we model a more conservative low-double-digit trend due to competitive intensity. Margin recovery should also benefit from higher take rates, better ad monetization, and tapering platform-funded discounts as user retention improves.

Income Statement					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	82,646	1,12,474	1,52,268	2,15,015	2,63,802
Growth YoY%	45%	36%	35%	41%	23%
Gross profit	48,837	66,432	92,252	1,32,937	1,68,022
Gross margin %	59%	59%	61%	62%	64%
Staff costs	21,298	20,122	25,489	27,043	27,478
% of sales	26%	18%	17%	13%	10%
Other expenses	70,297	68,390	94,622	1,32,793	1,45,899
% of sales	85%	61%	62%	62%	55%
EBITDA	-42,758	-22,080	-27,858	-26,899	-5,355
Growth YoY%	(17%)	48%	(26%)	3%	80%
EBITDA margin %	(52%)	(20%)	(18%)	(13%)	(2%)
Depreciation	2,858	4,206	6,123	12,026	12,988
EBIT	-45,616	-26,286	-33,981	-38,925	-18,343
Interest	582	714	1,006	1,763	1,885
Other income	4,499	3,870	3,962	3,893	3,016
PBT (bei)	-41,699	-23,130	-31,025	-36,794	-17,212
PBT	-41,793	-23,502	-31,168	-36,828	-17,256
ETR	0%	0%	0%	0%	0%
PAT	-41,793	-23,502	-31,168	-36,828	-17,256
Adj PAT	-41,699	-23,130	-31,025	-36,794	-17,212

Cash Flow Statement					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
PBT	-41,793	-23,502	-31,168	-36,828	-17,256
Depreciation	2,858	4,206	6,123	12,026	12,988
Interest	565	714	1,006	1,763	1,885
Other adjustments	-641	3,429	8,166	5,260	2,233
Change in Working capital	-1,139	1,988	-6,221	11,091	1,024
Tax paid	-449	38	400	0	0
Operating cash flow	-40,599	-13,127	-21,695	-6,688	874
Capex	-1,683	-3,517	-7,508	-5,000	-4,135
Free cash flow	-42,282	-16,644	-29,203	-11,688	-3,261
Other investing activities	41,361	18,102	-6,216	5,163	523
Investing cash flow	39,678	14,585	-13,724	163	-3,612
Issuance of share capital	0	0	44,990	0	0
Movement of Debt	0	1,076	-1,643	985	0
Dividend paid (incl DDT)	0	0	0	0	0
Other financing activities	-1,715	-2,304	-4,313	-1,763	-1,885
Financing cash flow	-1,715	-1,228	39,034	-778	-1,885
Net change in cash flow	-2,636	229	3,615	-7,303	-4,622
Opening C&CE	10,961	8,325	8,691	12,306	5,003
Closing C&CE	8,325	8,691	12,306	5,003	380

Balance Sheet					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
Share capital	27	30	2,286	2,286	2,286
Reserves	90,540	77,885	99,908	72,233	61,227
Net worth	90,566	77,915	1,02,195	74,520	63,513
Long term debt	0	960	0	960	960
Short term debt	0	1,152	282	1,267	1,267
Total debt	0	2,112	282	2,227	2,227
Net Debt	-8,639	-6,797	-32,714	-23,466	-18,844
Other non-current liabilities	5,205	5,352	13,982	15,427	17,427
Total Equity & Liabilities	1,12,806	1,05,294	1,52,053	1,32,295	1,29,493
Gross block	7,180	8,077	15,585	20,585	24,720
Accumulated depreciation	4,043	3,549	4,994	11,707	18,134
Net Block	3,137	4,528	10,592	8,878	6,586
CWIP	0	0	0	0	0
Intangible and others	6,455	10,008	9,470	8,257	6,943
Other non-current assets	24,987	23,392	40,936	38,843	38,288
Investments	48,572	37,285	13,231	14,554	16,009
Trade receivables	10,623	9,639	24,625	14,727	18,069
Inventories	106	487	555	232	278
Cash & Cash equivalents	8,639	8,909	32,996	25,693	21,071
Other current assets	10,286	11,048	19,648	21,112	22,249
Total current assets	78,227	67,366	91,056	76,317	77,676
Trade payables	8,732	8,809	18,180	20,238	23,617
Other current liabilities	8,304	11,107	17,413	19,883	22,709
Total current liabilities	17,035	21,068	35,876	41,389	47,593
Total Assets	1,12,806	1,05,294	1,52,053	1,32,295	1,29,493

Key Ratios					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	-16.72	-9.28	-12.44	-14.76	-6.90
Book value	36.32	31.25	40.98	29.88	25.47
DPS	0.00	0.00	0.00	0.00	0.00
Valuation (x)					
P/Sales	13.28	9.76	7.21	5.10	4.16
EV/EBITDA	(25.02)	(48.45)	(38.40)	(39.77)	(199.79)
P/E	NA	NA	NA	NA	NA
P/BV	12.11	14.08	10.74	14.72	17.28
Return ratios (%)					
RoCE (pre-tax)	(47.24%)	(30.37%)	(28.07%)	(41.42%)	(21.46%)
RoCE	(47.24%)	(30.37%)	(28.07%)	(41.42%)	(21.46%)
RoE	(46.15%)	(30.16%)	(30.50%)	(49.42%)	(27.17%)
ROIC	(51.88%)	(33.85%)	(38.59%)	(57.00%)	(28.48%)
Profitability ratios (%)					
Gross margin	59.09%	59.06%	60.59%	61.83%	63.69%
EBITDA margin	(51.74%)	(19.63%)	(18.30%)	(12.51%)	(2.03%)
PAT margin	(50.57%)	(20.90%)	(20.47%)	(17.13%)	(6.54%)
Liquidity ratios (%)					
Current ratio	4.59	3.20	2.54	1.84	1.63
Quick ratio	4.59	3.17	2.52	1.84	1.63
Solvency ratio (x)					
Net Debt to Equity ratio	0.07	0.11	0.18	0.26	0.35
Turnover ratios					
Fixed asset turnover ratio (x)	0.73	1.07	1.00	1.63	2.04
Debtor days	46.92	31.28	25.00	25.00	25.00
Inventory days	1.15	3.86	1.00	1.03	1.06
Creditor days	94.27	69.83	78.00	90.00	90.00
Net Working capital days	(46.20)	(34.69)	(52.00)	(63.97)	(63.94)

United Breweries (UBBL)

