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Values that bind

Diwali

Picks 2024



SAMVAT 2081

Our Top 5 Diwali Recommendations

Particulars	Sector	Market Cap (Rs Cr)	*Reco Price (Rs)	Target Price (Rs)	Upside (%)
State Bank of India	Bank	6,96,120	782	941	20.3
ITC	FMCG	6,04,555	482	594	23.2
Titan Company	Consumer Goods	2,90,546	3,271	4,270	30.5
Berger Paints	Paints	62,702	537	655	22.0
Jyothy Labs	FMCG	17,916	487	624	28.1

*Reco price as on 25th October, 2024



BUY

State Bank of India

CMP
782

TARGET
941

UPSIDE
20.3%

Long-term bet on India's financialization story

State Bank of India (SBI), India's largest public sector bank, holds a strong 22-23% market share in credit. With consistent loan growth across retail, corporate, and SME sectors, it benefits from a stable deposit base and funding advantage. SBI's strong internal accruals, leadership in term deposits, and efficient credit management position it well for future growth, especially with an expected revival in corporate capex.

Investment Rationale

Well-positioned in terms of LDR, LCR, SA and regulatory deposits: In the current environment of constrained credit growth due to high loan-to-deposit ratios (LDR), SBI is well-positioned with a low domestic LDR of 69%. While its deposit growth is softer than the system average, the low LDR makes this less of a concern. SBI holds a high share of stable retail deposits and has minimal run-offs, giving it flexibility to use bulk deposits if needed. Despite offering lower savings account rates than private peers, SBI maintains a high SA share and leads in term deposit pricing, though it needs to improve its current account share and fee income.

Could gain market share as peers struggle: Unlike other PSU banks, SBI has maintained a steady credit market share of 22-23%, with consistent loan growth across SME, retail, and corporate segments. It stands to benefit from a corporate capex revival. Although overall loan growth is slowing, SBI is well-positioned to gain market share due to its improved credit delivery, funding advantage, and challenges at its nearest competitor. With strong internal accruals and reasonable CET 1, raising fresh capital would further enhance its growth prospects.

Technology investments drive cost efficiency: Over the years investment in technology has been instrumental in bringing its cost-to-income ratio below 50%. Through digital transformation, automation, and streamlined processes, the bank has effectively reduced operational costs while boosting income growth. This tech-driven approach has improved margins and positioned SBI for long-term profitability and competitiveness. As the bank continues to leverage technology, it enhances its ability to grow while maintaining cost efficiency.

Outlook & Valuation

SBI is well-positioned with a low loan-to-deposit ratio, allowing flexibility despite softer deposit growth. Its stable retail deposits and consistent 22-23% credit market share enable it to gain market share as competitors struggle. Additionally, technology investments have improved cost efficiency, reducing the cost-to-income ratio below 50% and enhancing long-term profitability. Based on these factors, we expect NII/PPOP/PAT to grow at a CAGR of 14.2%/7.6%/7% over FY24-26E. We have a **Buy** rating on the bank with a target price of **Rs 941**.

Financial Summary - standalone

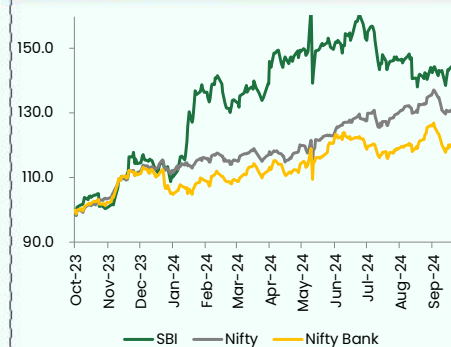
Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net interest income	1,44,841	1,59,876	1,78,846	2,08,527
Total income	3,68,719	4,66,813	4,79,312	5,48,005
Operating profit/(loss)	83,713	93,797	92,074	1,08,687
Margin (%)	22.7	20.1	19.2	19.8
Profit before tax	67,206	88,883	81,875	95,381
Margin (%)	18.2	19.0	17.1	17.4
Profit after tax	50,232	61,077	59,768	69,628
Margin (%)	13.6	13.1	12.5	12.7
EPS (Rs.)	56.3	68.4	67.0	78.0
ABVPS (Rs.)	344.8	399.2	438.2	486.9
RoE (%)	19.4	20.3	15.1	16.0
P/ABV (x)	1.7	1.4	1.3	1.2

