



General Election' 2024 threw a surprising verdict with the BJP loosing its own majority but NDA as an alliance has achieved majority and is all set to form the next government. Stable central government is expected to lead to policy continuity which is the key for positive business sentiments. Policy continuity will help to achieve steady economic growth as the central government is assiduously working towards bringing an all round economic development.

Over the last 10 years Government of India has been having a razor sharp focus on building key infrastructure pillars (road, rail, ports) as it is the bedrock for creating a manufacturing based economy. Key benefits of seamless infrastructure network is the reduction in logistics cost which in turn leads to cost competitiveness for the manufacturers. Policy continuity in infra build – up will benefit sectors like cement, ports, railways, etc. Other key focus area for the BJP led NDA government has been alternate fuels viz, natural gas, solar power, hydrogen fuel cell, etc. and as a result sectors like City Gas Distribution Companies, solar PV manufacturers, battery storage companies, etc. are expected to see positive traction. Indigenous defense manufacturing too has been on the high priority list for the government. Overall economic growth will also have wide demand for credit and as a result financial sector too is expected to see sustained benefits going forward.

We have identified bunch of good quality companies which are available at attractive valuations to invest into from longer term perspective.

JK Lakshmi Cement Ltd – CMP – Rs. 765, Target – Rs. 1,035

- JK Lakshmi Cement Ltd is one of the leading cement manufacturing company in India with total installed capacity of **18.9 MTPA**.
- Its subsidiary, Udaipur Cement Works Ltd commissioned **2.5 MTPA** cement grinding unit in Mar' 24, while incrementally it is further adding **5.95 MTPA** cement grinding capacity at Surat (Gujarat), Durg (Chhattisgarh), Prayagraj (UP), Madhubani (Bihar) and Paratu (Jharkhand).
- Post completion of expansion, Company's total cement grinding capacity will inch up to **24.85 MTPA**, making it one of the leading cement manufacturers in the country.
- Company's efforts to **optimize operational efficiency** has bore fruit and over the last couple of quarters has been consistently generating Ebitda/Tonne of over **Rs. 1,000**.
- Consistently generating **healthy operating cash flow** over the last many years, enabling it to fund capex without taking too much debt.

- Currently it is attractively valued at **EV/Tonne of US\$ 70**, which is significantly lower than similar sized company like Birla Corp and Ramco Cements which are trading at significant premium.

Dalmia Bharat Ltd – CMP – Rs. 1,735, Target – Rs. 2,250

- Dalmia Bharat Ltd is one of the leading cement manufacturing company in India with total installed capacity of **44.6 MTPA**.
- Working on expansion which will take its own capacity to **49.5 MTPA by FY25 end** and acquisition of JP Associates' cement assets (9.4 MT) will further increase its capacity to **58.9 MTPA**. It further intends to increase its capacity to **110 MTPA** capacity by **FY30 – FY31**.
- Being one of the lowest cost cement manufacturer has aided in consistently generating Ebitda/Tonne of over **Rs. 900**.
- Consistently generating **healthy operating cash flow** over the last many years, enabling it to fund capex largely through internal accruals and without resorting to taking high debt.
- Currently it is attractively valued at **EV/Tonne of US\$ 100**, which is lower than similar sized company like Shree Cement and larger companies like Ultratech Cement Ltd which are trading at significant premium.

PNB Housing Finance Ltd – CMP – Rs. 710, Target – Rs. 1,000

- PNB Housing Finance, promoted by Punjab National Bank (28.13% ownership) is a deposit taking Housing Finance Company (HFC) in India which offers Individual Housing Loans, Loan against Property, Non-residential premises loans to Salaried as well as Self-employed customers while also offering Corporate Loans.
- Company's AUM as of 31st Mar' 24 stood at **Rs. 71,243 cr** while outstanding loan book stood at **Rs. 65,358 cr**. Retail : Corporate Loans Mix as of 31st March' 2024 stood at **97.0 : 3.0**.
- Company has significantly unwound its Corporate loans book over the last few years and cleaned up the book by making adequate provision. This has led to steady improvement in asset quality with Gross NPAs declining to **1.50%** in Q4 FY24 from **8.13%** in Q4 FY22 while Net NPAs declined to **0.95%** in Q4 FY24 from **5.06%** in Q4 FY22.
- Capital raise of **Rs. 2,500 cr** through rights issue in May' 2023 has strengthened balance sheet for meeting future growth requirements while it also helped in bringing down gearing ratio to **3.68x** as of Q4 FY24.

- **Upgradation** of its long term credit rating by all the major credit rating agencies – CARE, ICRA and India Ratings and Research should help in bringing down cost of borrowings.
- At CMP of **Rs. 710**, Company is trading at **Price/Book of 1.23x** which looks attractive considering company registering RoE of **10.52%** in FY24 10.90% (optically looks lower due to fund raise of Rs. 2,500 cr), worst of the asset quality being behind and having enough capital to grow in future.

