Muhurat Picks 2023

HAPPY

Diwali

& A Successful Samvat 2080

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May your investments shine as brightly as the Diwali lights, bringing you **abundant Prosperity and Success!**

The Auspicious Muhurat Trading Session

12th November, 2023

Timings

Pre - Open : 6:00 PM - 6:08 PM

Normal : 6:15 PM - 7:15 PM

Closing : 7:25 PM - 7:35 PM

MD's Desk

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Dear Friends,

Wishing you a joyous and prosperous Diwali, and may the coming year of Samvat 2080 be filled with successful investments and abundant opportunities.

As we approach the end of 2023, India stands as a powerful and emerging economy on the global stage. Our country's remarkable achievements in 2023 include hosting the G20 summit in New Delhi in September, where crucial decisions, related to environment and geopolitical policies were made. Additionally, the successful Chandrayan-3 moon mission's landing in August, attests to India's remarkable strides in space technology.

However, in the world at large, we are witnessing a deepening geopolitical divide, which poses significant risks to global growth and development. The ongoing Russia - Ukraine conflict, which began in February 2022, shows no signs of resolution, and the recent Israel - Hamas conflict has raised concerns due to its impact on international oil prices. The world is currently divided, with the USA and the European Union on one side and Russia, China, Iran, and North Korea on the other. Any escalation of tensions could spell disaster for the global economy.

On the domestic front, India's Q1FY24 GDP growth reached 7.8%, and the Reserve Bank of India projects a growth rate of 6.5% for FY24. In contrast, the International Monetary Fund forecasts global growth to slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024, well below the historical average. India's average inflation for H1FY24 stood at approximately 5.52%, well within the RBI's tolerance range of 2% - 6%. Despite the risks from geopolitical events, the RBI has maintained policy rates, reflecting the resilience of the Indian economy.

The fluctuating value of the rupee and rising international oil prices remain concerns, but India is taking proactive steps, particularly through the adoption of Bio-Fuels, to mitigate these risks. Oil Marketing Companies achieved a 10% Ethanol blending rate with petrol in 2022 and as of February 2023, 20% blending is being introduced in several states, with a nationwide target for 2025 - 2026. The Union Government is also likely to incentivize sugar manufacturing companies to boost ethanol production.

State elections are scheduled for November - December 2023 in Rajasthan, Madhya Pradesh, Chhattisgarh, Telangana, and Mizoram, followed by the General Elections in April-May 2024. A stable government at the Center is crucial to implement robust policies that can drive India towards its goal of becoming a $5 Trillion Economy by 2028 - 29. Today, India's growing economic strength is recognized by major world economies, and they are eager to establish strong and sustainable business relationships. In 2022, we surpassed the U.K. to become the world's fifth-largest economy, a testament to our capabilities and achievements.

As we celebrate the festival of lights, may it fill our homes and hearts with joy and happiness, as we eagerly wait for 2023 to end and the a promising 2024 to begin. Wishing you all a bright and prosperous year ahead.

Warm regards,
Dinesh Jain
Managing Director

Year in Retrospect

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In SAMVAT 2079, The indices touched their all-time highs in September 2023, with the **SENSEX** touching 67,927 points and the **NIFTY** reaching 20,222 points since Diwali 2022, gaining 13.5% - 14%. During this period, Foreign Institutional Investors (FIIs) withdrew approximately Rs. 35,000 Crores, while Domestic Institutional Investors (DIIs) invested around Rs 1,71,000 Crores. Satisfactory corporate results, a near normal monsoon, healthy GDP numbers and rate hike pause by the RBI propelled the indices to a record high. However, the sudden eruption of the Israel-Hamas conflict in the beginning of October 2023 proved to be detrimental due to which the indices started facing volatility and gave up some of their gains

The year 2023 started with caution due to the ongoing Russia - Ukraine conflict. The Reserve Bank of India (RBI) maintained a dovish stance on rate hikes, implementing the last rake hike in February 2023. It has kept the rates unchanged in FY24 till now due to persistent inflationary pressures. The Indian economy reported a GDP growth of 7.2% in FY23, outperforming major world economies struggling with high inflation and central bank rate hikes. Q1FY24 saw GDP growth at 7.8%, and the RBI has estimated an overall GDP growth of 6.5% for FY24. Inflation in FY24 averaged 5.5%. The RBI currently maintains its rates to counter inflationary threats arising from global geopolitical events.

