Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	79,476	0.6	10.0
Nifty-50	24,142	0.5	11.1
Nifty-M 100	56,293	1.0	21.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,475	0.3	14.8
Nasdaq	17,879	0.8	19.1
FTSE 100	8,167	0.0	5.6
DAX	18,291	0.3	9.2
Hang Seng	6,332	0.0	9.8
Nikkei 225	39,631	0.1	18.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	88	1.6	13.5
Gold ($/OZ)	2,332	0.2	13.0
Cu (US$/MT)	9,483	0.3	12.0
Almn (US$/MT)	2,472	-0.6	5.4
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.4	0.1	0.3
USD/EUR	1.1	0.3	-2.7
USD/JPY	161.5	0.4	14.5
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.0	0.00	-0.2
10 Yrs AAA Corp	7.5	0.00	-0.2
Flows (USD b)	**1-Jul**	**MTD**	**CYTD**
FIIs	-0.1	3.06	0.3
DIIs	0.47	3.90	28.9
Volumes (INRb)	**1-Jul**	**MTD***	**YTD***
Cash	1,303	1303	1257
F&O	2,16,610	2,16,610	3,77,341

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Technology | 1QFY25 Preview: Wishing for a turnaround

- We expect the revenues of IT services companies to recover following a tepid 4QFY24 for the industry, as the ramp-up of large cost-takeout deals could drive growth for large-caps in a seasonally strong quarter. The brutal winter of discretionary spend cuts in the industry is likely over, but there is little evidence of a recovery in the flow business. Hence, we are on track for one of the weakest first quarters for at least 10 years. The situation, though slightly better, is eerily similar to what we witnessed in 1HFY24.
- We would be looking for signs of recovery in discretionary spending in the form of deal activities, which have been heavily skewed towards cost-takeout projects. However, any disappointment in 1QFY25 could again put pressure on 2Q. While we expect ~5-7% YoY revenue growth in constant currency (cc) terms for HCL and TCS (lower for INFY largely due to a poor exit to FY24) for FY25, this is contingent on a recovery in the flow business and clients' willingness to resume discretionary spending.
- We believe mid-tier companies could continue to perform well, especially those with strong offerings in "pre-GenAI" spending, such as data engineering. We expect aggregate revenue/EBIT/PAT to grow by 3.2/5.2/6.1% respectively (all in INR terms) YoY for our coverage universe.

Research covered

Cos/Sector	Key Highlights
Technology | 1QFY25 Preview	Wishing for a turnaround
Financials	WALR on fresh loans declines in May'24; WATDR inches up
Capital Markets	Revision in market intermediary charge mechanism
Automobiles	Jun'24 wholesales remain a mixed bag

Chart of the Day: Technology | 1QFY25 Preview (Wishing for a turnaround)

Expect Tier-I companies' revenue (USD) growth to recover after a subdued Q4FY24

	Revenue (USD m)					Revenue (INR b)				
Company	1QFY25	4QFY24	QoQ (%)	1QFY24	YoY (%)	1QFY25	4QFY24	QoQ (%)	1QFY24	YoY (%)
TCS	7,459	7,363	1.3	7,226	3.2	622	612	1.6	594	4.8
INFO	4,651	4,564	1.9	4,617	0.7	388	379	2.3	379	2.3
HCLT	3,365	3,430	-1.9	3,200	5.2	279	285	-2.0	263	6.2
WPRO	2,646	2,657	-0.4	2,779	-4.8	222	222	-0.2	228	-2.9
TECHM	1,554	1,548	0.4	1,601	-2.9	130	129	0.7	132	-1.5
LTIM	1,077	1,069	0.7	1,059	1.7	90	89	1.0	87	3.2
Tier I aggregate	20,752	20,632	0.6	20,481	1.3	1,731	1,716	0.8	1,683	2.8

