Axis Securities
Presents

DIWALI MAHURAT PICKS

Diamonds In The Dust
Samvat 2081

AXIS SECURITIES

*As we conclude the final chapter of Samvat 2080, we enthusiastically welcome Samvat 2081 and extend our warmest wishes for a **"Happy and Prosperous Diwali"** to all our valued readers. The Indian economy is currently in a favourable growth trajectory, well-positioned to surpass $5 Trillion by FY27, according to IMF estimates. We hope this festival brings light to your financial prosperity and overall well-being. At this juncture, we are pleased to present our Diwali Muhurat picks for this year, with the aspiration that they will further enhance your investment portfolio.*

DIWALI MAHURAT PICKS

Samvat 2080 has proven to be a remarkable period for the Indian equity market, marked by the continuous achievement of new milestones each quarter. Notably, our benchmark index, the Nifty 50, reached the historic milestone of 26,216 on September 26, 2024, for the first time ever. This achievement has propelled the Indian market capitalization to surpass the $5 Trillion mark, positioning it as the fourth largest market globally. This represents a significant success for the Indian equity market in recent times. Since last Diwali, the equity market has experienced a broad-based rally, with the Nifty 50 delivering returns of 25% (as of October 22, 2024). Meanwhile, the broader Midcap and Smallcap indices surged by 37% and 36%, respectively.

The beginning of Samvat 2080 was characterized by three significant events that positively influenced the equity market: 1) The results of assembly elections in three out of four key states, which raised expectations for policy continuity in 2024 and bolstered market confidence; 2) The RBI's decision to maintain the status quo during the Dec'23 Monetary Policy Committee meeting, along with a positive revision of FY24 GDP growth from 6.5% to 7%; and 3) A dovish stance taken by the US Federal Reserve during the Dec'23 FOMC. As we progressed, the outlook for Indian equities further strengthened due to several factors: 1) Continuous improvement in high-frequency indicators; 2) A superior growth outlook compared to other emerging market countries; 3) Sequential improvements in quarterly earnings; and 4) Sustained enhancements in domestic liquidity. Collectively, these developments have contributed to a positive market sentiment throughout the first half of the Samvat.

In the second half of the Samvat, investor sentiment further strengthened due to the ongoing narrative of policy continuity. However, on June 4, 2024, the market experienced incremental volatility following the Union election verdict, which fell below market expectations. In the subsequent weeks, positive sentiment returned with increased visibility regarding the formation of the NDA 3.0 government. This development bolstered confidence in sustained policy continuity, particularly concerning Capex spending, manufacturing, and infrastructure development in the country. Moreover, during the Union Budget presentation in Jul'24, the Finance Minister outlined a vision for "Viksit Bharat," focusing on comprehensive economic development. This vision emphasized infrastructure enhancement, fiscal prudence, and welfare schemes for rural India. These developments contributed to an upbeat domestic investor sentiment throughout the Samvat, clearly reflected in the continued influx of systematic investment plan (SIP) flows into mutual funds. Notably, monthly SIP flows crossed Rs 24,000 for the first time in Sep'24.

Neeraj Chadawar | neeraj.chadawar@axissecurities.in

Samvat 2081 is set to be a pivotal year for the global economy. We begin this new Samvat amid a global rate cut cycle, with the US FED reducing interest rates by 50bps during its Sep'24 FOMC meeting and signalling two more rate cuts for the remainder of 2024, along with the possibility of four additional cuts in 2025. In response to this development, the RBI, in its recent MPC meeting, shifted its policy stance from "withdrawal of accommodation" to "neutral," signalling that a rate cut could be expected within the next 6-9 months. For Samvat 2081, we anticipate one to two rate cuts from the RBI, contingent upon inflation trends and the broader growth dynamics. The RBI has retained its FY25 GDP growth forecast at 7.2%, driven by improved agricultural activities and a positive outlook for rural consumption. Additionally, rainfall during the monsoon season (Jun-Sep'24) was 4% above the long-period average (LPA), and reservoir levels across the country are higher than last year. These favourable conditions are expected to benefit the rural economy, enhancing the prospects of a strong second crop (Rabi) this year.

DIWALI MAHURAT PICKS

Key Monitorables in SAMVAT 2081: With two major domestic events—the Union Election and Union Budget—and the global "US FED rate cut cycle" now behind us, the market's focus will shift to closely tracking several key events: 1) Developments in the lead-up to the US election, 2) Economic recovery in China, 3) Activity during the festival season, 4) US bond yield movements, 5) Oil price trends, and 6) Fund flows. These factors are expected to introduce volatility to the Indian equity market, which could react in either direction depending on how these events unfold. In the near term, some capital allocation may shift towards China, given the latest developments there.

In any case, we continue to believe in the long-term growth story of the Indian equity market. However, with current valuations offering limited scope for further expansion, an increase in corporate earnings will be the primary driver of the market returns moving forward. Hence, bottom-up stock picking with a focus on 'growth at a reasonable price' and 'Quality' would be keys to generating satisfactory returns in the next one year. We also suggest a "Buy on Dips" strategy in the below stocks with an investment horizon of over 12 months.

