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20 YEARS

MoneyFest 2024

Samvat 2081

Diwali Picks

RETAIL RESEARCH

16th October, 2024

Laying the Foundation for a Stronger Tomorrow

Indian markets have had a stellar run in the last four and half years post the pandemic lows. Benchmark indices have not seen a sustained downtrend or a meaningful correction since pandemic induced lows of March 2020. Strong corporate earnings growth of 24% in Nifty-50 stocks over FY21-FY24 coupled with growing participation from retail investors directly into equity markets and indirectly through SIPs in MF and insurance companies have resulted in across the board re-rating of stocks and have generated fantastic returns for the investors.

Indian Indices are richly valued compared to their historical valuations, and current stock prices of many stocks across different sectors offer low margin of safety. In case of any events that lead to a bout of global risk-offs, those stocks are vulnerable to a meaningful correction.

The 2024 United States presidential election is set to be held on Tuesday, November 5, 2024. Global Investors may react to new economic, tax, or trade policies of the new President that could affect global growth and corporate earnings. The market tends to experience heightened volatility due to potential changes in policies and regulations in the presidential election year. Government spending and fiscal measures influence sectors differently, creating sector-specific risks.

Global equity markets rallied as the US Fed announced its first rate cut in Sep 2024, marking a dovish shift to its monetary policy and reducing borrowing costs in the economy. Policy divergence among major central banks could trigger heightened volatility in global financial markets, with spillovers to emerging market economies. The rising risk of escalation in the Middle east region and its repercussions on global growth is a risk that cannot be ignored.

A sharp bounce back in Chinese stocks following recent fiscal and monetary stimulus measures, triggered some flows towards China at the cost of India. Despite short term headwinds, superior growth prospects of India are likely to continue attracting foreign flows in the long run. India's vibrant growth story, driven by demographic advantages, digital adoption, and a thriving entrepreneurial ecosystem, offers a compelling opportunity for global investors.

India's weight in global indices has been rising sharply over the past few years and continued performance will attract higher attention and allocation from large global funds. The weakening of US dollar and rate cuts by US Fed are likely to improve FPI sentiments towards our markets.

Cyclical sectors like Oil marketing companies and Metals that are affected by global commodity prices are likely to put a lid on earnings growth in the second quarter. Improved performance of industrial sector, upturn in investment activity, above-normal monsoon, pick up in rural demand, high-capacity utilisation, healthy balance sheets of banks and corporates, and the government's continued thrust on infrastructure spending augur well for the GDP growth in the second half of the year. Market would be eagerly watching 2QFY25 earnings as well commentary by various company managements for the 2HFY25.

Overall, after a ~28% rise in Nifty since last Diwali, one can expect moderate returns over the coming year with higher volatility. We have shortlisted 10 stocks that could do well under these circumstances.

Here's wishing you all a Very Happy Diwali and a Happy New Year.

We believe bottom-up stock and sector specific opportunities will continue to reward nuanced investors in the coming year as well. We have constructed a portfolio of 10 stocks that offer compelling investment opportunities - two well established mega caps, and 4 each in mid cap and small cap category that are likely to offer relatively limited downside and superior upside potential.

Company Name	Industry	LTP	Buy Range	Target	Time Horizon
Bank of India	Banks - Public Sector	Rs. 105	Rs. 96-106	Rs. 132	Till Next Diwali
JK Lakshmi Cement Ltd	Cement - Major - North India	Rs. 811	Rs. 738-819	Rs. 936	Till Next Diwali
Jyothy Labs Ltd	Personal Care - Indian - Large	Rs. 528	Rs. 480-533	Rs. 600	Till Next Diwali
L&T Finance Ltd	Finance - Investment / Others	Rs. 168	Rs. 153-170	Rs. 219	Till Next Diwali
National Aluminium Company Ltd	Aluminium	Rs. 218	Rs. 198-220	Rs. 270	Till Next Diwali
Navin Fluorine International Ltd	Chemicals - Inorganic - Large	Rs. 3362	Rs. 3059-3396	Rs. 3948	Till Next Diwali
NCC Ltd	Construction - Civil / Turnkey - Large	Rs. 300	Rs. 273-303	Rs. 363	Till Next Diwali
PNB Housing Finance Ltd	Finance - Housing - Large	Rs. 981	Rs. 893-991	Rs. 1160	Till Next Diwali
Reliance Industries Ltd	Refineries	Rs. 2689	Rs. 2447-2716	Rs. 3243	Till Next Diwali
State Bank of India	Banks - Public Sector	Rs. 805	Rs. 733-813	Rs. 960	Till Next Diwali

*CMP as of 15th Oct,2024

REVIEW OF LAST YEAR'S PICKS

All the stocks recommended in the last edition of this report last Diwali worked like a charm. Samvat 2080 picks were not only able to achieve their intended targets but also managed to scale much higher levels. Indian Oil was the first out of the block to achieve our intended target in a span of the few sessions only while Gujarat Alkalies took its own sweet time to hit its target just few days back, although within the stipulated time before the new Samvat.

Kalpataru Transmission was the best performer, rising as high 120% and still trading at an almost double the rate from where we recommended it in the last Diwali. Strong improvement in its domestic T&D segment, incremental spending on water supply, and inflows of large orders from the Middle East in the oil and gas sector along with divestment of non-core assets and improvement in subsidiaries' performance led to outstanding performance from Kalpataru Transmission last year.

Indian Oil, along with its unit Chennai Petroleum, controls about a third of India's five million-barrels-per-day refining capacity. As we had expected fuel consumption remained strong in the year as robust industrial activity and general elections-related activity boosted demand in the economy. Higher refinery utilisation, inventory gains and stronger marketing segment's performance helped the company post much better numbers than market's expectations. As we had expected higher earnings growth and better valuation multiples helped in achieving its price target and perform last year.

LAST YEAR'S DIWALI PICKS PERFORMANCE

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Stock	Reco Price	Average Entry	Average Band	Target	Target Date	Target %	High	High %
Dr Reddys Laboratories Ltd	5345.4	5357.3	4850-5400	6250.0	12-Feb-24	16.7%	7107.5	32.7%
Equitas Small Finance Bank Ltd	91.4	91.5	82-92	112.0	20-Dec-23	22.5%	116.5	27.4%
GAIL (India) Ltd	118.7	118.7	106-120	140.0	4-Dec-23	17.9%	246.3	107.5%
Godrej Industries Ltd	621.2	624	555-624	735.0	29-Dec-23	17.8%	1314.0	110.6%
Grasim Industries Ltd	1878.3	1893.2	1700-1925	2275.0	28-Mar-24	20.2%	2877.8	52.0%
Gujarat Alkalies & Chemicals Ltd	712.5	717.8	638-718	875.0	10-Oct-24	21.9%	900.0	25.4%
Indian Oil Corporation Ltd	88.3	90.5	78-90	103.0	7-Nov-23	13.9%	196.8	117.6%
Kalpataru Projects International Ltd	649.9	656.0	580-660	795.0	31-Jan-24	21.2%	1449.0	120.9%
Reliance Industries Ltd	2310.4	2300.1	2075-2325	2695.0	11-Jan-24	17.2%	3217.6	39.9%
United Spirits Ltd	1027.8	1035.2	915-1040	1195.0	10-Apr-24	15.4%	1647.5	59.1%
Average Returns						**18.5%**		**69.3%**
Index Returns till 14th Oct	**19141**						**26277**	**37.3%**

BANK OF INDIA

ABOUT COMPANY

Bank of India (BoI) is the sixth-largest Indian public sector bank. Founded in 1906 by a group of eminent businessmen from Mumbai, the Bank was under private ownership and control till July 1969 when it was nationalised along with 13 other banks. As of Q1FY25, it had total business share of ~3.5% of the banking industry. The bank had a sizeable network of 5,155 domestic spread over all states/ union territories including specialized branches and 22 overseas branches at Q1FY25.

