

DIWALI PICKS

**Samvat 2082:
A Promising Year for Equity Returns**

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Diwali 2025: A Promising Year for Equity Returns

Nifty 50 stood at 24,472 on Diwali 2024. Over the past year, market performance has been relatively subdued amid global geopolitical tensions and the continuing tariff war. However, it is noteworthy that despite these challenges, the index managed to post a modest 2% gain, underscoring the market's resilience.

This resilience has been supported by several government and regulatory initiatives, including:

- GenNext GST reforms, aimed at strengthening consumption and driving economic growth.
- An increase in DA (Dearness Allowance) to enhance disposable income and support consumer spending.
- Liquidity-boosting measures by the RBI, such as raising the limit for loans against shares from Rs 20 lakh to Rs1 crore and significantly increasing IPO financing limits.
- Proposed liberalization of the ECB (External Commercial Borrowing) framework by the RBI, easing access to foreign funding for corporates.
- Public sector reforms, including bank mergers and steps to enhance the market capitalization of PSUs.

Looking ahead, we expect additional reforms in the lead-up to Diwali. Interestingly, while President Trump's tariff war initially posed challenges, it has indirectly benefited the Indian economy by prompting these domestic policy measures.

We believe that while the negative effects of the trade war have largely been priced into the markets, the positive impact of recent reforms is yet to be fully realized—both in the broader economy and in equity valuations. Moreover, while India's reforms are likely to have a lasting impact, the U.S. tariffs are expected to be temporary. In our view, by the end of this calendar year, tariffs could fall to around 25% or even lower, as Indo-U.S. trade tensions ease through diplomatic dialogue.

Although some critics argue that Indian markets are no longer cheap, we believe they are neither expensive. Within a quarter, as analysts begin to focus on FY27 earnings and the trade war subsides, Indian equities may start to look attractively priced once again.

Stock Name	Current Market Price (Rs)	Market Capitalization (Rs crs)
Tega Industries Ltd	1,948	12,961
Borosil Ltd	344	4,108
Poonawalla Fincorp Ltd	531	41,368
Carborundum Universal Ltd	914	17,379
NLC India Ltd	272	37,703
Hindustan Copper Ltd	364	35,214
Housing & Urban Development Corporation Ltd	229	45,914
Bharat forge Ltd	1,210	57,895
Urban company Ltd	161	23,053

Tega Industries Limited

Tega Industries Limited (TEGA), in partnership with Apollo Funds, is set to acquire a 77% stake in Molycop at an enterprise value of \$1.48 billion (~Rs.130 billion). This transformative acquisition will position TEGA as a global leader in critical-to-operate consumables for the mining sector, with an expanded portfolio across grinding media, wear-resistant liners, and material handling solutions, serving over 400 mines globally.

Investment Rationales

- **Transformational Global Acquisition:** The acquisition of Molycop significantly strengthens TEGA's global footprint and product offering across the mineral processing value chain. Molycop's leadership in grinding media, extensive client base, and global manufacturing presence synergize with TEGA's strengths to create an end-to-end mining consumables powerhouse.
- **Synergy-Driven Growth with Margin Expansion:** The combined entity targets EBITDA margin expansion from 11.5% to 16–17% within five years, leveraging cost synergies from SGNA optimization, procurement efficiencies, and global capability centers. Management also aims for consolidated ROE of 18%, supported by TEGA's integration strategy and growth in high-margin segments like high chrome media and digital technologies.

Outlook and Valuation

The acquisition enhances TEGA's revenue profile, with the combined entity expected to generate Rs.152 billion in revenue and Rs.18.5 billion in EBITDA in FY25. Despite near-term dilution in margins and promoter stake, the long-term growth outlook remains strong, driven by market expansion, capacity additions, and technology-led offerings. The strategic funding mix—\$248 million equity infusion (including promoter support), \$112 million debt, and non-recourse debt at Molycop—ensures balance sheet flexibility. With an EV/EBITDA acquisition multiple of 8.6x and Molycop targeting 7.5% growth over the next three years, TEGA is well-positioned to unlock scale-driven value and cement its global leadership in mining consumables.

