Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	79,960	0.0	10.7
Nifty-50	24,321	0.0	11.9
Nifty-M 100	56,888	-0.4	23.2
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,573	0.1	16.8
Nasdaq	18,404	0.3	22.6
FTSE 100	8,193	-0.1	6.0
DAX	18,472	0.0	10.3
Hang Seng	6,285	-1.5	8.9
Nikkei 225	40,781	-0.3	21.9
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	88	-1.6	13.0
Gold ($/OZ)	2,359	-1.4	14.4
Cu (US$/MT)	9,760	-0.4	15.3
Almn (US$/MT)	2,474	-0.2	5.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.5	0.0	0.4
USD/EUR	1.1	-0.1	-1.9
USD/JPY	160.8	0.0	14.0
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.0	0.00	-0.2
10 Yrs AAA Corp	7.5	-0.01	-0.3
Flows (USD b)	**8-Jul**	**MTD**	**CYTD**
FIIs	0.0	3.12	1.5
DIIs	0.34	3.77	28.8
Volumes (INRb)	**8-Jul**	**MTD***	**YTD***
Cash	1,601	1491	1268
F&O	2,66,649	3,35,069	3,76,621

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

The Corner Office - Cholamandalam: Growth prospects continue to strengthen

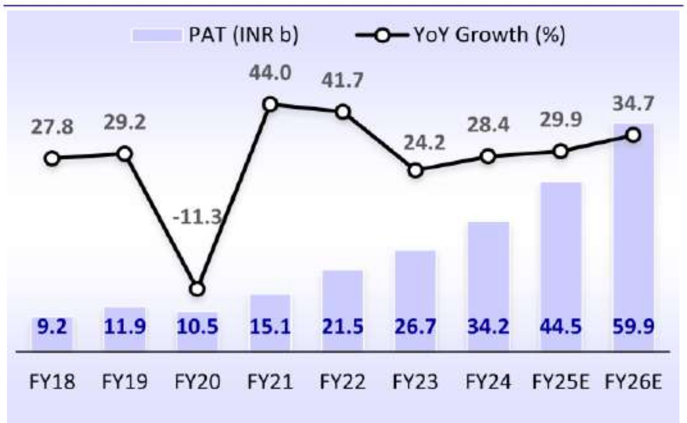
- CIFC is confident of sustaining AUM growth of 25-30% in FY25. Home loans, LAP and the three newer businesses – CSEL, SBPL and SME – together will continue to outpace growth in vehicle finance. Within CSEL (Partnerships), the company has rationalized the number of its partners and continues to pilot new product lines, which will be introduced gradually over the next 12-18 months.
- Accordingly, we believe that CIFC will have a more diversified product suite in the future and that the focus will shift from the introduction of (or investment in) newer products to improvement in productivity.
- The stock trades at 3.8x FY26E P/BV. We believe that the premium valuation multiple will sustain as investors continue to have confidence in the company's execution capability in new product lines. We reiterate our BUY rating on the stock with TP of INR1,660 (based on 4.5x Mar'26 P/BV).

Research covered

Cos/Sector	Key Highlights
The Corner Office	Cholamandalam: Growth prospects continue to strengthen
Oil & Gas	GAIL and ONGC: Multiple growth catalysts beckon!
Micro Finance Institutions	MFIN advisory for capping indebtness and number of lenders
Indian General Insurance	Improving trends in the Motor segment
India Life Insurance	Individual WRP for private players grew 22% YoY in Jun'24
Expert Speak - Technology	Recovery and growth in IT services sector; the role of GCCs
Godrej Consumer Products	Reported double-digit volume growth
Senco Gold	Revenue below expectations; store expansion on track

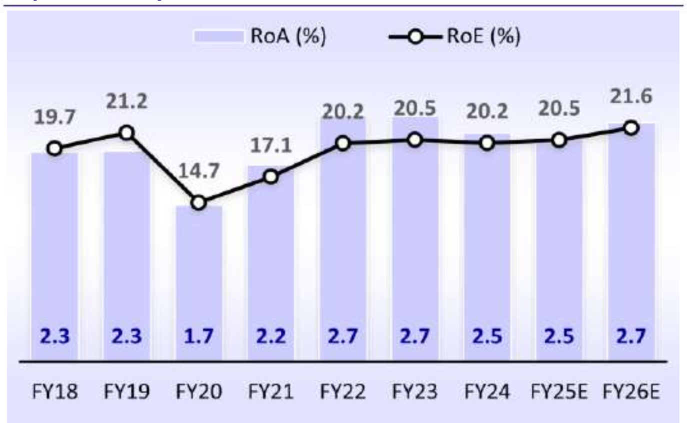
Chart of the Day: The Corner Office - Cholamandalam (Growth prospects continue to strengthen)

Estimate PAT CAGR of ~32% over FY24-26E



Source: MOFSL, Company

Expect healthy RoE of ~21-22% over FY25-26E



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

Kindly click on textbox for the detailed news link

1

India added 2.5 times more jobs in FY24, highest since 1981-82: RBI data

The total additions to the workforce at 46.7 million were the highest since 1981-82, according to calculations, with the rate of growth at 6 percent also outpacing the previous three decades.

2

Blackstone in advanced talks for controlling stake in Haldiram's

Talks between Haldiram's promoters and Blackstone have one again gained momentum over the last few weeks, according to sources.

3

India mulls easing rice export limits in boon to world buyers

India, top rice exporter, might ease export limits before October's crop. Plans include fixed duties on white rice and removing the 20% tax on parboiled rice to reduce Asian prices, aiding West Africa and Middle East.

4

Price cuts fail to speed up FMCG sales as urban India takes it slow

FMCG sales growth has slowed down in both urban and rural areas despite price cuts. Factors such as heat waves, election-related restrictions, and reduced cash-buying have impacted demand.

5

White goods PLI reopens: More time for companies to crack open AC & LED production

The government has reopened the window for white goods manufacturers to apply for the Production-Linked Incentive scheme. Leading companies like Voltas and Blue Star are evaluating new applications.

6

Budget 2024: Duty relief, tax rebate on telecom wishlist

India's top carriers seek a duty waiver on 4G/5G gear in the Budget to cut costs and improve connectivity.

7

Commercial vehicle sales surpass expectations, indicating strong economic activity

Sales of commercial vehicles increased last quarter, driven by strong replacement demand and continued government infrastructure spending.

Chola Finance: Growth prospects continue to strengthen

We met with the senior management team of Cholamandalam Investment and Finance (CIFC), represented by Mr. Ravindra Kundu, ED; Mr. Arul Selvan, CFO; and business heads of each of its product verticals, to discuss Chola's business outlook and understand the nuances of its non-vehicle businesses. Here are the key highlights:

Confident of sustaining industry-leading AUM growth

CIFC is confident of sustaining AUM growth of 25-30% in FY25. Home loans, LAP and the three newer businesses – CSEL, SBPL and SME – together will continue to outpace growth in vehicle finance. Within CSEL (Partnerships), the company has rationalized the number of its partners and continues to pilot new product lines, which will be introduced gradually over the next 12-18 months. Accordingly, we believe that CIFC will have a more diversified product suite in the future and that the focus will shift from the introduction of (or investment in) newer products to improvement in productivity.

