Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	71,386	0.0	17.3
Nifty-50	21,545	0.1	18.8
Nifty-M 100	46,970	0.2	48.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,757	-0.1	24.1
Nasdaq	14,858	0.1	41.8
FTSE 100	7,684	-0.1	3.3
DAX	16,688	-0.2	20.1
Hang Seng	5,450	-0.6	-18.3
Nikkei 225	33,763	1.2	27.9
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	79	4.2	-6.9
Gold ($/OZ)	2,030	0.1	11.2
Cu (US$/MT)	8,263	-0.9	-0.3
Almn (US$/MT)	2,204	0.7	-6.9
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.1	0.0	0.5
USD/EUR	1.1	-0.2	2.3
USD/JPY	144.5	0.2	10.0
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	-0.01	-0.1
10 Yrs AAA Corp	7.6	-0.02	-0.1
Flows (USD b)	**9-Jan**	**MTD**	**CY23YTD**
FIIs	-0.1	6.90	21.4
DIIs	0.01	1.57	22.3
Volumes (INRb)	**9-Jan**	**MTD***	**YTD***
Cash	1,060	1072	1072
F&O	5,20,338	3,80,280	3,80,280

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Kirloskar Oil Engines: Equipped with a strong array of products

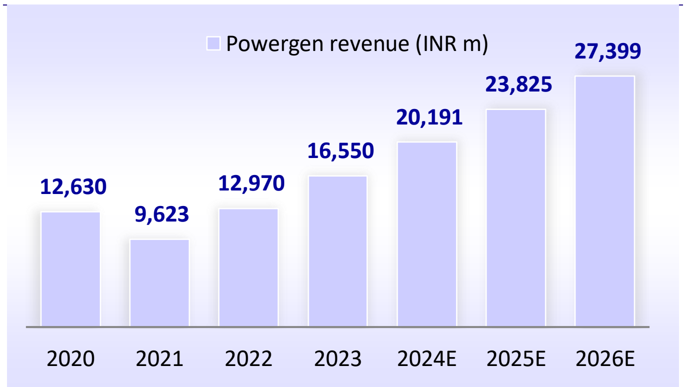
- We continue to remain positive on Kirloskar Oil Engines due to its strong product portfolio within the powergen segment across CPCB 2, CPCB 4+, and fuel agnostic engines. Additionally, the company's strategic focus on expanding its aftermarket and exports bodes well for long-term growth.
- While competition in the powergen segment is increasing, the market for CPCB 4+ compliant products is likely to be influenced by players offering a wide range within this category, coupled with a strong distribution network. Unlike the last shift in emission norms, we do not expect a sharp price correction due to much better demand and strong market positioning of key players.
- KOEL is positioned well in both powergen and industrial markets and is ramping up its distribution and export portfolio. KOEL has a potential to re-rate further from current levels on better than expected growth in exports, higher share of HHP genset sales as well as further ramp up in distribution portfolio.
- We reiterate BUY on KOEL with a target price of INR840 based on SOTP methodology valuing core business at 20X March, 26 earnings

Research covered

Cos/Sector	Key Highlights
Kirloskar Oil Engines	Equipped with a strong array of products
Zydus Lifesciences	Efforts underway to improve growth prospects for key markets
Insurance Tracker	Individual WRP for private players grew 11.4% YoY in Dec'23
Expert Speak	Real Estate sector: Expect demand to sustain in the near term

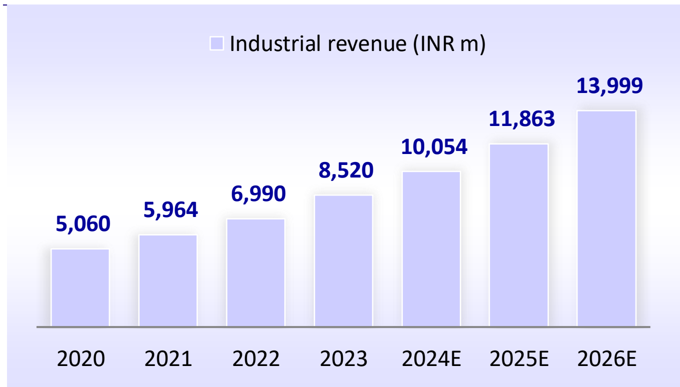
Chart of the Day: Kirloskar Oil Engines (Equipped with a strong array of products)

We expect powergen revenue to start witnessing improvement in coming quarters



Source: Company, MOFSL

We expect industrial revenue to register a CAGR of 18% over FY23-26 on strong demand



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Carlyle Aviation Partners expresses interest in SpiceJet: Report

Earlier, in mid 2023, the airline had sought shareholder approval to issue 5.91% stake in the low-cost airline to Carlyle Aviation Partners--the aircraft financing unit of global private equity giant Carlyle Group.

2

Delta Corp says Rs 23,200 crore-GST demand arbitrary

Delta Corp, an online gaming and casino firm, contested a GST demand of over Rs 23,200 crore, deeming it arbitrary and contrary to laws, hence not provisioning for it. Their Q3FY24 reported a 59% decrease in net profit at Rs 34.48 crore, with a reduced income from operations at Rs 181.54 crore.