Borosil Ltd

Borosil Ltd (Borosil) is a leading consumer products and scientific glassware company with a strong presence in kitchenware, Opalware, appliances, and lab equipment. Backed by a trusted legacy and growing product diversification, Borosil continues to expand its footprint through manufacturing investments, deeper distribution, and premium product launches.

Investment Rationales

- **Strategic Capacity Expansion and Premiumization:** Borosil is expanding into high-growth categories like stainless-steel insulated flasks with a new facility in Rajasthan, aiming to generate Rs.1,200 mn revenue annually. The company is also targeting porcelain dinnerware and expanding cookware and appliance lines, supporting product premiumization and stronger market positioning.
- **Cost Efficiency and Margin Expansion:** Despite short-term demand headwinds, Borosil delivered margin expansion through disciplined cost controls, solar power adoption, and optimized marketing spends. Operating margins improved 95bps YoY to 16%, with a near-term target of 20%. EBITDA grew 11.8% YoY, while PAT surged 87% YoY, supported by operational leverage and one-off gains.

Outlook and Valuation

Borosil's near-term growth was muted due to market softness and regulatory impacts on pharma-related B2B sales. However, strong execution, improving utilization (especially in glassware and Opalware), festive season tailwinds, and strategic manufacturing initiatives set the stage for a meaningful recovery in H2FY26. The company's new stainless-steel facility, expected to be operational by Q4FY26, will address capacity constraints and drive internal growth. With premiumization, distribution expansion, and brand equity supporting a 13%/20%/30% Revenue/EBITDA/PAT CAGR over FY25–28E, Borosil is poised for long-term outperformance. We maintain a BUY with a target price of Rs.420, implying a 25% upside from CMP of Rs.337.

Poonawalla Fincorp Ltd

Poonawalla Fincorp Ltd (PFL) is a technology-led NBFC with a diversified lending portfolio across MSME loans, consumer finance, LAP, pre-owned cars, and new verticals like gold, education, and CV loans. With strong promoter backing and a focus on digital-first, AI-integrated operations, PFL is building a scalable, efficient, and profitable financial services platform.

Investment Rationales

- **Digital-First Growth with AI-Led Expansion:** PFL's "risk-first, growth-fast" approach has resulted in rapid AUM growth of 53% YoY and 16% QoQ to Rs412.7bn, with 80 new branches operational (targeting 400 by FY26). Strategic investments in AI (35+ projects), embedded journeys, and digital infrastructure are powering new segments like consumer durables, gold loans, and education finance, all built for high ROA and scalability.
- **Diversified, Secured-Focused Portfolio with Improving Credit Metrics:** The secured portion of AUM has risen to 57%, up from 49% YoY, indicating a prudent shift in portfolio mix. Legacy STPL loans are being wound down (now <4% of AUM), and credit costs in the core book (~80% of AUM) are at a low 1.43%. Asset quality remains stable with Gross/Net NPAs at 1.84%/0.85%, and provision coverage at ~54%. Cost of borrowing has reduced, even with improved liability mix and longer-duration funding.

Outlook and Valuation

With a strong capital base (Tier-1 at 19.02%) and fresh Rs15bn equity infusion, PFL is well-positioned to fund continued AUM growth. Management targets FY26 AUM growth of 35–40% and FY28 exit ROA of 3–3.5%, driven by high-yield, digital-first products and scale efficiencies. While near-term margins are under pressure, NIMs are expected to recover to ~9% in 12 months as new verticals mature. Despite structural strengths, current valuations (P/ABV 3.8x FY26E) appear rich; hence, the rating remains SELL, with a target price of Rs376, based on 3.3x Jun-27E ABV.

