



MUHURAT

PICKS

As we conclude the last chapter of Samvat 2079, we usher in Samvat 2080 with boundless enthusiasm and extend our heartfelt wishes for a "Happy and Prosperous Diwali" to all our cherished readers. The Indian economy currently finds itself in a sweet spot of growth and is well-poised for continued resilience in the face of global challenges. We trust that this festival will illuminate your wealth and financial well-being. At this juncture, we take great pleasure in unveiling our Diwali Muhurat picks for this year, with the hope that they will further illuminate your investments.

Samvat 2079 proved to be an intriguing year for the Indian equity market, characterized by notable volatility in the first half. Several factors contributed to this turbulence, including a) A hawkish central bank view on the interest rates, b) Rising bond yields, c) Rising Covid-19 cases in China towards the end of 2022, d) Imposition of lockdowns in the Chinese economy, e) Union budget-related developments, and f) Other macroeconomic challenges. These occurrences collectively subdued market performance in the first half of Samvat. However, in the second half, the Indian market witnessed a remarkable recovery from its Mar'23 bottom. During this time, the broader market outperformed Largecap companies by notable margins. These developments were supported by a) Improving high-frequency indicators of the domestic economy after a growth-oriented budget, b) Superior growth outlook vis-a-vis other emerging market countries, c) Status-quo maintained by the RBI in Apr'23 MPC, d) Supportive valuation after the correction seen in first three months of 2023, and f) Returning FIIs in domestic market. With these developments since last Diwali, the Indian benchmark index Nifty 50 grew by 9%, whereas the Emerging Market Index grew by only 6% till 2nd Nov'23. Even more impressively, Small and Midcap indices emerged as the true winners during this period, displaying substantial growth of 28% and 31%, respectively.

In the second half of Samvat, our benchmark index Nifty 50 reached a significant milestone, touching 20192 on 15th Sep'23. This remarkable achievement can be attributed to (a) Positive sentiment during the G-20 event, (b) Positive FII inflows, (c) Robust economic prospects relative to other EM countries, (d) Strong earnings outlook, (e) Robust demand across sectors, (f) Much improved health of the banking sector, and (f) Positive expectations for the private investment cycle. As a result of reaching this milestone, the market capitalization of India surged past \$3.7 Tn, catapulting India to the position of the 5th largest market in the world and standing tall among other global economies. Only the US, China, Japan and the Hong Kong market are currently ahead of India in terms of market capitalization.

Furthermore, investors, both domestic and foreign, have demonstrated a proactive and unwavering belief in India's long-term growth narrative. This faith has been bolstered even more during the last seven months of FY24, with Foreign Institutional Investors (FIIs) injecting an impressive \$15 Bn into the Indian equity market. Additionally, the monthly Systematic Investment Plan (SIP) inflow in mutual funds has surged to over Rs 16,000 Cr in Sep'23. This substantial increase serves as a compelling indicator of investors' steadfast confidence in India's growth trajectory.







Samvat 2080 will be a very interesting year to watch out for the global economy. We embark on this new Samvat with a narrative marked by 'Higher for Longer' interest rates, volatile bond yields, geopolitical conflicts in the Middle East, and fluctuating oil prices. However, on the domestic front, the prospects for the Indian economy appear notably brighter and more promising. In the midst of a volatile global landscape, India remains in a favourable position for growth. According to the estimates of the International Monetary Fund (IMF), the Indian economy is set to be the fastest-growing economy in FY24 and FY25 within the emerging market category. This is poised to be a significant driving force behind Indian equities in the foreseeable future.

The improvement in the balance sheet strength of corporate India and the much-improved health of the Indian banking system are other positive attributes. They will ensure that Indian equities will easily manage to deliver double-digit returns in the next 2-3 years with the support of double-digit earnings growth. Keeping this in view, we expect Nifty EPS to grow by 15% CAGR over FY23-25 vs. 7% CAGR over FY09-FY23.

Well, the country's macro set-up is positive and the fundamentals for Indian corporates have improved as well. Profitability across the board has also improved significantly. The cumulative and rolling net profit of the NSE 500 universe for the last 4 quarters (till Q1FY24) touched an all-time high of Rs 11.5 Lc Cr. Moreover, after a muted performance for several years, ROE for the broader market is improving as well. Asset quality of private as well as PSU banks has improved significantly as compared to the levels seen a couple of years back. Factoring in these attributes, we believe the relative outperformance of the Indian market will likely sustain in Smavat 2080 as well.