	EBIT margin (%)					Adjusted PAT (INR b)				
Company	1QFY25	4QFY24	QoQ (bps)	1QFY24	YoY (bps)	1QFY25	4QFY24	QoQ (%)	1QFY24	YoY (%)
TCS	24.5	26.0	-150.0	23.2	130.0	121.4	125.0	-2.9	111.2	9.2
INFO	20.4	20.1	30.0	20.8	-40.0	63.1	60.8	3.8	59.5	6.1
HCLT	16.8	17.6	-80.0	17.0	-10.0	37.7	40.0	-5.7	35.3	6.6
WPRO	15.8	15.9	-10.0	15.1	70.0	28.9	28.6	1.1	28.9	0.1
TECHM	7.7	7.4	30.0	8.8	-110.0	8.1	9.7	-15.8	9.6	-15.1
LTIM	15.6	14.7	90.0	16.7	-110.0	11.6	11.0	5.4	11.5	0.7
Tier I aggregate	19.5	20.0	-50.0	19.1	40.0	271	275	-1.5	256	5.8

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

LIC redesignates chairman Siddhartha Mohanty as MD and CEO

Mohanty took charge as the chairperson of LIC in April 2023. Prior to that, he was the managing director of the company.

2

Patanjali Foods to buy group company's non-food business for Rs 1,100 crore

Patanjali Foods and Patanjali Ayurved have also agreed to enter into a licensing agreement, permitting Patanjali Foods to use the trademarks and associated intellectual property rights owned by the latter, the company said.

3

NCLT asks Sadbhav Engg CEO to settle creditor dues

The direction came after the company's chief executive officer appeared before the tribunal and said the company had proposed a restructuring package to all the financial creditors, and was looking to resolve the issue.

4

NCLT asks Sadbhav Engg CEO to settle creditor dues

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5

KKR buys 70% stake in Kerala hospital chain for Rs 2,500 cr

Founded in 1987 by KG Alexander, Baby Memorial Hospital has a capacity of 1,000 beds across hospitals in Calicut and Kannur, and planned expansions across the region.

6

Niva Bupa files draft papers for Rs 3,000-crore IPO

The OFS will see the promoter company, Bupa Singapore Holdings Pte, sell shares worth Rs 320 crore while external investor Fettle Tone LLP will sell shares worth Rs 1,880 crore.

7

Stocks adequate to meet supplies, says Govt; Rs 57,000 crore paid to farmers as MSP

Five agencies entrusted with procurement in Punjab, the biggest contributors to central pool stock, procured a record 12.46 MT of wheat in the current season from the farmers.