Industry	LTP	Buy range	Target	Time Horizon
BFSI - PSB	Rs. 105	Rs. 96 - 106	Rs. 132	Till Next Diwali

KEY TRIGGERS

The bank has demonstrated robust business performance in Q1FY25, achieving a 12% YoY increase in total business. Its Management is focusing on RAM (Retail, Agriculture, MSME) lending in its endeavor to enhance yield, with a target of 55% of the portfolio allocated to RAM. This segment of the loan book showed impressive growth of 18.8% YoY in Q1FY25, with retail advances up 20% YoY, agriculture loans increasing by 22.2%, and MSME advances growing by 16.1%.

The credit deposit ratio improved significantly by 412 basis points YoY, reaching 78.53%, compared to 74.41% in Q1FY24, indicating enhanced utilization of deposits for lending. The Bank has guided for credit growth of ~13%-14% and deposit growth at 11%-12% for FY25, consistent with the strong performance observed in Q1FY25.

Slippages ratio is expected to be lower at ~1.2% of advances in FY25 vs. 1.6% in FY24 and recoveries are expected to surpass slippage number in FY25. Recovery from written-off accounts is targeted at 5%, aiming for Rs. 2,000 crores in recoveries from Rs. 40,000 crores of written-off accounts. The bank has recorded lower credit costs and an improved slippage ratio, reflecting prudent risk management. The bank is hopeful of achieving RoA of ~0.9% in FY2025.

BANK OF INDIA

VALUATION AND RECOMMENDATION

BoI boasts a strong capital adequacy ratio, improved NIMs, and enhanced asset quality, evidenced by lower gross and net non-performing assets (GNPA & NNPA). Bank is trading at P/B 0.6x FY26E ABV, which is an attractive entry point. We expect the valuation to improve given improved financials and better outlook. We recommend investors to buy the stock in the Rs. 96-106 band for a target price of Rs. 132 (0.75x FY26E ABV) till next Diwali.

KEY CONCERNS

- Deterioration in Agri and SME segment asset quality trends due to weaker economic activity or adverse weather conditions.
- Lower than expected resolution of stressed assets could impact profitability.
- Implementation of Old pension scheme (OPS) to employees who are currently on New pension scheme (NPS) could be a material negative.

FINANCIAL SUMMARY

Particulars (₹ Cr)	FY22	FY23	FY24	FY25E	FY26E
NII	14062	20275	23053	31844	35108
PPOP	9711	13259	14040	17163	20049
PAT	3330	3936	6300	8382	9553
EPS	8.3	9.8	13.9	18.2	20.9
ROAA (%)	0.4	0.5	0.7	0.9	1.0
ROAE (%)	7.5	8.0	9.9	11.5	11.1
ABVPS	117.5	126.9	136.3	165.3	177.7
P/ABV(x)	0.9	0.8	0.8	0.6	0.6
P/E(x)	12.7	10.7	7.6	5.8	5.0

JK LAKSHMI CEMENT LTD.

MoneyFest 2024

ABOUT COMPANY

JK Lakshmi Cement Limited is a part of the prestigious JK group. The company has a formidable presence in Northern, Western and Eastern India's cement markets. It has two fully integrated cement plants in Rajasthan and one in Chhattisgarh. Apart from this, the company has four grinding units located strategically across India. Currently, the company has 16.4 MTPA cement capacity and 10 MTPA clinker capacity. The company has a wide product portfolio catering to the varied construction requirements of the discerning customers and also provides a host of value-added products and services viz. Ready-mix Concrete, Gypsum Plaster, Wall Putty, Autoclaved Aerated Blocks, Construction Chemicals and Adhesives.

Industry	LTP	Buy Range	Target	Time Horizon
Cement	Rs. 811	Rs. 738 - 819	Rs. 936	Till Next Diwali

KEY TRIGGERS

Capacity expansion to drive volume growth: The company's volume growth is expected to show a healthy increase led by capacity expansion and a pick-up in demand in key markets. Capacity which remained largely at 14 MTPA has recently been increased to 16.4 MTPA with an expansion at Udaipur facility in March 2024. The capacity is likely to increase to 24 MTPA by FY27 (1.2 MTPA expansion in western region and 6 MTPA in eastern region). Further, the company has strategic plan to increase the capacity to 33 MTPA by the end of FY30.

Focus on operational efficiency: EBITDA/ton for the company has increased 21% YoY for the company in FY24. We expect a cost savings of Rs. 50-75/ton over the coming 2-3 years driven by increasing usage of green power & alternative fuels. Renewable energy's share for the company stood at 39% as of FY24 and this share will increase in the coming years. Apart from this, increase in share of value added products and changes in geographical mix will also support the company in strengthening the operational performance.

Healthy demand outlook Pan-India: We expect the demand for cement to remain favorable in the medium term. The industry volumes are expected to grow at healthy rate of 8%-9% driven by infrastructure spend by the government, increased spend by the private sector and growth in residential real estate. Rural housing accounts for 39% of the total cement demand; good monsoon and expected recovery in the rural economy will support the demand growth. PM Awas Yojana (Grameen), where Government is planning to construct 2 crore additional houses in rural areas will also aid in volume growth.

Consolidation to improve margins: Although in the near term the pricing situation may remain weak, we expect there will be a meaningful expansion in the margins in the long run due to ongoing consolidation. The consolidation will likely to benefit all players as there will be an improvement in pricing, economies of scale and supply chain efficiency.

JK LAKSHMI CEMENT LTD.

VALUATION AND RECOMMENDATION

We expect the cement demand to pick up pace by H2FY25. Taking into consideration the capacity expansion and strengthening operational performance, we expect the company to report a healthy performance in the coming years. We expect revenue/EBITDA/PAT to increase at a CAGR of 7.6%/15.7%/13.9% over FY24 to FY26E. We believe investors can buy the stock in Rs. 738-819 band (15x FY26E EPS) for a target of Rs 936 (18x FY26E EPS) till next Diwali.

KEY CONCERNS

- **Soft cement prices:** Cement prices have remained under pressure from the start of the year with Q1FY25 seeing a decline of 2%-3% and the current quarter is also witnessing a decline. There has been a price hike in the month of September and October to reduce the ongoing pressure. If the price remains under pressure for longer period than envisaged, then it can impact the performance of the company.
- **Delay in capacity expansion Plan:** The company has a target of achieving 30 million tonnes of capacity by FY30. If there is any delay in capacity expansion, there is a risk that company may lose market share.