In February 2023, the Union Finance Minister presented the last full-fledged budget before the General Election scheduled for April-May 2024. It allocated Rs. 2,14,000 Crores for Infrastructure Development. Major Capital Goods and Infrastructure companies, especially in the Rail sector, have performed exceptionally well in FY24. Credit off-take has remained strong despite rate hikes, and PSU Banks have outperformed their private sector counter parts in terms of business volumes and financial performance, both in FY23 and H1FY24.

Rupee volatility remains a concern due to the ongoing geo-political tensions. The rupee depreciated by approximately 1% over the last year, standing at Rs. 83.22 against the US Dollar. Despite this, major IT companies reported modest performance in H1FY24, with a cautious outlook due to the economic slowdown in the USA and European countries.

The post-pandemic economic recovery in India has positively impacted the Hotels and Tourism sector, with increasing Foreign Tourist Arrivals. Government initiatives to promote tourism have been successful. The Paper industry has performed well despite a drop in global pulp prices in early 2023.This is due to the new education policy and the ban on single-use plastics, which have benefited the industry. Many companies have improved their financial position in recent years.

Domestic steel consumption has seen strong growth in the first half of the financial year, despite global challenges. The Union Steel Ministry reported a 15% YoY increase in steel consumption from April to September in FY24. The World Steel Association forecasts continued growth in Indian steel demand in 2023 and 2024. The monsoon season in India received slightly below-average rainfall, impacting FMCG (Fast-Moving Consumer Goods) companies. While there were signs of improvement in Q1FY24, weak rainfall in August led to a decline in rural demand. Even though September had surplus rainfall, it wasn't sufficient to boost spending in rural areas, affecting FMCG industry sales, particularly in small value packs.

Vehicle sales remain healthy, and the automobile industry is undergoing a significant technology transformation towards flex-fuels, running on both petrol and ethanol, to reduce India's import bill. In August 2023, the Union Minister for Road & Transport unveiled a Toyota Innova that runs 100% on ethanol, indicating a shift towards more sustainable energy sources in the automotive sector.

The Year Ahead

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In Samvat 2080,

- India is in the midst of electoral processes in five key states – Rajasthan, Madhya Pradesh, Chhattisgarh, Telangana, and Mizoram, leading up to the crucial General Elections scheduled for April-May 2024. The election outcomes will have significant implications for the country's future.
- The adoption of biofuels is a top agenda item, with India aiming to achieve an ethanol blending rate of 20% with petrol by 2025-26. Sugar companies are a key source of ethanol, and the government is set to provide incentives for maximizing production.
- Artificial Intelligence is set to play a pivotal role in India's development, particularly in healthcare, education, and road safety, offering transformative potential while minimizing errors.
- India's marketplace is rapidly developing, with nearly 60 shopping malls spanning 23.25 million sq. ft. expected to become operational between 2023 and 2025, reflecting increased consumerism driven by rising disposable income.
- Retail sales of luxury goods in India are estimated to have increased by 3% in current value terms to reach INR 553.8 billion in 2023. Apart from an increase in spending power, choice of a famous brand has become the style quotient. The testimony to this fact is while the Indian smartphone market shrank 10% by the number of units sold in 2022, the mid-premium (Rs. 25K - 40K) and premium (>Rs 40K) price segments grew 20% and 55%, respectively. Apple phones have dominated the super-premium segment, accounting for 63% of the market in the first half of 2023.
- The "China + 1" strategy continues to boost India's international appeal, with top multinationals looking to India as an alternative destination due to China's increasing isolationist approach.
- The financial services sector, especially PSU banks, is expected to play a crucial role in India's growth. Post-recapitalization and NPA issue resolution, PSU banks have displayed remarkable operational turnarounds and are poised for steady growth.
- India's Gross GST Collections in the first half of FY24 reached Rs 9,92,508 Crores, up 11% YoY, with an average monthly collection of approximately Rs1.65 Lakh Crores, indicating robust economic growth despite high interest rates and inflationary pressures.
- Capital markets remain a preferred choice for corporates to raise funds, with 31 IPOs hitting the Indian market in the first half of FY24, raising Rs. 26,300 Crores. The pharmaceutical sector led the way in H1FY24, with Mankind Pharma raising Rs 4,326 Crores, and more businesses are expected to tap the primary market in 2024.
- **As India aims for a US$ 5 Trillion Economy over the next five years, the nation is poised for robust growth. Despite short-term concerns arising from geopolitical complexities and the upcoming Assembly and General Elections, the long-term growth narrative for India appears promising. Therefore, it is advisable to accumulate stocks with strong fundamentals, considering a long-term investment horizon.**

