Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	78,674	0.8	8.9
Nifty-50	23,869	0.6	9.8
Nifty-M 100	55,246	-0.2	19.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,478	0.2	14.8
Nasdaq	17,805	0.5	18.6
FTSE 100	8,225	-0.3	6.4
DAX	18,155	-0.1	8.4
Hang Seng	6,477	0.2	12.3
Nikkei 225	39,667	1.3	18.5
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	85	-1.6	10.0
Gold ($/OZ)	2,298	-0.9	11.4
Cu (US$/MT)	9,399	-0.2	11.1
Almn (US$/MT)	2,466	0.7	5.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.6	0.2	0.4
USD/EUR	1.1	-0.3	-3.2
USD/JPY	160.8	0.7	14.0
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.0	0.01	-0.2
10 Yrs AAA Corp	7.5	0.01	-0.2
Flows (USD b)	**26-Jun**	**MTD**	**CYTD**
FIIs	-0.4	1.39	-0.9
DIIs	0.61	3.68	28.1
Volumes (INRb)	**26-Jun**	**MTD***	**YTD***
Cash	1,529	1640	1249
F&O	5,87,514	3,96,539	3,79,591

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Hindustan Unilever: Journey toward sustainable growth

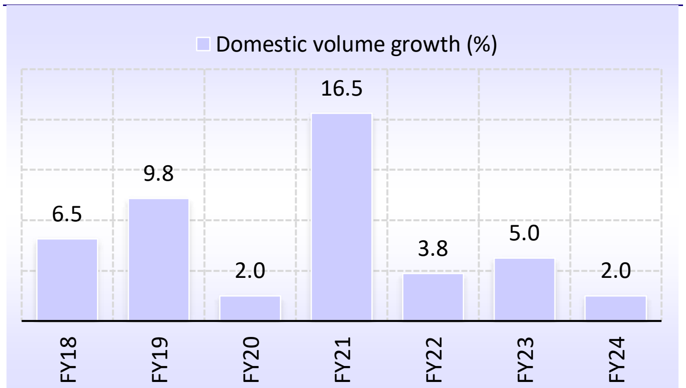
- Hindustan Unilever's (HUVR) FY24 annual report provides insights about its key focus areas to build upon its sustainable growth model. The company remains committed to distribution expansion (reached 9mn retail touch-points with 3mn direct-reach), digital initiatives (D2C business spans 10 brand websites covering over 19k pin codes in India), ramping up the alternate channel (ecommerce + MT combined at ~30% vs. 20% in FY20) and Shikhar app (B2B; now reaches 1.3m retail outlets).
- Despite macro challenges that have affected its operational performance in the last two-years, HUVR continues to focus on capital efficiency. HUVR has received tax refund of INR31.5b related to FY21 and FY22.
- Its cash flow from operation adjusted to tax rose by 23% YoY to INR123b with a two-year CAGR of 17%, and FCF increased by 21% YoY to INR109b with two-year CAGR of 17% led by working capital efficiency. We continue to believe that in a steady macro environment, HUVR will boost its volume performance in FY25/FY26. We maintain our BUY rating with a TP of INR2,900 (55x P/E FY26).

Research covered

Cos/Sector	Key Highlights
Hindustan Unilever	Journey toward sustainable growth
Cipla	Classification of Goa inspection remains key
Dr Reddy's Labs	Nicotinell purchase expands consumer healthcare portfolio
Telecom	Spectrum concludes, with majority bids for renewals
EcoScope	India's Quarterly Economic Outlook – 1QFY25

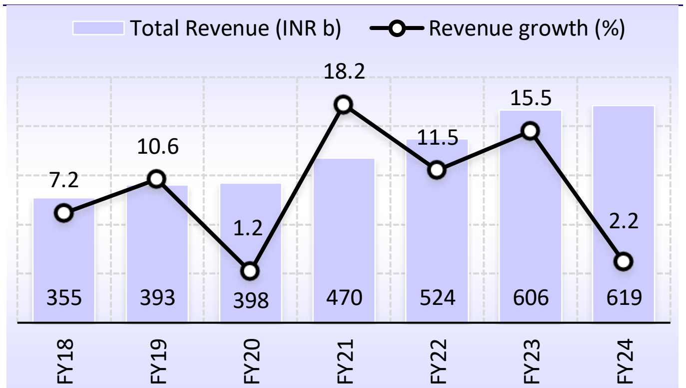
Chart of the Day: Hindustan Unilever (Journey toward sustainable growth)

Volume growth at 2% in FY24



Source: Company, MOFSL

Total revenue grew in low single digit in FY24



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Bharti Airtel renews airwaves, fills gaps; Reliance Jio bolsters network

Airtel and Jio expand networks with new spectrum acquisitions, focusing on enhancing services for improved customer experience and increased coverage. Jio solidifies leadership position with the largest spectrum footprint, deploying advanced technologies for efficient bandwidth usage.

2

Vodafone Idea acquires 50 MHz spectrum for Rs 3,510 crore, adds 900 MHz in its key circles

In addition to renewing its 900 MHz spectrum in the UP West and West Bengal circles, VIL said it has enhanced its 900 MHz spectrum holdings in seven circles: Andhra Pradesh, Tamil Nadu, Karnataka, Punjab, Rajasthan, UP East, and Kolkata

3

India has potential for 5X data centre capacity expansion to fuel digital transformation: Report

India's colocation data centre capacity stood at 977 MW across the top 7 cities. Out of this, around 258 MW was built in 2023 witnessing a 105 percent year-on-year (YoY) growth over the installed capacity in 2022.

4

Expect Indian PV market to touch 60 lakh units by 2030, targeting 18-20 pc share: Tata Motors

Tata Motors targets significant market share growth by FY30, focusing on EVs, CNG vehicles, and new product offerings. The company strategically prepares for upcoming CAFE III norms and aims to capitalize on industry transitions for sustainable growth.

