



NEW YEAR PICKS

MARKET & SECTOR OUTLOOK

Global Market Outlook - 2025

30th December, 2024



Will US Trump the Global Economy?

The global equity markets in 2024 were influenced by two significant narratives: Elections and Inflation, which dominated markets. With national elections held in at least 64 countries, including larger economies such as the US, Russia, India, and the European Union, nearly half of the world's population was engaged in political events that could usher in substantial policy changes. These changes are anticipated to have far-reaching implications for the global economy. Meanwhile, inflation, a persistent concern for policymakers and investors in recent years, continues to normalise. Although progress varies from country to country and may cool further, the dual impact of election and inflation are expected to reverberate through the global economy, shaping market dynamics for the foreseeable future.

The global macroeconomic landscape for 2025 is expected to become more fluid as markets face increasing complexity. The evolution of the business cycle will be influenced by an interaction between macro dynamics and monetary policy, with added uncertainty from potential policy changes by the new US administration under Trump. Technological innovation and the broadening of the AI cycle will remain a significant driver across markets, with monetization becoming a greater focus in the coming quarters. The commodity market witnessed substantial volatility due to heightened geopolitical tensions in West Asia, the ongoing war between Russia and Ukraine, and key elections in major economies. Central bank rate cuts and increased safe-haven buying supported gold and silver, while the US President Donald Trump's pro-America policies exerted pressure on other metals. This volatility is likely to continue into 2025, driven by geopolitical risks and Trump 2.0 policies. Crude oil is also expected to remain volatile in 2025 due to geopolitical unrest and sluggish demand from China. The outlook for oil demand hinges on the hope that China, the world's largest oil importer, can revive its economy, especially as there are concerns about a potential oversupply due to expected increases in production from non-OPEC countries. This approach warrants that investors should keep an open mind and a flexible strategy for investing.

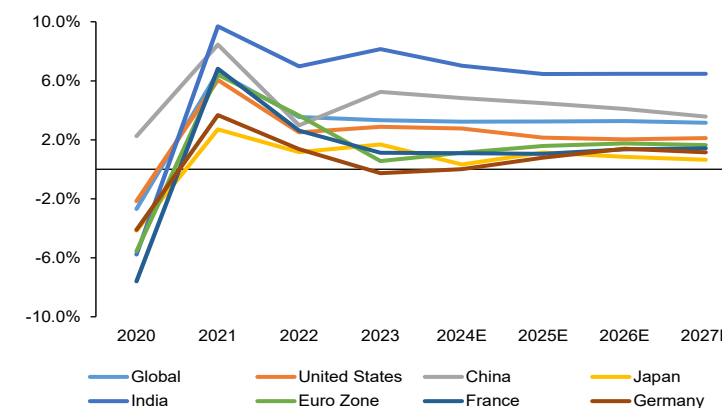
The world's largest economy had its fair share of ups and downs in 2024. Despite high interest rates and rising unemployment, the US economy grew by a robust 2.9% in 2024, powered by resilient consumer spending. The US remains the fastest-growing economy in G7, aided by cooling inflation, a strong labor market, and robust productivity growth. However, the US economy is anticipated to face challenges such as increasing import prices and slowing immigration flows. These challenges are likely to be outweighed by a boost in demand from anticipated fiscal and regulatory policy shifts. While the direct impact of these shifts will take time to be felt, immediate benefits should come from improved sentiment and supportive financial conditions. The baseline assumption is that a 60% tariff will be implemented against China, with other tariff discussions would be used as negotiation tools. We expect US tax cuts to be implemented on the fiscal side, although they may be limited by the broader fiscal environment and the high cost of maintaining existing tax cuts. These measures are expected to enhance financial conditions, contributing to the overall buoyant economic outlook.

In Europe, the economy grew more-than-expected last year. This reflected resilience from strong income generation and a solid labor market. Although Inflation was a bit higher than anticipated, it didn't stop the European Central Bank from initiating the interest rate cut cycle. However, increased volatility and market turbulence could jeopardize financial institutions with weaker funding structures, particularly non-bank financial institutions with high refinancing needs, exposing banks to higher counterparty credit risks. Additionally, slow economic growth could undermine the financial health of corporations and households, weakening banks' asset quality and making their business outlook uncertain. Ongoing conflicts and strict government spending in the East continue to weigh on the forecast, along with restrictive fiscal policies. However, increased consumer spending and monetary loosening may reflect improving tailwinds.

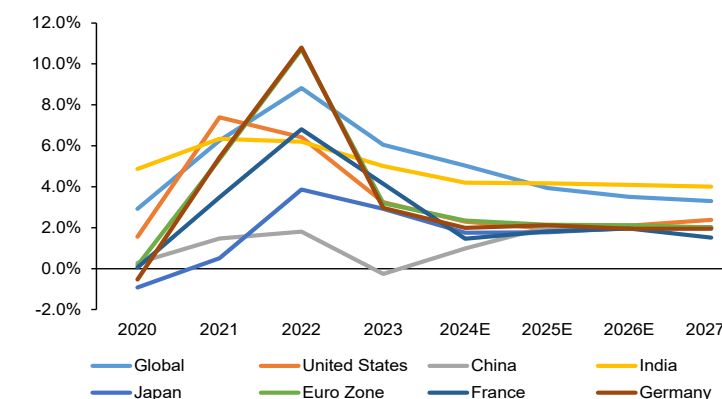
For China, the 2024 growth pattern was uneven and unstable. Exports, manufacturing investment, and green sectors have outperformed, while the housing market correction continued to drag on growth, along with weak consumption and the stress of local governments' funding. As we look into 2025, two issues are critical for China's economic outlook: Tariff war escalation after Trump's win and China's policy stance. The tariff hike will impact China's growth by affecting exports, indirectly hitting consumption and investment in export-related sectors, and broadly impacting business sentiment. Overall, China's growth in 2025 is likely to benefit from additional fiscal and monetary stimulus. Still, it struggles with the headwinds from the pains of property crisis, demographic challenges, hidden debt resolution, housing stabilization, consumption support and tacking deflation.

With money having a high cost, an active approach in selecting the suitable asset class will be necessary. By staying attuned to key economic indicators and policy changes, investors can capitalize on emerging opportunities across various asset classes, from equities to precious metals. The upcoming year should be better for equities as the earnings potential of companies would improve on the back of lower capital costs. Market accidents cannot be ruled out, as high leverage in the global economy and higher interest rates for a prolonged period are perfect recipes for financial instability. The path ahead in 2025 will demand caution and adaptability as the world evolves unpredictably. Overall, investors should maintain a flexible strategy, keeping an eye on geopolitical risks, economic policies, and market dynamics to navigate the complexities of 2025.