FINANCIAL SUMMARY

Particulars (₹ Cr)	FY22	FY23	FY24	FY25E	FY26E
Net Revenue	5420	6452	6788	7038	7858
EBITDA	951	839	1052	1137	1408
EBITDA Margin-%	17.5	13	15.5	16.2	17.9
PAT	463	359	472	470	612
EPS	39.4	30.5	40.1	39.9	52
P/E (x)	20.6	26.6	20.2	20.3	15.6
RoE (%)	18.4	13.3	14.9	13.2	15.2

JYOTHY LABS LIMITED

ABOUT COMPANY

Jyothy Labs Limited (JLL), one of the leading Indian FMCG Companies was founded in 1983 with a single brand 'Ujala'. It has over time evolved into a multi brand company with manufacturing and marketing of products in fabric care, dishwash, household insecticide and personal care. The company has leading brands like Ujala, Maxo, Exo, Henko, Pril, Margo, Mr. White, T-Shine, Neem, Maya and MoreLight that are well-known and well-established in their respective categories. The company has a wide distribution presence across the country through its 1.2 mn direct reach outlets, 2.8 mn overall outlets and 9900+ channel partners. The company operates through its 23 manufacturing plants in India. Its 6 power brands include Ujala, Maxo, Margo, Exo, Henko and Pril, contributing c.83% to the company's revenue in FY24. While Ujala Supreme enjoys the number 1 market ranking, Exo Dishwash Bar and Pril Liquid and Maxo are ranked number 2, in their respective categories.

Industry	LTP	Buy Range	Target	Time Horizon
FMCG	Rs. 528	Rs. 480-533	Rs. 600	Till Next Diwali

KEY TRIGGERS

Improving product mix future growth and margins in Fabric care

Over the past few years, the company's fabric care business has been on a cruise control, growing at 13.8% CAGR between FY20-24 (13% in FY24), much ahead of the industry. 'Ujala Supreme' continues to dominate the fabric whitener segment with c. 83% market share in FY24 and there has been a sustained focus on enhancing visibility of 'Ujala Detergent' (22.9% market share in FY24) in new-geographic areas. The company has also been aggressive in capturing the fast growing liquid detergent category with the launch of Ujala and Henko liquid detergent variants. The management aims to maintain a sharp focus on delivering value in detergents while expanding into new territories for post-wash products. Share of fabric care segment to the company's revenue has increased from 40.2% in FY19 to 43.1% in FY24.

Fast growing Personal Care segment

Personal care was the fastest growing segment with 21.1% YoY growth in FY24 (14.3% CAGR between FY20-24) with the company leveraging the Margo brand equity and entering new formats/categories. JLL is driven towards building scale with a larger bouquet of offerings in the Toilet Soap category. The growth in Personal care portfolio has helped JLL drive premiumization in the overall portfolio though higher margin products, resulting in EBITDA margin expansion. We believe the increasing traction in the personal care and fabric care are together expected to drive the company's revenue and margin growth, going forward.

Continued investments in advertisement and sales promotion to strengthen brand recall

JLL has renewed its focus towards strengthening its brand proposition and increasing its reach into newer markets through increased spending on advertisement and sales promotion activities. In FY24, the company continued to invest in TV spends, while scaling up its brand proposition through digital campaigns, out-of-home media publicity, van operations, print media and various on-ground activations to reach out to the end consumer. JLL now has 9 superstar celebrities endorsing its brands. Its celebrity brand campaigns were designed to resonate with audiences in both premium and mass consumer segments, and are aligned with the brand-specific consumer and market categorisation. The company's efforts towards focused A&SP spends have helped it achieve marked expansion in its pan-India reach and presence.

JYOTHY LABS LIMITED

VALUATION AND RECOMMENDATION

JLL has successfully undergone a substantial transformation from a promoter-driven, south-centric, single-product entity to a professionally managed, and multi-product company operating nationwide. As a result, the company's revenue has grown at 12.7% CAGR between FY20-24. Margin expansion is being driven by better product mix and improving operating efficiencies. We expect Revenue/EBITDA/PAT CAGR of 12%/15%/17% between FY24-26E. We recommend a buy on Jyothy Labs in the band of Rs 480-533 for target price of Rs 600 (43.75x FY26E EPS) till next Diwali.

KEY CONCERNS

- While there have been initial signs of recovery in rural demand recovery, any impact from unfavorable monsoon and general economic conditions may prolong demand recovery, impacting the company since it banks on robust growth in rural areas to improve its volume growth trajectory.
- Prolonged inflation, especially with the core inflation being high, may impact consumption and discretionary spends leading to consumer resorting to lower range products and smaller packs. This may hamper the company's ambitions to deliver volume-led growth.
- The Company has witnessed a decline in household insecticides sales in the past due to growth of the illegal incense sticks market. Adverse weather conditions can also affect demand in this segment.
- Its raw materials have been seeing inflationary trends. A significant rise in price of input costs can affect the company's profit margin in the near term.
- JLL faces competition in all categories from national and regional players. Any increase in competitive intensity could lead to an increase in Ad spends, higher discounting and the consequent pressure on revenues and margins.

FINANCIAL SUMMARY

Particulars (₹ Cr)	FY22	FY23	FY24	FY25E	FY26E
Revenue	2196	2486	2757	3062	3434
EBITDA	248	316	480	549	633
EBITDA Margin-%	11.3	12.7	17.4	17.9	18.4
APAT	162	240	369	431	503
EPS	4.4	6.5	10.1	11.7	13.7
P/E (x)	119.8	81.0	52.6	45.1	38.6
EV/EBITDA (x)	78.6	61.3	40.0	34.6	29.5
RoE (%)	11.3	16.0	22.0	22.1	22.3

L&T FINANCE LTD.

ABOUT COMPANY

L&T Finance Ltd. (LTF) is an NBFC offering a diverse range of financial products and services across retail, corporate, housing and infrastructure finance sectors. Promoted by Larsen & Toubro, it was incorporated in 1994 and is headquartered in Mumbai. With a total loan book size of ~Rs 90,000cr and pan-India reach with 208 branches across 21 states and 1 union territory of India, it has built a strong position in the Indian financial services industry. In FY22, LTF launched a four-year strategy roadmap with a goal to achieve 80% retail portfolio by FY26, Gross/ Net NPA below 3%/1% and RoA in the range of 2.8-3% which were achieved in FY24 at retail level.

Industry	LTP	Buy Range	Target	Time Horizon
BFSI - NBFC	Rs. 168	Rs. 153-170	Rs. 219	Till Next Diwali

KEY TRIGGERS

LTF continued to maintain its disbursement momentum crossing Rs 15,000cr disbursements in Q1FY25 for the second consecutive quarter, increasing by 21% YoY to Rs 15,019cr. Retail disbursements grew 33% YoY while wholesale disbursements declined 85% in line with company's strategy to run down its wholesale book. Growth in retail disbursements was driven by 2W/Home loans which grew 52%/55% YoY to Rs 2621cr/1656cr.

