

Market snapshot



Equities - India	Close	Chg .%	CYTD.%
Sensex	73,328	1.0	19.3
Nifty-50	22,097	0.9	20.9
Nifty-M 100	47,838	0.7	50.8
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	4,784	0.0	24.6
Nasdaq	14,973	0.0	43.1
FTSE 100	7,595	-0.4	2.3
DAX	16,622	-0.5	20.0
Hang Seng	5,447	-0.6	-18.2
Nikkei 225	35,902	0.9	36.3
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	79	-1.2	-1.6
Gold (\$/OZ)	2,057	0.4	12.3
Cu (US\$/MT)	8,284	0.5	-1.5
Almn (US\$/MT)	2,154	-0.8	-7.6
Currency	Close	Chg .%	CYTD.%
USD/INR	82.9	0.0	0.2
USD/EUR	1.1	0.0	2.3
USD/JPY	145.7	0.6	10.5
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	7.2	-0.03	-0.2
10 Yrs AAA Corp	7.6	0.00	-0.1
Flows (USD b)	15-Jan	MTD	CY23YTD
FII's	0.1	7.15	21.4
DII's	-0.10	1.45	22.3
Volumes (INRb)	15-Jan	MTD*	YTD*
Cash	1,228	1099	1099
F&O	2,64,710	3,76,248	3,76,248

Note: Flows, MTD includes provisional numbers.

*Average



Today's top research idea

PNB Housing Finance: Tide has turned, smooth ride ahead

- ❖ PNBHF is the top pick in our NBFC/HFC coverage, considering a) visibility of an ~18% CAGR in loans from FY25 onward, b) potential NIM expansion, c) expansion in RoA aided by moderation in credit costs, and d) improvement in RoE as the leverage improves on the balance sheet.
- ❖ We expect PNBHF to deliver a PAT CAGR of ~25% over FY24-26 and RoA/RoE of 2.5%/14% in FY26. The company trades at 1.1x FY26E P/BV, and we believe that risk-reward is favorable for a further re-rating in the valuation multiple as investors gain more confidence in the company's sustained execution in retail (both prime and affordable).
- ❖ We have a BUY rating with a TP of INR1,025 (based on 1.4x FY26E P/BV).



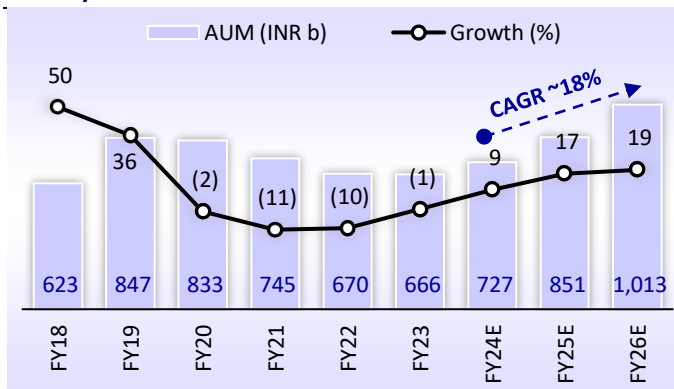
Research covered

Cos/Sector	Key Highlights
PNB Housing Fin.	Tide has turned, smooth ride ahead
Transport Corp.	Addition of ships and traction in multi-modal logistics to aid growth
Angel One	Higher CIR adversely impacts profitability
Jio Financial Ser.	PAT declines due to high opex and zero dividend income
General Insurance	Premium growth driven by Health and Motor OD segments
Capital Markets	Overall ADTO remains buoyant
Aviation	Demand robust; IndiGo market share flat MoM
Metals Weekly	Ferrous prices remain in a tight range
EcoScope	WPI Trade note



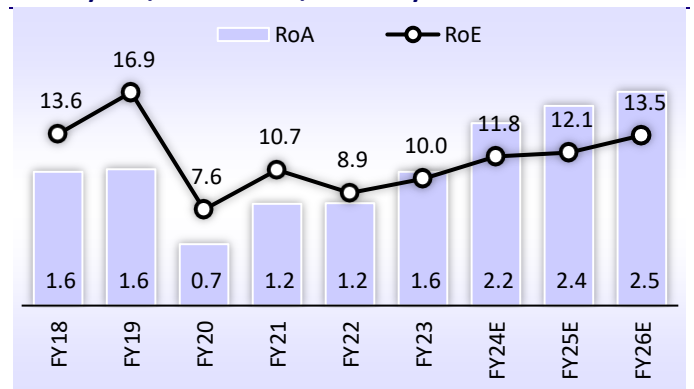
Chart of the Day: PNB Housing Finance (Tide has turned, smooth ride ahead)

Healthy AUM CAGR of ~18% over FY24E-FY26E



Source: MOFSL, Company

Healthy RoA/RoE of ~2.5%/~13.5% by FY26



Source: MOFSL, Company

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

1

Govt cuts windfall tax on petroleum crude to Rs 1,700 per tonne

The Government of India has reduced the windfall tax on petroleum crude from Rs 2,300 per tonne to Rs 1,700 per tonne, effective from January 16. The windfall tax was sharply increased on January 2 from Rs 1,300 per tonne.

2

PNC Infratech sells 12 road assets to Highways Infrastructure Trust for over Rs 9,000 crore

Yogesh Jain, MD, PNC Infratech Limited, described it as one of the most substantial transactions in terms of value within the Indian roads sector

3

December aviation data: Akasa Air remains most punctual airlines for 2nd month

Akasa Air emerged as a notable player, flying 62.32 lakh passengers with a market share of 4.1 percent. Meanwhile, IndiGo commanded leadership position with 60.5 percent market share, followed by Air India holding 9.7 percent

4

RBI proposes stricter rules for housing finance companies

The Reserve Bank of India plans to tighten deposit mobilisation rules for housing finance companies like PNB Housing Finance and LIC Housing Finance to align them with other non-banking finance companies.

5

Hyundai Motor plans second plant in India, commits Rs 7000 crore investment in Maharashtra

Hyundai Motor, a renowned carmaker, is set to invest Rs 7,000 crore in the establishment of its second plant in India.

6

Hitachi's Indian business expects to have \$20 bln revenue by 2030

Hitachi Energy India makes equipment such as transformers and circuit-breakers for energy transmission and railway components.

7

Maruti Suzuki, Hyundai, Tata, Renault post the highest-ever share of sales from rural markets in 2023

Senior industry executives ET spoke to said even in the rural markets, the gap in incomes between varied sets of consumers has been triggering demand more at the higher end of the market.



PNB Housing Finance

BSE SENSEX 73,328 S&P CNX 22,097



Ghar Ki Baat

Bloomberg	PNBHOU5I IN
Equity Shares (m)	260
M.Cap.(INRb)/(USDb)	207 / 2.5
52-Week Range (INR)	833 / 383
1, 6, 12 Rel. Per (%)	-4/16/43
12M Avg Val (INR M)	458
Free float (%)	71.9

Financials Snapshot (INR b)

Y/E March	FY24E	FY25E	FY26E
Total Income	26.3	31.0	37.3
PPP	22.6	27.5	34.0
PAT	15.4	19.2	23.9
EPS (INR)	59.2	74.1	92.1
EPS Gr. (%)	-4	25	24
BV (INR)	580	644	723

Ratios

NIM (%)	4.3	4.4	4.4
C/I ratio (%)	22.6	21.8	21.0
RoAA (%)	2.2	2.4	2.5
RoE (%)	11.8	12.1	13.5

Valuations

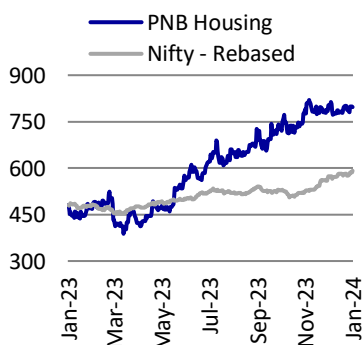
P/E (x)	13.5	10.8	8.7
P/BV (x)	1.4	1.2	1.1
Div. Yield (%)	1.3	1.6	2.0

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	28.1	28.2	32.6
DII	7.7	7.6	3.3
FII	24.8	24.8	23.2
Others	39.5	39.5	40.9

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR799 TP: INR1,025 (+28%) Buy

Tide has turned, smooth ride ahead

Set to deliver PAT CAGR of 25% over FY24E-FY26E and RoA/RoE of 2.5%/~14% in FY26

- Over the past two years, PNBHF has successfully transformed its business model into retail (both prime and affordable verticals) and has reduced its corporate loan book to ~4% of the AUM mix. In Apr'23, PNBHF completed its rights issue of ~INR25b, which has brought in confidence capital and has strengthened its case for a credit rating upgrade from credit rating agencies (CRAs). India Ratings recently upgraded PNBHF to AA+.
- PNBHF has set up an affordable housing (AH) vertical with exclusive sales, underwriting and collections. It has already crossed 100 AH branches in Nov'23 and plans to scale up to ~160 AH branches by Mar'24. In Dec'23, the AH vertical's loan book surpassed ~INR10b, and we expect it to rise to ~INR70b and form ~8% of retail loans by Mar'26.
- With prime, affordable housing and the corporate segment resuming their growth trajectories, we estimate PNBHF to deliver a CAGR of ~18% in loans over FY24-FY26.
- The NIM expansion is expected to be driven by improvements in yields (through better product mix) and a potential decline in borrowing costs. In FY24, it has received a sanction from the NHB, which lends to HFCs at a rate that is at least 200-220bp lower than that of other borrowing instruments.
- As of Sep'23, retail/corporate GNPA fell to 1.7%/2.9% (vs. 3.4%/30% last year), with total GS3 at 1.8%. With asset quality stress in retail (due to Covid) and corporate (post the IL&FS default) now behind, we expect asset quality to continue to improve and credit costs to remain benign at ~40bp in FY25-FY26.
- PNBHF is our top pick, considering a) visibility of an ~18% CAGR in loans from FY25 onward, b) potential NIM expansion, c) expansion in RoA aided by moderation in credit costs, and d) improvement in RoE as the leverage improves on the balance sheet. We expect PNBHF to deliver a PAT CAGR of ~25% over FY24-26 and RoA/RoE of 2.5%/14% in FY26. We have a BUY rating and a TP of INR1,025 (based on 1.4x FY26E P/BV).

Healthy loan growth to return in Retail while Corporate will be an enabler

- The company has now turned over a new leaf under the leadership of Mr. Girish Kousgi who joined PNBHF in Oct'22. The senior/middle leadership has been also strengthened over the last one year under the new leadership.
- PNBHF was in consolidation mode over FY20-FY23, with its AUM declining or remaining flat every successive year. The retail segment also declined because of the company's inability to compete with peers.
- The retail vertical has been strengthened now with the launch of affordable housing and the expected resumption of loan growth in the corporate segment from FY25. We expect PNBHF to report an AUM CAGR of ~18% over FY24-26E.

Wide distribution network would drive retail loan growth

- For a long time and until 18 months ago, PNBHF was stagnant, with a total branch count of ~100 and predominant focus on prime housing finance. Over the last one year, PNBHF has scaled up to 200 branches (as of Sep'23) and expects to increase its branch network to ~300 (including ~160 Roshni branches) by Mar'24.
- We believe that branch additions and improvements in productivity of new branches will drive healthy growth in retail loans. We expect a CAGR of ~17% in retail loans over FY24-FY26.
- The company's wider physical distribution network and new growth engine of affordable housing will increase its opex structure. We expect the opex-to-average assets ratio to increase to 1.0% by FY26 (FY23/FY24E: 0.8%/0.9%). This will be offset by levers on expansion in NIM and non-interest income.

