Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	84,266	0.0	16.6
Nifty-50	25,797	-0.1	18.7
Nifty-M 100	60,358	0.3	30.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,710	0.0	19.7
Nasdaq	17,925	0.1	19.4
FTSE 100	8,291	0.2	7.2
DAX	19,165	-0.3	14.4
Hang Seng	8,041	7.1	39.4
Nikkei 225	37,809	-2.2	13.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	73	0.0	-6.1
Gold ($/OZ)	2,649	0.6	28.4
Cu (US$/MT)	9,840	1.5	16.3
Almn (US$/MT)	2,659	0.6	13.4
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.8	0.0	0.7
USD/EUR	1.1	-0.4	0.4
USD/JPY	143.7	0.1	1.9
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.7	-0.02	-0.4
10 Yrs AAA Corp	7.3	0.00	-0.4
Flows (USD b)	**1-Oct**	**MTD**	**CYTD**
FIIs	-0.7	0.73	11.0
DIIs	0.55	6.30	40.8
Volumes (INRb)	**1-Oct**	**MTD***	**YTD***
Cash	1,127	1127	1301
F&O	6,35,231	6,35,231	3,81,824

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research theme

Logistics & Ports | Thematic: Sailing toward bright future

Growth on fast track

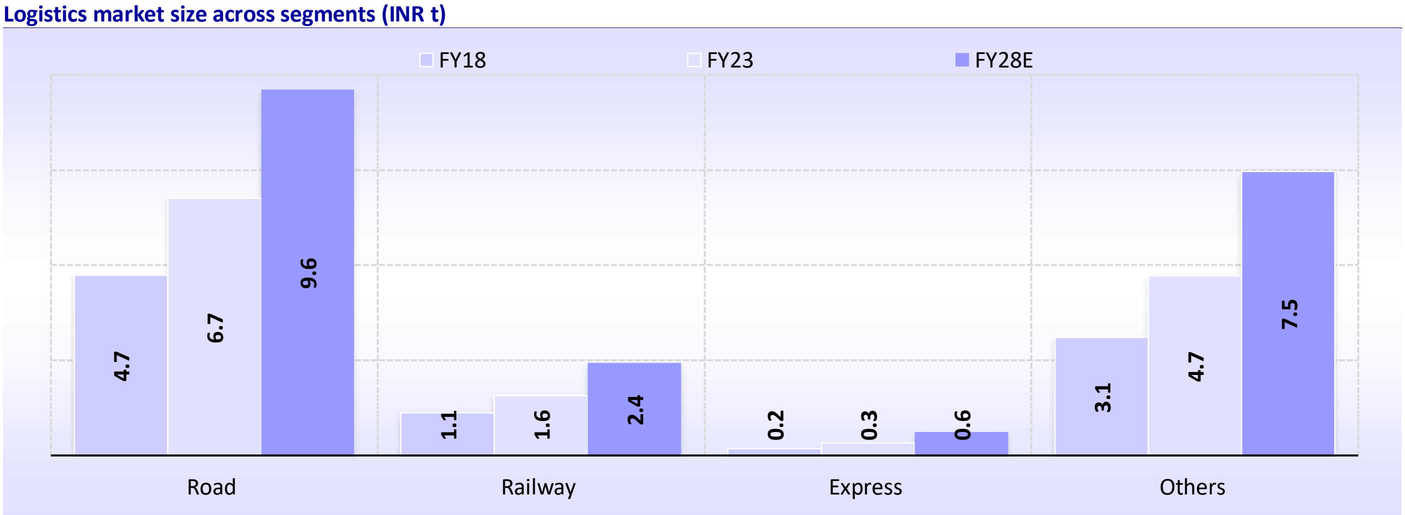
- India logistics sector is expected to grow at 8-9% CAGR over FY23-28. However, the organized players set to grow at much faster pace driven by Government policies, Pan-India network of players and high usage of technology to reduce costs.
- Within the Logistics sector, we expect the domestic express segment to grow at fastest pace driven by growth in e-commerce, changing consumer preferences for quicker deliveries and improved Infrastructure network, which has ensured faster turnaround.
- Within Ports, Adani Ports and JSW Infra are set to grow at 2x the Industry growth rate over next many years driven by market share gains. Within India's logistics space, we are bullish on VRL Logistics, TCI Express, Transport Corporation of India, Blue Dart Express, Container Corporation of India.
- We maintain Neutral stance on Mahindra Logistics. Within Ports, we remain bullish on Adani Ports, and JSW Infrastructure. Adani Ports is our top pick in the sector.

Research covered

Cos/Sector	Key Highlights
Logistics & Ports | Thematic	Sailing toward bright future
Capital Market	F&O regulations: The cat's out of the bag
Financials	WALR on O/S loans stable; NIMs to exhibit a slight contraction
Automobiles	2W OEMs outperform in anticipation of festive revival
Consumer | QSR	Lackluster performance to continue
Other Updates	Dabur | Marico | V-Mart Retail | EcoScope (a. Monsoon Diary; b. GST)

Chart of the Day: Logistics & Ports (Sailing toward bright future)

Logistics market size across segments (INR t)



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Sebi tightens F&O rules effective Nov 20, announces slew of measures; daily expiries to go, contract sizes to triple

Sebi introduces measures to curb speculative trading in derivatives, including increased contract sizes and upfront premium collection, aiming to protect investors while potentially limiting trading flexibility and broker revenues.

2

Stock brokers to offer UPI-based fund blocking or 3-in-1 account to investors from Feb 1

A three-in-one trading account combines a savings account, a demat account, and a trading account into a single integrated solution. In this case, the clients would have their funds in their bank account, earning interest on the cash balances

3

Rating companies post more upgrades for India Inc as credit quality improves

Most ratings firms continued to see an improvement in the credit ratio, or the proportion of upgrades to downgrades, indicating an improvement in Indian firms' credit quality. Crisil, overall, there were 506 upgrades and 184 downgrades.

4

Zydus Lifesciences gets USFDA nod to produce prostrate cancer drug

Zydus Lifesciences has received tentative approval from the US Food and Drug Administration (USFDA) to manufacture Enzalutamide tablets (40 mg and 80 mg), the drug maker said in a regulatory filing

5

Aurobindo Pharma receives USFDA approval for Cephalexin Tablets

The company has received final approval from the US Food & Drug Administration (USFDA) to manufacture and market Cephalexin Tablets USP, 250 mg and 500 mg, which is bioequivalent and therapeutically equivalent to the reference listed drug (RLD), Keflet Tablets, 250 mg and 500 mg, of Eli Lilly and Company

6

CCI clears Rs 13,630 cr Mankind Pharma acquisition of Bharat Serums

The Competition Commission of India (CCI) has approved Mankind Pharma's Rs. 13,630-crore acquisition of Bharat Serums and Vaccines. This acquisition will strengthen Mankind's position in the Indian women's health and fertility drug market.

