DIWALI PICKS 2024

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Dear Investors,

Wishing You a Very Happy Diwali and Prosperous SAMVAT 2081 & beyond !!!

As we welcome Lord Lakshmi into our houses the markets have given us every reason to be happy by touching all-time highs, with minor blips here and there, because of geopolitical tensions emanating from various pockets of the world. While at the same time, finally, we have started to see lower interest rates and inflation under control, that should be reason good enough to drive emerging markets higher with FII flows making a comeback. Though at this point of time, there is some uncertainty whether this lower interest rate trajectory is something that is going to continue but we believe that once more and more data confirms the lower inflation trajectory and benign growth rates in the developed world, the lower interest rate trajectory will get further confirmation, leading to better flows for emerging markets. Even the bond flows that have seen some slowdown because of the uncertainty around interest rate movement could see some recovery, add to that Increasing index inflows, as we gradually settle into a world where risk-on takes center stage.

The geopolitical scenario surrounding India is not very suitable either, the tensions between Canada and India, the eruption of violence in Bangladesh pose significant threats. Recently, food inflation has caused some headwinds but that should ideally be short lived and once the fresh supply of produce makes its way into the market, there is a high probability that food inflation substantially cools. Then there has been some recent optimism around the liquidity infusion measures undertaken in China, we are yet to see material impact of the same on their economy. The markets in China have finally given way to some upmove after ~18 months of underperformance. In India the recent state elections results have been positive for the BLP Government. The markets would be pretty much focused on the election results from Maharashtra, Jharkhand and America (no its not an Indian state) and in case the results point towards a majority win for the BJP LED Government the markets could rejoice that decision here in India.

The Q1 and Q2 numbers have till now not given much reason to be optimistic though most of the expectations are lopsided towards substantial improvement to be seen in the second-half of the financial year, where most of the festive demand bundles in add to that the post monsoon revival in most corporate and construction activity. Further, as the US economic scenario gets clearer post elections there, one can assign a high probability that industries dependent on the developed world like IT, pharma, exports, etc. could have a much clearer vision of the growth that they can foresee over the next 18 to 24 months. To sum it up, we think earnings will show much better improvement in the second-half of the year alongwith it as the state election results come up and if they have a positive outcome for the incumbent Government and inflation goes down, particularly food inflation, coupled with lower rates, the recipe seems clear for a very strong rally from current levels. In the long term also, the Indian market should continue to outperform and be one of the most sought after markets globally – remember China+1 finally gaining traction on the ground as more and more GOI initiatives start reflecting in the economic numbers of the country, add to that the demographic advantage, which puts us in a unique position globally.

“A market downturn doesn’t bother us. It is an opportunity to increase our ownership of great companies with great management at good prices.”

Happy Investing..!!!

Diwali Muhurat Picks 2024 - Samvat 2081

Company name	CMP (Rs)	Target Price (Rs)	Upside	Recommendation
RELIANCE INDUSTRIES	2717	3300	21.5%	BUY
LIC	936	1984	112.0%	BUY
INDUSIND BANK	1348	1650	22.4%	BUY
DALMIA BHARAT	1840	2300	25.0%	BUY
SAMHI HOTELS	200	280	40.0%	BUY
CREDO BRANDS MARKETING	188	300	59.6%	BUY

Diwali Muhurat Picks 2023 - Samvat 2080 Performance

Company name	REC Price (17-10-2022)	Target Price (INR)	CMP (INR)*	52 Week High	52 Week Low	Status
Bandhan Bank Ltd	216	330	192	263	169	Open
Biocon Ltd	225	350	340	396	218	Close
HDFC Bank Ltd	1487	1968	1685	1794	1364	Open
Indian Oil Corporation Ltd	104	141	165	197	86	Close
Reliance Industries Ltd	2324	3100	2717	3218	2220	Close
UPL Ltd	552	825	557	628	448	Open

* Price as on 18-10-2024

Changes during Samvat 2080 (Between 07-November-2023 to 18-October-2024)

Name	Measure	07-Nov-23	18-Oct-24	% Change
Sensex	Index	64,942	81,225	25%
Nifty	Index	19,407	24,854	28%
NSE MCAP	Index	40,050	58,649	46%
NSE SCAP	Index	13,243	19,078	44%
Nifty P/E	Value	22.45	19.17	-15%
Gold	Mcx 10G (INR)	60,372	77,164	28%
INR/USD	Currency	83.27	84.07	1%
10Y Govt Bond (India)	Yield	7.28	6.82	-6%
Repo Rate	%	6.5	6.5	0%
Brent	USD/ Barrel	78.2	73.6	-6%
India Foreign Exchange Reserve	USD	586	690.4	18%

