



# Diwali Picks

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# 2024

## Diwali Picks 2024

Script Name	CMP as on 24 <sup>th</sup> -Oct-2024	Target Price (12 Months)	Upside Potential	Market Cap. (₹Bn.)	PE/PB (FY26E)	Rationale/Description
Interglobe Aviation Ltd.	4,528	5,300	17%	1,749	21.5	IndiGo as India's leading airline has a market share of 62% as of FY24 with 18% of market share in international passenger segment. It served ~28mn customers in Q1FY25. Huge investments by government in construction of airports, UDAN scheme and increase in number of passenger are some of the growth triggers for aviation industry going forward.
Power Grid Corporation Of India Ltd.	319	370	16%	2,967	17.0	POWERGRID stands to benefit significantly from India's goal to expand its Renewable Energy capacity to 500GW by 2030. In Q1, they became L1 bidders for three ISTS TBCB projects worth Rs 41,720 mn, including Rajasthan RE Power projects in Jaisalmer and Barmer (Phase IV, Part B & D) and the Fatehpur-Badla HVDC project (Phase III, Part I). The company revised its FY24 capex plan to Rs 1,80,000 mn, up from Rs 1,50,000 mn. For FY25, Rs 50,000 mn is allocated for RTM and Rs 1,30,000 mn for other projects.
Mahindra & Mahindra Ltd.	2,835	3,250	15%	3,525	22.5	M&M has been the dominant market leader in the domestic tractor market, commanding a market share of 42% in FY24. It aims to launch new models across ICE and EV in auto division. On the back of strong order backlog for UV's, new launches in ICE and EV's and a leadership position in tractors. We believe that company will leverage its operational performance achieving strong volume growth in FY25 for both the division.
Tejas Networks Ltd.	1,292	1,650	28%	221	148.5	TEJAS has a total order book of ~ ₹48,450 mn, of which order book from India is ₹46,270 mn and Outside india is ₹2,180 million. Company has ramped up their 4G/5G RAN shipments for BSNL's network. In Q2FY25, TEJAS did more than 30k sites and have have shipped 58k sites to BSNL network cumulatively. Indian railways- Kavach, bharatnet for Phase 3, expansion of BSNL's 4G network and 5G upgrades are some of the opportunities which will help TEJAS show strong revenue growth going forward.
Data Patterns (India) Ltd.	2,264	2,850	26%	127	48.0	DATAPATTNS with its diversified portfolio of which 45% of its orders from production, 51% from development, and 4% from services. It holds 100 export orders and expects new radar orders from South Korea and Europe in the coming quarters. The company forecasts total order inflows of around Rs 10 bn for FY25. Going forward, company expects revenue growth of about 20-25% in FY25 and is targeting a revenue CAGR of over 25% in the next 2-3 years. Margins are projected to stay around 35%, with anticipated earnings growth of 25-30%.
KRN Heat Exchanger And Refrigeration Ltd.	423	550	30%	26	35.4	KRN a manufacturer of fin and tube-type heat exchangers widely used in the growing HVAC&R industry is expanding its capacity which would generate increased growth in revenues from existing as well as new products like bar and plate heat exchanger, oil cooling unit with blower and motor and roll bond evaporator with improved margins from the export markets. Looking at the company's experienced legacy along with its plan to expand internationally and rising demand in HVAC market and strong demand from emerging sectors like data centers which could aid KRN's revenue and profit margin in long run.