Nonetheless, it's essential to note that we are entering a period marked by a few major state elections this month, with a general election scheduled for next year. This political landscape is expected to introduce increased volatility over the next 12 months compared to the current levels. Considering the positive attributes of the Indian economy and recent market developments, we present the following themes for Samvat 2080:

- · Companies with higher growth potential with reasonable valuations
- Higher earnings visibility
- Companies with proven track record with improving return ratios
- Leadership position in the respective business
- · Balanced Approach of Large, Mid, and Smallcaps
- · Right mix of domestic focus and export-oriented themes

Based on these themes, our Diwali picks are: HDFC Bank; TVS Motors; Bharti Airtel; SBI Life; APL Apollo tubes; Astral limited; KPIT technology; Ahluwalia Contracts, and Jyothy Labs









Long term stocks ideas

TVS Motors Ltd

CMP	Target	Upside (%)		
1,569	2,100	34%		

Bharti Airtel Ltd

CMP	Target	Upside (%)		
924	1,155	25%		

APL Apollo Tubes Ltd

CMP	Target	Upside (%)		
1,570	1,950	24%		

Jyothy Labs Ltd

CMP	Target	Upside (%)		
358	440	23%		

KPIT	Techno	logv	Ltd

CMP	Target	Upside (%)		
1,221	1,500	23%		

HDFC Bank Ltd

CMP	Target	Upside (%)		
1,476	1,800	22%		

Astral Ltd

CMP	Target	Upside (%)		
1,845	2,150	17%		

Ahluwalia Contracts Ltd

CMP	Target	Upside (%)		
664	770	16%		

SBI Life Insurance Ltd

CMP	Target	Upside (%)		
1,345	1,535	14%		

Note: CMP as of 2nd November 2023









Our Last year's Performance (SAMVAT 2079)

Astounding Returns of 28% since last Diwali vs the Nifty 50 return of 9%

Target achieved for 7 calls out of 9 calls with superior margins. However, status is open from the long-term perspective.

Company Name	Reco Date	Reco	Reco Price	Target Price	Potential Upside (%)	СМР	Returns % (Since Reco)	Comment/Status
Aptus Value Housing Finance India Ltd	11-Oct-22	Buy	303	350	15.5%	290	-4.3%	Open Call
Ashok Leyland Ltd	11-Oct-22	Buy	149	175	17.4%	168	13.0%	Target Achieved On High, Status open for Long Term
IDFC First Bank Ltd	11-Oct-22	Buy	53	70	31.0%	83	54.3%	Target Achieved On High, Status open for Long Term
Indian Hotels Co Ltd	11-Oct-22	Buy	329	375	14.0%	391	18.7%	Target Achieved On High, Status open for Long Term
ITC Ltd	11-Oct-22	Buy	325	380	16.9%	431	32.6%	Target Achieved On High, Status open for Long Term
NOCIL Ltd	11-Oct-22	Buy	263	300	14.1%	219	-16.7%	Open Call
Polycab India Ltd	11-Oct-22	Buy	2,556	2,860	11.9%	5,051	97.6%	Target Achieved On High, Status open for Long Term
Sundaram Finance Ltd	11-Oct-22	Buy	2,130	2,490	16.9%	3,206	50.5%	Target Achieved On High, Status open for Long Term
Westlife Development Ltd	11-Oct-22	Buy	713	870	22.0%	813	14.0%	Target Achieved On High, Status open for Long Term

Source: Company, Axis Securities, Note: Returns till 2nd Nov'23, Reco date: 11th Oct'22





TVS Motor Co Ltd



BUY



2.100

34%

1.569

Market Data	
No. of Shares	47.5 Cr
Market Cap	Rs. 74,550 Cr
52-week High / Low	1,640/968
BSE Code	532343
NSE Code	TVSMOTOR

Why TVS Motor Ltd

- New EV Product Profile.
- Encouraging Export Opportunities
- ✓ Market Share Gains



About the Company: TVS Motor Company Ltd. (TVSL) is the 3rd largest 2-wheeler company in India with an annual sale of more than 30 Lc units and annual 2-wheeler (2W) and 3-wheeler (3W) capacity of over ~50 Lc and ~1.2 Lc respectively. It manufactures the largest range of 2Ws including mopeds, scooters, commuter motorcycles, and premium bikes. TVS is also India's 2nd largest exporter with exports to over 60 Countries. The company has four manufacturing plants, three located in India (Hosur in Tamil Nadu, Mysore in Karnataka, and Nalagarh in Himachal Pradesh) and one in Indonesia at Karawang.

