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Fundamental Diwali Picks 2023



murugappa

Reliance Industries Ltd.

CMP = Rs. 2312

Accumulate

About the Company

Reliance Industries Ltd. (RIL) is one of India's foremost conglomerates, boasting a diverse portfolio across various sectors, including petrochemicals, refining, oil & gas exploration, retail, telecommunications, & digital services. Founded by Dhirubhai Ambani in 1966, the company has grown into a global powerhouse.

Core Segments:

- Petrochemicals & Refining:** RIL's petrochemical division is among the largest in the world, producing a wide range of products such as polymers, fibers, & specialty chemicals. The company's refining capabilities & state-of-the-art facilities enable the processing of crude oil into high-value products for domestic & international markets.
- Oil & Gas Exploration:** Through its subsidiary, Reliance Industries has made significant strides in the exploration & production of oil & gas reserves. The company's strategic investments in offshore assets have positioned it as a key player in India's energy landscape.
- Retail:** Reliance Retail has an extensive network of stores spanning various formats, including hypermarkets, supermarkets, & specialty stores, the company caters to a wide spectrum of consumer needs.
- Telecommunications & Digital Services:** Jio, a subsidiary of RIL, has disrupted the Indian telecom market, offering affordable, high-speed data services to millions. In addition to telecommunications, Jio's foray into digital services, including content streaming & e-commerce, has bolstered the company's presence in the rapidly evolving digital landscape.

Investment Rationale

- All verticals fired doing well. Jio, Retail along with Oil & Gas key revenue & profitability driver.
- Consolidated H1FY24 Pat at Rs. 19,878 crores is up +9.1% over H1FY23.
- Consolidated EBITDA margins for H1FY24 improved to 20.52% from 16.20% in H1FY23.
- Large part of capex for 5G roll out done. Going forward higher operating leverage & lower finance cost will add to profitability & better margins.
- We expect net profit of Reliance Industries to compound at an annual rate of 12% to 15% over next 3 years led by Jio Platforms, Retail & Gas division.
- We have assumed Jio Platforms expected annual profit CAGR over FY'23 to FY'26 @ 20%, for Retail biz. @ 12% & for Oil & Gas @ 15% while for Oil to Chemicals we expect a drop of 2% to 5% over the aforementioned period.

QUICK DATA

Face Value (Rs.)	10.0
No. of Shares (Cr)	677
MCAP (Rs. Cr)	15,65,747
52W H/L (Rs.)	2,632 / 2,000
BSE Code	500325
NSE Symbol	RELIANCE
Book Value	1,110

RATIOS

ROE	8.94%
ROCE	9.14%
P/E Ratio (ttm)	22.9x
P/BV (ttm)	2.07x
Dividend Pay-out	9.13%
Dividend Yield	0.40%

SHAREHOLDING PATTERN

Promoters	50.27%
FII	22.60%
DII	15.99%
Public	11.15%

STOCK PRICE MOVEMENT

5d	+0.97%
30d	-0.04%
3m	-7.80%
52w High	-13.44%
52w Low	+16.00%




Hindustan Aeronautics Ltd.
CMP = Rs. 1834
Accumulate

About the Company

Hindustan Aeronautics Limited (HAL) is a pioneering aerospace and defense company based in India. Established in 1940, HAL has played a pivotal role in shaping the nation's aerospace capabilities. With a rich heritage of designing, manufacturing, and maintaining a wide array of aircraft and aerospace systems, HAL stands as a cornerstone of India's defense and aviation sector.