LTF has merged all its financial services companies within itself, creating a single lending entity, effectively freeing up Rs 3,000 crore in liquidity that can be deployed to lend to high yielding assets. The merger will consolidate lending companies L&T Finance Ltd, L&T Infra Credit Ltd into LTF. Post the merger, ~Rs 3000 crore from its former infrastructure debt fund L&T Infra Credit which was deployed in liquid assets like government securities yielding 6.5% to 7% will be freed for retail lending providing ~15% yields.

With increasing share of high yielding retail loans, the RoA of the company has been on an upward trajectory. LTF reported RoA of 2.7% in Q1FY25 and the management has guided for consolidated RoA expansion to 2.8-3% by FY26, and we expect convergence of this towards retail RoA of ~3.3% over the medium term.

The company's has invested in digital credit engine, Cyclops, which is AI/ ML-powered and facilitates an in-depth assessment of the customer's potential by ingesting various signals using ML-based ensemble scorecards. With Cyclops, the company is hopeful that its underwriting capabilities will become more comprehensive and accurate.

L&T FINANCE LTD.

VALUATION AND RECOMMENDATION

LTF, over the years has been constantly reducing its dependence on the wholesale lending business by aggressively expanding its well diversified retail financing business. We envisage a 18% growth in advances over FY24-FY26. We believe the stock is available at reasonable valuations for a reason of possible asset quality hiccups in wholesale lending though the focus on this business has been falling. We recommend investors to buy the stock in the Rs. 153-170 band for a target price of Rs. 219 (2.0x FY26 ABV) till next Diwali.

KEY CONCERNS

- Microfinance and farm equipment account for ~45% of its loan book. Any slowdown in rural areas or adverse weather conditions could impact its asset quality and profitability.
- Most banks/NBFCs are looking to increase share of retail loans and LTF may face significant competition in growing its retail portfolio.
- Higher interest rates could increase the borrowing cost of LTF due to lag effect and likely to impact NIMs, if it is unable to pass it on.
- In case economy slows down or income levels of households fall or do not grow well, LTF may witness higher delinquencies and may have to make provisions against them impacting its profitability.

FINANCIAL SUMMARY

Particulars (₹ Cr)	FY22	FY23	FY24	FY25E	FY26E
NII	5950	6768	7537	8616	9868
PPOP	2932	3691	4351	5321	6272
PAT	1070	1623	2320	2923	3520
EPS	4.3	6.5	9.3	11.7	14.1
ROAA (%)	1.0	1.5	2.2	2.6	2.6
ROAE (%)	5.5	7.8	10.3	11.9	13.2
ABVPS	73.8	82.1	91.5	99.6	109.4
P/ABV(x)	2.3	2.0	1.8	1.7	1.5
P/E(x)	38.8	25.7	18.0	14.3	11.9

NATIONAL ALUMINIUM COMPANY LTD.

MoneyFest 2024

ABOUT COMPANY

National Aluminum Company Limited (NALCO) is a Navaratna Central Public Sector Enterprise (CPSE) under Ministry of Mines, Government of India. The Company is engaged in the business of manufacturing and selling of Alumina and Aluminum and has one of the largest Integrated Alumina and Aluminum Complex in Asia. The company has presence across the entire value chain from bauxite mining, alumina refining, aluminum smelting, power generation to downstream products and is among the lowest cost producer of Alumina and Bauxite across the globe.

Industry	LTP	Buy Range	Target	Time Horizon
Metals	Rs. 218	Rs. 198 - 220	Rs. 270	Till Next Diwali

KEY TRIGGERS

Increase in alumina refinery capacity - To achieve volume growth, the company is in the process of setting up of 5th Stream in its existing Alumina Refinery which shall add 1.0 TPA to its existing installed capacity of 2.275 TPA. The 1 MTPA additional capacity is expected to get commissioned by the second half of FY26. The increase in capacity will help the company to meet the growing demand of alumina and also take advantage of supply chain constraints. The company has secured its bauxite supply by executing a lease deed for the Pottangi Bauxite Mines with the Odisha government, ensuring the raw material needs for its alumina refinery expansion. The mine is having an annual production capacity of 3.5 million tonnes and has reserves estimated at 111 million tonnes.

Allotment of Utkal-D & Utkal E Coal Blocks - The coal mines had been allocated by Government of India as a part of raw material security to the existing operational units at Captive Power Plant (CPP) and future expansion of the company. The coal production for the FY24 stood at 2 MTPA from the Utkal D mine and additional 2 MTPA is expected to be produced from the Utkal E coal block, in FY 25-26, which will further reduce the dependence of the company on the external coal requirement and thereby reducing the power cost by replacing the e-auction coal going forward.

Alumina Price to remain elevated - The average alumina prices were USD 529 in the month of September reflecting an increase of 45% over the last 6 months. The increase is due to supply chain constraints and production disruption at refineries coupled with increase in demand from aluminum producers in China. Chinese output hit a new record high for the second consecutive month in July. Meanwhile, supply remained constrained due to shut down of Kwinana alumina plant by Alcoa in Australia, production cuts at Gladstone and force majeure being declared by Rio Tinto on third-party exports. We expect prices to remain elevated factoring the supply constraints till FY25 and thereafter it will normalize.

Integrated operations to lead competitiveness - The company has presence across the entire value chain from the bauxite ore mines, alumina refining, aluminum smelting, power generation to downstream products. The captive high grade iron ore mines, fully integrated operations and close proximity of mine to refinery provide significant advantages, making the company one of the few low-cost producers of alumina across the globe. It is expanding its refinery capacity to meet entire requirement of alumina which ensures raw material security, thus preventing any disruption in the manufacturing process. The ramp up of production at coal mines will also reduce the dependence on the external coal requirement. Apart from this, the fully integrated operations help the company to maintain healthy margins, remain competitive and mitigate the impact of price correction.

NATIONAL ALUMINIUM COMPANY LTD.

VALUATION AND RECOMMENDATION

We expect a firm and strengthened aluminum price outlook due to tightness in global supply and recovery in demand. Margins are expected to improve with ramp up of coal production at Utkal D and E mines. NALCO is one of the lowest cost producers of alumina globally and has integrated operations with an increase in alumina refinery capacity. The company is well positioned to benefit from the strong alumina prices. We expect revenue/EBITDA/PAT to increase at a CAGR of 9.7%/32.8%/29.2% over FY24 to FY26E. We believe investors can buy the stock in Rs. 198-220 band for a target of Rs. 270 (15x FY26E EPS) till next Diwali.

KEY CONCERNS

- NALCO's revenue and profitability is directly exposed to market determined LME Aluminum and Alumina prices. LME Aluminum and Alumina prices are volatile and any negative movement in the prices can impact the company's profitability.
- Both bauxite and coal mining and their ownership are controlled by regulations. Bauxite mining lease renewal, coal supply security, changes in tariffs, royalties, changes in various rules and regulations, environmental policies pose risks that can affect the cost and availability of raw materials and manufacture of finished products.
- The company is exposed to raw material inflation as it purchases CP Coke, CT pitch and Caustic Soda from the market. Caustic Soda forms a major component of cost of production for Alumina. It has formed a JV with Gujarat Alkalies and Chemicals Ltd. (GACL) for securing the Caustic soda supply.

