Sharekhan
by BNP PARIBAS

DIWALI PICKS 2023

Sharekhan Diwali Picks - Consistent track record

Year	Return (%)				
	Diwali Picks	Nifty	Diwali Picks Vs. Nifty	CNX Midcap	Diwali Picks versus CNX Midcap
2015	18	8.2	↑	20.1	↓
2016	38	14.7	↑	15.8	↑
2017	4	3	↑	-11	↑
2018	8	10	↓	-5.7	↑
2019	6.6	2.9	↑	8.9	↓
2020	72.7	56.5	↑	85.5	↓
2021	3.6	-6.5	↑	-2.3	↑
2022	**35.9**	**14.6**	↑	**31.1**	↑

↑ - **Outperformance**

↓ - **Underperformance**

Sharekhan Diwali Picks 2023 (Samvat 2080)

Dear Investors,

Samvat 2079 is ending with sparkling returns in the broader market, despite numerous global challenges, such as impending economic downturns in the US and Europe, China experiencing its slowest growth in years, and aggressive interest rate hikes worldwide. Year-to-date, the Nifty is up by 14.6%, and interestingly, the CNX Midcap index has risen by 31%.

In this context, our Diwali Picks 2022 basket, a blend of large-caps and mid-caps, once again convincingly outperformed the CNX Nifty and CNX Midcap indices, delivering a remarkable 35.9% return compared to Nifty's 14.6% and CNX Midcap's 31% return. Over the past eight years, our Diwali Picks have outperformed the Nifty seven out of eight times, and surpassed the midcap indices five out of eight times, a remarkable achievement.

In less than a month, as we approach end of *Samvat 2079* and step into *Samvat 2080*, the equity market outlook looks promising. Despite global market headwinds and the upcoming state and general elections, all signs point to India's strengthening position, which is set to become the world's third-largest economy by FY28. Corporate earnings are expected to grow at a CAGR of 15% for the next two years, with over 20% earnings growth anticipated in the BSE 200 over the same period.

Notably, this year, ahead of the curve, we are unveiling our Diwali Picks for *Samvat 2080* to capitalise on the current market weakness and craft a winning, high-quality portfolio. This year's selection comprises 15 high-quality stocks, primarily centered around the domestic upcycle theme, with some quality picks to leverage greenshoots in the export market.

Investors should view the current market weaknesses as valuable buying opportunities for constructing a top-tier portfolio aimed at riding the multi-year economic upcycle in India and use the opportunity for wealth creation over the next few years.

In advance, we wish you a joyous and prosperous Dusshera and a radiant, Happy Diwali!

Sharekhan
by BNP PARIBAS

Diwali 2023
Samvat 2080

Bank of India

Bharat Forge

Birlasoft

BSE Limited

DLF

Garware Hi-Tech Films

Gokaldas Exports

Hindustan Aeronautics

IndusInd Bank

Kirloskar Oil Engines

Kolte-Patil Developers

Larsen & Toubro

Sanofi India

Tata Motors

Wonderla Holidays

Sharekhan Diwali Picks 2023 (Samvat 2080)

Company	CMP (Rs.)	EPS/BV (Rs.)		PER/PBV (x)		RoE (%)	
		FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Bank of India	103	147.0	172.0	0.7	0.6	11.9	11.4
Bharat Forge	1,094	29.6	33.9	36.9	32.2	15.8	15.9
Birlasoft	550	20.8	24.3	19.4	16.5	21.6	21.4
BSE Limited	1,545	25.1	32.6	40.5	31.2	11.9	15.1
DLF	560	9.1	10.1	61.4	55.5	5.9	6.2
Garware Hi-Tech Films	1,421	95.4	147	14.9	9.7	19.4	23.5
Gokaldas Exports	970	26.6	35.8	36.4	27.1	16.7	18.9
Hindustan Aeronautics	1,954	79.4	90.7	24.6	21.5	22.1	24.4
IndusInd Bank	1,450	853.0	967.0	1.7	1.5	15.4	15.4
Kirloskar Oil Engines	557	22.8	26.2	23.1	21.3	16	17
Kolte-Patil Developers	497	26.9	33.9	18.4	14.7	17.8	18.7
Larsen & Toubro	3,052	91.4	111.9	33.3	27.3	16.1	17.3
Sanofi India	7,443	234.5	267.2	31.8	27.9	52.5	59.1
Tata Motors	668	26	33	26.1	20.2	17.8	18.8
Wonderla Holidays	809	28.9	33	28	24.5	16	15.8

Note – BV and PV figures are for banks and financial services companies
Source: Sharekhan Estimates

