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INVESTMENT PICKS FOR DIWALI 2023-24



OVERVIEW: SAMVAT 2080

- Indian economy stands out amidst ongoing economic and geo-political challenges that the world is passing through.
- With GDP of US\$ 3.5 trillion, India has already become the fifth largest economy in the world and is on its way to become 3rd largest economy with GDP of US\$ 7.3 trillion by 2030, by surpassing both Germany and Japan.
- Journey towards becoming 3rd largest economy in the world is expected to lead to broad-based growth benefitting diverse sectors of the economy.
- RBI's well balanced act by prudently managing both growth and inflation and Government of India maintaining fiscal discipline has enabled the interest rates to remain at optimal levels.
- This is expected to help revive private sector capex cycle. Retail credit growth has been very strong and the momentum is expected to continue as the increase in per capita income above US\$ 2,500 will further fuel consumption.
- As Indian economy is marching ahead to become the 3rd largest economy of the world by FY30, We at Wellworth are delighted to partner with you in your wealth building journey and on this auspicious festive season, we Wish You and Your Family – A Very Happy Diwali and Prosperous New Year.

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Fundamental Stock Ideas				
COMPANY NAME	SECTOR	CMP*	TARGET PRICE	UPSIDE%
Birla Corporation Ltd	Cement	1277.1	1510	18.24%
Capacite Infraprojects Ltd	Engineering & Construction	207.35	284	36.97%
Century Textiles & Industries Ltd	Paper & Paper Products	1091.2	1395	27.84%
DB Corporation Ltd	Print Media	296.7	380	28.08%
Fusion MicroFinance Ltd	Microfinance	601.25	690	14.76%
IIFL Finance Ltd	NBFC	614.7	812	32.10%
Nippon Life AMC Ltd	Asset Management	384.6	453	17.78%
Shankara Building Products Ltd	Speciality Retail	731	920	25.85%
Sharda Cropchem Ltd	Agrochemicals	401.05	550	37.14%
Vimta Labs Ltd	Healthcare Technology	438.6	624	44.74%

*Closing price as on 02.11.2023



Company Details:

- Birla Corporation Ltd is amongst the leading cement manufacturers in India with total **installed capacity of 20.0 MTPA**.
- Its Cement plants are **located in relatively high growth markets** of Madhya Pradesh (MP) – 5.90 MTPA, Maharashtra – 4.40 MTPA, Rajasthan – 4.20 MTPA, Uttar Pradesh (UP) – 3.45 MTPA and West Bengal – 2.05 MTPA.
- Company also has 94 MW of captive thermal power plants, 34.75 MW of WHRS and 33.62 MW of installed solar power plants.
- Additionally, it has 6 operational captive limestone mines which helps meet about 94% of the total limestone requirement. Company also has 1 operational coal mine and has also bagged rights to mine another 3 coal blocks.

Investment Rationale:

- Indian Cement industry is expected to witness **sales volume growth of 7% - 9% in FY24**, primarily on the back of government's **infra push** and healthy **demand from both urban and rural housing**.
- **Ramp-Up of its new plant** – Mukutban in Maharashtra with installed capacity of 3.9 MTPA enabling them **to make fast inroads into new markets** of South M.P., Gujarat and Telangana.
- Decline in Pet Coke and Coal prices by about 40% - 50% from the peak expected to result in **significant improvement in operating performance** along with **Project Shikhar** – Company initiated operational efficiency exercise. Use of captive coal mines will further help in reducing input cost volatility.
- **EBITDA/Tonne** which had dropped to the **low of Rs. 376** in Q3 FY23 has started to improve (Q1 FY24 – Rs. 664) and Company expects to **exit FY24 with EBITDA/Tonne of Rs. 850**.
- Birla Corporation is available at attractive valuations of **EV/Tonne of US\$ 76**, which is at a discount to similar sized companies.

Year	Revenue	EBITDA	EBITDA Margins (%)	PAT	EPS	ROE %	ROCE %
FY21	6785.45	1337.57	19.7%	630.1	81.8	11.5%	11.2%
FY22	7461.22	1110.01	14.9%	398.6	51.8	6.6%	7.9%
FY23	8682.27	772.01	8.9%	40.5	5.3	0.7%	3.6%

Figures in ₹ cr

Company Details:

- **Engaged in construction of buildings and factories** with specialization in construction of Highrise and Super High-rise residential, commercial, institutional buildings including super speciality hospitals, data centers, car parks, etc.
- Company offers project design, construction and management services to leading real estate and government bodies in India.
- **Caters to marquee public and private sector clients** - which includes names like Oberoi Realty, Godrej Properties, Piramal Realty, Raymonds, among others.