Source : RBL Research

Key Stock Data

BSE Code	500112
NSE Code	SBIN
Bloomberg	SBIN:IN
Shares o/s, Cr (FV 1)	892.5
Market Cap (Rs Cr)	6,96,120
3M Avg Volume	2,43,76,089
52 week H/L	912/550

1 year relative price performance



1 year forward P/Adj. BV (x)



BUY
ITC Ltd.
CMP
482
TARGET
594
UPSIDE
23.2%
Strong growth potential and market leadership

ITC Limited is a diversified conglomerate with a presence in multiple portfolios of businesses, including cigarettes, FMCG, hotels, agri-business, and paperboards and packaging. The company holds a dominant position in the Indian cigarette market, contributing significantly to its revenue. ITC has also expanded into various FMCG sectors, offering products like packaged foods, personal care items, and stationery.

Investment Rationale

Strong commitment to ITC Next strategy: ITC is vigorously implementing its ITC Next strategy to shape future growth and profitability. The extensive strategy reset unleashes new drivers of structural competitiveness by strengthening the multiple drivers of growth, innovation and R&D, building agile, resilient and efficient Supply Chains, mainstreaming digital adoption, sustainability, and ensuring cost optimisation. The ITC Next strategy focuses on exploring opportunities to craft disruptive business models anchored at the intersection of the mega trends of digital and sustainability, while leveraging the Company's institutional strengths.

Strategic growth and diversification: ITC actively pursues growth by fortifying its core businesses, exploring value-added adjacencies, and scaling up new growth vectors. This multi-pronged approach is evident in recent launches spanning diverse categories, including snacks, staples, dairy, and personal care. Furthermore, the company leverages strategic investments to enhance its distribution infrastructure and penetrate new markets. ITC's commitment to diversification mitigates risk by reducing reliance on any single sector, offering investors exposure to a range of growth opportunities.

Strong brand portfolio and market presence: ITC possesses a portfolio of over 25 world-class Indian brands, built through an organic growth strategy and reaching over 250 million households in India. The company's strong brand equity, particularly in the FMCG sector, coupled with its extensive distribution network, provides a competitive advantage in capturing market share. This brand strength translates into a loyal customer base and sustained revenue generation, reinforcing ITC's position as a market leader in various segments.

Outlook & Valuation

ITC Limited stands as a diversified leader in India, excelling in cigarettes, FMCG, hotels, agri-business, and paperboards. Its ITC Next strategy drives future growth through innovation, agile supply chains, and sustainability initiatives. By launching new products across various categories and enhancing distribution, ITC is fortifying its core businesses. With a strong portfolio of brands and an extensive market presence, ITC mitigates risks through diversification while leveraging brand equity to capture market share, ensuring sustained revenue and reinforcing its leadership position. On the financial front, we have estimated its revenue/EBITDA/PAT to grow at 12.7%/13.5%/13.8% CAGR over FY24-26E. Thus, maintaining our **Buy** rating and a target price of **Rs 594**.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	70,937	70,881	77,969	89,976
EBITDA	25,665	26,254	28,691	33,793
EBITDAM (%)	36.2	37.0	36.8	37.6
APAT	19,477	20,751	22,699	26,867
APATM (%)	27.5	29.3	29.1	29.9
EPS (Rs)	15.7	16.6	18.2	21.5
PE (x)	31.1	29.4	26.8	22.7
RoE (%)	27.8	27.5	28.9	31.4

Source : RBL Research

Key Stock Data

BSE Code	500875
NSE Code	ITC
Bloomberg	ITC:IN
Shares o/s, Cr (FV 1)	1248.5
Market Cap (Rs Cr)	6,04,555
3M Avg Volume	1,34,90,310
52 week H/L	529/399

1 year relative price performance

1 year forward P/E (x)


BUY

Titan Company Ltd.

