Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	81,050	-0.8	12.2
Nifty-50	24,796	-0.9	14.1
Nifty-M 100	57,300	-2.0	24.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,696	-1.0	19.4
Nasdaq	17,924	-1.2	19.4
FTSE 100	8,304	0.3	7.4
DAX	19,104	-0.1	14.0
Hang Seng	8,331	2.1	44.4
Nikkei 225	39,333	1.8	17.5
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	81	2.3	4.6
Gold ($/OZ)	2,643	-0.4	28.1
Cu (US$/MT)	9,796	0.0	15.7
Almn (US$/MT)	2,642	0.0	12.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	84.0	0.0	0.9
USD/EUR	1.1	0.0	-0.6
USD/JPY	148.1	-0.4	5.0
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.9	0.02	-0.3
10 Yrs AAA Corp	7.3	0.01	-0.5
Flows (USD b)	**7-Oct**	**MTD**	**CYTD**
FIIs	-1.0	-4.60	7.4
DIIs	1.58	6.30	45.6
Volumes (INRb)	**7-Oct**	**MTD***	**YTD***
Cash	1,370	1336	1302
F&O	3,40,866	4,23,263	3,81,365

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Zomato: Swiggy vs. Zomato: Sizing up the giants

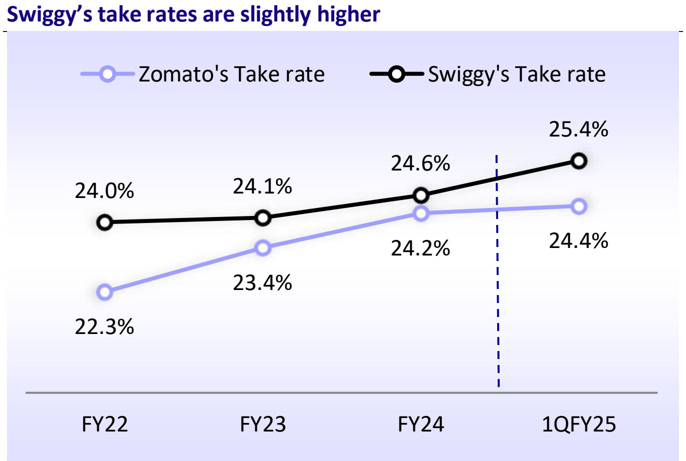
- We analyze key metrics from Swiggy's recently filed DRHP and compare them with those of Zomato. A cursory glance through the numbers indicates that Zomato now has market leadership in food delivery and quick commerce, the two key battleground areas for the players. **While Zomato is undeniably *Primus inter pares*, the war for the wallet share of the urban affluent consumer has just begun, and it is too early to call the game**. Zomato has been gaining market share in food delivery, but on the basis of GOV/MTU, Swiggy's cohorts appear more mature and stickier. In quick commerce, despite Swiggy's Instamart inventing the category, Blinkit has taken an early lead and Zepto continues to execute well. However, the market is nascent, and enough avenues exist to differentiate on SKUs and strategy, making it too early to declare winners (or losers).
- Swiggy's approach of an integrated app offering vs. Zomato's multi-app approach (both at the back and the front end) helps it innovate faster (Instamart was born out of a similar synergy); Swiggy could again be at the forefront of food delivery innovation through Bolt, its 10-minute food delivery platform.

Research covered

Cos/Sector	Key Highlights
Zomato	Swiggy vs. Zomato: Sizing up the giants
Tata Motors	JLR 2Q wholesales down 10% YoY due to supply constraints
Godrej Consumer Products	High single-digit volume growth; margin pressure in the Indian busines
Kalyan Jewellers India	Strong SSSG growth
EcoScope	Why hasn't the wealth effect kicked in yet in India?

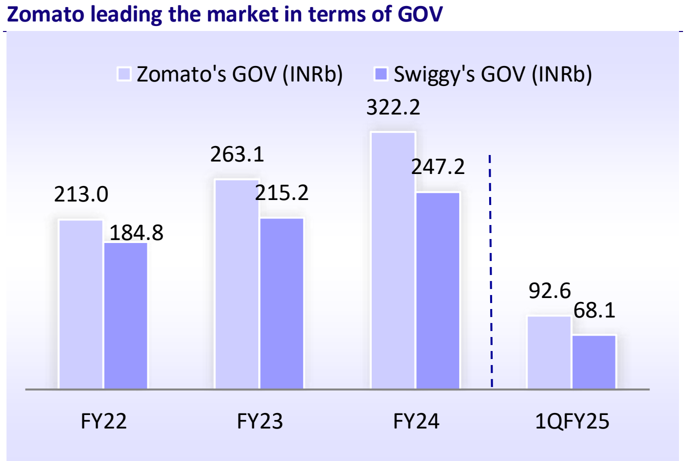
Chart of the Day: Zomato (Swiggy vs. Zomato: Sizing up the giants)

