Market snapshot

Equities - India	Close	Chg .%	CY24.%
Sensex	78,199	0.3	8.2
Nifty-50	23,708	0.4	8.8
Nifty-M 100	56,869	0.9	23.9
Equities-Global	**Close**	**Chg .%**	**CY24.%**
S&P 500	5,909	-1.1	23.3
Nasdaq	19,490	-1.9	28.6
FTSE 100	8,245	-0.1	5.7
DAX	20,341	0.6	18.8
Hang Seng	7,050	-1.2	26.4
Nikkei 225	40,083	2.0	19.2
Commodities	**Close**	**Chg .%**	**CY24.%**
Brent (US$/Bbl)	78	0.4	-4.5
Gold ($/OZ)	2,649	0.5	27.2
Cu (US$/MT)	8,887	0.0	2.2
Almn (US$/MT)	2,489	1.2	7.7
Currency	**Close**	**Chg .%**	**CY24.%**
USD/INR	85.7	-0.1	2.9
USD/EUR	1.0	-0.5	-6.2
USD/JPY	158.1	0.3	11.5
YIELD (%)	**Close**	**1MChg**	**CY24 chg**
10 Yrs G-Sec	6.7	0.00	-0.4
10 Yrs AAA Corp	7.3	-0.02	-0.5
Flows (USD b)	**7-Jan**	**MTD**	**CYTD**
FIIs	-0.2	1.15	-0.8
DIIs	0.19	4.20	62.9
Volumes (INRb)	**7-Jan**	**MTD***	**YTD***
Cash	999	1002	1002
F&O	1,13,629	1,84,980	1,84,980

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research theme

India Strategy - 3QFY25 Preview: A PAUSE for THOUGHT!

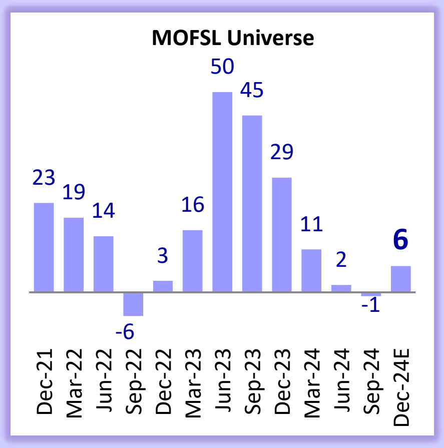
- We estimate the MOFSL Universe and Nifty-50 earnings to grow 6% YoY each in 3QFY25. Ex-Metals and O&G, we project the MOFSL Universe and Nifty earnings to grow 10% and 8% YoY, respectively.
- The overall modest earnings growth is broadly anticipated to be driven by BFSI (+8% YoY), along with Capital Goods (+26% YoY), Technology (+9% YoY), Healthcare (19% YoY), and Real Estate (+58% YoY) sectors. Conversely, earnings growth is likely to be weakened by global cyclicals, such as Metals (- 8% YoY), O&G (-4% YoY), and Cement (-45% YoY). Meanwhile, Consumer Durables (+31% YoY) and Retail (+30%) are projected to deliver strong growth, while Auto (+3% YoY) and Consumers (+1% YoY) are anticipated to post flattish performance.
- The EBITDA margin (ex-Financials) is likely to remain flat YoY for the MOFSL Universe, reaching 17.1%. Conversely, for Nifty-50, excluding Financials, margin is likely to expand 30bp YoY to 20.2% during the quarter.
- We reduce our FY25E and FY26E Nifty EPS estimates by 0.6%/1.7% to INR1,050 and INR1,220, respectively. We estimate the Nifty EPS to grow 4.5%/16.1% in FY25/FY26.

Research covered

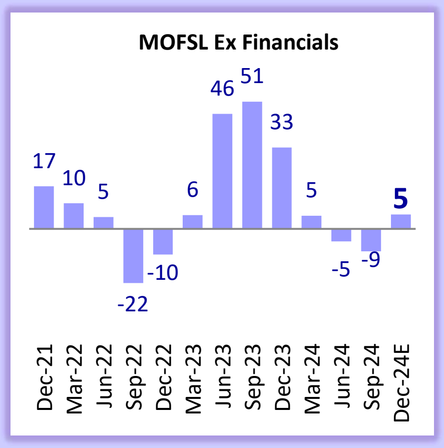
Cos/Sector	Key Highlights
India Strategy	3QFY25 Preview: A PAUSE for THOUGHT!
EcoScope	Household net financial savings likely picked up in 1HFY25
	Real GDP growth likely to be at a four-year low in FY25
Kalyan Jewellers	Strong double-digit SSSG

Chart of the Day: India Strategy - 3QFY25E MOFSL earnings performance

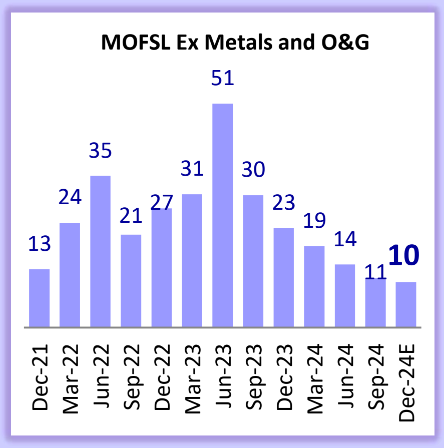
PAT expected to grow 6% YoY for the MOFSL Universe



PAT likely to rise 5% YoY for the MOFSL Universe, excluding Financials



PAT to grow 10% YoY for the MOFSL Universe, sans Metals and O&G



Research Team (Gautam.Duggad@MotilalOswal.com)

Kindly click on textbox for the detailed news link

1

Vodafone Idea readying rollout of 5G from March

"Partnering with global leaders such as Ericsson, Nokia and Samsung, we are driving a transformative three-year investment plan.