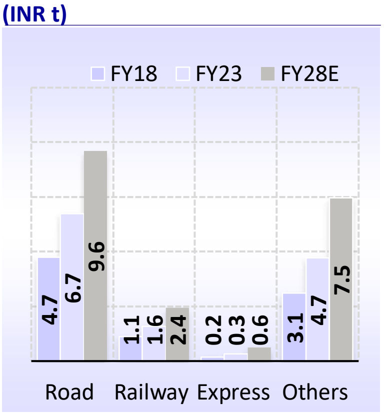
7

ITC arm ITC Infotech acquires cloud solutions firm Blazeclan Technologies for Rs 485 cr

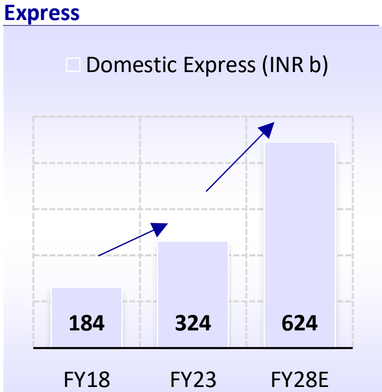
ITC Ltd.'s IT services arm, ITC Infotech India Ltd., has completed the acquisition of Blazeclan Technologies Pvt. Ltd. for Rs 485 crore. The company has acquired 100% of the share capital of Blazeclan Technologies along with its subsidiaries

Logistics & Ports

Logistics market size across segments (INR t)



Domestic Express segment to outpace industry growth, led by Road Express



Sailing toward bright future

Growth on fast track

- **The logistics sector's market size is expected to increase from an estimated ~INR9t in FY23 to ~INR 13.4t by FY28 at a CAGR of 8-9%. The logistics market comprises road transport (FTL, LTL and express), rail transport, domestic express logistics, air cargo, multimodal logistics (rail container logistics and road container logistics), coastal transport, industrial warehousing, third-party logistics (3PL), and freight forwarding.**
- **Domestic express is expected to be the fastest-growing segment, with an estimated 14% CAGR over FY23-28E. The market share of large/organized players in the domestic express segment is expected to improve (currently ~80%), with the advantage of network, technology, and favorable government policies like e-way bill and GST.**
- **In the road transportation vertical, the less than truck load (LTL) segment is expected to see a ~10% CAGR over FY23-28E (LTL similar growth over FY18-23), while the full truck load (FTL) segment is expected to report a 7% CAGR during the same period. LTL has gained traction after the introduction of GST, as customers have relatively increased the number of smaller and direct shipments to retailers compared with warehouse-routed shipments. With the integration of technology in the entire supply chain and favorable government policies, organized players with a pan-India network in both LTL and FTL segments are expected to report much higher growth than the industry and gain market share from small/unorganized players.**
- **Under the national logistics policy unveiled in Sep'22, the government aims to reduce India's logistics cost-to-GDP ratio from ~14% currently to 8-9% by a) increasing the share of railways in the overall modal mix (currently ~18%) through dedicated freight corridors (DFC), b) investing in road infrastructure, and c) developing inland waterways and coastal shipping.**
- **In this sector report, we set forth our views on eight companies in India's logistics space: TCI Express (TCIE), Transport Corporation of India (TCI), VRL Logistics (VRL), Blue Dart Express (BDE), Mahindra Logistics (MLL), Container Corporation of India (CCRI), Adani Ports & SEZ (APSEZ), and JSW Infrastructure (JSWINFRA). We assign a BUY rating to TCIE, TCI, VRL, BDE, CCRI, APSEZ, and JSWINFRA and a Neutral rating to MLL. APSEZ is our top pick in the logistics space.**

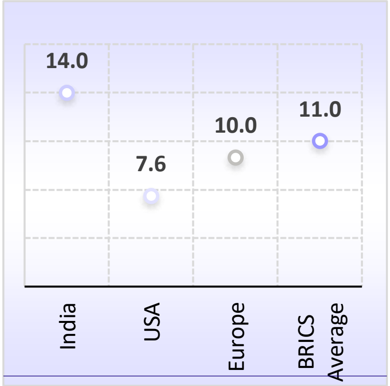
Road Express to post 2x higher growth than overall road transportation segment

The domestic express segment is projected to witness rapid growth and expand at a 14% CAGR over FY23-28E, primarily driven by road express (15% CAGR over FY23-28E). The market share of major organized players in this segment is expected to rise from the current ~80%, aided by their extensive network, advanced technology, and favorable government policies such as e-way bill and GST.

E-retail to drive growth for express logistics; larger/organized players to garner higher market share

Large and organized logistics players and startups are poised to capitalize on the growth opportunities presented by the booming e-retail sector. This growth will be driven by the expanding presence of e-commerce in various sectors, like furniture, groceries, and medicines. In contrast, smaller traditional players may struggle, especially those heavily reliant on document shipments. Companies that are proactive in building relationships and making strategic investments are expected to be in a better position to leverage the e-commerce boom.

Huge logistics cost as a percentage of GDP impacts India's competitiveness (%)



Commissioning of DFCs to increase railways share in overall modal mix; port privatization to increase efficiency of Indian ports

The commissioning of DFCs (96% commissioned as of Apr'24) is expected to enhance the capacity and efficiency of freight movement, thereby increasing the share of railways in India's overall transportation modal mix. Railways currently handle around 18% of freight cargo in India. A higher share of railways in overall modal mix will also help to reduce India's logistics cost-to-GDP ratio.

The government's port privatization initiative has helped to improve the efficiency of major and non-major ports in India by improving infrastructure, fostering competition, introducing better technology, increasing capacity, and generating employment. Large port operators like APSEZ and JSWINFRA will continue to bid for ports and terminals, as they collectively command a ~35% market share of volume handled at Indian ports.

Logistics cost-to-GDP ratio to come down to less than 10% of GDP, driven by policy changes and change in modal mix

As per a NITI Aayog report, India's logistics cost as a percentage of GDP is ~14%, compared with 10-11% for BRICS countries and 8-9% for developed countries. Going forward, India's logistics cost as a percentage of GDP is expected to decline, driven by initiatives such as the implementation of GST, investments in road infrastructure, development of inland waterways and coastal shipping, the thrust on DFCs, etc.

Valuation and view: Outlook remains bright for organized players

The logistics sector has undergone significant reforms and witnessed substantial infrastructure investments in recent years, establishing a robust foundation for sustainable growth. While traditional segments, FTL and LTL, are expected to grow steadily (LTL expected to outpace FTL growth) due to an overall economic upturn, niche segments, such as 3PL and express services, are expected to experience faster growth of 13-15% CAGR over FY23-28E. Organized players are likely to capture a larger market share, thanks to policy implementations like GST and e-way bill.

India's extensive coastline and increased investments in inland waterways, coastal shipping, and port privatization initiatives by the government are expected to benefit companies like APSEZ and JSWINFRA, enabling them to handle a larger share of volume at Indian ports.

- **VRL Logistics (BUY) – Branch network key for volume growth:** VRL's tonnage growth is likely to be driven by new branch additions, which would lead to higher contributions from new geographies and market share gains from the unorganized sector owing to heightened compliance. We expect VRLL to report an 11% volume CAGR over FY24-27, with the faster addition of branches in untapped regions. We anticipate VRLL to deliver a CAGR of 14%/16%/37% in revenue/EBITDA/PAT over FY24-27. We reiterate our BUY rating with a TP of INR670 (based on 26x FY27E EPS).
- **TCI Express (BUY) – Network expansion to drive volume growth:** While FY24 was muted, volumes are likely to improve in 2HFY25, driven by improvement in industry growth and new branch additions. We expect TCIE to clock a CAGR of 10% in volume and 12%/13% in revenue/EBITDA over FY24-27. Reiterate BUY with a revised TP of INR1,370 (based on 28x FY27E EPS).
- **Transport Corporation (BUY) – A multi-modal play:** TRPC is benefiting immensely from being a multi-modal logistics provider. It is the only player in the domestic logistics industry that offers services across road, rail, and sea. TRPC's established infrastructure, long-standing customer relationships, and experienced management team should aid its position as a preferred 3PL

partner. We expect TRPC to deliver a CAGR of 15%/19%/18% in revenue/EBITDA/PAT over FY24-27. We reiterate our BUY rating on the stock with a TP of INR1,290, based on 17x FY27E EPS.

