Diwali Muhurat Picks

FRIDAY 1st November 2024

Pre-Open	17:45 to 18:00
Muhurat Trading	18:00 to 19:00

Diwali Muhurat Picks

The last Samvat was a rewarding year for the investors. Not only did the benchmark Nifty and Sensex deliver strong returns, but the mid and small cap indices also delivered stellar returns. With the Sensex hitting 85,000 speculations have started as to when will it cross the psychological mark of 100,000.

India is on a strong wicket as evident from shrinking current account deficit, stable economic growth, rising manufacturing and relatively stable INR. BJP coming to power at the Centre for the next 5 years has given a sense of political stability and to expectations of continued thrust on infrastructure spending and other economic reforms. Last year also saw the rise and power of domestic retail investors. In the last 12 months, FIIs have sold more than USD 26 bn., with October 2024 alone accounting for USD 12 bn. In the past such brutal selling has led to deep correction in markets. However, this time it was different! Domestic mutual funds aided by strong SIP flows have pumped in USD 58 bn over the last 12 months and have been able to absorb this relentless selling. As a result of the consistent selling by foreign investors over the last years, their ownership of Indian equities has fallen to a decadal low of 17%. Interestingly, while the ownership stands at decadal low, the weightage of India in MSCI EM IMI index stands close to 19%, after reaching an all-time high of 22.27% surpassing even China's weightage at one point. We, therefore, believe that it is only a question of "when" Sensex will cross 100,000 and not "if and why".

Given the strong gains of the last year, some "cooling off" cannot be ruled out for the next few months. However, as earnings grow and markets start discounting FY2027 earnings, we expect the upward momentum to start.

Muhurat trading has been a long-standing tradition amongst investing community in India and we have been recommending stocks to invest in for Muhurat trading. Last year the portfolio of stocks recommended for Muhurat appreciated by 19.1% as compared to 27.6% return by Nifty. The lower returns is primarily due to some stocks not delievering as per expectations. However, the long term outllook for these stocks continue to remain positive. We are enclosing herewith a list of stocks that are our 'MUHURAT PICKS' for Samvat 2081. If one wants to buy a basket of these stocks, the quantities indicated would give a portfolio of approximately Rs. 100,000.

Happy Diwali and Happy Investing!

SAMWAT 2081 DIWALI MUHURAT PICKS …

No	Company	Qty	CMP (Rs.)	TP (Rs.)
1	ZOMATO Ltd.	40	251	320
2	Larsen & Toubro Ltd.	3	3,327	4,000
3	HDFC Bank Ltd.	8	1,737	1,945
4	Saregama India Ltd.	20	478	719
5	Avenue Supermarts Ltd.	3	4,086	5,000
6	Protean eGov Technologies Ltd.	5	1,786	2,200
7	Hindalco Industries Ltd.	15	675	855
8	VA Tech Wabag Ltd.	5	1,570	2,065
9	JSW Infrastructure Ltd.	40	280	355
10	BHEL Ltd.	50	216	260

Zomato Ltd. CMP Rs 251 | Target Price Rs 320

Zomato has been able to turnaround its food delivery and quick commerce business without losing focus on growth. The food delivery business has started to witness operating leverage as visible from the expanding contribution and operating margins. Regarding Blinkit, the quick commerce business, the segment is seeing turbo growth. This segment has also turned contribution positive. We believe Blinkit is at that juncture where food delivery business was couple of years back. Both the segments have a long runway for growth. While the near-term valuations appear expensive, long-term valuations are attractive. We believe Zomato should be part of the long-term portfolio.

Larsen & Toubro Ltd. CMP Rs 3,327 | Target Price Rs 4,000

L&T is poised for strong growth with a ₹4.9 trillion order book, providing 2.5x revenue visibility. Key opportunities lie in Middle Eastern infrastructure development, driven by oil revenue diversification in countries like Saudi Arabia, and global supply chain shifts benefiting Vietnam and Indonesia. In India, L&T expects increased orders in transportation, energy, water, and defence after state elections, alongside international projects in renewables and natural gas. The company is also targeting nuclear and thermal power, as well as defence systems like naval ships and battle tanks. Despite growing domestic competition, L&T anticipates improved margins with the completion of legacy projects and commodity price stabilization. With a well-hedged position and the highest book-to-bill ratio among peers, L&T is well-prepared to capture both domestic and international infrastructure demand.

HDFC Bank Ltd. CMP Rs 1,737 | Target price Rs 1,945

Asset growth is likely to remain subdued (7% yoy) in FY25 and it will improve to 13-15% at industry level in FY26 and outbeat the industry average in FY27

Deposits growth running ahead of the industry at 15.5% yoy. The bank has added 1232 branches over the last one year and 241 branches in Q2 taking total count to 9092 branches. Nearly 38% of the branches have vintage of 0-3 years implying sizeable catch-up of the liabilities growth from these branches giving better visibility of health deposit growth in times to come

Margins remained stable in this quarter & likely to outperform peers in declining interest rate scenario

Valuations – It is trading at 2.1x FY26e ABV (ex-of subsidiaries). We see meaningful outperformance of the bank in terms of margins and asset growth in FY26 period. However, given the slower sub-optimal growth in near future mostly FY25, the stock will not see big outperformance. However, for long term investors having 2-3 year, the bank is likely to deliver better. Key plus for the bank are – i) deposit growth running much ahead of the industry at 15.5% levels ii) LDR ratio improving in-line with RBI directive iii) margins of the bank outperforms peers in declining interest rate scenario. And above all, valuations are still at comfortable levels.

