

Diwali Picks 2024



Samvat 2081

Happy Diwali
Happy Investing

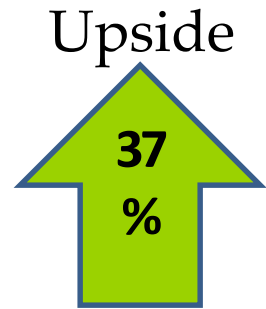


Bonanza Diwali Picks 2024 (Samvat 2081)

Stock name	CMP (Rs.)	Target Price (Rs.)	Upside (%)
Triveni Turbine Ltd.	773	1,057	37
Hindalco Industries Ltd	735	923	26
Power Mech Projects Ltd.	3,233	3,990	23
India Glycols Ltd.	1,385	1,700	23
Newgen Software Technologies Ltd.	1,244	1,504	21

Triveni Turbine Ltd.

CMP: 773
Target: 1,057



Investment Rationale

In Q1FY25, order inflows increased by 41% YoY, contributing to a 23% YoY growth in the order book. An improvement in export contribution (66% mix) and a strong growth in export orders (74% YoY) provide visibility for both revenue and profitability for FY25. Order book growth in Q1FY25 was 23% YoY to Rs. 1,726cr (1x Trailing Twelve Months Revenue), driven by a 74% YoY increase in export order intake. The general election (2% YoY) had an influence on domestic orders throughout the quarter. Compared to 53% in Q1FY24, the proportion of export order books rose to 66% in Q1FY25, which will help the margin and profitability in FY25–FY26.

With the growing demand from sectors like steel, cement and renewable energy, TTL has expanded its turbine capacity upto 120MW.

The management has added 120 mw turbines to its offering as a result of an increase in visibility in foreign orders. We anticipate that by making this change, the business will be able to meet the rising demand from industries including renewable energy, steel, and cement. A decrease in input prices caused the gross margin to increase by 38bps YoY to 48.2% in Q1FY25, while the EBITDA margin increased by 180bps YoY to 20.6%. We anticipate increased execution in the upcoming years given the prospects in the global market.

CMP as on 17th Oct. 2024

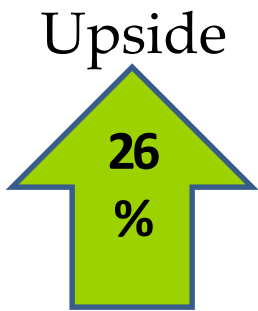
Stock Info

Sector	Capital Goods
Market Cap (Rs Crs)	24,560
52 Week High/Low	844/312

FINANCIAL SUMMARY

Y/E March	Sales (Rs. Cr)	PAT (Rs. Cr)	EPS (Rs.)	P/E	EBITDAM. (%)	RoE (%)
FY24	1,654	269.3	8.5	90.9	19.27	31.3
FY25E	2,197	386.1	11.5	67.2	20.50	34.3
FY26E	2,759	495.6	14.5	53.3	21.50	35.8

CMP: 735
Target: 923



CMP as on 17th Oct. 2024

Stock Info	
Sector	Metal
Market Cap (Rs Crs)	1,65,125
52 Week High/Low	773/449

FINANCIAL SUMMARY

Y/E March	Sales (Rs. Cr)	PAT (Rs. Cr)	EPS (Rs.)	P/E	EBITDAM. (%)	RoE (%)
FY24	2,15,962	10,155	45.7	16.1	11.1	10.9
FY25E	2,53,248	14,659	65.8	11.2	12.1	13.8
FY26E	2,64,620	15,734	70.7	10.4	12.1	13.3

Investment Rationale

Hindalco is pursuing multiple growth avenues, including commissioning downstream aluminum capacity in India by FY26 and the Bay Minette facility at Novelis by FY27.

The company reported robust performance driven by cost control in the aluminum division and record EBITDA in the copper division, which rose 52% YoY due to higher copper prices.

All ongoing expansion projects, including the Aditya FRP project expected to be commissioned by FY26, are progressing as planned.

