

InvestPro

Top Idea Picks

January 2024

High Conviction Stocks Idea Attributes

- **Company:** a) Sound / resilient business; b) Consistent strong financials; c) High growth potential; and d) High return on invested capital
- **Industry:** a) Market leaders / Strong brand value; b) High growth opportunities; c) Strong entry barriers
- **Management:** a) Visionary Leadership; b) Strong & Effective Management; and c) High corporate access, including promoters and CXOs
- **KRChoksey Differentiators:** a) Analytics that predicts market movements; and b) High quality actionable research

Happiest Minds Technologies Ltd

A strong focus on organic growth and cost control measures will aid revenue and margin

BUY | Target Price: 1,062 | Upside: 17.9%

[Read Report](#)

HDFC Bank Ltd.

Consistent performance with sustainable ROA of 2.0%
BUY | Target Price: 2,060 | Upside: 21.8%

[Read Report](#)

Persistent Systems Ltd.

A strong deal pipeline and efficient utilization will support the growth
ACCUMULATE | Target Price: 7,910 | Upside: 8.8%

[Read Report](#)

Rossari Biotech Ltd

Strong demand across end customer sectors in the HPPC segment will drive topline

BUY | Target Price: 925 | Upside: 12.9%

[Read Report](#)

The Ramco Cements Ltd.

Momentum on pricing and volume to continue further
ACCUMULATE | Target Price: 1,120 | Upside: 10.3%

[Read Report](#)

Varun Beverages Ltd

Capex and entry into new geographies to boost growth

BUY | Target Price: 1,505 | Upside: 19.3%

[Read Report](#)

Note: Prices as on 04th December 2023; Source: FactSet, KRChoksey Research

A strong focus on organic growth and cost control measures will aid revenue and margin

CMP INR 901	Target INR 1,062	Potential Upside 17.9%	Category Mid Cap.	Market Cap (INR Mn) 13,71,199	Recommendation BUY	Sector IT
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Happiest Minds Technologies (HAPPSTMN) specializes in providing services related to cutting-edge technologies. Their service portfolio encompasses analytics, artificial intelligence, automation, cloud services, digital infrastructure management, the Internet of Things, security, and product engineering, among others. As of Q2FY24, the Company had a workforce of 5,285 employees spread across seven different countries. The business operations are segmented into three distinct units: Digital Business Services (DBS), Product Engineering Services (PES), and Infrastructure Management and security Services (IMSS).

Demand in EdTech and Healthcare will drive revenue growth

In Q2FY24, HAPPSTMN recorded a revenue of USD 49.1 Mn, marking a 10.8% YoY growth and a 3.1% QoQ increase. When considering constant currency, the growth was 3.6% QoQ and 11.6% YoY, respectively. The United States remains the top contributor to revenue, accounting for 71.5% of the total, followed by India at 15.7%, showing a significant 320 bps YoY rise to a combined 87.2% from 84.0% in Q2FY23. Notably, contributions from the Edutech and Healthcare customer segments have risen to 25.0% and 13.8% in Q2FY24, up from 23.2% and previously nil, respectively. The management has given guidance of a 12.0% growth target focusing solely on organic growth.

The profitability margin will be maintained in the project range despite an increase in cost

In the quarter, the Company's EBITDA margins settled at 24.4%, a decrease from the previous quarter's 25.5%. This 110 bps contraction was primarily influenced by the implemented wage hike in July 2024. Notably, despite industry pay rises, variable pay disbursements, and increased staff, the Company's EBITDA margin exceeded the projected range of 22.0% to 24.0%. Consistently surpassing their guidance, the Company has sustained EBITDA margins above the expected range for fourteen consecutive quarters. Management foresees EBITDA margins persisting within the range of 22.0% to 24.0% in the future.

Utilization rate increase, customer growth, and expansion strategies overview

The utilization rate has risen from 74.5% in Q1FY24 to 76.0% in Q2FY24. There has been an increase in active customers from 230 in Q2FY23 to 244 in Q2FY24. The management highlighted the establishment of the generative artificial intelligence (Gen AI) business, aiming for a revenue contribution of at least 20.0% from this sector over the next five years. Another significant growth driver will be through inorganic expansion. While actively pursuing various deals, the Company has observed a certain hesitancy among other companies to promptly engage in deals, anticipating improved valuations and offers in the evolving deal environment. Nonetheless, the management remains optimistic about finalizing a deal within the next couple of months.

