Fundamental

NEW YEAR PICKS

AXIS SECURITIES

Earnings Play to Drive Returns in 2025

As we turn the final page of 2024, we extend our warmest wishes for a 'Happy New Year' to all our valued readers. With great excitement, we welcome 2025, looking forward to a year filled with prosperity, peace, and happiness for you and your family. At this juncture, we are delighted to unveil our New Year Picks for this year, curated to support and strengthen your investment journey in the year ahead.

2024 in retrospect: The year 2024 proved to be an intriguing journey, both for the Indian equity market and the global markets. Our domestic market performed well in 2024, with our benchmark index - Nifty 50, reaching an all-time high of 26,216 on 26th Sep’24. This milestone pushed the Indian market cap to cross \$5 Tn for the first time in history, and India became the 5th Largest market in the world (in terms of market cap). This has indeed been a commendable achievement by the Indian equities in recent times.

If we divide the performance of the Indian equity market into two halves, the first half of 2024 was marked with strong outperformance. This was driven by 1) Robust macroeconomic environment, 2) Narrative around the policy continuity, 3) Strong domestic and foreign liquidity, 4) Improving high-frequency indicators, and 5) Sustenance of earning momentum. However, the second half was marked by a rise in volatility led by 1) Below-than-expected performance of the ruling party in the Union election, 2) Slowdown in high-frequency indicators, 3) Slowdown in Earning momentum from the high base, 4) FII selling due to valuation concern, 5) Tactical rise of China vs. India, and 6) Rise in US bond yields and the dollar index. Despite this volatility, Indian equities displayed remarkable resilience in 2024, as the broader market emerged as the biggest outperformer, with Mid and Smallcap indices surging by 24% and 26%, respectively, while Nifty 50 grew by 9.3%.

Outlook 2025:

Faith in India’s Growth Story Continues: The Indian economy continues to be a ‘star performing’ economy compared to other emerging markets. Moreover, we firmly believe it will likely continue its growth momentum in 2025 and remain the land of stability against the backdrop of a volatile global economy. Political stability after state elections and expected fiscal support are boosting confidence. Overall, the growth prospects are likely to improve in the forthcoming quarters. FY26 is expected to be better than FY25, driven by fiscal tailwinds, private capex revival, and easing credit conditions post-CRR cuts.

Earnings Growth: Nifty 50 EPS is projected to grow by 7.6% in FY25, with growth expected to accelerate to 13.7% in FY26 and 11% in FY27, reflecting a robust 14% CAGR over the FY23–27 period. This growth will be supported by the real estate cycle, private capex recovery, and strong construction activity during this period. Risks include global macro uncertainties, inflation pressures, and potential earnings downgrades post-Q3. Nonetheless, we remain optimistic about double-digit earnings growth over the next 2–3 years, driven by stable economic conditions, political continuity, and structural growth story.

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Earnings Play to Drive Returns in 2025

Key Monitorables 2025: The majority of the events are now behind us, with most of the negatives related to earnings already factored into the price. **From here onwards, the market will closely monitor the global developments around the following events:** 1) Policies in the US government during the Trump presidency, 2) Trade policy, 3) Further rate cut by the US FED in 2025, and 4) The direction of Currency and Oil prices in 2025.

On the domestic front, the market will closely monitor developments towards the **upcoming budget** and the **rate cut trajectory** in the Indian market. We anticipate one to two rate cuts from the RBI in 2025, contingent upon inflation trends and the broader growth dynamics.

The recent development in the Maharashtra elections verdict was not entirely surprising. Still, the scale of domination of the ruling party after a lacklustre performance in the general elections was quite unexpected. Several factors can be attributed to the decisive win, but the biggest was the 'Ladki Baheen Yojana'. The program was a roaring success, and women voters lined up to vote to support the program. This indicates a shift in the economic regime. The past decade was defined by development-focused schemes, with the construction of roads, bridges, metro systems, and other infrastructure projects as benchmarks for the ruling party's success. However, the capacity creation phase has had challenges that resulted in lower allocation to social schemes. While capacity creation is one of the simplest means to deliver sustainable growth, reducing social schemes has also resulted in rural distress. Thus, social schemes like Laddo behen or Ladki Baheen have now become the success mantra in Indian politics.

These events are expected to keep the Indian equity market volatile, and it could respond in either direction based on the developments. However, we expect the first half of 2025 to be more volatile. More concrete developments are expected in the second half. So, the majority of the return expectations are backend-loaded in 2025.

We continue to believe in the long-term growth story of the Indian equity market. However, with current valuations offering limited scope for further expansion, an increase in corporate earnings will be the primary driver of the market returns moving forward. Hence, bottom-up stock picking with a focus on 'Growth at a Reasonable Price' and 'Quality' would be keys to generating satisfactory returns in the next one year. We also suggest a "Buy on Dips" strategy in the stocks listed below with an investment horizon of over 12 months.

