MARWADI
FINANCIAL SERVICES

DIWALI FUNDAMENTAL PICKS 2023

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PERFORMANCE OF DIWALI PICKS 2022

No.	Stocks	Initiating Price	Target Price	Booking Price	CMP	Return
1.	Indraprastha Gas Ltd.	385	485	484		25.71%
2.	Whirlpool of India Ltd.	1,566	2,048	OPEN	1,623	3.64%
3.	Balkrishna Industries Ltd.	1,902	2,559	2,479		30.34%
4.	Metro Brands Ltd.	874	1,164	1,080		23.57%
5.	Home First Finance Ltd.	826	1,088	OPEN	915	10.77%
					Avg. Return	**18.81%**

DIWALI FUNDAMENTAL PICKS 2023

Jio Financial Services Ltd.

CMP: ₹219 **Target:** ₹292 ▲ 33%

Ashok Leyland Ltd.

CMP: ₹168 **Target:** ₹210 ▲ 25%

Archean Chemical Industries Ltd.

CMP: ₹517 **Target:** ₹763 ▲ 47%

Go Fashion (India) Ltd.

CMP: ₹1,249 **Target:** ₹1,702 ▲ 36%

Wipro Ltd.

CMP: ₹384 **Target:** ₹504 ▲ 31%

Manoj Vaibhav Gems N Jewellers Ltd.

CMP: ₹261 **Target:** ₹370 ▲ 42%

Gland Pharma Ltd.

CMP: ₹1,511 **Target:** ₹1,907 ▲ 26%

Nuvoco Vistas Corporation Ltd.

CMP: ₹342 **Target:** ₹470 ▲ 37%

Note: CMP as on 3rd Nov 2023

MARKET OUTLOOK

The Indian stock market has been the eye candy of foreign institutional investors throughout 2023 taking the NIFTY 50 and the BSE Sensex to their all-time highs. The remarkable rally in the Indian stock market continued on the back of robust corporate earnings, recovery in sectors like financials, auto, fast moving consumer goods, and domestic growth.

The Reserve Bank of India (RBI) maintained its stance of a pause on repo rate in the October Monetary Policy Committee announcement for the fourth consecutive time with hopes of inflation easing and preparedness to act if the situation merits.

The Indian economy, according to IMF estimates, will emerge as the world's third largest economy by 2027, hopping over Japan and Germany, as its GDP crosses US$5 trillion dollars. By 2047, India aspires to be a developed economy. India's real GDP is projected to grow at 6.5% in FY24 and 6.6% for the first quarter of FY25. With inflation projected at 5.4% in FY24, this will lead to a double digit nominal GDP growth in Fy24.

As for investments, with the size and scale of operations it has to offer to global companies, the availability of skill and talent, and technology and innovation capabilities, India continues to be an attractive investment destination.

Market outlook looks promising, our expectations on India's further journey is backed by:

- Favorable credit cycle
- Strong demand momentum led by BFSI, Automobile and Retail Sectors
- Moderating inflation which will reduce input costs
- Strong government thrust on infrastructure spending

CHANGES IN MARKETS FROM LAST DIWALI

Sector	Return
Bank Nifty	0.49%
Auto	23.71%
Fin services	5.25%
FMCG	16.98%
IT	6.68%
Media	5.83%
Metal	11.28%
Pharma	12.69%
PSU Bank	43.78%
Pvt Bank	5.73%
Realty	39.99%

Index	Return
Nifty	8.41%
Sensex	7.67%
NASDAQ	12.89%
DJI	1.82%
FTSE	3.96%
Nikkei	13.73%
SSE Composite	1.39%

JIO FINANCIAL SERVICES LTD. ▲33%

CMP: ₹219

Target: ₹292

Investment Rationale

Jio Financial Services Ltd. was incorporated on July 25,2023. The company is a non-deposit taking NBFC. Prior to this, it was originally launched on July 22, 1999 by the name Reliance Strategic Investments Pvt. Ltd.