- **Blue Dart Express (BUY) – Surface express to drive overall growth:** BDE enjoys a ~60% market share in the organized air express segment (as of FY22) and has been gaining market share in the surface express segment (~30% of total revenue)**.** Volumes are improving as new aircraft are stabilizing and routes like Guwahati have been added to the network. As overall demand improves, a further pickup in volumes is anticipated from 2HFY25 onward. The standalone EBITDA margin has started to expand as capacity utilization has improved and BDE has shifted some volumes from third-party cargo to its own aircraft. We maintain BUY with a revised TP of INR9,900 (based on 21x FY27E EV/EBITDA).
- **Mahindra Logistics (Neutral) – Turnaround in Rivigo to drive profitability:** Express business losses are expected to decline as volumes improve, which should boost overall EBITDA for MLL. With improvement in capacity utilization in the B2B Express business and strong order intake in 3PL, the growth outlook seems promising in the long term. We estimate a CAGR of 20%/32% in revenue/EBITDA over FY24-27. We reiterate our Neutral rating with a revised TP of INR530 (premised on 18x FY27E EPS).
- **Container Corporation of India (BUY) – Largest beneficiary of DFCs:** The commissioning of DFCs and the management's focus on increasing the number of double-stacked trains will lead to higher efficiency and margin improvements. Increasing double stacked trains with direct connection to ports will help the company to gain higher share of cargo volumes. We expect blended volumes to post a 14% CAGR during FY24-27. We expect EBITDA margin to be 22-25% over FY24-27. Reiterate BUY with a TP of INR1,150 (based on 20x EV/EBITDA on FY27E).
- **Adani Ports and SEZ (BUY) – Largest private port operator in India:** APSEZ continues to gain market share while generating strong cash flows and maintaining its leverage position, with a net debt-to-EBITDA ratio of 2.3x as of Mar'24. We expect APSEZ to register 10% volume growth and a CAGR of 15%/15%/21% in revenue/EBITDA/PAT over FY24-27. With consistent outperformance in cargo volumes, we reiterate our BUY rating with a revised TP of INR1,880 (based on 18x FY27 EV/EBITDA).
- **JSW Infrastructure (BUY) – Scouting for organic and inorganic expansions:** Considering stable growth levers at its existing ports and terminals, a higher share of third-party customers, sticky cargo volume from JSW Group companies and an expanding portfolio, we expect JSWINFRA to strengthen its market dominance, leading to a 14% volume CAGR over FY24-27. This should drive a 21% CAGR in revenue and a 23% CAGR in EBITDA. We reiterate our BUY rating with a TP of INR410 (premised on 22x FY27E EV/EBITDA).

Key risks

- The logistics industry in India is highly competitive, with many players vying for market share. Price wars and the entry of new players can impact profitability. Additionally, changes in consumer behavior and demand patterns can affect the volume and nature of logistics services required.
- Inadequate infrastructure, such as poor road conditions, congestion at ports, and insufficient warehousing facilities, can lead to delays and cost increases for logistics companies.

Capital Market

F&O regulations: The cat's out of the bag

Final measures tad better than consultation paper

- **SEBI has finally announced regulations to curb F&O volumes and strengthen the framework. Most of the measures are similar to the ones announced in the consultation paper released on 30th July'24.**
- **However, one measure from the consultation paper did not find a mention in the final regulation (rationalization of tick size) and two measures came in a relatively better form: 1) Minimum contract size increased to at least INR1.5m vs. INR2-3m in two phases in the consultation paper and 2) increase in extreme loss margin only on the expiry day at 2% vs. the 8% cumulative increase on pre-expiry and expiry day in the consultation paper.**
- **The regulations will be partially implemented from Nov'24 and, resultantly, the impact on volumes will be visible from Dec'24.**
- **Our sensitivity analysis yields nil earnings impact for Angel One in FY26 if the order volumes are down 10% vs. our assumption of 16% growth and the company is able to increase its realization from INR19.7 to INR25. We maintain our BUY rating on ANGELONE.**
- **Similarly, for BSE earnings, the hit would be miniscule if the derivative volumes decline by 20% instead of a 22% increase built in our forecasts and the premium to notional turnover ratio increases from 0.072% to 0.09%. We maintain our Neutral rating on BSE.**

Angel One: Levers will be used at appropriate time to offset the profitability hit

- If all the measures listed in the consultation paper are included in the final regulations, turnover volumes for ANGELONE are likely to be impacted. However, it is difficult to ascertain the absolute impact at the current juncture.
- Most importantly, changes in customer behavior are difficult to predict. In the past, the allocation of customers' money from their wallets to trading activities has not changed meaningfully even after regulatory changes.
- Which measure to implement and the quantum of charges will be decided as and when they regulations are implemented and some impact is visible. Actions by competitors will be tracked closely before executing any of these steps. The choice for ANGELONE and its peers will be between 1) taking a hit on margins, leading to a higher market share, and 2) raising the charges and risking losing some market share in the interim.
- Important criteria before deciding on final actions for ANGELONE would be the impact on LTV of the customer from these regulations. Ideally, since the measures are aimed at reducing customer losses (if implemented), the longevity of the customer in the system increases. Additional products will only add to the LTV in the longer term, thus giving the company the ability to spend on higher acquisitions.

- In FY26, if the number of orders for Angel One falls by 10% instead of 16% growth factored in our estimates and the company does not take a price hike or prune its customer acquisition costs, earnings will be down 33% as compared to our current estimate.
- Against this, if the company increases its average gross broking realization from INR19.7 to INR25, the impact on earnings will be largely nullified.
- The company demonstrated its willingness to protect profitability through the pricing action announced today (cash delivery broking charge increased from nil to INR20/order or 0.1% per executed order).
- In the past, the company has used customer acquisition as a variable lever to offset the impact in terms of slowdown in volumes.
- ANGELONE could see transitionary hit to earnings as the regulations are implemented and the company gauges the impact before making corrective actions. However, we believe the company is in a transformational phase wherein share of financial products distribution (loans and fixed income), wealth management and AMC, will start contributing meaningfully over the next couple of years. We retain our BUY rating on the stock.

BSE: Product innovation will be key to offset the impact

- BSE has scaled up its derivatives market share to 27%/13.3% in terms of notional turnover/premium turnover in Sep'24. This has been on the back of product innovation wherein they launched the expiries on different days vs the existing products of NSE.
- Large market share for BSE arises out of Sensex rather than Bankex. With now only one benchmark index will be available for launch of weekly expiry, NSE/BSE will continue with Nifty/Sensex. Earlier since NSE had an expiry on all days except Friday, BSE found it difficult to scale up volumes. Nevertheless, BSE will now have three more days to compete against NSE.
- Product innovation could be an alternative wherein new contracts can be launched on new indices with monthly expiries in different weeks.
- For BSE, since large volumes were happening on expiry day, its premium to notional turnover ratio was at 0.07% vs 0.16% for NSE (Sep'24). With probability of volumes increasing on farther than expiry days, this ratio would increase for BSE. This will not only help in revenues but also in bringing down the clearing and settlement costs.
- For FY26, if we assume notional ADTO to decline by 20% instead of a 22% increase factored in our current estimates, all other factors being the same, the earnings hit will be 9% for BSE. In our current estimates, the share of derivatives in overall revenues is 45% for BSE in FY26.
- If the premium to notional turnover for the options segment increases from 0.072% assumed in our forecast to 0.09%, as the volumes will start increasing farther from expiry, the impact will be nullified for BSE.
- Additional upsides could come from 1) the volume shift to cash segment and 2) if the premium to notional turnover increases, the clearing and settlement costs could decline
- BSE should be relatively lesser impacted in the new regulatory environment vs NSE. Furthermore, the exchange has other revenue drivers such as colocation segment and new products (commodities and power). We currently have a Neutral rating on the stock.

