

December 2023

For Private Circulation Only



Top Stock Recommendations To Brighten Up Your Portfolio

Welcome to



December 2023

For Private Circulation Only

COAL INDIA

TARGET: 420

CMP: 350

UPSIDE: 20%

FEDERAL BANK

TARGET: 190

CMP: 154

UPSIDE: 23%

HDFC BANK

TARGET: 2000

CMP: 1650

UPSIDE: 22%

**HINDUSTAN
AERONAUTICS**

TARGET: 3000

CMP: 2730

UPSIDE: 10%

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**JYOTI RESINS &
ADHESIVES**

TARGET: 1920

CMP: 1564

UPSIDE: 22.7%



**LARSEN &
TOUBRO**

TARGET: 4020

CMP: 3390

UPSIDE: 18%



**LUMAX AUTO
TECHNOLOGIES**

TARGET: 450

CMP: 382

UPSIDE: 18%



**MAHINDRA &
MAHINDRA**

TARGET: 1900

CMP: 1668

UPSIDE: 14%

Coal India
BUY
TARGET: 420
CMP: 350
UPSIDE: 20%
December 2023

VALUE PARAMETERS

Face Value (Rs.)	10.0
Mrk.Cap (Rs. in Cr)	2,18,315
Enterprise value (Rs in Cr)	1,87,550
52-Week High/Low	363/208
EPS (TTM)	45.5
P/E Ratio (TTM)	7.80
Book Value per share (Rs)	113
Industry P/E	16.3
P/B Ratio (calc at CMP)	3.13
Dividend Yield (%)	7.07
Cash equivalents (Rs. Cr)	37,078
Debt (Rs. Cr)	6,316

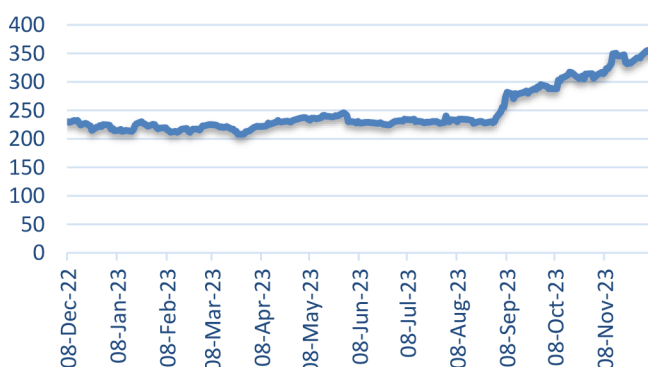
SHAREHOLDING PATTERN (%)

Promoters	63.13
FII's	7.80
DII's	24.07
Public	4.91
Govt.	0.10

FINANCIAL PERFORMANCE

(INR. Cr)	FY23	FY24E	FY25E
Sales (Rs. Cr)	138252	146330	153200
Growth (%)	26	5.84%	4.69%
Expenditures	101442	107950	113625
EBITDA (Rs. Cr)	36810	38380	39575
EBITDA margin	26.63%	26.23%	25.83%
PAT (Rs. Cr)	28125	30880	31400
PAT margin (%)	20.34%	21.10%	20.50%
EPS (Rs)	45.7	50.2	49.5
RoE (%)	49.2	41	30.9
RoCE (%)	56.7	39.2	33.2
P/BV (x)	3.6	3.0	2.5
EV/EBITDA (x)	4.1	4.6	4.3
P/E (x)	7.3	8.5	9.2

PRICE PERFORMANCE



Our Recommendation: Coal India reported good performance during the second quarter by improved coal sales volume and lower raw material costs. Company is taking several steps to achieve its production targets for FY24. Given this positive scenario, **we recommend BUY in price range Rs. 340-360 with target price Rs 420 (5x EV/EBITDA) with upside 20%.**

Investment Rationale:

About Company: Coal India Ltd is mainly engaged in mining and production of Coal and also operates Coal washeries. The major consumers of the company are power and steel sectors. Consumers from other sectors include cement, fertilizers, brick kilns etc. Coal India is the world's largest coal producer contributing over 80% to India's coal output. It supplies more than 80% of the nation's coal to the power sector.

Q2FY24 Results: Company presented good set of numbers in second quarter of the fiscal.

- Revenue increased by 9.8% on year-on-year basis to Rs 32,776 crores from Rs. 29,838 crores a year ago in same quarter. On quarter-on-quarter basis, revenue decreased by 8.9%.
- EBITDA increased by 13.9% on year-on-year basis with 100 bps increase in EBITDA margins. On QoQ basis, EBITDA decreased by 22.4%.
- Net profit increased by 12.7% to Rs. 6814 crores from Rs.6044 on year-on-year basis. On Quarter-on-Quarter basis, Net Profit decreased by 14.9%.