Swiggy's take rates are slightly higher



Source: MOFSL, Company

Zomato leading the market in terms of GOV



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Reliance Retail targets quick commerce market, challenging Blinkit, Swiggy's Instamart

Reliance Retail has entered the quick commerce market, aiming to compete with players like Blinkit and Swiggy Instamart. Using its extensive store network, Reliance plans to offer rapid deliveries within 10-30 minutes in major cities and untapped smaller…

2

Kalyan Jewellers sees 37 per cent revenue growth in Q2 on strong gold demand

West Asia contributed around 13% to Kalyan's consolidated revenue in Q2, while its digital-first jewellery platform, Candere, saw a revenue growth of 30% compared to last year.

3

Bharti Airtel in advanced talks to acquire Tata Play to boost digital TV segment

Bharti Airtel is in advanced talks to acquire Tata Play, India's largest DTH business. This move aims to bolster Airtel's position in the digital TV segment. If successful, it will be the second major deal between Airtel and Tata Group. This acquisition would help Airtel compete with Jio's aggressive market strategies.

4

Vodafone Idea inks network deal worth ₹14K cr with Ericsson

Vodafone Idea (Vi) signs a ₹14,000 crore deal with Ericsson to procure 4G and 5G equipment over three years. Ericsson will supply base stations for key regions and enhance Vi's 4G and 5G services, helping the telco improve network performance and competitiveness against major rivals.

5

HFCs propose higher guarantee cover for affordable home loans

Housing finance companies propose revamping the Credit Risk Guarantee Fund Trust for Low Income Housing. They suggest increasing the guarantee cover for home loans to ₹25 lakh from the current ₹5 lakh. This renewal aims to include more low-income customers and boost affordable housing in 124 districts. The government's response is awaited.

6

Avaada Group starts work on its manufacturing unit in Nagpur

In its first phase, Avaada plans to launch a wafer-to-module project with a capacity of 5 GW for solar cells and 3 GW for modules.

7

CtrlS Datacenters to launch 50MW solar plant in 12-15 months

CtrlS Datacentres is experiencing a surge in demand, especially from hyperscalers—large-scale cloud providers and companies developing artificial intelligence (AI) infrastructure.

Zomato

BSE SENSEX	S&P CNX
80,050	24,796

Stock Info

Bloomberg	ZOMATO IN
Equity Shares (m)	8820
M.Cap.(INRb)/(USDb)	2350.8 / 28
52-Week Range (INR)	298 / 101
1, 6, 12 Rel. Per (%)	3/30/129
12M Avg Val (INR M)	11499
Free float (%)	100.0

Financials & Valuations (INR b)

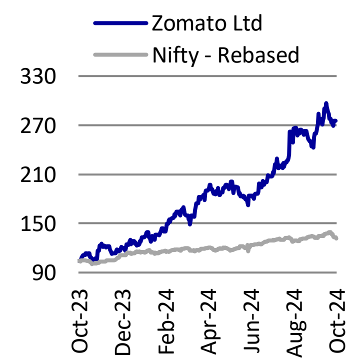
Y/E MARCH	FY25E	FY26E	FY27E
GOV	412.4	530.2	642.3
Net Sales	203.7	321.0	454.2
Change (%)	68.2	57.6	41.5
EBITA	7.7	33.5	76.4
EBITA margin (%)	3.8	10.4	16.8
Adj. PAT	8.8	28.0	59.9
PAT margin (%)	4.3	8.7	13.2
RoE (%)	4.20	12.35	22.13
RoCE (%)	-0.52	8.88	18.90
EPS	1.02	3.25	6.96
EV/ Sales	11.1	7.0	4.8
Price/ Book	10.7	9.5	7.6

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	15.8	15.3	9.9
FII	55.6	56.7	56.5
Others	28.7	28.0	33.6

FII includes depository receipts

Stock Performance (one-year)



CMP: INR265 TP: INR320 (+21%) Buy

Swiggy vs. Zomato: Sizing up the giants

Swiggy currently lags Zomato on key metrics, but its innovation DNA and possible improvement in execution could unlock massive value

We analyze key metrics from Swiggy's recently filed DRHP and compare them with those of Zomato. A cursory glance through the numbers indicates that Zomato now has market leadership in food delivery and quick commerce, the two key battleground areas for the players. **While Zomato is undeniably *Primus inter pares*, the war for the wallet share of the urban affluent consumer has just begun, and it is too early to call the game**. Zomato has been gaining market share in food delivery, but on the basis of GOV/MTU, Swiggy's cohorts appear more mature and stickier. In quick commerce, despite Swiggy's Instamart inventing the category, Blinkit has taken an early lead and Zepto continues to execute well. However, the market is nascent, and enough avenues exist to differentiate on SKUs and strategy, making it too early to declare winners (or losers).