Core Capabilities:

- 1) Aircraft Manufacturing:** HAL's expertise encompasses the production of a diverse range of aircraft, including fighters, transport aircraft, helicopters, and trainers. The company has been instrumental in developing and upgrading indigenous aircraft, thereby bolstering India's self-reliance in aerospace technology.
- 2) Aerospace Systems and Components:** Beyond complete aircraft, HAL is renowned for manufacturing critical aerospace systems and components. These encompass engines, avionics, communication systems, and various aerostructures, contributing to the holistic development of aerospace capabilities.
- 3) Maintenance, Repair, and Overhaul (MRO):** HAL provides comprehensive MRO services for a wide spectrum of aircraft, extending the operational life and efficiency of both military and civil fleets. This expertise is pivotal in ensuring the continued airworthiness of aircraft operated by various stakeholders.
- 4) Research and Development (R&D):** HAL's commitment to innovation is evident through its dedicated R&D centers, working on advanced technologies in aeronautics and related domains. This emphasis on indigenous research bolsters India's capabilities in cutting-edge aerospace technologies.

Investment Rationale

- Pure play on defence and make in India.
- Company sitting on strong order book of around 81,000 crores plus pipeline stronger. Book to Bill ratio in excess of 3x.
- It's a net debt free, having cash per share of about ~ Rs.300.
- Shareholders enjoy dividend yield of ~1.50%.
- Strong financials ROE of +27%, operating margins 25% based of FY'23.
- Going forward operating leverage will kick in, as capacity utilisation level will rise on back of better execution of order book.
- Profit has compounded at a cagr of ~24% over last 5 years. Same trend is expected over next couple of years.

QUICK DATA

Face Value (Rs.)	5.0
No. of Shares (Cr)	66.9
MCAP (Rs. Cr)	1,22,984
52W H/L (Rs.)	2,090 / 1,150
BSE Code	541154
NSE Symbol	HAL
Book Value	351.0

RATIOS

ROE	27.2%
ROCE	30.6%
P/E Ratio (ttm)	20.4x
P/BV (ttm)	5.24x
Dividend Pay-out	31.6%
Dividend Yield	1.49%

SHAREHOLDING PATTERN

Promoters	71.64%
FII	12.63%
DII	9.72%
Public	6.02%

STOCK PRICE MOVEMENT

5d	-3.97%
30d	-6.23%
3m	-5.06%
52w High	-13.58%
52w Low	+60.00%




Poonawalla Fincorp Ltd.
CMP = Rs. 353
Accumulate
About the Company

- ✦ Poonawalla Fincorp Limited is a Cyrus Poonawalla group Non-Banking Finance Company (NBFC) that focuses on consumer and MSME financing, registered with the Reserve Bank of India (RBI).
- ✦ Incorporated as Magma Leasing Limited, the company entered the financing business in 1989. It was renamed Magma Fincorp Ltd in 2008 and Poonawalla Fincorp Ltd in 2021, post-acquisition of the controlling stake of 60% by RSHPL. It operates through a network of 102 branches as on September 30, 2023, across 19 states of India.
- ✦ The Company has standalone AUM of Rs. 20,215 crores as on September 30, 2023, and employs around 2,300 people. The Company offers pre-owned car finance, personal loans, loan to professionals, business loans, loan against property, supply chain finance, machinery loans, medical equipment loans and consumer loans.

Investment Rationale:

- ✦ The company reported very strong set of Q2FY24 numbers. We expect AUM to keep growing in mid-teens quarter on quarter (sequentially) over FY23 to FY26.
- ✦ Robust advances growth is coupled with improving asset quality. In Q2FY24, GNPA was down 41 bps Y/Y at 1.36% and NNPA down 22 bps Y/Y at 0.72 %.
- ✦ NIM's improved 106 bps Y/Y to 11.42%.
- ✦ ROA was up at 5% one of the best in industry.
- ✦ AUM has grown at 54% Y/Y and over 14% Q/Q in second quarter of FY'24 to around ~Rs. 20,215 crores.
- ✦ Enough scope of rerating going forward.