Investment Rationale

- A. Market Outlook: The retail demand in the domestic urban market is strong and rural demand is expected to do well in the coming months on account of the festive season. In the medium to long term, rural demand, specifically for the entry-level segment, is slowly expected to pick up, led by increased infrastructure spending by the government, higher penetration of retail finance, and expected stability in vehicle prices. Exports have bottomed out and are expected to recover MoM and stocks are at the right level as dispatches were reduced earlier to match retail levels. TVSL expects high demand from the LATAM region followed by African and Asian markets.
- B. 2W-EV outlook: The EV market share of TVSL in H1FY24 stands at ~20%, which stands higher than its market share in ICE at ~16%. Multiple new products are expected to be launched over the next 2-3 years, which are targeted at 2W segments such as premium, sporty, commuter, and delivery. The new product launches are also targeted at e3Ws. The iQube network is now available at 337 stores (as of Sep'23, up from 309 stores in Q1FY24). TVSL plans to export iQube in the next 2-3 quarters both to developing and developed markets.
- **C. EBITDA margins:** Moderate price hikes with RM tailwinds are expected to continue in H2FY24. Furthermore, as the company builds scale in EV volumes, margins from EVs will aid in improvement via economies of operational scale going ahead.
- **D. Outlook:** We continue to like TVSL considering its strong focus on the EV product pipeline ahead of incumbent 2W OEMs, product premiumisation in the ICE category, and growth in export markets. Being well-placed among listed players, we expect the company's Revenue/EBITDA/PAT to grow by ~16%/21%/23% CAGR over FY24E-26E. FY24/FY25 to be critical for the company as it executes its EV strategy for the domestic and export markets.
- **E. Valuation & Recommendation**: We recommend a BUY rating on the stock with a TP at Rs 2,100/share, valuing it at a sustainable premium P/E multiple of 30X on Dec'25 core EPS, other investments at 1x P/BV, and TVS Credit Services at 2X P/BV. The upside potential is 34% from cmp.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY23	26,378	2,675	1,491	31.0	37.7	26.6	19.5	21.7
FY24E	32,141	3,525	2,094	44.1	35.6	29.5	22.8	21.6
FY25E	37,481	4,449	2,697	56.8	27.6	29.0	24.2	16.8
FY26E	43,291	5,133	3,151	66.3	23.7	26.2	23.4	14.1



Bharti Airtel Ltd





CMP	Target	Upside
(Rs)	(Rs)	(%)
924	1,155	25%

Market Data	
No. of Shares	16 Cr
Market Cap	Rs. 5,19,128
52-week High / Low	961/736
BSE Code	532454
NSE Code	BHARTIARTL

Why Bharti Airtel Ltd

- Best ARPU in the industry
- Strong digital portfolio
- ✓ Improvement in home segment

About the Company: Bharti Airtel Limited, commonly known as Airtel, is an Indian multinational telecommunications services company based in New Delhi. It operates in 18 countries across South Asia and Africa, as well as the Channel Islands. Bharti Airtel is India's second largest telecom operator. The company has strong presence in India with better digital services portfolio like fiber optic cables, desktop telephones, mobile phones etc.

Investment Rationale

- **A. Best ARPU in the industry:** Bharti Airtel has the leading ARPU in the industry. The management expects ARPU to improve from the current level of 203 due to a richer customer mix. Aided by strong customer conversion from 2G to 4G/5G and other services, it continues with its ARPU trajectory and expects it to reach Rs 300 going ahead. The company has strong focus on customers will continue to gain further increase in the realization. Increase in the data conversion also help to gain the ARPU, average data usage per customer stands healthy at 21.7 GB/month.
- **B.** Huge revenue and profit growth potential: The company's business fundamentals remain strong and continue to improve. The management foresees huge potential for continued strong revenue and profit growth, supported by expanding distribution in rural areas, investments in the network, and increasing 4G coverage. Furthermore, strategic investment opportunities are available in tower sales, minority, and IPO investments in mobile money, among others. The company's digital portfolio is gaining momentum along with market share gains The company continued a strong share of 4G/5G net ads in the market with the 4G customer base growing by 7.7 Mn QoQ and 27.2 Mn YoY. This forms 69% of the overall customer base now.
- **C. Improvement in the Home Segment:** The management sees improvement in the Home Segment with multiple solutions in one go. It has a strong strategy of Hunting (offering different solutions to existing customers (mainly 50 Mn customers having strong financial conditions) and mining new customers. The management is confident of gaining industry-leading growth backed by strong rural penetration and a better service portfolio.
- **D.** Moderated Capex and const optimization effort: The management is expecting similar Capex levels to continue. It will also spend on broadband, enterprise, and data centres. 4G-related radio Capex is likely to decline. The company has identified more than 2,500 sights for reducing the network cost which will help to reduce the operating cost.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY22	1,556	189	-2	(0.1)	NA	(0.4)	11.9	58.8
FY23E	2,078	309	64	4.1	NA	12.1	22.5	35.9
FY24E	2,672	398	106	6.8	105.0	16.7	26.6	27.6
FY25E	3,455	514	165	10.6	67.2	20.7	30.2	21.0





APL Apollo tubes





CMP	Target	Upside
(Rs)	(Rs)	(%)
1,570	1,950	24%

Market Data	
No. of Shares	27 Cr
Market Cap	Rs. 43,340 Cr
52-week High / Low	1,806/ 990
BSE Code	533758
NSE Code	APLAPOLLO

Why APL Apollo tubes

- Improving EBITDA/t trajectory
- ✓ Favorable Demand environment

About the Company: APL Apollo Tubes (APAT) is a leading structural steel tube brand, operating with 14 brands in 4 product categories. It has a dominant position with 60% market share in structural steel tubes in India with 3.6MTPA structural steel tube capacity. APL Apollo Tubes has a strong distribution network with 800+ distributors across India.

