Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	81,820	-0.2	13.3
Nifty-50	25,057	-0.3	15.3
Nifty-M 100	59,593	0.2	29.0
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,815	-0.8	21.9
Nasdaq	18,316	-1.0	22.0
FTSE 100	8,249	-0.5	6.7
DAX	19,486	-0.1	16.3
Hang Seng	7,278	-4.0	26.2
Nikkei 225	39,911	0.8	19.3
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	74	-5.5	-5.1
Gold ($/OZ)	2,663	0.5	29.1
Cu (US$/MT)	9,387	-1.5	10.9
Almn (US$/MT)	2,539	-0.7	8.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	84.0	0.0	1.0
USD/EUR	1.1	-0.1	-1.3
USD/JPY	149.2	-0.4	5.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.8	-0.02	-0.4
10 Yrs AAA Corp	7.2	-0.01	-0.5
Flows (USD b)	**15-Oct**	**MTD**	**CYTD**
FIIs	-0.2	-7.34	3.9
DIIs	0.20	7.55	48.2
Volumes (INRb)	**15-Oct**	**MTD***	**YTD***
Cash	1,095	1170	1295
F&O	4,35,427	4,03,793	3,81,653

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Angel One: PAT beat driven by operational efficiency

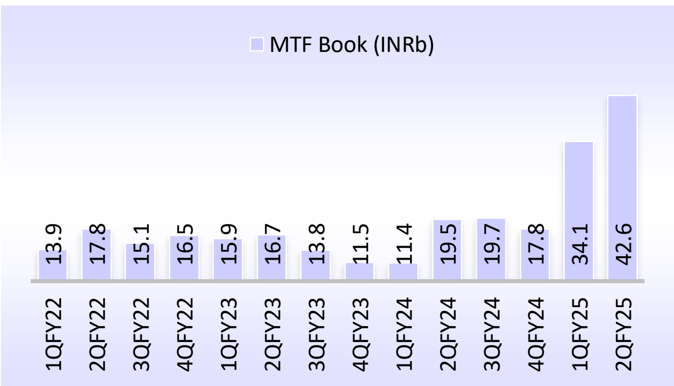
- 2QFY25 PAT grew 39% YoY to INR4.2b (5% beat), aided by better-than-expected operational efficiency. Revenue from operations jumped 45% YoY to INR9.8b, largely in line with our estimate.
- The total number of orders increased to 489m in 2QFY25 from 338m in 2QFY24 (up 45% YoY). Gross broking revenue per order declined 11% YoY to INR19.1, led by a 19% drop in cash segment and a 7% fall in F&O.
- Total operating expenses rose 51% YoY (5% below our estimates). The CI ratio increased YoY to 50.1% from 48.7% in 2QFY24 (better than our estimate of 52.5%).
- The management expects a hit of ~13-14% in broking and related income due to new F&O regulations. The wealth segment is expected to achieve a breakeven in the next three years, while other new businesses could achieve a breakeven in two years.
- We now factor in a 6%/10% QoQ decline in F&O orders in 3QFY25/4QFY25. We also assume a price hike of INR3/order in 1QFY26. As a result, we cut our EPS estimates by 9%/12% for FY25/FY26. Upsides could come from revenues from new segments, which we are yet to factor in. Given that regulatory uncertainty is now behind and management guidance on revenue impact is relatively softer, we raise our TP to INR4,100 based on 18x Sep'26E EPS. Maintain BUY.

Research covered

Cos/Sector	Key Highlights
Angel One	PAT beat driven by operational efficiency
HDFC Life Insurance	Strong growth in APE; VNB margin 120bp lower than estimates
PVR-Inox	Sequential recovery in 2Q; 3Q likely to be robust
Grasim Industries	Core businesses seeing recovery; Paints on track
KEI Industries	EBITDA miss due to lower-than-estimated C&W margin and EPC sales
Aviation	PAX decreases MoM; IndiGo gains market share

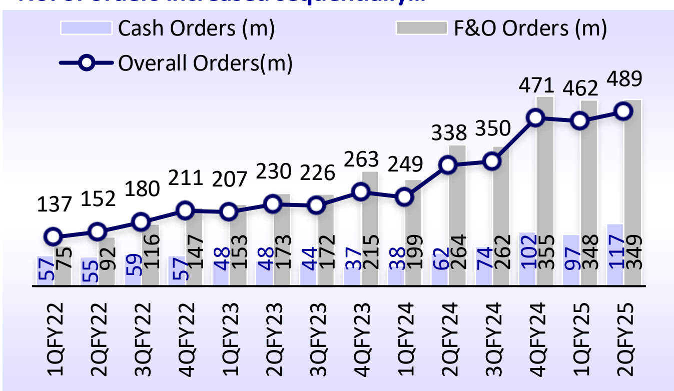
Chart of the Day: Angel One (PAT beat driven by operational efficiency)

MTF book increased to INR42.6b



Source: MOFSL, Company

No. of orders increased sequentially…



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Cipla, Alkem Laboratories in final lap to buy SMT

Promoters of SMT—the Kotadia family— plan to keep a minority stake after the transaction that would see other shareholders also divest their holdings

2

Adani Power, Jindal Power, Vedanta, four others in race for Sinnar thermal plant

Maharashtra state government-owned MAHAGENCO and public sector NTPC have also submitted a joint bid for the plant, which is based near Nashik, two people familiar with the process said.

3

PVR Inox to find its comeback role in Q4, says CFO Gaurav Sharma

PVR Inox to hit play on profitability with big releases, bigger footfall

4

Ambani calls for local storage of data, Birla says Vi turnaround round the corner

In his address, Birla said one of the most pressing issues being addressed by the government, regulator and industry in the past year is spam control and fraud protection.

5

Domestic flyer traffic rises 4.9% in September

India's domestic air traffic rose by 4.9% in September 2024, totaling 13 million passengers despite a slight drop from August. IndiGo maintained a 63% market share with 69.2% on-time performance. Air India held a 15.1% share and a 68.1% on-time rate. SpiceJet's market share fell to 2% with 30.4% on-time performance.

6

Gujarat govt auctions 25 major and 2,280 minor mineral blocks

Gujarat's government auctioned 25 major and 2,280 minor mineral blocks, issuing Letters of Intent on Entrepreneurship Day. Chief Minister Bhupendra Patel emphasized entrepreneurs' contributions to development.

7

Adani plans $3 billion outlay to launch semicon business

The group has drawn an overall investment plan worth$7-8 billion for semiconductor business

15 October 2024

2QFY25 Results Update | Sector: Financials

Angel One

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	ANGELONE IN
Equity Shares (m)	90
M.Cap.(INRb)/(USDb)	290.7 / 3.5
52-Week Range (INR)	3900 / 2025
1, 6, 12 Rel. Per (%)	33/1/29
12M Avg Val (INR M)	2508
Free float (%)	64.4

Financial & Valuation (INR b)

Y/E March	2025E	2026E	2027E
Revenues	45.4	52.2	63.4
Opex	25.4	29.4	33.6
PBT	18.9	21.2	27.8
PAT	14.0	15.7	21.9
EPS (INR)	169.0	189.7	264.1
EPS Gr. (%)	24.4	12.3	39.2
BV/Sh. (INR)	716.8	830.6	989.1
Ratios (%)			
C/I ratio	55.9	56.3	53.0
PAT margin	30.8	30.1	34.5
RoE	31.2	24.5	29.0
Div. Payout	0.0	40.0	40.0
Valuations			
P/E (x)	19.1	17.0	12.2
P/BV (x)	4.5	3.9	3.3
Div. Yield (%)	0.0	2.2	3.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	35.6	38.2	38.3
DII	14.0	9.5	12.9
FII	15.4	17.3	14.4
Others	35.0	35.0	34.4

CMP: INR3,225 TP: INR 4,100 (+27%) BUY

PAT beat driven by operational efficiency

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CI ratio declines sequentially on account of lower admin costs

- Gross broking revenue was up 29% YoY at INR9.4b (4% miss), driven by continued growth (23% YoY) in F&O segment (9% miss), strong growth of 52% YoY in cash segment (16% beat) and robust growth of 93% YoY in commodity segment (39% beat), as well as higher trading days.
- Net interest income stood at INR2.8b (in line), up 83% YoY, led by strong growth in the MTF book.
- Finance costs grew due to 38% YoY growth in borrowings to fund the MTF book.
- Employee costs jumped 73% YoY to INR2.3b (11% above est.) on account of an increase in headcount in the wealth management, tech, product and data analytics segments and fresh grants given to senior hires.
- Adjusted for IPL-related expenses in 1QFY25 (INR1.1b), EBDTA margins were at 48%, which improved to 49.9% in 2QFY25. Other opex declined 2.1% QoQ (excluding IPL-related spends in 1Q), despite strong client additions.
- In 1HFY25, total income/PAT stood at INR23.1b/INR7.2b, up 60%/36% YoY. For 2HFY25, we expect total income/PAT to grow by 18%/14% YoY to INR22.3b/INR6.8b.