2

Nirma Group company outbids Ambuja in insolvency sale of Vadraj Cement

Nirma Group-backed Nuvoco Vistas has offered ₹1,800 crore to acquire Vadraj Cement, outbidding Adani Group during a court-monitored corporate insolvency auction.

3

Advik acquires German braking system manufacturer Powersports MTG

Advik has acquired German braking systems maker Powersports MTG, gaining expertise in premium motorcycle safety components and expanding its footprint in Europe.

4

Export of petroleum products up 3 per cent in December

The exports to the Middle East increased by 52% in December at 278,155 barrels per day compared to the previous month.

5

Wagh Bakri Tea Group unveils optimistic expansion plans amidst struggles within India's tea industry

The instant tea-blending line will bolster the company's production capacity from 3,000-4,000 packets daily to 20,000-30,000 packets.

6

OYO Reports Rs.114.64 Cr. net profit in FY24, revenue drops 15%

OYO Reports Rs.114.64 Cr. net profit in FY24, revenue drops 15%, making a turnaround from the net loss recorded in FY22-23

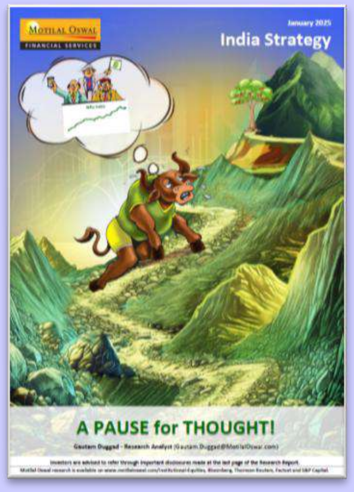
7

Tata Electronics gets CCI nod to acquire majority stake in Pegatron India

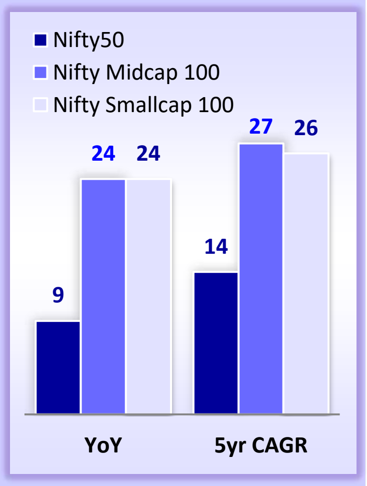
In November last year, it was reported that Tata Electronics is looking to acquire a 60% stake in Pegatron India, a subsidiary of Pegatron Corporation.

India Strategy

BSE Sensex: 78,199 | **Nifty 50: 23,703**



Mid and Small-caps outperform Nifty-50 handsomely (as of Dec'24)



A PAUSE for THOUGHT!

Déjà vu for earnings in 3Q!

Market correction – a sign of things to come? Even as the calendar flips from 2024 to 2025, the underlying backdrop for Indian equities remains broadly unchanged. Following a blazing rally in CY23 and 9MCY24, the Indian markets are currently navigating an interim phase of course correction, with the Nifty-50 retreating 10% from its peak. This market correction has coincided with a slowdown in earnings growth, as the Nifty-50 has managed only a modest 4% PAT growth in 9MFY25E (following a 20%+ CAGR during FY20-24). This deceleration can be attributed to a broad-based slowdown in consumption (esp. urban), a cutback in government capex, and banks taking a more cautious approach to the heady unsecured personal loans, with credit growth easing from a robust 16-17% to a more tempered 11-12% at present. Additionally, urban consumers are feeling the pinch from rising prices, although rural consumption is showing signs of recovery thanks to a bountiful monsoon, which has exceeded the long-period average by 8%.

Divergence in institutional flows signifies a shift in market dynamics: As we dive into 2HCY24, the Indian markets have been navigating through a sea of uncertainty, stirred by a cocktail of multiple domestic developments and pivotal global events that unfolded in late 2024. The triumph of Donald Trump in the US elections, coupled with the Federal Reserve (Fed)'s cycle of rate cuts and sporadic stimulus measures from China (albeit with less impact), has left global markets in a state of suspense, amplifying volatility. Accordingly, this has prompted a sharp reaction from foreign investors, who pulled out ~USD12b in 3QFY25. In contrast, domestic investors have remained steadfast and continued to display unstinted support. The SIPs continued to scale record highs, averaging ~INR250b/month during the quarter, enabling overall DII inflows of ~USD22b in 3QFY25. Interestingly, this divergence in institutional flows also manifested in a rare phenomenon where small- and mid-cap stocks posted a sharper recovery than their large-cap counterparts, despite the latter's seemingly favorable valuations. We believe this intriguing trend highlights the market's potential for structural diversification. Currently, the Nifty-50 is trading at ~20x one-year forward earnings, while the mid- and small-caps are trading at 56% and 17% premiums, respectively.

Early signs of a growth pickup beginning to manifest

In the realm of domestic politics, the third quarter has been somewhat favorable for the markets. The NDA government has managed to regain some of its lost momentum following a lukewarm Lok Sabha election verdict. NDA's recent triumphs in Haryana, a sweeping victory in the crucial state of Maharashtra, and success in the bye-elections in Uttar Pradesh – the largest and politically pivotal state – have set the stage for renewed focus on development initiatives. This renewed vigor could lead to an increase in capital expenditures, which had been stagnant in 1HFY25, dipping 12.7% YoY due to a flurry of key elections, extreme weather conditions, and the government's preoccupation with coalition building following the Jun'24 Lok Sabha verdict.

