



Top Diwali Picks

Samvat 2080

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Top Fundamental Picks

Stock	CMP (AS ON 03 NOV 2023)	Target	Potential Upside (%)
HDFC Bank	1484	2760	86%
PSP Projects	783	1137	45%
Axis Bank	989	1400	42%
CCL Products (India)	611	857	40%
Purvankara	146	177	21%
Nippon Life India Asset Management	394	464	18%
Birla Corporation	1296	1462	13%



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Top Technical Picks

Stock	CMP (AS ON 03 NOV 2023)	Targets	Stop-Loss	Potential Upside (%)
GNFC	695	820, 870	590	18%, 25%
JK LAKSHMI CEMENT	745	850, 896	649	14%, 20%
DR. LAL PATHLABS	2595	3296, 3700	2155	27%, 43%
FEDERAL BANK	143.50	167, 180	125	16%, 25%



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Top Fundamental Picks

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Key Thesis

- Post merger HDFC Bank has had an inflow of borrowings at high cost from HDFC Ltd.
- Due to the merger, liquidity of the bank has also gone up. Net Interest Margin (NIM) will also suffer for a few quarters due to excess liquidity that came in from HDFC Ltd.
- Gross NPA of the merged entity has increased mainly led by change in accounting on NPA recognition for HDFC Ltd on non-individual loans. Market did not see these developments well that led to correction in price of the merged entity.
- HDFC Bank is available at a price/book value of 2.8 times. Historically in preceding ten years, it has traded at median valuation of 4.5 times. This implies a valuation discount of 37% from its longer-term averages.

Our View

- Current book value of the share is 519/share and we estimate it to grow with a CAGR of 15% for the next 3 years.
- Giving an exit multiple of 3.5 times price to book, we give a target price of 2760 implying 23% CAGR.



TOP FUNDAMENTAL PICKS



Key Thesis

- One key factor behind this strong performance is the execution skills of PSP. There has hardly been any instance, wherein PSP has delivered the project after its deadline.
- Adoption of SAP system to mobilize its resources and supervision of projects by the promoter himself, has led to PSP delivering on-time projects.
- On-time delivery of projects is a priority for the corporate clientele. The sooner the construction work gets completed, the sooner the client can start production or rendering services at the constructed unit. Excellent execution skills coupled with great quality of work has led to corporate clients preferring PSP over others.
- This is well reflected in the orders as secured from the same clients.
- Since their incorporation in Fiscal 2009, the company has executed 29 projects for Cadila Healthcare Limited and its affiliates, fifteen projects for Torrent Pharmaceuticals Limited and its affiliates and four projects for Nirma Limited and its affiliates. And if this does not impress you...this data will- It has built six of the eight private building projects in the first smart city of India 'Gift City' and the Surat Diamond Bourse as well.
- This execution skills, has enabled the company to grow its revenues and profits exponentially over the past years.
- The company has a strong order book which is 2.76 times its FY23 revenues.
- This provides strong revenue visibility in the coming years.

Our View

- We have given the company an exit multiple of 15x and have derived at our target price of Rs 1100 from an FY25 perspective.
- This leads to an absolute upside of 44% & 29.4% CAGR from current levels.





TOP FUNDAMENTAL PICKS



Key Thesis

- Axis is the third largest private sector bank in the country. Its market share in overall advances of scheduled banks in the country has increased from 3% in FY10 to more than 6% in FY23.
- Composition of loan book has shifted drastically towards retail loans from 35% in FY13 to 58% in FY23. Bank has a healthy capital adequacy ratio (CAR) of 17.64% giving it the firepower to grow its loan book as the economy is recovering.
- Economic activities have picked up significantly & is visible in GST collections, credit growth data PMI manufacturing index, consumer confidence index.

Our View

- Axis is trading at a price/book value of 2.3 times.
- We believe, the current book value of the bank will growth with 15% CAGR for the next 2 years.
- At that rate the book value of the bank will go up to 558.
- Giving a 2.5 times price to book value exit multiple our target price on the stock is Rs 1400.





TOP FUNDAMENTAL PICKS



Key Thesis

- CCL Products is one of the largest coffee manufacturers in the world. Its global market share is around 6-8% within instant coffee segment. This is set to go up to 10-12% as current capacity expands from 55,000 metric tonne to 76,000 making it the second biggest coffee producer in world.
- Capacity expansion by 38% will lead to revenues growing from Rs 2071 crore in FY23 to Rs 3004 crore in FY26E leading to topline growing at CAGR of 13.2%.
- It's arrangements with customers on pricing is on a cost + markup basis. This method of pricing covers them against any fluctuations in green beans (i.e., a commodity) price that are used to manufacture coffee.
- An additional trigger for revenues is its Business to Consumer (B2C) business which accounts for 10% of its topline. It has its own brand called Continental Coffee which is the third biggest retail coffee brand in India.

Our View

- All these factors, makes us positive on CCL Products.
- Our target price on the stock is Rs 857 from a FY26 perspective implying a potential upside of 40% from absolute perspective & 13.3% compounded annual growth rate (CAGR) from current levels.