Swiggy's approach of an integrated app offering vs. Zomato's multi-app approach (both at the back and the front end) helps it innovate faster (Instamart was born out of a similar synergy); Swiggy could again be at the forefront of food delivery innovation through Bolt, its 10-minute food delivery platform.

Zomato leads in the food delivery business

- Swiggy's food delivery business has seen a ~42% expansion in the user base and ~73% growth in the number of restaurant partners, while Zomato has seen 38%/53% growth in user base/no. of restaurant partners (on a high base).
- Zomato has continued to gain market share from Swiggy from FY22 to 1QFY25, aided by its stronger execution, in our view. According to reported gross order value (GOV), Zomato's market share grew from 54% in FY22 to 58% in 1QFY25.
- **Swiggy's customer cohorts indicate high-maturity users:** Avg. MTU is higher for Zomato (20.3m) vs. Swiggy (14.03m). GOV per MTU, however, is ~6% higher for Swiggy; **this shows Swiggy's customer cohorts are more mature and stickier compared to its peer**.
- **Swiggy's take rates are ahead of Zomato's**, indicating better monetization of its platform (possibly in ad sales from restaurant partners). However, we expect the take rates to converge, as Zomato continues to dominate the market.
- **Zomato outperforms in terms of average MTU**, with 20m vs. Swiggy's 14m. While Swiggy has ~6% higher GOV per MTU, primarily driven by higher order frequency, both platforms have similar average order values.
- **Zomato is leading not only in GOV and market share but also in profitability**. Zomato's food delivery business has become stable, showing consistent GOV growth and predictable profitability with **EBITDA margin of 3.4%.** In contrast, Swiggy's food delivery business has just broken even, with a lower EBITDA margin of 0.8%.

Blinkit tops Instamart in quick commerce, but too early to call winners

- Zomato acquired Blinkit (formerly Grofers) to strengthen its instant grocery delivery segment. Swiggy launched Instamart for grocery delivery, which has grown to become a significant revenue driver. **That said, a slower expansion compared to peers means it is losing some market share to Blinkit as well as Zepto.**
- As of 1QFY25, Instamart operated a network of 557 active dark stores across 32 cities in India, whereas Blinkit has 639 active dark stores across 44 cities. Blinkit has ~81% higher GOV (INR49,230m) than Instamart in 1QFY25.
- Blinkit has a higher take rate of 19.1%/18.5%/16.5% in 1QFY25/FY24/FY23 compared with Instamart's 14.8%/13.5%/10.7%. **Instamart's AOV is also significantly lower than Blinkit's.**
- Blinkit is ahead of Instamart in terms of profitability as well. Blinkit's adj. EBITDA margin stood at -0.1% in 1QFY25 vs. Instamart's -11.7%. **The divergence in AOV and take rate is driving the margin difference, in our view.**
- However, we are at the very beginning of the quick commerce race, and there are enough opportunities for players to differentiate themselves, and it is too early to call this game, in our view.

Swiggy's innovation DNA key to success

- Swiggy's approach of an integrated app offering vs. Zomato's multi-app approach (both at the back and the front end) helps it innovate faster (Instamart was born out of a similar synergy).
- Swiggy could again be at the forefront of food delivery innovation through its new 10-minute food delivery offering; customers can choose from a mix of brands such as KFC, McDonalds, Burger King, Starbucks, etc. and can get food delivered in 10-15 minutes.
- We note that Zomato tried a similar pilot in 2023 but could not scale it. The knowledge of scaling up quick commerce over the past couple of years, however, changes the landscape now, and we expect more players to adopt 10-minute food delivery going forward.
- Swiggy has the brains to innovate and the brawn to scale, and we expect it to be a key innovator in the quick commerce/food delivery/going out space for years to come.