Investment Rationale:

- Rapid urbanization, moderate interest rates and high housing demand are factors fuelling the growth of the residential property market.
- Clear **shift of developers towards more organized EPC players** like Capacite Infraprojects is leading to better contractual terms.
- **Plans to expand reach** on the back of growing clientele and supported by projects funded by global players.
- Healthy **outstanding order book of Rs. 10,245 cr** (as of 30th Jun' 23), sustained order inflow and expertise in executing and delivering projects on time, enables the Company to be well placed to embrace emerging opportunities.
- Working with highly liquid and cash rich organizations in-order to safeguard its own cash flows.
- Company expects to register **operating revenue** of about **Rs. 2,100 cr** (16.7% YoY growth) with **EBITDA margins** in the range of **17% - 18%**. At CMP of Rs. 200, Company is trading at PE of 15.7x

Year	Revenue	EBITDA	EBITDA Margins (%)	PAT	EPS	ROE %	ROCE %
FY21	879.72	136.48	15.5%	1.5	0.2	0.2%	6.2%
FY22	1339.83	218.53	16.3%	47.8	7.0	4.9%	10.3%
FY23	1798.59	351.36	19.5%	95.3	14.0	8.9%	15.6%

Figures in ₹ cr

Company Details:

- **Diverse company** having presence across three distinct businesses viz. Real Estate, Pulp & Paper and Textiles.
- Real Estate portfolio includes both **residential and commercial projects** in major cities such as Mumbai Metropolitan Region (**MMR**), the National Capital Region (**NCR**) and Bengaluru.
- Manufactures premium writing and printing paper, board, Rayon Grade pulp and tissue products under its Pulp & Paper division. Caters to both domestic as well as export market.
- Textile vertical, operated under **Birla Century** is engaged in manufacturing of **premium** textiles which includes bottom weights, suiting, finer fabrics and household linen.

Investment Rationale:

- Indian Real Estate sector is expected to continue its growth momentum on the back of buoyant customer sentiment and robust property launches.
- **Unsold inventory of 0.70 million sq. ft.** of the ongoing projects and **Gross Development Value of ~ Rs. 10,300 cr** for the recently acquired projects at premium locations.
- Pulp & Paper business is expected to grow on the back of increase in Writing & Printing paper demand due to **seasonal impact of festivals** and **New Education Policy (NEP)** and higher demand for Tissue paper from both domestic and exports market.
- Finalization of **FTAs** (Free Trade Agreements) is expected to revive the demand of **fabric and retail garment** market from Q4 FY24.

Year	Revenue	EBITDA	EBITDA Margins (%)	PAT	EPS	ROE %	ROCE %
FY21	2616.57	223.70	8.5%	-30.4	-1.1	-	1.2%
FY22	4130.95	444.51	10.8%	166.5	14.2	4.5%	5.1%
FY23	4799.65	527.33	11.0%	271.9	24.3	7.0%	6.7%

Figures in ₹ cr

Company Details:

- **Largest Print Media company in India** having presence in 12 states with 61 editions in 3 different languages viz. Hindi, Gujarati and Marathi.
- Print Business Portfolio consists of **5 brands** viz. Dainik Bhaskar (Hindi), Divya Bhaskar (Gujarati), Dainik Divya Marathi (Marathi), DB Star and Saurashtra Samachar.

State of the art printing infrastructure having total **installed capacity of 32.93 lacs copies per hour** across 51 printing plants across India.

- Owns licenses for **30 radio stations across 7 states** and Operates Radio business under **94.3 MY FM**. Consolidating presence in line with its strategy to be the market leader in geographies where the Company already has significant print media footprint.
- Digital Presence through 4 portals and 3 Mobile Apps.

Investment Rationale:

- Strong market presence with coverage of about **48%** of India's land area, addressing **47%** of India's urban population and enjoying **51.6%** of consumer market size.
- India's Media & Entertainment industry is expected to grow to **US\$ 55 bn – US\$ 70 bn** by 2030 with Print media having a share of about 13% of the Indian media market.
- Focused execution on digital segment w.r.t content, product and technology has enabled to retain and engage customers, resulting in its News App being the **fastest growing in last 3 years**.
- Indian advertising industry is expected to grow from ~ Rs. 74,300 cr in 2022 to ~ Rs. 141,250 cr by 2028, translating into CAGR of 11.2%.
- **Cash rich Company** with track record of generating consistent healthy operating cash flows.

