Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	65,828	0.5	8.2
Nifty-50	19,638	0.6	8.5
Nifty-M 100	40,537	1.1	28.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,288	-0.3	11.7
Nasdaq	13,308	0.8	27.1
FTSE 100	7,511	-1.2	0.8
DAX	15,247	-0.5	9.5
Hang Seng	6,148	2.6	-8.3
Nikkei 225	31,760	-0.4	21.7
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	96	-1.5	18.4
Gold ($/OZ)	1,849	-0.9	1.3
Cu (US$/MT)	8,213	0.6	-1.8
Almn (US$/MT)	2,331	3.7	-0.8
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.0	-0.2	0.4
USD/EUR	1.1	0.1	-1.2
USD/JPY	149.4	0.0	13.9
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	-0.03	-0.1
10 Yrs AAA Corp	7.7	-0.02	0.0
Flows (USD b)	**29-Sep**	**MTD**	**CYTD**
FIIs	-0.2	-2.13	15.1
DIIs	0.33	2.78	15.7
Volumes (INRb)	**29-Sep**	**MTD***	**YTD***
Cash	725	897	664
F&O	1,94,124	3,31,325	2,60,097

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Technology Preview 2QFY24

Macro overhang continues; shifting focus on margins

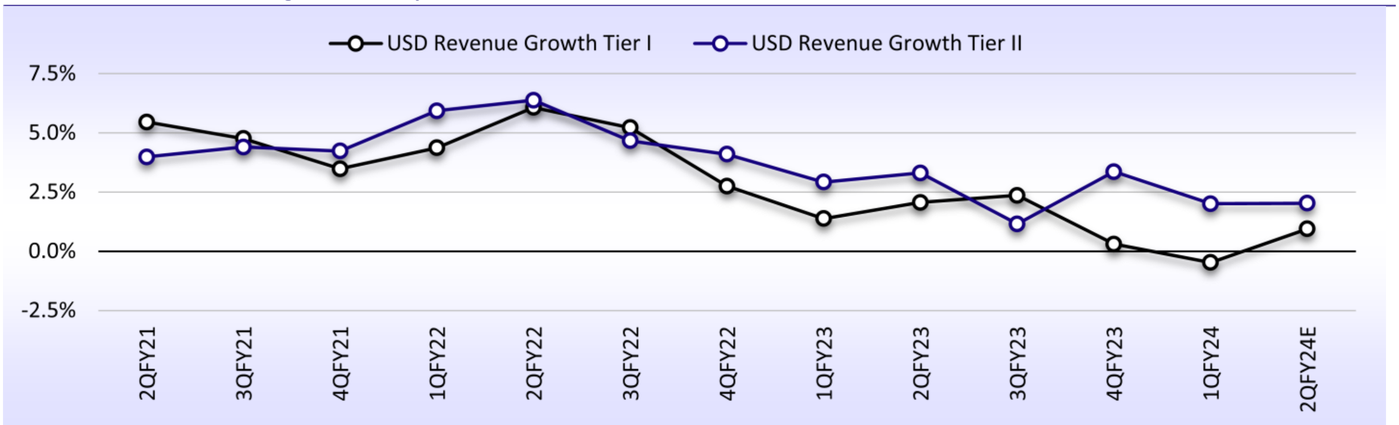
- The growth of the IT services industry is expected to remain weak in 2QFY24, as macroeconomic uncertainty continues to weigh on discretionary spending.
- The softness seen in Q1 should continue across the board with no meaningful signs of recovery or deterioration in Q2. Our IT Services coverage universe should report a median revenue growth of 1.5% QoQ/5.7% YoY in 2QFY24.
- This growth rate is among the slowest observed over the last decade, despite a marginal impact from FX fluctuations. However, a focus on cost-control measures should lead to margin improvement in 2Q. Deal TCVs should look attractive with recent mega deal wins for selective names.
- We continue to prefer Tier-I players (TCS, HCLT, and INFO) over Tier-II, given the former's attractive valuations, payout yield and diversified portfolio.

Research covered

Cos/Sector	Key Highlights
Technology	Preview 2QFY24: Macro overhang continues; shifting focus on margins
Vedanta	Proposes demerger into independent 'pure play' commodity companies
IndusInd Bank	Business growth steady; CASA mix moderates slightly
Federal Bank	Business growth steady; CASA Ratio moderates further
Automobiles	Sep'23: Dispatches grew YoY across segments except tractors
Real Estate	Residential growth to sustain; cautious on supply side challenges
EcoScope	GST Monitor: GST collections at a 5-month high in September
	Total receipts jump on higher direct tax collections

Chart of the Day: Technology Preview 2QFY24 (Macro overhang continues; shifting focus on margins)

The weakness in revenue growth is expected to continue in Q2



Source: MOFSL, Company

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In the news today

Kindly click on textbox for the detailed news link

1

CIL's coal supply to power sector rises 3.4% to 294.8 MT in H1

The total amount of coal supplied was 1.8 MT more than the 293 MT demand projected for this period, Coal India Ltd (CIL) said in a statement.

2

OPEC optimistic on demand, calls for more oil and gas investment

OPEC Secretary General Haitham Al Ghais expressed optimism about oil demand and highlighted the risk of under-investment to energy security. He emphasized the importance of continued investment in the oil and gas industry, stating that calls to stop investing in oil are counterproductive. Al Ghais stated that oil demand is expected to be resilient this year, with year-on-year demand growth forecasted to be more than 2.3 million barrels per day.

3

'Remarkable' 5G adoption drives India's global speed ranking 72 places higher: Ookla

India's speed performance has seen a 3.59 times increase since the introduction of 5G, with median download speeds improving to 50.21 Mbps in August 2023, from 13.87 Mbps in September 2022.

4

Tatas evaluate bid for UTI AMC as Reliance enters the MF space

The Tata Group is reportedly considering whether to bid for UTI Asset Management Company, following the entry of Jio Financial Services into the market.

5

Adani plans to build 10 GW solar manufacturing capacity by 2027

Adani Group is planning to expand its solar manufacturing capacity to 10 GW by 2027. Currently, the group has a capacity of 4 GW and has already secured orders for over 3,000 MW in exports.

6

Hindustan Zinc mined metal output drops marginally to 2.52 lakh tonnes in Q2

"Refined lead production at 57kt, flat as compared to 2QFY23 and up 12 per cent sequentially on account of pyro plant operations on Lead mode during this quarter," the filing said.

7

Godrej Capital to launch affordable housing loans in FY25

The company expects the co-lending book to touch Rs 500 crore by March 2025. It expects to make co-lending into a Rs 1,000 crore assets under management in the following two-to-three years after that.

Technology

Result Preview

Coforge
Cyient
HCL Tech.
Infosys
LTIMindtree
L&T Technology
Mphasis
Persistent Systems
TCS
Tech Mahindra
Wipro
Zensar Tech.

Macro overhang continues; shifting focus on margins

Revenue growth likely to be weak

- The growth of the IT services industry is expected to remain weak in 2QFY24, as macroeconomic uncertainty continues to weigh on discretionary spending. While the industry has witnessed an uptick in order inflow over the past two months with a focus on cost efficiency, the slowdown in project-based business is expected to hamper overall industry growth, even though Q2 is traditionally a robust season for the sector. Our IT Services coverage universe should report a median revenue growth of 1.5% QoQ/5.7% YoY in 2QFY24. This growth rate is among the slowest observed over the last decade, despite a marginal impact from FX fluctuations. However, a focus on cost-control (led by deferrals in wage hikes) measures should lead to margin improvement in 2Q, and help the industry deliver 3.7%/4.1% QoQ growth in EBIT/PAT, respectively. We estimate USD YoY Revenue/INR EBIT/INR PAT to grow at 3.6%/5.7%/6.6% in 2Q.
- The weakness seen in Q1 should continue across the board with no meaningful signs of recovery or deterioration. We expect Tier 2 IT companies to see further moderation in growth, which can lead to narrowing in the valuation gap (1-year forward P/E) between Tier 1 (median 22x) and Tier 2 (median 27x). Deal TCVs should look attractive with recent mega deal wins for selective names. We expect collective deal TCV (Tier1 + Tier 2) growth to stay inline or improve sequentially vs Q1. Q1 reported 1% QoQ decline in deal TCV. However, with elongated ramp-up, these deals will have limited contribution in the second quarter.
- In the face of increasing inflation and declining consumer spending, sectors such as BFSI, Retail, Hi-Tech, and Communication continue to show signs of softness. The growth for BFSI and Retail (IT pack MOFSL) has joined a negative trajectory with 1.2% and 0.4% decline (median USD growth QoQ) in Q1, we expect these two verticals to remain weak in Q2. Additionally, Manufacturing joined weaker growth trajectory with 1.0% QoQ median growth in Q1, affecting specific companies within the sector. On the other hand, there is no sign of demand recovery in the key geographies (US and Europe) with the majority of the clients maintaining caution and pausing contracts that are non-critical to them.
- As spending patterns have shifted toward cost reduction and efficiency-focused initiatives, deal components targeting these essential areas have experienced increased momentum, supporting overall growth. However, the worsening macroeconomic conditions are tightening spends on transformational initiatives and non-critical multi-year projects. Additionally, the adverse macro environment is blurring the near-term visibility of recovery and resumption of spends on discretionary areas.
- We expect revenue growth of Tier-I companies to be in the range of -1.2% to +3.6% QoQ CC. Revenue of Tier-II players are expected to grow to the tune of +0.4% to +3.2% QoQ in CC terms.