Investment Rationale

- A. Raipur Plant Ramp-up: The Raipur capacity of 1.2MT is now on stream (from 1MT in Q1FY24). In Q2FY24, the plant achieved volumes of ~100kt at 28% utilization level (vs. 75kt in Q1FY24). This will ramp up to 40% utilization in Q3FY24. Volumes will eventually ramp up to ~1.2MT at a 100% capacity utilization level by FY26 as the company's market-creation efforts have bought order visibility. EBITDA/t at Raipur improved to Rs 5k/t (from Rs 4k/t in Q1FY24) which will increase to a steady state of Rs 6k-7k/t once the ramp-up gets completed over the next 2.5 years.
- **B.** Blended EBITDA/t to improve from hereon: With the ramp-up of the Raipur plant, the blended EBITDA/t is expected to improve gradually. In FY23, the EBITDA/t stood at ~Rs 4,481/t. The target is to achieve Rs 5,000/t in FY24 and Rs 5,500/t in FY25 and Rs 6,000/t in FY26, assuming the Raipur plant manages to deliver products at Rs 6k-7k/t..
- C. Favorable demand outlook: The company's market-creation efforts have brought more orders from railway stations and airports for the heavy structural and coated products at Raipur which has higher EBITDA/t. These new projects provide demand visibility for the company over the next few years. With a lower Capex intensity ahead, higher OCFs, and the Raipur plant stabilizing in due course, the company's ROCE is likely to improve from ~27% in FY24 to 37% by FY26. The company's vision is to expand its capacity over to 10 mtpa by FY30 providing a growth tailwind in the longer term.
- D. Outlook & Valuation: Incremental production from the Raipur plant will drive higher EBITDA/t. We value APL Apollo Tubes at 33x PE of Sep'25 EPS on continued demand visibility to arrive at our TP of Rs 1,950/share. We maintain our BUY rating on the stock.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY23	16,166	1,022	642	23.1	52.1	24.4	24.7	33.6
FY24E	19,034	1,338	847	30.6	51.4	24.9	26.9	33.0
FY25E	26,541	2,024	1,382	49.8	31.5	31.0	36.0	21.6
FY26E	33,548	2,566	1,814	65.4	24.0	30.2	36.5	17.0





Jyothy Labs Ltd.

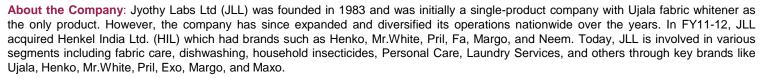
CMP	Target	Upside
(Rs)	(Rs)	(%)
358	440	23%

Market Data	
No. of Shares	37 Cr
Market Cap	Rs. 13169
52-week High / Low	411/180
BSE Code	532926
NSE Code	JYOTHYLAB

Why Jyothy Labs Ltd.

- Encouraging GrowthOpportunities
- Company-specific Triggers





Investment Rationale

- A. JLL is embracing the transformation for the next leg of growth: The company's recent initiatives, implemented over the last couple of years, have begun yielding positive results, and we expect these benefits to extend over the coming years. Notable initiatives include a) Expanding value offerings through LUPs and promoting premiumisation, primarily in the Detergents and Dishwash segments, b) Diversifying into the larger Body Wash segment (Toilet Soap) as opposed to its previous presence in the niche (natural) segment, creating a broader market for the company in the Soap segment, and c) The company's commitment to expanding its direct distribution network, with aspirations to increase its current 1.1 Mn outlets. It intends to enhance its on-the-ground execution through its dedicated team of 3,000 sales representatives and streamlining the distribution channel. These efforts signify steps in the right direction for achieving long-term sustainable growth.
- **B.** Room for margin expansion: We expect the company's EBITDA margin to be in the range of 16-17% for FY24-26 and it will be driven by 1) Improving product mix scaling up fast-growing premium products and launching a broader portfolio of Toilet Soap, thereby increasing its canvas in the bathing soap market, 2) Improving on-ground execution by selling larger number of products and SKUs that will increase efficiency and throughput across outlets, and 3) Focusing on driving economies of scale and cost rationalization measures.
- C. Decent valuation compared to peers: We expect the company to deliver healthy Revenue/EBITDA/PAT growth of 13%/25%/25% CAGR over FY23-26E respectively which will elevate the company's overall return profile. We expect its ROE to increase from 15% in FY23 to 21% in FY26. At CMP, the company is currently trading at 32x/29x its FY25/26 EPS and with a better earnings growth visibility and return profile, the stock appears attractive in the Small to Midcap Consumer space.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	RoE (%)	RoCE (%)	EV/EBITDA (X)
FY23	2,484	316	240	6.3	56.6	15.0	16.0	41.0
FY24E	2,820	458	346	9.4	38.1	19.9	20.6	27.9
FY25E	3,186	548	416	11.3	31.7	21.2	22.1	22.9
FY26E	3,568	612	466	12.7	28.3	21.1	22.1	20.1





