

# Arihant's Diwali Mithai Portfolio

STOCK PICKS FOR SAMPAT 2078

**Dollar  
Industries**

**Zee Entert.  
Enterprise**

**Vishnu  
Chemicals**

**Tata  
Motors**

**RPSG  
Ventures**

**Sun TV  
Network**

**ICICI Bank**

**Ambuja  
Cement**

**State Bank  
Of India**

**Gokaldas  
Exports**

**Hero  
MotorCorp**

**Infosys**

**#YehDiwaliArihantStockWali**



# HAPPY SAMVAT 2078

We hope you and your family are safe and in good health.

Samvat 2077 was a wonderful year for the investors. During Samvat 2077, the Indian stock markets made record highs this October and, surprisingly enough, were unmoved even by the second wave of the pandemic in the April-May period. The key benchmark indices clocked over 50% returns during Samvat 2077 while the broader market did even better with the CNX Midcap 100 Index surging ~85% in the same period.

With a large part of Indians vaccinated, and the Covid-19 cases making lows, things look much better. Economic situation also looks promising with buoyed consumer sentiment and improved job situation in the country. Additionally, good macro economic indicators (like export numbers, GST Collections, PMI data, power and fuel demand) are all indicating positivity in the country. Discretionary spending has witnessed pick up in both rural and urban segment. Rural sentiment has also been boosted by third year of normal monsoon which have helped demand pick up and aided by infrastructure spending by government.

We have three concerns at this point of time - inflation, tapering and follow-up demand scenario once things settle down.

**What next?** Its time to be selective and its time to add good quality stocks in your portfolio in tranches. We believe Indian corporates have sailed through tough times and outlook remains robust despite all the challenges. We are also expecting positive announcements by the government on divestment in Samvat 2078. We believe corrections should be seen as a good opportunity to add good companies, as rebound in the economy with strong fundamentals and low interest rates would lead outperformance from Indian stock market.

For Samvat 2078, our team of experts have handpicked the Diwali Mithai Stocks Box aka companies with good quality of earnings with strong fundamentals.

**WISHING YOU ALL A VERY HAPPY & AUSPICIOUS DIWALI !**



# DIWALI MITHAI BOX

Sr. No	Company	CMP (INR)	TP (INR)	Potential Upside (%)
1	Dollar Industries Ltd.	462	569	23%
2	Vishnu Chemicals Ltd.	810	1,513	87%
3	RPSG Ventures	770	2,842	269%
4	ICICI Bank Ltd.	804	942	17%
5	State Bank Of India Ltd.	516	624	21%
6	Gokaldas Exports Ltd.	226	357	58%
7	Hero Motorcorp Ltd.	2,681	3,156	18%
8	Ambuja Cements Ltd.	410	449	10%
9	Sun TV Network Ltd.	590	675	14%
10	Infosys Ltd.	1700	1932	14%
11	Tata Motor DVR	252	304	21%
12	Zee Entertainment Enterprise Ltd.	311	398	28%



# Dollar Industries Ltd.

**CMP ₹ 462 | Target ₹ 569 (25x FY23E EPS)**

Dollar Industries Limited (DIL) has become one of the leading brands in the hosiery sector with an enviable 15% market share and a significant percentage in textile exports of the total production in the Indian hosiery market. Having fused its position in Gulf countries, the company is now assertively looking at the rest of the world with collections that promise to delineate the string.

- **Unlocking JV synergies with Pepe Jeans:** DIL aims to further accelerate its footprint in the premium inner and leisure-wear space through 50:50 JV with Pepe Jeans Innerfashion. This JV will have exclusive agreement for sales in India, Bangladesh, Bhutan and SriLanka. DIL has been in process of scaling-up brand “Pepe” through continuously expansion of its product range.
- **Strong market positioning & climbing the ladder of premiumization:** DIL has a strong portfolio of sub-brands like Dollar Big Boss (premium Innerwear), Missy (Women’s casuals), Champion (kids), Force Go wear, Dollar Ultra Thermals & Force NXT (premium to super premium segment). DIL has aggressively pursued various marketing & promotional activities to compete with existing players in the industry

**Valuations and Outlook:** The company will benefit from its joint-venture and premiumization of its product range. We recommend a BUY rating on the stock with a Target Price of ₹569 per share; valued at PE of 25x and EV/EBITDA of ~16x FY23E.