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However, the landscape isn't without its challenges. Several key High Frequency Indicators (HFIs) are showing some signs of fatigue, hinting at an overall interim slowdown, with 2QFY25 GDP hitting a seven-quarter low of 5.4%. Yet, as we stepped into Dec'24, the HFIs painted a mixed picture of economic activity. Auto sales have remained subdued (vehicle registration for 2Ws/3Ws/PVs/CVs declined 18%/5%/2%/5% YoY in Dec'24), reflecting a slowdown in consumption. However, growth in real rural wages improved to 1.3% YoY, which typically augurs well for rural consumption of staples. On the flip side, toll collection growth decelerated, and while power generation saw some improvement, it still lagged behind expectations.

Union Budget & policies of the new US administration to keep markets jittery

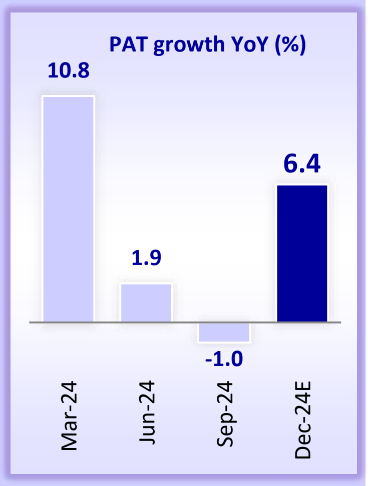
As we gaze into the future, the Union Budget is poised to be a pivotal moment, capturing our attention for hints of a revival in government capex and quick fixes to boost consumption. Moreover, the RBI monetary policy in Feb'25 will also be critical in shaping interest rate trends. We believe that the RBI will initiate a modest rate-cut cycle to ease concerns about an economic slowdown. Moreover, rural income and consumption are expected to improve, thanks to a bountiful monsoon, a successful Kharif harvest, and promising Rabi sowing, along with the anticipated positive ripple effects of increased government spending.

On the global stage, the most notable factor keeping markets on edge will be the follow-through on the protectionist promises from the incoming Trump administration. Markets will remain volatile as they navigate the tug-of-war between government rhetoric and the challenging reality of implementing radical "Make America Great Again" initiatives.

Amid the challenges, the medium-term opportunities remain intact

Notwithstanding the near-term challenges on both the macro and micro fronts, we remain optimistic about India's growth story in the medium to long run. As the aftereffects of the slowdown in government spending and monetary tightening recede, we expect the corporate earnings growth for FY26E to look healthy (at 16% earnings growth for FY26E for the Nifty-50). The domestic flows in equities remain resilient. However, the supply of paper has also risen considerably. CY24 has been a blockbuster year for the Indian primary market, with INR1.9t raised through IPOs – an all-time high. Capital raised through QIPs also reached a record high of INR1.3t (2.5x of CY23). With a lean domestic political calendar in CY25, the resumption of capital spending, and recovery in corporate earnings, we expect the backdrop for Indian equities to turn better progressively in CY25 even as we expect a range-bound market in 1HCY25 until earnings catch up with the rich broader market valuations.

MOFSL Universe to clock ~6% earnings growth in 3QFY25E



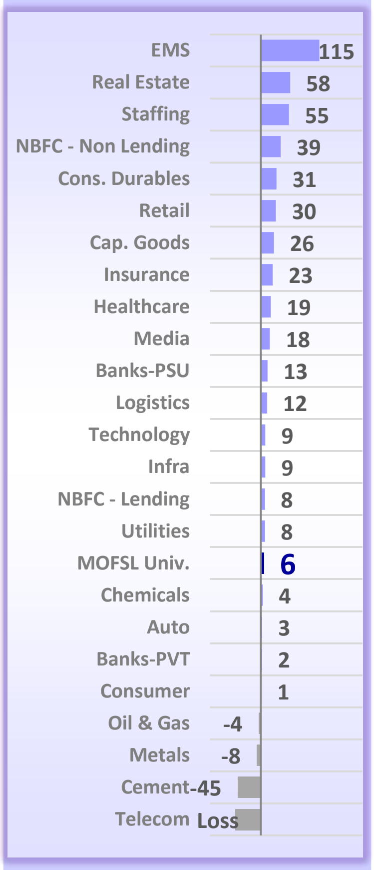
Earnings trajectory similar to 2Q; Nifty EPS cut 0.6%/1.7% for FY25E/26E

We estimate the MOFSL Universe and Nifty-50 earnings to grow 6% YoY each in 3QFY25. Ex-Metals and O&G, we project the MOFSL Universe and Nifty earnings to grow 10% and 8% YoY, respectively, vs. 11% and 10% in 2QFY25, respectively. The EBITDA margin (ex-Financials) is likely to remain flat YoY for the MOFSL Universe, reaching 17.1%, mainly aided by Healthcare and Telecom but dragged down by Commodities and Cement sectors. Meanwhile, the margin is projected to expand 30bp for the Nifty-50 at 20.2%. The overall modest earnings growth is broadly anticipated to be driven by BFSI (+8% YoY), along with Capital Goods (+26% YoY), Technology (+9% YoY), Healthcare (19% YoY), and Real Estate (+58% YoY) sectors. Conversely, earnings growth is likely to be weakened by global cyclicals, such as Metals (- 8% YoY), O&G (-4% YoY), and Cement (-45% YoY). Meanwhile, Consumer Durables (+31% YoY) and Retail (+30%) are projected to deliver strong growth, while Auto (+3% YoY) and Consumers (+1% YoY) are anticipated to post flattish performance. We have cut our FY25E and FY26E Nifty EPS by 0.6% and 1.7% to INR1,050 and INR1,220, respectively. O&G has driven ~80% of the 0.6% cut in our FY25E earnings. We estimate the Nifty EPS to grow 4%/16% in FY25/FY26.