Technology

Result Preview

Wishing for a turnaround

Expect sequential improvement in a seasonally strong quarter

- We expect the revenues of IT services companies to recover following a tepid 4QFY24 for the industry, as the ramp-up of large cost-takeout deals could drive growth for large-caps in a seasonally strong quarter. The brutal winter of discretionary spend cuts in the industry is likely over, but there is little evidence of a recovery in the flow business. Hence, we are on track for one of the weakest first quarters for at least 10 years. The situation, though slightly better, is eerily similar to what we witnessed in 1HFY24. We would be looking for signs of recovery in discretionary spending in the form of deal activities, which have been heavily skewed towards cost-takeout projects. However, any disappointment in 1QFY25 could again put pressure on 2Q. While we expect ~5-7% YoY revenue growth in constant currency (cc) terms for HCL and TCS (lower for INFY largely due to a poor exit to FY24) for FY25, this is contingent on a recovery in the flow business and clients' willingness to resume discretionary spending. We believe mid-tier companies could continue to perform well, especially those with strong offerings in "pre-GenAI" spending, such as data engineering. We expect aggregate revenue/EBIT/PAT to grow by 3.2/5.2/6.1% respectively (all in INR terms) yoy for our coverage universe.
- Verticals such as BFS and Communications have been under pressure for the past 5-6 quarters; and while spending patterns remain largely unchanged, deal wins over the past couple of quarters should start accelerating in this quarter. This should offer some respite to growth rates for these verticals, especially for Infosys as the base becomes more favorable. Hi-tech, following a brief recovery, might face challenges, as spending on software moderates.
- The cross-currency impact for the quarter is expected to be minimal, as shown in Exhibit 5. On an average, we expect 10-20 cross-currency headwinds for our coverage on a sequential basis.
- Guidance: We expect no changes in guidance/commentary from companies on FY25 revenue growth. The focus of the commentaries is likely to remain on demand pick-up in 2HFY25, indicating a more normalized FY26 spending environment.
- We expect revenue growth of Tier-I companies to be in the range of -0.5% to +2.0% QoQ in CC. Revenue of Tier-II players is expected to grow by -1.5% to +5.0% QoQ in CC terms.
- Margins for the sector are likely to remain largely range-bound. The benefits from deferring wage hikes and benign currency movements could be offset by the ongoing challenge of recovering lost volumes. The first quarter is also anticipated to be affected by visa costs, leading to a slightly negative bias for the quarter. We believe FY25 will be a year of restrained wage hikes across the industry. Moreover, given the gradual nature of demand recovery, companies can adopt a more cautious approach towards their hiring strategies. This should lead to better margin defense for the sector.
- We prefer HCLT for its favorable business mix and reiterate the stock as our top pick among large-tier players. For mid-tier names, we continue to like Cyient despite the short-term headwinds, as its portfolio of aerospace, defense, and sustainability is set for decent growth over the medium term. Additionally, we prefer LTTS due to its well-diversified portfolio and market leadership.

Growth expectations across our coverage

- We expect Infosys and TCS to report relatively strong 2.0% and 1.6% QoQ CC revenue growth, respectively, whereas HCLT's 2% decline is already baked in (as guided last quarter). TechM and Wipro's revenue could be flat QoQ. LTIM is likely to report a relatively healthy 2% growth as well.
- Among mid-tier names, we expect Persistent to lead the pack with 5% QoQ revenue growth, largely driven by deal ramp-ups in the healthcare vertical. Coforge is likely to have a slightly slow quarter (around 1.5% QoQ growth), whereas Mphasis will grow about 1% QoQ.
- We expect Cyient to report a soft quarter as well, putting its FY25 guidance at risk. We model minimal cross-currency impact for the quarter for almost all companies (10-20bp adverse impact).

Margins a mixed bag

- We expect TCS' EBIT margin to contract by about 150bp QoQ, largely due to wage hikes. For HCL, the margin contraction should be steeper due to seasonality in its software business. For Infosys, we expect margin to improve slightly by 30bp as gains from its cost-benefit programs are offset by visa and other seasonal costs (with no wage hikes). TechM's margins are expected to remain muted, whereas Wipro should fare better.
- Among mid-caps, we expect most companies to report a sequential margin contraction. Coforge's margin should be down by ~80bp despite deferred wage hikes to 2QFY25. The large deal ramp-ups for Persistent would put its margin under pressure. Mphasis' margin would be range-bound, whereas LTTS should post a sequential margin contraction of ~50bp owing to low seasonal volumes.

Near-term demand unchanged; HCLT remains our top pick

- The near-term macro uncertainties and no meaningful sign of recovery in discretionary IT spending are key concerns for large-cap names; however, we expect mid-tier players to continue their outperformance.
- Among Tier-I players, HCLT is one of the key beneficiaries of having a defensive business mix, which should support its growth in the current environment.
- Among Tier-II players, our preference lies with CYL, which is poised for robust performance. This will be supported by the revival in the aerospace vertical, the moderating challenges in sectors such as railways and communications, and a strong portfolio in its sustainability business.