3

Poaching row: Cognizant CMD says no impact on business

As per reports, Cognizant CEO Ravi Kumar, who was previously with Infosys, has hired nearly 20 senior leaders in the company – several of them were earlier with Infosys and Wipro.

4

Mumbai Trans Harbour Link to spark surge in Navi Mumbai real estate activity

Prime minister Narendra Modi will be inaugurating the 21.8-km-long MTHL on Friday and this bridge is estimated to cater to around 70,000 vehicles daily, connecting Sewri in central Mumbai to Chirle at Navi Mumbai.

5

Red Sea attacks send shockwaves through Indian exim business; container costs up 400%; freight rates soar

Container costs have surged, routes have been diverted around Africa, and there is growing uncertainty. Exporters are struggling with competitiveness loss and logistical nightmares, while importers face rising costs and potential inflationary pressures.

6

World Bank keeps India's FY25 GDP growth estimate unchanged at 6.4%

In its biannual 'Global Economic Prospects' report, the World Bank said India is anticipated to maintain the fastest growth rate among the world's largest economies

7

Electric vehicle sales jumps 49% to 1.52 million units in 2023: Fada

The two-wheeler sales grew 36.09 per cent to 8,59,376 units in the just-concluded year against 6,31,464 units in 2022, it said

8 January 2024

Company Update | Sector: Capital Goods

Kirloskar Oil Engines

BSE SENSEX	S&P CNX
71,386	21,545

Stock Info

Bloomberg	KOEL IN
Equity Shares (m)	145
M.Cap.(INRb)/(USDb)	95.3 / 1.1
52-Week Range (INR)	687 / 288
1, 6, 12 Rel. Per (%)	5/57/92
12M Avg Val (INR M)	236

Financials &Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Net Sales	48.0	56.0	64.4
EBITDA	11.1	11.6	12.2
PAT	3.5	4.3	5.3
EPS (INR)	23.9	29.9	36.9
Gr. (%)	27.9	25.1	23.5
BV/Sh (INR)	178.6	200.5	227.5
Ratios			
RoE (%)	14.1	15.8	17.3
RoCE (%)	13.8	15.6	17.1
Valuations			
P/E (x)	27.6	22.0	17.8
P/BV (x)	3.7	3.3	2.9
EV/EBITDA (x)	17.7	14.1	11.2
Divd Yld (%)	1.0	1.2	1.5

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	41.2	41.2	59.4
DII	24.3	28.6	13.6
FII	7.8	6.2	2.7
Others	26.7	24.0	24.4

FII Includes depository receipts

CMP: INR657 TP: INR840 (+28%) Buy

Equipped with a strong array of products

We continue to remain positive on Kirloskar Oil Engines due to its strong product portfolio within the powergen segment across CPCB 2, CPCB 4+, and fuel agnostic engines. Additionally, the company's strategic focus on expanding its aftermarket and exports bodes well for long-term growth. While competition in the powergen segment is increasing, the market for CPCB 4+ compliant products is likely to be influenced by players offering a wide range within this category, coupled with a strong distribution network. Unlike the last shift in emission norms, we do not expect a sharp price correction due to much better demand and strong market positioning of key players. KOEL is positioned well in both powergen and industrial markets and is ramping up its distribution and export portfolio. KOEL has a potential to re-rate further from current levels on better than expected growth in exports, higher share of HHP genset sales as well as further ramp up in distribution portfolio. We reiterate BUY on KOEL with a target price of INR840 based on SOTP methodology valuing core business at 20X March, 26 earnings.

Key investment argument

KOEL is ready with its wide portfolio of products across segments

KOEL has launched 37 diesel genset models across CPCB 4+ compliant product range. Market demand is currently dominated by CPCB 2 products. However, we anticipate a transition toward CPCB 4+ products starting from 4QFY24/1QFY25. This shift is expected to yield higher pricing, with an estimated increase ranging between 20% and 40% across various nodes. Additionally, the company has introduced other fuel agnostic products in its portfolio. The company has developed IOT-enabled gas generator across various power nodes with digital monitoring systems. It also introduced a dual fuel kit during the year that can be retrofitted to existing and future diesel generators, enabling them to operate efficiently using a combination of both gas and diesel fuels.

Competition is intensifying, but strong demand will support pricing

Industry players had margin buffer during last cycle of emission norm shift which resulted in aggressive price corrections in order to gain market share. Demand also weakened during the same period which aggravated pricing pressure. However, in the current emission norm shift, costs are increasing by nearly 30-40%. The newer gensets require nearly 400 additional parts, contributing to increased expenses, further compounded by higher import content. We expect these cost hikes to get passed on by most of the companies as the current margin profile is lower than the last transition shift seen during FY13-15. Along with this, players are at a comfortable market share and demand is also supporting the prices. Thus, after the initial round of 35-40% price hikes post CPCB 4+ implementation, we do not expect aggressive price correction in the genset market.