The company is the holding company of subsidiaries, namely, Jio Finance Ltd., Jio Insurance Broking Ltd., Jio Payment Solutions Ltd, Jio Payments Bank Ltd. and Reliance Industrial Investment Holdings Ltd. The company's revenue comprises of Interest Income (38% of revenue), Dividend Income (21%), Fees and Commission Income (8%) and Net Gain on Fair Value Changes (33%) as in the first half of FY24.

The company has a huge cross-selling opportunity to the existing customers of Relaince Retail and Reliance Jio. Reliance Retail has 25 crore consumers and Reliance Jio has 44 crore subscribers which provides a ready-made customer base for Jio Financial Services Ltd BFSI business. For instance, the MyJio app now offers Jio Financial Services' salaried and self-employed loans and also enables payment through Jio Payments Bank. This can help the company to increase its business exponentially in a very short time.

The differentiating point between the company and it's peers is Jio Financial Services Ltd.'s strong emphasis on technology. The underwriting process of the company happens real-time and is an end-to-end digital process. The company applies AI model to identify potential risks and the collection measures of the company are based on behavioral analytics.

The company's joint venture with Blackrock has the potential to become a game-changer in the deeply under-penetrated asset management sector in India. Blackrock's deep expertise in investment management, product excellence and risk management compliments Jio's market knowledge, digital infrastructure and strong execution capabilities. Both the partners are committed to an initial investment of $150 million each.

We initiate our coverage on Jio Financial Services Ltd. with a BUY rating and a target price of Rs.292 per share.

Key Financials

(In Mn)	FY23	FY24E	FY25E	FY26E
Revenue	416	2,061	6,883	21,749
EBITDA	361	1,855	6,415	20,771
EBITDA Margin	86.6%	90.0%	93.2%	95.5%
PAT	313	1,978	6,662	21,227
PAT Margin	75.1%	96.0%	96.8%	97.6%
EPS (₹)	15.3	20.0	26.6	33.8

Market Cap (₹ Cr)	1,39,168	Face Value (₹)	10
Outstanding Shares (Cr)	635	Dividend Yield	0.00%
Shareholding		Debt/Equity	0.04
Promoters	47%	Beta Vs. Sensex	-
Institutions	35%	52 weeks High/Low	267/203
Others	18%	TTM PB	1.2

ASHOK LEYLAND LTD.

▲ 25%

CMP: ₹168

Target: ₹210

Investment Rationale

Ashok Leyland (AL) is the second largest commercial vehicle manufacturer in India, 3rd largest manufacturer of buses in the world and 10th largest manufacturer of trucks globally. The Hinduja Group holds 51% stake in the company through the holding company, Hinduja Automotive (UK).

It is headquartered in Chennai and has 9 manufacturing facilities, out of which 7 are based out of India and the rest 2 provide international exposure – a Bus manufacturing facility in RAK, UAE and Leeds, United Kingdom. The company derives 91% of the revenue from sales of commercial vehicles and 9% of the revenue is derived from financial services.

AL reported 10% standalone EBITDA margins in Q1FY24 and has set a mid-teen EBITDA margins target over the medium term. EBITDA margins are expected to improve moving forward due to slightly higher ASP and lower discounts leading to higher net realizations and higher GMs on softening commodity costs and operating leverage.

AL reiterated its earlier guidance of industry growth at 8%-10% YoY for MHCV and 5%-6% YoY growth for LCV in FY24E (over the high base of FY23). The management expects similar growth momentum in FY25, led by a favourable macroeconomic environment, strong replacement demand and robust Government Capex outlay.

During the first quarter of FY24, AL launched a ready-mix concrete tipper; three trucks, micro air vehicle (MAV); and a 13.5-meter bus with 19.5t gross weight. The launch pipeline includes: (i) two Switch EV light commercial vehicles (LCV) in H2FY24, (ii) an Ather bus variant, and (iii) a potential European model bus. Such a strong launch pipeline will improve the product mix and boost the margins.