We present Six Golden Themes for 2025

- Structural Play in Premium Consumption
- Growth story of the Indian Healthcare Industry
- Companies with higher growth potential in the Infrastructure value chain
- Pharma and Telecom as a Defensive Play
- Real Estate led by Demand Visibility
- Reasonable valuation play in BFSI
- Right mix of Rate Cut Cycle, Defensive, Infra, and Consumption

Our New Year picks for 2025 are*: Shriram Finance Ltd, Fortis Healthcare Ltd, Prestige Estates Projects Ltd, City Union Bank Ltd, Ambuja Cements Ltd, DOMS Industries Ltd, Ethos Ltd, Bharti Airtel Ltd, Cipla Ltd.*

New Year Picks 2025

Company	CMP	Target	Upside
Shriram Finance Ltd.	2,930	3,825	31%
Fortis Healthcare Ltd.	672	860	28%
Prestige Estates Projects Ltd.	1,748	2,195	26%
City Union Bank Ltd.	174	215	24%
Ambuja Cements Ltd.	550	675	23%
DOMS Industries Ltd.	2,553	3,120	22%
Ethos Ltd.	3,112	3,750	21%
Bharti Airtel Ltd.	1,600	1,880	18%
Cipla Ltd.	1,489	1,735	17%

Source: Company, Axis Securities, Note: CMP as of 26th December 2024, All Target Prices have an investment horizon of over one year.

Invest in All Your Stock Ideas with Just One Click

Smallcase

(a basket of stocks)

New Year Picks 2025

Invest Now

Our Last Year Performance - New Year Picks 2024

Astounding Returns of 35.8% since last year vs. Nifty 50 Return of 10.8%

Target achieved for 6 calls out of 9 calls. However, status is Open from the long-term perspective.

Company Name	Reco Date	Reco Price	Target Price	Potential Upside (%)	CMP (26th Dec'24 Closing)	Returns % (Since Reco)	Comment/Status
State Bank of India	26-Dec-23	638	800	25.4%	812	27.3%	Target Achieved On High
Manappuram Finance Ltd	26-Dec-23	172	205	19.2%	184	7.1%	Target Achieved On High
Amber Enterprises India Ltd	26-Dec-23	3,041	3,700	21.7%	7,868	158.7%	Target Achieved On High
Sansera Engineering Ltd	26-Dec-23	996	1,210	21.5%	1,475	48.1%	Target Achieved On High
Archean Chemical Industries	26-Dec-23	645	810	25.6%	659	2.2%	Target Achieved On High
Cyient Ltd	26-Dec-23	2,345	3,000	27.9%	1,928	-17.8%	Open Call
Pitti Engineering Ltd	26-Dec-23	690	915	32.6%	1,346	95.1%	Target Achieved On High
JK Lakshmi Cement Ltd	26-Dec-23	881	1,000	13.5%	839	-4.8%	Open Call
Westlife Foodworld Ltd	26-Dec-23	822	1,000	21.7%	822	0.0%	Open Call

Source: Company, Axis Securities, Note: Returns till 26th December'24, Reco date: 26th December'23

Shriram Finance Ltd.

'Shriram Finance (SFL)' is the flagship company of the Shriram Group, born out of the merger of Shriram Transport Finance (SHTF), a pioneer in used CV financing and Shriram City Union Finance (SCUF). It is a diversified retail-focused NBFC that provides lending services from its diversified product suite. SFL is one of the largest retail-focused NBFCs with an AUM of ~Rs 2,430 Bn as of Sep'24. The company operates through an extensive network of 3,149 branches and 679 rural centres and has a dominant presence in the rural and semi-urban markets (~87% mix). SFLs customer base as of Sep'24 stands at 9.02 Mn customers.

CMP (Rs.)	Target (Rs.)	Upside (%)
2,930	3,825	31%

Investment Rationale

- **Dominant Position in Used CV Financing; Market Share Gains Likely:** SFL primarily provides financing for used CVs (~94% mix), which are tailored to address the needs of its target customers. The used-CV financing market remains dominated by unorganised players, commanding a ~50-55% market share. However, SFL has improved its market share over the past 15 years to ~30% from 12-13%. SFL expects to enhance its market share by 6-8% in the coming decade. This will be supported by (i) Under-penetration of organised players offering huge market opportunity, (ii) Financing opportunity of Rs 1,800 Bn triggered through replacement demand for 1.45 Mn new as well as pre-owned trucks, and (iii) Expectations of buoyant growth in freight capacity of 1.25x GDP growth.
- **Merger Enables Portfolio Diversification; Helps Reduce CV Cyclicity:** The merger between e-SHTF and e-SCUF enabled the rechristened entity – SFL, to diversify from the primary vehicle financing business into a retail-focused small-ticket size portfolio with the introduction of Gold Loans, 2-Wheeler Loans, MSME Loans, and Personal Loans. As a result, the share of the CV portfolio has declined to 46% in Sep'24 vs. 52% in Sep'22. The portfolio diversification ensuing the merger would enable the merged entity to steer clear of the cyclicality of the CV financing business. Going forward, SFL's AUM mix is expected to remain broadly stable, with a 2-3% marginal shift towards the non-vehicle segments and SFL delivering a strong ~17% CAGR AUM growth over FY24-27E.
- **Asset Quality to Remain Steady:** Despite significant exposure to the used-CV segment, the company has maintained range-bound credit costs, which can be credited to its structured and relationship-based recovery mechanism. Currently, macro challenges in the form of (i) Lower government capex and (ii) Lower urban consumption indicated by slowing volumes pose challenges for the CV portfolio. The management remains confident of weathering these challenges and maintaining asset quality and credit costs at current levels. Apart from its CV portfolio, SFL remains better placed than its peers in terms of asset quality in its personal loans portfolio. Additionally, it remains insulated with no exposure to the troubled MFI segment and no customer overlap with MFI customers in any of SFL's segments.