M-cap: US\$5.3bn; CMP: Rs1,760; TP: Rs2,250; Upside: 27.8%; Rating: Buy



- Over the last two years, and especially under the tenure of CEO Mr. Vivek Gupta, UBBL has embarked on an investment phase for long-term growth, which includes (a) significantly higher marketing spends and new launches (especially in the premium segment) compared to the past, (b) significant investment in brewing capacity compared to the past, (c) embarking on ambitious visi-cooler expansion plans to improve the quality of product for end consumers. While these investments will impact margins in the near term, we believe the company will reap the gains of these investments from a medium-to-longer term perspective, especially on the back of under investment by the company on these initiatives in the past.
- Five structural catalysts powering UBBL's next phase of growth 1) Policy support is creating a more conducive environment for sustained growth. 2) Younger generations are reshaping the demand curve in favor of beer and premium products. 3) Visi cooler expansion is unlocking a new wave of distribution-led growth. 4) Peers are losing ground while UBBL consolidates its leadership. 5) Premiumization and new launches are widening margins and strengthening the brand.
- Overall volume growth, premium segment volume growth, and market shares (both on an overall basis and especially in the premium segment) have been showing encouraging trends in the last eight quarters after underperformance and a worrying decline in market shares before this period.
- On the macro side (a) the regulatory regime on excise increases is significantly more benign compared to the past, and (b) material costs are largely stable. Counterbalancing this, the summer season (35-40% of full year EBITDA) has been weak for the beer industry in FY24, FY25, and FY26 either because of unseasonal rains or elections leading to underperformance in terms of earnings and the stock price. Unusual floods are also likely to impact 2QFY26 demand. In view of a more normalized scenario ahead, and because of investments the company is making to ensure long-term growth, earnings growth can be quite healthy going forward.
- United Breweries is no longer just a cyclical recovery candidate. The industry is undergoing a structural transformation, and UBBL is positioned at the center of this change. Favorable policy reforms are creating a more stable operating environment. A younger generation of consumers is reshaping the demand landscape with higher frequency and premium inclination. Distribution expansion through visi coolers is unlocking the next wave of retail-driven growth. Peers are either stagnating or losing ground, reinforcing UBBL's dominance. And finally, premiumization backed by new launches is strengthening brand equity and eventually expanding margins in medium term.
- We like the structural investment case for UBBL, not only for its immense opportunity for growth, but also for the management's investments in (a) adding brewing capacity for the premium brands in key states, (b) adding significant capacities overall compared to the past, (c) investment in visi coolers, and (d) spending more on marketing, all of which will benefit the company significantly in the longer term. Better disclosures in the latest annual report on volumes and brand- wise premium volume growth are also heartening as are its investments in supply chain, digital transformation, and leadership development. The improvement in operating environment/reforms in several states like Rajasthan, Uttar Pradesh, Madhya Pradesh, Andhra Pradesh, Assam, Delhi, and Jharkhand that the company has called out are noteworthy from a structural perspective. Volume growth and market share gains (both overall and especially in the premium segment) in the last eight quarters has been heartening. We believe that while the above investments that the company is making could impact near-term margins, the medium-to-longer term earnings growth outlook is extremely attractive
- The stock is currently trading at ~54x/~34x FY26E/FY27E EV/EBITDA. We recently upgraded our rating to Buy on the stock with a target price (TP) of Rs2,250 valuing the stock at 40x on Sep'27 EV/EBITDA (~28%/18% discount to the 3/5-year average one-year forward multiples)

Income Statement					
Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	74,999	81,227	89,151	98,957	112,020
Growth YoY%	28.5	8.3	9.8	11.0	13.2
Gross profit	32,346	34,703	38,466	41,785	48,844
Gross margin %	43.1	42.7	43.1	42.2	43.6
Staff costs	5,955	6,474	7,185	7,831	8,614
% of sales	7.9	8.0	8.1	7.9	7.7
Other expenses	20,228	21,268	22,873	25,155	26,377
% of sales	27.0	26.2	25.7	25.4	23.5
EBITDA	6,162	6,962	8,408	8,798	13,853
Growth YoY%	-11.5	13.0	20.8	4.6	57.4
EBITDA margin %	8.2	8.6	9.4	8.9	12.4
Depreciation	2,106	2,119	2,330	2,612	2,896
EBIT	4,056	4,843	6,078	6,186	10,957
Interest	46	69	129	468	474
Other income	494	737	359	460	515
PBT (bei)	4,504	5,511	6,309	6,178	10,998
PBT	4,263	5,511	6,121	6,178	10,998
ETR	28.5	25.5	27.7	25.2	25.2
PAT	3,040	4,100	4,417	4,619	8,226
Adj PAT	3,282	4,100	4,605	4,619	8,226
Growth YoY%	-10.2	24.9	12.3	0.3	78.1

Balance sheet					
Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	264	264	264	264	264
Reserves	39,385	41,519	43,375	45,222	48,513
Net worth	39,649	41,783	43,639	45,487	48,777
Minority interest	46	52	57	57	57
Long term debt	107	169	357	6,139	7,115
Short term debt	49	851	5,843	5,843	5,843
Total debt	156	1,020	6,200	11,982	12,958
Net debt	-3,797	-1,122	1,771	8,417	9,552
Other non-current liabilities	0	0	0	0	0
Total Equity & Liabilities	39,851	42,856	49,896	57,526	61,792
Gross block	50,987	52,151	54,159	60,159	66,159
Accumulated depreciation	32,541	34,460	36,734	39,346	42,242
Net Block	18,510	17,756	17,489	20,877	23,981
CWIP	771	1,727	2,534	2,307	2,261
Investments	81	80	79	79	79
Trade receivables	14,073	23,138	28,606	16,941	34,619
Inventories	14,278	13,687	16,164	16,370	20,459
Cash & Cash Equivalents	3,953	2,142	4,429	3,565	3,406
Other current assets	11,138	12,004	12,927	29,459	14,318
Total current assets	43,442	50,971	62,126	66,335	72,801
Trade payables	7,170	9,485	11,496	10,194	14,358
Other current liabilities	15,783	18,193	20,836	21,878	22,972
Total current liabilities	22,953	27,678	32,332	32,072	37,330
Total assets	39,851	42,856	49,896	57,526	61,792

Cash flow					
Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
PBT	4,173	5,511	6,051	6,178	10,998
Depreciation	2,106	2,119	2,330	2,612	2,896
Interest	44	67	121	468	474
Other adjustments	39	(370)	(12)	(460)	(515)
Change in Working capital	(6,160)	(5,245)	(4,221)	(6,374)	(2,461)
Tax paid	(1,397)	(1,388)	(1,919)	(1,555)	(2,768)
Operating cash flow	(1,196)	695	2,351	869	8,624
Capex	(1,543)	(1,907)	(2,582)	(5,773)	(5,955)
Free cash flow	(2,739)	(1,212)	(231)	(4,904)	2,669
Other investing activities	332	428	186	(16,073)	15,656
Investing cash flow	(1,208)	(1,478)	(2,397)	(21,846)	9,701
Issuance of share capital	0	0	0	0	0
Movement of Debt	(100)	701	4,879	6,824	2,070
Dividend paid (incl DDT)	(2,779)	(1,985)	(2,646)	(2,771)	(4,935)
Other financing activities	139	256	101	16,060	(15,619)
Financing cash flow	(2,739)	(1,028)	2,333	20,112	(18,484)
Net change in cash flow	(5,144)	(1,811)	2,287	(863)	(159)
Opening C&CE	9,097	3,953	2,142	4,429	3,565
Closing C&CE	3,953	2,142	4,429	3,565	3,406

