

 **RELIGĀRE** | BROKING
Values that bind

Diwali
PICKS 2023



Diwali Picks 2023

SAMVAT 2080

Our Top 5 Diwali Recommendation

Particulars	Sector	Market Cap (Rs Cr)	*Reco Price (Rs)	Target Price (Rs)	Upside (%)
Tata Consultancy Services	IT	1,237,326	3,382	4,089	20.9
ITC	FMCG	544,939	437	535	22.4
Axis Bank	Bank	314,908	1,022	1,167	14.2
Maruti Suzuki India	Auto	311,816	10,322	12,714	23.2
SBI Life Insurance	Life Insurance	134,696	1,346	1,644	22.2

*Reco price as on 8th November, 2023





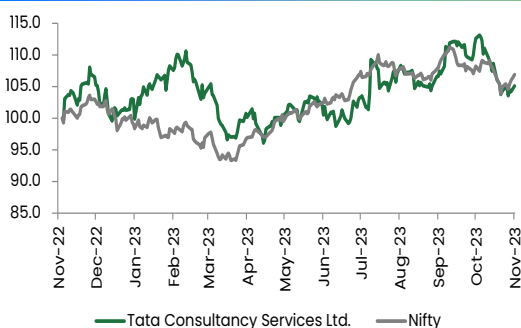
Tata Consultancy Services Ltd.

IT

Key Stock Data

BSE Code	532540
NSE Code	TCS
Bloomberg	TCS:IN
Shares o/s, Cr (FV 1)	366.0
Market Cap (Rs Cr)	1,237,326
3M Avg Volume	17,97,648
52 week H/L	3,679/3,070

1 year relative price performance



1 year forward P/E (x)


BUY
CMP
3,382
TARGET
4,089
UPSIDE
20.9%

Consistent player amongst large-cap IT

Tata Consultancy Services (TCS) is a part of the Tata group and India's largest multinational business group. It is an IT services, consulting and business solutions organization that has been partnering with many of the world's largest businesses in their transformation journeys for over 50 years. TCS offers a consulting-led, cognitive powered, integrated portfolio of business, technology and engineering services and solutions.

Investment Rationale

Steady growth: Amongst the large cap IT pack, TCS topline has been growing at a steady pace of 12.9% CAGR over the last 5 years driven by strong demand for transformation towards digital & cloud technology. Further, in the near term, due to uncertainty around macro environment, client spending is delayed, however FY25 is expected to be robust, driven by strong demand for newer technology such as Gen AI, cyber security, etc. and healthy order pipeline. For margins, EBIT margin stands at 24% for FY23 and 24.3% for Q2FY24 ahead of peers. So, over the next 2 years, we expect topline to grow by 15-16% CAGR and maintain margin between 24-26% led by better topline, improving efficiency and increased utilization.

Opportunity amongst other geographies & verticals: TCS earns 53-55% of revenue from the American region and ~30-33% of revenue from BFSI segment. However, from the past 2-3 quarters, it is witnessing a slowdown because of delays in spending and the banking crisis in the US and on the flip side, we are witnessing steady growth from the European region and segments such as manufacturing, energy and life science. So, going ahead, TCS plan is to focus on opportunity in Europe and Nordic countries as well as segments such as retail, manufacturing, energy where the scope of growth is higher.

Moderating attrition & Record order book: TCS order book remains healthy and is one of the highest amongst large cap IT players at USD 34.1 bn in FY23 and has bagged ~USD 21.4Mn in H1FY24. Going ahead, the company's plan is to convert the current order book to revenue as well as win more deals across geographies & verticals. Besides, its attrition has moderated to 14.9% in Q2FY24 from its peak of 21.5% in Q2FY23 and meanwhile the company strategy is to improve utilization, increase productivity by training employees and providing required skill sets for newer technology.

Outlook & Valuation

We believe from a medium to long term perspective factors such as strong demand for newer technology, record order inflows, client willingness to commit for long term deals and investment towards development of technology as well as up skilling of employees will play out. Besides, improving margins and managing cost as well as the company's focus continues on translating deals to revenue gives us confidence of revival. On the financial front, we have estimated its revenue/EBIT to grow at 16.5/19.8% CAGR over FY23-25E. The stock price has seen decent correction post its Q2FY24 results, thus making its valuation attractive for investment. Thus, we have revised our rating to **Buy** from Accumulate while maintaining our target price of **Rs 4,089**.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	191,754	225,458	261,531	305,992
EBIT	48,453	54,237	64,039	77,863
EBITM (%)	25.3	24.1	24.5	25.4
APAT	38,449	42,303	49,011	59,627
APATM (%)	20.1	18.8	18.7	19.5
EPS (Rs)	105.1	115.6	133.9	162.9
PE (x)	32.2	29.3	25.3	20.8
RoE (%)	43.1	46.8	41.7	42.4