Year	Revenue	EBITDA	EBITDA Margin	PAT	EPS	ROE %	ROCE %
FY21	1507.70	304.77	20.21%	141.4	8.0	7.8%	10.9%
FY22	1768.54	302.80	17.12%	142.6	8.1	7.6%	11.2%
FY23	2129.22	322.12	15.13%	169.1	9.5	8.7%	12.6%

Figures in ₹ cr

Company Details:

- **Amongst the top - 5 NBFC – MFI**, providing financial services to poor women by pre-dominantly following the joint-liability group model wherein each group having 5 – 7 members.
- **Loans are provided** primarily for agricultural and allied activities, business activities and establishment and expansion of micro-enterprises.
- Company had built a wide network of **1,033 MFI branches** and **70 SME branches** spread across over **399 districts** within **20 states** with a strong focus on rural and semi-urban areas.
- Digitally oriented company, with digital customer onboarding reaching **100%** and cashless disbursement improving to **99.23%** in Q1 FY24.

Investment Rationale:

- NBFC - MFI industry is expected to grow at a **CAGR of 20% - 22%** on the back of increasing penetration into hinterland and expansion into newer states, faster growth in rural segment, expansion in average ticket size and RBI giving NBFC – MFI flexibility to fix interest rates by removing cap of 10% on spreads.
- **Strategic management** of state concentration risk by expanding into underpenetrated rural areas that offer significant growth opportunities.
- Healthy **AUM growth of 41.5% CAGR** between FY21 – FY23 accompanied with improvement in operating performance and asset quality.
- Company has guided for delivering RoAs of **4.25% - 4.50%** and RoEs of **18% - 20%**.

Year	AUM	Operating Profit	Operating Margins (%)	PAT	EPS	ROE %	ROA %
FY21	4638.00	43.41	5.1%%	43.9	5.5	3.6%	0.9%
FY22	6786.00	-20.29	-1.8%	21.8	2.6	1.7%	0.3%
FY23	9296.00	461.34	26.5%	387.1	43.1	21.2%	4.7%

Figures in ₹ cr

Company Details:

- **Leading retail focused diversified NBFC** providing home loans, gold loans, business loans including Loan against property, microfinance loans, capital market finance and developer & construction finance to under-banked and underserved people and enterprises in India.
- Caters to over **80 lacs plus customers** through its extensive network of branches spread across the country and various digital channels.
- **Entered into partnerships** with various banks (SBI, ICICI Bank, IDBI Bank, PNB, DBS, etc.) for Co-lending, Co-origination and business correspondence agreements.

Investment Rationale:

- India continues to be credit starved economy, thus providing significant **long term opportunity** to grow at steady rate.
- **Co-Lending agreement with banks** enables to grow with lower capital resulting in RoE accretion.
- Utilizing digital infrastructure like Account Aggregator for **cash flow based lending** will help in growing while maintaining asset quality.
- About **65% of loan book** being **secured** in nature, helps Company to maintain asset quality.
- Registered consistent **AUM growth at CAGR of 20%** between FY21 – FY23 with significant improvement in operating margins which increased from **16.4% in FY21 to 25.1% in FY23**.
- Delivered steady improvement in RoA and RoE. RoA inched up from 2.0% in FY21 to 3.3% in FY23 while RoE inched up from 15.3% in FY21 to 19.9% in FY23.
- Company expects AUM and Pre-Opening Profit to grow at **CAGR of about 25%** over the next few years.

Year	AUM	Operating Profit	Operating Margins (%)	PAT	EPS	ROE %	ROA %
FY21	44688.00	960.55	16.4%	760.1	20.0	15.3%	2.0%
FY22	51210.00	1488.80	21.7%	1187.9	31.1	20.6%	2.7%
FY23	64638.00	2076.85	25.1%	1500.3	39.2	19.9%	3.3%

Figures in ₹ cr

Company Details:

- **4th largest** Mutual Fund Company in India with AUM of **Rs. 3,61,813 cr** as of 30th Sep' 23.
- Built **strong distribution network** which includes over **95,400** Mutual Fund Distributor partners, **77** bank partners, **85** National Distributors and **77** Alternate partners.
- Enjoys highest **market share of 14.02% in the ETF space**, with Company managing Rs. 80,800 cr as of 30th Sep' 23.
- **Average Monthly SIP flows** has been steadily increasing which stood at **Rs. 1,733 cr** as of 30th Sep' 23. Correspondingly, its **market share** w.r.t. SIP flows has inched up to **10.83%** in Sep' 23 from 6.92% in Sep' 22.
- **Alternatives business** which covers 4 business lines viz. Public Equity, real Estate Credit, Structured Credit and Tech/Venture Capital Fund of Fund (FoF) has been steadily increasing with total commitments at Rs. 5,780 cr.
- AUM of Offshore business which covers Advisory and Managed services stood at Rs. 13,000 cr as of 30th Sep' 23.

