Arihant's
Diwali Mithai Portfolio

STOCK PICKS FOR SAMVAT 2080

#YehDiwaliArihantStockWali

- Hindustan Aeronautics
- Xpro India
- Phoenix Mills
- Tata Consumer
- HDFC Bank
- Marico
- DLF
- AGI Greenpac
- UPL
- PEL
- Kotak Bank
- Voltas
- Mahindra & Mahindra
- Tech Mahindra
- Mahindra Life
- Shriram Finance

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

HAPPY SAMVAT 2080

We hope you and your family are safe and in good health. Samvat 2079 was a wonderful year for the investors. During Samvat 2079, the Indian stock markets made record highs this in September and, followed the global markets since Jan beginning. The key benchmark indices Nifty & Sensex gave 7% return over last one year with the Mid & small caps inching towards new highs. After last year's Russia Ukraine war disturbed the global supply chains causing sky high prices in the energy and commodity space, this year we are seeing a wars in Middle East attracting the global focus, although on a smaller scale till now.

Domestic macroeconomic scenario looks improving on most parameters like, GST collections, falling inflation, industrial activity, high frequency indicators, Power consumption etc. Discretionary spending has witnessed pick up in both rural and urban segment. Rural sentiment remains buoyant despite slightly lower than normal monsoon seen this year as higher income levels and diversifying rural economy is showing good resilience. Current challenges for the Indian economy are external demand, pick-up in volumes for goods exports and Indian IT companies highly reliant on growth in advanced economies. What next? There will be sector rotations seen in the upcoming year, as the themes accepted in the market last year have already played out well. We believe corrections should be seen as a good opportunity to add good and beaten down companies which have faced headwinds due to supply chain challenges faced last year.

For Samvat 2080, 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 !

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

DIWALI MITHAI BOX

Sr. No	Company	CMP (INR)	TP (INR)	Potential Upside (%)
1	DLF	595	664	11.6%
2	Hindustan Aeronautics Ltd	1,902	2,266	19.1%
3	Xpro India	909	1,291	42%
4	Phoenix Mills Ltd	2,060	2,307	12%
5	Tata Consumer	913	1,040	13.9%
6	Marico	528	597	13.1%
7	HDFC Bank	1,484	2,072	39.6%
8	Kotak Bank	1,734	2,180	25.7%
9	AGI Greenpac	961	2,112	119.7%
10	UPL	551	783	42.1%
11	Shriram Finance	2,014	2,482	23.2%
12	PEL	985	2,600	164%
13	Mahindra Life	490	588	20%
14	Tech Mahindra	1,469	1,668	13.5%
15	Mahindra & Mahindra	1,149	1,309	13.9%
16	Voltas	835	1,037	24.2%

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

DLF

CMP INR 595 | Target INR 664

Guidance: The company has guided for INR 13,000cr+ of sales on full year basis and margins to stay healthy.

Pipeline and launches: The launch pipeline is ~INR 19,000cr GDV for next six months and the company is left with ~INR 23,000-24,000cr of GDV spread over next 2 years. The company has enough land bank and the launch pipeline will continuously keep getting filling in.

The Camellias which is a super luxury offering witnessed healthy demand during this quarter and the demand expected to stay strong on the back of strong brand. The margins from this project seems to be higher but will come into consideration when the revenue gets recognized for this project.

Office portfolio: Q2FY24 consolidated revenue of DLF Cyber City stood at INR 1,463 crore, reflecting YoY growth of 7%, the segment is progressing well. **Non SEZ:** The occupancy has moved up to 97% and SEZ occupancy stood at 85% on this quarter. The other two projects DLF Downtown in Gurugram and Chennai reported occupancy of 89%. **Retail portfolio** continues to grow well, the construction of large retail complex in Gurugram to start during this fiscal.

Outlook The company is very positive about the demand and upward trend in the prices, has a strong launch pipeline of INR 19,000cr. Mumbai markets continue to develop further profitable opportunities. DLF targets to strengthen its sales engine, deliver consistent profits, cash flow, and make strategic investments in the times to come.