Financials

WALR on fresh loans declines in May'24; WATDR inches up

CD ratio stands elevated; estimate NIMs to exhibit a slight downside bias

- **The Weighted Average Lending Rate (WALR) on fresh loans declined 16bp MoM in May'24, following a spike of 18bp MoM in Apr'24. The PSU banks reported a decline of 25bp MoM (up 17bp MoM in Apr'24), while Private banks maintained a stable WALR on fresh loans on a MoM basis. The systemic WALR on outstanding loans, however, remained flat MoM.**
- **The Weighted Average Term Deposit Rate (WATDR) for the system has increased 1bp MoM to 6.92% (a 2bp MoM rise for PSUs and PVBs). More importantly, PVBs witnessed an increase of 7bp during Apr-May'24 vs. PSB's 3bp increase. This rise can be attributed to the banks raising their rates in short-term maturities amid tight liquidity conditions.**
- **Credit growth for the system remains robust at 15.6% YoY, and we estimate credit growth to sustain at a healthy 14% CAGR over FY25-26. However, liability mobilization to sustain this growth remains critical, as systemic LDR remains elevated at 79.9%.**
- **With repo rates remaining unchanged since Feb'23, lending rates have remained broadly stable; however, funding costs have been gradually rising due to ongoing liability re-pricing and the recent rise in deposit rates by select banks.**
- **We thus expect the banking system's margins to exhibit a slight downside bias in the near term, while the potential turn in the rate cycle during 2HFY25 will further compress lending yields. Our top picks are: ICICI, HDFCB, SBI, and FB.**

	PSU Banks		
Month	WALR – O/s Loans	WALR - Fresh Loans	WATDR
May-23	9.18	8.57	6.37
Jun-23	9.19	8.50	6.46
Jul-23	9.22	8.72	6.54
Aug-23	9.24	8.80	6.62
Sep-23	9.21	8.63	6.75
Oct-23	9.25	8.67	6.80
Nov-23	9.25	8.60	6.85
Dec-23	9.25	8.51	6.88
Jan-24	9.25	8.63	6.91
Feb-24	9.25	8.66	6.94
Mar-24	9.24	8.68	6.96
Apr-24	9.22	8.85	6.97
May-24	9.21	8.60	6.99

WALR on fresh loans declines 16bp MoM led by PSU banks

- The WALR on fresh loans declined 16bp MoM in May'24, with PSUs witnessing a decline of 25bp, while PVBs saw a flattish trend. During Apr-May'24, WALR rose 2bp, while it decreased 8bp in PSU banks and 16bp in PVBs. The 2bp increase in systemic WALR is attributed to the 36bp increase for foreign banks over the same period. This indicates that rising competition among banks would deliver healthy loan growth and a pick-up in corporate loan growth.
- **The WALR on outstanding loans nevertheless stood flat MoM** to 9.81%, with PSU banks experiencing a 1bp MoM decline and PVBs WALR remaining flat.
- The one-year MCLR rate for PVBs increased 20-75bp YoY, with KVB and IDFCFB seeing the maximum increase of 70-75bp, while PSU banks experienced an MCLR expansion of 15-45bp.

	Private Banks		
Month	WALR - O/s Loans	WALR - Fresh Loans	WATDR
May-23	10.74	9.87	6.44
Jun-23	10.81	9.99	6.53
Jul-23	10.65	10.01	6.62
Aug-23	10.64	10.16	6.67
Sep-23	10.62	10.18	6.69
Oct-23	10.59	10.20	6.75
Nov-23	10.59	10.23	6.76
Dec-23	10.59	10.20	6.83
Jan-24	10.63	10.23	6.82
Feb-24	10.61	10.08	6.82
Mar-24	10.64	10.29	6.83
Apr-24	10.63	10.13	6.88
May-24	10.63	10.13	6.90

WATDR rises 1bp MoM in May'24; amid a rise in short-term maturity TD rates

- The WATDR rose 1bp MoM in May'24, led by 2bp MoM increase for both PVBs and PSBs. This increase is due to the banks raising their rates on short-term maturity TDs amid tight liquidity conditions.
- PVBs witnessed a WATDR increase of 7bp during Apr-May'24 vs. a 3bp rise for PSBs during the same period. With systemic liquidity running in deficit and competition for deposits remaining intense, we expect TD rates to remain elevated in the near term. However, banks' focus will remain on achieving a well-balanced combination of LCR, CASA, and retail deposits.