RELIANCE INDUSTRIES

Sector: Diversified

CMP (INR): 2717 | **Target Price (INR): 3300**

Upside (%): 21.5% | **Recommendation: BUY**

Company Overview

Reliance Industries Limited engages in hydrocarbon exploration and production, oil and chemicals, textile, retail, digital, material and composites, renewables, and financial services businesses worldwide. It operates through Oil to Chemicals, Oil and Gas, Retail, Digital Services, and Others segments. Further, the company provides range of digital television, gaming, broadband, and telecommunication services under the Jio brand name; and non-banking financial and insurance broking services. Additionally, it operates news and entertainment platforms, and Network18 and television channels; publishes magazines; and offers highway hospitality and fleet management services. The company was founded in 1957 and is based in Mumbai, India.

Investment Rationale

Reliance Retail remains a crucial growth driver for Reliance Industries, generating ₹76,302 crores in revenue during 2QFY25, reflecting a slight 1% YoY decline. EBITDA improved by 30 basis points, resulting in a margin of 8.8%, indicating enhanced operational efficiency. The retail network expanded significantly with 464 new stores, totaling 18,946 across nearly 80 million square feet. Additionally, digital and new commerce channels accounted for 17% of overall revenues, showcasing strong digital growth. The festive season has boosted expectations, with notable growth observed in early October.

In the digital services segment, Reliance Jio reported an 18% YoY revenue increase, driven by higher ARPU and the expansion of Fiber to the Home (FTTH). Jio's subscriber base reached 148 million on the True5G network, with data traffic surging 24% YoY. ARPU is projected to grow at a 11-12% CAGR from FY24 to FY28, supported by the transition to 5G. JioAirfiber also added 2.8 million connections, reinforcing its leadership in mobile and broadband.

Jio continues to innovate with features like True 5G voice calling (VoNR) for superior voice quality and advanced network management techniques to enhance user experience. Moreover, Reliance aims to provide green energy to 30 million households as part of its clean energy initiatives, including investments in solar power, hydrogen fuel, and energy storage solutions.

Outlook & Valuation

Jio and Retail expected to double Revenues and EBITDA in 3-4 years (currently ~ 35% of revenues) and New Energy business has potential to become as big and profitable as O2C (currently ~55% of revenues) in 5-7 years. Add to this many smaller ventures which could throw up huge cot saving and integration opportunities like challenging the 10 minute delivery of the likes of Blinkit, that could open a multitude of many opportunities in the future years. We anticipate RIL to achieve a 14-15% EPS compound annual growth rate (CAGR) over the next 3-5 years. Jio's average revenue per user (ARPU) is expected to grow at an 11-12% CAGR from FY24 to FY28, supported by a structural increase in ARPU due to industry dynamics, increasing FTTH base with the help of Jio fiber, and paid subscribers for Jio apps. Additionally, RIL's Retail segment is set to maintain strong growth, with EBITDA projected to increase by 15-20%, backed by the company's strategy of expanding omni-channel capabilities across different segments. We expect the company's revenue to grow 10% YoY to INR 9,88,945.1 crores in FY25 and EPS to be reported at INR 110 in FY25. **We recommend a buy on the stock with a SOTP based target price of ~INR 3300 implying an EV/EBIDTA multiple of ~8x for the energy business, ~25x EV/EBIDTA for the retail business and for JIO a valuations of ~ 13x EV/EBIDTA.**

Financial Performance at a glance (Consolidated)

Particulars (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	6959630.0	8778350.0	9010640.0	10045347.4	10763977.1
Growth %	16.3%	26.1%	2.6%	11.5%	7.2%
EBITDA (Excluding OI)	1084460.0	1408600.0	1622330.0	1742373.1	1991867.5
EBITDA Margin	15.6	15.8	17.8	17.3	18.5
PAT	661840.0	736700.0	790200.0	762318.5	899391.1
PAT Margin	8.4	7.6	7.9	7.6	8.4
EPS	90.9	98.6	102.9	110.0	130.5
Adj. P/E	29.9	27.5	26.4	30.9	26.4

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

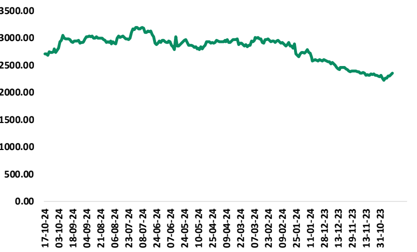
Market data

Market Cap (INR mn)	18387837.4
Outstanding Shares	6762720633
Face Value (INR)	10
Dividend Yield (%)	0.37
TTM P/E	27.07
Industry P/E (X)	16.9
Beta	1.198
52 Week High/ low	3217.9/2221.1
BSE Code	500325
NSE Code	RELIANCE
Reuters Ticket	RELI.BO
Bloomberg Ticker	RELIANCE IN