Warm regards,
Rajesh Agarwal
Head of Research

Stock Picks

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- Andhra Paper Ltd.
- Dreamfolks Services Ltd.
- Global Health Ltd.
- JIO Financial Services Ltd.
- JSW Infrastructure Ltd.
- Kirloskar Brothers Ltd.
- LIC of India

Andhra Paper Ltd.

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Company Background

APL (erstwhile known as International Paper APPM Ltd. and The Andhra Pradesh Paper Mills Ltd.) was incorporated in 1964 by L.N. Bangur group at Rajahmundry in Andhra Pradesh. The total installed capacity for the manufacturing of paper is 248,000 MTPA. APL has been operational for over five decades and is one of the prominent players in the Indian paper industry.

Investment Rationale

- Ban on single use plastic and incorporation of New Education Policy (NEP) is positive for the paper industry and is expected to create an additional demand of 2 - 3 Lakh TPA. To cash in to this opportunity, APL has begun producing value-added products, including Cup stock, Pharma Print and Hi BF Virgin Kraft.
- The paper industry's fortunes are linked to a number of economic indicators, such as literacy rates, spending on education, and sales of fast-moving consumer goods. Most of such indicators show positive momentum, boosting the demand for paper products.
- The Indian paper and paperboard packaging market was valued at Rs 88,314 Crores in 2022, and is expected to reach Rs 1.25 trillion by 2027, growing at a CAGR of 6.63%. Packaging-grade paper makes up for 55% of the major kinds of paper produced. The printing and writing paper market is expected to grow at a CAGR of 1.8% during 2022-2026.
- In FY23, APL achieved the highest-ever sales in a year at 2,50,238 Tons (YoY 4%) with Zero Stock at the close of the year for second consecutive year. Capacity utilization stood strong at Rajahmundry unit at 102.3% and at Kadiyam unit at 107.8%.
- APL has undertaken a technological arrangement with international technology group Andritz which is engaged in providing sustainable technology, automation, and service solutions for the production of all types of pulp, paper, board and tissue. This is expected to lead to enhance APL's capability with respect to boiler upgrade and sustainable technologies to increase capacity and reach environmental goals at its mills.
- Signing of a MOU with the Government of Andhra Pradesh for setting up an integrated Green Field Project at Unit Kadiyam of approximately 1,75,000 MTPA is expected to further enhance its production capacity once the plant comes into stream. The total cost of the project is estimated to be around Rs 4,000 Crores.
- APL has a healthy balance sheet with Cash & Liquid Investments worth Rs 900 Crores at the end of H1FY24 and is virtually debt free. The top line has grown at a 5 Year CAGR of 10% from Rs 1,280 Crores in FY18 to Rs 2,098 Crores in FY23. PAT during the same period has grown by 44% CAGR from Rs. 83 Crores to Rs. 522 Crores.

Particulars (Rs. Crores)	Q2FY24	Q2FY23	Change	H1FY24	H1FY23	Change	FY23	FY22
Revenue	482.03	484.63	-0.54%	959.62	936.64	2.45%	2,097.66	1,380.23
Operating Profit	152.59	158.88	-3.96%	329.05	291.22	12.99%	786.74	265.81
PAT	100.31	113.43	-11.57%	218.85	198.38	10.32%	522.46	139.73
EPS (Rs.)	25.22	28.52	-11.57%	55.03	49.88	10.32%	131.37	35.14
PBIDT Margins	31.66%	32.78%	-3.42%	34.29%	31.09%	10.29%	37.51%	19.26%
PAT Margins	20.81%	23.41%	-11.11%	22.81%	21.18%	7.70%	24.91%	10.12%

Standalone Numbers

Dreamfolks Services Ltd.