Valuations and View - Zomato

- Zomato's food delivery business is stable, and Blinkit offers a generational opportunity to participate in the disruption of industries such as retail, grocery and e-commerce. Our estimates imply FY24-27 revenue CAGR of 55% and PAT margin of 4.3%/8.7%/13.2% in FY25/FY26/FY27. We value the business using a DCF methodology, assuming 12.5% cost of capital. Our DCF-based valuation of INR320 suggests a 21% upside from the current price. We reiterate our **BUY rating** on the stock.

Tata Motors

BSE SENSEX	S&P CNX
81,050	24,796

CMP: INR928 | **TP: INR990 (+7%)** | **Neutral**

JLR 2Q wholesales down 10% YoY due to supply constraints

Supply-side issues limit wholesales; retails (including JV) decline 3% YoY

Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3324
M.Cap.(INRb)/(USDb)	3806.2 / 45.3
52-Week Range (INR)	1179 / 612
1, 6, 12 Rel. Per (%)	-11/-18/23
12M Avg Val (INR M)	11720
Free Float (%)	58.1

Financials Snapshot (INR b)

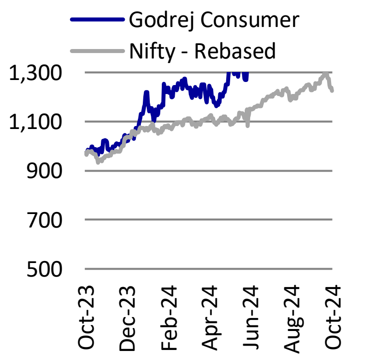
Y/E March	2024	2025E	2026E
Net Sales	4,379	4,468	5,063
EBITDA	596.1	598.2	695.4
Adj. PAT	224.9	210.0	255.5
Adj. EPS (INR)	58.7	57.1	69.5
EPS Gr. (%)	2,628	-3	22
BV/Sh. (INR)	221.6	283.9	349.2
Ratios			
Net D/E (x)	0.2	0.0	-0.2
RoE (%)	34.5	22.2	22.0
RoCE (%)	18.7	14.4	15.5
Payout (%)	10.3	7.3	6.0
Valuations			
P/E (x)	15.8	16.3	13.4
P/BV (x)	4.2	3.3	2.7
EV/EBITDA (x)	6.5	6.0	4.7
Div. Yield (%)	0.7	0.5	0.5

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	46.4	46.4	46.4
DII	16.1	16.1	17.5
FII	18.2	19.2	19.1
Others	19.4	18.3	17.0

FII includes depository receipts

Stock's Performance (one-year)



Wholesales (excluding China JV) decline 10% YoY

- **JLR wholesale volumes** (excluding China JV) declined 10% YoY (-11% QoQ) to 87.3k units. The breakup between Jaguar and LR has not been shared in the press release.
- The production of Jaguar Land Rover (JLR) was restricted to 86k units (-7% YoY), mainly due to supply disruptions from high-grade aluminum suppliers, which affected multiple OEMs. Additionally, a temporary hold was placed on 6.5k vehicles at the end of September, primarily in the UK and Europe, to facilitate additional quality control checks. These vehicles are set to be sold in the second half of the year.
- The overall mix of the most profitable RR/RR Sport and Defender models stood at 67% of the total wholesale volumes.
- JLR expects a strong pickup of both production and wholesale volumes in H2FY25 as the aluminum supply situation normalizes.

Retail volumes (including China JV) down 3% YoY

- **Retail sales (including China JV)** declined 3% YoY (-7% QoQ) to 103.1k units.
- Retails were higher in North America (+9% YoY) and UK (+29% YoY) but down in Europe (-22% YoY), China (-17% YoY), and overseas (-6% YoY).

Others

- Based on the above 2Q wholesale volumes for JLR, our 2QFY25 revenue/EBITDA/PAT estimates for JLR now stand at GBP6.4b/GBP958m/GBP247m (vs. the earlier estimates of GBP6.8b/GBP988m/GBP269m).
- Our 2QFY25 estimates for consol revenue/EBITDA/PAT now stand at INR962.4b/INR129.5b/INR40.4b (vs. the earlier estimates of INR1001.8b/INR132.6b/INR42.7b).
- **Valuation and view**: We expect JLR margins to remain under pressure over FY24-FY26, given: 1) the rising cost pressure as it invests in demand generation; 2) normalizing mix; and 3) EV ramp-up, which is likely to be margin-dilutive. Even in the Indian business, both CV and PV businesses are experiencing moderation in demand. We have factored in flat margins for the Indian business over our forecast period.
- While there is no doubt that TTMT delivered an extremely robust performance across its key segments in FY24, the above mentioned headwinds could hurt its performance going forward. The stock trades at 16x/13x FY25E/FY26E consolidated EPS and 6x/5x EV/EBITDA. We reiterate Neutral with our June'26E SOTP-based TP of INR990.