CMP is as on October 19, 2023

Bank of India

Industry: Banking
CMP: Rs. 103

- Given a strong asset quality outlook, RoA would inch up closer to ~ 1% on lower credit cost and improved core PPoP.
- The management is guiding for strong cash recoveries amounting to Rs. 12,000 crore in FY24 vs Rs. 7,233 crore in FY23 which would result in recoveries outpacing slippages in FY24 driven by resolution of some of the accounts under NCLT led by the power sector and OTS (One-time Settlement Scheme).
- Loan growth momentum is also expected to pick up, led by a resurgence in MSMEs and corporate credit growth for 9MFY24, while the retail segment continues to perform well.
- We believe valuations are expected to inch higher as the return ratio improves in the coming quarters on the back of uptick in loan growth, stable margins, further lower credit cost. At CMP, the stock trades at 0.7x/0.6x its FY24E/25E BV estimates.

Key risks: Economic slowdown, which could result in slower loan growth, higher-than-anticipated credit cost and lower-than-expected margins.

3R MATRIX

	+	=	-
RS	✓		
RQ		✓	
RV	✓		

Stock data

Market Cap (Rs. cr)	42,410
52-wk High-Low (Rs.)	114/48
NSE Volumes	109 lakh
BSE code:	532149
NSE code:	BANKINDIA
Promoter's share (%)	81.4

Stock Performance

(%)	6M	12M
Absolute	29.7	114.0
Relative to Sensex	19.7	103.1

Valuation summary — Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Net Interest Income	14,062	20,275	23,510	25,629
Net Profit	3,405	4,023	7,460	8,014
EPS (Rs)	8.8	9.8	18.2	19.5
RoE (%)	6.6	7.1	11.9	11.4
RoA (%)	0.4	0.5	0.9	0.9
P/E (x)	11.8	10.6	5.7	5.4
P/BV (x)	0.9	0.8	0.7	0.6

Source: Sharekhan Estimates

Bharat Forge Ltd

Industry: Automobiles
CMP: Rs. 1,094

- Bharat Forge Limited (BFL) is a domestically-grown MNC with expertise in forging and caters to both auto and non-auto segments. BFL is a leading company, which has built overseas markets ahead of time and is now considered to be a preferred global partner across sectors.
- Following the Europe *plus* 1 global theme the casting business has been gradually shifting from Europe to low-cost manufacturing countries like India and BFL has been targeting to benefit from *Europe plus 1* theme in the castings segment. The acquisition of casting capacities has now allowed BFL to play in global casting segment. While BFL has built up strong capacities inhouse, it has plugged the gap via suitable inorganic growth opportunities, given it now complements its offerings in forging with castings after acquisition of casting capacities
- Bharat Forge (BFL) has also received license for small arms business in India is a play on the global defence segment supported by robust order book. Further, the company is expecting order inflow from domestic defence segment, which we believe would be a potential multiplier.
- A well-diversified, de-risked business model and a best fit play on global auto as well as non-automotive engineering. Robust order book with sustainable high margin would converge into sustenance of high valuation and the re-rating is expected to continue in our view, given engineering companies demand a premium valuation in market.
- **Key risk**: Unfavourable global business cycle, sharp rise in raw material cost, a delay in execution of projects at client's end and a delay in turnaround of its overseas subsidiaries. Sudden change in regulations or government policies.

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV		✓	

Stock data

Market Cap (Rs. cr)	50844
52-wk High-Low (Rs.)	1148/744
NSE Volumes	12.18 lakh
BSE code:	500493
NSE code:	BHARATFORG
Promoter's share (%)	45.25

Stock Performance

(%)	6M	12M
Absolute	40.3	40.2
Relative to Sensex	30.1	29.1

Valuation summary

Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	6,255	7,573	8,830	9,687
EBITDA margin (%)	27.4	25.2	26.2	26.8
Adjusted PAT	1,019	1,150	1,379	1,578
Adjusted EPS (Rs.)	21.9	24.7	29.6	33.9
P/E (x)	49.9	44.2	36.9	32.2
P/B (x)	7.2	6.6	5.8	5.1
EV/EBIDTA (x)	29.4	26.5	21.8	19.5
RoNW (%)	14.3	14.9	15.8	15.9
RoCE (%)	10.2	10.3	11.7	12.1