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Company Background

Dreamfolks Services Ltd (DSL) is a dominant player and India's largest airport service aggregator platform facilitating an enhanced airport experience to passengers leveraging a technology driven platform. Through its partnerships with other service providers, it has a global footprint extending to 1,500+ Touch-points in over 100 countries, across the world out of which, 268 touch-points are present in India and 1,232 Touch-points overseas.

Investment Rationale

- Domestic passenger traffic, as reported by the DGCA, has witnessed a growth of 20% on YoY basis in H1FY24, while the Dreamfolks lounges PAX (Clients base and Consumers availing Services) has increased by 47% in the same period, indicating the growing demand for lounge services in India as well as changing attitude of people towards having new experiences.
- Given its dominant position in the airport lounge access market, DSL has been successful in building a bridge between its clients and airport lounge operators. Its position in the industry enables it to create interdependencies for its service offerings through its unique value proposition enabling it to attract newer clients and operators, which helps it to further strengthen its position in the market. There are currently limited operators of its scale that provide similar services.
- Rising disposable income is driving air passengers to seek premium airport services, including Lounge Access, Meet & Assist and other ancillary services. This trend is reflected in the growth of DSL, with its top line increasing from Rs. 248 Crores in FY19 to Rs. 773 Crores in FY23, a 4-year CAGR of 33%. It's PAT has seen a nearly 5x increase, rising from Rs. 15 Crores to Rs 72 Crores over the same period. This expansion underscores the appeal of DSL's premium services, as customers willingly spend for enhanced airport experience.
- DSL has an asset light business model which enables it to scale up its business with minimal incremental capital deployment, resulting in high operating leverage. Its ROCE and ROE at the end of FY23 stood at 81.48% and 62% respectively.
- The strategic partnership with a leading visa service provider to offer premium lounges at visa centers and offering doorstep visa services for customers from is expected to increase DSL's coverage further.
- Being constantly on the lookout opportunities to spread its domain like collaborations with leading organizations like Plaza Premium Group and Aspire Lounges is expected to increase the brand loyalty of DSL by diversifying into new geographies.
- DSL is expanding its focus beyond card networks and issuers to offer customer engagement and loyalty solutions for corporate clients. It also plans to create specialized solutions for e-commerce, digital companies, hospitality, and neo banks.

Particulars (Rs. Crores)	Q2FY24	Q2FY23	Change	H1FY24	H1FY23	Change	FY23	FY22
Revenue	282.49	171.24	64.97%	548.81	331.50	65.55%	773.25	282.50
Operating Profit	24.30	19.95	21.80%	41.92	39.31	6.64%	98.92	22.58
PAT	17.85	14.82	20.45%	30.85	28.25	9.20%	72.53	16.25
EPS (Rs.)	3.37	2.84	18.66%	5.78	5.41	6.84%	13.88	3.11
PBIDT Margins	8.60%	11.65%	-26.18%	7.64%	11.86%	-35.58%	12.79%	7.99%
PAT Margins	6.25%	8.65%	-27.75%	5.58%	8.52%	-34.51%	9.38%	5.75%

Consolidated Numbers

Global Health Ltd.

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Company Background

Global Health Ltd (GHL) is one of the largest private multi-specialty tertiary care providers with its span of operations spread across the north and eastern regions of India. It has a network of five hospitals located in Gurugram, Indore, Ranchi, Lucknow, Patna and Noida operating under the "*Medanta*" brand. Within a span of 15 years, it has scaled up its bed capacity to nearly 2,700 and intends to add more than 1,300 beds over the next 3 years.

