Choice

Convex Choices

Our High Conviction Picks After Q3FY25 Results

March 2025

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From Utopia to Gripping Fear: All in 6 months

In the last 6 months, the Indian stock markets have witnessed a sharp downturn with the benchmark index - Nifty 50 plunging more than 14% from its September 2024 peak. The broader indices have performed even worse with Nifty Midcap index down 19% and Nifty Smallcap index down 25% from their peaks. Portfolios of Mutual Funds, HNIs & Family Offices, and large individual investors have been badly bruised with the recent 10-day Nifty losing streak being the longest losing run in 29 years, and USD1Tn of investor wealth wiped out in 6 months. With heavy FII selling (USD 25Bn) in a liquidity constrained market owing to record number of IPOs (worth USD 19Bn in 2024), the sentiment on the street has gradually become worse from utopia to greed to hope to despair to fear to annihilation. And rightly so - as some of the indicators point out.

- The IMF's World Economic Outlook has regularly projected a moderation in India's GDP growth from 8.2% in 2023 to 7% in 2024 to 6.5% in 2025; below India's potential growth rate of 7%.
- Consumption which drives 60% of India's GDP has been sluggish (ex-luxury) with weak job environment and stagnant real incomes.
- India's Manufacturing PMI dropped to 56.3 in Feb 2025, a 14-month low indicating softened domestic and international demand, leading to slower output growth.
- INR has swiftly depreciated against USD (3% in FY24 and 1.9% YTD), marking its fifth consecutive monthly fall owing to foreign portfolio outflows and increased hedging demand. It is approaching its longest losing streak in over two decades with forecasts ranging between 88-90; 1 year forward and raising concerns about import costs and inflation.
- Trump's volatile tariff actions have created an environment of uncertainty and may present challenges to India's economy, with potential impacts on key export sectors (Metals, Pharma, Automobiles, IT), GDP growth, and currency stability.

Patience Pays: The Market's Panic is Your Opportunity

"The stock market is a device for transferring money from the impatient to the patient." — Warren Buffett

With such backdrop, the current market is steeped in panic, driven by a cocktail of global and domestic concerns. But we notice the following early signs to accumulate quality stocks for long-term.

- Post the sharp correction the risk-reward profile is becoming increasingly favourable: At a TTM P/E of ~20x for the Nifty 50, from a high of 24+, we see serious value emerging in the market.
- Softening US bond yield (10Y treasury bond yield at 4.2%) which seems to be accounting for higher inflation and slower US growth in the long run is likely to encourage FIIs to return to high-growth emerging markets like India. Further, RBI's current liquidity measures, such as OMOs and forex swaps, which aims to inject funds into the banking system and support economic growth may keep exchange rate stabilized.
- A subdued crude oil outlook in 2025 due to softening global demand and rising non-OPEC supply is likely to keep inflation in check. This should support rupee stability, economic growth, and corporate profitability, while also lowering government subsidies and trade imbalances.
- The corporate earnings for Q3FY25 have been mixed but resilient with return to positive earnings growth (3.1% YoY APAT growth for Nifty 50) after 2 consecutive quarters of decline. Consumption and business activity appear to be improving with Q3FY25 GDP coming at 6.2%, bouncing back from the low 5.6% growth recorded in Q2FY25; suggesting a likely bottoming-out. GST collections have remained above INR 1.6 lakh crore for six consecutive months with Jan25 collections at INR 1.96 lakh crores (a 12.3% yoy increase) and Feb25 collections at INR 1.84 lakh crore (a 9.1% yoy increase). We expect earnings trajectory to climb up over next 2 quarters with consumption tailwinds from Maha Kumbh and budget incentives.
- Anecdotal instances are suggesting increasing promoter buying which reflect confidence in business fundamentals and is a key monitorable in the coming weeks.

Play the Panic with "Convex Choices"

Welcome to Convex Choices, your definitive guide to identifying high-convexity investment opportunities. In a world where asymmetric risk-reward defines true alpha, we have curated a select list of stocks poised for outsized gains while limiting downside exposure. Our publication focuses on businesses with scalable growth, optionality, and catalysts that can drive exponential performance. Each selection is backed by rigorous research and deep market insights while deconstructing current investor concerns. Convex Choices isn't about incremental returns—it's about capturing the nonlinear payoffs that define superior portfolios.

We thank the market participants for their insights in compiling these 'Convex Choices' and look forward to your feedback.

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Summary of Recommendations

Company	Sector	Market Cap (INR Cr.)	CMP (As on 06-03-25)	Target Price	Potential Upside
Mahindra & Mahindra	Automobile & Auto Ancillaries	3,41,138	2,743	3,790	38.2%
Hindware Home Innovation	Building Materials	1,711	200	253	26.5%
JK Cement	Cement	34,835	4,490	5,460	21.6%
Bharat Electronics	Defense	1,99,608	275	370	34.5%
Yatharth Hospitals	Healthcare	3,721	384	628	63.5%
Coforge	Information Technology	51,013	7,584	11,260	48.5%
Divi's Laboratories	Pharma	1,47,893	5,577	6,983	25.2%

Choice Sector View – 1/2

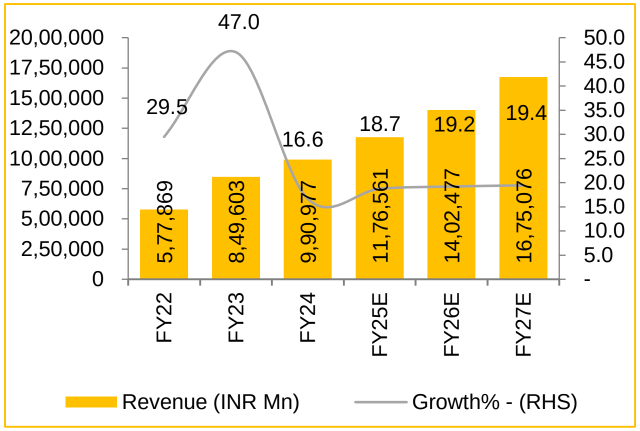
Sector	Outlook	Choice Sector View
Automobile & Auto Ancillaries	Positive	**Indian Automobile Sector to Grow at 7% CAGR Until FY27; SUVs to Reach 65% of PV Market** We expect the Indian automobile sector to grow at a 7.5% CAGR from FY25 to FY27, driven by rising disposable income, rural demand recovery, and a shift toward premiumization. The two-wheeler segment is projected to expand at 9% CAGR, while the passenger vehicle (PV) segment is expected to grow by 3-4%, fueled by strong SUV demand, which we anticipate will account for 65% of the PV market by FY27. Additionally, we foresee the commercial vehicle segment growing at 4%, supported by infrastructure investments. **Shifting Consumer Preferences Reshaping the Indian Automobile Market** Rising disposable income in India is driving a notable shift in consumer preferences across both two-wheeler (2W) and four-wheeler (4W) segments. In 2Ws, demand is moving toward higher-capacity bikes, with the market share of ≥125cc models rising from 24.4% in 2021 to 27.1% in FY24, registering a healthy CAGR of 7.6%. Meanwhile, in the 4W segment, Multi-Utility Vehicles (MUVs) have gained significant traction, increasing their market share from 38.5% in FY21 to 56.3% in FY24, with total sales of 27,55,411 units and an impressive CAGR of 32.0%. This shift highlights a growing preference for performance-oriented and utility-focused vehicles, creating strong growth opportunities for manufacturers catering to these segments.
Building Materials	Positive	**Positive Demand Outlook and Margin Recovery for Bathware Segment as Well as Plastic Pipes** We expect Bathware industry's demand to grow at a CAGR of 8 - 10% for the next few years driven by individual home building (IHB) segment and Real Estate activity in the country. Increase in demand will lead to higher capacity utilization across the industry which will improve bathware sector's margins from ~11% in FY25E to over 14% during FY25-27E. PVC Pipes industry is expected to grow at a 14% CAGR over FY25-FY28E i.e. from INR 475Bn in FY25 to to INR 700Bn in FY28E. PVC prices have been soft over the last few quarters due to lower demand from government infra projects at a time when imports have been high. Anti-dumping duty is under consideration (investigation underway) to curb PVC imports. Rebound in demand coupled with a potential anti dumping duty would be positive for PVC pricing.
Cement	Positive	**Strong Cement Demand Rebound Expected in CY26 Amid Higher Government Capex and Sectoral Recovery** The cement industry experienced sluggish demand growth during 9MFY25 (~6% YoY, vs last 5 yrs average growth of ~8%), primarily due to weak government spending on infrastructure. However, since December 2024, demand has shown signs of recovery across all key segments, including individual housing, infrastructure projects, and real estate development as per channel and checks govt capex data. Looking ahead, we anticipate a strong rebound in cement demand during CY26 driven by higher capex outlay by govt of India (~15% YoY), peak construction season, a revival in rural market demand (ongoing), and continued momentum in the real estate sector. Tactically, pet coke prices are also on a downward trajectory, which should aid in profitability improvement for the sector in the near term.
Defense	Positive	**Domestic Manufacturing and Geopolitical Tensions are Poised to Drive Industry Growth** India's defense sector is advancing with increased government spending. Capital outlay up by 13% to INR 1,92,388 Cr. accounting 28.2% of the total defense budget allocation for 2025-26BE. We anticipate further improvements in capex over the medium term, fueled by geopolitical tensions and domestic manufacturing, which is set to drive sectoral growth. India is also strengthening its position as a defense exporter, aiming for a target of USD 5 Bn by 2025. While leveraging strategic partnerships with global allies enhance technology transfers and defense capabilities. **Geopolitical Shifts Open New Defense Opportunities for India** We anticipate substantial business opportunities emerging from the European market as the Trump 2.0 administration shows signs of distancing itself from Europe in terms of defense commitments. Meanwhile, India continues to strengthen its strategic partnerships with key European countries, positioning itself to capitalize on these opportunities.

Choice Sector View – 2/2

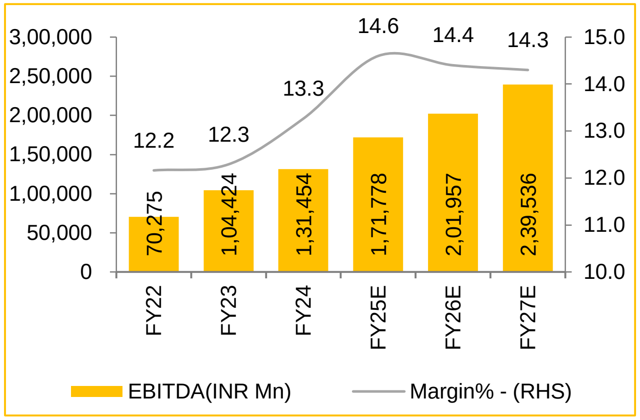
Sector	Outlook	Choice Sector View
Healthcare	Positive	**India's Hospital Sector Set to Expand as Private Players Add 30,000 Beds** India's healthcare sector is set to grow at a 15% CAGR, reaching USD 250 Bn by 2030. Rising cases of non-communicable diseases like diabetes, heart disease, and cancer—responsible for 60%+ of total deaths—are driving demand for specialized hospitals beyond Tier 1 cities into Tier 2 and 3 regions. With ~1.3 beds per 1,000 population, well below the WHO recommendation of 3-5 beds, significant expansion opportunities exist. Private hospitals, which hold ~70% market share, plan to add ~30,000 beds in the next five years to bridge this gap. **From Affordability to Excellence: India's Rise as a Medical Hub** India is emerging as a leading global medical hub, offering high-quality healthcare at a 60-90% cost advantage compared to global averages. The country ranks among the top 5 medical tourism destinations, attracting international patients seeking affordable treatments. Additionally, with insurance penetration still low at ~39%, government schemes like Ayushman Bharat are expanding access to healthcare, further increasing demand for cost-effective multispecialty hospitals.
Information Technology	Neutral	**IT Spending Set for Cautious Rebound amid Macroeconomic Uncertainties:** The outlook for the Indian IT sector in 2025 remains cautiously optimistic, driven by a potential increase in discretionary spending from IT clients. We anticipate a growth rate of 5% to 6% for FY26, a notable recovery from the 3% to 4% growth observed in the past two years. Additionally, a few Tier-1 companies have raised their revenue guidance to 5% for the near term. However, the Indian IT sector is highly sensitive to the US economy. This growth could be moderated by uncertainties related to the Fed's interest rate decisions, concerns about a potential economic slowdown in the US, and the escalation of trade tariff conflicts. These factors are likely to influence market sentiment and could delay the sector's full recovery.
Pharma	Positive	**Indian Pharma to Grow at 10.5% CAGR with Rising Demand** The Indian pharma sector is set for robust growth, fueled by the increasing prevalence of chronic diseases such as diabetes, cancer, and cardiovascular conditions, alongside a growing aging population. India is emerging as a key player in several high-growth segments, including CDMO (CAGR of 10% over 5 years), Biosimilars (CAGR of 15% over 5 years), Nutraceuticals (CAGR of 9% over 5 years), and Peptides (CAGR of 10% over 5 years). As a global leader, India commands a 20% share in the generics market and supplies over 50% of the world's vaccines. The sector is projected to grow at a 10.5% CAGR through 2030, driven by rising demand, increased R&D, and its cost-effective solutions. **Impact of Trump 2.0's 20% Tariff on India's Pharma Sector Likely to Be Minimal** We do not expect Trump 2.0's proposed 20% tariff on India's drug imports to significantly impact the sector. The US remains highly dependent on India for its generic drug supply, importing 50% of its generics due to the affordability factor. Production costs in the US can be up to 8x higher than in India. If tariffs are imposed, companies may reduce their reliance on the US market and focus on alternative markets. Additionally, they may push down costs to the end customer, mitigating the impact on profits.