Outlook & Valuation

- Our BUY recommendation is supported by a) The potential to improve market share in the used-CV segment, b) Reduced cyclicity with lower dependence on the CV portfolio, c) Diversification of portfolio ensuring healthy AUM growth, d) Steady Asset Quality with a lower mix of unsecured loans, and e) Potential to deliver healthy return ratios. We expect SFL to deliver a strong 17/17/19% CAGR AUM/NII/Earnings growth over FY24-27E, enabling it to deliver a strong RoA/RoE of 3.3-3.4%/16-17% over the same period. **We recommend a BUY on the stock with a target price of Rs 3,825/share, implying an upside of 31% from the CMP.**

Market Data

No. of Shares	37.6 Cr
Market Cap	Rs 1,10,174 Cr
52-week High / Low	Rs 3,652/2,016
BSE Code	511218
NSE Code	SHRIRAMFIN

Why Shriram Finance?

- ✓ **Potential to Gain Market Share In The CV Financing Market**
- ✓ **Healthy & Steady AUM Growth Prospects**
- ✓ **Steady Asset Quality**
- ✓ **Healthy Return Ratio Profile**

Financial Summary

Y/E March (Rs Cr)	NII (Rs Cr)	PPOP (Rs Cr)	PAT (Rs)	EPS (Rs)	ABV (Rs)	ABV (x)	RoA (%)	NNPA (%)
FY24	18,794	14,202	7,190	191.3	1,137.4	2.5	3.2	2.7
FY25E	22,363	18,618	9,887	263.1	1,316.5	2.2	3.7	2.7
FY26E	26,033	19,906	10,264	273.1	1,509.2	1.9	3.2	2.7
FY27E	30,150	23,288	12,161	323.6	1,738.6	1.7	3.3	2.7

Source: Axis Securities Research

Fortis Healthcare Ltd.

Fortis Healthcare Limited, an IHH Healthcare Company, is a leading healthcare services provider in India. The company operates 28 healthcare facilities, over 4,500 operational beds, and more than 400 diagnostics centres, making it one of the largest healthcare organizations in the country. Fortis is renowned for its expertise in complex medical procedures, excelling particularly in cardiac surgeries, radiation therapies, and robotic surgeries.

Investment Rationale

- **Leadership in Key Therapies:** Fortis Healthcare leads in complex medical procedures, performing 60,600 cardiac surgeries, 11,100 radiation therapies, and 3,600 robotic surgeries annually, surpassing Max Healthcare and Medanta in high-cost procedures. Cardiac surgeries (Rs 2-5 Lc) and radiation therapies (Rs 2-3 Lc) bolster its ARPOB and financial position. As India's largest oncology service provider, Fortis generated Rs 813 Cr in oncology revenues in FY24, targeting Rs 1,600 Cr by FY27E, with the oncology market expected to grow at an 18% CAGR to $1.49 Bn by 2028. In cardiac care, Fortis leads with Rs 1,010 Cr in sales, aiming for Rs 1,400 Cr by FY27E in a market projected to grow 10% annually to Rs 40,000 Cr. Its growth is underpinned by skilled clinical staff, ensuring leadership in key specialties.

- **Expansion Plans and Insurance Growth:** Fortis plans to add 2,000 beds over four years, boosting capacity by 45% to over 6,000 beds, primarily through quicker break-even brownfield projects. Occupancy improved from 55% in FY21 to 65% in FY24, with ARPOB growing at an 8.7% CAGR to Rs 61,000. By FY27E, occupancy is expected to stabilize at 68%, and ARPOB at Rs 70,000, driven by price revisions and rising volumes from increased insurance penetration. The health insurance market, growing at 18% annually, will add Rs 15,000 Cr in premiums and cover 33 Mn more individuals. New Delhi NCR projects are set to contribute Rs 3,500 Cr in annual revenue by FY27, positioning Fortis for sustained growth.

- **Improving Margins:** Under IHH's management, Fortis has improved EBITDA from Rs 225 Cr (5%) in FY19 to Rs 1,268 Cr (18.4%) in FY24, aiming for a 200bps YoY margin expansion and 400bps growth by FY27E. This will be driven by brownfield expansions, Agilus Diagnostics rebranding, asset divestments, and cost optimization. Adding 2,000 beds and divesting underperforming assets like the Chennai cluster could further boost margins by 50-60bps. EBITDA margins rose to over 20% at 8 facilities in FY24, up from 6% in FY23. PAT increased to Rs 645 Cr in FY24 and is expected to reach Rs 1,421 Cr by FY27E, with ROIC improving from 9% to 19%.

Outlook & Valuation

- Fortis presents a strong investment case, driven by impressive revenue growth and solid financial performance. The expected improvements in occupancy rates along with rising ARPOB and strategic brownfield expansions are set to significantly enhance its profitability. The company's leadership in key therapies such as cardiac and oncology, combined with rising insurance penetration in India, is expected to sustain strong demand for its services**. We recommend a BUY rating on Fortis with a target price of Rs 860 per share, implying an upside potential of 28% from the current market price.**

CMP (Rs.)	Target (Rs.)	Upside (%)
672	860	28%

Market Data

No. of Shares	75.5 Cr
Market Cap	Rs 50,700 Cr
52-week High / Low	Rs 740 / 375
BSE Code	532843
NSE Code	FORTIS

Why Fortis Healthcare?

