GEPL CAPITAL

Diwali Picks

Samvat 2081

(Fundamental)

Muhurat Trading on Friday, 1st Nov 2024

Normal Trading Hrs 18:00 to 19:00

Oct 21, 2024

Happy Diwali

Muhurat Picks 2024

STOCK NAME	SECTOR	CMP	TARGET PRICE	POTENTIAL UPSIDE (%)
The Indian Hotel Co Ltd	Hotel	687	859	25%
CDSL Ltd	Capital Market	1579	2017	28%
Jindal saw Ltd	Steel	365	471	27%
LT Foods LTD	FMCG	419	512	22%
Sanghvi Movers LTD	EPC	458	600	31%

Prices as on Oct 18, 2024

Business Operation

IHCL South Asia's largest hospitality enterprise, combines Indian warmth with world-class service. Its brands include Taj, SeleQtions, Vivanta, and Ginger, catering to various segments from luxury to lean luxe. Founded by Tata Group's Jamsetji Tata, IHCL opened its first hotel, The Taj Mahal Palace, in Bombay in 1903. Today, it operates and develops hotels worldwide.

Investment Rationale

A. Diverse Hotel Portfolio with high end brands in key cities

The company manages 222 hotels globally under brands like Taj, SeleQtions, Vivanta, Ginger, Ama, Qmin, and Taj SATS, with 70% in luxury and upper-scale segments. 41% of these hotels are in Tier 1 cities like Mumbai, Delhi, and Bengaluru. The strategy targets mid-scale to luxury segments, benefiting from 9% and 13% growth in top-8 cities and key leisure markets. Supply growth is set to lag behind demand, supporting healthy occupancy rates and average room rates (ARR).

B. IHCL set for double-digit ARR growth in FY25, driven by strong demand and industry tailwinds

IHCL's ARR is expected to grow by 10% to 15% in FY25, driven by strong industry tailwinds. Room demand is projected to grow by 10%, outpacing a 5% CAGR increase in room supply over the next 2 to 3 years. This imbalance will support sustainable double-digit growth in ARR, fueling overall growth for IHCL. Additional factors contributing to ARR growth include increased air travel due to strong domestic demand for leisure travel, corporate travel, and wedding events. We anticipate ARR will continue to experience double-digit growth, supported by rising room and foreign travel demand.

C. Strategic shift to management contracts drives IHCL's scalable growth and leaner balance sheet by FY27

The management has decided to expand its inventory primarily through management contracts, which are less capital-intensive compared to the owned/leased model. From FY25 to FY27, 79% of new room additions will be via management contracts, offering higher profitability. By FY27, the room inventory mix will shift to 53% management contracts from 43% in FY24. This shift will create a balanced portfolio, enabling IHCL to scale up while maintaining a lean balance sheet and achieving higher returns on capital employed. In FY25, IHCL signed 52 hotels and opened 20 hotels, with an additional 90 hotels in the pipeline.

D. Outlook And Recommendation.

We model a Revenue/PAT CAGR of 15%/12% and estimate IHCL to clock PAT of Rs 1,778 Cr by FY27E. IHCL is trading at forward EV/EBITDA (x) of 39 and we value at 37(x) FY27E and We Recommend BUY on Indian Hotel Co Ltd with Target Price of Rs. 859.

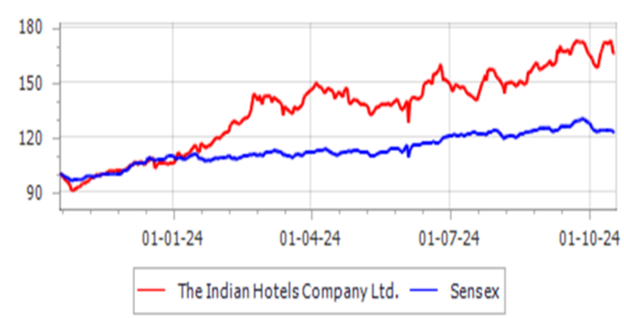
Script Details

BSE Group	A
BSE Code	500850
NSE Code	INDHOTEL
Bloomberg Code	IH IN
Market Cap (INR Cr.)	97,740
Free Float (%)	61.9%
52wk Low/High	721/371
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/0.3
Total paid Up Shares (Mn.)	1423.4