INR in Cr(Standalone)	FY23	FY24E	FY25E	FY26E
Revenue	5,694	7,161	8,182	9,309
EBITDA	1,725	2,631	2,682	3,668
EBITDA margin(%)	30.2	36.7	32.7	39
PAT	2,034	2,646	3,215	4,002
EPS (in INR)	8.22	10.84	13.88	16.92
PE(x)	72	66	54	42

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

Hindustan Aeronautics Ltd

CMP INR 1902| Target INR 2,266

Durable demand for modern indigenous military aircraft: India's strength of 31 fighter jet squadrons falls short of the sanctioned total of 42 required for a potential two-front war with China & Pakistan. HAL's monopoly-like position in India's defence aerospace sector coupled with the government's push to procure indigenously designed & developed defence aircraft, the company is in a sweet spot to benefit from a long-term demand opportunity.

Manufacturing revenue to accelerate from FY25 onwards: The company's FY23 closing order book stood at ~Rs818bn. Manufacturing contracts account for ~Rs605bn, including the landmark ~Rs457bn order for 83 Tejas Mk 1As. There is also a highly visible ~Rs480bn order pipeline for FY24. Most of these projects will start in full swing from FY25 onwards.

Exports offer an additional growth avenue: HAL is making proactive efforts to promote its international business. It recently opened an office in Malaysia to facilitate engagement with South-East Asia.

Outlook: HAL is in a sweet-spot to capitalize on opportunities arising from the government's push on domestic procurement of defence equipment, indigenization of defence manufacturing, and modernization & strengthening of India's armed forces, especially to establish a robust combat-ready air force. We expect sustainable long term demand for indigenously developed modern military aircraft & helicopters.

INR in Mn	FY23	FY24E	FY25E	FY26E
Revenue	269,275	294,863	326,857	367,868
EBITDA	66,792	71,695	81,151	92,336
EBITDA margin(%)	24.8%	24.3%	24.8%	25.1%
PAT	58,249	53,031	60,776	68,944
EPS (in INR)	69.2	79.3	90.9	103.1
PE(x)	27.5	24	20.9	18.4

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

Xpro India Ltd

CMP INR 909 | Target INR 1,291

XPro India is into polymer processing mainly broken down in 2 segments, Coex (Coextruded) and Biax (BOPP) FilmsPresently, the company owns and operates 3 manufacturing facilities, 2 for Coex division in Uttar Pradesh and Maharashtra and 1 for Biax Division in Barjora, West Bengal.

Coex: Currently is the major contributor to revenues but margins are in range of 6-8%. Films are mainly used in white goods industries. The films are used in refrigerator doors and body. Company has 70% market share. Services clients like Whirlpool, LG, Haier, Godrej etc. Company is not servicing Samsung because they produce their own films

Biax: High growth segment, contributed to 1/3rd revenues but 2/3rd profits. EBITDA margins of ~40%. Company makes specialty BOPP films and dielectric films. The dielectric films are used in capacitors. Company is the only manufacturer in india for the same. Company has 30% market share in India. Remainder are imports. Company exports the films as well (7-8% of revenues, to developed countries)

Outlook: On preliminary basis, company looks very interesting. The growth prospects sound promising and entry barriers are also present till some extent. If the company's thought process pans out, the growth in realisations will directly flow in profitability. Out of 4 lines coming in industry each year, company will be getting 2 lines in next 2 years. We are positive on the stock.

INR in Mn (Consolidated)	FY20	FY21	FY22	FY23
Revenue	3,540	3,700	4,690	5,090
EBITDA	300	400	640	740
EBITDA margin(%)	8.5%	10.8%	13.6%	14.5%
PAT	4	83	449	454
EPS (in INR)	0.23	4.72	25.38	24.91
PE(x)	3952x	192.6x	35.8x	36.5x

Phoenix Mills Ltd

CMP INR 2,060 | Target INR 2,307

Guidance The trading occupancy expected to be 95% by Q3FY24, and 2 digit growth in consumption and rental side for FY24.