Improvement in yields and lower CoF to boost NIM

- The affordable housing vertical will contribute ~8% to the retail loan mix by Mar'26. In addition to the improvement in retail product mix, PNBHF is also working on improving its yield in prime housing by identifying some niche segments, in which the competitive intensity is lower than usual.
- India Ratings recently upgraded PNBHF's credit rating to AA+ (Stable). We expect rating upgrades from other CRAs like CRISIL and CARE in 3-6 months. We expect the company's borrowing costs to decline by ~15-20bp from the credit rating upgrade. Moreover, PNBHF has again started receiving sanctions from NHB in FY24, which will further aid CoB.
- With a decline in borrowing costs and a minor expansion in yields, we expect NIM to expand by ~20bp over the next two years to ~4.4% in FY26E (as % of avg. loans) vs. ~4.3% in FY24E.

Asset quality improvement to continue; aspires to be best-in-class

- After Covid, PNBHF went through asset quality stress in its retail and corporate segments, which made the company ineligible for NHB borrowings. However, through recoveries, ARC sales and write-offs, the company has consistently improved its asset quality, with GS3 at 1.8% as of Sep'23 vs. the peak of 8.2% in Dec'21.
- In 2QFY23, PNBHF resolved a large corporate NPA (~INR7.8b) through an ARC sale and recovered the entire outstanding in cash. The resultant provision write-backs of ~INR2b were largely utilized for effecting write-offs on the stressed portion of the retail book. Corporate GS3 declined to 2.9% (vs. peak of ~37%) and retail GS3 declined to 1.7% (vs. peak of ~4.9%) as of Sep'23.
- PNBHF could take additional write-offs in retail in 2HFY24 to further improve retail asset quality and start FY25 on a clean slate. We expect improvements in GS3 to sustain and model credit costs of ~40bp each in FY25E/FY26E.

Valuation and view: Turning over a new leaf for strong execution

- PNBHF has pivoted from consolidation to growth mode, and we expect it to deliver a healthy CAGR of 18% in AUM and ~25% in PAT over FY24-26, with RoA/RoE of 2.5%/13.5% by FY26.
- The company trades at 1.1x FY26E P/BV, and we believe that risk-reward is favorable for a further re-rating in the valuation multiple as investors gain more confidence in the company's sustained execution in retail (both prime and affordable). PNBHF is our top pick in our NBFC/HFC coverage with a TP of INR1,025 (based on 1.4x FY26E P/BV).
- Key risks: a) inability to drive NIM expansion amid aggressive competitive in mortgages, b) slowdown in economy leading to lower demand for housing and moderation in loan growth, and c) subsequent seasoning in the affordable loan book leading to asset quality deterioration.

Valuation snapshot for MOFSL NBFC Coverage Universe

Val summary	Rating	CMP (INR)	MCap (INRb)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Housing Finance															
PNB HF	Buy	799	208	74.1	92.1	644	723	2.4	2.5	12.1	13.5	10.8	8.7	1.2	1.1
LIC HF	Buy	579	316	84.1	92.2	623	695	1.5	1.5	14.3	14.0	6.9	6.3	0.9	0.8
Aavas	Neutral	1,612	124	76.4	95.9	553	649	3.4	3.5	14.8	16.0	21.1	16.8	2.9	2.5
HomeFirst	Buy	965	86	41.6	53.5	275	325	3.6	3.7	16.3	17.9	23.2	18.0	3.5	3.0
CanFin	Neutral	763	102	62.3	73.9	384	453	2.1	2.1	17.6	17.7	12.2	10.3	2.0	1.7
Repco	Neutral	421	27	64.8	71.4	522	590	2.8	2.8	13.2	12.8	6.5	5.9	0.8	0.7
Diversified															
IIFL Finance	Buy	658	251	65.6	81.9	341	418	4.0	4.1	21.1	21.6	10.0	8.0	1.9	1.6
BAF	Buy	7,477	4,627	306.3	389.4	1,510	1,846	4.6	4.7	22.4	23.2	24.4	19.2	5.0	4.0
Poonawalla	Buy	501	381	18.8	26.2	124	145	5.1	5.1	16.2	19.5	26.7	19.1	4.0	3.5
ABCL	Buy	179	465	13.9	17.5	110	125	0.0	0.0	13.5	14.9	12.9	10.3	1.6	1.4
LTFH	Buy	170	413	11.7	15.5	101	111	2.5	2.7	11.9	14.6	14.5	11.0	1.7	1.5
PIEL	Buy	933	222	78.0	106.3	1,376	1,450	1.9	2.1	5.8	7.5	12.0	8.8	0.7	0.6
MAS Financial	Buy	947	48	58.2	71.3	362	429	2.9	3.0	17.3	18.0	16.3	13.3	2.6	2.2
Vehicle Finance															
Cholamandalam	Buy	1,278	1,023	55.4	68.8	286	370	2.7	2.8	21.4	21.2	23.0	18.6	4.5	3.5
MMFS	Buy	283	346	22.2	27.8	156	174	2.2	2.4	14.9	16.8	12.7	10.2	1.8	1.6
Shriram Finance	Buy	2,319	861	222.8	268.5	1,493	1,714	3.2	3.3	15.9	16.7	10.4	8.6	1.6	1.4
Indostar	Buy	204	25	17.6	29.1	255	284	1.8	2.4	7.1	10.8	11.6	7.0	0.8	0.7
Gold Finance															
Muthoot	Neutral	1,454	592	115.0	130.9	695	801	5.2	5.4	17.7	17.5	12.6	11.1	2.1	1.8
Manappuram	Buy	171	146	30.1	35.9	163	194	4.9	4.9	20.1	20.1	5.7	4.8	1.1	0.9
Microfinance															
CreditAccess	Buy	1,673	271	113.3	135.6	527	663	5.6	5.5	24.1	22.8	14.8	12.3	3.2	2.5
Fusion Micro	Buy	655	64	72.1	88.7	358	446	5.6	5.7	22.4	22.1	9.1	7.4	1.8	1.5
Spandana Sphoorty	Buy	1,201	86	92.6	110.9	603	714	4.7	4.4	16.6	16.9	13.0	10.8	2.0	1.7

Source: MOFSL, Company



Transport Corporation of India

BSE SENSEX 73,328 S&P CNX 22,097

CMP: INR826

TP: INR990 (+20%)

Buy



Stock Info

Bloomberg	TRPC IN
Equity Shares (m)	77
M.Cap.(INRb)/(USDb)	64.2 / 0.8
52-Week Range (INR)	920 / 591
1, 6, 12 Rel. Per (%)	-1/-3/13
12M Avg Val (INR M)	40
Free float (%)	31.1

Financials Snapshot (INR b)

Y/E March	2024E	2025E	2026E
Net Sales	40.9	48.1	55.7
EBITDA	4.3	5.7	6.6
Adj. PAT	3.6	4.3	5.1
EBITDA Margin (%)	10.5	11.7	11.8
Adj. EPS (INR)	46.6	56.0	65.9
EPS Gr. (%)	11.9	20.4	17.7
BV/Sh. (INR)	263.8	316.3	378.7

Ratios

Net D/E (x)	-0.1	-0.2	-0.3
RoE (%)	18.9	19.1	18.8
RoCE (%)	18.4	18.6	18.4
Payout (%)	7.5	6.2	5.3

Valuations

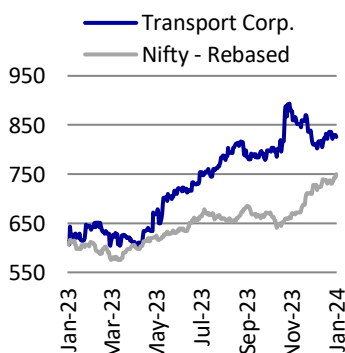
P/E (x)	17.8	14.8	12.6
P/BV (x)	3.1	2.6	2.2
EV/EBITDA (x)	13.5	10.0	8.1
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	1.6	1.2	3.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	68.9	68.9	69.0
DII	12.8	12.9	11.7
FII	2.6	2.6	3.3
Others	15.7	15.8	16.0

FII Includes depository receipts

Stock Performance (1-year)



Addition of ships and traction in multi-modal logistics to aid growth...

...and underpin TRPC's position as a preferred 3PL partner

- Transport Corporation of India (TRPC)'s revenue is likely to grow steadily in the medium term backed by: 1) the higher share of LTL in the freight division (36% in 1HFY24 vs. 33% in FY22), 2) steady automotive demand, which should support supply chain division, and 3) accruing benefits from the traction in multi-modal logistics. The company has an extensive fleet of more than 10,000 trucks, six cargo ships, and 14m sq. ft. of warehouse space.
- TRPC placed an order with a Japanese shipyard to buy two new ships of ~7,300MT each for a consideration of USD34m (INR2.7b). These vessels are slated for delivery on or before Jun'26. TRPC currently has six ships with a total capacity of 77,957MT.
- TRPC's established infrastructure, long-standing customer relationships, and an experienced management team are anticipated to aid its position as a preferred 3PL partner. We expect TRPC to deliver a revenue/EBITDA/PAT CAGR of 14%/16%/17% over FY23-FY26. **We reiterate our BUY rating on the stock with a TP of INR990, based on 15x FY26E EPS.**

Tailwinds in organized logistics to cause sustainable growth across divisions

- Freight division is likely to benefit from a higher LTL contribution (40% by FY25E vs. 26% in 1HFY24), a shift from the unorganized sector, and traction in multi-modal logistics. We expect a revenue CAGR of 15% over FY23-26.
- Within the Supply Chain business, the sustained recovery in automotive demand – which accounts for ~80% of Supply Chain revenue – is projected to drive growth. The integrated supply chain market is predicted to achieve ~20% CAGR over FY20-26, with the organized market posting even faster growth.
- The Seaways segment is the highest margin segment for TRPC, and the expansion of fleet in this division is anticipated to aid in higher revenue and strong overall earnings growth for the company.

Valuation and view

- TRPC is one of the few companies present across a range of segments, giving it an edge over its peers. Through its multi-modal capabilities, it is better equipped to meet customer requirements and withstand any slowdown in the industry. With a robust growth outlook on Freight, Supply Chain, and Seaways, TRPC is in a sweet spot.
- We expect TRPC to deliver a revenue/EBITDA/PAT CAGR of 14%/16%/17% over FY23-FY26. Despite the strong outlook, TRPC is trading at ~13x on FY26E EPS. **We reiterate our BUY rating on the stock with a TP of INR990, based on 15x FY26E EPS.**

Angel One

BSE SENSEX
73,328S&P CNX
22,097

CMP: INR3,976

Buy

Conference Call Details

Date: 16th Jan 2024

Time: 11:00am IST

[Link for the call](#)

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Revenues	31.6	38.1	44.9
Opex	15.6	18.4	21.6
PBT	15.6	19.1	22.7
PAT	11.7	14.3	17.0
EPS (INR)	141.2	172.7	205.7
EPS Gr. (%)	31.4	22.3	19.1
BV/Sh. (INR)	348.4	452.0	575.5
Ratios (%)			
C/I ratio	49.3	48.4	48.0
PAT margin	37.0	37.6	38.0
RoE	46.4	43.2	40.0
Div. Payout	38.0	40.0	40.0
Valuations			
P/E (x)	26.9	22.0	18.5
P/BV (x)	10.9	8.4	6.6
Div. Yield (%)	1.4	1.8	2.2

Higher CIR adversely impacts profitability

- Net Revenue grew 49% YoY and was flat QoQ at INR6.9b (broadly in line with our estimate).
- CI ratio increased significantly to 56% (vs. our estimate of 48.8%), an increase of 730bp sequentially. Expenses came in 13% higher than our estimates. This is because admin & other expenses came in 17% higher than expectations.
- PAT grew 14% YoY to INR2.6b, 17% lower than our estimates.
- The number of orders stood at 350m in 3QFY24, up 4% QoQ. This was broadly in line with estimates.
- The Board has declared a third Interim Dividend for FY24 at the rate of Rs. 12.7/- per share.
- The BOD has approved the raising of funds through the issuance of Non-Convertible Debentures, amounting to up to INR5b, in one or more tranches on a private placement basis.