Total orders grow 45% YoY

- ADTO stood at INR45.5t, up 54% YoY and 4% QoQ. The total number of orders increased to 489m in 2QFY25 from 338m in 2QFY24.
- The number of F&O orders grew 32% YoY to 349m (264m in 2QFY24). Revenue per order declined to INR21.7 (INR22.1 in 1QFY25).
- Cash ADTO grew 14% QoQ to INR100b (+113% YoY). The number of orders rose 89% YoY to 117m. Sequentially, revenue per order remained flat at INR10.4.
- Commodity ADTO jumped 114% YoY and 25% QoQ to 618b in 2QFY25. However, the total number of orders in the commodity segment rose to 23m.

Highlights from the management commentary

- While it is difficult to quantify the impact of the F&O circular, ~13-14% of broking and related income is likely to be impacted in the near term. However, the intent to reduce retail losses will improve LTV, which will negate the impact in the long run.
- Business diversification remains in focus. The company has launched the distribution of credit products in partnership with three NBFCs, and three more in the pipeline.
- On the wealth management side, the company is expanding its team as well as presence. New talent is on-boarded with tech expertise and proven track record of success. On the AMC front, it is on the final approval stages.

Valuation and view

ANGELONE has demonstrated its ability to protect profitability by taking corrective pricing actions to offset the impact of true-to-label charges regulations. To factor in the impact of regulatory changes, we have made the following changes to our assumptions: 1) increased cash segment realizations, 2) order decline of 6%/10% QoQ for F&O segment in 3QFY25/4QFY25, 3) QoQ improvement in F&O orders from 1QFY26, 4) increase in realizations in F&O segment from 1QFY26. As a result of these changes, we reduce our earnings estimates by 9%/12% for FY25/FY26. Upsides could arise from revenues in new segments, which we are yet to factor in. Given that regulatory uncertainty is now behind and management guidance on revenue impact is relatively softer, we raise our TP to INR4,100 based on 18x Sep'26E EPS. Maintain BUY

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	2QFY25E	Act v/s Est. (%)	YoY Growth	QoQ Growth
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE						
Revenue from Operations	5,198	6,747	6,874	8,742	9,150	9,774	9,904	9,998	27,562	38,827	9,996	-2.2	45%	7%
Other Income	1,088	1,411	1,401	1,869	1,983	2,210	1,216	1,197	5,769	6,605	2,004	10.3	57%	11%
Total Income	**6,286**	**8,158**	**8,275**	**10,611**	**11,133**	**11,984**	**11,120**	**11,195**	**33,331**	**45,432**	**11,999**	**-0.1**	47%	8%
Change YoY (%)	22.0	46.0	43.9	64.7	77.1	46.9	34.4	5.5	45.3	36.3	47.1	-0.4		
Operating Expenses	3,230	3,974	4,635	5,856	6,940	6,007	6,090	6,374	17,695	25,411	6,297	-4.6	51%	-13%
Change YoY (%)	21.4	49.3	75.1	114.0	114.8	51.2	31.4	8.8	65.3	43.6	58.5	-12.5		
Depreciation	89	112	131	167	226	256	286	316	498	1,084	256	-0.1	129%	13%
PBT	**2,967**	**4,072**	**3,509**	**4,588**	**3,968**	**5,721**	**4,744**	**4,505**	**15,137**	**18,938**	**5,446**	**5.1**	41%	44%
Change YoY (%)	22.3	42.5	16.1	26.9	33.7	40.5	35.2	-1.8	26.9	25.1	33.7	20.0		
Tax Provisions	759	1,027	907	1,188	1,041	1,487	1,233	1,171	3,881	4,932	1,429	4.1	45%	43%
Net Profit	**2,208**	**3,045**	**2,602**	**3,400**	**2,927**	**4,234**	**3,511**	**3,334**	**11,255**	**14,006**	**4,017**	**5.4**	39%	45%
Change YoY (%)	21.6	42.5	13.9	27.3	32.5	39.1	34.9	-1.9	26.4	24.4	31.9	22.3		
Key Operating Parameters (%)														
Cost to Income Ratio	51.4	48.7	56.0	55.2	62.3	50.1	54.8	56.9	53.1	55.9	52.5	-236bps	141bps	-1221bps
PBT Margin	47.2	49.9	42.4	43.2	35.6	47.7	42.7	40.2	45.4	41.7	45.4	236bps	-217bps	1210bps
Tax Rate	25.6	25.2	25.8	25.9	26.2	26.0	26.0	26.0	25.6	26.0	26.2	-24bps	77bps	-24bps
PAT Margins	35.1	37.3	31.4	32.0	26.3	35.3	31.6	29.8	33.8	30.8	33.5	185bps	-199bps	904bps
Revenue from Operations (INR M)														
Gross Broking Revenue	5,575	7,270	7,084	9,240	9,173	9,356	9,466	9,320	29,169	37,315	9,734	-3.9	29%	2%
F&O	4,683	6,180	5,951	7,854	7,705	7,578	7,250	6,525	24,667	29,059	8,285	-8.5	23%	-2%
Cash	558	800	779	1,016	1,009	1,216	1,606	2,111	3,153	5,943	1,045	16.4	52%	21%
Commodity	279	291	354	370	459	561	610	683	1,293	2,314	405	38.7	93%	22%
Net Broking Revenue	3,933	5,199	5,107	6,822	6,762	6,934	7,016	6,907	21,062	27,619	7,176	-3.4	33%	3%
Net Interest Income	1,265	1,548	1,767	1,920	2,388	2,840	2,888	3,091	6,500	11,208	2,820	0.7	83%	19%
Revenue from Operations Mix (%)														
As % of Gross Broking Revenue														
F&O	84.0	85.0	84.0	85.0	84.0	81.0	76.6	70.0	84.6	77.9	85.1	-4.8	-400bps	-300bps
Cash	10.0	11.0	11.0	11.0	11.0	13.0	17.0	22.7	10.8	15.9	10.7	21.1	200bps	200bps
Commodity	5.0	4.0	5.0	4.0	5.0	6.0	6.4	7.3	4.4	6.2	4.2	44.3	200bps	100bps
Net Broking (As % Total Revenue)	75.7	77.1	74.3	78.0	73.9	70.9	70.8	69.1	76.4	71.1	71.8	-1.2	-611bps	-295bps
Net Interest Income (As % Total Revenue)	24.3	22.9	25.7	22.0	26.1	29.1	29.2	30.9	23.6	28.9	28.2	3.0	611bps	295bps
Expense Mix (%)														
Employee Expenses	37.1	32.5	29.7	26.4	28.0	36.8	36.8	35.8	30.6	34.2	31.6	16.4	424bps	872bps
Admin Cost	59.7	64.3	67.1	70.4	68.3	59.3	58.7	59.5	66.7	61.7	64.5	-8.1	-498bps	-905bps
Depreciation	2.7	2.7	2.7	2.8	3.2	4.1	4.5	4.7	2.7	4.1	3.9	4.6	135bps	93bps

HDFC Life Insurance

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	HDFCLIFE IN
Equity Shares (m)	2151
M.Cap.(INRb)/(USDb)	1537.2 / 18.3
52-Week Range (INR)	761 / 511
1, 6, 12 Rel. Per (%)	2/4/-13
12M Avg Val (INR M)	2953

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Premiums	735.7	859.0	993.7
PBT	17.8	20.4	22.7
Surplus / Deficit	9.2	10.8	11.9
Sh. PAT	17.8	20.4	22.7
NBP gr - APE (%)	20.2	16.5	16.5
Premium gr (%)	18.7	16.8	15.7
VNB margin (%)	25.0	25.8	26.5
RoEV (%)	16.9	16.3	16.8
Total AUMs (INRt)	3.6	4.3	5.1
VNB (INRb)	39.9	48.0	57.5
EV per share	257.8	300.0	350.4
Valuations			
P/EV (x)	2.8	2.4	2.0
P/EVOP (x)	19.4	16.8	14.1

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	50.4	50.4	50.3
DII	11.3	7.9	6.2
FII	26.7	30.1	30.9
Others	11.7	11.6	12.6