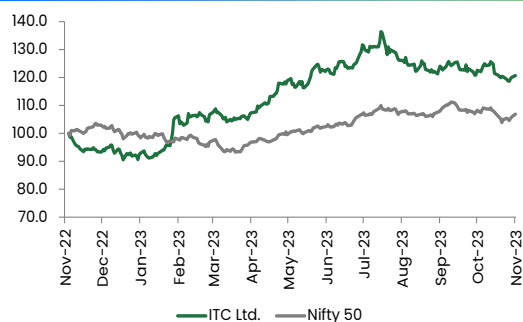
Source : RBL Research




ITC Ltd.
 FMCG

Key Stock Data

BSE Code	500875
NSE Code	ITC
Bloomberg	ITC:IN
Shares o/s, Cr (FV 1)	1242.8
Market Cap (Rs Cr)	544,939
3M Avg Volume	10,105,950
52 week H/L	500/325

1 year relative price performance

1 year forward P/E (x)

BUY
CMP
437
TARGET
535
UPSIDE
22.4%
Steady bet for long term

ITC is one of India's foremost private sector companies and a diversified conglomerate with 12 businesses spanning FMCG, Hotels, Paperboards, Paper & Packaging and Agri Businesses, and operates across all the three sectors of the economy – Agri, Manufacturing and Services. The company's vibrant portfolio of ~25+ Indian brands across various categories.

Investment Rationale

Strong emphasis on ITC Next strategy: ITC is currently focusing on building its non-cigarettes portfolio and thus, it has adopted the Next strategy. This strategy is working well for the company and thus it would continue its focus on building a future-ready portfolio with innovating differentiated products, focus on premium & value added products coupled with increasing adoption of digital media and expanding penetration within markets. All these will drive growth for its non-cigarettes portfolio as well as increase share in overall revenue & profits.

Key focus is on driving FMCG segment: Despite challenging environment, ITC's FMCG segment is growing at a decent pace each quarter and ahead the plan is to continue with consumer centric approach, build future ready portfolio and increase reach via digital technology and invest in brand building via advertisements which will help in fueling brand recall value.

Diversifying to non-cigarettes segments: ITC's cigarettes segment remained impacted largely because of increase in taxation; however in the last 2 years the growth was led by stability in taxes on cigarettes that aided the recovery in volumes, also focused on premiumization and innovating differentiated variants. In the meantime, ITC planned to diversify from cigarettes and focus on building the portfolio of products amongst segments such as FMCG, Hotels, Agri and Paperboard segments. So, it adopted ITC's next strategy, focused on product mix and distribution reach which aided growth for these segments. Thus, its non-cigarettes revenue/profits contribution increased from ~38% & ~14% in FY16 to ~63% and ~22% in Q2FY24, respectively.

Outlook & Valuation

ITC will continue its focus on ITC Next strategy which would aid in building future ready portfolio as well as scaling up non-cigarettes business specially FMCG by innovating, renovating and premiumizing products. Besides, the demerging hotel business is moving as per company's plan which is positive. Overall, the growth prospects remain optimistic and financially we have estimated its Revenue/ PAT to grow at 15%/19.2% CAGR over FY23-25E and assign a **Buy** rating with a target price of **Rs 535**.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	60,669	70,937	81,577	93,814
EBITDA	20,659	25,665	30,716	36,436
EBITDAM (%)	34.1	36.2	37.7	38.8
APAT	15,504	19,477	23,273	27,680
APATM (%)	25.6	27.5	28.5	29.5
EPS (Rs)	12.6	15.7	18.7	22.3
PE (x)	34.7	27.9	23.3	19.6
RoE (%)	24.4	27.8	30.0	30.9

Source : RBL Research





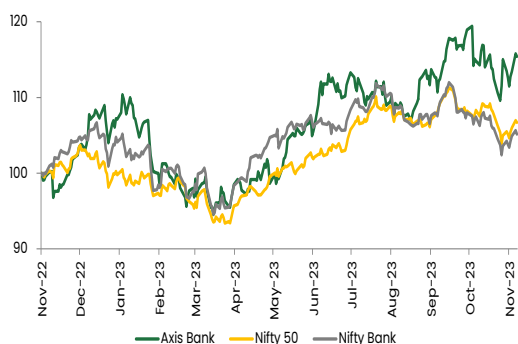
Axis Bank Ltd.

