

Top Picks

2025

H A P P Y
N E W Y E A R



2025 Outlook

Dear Investors,

After ending CY24 on a strong note, with Nifty gains of ~10%, 2025 could unfold as a tale of two halves. The first half may continue to see market consolidation, while a recovery could take place in the second half. The start of rate cut cycle by RBI, ongoing US rate cuts, and the global policy post Donald Trump taking over as US President in Jan'25 would influence the market direction. Additionally, the Union Budget in Feb'25 will offer important signals over the government spending trends. With a fragile global economic environment and mixed macroeconomic factors at home, the market is expected to remain in consolidation mode in the near term.

Key triggers for 2025

- * **Domestic Factors:** Union Budget, government spending, start of interest rate cut cycle by RBI, FII trends.
- * **Global factors:** Trump trade policy, US interest rates, geopolitical issues, etc.
- * **Earnings & Valuation:** Corporate earnings growth trend and valuations in broader market.

Valuation and Themes:

Nifty climbed to an all-time high of 26,277 in September 2024 led by continued market momentum and strong domestic flows. However, it subsequently corrected by almost 11% from this peak. This led the Nifty valuation to drop to 19.2x 1-year forward P/E, below its 10-year average of ~22x. We expect earnings to gain momentum from H2, and deliver a 16% CAGR over FY25-27E. Moreover, the market correction and the moderation in valuations offer an opportunity to add selective bottom-up stock ideas. We remain optimistic about the long-term trend, given the strength of corporate India's balance sheets and the prospects for robust, profitable growth.

In terms of sectors, we are positive on BFSI supported by comfortable valuations and improving business growth. We expect a revival in the export sectors (IT, Pharma) with the INR hitting an all time low and demand recovery in key regions. Consumer discretionary segments like jewellery, real estate and travel & tourism are likely to see sustained spending. Niche themes like Capital Market, EMS, Digital e-commerce would continue to report strong earnings growth.

2025 Key Themes

Financials

- * **Banks:** Comfortable valuations and improving growth in the sector.
- * **NBFCs:** Beneficiary of the expected repo rate cut by RBI in 2025.
- * **Insurance:** Strong annualized premium growth fueled by ULIPs

Exports Revival

- * **IT:** US Fed rate cuts, all time low INR and expected Trump Tax cuts, to fuel spending in technology.
- * **Pharma/Healthcare:** Sector to benefit from price hikes and rise in export demand from regulated markets.
- * **Textiles:** Exports to benefit from fall in INR, issues in Bangladesh, and demand recovery.

Consumer Discretionary

- * **Jewelry:** Sector to benefit from reduction in gold import duty and increasing demand for organized retailers.
- * **Real Estate:** Mid and Luxury segments driving demand for residential real estate.
- * **Travel (Hotels, Aviation):** Strong demand driven by increase in leisure tourism and business travel.

High-growth sectors

- * **Capital Markets:** Entire eco system – AMCs, Brokers, Exchanges, Wealth managers, etc. to see sustained revenue growth.
- * **Electronic Manufacturing Services (EMS):** Sector is poised for high growth led by focus on Make in India.
- * **Digital/E-commerce:** Changing consumer behavior leading to surge in demand for digital convenience services.

2025 Top Picks



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Source: MOFSL Research

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Top Picks Financial Summary

Company	M.Cap	CMP	Target	Upside	EPS (₹)		ROE (%)		PE (x)	
	(₹ bn)	(₹)	(₹)	(%)	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
ICICI Bank	9232	1308	1550	19%	65.3	72.2	18.0	17.1	19.7	17.8
HCL Tech	5128	1890	2300	22%	63.7	71.9	25.6	29.3	30.0	26.6
L&T	4966	3611	4300	19%	111.1	137.2	16.5	17.9	32.7	26.5
Zomato	2621	272	330	21%	1.1	3.4	4.6	12.8	253.5	83.1
Polycab	1074	7143	8330	17%	124.9	151.4	19.5	20.0	57.5	47.4
Godrej Properties	852	2830	3725	32%	52.0	32.8	13.5	7.7	54.9	87.0
NAM India	463	730	900	23%	22.7	26.6	35.6	40.9	33.0	28.2
IPCA Labs	416	1639	1930	18%	34.4	44.8	13.0	15.0	46.1	35.4
Lemon tree	118	149	190	28%	2.3	3.8	17.1	23.0	66.5	40.3
P N Gadgil	95	698	950	36%	16.2	22.9	20.5	17.7	43.7	30.8