FII includes depository receipts

CMP: INR714 TP: INR900 (+26%) BUY

Strong growth in APE; VNB margin 120bp lower than estimates

Aiming for better than industry APE growth

- HDFC Life Insurance (HDFCLIFE) reported APE of INR38.6b (in line with our estimates) in 2QFY25, reflecting growth of 27% YoY, driven by 106%/46% YoY growth in Non-Par/ULIP.
- VNB grew 17% YoY to INR9.4b (4% miss on our estimates), resulting in a lower-than-expected VNB margin of 24.3% (25.5% estimate).
- EV grew 21% YoY to INR521b, while solvency was at 181% vs. 194% in 2QFY24. PAT at INR 4.3b grew 15% YoY but was 3% lower than our estimates.
- Management has guided for 18-20% APE growth and 15-17% VNB growth for FY25. Impact of ~100bp is expected on VNB margins due to new surrender value regulations.
- We have lowered our VNB margin assumptions based on 2QFY25 performance and the expected impact of surrender value regulations. We now estimate HDFCLIFE to deliver ~18% VNB CAGR over FY24-FY27 and margin to be steady in the range of 25-26.5%. **Reiterate BUY with a TP of INR900 (premised on 2.8x Sep'26E EV)**

Product mix skewed toward Non-par and ULIP

- During 1HFY25, HDFCLIFE reported 25% YoY growth in total APE, driven by 31% YoY growth in individual APE. VNB grew 17% YoY while VNB margins contracted YoY to 24.6% due to high ULIP share in the product mix and re-pricing of non-par products. PAT witnessed 15% YoY growth to INR9.1b. We expect 17%/12% growth in APE/VNB for 2HFY25.
- For 2QFY25, the gross premium income increased 13% YoY to INR 169.3b (10% miss). This was driven by 27%/13% YoY growth in new business/renewal premiums.
- The contribution of ULIP/Non-par to individual APE increased YoY to 30%/35% (26%/21% in 2QFY24) while the contribution of Par declined to 14% (28% in 2QFY24). This shift in the product mix was a key factor for the contraction in VNB margin to 24.3% (26.2% in 2QFY24).
- The distribution mix has been largely stable with 65%/17%/11%/7% contribution from banca/agency/direct/broker channel with respect to individual APE.
- The total AUM increased 23% YoY to INR3.2t.

Highlights from the management commentary

- ULIP and guarantee products are currently experiencing strong demand. However, the management expects Par products to bounce back in 2HFY25, driven by product launches and injections to revitalize the segment.

- The credit life performance is expected to improve in 2HFY25 on account of reduced pricing aggression. Margin accretion will start happening once the popularity of ULIP settles down and higher margin products take center stage.
- IRDAI has communicated its intent to roll out IFRS from April'27. Listed companies will be part of Phase 1 and HDFCLIFE has a window of 24-30 months for implementation.

Valuation and view

HDFCLIFE aims to maintain a balanced product mix and gain a higher market share, focusing on new product launches and customer acquisition. Expansion into Tier-2 cities and beyond by deepening the branch network has resulted in industry-leading growth. Persistency trend has been improving across cohorts, which will keep the renewal premium growth healthy. Surrender charges have an impact of ~100bp on VNB margins; however, discussions around the commission structure will be key to reducing the same. Considering the strong performance in 1HFY25, the company has guided for 18-20% APE growth and 15-17% VNB growth for FY25. We have lowered our VNB margin assumptions based on 2QFY25 performance and the expected impact of surrender value regulations. We now estimate HDFCLIFE to deliver ~18% VNB CAGR over FY24-FY27 and the margin to be steady in the range of 25-26.5%. Reiterate BUY with a TP of INR900 (premised on 2.8x Sep'26E EV).

Quarterly performance (INR m)

Policyholder's A/c (INR b)	FY24				FY25				FY24	FY25E	FY25E	V/s est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2Q	
First year premium	**18.5**	**25.7**	**26.8**	**40.1**	**23.6**	**32.5**	**33.5**	**44.8**	**111.1**	**134.1**	**32.2**	**1.1**
Growth (%)	8.4%	5.9%	-1.7%	-10.1%	27.4%	26.8%	25.2%	11.7%	-1.9%	20.7%	25.5%	
Renewal premium	**58.0**	**78.4**	**84.0**	**114.1**	**64.1**	**88.3**	**99.6**	**135.0**	**334.5**	**398.3**	**103.1**	**-14.3**
Growth (%)	13.8%	13.5%	16.8%	23.3%	10.5%	12.7%	18.6%	18.4%	17.6%	19.1%	31.5%	
Single premium	**40.2**	**45.4**	**44.5**	**55.2**	**40.4**	**48.4**	**54.1**	**70.0**	**185.2**	**216.5**	**52.0**	**-6.8**
Growth (%)	24.0%	14.7%	-4.6%	-6.6%	0.6%	6.8%	21.6%	26.9%	4.3%	16.9%	14.6%	
Gross premium inc.	**116.7**	**149.4**	**155.3**	**209.4**	**128.1**	**169.3**	**187.2**	**249.9**	**630.8**	**748.9**	**187.3**	**-9.6**
Growth (%)	16.2%	12.5%	6.5%	6.7%	9.7%	13.3%	20.6%	19.3%	9.6%	18.7%	25.3%	
Surplus/(Deficit)	**4.2**	**3.8**	**3.7**	**4.1**	**4.8**	**4.3**	**4.2**	**3.6**	**15.7**	**17.0**	**4.2**	**2.1**
Growth (%)	15.4%	15.5%	15.8%	14.6%	15.0%	14.9%	16.2%	-12.0%	15%	8.2%	13%	
PAT	**4.2**	**3.8**	**3.7**	**4.1**	**4.8**	**4.3**	**4.3**	**4.6**	**15.7**	**17.8**	**4.2**	**3.2**
Growth (%)	15.4%	15.5%	15.8%	14.6%	15.0%	14.9%	16.7%	12.7%	15.3%	13.2%	11.4%	
Key metrics (INRb)												
New business APE	23.3	30.5	31.9	47.3	28.7	38.6	38.3	54.4	129.6	159.7	38.3	0.6
Growth (%)	12.8	6.8	-2.1	-8.4	23.1	26.7	20.1	15.1	-1.0%	23.2%	25.9	
VNB	**6.1**	**8.0**	**8.6**	**12.3**	**7.2**	**9.4**	**9.6**	**13.8**	**35.0**	**39.9**	**9.8**	**-4.0**
Growth (%)	17.8	4.0	-2.2	-18.3	17.7	17.1	12.0	11.7	-4.7%	14.1%	22.0	
AUM (INR b)	**2,533**	**2,649**	**2,797**	**2,922**	**3,102**	**3,249**	**3,396**	**3,631**	**2,922**	**3,631**	**3,242**	**0.2**
Growth (%)	18.7	17.8	19.6	22.4	22.5	22.7	21.4	24.2	22.4%	24.2%	22.4	
Key ratios (%)												
VNB margins (%)	26.2	26.2	26.8	26.1	25.0	24.3	25.0	25.3	26.3	25.0	25.5	-119

15 October 2024

2QFY25 Results Update | Sector: Media

PVR-Inox

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	PVRINOX IN
Equity Shares (m)	98
M.Cap.(INRb)/(USDb)	159.1 / 1.9
52-Week Range (INR)	1830 / 1204
1, 6, 12 Rel. Per (%)	-1/4/-34
12M Avg Val (INR M)	912

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Sales	61.1	63.4	71.5
EBITDA	7.1	7.1	9.7
Adj. PAT	1.1	0.7	2.6
EBITDA Margin (%)	11.7	11.2	13.6
Adj. EPS (INR)	11.7	7.4	26.7
EPS Gr. (%)	LP	-36.8	262.9
BV/Sh. (INR)	747.3	754.7	781.4
Ratios			
Net D:E	1.1	1.0	0.0
RoE (%)	1.6	1.0	3.5
RoCE (%)	2.8	2.4	4.5
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	139.0	219.9	60.6
P/BV (x)	2.2	2.1	2.1
EV/EBITDA (x)	24.1	23.8	17.0
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	27.8	27.8	27.6
DII	38.8	40.2	33.1
FII	18.1	16.8	26.8
Others	15.3	15.2	12.4

FII Includes depository receipts

CMP: INR1,621 TP: INR1,750 (+8%) Neutral

Sequential recovery in 2Q; 3Q likely to be robust

- After weak 1Q due to elections, IPL and T20 Cricket World Cup, PVR-Inox (PVRL) saw a recovery in occupancy to 25.7% in 2QFY25 (from 20.3% in 1Q), though it remained weak YoY due to a high base.
- Revenue recovered sharply QoQ by 36% (in line; down 19% YoY on high base), aided by strong responses to movies like Stree 2 and Kalki 2898 AD.
- EBITDA (pre-Ind-AS 116) bounced back to green at INR1.9b (10% beat) vs. a loss of INR378m in 1Q. Margin expanded to 11.5% (75bp beat).
- We expect 3Q to be robust with the release of several tentpole movies, such as Pushpa 2, Bhool Bhulaiyaa 3, and Singham Again.
- However, PVRL's business remains highly sensitive to occupancy trends, which are dependent on the quality of content (not in PVRL's control). Although the management sounded upbeat about the FY26 content pipeline, we note that even a 200-300bp blip in occupancy could derail the company's screen economics.
- We keep our FY25/FY26 revenue estimates broadly unchanged but revise our EBITDA estimates by +7%/-4%. **Reiterate Neutral with a TP of INR1,750** (based on ~15x pre-Ind-AS 116 Dec'26E EBITDA).