Mahindra & Mahindra I Rating – BUY I CMP: INR 2,743 I TP: INR 3,790

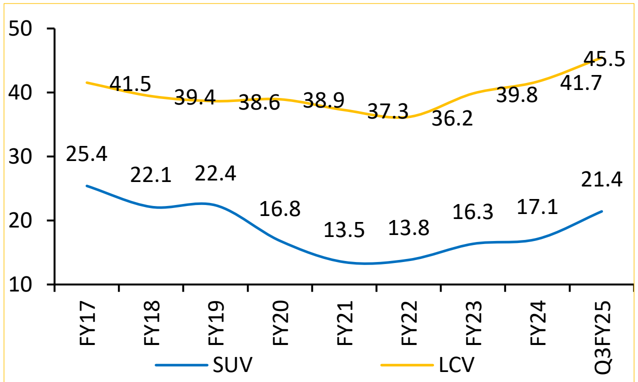
Revenue expected to grow 19.3% CAGR FY25-27



EBITDA Margin to improve led by better mix



Auto Market Share on Rise



Business Overview: MM is a leading player in India's automotive and farm equipment sectors, with a strong presence in SUVs, tractors, and electric vehicles, supported by the launch of new EV models. The company benefits from strong brand equity, an extensive distribution network, and tech-driven mobility solutions. In FY24, MM reported revenue of INR 990Bn with an EBITDA margin of 13.3%. Revenue is expected to grow at a CAGR of 19.3% from FY25 to FY27, with a 100 bps margin improvement, driven by sustained rural demand, an expanding EV portfolio, and global market expansion.

Can MM sustain its market share in MUV segment or emerge as the market leader?

MM has demonstrated impressive growth, with a CAGR of 43% from FY21 to FY24, reaching 4,70,758 units. Its MUV market share has consistently increased, from 13.5% in FY21 to 21.4% in Q3FY25 , indicating a strong upward trajectory. However, MSIL has outpaced MM with a 44.5% CAGR, reaching 7,20,223 units in the same period. Additionally, MSIL market share has surged from 19.9% in FY21 to 33.9% in Q3FY25 , significantly higher than MM's. While MM is sustaining its market share growth, emerging as the market leader seems challenging given MSIL superior volume and market share expansion.

Is MM's farm equipment market share growing, and can it maintain its leadership?

MM has steadily increased its market share from 38.2% in FY21 to 44.2% in Q3FY25, showcasing consistent growth. With its closest competitor, Sonalika International, holding less than 15% market share, M&M faces no immediate threat to its leadership. The widening gap indicates MM's dominance in the sector is only strengthening, supported by its strong product portfolio and market reach. MM's revenue share from the Farm Equipment segment (FEM) stands at 21.1%, ensuring a stable contribution to its overall revenue.

Will Trump's tariffs impact MM's growth and market position?

While tariffs could impact the broader auto industry, MM is unlikely to face significant challenges. Its export share is relatively low, accounting for only 3% of total auto sales and 3.7% in the farm equipment segment in FY24. Additionally, MM's key export markets—Australia, New Zealand, and South & Central America—are not directly affected by U.S. tariffs, minimizing any major impact on its growth and operations.

Will MM's new EV launches significantly impact its overall passenger vehicle sales?

MM's EV sales were 1.7% of total volumes in FY24 (8,025 out of 4,59,877 units). With the launch of BE 6E and XE 9E, we expect the company to sell 3,500 to 4,000 units per month, driving EV penetration to 6-8% of total SUV volumes by FY27. This marks a strong push toward EV adoption, positioning MM for significant growth in the premium EV space.

What makes MM a standout investment in India's automobile industry?

MM has strengthened its position in the Indian auto industry with consistent market share gains across key segments. As of Q3FY25, the company has expanded its SUV market share to 21.4% in, capitalizing on the rising demand for utility vehicles. In the commercial segment, MM leads with a 45.5% market share in LCVs, reinforcing its dominance in freight and logistics.

Additionally, MM's tractor market share has reached an all-time high of 44.2%, highlighting its stronghold in the rural and agricultural sector. With a well-diversified portfolio across high-growth categories, MM is well-positioned to sustain its growth momentum and capitalize on evolving consumer preferences.

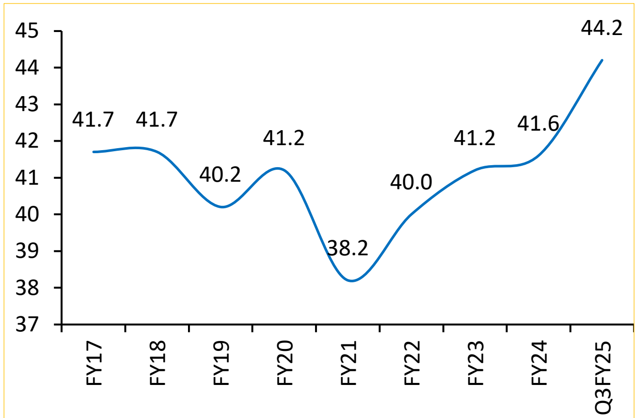
Recommendation: We maintain a positive outlook on MM, maintaining our 'BUY' rating, with a TP of INR 3,790.

Key Risks:

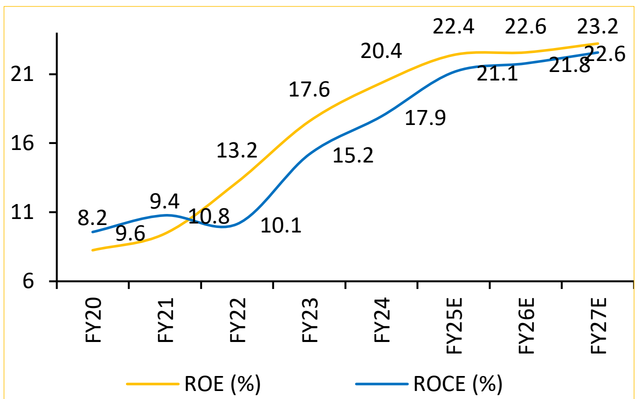
- Supply chain risk – Dependence on specific raw materials, semiconductors, and critical components can lead to delays and cost overruns due to global shortages or trade restrictions.
- Competition risk – Increasing competition from EV manufacturers, tech-driven mobility startups, and global automakers intensifies pricing pressure and the need for continuous innovation.

Recent Report Link : Q3FY25 Result Update

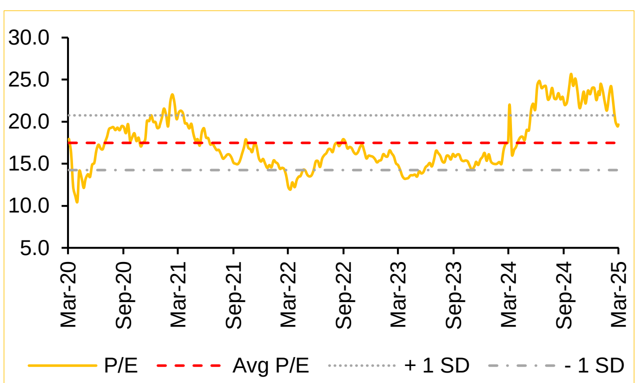
Farm dominance: MM's market share accelerates



ROE & ROCE on an Upward Trend



One year forward PE band

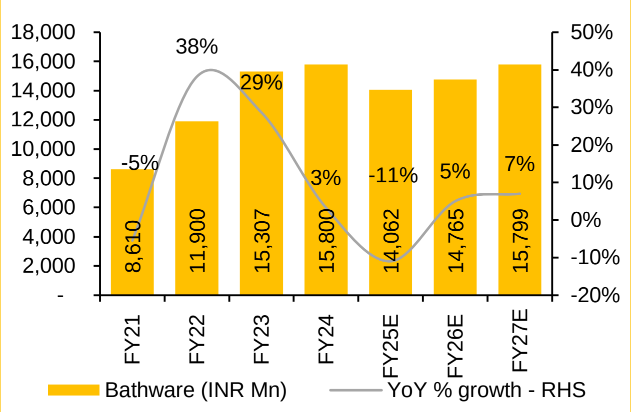


Income Statement INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	8,49,603	9,90,977	11,76,561	14,02,477	16,75,076
Material Expenses	6,45,582	7,39,949	8,70,655	10,39,236	12,41,231
Employee Expenses	36,499	44,632	49,416	60,307	72,028
Other Operating Expenses	63,098	74,943	84,712	1,00,978	1,22,281
EBITDA	**1,04,424**	**1,31,454**	**1,71,778**	**2,01,957**	**2,39,536**
EBITDA Margin (%)	*12.29*	*13.27*	*14.60*	*14.40*	*14.30*
Depreciation	31,545	34,880	37,903	40,004	42,704
EBIT	72,879	96,574	1,33,874	1,61,952	1,96,831
Other Income (Including EO Items)	25,452	39,409	47,062	53,294	63,653
Interest	2,728	1,405	735	632	550
PBT	81,308	1,34,578	1,80,202	2,14,614	2,59,934
Tax (Incl Deferred)	15,821	28,155	41,446	49,361	59,785
RPAT	29,404	39,431	46,729	56,275	66,953
APAT	29,404	39,431	46,729	56,275	66,953
Adjusted EPS (INR)	**61.3**	**85.6**	**111.6**	**132.9**	**161.0**
EPS Growth (%)	*51.6*	*39.6*	*30.4*	*19.1*	*21.1*

