



PL Capital
PRABHUDAS LILLADHER

INSTITUTIONAL
EQUITIES

Diwali Picks 2025



Hi,

Happy Diwali

Samvat 2081 has been a volatile year with NIFTY giving only 3% return while yellow metal making new lifetime highs with 57% return. The year saw many highs for India including "Operation Sindoor", commissioning of several landmark infra projects and "Make in India" initiatives. Global geopolitical situation remains volatile with US intending to impose its hegemony through tariffs and other means in an increasingly multipolar world. This is leading to a wave of global protectionism which is negative for trade and will impact global growth in future. Rising geopolitical uncertainties are leading to accumulation of precious metals by central banks, leading to sharp spiral in prices. India is absorbing the impact of penal tariffs and hefty increase in fee for H-1B visas. Although there are expectations around concluding a trade deal with the US in a few months, the scenario looks increasingly tough given sustained differences on agriculture, dairy, GM crops and labor-intensive industries.

With Govt capex being more than 3x in past 4 years and up 43% in YTD26, all hopes rest on revival in domestic demand and private capex. The conditions seem ripe for revival of consumption demand given 1) normal monsoons, 2) benign inflation, 3) 100bps cut in interest rates, 4) significant cut in GST rates on consumer discretionary and daily use items and 5) benefits of tax cuts in FY26 budget. Markets have been holding its ground despite Rs850bn selling by FII's YTD due to strong DII inflows and big change in the trend looks unlikely. We believe large caps will provide more certain and steady returns in an uncertain environment as small/mid-caps continue to trade at a premium. India US trade deal can be a big trigger for markets.

Large Cap Picks

Apollo Hospitals Enterprise, Britannia Industries, Hindustan Aeronautics, ICICI Bank, ITC and State Bank of India

Mid & Small Cap Picks

DOMS Industries, Eris Lifesciences and KEI Industries

Model Portfolio Performance

	Model Portfolio Return	Nifty Returns	Outperformance
Since Nov'18	157.5%	134.0%	23.5%
Since Last Report – 10-Oct-25	0.7%	0.4%	0.3%
Since Apr'24	15.8%	14.5%	1.3%

Large Cap Picks

Apollo Hospitals Enterprise (APHS IN) | CMP: Rs7,691 | TP: Rs9,300 | MCap: Rs1,103.1bn

APHS, India's largest omni-channel healthcare provider, is well-placed for growth driven by its strong brand, dominant pharmacy network, and ~3,600-bed expansion plan. The demerger of Apollo HealthCo and integration with Keimed unlocks value while breakeven visibility in Apollo 24/7 adds comfort. At consol level, APHS's EBITDA grew at ~28% CAGR over FY21-25. Overall, we estimate 26% EBITDA CAGR over FY25-28E. We ascribe 27x EV/EBITDA multiple to hospital and HealthCo Sept 2027E based on Sept FY27E.

Britannia Industries (BRIT IN) | CMP: Rs5,869 | TP: Rs6,484 | MCap: Rs1,413.8bn

BRIT is a high conviction pick given 1) Sustained leadership in Biscuits and Bakery 2) little threat from B2C players given long history of presence of local, and regional players (rise in market share in 5 out of 7 regions) 3) rising scalability & improved profitability in adjacencies and 4) strong innovation pipeline with focus on region/ channel specific products & premiumization. We believe Current GST reduction from 18% to 5% is meaningful and is expected to boost volumes by grammage reduction in small packs and price cuts on large packs. We anticipate 6-8% volume growth delta for another 3-4 quarters and more margin stability post these price reductions. We expect a pickup in growth as benefits of GST cut, new launches, higher growth in adjacencies, uptick in demand and benign inputs will enable 16.9% EPS growth over FY26-28.

Hindustan Aeronautics (HNAL IN) | CMP: Rs4,745 | TP: Rs5,500 | MCap: Rs3,173.6bn

HNAL has robust order book of ~Rs2.5trn including recently won ~Rs628bn order of 156 LCH Prachand Helicopters (deliveries to start from FY29) and 97 LCA Tejas Mk1A (deliveries to start from FY28) along with the order prospects exceeding ~Rs1.0trn for the next 2 years. The robust order book is expected to keep HNAL's factories occupied for the next decade. GE has started deliveries of the F-404 engines and has delivered 4 engines till date and HAL is expected to deliver 8-10 Tejas Mk1A aircrafts in FY26. From FY27, GE is expected to deliver 2 engines per month which bodes well for HAL's Tejas Mk1A program as the execution and deliveries ramps up in subsequent years. The jets are expected to replace the aging fleet of MiG-21s which are currently being phased out, bolstering HAL's revenue visibility even further. We expect HNAL to register Revenue / EBITDA / PAT CAGR of 11.6%/8.9%/6.1% over FY25-27E.