KPIT Technologies Ltd





CMP	Target	Upside
(Rs)	(Rs)	(%)
1,221	1,500	23%

Market Data	
No. of Shares	26.9 Cr
Market Cap	Rs. 33,465 Cr
52-week High / Low	1,279/623
BSE Code	542651
NSE Code	KPITTECH

Why KPIT Technologies Ltd

- ✓ Strong demand for ER &D services
- Robust growth outlook
- Strong growth outlook

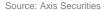
About the Company: KPIT Technologies Ltd (KPIT) is a leading global pure-play Engineering, Research & Development (ER&D) services company. It offers design and development solutions throughout the product development value chain across all leading manufacturers and OEMs globally. Moreover, it is also involved in product development in the passenger car segment and in the commercial vehicle segment.

Investment Rationale

- A. Capitalizing on growing investment in the Automobile vertical: KPIT has strategically centered its efforts on the automobile vertical, aiming to assist automobile companies in enhancing their product development and software integration capabilities. Given the swift shift of ER&D (Engineering Research and Development) spending toward electric and software technologies, we anticipate that original equipment manufacturers (OEMs) will increasingly depend on strategic partners such as KPIT, known for their software expertise. This trend is poised to unlock substantial growth opportunities for the company in the foreseeable future.
- **B.** Robust investments in commercial vehicle segments: While the aggregate global market in value terms for medium & heavy commercial vehicles is smaller than passenger vehicles, the commercial vehicle category is especially relevant from an autonomous driving and electrification standpoint. The key variable costs for fleet operators in the CV arena are driver cost and fuel. Autonomous driving technologies and electrified powertrains are cutting costs and making trucking and logistical service operations more cost-effective and profitable. Despite a slower start, the criticality of these technologies to customer profitability indicates a faster pickup in CASE R&D spending for commercial vehicle manufacturers going ahead. This, in turn, indicates significant growth avenues for the company moving forward.
- C. Accelerating demand for digital ER&D services: Digital engineering spends are accelerating across industries, and companies moving from traditional to digital engineering will quickly adopt digital engineering. Major industries such as Manufacturing, BFSI, Media & Technology, Retail, Healthcare Payers & Providers, and Travel & Hospitality are developing new products and services to differentiate themselves in their respective industries, thereby creating remarkable opportunities for the company.
- D. Outlook & Valuation: We believe KPIT has a resilient business model and strong earnings visibility through its multiple long-term contracts with globally leading brands. We further believe that KPIT is well-positioned to capture the immense growth opportunity in the industry considering 1) Robust demand for ER&D spend, 2) Focus on client retention for long-term sustainable growth, 3) Margin tailwinds driven by cost efficiencies, lower input costs, rupee depreciation, and lower travel cost, and We expect KPIT will attain strong revenue growth of 29% CAGR over FY24E- FY26E.
- E. Recommendation: We recommend a BUY on the stock with a target price of Rs 1500/share, implying an upside of 23% from CMP.

Financial Summary

Y/E March	NII (Rs Cr)	PPOP (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	ABV (Rs)	ROA (%)	ROE (%)	P/ABV (X)
FY22	9,706	3,284	145	0.2	31	0.1	0.7	1.7
FY23E	11,401	4,156	1,896	3.0	34	0.9	8.6	1.5
FY24E	13,257	5,311	2,572	4.1	38	1.1	10.6	1.4
FY25E	15,669	7,207	3,706	6.0	43	1.4	13.6	1.2







HDFC Bank Ltd

CMP	Target	Upside
(Rs)	(Rs)	(%)
1,476	1,800	22%

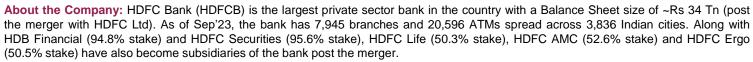
Market Data	
No. of Shares	758.2 Cr
Market Cap	11,20,758
52-week High / Low	1,758/1,461
BSE Code	500180
NSE Code	HDFCBANK

Why HDFC Bank

- Huge Growth opportunity post merger
- ✓ Normalizing return ratios to ~2%/17-18%
- Reasonable Valuations, below long-term average