Strong distribution network provides edge to market leaders

Several players, including KOEL, Greaves Cotton, Cummins, Mahindra Powerol, Perkins, Caterpillar, and Baudouin, have established their presence in the genset market across various nodes. During the shift toward CPCB 4+ norms, customers' preference for product purchase would depend on 1) node and model availability and 2) distribution network. Typically, there is a gap of two to three quarters for after-market demand to start picking up. KOEL has >400 service outlets across India, connected through a digital platform and >3,000 trained personnel. Similarly, Cummins has >480 service touchpoints across India. This acts as a formidable barrier to entry as customers prefer players with a wide distribution network so as to ensure minimal disruption in case of a breakdown.

Company has scope for further margin improvement over next few years

KOEL has a scope of further improvement in margins over the next one to two years, driven by 1) the higher share of HHP sales post the launch of OptiPrime series catering to 1,500kVA and above, 2) higher share of exports over time by penetrating into newer geographies, coupled with the possibility of exporting CPCB 4+ products in the international market, and 3) a higher share of distribution and aftermarket sales. It is already catching up with Cummins on gross margins, but overall margins of KOEL are lower than Cummins due to low-to-mid kVA range product mix, lower share of exports and distribution as well as low margin B2C segment. KOEL has already applied for certification for CPCB 4+ products in the US and is also foraying into the US market through a 51% stake purchase of Engines LPG LLC, an entity focused on powergen manufacturing and selling.

Business heads across divisions

KOEL is strategically targeting growth across B2B and B2C segments and has made senior management changes in the last few years. Ms Gauri Kirloskar is the Managing Director for KOEL. The B2B division is being headed by Mr Rahul Sahai who was earlier a part of Cummins India as Director for Marketing & Engineering. The B2C division is being headed by Mr Aseem Srivastava who aims to strengthen reach and profitability in water-management solutions and farm mechanization.

Financial outlook

We expect a revenue CAGR of 16% over FY23-26, driven by 18%/18%/16%/15%/10% CAGR in powergen/industrial/distribution/exports/B2C. Over FY23-26E, we bake in 170bp improvement in margins to build in gross margin improvement and operating leverage benefits. We expect a PAT CAGR of 25% over the same period.

Valuation and recommendation

The stock is currently trading at 22.0x/17.8x FY25/26E earnings. We value the company on SOTP methodology valuing core business at 20x P/E on March, 26E earnings. We maintain BUY rating on KOEL with a revised TP of INR840. The company's subsidiary Arka Fincap has also raised funds via NCD worth INR3b, and it is expected to be utilized for further lending. KOEL has the potential for further re-rating from current levels, driven by better-than-expected growth in exports, a higher share of HHP genset sales, and continued expansion of its distribution portfolio.

MOTILAL OSWAL | MORNING INDIA

9 January 2024

Update | Healthcare

Zydus Lifesciences

BSE SENSEX	S&P CNX
71,386	21,545

zydus Dedicated To Life

Stock Info

Bloomberg	ZYDUSLIF IN
Equity Shares (m)	1024
M.Cap.(INRb)/(USDb)	721.7 / 8.7
52-Week Range (INR)	721 / 421
1, 6, 12 Rel. Per (%)	9/11/42
12M Avg Val (INR M)	693
Free float (%)	25.0

Financials Snapshot (INR b)

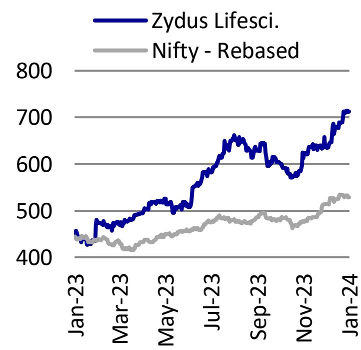
Y/E MARCH	FY24E	FY25E	FY26E
Sales	192.8	213.8	232.3
EBITDA	49.4	51.2	53.9
Adj. PAT	33.4	34.5	37.0
EBIT Margin (%)	21.7	20.3	19.9
Cons. Adj. EPS (INR)	32.6	33.7	36.1
EPS Gr. (%)	45.4	3.5	7.1
BV/Sh. (INR)	206.0	232.8	261.9
Ratios			
Net D:E	-0.1	-0.1	-0.2
RoE (%)	17.3	15.4	14.6
RoCE (%)	16.2	14.5	13.8
Payout (%)	16.6	17.2	16.1
Valuations			
P/E (x)	21.9	21.2	19.8
EV/EBITDA (x)	14.1	13.4	12.2
Div. Yield (%)	0.8	0.8	0.8
FCF Yield (%)	4.2	2.6	4.7
EV/Sales (x)	3.6	3.2	2.8

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	75.0	75.0	75.0
DII	13.1	13.5	12.9
FII	4.9	4.0	2.6
Others	7.5	7.5	9.5

FII Includes depository receipts

Stock performance (one-year)



CMP: INR714 TP: INR710 (-1%) Neutral

Efforts underway to improve growth prospects for key markets

We recently met the management of Zydus Lifesciences (ZYDUSLIF) to understand the outlook of the core segment in further details.