Revenues in line; F&O and Cash share improves

- The gross broking business witnessed a 39% YoY growth, primarily driven by the F&O segment (up 42% YoY and 6% below our estimates) at INR 5.9b and the cash broking segment (+27% YoY and 10% below our estimates) at INR 0.8b.
- Interest income came in at INR 2.1b, a growth of 55% YoY and 17% QoQ. MTF book stood at INR18.6b vs. INR14b in 2QFY24.
- Other income increased 44% YoY to INR 1.4b.

Higher Opex led to rise in C/I ratio

- Total Opex increased 75% YoY to INR4.6b (13% higher than our estimates). This is because admin & other expenses came in 17% higher than expectations, which led to an increase in CIR to 56%.
- Employee costs increased 27% YoY to INR1.4b (broadly in line with our estimate).

Market share improves across segments

- ADTO stood at INR35.9t, up 22% QoQ and 148% YoY. The total number of orders increased to 350m in 3QFY24 from 338m in 2QFY24.
- Its F&O market share improved to 26.8% from 26.2% in 2QFY24. F&O ADTO grew 22% QoQ and 151% YoY to INR35.5t. The number of orders were flat at 262m (264m in 3QFY24). Revenue per order declined to INR22.7.

- Cash ADTO market share improved to 15.1% from 14% in 2QFY24. Cash ADTO increased 17% QoQ to INR55b (up 53% YoY). The number of orders increased 19% QoQ (up 68% YoY) to 74m. However, revenue per order declined 24% YoY to INR10.5.
- Market share for ANGELONE in the Commodity segment increased to 58.3% in 3QFY24 from 56.6% in 2QFY24.

Valuation and view

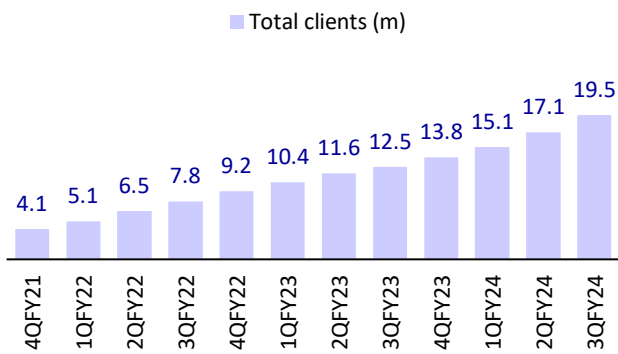
ANGELONE is a perfect play on the financialization of savings and digitization. It demonstrated a strong performance in 3QFY24 with markets hitting all-time high. The management continues to invest in technology to strengthen its position. However, its client addition trajectory and the activation rate have slowed down. We look to review our estimates and TP post the concall on 16th Jan'24.

Quarterly Performance

Y/E March	FY23				FY24E				FY23	FY24E	3QFY24E	(INR m)		YoY Gr.	QoQ Gr.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				Act v/s Est. (%)			
Revenue from Operations	4,203	4,559	4,625	5,313	5,198	6,747	6,875	7,465	18,700	26,285	7,019	-2.0	49%	2%	
Other Income	948	1,029	1,126	1,129	1,088	1,411	1,401	1,441	4,232	5,341	1,408	-0.5	24%	-1%	
Total Income	5,151	5,588	5,751	6,442	6,286	8,158	8,276	8,906	22,932	31,626	8,426	-1.8	44%	1%	
Change YoY (%)	51.2	44.0	29.3	26.4	22.0	46.0	43.9	38.3	36.3	37.9	46.5	-5.6			
Operating Expenses	2,660	2,662	2,648	2,736	3,230	3,974	4,635	3,811	10,705	15,650	4,112	12.7	75%	17%	
Change YoY (%)	52.5	30.5	20.9	19.0	21.4	49.3	75.1	39.3	29.4	46.2	55.3	35.7			
Depreciation	65	69	80	89	89	112	131	103	303	435	115	13.9	64%	17%	
PBT	2,427	2,857	3,023	3,616	2,967	4,072	3,510	4,993	11,924	15,542	4,199	-16.4	16%	-14%	
Change YoY (%)	49.6	59.2	36.9	31.8	22.3	42.5	16.1	38.1	42.5	30.3	38.9	-58.6			
Tax Provisions	611	721	739	946	759	1,027	906	1,208	3,016	3,900	1,050	-13.7	23%	-12%	
Net Profit	1,816	2,137	2,284	2,670	2,208	3,045	2,604	3,785	8,907	11,642	3,149	-17.3	14%	-14%	
Change YoY (%)	49.6	59.0	38.7	30.3	21.6	42.5	14.0	41.7	42.5	30.7	37.8	-63.0			
Key Operating Parameters (%)															
Cost to Income Ratio	51.6	47.6	46.0	42.5	51.4	48.7	56.0	42.8	46.7	49.5	48.8	720bps	996bps	729bps	
PBT Margin	47.1	51.1	52.6	56.1	47.2	49.9	42.4	56.1	52.0	49.1	49.8	-742bps	-1016bps	-750bps	
Tax Rate	25.2	25.2	24.4	26.2	25.6	25.2	25.8	24.2	25.3	25.1	25.0	81bps	138bps	59bps	
PAT Margins	35.3	38.2	39.7	41.4	35.1	37.3	31.5	42.5	38.8	36.8	37.4	-591bps	-826bps	-586bps	
Revenue from Operations (INR Mn)															
Gross Broking Revenue	4,707	5,187	5,100	5,812	5,575	7,270	7,084	8,133	20,806	28,062	7,460	-5.0	39%	-3%	
F&O	3,813	4,253	4,182	5,056	4,683	6,180	5,951	6,686	17,304	23,499	6,303	-5.6	42%	-4%	
Cash	659	674	612	465	558	800	779	987	2,410	3,124	853	-8.6	27%	-3%	
Commodity	188	207	255	232	279	291	354	265	883	1,189	304	16.5	39%	22%	
Currency	47	52	51	58	56	0	0	194	208	250	0				
Net Broking Revenue	3,191	3,560	3,508	4,140	3,933	5,199	5,108	5,768	14,399	20,008	5,335	-4.2	46%	-2%	
Net Interest Income	1,012	999	1,117	1,172	1,265	1,548	1,767	1,697	4,300	6,277	1,684	4.9	58%	14%	

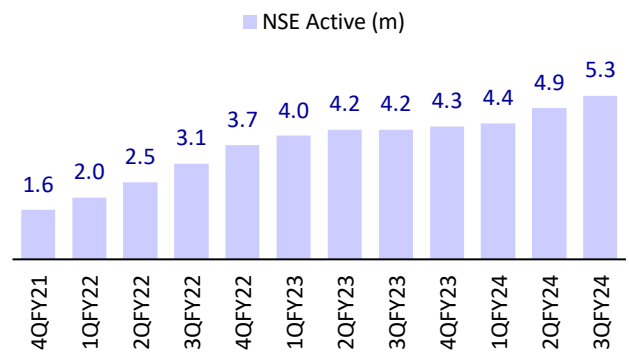
Key exhibits

Exhibit 1: Total number of clients continued to rise



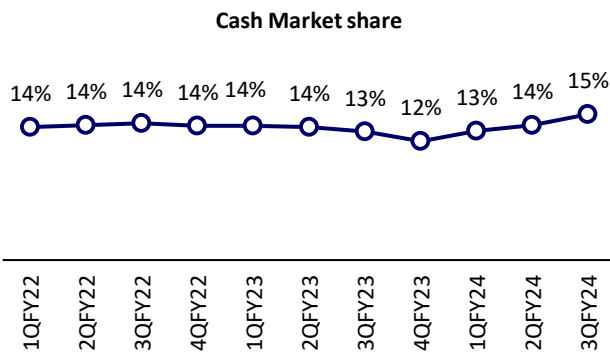
Source: MOFSL, Company

Exhibit 2: NSE active clients increased QoQ



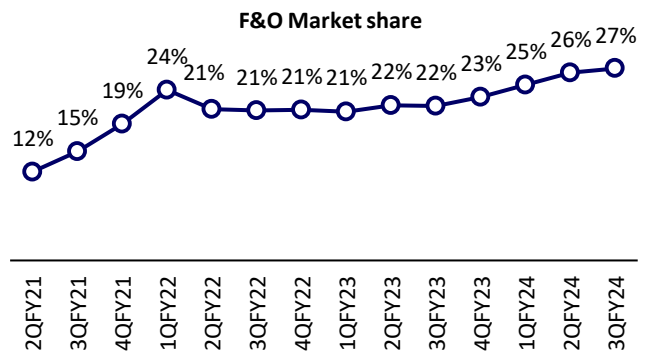
Source: MOFSL, Company

Exhibit 3: Cash segment market share improves



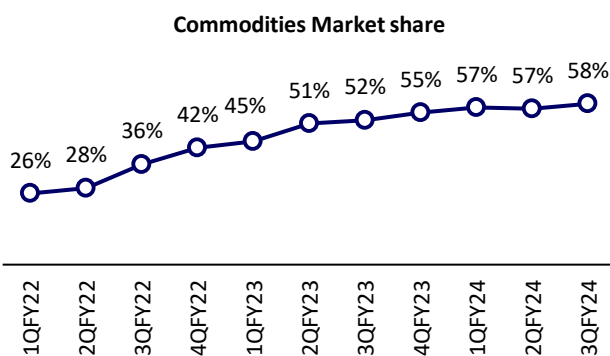
Source: MOFSL, Company

Exhibit 4: F&O Market share improves



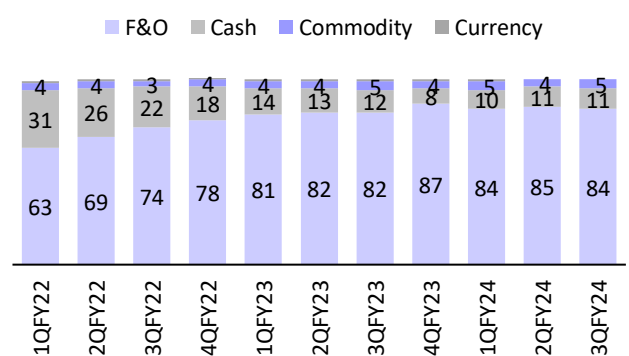
Source: MOFSL, Company

Exhibit 5: Commodities market share increases QoQ



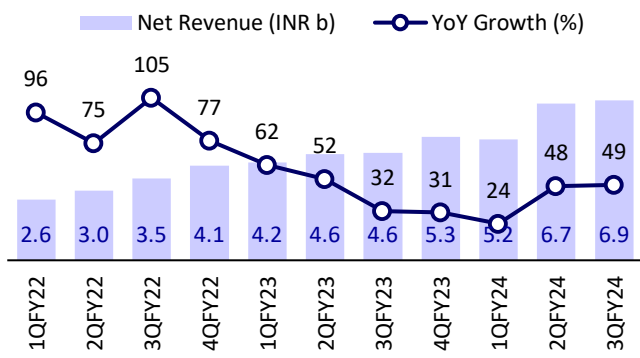
Source: MOFSL, Company

Exhibit 6: Gross broking revenue mix



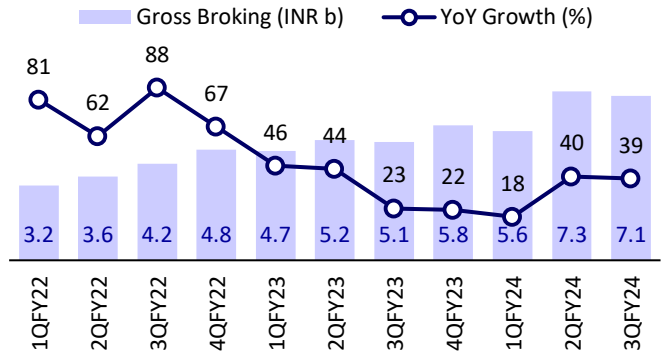
Source: MOFSL, Company

Exhibit 7: Net revenue improves YoY...



