Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	73,668	0.2	2.0
Nifty-50	22,336	0.0	2.8
Nifty-M 100	48,087	-1.4	4.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,175	1.1	8.5
Nasdaq	16,265	1.5	8.4
FTSE 100	7,750	1.1	0.2
DAX	17,816	0.4	6.4
Hang Seng	5,950	3.5	3.1
Nikkei 225	38,798	-0.1	15.9
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	84	0.0	8.1
Gold ($/OZ)	2,177	-0.3	5.5
Cu (US$/MT)	8,657	1.1	2.3
Almn (US$/MT)	2,265	2.3	-3.4
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	82.8	0.0	-0.5
USD/EUR	1.1	0.1	-1.0
USD/JPY	147.3	0.3	4.5
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.0	0.01	-0.2
10 Yrs AAA Corp	7.5	0.00	-0.3
Flows (USD b)	**12-Mar**	**MTD**	**CYTD**
FIIs	0.0	7.03	-2.7
DIIs	0.28	1.84	6.3
Volumes (INRb)	**12-Mar**	**MTD***	**YTD***
Cash	1,053	958	1206
F&O	4,75,915	3,21,611	3,92,689

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Capital Goods: Powergenset demand remains strong

Genset channel check

- Our channel checks with genset players indicate that demand is fairly strong across key segments and that players are ready for the emission shift. Inventory levels for CPCB 2 based gensets will start coming down from Apr'24 onward as production for CPCB 2 based gensets has already stopped.
- Demand may see minor disruption during election months; however, underlying long-term growth drivers remain intact even after minor disruption. Pricing is higher by 20-40% across nodes and we expect it to be passed on to customers fully from Jul'24 onward.
- Companies are already taking initiatives for exporting new products, which will start reflecting in few quarters. We maintain our positive stance on key players in the genset industry and prefer KOEL over Cummins at the current valuations.

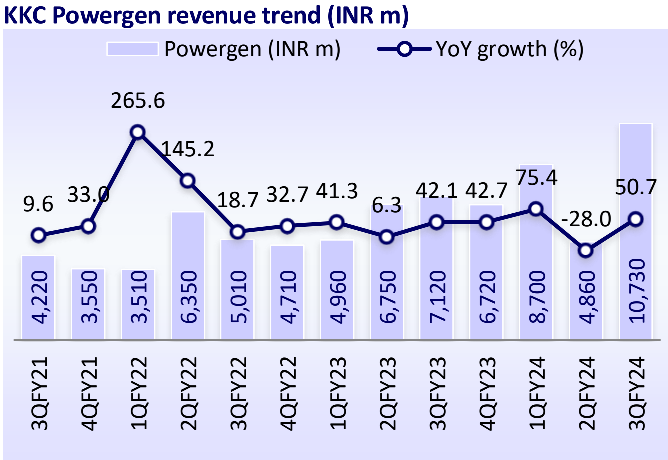
Research covered

Cos/Sector	Key Highlights
Capital Goods	Powergenset demand remains strong
Jubilant FoodWorks	Focus on expanding store network
Fund Folio	Equity AUM achieves another milestone by scaling a new high of ~INR25t
Healthcare (Monthly)	Industry growth at high single digit for 2nd straight month
EcoScope	Inflation in line; industrial output slightly lower than expected

Chart of the Day: Capital Goods (Powergenset demand remains strong)

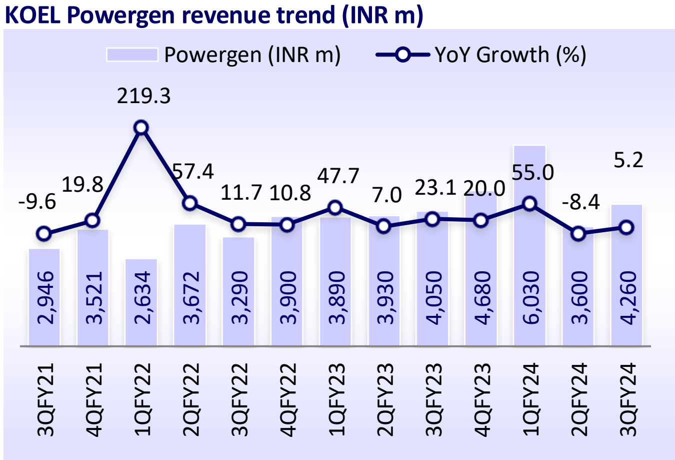
Powergen segment sales of both Cummins and KOEL remained strong YoY in 9MFY24

KKC Powergen revenue trend (INR m)



Source: Company, MOFSL

KOEL Powergen revenue trend (INR m)



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

US inflation up 3.2% in February; no change in Fed's stance say experts

The increase in US CPI numbers would not change the Fed's decision of a rate cut in June, say experts

2

SBI sends electoral bonds data to ECI as per Supreme Court order

The Supreme Court has asked ECI to upload all the data on its website for public by March 15, 2024