BANK

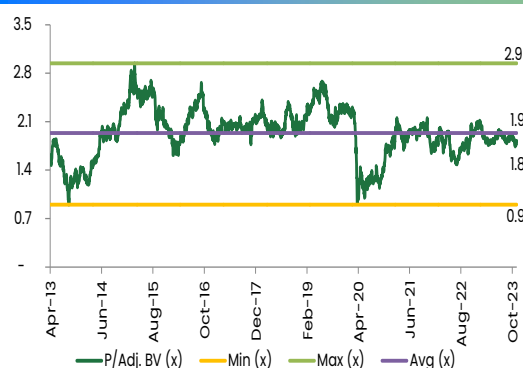
Key Stock Data

BSE Code	532215
NSE Code	AXISBANK
Bloomberg	AXSB:IN
Shares o/s, Cr (FV 2)	308.2
Market Cap (Rs Cr)	314,908
3M Avg Volume	8,964,957
52 week H/L	1,047/814

1 year relative price performance



1 year forward P/Adj. BV (x)



BUY

CMP
1,022

TARGET
1,167

UPSIDE
14.2%

Premiumization led growth along with sustained margins

Axis Bank is the 3rd largest private bank with pan-India presence of 4,903 branches. It has a market share of 6%/5.1% in terms of advances/deposits. The bank has grown sustainably with advances/deposits growth of 14%/14% CAGR over FY20-23. Its wealth management business 'Burgundy' is amongst the largest segments in the industry. Its AuM has grown at 28% CAGR over FY19-23. It also has a strong position in the credit card segment with a market share of ~14%.

Investment Rationale

Traction in retail book: Retail assets continue to be the main driver of growth for the bank which has grown at a CAGR of 17% over FY20-23. It has demonstrated strong growth in this segment compared to its peers. It has consistently outgrown the industry and the management expects to grow 300bps-400bps higher than the industry. We estimate advances growth of 15% CAGR over FY23-25E.

Premiumization driven deposit growth: Deposits of the bank have growth at 15% CAGR over FY20-23. The growth in deposits is expected to be driven by the premium customers post the Citibank acquisition as the average ticket size of such deposits remains strong. The customer of the acquired bank has the CASA ratio of 77%. The bank remains confident of its deposits growth strategy going forward which shall help in sustaining margins as compared to its peers.

Margins continue to remain stable: The bank managed to sustain its margin in an environment where the industry is seeing compression of margins owing to increasing cost of deposits. During Q2FY24, net interest margin increased by 1bps QoQ/15bps YoY to 4.1%. The sustenance of margin is due to its high yielding assets and the ability to use its funds effectively. We remain confident of the bank's ability to sustain margin going forward along with the growing asset book.

Outlook & Valuation

We remain positive on Axis Bank on the back of growing assets book, premiumization of deposits, growing wealth management business and its market position in the credit card segment. The asset quality of the bank continues to remain robust. Also, the acquisition of the premium customers presents an opportunity for the bank to cross sell its other products. We expect NII/PPOP/PAT growth of 11%/15%/9% over FY23-25E. We have a **Buy** rating on the bank with a target price of **Rs 1,167**.

Financial Summary - standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Total income	82,597	101,664	119,983	141,923
Interest expended	34,245	42,218	53,026	66,751
Net interest income (NII)	33,132	42,946	47,924	53,164
Total Expenditure	57,855	69,616	83,438	99,596
Operating profit (PPOP)	24,742	32,048	36,546	42,327
Provisions and contingencies	7,360	2,653	5,482	7,619
PAT	13,026	21,933	23,298	26,031
Adj. BVPS (Rs)	374.7	446.0	482.2	565.7
P/Adj. BV (x)	2.7	2.3	2.1	1.8

Source : RBL Research





Maruti Suzuki India Ltd.