Annual earnings trend: FY25 to normalize as earnings converge with revenue growth

The past two financial years experienced an interesting interplay of revenue and earnings growth, driven by global macros. In FY23, the MOFSL Universe experienced a sharp drag on margins as commodity prices surged during the Russia-Ukraine conflict. This resulted in just 11% earnings growth for the MOFSL Universe, despite 24% revenue growth. FY24 witnessed a reversal of this trend, as commodity prices moderated and margins sharply rebounded. Thus, the MOFSL Universe delivered 30% earnings growth despite just 4% revenue growth. For FY25, we expect earnings to normalize and track the revenue trend. For FY25, we anticipate the MOFSL Universe to deliver 6% revenue growth and EBITDA/PAT to grow 5%/4% YoY. The Nifty-50 is also likely to deliver 4% earnings growth in FY25 over a high base of FY24 (+26% YoY).

Sectoral PAT growth for the quarter-ended Dec’24 (YoY %)



Earnings highlights – 3QFY25E | BFSI to drive modest earnings growth aided by Capital Goods, Technology, and Healthcare; Commodities continue to drag

- We expect the **MOFSL earnings to grow 6% YoY, while those of Nifty would also grow 6% YoY in 3QFY25**. Excluding global commodities (i.e., Metals and O&G), the MOFSL Universe and Nifty are likely to report 10% and 8% YoY earnings growth, respectively, for the quarter.
- Sales and EBITDA of the MOFSL Universe are likely to grow 8% and 9% YoY, while for the Nifty, we expect sales and EBITDA to improve 5% and 9% YoY, respectively. Ex-Commodities, EBITDA of the MOFSL Universe/Nifty is likely to grow 13%/12% YoY.
- The modest earnings growth is likely to be driven once again by BFSI, with positive contributions from Technology, Capital Goods, Healthcare, and Real Estate. The earnings growth of PSU Banks, NBFC-Lending, and Private Banks is expected to be 13%, 8%, and 2% YoY, respectively. The 2%/13% earnings growth in Private/PSU Banks is the lowest in 13/10 quarters. Also, NBFC Non-lending (Capital market players’) earnings are likely to rise 39% YoY, primarily led by exchanges and brokers.
- The **Auto** sector’s earnings are likely to rise 3% YoY, the lowest in 11 quarters.
- The **Capital Goods** sector is projected to report an earnings growth of 26% YoY for the quarter, the seventh consecutive quarter of 20%+ earnings growth.
- The **Healthcare** universe is likely to report strong 19% YoY earnings growth; its seventh consecutive quarter of robust earnings growth.
- The **Real Estate** universe is likely to deliver another quarter of strong earnings growth of 58% YoY.
- The **Technology** sector is likely to deliver earnings growth of 9% YoY in 3QFY25.

- The **Metals** universe is projected to report an 8% YoY earnings decline on a high 3QFY24 base.
- The **O&G** Universe is expected to report a 4% YoY earnings decline, dragged down by IOCL and others but partially offset by BPCL and HPCL.
- The **Cement** universe is expected to report a 45% YoY earnings decline. The sector is likely to clock the third consecutive quarter of sharp earnings decline driven by low pricing and a high base of margins YoY.
- The **Telecom** universe is likely to post the lowest loss figure of INR3.3b since Jun'18, mainly led by improved margins in Bharti Airtel.
- The **Chemicals** sector is likely to report a 4% YoY earnings growth; the first quarter of earnings growth after declining for six consecutive quarters.
- We expect EBITDA margin (ex-Financials) to remain flat YoY for the MOFSL Universe at 17.1%. Conversely, for Nifty-50, excluding Financials, margin is likely to expand 30bp YoY to 20.2% during the quarter.
- In 3QFY25, the MOFSL Large-cap/Mid-cap Universe is likely to register a PAT growth of 5%/17%, while the Small-cap Universe is projected to report a 3% YoY PAT decline during the quarter. Moreover, sales for large-/mid-/small-caps are likely to grow 8%/4%/9% YoY, and their EBITDA to clock 8%/13%/10% YoY growth.
- **Sales/EBITDA/PAT of the MOFSL Universe** are expected to report a two-year CAGR of 7%/12%/17% over Dec'22-Dec'24.
- **FY25E earnings highlights:** The MOFSL Universe is likely to deliver a sales/EBITDA/ PAT growth of 6%/5%/4% YoY. Financials, Metals, Technology, Automobile, Capital Goods, and Healthcare, are likely to be the key earning drivers with 13%, 13%, 9%, 8%, 25%, 21% YoY growth, respectively. These six sectors are projected to contribute 223% of the incremental earnings for the MOFSL Universe in FY25.
- **Nifty EPS cut for FY25E/26E:** We reduce our FY25E and FY26E Nifty EPS estimates by 0.6%/1.7% to INR1,050 and INR1,220, respectively. O&G has led to 80% of the 0.6% cut in FY25E Nifty earnings. We estimate the Nifty EPS to grow 4.5%/16.1% in FY25/FY26.

MOFSL TOP IDEAS: Largecaps – ICICI Bank, SBI, L&T, HCL Tech, M&M, Trent, Bharti Airtel, Titan Company, Sun Pharma, and Dixon Tech.
Midcaps and Smallcaps – Indian Hotels, Cummins India, BSE, Godrej Properties, Coforge, Metro Brands, IPCA Labs, Angel One, Anant Raj and JSW Infrastructure.