# Interglobe Aviation Limited (INDIGO)

**CMP: ₹4,528**  
**Target: ₹5,300**



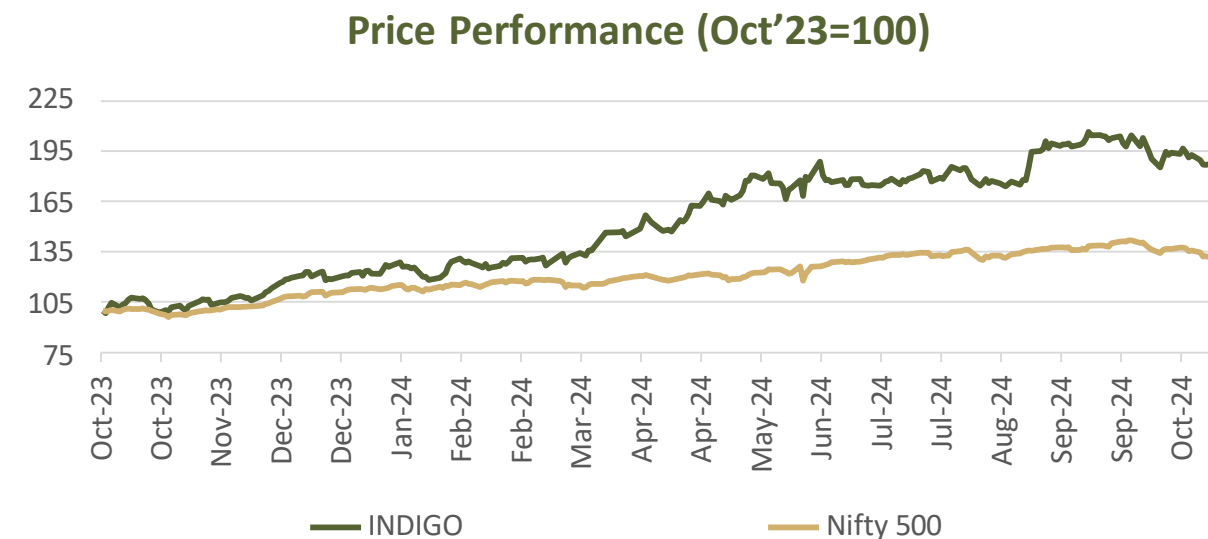
## Rationale:

- InterGlobe Aviation Ltd, known as IndiGo, is India's leading airline, functioning as a budget carrier. It serves 86 destinations, including 24 international ones, offering passengers a straightforward, unbundled service. The airline is committed to delivering on its core promise of "affordable fares, punctual flights, and a smooth, friendly travel experience." IndiGo began its journey in August 2006 with just one aircraft and has since expanded its fleet to 262 planes.
- IndiGo had a market share of ~62% as of FY24 with ~18% of market share in international passenger segment. It served ~28mn customers in Q1FY25 and has become seventh-largest airline in terms of daily departure.
- IndiGo continues to focus on expansion with 30 new routes added YoY, flying to more than ~540 routes. In Q1FY25, company operated ~382 aircrafts as compared to ~316 aircrafts in Q1FY24.
- IndiGo recently announced 'IndiGoStretch' - a tailor-made business product on the busiest and business routes of the country, redefining business travel in India and also launched of its much-awaited loyalty program, 'IndiGo BluChip', designed to reward its unwavering loyal customers with BluChips on IndiGo flights. Management also guided double digit growth in FY 2025.
- The Indian government is investing Rs 1 trillion to develop greenfield and brownfield airports, boosting their capacity and enhancing the passenger experience. Number of airports is set to grow from 140 in CY19 to ~220 in the coming years with tier-2 and tier-3 cities providing the opportunities.
- The introduction of projects like UDAN and the ongoing construction of greenfield airports in India (construction to be completed in 10-15 years) is expected to increase the potential opportunity for aviation industry.
- Aviation industry has emerged as one of the fastest growing industry and IndiGo being the largest airline company in India has the highest market share and expects this trend to continue going forward. We assign a **BUY** rating on the stock with a target price of **₹5,300 per share**.

52 Week Low / High	2,393 / 5,035
Avg. Daily Volume (3M)	1,06,752
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	385.98 / 17,45,950
Shareholding (Promoters/Institutional/Others)	49.3/ 45.9/ 4.8

(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
Total Income	5,58,814	7,12,312	7,71,561	8,71,838
EBITDA	79,663	1,86,831	1,76,609	2,01,048
EBITDA Margin	14.3%	26.2%	22.9%	23.1%
PAT	-3,058	81,725	79,085	81,326
PAT Margin	-0.5%	11.5%	10.2%	9.3%
EPS (₹)	-7.9	211.6	204.7	210.5
Debt/Equity	-6.8	24.6	4.6	2.2
P/B	-27.9	87.4	16.3	7.7
RoE	4.9%	409.4%	81.3%	52.7%
P/E	-569.9	21.3	20.1	14.6

Source: Company, Anand Rathi Research, Bloomberg. Note: Prices are as on 24-Oct-24