Financial Highlights

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	6,769	474	1,285	76.1	40.6
FY25E	7,750	2,441	1,356	72.1	7.2
FY26E	8,874	2,795	1,553	62.9	6.3
FY27E	10,161	3,201	1,778	55.0	5.5

Share Price Relative Performance



CDSL LTD|CMP: 1,578| TP: 2,017| Upside: 28%

Oct 21, 2024

GEPL CAPITAL

Business Operation

CDSL is India's leading securities depository by incremental growth in BO accounts and the highest number of Depository Participants. It is the 2nd largest by market share. CDSL's revenue comes from transaction, account maintenance, and settlement charges from DPs, as well as fees and charges from companies. Established in 1999, CDSL aims to offer reliable and secure depository services at affordable prices.

Investment Rationale

A. Higher retail participation and better market position will drive growth going ahead

CDSL has dominant market share of 76% /88% in dmart accounts/ New dmart opening. As of Jun, CDSL has 12.5 Cr registered Dmart accounts, a 42% YoY growth from 8.8 Cr accounts in June 2023. CDSL Profit grew by 65% to INR 420 Cr and revenue grow by 63% to INR 812 Cr. The depositary market has grown by 15% CAGR in last 5 Years and expected to grow by 13% CAGR by FY28. The growth will be driven by high retail participation, the average IPO application from retail investors increased by 13.7 lakh vs 5.57 lakh in FY23. Moreover, the Dmart penetration in India is expected to increasing 13% by FY30 from 8%. The increased in dmart penetration is another key growth lever for the CDSL. CDSL major revenue contribution come from Transaction charges followed by Annual Issuer Income and IPO. Profit is expected to grow at 11% to 12% CAGR over FY25 to FY27.

B. High Operating leverage and fixed cost nature expenses led high margins and probability

CDSL operating profit has grown by 4.4x at INR 488 Cr from INR 89 Cr in FY20. Margins has increase from 42% in FY20 to 60% in FY24. The growth 50% CAGR in EBITDA is a function of operating leverage. Employee cost and Technology cost are 2 key cost component for CDSL which account for 49% and these cost are primary fixed in nature. IPF and DP incentive schemes contributed 12% of cost and is link to profits. Hence, operating is higher in CDSL. We expect margins to remain at 61% to 62% from FY25 to FY26.

C. Strong Financials with low leverage

CDSL remains net debt-free, with only INR 1 crore in negotiable debt, thanks to its asset-light business model. Its property, plant, and equipment (PPE) mainly consist of office and technology equipment, requiring minimal capital expenditure, with 2%-3% of operating profit allocated to capex. The low debt results in minimal finance and depreciation costs, supporting strong profit growth. CDSL has reported a 28% and 30% CAGR over the last 3 and 5 years, respectively. Its assets primarily consist of investments and cash, ensuring high liquidity.

D. Outlook And Recommendation.

We model a Revenue/PAT CAGR of 15%/11% and estimate CDSL to clock PAT of Rs 655 Cr by FY27E. CDSL is trading at forward PE (x) of 49.3 and we value at 60(x) FY27E and Recommend BUY on CDSL with Target Price of Rs. 2,017.

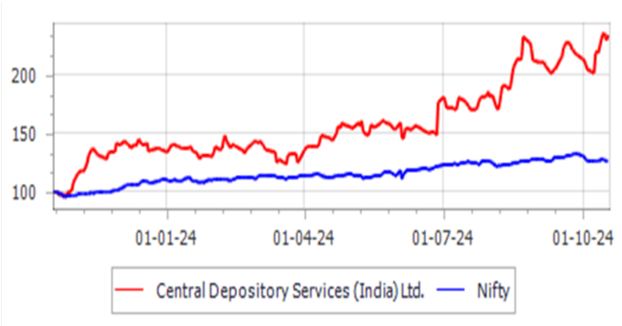
Script Details

BSE Group	0
BSE Code	0
NSE Code	CDSL
Bloomberg Code	CDSL IN
Market Cap (INR Cr.)	32,291
Free Float (%)	92.5%
52wk Low/High	0/0
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	10/1.4
Total paid Up Shares (Mn.)	209.0