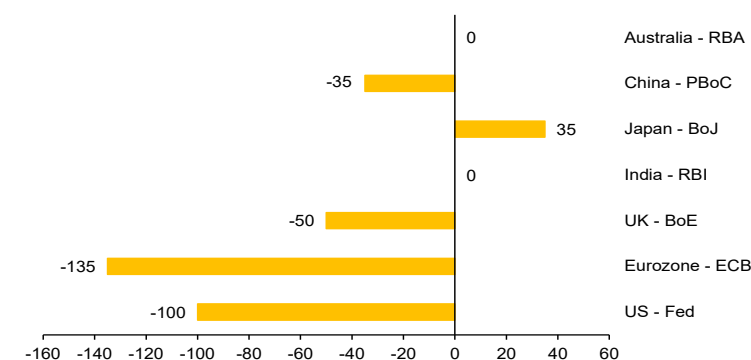
GDP Growth - Major Economies



CPI - Major Economies



Interest Rate Movement (bps) (Dec'24 v/s Dec'23)



Source: IMF, Central Banks, Bloomberg, BP Equities

Indian Market Outlook - 2025



India to Drive in Fast Lane

Indian markets are ending 2024 on a positive note, with the Nifty gaining approximately 10% YTD, marking its ninth consecutive year of positive returns and solidifying its position as the "Rising Star" of global markets. The benchmark Nifty index achieved a remarkable feat of crossing the 26K mark to hit an all-time high of 26,277 in September. The start of the calendar year saw robust corporate earnings, strong domestic inflows, and a resilient macro environment. However, economic momentum faded due to factors like national elections, regulatory-driven credit growth constraints, and seasonal disruptions, which impacted consumption and economic activity. Additionally, equity market witnessed turbulence in the last two months, driven by record foreign institutional investor (FII) selling due to both global and domestic factors. However, BJP victories in state elections and a 50bps CRR cut by the RBI have spurred renewed expectations of government spending and favorable policies, as 2024 draws curtain.

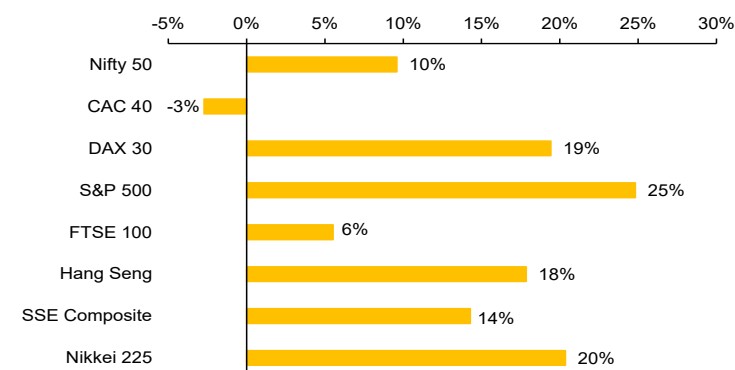
Despite the slowdown, India retained its position as the fastest-growing major economy. This outperformance is expected to continue in 2025 as well, driven by strong growth and improved corporate earnings. Market sentiment is likely to remain positive, supported by expectations of easing inflation, RBI rate cuts, and anticipated Foreign Trade Agreements with the UK and Oman. The government's initiatives to enhance infrastructure, promote manufacturing, growing rural consumption, and a favourable demographic profile will further strengthen India's growth prospects. Additionally, the expanding digital ecosystem will act as a catalyst, improving efficiencies, competitiveness, and governance. Together, these factors will continue to support India's structural growth story, making it an attractive investment destination compared to other emerging economies.

India has made significant progress with reforms in areas like taxes, infrastructure, and social inclusion, enhancing its competitiveness. These changes position India as a global manufacturing hub, offering an alternative to China and Europe for supply chain diversification ("China+1" and "Europe+1"). Government policies, including lower taxes and the Production Linked Incentive (PLI), support growth, while infrastructure and renewable energy improvements make India an attractive manufacturing destination. Technological innovation, particularly AI, is also driving growth by reducing costs and increasing productivity. In sectors like healthcare and logistics, AI-enabled systems optimize supply chains, cut waste, and boost efficiency. Though still in early stages, emerging industries like semiconductors, electric vehicles, solar panels, advanced batteries, green hydrogen, and drones offer significant future growth opportunities. India's exceptional AI adoption and workforce upskilling are propelling productivity and innovation.

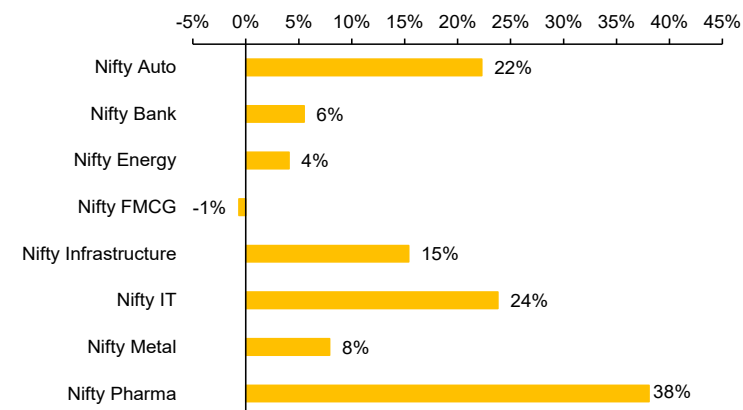
From a policy perspective, both monetary and fiscal measures will be crucial in supporting India's growth in 2025. The RBI is expected to maintain a relatively accommodative stance, driven by cooling inflation and slower credit growth. The shift to a neutral liquidity stance in October 2024, followed by a 50bps CRR cut in December, signals the RBI's intent to ease policy and support liquidity. A further 50bps repo rate cut is anticipated in early 2025, especially if inflation continues to soften, benefiting sectors like property, banks, and NBFCs. CPI inflation is expected to ease towards the 4.8% target, helped by favorable agricultural outcomes and stable crude oil prices. Additionally, there is ongoing discussion about potentially lowering GST rates on select products to boost consumption, with indirect tax cuts having a greater impact than direct tax cuts. While global factors like US rate cuts may affect the INR, India's strong reserves should shield it from significant currency volatility. These combined policy actions should foster growth and improve corporate earnings in 2025.

Following a sluggish end to Indian equity markets in 2024, we expect some green shoots of recovery during the first half of 2025, influenced by both global factors and expected changes in domestic policies like RBI rate cuts and signals from the Union Budget. After a weaker earnings season in H1FY25, a recovery is expected in the second half, driven by higher spending in rural areas, a strong wedding season, and higher government spending. However, one needs to be selective and smart in terms of sector rotation, and a bottom-up approach is likely to work best. At the current juncture, large cap space offers more comfort than mid- and small-cap space, and it would be prudent to wait for opportunities rather than chase high-growth stocks. The risks emanating from a global economic slowdown, crude price shocks, and geopolitical tensions still remain on the table and cannot be ruled out.