Carborundum Universal Ltd

Carborundum Universal Ltd (CUMI) is a leading industrial abrasives, ceramics, and electrominerals company with a growing international footprint. The company's diversified product portfolio serves industries including steel, automobiles, auto components, and general metal fabrication, while recent acquisitions aim to expand capacity and technological capabilities.

Investment Rationales

- **Diversified Segment Growth Potential:** Despite near-term weakness in the electrominerals (EMD) segment due to VAW sanctions and Chinese competition, the ceramics and abrasives divisions continue to show steady growth. Ceramics revenue grew 5% YoY, while Rhodius turned profitable in FY25. The company is also expanding capacity via the DRONCO asset acquisition, setting up a 50-million thin-wheel facility with potential topline contribution of Rs. 250–300 crore from FY27.
- **Strategic Positioning and Long-Term Opportunities:** CUMI's cost-competitive electrominerals position and scale in abrasives provide a competitive edge domestically and internationally. The company is poised to benefit from India's industrial revival and the global shift away from Chinese dependence, supporting long-term market share gains and revenue growth across key verticals.

Outlook and Valuation

Near-term performance remains challenged due to VAW-related operational issues and margin pressure, with PAT down 79% in Q4FY25 and FY26 margins expected to decline 100–150bps. Management guides for 6–7% consolidated revenue growth in FY26, with segment-wise growth of 5–16% for abrasives and ceramics. While short-term earnings may remain muted, long-term prospects are supported by domestic recovery, overseas operations, and strategic acquisitions.

NLC India Ltd

NLC India Ltd (NLCIL) is a government-owned mining and power generation company engaged in lignite mining, thermal power, and renewable energy. The company operates across mining, coal, lignite, and power generation with a growing presence in solar and wind energy. NLCIL is also venturing into critical minerals and rare earth elements, strengthening its long-term growth visibility.

Investment Rationales

- **Capacity Expansion Across Segments:** NLCIL is progressing well on its expansion plans, with Unit II of the 1,980 MW Ghatampur Thermal Power Project synchronized and COD expected by Sep'25, followed by Unit III by Dec'25. Mining expansion at the Pachwara coal block is expected to commence production in FY26. In renewables, the company targets to scale capacity from 1.4 GW currently to 10 GW by 2030, supported by upcoming projects like the Barsingsar 300 MW solar project. These expansions provide long-term visibility in both conventional and clean energy.
- **Strong Financial Position with Regulated Equity Growth:** The company's regulated equity stood at Rs9,713 Cr in Q1FY26 and is expected to grow to ~Rs18,320 Cr by FY30, led by mining capacity expansion (50 MTPA to 104 MTPA) and thermal capacity addition (5.3 GW to 10 GW). The company reported FY25 EBITDA of Rs4,840 Cr with healthy profitability (ROE 14%) and expects consistent growth, supported by strong balance sheet and cash flows.

Outlook and Valuation

NLCIL is positioned to deliver steady growth through capacity additions in thermal, mining, and renewable energy, alongside new opportunities in critical minerals. Management expects a significant reduction in under-recoveries going forward, improving profitability. With an ambitious renewable energy target and plans for a Green Energy IPO by FY27, the company is set to unlock value in its clean energy portfolio.

Hindustan copper Ltd

Hindustan Copper Ltd (HCL) is a government-owned copper producer in India, engaged in mining, smelting, refining and production of copper and allied products. It plays a strategic role in India's metal mining sector, given copper's importance in electrical, infrastructure and industrial uses. Recently, Hindustan Copper signed an MoU with Coal India to jointly explore opportunities in copper and critical minerals sectors. The company's fortunes are tied closely to global copper price cycles, domestic demand (power, wiring, EVs, infrastructure) and its ability to manage mining costs, scale, and expansion.