HCLT/LTTS to lead topline growth among Tier I/Tier II firms

- Revenues of Tier-I companies are expected to remain muted on account of weak macro, cuts in discretionary spends, and project deferrals. TECHM and WPRO should see another quarter of QoQ CC decline in revenues to the tune of 1.1%/1.2% QoQ CC, respectively. HCLT should see a recovery (+3.6% QoQ CC) after two consecutive quarters of decline, while INFO/LTIM/TCS should grow 0.8%/1.4%/1.1% sequentially on a CC basis. Overall, Tier-I companies are expected to exhibit weak median revenues (+1.0% QoQ CC).
- Among Tier-II companies, we expect LTTS to outpace its peers with 3.2% QoQ CC revenue growth, aided by ramp up in projects deferred to Q2. Persistent and COFOGRE should see good growth of 2.9%/2.3% QoQ CC, followed by MPHL and CYL at 1.4%/1.1% QoQ CC, while ZENT is expected to be muted at 0.4% QoQ CC.

Deferrals in wage hike and cost-controlling measures to aid margins

- Margin recovery is anticipated across the board following the completion of wage hikes. A strict emphasis on cost-controlling measures should support margins in Q2.
- Additionally, a few select names (under tier-1) have postponed their FY24 wage hike cycles. This strategic decision is expected to support margins in the near-term.
- Tier-I companies should report margin change (+/-) to the tune of -100bp to +90bp QoQ in Q2. TCS should see meaningful margin recovery 90bp QoQ post wage hikes in Q1, while LTIM is expected to see a decline of 100bp QoQ on account of wage revision. TechM is expected to see a further decline in reported margin by 200 bp QoQ (as one-off) after a 440 bp QoQ decline witnessed in Q1, adjusted margin would be stable. The Tier-II pack should see margin change (+/-) to a wider band of -260bp to +180bp QoQ, with Zensar is taking a margin hit of 260bp QoQ in 2QFY24 due to the wage hike.
- The net headcount addition would be lower across the board, aligning with the demand trend. Additionally, companies currently possess sufficient talent to sustain incremental growth. The focus has now shifted toward optimizing bench strength to enhance efficiency.

PAT to be supportive; aiding through margin recovery

- We expect our Tier-I IT coverage universe to achieve a 4.1% QoQ improvement in PAT, with a corresponding 5.9% YoY. However, TECHM is expected to experience a decline of 5.4% QoQ/32.2% YoY, while LTIM is likely to see a decrease of 0.6% QoQ/3.7% YoY, primarily due to the recent wage revision.
- Tier-II players (Ex-ZENT) should register a PAT growth of 6.5% QoQ/15.0% YoY, stronger than Tier-I firms, aided by revenue growth. COFORGE/CYL should see robust PAT growth of 35.2%/5.3% QoQ.

Prefer Tier I over Tier II companies; TCS remains our top pick

- With valuations correcting meaningfully over the last two years (IT services sector P/E at 24x, down 26% from the peak), we maintain our positive stance on the IT Services sector, supported by a favorable medium- to long-term demand outlook, despite some near-term pain.
- We continue to prefer Tier-I players over their Tier-II counterparts, given the former's attractive valuations (one-year forward median 22x), payout yield (median 4.1% FY25E), and diversified business portfolios. Among Tier-I players, we prefer TCS, HCLT, and INFO. TCS augurs well to benefit from long-term secular demand on IT services, and even in the near-term, it is expected to win disproportionately through the current nature of spends. HCLT is one of the key beneficiaries of business mix and cloud adoption at scale, given its expertise in ERD and IMS. We expect INFO to be a key beneficiary of the acceleration in digital and business transformation in the medium term.
- Among Tier-II players, our preference lies with CYL, which is poised for robust performance. This is supported by the revival in the aerospace vertical and the easing challenges in sectors such as railways and communications.

Expect Tier-I companies' revenue (USD) to grow 0.9% QoQ

	Revenue (USD m)					Revenue (INR b)				
Company	**2QFY24E**	**1QFY24**	**QoQ (%)**	**2QFY23**	**YoY (%)**	**2QFY24E**	**1QFY24**	**QoQ (%)**	**2QFY23**	**YoY (%)**
TCS	7,309	7,226	1.1	6,877	6.3	604	594	1.7	553	9.2
INFO	4,651	4,617	0.7	4,555	2.1	384	379	1.3	365	5.2
HCLT	3,297	3,200	3.0	3,082	7.0	273	263	3.6	247	10.4
WPRO	2,745	2,779	-1.2	2,817	-2.6	228	228	-0.2	225	1.1
TECHM	1,582	1,601	-1.1	1,638	-3.4	131	132	-0.6	131	-0.4
LTIM	1,074	1,059	1.5	1,022	5.1	89	87	2.0	82	7.9
Tier I aggregate	**20,659**	**20,481**	**0.9**	**19,992**	**3.3**	**1,708**	**1,683**	**1.5**	**1,604**	**6.5**
	EBIT margin (%)					Adjusted PAT (INR b)				
Company	**2QFY24E**	**1QFY24**	**QoQ (Bps)**	**2QFY23**	**YoY (Bps)**	**2QFY24E**	**1QFY24**	**QoQ**	**2QFY23**	**YoY**
TCS	24.1	23.2	90.0	24.0	10	116.1	111.2	4.4	104.7	10.9
INFO	20.7	20.8	-10.0	21.5	-80	62.2	59.5	4.6	60.3	3.2
HCLT	17.7	17.0	70.0	17.9	-30	38.7	35.3	9.6	34.9	10.9
WPRO	15.6	15.1	50.0	14.4	120	28.8	28.9	-0.1	26.5	8.9
TECHM	8.7	8.8	-10.0	11.4	-270	9.1	9.6	-5.4	13.4	-32.3
LTIM	15.7	16.7	-100.0	17.5	-180	11.5	11.5	-0.6	11.9	-3.7
Tier I aggregate	**19.6**	**19.1**	**40.0**	**19.8**	**-20**	**266**	**256**	**4.1**	**252**	**5.9**

Expect Tier-II firms' revenue (USD) to grow 2.2% QoQ

	Revenue (USD m)					Revenue (INR b)				
Company	**2QFY24E**	**1QFY24**	**QoQ (%)**	**2QFY23**	**YoY (%)**	**2QFY24E**	**1QFY24**	**QoQ (%)**	**2QFY23**	**YoY (%)**
LTTS	289	280	3.2	247	16.9	23.9	23.0	3.8	20.0	19.7
MPHL	404	398	1.5	440	-8.3	33.4	32.7	2.0	35.3	-5.4
COFORGE	279	272	2.6	247	12.9	23.0	22.2	3.7	19.6	17.6
PSYS	291	283	3.0	256	14.0	24.1	23.2	3.8	20.5	17.6
ZENT	150	149	0.6	155	-3.1	12.4	12.3	1.2	12.3	0.6
CYL	208	205	1.4	175	19.2	17.2	16.9	2.1	14.0	23.3
Tier II aggregate	**1,622**	**1,587**	**2.2**	**1,520**	**6.7**	**134.0**	**130.3**	**2.9**	**121.6**	**10.2**
	EBIT margin (%)					Adjusted PAT (INR b)				
Company	**2QFY24E**	**1QFY24**	**QoQ (Bps)**	**2QFY23**	**YoY (Bps)**	**2QFY24E**	**1QFY24**	**QoQ**	**2QFY23**	**YoY**
LTTS	16.3	17.2	-90.0	18.2	-190	3.2	3.1	1.5	2.8	11.8
MPHL	15.3	15.3	-	15.2	10	4.0	4.0	1.8	4.2	-3.6
COFORGE	13.4	11.6	180.0	14.5	-110	2.5	1.8	35.2	2.0	22.8
PSYS	14.6	14.9	-30.0	14.6	-	2.8	2.8	0.3	2.2	26.5
ZENT	12.7	15.3	-260.0	4.6	810	1.3	1.6	-18.8	0.6	123.2
CYL	14.1	14.7	-60.0	11.9	220	1.9	1.8	5.3	1.2	52.8
Tier II aggregate	**14.6**	**14.8**	**-20.0**	**14.0**	**60**	**15.6**	**15.0**	**3.8**	**13.0**	**19.8**

Source: Company, MOFSL

Vedanta

BSE SENSEX	S&P CNX
65,828	19,638

Bloomberg	VEDL IN
Equity Shares (m)	3717
M.Cap.(INRb)/(USDb)	827.3 / 10
52-Week Range (INR)	341 / 208
1, 6, 12 Rel. Per (%)	-8/-36/-31
12M Avg Val (INR M)	3260
Free float (%)	31.9

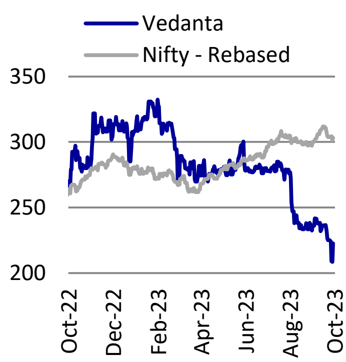
Financials Snapshot (INR b)

Y/E March	2023	2024E	2025E
Sales	1,473	1,378	1,457
EBITDA	344	311	352
EBITDA margin	23.4	22.6	24.2
Adj. PAT	108	94	115
Adj. EPS (INR)	29.0	25.3	30.9
EPS Gr(%)	-44.9	-12.7	22.2
BV/Sh. (INR)	106.0	94.4	102.9
Ratios			
Net D:E	1.1	1.5	1.3
RoE (%)	20.6	25.3	31.3
RoCE (%)	21.5	20.6	22.8
Payout (%)	349.9	127.9	72.3
Valuations			
P/E (x)	7.7	8.8	7.2
P/BV (x)	2.1	2.4	2.2
EV/EBITDA (x)	4.6	5.5	4.9
Div. Yield (%)	45.7	14.6	10.1
FCF Yield (%)	23.3	12.5	19.8

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	68.1	68.1	69.7
DII	10.1	10.3	11.6
FII	7.6	8.0	8.9
Others	14.3	13.6	9.8

Stock Performance (1-year)



CMP: INR223 TP: INR250 (12%) Neutral

Proposes demerger into independent 'pure play' commodity companies

- VEDL announced its plan to demerge its existing business verticals into six independent 'pure play' companies. This move aims to unlock stakeholder value, attract strategic investment, improve competencies, and ensure transparency.
- The proposed demerger is anticipated to conclude, with separate units being listed, within the next 12-15months, subject to all the necessary approvals from shareholders, lenders, creditors, and regulatory authorities.
- The proposed demerger will be a simple vertical split, i.e., for every one share held in VEDL, the shareholders will receive one additional share of the newly listed five entities.
- VEDL will remain listed and will include the newly proposed semiconductor and display verticals while also functioning as the holding company for HZL.