Domestic aluminum demand in Q1FY25 is projected to reach 1,319 Kt (15% YoY growth), with strong performance in electrical and packaging sectors, although the automotive sector remains weak. The copper division aims for sustainable quarterly EBITDA of Rs.6.0 billion, supported by robust domestic demand and a strategic focus on value-added products.

Hindalco has maintained its capex guidance for FY25 at Rs.55-60 billion, targeting upstream expansions and enhancing downstream margins through value-added product offerings.

Novelis is expanding its aluminum rolling capacity in North America, aiming for operational readiness by H2CY26, which is expected to enhance overall profitability.

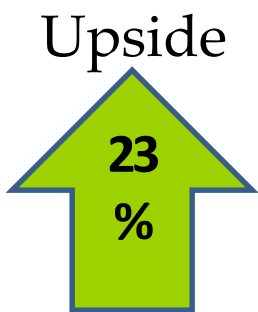
The coal sourcing mix remains stable, with ongoing efforts to enhance self-sufficiency through new captive coal mines expected to commence operations between FY26-FY28

Valuation – Stock is currently trading at 11.2x/10.4x FY25E/FY26E EPS, respectively. We are valuing Hindalco at 13x FY26E EPS of Rs.70.7 to arrive at a BUY rating with target price of Rs.923, an upside of 27%.

Power Mech Projects Ltd.



CMP: 3,233
Target: 3,990



CMP as on 17th Oct. 2024

Stock Info	
Sector	Engineering
Market Cap (Rs Crs)	10,222
52 Week High/Low	3,725/1,683

FINANCIAL SUMMARY

Y/E March	Sales (Rs. Cr)	PAT (Rs. Cr)	EPS (Rs.)	P/E	EBITDAM. (%)	RoE (%)
FY24	4,206	248	157.2	20.6	11.7	15.9
FY25E	5,047	300	189.9	17.0	11.5	14.6
FY26E	6,309	382	242.1	13.4	11.3	15.2

Investment Rationale

Strong Order Book and Diversified Revenue Streams: Power Mech Projects Ltd. (PMPL) boasts a robust order book of Rs.57,793 crore, ensuring strong revenue visibility over coming years. The company is actively exploring growth opportunities in non power sectors such as railways, steel, and optical fiber cable projects under BharatNet, further diversifying its business portfolio.

Margin Expansion through O&M and MDO Business: PMPL plans to expand its Operations and Management (O&M) business, which generates EBITDA margins of around 18%, while international operations margins approximately 20%. With Mining Development and Operation's (MDO) operations expected to ramp up in FY26-27, the overall margin profile is likely to improve significantly, thus enhancing profitability over the coming years.

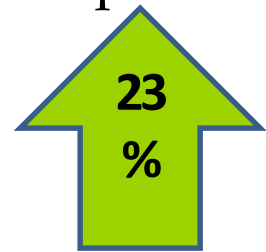
Thermal Power Sector Revival: PMPL, with established clients like NTPC and BHEL, is strategically positioned to benefit from the revival in the thermal power sector. BHEL's recent order intake for 13,840 MW capacity, coupled with NTPC's plans to add 22,000 MW, presents significant growth opportunities.

International Expansion: PMPL is experiencing strong traction and exploring new territories, having bid for projects in Jordan and added new clients in Qatar and Saudi Arabia. With a significant pipeline, the overseas O&M business is anticipated to grow substantially over the next 2-3 years.

Valuation: The stock is trading at a slightly overvalued PE of 40.6x compared to the industry PE of 35.9x. However, the company's strong order book, entry into the O&M and MDO businesses, growth prospects in the thermal power segment, and international expansion offer significant opportunities.

India Glycols Ltd.

CMP: 1,385
Target: 1,700



Investment Rationale

Healthy Market position – India Glycols is the largest manufacturer of bio-based glycols in India and globally. It holds a dominant position in the country liquor segment in UP and Uttarakhand. It is also a global leader in Thiocolchicoside API sales, a highly potent muscle relaxant.

Diversified revenue segments – IGL primarily operates in four segments: Bio-based Specialities and Performance Chemicals Segment (BSPC) comprises glycols, specialty chemicals, natural gum, and other related goods. PS segment comprises manufacturing and selling ethyl alcohol (Potable). Ennature Biopharma (EB) comprises manufacturing and selling nutraceutical products. The company also started biofuel business in the recent past, which is scaling up significantly. Overall, the BSPC segment contributed 49% (60%) of its revenue in FY24 (FY23), biofuels contributed 16% (5%), while PS and EB contributed 29% (28%) and 6% (7%) of its revenue.