Sequential recovery drives EBITDA/PAT beat, but weak YoY on high base

- Consolidated revenue declined 19% YoY (on a high base) but recovered significantly by 36% QoQ to INR16.2b (in line). The recovery was driven by blockbuster movies like Stree 2 and Kalki 2898AD.
- PVRL added 16 screens at two properties and closed 25 screens, which resulted in a net reduction of nine screens in 2QFY25.
- EBITDA (pre Ind-AS 116) stood at INR1.9b (10% beat) vs. a loss of INR378m in 1QFY25 and a profit of INR4.3b in 2QFY24. EBITDA was driven by operating leverage benefits.
- Depreciation increased 4% YoY (9% QoQ, 6% above).
- As a result, PAT came in at INR224m (vs. est. INR188m).
- PVRL incurred a capex of INR2.1b during 1H, which, along with interest payments, led to FCF of INR1.3b (-58% YoY). PVRL used FCF to reduce net debt by INR1.4b in 1HFY25 to INR11.5b.

Occupancy recovers in 2Q; likely to improve further in 3Q

- **Admits and occupancy:** PVRL's admits improved 27% QoQ (down 20% YoY) to 38.8m (in line) and the occupancy rate improved to 25.7% (vs. 20.3% QoQ and 32.3% YoY). Given a strong content pipeline, occupancy should further improve in 3QFY25.
- **Ticketing**: Ticketing revenue recovered 41% QoQ (- 25% YoY) to INR8.4b, aided by higher occupancy and 9% QoQ improvement in ATP to INR257 (-7% YoY, in line). Ticketing gross margin improved as the movie exhibition cost accounted for ~39% of ticketing revenue (vs. 41% QoQ, 44% YoY).
- **F&B:** F&B revenue also recovered 30% QoQ to INR5.2b (down 18% YoY), driven by higher footfalls and 1% QoQ (flat YoY) SPH at INR136 (5% miss). F&B gross margin improved QoQ as COGS accounted for 24.3% of F&B sales (vs. 25% QoQ, 24.1% YoY).

- **Advertising and convenience income:** Advertising revenue was up 17% QoQ (-7% YoY) at INR1.1b, while convenience revenue was boosted by integration related fees on Paytm's ticketing business sale to Zomato.

Highlights from the management commentary

- **Robust pipeline**: The company expects 3Q to be robust with potential blockbuster movies in the pipeline, such as Singham Again, Bhool Bhulaiyaa 3, Baby John, Pushpa 2, etc.
- **Screen additions outlook**: PVRL expects to add 110-120 screens in FY25, with net screen additions of ~50. For FY26-27, the management expects to add 80-120 screens, with 15% of them to be in the FOCO model, 35-50% in the asset-light model and the balance in the structured lease model.
- **Capex**: The management has guided for a capex of INR4b in FY25 (INR2.05b in 1H) and INR4-5b in FY26.
- **Re-releases strategy**: The new strategy of combining fresh blockbusters with nostalgic re-releases in lean weeks has resonated well, as ~6% of 2Q admissions came from the re-release and PVRL is profitable in re-releases despite lower ATP.

Valuation and view

- Occupancy recovered to ~26% in 2Q, aided by blockbuster releases. Further, given a strong content pipeline, occupancy should remain high in 3Q. PVRL is also looking to improve occupancy through re-releases and alternative content.
- However, PVRL's business remains highly sensitive to occupancy trends, which are dependent on the quality of content (not in PVR's control). Although the management sounded upbeat about the FY26 content pipeline, we note that even a 200-300bp blip in occupancy could derail the company's screen economics**.**
- Stable occupancy, healthy recovery in advertising revenues, ramp-up of F&B business through ventures like PVR Café and food courts remain the key growth drivers.
- We keep our revenue estimates broadly unchanged, but raise our FY25 EBITDA by 7% (on lower costs) and lower FY26 EBITDA by 4% (on 60bp lower occupancy).
- We **retain Neutral with a TP of INR1,750** (based on ~15x pre-Ind-AS 116 Dec'26E EBITDA).

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Est. Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**13,049**	**19,999**	**15,459**	**12,564**	**11,907**	**16,221**	**20,396**	**14,868**	**61,071**	**63,392**	**15,718**	**3**
YoY Change (%)	-16.5	88.7	6.2	9.9	-8.8	-18.9	31.9	18.3	16.9	3.8	-21.4	
Total Expenditure	12,241	15,723	13,434	12,552	12,285	14,350	15,760	13,869	53,950	56,264	14,023	2
EBITDA	**808**	**4,276**	**2,025**	**12**	**-378**	**1,871**	**4,636**	**999**	**7,121**	**7,128**	**1,695**	**10**
YoY Change (%)	-74.1	-8,018.50	-3.1	-77.4	-146.8	-56.2	129	8,221.10	36.6	0.1	-60.4	
Depreciation	1,111	1,220	1,254	1,122	1,164	1,266	1,304	1,401	4,707	5,135	1,199	6
Interest	464	486	451	453	451	489	509	479	1,854	1,928	469	4
Other Income	195	197	234	340	179	198	225	298	966	900	225	-12
PBT before EO expense	**-572**	**2,767**	**554**	**-1,223**	**-1,814**	**314**	**3,049**	**-584**	**1,526**	**965**	**252**	**25**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**-572**	**2,767**	**554**	**-1,223**	**-1,814**	**314**	**3,049**	**-584**	**1,526**	**965**	**252**	**25**
Tax	-131	693	142	-322	-448	90	768	-167	383	242.9	63	42
Rate (%)	22.9	25	25.6	26.3	24.7	28.7	25.2	28.7	25.1	25.2	25.2	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**-441**	**2,074**	**412**	**-901**	**-1,366**	**224**	**2,281**	**-416**	**1,143**	**722**	**188**	**19**
Adj PAT	**-441**	**2,074**	**412**	**-901**	**-1,366**	**224**	**2,281**	**-416**	**1,143**	**722**	**188**	**19**
YoY Change (%)	-131	-364.5	47.7	-38.2	209.8	-89.2	453.5	-53.8	-311.6	-36.8	-90.9	

Motilal Oswal | Morning India

15 October 2024

Company Update | Cement

Grasim Industries

BSE SENSEX	S&P CNX
81,820	25,057

Stock Info

Bloomberg	GRASIM IN
Equity Shares (m)	681
M.Cap.(INRb)/(USDb)	1841.5 / 21.9
52-Week Range (INR)	2878 / 1821
1, 6, 12 Rel. Per (%)	-1/10/12
12M Avg Val (INR M)	2050
Free float (%)	56.9

Financials Snapshot (INR b)

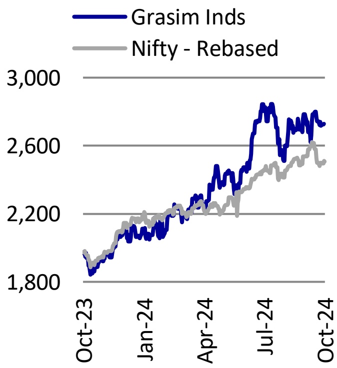
Y/E MARCH	FY25E	FY26E	FY27E
Sales	315.4	355.3	398.1
EBITDA	19.6	30.1	38.8
Adj. PAT	12.0	16.5	23.4
EBITDA Margin (%)	6.2	8.5	9.7
S/A Adj. EPS (INR)	18.1	24.3	34.4
S/A EPS Gr. (%)	(25.6)	34.1	41.9
Consol EPS (INR)	89.4	104.9	122.9
BV/Sh. (INR)	814.6	847.0	891.6
Ratios			
Net D:E	0.1	0.1	0.1
RoE (%)	0.8	2.5	4.7
RoCE (%)	3.5	5.3	6.9
Valuations			
P/E (x)	39.0	29.1	20.5
P/BV (x)	3.5	2.6	1.9
EV/EBITDA (x)	0.2	0.2	0.3
Div. Yield (%)	(1.8)	(0.5)	0.2
FCF Yield (%)	315.4	355.3	398.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	43.1	43.1	42.8
DII	16.7	17.0	16.8
FII	17.0	16.8	16.5
Others	23.3	23.2	23.9

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR2,736 TP: INR3,270 (+20%) Buy

