Market snapshot

Equities - India	Close	Chg .%	CY24.%
Sensex	76,500	0.2	8.2
Nifty-50	23,176	0.4	8.8
Nifty-M 100	53,677	2.5	23.9
Equities-Global	**Close**	**Chg .%**	**CY24.%**
S&P 500	5,843	0.1	23.3
Nasdaq	19,044	-0.2	28.6
FTSE 100	8,202	-0.3	5.7
DAX	20,271	0.7	18.8
Hang Seng	6,987	2.1	26.4
Nikkei 225	38,474	-1.8	19.2
Commodities	**Close**	**Chg .%**	**CY24.%**
Brent (US$/Bbl)	82	-1.3	-4.5
Gold ($/OZ)	2,677	0.5	27.2
Cu (US$/MT)	9,034	0.6	2.2
Almn (US$/MT)	2,542	-0.8	7.7
Currency	**Close**	**Chg .%**	**CY24.%**
USD/INR	86.6	0.1	2.9
USD/EUR	1.0	0.6	-6.2
USD/JPY	158.0	0.3	11.5
YIELD (%)	**Close**	**1MChg**	**CY24 chg**
10 Yrs G-Sec	6.8	-0.03	-0.4
10 Yrs AAA Corp	7.3	-0.02	-0.5
Flows (USD b)	**14-Jan**	**MTD**	**CYTD**
FIIs	-0.9	0.38	-0.8
DIIs	0.91	4.93	62.9
Volumes (INRb)	**14-Jan**	**MTD***	**YTD***
Cash	1,098	1017	1017
F&O	1,13,552	1,92,046	1,92,046

Note: Flows, MTD includes provisional numbers. *Average

Today's top research idea

Expert Speak - Economy: Indian economy in focus: Insights from experts at Delhi Day

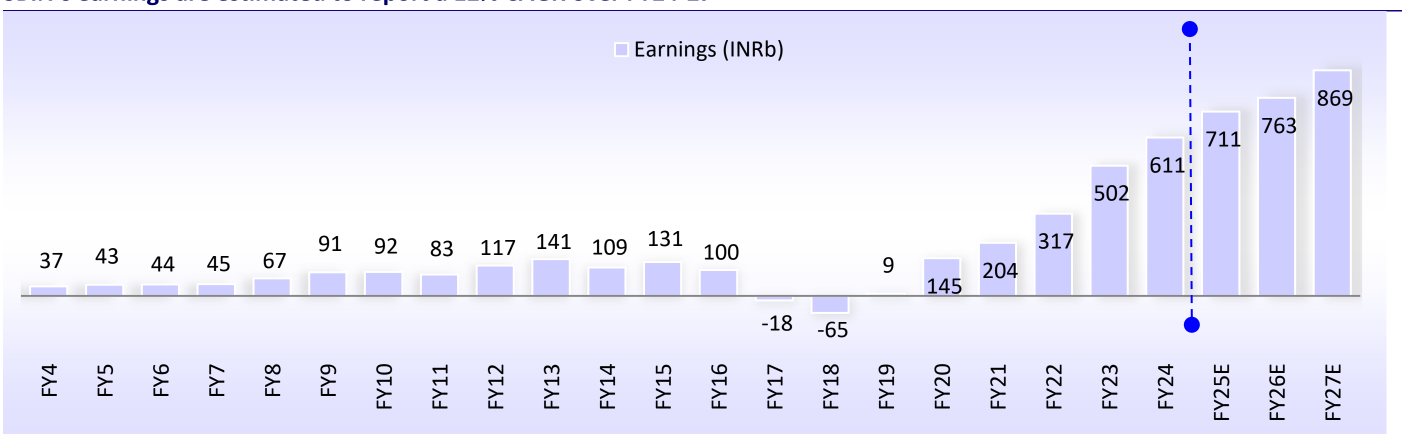
- Motilal Oswal Financial Services organized the Delhi Macro Day on 10th Jan'25. The meetings aimed to gather expert insights on the capital markets and expectations for the upcoming Union Budget and RBI monetary policy. Experts noted signs of recovery in the rural economy, driven by high food prices and fiscal support, though regional and crop-specific uncertainties persist.
- Employment levels have risen, but concerns about the quality of jobs and stagnant wage growth remain. The government is expected to target a 4.5% fiscal deficit for FY26, with potential tax changes and support for low-income individuals, although boosting consumption is uncertain.
- MSMEs, especially those in B2C sectors, faced greater distress but show signs of recovery. The reduction in government capex is seen as temporary, with an investment-driven focus for FY26. Additionally, a rate cut by the RBI is anticipated in February 2025, while stringent regulations on unsecured lending will continue.