Sector Outlook: The demand for coal is anticipated to rise as domestic power generation is projected to increase by 7.2% to 1,750 billion units in the fiscal year 2024. Coal dispatches to coal-fired plants reached 346 million tons by October 2023, showing a year-on-year increase of 15 million tons. It is estimated that approximately 610 million tons will be dispatched in the fiscal year 2024.

Company Outlook & Guidance: CIL maintained a commendable production pace and is implementing various strategies to meet production goals. These include the utilization of the MDO model for new and existing mines, implementing FMC projects to enhance evacuation efficiency, adopting advanced technology for rapid transport, and emphasizing exploration. In the first half of fiscal year 2024, the total Capex amounted to Rs 7,065 Cr, with the full-year guidance set at Rs 16,600 Cr.

SWOT Analysis

STRENGTHS

- ❖ Good ROE track record: 3 Years 46.8%
- ❖ Profit growth of 31.9% over 5 years.
- ❖ Owns world's largest coal reserves.
- ❖ Backing of Govt of India/

WEAKNESSES

- ❖ Inefficient production causing supply problems.
- ❖ Bound to supply domestic at subsidized rate.
- ❖ Govt. control reduces flexibility in response to change in markets.

OPPORTUNITIES

- ❖ Plays a crucial role in India's energy self-efficiency goals.
- ❖ Low cost of production and large labor pool.

THREATS

- ❖ Fall in international coal prices.
- ❖ Environmental and land issues.
- ❖ Foreign investment in mining sector.

Federal Bank
BUY
TARGET: 190
CMP: 154
UPSIDE: 23%
December 2023

VALUE PARAMETERS

Face Value (Rs.)	2.00
Mrk.Cap (Rs. in Cr)	37,411
Enterprise value (Rs in Cr)	2,58,458
52-Week High/Low	159/121
EPS (TTM)	16.9
P/E Ratio (TTM)	10.2
Book Value per share (Rs)	105
Industry P/E	12.9
P/B Ratio (calc at CMP)	1.48
Dividend Yield (%)	0.67%
Cash equivalents (Rs. Cr)	17,804
Debt (Rs. Cr)	2,38,850

SHAREHOLDING PATTERN (%)

Promoters	-
FII's	29.43
DII's	44.04
Public	26.53
Govt.	-

FINANCIAL PERFORMANCE

(INR. Cr)	FY23	FY24E	FY25E
NII	7,232	8,315	9,825
NII Growth (%)	21.3%	15.0%	18.2%
Non-Int. Income	2,330	3,115	3,640
Total Income	9,562	11,430	13,465
Op. Expenses	4768	5870	6860
Operating Profit	4,794	5,560.00	6,605.00
Provisions	750	580.2	770
PAT	3011	3710	4350
RoE (%)	14.9	16.5	16.5
RoA (%)	1.3	1.3	1.3
P/BV (x)	1.5	1.3	1.2
ABV (Rs)	95.9	110	127
NNPA (%)	0.70	0.70	0.70

PRICE PERFORMANCE



Our Recommendation: Demand across product segments expected to remain strong with growth over 17% CAGR over medium term. Aided by footprints expansion and partnership with FinTechs, FB is expected to deliver strong deposit growth in the future. The Bank aims RoA greater than 1.4% by FY25E aided by improving margins, fee income expansion and moderate cost ratios. **We recommend BUY in price range Rs. 150-160 with target price Rs 190 (1.5x FY25E ABV) with upside 23%).**

Investment Rationale:

About Company: Federal Bank Ltd. is involved in the provision of banking services and operates within four distinct business segments, namely treasury operations, wholesale banking, retail banking, and other banking operations. The company delivers a variety of financial services in India through multiple channels, including Internet banking, mobile banking, alerts, branch banking, automated teller machine networks, and email alerts.

Q2FY24 Results:

- Revenue increased 36% on year-on-year basis to Rs 5445 crores from Rs. 4021 crores a year ago in same quarter. On quarter-on-quarter basis, revenue increased by 8.25%.
- NII (Net interest income) increased by 16.72% on year-on-year basis. On QoQ basis, NII increased by 7.18%.
- Net profit increased by 35.54% on year-on-year basis. On QoQ, revenue increased by 11.72%.

Improved Asset Quality: Bank has effectively managed its asset quality and improvement noted across various metrics. Bank has excellent track record with no corporate losses and retail portfolio remains stable. Despite the substantial expansion in riskier, higher-yielding ventures, the bank has not observed significant signs of stress, diligently monitoring the portfolio. FB anticipates credit cost will remain moderate at 25-30 basis points over coming quarters.