Gap between credit and deposit growth at 3.5% (three-year avg. at 2.5%)

- With intense mobilization efforts and assertive increases in deposit rates, there has been a healthy traction in liability growth for the banking system. Systemic deposit growth, thus, stood at 12.1% YoY (two-year avg. of 11.2%).

- The gap between credit and deposit growth, however, still remains elevated at 3.5%, and the banks will need to mobilize higher deposits to sustain the growth momentum. Select banks have recently revised short-term TD rates to match up their ALM requirements, while a few have chosen either to strategically shift toward bulk TDs or to redirect their funding emphasis towards higher Certificate of Deposits (CDs).
- Banks have limited flexibility, with the exception of PSUs, to utilize additional liquidity on their balance sheets in order to sustain healthy margins.

CD ratio remains elevated; incremental CD ratio remains a key monitorable

- Credit growth for the system remains robust at 15.6% YoY, and we estimate this growth to sustain at ~14% CAGR over FY25-26.
- The systemic LDR remains at elevated levels of 79.9% (77.9% adjusted for the HDFC merger), with most of the banks reporting an increase over the past year.
- In FY24, incremental LDR for banks under our coverage stood at 60-120%, with Bandhan being the lowest at 60.4% and PNB the highest at 117% (ex-HDFC Bank, which had a higher CD ratio due to the merger). The LCR ratio, however, remains at a comfortable level, with most large PVBs being in the range of 113-130%.
- Among PVBs, an increase in CD ratio was observed for AXSB, IIB, and FB, while ICICIBC, KMB, Bandhan, IDFCB, and RBK reported an improvement in CD ratio over FY24.

Margin bias remains downward in the near term

- With repo rates being unchanged since Feb-23, lending rates have remained broadly stable; however, funding costs have been gradually rising due to ongoing liability re-pricing and the recent increase in TD rates by select banks.
- NIMs for the banking sector have thus been under pressure. Further, given the tight rate environment and liquidity conditions, we estimate NIMs to exhibit slight downward pressure in the near term.
- Consequently, aggregate NII growth rates for PVBs/PSUs are likely to moderate to average 13%/9% YoY by 1QFY25E vs. 29%/24% YoY in 1QFY24.

Banks with a higher mix of retail deposits and fixed-rate loans well placed

- We keenly monitor the FY25 margins, as a potential turn in the interest rate cycle would adversely impact lending yields. Banks with a higher proportion of fixed loan books, such as AU, IIB, and EQUITAS, are expected to fare better and may report NIM expansion over late-FY25.
- Although there has been some recent moderation in bond yields owing to bond inclusion, funding pressure persists for the banking sector. Thus, banks with a higher mix of retail deposits are better positioned to navigate the current tight liquidity environment.
- **Our top picks are: ICICI, HDFCB, SBI, and FB.**

Capital Markets

Revision in market intermediary charge mechanism

Changes in charges

In a circular dated 1st Jul'24, the SEBI has altered the mechanism of charges levied by market intermediaries (MIIs) to brokers and between brokers and customers. Currently, MIIs (exchanges, depositories) levy charges (transaction charges, depository fees) on brokers on a slab-wise structure, and brokers also charge customers on a slab-wise structure. The difference is in the timing, as brokers generally recover such charges from end clients on a daily basis, whereas MIIs receive aggregate charges from members on a monthly basis. Resultantly, aggregate charges collected by members from end clients are higher than the end-of-month charges paid to MIIs (due to slab benefit).

SEBI has implemented the following changes:

- The MII charges, which are to be recovered from the end client, should be "true to label," i.e., if any MII charge is levied on the end client by members (stockbrokers, depository participants, clearing members), MIIs should ensure that they receive the same amount.
- The charge structure of MIIs should be uniform and equal for all members instead of the slab-wise structure viz., dependent on volume/activity of members.
- To begin with, the new charge structure designed by MIIs should give due consideration to the existing per-unit charges realized by MIIs so that end clients benefit from lower charges.