Non-auto businesses aligned to CIFC's collection-first DNA of vehicle finance

CIFC's non-auto businesses (including home loans and LAP) are headed by business leaders who earlier held senior management responsibilities in its vehicle finance (VF) business. This has ensured that the collection-first strategy of VF is deployed in its non-vehicle businesses as well. At CIFC, each branch and product has its own P&L, with RoTA tracked at the branch level for every product. Metrics are closely monitored monthly to ensure targets (sales and collections) are met at both the branch and product levels.

Cholamandalam

Mr. Ravindra Kundu (Executive Director)

Mr. Kundu has over 34 years of professional experience in automobile and financial services industries, including 22 years in Chola. He Joined Chola as Senior Executive of Marketing in 2000, responsible for various functions including credit and collections, before taking up the role of Business Head of Vehicle Finance. He has completed PGP in Management for Senior Executives from Kellogg School of Management, ISB and IIM Calcutta.

Distribution heft yet to fully play out in LAP and HL businesses

The company's distribution network for LAP and home loans has achieved ~50% penetration compared to its VF segment. VF is operational in 1,850 towns, with additional 500-700 resident locations currently under experimentation. LAP and home loans are expanding through the same network as VF, indicating a strategic alignment across these products. Opex plays a crucial role in determining growth strategies. CIFC carefully considers opex before deciding whether to enhance productivity or expand distribution and manpower. Opex increases typically when NPLs or finance costs decline.

Actively expanding its affordable housing franchise

The company's home loan franchise was historically concentrated in Southern India, which now contributes ~60% of disbursements (compared to 80% previously). CIFC focuses on self-employed customers in the affordable housing segment, with an average ticket size of INR1.4m and yields of ~14%. Despite focusing on self-employed non-professionals, which may incur slightly higher operating costs and NPLs, CIFC maintains prudent risk management through low LTV ratios. The company does not compromise on property titles and does not finance agricultural properties or land purchases. The business is predominantly sourced directly (42%) and ~10% through financial consultants/DSAs.

In LAP, CIFC has cut exposure to cyclical businesses and complex markets

CIFC's LAP portfolio has an average ticket size (ATS) of INR5m, with the ATS at origination of ~ INR6m. ~80% of the LAP business involves self-occupied residential property (SoRP). Sourcing is mainly done through DSAs (65%) and the remainder through direct channels (35%). Notably, 100% of the loans include women borrowers as applicants or co-applicants. CIFC ensures quick loan decisions, typically within 4-5 days. Due to historical delinquencies (post demonetization), CIFC has reduced its exposure to cyclical businesses and complex markets.

CSEL business has purged partnerships that were sub-par; asset quality back on track now

CSEL will eventually operate across three dimensions: traditional business, fintech/digital lending (including D2C), and consumer durable loans. Chola currently collaborates with eight fintech partners who have good scale on their respective platforms. Total CSEL book stood at ~INR120b, with ~INR90b in traditional business, ~INR25b in partnerships, and ~INR6b in consumer durable loans. Personal loans are targeted at salaried individuals, business loans at merchants, and professional loans at doctors, engineers, and chartered accountants. ~96% of customers have an average CIBIL score of 700+. Traditional business disbursements in CSEL average ~INR6b monthly. Despite inherent credit costs attributed to small-ticket customers and short tenors, CSEL augments RoA due to reduced opex and a streamlined collection approach, aligning with CIFC's RoTA objectives.

Ramping up SBPL which could potentially be the highest RoA business for CIFC in steady state

CIFC's SBPL product mix includes secured business loans (96%) and secured personal loans (4%), primarily collateralized by SoRP. The portfolio distribution is ~40% in South India and 60% in other regions. The underwriting process is based on estimation and is highly operationally intensive. ATS is INR430k with yields of ~22%. CIFC operates SBPL out of 275 branches, focusing on Tier 3 and beyond locations. The average loan tenor is six years, with a minimum ticket size of INR200k. The company aims to improve productivity, reduce operational expenses, and manage net credit costs effectively.

Growth in VF has been in a tight range and RoA is expected to improve from NIM expansion and lower credit costs

CIFC's assessment of VF landscape reveals a mix of challenges and opportunities, with signs of growth deceleration in specific vehicle segments, but it expects a healthy trajectory overall. Moreover, CIFC draws confidence from promising indicators such as favorable monsoons leading to an uptick in rural demand. CIFC focuses on LCV and SCV segments, which started declining in 4QFY23 but are now rebounding and are expected to drive CIFC's growth in FY25. Key growth drivers for CIFC's VF business include used vehicles, PV, MUVs, 2Ws, 3Ws, and CE. CIFC has been making higher provisions coverage (PCR) on high vintage NPA customers in its VF business. As this becomes stable, net credit cost in VF will decline and the RoA of the VF business will improve.

Sustaining operational stability amid escalating costs

Opex has been stable for CIFS, with technology and compliance costs rising consistently, hindering significant operating leverage. The expenditure on technology, including investments in cloud infrastructure, and efforts to retain top talent resulted in high costs. CIFC anticipates opex to remain elevated in the current range, with neither a notable decline nor a significant increase expected in the near future.

Others

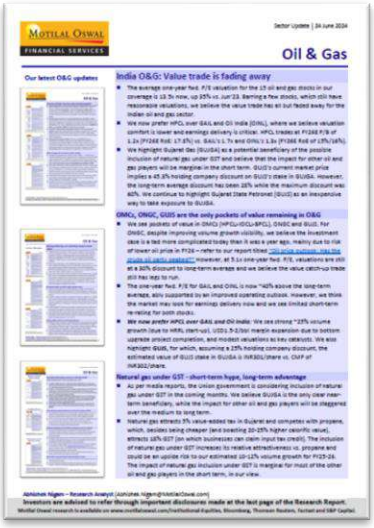
- The company’s non-vehicle businesses have separate teams for sales, credit and collections.
- If rate cuts happen in the later part of the year, CIFC will benefit since it will further aid NIM in VF.
- Only the SME business has a lower RoA than VF, while all other product segments have higher RoA than VF.

Valuations and view:

- CIFC is a franchise equipped to deliver strong AUM growth with benign credit costs (vs. peers), translating into sustainable RoE of ~21-22% across economic cycles.
- The stock trades at 3.8x FY26E P/BV. We believe that the premium valuation multiple will sustain as investors continue to have confidence in the company’s execution capability in new product lines. We reiterate our **BUY rating on the stock with TP of INR1,660 (based on 4.5x Mar’26 P/BV)**.

Oil & Gas

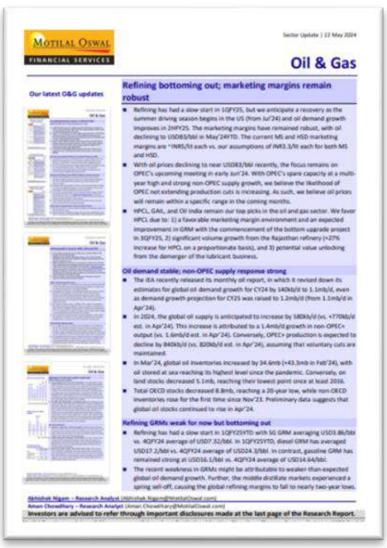
Our latest O&G updates


Oil & Gas

India O&G: Value trade is fading away


Oil & Gas

Oil price outlook: Has the crude oil party peaked?


Oil & Gas

Refining bottoming out; marketing margins remain robust

GAIL and ONGC: Multiple growth catalysts beckon!