Outlook & Guidance: With growth visibility remaining robust and no immediate signs of slowing down, we expect FB's business growth to remain buoyant. FB has emerged as the best-in-class mid-sized bank with a visible pathway to emerge as a top-tier bank in the medium term. FinTech partnerships will bridge gaps and build scalable profit pools.

SWOT Analysis

STRENGTHS

- ❖ Profit growth of 27.6% over 5 years.
- ❖ P/BV is 1.43.
- ❖ Profit growth rate above 47% TTM
- ❖ Improved asset quality.

WEAKNESSES

- ❖ Low RoE and RoCE.
- ❖ No promoter holding.

OPPORTUNITIES

- ❖ Early adopter of FinTech partnership to build new growth avenues.
- ❖ On path to emerge top-tier bank in medium term.

THREATS

- ❖ Slowdown in credit momentum can impact margins.
- ❖ Asset quality challenges.
- ❖ Highly competitive industry.
- ❖ Strict RBI guidelines.

HDFC Bank
BUY
TARGET: 2000
CMP: 1650
UPSIDE: 22%
December 2023

VALUE PARAMETERS

Face Value (Rs.)	1.00
Mrk.Cap (Rs. in Cr)	12,54,589
Enterprise value (Rs in Cr)	31,79,462
52-Week High/Low	1758/1460
EPS (TTM)	89.6
P/E Ratio (TTM)	18.3
Book Value per share (Rs)	519
Industry P/E	12.9
P/B Ratio (calc at CMP)	3.12
Dividend Yield (%)	1.17
Cash equivalents (Rs. Cr)	1,97,148
Debt (Rs. Cr)	21,39,212

SHAREHOLDING PATTERN (%)

Promoters	0.00
FII's	52.13
DII's	30.39
Public	17.30
Govt.	0.17

FINANCIAL PERFORMANCE

(INR. Cr)	FY23	FY24E	FY25E
NII	868	1,159	1,574
NII Growth (%)	20.6%	33.5%	35.8%
Non-Int. Income	312	391	512
Total Income	1,180	1,550	2,086
Op. Expenses	477	589	726
PPOP	704	961	1,360
PPOP growth (%)	9.90%	36.50%	41.50%
Provisions	119	188	269
PAT	441	584	821
RoA (%)	1.9	1.9	2.0
P/BV (x)	3.3	2.8	2.5
Book Value (Rs)	502.2	609	695
NNPA (%)	0.3	0.4	0.3

PRICE PERFORMANCE



Our Recommendation: Despite bank is dealing with profit margin challenges, the management is sure about maintaining RoA between 1.9-2.1%, similar to its past performance. We believe the bank can keep growing because of the opportunities that come with the merger, like a bigger customer base, a wider distribution network, and more chances to sell services to HDFC Ltd. customers. **We recommend BUY in price range Rs. 1625-1650 with target price Rs 2000 (2.8x 25E P/BV) with upside 22%.**

Investment Rationale:

About Company: HDFC Bank Ltd offers a diverse range of banking services in three main segments. **Wholesale Banking Services:** Targets large manufacturing, small to mid-sized corporates, and agri-based businesses. **Retail Banking Services:** Provides a one-stop solution for retail customers' financial needs. **Treasury:** Manages the bank's investment portfolio, covering Foreign Exchange, Derivatives, Money Market, Debt Securities, and Equities.

Q2FY24 Results:

- Net interest income (NII) up by 30.3% on YoY basis to Rs. 27,385.23 crores from 21,021.16 crores a year ago period in same quarter.
- Operating profit (PPOP) grew by 30.5% on YoY to Rs. 22,693.88 from Rs. 17392.17 crores a year ago period in same quarter.
- Non-interest income grew by 41/16% YoY/QuQ.
- Net Profit increased by 50% on YoY basis to Rs. 15,976 crores from Rs. 10605.78 crore a year ago period in same quarter.

Business Review & Outlook:

- **Deposits** – During Q2FY24, the bank acquired 2.7 million new liability accounts, witnessing an 18.3% year-on-year growth in deposits, totaling Rs21.7 trillion. Notably, approximately 83-85% of these deposits originate from the retail sector.
- Total advances grew by 13.1% YoY to Rs. 23.2 trillion.
- Commercial and rural banking reported growth of 29% YoY and continues to be focus segment.
- Retail growth momentum continued during second quarter at 17.9% YoY aided by Home loans and Personal loans.
- Opex up by 24.7% YoY driven by both employee as well as other costs.
- **Branch Expansion** – During Q2FY24, the bank expanded by incorporating 85 new branches, resulting in a cumulative branch network of 7,945 branches (or 10,446 branches, including HDFC Ltd. branch offices).
- **Asset quality** impacted slightly after merger. However, the bank has kept healthy provisioning coverage ratio (PCR) at 74% that would provide cushion in the long-term.