Margin improvement can be contributed to strong operating performance, increase in people visiting by their own vehicles due to parking availability and increase in trading densities. Currently, the EBITDA is ~102% of rental income, going forward, these margins are sustainable.

Office portfolio witnessing strong leasing traction, strong leasing traction continues during the period April to July 2023, with gross leasing of ~1.76 lakh sf, of which ~0.88 lakh sf is new leasing and ~0.87 lakh sf is renewal. Commercial Offices Income stood at INR 449 mn, up by 11% YoY.

Hospitality St Regis Mumbai in Q1FY24 occupancy down by 3% at 82%; ARR up by 38% to INR 16,504; RevPar at INR 13,494mn up by 33% YoY. Courtyard by Marriott Agra in Q1FY24 occupancy at 72%; ARR up by 18% to INR 4,408; RevPar at INR 3,160mn up by 36% YoY.

Outlook Phoenix has reported strong numbers on the back of increase in rentals, increase in trading occupancy and an uptick in retail collection. We believe the company will be able to sustain this growth trajectory as office occupancy is also increasing along with other mentioned tailwinds.

INR in Mn (Standalone)	FY22	FY23	FY24E	FY25E
Revenue	14,845	25,558	34,569	42,052
EBITDA	7,432	14,992	20,981	25,641
EBITDA margin(%)	50	58	60	61
PAT	2,350	13,120	9,520	13,131
EPS (in INR)	13	41	54	76
PE(x)	96	41	33	23

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

Tata Consumer Ltd

CMP INR 913 | Target INR 1,040

Tata Soulfull: Tata Soulfull is expected to deliver strong growth in the future. The Brand has entered new categories with new products like NutriDrink+ for kids and for adults as well, Millet Granola entering the premium cereal category. Soulfull will be coming up with new products in the major categories in the coming quarters.

NourishCo: Flagship drinks like Gluco+ and Copper+ have higher margins and are growing at 65%+ YoY. The company has also considered expansion to drive the expected demand in future for NourishCo. The company is also expanding its supply chain network to northern and western states.

Tata Agni has experienced tremendous growth over the last quarter and is raising the margin on the tea segment, which has seen a 33% price increase in the last 15 months. TCPL maintained market leadership in tea in the e-com channel for the 26th consecutive month. The company opened 16 new stores of Starbucks in Q1FY24 totaling the stores to 348 stores.

Outlook: In the upcoming quarters, the company anticipates that increasing volumes will fuel its growth as well as the recovery in rural demands will be seen soon. In the salt business, the company has seen volume growth despite a steep increase in the previous quarter. TCP's EBITDA margins improved in spite of continued investments in new segments and is confident that there is more scope for improvement from current levels. We recommend BUY with a TP of INR 1,040 at a P/E of 52x the FY26E EPS

INR Mn (Standalone)	FY23	FY24E	FY25E	FY26E
Revenue	1,37,832	1,54,656	1,73,284	1,93,938
EBITDA	18,565	21,694	25,061	28,782
EBITDA margin(%)	13.5	14	14.5	14.8
PAT	10,494	13,434	15,660	18,355
EPS (in INR)	11.3	14.0	14.5	14.8
PE(x)	80.8	65.2	63.0	61.7

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

Marico

CMP INR 528 | Target INR 597

Demand environment and new developments: There were improvements in demand sentiment and volume growth seen toward the end of Q2. Growth was led by Foods, while HPC's contribution to growth was marginally positive. Going forward we expect a better harvest and inflation to remain within the target range. The company is working toward building VAHO salience in GT with the below INR 300 category so that it can later move into MT and Ecommerce once the offering has been developed. Beardo is expected to turn profitable this year. The new brand 'True Elements' might get a brick and mortar presence, and some of the offerings need to be altered to suit Indian tastes as they are currently western leaning.

The international business: Registered a low double-digit CC growth, despite the economic issues faced in Bangladesh. The company is reducing its dependence on Bangladesh as the market requires regular pricing action to be taken. Vietnam, MENA, and Africa all delivered profitable growth.