- ✓ **Leadership In Specialties**
- ✓ **Improving Margins**
- ✓ **Bed expansions**
- ✓ **Insurance Penetration**

Financial Summary

Y/E March (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	RoE (%)	P/B (x)
FY24	6,893	1,268	645	9	80	41	8.0	7
FY25E	7,930	1,586	763	10	67	33	9.0	6
FY26E	9,015	1,938	1,050	14	49	27	11	5
FY27E	10,661	2,401	1,421	19	36	21	13	5

Source: Axis Securities Research

Prestige Estates Projects Ltd.

Prestige Estates (PEPL) is a leading developer based in Bengaluru. Established in 1986, the group has pioneered many landmark developments. It boasts a diversified portfolio that includes residential projects (villas, apartments, townships, plotted developments), commercial projects (corporate offices, IT parks, SEZs), retail businesses (shopping malls, multiplexes, luxury retail), and hospitality ventures (hotels, service apartments, and resorts).

CMP (Rs.)	Target (Rs.)	Upside (%)
1,748	2,195	26%

Investment Rationale

- **Key launches for H2FY25:** The management has guided a pre-sale of ~Rs 24,000 Cr for the financial year. In H1FY25, the company achieved pre-sales of around Rs 8,000 Cr. The management is confident in reaching its guidance and launching major projects in the remaining quarters. These launches will include projects such as Prestige Southern Star, Prestige City-Indirapuram, and Pallava Gardens. The remaining launches are expected to have a Gross Development Value (GDV) of Rs 52,000 Cr, which could result in pre-sales of ~Rs 20,000 to Rs 22,000 Cr. This aligns with the management's guidance for pre-sale numbers, with the potential to exceed it during FY25.

- **Annuity strength:** With the company acquiring stakes in PPP and Prestige Acres, it has added Rs 20,000 Cr of GDV to its portfolio. The cost of acquisition incurred is ~Rs 844 Cr, which is expected to lead to a pre-tax EBITDA of Rs 8,000 Cr. The company's annual rentals are Rs 523 Cr for commercial projects and Rs 226 Cr for retail projects. The remaining capex to be incurred is Rs 9,000 Cr for commercial properties and Rs 346 Cr for its retail assets. Their annuity rentals are projected to generate exit rentals of Rs 4,300 Cr by FY29, assuming full occupancy.

- **Strong Operating Cashflows combined with Net Debt reductions:** The company has completed its Qualified Institutional Placement (QIP) for Rs 5,000 Cr. These funds will be utilised for debt repayment, business development, and construction for rental assets. The expected free cash flows from ongoing projects stand at Rs 13,863 Cr, while those from upcoming projects are projected at Rs 32,037 Cr, resulting in a total of ~Rs 45,000 Cr in expected free cash flows for the company. Collections for Q2FY25 amounted to Rs 2,737 Cr (PEPL share: Rs 2,554 Cr). The company's total debt is ~Rs 10,000 Cr, with net debt at Rs 3,592 Cr. This indicates a net debt-to-equity ratio of 0.21, which is within their guidance. This level of debt will comfortably fund the future capex of around Rs 13,000 Cr for their annuity portfolio buildup.

Outlook & Valuation

- The company has a planned launch trajectory for the upcoming quarters and is confident in achieving its guidance of launching the remaining Rs 51,000 Cr worth of GDV. These planned launches, along with increasing annuity avenues, will result in a strong cash position for the company. **We recommend a buy on the stock with a TP of Rs 2,195/share, implying a 26% upside from CMP.**

Market Data

No. of Shares	43 Cr
Market Cap	Rs 75,291 Cr
52-week High / Low	2,072 / 967
BSE Code	533274
NSE Code	PRESTIGE

Why Prestige Estates Projects?

- ✓ **Upcoming Substantial GDV Launches**
- ✓ **Geographically Diversified**
- ✓ **Strong Collections to Pre-sales**
- ✓ **Segment Diversity – Residential, Annuity, Hospitality**

Financial Summary

Y/E March (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	P/BV (x)	ROE (%)
FY24	7,877	2,498	1,374	34.28	47.59	30.03	5.79	12.17
FY25E	11,765	2,651	713	23.3	43.3	19.9	5.01	11.4
FY26E	16,071	3,435	1,205	49.0	27	13.82	4.24	15.5
FY27E	19,449	4,946	2,656	66.25	24.62	11.70	3.63	14.74

Source: Axis Securities Research

City Union Bank Ltd.

Incorporated in 1904, City Union Bank (CUB) is a mid-sized private-sector bank headquartered in Kumbakonam, Tamil Nadu. The Bank's main focus is lending to MSME, Retail/Wholesale Trade with a granular asset profile, including providing short-term and long-term loans to the agricultural sector. The focus remains on Trading and MSME loan segments, which constitute ~41% of advances. ~99% of the book is secured. The bank operates its business through 812 branches, with a strong presence in South India, having 700 branches. Tamil Nadu accounts for ~65% of the branch network, 80% of deposits and 66% of the advances portfolio.

