Arihant's Diwali Mithai Portfolio

STOCK PICKS FOR SAMVAT 2081

#YehDiwaliArihantStockWali

- AGI Greenpac
- Meghmani Organics
- Styrenix Performance
- Alicon Castalloy
- Laxmi Organics Ind.
- Saregama India
- Piramal Enterprise
- Dalmia Bharat
- Hyundai Motors India
- HDFC Bank
- Protean eGov Tech.
- Mahindra Lifespace
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- Mahindra & Mahindra
- Sheela Foam

HAPPY SAMVAT 2081

WISHING YOU ALL A VERY HAPPY & AUSPICIOUS DIWALI !

Festive greetings to you, your family and friends, and thank you for giving us an opportunity to serve you.

Despite recent surge in markets, we continue to believe in India's story.

Overview: India, with its rapidly growing economy, diverse market, and demographic advantages, presents a compelling investment opportunity for both domestic and international investors. As one of the fastest-growing major economies in the world, India has showcased resilience and adaptability, making it an attractive destination for various sectors. So we are sharing 15 stocks for your portfolio this Diwali.

Happy Diwali & Festive greetings once again from the Arihant Capital team.

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DIWALI MITHAI BOX

Sr. No	Company	CMP (INR)	TP (INR)	Potential Upside (%)
1	AGI Greenpac Ltd	897	1,734	93%
2	Meghmani Organics Ltd	100	195	96%
3	Styrenix Performance Materials Ltd	2,466	3,000	22%
4	Alicon Castalloy Ltd	1,221	1,604	31%
5	Laxmi Organics Industries Ltd	254	452	78%
6	Saregama India Ltd	505	625	24%
7	Sheela Foam Ltd	850	2,614	208%
8	Mahindra and Mahindra Ltd	2,887	3,334	15%
9	Sunteck Realty Ltd	555	900	62%
10	Mahindra Lifespace Developers Ltd	500	755	51%
11	Protean eGov Technologies Ltd	1,846	2,880	56%
12	HDFC Bank Ltd	1,714	2,002	17%
13	Piramal Enterprise Ltd	1,025	2,445	138%
14	Hyundai Motor India Ltd	1,847	2,345	27%
15	Dalmia Bharat Ltd	1,804	2,394	33%

AGI Greenpac Ltd

CMP INR 897| Target INR 1,734 (DCF & PE)

Overview: We believe there is huge earning upside present in AGI Greenpac as they are in process of acquiring HNG (case hearing pending in Supreme Court). Post acquisition, company will become the largest glass manufacturer in India. And once the operations are normalized, the acquisition will provide huge jump to the company's EPS.

Capacity: AGI currently has a capacity of 1,934 tpd running at optimum levels. HNG has operational capacity of 3,200 tpd but running at suboptimal levels (~2,200 tpd). Post acquisition, the management aims to optimize the utilization levels (increase the volumes) and align the efficiencies (operational and financial) with that of AGI.

Clients: Currently, company has >500 institutional clients including marquee names like Kingfisher, Pepsico, United Spirits, United Breweries, Radico. Post acquisition, the company will become the biggest glass manufacturer in India by capacity. Atop 3,200 tpd capacity, there are additional furnaces with capacity of 1,100 tpd which are not operational. These can be restarted when management feels is the right time.

Valuation: There is huge upside potential in the company as HNG's numbers will boost earnings and strengthen AGI's presence in the sector. We believe AGI is an attractive buy with 2-year horizon and a price objective of INR 1,734.

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	14,303	22,815	24,209	41,311	58,160	68,230
EBITDA	2,641	4,616	5,641	7,678	10,538	14,288
EBITDA Margins	18.47%	20.23%	23.30%	18.58%	18.12%	20.94%
PAT	1,170	2,488	2,513	2,221	3,568	6,329
EPS	18.1	38.5	38.8	34.3	55.1	97.8
PE	52.0	24.5	24.2	27.4	17.1	9.6

Meghmani Organics Ltd

CMP INR 100 | Target INR 195 (DCF & EV/EBITDA)

Overview: Meghmani Organics is an integrated chemical players with strong presence in the export market, operating in the Agrochemicals (Crop Protection and Nutrition) and Pigments segment.