Investment Rationale:

- Mutual Fund penetration in India is significantly lower with **Mutual Fund AUM/GDP at about 15%** and **less than 3%** of country's population investing in Mutual Funds.
- Financialization of Savings and favorable demographics with about **60% of India's population in the working age group**.
- Asset Management business is asset light and highly capital efficient as it requires minimal incremental capital to grow business, resulting in **very high operating RoEs**.
- High Dividend payouts with Company distributing over **95% of annual profits** as dividends.
- **Strong Parentage in the form of Nippon Life Group** which has 56 Asset Management and 21 insurance related operations worldwide.

Year	Revenue	EBITDA	EBITDA Margins (%)	PAT	EPS	ROE %	ROCE %
FY21	1062.14	557.52	52.5%	680.33	10.9	21.9%	28.4%
FY22	1306.64	790.72	60.5%	744.16	11.8	21.4%	28.5%
FY23	1349.82	794.71	58.9%	723.33	11.5	20.6%	26.5%

Figures in ₹ cr

Company Details:

- Leading organized retailer of home improvement and building products in India, operating under the brand name, “**Shankara Buildpro**”.
- Sells steel and non-steel building materials of **125+ brands** through its network of 91 retail stores, 21 warehouses, 2,000+ dealer network and 13 processing facilities.
- **Offers comprehensive range of building materials** viz. TMT, cement, construction chemicals, sanitaryware & fittings, tiles, adhesives, electrical, lighting, paint, modular kitchens, etc.
- Evolved from traditional marketplace to **online marketplace** by launching “**BuildPro**” app and website.

Investment Rationale:

- **Plans to scale up** presence in fast growing and value-added **Non-Steel business** (Sanitaryware, Tiles, PVC Pipes & Fittings and Electricals) by increasing its share in total revenues from **9% in FY23 to 25% in FY28**.
- **Leveraging distribution channel** to cross-sell products at its existing fulfillment centres and penetrating further in the existing as well as newer geographies, leading to operating leverage and efficiency.
- Increase in share of Non-steel products expected to lead to **overall improvement in margins** considering that EBITDA margins in Non-Steel products is in the range of **5.5% - 6.0%** while in case of Steel products its at 2.5% - 3.0%.
- Company expects to grow at a **CAGR of 20% - 30%** which is expected to result in improvement in operating and capital efficiency.

Year	Revenue	EBITDA	EBITDA Margins (%)	PAT	EPS	ROE %	ROCE %
FY21	2038.37	70.98	3.5%	13.9	6.1	2.7%	7.9%
FY22	2418.40	84.57	3.5%	34.3	15.0	6.2%	10.4%
FY23	4029.72	117.26	2.9%	63.1	27.6	9.8%	15.0%

Figures in ₹ cr

Company Details:

- **Intellectual Property (IP) driven Agrochemical company** engaged in marketing and distribution of wide range of formulations and generic active ingredients.
- Adopted a **factory-to-farmer approach** to become a **one-stop solution provider** to its global customers.
- Expanded business operations in **80+ countries** across Europe, NAFTA, Latin America and Rest of the World.
- Presence in the **entire agrochemical value chain** with **525 3rd party distributors** and **500+ sales force** serving the Company's clientele in **80+ countries**.

Investment Rationale:

- Global crop protection chemicals market is expected to grow from **US\$ 59.7 bn in 2020 to US\$ 77 .0bn in 2030** on the back of
- **Asset Light business model** by outsourcing manufacturing of Active Ingredients and formulations, enables it to have flexible operating model resulting in overall cost competitiveness.
- Continuous efforts to **identify generic molecules going off-patent** and investing in preparing dossiers and seeking **registrations in own name**.
- Expanding distribution presence by adopting 2-fold strategy of further penetrating into existing markets and also entering newer markets.

High capital efficiency with **RoCEs and RoEs** consistently in the range of **20% and 15%** respectively.