We present the following themes for Samvat 2081:

- Companies with higher growth potential with reasonable valuations
- Leadership position in the respective business
- Companies with a proven track record of improving return ratios
- Right mix of Rate Cut Cycle, Defensive, Capex, Consumption and the Export-oriented themes

Based on these themes, our Diwali picks are: Gravita India; Arvind Smart Spaces; Inox Wind; KPIT Technologies; HG Infra; AU Small Bank; Lupin; Indian Hotels; UNO Minda

Long-Term Stock Ideas

Gravita India Ltd

CMP	Target	Upside (%)
2,174	3,000	38%

Arvind Smartspaces Ltd

CMP	Target	Upside (%)
789	1,085	37%

Inox Wind Ltd

CMP	Target	Upside (%)
206	270	31%

KPIT Technologies Ltd

CMP	Target	Upside (%)
1,690	2,150	27%

H.G.Infra Engineering Ltd

CMP	Target	Upside (%)
1,335	1,700	27%

AU Small Finance Bank Ltd

CMP	Target	Upside (%)
639	800	25%

Lupin Ltd

CMP	Target	Upside (%)
2,132	2,600	22%

The Indian Hotels Company Ltd

CMP	Target	Upside (%)
656	800	22%

UNO Minda Ltd

CMP	Target	Upside (%)
924	1,090	18%

Note: CMP as of 22nd Oct'24; We suggest a "Buy on Dips" strategy in the above stocks with an investment horizon of over 12 months.

Invest In All Stock Ideas with 1 Click

DIWALI MAHURAT PICKS

Smallcase

(Basket of Stocks)

Samvat 2081

INVEST NOW

Our Last year's Performance (SAMVAT 2080)

Astounding Returns of 38.5% since last Diwali vs the Nifty 50 return of 28%

Target Achieved for 7 Calls Out of 9 Calls

Copmany Name	Reco. Date	Reco.	Reco. Price	Target Price	Potential Upside (%)	CMP (22^{nd} Oct'24 Closing)	Returns % (Since Reco)	Comment/Status
HDFC Bank Ltd	02-Nov-23	Buy	1,476	1,800	22.0%	1,715	16.2%	Open Call
TVS Motor Company Ltd	02-Nov-23	Buy	1,569	2,100	33.8%	2,663	69.7%	Target Achieved On High
APL Apollo Tubes Ltd	02-Nov-23	Buy	1,570	1,950	24.2%	1,526	-2.8%	Open Call
Astral Ltd	02-Nov-23	Buy	1,845	2,150	16.5%	1,790	-3.0%	Target Achieved On High
Ahluwalia Contracts (India) Ltd	02-Nov-23	Buy	664	770	16.0%	1,104	66.3%	Target Achieved On High
KPIT Technologies Ltd	02-Nov-23	Buy	1,221	1,500	22.9%	1,690	38.4%	Target Achieved On High
Jyothy Labs Ltd	02-Nov-23	Buy	358	440	22.9%	504	40.9%	Target Achieved On High
Bharti Airtel Ltd	02-Nov-23	Buy	924	1,155	25.0%	1,692	83.1%	Target Achieved On High
SBI Life Insurance Company Ltd	02-Nov-23	Buy	1,345	1,535	14.1%	1,698	26.3%	Target Achieved On High

Source: Company, Axis Securities, Note: Returns till 22^{nd} October'24, Reco date: 2^{nd} November'23

Gravita India Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
2,174	3,000	38%

Market Data

No. of Shares	6.90 Cr
Market Cap	Rs 15,119 Cr
52-week High / Low	2,700/730
BSE Code	533282
NSE Code	GRAVITA

Why Gravita India ltd

- ✓ **Dominant Share in A Growing Market**
- ✓ **Regulatory Tailwinds**
- ✓ **Steady Improvement In Profitability**
- ✓ **Expanding Offerings**

DIWALI MAHURAT PICKS

About the Company: Gravita India Limited is a prominent player in the global recycling industry, specializing in the recycling of lead, aluminium, plastic, and rubber. Headquartered in Jaipur, Rajasthan, India, the company operates multiple recycling plants both domestically and internationally. As of FY24, Gravita had 11 recycling plants and 31 owned scrap yards, with an annual recycling capacity exceeding 3 Lc tonnes and a scrap collection capacity of 2.5 Lc tonnes. The company also provides turnkey solutions designed to deliver complete, efficient, and sustainable recycling plants tailored to meet specific client needs. These solutions encompass all aspects of the recycling process, from initial design and equipment supply to installation, commissioning, and ongoing support.

Investment Rationale

A. **Robust Volume Growth:** With a push towards the electrification of transport, the demand for electric batteries is expected to swell in Samwat 2081, which will, in turn, increase the demand for lead. Additionally, the government has implemented multiple measures (such as RCM, ERP, and BWMR) to formalize the recycling sector and has established recycling targets for battery producers. As a major battery recycling player in the country, Gravita is likely to be a key beneficiary of these policy changes. The company expects volume growth of approximately 25% during FY25, in line with its three-year target.

B. **Diversifying Revenue Streams:** With planned capacity expansions and diversification into newer verticals, the company is positioned to benefit from favourable industry dynamics and rising demand for sustainable solutions. The company also plans to enter the European market, and its subsidiary has recently executed an MOU to acquire a Waste Tyre Recycling Company in Romania. These factors are expected to drive revenue and EBITDA growth over the next year while also aiding in the diversification of its revenue base.