Outlook: We expect there to be a gradual improvement in the current operating environment, and a better H2. This should result in gross and EBITDA margin expansion as the company has well-navigated input cost tailwinds that have persisted so far, though brand-building activities will remain afoot. We believe the company will be able to deliver high single-digit volume and double-digit revenue growth in its stable state. We assign a TP of INR 597 valued at a P/E multiple of 45x the FY26E EPS of INR 13, yielding an upside of 12%, and an 'Accumulate' rating.

INR Cr	FY23	FY24E	FY25E	FY26E
Revenues	9,764	10,080	10,869	11,836
EBITDA	1,810	2,061	2,255	2,486
EBITDA Margin (%)	18.5	20.5	20.8	21.0
Reported PAT	1,309	1,402	1,525	1,679
EPS (INR)	10.4	11.1	12.1	13.3
P/E (x)	50.8	47.5	43.7	39.8
Price/Book (x)	17.9	14.9	11.3	11.4

HDFC Bank

CMP INR 1484 | Target INR 2,072

In Q2FY24, HDFC Bank reported the first quarterly earnings of the merged entity after the merger of HDFC Limited with the bank.

Fall in margins to stabilise and gradually normalize by FY25 End: We expect the HDFC Bank's fallen margins would normalize by FY25 end as mix of mortgage loans in overall loan book normalizes and legacy retail loanbook maintains the faster growth mixed with higher yields.

Higher Opex in the near term to pay rich dividends as the bank flexes across the Tier 2 & Tier 3 towns: HDFC Bank is increasing its presence faster than other large Private banks across the nation, and while it will spike the current Opex/Income ratio for the current year and the next, the cost of acquisition of new customers will be far lower than the yields the bank will be able to reap out of them.

Outlook: On a like to like basis, all of retail, corporate and SME books of the bank have shown healthy growth in Q2FY24, and we expect it to only grow stronger in the H2FY24 as retail growth catches up to faster growing corporates & SMEs. Going forward, while the NIMs start improving with rising retail, large mix of mortgage loans in the book will keep credit costs below 0.7-0.8% for the bank in the medium term. Hence, we maintain our Positive stance on the bank, and raise our estimates, valuation backed by more stability and available liquidity to fuel faster growth for the bank. We maintain our Buy rating on the stock with a target price of INR 2,072, on 2.8x FY26E P/ABV

Standalone (INR Bn)	FY22	FY23	FY24E	FY25E	FY26E
NII	720	868	1104	1287	1581
Net Profit	370	441	618	796	1043
Networth	2401	2802	4050	4655	5447
Adj BVPS	425	491	522	598	695
P/ABV (x)	3.2	2.8	2.6	2.2	1.9
RoA (%)	2.0	2.1	2.1	2.1	2.4
RoE (%)	16.7	17.0	18.0	18.3	20.6

Kotak Mahindra Bank

CMP INR 1,734 | Target INR 1,668

KMB posted mixed Q2FY24 results wherein PAT declined 8% QoQ (+24% YoY) mainly due to flat NII (+23% YoY), while business growth was strong with advances rising 6% QoQ (+18.5% YoY) and deposits up 4% QoQ (+23% YoY). Operating expense was flat QoQ (+15% YoY), but the C/I ratio rose to 46.5% vs. 44.5% in Q1.

Robust business growth: Q2 credit growth of 18.5% YoY was backed by an 18% rise in the corporate book (+10% incl. credit substitutes), alongside strong traction in credit cards (+59%), personal loans (+35%) and consumer banking (+21%). Home loan growth moderated to 15% YoY vs. 40% in the year-ago quarter. The unsecured book formed 11% of advances vs. 8.7% a year ago. Deposits increased 23% YoY led by term deposits wherein the bank's 'ActivMoney' product grew 28% QoQ due to a shift from retail SA, leading to a lower CASA ratio of 48.3%.

Stable asset quality; credit cost rises: Slippages were flat QoQ at 1.6%, leading to stable GNPA/NNPA at 1.7%/0.4% with PCR of 79%. Credit cost was also flat, normalising at 45bps.