Core businesses seeing recovery; Paints on track

Price increase in VSF and caustic soda to drive margin improvement

- Grasim Industries (GRASIM) should benefit from the price increases in the VSF and Chemical segments. The average VSF price in China was up ~4% QoQ in 2QFY25, while the spot price is now further up ~3% vs. 2QFY25 average. Though the caustic soda average price in 2QFY25 was flat QoQ, the spot price is now up ~2% vs. the 2QFY25 average.
- The company's VSF capacity utilization reached ~96% in FY24. Currently, it is exploring debottlenecking opportunities to drive volume growth in the VSF segment. Further, the company is expanding its caustic soda capacity by ~13% to 1.5mtpa by FY26 to maximize the scale advantages and gain market share. We estimate the company's core businesses (largely VSF and Chemical) to clock a ~14% EBITDA CAGR over FY24-27E vs. a decline of ~6% p.a. over FY22-24.
- Our interaction suggests that Birla Opus has seen a pickup in inquires of its products across the portfolio. Its marketing strategies, e.g., 15% more coverage area, 10% free paint offers, etc., are driving initial demand, and it is considered a cost-effective option. A few dealers have noted that its project segment is performing well, while retail growth has been relatively modest. The company aims to increase its paint business revenue to INR100b and break even within the first three years of full-scale operation.
- We raised our EBITDA estimates by ~2% for FY26/FY27 each, led by an expected recovery in core businesses. Further, management targets for the paint business are more aggressive, and if achieved, will lead to upgrades in our estimates for the paint business. **We maintain our BUY** rating with a TP of INR3,270 as we value its: 1) holdings in listed subsidiary companies by assigning a discount of 35%, 2) standalone business at 7x Sep'26E EV/EBITDA, 3) paint business at 2.0x of investments, and 4) renewable business at 12x Sep'26E EV/EBITDA.

VSF capacity utilization remains high; margin will also improve

- Over the last one year, VSF prices were under pressure due to subdued demand in China and cheaper imports. However, the VSF price in China has increased to RMB13,710 currently from its low of RMB12,400 at the beginning of Aug'23. The average VSF price in China was up ~4% QoQ in 2QFY25, while the spot price is now further up ~3% vs. 2QFY25 average.
- We expect VSF profit to improve in 2HFY25, aided by price increases and the company's focus on speciality products. In VSF, we estimate EBITDA/kg of INR24 in 2HFY25 vs. INR20 in 1HFY25. Further, we estimate average EBITDA/kg of INR25/INR28 in FY26/FY27 vs. INR22 in FY25E (an average of INR21/kg during FY20-24).
- The company is yet to announce capacity expansion in the VSF segment. Though it is currently exploring debottlenecking opportunities to drive growth. We estimate its VSF capacity utilization to remain high and report

~3% volume CAGR over FY24-27. We estimate VSF revenue/EBITDA CAGR of ~5%/15% over FY24-27 and EBITDA margin to improve to ~15% by FY27E vs. ~12% in FY24.

Chemical segment capacity expansion to aid growth

- GRASIM doubled its specialty chemicals capacity to 246ktpa in FY24. It is expanding its caustic soda capacity to 1.5mtpa by FY26E from 1.4mtpa currently to maximize the scale advantages and gain market share. Further, the company is setting up an ECH plant (50ktpa) and a CPVC resin plant (phase I of 50ktpa) at Vilayat to increase its chlorine derivatives capacity to 1.2mtpa by FY28E from 1.0mtpa currently.
- It is focusing on ramping up the utilization of expanded capacity of speciality chemicals, increasing the chlorine integration to 70% (vs. 62%/65% achieved in FY24/1QFY25) after the commissioning of ongoing projects, and increasing the renewable power share to +25% from ~13% in FY24.
- The caustic soda price increased to INR41/kg in Sep'24 (19-month high level) from its low of INR30/kg in Jul'23, which will help to increase margins. In the chemical segment, we estimate a CAGR of ~8%/18% in revenue/EBITDA over FY24-27E, driven by volume/realization growth of ~4% (each). We estimate EBITDA margin to improve to ~17% by FY27E vs. ~13% in FY24.

Paint business on track; initial response is positive

- Our interaction suggests that Birla Opus has seen a pickup in inquires of its products across the portfolio. Distribution was delayed by inventory issues three to four months ago, which has now stabilized. A few dealers have indicated Birla Opus exterior paints are fully stocked, while primers and wood coatings are unavailable, limiting their product range in certain categories.
- Birla Opus's pricing is ~4-5% lower than peers', over and above the 10% free paint. Further, it offers painters an incentive of ~5-7%, which is higher than ~2-3% offered by peers. It gives dealers/distributors flexibility to carry forward point-based incentives, whereas its peers only allow these points to be used in the same year or they lapse. Birla Opus is working to enhance its service efficiency by setting up local depots, enabling faster delivery, and offering competitive pricing.
- The company recently launched a new campaign titled '**Naye Zamane ka Naya Paint' or 'New Paint for the New Era'** with prominent celebrities Vicky Kaushal and Rashmika Mandanna as brand ambassadors.
- We estimate the company's paint business revenue to reach INR60b and the business to be EBITDA positive in FY28. The company's internal target (INR100b by FY28) is more aggressive and, if achieved, will lead to upgrades in our estimates for the paint business.

Expanding renewable power capacity to 2GW by CY24-end

- The company generates clean energy through solar panels, wind turbines, solar-wind hybrids, and floating solar systems. Its primary consumers are state discoms and central utilities; however, it is also exploring captive commercial and industrial consumers that include group companies and external entities.
- Its renewable power cumulative installed capacity stood at 946MW (43% is with group companies). It targets to increase renewable power capacity to 2GW by

CY24-end. The company aims to add more renewable power capacity beyond 2GW in the next two-three years; however, details have not been communicated so far.

- We value the renewable business at 12x Sep'26E EV/EBITDA (considering 2GW capacity) to arrive at a valuation of INR40/share in our SOTP.

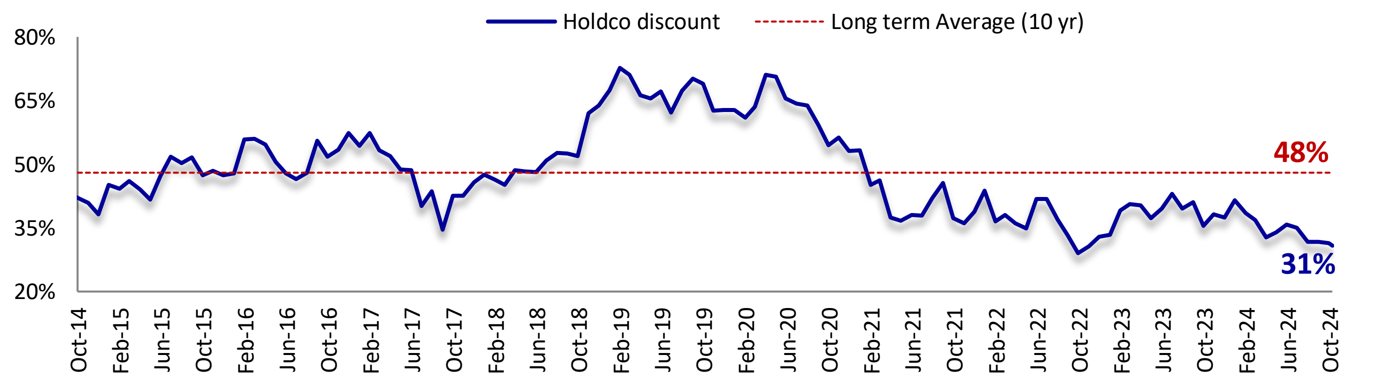
Valuation and view

- We raised our EBITDA estimates by ~2% for FY26/27 each, led by a recovery in core businesses. We estimate the company's core businesses (largely VSF and Chemical) to report a ~14% EBITDA CAGR over FY24-27E vs. a decline of ~6% p.a. over FY22-24. We estimate the company's net debt to peak out in FY25 as the core businesses start to recover in 2HFY25 and its initial capex commitment of INR100b in paint business ends by FY25-end.
- **We reiterate our BUY** rating with a TP of INR3,270, as we value its: 1) holdings in listed subsidiary companies by assigning a discount of 35%, 2) standalone business at 7x Sep'26E EV/EBITDA, 3) paint business at 2.0x of investments, and 4) renewable business at 12x Sep'26E EV/EBITDA**.**