Research covered

Cos/Sector	Key Highlights
Expert Speak - Economy	Indian economy in focus: Insights from experts at Delhi Day
State Bank of India	Top Pick 2025: Delivering all-round performance!
HDFC AMC	Improvement in yield, cost control boost margins
Angel One	In-line revenue; high C/I ratio leads to PAT miss
Anand Rathi Wealth	PAT in line with estimates; EBITDA margins expand QoQ
Shoppers Stop	In-line results; slight pick-up in growth
EcoScope	WPI rises to 2.4% in Dec'24

Chart of the Day: State Bank of India (Delivering all-round performance!)

SBIN's earnings are estimated to report a 12% CAGR over FY24-27



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

Kindly click on textbox for the detailed news link

1

BharatPe targets IPO in 18-24 months, Ebitda profitability in FY25

'Fintech firm BharatPe is targeting an initial public offering (IPO) in the next 18-24 months with the company expecting profitability at an earnings before interest, taxes, depreciation and ammotisation (Ebitda) level for FY25, chief executive officer (CEO) Nalin Negi said.

2

Tata Electronics captures 26% share of India's iPhone production

Tata Electronics has cemented its position as a significant supplier for Apple Inc's iPhone, pressing the pedal in 2024 on three critical fronts — production, exports, and direct employment — to meet the needs of the Cupertino-based technology giant.

3

Tata Capital raises $400 million through maiden international bond

Tata Capital Ltd, the financial services arm of the Tata group, has raised $400 million through its maiden international bond carrying an interest rate of 5.38 per cent.

4

Aim to have 25% share in Indian e-com cargo market: DHL E-commerce CEO

About 8 per cent of e-commerce (ecom) shipments in India are being handled by Blue Dart right now and the company aims to increase the share to about 25 per cent in the next five years, Pablo Ciano, Global CEO, DHL E-commerce, told Business Standard on Tuesday.

5

Larger credit cover for MSMEs likely under new scheme

It will be structured in a way that beneficiary units can use the credit for scaling up, sources said. The upper threshold for loan eligibility would be higher.

6

Indian aviation industry to see Rs 3,000 crore loss in FY25-26 amid supply chain woes: ICRA

Domestic air passenger traffic was estimated at 153 lakh in December 2024, a 7.3 per cent increase from November 2024 and 10.8 per cent higher year-on-year. Additionally, it surpassed pre-COVID levels by 17.5 per cent.

7

BrightNight commissions 115 MW hybrid renewable project in Maharashtra

The project is expected to help the state achieve its goal of sourcing 40% of its energy from renewables by 2030

Indian economy in focus: Insights from experts at Delhi Day

Motilal Oswal Financial Services organized the Delhi Macro Day on 10th Jan'25. The event featured five experts (mentioned below) from diverse fields, each addressing various segments of the economy:

1. ***Dr. Siraj Hussain,***
2. ***Dr. Surjit Bhalla,***
3. ***Dr. Pronab Sen,***
4. ***Mr. Subhash Chandra Garg, and***
5. ***Mr. Ashok Bhattacharya***

The primary objective of the meetings was to gain first-hand insights regarding the sentiments of experts in the Capital and their expectations from policymakers in relation to the upcoming Union Budget, as well as the RBI's monetary policy. The key consolidated findings, accompanied by detailed accounts from each expert are presented below:

- **The rural economy has shown signs of improvement, but uncertainty prevails:** It is widely acknowledged that the rural economy is turning the corner, bolstered by elevated food prices and fiscal assistance emerging from numerous welfare schemes. Nevertheless, the situation varies notably depending on the crop and the state in question.
- **The employment situation has improved, but concerns regarding its quality and wage growth persist:** While the headline data indicating an increase in employment levels and a rising female labor force participation ratio are highly encouraging trends, the growth of agricultural and unpaid family labor raises significant concerns. Additionally, there is a broad consensus regarding the stagnation of wage growth.
- **Expectations from the Union Budget 2025-26:** The Government of India (GoI) is widely anticipated to achieve a fiscal deficit of 4.5% of GDP in FY26. Following this, the GoI is expected to shift its target debt ratio, which is likely to be a bit trickier. However, it remains uncertain whether the GoI has the intent or willingness to boost consumption growth within the country. Nevertheless, some tax changes to support low-income individuals, employment schemes, or investment allowances can be expected in the forthcoming Union Budget.
- **The business-to-consumer (B2C) MSMEs suffered more, possibly making a recovery now:** Within the household sector, micro, small, and medium enterprises (MSMEs) experienced greater economic distress compared to individual households. Within MSMEs, producers of final goods & services appear to have suffered more, while those affiliated with the corporate sector performed better. The silver lining is that the former group also seems to turning the corner.
- **The decline in government capex perplexing; albeit, capex will likely recover soon:** While there are no definitive explanations for the significant reduction in fiscal capex in FY25, it is widely regarded as a temporary occurrence. The government is projected to maintain its investment-driven spending strategy in FY26.
- **Expect a rate cut by the RBI in Feb'25; strict regulations on unsecured lending to continue:** With the appointment of the new RBI Governor, it is anticipated that rate cuts will commence with the upcoming policy meet in Feb'25. Concurrently, the RBI is not likely to lower its guard on unsecured retail loan growth.

State Bank of India

BSE SENSEX	S&P CNX
76,500	23,176

CMP: INR748 **TP: INR950 (+27%)** **Buy**

Delivering all-round performance!

Balance sheet remains pristine; RoA to sustain at 1.1% by FY27E

- **State Bank of India (SBIN) has delivered a strong all-round performance as earnings and balance sheet have compounded at a healthy rate over past few years. The bank has made conscious efforts to strengthen its underwriting and bank maintains best-in-class SMA profile.**
- **SBIN is well positioned to deliver 12-13% loan growth cagr over FY25-27E, aided by its focus on a high-quality, granular loan portfolio. The bank's near-term growth may remain even stronger as it focuses on optimizing its CD ratio and gaining market share in advances.**
- **The bank reported GNPA/NNPA ratios of 2.13%/ 0.53% in 2QFY25. While the macro environment is seeing some pressure, we believe that strong underwriting, dominance of secured product mix and controlled SMAs will keep asset quality ratios stable over FY25-27E. We estimate credit costs to remain under control at 45-50bp over FY25-27, enabling steady earnings.**
- **We believe that SBI is better positioned to navigate through systemic pressures in respect to loan growth (12-13% growth cagr, 68% domestic CD ratio), margins (outlook broadly stable, more than 40% mix of MCLR loans) and robust asset quality (~9% mix of unsecured loan with dominance of government employees).**
- **We, thus, estimate SBI to deliver 12% CAGR in earnings over FY24-27, resulting in FY27E RoA/ RoE of 1.1%/17.3%. SBIN remains one of our preferred ideas in the sector, and we reiterate our BUY rating with a TP of INR950 (premised on 1.2x FY27E ABV).**

Earnings trajectory robust; estimate 12% earnings CAGR over FY24-27

SBIN has demonstrated a robust performance with PAT surpassing INR600b in FY24 and an estimated INR711b in FY25, reflecting a strong three-year earnings CAGR of 36% and an average RoA of ~1%. This growth is driven by robust asset quality, healthy credit growth, and resilient margins. SBIN's earnings outlook is supported by steady loan growth backed by its robust liability franchise, stable margins, and controlled credit costs. We thus estimate the bank to deliver FY27E PAT of INR869b, implying a 12% earnings CAGR over FY24-27E. The bank's emphasis on maintaining a balanced mix of RAM segments, along with its ongoing investments in operational efficiency, digital transformation, and risk management, positions it favorably for sustained leadership in the sector.

Healthy growth with superior underwriting; guides 14-15% growth

SBIN has delivered consistent loan growth, with ~16% YoY growth (following 17% YoY growth in FY23). The bank continues to focus on building a granular and high-quality loan portfolio. Its retail business, which accounts for ~36% of the total loan book, grew at a modest 12% YoY in 1HFY25, with slower growth in Xpress credit, though personal loan growth showed healthy traction led by growth in secured credit. The wholesale segment is experiencing a healthy recovery driven by increased demand and higher utilization. Meanwhile, the SME sector has recorded an impressive growth of 17.4%. With a strong credit pipeline of INR6t, SBIN is well-positioned to expand its corporate loan book, targeting 14-15% growth. This growth is expected to outpace systemic credit growth, allowing the bank to gain a healthy market share under the leadership of Mr. C S Setty.