3

India's retail inflation eases to 5.09 per cent in February

India's retail inflation slightly dropped to 5.09% in February compared to 5.10% in the previous month, according to data released by the Ministry of Statistics & Programme Implementation. This is in line with the expectations of economists polled by Reuters, who predicted a decrease to 5.02%

4

Tata Power Solar Systems commissions 100 solar project with 120 MWh battery storage

TPSSL, a fully integrated solar company in India and a wholly owned subsidiary of Tata Power Renewable Energy Ltd (TPREL), has successfully commissioned the country's largest solar and BESS project comprising 100 MW Solar PV Project coupled with 120 MWh Utility Scale Battery

5

Increased inclination towards luxury and larger space – Buyers' preference

Data of luxury and larger homes being in demand are proof of a changing lifestyle of individuals who are ambitious and whose living space is a reflection of their life goals being achieved

6

Govt nixes Vedanta plan to demerge HZL

The support of the Centre (ministry of mines) is crucial for the HZL plan as the demerger could require approval by three-fourths of members/creditors in the relevant tribunal to go through.

7

Airtel to likely lead in upcoming spectrum auction

This is because besides acquiring the spectrum which is up for renewal, Airtel is expected to acquire additional spectrum in 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, and 2300 MHz, analysts said.

Cummins: Valuation snapshot (INRb)

Y/E Mar	2024E	2025E	2026E
Net sales	87.5	106.1	125.5
EBITDA	16	18.7	22.1
Adj. PAT	15.4	18.1	21.5
EPS (INR)	55.6	65.2	77.7
EPS Gr. (%)	23.6	17.3	19.2
BV/Sh. (INR)	215	240	269.9
Ratios			
RoE (%)	27.2	28.6	30.5
RoCE (%)	24.5	25.9	27.6
Valuations			
P/E (x)	49.8	42.4	35.6
P/BV (x)	12.9	11.5	10.2
EV/EBITDA (x)	47.2	40.3	33.9
Div Yield (%)	1.1	1.3	1.6

KOEL: Valuation snapshot (INRb)

Y/E Mar	2024E	2025E	2026E
Net sales	48.1	56.5	65.6
EBITDA	5.5	7.1	8.9
Adj. PAT	3.6	4.8	6.1
EPS (INR)	24.9	32.8	42.0
EPS Gr. (%)	33.6	31.7	28.0
BV/Sh. (INR)	179.4	203.4	234.2
Ratios			
RoE (%)	14.7	17.2	19.2
RoCE (%)	14.4	17.0	19.1
Valuations			
P/E (x)	32.2	24.5	19.1
P/BV (x)	4.5	3.9	3.4
EV/EBITDA (x)	20.8	15.8	12.2
Div Yield (%)	0.8	1.1	1.4

Powergenset demand remains strong

Genset channel check

Our channel checks with genset players indicate that demand is fairly strong across key segments and that players are ready for the emission shift. Inventory levels for CPCB 2 based gensets will start coming down from Apr'24 onward as production for CPCB 2 based gensets has already stopped. Demand may see minor disruption during election months; however, underlying long-term growth drivers remain intact even after minor disruption. Pricing is higher by 20-40% across nodes and we expect it to be passed on to customers fully from Jul'24 onward. Companies are already taking initiatives for exporting new products, which will start reflecting in few quarters. We maintain our positive stance on key players in the genset industry and prefer KOEL over Cummins at the current valuations.

Key highlights from our interaction with genset players

Demand remains strong

Our channel checks with genset industry players indicate that: 1) domestic demand momentum remains strong across low-to-mid kVA ranges, driven by strong activity across manufacturing, hospitality, residential and commercial construction; 2) some part of demand momentum is also contributed by pre-buying in low-to-mid kVA range ahead of the norm implementation, particularly from residential and commercial segments. Low-to-mid kVA range forms nearly 70-75% of overall genset market; 3) HHP range forms the remaining market, and data centres remain a key growth driver for HHP genset, which is growing at a faster rate than low- to mid-range gensets; 4) Currently CPCB 2 products contribute to nearly 80% of the genset sales and the remaining comes from CPCB 4+, particularly from NCR. Inventory levels for CPCB 2 will start coming down from Apr'24 onward as production will then shift to CPCB 4+ ahead of the implementation timeline in Jul'24; 5) Most government contracts are already mandating the usage of gensets based on the latest norms; however, government contract-based demand may see minor disruption during election months.

Higher pricing takes into account technological shift

We see only limited possibility of a pricing war for CPCB 4+ products as the main motive of all players is to cover the costs first, which are up by nearly 20-40% owing to the technological shift. Hence, the buffer to take a hit in margins is limited. Secondly, volume market shares of KOEL, Cummins, and Mahindra Powerol have increased in the past few years, thereby negating the possibility of aggressive competition to gain market share. These three players form nearly 70% of volumes in the market. Thirdly, strong demand may continue to support higher pricing unlike the last transition when demand was weak.

Players with strong distribution network to benefit

New players or foreign players may not have as strong a distribution network as Cummins and KOEL have, and hence it will be an advantage for these players despite higher product prices. Aftermarket demand for CPCB 4+ will start kicking in over the next 6-9 months after the launch.