We initiate our coverage on Ashok Leyland Ltd. with a BUY rating and a target price of Rs.210 per share.

Key Financials

(In Mn)	FY23	FY24E	FY25E	FY26E
Revenue	4,16,726	4,29,228	4,54,981	4,95,930
EBITDA	50,929	63,526	70,977	82,820
EBITDA Margin	12.2%	14.8%	15.6%	16.7%
PAT	13,617	24,037	29,574	32,731
PAT Margin	3.3%	5.6%	6.5%	6.6%
EPS (₹)	4.6	8.2	10.1	11.1

Market Cap (₹ Cr)	49,415	Face Value (₹)	1
Outstanding Shares (Cr)	294	Dividend Yield	1.55%
Shareholding		Debt/Equity	0.38
Promoters	52%	Beta Vs. Sensex	0.90
Institutions	37%	52 weeks High/Low	192/133
Others	11%	TTM PE	28.5

ARCHEAN CHEMICALS INDUSTRIES LTD. ▲47%

CMP: ₹517

Target: ₹763

Investment Rationale

Archean Chemical Industries (ACIL) is a leading Specialty Marine Chemical manufacturer in India focused on manufacturing and exporting bromine, industrial salt, and sulphate of potash to customers around the world.

The company generated around 50.5% of FY23 revenue from sales of industrial salt, 49.2% of the revenue from bromine and about 0.2% from sale of sulphate of Potash.

ACIL's products are sold to 18 global customers across 13 countries and also to 24 domestic customers. Its customers include leading domestic and international MNC's such as Sojitz Corporation, Shandong Tianyi Chemical Corporation, Unibrom Corporation, Wanhau Chemicals and Qatar Vinyl Company Limited. The company has relations that have lasted more than 5 years with seven out of its top ten customers.

Given the nature of the application of ACIL's products and the processes involved, products are measured against high quality standards and sensitive & rigorous product approval systems with stringent impurity specifications. Further, because end products manufactured by ACIL's customers are typically subject to stringent regulatory and industry standards, any change in products' vendor may require significant time and expense for customers, which acts an entry barrier.

ACIL has already established a strong footprint in bromine and is in the midst of adding further bromine capacity (from 28.5Ktpa to 42.5Ktpa) — to support the next leg of growth. ACIL plans to enter into bromine derivative performance products, including brominated flame retardants (capacity: 10ktpa), clear brine fluids (13ktpa) and bromine catalysts used for the synthesis of pure terephthalic acid (5ktpa) — by 4QFY24. Total capex envisaged for these derivatives is Rs2.5bn.

We initiate our coverage on Archean Chemicals Industries Ltd. with a BUY rating and a target price of Rs.763 per share.

Key Financials

(In Mn)	FY23	FY24E	FY25E	FY26E
Revenue	14,411	15,131	19,671	25,572
EBITDA	6,340	6,582	9,344	12,338
EBITDA Margin	44.0%	43.5%	47.5%	48.3%
PAT	3,826	4,399	6,159	8,623
PAT Margin	26.5%	29.1%	31.3%	33.7%
EPS (₹)	31.1	35.8	50.1	70.1

Market Cap (₹ Cr)	6,365	Face Value (₹)	2
Outstanding Shares (Cr)	123	Dividend Yield	0.42%
Shareholding		Debt/Equity	0.02
Promoters	54%	Beta Vs. Sensex	0.51
Institutions	33%	52 weeks High/Low	732/440
Others	13%	TTM PE	16.0

GO COLORS! GO FASHION (INDIA) LTD. ▲36%

CMP: ₹1,249
Target: ₹1,702

Investment Rationale

Go Fashion is the market leader in India's highly unorganised women's bottom-wear segment (value market share of about 8 percent) and the first to launch an exclusive branded portfolio in the space.

The company's product portfolio includes churidars, leggings, dhotis, harems, patiala, palazzo, culottes, pants, trousers and jeggings across multiple categories, including ethnic wear, fusion wear, western wear, lounge wear, at leisure, Go Plus and girl's wear.