Key ratios					
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	12.4	15.5	17.4	17.5	31.1
Book value	150.0	158.0	165.0	172.0	184.5
DPS	7.5	10.0	10.0	10.5	18.7
Valuation (x)					
P/Sales	6.2	5.7	5.2	4.7	4.2
EV/EBITDA	74.9	66.7	55.6	53.9	34.3
P/E	141.8	113.5	101.1	100.8	56.6
P/BV	11.7	11.1	10.7	10.2	9.5
Return ratios (%)					
RoCE	8.2	10.1	10.0	9.3	14.4
RoCE (pre-tax)	11.5	13.5	13.9	12.4	19.2
RoE	8.3	10.1	10.8	10.4	17.5
RoIC	12.6	13.1	14.9	13.1	20.4
Profitability ratios (%)					
Gross margin	43.1	42.7	43.1	42.2	43.6
EBITDA margin	8.2	8.6	9.4	8.9	12.4
PAT margin	4.4	5.0	5.2	4.7	7.3
Liquidity ratios (x)					
Current ratio	1.9	1.8	1.9	2.1	2.0
Quick ratio	1.3	1.3	1.4	1.6	1.4
Solvency ratio (%)					
Net Debt to Equity ratio	-0.1	0.0	0.0	0.2	0.2
Turnover ratios					
Fixed asset turnover ratio (x)	1.5	1.6	1.6	1.6	1.7
Debtor days	65	84	106	84	84
Inventory days	58	63	61	60	60
Creditor days	33	37	43	40	40
Net Working capital days	89	109	124	104	104

Source: Company, Nirmal Bang Institutional Equities Research

Bluestar (BLSTR)

M-cap: US\$4.3bn; CMP: Rs1,881; TP: Rs2,165; Upside: 15%; Rating: Buy



We have strong confidence in Blue Star's business model, especially its disciplined focus on profitability and free cash flow generation. We upgraded the stock after its Q4FY25 results (note) as we believed the weak summer season was already priced in. Since then, the stock has rallied ~20%. We continue to believe Blue Star is well placed to ride the RAC industry tailwinds with its B2B businesses also showing strong growth momentum. Backed by strong fundamentals and long-term growth drivers, we maintain our BUY rating with an SOTP-based TP of Rs 2,165. This implies a blended P/E of 48x on FY27E earnings, in line with its 3Y average and at a ~5% premium to its 5Y average. We believe this valuation fairly reflects key strengths: (1) ~21% EPS CAGR over FY25-27E, and (2) ~18% post-tax RoCE by FY27E. In our view, Blue Star remains a solid long-term compounding story.

- **Resilience amid headwinds: B2B strength anchors performance :** Blue Star delivered a resilient performance in 1QFY26 despite the impact of an early monsoon that softened summer demand for RAC. The company's strong B2B franchise also demonstrated its strength, with the Electromechanical Projects and Commercial Air Conditioning segment growing a robust 36% YoY, supported by healthy traction from factories, data centers, and the healthcare sector. Backed by an order book of Rs 68.4 billion and a strong net cash position of Rs 3.7 billion, Blue Star remains well-positioned to navigate near-term volatility. The management's focus on disciplined execution and margin stability—maintaining an 8–9% range in the short term—highlights its ability to protect profitability even amid cyclical fluctuations.
- **Charting the next growth phase with diversified engines:** Looking ahead, Blue Star's long-term strategy remains anchored in diversification, innovation, and expanding market reach. In the Unitary Products segment, management expects a steady recovery driven by festive demand, upcoming BEE efficiency norm changes, and the benefits of operating leverage, while the commercial refrigeration business continues to perform strongly on the back of robust demand from the food processing, pharmaceutical, and QSR industries. The company is deepening its presence across tier-2 and tier-3 cities, broadening its product portfolio, and expanding export opportunities through custom-designed solutions for global OEMs. With its strong brand equity, prudent capital allocation, and unwavering focus on profitability and free cash flow generation, Blue Star stands out as a structurally sound business—well-equipped to capture growth opportunities across domestic and international markets while consistently compounding value over time.
- **Maintain BUY:** We expect Blue Star to sustain its growth momentum, driven by a well-balanced business mix, strong execution, and a healthy order pipeline. The company's strategic positioning across both consumer and commercial segments provides a natural hedge against seasonality, while its deepening presence in tier-2 and tier-3 markets, coupled with expanding export opportunities, adds new layers of growth. Margins are expected to gradually improve as operating leverage builds, supported by product premiumization and disciplined cost control. Over FY25–27E, Blue Star is projected to deliver a robust ~21% EPS CAGR with post-tax RoCE of around 18%, reflecting consistent profitability and efficient capital deployment. Backed by strong fundamentals, prudent capital allocation, and a proven ability to compound earnings across cycles, Blue Star remains a high-quality structural story in India's air-conditioning and cooling space. We maintain our BUY rating with a target price of Rs.2,165, reaffirming confidence in its long-term compounding potential.

Bluestar

Profit & Loss Statement (YE March)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	79,773	96,854	119,677	137,178	160,838
Growth YoY%	31.6	21.4	23.6	14.6	17.2
Gross profit	17,957	22,934	28,933	34,569	41,014
Gross margin %	22.5	23.7	24.2	25.2	25.5
Staff costs	5,922	7,495	9,189	10,974	12,867
% of sales	7.4	7.7	7.7	8.0	8.0
Other expenses	7,107	8,790	10,985	13,400	15,667
% of sales	8.9	9.1	9.2	9.8	9.7
EBITDA	4,928	6,649	8,759	10,194	12,480
Growth YoY%	42.2	34.9	31.7	16.4	22.4
EBITDA margin %	6.2	6.9	7.3	7.4	7.8
Depreciation	848	976	1,284	1,280	1,373
EBIT	4,080	5,673	7,476	8,915	11,108
Interest	547	581	488	419	553
Other income	309	474	750	790	830
PBT (bei)	3,842	5,567	7,738	9,285	11,385
PBT	5,550	5,567	7,863	9,285	11,385
ETR	27.9	25.7	24.6	25.2	25.2
PAT	4,005	4,150	5,909	6,951	8,522
Adj PAT	2,862	4,150	5,784	6,951	8,522
Growth YoY%	70.7	45.0	39.4	20.2	22.6

Cash Flow (Rsmn) (YE March)	FY23	FY24	FY25	FY26E	FY27E
PBT	3,842	5,567	7,738	9,285	11,385
Depreciation	2,556	976	1,409	1,280	1,373
Other adjustments	2	11	(17)	3	3
Change in Working capital	(1,162)	(2,732)	882	588	(2,181)
Tax paid	(1,351)	(1,352)	(1,888)	(2,337)	(2,866)
Operating cash flow	4,433	3,050	8,611	9,238	8,267
Capex	(4,419)	(4,470)	(4,957)	(4,500)	(3,500)
Free cash flow	14	(1,420)	3,654	4,738	4,767
Other investing activities	-	-	-	-	-
Investing cash flow	(4,419)	(4,470)	(4,957)	(4,500)	(3,500)
Issuance of share capital	-	219	-	-	-
Movement of Debt	998	(4,110)	327	1,256	-
Dividend paid (incl DDT)	(963)	(2,673)	(2,673)	(3,290)	(3,701)
Other financing activities	(402)	(1,774)	(2,140)	(419)	(553)
Financing cash flow	(367)	(8,339)	(4,486)	(2,453)	(4,253)
Net change in cash flow	(353)	(9,758)	(831)	2,286	513
Opening C&CE	2,697	2,433	3,774	4,256	13,378
Closing C&CE	2,433	3,774	4,256	13,378	13,892