Financials

Month	SCB's WALR – O/s Loans	SCB's WALR - Fresh Loans	SCB's WATDR
Aug-23	9.82	9.47	6.60
Sep-23	9.81	9.38	6.70
Oct-23	9.82	9.50	6.76
Nov-23	9.81	9.41	6.79
Dec-23	9.81	9.32	6.83
Jan-24	9.83	9.43	6.85
Feb-24	9.81	9.36	6.86
Mar-24	9.83	9.37	6.88
Apr-24	9.81	9.55	6.91
May-24	9.86	9.45	6.92
Jun-24	9.89	9.32	6.91
Jul-24	9.89	9.40	6.92
Aug-24	9.89	9.41	6.93

Month	PSB Banks WALR – O/s Loans	PSB Banks WALR - Fresh Loans	PSB Banks WATDR
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
Jun-24	9.21	8.46	7.00
Jul-24	9.20	8.55	7.03
Aug-24	9.20	8.60	7.05

Month	Private Banks WALR - O/s Loans	Private Banks WALR - Fresh Loans	Private Banks WATDR
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
Jun-24	10.83	10.31	6.83
Jul-24	10.84	10.34	6.85
Aug-24	10.84	10.19	6.85

WALR on O/S loans stable; NIMs to exhibit a slight contraction

WATDR rises marginally

- **The Weighted Average Lending Rate (WALR) on fresh loans remained flat MoM, increasing 1bp MoM in Aug'24 vs. 8bp rise in Jul'24. PSB banks reported an increase of 5bp MoM (up 9bp MoM in Jul'24), while private banks' WALR on fresh loans declined 15bp on an MoM basis. The systemic WALR on outstanding loans, however, remained flat MoM.**
- **The Weighted Average Term Deposit Rate (WATDR) for the system increased 1bp MoM to 6.93% (a 2bp MoM rise for PSBs, while flat for PVBs). Notably, PSBs witnessed a marginal increase of 5bp during Jul-Aug'24 vs. 2bp for PVBs. This increase indicates that PSBs remained competitive and raised deposits at higher rates amid tight liquidity conditions.**
- **The credit growth for the system declined but remained healthy at 14.6% YoY. We expect it to moderate to 12.5% in FY25, while the gap between the credit and deposit growth is likely to narrow down to <100bp over the year.**
- **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 rise in deposit rates by select banks.**
- **We, thus, expect the banking system's margins to exhibit a slight contraction 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, FB, and AUBANK.**

WALR on fresh loans flat in Aug'24 amid the 15bp MoM decline for PVBs

- The WALR on fresh loans was flat MoM (up 1bp) in Aug'24, with PSBs witnessing an uptick of 5bp, while PVBs experienced a decline of 15bp post the rise of 18bp in Jun'24. During Jul-Aug'24, WALR rose 9bp, mainly led by PSBs at 14bp increase, while PVBs experienced a decline of 12bp during the same period. As of Aug'24, fresh rupee loan over repo premium stood at 3.69% for PVBs (3.84% in July) vs. 2.1% for PSBs (2.05% in July). This indicates that competition among banks remained intense, as they sought healthy growth while aiming to maintain margins.
- **The WALR on outstanding loans stood flat MoM** at 9.89%, with both PSBs and PVBs remaining flat in Aug'24 and July'24.
- The one-year MCLR for most of the PVBs increased 15-55bp YoY, with IDFCFB recording the maximum increase of 55bp and DCB experiencing a decline of 90bp YoY. Meanwhile, PSBs experienced an MCLR expansion of 25-40bp.

WATDR rises 1bp MoM in Aug'24 as the competitive environment for deposits persists

- The WATDR rose 1bp MoM in Aug'24, led by 2bp MoM increase for PSBs, while remaining flat for PVBs. This increase indicates that PSBs continued to remain competitive and raise deposits at higher rates amid tight liquidity conditions.
- PVBs witnessed a WATDR increase of 2bp during Jul-Aug'24 vs. a 5bp 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 despite the anticipated rate cuts. However, banks' focus will remain on achieving a well-balanced combination of LCR, CASA, and retail deposits.

Gap between credit and deposit growth reduced to 3% (3 yr avg. at 3.2%)

- While intense deposit mobilization continues, deposits have sustained decent growth at 11.6% YoY, indicating continued traction in liabilities for the banking system.
- Credit expansion was healthy over the past 2 years; however, the slower deposits growth has compelled banks to slow down on the credit front, resulting the gap between credit and deposits growth to reduce to 3%. Banks were observed increasing deposit mobilization efforts over the past few months by raising short-term TD rates to match the ALM requirements, while some banks chose to either opt for bulk TDs or to redirect their emphasis on Certificate of Deposits (CDs)
- Currently, banks except for PSBs have limited flexibility to utilize additional liquidity on their balance sheets in order to sustain healthy margins.

CD ratio elevated; incremental CD ratio remains high for PSBs

- The credit growth for the system moderated to 14.6% YoY and we expect the same to moderate to 12.5% in FY25, with the gap between the credit and deposit growth narrowing down to <100bp over the year.
- Systemic LDR moderated to 79.1% while still remaining elevated, with most of the banks reporting an increase over the past year.
- Incremental LDR for banks under our coverage stood at 67-120%, with Bandhan being the lowest at 67% and PNB the highest at 120.5% (except for HDFC Bank, which had a higher CD ratio due to the merger). The LCR ratio, however, remained at a comfortable level, with most large PVBs falling in the range of 117-137%.

Margin compression to continue, albeit at a slower pace

- With repo rates remaining unchanged since February 2023, lending rates have largely stayed stable; however, funding costs have gradually increased due to continuous liability re-pricing and hikes in term deposit rates by select banks.
- As a result, NIMs for the banking sector have been under pressure. Additionally, considering the tight interest rate environment and liquidity conditions, we expect NIMs to experience slight contraction in the near term.
- Consequently, aggregate NII growth rates for PVBs/PSBs are likely to moderate to an average of 11.5%/6% YoY by 2QFY25E vs. 13%/6.5% YoY in 1QFY24.

Our View: Maintain preference for ICICIBC, HDFCB, FB, and AUBANK

- We keenly monitor the FY25 margins trajectory, 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 report NIM expansion in FY26.
- We remain vigilant about margins and the delinquency cycle in unsecured loans, and expect the credit cost to inch up for select banks.
- For our coverage universe, we anticipate banks to achieve a decent earnings growth of ~14% in both FY25 and FY26. For PVBs, we expect YoY growth of 10% in FY25 and 16% in FY26. For PSBs, we estimate growth of 18% in FY25 and 12% in FY26.
- **Our top picks are: ICICI, HDFCB, SBI, FB, and AUBANK.**

2W OEMs outperform in anticipation of festive revival

In 2Ws, BJAUT/TVSL/HMCL/RE wholesales exceeded expectations as OEMs anticipate a strong festival season starting Oct'24. While all the 2W OEMs have pushed stock with dealers in anticipation of a demand revival in festive, it has to be highlighted that the festive start has been much weaker than expected and one needs to monitor the festive momentum closely. In PVs, MSIL's dispatches met expectations, while MM's dispatches exceeded them, and those of TTMT fell short. In CVs, both TTMT/AL wholesales fell short of estimates, while VECV wholesales surprised. TTMT management highlighted that the demand for CVs is expected to pick up from 3QFY25, led by ILCVs and buses, followed by MHCVs. In tractors, MM sales were in line, while ESC surprised. Strong monsoons and adequate reservoir levels are likely to support upcoming rabi crops, boosting tractor demand. We expect 2Ws to outperform other segments in FY25.

- **2Ws (above est.):** Wholesale dispatches for BJAUT/TVSL/HMCL/RE (above estimates) grew 22%/22%/19%/11% YoY to 400.5k/471.8k/637k/87k units. Export dispatches for BJAUT/TVSL grew 13%/11% YoY. HMCL indicated that a positive sentiment is prevalent in the industry as the festive season approaches. Benefiting from favorable monsoon conditions, the company has geared up with a host of festive offers, in line with previous festive periods, across its portfolio. While all the 2W OEMs have pushed stock with dealers in anticipation of a demand revival in festive, it has to be highlighted that the festive start has been much weaker than earlier expected and one needs to monitor the festive momentum closely. Any disappointment here may lead to much lower dispatches in subsequent months.
- **PVs (in line with estimates):** MSIL's volumes for Aug'24 were 184.7k units (grew 2% YoY), in line with estimates. For MSIL, domestic volumes declined 1% YoY to 157k units (in line), but exports grew 23% YoY. MM UV volumes (including PickUp) increased 14.5% YoY at 74.5k units due to strong growth of 24% YoY for UVs. TTMT PV volumes declined 9% YoY to 41.3k units (below estimates). According to the management, the PV industry experienced over 5% YoY decline in retails (Vahan registrations) in Q2FY25, driven by slow consumer demand and seasonal factors. In contrast, industry offtake was significantly higher than registrations, leading to a continued buildup of channel stock. In addition, the sales of electric vehicles in the personal segment were adversely affected by the lapse of registrations and road tax waivers in key states. Fleet EV sales continued to be impacted by the lapse of FAME II and exclusion of the fleet segment from the PM-eDRIVE scheme. TTMT experienced a 6% decline in 2QFY25 as it readjusted wholesales to lower-than-expected retails to keep channel inventory under control.
- **CVs (below est.):** MHCVs/LCVs declined 14%/13% YoY overall. CV sales for TTMT declined 23% YoY (MHCVs down 23% YoY and LCVs down 23.5% YoY) in Sep'24 to 30k units. According to the management, the slowdown in infrastructure project execution, reduction in mining activities, and an overall drop in fleet utilization due to heavy rains contributed to a 25% decline YoY in the HCV segment in Q2 FY25 and an 11% decline in the ILMCV segment. The resilient demand in the passenger commercial vehicles business led to a 3% increase in