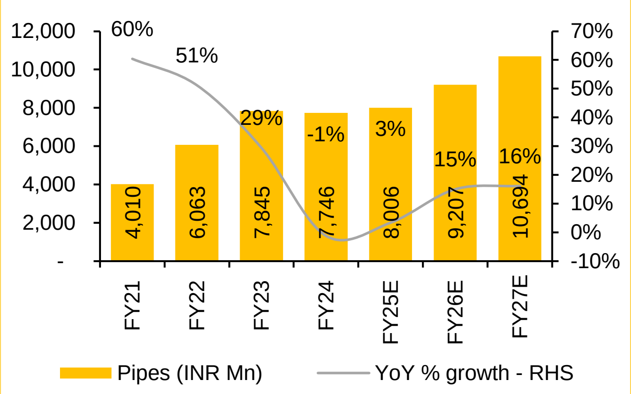
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	47.0	16.6	18.7	19.2	19.4
EBITDA	48.6	25.9	30.7	17.6	18.6
Margin Ratios (%)					
EBITDA	12.3	13.3	14.6	14.4	14.3
PAT	9.0	10.7	11.8	11.8	11.9
Performance Ratios (%)					
OCF/EBITDA (X)	0.9	0.9	0.8	1.0	0.9
OCF/IC	22.4	25.3	25.6	32.3	30.4
ROE	17.6	20.4	22.4	22.6	23.2
ROCE	15.2	17.9	21.1	21.8	22.6
Turnover Ratios (Days)					
Inventory	38	35	37	37	38
Debtor	17	17	19	19	20
Payables	84	79	75	72	70
Cash Conversion Cycle	(24)	(27)	(13)	(11)	(6)
Financial Stability Ratios (x)					
Net Debt to Equity	0.0	(0.1)	(0.1)	(0.1)	(0.1)
Net Debt to EBITDA	0.0	(0.3)	(0.2)	(0.4)	(0.4)
Interest Cover	26.7	68.7	182.2	256.1	357.9
Valuation Metrics					
Fully Diluted Shares (Mn)	1,244	1,244	1,244	1,244	1,244
Price (INR)	2743	2743	2743	2743	2743
Market Cap(INR Mn)	34,11,003	34,11,003	34,11,003	34,11,003	34,11,003
PE(x)	45	32	25	21	17
EV (INR Mn)	34,12,623	33,71,592	33,72,470	33,33,237	33,16,698
EV/EBITDA (x)	33	26	20	17	14
Book Value (INR/share)	349	420	498	589	693
Price to BV (x)	7.9	6.5	5.5	4.7	4.0
EV/OCF	37	30	24	17	15

Hindware Home Innovation I Rating – BUY I CMP: INR 200 I TP: INR 253

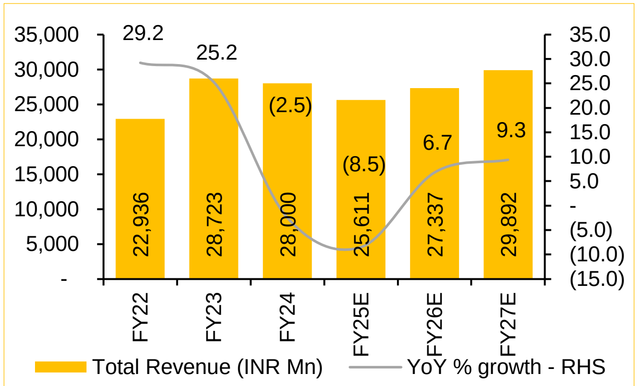
Bathware Segment to rebound from setback in FY25



Pipes segment to grow at 16% CAGR over FY25-FY27E



Total Revenue to grow by 8% CAGR over FY25-FY27E



Business Overview: HINDWARE is a prominent player in the building products segment i.e. sanitary ware, faucet ware, pipes and in consumer appliances segment. The revenue contribution from bathware segment stands at 56% in 9MFY25; lower from 58% in 9MFY24 due to higher competition and muted home improvement demand, whereas Pipes segment revenue share increased to 30% in 9MFY25 vs. 26% in 9MFY24 backed by 11% volume growth.

Why Bathware segment is struggling with sales and margins? And how is it expected to bounce back?

We understand investors' concerns regarding slowdown in the bathware segment during 9MFY25. The bath ware segment faced several challenges like 1) competition from unorganized & organized players, 2) muted retail demand due to delay in individual home buying and 3) merger of sanitary and faucet ware dealers which led to loss of sales.

To address the business challenges, Hindware has recently appointed Mr.Nirupam Sahay (who brings 30+ years of rich experience to the table) as the CEO of its bathware segment. The company has been undertaking several initiatives like strengthening its product portfolio in the premium segment, expanding institutional sales, deepening engagement with influencers and calibrating its go to market strategy to improve the segment's performance. As a result of all these initiatives and coupled with the ~5% price hike in faucets in Q3FY25, Hindware's bath ware segment is well-positioned for a gradual margin expansion from 11% in 9MFY25 to ~14% by FY27E.

What makes Hindware Home a strong investment opportunity in Building Materials Sector?

Hindware holds strong position in the bathware segment driven by high brand awareness and recall, which provides a solid foundation for future growth. As we noted above, the company is working on several initiatives to improve the segment's performance in terms of volumes and margins.

Hindware is expanding its PVC pipes capacity by 12,500 MT (~20% increase to existing capacity) to overcome capacity constraints, as its current utilization has reached ~77% at the existing plant, well above the industry average of ~60%. Its new plant is being set up at Roorkee, with an outlay of ~INR 1.5bn. As utilization at existing plant increases and new capacity comes on stream, Hindware's market share in the PVC pipes segment could improve towards 5%. This segment reported 11% volume growth in 9MFY25, the second highest in the industry, with CPVC contributing 38% of revenue. Additionally, the company is expanding its portfolio with the launch of four underground drainage products and plans to introduce double-wall corrugated pipes and fire systems, further strengthening its market position and ensuring a comprehensive solutions approach in the piping segment.

Both these segments are on a strong footing and well poised to deliver improved volumes and margin performance over FY25-27E. We expect bathware segment revenue to grow at a 6% CAGR over FY25-FY27E, while the pipes segment is projected to achieve a 16% revenue CAGR over the same period. Overall, we anticipate Revenue/EBITDA CAGR 8%/27% and PAT to rebound from negative levels over FY25-FY27E.

Note: Hindware Home Innovation Limited has established a wholly owned subsidiary, HHIL Limited, on March 4, 2025. The new entity is set to operate in the consumer products sector, focusing on kitchen and consumer appliances, which will be sold through dealers, distributors, retail outlets, and online platforms.

Recommendation: Hindware now trades at FY27E PE of 18x, vs. 28x for CERA. We maintain our 'BUY' rating on the stock with target price of INR 253, valuing the company at 23x FY27E EPS.

Key Risks:

- Real estate activity risk –Sharp slowdown in real estate activity will reduce demand for Hindaware's products.
- Interest rate risk – High interest rate risk will impact home improvement activities.
- Market share risk – Market share losses in Bathware and plastic pipes will impact revenue and margins.

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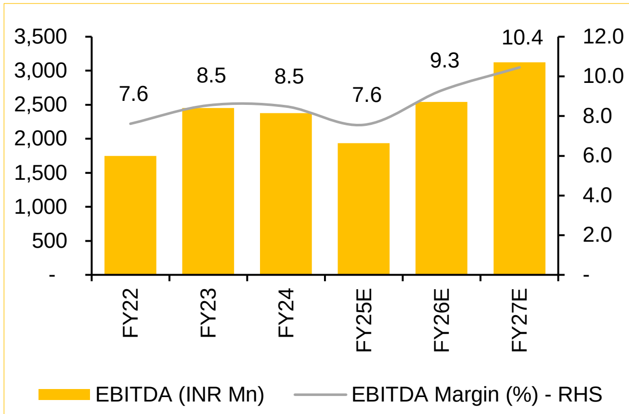
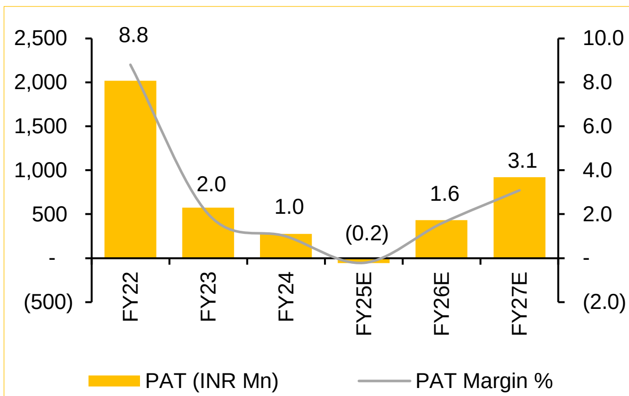
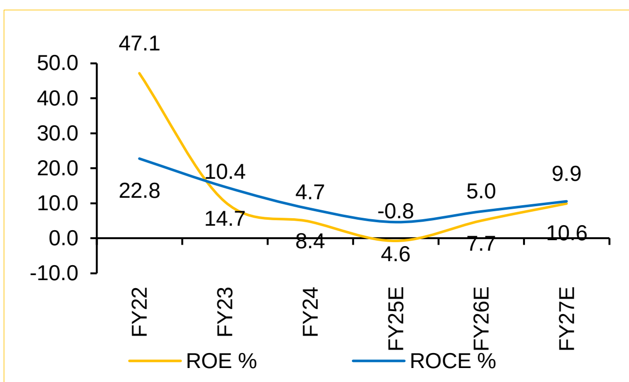
EBITDA margins to improve led by better mix



PAT to rebound over FY25-FY27E



Improving ROE & ROCE trajectory

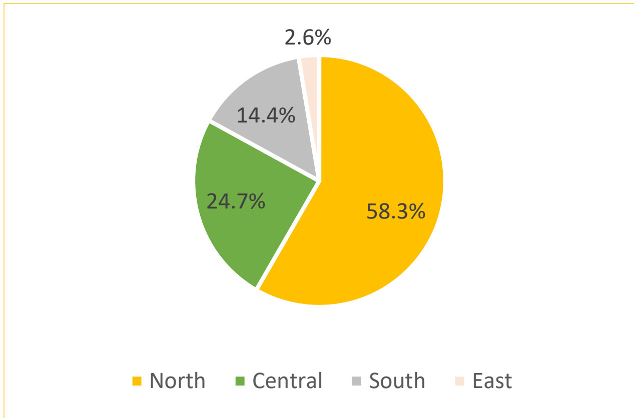


Income Statement INR in Mn.	FY23	FY24	FY25E	FY26E	FY27E
Revenue	28,723	28,000	25,611	27,337	29,892
Gross profit	12,349	12,702	11,653	12,439	13,750
EBITDA	2,455	2,377	1,938	2,541	3,123
Depreciation	1,010	1,230	1,274	1,440	1,588
EBIT	1,445	1,147	664	1,101	1,535
Interest Expense	771	951	907	755	587
Other Income (Including EO Items)	356	372	400	450	500
Reported PAT	665	368	110	597	1,086
Adjusted PAT	576	276	(55)	432	921
EPS	8.0	3.8	(0.7)	5.2	11.0
NOPAT	932	743	465	825	1,152

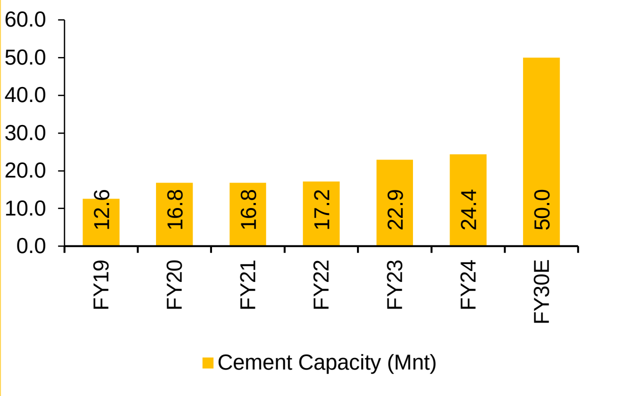
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios					
Revenue (%)	25.2	(2.5)	(8.5)	6.7	9.3
EBITDA (%)	40.4	(3.2)	(18.5)	31.1	22.9
PAT (%)	(71.5)	(52.0)	(120.0)	NA	113.4
Margin ratios					
EBITDA Margins (%)	8.5	8.5	7.6	9.3	10.4
Gross Margins (%)	43.0	45.4	45.5	45.5	46.0
PAT Margins (%)	2.0	1.0	(0.2)	1.6	3.1
Performance ratios					
ROE %	10.4	4.7	(0.8)	5.0	9.9
ROCE %	14.7	8.4	4.6	7.7	10.6
ROIC %	11.7	8.5	5.1	8.0	10.8
Turnover Ratio (Days)					
Inventory (days)	87	77	78	80	79
Debtors (days)	48	59	55	56	54
Payables (days)	38	41	35	33	33
Working Capital (days)	97	95	98	103	100
Financial Stability ratios					
Net Debt to Equity (x)	1.2	1.4	0.6	0.6	0.5
Net Debt to EBITDA (x)	2.9	3.4	2.5	2.1	1.5
Interest Cover (x)	1.9	1.2	0.7	1.5	2.6
Valuation metrics					
Fully diluted shares (Mn)	72	72	84	84	84
Price (INR)	200	200	200	200	200
Market Cap(Rs. Mn)	14,459	14,459	16,729	16,729	16,729
PE(x)	25	52	(302)	39	18
EV (Rs.mn)	20,605	21,498	20,568	20,930	20,392
EV/EBITDA (x)	8.4	9.0	10.6	8.2	6.5
Price to BV (x)	2.5	2.4	2.0	1.9	1.7
OCF/IC	17.8	17.9	25.2	13.7	19.2
EV/IC	9.3	8.9	6.3	11.0	7.5