Exhibit 1: SoTP-based valuation

Particulars	Valuation method	Unit	Sep'26E	INR/share
UTCEM's m-cap based on TP		INR b	3,926	
Holding company discount		%	35	
GRASIM's stake		%	57	
Value of its cement stake		**INR b**	**1,462**	
Value/share	**35% HoldCo discount to our TP**	**INR**		**2,150**
Value of standalone business (excluding-Paint)		INR b	298	
Value/share	**7x for the standalone business**			**440**
Value of listed investments		INR b	119	
Holding company discount		%	35	
Assigned value to listed investments		**INR b**	**77**	
Value/share	**35% HoldCo discount on the CMP**	**INR**		**113**
Standalone net debt		INR b	(57)	
Value/share		**INR**		**(84)**
ABCAP		INR b	620	
Holding company discount		%	35	
GRASIM's stake		%	53	
Value of ABCAP's stake in GRASIM		**INR b**	**212**	
Value/share	**35% HoldCo discount on the CMP**	**INR**		**312**
Paint Business	**2x of invested capital**	INR b	200	
Value/share		**INR**		**295**
Renewable Business	**12x EV/EBITDA**	INR b	30	
Value/share		**INR**		**44**
SoTP-based TP		**INR**		**3,270**

Holding company discount at 31%; below the long-term average



Source: Company, MOFSL

KEI Industries

BSE SENSEX	S&P CNX
81,820	25,057

Conference Call Details

Date: 16 October 2024
Time: 12:00 IST
Dial-in details:
+91 22 6280 1455
+ 91 22 7115 8828
Link for the call

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	94.3	109.9	128.3
EBITDA	10.3	13.0	15.7
PAT	7.0	8.7	10.4
EBITDA Margin (%)	10.9	11.8	12.2
Adj. EPS (INR)	78.1	96.8	115.1
EPS Gr. (%)	21.2	24.0	18.9
BV/Sh. (INR)	422	513	622
Ratios			
Net D:E	(0.0)	(0.0)	(0.1)
RoE (%)	18.5	18.9	18.5
RoCE (%)	17.7	18.6	18.5
Payout (%)	6.1	6.2	5.2
Valuations			
P/E (x)	60.2	48.5	40.8
P/BV (x)	11.1	9.2	7.6
EV/EBITDA(x)	41.2	32.5	26.8
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	(1.1)	0.5	0.5

CMP: INR4,691 **Buy**

EBITDA miss due to lower-than-estimated C&W margin and EPC sales

- KEI Industries (KEII)'s 2QFY25 EBITDA grew ~8% YoY to INR2.2b (est. INR2.5m). The EBITDA was below our estimate due to a lower EBIT margin of ~10% (est. ~11%) in the Cables and Wires (C&W) segment and lower EPC revenue of INR1.3b (est. INR2.9b). Overall, OPM stood at ~10% (est. ~11%). PAT increased ~10% YoY to INR1.5b (est. INR1.7b) during the quarter.
- Gross margin contracted 1.5pp YoY to ~23% (est. ~25). C&W sales through dealers increased ~36%/16% YoY/QoQ (contributing ~59% of total revenue vs. 52%/57% YoY/QoQ). Meanwhile, its EHV revenue declined ~51% YoY (up 16% QoQ) to INR940m. LT/HT cable revenue grew 21%/66% YoY, and HW & WW revenue rose ~22% YoY. The order book stood at INR38.5b vs. INR33.6b as of Sep'23. KEII also announced a fund raiser through QIP of up to INR20b.
- We have a **BUY rating** on the stock. However, we will review our assumptions following the concall on 16th Oct'24.

Revenue/EBITDA up 17%/8% YoY; OPM down 80bp YoY to ~10%

- KEII's revenue/EBITDA/Adj. PAT stood at INR22.8b/INR2.2b/INR1.5b (up 17%/8%/10% YoY and up 1%/ down 12%/8% vs. our est.) in 2QFY25. The EBITDA margin contracted 80bp YoY to ~10%. The depreciation/interest cost was up 5%/77% YoY, whereas 'other income' grew 121%.
- Segmental highlights: a) **Cables and Wires:** Revenue rose 21% YoY to INR21.4b and EBIT was up 17% YoY to INR2.2b. EBIT margin contracted 30bp YoY to ~10%. b) **EPC business:** Revenue declined 58% YoY to INR1.3b and EBIT dipped 61% YoY to INR121m. EBIT margin contracted 80bp YoY to ~9%. c) **Stainless Steel Wires (SSW)**: Revenue was up 1% YoY to INR598m, while EBIT declined 21% YoY to INR29m. EBIT margin contracted 1.3pp YoY to ~5%.
- In 1HYFY25, revenue/EBITDA/PAT grew 16%/14%/17% YoY. EBITDA margin was flat YoY at ~10%. The C&W EBIT margin expanded ~1pp YoY to ~11% during 1HFY25. The company's operating cash outflow stood at INR3.1b vs. OCF of INR1.2b in 1HFY24. Capex (including purchase of land and building) stood at INR3.1b vs. INR2.2b in 1HFY24. Its net debt (including CF and acceptances) came in at INR4.3b vs. net cash of INR600m as of Mar'24.

Valuation and view

- In our opinion, the company's C&W margin was below our estimates due to a sharp decline in its EHV revenue (having a better margin). Further, the dip in its EPC revenue was in line with the company's strategy to reduce its exposure to the EPC business, as it is selective in the high-quality projects with better margins and effective working capital management.
- **We have a BUY rating on the stock.** However, we will review our assumptions following the concall on 16th Oct'24 (Concall Link).

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				MOFSL	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	2QE	
Sales	**17,826**	**19,466**	**20,594**	**23,156**	**20,605**	**22,796**	**24,878**	**26,061**	**22,586**	**1**
Change (%)	13.9	21.1	15.4	18.6	15.6	17.1	20.8	12.5	**16**	
Adj EBITDA	**1,783**	**2,039**	**2,146**	**2,409**	**2,146**	**2,206**	**2,755**	**3,175**	**2,512**	**(12)**
Change (%)	11.7	27.0	17.8	19.1	20.4	8.2	28.4	31.8	**23**	
Adj EBITDA margin (%)	10.0	10.5	10.4	10.4	10.4	9.7	11.1	12.2	**11.1**	(145)
Depreciation	147	156	154	158	155	163	167	182	**166**	(1)
Interest	89	75	109	165	142	133	180	262	**160**	(17)
Other Income	83	77	142	189	178	169	160	67	**85**	99
Extra-ordinary Items	-	-	-	(2)	-	-	-	-	**-**	
PBT	**1,630**	**1,884**	**2,024**	**2,274**	**2,027**	**2,079**	**2,568**	**2,797**	**2,272**	**(8)**
Tax	416	482	518	587	525	531	660	712	**584**	
Effective Tax Rate (%)	25.5	25.6	25.6	25.8	25.9	25.5	25.7	25.4	**25.7**	
Reported PAT	**1,214**	**1,402**	**1,507**	**1,686**	**1,502**	**1,548**	**1,908**	**2,086**	**1,688**	**(8)**
Change (%)	17.0	31.2	17.2	22.1	23.8	10.4	26.6	23.7	**20.4**	
Adj PAT	**1,214**	**1,402**	**1,507**	**1,688**	**1,502**	**1,548**	**1,908**	**2,086**	**1,688**	**(8)**
Change (%)	17.0	31.2	17.2	22.2	23.8	10.4	26.6	23.6	**20.4**	

Segmental Performance (INR m)

Y/E March	FY24				FY25E					
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	2QE	Var. (%)
Sales										
Cables (Power + Housing wires)	16,119	17,755	18,671	20,691	18,757	21,402	22,779	24,194	20,774	3
Stainless steel wires	590	591	461	572	538	598	507	646	632	(5)
EPC Business	1,847	3,131	3,769	3,405	2,261	1,309	3,392	3,974	2,880	(55)
EBIT										
Cables (Power + Housing wires)	1,415	1,919	1,979	2,258	2,067	2,241	2,551	2,899	2,306	(3)
Stainless steel wires	31	36	36	13	10	29	38	(8)	19	51
EPC Business	256	314	439	422	298	121	373	433	317	(62)
EBIT Margin (%)										
Cables (Power + Housing wires)	8.8	10.8	10.6	10.9	11.0	10.5	11.2	12.0	11.1	(63)
Stainless steel wires	5.3	6.1	7.8	2.3	1.9	4.8	7.5	(1.3)	3.0	179
EPC Business	13.9	10.0	11.6	12.4	13.2	9.2	11.0	10.9	11.0	(175)

Aviation

PAX decreases MoM; IndiGo gains market share

- **Domestic air passenger (PAX) traffic grew ~6% YoY in Sep'24 to 13m (down ~1% MoM). The traffic continues to remain above the pre-Covid levels. Passenger growth moderated for IndiGo, SpiceJet, Akasa, AIX Connect, and Vistara MoM, while it increased for Air India.**
- **Average domestic passenger load factor (PLF) declined 40bp MoM in Sep'24. PLF rose for Indigo, Akasa, and Vistara MoM, while it decreased for the rest of the airlines. On-time performance (OTP) dipped 30bp MoM for airlines; the domestic average was 60.4% in Sep'24. The cancellation rate increased 30bp to 1.2% in Sep'24.**
- **IndiGo's market share improved following the collapse of GoFirst, which stopped operations in May'23. It has maintained 60%+ share since then. IndiGo's market share has been increasing steadily during the past three months.**

India's domestic air PAX and market share

- India's domestic air PAX increased ~6% YoY (decreased ~1% MoM) to 13m in Sep'24. Domestic PAX stood at 8.21m for IndiGo (up 6% YoY), 3.9m for the AI group (up 16% YoY), 0.57m for Akasa (up 11% YoY), and 0.26m for SpiceJet (down 52% YoY).
- Domestic market share stood at 63% for IndiGo (down 40bp YoY), 30% for the Air India (AI) group (up 260bp YoY), 4.4% for Akasa (up 20bp YoY), and 2% for SpiceJet (down 240bp YoY).