Nifty vs. Other Indices, YTD Performance



Nifty Sector Indices, YTD Performance



India - Key Parameters

Particulars	Data	Comments
GST Collection (Apr'24)	Rs.2.10 lakh cr.	Collection hits record high (up12.4% YoY)
Equity fundraising market	Rs. 1.8 trillion	India's IPO market saw record 317 IPOs in 2024
SIP Accounts	10.22 cr.	Reached an all-time high in Nov' 24
India gold imports	\$14.9 billion	India's gold imports up 331% to record high in Nov'24
GDP - 5th largest economy	\$ 3.7 trillion	India set to become world's 3rd largest economy by 2030

Source: Bloomberg, Ace Equity, BP Equities Research

Indian Sector Outlook - 2025



BP WEALTH

Automobiles



Industry navigates speedbumps with rural resurgence



The Indian automobile industry highlighted a mixed performance during the year. The initial period was largely positive, but the sentiment reversed with the onset of general elections, inventory concerns and monsoon backlash. However, the industry remained largely resilient during the year, driven by new launches and a favourable mix. The passenger vehicle segment witnessed a high single-digit growth during the year, fuelled primarily by a higher concentration of SUVs in the mix and new product launches. A declining share of entry-level cars and inventory concerns are expected to continue in the first half of 2025; however, we expect some recovery in small cars, largely led by an optimistic rural demand outlook amidst improving income levels. UVs will continue to dominate the product mix in 2025. EVs space witnessed substantial changes in its dynamics in 2024 with the introduction of the PM E-Drive Scheme, which will gradually replace the FAME-II programs. The sales grew on a YoY basis; however, there was a visible dip in sales growth, which was largely anticipatory. The outlook for EVs remains positive, driven by advancements in battery technology, expanding charging infrastructure and sustainability demands. 2Ws remained the dominant force in the industry, delivering double-digit growth led by favourable product mix, premiumization and improved demand outlook, particularly in the rural space. The volume growth going forward is expected to moderate on account of a high base; however, top-line growth would continue its momentum driven by the premiumization of the portfolio and new launches. CV's outlook seems to be robust in 2025, supported by an improved demand environment. We sense that HCVs and tipper demand will likely be in the fast lane, aided by the resumption of government and infrastructural projects. The outlook for the sector in 2025 remains cautiously optimistic, suggesting single to mid-teen-digit growth across most segments, with issues persisting in PVs, particularly in small cars. Despite some challenges, the cautiously optimistic outlook underscores the industry's potential to set a positive tone for 2025, led by a strategic combination of new launches, recovery in rural demand and premiumization.

Banking



Asset quality to take center stage



During 2024, banks faced significant challenges, including asset quality deterioration and a decline in net interest margins. Looking ahead to 2025, we believe the key performance indicator to track will shift from credit growth to asset quality as managing stressed assets becomes paramount. The stress in the microfinance segment was seen in 2024, and in the coming time, we can see a potential ripple effect on other lending categories, such as credit cards and retail loans. We expect the MFI stress, i.e. bad loan ratio rate, to be in double digits in FY25. Going forward, we believe large private banks offer superior comfort compared to PSU peers as large private banks having proactively restructured their loan books and leveraged their experience navigating similar credit cycles, thereby positioning them favorably to manage upcoming challenges. Further, banks have cushioned their balance sheets with excess provisions, thus providing us with confidence that credit costs will remain stable. Additionally, if the upcoming cycle does not lead to a significant deterioration in asset quality, there is potential for provision reversals. Such reversals could significantly boost the profitability of these banks, exceeding current projections. With rate cuts from the RBI expected in 2025, we believe that banks with a higher proportion of fixed-rate lending portfolios will benefit, as their interest income will remain stable despite the falling rates. Additionally, banks with a larger share of funds from CASA and fixed deposits are well-positioned as banks that previously offered higher deposit rates to attract funds may face challenges as rate cuts could lead to a shift in deposits to competitors offering better terms. Hence, banks with a strong CASA ratio and a granular deposit base will be more attractive. Overall, we believe that banking sector credit growth in 2025 would grow in double-digits, with deposit growth gaining pace but lagging credit growth.

Cement



Worst is behind us



The cement sector witnessed pain in the last few quarters due to general election, weak construction activity due to heatwave across India and a seasonal impact of monsoon on cement offtake. With most of the negatives seemingly priced in and behind us, we expect robust real estate activity and revival in government spending to lead to an estimated 550-600 million tonnes of cement production annually going ahead. We anticipate capacity additions to increase by around 29-32 million MTPA in 2025, with eastern and central regions leading the expansion. The construction activity is likely to be fueled by the government's emphasis on infrastructure development, including expanding railroads, logistics centers, and affordable housing. We expect growing demand for housing in rural areas, backed by government housing schemes and affordability, to keep residential construction moving forward. Meanwhile, India's cement plants near ports, such as in Gujarat and Visakhapatnam, are well-positioned to expand clinker and grey cement exports to the Middle East, Africa, and other developing regions. We anticipate revenues in 2025 to grow in high single digits, supported by improved operating margin due to softening cost pressures. The capacity expansion plans remain strong, with foreign players like Lafarge-Holcim, Heidelberg Cement, and Vicat showing continued interest due to steady demand and reasonable margins. With efforts to reduce costs and enhance sustainability, India's cement sector is also one of the most energy-efficient in the world.

Indian Sector Outlook - 2025



Chemicals



At the foothill of an upcycle



The chemical sector saw agony in recent quarters across all segments, severely impacted by supply chain disruptions, pricing pressure and changing market conditions in the broader industrial landscape. We expect 2025 to be better than the previous year and expect production levels to continue to rise as the destocking cycle worries fade and demand rises across most products. We hope various headwinds, such as volatile crude oil prices, higher logistic costs, and demand-supply dynamics, will normalize in 2025 and expect chemical companies to perform better. Many chemical players are witnessing demand recovery from various end-user industries and utilization levels of most chemical companies have increased. We expect changing industry dynamics and prudent operational management to start reflecting in their financial performance from 2025 onwards. Given the changing landscape and growing reliance on India by international customers, we anticipate a rapid 8-10% growth in the chemical sector over the coming period as conditions stabilize. Indian chemical firms are actively enhancing their research and development (R&D) capabilities, adopting new chemistries, and expanding their product offerings. These initiatives align with a global trend towards supply chain diversification, presenting significant growth opportunities for Indian companies. With contracts secured from various global innovators, the industry is increasing capacity and improving technical skills, process innovations, and cost optimization strategies to strengthen its competitive moat. China's recent push toward producing value-added chemical products for sectors like EV batteries, solar cells, and semiconductors could intensify the competitive landscape, posing risks to players in the generics segment. However, Indian companies could benefit from their niche offerings and backward-integrated operations, allowing them to capture market share from China and Europe through higher volumes, process innovations, and new product introductions. Overall, the collective sector capex of Rs. 116 billion in FY2022-FY24 period on multiple projects is on track and expected to be operational in the upcoming years. Despite the near-term headwinds, the chemical companies have delayed but not toned down their capex plans, which signifies long-term growth visibility for the sector.