Investment Rationale

- **Favorable commodity cycle:** HCL is well positioned to benefit from the favorable global copper cycle, which is being driven by rising demand for electrification, electric vehicle infrastructure, renewable grid development, and industrial growth. Supply constraints in major producing regions have kept prices elevated, and with copper nearing USD 10,000 per tonne, margin expansion becomes feasible, providing earnings leverage. Domestically, India's push for self-reliance in critical raw materials further strengthens HCL's strategic relevance. The Coal India MoU highlights the company's potential to participate in exploration of battery metals, critical minerals, and downstream processing, aligning with the country's broader energy transition goals.
- **Strategic importance & localisation push:** The company holds approximately 40% of India's copper ore reserves and is planning to expand mining capacity from four million tonnes per annum to 12 million tonnes per annum by FY31. This expansion will be achieved through a combination of existing mine augmentation, reopening closed mines, launching new projects, and acquiring additional copper deposits. Such initiatives position HCL to capture the growing domestic demand for copper, reduce import dependence, and enhance its contribution to India's critical mineral base.

Outlook and Valuation

The company is well positioned to benefit from India's push for domestic sourcing of critical raw materials, electrification, renewable energy, and EV growth. Its capacity expansion from four million tonnes per annum to twelve million tonnes per annum by FY31, along with the Coal India partnership to explore battery metals, provides long-term growth visibility.

Housing & Urban Development Corporation Ltd

Housing & Urban Development Corporation Ltd (HUDCO) is a public sector financial institution focused on urban and rural infrastructure development in India. It provides long-term finance for housing, urban development projects, and other social infrastructure, including water supply, sewerage, solid waste management, and roads. The company plays a critical role in implementing government schemes related to affordable housing and Smart Cities.

Investment Rationale

- **Strong Government Support & Affordable Housing Focus:** HUDCO is the preferred lender for state governments and central agencies, with 98% of its loan portfolio allocated to government-backed projects. Its focus on urban infrastructure, affordable housing, and large-scale development projects under programs like Smart Cities, AMRUT, and Housing for All provides high visibility and low credit risk, supported by its GoI ownership (~75% stake). This makes HUDCO a stable, low-risk play in the Indian financial and infrastructure space.
- **Strong Growth Potential Driven by Loan Portfolio Expansion:** HUDCO's loan book expanded to Rs1.34 lakh crore in Q1FY26, supported by industry-leading asset quality — Gross NPA at 1.34%, Net NPA at 0.09%, and a robust provision coverage ratio of 93.49%. With a CRAR of 41.7% and a AAA domestic credit rating, the company maintains a strong capital structure and conservative risk profile. Ongoing partnerships with state governments — including Rs1 lakh crore with Rajasthan and Rs27,000 crore with Bengaluru — reinforce long-term growth visibility. Its diversified funding mix, low cost of borrowings, and healthy net interest margin (~3.2%) position HUDCO for sustained earnings growth while maintaining prudent financial discipline.

Valuation & Outlook

HUDCO's growth will be driven by government-led housing and infrastructure programs such as PMAY 2.0 and the Urban Challenge Fund, along with major state partnerships totaling over Rs3 lakh crore. Its entry into private-sector lending and increasing focus on sustainable finance (Rs13,555 crore toward renewable and Net Zero projects) will diversify income and enhance returns. With strong capital adequacy, sovereign backing, and policy tailwinds, HUDCO is well positioned to deliver steady, low-risk earnings growth in India's expanding infrastructure finance sector.

Bharat Forge Ltd

Bharat Forge Ltd (BFL) is one of India's largest engineering and forging companies, specializing in high-quality forged and machined components for the automotive, aerospace, defense, and industrial sectors. The company operates globally, serving OEMs (Original Equipment Manufacturers) across multiple geographies, and is increasingly focusing on electric mobility, renewable energy, and defense applications.