C. **Strong EBITDA Growth:** Gravita has been implementing measures such as forward contracts (hedging) to protect its margins against commodity price variations and expects stable EBITDA per tonne in its key product, lead. The company is also focusing on increasing the share of value-added products and introducing newer products that generate relatively higher margins. Overall, the company is anticipated to post strong EBITDA growth over the next year, supported by volume growth and an increase in EBITDA per tonne.

D. **Valuation & Recommendation:** Considering the strong industry tailwinds and the company's growth plans, we estimate revenue/EBITDA/EPS growth of 26%/32%/32% CAGR over FY24-FY27E. We expect EBITDA (Adj.) margins to improve to 12.1% by FY27, compared to 10.5% in FY24, while generating ROE of over 30%. The stock currently trades at 27x FY27E EPS, and we value it at 37x FY27E EPS given the strong growth potential and robust returns. We recommend a BUY on the stock with a target price of Rs 3,000/share, implying an upside of 38% 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)
FY24A	3,161	331	242	34.6	71.1	33	35	55.1
FY25E	3,919	430	301	43.6	57.3	31	31	41.0
FY26E	5,121	594	421	61.0	40.9	32	34	29.3
FY27E	6,276	758	560	81.0	27.0	32	34	22.8

Source: Axis Securities Research

Arvind Smartspaces Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
789	1,085	37%

Market Data

No. of Shares	4.5 Cr
Market Cap	Rs. 3,830 Cr
52-week High / Low	915/310
BSE Code	539301
NSE Code	ARVSMART

Why Arvind Smartspaces Ltd

- ✓ **New Launch Pipeline**
- ✓ **New Market Entries**
- ✓ **Bookings Value to Accelerate**

About the Company: Arvind SmartSpaces Limited is engaged in the development of real estate across residential, commercial, and industrial projects. The company primarily operates in the residential segment within the Ahmedabad, Pune, and Bengaluru regions. Arvind SmartSpaces is one of the fastest-growing companies, having successfully delivered 4.9 Mn sq ft of completed projects. Leveraging the strong "Arvind" brand, the company has achieved a sales CAGR of 5.4% from FY19 to FY24, maintaining a robust position in these key markets.

Investment Rationale

A. New Launch Visibility: The company's unsold inventory stands at 51 Mn sq ft across completed, ongoing, and planned projects, representing around 69% of its total portfolio. This indicates strong launch visibility and booking potential for the upcoming year. ASL has guided for a GDV of Rs 5,000 Cr in FY25. The company has a total cash visibility of Rs 1,100 Cr, positioning it to achieve its guidance of 30%-35% growth in business development. ASL is set to launch its Mumbai project soon, along with its Bannerghatta project. Additionally, we expect bookings to flow in from the NH47 Surat and South Ahmedabad projects, with toplines of Rs 1,100 Cr and Rs 1,450 Cr, respectively.

B. Asset-Light Model and Quick Turnaround Time: ASL follows a no-land bank strategy, treating land as raw material and acquiring it as needed. The company adheres to a build-to-sell approach, aiming to sell 30% of a project in its first phase, which shortens the monetization cycle and enhances cost efficiency during execution. ASL boasts a 100% track record of selling projects on time. This combination of a lean organizational structure, build-to-sell strategy, JV projects, and horizontal developments enables quick project turnaround and contributes to the company's healthy financial performance.

C. Geographical Play: To further de-risk its portfolio, the company is expanding into new markets such as Pune and MMR. ASL is set to foray into the MMR region, targeting areas like Karjat, Khopoli, and Bhiwandi, with a topline potential of Rs 500 Cr. It recently entered the Surat market with the NH48 Surat development, aiming to capture the emerging demand for horizontal developments. Surat lacks a listed player in the horizontal development segment, positioning the company to capitalize on this opportunity. ASL anticipates that 20% of its portfolio will eventually be concentrated in the MMR region.

D. Outlook & Valuation: We recommend a BUY rating on the stock with a TP at Rs 1,085/share (valuing the company at 8X FY26 EV/EBITDA), implying an upside of 37% 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)
FY23A	256	49	26	5.6	133.5	5.5	7.3	67.0
FY24A	341	111	42	9.2	82.2	8.4	13.5	29.2
FY25E	563	158	91	20	37.6	15.8	15.0	21.2
FY26E	721	216	124	27.2	27.7	17.9	17.2	16.0

Source: Axis Securities Research

DIWALI MAHURAT PICKS

Inox Wind Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
206	270	31%

Market Data

No. of Shares	130.4 Cr
Market Cap	Rs. 26,852 Cr
52-week High / Low	262/47
BSE Code	539083
NSE Code	INOXWIND

Why Inox Wind limited

- ✓ Positive Sector Outlook
- ✓ Strong Order Book And Execution Capabilities
- ✓ Strong Financial Performance With Value Unlocking Prospects

About Company: Inox Wind Ltd is an integrated wind energy solutions provider engaged in the manufacturing and sale of wind turbine generators (WTGs). The company and its subsidiaries also offer erection, procurement, and commissioning (EPC), operations and maintenance (O&M), and common infrastructure facilities services for WTGs, as well as wind farm development services. Inox Wind has a manufacturing capacity exceeding 2.5 GWs of WTGs, distributed across four facilities: two in Gujarat, one in Madhya Pradesh, and one in Himachal Pradesh. The company possesses a 1.3 GW turnkey EPC capability and a current O&M assets portfolio of approximately 3.2 GW.

