

Diwali Picks

Samvat 2081



Domestic equity markets have delivered impressive gains to investors since Diwali 2023. The benchmark NSE Nifty 50 surged 25% while BSE Sensex surged 23% since November 12, 2023, while the BSE Midcap and BSE Smallcap indices have jumped 41% and 39%, respectively, during the same period.

Indian Indices are richly valued compared to their historical valuations and the current prices of many stocks across different sectors offer a low margin of safety. India's weight in global indices has been rising sharply over the past few years and continued performance will attract higher attention and allocation from large global funds. Strong domestic inflows may limit downside risk to markets. Moderate returns can be expected over the coming year with higher volatility.

The recent sharp correction in stock prices may reflect growing recognition of short-term and medium-term challenges or a natural correction in the market from high levels. In our view, large-cap stocks offer better reward-risk balance given more reasonable valuations versus lofty valuations of most mid and small-cap stocks. Investors should view the current market weaknesses as valuable buying opportunities for constructing a top-tier portfolio aimed at riding the multi-year economic up-cycle in India and use the opportunity for wealth creation over the next few years.

With Diwali just around the corner, market investors are looking for opportunities that will welcome Goddess Lakshmi in style. For Samvat 2081, we recommend the following stocks for investment.



HDFC BANK LTD

Sector: Private Bank

About Company

HDFC Bank is the largest private sector bank with a pan-India presence. It caters to a wide range of banking services covering commercial and investment banking on the wholesale side and transactional/branch banking on the retail side. The bank's loan book is well balanced between retail and wholesale loans. Not only the bank, but its strong and marquee parentage enjoys arguably the strongest brand recall in the country, which is a significant competitive advantage in the Indian banking space. The bank's strong brand appeal, impressive corporate governance, and strong management team (consistency in performance and best-in-class asset quality) have enabled it to be a long-term wealth creator for investors.

Key Triggers

- The management indicated that the credit deposit ratio may inch back to pre-merger levels in the next two years.
- The management indicated that FY25 loan growth for the bank would be lower than the market growth and in FY26, the bank should grow a bit faster than the market.
- In the recent quarters, HDFC Bank has been growing in advances slightly lower than its deposits to ensure that the bank operates at an optimal credit deposit ratio.
- Credit-deposit or CD ratio, a measure of how the bank's deposits have been monetized to grow its loans, stood at 100% in Q2 FY25. This is a reasonable improvement from 105% seen in March 2024.
- HDFC Bank moderated its loan growth in the unsecured segment from FY23.

Valuation

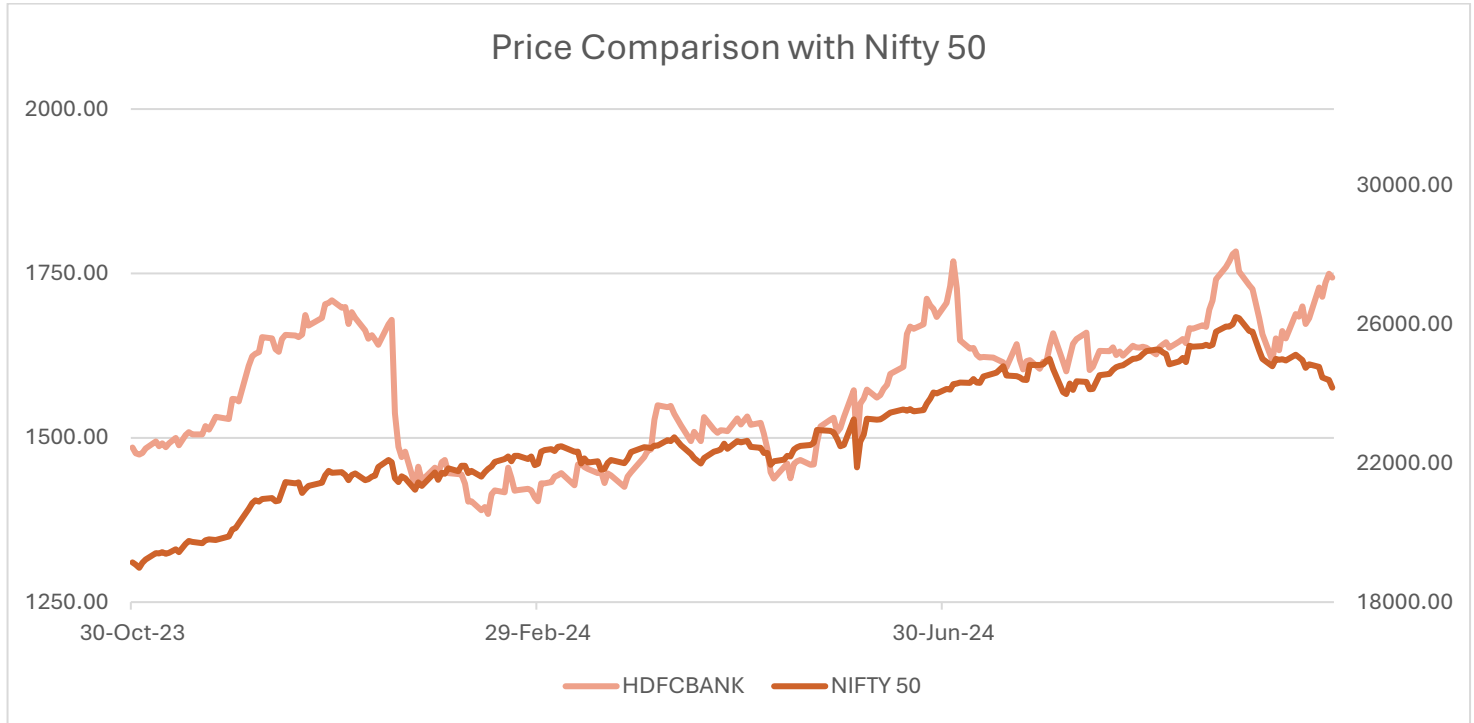
Investors can accumulate the stock at CMP (2x FY26E P/B) for a target of Rs. 2160 (2.5x FY26E P/B).