Q2FY25 over Q2FY24. With the easing of rains, increased infrastructure spending, and the onset of the festive season boosting consumption, demand is expected to gradually pick up in Q3FY25, led by ILMCV and buses and followed by M&HCV and SCVPU. AL wholesales decreased 10% YoY to 17.2k units (below est.). VECV's CV sales grew 6% YoY to 7.6k units (above estimates).

- **Tractors (in line):** MM tractor volumes grew 2% YoY to 44.3k units. According to MM, monsoon rainfall has increased 7.5% over LPA, which has contributed to higher kharif sowing for all crops except cotton. Reservoir levels have recovered well and are now 13% higher than LPA, which bodes well for bumper rabi crops. Rural sentiment remains positive on account of good kharif crops and potential for strong rabi crops. With positive terms of trade for farmers and upcoming festivals, robust demand is expected for tractors going forward. For Escorts, tractor sales grew 2.5% YoY at 12.4k units (ESC wholesale numbers now include Kubota agricultural machinery numbers).

Surprise (Variance %)	In line (Variance %)	Disappointment (Variance %)
MM UVs (+8%)	MSIL (-1%)	AL (-5.5%)
HMCL (7%)	MM Tractors (+1%)	TTMT CVs (-11%)
BJAUT (+6.5%)		TTMT PVs (-15%)
TVSL (+11%)		
EIM VECV (+5.5%)		
ESC (+13%)		
EIM RE (+13%)		

- **Valuation and view:** While we expect the 2W segment to continue to outperform other segments in FY25, this seems to be fully priced-in after the recent strong rally in 2W stocks. MSIL is our top pick among auto OEMs as it continues to be a play on rural recovery with attractive valuation. We also like MM, given healthy demand momentum in both SUVs and tractors for FY25.

Snapshot of volumes for Jul'24 (incl exports) *

	YoY			MoM						
Company Sales	Sep'24	Sep'23	YoY (%) chg	Aug'24	MoM (%) chg	FY25YTD	FY24YTD	(%) chg	FY25E	Gr (%)
2W	**15,96,309**	**13,29,746**	**20.0**	**13,00,008**	**22.8**	**77,39,517**	**69,46,853**	**11.4**	**1,53,03,114**	**9.4**
Cars	1,23,586	1,23,173	0.3	1,20,151	2.9	7,22,277	7,48,023	-3.4	14,96,445	22.6
UVs + MPVs	1,73,876	1,66,257	4.6	1,69,024	2.9	9,78,477	9,14,299	7.0	20,15,448	6.5
PVs	**2,97,462**	**2,89,430**	**2.8**	**2,89,175**	**2.9**	**17,00,754**	**16,62,322**	**2.3**	**35,11,894**	**12.8**
3Ws	**89,789**	**88,365**	**1.6**	**84,699**	**6.0**	**4,48,792**	**4,27,441**	**5.0**	**9,33,102**	**10.2**
M&HCVs	33,525	39,149	-14.4	27,914	20.1	1,77,948	1,80,995	-1.7	4,04,806	3.4
LCVs	27,722	31,227	-11.2	26,268	5.5	1,63,051	1,66,103	-1.8	3,53,643	4.8
CVs	**61,247**	**70,376**	**-13.0**	**54,182**	**13.0**	**3,40,999**	**3,47,098**	**-1.8**	**7,58,449**	**4.0**
Tractors	**56,636**	**55,291**	**2.4**	**28,563**	**98.3**	**2,71,214**	**2,63,564**	**2.9**	**5,01,589**	**5.8**

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

Consumer | QSR

QSR snapshot

Company Names	CMP	TP	Rating
Jubilant Food.	659	625	Neutral
Devyani Intl.	192	220	Buy
Westlife Foodworld	904	825	Neutral
Sapphire Foods	358	415	Buy
Restaurant Brands	110	140	Buy
Barbeque Nation	650	700	Neutral

Lackluster performance to continue

- **We interacted with various QSR companies recently and found that the growth metrics remained challenging, leading to a weak operating print. These headwinds affected FY24 performance and similar pressures have been observed in 1HFY25. Factors such as competition among brands, higher store unit expansion during the last 2-3 years (much faster than the consuming class growth), and growing local players (led by aggregators) have adversely affected unit economics for most players.**
- **In response, companies have implemented diverse strategies, focusing on product innovation, emphasizing value-for-money offerings to attract new customers, and enhancing consumer offers (free delivery, etc.) to increase eat-out frequencies. Despite these initiatives, the Average Daily Sales (ADS) did not improve (down 15-20% from FY23 for most brands). While the delivery channel remained healthy, dine-in continued to face significant pressures.**
- **We remain cautious on QSR recovery in the near term. Unlike other discretionary categories, we do not anticipate significant benefits from the festive period for QSR. While the ADS/SSSG bases have been favorable, we do not expect much underlying improvement in 2HFY25. Restaurant operating margins were under pressure, and we expect this to continue in the near term too. Jubilant FoodWorks appears to be outlier among QSR companies in the near term (driven by delivery moat), but its valuations are rich. Though dine-in companies are struggling, their operating growth metrics are likely to improve significantly once recovery begins. We reiterate BUY on Devyani, Sapphire, and RBA while NEUTRAL on Jubilant FoodWorks and Westlife Foodworld.**

- **Subdued demand to continue** – Despite weak FY24 and various initiatives by QSR companies in 1HFY25, growth metrics remained weak across brands. Sales was weak in Jul'24 due to the Shravan period and heavy rains across regions. While some improvements were noted in Aug'24, sales tapered off again in Sep'24 due to the Shraad period. Overall, 2QFY25 appears slower than 1QFY25, despite a favorable base. Further, despite efforts to boost footfall through promotions and menu innovations, demand has not seen any green shoots. A weak growth has been observed across markets (metros/tier2/tier3).
- **Aggressive store addition sustains competition** – Despite the consumption slowdown, most QSR brands have aggressively increased their store count (FY19-FY24 average CAGR: 15%) to establish a stronger presence. While the momentum of store additions partially slowed down during 1HFY25, most companies still maintained their store addition guidance for FY25.
- **Delivery sustaining outperformance** – The demand for dine-in services remained weak, while the delivery channel showed improvements as consumer traffic increased, driven by promotional offers and the extended monsoon season during the quarter. Delivery channels across brands have observed a significant difference compared to dine-in performance for most players during the past nine months.
- **Pressure on profitability** – Gross margins are expected to remain healthy across brands with most companies anticipating YoY expansion. However, the unit economics remain weak on account of weak growth. Restaurant margins are expected to sustain pressure in the near term despite various initiatives implemented during the last 2-3 quarters.