We expect the positive performance to continue in coming quarter and recommend to buy at current levels with a TP of INR 1900.

Standalone (INR Mn)	FY23	FY24E	FY25E	FY26E
NII	21,552	25,401	29,278	34,292
Net Profit	10,939	12,727	14,309	16,410
Networth	83,520	96,248	110,556	126,967
Adj BVPS	417.9	482.0	554.0	636.6
P/ABV (x)	4.2	3.6	3.1	2.7
RoA (%)	2.8	2.4	2.3	2.2
RoE (%)	17.8	14.2	13.9	13.7

AGI Greenpac

CMP INR 961 | Target INR 2,112

Overview: We believe there is huge earning upside present in AGI Greenpac as they are in process of acquiring HNG. Post acquisition, company will become the largest glass manufacturer in India. And once the operations are normalized, the acquisition will provide huge jump to the company's EPS.

Capacity: AGI currently has a capacity of 1,854 tpd running at optimum levels. HNG has operational capacity of 3,200 tpd but running at suboptimal levels. Post acquisition, the management aims to optimize the utilization levels (increase the volumes) and align the efficiencies (operational and financial) with that of AGI.

Clients: Currently, company has >500 institutional clients including marquee names like Kingfisher, Pepsico, United Spirits, United Breweries, Radico. Post acquisition, the company will become the biggest glass manufacturer in India by capacity. Atop 3,200 tpd capacity, there are additional furnaces with capacity of 1,100 tpd which are not operational. These can be restarted when management feels is the right time.

Valuation: There is huge upside potential in the company as HNG's numbers will boost earnings and strengthen AGI's presence in the sector. We believe AGI is an attractive buy with 2-year horizon and a price objective of INR 2,112 (on a base case scenario, stock will trade at 27.8x FY26EEPS).

INR in Mn (Standalone)	FY20	FY21	FY22	FY23
Revenue	18590	12600	14300	22810
EBITDA	2710	2660	2650	4620
EBITDA margin(%)	14.6%	21.1%	18.5%	20.3%
PAT	480	880	1930	2620
EPS (in INR)	6.7	13.6	29.9	40.44
PE(x)	143.4x	70.7x	32.1x	23.8x

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

UPL

CMP INR 551 | Target INR 783

Overview: UPL Ltd, formerly known as United Phosphorus Ltd, is a prominent Indian multinational corporation specializing in the production and distribution of a diverse range of agrochemical products. UPL has a presence in more than 100 countries. UPL's core portfolio encompasses an array of crop protection solutions, including herbicides, insecticides, fungicides and biocides.

Anticipating Increased Demand in H2FY24 Across Different Regions: In North America, channel inventories are approaching optimal levels and are projected to improve further. The company foresees heightened demand in the upcoming third and fourth quarters, which are traditionally peak seasons. Across LATAM, the agricultural sector has expanded due to increased acreage and abundant available land, along with reduced labor costs

Price Uptrend to continue as channel inventories begin to decline: There has been a noticeable improvement in prices for most active ingredients from their low points. Notably, chemicals like paraquat and glyphosate have experienced a global price increase of upto 25% on a QoQ basis. This price uptrend is anticipated to improve as channel inventories keep on declining in the second half of FY24

Outlook: UPL has implemented backward integration in its key molecules, which contributes ~60% of its sales, enabling it to maintain cost competitiveness. Overall, we believe the company is expected to perform much better in H2FY24 led by uptrend in Pricing and better demand. Hence, we value the company at PE of 10x its FY26E EPS of INR 78.3, resulting in a target price of INR 783 per share.

Valuation summary (INR Mn)	FY23	FY24E	FY25E	FY26E
Net Sales	5,35,750	5,36,184	6,00,640	6,52,319
EBIDTA	1,11,590	80,852	1,27,716	1,41,520
Net Profit	42,560	24,537	62,401	71,672
PAT Adj	47,030	20,172	51,146	58,729
Diluted EPS	62.7	26.9	68.2	78.3
P/E (x)	11.4	26.6	10.5	9.1
EV/EBIDTA (x)	6.3	9.1	5.5	4.7

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

Shriram Finance

CMP INR 2014 | Target INR 2,482

Overview: Tech integration with Paytm is expected to be completed soon. Further Sriram Finance is looking into tie ups with other fintech. They have tied up with one fintech for giving credit to extending credit to new to credit customers and a couple of fintech for supply chain funding.