CMP
3,271

TARGET
4,270

UPSIDE
30.5%

Focusing on premiumization, digital channels, and global expansion

Titan Company Limited, a prominent player in India's consumer goods sector, is renowned for its wide range of products across watches, jewellery, and eyewear. Established in 1984 as a joint venture between Tata Group and the Tamil Nadu Industrial Development Corporation (TIDCO), Titan's portfolio includes popular brands like Tanishq (jewellery), Fastrack (youth accessories), and Titan Eye+ (eyewear). Its jewellery division, Tanishq, is the largest revenue contributor, benefiting from India's increasing demand for branded and trusted gold and diamond jewellery. The company is known for its strong brand equity, innovation in product design, and expansive retail network. Titan's focus on premiumization, digital channels, and global expansion has positioned it as a market leader in the lifestyle segment.

Investment Rationale

Market leadership: Titan enjoys a dominant position in the organized jewellery and watches markets in India, with an estimated market share of ~8%. The company's market leadership in these segments is supported by its distinct brand, association of trust with Tata group, continuous store additions, and its pan-India distribution networks. As of June 2024, Titan has presence in over 280 towns with over 900 exclusive brand outlets with brands like Tanishq, Mia, and Zoya in the jewellery segment. In watches segment, it has 1,137 exclusive brand outlets with more than 8,000 multi-brand outlets, with presence across 330 towns with brands including Titan World, Fastrack, and Helios.

Strategic gold hedging policy: Titan has implemented a well-structured hedging policy to safeguard itself against fluctuations in gold prices, which are a key input for its jewellery production. The company sources gold primarily through three channels: gold metal loans from banks, customer exchanges, and spot market purchases. For gold acquired via metal loans, Titan locks in the quantity but determines the liability upon actual sale, creating a natural hedge. For spot purchases, the company uses future contracts on commodity exchanges to align with expected sales, effectively mitigating price risks. This comprehensive hedging strategy ensures Titan remains protected from adverse gold price movements, contributing to financial stability and operational efficiency.

Strong brand value: Titan enjoys a strong brand reputation, bolstered by its association with the Tata Group, which is renowned for its commitment to ethical business practices and high-quality standards. The company leverages a broad portfolio of established brands across multiple lifestyle segments. In the jewellery category, its key brands include Tanishq, Mia, CaratLane, and Zoya. Meanwhile, in the watches and wearables space, Titan's portfolio features well-recognized names like Titan, Sonata, Fastrack, Raga, and Xyls. This diverse range of brands across jewellery and timepieces enhances Titan's market presence and appeal to a wide audience, further solidifying its position as a leader in the lifestyle and fashion sector.

Outlook & Valuation

Titan has a large presence in the Jewellery industry through its brands like Tanishq, Mia, Zoya and Caratlane and has an overall market share of ~8% further, downward revision of custom duty on gold imports is a positive in the long-term with short-term implications on profitability and gold on lease. Company is also an emerging lifestyle player with presence across segments like Watches, Eye-Care and Emerging business. The company is focus on increasing its footprint by store expansion while taking efforts to improve margins. Its new business continues to see consistent growth. On the financial front, we have estimated its revenue/EBITDA/PAT to grow at 21.5%/28.0%/28.9% CAGR over FY24-26E. Thus, maintaining our **Buy** rating and a target price of **Rs 4,270**.

Financial Summary - consolidated

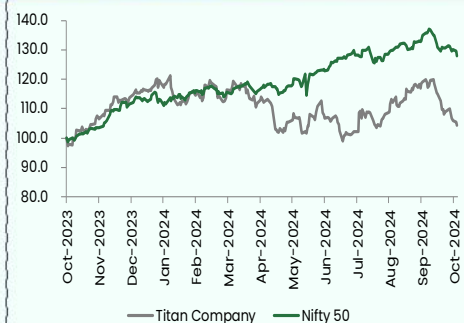
Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	40,575	51,084	61,812	75,410
EBITDA	4,879	5,292	6,938	8,674
EBITDAM (%)	12.0	10.4	11.2	11.5
APAT	3,273	3,495	4,589	5,808
APATM (%)	8.1	6.8	7.4	7.7
EPS (Rs)	36.8	39.3	51.6	65.3
PE (x)	88.6	82.9	63.2	49.9
RoE (%)	30.9	32.9	44.7	50.8

Source : RBL Research

Key Stock Data

BSE Code	500114
NSE Code	TITAN
Bloomberg	TTAN:IN
Shares o/s, Cr (FV1)	88.8
Market Cap (Rs Cr)	2,90,546
3M Avg Volume	13,32,778
52 week H/L	3,887/3,056

1 year relative price performance



1 year forward P/E (x)



BUY

Berger Paints India Ltd.

