



Diwali Picks 2023



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Samvat 2080

*Happy Diwali
Happy Investing*

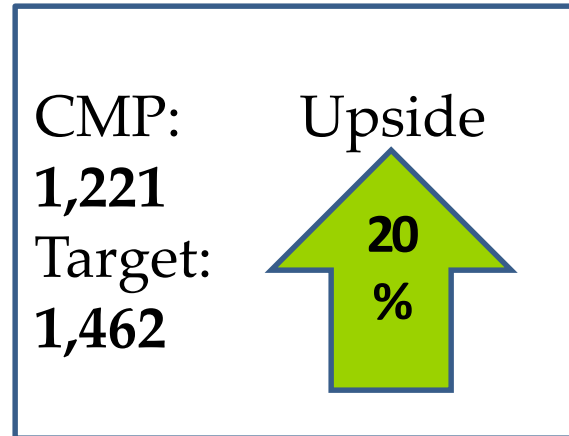


Bonanza Diwali Picks 2023 (Samvat 2080)



Stock name	CMP (Rs.)*	Target Price (Rs.)	Upside (%)
KPIT Technologies Ltd.	1,221	1,462	20
MAS Financial Services Ltd.	909	1,192	31
V-Guard Industries Ltd.	295	371	26
Vedant Fashion Ltd.	1,340	1,528	17
TVS Motor Company Ltd.	1,566	1,920	23
Technocraft Industries Ltd.	2,104	2,600	24
Bank of Maharashtra Ltd.	42.7	56	31

* CMP is as on 2nd November, 2023



CMP as on 02nd Nov. 2023

Stock Info	
Sector	IT (ER&D)
Market Cap (RsCr)	33,093
52 Week High/Low	1,255/623

FINANCIAL SUMMARY

Y/E March	Sales(Rs. Cr)	PAT(Rs. Cr)	EPS(Rs.)	P/E	EBITDAM. (%)	RoE (%)
FY23	3,365	381	14.1	85.5	18.9	25.7
FY24E	4,612	547	20.1	59.8	19.7	28.4
FY25E	5,530	696	25.7	47.0	20.3	29.3

Investment Rationale

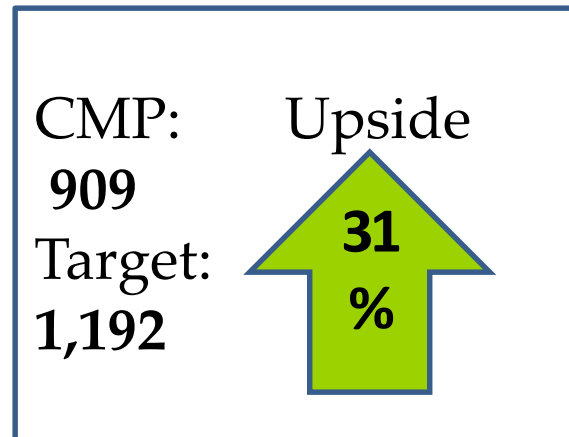
Robust investments in newer technologies by OEMs – KPIT has focused on the automobile vertical wherein it helps automobile companies to augment their product development and softwarezation. KPIT works with over 12 of the top 20 automotive OEMs globally, providing software and technology services in areas like connected vehicles, autonomous driving, shared mobility, vehicle diagnostics and electrification. R&D spending budgets by top global automobile players are expected to increase at a CAGR of +25% to ~US\$61bn from ~US\$20bn over CY20-CY25.

Focus on EV, connectivity and IoT – Unlike other IT companies, KPIT's business has high growth and revenue potential as EV, connectivity and IoT are the future and all major OEMs are focusing on them. KPIT has invested in various technologies for OEMs and intended to be remain leader in these areas. Increased focus on EV, particularly in the US and Europe, is creating new growth opportunities for the entire automotive sector and particularly for KPIT.

Targeting huge opportunity from Qorix – KPIT partnered with ZF to promote an independent entity named Qorix in May 2023. Through Qorix, KPIT hopes to have greater play as OEMs adopt middleware including adaptive autosar, safety features and OTA updates, among other things. With middleware solution becoming an industry standard, KPIT will benefit from the entire software integration related activity and its portion of profits accruing from the JV.