5

GMDC joins hands with GUVNL to address power security of Gujarat

The power demand in Gujarat has been growing at a compound annual growth rate (CAGR) of more than 6 % since the last 5 years.

6

Growth in remittances to India may halve in 2024, says World Bank

India received remittances worth $120 billion in 2023, supported by strong labour markets in the United States and Europe

7

Indian job market likely to get busy and bustling

The Indian job market is expected to witness a notable increase in workforce expansion. The projected growth for H1 FY25 (April-September) indicates a significant rise to 6.33%, compared to around 4.2% in H2 FY24 (October-March).

Hindustan Unilever

BSE SENSEX	S&P CNX
78,674	23,869

Stock Info

Bloomberg	HUVR IN
Equity Shares (m)	2350
M.Cap.(INRb)/(USDb)	5746.2 / 68.8
52-Week Range (INR)	2770 / 2170
1, 6, 12 Rel. Per (%)	-1/-17/-35
12M Avg Val (INR M)	4655
Free float (%)	38.1

Financials Snapshot (INR b)

Y/E Mar	2024	2025E	2026E
Sales	619.0	657.5	713.4
Sales Gr. (%)	2.2	6.2	8.5
EBITDA	146.6	157.3	172.6
Margins (%)	23.7	23.9	24.2
Adj. PAT	102.7	112.4	123.9
Adj. EPS (INR)	43.7	47.8	52.7
EPS Gr. (%)	0.7	9.5	10.2
BV/Sh.(INR)	217.9	222.4	228.6
Ratios			
RoE (%)	20.2	21.7	23.4
RoCE (%)	27.9	29.6	31.8
Payout (%)	96.1	94.1	91.0
Valuations			
P/E (x)	56.1	51.2	46.5
P/BV (x)	11.7	11.5	11.2
EV/EBITDA (x)	38.8	36.3	32.9
Div. Yield (%)	1.6	1.8	1.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	61.9	61.9	61.9
DII	13.3	12.4	11.6
FII	12.7	13.7	14.4
Others	12.2	12.1	12.2

FII Includes depository receipts

CMP: INR2,446 TP: INR2,900 (+19%) Buy

Journey toward sustainable growth

Hindustan Unilever's (HUVR) FY24 annual report provides insights about its key focus areas to build upon its sustainable growth model. The company remains committed to distribution expansion (reached 9mn retail touch-points with 3mn direct-reach), digital initiatives (D2C business spans 10 brand websites covering over 19k pin codes in India), ramping up the alternate channel (ecommerce + MT combined at ~30% vs. 20% in FY20) and Shikhar app (B2B; now reaches 1.3m retail outlets). Despite macro challenges that have affected its operational performance in the last two-years, HUVR continues to focus on capital efficiency. HUVR has received tax refund of INR31.5b related to FY21 and FY22. Its cash flow from operation adjusted to tax rose by 23% YoY to INR123b with a two-year CAGR of 17%, and FCF increased by 21% YoY to INR109b with two- year CAGR of 17% led by working capital efficiency. We continue to believe that in a steady macro environment, HUVR will boost its volume performance in FY25/FY26. We maintain our BUY rating with a TP of INR2,900 (55x P/E FY26).

Moderate performance in FY24 due to subdued demand in rural markets

HUVR delivered a moderate performance in FY24 as revenue grew 2% to INR619b due to a challenging business environment. The company experienced gradual deflation in commodity prices across its portfolio after an extended period of high inflation. However, cumulative inflation remained elevated. Additionally, uneven rainfall led to subdued agricultural output, affecting rural demand. HUVR delivered underlying volume growth of 2% in FY24. Gross margin improved 430bp to 51.9%, which HUVR reinvested in A&P for brand building (up 32% YoY to 10.5%). As a result, EBITDA margin inched up 30bp to 23.7% (23.4% in FY23). PAT grew 1% YoY to INR103b in FY24. The dividend payout ratio stood at 96%, compared to 90% in FY23. HUVR generated ROE of 20% and ROCE of 28% in FY24. The company achieved efficient net working capital days of (-17) in FY24.

Business segment highlights

- **Beauty and Personal Care (BPC)** portfolio saw 2% growth, driven by volume growth as HUVR passed on cost savings to consumers through price cuts and promotions. Premium segments in Hair Care and Skin Care led growth, while mass segments showed a slower volume recovery. Starting 1st Apr'24, HUVR has split its BPC business into Beauty & Wellbeing and Personal Care for enhanced focus.
- **Home Care** business grew by 3% despite a high base in FY23, with mid-single digit volume growth offset by negative pricing trends. Premium products like washing powders and liquids maintained strong growth due to stable market development efforts.
- **Foods & Refreshment** segment reported 4% underlying sales growth. Nutrition Drinks (Horlicks & Boost) and Tea gained significant market share, while Food Solutions saw robust high double-digit growth. Ice Cream faced weather-related challenges but still achieved strong overall growth. Coffee led category growth with double-digit increases, driven by strategic pricing initiatives.

Maintain market leadership in 85% of its business

HUVR has sustained market leadership in more than 85% of its portfolio, driven by the top 19 brands, each generating over INR10b in annual sales. Together, these brands contribute significantly to HUVR's turnover, accounting for more than 80% of its total sales. The company's strategy includes continuous innovation with new product variants and upgrades aimed at enhancing consumer experiences. Particularly in fabric care and dish wash, HUVR is focusing on liquid formulations to meet evolving consumer preferences for convenience and efficacy. This relentless focus on innovation and consumer satisfaction underscores HUVR's commitment to maintaining and expanding its market leadership in the industry.