Stock Info

Bloomberg	SBIN IN
Equity Shares (m)	8925
M.Cap.(INRb)/(USDb)	6677 / 77.1
52-Week Range (INR)	912 / 601
1, 6, 12 Rel. Per (%)	-7/-8/12
12M Avg Val (INR M)	14368
Free float (%)	43.1

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
NII	1,599	1,684	1,845
OP	867	1,130	1,238
NP	611	711	763
NIM (%)	3.1	2.9	2.9
EPS (INR)	68.4	79.6	85.5
EPS Gr. (%)	21.6	16.4	7.4
ABV (INR)	365	432	499
Cons. BV (INR)	448	523	617
Ratios			
RoA (%)	1.0	1.1	1.1
RoE (%)	18.8	18.8	17.4
Valuations			
P/BV (x) (Cons.)	1.7	1.4	1.2
P/ABV (x)*	1.4	1.2	1.0
P/E (x)	10.0	8.4	7.6
P/E (x)*	7.3	6.3	5.8

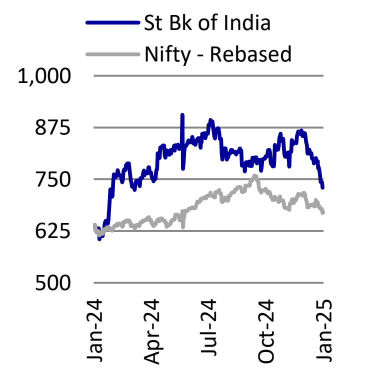
*adj for subs

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	56.9	56.9	56.9
DII	23.9	23.4	24.2
FII	11.6	12.1	11.6
Others	7.6	7.6	7.3

FII Includes depository receipts

Stock Performance (1-year)



Liability franchise robust; a low CD ratio puts SBIN in an enviable position

SBIN has steadily grown its deposit base, with an 11% YoY increase in FY24 and 9% YoY rise in 1HFY25, and expects to surpass 10% growth in deposits, focusing on SA growth, as its current account (CA) growth has already reached 10% YoY. The bank maintains its leadership in deposits, holding a ~24% market share in 1HFY25, and is well poised to deliver ~11% CAGR in deposits over FY25-27E, with a continued emphasis on granular retail deposits. SBIN is also well-positioned in the current tight liquidity environment, with a low domestic CD ratio of ~67.9%, enabling sustainable credit growth. The bank's LCR stands at a comfortable 130%. While, as per a draft circular on LCR, this could be affected by up to ~13%, the impacts on margins (~3 bp) and return on assets (~1 bp) are expected to be minimal according to the assessment we published in our ***note*** titled "***Assessing impact of draft LCR guidelines: RoA to dip by up to 8bp; incremental deposits required at INR2.7t***"**.**

Margins to remain broadly stable; MCLR-linked portfolio shields SBIN from interest rate cuts

The bank reported a NIM of 3.14% in 2QFY25 and expects NIMs to remain broadly stable, supported by factors such as its controlled CD ratio and lagged repricing of the MCLR portfolio. With over 40% of its loan portfolio being MCLR-linked and its T-bill holdings benefiting from rate adjustments, SBIN is well-positioned to manage any rate cuts effectively. While the shift towards repo-linked loans may slightly increase the yield impact as the rate cycle turns, SBIN is relatively insulated due to its healthy MCLR-linked portfolio. A 50bp reduction in the repo rate would likely result in an impact of ~6bp on NIM in FY26 and ~4bp in FY27, with corresponding PAT impacts of ~3.4% and ~2.3%, respectively (refer to our ***note*** titled "***BANKS: Scenario Analysis: Assessing earnings trajectory as rate cycle turns***")**.** We estimate SBIN to deliver ~12% NII CAGR over FY25-27.