Ratios (YE March)	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
EPS	13.9	20.2	28.1	33.8	41.5
Book value	64.7	126.9	149.1	200.1	223.6
DPS	10.0	13.0	13.0	16.0	18.0
Valuation (x)					
P/Sales	4.85	3.99	3.23	2.82	2.40
EV/EBITDA	78.9	57.4	43.4	36.5	29.8
P/E	135.1	93.2	66.9	55.6	45.4
P/BV	29.1	14.8	12.6	9.4	8.4
Return ratio (%)					
RoCE	17.3	18.0	18.6	17.3	17.7
RoCE (Pre Tax)	23.9	24.2	24.7	23.1	23.7
RoE	34.1	21.1	20.8	19.4	19.6
RoIC	22.8	23.1	24.8	26.3	28.8
Profitability ratio (%)					
Gross Margin	22.5	23.7	24.2	25.2	25.5
EBITDA margin	6.2	6.9	7.3	7.4	7.8
PAT margin	3.6	4.3	4.8	5.1	5.3
Liquidity Ratio					
Current ratio	1.2	1.3	1.2	1.4	1.4
Quick Ratio	0.8	1.0	0.8	1.0	1.0
Solvency ratio (x)					
Net Debt-Equity	0.3	(0.1)	(0.1)	(0.2)	(0.2)
Turnover ratio					
Fixed Asset turnover ratio (x)	4.7	4.1	4.0	3.6	3.4
Debtor days	63	66	60	66	65
Inventory days	76	70	72	72	81
Creditors days	134	127	122	135	140
Net Working capital days	4	10	10	3	6

City Union Bank

M-cap: US\$1.78bn; CMP: Rs213; TP: Rs260; Upside: 22%; Rating: Buy



- **Credit growth to improve towards pre-Covid levels:** CUBK reported double digit advances growth of 16.1% YoY (up 1.8% QoQ) for 1QFY26; supported by (a) retail advances growth particularly in LAP, HL, affordable housing and micro-LAP segments while gold/Agri loan remained largely flat on a sequential basis due to seasonality. (b) improved efficiency in credit sourcing (80% in house, rest DSA), (c) some benefits from digital transformation. The bank expects new retail product segment to start contributing significantly from FY26 onwards. While the bank remains confident of the traditional product segments helping it to achieve system level growth, it believes the addition of new retail product segments would help it further scale loan growth beyond industry growth rate. The bank expects retail loan product segment to contribute around 10% of overall loan book over next 3 years.
- **Return on assets back to pre-Covid level of ~1.5%:** Historically, CUB has been able to maintain a strong set of return ratio's with RoA of ~1.5% and RoE in excess of 15% from FY09 to FY19. The strong trend however got impacted on account of the Covid pandemic with CUB witnessing its lowest level of RoA (1%) and RoE (9.4%) since FY09 in FY20. Since FY21 onwards, the bank had started witnessing improvement in return on asset on a yearly basis; supported by recoveries being in excess of slippages. Management believes that the line items which would contribute to healthy return ratios going forward includes: (1) Low credit costs, with guidance around 0.2-0.25% for FY26, slippages guided around Rs 6.5-7 bn with recoveries exceeding slippages in FY26 (2) Lower cost ratios 3)Expansion in fee based income 4) Deposit/TD repricing benefits to flow in thereby sustaining NIMs around 3.5% in FY26.
- **Cost ratios to improve in FY26 onwards:** Once the investments in technology start yielding results, the bank expects productivity levels and cost ratios to improve after 2-3 quarters. The bank is not part of IBA's bipartite wage settlement and has its own wage settlement agreement with employee unions and officer associations. The annual hikes happen in July every year and considering the addition of branches and employees, the wage costs are expected to see an annual increase of 12-15% in long term. Cost ratios are expected to improve once the benefits of digital lending and other initiatives start resulting in business and income growth with guidance to maintain C/I ratio around 48-50% for FY26.
- **Adequately capitalized to capture the next growth phase:** The bank's capital adequacy ratio has improved significantly from lows of 12.7% in FY09 to 23.75% in FY25 supported mainly from strong growth in Gold Loan which carries zero risk weight. The bank has not diluted any equity in last decade and the last time it raised fund was in FY14 when it raised funds through QIP route to the tune of around Rs 3.5bn and the strong capital attrition and growth was supported by retained earnings.
- **Valuation:** We have estimated loan / earnings to grow at a CAGR of 14.1% / 13.3% over FY25-FY27E, which will lead to RoA / RoE of 1.5% / 12.9 in FY27E. We have a 'BUY' rating on CUB with a target price of Rs 260 (valued at 1.6x Sept 2027E ABV).