Tata Motors: JLR (Excluding JV) [Wholesale]

Company Sales	2QFY25	2QFY24	YoY (%) chg	1QFY25	QoQ (%) chg	FY25YTD	FY24YTD	(%) chg	Wholesale Estimate
JLR	87,303	96,817	-9.8	97,755	-10.7	1,85,058	1,90,070	-2.6	92,440

Tata Motors: JLR (Retails including JV)

Company Sales	2QFY25	2QFY24	YoY (%) chg	1QFY25	QoQ (%) chg	FY25YTD	FY24YTD	(%) chg
JLR	1,03,108	1,06,561	-3.2	1,11,180	-7.3	2,14,288	2,08,555	2.7

Tata Motors: Sum-of-the-parts valuation

INR B	Valuation Parameter	Multiple (x)	FY25E	FY26E	FY27E
EBITDA					
SOTP Value					
Tata Motors	SOTP		1,473	1,717	1,937
CVs	EV/EBITDA	11	987	1,151	1,265
PVs	EV/EBITDA	15	486	566	672
JLR (Adj for R&D Capitalization)	EV/EBITDA	2.5	1,000	1,265	1,479
JLR - Chery JV EBITDA Share	EV/EBITDA	2.5	29	32	35
Tata Motors Finance	P/BV	1.5	64	64	64
Total EV			**2,566**	**3,078**	**3,515**
Less: Net Debt (Ex TMFL)			14	-210	-493
Add: TataTech @ INR411b Mcap	20% discount	53.39% stake	173	173	173
Total Equity Value			**2,725**	**3,460**	**4,180**
Fair Value (INR/Sh) - Ord Sh	**Fully Diluted**		**741**	**941**	**1,137**

Godrej Consumer Products

BSE SENSEX	S&P CNX
81,050	24,796

Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Sales	141.0	149.9	166.7
Sales Gr. (%)	5.9	6.3	11.2
EBITDA	30.7	33.1	37.4
EBITDA Margins (%)	21.8	22.1	22.5
Adj. PAT	19.8	22.2	27.3
Adj. EPS (INR)	19.3	21.7	26.7
EPS Gr. (%)	13.2	12.1	23.1
BV/Sh. (INR)	123.3	134.1	148.4
Ratios			
RoE (%)	15.0	16.8	18.9
RoCE (%)	15.2	15.8	18.2
Payout (%)	77.6	78.5	71.3
Valuations			
P/E (x)	68.6	61.2	49.8
P/BV (x)	10.8	9.9	8.9
EV/EBITDA (x)	44.4	40.9	35.9
Div. Yield (%)	1.1	1.3	1.4

CMP: INR1,332

High single-digit volume growth; margin pressure in the Indian business

Godrej Consumer Products (GCPL) released its pre-quarterly update for 2QFY25. Here are the key takeaways:

Management's Focus for FY25

- The management's key objectives for FY25 remain centered on achieving a high single-digit Standalone UVG, high single-digit Indonesia UVG, and mid-teens consolidated EBITDA growth.
- The company is largely on track to achieve Standalone and Indonesia UVG targets, and the consolidated EBITDA growth will be lower than anticipated due to challenges in the Indian market.

Standalone Business (India)

- The Indian market has faced tough operating conditions due to rising costs and margin pressures, primarily driven by significant inflation in palm oil prices, which have risen by high teens since Mar'24.
- Despite these challenges, the company has decided not to fully pass on these cost hikes to consumers all at once.
- The company remains focused on long-term growth initiatives, such as the rural van program and new category development.
- The top-line performance is likely to remain robust, with high single-digit growth in both underlying volume (est. 7%) and value (est. 9%).
- Standalone EBITDA growth is expected to be flattish.

International Business

- The Indonesian business is expected to deliver continued robust performance with high single-digit volume growth and double-digit sales growth in constant currency.
- The Godrej Africa, USA, and Middle East (GAUM) region is expected to witness a single-digit volume decline due to a reduction in trade stocks and portfolio simplification efforts. Despite this, underlying offtakes remain strong.
- The currency unification in Nigeria has negatively impacted INR sales performance. Nonetheless, the business has managed to achieve strong double-digit EBITDA growth (in INR terms) for the third consecutive quarter with significant margin improvement.

