

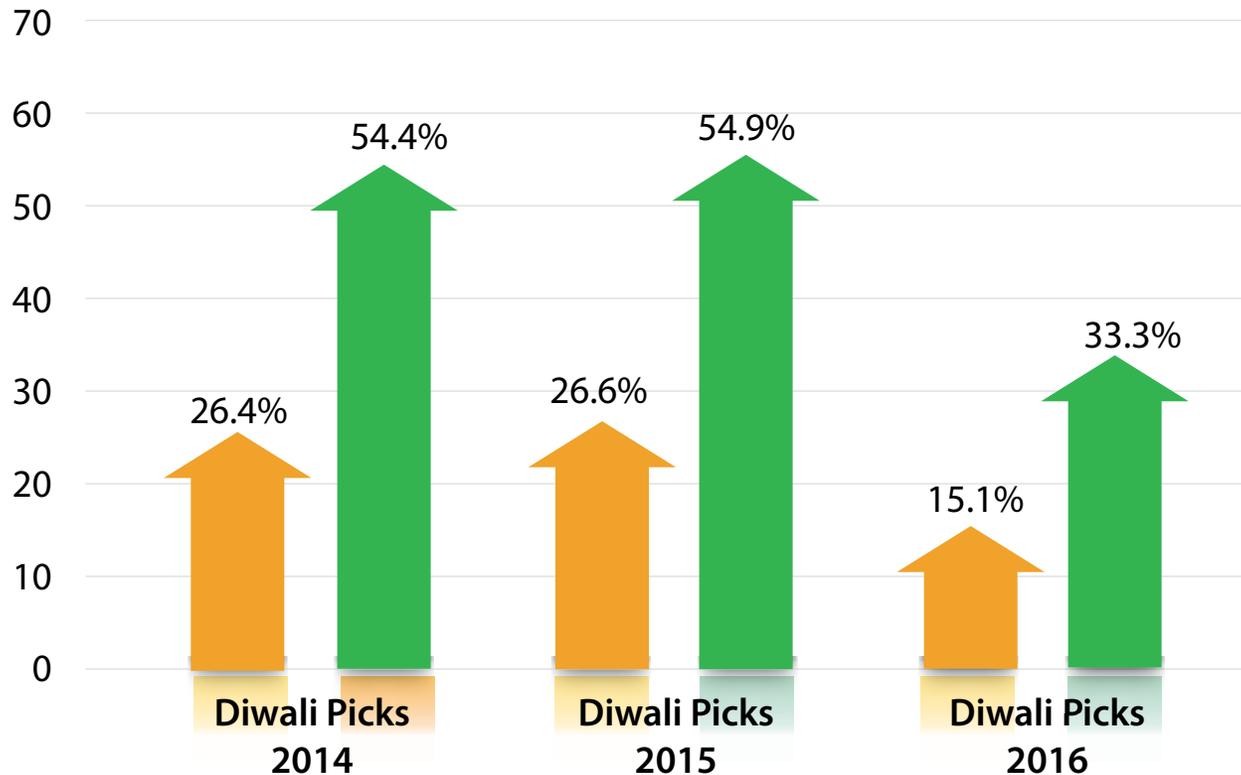


# Arihant's *Diwali* PICKS SAMVAT 2024



## Diwali Picks Performance

● Arihant Portfolio Performance ● Nifty 50 Performance



Our recommended portfolio of stocks for Diwali in previous years have given returns of 33.3% in 2016-17, 54.9% in 2015-17 and 54.4% in 2014-17. Whereas, Nifty 50 has given returns of 15.1% in 2016-17, 26.6% in 2015-17 and 26.4% in 2014-17.

Fundamental stocks recommended last Diwali (Samvat 2073) - Bajaj Holdings & Investment, DHFL, Force Motors, L&TFH, Maruti Suzuki, Ujjivan Financial Services.



## Bajaj Finance Ltd

**Bajaj  
Finance  
Limited**

**CMP: Rs 1951**

**Target: Rs 2200**

**Upside: 13%**

Bajaj Finance (BFL) is one of the leading asset finance NBFCs. It has a diversified loan portfolio with four broad categories viz. consumer finance (45% of loans), SME (37%) commercial (13%) and rural category (5%).

Assets under management (AUM) increased by 36% to Rs 60,194 crore, total income rose by 36% to Rs 10,003 crore, profit after tax rose by 44% to Rs 1,837 crore.

Loan losses and provisions were at Rs 818 crore. Even so, BFL's net non-performing assets at 0.44% was among the lowest in the NBFC industry and

capital adequacy as on 31 March 2017 was 20.30%, which is well above the RBI norms with 21% RoE which shows overall business is sustainable.