Investment Rationale

- A. Maturing distribution network to support business growth: HDFCB has strategically utilized the benign credit cost environment to aggressively expand its distribution network. As these branches mature, they will gain traction and will begin contributing healthily to overall business growth, especially supporting deposit accretion. ~90% of the branches that the bank has added in the last couple of years (~2,200 branches) have broken even and are contributing to the business. The bank has been working closely with its subsidiaries to improve customer engagement and also on improving turnaround time (TAT) and believes this will yield results in the coming times. We expect HDFCB's credit/deposit growth to remain strong at 17/19% CAGR over FY24-26E, which will be largely in line with its historical performance.
- **B. Margin concerns to ease:** A key concern for the merged entity was the pressure on margins, which was visible in Q2FY24. A sharp margin compression was owing to the higher cost borrowing of erstwhile HDFC Ltd, ICRR (impact to be visible only in Q2FY24) and excess liquidity that the merged entity continues to carry. Going forward, NIM improvement will be led by (1) Substituting high-cost debt with deposits, (2) Skewing the portfolio mix towards retail loans and (3) Releasing excess liquidity. While near-term margins will continue to face headwinds, we expect recovery from FY25E onwards. NIMs are likely to gravitate to ~4% over FY25-26E.
- C. RoA to remain healthy at 1.9-2.1%: Despite margin pressures, the management remains confident of delivering RoA between 1.9-2.1%, similar to the historical performance of the standalone bank. HDFC Bank has been able to maintain asset quality across cycles and we expect a similar performance from the merged entity. While a part of the non-individual portfolio (of erstwhile HDFC Ltd.) could slip in the coming quarters, it would not have any material impact on the bank's asset quality and credit costs. We expect credit costs to remain stable at ~70bps over FY24-26E. Thus, supported by improving margins (a key RoA improvement lever) along with stable Opex ratio and credit cost, we expect HDFCB to deliver RoA of ~1.9-2% over FY25-26E.
- D. Outlook & Valuation: We remain confident in the bank's ability to sustain its growth momentum given the enormous opportunity post the merger in terms of a larger customer base, larger distribution network, and higher cross-sell opportunities to existing customers of HDFC Ltd. Moreover, we believe the current valuations, too, are reasonable and below the long-term average.
- **E. Recommendation:** We recommend a BUY on the stock with a target price of Rs 1,800/share, implying an upside of 22% from the CMP.

Financial Summary

Y/E March	NII (Rs Bn)	PPOP (Rs Bn)	PAT (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	RoA (%)	NNPA (%)
FY23	868	704	441	79.1	487.5	3.0	1.9	0.3
FY24E	1,188	980	617	81.4	549.8	2.7	1.8	0.3
FY25E	1,464	1,210	763	100.7	624.7	2.4	1.9	0.3
FY26E	1,716	1,408	887	117.0	711.8	2.1	1.9	0.3







CMP	Target	Upside
(Rs)	(Rs)	(%)
1,845	2,150	17%

Market Data	
No. of Shares	26.9 Cr
Market Cap	Rs. 49,630
52-week High / Low	2,058/ 1,297
BSE Code	532830
NSE Code	ASTRAL

Why Astral

- Encouraging GrowthOpportunities
- Gaining market share gradually



About the Company: Astral is a prestigious manufacturer of Chlorinated Poly Vinyl Chloride (CPVC) and Poly Vinyl Chloride (PVC) plumbing systems catering to both residential and industrial use. With a commanding market share in the domestic CPVC and PVC pipe industry, the Company has achieved widespread recognition as a leader in the piping segment. However, Astral's growth hasn't been restricted to the piping segment alone. Over the years, it has diversified its product portfolio and expanded into other areas such as adhesives and sealants, infrastructure products, and water tanks. Recently, it has forayed into the paints, faucets, and sanitaryware segments, thereby transforming itself into a comprehensive home building material player.

Investment Rationale

- A. Strong Q2FY24 PAT Management expects strong demand to continue and increased its FY24 volume guidance from 15%+ YoY to 20%+ YoY. According to management, PVC and CPVC prices would bottom out in Q3FY24 and see some bounce-back given the seasonal increase in demand in H2FY24. Management expects sanitaryware and faucets to surpass Rs 10 Cr revenue run rate in 2-3 quarters and allow breakeven at Rs 300 mn revenue/ quarter. FY26 pipe capacity will be increased from 450K-460K MT from current 310K MT. Company EBITDA margin guidance is in the 16-18% range.
- B. Pipes volume growth guidance revised upwards Management expects strong demand to continue and increased its FY24 volume guidance from 15%+ YoY to 20%+ YoY. According to management, PVC and CPVC prices would bottom out in Q3FY24 and see some bounce-back given the seasonal increase in demand in H2FY24. Management expects sanitaryware and faucets to surpass Rs 100 mn revenue run rate in 2-3 quarters and allow breakeven at Rs 300 mn revenue/ quarter. FY26 pipe capacity will be increased from 450K-460K MT from current 310K MT. Company EBITDA margin guidance is in the 16-18% range.
- C. Strategic growth pillars see sustained progress in FY23: The company has increased Advertisement spending by 22% which is 3% of sales. Dealer count increased to 1,93,000 from 1,83,000 YoY. Astral started sale of paints and sanitaryware in FY23. It increased valve SKUs during the year. Astral started its new plant in East India (Cuttack, Orrisa) and started producing PVC pipes in Sangli and Aurangabad, in FY23. Onboarded a CHRO and a CTO to streamline human resources and technology strategies. Employee strength more than doubled YoY in FY23.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	EV/EBITDA (X)	P/BV (x)	ROE (%)
FY23	4,394	755	490	24.4	75.6	48.4	15.7	20.7
FY24E	5,159	810	460	17.6	105.0	60.5	16.8	16.0
FY25E	6,281	1,017	678	25.2	73.2	48.0	13.8	18.9
FY26E	7,329	1,290	884	32.9	56.1	37.3	11.2	20.0