Brokers – Discount brokers' revenues to be hit, can be offset by higher brokerage rates

- Stockbrokers, especially discount brokers given their large base of retail customers and hence lower volume/ticket size, earn a significant share of their revenues from such charges. Angel One earned about INR4b from these charges in FY24.
- Angel One has multiple levers to offset this change: 1) increasing the brokerage rates by INR3 per order (in FY24, the company had 1.4b orders); 2) levying account opening charges as other brokers do (assuming the company gets 10m accounts in FY25 and it levies a charge of INR200 per account, it will earn INR2b); 3) currently, the cash delivery brokerage rate is nil; in FY24, it had 276m cash orders – assuming 50% of those orders were delivery, a charge of INR10 would lead to INR1.4b in revenue.

Impact on exchanges and depositories

- The impact on MIIs would depend on the eventual pricing they would arrive at. A flat fee structure similar to the current unit economics will not impact their earnings.

Key exhibits

Exhibit 1: MCX charges

Futures

Average daily turnover	Transaction fee rates (INR/m)
Up to INR3.5b	26
On incremental turnover above INR3.5b	17.5

Options

Average Daily Premium Turnover	Transaction charges (INR per m of premium value
Up to INR50m	500
On incremental premium turnover above INR50m	400

Exhibit 2: NSE transaction charges

Cash Market (INR. per Lakh of Traded Value)	
Total Traded Value in a Month INR b	**Transaction Charges (INR/m) each side**
Up to 12.5	**32.2**
>12.5 but <25 (on incremental volume)	**31.7**
>25 but <50 (on incremental volume)	**31.2**
> 50 but < 100 (on incremental volume)	**30.7**
>100 but <150 (on incremental volume)	**30.2**
>150 (on incremental volume)	**29.7**
Equity Futures (Rs. per Lakh of Traded Value)	
Total Traded Value in a Month (INR b)	**Transaction Charges INR/m each side**
<25	**18.8**
>25 but < 75 (on incremental volume)	**18.3**
>75 but <150 (on incremental volume)	**17.8**
>150 (on incremental volume)	**17.3**
Equity Options (INR per Lakh of Premium Value)	
Billable Monthly Turnover (Premium Value)	**Flat Charges for the month**
Up to INR30m	**INR2,500**
Incremental Billable Monthly Turnover (Premium Value)	**Transaction Charges Rate (INR/m)**
More than INR30m up to INR1,000m	**495**
More than INR1,000m up to INR7,500m	**470**
More than INR7,500m up to INR15,000m	**420**
More than INR15,000m up to INR20,000m	**370**
Above INR20,000m	**295**

Exhibit 3: BSE Options segment pricing

Incremental Billable Monthly Turnover (Premium Value)	Transaction Charges Rate (INR/m)
Up to INR30m	50
More than INR30m up to INR1,000m	495
More than INR1,000m up to INR7,500m	470
More than INR7,500m up to INR15,000m	420
More than INR15,000m up to INR20,000m	370
Above INR20,000m	295

Exhibit 4: CDSL transaction charges

Tariff for debit transactions -Monthly Transaction Bill Amount between	Rate per Debit Transaction
Less than 100000/-	5.5
100000/- - 400000/-	5
400000/- - 1500000/-	4.5
More than 1500000/-	4.25

Automobiles

Jun'24 wholesales remain a mixed bag

Tractor wholesales outshine despite weak retails

In 2Ws, while HMCL's numbers were ahead of our estimates, TVSL/BJAUT/RE's numbers remained in line. In PVs, while domestic dispatches of MSIL/MM were in line, exports of MSIL surprised. TTMT disappointed as the company focused on lean channel inventory against the backdrop of weak retail sales. In CVs, both TTMT and AL's wholesales remained in line and declined by a single digit YoY, while VECV surprised with double-digit YoY growth. The CV industry's demand held up well in 1QFY25, and we continue to expect the industry to post mid-single-digit growth for FY25. In tractors, both M&M and ESC's sales were ahead of estimates, with the progress of monsoon being the key monitorable. We expect PVs and CVs to post 6% volume CAGR each over FY24-26. We anticipate the 2W industry to clock a 9% volume CAGR during the same period. In Auto OEMs, MSIL and AL are our top picks.