Source: Sharekhan Estimates

Birlasoft

Industry: IT & ITeS
CMP: Rs. 550

- Birlasoft is a global IT services and consulting company that aids businesses in their digital transformation journey. Their expertise spans across various domains, including cloud computing, analytics, and enterprise applications
- Under a new CEO, the company has hired leaders with renewed focus on select geographies, verticals, and service lines. The strategic efforts continue to pay off as evident from consecutive quarters of strong revenue growth despite macro-economic overhang.
- The company's deal pipeline remains healthy and outlook remains optimistic as management seeks to achieve $200 million of signings every quarter. The company continues to see strong revival in EBITDA margin led by operational efficiencies, automation, lower attrition and healthy utilisation, which is likely to continue going forward.
- Birlasoft expects its digital and data business to experience growth momentum due to their strong leadership in ERP and infrastructure. Further, their renewed focus on key sectors such as BFSI and manufacturing verticals is expected to drive the overall performance of the company.

Key risks: Rupee appreciation and/or adverse cross-currency movements. Contagion effect of banking crisis, macro headwinds and a possible recession in the US are likely to moderate the pace of technology spending

Valuation summary Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	4,130.4	4,794.8	5,207.4	5,843.2
OPM (%)	15.5	14.0	15.5	16.0
Adjusted PAT	457.9	323.7	573.9	660.2
% YoY growth	42.7	(29.3)	77.3	15.0
Adjusted EPS (Rs.)	16.4	11.9	20.8	24.3
P/E (x)	24.5	33.7	19.4	16.5
P/B (x)	3.1	3.2	2.8	2.4
EV/EBIDTA (x)	10.7	10.3	8.3	6.9
RoNW (%)	19.2	12.9	21.6	21.4

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS		✓	
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	15,147
52-wk High-Low (Rs.)	560/250
NSE Volumes	30.2 lakh
BSE code:	532400
NSE code:	BSOFT
Promoter's share (%)	41

Stock Performance

(%)	6M	12M
Absolute	102	92
Relative to Sensex	94	81

BSE Limited

Industry: Diversified Financials
CMP: Rs. 1,545

- We believe that BSE Ltd is likely to deliver strong earnings growth of ~40% CAGR over the next 3 years driven by uptick in volumes for Equity & Index derivatives segments and increasing the transaction charges in derivative segment gradually as the company gains sustainable momentum in overall equity derivatives volume over the medium term.
- It has re-launched derivative contracts on Sensex and Bankex in May 2023 and is witnessing healthy traction. Its derivative market share has improved notably since the launch of weekly index options expiry, however it charges Rs. 50/million on premium turnover of the options contracts, which is significantly lower than NSE which charges Rs. 350/ million on premium turnover.
- NSE's derivative volume is ~28x of BSE`s volume currently on monthly basis. This gives us the sense that how big is the opportunity. NSE derives approximately ~Rs 10,000 crore of revenues from index options p.a and BSE is venturing into this opportunity.
- BSE's cash market average daily trading volume has also picked up strongly in the recent times due to derivatives volumes and are at multi-year high. The increase in derivatives volumes will further boost cash volumes.

Key risks: Slower-than-anticipated growth in equity derivatives

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	20,916
52-wk High-Low (Rs.)	1,519/406
NSE Volumes	20.3 lakh
BSE code:	NA
NSE code:	BSE
Promoter's share (%)	-

Stock Performance

(%)	6M	12M
Absolute	230.0	154.4
Relative to Sensex	220.0	143.5

Valuation summary

Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	743	816	994	1,184
EBITDA	213	197	364	492
PAT	245	206	326	424
EPS	18.1	15.2	25.1	32.6
RoCE (%)	7.1	5.7	8.7	10.9
RoE (%)	9.2	7.6	11.9	15.1
Core P/E (x)	56.2	67.0	40.5	31.2

Source: Sharekhan Estimates

DLF

Industry: Real Estate
CMP: Rs. 560

- DLF has a track record of over seven decades and has developed more than 158 real estate projects and developed an area in excess of 340 msf. DLF Group has 215 msf of development potential across residential and commercial segment. The group has an annuity portfolio of over 42 msf.
- The company gave a sales guidance of Rs. 12,000-13,000 crore and 50% plus gross margin for FY2024. It has a planned launch pipeline of 11.2 msf with a sales potential of Rs. 19,710 crore for FY2024 of which major launches are planned in H2FY2024.
- Its rental portfolio is gradually witnessing rising physical occupancies while focusing on doubling its retail portfolio over the next 4-5 years. The exit rentals for March 2024 and March 2025 are pegged at Rs. 5000 crore and Rs. 5600-5700 crore.
- DLF's strong leadership position in Delhi-NCR, a strong residential project pipeline, huge rental portfolio, large land reserves at low carrying costs, and strong housing market tailwinds provide a high-growth opportunity.
- **Key risks:** A slowdown in real estate demand, especially in the Delhi-NCR region, is a key risk to our call. Unfavourable macro indicators, such as a rise in interest rates, can dampen demand.