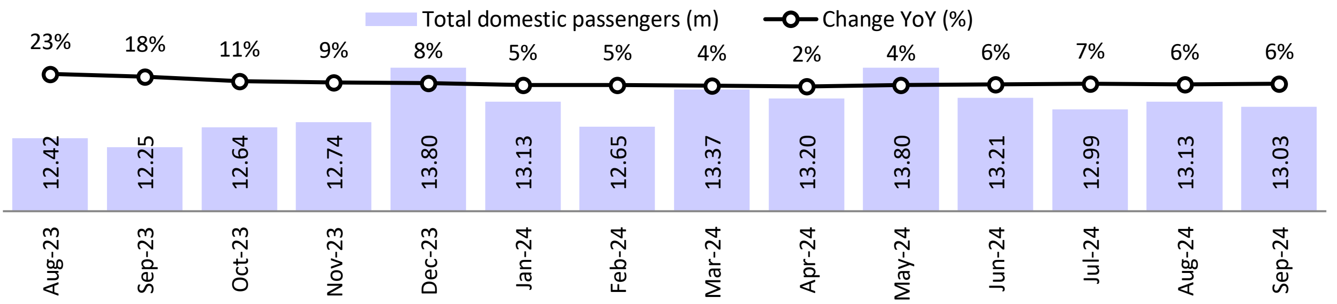
Domestic industry's PLF and OTP

- Domestic PLF stood at 73.4% in Sep'24 (73.8% in Aug'24 and 81.7% Sep'23). PLF stood at 82.6% for IndiGo (down 210bp YoY), 84.2% for the AI group (down 220bp YoY), 85.9% for Akasa (down 220bp YoY), and 80.4% for SpiceJet (down 11pp YoY).
- Average OTP for domestic airlines at the top four airports declined to 60.4% (down 15.5pp YoY/30bp MoM). OTP stood at 69.2% for IndiGo (down 14.4pp YoY), 69.1% for Air India group (down ~770bp YoY), 62.1% for Akasa (down 11.9pp YoY), and 30.4% for SpiceJet (down ~36.8pp YoY).

Other highlights

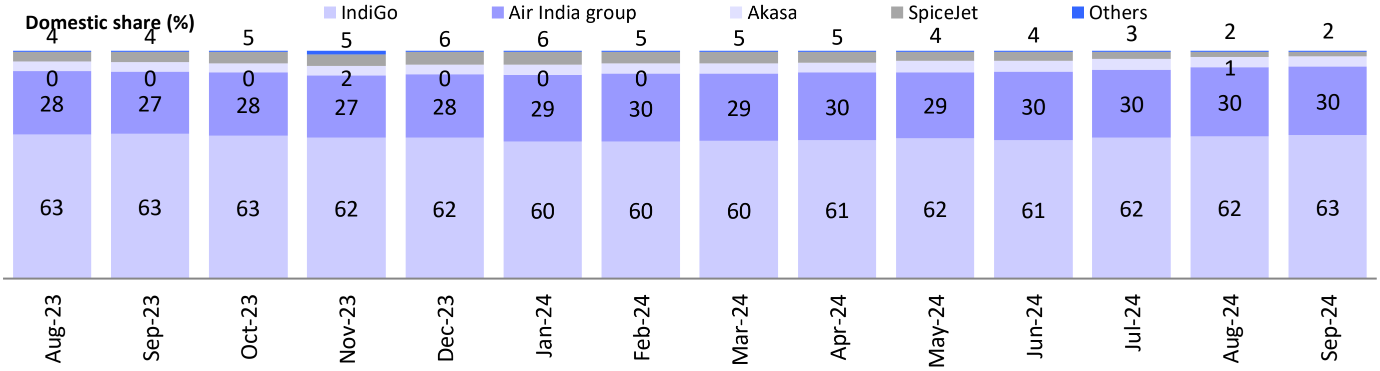
- Air turbine fuel (ATF) price for Oct'24'TD is at INR87,597/Klit (down 6% MoM). In 2QFY25, AFT stood at INR95,868klit (-3% QoQ and +5% YoY). For 1QFY25, ATF price was at INR99,194/klit (down 2% QoQ). Currently, Brent crude stands at ~USD78.8/bbl (average of USD78.3/bbl in Oct'24 and USD80/bbl in 2QFY25).

Domestic PAX grew 6% YoY but declined 1% MoM



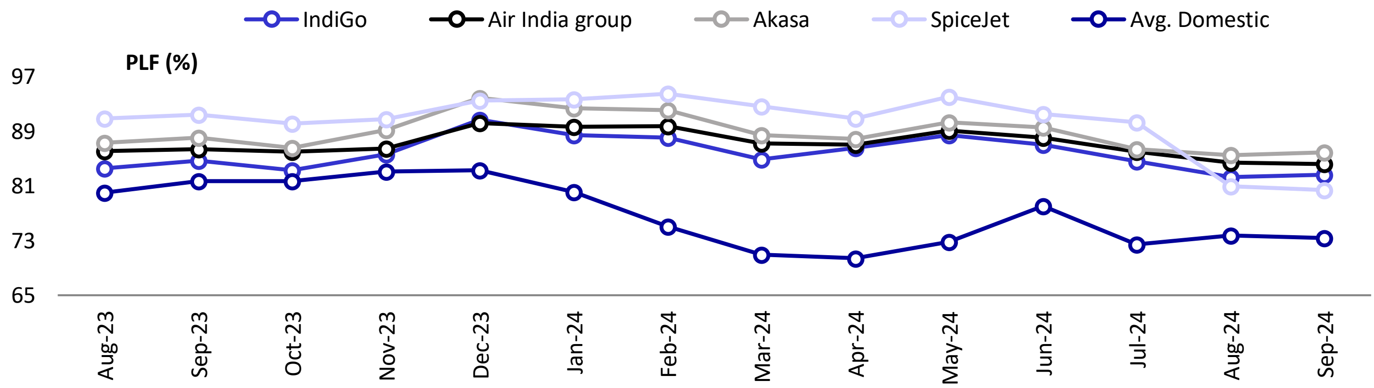
Source: DGCA, MOFSL

IndiGo's domestic market share was 63% in Sep'24, while the same was 30% for the AI group



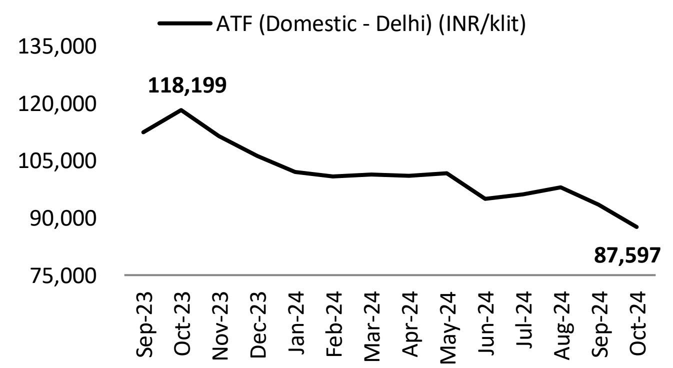
Source: DGCA, MOFSL

Average domestic PLF was 73.4%; it was the highest for Vistara at 90.9% in Sep'24