Shareholding Pattern (%)

	Oct– 24
Promoters %	50.33
Institutions %	39.15
Non-Institutions %	10.52

1 Year Price Chart



LIC

Sector: Insurance

CMP (INR): 936 | **Target Price (INR): 1984**

Upside (%): 112.0% | **Recommendation: BUY**

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Company Overview

Life Insurance Corporation (LIC) is recognized as India's largest provider of insurance services, boasting a significant market share of over 66.2% in new business premiums. The company offers a diverse range of products, which include both participating and non-participating insurance options. Among its offerings are unit-linked insurance plans, savings-oriented policies, term insurance, health coverage, and various annuity and pension products. This extensive portfolio enables LIC to cater to a wide array of customer needs and preferences in the insurance sector.

Investment Rationale

The Indian life insurance sector is poised for strong growth, with gross written premiums (GWP) expected to grow at a 14-15% CAGR, reaching ₹12,400 billion by FY26. Life insurance as a percentage of GDP is projected to increase to 3.8% by FY26. The new business premium (NBP) for individual policies is forecasted to grow at an 18% CAGR between FY21-FY26, while group business NBP is expected to grow at a 17% CAGR. In the long term, NBP is projected to grow at a 14-16% CAGR until FY32.

LIC is well-positioned to capitalize on this industry growth due to its extensive scale and reach. LIC aims to increase its market share through bancassurance tie-ups and expanding digital sales. Additionally, the company is focused on diversifying its product mix, with an emphasis on non-participating products such as term, health, and pension insurance.

In Q1 FY25, LIC's total premium income grew 15.66% YoY to ₹1,13,770 crore, driven by a 13.67% increase in individual new business premium to ₹11,892 crore and a 30.87% surge in group business premium to ₹46,578 crore. LIC's agent network expanded by 6.05%, bolstering its new business, while the non-participating share of individual APE rose significantly from 10.22% to 23.94%. LIC reported a 9.61% increase in PAT to ₹10,461 crore and a 23.66% rise in VNB to ₹1,610 crore, with a VNB margin of 13.9%. LIC's AUM also grew 16.22% to ₹53,58,780.97 crore, reinforcing its financial strength and growth potential in the insurance sector.

Outlook & Valuation

The market share based on First Year Premium Income reached 64.02%, a notable increase from 61.42% in Q1 FY24. New policy sales totalled 35,65,519, an increase of 10.86% YoY, and the number of agents rose to 14,24,847 from 13,43,540 YoY, with the agency channel contributing approximately 96% of the New Business Premium in Q1 FY25. Additionally, LIC's continued investment in digital transformation is evident with the Agent-assisted ANANDA app, which processed 2,49,643 policies in Q1 FY25, up 12.36% YoY. The integration of the ANANDA app with WhatsApp has further enhanced customer engagement. Overall, LIC is well-positioned to harness the evolving dynamics of the life insurance sector, bolstered by its strong financial performance and innovative approach to customer engagement. In Q1FY25 the company's Yield on investment was 8.54% compared with 8.78% in Q1FY24. Total Gross NPA was 1.95% in Q1FY25 compared with 2.48% in Q1FY24. Overall expense ratio was 11.87% in Q1FY25 and 12.85% in Q1FY24. With its ongoing strong quarterly performance, we expect LIC to sustain its positive momentum in the upcoming periods, achieving double-digit growth in EV and significantly enhancing its VNB margin to ~19-20% by FY26. We also foresee an increase in the share of profitable non-par business to ~18-20%, as the company focuses on expanding its agency force in Tier-II and Tier-III cities to drive growth. Additionally, supportive industry trends, including substantial under-penetration in sum assured and the protection gap, along with a favourable outlook for per capita income and existing high entry barriers, further enhance this outlook. **We recommend a buy on the stock with a target of INR 1984.**

Financial Performance at a glance (Standalone)

Particulars (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Premiums Earned	42,74,192.1	47,40,046.1	47,50,695.8	49,02,197.5	53,17,377.4
Net Investment Income	29,30,956.8	30,75,379.5	-38,671.1	74,693.8	57,556.7
Revenue	72,11,025.7	78,91,940.3	85,37,067.7	89,81,411.0	92,06,218.0
Profit Before Tax	40,667.2	3,64,567.8	4,07,872.1	3,90,651.0	4,54,921.5
PAT	40,431.2	3,63,973.9	4,06,757.9	3,99,387.4	4,51,120.8
EPS	6.4	57.6	64.3	63.0	72.1
Book Value	16.5	72.2	129.5	185.6	248.3
P/E	147.3	16.4	14.6	20.1	20.8
P/B	57.2	13.0	7.3	6.8	6.0