Consolidated Performance Outlook

- The company anticipates organic consolidated sales growth in the mid-single-digit in INR (est. 6% in 2QFY25) and constant currency sales growth in the low-teens.
- The consolidated EBITDA is expected to grow in the mid-single-digit range (est. 3% vs. 7% in 1QFY25 and 26% in 2QFY24).

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

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Domestic Volume Growth (%)	**10**	**4**	**5**	**9**	**8**	**7**	**7**	**7**	**7**	**7**
Net Sales (including OOI)	**34,489**	**36,020**	**36,596**	**33,856**	**33,316**	**36,901**	**40,235**	**39,213**	**1,40,961**	**1,49,877**
YoY Change (%)	10.4	6.2	1.7	5.8	-3.4	2.4	9.9	15.8	5.9	6.3
Gross Profit	**18,534**	**19,771**	**20,454**	**18,999**	**18,608**	**19,972**	**22,449**	**21,674**	**77,758**	**82,704**
Margin (%)	53.7	54.9	55.9	56.1	55.9	54.1	55.8	55.3	55.2	55.2
Other Operating Exp.	11,716	12,537	11,407	11,396	11,346	12,495	12,873	12,895	47,055	49,609
EBITDA	6,818	7,234	9,048	7,604	7,262	7,477	9,577	8,778	30,704	33,095
Margins (%)	19.8	20.1	24.7	22.5	21.8	20.3	23.8	22.4	21.8	22.1
YoY Growth (%)	28.0	26.0	17.9	14.4	6.5	3.4	5.8	15.4	20.9	7.8
Depreciation	763	609	539	499	495	550	575	605	2,410	2,224
Interest	740	773	666	785	878	850	825	798	2,964	3,350
Other Income	691	659	701	638	771	800	825	869	2,690	3,265
PBT	**5,617**	**6,319**	**7,904**	**6,912**	**6,643**	**6,877**	**9,002**	**8,245**	**26,751**	**30,767**
Tax	1,611	1,866	2,024	2,087	1,933	2,063	2,701	1,918	7,588	8,615
Rate (%)	28.7	29.5	25.6	30.2	29.1	30.0	30.0	23.3	28.4	28.0
Adj PAT	**3,732**	**4,415**	**5,862**	**5,749**	**4,649**	**4,814**	**6,301**	**6,327**	**19,758**	**22,152**
YoY Change (%)	7.7	17.2	6.0	22.6	24.6	9.0	7.5	10.1	13.2	12.1
Reported PAT	**3,188**	**4,328**	**5,811**	**-18,932**	**4,507**	**4,814**	**6,301**	**6,327**	**-5,605**	**22,152**

E: MOFSL Estimate

7 October 2024

Update | Sector: Consumer

Kalyan Jewellers India

BSE SENSEX	S&P CNX
81,050	24,796

Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Sales	185.5	247.7	316.4
EBITDA	13.1	16.7	20.7
EBITDA Margin (%)	7.1	6.7	6.5
Adj. PAT	6.0	8.7	11.7
Cons. Adj. EPS (INR)	5.8	8.4	11.4
EPS Gr. (%)	29.9	44.9	35.4
BV/Sh. (INR)	40.7	46.9	55.1
Ratios			
RoE (%)	15.3	19.2	22.3
RoIC (%)	11.6	13.8	15.5
Valuations			
P/E (x)	121.1	83.5	61.7
P/BV	17.3	15.0	12.8
EV/Sales	3.9	2.9	2.3
EV/EBITDA (x)	55.2	43.3	34.7

CMP: INR702

Strong SSSG growth

Kalyan Jewellers (KALYAN) released its pre-quarterly update for 2QFY25. Here are the key takeaways:

Company level

- KALYAN reported consolidated sales growth of ~37% YoY (in line with our estimates vs. 27% in 1QFY25), maintaining strong momentum across its markets in India and the Middle East.
- On 30th Sep'24, the total number of stores stood at 303, with 231 stores of Kalyan India, 36 stores of Candere, and 36 stores of Kalyan Middle East.
- The company has already opened 51 showrooms out of the 130+ planned for FY25.
- It plans to launch another ~25 Kalyan showrooms in India, ~18 Candere showrooms and the first showroom in the US by Diwali.
- The reduction in customs duty on gold imports announced in the Union Budget led to higher footfalls from late Jul'24 to Aug'24, offsetting the muted sales typically seen during the 14-day Shradh period and the volatility in gold prices. In FY24, only two days of Shradh impacted 2Q.