FMCG



Urban consumers pass the baton to rural



The FMCG sector in India is set for strong growth in 2025, driven by a significant recovery in rural demand. After facing challenges in 2024, such as tough competition, fluctuating raw material prices, and price cuts, the sector is now on track for better performance, particularly in rural areas. Rural demand is expected to grow faster than urban consumption, supported by good monsoon conditions, rising crop prices, and improved digital access, which boost consumer spending. Government policies focused on rural development is also expected to help fuel this growth. Quick commerce platforms like Blinkit, Zepto, and Swiggy Instamart are reshaping the sector with faster deliveries and competitive prices. These platforms, along with e-commerce and digital payments, are making it easier for consumers in underserved areas to access FMCG products. Traditional FMCG companies are adjusting by working with quick commerce platforms to stay competitive in this changing retail environment. Despite challenges like inflation and rising costs, the sector's outlook remains positive, with FMCG companies benefiting from increased sales volume and value. The sector is expected to see approximately 5-6% volume growth in 2025, mainly driven by rural demand and mostly stable urban consumption. However, companies must stay flexible to handle growing competition, regulatory changes, and rising costs while adopting new digital tools and improving logistics to keep growing in 2025 and provide long-term growth potential for the sector.

Information Technology



Easing global monetary policy a shot in the arm



Indian IT companies remained resilient in 2024 despite global uncertainties, showing overall financial improvement driven by fresh deal ramp-ups. With the new calendar year, the sector is poised for a healthy demand environment supported by margin-enhancing measures. Inflation is now nearing the target levels set by various central banks, and many are already lowering rates, creating a promising demand outlook. This optimism is further backed by the upward revision to FY25 revenue forecasts by companies. The companies are also focusing on driving margin improvements through better employee pyramids, higher utilization, and other efficiency measures. The stabilization of attrition rates will further support operating margins. We believe that the sector will register strong performance across verticals, particularly in the BFSI segment, as clients show increasing interest in high-priority IT projects. The deal wins are expected to accelerate with an uptick in corporate discretionary spending, marked by improved TCV to revenue conversion due to lower deal leakages. Overall, the outlook for the sector is positive, driven by margin improvements, definite hiring plans indicating a stronger demand environment, recovery in key verticals, and growing traction in GenAI-based solutions. However, a bit of cautiousness also persists, with the US Fed's hawkish stance on rate cuts going forward and Trump's aggressive policies on trade and tariffs. We anticipate mid-single-digit to low-teen-digit growth going forward, with moderate growth in Q3FY25 and a bounce-back in performance from Q4FY25 onwards, driven by the recent deal ramp-ups and a low base effect.

Indian Sector Outlook - 2025



Pharmaceuticals



Sun rises in the West



The pharmaceutical sector has demonstrated notable improvement in recent quarters, driven by better performance in the US generics market, robust results in branded markets, and a moderation in raw material costs. These factors have collectively contributed to the healthy earnings of domestic pharmaceutical companies despite global headwinds. As we advance, most pharma companies are expected to achieve 12-15% growth in 2025, amid a focus on new product launches, increased volume growth, and rising demand for both generics and branded products. Additionally, pharmaceutical companies have strengthened their presence in chronic therapies, prioritized new product introductions, and explored new therapies to capitalize on emerging opportunities. The US Bio Secure Act is also poised to positively influence the Indian API CDMO industry as global pharmaceutical stakeholders increasingly seek alternatives to China. The Indian CDMO sector is likely to thrive, bolstered by a robust capital expenditure cycle focused on capacity expansion, a strong USFDA compliance track record, sustained M&A activity and investment in niche technologies. India's unique positioning in the changing global API dynamics and continued strong presence in the US pharmaceutical market supply chain further strengthens this outlook. Overall, we expect domestic-focused pharma players to report 8-10% growth driven by an uptick in the chronic segment, higher MR productivity, new product launches and a focus on cost optimization. We expect pharma companies focusing on US business to grow strongly due to ongoing drug shortages, new product launches, and a shift towards specialty products and niche molecules. The sector is also likely benefit from steady cash flows and low financial leverage, which will help maintain stable credit profiles, even as pharmaceutical companies pursue acquisitions in niche therapeutic areas.

Telecommunications



Will Big Boys Be Challenged?



The telecom industry revenue growth is likely to remain robust as complete flow-through of the previous tariff hike (July 2024) takes place along with some stabilization in subscriber base churn. We also expect the increasing conversion from 2G to 4G, higher postpaid mix and growing usage of voice and data to further support ARPU in 2025. Given the increasing shift towards the duopoly structure in the Indian telecom sector, initial signs of 5G monetization and high capex by players in the past, we do not rule out further efforts by Bharti Airtel and Jio to enhance their profitability going ahead. We also expect the IPO of Reliance Jio in 2025, given the business scale achieved by the company post its entry into the Indian telecom space. Given the strong lobbying, especially from Elon Musk's Starlink, for the administrative allocation of spectrum to satellite broadband players, it would be interesting to see the strategic response from the two established players in India. While the revival of Vodafone Idea still looks a distant dream, another challenge for established players could be the revival mode of the state-run BSNL which has smartly acquired the subscriber base by not initiating tariff hikes and is also aggressively working on enhancing its 4G infrastructure. Though 2024 was a golden period for the two big boys of the Indian telecom sector, our sense is that it would be better for investors to take a holistic view in this evolving market dynamics.

OUR **TOP 5** NEW YEAR PICKS FOR 2025

STOCK NAME	Buying Range	Target Price
Ambuja Cements Ltd	₹537 - ₹559	₹654
Bajaj Finance Ltd.	₹6,792 - ₹7,020	₹8,050
Hero Motocorp Ltd.	₹4,125 - ₹4,290	₹5,081
State Bank of India	₹775 - ₹810	₹940
Sunteck Realty Ltd.	₹490 - ₹510	₹602

Ambuja Cements Ltd.

BUY



Sector : Cement & Cement Products

Company Background

Ambuja Cements Ltd. (ACL), part of the Adani Group, is a leading cement and building materials company with a strong pan-India presence. Its current capacity stands at 97 MTPA, following the acquisition of Orient Cement, with the western region having the highest capacity, followed by the north and south. Along with its subsidiaries, ACC Ltd. and Sanghi Industries Ltd., ACL targets a capacity of 140 MTPA by FY28 through brownfield projects and de-bottlenecking initiatives, primarily funded through internal accruals. Its innovative products like Ambuja Cement, Ambuja Plus, Ambuja Compocem, and Ambuja Kawach are listed in the GRIHA product catalogue, catering to diverse customer needs.