QUICK DATA

Face Value (Rs.)	2.0
No. of Shares (Cr)	76.8
MCAP (Rs. Cr)	27,083
52W H/L (Rs.)	452/243
BSE Code	524000
NSE Symbol	POONAWALLA
Book Value (Rs.)	102

RATIOS

ROE	10.5%
ROCE	8.53%
P/E Ratio (ttm)	31.6x
P/BV (ttm)	3.49x
Dividend Pay-out	22.5%
Dividend Yield	0.57%

SHAREHOLDING PATTERN

Promoters	62.10%
FII	7.91%
DII	6.94%
Public	23.06%

STOCK PRICE MOVEMENT

5d	-7.27%
30d	-7.81%
3m	-11.02%
52w High	-29.14%
52w Low	+44.03%




Rail Vikas Nigam Ltd.
CMP = Rs. 156
Accumulate
About the Company

✦ Rail Vikas Nigam Ltd was Incorporated in 2003 by the Govt. of India, it is engaged in the business of implementing various types of Rail infrastructure projects assigned by MoR including doubling, gauge conversion, new lines, railway electrification, major bridges, workshops, Production Units and sharing of freight revenue with Railways as per the concession agreement entered into with Ministry of Railway.

✦ The company began its operation in 2005. It was granted Miniratna status in September 2013.

Business Offerings

1. **New lines:** This includes augmenting the rail network by laying new railway lines to achieve a seamless bi-modal transportation network.
2. **Doubling:** It involves the provision of additional lines by way of doubling the existing routes to enable the Indian Railways to ease out traffic constraints.
3. **Gauge conversion:** This includes the conversion of meter gauge lines to broad gauge railway lines.
4. **Railway electrification:** This includes the electrification of current un-electrified rail network and electrification on the new rail network.
5. **Metropolitan transport projects:** Company takes up projects to set up metro lines and suburban networks in metropolitan cities.
6. **Workshops:** This includes manufacturing facilities and workshops for repairing and manufacturing rolling stock.
7. **Others:** This includes the construction of traffic facilities, railway safety works, other electrification works, training works, surveys, construction of bridges including rail over bridges, etc.

Investment Rationale

✦ A niche play in railway infrastructure space. The space has been buzzing and flooded with orders, on renewed Government's focus/spending.

✦ The company boasts of strong financials. ROE of ~20%, sustainable operating margin of 6% to 7%, over last 5 years profit has compounded in excess of 20% and revenue at around ~ 22%.

✦ Order book in excess of Rs. 65,000 having book to bill ratio of ~3x.

✦ The company is confident in its ability to execute projects and maintain positive growth, targeting an order book of Rs. 75,000 crores to Rs. 1 lakh crores.

✦ In light of ever-increasing budgetary allocation to railways, laying of bullet train tracks, going for 4 lane railway tracks from existing 2 in most parts of the country and overhauling of existing bridges we believe the stock is available cheap at current price.

QUICK DATA

Face Value (Rs.)	10.0
No. of Shares (Cr)	208
MCAP (Rs. Cr)	32,662
52W H/L (Rs.)	199/39.2
BSE Code	542649
NSE Symbol	RVNL
Book Value (Rs.)	35.1

RATIOS

ROE	20.8%
ROCE	17.8%
P/E Ratio (ttm)	22.3x
P/BV (ttm)	4.39x
Dividend Pay-out	31.3%
Dividend Yield	1.39%

SHAREHOLDING PATTERN

Promoters	72.84%
FII	2.32%
DII	5.83%
Public	19.01%

STOCK PRICE MOVEMENT

5d	-6.24%
30d	-9.4%
3m	+24.90%
52w High	-26.75%
52w Low	+300.50%



Cholamandalam Securities Limited Member: BSE, NSE, MSE, NSDL, CDSL
Regd. Office: "Chola Crest", C54-55 & Super B-4, Thiru-Vi-Ka Industrial Estate,
Guindy, Chennai - 600032
Website: www.cholawealthdirect.com
Email id – csecsupport@chola.murugappa.com
CIN U65993TN1994PLC028674

RESEARCH			
Dharmesh Kant	Head of Equity Research	+91-44-4004 7360	dharmeshkt@chola.murugappa.com
Balaji H	Compliance Officer	044-30007226	balajih@chola.murugappa.com
Lakshmi Sundaram	Customer service	1800 425 4477	lakshmis@chola.murugappa.com

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