KEY DETAILS	
Rating	BUY
Price	1725.00
Price Target	2160.00
Market Cap (Rs Cr.)	1316600
Free Float (%)	99.00

SCRIP DETAILS	
Avg Vol Monthly (NSE)	17182994
52 Week H/L (NSE)	1794/1364
Dividend Yield (%)	1.10
BSE Code	500180
NSE Code	HDFCBANK

SHAREHOLDING PATTERN			
	Sep-24	Jun-24	Mar-24
Promoter	-	-	-
FII	48.00	54.30	54.90
DII	35.30	30.70	29.00
Others	16.70	15.00	16.10
Pledge	-	-	-

Market Performance – HDFC Bank Ltd



Financial Summary – Standalone

PARTICULARS (INR CR.)	FY24A	FY25E	FY26E
NII	108530	133170	150290
PAT	60812	69160	77383
P/BV	2.6	2.3	2
ROE (%)	16.9	14.6	14.2
ROA (%)	2	1.8	1.8



RELIANCE INDUSTRIES LTD

Sector: Petrochemical, Telecom & Retail

About Company

Reliance Industries (RIL) is one of India's biggest conglomerates with a presence in oil refining & marketing and petrochemicals, oil & gas exploration, telecom, retail, green energy, digital and media, etc. making it a well-diversified business entity.

Key Triggers

- Management remains positive on steady O2C demand as downstream margins could improve on interest rate cuts and China stimulus, while festive demand could support petchem deltas in India.
- LNG prices are likely to remain elevated on strong demand, geo-political tensions, and supply disruptions.
- Jio saw lower-than-expected subs moderation after the tariff hike; 5G now accounts for 34% of its wireless traffic amid the FTTH and AirFiber scale up.
- Retail focus is on the tech platform with supply chain and distribution capabilities sustaining growth in the near-to-medium term.
- The solar module giga-factory is on track for commissioning by CY24-end.

Valuation

Investors can accumulate the stock at CMP (21.2x FY26E P/E) for a target of Rs 3020 (24x FY26E P/E).

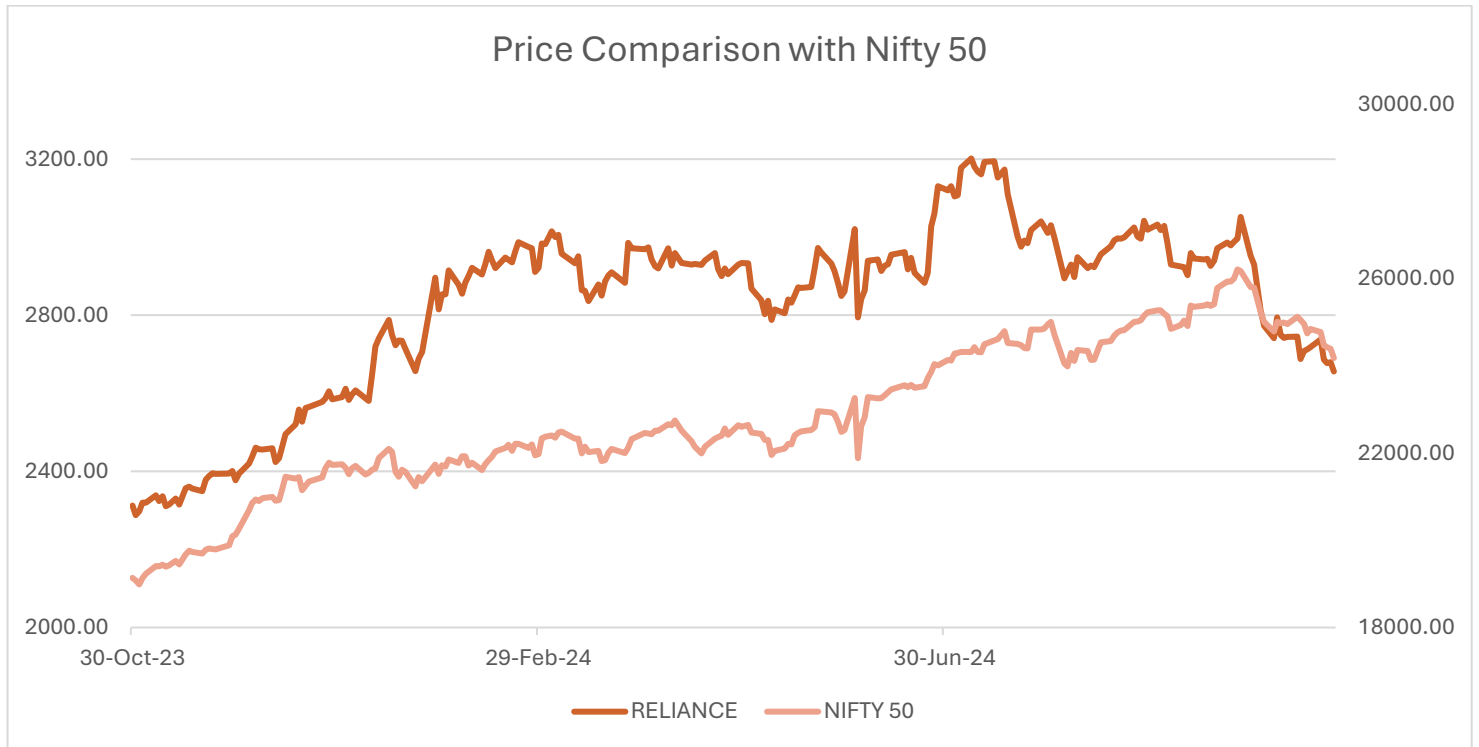
KEY DETAILS	
Rating	BUY
Price	2670.00
Price Target	3020.00
Market Cap (Rs Cr.)	1805690
Free Float (%)	50.00