SWOT Analysis

STRENGTHS

- ❖ Profit growth of 19.9 CAGR over last 5 years.
- ❖ Healthy dividend payout of 19%.
- ❖ Post merger deposits and advances grew by 5.3%/4.9%

WEAKNESSES

- ❖ Declining net interest margin is a concern.
- ❖ Stock is trading at 3.14x its BV.

OPPORTUNITIES

- ❖ Bank maintained ROA guidance 1.9-2.1% for FY24.
- ❖ Opex – Bank added 85 branches, 244 ATMs, 16174 employees.

THREATS

- ❖ Weak demand leading to slowdown in credit offtake.
- ❖ unexpected asset quality shocks leading to higher credit cost.

Hindustan Aeronautics
BUY
TARGET: 3000
CMP: 2730
UPSIDE: 10%
December 2023

VALUE PARAMETERS

Face Value (Rs.)	5.00
Mrk.Cap (Rs. in Cr)	1,81,335
Enterprise value (Rs in Cr)	1,59,973
52-Week High/Low	2772/1150
EPS (TTM)	90.3
P/E Ratio (TTM)	30.1
Book Value per share (Rs)	375
Industry P/E	39.5
P/B Ratio (calc at CMP)	7.16
Dividend Yield (%)	0.98
Cash equivalents (Rs. Cr)	21,382
Debt (Rs. Cr)	0.98

SHAREHOLDING PATTERN

Promoters	71.64
FII's	12.63
DII's	9.72
Public	6.02

FINANCIAL PERFORMANCE

(INR. Cr)	FY23	FY24E	FY24E
Revenue (Rs. Cr)	26,928	29,621	32,690
Growth (%)	9.37%	10.00%	10.36%
EBITDA (Rs. Cr)	6,669	7170	8110
Growth (%)	25%	7.51%	13.11%
Margin (%)	24.77%	24.21%	24.81%
Adj. PAT (Rs. Cr)	4,854	5304	6075
Growth (%)	17.80%	9.27%	14.54%
Margin (%)	18.03%	17.91%	18.58%
EPS (Rs)	69.5	79.5	90.5
RoE (%)	21.60%	21.00%	20.5
RoCE (%)	14.00%	14.50%	14.50%
P/E (x)	27.3	23.5	21

PRICE PERFORMANCE



Our Recommendation: HAL has a strong Rs 84,000 crore order book (3.2x TTM revenues) from manufacturing aircraft and helicopters. Government's "Make in India" support leads to continuous orders, especially in maintenance. Significant manufacturing orders are anticipated for the next three to four years, with LCA Tejas MK1A delivery to IAF starting in FY24E. **We recommend BUY in price range Rs. 2720-2740 with target price Rs 3000 (upside 10%).**

Investment Rationale:

About Company: Hindustan Aeronautics Limited (HAL) designs, manufactures, and services aerospace products, including aircraft, helicopters, and avionics. It collaborates with foreign partners for technology transfer. HAL primarily serves the Indian Defense Services, exports globally, and aims to enhance its international footprint.

Major Products & Services: Light Combat Aircraft (LCA) Tejas, Dornier Do228 Light Transport Aircraft, Dhruv - Advanced Light Helicopter, Light Combat Helicopter (LCH), and Light Utility Helicopter (LUH) along with associated engines, avionics & accessories. The company has production line available for production of Su-30 MKI Aircraft, Hawk Advance Jet Trainer, Chetak and Cheetal Helicopters.

Q2FY24 Results: Company presented mixed financial performance in second quarter of the fiscal.

- Revenue increased by 9.5% on year-on-year basis to Rs 5636 crores from Rs. 5145 crores a year ago in same quarter. On quarter-on-quarter basis, revenue increased by 43.9%.
- EBITDA decreased by 1.25% on year-on-year basis with 400 bps reduction in EBITDA margins. On QoQ basis, EBITDA increased by 73%.
- Net profit increased by 2% to Rs. 1235 crores from Rs. 1209 on year-on-year basis. On Quarter-on-Quarter basis, Net Profit increased by 51.7%.

Strong demand for modern indigenous military aircraft:

India's fighter jet squadrons are below the sanctioned total of 42 for a potential two-front war, exacerbated by retiring aircraft. HAL's monopoly in defense aerospace, coupled with the government's push for indigenous aircraft, positions the company for long-term demand with projects replacing aging fleets.