Investment Rationale

A. **Sector Outlook:** India's power demand has been rising, with peak demand reaching 250 GW in May'24, marking a 12% increase YoY/MoM. The Central Electricity Authority (CEA) forecasts a peak demand requirement of 458 GW by FY32, necessitating capacity enhancements across thermal and renewable energy sources (RES). India aims to increase its renewable energy (RE) capacity to 500 GW by 2030 with an additional 75 GW of wind capacity requirement.

B. **Strong Order Book:** As of March 31, 2024, the company had a robust order book of 2,656 MW. It secured new orders of 210 MW (a repeat order from Hero Future Energies) in Q1FY25 and 401 MW in Q2FY25 (including 3 MW WTG orders and 200 MW from a C&I player). Following these new orders in the first five months of FY25, the company now holds its largest-ever order book of 2,917 MW.

C. **Execution Capabilities:** The company has been improving its execution capabilities, achieving a 262% YoY growth in order execution in FY24, reaching 376 MW. It has set an execution target of 800 MW for FY25 and 1,200 MW for FY26, which may be revised upwards due to a substantial order book and additional orders expected (approximately 1 GW in the pipeline at various stages of discussion).

D. **Financial Performance And Value Unlocking:** The company has provided EBITDA margin guidance of 14-15%. Operating leverage from increased orders, cost optimization, and an improved product mix (with 80-90% comprising 3 MW WTGs) could drive margins toward 16%-17%. Additionally, management anticipates a new stream of revenue from the hybridization of its substation assets and crane services. The company has initiated various value-unlocking initiatives. Its EPC projects arm, Recso Global, has approved a Rs 350 Cr equity raise from marquee investors. These funds will be utilized to scale up business offerings at Recso, allowing the company to capitalize on the strong tailwinds in the wind sector in India.

E. **Outlook:** With a robust order book, strong execution capability, technological readiness, and net interest-free debt, along with the government's renewed focus on wind energy, Inox Wind is well positioned to build on its growth momentum. We expect the company's Revenue/EBITDA to grow by 83%/90% CAGR over FY24-FY27. We expect the PAT to reach to Rs 1,399 Cr by FY27.

F. **Valuation & Recommendation:** We recommend a BUY rating on the stock with a TP of Rs 270/share. We assign a target P/E multiple of 35x to our FY26 EPS estimate after adjusting for the minority stake in Inox Green Energy Services Ltd. and Resco Global (~7%). The TP implies an upside potential of 31% 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)
FY24A	1,743	269	(51)	(1.6)	NA	(2.4)	5.5	76.1
FY25E	4,800	783	640	4.9	41.8	31.7	23.2	37.7
FY26E	7,500	1,316	1,211	9.3	22.1	41.2	31.5	21.8
FY27E	10,600	1,844	1,399	10.7	19.1	32.9	33.9	15.2

Source: Axis Securities Research

KPIT Technologies Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
1,690	2,150	27%

Market Data

No. of Shares	27.41 Cr
Market Cap	Rs. 46,433 Cr
52-week High / Low	1,929/1093
BSE Code	542651
NSE Code	KPITTECH

Why KPIT Technologies Ltd

- ✓ Strong Vertical Focus
- ✓ Robust Client Evaluation Framework
- ✓ Continuing Strength in Demand Environment in the Medium Term

About the Company: **KPIT Technologies Ltd (KPIT) is a leading global pure-play Engineering, Research & Development (ER&D) services company. It provides design and development solutions throughout the product development value chain for all leading manufacturers and OEMs worldwide. Additionally, KPIT is engaged in product development for both the passenger car segment and the commercial vehicle segment.**

Investment Rationale

A. **Strong vertical focus:** Technological upgrades in the automotive industry are generating multiple growth opportunities. The introduction of semiconductors, software-based driver assistance systems, and CASE (Connected, Autonomous, Shared, and Electric) technologies presents significant growth potential for software partners in these verticals. KPIT has a strong vertical focus on the automotive industry to capitalize on the demand and transformation the sector is currently experiencing. The company collaborates with over 12 of the top 20 automotive OEMs globally, providing software and technology services in areas such as connected vehicles, autonomous driving, shared mobility, vehicle diagnostics, and electrification.

B. **Robust client evaluation framework:** KPIT's strategy focuses on strategic OEMs and Tier-1 suppliers through a deep mining approach. As overall ER&D spending continues to concentrate among top-tier companies, this strategy is considered optimal for driving growth. Each of the company's top customers is chosen through the Global Account Management (GAM) framework, which evaluates (1) The importance of the customer in the overall mobility ecosystem, (2) The level of relationship and commitment, (3) The strategic fit for practice offerings, and (4) The quality of engagement. In an environment characterized by high disruptions, KPIT believes it is imperative to collaborate with clients who are expected to remain relevant in a changing business landscape. Consequently, KPIT's client evaluation framework is vital to its success moving forward.

C. **Continuing strength in the demand environment in the medium term**: The UK is experiencing higher cost optimization deals coupled with faster decision-making processes. The increasing demand for ER&D services and strong execution capabilities are enabling KPIT to achieve accelerated revenue growth momentum. The management is confident about sustaining this momentum over the long term, supported by a robust deal pipeline.

