DALAL & BROACHA

DALAL & BROACHA STOCK BROKING PVT LTD

VIKRAM SAMVAT 2080

November 2023

Get Ready for the Diwali Muhurat Trading
SUNDAY 12 November 2023

Pre-Open	18:00 to 18:08
Muhurat Trading	18:15 to 19:15
Block Deal	17:45 to 18:00
Post Closing	19:25 to 19:35

db@dalal-broacha.com

DALAL & BROACHA STOCK BROKING PVT LTD

Diwali Stock Ideas

Dear all,

Muhurat trading has been a long-standing tradition amongst investing community in India and we have been recommending stocks to invest in for Muhurat trading. Last year the portfolio of stocks recommended for Muhurat appreciated by 28.5% on an equal weight basis as compared to 8% return by Nifty. We are enclosing herewith a list of stocks that are our 'MUHURAT PICKS' for Samvat 2080. If one wants to buy a basket of these stocks, the quantities indicated would give a portfolio of approximately Rs. 100,000.

No	Company	CMP (Rs.)	TP (Rs.)
1	Zomato Ltd.	117	148
2	DLF Ltd.	595	675
3	Zee Entertainment	275	325
4	Grindwell Norton Ltd.	2,100	2,500
5	Nestle India Ltd.	24,000	30,000
6	Bank of India	100	128
7	Shivalik Bimetal Controls	537	620
8	NIIT Learning Systems	392	510
9	Indraprastha Gas	400	480
10	Tata Motors	648	750

Investment Rationale

➢ Zomato Ltd. CMP – Rs. 117 | Target price Rs. 148

Zomato has been able to turnaround its food delivery and quick commerce business without losing focus on growth. The food delivery business has started to witness operating leverage as visible from the expanding contribution and operating margins. Regarding Blinkit, the quick commerce business, the segment is seeing turbo growth. This segment has also turned contribution positive. We believe Blinkit is at that juncture where food delivery business was couple of years back. Both the segments have a long runway for growth. While the near-term valuations appear expensive, long-term valuations are attractive. We believe Zomato should be part of the long-term portfolio.

➢ DLF Ltd. CMP – Rs. 595, Target price – Rs. 675

The real estate sector in India is booming in spite of higher interest rates. The premium apartments are doing better than the affordable segment, clearly demonstrating that consumers are wanting to upgrade their standard of living. We believe DLF stands to benefit from this as it is well placed in the premium and luxury segment in the NCR region. The company got a strong response for its luxury project "Arbour", which got completely sold in three days. Over the years, the company has company has significantly deleveraged itself and ex-rental assets, the company is debt free. The company has a huge land bank, which we believe will be developed and monetised over a period of time. Rental assets are also expected to be spun off over the next one year, leading to better value creation.

➢ Zee entertainment Ltd. CMP – Rs. 275, Target price – Rs. 325

Zee has seen tough times in the last few years. Not only, the advertisement revenues are seeing a slowdown but the proposed merger with Sony has also been significantly delayed. However, we believe the worst is behind us. The company has received the green signal from the NCLT for its proposed merger with Sony. The merger we believe should be completed in the next few months. The merged entity will be a powerhouse in almost each segment of entertainment – OTT, regional entertainment, general entertainment. Sony is also likely to infuse more than USD 1 bn, thereby further strengthening the balance sheet. We expect Zee to be rerated after the merger is consumed.

➢ Grindwell Norton Ltd. CMP – Rs. 2,100, Target price – Rs 2,500

We believe Grindwell Norton will likely see long-term profitable growth on the back of its 1) focus on technologically advanced niche/high performance products in performance plastics, 2) penetration in newer high growth markets, 3) attention on tapping new verticals in Ceramics & Refractories, 4) capacity expansion in coated abrasives, engineered ceramics and performance plastics, and 5) strong balance sheet, operating cash flows and return ratios.

➢ Nestle India Ltd. CMP – Rs. 24,000, Target price – Rs 30,000

India remains one of the fastest growing market for Nestle Global. Nestle India's Focus is penetration led Volume growth going forward. Currently on a monthly basis Nestle's penetration stands in the range of 10%-50% depending on category and yearly at 80% (i.e consumer buying 1-Nestle product a year).

India's Food and Beverages Market is ~$800bn, of this Packaged is ~$100bn and Branded Packaged is $40bn (i.e 1/20th of overall market). Per Capita packed food consumption in China is 4.2x India and in Philippine is 3.3x India, hence the huge Industry size leaves ample opportunity for growth ahead.

Of 1.4bn population Nestle addressable market is 487mn, key is "how to trigger consumption" and it has already started targeting Millennials and GenZ i.e consumers of Tomorrow.

Capex Planned doubled: Nestle is currently spending Rs 26bn between 2020-2023 of which 24.8bn already spent. Secondly it has already announced Rs 50bn (almost 2x) to be spent between 2023-2025 of which (Rs 9nb to 10 bn) would be spent in Orrisa which would be part of the top "Factories for the Future" of Nestle Global

Going Forward: India remains one of the fastest growing market for Nestle Global.