City Union Bank

Income Statement						Y/E March	FY23	FY24	FY25	FY26E	FY27E
Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E	Growth (%)					
Interest Income	47,143	52,706	58,340	65,196	73,886	NII growth	12.9	-1.8	9.1	11.0	16.1
Interest expense	25,515	31,471	35,183	39,485	44,040	Pre-provision profit growth	14.0	-16.6	10.7	10.9	16.6
Net interest income	21,628	21,235	23,157	25,711	29,846	PAT growth	23.3	8.3	10.6	9.2	17.7
Non-interest income	8,104	7,417	8,981	10,208	11,220	Business (%)					
Net Revenue	29,732	28,651	32,138	35,919	41,066	Deposit growth	9.9	6.2	14.1	16.3	14.6
Operating Expense	11,552	13,484	15,351	17,303	19,353	Advance growth	6.7	5.7	14.4	14.0	14.2
-Employee Exp	5,304	6,138	7,330	8,199	8,968	CD	82.2	81.8	82.0	80.4	80.0
-Other Exp	6,248	7,346	8,022	9,104	10,384	CASA	29.9	30.6	28.5	27.6	28.0
Operating profit	18,180	15,167	16,786	18,616	21,713	Operating efficiency (%)					
Provisions	6,405	2,860	2,620	3,249	3,619	Cost/income	38.9	47.1	47.8	48.2	47.1
PBT	11,775	12,307	14,166	15,367	18,094	Cost-to-assets	1.8	2.0	2.1	2.1	2.0
Taxes	2,400	2,150	2,930	3,101	3,662	Spreads (%)					
PAT	9,375	10,157	11,236	12,267	14,432	Yield on advances	9.1	9.4	9.6	9.5	9.4
Balance Sheet						Yield on investments	6.3	6.4	6.5	6.2	6.2
						Cost of deposits	4.6	5.4	5.5	5.4	5.3
						Yield on assets	7.8	8.1	8.3	8.2	8.2
						Cost of funds	4.6	5.4	5.6	5.6	5.4
						NIMs	3.6	3.3	3.3	3.2	3.3
Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E	Capital adequacy (%)					
Share capital	740	741	741	741	741	Tier I	21.3	22.7	22.7	20.6	20.3
Reserves & Surplus	73,832	83,274	93,925	1,04,965	1,17,954	Tier II	1.1	1.0	1.1	0.0	0.0
Shareholder's Funds	74,572	84,014	94,666	1,05,706	1,18,695	Total CAR	22.3	23.7	23.8	20.6	20.3
Deposits	5,23,979	5,56,566	6,35,260	7,38,757	8,46,864	Asset Quality (%)					
Borrowings	46,881	47,242	21,694	24,405	27,456	Gross NPA	4.4	4.0	3.1	2.8	2.7
Other liabilities	20,514	20,436	24,612	14,830	15,596	Net NPA	2.4	2.0	1.3	1.1	1.0
Total liabilities	6,65,946	7,08,259	7,76,232	8,83,699	10,08,611	PCR	47.0	51.5	60.1	62.3	64.3
Cash/Equivalent	66,493	69,435	52,905	61,525	70,528	Slippage	3.0	2.2	1.5	1.6	1.6
Advances	4,30,533	4,55,257	5,20,813	5,93,669	6,77,816	Credit cost	1.5	0.6	0.5	0.6	0.6
Investments	1,43,326	1,56,641	1,73,361	1,96,628	2,25,402	Return (%)					
Fixed Assets	2,393	2,704	3,223	3,354	3,490	ROE	13.4	12.8	12.6	12.2	12.9
Other assets	23,200	24,221	25,929	28,522	31,375	ROA	1.5	1.5	1.5	1.5	1.5
Total assets	6,65,946	7,08,259	7,76,232	8,83,699	10,08,611	RORWA	2.9	2.9	3.0	2.7	2.6
						Per share					
						EPS	13	14	15	17	19
						BV	101	113	128	143	160
						ABV	87	101	119	134	151
						Valuation					
						P/E	16.8	15.5	14.0	12.9	10.9
						P/BV	2.1	1.9	1.7	1.5	1.3
						P/ABV	2.5	2.1	1.8	1.6	1.4

Source: Company, Nirmal Bang Institutional Equities Research

ASK Automotive

M-cap: US\$1.04bn; CMP: Rs470; TP: Rs632; Upside: 35%; Rating: Buy



We remain bullish on ASK Automotive (ASKAUTOL) with a 'BUY' rating and valuing company at target multiple of 27x on Sept27E EPS to arrive at a target price of Rs632 implying ~33% upside from the current market price. ASK Automotive is the market leader in advanced braking systems for 2Ws and also supplies drivetrain-agnostic, safety-critical engineering solutions across automotive and non-auto segments. Between FY25 and FY27E, ASK Auto is expected to deliver a revenue & EBITDA CAGR of ~16% and ~28% respectively, driving EBITDA margin expansion of 270bps. This sharp margin uplift is anchored by three levers: (1) a rising share of the higher-margin ALPS segment, which is scaling rapidly and structurally enjoys 200–300bps higher EBITDAM than the consolidated business, (2) the strategic phase-out of the low-margin wheel assembly vertical that historically diluted profitability, and (3) incremental content gains and wallet share from diversification into new products such as sunroof cables in the Indian passenger vehicle market.

Other key catalysts reinforcing our positive stance:

- **Global Collaborations:** ASK Auto has bridged technology gaps via global partnerships—Japanese friction players (2001, non-asbestos tech), NUCAP Canada (mechanical bonding), Fras-le Brazil (CV braking), HSH Taiwan (safety cables), AISIN Japan (PV IAM), LIOHO Taiwan & KYSK Japan (HPDC wheels), and TD Holding Germany (sunroof cables). These alliances, supported by in-house tooling and integration, have driven leadership in 2W braking (~50% share), CV expansion, and new segments like HPDC wheels and sunroof cables. Three new partnerships post its Nov 2023 listing reinforce its collaboration-led growth.
- **Long standing/diversified customer base:** ASK enjoys 19–32 year relationships with top OEMs—Honda, Hero, TVS, Bajaj, Suzuki, Yamaha—covering ~85% of India's 2W market and contributing 80–85% of revenue, reflecting deep trust and steadily rising wallet share as company diversified from core business (brakes) into ALPS and SCC.
- **Financial Discipline:** Despite Rs7bn+ capex, net debt-to-equity remains 0.4x–0.5x, with best-in-class working capital (14–17 days vs peers' 40–60). RoE and RoCE improved from 19.7%/19.5% (FY24) to 23.3%/23.4% (FY25), underscoring prudent, profitable growth. Exemplifying management capability and prudence in scaling the business without compromising balance sheet health.

ASK Automotive Ltd.

Profit & Loss Statement (YE March)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	25,552	29,946	36,008	40,627	48,204
Growth YoY%	26.9	17.2	20.2	12.8	18.6
Gross profit	7,734	9,520	11,688	13,813	16,389
Gross margin %	30.3	31.8	32.5	34.0	34.0
Staff costs	1,394	1,705	1,904	2,336	2,699
% of sales	5.5	5.7	5.3	5.8	5.6
Other expenses	3,976	4,808	5,464	6,094	6,628
% of sales	15.6	16.1	15.2	15.0	13.8
EBITDA	2,364	3,006	4,319	5,383	7,062
Growth YoY%	93.1	27.2	43.7	24.6	31.2
EBITDA margin %	9.3	10.0	12.0	13.3	14.7
Depreciation	607	690	890	1,176	1,431
EBIT	1,757	2,316	3,429	4,207	5,631
Interest	112	286	337	405	371
Other income	111	104	119	210	230
PBT (bei)	1,756	2,135	3,211	4,012	5,490
PBT	1,697	2,300	3,274	4,087	5,565
ETR	27.6	24.4	24.4	24.4	24.4
PAT	1,229	1,738	2,476	3,091	4,210
Adj PAT	1,271	1,613	2,429	3,035	4,153
Growth YoY%	48.6	26.9	50.6	24.9	36.9

Cash Flow (Rsmn) (YE March)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,697	2,300	3,274	4,087	5,565
Depreciation	607	690	890	1,176	1,431
Interest	112	286	337	405	371
Other adjustments	-	-	-	-	-
Change in Working capital	-583	572	-34	-316	-406
Tax paid	-444	-629	-738	-996	-1,356
Operating cash flow	1,389	3,218	3,728	4,357	5,605
Capex	-339	-3,122	-3,481	-4,500	-4,000
Free cash flow	1,050	96	248	-143	1,605
Other investing activities	71	-61	-48	210	230
Investing cash flow	1,121	35	200	67	1,835
Issuance of share capital	-8	0	0	-	-
Movement of Debt	1,583	251	504	800	-400
Dividend paid (incl DDT)	-	-	-197	-296	-591
Other financing activities	-152	-334	-360	-405	-371
Financing cash flow	2,544	-47	146	166	473
Net change in cash flow	10	101	74	206	273
Opening C&CE	16	26	127	201	407
Closing C&CE	26	127	201	407	680