Data as on 27-Dec-2024
Source: NSE, MOFSL estimates

Top Picks – Rationale



- * ICICI Bank is poised for strong growth, driven by healthy loan growth, robust asset quality, and operating leverage.
- * With solid deposit inflows, a favorable CD ratio, and strong underwriting standards, the bank is well-positioned for profitable growth. We project a 15% PPOP CAGR and 12% PAT CAGR over FY25–27E, with RoA/RoE of 2.1%/16.7% by FY27.

- * HCL Tech revised its FY25 growth guidance to 3.5%–5.0% YoY, supported by strong deal wins and its leading position in data/SAP modernization.
- * Its investments in next-gen platforms position it well for the GenAI revolution and future recovery in client spending, with expected margin improvements to 18.9% by FY26 and an 8.4% CAGR in USD revenue over FY25–27.



- * L&T is poised to secure large domestic orders in H2, alongside recent international wins, boosting execution growth and margins.
- * L&T's strategic initiatives in electrolyzers, semiconductors, data centers, nuclear tech, & real estate are expected to drive steady revenue growth and improve RoE in the coming years.

Top Picks – Rationale



- * Zomato raised Rs 8500 crore via QIP to invest in Blinkit for marketing, scaling operations, and expanding its dark store network, targeting 1,000 stores by FY25.
- * While the food delivery business is stable, Blinkit continues to lead the quick commerce market with GOV up 25% QoQ/120% YoY.
- * We expect Zomato to report PAT margin of 4.7%/8.6%/12.9% in FY25/FY26/FY27.

- * Polycab's cables & wire segment will benefit from strong demand from power T&D, private capex growth, & real estate sector.
- * It is expanding its Gujarat EHV plant by FY26-end, & also secured ₹56.5bn BharatNet initiative Phase-III contracts for initial period of 3 years.
- * We project 15% earnings CAGR over FY24-27.



Top Picks – Rationale



- * GPL's launches spanned 5.6msf, with significant sales in MMR, NCR, and Bangalore.
- * GPL invested ₹16.8bn in land, ensuring future development potential project pipeline strength. Expecting to achieve ₹300b in launches & sustained growth through FY26.
- * GPL is on track to exceed its FY25 pre-sales target of ₹270b by H2FY25.

- * NAM has improved its equity market share by 60bps in Oct'24 from Apr'22 through sustained fund performance & focused granular SIP additions from lower-tier towns.
- * Growth will be driven by incremental AUM from the non-EPFO segment, where NAM is a market leader, and fundraising from large offshore funds in the medium term.
- * We expect 28% PAT CAGR for FY24-27E.



- * IPCA specializes in domestic formulations and exports, with a strong presence in the pharmaceutical industry.
- * The company aims to outperform in domestic formulations and ROW markets, driven by Unichem's improving performance and new product offerings.
- * We forecast a 26% earnings CAGR over FY25-27.

Top Picks – Rationale



- * Lemon Tree is set for strong 2H growth, driven by Aurika Mumbai's stabilization and robust wedding season demand.
- * As of 30th Sep'24, the total operational inventory comprised 112 hotels with 10,318 rooms and the pipeline comprised 75 hotels with 5,220 rooms..
- * We estimate Lemon Tree's PAT to grow at a 33% CAGR over FY24-27.



- * P N Gadgil (PNG), the second-largest retailer in Maharashtra, has 48 stores across 21 cities. It aims to expand further within Maharashtra and into other states.
- * The company aims to reach 80 stores by FY27, funded by IPO proceeds for expansion and debt reduction.
- * We project 23%/36% revenue/PAT CAGR during FY24-27.



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