FINANCIAL SUMMARY

Particulars (₹ Cr)	FY22	FY23	FY24	FY25E	FY26E
Revenue	14215	14257	13149	15169	15822
EBITDA	4551	2450	2873	4705	5070
EBITDA Margin-%	32	17.2	21.8	31	32
APAT	2951	1435	1989	3018	3181
EPS	16.1	7.8	10.8	16.4	17.3
P/E (x)	13.6	27.9	20.1	13.3	12.6
RoE (%)	23.5	11.2	14.5	18.3	17.1

NAVIN FLUORINE INTERNATIONAL LTD.

MoneyFest 2024

ABOUT COMPANY

Navin Fluorine International Ltd. (NFIL), a part of the Padmanabh Mafatlal group, has a presence in the fluorochemical industry since 1967 and is one of the largest specialty fluorochemical companies in India. The portfolio comprises more than 60 fluorinated compounds and finds application in various industries, including agrochemicals, pharmaceuticals, aluminium smelting, refrigeration, metal processing, glass etc. Company mainly operates through three business verticals, namely, high-performance products (HPP), which includes refrigerant gas, inorganic fluorides, etc., CDMO (which includes the CRAMS segment), and specialty chemicals (specialty fluoro-chemicals). It has also added manufacturing of HPP named hydro-fluoro-olefins (HFO) which is a new-age application of fluorine. Over the years, NFIL has been increasing its focus on development of specialty chemicals and CDMO business verticals which are margin accretive in nature and high-up in the fluorine value chain. Company derived 46% of revenue from HPP, 41% from Specialty Chemical and 13% from CDMO business in FY24.

Industry	LTP	Buy Range	Target	Time Horizon
Chemicals - Inorganic - Large	Rs. 3362	Rs. 3059-3396	Rs. 3948	Till Next Diwali

KEY TRIGGERS

We believe the growth in the medium term will be driven by ramp-up of facilities (HFO + R32 + MPP), while CDMO and base business is anticipated to recover gradually. Agro-specialty capex of around Rs 550 crore at Dahej is scheduled for commissioning by Q3FY25. Management has maintained its peak revenue guidance of around Rs 600 crore once optimum utilisation kicks in, which could take 18-24 months. In total, an Rs 1400 crore capex is underway across various segments, supporting growth through FY26 and beyond.

CDMO business experienced subdued performance during FY24. The company has intensified its efforts to target commercial and late stage molecules while maintaining its focus on early-stage molecules (strong pipeline in place). In the last 2-3 quarters, the company has signed a multi-year, multimillion-dollar MSAs contract with European CDMO player for supplying intermediates to an already commercial patented molecule. CDMO is expected to see better traction soon, with a targeted sales of US$ 100mn to be achieved by FY27.

To reduce reliance on China, the company has gone a step further to create a supply-chain base in India. In the next 2-3 years, 70-80% of products will be sourced from India. Company aims at a 60:40 mix of late/commercial early-stage molecules and will maintain this as early-stage molecules are considered important for assurance ahead.

The Anhydrous Hydrogen Fluoride (AHF) plant of 40,000 tons per annum capacity at Dahej would incur a capex Rs 450 crore. The company is already doubling R32 capacity, expected to come on-stream by Mar-2025. R32 plays a huge role in blending operations, and global market demand is likely to remain strong. Strong domestic demand for R32 would continue as AC manufacturers have announced capacity expansion plans.

NFIL will supply two intermediates under the Fermion contract. It has been working with Fermion for the past decade on several molecules and has well-established working relationships with the top-20 pharma innovators worldwide. The US Biosecure Act aims to decouple its supply chains from China, presenting a huge opportunity for India's industry. Global players are also looking for risk mitigation against China. They are ready to pay some premium, but the prices should be closer to those offered by Chinese manufacturers.

The company has started to see increased RFQs in the past two quarters, and is looking to add more chemistries to take advantage of it.

NAVIN FLUORINE INTERNATIONAL LTD.

VALUATION AND RECOMMENDATION

We expect 23.5% CAGR in revenue led by robust growth from CDMO and Specialty Chemical segment and healthy growth from HPP business over FY24-27E. Overall performance was weak in FY24 due to lower revenue from CDMO and HPP business. We estimate 750bps expansion in margin due to better product mix and scale up of Specialty Chemical business over the next three years. Strong revenue growth coupled with margin improvement could drive 35% CAGR in net profit over the same period. Company is focusing on acquiring customers, expanding its range of products, and increasing volume and efficiencies to drive operating leverage. Amid challenging environment, NFIL is focusing on growth in sales volumes and maximizing capacity utilization. Management remains confident of a recovery in EBITDA margin close to 25% levels by the end of FY25. We recommend buy on Navin Fluorine in the band of Rs. 3059-3396 for a target price of Rs. 3948 (40.5x FY26E EPS) till next Diwali.

KEY CONCERNS

- Vulnerability of operating margin due to significant fluctuations in raw material prices.
- Company faces stiff competition from Chinese manufacturers in few of its business verticals (primarily in refrigerant gases) due to abundant availability of fluorspar in China.
- It is also exposed to cyclicality in key end-user industries like consumer durables, metals, agrochemicals amongst others. These industries are vulnerable to macroeconomic factors and economic cycles which in turn may impact the growth prospects.
- Company has lined up significant expansion plans. Any delay in ramp up of the same could hurt growth outlook.
- Delay in scale up of CDMO business could impact revenue and profitability.

FINANCIAL SUMMARY

Particulars (₹ Cr)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	2077	2065	2368	3239	3887
EBITDA	550	398	550	820	1040
EBITDA Margin - %	26.5	19.3	23.2	25.3	26.8
PAT	375	271	321	483	663
EPS	75.4	54.5	64.7	97.5	133.8
P/E (x)	44.5	61.6	51.9	34.4	25.1
EV/EBITDA (x)	37.5	45.3	35.3	25.5	19.3
RoE (%)	18.3	10.8	13.2	17.5	19.8

NCC LTD.

ABOUT COMPANY

NCC Limited, formerly known as Nagarjuna Construction Company Ltd, is a prominent player in the Indian construction and infrastructure industry, boasting a comprehensive and diversified portfolio across all facets of the infrastructure sector. Over the course of more than four decades, the company has amassed invaluable expertise, successfully delivering a multitude of projects spanning across the nation which encompasses Buildings, Transportation, Water and Environment, Electrical Transmission & Distribution, Irrigation, Mining, Railways projects; and more, consistently meeting project deadlines. NCC's proficiency extends to core infrastructure domains, with a proven track record of executing projects for central and state-level agencies, PSUs, and private sector clients alike.