D. **Valuation & Recommendation**: We recommend a BUY rating on the stock with a TP at Rs 2,150/share (valuing it at a sustainable premium P/E multiple of 58X on FY'26 EPS), implying an upside potential is 27% 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)
FY23	3,365	635	387	14.4	83.4	15	14	50.1
FY24	4,872	991	599	22.3	67.3	21	24	40.3
FY25E	5,738	1,148	786	29.2	51.4	25	27	34.3
FY26E	7,141	1,428	999	37.1	40.4	31	37	27.2

Source: Axis Securities Research

H.G.Infra Engineering Ltd

BUY

CMP (Rs)	Target (Rs)	Potential Upside (%)
1,335	1,700	27%

Market Data

No. of Shares	65.2 Cr
Market Cap	8,745 Cr
52-week High / Low	1,880/805
BSE Code	541019
NSE Code	HGINFRA

Why HGIEL

- ✓ Healthy Order Book Position
- ✓ Segment Diversification
- ✓ Encouraging Growth Opportunities

About the Company: H G Infra Engineering Ltd began its journey in 2003 and has since established itself as a prominent player in the Indian road infrastructure sector. Primarily engaged in road construction, the company is a major player in the EPC segment and is increasingly focusing on Hybrid Annuity Model (HAM) projects. H G Infra boasts a diverse portfolio of projects across 12 states, significantly contributing to India's progress toward advanced and efficient infrastructure.

Investment Rationale

A. **Robust Order Book:** As of June 30, 2024, the company's total order book stood at Rs 15,642 Cr, equivalent to three times the FY24 revenue. A significant 91% of these projects are attributed to the Government of India, with the remaining 9% coming from the private sector. This distribution provides revenue visibility for the next 2-3 years. The company aims for an order inflow of Rs 11,000 to Rs 12,000 Cr in FY25, with revenue growth of 17% to 18% and a margin of 15% to 16%. The company is expected to report a revenue CAGR of 16% over FY24-FY26E.

B. **Strategic Diversification:** Expanding Beyond Roads and Railways: The company is expanding its portfolio by exploring opportunities beyond road and railway projects. It has successfully ventured into solar power projects and secured orders worth Rs 1,763 Cr under the PM KUSUM Yojna, aiming to undertake complete EPC work for solar power projects. Additionally, the company is looking to secure orders in the water segment to further diversify its business profile. It is exploring opportunities in the water sector, including treatment plants and distribution projects. This strategic diversification drive is expected to benefit the company significantly.

C. **Experienced Management & Timely Project Execution:** HGIEL boasts over 20 years of operational success, with its promoters carrying more than four decades of expertise in the Indian civil construction industry. The company's ability to consistently deliver projects on time has fostered strong relationships with private sector clients, leading to repeat business. Its impressive track record also includes earning early completion bonuses, further showcasing its robust execution capabilities.

D. **Outlook & Valuation:** Over the last five years, the company's revenue, EBITDA, and PAT have grown at a CAGR of 21%, 22%, and 35%, respectively, and this growth momentum is expected to continue. We anticipate HGIEL to post healthy revenue, EBITDA, and APAT growth of 16%, 14%, and 19% CAGR, respectively, over FY24-26E. This growth will be driven by the company's strong order book position, improved order intake, diversification into related sectors, and the government's focus on developing the country's infrastructure. The stock is currently trading at an implied PE of 10xFY26E earnings.

E. **Recommendation:** We recommend a BUY rating on the stock with a target price of Rs 1,700 /share, implying an upside of 27% 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)
FY24A	4,419	710	421	65	18	27	35	11
FY25E	5,122	822	546	84	17	27	30	12
FY26E	5,942	953	545	84	17	21	29	10
FY27E	6,834	1073	627	96	14	20	27	9

Source: Axis Securities Research

AU Small Finance Bank Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
639	800	25%

About the Company: **AU Small Finance Bank (AUSFB) is a retail-centric small finance bank offering a comprehensive suite of financial products such as Vehicle Finance, SME loans, Home Loans, and Business Banking. Its primary clientele consists of low and middle-income individuals and businesses that have limited or no access to conventional banking and finance channels. As of Jun'24, AUSFB operates through 2,414 touchpoints across India, which now include the branches of Fincare SFB following the recent merger.**

Market Data

No. of Shares	74.3 Cr
Market Cap	Rs. 47,438 Cr
52-week High / Low	813/554
BSE Code	540611
NSE Code	AUBANK

Why AU Small Finance Bank Limited

- ✓ **Healthy Balance Sheet Growth Prospects**
- ✓ **Merger Synergies to Play Out**
- ✓ **Strong Earnings Growth Trajectory**

Investment Rationale

A. Prioritizing RoA Improvement: AUSFB will prioritize (1) Increasing the disbursements share of higher RoA businesses. Its focus will remain on pursuing growth in the higher-yielding businesses such as Wheels, MBL, and Microfinance alongside calibrating growth in the low-medium RoA businesses. The bank aspires to improve the share of these high-RoA businesses to 70-75% by FY27E. (2) Improving branch banking profitability by increasing the share of CA deposits to ~7.5% from 5% currently. The bank will look at leveraging the branch network to originate business and improve profitability. AUSFB will strive to make ~65% of branches that were active as of Dec'23 profitable by Mar'27 and (3) Calibrating investments.