Export markets seem to have bottomed out

Cummins' exports were impacted by a demand slowdown across its key export markets such as the US, Europe, Latin America and the Middle East. The company is trying to grow exports via fit-for-market products and the penetration of CPCB 4+ products. KOEL targets to grow its exports in MHP and HHP range and is setting up GOEMs in key regions. The export markets in less than 125 kVA range are highly commoditized, with a larger share of Chinese imports and thus, both these companies are focusing on higher ranges for exports.

Factors to watch out for in next few quarters

Genset market will remain mixed over the next few months owing to several events such as election impact, transition to new norms, and expected private capex recovery in select sectors. We would watch out for the following key factors in coming quarters: 1) the impact of election-related disruption in genset demand during May-Jun'24, 2) the implementation of CPCB 4+ norms in Jul'24 and demand shift from higher nodes of CPCB 4+ (700-750 kVA) to cheaper nodes of CPCB 2 in higher kVA categories such as 800-1000 kVA; 3) price stabilization in the next one year as operating leverage kicks in.

Valuation and recommendation

Cummins is currently trading at 35x P/E and KOEL is trading at 19x P/E on Mar'26 estimates. We maintain our positive stance on key players in the genset industry and prefer KOEL over Cummins at the current valuations.

Jubilant FoodWorks

BSE SENSEX	S&P CNX
73,668	22,336

Bloomberg	JUBI IN
Equity Shares (m)	660
M.Cap.(INRb)/(USDb)	293.6 / 3.5
52-Week Range (INR)	587 / 412
1, 6, 12 Rel. Per (%)	-10/-27/-30
12M Avg Val (INR M)	1310
Free float (%)	58.1

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Sales	54.0	60.9	71.1
Sales Gr. (%)	4.6	12.9	16.8
EBITDA	11.0	12.5	15.1
EBITDA Margin (%)	20.5	20.5	21.3
Adj. PAT	2.7	3.6	4.7
Adj. EPS (INR)	4.1	5.4	7.2
EPS Gr. (%)	-30.7	32.2	33.2
BV/Sh.(INR)	30.8	31.0	32.2
Ratios			
RoE (%)	13.2	17.4	22.3
RoCE (%)	9.2	10.9	13.0
Valuation			
P/E (x)	109.3	82.7	62.1
P/BV (x)	14.4	14.4	13.8
EV/EBITDA (x)	28.1	24.8	20.5
EV/Sales (x)	5.7	5.1	4.4

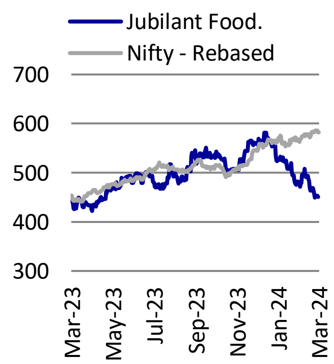
Note: Financials are excluding the impact of recent stake increase in DP Eurasia and Bangladesh

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	41.9	41.9	41.9
DII	22.1	22.4	20.9
FII	28.0	26.4	27.0
Others	8.0	10.1	10.2

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR445 TP: INR 480 (+8%) Neutral