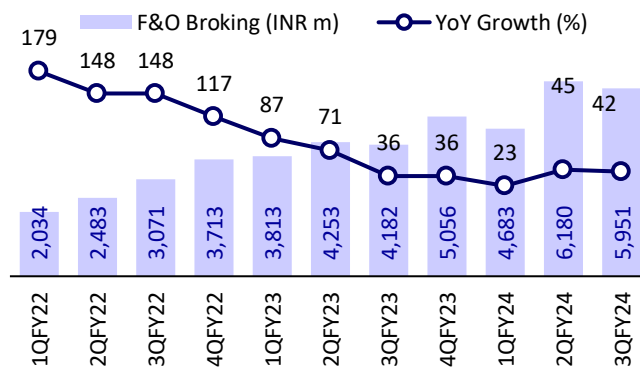
Source: MOFSL, Company

Exhibit 8: ...as Gross broking revenue improves



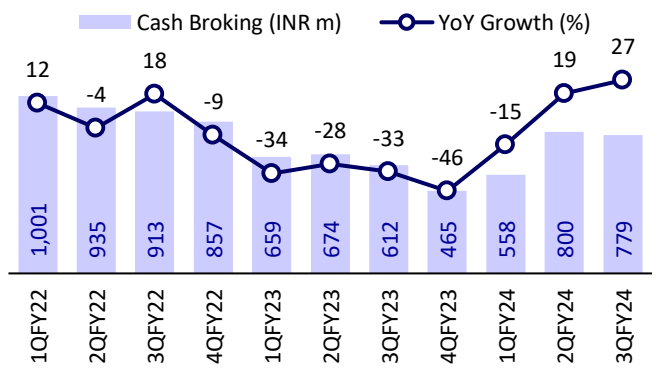
Source: MOFSL, Company

Exhibit 9: F&O growth momentum was strong



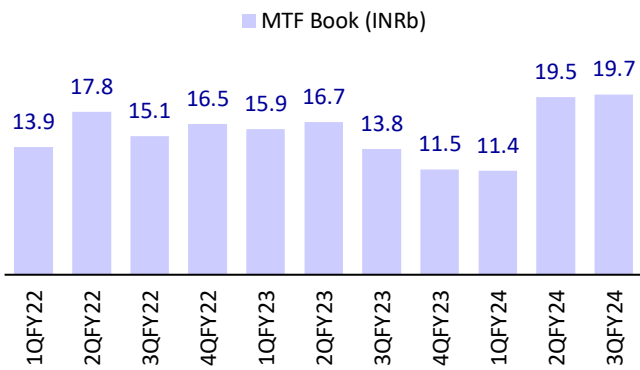
Source: MOFSL, Company

Exhibit 10: Cash broking revenue improved



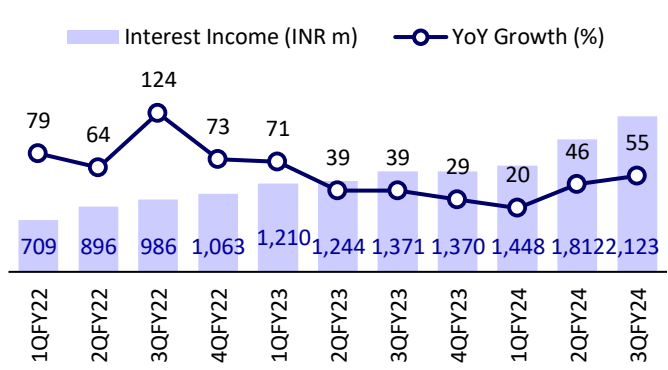
Source: MOFSL, Company

Exhibit 11: MTF book increased to INR19.7b



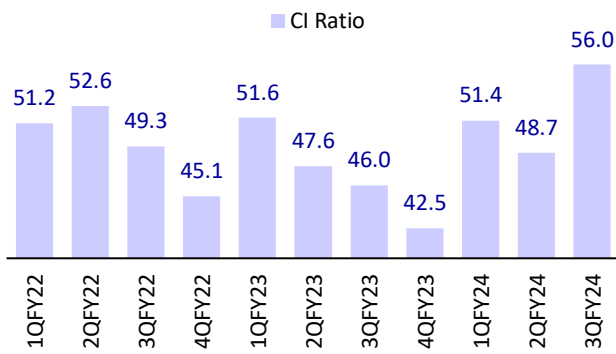
Source: MOFSL, Company

Exhibit 12: Interest income increases



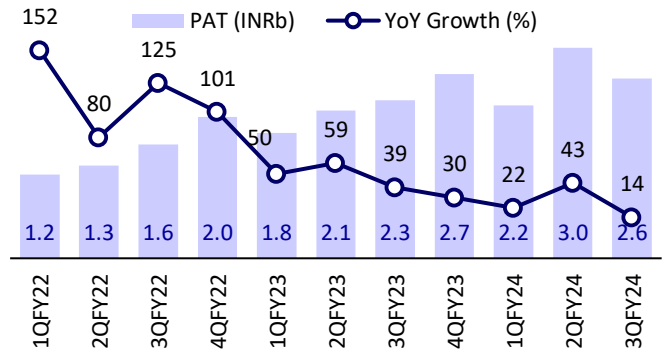
Source: MOFSL, Company

Exhibit 13: C-I ratio increases sequentially



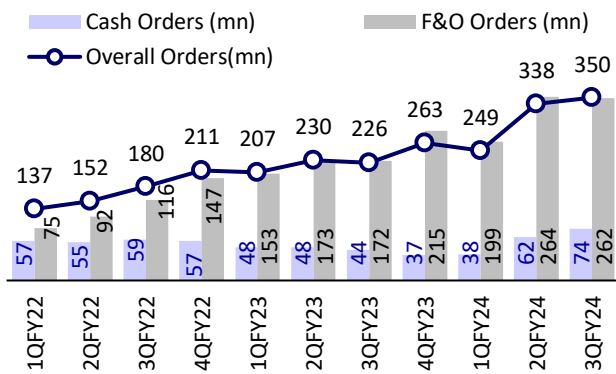
Source: MOFSL, Company

Exhibit 14: Trend in PAT growth



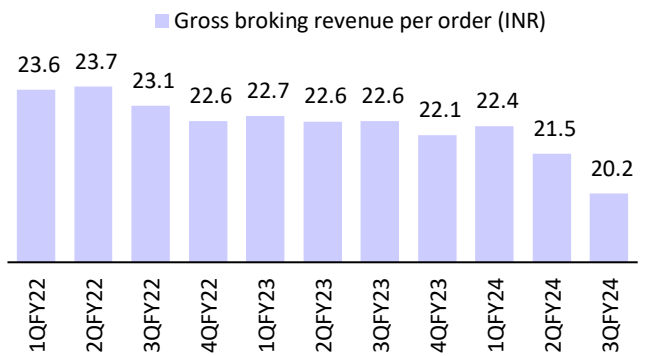
Source: MOFSL, Company

Exhibit 15: No. of orders increased...



Source: MOFSL, Company

Exhibit 16: ...whereas gross broking revenue per order declines



Source: MOFSL, Company

Exhibit 17: Broking revenue progression of acquired cohorts

	Year 1	Year 2	Year 3	Year 4	Year 5	Beyond Year 5
Pre Digital						
FY15 - 17	100%	47%	32%	26%	26%	26%
FY18	100%	42%	36%	36%	38%	
FY19	100%	49%	45%	44%		
Post Digital						
H1'20	100%	69%	63%	63%		
H2'20	100%	82%	77%			
H1'21	100%	85%	80%			
H2'21	100%	86%				
H1'22	100%	85%				
H2'22	100%					
H1'23	100%					
H2'23	100%					

Strong revenue visibility of digitally acquired cohorts for multiple years

Source: MOFSL, Company

Jio Financial Services

Not Rated

BSE SENSEX
73,328S&P CNX
22,097

JFSL - P&L Statement (INR m)

	3QFY24	2QFY24	QoQ (%)
Interest Income	2,691	1,861	45
Interest Expenses	0	-	N/A
Net Interest Income	2,691	1,861	45
Other Income	1,453	4,220	-66
Total Income	4,143	6,080	-32
Operating Expenses	987	714	38
Operating Profit	3,156	5,366	-41
Provisions & Loan Losses	2	0	-
Share of profit of JV & Associate	661	2,178	-70
Profit before Tax	3,815	7,544	-49
Tax Provisions	877	863	2
Net Profit	2,938	6,682	-56

PAT declines due to high opex and zero dividend income

- Jio Financial Services Ltd.'s (JFSL) NII rose ~45% QoQ to INR2.7b in 3QFY24 (vs. ~INR1.9b in 2QFY24) primarily because of an increase in average interest earning assets.
- Other income declined ~66% QoQ to INR1.5b due to the absence of dividend income (2QFY24 had a dividend income of ~INR2.2b). Net gain on fair value changes declined QoQ mainly owing to the redemption of certain money-market instruments.
- Operating expenses rose 38% QoQ to INR987m. Employee expenses rose QoQ because of hiring of manpower and management team. Other opex was higher due to certain one-time costs related to capability building and CSR activities.
- 3QFY24 PBT declined ~49% QoQ to INR3.8b, while PAT declined ~56% QoQ to ~INR2.9b (vs. INR6.7b in 2QFY24). Consolidated PAT for 9MFY24 stood at ~INR12.9b.

Started building capability for secured products

- Jio Financial Services (JFSL) has built capabilities for unsecured and consumer durable lending. It has technology stack in place with the completion of Personal Loans/Consumer Durable Loans sandbox. The risk and underwriting models have been developed for the aforesaid products. It has now started building capabilities even for secured products and plans to launch its leasing business and supply chain finance. Loans against securities (LAS) and home loans are also in the pipeline. With growing depth of retail capital markets, the company sees an opportunity in lending against shares and mutual funds.
- It has conceptualized an operating lease model - Device as a Service (DaaS), which will provide AirFibre, Phones and Laptops on lease to end consumers. This operating lease business will be launched through a wholly-owned leasing subsidiary of JFSL. The DaaS model will create new markets and there is lower risk for the company because of asset ownership. Payment track record of these lease rentals over a period of time adds a rich layer of intelligence to cross-sell further financial products.
- It also plans to foray into supply-chain financing solutions to address working capital needs of suppliers. This will be launched in the coming quarters when JFSL will first leverage its own ecosystem as an opportunity. Superior technological capabilities will be differentiators to win in these markets and products.

Progress being made across non-lending businesses as well

- **Insurance Broking:** JFSL continued to expand partners for insurance broking entity, and has increased tie-ups to 27 insurance companies. It continues to offer different products in the life and health insurance segments. JFSL launched embedded, extended warranty and sachet insurance.
- **Payments:** JFSL has completely revamped its digital savings account and launched virtual debit cards. Its payment solution company has implemented dynamic QR across the ecosystem and has successfully completed the rollout of Jio voice box for merchants. JFSL has also launched its merchant app. This is the first step toward digitizing merchant collections, which will help to cross-sell. Further, it has also enabled Jio Bharat phones with UPI 123.

Creating the foundation: Capability, Regulatory and Governance

- **Capability Building:** The management team in JFS is in place and the build out in AMC is underway. Key leadership positions have been filled and the total employee count stood at 516 (as of Dec'23). It has tightened the credit framework and is focusing on secured avenues of lending and leasing.
- **Regulatory:** JFSL has filed an application with the RBI for the conversion from an NBFC to an NBFC-CIC (core investment company). It has also filed an application with SEBI for the AMC license.
- **Governance:** JFSL's board of directors and material subsidiaries have been reconstituted.



Insurance Tracker

Premium growth driven by Health and Motor OD segments

Marine business was muted in Dec'23

- The industry's gross written premium (GWP) increased 13% YoY to INR248b in Dec'23, driven by 13.4% YoY growth in the Motor OD segment. The overall Health segment grew 23% YoY. In Dec'23, Fire and Commercial Lines reported YoY growth of 11.5% and 13%, respectively; however, the Marine segment posted muted growth of 4% YoY.
- During the month, PSU players grew 13% YoY to INR 83.1b (in line with industry growth). SAHIs outperformed industry growth by reporting GWP of INR29.2b in Dec'23, up 26% YoY. Private multi-line players reported growth of 15% YoY (INR125.5b), a tad higher than industry growth.
- Among key players, ICICI/Bajaj Allianz grew 20%/18% YoY in Dec'23. STARHEAL posted GWP growth of 15% YoY. HDFC Ergo reported 13% growth (strong growth of 27% in Motor segment), whereas National India reported a decline of 17% YoY.