Portfolio Expansion: Meghmani has laid out expansion plans with foray into newer products like Titanium Dioxide, Nano Urea and new age high-value insecticides. With very less competition in all these new products, they are ready to capitalize on the market opportunity and build significant presence in the market for these products. Their existing portfolio includes 36+ formulation brands and copper based phthalocyanine, Azo and High performance pigments.

Growth Outlook: With the Agrochemical sector already showing signs of recovery and Nano Urea gaining popularity in the domestic and global markets, the company expects Agrochemical segment to drive major growth going forward. Titanium Dioxide's demand is growing in the domestic market and the company is well positioned to capitalize on the import substituency opportunity with 29% market share (capacity wise). All new products have high revenue potential with expected Asset Turnovers of ~13x, 1x and 2.5x respectively for Nano urea, Titanium Dioxide and new High Value insecticides.

Valuation and View: We believe Meghmani Organics is poised for recovery with new products like Titanium Dioxide, Nano Urea and high value insecticides, alongside easing agrochemical headwinds from H2FY25, supporting margin expansion. Completed capex and improved cash flow will aid debt reduction. **We believe it is an attractive buy at these levels with a price objective of INR 195**.

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	24,985	25,526	15,663	19,092	24,368	29,447
EBITDA	3,785	3,410	-203	1,502	2,348	2,956
EBITDA Margins	15.15%	13.36%	-1.29%	7.87%	9.64%	10.04%
PAT	3,044	2,377	-1,060	410	1,192	1,687
EPS	11.97	9.35	-4.17	1.61	4.69	6.63
PE	8.77	11.23	-25.19	65.14	22.40	15.83

Styrenix Performance Materials Ltd

CMP INR 2,466 | Target INR 3,000

Overview: Styrenix Performance Materials Limited, a leading ABS and SAN producer in India, serving as a key raw material provider to industries like automotive, electronics, and healthcare.

Growing Demand and Market Trends: The penetration of household items in India, both urban and rural, is rising rapidly due to higher per capita income and spending, which drives demand for larger appliances like refrigerators and TVs. The auto industry, focusing on 2W and 4W growth (7-10% estimated), showed ~11% growth in Q1FY25, while large appliances like refrigerators and ACs saw growth of 7% and 30%, respectively. Q2FY25 has a positive outlook with new global OEMs setting up plants and stronger consumer spending boosting 4W sales.

ABS Market and Domestic Advantage: India's ABS demand is set to grow from 325,000 tonnes to 400,000 tonnes per annum, but domestic supply lags, creating reliance on imports. Companies like Styrenix are expanding capacity (ABS to 210,000 tonnes and PS to 150,000 tonnes) to meet demand, with plans to accelerate expansion in FY25. Recent ABS price hikes due to global supply disruptions, such as European shutdowns and port congestion, will benefit Styrenix, which maintains solid raw material inventories.

Valuation and View: We believe increasing demand for electronics, home appliances and other white goods will drive Styrenix's growth in the near term. Global spreads have also seen improvement and are moving positively. **We have a Tactical Buy on the company with a price objective of INR 3,000.**

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenues	21,790	23,720	22,220	28,400	31,390
EBITDA	4,750	2,760	2640	3,830	4,400
EBITDA Margins	21.80%	11.64%	11.88%	13.49%	14.02%
PAT	3,230	1,830	1,730	2460	2,800
EPS	184	104	98	140	159
PE	13.6	24.1	25.6	17.9	15.8

Alicon Castalloy Ltd

CMP: INR 1,221 | Target: INR 1,604

Alicon is strategically emphasizing the high-margin 4W segment: The company is shifting focus to higher value segments, with 95% of FY24 orders from 4-wheelers and 85% from international markets, continuing into FY25. Maruti Suzuki volumes have tripled with three new parts added, Toyota and Stellantis are increasing volumes, and a new global customer awarded an INR 5000 Mn order for the U.S. Sales in Q1 FY25 reached 57%, with PV at 39% and CV at 18%. Alicon booked new orders totaling INR 6500 Mn in Q1 FY25, bringing the total order book to over INR 95,000 Mn, with a target revenue of INR 18,000 Mn for FY25, reflecting a 15% growth. We believe Alicon will outperform in the PV and CV segments, driven by its strong order book.