- **We met with the senior management of GAIL and ONGC recently. GAIL is our top idea in the O&G sector, and it has delivered a 27% YTD return. The upstream sector and ONGC/Oil India are also our preferred picks (with returns of 12%/24% YTD).**
- **In our view, GAIL remains in a structural upturn marked by: 1) its improving volume growth outlook (FY24-26: 7% CAGR), 2) the potential for 10-12% tariff hikes in the transmission business in 2HFY25-26, and 3) the completion of the transmission and petrochemical projects (worth INR294b) that will boost its RoE and RoCE. With the impending end of the investment cycle, we forecast INR40.4b of FCF for GAIL in FY26.**
- **ONGC remains a value BUY in our opinion, trading at 0.9x consol. FY26E P/B despite boasting a consol. FY26E RoE of 17.2%. A sharp re-rating of HPCL (55% subsidiary) and other listed investments (INR44/share, ex-HPCL) remain the key catalysts. However, the lack of a credible asset development pipeline beyond the KG-98/2 and Daman's upside development hurts its medium-term volume growth outlook, in our view.**

GAIL: Multiple catalysts in 2HFY25-26

- **Potential tariff hikes of 10-12% in 2HFY25-26**: We believe the probability of gas price-related tariff hikes coming through remains high, as PNGRB had considered a gas price of USD12.46/mmbtu for GUJS recently. We anticipate that GAIL could benefit from a 10-12% tariff increase, potentially boosting the company's FY26E PAT by 5%.
- **Robust transmission volume outlook:** The refining, power, and CGD sectors are expected to drive the majority of the 20mmscmd increase in volumes. In addition, we believe that the delay in the completion of the integrated Jagdishpur-Haldia-Bokaro -Dharma pipeline and Dharma-Haldia pipeline is unlikely to adversely impact the volume guidance. In the 4QFY24 earnings call, management had guided a 10-12mmscmd increase in volumes to 130-132mmscmd in FY25 and 140-142mmscmd in FY26.
- **Healthy FCF spurt expected in FY26 and beyond:** INR163b worth of transmission projects and INR131b of petchem projects (PDH-PP and JBF petrochemicals) are scheduled for completion in the next two years. We are building in an FY26E RoE of 14.6%. With the impending end of the capex cycle, we understand that, for now, there are no mega projects in pipeline except for the ethane cracker project, which is still in the initial stages of evaluation. The company could decide to pump in more capital in the small-scale LNG and CBG projects or even in LNG pumps for transport. However, these are unlikely to entail significant investments.
- **Soft spot LNG price presents opportunity to raise competitiveness in the gas portfolio**: The recent long-term LNG contracts, such as with Vitol/Adnoc, have been at a slight discount to the previous gas contracts, which were done at a 12-13% slope to Brent. The weakness in spot LNG prices, coupled with a robust volume growth outlook, could potentially create more opportunities to improve the overall competitiveness of the gas portfolio for the future.

ONGC: Development of the production pipeline can drive a re-rating!

- **Development pipeline continues to evolve:** We believe KG 98/2 and Daman's upside development will act as near-to-medium-term production growth engines. According to media reports, ONGC is also considering roping in global consultants to raise production from the Mumbai-High fields, even as the ownership/operatorship of the fields is unlikely to change.

- **Long-term advantage from implementing a 20% higher crude price slope:** The Directorate General of Hydrocarbons has formed a Committee, which will look into the modalities of how to implement the 20% higher slope model. As per our understanding, if the model is implemented in about five years, up to 35-40% of the overall gas production portfolio will become eligible for the 12% slope (assuming a 7-8% annual decline).
- **Petrochemicals and Green Energy: Continuing expansion opportunities**
  - Management highlighted that petrochemicals and green energy remain the growth avenues, though the specifics are yet to be decided. The Indian PE and PP markets experienced 18.0% and 8.5% growth, respectively, during FY24. The low per capita consumption in India, at INR14kg (the world average being INR39kg), is expected to drive polymer demand by 8-9%.
  - Although OPAL remains a key avenue for investment in the petrochemical sector, the company is also open to JVs/partnerships with other companies.
  - We understand that the company could follow a similar approach with respect to green energy, where its lacks expertise for now. This remains critical since ONGC primarily focuses on solar and wind energy and aims to achieve 0.18mmtpa of green hydrogen by FY30.
- **HPCL's balance sheet to strengthen even further**
  - HPCL adds INR22 to our TP for ONGC. However, HPCL tends to drag ONGC's valuation multiple amid its balance sheet-related concerns.
  - HPCL's ND/E has improved to 1.3x in FY24 from 2.1x in FY23, and we are building in a ND/E of 1.0x for FY26. We model a marketing margin of INR3.3/lit for both MS and HSD in FY25-26E, while the current MS and HSD marketing margins are INR8.7/lit and INR2.8/lit, respectively.

Valuation and View

- **GAIL: We reiterate our BUY rating with a TP of INR260.** During FY24-26E, we are modeling PAT to report a 8.2% CAGR driven by:
  - a rise in natural gas transmission volumes to 137mmscmd in FY26 from 120mmscmd in FY24;
  - substantial improvement in petrochemical segment's profitability over 2HFY25-FY26, as new petrochemical capacity will be operational and low inventories globally will drive re-stocking demand, thus improving spreads; and
  - healthy trading segment profitability with EBIT guided at INR40-45b.
  - We expect GAIL's RoE to improve to ~14.6% in FY26 from 9.5% in FY23, with a healthy FCF generation of INR40.4b in FY26 (vs. -INR45.3b in FY23), which we believe can drive a re-rating for the stock.
- **ONGC:** Management had earlier guided a 6% production volume CAGR over the next three years, driven by rising production from KG 98/2 asset, Daman's upside development, and the monetization of stranded gas reserves. While the volume guidance is upbeat, execution is vital, and should ONGC achieve guided volumes, we see an upside risk to our and the Street's earnings estimates.
- ONGC is trading at 3.2x FY26E EV/EBITDA (SA) and 7.8x FY26E P/E (SA). We value the company at 7x FY26E adj. EPS of INR33 and add the value of investments to arrive at our TP of INR330. **We reiterate our BUY rating** on the stock.

MFIN advisory for capping indebtness and number of lenders

Directions are a tacit acknowledgment of high leverage among MFI borrowers

- MicroFinance Institutions Network (MFIN) has directed its member institutions to a) ensure that the **total microfinance indebtness** for each of their borrowers is capped at INR200K and b) Limit the maximum number of lenders to a borrower at four. MFIN is advising its members to put these restrictions in place to help reduce indebtness among MFI borrowers
- Earlier in the day, there were media articles (refer link) which suggested that the RBI is asking MFI lenders to go slow in Bihar and UP. Both these states together account for ~26% of the total outstanding MFI book in the country as of Mar'24. MFI Loans in Bihar/UP grew by ~32%/37% YoY in FY24. Over FY21-24, Bihar and UP MFI portfolio grew at a CAGR of ~30% and 36% respectively.
- Both Bihar and UP have exhibited very strong growth over the last three years with Bihar contributing ~15% of the total MFI loans outstanding (compared to ~11% in Mar'21). Likewise, share of UP in MFI loans outstanding has increased to ~11% (compared to ~7% in Mar'21). We also believe that the regulator might advised the MFI players to calibrate their growth in these two states

