Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	69,929	0.1	14.9
Nifty-50	20,997	0.1	16.0
Nifty-M 100	44,729	0.7	42.0
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,622	0.4	20.4
Nasdaq	14,432	0.2	37.9
FTSE 100	7,545	-0.1	1.3
DAX	16,794	0.2	20.6
Hang Seng	5,532	-1.2	-17.5
Nikkei 225	32,792	1.5	25.7
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	76	0.1	-6.8
Gold ($/OZ)	1,982	-1.1	8.7
Cu (US$/MT)	8,249	-1.4	-1.4
Almn (US$/MT)	2,070	-1.0	-11.9
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.4	0.0	0.8
USD/EUR	1.1	0.0	0.6
USD/JPY	146.2	0.8	11.5
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.3	0.01	0.0
10 Yrs AAA Corp	7.7	0.04	0.0
Flows (USD b)	**11-Dec**	**MTD**	**CYTD**
FIIs	0.2	2.64	16.9
DIIs	-0.12	0.45	21.4
Volumes (INRb)	**11-Dec**	**MTD***	**YTD***
Cash	956	1158	693
F&O	2,48,865	3,30,411	2,71,907

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

THE CORNER OFFICE – TRENT: Creating new growth engines and expanding offerings

- Trent's industry-leading revenue growth was driven by: a) healthy SSSG and productivity, b) robust footprint additions, and c) a healthy scale-up opportunity in Zudio offers a huge runway for growth over the next three to five years.
- The company's grocery segment, Star, with a presence of merely 65 stores and annualized revenue of INR18.1b (FY23) presents a huge opportunity to support growth. Its own brand strategy and curated range are seeing strong customer reception.
- We assign 37x EV/EBITDA to the standalone business (Westside and Zudio; premium over our Retail Universe, given its superlative growth), 2x EV/sales to Star Bazaar, and 15x EV/EBITDA to Zara on Sep'25E, and arrive at a TP of INR3,140. We reiterate our BUY rating on the stock.

Research covered

Cos/Sector	Key Highlights
The Corner Office	Trent: Creating new growth engines and expanding offerings
Wipro	Consulting exposure and muted expectation offer potential recovery play
Spandana Sphoorty	Articulation of next five-year target from a position of strength
Healthcare	Weak seasonality drags overall growth for Nov'23
Metals Weekly	Record monthly imports keep ferrous prices in check

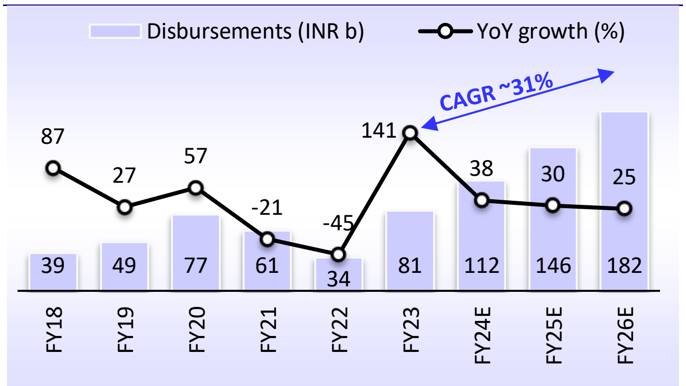
Piping hot news

Infosys CFO Nilanjan Roy resigns, Jayesh Sanghrajka appointed as new CFO from April 1, 2024

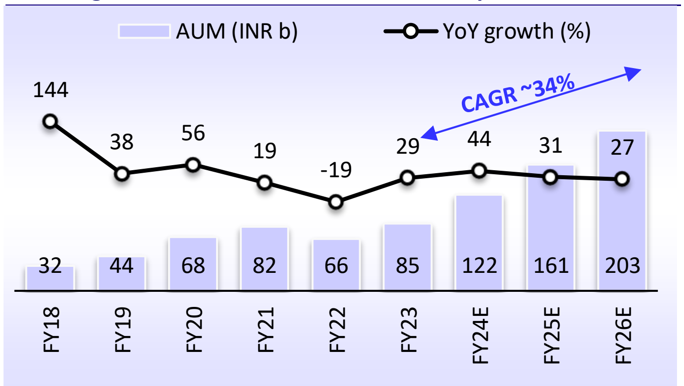
Roy's resignation comes at a time when Infosys as well as its other tier-I IT services peers are witnessing increasing top-level exits

Chart of the Day: Spandana Sphoorty (Articulation of next five-year target from a position of strength)

Disbursement CAGR of ~31% over FY23-26E…



…driving AUM CAGR of 34% over the same period



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Infosys CFO Nilanjan Roy resigns, Jayesh Sanghrajka appointed as new CFO from April 1, 2024

Roy's resignation comes at a time when Infosys as well as its other tier-I IT services peers are witnessing increasing top-level exits.

2

DLF CFO Vivek Anand resigns

DLF has announced that its CFO, Vivek Anand, has resigned to pursue other career opportunities. Anand will continue as CFO until February 2024, with MD Ashok Kumar Tyagi overseeing Group Finance, IT, and secretarial functions. Tyagi has a long tenure as Group CFO and has reviewed the function in his role as CEO and Whole-time Director.