Outlook and Valuation

We estimate revenue to grow at 22.6% CAGR over FY23-25E and PAT to grow at 16.5% CAGR over FY23-25E. Currently, the stock is trading at PE multiples of 57.0x/39.7x based on our FY24E/FY25E EPS estimates, respectively. We assign a P/E multiple of 45x on FY25E EPS of INR 22.7 to arrive at a TP of INR 1,062 and maintain the recommendation of 'BUY' and imply an upside potential of 17.9% over CMP.

Key Financials

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E
Revenue	10,937	14,293	16,951	21,483
EBITDA	2,577	3,589	3,771	5,070
EBITDA Margin	23.6%	25.1%	22.2%	23.6%
Adj Net Profit	1,391	2,452	2,321	3,327
Adj PAT Margin	12.7%	16.2%	13.7%	15.5%
Adj EPS	9.5	15.7	15.8	22.7

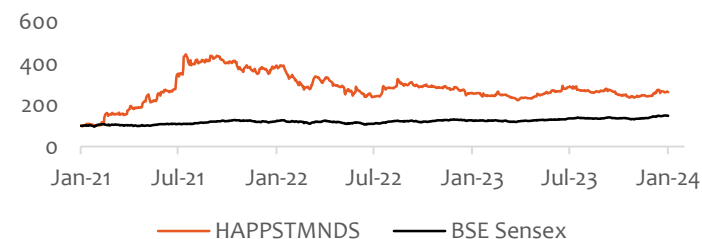
Source: KRChoksey Research

Shareholding Pattern (%)

Particulars	Sep-23	Jun-23	Mar-23
Promoters	51.4	53.3	53.3
FIIIs	5.1	4.5	4.2
DIIIs	2.4	1.3	1.3
Others	41.0	41.0	41.3
Total	100.0	100.0	100.0

Source: BSE

Share price performance



Source: BSE

Consistent performance with sustainable ROA of 2.0%

CMP	Target	Potential Upside	Category	Market Cap (INR Mn)	Recommendation	Sector
INR 1,691	INR 2,060	21.8%	Large Cap.	INR 128,37,753	BUY	Banking

HDFC Bank Ltd (HDFCB) has been a consistent player in terms of healthy business growth, focusing on new initiatives and maintaining superior asset quality. As on September 30, 2023, the Bank's total balance sheet size stood at INR 34,163 Bn. HDFCB is identified as a Domestic Systemically Important Bank (D-SIB) as per the RBI.

Newer product pipeline to support a healthy credit offtake: HDFCB registered a loan book growth of 57.5% YoY/44.3% QoQ as of September 30, 2023, at INR 23,312 Bn. The retail segment led the growth and reported an increase of 106.6% YoY and 3.1% QoQ on a pro forma basis. The completion of the merger with HDFC Ltd. brings a long-term mortgage portfolio into the Bank's fold, further enhancing its ability to deliver a full array of in-house products and services. The Commercial Rural Banking (CRB) segment continued to see robust growth of 29.5% YoY/9.7% QoQ, led by improved geographical penetration in the SME business. In CRB segment, which runs the SME businesses, the rural business reach expanded to 0.185 Mn villages and is on track to reach the objectives of over 0.2 Mn villages in the near term. A few quarters ago, HDFCB started processing gold loans, which are now offered in 4,544 branches, representing a 53.0% increase compared to the prior year. HDFCB has been well-placed to capitalize on the industry opportunity, supported by its efforts to deepen its penetration in semi-urban and rural areas and focus on a newer product pipeline.

Focus of restructuring the liability mix by reducing borrowings post merger with HDFC Ltd: On the liability side, with a focus on granularity, HDFCB reported its deposit growth at 29.8% YoY/ 13.6% QoQ. Term deposits continued to see higher traction, given the interest rate scenario & customer preference. This segment reported a growth of 48.3% YoY. HDFCB continues to identify larger growth opportunities in the retail current account segment, managing them through various treasuries. HDFCB's branch network stood at 7,945 outlets as of September 30, 2023. Overall, there has been an increase of 1,446 branches over the last 12 months, including 85 branches in the quarter. In addition, the Bank is operating over 400 branches of erstwhile HDFC branches under the bank banner now, and it is progressively developing other banking product capabilities as it goes through the year. HDFCB is expected to restructure its borrowing mix and strive for higher deposit growth in the coming quarters to regain its NIM levels, as the Bank believes that the worst is over in terms of margin compression.