India division

- India business grew ~39% YoY (est. 39%) during the quarter, compared to 29% in 1QFY25 and 32% in 2QFY24. This growth was driven by healthy SSSG of 23% (est. 23%), compared to 10% in 2QFY24 and 12% in 1QFY25.
- It added 15 new Kalyan FOCO showrooms and 12 Candere showrooms in India.
- The company has a strong pipeline of showrooms set to open in Oct'24, in line with its previously communicated guidance.

The Middle East

- Revenue grew ~24% YoY in 2QFY25, driven largely by SSSG growth.
- The Middle East contributed 13% to consol. revenue of 2QFY25.
- During the quarter, the company completed its first round of converting owned showrooms to FOCO showrooms, bringing the total number of franchised showrooms in the ME region to four.

Candere

- Candere recorded a revenue growth of ~30% YoY in 2QFY25.

Consolidated Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Stores	**192**	**206**	**228**	**253**	**277**	**307**	**343**	**378**	**253**	**378**
Net Sales	**43,757**	**44,145**	**52,231**	**45,349**	**55,355**	**59,164**	**66,637**	**66,542**	**1,85,483**	**2,47,698**
Change (%)	31.3	27.1	34.5	34.1	26.5	34.0	27.6	46.7	31.8	33.5
Raw Material/PM	37,153	37,840	44,616	38,737	47,419	50,869	57,107	58,416	1,58,346	2,13,812
Gross Profit	**6,604**	**6,306**	**7,615**	**6,612**	**7,935**	**8,295**	**9,530**	**8,126**	**27,137**	**33,886**
Gross Margin (%)	15.1	14.3	14.6	14.6	14.3	14.0	14.3	12.2	14.6	13.7
Operating Expenses	3,375	3,169	3,916	3,550	4,175	4,194	4,956	3,887	14,010	17,212
% of Sales	7.7	7.2	7.5	7.8	7.5	7.1	7.4	5.8	7.6	6.9
EBITDA	**3,229**	**3,137**	**3,698**	**3,062**	**3,760**	**4,101**	**4,574**	**4,239**	**13,127**	**16,675**
Margin (%)	7.4	7.1	7.1	6.8	6.8	6.9	6.9	6.4	7.1	6.7
Change (%)	22.2	17.9	13.1	19.3	16.4	30.8	23.7	38.4	17.8	27.0
Interest	821	817	817	778	852	850	830	805	3,232	3,337
Depreciation	641	669	697	736	755	735	757	904	2,743	3,150
Other Income	116	131	201	288	222	302	327	475	737	1,326
PBT	**1,885**	**1,781**	**2,386**	**1,837**	**2,375**	**2,818**	**3,314**	**3,006**	**7,888**	**11,513**
Tax	449	433	582	462	599	688	801	767	1,925	2,855
Effective Tax Rate (%)	23.8	24.3	24.4	25.1	25.2	24.4	24.2	25.5	24.4	24.8
Adjusted PAT	**1,439**	**1,352**	**1,806**	**1,376**	**1,776**	**2,130**	**2,513**	**2,239**	**5,973**	**8,658**
Change (%)	33.3	27.1	21.5	96.3	23.4	57.5	39.1	62.7	28.1	44.9

E: MOFSL Estimates

Why hasn't the wealth effect kicked in yet in India?