Model portfolio: Key changes

Constructing a model portfolio in the current volatile backdrop of moderating earnings and expensive broader market valuations presents a unique challenge. As always, we have made several adjustments to our model portfolio and sectoral stance. Overall, with broader markets trading at significant premiums vs. their own LPA and Nifty, we remain biased towards large-caps with a 76% allocation, while mid-caps and small-caps occupy the rest. We discuss the key changes in the model portfolio below:

- We are OW on BFSI, IT, Industrials, Healthcare, and Real Estate, while we are UW on Oil & Gas, Cement, Automobiles, and Metals. We have also made several additions from a bottom-up viewpoint across sectors.
- **FINANCIALS:** We are trimming HDFC Bank and adding weights in Non-Lending NBFCs. We are adding BSE to the model portfolio while keeping our weights intact in Angel and HDFC Life. In the first leg of F&O regulations, BSE premium turnover has remained flat despite the decline in notional turnover. This will lead to better profitability as revenue is linked to premium turnover, while costs

are linked to notional turnover. Further, we expect the market share to improve as Sensex expiry is shifted to Tuesday. In Lending-NBFCs, we are adding Shriram Finance to the model portfolio. SHFL has positioned itself to capitalize on its diversified AUM mix, improved access to liabilities, and enhanced cross-selling opportunities. Valuations, at 1.8x FY26 P/B, look attractive for 17% RoE and an expected 20% earnings CAGR over FY25-27E.

- **TECHNOLOGY**: We reiterate our OW stance on IT and maintain our weights. However, following the sharp outperformance by Persistent, we are now replacing it with LTI Mindtree. LTIMindtree's presence in the BFSI and Hi-tech verticals, which are projected to rebound in the near term, underpins its ability to seize the demand in these market segments supported by its expertise in data, ERP, and application modernization. Despite current uncertainties regarding management succession and margin pressures (reflected in its current valuations), a significant recovery in margins is anticipated by FY27. Together these factors present an asymmetric risk-reward scenario, and this makes a strong case to include the stock in our model portfolio.
- **CONSUMPTION:** We continue to stay OW in Discretionary and UW in Staples. Within Discretionary, we are adding Trent as we expect Trent to continue its significant outperformance (vs. retail peers), driven by robust store additions in Zudio, backed by its superior store economics. We are also introducing Page Industries to our model portfolio. With volume growth pressure bottoming out and benign input costs likely to lead to a better margin print, we expect the earnings cycle to pick up from hereon.
- **AUTOMOBILES:** We maintain our UW stance on Automobiles and continue to reiterate M&M and TVS Motors as our preferred ideas.
- **INDUSTRIALS:** This sector remains our favorite theme, and we maintain our OW stance and weights in the sector with allocation towards L&T, ABB, and Dixon Technologies.
- **HEALTHCARE:** We maintain our OW stance on Healthcare and raise weights further. We are reintroducing Sun Pharma in the model portfolio and also adding IPCA. SUNP has multiple sustainable growth levers, such as: 1) adding products/improving prescriptions for the specialty portfolio, 2) clinical development of differentiated products, and 3) volumes/new introductions in the branded generics market. We expect 14%/17% EBITDA/PAT CAGR over FY25-27. Following a muted performance in the US over the past eight years due to compliance issues, IPCA is well-poised to revive its US business through new product launches, relaunches, stable pricing in its base business, and the integration of the Unichem business over the next 12-24M. We expect 30% earnings CAGR and an improvement in the RoEs to ~16% over FY25-27E.
- **UTILITY:** We are adding JSW Energy to our model portfolio. We expect a spike in installed capacity to over 14GW by FY27 from 7.7GW in 1HFY25. This is accompanied by solid execution with a proportion of the renewable pipeline backed by PPA significantly higher than peers. We forecast EBITDA to nearly double to INR11.1b by the end of FY27E from INR5.3b at the end of FY24.
- **REAL ESTATE:** We continue to remain OW in Real Estate and add Anant Raj in the model portfolio. India’s DC market is on the brink of a growth phase, fueled by the country’s rapid digital transformation and increasing demand for data storage. With competitive lease rates of INR9m per MW per month and lower construction costs, ARCP’s DCs are set to deliver healthy profits. Strong pre-sales, collections, and operational cash flows underpin ARCP’s growth.

Note: Exhibit data is sourced from Bloomberg, Companies, and MOFSL research database