Investment Rationale

Expansion and operational efficiencies to fuel growth

Adani Group is strengthening its position with a strong commitment to both organic and inorganic capacity expansion and a focus on operational efficiency. ACL is on track to complete a 4 MTPA clinker unit at Bhatapara, Chhattisgarh, by Q4FY25. Ongoing expansions, including grinding units in West Bengal, Jharkhand, and Uttar Pradesh, will increase capacity to 115 million tons by Q3FY26 and 118 million tons by FY26. Additionally, 13 grinding unit projects, currently in the land acquisition and approval phase, will boost capacity to 140 million tons by FY28. Its operational costs decreased by 4% in Q2FY25, driven by a 10% reduction in energy costs due to better fuel management and a focus on green power, along with a 7% decline in transport costs due to footprint optimization. Additionally, the company aims to become a cost leader by securing raw materials at competitive prices.

Strategic acquisitions to strengthen market position

The Adani Group's cement business, holding a 15% market share, aims to reach 20% by FY28 through strategic acquisitions. Over the past 12 months, Ambuja Cements has acquired a 54.5% stake in Sanghi Industries, increasing its capacity from 68.5 MTPA to 74.6 MTPA. It also acquired a 100% stake in Penna Cement, raising its total capacity by 14 MTPA to 89 MTPA and improving operational efficiency with utilization between 70%-85%. Additionally, the acquisition of a 46.8% stake in Orient Cement will expand Ambuja's footprint, reduce logistics costs, and increase its total capacity to 97.4 MTPA. We believe that these acquisitions at reasonable prices would further strengthen its market position and aid in enhancing EBITDA/ton going ahead.

Valuation and Outlook

Ambuja Cements Ltd., part of the Adani Group, is a leading Indian cement manufacturer with 22 integrated units. It aims to increase its capacity to 140 million tons by FY28 while enhancing operational efficiency. Key acquisitions, including stakes in Sanghi, Penna, and Orient Cement, will strengthen its market position, reduce costs, and increase capacity to 97.4 MTPA. Strong infrastructure demand, housing initiatives like Pradhan Mantri Awas Yojana, and growing per capita consumption are expected to drive 4-5% growth during FY25 in the cement industry. With a debt-free status and cash reserves of Rs. 10,135 crores, Ambuja is well-positioned to capitalize on the growing industry trends. **On the valuation front, we value the stock at a PE of 47x FY25E earnings to arrive at a target price of Rs.654 per share, offering a 20% upside from the current market price.**

Key Financials					
YE March (Rs. in mn)	CY21	FY23*	FY24	FY25E	FY26E
Revenue	289,655	389,370	331,596	359,051	433,590
Growth (Y-oY)	18.1%	34.4%	(14.8%)	8.3%	20.8%
EBITDA	62,104	51,224	63,995	64,907	92,742
Growth (Y-oY)	24.1%	(17.5%)	24.9%	1.4%	42.9%
Net Profit	37,710	30,244	47,380	32,532	45,579
Growth (Y-oY)	21.4%	(19.8%)	56.7%	(31.3%)	40.1%
Diluted EPS	14.0	12.6	16.7	13.9	19.3
Growth (Y-oY)	17.5%	(9.7%)	31.9%	(16.6%)	38.4%
Key Ratios					
EBITDA (%)	21.4%	13.2%	19.3%	18.1%	21.4%
NPM (%)	13.0%	7.8%	14.3%	9.1%	10.5%
RoE (%)	11.6%	7.8%	9.3%	6.1%	7.9%
RoCE (%)	14.0%	10.2%	10.3%	10.0%	13.5%
Valuation Ratios					
P/E (x)	38.9x	43.1x	32.7x	39.2x	28.3x
EV/EBITDA	19.7x	25.6x	19.2x	20.1x	13.6x
P/BV (x)	4.1x	3.5x	2.6x	2.5x	2.3x
Market Cap. / Sales (x)	4.6x	3.4x	4.0x	3.7x	3.1x

Source: Company, BP Equities Research, Note*: 15-month period due to change in accounting year from December to March

Stock

Recommendation	Buy at CMP and add on dips
Buying Range (Rs.)	537 - 559
Target price (Rs.)	654
Investment Horizon	Till next new year
NSE Symbol	AMBUJACEM
BSE Code	500425
Bloomberg	ACEM IN
Reuters	ABUJ.BO

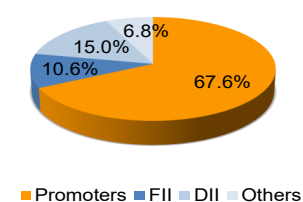
Key Data

Nifty	23,645
52WeekH/L(Rs.)	707 / 453
O/s Shares (Mn)	2,460
Market Cap (Rs. bn)	1337.7
Face Value (Rs.)	2

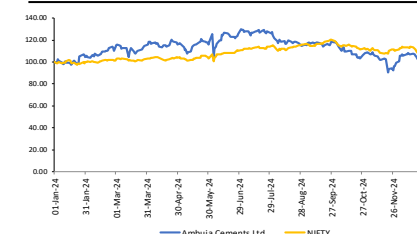
Average volume

3 months	3,689,450
6 months	3,355,130
1 year	3,687,110

Share Holding Pattern



Relative Price Chart



Bajaj Finance Ltd.

BUY



Sector : NBFC

Company Background

Bajaj Finance Limited (BFL) is a financial services company operating under the Bajaj Finserv Group. The company focuses on delivering a wide range of financial products and services and is engaged in both lending and accepting deposits. BFL accepts public and corporate deposits and offers various financial products to its customers. Positioned as a Non-Banking Financial Company (NBFC), BFL boasts a diversified portfolio that spans urban, rural, and commercial markets. Its business segments include consumer finance, SME lending, commercial lending, and rural finance. The products offered include personal loans, consumer durable loans, life insurance, health insurance, and various deposit products. Over the past 17 years, Bajaj Finance Limited has experienced remarkable growth, evolving from a small financial institution into a leading player in India's financial services industry. As of September 24, BFL's assets under management (AUM) reached Rs. 3.74 lakh crores while serving over 83 million clients.

Investment Rationale

BFL 3.0 - Transition to a FINAL company

Bajaj Finance (BFL) is using artificial intelligence (AI) to enhance its business operations. The company aims to become a FINAL company (Finance + AI) by implementing AI-enabled technology across all its processes. This integration is expected to improve customer engagement significantly, increase revenue, lower operational expenses, reduce credit costs, boost productivity, and strengthen financial controls. The company has identified several strategic focus areas for growth: a) Acquiring 100 million new customers through strategic partnerships and organic growth, b) Targeting financing for Micro, Small, and Medium Enterprises (MSMEs) as a key growth driver, and c) Expanding into green finance, with an emphasis on solar and electric vehicle (EV) products. BFL anticipates that deploying Generative AI across 29 work streams will result in annual operational expense savings of Rs. 150 crores in FY26.