Strong demand momentum in cylinder head: Alicon holds ~35% MS in India's 2-wheeler segment and is expanding its presence in the 4-wheeler market by adding more cylinder head business from Maruti Suzuki, increasing volumes with Toyota, especially for hybrid vehicles, and ramping up with Stellantis. They are the single-source supplier for Toyota cylinder heads and over 70% of the parts they supply overall. In the EV segment, Alicon has developed over 90 components, focusing on critical parts with thermal management capabilities, earning recognition from both domestic and global customers. We believe that AEL will continue to be a major leader in the cylinder head segment.

Outlook & Valuation: We believe strong demand from OEMs has led the management to guide strong revenue growth guidance of 15% revenue growth in FY25, while targeting revenue of over INR 22,000 Mn by FY26 (CAGR 15%), on transitioning from small to larger and critical parts. **We have used a DCF Model to value ACL, it has healthy and consistent cash flow generation over the forecasted period and we value consolidated business at EV/EBITDA multiple of 5.8x to FY27E EBITDA of INR 3,672 Mn to FY27E EPS of INR 101. We have a BUY rating on the stock with the TP INR 1,604 per share.**

INR Mn	FY24	FY25E	FY26E	FY27E
Revenue	15,594	18,000	22,000	25,323
EBITDA	1,953	2,520	3,146	3,672
EBITDA margin(%)	12.53	14.00	14.30	14.50
PAT	613	969	1,352	1,629
EPS (in INR)	37.7	60.1	83.9	101.1
PE(x)	35.6	22.4	16.0	13.3

Laxmi Organic Industries Ltd

CMP: INR 254 | Target: INR 452 (DCF)

Capacity Expansion: Laxmi Organic Industries has laid out a capex plan of INR 11 bn to be spent equally INR 5.5 bn towards each of Essentials & Specialities Chemicals by FY28. The company will be doubling their Ketene & Diketene business after this business while becoming 3rd largest player among Ethyl Acetate suppliers globally.

The company is aiming an Asset Turnover of 3-5x for the Essentials segment business with EBITDA Margins of 8-12%. The management has guided that volumes may increase up to 1.75x by FY28 from last year's volumes of 234 KT for the Essential business.
For the Speciality Chemicals division, the management aims an Asset Turnover of 1-2x with EBITDA margins of 20-25%. The company will be investing INR 4,000 mn in the first 2 years, i.e, FY25 & FY26, and in the second tranche, will invest INR 1,500 mn between FY 26-28 period. After the current expansion, the company will still have 80% land reserve in Dahej, 50% in Lote and 10% in Mahad.

Outlook & Valuation: Laxmi Organics has laid out ambitious expansion plans over the next 4 years by FY28 while new product launches and operational leverage are seen kicking in and improving margins. **The company will be witnessing the doubling of revenues of each of the Essential & Specilaities segments, with the Specialities segment's contribution in Revenue & EBITDA increasing from current levels, causing the EBITDA to increase up to 3x by FY28 over FY24 EBITDA. We have assigned a BUY rating for the stock at a TP of INR 452 per share using DCF method.**

INR Mn	FY24	FY25E	FY26E	FY27E
Revenue	28,671	33,279	39,750	47,791
EBITDA	2,578	3,457	4,328	5,394
EBITDA margin(%)	9.0	10.4	10.9	11.3
PAT	1,205	1,875	2,466	3,136
EPS (in INR)	4.4	6.8	8.9	11.4
PE(x)	60.6	39.0	29.6	23.3