Highlights from the analyst/institutional investors conference call

- The company hosted an analyst call to discuss the proposal in greater details. Following are the key takeaways:

The proposed demerger

- The existing company will be split into Vedanta Aluminum, Vedanta Oil and Gas, Vedanta Power, Vedanta Steel and Ferrous Materials, Vedanta Base Metals and VEDL. Shareholders will receive additional one share of each newly listed entity for one share held in VEDL.
- The demerger and listing of separate business units is expected to take 12-15 months, subject to all the necessary approvals from shareholders, lenders, creditors, and regulatory authorities.
- The newly listed demerged companies are expected to unlock stakeholder value, attract strategic investment, improve competencies, and ensure better customer alignment and transparency.

VEDL to be an incubator

- Post the demerger, VEDL will act as an incubator for the Vedanta Inc group, while also functioning as the holding company for HZL.
- VEDL will not have any cross holdings in the newly listed entities. This will ensure a transparent and non-cluttered capital allocation policy across zinc, semi-conductors, stainless steel, and technology verticals.
- VEDL's proposed foray into the semiconductor and display vertical marks a significant transition for the company, evolving it from a pure commodities enterprise into a technology-focused company.
- VEDL has finalized a technology partnership with Taiwanese firm Innolux for display manufacturing.
- VEDL will be run by Mr. Arun Misra (current CEO, HZL).

Dividend/brand fee

- The proposed demerger will not adversely impact brand fee structure for the VRL (HoldCo).
- VEDL, along with other five newly listed entities, will adhere to a prudent dividend payout policy. The board of respective newly listed entities will conduct an independent assessment for dividend payout.

Debt profile

- As on 1QFY24, VEDL (consolidated) carries a net debt of INR591b, out of which, almost 72% is in the books of standalone entity (INR429b).
- VEDL will follow relevant Companies Act guidelines and plans to rope in a consultant for the same.
- Debt at a consolidated level is expected to remain consistent and will be allocated appropriately among the individual business units.

Timeline and approval

- VEDL expects the entire demerger process to be completed by Sept'24; however, VEDL during its conference call gave a rough timeline estimate of 12-15 months.
- VEDL will submit the proposal to stock exchange in Oct'23 and is expected to file the scheme with NCLT by Dec'23/Jan'24.
- VEDL might require state/local authority's approval for transferring some of the assets to respective newly demerged entities.
- Approval would also be required from lenders/creditors to VEDL; however, no such approval is required at HoldCo. level.

Capex

- The ongoing capex programme, aimed at enhancing capacity across various assets, will remain unaffected by the demerger.
- Post demerger, the company will ensure autonomy of business management. Capital allocation policy for each asset will be decided independently.

Other insights:

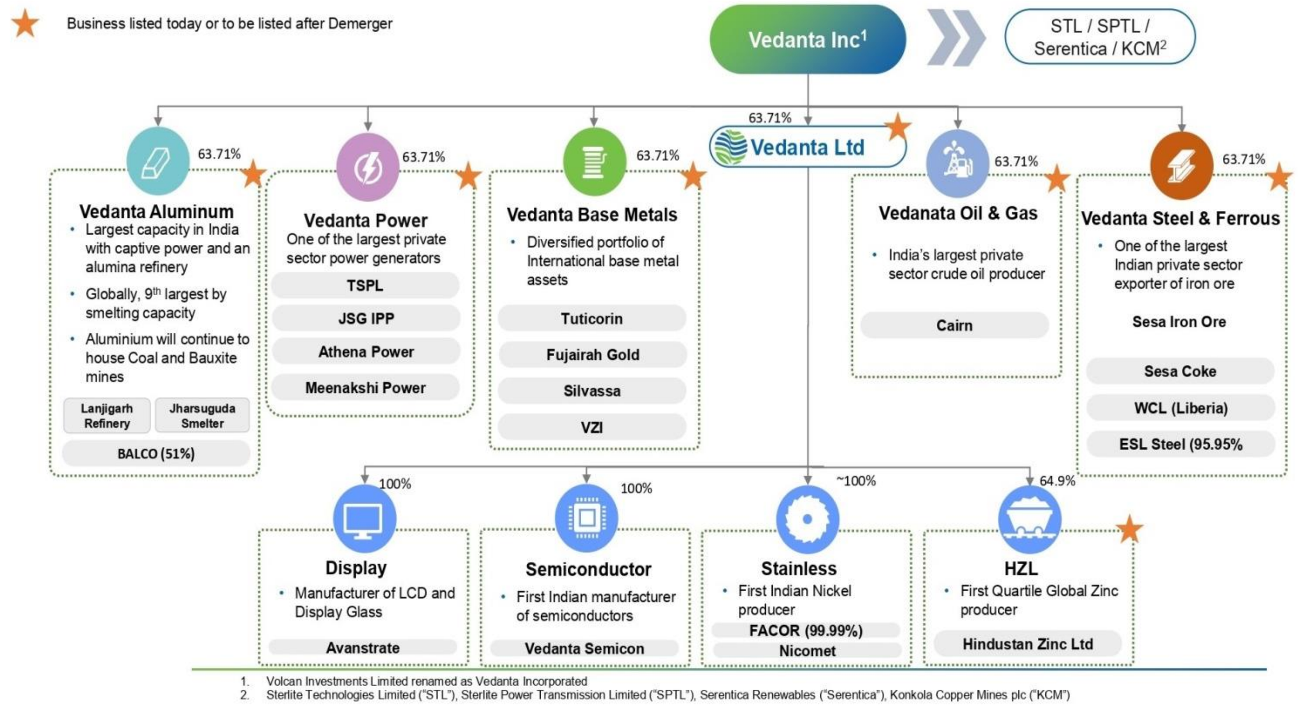
- The BoD has initiated a review of HZL's corporate structure to unlock value by establishing distinct legal entities for Zinc & Lead, Silver, and Recycling business units. The proposal is currently under evaluation by consultants, and additional details will be disclosed in due course.
- Outcome of pledge post demerger does not change.
- VEDL is currently in the process of reviewing its copper and ferrous assets for monetization. The company's stance on this matter has remained unchanged since the beginning of 2023.

Valuation and view

- The demerger into different entities is expected to simplify the corporate structure, enhance risk mitigation framework, ensure autonomy, and improve transparency.
- However, the debt positions at both VEDL and HoldCo. remain unchanged. HoldCo./VEDL continue to face refinancing/repayment risks, considering substantial portion of debt maturing by CY25. The developments concerning the company's debt will be a key monitorable moving forward.

- Globally, commodity markets are facing multiple headwinds, such as volatile input raw material prices, multi-decade high interest rates in developed economies, muted demand pick-up from China, and a slowdown in the Chinese real estate sector. **We reiterate our Neutral rating on VEDL with our SoTP-based TP of INR250. At CMP of INR223, the stock is trading at FY25E EV/EBITDA of 4.9x and FY25E P/B multiple of 2.2x.**

Corporate structure post demerger; shareholders to receive one share in each newly listed entity for every one held in VEDL



Source: Company

IndusInd Bank

BSE SENSEX	S&P CNX
65,828	19,638

Bloomberg	IIB IN
Equity Shares (m)	757
M.Cap.(INRb)/(USDb)	1110.3 / 13.4
52-Week Range (INR)	1476 / 990
1, 6, 12 Rel. Per (%)	1/20/8
12M Avg Val (INR M)	4200
Free float (%)	84.9

Financials Snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
NII	175.9	209.6	253.7
OP	144.2	167.8	204.8
NP	74.4	93.9	119.6
NIM (%)	4.1	4.2	4.4
EPS (INR)	96.0	121.0	154.2
EPS Gr. (%)	54.7	26.0	27.4
BV/Sh. (INR)	707	812	950
ABV/Sh. (INR)	691	797	933
Ratios			
RoE (%)	14.5	16.0	17.5
RoA (%)	1.7	1.9	2.1
Valuations			
P/E (X)	14.9	11.9	9.3
P/BV (X)	2.0	1.8	1.5
P/ABV (X)	2.1	1.8	1.5

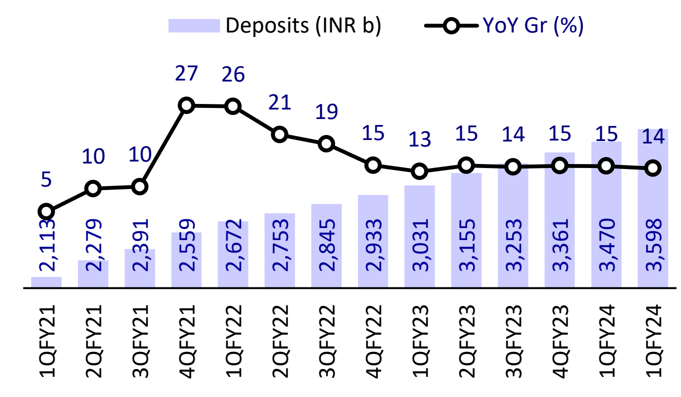
CMP: INR1,430 — Buy

Business growth steady; CASA mix moderates slightly

IndusInd Bank (IIB) released its quarterly update highlighting the key business numbers for 2QFY24. Following are the key takeaways:

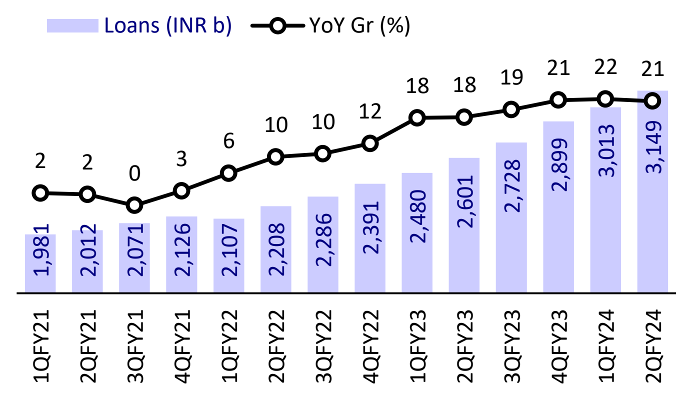
- **Loan growth continued to remain healthy at 21% YoY/5% QoQ to ~INR3.1t.**
- **The CD ratio for the bank increased to 87.5% (up 70bp QoQ) in 2QFY24.**
- **Deposit growth was healthy at 4% QoQ (up 14% YoY) to ~INR3.6t. Within deposits, CASA mix moderated 50bp QoQ to 39.4% in 2QFY24.**
- **Growth in Retail/Small Business deposits remained healthy at 5.4% QoQ to reach INR1.57t. Management remains focused and is making consistent progress on shoring up its Retail deposit mix. Currently, Retail/Small Business deposits constitute ~43% of total deposits (target of 50% under PC-6).**
- **IIB continues to report steady loan growth and we expect the trend to continue. Deposit franchise too is growing at a steady pace with sustained focus on augmenting Retail deposits.**

Deposits grew 14% YoY (+4% QoQ) in 2QFY24



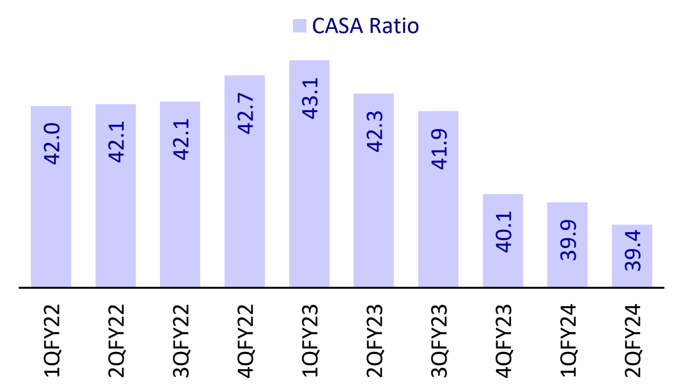
Source: MOFSL, Company

Loan book grew 21% YoY (+5% QoQ) in 2QFY24



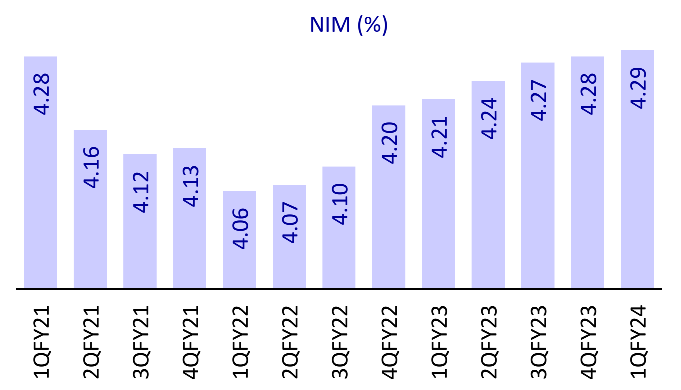
Source: MOFSL, Company

CASA ratio moderated to 39.4% in 2QFY24



Source: MOFSL, Company

NIM stood at 4.29% in 1QFY24



Source: MOFSL, Company

Federal Bank

BSE SENSEX	S&P CNX
65,828	19,638

Bloomberg	FB IN
Equity Shares (m)	2120
M.Cap.(INRb)/(USDb)	345.8 / 4.2
52-Week Range (INR)	152 / 111
1, 6, 12 Rel. Per (%)	0/-1/13
12M Avg Val (INR M)	1900
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E Mar	FY23	FY24E	FY25E
NII	72.3	81.3	98.9
OP	47.9	53.9	65.8
NP	30.1	34.6	41.7
NIM (%)	3.4	3.2	3.3
EPS (INR)	14.3	16.4	19.7
EPS Gr. (%)	54.8	14.7	20.5
BV/Sh. (INR)	102	116	133
ABV/Sh. (INR)	94	107	123
Ratios			
ROE (%)	14.9	15.0	15.8
ROA (%)	1.3	1.2	1.3
Valuations			
P/E(X)	10.3	8.9	7.5
P/BV (X)	1.4	1.3	1.1
P/ABV (X)	1.6	1.4	1.2

CMP: INR147 Buy

Business growth steady; CASA ratio moderates further

Federal Bank (FB) released its quarterly update emphasizing its 2QFY24 business numbers. Here are the highlights:

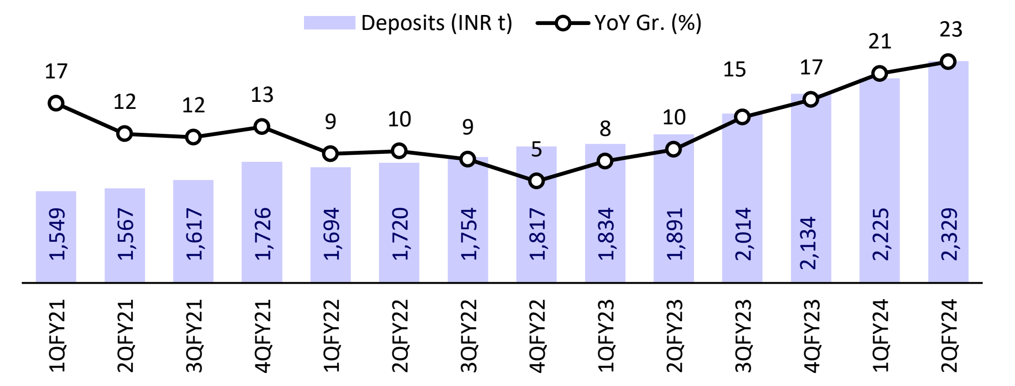
- **Gross advances grew 20% YoY to ~INR1.96t (+5% QoQ). As per internal classification of FB, retail credit grew 22% YoY while wholesale book rose 17% YoY. With this, the share of retail in total loan mix stood at 55% in 2QFY24.**
- **Total deposit base grew at a robust 23% YoY (+5% QoQ) to INR2.33t. Total customer deposits rose 20% YoY (4% QoQ) while CASA reported muted growth of 5.0% YoY (2.5% QoQ). Thus, CASA ratio moderated 68bp QoQ to 31.17%.**
- **Certificate of deposit surged 137% YoY while interbank deposits jumped 115% YoY.**
- **CD ratio for the bank thus grew ~29bp QoQ to 84.2% vs. 83.9% in 1QFY24.**
- **Overall, FB clocked a healthy growth in advances aided by strong trends in both retail and wholesale books. Traction in deposits was robust given a stiff competition among banks to garner incremental deposits. This was led by strong growth in term deposits while CASA deposits witnessed muted trends with a decline in CASA mix to 31.17%. We believe that improving loan growth would continue to aid NII, though we remain watchful of margins due to rising cost of deposits and stagnating yields.**

Key business trends

INR b	2QFY23	1QFY24	2QFY24	*YoY (%)*	*QoQ (%)*
Gross Advances	**1,639**	**1,866**	**1,960**	**20%**	**5%**
Total Deposits	**1,891**	**2,225**	**2,329**	**23%**	**5%**
Customer Deposits	1,831	2,104	2,189	20%	4%
CASA	**689**	**709**	**726**	**5%**	**3%**
Certificate of Deposits	42	92	99	137%	8%
Inter-bank Deposits	19	29	40	115%	38%
CASA Ratio (%)	**36.41%**	**31.85%**	**31.17%**	**-524bp**	**-68bp**

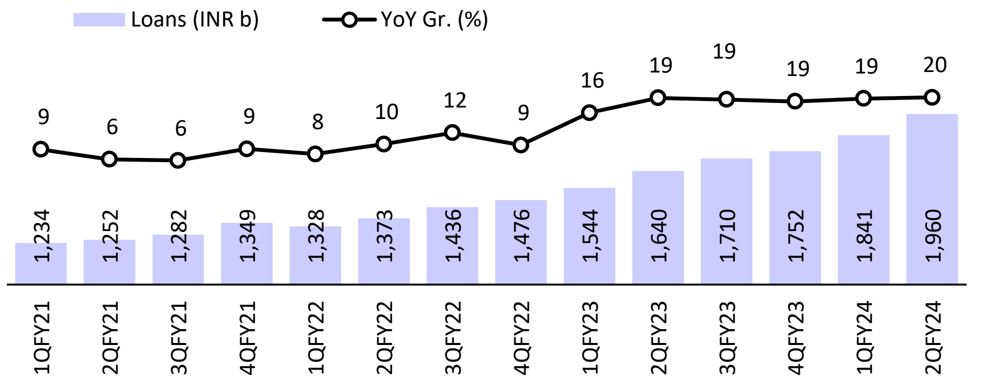
Source: MOFSL, Company

Deposits grew ~23% YoY (5% QoQ)



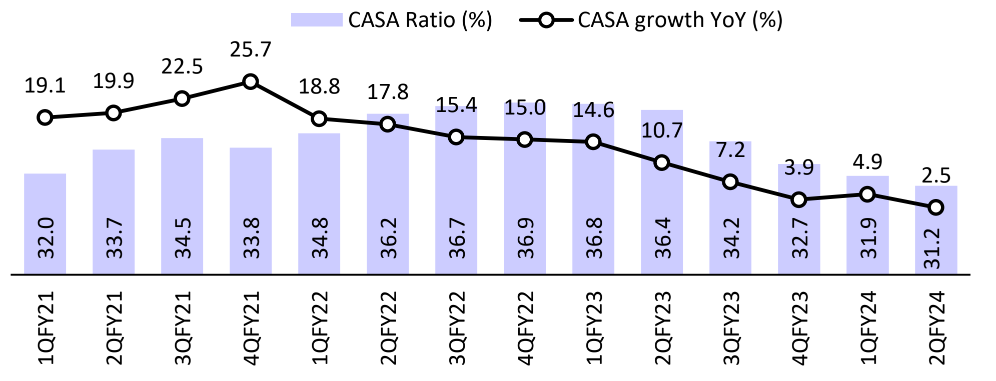
Source: MOFSL, Company

Gross advances grew 20% YoY (5% QoQ)