- **ZYDUSLIF is making efforts to not only scale up the domestic formulation (DF) business through various initiatives but is also investing in building a niche portfolio in the NCE, biosimilar and vaccine front.**
- **While ZYDUSLIF is facing near-term headwinds in consumer healthcare, it continues to focus on enhancing brand franchise by leveraging various trade channels.**
- **After acquiring Liqmeds and securing approval for niche products such as Sitagliptin (505b2 product) and g-Vascepa, transdermals, etc ZYDUSLIF possesses an interesting product pipeline that promises significant growth in the US market.**
- **Additionally, ZYDUSLIF is leveraging its niche product portfolio and expanding its reach in emerging markets which is expected to further boost the overall growth.**
- **We raise our FY25 earnings forecast by 5%, factoring in niche launches. We expect ZYDUSLIF to end the year on a strong note, achieving a robust YoY earnings growth of 45.4%; however, we expect a modest 3.5% YoY earnings growth in FY25, partly due to higher competition in g-Asacol and a gradual improvement in the uptake of generic g-Revlimid. We value ZYDUSLIF at 20x12M forward earnings to arrive at a TP of INR710. We maintain a neutral stance on limited upside from the current levels.**

DF - Launches/renewed focus on base business to aid growth

- ZYDULIF is implementing various efforts to grow its DF business by increasing focus on marketing activities for core brands, ensuring widespread product availability at retailer levels, and conducting thorough regional analyses on absolute/relative basis.
- Progressive therapies like Cardiac/Respi/Gyane/Onco contributes 50% of DF revenue that would aid further growth in DF business.
- Given the strong performance in new therapies, such as Oncology as well as Nephrology, ZYDUSLIF has introduced innovative products jointly in partnership with SUN/LPC/TRP. Accordingly, we expect 10% revenue CAGR over FY24-26.

Consumer healthcare - focusing on brand building

- ZYDUSLIF consumer healthcare franchise is facing certain challenges due to weak seasonality and slow industry growth, resulting in challenges with respect to HFD category. Further, the trademark litigation of Sugar-lite has impacted the sales from this brand, impacting the overall growth.
- With improving focus on the brand building, ZYDUSLIF has dedicated support teams for its B2B and B2C channels. Further, it is leveraging the digital media, e-com channel activations, and consumer-sampling initiatives to grow the brands. Accordingly, we expect 10% sales CAGR over FY24-26.

US - Strong revival backed by niche launches

- Over FY23 and 1HFY24, ZYDULIF has delivered a strong growth due to the launch of g-Revlimid/g-Tronkendi and other interesting launches such as Indomethacin suppository and Plerixafor injection. Apart from this, the company has interesting product pipelines, comprising transdermals, REMS products, and other limited competition products such as g-Vascepa. This would enable ZYDUSLIF to offset the impact from potential competition in g-Asacol.
- Further, ZYDUSLIF is set to bolster the synergistic benefits from the Liqmed acquisition. Also, the gradual ramp-up of Sitagliptin (505b2 product) in the US is expected to yield benefits over the medium term. Accordingly, we expect 8% sales CAGR over FY24-26.

Emerging markets and European formulation business - another growth driver

- ZYDUSLIF has exhibited superior execution in the emerging market/ EU segment with 10.5% sales CAGR over FY19-23. Even in 1HFY24, it has delivered 23% YoY growth. The focus has been in select countries of the Europe, Asia-Pacific region, Middle East, Africa, and LATAM. Further, the company is leveraging its biosimilar and vaccine portfolio in these markets, which would further drive the growth. Accordingly, we expect 19% CAGR over FY24-26.

Valuation and view

- The efforts are underway to improve growth prospects across key markets of US/DF and emerging markets.
- We raise our earnings estimate by 5% for FY25, factoring in a) strong traction in biologics and vaccine portfolio in DF, b) focusing on the niche product pipeline in the US, and c) leveraging specialty portfolio and expanding reach in the emerging markets.
- We expect ZYDUSLIF to register 3.5% YoY earnings growth in FY25, partly due to higher competition in g-Asacol and gradual improvement in the offtake of generic g-Revlimid.
- We continue to value ZYDUSLIF at 20x 12M forward earnings to arrive at a price target of INR710. We maintain our Neutral stance on the stock on limited upside from its current levels.