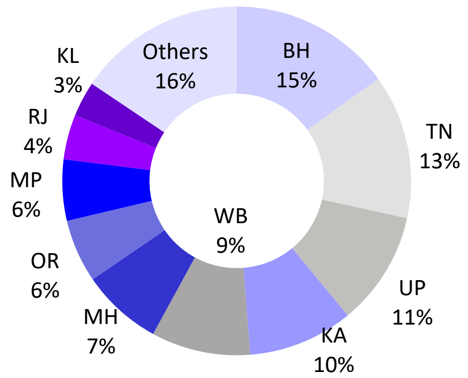
Strong GLP growth in Bihar, UP and West Bengal in 4QFY24

- West Bengal, Bihar and UP, exhibited highest QoQ growth of ~12%, ~12% and ~11% respectively as of Mar'24. Average balance per borrower in Bihar and UP stood at INR58.8K and INR50.1K respectively as of Mar'24.
- At the national level, ~6.4% of the borrowers have exposure to four or more number of lenders (refer Exhibit 8). Among major states, the proportion is the highest for Tamil Nadu (~12%) and lowest for West Bengal (~3%). Bihar and UP have ~8.7% and ~6.6% of the borrowers having loans from four or more lenders. Data from CRIF HighMark also corroborates that borrowers with higher number of lender exposures have higher delinquency.
- Across India, ~12.3% of the borrowers have four or more active loans (refer Exhibit 10). This is led by Karnataka (~18.6%), Kerala (18.1%) and Odisha (17.7%). Bihar and UP have 15.6% and ~11.2% of the borrowers who have four or more active loans per borrower as of Mar'24. Here also, data from CRIF HighMark corroborates that borrowers with higher number of active loans have higher delinquency across 1-30dpd, 31-180dpd and 91-180dpd.

Prudent for MFI players to calibrate growth in Bihar and UP

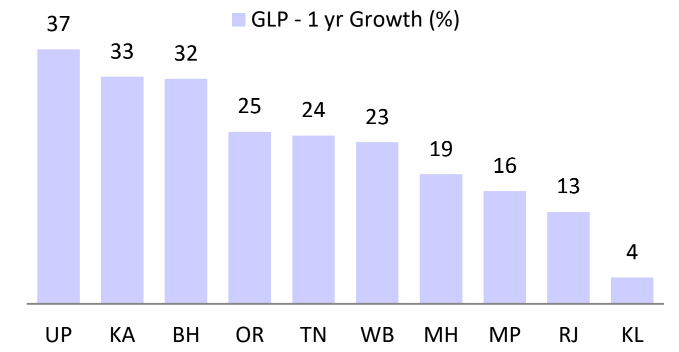
- As shown in Exhibit 6 below, Utkarsh SFB has concentrated exposure in the States of Bihar and UP with these two States together accounting for ~70% of its MFI book.
- Among NBFCs (Refer Exhibit 7 below), Fusion, Satin CrediCare, IIFL Samasta and Arman Financial have a higher presence in the States of Bihar and UP. LTFH also has ~20% of its MFI branches concentrated in the State of Bihar. CREDAG does not have either of Bihar or UP figuring among its Top 5 States. Fusion, Satin CreditCare and Belstar, have both UP and Bihar figuring among its Top 3 States.

Geographical Mix of the MFI portfolio – Bihar and UP are among the Top 3 largest MFI States in India



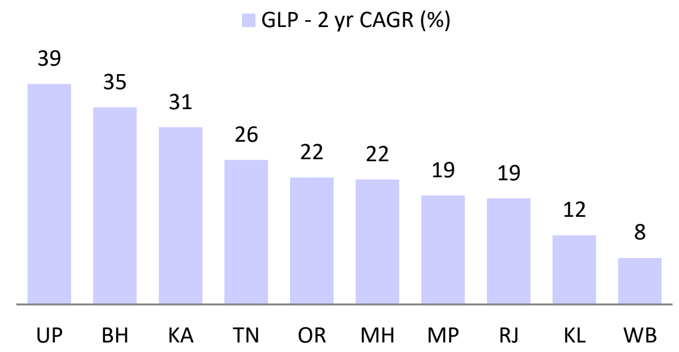
Source: MFIN, MOFSL

UP, KA and BH were States with strongest GLP growth in FY24



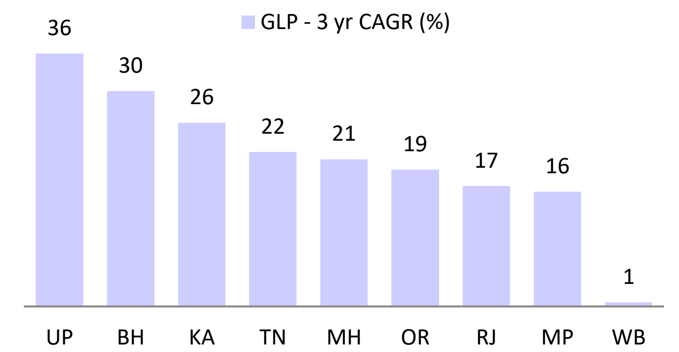
Source: MFIN, MOFSL, Company

GLP – 2 year CAGR



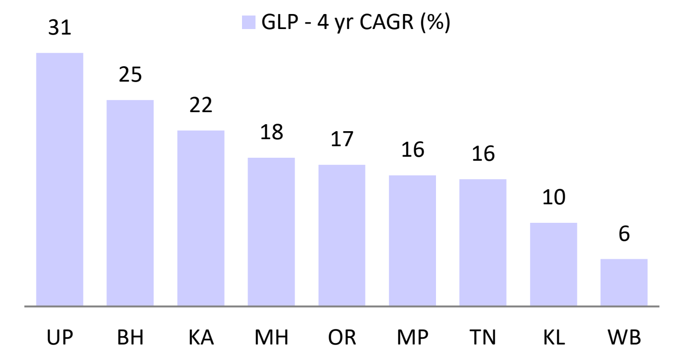
Source: MFIN, MOFSL, Company

GLP – 3 year CAGR



Source: MFIN, MOFSL, Company

GLP – 4 year CAGR



Source: MFIN, MOFSL, Company

Banks and SFBs exposure to Bihar and UP – Utkarsh SFB has concentrated presence in Bihar and UP

Lending Institutions Banks and SFBs	O/S MFI Portfolio (INR m)	As a % of Overall Portfolio	Bihar (%)	UP (%)	Top 3 States (%)	Top 5 States (%)	Bihar + UP (%)
Banks							
Bandhan*	622,400	49.9%	9.0	-	45	60	9
IndusInd (BFIL)	391,920	11.4%	NA	NA	NA	NA	
RBL @	75,110	8.9%	10.9	9.5	32	48	20
SFBs							
Equitas*	62,650	18.2%	-	1.0			1
Ujjivan	208,600	70.0%	9.7	6.8	42	59	17
Fincare (Now merged into AU SFB) #	80,070	55.9%	4.9	9.3	39	61	14
Utkarsh	113,130	61.8%	42.0	28.0	78	89	70
ESAF	137,660	70.0%	-	-	69	84	
Suryoday	50,720	58.6%	-	-	59	81	

Note: # - State data as on FY23, * - State data for Entire book, @ - As per MFI branch distribution Source: MOFSL, Company