CMP (Rs.)	Target (Rs.)	Upside (%)
174	215	24%

Investment Rationale

- **Growth Revival in Sight:** The growth visibility has improved after implementing new initiatives and tech overhaul. Currently, the pick-up in growth has been in the traditional segments of MSME and Gold loans, led by strong demand. This momentum is likely to continue, as the management expects CUB's credit growth rate to converge with the systemic growth rate in FY25E and the pace to accelerate from FY26E onwards. CUB will extend the MSME processes to the retail secured loans – LAP, Micro-LAP, and Housing as it looks to scale the book to constitute ~7-8% of the portfolio over the next 3-4 years. The bank's continues to strengthen its executive and field team to kick-start its retail growth journey. It doesn't intend to pursue growth in the unsecured segment. With growth visibility improving, we expect CUB to resume its growth journey and deliver a ~14% CAGR growth over FY24-27E.

- **Asset Quality on the Improving Trend:** The management expects the slippages to trend downwards as it expects to cap its FY25 slippages at Rs 800 Cr. Meanwhile, recoveries from live NPA and written-off accounts are expected to remain healthy, thereby aiding asset quality improvement. CUB expects to exit FY25 with NNPA ranging between 1-1.25%, thereby strengthening its PCR and bringing it in line with peers. With asset quality improvement likely, we expect credit costs will continue to range between 0.5-0.6% over FY25-27E.

- **NIMs to find support from gold loan yields:** NIM's improvement of 13bps QoQ in Q2FY25 was led by a healthy yield improvement, while CoF remained largely stable. The bank has revised its gold yields upwards and expects to transmit the higher rates (on incremental lending and renewals) until the rate cut cycle. CUB intends to transition its gold loan book into a fixed rate book, from a floating rate currently, as it would bode well from a margin perspective in a rate cut cycle. Currently, ~25-30% of the book has already transitioned towards a fixed rate, and the management expects ~50-60% of the book to transition by the start of the rate cut cycle. CUB has guided NIMs at 3.6% (+/-5bps).

Outlook & Valuation

- CUB appears to have re-started its growth journey, with demand-led growth visible in the core segments. As the revamped processes yield results and the bank begins pursuing growth in the non-core retail segment, we expect growth to improve further. Steady NIMs, improving Opex ratios and stable credit costs will likely enable CUB to deliver RoA/RoE of 1.5-1.6%/13-14% over FY25-27E. The bank does not face challenges on deposit accretion and is likely to remain in line with credit growth, thereby keeping LDR stable. **We recommend a BUY on the stock with a target price of Rs 215/share, implying an upside of 24% from the CMP.**

Market Data

No. of Shares	74.1 Cr
Market Cap	Rs 12,871 Cr
52-week High / Low	Rs 188/125
BSE Code	532210
NSE Code	CUB

Why City Union Bank?

- ✓ **Improving Visibility on Credit Growth**
- ✓ **Healthy Deposit Franchise with Stable LDR**
- ✓ **Consistent ROA Delivery to Drive Re-rating**
- ✓ **Asset Quality Trend Improving**

Financial Summary

Y/E March (Rs Cr)	NII (Rs Cr)	PPOP (Rs Cr)	PAT (Rs)	EPS (Rs)	ABV (Rs)	ABV (x)	RoA (%)	NNPA (%)
FY24	2,123	1,517	1,016	13.7	101.3	1.7	1.5	2.0
FY25E	2,384	1,688	1,130	15.3	117.5	1.5	1.5	1.4
FY26E	2,701	1,944	1,282	17.3	133.5	1.3	1.5	1.1
FY27E	3,073	2,243	1,479	20.0	151.3	1.2	1.6	1.0

Source: Axis Securities Research

Ambuja Cements Ltd.

Ambuja Cements Ltd., a leading cement manufacturer in India and a part of the Adani Group, has a consolidated cement capacity of 97 million tonnes, with a widespread operational presence across the country.

Investment Rationale

- **Capacity Expansion to Drive Volume and Revenue Growth:** Ambuja Cements Ltd. is increasing its capacity from the current 97 MTPA (including 8.5 MTPA from Orient Cement) to 118 MTPA, with the expansion scheduled for phased completion over FY25-FY26. Additionally, the company is exploring growth opportunities to reach a combined capacity of 140 MTPA by FY28. This capacity enhancement will bolster the company's growth trajectory. Industry consolidation is expected to favour large players like Ambuja Cements. The company is projected to achieve volume and revenue growth at CAGRs of 10% and 8%, respectively, over FY24-FY26E.

- **EBITDA Margins to Improve to 19%-20% in FY26E:** Various synergies resulted in a cost reduction of 3% per tonne YoY in Q2FY25. Further cost optimization is anticipated, which will aid the company in enhancing margins. Business initiatives are expected to further lower operating costs by reducing the clinker factor and logistics costs, improving the sale of blended cement, and expanding the EBITDA margin. We forecast the company's EBITDA margins to improve to 19%-20% in FY26E.

- **Robust Cement Demand in the Country:** Cement demand in the country is anticipated to remain strong, driven by increased capital spending by the central government on infrastructure projects such as roads, railways, and housing, along with robust real estate demand. Ongoing investments in infrastructure development are expected to further boost cement demand. The industry is projected to grow at a CAGR of 7-9% during FY24-FY26E.