Merger synergies panning out well: The subsidiaries/ associates of HDFC Ltd will become a part of HDFCB, which has opened a cross-selling opportunity for the Bank through these subsidiaries. Mortgages will be accessible to HDFCB customers as a core product. As per the industry trends, the mortgage business model is a more profitable segment owing to the lower cost of funds. With HDFC's leadership in the housing loan sector, HDFCB will be able to provide its customers with flexible mortgage products cost-effectively.

We expect HDFCB's current valuation to re-rate on the back of a) a strong balance sheet, b) improved opportunities for business growth with healthy CET, c) improving margin outlook in the long term; and d) an adequate cushioning in terms of provisions with stable asset quality. We value the bank's standalone business at 2.8x FY25E P/ABV to INR 1,857 and the subsidiaries at INR 203, taking the total value to INR 2,060 per share, implying an upside of 21.8% from the current price. Accordingly, we maintain a "BUY" rating on the shares of HDFC Bank Ltd.

Key Financials

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E
NII	7,20,096	8,68,422	11,23,385	14,34,995
PPOP	6,40,773	7,04,050	9,27,883	11,56,529
PAT	3,69,613	4,41,087	6,24,428	7,55,050
EPS (INR / Share)	66.7	79.3	82.4	99.6
BVPS (INR / Share)	432.9	502.2	591.6	676.1
NIM (%)	4.0%	4.3%	3.7%	3.8%
Advances Growth YoY (%)	20.8%	16.9%	56.3%	17.7%

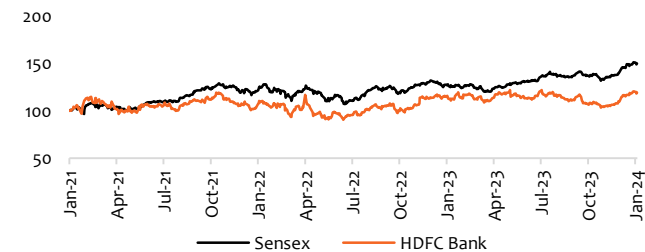
Source: KRChoksey Research

Shareholding Pattern

Particulars (%)	Sep-23	Jun-23	Mar-23
Promoters	0.0	25.5	25.6
FIIIs	52.1	33.4	32.2
DIIIs	30.6	27.0	28.3
Others	17.2	14.1	13.8
Total	100.0	100.0	100.0

Source: BSE

Share Price Chart



Source: BSE

A strong deal pipeline and efficient utilization will support the growth

CMP INR 7,268	Target INR 7,910	Potential Upside 8.8%	Category Large Cap.	Market Cap (INR Mn) 5,60,014	Recommendation ACCUMULATE	Sector IT
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Persistent Systems (Persistent) provides software engineering and strategy services to help companies implement and modernize their businesses. It has its own software and frameworks with pre-built integration and acceleration. It also has partnerships with providers such as Salesforce and AWS. The Company is focused on outsourced software product development for their customers. They work with companies who build and deploy software products and they partner with them across all phases of the product lifecycle.

Strong revenue growth and regional performance will continue amid market challenges

PSYS experienced robust revenue growth, reaching USD 291.7 Mn, marking a healthy increase of 14.1% YoY and 3.1% QoQ in constant currency terms. This growth was primarily propelled by strong performances across various sectors: Software, Hi-Tech, and Emerging Industries saw a 16.3% YoY increase, BFSI experienced a 12.3% YoY growth, and Health and Life Sciences witnessed an 11.9% YoY uptick. In terms of regional performance, North America's revenue grew consistently at 3.1% QoQ in USD terms, in line with the Company's average growth rate. Meanwhile, India's revenue rose by 1.3% QoQ, and Europe saw a modest 0.3% QoQ increase. Notably, the rest of the world demonstrated a substantial 41.8% QoQ surge, although from a lower revenue base. Despite a slowdown in discretionary spending, the Company's management holds an optimistic outlook regarding the momentum in securing new deals. They anticipate strong traction, particularly in segments such as BFSI and healthcare, emphasizing positive growth prospects.

Improved Utilization will improve margins sequentially

The EBIT margin stood at 13.7%, down from 14.9% in the preceding quarter, representing a 120 bps contraction QoQ. This decline in margin was primarily attributed to the routine salary increment cycle in Q2FY24. However, it was partially counterbalanced by improved utilization rates, currency advantages, and the lack of visa-related expenses. The Company's management anticipates a sequential improvement in margins, aiming for a growth of 100-150 bps.