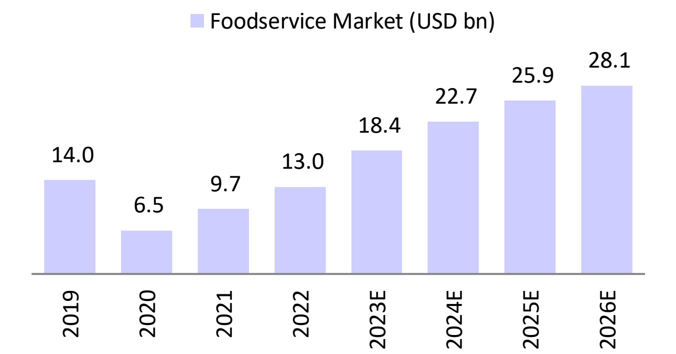
Focus on expanding store network

- Jubilant Foodworks (JUBI) hosted a concall to give updates about its Turkey (DP Eurasia) and Bangladesh businesses. JUBI has recently increased its stake in both the businesses to close to 100%. It had acquired a 33% stake in DP Eurasia in 2021, which has over the years increased to 94.3% now (49% stake in Nov'2023). The total acquisition cost is INR12bn, which is funded with INR9.5b debt and INR2.5b equity. Besides, JUBI has also increased its stake in the Bangladesh business from 51% to 100% for an incremental cost of INR340m.
- As per pro forma financial metrics provided by the company, the standalone PAT was INR2.6b in CY23, while international business (DP Eurasia, Bangladesh, Srilanka) combined contributed INR1.4b to PAT in CY23. After adjusting the interest cost, PAT for its international business should be around INR1b.
- Turkey is a strong urban consumer-driven (75% population in urban) country with healthy c.5% real GDP growth. Foodservice market in Turkey is growing at a 10% CAGR (2019-2024E), while QSR market is growing at an 18% CAGR during the same period. Domino's is the second largest player (network of 690 stores) in QSR market in Turkey after Burger King. DP Eurasia registered revenue of INR17.5b in CY23 with PAT of INR1.6b (PAT margin at 9.5%). Its profitability margin is better than India margin. However, high inflation and currency devaluation are key risks to business performance.
- COFFY is a rapidly expanding and profitable coffee chain in Turkey. Turkey's coffee market, consisting of 22 coffee brands with ~2.4k outlets, is estimated to be worth around USD1.2b in 2023. COFFY has become the 10th largest café brand in Turkey, with 89 stores, of which 74% are franchised.
- Bangladesh is a growing economy and is experiencing a shift from a low-income to a middle-income economy. Domino's is the second player in the QSR market in Bangladesh after KFC. Currently, it operates 26 stores with plans to expand to 200 stores in the medium term.
- **Valuation and view:** We valued JUBI on the SOTP basis, with Domino's India business at 55x P/E and all other initiatives separately. However, with the delisting of DP Eurasia and the separate classification available for international profit, we are now changing the valuation method. We value the India business at 55x P/E and international business at 35x P/E on FY26E to arrive a TP of INR480 (unchanged). We maintain our Neutral rating; we believe India business recovery will be more critical for the stock's performance.

Turkey - Foodservice and QSR market

- Turkey is one of the fastest-growing economies in Europe and among the G20 countries.
- Turkey has grown at an average rate of around 5.5% each year for the past decade.
- Most people in Turkey live in cities, about 75%, and it has the youngest population in Europe, with the average age being ~34 years.
- The foodservice and QSR market in Turkey is worth USD18b, compared to India's USD50b market.
- Turkey's QSR market is even larger than India's, with a size of USD8b.
- In Turkey, rental costs are lower than in India, leading to lower expenses for royalty fees, marketing, and technology. This helps improve profit margins.
- Turkey's foodservice market is experiencing a shift toward out-of-home dining and delivery, fueled by rising disposable incomes, shrinking household sizes, and rapid urbanization.
- Digitalization is transforming Turkey's foodservice sector, witnessing significant growth in online ordering due to increased smartphone and internet usage, along with a rise in online spending habits.

Turkey's foodservice market



Source: Company, MOFSL

Turkey's QSR market

Source: Company, MOFSL

Equity AUM achieves another milestone by scaling a new high of ~INR25t

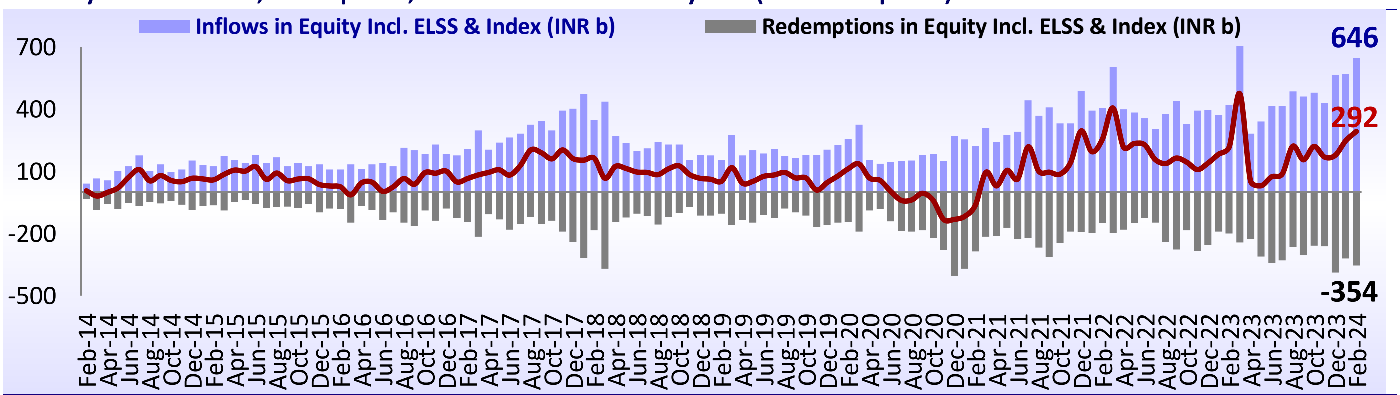
Key observations

- The Nifty managed to close in green (up 1.2% MoM) in Feb'24 after consolidating in Jan'24. Notably, the index was extremely volatile and swung around 767 points before closing 257 points higher. In Feb'24, FIIs reported muted inflows of USD0.5b. DIIs recorded the seventh consecutive month of inflows at USD3.1b.
- Equity AUM for domestic MFs (including ELSS and index funds) increased 2.7% MoM to INR25.3t in Feb'24, led by a rise in market indices (Nifty up 1.2% MoM) and an increase in sales of equity schemes (up 13.7% MoM to INR646b). However, the pace of redemptions increased to INR354b (up 10.2% MoM). Consequently, net inflows increased to INR292b in Feb'24 from INR247b in Jan'24.
- Total AUM of the MF industry continued to scale new highs and reached INR54.5t in Feb'24 (+3.4% MoM), primarily led by a MoM rise in AUM for liquid (INR877b), equities (INR672b), other ETFs (INR176b), and balanced (INR131b) funds. Conversely, the AUM for income funds declined INR146b MoM.
- Investors continued to park their money in mutual funds, with inflows and contributions in systematic investment plans (SIPs) reaching a new peak of INR191.9b in Feb'24 (up 1.9% MoM and 40.2% YoY).