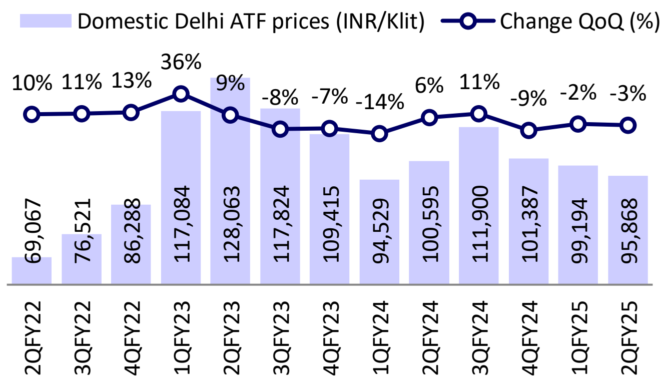
Source: DGCA, MOFSL

Decline in ATF prices in Oct'24 to date…



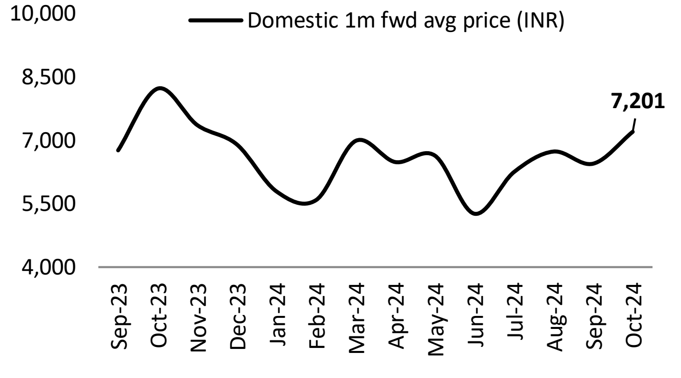
Source: HPCL, IOCL, MOFSL

…with the same decreasing 5% YoY in 2QFY25



Source: HPCL, IOCL, MOFSL

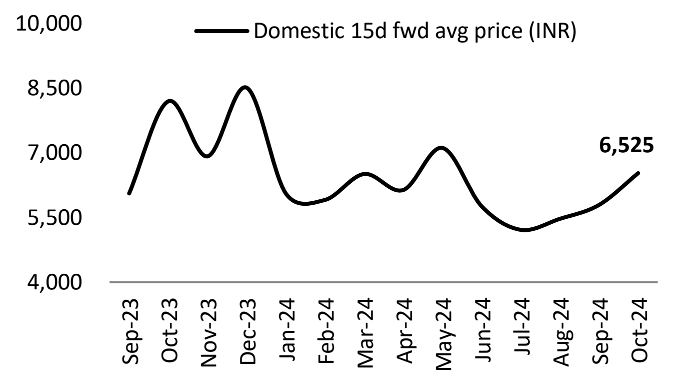
Domestic fares on a 1-month forward basis



*Oct'24 till date

Source: MakeMyTrip, MOFSL

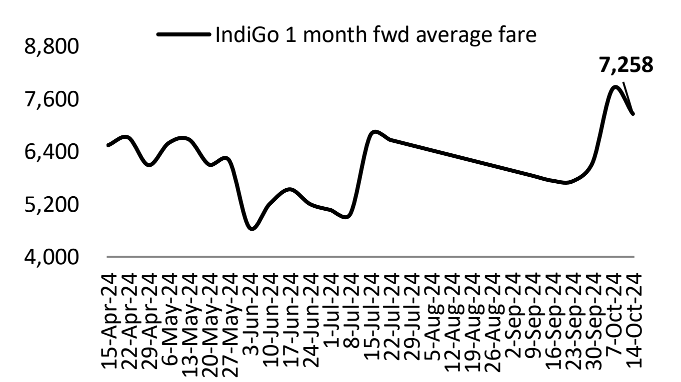
Domestic fares on a 15-day forward basis



*Oct'24 till date

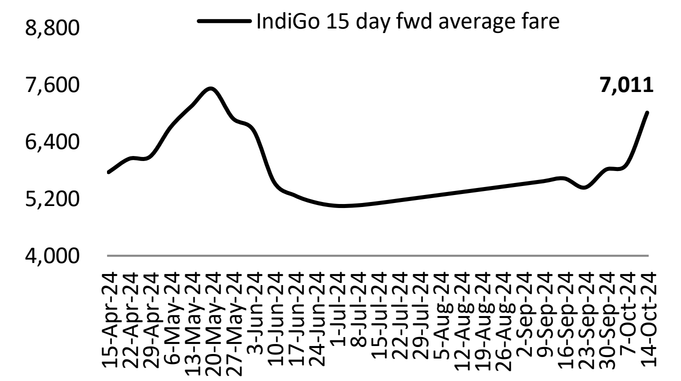
Source: MakeMyTrip, MOFSL

IndiGo's fares on a 1-month forward basis



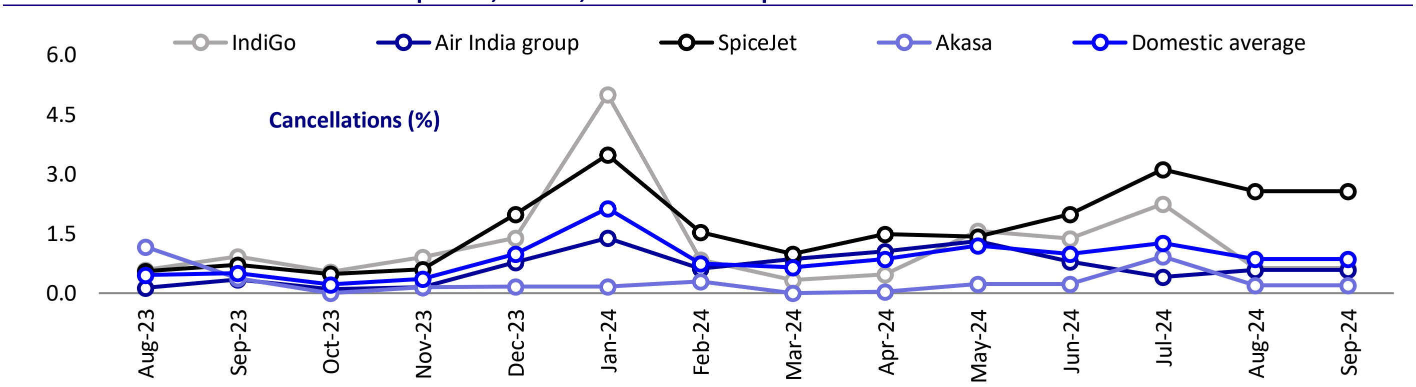
Source: MakeMyTrip, MOFSL

IndiGo's fares on a 15-day forward basis



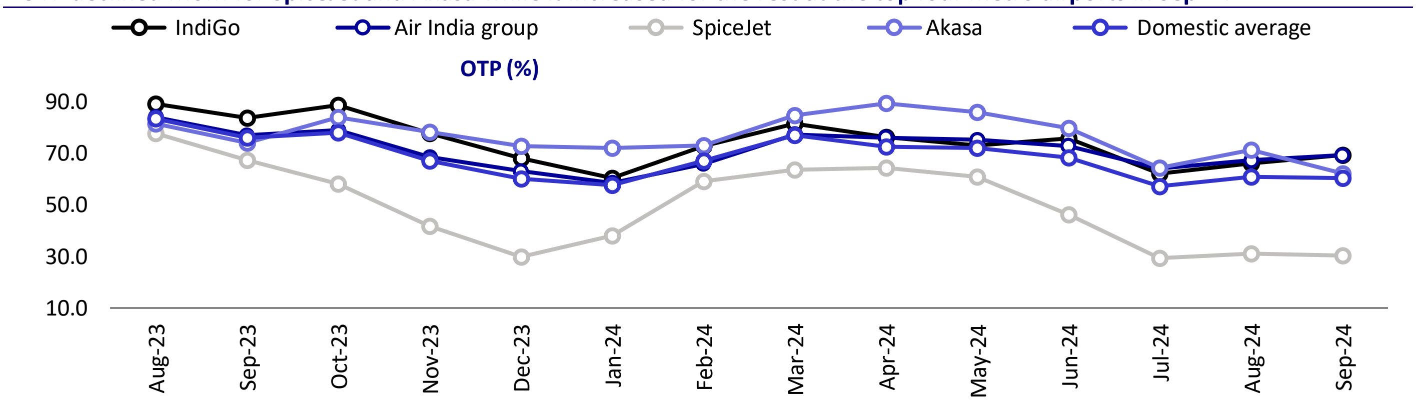
Source: MakeMyTrip, MOFSL

% cancellations increased MoM for SpiceJet, Vistara, and Akasa in Sep'24



Source: DGCA, MOFSL

OTP declined MoM for SpiceJet and Akasa while it increased for the rest at the top four metro airports in Sep'24



Source: DGCA, MOFSL

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- Automotive ER&D spending faces challenges, affecting project timelines
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- Cognizant's employee retention rates are at an all-time low
- Aims to be a "virtuous cycle" of clients and employees

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- Shift in sales from small to larger packaging sizes planned, leading to improved margins and revenue per unit sold
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