B. Merger Synergies to Play-Out: The merger of Fincare SFB with AUSFB presents a highly complementary synergy, with Fincare contributing a strong geographical presence, particularly in South India, while AU offers an extensive product portfolio. This strategic alignment is expected to drive substantial market share growth and foster deeper customer engagement. With a combined customer base exceeding 1 Cr and an employee strength of over 46,000, the merger elevates AUSFB's position as a formidable financial player. The bank's immediate priority is ensuring a smooth integration process over the next 9-12 months, allowing Fincare customers to benefit from AU's flagship offerings across both liability and asset products.

C. NIMs to remain healthy, though moderate marginally: AUSFB's margins have benefited from the integration of Fincare's microfinance portfolio post-merger, driving yield improvement. The bank has focused on managing its CoF, increasing disbursements, and growing higher-yielding assets to sustain this momentum. However, with CoF expected to rise, NIMs are projected to decline slightly from ~6% in Q1FY25 to a range of 5.7-5.8%. AUSFB is well-positioned to gain from a potential rate cut cycle, as 60-62% of its loan book is fixed, which should provide a cushion to its margin performance in the medium term.

D. Outlook: With AUSFB calibrating growth and prioritizing profitability, we expect the bank to deliver a RoA of 1.6% in FY25E. Focused efforts toward improving the share of better-yielding products, calibrating investments, and enhancing the fee income profile should collectively drive RoA improvement to 1.8% by FY27E. Additionally, the bank has applied for a Universal Banking license.

E. Valuation & Recommendation: We recommend a BUY rating on the stock with a TP at Rs 800/share, implying an upside of 25% from the CMP. We value the stock at 3.2x FY26E ABV.

Financial Summary

Y/E March	NII (Rs Cr)	PPOP (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	RoA (%)	NNPA (%)
FY24A	5,157	2,438	1,535	22.9	181.1	3.5	1.5	0.6
FY25E	7,904	3,868	2,082	28.0	214.5	3.0	1.6	0.6
FY26E	10,319	5,180	2,940	39.6	250.3	2.5	1.7	0.7
FY27E	12,832	6,547	3,745	50.4	295.9	2.2	1.8	0.7

Source: Axis Securities Research

Lupin Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
2,132	2,600	22%

Market Data

No. of Shares	45.6 Cr
Market Cap	Rs. 97,220 Cr
52-week High / Low	2,312/1123
BSE Code	500257
NSE Code	Lupin

Why Lupin limited

- ✓ **Robust Product Portfolio.**
- ✓ **Strong Presence in the U.S. Markets**
- ✓ **Market Share Capture With New Products**

About the Company: Lupin Limited is a prominent global pharmaceutical leader based in Mumbai, India, distributing its products across over 100 markets. Specializing in a wide array of pharmaceutical solutions—including branded and generic formulations, complex generics, and biotechnology products—Lupin is trusted by healthcare professionals worldwide. With a robust infrastructure comprising 15 advanced manufacturing sites and 7 research centres, the company is dedicated to enhancing patient health outcomes through its subsidiaries, including Lupin Diagnostics and Lupin Digital Health.

Investment Rationale

A. Strong Business Outlook: The pharmaceutical sector is expected to perform well in the mid to long term, driven by growth in both the U.S. and Indian markets. In the U.S., key products such as gRevlimid, gMirabegron, gSpiriva, gAlbuterol, and gLenalidomide are boosting potential growth, with price erosion stabilizing at low single-digit levels. Additionally, new product launches, including gMirabegron and various biosimilars, are likely to support future expansion. Meanwhile, in India, the pharma market is set to grow due to increased demand for chronic therapies and a recovery in acute treatments. Overall, the outlook for the industry remains positive, underpinned by strong market dynamics in both regions.

B. Launches & Pipeline: Driven by key products such as **gMirabegron**, **gSpiriva, Albuterol and Pred Forte**, along with a promising revenue boost from the recently launched Tolvaptan. With a strong foothold in the stable US generics market and no expected competition for Spiriva until FY27, Lupin presents a compelling opportunity for investors looking to capitalize on the pharmaceutical sector's growth.

C. Growth & Margins: We project Revenue/EBITDA/PAT CAGR at 8.1%/13.4%/22.3% over FY24-27E. Return on Equity (RoE) will be in the range of 15%-16%.

D. Outlook: Lupin Limited is well-positioned to capitalize on emerging opportunities. In the U.S. market, recent product launches such as Darunavir and gSpiriva have successfully captured market shares of 30% and 32%, respectively, reflecting strong demand and competitive positioning. Upcoming approvals for Tolvaptan (projected market share of $287 Mn) and Xyway (estimated at $958 Mn with 180 days of exclusivity) are anticipated to further enhance Lupin's revenue streams in the second half of the year.