Some interesting facts

- The month saw notable changes in the sector and stock allocation of funds. On a MoM basis, the weights of Capital Goods, Oil & Gas, PSU Banks, Insurance, Consumer Durables, Technology, Utilities, Retail, and Real Estate increased, while that of NBFCs, Private Banks, Consumer, Metals, Automobiles, Cement, and Chemicals moderated.
- Capital Goods' weight increased to a 91-month high of 7.7% (+30bp MoM, +120bp YoY) in Feb'24. The sector now ranks fourth in MF allocation – it was in the sixth position a year back.
- Oil & Gas' weight rose for the third consecutive month to a 20-month high of 6.9% (+30bp MoM and +40bp YoY) in Feb'24.
- Private Banks' weight declined for the seventh consecutive month to a 26-month low of 16.7% (-30bp MoM, -220bp YoY) in Feb'24.
- Consumer's weight declined for the fourth consecutive month to 5.8% (-30bp MoM, -120bp YoY) in Feb'24 – the lowest since Dec'16.
- In terms of value change MoM, divergent interests were visible within sectors: The top 5 stocks that saw a maximum increase in value were SBI (+INR96.6b), Reliance Industries (+INR67b), TCS (+INR42.8b), Maruti Suzuki (+INR39.9b), and Power Grid Corp. (+INR31.1b).

Monthly trends in sales, redemptions, and net amount raised by MFs (towards equities)



Motilal Oswal | Morning India

Healthcare Monthly

Performance of top companies in Feb'24

Company	MAT growth (%)	Feb'24 (%)
IPM	9.0	7.7
Abbott*	9.5	8.4
Ajanta	10.0	8.0
Alembic	6.8	-0.5
Alkem*	9.0	4.0
Cipla	9.7	8.8
Dr Reddys	7.3	9.5
Emcure*	6.7	5.8
Eris	8.0	11.7
Glaxo	2.9	3.5
Glenmark	9.7	10.7
Intas	12.9	13.0
Ipca	13.2	15.6
Jb Chemical*	11.9	10.8
Lupin	6.5	7.1
Macleods	11.3	8.0
Mankind	10.2	9.7
Sun*	8.9	8.2
Torrent	8.8	8.6
Zydus*	7.2	4.8

Industry growth at high single digit for 2nd straight month

- The India pharma market (IPM) grew 7.7% YoY in Feb'24 (vs. 8.0% in Jan'24 and 24.3% in Feb'23).
- Major therapies driving growth were Cardiac/Derma/Neuro (up 13.1%/10.1%/ 9.7% YoY) in Feb'24.
- Respiratory/Anti-infective therapies declined 1.9%/1.0% YoY, dragging down the overall performance of IPM.
- For the 12 months ending in Feb'24, IPM grew 9.0% YoY. Prices/volume/new launches witnessed 4.0%/2.0%/3.0% YoY growth.
- Out of top 10 brands, Udiliv and Foracort (INR490m/INR790m) grew at 31%/20% YoY in Feb'24. Rybelsus (INR300m) also registered the highest YoY growth of 88% in Feb'24 in top 40 brands.
- Top anti-infective drugs such as DOLO/Calpol/Azithral/Clavam (INR320m/INR360m/INR370m/INR520m) saw a decline of 20%/17%/17%/9% YoY, resulting in an overall decline in anti-infective therapy.

IPCA/Intas/Eris outperform in Feb'24

- In Feb'24, among the top-20 pharma companies, IPCA (up 15.6% YoY), Intas (up 13% YoY) and Eris (up 11.7% YoY) recorded notably higher growth than IPM.
- IPCA outperformed IPM, led by strong performance of all the therapies and top drugs.
- Intas outperformed IPM, with Gynae/Anti-diabetic/Neuro posting growth of 20.3%/10.4%/12.3% YoY in Feb'24.
- Alembic saw a decline of 0.5% YoY due to a double-digit decline in Anti-infective/Respiratory and deterioration across all key brands.
- JB Chemicals reported industry-leading volume growth of 7.1% YoY on the MAT basis. Macleods Pharma registered the highest price hike of 7.3% YoY on the MAT basis. Eris posted the highest growth in new launches (up 10.6% YoY).