# Power Grid Corporation of India Limited (POWERGRID)

CMP: ₹319  
Target: ₹370



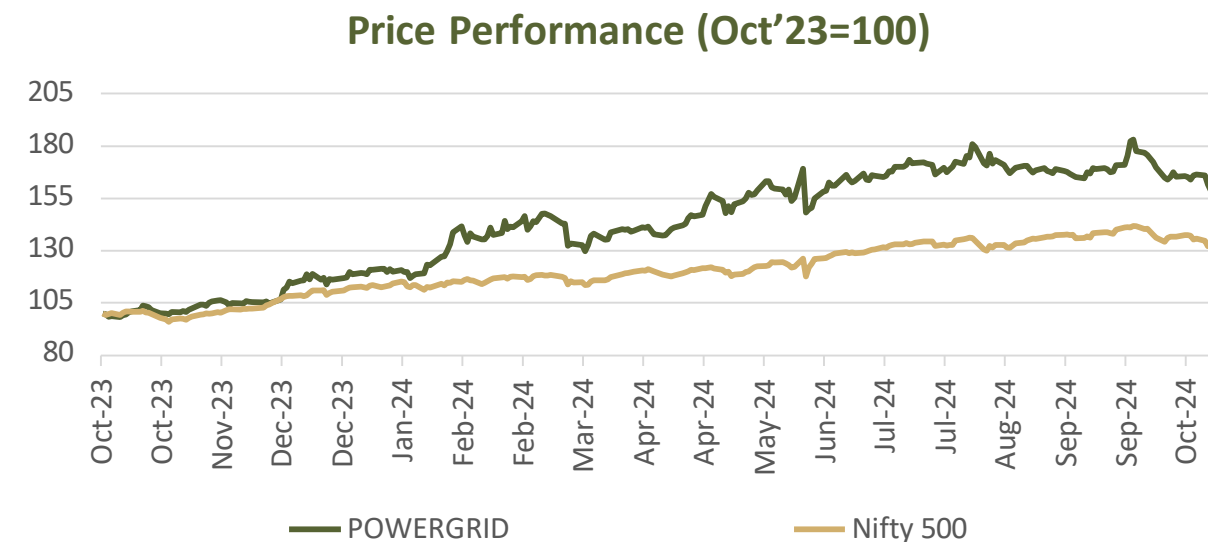
## Rationale:

- Power Grid Corporation of India Ltd (POWERGRID) is a leading transmission company, recognized globally, with the Government of India holding a 51.3% stake. Established in 1989, PGCIL develops extra-high voltage AC and high-voltage DC transmission lines, transferring electricity from central generating units and surplus regions to load centers across various areas.
- POWERGRID will be huge beneficiary from India's ambition to grow its renewable energy capacity to 500GW by 2030. In this Q1 FY25, POWERGRID have emerged L1 bidders in three ISTS TBCB projects up to June 2024 with levelized tariff of Rs 41,720 mn. These include Rajasthan RE Power projects in Jaisalmer and Barmer area, Phase IV, Part B and Phase IV, Part D. This is another project. Then Fatehpur-Badla HVDC project Phase III, Part I.
- As of July 2024, POWERGRID has won three projects: Dynamic Reactive Power Compensation at KPS 1 and KPS 3 (Rs 5,010 mn, tariff Rs 1,070 mn), a transmission system for renewable energy parks in Rajasthan (Rs 13,820 mn, tariff Rs 970 mn), and renewable energy evacuation in Gujarat's Khavda area, including a 765 kV/400 kV substation at South Olpad and transmission lines connecting to Ahmedabad, Baroda, and GETCO's Gandhar line.
- An MoU was signed with ISRO to develop a spatial decision support system for managing transmission towers, particularly in challenging areas such as hilly terrains, riverbanks prone to landslides or changes in river courses, and regions with dense forest growth. This system, utilizing satellite technology, will be instrumental in monitoring our transmission infrastructure. The project is expected to significantly enhance our ability to manage these transmission lines effectively.
- For this financial year, the company's capex plan has been revised to Rs 1,80,000 mn, up from the Rs 1,50,000 mn discussed previously. For FY25, the updated capex plan allocates Rs 50,000 mn for RTM and Rs 1,30,000 mn for other projects. POWERGRID have consistently maintained transmission system availability above 99.75%. In Q1 FY25, it reached 99.80%. Over the past five years, availability has been 99.85%, 99.82%, 99.83%, and 99.82%, reflecting strong performance. We assign a **BUY** rating on the stock with a target price of **₹370 per share**.