3

PowerGrid may lose oversight role in boost to private investors

The Union power ministry has prepared a Cabinet note to "completely separate" PGCIL from the newly created Central Transmission Utility of India (CTUIL).

4

Cognizant plans to sell office assets in Hyderabad, Bengaluru

"Cognizant is re-evaluating its entire real estate portfolio and has given up rented properties in some geographies. In some cases, the company has renegotiated the rent and downsized the assets too," said multiple people aware of the deal.

5

Sahasra to invest Rs 350 cr to step up semiconductor packaging

Sahasra Electronics plans to invest ₹350 crore in manufacturing and semiconductor packaging over the next three years, marking its first involvement in the Indian 'Make in India' programme, according to chairman Amrit Manwani.

6

15-year FMCG volume growth at 3.4 per cent, says BCG

Competitors to consumers' share of the wallet have grown; prices of FMGCG more than doubled over the decade.

7

Laptop, PC import curbs for national security, says India to WTO

India has told the World Trade Organization (WTO) that its decision to restrict the imports of personal computers, laptops and other IT hardware products aims to prevent deceptive practices, collect trade statistics or market surveillance, protect human, animal and plant life ...

Creating new growth engines and expanding offerings

We organized an interactive session with Mr. P. Venkatesalu, Executive Director and CEO of Trent, to discuss the industry outlook, a new large opportunity for the company, and its growth and margin outlook. Here are the key insights from the discussion:

- **Building a platform:** Trent is building a platform to scale up 4-5 large formats. Each format has to pass the test of a) customer relevance, b) potential to achieve critical mass, and c) bringing resilience to wither the competition. However, it is cognizant of capital efficiency, and therefore it focuses on a) building in-house instead of growing through acquisitions and b) does not ramp up all formats aggressively at the same time. However, it is evaluating formats that can operate at scale. Star, Samoh and Utsa could be the next levers of growth.
- **Own brand, own label:** Trent always focuses on bringing exclusivity to its offerings; therefore, it will continue to own the complete retail network and sell only own brands. New platforms will work on two guiding principles: 1) value category will be a key play in any new offering; 2) it will try to keep women as the center point of product proposition.
- **Star, solved a lot of puzzle:** Star has solved three key factors that a brand needs to offer exclusivity: 1) fresh category, 2) private labels, and c) value offerings. Star has driven healthy improvements in footfalls recently. This provides potential to scale up the brand's footprint in the format aggressively.
- **Expand the offering:** Trent is continuously working on new categories in each format to increase customer wallet share and improve store productivity. For instance, beauty, lingerie and innerwear, and footwear have become sizeable contributors to store revenues.

Trent Limited

Mr. P. Venkatesalu, ED & CEO

Mr. P. Venkatesalu is the Executive Director and CEO of Trent Limited since Oct, 2021 appointed for a term of three years. Prior to the role he was Executive Director (Finance) and CFO of the Trent Limited. Mr. P. Venkatesalu joined Tata Administrative Services in 2001 and was formerly with Tata Sons as a part of the group finance team. He joined the company in 2008 and has been with the company for 13 years and heads the Finance & Accounts, Legal and Secretarial functions.

Detailed points

Trent idea to remain differentiated in the market

Trent will continue to create differentiation by operating through own channel, limiting offerings to private label brands and bringing all the products under one umbrella.

- The strong **supply chain** keeps product availability intact at stores.
- Trent **does not prefer the online platform,** where it can increase revenue but return rates are high at 30%.
- In addition, it does **not give discounts or advertise, which saves margins**.
- Any bad real estate would slow a brand's growth as customer attraction declines, so the company keeps rationalizing **real estate**.
  - Inditex has closed one-third of its stores in the last 10 years.
- LTL is an important metric to look at, but it is grossly overrated, as store densification will cannibalize revenue and impact LTL but will grow the market share over time. Similarly, a store that scales to maturity at an accelerated pace may slow down LTL growth. Hence, the quality of revenue is more important than volume.

Building a platform

- The management does not want Trent to be only a Westside/Zudio business, it plans to create multiple formats under Trent. While some of the formats may not find success, it will ensure capital allocation discipline and organic growth.
- Trent is a platform where back-end is integrated to get the learnings and infrastructure of the formats. Hence, Trent would want to see a few engines of growth to play. For instance, Zudio would not have been possible without Westside.
- It wants to ensure that every format becomes relevant to customers, reaches the critical mass and brings resilience.

The introduction of a new range of products and private label brands has improved the quality of financials. Zudio is now different from what it was three years ago. The company has added beauty products, innerwear and Star FMCG products to its stores.

India's strong demographic a tailwind for retail business

- For the next two decades, the absolute growth in the Indian market would be over 15%, led by an increase in per capita income, high female employment, premiumisation and underpenetrated markets, among others.
- India is now aging with few employment and optimum level of compensation. Hence, aspirational customers need products at a value price, which offers a huge opportunity in the value space.
- Trent is also targeting women customers, as there is no example of a non-women brand succeeding.