IRM Energy Ltd – CMP – Rs. 440, Target – Rs. 600

- IRM Energy, a City Gas Distribution company promoted by Cadila Pharma has **license to operate in 4 Geographical Areas** (GAs) viz. Banaskantha (Gujarat), Fategarh Sahib (Punjab), Diu & Gir Somnath (UT of Daman & Diu/Gujarat) and Namakkal & Tiruchirappalli (Tamil Nadu).
- Company enjoys network exclusivity rights for **25 years** for infrastructure creation which includes laying of pipelines and setting up CNG stations.
- License to operate in Namakkal & Tiruchirappalli GAs which Company won in the 11th round of CGD auction is **by far the biggest GAs** for the Company and is yet to start delivering materially to the company's business.
- Company expects its sales volume to increase from **0.5 million scmd** in FY23 to **1.5 mn scmd** in FY27, translating into CAGR of approximately **29.5%** between FY23 – FY27.
- At CMP of **Rs. 440**, Company is attractively valued, considering the significant growth opportunities with the new GA of Namakkal and Tiruchirappalli starting to contribute materially to the company's business operations, network exclusivity period of 25 years, healthy operating cash flow generation capability and steady capital efficiency.

Federal Bank – CMP – Rs. 158, Target – Rs. 200

- Federal Bank is amongst the leading mid-sized private sector bank having pan – India presence across both urban and rural areas. As of 31st Mar' 2024 catered to **1.82 cr customers** through its network of **1,504 branches**.
- Product portfolio is fairly diversified across retail and wholesale segments and Retail : Wholesale mix as of 31st Mar' 24 stood at **56 : 44**. Federal bank has been strategically targeting high yielding loan products like CV loans, Gold Loans, MFI loans, Digital Personal Loans and Credit Cards.



- Steady performer with Net Interest Income growing at CAGR of **15.6%** between FY20 – FY24 while Profits after tax has grown at CAGR of **24.6%** during the same period to reach **Rs. 3,721 cr** in FY24.
- Asset quality too has improved with Gross NPAs declining from Covid-19 affected peak of **3.50%** to **2.13%** in Q4 FY24 while Net NPAs too have declined from Covid-19 affected peak of **1.23%** to **0.60%** in Q4 FY24.
- Capital efficiency of the bank too has steadily improved with **RoAs** inching up from low of **0.85% in FY21 to 1.32% in FY24** while **RoAEs** too have inched up from lows of about **10.00% in FY21 to 14.7% in FY24**.
- Federal Bank continues to guide for **18% - 20% loan growth** going forward and to meet this growth it also raised about **Rs. 4,000 cr** in FY24 through preferential issue of Rs. 959 cr to IFC and Rs. 3,040 cr through QIP.
- At CMP of **Rs. 158**, Federal Bank is trading at Price/Book of **1.33x** and Price/Adj. Book of **1.39x** making it the cheaper among the mid-sized highly efficient private banks.

GPT Healthcare Ltd – CMP – Rs. 140, Target – Rs. 210

- Operates multi-specialty hospital chain under **ISL Brand**. Has network of **4 hospitals** – 3 are located in West Bengal and 1 in Agartala. Total bed capacity as of 31st Mar' 24 stood at **561**.
- Offers wide range of healthcare services across **over 35 specialities** and super specialities which includes, internal medicine and diabetology, nephrology (including Renal transplants), laparoscopic and general surgery, orthopaedics and joint replacements, neurology, among others.
- **Strategically focused** on **relatively under penetrated healthcare market in Eastern India** where it has an understanding of regional nuances, patient culture and mindset of medical professionals and where there is under-penetration of quality and affordable healthcare services.
- Strategy of opening right-sized hospitals in densely populated areas of under-penetrated geographies has enabled it to achieve **Ebitda break-even within 9 – 10 months**.
- Eastern India is **geographically well positioned for Medical Tourism** from Bangladesh, Nepal and Bhutan owing to lower average cost of treatment when compared to northern and western parts of India.



- Company is setting up **2 hospitals** – 1 each in Ranchi (Jharkhand) and Raipur (Chhattisgarh) under asset light model. Will be adding **140 beds** capacity in Ranchi and **152 beds** capacity in Raipur at a total capex of **Rs. 50 cr** and **Rs. 55 cr** respectively.
- **Hospital as a sector has long runway for growth** considering significant under-penetration of health infrastructure in India.
- Company has been operating at very high capital efficiency with RoCEs and RoEs at **32.5%** and **21.9%** respectively in FY24 .
- At CMP of **Rs. 140 (M-Cap of Rs. 1,160 cr)**, Company is trading at **EV/Ebitda of 13.7x** its FY24 Ebitda of Rs. 88 cr as against its peers which are trading at an EV/Ebitda of over 20%.

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