Valuation snapshot

Company	Reco	MCap (USD B)	EPS (INR)			EPS Gr. YoY (%)		PE (x)		EV/EBITDA (x)		ROE (%)		
			FY24E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY24E	FY25E	FY26E
Ajanta Pharma	Buy	3.3	61.1	74.4	89.5	21.7	20.3	28.9	24.1	21.9	16.1	21.1	21.9	22.3
Alembic Pharma	Neutral	1.8	28.6	33.8	38.0	18.2	12.3	23.7	21.1	14.8	15.7	12.1	12.9	13.0
Alkem Lab	Neutral	7.5	149.2	173.0	183.7	15.9	6.2	30.0	28.2	25.8	21.0	18.4	18.5	17.1
Aurobindo Pharma	Neutral	7.9	51.2	58.7	67.5	14.6	15.1	19.1	16.6	10.1	9.9	10.6	11.0	11.4
Biocon	Neutral	4.0	7.2	13.1	16.9	82.5	29.1	21.5	16.7	13.9	12.2	4.7	8.3	10.0
Cipla	Buy	12.3	47.4	53.4	57.5	12.5	7.8	24.2	22.4	14.2	13.1	14.6	14.3	13.6
Divi's Lab.	Neutral	12.6	60.9	81.1	97.4	33.2	20.1	49.1	40.9	35.5	30.3	12.1	14.7	15.9
Dr Reddy's Labs	Neutral	11.5	296.7	308.8	324.9	4.1	5.2	18.6	17.7	10.5	9.9	19.5	17.2	15.5
Eris Lifescience	Neutral	1.5	33.0	33.5	40.7	1.6	21.5	27.3	22.5	14.4	12.4	19.1	17.0	17.6
Gland Pharma	Buy	3.8	54.4	65.7	74.5	21.0	13.3	29.5	26.1	17.9	15.7	10.6	11.5	11.6
Glenmark Pharma	Neutral	3.0	24.1	39.3	48.0	63.2	22.2	22.6	18.5	9.9	8.5	6.8	10.1	11.2
Glaxosmit Pharma	Neutral	4.3	38.1	42.1	46.4	10.5	10.1	49.6	45.0	35.8	31.6	30.8	30.4	29.5
Granules India	Buy	1.1	19.4	27.1	34.9	40.0	28.6	15.1	11.8	8.7	6.6	15.3	18.1	19.4
Ipca Labs.	Neutral	3.3	24.5	36.9	49.0	50.8	32.8	29.9	22.5	16.4	13.0	10.2	13.9	16.2
Laurus Labs	Buy	2.7	9.1	16.9	19.0	84.5	12.7	25.2	22.4	13.8	12.9	11.6	18.7	18.1
Lupin	Sell	7.5	36.0	40.7	48.3	13.0	18.7	34.3	28.9	17.3	15.1	12.3	12.3	13.0
Piramal Pharma	Buy	2.3	1.4	3.0	4.6	112.1	52.7	47.4	30.8	17.4	14.6	2.5	4.9	7.1
Sun Pharma.Inds.	Buy	37.7	39.5	45.6	53.7	15.5	17.7	29.0	24.7	20.6	17.8	15.9	16.0	16.4
Torrent Pharma.	Neutral	9.5	50.1	66.3	79.5	32.4	19.9	35.3	29.4	20.1	17.4	23.3	26.9	32.3
Zydus LifeScience	**Neutral**	**8.8**	**32.6**	**33.7**	**36.1**	**3.5**	**7.1**	**21.1**	**19.8**	**13.3**	**12.2**	**17.3**	**15.4**	**14.6**

Source: MOFSL, Company

Insurance Tracker

Individual WRP for private players grew 11.4% YoY in Dec'23

LIC's WRP rose 2.1% YoY; overall industry grew 8.7% YoY

- **In Dec'23, the Individual weighted received premium (WRP) for private players grew 11.4% YoY (a three-year CAGR of 18.7% vs. a decline of 1.3% YoY in Nov'23). For the industry, Individual WRP grew 8.7% YoY in Dec'23 (a three-year CAGR of 13.8% vs. a decline of 3.8% YoY in Nov'23). Over Apr-Dec'23, private players grew 11.3% YoY.**
- **Among listed players, HDFCLIFE (including Exide merger) reported a decline of 4.7% YoY in Dec'23 (a three-year CAGR of 15.4%). SBI Life reported a strong growth of 19.6% YoY in Dec'23. Bajaj Allianz/MAXLIFE/IPRULIFE/Tata AIA reported YoY growth of 20.2%/15%/12.6%/16.7%.**
- **LIC reported 2.1% YoY growth in Individual WRP (-8.7% in Nov'23). Over Apr-Dec'23, Individual WRP for LIC was flat YoY.**
- **After reporting a strong growth in Mar'23, the industry witnessed a slowdown over Apr-Dec'23. The dip in performance can be attributed to a large number of customers purchasing insurance policies in Mar'23, right before the implementation of budgetary changes. The growth momentum continues to be a key monitorable in FY24. We retain SBILIFE as our preferred idea in the space.**

On an Individual WRP basis, the market share for private players improved to ~73.2%

In terms of Individual WRP, the market share of private players improved ~480bp MoM to 73.2% in Dec'23. LIC's market share declined to 26.8%. In Apr-Dec'23, SBILIFE (17.9%) remained the largest private insurer in terms of Individual WRP, followed by HDFCLIFE (10.1%) and Tata AIA (6.6%). On an Un-weighted basis too, SBILIFE was the largest private insurer, with a market share of 10.4%, followed by HDFCLIFE (8.1%) and IPRU (4.6%).

Performance of key private players

On an Individual WRP basis, the combined market share of the listed players – SBILIFE, HDFCLIFE, IPRU, and MAXLIFE – accounted for 59.1% of the private insurance industry in Apr-Dec'23. Among the prominent private insurers, Tata AIA secured the third position in terms of Individual WRP, while Max Life and IPRULIFE took the fourth and fifth positions, respectively, in Dec'23. Bajaj held the sixth position. Among key listed players on the basis of Individual WRP –

- **HDFCLIFE*** (including Exide merger) reported a decline of 4.7% YoY (up 5.9% in Apr-Dec'23). Total Un-weighted premium grew 3.3% YoY (up 7.6% in Apr-Dec'23).
- **SBILIFE** reported a growth 19.6% YoY (up 14.7% in Apr-Dec'23). Total Un-weighted premium grew 20.7% YoY (up 20.4% in Apr-Dec'23).
- **IPRU** reported a growth of 12.6% YoY (up 4.1% in Apr-Dec'23). Total Un-weighted premium increased by 2.9% YoY (up 2.1% in Apr-Dec'23).
- **MAXLIFE** reported a growth of 15% YoY (up 19.1% in Apr-Dec'23). Total Un-weighted premium grew 17.6% YoY (up 23.1% in Apr-Dec'23).