Dabur

BSE SENSEX	S&P CNX
84,266	25,797

Bloomberg	DABUR IN
Equity Shares (m)	1772
M.Cap.(INRb)/(USDb)	1097.1 / 13.1
52-Week Range (INR)	672 / 489
1, 6, 12 Rel. Per (%)	-5/2/-19
12M Avg Val (INR M)	1577
Free float (%)	33.8

Financials Snapshot (INR b)

Y/E Mar	2024	2025E	2026E
Sales	124.0	130.3	143.3
Sales Gr. (%)	7.5	5.0	10.0
EBITDA	24.0	25.4	29.2
Margins (%)	19.4	19.5	20.4
Adj. PAT	18.8	19.7	22.5
Adj. EPS (INR)	10.6	11.1	12.7
EPS Gr. (%)	9.2	4.8	14.5
BV/Sh.(INR)	55.7	60.8	66.0
Ratios			
RoE (%)	19.9	19.1	20.0
RoCE (%)	17.3	17.1	18.5
Payout (%)	52.0	63.1	66.9
Valuations			
P/E (x)	58.5	55.8	48.7
P/BV (x)	11.1	10.2	9.4
EV/EBITDA (x)	43.0	40.1	34.5
Div. Yield (%)	0.9	1.1	1.4

CMP: INR619

Revenue dip amid GT inventory correction

Dabur India (DABUR) released its pre-quarterly update for 2QFY25. The key highlights are as follows:

India business

- **Demand trends showed some improvement.** However, heavy rains and floods across parts of the country affected the out-of-home consumption and consumer offtake during the quarter.
- This impacted the business, particularly the beverage category.
- Besides, the company has experienced disproportionately higher growth in MT, E-commerce, and Quick Commerce during the last few quarters, which led to high inventory levels for its GT channel and affected distributor ROI. This has prompted the company to make a strategic decision of correcting distributor inventory at the GT level to improve its ROI. **This is expected to impact the temporary decline in revenue.**
- The Indian business is expected to experience YoY decline in revenue.
- Badshah Masala continued to witness healthy momentum and achieved double-digit growth.
- With the streamlining of the GT channel and strong growth momentum in alternate channels, the management expects revenue growth to recover **starting from Oct'24.**

International business

- On a constant currency basis, the international business is expected to deliver **double-digit** growth.

Consolidated

- The management expects consolidated **revenue to decline in mid-single digits** (+7% YoY in 2QFY24; +7% YoY in 1QFY25).
- DABUR continued to invest heavily in its brands, with Advertising and Promotion (A&P) spending growing ahead of revenue.
- On account of lower primary revenue and high A&P, the management expects operating profit to **decline in mid to high teens YoY**.

Improved score on the Dow Jones Sustainability Index (DJSI)

- DABUR's DJSI score has seen a remarkable improvement, rising from 72 to 81. Over the past two years, there was 170% improvement in the score.
- This significant progress highlights the company's steadfast commitment to sustainability and responsible governance.

Marico

BSE SENSEX	S&P CNX
84,266	25,797

Stock Info

Bloomberg	MRCO IN
Equity Shares (m)	1295
M.Cap.(INRb)/(USDb)	898.1 / 10.7
52-Week Range (INR)	714 / 486
1, 6, 12 Rel. Per (%)	5/25/-8
12M Avg Val (INR M)	1396
Free float (%)	40.7

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Sales	96.5	104.9	115.5
Sales Gr. (%)	-1.1	8.7	10.1
EBITDA	20.3	22.1	24.7
Margin (%)	21.0	21.0	21.4
Adj. PAT	14.8	16.2	18.0
Adj. EPS (INR)	11.5	12.6	13.9
EPS Gr. (%)	13.7	9.5	10.8
BV/Sh.(INR)	29.7	30.8	32.2
Ratios			
RoE (%)	38.8	41.6	44.2
RoCE (%)	34.7	36.6	38.5
Payout (%)	91.5	91.5	89.8
Valuations			
P/E (x)	60.4	55.1	49.8
P/BV (x)	23.3	22.5	21.5
EV/EBITDA (x)	43.6	39.9	35.6
Div. Yield (%)	1.5	1.7	1.8

CMP: INR694

Stable volume growth; revenue rises due to pricing actions

Please find below the key highlights from Marico (MRCO)'s 2QFY25 pre-quarterly update:

Domestic performance

- Demand remained stable during 2QFY25, with rural markets outperforming urban markets for the third consecutive quarter.
- The domestic business posted **mid-single-digit volume growth**, showing sequential improvement (4% in 1QFY25 and 3% in 2QFY24).
- **Parachute Coconut Oil:** It reported mid-single-digit volume growth, partially affected by an ml-age reduction in one of the key packs in lieu of a price hike. The brand posted double-digit revenue growth, aided by pricing adjustments introduced earlier in the year. Another price increase was implemented at the end of the quarter due to a continued rise in copra prices.
- **Saffola Oil:** It posted low single-digit revenue growth, with a slightly more favorable pricing cycle after eight quarters.
- **Value Added Hair Oils:** Demand was subdued amidst competitive headwinds in the bottom of the pyramid segment, but future demand improvement is expected with increased marketing and brand activations.

International business: Double-digit growth in constant currency terms

- MRCO delivered robust low-teen constant currency growth, with positive contributions from all markets.
- **Bangladesh** has delivered high single-digit growth, showing resilience despite a challenging environment.
- Vietnam also grew in high single digits, while MENA and South Africa maintained their robust double-digit growth trajectory.

Revenue and profitability

- Consolidated revenue growth is **in high single digits** due to higher domestic realizations, though currency headwinds in some international markets offset gains (7% in 1QFY25 and -1% in 2QFY24).
- The company anticipates double-digit consolidated revenue growth in the 2HFY25, driven by continued price increases and strong international performance.

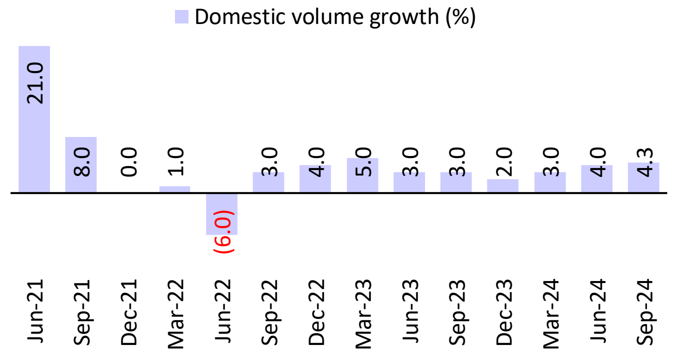
Commodities and margins

- Copra price has been increasing, and a recent hike in import duty led to higher vegetable oil prices.
- Crude oil derivatives remained stable, benefiting cost management.
- Gross margins are expected to moderate on YoY, with a lag in operating profit growth compared to revenue due to higher input costs.

Outlook:

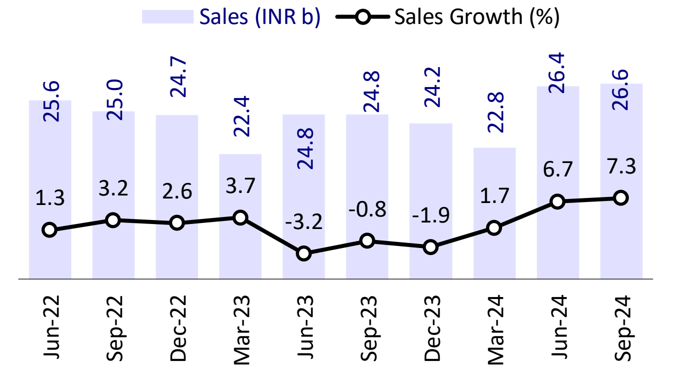
- The company remains focused on achieving double-digit revenue growth while managing margin pressures from commodity inflation and geopolitical uncertainties.