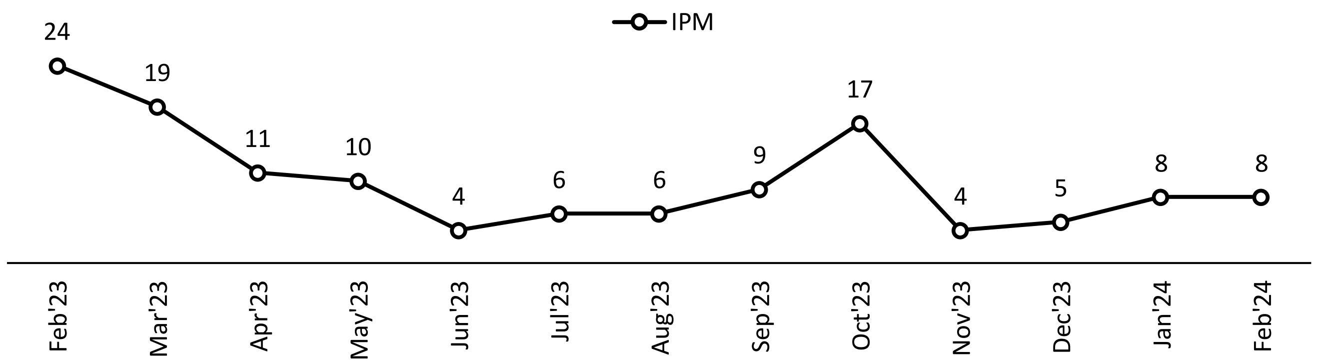
Cardiac/Pain/Neuro lead YoY growth on MAT basis

- On the MAT basis, the industry reported 9.0% growth YoY.
- Urology/Cardiac/Pain grew 14.2%/10.3%/9.6% YoY.
- Derma/Anti-Diabetic/Respiratory sales underperformed IPM by 370bp/360bp/230bp, hurting overall growth.
- For the fourth consecutive month, Chronic therapy has outperformed acute therapy. The Acute segment's share in overall IPM was 62% for MAT Feb'24, with YoY growth of 8.1%. The chronic segment (38% of IPM) grew 10.5% YoY.

MNCs outperform Indian firms after long time

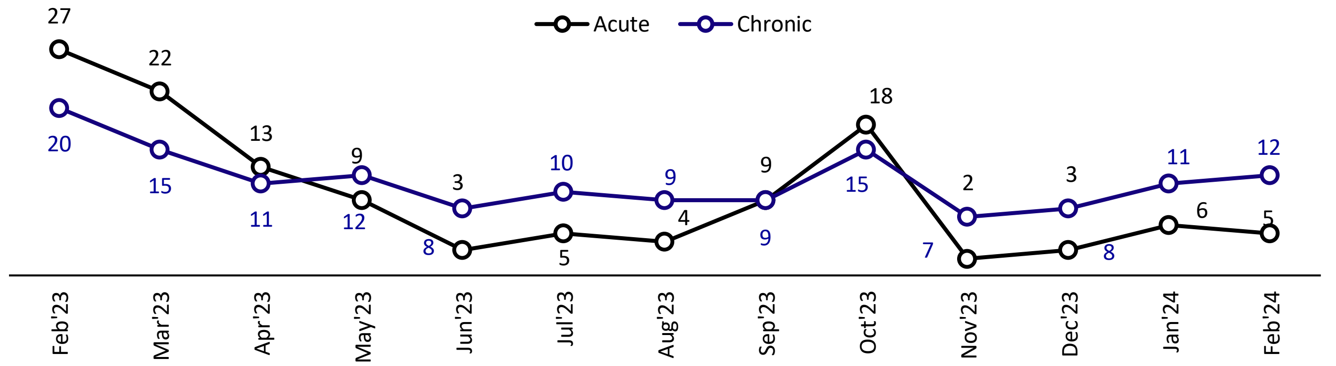
- As of Feb'24, Indian pharma companies hold a major share of 83% in IPM, while the remaining is held by multinational pharma companies.
- In Feb'24, multinational pharma companies have, for the first time in the last 12 months, posted better performance than Indian pharma companies.

