



SYSTEMATIX GROUP<sup>TM</sup>

Investments Re-defined

# Diwali Picks 2023





# OUR 2023 DIWALI PICKS

<b>Company</b>	<b>CMP *</b>	<b>Market Cap (₹) Cr</b>	<b>Target Price</b>	<b>Returns%</b>
<b>IDFC Ltd</b>	<b>₹114</b>	<b>18,240</b>	<b>155</b>	<b>36%</b>
<b>Karnataka Bank Ltd</b>	<b>₹217</b>	<b>6,794</b>	<b>280</b>	<b>29%</b>
<b>Shriram Properties Ltd</b>	<b>₹102</b>	<b>1,733</b>	<b>124</b>	<b>22%</b>
<b>Ugro Capital Ltd</b>	<b>₹288</b>	<b>2,666</b>	<b>350</b>	<b>21%</b>
<b>Zomato Ltd</b>	<b>₹116</b>	<b>100,156</b>	<b>140</b>	<b>20%</b>
<b>Triveni Engineering Ltd</b>	<b>₹362</b>	<b>7,923</b>	<b>421</b>	<b>16%</b>
<b>Mastek Ltd</b>	<b>₹2,233</b>	<b>6,844</b>	<b>2,600</b>	<b>16%</b>

CMP~ as on 03rd Nov 2023



# IDFC Ltd (Mcap: INR 18,240 crs)

**CMP: ₹114**

**TARGET: ₹155**

**UPSIDE: 36%**

## Investment Thesis:

- The board of IDFC First Bank approved its merger with IDFC on 3rd July 2023 through an amalgamation scheme and the ratio of the deal has been fixed at 155:100. CCI Approval received on 17th October 2023 for the proposed scheme of amalgamation. IDFC Limited is a holding company of IDFC First Bank.
- IDFC First Banks delivered a strong financial performance and business growth momentum. Net Profit increased by 35% on YoY basis during Q2FY24 and it stood at Rs 751 crs. Net interest income grew by 32% on YoY basis.
- Customer deposits increased 44% YoY and it stood at Rs 1,64,726 crs. Total loans and advances increased by 26 % YoY and stood at Rs 1,83,236 crs. Gross NPA stood at 2.11% and Net NPA stood at 0.68% for the bank. CASA ratio stood at 46.40%.
- Post Merger, IDFC First Bank distinctive business strategy of aggressive retail expansion, coupled with a vigilant approach to managing non-performing assets will drive growth.

Sales (Rs. Cr)		PAT (Rs. Cr)		3 y CAGR (in %)		EPS (Rs.)		P/E (x)		Return over (%)				52 Week		P/BV (x)
FY23	FY22	FY23	FY22	Sales	PAT	FY23	FY22	FY23	FY22	1 m	3 m	6 m	1 y	High	Low	
2076	92	2,029	54	139	216	13	0.3	9	380	-11	-4	25	35	134	73	1.5



# Shriram Properties (Mcap: INR 1,733 crs)

**CMP: ₹ 102**

**TARGET: ₹ 124**

**UPSIDE: 22%**

## Investment Thesis:

- Shriram properties is a combination of real estate development and real estate services, business model. Since inception most of its completed projects are in Joint Venture (JV), Joint Development (JDA) and Development Management (DM) business models. The low capital-intensive nature of its service model enables it to keep its debt in check, ensures high scalability and efficient use of capital.
- The company is led by their Chairman & Managing Director M Murali who is supported by an experienced and a professional management team. Being part of the Shriram group it also benefits from the trust that homebuyers and financial investors place in the Shriram Group.
- The company's key operating metrics have been robust. As per the management, pre sales volumes are expected to increase ~19% YoY from 4.02 msf in FY23 to 4.80 msf in FY24E. Similarly the management expects increase in pre sales value ~25% YoY from Rs 1,846 crs in FY23 to Rs 2,300 crs in FY24E .