Ratios (YE March)					
Per Share (Rs)	FY23	FY24	FY25E	FY26E	FY27E
Adj EPS	6.2	8.8	12.6	15.7	21.4
Book value	32.7	41.4	52.9	65.6	83.9
DPS	-	1	1.5	3	3
Valuation (x)					
P/Sales	3.6	3.1	2.6	2.3	1.9
EV/EBITDA	40.5	31.9	22.3	18	13.6
P/E	75.4	53.3	37.4	30	22
P/BV	14.4	11.3	8.9	7.2	5.6
Return ratios (%)					
RoCE	12.9	14.8	17.7	17.7	20.1
RoCE (pre-tax)	17.7	19.5	23.4	23.4	26.6
RoE	19.8	19.7	23.3	23.5	25.1
RoIC	12.9	14.9	17.9	18.1	20.8
Profitability ratios (%)					
Gross margin	30.3	31.8	32.5	34	34
EBITDA margin	9.3	10	12	13.3	14.7
PAT margin	5	5.4	6.7	7.5	8.6
Liquidity ratios (%)					
Current ratio	1.4	1.3	1.2	1.3	1.4
Quick ratio	0.9	0.8	0.7	0.8	0.9
Solvency ratio (%)					
Net Debt to Equity ratio	0.5	0.4	0.4	0.3	0.2
Turnover ratios					
Fixed asset turnover ratio (x)	2.5	2.3	2.1	1.9	1.9
Debtor days	30	26	20	21	25
Inventory days	22	22	23	23	21
Creditor days	24	30	29	29	30
Net Working capital days	28	17	14	15	16

Source: Company, Nirmal Bang Institutional Equities Research

Balance Sheet (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	394	394	394	394	394
Reserves	6,043	7,773	10,037	12,537	16,156
Net worth	6,437	8,167	10,431	12,931	16,550
Long term debt	2,088	2,678	3,064	3,864	3,664
Short term debt	1,092	753	871	871	671
Total debt	3,180	3,431	3,935	4,735	4,335
Net debt	3,154	3,304	3,734	4,328	3,655
Other non-current liabilities	280	264	285	285	285
Total Equity & Liabilities	12,813	15,684	19,239	22,905	26,862
Gross block	7,389	10,511	13,992	18,492	22,492
Accumulated depreciation	2,793	3,337	4,227	5,403	6,834
Net Block	5,439	8,103	10,854	14,178	16,748
CWIP	1,182	642	646	100	70
Intangible and others	1,819	1,819	1,819	1,819	1,819
Other non-current assets	560	801	1,045	1,045	1,045
Investments	147	285	425	425	425
Trade receivables	2,104	2,140	1,950	2,337	3,302
Inventories	1,536	1,768	2,299	2,594	2,773
Cash & Cash Equivalents	26	127	201	407	680
Other current assets	-	-	-	-	-
Total current assets	4,226	4,836	5,494	6,383	7,800
Trade payables	1,699	2,477	2,858	3,224	3,962
Other current liabilities	1,217	1,345	1,730	1,730	1,730
Total current liabilities	2,916	3,822	4,588	4,954	5,692
Total Assets	12,813	15,685	19,239	22,905	26,862

Chalet Hotels

M-cap: US\$2.23bn; CMP: Rs909; TP: Rs1,198; Upside: 32%; Rating: Buy



CHALET, the hospitality arm of K Raheja Group is an owner, developer, asset manager and operator of hotels and resorts (3,351 operational keys across 11 hotels) under leading global brands (Marriott and Accor Group) in MMR, NCR, Hyderabad, Bangalore and Pune in the premium segment. CHALET's strategy of growth is via the ownership route this strategy augurs well in an industry upcycle like the current one as one can reap the benefits of operating leverage. Commercial Real Estate (CRE) leasing and residential projects offer diversification to the base business. We are positive on CHALET with a BUY (TP of Rs1,198 based on Hospitality business EV/EBITDA of 23x on June FY27E).

- **Beneficiary of the industry upcycle:** A significant portion of CHALET's portfolio (including the pipeline) is in metro areas, where tight supply should continue to benefit the company. As the asset owner, CHALET stands to gain from operating leverage. Over the next three years, CHALET plans to add ~1200 keys through new hotels in Delhi, Goa and Airoli and brownfield expansions. The upcoming 175-key luxury resort in South Goa will boost its leisure segment. Strong MICE, Wedding Demand, Concerts, and potential growth in FTAs are expected to drive overall growth. While blended occupancy may remain stable due to new openings, existing properties are likely to maintain peak performance, allowing for premium pricing.
- **Effective cost management:** The increase in EBITDA per room is driven by higher ARR's and operating leverage from increased occupancy. CHALET has also improved cost efficiency by reducing manpower per room to 0.97 from 1.01 pre-COVID. Notably, the employee mix has shifted, with a higher proportion of lower-paid, contract workers. Although the workforce is back to pre-COVID levels, there are fewer senior employees, allowing for more flexible cost management during downturns. While costs are expected to rise due to staff shortages and renovations, CHALET's ability to charge higher rates should boost RevPAR, outpacing costs. With margins of ~39.9% in Q1FY26, We expect Chalet to continue expanding its margins, driven by a favorable portfolio mix.
- **Diversification of portfolio opens up multiple opportunities:** CHALET's expansion into leisure and resorts (via Dukes and Aravali acquisitions) diversifies its portfolio beyond metro hotels and taps into the growing premium leisure segment. Leveraging its real estate expertise, Its expansion into the CRE segment through leasing provides synergies with its core business. Additionally, residential and commercial real estate projects add value. Chalet Hotels' annuity segment provides high-margin, recurring income with EBITDA margins of 83%. The leased area increased to 1.9 msf in Q1FY26, with committed occupancy now at 77%. Management expects occupancy to improve meaningfully over the next 4–5 quarters, targeting over 90% as new leases ramp up. This supports a medium-term revenue run-rate expansion from the current run rate Rs 2,000mn to an annualized target of Rs 4000mn.
- **Strong OCF ensures future expansion:** In our view, the net debt-to-equity ratio should remain stable while there might be some increase for the purpose of strategic expansion. We expect cumulative OCF generation and capex of Rs22.6bn and Rs14.5bn respectively. Continued growth in the existing segment, scale up of new hotels and higher CRE revenues should enable CHALET to clock ROCE(pre-tax) of ~16.7% in FY27 from ~10.7% in FY25.