Domestic volume expected to rise ~4% YoY in 2QFY25



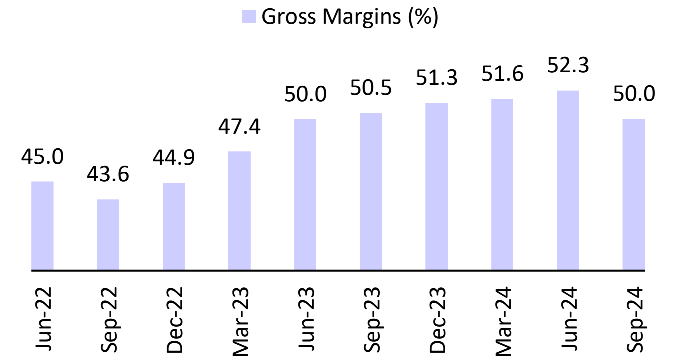
Source: Bloomberg, MOFSL

Consolidated sales grew in high-single digit YoY



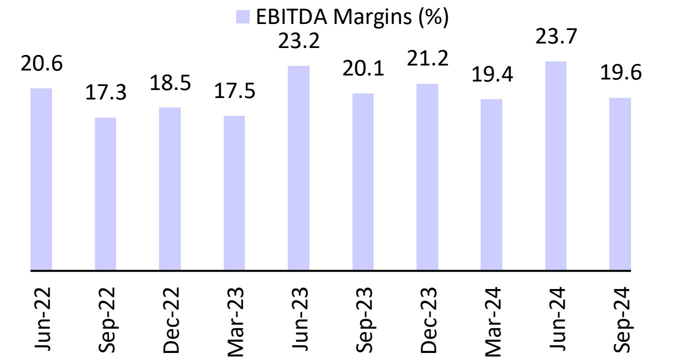
Source: Company, MOFSL

Gross margin to contract 410bp YoY in 1QFY25



Source: Bloomberg, MOFSL

EBITDA margin to contract 50bp YoY



Source: Company, MOFSL

V-Mart Retail

BSE SENSEX	S&P CNX
84,266	25,797

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	27.9	32.8	38.2
EBITDA	2.1	3.6	4.7
NP	-1.0	-0.1	0.6
EBITDA Margin (%)	7.6	11.1	12.4
Adj. EPS (INR)	-53.5	-4.8	30.8
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	412.8	408.0	438.8
Ratios			
Net D:E	1.8	2.1	1.9
RoE (%)	NM	NM	7.3
RoCE (%)	0.4	4.7	7.2
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	NM	142.8
EV/EBITDA (x)	47.3	28.1	21.6
EV/Sales (x)	3.2	2.7	2.3
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	2.6	1.0	2.6

CMP: INR4,413 — Neutral

2QFY25 pre-quarter update

Revenue up 20% YoY (in line), led by a strong SSSG

- Revenue grew 20% YoY to INR6.6b (in line), led by 15% blended SSSG and 7% YoY store addition.
  - SSSG for V-Mart (core) and Unlimited has improved for the fourth quarter straight and stood at 16% and 11%, respectively.
- The company has opened 21 new stores (Our estimates - 16 in V-Mart and 5 in Unlimited) and closed 2 stores in V-Mart during the quarter, taking the total store count to 467 stores (Our estimates - V-Mart 384 and Unlimited 83).
- Segment-wise revenue:
  - **Limeroad** revenue declined 54% YoY to INR100m. This is positive as it will curtail the consol EBITDA loss. Adjusted for this, VMart revenue (including Unlimited stores) was up 23% YoY.
  - **V-Mart (core)** revenue stood at ~INR5.3b (calculated), which grew ~26% YoY with throughput of ~INR1,600/sqft. SSSG continued to remain strong at 16%.
  - **Unlimited** revenue, with throughput of ~INR1,450/sqft (+11% SSSG), stood at ~INR1.2b (calculated), up ~15% YoY.
  - With the consistent increase in Unlimited SSSG for the fourth consecutive quarter, we expect the productivity and margins of both V-Mart and Unlimited to be similar.

Financial performance for 2QFY25

V-Mart (INR m)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY%	QoQ%	2QFY25E	v/s est (%)
Total revenue	6,785	5,494	8,891	6,686	7,861	6,610	20.3	-15.9	6,372	3.7
Total stores	431	437	454	444	448	467	6.9	4.2	456	2.4
Total area (mn sq ft)	3.8	3.8	3.9	3.9	3.9	4.1	6.7	4.1	4.0	2.4
SSSG	-3	-6	4	6	11	15			10	
Revenue per store	15.9	12.7	20.0	14.9	17.6	14.4	14.1	-18.0	14.1	2.5
YoY	4%	0%	5%	5%	11%	14%			11%	
Revenue per sq ft	1,816	1,454	2,293	1,712	2,027	1,661	14.3	-18.0	1,621	2.5
YoY	4%	0%	5%	5%	12%	14%			11%	

INR m	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY%	QoQ%
V-Mart Standalone	5,424	4,228	7,282	5,487	6,500	5,310	25.6	-18.3
Unlimited*	1,187	1,047	1,439	1,047	1,245	1,200	14.6	-3.6
Limeroad	174	219	170	152	116	100	-54.3	-13.8
Total	6,785	5,494	8,891	6,686	7,861	6,610	20.3	-15.9

**Calculation for 2QFY25*

Monsoon Diary: Southwest monsoon ends at 8% surplus

Kharif sowing higher by 1.5%

- India's much-awaited southwest monsoon arrived earlier this year (on 29th May'24) compared to its normal onset date (of around 1st Jun'24) over Kerala and the North East. The monsoon in India arrived early but had a poor start, with almost the entire country experiencing shortfalls except for a few southern states and parts of the northwest gripped by heatwaves. Despite a slow start, rainfall picked up pace, helping farmers with sowing.
- The four-month southwest monsoon season ended on 30th Sep'24, recording 'above normal' rainfall pan-India. India recorded cumulative rainfall of 93.5cm (8% above normal) in the 2024 southwest monsoon season, much higher than 82cm (6% below normal) last year and the highest in the last four years. This is the first time since 2021 that the country has recorded such significant rainfall, following similarly high levels in 2019 and 2020 (Exhibit 1).
- After a weak start in Jun'24 [11% below long period average (LPA)], monsoon rainfall (cumulative) at the all-India level picked up by the end of Jul'24 (2% above LPA) and gained further momentum in Aug'24 (7% above LPA). Overall, the cumulative rainfall was 8% above the LPA by the end of Sep'24, which is considered to be above normal according to the IMD's classification (Exhibit 2).
- However, while the overall figures suggest a bountiful monsoon for the country, the geographical distribution of rainfall has been highly uneven. While Central India (19% above normal), South Peninsular region (14% above normal), and North-Western India (7% above normal) have received above normal rainfall, East and North-eastern regions (14% below normal) have received below normal rainfall *(Exhibit 3).*
- Benefitting from an above-normal monsoon season in 2024, cumulative Kharif sowing has risen by 1.5% YoY as of 20th Sep'24. Commodity-wise, pulses (7.8% YoY), coarse cereals (3.5% YoY), paddy (2.2% YoY), oilseeds (1.5% YoY), and sugarcane (1% YoY) sowing remained higher year-on-year. On the other hand, sowing for cotton (-8.9% YoY) and jute/mesta (13.9% YoY) has been lower. (Exhibit 4). The increase in sowing area is positive for the agriculture sector and reflects the government's commitment to enhancing farm productivity. With broad increases across various crops, higher kharif sowing could potentially alleviate concerns about a surge in food inflation, which has been more persistent than headline inflation in recent months. Food inflation rose to 5.7% in Aug'24 from 5.4% reported in Jul'24.
- Healthy showers over the last few months have ensured that water levels in most of the reservoirs across the country are better than the normal levels. As of 26th Sep'24, water levels in the major reservoirs were 87% of their total storage capacity, more than 73% last year and the 10-year average of 78% for the same period. However, water levels in the reservoirs of North India are lower than their normal levels (68% of total storage capacity vs. normal levels of 85%) *(Exhibits 5 and 6).* Healthy water levels in the reservoirs should augur well for the forthcoming Rabi sowing season.
- The southwest monsoon typically accounts for about 70% of India's annual rainfall, making it important for the country's agrarian economy, which contributes ~14% to India's GDP. Above-normal monsoon helped farmers to not only sow more crops this Kharif season but also helped in diversification of crops. This bodes well for agriculture and is likely to improve the gross value addition (GVA) in the sector and further boost rural demand. It would also help to alleviate inflationary pressures from food, especially in regions where rainfall has been favorable. Food inflation has been a cause of concern since the beginning of this financial year. It rose to 5.7% in Aug'24 from 5.4% reported in Jul'24.
- Overall, with the strong economic growth trajectory of the country, receding food inflation, surplus rains, and the upcoming festive season, we expect that rural consumption will increase steadily in 2HFY25.