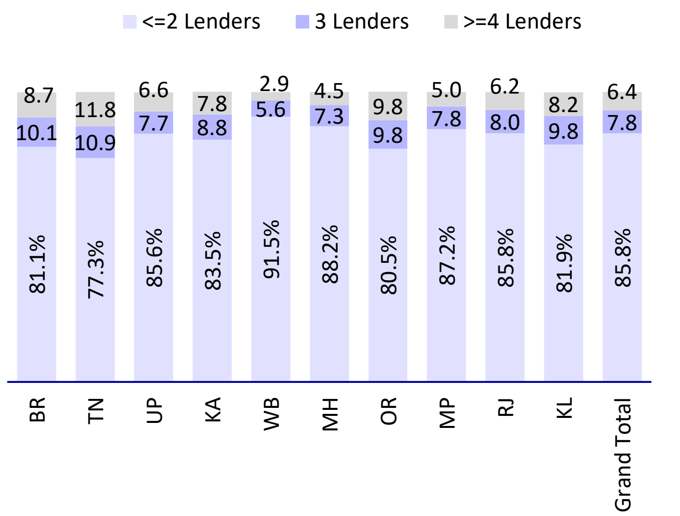
NBFC (including NBFC-MFI) exposure to Bihar and UP – Fusion, Satin and IIFL Samasta have higher presence

Lending Institutions - NBFCs	O/S MFI Portfolio (INR Mn)	Bihar (%)	UP (%)	Top 3 States (%)	Top 5 States (%)	Bihar + UP (%)	Top 3 States
CREDAG	267,140			73.0		-	1. Karnataka 2. Maharashtra 3. Tamil Nadu
Fusion @	114,761	13.0	18.9	42.5	60.2	31.9	1. Uttar pradesh 2. Bihar 3. Madhya Pradesh
Spandana	119,730	12.0	6.0	39.0	59.0	18.0	1. Odisha 2. Madhya Pradesh 3. Bihar
Satin CreditCare **	105,930	14.6	26.9	48.1	60.9	41.5	1. Uttar Pradesh 2. Bihar 3. Madhya Pradesh
Muthoot MicroFin **	121,930	8.1	8.2			16.3	1. Tamil Nadu 2. Kerela 3. Karnataka
IIFL Samasta	142,113	24.0	10.0	50.0	69.0	34.0	1. Bihar 2. Tamil Nadu 3. Karnataka
Asirvad MFI ##	100,409	13.0	8.0	38.0	55.0	21.0	1. Tamil Nadu 2. Bihar 3. Karnataka
Belstar MFI $$	88,300	14.0	10.0	38.0	56.0	24.0	1. Tamil Nadu 2. Bihar 3. Uttar Pradesh
Satya MicroCapital # and @	46,843	7.5	13.3	30.7	44.4	20.7	1. Uttar Pradesh 2. Karnataka 3. Madhya Pradesh
Arman Financial	26,390	9.0	24.0	66.0	87.0	33.0	1. Gujarat 2. Uttar Pradesh 3. Madhya Pradesh
LTFH @	247,160	19.5	6.1	50.6	63.7	25.5	1. Tamil Nadu 2. Bihar 3. Karnataka

Source: MOFSL, Company

Note: ** The AUM value is as on 31 March 2024 whereas geographical mix is as on 31 March 2023
The AUM value is as on 31 March 2024 whereas geographical mix is as on 30 June 2023
$$ The AUM value and geographical mix is as on 31 Dec 2023
The data is as on 31 March 2023
@ - As per MFI branch distribution

Lender Exposure – State Wise – Mar'24 (%)



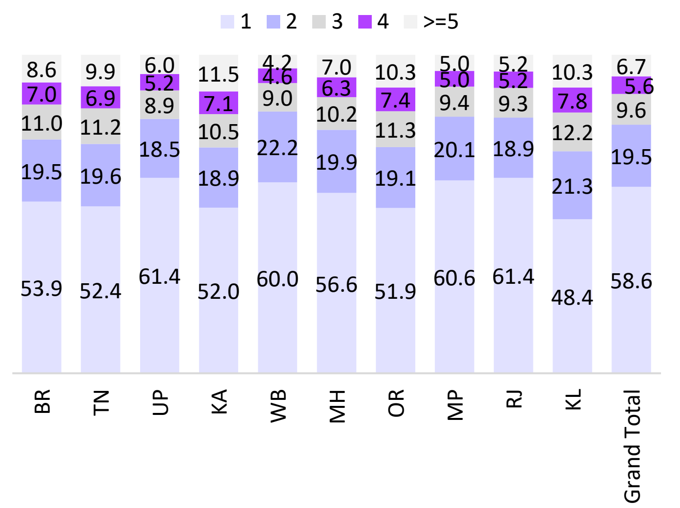
Source: CRIF, MOFSL

Borrower Max DPD by Lender Exposure (%)

Borrower worst DPD	Lender Exposure (Mar'24)			
	<=2	3	4	>=5
1- 30	0.9	2.4	3.6	6.1
31- 180	2.5	5.9	8.3	12.7
91- 180	1.0	1.5	1.8	2.2

Source: CRIF, MOFSL

Active Loans per Borrower- State Wise- Mar'24 (%)



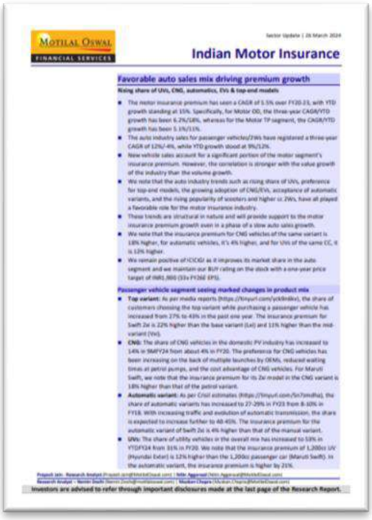
Source: CRIF, MOFSL

Exhibit 13: Borrower Max DPD by number of active loans per borrower (%)

Borrower worst DPD	Active Loans per borrower (Mar'24)					
	1	2	3	4	5	>5
1- 30	0.8	1.2	1.8	2.3	3.0	4.8
31- 180	2.1	3.2	4.6	6.0	7.4	10.5
91- 180	0.9	1.1	1.3	1.5	1.6	1.8

Source: CRIF, MOFSL

Indian General Insurance


Indian Motor Insurance

Favorable auto sales mix driving premium growth

Passenger vehicle segment seeing marked changes in product mix

Improving trends in the Motor segment

- **The motor insurance premium clocked an 11% CAGR over FY21-24. For Motor OD/ Motor TP, the three-year CAGR stood at 12%/10%. The passenger vehicle/2W sales, within the auto industry, registered a three-year CAGR of 16%/5%.**
- **Numerous trends are emerging in the motor insurance space, such as: 1) the rising share of EVs; 2) improving loss ratios in the TP segment; and 3) the changing product mix among vehicles. We conducted channel checks to get a perspective on these trends.**
- **The underwriting experience of EVs is still evolving, and the current profitability of the segment is healthy. Battery costs have been an issue, but as technology evolves, the impact will subside.**
- **Motor TP loss ratios are improving fundamentally and are likely to improve further. However, this might restrict the possibility of a price hike in the segment.**
- **ICICIGI's motor market share has improved to 11%+ in FY25YTD from 9.8% in 1HFY24. The loss ratio trajectory has been consistently improving and for FY24, the loss ratio for Motor OD/Motor TP was 63.5%/66.8% (vs. 72.6%/72.2% in FY23).**
- **We remain positive on ICICIGI as it improves its market share in the auto segment. We reiterate our BUY rating with a one-year TP of INR2,100 (premised on 35x FY26E EPS).**

Motor TP loss ratios improving, price hikes appear difficult

- The Motor TP loss ratio has improved due to: 1) the quick turnaround in court decisions, 2) improvement in road infrastructure, 3) deeper social network usage, which is aiding in increasing fraud detection, 4) online processing, and 5) a tightened process of filing FIRs. These changes are tectonic in nature and are here to stay.
- The general tendency of customers in terms of filing Motor TP claims has improved, and the time lag is reducing from an average of 3-4 years to 1-2 years.
- Considering the improving trajectory in loss ratios, Motor TP price hikes appear uncertain. In the case of de-tariffing, the competitive intensity would increase in terms of pricing for this segment, akin to other segments.