Saregama India Ltd. Rs. CMP 478 | Target Price Rs 719

Saregama India, the nation’s oldest music label, which is strategically positioning itself as a pureplay content company, encompassing both music and nonmusic segments, to capitalize on the ongoing digitization of content consumption. The company's transformation from a traditional music label to a comprehensive content provider began in 2017 with the expansion into digital films and series through Yoodlee Films. Over time, Saregama’s business model has evolved, demonstrating a willingness to take calculated risks by exploring new verticals while adhering to a disciplined capital allocation policy. Saregama's presence across various content forms—including audio, video, live events, and digital content (via Pocket Aces) mitigates any potential seasonality in the business and expands both the TAM and the terminal value of the company. To gain leadership position as India's premier music label, Saregama is stepping up its content acquisition in new music with an investment pipeline of ~1000crs over the next 3 years which is double of what was invested between FY19-24. The core music licensing business will continue to outperform the music industry growth rate and the strong cashflow generated will be used to fund and scale the newer verticals.

Avenue Supermarts Ltd. (DMart) CMP Rs 4,086 | Target Price Rs 5000

DMart presents a solid long-term investment opportunity driven by its strategic focus on store expansion, operational efficiency, and its value retailing model. Despite facing challenges from rising competition in quick commerce, DMart's prudent execution in physical store expansion and selective online presence through DMart Ready make it a resilient player in the evolving Indian retail landscape. We expect DMart to report an EPS CAGR of 24% over the next two years making it an good long term pick.

Protean eGov Technologies Ltd. CMP Rs 1,786 | Target Price Rs 2,200

Protean eGov Technologies Ltd is a prominent player in India's financial and digital services space, holding a strong market leadership (with an average share of 60%+) in established areas like tax services, social security, and digital identity. The company's strategic shift towards new-age ventures, including Open Digital Ecosystems (ODE) and international expansion, offers significant growth potential. Backed by a solid balance sheet, strong cash flows of approximately Rs 700 crore, and a debt-free profile, Protean is well-positioned to capitalize on emerging trends and expand its global footprint. Protean's expertise in scalable digital infrastructure is also crucial in supporting the growth of ONDC, enabling seamless integration and interoperability across the network as it democratizes e-commerce in India, fostering inclusivity for small and medium businesses. Moreover, increasing government focus on digitization, as highlighted in the Union Budget with initiatives like land record digitization, Agristack, and Healthstack, is expected to further drive the company's growth.

Hindalco Industries Ltd. Rs 675 | Target Price Rs 855

Hindalco has successfully differentiated itself as one of the largest producers of value-added aluminium products through its subsidiary, Novelis. A significant portion of the company's revenues is derived from value-added, recycled aluminium products, which not only highlight its focus on sustainability but also provide a competitive advantage. A large part of Novelis' production capacity is contracted by major customers through PPI-linked contracts (Producer Price Index-linked contracts), which offer earnings visibility in an otherwise highly volatile commodity sector. This stable income stream helps mitigate the risks associated with fluctuating aluminium prices and global market dynamics. Additionally, Hindalco's growth prospects are enhanced by new projects, such as the Bay Minette plant in the USA, and ongoing upstream expansion initiatives in India, which are poised to further strengthen the company's market presence and production capabilities.

VA Tech Wabag Ltd. CMP Rs 1,570 | Target Price Rs 2,065

Water scarcity is becoming an increasingly critical issue worldwide, with approximately 4 billion people facing water shortages for at least one month each year. This growing crisis affects 25 countries severely, prompting governments across the globe to invest in water infrastructure to address the challenge. These investments are focused on reusing wastewater and desalinating seawater to make it usable. In this context, VA Tech Wabag, the third-largest water infrastructure company, is well-positioned to be a key beneficiary of this global trend. The company's strong order book, which stood at ₹10,676 crore at the end of Q1 FY25, reflects the rising demand for its services. VA Tech Wabag anticipates closing the year with an executable order book of ₹16,000 crore, which is expected to drive significant earnings growth in the coming year as these projects are executed. The company's leadership in water management solutions, coupled with its expanding portfolio of projects, underscores its potential for growth in a world increasingly focused on sustainable water solutions.

JSW Infrastructure Ltd. Rs 280 | Target Price Rs 355

With strong backing from the JSW Group, JSW Infrastructure has risen to become the second-largest private commercial port operator in India, boasting an operational port and terminal capacity of 170 MTPA (Million Tonnes Per Annum). The company is now embarking on an ambitious growth trajectory, aiming to expand its operational capacity by 2.4 times, reaching 400 MTPA by FY2030. In addition to its core port operations, JSW Infrastructure is making strides in the logistics sector, marked by its recent acquisition of Navkar Corporation. This move highlights its intent to become a key player in integrated logistics solutions. With 148 MTPA of additional port and terminal capacity already approved, coupled with its proven execution capabilities and the robust support of the JSW Group, JSW Infrastructure presents a compelling investment opportunity for those looking to capitalize on the growth of India's infrastructure sector.

BHEL Ltd. CMP Rs 216 | Target Price Rs 260

BHEL holds a robust order book of ₹135,348 crore as of Q1 FY25, with 75% linked to the power sector. Execution has been subdued in recent quarters due to commodity inflation, which led to cost overruns. However, with commodity prices stabilizing, we anticipate a pickup in execution in the coming quarters. BHEL stands to benefit from the rising power demand in India, which is driving increased investments in thermal and nuclear power capacity, positioning the company to capitalize on growth in these critical energy sectors.

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com