₹ in cr	FY19	FY20	FY21	FY22E	FY23E
Net Sales	1,029	967	1,037	1,190	1,373
EBITDA	136	105	138	174	207
PAT	74	57	86	109	129
EPS (₹)	13.1	10	15.1	19.1	22.8
EBITDA Margin (%)	13.2%	10.8%	13.3%	14.6%	15.1%
ROCE (%)	14.2%	10.5%	13.6%	15.9%	16.6%
P/E (x)	35.3	46.2	30.6	24.2	20.3



# Vishnu Chemicals Ltd.

CMP ₹ 810 | Target ₹ 1,513 (14x FY24E EPS)

*Vishnu Chemicals Limited is in the business of manufacturing, marketing and export of chromium and barium chemicals and their derivatives. The Company's principal product/services include Basic Chromium Sulphate, Sodium Dichromate and Barium Carbonate. Its geographical segments include Domestic and International markets.*

- **Backward integration in chromium chemicals to facilitate margin expansion-** The company is undertaking backward integration to manufacture raw material – sodium carbonate. The facility is expected to be operational by Q4FY22 and the strategy is margin accretive in the long term.
- **Capacity expansion in Barium segment to drive volume growth -** Barium products are relatively high margin products for the company. It is increasing its capacity from 40,000 MTPA to 60,000 MTPA and the facility is expected to be operational by Q4FY22. Vishnu Chemicals will benefit from higher operating leverage and volume growth in Barium segment.
- **Debt reduction –** Profit is expected to triple over the next two years. The company will benefit from strong cash flow from operations. This will be utilized to repay portion of debt owed by the company. As a result, interest cost will reduce going forward as the company looks to deleverage.

**Valuation and Outlook:** The company is poised for robust growth driven by higher operating leverage, backward integration and benefits from deleveraging. We value the company at a P/E multiple of 14x its FY24E EPS of INR 108.1 and arrive at a target price of ₹1,513 per share. Accordingly, we recommend a BUY rating on the shares of Vishnu Chemicals Ltd.

₹ in cr	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	769	674	679	858	994	1,113
EBITDA	99	79	77	124	186	226
PAT	24	22	34	57	101	129
EPS (₹)	20.4	18.6	28.9	47.4	84.4	108.1
EBITDA Margin (%)	12.9%	11.7%	11.4%	14.5%	18.8%	20.3%
P/E (x)	39.7	43.5	28.0	17.1	9.6	7.5



# RPSG Ventures

CMP ₹770 | Target ₹2,842 (4x FY24E EPS)

The company's strong and diversified verticals provides sustainable revenue growth visibility. RPSG into FMCG (Healthy snacks) , IT (BPO player), Pharmacy (Ayurveda), real estate (Quest mall) and recently acquired sports business. Too Yumm one of its famous FMCG brands is very famous these days because of its Protein and fiber-rich and low-fat content. Within 2 years of its launch Too Yumm has become one of the country's fastest-growing healthy snacking brand in India.

The company's Too Yumm & Evita is an ₹300 cr business. The management is planning to grow it to ₹2,000cr and to achieve this, a couple of products which is very high growth in the segment such as chips and rings. The company will have to deliver a sustainable growth of 45% over the next 4-5 years. The company's focus is to create 4 mega brand in coming times and lot of this categories is matured categories. As the impact of pandemic fades and mobility normalizes, we expect the company to revert to mid-teens growth rates Going forward the company has plan to launch product in all the 4 categories like Too Yumm, Personal Care, Evita and Dr. Vaidya hence we project EBITDA margins to remain in the range of 11.36 % to 12.40% inFY22E-FY24E.