Sales (Rs. Cr)		PAT (Rs. Cr)		3 y CAGR (in %)		EPS (Rs.)		P/E (x)		Return over (%)				52 Week		P/BV (x)
FY23	FY22	FY23	FY22	Sales	PAT	FY23	FY22	FY23	FY22	1 m	3 m	6 m	1 y	High	Low	
674	433	68	18	6	121	3.88	0.58	176	26	12	50	55	38	103	53	1.39



# Karnataka Bank Ltd (Mcap: INR 6,794 crs)

**CMP: ₹217**

**TARGET: ₹280**

**UPSIDE: 29%**

## Investment Thesis:

- Karnataka Bank is a south India based lender which was incorporated in 1924 and has 901 branches pan India and 575 of them are in Karnataka. The company is focused on increasing advances in the retail segment where they are growing the gold and home loans segment. It has trained a team of 600 sales personnel who would focus on Retail and Agri loans. It also wants to grow the MSME and mid-sized corporates loans through various digital, collaboration, and direct channels.
- The board has given approval for raising Rs 1,500 crores of Tier-1 capital which will aid the banks cost of funds. The bank has also been improving its asset quality over the years as GNPA reduced from 4.9% in FY18 to 3.47% in Q2FY24.
- At the end of Q2FY24 The deposits were Rs 89,532 crores with a Net Interest margin of 3.58%, CASA of 31.91% and GNPA and NNPA of 3.47% and 1.36% respectively. The ROE stood at 15.11% and ROA was 1.27% and was available at a P/B of 0.83.

Sales (Rs. Cr)		PAT (Rs. Cr)		3 y CAGR (in %)		EPS (Rs.)		P/E (x)		Return over (%)				52 Week		P/BV (x)
FY23	FY22	FY23	FY22	Sales	PAT	FY23	FY22	FY23	FY22	1 m	3 m	6 m	1 y	High	Low	
7,220	6,222	1,180	509	4	40	38	16	6	13	-11	-1	60	57	258	114	0.83



# Ugro Capital Ltd (Mcap: INR 2,666 crs)

**CMP: ₹ 288**

**TARGET: ₹ 350**

**UPSIDE: 21%**

## Investment Thesis:

- UGRO Capital is a fintech with expertise in lending to MSME sector which has a huge addressable market ahead.
- The company uses technology to identify high growth sectors and minimize risks and reducing operation costs.
- UGRO has a co-lending business model with public sector banks and smaller private banks which are mutually beneficial to both the parties. UGRO's approach to grow with a mix of on book and off book allows it to compete in various offering in its target segment.
- In Q2FY24 the company had an AUM of Rs 7,592 crores, Net Interest Income of Rs 115.7 crores, PAT of Rs 29 crores and healthy ROA of 2.3% and ROE of 2.2%. It is consistently reducing its cost to income and is currently trading at P/B of 2.

Sales (Rs. Cr)		PAT (Rs. Cr)		3 y CAGR (in %)		EPS (Rs.)		P/E (x)		Return over (%)				52 Week		P/BV (x)
FY23	FY22	FY23	FY22	Sales	PAT	FY23	FY22	FY23	FY22	1 m	3 m	6 m	1 y	High	Low	
684	312	40	15	87	27	6	2	51	141	11	7	-29	-64	320	136	1.98



# Zomato Ltd (Mcap: INR 1,00,202 crs)

**CMP: ₹116**

**TARGET: ₹140**

**UPSIDE: 20%**

## Investment Thesis:

- The increase in no of orders and average order value has resulted in strong GOV growth. As on 30<sup>th</sup> Sep 2023, the GOV for the B2C business grew 47% YoY at Rs 11,422 crs . Zomato has also turned profitable in FY24 and its PAT was Rs 38 crs for H1FY24.
- At present, restaurant food accounts for just ~10% of India’s total food spends, with majority centered on home-cooked meals; in contrast, the US and China boast figures of ~54% and 58%, respectively. The Indian food industry is expected to grow at ~9% CAGR which will benefit Zomato.
- Zomato has consistently pursued strategic acquisitions like Uber Eats, Magicpin and Shiprocket which has strategically positioned the company and enabled it to increase its market share.