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	1,38,617
52-wk High-Low (Rs.)	577/337
NSE Volumes	101.7 lakh
BSE code:	532868
NSE code:	DLF
Promoter's share (%)	75.0

Stock Performance

(%)	6M	12M
Absolute	33	51
Relative to Sensex	23	40

Valuation summary Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	5,717.4	5,694.8	6,234.3	6,939.8
EBITDA margin (%)	30.5	30.3	30.4	31.0
Adjusted PAT	1,725.3	2,035.8	2,258.2	2,496.8
Adjusted EPS (Rs.)	7.0	8.2	9.1	10.1
P/E (x)	80.3	68.1	61.4	55.5
P/B (x)	3.8	3.6	3.5	3.3
EV/EBIDTA (x)	68.8	69.5	63.3	55.8
RoNW (%)	4.8	5.5	5.9	6.2
RoCE (%)	5.7	6.0	6.0	6.3

Source: Sharekhan Estimates

Garware Hi-Tech Films Ltd

Industry: Capital Goods
CMP: Rs. 1,421

- Garware Hi-Tech Films Ltd (GHFL) has incurred a capex of Rs. 270 crore over the last two years. With the help of this capital expenditure, GHFL was able to vertically integrate its business, strengthen its dealer network, launch its new product (PPF), and increase the capacity of its current goods (SCF). Thus, ramping up of capacity provides the company with strong medium-term growth visibility.
- GHFL has continuously increased the share of value-added products within its sales mix. Value-added products, which accounted for 48% of total sales in FY2017, increased to 80% in FY2023. This led to an improvement in its margin to 18.7% in FY2023 from 9% in FY2017. As the company is planning to ramp up the capacity of value-added products and add new products, margins will continue to improve going forward.
- The company has fully vertically integrated chips-to-film manufacturing facilities. These capacities are fungible and capable of delivering customised products across a range of over 3,000 SKUs. Backward integration also helps the company's R&D department, as it leads to greater customization, faster time-to-market, and improved quality.
- **Key risks:** Sharp surge in oil price could impact margin/earnings. Sluggish demand in the automotive and real estate Industry.

3R MATRIX

	+	=	-
RS		✓	
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	3,301
52-wk High-Low (Rs.)	1,632/492
NSE Volumes	0.6 lakh
BSE code:	500655
NSE code:	GRWRHITECH
Promoter's share (%)	61.0

Stock Performance

(%)	6M	12M
Absolute	146.2	107.5
Relative to Sensex	135.7	96.2

Valuation summary

Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	1,303	1,438	1,615	1,978
EBITDA margin (%)	18.3	15.8	18.3	22.5
Adjusted PAT	167	166	221	341
Adjusted EPS (Rs.)	72.1	71.6	95.4	147.0
P/E (x)	19.7	19.8	14.9	9.7
P/B (x)	1.9	1.8	1.6	1.4
EV/EBIDTA (x)	13.6	14.3	10.5	6.5
RoNW (%)	21.1	17.6	19.4	23.5
RoCE (%)	28.1	23.9	26.2	31.8

Source: Sharekhan Estimates

Gokaldas Exports

Industry: Textile
CMP: Rs. 970

- Gokaldas Exports (GKEL) is one of India's largest integrated apparel manufacturers with manufacturing capacity of 36 million pieces per annum. It caters to eminent international customers across over 50 countries.
- Capex of ~Rs. 370 crore over FY22-24E is expected to generate revenues of Rs. 1,100-1,300 crore (fixed asset-turnover at ~3.0-3.5x). This along with improvement in EBIDTA margins, PBT is expected to grow at 20% CAGR over FY2023-25E.
- Acquisition of Atraco will result in revenues potentially increasing to Rs. 4,000 crore by FY2025. Around 95% of its products are exported to US markets. Acquisition is expected to be earnings accretive by Rs. 5-6 per share by FY2025.
- GKEL is seeing a strong upward trend in export demand starting Q3FY2024. Atraco has strong order booking till April, 2024. Atraco is likely to do revenues in-line with CY2024 with capacity utilisation marginally less than 90%.

Key Risks: Sustained slowdown in US/Europe or any change in the export policies of key countries would act as risk to earnings in the medium to long run.