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

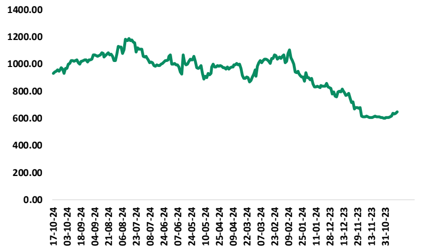
Market data

Market Cap (INR mn)	5914189.1
Outstanding Shares	6325335936
Face Value (INR)	10
Dividend Yield (%)	1.07
TTM P/E	14.14
Industry P/E (X)	24.32
Beta	1.4058
52 Week High/ low	1221.5/597.65
BSE Code	543526
NSE Code	LICI
Reuters Ticket	LIFI.BO
Bloomberg Ticker	LICI IN

Shareholding Pattern (%)

	Oct– 24
Promoters %	96.5
Institutions %	0.16
Non-Institutions %	3.5

1 Year Price Chart



INDUSIND BANK

Sector: BFSI

CMP (INR): 1348 | **Target Price (INR): 1650**

Upside (%): 22.4% | **Recommendation: BUY**

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Company Overview

IndusInd Bank Limited was incorporated in 1994 as a commercial bank under the Banking Regulation Act, 1949. The Bank is publicly held and provides a wide range of banking products and financial services to corporate and retail clients besides undertaking treasury operations. The Bank operates in India including at the International Financial Service Centres in India. It operates through four segments: Treasury, Corporate/Wholesale Banking, Retail Banking, and Other Banking Operations.

Investment Rationale

IndusInd Bank, promoted by the Hinduja Group, is the first private sector bank set up in India and ranks as the fifth largest in India. It offers a comprehensive range of products and has a competitive edge in vehicle and microfinance sectors. With a robust network of 3,013 branches and 2,988 ATMs across the country, the bank serves a substantial customer base of approximately 4.1 crore individuals. IndusInd Bank is set to benefit from India's strong economic growth, with GDP rising by 8.2% in FY24 and momentum continuing into Q2FY25. The bank's strategic initiatives, including a 21% YoY increase in advances to ₹3.2 trillion and a 14% rise in deposits to ₹3.6 trillion, highlight robust financial health. Asset quality has improved, with gross NPAs at 2.02% and a 71% provision coverage ratio. Digital initiatives, such as the INDIE app, and a focus on affluent and NRI segments, are expected to enhance profit margins. Management targets 18-23% growth in FY25, leveraging increased rural spending and seasonal demand upticks, particularly in vehicle finance. IndusInd Bank's comprehensive strategy positions it well for sustained growth and profitability in India's dynamic financial sector.

IndusInd Bank reported a 22% YoY rise in net profit for Q2FY24, amounting to ₹2,181.5 crore, driven by higher income and reduced provisions. The bank's net interest income increased by 18% to ₹5,077 crore, while its net interest margin remained steady at 4.29%. Asset quality improved slightly, with gross bad loans at 1.93% of total advances which is expected to improve further in coming quarters.

Outlook & Valuation

IndusInd Bank's strong financial performance, driven by robust advances and deposit growth, improved asset quality, and digital initiatives, positions it for sustained profitability. The bank's 22% YoY rise in Q2FY24 net profit to ₹2,181.5 crore, along with a steady net interest margin of 4.29%, reflects operational strength. With management targeting 18-23% growth in FY25, particularly in vehicle finance and rural spending, the bank is well-positioned to capitalize on India's economic expansion. We expect net interest income (NII) to rise to ₹23,916 crore in FY25 from ₹20,616 crore in FY24, and PAT to increase to ₹9,140 crore, up from ₹8,977 crore. Improved asset quality, with gross NPAs at 1.93%, further supports the bank's outlook, making it an attractive investment in India's financial sector. We expect the company's ABV to be ₹878 in FY25 compared with ₹782 in FY24. The bank is also managing Opex and maintaining a steady credit cost at ~120 basis points, which is expected to keep RoA between 1.7% and 1.8% for FY25-26. **We recommend a BUY on the stock with a target of INR 1650 implying a p/b multiple of ~1.8x on FY25E book value of ~ INR 913.**

Financial Performance at a glance (Standalone)