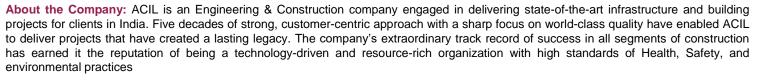


CMP	Target	Upside
(Rs)	(Rs)	(%)
664	770	16%

Market Data	
No. of Shares	6.7 Cr
Market Cap	Rs. 4520
52-week High / Low	774/ 394
BSE Code	532811
NSE Code	AHLUCONT

Why ACIL

- Healthy Order book position
- Margin improvement going forward
- Encouraging GrowthOpportunities



Investment Rationale

- **A.** Robust & Diversified Order Book: The company has an order book of Rs 11,780 Cr (as of 30th Jun'23). Break up is as follows: Hospital 21% (Rs 2,474 Cr), Commercial 8.7% (Rs 1,023 Cr), Institutional 24.7% (Rs 2,908 Cr), Residential 13.6% (Rs 1,604 Cr), Infrastructure 31.6% (Rs 3,718 Cr), and Hotel 0.4% (Rs 52 Cr). Recently it was awarded two projects worth Rs 832 Cr by Max Healthcare for construction and expansion of hospitals. With this total order book now stands over Rs 12600 Cr. The company is also L1 in one project, which is worth Rs 2,840 Cr. The current order inflow in FY24 now stands healthy at Rs.5259 Cr. till date. This gives revenue visibility for the next 3-4 years. We expect the company to grow its revenue at 23% CAGR over FY23-FY25E.
- **B.** Successful and timely project execution: ACIL has successfully completed over 100 plus projects by far and has 40 plus projects ongoing across 16 states. The company is associated with the country's leading architects and consultants and has also established a strong network of channel partners pan-India It has established strong relationship with reputed clientele, and has demonstrated a track record of timely completion of projects. This has helped it to secure repeat orders from the existing customers. With the increase in scale of operation we expect the company to clock higher EBITDA margins of 11% and above moving ahead.
- C. Healthy financial position to support future growth: The company exhibits a strong financial position reflected in its debt-free status, high cash/bank balance (12% of market cap), strong OCF, and high return ratio. Furthermore, the government's higher focus on developing institutions, health care infrastructure, and other emerging opportunities both in the public and private sectors will keep the company's order inflow intake robust moving ahead.
- D. Outlook & Valuation: With favorable attributes such as a strong and diversified order book position, healthy bidding pipeline, new order inflows, its asset-light model, and emerging opportunities in the construction space, we expect the company to generate healthy free cash flows moving ahead and deliver Revenue/EBITDA/APAT growth of23%/26%/27% CAGR over FY23-FY25E.
- E. Recommendation: We recommend a BUY rating on the stock with a target price of Rs 770/share, implying an upside of 16% from the CMP.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY22	2,692	257	155	23	22	16	22	12
FY23	2,838	304	194	29	24	17	23	14
FY24E	3.591	393	246	37	19	18	25	11
FY25E	4,309	483	313	47	15	19	26	8





SBI Life Insurance Ltd.





CMP	Target	Upside
(Rs)	(Rs)	(%)
1,345	1,535	14%

Market Data	
No. of Shares	100.1 Cr
Market Cap	1,34,692
52-week High / Low	1,392/1,039
BSE Code	540719
NSE Code	SBILIFE

Why SBI Life insurance

- Encouraging GrowthOpportunities
- Stable Margins supported by a balanced product mix
- Improving Agency Channel Productivity

About the Company: SBI Life Insurance (SBI Life) has cemented its position as one of the top players in the life insurance industry, consistently improving its market share and performance. The company offers a comprehensive suite of life insurance products and services that cater to the diverse needs of its customers. It leverages a strong agency network of around ~237K agents and the bancassurance partners (SBI) to source business.