Investment Rationale

- India has become a popular destination for medial tourism over the last decade. *Gurgaon* is the medical tourism hub followed by *Chennai*. *Medanta Medicity Gurgaon* is a renowned name in the medical world, providing international patients and medical tourists with treatments at a reasonable cost. It is estimated that more than 20,000 patients from 15 countries visit the hospital every year opting for complex surgeries.
- GHL has always been a high-end tertiary specialty provider with focus on treatments in the areas of *Oncology*, *Cardiology*, *Neurology*, Digestive and other segments. In FY23, it derived almost half of its IP (In-Patients) revenue from *Cardiology*, *Oncology* and *Neurology* segments.
- "*Medanta*", being high brand equity in the hospital chains of India, has posted a 15% CAGR in patient volumes over FY19 - 23. Simultaneously, OPD and IPD volumes grew by 15% and 13% CAGR respectively.
- Apart from its presence in the NCR Region, GHL is present in the Tier-2 cities of Lucknow and Patna. These cities also provide immense growth potential in terms of volume and profitability. The Lucknow facility achieved breakeven in its first full year of operations in FY21 while the Patna facility has grown immensely in just two years of operations and achieved breakeven in FY23.
- GHL's bed capacity at the end of FY23 stood at 2,697 beds. Over the next two years, it plans to grow through brownfield expansion, which is likely to result in lower capex per bed and improve ROCE.
- The formation of a Special Purpose Vehicle (SPV) with DLF with 50:50 share in New Delhi is the latest feather in the cap. DLF shall be the strategic investor while GHL shall run the operations. The new facility, with over 400 beds, is expected to offer cutting-edge surgical treatments across specialties under one roof.
- State of the art medical infrastructure of GHL coupled with latest technologies as Artificial Intelligence and 3D enables it to detect and treat complex diseases. It had the distinction of becoming the first hospital in the country to offer robotic surgeries way back in 2010.
- GHL had undertaken a capex of Rs. 1,300 Crores from FY18 to FY23 and has been able to grow its CAGR revenue @15% from Rs. 1,343 Crores to Rs. 2,694 Crores during the same period. Profit during this time period increased by almost 10x from Rs. 33 Crores to Rs 326 Crores.

Particulars (Rs. Crores)	Q2FY24	Q2FY23	Change	H1FY24	H1FY23	Change	FY23	FY22
Revenue	843.94	679.06	24.28%	1,616.98	1,296.51	24.72%	2,694.25	2,167.30
Operating Profit	233.60	172.09	35.74%	432.94	313.74	37.99%	685.53	496.59
PAT	125.16	85.68	46.08%	227.17	144.39	57.33%	326.08	196.20
EPS (Rs.)	4.66	3.38	37.87%	8.46	5.70	48.42%	12.57	7.77
PBIDT Margins	27.68%	25.34%	9.23%	26.77%	24.20%	10.62%	25.44%	22.91%
PAT Margins	14.83%	12.62%	17.51%	14.05%	11.14%	26.12%	12.10%	9.05%

Consolidated Numbers

JIO Financial Services Ltd.

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Company Background

Jio Financial Services Ltd (JSFL) was demerged from its parent, Reliance Industries Ltd in July 2023 and is registered as a Systemically Important Non-Deposit Taking Non-Banking Financial Company (NBFC-ND-SI) registered with Reserve Bank of India.

Investment Rationale

- Indian financial services hold a long term promise. The sector is growing fast. It is estimated that about 10,000 shadow banks account for about a quarter of the country's banking sector. Demand for consumer loans is growing and local banks lack capacity to cater to each and every one. Stronger balance sheets and demand for consumer lending have been pushing the largest shadow banks into steadier businesses such as home appliance loans. *(The shadow banking system is a term for the collection of non-bank financial intermediaries (NBFIs) that provide services similar to traditional commercial banks but outside normal banking regulations)*
- JFSL is India's third-largest NBFC. It has the strong brand and backing of its parent Reliance Industries. Along with its strong parentage, JSFL's huge capital base and the potential to cross-sell financial products to the large customer franchise of retail and telecom business offers immense growth opportunities.
- Partnership with 24 insurers (5 life insurers, 15 General insurers, 4 health insurers) for insurance broking is expected to provide an impetus to JFSL in the ever going insurance sector in India. In the payments business, it launched savings accounts and bill payment services and has a ground network of around 2,400 correspondents.
- JFSL and BlackRock have proposed to enter into a JV with a 50:50 ownership structure, to form an AMC JIO Black Rock. Both the companies are investing $150 Mn. into the venture with aim to offer tech enabled investment solutions to customers at scale. The entity is still pending regulatory approvals.
- The Consumer lending business could get a priority over the others as JFSL is expected to cash on customers looking to purchase electronic items on credit at its Reliance Retail stores. Apart from this, it has plans to add merchant, auto and home loans to its portfolio as well as loans against shares for small businesses and individuals.
- The joining of Mr. K.V. Kamath and Mr. Hitesh Sethia, veterans from ICICI Bank, is anticipated to bring valuable knowledge and expertise to JFSL. Their experience in building financial institutions is expected to be beneficial for the company's growth over time.
- JFSL's Net Worth stood at Rs. 115,500 Crores at the end of Sep, 2023. A strong balance sheet can enable JFSL to raise debt at a competitive rate which can be an edge over many other NBFCs and fintech players
- As part of the demerger, JFSL has received 413 million treasury shares, constituting 6.1% of RIL's total share capital and are valued at approximately Rs. 95,000 Crore at CMP.