Health business up 23% YoY, fueled by higher growth in Group Health

The Health business jumped 23% YoY, with the Retail segment reporting 19% YoY growth and Group Health reporting 24% YoY growth. The overseas Health segment rose 34% YoY, whereas the government Health segment increased 67% YoY. Within the overall Health segment, SAHIs/Private multi-line players reported 27% YoY growth. Within SAHIs, STARHEAL reported 15% YoY growth, with 16%/8% YoY growth in Retail/Group segments. Within Retail Health and Group, Aditya Birla Health surged 55% YoY and 73% YoY, respectively. ILOM grew 17% YoY in Retail Health and 23% YoY in Group Health. Bajaj Allianz reported strong growth of 47% YoY in Group Health segment. PSU multi-line players posted 9% YoY growth in Retail Health and 21% YoY growth in Group Health segment (Group Health business for Oriental/New India grew 51%/20% YoY in Dec'23).

Motor segment clocks a steady YoY growth of 9%

The Motor business grew 9% YoY, mainly driven by healthy growth in the Motor OD segment (up 13.4% YoY). Motor TP saw a muted growth of 5.8% YoY in Dec'23. Private multi-line players outperformed PSU players in both the Motor OD segment (up 19% YoY) and the Motor TP segment (up 9% YoY). ILOM underperformed peers (private multi-line players) in the Motor OD/Motor TP segments with 15%/7% YoY growth. Bajaj Allianz posted flat growth in Motor TP vs. 4% growth in Motor OD. Acko General posted a strong 58%/30% YoY growth in the Motor OD/Motor TP segments. Go Digit clocked a strong growth of 43%/40% in the Motor OD/Motor TP segments.

YTD performances of key players

SAHIs/private multi-line players gained ~100bp/~230bp market share during Dec'23, while public players lost ~130bp share.

- **ILOM** reported a growth of 20% YoY (market share of 8.8% vs. 8.6%).
- **Bajaj Allianz** reported a growth of 18% YoY (market share of 7.3% vs. 6.2%).
- **New India** reported a growth of 14% YoY (market share of 13.4% vs. 13.9%).
- **STARHEAL** registered a growth of 15% YoY (market share of 4.8% vs. 4.7%).

Premium and YoY growth (%)

GWP, INRb	Dec-23	YoY
Grand Total	248	13
Total Public	83	13
Total Private	125	15
SAHI	29	26
Bajaj Allianz	14	18
ICICI -Lombard	20	20
New India	41	14
Star Health	13	15

Source: General Insurance Council, MOFSL

Overall premium growth and market share

INRb	GWP						Market share		
	Dec-23	Dec-22	YoY	YTFDY24	YTFDY23	YoY	YTFDY24	YTFDY23	YoY bps
Acko General	1.7	1.3	29%	13.6	10.8	26%	0.6%	0.6%	6
Bajaj Allianz	14.3	12.1	18%	155.4	116.1	34%	7.3%	6.2%	110
Cholamandalam MS	6.2	5.5	13%	55.3	43.9	26%	2.6%	2.3%	25
Edelweiss	0.9	0.5	79%	5.8	4.1	41%	0.3%	0.2%	5
Future Generali	3.6	3.6	1%	33.5	31.2	8%	1.6%	1.7%	-9
Go Digit	6.0	4.8	25%	59.7	45.3	32%	2.8%	2.4%	38
HDFC ERGO	16.7	14.8	13%	134.0	119.3	12%	6.3%	6.4%	-8
Navi General *	0.1	0.1	-10%	0.5	0.6	-13%	0.0%	0.0%	-1
ICICI -Lombard	19.8	16.5	20%	187.0	160.5	17%	8.8%	8.6%	21
IFFCO -Tokio	8.9	9.5	-7%	76.3	71.2	7%	3.6%	3.8%	-22
Kotak Mahindra	1.5	1.0	46%	10.8	7.9	37%	0.5%	0.4%	9
Liberty General	1.4	1.6	-8%	16.5	14.3	15%	0.8%	0.8%	1
Magma HDI	2.5	2.1	18%	20.2	18.3	11%	1.0%	1.0%	-3
Raheja QBE	0.3	0.2	61%	1.6	3.4	-52%	0.1%	0.2%	-10
Reliance General	9.6	8.8	10%	92.1	81.0	14%	4.3%	4.3%	0
Royal Sundaram	3.3	3.0	10%	26.3	24.6	7%	1.2%	1.3%	-8
SBI General	10.0	6.7	50%	85.1	69.0	23%	4.0%	3.7%	31
Shriram General	2.8	2.0	44%	21.6	15.9	35%	1.0%	0.9%	16
Tata-AIG	12.1	11.7	3%	112.1	93.8	19%	5.3%	5.0%	25
Universal Sompo	3.9	3.6	6%	37.2	31.4	19%	1.7%	1.7%	7
Private Players	125.5	109.3	15%	1,144.6	962.5	19%	53.7%	51.4%	234
United India	15.8	13.2	19%	140.5	128.4	9%	6.6%	6.9%	-26
National	9.6	11.5	-17%	117.5	115.8	2%	5.5%	6.2%	-66
New India	40.7	35.6	14%	284.5	260.9	9%	13.4%	13.9%	-58
Oriental	17.1	13.2	29%	135.4	115.8	17%	6.4%	6.2%	17
Public Players	83.1	73.5	13%	678.0	620.9	9%	31.8%	33.2%	-133
Aditya Birla	3.1	1.9	67%	24.0	18.6	29%	1.1%	1.0%	13
ManipalCigna	1.2	1.1	18%	11.4	9.4	21.5%	0.5%	0.5%	3
Niva Bupa	5.6	4.0	39%	38.5	27.4	40.5%	1.8%	1.5%	34
Care Insurance	5.8	4.5	29%	48.3	36.5	32.4%	2.3%	1.9%	32
Star Health	13.4	11.6	15%	102.9	87.5	17.5%	4.8%	4.7%	16
SAHI	29.2	23.1	26%	225.0	179.3	25.5%	10.6%	9.6%	99
AIC (Crop)	9.3	11.8	-21%	73.4	101.3	-27.6%	3.4%	5.4%	-196
ECGC (Export & Credit)	1.1	1.1	4%	8.8	8.3	5.9%	0.4%	0.4%	-3
Specialized PSU	10.4	12.8	-19%	82.2	109.6	-25.0%	3.9%	5.9%	-199
Industry	248	219	13%	2,130	1,872	14%	100.0%	100.0%	0

Source: General Council of India, MOFSL



Capital Market Monthly

Capital Market Tracker

Overall ADTO remains buoyant; NSE active clients increase for sixth consecutive month

Retail ADTO jumped 20% MoM in Dec'23; MoM demat additions surged

The Nifty50 ended the calendar year 2023 above 21,700, with 8% MoM gains in Dec'23. Overall ADTO volume was buoyant at INR401t (up 18% MoM), with F&O ADTO increasing 18% MoM and Cash ADTO surging 43% MoM. Overall retail ADTO jumped 20% MoM to INR153t, with retail F&O ADTO up 20% MoM and retail cash ADTO up 47% MoM (INR477b). Demat account additions surged to 4.2m in Dec'23 vs. average monthly additions of 2.1m in FY23. Further, the number of active users on NSE increased for the sixth consecutive month to 36.2m in Dec'23 from 34.9m in Nov'23. ANGELONE, which relies heavily on income from the F&O segment, witnessed a surge in the number of daily orders placed.

Demat additions surged MoM to 4.2m

- The total number of demat accounts increased to 139m in Dec'23. New account additions surged to 4.2m in Dec'23 vs. average monthly additions of 2.1m in FY23.
- In Dec'23, CDSL continued to gain market share MoM in terms of the total number of demat accounts and on an incremental demat basis. On a YoY basis, NSDL lost 320bp/1,100bp market share in total/incremental demat accounts.

NSE active clients increase for the sixth consecutive month

- The number of active clients at NSE increased 3.6% MoM to 36.2m in Dec'23. Currently, the top five discount brokers account for 62.1% of total NSE active clients vs. 61.6% in Nov'23.
- Performance of key discount brokers:
 - Zerodha reported a marginal MoM increase in its client count to 6.7m, with market share declining by 30bp to 18.6%.
 - ANGELONE reported a 4.7% MoM increase in its client count to 5.3m, with a ~20bp increase in market share to 14.8%.
 - Upstox reported a 2.5% MoM increase in its client count to 2.3m, with a marginal decline in market share to 6.3%.
 - Groww reported a 7.2% MoM increase in its client count to 7.6m, with a rise in market share to 21%.
- Performance of key traditional brokers:
 - ISEC reported a 0.4% MoM decline in its client count to 1.9m, with a decline in market share to 5.2%.
 - IIFL Sec reported a 0.5% MoM increase in its client count to 0.4m, with a decline in market share to 1.1%.

Overall ADTO up 18% MoM

- Total ADTO surged 111% YoY (up 18% MoM) to INR401t, with F&O ADTO increasing 18% MoM. Cash ADTO jumped 43% MoM.
- Overall Retail ADTO rose 20% MoM to INR153t as retail F&O ADTO increased 20% MoM and retail cash ADTO increased 47% MoM in Dec'23.

Key statistics

Parameter	Dec'23	YoY (%)	MoM (%)
Demat A/c (m)	139	29	3
NSE Active (m)	36	2	4
ADTO (INR t)			
Overall	401	111	18
- F&O	400	111	18
- Cash (INR b)	1,137	100	43
Retail Total (INR t)			
- Retail F&O	152	104	20
- Retail Cash (INR b)	477	67	47

Source: MOFSL, NSE, BSE, CDSL, NSDL

Commodity volume flat MoM

- Total volumes on MCX declined MoM to INR24.1t in Dec'23; Volumes in OPTFUT improved 3.7% MoM to INR20.3t.
- Overall ADTO volumes improved 14.5% MoM to INR1.2t. OPTFUT ADTO volumes improved 19.2% MoM, whereas FUTCOM ADTO declined 5.4% MoM. Futures ADTO on silver/natural gas plummeted 20%/9% MoM.
- Options ADTO volumes mainly grew 19.2% MoM on account of a 31%/15% MoM increase in Crude oil/Natural gas ADTO.

Primary market: In Dec'23, an amount of INR90b was raised via 12 IPOs.

Aviation

Demand robust; IndiGo market share flat MoM

- Domestic air passenger (PAX) traffic grew ~8% YoY in Dec'23 to 13.8m (up ~8% MoM). It was also above pre-Covid levels. Passenger growth was robust for almost all the airlines, with AI Group, SpiceJet and Akasa posting double-digit growth on MoM basis.
- Passenger load factor (PLF) increased MoM for all the airlines in Dec'23. The average domestic PLF was 83.3% (marginally up MoM). On-time performance (OTP) declined MoM for airlines and the domestic average was 59.9% in Dec'23. The cancellation rate increased for the second consecutive month to 1% in Dec'23.
- IndiGo has seen its market share rise after the collapse of GoFirst, which stopped operations in May'23, and has surpassed 60% since then. However, it lost market share in the previous two months, but it was flat in Dec'23. The management expects incremental 35 aircraft to be grounded from 4QFY24 onward as they are being recalled by P&W for various issues, including powder metal one.