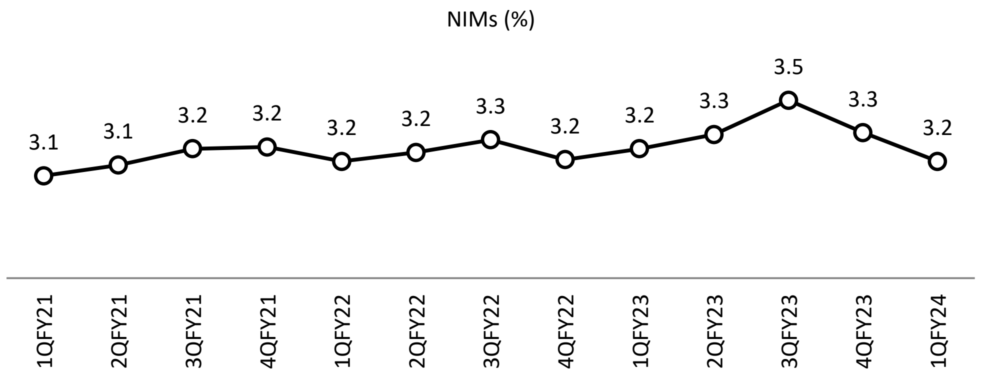
Source: MOFSL, Company

CASA ratio moderated 68bp QoQ to 31.17%



Source: MOFSL, Company

NIM stood at 3.2% as of 1QFY24



Source: MOFSL, Company

Automobiles

Sep'23: Dispatches improve YoY across segments (ex-tractors)

…CV volumes better than estimate, 2Ws in line; PVs below expectation

The performance of the domestic markets is far superior and therefore more exciting. I think the export recovery has commenced, and 1Q was better than 4Q in retail terms for us. And 2Q seems to be better than 1Q. However, it is improving in bits and pieces. I would not say it is like a sharp recovery, but it is like 1Q was better than 4Q by about 3-4%, and similarly, 2Q is better than 1Q by about 3-4%. I think we will continue to see an improvement, but it is going to be slow and steady.

-**Rakesh Sharma, Executive Director – BJAUT**

BJAUT, ESC and AL are yet to report their wholesale numbers for the month. Overall dispatches for 2Ws were in line in Sep'23; PVs/tractors disappointed while CVs surprised. Domestic 2W wholesales grew 3% YoY while exports remained a mixed bag as per OEMs. Demand for UVs remained strong but entry-level models continued to display weakness for PVs; overall growth was 4% YoY. Dispatches for CVs surprised; grew 23.5% YoY for MHCVs while LCVs remained flat YoY. Tractor volumes declined 11% YoY. Overall dispatches for 2Ws/PV/3Ws/CVs grew 4%/4%/2%/11% YoY during the month, while tractor volumes declined 11% YoY.

- **2Ws (excl. BJAUT) in line – grew 4% YoY:** 2W dispatches were: a) above estimate for TVSL that grew 7% YoY, b) in line for HMCL (+3% YoY) and c) below estimate for RE (-4% YoY). Sep'23 exports for RE stood at 4.3k units (v/s 1QFY24 average of 6.8k units) while TVS' exports posted 11% YoY growth as both retails and dispatches improved in its export markets. Domestic wholesales improved 3% YoY and we expect this trend to sustain as we are entering the peak festival season. The inventory levels remained healthy at 6-7 weeks.
- **PVs – below est., grew 4% YoY:** Volumes for MSIL came in at 181.3k units (+3% YoY) while TTMT declined 5% YoY to ~45.3k units. Wholesales for TTMT declined to enable smooth transition to new generation models like Nexon and Nexon EV. MM UVs (including pickups) grew 15% YoY. As per the management, demand for its SUVs remains strong and it is monitoring supplies of semiconductors and select components to meet the strong festive demand.
- **CVs (excl.AL) above est. – grew 11% YoY:** MHCV volumes rose 23.5% YoY while LCV sales remained flat YoY. TTMT/VECV's volumes grew 12%/9% YoY. As per TTMT's management, continuing infrastructure push by the government along with improving consumption augurs well for the CV industry. Rural demand would be a key parameter going ahead as monsoons have been below average.
- **Tractors (excl. ESC) – below est., declined 11% YoY:** MM's volumes declined 11% YoY. With Kharif sowing having crossed 110m hectares, the upcoming festival fervor is expected to usher in positive sentiments among the farmers. Normal rains in September augur well for Rabi sowing, especially in central, northern and western regions.

Surprise (Variance %)	In line (Variance %)	Disappointment (Variance %)
TVSL (+5.5%)	MM UVs (+2%)	MSIL (-6%)
TTMT CVs (+10%)	HMCL (0%)	MM Tractors (-6%)
	VECV (+2%)	TTMT PVs (-11%)
		RE (-11%)

Valuation and view: We prefer CVs over other segments led by strong demand and a stable competitive environment. We prefer companies with: 1) higher visibility in terms of demand recovery, 2) a strong competitive positioning, 3) encouraging margin drivers, and 4) a strong balance sheet. **TTMT and AL are our top OEM picks. Among auto component stocks, we prefer ENDU.**

Snapshot of volumes for Sep-23 (incl Exports) *

	YoY			MoM						
Company Sales	**Sep-23**	**Sep-22**	**YoY (%) chg**	**Aug-23**	**MoM (%) chg**	**FY24YTD**	**FY23YTD**	**(%) chg**	**FY24E**	**Gr (%)**
2W	**10,02,034**	**9,63,806**	**4.0**	**8,98,410**	**11.5**	**51,75,940**	**50,51,051**	**2.5**	**1,06,22,583**	**9.8**
Cars	1,22,758	1,48,955	-17.6	1,29,740	-5.4	7,44,489	8,01,587	-7.1	15,46,611	5.2
Uvs UVs + MPVs	1,68,152	1,30,621	28.7	1,65,208	1.8	9,22,216	7,40,755	24.5	19,19,528	26.8
PVs	**2,90,910**	**2,79,576**	**4.1**	**2,94,948**	**-1.4**	**16,66,705**	**15,42,342**	**8.1**	**34,66,139**	**16.2**
3Ws	23,519	23,056	2.0	20,782	13.2	1,16,994	1,22,087	-4.2	2,51,174	11.3
M&HCVs	26,397	21,367	23.5	20,292	30.1	1,21,612	1,15,337	5.4	2,80,269	7.6
LCVs	23,298	23,460	-0.7	21,774	7.0	1,29,289	1,44,932	-10.8	2,82,011	0.4
CVs	**49,695**	**44,827**	**10.9**	**42,066**	**18.1**	**2,50,901**	**2,60,269**	**-3.6**	**5,62,280**	**3.9**
Tractors	43,210	48,713	-11.3	21,676	99.3	2,05,070	2,12,049	-3.3	4,25,885	4.5