Star Bazaar opportunity

- With 60 stores, the brand has a lot of room to grow.
- A grassroots level Kirana retailer is seen as an unorganized player, but they have strong execution and therefore, it is difficult to compete with them. The next generation of Kirana stores does not want to sit in the shop. Moreover, a majority of foreign players have shut their shops due to regulatory changes. This leaves a lot of potential for domestic organized food retail players.
- A customer wants products to be available conveniently and fresh but at a value price. Star is trying to tap this opportunity through the private label route.
- The company targets to deliver vegetables and fruits, which are high-consumption items. The share of the organized food market is negligible.
- A standalone online food business is less viable and needs other revenue contributions through cross-selling and new categories to become profitable.

Valuation and view

- Trent's industry-leading revenue growth was driven by: a) healthy SSSG and productivity, b) robust footprint additions, and c) a healthy scale-up opportunity in Zudio offers a huge runway for growth over the next three to five years.
- The company's grocery segment, Star, with a presence of merely 65 stores and annualized revenue of INR18.1b (FY23) presents a huge opportunity to support growth. Its own brand strategy and curated range are seeing strong customer reception.
- We factor in standalone revenue/EBITDA CAGRs of 46%/51% over FY23-25, led by a strong 25% footprint addition and healthy SSSG.
- We assign 37x EV/EBITDA to the standalone business (Westside and Zudio; premium over our Retail Universe, given its superlative growth), 2x EV/sales to Star Bazaar, and 15x EV/EBITDA to Zara on Sep'25E, and arrive at a TP of INR3,140. We reiterate our BUY rating on the stock.

Wipro

BSE SENSEX	S&P CNX
69,929	20,997

Bloomberg	WPRO IN
Equity Shares (m)	5693
M.Cap.(INRb)/(USDb)	2184.3 / 26.2
52-Week Range (INR)	444 / 352
1, 6, 12 Rel. Per (%)	1/-8/-10
12M Avg Val (INR M)	1980

Financials & Valuations (INR b)

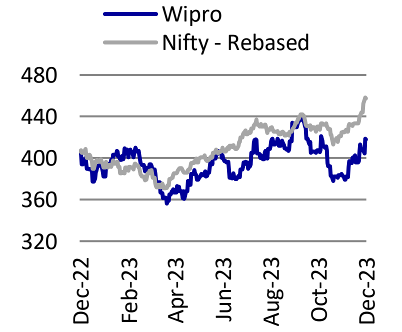
Y/E MARCH	FY23	FY24E	FY25E
Sales	905	894	962
EBIT Margin (%)	15.4	14.6	15.6
PAT	114	106	122
EPS (INR)	20.7	19.6	23.1
EPS Gr. (%)	(5.5)	(5.5)	18.2
BV/Sh. (INR)	142.7	142.0	141.0
Ratios			
RoE (%)	15.8	13.8	16.4
RoCE (%)	12.8	11.1	13.2
Payout (%)	4.8	104.4	90.0
Valuations			
P/E (x)	20.2	21.4	18.1
P/BV (x)	2.9	3.0	3.0
EV/EBITDA (x)	11.8	11.8	10.2
Div. Yield (%)	0.2	4.9	5.0

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	72.9	72.9	73.0
DII	8.0	7.6	8.0
FII	9.0	8.7	9.1
Others	10.0	10.8	10.0

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR420 **TP: INR460 (+10%)** **Neutral**

Consulting exposure and muted expectation offer potential recovery play

Maintain Neutral as we await macro visibility

Wipro's (WPRO) business performance has been lackluster over the last six quarters, following a robust FY22 performance after Thierry Delaporte assumed the role of CEO in Jul-20. The demand softness in key verticals (BFSI and Consumer) and high exposure to discretionary Consulting vertical (especially Capco) have weighed on WPRO's operational performance, despite significant internal changes to improve decision making and refresh business leadership. Improvement in large deal wins and quarterly deal TCV (USD 1b+) indicate that these strategies are proving to be effective despite challenging macroeconomic conditions. While there is limited clarity on the timeline for macro recovery in key markets, easing inflation and lower interest rates might encourage the release of discretionary spends. Given the high consulting exposure (c15% of revenues), WPRO should be among the early names to benefit from a demand revival. This can act as an upside surprise for a stock with low expectations and large valuation gap with peers (16%/23% discount to large cap/overall peer median FY25 P/E).

We continue to see weak near-term performance (revenue decline of 4.4% CC in FY24E), followed by a recovery of 7.3% CC in FY25E, but keep a close watch on macro recovery and discretionary spend revival. We maintain NEUTRAL with a TP of INR 460 (premised on 20x FY25E EPS).

Macro recovery to fuel consulting service growth

- WPRO's inorganic investments in building consulting capabilities have been instrumental in stimulating growth from key Business Units (BUs) before the macro headwinds impaired its growth in 2HFY23. Wipro clocked ~4% CQGR between 1QFY21 and 2QFY23
- The company's notable acquisitions (on consulting) strengthen cross-functional capabilities on both horizontal (Rizing on SAP) and vertical fronts (Capco on BFSI). The discretionary nature of spend has impacted its key verticals, BFSI and Consumer (~50% of revenue) and consulting service lines (~15% of revenue). However, these segments are expected to regain their earlier growth trajectory once macroeconomic recovery takes place.
- WPRO has demonstrated robust performance in its BFSI and Consumer verticals, achieving a ~10% CAGR each between FY18 and FY23. This growth notably surpasses its Consol revenue CAGR of 6.1% over the same period.
- Additionally, the client-facing account executives with individual P&L responsibilities are enabling deeper client mining and gaining higher wallet share. WPRO's investments in overhauling leadership team and restructuring management hierarchy are incentivizing in terms of improving deal TCVs (quarterly run-rate still remains elevated at USD1b+).