SCRIP DETAILS	
Avg Vol Monthly (NSE)	5448720
52 Week H/L (NSE)	3218/2270
Dividend Yield (%)	0.75
BSE Code	500325
NSE Code	RELIANCE

SHAREHOLDING PATTERN			
	Sep-24	Jun-24	Mar-24
Promoter	50.24	50.33	50.31
FII	22.06	21.75	21.30
DII	17.80	17.53	17.20
Others	9.90	10.39	11.19
Pledge	-	-	-



Market Performance – Reliance Industries Ltd



Financial Summary – Consolidated

PARTICULARS (INR BN)	FY24A	FY25E	FY26E
Revenue	9011	9737	10453
Net Profit	696	732	853
EBITDA Margin (%)	18	17.5	18.4
EPS (Rs.)	102.9	108.2	125.8



TATA CONSULTANCY SERVICES LTD

Sector: IT Consulting & Software

About Company

Tata Consultancy Services (TCS), a subsidiary of Tata Sons Ltd, is a global IT company providing a range of services to industries, such as banking, financial services and insurance (BFSI), telecommunications, transportation, retail, manufacturing, pharma and utilities.

Key Triggers

- The company's strong deal pipeline, strategic investments in AI/GenAI, and leadership in cloud and cyber-security, position it well for long-term growth.
- TCS remains confident of margin recovery and growth in FY26 as discretionary spending returns.
- The company's ability to navigate client-specific issues and maintain a robust TCV pipeline of US \$8.6bn provides a positive outlook for the future.
- Recovery in BFSI, particularly in the USA, was growth driven by insurance and risk compliance initiatives.
- TCS had client-specific headwinds in the US, resulting in significant impacts. It expects headwinds to stabilise in Q3 and return to growth in Q4.

Valuation

Investors can accumulate the stock at CMP (26.3x FY26E P/E) for a target of Rs. 4570 (30x FY26E P/E).

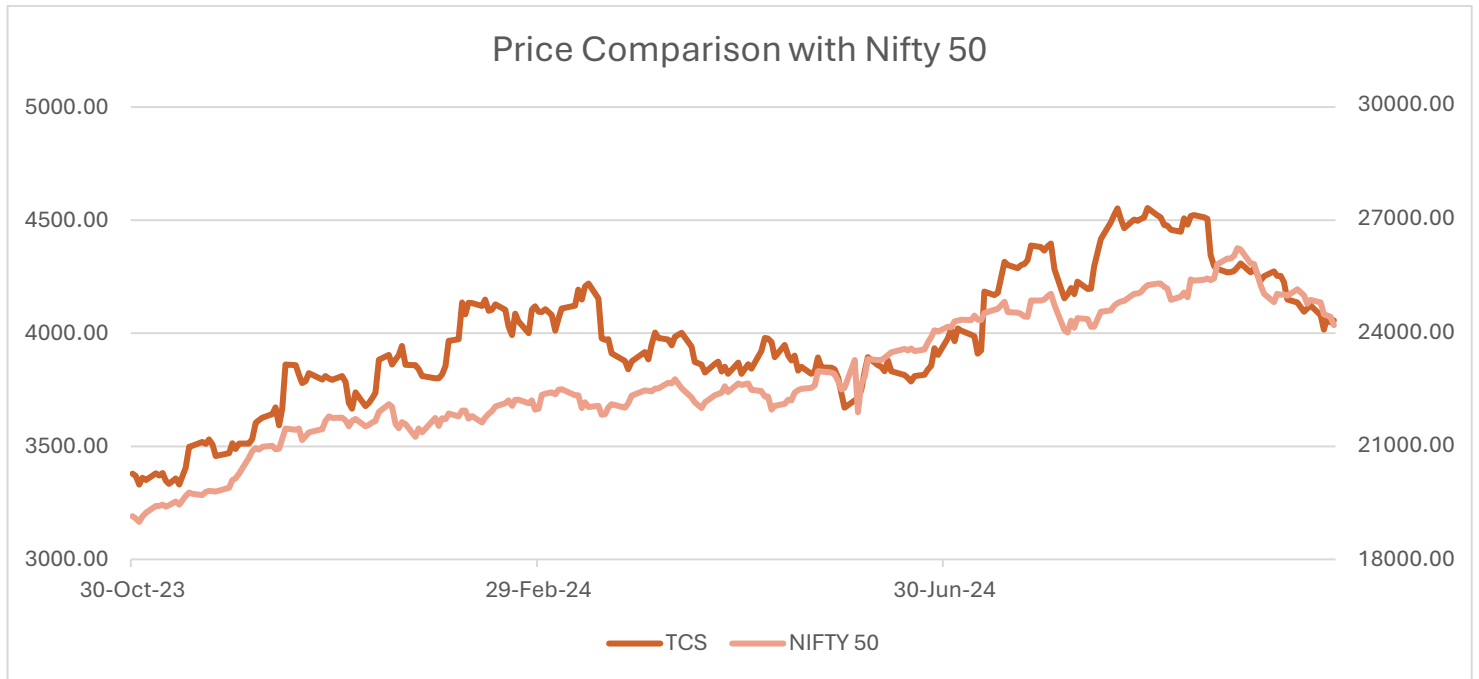
KEY DETAILS	
Rating	BUY
Price	4016.00
Price Target	4570.00
Market Cap (Rs Cr.)	1495710
Free Float (%)	28.00