New businesses are expected to drive incremental growth; Profitability continues to remain strong

Bajaj Finance has experienced healthy growth in AUM over the past 2-3 years, maintaining a 25% YoY increase. As of September 30, 2024, AUM grew by 28.8% YoY. The management team is focusing on expanding its product portfolio and aims to establish leadership in personal loans, gold loans, microfinance institutions (MFI), and two-wheelers (2Ws). At present, these new businesses contribute 2-3% to AUM growth, but management expects this figure to rise to 4% in FY25. Currently, the company holds about 7% market share in the personal loans sector. Overall, BFL management remains confident in achieving AUM growth of 26-28%, which is in line with the previous guidance. Further, profitability has been strong historically, averaging around 20% over the past decade, and is anticipated to remain robust at 22-23% in the medium term.

Valuations and Outlook

Bajaj Finance is a leading diversified NBFC offering a wide range of products, including two-and-three-wheeler loans, consumer durables, housing finance, MSME loans, rural loans, gold loans, and mortgages. It is a key player in financing consumer durables and lifestyle products. The company aims to strengthen its product portfolio and build leadership in personal loans, gold loans, microfinance institutions (MFI), and two-wheeler loans. However, in H1FY25, credit costs were elevated due to stress in unsecured segments, such as rural B2C and SME. Despite this, management remains confident that the cost of funds has peaked and will normalize in the medium to long term. While near-term challenges on asset quality remain, BFL is poised for 25% AUM CAGR over the medium-long term on the back of adding multiple new segments while simultaneously delivering steady profitability. **We recommended a Buy rating on the stock and a target price of Rs. 8050 (which represents a 17% upside from current levels). At CMP, the stock trades at 4.4x/ 3.7x its FY2025E/ FY2026E BV. This recommendation comes with a 12-month investment horizon.**

Key Financials					
YE March (Rs. in mn)	FY22	FY23	FY24	FY25E	FY26E
Net Interest Income	175,215	229,903	295,819	364,400	472,500
Growth (Y-o-Y)	26.2%	31.2%	28.7%	23.2%	29.7%
Pre-Provision operating profit	143,072	187,158	239,326	299,700	378,000
PPOP Growth (Y-o-Y)	19.6%	30.8%	27.9%	25.2%	26.1%
Net Profit	70,282	115,077	144,435	164,800	212,200
Growth (Y-o-Y)	59.0%	63.7%	25.5%	14.1%	28.8%
EPS	116.0	190.5	236.9	266.0	343.0
Growth (Y-o-Y)	58.9%	64.2%	24.4%	12.3%	28.9%
Key Ratios					
NIM (%)	10.4%	10.6%	10.4%	9.8%	9.9%
ROA	3.7%	4.7%	4.4%	3.9%	4.0%
RoE (%)	17.4%	23.4%	22.0%	18.9%	19.8%
BVPS	726	901	1240	1580	1880
Valuation Ratios					
P/E (x)	59.4x	36.2x	29.1x	25.9x	20.1x
P/BV (x)	9.5x	7.6x	5.6x	4.4x	3.7x

Source: Company, BP Equities Research

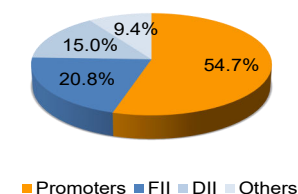
Stock

Recommendation	Buy at CMP and add on dips
Buying Range (Rs.)	6792 - 7020
Target price (Rs.)	8,050
Investment Horizon	Till next new year
NSE Symbol	BAJFINANCE
BSE code	500034
Bloomberg	BAF IN
Reuters	BJFN.BO

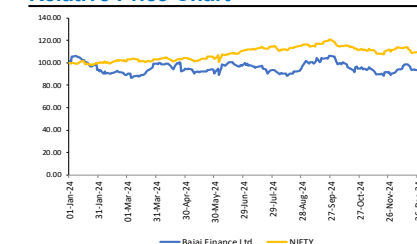
Key Data

Nifty	23,645
52WeekH/L(Rs.)	7,830 / 6,188
O/s Shares (mn)	619
Market Cap (Rs. bn)	4268.4
Face Value (Rs.)	2
Average volume	
3 months	1,013,590
6 months	1,127,030
1 year	1,246,080

Share Holding Pattern (%)



Relative Price Chart



Hero Motocorp Ltd.

BUY



Sector : Automobiles

Company Background

Hero MotoCorp Ltd. (HMCL) is one of India's first two-wheeler (2W) manufacturers. The company started in 1984 as a technological collaboration with Honda, Japan, which later sold its stake and renamed itself as Hero MotoCorp. For over two decades, it has been the largest 2W manufacturer globally in terms of units sold by a single company in a calendar year. The company holds a market share of over 40% in the domestic motorcycle market, with a product portfolio that caters across categories. The company operates with the help of eight manufacturing units (out of which six are domestic and one each in Bangladesh and Colombia) with an aggregate capacity of 10.25 million units. The company maintains a strong market presence in the 100-110cc segment, with Splendor being its key product. The company sold a total of 56,21,455 units in FY24 and a total of 41,93,736 units for 8MFY25

Investment Rationale

Strategic product portfolio to leverage rural demand revival

With a strong rural play, Hero MotoCorp is poised to witness healthy demand in the coming period, with the onset of marriage season, auspicious days, and the healthy momentum it gained during the festive season. The company's flagship models, such as the Xtreme 125cc and Super Splendor, continue to gain traction in semi-urban and rural markets. These models and a strong pipeline of new launches position Hero for sustained growth. Hero's strategic plan to position its premium models via its Premia stores also bodes well for the company, targeting the urban demand. The company is also gaining traction in the EV space with plans to launch new e-scooters across various price points in the next six months.

Diversification into premium and EV segments augur well for growth

Through its partnership with Harley-Davidson, the company's focus on premiumization has led to the launch of key models like the Maverick 440, Karizma XMR, HD X440, and Xtreme 160R 4V in the mid-to-premium segment over the past year. This move significantly enhances the company's product offerings in the lucrative market segment. The company has also made significant strides in product diversification, particularly in scooters and electric vehicles (EVs). This includes the launch of the Vida EV in FY23 and a partnership with California-based Zero Motorcycles to co-develop mid-to-high-performance e-bikes. Additionally, there are plans to introduce three new 125cc scooters in FY25, which further underscores HMCL's market responsiveness.