Valuation summary Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	1,790	2,222	2,393	2,982
EBITDA margin (%)	10.3	11.9	12.3	12.7
Adjusted PAT	117	168	161	217
Adjusted EPS (Rs.)	19.9	27.8	26.6	35.8
P/E (x)	48.9	35.0	36.4	27.1
P/B (x)	8.1	6.6	5.6	4.7
EV/EBIDTA (x)	31.2	21.4	19.0	14.4
RoNW (%)	23.5	21.7	16.7	18.9
RoCE (%)	19.2	22.5	21.3	24.0

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	5,882
52-wk High-Low (Rs.)	989 / 329
NSE Volumes	4.7 lakh
BSE code:	532630
NSE code:	GOKEX
Promoter's share (%)	11.1

Stock Performance

(%)	6M	12M
Absolute	168.2	173.7
Relative to Sensex	158.2	162.6

Hindustan Aeronautics

Industry: Capital Goods
CMP: Rs. 1,954

- HAL is a state-owned aerospace and defence company headquartered in Bengaluru, India. Established in December 1940, HAL is one of the oldest and largest aerospace and defence manufacturers in the world today. HAL was conferred *Navratna* status in 2007.
- We are bullish on HAL's growth trajectory as it is one of the key beneficiaries of structural reforms in the defence sector. The company's impending deal with GE and potential export tie-up with countries like Argentina can provide strong long-term growth opportunities.
- HAL guided for order inflows of Rs. 48,000 crore. Additionally, the company is expected to get R&O orders of ~Rs. 18,000 crore p.a. There are a few more orders wherein RFPs are likely to be floated and cost of these orders is expected to be ~Rs. 36,000 crore. It has healthy order book having more than three years of revenue visibility.
- Once execution of large orders like LCA (Mk1A) pick up pace, the company could post double-digit revenue growth from FY2025E onwards, and it should stabilize at 14-15% sales growth from FY2026 onwards.
- **Key risks:** Fluctuations in raw material prices and delays in the availability of critical components could impact execution.

Valuation summary — Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	24,620	26,927	29,346	33,180
EBITDA margin (%)	22.0	24.8	24.9	24.9
Adjusted PAT	3,887	4,851	5,309	6,065
Adjusted EPS (Rs.)	58.1	72.5	79.4	90.7
P/E (x)	33.6	26.9	24.6	21.5
P/B (x)	6.8	5.5	5.3	5.2
EV/EBIDTA (x)	18.0	13.0	12.2	10.9
RoNW (%)	22.4	22.6	22.1	24.4
RoCE (%)	30.4	30.6	29.5	32.5

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	1,30,645
52-wk High-Low (Rs.)	2090/1151
NSE Volumes	14.6 lakh
BSE code:	513375
NSE code:	HAL
Promoter's share (%)	71.6

Stock Performance

(%)	6M	12M
Absolute	38	58
Relative to Sensex	28	47

IndusInd Bank

Industry: Banking
CMP: Rs. 1,450

- We believe that IndusInd Bank has come out of a tough cycle. Focus on granular growth and building of a strong internal risk framework is a right strategy. Near-term business trends look comfortable for the bank and the franchise is looking towards a more predictable performance.
- The bank is confident of sustaining strong momentum in earnings, led by robust loan growth, stable NIMs, and lower credit cost. Loan growth would be broad across the retail and wholesale segments.
- Strong loan growth momentum and lower credit cost are likely to support earnings growth, and this should keep RoEs at ~15% in the near term.
- Stock trades at 1.7x/1.5x its BV estimates for FY2024E/FY2025E vs. average RoA trajectory expected at ~1.9% over the next two years. We believe re-rating is expected given sustained earnings progression and strengthening of liability franchise.

Key risks: Economic slowdown that can lead to slower loan growth, higher-than-anticipated credit costs, slow growth in the retail liability franchise.

Valuation summary Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Net Interest Income	15,001	17,592	19,770	23,946
Net Profit	4,611	7,390	9,102	10,606
EPS (Rs)	59.5	95.2	116.7	136.0
RoE (%)	10.1	14.4	15.4	15.4
RoA (%)	1.2	1.7	1.9	1.9
P/E (x)	24.4	15.2	12.4	10.7
P/BV (x)	2.3	2.0	1.7	1.5

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ		✓	
RV	✓		

Stock data

Market Cap (Rs. cr)	1,12,696
52-wk High-Low (Rs.)	1,476/990
NSE Volumes	30.5 lakh
BSE code:	532187
NSE code:	INDUSINDBK
Promoter's share (%)	16.5