SCRIP DETAILS	
Avg Vol Monthly (NSE)	2033107
52 Week H/L (NSE)	4592/3311
Dividend Yield (%)	1.79
BSE Code	532540
NSE Code	TCS

SHAREHOLDING PATTERN			
	Sep-24	Jun-24	Mar-24
Promoter	71.77	71.77	71.77
FII	12.66	12.35	12.70
DII	10.92	11.06	10.67
Others	4.65	4.82	4.86
Pledge	-	-	-



Market Performance – Tata Consultancy Services Ltd



Financial Summary – Consolidated

PARTICULARS (INR CR.)	FY24A	FY25E	FY26E
Revenue	240893	256307	274859
EBITDA Margin (%)	26.3	26.8	27.6
PAT	45908	49619	55133
EPS (Rs.)	126.9	137.1	152.4



NESTLE INDIA LTD

Sector: FMCG

About Company

Nestle India Limited is a subsidiary of Nestle which is a Swiss MNC. The company is primarily involved in the food business which incorporates product groups viz. milk products and nutrition, prepared dishes and cooking aids, powdered and liquid beverages and confectionery. It owns brands such as Nescafé, Maggi, Milkybar, Kit Kat, Bar-One, Milkmaid, Nestea etc.

Key Triggers

- The Packaged Foods space in India offers among the strongest top-line growth opportunities and Nestlé is a great play on this theme, especially with its ongoing efforts towards distribution, expansion, and regionalization of products.
- The management's confidence about growth prospects is reflecting in large capex plans. The company has been an outlier among Staples peers over the past few years with strong double-digit sales momentum, but there has been an evident slowdown in sales and volume momentum in the past five quarters, led by weak consumer sentiment (which will take time to recover).
- Nestlé India's elevated valuations have been a factor of execution prowess, price power, strong parentage, and healthy return profile.
- The recent correction, factoring in business pressures, provides an attractive entry point at reasonable valuation.