However, we expect RPSG Venture to post Revenue/EBITDA growth of CAGR 15.4%/14.7% to ₹7,454 cr/₹924 cr respectively over FY21-FY24E. We value RPSG Venture at PE of 4x to its FY24E EPS (Core) of ₹88. We initiate our Buy rating on the stock and value it with SOTP valuation for a target price of INR 2,423 for the bear/lower, base value ₹2,842 and ₹3,138 for best case scenario.

₹ in cr	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	1,993	4,370	4,606	5,599	6,231	6,776	7,454
EBITDA	217	388	402	702	708	840	924
Net profit	76	64	-68	-96	104	178	233
EPS (₹)	5	24	-1	-36	39	67	88
PE (x)	145.4	31.8	-601.9	-21.3	19.6	11.5	8.8
EBITDA Margin (%)	10.9%	8.9%	8.7%	12.5%	11.4%	12.4%	12.4%
PAT Margin (%)	3.8%	1.5%	-1.5%	-1.7%	1.7%	2.6%	3.1%
ROE (%)	4.9%	6.5%	2.1%	1.7%	6.7%	8.1%	8.6%
ROCE (%)	3.6%	5.7%	2.8%	7.2%	6.8%	8.4%	9.0%



# ICICI Bank Ltd

**CMP ₹804 | Target ₹942 (2.7x FY24E ABV)**

*Over the last few years, ICICI Bank has transformed itself into a retail focused bank. Retail portfolio of the bank has increased from 52% in FY17 to 68% as on Sep'21. The Bank's consolidated total assets stood at INR 12.76 tn as on Sep'21. Bank has a network of 5,277 branches and 14,045 ATMs across India. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its group companies.*

- **Industry leading loan growth leading to gaining market share position:** ICICI Bank continues to report higher than industry (nearly 3x higher) loan growth which clearly reflects its market share gaining position. With a strong branch network and constant investments in technology, we expect that the bank's advances profile to grow at a CAGR of 19% over FY21-24E.
- **Levers are in place for further re-rating:** Post transformation, ICICI bank has shown a strong performance in the past three years with industry leading growth, margins at its peak, strong liability franchise, well cushioned balance sheet and better asset quality metrics. Thus, we believe ICICI bank is strong candidate for re-rating and valuation gap with HDFC Bank to narrow. With strong balance sheet and capital position, the bank is geared to capitalize growth opportunity in the system.

**Valuation and Outlook:** We have a Buy rating on the stock with a target price of ₹942, based on 2.6x FY24E P/ABV for standalone bank and ₹156 for subsidiaries.

₹ in cr	FY20	FY21	FY22E	FY23E	FY24E
NII	33,267	38,989	45,948	53,901	62,776
PPOP	28,101	36,397	39,750	46,179	53,361
PAT	7,931	16,193	20,352	26,223	31,327
NIM (%)	3.5%	3.6%	3.7%	3.8%	3.8%
ROA (%)	0.7%	1.3%	1.4%	1.6%	1.7%
ROE (%)	6.8%	11.0%	12.2%	13.6%	14.0%
P/ABV (x)	5.1	4.1	3.6	3.1	2.7



# State Bank of India

**CMP ₹516 | Target ₹624 (1.4x FY24E P/BV)**

*SBI is India's largest bank in terms of loan book and branches. SBI commands a domestic market share of over 22% in loans and it has an extensive pan-India network of 22,224 branches and 63,906 ATMs. As on June'21, SBI's loan and deposit books stood at ₹24.3 tn and ₹37.2 tn respectively. The bank is also a strong player in the insurance (both life and general), asset management and broking businesses through its subsidiaries. The Government of India holds a majority stake of 57% in the Bank.*