Outlook & Valuation

- Strong infrastructure demand and ongoing needs from the housing and commercial sectors are anticipated to boost cement demand moving ahead. Strategic investments in roads and railways, along with urban and commercial amenities, are poised to drive robust growth. Given the company's superior positioning and increasing foothold in South India, along with the cost-saving initiatives it has undertaken and synergies with other Adani Group companies, the growth momentum is expected to continue. **The stock is currently trading at 16x FY26E EV/EBITDA.**

CMP (Rs.)	Target (Rs.)	Upside (%)
550	675	23%

Market Data

No. of Shares	246.3 Cr
Market Cap	Rs 1,35,000 Cr
52-week High / Low	Rs 707 / 453
BSE Code	500425
NSE Code	AMBUJACEM

Why Ambuja Cements?

- ✓ **Capacity Expansion to Drive Revenue and Volume Growth**
- ✓ **Cost Optimization to Drive EBITDA Margins**
- ✓ **Industry Consolidation Positive for Large Cement Players**

Financial Summary

Y/E March (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs)	EPS (Rs)	PER (X)	ROE (%)	EV/EBIDTA (x)	D/E (x)
FY24	33,160	6,400	3,370	15	34	13	17	0.0
FY25E	34,126	5,563	2,684	19	54	6	21	0.0
FY26E	39,031	7,586	3,439	14	39	8	16	0.0

Source: Axis Securities Research

DOMS Industries Ltd.

DOMS Industries Limited is one of India's largest Stationery and Art products companies. The company designs, develops, manufactures and sells a wide range of well-designed, quality Stationery and Art products, categorised into categories that include, Scholastic Stationery, Scholastic Art Materials, Paper Stationery, Kits and Combos, Office Supplies, Hobby and Craft and Fine Art Products. With an endeavour to continue expanding its presence in product lines associated with the growing number of kids, children, and young adults, the Company, through its recent acquisition of Uniclan Healthcare Private Limited, has now forayed into baby hygiene products.

Investment Rationale

- **Structural Growth Trend in the Stationery and Art Materials:** The Indian stationery and art material market has been experiencing continued growth over the years and is expected to grow at a 13% CAGR over FY23-28, reaching a market value of Rs 71,600 Cr by FY28 from Rs 38,500 Cr in FY23. Cr.
- **Embracing The Transformation for The Next Leg of Growth:** The company has implemented strategic initiatives over the last few years. It is expected to bear fruits in the coming year. A few notable initiatives are – 1) Managing entire end-to-end operations, driving operating efficiency while maintaining high-quality standards. The new 44-acre greenfield facility will further boost growth; 2) The company's continued focus on launching new products and expanding into the larger pens category, as opposed to its earlier presence in the small pencil segment, which will broaden its product portfolio. Additionally, entering the fast-growing bags and toys segments will further boost growth; 3) There is significant potential for distribution expansion, with DOMS currently reaching 122,500 outlets. The company has the potential to expand its reach to ~300,000-350,000 outlets, as there is still untapped potential in the east and south markets as well as smaller towns in India, and 4) The strategic partnership with FILA, which enables DOMS to expand its global reach while leveraging FILA's R&D capabilities, providing a long-term advantage.
- **Room for margin expansion and return ratios:** We expect the company's EBITDA margin to be in the range of 17-18% for FY25-27 and it will be driven by 1) Operating leverage through increasing capacity utilisation, 2) Improving product mix – scaling up fast-growing pens, and bags category, 3) stable raw material prices, and 4) Improving on-ground execution by selling a larger number of products and SKUs per outlet, increasing efficiency and throughput across outlets. Similarly, its ROCE will likely improve from 22% in FY24 to 25% in FY27.

Outlook & Valuation

- Given the above-mentioned investment thesis, we expect the company to report robust Revenue/EBITDA/PAT growth of 25%/25%/28% CAGR over FY24-27E. This positive trajectory is expected to enhance the company's overall return profile, translating into ROCE growth from 22% in FY24 to 24% in FY27. **we value the company at 60x Dec-26 earnings to arrive at a Target Price of Rs 3,120/share, implying an upside of 22% from the current levels.**

CMP (Rs.)	Target (Rs.)	Upside (%)
2,553	3,120	22%

Market Data

No. of Shares	6 Cr
Market Cap	Rs 15,495 Cr
52-week High / Low	Rs 3,111 / 1,241
BSE Code	544045
NSE Code	DOMS

Why DOMS?

- ✓ **Structural story in stationery and art materials**
- ✓ **Increasing share of value-added product and distribution reach**
- ✓ **Improving return profile across segments**

Financial Summary

Y/E March (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	PER (x)	RoE (%)	ROCE (%)
FY24	1,537	273	153	25.2	101	18.8	22.5
FY25E	1,906	335	205	33.7	75.6	20.1	22.6
FY26E	2,402	428	263	43.3	58.9	20.5	23.6
FY27E	3,002	537	333	54.8	46.5	20.6	24.2

Source: Axis Securities Research

Ethos Ltd.

Ethos Ltd was established in 2003 and is one of India's largest luxury and premium watch retailers. It has a 20% market share in the luxury segment and 13% in the premium watch segment. The company is a subsidiary of KDDL and has a presence in 26 cities in India with 72 stores as of Sep-24. It also has an omnichannel presence and offers products through its websites (www.ethoswatches.com & www.scondmovement.com) and social media platforms. In India, the company caters to over 60+ premium and luxury watch brands, which includes 55+ exclusive brands that are available exclusively at Ethos.