Valuation

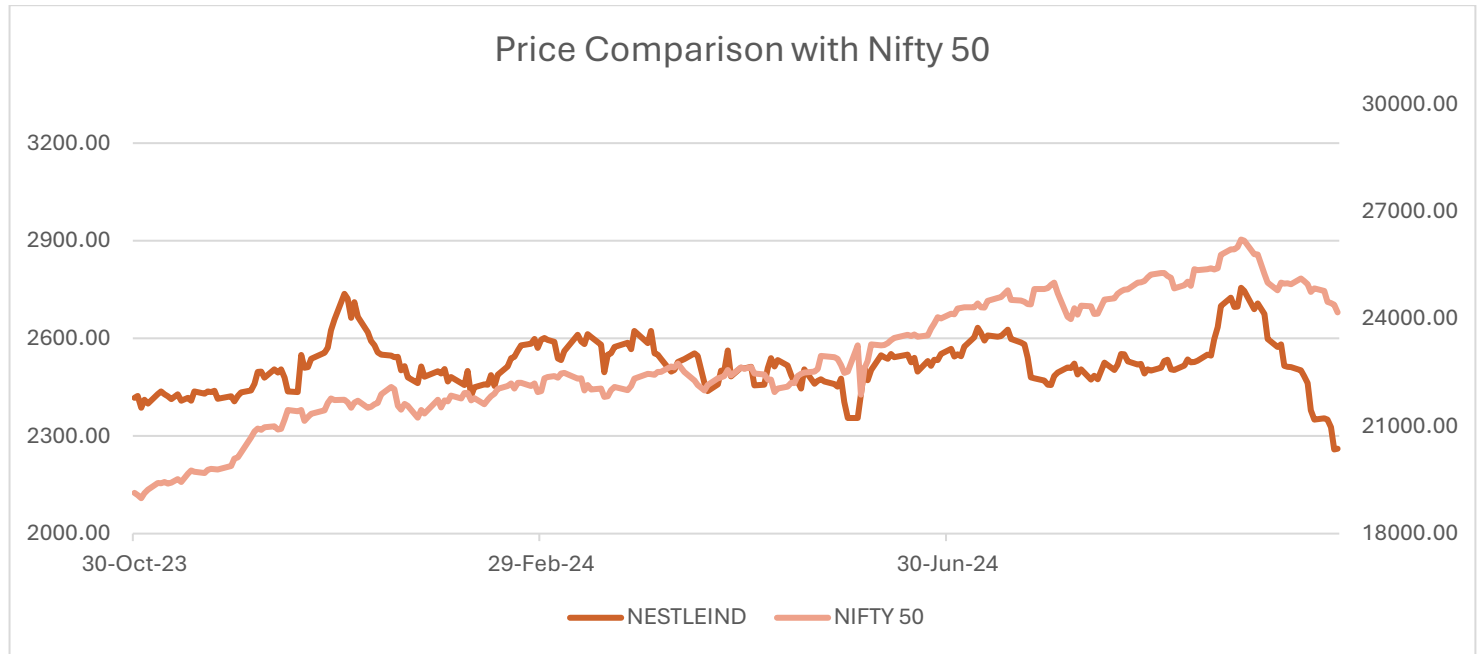
Investors can accumulate the stock at CMP (58.4x FY26E P/E) for a target of Rs. 2670 (70x FY26E P/E).

KEY DETAILS	
Rating	BUY
Price	2230.00
Price Target	2670.00
Market Cap (Rs Cr.)	214732
Free Float (%)	37.00

SCRIP DETAILS	
Avg Vol Monthly (NSE)	726710
52 Week H/L (NSE)	2778/2216
Dividend Yield (%)	1.40
BSE Code	500790
NSE Code	NESTLEIND

SHAREHOLDING PATTERN			
	Sep-24	Jun-24	Mar-24
Promoter	62.76	62.76	62.76
FII	11.94	11.94	12.10
DII	9.50	9.22	9.05
Others	15.80	16.08	16.09
Pledge	-	-	-

Market Performance – Nestle India Ltd



Financial Summary – Standalone

PARTICULARS (INR CR.)	FY24A*	FY25E	FY26E
Net Sales	24394	20444	22393
EBITDA Margin (%)	24	23.3	24.5
PAT	3958	3149	3683
EPS (Rs.)	32.8	32.7	38.2

*NESTLE has changed to Financial Year-end reporting and extended FY24 covering a period of 15 months (comprising five quarters). FY24 EPS is annualised.



TATA TECHNOLOGIES LTD

Sector: Digital Solutions & Software

About Company

Tata Technologies Limited is a global engineering services company offering Product Development and Digital Solutions. The company's primary business line is services, which includes providing outsourced engineering services and digital transformation services to global manufacturing clients helping them design better products for their customers. The company complements its service offerings with products and education businesses (technology solutions). Through its products business, the company resells third-party software applications, primarily product lifecycle management (PLM) software and solutions, and provides value-added services such as consulting, implementation, systems integration, and support.

Key Triggers

- Aerospace sector represents a significant opportunity for growth due to investments made in the last 2-3 years.
- The management expects sequential growth from Q2 onwards, confidence in consistent growth throughout the fiscal year.
- The management aims for a 20% plus EBITDA margin in the long term as the business scales.
- Joint venture with BMW is expected to be launched in the second half of the fiscal year.
- Opportunities in the aerospace sector with Airbus and aircraft seat manufacturers to drive future growth.