***2W:** HMCL, TVSL,EIM; **PVs:** MSIL, MM & TTMT; **3Ws:**TVSL, MM; **CVs:** TTMT, MM, EIM; **Tractors:** MM

Snapshot of volumes for Sep-23

	YoY			MoM									
Company Sales	**Sep-23**	**Sep-22**	**YoY (%) chg**	**Aug-23**	**MoM (%) chg**	**FY24YTD**	**FY23YTD**	**(%) chg**	**FY24E**	**Gr. (%)**	**Residual Growth (%)**	**Residual Monthly Run rate**	**FY24 YTD Monthly Run rate**
Maruti Suzuki	**1,81,343**	**1,76,306**	**2.9**	**1,89,222**	**-4.2**	**10,50,225**	**9,85,326**	**6.6**	**21,87,027**	**11.2**	**15.9**	**1,89,467**	**1,75,038**
LCVs	2,294	2,505	-8.4	2,564	-10.5	15,496	19,509	-20.6	35,764	-5.9	9.6	3,378	2,583
Vans	11,147	12,697	-12.2	11,999	-7.1	67,859	69,510	-2.4	1,39,325	6.2	15.9	11,911	11,310
Mini Segment	10,351	29,574	-65.0	12,209	-15.2	72,550	1,21,056	-40.1	1,75,215	-24.8	-8.2	17,111	12,092
Compact (incl Dzire Tour)	74,278	75,844	-2.1	78,241	-5.1	4,47,870	4,49,905	-0.5	9,13,747	1.2	2.9	77,646	74,645
Mid SizeMid-Size - CIAZ	1,491	1,359	9.7	849	75.6	7,441	6,926	7.4	13,610	0.0	-7.7	1,028	1,240
UVs	59,271	32,924	80.0	58,746	0.9	3,06,467	1,85,788	65.0	6,43,375	65.7	66.3	56,151	51,078
Domestic	1,58,832	1,54,903	2.5	1,64,608	-3.5	9,17,683	8,52,694	7.6	19,21,036	20.7	35.8	1,67,226	1,52,947
Export	22,511	21,403	5.2	24,614	-8.5	1,32,542	1,32,632	-0.1	2,65,991	2.6	5.3	22,241	22,090
Mahindra & Mahindra	**1,18,814**	**1,13,199**	**5.0**	**92,026**	**29.1**	**6,03,286**	**5,45,194**	**10.7**	**12,55,186**	**13.5**	**16.2**	**1,08,650**	**1,00,548**
UV (incl. pick-ups)	66,544	57,911	14.9	62,357	6.7	3,52,587	3,03,347	16.2	7,40,133	17.5	18.7	64,591	58,765
LCV & M&HCV	1,139	801	42.2	949	20.0	6,403	4,218	51.8	13,532	34.8	22.5	1,188	1,067
Three-Wheelers	7,921	5,774	37.2	7,044	12.5	39,226	25,580	53.3	75,637	29.3	10.5	6,069	6,538
Tractors	43,210	48,713	-11.3	21,676	99.3	2,05,070	2,12,049	-3.3	4,25,885	4.5	13.0	36,802	34,178
Tata Motors	**84,381**	**82,754**	**2.0**	**78,010**	**8.2**	**4,69,269**	**4,74,635**	**-1.1**	**9,97,723**	**4.5**	**10.1**	**88,076**	**78,212**
HCV's	19,199	14,736	30.3	13,816	39.0	82,490	80,252	2.8	1,90,265	5.2	7.2	17,962	13,748
LCV's	19,865	20,154	-1.4	18,261	8.8	1,07,390	1,21,205	-11.4	2,32,715	0.0	12.4	20,888	17,898
CV's	**39,064**	**34,890**	**12.0**	**32,077**	**21.8**	**1,89,880**	**2,01,457**	**-5.7**	**4,22,980**	**2.3**	**9.9**	**38,850**	**31,647**
PVs	**45,317**	**47,864**	**-5.3**	**45,933**	**-1.3**	**2,79,389**	**2,73,178**	**2.3**	**5,74,743**	**6.2**	**10.2**	**49,226**	**46,565**
Hero MotoCorp	**5,36,499**	**5,19,980**	**3.2**	**4,88,717**	**9.8**	**27,69,100**	**28,18,361**	**-1.7**	**56,17,340**	**5.4**	**13.5**	**4,74,707**	**4,61,517**
Bajaj Auto	**3,80,156**	**3,94,747**	**-3.7**	**3,41,648**	**11.3**	**20,68,958**	**20,84,658**	**-0.8**	**43,86,094**	**11.7**	**25.7**	**3,86,189**	**3,44,826**
Motorcycles	3,24,114	3,48,355	-7.0	2,85,031	13.7	17,67,315	18,66,192	-5.3	38,04,016	10.5	29.2	3,39,450	2,94,553
Two-Wheelers	3,24,114	3,48,355	-7.0	2,85,031	13.7	17,67,315	18,66,192	-5.3	38,04,016	10.5	29.2	3,39,450	2,94,553
Three-Wheelers	56,041	46,392	20.8	56,617	-1.0	3,01,642	2,18,466	38.1	5,82,078	20.0	5.2	46,739	50,274
Domestic	2,39,028	2,54,664	-6.1	2,05,100	16.5	12,64,947	10,47,211	20.8	25,68,539	21.9	23.0	2,17,265	2,10,824
Exports	1,41,128	1,40,083	0.7	1,36,548	3.4	8,04,011	10,37,447	-22.5	18,17,554	-0.2	29.3	1,68,924	1,34,002
TVS Motor	**4,02,553**	**3,79,011**	**6.2**	**3,45,848**	**16.4**	**20,27,622**	**19,34,228**	**4.8**	**42,37,348**	**15.1**	**26.6**	**3,68,288**	**3,37,937**
Motorcycles	1,86,438	1,69,322	10.1	1,53,047	21.8	9,56,248	9,10,442	5.0	20,18,980	16.5	29.2	1,77,122	1,59,375
Scooters	1,55,526	1,44,356	7.7	1,42,505	9.1	7,86,270	6,98,111	12.6	15,88,016	19.0	26.1	1,33,624	1,31,045
Mopeds	44,991	48,051	-6.4	36,558	23.1	2,07,336	2,29,168	-9.5	4,54,815	2.0	14.3	41,246	34,556
Three-Wheelers	15,598	17,282	-9.7	13,738	13.5	77,768	96,507	-19.4	1,75,536	5.0	38.2	16,295	12,961
Domestic	3,02,259	2,86,036	5.7	2,58,333	17.0	15,23,186	12,97,989	17.3	31,32,297	19.8	22.3	2,68,185	2,53,864
Exports	1,00,294	92,975	7.9	87,515	14.6	5,04,436	6,36,239	-20.7	11,05,051	3.6	39.6	1,00,102	84,073
Eicher Motors													
Royal Enfield	**78,580**	**82,097**	**-4.3**	**77,583**	**1.3**	**4,56,986**	**3,94,969**	**15.7**	**9,43,431**	**13.0**	**10.6**	**81,074**	**76,164**
VECV	**7,198**	**6,631**	**8.6**	**6,476**	**11.1**	**39,122**	**35,085**	**11.5**	**90,004**	**13.0**	**14.2**	**8,480**	**6,520**
Domestic LMD	3,817	3,613	5.6	3,463	10.2	18,780	16,882	11.2	42,831	10.0	9.0	4,008	3,130
Domestic HD	1,855	1,673	10.9	1,540	20.5	9,426	7,746	21.7	21,430	13.0	7.0	2,001	1,571
Domestic Buses	1,043	706	47.7	904	15.4	7,972	6,637	20.1	17,910	20.0	19.9	1,656	1,329
VTI	233	133	75.2	237	-1.7	1,180	728	62.1	2,273	22.0	-3.7	182	197
Domestic	**6,948**	**6,125**	**13.4**	**6,144**	**13.1**	**37,358**	**31,993**	**16.8**	**84,444**	**13.1**	**10.3**	7,848	**6,226**
Exports	250	506	-50.6	332	-24.7	1,764	3,092	-42.9	5,560	12.7	106.2	633	294

Comparative valuations

	Rating	Mcap (INR b)	CMP (INR)	TP (INR)	P/E (x)			EV/EBITDA (x)			PB (x)			FY25 Yld (%)		EPS CAGR.%
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	Div	FCF	FY23-25E
Auto OEM's																
Bajaj Auto	Neutral	1,432	5,062	5,150	23.6	18.7	16.7	18.4	13.8	12.2	5.6	5.3	5.0	4.3	4.6	19.0
Hero MotoCorp	Buy	612	3,057	3,630	21.0	16.1	15.0	12.5	9.5	8.3	3.7	3.3	3.0	3.6	7.3	18.3
TVS Motor	Neutral	724	1,523	1,300	50.1	34.9	30.6	27.8	20.8	18.0	12.0	9.2	7.3	0.4	3.0	28.0
Eicher Motors	Neutral	945	3,456	3,600	32.4	24.2	21.0	27.2	21.5	18.4	6.3	5.4	4.5	1.4	4.6	24.1
Maruti Suzuki	Buy	3,203	10,602	11,150	39.8	26.4	24.5	24.9	17.2	15.0	5.3	4.6	4.1	1.4	2.5	26.9
M&M	Buy	1,861	1,554	1,725	24.0	18.0	16.7	16.0	11.7	10.2	2.1	1.8	1.6	1.4	5.6	19.7
Tata Motors	Buy	2,318	630	750	293.1	15.9	15.1	9.5	4.7	4.1	5.3	4.1	3.2	0.7	4.2	340.3
Ashok Leyland	Buy	520	177	210	39.2	18.5	14.6	18.1	10.5	9.2	7.1	6.2	4.9	1.1	7.2	64.1
Escorts	Neutral	390	3,184	2,450	62.0	35.0	30.4	47.5	26.7	21.0	5.1	4.2	3.8	0.3	2.8	42.9
Auto Ancillaries																
Bharat Forge	Buy	509	1,092	1,135	93.9	37.6	27.2	31.9	20.0	16.1	7.6	6.5	5.4	0.6	4.2	85.9
Exide Industries	Buy	222	261	290	24.5	20.8	17.4	14.1	12.2	10.4	2.0	1.8	1.7	1.2	6.5	18.7
Amara Raja	Neutral	109	638	665	14.9	13.6	12.1	8.0	7.2	6.5	2.1	1.9	1.7	2.4	6.1	11.2
BOSCH	Neutral	561	19,024	18,500	39.4	31.9	27.0	29.9	24.4	19.6	5.1	4.7	4.3	1.8	2.2	20.8
Endurance Tech	Buy	224	1,593	2,050	46.0	30.8	26.1	21.8	16.2	13.6	5.1	4.5	3.9	0.6	2.4	32.6
SAMIL	Buy	650	96	115	41.5	22.1	19.5	11.7	8.6	7.5	2.9	2.7	2.4	1.5	5.6	45.8
CIE Automotive	Buy	182	480	600	26.6	20.1	16.4	15.8	11.9	9.9	3.6	3.1	2.7	1.0	4.6	27.4
CEAT	Buy	86	2,126	3,000	41.0	13.9	11.8	10.9	6.4	5.5	2.5	2.2	1.8	0.8	9.9	86.6
Balkrishna Ind	Neutral	494	2,557	2,250	49.0	37.1	27.2	25.8	22.6	17.5	6.5	5.9	5.2	1.4	2.5	34.3
MRF	Sell	455	107,279	94,500	59.2	20.7	21.1	18.7	9.7	9.4	3.1	2.7	2.4	0.2	2.7	67.3
Apollo Tyres	Buy	234	369	500	21.5	13.0	11.4	8.4	5.7	5.0	1.5	1.3	1.2	1.5	10.7	37.7
Sona BLW	Neutral	341	583	600	85.8	66.9	50.5	48.9	37.9	29.6	14.9	12.9	11.0	0.6	0.9	30.3
Tube Investments	Buy	560	2,985	3,655	73.6	51.0	41.7	33.4	27.2	22.7	14.6	11.7	9.5	0.3	3.3	32.9
MSUMI	Buy	285	64	70	58.5	43.2	35.0	36.5	27.6	22.5	21.4	16.7	13.4	1.7	2.5	29.3
CRAFTSMAN	Buy	98	4,622	5,600	39.3	25.3	20.4	15.9	11.0	9.3	7.1	5.6	4.5	0.4	4.7	39.0

Real Estate

Residential growth to sustain; cautious on supply side challenges

Strong fundamentals in place for long-term growth in commercial segment

Real estate consulting firm CBRE released its Mid-year Outlook 2023 report titled 'Indian Real Estate: Taking Giant Strides' at a conference hosted by CII-CBRE on 27th Sep'23 in Delhi. The conference also involved interesting panel discussions with industry experts from across the asset classes. Key takeaways: (1) strong demand momentum in residential housing should continue for at least two to three years on the back of peaking mortgage rates, strong economic growth and rising prices; however, developers need to be cautious on pricing and financial closure; (2) commercial demand has a long way to go but growth recovery will be delayed in near term; (3) emerging asset classes like data centers, organized industrial warehouses and flexible spaces will continue to witness increasing penetration.