IPM continues to grow at high-single digit in Feb'24



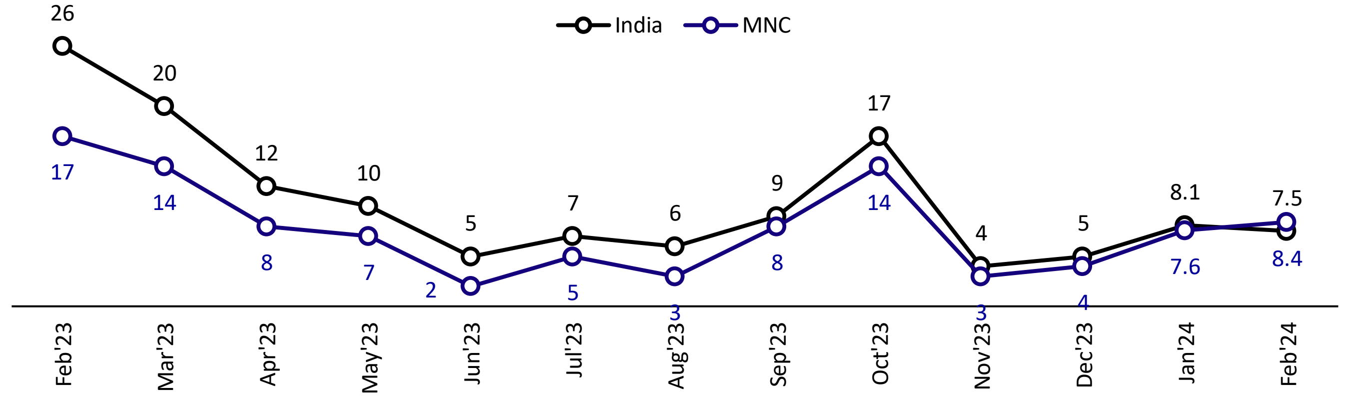
Source: MOFSL, IQVIA

Chronic therapy is growing at higher rate than acute therapy in Feb'24



Source: MOFSL, IQVIA

MNCs have outperformed Indian companies in Feb'24



Source: MOFSL, IQVIA

Inflation in line; industrial output slightly lower than expected

Prospects for interest rate cuts still far away

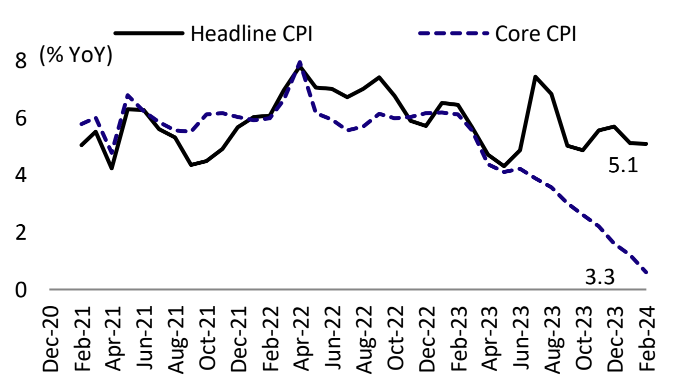
- **Headline CPI inflation came in at 5.1% YoY in Feb'24, similar to Jan'24. While core inflation came in at a multi-year low of 3.3% in Feb'24 (the lowest since Jan'12) vs. 3.6% in Jan'24, food inflation went up to 8.6% in Feb'24 vs. 8.3% in Jan'24. The number was in line with our expectations and Bloomberg consensus of 5.0%.**
- **Food inflation came in at 8.3% YoY in Feb'24 vs. 8.6% in Jan'24 and 6.0% in Feb'23. It increased 0.1% MoM in Feb'24. Details suggest that the acceleration in food inflation was mainly driven by the prices of vegetables (weight = 6%) and protein-based items. Vegetable prices rose 30.3% YoY, following a 27.1% YoY increase in Jan'24. CPI, excluding veggies, came in at a 52-month low of 3.7% in Feb'24 vs. 3.9% in Jan'24. Inflation in eggs came in at a 30-month high of 10.7% in Feb'24 (vs. 5.6% in Jan'24) and inflation in meat & fish came in at a 13-month high of 5.2% in Feb'24 (vs. 1.2% in Jan'24). At the same time, inflation in pulses and spices remained sticky in double digits.**
- **Notably, core CPI (excluding food & beverages and fuel & light) came down to 3.3% in Feb'24 (the lowest since Jan'12) from 3.6% in Jan'24. The deceleration was broad-based. Inflation in all the core components decelerated in Feb'24.**
- **Other details suggest that: 1) goods inflation remained firm at 5.7% in Feb'24 (5.7% in Jan'24), while services inflation (weight = 23%) eased to a new low of 3.1% YoY in Feb'24, the lowest in record (since Jan'15). 2) imported items (weight = 12%) led to lower headline inflation, as it fell for the 11th successive month, while domestically generated inflation remained firm at 6.1% YoY in Feb'24; 3) the details of 299 items suggest that around one-third of the CPI basket posted 5%+ inflation last month, the lowest in four years and similar to 30% average in CY19.**
- **IIP growth decelerated to 3.8% YoY in Jan'24 (vs. 4.3% in Dec'23, revised higher from 3.8%). The deceleration in growth was mainly led by marginally lower manufacturing sector growth, which was partly offset by higher growth in the electricity and mining sectors. The number is slightly lower than our expectations and Bloomberg consensus of 4.1%. During Apr-Jan'24, industrial output grew 6%.**
- **The growth in manufacturing activity decelerated to 3.2% in Jan'24 vs. 4.5% growth each in Dec'23 and Jan'23. Details of the manufacturing sector confirm that 68.4% of the items within the sector grew at a slower rate than last year (vs. 65.5% in Dec'23) and 39.2% of the items posted a contraction (vs. 25.3% in Dec'23). Conversely, electricity output accelerated to 5.6% in Jan'24 vs. a growth of 1.2% in Dec'23 and 12.7% in Jan'23. Mining output grew 5.9% in Jan'24 vs. 5.2% in Dec'23 and 9% in Jan'23.**
- **According to the use-based classification, output of capital goods and infra & construction goods remained steady in Jan'24. Capital goods output grew 4.1% in Jan'24 vs. 3.6% in Dec'23 and 10.5% in Jan'23. Infra & construction goods grew 4.6% in Jan'24 vs. 5.1% in Dec'23 and 11.3% in Jan'23. Consumer goods output grew 3.7% in Jan'24 vs. a growth of 3.4% in Dec'23 and 0.7% in Jan'23. Within consumer goods, the growth of consumer durables remained strong (10.9% in Jan'24), while that of consumer non-durables remained muted (the lowest in 15 months at -0.3% in Jan'24).**
- **Overall, inflation came in line with market expectations; however, industrial output came in slightly lower than expected. At the same time, real GDP growth came in much better than expected for 3QFY24. With continued robustness in HFIs for Jan'24 and Feb'24, there is a possibility of positive surprise for 4QFY24 GDP growth as well. We see inflation at 5.4% in 4QFY24, before easing to 3.8% in 1QFY25. Thus, we do not see any monetary policy action based on inflation or growth this year.**