Management new capex commitment of Rs 50bn is almost 2x its previous commitment which is getting completed. With focus on penetration led growth (and balance being maintained on margins as well) and accelerated push on NPD's we remain very optimistic on Nestle India's future growth prospects. At CMP of Rs 24248 the company trades at 81x CY23e EPS of Rs 298 and 67x CY24e EPS of Rs 361. We recommend Long-term Investors to accumulate the stock.

➢ Bank of India Ltd. CMP – Rs. 100, Target price – 128

Gross NPLs/Net NPL from peak of 15.8%/5.6% in FY2019 has come down to 5.8%/1.5% in Q2FY24 and PCR has touched 90%. Credit cost guidance of 60-70 bps for FY24 and strong recoveries & upgrades at INR 120 bn vs. INR 34.6 in H1FY24. Healthy credit growth of 11-12% and , it has pipeline of nearly ~INR 400 bn in corporate credit (which has 37% share in total advances). - At current CMP, it is trading at 0.7x FY25e ABV which is relatively lower as compared to other PSU banks. Q2FY24 ROA trajectory has improved to 0.67% on yoy basis. For the full year, ROA will improve to 0.8% in FY24 from 0.5% in FY23. We expect stock to get re-rated further, we assign TP of INR 128, upside of 22% from the current levels.

➢ Shivalik Bimetal Controls Ltd. CMP – Rs. 537, Target price – Rs. 620

Best 3-way proxy play for EV, Smart meters & EMS (Switchgears). The theme of decarbonisation, digitalisation & electrification to benefit SBCL in a big way:

The 2 key products of SBCL are shunts & bimetals. Shivalik's Shunt resistors via Tier 1 industry players are used in car models of the likes of Tesla, BYD, Tatas, Mahindras, etc. Shunt resistors get used in all kinds of motors within a car like a Power steering, starter motors, door locking motors as well as in EV Battery Management systems. thee Electric vehicle.

Market is projected to grow at 21% CAGR from FY22-30E period & the EV BMS market is expected to grow at a 30% CAGR during the same period.

Strong Past performance: From FY20-23 their Revenue has grown at an almost 35% CAGR- EBITDA has grown at a ~73% CAGR & PAT by 80%. In FY23 they generated an RoCE of 34% & RoE of ~30%.

Visibility of growing their revenue by almost 4x with minimum incremental capex & potential to grow asset turns from current 2.8x to 8x:With minimal capex, the company can grow revenue from 4,700 Mn to 16,000 Mn(almost 4x), achieving an 8x asset turnover. From FY21-23, SBCL has already incurred a capex of ~1000Mn looking at the future demand visibility for their products & their respective use cases in Industries such as EV, Switchgears & smart meters. Currently their asset turnover stands at 2.78x as on FY23. The company's management has guided that on account of the recent capex & with minimal/ negligible additional capex in future, Shivalik's revenue potential can increase form the recent Rs 4,700Mn to Rs 16000 Mn, as a result of which their asset turnover can increase from the current 2.78x to ~8x in future.

➢ NIIT Learning System Ltd. CMP – Rs. 392, Target price – Rs 510

NIIT Learning Systems Ltd (NLSL) is strategically positioned to capitalize on the growing trend of outsourcing in the training industry. The demerger of NLSL allows the company to strategically allocate its resources towards developed markets, where the average expenditure on training per employee per year typically falls within the range of $1000 to $1300. This focused approach enables NLSL to optimize its efforts and tap into markets with higher training investment potential.

At the current level, the stock is trading at 21.2x / 16.9x FY24e / FY25e EPS, NLSL anticipates returning to its targeted growth trajectory of a 20% or higher Compound Annual Growth Rate (CAGR) along with maintaining margins over 20%.

We recommend a BUY rating on the stock with a target price of INR 510 valuing the company at 23x PE multiple on FY25E earnings.

➢ Indraprastha Gas Ltd. CMP – Rs. 400, Target price – Rs. 480.

Indraprastha Gas has been derated over the last month on concerns of EV policy introduced by the Delhi government. The policy if implemented is likely to result in a volume loss of 10-15% for IGL. However, we believe the implementation is unlikely to be smooth as there is no clarity on the funding aspects of the scheme. Also, we believe the volume growth in new geographical areas allocated to IGL will offset the likely volume loss. Valuations are attractive and we expect the stock to deliver handsome returns.

➢ Tata Motors CMP – Rs. 648, Target price – Rs. 750.

JLR - Order book for JLR business remains strong with over 168,000 units. Strong cash flow, reducing debt will further strengthen the balance sheet. Upward revision of margin guidance from 6% to 8% will further drive profitability.

Commercial Vehicles domestic market share stood strong at 39.7% & is expected to improve going forward. Margins are also expected to improve as the commodity prices softened in Q2. Scaling up EV vehicles i.e. ACE EV & E-buses will be the key focus area. ACE EV that was recently launched, the company has already signed up with 5 customers during the launch & already deployed for 4 customers.

Passenger Vehicle- The electric vehicle (EV) sector has reported robust growth in terms of volume, with an impressive increase of approximately 55%. The launch of the new Nexon and Nexon.ev models has generated strong interest, as indicated by a substantial number of bookings. The easing of commodity inflation is expected to have a positive effect on the company's profitability.

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.
D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com
D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.
D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time. SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.
D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report-:

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B . All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read “Risk Disclosure Document for Capital Market and Derivatives Segments” as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com