CMP
537

TARGET
655

UPSIDE
22.0%

Consistently surpassing industry growth rates and gaining the market share

Berger Paints Limited, incorporated in 1923, is one of the leading manufacturers and sellers of paints and varnishes in India with an established brand. It is present in decorative paint segment (~80% of the sales) and industrial segment. Berger has 29 manufacturing plants in India (including plants of subsidiaries in India), two in Nepal, one each in Poland and Russia, and around 184 stock stations. Its decorative segment includes brands such as 'Weathercoat', 'Luxol', 'Silk' and 'Easy Clean'. The Berger group also has an international presence in eight countries, including Russia, Nepal, Bangladesh, and in certain countries of Europe.

Investment Rationale

Expanding distribution network: Berger Paints boasts a robust distribution network throughout India, comprising approximately 64,000 dealers and retailers. This extensive network has significantly enhanced the company's presence in the decorative segment. Additionally, Berger has strategically established manufacturing facilities across various regions to effectively meet local demand. The company is also focused on expanding its sales through the introduction of company-owned and operated (COCO) stores nationwide. Looking ahead, Berger plans to further extend its network in areas where it currently has limited presence.

Diverse product and brand portfolio: Berger's revenue is primarily driven by the decorative paint segment (~80% contribution to revenue mix), though it also operates in other areas such as general industrial and automotive paints, powder coatings, and protective coatings. The company's research and development (R&D) initiatives enable it to consistently introduce innovative products that cater to changing customer needs and help expand its diverse product portfolio. Berger offers a variety of products, including water-based, solvent-based, as well as interior and exterior paints. Some of its well-known brands are 'Weathercoat,' 'Luxol,' 'Silk,' and 'Easy Clean.'

Continuous addition of capacity: Berger has consistently expanded its capacity (current capacity- ~1.5 Mn KL), both through organic growth and acquisitions, to address the rising demand driven by increased per capita paint consumption. The company is currently developing a greenfield project in Panagarh, West Bengal, with an estimated cost of approximately ₹500 crore, fully financed through internal accruals. This facility is expected to be operational by March 2026. Following this, Berger plans to establish a manufacturing unit in Odisha with a projected capex of around ₹1,460 crore and an annual capacity of 410,000 KLPA, fully financed through internal accruals and existing liquidity.

Outlook & Valuation

Berger Paints has demonstrated resilient performance, consistently surpassing industry growth rates and achieving the highest market share among listed competitors. Further, management remains positive on the growth prospects which would be driven by double digit volume growth for decorative segment, steady demand, innovations and expansion in distribution along with catch up in rural areas will help in aiding growth. On the financial front, we estimate its revenue/EBITDA to grow at 13%/15.9%/16.3% CAGR over FY24-26E and maintain a **Buy** rating with target price of **Rs 655**.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	10,568	11,199	12,431	14,295
EBITDA	1,487	1,861	2,101	2,502
EBITDAM (%)	14.1	16.6	16.9	17.5
APAT	860	1,170	1,305	1,581
APATM (%)	8.1	10.4	10.5	11.1
EPS (Rs)	8.9	10.0	11.2	13.6
PE (x)	60.7	53.6	48.1	39.7
RoE (%)	19.1	21.7	20.6	21.0

Source : RBL Research

Key Stock Data

BSE Code	509480
NSE Code	BERGEPAIN
Bloomberg	BRGR:IN
Shares o/s, Cr (FV 1)	116.6
Market Cap (Rs Cr)	62,702
3M Avg Volume	14,78,241
52 week H/L	630/439

1 year relative price performance



1 year forward P/E (x)



BUY
Jyothy Labs Ltd.
CMP
487
TARGET
624
UPSIDE
28.1%
Innovating products across categories and moving up the ladder

Jyothy Labs Ltd is one of India's leading FMCG companies, established in 1983 with the single brand 'Ujala'. Over the time, it has evolved into a multi-brand company across different categories, expanding into the manufacturing and marketing of products. The company has diversified into categories such as fabric care, dishwashing, household insecticides, and personal care. Some of its leading brands include Ujala, Exo, Henko, Pril, Margo, Maxo, Mr. White, MoreLight, Neem, and Maya, all of which are well-known and established in their respective categories.