Targeting huge opportunity from Bio-MEG – The global MEG market is around 32mn MT and growing at a 6% CAGR. In India, strong domestic PET demand and increased textile and apparel exports will keep the MEG market stable. India's MEG demand is growing at a CAGR of 7-8%, higher than the global average. IGL aims to capitalize on the increased adoption of Bio-MEG as a green alternative, expected to remain stable in the future.

Valuation – Stock is currently trading at 22.7x/19.7x FY25E/FY26E EPS, respectively. We are valuing India Glycols at 24.2x FY26E EPS of Rs.70.26 to arrive at a BUY rating with target price of Rs.1,700.00, an upside of 23%.

CMP as on 17th Oct. 2024

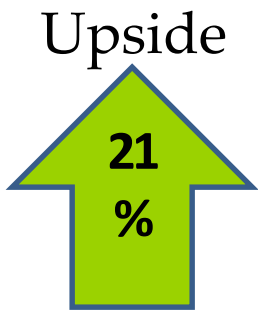
Stock Info

Sector	Commodity Chemicals
Market Cap (Rs. Crs)	4,286
52 Week High/Low	1,549 / 621

FINANCIAL SUMMARY

Y/E March	Sales (Rs. Cr)	PAT (Rs. Cr)	EPS (Rs.)	P/E	EBITDAM. (%)	RoE (%)
FY24	3,294	173	55.87	24.8	14%	8.6%
FY25E	3,788	189	61.10	22.7	14%	8.6%
FY26E	4,356	218	70.26	19.7	14%	9.1%

CMP: 1,244
Target: 1,504



CMP as on 17th Oct. 2024

Stock Info	
Sector	IT - Software
Market Cap (RsCr)	17,457
52 Week High/Low	1,548/459

FINANCIAL SUMMARY

Investment Rationale

Newgen focus on AI and automation solutions to innovate augments significant value to its offerings. It has introduced NewgenONE, an integrated platform combining ECM, BPM, and CCM, which enhances customer realization. It has also launched Marvin, a GenAI-powered low-code platform and Lumyn, an AI-driven chatbot solution for banks. These innovations improve decision-making, customer interaction and operational efficiency to the organization, making Newgen’s solutions more attractive to enterprises looking to embrace automation and AI.

With a diversified client base of over 500 active customers across 76 countries, Newgen has established a strong global presence. Its solutions cater to various industries, from banking and insurance to government and healthcare, thus reducing dependence on any single sector. Additionally, recurring revenue streams from AMC and SaaS provide long-term stability.

Newgen is targeting mid-tier financial institutions preferably in the US to expand its client base by adding 25-30 accounts in the next three years. Partnerships with Global System Integrators (GSIs) further bolster its market presence and ability to close larger deals in Fortune 1000 companies. The US market is contributing ~21% of revenue and have significant growth potential for Newgen.

Newgen’s management aims to achieve US\$500mn in revenue over the next 4-5 years, implying a growth rate of over 25% CAGR. We believe, Newgen is well-positioned to benefit from increased digital transformation investments, with a favorable risk-reward profile.

Valuation – Stock is currently trading at 53.2x/ 44.7x FY25E/FY26E EPS, respectively. We are valuing Newgen at 54.0x FY26E EPS of Rs.27.80 to arrive at a BUY rating with target price of Rs.1,504.00, an upside of 18%.

Y/E March	Sales (Rs. Cr)	PAT (Rs. Cr)	EPS (Rs.)	P/E	EBITDAM. (%)	RoE (%)
FY24	1,244	252	18.0	69.1	23.2	21.3
FY25E	1,617	327	23.4	53.2	24.1	25.5
FY26E	1,973	389	27.8	44.7	24.7	27.9

Name	Designation
Rajesh Sinha	Sr. Research Analyst

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road, Goregaon (E), Mumbai – 400063 Web site:

<https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

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