Individual WRP and YoY growth (%)

Individual WRP, INR m	Dec'23	YoY growth (%)
Grand Total	1,23,356	8.7
Total Private	90,243	11.4
Total Public	33,113	2.1
SBI Life	30,239	19.6
HDFC life*	11,734	-4.7
Tata AIA	8,837	16.7
Max Life	7,996	15.0
ICICI Prudential	6,496	12.6
Bajaj Allianz	6,393	20.2
Birla Sun life	3,568	10.1
Kotak Life	2,717	-7.9
PNB Met Life	2,641	15.6

Source: IRDAI, LIC Council, MOFSL

Note - *including Excide life

Un-weighted new business premium and growth

INR m	Dec'23	YoY Growth	FY24YTD	YoY growth	FY23	YoY growth
Grand Total	**3,85,831**	**43.8%**	**25,02,718**	**-7.2%**	**37,10,095**	**18.1%**
LIC	**2,29,813**	**93.8%**	**14,74,056**	**-16.4%**	**23,21,894**	**16.9%**
Total Private	**1,56,018**	**4.2%**	**10,28,662**	**10.2%**	**13,88,202**	**20.2%**
SBI Life	46,069	20.7%	2,60,000	20.4%	2,96,698	16.6%
HDFC life*	28,429	3.3%	2,03,443	7.6%	2,93,428	15.9%
ICICI Prudential	14,973	2.9%	1,15,273	2.1%	1,69,222	12.5%
Max Life	12,139	17.6%	69,668	23.1%	89,799	13.4%
Tata AIA	9,912	7.4%	58,045	13.6%	85,382	59.2%
Bajaj Allianz	9,615	3.5%	75,387	1.2%	1,07,454	17.6%
Birla Sunlife	8,001	29.6%	52,761	0.6%	76,753	35.4%
Kotak Life	7,613	10.0%	50,790	7.4%	76,929	25.6%
PNB Met Life	3,555	8.7%	22,276	5.1%	32,211	30.4%

Note- * including Excide Life Source: IRDAI, LIC Council, MOFSL

Individual WRP, growth, and market share

INR m	Dec'23	YoY growth	Market share	FY24YTD	YoY growth	Market share	FY23	YoY growth	Market share
Grand Total	**1,23,356**	**8.7%**	**100.0%**	**7,15,626**	**7.3%**	**100.0%**	**10,40,027**	**18.8%**	**100.0%**
Total Private	**90,243**	**11.4%**	**73.2%**	**4,82,573**	**11.3%**	**67.4%**	**6,83,959**	**24.2%**	**65.8%**
Total Public	**33,113**	**2.1%**	**26.8%**	**2,33,053**	**-0.1%**	**32.6%**	**3,56,068**	**9.6%**	**34.2%**
SBI Life	30,239	19.6%	24.5%	1,27,848	14.7%	17.9%	1,52,262	18.3%	14.6%
HDFC life*	11,734	-4.7%	9.5%	72,438	11.5%	10.1%	1,09,235	34.1%	10.5%
Tata AIA	8,837	16.7%	7.2%	47,415	13.0%	6.6%	70,919	59.2%	6.8%
Max Life	7,996	15.0%	6.5%	42,855	19.1%	6.0%	60,273	10.7%	5.8%
ICICI Prudential	6,496	12.6%	5.3%	42,131	4.1%	5.9%	67,376	7.0%	6.5%
Bajaj Allianz	6,393	20.2%	5.2%	39,939	23.9%	5.6%	52,138	41.5%	5.0%
Birla Sun life	3,568	10.1%	2.9%	19,743	8.2%	2.8%	30,226	36.6%	2.9%
Kotak Life	2,717	-7.9%	2.2%	14,848	2.9%	2.1%	27,311	29.4%	2.6%
PNB Met Life	2,641	15.6%	2.1%	15,132	10.5%	2.1%	21,776	23.7%	2.1%

Source: IRDAI, LIC Council, MOFSL Note- * including Excide Life

Expert Speak

Real Estate sector: Expect demand to sustain in the near term

Mr. Gulam Zia (Senior Executive Director, Knight Frank)

Mr. Gulam Zia is the Senior Executive Director- at Knight Frank. Over the past 13 years at Knight Frank, he has advised some of the biggest developers, banks, PE funds, governments and executive bodies on various real estate and infrastructure requirements.