CMP (Rs.)	Target (Rs.)	Upside (%)
3,112	3,750	20%

Investment Rationale

- **Structural growth trend in the Luxury space:** India is at the cusp of a luxury demand boom. According to some estimates, the Luxury market in India will expand 5x in the next decade as the number of affluent consumers continues to multiply with higher aspiration and disposable income. In recent years, the sales of luxury products have been at an all-time high in many luxury segments, including luxury cars (up 3x), luxury real estate (up 2x), Premium clothing, etc. Moreover, the demand for luxury products is not restricted to metros but has extended to Tier 2 and 3 cities. This represents an unprecedented opportunity for retailers of premium and luxury products like Ethos..
- **Store guidance remained intact:** The company added 12 stores in H1FY25, taking the total store count to 72 stores, and plans to add 13 more stores in H2FY25, keeping the store opening guidance of 22-23 stores in FY25. Moreover, on a longer-term basis, it targets a total store reach of 150 stores in the next five years.
- **Lifestyle Division:** RIMOWA continues to show strong growth with solid operational metrics (ROCE, EBITDA). Ethos targets an 8-10x increase in the RIMOWA business in the next five years. Further, Ethos will open its first Messika (Jewelry) store in New Delhi in January 2025 and target 8-10 stores in the next five years. The management also mentioned that it is discussing bringing several luxury brands to India and expects to onboard a few next year.
- **Increasing share of high-margin exclusive brands in the portfolio:** This is expected to drive the overall margins profile, given that these brands command 2x gross margins (~35-40%) compared to non-exclusive brands. Currently, exclusive brands contribute ~ 30% to the sales, a figure projected to rise in the coming years.
- **Room for margin and ROCE expansion:** We expect the company's EBITDA margin to expand 140bps to 16.6% by FY27E from 15.2% in FY24, led by 1) Improving product mix – a gradual increase in the ASP and exclusive brand portfolio, 2) Store expansion and operating leverage, and 3) Increasing CPO business further improving the company's ROCE from 13% in FY24 to 19% in FY27E

Outlook & Valuation

- The company's robust and consistent performance over the last several quarters underpins Ethos' promising future. This will be driven by – 1) Continued strong demand in the premium and luxury watch space, 2) Foray into the fast-growing CPO segment, 3) Increasing share of high-margin exclusive brands, 4) Diversification into fast-growing luxury segment – Luggage and Jewellery, and 5) Notable headroom for margin and ROCE expansion. Given the strong investment thesis outlined above, we anticipate the company to report robust Revenue CAGR growth of 33% and PAT growth of 38% over FY24-27E. **we value the company at 45x Dec-26 to arrive at a Target Price of Rs 3,750/share, implying an upside of 20% from the current levels.**

Market Data

No. of Shares	2.4 Cr
Market Cap	Rs 7,618 Cr
52-week High / Low	Rs 3,514 / 1,889
BSE Code	543532
NSE Code	ETHOSLTD

Why Ethos?

- ✓ **Structural story in overall luxury space**
- ✓ **Store opening guidance remain intact**
- ✓ **Lifestyle division will be next growth driver**
- ✓ **Improving return profile**

Financial Summary

Y/E March (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	PER (x)	RoE (%)	ROCE (%)
FY24	999	152	83	34.0	90.9	48.6	9.4
FY25E	1,245	192	100	40.8	75.8	38.5	10.1
FY26E	1,721	286	156	63.7	48.5	25.9	13.7
FY27E	2,350	389	220	89.8	34.4	18.9	16.2

Source: Axis Securities Research

Bharti Airtel Ltd.

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

CMP (Rs.)	Target (Rs.)	Upside (%)
1,600	1,880	18%

Investment Rationale

- **Best Industry ARPU:** Bharti Airtel leads the Mobile Services industry in ARPU, currently at Rs 233, higher than Reliance's Rs 195. The company expects ARPU to rise, driven by a richer customer mix, strong 2G-to-4G/5G conversion, and other services. Airtel aims for ARPU to reach Rs 300 in the future. The focus on customers, rising data consumption, and increased rural penetration will further boost ARPU. Average data usage stands at 23.9 GB/month. EBITDA for the segment rose to Rs 142 Bn (+13.1% QoQ, +23.2% YoY), with an EBITDA margin of 57.1% (+260 bps QoQ, +391 bps YoY). Airtel's 5G customer base grew to ~105 Mn, up from 90 Mn last quarter.
- **Huge Revenue and Profit Growth Potential:** The company's fundamentals remain strong and are improving. Management sees significant revenue and profit growth potential, fueled by expanding rural distribution, network investments, and increased 4G/5G coverage. There are also strategic opportunities in tower sales, minority investments, and IPOs in mobile money. The digital portfolio is gaining momentum, along with market share. Airtel maintained a strong share of 4G/5G net additions, with the 4G customer base growing by 4.2 Mn QoQ and 26.2 Mn YoY, now making up 73% of the total customer base.
- **Stability in Other Segments:** The management expects improvement with multiple solutions offered in one package of In-Home Services (Broadband). The segment continues to show strong growth, with revenue of Rs 14 Bn (+4.8% QoQ, +17.3% YoY) and a customer base of ~8.5 Mn, adding 0.58 Mn QoQ, compared to 0.34 Mn in the previous quarter, driven by F.W.A. Airtel Business revenue grew to Rs 56.5 Bn (+3.3% QoQ, +10.7% YoY), while EBITDA remained stable at Rs 20 Bn (+1.8% QoQ, -1.8% YoY). Africa revenue stood at Rs 102 Bn (+5.5% QoQ, flat YoY), with strong operational metrics and a 1% QoQ, 4% YoY increase in subscribers to ~156 Mn. Data usage per customer/month rose to 7.1 GB.
- **Moderated Capex & constant Optimisation Effort:** Despite the 5G rollout, the company does not anticipate significant capital expenditures in the short term. Management expects Capex levels to remain stable, with investments primarily in broadband expansion, enterprise solutions, and data centres. However, Capex for 4G radio is expected to decrease. Airtel has identified over 2,500 sites for network cost reduction initiatives, which will help lower operating costs in the future.