Reduced attrition, client growth, and strong deal pipeline propel growth

During this quarter, the Company placed a strong emphasis on enhancing utilization, resulting in a noteworthy increase from 78.3% to 80.6%. Additionally, attrition decreased to 13.5% from the previous quarter's 15.5%. Notably, active client numbers grew from 345 in Q2FY23 to 375 in Q2FY24. The Company maintained a robust deal pipeline, reflecting a healthy status with a New Total Contract Value (TCV) of USD 313.1 Mn and Annual Contract Value (ACV) at USD 184.2 Mn. The total TCV reached USD 1,721 Mn while the ACV stood at USD 1,225 Mn.

Outlook and Valuation

We estimate revenue to grow at 19.2% CAGR over FY23-25E and PAT to grow at 26.7% CAGR over FY23-25E. Currently, the stock is trading at PE multiples of 50.6x/37.6x based on our FY24E/FY25E EPS estimates, respectively. We assign a P/E multiple of 40.8x on FY25E EPS of INR 193.46 to arrive at a TP of INR 7910 (earlier INR 6615) and maintain the recommendation of 'ACCUMULATE and imply an upside potential of 8.8% over CMP.

Key Financials

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E
Revenue	57,107	83,506	98,265	1,18,616
EBITDA	9,582	15,191	17,239	21,511
EBITDA Margin	16.8%	17.8%	17.5%	18.1%
Adj Net Profit	6,893	9,212	10,967	14,785
Adj PAT Margin	12.1%	11.0%	11.2%	12.5%
Adj EPS	90.2	120.5	143.5	193.4

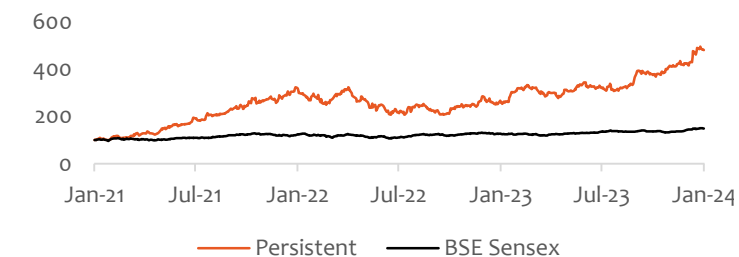
Source: KRChoksey Research

Shareholding Pattern (%)

Particulars	Sep-23	Jun-23	Mar-23
Promoters	31.0	31.3	31.3
FIIIs	20.5	20.6	20.3
DIIIs	28.0	27.6	26.4
Others	20.4	20.6	22.0
Total	100.0	100.0	100.0

Source: BSE

Share price performance



Source: BSE

Strong demand across end customer sectors in the HPPC segment will drive topline

CMP INR 819	Target INR 925	Potential Upside 12.9%	Category Small Cap.	Market Cap (INR Mn) 45,238	Recommendation BUY	Sector Specialty Chemical
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Rossari Biotech (ROSSARI) was established in 2003 by Mr. Edward Walter Menezes and Mr. Sunil Srinivasan Chari, both seasoned technocrats with a combined experience of over 45 years in the specialty chemicals industry. The Company's primary focus is on three key business segments: Home, Personal Care, and Performance Chemicals (HPPC); Textile Specialty Chemicals (TSC); and Animal Health and Nutrition (AHN). ROSSARI has eight manufacturing facilities, four R&D centers, and an installed capacity of 354,100 Million Tonnes Per Annum (MTPA).

Momentum in the HPPC segment will boost the top-line

ROSSARI reported consolidated revenue of INR 4,835 Mn in Q2FY24, up by 13.6% YoY. This growth was primarily propelled by a robust 20.8% YoY surge in the Home, Personal Care, and Performance Chemicals (HPPC) segment, which contributes significantly, accounting for 75.9% of the total revenue in Q2FY24. The HPPC segment's upward trajectory is driven by substantial growth observed across various sectors, including personal care and performance chemicals such as coatings, paint, water treatment, paper, and ceramic. In the home care division, the Company successfully onboarded new customers for anti-redeposition agents. Revenue for H1FY24 was INR 8,941 Mn, up by 3.9% YoY. Given the favorable outlook for the underlying industries, ROSSARI is well-positioned to sustain strong growth in the H2FY24E.

Capacity expansion and capex plans will propel growth

In Q2FY24, the Company witnessed almost full utilization of capacity at both Unitop and Tristar, prompting management to initiate capacity expansion projects at these locations. Capex of INR 500 Mn for Rossari and INR 1,280 Mn for Unitop, a wholly owned subsidiary has been announced for the next 18 months. Out of the entire capex planned, INR 500 Mn is expected in H2FY24E. The expansion of the Dahej facility by 20,000 MTPA will empower the Company to explore new avenues within the HPPC segment and manufacture vital ingredients for its subsidiary companies. Additionally, augmenting Unitop's ethoxylation capacity from 36,000 MTPA to 66,000 MTPA, including a planned addition of 30,000 MTPA, aims to cater to future demand in sectors like agrochemicals, home and personal care, oil & gas, and pharmaceuticals.