Valuation and Outlook

The company is at an inflection point, backed by strong fundamentals, a revitalized product portfolio, and favourable macros. Its leadership position, robust financial metrics, and strategic focus on premium and EV segments make it a standout in the auto sector. The company is well-positioned to reap benefits from the rural and urban markets driven by its strategic product allocation. Compared to only three manufacturing units in FY12, the company is now in a better position to benefit with eight manufacturing units with enough manufacturing capacity to cater to the growing demand for the next 3-5 years without any major capex. **On the valuation front, we assign a P/E multiple of 21x FY25E earnings to arrive at a target price of Rs. 5,081 per share and have a Buy rating on the stock implied an 21% upside from current levels.**

Key Financials					
YE March (Rs. in mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	295,513	341,584	377,886	419,252	457,119
Growth (Y-oY)	-4.5%	15.6%	10.6%	10.9%	9.0%
EBITDA	36,746	40,938	53,496	60,343	68,231
Growth (Y-oY)	-10.4%	11.4%	30.7%	12.8%	13.1%
Net Profit	24,730	27,999	37,422	48,391	54,236
Growth (Y-oY)	-15.8%	13.2%	33.7%	29.3%	12.1%
Diluted EPS	123.7	140.5	187.0	242.0	271.1
Growth (Y-oY)	-15.3%	13.5%	33.1%	29.4%	12.0%
Key Ratios					
EBITDA (%)	12.4%	12.0%	14.2%	14.4%	14.9%
NPM (%)	8.4%	8.2%	9.9%	11.5%	11.9%
RoE (%)	15.7%	16.7%	21.0%	24.6%	24.8%
RoCE (%)	18.3%	19.7%	25.2%	26.2%	25.2%
Valuation Ratios					
P/E (x)	33.8x	29.8x	22.4x	17.3x	15.4x
EV/EBITDA	22.9x	20.5x	15.6x	13.8x	12.2x
P/BV (x)	5.3x	5.0x	4.7x	4.3x	3.8x
Market Cap. / Sales (x)	2.8x	2.5x	2.2x	2.0x	1.8x

Source: Company, BP Equities Research

Stock

Recommendation	Buy at CMP and add on dips
Buying Range (Rs.)	4,125 - 4,290
Target price (Rs.)	5,081
Investment Horizon	Till next new year
NSE Symbol	HEROMOTOCO
BSE Code	500182
Bloomberg	HMCL IN
Reuters	HROM.BO

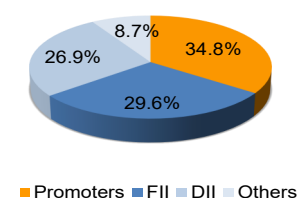
Key Data

Nifty	23,645
52WeekH/L(Rs.)	6,246 / 3,930
O/s Shares (mn)	200
Market Cap (Rs. bn)	836.4
Face Value (Rs.)	2

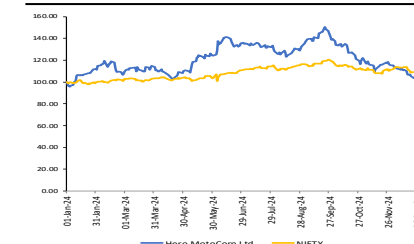
Average volume

3 months	703,960
6 months	702,280
1 year	750,070

Share Holding Pattern (%)



Relative Price Chart



State Bank of India

BUY



Sector : Bank

Company Background

State Bank of India (SBI), a Fortune 500 company, is an Indian Multinational, Public-Sector Banking and Financial services statutory body headquartered in Mumbai. SBI is India's largest banking and financial services organization, with an asset base of over Rs. 61 trillion. SBI has successfully diversified its business through its various subsidiaries, such as SBI General Insurance, SBI Life Insurance, SBI Mutual Fund, and SBI Card.

Investment Rationale

Focus on delivering steady growth and stable NIM

SBI is expected to maintain steady growth and profitability in the near to medium term. The bank reported robust Q2 FY25 results, highlighting stable credit growth at 14.93% YoY. With a likely rate cut approaching in 2025, the bank forecasts that its NIM will remain stable as the re-pricing of deposits is largely complete. Any impact from rate cuts on margins is expected to be minimal due to mitigating strategies in place. Rate cuts will primarily affect loans linked to repo rates and external benchmarks. Currently, 40% of the loan book is tied to the MCLR, which may be less sensitive to immediate rate changes. On the growth front, SBI anticipates diversified loan growth, driven by strong corporate demand, with an expected growth rate of 15% in FY2025E. In conclusion, SBI's robust performance, stable NIM outlook, and diversified loan growth strategy position the bank to sustain steady growth and profitability, even amid potential rate cuts in 2025.

Stable asset quality

SBIN asset quality is holding up well, and the portfolio, including unsecured retail loans, is still not showing worrying signs despite the slowdown in growth. The slippage ratio also showed improvement, decreasing to 0.51% from 0.65% in Q1FY25. GNPA/NNPA improved to 2.1/0.5% on the back of QoQ moderation in gross slippages and continued healthy recoveries. The bank has additional non-NPA provisions of 0.8% of loans outside PCR to take care of any uncertain future events. The bank reassured that its retail book, including PL, still maintains better quality, as loans are mainly extended to captive and salaried customers. Overall, the asset-quality outlook is stable. We believe that SBI, with a strong capital base, high asset quality, and a healthy retail deposit franchise, is well-positioned to seize growth opportunities.

Valuation and View

State Bank of India's (SBI) consistent performance across key financial metrics and robust asset base enhance its ability to navigate economic fluctuations. Management has reaffirmed its credit growth guidance of 14-16%, while lowering the deposit growth guidance to 10-11% for FY25. This adjustment is expected to lead to a higher LDR. Additionally, with a stabilizing Cost of Funds, SBI should be able to maintain its margins around current levels. Given the healthy growth trajectory, reduced staff costs, and effectively managed credit risk, **we maintain a Buy rating on the stock, with a target price of Rs. 940 (which is 19% upside from current levels). This valuation is based on a (P/BV) multiple of 1.8 times the estimated FY25 book value, along with subsidiary values estimated at Rs. 180 per share.**

Key Financials					
YE March (Rs. in mn)	FY22	FY23	FY24	FY25E	FY26E
Net Interest Income	1,207,071	1,448,410	1,598,760	1,708,410	1,991,670
NII Growth (Y-o-Y)	9.0%	20.0%	10.4%	6.9%	16.6%
Pre-Provision operating profit	75,292	83,713	93,797	105,487	118,540
PPOP Growth (Y-o-Y)	7.5%	11.2%	12.0%	12.5%	12.4%
Net Profit	316,756	502,325	610,766	741,251	825,470
Net Profit Growth (Y-o-Y)	55.2%	58.6%	21.6%	21.4%	11.4%
EPS	35.5	56.3	68.4	74.4	82.1
Diluted EPS Growth (Y-o-Y)	55.2%	58.6%	21.5%	8.8%	10.3%
Key Ratios					
NIM(%)	3.1%	3.4%	3.3%	3.2%	3.3%
RoA (%)	0.7%	1.0%	1.0%	1.0%	1.0%
RoE (%)	13.9%	19.4%	20.3%	21.3%	22.3%
BV per share	269	309	364	446	520
Valuation Ratios					
P/E (x)	22.2x	14.0x	11.5x	10.6x	9.6x
P/BV (x)	2.9x	2.6x	2.2x	1.8x	1.5x