Key Thesis

- The Indian real estate sector is witnessing high growth in recent times with a rise in demand for office & residential spaces.
- It is expected to see sharp growth till FY27 on back of on-going project sales & upcoming launches. Ongoing project stands at 21.3 million square feet (MSFT). This is expected to complete by FY27 & generate sales revenues of Rs 14,500 crore.
- Revenue visibility by FY27 is 11.7 times FY23 sales number of Rs 1236 crore.
- The average realization per square feet also increased by 14% in FY23. Last many years, company has just focussed on reducing inventory & debt.
- Over the last 4.5 years, ready to move inventory reduced by 92% to 0.23 MSFT from 2.7 MSFT in FY18 & inventory is now less than 5% of completed projects.
- Debt has reduced by Rs 800 crore in last four years & has come down to Rs 2120 crore. Stock is currently trading at a cheap Enterprise Value EV/EBITDA of 16.3 times, while the industry is trading at an average EV/EBITDA of 35 times.

Our View

- We have discounted the cash flow of FY25 with an 12% of discounting rate to arrive at a target price of Rs 177.
- This implies absolute returns of 22% & compounded annual growth returns (CAGR) returns of 14% from FY25 perspective.

Key Thesis

- Can you believe, there are just 4 crore mutual fund investors in India. And we are a population of 142 crores. This means just 2.8% of India's population invests in mutual fund.
- The best bet to capitalize on this opportunity is to buy Nippon Life AMC. Nippon is the fourth largest AMC in the country with a market share in AUM of around 7.5%.
- Nippon is going very aggressive on the passive front. Volumes share in ETFs is a massive 67% & this leads to HNIs preferring their ETFs to avoid impact costs. Its market share in ETFs at 14% is almost 2x the company's overall share.
- We believe, this is a big opportunity & if capitalized well- this business can create huge operating leverage & have a positive impact on absolute margins in the longer run.
- The company's AUM is expected to grow more than the growth rate in operating expenses, thereby allowing operating leverage to kick in.
- We believe asset growth and market share revival in high-yielding segments to drive further rise in earnings.

Our View

- The dividend yield on the stock is at a healthy 3%.
- We value the stock at 25 times FY26 earnings and derive at a target price of Rs 464 from a March 2026 perspective.
- This implies a CAGR of 7.8% from the current market price and absolute returns of 21%.



Birla Corporation Limited

TOP FUNDAMENTAL PICKS



Key Thesis

- Birla Corporation derives 95% of revenues from selling cement. While, balance comes from selling jute products.
- It is one of the cheapest cement players on the blocks with an enterprise value per tonne (EV/tonne) of USD 107.
- Adani recently bought Ambuja & ACC at an EV/tonne of USD 164. This signifies how cheap Birla Corp valuations are.
- Company achieved overall capacity utilisation of 81% in FY23 with volume growth of 10.6% YoY even though the new capacity commissioned in beginning of Fy23.
- With further ramp-up of this new facility, overall cement volumes to pick-up further with gaining access to newer growth markets of western India.
- Company is bringing in lot of efficiencies in energy cost which forms around 25% of the overall cost of industry.
- The main components of energy cost are coal and petcoke and it is doing a lot on this front to bring these costs down. By end FY25, 60% of coal requirements will be met by captive coal mines.
- This will lead to huge cost savings giving fillip to the bottomline.
- Government's focus on infrastructure & capex with record spends of Rs 10 trillion in FY24 & upcoming general elections in 2024 coupled with boom in urban housing demand will keep demand for cement in good stead.

Our View

- We have discounted the cash flow of FY25 with an 12% of discounting rate to arrive at a target price of Rs 177.
- This implies absolute returns of 22% & compounded annual growth returns (CAGR) returns of 14% from FY25 perspective.



Top Technical Picks

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TOP TECHNICAL PICKS

GUJARAT NARMADA VALLEY FERTILIZERS AND
CHEMICALS LIMITED (CMP: 695)



Key Thesis

- GNFC, after making a record high of 912 in April 2022, corrected to 484 and has rebounded since then.
- The stock recently broke out from a trendline adjoining recent tops on it's weekly chart as shown below.
- The stock can be accumulated between 695-660 range for the targets of 820 and 870.
- Stop-loss should be placed at 590 on weekly closing basis.





TOP TECHNICAL PICKS

JK LAKSHMI CEMENT LIMITED (CMP: 745)



Key Thesis

- JKLAKSHMI, after making a record high of 897 in December 2022, corrected to 607, where it found support at its 20-month moving average.
- The stock has rebounded since then and this week, closed above the upper band of weekly Bollinger with good volumes.
- The stock is also breaking out from a bullish poll & flag pattern. It can be accumulated between 745-700 range for the targets of 850 and 896. Stop-loss should be placed at 649 on weekly closing basis.





TOP TECHNICAL PICKS

DR. LAL PATHLABS LIMITED (CMP: 2595)



Key Thesis

- LALPATHLAB, after making a record high of 4245 in September 2021, saw a steep correction upto 1805, where it found support near lower band of monthly Bollinger band.
- The stock has rebounded since then and recently broke out from a trendline adjoining tops made since April 2022.
- The stock can be accumulated between 2595-2400 range for the targets of 3296 and 3700.
- Stop-loss should be placed at 2155 on weekly closing basis.





TOP TECHNICAL PICKS

FEDERAL BANK LIMITED (CMP: 143.50)



Key Thesis

- FEDERALBNK, in August 2023, broke out from a trendline adjoining tops made since January 2023, as shown in the chart below.
- Subsequently, the stock made a high of 152.60 in October and then corrected to 137.25, where it has found support at the erstwhile breakout line.
- The stock can be accumulated between 143.50-137 range for the targets of 167 and 180.
- Stop-loss should be placed at 125 on weekly closing basis.



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