We hosted **Mr. Gulam Zia, Senior Executive Director, Knight Frank** to gauge: 1) the current demand and supply environment in the residential sector; 2) factors driving the demand; and 3) risk factors that can slow down the traction

Following are the key takeaways:

CY23 ends on a high note; expect demand to sustain in the near term

- Mr. Zia highlighted that CY23 has been the best year in the last decade with sales of ~329k units across top eight cities (vs. ~313k in CY22)
- He believes that the cycle generally lasts for 8-10 years and we are currently mid-way in the upcycle. While predicting the precise timelines on the sustainability of demand is challenging, we expect the current traction to continue for at least 2-3 years.
- One of the key risks that could shorten the demand cycle is sudden price hikes by developers. So far, the industry has maintained the discipline of gradual price increases, preserving affordability. However, if double-digit hikes happen across the industry, there is a real risk to the demand.
- Steady hikes are also the reason why Mr. Zia believes that demand is being driven by end-user segment and investors would contribute no more than 5% to the overall demand.

Affordability improved further

- As indicated by Knight Frank's EMI to Income ratio, affordability has further improved in CY23 and it remains attractive as the ratio is still below 30% for all cities, except for Mumbai, for which, it stands at 51%.
- This is driven by the fact that wage growth across sectors have been higher than price inflation witnessed in residential real estate, thus leading to improvement in affordability.
- While marginally better than last year, affordability levels across cities also stand significantly better than those in the pre-pandemic period.
- For instance, in NCR, the affordability index improved to 27% in CY23 from 34% in CY19, while for Bengaluru, it improved to 26% in CY23 from 32% in CY19.

Premium segment growing at rapid pace

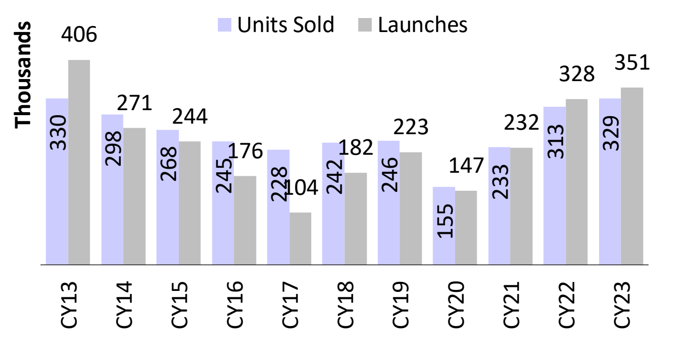
- The income disruption caused by the pandemic, followed by a sharp rise in interest rates, has significantly impacted the affordable housing segment. The share of affordable homes in overall sales has sharply declined to 30% from over 67% a few years ago.
- He believes that only Government intervention through subsidized loans (150-200bps lower) or other favorable schemes can revive the prospects of affordable housing.
- Conversely, high savings rates, coupled with healthy wealth creation at mid/top level of pyramid, is driving the demand for higher ticket-sized homes.
- The share of the mid-income segment with a ticket size of INR5-10m grew to 37% in CY23 from 35% in CY20. The premium segment with home prices over INR10m has been the standout performer with an annual sales growth of 33% YoY in CY23 and it now accounts for 34% share in overall sales vs. 20% in CY20.

Inventory on the rise, but at a comfortable level, given the strong sales velocity

- While the absolute level of inventory has increased in CY23, it has to be seen in the context of velocity of sales, which has been on the rise, much faster than new supply.
- The QTS (quarters to sell) level for the eight markets has been consistently falling despite growing inventory levels and it is now down to 5.9 quarters from 8.7 in CY20.
- It has also resulted in healthy weighted average price growth in the range of 5-11% across all key markets, although projects backed by strong demand/brand could have seen higher price rise.
- This is the second year of consecutive price hikes across all markets.