Driving innovation and efficiency

HUVR continued to focus on leveraging its technological capabilities, which help to expedite product launches through the Agile Innovation Hub and integrating supply chain processes for faster decision-making with the 'Supply Chain Nerve Center.' The company also advances digital demand generation and fulfillment using nano factories, machine learning, digital marketing, D2C channels, and automated warehouses to stay competitive. HUVR is moving from the traditional linear value chain to an ecosystem across consumers, customers, and operations, with the help of data, technology and analytics. About 30% of its digital demand is generated digitally via its future-ready platforms of Shikhar app, e-commerce and D2C websites.

Adapting to the changing distribution landscape

HUVR's B2B app, Shikhar, now reaches 1.3m retail outlets, while its D2C business spans 10 brand websites covering over 19k pin codes in India. Shikhar has partnered with ONDC to help retailers list on the platform (currently testing this in selected stores). With a diverse customer base, including traditional distributors, digital platforms and neighborhood retailers, HUVR products are available in over 9m retail outlets through 3,500 distributors. The company is expanding beyond traditional channels to embrace ecommerce, B2B and modern trade, focusing on omni-channel strategies and partnerships.

Valuation and view

- HUVR has consistently reinforced the fundamental factors that have contributed to its success in India. They include: (a) embracing technology to gather valuable data and enable informed decision-making, (b) adopting the 'Winning in Many Indias' (WiMI) strategy that emphasizes decentralization and tailored approaches, (c) identifying emerging trends and proactively investing in them, (d) reinvesting cost savings into the business, and (e) showcasing exceptional execution capabilities that have led to consistent earnings growth.
- We also believe that HUVR is the best prepared among peers in terms of technology and e-commerce strategy to deal with potentially significant disruptions going forward.
- We believe that HUVR's volume growth has bottomed out and expect a gradual volume recovery in FY25. HUVR's wide product basket and presence across price segments should help the company achieve a steady growth recovery.
- There is scope for a turnaround in part of BPC and F&R; we will monitor the execution in these segments under the new CEO.
- We reiterate our BUY rating with a TP of INR2,900, based on 55x FY26E EPS.

Cipla

BSE SENSEX	S&P CNX
78,674	23,869

Bloomberg	CIPLA IN
Equity Shares (m)	807
M.Cap.(INRb)/(USDb)	1194.4 / 14.3
52-Week Range (INR)	1582 / 989
1, 6, 12 Rel. Per (%)	-4/7/17
12M Avg Val (INR M)	2458

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	257.7	278.3	305.0
EBITDA	62.9	70.4	78.1
Adjusted PAT	42.4	47.6	53.1
EBIT Margin (%)	20.5	21.5	21.9
Cons. Adj EPS (INR)	52.5	58.9	65.8
EPS Gr. (%)	39.0	12.3	11.7
BV/Sh. (INR)	330.9	382.0	441.8
Ratios			
Net D-E	0.0	-0.1	-0.2
RoE (%)	15.9	15.4	14.9
RoCE (%)	17.0	16.5	16.0
Payout (%)	9.4	10.2	9.1
Valuation			
P/E (x)	28.2	25.1	22.5
EV/EBITDA (x)	18.8	16.3	14.3
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	0.3	3.7	3.2
EV/Sales (x)	4.6	4.1	3.7

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	33.4	33.4	33.4
DII	24.4	24.3	22.0
FII	26.0	25.9	27.7
Others	16.3	16.4	16.9

FII Includes depository receipts

Goa Form 483

CMP: INR1,479 | TP: INR1,700 (15%) | Buy

Classification of Goa inspection remains key

Comprehensive measures required to resolve regulatory issues

- **We assessed Form 483 issued by USFDA after inspection at Cipla's Goa site.**
- **Form 483 highlights issues largely related to testing methods, monitoring environmental conditions, cleaning/disinfections and root cause analysis.**
- **Considering the observations, we await classification of the inspection to incorporate potential business from key products like g-Abraxane.**
- **Nonetheless, Cipla remains on track to file complex products in respiratory, peptides and differentiated product category.**
- **We estimate a 12% earnings CAGR backed by 12%/7% sales CAGRs in DF/US generics and a 120bp margin expansion over FY24-26.**
- **Considering a healthy pipeline of niche products and superior execution in the branded generics segment, we value Cipla on SOTP basis (24x 12M forward earnings and NPV of INR30 for g-Revlimid) to arrive at our TP of INR1,700. We maintain BUY rating on the stock.**

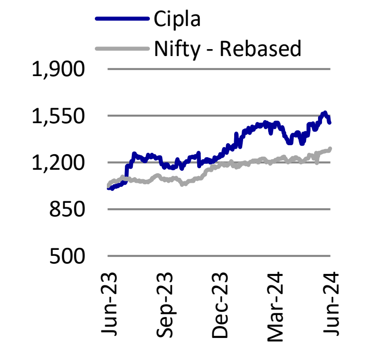
Goa Form 483 snapshot

- USFDA issued Form 483 with six observations after inspection during 10-21st Jun'24. The first observation is related to test methods, including in-house and compendial, being not validated, verified or transferred appropriately. These testing methods refer to commercial as well as approved but not commercialized products. This observation was extended to certain APIs as well. Our interaction with an industry expert indicates that it will take three to six months to resolve this issue.
- Another observation is related to deficiencies regarding system for monitoring environmental conditions. Specifically, the issue is related to viable surface monitoring.
- Another observation is pertaining to cleaning and disinfecting room and equipment to produce aseptic conditions. One of the aspects highlighted under this observation is repeated from Form 483 issued in Aug'22. There is an observation related to inadequate root cause analysis as well.
- Form 483 also points out observations pertaining to appropriate controls on computer systems and responsibilities/procedures related to quality control.