Investment Rationale

Established brand portfolio and market leadership: Jyothy Labs holds a commanding market presence in select brands, led by Ujala's dominant market share in the fabric whitener segment. They have demonstrated strong performance in Dishwashing with Exo and Pril, while Maxo exhibits significant growth in Household Insecticides, especially in coils. This diversified portfolio and market leadership position provide a solid foundation for future growth, though continuous innovation and marketing efforts are essential for sustaining momentum.

Strong financial position and growth trajectory: In FY24, Jyothy Labs experienced notable revenue growth, primarily due to higher volumes and slight price adjustments. Over the past four years, the company has maintained consistent revenue growth, supported by volume increases and commodity price trends. A major contributor to this growth was the significant decline in raw material costs, which greatly improved profitability margins. Jyothy Labs showed substantial margin gains in its Fabric Care and Dishwashing segments, reflecting efficient management and stronger profitability. The company also maintains a solid financial position, staying net debt-free with only minimal lease obligations.

Extensive distribution network and market reach: Jyothy Labs has established a robust distribution network, making its products accessible in over 2.8 million retail outlets through a vast network of over 9,900+ channel partners. They directly reach 1.2 million outlets, strategically focusing on expansion into new geographies. The company's adoption of innovative sales models, like van and moped sales for rural areas, coupled with the digitization of rural distribution, further strengthens its market penetration.

Outlook & Valuation

We believe Jyothy labs has come a long way by innovating products across categories, investing on advertisements & promotional activities and gaining market share. Going ahead, the management aims for volume led growth and at the same time maintain margins. Additionally, they want to invest behind brand building initiatives, manufacturing and strengthen distribution reach in rural areas as well as grow digitally. We are optimistic on the growth prospect of the company and estimate its Revenue/EBITDA to grow at 15.7%/17.3% CAGR over FY24-26E. Hence, We have **Buy** rating on the stock by to arrive at a target price to **Rs 624**.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	2,486.0	2,756.9	3,170.5	3,690.4
EBITDA	315.9	479.8	551.0	659.8
EBITDAM (%)	12.7	17.4	17.4	17.9
APAT	239.7	369.3	420.0	503.8
APATM (%)	9.6	13.4	13.2	13.7
EPS (Rs)	6.5	10.1	11.4	13.7
PE (x)	74.3	48.2	42.4	35.4
RoE (%)	15.5	20.4	19.9	20.2

Source : RBL Research

Key Stock Data

BSE Code	532926
NSE Code	JYOTHYLAB
Bloomberg	JYL IN
Shares o/s, Cr (FV 1)	36.7
Market Cap (Rs Cr)	17,916
3M Avg Volume	9,90,963
52 week H/L	596/350

1 year relative price performance

1 year forward P/E (x)


Diwali Picks 2023 – Performance

Particulars	Sector	*Reco Price (Rs)	Target Price (Rs)	**CMP (Rs)	52W High Price (Rs)	Target Met	Return from Reco. Price (%)
Tata Consultancy Services	IT	3,382	4,089	4,060	4593	Yes	20.9
ITC	FMCG	437	535	482	529	No	^10.3
Axis Bank	Bank	1,022	1167	1,189	1,340	Yes	14.2
Maruti Suzuki India	Auto	10,322	12,714	11,490	13,680	Yes	23.2
SBI Life Insurance	Life Insurance	1,346	1,644	1,612	1,936	Yes	19.8

*Reco price as on 8th November, 2023

**CMP as on 25th October, 2024

^Return from CMP



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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below , are given separately]

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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