Year	Revenue	EBITDA	EBITDA Margins (%)	PAT	EPS	ROE %	ROCE %
FY21	2395.61	436.73	18.2%	229.2	25.4	14.2%	18.6%
FY22	3579.77	682.91	19.1%	349.3	38.7	18.3%	23.9%
FY23	4045.16	643.09	15.9%	342.0	37.9	15.3%	19.5%

Figures in ₹ cr

Company Details:

- India's **most comprehensive contract research and testing organization**, providing a wide range of services to biopharmaceutical, food, consumer goods, electronic, electrical, agrochemical, healthcare and many other industries.
- Operates **400,000 + sq. ft. of ultra modern lab space** across 19 regional and satellite labs which are located pan-India.
- Ranks **number 1** in **pharma analytical & pre-clinical services** and **food testing services** in India.
- Pharma Analytical and Clinical Research facilities has **secured accreditations and regulatory approvals** from DCGI, USFDA, WHO, NPRA, UK MHRA and other European countries.

Investment Rationale:

- **Secured 25 year Contract** in 2021 to **setup and operate the National Food Laboratory** at Navi Mumbai under PPP model with FSSAI.
- Indian food safety testing market, which is rapidly growing due to high prevalence of foodborne diseases is expected to **grow from US\$ 0.6 bn in 2022 to US\$ 0.9 bn by 2027**, translating into CAGR of 9.3%.
- The Indian government has taken significant steps to streamline regulations related to clinical trials to promote drug development and innovation has **made India an attractive destination for clinical trials**, resulting in increased clinical research in the country.
- Pre-Clinical market in India is expected to grow from **US\$ 0.5 bn in 2021 to US\$ 1.0 bn** in 2030 while Clinical Testing market in India is expected to grow from **US\$ 14.5 bn in 2022 to US\$ 43.6 bn** in 2032, translating into CAGR of 11.6%.
- Highly operating and capital efficient business with Ebitda margins steadily increasing from 25.1% in FY21 to 29.8% in FY23 while RoCEs and RoEs stable at about 23.0% and 17.0% respectively.

Year	Revenue	EBITDA	EBITDA Margins (%)	PAT	EPS	ROE %	ROCE %
FY21	210.68	52.96	25.1%	21.4	9.7	11.0%	13.7%
FY22	278.28	80.29	28.9%	41.3	18.3	17.7%	23.1%
FY23	318.19	94.91	29.8%	48.2	21.4	17.1%	22.8%

Figures in ₹ cr

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Technical Stock Ideas-Samvat 2079- Past Performance

Stock Idea	Recommended Price	Peak Price	Returns	Target Price
Bhel	62	148.9	140%	175
Coal India	237	319.75	35%	380
Exide India	156.1	279.75	79%	345
FSL	104.75	176	68%	300
Tata Motors	401.45	677.8	69%	695

Technical Stock Ideas-Samvat 2080

Stock Idea	CMP*	Target Price	Support
Hind Copper	145.85	270	120
L&FTH	134.4	220	110
MahaBank	42.72	95	33
National Alum	93.4	205	70
Sun TV	640.25	1111	560

*Closing price as on 02.11.2023

- **Company: Hindustan Copper Ltd**

This stock has witnessed a huge volume build up since last nine quarters, post the first leg of upside. A break above 120 levels has confirmed the resumption of second leg of up move & so the stock qualifies for a buy at current levels and on any dips closer to 120 levels for an upside target projected at 270 levels with holding period of next 5-6 quarters.

- **Company: L&T Finance Holding Ltd**

This stock has witnessed a multiyear falling trend line breakout on its quarterly charts at 113 levels, with MACD exhibiting a fresh buy signal, making it a strong case for buy at current levels & on any dips to the support levels of 110. Target projected for the pattern is placed at 225 levels with a holding period of next 3-4 quarters.

- **Company: Bank of Maharashtra Ltd**

This stock has broken out of its long term falling trend line with huge volume at 33 levels, making this stock an attractive buy at current levels & on any dips closer to 33 levels. The whole PSU bank index has been an out performer & MAHABANK is one of the top pick among it. As a positional bet one can set a target of 95 levels with holding period of next 4-6 quarters.

- **Company: National Aluminium Ltd**

This stock had a strong first leg of upside from the levels of 24-132 in 8 back to back quarters, with massive volumes. Post that the stock corrected back to retest its falling trend line placed at 70 levels thereby making this stock a high conviction buy. At current levels & on any dip closer to 70 levels this stock can be bought for an upside target projected at 205 levels, with holding period of next 6-8 quarters.

- **Company: Sun TV Ltd**

This stock had a steep fall from its life highs of 1097 levels in back to back 8 quarters, with 13 quarters of consolidation, post a final bottom in March 2020. A break above 612 levels in last quarter qualified this stock for an attractive buy as per price & time theory. Technical indicator MACD exhibits a fresh buy signal on its quarterly charts supporting the bullish stance. Accumulate this stock from current levels & on any dip closer to 560 levels for a potential upside target projected at 1111 levels, with holding period of next 4-5 quarters.

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