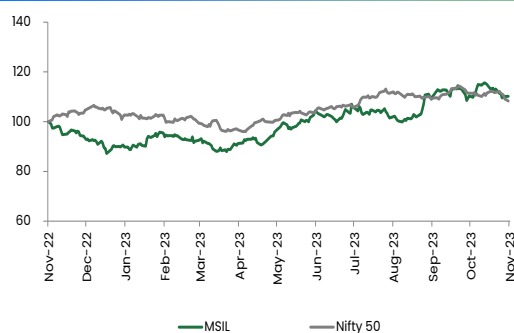
AUTO



Key Stock Data

BSE Code	532500
NSE Code	MARUTI
Bloomberg	MSIL:IN
Shares o/s, Cr (FV 5)	30.2
Market Cap (Rs Cr)	311,816
3M Avg Volume	514,454
52 week H/L	10,845/8,076

1 year relative price performance



1 year forward P/E (x)



BUY

CMP
10,322

TARGET
12,714

UPSIDE
23.2%

To benefit from superior product mix and favorable commodity prices

Maruti Suzuki India is a leading player in the passenger vehicle industry in India with a market share of ~43%. It has a wide range of products under its portfolio from compact to utility vehicles with various fuel options, catering to the different needs of its customers. Additionally, it is the largest exporter of passenger vehicles in India with volumes of ~250k per annum and a revenue contribution of ~11%.

Investment Rationale

Strong outlook in the PV Industry: It is estimated that the PV industry growth will be in the range of ~5-7% for FY24 while the company aims to outpace the industry with a volume growth of 10% which will be largely driven by utility vehicles. MSIL has historically outpaced industry in terms of volume growth, hence we anticipate the company to achieve its targeted volume growth seamlessly.

Improved chip supply and favorable commodity prices: The supply of electronic chips seems to have stabilized which has enabled the company a swift turnaround time of its orders. Besides that, the prices of precious metals have declined shall reflect well in its margins which shall improve the overall profitability of the company for FY24.

Higher presence of SUVs results in healthy realizations: Consumer preference has been shifting towards SUVs which now accounts for ~55% of the industry volumes. Similarly, over the last 4 quarters MSIL's revamped SUV portfolio has witnessed strong demand from consumers due to which SUVs participation rose to ~32.6% vs ~25.4%/~16% in Q1FY24/Q2FY23 respectively. Given the strong response towards its UV portfolio and higher participation of UVs in the volume, we estimate its realization to grow by 12%/5% for FY24/FY25E.

Outlook & Valuation

With superior product mix and favorable commodity prices we anticipate, MSIL will continue to gain market share in its key pockets which will eventually aid in revenue growth. Financially, we estimate its revenue/EBITDA/PAT to grow at a CAGR of 18.2%/34.9%/33.5% over FY23-25E. From a valuation perspective it is currently available at an attractive valuation, with favorable risk to reward ratio. Hence, we recommend a **Buy** with a target price of **Rs 12,714**, assigning a PE of 27x on its FY25E EPS.

Financial Summary - standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	88,296	117,523	144,641	164,149
EBITDA	5,701	11,008	17,068	19,534
EBITDAM (%)	6.5	9.4	11.8	11.9
APAT	3,766	8,049	12,459	14,220
APATM (%)	4.3	6.8	8.6	8.7
EPS (Rs)	124.7	266.5	412.5	470.9
PE (x)	82.8	38.7	25.0	21.9
RoE (%)	7.1	14.1	19.1	18.9

Source : RBL Research





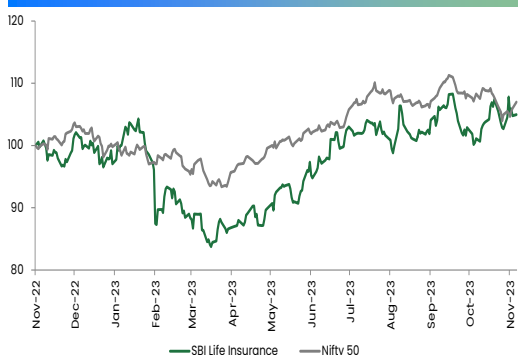
SBI Life Insurance Co. Ltd.

INSURANCE

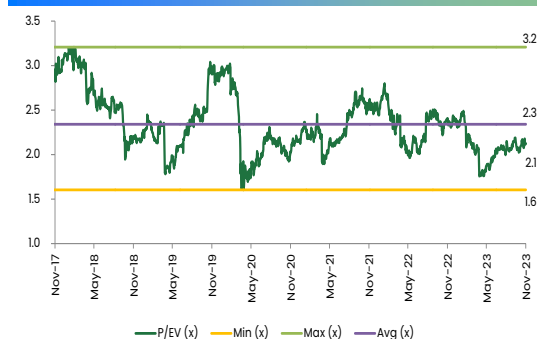
Key Stock Data

BSE Code	540719
NSE Code	SBILIFE
Bloomberg	SBILIFE:IN
Shares o/s, Cr (FV 10)	100.1
Market Cap (Rs Cr)	134,696
3M Avg Volume	1,011,187
52 week H/L	1,393/1,054