Residential outlook positive for next two-three years but scaling up will have its own challenges

Panelist: Kalyan Chakrabarti – CEO, Emaar India | Ashwinder Singh – CEO, Bhartiya Urban | Abhishek Kapoor – Group CEO, Puravankara | Rishi Raj – COO, Max Estates | Angad Bedi – MD, BCD Group | Shrivallabh Goyal – CEO Reliance MET City | Subhakar Rao – Chairman, Champion Infratech

Peaking interest rate, macro growth, rising consumer confidence and increasing prices will drive housing demand

- As per CBRE, residential sales grew 4% YoY (6% HoH) to over 150,000 units in 1HCY23 and are on track to exceed 300,000 units in CY23, which would be the highest in the last decade.
- Demand is buoyed by peaking interest rates, strong macro growth, rising end-user confidence post RERA and a gradual increase in prices due to low inventory. Property prices have remained in an upward trajectory for the last two years but are expected to be more calibrated from hereon, based on supply dynamics.

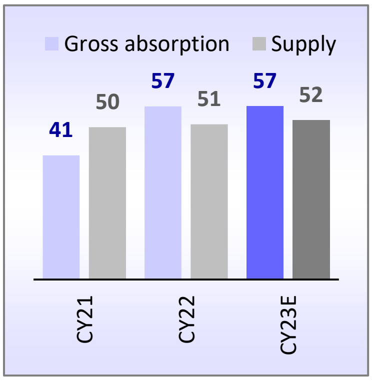
Scale-up in industry will bring in supply chain challenges such as land and land prices, shortage of material and labor and higher supply

- Developers echoed their optimism about demand remaining strong for at least next two-three years. However, they remained cautious on supply-side challenges, led by (1) scarcity of land and land prices, (2) shortage of materials and labor due to industry wide scale-up, and (3) higher launches amid improved funding environment post the NPA clean-up.
- The panel emphasized the need to be realistic in price increases, as well as ensuring financial closure of projects so as to be immune to any downward trend.

Offices: Long-term growth drivers in place despite near-term headwinds

Panelist: Amit Grover – ED, Office Business, DLF | Thirumal Govindraj – Senior MD, RMZ | Aanchal Saraf Aggarwal – Director, ASF Group | Shesh Paplikar – Founder, BHive | Ankit Jain – Co-founder, Skootr

Office leasing expected to be similar versus last year



- Over the last decade India has emerged as one of the go-to destinations for global corporates, as the country's office stock doubled to 850msf as of CY22, which is expected to increase to 1000msf by CY25. A decade ago tenants were attracted to India because of its cost arbitrage, but it has evolved as a key market for the execution of ideas conceptualized in the US due to the availability of skilled personnel.

Over 250 GCCs are expected to be added over next three to four years which should drive office leasing demand over long-term

- Thus, despite an uncertain global environment, India continues to witness strong leasing activity as gross office absorption, which declined 12% YoY to ~26msf in 1HCY23, is on track to match the run rate (~56msf) clocked in CY22.
- This is despite the fact that only 40% of the hiring over the last two years has been accommodated into offices. As per the 1QCY23 occupier survey, over 95% of corporates need employees to work from office for at least three days and are partnering with developers to bring them back to offices by encouraging engagements, taking care of health and wellbeing, providing ESG-compliant spaces, and offering more amenities.
- While developers remain cautious about growth recovery in near-term given a slowdown in EU and US, long-term fundamentals remain strong.
- Over 250 GCCs are expected to be added over the next three to four years, with initial space requirement of 50,000-100,000sf (may expand once successful). Domestic tenants in the BFSI and engineering & manufacturing sectors and flexible spaces are also ramping up office space requirements. The share of flex office spaces was at 18% in 1HCY23 and is expected to increase to 20% by CY25.

Data centers provide exciting investment opportunity; transition from unorganized to organized industrial warehousing space to continue

- **Data centers:** India accounts for 15% of global broadband users and has higher per capita data consumption, but it makes up only 6% of the global data center infrastructure. India currently has 880MW of DCs, which would increase to ~1,050 by the end of this year. Data center as an asset class has a long way to go.
- **Industrial & Logistics (IL):** About 17.7msf of IL space was added in 1HCY23, up 56% YoY. By CY23 end, 28-30msf of space is expected to be added vs. 21msf added in CY22. The share of supply by large institution-backed developers has increased to 39% in 1HCY23 from 20% in CY20.

Valuation and view: Residential outperformance to continue

- Despite the recent run-up in real estate stock prices, we remain positive on select companies, which can continue to report 15-20% growth, driven by their ability to sign new projects through their strong cash generation potential.
- On the commercial side, the near-term growth outlook remains subdued, but the underperformance in REIT stocks provide a good opportunity to play commercial growth traction.
- **Prestige, Godrej and Macrotech remain our top picks.**

Peer Comps Table

	CMP		Revenue (INR b)			EPS (INR)			PE (x)			ROE (%)		
Company Name	INR	Reco	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Brigade Enterprise	567	Buy	34	41	47	12	25	33	48	23	18	8	15	17
DLF	531	Neutral	57	80	84	11	12	18	43	40	27	5	8	11
Godrej Properties	1558	Buy	23	22	35	22	28	44	76	61	39	7	8	12
Macrotech Developers	800	Buy	95	113	135	16	19	24	46	38	30	12	14	15
Mahindra Lifespace	550	Buy	6	6	7	3	6	10	171	92	50	3	5	8
Oberoi Realty	1151	Neutral	42	46	56	52	39	51	21	28	21	11	11	11
Phoenix Mills	1819	Neutral	26	35	41	41	54	76	41	31	22	10	11	14
Prestige Estates	602	Buy	83	96	104	19	21	17	30	27	35	8	8	6
Sobha	701	Buy	33	36	41	11	19	43	54	30	14	4	7	15

Source: Knight Frank

EcoScope

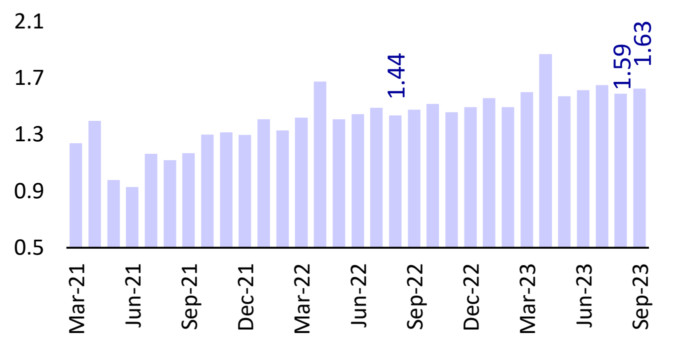
The Economy Observer

GST Monitor: GST collections grows 10.2% YoY in September

Collections of more than INR1.6t for the fourth time in 1HFY24

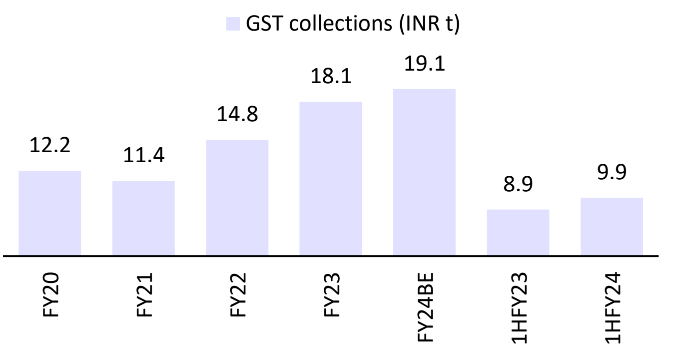
- **GST collections grew 10.2% YoY to INR1.63t in Sep'23 (vs. INR1.59t collected in Aug'23 and INR1.48t in Sep'22). Average monthly collections stood at INR1.7t in 1HFY24 vs. an average of INR1.5t in 1HFY23. GST collections, thus, grew 11.1% in 1HFY24 vs. 32.2% for the same period in FY23 *(Exhibits 1 and 2).***
- **Gross GST collections have crossed the INR1.6t mark for the fourth time in 1HFY24, and sixth time since the inception of GST in 2017.**
- **In Sep'23, CGST collections amounted to INR298.2b (up 18% YoY in Sep'23 vs. 14.6% YoY in Aug'23) and SGST collections stood at INR376.6b (up 18.4% YoY in Sep'23 vs. 15.7% YoY in Aug'23).**
- **In 1HFY24, CGST collections stood at INR1.9t (up 16.7% YoY) and SGST collections amounted to INR2.3t (up 15.3% YoY). While GST collected on imported goods rose 1.1% YoY to INR2.5t, GST collected on domestic activities jumped 14.9% YoY in 1HFY24 *(Exhibit 3).***
- **Growth in total GST collections was primarily driven by domestic activities, which grew 18% YoY in Sep'23 vs. 14.6% YoY in Aug'23. GST collections on imports grew just 3.9% YoY to INR420.3b in Sep'23 vs. a growth of 7% YoY in Aug'23 *(Exhibit 4).***
- **Overall, the government has collected GST of INR9.9t in 1HFY24 (vs. INR8.9t in 1HFY23). It means that GST collections have averaged INR1.65t per month in 1HFY24, compared to the budgeted estimate of INR1.59tper month. With this run rate, there would be an excess collection of about INR700b in FY24. However, a slowdown in 4QFY24 could reduce the monthly GST collections.**