- **RoA expansion on track; valuations favorable:** Asset quality performance of the bank has been significantly improved as its GNPA has come down to 5.3% as on Jun'21 from its historical high GNPA level of 8-10%. SBIN also holds ₹298bn of non-specific provisions (120bps of loans) which should cushion earnings going forward. We believe, stock has potential to deliver RoA/RoE of 0.8%/12% by FY24E driven by its strong liability franchise, normalizing credit cost and granularity in its loan book. The standalone bank is trading at 1.4x FY24E ABV and improving earnings performance would drive a re-rating in the stock.
- **Retail book driving the growth:** Bank is expected to clock a CAGR of 10% in its loan book over FY21-24E. Despite a higher base, loan growth momentum of the bank remains healthy. In Q1FY22, its loan portfolio grew by 5% YoY, driven by retail portfolio growth of 16.5% YoY primarily due to strong growth in home, Gold and unsecured loans.

**Valuation and Outlook:** We have "Buy" rating on the stock with a SOTP based target price of ₹624, based on 1.5x FY24E P/ABV for standalone bank and ₹153 for subsidiaries.

₹ in cr	FY20	FY21	FY22E	FY23E	FY24E
NII	98,085	1,10,710	1,24,022	1,32,985	1,36,808
PPOP	61,917	70,015	76,728	84,059	82,741
PAT	14,488	20,411	32,715	40,670	44,130
NIM (%)	2.8%	2.9%	2.9%	2.8%	2.7%
ROA (%)	0.4%	0.5%	0.7%	0.7%	0.7%
ROE (%)	6.2%	8.0%	11.4%	12.5%	12.1%
P/BV (x)	2.6	2.1	1.9	1.6	1.4





# Gokaldas Exports Ltd.

CMP: ₹226 | Target Price: ₹357 (17x FY23E EPS)

Gokaldas Exports Ltd. (GEL), incorporated in 1995, is the largest exporter of garments in India. The company manufactures blazers and pants (formal and casuals), shorts, shirts, blouses, denim wear, swim wear, active and sports wear. The company has received ISO 9001:2000 certification for its quality management.

- The Government of India recently announced the continuance of the Rebate of State and Central Taxes and Levies (RoSCTL) Scheme till FY24. It will facilitate garment exporters to get a rebate on central and state taxes on their outward shipments till March 2024. Gokaldas Exports accounted RoSCTL to the tune of ₹4crores (Q4FY21) during Q1FY21.
- The company has a strong order book and ramping up capacity to execute the client demand. The management is confident of delivering robust revenues of ₹1,500 crores in FY2022 with improving margins every year. We opine that GEL will be able to sustain growth over the next couple of years with its manufacturing track record & diversified customer base and capabilities.

**Valuation and Outlook:** Given strong visibility on revenue growth, margin improvement, increased profitability and return ratio profile, we continue to maintain BUY with a Target Price of ₹357 (17x PE on FY23E).

₹ in cr	FY19	FY20	FY21	FY22E	FY23E
Revenue	1,175	1,378	1,211	1,500	1,838
EBITDA	62	88	101	135	188
PAT	26	30	27	58	100
EPS (₹)	6.1	7.1	6.2	12.7	21
EBITDA Margin (%)	5.3%	6.4%	8.4%	9.0%	10.2%
ROE (%)	10.6%	13.4%	10.5%	17.6%	22.6%
P/E (x)	37.0	31.8	36.5	17.8	10.8



# Hero Motorcorp Ltd.

CMP ₹2,681 | Target ₹3,156 (16x FY23E EPS)

Hero MotoCorp Limited, formerly Hero Honda, is an Indian multinational motorcycle and scooter manufacturer headquartered in New Delhi, India. The company is the largest two-wheeler manufacturer in the world, and also in India, where it has a market share of about 37.1% in the two-wheeler industry.