1 year relative price performance



1 year forward P/EV (x)



BUY

CMP
1,346

TARGET
1,644

UPSIDE
22.2%

Well positioned company in the growing sector

SBI Life Insurance is the largest private insurance company which provides a wide range of services and has diverse products under its portfolio for insurance and retri benefits. The company has a market share of 10.3% as on September 2023 on NBP basis which increased from 7.2% in September 2022. Amongst private players, its market share stands at 22.3% in individual premium. It leverages on the extensive branch network which demonstrates its wide distribution reach. Its collaboration with its partners enables cross selling opportunities and penetration to newer geographies.

Investment Rationale

Top-line growth remains strong: SBI Life Insurance's Annualized Premium Equivalent (APE) has grown at a CAGR of 16% from FY20-23 while Gross Written Premium (GWP) has grown at 18.3% during the same period. The robust growth in premium income is driven by both its individual/group segments having grown at a CAGR of 16.2%/17.5% over FY20-23. The demonstration of such growth in its core operations strengthens its place to be the largest private life insurance company. We expect SBI Life to continue its growth momentum with APE/NBP CAGR growth of 19%/21% over FY23-25E.

Favorable product mix: The insurance industry in FY24 saw revival of ULIP products at the expense of non-par products. SBI Life ULIPs share in overall APE mix was ~58% as on Q2FY24. The high share of ULIP products presents an opportunity for the company to increase its overall market share and assert its dominance to the changing consumer preference. The company continues to focus on a balanced growth approach with efforts to increase the proportion of Non-Par and Par segments.

Leveraging parent's branch network: SBI Life leverages on its parent bank's extensive branch network which helps it to penetrate in tier 2/3 cities, thus, widening its presence. Along with the bancassurance channel, their agency networks continue to remain strong while the company continues its efforts to increase the agency network. During H1FY24, the company on-boarded 50,000 agents increasing their agency network by 20% YoY to 236,000. Also, the company is investing in tech to grow its direct network for urban customers.

Outlook & Valuation

We remain positive on SBI Life Insurance on the back of strong growth in its core operations which enables the company to increase its market share. The company is rightly placed in the resurgence of ULIP products due to its higher proportions of such products in its overall product mix. We expect APE/NBP/VNB to grow at a CAGR of 19%/21%/23% over FY23-25E. We have a **Buy** rating on the company with a target price of **Rs 1,644**.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net premiums	58,432	66,581	77,042	90,253
Total Income	83,027	81,598	104,211	119,328
Total Benefits	75,102	71,488	92,032	105,707
Surplus/(Deficit) for the period	1,884	2,856	2,948	3,212
APE	14,300	16,810	20,115	23,665
VNB	3,704	5,070	6,299	7,656
New business premium (NBP)	25,460	29,590	35,747	42,975
Embedded value (EV)	39,630	46,060	53,194	62,831
EV per share (Rs)	395.9	460.1	531.4	627.7
P/EV (x)	3.4	2.9	2.5	2.1

Source : RBL Research





Previous Year Recommendation (17th October 2022)

Our Diwali picks delivered an average return of 25% as compared to Nifty 50 return of 12.3%

Large-cap stocks

Particulars	Sector	*Reco Price (Rs)	Target Price (Rs)	**CMP (Rs)	High price (Rs)	Target Met	Return from CMP (%)
UltraTech Cement	Cement	6,272	7,438	8,699	8,751	Yes	38.7
United Spirits	Beverages	826	1,093	1,100	1,108	Yes	33.2
HCL Technologies	IT	995	1,333	1,268	1,311	No	27.4
Maruti Suzuki India	Auto	8,724	9,898	10,322	10,845	Yes	18.3
Asian Paints	Paints	3,198	3,952	3,095	3,568	No	-3.2
Nifty 50	Index	17,312	-	19,444	20,192	-	12.3

Mid-cap stocks

Particulars	Sector	*Reco Price (Rs)	Target Price (Rs)	**CMP (Rs)	High price (Rs)	Target Met	Return from CMP (%)
NAM-India	BFSI	272	331	405	415	Yes	48.9
Dalmia Bharat	Cement	1,509	1,968	2,123	2,425	Yes	40.7
^Kansai Nerolac	Paints	320	470	308	354	No	-3.8

*Reco price as on 17th October, 2022

**CMP as on 8th November, 2023

^Adjusted to bonus issue 1:2





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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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