JK Cement Ltd. I Rating – BUY I CMP: INR 4,490 I TP: INR 5,460

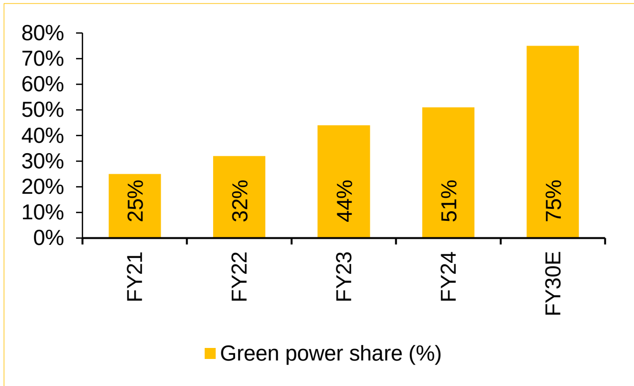
Cement capacity stands at 24.4 Mnt in FY24



Targeting cement capacity to ~50 Mnt by FY30



Increasing Green Power share to reduce input cost



Business Overview: JK Cement Ltd. is a leading Grey Cement (also has some white cement capacity) manufacturer in India. As of FY24 end, the company had a Grey Cement production capacity of 24 Mtpa and a global White Cement capacity of 1.2 Mtpa, along with 1.2 Mtpa of wall putty capacity. JK Cement has a robust expansion plan, with its total capacity expected to grow at a CAGR of ~14.8% from FY25 to FY27. Through this aggressive expansion, the company aims to enter new markets. As of March 2025, JK Cement's region-wise capacity distribution is ~14.2 Mtpa in the North, ~0.6 Mtpa in the East, ~3.5 Mtpa in the South, ~6 Mtpa in the Central region, with a ~4% share in All India capacity.

How sustainable are the recent cement price hikes in JK Cement's key operating markets?

We understand investors' concerns regarding the decline in cement prices. However, we believe that prices have already bottomed out and are now on an upward trajectory as demand recovery starts with increased infrastructure spending by the government .

Our channel checks indicate that cement prices have been recovering since November, with a steady increase until February, which the market has well absorbed. In February, All-India cement prices rose by ~INR5 per bag, with the highest increase in the East region (~ INR9 -10 per bag), where JK Cement plans to enter the market with a new capacity. The Central region saw an ~INR5 per bag hike, where JK Cement has recently doubled its capacity. Prices in the West region increased by ~ INR4 -5 per bag, while the North region recorded a ~INR4 per bag hike, where the majority of JK Cement capacity additions are concentrated.

Going forward, we expect cement prices to remain on an upward trend, supported by government infrastructure projects, increased public spending, and growth in both rural and urban housing development.

How is JK Cement strategizing cost reduction initiatives to enhance EBITDA growth?

JK Cement has secured pet coke at a favorable price ($95-$105/tonne) to lower power and fuel costs. The company aims to increase its green power share from 49% in Q3FY25 to ~75% by FY30E while optimizing logistics to reduce freight expenses. Additionally, it is enhancing alternative fuel usage and increasing thermal substitution, targeting a ~10% improvement over the next 2-3 years from 16% in FY24, and efforts to reduce lead distance by ~15 km are expected to drive cost savings of INR 150-200/t. We expect these strategic initiatives to improve EBITDA/t to INR 1,205/t by FY27, achieving a CAGR of 3.8% over FY25-27.

Additionally, in January 2025, JK Cement successfully secured 250 Mnt of high-quality limestone reserves in Lakhpat Punrajpur, Kutch, Gujarat, through a Request for Proposal issued by GMDC. This strategic acquisition ensures a reliable supply of premium raw materials, enhancing the company's operational presence in Gujarat and supporting its long-term growth strategy in the western region.

What is JK Cement's strategy for capacity expansion, and how do you see it impacting market share?

JK Cement remains committed to capacity expansion, with its total cement production capacity standing at 24.4 MTPA as of FY24. The company aims to nearly double this capacity to 50 MTPA by FY30, which would secure an ~6.0% market share in the Indian cement industry from the current share of ~3.8%. We anticipate that India's total cement production capacity will reach ~850 MTPA by the end of FY30.

In January 2025, JK Cement commenced the construction of a greenfield grinding unit in Buxar, Bihar, with a planned capacity of ~3 MTPA. This facility is designed to cater to the increasing demand for premium cement in the region, bringing JK Cement's total capacity in the eastern market to ~3.6 MTPA. The CapEx cost/t is likely to be $75-80/t.

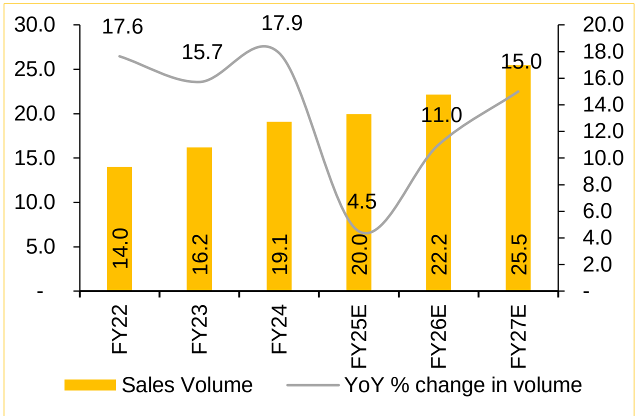
Recommendation: JK Cement is well-positioned for a strong performance in the cement sector. We project volumes of 20.0/22.2/25.5 Mnt for FY25/26/27E, with an EBITDA/t of INR 988/1,195/1,205 and total EBITDA of INR 19.7/25.6/30.7 Bn. Historically, the company has traded at a five-year average EV/EBITDA of 25.5x. We have valued JK Cement at a 15x EV/EBITDA multiple on FY27 estimates, arriving at a target price of INR 5,460 (earlier it was INR 5,532) while maintaining our BUY rating.

Key Risks:

- Execution Risk – Delays or cost overruns in expansion projects could impact growth targets.
- Rising Input & Logistics Costs – Higher costs of raw materials, fuel, and transportation could pressure margins.
- Debt & Financial Leverage – Increased borrowings for expansion may strain financials if not managed efficiently.

Recent Report Link : Q3FY25 Result Update

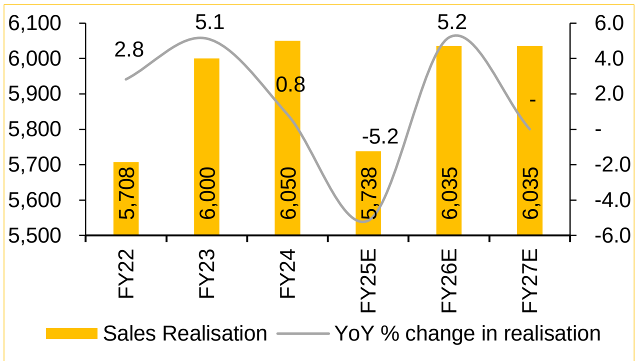
Volume expected to grow at 10.1% CAGR over FY25-27



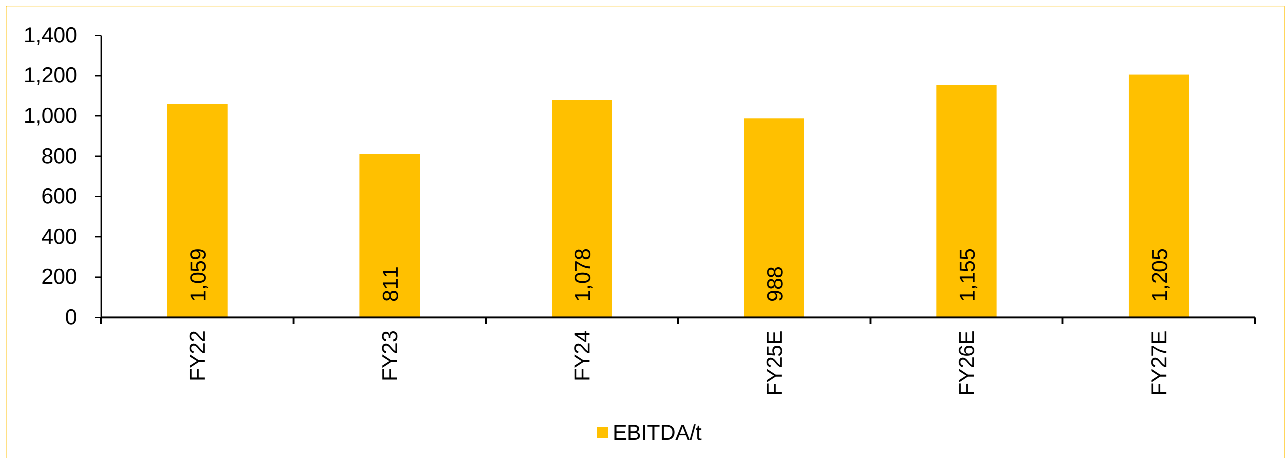
Key operating metrics of JK Cement

Particulars	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total cement capacity (in Mnt)	17.2	22.9	24.4	26.4	32.4	36.9
Utilization (%)	81.4%	70.7%	78.3%	75.6%	68.4%	69.0%
Sales volume (in Mnt)	14.0	16.2	19.1	20.0	22.2	25.5
Realization/t	5,708	6,000	6,050	5,748	6,035	6,035
EBITDA/t	1,059	811	1,078	988	1,155	1,205
Total Cost/t	4,649	5,189	4,972	4,749	4,880	4,830
EV/t	21,847	16,750	15,982	14,877	12,108	10,435

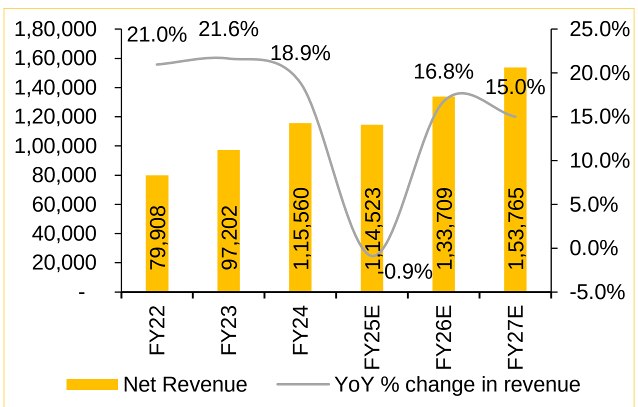
Realisation seems to bottom out, expected to grow



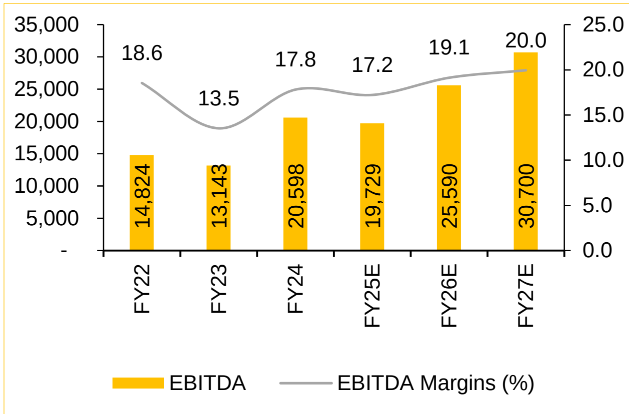
Cost reduction initiatives led to increase in EBITDA/t