Household net financial savings likely picked up in 1HFY25

Growth in non-housing personal loans moderates, though still high

- The Reserve Bank of India (RBI) published updated data on FY24 household net financial savings (HHNFS) in its Dec'24 Bulletin. HHNFS improved slightly to 5.3% of GDP last year from a 47-year low of 5.0% of GDP in FY23 *(Exhibit 1)*. Interestingly, the RBI has revised down its FY23 data from 5.1% reported earlier in Sep'23 and 5.3% published by the Central Statistics Office (CSO) in Feb'24. The small improvement in FY24 was broadly in line with our estimates[1], which suggested HHNFS at 5.1% of GDP in FY24 vs. 4.9% in the previous year *(Exhibit 2)*.
- Details suggest that while gross financial savings (GFS) picked up in FY24, they were largely matched by higher liabilities, due to which there was only a marginal rise in HHNFS. GFS stood at 11.6% of GDP in FY24, better than 11.0% in the previous two years (FY22/FY23), although it was lower than the average of 12.0% of GDP in the pre-pandemic years (FY18-FY20). HH liabilities, on the other hand, were at a 17-year high of 6.4% of GDP, the second highest on record after 6.6% of GDP in FY07 *(Exhibits 3 and 4)*.
- Our estimates suggest that HHNFS likely picked up to 7.3% of GDP in 1HFY25, almost double of that in 1HFY24 *(Exhibit 5)*. About three-fifths of the improvement in HHNFS came due to lower liabilities, while GFS also increased. Our calculations suggest that financial liabilities were at 4.7% of GDP in 1HFY25, compared to 6.9% in 1HFY24, while GFS increased to 12.0% of GDP from 10.6%. Higher GFS was largely on account of insurance savings, a lower fall in currency holdings (led by withdrawal of 2,000 denomination banknotes last year) and investments in capital markets.
- The RBI data also revealed that household debt increased to 41.0% of GDP in FY24 from 37.9% of GDP in FY23. This is also comparable[2] to our estimate of 42.9% of GDP last year. This compares with 31-32% of GDP a few years ago. Our updated data suggests that HH debt rose slightly to 43.5% of GDP in 1HFY25 *(Exhibits 6 and 7)*.
- We classify HH debt into four segments – agriculture loans, businesses (industry and services), housing loan and non-housing personal loans (NHPLs). Housing debt accounts for only ~30% of total HH debt in India, which means non-housing debt has risen to 32.3% of GDP as of 2QFY25, which is among the highest compared to others *(Exhibits 8 and 9)*.
- Details[3] – based on our estimates – confirm that the share of NHPLs increased to a one-third of total HH debt in 1HFY25, compared to 29% each in FY20 and FY21 *(Exhibits 10 and 11)*. This is because such loans grew 20.6% YoY in 1HFY25, slower than 25%/23% YoY in FY23/FY24, but much higher than 13-14% growth in other segments of HH debt (i.e., agriculture, businesses and housing loans).
- Within NHPLs, secured loans (vehicles, consumer durables, gold, loans against fixed deposits [FDs] and loans against shares, bonds [SBs] etc.) grew at a six-quarter high rate of 21.7% YoY in 2QFY25, faster than 11-quarter slow growth of 19.9% YoY in unsecured loans (all others). The former, thus, grew faster than the latter for the first time in 11 quarters. Unsecured personal loans accounted for 19.7% of HH debt in 1HFY25 or about three-fifths of total HH debt vs. 13% or about half of total HH debt in FY19 *(Exhibits 12 and 13)*.
- Within secured loans, loans against gold jewelry increased by a 13-quarter high rate of 34.9% YoY in 2QFY25, compared to ~20% YoY growth in vehicles and consumer durables. Based on available details of NHPLs, vehicle loans account for about a fourth of such loans, other loans account for about half, and the remaining loans (education, consumer durables, gold loans, loans against FDs, shares, bonds, etc. and credit cards) account for the rest of NHPLs *(Exhibits 14 and 15)*.
- Overall, the RBI's actions to restrict very high growth in unsecured NHPLs seem to be working. Our estimates suggest that the growth in unsecured PLs moderated from the high of 31.3% YoY in 3QFY24 to 19.9% YoY in 2QFY25. This must have had some adverse impact on consumers' spending power as well. Nonetheless, it is still higher than 15.8% YoY growth in total HH debt and much higher than ~14% growth each in the agricultural and business (in the household sector) portfolios. The story is still unfolding and we will keep a close eye on these trends.

[1]Our current estimates based on new/updated data are different from the ones published in the linked report. Earlier, our estimates suggested a rise in HHNFS to 5.7% of GDP in FY24, from 5.1% in FY23 (published in the linked report).

[2]Lower HH debt as per the RBI vs. our estimates could be because we include data from the RBI's annual Basic Statistical Returns (BSR) report, which includes regional rural banks (RRBs). The RBI, on the other hand, appears to take data from the quarterly BSR report, which excludes RRBs.

[3]Details are based on ~90% of total HH debt, since we do not have required details on quarterly basis for RRBs, co-operative banks and insurance companies.

Real GDP growth likely to be at a four-year low in FY25

Led by deceleration in investments

- **India's real GDP growth is estimated to moderate to a four-year low of 6.4% in FY25, according to the First Advance Estimates (FAE) released by the Central Statistical Office (CSO). The Indian economy has grown by at least 7% in each of the last three financial years after a contraction of 5.8% in FY21. In FY24, GDP growth beat all forecasts, reaching 8.2%. The FAE of 6.4% is lower than the Reserve Bank of India's projection of 6.6% growth but higher than our projection of 5.8%. *(Exhibit 1).***
- **Consequently, real GDP growth likely to grow 6.7% YoY in 2HFY25 (from 6.0% in 1HFY25). NSO estimates suggest a revival in consumption and moderation in investments in 2HFY25. Private consumption is likely to grow 7.8% YoY in 2HFY25 (vs 6.7%/4.0% in 1HFY25/FY24), government consumption is estimated to grow 6.1% in 2HFY25 (vs 2.0%/2.5%), and total investments are likely to increase 5.8% in 2HFY25 vs 6.5%/9.4% in 1HFY25/FY24. (Exhibit 3).**
- **Thus, the investment-to-GDP ratio is seen at 32.7% in FY25, the lowest in three years. At the same time, higher net imports in FY25 imply a decline in domestic savings to 30.1% of GDP (vs 31.1% in FY24).**
- **Notably, NSO estimates suggest nominal GDP growth to rise to 10.5% YoY in 2H (vs 8.9%/9.6% in 1H/FY24), implying 9.7% growth in FY25 (lower by INR2.2t than BEs), slightly higher than 9.6% in FY24, and higher than our expectation of 9.2%. The central government had budgeted a GDP growth of 10.5% for FY25 for fiscal deficit calculations. Moderation in GDP growth to 9.7% would imply a 10bp increase in the FD-to-GDP ratio to 5.0% from 4.9% budgeted in Jul'24. *(Exhibit 2).***
- **It also sees real GVA growth at 6.6% YoY in 2H (vs 6.2%/7.2% in 1H/FY24), led by a broad-based improvement.**
- **Details confirm that: 1) private consumption likely grew at a three-year high growth of 7.3% in FY25 FAE vs. 4% last year; 2) government consumption expenditure saw a recovery, growing 4.1% in FY25 FAE vs 2.5% in FY24; 3) real investments growth moderated to 6.1% YoY in FY25 FAE vs. 9.4% in FY24; and 4) agriculture and allied activities are estimated to grow 3.8% in FY25, up from 1.4% in FY24. The construction sector is projected to expand 8.6%, while financial, real estate, and professional services are expected to grow 7.3%.**
- **This is in contrast to our forecast of 5.3%/5.8% growth in real GDP/GVA in 2HFY25 and 5.8%/6.0% in FY25.**