Financial Highlights

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	812	57	480	67.3	48.6
FY25E	934	542	495	65.2	32.4
FY26E	1,074	623	569	56.7	28.1
FY27E	1,235	716	655	49.3	24.5

Share Price Relative Performance



Business Operation

Jindal Saw Ltd. started its operation in the year 1984. It became the first company in India to manufacture submerged arc welded pipes using the internationally acclaimed U-O-E technology. The product line of the company also includes Large Diameter Pipes, Line Pipes, Ductile Iron (DI) Pipes, seamless tubes etc.

Investment Rationale

A. Jindal saw to drive probability on the back of debottleneck and Value add product

Jindal Saw reported strong 1QFY25 performance, driven by increased value-added products. Its subsidiary, Jindal Hunting Energy Services Ltd (JHESL), which began operations in 3QFY24, achieved 80-85% capacity utilization and turned profitable in 1QFY25. The company is exploring new value-added products to serve India's OCTG segment. Jindal Saw is increasing capacity by 10-20% through debottlenecking, without additional CAPEX, to meet rising demand, particularly for smaller-diameter pipes. It aims to supply 200,000 tonnes from Sathavahana at peak utilization, with debottlenecking expected to add 50,000 tonnes next year.

B. Healthy Order book, makes earning visibility in medium to long term

As of June 2024, Jindal Saw reported an order book of INR 1.65 billion, ensuring strong earnings visibility for FY25. The order book primarily comprises iron and steel pipes, valued at $1.632 billion, and pellets at $15 million. Notably, 32% of the order book is attributed to exports. The breakdown of the order book shows that 70% comes from the water sector, 25% from oil and gas, and 5% from other areas. The government's emphasis on water infrastructure and the anticipated increase in global oil and gas capital expenditure are expected to drive the company's growth in the medium to long term.

C. Strategic debt increase for operational growth; targeting long-term debt reduction by FY26.

The company's standalone debt has risen from INR 3,200 Cr to INR 3,900 Cr, primarily driven by heightened working capital needs associated with ramping up operations and securing raw materials at stable prices. This strategic move positions the company for growth, as it enhances operational efficiency and cost stability. Importantly, the company aims to reduce its long-term debt by FY26, indicating a commitment to financial health and potentially improving investor confidence.

D. Outlook And Recommendation.

We model a Revenue/PAT CAGR of 19%/13% and estimate JINDALSAW to clock PAT of Rs 2,649 Cr by FY27E. JINDALSAW is trading at forward PE (x) of 9 and we value at 11(x) FY27E and Recommend BUY on DRREDDY with Target Price of Rs. 471.

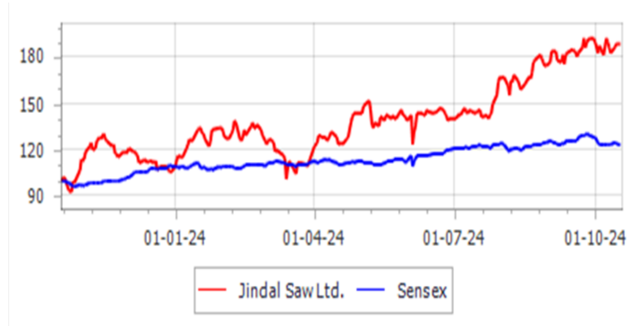
Script Details

BSE Group	A
BSE Code	500378
NSE Code	JINDALSAW
Bloomberg Code	JSAW IN
Market Cap (INR Cr.)	23,393
Free Float (%)	68.4%
52wk Low/High	384/165
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/0.5
Total paid Up Shares (Mn.)	639.5

Financial Highlights

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	20,958	1,467	1,851	12.6	7.5
FY25E	24,940	3,866	1,870	12.5	4.5
FY26E	29,678	4,600	2,226	10.5	3.8
FY27E	35,317	5,474	2,649	8.8	3.2

Share Price Relative Performance



LT FOODS LTD|CMP: 419| TP: 512| Upside: 22%

Oct 21, 2024

Business Operation

LT Foods is a global leader in rice-based foods, offering basmati, organic, and convenience products. With operations in India and markets worldwide, its key regions include the US, UK, Europe, and the Middle East. The portfolio includes a variety of rice types, including organic and quick-cooking options.