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Saregama India Ltd

CMP: INR 505 | Target: INR 625

Capitalizing on the content consumption boom in India: India's OTT Audience universe has grown from 353 Mn in FY21 to 481 Mn in FY23. With the OTT penetration in India estimated at 34% in 2023. Saregama aims to capitalize on this content consumption boom, both through licensing its existing IP and building up of new IP. They plan to invest over INR 10,000 Mn in new music content over the next 3 years to drive long-term growth and solidify their position as a leading music label.

Expansion in live events and artist management: Saregama is growing in live events and artist management, including the "Dil luminati" tour of Diljit Dosanjh in North America with record-breaking attendance in Vancouver. They launched "That's So Viraj-With Friends," a live comedy show. Over 30 new influencers and music artists were added to their portfolio, now totalling over 150 artists with a combined social media following exceeding 100 mn. This high-revenue, low-margin business offers additional monetization opportunities and is expected to benefit from India's growing digital advertising market.

Growing video content production: While still in early stages, Saregama is building its video content business under brands like Yoodlee Films and Dice Media. The company is focusing on regional cinema, digital series, and short-format content. Their strategy involves pre-licensing or pre-commissioning content to ensure profitability. Management expects this vertical to grow at a 25% CAGR over the next 5 years. Though margins are currently low, they aim to reach 8-10% margins in 12-18 months.

Outlook & Valuation: Saregama is positioning itself as a diversified IP company focused on long-term growth in music, video, and live entertainment. Management projects a 30% CAGR in revenue (excluding Carvaan) over the next three years and expects profits to double in 3-4 years, highlighting significant growth potential across its business segments. **We maintain a positive outlook on the stock and have assigned a BUY rating with a TP of INR 625 per share, based on our DCF valuation.**

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	7,366	8,030	10,451	13,391	17,544
EBITDA	2,210	2,466	3,214	4,222	5,633
EBITDA margin(%)	30.0	30.7	30.8	31.5	32.1
PAT	1,850	1,976	2,384	2,914	3,825
EPS (in INR)	9.6	10.2	12.4	15.1	19.8
PE(x)	51.3	48.0	39.8	32.5	24.8

Sheela Foam Ltd

CMP INR 850 | Target INR 2,614

Inorganic expansion led to expanding market share in the existing market: The company acquired Kurlon (97.43%) and Fulenco (35%) in October 2023 and August 2023 respectively. Kurlon is the third largest player in the Indian Market, with an MBO focus vs SFLs EBO focus. SFL holds a 19% share in the branded (organized) mattress market, and Kurlon holds an 11% share which brings the consolidated entity's share to 30% post acquisition.

Furlenco turning profitable: Furlenco was acquired alongside Kurlon to expand the total addressable market into furniture. Furlenco is the largest furniture rental company in the online space, but was struggling with profitability, and hence went for sale- then being purchased by SFL. SFL has unlocked synergies selling mattresses and foam to Furlenco which are then sold or rented to end users. The business has turned around well toward the end of FY24 and will be profitable in FY25.

Outlook: Overall, at the ground level as well, both Sleepwell and Kurlon remain the most in-demand brands in major suburbs which are largely organized. Their attempt to organize the unorganized space in non-urban areas with dedicated launches has also been exceptionally well received as a business that will expand rapidly in these markets. Though their international businesses are facing a level of stagnancy and margin pressure, they are undertaking to rid of these issues over the next 1- 2 years, and we should see margins return to these geographies in the medium term. Additionally, they are also improving the manufacturing footprint with debottlenecking, price hikes, and new product launches to cater to new, previously unexplored markets.