Source: Company, BP Equities Research

Stock

Recommendation	Buy at CMP and add on dips
Buying Range (Rs.)	775 - 810
Target price (Rs.)	940
Investment Horizon	Till next new year
NSE Symbol	SBIN
BSE code	500112
Bloomberg	SBIN IN
Reuters	SBI.BO

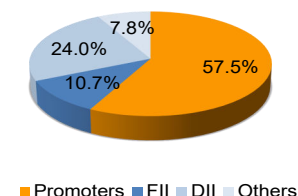
Key Data

Nifty	23,645
52WeekH/L(Rs.)	912 / 601
O/s Shares (mn)	8,920
Market Cap (Rs. bn)	7061.6
Face Value (Rs.)	1

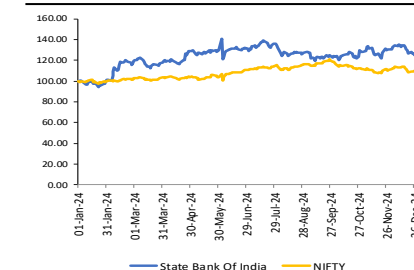
Average volume

3 months	13,450,910
6 months	14,865,080
1 year	18,283,550

Share Holding Pattern (%)



Relative Price Chart



Sector : Residential, Commercial Projects

Company Background

Founded in 2000 by Kamal Khetan, Sunteck Realty Ltd. (SRL) is a Mumbai Metropolitan Region (MMR) based leading luxury real estate developer in India, with approximately 50 million sq. ft. portfolio across 32 projects. SRL offers six brand portfolios, ranging from uber luxury residences to commercial and retail developments. Notable projects include Signature Island at BKC, Sunteck City in Oshiwara, and SunteckWorld in Naigaon. Known for its financial prudence, SRL maintains a low debt-equity ratio and robust cash flow. The company holds triple ISO certifications and has strategic partnerships with entities like Kotak Fund and IFC, emphasizing sustainable, inclusive housing development.

Investment Rationale

Strategic land acquisition and asset-light model drive growth in luxury segments

SRL is well-positioned for growth, driven by rising housing demand and aging infrastructure in the MMR region. Its proactive land procurement strategy, including government tenders, JDAs, and outright purchases, ensures a steady land supply at competitive prices. SRL's asset-light model in areas like Naigaon, Vasai, and Borivali allows rapid scaling with low leverage and reduced financial risk. Expanding into both the uber-luxury and ultra-luxury segments, SRL's successful developments like Signature Island and Signia Isle, along with strategic acquisitions and research-backed land selection, make it a compelling investment opportunity.

Diversification by entering into commercial office space

The company is strategically expanding both its luxury residential and commercial real estate portfolios. The company's residential offerings, including Signature, Signia and Sunteck City, target various luxury segments, from opulent living to large-scale mixed-use developments. However, SRL's growing commercial real estate presence is particularly noteworthy. The company has successfully completed Sunteck Icon and Sunteck BKC 51, fully leasing both projects for Rs. 350 million in annual rental revenue in FY24. SRL is set to launch a 1 million sq. ft. office project in the ODC cluster, projected to generate Rs. 2.0–2.5 billion in rental income. This commercial expansion provides a stable income stream, further diversifying SRL's revenue base and enhancing its long-term growth prospects.

Valuation and Outlook

SRL maintains a premium brand position, underpinned by its strong track record of on-time project delivery, quality execution, and alignment with market demand. This is reflected in its financials, with pre-sales of Rs. 1,026 crores in H1FY24, up 31.2% YoY, and a GDV of approximately Rs. 380 billion, which the company aims to expand to Rs. 520 billion by FY27, with 8-10% of GDV expected to convert into annual pre-sales. The company is on track to meet these goals, with key upcoming projects including Sunteck Ultra World in Naigaon, its first redevelopment project at Bandra Bandstand, and a Borivali project by FY26. Additionally, its ultra-luxury Nepean Sea Road project is nearing completion by FY25, and its Dubai Downtown project (pending approvals) is expected to launch by FY26. Based on these positives, we assign a "BUY" rating with an investment horizon of 12 months. Using a P/E multiple of 23x FY26E earnings, we have set a target price of Rs. 602 per share, offering a 20% upside from the current market price.

Key Financials					
YE March (Rs. in mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	5,131	3,625	5,649	12,545	17,649
Growth (Y-o-Y)	(16.4%)	(29.4%)	55.8%	122.1%	40.7%
EBIDTA	965	642	1,177	3,040	5,213
Growth (Y-o-Y)	(29.7%)	(33.5%)	83.4%	158.3%	71.5%
Net Profit	251	14	709	2,106	3,365
Growth (Y-o-Y)	(40.2%)	(94.4%)	4930.5%	197.0%	59.8%
Diluted EPS	1.8	0.1	5.0	14.7	26.2
Growth (Y-o-Y)	(38.3%)	(94.6%)	4850.0%	197.0%	78.0%
Key Ratios					
EBIDTA (%)	18.8%	17.7%	20.8%	24.2%	29.5%
NPM (%)	4.9%	0.4%	12.6%	16.8%	19.1%
RoE (%)	0.9%	0.1%	2.3%	6.4%	9.3%
RoCE (%)	2.7%	1.9%	3.4%	8.3%	13.2%
Valuation Ratios					
P/E (x)	271.7x	5000.0x	101.0x	34.0x	19.1x
EV/EBITDA	83.4x	120.7x	64.4x	24.9x	14.5x
P/BV (x)	2.6x	2.6x	2.4x	2.2x	2.0x
Market Cap. / Sales (x)	14.3x	20.3x	13.0x	5.9x	4.2x

Stock

Recommendation	Buy at CMP and add on dips
Buying Range (Rs.)	490 - 510
Target price (Rs.)	602
Investment Horizon	Till next new year
NSE Symbol	SUNTECK
BSE Code	512179
Bloomberg	SRIN IN
Reuters	SUNT. BO

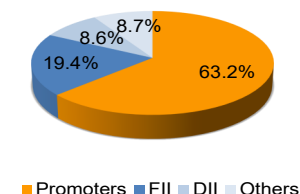
Key Data

Nifty	23,645
52WeekH/L(Rs.)	699 / 380
O/s Shares (mn)	147
Market Cap (Rs. bn)	73.1
Face Value (Rs.)	1

Average volume

3 months	277,840
6 months	568,480
1 year	700,840

Share Holding Pattern (%)



Relative Price Chart



Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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