GST Monitor: Collections rose 6.5% YoY to INR1.7t in Sep'24

The lowest growth in 40 months

- **GST collections stood at INR1.73t in Sep'24, similar to INR1.75t in Aug'24 and INR1.63t in Sep'23. It grew 6.5% YoY in Sep'24 (the lowest since Jun'21) vs. a growth of 10% YoY in Aug'24 and 10.2% in Sep'23. For FY25YTD, GST collections stand at INR10.9t (+9.5% YoY) vs. INR9.9t in FY24YTD (+11.1% YoY; *Exhibit 1).***
- **In Sep'24, CGST collections amounted to INR314.2b (up 5.4% YoY in Sep'24 vs. 18% YoY in Sep'23) and SGST collections stood at INR392.8b (up 4.3% YoY in Sep'24 vs. 18.4% YoY in Sep'23). IGST collections amounted to INR905.9b (up 8.3% YoY in Sep'24 vs. 3.9% YoY in Sep'23).**
- **In FY25YTD, CGST collections are INR2t (up 9.6% YoY) and SGST collections are INR2.5t (up 8.6% YoY). IGST collections stand at INR5.5t in FY25YTD (+10.3% YoY) vs. INR5t in FY24YTD. The increase in FYTD'25 GST collections vs. FYTD'24 GST collections is mainly led by higher IGST collections *(Exhibit 2).***
- **GST collected on domestic activities grew slowly by 5.9% in Sep'24 vs. 14.2% in Sep'23. At the same time, GST collected on imports grew 8.2% YoY to INR445.1b in Sep'24 vs. a contraction of 0.2% YoY in Sep'23. For FY25YTD, while GST collected on imported goods has risen slowly by 8.6% YoY to INR2.6t, GST collected on domestic activities has jumped 10.4% YoY. GST collected on domestic transactions constitutes 76.2% of the total GST receipts in FY25YTD vs. 75.6% in FY24YTD *(Exhibit 3).***
- **Overall, the government has collected GST of INR10.9t in FY25YTD (vs. INR9.9t during the same period last year). It means that GST collections have averaged INR1.82t per month in FY25YTD, compared to the budgeted estimate of INR1.88t per month. Tax collections are expected to be better in the coming months with the upcoming festive season. Thus, we believe that the budgeted GST target for FY25 (INR22.6t) would be easily achievable *(Exhibit 4).***

Exhibit 1: GST collections stood at INR1.7t in Sep'24…

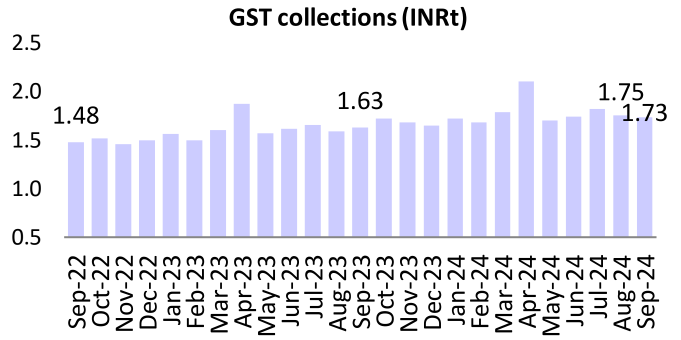


Exhibit 2: …led by higher IGST collections

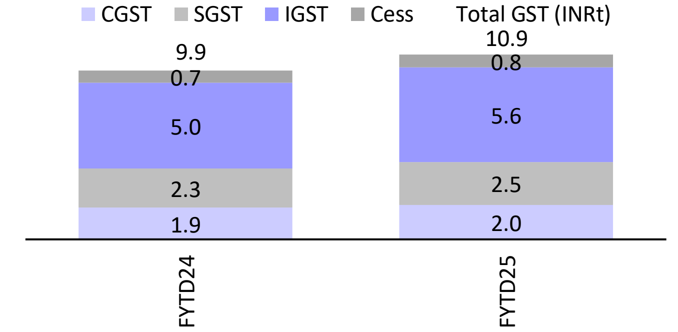


Exhibit 3: GST collected on domestic activities have reached 76.2% in FY25YTD

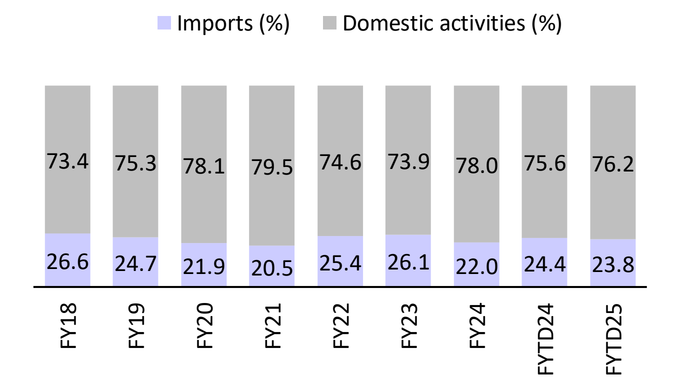
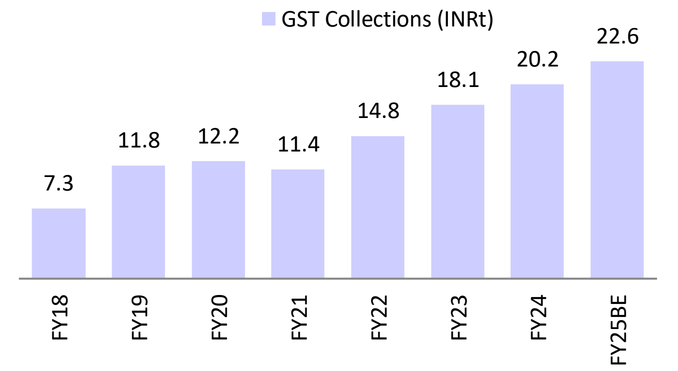


Exhibit 4: FY25 GST collections budgeted at INR22.6t, implying average monthly receipts of INR1.88t



Source: Finance Ministry, MOFSL

Bajaj Auto: Expect 6-8% underlying growth for motorcycles & the EV momentum to continue in Oct; Rakesh Sharma, ED

- Steady improvement in Nigeria & overall exports.
- Expect 10% improvement MoM in exports.
- Expect 6-8% underlying growth for motorcycles in October.
- Expect to carry EV momentum in October.

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- Strong market momentum driven by good rainfall and sustained even during the ‘Shraad’ period.
- Maintain FY25 guidance; expect better growth in tractors in H2FY25, with festive season playing a key role.
- Significant growth potential remains in India's tractor market due to under-penetration, with strong headroom for expansion.
- Market share grew by 180 bps YoY to 41.6% (April-August), but exports saw slow growth in Sept’24 due to geopolitical issues, with recovery expected in US demand by Q4FY25.

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- Have been spending 10% of Opex on technology, ramping it up to 11%.
- RBI embargo costing the bank Rs 450cr on annualised basis.
- Will come out embargo strong in terms of products and customer experiences.
- Would like to get atleast 3,250 – 3,500 branches in next 3-4 years.

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- Sustained growth over 30% in the last 3 years, expected to maintain this momentum.
- Net Interest Margin (NIM) has improved year-on-year on a risk-adjusted basis.
- Provision Coverage Ratio has risen to over 74%.
- Anticipating future risks, provisions have been made; focus remains on enhancing productivity moving forward.

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