Two out of 11 sites catering US generics facing regulatory hurdles

- To date, USFDA conducted 59 inspections at the sites of Cipla and Invagen. Notably, the Goa site has received two OAI classifications till date.
- The regulatory history of Cipla had been sound until Sep'19, when it received the first adverse outcome (OAI) from USFDA for the Goa site. Subsequently, a warning letter was also issued for the site. It was re-inspected in Aug'22 and the classification was maintained as OAI.
- Cipla has also received a warning letter for its Pithampur site in Nov'23.
- While these sites are critical for niche approvals in injectables/respiratory aspects, Cipla is trying to reduce the regulatory risk by filing for potential products through alternate sites.
- Recently, Cipla received VAI classification for the Patalganga site, which was inspected in Jun'24.

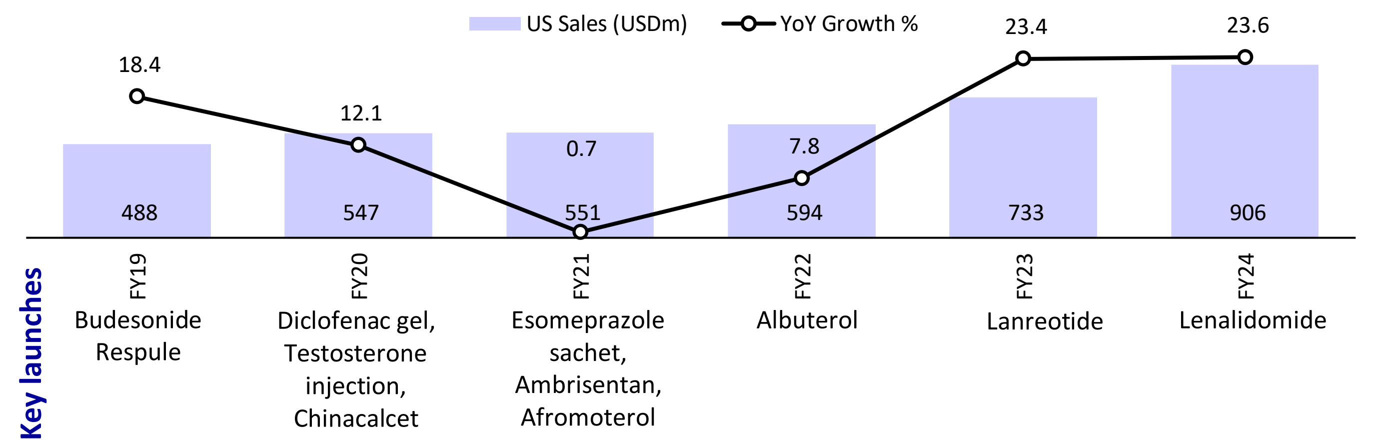
Stock's performance (one-year)



Valuation and view: Work in progress for better prospects in key markets; maintain BUY

- We expect the US business to clock a 7% CAGR as Cipla is focusing on complex products, including two 505b2 assets, 12 peptide/complex generics, and five respiratory products. Further, it has 16 assets under the filing stage over the next 12-24 months to drive growth in the long term.
- We expect a 12% earnings CAGR over FY24-26, led by a gradual ramp-up in niche launches including g-Leuprolide/g-Lanreotide/g-Revlimid, new approvals, industry outperformance in India chronic segment/consumer healthcare.
- We value CIPLA on SOTP basis (24x12m forward earnings and a NPV of INR30 for g-Revlimid) to arrive at our TP of INR1,700. Maintain BUY.

US revenue has seen 13% CAGR over FY19-24



Source: MOFSL, Company

USFDA inspection history snapshot

Site	Inspection End date	Classification/Remarks
Goa	Jun'24	Form 483 with 6 observations
Goa	Aug'22	OAI
Goa	Sept'19	OAI
Goa	Jan'19	VAI
Pithampur	Nov'23	Warning letter
Pithampur	May'19	NAI
Central Islip	Oct'23	VAI
Hauppauge	Oct'23	NAI
Qidong	Mar'24	Form 483 with 0 observations
Raigad	Nov'19	VAI
Bengaluru	Jan'20	VAI

Source: MOSL, Company, USFDA

26 June 2024

Company Update | Sector: Healthcare

Dr Reddy's Labs

BSE SENSEX	S&P CNX
78.674	23,869

Dr.Reddy's

Bloomberg	DRRD IN
Equity Shares (m)	167
M.Cap.(INRb)/(USDb)	1012.6 / 12.1
52-Week Range (INR)	6506 / 4951
1, 6, 12 Rel. Per (%)	0/-4/-7
12M Avg Val (INR M)	2676

Financials & Valuations (INR b)

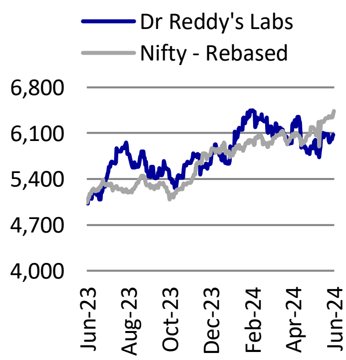
Y/E March	FY24	FY25E	FY26E
Sales	279.2	318.5	368.7
EBITDA	78.4	84.4	97.3
Adjusted PAT	52.8	55.2	60.2
EBIT Margin (%)	28.1	26.5	26.4
Cons. Adj EPS (INR)	317.1	331.6	361.6
EPS Gr. (%)	29.6	4.6	9.1
BV/Sh. (INR)	1,684	1,990	2,327
Ratios			
Net D-E			
RoE (%)	-0.3	-0.5	-0.6
RoCE (%)	20.7	18.1	16.8
Payout (%)	18.3	16.9	16.4
Valuation	7.8	7.6	6.9
P/E (x)			
EV/EBITDA (x)	19.1	18.3	16.8
Div. Yield (%)	12.0	10.6	8.9
FCF Yield (%)	0.4	0.4	0.4
EV/Sales (x)	1.9	4.6	4.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	26.7	26.7	26.7
DII	18.3	18.7	23.1
FII	44.7	44.1	38.8
Others	10.4	10.6	11.5