- **2Ws (above est.):** Wholesale dispatches for HMCL (above est.) /BJAUT (in line)/ TVSL (in line) grew 15%/3%/6% YoY to 503.45k/303.6k/322.2k units. Export dispatches for TVSL declined 3% YoY to 66.4k units but grew 7% YoY to 177.2k units for BJAUT albeit on a low base. TVSL indicated that export dispatches were hit by lower container availability on account of the Red Sea crisis. RE posted 5% YoY decline in wholesales at 73,141 units (in line).
- **PVs (in line with est.):** MSIL's volumes for Jun'24 came in at 179.2k units (grew 12% YoY) and were above our estimates largely due to strong exports. While domestic volumes for MSIL grew in line at 6% YoY to 148.2k units, exports surged 57% YoY to a record high of 31k units (1QFY25 export wholesales have grown 12% YoY). MM's UV volumes (including pick-ups) were up 11% YoY to 59.9k units due to the strong growth of UVs at 23% YoY. TTMT's PV volumes declined 8% YoY to 43.6k units and were below our estimates. TTMT indicated that it has proactively reduced wholesales to keep channel inventory under control amid a weak retail demand. Further, the EV fleet sales were affected majorly in 1QFY25 due to expiry of FAME-2 subsidy in Mar'24 (TTMT's EV sales declined 34% YoY to 4,657 units). The company remains optimistic of a pick-up in demand in the coming months as enquiry levels remain healthy and facilitated by the onset of festive season from August. Overall, both UV and Car segments grew 9.0%/7.5% YoY.
- **CVs (in line with est):** Overall MHCVs grew 2% YoY, while LCVs declined 5% YoY. CV sales for TTMT declined 7% YoY (MHCVs grew 3% YoY while LCVs declined 14% YoY) in Jun'24 (in line with estimates) to 32k units. The company indicated that while HCV demand held up, market sentiment for the MCV segment remained positive. Even Bus demand continued to remain positive. Going forward, CV demand is likely to be steady on the back of a healthy monsoon forecast, expectation of policy continuity, and continuous push for infra. AL's wholesales declined 2% YoY to 14.9k units (in line with est.). VECV's CV sales grew 11% YoY to 7.4k units (above est.).
- **Tractors (above est):** MM's tractor volumes grew 6% YoY to 47.3k units (above est.). As per M&M, the government's announcement of increased food grain production, an increase in MSP for major Kharif crops, and further advancement of the Southwest monsoon across the country have driven positive sentiments among farmers. With retail momentum having picked up, supported by land

preparation and an increase in Kharif crop sowing, demand for tractors is likely to remain strong in the upcoming months. For Escorts, tractor sales declined 3% YoY at 9.6k units (above est.). As per ESC's management, retail sales in its key market saw a delayed pick up. With the monsoon progressing well and continuing government support, including an increase in MSP, ESC anticipates demand to improve in the coming months

Surprise (Variance %)	In line (Variance %)	Disappointment (Variance %)
MSIL (+9%)	MM UVs (-3%)	TTMT PVs (-10%)
EIM VECV (+5.5%)	TTMT CVs (-1%)	
MM Tractors (+11%)	AL (0%)	
ESC (+5%)	TVSL (-3.5%)	
HMCL (+13%)	EIM RE (-3%)	
	BJAUT (+4%)	

- **Valuation and view:** It is now an established fact that the majority of easy gains in Auto OEM stocks are now behind us, as we have witnessed significant volume growth across segments over the last two years, and input costs also appear to have bottomed out. Hence, one will have to make selective micro strategies to outperform from hereon. Against this backdrop, MSIL remains our top pick in Auto OEMs along with AL. Among Auto Ancillaries, our top picks are CRAFTSMA, MOTHERSO, and HAPPYFORG.