Exports offer an additional growth avenue: HAL is actively promoting international business, having signed agreements to supply helicopters to Argentina and exploring opportunities in the Philippines and Egypt. The company's new office in Malaysia aims to enhance engagement with South-East Asia.

SWOT Analysis

STRENGTHS

- ❖ Good ROE track record: 3 Years 26.7%
- ❖ Company is debt free.
- ❖ Profit growth of 24% over 5 years.
- ❖ Healthy dividend payout ratio - 29.6%

WEAKNESSES

- ❖ Slow execution of projects.
- ❖ Not so good marketing skills for exports.
- ❖ Heavy reliance on Govt. funding

OPPORTUNITIES

- ❖ Exports to other emerging nations.
- ❖ 82,000 crores order book.
- ❖ IAF is increasing jets requirements.

THREATS

- ❖ Imports from Russia, USA
- ❖ Funding may slow if Govt. changes.

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VALUE PARAMETERS

Face Value (Rs.)	10.0
Mrk.Cap (Rs. in Cr)	1881
Enterprise value (Rs in Cr)	1816
52-Week High/Low	1780/1056
EPS (TTM)	50.4
P/E Ratio (TTM)	31.1
Book Value per share (Rs)	109
Industry P/E	33.4
P/B Ratio (calc at CMP)	14.4
Dividend Yield (%)	0.37
Cash equivalents (Rs. Cr)	65.4
Debt (Rs. Cr)	0.00

SHAREHOLDING PATTERN

Promoters	50.83
FII's	0.50
DII's	-
Public	48.68

FINANCIAL PERFORMANCE

(INR. Cr)	FY23	FY24E	FY24E
Revenue (Rs. Cr)	261	298	341
Growth (%)	43.6%	14.0%	14.5%
EBITDA (Rs. Cr)	61	84	115
Growth (%)	154.0%	38.0%	38.0%
Margin (%)	23.2%	28.1%	33.8%
PAT (Rs. Cr)	46	71	81
Growth (%)	134.0%	53.0%	14.0%
Margin (%)	17.8%	23.8%	23.7%
EPS (Rs)	39	58	64
RoE (%)	55.12	50.5	40.1
RoCE (%)	72.9	68.5	52.4
P/E (x)	42	28	25

PRICE PERFORMANCE



Our Recommendation: JRAL follows cost-effective manufacturing strategy and follows an asset-light approach, prioritizing efficiency and profitability. The company has effectively constrained its total workforce expenses to an impressive 15-16% of its revenue, showcasing astute cost control. Given strong financials and 7-10% industry growth rate in next 5 years, **we recommend BUY in price range Rs. 1560-1570 with target price Rs. 1920 (30x FY25E EPS) with upside 22.7 %.**

Investment Rationale:

About Company: Jyoti Resins and adhesives Ltd. is a manufacturer of synthetic resin adhesives. The company manufactures various types of wood adhesives (white glue), under the brand name of EURO 7000, which was launched in 2006, and is now the second largest selling wood adhesive brand in India in the retail segment.

Major Products & Services: Company is the market leader and is 2nd largest-selling wood adhesive (white glue) brand in India in the retail segment. The company provides a diverse product line with various features designed for different surfaces, including anti-termite, waterproof, fast-drying, broad coverage, fungal resistance, heat resistance, weatherproof, high fixing strength, suitability for cold and hot press applications, and versatile use for wood, PVC, and acrylic.

Q2FY24 Results: Company presented mixed financial performance in second quarter of the fiscal.

- Revenue decreased by 4.5% on year-on-year basis to Rs 63 crores from Rs. 66 crores a year ago in same quarter. On quarter-on-quarter basis, revenue increased by 4.91%.
- EBITDA increased by 61.5% on year-on-year basis with 1400 bps increase in EBITDA margins. On QoQ basis, EBITDA remains flat.
- Net profit increased by 77% to Rs. 16 crores from Rs. 9 crores on year-on-year basis. On Quarter-on-Quarter basis, Net Profit remains flat 16 crore%.

Strong Financials: Revenue has been increasing consistently from Rs. 69 Crores in 2019 to Rs. 261 crores in 2023. Net profit increased 23x from Rs. 9 Crores in 2019 to 46 Crores in 2023. Total assets also reported massive increase from Rs. 70 crores in 2019 to Rs. 181 crores in 2023. Financial leverage has also decreased from 10.3x to 2.2x in 2023.

Industry Growth: India's wood adhesive market, estimated at Rs 7000 cr, is poised for 7-10% CAGR growth over the next 5 years. The Indian wood adhesive industry's expansion is aided by the revival of the construction and furniture sectors. The other growth factor is surge in India's real estate and construction sectors.