Sales (Rs. Cr)		PAT (Rs. Cr)		3 y CAGR (in %)		EPS (Rs.)		P/E (x)		Return over (%)				52 Week		P/BV (x)
FY23	FY22	FY23	FY22	Sales	PAT	FY23	FY22	FY23	FY22	1 m	3 m	6 m	1 y	High	Low	
7,079	4,192	-971	-1,222	40	26	-1.14	-1.54	-102	-75	11	35	83	87	120	44	5.08



# Mastek Ltd (Mcap: INR 6,844 crs)

**CMP: ₹2,233**

**TARGET: ₹2,600**

**UPSIDE: 16%**

## Investment Thesis:

- In Q2FY24, the company reported operating revenue of Rs 765.5 crores, marking a robust 22.4% year-over-year increase and a 5.6% quarter-over-quarter growth (4.4% QoQ and 13.5% YoY in constant currency).
- A significant portion of this revenue, 56.6%, stemmed from their UK Business, where they experienced a surge in orders from the public sector, particularly in the provision of secure government services.
- The company boasted 441 active clients in Q2FY24, with a noteworthy 67 clients generating annual billings exceeding \$1 million.
- 12 Month Order Backlog is Rs 1862 crores, up by 13.4% YoY in cc. The company's deal momentum remains robust, supported by a healthy pipeline. Notably, account mining deals and effective project execution are poised to be key drivers of growth in the second half of FY24.
- The utilization rate is around 84%. The LTM attrition for Q2FY24 is 19.1% vs 24.2% in Q2FY23.

Sales (Rs. Cr)		PAT (Rs. Cr)		3 y CAGR (in %)		EPS (Rs.)		P/E (x)		Return over (%)				52 Week		P/BV (x)
FY23	FY22	FY23	FY22	Sales	PAT	FY23	FY22	FY23	FY22	1 m	3 m	6 m	1 y	High	Low	
2,563	2,184	310	333	34	31	96	98	24	23	-7	12	28	35	2,535	1,475	3.8





# Triveni Eng. & Ind Ltd (Mcap: INR 7,923 crs)

**CMP: ₹362**

**TARGET: ₹421**

**UPSIDE: 16%**

## Investment Thesis:

- Triveni Engineering and Industries Ltd is amongst the top 3 sugar manufacturers in India and a leading supplier of ethanol.
- The company has a robust outstanding order book of Rs 1,573 crores for combined engineering business and Rs 282 crores for power transmission business. The Water business has won the bid of RUDSICO Greater Jaipur under Joint Venture agreements with Triveni as the lead partner. Triveni share in the contract is Rs 355 crores.
- The company is planning to increase its distillation capacity from 660 KLPD currently to 1,100 KLPD in the coming years.
- In Q2FY24 the revenues grew by 10% YoY to Rs 1,617 crores and EBITDA grew by 32% YoY to Rs 75 crores. The company has growth its revenue at a CAGR of 19% over the past 5 years and reduced its debt position during the same time and has healthy ROCE of 17.5% and ROE of 23% and is trading at an attractive valuation of P/E of 18 and P/B of 3.

Sales (Rs. Cr)		PAT (Rs. Cr)		3 y CAGR (in %)		EPS (Rs.)		P/E (x)		Return over (%)				52 Week		P/BV (x)
FY23	FY22	FY23	FY22	Sales	PAT	FY23	FY22	FY23	FY22	1 m	3 m	6 m	1 y	High	Low	
6,310	4,694	1,792	424	8	17	75	18	5	21	-4	19	30	34	417	250	2.88



# OUR 2022 DIWALI PICKS PERFORMANCE

Particulars	Reco Price	Target Price	CMP <sup>~</sup> (₹)	Upside	Target	XIRR based on CMP
Canara Bank	226	325	384	44%	Achieved	66%
Ugar Sugar Works Ltd	71	100	95	41%	Achieved	32%
TRIVENI Ltd	276	387	356	40%	Achieved	27%
Piramal Enterprises Ltd	826	1,100	975	33%	Achieved	17%
IDFC Ltd	76	100	115	32%	Achieved	48%
ZEEL Ltd <sup>^</sup>	267	350	259	31%	-3%	-3%
IRB Infra Dev Ltd <sup>*</sup>	21	28	34	29%	Achieved	53%
Dalmia Bharat Ltd	1,524	1,900	2,104	25%	Achieved	36%
NMDC Ltd <sup>#</sup>	131	160	206	23%	Achieved	54%
M&M Ltd	1,248	1,500	1,459	20%	Achieved	16%

CMP<sup>~</sup> as on 03rd Nov 2023

<sup>\*</sup>IRB Infra share price is adjusted for stock split

<sup>#</sup>NMDC Ltd was demerged hence the current MP includes NMDC Ltd and NMDC steel Ltd

<sup>^</sup>Target status of Zee is based on current market price. For other stocks its based on whether target was achieved during the period



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