

# 2024

*New Year*

## SIP PICKS

## The table gives out the basic financial details of the 9 Stocks

Sr No	Company	Industry	Equity Latest	FV	CMP Dec 21, 2023	Mkt cap	Book Value latest	Net Sales FY23	Change in sales y-o-y	PAT FY23	Change in PAT y-o-y	EPS TTM	P/E TTM	P/BV	Last Div %.	Dividend Yield
1	Adani Ports	Miscellaneous - Large	432.0	2	1,019.0	2,20,108	225.4	20851.9	21.8%	6356.7	21.6%	36.7	27.8	4.5	250	0.5%
2	Axis Bank	Banks - Private Sector	616.7	2	1,095.4	3,37,745	459.6	87448.4	27.0%	18097.7	28.2%	75.9	14.4	2.4	50	0.1%
3	Bajaj Finserv	Finance - Investment	159.6	1	1,666.9	2,65,946	318.9	80687.1	20.0%	6417.3	40.8%	46.5	35.8	5.2	80	0.0%
4	GAIL (India)	Gas Distribution	6,575.1	10	140.7	92,512	110.8	145668.3	56.8%	5616.0	-54.2%	8.0	17.5	1.3	40	2.8%
5	Grasim Inds	Textiles - Acrylic Fibre	131.7	2	2,085.6	1,37,326	1263.1	117627.1	22.9%	6893.5	-3.1%	100.6	20.7	1.7	500	0.5%
6	Info Edg.(India)	E-Services	129.4	10	5,005.1	64,756	1523.6	2345.7	47.6%	173.9	-93.4%	29.1	172.1	3.3	190	0.4%
7	Infosys	Computers - Software	2,075.2	5	1,536.0	6,37,508	170.5	146767.0	20.7%	24095.0	9.0%	59.9	25.6	9.0	680	2.2%
8	JSW Steel	Steel - Large	244.6	1	841.9	2,05,887	302.2	163646.0	13.8%	3711.4	-82.5%	36.4	23.1	2.8	84	0.1%
9	Pidilite Inds.	Chemicals - Speciality	50.9	1	2616.1	1,33,055	148.0	11799.1	18.9%	1273.3	5.4%	29.6	88.4	17.7	1100	0.4%

Source: Capitaline Database, All figures in Rs. except for Equity, Sales FY23 and PAT FY23 which are in Rs. cr, CMP is as of Dec 21 2023, EPS is adjusted for extraordinary items, past dividend yield may not necessarily sustain in future, Amount in Rs. cr

**GRAB THEM ALL WITH THE SUPER PACK 2024 BASKET**



## Adani Ports & Special Economic Zone Ltd. (M Cap ₹2,20,108 cr)

BUY NOW

- APSEZ is the largest commercial port operator in India with 26% share of port cargo movement in India. The company has evolved from a single port dealing in single commodity to becoming an integrated logistics platform. The company operates 14 domestic & 2 international ports. APSEZ is strengthening its capabilities in all logistics segments (ports, CTO, warehousing, last mile delivery, ICDs, etc). Thus, company will be able to capture higher market share and also making cargo sticky in nature. Company's Mundra port has successfully completed 25 years of operations and also achieved a milestone by becoming the first port in the country to handle cargo volumes over 16 MMT in a month.
- During HIFY24, APSEZ's domestic cargo volume growth was over 2x India's cargo volume growth rate. Also, eight of the company's ports achieved record breaking half-yearly cargo volumes.
- The company's logistics business - Logistics rail recorded the volumes growth of 25% Y-o-Y to 279,177 TEU and GPWIS cargo volumes grew by 42% Y-o-Y to 8.92 MMT. Also, the company has increased its total warehousing capacity during HIFY24 to 2.4 Mn Sq. Ft. by addition of warehouses in NRC and Indore.
- The company has also received funding commitment of USD 553 Million from the US International Development corporation (DFC) for their under-construction port in Sri Lanka.
- Consolidated operating revenue of the company in HIFY24 grew by 26% Y-o-Y to Rs 12,894 crores. The company has also reported a massive increase in consolidated EBITDA by 49% Y-o-Y to ₹7,429 crores (this is including forex impact). Ports business EBITDA margin expanded by 220 bps to 72% with improved realization and operating efficiencies.
- APSEZ has concluded buy-back of two tranches of USD denominated bonds totaling USD 325 Mn, representing 50% of the principal repayment due in July 24. Net Debt to EBITDA for TTM Sep'23 improved to 2.8x versus 3.1x for full year ended Mar'23.
- **Concerns:** Though the company's gross debt has reduced from ₹49,800 crores in Mar'23 to ₹47,200 crores in Sep'23 the number is still huge. The company has more debt in its books in form of Foreign Currency Long term debts, which results in risk of MTM loss of foreign exchange fluctuations, though, the company states that majority of its liabilities are naturally hedged against its revenue which are denominated and based on foreign currency. Any material slowdown in the macro economy or EXIM trade can slowdown the company's performance.