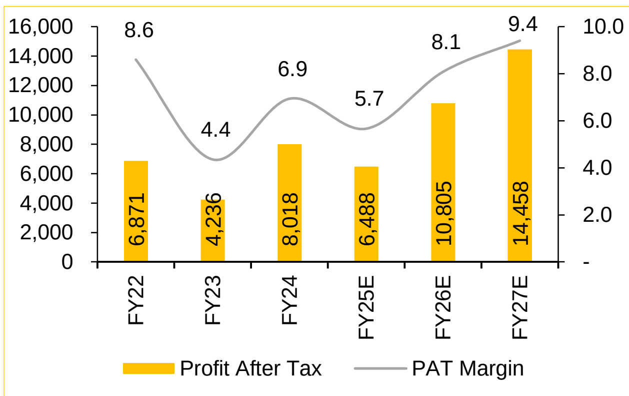
Revenue expected to improve with growing demand



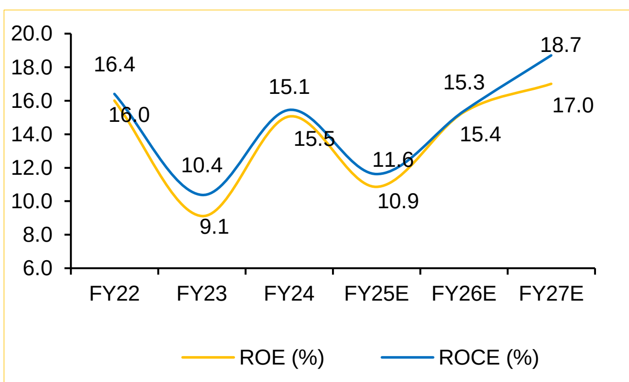
EBITDA expected to grow at a CAGR of 12.8% over FY25-27



PAT expected to grow at a CAGR of 18.8% over FY25-27



ROE & ROCE to remain strong

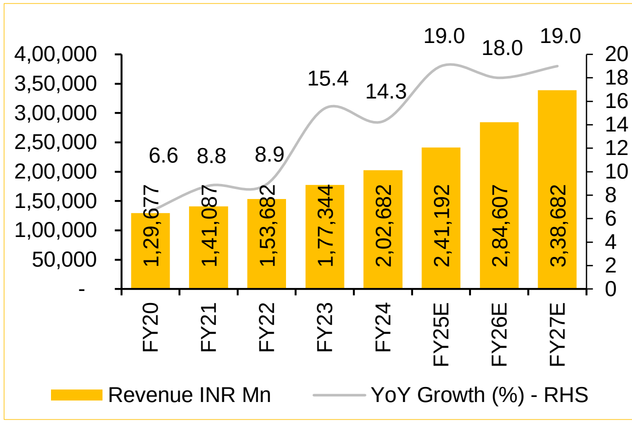


Profit & Loss (in INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	97,202	1,15,560	1,14,523	1,33,709	1,53,765
Gross profit	81,274	97,214	95,134	1,10,978	1,26,856
EBITDA	**13,143**	**20,598**	**19,729**	**25,590**	**30,700**
Depreciation	4,619	5,726	7,213	8,151	9,001
EBIT	**8,524**	**14,872**	**12,516**	**17,440**	**21,699**
Other Income	874	1,451	1,603	1,337	1,538
Interest Expenses	3,122	4,531	5,091	4,371	3,651
Exceptional Item	-	55	-	-	-
PAT	**4,236**	**8,018**	**6,488**	**10,805**	**14,458**
EPS (INR)	54.8	103.8	84.0	139.8	187.1

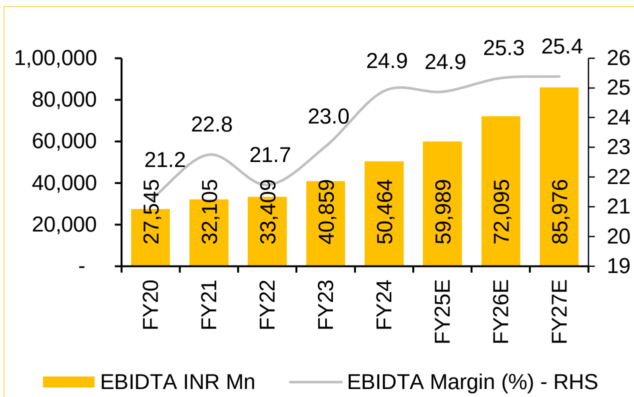
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	21.6	18.9	(0.9)	16.8	15.0
EBITDA	(11.3)	56.7	(4.2)	29.7	20.0
Margin ratios (%)					
EBITDA	13.5	17.8	17.2	19.1	20.0
PAT	4.4	6.9	5.7	8.1	9.4
Performance Ratios (%)					
OCF/EBITDA (X)	1.0	1.0	1.1	0.9	0.9
OCF/IC	18.1%	22.0%	21.7%	21.6%	23.9%
RoE	9.1	15.1	10.9	15.3	17.0
ROCE	10.4	15.5	11.6	15.4	18.7
Turnover Ratios (Days)					
Inventory	37	37	34	34	34
Debtor	18	18	16	16	16
Payables	31	29	32	34	36
Cash Conversion Cycle	24	26	18	16	14
Financial Stability ratios (x)					
Net debt to Equity	0.8	0.8	0.8	0.7	0.5
Net debt to EBITDA	2.8	2.1	2.4	1.8	1.3
Interest Cover	2.7	3.3	2.5	4.0	5.9
Valuation metrics					
Fully diluted shares (Mn)	77	77	77	77	77
Price (INR)	4,490	4,490	4,490	4,490	4,490
Market Cap(INR Mn)	3,46,942	3,46,942	3,46,942	3,46,942	3,46,942
PE(x)	81.9	43.3	53.5	32.1	24.0
EV (INR Mn)	3,83,265	3,89,661	3,92,439	3,91,984	3,84,727
EV/EBITDA (x)	29.2	18.9	19.9	15.3	12.5
Price to BV (x)	7.5	6.5	5.8	4.9	4.1
EV/IC (x)	5.0	4.4	4.0	3.7	3.4
EV/OCF	27.8	19.9	18.4	17.0	14.2

Bharat Electronics Ltd I Rating – BUY I CMP: INR 275 I TP: INR 370

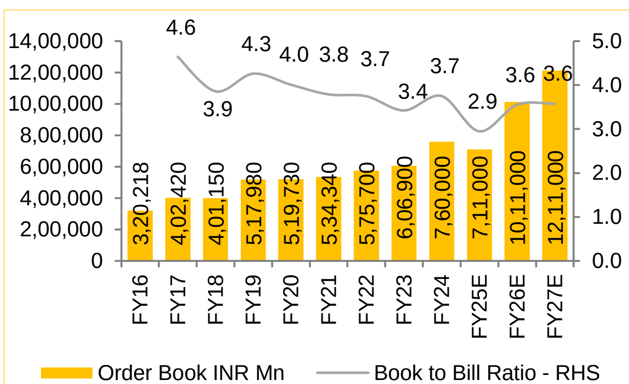
Revenue expected to grow 18.5% CAGR FY25-27E



EBITDA Margin to improve led by better mix



The Order Book-to-Bill ratio remains stable



Business Overview: BHE, a leading Indian defense and aerospace electronics company under the MoD, specializes in advanced electronic systems for defense, aerospace, and civilian applications. Its portfolio includes radars, communication systems, avionics, missile guidance, etc. Serving key clients like the Indian Armed Forces, DRDO, ISRO, and international defense organizations, BHE plays a vital role in defense modernization and the Aatmanirbhar Bharat initiative. With an unexecuted order book of INR 711 Bn. (3.1x TTM sales), the company ensures strong visibility and steady growth.

How is BHE positioned to navigate the challenges posed by the slowdown in the defense sector?

We understand the investors' concern regarding the slowdown in the defense sector, primarily due to India's reliance on imported defense technologies, such as fighter aircraft engines and specialized equipment. This dependence impacts the sector's overall growth, even when local development occurs through technology transfer. For instance, the Tejas aircraft program depends on the US made GE F-404IN standard engine. The Indian armed forces require a fleet of 180-200 aircraft, but delays in engine procurement have led to production slowdown. This delay has a cascading impact on the entire sector, affecting project timelines, operational readiness, and overall industry growth.

However, we remain optimistic about BHE due to its diverse portfolio, which includes defense & non-defense, strategically positioning the company as a key component / equipment provider within the sector. The company has a significant order inflow from various programs, including QRSAM, Naval Radars, Akash SAM, and LRSAM, among others. As a result, the delay in engine procurement for specific projects shouldn't impact BHE significantly, as the company continues to execute equipment orders for other organizations.

Should Investors be concerned about defense sector dependence on imported defense technologies, or will US-India strategic agreements address these challenges?

We believe Trump 2.0 will likely address India's concerns regarding fighter aircraft engine technology in the near term. Additionally, we are confident that India and the US are poised to sign major defense agreements, driven by the strategic necessity to counter China's expanding military capabilities, thereby further strengthening their partnership.

We believe India's reliance on imported defense technologies has not been a major concern due to the strengthened strategic ties between the two nations during Trump's 1.0. The establishment of the 2+2 Ministerial Dialogue facilitated critical defense agreements, including COMCASA, ISA, BECA, LEMOA, and the extension of GSOMIA, significantly enhancing India-U.S. defense cooperation. We anticipate continued positive momentum from Trump's 2.0.

What makes BHE a strong investment opportunity in India's defense sector?

Our research indicates that electronic components, parts, and equipment contribute approximately 30-60% of the total cost of defense equipment, depending on the platform type. BHE holds a strategic position within India's defense sector, catering to all three branches of the armed forces and serving as a key supplier to major defense companies.

Additionally, BHE is well placed within the defense sector, because BHE not solely reliant on order inflows from major DPSUs. Its diversified portfolio, strong R&D capabilities, and increasing presence in both defense and non-defense sectors enhance its long-term growth potential. The company's ability to secure independent contracts from other DPSU's and expand into new technological domains like AI, Cybersecurity, further strengthens its investment appeal.

Near term triggers: 1) India & US may sign few defense contracts, 2) We expect a significant amount of defense business coming from Europe in the near to medium term, driven by the U.S. distancing itself from Europe.

Recommendation: Currently we have a "BUY" rating on the stock with a Target Price of INR 370.

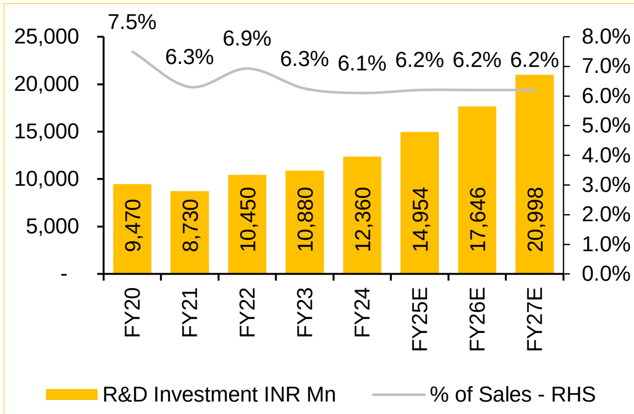
Key Risks:

- Supply chain risk – Dependence on specific raw materials, semiconductors, and critical components can lead to delays and cost overruns due to global shortages or trade restrictions.
- Market risk – Changes in defense policies, economic downturns, and shifting government priorities can reduce demand for defense products and services.