Structurally, we see some shift of retail savings away from bank deposits to mutual funds and insurance, which should make it easier for NBFCs like BAF.

BAF's has high-yield, high-margin business which generate higher ROE.

### Financial Summary

Description	FY17	FY16	FY15	FY14	FY13	FY12
Revenue (Rs Cr)	9,977.36	7,293.54	5,381.80	4,032.44	3,092.01	2,163.02
PAT (Rs Cr)	1,836.55	1,278.52	897.87	719.01	591.31	406.44
ROE (%)	21.70	21.09	18.71	19.58	22.05	24.12
ROCE (%)	12.91	12.97	11.54	13.34	14.56	13.40
EV/EBITDA (x)	23.36	14.62	12.79	10.28	8.73	9.86
P/B (x)	7.91	5.07	4.27	2.23	1.71	1.67

**Note:** CMP as on 10<sup>th</sup> Oct, 2017

## CDSL



**CMP: Rs 385**

**Target: Rs 460**

**Upside: 19%**

CDSL is India's leading depository in terms of incremental Beneficial Owner (BO) accounts over the last 4 years and by number of registered Depository Participants (DPs). In terms of market share, CDSL stands second to NSDL with 44% demat account market share and NSDL with Market share of 56%.

The topline of the company has shown an increase from Rs 145.47 cr in FY15 to Rs 186.85 cr in FY17, with a CAGR of 13.33%. CDSL has wide source of revenues at its privilege which lends higher revenue visibility for CDSL compared to NSDL.

The profitability of CDSL is directly linked

with the increasing volumes in terms of its Beneficial Owner (BO) Accounts and Depository Participants. While its consolidated total expenditure has remained largely consistent thus, thus one can also see that increasing revenues and almost stable expenses which will further increase margins going forward.

**Outlook:** It earned more than 35% of revenue from annual issuer charges in FY17, which are likely to remain stable-to-growing and CDSL has invested in new business initiatives to drive growth. Through subsidiary CDSL Ventures (CVL), it provides KYC services to capital market intermediaries with more than 1 crores KYC records and 70% market shares.

### Financial Summary

Description	FY17	FY16	FY15	FY14	FY13	FY12
Revenue (Rs Cr)	186.85	161.33	127.18	122.82	124.05	120.74
PAT (Rs Cr)	86.59	91.13	43.42	49.55	50.52	55.38
ROE %	17.10	21.47	12.01	14.53	16.00	19.47
ROCE %	23.02	30.94	17.33	18.33	20.81	27.52

**Note:** CMP as on 10<sup>th</sup> Oct, 2017



## DHFL



**CMP: Rs 552**

**Target: Rs 680**

**Upside: 23%**

### Financial Summary

Description	FY17	FY16	FY15	FY14	FY13	FY12
Revenue (Rs Cr)	9,609.90	7,834.87	6,419.61	4,965.58	4,061.22	2,467.76
PAT (Rs Cr)	925.35	744.15	641.26	529.00	451.85	306.36
ROE (%)	43.11	14.57	18.38	15.60	17.22	17.16
ROCE (%)	12.78	10.99	13.42	11.54	13.25	11.70
EV/EBITDA (x)	11.69	9.53	10.08	9.12	8.96	9.64
P/B (x)	2.21	1.17	1.47	0.79	0.65	1.38

DHFL has presence in 351 locations with significant penetration in tier 2/3 cities continues to remain focused towards the lower and middle income (LMI) customer.

### Key Highlights

AUM registered a growth of 20.2% from Rs 69,524 Cr in Q4FY16 to Rs 83,560 Cr as on 31st March, 2017 and DHFL's AUM posted 23% CAGR over FY14-FY17.

Revenue growth 22% YOY and PAT growth 25% YOY which excluded stake sale of DHFL Pramerica Life Insurance Co Ltd (DPLI) by DHFL and till FY14 PAT growth was stable at 17% where PAT growth in FY17 improved to 25%.

Cost to income ratio has been reduced to 23.6%

in FY17 from 27% in FY15 and going ahead company has target to reduce its cost to income ratio to 21% at present it has cost to income ratio of 23%.

Significant reduction in Cost of Borrowings (reduction of 84 bps on the entire book in the period FY17 to 8.83%).

DHFL sells entire 50% stake held by it in DHFL Pramerica Life Insurance Co Ltd (DPLI) in Q4FY17 adding Rs 1969 cr (33% increase) to DHFL's Net Worth and Capital infused via transaction sufficient to drive growth of DHFL's Affordable housing finance business for next 2-3 years.