## Axis Bank Ltd

(M Cap ₹3,37,745 cr)

**BUY NOW**

- Axis Bank Ltd. (ABL) is a new private sector bank incorporated on December 03, 1993 and was promoted jointly by Unit Trust of India, Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) and other four PSU insurance companies. It is third largest bank in the private sector banking space with total assets size of Rs 13.4 lakh crore as on September 30, 2023. ABL has a pan-India presence through a network of 5,152 domestic branches and extension counters and 15,806 ATMs and cash recyclers spread across the country.
- In Q2FY24, loan growth (+23%YoY, +5% QoQ) was well rounded across segments with Retail /SME /Wholesale (+4.4%/+9.5%/+3.2% QoQ, +22.5%/+26.6%/+21.5% YoY) growing at a brisk pace. Management remains confident of sustaining loan growth at 400-600bps above expected industry credit growth driven by Retail, SME and Mid corporates.
- Headline asset quality numbers improved sequentially in Q2FY24 as GNPL/NNPL/restructuring stood at 1.8%/0.4%/0.2% (-24bps/-5bps/-2bps QoQ) with retail/ SME/ wholesale GNPA at 1.32%/ 1.08%/ 2.53%. Fresh slippages declined to ₹32.5bn (gross slippages: 1.61% of loans vs 2.06% QoQ) leading to lower credit costs of 55bps (vs 63bps QoQ).
- While broader synergies from the Citi portfolio are likely to play out over the medium-term, ABL has already witnessed first-order benefits from the acquired businesses (credit cards and wealth business) in terms of the business mix, reflecting in sharp reflation in NIMs and fee-to-assets.
- Axis Bank has shared a successful business relationship with Max Life for over a decade, providing long-term saving and protection products to nearly 20 lakh customers. With the conclusion of the transaction of acquiring 20% stake in Max Life by Axis Bank expected shortly, Max Life's Board will be strengthened further, with co-option of three nominee directors of Axis Entities on its Board. Going forward, this partnership is further expected to contribute to the valuations of Axis bank.
- **Concerns:** Elevated opex, increase in NPAs, timeline and hiccups in integrating Citi business and slower than expected growth of subsidiaries.



## Bajaj Finserv Ltd

(M Cap ₹2,65,946 cr)

BUY NOW

- Bajaj Finserv Ltd. (BJFIN) is the holding company for the businesses dealing with financial services of the Bajaj Group. It was formed in April 2007 as a result of its demerger from Bajaj Auto Limited to further the Group's interests in financial services. Its subsidiary Bajaj Finance Limited is a NBFC engaged in consumer finance, SME finance and commercial lending and wealth management. Bajaj Finance has a 100% subsidiary Bajaj Housing Finance which is engaged in mortgage finance business. It has formed JVs with Allianz SE, Germany for life and general insurance where in BJFIN holds 74% stake. Additionally, the company has ventured into equity broking, healthcare solutions and mutual fund businesses.
- Bajaj Finance (BFL) is a leading retail focused NBFC with a well-diversified product mix, focusing on India's mass affluent customers and above in both urban and rural. It continues to expand its offering by launching new products adding to its customer franchise. It intends to reach 110-120mn customers and account for 4-5% of retail credit in India while maintaining high profitability and RoEs.
- Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning is driving the insurance sector. IRDAI data shows that India's insurance penetration was 4.2% of the GDP in 2021-22. In terms of penetration, India is far behind the global average of 7% of the GDP. Bajaj Allianz Life Insurance Co. (BALIC) is the sixth largest among private players and has seen a turnaround in profitability over the last five years and likely to benefit from increasing penetration.
- In March 2023, the non-life insurance sector reported year-on-year growth of 16.41 per cent. However, general insurance penetration in India remains low at ~1% as of FY22. The non-life insurance industry is projected to grow by 14-15 per cent in gross direct premium income (GDPI) through to FY37. Bajaj Allianz General Insurance Co. (BAGIC), the third largest private general insurer, has witnessed a pick-up in growth rates after muted FY20-FY23.
- BFL has entered multiple new ventures through which the company has widened its offerings in the financial services industry. The new ventures see significant cross-selling opportunities from within the Bajaj group ecosystem.
- **Concerns:** Increasing competition, lower growth and rising NPAs and holding company discount are some of the key concerns for the company.