Particulars (Rs. Crores)	Q2FY24	Q2FY23	Change	FY23	FY22
Revenue	148.90	2.95	-	41.63	148.61
Operating Profit	126.66	2.75	-	49.34	176.87
PAT	88.76	2.03	-	31.25	168.04
EPS (Rs.)**	0.14	10.05	-	60.46	325.13
PBIDT Margins	85.06%	93.22%	-8.75%	118.52%	119.02%
PAT Margins	59.61%	68.81%	-13.37%	75.07%	113.07%
**Paid up share capital has increased from Rs. 2.02 Crores to Rs. 6,353.28 Crores of FV Rs. 10. | Standalone Numbers					

JSW Infrastructure Ltd.

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Company Background

JSW Infrastructure Ltd (JSWIL) is the 2nd largest commercial port operator in the country in terms of cargo handling capacity. Its operations have expanded from one Port Concession at Mormugao, Goa that was acquired by the JSW Group in 2002 and commenced operations in 2004, to nine Port Concessions as on date across India, with a capacity of 158.4 MMTPA. Its sphere of operations range from providing services like cargo handling, storage solutions, logistics services and other value-added services to its customers, and is evolving into an end-to-end logistics solutions provider.

Investment Rationale

- Post the successful listing of its IPO on 3rd Oct, 2023 where it raised closed to Rs. 2,800 Crores, JSWIL has become net cash positive of Rs. 1,072 Crores which is expected to provide an impetus for it to raise capital for further expansion.
- Strategic location of its Port Concessions in close proximity to its anchor customers and also being well connected to cargo origination and consumption points enables JSWIL to cater to the industrial hinterlands of Maharashtra, Goa, Karnataka, Tamil Nadu, Andhra Pradesh and Telangana, and mineral rich belts of Chhattisgarh, Jharkhand and Odisha. JSWIL has a strategic presence on the West and East coasts of India (9 Ports and Terminals) with operational capacity of 158.4 MMTPA (15% CAGR over FY21-23) and current capacity utilization of 64%.
- JSWIL in India plans to pursue inorganic growth in the port sector, targeting government-owned terminals through Revenue-Sharing or Public-Private Partnership (PPP) models. Additionally, the company is considering the acquisition of smaller private ports. JSWIL has already expanded into container train operations by acquiring Sical Multimodal and Rail Transport Ltd.'s license. Internationally, its subsidiary, JSW Terminal Middle East FZE, is set to acquire a liquid storage unit with a capacity of 4,65,000 cubic meters at the Fujairah port in the UAE for Rs. 1,555 crore. The company expects an annual revenue of $30 million from this venture.
- JSWIL is strategically focusing on expanding in Non-Major Ports, aiming to offer fully integrated logistics solutions with a diverse cargo mix, including bulk, container, liquid, and gases. The company plans to continue its presence expansion across major ports as well. A specific project includes the construction of a non-major port at Jatadhar in Odisha, intended to support JSW Steel's upcoming steel facility in the region. The growth in cargo volumes is anticipated, driven by the ongoing massive expansions in both JSW Steel and JSW Energy.
- JSWIL is focussing on increasing the share of third-party business to 40% within two years and 50% in five years from the current 36% through organic and inorganic routes.

Particulars (Rs. Crores)	Q2FY24	Q2FY23	Change	FY23	FY22
Revenue	848.31	662.00	28.14%	3,194.74	2,273.06
Operating Profit	456.67	300.71	51.86%	1,620.19	1,109.43
PAT	254.40	134.64	88.95%	739.85	327.95
EPS (Rs.)	1.41	0.75	88.00%	4.12	1.82
PBIDT Margins	53.83%	45.42%	18.52%	50.71%	48.81%
PAT Margins	30.16%	20.89%	44.38%	23.16%	14.43%

Consolidated Numbers

Kirloskar Brothers Ltd.