Digitalization to help contain costs; estimate C/I ratio of ~49% by FY27

SBIN is focused on enhancing operating efficiency, leveraging digital technology for customer convenience, and competing with disruptive tech to manage costs. With the full impact of wage revisions and pensions absorbed in FY24, SBIN's opex declined 11% YoY in 2QFY25, and we estimate total opex to decline 10% YoY in FY25. Management aims to maintain a C/I ratio below 50%, with a focus on reducing overheads and boosting other income streams along with an emphasis on improving productivity levels. The rationalization of branches and increased digital channel usage, particularly YONO, are expected to drive further improvements in operational efficiency, leading to a reduction in cost ratios to ~49% by FY27E from 59% in FY24.

Asset quality healthy; estimate credit costs to remain in control

The bank has shown consistent improvement in asset quality, supported by strong underwriting and recovery from the TWO pool. The bank's GNPA/NNPA ratios improved to 2.13%/0.53% in 2QFY25, with a PCR of 75.7% (92.2% including TWO). SBIN reported a best-in-class slippage rate of 0.6%, and its restructured book stood at INR148b (0.4% of loans). While the SMA pool increased due to a government sector account, the bank has guided controlled credit costs and contained slippages. We expect fresh slippages to remain in control, aided by further improvement in underwriting and healthy recoveries enabling slight moderation in GNPA/NNPA ratios to 2.0%/0.5% by FY27E. We model credit costs to remain below the long-term trends at around 50bp over FY26-27E.

Valuation and view: RoA/RoE at ~1.1%/17.3%; reiterate BUY

SBIN has delivered a robust set of performance in recent years, propelled by steady business and revenue growth as well as controlled provisions. NIM has contracted in recent quarters, and the management has guided for broadly stable margins going forward. This is because the bank has levers in place (CD ratio, MCLR re-pricing, et al.) to mitigate the impact of the rising cost of deposits. SBIN's asset quality remains healthy with consistent improvements in headline asset quality ratios, while the restructured book remains under control at 0.4% of loans. We estimate credit costs to remain in check at ~50bp, enabling a 12% earnings CAGR over FY24-27. We, thus, estimate SBIN to deliver RoA/RoE of ~1.1%/17.3% in FY27. **SBIN remains our preferred BUY in the sector with a TP of INR950 (premised on 1.2x FY27E ABV).**

HDFC AMC

Estimate change	↑
TP change	⟷
Rating change	⟷

Bloomberg	HDFCAMC IN
Equity Shares (m)	214
M.Cap.(INRb)/(USDb)	826.2 / 9.5
52-Week Range (INR)	4864 / 3255
1, 6, 12 Rel. Per (%)	-8/-2/6
12M Avg Val (INR M)	2077

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
AAUM	7,607	8,851	10,306
MF Yield (bps)	46.7	45.7	44.7
Rev from Ops	35.6	40.5	46.2
Core PAT	20.8	24.5	28.1
PAT	25.0	29.8	33.9
PAT (bps as AAUM)	33	34	33
Core EPS	97	115	132
EPS	117	139	159
EPS Grw. (%)	29	19	14
BVPS	361	396	435
RoE (%)	34	37	38
Div. Payout (%)	75	75	75
Valuations			
Mcap/AUM (%)	10.8	9.3	8.0
P/E (x)	33.0	27.7	24.4
P/BV (x)	10.7	9.8	8.9
Div. Yield (%)	2.3	2.7	3.1

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	52.5	52.5	52.6
DII	16.9	17.7	20.7
FII	21.6	20.6	16.1
Others	9.0	9.2	10.7

FII Includes depository receipts

CMP: INR3,865 TP: INR5,200 (+35%) BUY

Improvement in yield, cost control boost margins

- 3QFY25 operating revenue grew 39% YoY/5% QoQ to INR9.3b (in line with est.). The sequential growth was driven by AUM growth and a 0.7bp QoQ improvement in yield to 47.5bp (1.1bp YoY decline). For 9MFY25, operating revenue grew 37% YoY to INR26b.
- Total opex grew 7% YoY to INR1.7b (10% lower than est.), driven by 6% YoY growth in employee costs (2% lower than est.) and 8% YoY growth in other expenses (19% lower than est.).
- Better-than-expected operational efficiency resulted in 49% YoY growth in EBIDTA to INR7.6b (6% beat). EBIDTA margin came in at 81.7% vs. 79.3% in 2QFY25 and 76.2% in 3QFY24.
- Operational efficiency resulted in 31% YoY/11% QoQ growth in PAT to INR6.4b (6% beat). For 9MFY25, PAT grew 30% YoY to INR18.2b.
- The management guides to improve its market share and become the leader in the existing product offerings rather than focusing on bringing more new products to the bouquet. Additionally, expenses are expected to grow in the range of 12-15% YoY.
- We have largely kept our estimates unchanged. We maintain our BUY rating on the stock with a TP of INR5,200 (premised on 42x Sep'26E Core EPS).