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR6,070 **TP: INR6,430 (+6%)** **Neutral**

Nicotinell purchase expands consumer healthcare portfolio

- **Dr. Reddy's Labs (DRRD) has agreed to acquire Haleon Plc's Nicotinell and related portfolio for GBP500m. We believe the acquisition expands DRRD's offerings in the consumer healthcare segment and extends its OTC reach in Europe and other global markets.**
- **The valuation at 2.3x of CY23 sales and 9.2x EV/ CY23 EBITDA is fair, in our view, considering its expansion in nicotine replacement therapy (NRT), global outreach (excluding US) and ~25% EBITDA margin.**
- **We raise our earnings estimates by 3%/7%/4% for FY25/FY26/FY27, factoring in the addition of NRT business early 4QCY24 onward. Accordingly, we revise our TP to INR6,430, based on SOTP (22x 12M forward base business earnings and NPV of INR80 related to g-Revlimid).**
- **DRRD, through organic/inorganic routes, has been strengthening its growth levers in the consumer healthcare segment, in addition to building a product pipeline in US generics and enhancing marketing efforts in the branded generics market.**
- **We maintain Neutral on DRRD given the limited upside on current valuation.**

Decent profitable portfolio added to consumer healthcare OTC business

- DRRD has signed a definitive agreement with Haleon to acquire its global portfolio of consumer brands in the NRT category outside of the US. The portfolio has an extensive footprint in over 30 countries comprising Europe, Asia and Latin America. The proposed acquisition will be inclusive of all formats such as lozenge, patch, gum as well as pipeline products, in all applicable global markets outside of the US.
- DRRD will acquire the portfolio through purchase of shares of Northstar Switzerland SARL, a Haleon group company, for a total consideration of GBP500m, with an upfront cash payment of GBP458m and performance-based contingent payments of up to GBP42m, payable in CY25/CY26. The purchase will be funded through internal accruals.
- The transaction is valued at 2.3x CY23 sales and 9.2x EV/ CY23 EBITDA.
- This portfolio largely has stable sales at GBP217m (CY23) and EBITDA margin of ~25%.
- The transaction is expected to close in early 4QCY24.

Multiple steps taken to enhance prospectus of OTC business

- Currently, DRRD's OTC business forms 10% of its global sales (~INR20b) and is growing in single digits.
- In recent years, DRRD has acquired multiple brands in the OTC portfolio in the US markets, such as NRT brand Habitrol, pain-relief brand Doan's, women's health products such as Premama for fertility and parenthood, and the MenoLabs portfolio for menopause.
- In India, DRRD has an OTC product portfolio in the hydration, cough-cold-allergy, and skin care categories. To boost growth and deepen its presence in India, DRRD has entered into a joint venture with Nestlé India to bring vitamin, minerals, herbals and supplements to India.
- Further, in emerging markets, DRRD has a well-established and sizeable OTC business, with market-leading products in the allergy, pain relief, gastro-intestinal and women's health categories.

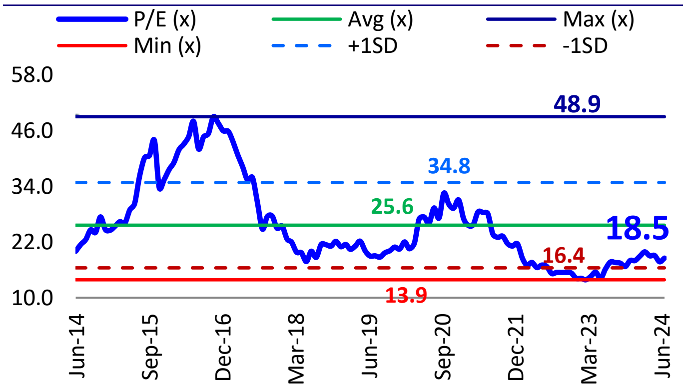
Call highlights

- DRRD's current OTC business is growing in single digits on a YoY basis and the company expects it to grow faster in the next three to four years.
- Product manufacturing is outsourced to CMOs in Europe, with long-standing contractual relationships.
- The company launched sprays in Nordic countries recently and there is a pipeline of new products in the acquired portfolio.
- The development is done by the brand owner together with the CMO player in the acquired OTC categories of products.

Valuation and view:

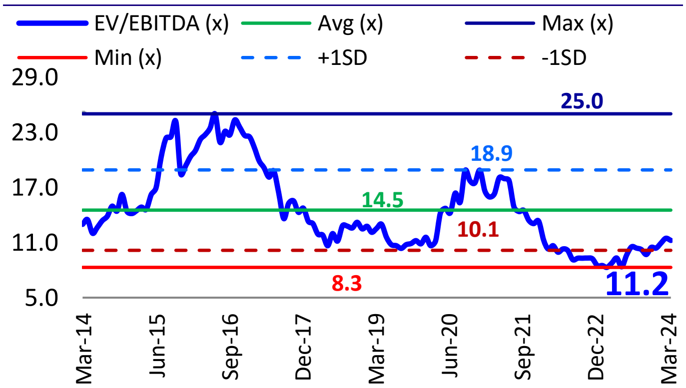
- We raise our earnings estimates by 3%/7%/4% for FY25/FY26/FY27 to factor in sales of the acquired portfolio, additional operational costs to aid better growth and reduction in income from surplus cash.
- We revise our SOTP-based target price to INR6,430, with 22x 12M forward earnings for base business and adding NPV of INR80 (g-Revlimid).
- Overall, we expect a 7% earnings CAGR over FY24-26, led by healthy performance in key markets of US generics, India, Europe and Russia/CIS. We believe the current valuation captures the upside in earnings. Hence, we maintain our Neutral stance on the stock.