Chalet Hotels

Income Statement					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	11,285	14,173	17,178	28,034	28,330
Growth YoY%	122.2	25.6	21.2	63.2	1.1
Foods, Beverages Consumed	999	1,056	1,168	1,250	1,427
% of sales	8.9	7.4	6.8	4.5	5.0
Staff costs	1,511	1,946	2,345	2,869	3,155
% of sales	13.4	13.7	13.6	10.2	11.1
Other expenses	4,246	5,325	6,306	11,806	10,465
% of sales	37.6	37.6	36.7	42.1	36.9
EBITDA	4,528	5,846	7,359	12,109	13,283
Growth YoY%	359.8	29.1	25.9	64.6	9.7
EBITDA margin %	40.1	41.2	42.8	43.2	46.9
Depreciation	1,173	1,384	1,788	2,232	2,261
EBIT	3,355	4,462	5,571	9,878	11,022
Interest	1,545	1,967	1,591	1,952	2,045
Other income	495	198	363	484	398
PBT (bei)	2,305	2,694	4,343	8,410	9,375
PBT	2,728	2,694	4,343	8,410	9,375
ETR	33	-3	67	24	25
PAT	1,833	2,782	1,425	6,392	7,031
Adj PAT	1,549	2,782	3,257	6,392	7,031
Growth YoY%	-313.0	79.6	17.1	96.2	10.0

Balance Sheet					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
Share Capital	2,050	2,055	2,185	2,185	2,185
Reserves & Surplus	13,365	16,454	28,272	34,664	41,695
Net worth	15,415	18,509	30,457	36,849	43,880
Long term debt	22,077	18,546	15,530	15,546	15,546
Short term debt	5,862	10,957	10,013	10,013	10,013
Total debt	27,939	29,503	25,543	25,559	25,559
Net debt	26,719	28,172	22,693	20,110	15,172
Other non-current liabilities	1,039	1,313	2,609	2,929	3,312
Total Equity & Liabilities	49,308	57,495	70,635	80,358	88,374
Gross block	33,776	38,544	46,719	54,719	61,219
Accumulated depreciation	12,283	13,666	15,454	17,686	19,947
Net Block	21,493	24,877	31,265	37,033	41,272
CWIP	978	369	1,832	1,832	1,832
Intangible and others	568	732	856	856	856
Other non-current assets	2,682	4,155	4,951	3,961	3,169
Investments	16,542	18,549	21,068	21,068	21,068
Trade receivables	590	552	782	1,129	1,140
Inventories	4,129	5,420	6,325	8,833	8,926
Cash & Cash equivalents	1,220	1,323	1,862	4,461	9,399
Other current assets	1,105	1,518	1,694	1,186	712
Total current assets	7,044	8,821	11,651	16,596	21,165
Trade payables	1,502	2,071	1,713	3,687	3,726
Other current liabilities	3,413	6,100	10,312	11,334	11,897
Total current liabilities	4,915	8,171	12,025	15,021	15,622
Total Assets	49,308	57,495	70,635	80,358	88,374

Cash Flow Statement					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
PBT	2,728	2,694	4,343	8,410	9,375
Depreciation	1,173	1,384	1,788	2,232	2,261
Interest	1,545	1,967	1,591	1,952	2,045
Other adjustments	-673	38	-181	-484	-398
Change in Working capital	-35	1,366	2,830	650	970
Tax paid	31	-553	-867	-2,018	-2,344
Operating cash flow	4,769	6,894	9,504	10,741	11,909
Capex	-1,748	-4,362	-9,691	-8,000	-6,500
Free cash flow	3,021	2,532	-187	2,741	5,409
Other investing activities	-4,176	-1,986	-4,163	1,475	1,190
Investing cash flow	-5,924	-6,349	-13,854	-6,525	-5,310
Issuance of share capital	1	135	9,903	0	0
Movement of Debt	2,475	1,031	-2,608	16	0
Dividend paid (incl DDT)	0	0	0	0	0
Other financing activities	-1,466	-2,243	-2,180	-652	-1,661
Financing cash flow	1,260	-1,078	4,956	-635	-1,661
Net change in cash flow	105	-532	606	3,580	4,938
Opening C&CE	232	354	-29	881	4,461
Closing C&CE	354	-30	881	4,461	9,399

Key Ratios					
Y/E March (Rsm)	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	8.4	12.7	14.9	29.3	32.2
Book value	70.6	84.7	139.4	168.7	200.9
Valuation (x)					
P/Sales	17.6	14.0	11.6	7.1	7.0
EV/EBITDA	49.8	38.8	30.2	18.1	16.2
P/E	108.3	71.4	61.0	31.1	28.2
P/BV	12.9	10.7	6.5	5.4	4.5
EV/Room	85.4	74.3	67.1	65.0	57.1
Return ratios (%)					
ROCE	5.5	10.1	3.5	12.7	12.5
RoCE (pre-tax)	8.2	9.8	10.7	16.7	16.7
RoE	10.7	16.4	13.3	19.0	17.4
RoIC	5.6	10.3	3.6	13.1	13.3
Profitability ratios (%)					
EBITDA margin	40.1	41.2	42.8	43.2	46.9
PAT margin	13.2	19.4	18.6	22.4	24.5
Liquidity ratios (%)					
Current ratio	0.7	0.5	0.5	0.7	0.8
Quick ratio	0.3	0.2	0.2	0.3	0.5
Solvency ratio (%)					
Net Debt to Equity ratio	1.7	1.5	0.7	0.5	0.3
Turnover ratios					
Fixed asset turnover ratio (x)	0.3	0.4	0.4	0.6	0.5
Debtor days	17	15	15	15	15
Inventory days	130	123	120	115	115
Creditor days	38	46	46	48	48
Net Working capital days	109	92	89	82	82

Source: Company, Nirmal Bang Institutional Equities Research

Gillette India (GILL)

M-cap: US\$3.5bn; CMP: Rs9,426; TP: Rs12,615; Upside: 33.8%; Rating: Buy



- We are currently building in ~8% revenue CAGR over FY25-FY27E led by: a) Continued healthy growth in Female Grooming products. b) Pick up in the Electric Shaving products/trimmers/epilators c) Increased distribution (added 1mn stores in last 3 years) and d) Efforts to target influencers.
- FY25 (nine-month period as the company has moved from June year-end to March year-end) was an extremely strong year for GILL on all fronts. Its rapidly expanding distribution (1mn outlets added in the last 3 years as highlighted in the recent analyst meet), innovation (Gillette Guard relaunch, Mach 3, and Gillette Venus improved in FY25 following on a significant set of innovations in earlier years), rural demand revival, and continued healthy adspends (highest adspends to sales proportion since FY14 in FY25) have collectively underpinned double-digit growth in FY25, strengthening both market leadership and brand equity. Grooming segment market share was at its highest ever as a result.
- **Grooming business (83.4% of FY25 sales):** a) In FY25, the grooming business delivered strong performance with robust growth and continued market share gains. Growth was supported by product and packaging superiority, consumer engagement, and a steady innovation pipeline. b) These initiatives contributed to the company achieving its highest-ever market share in the blades & razors category during the year. Female grooming products which contributes to ~20% of overall grooming sales of Gillette are witnessing strong traction, with Gillette Venus being top of the mind in terms of brand recall. Conversion from hair removal cream to razors is also observed in certain states in our channel checks. In FY22, the company started sales of 'Braun' in India, adding electric shavers/ trimmers/ epilators to its portfolio for today's consumer.
- **Oral care business (16.6% of FY25 sales):** a) In FY25, the company continued to upgrade its propositions to align with evolving oral health requirements. b) Oral care innovations were supported by e-commerce-led activations and focused communication strategies, enhancing consumer engagement and reach. Oral Care business entirely comprises toothbrush and its brand Oral B is the second largest player in the category. Although this category has limited pricing power, it is potentially on the cusp of significant premiumization from a medium term perspective.
- FY25 New launches and Upgrades - Upgraded and enhanced Gillette Guard, Elevated Mach 3 razors and introduced Oral-B iO3 electric toothbrush
- Key pointers from analysts meets: (a) Increase in direct reach by 65% in the last 5-6 years (b) How strongly Gillette Venus has grown (10x in last 10 years), aided by new launches and category tailwinds (c) The entire portfolio of Braun likely to be made available on e-commerce (d) GILL has both grown sales and enhanced market share strongly in the last 18 months along with category expansion gaining over 60% market share and (e) Ongoing premiumization in Toothbrush where Oral-B is well placed through its premium portfolio.
- On account of key changes driving better topline growth and congruence of these changes from the parent's successful strategy in the global grooming business, GILL offers a healthy investment opportunity based on significant turnaround in sales momentum and inexpensive valuations. Our estimates assume that as the material cost decline continues, gross margin and EBITDA margin can revert to earlier levels.
- While return ratios were always healthy for GILL and dividend payout has also been increasing in recent years, the growth in topline as well as earnings, which was lacking, also seems to have revived over the past few years.
- The stock is currently trading at ~49x/~42x FY26E/FY27E EPS. We have a Buy rating on the stock with a target price (TP) of Rs12,615 valuing the stock at 52x on FY27E EPS.