Valuation

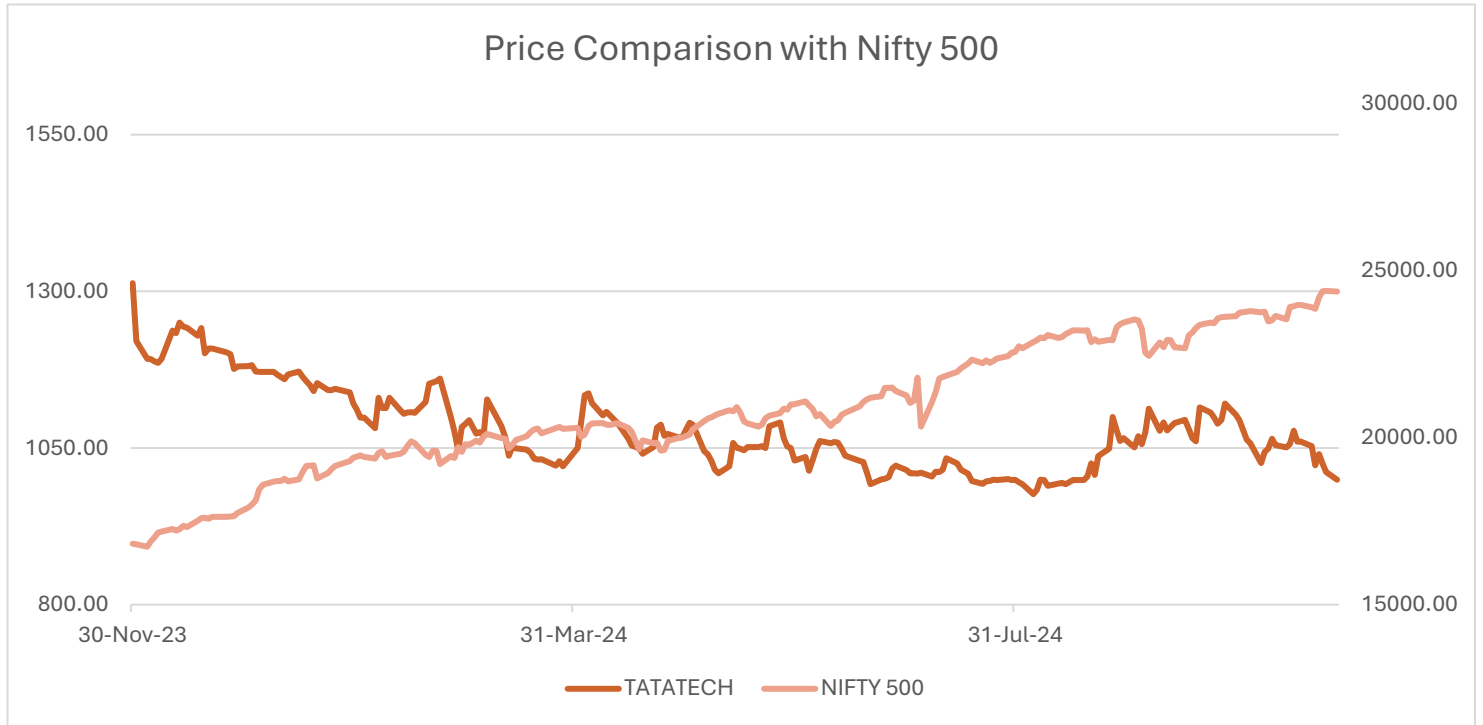
Investors can accumulate the stock at CMP (43.5x FY26E P/E) for a target of Rs. 1240 (52x FY26E P/E).

KEY DETAILS	
Rating	BUY
Price	1035.00
Price Target	1240.00
Market Cap (Rs Cr.)	41979
Free Float (%)	30.00

SCRIP DETAILS	
Avg Vol Monthly (NSE)	4247939
52 Week H/L (NSE)	1400/970
Dividend Yield (%)	1.01
BSE Code	544028
NSE Code	TATATECH

SHAREHOLDING PATTERN			
	Sep-24	Jun-24	Mar-24
Promoter	55.22	55.39	55.39
FII	3.62	1.63	1.10
DII	3.57	1.91	1.64
Others	37.59	41.07	41.87
Pledge	-	-	-

Market Performance – Tata Technologies Ltd



Financial Summary – Consolidated

PARTICULARS (INR CR.)	FY24A	FY25E	FY26E
Revenue	5117	5831	6905
EBITDA Margin (%)	18.4	19	19.9
PAT	679	787	967
EPS (Rs.)	16.7	19.4	23.8



PNB HOUSING FINANCE LTD

Sector: Housing Finance

About Company

PNB Housing Finance offers retail customers housing and non-housing loans, including individual home loans, loan against property, non-resident property loan, among others. It is promoted by Punjab National Bank. The company provides loans to purchase, construct, repair, and upgrade houses. It also provides loans for commercial space, loans against property, and loans for purchasing residential plots.

Key Triggers

- Plan to open 40 more branches in the current year. Focus on expanding in South, North, and West regions. Affordable branches expected to breakeven in 9 to 10 months.
- The management is committed to achieving a range of 2.4% to 2.6% ROA in the next three years.
- The management is confident of maintaining Opex at 1% level despite branch expansion.
- The management expects improvement in NIM after a few quarters.
- The management is expecting significant benefits from the PMAY scheme.
- The management is working towards achieving 1% NPA by year-end.
- CRISIL upgraded the rating to AA+ from AA, outlook stable.

KEY DETAILS	
Rating	BUY
Price	950.00
Price Target	1190.00
Market Cap (Rs Cr.)	24603
Free Float (%)	39.00

SCRIP DETAILS	
Avg Vol Monthly (NSE)	3165621
52 Week H/L (NSE)	1202/604
Dividend Yield (%)	-
BSE Code	540173
NSE Code	PNBHOUSING