INR in Mn	FY24	FY25E	FY26E	FY27E
Revenue	29,823	38,671	47,394	61,099
EBITDA	3,005	4,645	6,623	9,729
EBITDA margin(%)	10.08%	12.02%	13.97%	15.92%
PAT	1,839	3,229	4,897	7,542
EPS (in INR)	18	31	47	72
PE(x)	51.8	29.3	19.3	12.5

Mahindra & Mahindra Ltd

CMP INR 2,887 | Target INR 3,334 (SOTP)

Dominating the EV Market with Upcoming Launches: The company leads the EV market with innovative products and plans to launch 4 new EV models by 2030, including electric versions of the XUV, Thar, Scorpio, and Bolero under its 'Born EV' lineup. Rapid e3W electrification, doubling market share to 18% in a year, reflects strong demand, with a 60-channel distribution network expansion improving accessibility. Proactive battery tech initiatives, like in-house manufacturing and localized cell production plans within 12-18 months, ensure cost-efficiency and supply chain resilience, boosting competitiveness in the lucrative e-rickshaw segment and deterring new entrants. The new lineup garnered exceptional feedback, reflecting both its compelling aesthetic and innovative technology. Their strategic plan includes a phased. launch of these Electric Passenger Vehicle, starting in the FY25.

Significant Market Share Gains : Increase in Market Share The market share of SUVs, LCVs, and tractors has increased by 130, 160, and 180 basis points, respectively, in the company's car and farm segments. These improvements are nevertheless quite noteworthy. With a 24% rise in vehicle numbers, it has kept its place in the SUV market. M&M secured a 44.7% market share in the farming industry in spite of a minor market downturn.

Valuations and Outlook: The business keeps up its strong performance in its main business areas, with the automotive section leading the way in SUV volumes, up 24%. The forecast for the home market is becoming better for the agriculture industry, which is resulting in excellent market share and margin execution. Additionally, sales of farm machinery have increased by 34%, suggesting room for more expansion. Though there have been some difficulties, the logistics division is making progress, and by the end of the current quarter, management hopes to break even in the express sector. We continue to rate the company as Accumulate, but with a revised SOTP-based target price of INR 3,334 per share (previous TP INR 3,285).

INR in Mn (Standalone)	FY24	FY25E	FY26E	FY27E
Revenue	987,634	1,188,433	1,303,445	1,432,355
EBITDA	126,662	160,005	176,721	191,240
EBITDA margin(%)	12.8%	13.5%	13.6%	13.4%
PAT	107,178	110,187	123,909	133,314
EPS (in INR)	89.4	91.9	103.3	111.2
PE(x)	26.5	25.8	23.0	21.3

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Sunteck Realty Ltd

CMP INR 555 | Target INR 900

Pre-sales expected to grow healthy at 30-35%: For the next 2-3 years, the company expects to earn a pre-sales growth of 30-35% which would be driven by strong project pipeline which includes its launch of two new projects in the uber luxury segment one in Downtown Dubai and other at Nepean sea road. Besides, they would also launch new phases & towers in its existing projects at Naigaon, Mira Road, Goregaon, Vasai and Kalyan.

GDV expected to double in the next 2-3 years: The company expects to double its GDV value in the next 2-3 years from INR 300Bn to 600Bn driven largely by addition of new projects in Dubai with GDV of INR 90Bn & Nepean Sea road which would add GDV of INR 25Bn. Besides, they plan to add new towers in its existing projects and also they would continue to add multiple projects and find more opportunities in MMR region.

Outlook & Valuation: e remain positive on Sunteck's growth ahead given its brand recall, strong balance sheet and also its plan to double its GDV and earn pre-sales of 30-35% in the next 2-3 years. The growth is expected to be driven by upcoming projects in MMR region and its Dubai project. We maintain NPV multiple of 1.25x and a target price of INR 900/share.