- **EV:** Hero's partnership with Gogoro Inc, which was announced earlier this year, is one of global significance. Gogoro Inc. is a Taiwanese EV specialization company with the world's largest battery-swapping network. This partnership will be a key to the propagation of electric vehicle charging technology and network, supporting the EV products in India, and across global markets. While its current on-ground existence is limited to the company's 38% stake in leading electric scooter maker Ather Energy, it will launch its 1st electric scooter from in house R&D by end of FY22E.
- **Global Business:** The company ended the fiscal year with highest ever exports in a single month, in its history, a clear indication that the company is poised to step into the next growth phase of global business. In a significant milestone in global journey, the company made an entry into Mexico, a key motorcycle and scooter market, with Grupo Salinas as partner. This has enabled Hero to form one of the largest retail sales channels in the country. The company expects, Mexico to become its key international market in the foreseeable future.

**Valuation and Outlook:** The company, under the LEAP-2 program, has been aggressive in cost saving, operating leverage benefits, and price hikes which would result in margin improvement. However, with the recovery in the Indian economy coupled with the company's continued efforts to enlarge its footprint in exports, premium bikes, scooters, and EVs; we expect revival in the company's growth going forward. We value Hero MotoCorp at PE of 16x to its FY23E EPS estimate of ₹ 197.3, which yields a target price of ₹3,156. We have an Accumulate rating on the stock.

₹ in cr	FY19	FY20	FY21	FY22E	FY23E
Net Sales	33,651	28,836	30,801	34,938	40,122
EBITDA	4,930	3,958	4,019	4,441	5,303
PAT	3,385	3,633	2,964	3,241	3,856
EPS (₹)	169.5	181.9	148.4	162.2	193
EBITDA Margin (%)	14.7%	13.7%	13.0%	12.7%	13.2%
RoE (%)	27.5%	26.9%	20.2%	20.6%	22.4%
P/E (x)	15.7	14.6	17.9	16.4	13.8



# Ambuja Cements Ltd.

CMP ₹410 | Target ₹449

Ambuja Cements Limited, formerly known as Gujarat Ambuja Cement Limited, is a major Indian cement producing company. The group markets cement and clinker for domestic and export markets.

- **The greenfield integrated plant at Marwar Mundwa:** The Company has commenced the commercial production at Marwar plant, which enhances Ambuja's clinker capacity by 3.0 MTPA and cement sales potential by 5.0 MTPA.
- **Operational efficiency:** Company's operational efficiency, measured through its ICAN program, will help to aid margin growth in longer period.

**Valuation and Outlook:** At CMP of ₹ 410, Ambuja Cement is trading at EV/EBITDA of 20.7x and 17.2x to its CY21E and CY22E. We value the standalone business to 15.5x to its CY22E EBITDA of ₹41,870 mn and arrive at a fair value of ₹367/share while Ambuja's 50% stake in ACC has been valued at ₹82.1 per share (based on our ACC's TP of ₹2479). Our SOTP valuation yields a fair value of ₹449 per share.

₹ in cr	FY19	FY20	FY21	FY22E	FY23E
Net Sales	11,668	11,372	14,264	16,105	11,668
EBITDA	2,149	2,646	3,566	4,187	2,149
PAT	1,529	1,790	2,501	2,960	1,529
EPS (₹)	7.7	9	12.6	14.9	7.7
EBITDA Margin (%)	18.4%	23.3%	25.0%	26.0%	18.4%
ROCE (%)	6.9%	8.8%	11.1%	11.8%	6.9%
P/E (x)	35.2	29.2	20.7	17.2	35.2



# Sun TV Network Ltd.

CMP INR 590 | Target INR 675 (15x FY23E EPS)

Sun TV Network (Sun TV) is a leading regional broadcaster in India, which owns and operates a bouquet of 32 TV channels prominently across southern market (Tamil, Telugu, Kannada , Malayalam) and Bengali language and also an OTT app SunNXT.