NIMs expanded by 60 bps sequentially at 8.93% v/s 8.26% in Q2FY23, led by improvement in yields due to the change in loan mix. Net interest income (NII) was up by 17.4% YoY and 8.55% QoQ to INR 4,8181 mn.

Company plans to add 1500 more employees over next 2 quarters. The asset quality on improved on an overall basis as GNPA/NNPA

OUTLOOK: Shriram finance showed healthy operational performance during the quarter with expansion in net interest margins. AUM growth was steady with high yielding segments like personal loans, MSME and gold portfolio reporting robust growth. This signals a positive outlook. We remain Positive on the stock and value it at 1.7x P/ABV FY26E for a Target Price of INR 2,482.

INR Mn (Consolidated)	FY23	FY24E	FY25E	FY26E
NII	1,60,600	1,78,800	2,04,900	2,33,200
PPOP	1,23,400	1,35,500	1,54,400	1,78,100
PAT	59,800	68,200	77,100	88,500
EPS (INR)	159.7	182.1	206	236.3
ROAE (%)	13.7	14.8	14.9	15.1
ROAA (%)	2.9	3.1	3.1	3.1
ABVPS (INR)	1,005	1,134	1,275	1,439
P/ABV (x)	1.7	1.5	1.4	1.2

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

Piramal Enterprises Ltd

CMP INR 985| Target INR 2,600

Overview: Company's focus on resolution of wholesale book 1.0 has increased, along with building a granular wholesale book 2.0. This will happen slowly and gradually and will help to further improve their asset quality. Further, company has shown a seasonally weak Q1FY24 but, with the increasing focus on retail lending, company is expected to show positive performance in coming quarters, with improvement in margins.

Leveraging the Phygital strategy to serve budget customers in tier 2 and tier 3 cities will help in increasing its AUM. In the near term, wholesale book 1.0 is expected to reduce via sale to ARC and the retail to wholesale mix is expected to be 60:40. In the long term, company targets to double its total AUM to INR 1.2 lakh crore by FY2028. Also, with the buyback of equity shares, their ROE is expected to improve.

Outlook: If we look at a bigger picture, company has identified its shortcomings like low ROE, high cost of funds, bad wholesale 1.0 book among others and is working to eradicate them through buyback and sale of bad book to ARC. We have a target price of INR 1650 in the bear case and INR 2600 in the bull case scenario.

INR Mn (Consolidated)	FY23	FY24E	FY25E	FY26E
NII	32,977	37,574	45,125	55,280
PPOP	24,574	28,307	37,340	40,338
PAT	18,152	17,873	23,475	19,833
ROAE (%)	6.6	5.3	7.6	6.3
ROAA (%)	2.3	1.9	2.8	2.1
ABVPS (INR)	1,544	1,301	1,376	1,431
P/ABV (x)	0.5	0.6	0.8	0.7

Mahindra Lifespace Developers

CMP INR 490 | Target INR 588

Overview: In FY24 more than 9 launches with GDV of ~INR 25,000-35,000mn expected

Acquisition Acquired 5.38 acres of land in Wagholi, Pune with a development potential of over 1.5 msf (saleable area). The launch is expected soon pertaining to this project.

Ongoing projects The company has 3.97msf of ongoing development with a sales value of INR 26,390mn spread across Pune, Chennai, MMR, Blore, Nagpur and NCR in premium residential segment. Additionally, the company has 2.97msf ongoing development with a sales value of INR 10,270mn spread across Pune, Chennai and MMR in value residential segment. Forthcoming projects includes 2.83 msf of launches in premium segment, new projects of 3.58msf and 0.71 msf of value homes.