## GAIL (India) Ltd

(M Cap ₹92,512 cr)

BUY NOW

- GAIL is India's leading natural gas transmission and distribution company, owns natural gas pipelines, LPG pipelines, six LPG gas-processing units and a petrochemicals facility. GAIL has leveraged its position to extend its presence in power, LNG regasification, CGD, and E&P through various equity and joint venture (JV) participations. GAIL already has more 130+MW of renewable energy capacity in place and is present (either directly or via subsidiaries/JVs) in ~67 CGD geographic areas (GAs), making it the largest CGD player in the country and a large scale renewable energy player.
- GAIL is the market leader in the transmission of natural gas in the country with around 15,413 km of pipeline network (i.e., around 70% of the country's pipeline) as on March 31, 2023, with a natural gas handling capacity of 206 MMSCMD. Furthermore, pipelines of around 6,000 km are under construction. GAIL's integrated pipeline network of Hazira-Vijaipur-Jagdishpur, Dahej-Vijaipur, and Vijaipur-Dadri accounts for over 65% of its natural gas transmission volumes.
- GAIL procures around 44% of its total natural gas requirements through domestic sources and the company has multiple long-term LNG contracts of around 14 MMTPA. It has a long-term contract to buy 5.8 MMTPA of LNG from the US and up to 2.85 MMTPA of LNG annually on a delivered basis from Gazprom Marketing & Trading Singapore Pte Ltd (GMTS), now known as Sefe Marketing & Trading Singapore Pte Limited (SMTS), while another 4.80 MMTPA from RasGas Qatar and 0.4 MMTPA from Australia.
- With multiple ongoing projects in core gas transmission space, GAIL plans to add ~6,935kms of gas transmission pipelines and 560ktpa of petrochemical capacity over the next 2-3 years, at an investment of ₹42,200 crore, with ₹26,100 crore already invested. With clear visibility on offtake of a majority of pipelines and a growing market available for petrochemical expansion, growth avenues look robust for GAIL over the next 5-7 years.
- GAIL's prospects continue to strengthen and could drive a sustained period of outperformance over the next 2-3 years. It's leadership position in the natural gas transmission business, cost effective operations, experienced management, decent dividend yield, attractive valuations and sound financials are key advantages offered by the stock.
- **Concerns:** High gas price, lower gas consumption trends, reduction in pricing gap between US LNG and Asian spot LNG prices, strict regulatory norms and delay on expansion are key concerns.





## Grasim Industries Ltd

(M Cap ₹1,37,326 cr)