SWOT Analysis

STRENGTHS

- ❖ Profit growth of 113% over 5 years.
- ❖ 3-year ROE is 43.8%.
- ❖ Median sales growth is 37.8% of last 10 years.

WEAKNESSES

- ❖ Stock is trading 14x its book value.
- ❖ No DIIs & FII's holding.

OPPORTUNITIES

- ❖ Management has set a target of 25% CAGR in revenue over FY23-FY26.
- ❖ Wood adhesive market is estimated to grow 7-10% over next 5 years.

THREATS

- ❖ Intense competition may impact profit margins.
- ❖ Raw material Price Volatility may also impact profit margins.
- ❖ Supply chain disruption can hamper production.

Larsen & Toubro
BUY
TARGET: 4020
CMP: 3390
UPSIDE: 18%
December 2023

VALUE PARAMETERS

Face Value (Rs.)	2.00
Mrk.Cap (Rs. in Cr)	4,67,546
Enterprise value (Rs in Cr)	5,71,634
52-Week High/Low	3422/2050
EPS (TTM)	87.7
P/E Ratio (TTM)	38.4
Book Value per share (Rs)	571
Industry P/E	29.1
P/B Ratio (calc at CMP)	5.9
Dividend Yield (%)	0.71
Cash equivalents (Rs. Cr)	18,020
Debt (Rs. Cr)	1,22,109

SHAREHOLDING PATTERN (%)

Promoters	-
FII's	25.72
DII's	37.16
Public	36.89
Govt.	0.23

FINANCIAL PERFORMANCE

(INR. Cr)	FY23	FY24E	FY25E
Sales (Rs. Cr)	1,83,341	2,11,392	2,44,158
Sales Growth (%)	17.1%	15.3%	15.5%
Expenditures	1,62,588	1,88,190	2,18,055
EBITDA (Rs. Cr)	20,753	23,202	26,102
EBITDA margin	11.3%	11.8%	12.5%
Adj. PAT (Rs. Cr)	10,335.00	13,719	16,359
PAT margin (%)	5.6%	6.5%	6.7%
EPS (Rs)	73.5	97.5	117.5
RoE (%)	12.2	14.2	14.7
RoCE (%)	10	11	11
P/BV (x)	4.6	4	3.6
EV/EBITDA (x)	22.7	18.5	16.0
P/E (x)	29.5	30.5	30.5

PRICE PERFORMANCE



Our Recommendation: In Q2FY24, the company demonstrated impressive earnings, marked by significant revenue and order growth across segments. The management is confident about exceeding the initial guidance for revenue (12-15%) and order inflow (10-12%) due to exceptional project execution in H1FY24 and promising order prospects. Given this positive scenario, **we recommend BUY in price range Rs. 3390-3400 with target price Rs. 4020 (upside 18%) based on SOTP valuation.**

Investment Rationale:

About Company: Larsen & Toubro Ltd is a global conglomerate primarily focused on delivering engineering, procurement, and construction (EPC) solutions across vital sectors, including Infrastructure, Hydrocarbon, Power, Process Industries, Defence, Information Technology, and Financial Services, both domestically and internationally.

Q2FY24 Results: Company presented good set of numbers in second quarter of the fiscal.

- Revenue increased by 19% on year-on-year basis to Rs. 51,024 crores from 42,763 a year ago in same quarter.
- EBITDA margin declined 40 bps on year-on-year basis and increased 80 bps QoQ.
- PAT increased by 36.8% YoY to Rs. 3856 crores from Rs. 2819 crores a year ago in same quarter.

Strong order book growth across business segments: In the quarter, L&T garnered significant orders totaling Rs 89,153cr, marking a substantial 72% YoY increase. International orders constituted 67% of the total at Rs. 59,687cr. The infrastructure projects segment grew by 12% YoY to Rs. 27,990cr, with international orders contributing Rs. 6,775cr (24%). The energy segment secured Rs. 40,141cr in orders, propelled by two major projects in the Middle East. The hi-tech manufacturing segment saw a 35% YoY increase in orders, totaling Rs. 2,395cr.

Key Concall Highlights:

- The company successfully completed its first-ever buyback of 31.25 million equity shares at Rs. 3,200 per share through the tender offer route, resulting in a total cash outflow of Rs. 1,280 cr.
- The company said it is investing Rs 830 cr to set up a unit for semiconductor chip design and product ownership.

SWOT Analysis

STRENGTHS

- Profit growth of 27 CAGR over last 5 years.
- Healthy dividend payout of 37.2%.

WEAKNESSES

- Stock is trading at 5.55x its BV.