E. Valuation & Recommendation: We recommend a BUY rating on the stock with a TP at Rs 2,600/share, valuing at a PE multiple of 34x for FY27E, implying an upside potential of 22% 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)
FY24A	20,011	3,811	1,915	42.0	51.0	13.3	15.1	19.8
FY25E	20,854	4,379	2,620	57.5	37.2	15.7	17.6	22.1
FY26E	23,433	5,155	3,200	70.2	30.5	16.3	19.0	18.3
FY27E	25,259	5,557	3,500	76.8	27.9	15.3	18.3	16.4

Source: Axis Securities Research

DIWALI MAHURAT PICKS

The Indian Hotels Company Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
656	800	22%

Market Data

No. of Shares	142.04 Cr
Market Cap	Rs. 93,180 Cr
52-week High / Low	720/371
BSE Code	500850
NSE Code	INDHOTEL

Why IHCL

- ✓ **Leadership in Hospitality with an Asset-Light Approach**
- ✓ **Sustained Portfolio Growth**
- ✓ **Net Cash & Stronger Balance Sheets**

About the Company: The Indian Hotels Company Limited (IHCL) and its subsidiaries comprise a group of brands and businesses that blend warm Indian hospitality with world-class service. These include Taj—the iconic brand for the most discerning travelers; SeleQtions, a curated collection of hotels; Vivanta, which features sophisticated upscale hotels; and Ginger, which is revolutionizing the lean luxe segment. As South Asia's largest hospitality company with over 120 years of industry leadership, IHCL is renowned for its exclusive properties and the concept of 'Tajness.' The company is committed to innovation and growth through an asset-light approach, enabling the expansion of its portfolio and room supply to meet the increasing demand in the leisure and MICE segments.

Investment Rationale

A. **Market Outlook:** The hospitality industry upcycle is anticipated to be long and sustained. According to Horwath HTL's predictions, demand is projected to grow at a rate of over 10% annually for the next 3-4 years, outpacing supply during this period. The number of Foreign Tourist Arrivals (FTA) reached 92 Lc in FY24, while Corporate Travel Expenses under MICE remained below pre-COVID levels. Furthermore, upcoming events such as the Men's T20 World Cup, Kabaddi Championships, and global summits are expected to enhance occupancies in the forthcoming cycle.

B. **Launches & Pipeline:** IHCL looking to add 14516 keys in the next 4 years, comprising 2898 owned keys & 11,618 managed keys under its "AHVAAN 2025" Project with Asset Light Model.

C. **Growth & Margins:** Revenue/EBITDA/PAT CAGR is projected at 14.6%/15.6%/21.3 over FY24-27E. Return on Equity (RoE) will be in the range of 15%-16%.

D. **Outlook:** IHTL is strategically leveraging an asset-light approach to expand its portfolio while minimizing capital expenditure. This strategy enables IHTL to efficiently increase its room supply and meet the rising demand driven by a robust leisure segment, increasing foreign tourist arrivals, and a resurgence in MICE events. As a result, we expect higher occupancy rates and improved ARPOB in the coming quarters, positioning IHTL for sustained financial growth.

E. **Valuation & Recommendation:** We recommend a BUY rating on the stock with a TP at Rs 800/share, valuing at a multiple of 35X EV/EBITDA for FY27E, implying an upside potential of 22% 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)
FY24A	6,769	2,156	1,330	9.3	71.7	14.1	17.7	39.6
FY25E	8,041	2,556	1,700	12.0	56.0	15.3	21.5	37.1
FY26E	9,071	2,945	2,040	14.4	46.7	15.6	25.2	31.6
FY27E	10,178	3,335	2,360	16.6	40.3	15.4	29.0	27.3

Source: Axis Securities Research

UNO Minda Ltd

BUY

CMP (Rs)	Target (Rs)	Upside (%)
924	1,090	18%

Market Data

No. of Shares	57.4 Cr
Market Cap	Rs. 53,457 Cr
52-week High / Low	1,253/551
BSE Code	532539
NSE Code	UNOMINDA

Why UNO Minda Limited

- ✓ **Robust EV Product Profile**
- ✓ **Diversified Products**
- ✓ **Sustainable Market Demand**

About the Company: Uno Minda (formerly Minda Industries Ltd), headquartered in Gurugram, is a Tier 1 supplier of automotive solutions to leading Indian and international OEMs in India, Asia, South and North America, and Europe, primarily focusing on switches, lights, instrument clusters, and other propulsion-technology agnostic parts. The company operates over 73 manufacturing plants globally, with overseas facilities in Indonesia, Vietnam, Spain, and Mexico. Uno Minda has established more than 15 joint ventures with renowned technology partners from Germany, Korea, and Japan, combining its manufacturing prowess with the technical expertise of its partners.

Investment Rationale

A. **Strong Business Outlook:** Retail demand in the domestic urban market is strong, and rural demand is anticipated to perform well in the coming months due to the festive season. In the medium to long term, rural demand, particularly for the entry-level segment, is expected to increase, driven by favourable monsoons, higher reservoir levels, greater penetration of retail finance, and anticipated stability in vehicle prices.

B. **Key Growth Drivers:** Uno Minda has proactively expanded into localizing EV components, aligning with the industry's trend driven by India's push for self-reliance in EV manufacturing. Strategic joint ventures with Friwo and Buehler Motor for localized e-drive solutions in the two-wheeler segment, along with its Technical Licensing Agreement (TLA) with Suzhou Inovance Automotive for four-wheeler components, ensure sustained growth. Additionally, its focus on new product segments, such as sunroofs in partnership with AISIN, positions the company for long-term growth in both traditional and EV segments, making it well-poised to continue its upward trajectory.

C. **Strong Financials:** Uno Minda expects robust growth across its core divisions: Lighting, Switches, Casting, and Sensors/Motors-Controllers. The company is targeting EBITDA margins of 11-12% over the medium term, with a focus on maintaining a Return on Capital Employed (ROCE) above 20%. The net debt-to-equity ratio is low at 0.23x, highlighting its healthy balance sheet.