Exhibit 1: GST collections grew 10.2% YoY to INR1.63t in Sep'23



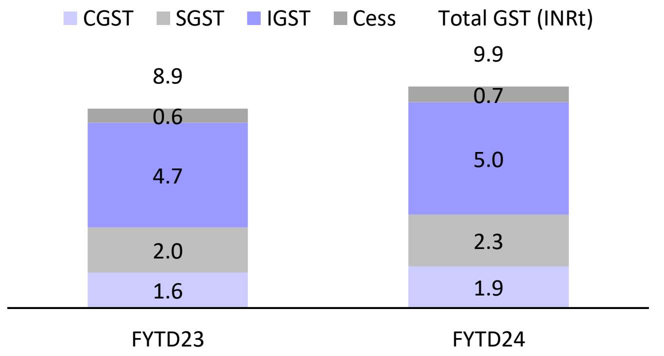
Source: Budget documents, MOFSL

Exhibit 2: GST collections stood at INR9.9t in 1HFY24 vs. INR8.9t in 1HFY23



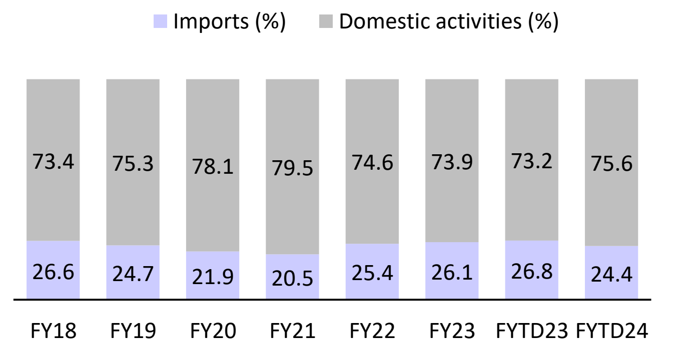
Source: Finance Ministry, MOFSL

Exhibit 3: Breakup of GST revenue



Source: Finance Ministry, MOFSL

Exhibit 4: Percentage of GST collected on imported goods decreased to 24.4% in FYTD24 from 26.8% in FYTD23



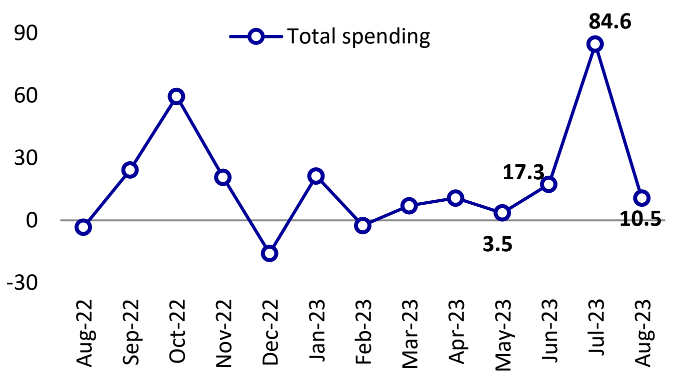
Source: Finance Ministry, MOFSL

Total receipts jump on higher direct tax collections

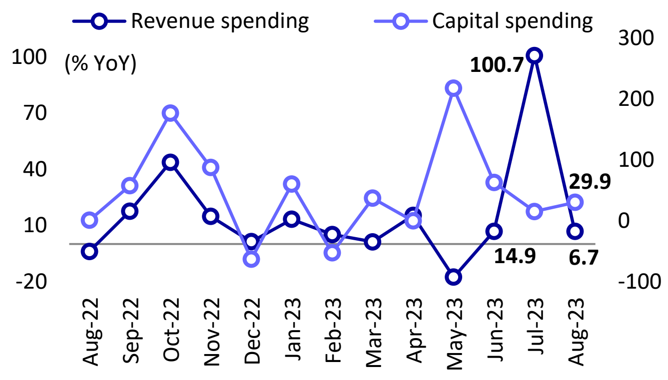
Fiscal deficit stood at 36% of FY24BE

- **Growth in total spending by the central government decelerated to 10.5% in Aug'23 vs. 17.3%/84.6% in Jun'23/Jul'23. Growth in core spending (total spending excluding interest payments and subsidies) came down sharply to 1% in Aug'23 vs. 25.7%/168.7% in Jun'23/Jul'23. Lower spending growth can be attributed to a deceleration in revenue spending (6.7%) in Aug'23 vs. 100.7% in Jul'23. On the other hand, capital spending growth accelerated to 29.9% in Aug'23 vs. 14.9% in Jul'23. *(Exhibits 1 and 2)***
- **Accordingly, the government's total spending during Apr-Aug'23 stood at INR16.7t, up 20.3% YoY and accounting for 37.1% of FY24BE (vs. INR13.9t during Apr-Aug'22; 35.2% of FY23BE). Capital spending in Apr-Aug'23 stood at INR3.7t, representing 37.3% of FY24BE (lower than 33.6% of FY23BE or INR2.5t achieved in Apr-Aug'22).**
- **Meanwhile, total receipts picked up sharply in Aug'23, printing a massive 306% growth vs. a contraction of 7.4% in Jul'23 *(Exhibit 3).* While net tax revenue surged 553.3% in Aug'23, non-tax receipts grew slowly by 13.1%. Higher growth in net tax revenue was led by a massive and broad-based growth of 374.8% in direct tax collections (-1.6% in Aug'23) as well as a pick-up in indirect tax collections (11.1% in Aug'23 vs. 4.4% in Jul'23). The increase in indirect tax collections was led by higher GST collections (13.9% YoY in Aug'23) and a pick-up in custom duty receipts (29.2% YoY in Aug'23). On the other hand, excise duty receipts contracted 18.2% in Aug'23. For Apr-Aug'23, therefore, total receipts of the government stood at INR10.3t, up 21.3% YoY and accounting for 38.8% of FY24BE (vs. INR8.5t or 38.2% of FY23BE during Apr-Aug'22).**
- **Consequently, in Apr-Aug'23, the government's fiscal deficit stood at INR6.4t, accounting for 36% of FY24BE vs. 32.6% of its FY23BE (or INR5.4t) during Apr-Aug'22. *(Exhibit 4)***

Exhibits 1: Total spending growth deteriorated sharply in Aug'23…

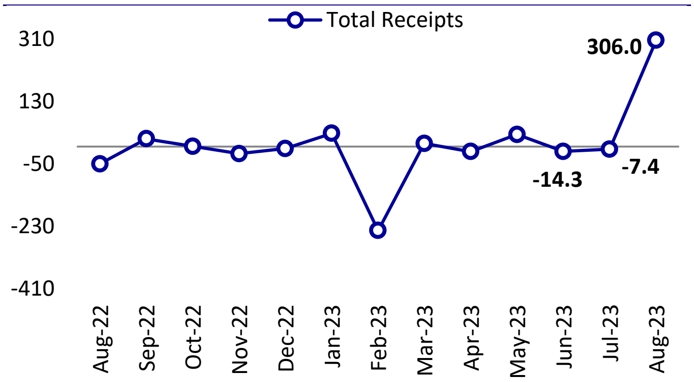


Exhibits 2: …led by a deceleration in revenue spending growth

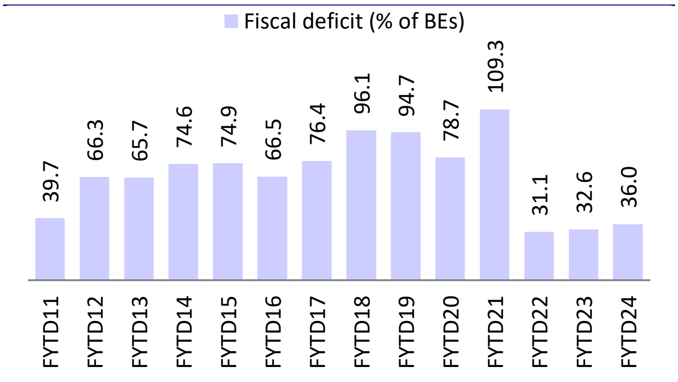


Source: Controller General of Accounts (CGA), MOFSL

Exhibits 3: Total receipts went up sharply in Aug'23



Exhibits 4: Fiscal deficit in Apr-Aug'23 stood at 36% of BEs vs. 32.6% in Apr-Aug'22



Apr-Jun for all years

Source: CGA, MOFSL

Tata Consumer: The Energy drink market in India is ₹4,000 Cr.; Vikram Grover, MD – NourishCo

- Energy drink market in India is of Rs. 4,000 Cr., expect this to be a significantly large market
- It is possible for players to still enter this market
- NourishCo. has grown from Rs. 200 Cr. sales 2 years ago to near Rs. 600 Cr.
- Expect NourishCo. to cross Rs. 1,000 revenue in FY24

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Happiest Minds Tech: Ashok Soota will be selling his stake further and can sell his stake further; Venkatraman Narayanan, ED

- Ashok doesn't have a timeframe of when his stake will come down to 40%
- Ashok Soota will be selling his stake further
- Have done significantly better than Accenture, should see reasonable good performance in Q2
- Discretionary spend demand outlook is status quo

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Shriram Finance: September onwards credit demand has improved, rural demand has come back; Umesh Revankar, MD

- September onwards credit demand has improved, rural demand has come back
- Expect 18% AUM guidance for FY24 vs 15% guidance given
- Expect interest rate to inch up 10-15 bps in upcoming quarters
- Expect 15 bps margin contraction, don't see any challenges in terms of gold loan

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Ashiana Housing: Expect to launch the new project next fiscal year; Varun Gupta, MD – Director

- Expect to launch the new project next fiscal year
- Potential revenue from new project is over Rs.550 Cr., Investment will be Rs.350 Cr.
- We are net debt free, still sitting on lot of cash
- Four more projects are coming up in Jaipur & Chennai

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Rolex Rings: Caused some pressure on exports markets; Hiren Dilipbhai, CFO

- This year started in positive note but Russia & Ukraine tension is still putting pressure on the market
- We are getting new customers that contribute towards industrial, heavy commercial and other segment products
- We are expecting a turnaround may be by last quarter of this fiscal
- We are able to achieve 3-5% growth on last couple of quarters.

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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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