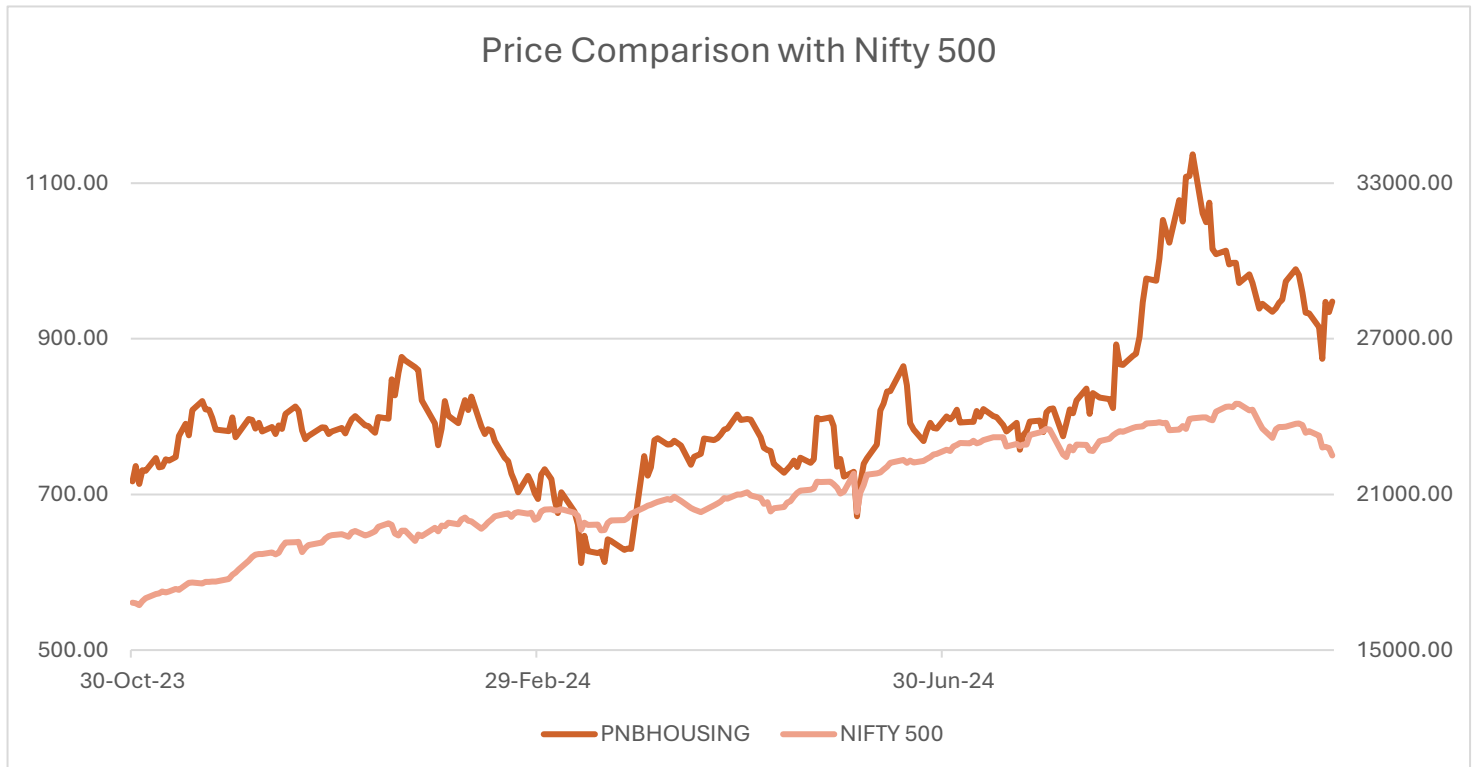
SHAREHOLDING PATTERN			
	Sep-24	Jun-24	Mar-24
Promoter	28.11	28.13	28.13
FII	20.42	17.89	25.00
DII	22.17	10.95	6.88
Others	29.30	43.03	39.99
Pledge	-	-	-

Valuation

Investors can accumulate the stock at CMP (1.36x FY26E P/ABV) for a target of Rs. 1190 (1.7x FY26E P/ABV).



Market Performance – PNB Housing Finance Ltd.



Financial Summary – Standalone

PARTICULARS (INR CR.)	FY24A	FY25E	FY26E
NII	2444	2770	3248
PAT	1527	1841	2194
P/BV	1.7	1.5	1.4
ROE (%)	11.8	11.6	12.3
ROA (%)	2.2	2.3	2.4



TATA MOTORS LTD

Sector: Automobiles

About Company

Tata Motors Group is a leading global automobile manufacturer. Part of the illustrious multinational conglomerate, the Tata group, it offers a wide and diverse portfolio of cars, sports utility vehicles, trucks, buses and defence vehicles to the world. It has operations in India, the UK, South Korea, South Africa, China, Brazil, Austria and Slovakia through a strong global network of subsidiaries, associate companies and Joint Ventures (JVs), including Jaguar Land Rover in the UK and Tata Daewoo in South Korea.

Key Triggers

- Healthy India outlook - particularly in CVs amid impending cyclical recovery and strong margin uptick.
- JLR - The company expects both production and wholesales to pick up strongly in H2FY25 as supplies normalise.
- Structural improvements across operational parameters at JLR - on track for becoming net-debt free in FY25E.
- JLR's commentary on China has been relatively stronger.

Valuation

Investors can accumulate the stock at CMP (11.9x FY26E P/E) for a target of Rs. 1120 (15x FY26E P/E).