Industry	LTP	Buy Range	Target	Time Horizon
Infrastructure	Rs. 300	Rs. 273-303	Rs. 363	Till Next Diwali

KEY TRIGGERS

NCC has a robust order book of Rs 52,626 cr (2.5x FY24 revenue) as at Jun'24. The order book has remained resilient, providing strong revenue visibility. The order book is well diversified across sectors - building/transportation/water & railways/electrical/mining/ irrigation & others contributing 39/18/12/21/8/2%. On the back of robust order pipeline across key sectors, the management aims to add Rs 20,000-22,000 Cr orders in FY25. Also going forward the management expects order inflows to gain momentum given the strong emphasis in affordable housing, Jal Jeevan mission, electricals (RTSS scheme), roads & expressway and metro & railway segment. It has also entered the smart meters segment, securing three major projects worth Rs. 8,080 cr and has started field trials for the Bihar project and plans to start trials for the Maharashtra packages. In terms of execution, the company has given an overall topline guidance at ~15% YoY.

NCC is one the few players in the construction industry which has the skill sets and capabilities to cater needs of diverse segments, diverse geographies and diverse clients. The company has presence in multiple growth segment - buildings & housing, roads, water & environment, irrigation, electrical, metals, mining and railways. Diversified presence gives the company multiple growth levers and makes it better positioned to offset the impact of slowdown in any particular segment.

It has a pan India presence including key states like Maharashtra, Andhra Pradesh, Telangana, Karnataka, Gujarat, UP, West Bengal and Tamil Nadu with regional offices in 13 cities. NCC has been a preferred vendor for marquee clients in building segments such as UP Housing Development Board, AAI, AIIMS, NBCC, BMRCL and MMRDA. Most of the orders are from the central government/ state government and central government sponsored schemes.

Adequate cash generation from business operations has resulted in lower dependence on external borrowings. Debt generally increases in H1 and reduces in H2 and the Consolidated Net debt currently stands at Rs. 1,798 cr. NCC plans to bring down the debt levels to Rs. 1,000 cr and is likely to normalize to lower levels in the coming quarters and will bring it closer to ~Rs 500 cr by FY25. Improvement in collection, reduction on working capital debt, and receipt of mobilization advance will bring down the debt levels going forward. NCC has received an upgraded credit rating of AA-/Stable from Care Ratings, reflecting its improved financial stability and governance standards.

NCC LTD.

Major government schemes like PM Gati Shakti, Pradhan Mantri Awas Yojana and Jal Jeevan Mission saw an increase in allocation over the past few years. Recent Union Budget clearly focused more on capex spending with the government's plans to provide a significant thrust to the country's infrastructure development. The capital investment outlay for FY25E has been increased by 11.1% to Rs 11.11 lakh cr which is 3.4% of the GDP. NCC Ltd. stands to gain from this increased allocation to infrastructure projects, particularly in railways, roads and urban development. The proposed development of new airports and increased urban housing initiatives under the PM Awas Yojana present significant growth prospects for NCC Ltd. The government's re-energised focus on water will also enhance opportunities for NCC in water transport, distribution and storage.

VALUATION AND RECOMMENDATION

The company has a well-diversified order book, robust execution capabilities, strong focus on debt reduction and improvement in working capital. Segment diversity across building, mining, railways, electrical, water & environment is one of the key differentiators at NCC. Company's vast experience and proven execution capabilities can help leverage rising opportunities in the buildings, water infra, transportation, metros, defense and airports as the awarding momentum picks up. Positive tailwinds with Government's focus on infrastructure development by various schemes will also aid the growth of the company. Given the all-time high order book, execution ramp-up, and robust balance sheet we expect NCC to capture healthy growth in the medium term.

We expect Revenue/EBITDA/PAT to grow at CAGR of 16%/21%/39.6% over FY24-26E. Investors can buy the stock in the band of Rs 273-303 for a target of Rs. 363 (18x FY26E EPS) till next Diwali.

KEY CONCERNS

- Infrastructure projects involve complex design and engineering, significant procurement of equipment and supplies, extensive construction management, and other activities conducted over extended periods, sometimes in remote locations. This could lead to cost and time overruns, thereby impacting its profitability. Also it faces the risk of being blacklisted due to quality or delay issues.
- The price of key raw materials such as cement, bricks, sand, and steel constantly fluctuates with the changing demand-supply dynamics which may lead to a rise in input cost, which in turn, put pressure on the company's margins and profitability.

FINANCIAL SUMMARY

Particulars (₹ Cr)	FY23	FY24	FY25E	FY26E
Total Operating Income	13351	18314	21391	24664
EBITDA	1343	1648	2043	2429
PAT	569	688	968	1231
Adjusted PAT	569	632	968	1231
EPS	9.1	10.1	15.9	20.2
RoE-%	9.4	9.6	13.4	15
P/E (x)	33.0	29.7	18.9	14.9
EV/EBITDA (x)	14.0	11.4	9.2	7.7

PNB HOUSING FINANCE

ABOUT COMPANY

PNB Housing Finance Limited (PNB Housing) is a registered housing finance company with National Housing Bank (NHB) and commenced its operations on November 11, 1988. It is promoted by Punjab National Bank (PNB), which holds 28.1% of share capital in the Company. The Company offers retail and corporate loans, including individual home loans, retail loan against property, retail non-resident property loan, construction finance and lease rental discounting among others. As on Jun'24, the company has presence through 303 branches, which are mostly located in Tier 2 and 3 cities in order to focus on retail and affordable housing segment.

Industry	LTP	Buy Range	Target	Time Horizon
BFSI - NBFC	Rs 981	Rs 893 - 991	Rs 1160	Till Next Diwali

KEY TRIGGERS

Over the past few years, the company has been working to focus and grow its retail book while strategically reducing the mix of corporate loans in its portfolio. As of Jun'24, the retail book contributed 97% to the overall loan book as against 90% in Dec'22. In Q4FY23, the company ventured into affordable housing finance business, and in Q1FY25, it disbursed Rs 586cr. Currently, the company has 160 branches for disbursing affordable housing loans which it intends to expand further.

The company had witnessed steep deterioration in its asset quality when its GNPA ratio increased from 0.5% in FY19 to 8.1% in FY22. As a response, the company took active steps to ramp up collection, do write offs and speed up resolutions, specifically in its corporate book. As of Jun'24, the GNPA ratio of the company stood at 1.35% as against 1.78% in Sep'23, while the NNPA ratio stood at 0.93% as against 1.19%. It expects write-backs to continue for the next three-four quarters.

The company has a capital adequacy ratio of 29.5% as of Jun'24, which includes Tier 1 capital to the extent of 28.4%. The company raised Rs 2,494cr via rights issue in May 2023, in which both the major shareholders had participated. PNB invested Rs 500cr whereas Carlyle Group (holds 32.7% stake) invested Rs 844cr via this rights issue.

PNB HOUSING FINANCE

VALUATION AND RECOMMENDATION

Going forward, we have envisaged a 18% CAGR in its loan book over FY24-26E, while the NII is expected to grow at 16% and PAT at 15% over the same period. The RoA of the company is expected to improve to 2.2% by the end of FY26. We recommend investors to buy the stock in the Rs. 893-991 band for a target price of Rs. 1160 (1.7x FY26E ABV) till next Diwali.