EV segment underwriting experience still evolving

- The EV segment is still emerging, and the current underwriting experience is based on limited volumes.
- Currently, the underwriting experience with Tata Motors vehicles has been profitable.
- Repairing the battery is not possible, and that has been a problem for the loss ratio. However, as the technology evolves, this impact will ebb gradually.
- In the passenger car (EV) space, OD loss ratios are higher than TP loss ratios, as vehicles are still plying within cities and relatively lesser on highways.
- OEM tie-ups are pertinent to scaling up the EV business. ICICIGI has been at the forefront with respect to tie-ups and thus has a high market share.
- The experience with electric 2Ws/3Ws has been good so far with respect to the loss ratio. In northern regions, theft has been a problem.

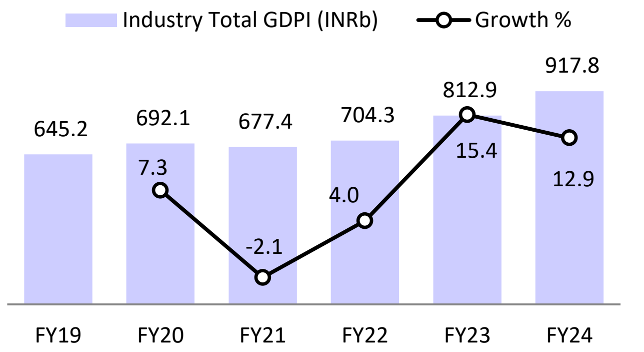
Other takeaways:

- The insurance of new vehicles is beneficial for both distributors as well as insurers owing to: 1) lower loss ratios, 2) larger ticket sizes and hence, higher premiums, 3) higher commissions for distributors, and 4) higher premiums and, consequently, better float to generate higher investment income, led by the longer-term TP policies.
- The CV business is primarily done through the aggregators, and hence, renewal is a challenge in the segment given the linkage to commissions.
- In the 2Ws space, scooters have a higher Motor OD loss ratio, while their TP loss ratio is lower. Conversely, motorcycles have a higher TP loss ratio as they are used in lower tier/rural areas. Motorcycles have a relatively lower OD loss ratio.
- Recent trends have indicated price & commission corrections by the digital players.

Reiterate BUY on ICICIGI; management aiming for market share improvement in the Motor segment

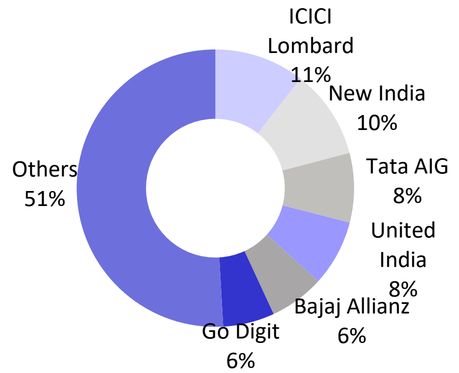
- ICICIGI has underperformed the industry, with a motor premium CAGR of 1.2%/-3.1%/6.0% in overall Motor/OD/TP during FY20-23; its YTD growth, however, was 12%/13%/10%. During FY20-23, the market share for ICICIGI reduced to 13.1% from 17.2%, and it further declined to 11.8% in 1HFY24. However, we have seen a recovery since 2HFY24, wherein its market share has averaged 11% in the past eight months.
- The company has a dominant share in the EV segment, with a market share of ~18% in passenger cars and ~28% in 2Ws.
- We believe that despite a slowdown in vehicle sales (if any), the insurance premium for the motor segment will continue to be healthy, given the favorable product mix trends that are expected to sustain over the medium term.
- We remain positive on ICICIGI as it improves its market share in the auto segment. **We reiterate our BUY rating with a one-year TP of INR2,100 (premised on 35x FY26E EPS).**

Industry trends – total GDPI



Source: General Insurance Council, MOFSL

Top 6 players comprising ~50% of the market share in overall GDPI



Source: General Insurance Council, MOFSL

Insurance Tracker

Individual WRP for private players grew 22% YoY in Jun'24

LIC's Indv WRP grew 12.7% YoY; overall industry grew 18.9% YoY

- **The individual weighted received premium (WRP) for private players grew 22% YoY in Jun'24 (a three-year CAGR of 18.7%). For the industry, individual WRP grew 18.9% YoY in Jun'24 (a three-year CAGR of 14.3%). For FY24, private players grew 8% YoY.**
- **Among listed players, HDFCLIFE (including Exide merger) grew 34% YoY in Jun'24 (a three-year CAGR of 18.8%). SBI Life grew 18.3% YoY in Jun'24. MAXLIFE/IPRULIFE grew 22.2%/27.8% YoY, whereas Bajaj Allianz grew 35.2% YoY in Jun'24.**
- **Individual WRP for LIC grew 12.7% YoY in Jun'24 (vs. a growth of 7.2% in May'24). For FY24, Individual WRP for LIC was flat YoY.**
- **IRDAI has announced new regulations regarding surrender values, to be implemented from 1st Oct'24. The product and commission construct could undergo significant changes, leading to volatility in premium growth for the rest of the fiscal year. Nevertheless, over the medium term, we believe these changes are favorable for customers and will bring back growth. SBILIFE and HDFCLIFE are our preferred picks in the space.**

Individual WRP and YoY growth (%)

Individual WRP, INR m	Jun'24	YoY gr. (%)
Grand Total	**86,930**	**18.9**
Total Private	**59,334**	**22.1**
Total Public	**27,595**	**12.7**
SBI Life	12,676	18.3
HDFC life	10,359	33.8
ICICI Prudential	6,154	27.8
Tata AIA	6,007	18.1
Max Life	5,606	22.2
Bajaj Allianz	5,442	35.2
Birla Sun life	2,820	22.1
Kotak Life	1,632	11.5
PNB Met Life	1,516	-4.2

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

On an Individual WRP basis, the market share for private players increased to ~68.3%

In terms of individual WRP, the market share of private players increased ~160bp MoM to 68.3% in Jun'24. LIC's market share declined to 31.7%. For Jun'24, SBILIFE (14.6%) remained the largest private insurer in terms of individual WRP, followed by HDFCLIFE (11.9%) and Tata AIA (6.9%). On an Un-weighted basis too, SBILIFE was the largest private insurer, with a market share of 7%, followed by HDFCLIFE (6.3%) and IPRU (3.6%).