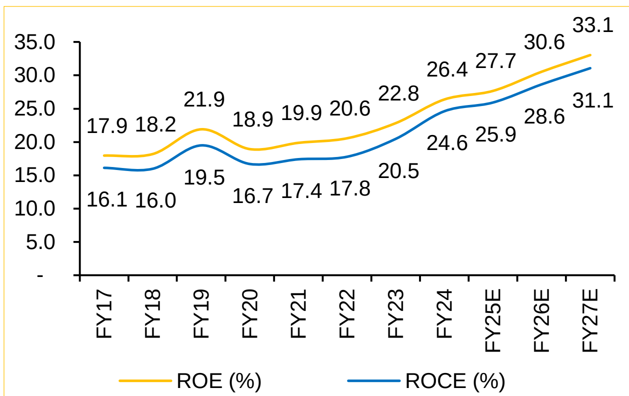
Recent Report Link : Q3FY25 Result Update

Convex Choices

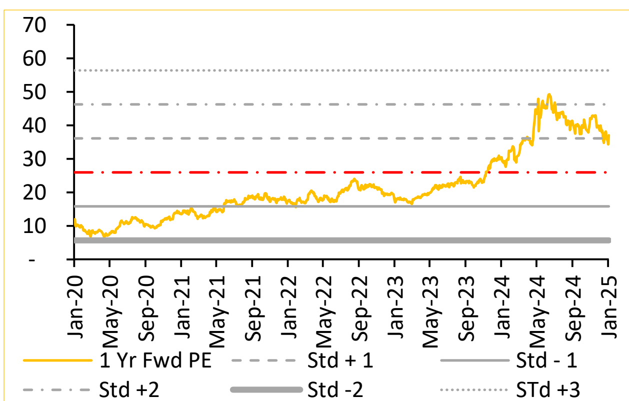
Sustained R&D investment



ROE & ROCE trend



One year forward PE band

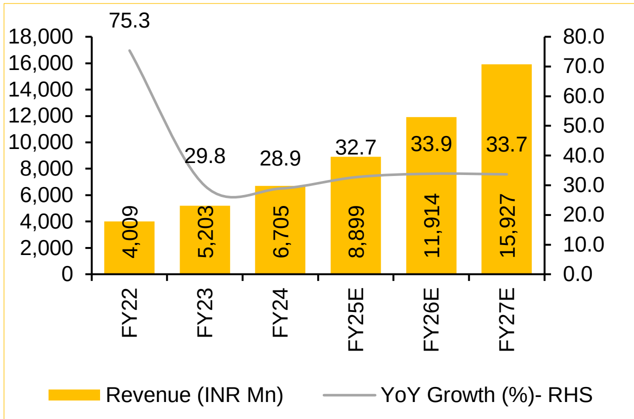


Income Statement INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	1,77,344	2,02,682	2,41,192	2,84,607	3,38,682
Material Expenses	98,276	1,05,763	1,29,925	1,53,484	1,82,810
Employee Expenses	23,173	24,895	31,112	36,684	43,609
Other Operating Expenses	15,037	21,560	20,410	22,891	27,212
EBITDA	**40,859**	**50,464**	**59,745**	**71,548**	**85,051**
EBITDA Margin (%)	23.04	24.90	24.77	25.14	25.11
Depreciation	4,288	4,432	4,963	5,192	5,752
EBIT	36,571	46,032	54,782	66,356	79,298
Other Income (Including EO Items)	2,808	6,701	7,707	8,863	10,192
Interest	150	71	80	60	72
PBT	39,229	52,662	62,408	75,158	89,418
Tax (Incl Deferred)	9,826	13,231	15,680	18,883	22,466
RPAT	29,404	39,431	46,729	56,275	66,953
Profit/Loss of Associate Company	441	421	520	600	601
APAT	29,844	39,852	47,249	56,875	67,554
Adjusted EPS (INR)	**4.1**	**5.5**	**6.5**	**7.8**	**9.2**
EPS Growth (%)	24.4	33.5	18.4	20.3	18.9

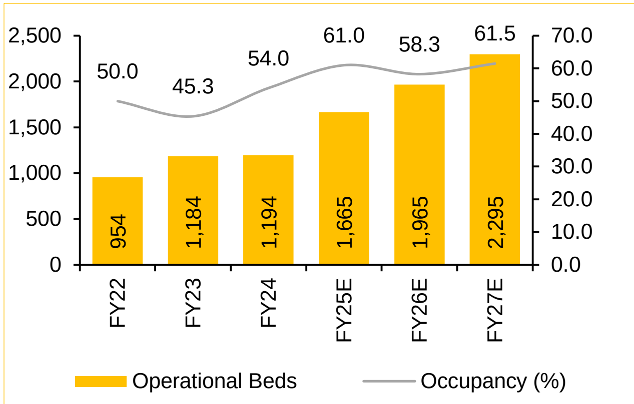
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	15.4	14.3	19.0	18.0	19.0
EBITDA	22.3	23.5	18.4	19.8	18.9
Margin Ratios (%)					
EBITDA	23.0	24.9	24.8	25.1	25.1
PAT	16.8	19.7	19.6	20.0	19.9
Performance Ratios (%)					
OCF/EBITDA (X)	0.4	0.9	0.8	0.8	0.9
OCF/IC	29.1	88.1	67.5	65.8	68.6
ROE	21.5	24.4	26.7	29.4	31.7
ROCE	26.4	28.2	30.9	34.3	37.2
Turnover Ratios (Days)					
Inventory	133	135	136	136	137
Debtor	144	144	145	145	146
Payables	69	70	75	75	76
Cash Conversion Cycle	31	26	32	43	48
Financial Stability Ratios (x)					
Net Debt to Equity	(0.6)	(0.7)	(0.6)	(0.5)	(0.5)
Net Debt to EBITDA	(2.0)	(2.2)	(1.8)	(1.5)	(1.2)
Interest Cover	245	645	685	1,106	1,101
Valuation metrics					
Fully Diluted Shares (Mn)	7,310	7,310	7,310	7,310	7,310
Price (INR)	275	275	275	275	275
Market Cap(INR Mn)	20,10,189	20,10,189	20,10,189	20,10,189	20,10,189
PE(x)	67	50.4	42.6	35.4	29.9
EV (INR Mn)	19,30,189	18,99,623	19,04,948	19,06,163	19,04,344
EV/EBITDA (x)	47	38	32	26	22
Book Value (INR/Share)	19	22	24	26	29
Price to BV (x)	14.5	12.3	11.3	10.4	9.4
EV/OCF	113	41	39	32	26

YATHARTH Hospitals Ltd I Rating – BUY I CMP: INR 384 I TP: INR 628

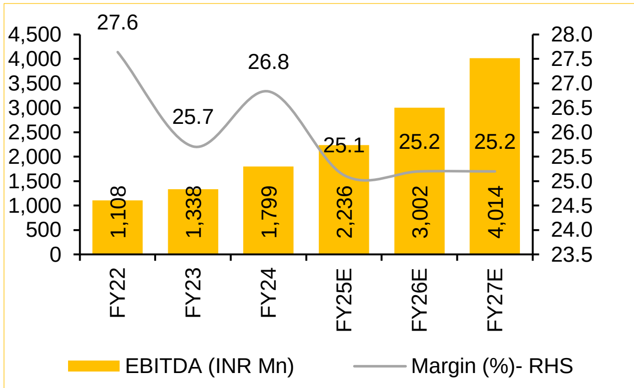
Revenue expected to grow at ~30% CAGR (FY25-27E)



Operating beds to increase with occupancy rise



EBITDA margins to sustain at ~25%



Business Overview: YATHARTH is a leading hospital chain in North India with seven multi-specialty facilities and a strong presence in the NCR region. The company has more than doubled its bed capacity post-COVID, from 1,100 in FY21 to 2,300 in FY25E, while maintaining a solid occupancy rate of ~60% and an ARPOB of INR 30,652 as of Q3FY25. Looking ahead, it aims to expand capacity to 3,000 beds by FY27E, primarily in North India, and drive revenue growth at a 30% CAGR while sustaining its current EBITDA margin levels.

How Will YATHARTH Manage Rapid Expansion While Navigating Temporary Profitability Dip?

YATHARTH is pursuing a robust capacity expansion plan, having already added 700 beds in Q2FY25, set to become operational by April 2025. The company plans to add an additional 700 beds, bringing its total bed count to 3,000 by FY27E. These additions will be achieved through strategic acquisitions or the revamping of existing facilities and funded through internal accruals, ensuring the company remains debt-free. While these new facilities typically take 12-18 months to break even, YATHARTH's established facilities will buffer the impact on EBITDA margins, which are expected to remain stable at around 25%. Despite a temporary dip in PAT and return ratios in FY26E due to high capital expenditure, this dip is expected to be short-lived, with normalization anticipated as the new facilities scale up and begin contributing to revenue growth.

How Will YATHARTH Plan to Revive International Patient Revenue?

YATHARTH has encountered challenges in its international patient revenue, which contributes 10-12% of total revenue, due to ongoing geopolitical tensions, particularly in Bangladesh. However, the company's strong expansion strategy, focused on the Delhi-NCR region—particularly within a 50 km radius of international airports—positions it to benefit from the renewed momentum in medical tourism. Additionally, YATHARTH's focus on high-margin specialties, such as oncology, aligns with the growing global demand in these areas. The Indian oncology market is expected to grow at around 15% over the next five years, providing a significant opportunity for YATHARTH to further accelerate its growth.

Why Invest in YATHARTH Hospitals (YATHARTH)?

Our research indicates that Yatharth is well-positioned to capitalize on India's growing healthcare needs, supported by its robust expansion plans and consistent EBITDA margins. The company's ARPOB has risen by 19% over the past two years, reaching INR 30,652 in Q3FY25, though it remains below the peer average of INR 40-77K. This presents significant growth potential as brand recognition continues to strengthen. With the stock currently trading at 15x EV/EBITDA, below its 3-year average of 21.9x, it offers an attractive entry point for long-term growth investors.

Near Term Triggers: Operationalization of Two New Facilities in April 2025: New Delhi (300+ Beds) and Faridabad (400 Beds).

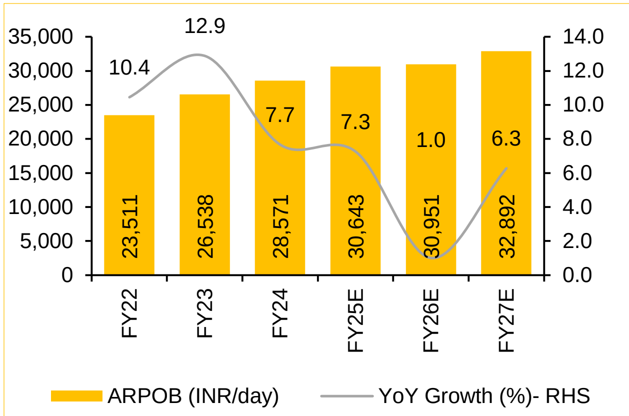
Recommendation: We currently have a 'BUY' rating on the stock with a target price of INR 628.

Key Risks:

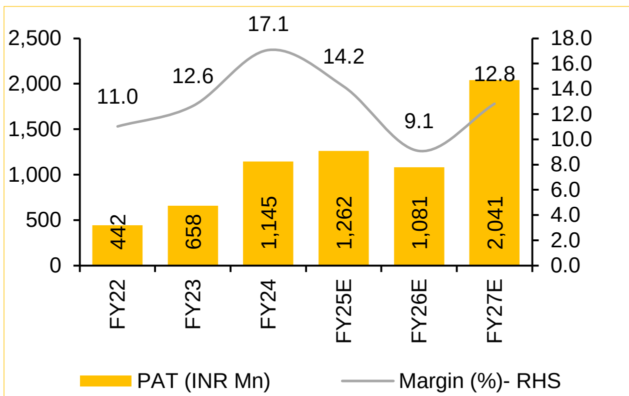
- Competition: The rise of new or well-established competitors in the healthcare sector could erode market share and reduce patient inflow, impacting the hospital's growth and sustainability.
- Operational Challenges with Expansion: The planned expansion of bed capacity to 3,000 beds could pose operational challenges.