BUY NOW

- Incorporated in 1947, Grasim is the flagship company of the Aditya Birla group. It commenced operations in 1948 as a textile manufacturer and is the sole producer of VSF in the domestic market. The chemicals segment comprises caustic soda, chlorine VAPs and advanced material businesses. In January 2021, Grasim announced foray into the decorative paints business with capital outlay of Rs 10,000 crore. Furthermore, in July 2022, it announced foray into B2B e-commerce segment with total outlay of Rs 2,000 crore over the next five years. Through its subsidiaries, UltraTech Cement (57.3%) and Aditya Birla Capital (54.2%), it is also India's prominent cement producer and a leading diversified financial services player.
- Grasim Industries has announced huge capex plans over the next 2 years, specifically in the Paints business. For this purpose, the company is raising equity of ~Rs 4000 crore through a rights issue. The promoter group has committed to fully subscribe to their entitlements and will also cover any unsubscribed portion, if available.
- The Management believes that margins in both the key business segments, VSF and Chemical, have almost bottomed out. Lower input costs aided profitability improvement in Q1FY24 for the VSF segment with higher sales of value-added products. Chlorine integration has been increasing in Chemical segment supporting margin improvement. Commissioning of Lubrizol plant as well as increase in VAP capacities will help improve chlorine integration to 72% from 60% in FY23.
- Caustic soda prices have started to improve from their lows and should benefit in H2FY24. Additionally, VSF prices in China have experienced an uptick in the last few weeks and we believe that the Sep-23 exit price of VSF was ~4% higher than the average price in Q2FY24.
- The company is targeting to commission three plants of Paints with a combined capacity of 0.63m liters by the end of FY24 and Grasim's long-term goal is to become the second-largest player in this business, which is growing at double-digits.
- Ultratech posted strong results for Q2FY24 with ~5% sequential increase in cement prices. It expects fuel cost to further come off ~5% QoQ in Q3, owing to its low-cost inventory. Capex programs remain on track and it maintained its FY24E Capex guidance of Rs 6000-7000 crore. The share of premium cement sales went to 22% vs 19% YoY. It is also bolstering its green power capability, reducing its clinker factor. Its phase-2 expansion of ~24.4mn MT is on track for commissioning during FY25/26E.
- Financial services subsidiary - ABCI's lending business is sustaining accelerated growth momentum on the back of simultaneous build-up in balance sheet granularity (67% of the NBFC AUM is towards retail + SME + HNI; 42% of the HFC AUM is towards affordable loans) and stable asset quality.
- **Concerns:** Volatility in product prices, rising competition, delays in commissioning of paints plants and forex fluctuations.

infoedge

## Info Edge (India) Ltd

(M Cap ₹64,756 cr)

BUY NOW

- Info Edge is one of India's premier online classifieds company, operating through a portfolio of brands like Naukri.com (Recruitment), 99Acres.com (Real estate), Shiksha.com (Education information services) and Jeevansathi.com (Matrimonial). The company also has strategic and financial investments in listed and unlisted companies like Zomato, PB Fintech, AmbitionBox, Zwayam and Do-select, among others.
- The company's recruitment billings have seen a strong growth of more than 30% over the last two years, followed by a slowdown in FY24 due to a challenging macro environment. Despite global headwinds, the company witnessed a resilient YoY revenue/billings growth of 11.5%/2.3% in HIFY24.
- Double-digit billing growth in non-IT segments like BFSI, pharma, travel etc. have partly offset the moderate growth in IT recruitments in recent quarters. The company has witnessed early signs of recovery in client retention, renewals and new customer acquisitions which we believe could set the stage for revival in IT hiring, going forward.
- We believe that the company's focus to increase physical presence in small towns, where it is currently witnessing rapid growth in non-IT recruitments, could provide additional levers of growth for its recruitment vertical. It currently operates through 79 branch offices in 60 cities in India.
- The real estate segment (99 Acres) witnessed continued momentum, both in new home and secondary sales across the country in HIFY24, with its billings/revenue growing 21.1%/24.9% YoY. This trend is expected to continue on the back of robust end user demand in the sector.
- Other segments – Shiksha and Jeevansathi have also continued to gain traction with a year-on-year billings growth at 7.0% and 11.5% in HIFY24. Improved operating metrics in these verticals and an uptick in the value of its listed investments like Zomato and PB fintech, could meaningfully contribute to the company's valuations, going forward.
- **Concerns:** Delayed revival in IT hiring could keep the company's growth trajectory muted in the near term. Increased competitive intensity in real estate and other segments could also have a negative impact.





## Infosys Ltd

(M Cap ₹6,37,508 cr)