INR in Mn	FY23	FY24	FY25E	FY26E
Revenue	3,624	5,648	11,003	16,447
EBITDA	926	1,728	3,457	4,914
EBITDA margin(%)	24%	28%	30%	29%
PAT	14	709	2,496	3,519
EPS (in INR)	0.10	4.84	17.04	24.02
EV/EBITDA (X)	144.4	76.6	19.5	13.8

Mahindra Lifespace Developers Ltd

CMP INR 500| Target INR 755

New launches to drive growth: Mahindra lifespace developers aims to launch GDV of INR 35Bn in FY25, with project across Mumbai, Pune, Jaipur. Its plans to launch Mahindra Vista phase 2, Citadel Phase 3 and the Navy Malad redevelopment project. Additionally they are planning a plotted development project in Jaipur (named as Pink) as well as few projects in Chennai and Bengaluru.

Strong pre-Sales target by FY28: The company plans to achieve 5x growth in pre-sales and have target to reach INR 80-100 Bn by FY28 and that would be driven by strong launch pipeline and addition of new projects. Amongst regions, Mumbai will be contributing majorly, followed by Pune, Bengaluru, etc.

Outlook & Valuation: Mahindra Lifespace is a well-positioned and has strong brand recall value, along with steady Balance sheet. We believe there is healthy demand for real estate-residential segment as well as commercial segment is pickup pace. Thus, the company focus continues on growing in mid-premium & premium segments and also going ahead, Mahindra has potential to grow which would be driven by strong scalability, healthy launch pipeline, addition of new projects as well as benefit from real estate upcycle trend. We have a buy rating with a target price of INR 755.

INR in Mn (Consolidated)	FY23	FY24	FY25E	FY26E
Revenue	6,066	2,121	7,586	6,455
EBITDA	(1,101)	(1,711)	(1,297)	(5,383)
EBITDA margin(%)	(18.2)	(80.7)	(17.1)	(83.4)
PAT	336	982	413	(2,932)
EPS (in INR)	6.6	6.3	2.7	(18.9)

Protean eGov Technologies Ltd

CMP INR 1,846| Target INR 2,880 (DCF)

Strong presence in Digital Services: Protean is the only company in India providing all the 4 facets of digital identity under one roof that is Aadhar Authentication, e-KYC ,e-Signatures and Online Pan verification. The growth of online PAN verification and esignature services is notable. Protean provides digital signature services that streamline the signing process for documents, with a projected increase in revenue from this segment.

NPS & APY Leadership: As the only CRA (Central Recordkeeping Agency) for NPS & APY from 2010-2018, Protean has a significant market share of around 97%. Revenue primarily comes from account openings and transaction charges and annual maintenance charges ensuring a steady flow of income.

Over FY24-27E, we expect Protean's revenue/ EBITDA/ net earnings to grow at a CAGR of 22.2%/ 47.1%/ 33.7% respectively. Protean maintains a net debt-free balance sheet and consistently generates positive FCFF due to its minimal capex needs. In the retirement segment, as a CRA, it captures 92% of the market for the National Pension Scheme and 100% of the Atal Pension Yojana. The demand for these services is steadily increasing, driven by the government's emphasis on Aadhaar and PAN authentication for all transactions and onboarding processes.

Outlook: Given the leading position of Protean in various services, strong revenue growth outlook, scope for profit margin expansion and negative net debt, we remain positive on the stock. We believe the stock could touch INR 2890 over the next 2 years. Return ratios – RoE and RoIC – are expected to improve by 883bps to 19.3% and 1665bps to 24.8% respectively by FY27E.

INR in Mn	FY24	FY25E	FY26E	FY27E
Revenue	**882**	**905**	**1230**	**1615**
EBITDA	**90**	**95**	**195**	**285**
EBITDA margin(%)	10.2	10.5	15.8	17.6
PAT	98	88	165	235
EPS (in INR)	24	21.5	40	57.5
PE(x)	82	92	49	35

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HDFC Bank Ltd

CMP INR 1,714 | Target INR 2,002 (SOTP)

HDFC posted Q2FY25 results very much in-line wherein PAT increased 4% QoQ (+5.3% YoY), increased NII (+10% YoY), while business growth was mere with advances steady at 1.3% QoQ (+7% YoY) and deposits up 5.1% QoQ (+15.1% YoY). Operating expense slightly increased by 1.6% QoQ (+9.7% YoY) and the C/I ratio decline to 40.6% vs. 41% in Q1.