PE Chart



Source: MOFSL, Bloomberg

EV/EBITDA Chart



Source: MOFSL, Bloomberg

Telecom

Spectrum concludes, with majority bids for renewals

The telecom spectrum auction ended on Day 2, with the majority bids for renewals and some for capacity expansions. Here are the key highlights:

- **The Department of Telecom (DoT) has received INR113.4b from the spectrum auction. DoT may receive the full payment of INR68.6b from Bharti, while VIL can opt for yearly installments — INR3.5b upfront and the rest over the next 20 years. RJio's payments may be adjusted from its earnest money deposit (EMD). The annual instalments of VIL/Bharti (if opted for installments) will be ~3%/1% of their EBITDA.**
- **Of the spectrum on offer, 26% of MHz was sold (excluding non-bids band). Bharti bagged 69% of the total MHz on offer, followed by VIL at 21% and RJio at 10%.**
- **Within the band range, 900MHz received the highest bids worth INR70.6b (62% of total bids), followed by 1800MHz worth INR35.8b (32% of total bids), and 2100MHz/2500MHz worth INR5.5b/INR1.5b (5%/1% of total bids).**
- **Bharti and VIL are using the non-standalone (NSA) mode; hence, they have bid for the 900MHz band in order to improve coverage and 1800MHz/2100Mhz bands as the main anchors for 5G connectivity via the NSA mode.**
- **There were no bids received for a) 800MHz – since operators need to install new hardware, which will increase the capex; b) 2300MHz; c) 3300MHz – since networks are not fully loaded and sites are empty due to fewer 5G users; and d) 26GHz – since the ecosystem is not ready and hence no operator has rolled it out yet.**
- **Bihar and West Bengal are the two emerging circles that saw bids by all three operators due to an increase in data consumption. Those were the only circles for which the final auction amounts were higher than the base price.**
- **There will be no spectrum usage charge for spectrum acquired in this auction.**
- **Yet, we saw no price increase in any bands (other than Bihar/WB), underscoring the significantly high quantum of spectrum available across bands. The spectrum would carry a fixed interest rate of merely 8.65% on 20-year EMIs.**
- **As expected, the auction ended on Day 2, with seven rounds vs. five rounds on Day 1.**

Company-wise participation

- **Bharti – Right bid:** It has placed bids worth INR68.6b for 97MHz in the 900MHz/ 1800MHz/ 2100MHz bands, i.e. 69% of the total available blocks on offer. The amount can be paid in full; if not, this will increase its net debt by 4.6% to INR1.4t. Majorly, it has spent on top-up spectrum in 900MHz (INR38.3b for 42MHz) and 1800MHz bands (INR24.9b for 35MHz) and has done top-up spectrum in a few circles, attempting to improve its low-frequency footprint. Bharti has also spent INR5.5b on 2100MHz to acquire 20MHz in four circles. This will bolster the company's sub-GHz and mid-band holding, which will significantly improve indoor coverage.
- **VIL** has bid for spectrum worth INR35.1b for 30MHz in the 900MHz, 1800MHz and 2500MHz bands, i.e. 21% of the total available blocks on offer. Renewal should be done for 900MHz and 1800MHz bands. This can lead to a 1.4% increase in its net debt to INR2.3t. It has acquired 900MHz (INR32.4b; 18.8MHz), 1800MHz (INR1.2b; 1.2MHz) and 2500MHz (INR1.5b; 10MHz). In 2500MHz, VIL has topped up at a reasonable price, likely because of higher data growth expectation in Bihar.

- **RJio – Limited participation:** Going by its high EMD of INR30b, RJio was expected to be the highest bidder in the auction. However, it has shown limited participation with bids worth INR9.7b for 1800MHz (14.4MHz in two circles). The balance EMD will be returned to RJio. It has bid for 1800MHz in order to improve 4G connectivity. RJio previously bought blocks in 700MHz, 3300MHz and 26GHz in 5G auction.

How will it be funded?

- DoT has not mandated any upfront payment. Operators can pay in installments with an 8.65% interest rate for a 20-year license.
- We believe Bharti can opt for the full payment option; if not, this will increase its net debt by 4.6% to INR1.4t. The annual installment (of INR6.7b) will be 1% of its EBITDA.
- RJio's payment may be adjusted from the EMD and it will receive the balance EMD back.
- VIL can opt for either 20 equal installments (of INR3.5b) or upfront payment of minimum two years and then installments for the remaining 18 years. This can increase its debt by 1.4% to INR2.3t. The annual installment (of INR3.5b) will be 2.7% of its EBITDA.

Spectrum-wise bidding: 900MHz/1800MHz bands see strong participation

- **900MHz** saw total bids worth INR70.7b (62% of total spectrum; 60.8MHz), with the majority of them for renewals. Out of total available spectrum (118MHz), 52% was sold. For this band, 14 out of 22 circles saw bids, with the bid price similar to the reserve price. However, given that there is a significant quantity of spectrum available, it saw no price increase in any circles. Bharti and VIL have placed bids, as renewals are due in six and two of their circles, respectively.
- **1800MHz** saw total bids worth INR35.8b (32% of total spectrum; 50.6MHz) for renewals and top-ups. Out of total available spectrum (221MHz), 23% was sold. For this band, 10 out of 22 circles saw bids, with two circles (Bihar and WB) seeing a marginal increase from the reserve price due to higher competition. RJio has bid for an increase in capacity, Bharti would have bid for renewals and capacity increase, and VIL may have bid for renewals.
- **2100MHz and 2500MHz –** Spending was marginal at INR5.5b/INR1.5b in 2100MHz/2500MHz, which is done by Bharti/VIL to increase their presence in the respective bands.