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 58.6% of the private insurance industry in Jun'24. Among the prominent private insurers, IPRULIFE secured the third position in terms of Individual WRP, while TATA AIA and Max took the fourth and fifth positions, respectively, in Jun'24. Bajaj held the sixth position. Among key listed players on the basis of Individual WRP –

- **HDFCLIFE** (including Exide merger) grew 34% YoY in Jun'24 (up 29% YoY YTD FY25). Total Un-weighted premium grew 8.3% YoY (up 9.2% YoY YTD FY25).
- **SBILIFE** grew 18.3% YoY in Jun'24 (up 22% YoY in YTD FY25). Total Un-weighted premium grew 21.8% YoY in Jun'24 (up 13.3% YoY in YTD FY25).
- **IPRU** grew 27.8% YoY in Jun'24 (up 46.9% YoY in YTD25). Total Un-weighted premium grew 14.1% YoY in Jun'24 (up 23.5% YoY in YTD FY25).
- **MAXLIFE** grew 22.2% YoY in Jun'24 (up 27% YoY in YTD FY25). Total Un-weighted premium declined 5.7% YoY in Jun'24 (up 11.9% YoY in YTD FY25).

Expert Speak

Recovery and growth in IT services sector; the role of GCCs

Mr. Srikanth Srinivasan, Head – GCC and BPM, NASSCOM.

Mr. Srinivasan has a diverse work experience spanning multiple industries. Since 2014, he has been associated with NASSCOM, initially as the regional director and currently as Vice President & Head- Membership & Outreach and Head – GCC and BPM. NASSCOM is an Indian non-governmental trade association and serves as a key entity within the Indian technology sector.

We hosted an expert session with Mr. Srikanth Srinivasan, Head of GCC and BPM at NASSCOM, to understand the recovery and growth in the IT services sector and the role of global capacity centers (GCCs) in the current environment. Here are the key takeaways:

- **GCCs currently at an inflection point in India:** The evolution of GCCs in India can be explained in three waves. Wave 1 (700+ GCCs and 400K+ talent base): Till the 2010s, GCCs established in India primarily aimed for cost arbitrage and an efficient scale-up in operations. Wave 2 (2010-15; 1000+ GCCs and 750K+ talent base): In this wave, GCCs in India began to specialize in specific areas, evolving into delivery excellence centers and functioning as satellite offices for their parent organizations. Wave 3 (2015-now; 1580+ GCCs and 1,600k+ talent base): In this wave, GCCs now possess notable domain knowledge and are of strategic importance to their parent organizations. The Indian GCC landscape is now at an inflection point and evolving into a transformation hub beyond traditional roles of cost arbitrage and delivery centers for parent organizations. Of the USD200b of Indian IT services exports, GCCs account for ~22% of revenues and ~30% of the IT services workforce.
- **Dynamic coexistence of GCCs and service providers the new reality:** GCCs and service providers both will coexist; the ratio of work split between them is cyclical and depends on demand and organizational dynamics. The decision between in-sourcing and outsourcing depends on a variety of factors. For example, marketing may be a core function for an FMCG company, but it may choose to outsource it if the service provider has the deep domain knowledge from having worked with other clients before, and if scaling up fast is of paramount importance. In GenAI, on the other hand, organizations want more control over data, and until sufficient guardrails are established, many GenAI pilots/PoCs are happening in-house.
- **Headcount may not grow linearly with revenue in the coming cycle:** The linear relationship between headcount growth and industry growth is diminishing due to increased automation, and GenAI will accelerate this trend. While the number of GCCs in India continues to grow, they may not require as many new hires as before. Instead, there is a focus on hiring laterals with specific expertise. GCCs work with startups and accelerators to solve day-to-day problems and leverage talent and expertise effectively. There is a sufficient supply of talent for both GCCs and service providers, with a mix of global brands and lesser-known firms setting up operations in India, but niche skills will be valued highly.
- **Mid-sized companies keen on setting up GCCs in India:** Unlike earlier cycles, when setting up GCC outposts was the forte of Fortune 100/500 companies, we are now seeing mid-sized companies setting up GCCs in India. More than cost arbitrage, access to talent and the possibility of scaling innovation centers quickly are key value propositions.
- **Valuation and view:** 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 our top pick. We like LTTS in mid-tier names.

9 July 2024

Update | Sector: Consumer

Godrej Consumer Products

BSE SENSEX	S&P CNX
79,960	24,321

Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Sales	141.0	152.0	165.8
Sales Gr. (%)	5.9	7.8	9.1
EBITDA	30.7	34.4	38.0
EBITDA margins (%)	21.8	22.7	22.9
Adj. PAT	19.8	23.0	27.3
Adj. EPS (INR)	19.3	22.5	26.7
EPS Gr. (%)	13.2	16.4	18.6
BV/Sh.(INR)	123.3	137.8	154.5
Ratios			
RoE (%)	15.0	17.2	18.2
RoCE (%)	15.2	15.8	17.5
Payout (%)	31.1	35.6	37.5
Valuations			
P/E (x)	73.8	63.4	53.5
P/BV (x)	11.6	10.3	9.2
EV/EBITDA (x)	47.8	42.3	37.9
Div. Yield (%)	0.4	0.6	0.7

CMP: INR1,426

Reported double-digit volume growth

Godrej Consumer Products (GCPL) released its pre-quarterly update for 1QFY25. Here are the key takeaways:

India business:

- Operational conditions remained soft.
- The organic business reported high single-digit underlying volume growth and mid-single-digit value growth.
- There was broad-based growth across Home Care and Personal Care.
- Demand for Household Insecticides was soft earlier in the quarter due to extreme heatwaves across the country.
- The Park Avenue and KamaSutra brands have been performing well after portfolio simplification actions, in line with GCPL's full-year growth target.
- Reported volume growth remained in double digits (est. 8%), with value growth in high single digits (vs. 12% in 4QFY24 and 9% in 1QFY24).

Indonesia business:

- Indonesia business continued to deliver a strong performance, with high-single digit volume growth and double-digit constant currency sales growth.
- Currency depreciation led to lower growth in INR terms.

GAUM (Godrej Africa, the US, and the Middle East) business:

- The organic business delivered a double-digit volume decline, primarily due to a high base in 1QFY24 in West Africa.
- The volume decline was also due to the appointment of a national distributor, providing a one-time sell-in benefit, and some challenging pricing decisions in Nigeria.
- Additional impacts came from supply disruptions in South Africa caused by the shipping crisis.
- The currency in Nigeria continued to affect INR sales performance. Despite this, EBITDA (reported) grew by strong double digits in INR terms.

Consolidated:

- The organic business is expected to see flat sales in INR terms.
- Organic sales are expected to achieve double-digit growth in constant currency terms.
- Reported EBITDA is projected to grow in double digits.