Margins intact, and to hover between 3.6-3.8% in coming quarters: In Q2FY25, the Bank's Net Interest Margins came at 3.65% on average interest yielding assets. We expect that HDFC Bank's fallen margins would normalize by FY25 end as mix of mortgage loans in overall loan book normalizes and deposit costs flatten during the year.

CASA at 35.3%, to decrease by 150-200 bps by the end of FY25: As the maturity levels increases for the newer bank branches, newer customer accounts will benefit from the bank's increased rate offerings in Time Deposits which showed growth. Also, at 35.3% levels, the Bank's CASA is adequate enough for bank of this size to maintain higher spreads.

We maintain our Positive stance on the bank, and barring some standalone contraction in medium term estimates, we see long term economies of scale playing out for the group and recommend to buy at current levels with a TP of INR 2,002 on SOTP basis.

Standalone (INR Mn)	FY24	FY25E	FY26E	FY27E
NII	1085	1,280	1,582	2,042
Net Profit	608	712	937	1,287
Networth	4,402	4,591	5,303	6,281
Adj BVPS	567	588	674	792
P/ABV (x)	2.77	2.66	2.30	1.94
RoA (%)	2	1.8	2.1	2.5
RoE (%)	16.9	15.8	18.9	22.2

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Piramal Enterprise Ltd

CMP INR 1,025 | Target INR 2,445 (DCF & PBV)

Overview: Piramal Enterprises Limited is a growing, diversified Non-Banking Financial Company with presence in Retail and Wholesale Lending, Alternative funds and Life Insurance businesses.

Growth Strategy: The Company is focused on becoming more retail oriented by increasing its share of retail loans and simultaneously de-risking and gradually moderating the Wholesale 1.0 book, while building a granular Wholesale 2.0 book in a calibrated manner.

Outlook: Company continues to focus on building their growth book (Retail + Wholesale 2.0 book), with resolution of their legacy book (Wholesale 1.0 book). With the increasing focus on retail lending, company is expected to show positive performance in coming quarters, with improvement in margins. This will further help them to improve their asset quality. Further, their yields are expected to improve, with the increase in their retail portfolio. NBFC further approved the merger of PEL and PCHFL in May 24. Going forward, their AUM is expected to grow by 15%.

Valuation: We have a buy rating on the stock with a TP of INR 1921 based on 1.4x of FY27E PBV and INR 2970 based on residual free cash flow model approach. Giving a 50 – 50 weightage to both approaches, we arrive at a TP of INR 2445.

Particulars (INR Mn)	FY24	FY25E	FY26E	FY27E
NII	32,977	38,043	29,700	45,132
PAT	12,213	15,137	2,493	17,900
Net Worth	368,369	310,591	265,571	289,068
BVPS	1502	1237	1131	1244
EPS	84	418	-75	87
PBV	0.7	0.8	0.9	0.8
NII	32,977	38,043	29,700	45,132

Hyundai Motor India Ltd

CMP INR 1,847 | Target INR 2,345

Hyundai Motors India (HMI) has a diverse portfolio, covering 87% of India's passenger vehicle (PV) market and holding strong market shares in key segments: 34% in mid-size SUVs, 20% in compact SUVs, and 18% in premium compact cars. With 63% of its sales coming from utility vehicles (UVs), HMI aligns well with industry trends.

Highly Automated Manufacturing Capabilities: Hyundai Motors India (HMI) has built a strong ecosystem in the country, with its Chennai plant being one of the largest single-location passenger vehicle manufacturing facilities, capable of producing 824,000 units annually. India's supply chain is Hyundai's largest outside South Korea, with 194 tier-1 and 1,083 tier-2 suppliers, sourcing 93% of materials from four nearby districts in Chennai. Additionally, HMI has the second-largest network of customer touchpoints in India.