KEY CONCERNS

- Any unfavorable change in rules and regulatory policies by the RBI/NHB/Govt ministries can have a negative impact on the earnings outlook of the company.
- The housing finance industry is highly competitive. It has always faced competition from small finance banks, banks and other HFCs. The stiff competition from banks may pose increasing challenges by way of lower-than-expected loan growth and lower NIM.

FINANCIAL SUMMARY

Particulars (₹ Cr)	FY22	FY23	FY24	FY25E	FY26E
NII	1758	2301	2481	2862	3364
PPOP	1660	2100	2125	2402	2821
PAT	836	1046	1508	1715	2011
EPS	49.6	61.9	58.1	66.0	77.4
ROAA (%)	1.2	1.6	2.2	2.2	2.2
ROAE (%)	8.9	10.0	11.6	10.8	11.3
ABVPS	411.7	556.4	552.9	611.6	684.7
P/ABV(x)	2.4	1.8	1.8	1.6	1.4
P/E(x)	19.8	15.8	16.9	14.9	12.7

RELIANCE INDUSTRIES LTD.

ABOUT COMPANY

Reliance is India's largest private-sector enterprise, engaged in oil and gas exploration, petroleum refining, petrochemicals, retail, telecom and digital services, and Green Hydrogen. RIL enjoys a leadership position in the Indian polymer market. Globally, RIL is the world's largest integrated polyester producer and among the top 10 producers of major petrochemical products. The company has achieved a leadership position in the digital services and retail businesses in the domestic market.

Industry	LTP	Buy Range	Target	Time Horizon
Refineries & Marketing	Rs. 2689	Rs. 2447-2716	Rs. 3243	Till Next Diwali

KEY TRIGGERS

RIL's digital services subsidiary, Reliance Jio added the most number of wireless subscribers over the recent past. Taking the recent tariff hike, we expect the average revenue per user (ARPU) could increase to Rs 200-205 per month in FY25E from Rs 195.1 per month in Q2FY25 and Rs 181.7 per month in Q1FY25. With the completion of the pan-India 5G rollout, R-Jio has increased its focus on ramping up revenue streams such as home broadband, digital TV, digital home solutions, and enterprise services. R-Jio will build large-scale AI infrastructure and develop Jio Brain, a suite of tools and platforms that span the entire-AI lifecycle.

Reliance Retail is already among the top 30 global retailers by revenue with 18,946 stores spread over 79.4 mn sq. ft. in over 7,000 cities and over 327 mn registered customers as on Sept 30, 2024, Reliance will continue to expand in all categories, viz., grocery, FMCG, electronics, fashion, etc., through physical and digital platforms. It also plans to launch products internationally.

In Oil to Chemical business, RIL has recently commissioned a new column to increase ethylene oxide capacity by 45 ktpa and the new 1.5 mmtpa PVC and CPVC capacities at Dahej and Nagothane will commission by FY27E. New 1 mmtpa PTA capacity will complete in FY27E, and 3 mmtpa PTA capacity will now be completed in 2027, earlier plan was 2026. It is also building India's first world scale integrated Carbon Fiber Plant at Hazira. The company also intends to transition to renewable and bio-energy in order to reach Net-Zero by 2035, while also improving profitability with lower energy cost.

RIL has made significant investments in the E&P business and has witnessed a healthy ramp-up in the production of natural gas volumes from the KG basin. The average KGD6 Production in Q2FY25 was at 28.5 MMSCMD of gas and 20,832 bbl / day of Oil / Condensate.

The company is working on fast-tracking various projects currently underway at Jamnagar's Dhirubhai Ambani Green Energy Giga complex. RIL plans to establish and enable at least 100 GW of solar energy generation capacity by 2030 through its subsidiary, Reliance New Energy Ltd (RNEL). Also, it plans to set up battery Giga factory by 2026. It will manufacture battery chemicals, cells and packs, leading up to energy storage solutions, and will include a battery recycling facility.

RIL has leased waste land in Kutch, Gujarat to generate ~150 bn units of electricity in next 10 years, providing ~10% of India's energy requirement, and has also secured access to ~2000 acres of land at Kandla port. The coastal infrastructure will provide competitive advantage for production, storage, evacuation, and shipping of green fuels to various markets in India and across the world.

RELIANCE INDUSTRIES LTD.

VALUATION & RECOMMENDATION

Given the large technological advancements and ambitious growth targets, Reliance's Retail, Telecom, and new energy segments are poised to become the upcoming growth drivers over the next two to three years. The company aims to double its EBITDA in the next five years, powered by 5G opportunities, increased investments in AI/data centers, further expansion in Retail and the start of PV/battery facilities in New Energy. The company could report a consolidated revenue/EBITDA/PAT CAGR of approx. 19%/14%/16% over FY24-26E. Investors can buy in the Rs. 2447-2716 band for a target of Rs. 3243 (23.5x FY26E EPS) till next Diwali.

KEY CONCERNS

- Economic slowdown, volatility in oil and gas prices, currency fluctuations, and regulatory changes in Oil and Gas/telecom industry could impact its growth story in the future. The changing macro-economic scenario can have an impact on the growth plans of the company.
- The telecom business is capital-intensive in nature and Reliance Group has made large-scale of investments in RJIL, to set up the infrastructure and acquire the spectrum. Changes in technology and the regulatory environment, and intense competition could impact its financials.
- RIL has made significant investments in the E&P business and has witnessed a healthy ramp-up in the production of natural gas volumes from the KG basin. However, lower-than-anticipated production and decline in natural gas prices could impact its revenue and profitability.
- RIL's refining margin has been weak over the last two to three quarters due to the lower price of spreads. Further fall in refining margin could impact its earnings. However, the company enjoys better refining margins than Singapore GRM.
- For the international investments undertaken, profitability is also susceptible to significant geo-political and currency risks, as some of the overseas blocks are in countries that have political instability.

FINANCIAL SUMMARY

Particulars (₹ Cr)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	700,000	877,800	901,100	1,167,300	1,268,100
EBITDA	110,500	142,200	162,200	182,000	210,100
APAT	58,400	66,700	69,600	78,400	93,500
EPS	86.4	98.6	103	116	138
RoE-%	7.9	8.9	9.2	9.5	10.3
P/E (x)	31.1	27.3	26.1	23.2	19.5
EV/EBITDA (x)	18.6	14.5	12.8	11.1	9.5

STATE BANK OF INDIA

ABOUT COMPANY

With a legacy of over 200 years, State Bank of India (SBI) is an Indian multinational, public sector banking and financial services statutory body. SBI is the oldest and largest bank of India owned by the GOI (57.54% stake). The SBI group offers a wide range of banking and non-banking products and services to its corporate and retail customers. The bank has a strong portfolio of distinctive products & services, and leverages technology to deliver and manage them in a personalised and customer centric way.