AUM growth remains stable; market share improves slightly

- QAAUM grew 43% YoY to INR7.9t, driven by 58%/42%/16%/31%/36%/71% YoY growth in equity/hybrid/debt/liquid/ETFs/index funds.
- Closing AUM for 3QFY25 was at INR7.8t, up 35% YoY, and the company's market share improved to 11.6% (11.3% in 3QFY24). Excl. ETFs, HDFC AMC's AUM market share improved to 12.9% from 12.7% in 3QFY24.
- Actively managed equity/debt/ liquid AUM market share stood at 12.7%/ 13.2%/14.2% at the end of 3QFY25.
- SIP AUM at the end of 3QFY25 was flat QoQ/up 38% YoY at INR1.8t, backed by growth in the number of transactions to 11m.
- Unique investors for HDFC AMC at 3QFY25 end were 11.6m (vs. 8.7m at 3QFY24 end), reflecting 24% penetration in the mutual fund industry.

Operational efficiency leads to profitability improvement

- Employee costs grew 6% YoY to INR953m (in line with est.), while other expenses grew 8% YoY to 743m (19% lower than est.). This resulted in opex/ AUM at 8.7bp vs. 11.6bp in 3QFY24.
- Weak market trends resulted in a 46% sequential decline in other income to INR931b (-35% YoY). However, this was 9% higher than our expectations.

Key takeaways from the management commentary

- HDFC AMC has recently issued the largest thematic fund on an industry level (the manufacturing fund), for which it raised ~INR90b and received ~NR20b after the NFO issued. In terms of NFOs, it currently has the best-in-class product bouquet consisting of both active and passive funds.

- Regarding SIP and investor account growth ahead, the management is optimistic as it still believes that India is highly underpenetrated and there are numerous growth opportunities.
- New Asset Class regulations: The company is waiting for the final set of regulations to be issued and is positive on the same. This will open up a new avenue with higher levels of flexibility and a higher risk-reward profile for a set of investors who are looking for the same.

Valuation and view

- The increasing share of equity in the overall AUM, driven by an anticipated higher CAGR of 30% in equity AUM vs. overall AUM CAGR of 24%, will help to mitigate the potential decline in yields. We expect scale benefits from new businesses (Alternates & Passives) to translate into higher profitability.
- We have largely kept our estimates unchanged. We maintain our BUY rating on the stock with a TP of INR5,200 (premised on 42x Sep'26E Core EPS).

Quarterly Performance (INR m)

Y/E March	FY24				FY25				FY25E	3QFY25E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE					
Revenue from Operations	5,745	6,431	6,713	6,954	7,752	8,872	9,346	9,618	35,589	9,113	2.6	39.2	5.3
Change YoY (%)	10.1	18.1	20.0	28.6	34.9	38.0	39.2	38.3	37.7	35.7			
Fees & Commission	9.9	3.8	4.5	6.6	9.0	9.0	11.0	11.0	40	9.0	22.2	144.4	22.2
Employee Expenses	838	929	903	864	1,011	959	953	988	3,912	973.8	-2.1	5.6	-0.6
Other expenses	612	675	691	691	788	869	743	844	3,245	912.8	-18.6	7.5	-14.5
Total Operating Expenses	1,460	1,608	1,599	1,562	1,809	1,838	1,708	1,843	7,197	1,896	-10	6.8	-7.1
Change YoY (%)	10.6	14.7	9.2	19.8	23.9	14.3	6.8	18.0	15.5	18.5	-63.4		
EBIDTA	4,285	4,822	5,114	5,393	5,944	7,034	7,639	7,775	28,391	7,217	5.8	49.4	8.6
EBIDTA Margin (%)	74.6	75.0	76.2	77.5	76.7	79.3	81.7	80.8	79.8	79.2	253bps	555bps	244bps
Other Income	1,580	1,221	1,424	1,555	1,735	1,710	931	1,179	5,555	855	8.9	-34.6	-45.6
Depreciation	129	130	131	133	133	137	149	132	551	139	6.8	13.9	8.4
Finance Cost	23	23	22	23	23	23	22	23	92	23	-1.8	3.2	-1.8
PBT	**5,713**	**5,891**	**6,386**	**6,791**	**7,523**	**8,584**	**8,399**	**8,798**	**33,303**	**7,910**	**6.2**	31.5	-2.2
Tax Provisions	939	1,516	1,489	1,380	1,485	2,818	1,985	2,038	8,326	1,843	7.7	33.3	-29.6
Net Profit	**4,775**	**4,376**	**4,897**	**5,411**	**6,038**	**5,766**	**6,414**	**6,760**	**24,977**	**6,067**	**5.7**	31.0	11.2
Change YoY (%)	52.0	20.2	32.6	43.8	26.4	31.8	31.0	24.9	28.4	23.9			
Core PAT	3,454	3,468	3,805	4,172	4,645	4,618	5,703	5,854	20,811	**5,411**	**5.4**		
Change YoY (%)	13.3	20.8	29.8	38.1	34.5	33.1	49.9	40.3	39.5	42.2			