Exhibit 1: Real GDP likely grew 6.4% in FY25, according to FAEs

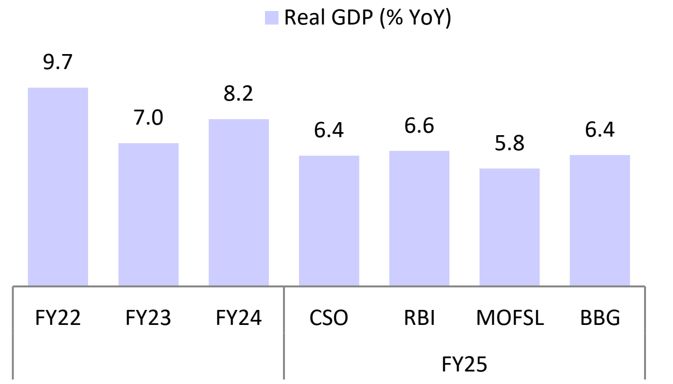


Exhibit 2: Nominal GDP likely grew 9.7% in FY25, followed by 9.6% in FY24

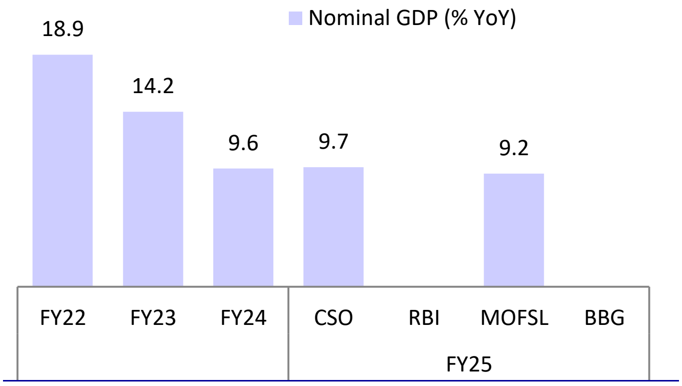


Exhibit 3: Details of components of real GDP/GVA growth

	% YoY									
	Actual		CSO	RBI	MOFSL	BBG	CSO	RBI	MOFSL	BBG
	FY24	1HFY25	2HFY25 F				FY25 F			
Real Gross domestic product (GDP) and its components										
Private cons exp (PCE)	4.0	6.7	7.8		5.8		7.3		6.2	
Govt cons exp (GCE)	2.5	2.0	6.1		8.4		4.1		5.3	
Gross Cap For (GCF)	9.4	6.5	5.8		6.3		6.1		6.4	
Gross Fixed Cap For	9.0	6.4	6.4		7.4		6.4		6.9	
Inventories	5.9	3.4	5.6		5.8		4.5		4.6	
Valuables	21.2	9.1	(6.7)		(16.1)		1.1		(3.7)	
Net exports			...		...					
Exports	2.6	5.6	6.2		6.9		5.9		6.3	
Imports	10.9	0.7	(3.5)		1.0		(1.3)		0.8	
Discrepancies	(123.3)		...		...					
GDP at market price	**8.2**	**6.0**	**6.7**	**7.0**	**5.3**	**6.5**	**6.4**	**6.6**	**5.8**	**6.4**
Nominal GDP	**9.6**	**8.9**	**10.5**		**9.5**		**9.7**		**9.2**	
Real Gross value added (GVA) and its components										
Agriculture etc.	1.4	2.7	4.5		5.2		3.8		4.1	
Industry	9.3	6.0	3.8		1.4		5.2		4.5	
Mining & quarrying	7.1	3.9	2.0		4.5		2.9		4.3	
Manufacturing	9.9	4.5	6.1		4.3		5.3		4.4	
Electricity	7.5	6.8	6.9		3.7		6.8		5.3	
Construction	9.9	9.1	8.1		4.7		8.6		6.7	
Services	7.6	7.1	7.3		6.8		7.2		6.9	
Trade, hotels, etc.	6.4	5.9	5.8		6.2		5.8		6.1	
Finance, insurance, etc	8.4	6.9	7.7		6.0		7.3		6.5	
Social & personal services	7.8	9.3	8.9		8.7		9.1		9.0	
GVA at basic prices	**7.2**	**6.2**	**6.6**		**5.8**		**6.4**		**6.0**	

Source: Central Statistics Office (CSO), CEIC, MOFSL

Kalyan Jewellers

BSE SENSEX	S&P CNX
78,199	23,708

Financials Snapshot (INR b)

Y/E March	2025E	2026E	2027E
Sales	251.1	322.8	398.0
EBITDA	16.7	20.6	24.9
EBITDA Margin (%)	6.7	6.4	6.3
Adj. PAT	8.3	11.2	14.1
Cons. Adj. EPS (INR)	8.1	10.9	13.7
EPS Gr. (%)	38.9	35.5	25.6
BV/Sh. (INR)	45.4	53.1	62.6
Ratios			
RoE (%)	18.7	22.2	23.7
RoIC (%)	13.1	14.3	15.6
Valuations			
P/E (x)	89.7	66.2	52.7
P/BV	15.9	13.6	11.6
EV/Sales	3.0	2.3	1.9
EV/EBITDA (x)	44.9	36.2	29.8

CMP: INR723 TP: INR875(+21%) BUY

Strong double-digit SSSG

Kalyan Jewellers (KALYAN) released its pre-quarterly update for 3QFY25. Here are the key takeaways:

Company-level performance

- KALYAN reported consolidated sales growth of ~39% YoY (est. 38%; 37% in 2QFY25 and 35% in 3QFY24), maintaining strong momentum across its markets in India and the Middle East.
- On 31st Dec'24, the total number of stores stood at 349, with 253 stores of Kalyan India, 59 stores of Candere, 1 store in the US, and 36 stores of Kalyan in the Middle East.
- KALYAN plans to open 30 Kalyan showrooms and 15 Candere showrooms in India in 4QFY25.
- In FY26, KALYAN plans to launch 170 showrooms for Kalyan and Candere formats - 75 Kalyan showrooms (all FOCO) in non-South India regions, 15 Kalyan showrooms (all FOCO) across South India and international markets, and 80 Candere showrooms in India.
- The company has already started signing LOIs for FOCO showrooms planned for FY26 in India and international markets.

India division

- India business grew ~41% YoY (est. 41%) during the quarter, compared to 39% YoY growth in 2QFY25 and 40% YoY growth in 3QFY24.
- Revenue growth was driven by strong festive and wedding demand across both gold and studded categories.
- Same-store sales growth (SSSG) was 24% (est. 21%) during the quarter, compared to 23% in 2QFY25 and 11% in 3QFY24.
- The company added 24 new Kalyan FOCO showrooms and 23 Candere showrooms in India during the quarter.

The Middle East

- Revenue grew ~22% YoY in 3QFY25.
- The region contributed 11% to consol. revenue in 3QFY25.
- Kalyan opened its first COCO showroom in the US during the quarter.

Candere

- Candere recorded revenue growth of ~89% YoY in 3QFY25.

Consolidated Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Stores	**192**	**206**	**228**	**253**	**277**	**303**	**339**	**378**	**253**	**378**
Net Sales	**43,757**	**44,145**	**52,231**	**45,349**	**55,355**	**60,655**	**72,280**	**62,809**	**1,85,483**	**2,51,099**
Change (%)	31.3	27.1	34.5	34.1	26.5	37.4	38.4	38.5	31.8	35.4
Raw Material/PM	37,153	37,840	44,616	38,737	47,419	52,313	61,992	53,876	1,58,346	2,15,600
Gross Profit	**6,604**	**6,306**	**7,615**	**6,612**	**7,935**	**8,342**	**10,288**	**8,934**	**27,137**	**35,498**
Gross Margin (%)	15.1	14.3	14.6	14.6	14.3	13.8	14.2	14.2	14.6	14.1
Operating Expenses	3,375	3,169	3,916	3,550	4,175	4,379	5,376	4,847	14,010	18,778
% of Sales	7.7	7.2	7.5	7.8	7.5	7.2	7.4	7.7	7.6	7.5
EBITDA	**3,229**	**3,137**	**3,698**	**3,062**	**3,760**	**3,962**	**4,911**	**4,086**	**13,127**	**16,720**
Margin (%)	7.4	7.1	7.1	6.8	6.8	6.5	6.8	6.5	7.1	6.7
Change (%)	22.2	17.9	13.1	19.3	16.4	26.3	32.8	33.4	17.8	27.4
Interest	821	817	817	778	852	903	896	857	3,232	3,508
Depreciation	641	669	697	736	755	850	865	891	2,743	3,360
Other Income	116	131	201	288	222	260	327	376	737	1,185
PBT	**1,885**	**1,781**	**2,386**	**1,837**	**2,375**	**2,469**	**3,478**	**2,715**	**7,888**	**11,037**
Tax	449	433	582	462	599	649	835	655	1,925	2,737
Effective Tax Rate (%)	23.8	24.3	24.4	25.1	25.2	26.3	24.0	24.1	24.4	24.8
Adjusted PAT	**1,439**	**1,352**	**1,806**	**1,376**	**1,776**	**1,821**	**2,268**	**2,060**	**5,973**	**8,300**
Change (%)	33.3	27.1	21.5	96.3	23.4	34.6	25.6	49.7	28.1	38.9
Reported PAT	**1,439**	**1,352**	**1,806**	**1,376**	**1,776**	**1,303**	**2,268**	**2,060**	**5,973**	**7,100**

E: MOFSL Estimates

Happy Forgings: See some green shoots of recovery in CV & farm segment; Ashish Garg, MD

- Capex of Rs 650 Crs aligns with company's objective to grow in Industrial segment
- Capex move will help enter new segments in industrial like power gensets, Marines
- Asset turnover on Capex will be 1-1.2x
- Expect return on capital employed to be better than current business
- Industrial segment will contribute 25-30% on full utilization of new capacity
- Gross margins will be 10-12% better than existing average
- Looking at capex of Rs 1000 Crs over next 3 years

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FADA: Remain cautious on the back of continued weak sales YoY; CS Vigneshwar, President

- Dealer sentiment for January remains cautiously optimistic
- Improved MSP & rural fund inflows could boost 2 wheeler sales
- Inventory with dealers at 55 Days Vs 90 days earlier, have potential to go lower to 21 days
- Next 2-3 months crucial for inventory reduction
- Expect better CV sales next quarter onwards

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- Current year we are in consolidation zone
- Have 20% market share in oncology in US, mid to high teen share in insulin
- Aim to bring 5 new products in the US
- Refinanced $1.1 bn in long term debt through bonds

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Gensol Engineering: Post the order win, what's next for the company; Anmol Singh Jaggi, MD

- Projects won will be delivered in about 18 months of time
- Current orderbook including energy storage is Rs 9000+ Crs
- 80% of revenue comes from solar segment and 20% from EV leasing
- Battery energy storage has close to zero contribution this year
- Do not expect to increase margins further will be happy to sustain margins at current levels

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.