**BUY NOW**

- Infosys is one of leading Indian IT services companies, offering a range of digital and traditional IT services across the verticals and geographies. The company caters to industry verticals such as BFSI, retail, communication, manufacturing, hi-tech, life sciences, and energy, utilities, resources & services. Infosys has 328,764 employees as of Sept 30, 2023.
- Infosys signed large deals to the tune of US\$7.7 bn in Q2FY24 vs. US\$ 2.3 bn in the previous quarter, which complements the healthy order book and pipeline in digital transformation space for the company. Its total active clients stood at 1884 as on Sept 30, 2023. The company has revised its revenue guidance to 1-2.5% from earlier guidance of 1-3.5% for FY24E, and operating margin guidance maintained at 20-22% for FY24E.
- In addition to high deal conversions, the deal pipeline remains healthy and the company is gaining market share in areas of cost optimization and vendor consolidation deals. Infosys expects mega deals to ramp up in the end of Q4FY24 and FY25E. Besides, the company is expanding its alliance with Google Cloud to help enterprises build AI-powered experiences leveraging Infosys Topaz offerings and Google Cloud's generative AI solutions.
- The company has a strong financial profile, driven by its healthy annual cash generating ability and debt-free balance sheet for over a decade. Infosys is also expected to invest in niche acquisitions to strengthen its domain expertise in the medium term. These will be largely funded from its cash surplus and healthy accruals.
- **Concerns:** INR appreciation against the USD, margins contraction, supply side pressure, soft demand due to adverse macro, visa cost and strict immigration norms are key concerns.



## JSW Steel Ltd

(M Cap ₹2,05,887 cr)

**BUY NOW**

- JSW Steel Limited is one of the largest steel producer in India with installed steel capacity of ~27 mtpa including its group companies. Company has current total capacity of 23 mtpa at Dolvi, Vijaynagar and Salem, with additional 7 mtpa expected to be added by the end of FY25E. Company had acquired Bhushan Power (capacity of 3 mtpa) under NCLT process in FY21 and is in process of increasing it to 5 mtpa by FY25. JSW has plants in over six locations in India, including Vijayanagar in Karnataka, Salem in Tamil Nadu, and Tarapur, Vasind, Kalmeshwar and Dolvi in Maharashtra.
- Company is open to participate in iron ore and coking coal mine auctions as well as open to acquire companies involved in this. Currently, JSW has four iron ore mines in Odisha and nine in Karnataka.
- Management expects 8-10% YoY increase in steel demand in India for next 3-5 years as steel demand growth will be higher than GDP growth. Company had net debt of ~₹68,000 crore as on Sep-2023.
- The next phase of expansion will begin post FY25 to increase the capacity to 50 mtpa by FY31. A total of 15 mtpa (5 mtpa brownfield expansion potential exist in each of Vijayanagar, Dolvi and BPSL plants). The current growth pipeline of 37mtpa will include downstream and cost reduction projects entailing a capex of Rs 52000 crore until FY26.
- A positive shift with factors like a potentially weaker dollar, lower bond yields, strong demand in emerging economies, and a surge in metal demand due to the energy transition to help drive growth momentum. China's central bank extended its policies to support the real estate market till the end of CY24. This could likely aid the real estate sector in China with further measures/stimulus in the medium term. This in turn could lead to better demand and pricing environment for steel across the globe.
- Global recession leading to lower demand in India, thereby impacting volume, Higher-than-expected fall in steel prices and continued higher prices of coking coal are some of the key concerns faced by the company.



## Pidilite Industries Ltd

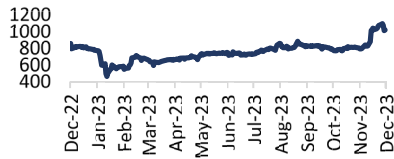
(M Cap ₹1,33,055 cr)