Strategic focus on volume, capacity utilization, and diversification amid global uncertainty

In Q2FY24, EBITDA margin had a contraction of 14 bps YoY to 13.1%. The Company's emphasis on boosting volume and maximizing capacity utilization led to an impact on price realization. EBITDA margin for H1FY24 had an expansion of 28 bps to 13.6%. Management expects the profitability margins to be in a similar range for the rest of the year. Given the prevailing uncertain global conditions, the Company maintains its focus on diversifying its customer base, driving volumes, and enhancing revenue by optimizing capacity utilization in FY24E.

Outlook and Valuation

We estimate revenue to grow at 17.2% CAGR over FY23-25E and PAT to grow at 29.1% CAGR over FY23-25E. Currently, the stock is trading at PE multiples of 34.2x/25.3x based on our FY24E/FY25E EPS estimates, respectively. We assign a P/E multiple of 28.5x on FY25E EPS of INR 32.4 to arrive at a TP of INR 925 and maintain the recommendation of 'BUY' and imply an upside potential of 12.9% over CMP.

Key Financials

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E
Revenue	14,830	16,559	18,825	22,753
EBITDA	1,834	2,230	2,529	3,255
EBITDA Margin	12.4%	13.5%	13.4%	14.3%
Adj Net Profit	977	1,073	1,322	1,789
Adj PAT Margin	6.6%	6.5%	7.0%	7.9%
Adj EPS	17.7	19.4	24.0	32.4

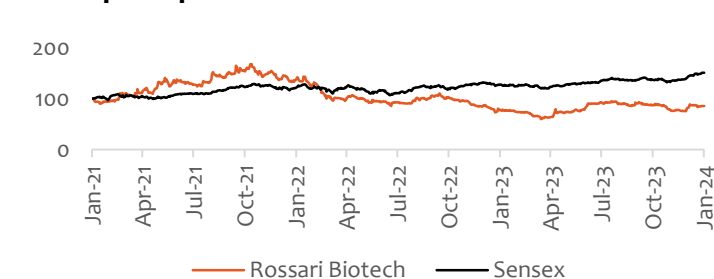
Source: KRChoksey Research

Shareholding Pattern (%)

Particulars	Sep-23	Jun-23	Mar-23
Promoters	68.4	68.4	68.4
FIIIs	17.7	6.1	7.5
DIIIs	5.8	17.7	15.1
Others	8.2	7.7	9.0
Total	100.0	100.0	100.0

Source: BSE

Share price performance



Source: BSE

Momentum on pricing and volume to continue further

CMP INR 1,015	Target INR 1,120	Potential Upside 10.3%	Category Mid Cap.	Market Cap (INR Mn) 2,39,837	Recommendation ACCUMULATE	Sector Cement
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The Ramco Cements Ltd (RAMCOCEM) manufactures and sells cement, ready mix concrete, and dry mortar products in India. In addition, it is involved in the generation and sale of electricity from windmills and thermal power plants. The Company operates across more than 10 states, has 5 integrated cement plants and a total production capacity of 22 million MTPA. The Company is the second largest cement producer in South India by market capitalization.

Higher volumes and lower costs drive profit

The consolidated revenue of RAMCOCEM for Q2FY24 amounted to INR 23,405.7 Mn, reflecting a YoY rise of 30.5% and a QoQ growth of 4.2%. The expansion was facilitated by lower than expected rainfall, price hikes, and a rise in the contribution from premium products. The sales volume for the quarter reached 4.61 MT, representing a YoY gain of 38%. The capacity utilization stood at 82.0%, showing a modest QoQ increase of 3.0% and a YoY increase of 16.0%. The Company experienced a decline in power and fuel expenses due to a decrease in blended fuel costs from USD199/t to USD148/t year over year. This reduction, along with their revised fuel mix, the shift in the use of wind power from selling to captive use, and the decrease in lead distance from 279 kms to 259 kms, contributed to cost reduction and offset the effects of the busy season charge in logistics. The net profit reached INR 1,010 Mn, demonstrating a significant YoY growth of 783.0% and a quarterly growth of 28.0%.