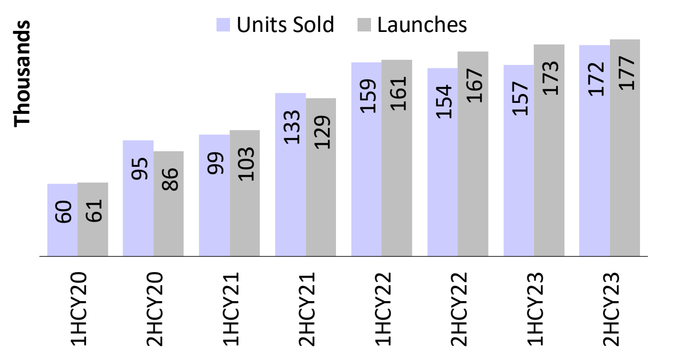
Key charts

Residential sales hit ten-year high and supply is keeping up with demand



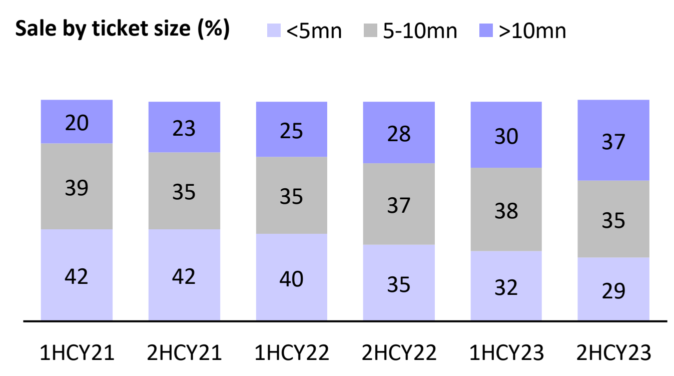
Source: Knight Frank

Half-yearly demand-supply trends across top 8 cities



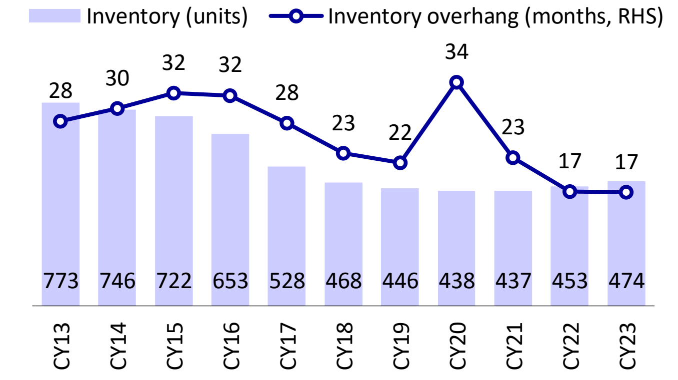
Source: Knight Frank, MOFSL

Premium segment now accounts for largest share



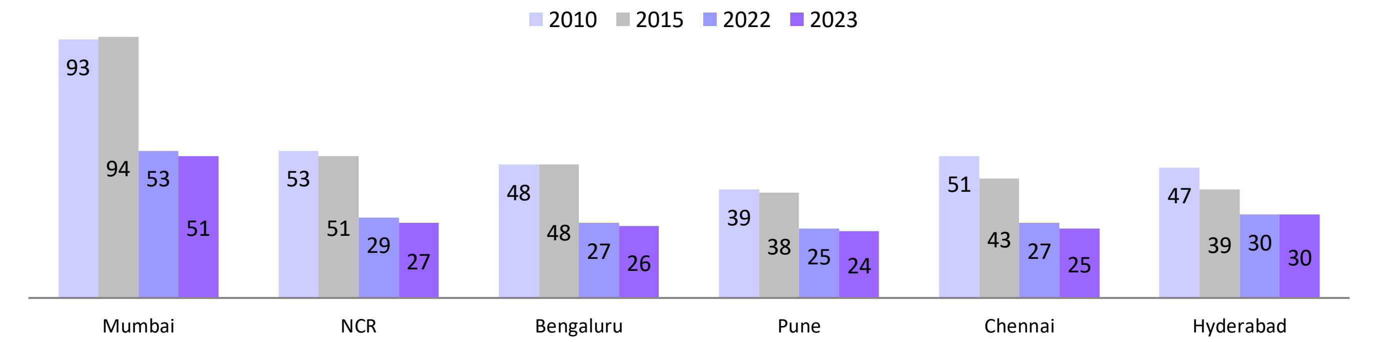
Source: Knight Frank, MOFSL

Inventory inching upwards but overhang remains at lowest level due to strong demand (Thousands)



Source: Knight Frank, MOFSL

EMI to Income Ratio: Affordability further improved in CY23



Source: Knight Frank, MOFSL

Bajaj Auto: Will end the yr with cash of ₹20,000 cr, had ₹17,500 cr of cash by Sep-end; Dinesh Thapar, CFO

- Will end the year with cash of Rs. 20,000 cr, had Rs. 17,500 cr of cash by Sep-end
- Our FY24 performance is ahead of our expectations
- Promoter holding post-buyback will be around 55%
- Will move up EV volumes from a run-rate of 3k to 10k
- Capex is at approx. Rs. 1,000 cr annually, most of it is to build capacity & tech for EVs

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Coal India: Hopeful That Coal India Will Hit Its Vol Target Of 780 mt In FY24 & 850 mt In FY25; Amrit Lal Meena, Secretary Ministry of Coal

- Currently total coal stock availability is up 27% (YoY) at 99 mt vs 77 mt
- Coal stocks at domestic coal based power plants have surged to 32 mt
- Rake availability to transport coal is 11% higher vs last year
- Evacuation via rail has improved due to Eastern Dedicated Freight Corridor

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Starbucks: Tata's & our values are very consistent; Laxman Narasimhan, CEO

- Very excited about India, it is poised to take-off
- Tata’s & our values are very consistent
- Last year, we opened 1 store every 5 days
- We are moving to 1 store every 3 days
- Love the coffee culture that we are building in India
- Going to launch Starbucks reserved Monsooned Malabar this year

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Narayana Health: Will launch insurance products next month; Devi Prasad Shetty, Chairman

- We got insurance license in less than 5 months
- We want to work like custodians of healthcare
- Will launch insurance products next month
- Won't offer products on pan-India basis initially
- Current relationship between stakeholders not conducive for healthy growth

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Chambal Fertilisers: We have faced no demand issues in any of the fertilizer products; Abhay Baijal, MD

- Promoters will be participating in the buyback
- Cash in the books is around Rs. 1,500-1,600 crore
- We have faced no demand issues in any of the fertilizer products
- Gas supplies have not been interrupted
- There is an increase in insurance and freight costs
- Most of the producers are taking a hit due to the Red Sea issue and if the issue flares up, the impact will be long term

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NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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