Angel One

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	ANGELONE IN
Equity Shares (m)	90
M.Cap.(INRb)/(USDb)	213.9 / 2.5
52-Week Range (INR)	3895 / 2025
1, 6, 12 Rel. Per (%)	-24/11/-43
12M Avg Val (INR M)	3570
Free float (%)	64.4

Financial & Valuation (INR b)

Y/E March	2025E	2026E	2027E
Revenues	42.7	46.9	55.6
Opex	24.9	27.3	31.2
PBT	16.8	18.3	23.1
PAT	12.3	13.3	17.8
EPS (INR)	148.5	160.7	214.6
EPS Gr. (%)	9.3	8.2	33.5
BV/Sh. (INR)	670.3	774.8	914.2
Ratios (%)			
C/I ratio	58.3	58.3	56.1
PAT margin	28.8	28.4	32.0
RoE	28.6	22.2	25.4
Div. Payout	17.5	35.0	35.0
Valuations			
P/E (x)	16.0	14.8	11.1
P/BV (x)	3.5	3.1	2.6
Div. Yield (%)	1.0	2.2	2.9

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	35.6	35.6	38.3
DII	12.7	14.0	10.4
FII	12.3	15.4	16.8
Others	39.4	35.0	34.5

CMP: INR2,372 TP: INR 3,200 (+35%) BUY

In-line revenue; high C/I ratio leads to PAT miss

- Angel One reported total income of INR9.9b, up 19% YoY/down 18% QoQ and largely in line with our estimate. The sequential decline was owing to the impact of F&O regulations and True-to-Label regulations on other income. For 9MFY25, total income grew 45% YoY to INR33b.
- Total operating expenses grew 23% YoY (13% higher than est.), leading to a CI ratio of 58% vs. 56% in 3QFY24 (vs. our est. of 52.6%), driven by higher-than-expected admin and other expenses. The elevated C/I ratio resulted in PAT of INR2.8b (+8% YoY), 11% below our estimate. For 9MFY25, PAT grew 27% YoY to INR10b.
- The number of orders stood at 422m in 3QFY25, up 20% YoY/down 14% QoQ and largely in line with our estimate. MTF book continued to scale up and was at INR43.3b (up 4% QoQ/118% YoY) at the end of 3QFY25. The distribution business witnessed the highest SIP registrations in Dec'24 (~0.9m) and cumulative credit disbursements of INR6b as of Dec'24.
- Management expects the impact from various regulations to be in the range of 18-20% on net income vs. 14% guided earlier. The impact was due to the bunching up of all monthly expiries on one day vs. the earlier anticipation of spread-out monthly expiries.
- We have cut our EPS estimates by 7%/5%/13% for FY25/26/FY27, factoring in a weak cash market, an elevated cost structure and a steeper decline in F&O orders. Upsides could arise from revenues in new segments, which we are yet to factor in. We have cut our target multiple owing to the weaker-than-expected impact of cash brokerage introduction and uncertainty around the price hike to tackle the F&O regulation impact. We have revised our TP to INR3,200 on 17x Sep'26E EPS.