Capex and expansion for better market positioning

In H1FY24, RAMCOCEM made capital expenditure investments of INR 12,250 Mn. This encompassed limestone bearing land acquisition for the purpose of expanding mining reserves in the long run, as well as the commissioning of a 3MW WHRS. In Q2FY24, the Company conducted de-bottlenecking of the Pyro Processing System at the Kolimigundla Cement Plant. The previous clinkerisation capacity was 2.50 MTPA. However, after implementing de-bottlenecking measures, the revised clinkerisation capacity has increased to 3.15 MTPA. In addition, the Company is anticipated to inaugurate its second grinding unit line in Odisha in January 2024, which would have a cement capacity of 0.9 MTPA. The company's net debt amounted to INR 49,659 Mn.

Expectations of strong growth

Cement industry is expected to further grow in H2FY24E because to anticipated increases in investments and the real estate sector, which are being supported by the government's emphasis on capital expenditures, a decrease in commodity prices, and strong credit expansion. The momentum on pricing and volume is expected to persist along with easing input cost conditions and normalization of supply chain pressures.

Outlook and Valuation

We estimate revenue to grow at 12.0% CAGR over FY23-FY25E, Adj PAT to grow at 59.9% CAGR over FY23-25E. Currently, the stock is trading at 41.6x/ 29.8x on FY24E/25E Adj. EPS. We are assigning a P/E multiple of 38x to its FY25 estimated Adj. EPS of INR 32.3 and maintain a target price of INR 1,120 per share, with an upside of 10.3% over the CMP, and an "ACCUMULATE" rating on the stock.

Key Financials

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E
Revenue	60,037	81,573	95,000	1,02,340
EBITDA	12,901	11,856	17,574	20,199
EBITDA Margin	21.5%	14.5%	11.6%	13.5%
Adj Net Profit	8,820	3,147	5,766	8,045
Adj PAT Margin	14.7%	3.9%	6.1%	7.9%
Adj EPS	37.32	13.32	24.40	34.05

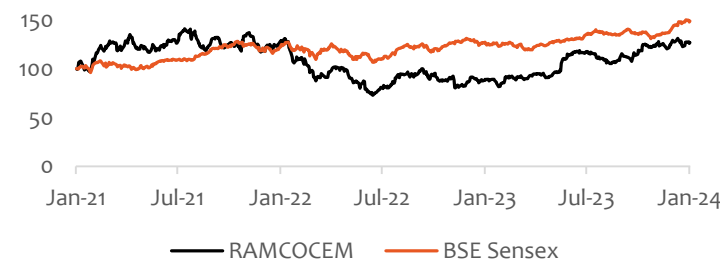
Source: KRChoksey Research

Shareholding Pattern (%)

Particulars	Sep-23	Jun-23	Mar-23
Promoters	42.1	42.1	42.3
FIIIs	7.9	8.0	7.6
DIIIs	33.4	32.4	32.5
Others	16.7	17.5	17.7
Total	100.0	100.0	100.0

Source: BSE

Share price performance



Source: BSE

Capex and entry into new geographies to boost growth

CMP INR 1,262	Target INR 1,505	Potential Upside 19.3%	Category Large Cap.	Market Cap (INR Mn) 16,39,609	Recommendation BUY	Sector Consumer
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Varun Beverages Limited (VBL) is one of the largest franchisees of PepsiCo in the world (outside the USA). VBL manufactures, distributes and sells a wide range of carbonated soft drinks (CSDs) and a large selection of non-carbonated beverages (NCBs), including packaged drinking water sold under trademarks owned by PepsiCo. VBL has been granted franchisees for various PepsiCo products across 27 States and 7 Union Territories in India (responsible for ~90% beverage sales volume of PepsiCo India). VBL has also been granted the franchise for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe.

Growth tailwind in CY24E from new capacities

The combined capex for CY23 and CY24E will increase VBL's peak monthly capacity in India by ~45.0% compared to CY22. As the capex is planned to come on stream before the summer of CY24E, VBL will be in a position to tap the seasonal demand across carbonated drinks, juice and value-added dairy. VBL's capex in the Democratic Republic of the Congo is also expected to become operational in CY24E.