OPPORTUNITIES

- Robust order book of Rs. 4.5 trillion.
- Renewable energy orders from international markets.
- Better order conversion in domestic market.

THREATS

- Impact of geopolitical crises on crude/GCC capex

December 2023

VALUE PARAMETERS

Face Value (Rs.)	2.00
Mrk.Cap (Rs. in Cr)	2616
Enterprise value (Rs in Cr)	3206
52-Week High/Low	470/201
EPS (TTM)	13.4
P/E Ratio (TTM)	26.8
Book Value per share (Rs)	103
Industry P/E	33.3
P/B Ratio (calc at CMP)	3.77
Dividend Yield (%)	1.13
Cash equivalents (Rs. Cr)	130
Debt (Rs. Cr)	721

SHAREHOLDING PATTERN

Promoters	55.98
FIIs	17.97
DIIIs	6.75
Govt	0
Public	19.29

FINANCIAL PERFORMANCE

(INR. Cr)	FY23	FY24E	FY25E
Sales (Rs. Cr)	1847	2216.4	2588.3
Growth (%)	22.48%	20.00%	16.78%
Expenditures	1647	1950.4	2251.8
EBITDA (Rs. Cr)	200	266.0	336.5
EBITDA margin	10.8%	12.0%	13.0%
PAT (Rs. Cr)	111.5	143.0	168.2
PAT margin (%)	6.04%	6.45%	6.50%
EPS (Rs)	16.3	21.4	25.2
RoE (%)	15.4	18.5	19.3
RoCE (%)	11.9	19.2	23.1
P/BV (x)	2.76	3.1	2.5
EV/EBITDA (x)	10.2	8.5	6.5
P/E (x)	19.69	18.5	18

PRICE PERFORMANCE



Our Recommendation: We hold a favorable outlook on LATL for several reasons: 1) its varied range of products; 2) enhanced market share in the photovoltaic sector following the acquisition in India; 3) rising demand for automatic gear shifters; and 4) robust expansion in the aftermarket segment, with plans to introduce a new product in the two-wheeler segment. These factors may contribute to LATL's strong growth from FY23 to FY25. **We recommend BUY in price range Rs. 370-390 with target price Rs. 450 (18x FY25E EPS) upside 18%.**

Investment Rationale:

About Company: Established in 1981, Lumax Auto Technologies Ltd (LATL) is a part of the D.K. Jain Group of companies. The firm is a prominent manufacturer of auto components, boasting a diversified range of products. LATL specializes in producing and delivering Automotive Lamps, Plastic Moulded Parts, and Frame Chassis for the 2-wheeler, 2-wheeler, and 4-wheeler segments. The company has established partnerships with seven global entities, including Yokowo (Japan), JOPP (Germany), and several others.

Q2FY24 Results: Company presented robust financial performance in second quarter of the fiscal.

- Revenue increased by 43% on year-on-year basis to Rs 700 crores from Rs. 487 crores a year ago in same quarter. On quarter on quarter basis, revenue increased by 10.7%
- EBITDA increased by 58% on year-on-year basis with 200 bps improvement in EBITDA margins. On QoQ basis, EBITDA up by 12.5%.
- Net profit increased by 11.75% on year-on-year basis due to higher depreciation cost. On QoQ basis, Net Profit increased by 26.6%.

Strong Order Book: Lumax Auto currently holds an order book of approximately Rs. 9.6 billion with Rs. 6.5 billion attributed to IAC India. Within this, 60% of the orders pertain to the Passenger Vehicle (PV) segment. IAC India is considering a brownfield expansion in collaboration with M&M for the production of new Electric Vehicle (EV) models. Capex for the fiscal year 2024 is projected to be Rs. 1.4 billion.

New Launches: New products are Instrument Panels, Headliner & Overhead Systems, Cockpits & Consoles, Gearshift Towers, Telematics, and Antennas. These products are getting better response in the market. These products will help to boost content per vehicle and drive the company's growth in medium term. Company is also focusing on aftermarket sales by increasing its retail presence.

SWOT Analysis

STRENGTHS

- ❖ Trading at lower PE compared to peers.
- ❖ Strong quarterly results.
- ❖ New products gaining traction in market.
- ❖ Strong order book.

WEAKNESSES

- ❖ Stock is trading 3.5x its book value.

OPPORTUNITIES

- ❖ Collaboration with M & M for Evs.
- ❖ Growing vehicle sales across to aid revenue growth.
- ❖ Company is chosen under PLI scheme.

THREATS

- ❖ Intense competition may impact profit margins.
- ❖ Raw material Price Volatility may also impact profit margins.
- ❖ Supply chain disruption can hamper production.