India's domestic air PAX and market share

- India's domestic air PAX increased ~8% YoY (~8% MoM) to 13.8m in Dec'23 (vs. ~9% YoY in Nov'23). Demand remained healthy, buoyed by post-festive demand and the holiday season.
- Domestic PAX stood at 8.53m for IndiGo (up 22% YoY), 3.85m for Air India group (up 10% YoY), 0.6m for Akasa (up ~2.1x YoY), and 0.77m for SpiceJet (down 20% YoY).
- Domestic market share stood at 61.8% for IndiGo (up 680bp YoY), 27.9% for Air India group (up 50bp YoY), 4.4% for Akasa (up 210bp YoY), and 5.6% for SpiceJet (down 200bp YoY).

Domestic industry's PLF and OTP

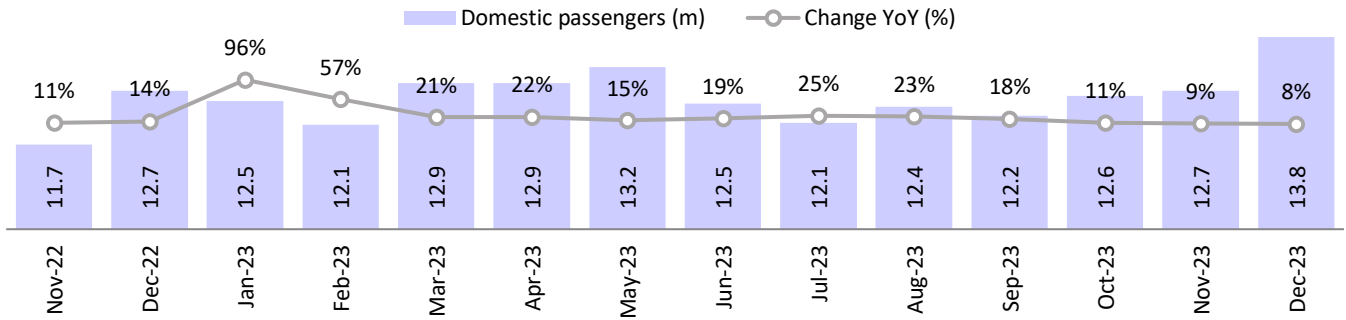
- Domestic PLF stood at 83.3% in Dec'23 (down 550bp YoY, up 20bp MoM).
- PLF stood at 90.7% for IndiGo (up 320bp YoY), 90.2% for Air India group (down 10bp YoY), 93.9% for Akasa (up 10pp YoY), and 93.5% for SpiceJet (up 80bp YoY).
- Average OTP for domestic airlines at the top four airports declined to 59.9% (down ~11pp YoY/720bp MoM).
- OTP stood at 68% for IndiGo (down ~21pp YoY), 63% for Air India group (down ~13pp YoY), 72.7% for Akasa, and 29.9% for SpiceJet (down ~27pp YoY).

Other highlights

- Air turbine fuel (ATF) price for Jan'24TD was at INR101,993/klit (down 4% MoM). For 3QFY24, ATF price was at INR111,900/klit (up 11% QoQ). Brent crude currently is at ~USD77.5/bbl, while it was at USD83.7/bbl in 3QFY24. Air fares have also declined subsequently.
- Accordingly, IndiGo had imposed a fuel surcharge in the range of INR300-1,000 on airfares. ATF price accounts for 40% of the ticket price. However, the company has subsequently withdrawn the surcharge owing to a decline in Brent prices in Nov'23 and in Dec'23
- However, Indigo announced that for an A321 aircraft with 222 seats, selecting a window or aisle seat on the front row will cost INR2k. It is INR1.5k for the aisle

seat in the same row. For the second and third rows, all seat types have a flat rate of INR400.

Domestic PAX saw grew ~8% YoY and MoM in Dec'23



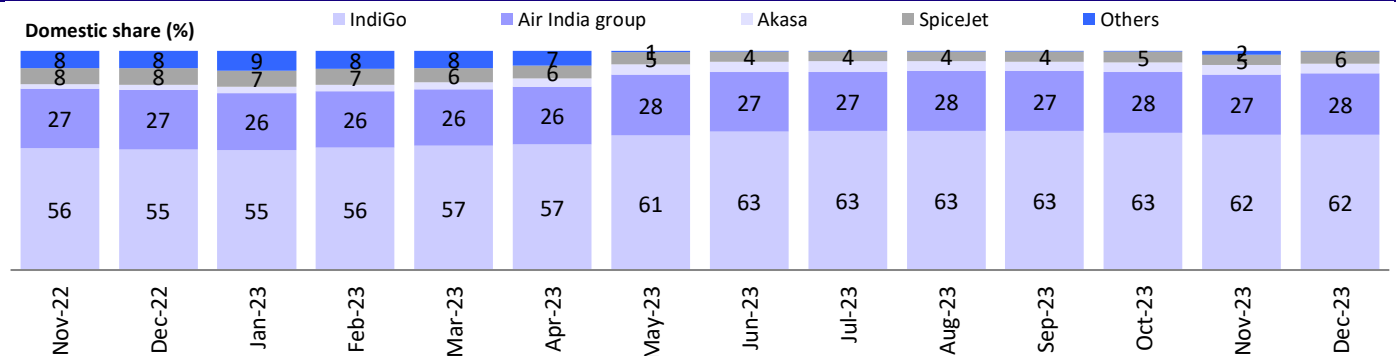
Source: DGCA, MOFSL

Historical domestic passenger trend (m)

Total Domestic Passengers	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	12.5	11.3	11.6	11.0	12.2	12.0	11.9	11.8	11.5	12.3	12.9	13.0
2020	12.7	12.3	7.7	-	0.3	2.0	2.1	2.8	3.9	5.3	6.3	7.3
2021	7.7	7.8	7.8	5.7	2.1	3.1	5.0	6.7	7.1	9.0	10.5	11.2
2022	6.4	7.6	10.0	10.4	11.4	10.7	9.1	10.1	10.3	11.4	11.7	12.9
2023	12.5	11.9	13.0	12.0	13.2	12.5	12.2	12.5	12.3	12.6	12.7	13.8

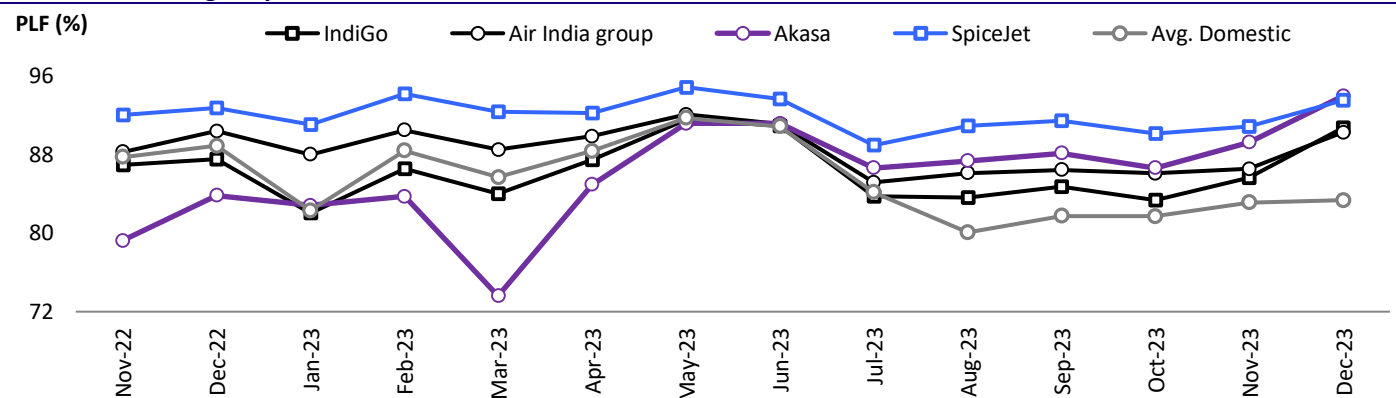
Source: MoCA, MOFSL

IndiGo's market share remained flat MoM at 61.8%, while the same for Air India group expanded 50bp MoM to 27.9%



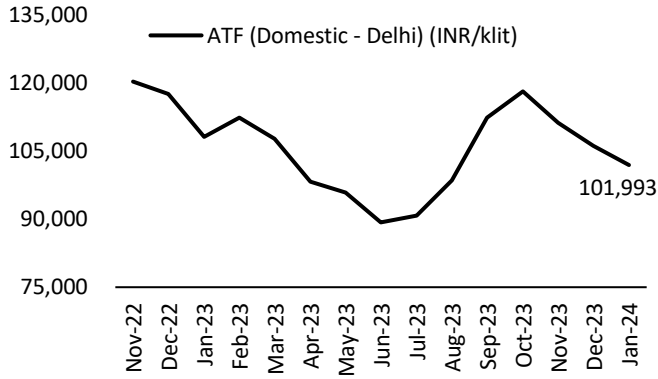
Source: DGCA, MOFSL

PLF increased marginally in Dec'23 for Indian airlines



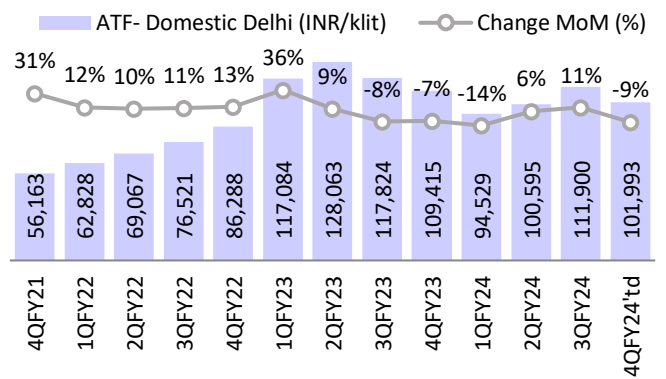
Source: DGCA, MOFSL

Decline in ATF prices in Jan'24 to date...