Earlier investments to get incentivized

- WPRO is doubling down on improving its operating margin, which faced a decline due to inorganic investments. The company is strategically adjusting the margins of acquired business units to align with those of the Core business.
- Many of these acquired entities are operating on a meaningful onshore model. The company is adopting a calibrated approach to redefine offshore-led business mix.
- The company continues to rationalize its employee pyramid mix with incremental fresher hiring (FY23 witnessed 22k fresher additions), which is resulting in limited usage of subcon and trimming down average employee cost.
- Additionally, the company is capitalizing on the improving supply-led challenges, and mitigating the cost of expensive resources (subcon or lateral hires), which typically command a premium of 25-30% over existing talent.
- The company has further scope for margin improvement through pyramid rationalization, utilization, and offshoring. We remain conservative and forecast IT Service EBIT margin of 17.0% in FY25E, lower-end of the medium-term guided range (17%-17.5%).

Attractive payout yield and Cash Conversion

- Wipro has maintained a consistent capital allocation policy and continued to return a substantial portion (three-year trailing 40-50% of net income) of its cash generation.
- It has maintained healthy balance sheets with robust net cash & equivalents-to-market cap ratio of ~9% in 1HFY24.
- Given its strong operating cash conversion rate (90%+) and minimal capex, we expect Wipro to maintain a robust cash payout policy, encompassing both dividends and buybacks.

Valuation and View – Maintain Neutral

- WPRO had undergone structural changes while overhauling its key leadership team and making bold investments to acquire inorganic capabilities. We expect the revenue conversion to improve once the macro challenges recede and enterprises resume their discretionary IT spends.
- It is doubling down its efforts to improve margins. Although the company has witnessed partial recovery post the inorganic investments, it is making further efforts to turnaround and improve the margin profile of the acquired entities.
- We expect an FY24E/FY25E USD revenue decline of -4.4%/+7.3% CC YoY with FY24E/FY25E IT Service margin at 15.7%/17.0% (vs. the guided range of 17%-17.5%).
- We believe that the current valuation of 18x FY25E EPS is relatively inexpensive and can improve once the macroeconomic environment improves. We keep a close watch on macro recovery and the discretionary spends before we turn positive on the name. We remain NEUTRAL with a TP of INR 460 (premised on 20x FY25E EPS).

12 December 2023

Company Update | Sector: Financials

Spandana Sphoorty

BSE SENSEX	S&P CNX
69,929	20,997

SPANDANA
SPANDANA SPHOORTY FINANCIAL LIMITED

Stock Info

Bloomberg	SPANDANA IN
Equity Shares (m)	71
M.Cap.(INRb)/(USDb)	72.3 / 0.9
52-Week Range (INR)	1080 / 470
1, 6, 12 Rel. Per (%)	-4/33/57
12M Avg Val (INR M)	132
Free float (%)	39.6

Financials Snapshot (INR b)

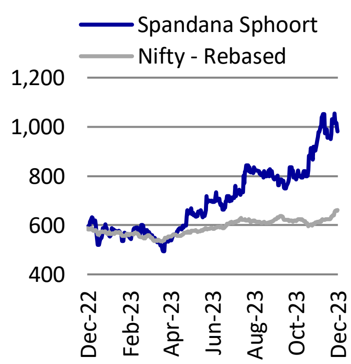
Y/E March	FY24E	FY25E	FY26E
NII	13.0	17.5	22.1
PPP	8.9	11.6	14.4
PAT	5.0	6.4	7.9
EPS (INR)	71.1	90.1	111.3
EPS Gr. (%)	-	27	24
BV/Sh. (INR)	508	598	709
Ratios (%)			
NIM	14.0	14.0	13.9
C/I ratio	42.1	41.2	40.6
Credit cost	2.2	2.4	2.4
RoA	4.6	4.5	4.4
RoE	15.1	16.3	17.0
Valuation			
P/E (x)	14.3	11.3	9.1
P/BV (x)	2.0	1.7	1.4

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	60.4	62.4	63.0
DII	13.0	8.4	8.6
FII	18.7	21.3	13.1
Others	7.8	7.9	15.3

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,017 | TP: INR1,200 (+18%) | Buy

Articulation of next five-year target from a position of strength

Targets AUM of ~INR280b by FY28 with RoA of >4.5% and RoE of >18%

- **At its analyst/investor meet, Spandana Sphoorty's senior management team outlined the company's vision for FY28 and talked about its strategies for distribution, risk management, liabilities, technology and people's practice.**
- **The management targets to achieve AUM of ~INR280b by FY28 and a customer base of ~6.2m. It plans to scale up its branch network to ~1,950 (~1520 now) and increase its employee strength to ~21k (~12K now). It has guided for credit costs of <2%, RoA of >4.5% and RoE of >18%, along with CRAR of ~25% (Refer Exhibit 11).**