Stock Performance

(%)	6M	12M
Absolute	23.9	16.2
Relative to Sensex	14.9	2.5

Kirloskar Oil Engines

Industry: Capital Goods
CMP: Rs. 557

- KOEL the flagship company of the Kirloskar Group, is one of the world's largest generating set manufacturers, specialising in both air-cooled and water-cooled engines (2.5HP to 740HP), and diesel generating sets across a wide range of power output from 5 kVA to 3,000 kVA
- The company has expanded its fuel agnostic CPCB IV+ compliant 'Optiprime' gensets range and is aiming to increase market share in data center and infrastructure segments. We believe the company is well poised to benefit from sector tailwinds such as PLI schemes, infrastructure spending by the government, and power deficit.
- KOEL is seeing strong demand for retrofit dual fuel kits and emission-control devices in CPCB – II gensets (post deadline extension for the implementation of CPCB IV+ norms to July 2024). Moreover, demand for CPCB-IV plus gensets is expected to pace up in H2FY2024.
- The company is a leading player in the back-up power market and has a healthy balance sheet and a lean working capital cycle. We build in a Revenue/PAT CAGR of 9%/18% (FY2023-FY2025E).
- **Key risks:** A slowdown in the domestic and overseas macro-environment can negatively affect the business outlook and earnings growth.

Valuation summary Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	3,300	4,116	4,482	4,935
EBITDA margin (%)	8.1	10.4	11.3	11.6
Adjusted PAT	155	270	330	379
Adjusted EPS (Rs.)	10.7	18.7	22.8	26.2
P/E (x)	49.0	28.2	23.1	21.3
P/B (x)	4.2	4.0	3.7	3.6
EV/EBIDTA (x)	26.2	16.9	14.3	13.4
RoNW (%)	8.6	14.2	16.0	17.0
RoCE (%)	11.9	18.9	21.0	22.3

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	8,072
52-wk High-Low (Rs.)	575/252
NSE Volumes	4.9 lakh
BSE code:	533293
NSE code:	KIRLOSENG
Promoter's share (%)	41.2

Stock Performance

(%)	6M	12M
Absolute	41	105
Relative to Sensex	31	94

Kolte-Patil Developers

Industry: Real Estate
CMP: Rs. 497

- KPDL is a nearly three-decade old Pune-based realty developer, has developed over 58 projects of more than 26 msf across Pune, Mumbai, and Bengaluru. It has built a robust project portfolio of 35 msf having GDV potential of over Rs. 25,500 crore (Pune – 82%, Mumbai – 15%, Bengaluru – 1%).
- The company has carved out priority launches of 10.82 msf having GDV of Rs. 7,755 crore, of which under phase I, it plans to launch 7.47 msf/Rs. 5185 crore in FY2024 (2.73 msf/Rs. 1985 crore GDV launched in FY2024 till date). Consequently, it is eyeing a sales booking CAGR of 25% over FY2023-FY2025E at Rs. 2,800 crore/Rs. 3,500 crore in FY2024/FY2025.
- It targets new business developments of Rs. 8,000 crore in FY2024 (Rs. 3450 crore added in FY2024 till date) with an investment of Rs. 500-600 crore, which would be majorly funded through internal accruals.
- Its flagship 390-acre Life *Republic* project in Pune (18.6msf) is at an inflection point and has become a cash cow with premiumisation tailwinds. Further, it is focusing on non-Pune regions (especially Mumbai) to increase sales contribution to 30% by FY2025 from 20% in FY2023, which would provide scale along with diversification.
- **Key risks:** A slowdown in realty demand in Pune, inability to conclude new deals, delay in sales and/or execution in existing and upcoming projects.

Valuation summary Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	1117.5	1488.4	1690.8	2070.1
EBITDA margin (%)	16.7	12.7	18.7	19.0
Adjusted PAT	79.4	102.5	204.8	257.5
Adjusted EPS (Rs.)	10.4	13.5	26.9	33.9
P/E (x)	47.5	36.8	18.4	14.7
P/B (x)	3.9	3.6	3.0	2.5
EV/EBIDTA (x)	21.6	21.0	11.9	8.9
RoNW (%)	8.6	10.2	17.8	18.7
RoCE (%)	14.4	15.4	22.1	23.4

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	3,775
52-wk High-Low (Rs.)	520/231
NSE Volumes	3.91 lakh
BSE code:	532924
NSE code:	KOLTEPATIL
Promoter's share (%)	74.5