52 Week Low / High	196 / 366
Avg. Daily Volume (3M)	18,351.81
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	9,300.60/2,948,291
Shareholding (Promoters/Institutional/Others)	51.3/ 45.1/3.5

(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
Total Income	4,58,517	4,52,717	488,934	513,381
EBITDA	3,97,485	3,93,315	420,483	444,075
EBITDA Margin	86.7	86.9	86.0	86.5
PAT	1,54,197	1,55,732	1,64,118	1,74,480
PAT Margin	33.6	34.3	33.6	34.0
EPS (₹)	16.6	16.7	17.6	18.8
Debt/Equity	1.5	1.6	1.4	1.3
P/B	3.6	3.4	3.2	3.1
RoE	18.6%	17.9%	18.0%	18.2%
P/E	19.1	18.9	18.0	16.9

Source: Company, Anand Rathi Research, Bloomberg. Note: Prices are as on 24-Oct-24



# Mahindra & Mahindra Limited (M&M)

**CMP: ₹2,835**  
**Target: ₹3,250**



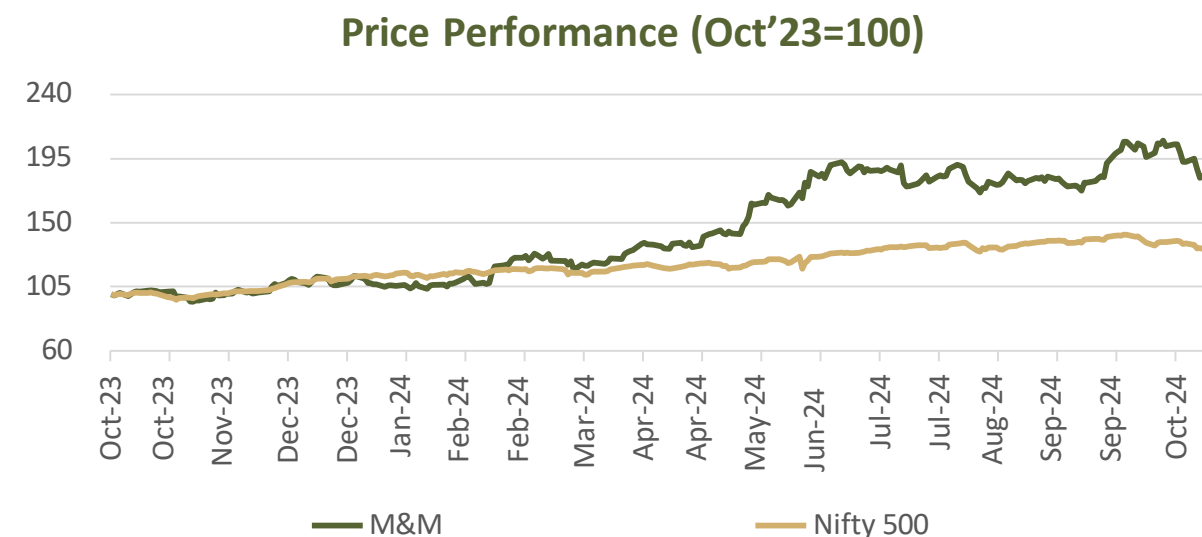
## Rationale:

- Mahindra & Mahindra (M&M) is the most diversified automobile company in India with presence across two-wheelers, three-wheelers, PVs, CVs, tractors and farm equipment. M&M has a strong position in the domestic large UV and tractor markets, with a market share of ~42% in tractor segment as on Mar'24. In terms of volumes, M&M is the world's largest tractor manufacturer and among the top four PV manufacturers in India.
- Through its subsidiaries and Group companies, M&M is present in financial services, auto components, hospitality, infrastructure, retail, logistics, steel trading and processing, IT businesses, agribusinesses, aerospace, consulting services, defence, energy and industrial equipment, etc. M&M continues to dominate the SUV revenue market share and remains the largest player in the domestic LCV market. M&M launched Veero in the LCV segment and ZEO in the ELCV segment. Going ahead, M&M is set to launch nine ICE models of which recently company launched XUV 3XO in the SUV segment, seven models in EV segment and LCV segment each by 2030. With new models and unique positioning it is targeting a 10% market share in the Truck & Bus (T&B) market, with the potential to grow up to Rs 100 bn over coming years.
- On domestic front, tractor industry is expected to increase from \$1,938 mn in CY23 to \$2,677 mn by CY30 led by increasing higher crop yields, growing population and crop cycles. In tractor division, company plans to enter Western European market in FY26 and aims to expand its market share in the coming years. In Q1FY25, company's topline at Rs 2,70,388 mn grew by 12% YoY and 7% QoQ, led by 70% recovery in tractor volumes. EBITDA was Rs40,222mn up by 22% YoY and 22% QoQ. EBITDA margin was 14.9% up 126bps YoY and 178 bps QoQ, led by operating leverage in the tractor segment QoQ. Adjusted PAT was down 5% YoY and up 31% QoQ to Rs26,127 mn.
- M&M has guided for 5% volume growth for the tractor segment and 15-18% volume growth for the auto segment in FY25 on the back of strong order backlog for UV's, new launches in ICE and EV's and a leadership position in tractors. We believe that such company's strategic approach with strong balance sheet will continue to leverage its performance in coming quarters. We assign a **BUY** rating on the stock with a target price of **₹3,250 per share**.