Key takeaways from the meet:

- Guidance of FY28 AUM at ~INR280b implies a ~23% CAGR over FY25-FY28, which we believe is realistic and not aggressive. This growth will be driven by customer acquisitions while keeping ticket sizes lower (capped at ~INR80k) and closely monitoring total debt of a customer.
- Spandana expects 75-80% of its disbursements/collections to move to the weekly model by FY28 (vs. current level of ~7%). It expects short-tenor loans of 12-18 months to contribute 30-45% of the tenor mix.
- There is enough headroom for growth through the JLG model. The company may also offer individual retail lending, but it will be <5% of the AUM mix. The average ticket size (ATS) per borrower will remain in the current range of ~INR36k.
- As per the management, the current spread is ~12.2%, is not usurious. Spandana's lending rates have been steady for the last four quarters and it will pass on the benefits of lower borrowing costs to the customers.
- The management does not plan to take insurance coverage for its microfinance loans since its credit cost expectations of <2% does not warrant paying premiums for insurance, which typically gets triggered after a credit loss of >5%. At an appropriate stage, Spandana will be looking to build a management overlay and counter-cyclical provision buffers.
- Kedaara, the PE promoter of the company, will consider an exit when the opportunity arises, but it will be done smoothly with Spandana better off than what it is today.

Distribution: Improving productivity of branches and employees

- AUM per loan officer is INR11-12m and Spandana anticipates that it will improve to INR14-15m over the next few years. The number of loans per borrower is 1.1 and will increase once it moves to a weekly collection model.
- Improvement in efficiency will come from an increase in caseload for loan officers. Spandana has guided that borrowers per loan officer will increase to 360-365 by Mar'24 and 450-475 by Mar'28 (vs. ~320 as of Sep'23)
- The company will focus on the centers and group size, along with mandatory loan utilization checks (LUC).
- Rolled out two new products: 1) LAP, 2) nano-enterprise loans. It does not aspire to cross-sell LAP (ATS: INR400-450k) and nano-enterprise loans to MFI customers. **Guided for 50 Non-MFI branches by FY24 and 200 by FY25. Non-MFI AUM will grow to INR30-35b with 250-300K borrowers by FY28.**

Risk Management: Higher diversification and better risk monitoring

- Monitoring the functioning of JLG is a core risk management function, which provides an early warning indicator on the group functioning. Geo-tagging also helps in ensuring that center meetings are happening on time.
- Top-3 states contribute ~44% to the AUM mix, which is likely to decline to ~36% by FY28. New businesses, LAP and nano enterprise loans, will increase to 10-15% of the AUM mix.
- Spandana already does risk scoring for branch expansions and plans to build capabilities for propensity models for collections.

Liabilities franchise continues to improve

- Spandana expects FY28 borrowing mix: ~60-70% from Banks, <10% from NBFCs, <15% from capital Market and 15-20% from FPIs and ECBs. It will be looking to add social bonds in its borrowing mix.
- Marginal CoB stood at 12.3% in 2QFY24 and should further decline to <11% by FY28. CoB is higher than peers', primarily because of CDR and the management transition. Few focus areas are: a) liability diversification and it has already reduced the reliance on the debt capital markets and b) direct assignments (up to 10-15% of the AUM).
- Leverage was 1.9x when the new management took over around Mar'22 and it hit a low of 1.3x in Sep'22. Since then the gearing has improved to 2.3x and is expected to be <4x by FY28. The next round of equity capital raise will be triggered when CRAR declines below ~25% (expected by FY28).

Technology: Will enable transition from rule-based to scorecard based lending

- Technology initiatives will enable faster approval and hassle-free loan process for customers. The current end-to-end processing time is 5 to 6 days and Spandana wants to reduce it to less than an hour. This will be done by incorporating e-KYC, rule engines and e-signing of documents.
- The company has a process excellence team, which champions all the process innovations at Spandana. It aims to have an integrated CRM, IVR and Chatbox with AI/ML.

People practices: Core to the sustainability of this franchise!

- Spandana now has a stable management team and all the 14 members, including CEO, are veterans in the MFI business. Most members of the senior management team have joined Spandana from Bharat Financial.
- Attracting and retaining talent will be very important. Spandana is making efforts to make the life easier for its employees. Loan officers are paid INR17-20k, which is the upper end of the median salary in the MFI industry.
- Employee attrition is ~20% lower compared to the industry. It provides a psychological safety net to employees and provides employees with platforms to upskill.

Valuation and View

- The new management has successfully navigated various disruptions and consequent asset quality stress. With strengthened processes, it is now ready to capitalize on the strong opportunity in the MFI sector and deliver an AUM CAGR of 34% over FY23-FY26E.
- We estimate Spandana to deliver FY26 RoA/RoE of 4.4%/17%, aided by: a) operating leverage resulting in decline in operating cost ratios, and b) normalization in credit costs
- Spandana trades at 1.5x Sep’25E P/BV. Given the strong opportunity in the microfinance sector, we think that the company is poised for a further rerating if it executes well on its stated goal of quality growth. **Maintain BUY with a TP of INR1,200 (premised on 1.8x Sep’25E BV).**
- **Key downside risks:** 1) Poor execution on asset quality could increase the credit cost; and 2) inability to retain talent in the senior/middle management teams.