Valuation – Stock is currently trading at 59.8x/47.0x FY24E/FY25E EPS, respectively. We are valuing KPIT at 57.0x FY25E EPS of Rs.25.70 to arrive at a BUY rating with target price of Rs.1,462.00, an upside of 21%.

MAS Financial Services Ltd. (MASFIN)



CMP as on 02nd Nov. 2023

Stock Info	
Sector	Micro Finance
Market Cap (Rs Crs)	4,970
52 Week High/Low	966 / 680

Investment Rationale

Differentiated Business Model with fast growth: MASFIN is a fast-growing NBFC-MFI with an AUM of Rs. 8,417.8 crs as on Q1FY24. They have a unique operational model wherein to enhance its reach and support growth, they begun co-lending and partnered with PSU banks and several Fintech firms. MASFIN leverages technology across all its platforms and has a complete digital lending process right from origination - decision making - operations – disbursements & collections.

Diverse Product Portfolio: MASFIN has diversified product portfolio comprising of Micro-Enterprise Loan (MEL), SME Loans, 2-W loans, Commercial vehicle loans & Salaried Loans. MEL and SME loans account for ~84% of the portfolio.

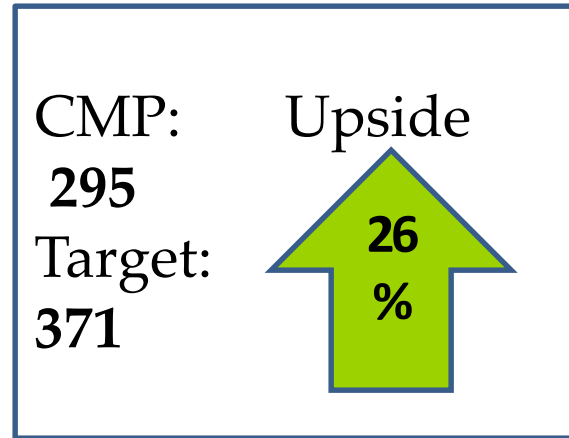
Affordable Housing Push: MASFIN incorporated a subsidiary in FY08 with a focus on housing loans to customers, who are primarily salaried & self – employed individuals and loans to developers for construction of affordable housing project named MAS Rural Housing & Mortgage Finance Ltd (MRHMFL). The ATS of ~Rs. 7.08 lakhs. As at the end of FY23, AUM of MRHMFL stood at Rs. 450.1 crs

Valuation: MASFIN is trading at a Rs. 889 which translates to a PB multiple of 3.2x against the which is below its 5-year median of 3.6x. When compared to the industry PB multiple of 2.7x, MASFIN is priced at a significant premium. It is our understanding based on the strong network MASFIN has created coupled with the robust credit policy and macroeconomic tailwinds in the MFI sector, we believe that is substantial growth in prospect. Further, MRHMFL would be a surprise performer and positively contribute towards the overall growth of the company. Hence value MASFIN at 3x FY25E Book value.

FINANCIAL SUMMARY

Y/E March	NII (Rs. Cr)	PAT(Rs. Cr)	Book Value (Rs.)	P/B	RoA (%)	RoE (%)
FY23	474.3	201.0	277.8	2.9x	2.8	14.4
FY24E	610.3	315.7	332.9	3.0	3.0	18.9
FY25E	707.1	353.5	397.6	3.0	2.8	17.7

V-Guard Industries Ltd.



Investment Rationale

Sunflame Acquisition to aid in increasing the margins and business growth – V-Guard acquired a 100% stake in Sunflame on a cash-free and debt-free basis which was pegged at Rs. 660 cr. This acquisition is a milestone achieved by V-Guard in its vision to become a significant player in the domestic kitchen appliances industry. The acquisition is deemed to contribute Rs. 330 cr. to Rs. 350 cr. in revenue for the current year with an operating margin in the range of 11%-12%.