Outlook & Valuation

- From a long-term perspective, Bharti Airtel is expected to keep gaining market share, driven by high penetration rates and minimal Capex needs. Airtel's future growth looks promising with a stronger digital portfolio and increasing per-user data consumption. **We maintain our BUY rating on the stock,** supported by the company's superior margins, strong subscriber growth, and higher 4G conversions. **We value the stock with a target price of Rs 1,880/share, suggesting a potential upside of 18% from the current market price (CMP).**

Market Data

No. of Shares	579.2 Cr
Market Cap	Rs 9,08,400 Cr
52-week High / Low	Rs 1,779 / 990
BSE Code	532454
NSE Code	BHARTIARTL

Why Bharti Airtel?

- ✓ **Highest ARPU**
- ✓ **Growth Protentional**
- ✓ **Moderate Capex**
- ✓ **2G Subscriber Migration to 4G/5G**

Financial Summary

Y/E March (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	RoE (%)	P/B (x)
FY23	1,39,145	71,274	15,356	27	58	15	15	9
FY24	1,49,982	78,292	16,130	29	55	14	14	8
FY25E	1,74,779	91,998	23,755	42	38	12	17	6
FY26E	2,28,762	1,24,780	50,099	90	18	9	26	5

Source: Axis Securities Research

Cipla Ltd.

Cipla is a global pharmaceutical company focused on agile and sustainable growth, with an emphasis on complex generics and portfolio deepening across India, South Africa, North America, and key regulated and emerging markets. The company is well recognised for its strengths in respiratory, antiretrovirals, urology, cardiology, anti-infectives, and CNS segments. Cipla operates 47 manufacturing facilities globally, producing over 50 dosage forms and over 1,500 products utilising advanced technology platforms to cater to over 80 markets.

CMP (Rs.)	Target (Rs.)	Upside (%)
1,489	1,735	17%

Investment Rationale

- **Higher US-Base Business:** The company's US revenue stood at $237 Mn, which was affected by lower gLanreotide sales as the partner's manufacturing plant underwent capacity expansion. Sales are expected to rebound in Q4FY25, with Q3FY25 sales projected at around $220 Mn. Cipla has maintained its market share at 15% in Albuterol and 35% in gLanreotide. To enhance its business portfolio, Cipla received four new generic drug approvals (Calcitonin Salmon Injectable, Dihydroergotamine Mesylate Injectable, Nicardipine Hydrochloride, and Hydrocortisone Lyophilized Injection) during the quarter, including one peptide.

- **One India:** The company's India business grew by 4.7% YoY, propelled by branded prescriptions and trade generics. Seasonal impacts on the acute category increased by 4.9% compared to 12% in the previous quarter. Chronic now comprises 61% of revenue, which continues to outpace IPM growth. The company transitioned its distribution model for trade generics (Gx), aiming to enhance operational efficiencies by delayering distributors. Gross margins improved by 226bps YoY and 38bps QoQ, primarily due to changes in product mix. The company achieved its highest-ever EBITDA margin of 26.7%, improving 78 bps YoY and 111 bps QoQ. Reported PAT reached Rs 1,305 Cr, marking a 13% YoY increase.

- **Others:** The key catalysts for the company going forward would be the approval for gAbraxane, Respiratory, other peptides in US markets and the revival of the domestic branded formulation space. With close to Rs 84 Bn net cash, the company has the opportunity to take an inorganic initiative for mid to long-term growth.

Outlook & Valuation:

- gAdvair and gAbraxane are expected to contribute to revenue growth in FY26E as regulatory challenges ease. gSynbicort has been filed, and one peptide product, valued at $300-400 Mn. Cipla has demonstrated success in launching peptides over the past year. Moreover, the addition of 1,000 new MRs has increased the total sales force to 8,700, which is anticipated to drive incremental revenue for India's business going forward. **We recommend a BUY with a target price of Rs 1,735, which implies an upside of 17% from the CMP.**

Market Data

No. of Shares	80.6 Cr
Market Cap	Rs 1,20,250 Cr
52-week High / Low	Rs 1,702 /1,231
BSE Code	500087
NSE Code	CIPLA

Why Cipla Ltd?

- ✓ **Shining USA Base**
- ✓ **Growing Domestic Segment**
- ✓ **Upcoming Launches set to Display Further Success**

Financial Summary

Y/E March (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBIDTA (x)	RoE (%)	P/B (x)
FY24	25,774	6,291	4,154	51.5	28.9	19.0	15.5	4.5
FY25	27,163	6,791	4,600	57.0	26.0	17.2	13.3	3.9
FY26E	30,228	7,602	5,145	63.8	23.3	15.2	12.8	3.4
FY27E	32,287	8,120	5,480	67.9	21.9	13.8	12.8	3.0

Source: Axis Securities Research

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