Stock Performance

(%)	6M	12M
Absolute	96	33
Relative to Sensex	86	22

Larsen & Toubro

Industry: Capital Goods
CMP: Rs. 3,052

- L&T is an Indian multinational company engaged in technology, engineering, construction, manufacturing, and financial services and is one of the largest engineering conglomerates in India's private sector. The company operates in over 30 countries worldwide.
- L&T's order book stands at an all-time high of ~Rs 4.1 lakh crore (2.1xTTM revenue). L&T has 12-15% revenue and 10-12% order intake growth guidance for FY24. Core business OPM is expected to be at ~9% (up 40/50bps y-o-y). Working capital/sales to be at 16-18%.
- The company sees ample opportunities in the middle east region in hydrocarbon and renewables. The capex is large in this region and therefore all players would get a fair share of the pie. The company expects 19,000-20,000 crore of orders to be awarded in the defence segment in the near to medium term.
- L&T remains at the forefront to reap benefits from the *AtmaNirbhar Bharat* scheme with its diversified businesses across sectors such as defence, infrastructure, heavy engineering and IT and is the best proxy for domestic capex
- **Key risks:** A slowdown in domestic macro-economic environment and geo-political conflicts on the international front can adversely impact its order prospects.

Valuation summary Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	1,56,521	1,83,341	2,11,287	2,39,811
EBITDA margin (%)	11.6	11.3	11.8	12.2
Adjusted PAT	8,573	10,335	12,847	15,679
Adjusted EPS (Rs.)	61.0	73.5	91.4	111.9
P/E (x)	49.9	41.4	33.3	27.3
P/B (x)	5.2	4.8	4.2	3.7
EV/EBIDTA (x)	24.1	20.2	16.5	13.6
RoNW (%)	13.2	14.6	16.1	17.3
RoCE (%)	7.6	8.7	10.6	12.2

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	4,28,962
52-wk High-Low (Rs.)	3114/1867
NSE Volumes	20.7 lakh
BSE code:	500510
NSE code:	LT
Promoter's share (%)	0.0

Stock Performance

(%)	6M	12M
Absolute	38	60
Relative to Sensex	27	49

Sanofi India Ltd.

Industry: Pharmaceuticals
CMP: Rs. 7,443

- Sanofi is among top 4 MNC pharma companies in India with 3 brands within top 100 brands of the Indian pharmaceutical market with production volume of 500 crore tablets. It has strong distribution channel of 3,000 distributors and 1,00,000 pharmacies in India. Sanofi has a well-established large-scale manufacturing presence with a site in Goa and 12 Contract Manufacturing Organisations (CMOs) in different parts of India.
- Sanofi has a leadership in the Diabetes therapy. Sanofi has the most comprehensive portfolio with leading brands like *Lantus, Cardace, Combiflam, Allegra, Amaryl, Toujeo,* etc. During 2QCY23, Sanofi sales declined by 10% YoY to Rs 706 crore due to inclusion of its key brand Lantus in the NLEM. The management as guided, maintained EBITDA Margin at 25% in 2QCY23.
- Sanofi had announced demerger of its consumer health segment into a separate entity, with 1:1 ratio. Each Sanofi shareholder to get equal share in Sanofi consumer Health. This move will further unlock the shareholders' value. Sanofi's consumer health business posted a revenues of Rs. 7.3 billion, (~28% of total CY22 sales).
- We believe the worst is over for Sanofi and going forward Sanofi's focus on Diabetes portfolio will accelerate growth and maintain margins ~25%. The stock is currently trading at 28x CY24E and due to higher returns ratios , would like to allot a PE multiple of 32x on CY24E EPS of Rs 267 to arrive at PT of Rs 8500.
- **Key risks:** Inclusion of key brands in the NLEM list, higher RM cost, lack of product launches.

Valuation summary Rs. crore

Particulars	CY21	CY22	CY23E	CY24E
Revenue	27,772	25,774	26,617	28,511
EBITDA margin (%)	25.8	25.4	24.8	27.9
Adjusted PAT	5,770	5,258	5,400	6,153
Adjusted EPS (Rs.)	250.5	228.3	234.5	267.2
P/E (x)	23.3	32.7	31.8	27.9
P/B (x)	6.1	13.5	21.9	13.2
EV/EBIDTA (x)	15.6	22.9	23.6	20.2
RoNW (%)	26.6	30.0	52.5	59.1
RoCE (%)	33.9	40.3	67.0	76.0

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	17,141
52-wk High-Low (Rs.)	7587/5240
NSE Volumes	0.33 lakh
BSE code:	500674
NSE code:	SANOFI
Promoter's share (%)	60.40