- **Growth in Ad revenue:** We expect higher presence of local/retail ad will push revenue growth. Furthermore, continued market share improvement in Tamil and planned big ticket launches in Telugu and Malayalam will be key for advertisement recovery traction ahead.
- **Sun Nxt:** It has 2.35 cr subscribers, majority of which are from tie-ups with telecom players. On a medium to long term, the company aims to get ~1.1 cr paying direct paying sub base (~25% of Tamil households). The company is currently focusing on movie production as well as OTT originals as situation turns to normalcy.

**Valuation and Outlook:** We value the stock at P/E of 15(x) to its FY23E EPS of ₹45 to arrive at a target price of ₹675. Company has strong balance sheet with cash and cash equivalent of approx. ₹3,484 cr. Recent purchase of 2 new IPL teams by BCCI will help in value unlocking going ahead, also in Tamil Nadu region. There are 30 lakhs subscribers connected to local cable operator, Sun TV will benefit from their shifting.

₹ in cr	FY20	FY21	FY22E	FY23E
Net Sales	3,520	3,177	3,695	4,120
EBITDA	2,276	2,071	1,900	2,010
PAT	1,385	1,525	1,597	1,760
EPS (₹)	35.1	38.7	41	45
EBITDA Margin (%)	72.1%	74.9%	20.0%	22.0%
ROCE (%)	24.2%	21.6%	19.9%	19.0%
P/E (x)	16.8	15.2	14.4	13.1



# Infosys Ltd

CMP ₹1,700 | Target ₹1,932 (27.3x FY24E EPS)

Infosys is a leading provider of consulting, technology, outsourcing and next-generation digital services, with clients in more than 50 countries. The company creates and execute strategies for their digital transformation.

- We believe that Infosys is well-positioned for the principal competitive factors in business. With almost four decades of experience in managing the systems and workings of global enterprises, Infosys is uniquely positioned to help them steer through their digital transformation with Digital Navigation Framework. Infosys offers end-to-end service offering capabilities in consulting, software application development, integration, maintenance, validation, enterprise system implementation, product engineering, infrastructure management and business process management.
- The company has upgraded the guidance for revenue growth from 14-16% to 16.5-17.5% for FY22, based on performance in Q2 and deal pipeline. EBIT Margin guidance remains at 22-24% for FY22.

**Valuations and Outlook:** We believe Infosys's better than expected growth and guidance on a higher side should be very positive in the near term. The company has increased the guidance for 45,000 fresher hiring, indicating a huge tech demand cycle, which is positive for the company medium term. We value Infosys at P/E of 27.3x to its FY24E EPS of ₹71, which yields a Target Price of ₹1,932 per share. We have Accumulate rating on the stock.

₹ in cr	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenues (US\$ mn)	11,799	12,780	13,561	15,899	18,292	20,776
Net Revenue	82,675	90,791	1,00,472	1,17,538	1,34,453	1,52,887
EBIT	16,869	16,481	21,355	26,328	30,252	34,400
EBIT Margin(%)	20.4%	18.2%	21.3%	22.4%	22.5%	22.5%
Net Profit	15,404	16,594	19,351	23,289	26,168	29,783
EPS (₹)	35.4	38.9	46.1	55.5	62.4	71
P/E (x)	44.6	40.5	36.7	30.7	27.2	23.9
ROE (%)	23.7%	25.2%	28.3%	28.3%	26.9%	25.8%



# Tata Motor DVR

CMP INR 252 | Target INR 304 (~9x FY23E EPS)

Tata Motors Ltd is India's largest automobile company. The product range of the company includes Passenger Cars: Indica Vista, Indica V2, Indica V2 Turbo, Indica V2 Xeta, Indica V2 Dicor. Indigo XL, Indigo, Indigo Marina Indigo CS. Nano. Fiat Cars. Utility Vehicles: Safari Dicor. Sumo Grande. Sumo Xenon XT. Trucks: Medium & Heavy Comm. Vehicles, Tata Novus. Intermediate Comm. Vehicles. Light Commercial Vehicles, TL 44, Small Commercial Vehicles. Commercial Passenger Carriers: Buses. Winger. Magic. Defence Vehicles.