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Company Background

Kirloskar Brothers Ltd (KBL) is a renowned pump manufacturing company known for its expertise in fluid management systems. They offer comprehensive solutions for various sectors, including water supply, power plants, irrigation, construction, oil & gas, and marine & defense. KBL produces a wide range of pumps, valves, and hydro-turbines for industrial, agricultural, and domestic applications.

Investment Rationale

- Government of India (GOI) has been aggressively focussing on improvement in the infrastructure of the country which has directly increased the demand for pumps. KBL has strategically positioned itself among the top 3 players in the residential pump segment and holds the market leadership position in the industrial pump sector.
- The grant of a patent for its PICO Pump Turbine (Turbines smaller than 10kW are called PICO)is a significant milestone for KBL which underscores its ability to innovate energy solutions and technological advancement. The PICO system comprises of several key attributes including cost-efficiency, portability and low maintenance making it an ideal choice for use in hilly regions with water streams, high rise structures and power plants.
- KBL has strategically leveraged its global presence where it incorporated Kirloskar Brothers International B.V. in the Netherlands to act as an investment company for its international business. KBL has manufacturing facilities located in Middle East, South-East Asia and Europe. These manufacturing facilities have not only resulted in the reduction of freight cost and turnaround time but have helped in increasing revenue contribution significantly.
- KBL's products have been well accepted in the international market despite being sold at a 20-30% premium. For instance, KBL Fire Products holds a healthy market share of 25% in the US fire products market. While this is a low-revenue contributor on the consolidated level, it facilitates strong acceptance of the KBL products in the international market.
- A diversified product portfolio of more than 250 products and 1,00,000+ SKUs has enabled KBL to market its products in each and every corner of the world. KBL holds the distinction of being one of the few pump manufacturing companies in the world to have a dedicated 3D printing machine. This has helped it in reducing lead time to replace accessories, which has resulted in notable volume growth for the company on a YoY basis.
- KBL's transformation from a low margin EPC projects based business to a product based business has helped it to penetrate deep into B2B and B2C business which has helped in yielding more profits and positive cash flows with minimal working capital requirement.

Particulars (Rs. Crores)	Q2FY24	Q2FY23	Change	H1FY24	H1FY23	Change	FY23	FY22
Revenue	913.10	864.00	5.68%	1,812.60	1,648.10	9.98%	3,730.22	3,057.63
Operating Profit	94.80	62.60	51.44%	204.80	103.40	98.07%	399.00	206.03
PAT	50.40	30.70	64.17%	114.10	46.10	147.51%	234.94	94.34
EPS (Rs.)	6.34	3.86	64.25%	14.30	5.69	151.32%	29.55	11.87
PBIDT Margins	10.38%	7.25%	43.17%	11.30%	6.27%	80.22%	10.70%	6.74%
PAT Margins	5.22%	3.47%	50.43%	6.27%	2.74%	128.83%	6.30%	3.09%

Consolidated Numbers

LIC of India

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Company Background

Life Insurance Corporation of India (LIC) is a dominant force in India's life insurance industry commanding a market share of 71.26% and 62.58% in Policies and Premiums respectively at the end of FY23. It also holds the distinction of managing the country's largest Assets Under Management (AUM) worth Rs. 47.43 Lakh Crores. LIC has the largest agency force of 13.47 Lakh agents with a composite business market share of 58.50%.