Mahindra & Mahindra
BUY
TARGET: 1900
CMP: 1668
UPSIDE: 14%
December 2023

VALUE PARAMETERS

Face Value (Rs.)	5.00
Mrk.Cap (Rs. in Cr)	2,06,904
Enterprise value (Rs in Cr)	2,96,884
52-Week High/Low	1710/1123
EPS (TTM)	89.8
P/E Ratio (TTM)	19.2
Book Value per share (Rs)	486
Industry P/E	302
P/B Ratio (calc at CMP)	3.14
Dividend Yield (%)	1.04%
Cash equivalents (Rs. Cr)	9732
Debt (Rs. Cr)	99,712

SHAREHOLDING PATTERN

Promoters	19.33
FIIs	40.26
DIIIs	26.79
Govt	0.07
Public	9.73
Others	3.80

FINANCIAL PERFORMANCE

(INR. Cr)	FY23	FY24E	FY25E
Sales (Rs. Cr)	84,960	97,986	114,500
Growth (%)	47.02	15.3%	16.9%
Expenditures	74,518	84,586	98430
EBITDA (Rs. Cr)	10,442	13,400	16070
EBITDA margin	12.29%	13.68%	14.03%
PAT (Rs. Cr)	6549	9360	11037
PAT margin (%)	7.71%	9.55%	9.64%
EPS (Rs)	52.66	75	86
RoE (%)	16.06	19.4	19
RoCE (%)	16.9	17.9	16.7
P/BV (x)	4.3	3.5	2.9
EV/EBITDA (x)	17.9	14.1	11.7
P/E (x)	21.2	20	16.5

PRICE PERFORMANCE



Our Recommendation: The company exhibited robust performance in all segments throughout the second quarter, consistently enhancing its profit margins. Our optimism about the business momentum is driven by several factors: (1) a substantial order backlog for UVs that will contribute to additional market share; (2) recent product launches that will further bolster its position in the tractor market; (3) strategic efforts directed towards establishing a robust presence in EVs. **We recommend BUY in price range Rs. 1660-1680 with target price Rs 1900 (based on SOTP valuation) with upside 14%.**

Investment Rationale:

About Company: Mahindra & Mahindra Ltd stands out as a highly diversified automotive company in India, covering a wide range of sectors such as two-wheelers, three-wheelers, passenger vehicles, commercial vehicles, tractors, and earthmovers. Additionally, the company extends its influence into various other industries through its subsidiaries and group companies, including financial services, auto components, hospitality, infrastructure, retail, logistics, steel trading and processing, IT services, agriculture, aerospace, consulting services, defense, energy, and industrial equipment.

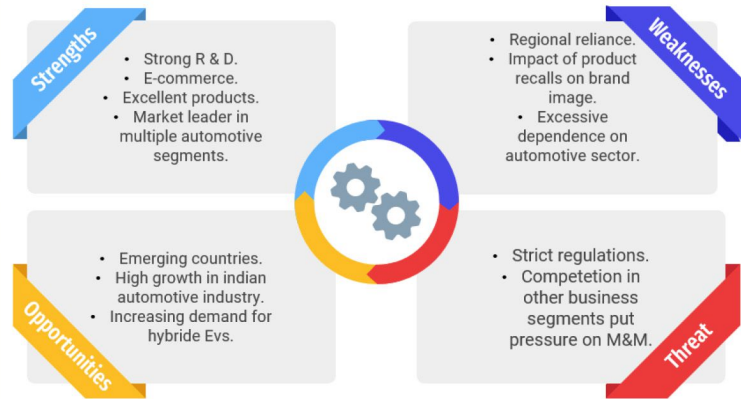
Q2FY24 Results: Company presented robust financial performance in second quarter of the fiscal.

- Revenue increased by 16.6% on year-on-year basis to Rs 25,773 crores from Rs. 22,105 crores a year ago in same quarter. On quarter on quarter basis, revenue increased by 5.8%
- EBITDA increased by 26% on year-on-year basis with 200 bps improvement in EBITDA margins.
- Net profit increased by 67% on year-on-year basis. On Quarter on Quarter basis, Net Profit increased by 24%.

Business Outlook: In August 2023, the company launched seven new OJA tractor models customized for the Indian market. These compact and small utility platform-based tractors are set to be introduced globally in regions such as North America, ASEAN, Brazil, Australia, South Africa, Europe, and the SAARC region. The company expects these additions to drive future revenue growth.

New Launches: The company recently launched the Oja tractor series in collaboration with Mitsubishi and introduced the Swaraj 8200-wheel harvester in the second quarter. Additionally, it rebranded motorcycle brands under its subsidiary, Classic Legends, to improve market acceptance.

SWOT Analysis



Disclosure:

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