**BUY NOW**

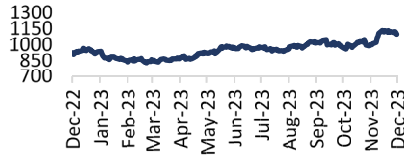
- Pidilite Industries is a leading manufacturer of adhesives and sealants, construction chemicals, craftsmen products, DIY products and polymer emulsions in India. Fevicol has become synonymous with adhesives to millions in India and is ranked amongst the most trusted brands in India. Some of other major brands are M-Seal, Fevikwik, Fevistik, Roff, Dr. Fixit, Fevicryl, Motomax, Hobby Ideas, Araldite.
- Company operates under two major business segments i.e. Branded Consumer & Bazaar and Business to Business. Products, such as Adhesives, Sealants, Art & Craft Materials and Others, Construction and Paint Chemicals are covered under Branded Consumer & Bazaar segment. Business to Business segment covers products, such as Industrial Adhesives, Industrial Resins, Construction Chemicals (Projects), Organic Pigments, Pigment Preparations, etc. and caters to various industries like packaging, textiles, paints, printing inks, paper, leather, etc.
- Company has spent about Rs 400-500 crore in capital expenditure in the past 3-4 years. Pidilite commissioned four new plants along with the additional four plants which got commissioned earlier this year; total 8 plants have been commissioned in HIFY24. Pidilite ki duniya outlets (~12,000 outlets) are branded Pidilite stores, but stores may have some other home improvements products as well.
- Company's presence in niche, under-penetrated and high growth categories with limited competition makes it a good play on Indian consumer goods segment. The niche presence yields high gross margin, barriers to entry, robust brand equity, mass acceptance and superior growth opportunities. Company has near monopoly in adhesives and sealants with Fevicol and M-seal enjoying 60-70% market share each in the adhesive and sealants product categories, respectively. Company operates in categories where presence of large multi nationals is limited, which enables it to outpace small regional players (who lack financial strength, economies of scale and have poor distribution network and weak brand image) with aggressive ads and product extensions.
- We expect strong 18% CAGR in sales while EBITDA/PAT to see robust 32%/38% CAGR over FY23-26E. Company has robust cash rich B/S and enjoys return ratios of 25-28%.
- Concerns include economic slowdown and competition getting stiffer in some segments; Rupee depreciation may impact margin as input prices are dollar linked.

## Price Chart

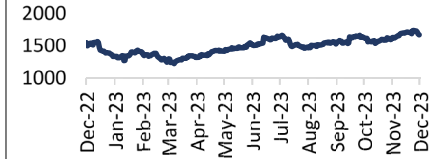
**Adani Ports**



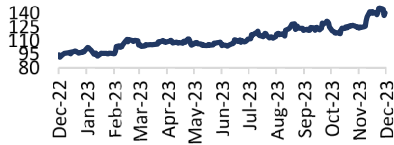
**Axis Bank**



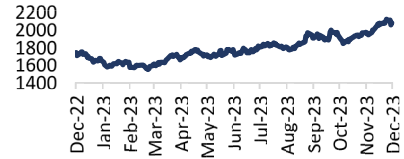
**Bajaj Finserv**



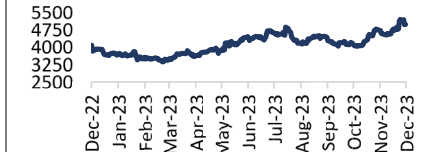
**Gail (India)**



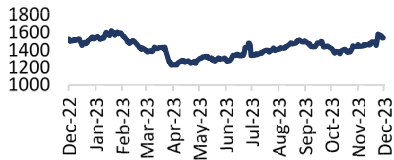
**Grasim Inds**



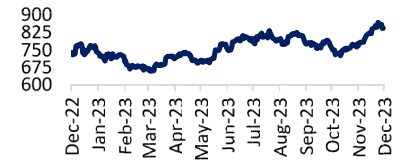
**Info Edg. (India)**



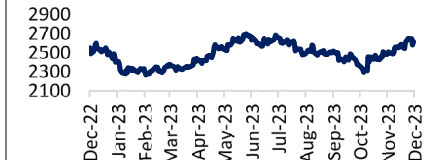
**Infosys**



**JSW Steel**



**Pidilite Inds.**



Stock	Analyst	Educational Qualification	Holding
Adani Ports	Shrinivas Sarda	ACA	No
Axis Bank	Atul Karwa	MMS-Finance	No
Bajaj Finserv	Atul Karwa	MMS-Finance	No
GAIL (India)	Abdul Karim	MBA	Yes
Grasim Inds	Atul Karwa	MMS-Finance	No
Info Edg.(India)	Darshil Shah	CA, MBA	No
Infosys	Abdul Karim	MBA	Yes
JSW Steel	Kushal Rughani	MBA	No
Pidilite Inds.	Kushal Rughani	MBA	No

#### Disclosure:

We, Abdul Karim (MBA), Atul Karwa (MMS Finance), Shrinivas Sarda (ACA), Darshil Shah (CA, MBA) and Kushal Rughani (MBA) authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Research Analyst or his/her relative or HDFC Securities Ltd does not have any financial interest in the subject company. Also Research Analyst or his/her relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his/her relative or HDFC Securities Ltd. or its associate does not have any material conflict of interest.

Any holding in stock – Yes of Abdul for Infosys and GAIL

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