Performance of top companies in Nov'23

Company	MAT growth (%)	Nov'23 (%)
IPM	10.5	3.5
ABBOTT*	10.7	4.7
AJANTA	12.6	0.3
ALEMBIC	10.0	3.7
ALKEM*	12.1	3.1
CIPLA	11.1	8.8
Dr Reddys	7.0	0.7
EMCURE*	8.6	0.4
ERIS	8.2	5.2
GLAXO	5.5	-3.8
GLENMARk	11.1	6.5
INTAS	13.8	6.9
IPCA	13.5	10.3
JB Chemical	16.5	7.4
LUPIN	7.5	1.0
MACLEODs	14.5	3.8
MANKIND	13.2	1.2
PGHL	4.3	-9.8
SUN*	10.3	6.7
TORRENT	10.7	5.8
ZYDUS *	8.6	1.2

Weak seasonality drags overall growth for Nov'23

- The India pharma market grew 3.5% YoY in Nov'23 (vs. 15% in Nov'22 and 16.5% in Oct'23). The growth moderated on a YoY and QoQ basis, largely impacted by weaker seasonal trends and the festive month of November. Consequently, all therapy sectors experienced a mid-to-high single-digit growth.
- All the therapies, except Anti-neoplast, underperformed IPM during the month of Nov'23.
- For the 12 months ending Nov'23, IPM grew 10.5% YoY.
- Prices/volume/new launches witnessed 4.5%/3.0%/3.0% YoY growth for 12 months ending Nov'23.

IPCA/Cipla/JB Chemical outperform in Nov'23

- In Nov'23, among the top 20 corporates, IPCA (up 10% YoY), Cipla (up 8.8% YoY), and JB Chemicals (up 7.4% YoY) recorded notably higher growth rates than IPM.
- IPCA outperformed IPM, led by double-digit growth in pain/Cardiac/Derma/Anti-neoplastic, offset by a decline in gastro.
- Cipla outperformed IPM, led by double-digit growth in respiratory (37% of DF sales)/ Cardiac (11% of DF sales) and Urology (5% of DF sales), offset by a decline in Anti-Diabetic/gastro.
- JB Chemical outperformed IPM, registering a double-digit growth in Gastro/Gynae/Anti-infective therapies.
- While P&G Health (PGHL)/Glxo registered a decline of 9.8%/3.8% YoY due to a sharp decline in its key therapies.
- JB Chemicals reported industry-leading volume growth of 11.3% YoY on the MAT basis. Macleods pharma registered the highest price hike of 7.5% YoY on the MAT basis. Eris posted the highest growth in new launches (up 12.7% YoY).

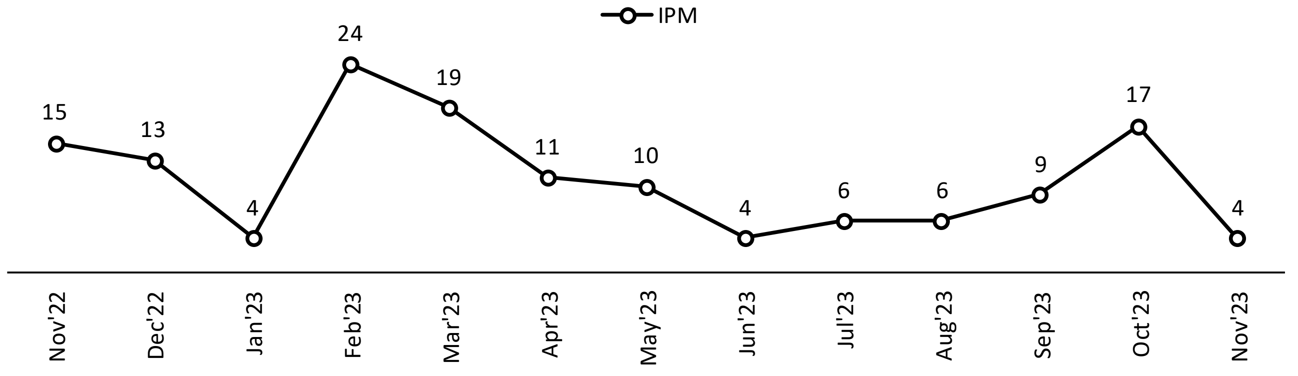
All the key therapies grew at mid-high single digit

- On the MAT basis, the industry registered 10.5% growth YoY.
- Antineoplast grew 29% YoY in Nov'23, while other big therapies such as Cardiac/Anti-infective/Gastro/Anti-diabetic/respiratory underperformed IPM.
- The underperformance was led by a decline/low-mid single digit growth in its top products.
- Ophthal/Derma declined 4.2%/2.5% YoY in Nov'23 due to high single digit to double digit decline in its top products.
- The Acute segment's share in overall IPM was 62% for MAT Nov'23, with a YoY growth of 9.9%. The chronic segment (38% of IPM) grew 11.4% YoY. For the month of Nov'23, acute therapies registered 2% YoY growth (vs. 18% in Oct'23), while chronic therapies registered a 6% YoY growth (vs 15% in Oct'23).
- PGHL had the highest contribution from the Acute portfolio, while Intas had the lowest contribution.