Quarterly Performance (Consolidated) **(INR m)**

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales (including OOI)	**34,489**	**36,020**	**36,596**	**33,856**	**36,216**	**37,498**	**40,406**	**37,835**	**1,40,961**	**1,51,955**
YoY change (%)	10.4	6.2	1.7	5.8	5.0	4.1	10.4	11.8	5.9	7.8
Gross Profit	**18,534**	**19,771**	**20,454**	**18,999**	**19,773**	**20,707**	**22,820**	**20,456**	**77,758**	**83,757**
Margin (%)	53.7	54.9	55.9	56.1	54.6	55.2	56.5	54.1	55.2	55.1
Other Operating Exp.	11,716	12,537	11,407	11,396	11,928	12,489	12,915	11,994	47,055	49,326
EBITDA	6,818	7,234	9,048	7,604	7,845	8,218	9,905	8,462	30,704	34,431
Margins (%)	19.8	20.1	24.7	22.5	21.7	21.9	24.5	22.4	21.8	22.7
YoY growth (%)	28.0	26.0	17.9	14.4	15.1	13.6	9.5	11.3	20.9	12.1
Depreciation	763	609	539	499	675	675	675	713	2,410	2,738
Interest	740	773	666	785	700	700	700	500	2,964	2,600
Other Income	691	659	701	638	700	710	725	719	2,690	2,854
PBT	**5,617**	**6,319**	**7,904**	**6,912**	**7,170**	**7,553**	**9,255**	**7,969**	**26,751**	**31,947**
Tax	1,611	1,866	2,024	2,087	2,151	2,266	2,777	1,752	7,588	8,945
Rate (%)	28.7	29.5	25.6	30.2	30.0	30.0	30.0	22.0	28.4	28.0
Adj PAT	**3,732**	**4,415**	**5,862**	**5,749**	**5,019**	**5,287**	**6,479**	**6,217**	**19,758**	**23,002**
YoY change (%)	7.7	17.2	6.0	22.6	34.5	19.8	10.5	8.1	13.2	16.4
Reported PAT	**3,188**	**4,328**	**5,811**	**-18,932**	**5,019**	**5,287**	**6,479**	**6,217**	**-5,605**	**23,002**

E: MOFSL Estimate

Senco Gold

BSE SENSEX	S&P CNX
79,960	24,321

Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Sales	52.4	63.1	74.3
EBITDA	3.8	4.5	5.4
EBITDA Margin (%)	7.2	7.2	7.3
Adj. PAT	1.8	2.4	2.9
EPS (INR)	23.3	30.3	37.1
EPS Gr. (%)	1.6	30.0	22.6
BV/Sh. (INR)	175.7	204.0	238.2
Ratios			
Debt/Equity	0.7	0.7	0.7
RoE (%)	15.7	15.9	16.8
RoIC (%)	11.8	11.7	12.1
Valuations			
P/E (x)	45.0	34.6	28.2
EV/EBITDA (x)	21.8	18.1	15.3

CMP: INR1060

Revenue below expectations; store expansion on track

Senco Gold (SENCO) released its pre-quarterly update for 1QFY25. Here are the key takeaways:

Industry update

- Global gold prices rose ~17% over Apr’23-Mar’24, and were further up ~9.5% in 1QFY25.
- The peak gold price was around USD2,450/Oz in mid-May’24.
- The central banks’ gold procurement, particularly in China, Turkey, and India, was a major driver of price.

Business performance

- SENCO delivered 11% YoY retail sales growth and 4% same-store-sales growth (SSSG) in 1QFY25.
- The Akshay Tritiya period experienced 21% YoY growth, despite challenges such as the heat wave, the Loksabha elections, and fewer wedding days.
- Total sales grew 9% YoY (est. ~19%) in 1QFY25 vs. +40% YoY in 4QFY24 and +30% YoY in 1QFY24 (including exports, e-commerce, and digital products).
- SENCO successfully executed marketing strategies during the traditional New Year festivals and launched new collections like the Gathbandhan wedding collection and the Everlite diamond collection.
- The company introduced "Senco Gold Beans," a new investment product targeting young investors.

Showroom expansion

- SENCO added six new showrooms, bringing the total to 165 (97 owned and 68 franchises).
- Its new additions include four owned and two franchise showrooms.

Outlook for FY25

- SENCO is preparing for the increased wedding purchases in 2Q and 2H, with festivals such as Rath Yatra, Durga Puja, Diwali, et al.
- A strong pipeline of new showrooms is planned throughout the year.
- SENCO has maintained a healthy CAGR of 21% over the last five years, and it expects 18-20% growth this year.

Consolidated Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Stores	**142**	**145**	**155**	**159**	**163**	**167**	**171**	**175**	**159**	**175**
Net Sales	**13,054**	**11,466**	**16,522**	**11,373**	**15,469**	**13,873**	**20,239**	**13,541**	**52,414**	**63,123**
Change (%)	29.6	25.8	23.3	39.7	18.5	21.0	22.5	19.1	28.5	20.4
Raw Material/PM	11,422	10,111	13,439	9,429	13,504	12,278	16,353	11,205	44,401	53,341
Gross Profit	**1,632**	**1,354**	**3,083**	**1,944**	**1,965**	**1,595**	**3,886**	**2,336**	**8,014**	**9,782**
Gross Margin (%)	12.5	11.8	18.7	17.1	12.7	11.5	19.2	17.2	15.3	15.5
Operating Expenses	960	960	1,272	1,067	1,156	1,105	1,635	1,345	4,259	5,239
% of Sales	7.4	8.4	7.7	9.4	7.5	8.0	8.1	9.9	8.1	8.3
EBITDA	**672**	**395**	**1,811**	**877**	**809**	**491**	**2,251**	**991**	**3,755**	**4,543**
Margin (%)	5.1	3.4	11.0	7.7	5.2	3.5	11.1	7.3	7.2	7.2
Change (%)	22.1	21.2	11.3	31.5	20.4	24.3	24.3	13.0	18.6	21.0
Interest	266	234	283	298	285	266	311	305	1,081	1,167
Depreciation	126	133	158	184	151	159	193	195	601	698
Other Income	94	110	89	128	113	118	110	124	422	465
PBT	**375**	**139**	**1,459**	**524**	**487**	**184**	**1,857**	**614**	**2,495**	**3,142**
Tax	98	20	366	202	122	46	466	154	685	789
Effective Tax Rate (%)	26.1	14.1	25.1	38.6	25.1	25.1	25.1	25.1	27.5	25.1
Adjusted PAT	**277**	**119**	**1,093**	**322**	**365**	**138**	**1,391**	**460**	**1,810**	**2,353**
Change (%)	22.7	35.9	5.8	23.6	31.8	15.1	27.2	43.0	14.2	30.0

E: MOFSL Estimates

Ajmera Realty: Will announce 6-7 projects this year, primary focus will be on residential projects; Dhaval Ajmera, Director

- Will allocate 20-30% of the portfolio to commercial operations
- Will eventually enter the retail commercial segment in 1.5 years
- Mumbai's real estate cycle is on an upward curve, for from the peak
- See some stagnancy in the cycle in the next 3-4 years
- Believe we are in the middle of the real estate cycle as of now

Read More

Zaggle: Confident to grow at 45-55% in FY25; Avinash Godkhindi, MD & CEO

- Have tied up with many automobile companies
- Focusing on larger enterprise accounts
- Seeing more sign ups in banking space
- Don't have peers in listed space in India
- Spend management business model has been performing strong

Read More

Sandhar Tech: Investment that we have done in past will do well; Jayant Davar, MD

- See Locking & Vision System as the most bullish area in manufacturing right now
- Looking 8-10 times of rev potential growth from smart locks going ahead
- Smart lock can go beyond Rs. 3000 to 5000 per lock
- Capacity utilisation at higher level, that is driving the topline
- Focus on capex as of now and in position to serve debt comfortably
- All the JVs have now become positive
- Gradually later will focus on debt reduction

Read More

Signature Global: Confident on achieve 10,000 cr sales guidance this year; Rajat Kathuria, CEO

- Seeing strong housing real estate demand
- Supply is very low, compared to the demand of real estate
- Confident on achieving 10,000 cr sales guidance this year
- Achieve 3000 cr sales so far in Q1
- Any announcement on GST or housing loan subsidies could drive the affordable housing segment more
- So far we launched products absorbed by the marker with few weeks

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NOTES

Explanation of Investment Rating	
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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