Entry into South Africa with the BevCo acquisition will add incremental revenue from H2CY24E

The Board of Directors of VBL in December 2023, approved the acquisition of a 100.0% stake in the business conducted by The Beverage Company (Proprietary) Limited, South Africa along with its wholly-owned subsidiaries (BevCo). BevCo is engaged in the business of manufacturing and distribution of licensed (PepsiCo Inc.)/own-branded non-alcoholic beverages in South Africa. BevCo has the sole franchise rights from PepsiCo Inc. in South Africa, Lesotho and Eswatini and distribution rights for Namibia and Botswana. The acquisition will enable VBL to expand its geographical footprint in Africa and will start contributing to VBL's revenue in H2CY24E. Operations in South Africa will also help to reduce seasonality for VBL as the summers in South Africa are from November- January which is the off-season for beverages in India. BevCo can add ~8.0% to 10.0% incremental revenue for VBL in CY25E, as the acquisition is proposed to be completed sometime in H2CY24E. BevCo is operating at ~12.0% margins vs. ~21.0% to 22.0% for VBL. We believe there is scope for margin improvement in the acquired business, due to operating efficiencies and proximity benefits from VBL's operations in countries like Zambia and Zimbabwe.

Mozambique presents another international opportunity

In Q3CY23, the Board of Directors approved the incorporation of a subsidiary company in Mozambique for the distribution of Beverages. Mozambique has an open border with Zambia, where VBL has surplus capacity. VBL also has surplus can capacity in Zimbabwe and will combine this with the surplus capacity in Zambia to cater to Mozambique and drive incremental volumes.

Outlook and Valuation

We expect Net Revenue/ EBITDA/ Adj. PAT to grow at a CAGR of 17.3%/ 20.2%/ 26.2% over CY22-CY25E. We assign a P/E multiple of 65.0x to CY25E EPS of INR 23.2 to arrive at a target price of INR 1,505 per share, with an 19.3% upside from current levels. Accordingly, we maintain a BUY rating in the shares of Varun Beverages Ltd.

Key Financials

Particulars (INR Mn)	CY22	CY23E	CY24E	CY25E
Sales (net of excise)	1,31,731	1,60,656	1,84,849	2,12,562
EBITDA	27,881	35,655	41,309	48,397
PAT	14,974	20,310	24,435	30,081
Adj PAT	14,974	20,310	24,435	30,081
EPS (INR) (Adjusted for splits and bonus)	11.5	15.6	18.8	23.2
Adj. EPS (INR)	11.5	15.6	18.8	23.2
EBITDA Margin (%)	21.2%	22.2%	22.3%	22.8%
Adj. NPM (%)	11.4%	12.6%	13.2%	14.2%

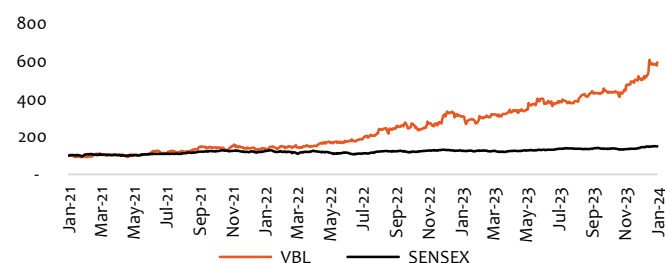
Source: KRChoksey Research

Shareholding Pattern (%)

Particulars	Sep-23	Jun-23	Mar-23
Promoters	63.1	63.6	63.9
FIIIs	27.6	26.7	26.0
DIIIs	3.4	3.2	3.7
Others	6.0	6.5	6.4
Total	100.0	100.0	100.0

Source: BSE

Share price performance



Source: BSE

Past Performance Summary: For Investment Period Achieved*

Companies	Potential Upside Expected (%)	Return on Highest Price (%)
Investpro August 2022		
Bajaj Auto Ltd.	12%	3.1%
Balaji Amines Ltd.	19%	5.8%
ICICI Securities Ltd.	13%	16.2%
Kotak Mahindra Bank Ltd.	23%	9.1%
Mindtree Ltd.	16%	10.5%
Ultratech Cement	15%	12.2%
Investpro November 2022		
Asian Paints Ltd	18%	1.8%
Infosys Ltd.	19%	10.3%
Persistent Systems Ltd	11%	38.2%
State Bank of India Ltd	17%	5.6%
Supriya Lifescience Ltd	43%	1.3%
UPL Ltd	41%	9.2%
Investpro March 2023		
ICICI Bank	37.9%	18.4%
IndusInd Bank	40.7%	34.2%
Tata Motors	36.2%	61.4%
Anupam Rasayan	18.7%	76.8%
Gujarat Flourochemical Ltd	59.4%	9.6%
Happiest Mind Technologies	36.4%	20.3%