52 Week Low / High	1,450 / 3,222
Avg. Daily Volume (3M)	2807.07
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	1243.5 / 34,70,067
Shareholding (Promoters/Institutional/Others)	18.5 / 68.02/ 13.2

(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
Total Income	8,49,603	9,87,634	11,35,779	13,28,862
EBITDA	1,03,795	1,26,662	1,54,466	1,90,027
EBITDA Margin	12.2%	12.8%	13.6%	14.3%
PAT	65,486	1,07,178	1,27,207	1,56,806
PAT Margin	7.7%	10.9%	11.2%	11.8%
EPS (₹)	52.7	86.2	102.3	126.1
Debt/Equity	0.0	(0.0)	(0.0)	(0.0)
P/B	7.9	6.5	5.9	5.4
RoE	16.4	22.1	21.4	23.4
P/E	53.7	32.8	27.6	22.4

Source: Company, Anand Rathi Research, Bloomberg. Note: Prices are as on 24-Oct-24



# Tejas Networks Limited (TEJAS)

**CMP: ₹1,292**  
**Target: ₹1,650**



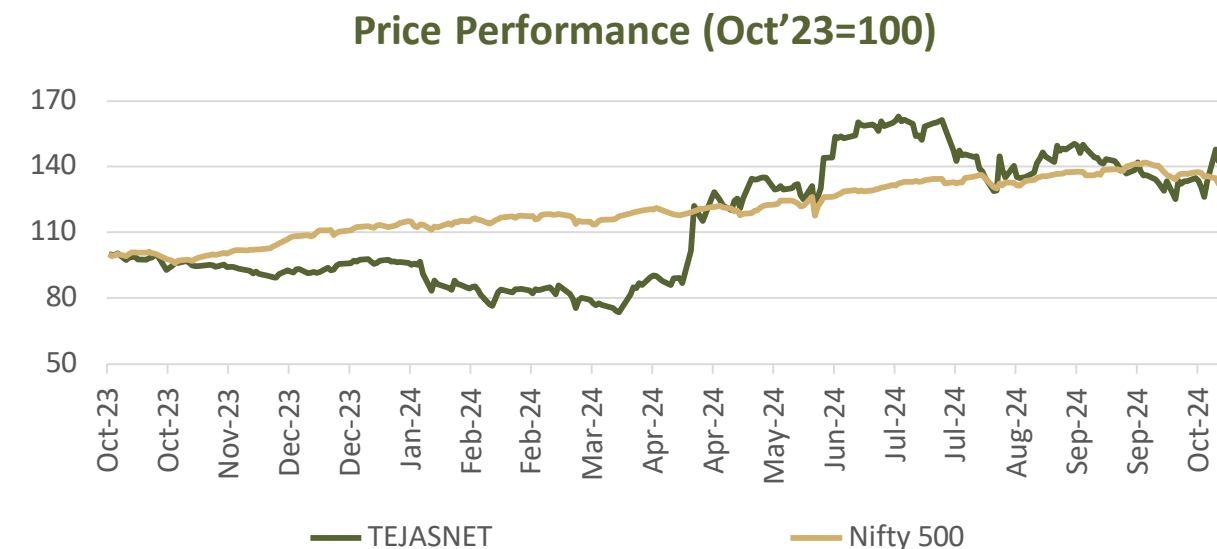
## Rationale:

- Tejas Networks Ltd (TEJAS) specializes in the design and production of wireline and wireless networking solutions, with a strong emphasis on technology, innovation, and research & development. Their carrier-grade products are deployed by telecom operators, utilities, government agencies, and defense networks across more than 75 countries. The company is currently owned by Panatone Finvest Limited, a subsidiary of Tata Sons Private Limited.
- Wireless business: TEJAS has ramped up their 4G/5G RAN shipments for BSNL's network. In Q2FY25, TEJAS did more than 30k sites and have shipped 58k sites to BSNL network cumulatively. Recently TEJAS have been selected for packet transport network (PTN) and Wavelength division multiplexing (WDM) equipment's from one of the Tier-1 telcos in India for capacity expansion of 4G/5G mobile networks. In international markets, company has also win new customers from Americas and Africa. Indian railways- Kavach is another opportunity in wireless business for TEJAS.
- Wireline business: Bharatnet for Phase 3, expansion of DWDM backbone networks in the utilities segment and FTTH and Network Modernization deals with multiple operators in EMEA and Americas are some of the key opportunities that are targeted by the company.
- Order book: TEJAS has a total order book of ~ Rs. 48,450 mn, of which order book from India is Rs 46,270 mn and Outside India is Rs 2,180 mn.
- There is large total addressable market (TAM) in both wireline and wireless market because of strong push for make in India. Wireline business is currently US\$ 33bn market and is expected to reach US\$ 50bn by FY 2029 whereas for wireless business currently it is US\$ 44bn market is expected to reach US\$ 58bn by FY2029.
- We expect TEJAS to report strong growth going forward mainly backed by: (1) Large opportunities from expansion of BSNL's 4G network and 5G upgrades, (2) Indian railway tender on collision avoidance system, (3) Bharatnet for Phase 3, (4) opportunities from international markets. We assign a **BUY** rating on the stock with a target price of **₹1,650 per share**.

52 Week Low / High	651 / 1,495
Avg. Daily Volume (3M)	31,073
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	173.9 / 2,32,300
Shareholding (Promoters/Institutional/Others)	55.4/ 14.3/ 30.3

(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
Total Income	9,215	24,709	83,025	1,13,893
EBITDA	(170)	2,659	10,120	15,845
EBITDA Margin	-1.8%	10.8%	12.2%	13.9%
PAT	(364)	630	4,050	7,542
PAT Margin	-4.0%	2.5%	4.9%	6.6%
EPS (₹)	-0.4	0.7	4.7	8.7
Debt/Equity	0.07	0.65	0.60	0.36
P/B	7.4	7.1	6.3	5.2
RoE	-1.2%	2.0%	11.4%	17.5%
P/E	-608.1	356.4	55.4	29.8

Source: Company, Anand Rathi Research, Bloomberg. Note: Prices are as on 24-Oct-24



# Data Patterns (India) Limited (DATAPATTNS)

CMP: ₹2,264  
Target: ₹2,850



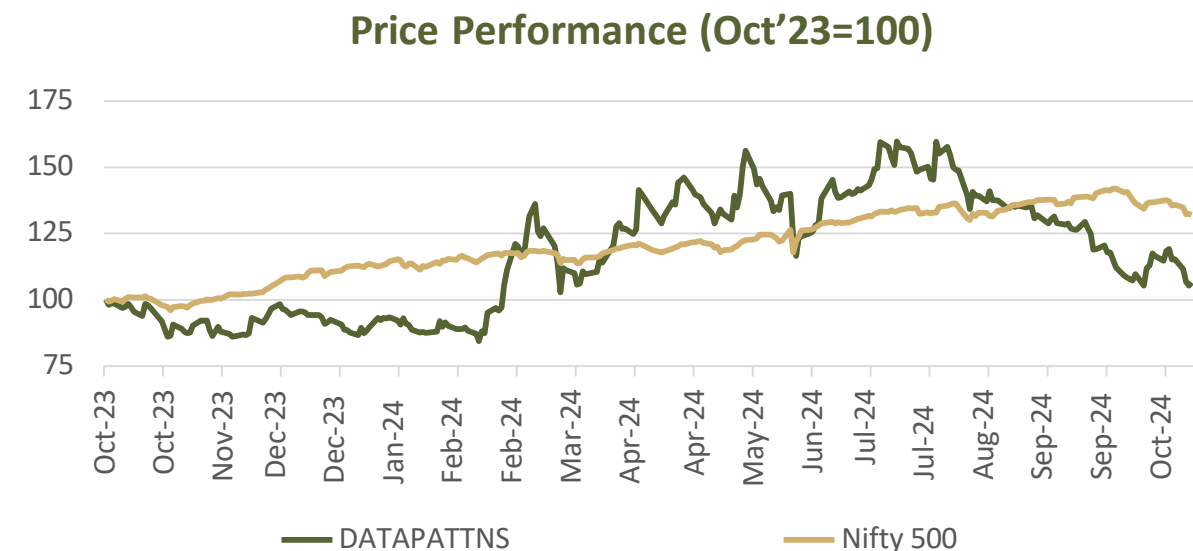
## Rationale:

- Data Patterns (DATAPATTNS) is a prominent player in India's Defence and Aerospace industry, known for its end-to-end capabilities, ranging from design and manufacturing to testing, validation, and full product lifecycle support. It stands out as the sole Indian company in these sectors to provide comprehensive systems.
- Data Patterns' expertise spans the full range of electronics, including processors, power systems, RF and microwave technologies, as well as embedded software and firmware. This distinctive capability enables the company to deliver complete solutions, a space typically dominated by international OEMs.
- The company maintains a well-diversified portfolio, with production, development, and service orders contributing 45%, 51%, and 4% of its total orders, respectively. It currently holds over 100 export orders and anticipates new radar orders from South Korea and Europe in the upcoming quarters. The company projects total order inflows to reach approximately Rs 10 bn in FY25.
- The company utilized the QIP proceeds of Rs 5 bn to develop fire control radars, electronic warfare systems, and communication suites. Its new factory is now operational, with plans to invest Rs 1 billion in infrastructure upgrades. Additionally, the company aims to expand its capacity to meet growing demand. Over the next two years, it will allocate Rs 1.5 bn for capital expenditures related to product development and contract-specific requirements.
- The company is optimistic about reducing its reliance on DRDO, which currently accounts for 35% of its revenue. It expects to secure direct orders from the Ministry of Defence (MoD) within the next five years. The company has been actively participating in Ministry of Defence (MoD) tenders under the Make-I and Make-II categories. Additionally, it is investing in R&D and exploring export opportunities.
- The company's revenue increased by 14.6% year-on-year in FY24, with EBITDA and PAT rising by 28.9% and 46.4%, respectively, reflecting strong operational efficiency and strategic execution. Looking forward, management anticipates revenue growth of around 20-25% in FY25 and aims for a revenue CAGR of over 25% over the next 2-3 years. Margins are expected to remain around 35%, with projected earnings growth of 25-30%. We assign a **BUY** rating on the stock with a target price of **₹2,850 per share**.

52 Week Low / High	1,735 / 3,655
Avg. Daily Volume (3M)	430.97
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	55.9 / 1,24,390
Shareholding (Promoters/Institutional/Others)	42.4/ 23.1/ 34.5

(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
Total Income	4,535	5,198	6,394	7,993
EBITDA	1,718	2,216	2,430	3,197
EBITDA Margin	37.9	42.6	38.0	40.0
PAT	1,240	1,822	2,020	2,644
PAT Margin	27.3	35.1	31.6	33.1
EPS (₹)	22.1	32.5	36.1	47.2
Debt/Equity	(0.5)	(0.3)	(0.3)	(0.4)
P/B	10.9	9.7	8.8	7.7
RoE	10.6%	13.8%	13.4%	15.3%
P/E	101.2	69.3	62.4	47.8

Source: Company, Anand Rathi Research, Bloomberg. Note: Prices are as on 24-Oct-24