Investment Rationale

A. Established market position and strong track record in the basmati rice industry

LTFL's India business is thriving, with exports still leading in Basmati rice but a growing focus on the domestic market. The company has expanded its distribution network and increased marketing efforts to enhance brand recall. LTFL holds a 30.1% market share in India's Basmati rice sector, aiming to boost this to 33% in the next 5-6 quarters, driven by rising consumer preference for premium rice and higher per capita income. The India business has grown at a 31.5% CAGR in revenue and 20.5% in volume over the past three years. Projected growth for the India segment is around 15% CAGR, outpacing the international segment's 8-10% CAGR. LTFL's extensive distribution network, comprising over 1,200 distributors and 176,000 retail outlets in India, along with international partners, supports its expanding market presence.

B. Diversified revenue profile with strong brand portfolio and growing product diversification

LT Group, a global leader in rice with a presence in 80 countries, derives 60-70% of its revenue from exports. Daawat is its top brand, and basmati rice accounts for over 80% of revenue. The company also ventures into organic and convenience foods. Despite a 16% revenue drop in organic products due to US import duties, it's growing at a 12% CAGR. LT is mitigating this with a new soya plant in Uganda and expanding its high-margin health and convenience food segment.

C. LT Foods' new Harlow facility set to drive growth in the £1 billion U.K. rice market

LT Foods has opened a cutting-edge 100,000 sq. ft. facility in Harlow, U.K., to cater to the booming demand for high-quality rice products. With an initial investment of £7 million and plans to reach £50 million, the facility aims to generate £50 million in revenue annually within two years and £100 million in five years. It boasts a production capacity of 60,000 tonnes per year and will supply both branded and private-label products to major U.K. retailers, creating local jobs and positioning LT Foods for substantial growth in the £1 billion U.K. rice market.

D. Outlook And Recommendation.

We model a Revenue/PAT CAGR of 15%/13% and estimate LT FOODS to clock PAT of Rs 5,975 Cr by FY27E. LTFOOD is trading at forward PE (x) of 14.9 and we value at 19(x) FY27E and Recommend BUY on LTFOODS with Target Price of Rs. 512.

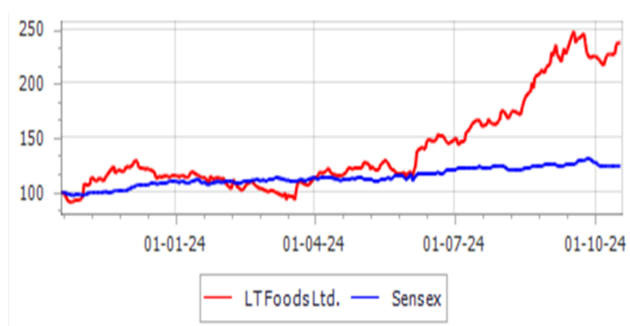
Script Details

BSE Group	A
BSE Code	532783
NSE Code	LTFOODS
Bloomberg Code	LTFOODS IN
Market Cap (INR Cr.)	14,515
Free Float (%)	49.0%
52wk Low/High	448/151
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/0.5
Total paid Up Shares (Mn.)	347.3

Financial Highlights

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	7,772	544	609	23.8	14.7
FY25E	8,938	1,207	670	21.7	14.5
FY26E	10,279	1,388	771	18.8	12.6
FY27E	11,821	1,596	887	16.4	11.0

Share Price Relative Performance



Business Operation

Sanghvi Movers Limited (SML) is the largest crane rental company in India. SML is a BS OHSAS 18001:2007 certified company. It is committed to being a top globally-ranked company in its core business with exceptional business ethics and morals.