Companies	Potential Upside Expected (%)	Return on Highest Price (%)
Investpro September 2022		
Anupam Rasayan Ltd.	23%	21.1%
Ashok Leyland Ltd.	18%	2.7%
IndusInd Bank Ltd.	25%	15.3%
Maruti Suzuki India Ltd.	18%	9.1%
Sonata Software Ltd.	17%	5.2%
Zydus Lifesciences Ltd	20%	29.6%
Investpro December 2022		
Cholamandalam Investment and Finance Co. Ltd.	12.3%	66.4%
Godrej Consumer Products Limited	19.7%	23.4%
HDFC Bank Limited	14.2%	9.3%
Hindustan Unilever Limited	16.1%	4.6%
Tata Consumer Products Limited	21.3%	10.3%
UltraTech Cement Limited	15.6%	17.6%
Investpro April 2023		
Asian Paints	28.3%	28.4%
Credit Access Grameen	40.2%	78.3%
Godrej Consumer Products	15.0%	14.2%
HDFC Bank Ltd	21.7%	9.2%
Tata Consumer Products	34.4%	29.4%
Rossari Biotech	24.1%	50.1%

Companies	Potential Upside Expected (%)	Return on Highest Price (%)
Investpro October 2022		
Bajaj Finance Ltd.	16%	6.0%
Nestle India Ltd.	12%	16.5%
The Ramco Cements Ltd.	12%	2.1%
Sun Pharma Industries Ltd.	18%	13.4%
Tech Mahindra Ltd.	18%	16.2%
Vinati Organics Ltd	14%	5.2%
Investpro January 2023		
Ashok Leyland Ltd	32.0%	30.2%
Axis Bank Ltd	16.4%	8.9%
Britannia Industries Ltd	13.6%	24.0%
Maruti Suzuki India Ltd	33.0%	27.8%
Reliance Industries Ltd	20.3%	11.7%
SBI Life Insurance Ltd	22.2%	9.8%
Investpro May 2023		
Ashok Leyland	32.9%	31.1%
Bandhan Bank	30.9%	16.7%
SBI Life Insurance Co.	39.7%	24.4%
Tech Mahindra Ltd	15.5%	26.3%
Minda Corporation	12.9%	38.9%
Inifbeam Avenues	28.6%	64.3%

Notes: 1. *Investment Period for stock picks is 6 months from the date of the recommendations provided; and Return calculated on 6 months highest price.
2. Green depicts Outperformance, Yellow depicts Achieved(range -3% till potential upside), White depicts Partially Achieved & Red depicts Not achieved.

Performance Summary: For Investment Period Open*

Companies	Potential Upside Expected (%)	Return on Highest Price (%)
Investpro June 2023		
Axis Bank Ltd.	68.2%	21.1%
Balkrishna Industries Ltd.	6.9%	17.3%
Hindustan Unilever Ltd.	15.2%	2.6%
Kotak Mahindra Bank Ltd	21.0%	3.2%
Sonata Software Ltd.	15.5%	45.2%
UNO Minda Limited	21.4%	24.8%
Companies	Potential Upside Expected (%)	Return on Highest Price (%)
Investpro November 2023		
Axis Bank	18%	16.7%
Bajaj Auto	9%	31.4%
Cipla Ltd	17%	8.5%
Glenmark Pharma	21%	22.2%
Maruti suzuki	20%	6.3%
State Bank of India	30%	14.1%

Companies	Potential Upside Expected (%)	Return on Highest Price (%)
Investpro July 2023		
Devyani International	22.0%	19.2%
ICICI Bank	24.3%	10.3%
ITC Ltd	15.9%	7.2%
Persistent Systems Ltd	15.1%	54.9%
State Bank of India	27.3%	12.1%
The Ramco Cements	24.1%	13.7%
Companies	Potential Upside Expected (%)	Return on Highest Price (%)
Investpro December 2023		
Ami Organics	11%	11.6%
Cholamandalma Investment and Finance Company	9%	13.1%
Godrej consumer products	16%	15.8%
Granules India	11%	8.4%
Kotak Mahindra Bank	17%	5.9%
Poonawalla fincorp	15%	8.2%

Companies	Potential Upside Expected (%)	Return on Highest Price (%)
Investpro October 2023		
Ashok Leyland	28%	10.2%
Credit Access Grameen	24%	36.4%
HDFC Life Insurance	14%	12.8%
Hindustan Unilever	24%	6.8%
Sun Pharma	11%	17.9%
Zydus Life	20%	18.7%

Notes: 1. *Investment Period for stock picks is 6 months from the date of the recommendations provided; and Return calculated on 6 months highest price.
2. Green depicts Outperformance, Yellow depicts Achieved(range -3% till potential upside), White depicts Partially Achieved & Red depicts Not achieved.

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