Snapshot of volumes for Jun-24 (incl. Exports) *

	YoY			MoM						
Company Sales	Jun-24	Jun-23	YoY (%) chg	May-24	MoM (%) chg	FY25YTD	FY24YTD	(%) chg	FY25E	Gr (%)
2W	**12,02,403**	**11,12,152**	**8.1**	**12,34,205**	**-2.6**	**37,68,444**	**33,88,092**	**11.2**	**1,56,80,175**	**12.1**
Cars	1,27,387	1,18,469	7.5	1,20,172	6.0	3,58,969	3,73,756	-4.0	15,75,524	21.9
Uvs + MPVs	1,52,646	1,39,514	9.4	1,61,588	-5.5	4,78,329	4,19,888	13.9	21,16,596	11.7
PVs	**2,80,033**	**2,57,983**	**8.5**	**2,81,760**	**-0.6**	**8,37,298**	**7,93,644**	**5.5**	**36,92,119**	**15.8**
3Ws	72,493	65,719	10.3	66,132	9.6	1,99,619	1,90,619	4.7	9,54,104	12.7
M&HCVs	32,167	31,447	2.3	29,676	8.4	89,561	82,313	8.8	4,17,727	6.7
LCVs	28,209	29,649	-4.9	27,179	3.8	82,390	77,576	6.2	3,59,442	6.5
CVs	**60,376**	**61,096**	**-1.2**	**56,855**	**6.2**	**1,71,951**	**1,59,889**	**7.5**	**7,77,169**	**6.6**
Tractors	56,912	54,328	4.8	45,721	24.5	1,47,187	1,41,591	4.0	5,01,740	5.8

* 2W: HMCL, TVSL,EIM BJAUTO; PVs: MSIL, MM & TTMT; 3Ws:TVSL, MM & BJAUTO; CVs: TTMT, AL, MM, EIM; Tractors: MM, ESC

Signature Global: Have sold around 85% of the total units on the launch of Titanium SPR Project; Rajat Kathuria, CEO

- Looking a sustained trend of sales in last 4-5 years
- Target is to achieve Rs. 10,000 cr of pre-sales in FY25
- Will launch 3.5 msf of projects in sector 71 in FY25
- Average realisation for Titanium SPR project is Rs. 16,000/sqft
- By the end of FY25, net debt will be less than 0.5x of operating surplus

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Happy Forgings: Have been able to grow despite industry headwinds, gross margin will improve by 100-200 bps in FY52; Ashish Garg, MD

- Have Rs. 600 cr of annual new orders
- Exports will increase from 20% to 30% in next 2 financial years
- Gross margin will improve by 100-200 bps in FY25
- Will be able to save costs by 200 bps with new captive power plant
- Growth should be around 15% in FY25

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IREDA: FPO to happen between November & February; need equity infusion again; Pradip Das Kumar, MD & Chairman

- Quantum of FPO needed is Rs. 4,000-5,000 cr.
- Jump in sanctions due to subdued sanctions in the base quarter
- May need Rs. 21-22 lk cr of debt financing for RE projects
- Have requested ministry for inclusion under section 54EC of The Income Tax Act

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Healthcare Global: Vizag hospital deal is EBITDA and RoCE accretive; BS Ajai Kumar, Executive Chairman

- Growth will be around 15% going forward
- In the next 2-3 years, expect operational margin to increase over 20%
- Market share in Bangalore will increase from 34% to 40%
- With this acquisition, expect revenue growth of 15%

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Investment Rating	**Expected return (over 12-month)**
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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