- **Investment:** The company plans to invest more than ₹16,000 cr over next five years, along with Tata Power, in products, platforms, drive trains, dedicated EV manufacturing, charging infrastructure and advanced technologies.
- **EV Business Model & Supports from Tata motors:** The new EV subsidiary remains asset light model. Tata Motors will not invest any capital to EV subsidiary, but will provide complete support in terms of manufacturing, operations, marketing, management etc. Tata Motors PV will have the toll management agreement with EV subsidiary to provide manufacturing capabilities based on fee payments.

**Valuation and Outlook:** At CMP of ₹486, Tata motors is trading at 85.1x/14.14.8x its FY22/23 earnings with estimated (Bloomberg estimate) EPS at 5.7 & 32.9 for FY22 & FY23. Tata Motors DVR trading at ₹252 which is ~90 discount compared to Tata Motors. Because of new EV business, we are expecting the discount will move ~90% to ~60% with a Tata Motors DVR target price of ₹304. We have Positive outlook on the stock.

₹ in cr (consolidated)	FY20	FY21	*FY22E	*FY23E
Net Revenue	2,61,069	2,49,795	2,94,900	3,61,800
EBITDA	17,988	31,317	33,981	49,074
EBITDAM (%)	6.9%	12.5%	11.5%	13.6%
PAT	-9,199	-661	-740	13,285
PATM (%)	-3.5%	-0.3%	-0.3%	3.7%
PE (x)	-15.4	-12.9	85.1	14.8



# Zee Entertainment Enterprises Ltd.

CMP ₹311 | Target ₹398 (24x FY23E EPS)

Zee Entertainment Enterprises Ltd, a subsidiary of Essel Group, is an Indian mass media company with interests in television, print, films, mobile content and internet and allied businesses.

- **Proposed Merger with SPNI:** Zee proposed merger with SPNI is a win-win situation as it is likely to result in material revenue synergies due to better scale and reach .
- **Bouquet portfolio to widen post-merger:** Post-merger, sports and kids segment , where ZEEL lacked presence will form part of bouquet widening the genre presence of merged entity.

**Valuation and Outlook:** We value the stock at P/E of 24(x) to its FY23E EPS of ₹16.6 to arrive at a target price of ₹398. The merger announcement will not only bring material synergies but also resolve governance issues . The recovery in market share in Hindi GEC , Marathi and Tamil will be also key to overall market share recovery and rerating.

₹ in cr	FY20	FY21	FY22E	FY23E
Net Sales	8,130	7,730	8,370	9,272
EBITDA	1,262	1,594	1,702	2,065
PAT	527	800	1,320	1,610
EPS (₹)	5.4	8.3	13.5	16.6
EBITDA Margin (%)	20.4%	22.0%	20.0%	22.0%
ROE (%)	5.6%	7.9%	10.7%	11.7%
P/E (x)	57.6	37.5	23.0	18.7



## Last year Diwali pick performance

Sr No.	Company	Reco Price	Target Price	CMP	Returns
1	State Bank Of India Ltd.	219	295	501	129%
2	IDFC First Bank Ltd.	33	41	50	50%
3	HDFC Life Insurance Company Ltd.	623	703	683	10%
4	JK Lakshmi Cement	290	330	610	110%
5	HCL Technologies Ltd.	855	1006	1152	35%
6	Dabur India Ltd.	527	589	590	12%
7	Emami Ltd.	371	425	530	43%
8	Polycab India Ltd.	926	1083	2269	145%

**Benchmark (Nifty 50) return since last Diwali : 40%**



# Arihant's Diwali Mithai Portfolio

STOCK PICKS FOR SAMPAT 2078

#YehDiwaliArihantStockWali

**ArihantCapital**  
Generating Wealth