Investment Rationale

- **Strong Defence Momentum:** BFL continues to transform from an auto-forging company into a diversified advanced engineering firm with interests spanning automotive, defence, industrial, aerospace, and renewable sectors. The company's consolidated revenue stood at Rs3,909 crore in Q1FY26, supported by steady domestic demand and improved overseas operations. Its defence business remains a key growth pillar, with a record order book of Rs9,463 crore, reflecting strong traction across artillery platforms, protected vehicles, and air defence systems. The order inflow of Rs847 crore during Q1FY26 (including Rs269 crore from defence) reinforces visibility for multi-year execution and growth.
- **Operational Strength and Global Presence:** Despite export headwinds from tariff changes and regulatory uncertainty in the US, BFL maintained a resilient operating performance with EBITDA margins of 27.9% on a standalone basis. Overseas subsidiaries in the US and Europe have shown marked improvement, turning cash positive, while ongoing rationalization of the European steel operations is expected to enhance profitability. A net debt-to-equity ratio of 0.33x and consistent return on capital employed (RoCE) above 15% highlight a solid financial foundation for growth.

Valuation & Outlook

While management remains cautious about near-term demand in export markets due to tariff and emission policy shifts, BFL is well positioned for medium-term growth led by defence, renewables, and industrial segments. Upcoming capacity expansion in defence manufacturing (guns, vehicles) and a focus on cost optimization, digital manufacturing, and localization are expected to support margins. As India scales up domestic defence procurement and infrastructure investments, BFL's strong technological base, global partnerships, and diversified business model make it a structural long-term beneficiary of India's industrial and defence manufacturing upcycle.

Urban Company Ltd

Founded in 2014, Urban Company Limited (UCL) is India's largest tech-enabled home services marketplace, offering a wide range of beauty, wellness, cleaning, appliance repair, and handyman solutions. Operating in 47 Indian cities and international markets such as the UAE, Singapore, and Saudi Arabia, the company follows an asset-light, digital-first model that connects customers with trained and verified service professionals. Backed by strong brand recall, technology-driven operations, and category diversification, Urban Company is well positioned to dominate India's rapidly formalizing home services industry.

Investment Rationale:

- **Large Market Opportunity:** India's home services, beauty, and repair sectors remain fragmented and largely unorganized, offering significant potential for organized digital platforms. The market is projected to expand from USD 59 billion in FY24 to USD 97 billion by FY30 (10–11% CAGR). Urban Company's tech-led aggregation model, customer trust, and professional training ecosystem provide strong competitive advantages to capture incremental market share.
- **Revenue Diversification:** Beyond commissions, UCL generates revenue from product sales (Native brand water purifiers and professional supplies) and membership plans for service partners, thereby diversifying income streams. It is also exploring the assembly and sale of air conditioners under the "Native" brand, signaling vertical integration in high-demand categories. The company plans to scale its operations from 47 to 200 cities by FY30, leveraging rising digital adoption in Tier-2 and Tier-3 cities.

Valuations and Outlook:

UCL is entering a high-growth phase, supported by rising demand for reliable, standardized home services and strong consumer preference for trusted platforms. Its hyperlocal model, continuous professional upskilling, and efficient customer acquisition are driving both retention and profitability. Operating leverage has led to a sharp improvement in margins (EBITDA improving from –57% in FY23 to –3% in FY25) with the company expected to turn profitable as scale builds. With strong brand equity, a growing addressable market, and focus on operational efficiency, Urban Company offers a compelling long-term growth opportunity in India's evolving consumer services landscape.

Sr.No.	Recommendations	Released Price	Current Price	% Change	52 Week High
1	Moschip Technologies Ltd	215	282	31.16%	288
2	Protean eGov Technologies Ltd	1846	881	-52.28%	2074
3	NOCIL Ltd	276	182	-34.06%	307
4	Container Corporation of India	844	529	-37.32%	726
5	Kirloskar Pnuemactic Company Ltd	1373	1199	-12.67%	1817
6	NBCC (India) Ltd	97	111	14.43%	131
7	NMDC Ltd	72*	76	5.56%	82
8	Med Plus Health Services	675	763	13.04%	1045
9	Biocon Ltd	326	349	7.06%	406
10	NIIT Learning Systems Ltd	469	328	-30.06%	525

* adjusted for Bonus ratio (2:1)