Stock Performance

(%)	6M	12M
Absolute	27	31
Relative to Sensex	15.7	19.7

Tata Motors

Industry: Automobiles
CMP: Rs. 668

- JLR has been observing strong demand, as reflected in its strong order book position. At the end of Q2FY24, JLR's order book stands at 1.68 lakh units and almost 77% of the order book is constituted by high-margin models like - *Range Rover, Range Rover Sport* and *Defender*. A strong order book gives adequate visibility for near term. JLR has also been consistently registering healthy EBITDA margin and has started generating positive free cash flow.
- TML being a market leader is a key beneficiary of the upcycle in domestic CV industry. Further TML has shifted its strategy from discount driven market share expansion to profitable volume growth. This we believe would help it in registering improvement in its EBITDA margin in CV division. The management is targeting for a double-digit margin in CV segment.
- With new products and shift in the demand towards SUV segment, TML has strongly gained market share in domestic PV space. TML's market share in domestic PV market has improved from 5% in FY20 to 14 % in FY23. Further, acquisition of Ford's plant would help it to increase its production in short span of time, given TML is running its plant at its peak capacities.
- Continued improvement in JLR, PV and CV businesses and reduction in net automotive debt and value unlocking in its subsidiaries bodes well for consistent performance.
- **Key risk** : Any slowdown or cyclical downturn in any location where the company has a strong presence can affect business and profitability, given its revenue is widely diversified.

Valuation summary

Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	2,78,454	3,45,967	4,19,192	4,84,260
EBITDA margin (%)	8.9	9.2	11.7	12.0
Adjusted PAT	(10,719)	734	9,789	12,649
Adjusted EPS (Rs.)	(28)	2	26	33
P/E (x)	-	-	26.1	20.2
P/B (x)	5.7	5.6	4.6	3.8
EV/EBIDTA (x)	13.3	10.3	6.6	5.7
RoNW (%)		1.6	17.8	18.8
RoCE (%)	2.6	5.0	9.6	10.6

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	220,080
52-wk High-Low (Rs.)	678/376
NSE Volumes	122.8 lakh
BSE code:	500570
NSE code:	TATAMOTORS
Promoter's share (%)	46.4

Stock Performance

(%)	6M	12M
Absolute	42.5	67.6
Relative to Sensex	32.3	56.6

Wonderla Holidays

Industry: Consumer Discretionary
CMP: Rs. 809

- Wonderla Holidays (WHL) is one of the largest theme park operators in India and has been in business for over 20 years. The company has three parks in Bengaluru, Cochin and Hyderabad. The company is coming up with new parks in Odisha and Chennai with a capex of ~Rs. 400 crore (largely funded through internal accruals).
- Footfalls stood at 33 lakh in FY23 (vs. 24-25lakh footfalls in FY15-19) driven by change in focus to attract more walk-in visitors through marketing activities and arranging of special events twice a month. New parks will incrementally add footfalls from FY2026.
- The company is transforming itself into an asset-light model by entering into lease-land agreement with various state governments for setting up of park. This will help WHL to generate high cash flows, which will be utilised to add more attractions in new and existing parks. It is in talks with states such as Punjab, Gujarat and Goa to set-up new parks.
- Attractive valuations of 17.8x/15.3x its FY24E/FY25E EV/EBIDTA, a sturdy balance sheet despite a huge capex and double-digit earnings visibility makes WHL a comfortable play in discretionary space.

Key risks: Any slowdown in footfalls in existing parks due to unavoidable delay in events or erratic weather or a delay in the commencement of new parks would act as key risk to our earnings estimates.

Valuation summary — Rs. crore

Particulars	FY22	FY23	FY24E	FY25E
Revenue	129	429	516	592
EBITDA margin (%)	16.5	49.3	47.0	47.3
Adjusted PAT	-9	149	163	187
Adjusted EPS (Rs.)	-1.7	26.3	28.9	33.0
P/E (x)	-	30.7	28.0	24.5
P/B (x)	5.7	4.8	4.2	3.6
EV/EBIDTA (x)	-	20.4	17.8	15.3
RoNW (%)	-1.2	17.0	16.0	15.8
RoCE (%)	-1.4	21.0	19.9	19.9

Source: Sharekhan Estimates

3R MATRIX

	+	=	-
RS	✓		
RQ	✓		
RV	✓		

Stock data

Market Cap (Rs. cr)	4,577
52-wk High-Low (Rs.)	832 / 316
NSE Volumes	1.8 lakh
BSE code:	538268
NSE code:	WONDERLA
Promoter's share (%)	69.7

Stock Performance

(%)	6M	12M
Absolute	100.7	121.3
Relative to Sensex	92.1	110.3

The 3R Research Philosophy

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiples.

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