Robust financials tell a promising growth story – The company saw revenue increasing by 19.3% YoY in Q1FY24 and EBIT margins extending by 250 bps to 32.5% in Q1FY24 with south market/non-south markets growing by 9.9%/16.7% in Q1FY24. The company has also reported robust cash flow generation with cash from operations generating Rs. 210.9 cr. in Q1FY24 which is significant compared to Rs. 177.4 cr. in Q1FY23.

Expansion plans to drive future growth – The company has guided for earning ~50% revenues from the non-south markets to be able to tap into the growing potential of the region. Additionally, the company plans on achieving EBITDA margins close to 9.5% in the current year. The company also plans to do a capex of ~ Rs. 100 cr. in FY24 and FY25 each.

Valuation – The stock is currently trading at a PE of 72.8x against the median of 50.7x and industry PE of 42.7x. Additionally, the EVEBITDA is currently at 41x against the median of 32.2x. This indicates an overvaluation that is enjoyed by the company due to its robust competitive position, financials and growth story.

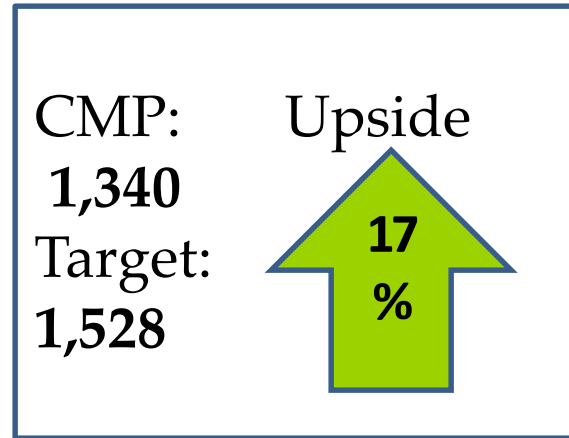
CMP as on 02nd Nov. 2023

Stock Info	
Sector	Electric Equipment
Market Cap (Rs Crs)	12,806
52 Week High/Low	335/229

FINANCIAL SUMMARY

Y/E March	Sales (Rs. Cr)	PAT (Rs. Cr)	EPS (Rs.)	P/E	EBITDAM. (%)	RoE (%)
FY23	4,050	179	4.15	60.27	7.0	11.0
FY24E	4,900	268	6.19	58.00	9.3	14.0
FY25E	5,929	328	7.56	60.00	9.0	15.0

Vedant Fashion Ltd.



CMP as on 02nd Nov. 2023

Stock Info	
Sector	Retail
Market Cap (Rs. Crs)	31,676
52 Week High/Low	1,461 / 1,058

FINANCIAL SUMMARY

Y/E March	Sales (Rs. Cr)	PAT(Rs. Cr)	EPS (Rs.)	PE	EBITDAM. (%)	RoE(%)
FY23	1,355	429	17.65	74x	50%	31%
FY24E	1,626	439	18.07	72x	47%	32%
FY25E	1,951	527	21.68	60x	47%	38%

Investment Rationale

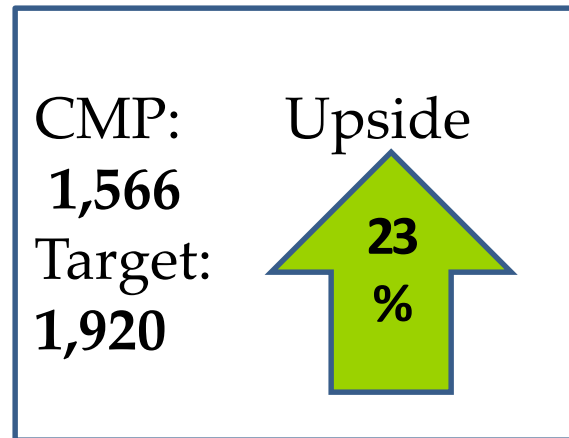
Strong tech-based supply chain network - VFL operates on a Technology-based supply chain network and has demonstrated strong execution capabilities. VFL has implemented innovative technology initiatives at the front end and backend of the operations, including procurement, manufacturing, distribution, and supply chain operations. Further, the Franchise Model in the form of COFO which accounts for ~60% of total EBOs or FOFO makes the operations asset-light for VFL.