Recent Report Link : Q3FY25 Result Update

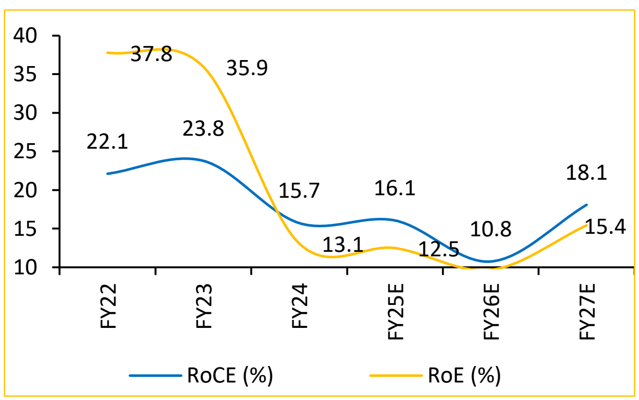
Sustained ARPOB growth amid new bed additions



PAT to dip on high capex, then rebound



ROE & ROCE Trend

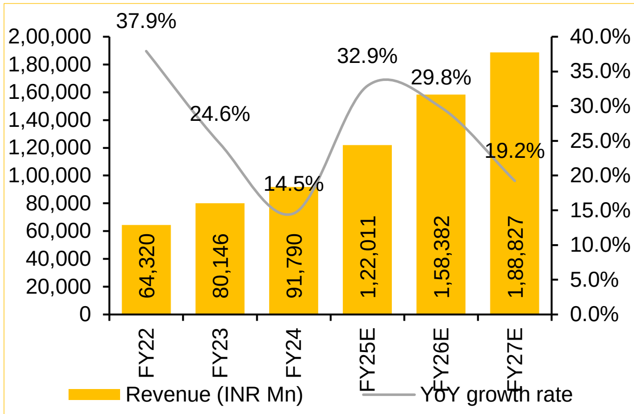


Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	5,203	6,705	8,899	11,914	15,927
Gross Profit	4,274	5,372	7,109	9,591	12,821
EBITDA	**1,338**	**1,799**	**2,236**	**3,002**	**4,014**
Depreciation	275	293	602	1,787	1,593
EBIT	1,063	1,506	1,633	1,215	2,421
Other Income	28	156	157	238	319
Interest Expense	214	94	100	13	18
PBT	877	1,568	1,690	1,441	2,721
Reported PAT	658	1,145	1,262	1,081	2,041
EPS	**10.0**	**13.3**	**13.1**	**11.2**	**21.2**

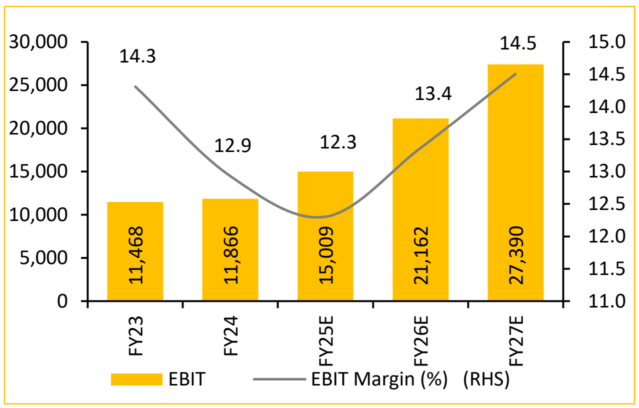
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenues	29.8	28.9	32.7	33.9	33.7
EBITDA	20.7	34.5	24.2	34.3	33.7
PBT	38.9	78.9	7.8	-14.7	88.9
PAT	48.9	74.1	10.2	-14.4	88.9
Margins (%)					
Gross Profit Margin	82.1	80.1	79.9	80.5	80.5
EBITDA Margin	25.7	26.8	25.1	25.2	25.2
PBT Margin	16.9	23.4	19.0	12.1	17.1
Tax Rate	25.0	27.0	25.3	25.0	25.0
PAT Margin	12.6	17.1	14.2	9.1	12.8
Profitability (%)					
Return On Equity (ROE)	35.9	13.1	12.5	9.7	15.4
Return On Invested Capital (ROIC)	29.3	36.0	18.7	11.4	19.8
Return On Capital Employed	23.8	15.7	16.1	10.8	18.1
Financial Leverage (x)					
OCF/EBITDA	0.0	1.5	0.7	0.6	0.0
OCF / Net profit	0.0	2.3	1.3	1.8	0.0
EV/EBITDA	21	18	16	12	9
Earnings					
EPS (INR)	10.0	13.3	13.1	11.2	21.2
Shares Outstanding	65.5	85.9	96.4	96.4	96.4
Working Capital					
Inventory Days	23.8	22.3	20.0	20.0	20.0
Receivable Days	75.5	123.6	110.0	100.0	90.0
Creditor Days	11.8	15.9	20.0	20.0	20.0
Working Capital Days	87.5	130.0	110.0	100.0	90.0

Coforge Ltd I Rating – BUY I CMP: INR 7,584 I TP: INR 11,260

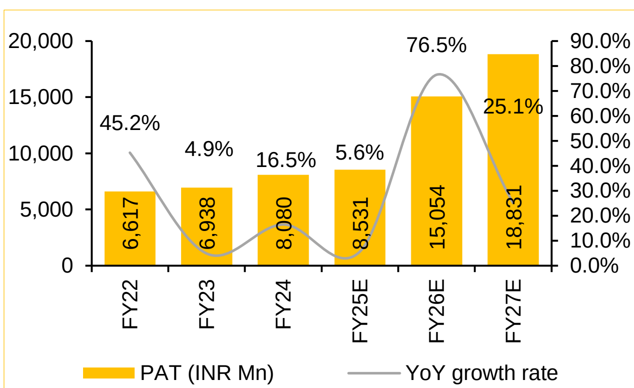
Revenue expected to grow at ~24.4% CAGR (FY25-27E)



EBIT expected to grow at ~35.1% CAGR (FY25-27E)



PAT expected to grow at ~48.6% CAGR (FY25-27E)



Business Overview: Coforge is a global digital services and solutions provider, ranked among the top 20 Indian software exporters, serving global clients like British Airways, ING Group, SEI Investments, Sabre, and SITA. Over the years, Coforge has set up subsidiaries in the US, Singapore, Australia, UK, Germany and Thailand, mainly to market and mobilize projects for the software division. The company has business partnerships with large IT companies across the world.

How can COFORGE become the next IT bellwether in India's tech industry?

Coforge has secured its largest deal to date, a 13-year, $1.56Bn partnership with Sabre, expected to boost annual revenue by $100-120Mn, contributing 8-10% growth. This agreement positions Coforge as a key player in Sabre's AI-driven product delivery initiatives. Additionally, Coforge is expanding its portfolio through acquisitions of Rythmos Inc. and TMLabs Pty Ltd. Rythmos, acquired for $30Mn with up to additional $18.7Mn in contingent payments; the company is expected to generate $25.3Mn in 2024 and will enhance Coforge's data, cloud, and airline sector capabilities. TMLabs, acquired for $20Mn, strengthens Coforge's ServiceNow offerings, with projected 2024 revenues of $11Mn and a 25% CAGR from FY22-24. Both acquisitions are set to close by Q4FY25. Management is optimistic about future opportunities, with a robust deal pipeline, suggesting that the company is on track to hit its $2Bn revenue target sooner than anticipated. This places Coforge in strong competition with Tier-I companies for large-scale contracts.

How could Trump-era tariffs affect COFORGE's performance?

The increasing macroeconomic uncertainties, coupled with the continuation of Trump-era tariffs, may pose significant financial challenges for Coforge's clients, potentially reducing IT spending and can hinder its growth prospects. Moreover, the prolonged nature of these uncertainties could potentially delay investment decisions, making it slightly difficult for the company to secure new contracts and maintain its growth trajectory.

Why Invest in COFORGE?

Our research highlights that the company's robust deal pipeline, a 40.1% YoY growth in its order book to $1.36Bn as on Q3FY25 coupled with impressive deal wins, demonstrates a strong ability to secure significant contracts and build trust in handling large-scale deals. The company has made five strategic acquisitions within the past year, including Cigniti, Opt ML, Xceltrait, Rythmos, and TMLabs. Amid broad market correction, Coforge has experienced roughly 25% decline over the past two months, bringing its valuation to more attractive levels. However, the combination of these acquisitions and major deal wins signals that the company is committed to pursuing an aggressive growth strategy, positioning itself to lead industry expansion. We project Revenue/EBIT/PAT to grow at a CAGR of 24.4%/ 35.1%/ 48.6% respectively over FY25E-FY27E.

Near Term Triggers: Completion of landmark 13-year, $1.56Bn strategic deal with Sabre coupled with recent acquisitions of Rythmos Inc. and TMLabs

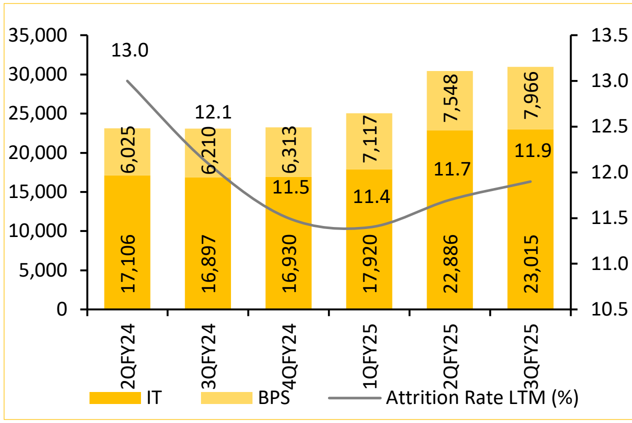
Recommendation: We currently have a 'BUY' rating on the stock with a target price of INR11,260.

Key Risks:

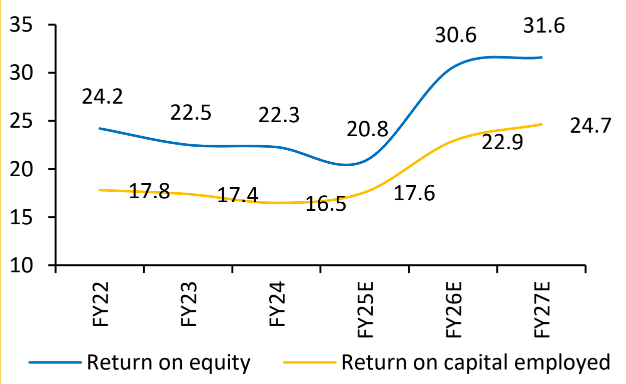
- Currency exchange volatility: Fluctuations in foreign currency exchange rates can affect profit margins and financial stability, especially in global contracts.
- Challenges with acquisitions: Coforge faces the risk that its recent acquisitions of Rythmos Inc. and TMLabs Pty Ltd may not meet closing conditions, potentially hindering its growth and profitability.
- Client concentration risk: A significant portion of Coforge's revenue is derived from the US market. Any uncertainty in this market could impact the company's performance.