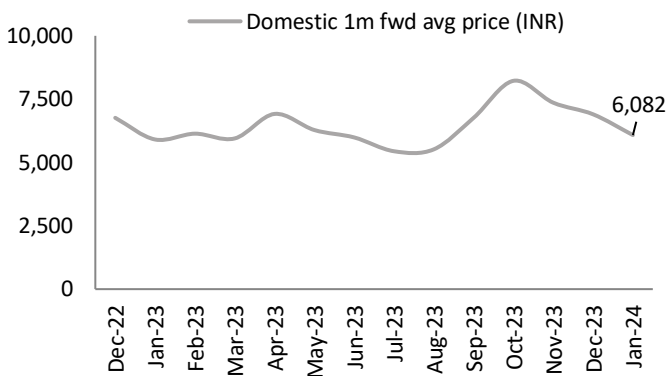
Source: HPCL, MOFSL

...with the same declining 9% QoQ in 4QFY24'TD



Source: HPCL, MOFSL

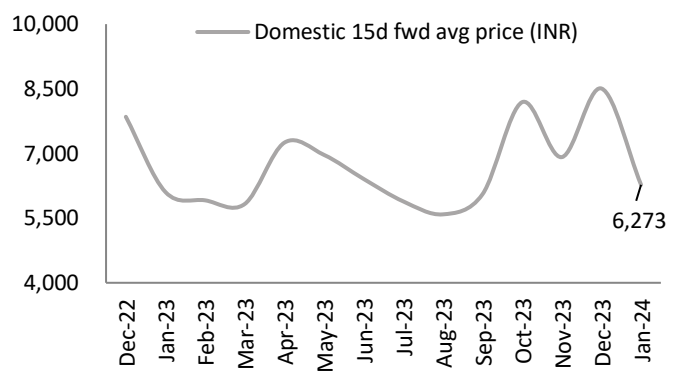
Domestic fares on 1-month forward basis



*Jan'24 till date

Source: MakeMyTrip, MOFSL

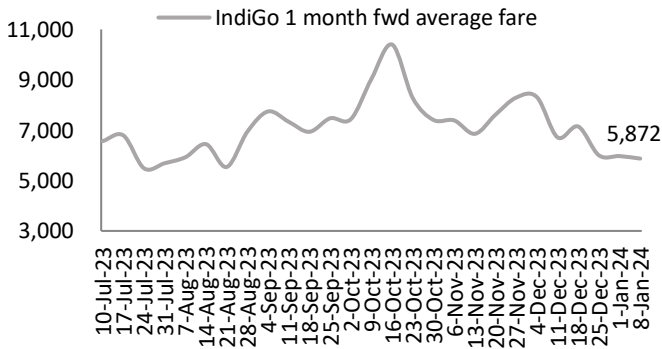
Domestic fares on 15-day forward basis



*Jan'24 till date

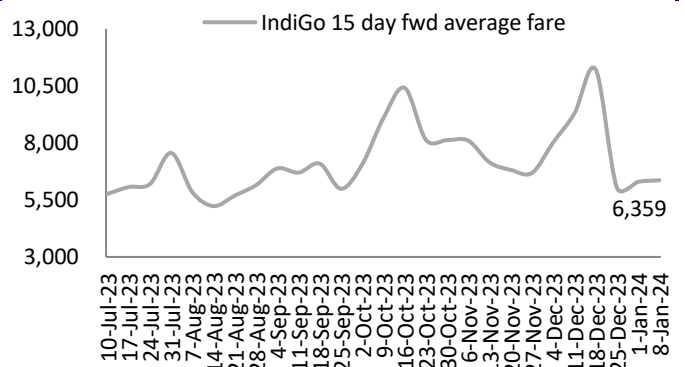
Source: MakeMyTrip, MOFSL

IndiGo fares on 1-month forward basis



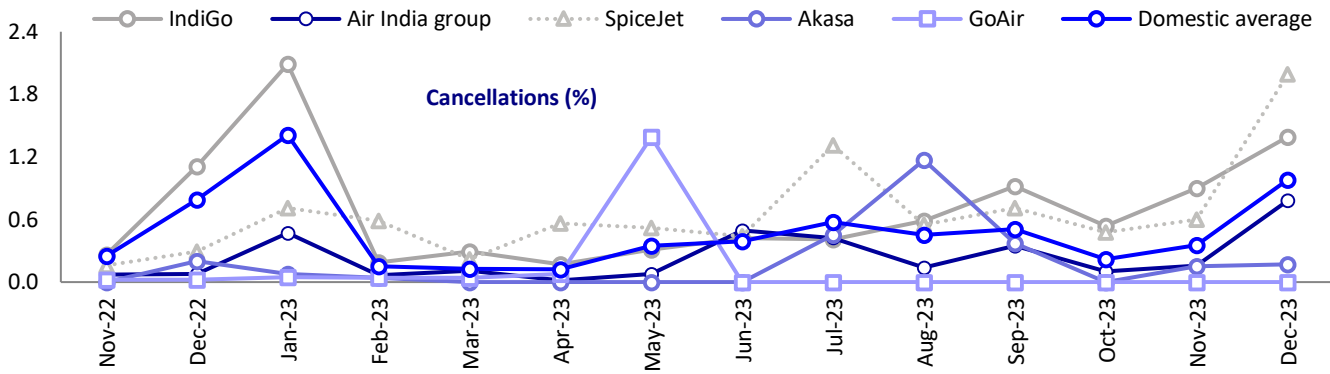
Source: MakeMyTrip, MOFSL

IndiGo fares on 15-day forward basis



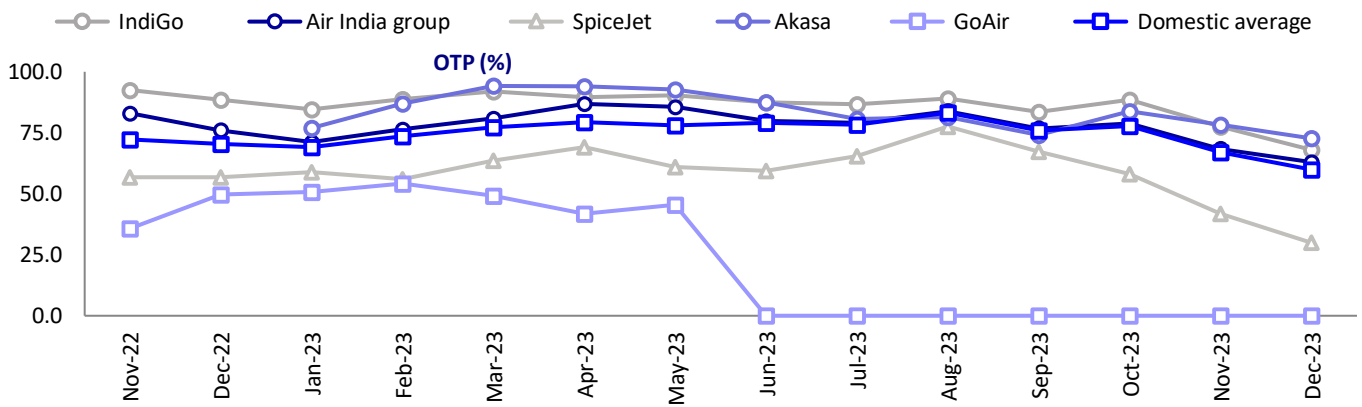
Source: MakeMyTrip, MOFSL

% cancellations increased significantly for airlines MoM in Dec'23



Source: DGCA, MOFSL

OTP declined MoM for airlines at the top four metro airports



Source: DGCA, MOFSL



Indian companies valuation

	Price (INR)	EV/ EBITDA (x)		P/B (x)	
		FY23	FY24E	FY23	FY24E
Steel					
Tata	135	7.2	11.2	1.7	1.8
JSW	825	13.9	9.0	3.0	2.7
JSP	735	8.1	8.7	1.9	1.7
SAIL	115	9.6	9.2	0.9	0.8
Non-ferrous					
Vedanta	273	4.2	6.0	2.6	3.9
Hindalco	575	7.3	6.7	1.8	1.6
Nalco	135	9.2	10.5	1.9	1.8
Mining					
Coal	385	4.8	5.3	4.1	3.4
HZL	322	7.8	10.0	10.5	9.6
NMDC	209	9.0	8.2	2.7	2.4

Global companies valuation

Company	M.Cap USD b	EV/EBITDA (x)			P/B (x)
		CY22/ FY23	CY23/ FY24	CY22/ FY23	
Steel					
AM	23	3.8	3.9	0.4	
SSAB	7	2.9	4.3	1.1	
Nucor	42	5.8	7.8	2.0	
POSCO	28	6.0	5.6	0.7	
JFE	10	7.2	5.9	0.6	
Aluminum					
Norsk Hydro	12	6.1	5.3	1.3	
Alcoa	5	14.7	7.9	1.2	
Zinc					
Teck	20	5.2	4.0	1.0	
Korea Zinc	7	9.6	8.5	1.1	
Iron ore					
Vale	66	4.2	4.0	1.6	
Diversified					
BHP	159	6.2	5.7	3.6	
Rio	118	5.0	4.7	2.0	

Ferrous prices remain in a tight range; steel mills undertake price hikes

- Owing to weak domestic demand and higher imports over the last few months, Domestic HRC prices have been under pressure and are down 8% since Oct’23 at INR54,200/t. Steel mills have not been able to take price hikes despite elevated coal costs.
- In early January 2024, steel mills initiated targeted price increases and are expecting further price hikes in the current quarter. Imports, which had risen in the last few months, have now stabilized, offering reassurance to domestic steel makers.
- Steel prices in international markets have been improving since Dec’23 as China readies itself to stock up ferrous metal ahead of the Chinese New Year and Lantern Festival holidays. This could improve exports for domestic players and keep imports muted, thereby driving up the domestic prices.
- Going forward, the steel mills are hoping for further price increases to offset the elevated coal costs, which have remained sticky at ~USD340/t.
- The upcoming Union budget, scheduled to be announced in the coming weeks, is expected to lay emphasis on Infra development. This could potentially have a positive impact on the demand for steel in India and improve overall market sentiments.

Dec’23 finished steel production crossed 11.5mt

- Domestic finished steel production for Dec’23 was up 4.7% YoY at 11.58mt, driven by higher volume from TATA Group and SAIL. TATA Group production improved 4.5% YoY at 1.72mt and SAIL increased 3.5% at 1.4mt.
- Other private players such as AMNS, JSTL, and JSP experienced a slight 1.6% YoY decrease in production to 3mt.
- Total imports in India slightly moderated from a high of Nov’23 and stood at 725kt (down 7%MoM) and exports increased sharply to 644kt (234kt in Nov’23).
- The share of PSU in total production was down 50bp at 15.1%, primarily due to a 7% contraction in production by RINL.
- For Apr-Dec’23, total finished steel production increased 13%YoY and crossed the 101mt mark, with the share of PSU at 14.7%.

Commodities and forex tracker

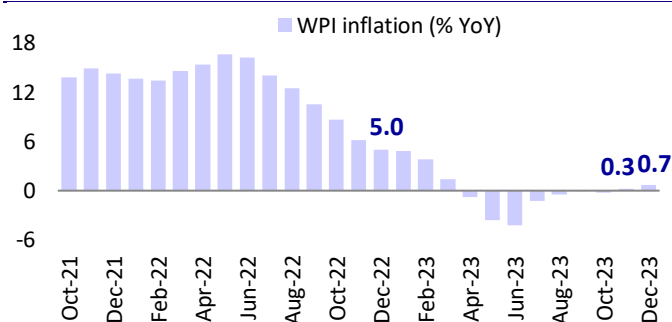
	UoM	Spot	WoW (%)	MoM (%)
India HRC (ex-Mum)	INR/t	54,200	-1	-2
India TMT Prime (ex-Mum)	INR/t	52,000	0	-3
India TMT Secondary (ex-Mum)	INR/t	48,600	0	-2
Korea HRC - FoB	USD/t	625	0	1
China HRC Dom.	USD/t	566	0	0
China HRC - FoB	USD/t	580	1	1
India Prem HCC CNF	USD/t	352	1	4
India 64 Mid Vols CNF	USD/t	289	-1	-1
India Low Vols PCI CNF	USD/t	185	-3	-1
Iron Ore Fines (Odisha Index) Fe 62%	INR/t	5,500	0	10
Iron Ore Fines (China - CNF) Fe 62%	USD/t	131	-6	-3
Europe Scrap HMS 1&2(80:20)	USD/t	402	1	0
C-DRI (ex-Raipur)	INR/t	28,400	0	-3
RB1 (6000 NAR) SA FoB	USD/t	116	0	0
RB2 (5500 NAR), SA FoB	USD/t	105	0	-3
Indonesia (4200 GAR) Futures	USD/t	57	1	-3
Copper	USD/t	8,289	0	-2
Aluminum	USD/t	2,175	-1	-1
Zinc	USD/t	2,480	0	-2
Lead	USD/t	2,058	1	0
Nickel	USD/t	16,093	0	-5
Alumina	USD/t	333	0	1
Ali UBC Scrap	USD/t	1,565	0	0
Ali UBC Scrap Spread	USD/t	610	-5	-3
INR:USD	x	82.8	0	0
USD:EUR	"	1.10	0	1
USD:GBP	"	1.28	0	1
CNY:USD	"	7.17	0	1
JPY:USD	"	145	1	2

WPI rises to 9-month high in Dec'23

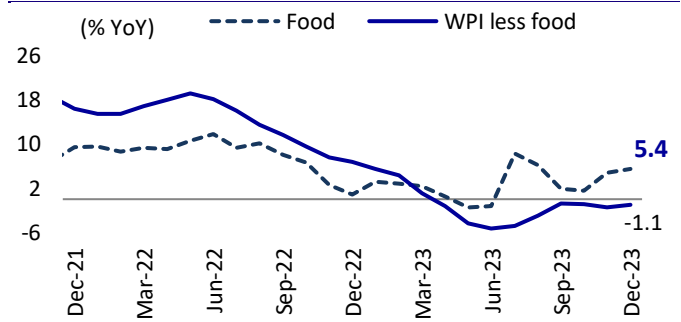
Mainly led by an uptick in primary food articles