Diversified portfolio suite: VFL has a diversified brand portfolio including homegrown and acquired. In men's wear, the company has brands Manvyavar catering to the Mid-premium segment, Twamev – Premium wear and Manthan catering to the Value segment and for the Women's category – Mohey for the mid-premium segment. Mebaz, acquired in 2018 caters to Men, Women, and kids wear with a strong focus in the Southern market.

Robust Retail Expansion domestically and internationally to enhance brand image: During Q2FY24, VFL expanded its retail footprint by adding 1.2 lac sq.ft. Net retail area in H1FY24, with a total presence of 1.59 mn sq.ft. The company presence is further enhanced by the overseas footprint of 16 EBOs in USA, UAE, Canada and UK.

Valuation - We expect a ramp-up in the performance in H2 due to Weddings and the Festive season coupled with a wide product portfolio. VFL has a healthy margin profile, led by Asset Light – Franchise model, with strong cash flows and robust return ratios makes it a good pick. VFL currently trades at a premium of 75x PE. We ascribe a PE of 70.5x on FY25E EPS of Rs. 21.68 per share, arriving at a Target Price of Rs. 1,528 per share with an upside of 19%.

TVS Motor Company Ltd. (TVSM)



CMP as on 02nd Nov. 2023

Stock Info	
Sector	Auto OEM
Market Cap (RsCr)	74,422
52 Week High/Low	1,650/968

Investment Rationale

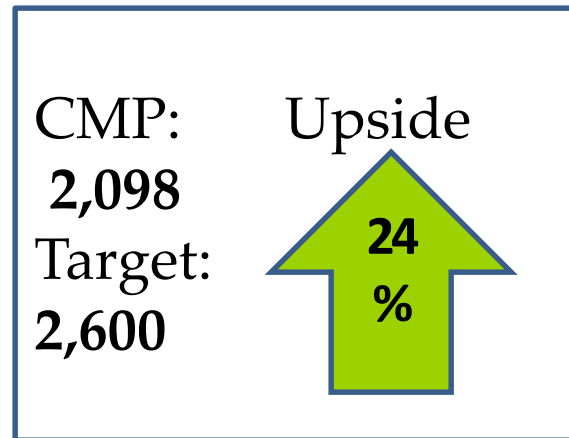
TVSM Revs Up: Navigating Challenges, Accelerating Profits, and Going Global! – TVSM has excelled in the 2-Wheeler (2W) sector, consistently outperforming industry growth, and showing increasing trend in profitability. Their premium products, like Apache, Ntorq, and Jupiter, are gaining popularity in both domestic and international markets. Despite export market challenges, they rebounded with 100,000 units sold in September 2023, the first time since July 2022. Domestic demand is expected to rise with new models and a strong festive season, and exports are set to benefit from better value and new launches. Our optimism is also fueled by strong festive season.

Thriving thorough EV space: Despite cut in FAME subsidy, TVSM EV market share has improved in H1FY24 to ~20%, higher than ICE market share (16%). Considering the EV opportunity TVSM is expanding its EV product portfolio by launching new products in the e-2W and e-3W segments. Despite the high initial OPEX, TVSM was able to hold its margin steady at 12-13% for a successful EV integration, Further a better product mix, price hikes and premiumization trend in 2W space, the margins are expected to sustain at current levels. TVSM has guided for CAPEX of ₹100 crore in FY24, largely towards EV space.

Valuation – The stock is currently trading at a PE of 51.9x against its 3-year median of 44.7x and industry PE of 40.2x. We believe traction in volumes will increase, management consistent focus in improving EBITDA margin will drive growth commanding a premium valuation of 49x FY25E EPS.

FINANCIAL SUMMARY

Y/E March	Sales(Rs. Cr)	PAT(Rs. Cr)	EPS(Rs.)	P/E	EBITDAM. (%)	RoE (%)
FY23	31,974	1,329	28	38.5	13.2	26.8
FY24E	36,770	1,665	35.04	52.0	12.2	23.2
FY25E	41,182	1901	34.8	49.0	12.0	25.3



CMP as on 02nd Nov. 2023

Stock Info	
Sector	Industrials
Market Cap (RsCr)	4,831
52 Week High/Low	2344/747

Investment Rationale

Established market position in the international drum closure industry: Technocraft is one of the leading manufacturers of drum closures with a worldwide market share of around 36%, excluding China, and caters to major drum manufacturers. It is reputed globally for the quality and wide range of products. The company supplies drum closures to most leading drum and drum part manufacturers in the world including - B-POL, Drum Parts Inc., Mauser Group worldwide, Schutz Group worldwide and August Berger Metallwarent GmbH.