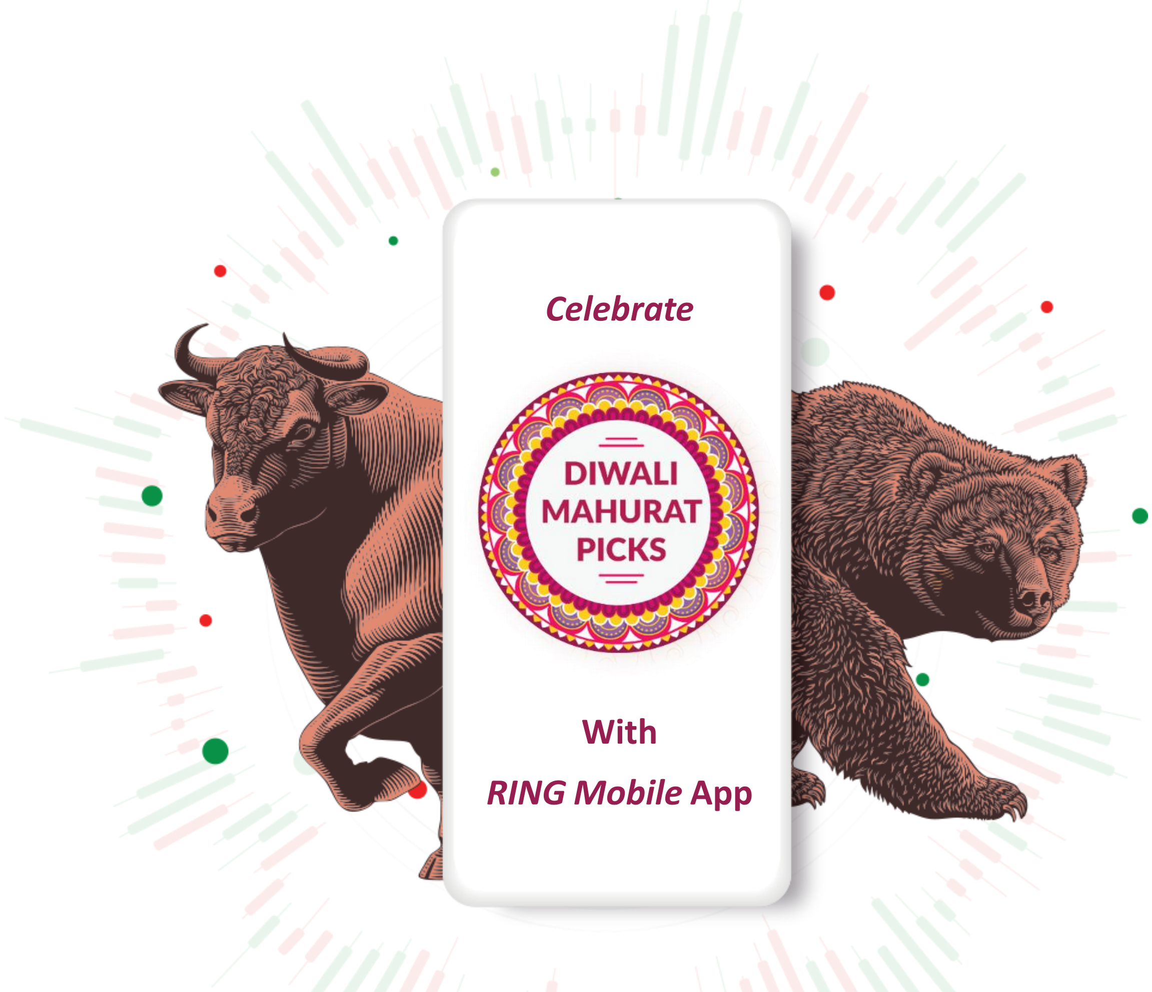
D. **Outlook:** With a strong pipeline of order wins and expanding product offerings in the EV space, the company is well-positioned to achieve significant revenue and profitability growth by FY26. We forecast a Revenue/EBITDA/PAT CAGR of 19%/21%/29% over FY24-FY26E.

E. **Valuation & Recommendation**: We recommend a BUY rating on the stock with a TP at Rs 1,090/share, valuing it at a sustainable premium P/E multiple of 36X on Mar' 27 EPS. The CMP implies an upside potential of 18%.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY24A	14,031	1,585	880	15.3	38.0	20.0	18.9	21.3
FY25E	16,696	1,868	1,046	17.2	54.2	20.1	20.1	30.1
FY26E	18,792	2,280	1,445	23.7	39.3	23.5	22.6	24.3
FY27E	21,179	2,710	1,836	30.1	30.9	25.0	24.3	20.0

Source: Axis Securities Research



Download from

GET IT ON Google Play

Download on the App Store

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

- Axis Securities Limited, is registered as a
- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details: SEBI Single Reg. No.- NSE, BSE,MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.; Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070. Administrative office address: Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.
In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

NEERAJ CHADAWAR Digitally signed by NEERAJ CHADAWAR Date: 2024.10.23 06:46:00 +05'30'

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock'sprice movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

DIWALI
MAHURAT
PICKS

Thank you!