Particulars (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Interest Income	1,50,008.4	1,75,921.2	2,06,159.2	2,34,109.4	2,74,008.3
NIM %	4.1	4.3	4.3	4.5	4.5
Total Income	2,24,084.7	2,57,648.9	3,00,037.6	3,41,993.6	3,98,820.1
PBT	61,736.5	98,596.5	1,19,415.3	1,30,388.0	1,54,689.9
PAT	46,111.2	73,897.2	89,497.8	97,406.9	1,15,103.6
EPS	59.6	95.3	115.0	124.0	145.7
ROA	1.2	1.7	1.8	1.8	1.8
CASA	42.8	40.1	37.9	40.4	39.9
Book Value	615.7	704.0	806.8	913.3	1,040.4
P/B	2.2	1.9	1.7	2.2	2.0

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

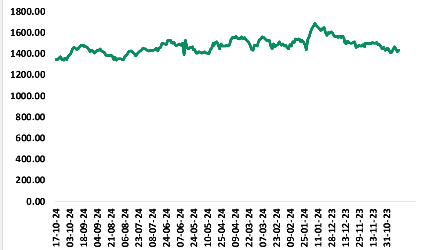
Market data

Market Cap (INR mn)	1048953.14
Outstanding Shares	778732843
Face Value (INR)	10
Dividend Yield (%)	1.23
TTM P/E	11.62
Industry P/E (X)	16.41
Beta	1.1996
52 Week High/ low	1694.4/1328.8
BSE Code	532187
NSE Code	INDUSINDBK
Reuters Ticket	INBK.BO
Bloomberg Ticker	IIB IN

Shareholding Pattern (%)

	Oct– 24
Promoters %	16.38
Institutions %	68.58
Non-Institutions %	15.04

1 Year Price Chart



DALMIA BHARAT

Sector: Cement

CMP (INR): 1840 | **Target Price (INR): 2300**

Upside (%): 25% | **Recommendation: BUY**

Company Overview

Dalmia Bharat Ltd. is engaged in the business of manufacturing and selling cement. Founded in 1939, it has grown to become the fourth-largest cement manufacturer in India by installed capacity as the company expanded its plants from 5 in FY14 with an installed capacity of 11.8 MnT to 15 YTD with an installed cement capacity of 46.6 million tonnes per annum (MnT) YTD. Its clinker capacity is 22.6MnT. Dalmia's operations are spread across 23 states. In 10 years from FY14-FY24 the company's capacity increased at 14% CAGR, sales volume increased at a 16% CAGR, revenue grew at a CAGR of 17% and EBITDA grew at a CAGR of 20%.

Investment Rationale

The Indian cement industry is projected to grow by 8-9% in FY25, reaching 455-460 million tonnes, driven by government support, increased housing projects, and infrastructure investments. The rural housing market will benefit from 2 crore additional houses under PMAY (R) and a 70% increase in its allocation to ₹54,500 crore, while urban demand is bolstered by a 37% rise in PMAY (U) funding to ₹30,170 crore. The infrastructure sector will gain from ₹2.52 lakh crore allocated to Railways and ₹2.78 lakh crore to MoRTH.

Dalmia Bharat plans to expand its capacity to 49.5 MTPA by FY25 and aims to reach 75 MTPA by FY28 through greenfield projects and acquisitions, including a bid for JPA. Recent divestments, such as a 4.47% stake sale in IEX for ₹487.55 crore, will help fund this expansion. The company plans to reduce costs by ₹150-200 per ton by increasing green energy usage and operationalizing captive coal mines. In Q1FY25, Dalmia reported sales of 7.4 million tons with a stable trade mix, achieving ₹669 crore EBITDA (9% YoY growth), supported by cost efficiencies and improved input pricing. Capital expenditure for FY25 is projected at ₹3,500-₹4,000 crore.

Outlook & Valuation

Dalmia Bharat is gearing up to meet the rising cement demand, projected to grow to 455-460 million tonnes by FY25, by expanding its capacity to 49.5 MTPA by FY25. The company allocated ₹660 crores for capex this quarter and plans to spend ₹3,500-₹4,000 crores in FY25 for this expansion. Their long-term goals include reaching a capacity of 75 MTPA by FY28 and 110-130 million tonnes by FY31. As of now, the company's gross debt stands at ₹4,613 crores, with a net debt of ₹445 crores, maintaining a net debt to EBITDA ratio of 0.17x. Over the past five years, Dalmia Bharat has successfully reduced its debt and aims to continue expanding capacity while maintaining a robust balance sheet. They have identified cost-saving opportunities of ₹150-₹200 per ton over the next three years through increasing renewable energy usage, optimizing logistics, and utilizing captive coal mines. The company reported a 6.2% year-on-year volume growth, achieving sales of 7.4 million tons, with a stable trade mix at 64%. Quarterly revenues were ₹3,621 crores, with volume growth offset by a decline in net sales realization (NSR). However, they saw improvements in raw material costs (down 5% year-on-year to ₹729 per ton) and power & fuel costs (down 22% year-on-year to ₹1,003 per ton) due to optimized mining costs, procurement efficiencies, and increased use of renewable energy. EBITDA rose by 9% year-on-year to ₹669 crores, translating to ₹901 per ton. We expect the company to report an EBITDA of ₹32,39 crores and EPS of ₹65.8 in FY26. Currently the company trades an EV/Ton of ~ $105/ton, we believe ideally the stocks should trade around an EV/ton of $120, given large capacities, companies like Ramco Cement and ACC trading at ~ $110-120 EV/ton and growth plans of reaching 100+ MT capacity over the next 6-7 years, **we recommend a buy for a target of INR 2300.**