Indian and MNC pharma growth rate slipped to mid-single digit growth

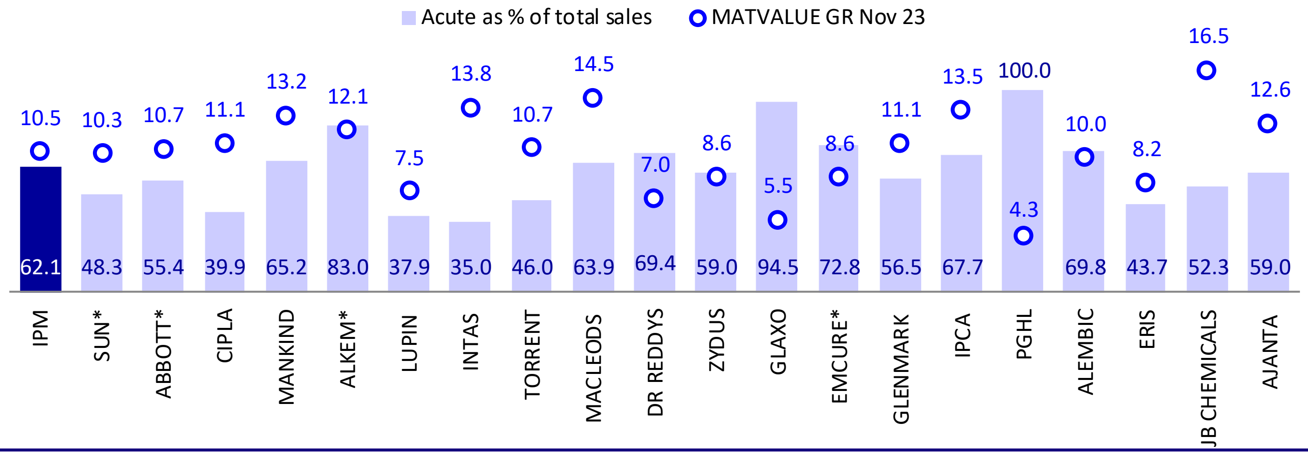
- As of Nov'23, Indian pharma companies hold a majority share of 82.9% in IPM, while the remaining is held by multi-national pharma companies.
- While Indian pharma companies registered a 4% YoY growth, MNC pharma grew 3% YoY in Nov'23.

IPM growth moderated to mid-single digit in Nov'23



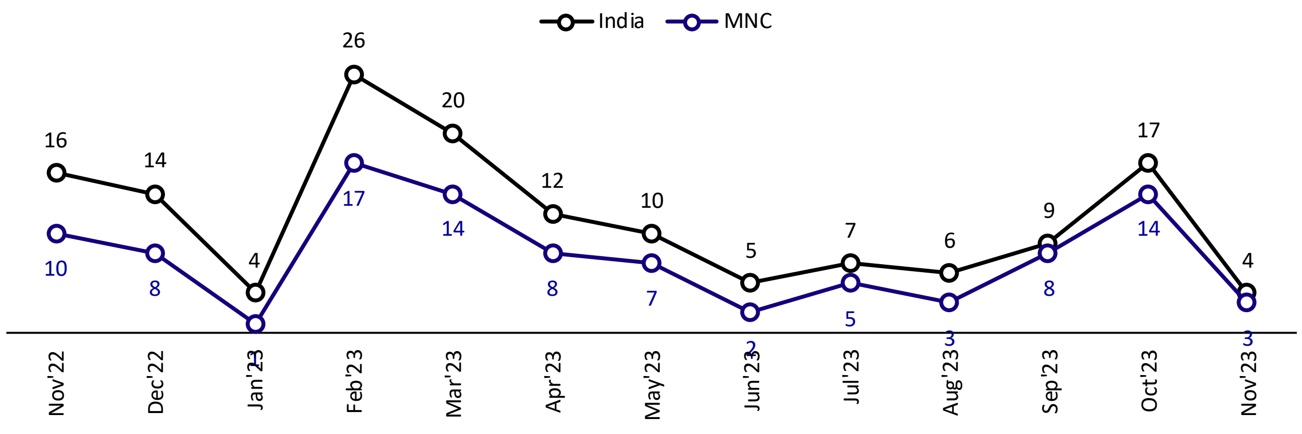
Source: MOFSL, IQVIA

Acute as a percentage of total sales and growth rate on a MAT basis in Nov'23



Source: MOFSL, IQVIA

Indian pharma companies have consistently outperformed MNCs over the past 12M



Source: MOFSL, IQVIA

Indian companies valuation

	Price	EV/ EBITDA (x)		P/B (x)	
	(INR)	FY23	FY24E	FY23	FY24E
Steel					
Tata	129	7.0	9.7	1.6	1.7
JSW	839	14.1	8.4	3.1	2.7
JSP	686	7.6	7.9	1.8	1.6
SAIL	98	8.8	7.7	0.7	0.7
Non-ferrous					
Vedanta	245	4.9	7.4	2.3	3.4
Hindalco	520	6.3	5.9	1.5	1.4
Nalco	97	6.3	6.6	1.4	1.3
Mining					
Coal	351	4.1	4.5	3.8	3.1
HZL	323	7.8	9.3	10.6	8.1
NMDC	184	7.8	6.8	2.4	2.1