- **CPI inflation came in line with expectations at 5.1% in Feb'24:** Headline CPI inflation came in at 5.1% YoY in Feb'24, similar to Jan'24. While core inflation came in at a multi-year low of 3.3% in Feb'24 (the lowest since Jan'12) vs. 3.6% in Jan'24, food inflation went up to 8.6% in Feb'24 vs. 8.3% in Jan'24. *(Exhibit 1).* The number was in line with our expectations and Bloomberg consensus of 5.0%.
- **Food inflation increased to 8.6% in Feb'24:** Food inflation came in at 8.3% YoY in Feb'24 vs. 8.6% in Jan'24 and 6.0% in Feb'23. It increased 0.1% MoM in Feb'24. Details suggest that the acceleration in food inflation was mainly driven

by the prices of vegetables (weight = 6%) and protein-based items. The prices of vegetables rose 30.3% YoY, following a 27.1% YoY increase in Jan'24. CPI, excluding veggies, came in at a 52-month low of 3.7% in Feb'24 vs. 3.9% in Jan'24. Inflation in eggs came in at a 30-month high of 10.7% in Feb'24 (vs. 5.6% in Jan'24) and inflation in meat & fish came in at a 13-month high of 5.2% in Feb'24 (vs. 1.2% in Jan'24). At the same time, inflation in pulses and spices remained sticky in double digits. Inflation in pulses came in at 18.9% in Feb'24 (-0.8% MoM) vs. 19.5% last month. Inflation in cereals too remained firm at 7.6% YoY (0.5% MoM) in Feb'24 vs. 7.8% in Jan'24. The prices of fuel and light items contracted 0.8% YoY in Feb'24 vs. a contraction of 0.6% in Jan'24. Standard core inflation (ex food & energy) printed 3.5% YoY in Feb'24 (vs. 3.7% in Jan'24), the lowest in 47 months. *(Exhibit 2)*

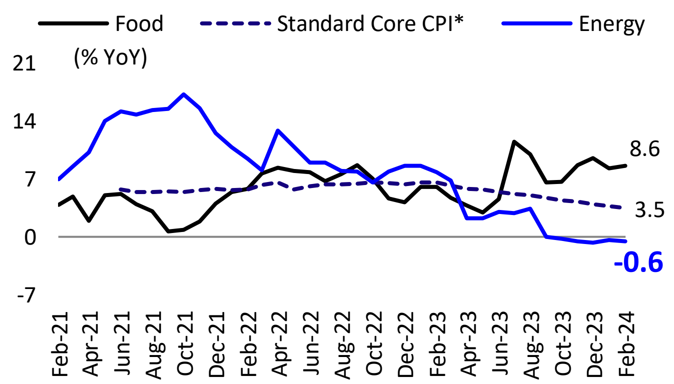
- **Core inflation lowest since Jan'12:** Core CPI (excluding food & beverages and fuel & light) came down to 3.3% in Feb'24 from 3.6% in Jan'24, the lowest since Jan'12. The deceleration was broad-based. Inflation in all the core components decelerated in Feb'24.
- **Other details suggest that:** 1) goods inflation remained firm at 5.7% in Feb'24 (5.7% in Jan'24), while services inflation (weight = 23%) eased to a new low of 3.1% YoY in Feb'24, the lowest in record (since Jan'15). *(Exhibit 3);* 2) imported items (weight = 12%) led to lower headline inflation, as it fell for the 11th successive month, while domestically generated inflation remained firm at 6.1% YoY in Feb'24; 3) the details of 299 items suggest that around one-third of the CPI basket posted 5%+ inflation last month, the lowest in four years and similar to 30% average in CY19 *(Exhibit 4)*.
- **Our view:** Overall, inflation came in line with market expectations; however, industrial output came in slightly lower than expected. At the same time, real GDP growth came in much better than expected for 3QFY24. With continued robustness in HFIs for Jan'24 and Feb'24, there is a possibility of positive surprise for 4QFY24 GDP growth as well. We see inflation at 5.4% in 4QFY24, before easing to 3.8% in 1QFY25. Thus, we do not see any monetary policy action based on inflation or growth this year.

Retail inflation at 5.1% in Feb'24, similar to Jan'24



Core CPI excludes food & beverages and fuel & light

Food inflation at 8.6% in Feb'24 vs. 8.3% in Jan'24



* Excluding food & energy

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