Investment Rationale

- **A.** APE growth momentum to remain strong: In Q2FY24, APE growth was robust, largely driven by strong growth in the ULIP and group protection portfolio. While the share of ULIP (~58% in Q2FY24) has been higher, the company aims to achieve a balanced mix of ~55% ULIPs and 45% non-ULIP products. It intends to achieve this by increasing the share of NPAR/Protection and growing the number of policies. SBI Life expects strong growth in the individual protection/NPAR segment in H2FY24, aided by new product launches (2 non-PAR savings products and a new RoP protection product for higher ticket size). The company remains confident of achieving ~20% APE growth in FY24 as against the growth of 17% in H1FY24. We expect APE growth to remain strong at ~17-18% over the medium term.
- **B. VNB Margins to remain stable:** In Q2FY24, VNB margins remained stable QoQ, despite the increase of ULIP products in the overall mix. However, despite the sharp inch-up in the share of ULIPs, wherein margins are comparatively lower, the company has been able to offset the impact by improving the margin profile in the non-ULIP products as non-PAR products have been repriced. As the product mix stabilizes, SBI Life expects its VNB margins to remain steady between 28-30%. We expect margins to range between 28.5-29% over FY24-25E.
- C. Focus on Agency channel continues: Banca channel remains a major contributor to APE for SBI Life and the company plans to activate the SBI branch network (activation rate of 55-60% in a month). However, the company's strategic initiatives for the agency channels have started reflecting in strong growth. SBI Life added ~50K agents in H1FY24 and has seen improvement in agent productivity. It expects the growth from this segment to remain robust in the coming quarters.
- **D. Outlook & Valuation:** SBI Life continues to maintain its leadership position with the best in the industry cost ratios. The company has been able to deliver strong APE growth over the past years and we expect the momentum to continue with a more balanced product mix. The company's channel productivity continues to improve and the focus on improving productivity in the agency channel should yield results in the coming quarters.
- E. Recommendation: We recommend a BUY on the stock with a target price of Rs 1,535/share, implying an upside of 14% from the CMP.

Financial Summary

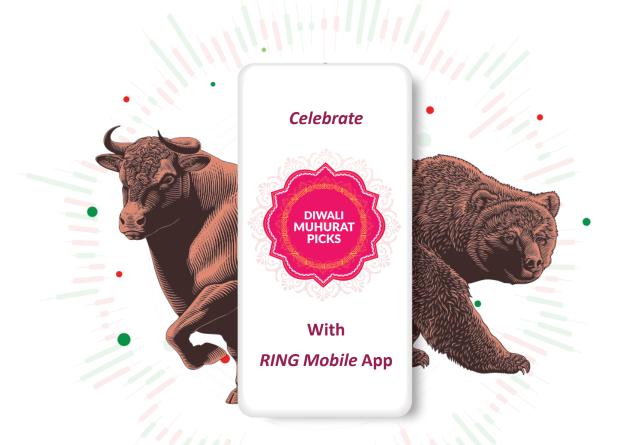
Y/E March	Net Premium (Rs Bn)	PAT (Rs Bn)	Embedded Value (Rs Bn)	VNB Margins (%)	APE Growth (%)	RoEV (%)	P/EV (x)
FY22	584.3	15.1	396.3	26.1	24.9	19.3	3.4
FY23	665.8	17.2	460.0	30.5	17.0	16.8	2.9
FY24E	795.6	20.1	556.6	29.2	19.1	19.8	2.4
FY25E	915.0	24.6	667.9	28.6	15.5	19.4	2.0











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Sr. No	Name	Designation	E-mail
1	Naveen Kulkarni	Chief Investment Officer	naveen.kulkarni@axissecurities.in
2	Neeraj Chadawar	Head of Research	neeraj.chadawar@axissecurities.in
3	Preeyam Tolia	Research Analyst	preeyam.tolia@axissecurities.in
4	Omkar Tanksale	Research Analyst	omkar.tanksale@axissecurities.in
5	Uttamkumar Srimal	Research Analyst	uttamkumar.srimal@axissecurities.in
6	Ankush Mahajan	Research Analyst	ankush.mahajan@axissecurities.in
7	Dnyanada Vaidya	Research Analyst	dnyanada.vaidya@axissecurities.in
8	Aditya Welekar	Research Analyst	aditya.welekar@axissecurities.in
9	Prathamesh Sawant	Research Analyst	prathamesh.sawant@axissecurities.in
10	Akshay Mokashe	Research Analyst	akshay.mokashe@axissecurities.in
11	Hiren Trivedi	Research Associate	hiren.trivedi@axissecurities.in
12	Shikha Doshi	Research Associate	shikha.doshi@axissecurities.in
13	Shridhar Kallani	Research Associate	shridhar.kallani@axissecurities.in
14	Bhavya Shah	Research Associate	bhavya1.shah@axissecurities.in
15	Suhanee Shome	Research Associate	suhanee.shome@axissecurities.in
οι π S Associates r 16	Shivani More	ny in the past twelve months. I/We or ASL or its Associate has not been e Research Associate	shivani.more@axissecurities.in

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