**Outlook:** We expect the company's AUM growth to remain above 22% over next two years.

**Note:** CMP as on 10<sup>th</sup> Oct, 2017

## L&T Finance Holdings Ltd (L&TFH)



**CMP: Rs 203**

**Target: Rs 260**

**Upside: 28%**

L&T Finance Holdings Ltd (LTFH), promoted by L&T Ltd (64.2%) is a leading NBFC with a diversified lending portfolio.

Range of offerings across diversified book: LTFH's lending operations are focused on three primary segments viz. Rural 15% (Micro Finance, 2Wheeler & Tractors), Housing 19% (Home Loans, LAP and Builder loans) and Wholesale finance 62% (Renewable Energy, Operating Roads, etc.) of loan book.

Going ahead, the management intends to focus only on three segments i.e. Rural Finance, Housing Finance and Wholesale Finance. The defocused loan book as % of total loan book has already been brought down to 4% from 8.5%, and can expect that by FY2018 it will be insignificant compared to the total loan book.

**Outlook:** ROE only one metric company follows and target is to reach ROE of 20% by 2020.

### Financial Summary

Description	FY17	FY16	FY15	FY14	FY13	FY12
Revenue (Rs Cr)	8,340.59	7,288.79	6,196.23	5,055.94	3,943.09	2,980.90
PAT (Rs Cr)	1,042.47	853.69	850.71	594.84	729.19	454.80
ROE (%)	14.05	12.76	14.02	10.54	14.28	11.94
ROCE (%)	8.86	9.81	10.28	10.13	11.01	10.72
EV/EBITDA (x)	16.20	11.63	11.35	12.22	13.05	11.93
P/B (x)	4.19	1.58	1.71	2.17	2.32	1.75

**Note:** CMP as on 10<sup>th</sup> Oct, 2017

## Piramal Enterprises Ltd



**CMP: Rs 2774**

**Target: Rs 3350**

**Upside: 21%**

The Company has created its unique positioning in the financial services space with Wholesale Lending loan book of Rs 24,975 Cr and Rs 7,157 Cr of alternative assets under management and company diversifying their loan book in the Housing Finance Company and target to reach loan book of Rs 10,000 Cr by 2020.

In Pharma, PEL enjoys a strong presence in Global Pharma and India Consumer Products businesses with Strong portfolio of differentiated branded generic products, API generics and vitamins

presence in india consumer business is strong and in OTC segment from top 100 brands in India they have 6 brands in it and distribution network reach is 4.2 lakh outlet, revenue is Rs 3,000 Cr and target is to grow it to Rs 6000-7000 Cr by 2020.

Company has grown at 27% in terms of top line and PAT reported at Rs 247 Cr which is grown by 43% YOY, out of which the financial services loan book has grown by 79% to Rs 24,900 Cr and the pharma loan book grown by 12%.

### Financial Summary

Description	FY17	FY16	FY15	FY14	FY13	FY12
Revenue (Rs Cr)	8,546.75	6,381.48	5,151.95	4,529.15	3,548.82	2,178.19
PAT (Rs Cr)	1,042.47	853.69	850.71	594.84	729.19	454.80
ROE (%)	14.05	12.76	14.02	10.54	14.28	11.94
ROCE (%)	8.86	9.81	10.28	10.13	11.01	10.72
EV/EBITDA (x)	16.20	11.63	11.35	12.22	13.05	11.93
P/E (x)	4.19	1.58	1.71	2.17	2.32	1.75

**Note:** CMP as on 10<sup>th</sup> Oct, 2017

## Tata Global Beverages Ltd

**TATA GLOBAL BEVERAGES**



**CMP: Rs 208**

**Target: Rs 250**

**Upside: 20%**

### Financial Summary

Description	FY17	FY16	FY15	FY14	FY13	FY12
Revenue (Rs Cr)	6,779.55	6,636.54	7,993.94	7,738.38	7,351.92	6,641.74
PAT (Rs Cr)	463.65	-30.25	284.36	522.37	472.72	431.91
ROE %	7	-	5	10	10	10
ROCE %	10	4	8	12	12	12
P/E (x)	32.00	0	37	19	21	19
EV/EBIT (X)	15.30	30	17	12	12	11

Tata Global Beverages (TGB) is a natural beverages company with brand presence in over 40 countries. As the second largest tea company in the world with a growing interest in coffee and water, TGB is home to a stable of innovative global and regional brands.

Q1FY18 reported a sale of Rs 1704 Cr which is down by 2% due to lower growth in overseas market and still PAT grew by 15% to Rs 142 Cr.