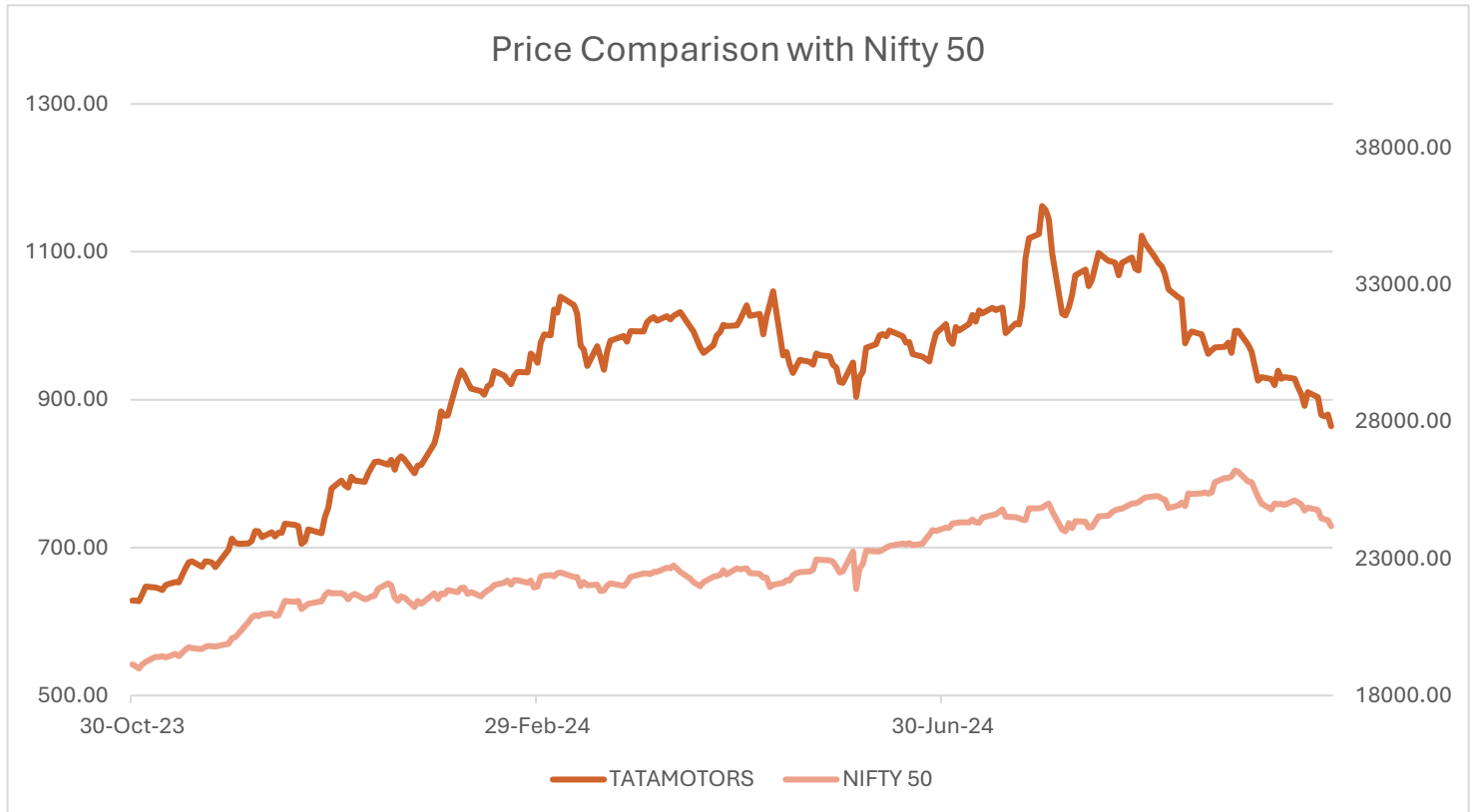
KEY DETAILS	
Rating	BUY
Price	885.00
Price Target	1120.00
Market Cap (Rs Cr.)	326682
Free Float (%)	57.00

SCRIP DETAILS	
Avg Vol Monthly (NSE)	13356780
52 Week H/L (NSE)	1179/622
Dividend Yield (%)	0.72
BSE Code	500570
NSE Code	TATAMOTORS

SHAREHOLDING PATTERN			
	Sep-24	Jun-24	Mar-24
Promoter	42.58	46.36	46.36
FII	20.54	18.18	19.20
DII	16.42	16.07	16.15
Others	20.46	19.39	18.29
Pledge	-	-	-



Market Performance – Tata Motors Ltd.



Financial Summary - Consolidated

PARTICULARS (INR CR.)	FY24A	FY25E	FY26E
Revenue	437928	447105	467185
EBITDA Margin (%)	13.6	14.1	14.4
PAT	21520	22712	27406
Adj. EPS (Rs.)	84.5	61.7	74.50



About Shriram Insight

Shriram Insight, the retail broking division of the Shriram Group, Chennai, provides a comprehensive range of financial services to meet the diverse investment needs of its retail clients. These services include equity and derivatives broking, margin financing, commodities trading, depository services, and the distribution of financial products. Recently, the company has also ventured into the RTA business. With a client base exceeding 2,33,000 in broking and over 1,98,000 in its depository services, Shriram Insight ranks among the leading brokers in Eastern India for both NSE and BSE and is recognized as a top depository participant (DP) with CDSL.

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