Global companies valuation

Company	M.Cap USD b	EV/EBITDA (x)		P/B (x)
		CY22/ FY23	CY23/ FY24	CY22/ FY23
Steel				
AM	22	3.7	3.9	0.4
SSAB	8	3.0	4.5	1.1
Nucor	40	5.6	7.7	1.9
POSCO	30	6.0	5.5	0.7
JFE	9	6.9	5.7	0.6
Aluminum				
Norsk Hydro	12	5.9	5.1	1.2
Alcoa	4	13.0	6.6	1.0
Zinc				
Teck	19	5.1	4.3	1.0
Korea Zinc	8	10.2	8.9	1.1
Iron ore				
Vale	66	4.4	4.2	1.6
Diversified				
BHP	160	6.2	5.9	3.7
Rio	119	5.2	5.0	2.1

Record monthly imports keep ferrous prices in check

Record monthly imports, negligible exports, high inventory at mills, a higher rebate by Tier-I mills, and limited construction activities in North India have weighed on ferrous prices.

- Monthly steel imports surged to record levels, reaching a four-year high of 0.8mt in Nov'23. India has been a net importer YTD.
- While domestic flat steel prices are linked to global ferrous markets, the surge in imports have exerted pressure on the domestic prices, which are relatively higher than other international peers such as China (USD570-610/t) and Japan (USD615-630/t).
- Higher imports and subdued exports hurt domestic prices, which declined INR200/t WoW to INR55,100/t.
- Though domestic long steel prices are not hit by international price movement, restrictions in construction activities in North and East India along with higher inventory with mills impacted the prices adversely, which decreased INR400/t WoW to INR54,600/t.
- However, the IF-BF long steel spread have been reduced to ~INR6,000/t from INR6,600-7,1000/t, which would provide some relief to primary manufacturers.
- Monthly imports that peaked in Nov'23, have been on hold amid a gradual increase in export prices by international participants; hence, one can expect a significant influx of consignments in Dec'23 until mid-Jan'24 after which the impact of higher imports is expected to fade away.

Domestic steel industry performance – Nov '23

- Crude steel production improved 16% YoY and 1% MoM to 12.3mt.
- Finished steel production improved 21% YoY and 3% MoM to 11.5mt.
- India continued to remain a net importer for the fifth consecutive month, and imports stood at record levels in the last four years at 0.8mt.
- Domestic consumption was up 18% YoY and down 2% MoM at 11.4mt.
- For FYTD, share of PSU in finished steel production was down by 25bp to 14.9%.
- For FYTD, share of the top six producers contracted 196bp to 56.7%.
- Except RINL, all the major steel manufacturers witnessed improvements in their finished steel production for Nov'23.

Ashok Leyland: November Saw Some Correction In Retail Inventory & We Are Optimistic About Q4 Demand; Shenu Agarwal, MD & CEO

- November saw some correction in retail inventory, optimistic about Q4 demand
- Stick to our forecast of MHCV industry growth of 8-9% for FY24
- Have not decided on a price hike, but there is a need for one
- Defence revenue seen at Rs 800-1,000 cr in FY24
- FY24 capex is at Rs 500-700 cr; US has a mission of 50,000 EV buses on the road

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Embassy REIT: New SEZ regulations are positive for the commercial sector; Aravind Maiya, CEO

- The new SEZ regulations are positive for the commercial sector
- 20% of the 300 msf SEZ commercial space is currently vacant
- Will see an improvement in occupancies for commercial real estate sector
- Used to have 50% of new leasing from SEZ space which now dropped to 15- 20%
- New age occupiers have been looking at non-SEZ space

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Wockhardt: New Pneumonia Drug Nafithromycin Has Significant Potential Worldwide; Habil F Khorakiwala, Chairman

- Completed phase 3 clinical trials of Nafithromycin
- New drug Nafithromycin has significant potential worldwide including India & China
- Foresee significant opportunity in India & emerging market
- Will look at commercially launching Nafithromycin in India
- Will be out licensing to various cos

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Intellect Design Arena: Overall Deal Value With OTP Bank In Europe Could Be As High As ₹1,000 Cr Over 10 Years; Arun Jain, CMD

- IntellectAl's eMACH.ai custody edge platform order is one of the signature deals in Europe
- Overall deal value in Europe could be as high as Rs 1,000 cr, over 10 years
- Intellect is the fore runner in cloud & Al space, w.r.t. Banking sector
- This is the 19th deal under eMACH.ai; New deals are coming in at higher than 60%

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Zaggle Prepaid Ocean Services: Sees 40-50% overall growth this year; Avinash Godkhindi, MD & CEO

- Can track employee expenditure on our platform
- We get commission from partner merchants
- Make good margin in the program fees; Global peers are Brex, Pleo, Expensify
- This year, overall growth will be around 40-50%

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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

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