Strong back support from the parent: HMI maintains strong ties with other Hyundai Motor Group affiliates, creating synergies in the supply chain, manufacturing, and product development across the automotive OEM value chain.

The company plans to utilize its local manufacturing strength to make HMI the largest foreign production hub for Hyundai Motor Company, targeting emerging markets such as Southeast Asia, Latin America, Africa, and the Middle East.

We assign a forward P/E ratio of 27x to HMI, compared to the 26x multiple given to MSIL. We recommend "Buy" rating with a target price of INR 2,345 for HMI, based on estimated earnings for September 2026.

INR in Mn	FY24	FY25E	FY26E	FY27E
Revenue	**6,98,291**	**7,08,792**	**7,77,823**	**8,81,515**
EBITDA	**91,326**	**93,561**	**1,06,562**	**1,21,649**
EBITDA margin(%)	13.1	13.2	13.7	13.8
PAT	60,600	55,803	64,830	76,322
EPS (in INR)	74.6	68.7	79.8	93.9
PE(x)	26.3	28.5	24.6	20.9

Arihant's Diwali
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Dalmia Bharat Ltd

CMP INR 1,804 | Target INR 2,394

Capacity expansion plan for FY28 continues: Dalmia Bharat capacity expansion plan is well on track and the company aims to achieve 49.5MnT by FY25 by expansion in East and North East regions. It also has plans to achieve ~75MnT by FY28 via from current capacity of 46.6MnT.

EBITDA/T to see improvement: The company's medium to long term strategy is to repositioned Dalmia Brand in the region it has strong presence and focus better prices as compared peers. Also, the plan is to review and act market by market and focus on improving CC ratio. Besides, they want to continue to focus on brand building and distribution activity. Also, add capacity in the regions where the company has lower presence. With all the efforts, the company aims to reach EBITDA/T to INR 900-1000/T in the next few years.

Outlook & Valuation: We are positive on the growth prospects of the cement industry as there are opportunities which would be driven by real-estate & infrastructure development as well as private capex investment. The company focus remains on driving volume led growth, improve utilization and continuous capacity addition is positive. On the financial front, **we expect its revenue/EBITDA to grow by 11.3%/15.6% CAGR over FY24-26E and maintain our Buy rating with the target price of Rs 2,394.**

INR in Mn	FY23	FY24	FY25E	FY26E
Revenue	135,520	146,910	164,866	182,125
EBITDA	**23,280**	**26,390**	**30,321**	**35,243**
EBITDA margin(%)	**17.2%**	**18.0%**	**18.4%**	**19.4%**
PAT	**1083**	**854**	**1135**	**1534**
EPS (in INR)	58.5	44.9	59.7	80.7
EV/EBITDA	16.2	14.9	13	11.1

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Last year's Diwali Picks performance

Sr No.	Company	Reco Price	Target Price	CMP	Returns %
1	DLF Ltd	595	664	815	63%
2	Hindustan Aeronautics Ltd	1,902	2,266	4,301	198%
3	Xpro India Ltd	909	1,291	1,113	43%
4	Phoenix Mills Ltd	2,060	2,307	1,583	0%
5	Tata Consumer Ltd	913	1,040	998	37%
6	Marico Ltd	528	597	657	36%
7	HDFC Bank Ltd	1,484	2,072	1,714	21%
8	Kotak Bank Ltd	1,734	2,180	1,763	13%
9	AGI Greenpac Ltd	961	2,112	897	11%
10	UPL Ltd	551	783	530	13%
11	Shriram Finance Ltd	2,014	2,482	3,254	81%
12	PEL Ltd	985	2,600	1,025	16%
13	Mahindra Life Ltd	490	588	500	39%
14	Tech Mahindra Ltd	1,469	1,668	1,696	20%
15	Mahindra & Mahindra Ltd	1,149	1,309	2,887	180%
16	Voltas Ltd	835	1,037	1,794	133%

Arihant's Diwali Mithai Portfolio

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