- The Wholesale Price Index (WPI)-based inflation came in the positive territory in Dec'23 for the second month in a row. It grew 0.7% YoY in Dec'23 vs. 0.3% in Nov'23. Sequentially, WPI contracted 0.9% in Dec'23 vs. an increase of 0.2% MoM in Nov'23. The number was lower than the Bloomberg consensus of 1.4% and our forecast of 1.1%. (Exhibit 1)
- The acceleration in WPI was primarily due to a rise in prices of primary articles and fuel and power items, partly offset by a decline in prices of non-food manufacturing products.
- Inflation in primary articles went up to 5.8% YoY (the highest in 4 months) in Dec'23 vs. 4.8% in Nov'23. Within primary articles, prices of food items increased 9.3% in Dec'23 from 8.2% in Nov'23, while prices of non-food articles declined 4.7% YoY in Dec'23 vs. a decline of 3.2% in Nov'23. WPI, excluding food, contracted by 1.1% in Dec'23. (Exhibit 2)
- Additionally, WPI for fuel and power increased in Dec'23, though remained in the contractionary territory (-2.3% in Dec'23 vs. -4.6% in Nov'23). This was mainly due to a rise in prices of mineral oil.
- On the other hand, WPI for non-food manufacturing products remained in the contractionary zone for the tenth month in a row. It declined 0.6% YoY in Dec'23 (vs. a fall of 0.5% in Nov'23). Prices of textiles, paper products, chemical products, basic chemicals, fertilizers, rubber & plastic and basic metals contracted during the month.
- Details suggest that the acceleration in WPI was mainly led by a rise in agro inflation. Agro inflation went up to a 4-month high of 6.4% in Dec'23 vs. 5.9% in Nov'23. At the same time, agro input inflation contracted 4.6% YoY in Dec'23 vs. a contraction of 6.3% YoY in Nov'23. Consequently, agricultural terms of trade grew at a decent but lower pace of 11.5% in Dec'23 (vs. 13% in Nov'23). (Exhibit 4)
- Additionally, non-agro domestic inflation stood at 0.7% YoY in Dec'23 vs. 0.8% YoY in Nov'23. On the other hand, imported inflation contracted for the 11th consecutive month in Dec'23, printing -2.3% YoY vs. -3.4% YoY in Nov'23. (Exhibit 3)
- We expect headline WPI to rise in 2HFY24 as the favorable base effect fades. During Apr'23-Dec'23, WPI averaged -1.1%. We expect WPI inflation at -0.4% YoY for FY24.

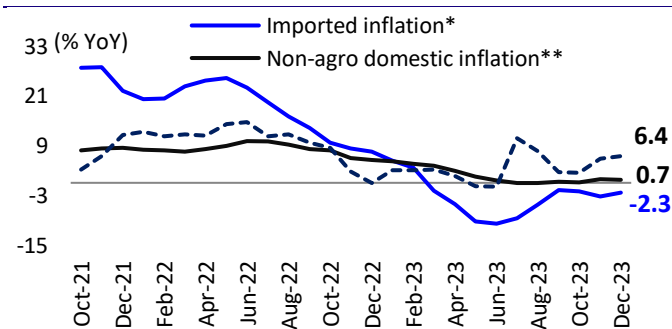
WPI stood at 0.7% YoY in Dec'23 vs. 0.3% in Nov'23...



...led by a rise in food inflation



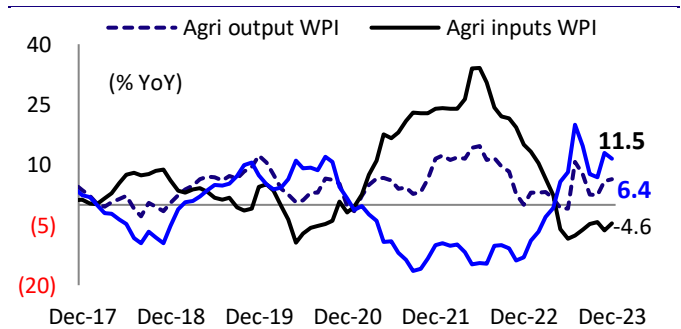
Agro inflation came in higher at 6.4% in Dec'23 vs. 5.9% in Nov'23



*Constituting ~41.8% weightage in the WPI basket;

**Constituting ~38.8% weightage in WPI basket @Constituting ~19.4% weightage in WPI basket

Terms of trade for agri sector grew 11.5% in Dec'23 vs. 13% in Nov'23



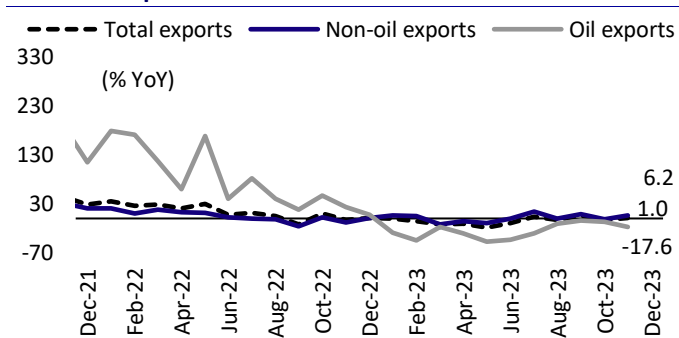
Source: Office of Economic Adviser, MOFSL

Trade deficit narrowed in Dec'23

...on the back of uptick in exports

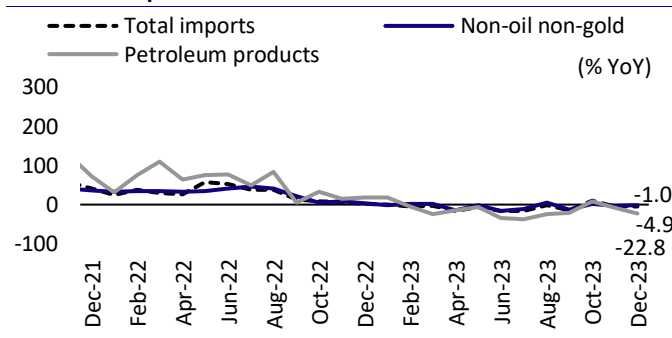
- Merchandise exports stood at a nine-month high of USD38.5b in Dec'23 (highest since Mar'23) vs. USD33.9b in Nov'23 and USD38.1b in Dec'22, mainly led by a sharp uptick in non-oil exports. Merchandise exports grew 1.0% YoY in Dec'23 vs. a contraction of 2.9% YoY in Nov'23 and 3.0% in Dec'22. About 17 out of the 30 key sectors witnessed growth in Dec'23 vs. 15 sectors in Nov'23. (Exhibit 1).
- Non-Oil exports accelerated sharply to 6.2% YoY in Dec'23 (vs. -1.5% in Nov'23) after contracting for three straight months. It stood at USD31.6b in Dec'23 (the highest in four months) vs. USD26.4b in Nov'23 and USD29.7b in Dec'22. Engineering goods, iron ore, jewellery and gems, electronics, and drugs and pharmaceuticals were the major contributors to export growth in Dec'23.
- On the other hand, oil exports contracted 17.6% YoY in Dec'23 (the worst in four months) vs. a contraction of 7.4% YoY in Nov'23.
- Exports declined 5.7% in FY24TD vs. a growth of 10.2% in FY23TD. The adverse impact of a global slowdown is visible in export numbers as the average run rate in FY24TD has come down to USD35b from USD37b in FY23TD. (Exhibit 4)
- Merchandise imports stood at USD58.3b in Dec'23 (-4.9% YoY, Exhibit 2) vs. USD54.5b in Nov'23 and USD61.2b in Dec'22. The deceleration in imports in Dec'23 was mainly led by a sharper contraction in oil imports. Imports declined 7.9% in FY24TD vs. a growth of 24.3% in FY23TD.
- Oil imports stood at USD14.9b in Dec'23 (-22.8% YoY) vs. USD14.9b in Nov'23 and USD19.3b in Dec'22. Valuables imports stood at USD5.4b in Dec'23 vs. USD4.9b in Nov'23 and USD3.8b in Dec'22, with gold imports standing at USD3.1b (+156.5% YoY in Dec'23).
- Non-oil-non-gold imports contracted 1.0% YoY in Dec'23 vs. a contraction of 3.4% in Nov'23 and a growth of 4.1% in Dec'22. About 15 out of the 30 key sectors exhibited a decline in growth in Dec'23 vs. 16 sectors in the previous month. Non-oil-non-gold imports stood at USD40.3b in Dec'23 vs. USD36b in Nov'23 and USD40.7b in Dec'22.
- Consequently, the merchandise trade deficit narrowed to USD19.8b in Dec'23 (vs. USD20.6b in Nov'23 and USD23.1b in Dec'22). It was lower than the market consensus of USD21b. (Exhibit 3)
- Going forward, we expect both exports and imports to remain muted, owing to a global slowdown. We expect CAD at 1.3% of GDP in FY24.

Exhibit 1: Exports increased 1.0% YoY in Dec'23



Source: Ministry of Commerce and Industry, MOFSL

Exhibit 2: Imports contracted 4.9% YoY in Dec'23



Source: Ministry of Commerce and Industry, MOFSL

Exhibit 3: Trade deficit narrowed to USD19.8b in Dec'23

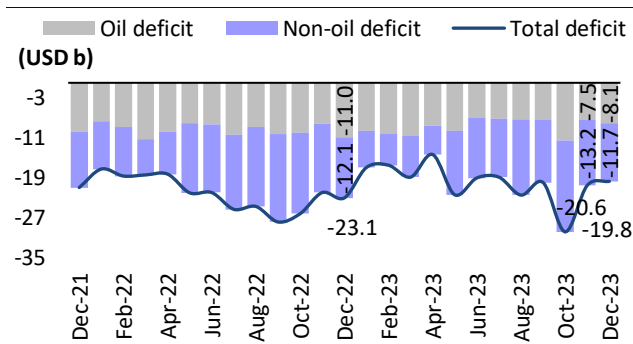
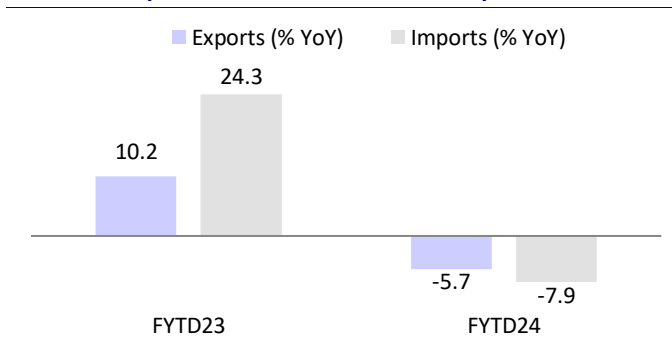


Exhibit 4: Imports contracted faster than exports in FYTD24



**Hero Moto: We are quite optimistic on growth in 2024; Niranjan Gupta, CEO**

- We are expecting rural demand to recover, Dec is a soft month for 2-wheelers segment
- All welfare measures taken by the Govt & Capex spending are seeing good results
- You will see 440 cc model being launched in this quarter itself
- We will launch more and more products in the premium category

[➔ Read More](#)**HCL Tech: See higher compensation even though attrition; Ramchandran Sundararajan, CPO**

- See higher compensation even though attrition and hiring activity has come down in the industry
- 12.8% is lowest attrition in the last 8% years (ex-Covid quarters)
- Software division saw a solid 32% growth QoQ and 5% YoY
- Service biz needs to deliver 1.6%-3.5% growth in Q4 to meet guidance

[➔ Read More](#)**Tata Consumer: Expect significant scale in organic foods; Sunil D'Souza, CEO**

- Expect significant scale in organic foods through presence in both India and overseas
- Acquisition on Chings & Smith & Jones completes the entire cuisine breadth
- Company's reach is 10x of capital foods, can scale revenue significantly
- Both acquisition will create huge value for our shareholders
- There is immediate margin synergy of 400 bps with capital foods

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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