Launches FY24 The company is planning to launch 9 projects in FY24 worth GDV of ~INR 25,000-35,000mn which will include a project in Bangalore, Kandivali, Happinest Kalyan 2 phase 2, Happinest palghar2 phase2, redevelopment project.

Outlook The company has announced targets of being 5x from current levels by FY28 which we feel can be achieved looking at the industry tailwinds and the company's robust pipeline. For FY25 the company has guided for ~INR 25,000mn presales in residential and INR 5,000mn for IC&IC business.

INR in Mn (Standalone)	FY22	FY23	FY24E	FY25E
Revenue	**3,936**	**6,066**	**5,393**	**7,323**
EBITDA	**(895)**	**(1,101)**	**(3)**	**87**
EBITDA margin(%)	(22.7)	(18.2)	(0.1)	1.2
PAT	1,545	1,014	1,383	1,571
EPS (in INR)	3.7	2.2	8.9	10.2
PE(x)	105.9	162.0	59.1	52.0

Mahindra & Mahindra Ltd

CMP INR 1469 | Target INR 1,668

Financial Growth and Strategy: The company has achieved 3x profit growth, adopted a capital allocation strategy for loss-making businesses, and aims for 18% ROE and 15-20% EPS growth in the auto, farm, and services sectors.

Strong and sustained demand for its SUVs despite Macro challenges: M&M aims to strengthen its position in the ICE SUV market by diversifying its product portfolio and offering a range of exciting vehicles to cater to customer preferences. Additionally, the company plans to expand its presence in the 3.5- ton LCV segment with new pickup models, while also focusing on 2.5x international growth by FY26. Very good growth in SUV volumes crossed 100,000 numbers in the quarter, very good growth in the revenue market share. The company is operating at nearly maximum capacity, producing 39,000 units, which includes SUV exports.

The Nascent farm equipment business is expected to experience significant and rapid growth: Amidst positives like favorable weather and improved farmer terms, the FES industry's FY24 outlook is uncertain due to a high base and reduced festive season; management's revised view awaits festive season demand. Despite a dip in farm volumes, the company achieved the second- highest ever quarter volume with a 42.9% MS. They anticipate growth in the Orchard and lightweight tractor segment with a 30% MS, boosted by the Swaraj and Wujiang launches.

Valuations and Outlook: M&M prioritizes balanced profitability in its auto, farm, and services sectors, aiming for scalability and financial goals. To enhance its global auto presence, the company focuses on profitable markets like South Africa, Australia, and New Zealand. In the Indian market, M&M plans to boost its position in the lightweight tractor segment by introducing specialized models, particularly targeting improved performance in rice paddling, a significant agricultural practice in the country. We have an Accumulate rating on the stock with target price of INR 1,668 per share

INR in Mn (Standalone)	FY23	FY24E	FY25E	FY26E
Revenue	8,49,603	9,98,301	11,02,017	11,80,334
EBITDA	1,04,424	1,33,727	1,50,093	1,61,671
EBITDA margin(%)	12.30%	13.40%	13.60%	13.70%
PAT	65,486	1,01,415	1,11,699	1,18,988
EPS (in INR)	54.7	84.6	93.2	99.3
PE(x)	27.1	17.5	15.9	14.9

Tech Mahindra Ltd

CMP INR 1,149| Target INR 1309

We anticipate a revenue growth revival starting from FY26, particularly in the enterprise vertical, although we expect sluggish growth in the communication sector in FY25/26 due to reduced investments in 5G and overall capex spending in telecom OEMs. In the BFSI vertical, TechM has the potential to tap into substantial accounts through strategic hires and build on relationships, while focusing on larger clients and improving client mining, expecting revenue growth to become apparent with increasing large TCV from Q1FY25, leading to steady and sustainable growth from FY26.

We anticipate a margin rebound in FY25, with TechM implementing various strategies, including restructuring mid to senior-level staff and increasing fresher recruitment for pyramid optimization, streamlining and centralizing the delivery structure under a new COO, rationalizing the portfolio, improving operating parameters in terms of subcontracting and offshore mix, while also avoiding significant investments in M&A, all contributing to margin enhancement.