Investment Rationale

A. Established market share with diverse crane portfolio will drive growth in SML

SML is the largest crane rental company in India and Asia and the 5 th largest in the world with market share of 40% to 45% in the domestic crane rental market and as 60% to 65% in the high end carne market. Currently, SML has a fleet of 361 medium to large sized heavy duty telescopic and crawler cranes ranging from 20 to 1000 MT. Out of 361, 264 cranes are over of 100 MT capacity. This fleet are majorly used in construction of various industrial plant like power, steel, cement, oil&gas. The major revenue is contributed by windmill sector around 46% followed by wind EPC, Refinery&oil, steel (11%, 10%,7%)respectively. Further, High capital cost required for higher capacity cranes is an entry barrier for smaller players and hence, the company enjoys a dominant position in the segment.

B. Turnaround in H2FY25, utilization level to reach more than 80% couple with improvement in Yield led to high probability

In Q1FY25, SML's capacity utilization stood at 77%, down from 84% QoQ basis, the average blended yield decreasing to 2.02% from 2.2% in Q4FY24. This decline was mainly due to the monsoon season and slowdown in project execution due to general election. Q2FY25 is expected to remain subdued, with utilization likely to fall below 75% and yield falling below 2%. However, a recovery is anticipated in H2FY25, as management has guided for over 80% utilization and a 2% yield. The current order book for FY25 is INR 774 crore, with INR 330 crore coming from renewal and EPC projects, ensuring healthy earnings visibility. Demand for cranes is expected to pick up in H2FY25, driven by sectors such as wind energy, steel, cement, thermal power, and infrastructure. Overall, revenue is projected to grow by 23% in FY25.

C. Low leverage, strategic capex fueling growth and efficiency at SML

SML's low-leverage balance sheet is well-positioned to support its capex plans. The company maintains a comfortable debt-to-equity ratio of 0.29x, with total debt at INR 292 Cr and liquid assets, including cash and investments, at INR 152 Cr. As of June, SML has spent INR 81 Cr on acquiring 16 new cranes and 2 used cranes, with capacities ranging from 110T to 800T. The planned capex for FY25 is expected to be around INR 200 Cr, which will enhance yield through diversified portfolio and improved capacity utilization.

D. Outlook And Recommendation.

We model a Revenue/PAT CAGR of 23%/16% and estimate DRREDDY to clock PAT of Rs 288 Cr by FY27E. SANGHVIMOV is trading at forward PE (x) of 14.9 (Sharp discount to historical median of 23x) and we value at 18(x) FY27E and Recommend BUY on SANGHVI MOVER with Target Price of Rs. 600.

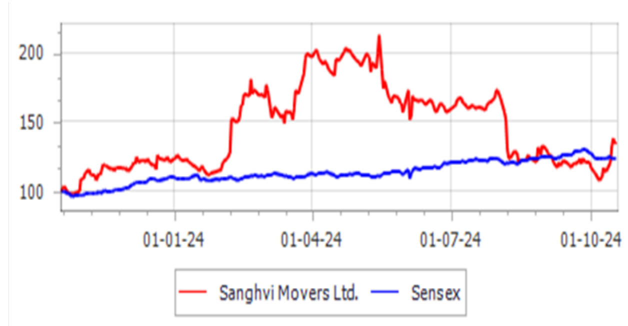
Script Details

BSE Group	A
BSE Code	530073
NSE Code	SANGHVIMOV
Bloomberg Code	SGM IN
Market Cap (INR Cr.)	3,937
Free Float (%)	76.4%
52wk Low/High	742/311
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/0.7
Total paid Up Shares (Mn.)	86.6

Financial Highlights

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	619	43	187	21.1	11.0
FY25E	761	380	190	20.7	46.1
FY26E	936	468	234	16.8	37.5
FY27E	1,151	576	288	13.7	30.5

Share Price Relative Performance



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