Income statement

Y/E June (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	24,771	26,331	22,348	31,214	34,941
Growth YoY%	9.8%	6.3%	13.2%	4.8%	11.9%
Gross profit	12,889	15,318	13,195	19,945	22,188
Gross margin %	52.0%	58.2%	59.0%	63.9%	63.5%
Advertising costs	2,916	3,589	3,191	4,682	4,892
% of sales	11.8%	13.6%	14.3%	15.0%	14.0%
Staff costs	1,698	1,874	1,326	2,185	2,411
% of sales	6.9%	7.1%	5.9%	7.0%	6.9%
Other expenses	2,884	3,541	2,689	4,073	4,473
% of sales	11.6%	13.4%	12.0%	13.1%	12.8%
EBITDA	5,392	6,314	5,990	9,005	10,413
Growth YoY%	11.8%	17.1%	26.5%	12.8%	15.6%
EBITDA margin (%)	21.8%	24.0%	26.8%	28.9%	29.8%
Depreciation	807	826	643	814	860
EBIT	4,585	5,488	5,347	8,191	9,552
Interest	78	126	85	102	140
Other income	222	261	280	360	420
PBT (bei)	4,729	5,623	5,542	8,449	9,832
PBT	4,729	5,623	5,542	8,449	9,832
ETR	24.8%	26.8%	24.6%	25.2%	25.2%
PAT	3,557	4,117	4,177	6,320	7,354
Adj PAT	3,557	4,117	4,177	6,320	7,354
Growth YoY%	22.9%	15.8%	35.3%	13.5%	16.4%

Balance sheet

Y/E June (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	326	326	326	326	326
Reserves	9,563	9,387	9,905	10,142	10,878
Net worth	9,889	9,713	10,231	10,468	11,204
Total debt (incl.long term & short term)	0	0	0	0	0
Net debt	-4556	-4756	-4191	-3244	-7383
Other non-current liabilities	632	470	484	484	484
Total Equity & Liabilities	10,521	10,182	10,715	10,952	11,687
Gross block	8,029	8,430	9,025	9,475	10,075
Accumulated depreciation	4,134	4,961	5,603	6,417	7,278
Net block	3,895	3,469	3,421	3,057	2,797
CWIP	324	259	174	450	600
Intangible and others	27	25	26	26	26
Other non-current assets	1,986	2,178	2,114	4,888	856
Investments	0	0	0	0	0
Trade receivables	3,202	2,743	3,790	3,054	4,608
Inventories	4,124	3,958	4,535	3,492	5,593
Cash & Cash Equivalents	4,556	4,756	4,191	3,244	7,383
Other current assets	591	383	282	282	282
Total current assets	12,499	11,866	12,825	10,098	17,892
Trade payables	6,801	6,390	6,513	5,835	8,491
Other current liabilities	1,382	1,200	1,305	1,706	1,967
Total current liabilities	8,183	7,590	7,819	7,541	10,458
Total assets	10,521	10,182	10,715	10,952	11,687

Cash flow

Y/E June (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
PBT	4,729	5,623	5,542	8,449	9,832
Depreciation	807	826	643	814	860
Interest	78	126	85	102	140
Other adjustments	-222	-261	-280	-360	-420
Change in Working capital	215	136	-1285	1502	-738
Tax paid	1172	1506	1365	2129	2478
Operating cash flow	4,434	4,945	3,340	8,378	7,197
Capex	-746	-672	-436	-726	-750
Free cash flow	3,688	4,273	2,903	7,652	6,447
Other investing activities	219	179	176	-2,810	4,452
Investing cash flow	-527	-491	-259	-3,537	3,702
Issuance of share capital	0	0	0	0	0
Movement of Debt	0	0	0	0	0
Dividend paid	-2,314	-4,399	-3,584	-5,688	-6,619
Other financing activities	51	0	0	-102	-140
Financing cash flow	-2,262	-4,399	-3,584	-5,790	-6,759
Net change in cash flow	1,645	201	-565	-948	4,139
Opening C&CE	2,911	4,556	4,756	4,191	3,244
Closing C&CE	4,556	4,756	4,191	3,243	7,383

Key ratios

Y/E June	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
Adj EPS	109.1	126.3	170.9	193.9	225.7
Book value	303.4	298.0	313.9	321.2	343.8
DPS	85.0	130.0	112.0	174.5	203.1
Valuation (x)					
P/Sales	12.4	11.7	10.3	9.8	8.8
EV/EBITDA	56.7	48.4	38.3	33.9	29.3
P/E	86.4	74.6	55.2	48.6	41.8
P/BV	31.1	31.6	30.0	29.3	27.4
Return ratios (%)					
RoCE	39.1	42.9	56.7	61.8	68.8
RoCE (pre-tax)	52.0	58.7	75.2	82.6	92.0
RoE	38.5	42.0	55.8	61.1	67.9
RoIC	81.9	101.6	123.8	120.4	174.3
Profitability ratios (%)					
Gross margin	52.0	58.2	59.0	63.9	63.5
EBITDA margin	21.8	24.0	26.8	28.9	29.8
PAT margin	14.4	15.6	18.7	20.2	21.0
Liquidity ratios (x)					
Current ratio	1.5	1.6	1.6	1.3	1.7
Quick ratio	1.0	1.0	1.1	0.9	1.2
Solvency ratio (x)					
Net Debt to Equity ratio	-0.5	-0.5	-0.4	-0.3	-0.7
Turnover ratios					
Fixed asset turnover ratio (x)	6.4	7.6	8.7	10.2	12.5
Debtor days	43	41	40	40	40
Inventory days	58	56	52	47	47
Creditor days	91	91	79	72	75
Net Working capital days	10	6	13	15	13

Source: Company, Nirmal Bang Institutional Equities Research

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