Valuation and Outlook: We have a positive view on the stock led to the addition of new personnel, including a COO and a Head of BFSI, is anticipated to tackle problems related to execution and sales. The company will unveil detailed plans for revenue growth, margin improvement, and organizational changes in April 2024. We have a Buy rating on the stock with target price of INR 1,309 per share.

INR in Mn (Consolidated)	FY23	FY24E	FY25E	FY26E
Revenue	532,902	525,370	563,720	613,750
EBITDA	**80288**	**60100**	**86805**	**102,170**
EBITDA margin(%)	**15.07%**	**11.44%**	**15.40%**	**16.65%**
PAT	**48313**	**34250**	**53975**	**64950**
EPS (in INR)	54.76	38.8	61.1	72.7
PE(x)	20.982	29.613	18.805	15.805

Voltas

CMP INR 835 | Target INR 1,037

Overview: Voltas Ltd is engaged in the business of air conditioning, refrigeration, and electro-mechanical projects.

Steady performance in UCP segment: AC volume growth stood at 15% in Q2FY24 and the majority of growth came from Air coolers (>50% YoY), water coolers (double-digit growth), and water dispensers (double-digit growth). Air coolers are the major contributor to UCP growth, Air coolers witnessed strong demand in the South and East markets, while the North market remained muted. Overall, Air Cooler witnessed 50% YoY volume growth in Q2FY24. Commercial refrigeration witnessed muted growth due to lower demand for cold beverages, chocolates, and Ice-creams. Commercial air conditioning witnessed strong demand from chillers and packed air conditioners.

Provisioning has impacted EMP: Domestic order book stood at INR 3,368cr and International order book stood at INR 3,368cr. The international order book is mostly from the UAE, Qatar, and Saudi Arabia regions. The risk management policy has moved from unconditional to conditional guarantees for projects. The change in policy is due to challenges faced in the Qatar project.

Outlook & Valuation: Voltas has a leadership position in the RAC segment, however, its market share declined to 19.2% as of Oct-23. The upcoming festive season will improve H2FY24E. The change in risk management policy from unconditional to conditional guarantees for projects will improve EMP segments. The focus on volumes and increase in consumer finance penetration would improve sales and market share going forward. A strong brand presence, a wider network, a focus on the B2C segment, export duty removal of iron ore, and industry growth will be the key drivers for the company. The Capex for RAC and Commercial AC will lead to additional revenue going forward. We maintain our “BUY” rating at a TP of INR 1,037 per share; valued based on SOTP.

INR in Mn (Standalone)	FY23	FY24E	FY25E	FY26E
Revenue	9,499	11,664	13,994	16,473
EBITDA	**572**	**758**	**949**	**1,216**
EBITDA margin(%)	**6.0%**	**6.5%**	**6.8%**	**7.4%**
PAT	**136**	**508**	**721**	**949**
EPS (in INR)	3.0	15.4	21.8	28.7
PE(x)	277.0	53.3	37.6	28.6

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth

Last year's Diwali Picks performance

Sr No.	Company	Reco Price	Target Price	52 wk High	Returns
1	Tata Power Company Ltd.	219	250	277	26%
2	Oberoi Realty Ltd.	868	1,100	1251	44%
3	Hindustan Aeronautics Ltd.	1,202	1,309	2085	73%
4	Bharat Dynamics Ltd.	956	1,150	1278	34%
5	Rane Holdings Ltd.	910	1,106	1315	45%
6	HDFC Life Ltd.	542	655	691	27%
7	Bajaj Finserv Ltd.	1,684	2,065	1798	7%
8	Grasim Industries Ltd.	1,677	1,878	2022	21%
9	Phoenix Mills	1,431	1,671	2120	48%
10	Colgate Palmolive	1,587	1,701	2148	35%
11	Tata Consumer Products	762	935	929	22%

Arihant's Diwali
PICKS SAMPAT 2080

Arihant Capital
Generating Wealth