Financial Performance at a glance (Consolidated)

Particulars (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	112860.0	135520.0	146910.0	155570.0	174220.0
Growth %	11.6%	20.1%	8.4%	5.9%	12.0%
EBITDA (Excluding OI)	23720.0	23090.0	26350.0	28002.6	32390.0
EBITDA Margin	21.5%	17.2%	18.0%	18.0%	18.6%
PAT	8370.0	10830.0	8540.0	10889.9	12340.8
PAT Margin	6.4%	7.0%	5.0%	7.0%	7.1%
EPS	43.6	55.2	44.0	58.1	65.8
BVPS	867.0	844.1	863.0	912.8	969.1
Adj. P/E	42.1	33.2	41.7	39.6	40.2
P/BV	2.1	2.2	2.1	2.5	2.7

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

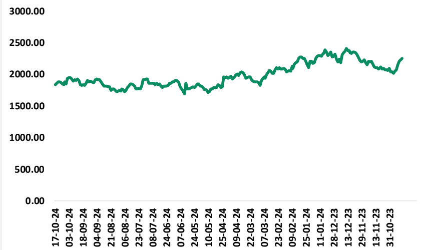
Market data

Market Cap (INR mn)	347028.76
Outstanding Shares	187380540
Face Value (INR)	2
Dividend Yield (%)	0.49
TTM P/E	41.46
Industry P/E (X)	41.89
Beta	1.0881
52 Week High/ low	2428.85/1664.
BSE Code	542216
NSE Code	DALBHARAT
Reuters Ticket	DALB.BO
Bloomberg Ticker	DALBHARA IN

Shareholding Pattern (%)

	Oct– 24
Promoters %	55.84
Institutions %	23.04
Non-Institutions %	21.12

1 Year Price Chart



SAMHI HOTELS

Sector: Hotel

CMP (INR): 200 | **Target Price (INR): 280**

Upside (%): 40.4% | **Recommendation: BUY**

Company Overview

Samhi Hotels Ltd. is a major branded hotel ownership and asset management platform in India, holding the third-largest inventory of operational keys (owned and leased) as of March 31, 2024. Over 13 years of operations, the company expanded its portfolio to 4,801 keys across 31 operating hotels in 13 key urban consumption centers such as Bengaluru, Hyderabad, National Capital Region (NCR), Pune, Chennai, and Ahmedabad. Following the completion of the ACIC acquisition on August 10, 2023, Samhi's acquisition-led growth strategy continued to thrive. The company has adopted an acquisition-led strategy, which is underpinned by its track record of acquiring and successfully turning around hotels to grow its business.

Investment Rationale

Samhi's board has recently approved the acquisition of 100% equity in Innmar Tourism and Hotels Private Limited (ITHPL) at an enterprise value of approximately ₹205 crore. ITHPL owns an operating hotel with 142 rooms in Whitefield, Bengaluru, along with surplus land that allows for the development of an additional 200-220 rooms in the upper upscale category. This acquisition boosts Samhi's presence in Bengaluru, the country's largest and fastest-growing office market. Following this acquisition, Samhi's Bengaluru portfolio will see a 38% increase in inventory. Additionally, the upscale and upper upscale segments will benefit from a 30% rise in room count due to this deal. From a financial perspective, management anticipates minimal impact on debt levels post-acquisition, and the company has set a target to reduce its net debt/EBITDA ratio from 4.9x at FY24-end to 3.7x by FY25-end, factoring in both the acquisition and renovation costs.