The company derived 73% of the revenue from EBOs in FY23. It has a target of increasing this contribution to 80% in the next 2 to 2.5 years. A steady increase in the share of the high-margin EBO channel will help drive improvement in EBITDA margin and boost the ROE.

The company has a diverse product portfolio available in varied price ranges, styles and colours which ensures that it is well positioned to cater to the needs of women of varied ages, economic backgrounds and segments. It intends to expand into loungewear, a work-from-home collection, athleisure and other new products in the ethnic, western and fusion wear segments. This will improve the product mix of the company.

With no branded player in the bottom-wear market, Go Fashion pivoted its business model towards EBOs. Since then, it has scaled up aggressively and delivered fastest and efficient EBO rollouts in the Indian retail industry – adding a new store every 12 days over FY20-FY22. Go Fashion operates a network of 630 EBO stores in 143 cities. Post 2 years of pandemic-induced slowdown, the company is now going full throttle with the target of adding 120-130 new stores every year.

We initiate our coverage on Go Fashion (India) Ltd. with a BUY rating and a target price of Rs.1,702 per share.

Key Financials

(In Mn)	FY23	FY24E	FY25E	FY26E
Revenue	6,653	8,396	10,864	13,537
EBITDA	2,150	2,729	3,563	4,481
EBITDA Margin	32.3%	32.5%	32.8%	33.1%
PAT	828	1,201	1,575	1,990
PAT Margin	12.4%	14.3%	14.5%	14.7%
EPS (₹)	15.3	22.2	29.2	36.8

Market Cap (₹ Cr)	6,745	Face Value (₹)	10
Outstanding Shares (Cr)	5	Dividend Yield	0.00%
Shareholding		Debt/Equity	0.00
Promoters	53%	Beta Vs. Sensex	0.49
Institutions	43%	52 weeks High/Low	1,453/876
Others	4%	TTM PE	78.8

WIPRO LTD. ▲31%

CMP: ₹384

Target: ₹504

Investment Rationale

Wipro Ltd. is a leading technology services and consulting company focused on building innovative solutions that address clients' most complex digital transformation needs.

In FY23, the company derived 35% of its revenue from BFSI segment, 19% of revenue from Consumer segment, 12% from Health segment, 12% from Energy, Natural Resources and Utilities segment, 11% from Technology segment, 7% from Manufacturing segment and 5% from Communications segment.

Wipro's attrition rate had increased from 12.1% in FY21 to 23.8% in FY22 due to strong demand and high payment to employees. However, post FY22 as demand stabilized as well as their pay scale we are now seeing declining attrition levels which is positive for the company. At present Wipro's attrition stands at 19.2% in FY23 and ahead it is expected to further inch lower.

Wipro has been invested organically as well as inorganically with hyperscalers and industry leading platform players such as Amazon Web Services, Microsoft, Google, Salesforce, SAP and ServiceNow to drive leading-edge solutions. This helps differentiate Wipro from other players along with supporting it to expand in key markets, creating new synergies and developing solutions for clients.

In terms of future investments, the company has announced a plan to invest USD 1 bn over the next three years in AI. They will also launch Wipro AI360, an end-to-end innovation system, as part of this initiative. These investments in AI and cloud technologies are expected to yield positive outcomes for the company.

We initiate our coverage on Wipro Ltd. with a BUY rating and a target price of Rs.504 per share.