Player-wise estimated spending on various bands

INRm	Rjio	Bharti	VIL	Total
900 MHz	-	38,250	32,416	70,666
1800 MHz	9,736	24,868	1,188	35,792
2100 MHz	-	5,450	-	5,450
2500 MHz	-	-	1,500	1,500
Total	**9,736**	**68,568**	**35,104**	**1,13,408**

Source: MOSL, DoT

Player-wise spectrum allocation estimated

MHz Bands	Rjio	Bharti	VIL	Total bid	Available	Sold (%)
900 MHz	0	42.0	18.80	60.8	118	52
1800 MHz	14.4	35.0	1.2	50.6	221	23
2100 MHz	0	20.0	0	20.0	125	16
2500 MHz	0	0.0	10.0	10.0	70	14
Total	**14.4**	**97.0**	**30.0**	**141.4**	**534.4**	**26**

Source: MOSL, DoT

Total bids placed

MHz Bands	INRm	Total MHz
900 MHz	70,666	60.8
1800 MHz	35,792	50.6
2100 MHz	5,450	20.0
2500 MHz	1,500	10.0
Total	**1,13,408**	**141.4**

Source: MOSL, DoT

Total bids placed by VIL

900 MHz Band (Block Size: 0.2 MHz (paired))					
Circles	Blocks	MHz	Price per Block (INRm)	Reserve price per block (INRm)	Total Price bid (INRm)
Andhra Pradesh	12	2.4	576	576	6,912
Karnataka	11	2.2	408	408	4,488
Kolkata	1	0.2	306	306	306
Punjab	6	1.2	208	208	1,248
Rajasthan	2	0.4	270	270	540
Tamil Nadu	12	2.4	444	444	5,328
Uttar Pradesh (East)	6	1.2	372	372	2,232
Uttar Pradesh (West)	25	5	304	304	7,600
West Bengal	19	3.8	198	198	3,762
Total		**18.8**			**32,416**

1800 MHz Band (Block Size: 0.2MHz (paired))					
1800(MHz)	Blocks	MHz	Price per Block (INRm)	Reserve price per block (INRm)	Total Price bid (INRm)
Madhya Pradesh	6	1.2	198	198	1,188
Total		**1.2**	**198**		**1,188**

2500 MHz Band (Block Size: 10 MHz (paired))					
2500(MHz)	Blocks	MHz	Price per Block (INRm)	Reserve price per block (INRm)	Total Price bid (INRm)
Bihar	1	10	1,500	1,500	1,500
Total		**10**	**1,500**		**1,500**
Grand Total		**30**			**35,104**

Source: MOSL, DoT

Total bids placed by Bharti

900 MHz Band (Block Size: 0.2 MHz (paired))					
Circles	**Blocks**	**MHz**	**Price per Block (INRm)**	**Reserve price per block (INRm)**	**Total Price bid (INRm)**
Assam	25	5.0	126	126	3,150
Bihar	35	7.0	294	294	10,290
Jammu & Kashmir	50	10.0	36	36	1,800
North East	5	1.0	32	32	160
Odisha	25	5.0	128	128	3,200
Rajasthan	20	4.0	270	270	5,400
Uttar Pradesh (East)	25	5.0	372	372	9,300
West Bengal	25	5.0	198	198	4,950
Total		**42.0**			**38,250**

1800 MHz Band (Block Size: 0.2MHz (paired))					
1800(MHz)	**Blocks**	**MHz**	**Price per Block (INRm)**	**Reserve price per block (INRm)**	**Total Price bid (INRm)**
Assam	20	4.0	64	64	1,280
Bihar	26	5.2	168	164	4,371
Haryana	25	5.0	82	82	2,050
Kolkata	25	5.0	218	218	5,450
Odisha	5	1.0	78	78	390
Punjab	25	5.0	122	122	3,050
Rajasthan	25	5.0	168	168	4,200
Uttar Pradesh (East)	5	1.0	368	368	1,840
West Bengal	19	3.8	118	116	2,237
Total		**35.0**			**24,868**

2100 MHz Band (Block Size: 5 MHz (paired))					
Circles	**Blocks**	**MHz**	**Price per Block (INRm)**	**Reserve price per block (INRm)**	**Total Price bid (INRm)**
Assam	1	5	1,200	1,200	1,200
Jammu & Kashmir	1	5	400	400	400
North East	1	5	250	250	250
Uttar Pradesh (West)	1	5	3,600	3,600	3,600
Total		**20**			**5,450**
Grand Total		**97**			**68,568**

Source: MOSL, DoT

Total bids placed by RJio

1800 MHz Band (Block Size: 0.2MHz (paired))					
Circles	**Blocks**	**MHz**	**Price per Block (INRm)**	**Reserve price per block (INRm)**	**Total Price bid (INRm)**
Bihar	25	5.0	168	164	4,203
West Bengal	47	9.4	118	116	5,534
Total		**14.4**			**9,736**
Grand Total		**14.4**			**9,736**