Consumption and savings growth slower, amid faster growth in non-mortgage debt

- **The RBI recently published its inaugural quarterly estimates of household (HH) financial balance sheet, covering the 1QFY12- 4QFY23 period. We replicated their methodology and achieved 96-97% accuracy in our results. We, consequently, extended these estimates to 1QFY25 with some assumptions. One of the key conclusions from such analysis is that HH financial net worth (HHFNW) has improved remarkably in the post-pandemic period in India *(Exhibit 1)*. Further, such improvement in India is considerably greater than that observed in other economies *(Exhibit 2)*.**
- **Economic literature links improvements in financial balance sheets to economic growth through the wealth effect. An increase in the value of one's assets or wealth instills confidence in the owner, encouraging greater spending and, consequently, stimulating GDP growth. This phenomenon, however, has not yet materialized in India, despite the equity boom persisting for over three years. Let us examine some facts.**
- ***First*, it is important to note that the substantial improvement in India's HHFNW is because of the equity & investment funds (E&IFs), which are more volatile than other asset classes. Excluding E&IFs, HHFNW accounted for 72% of GDP in 1QFY25, compared to its peak of 82% in 4QFY21 and was only slightly higher than 67-68% in the pre-pandemic quarters *(Exhibit 3)*. Notably, this ratio was higher in pre-FY12 years. Further, a comparison of HHFNW, excluding E&IFs in major economies, confirms that it has actually declined in the post-pandemic period in all other economies covered in our study (Australia (AU), Canada (CA), Japan (JP), Germany (DE), France (FR), UK, and the US), except India *(Exhibit 4)*.**
- ***Second*, the wealth effect implies that a strong financial balance sheet should ideally lead to either a surge in HH consumption or savings. However, it is important to note that none of this is borne out by data for the Indian economy. India's HH nominal consumption posted a 9.8% CAGR in the post-pandemic period (FY20-FY24), while it reported a CAGR of 10.8% in the pre-pandemic period (FY16-FY20). Simultaneously, HH savings – using official data from FY12 to FY23 and our estimates for FY24 – also grew slowly in the post-pandemic period vis-à-vis the pre-pandemic period (at 10.3% vs. 11.6%). Notably, this is unique to India, as consumption has increased at a faster rate in all other economies during the post-pandemic period, with higher savings reported in all except AU and the US *(Exhibit 5)*.**
- ***Third*, non-mortgage HH debt, which includes all consumption-based and unsecured loans, has also increased at a faster pace in India during the post-pandemic period. Non-mortgage HH debt has registered a 15.1% CAGR between CY20 and CY23 compared to 12.8% CAGR in the pre-pandemic period *(Exhibit 6)*. Again, it has grown at a slower pace in all other economies covered in our study, barring Japan *(Exhibit 7)*.**
- **Overall, this combination of slower growth in consumption and savings, coupled with higher growth in non-mortgage HH debt, does not inspire confidence that the increase in HHFNW reflects a strong financial position of the HH sector. In other words, the wealth effect has not materialized. Could it occur in the near future? Perhaps, but the improvement in HHFNW has already been sustained for nearly three years. How significant could the lag be?**
- **It is also widely known that capital market ownership is highly concentrated among the richest consumer segment. Based on the distributional financial accounts of the US, the richest 20% of the HH hold ~87% of all corporate equities and mutual funds *(Exhibit 8)*. Their share has actually increased gradually from ~80% at the turn of the century. Although we don't have such data for India's economy, it is worth noting that almost 95% of all taxpayers in India didn't show any capital gains income in FY23 (short-term and long-term) and 85% of all capital gains income accrued to taxpayers who earned more than INR 10m *(Exhibit 9)*. Is it then possible that the immense surge in HHFNW is also a reflection of the rising income inequality in India? If it has not been able to create any spill-over effects so far on aggregate HH income and/or consumption growth, what assurances are there to hold on to this possibility in the near future?**
- **Lastly, it is important to remember that the net worth of the US HHs reached record highs in 2006 and 2007, just before the world economy was struck by the worst economic crisis since the Great Depression *(Exhibit 10)*. This indicates that a surge in HHFNW may not necessarily result in higher spending/savings growth and it may dissipate rapidly, especially when driven by the equity market.**

Welspun World: Extremely bullish on the acquired sintex asset as it has a strong brand value; Balkrishan Goenka, Founder

- Revenues set to hit 1 ₹lakh cr
- Revenues could triple in 3-5 years, Market cap will be outcome of financials
- Capex at Rs.10k-12k cr
- Focus is on growth, governance & going green

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Kaynes Semicon: Govt aims for end-to-end electronics manufacturing ecosystem: how will it aid the semicon sector?; Raghu Panicker, CEO

- 50% government subsidy is a strong incentive for semiconductor investments, but a localized ecosystem is essential.
- Semiconductor fabrication requires higher capex and complex technology, needing collaboration with the US and Europe.
- OSAT facilities dealing with advanced tech can earn 15%+ margins, while less complex tech attracts single-digit margins.
- Wafers, a key input for OSAT facilities, may still need to be imported from global MNCs.

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Bikaji Foods: Will see category growth due to quick commerce; Manoj Verma, CEO

- Festive season demand is strong with increased stocking at stores.
- Sweets typically contribute 12.5% of sales annually, rising to 25% during festive months.
- Targeting 3 lakh direct outlets and 1.1 million total reach by FY25.
- Quick commerce, growing at 250% YoY, now accounts for 2-2.5% of sales and is expected to drive category growth.

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UFlex: Looking at margin expansion of 1.5-2% with the pet chip plant coming on stream; Rajesh Bhatia, Group President & CFO

- Capex plan to be commissioned by Q3FY26, funded 2/3rd by debt and the rest by equity.
- Exploring new markets in Egypt and Europe for aseptic packaging, with no export duty from Egypt to Europe.
- PET chip plant will be used for internal consumption, expected to expand margins by 1.5-2%.
- Q2 spreads have improved compared to Q1.

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

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Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
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