Key Financials

(In Mn)	FY23	FY24E	FY25E	FY26E
Revenue	9,04,876	9,06,940	10,36,632	11,77,614
EBITDA	1,63,539	1,65,063	1,91,777	2,26,102
EBITDA Margin	18.1%	18.2%	18.5%	19.2%
PAT	1,13,665	1,13,924	1,32,689	1,55,445
PAT Margin	12.6%	12.6%	12.8%	13.2%
EPS (₹)	20.7	20.8	24.2	28.3

Market Cap (₹ Cr)	200,289	Face Value (₹)	2
Outstanding Shares (Cr)	548.8	Dividend Yield	0.26%
Shareholding		Debt/Equity	0.08
Promoters	73%	Beta Vs. Sensex	1.11
Institutions	15%	52 weeks High/Low	444/352
Others	12%	TTM PE	18.1

MANOJ VAIBHAV GEMS N JEWELLERS LTD. ▲42%

CMP: ₹261

Target: ₹370

Investment Rationale

Incorporated in 2003, Manoj Vaibhav Gems 'N' Jewellers Limited also known as Vaibhav Jewellers is a leading regional jewellery brand in South India. The company offers gold, silver, and diamond jewellery, precious gemstones, and other jewellery products through retail showrooms and its website. They are a hyperlocal jewellery retail chain with a presence in the micro markets of Andhra Pradesh and Telangana with 13 showrooms (inclusive of two franchisee showrooms) across 8 towns and 2 cities.

In FY23, the company's breakdown of their revenue from operations is (i) Gold jewellery (89.23%), (ii) Diamonds (4.06%), (iii) Silver jewellery (3.96%), (iv) Stones (2.64%), (v) Platinum jewellery(0.06%) and (vi) Others (0.05%).

As part of their expansion strategy, they will open eight showrooms across various tier 2 and tier 3 locations in Andra Pradesh and Telangana in FY24 and FY25. The company aims to expand into the micro markets of Andra Pradesh and Telangana and develop those markets for organised jewellery sales.

The company aims to leverage their e-commerce platform to reach its customers. The penetration of e-commerce industry is expected to grow to 11% of the total jewellery market by FY2027. They will create a live inventory experience for customers that allows them to try the jewellery sitting at home, resembling a real-life experience in a showroom.

The company uses the go-to-market model to connect with customers, build relationships, and ensure repeat business. It helps to differentiate from competitors, is cost-effective, and helps to boost foot traffic and customer loyalty in retail stores.

We initiate our coverage on Manoj Vaibhav Gems N Jewellers Ltd. with a BUY rating and a target price of Rs.370 per share.

Key Financials

(In Mn)	FY23	FY24E	FY25E	FY26E
Revenue	20,273	24,328	29,193	35,032
EBITDA	1470	1946	2452	3083
EBITDA Margin	7.3%	8.0%	8.4%	8.8%
PAT	716	949	1226	1576
PAT Margin	3.5%	3.9%	4.2%	4.5%
EPS (₹)	18.3	19.4	25.1	32.3

Market Cap (₹ Cr)	1,276	Face Value (₹)	10
Outstanding Shares (Cr)	4.9	Dividend Yield	0.00%
Shareholding		Debt/Equity	2.03
Promoters	74.28%	Beta Vs. Sensex	1.84
Institutions	11.37%	52 weeks High/Low	293/202
Others	14.35%	TTM PE	17.8

GLAND PHARMA LTD. ▲26%

CMP: ₹1,511

Target: ₹1,907

Investment Rationale

Gland Pharma - Incorporated in 1978, is today one of the fastest-growing generic injectables-focused companies. GLAND offers services that cover the entire injectables value-chain, including contract development, own development, dossier preparation and filing, technology transfer and manufacturing across a range of delivery systems.

In FY23, the company derived 58% of its revenue from the U.S.A., 15% from India, 5% from Europe, 2% from Canada, 1% from Australia and 19% from the rest of the world.

As part of its growth strategy, the company successfully introduced 23 products in the US market during Q1FY24, of which 7 were new additions. This diversified product portfolio, including a complex peptide, is expected to contribute to future growth prospects moving ahead.

So far in FY24, GLAND has launched one product in China while it plans to launch another product in the coming quarters. Considering the current portfolio of GLAND in China market, the pricing is better than the US market. Hence, with better pricing and margin-accretive portfolio we can expect better outlook for the China business.