Source: MOSL, DoT

India's Quarterly Economic Outlook – 1QFY25

Strong growth and subdued inflation to delay rate cuts in CY25

- **For the fourth consecutive quarter, India's real GDP posted better-than-expected growth of 7.8% YoY in 4QFY24, implying a full-year growth of 8.2% in FY24, much better than any forecasts. To our mind, there were some exceptional factors that led to such a high real growth last year, many of which will not come into play this year. Accordingly, we continue to believe that there will be a moderation in real GVA/GDP growth to 6.0%/6.5% in FY25 (upgraded from 5.8%/6.4%). We expect the growth rate to hover around the same level in FY26. Nominal growth, however, is likely to pick-up to 10.8%/ 10.1% in FY25/FY26 (compared to 10.5%/10.3% projected earlier), from 9.6% in FY24.**
- **Headline CPI inflation was ~5% YoY for the fifth consecutive month in May'24, with core inflation at the lowest level in 12.5 years since the new series began in Jan'12. With recent data in line with expectations, we have broadly maintained our headline forecasts at 4.5%/4.7% for FY25/FY26 vs. 4.6%/4.7% earlier. We expect this combination of strong growth and low inflation to prompt the RBI to push rate cuts in CY25, unless the economic momentum ebbs really soon.**
- **In the upcoming Union Budget 2025 by the new government, we believe that while tax estimates may not change, record-high RBI dividends could help the Government of India (GoI) to spend an additional amount of about INR1.1t this year [vs. budget estimates (BEs)], while reducing the fiscal deficit target to 5% of GDP in FY25.**

Changes to our economic forecasts since Mar'24

Real growth: We upgrade our real GVA/GDP growth forecasts slightly to 6.5%/6.4% for FY25/FY26 (from 6.4%/6.5%), continuing the strong growth momentum at 8.2% in FY24. Nominal GVA/GDP growth could improve to 10.8%/10.1% in FY25/FY26 from 9.6% in FY24.

Rate cuts by the RBI would be a CY25 story, unless the economic momentum (domestic/global) slows down materially.

CPI inflation and interest rates: Continuous disinflation in core items makes us revise our headline inflation forecast marginally to 4.5% for FY25, while keeping it unchanged at 4.7% for FY26. Accordingly, we continue to believe that rate cuts by the RBI would be an early CY25 story, unless the economic momentum (domestic/ global) ebbs materially really soon.

Fiscal deficit: With better-than-expected receipts and lower spending, the GoI over-achieved its deficit target in FY24. It was 5.6% of GDP last year, as against the target of 5.8% of GDP. For FY25, we expect the GoI to keep its tax and non-debt capital receipts targets unchanged as in the Interim Budget (presented in Feb'24). This means that higher RBI dividends will allow the GoI to increase its spending more than previously budgeted, with the possibility to reduce fiscal deficit to 5% of GDP.

Exhibit 1: Forecasts of key macroeconomic variables for the Indian economy

Macro indicators	Unit	FY22	FY23	FY24	FY25 Forecasts		FY26 Forecasts	
					MOFSL Mar'24	MOFSL Jun'24	MOFSL Mar'24	MOFSL Jun'24
Nominal GDP_{MP}	YoY (%)	18.9	14.2	9.6	10.5	10.8	10.3	10.1
Real GDP_{MP}	YoY (%)	9.7	7.0	8.2	6.4	6.5	6.3	6.4
Real GVA_{FC}	YoY (%)	9.4	6.7	7.2	5.8	6.0	5.9	6.1
Consumer price index	YoY (%)	5.5	6.6	5.4	4.6	4.5	4.7	4.7
Repo rate (year-end)	p.a. (%)	4.00	6.50	6.50	6.25	6.25	5.75	5.75
USD:INR (average)	unit	74.5	80.4	82.8	83.9	84.0	85.0	85.0
Current a/c balance	% of GDP	(1.2)	(2.0)	(0.7)	(1.5)	(1.2)	(1.7)	(1.3)
GoI's fiscal deficit	% of GDP	6.7	6.4	5.6	5.1	5.0	4.5	4.5

Source: Central Statistics Office (CSO), Reserve Bank of India (RBI), MOFSL

Bharat Forge: Confident that India will be the big manufacturing superpower of the world; Amit Kalyani, Vice Chairman & Co-MD

- In some respects, Infrastructure in India is way ahead of the world
- India is far ahead in digital infrastructure; has capabilities to accelerate physical infrastructure
- Manufacturing business– both defence and industrial– will be the big growth driver for business
- Defence bix is now past the learning curve; is now moving from maturing to acceleration
- Explicit overseas business to turnaround in FY25
- Don’t think North America business will be a drag from hereon
- 80% of the defence order book is exports
- Have some negotiations underway for more defence orders
- Well geared to tap into EV transition opportunity

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Happiest Minds: Mr. Soota has been talking of pairing stake to 40% fund his philanthropic interests over long term; Venkatraman Narayanan, MD

- Stake sale is all as per disclosures made earlier
- No immediate plans of further stake sale
- Co expected to grow at CAGR of 22% to reach USD 1 bm by 2031
- Target growth in FY25 at 35-40%; margin guidance of 20-22%
- FY25 organic growth rate to be similar as FY24 or slightly better
- See scope to improve utilisation to 79-80%
- Haven’t seen a price pushback from customers
- Gen AI contribute 10% to topline over long term

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Brosil: Borosil Raised Rs. 150 crore via QIP, will be debt free post this fund raise; Shreevar Kheruka, MD

- Raised rs. 150 cr after making an invested 600 cr. + into the business
- Closed FY23 at around rs. 950 cr in revenue– this is up 4 times in the past 6 years
- Invested a lot of Capex in manufacturing in India
- Previously, were guiding a CAGR of 15-20%-- in the last 6 years, CAGR is 25-30%

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Atul Auto: We are almost ready with our EV product range; Jitendra V Adhia, President Finance

- Yet to receive a complete MoU with Jio Things; tie-up will give us technologies synergies and provide a wider platform
- Exports contribute 10% currently; expect to double the revenue from exports in the medium term
- Targeting to achieve pre-covid volumes in the near-term
- Rs. 1000 cr revenue target intact
- EBITDA margins will improve with volume growth
- Should be prepared for someone-off costs
- Will look for further tie-ups in the future after seeing benefits from current tie-ups

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BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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