Increasing market share in the scaffolding industry: The scaffolding segment comprises scaffolding and formwork business with 70-75% of revenue accruing from the overseas markets. The company has also started manufacturing of sophisticated engineered formwork systems for building, construction and infrastructure projects. The company supplies its products to a diversified set of end markets including oil & gas, power, refineries, petrochemical, infrastructure and commercial construction.

Strong Financials: It reported highest-ever revenue and net profit at Rs557 Crs (up 3.33% YoY) and Rs91 Crs (up 21.33% YoY) in Q1FY24. Its operating and net profit margin increased by 300 bps YoY and 242 bps in Q1FY24.

Valuation - Technocraft has reported extremely well on the growth drivers and has a superior outlook, hence we believe the following valuation is reasonable. The stock is currently trading at 19.5x FY24E EPS and 21x FY25E EPS, respectively. We are valuing Technocraft Industries at 19.5x FY25E EPS of Rs. 143.73 to arrive at a BUY rating with a target price of Rs. 2600, an upside of 24%.

FINANCIAL SUMMARY

Y/E March	Sales (Rs. Cr)	PAT (Rs. Cr)	EPS (Rs.)	P/E	EBITDAM. (%)	RoE (%)
FY23	1,985	278	116.32	10.7	20	19.3
FY24E	2,143	306	133.25	19.5	20.5	18
FY25E	2,314	330	143.73	21	20.5	16

Investment Rationale

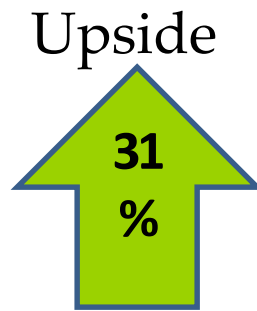
Robust margins -Maintained the CASA proportion in deposits at 50.71%, and good the availability of funds helped the bank maintain costs where other banks were struggling with high-cost deposits that were reducing their margins. By focusing more on high-yield products and improving advance yields, these factors contributed to a healthy NII growth and NIM at 33.56%/3.89%, the bank was able to deliver strong PAT growth on a YoY basis of 71.90% in Q2FY24 .

Increasing digitization: In the upcoming quarters, an injection of \$700–800 million will be made for digitalization, which will enhance operations and compliance, advance and deposit growth, and the opening account opening efficiency. Fifty Fintech companies have already been on boarded, and this year, an additional fifty will be added. This will accelerate the speed of digitalization infusion and enhance the efficiency of currently digitalized processes.

Improving Asset quality- A dedicated effort on part of the management to clean up its balance sheet through adequate recovery processes and avoidance of further slippages has enabled BOM and posted profits from FY20 onwards. Currently GNPA and NNPA is 2.19% and 0.23% which was 19.48% and 11.24% in FY18.

Valuation- Currently stock is available at a reasonable valuation of P/BV 1.84x which is justified because of growth that BOM had delivered and improvement in overall operation that bank is doing. we can expect 33% upside potential in BOM valuing it at 1.80xP/BV of FY25E.

CMP: 42.7
Target: 56



CMP as on 02nd Nov. 2023

Stock Info	
Sector	PSU Banks
Market Cap (RsCr)	30,237
52 Week High/Low	51.90/20

FINANCIAL SUMMARY

Y/E March	NII(Rs. Cr)	PAT(Rs. Cr)	ABV	P/ABV	ROA(%)	RoE(%)
FY23	7,741	2,602	18.97	1.30	1.10	20.38
FY24E	9,700	3,966	26.22	1.80	1.20	21.00
FY25E	12,529	4,757	30.93	1.80	1.20	22.00

Name	Designation
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