Industry	LTP	Buy Range	Target	Time Horizon
BFSI - PSB	Rs 805	Rs 733-813	Rs 960	Till Next Diwali

KEY TRIGGERS

With resilient economic activity, credit demand has remained strong during FY24. SBI's advances grew by 15.2% to Rs 37.68 lakh crore in FY24. Domestic loans grew by 16.26% to Rs 32.28 lakh crore and foreign offices loans portfolio grew by 9.47% to Rs 5.39 lakh crore. The management has guided for loan growth of ~15% for FY25.

SBI maintained its GNPA/NNPA at ~2.2/0.6% in Q1FY25 as seasonally high gross slippages were offset by higher recoveries and write-offs. The management has guided credit costs to be contained under 0.5%.

SBI has been able to pass on the increased cost of funds to the customers, thereby maintaining its NIMs. The Bank had raised its deposit rates in some of the buckets resulting in cost of deposits increasing by 45bps in Q1FY25. However, NIM compression has been only 11bps. The management expects current levels of NIMs are sustainable. The recent change in stance by the RBI and expected rate cut could pose an upside risk to credit growth expectations.

SBI launched its digital platform YONO in 2017 and has a registered user base of 7.8+ crore. To keep pace with the evolving digital banking ecosystem, SBI is developing the next generation technology platform 'Only YONO - The New Digital Bank' (YONO 2.0) with certain key capabilities such as consistent Omnichannel experience across all digital channels, hyper-personalised customer experience, AI-based models for business, Preventive Risk Management, etc. YONO business has gained significant traction with more than 29 lakh users having registered till now.

STATE BANK OF INDIA

VALUATION AND RECOMMENDATION

We believe SBIN is equipped to sustain growth, given its surplus liquidity (Rs. 3.7trn) and a comfortable LDR (76.5%). We build in marginal NIM compression over FY24-26E on the back of a turn in the rate cycle during H2FY25. We recommend investors to buy in the Rs. 733-813 band with a target price of Rs. 960 (1.8x Mar-26 ABVPS).

KEY CONCERNS

- A higher-than-expected deterioration in the asset quality could result in the erosion of the Tier I capital. Fresh formation of bad loans could keep provisioning high and return ratios compressed for a longer time. Any delay in the recovery, higher than expected haircuts or sharp rise in the slippages could impact the profitability and business growth prospects.
- Any unfavorable change in rules and regulatory policies can have a negative impact on earnings outlook of the Bank.
- Any slowdown in credit growth could impact its growth rate of revenues and earnings.
- If SBI is not able to continuously match up to its peers from the private sector in terms of technology, rates or service, it may lose market share.

FINANCIAL SUMMARY

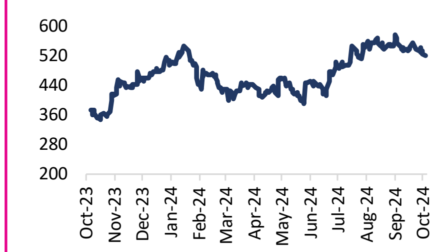
Particulars (₹ Cr)	FY22	FY23	FY24	FY25E	FY26E
NII	120710	144840	159880	174270	194240
PPOP	67870	83710	86700	112990	133350
PAT	31680	50230	61080	70830	80940
EPS	35.5	56.3	68.4	79.4	90.7
ROAA (%)	0.7	1.0	1.0	1.1	1.1
ROAE (%)	11.9	16.5	17.3	17.4	17.2
ABVPS	266.8	327.3	381.7	444.0	516.9
P/ABV(x)	3.0	2.5	2.1	1.8	1.6
P/E(x)	22.7	14.3	11.8	10.1	8.9

ONE YEAR PRICE CHART

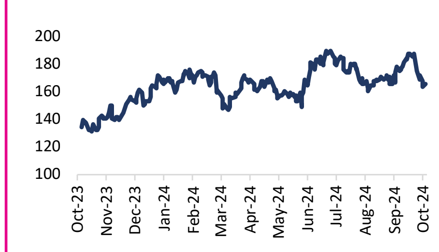
Bank of India

JK Lakshmi Cement Ltd.

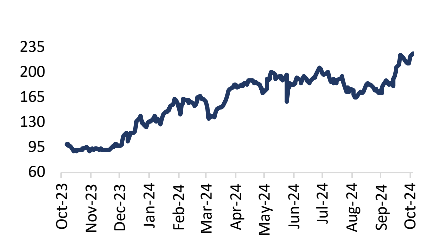
Jyothy Labs Ltd.



L&T Finance Ltd.

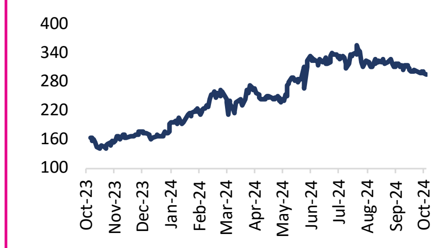


National Aluminium Company Ltd.

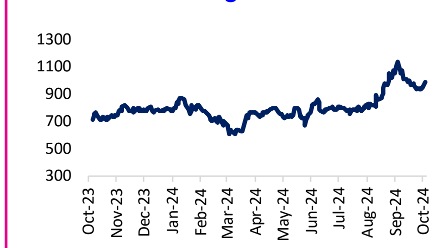


Navin Fluorine International Ltd.

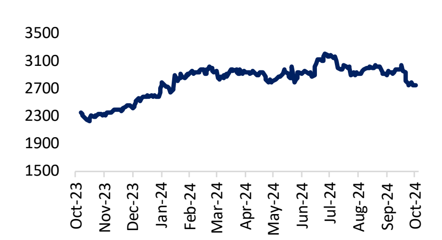
NCC Ltd.



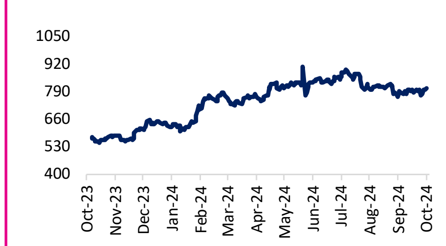
PNB Housing Finance Ltd.



Reliance Industries Ltd.



State Bank of India.



Company Name	Analyst	Qualification	Holding
Bank of India	Atul Karwa	MMS-Finance	No
JK Lakshmi Cement Ltd	Tanishk Khinvasra	CA	No
Jyothy Labs Ltd	Darshil Shah	CA, MBA	No
L&T Finance Ltd	Atul Karwa	MMS-Finance	Yes
National Aluminium Company Ltd	Tanishk Khinvasra	CA	No
Navin Fluorine International Ltd	Kushal Rughani	MBA	No
NCC Ltd	Rishab Jain	MBA	No
PNB Housing Finance Ltd	Atul Karwa	MMS-Finance	No
Reliance Industries Ltd	Abdul Karim	MBA	No
State Bank of India	Atul Karwa	MMS-Finance	No

Disclosure:
We, Atul Karwa MMS-Finance, Tanishk Khinvasra CA, Darshil Shah CA, MBA, Kushal Rughani MBA, Rishab Jain MBA and Abdul Karim MBA authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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