Investment Rationale

- LIC key strengthens lies in its large customer base of more than 278 Mn, ably backed by its huge agency network. Its strong brand equity embedded with the sovereign guarantee attached to its policies makes it a product of choice. It has plans to have a pipeline of good margin products that is expected to be promoted in FY24. Strong business growth with an improving product mix is expected to drive the performance forward.
- LIC is the fifth-largest insurer in the world in terms of Gross Written Premiums (GWP) and its AUM at Rs 47.43 Lakh Crores is estimated to be greater than the AUM of the whole domestic mutual fund industry at Rs 40 Lakh Crores (Approx.) at the end of FY23.
- LIC is gradually aiming to diversify its product mix by increasing its non-par business share. This is evident from LIC's individual business share of non-par climbing higher to 8.89% in FY23, from 7.12% in FY22. However, it is made itself clear that participating (Par) products is LIC's strength and it will not compromise on that.
- A moderation of interest rates raises the demand for Annuity products. With the RBI signaling that the peak of high interest rates behind, it is expected that rates shall be moderated from beginning of 2024 raising the demand for annuity products.
- LIC's protection plans are just about 2% of its total APE (Annual Premium Equivalent) as compared to 11-17% for the top 3 private sector players. The wide gap in its insurance coverage coupled with an increased awareness of protection needs following the Covid-19 pandemic is expected to increase its share of protection plans.
- At 15.53%, the expense ratio of LIC is lower compared to 17% of its private peers and 16% of the industry as a whole. The company's Opex ratio has been consistently lower than the private sector average.
- LIC has the levers in place to maintain the industry-leading position and ramp up growth in the highly profitable product segments mainly Protection, Non-PAR, and Savings Annuity.
- LIC's market capitalization to embedded value of 1.72 times which is appealing when compared to its other listed peers.

Note: The YoY comparison of profit numbers for LIC may not be accurate due to a change in accounting policy in the Q2FY23. This change involved transferring an amount of Rs. 27,241 Crore from the Non-Participating Policyholder's Account to the Shareholder's Account, specifically related to the accretion on the Available Solvency Margin.

Particulars (Rs. Crores)	Q2FY24	Q2FY23	Change	H1FY24	H1FY23	Change	FY23
Net Premium Income	1,07,876.80	1,32,631.72	-18.66%	2,06,632.02	2,31,436.97	-10.72%	4,75,956.88
PBT	8,127.69	15,881.94	-48.82%	17,861.25	16,513.17	8.16%	36,080.94
PAT	8,030.28	15,854.35	-49.35%	17,665.27	16,457.14	7.34%	35,996.65
EPS (Rs.)	12.70	25.07	-49.34%	27.93	26.02	7.34%	56.91
PBT Margins	7.53%	11.97%	-37.08%	8.64%	7.14%	21.15%	7.58
PAT Margins	7.02%	11.55%	-39.22%	15.78%	11.49%	37.34%	7.56

Consolidated Numbers

Financial Highlights

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Company	Equity (in Rs. Crore)	Market Cap (in Rs. Crore)	Price (as on close of 10/11/23)	52 Week High	52 Week Low
Andhra Paper Ltd.	39.77	2,197.89	552.65	675.00	371.40
Dreamfolks Services Ltd.	10.61	2,674.63	504.40	846.75	348.20
Global Health Ltd.	53.68	24,320.86	906.05	937.30	391.05
JIO Financial Services Ltd.	6,353.28	1,41,011.14	221.95	278.20	204.65
JSW Infrastructure Ltd.	406.63	41,380.53	197.05	215.40	141.75
Kirloskar Brothers Ltd.	15.90	6,802.57	856.65	1,060.00	286.85
LIC of India	6,325.00	3,86,172.73	610.55	754.40	530.20

Performance of Diwali Picks Samvat 2079

Company	Equity (in Rs. Crore)	Recommended Price	High After Call	Max Returns
Ambuja Cement Ltd.	397.13	512.25	598.00	16.74%
Bajaj Finserv Ltd.	159.26	1,684.00	1,817.90	7.95%
Container Corporation of India Ltd.	304.65	747.90	828.75	10.81%
FIEM Industries Ltd.	13.16	1,592.00	2,113.45	32.75%
GNFC Ltd.	155.42	727.35	735.00	1.05%
Polycab India Ltd.	149.77	2,697.45	5,493.65	103.66%

Performance of Diwali Picks Samvat 2078

Company	Equity (in Rs. Crore)	Recommended Price	High After Call	Max Returns
Bajaj Finserv Ltd. (Bonus and Spilt Adjusted)	159.26	1,750.97	1,756.90	0.34%
Bank of Baroda Ltd.	1,034.27	100.90	219.65	117.69%
Bharti Airtel Ltd.	2,836.60	699.00	960.25	37.37%
Grasim Industries Ltd.	131.68	1,785.55	2,022.00	13.24%
Sona BLW Precision Forgings Ltd.	585.41	642.85	839.90	30.65%
SUN TV Network Ltd.	197.04	593.35	666.50	12.33%
Vardhman Textiles Ltd.	57.82	418.32	576.00	37.69%

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