In 1QFY24, ROW market sales jumped 62% YoY to INR1.6b (ex-Cenexi). This growth was driven by GCC market. GLAND registered Phenylephrine, Dexmedetomidine, and Micafungin Sodium in new geographies during the quarter. Increasing penetration in the existing market and expansion in newer geographies will boost the sales in the ROW segment.

We initiate our coverage on Gland Pharma Ltd. with a BUY rating and a target price of Rs.1,907 per share.

Key Financials

(In Mn)	FY23	FY24E	FY25E	FY26E
Revenue	35,245	48,074	59,275	66,863
EBITDA	9129	12163	15767	17852
EBITDA Margin	25.9%	25.3%	26.6%	26.7%
PAT	7810	9230	12507	14576
PAT Margin	22.2%	19.2%	21.1%	21.8%
EPS (₹)	47.7	56.4	76.5	89.1

Market Cap (₹ Cr)	24,878	Face Value (₹)	1
Outstanding Shares (Cr)	16.4	Dividend Yield	0.00%
Shareholding		Debt/Equity	0.04
Promoters	58%	Beta Vs. Sensex	0.14
Institutions	27%	52 weeks High/Low	2149/861
Others	15%	TTM PE	32.4

NUVOCO VISTAS CORPORATION LTD. ▲37%

CMP: ₹342

Target: ₹470

Investment Rationale

Nuvoco Vistas Corporation Ltd. (NVCL) is part of Nirma Group, a leading business conglomerate. The company manufactures cement, ready-mix concrete (RMX) and modern building materials (MBM).

It has 11 cement plants across 7 states with total capacity at 23.8 MnTPA and over the last five years it has been doubling its installed capacity and establishing itself as one of the fastest-growing cement companies in the country.

The company boasts of a leadership position in the Eastern region in terms of market share. Demand growth in the Eastern region has consistently been better than all-India demand growth in the last decade due to favourable demographics, lower per capita cement consumption and abundant natural resources like iron, coal, etc. Over the long-term period the region will continue to outperform others in terms of volume growth, boosting the company's revenue.

During FY22 and FY23, it reduced net debt by INR 16.4 bn and INR 6.6 bn respectively. It is targeting another INR 4-5bn reduction in FY24E, thus reducing net debt to ~INR 40bn. In FY24, Nuvoco will complete the clinker and grinding expansion by 0.6 and 1.2mn MT. With a better balance sheet, Nuvoco plans to start brownfield clinker expansion in Chittorgarh (~2.5mn MT) in FY25E, followed by the greenfield plant in Karnataka. These expansions will contribute to volume growth for the company.

NVCL offers products across different categories of cement like Ordinary Portland Cement (OPC), Portland Slag Cement (PSC), Portland Pozzolana Cement (PPC) and Portland Composite Cement (PCC). Its flagship brand is Concreto, which has a leadership position in the Eastern region and commands a higher price premium. The Double Bull brand is largely a mass market brand, which has clocked the highest growth in the recent past. Strong and varied brand portfolio will result in premiumization and cross-selling of brands.

We initiate our coverage on Nuvoco Vistas Corporation Ltd. with a BUY rating and a target price of Rs.470 per share.

Key Financials

(In Mn)	FY23	FY24E	FY25E	FY26E
Revenue	1,05,862	1,14,013	1,28,607	1,41,853
EBITDA	12,104	15,392	19,934	22,129
EBITDA Margin	11.4%	13.5%	15.5%	15.6%
PAT	159	456	3,472	3,901
PAT Margin	0.1%	0.4%	2.7%	2.8%
EPS (₹)	0.44	1.28	9.72	10.92

Market Cap (₹ Cr)	12,214	Face Value (₹)	10
Outstanding Shares (Cr)	35.7	Dividend Yield	0.00%
Shareholding		Debt/Equity	0.36
Promoters	72%	Beta Vs. Sensex	0.82
Institutions	23%	52 weeks High/Low	412/288
Others	5%	TTM PE	22.4

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