Samhi Hotels is poised to deliver a strong performance in Q2FY25, a period that typically experiences lower seasonal demand. The company is expected to benefit from pent-up demand carried over from Q1 and a boost in corporate bookings. Revenue is projected to grow by approximately 17% year-on-year, with broad-based growth across all segments. Furthermore, EBITDA margins are anticipated to expand by around 420 basis points to 31%, supported by operational leverage and increased efficiency. The quarter is expected to show a significant improvement in profitability, with Samhi posting a net profit of ₹4 crore, marking the third consecutive quarter of positive net profit, compared to a loss of ₹80 crore in Q2FY24. This strong showing will be driven by robust revenue growth, higher margins, and reduced interest costs.

Outlook & Valuation

Samhi has completed the acquisition of a 100% stake in ITHPL at an enterprise value of approximately ₹205 crore. This acquisition will immediately add 142 rooms to Samhi's current portfolio. The company plans to invest ₹70 crore in renovating and upgrading these existing rooms. Discussions with a prominent international upscale brand are in advanced stages, with finalization expected in the next 45-60 days. Once the renovation is complete, the hotel is projected to achieve a RevPAR of around ₹6,300 per room, doubling its current performance, with EBITDA margins expected to exceed 50%. Additionally, construction of a new upper-upscale hotel, with 200-220 rooms, is set to begin in Q2/Q3 FY2026, with a planned capex of ₹270 crore. Both the acquisition of the existing hotel and the capex for the new development will be primarily funded through internal accruals. With improved free cash flow, the management is targeting to reduce its net debt/EBITDA ratio to 3.7x, factoring in the costs of the acquisition and renovation. For Q2FY25, Samhi expects to report strong results, with revenue growth projected at 17-18% YOY. The company is also expected to achieve a 3rd consecutive quarter of positive PAT of ₹4 crore, aided by reduced debt levels and improved performance across its existing portfolio. We expect the company to report revenue of ₹1129 crores in FY25 and EPS of ₹3.2. **We recommend a buy on the stock with a target price of INR 280 implying a Ev/Ebidta multiple of ~ 15X on FY26E earnings.**

Financial Performance at a glance (Consolidated)

Particulars (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	3227.4	7385.7	9573.9	11290.2	13162.6
Growth %	57.9	47.8	46.7	17.9	16.6
EBITDA (Excluding OI)	114.3	2377.5	2665.2	4382.0	5053.3
EBITDA Margin	8.1	35.3	30.1	38.8	38.4
PAT	-4432.5	-3385.9	-2346.2	1053.0	1810.7
PAT Margin	-137.3	-45.8	-24.5	9.3	13.8
EPS	-58.1	-43.9	-14.7	3.2	7.7
BVPS	92.4	95.4	127.1	52.8	61.1
Adj. P/E	-	-	-	78.1	47.8
P/BV	2.1	2.1	1.6	4.7	6.0

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

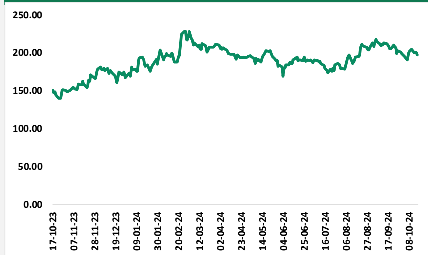
Market data

Market Cap (INR mn)	44021.53
Outstanding Shares	220107650
Face Value (INR)	1
Dividend Yield (%)	0
TTM P/E	0
Industry P/E (X)	68.19
Beta	0.9983
52 Week High/ low	237.8/137
BSE Code	543984
NSE Code	SAMHI
Reuters Ticket	SAMH.BO
Bloomberg Ticker	SAMHI IN

Shareholding Pattern (%)

	Oct– 24
Promoters %	0
Institutions %	81.26
Non-Institutions %	18.74

1 Year Price Chart



CREDO BRANDS MARKETING

Sector: Textiles & Apparel

CMP (INR): 188

Upside (%): 59.5%

Target Price (INR): 300

Recommendation: BUY

Company Overview

Launched in the year 1998, brand "Mufti" is a recognized brand with 25 years of presence in India. Mufti seems like the perfect brand for the young, trendy and unshackled Indian. The product mix has evolved significantly over the past several years from consisting of only shirts and trousers in the year 1998 to a wide range of products including t-shirts, sweatshirts, jeans, cargos, chinos, jackets, blazers and sweaters in relaxed holiday casuals, authentic daily casuals to urban casuals, party wear and also athleisure categories. The diverse products range comes under the mid-premium to premium price range of clothing in India.