# KRN Heat Exchanger and Refrigeration Limited (KRN)

**CMP: ₹423**  
**Target: ₹550**



## Rationale:

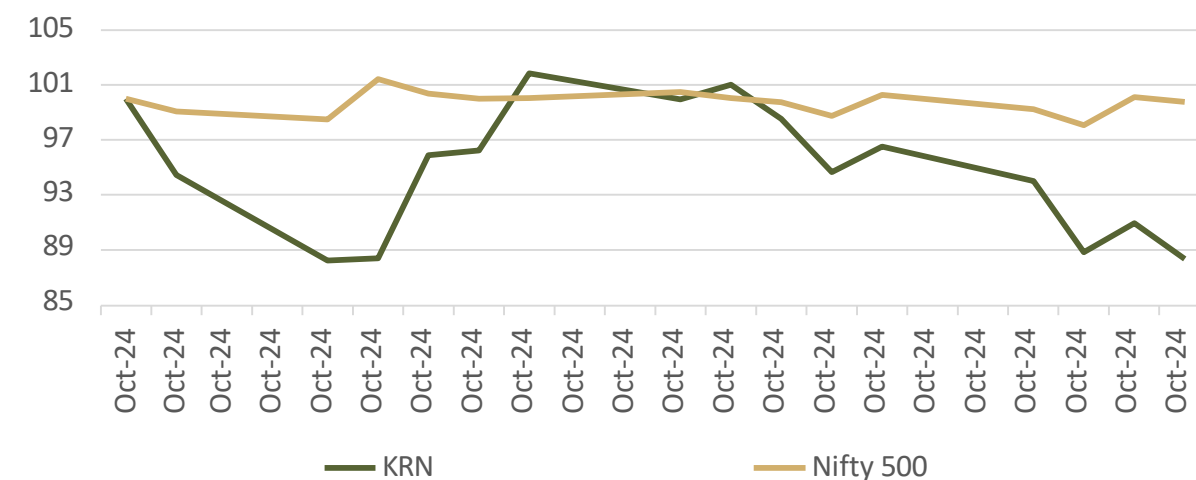
- ❑ KRN Heat Exchanger and Refrigeration Ltd (KRN) specializes in manufacturing aluminium and copper fin-copper tube condenser and evaporator coils for the HVAC&R industry. Their products are used by OEMs in heating, ventilation, air conditioning and refrigeration systems across domestic, commercial and industrial sectors. KRN product portfolio includes evaporator and condenser coils, fluid and steam coils, condensing units, copper headers and sheet metal parts.
- ❑ KRN is increasing its global footprint and augmenting growth in current geographies steadily expanding its customer network across Europe and plans to diversify by increasing sales in existing markets and expanding into new geographies, particularly North America and Europe. Company receives repeated orders from key customers like Daikin Air conditioning which company derives 33.34% revenues.
- ❑ KRN has served a total of 112 customers during the FY23 wherein their top 10 customers account for 75.94% of their revenue from operations. During FY23, KRN sold their products in 17 states in India and exported their products to 9 countries. As of March 31, 2024, domestic sales contributed 85% of its revenue down from 90% in FY22, while exports contributed 15% up from ~10% in FY22.
- ❑ Capacity expansion: KRN is expanding the business to reap the benefits of forward integration and incorporated a wholly owned subsidiary KRN HVAC products private ltd to increase value-added products in their existing portfolio and distribution of complete product range of heat exchangers. KRN is expanding its capacity multifold which will generate increased growth in revenues from existing as well as new products like bar and plate heat exchanger, oil cooling unit with blower and motor and roll bond evaporator with improved margins from the export markets.
- ❑ Going forward KRN could experience strong demand from emerging sectors like data centers. It is estimated that by 2025, the total number of data center in operation in India would reach to 183. Such a strong growth could transform into higher demand for heat exchangers used in HVAC systems.
- ❑ We expect KRN to report Revenue/PAT at the CAGR 25%/50% mainly because company is strong in their in-house design and development team, supported by marquee clients, along with full-service manufacturing capabilities which further enhances their ability to adapt to customer needs and maintain competitive advantages. We assign a **BUY** rating on the stock with a target price of **₹ 550 per share**.

52 Week Low / High	402 / 513
Avg. Daily Volume (3M)	4,937
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	62.2/ 27,100
Shareholding (Promoters/Institutional/Others)	70.8/ 11.4/ 17.8

(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
Total Income	2,474	3,083	3,854	4,624
EBITDA	493	585	713	842
EBITDA Margin	19.9%	18.9%	18.5%	18.2%
PAT	323	391	567	742
PAT Margin	13.1%	12.7%	14.7%	16.0%
EPS (₹)	5.20	6.29	9.11	11.94
Debt/Equity	0.45	0.62	0.2	0.1
P/B	15.0	5.6	2.4	4.9
RoE	75.9%	40.9%	57.8%	59.6%
P/E	81.9	67.7	46.7	35.6

Source: Company, Anand Rathi Research, Bloomberg. Note: Prices are as on 24-Oct-24  
\*FY23 are standalone numbers as on 31st March 2023

## Price Performance (Oct'23=100)





# Disclaimer:



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## Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid-Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0%-15%	Below 0%
Mid/Small Caps (101 <sup>st</sup> -250 <sup>th</sup> company)	>20%	0%-20%	Below 0%
Small Caps (251 <sup>st</sup> company onwards)	>25%	0%-25%	Below 0%

# Disclaimer:



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