Domestic business grew 4.8% YoY despite the impact of GST rollout and continues to maintain volume and value leadership by gaining market share.

**Outlook:** The Company has consistently expanded its market share in the Indian tea market.

TGBL is launching HIMALYAN WATER BRAND in US.

TGBL has expanded its presence to 94 Starbucks stores by Q1FY18 and has also witnessed strong cash generation.

After N Chandrasekaran took over as chairman of the Tata Sons and restructuring activity started with selloff of loss-making operations in China and Russia. And now company sold stake in Tata chemicals as part of the restructuring.

Company taking steps towards improving the return on investments which may restore investor's confidence and total debt is Rs 785 cr so; company can directly reduce its debt with stake sell and has free cash flow of Rs 500 cr.

If TGBL is able to sustain the growth momentum and expansion, a re-rating may be in store for the stock.

**Note:** CMP as on 10<sup>th</sup> Oct, 2017



## Whirlpool of India Ltd



**CMP: Rs 1355**

**Target: Rs 1600**

**Upside: 18%**

Whirlpool of India standalone revenue for the quarter came in at Rs 1618 crore, posted strong revenue growth of 15% YoY in Q1FY18. The PAT for the quarter came in at Rs 133 crore, increase of 8.8% YoY. Refrigerator (60% of sales), washing machines (20% of sales) and Air conditioners around 10% of sales.

### Strategy Going Ahead

The management was optimistic about strong revenue growth aided by increasing distribution network as well as plugging of portfolio gaps.

More focus will be on expanding washing machine and refrigerator model and variants.

### Outlook

The management indicated that from July 2017 onwards restocking began to pick up pace and the growth momentum resumed and one can expect WIL to register above 15% revenue and earnings CAGR over FY17-FY20E which also supported by international market growth.

### Financial Summary

Description	FY17	FY16	FY15	FY14	FY13	FY12
Revenue (Rs Cr)	5,192.06	4,534.13	4,171.23	3,499.38	3,431.37	3,229.16
PAT (Rs Cr)	310.49	240.02	210.51	122.91	127.75	123.73
ROE (%)	23.44	23.21	25.83	18.47	23.65	29.79
ROCE (%)	35.82	34.92	36.96	26.39	33.72	41.99
EV/EBITDA (x)	27.75	18.34	23.81	11.02	10.88	10.35
P/E (x)	53.01	37.12	44.32	23.85	21.87	20.63

**Note:** CMP as on 10<sup>th</sup> Oct, 2017



## DHAN DHANA DHAN



2017 has been a good year so far for Gold. In last nine and a half months, we have broadly seen a bullish trend except in the months of June & September. The yellow metal traded past \$1350 or Rs 30400 to score new highs in early September BUT then bears dominated the rest of the month to bring the curtain down with an over three percent of losses on monthly basis. However, prices are trading within the impressive lead taken in the month of August which is the reason why we are still counting on the yellow metal over the possibility of the continuation of positive trend this Diwali.

**Close Up View:** Meanwhile, the biggest surprise came in the form of U.S payroll numbers on 6<sup>th</sup> October. The key non-farm employment data fell in the negative territory for the first time in last seven years. This should have immediately propelled bullion prices to new monthly highs BUT the fact that the disappointing payroll numbers were a result of major disruption brought by Hurricane Harvey & Irma in September; the market soon absorbed the news and went on the level playing field provided by a decade low unemployment rate. But all of the above paradoxes & facts failed to keep bullion prices under check, making the yellow metal emerge as a winner. Moreover, the



winner is looking in no mood to retrace at least till the next U.S Fed meeting scheduled on 1<sup>st</sup> November. Actually, more than the meeting, it is the release of payroll numbers on 3<sup>rd</sup> November which data watchers are awaiting. But wait...there is one mega event even before November Fed meeting & payroll numbers...It is our very own Diwali which begins with the auspicious day of 'Dhanteras'. Taking current sentiments and facts based situation into account, we are going to see Gold adding more glitter this Diwali. **The upside targets for Gold are anywhere in the range between \$1360-\$1390 or Rs 31200-31800 for this Diwali. Quarterly targets may get an extension till \$1440.**

**Long Shot View:** If we look at perceptions regarding fate of the bullion prices in current quarter then a low unemployment rate at 4.2% is clearly the talk of the town. The magical number is the reason behind talks of a certain rate hike when the U.S Fed will hold the last meeting of 2017 on 14<sup>th</sup> December. This, coupled with a possible trend revival in Dollar Index may put pressure on Gold prices in quarter end. But that's a story to be told later. For the moment...glitter like Gold, shine with happiness and enjoy the festivities.



# HAPPY Diwali

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