Investment Rationale

The premium and mid-premium branded apparel market is currently facing subdued demand due to inflationary pressures and a nationwide heat wave. However, company management remains optimistic about a recovery, particularly driven by the upcoming festival and wedding seasons, which are key for apparel sales in India. Looking ahead, the retail market in India is projected to grow at a robust CAGR of 10.4%, reaching INR 1,13,360 billion (USD 1,418 billion) by FY27. The apparel and accessories segment is expected to increase its share of the overall retail market, growing from 6.1% in FY 2022 to 9.4% by FY 2027. This expansion highlights strong growth potential for brands like Mufti in the evolving retail landscape, positioning the company to capitalize on the rising demand for premium apparel.

Mufti has shown resilience in a challenging market, achieving same-store sales growth (SSSG) of 3% for Q1FY25. Looking ahead, the company anticipates improved demand and increased foot traffic in H2FY25, driven by the upcoming wedding and festival season. During Q1FY25, Mufti added 5 net new stores to its portfolio, bringing the total store count to 430. The company remains optimistic about its expansion efforts and plans to open between 25 to 30 new stores throughout FY25. This expansion will focus on both existing and new cities, with several markets identified for further openings of Exclusive Brand Outlets (EBOs). This strategy is expected to result in market share gains, heightened brand recognition, and economies of scale. Mufti is also capitalizing on the rising e-commerce demand in Indian retail, with plans to grow its share of sales through its own website and e-commerce partners. In addition, the company aims to enhance its presence on digital platforms, aiming to strengthen its position in the direct-to-consumer (D2C) space. The company continues to build a strong brand identity through targeted advertising and marketing campaigns. Looking forward, Mufti aims to achieve mid-teens revenue growth for FY25, supported by store expansions in new and existing geographies. This growth will depend on a recovery in demand for premium and mid-premium brands. Furthermore, Mufti is targeting improved profitability through the implementation of various cost-efficiency measures, ensuring a focus on sustainable growth.

Outlook & Valuation

Mufti aims to open 25 to 30 new stores in FY25, expanding its total store count to 430, focusing on Exclusive Brand Outlets (EBOs) for greater visibility and market share. A targeted allocation of 5% of revenues towards branding and advertising will further strengthen its brand identity and digital presence. In Q1 FY25, the company reported a 5% year-on-year revenue growth to ₹124 crores, with same-store sales growth of 3%. Gross profit rose by 9% to ₹72.6 crores, yielding a robust gross profit margin of 58.6%. EBITDA saw a 10% increase to ₹33.4 crores, reflecting a healthy margin of 26.9%. PAT grew by 14% to ₹9.8 crores. With working capital days reduced by 5 days to 161 days and a net debt-to-equity ratio of negative 0.02x, Mufti is in a strong financial position, underscoring its debt-free status. The company has demonstrated effective inventory and working capital management, with no material write-offs historically. A commitment to reducing inventory levels and optimizing working capital will enhance operational efficiency. The company expects to maintain EBITDA margins between 28% and 30%. We expect the company's revenue to grow ~14%-15% to ₹652.05 crores and its EPS to be reported at ₹15 in FY25. **We recommend a buy on the stock with a target price of INR 300 implying a 20x P/E multiple on FY25E earnings.**

Financial Performance at a glance (Consolidated)

Particulars (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	3411.7	4981.8	5673.3	6520.5	7498.6
Growth %	39.4%	46.0%	13.9%	14.9%	15.0%
EBITDA (Excluding OI)	951.0	1638.5	1605.3	1825.7	2249.6
EBITDA Margin	27.9%	32.9%	28.3%	28.0%	30.0%
PAT	357.4	775.1	592.0	964.5	1124.8
PAT Margin	10.5%	15.6%	10.4%	14.8%	15.0%
EPS	5.6	12.1	9.2	15.0	17.5
Adj. P/E	33.8	15.7	20.5	20.0	21.0

Source: Company Data, SMIFS Research, Ace Equity, Bloomberg

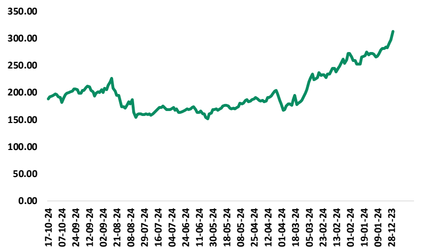
Market data

Market Cap (INR mn)	12190.68
Outstanding Shares	6,45,00,952
Face Value (INR)	2
Dividend Yield (%)	0.27
TTM P/E	20.18
Industry P/E (X)	55.45
Beta	0.8783
52 Week High/ low	324.55/136.4
BSE Code	MUFTI
NSE Code	MUFTI
Reuters Ticket	CREO.BO
Bloomberg Ticker	MUFTI IN

Shareholding Pattern (%)

	Oct– 24
Promoters %	54.83
Institutions %	9.66
Non-Institutions %	45.17

1 Year Price Chart



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Analyst holding in stock: **NO**

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