Recent Report Link : Q3FY25 Result Update

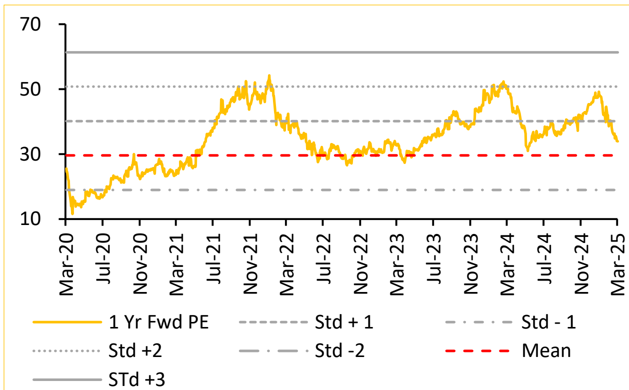
Positive net addition; Attrition remains flat



ROE & ROCE Trend



1 Year Forward PE Band



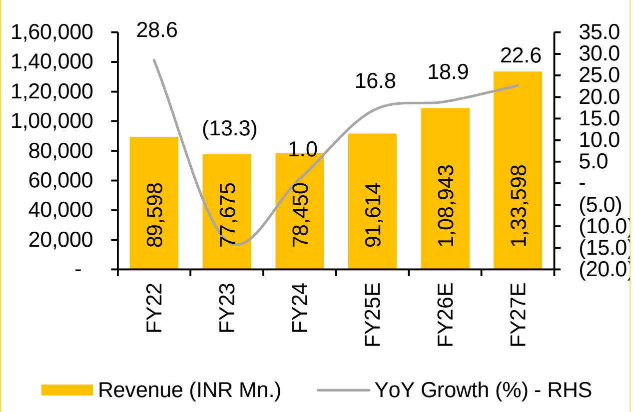
Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	80,146	91,790	1,22,011	1,58,382	1,88,827
Gross Profit	26,087	29,930	40,203	52,689	64,023
EBITDA	14,649	16,205	21,292	28,615	35,321
Depreciation	2,585	3,186	4,591	5,702	6,609
EBIT	11,468	11,866	15,009	21,162	27,390
Other income (net)	(630)	(1,156)	(1,276)	(1,862)	(1,944)
Exceptional Item	1,326	261	1,243	-	-
PAT	6,938	8,080	8,531	15,054	18,831
EPS (Rs)	113.8	131.6	128.7	225.0	281.5

Key Financial Ratios

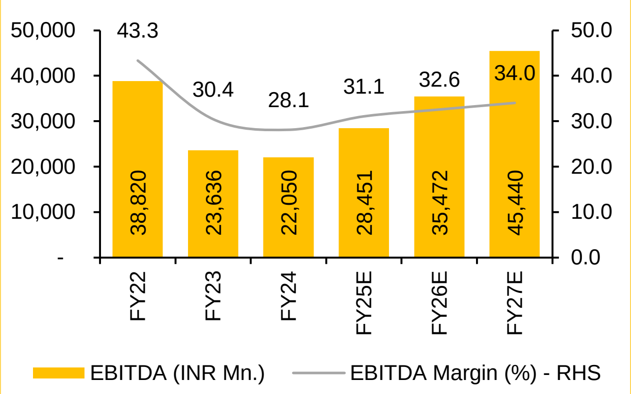
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenues	24.6	14.5	32.9	29.8	19.2
Gross Profit	26.7	14.7	34.3	31.1	21.5
EBITDA	21.5	10.6	31.4	34.4	23.4
EBIT	29.1	3.5	26.5	41.0	29.4
Margin Ratios (%)					
Gross Profit Margin	32.5	32.6	33.0	33.3	33.9
EBITDA Margin	18.3	17.7	17.5	18.1	18.7
EBIT Margin	14.3	12.9	12.3	13.4	14.5
Profitability (%)					
ROE	22.5	22.3	20.8	30.6	31.6
ROIC	17.9	16.6	17.4	22.2	23.5
ROCE	17.4	16.5	17.6	22.9	24.7
Valuation					
OCF / Net profit (%)	137.0	111.8	85.9	105.2	108.1
Book Value Per Share (x)	524.9	614.8	672.1	786.2	930.7
Free Cash Flow Yield (%)	6.6	7.0	8.2	8.2	8.2

Divi's Laboratories Ltd I Rating: BUY I CMP: INR 5,577 I TP: INR 6,983

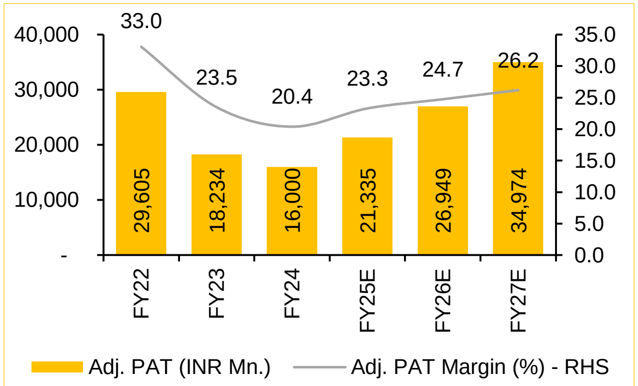
Revenue expected to grow by 19.4% CAGR (FY25E-27E)



EBITDA Margins to improve by ~400bps by FY27E



PAT expected to grow by 29.8% CAGR (FY25-27E)



Business Overview: Divis Laboratories is a leading manufacturer and exporter of Generic APIs, Custom Synthesis (CDMO) services, and Nutraceuticals. It is a dominant CDMO player both in India and globally, with exports reaching over 95 countries. The company operates 7 state-of-the-art manufacturing facilities that meet international standards, including certifications from US FDA, EMA, and other global regulatory bodies. In January 2025, Divis commissioned Phase 1 of its new greenfield facility in Kakinada, enhancing its production capacity. The company has a diverse portfolio of approximately 160 products and a manufacturing capacity of around 14,600 cubic meters.

How Well Positioned is DIVI's to Maximize CDMO Opportunities with the China+1 Strategy?

DIVI's' CDMO segment remains a key revenue driver, contributing 52% to revenue in 9M FY25. As the China+1 strategy shifts CDMO contracts to India, DIVI's, being the country's top CDMO player, is seeing rising demand from global innovators with more RFPs and customer visits. The company is also investing in peptides with plans to become a leading GLP-1 supplier. Additionally, DIVI's has commissioned Phase 1 of its greenfield Unit-III facility in Kakinada, Andhra Pradesh, covering 200 acres out of 500. This facility will further support growth in CDMO, generics, and nutraceuticals.

Will Trump 2.0's Tariffs Affect DIVI's' Growth?

The potential reintroduction of Trump 2.0's 20% tariffs on India's drug imports may have limited impact on DIVI's, given the company's strong position as a leading CDMO supplier. The US remains highly dependent on India for generics, with production costs in the US being 8x higher than in India, making domestic production in the US highly impractical. Although the extent of DIVI's' exposure to the US market is unclear, we believe its dominant position and large production capacity position the company well to mitigate this challenge. Moreover, DIVI's may adjust by passing costs down the chain to customers, limiting the impact on its margins and operations.

Why Invest in Divi's Lab (DIVI)?

DIVI's is poised for strong growth on the back of several key factors:

- **CDMO Growth:** The CDMO segment is expected to continue its growth trajectory with a CAGR of 30.3% from FY24-27E, driven by increasing demand from global pharmaceutical companies.
- **Increased Production Capacity:** The new Kakinada facility will free up capacity at existing units in Hyderabad and Visakhapatnam, reducing reliance on external suppliers and lowering raw material costs, which will improve gross margins.
- **Limited Impact of US Tariffs:** DIVI's is well-positioned to handle any potential impact from US tariffs, as the company can pass down costs and is heavily investing in its CDMO and Peptide businesses, which will drive EBITDA margins to 35%+ from 28% in FY24.
- **High-Value Contracts:** DIVI's is expected to secure high-value contracts, supporting its continued double-digit revenue growth and expansion in EBITDA margins by ~600bps, while maintaining a debt-free profile.

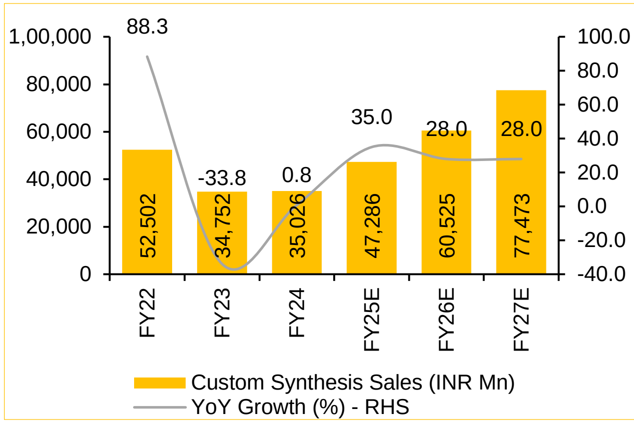
Recommendation: We currently have a 'BUY' rating on the stock with a target price of INR 6,983.

Key Risks:

- Regulatory and Compliance Risks – As a major supplier to regulated markets like the U.S. and Europe, DIVI's is subject to stringent regulatory approvals and inspections. Any non-compliance or adverse observations from agencies like the U.S. FDA could impact operations and sales.
- Dependence on Key Products and Clients – A significant portion of Divi's revenue comes from a few key APIs; any decline in demand, pricing pressure, or loss of major clients could impact revenue growth and profitability.
- Raw Material and Supply Chain Challenges – The company relies on sourcing key raw materials (Import), fluctuations in raw material prices, supply chain disruptions, or geopolitical issues could affect costs and margins.

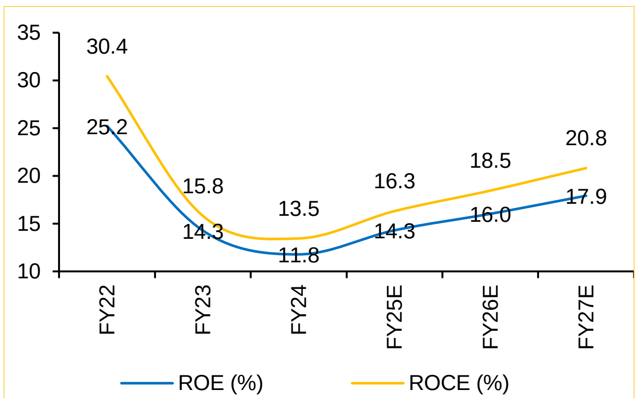
Recent Report Link : Q3FY25 Result Update

CDMO expected to grow by 30.3% CAGR (FY25-27E)



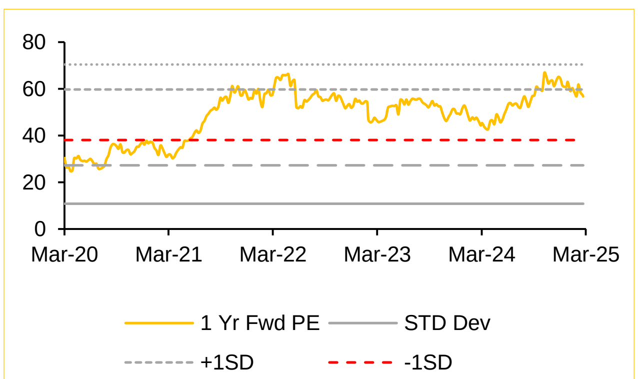
Income Statement Values (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	77,675	78,450	91,614	1,08,943	1,33,598
Gross profit	47,138	47,160	55,294	66,739	83,195
EBITDA	23,636	22,050	28,451	35,472	45,440
Depreciation	3,432	3,780	4,117	4,432	4,810
EBIT	20,204	18,270	24,334	31,040	40,630
Other income	3,489	3,390	4,123	4,902	6,012
Interest expense	7	30	10	10	10
PBT	23,686	21,630	28,447	35,932	46,632
Reported PAT	18,234	16,000	21,335	26,949	34,974
EPS	68.7	60.3	80.4	101.5	131.8

ROE & ROCE Trend



Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenues	(13.3)	1.0	16.8	18.9	22.6
Gross Profit	(21.3)	0.0	17.2	20.7	24.7
EBITDA	(39.1)	(6.7)	29.0	24.7	28.1
EBIT	(43.4)	(9.6)	33.2	27.6	30.9
PBT	(35.7)	(8.7)	31.5	26.3	29.8
PAT	(38.4)	(12.3)	33.3	26.3	29.8
Margins (%)					
Gross Profit Margin	60.7	60.1	60.4	61.3	62.3
EBITDA Margin	30.4	28.1	31.1	32.6	34.0
EBIT Margin	26.0	23.3	26.6	28.5	30.4
PBT Margin	30.5	27.6	31.1	33.0	34.9
Tax Rate	23.0	26.0	25.0	25.0	25.0
PAT Margin	23.5	20.4	23.3	24.7	26.2
Profitability (%)					
Return On Equity (ROE)	14.3	11.8	14.3	16.0	17.9
Return On Invested Capital (ROIC)	17.2	13.1	15.8	17.5	19.3
Return On Capital Employe	15.8	13.5	16.3	18.5	20.8
Financial leverage (x)					
Pre-tax OCF/EBITDA	1.3	0.8	1.0	0.8	0.7
OCF / Net Profit	1.3	0.8	1.0	0.7	0.6
EV/EBITDA	64.4	69.1	53.5	42.9	33.4
Earnings					
EPS	69	60	80	102	132
Shares outstanding	265	265	265	265	265
Working Capital (x)					
Inventory Days	141	148	143	138	136
Receivable Days	84	100	95	98	100
Creditor Days	36	38	38	35	30
Current Ratio	8.5	7.6	6.5	6.8	8.1

1 year forward PE Band



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