ICICI Bank (ICICIB IN) | CMP: Rs1,379 | TP: Rs1,730 | MCap: Rs9,844.2bn

ICICIB remains the best performing bank due to earnings quality. ICICI Bank balance sheet profile is strong since (1) CET-1 is adequate at 16.3% (2) Provision buffer is best-in-class at ~1% of loans (3) despite higher than system loan growth, LDR is well-managed and (4) LCR is adequate at 127%. Opex intensity is likely to reduce given NIM compression, and we see a ~11% CAGR in opex over FY25-27E (20% over FY23-25). We expect core PAT growth rate to improve to 15% YoY in FY27, as NIM compression gets over, and credit growth picks up post 2Q/3Q26. Likely RoA/RoE for FY27E at 2.2%/15.5% remains one of the best-in-class. Stock is currently trading at 2.2x on FY27E core ABV.

ITC (ITC IN) | CMP: Rs399 | TP: Rs530 | MCap: Rs5,003.8bn

ITC's margin remained under pressure due to high leaf tobacco prices in Cigarettes, high wood prices and dumping (Indonesia and China) in Paper board, elevated commodity costs in FMCG and pricing pressure in stationary due to cheap imported paper. However, we expect margin recovery to set in post 2Q26 as 1) leaf tobacco prices have softened by 10-15% in current season which would start benefitting from 3Q26 2) likely decline in wood prices and hopes of anti-dumping duty in paper board 3) integration of century paper acquisition and 4) expected recovery in demand and margins in FMCG business (~50bps sequential uptick in margins in 1Q26) post GST cut. Implementation of GST 2.0 on cigarettes with flat taxation and revival of profit growth post 3Q26 will re-rate the stock. ITC trades at 19.8x FY28 PE and 4% dividend yield.

State Bank of India (SBIN IN) | CMP: Rs883 | TP: Rs960 | MCap: Rs8,150.3bn

With credit growth likely to pick up in H2FY26 and FY27, SBI remains the top pick in PSU space as 1) it has a consistent track record of growing ahead of system, 2) the recent capital raise of Rs250bn likely to support growth, 3) its higher unsecured and NBFC exposure, 4) higher contingent provision buffer compared to other PSUs that would better equip the bank to navigate the ECL transition. We expect core earnings growth to be strong at 22% YoY for FY27E. Stock is currently valued at 1.1x on Mar'27 core ABV and assign multiple of 1.3x.

Mid & Small Cap Picks

DOMS Industries (DOMS IN) | CMP: Rs2,528 | TP: Rs3,085 | Mcap: Rs153.4bn

DOMS is poised to benefit significantly from recent GST rate reductions. The GST on erasers has been reduced from 5% to nil, while the rate on sharpeners, pencils, and crayons has also been brought down from 12% to nil. Additionally, the GST on baby hygiene products has been reduced from 12% to 5%. As these categories comprise a substantial portion of DOMS's product portfolio, the rate cuts are expected to enhance affordability, drive higher sales volumes, and support overall revenue growth. Along with GST benefits, production capacity of DOMS is likely to expand led by a greenfield expansion at Umbergaon to enhance capacity in writing instruments, watercolour pens, markers, and highlighters. The project, spread across a 44-acre land parcel, remains on schedule, with Rs700mn incurred towards capex in Q1FY26. Commercial production is expected to commence by Q4FY26E. Aided by capacity expansion in core stationery business, widening product basket, and strengthening distribution network, we expect sales/PAT CAGR of 24% over FY25-FY27E. We maintain 'BUY' on the stock with a TP of Rs3,085 (60x FY27E EPS).

Eris Lifesciences (ERIS IN) | CMP: Rs1,610 | TP: Rs1,975 | MCap: Rs123.7bn

Eris has opted for inorganic route to diversify and scale up existing portfolio. This has been implemented without diluting margins. We expect margins to scale up from the current level of 35% in FY25 as revenue scales up from recent acquisitions, which are currently operating at sub-optimal profitability. The company has multiple growth levers such as broad-based offerings in the derma segment, tapping GLP-1 market, demand supply mismatch in insulin segment, creating large injectable franchise across India and RoW market and benefits of operating leverage. Our FY26 and FY27E EBITDA broadly remains unchanged. We maintain 'BUY' rating with revised TP of Rs1,975 (valuing at 20x EV/EBITDA on FY27E vs 18x earlier).

KEI Industries (KEI IN) | CMP: Rs4,312 | TP: Rs4,946 | MCap: Rs412.0bn

We have a high conviction BUY on KEI with target price of Rs4,946 valuing at 40x FY27E. KEI is expecting 18%/20%+ for FY26/FY27, supported by strong volume momentum, strategic capacity expansion, and export growth. KEI is targeting revenue of Rs250bn by FY30 supported by its investments in greenfield capacity, robust demand for power cables, and improving export mix. We expect revenue/EBITDA/PAT CAGR of 21.0%/23.8%/22.8% for FY25-28E.