Revenue impacted by multiple regulations

- Due to the F&O regulations implemented in Nov'24, Angel One recorded an 11% QoQ decline in F&O orders to 309m and 13% QoQ decline in F&O brokerage to INR6,627m (9% beat). Revenue per order declined to INR21.4 (INR21.7 in 2QFY25).
- Weak market sentiment resulted in a 24% QoQ decline in cash orders to 89m and a 19% QoQ decline in cash brokerage to INR982m (29% miss). Revenue per order increased QoQ to INR11, driven by the recent introduction of brokerage in cash segment.
- Commodity orders remained flat QoQ in 3QFY25 at 23m, resulting in 2% QoQ growth in commodity brokerage to INR573m (6% miss).
- Net interest income stood at INR2.7b, up 50% YoY/down 6% QoQ (8% beat). Avg. client funding book stood at INR40.5b vs. INR18.6b in 3QFY24.
- Other income declined 31% YoY to INR963m (21% miss) largely due to the impact of True-to-Label regulations on ancillary transaction income.

Profitability impacted by investment in new business segments

- Total operating expenses grew 23% YoY but declined 5% QoQ (13% higher than expectations). On a sequential basis, the CI ratio increased to 58% in 3QFY25 (vs. our expectation of 52.6%).
- Employee costs rose 68% YoY to INR2.4b (5% below est.), while admin and other expenses grew 5% YoY (29% higher than est.), despite a 30% sequential decline in gross client acquisition to 2.1m in 3QFY25. This was due to higher spends on branding, an increase in CSR expenses and continued investments in new businesses.
- EBITDA margin stood at 42% vs. 44%/49.9% in 3QFY24/2QFY25 (vs. our est. of 47.4%).

Highlights from the management commentary

- The company is in wait-and-watch mode for 1-2 quarters to observe the permanent impact on lifetime value due to new regulations and will take an informed call on using levers like pricing, if operating margin of 50% cannot be maintained.
- The increase in lot sizes can result in high cash activity from investors, which can boost growth as Angel One has started charging cash brokerage.
- Going forward, the majority of fixed expenses have already been taken care of, apart from the expenses related to the new CEO appointment. Further spends will depend on business growth and the customer acquisition strategy. The IPL spend run rate depends on responses before the start of the season.

Valuation and view

- Angel One has demonstrated the ability to protect its profitability by taking corrective pricing actions to offset the impact of true-to-label charge regulations. However, the timing of usage of levers to offset the impact of F&O regulations remains uncertain. Investments in new business segments have kept the cost structure elevated and we are yet to factor in upsides that could arise from revenues in new segments.
- We have cut our EPS estimates by 7%/5%/13% for FY25/26/FY27, factoring in a weak cash market, an elevated cost structure and a steeper decline in F&O orders. Upsides could arise from revenues in new segments, which we are yet to factor in. We have cut our target multiple owing to a weaker-than-expected impact of the cash brokerage introduction and uncertainty around the price hike to tackle the F&O regulation impact. We have revised our TP to INR3,200 on 17x Sep'26E EPS.

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY25E	3QFY25E	Act v/s Est. (%)	YoY Growth	QoQ Growth
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE					
Revenue from Operations	5,198	6,747	6,874	8,742	9,150	9,774	8,895	8,674	36,493	8,437	5.4	29%	-9%
Other Income	1,088	1,411	1,401	1,869	1,983	2,210	963	1,050	6,206	1,216	-20.8	-31%	-56%
Total Income	**6,286**	**8,158**	**8,275**	**10,611**	**11,133**	**11,984**	**9,858**	**9,724**	**42,699**	**9,653**	**2.1**	19%	-18%
Change YoY (%)	22.0	46.0	43.9	64.7	77.1	46.9	19.1	-8.4	28.1	16.6	14.9		
Operating Expenses	3,230	3,974	4,635	5,856	6,940	6,007	5,717	6,239	24,903	5,080	12.5	23%	-5%
Change YoY (%)	21.4	49.3	75.1	114.0	114.8	51.2	23.3	6.5	40.7	9.6	143.3		
Depreciation	89	112	131	167	226	256	267	277	1,025	286	-6.7	104%	4%
PBT	**2,967**	**4,072**	**3,509**	**4,588**	**3,968**	**5,721**	**3,874**	**3,208**	**16,771**	**4,287**	**-9.6**	10%	-32%
Change YoY (%)	22.3	42.5	16.1	26.9	33.7	40.5	10.4	-30.1	10.8	22.2	-53.1		
Tax Provisions	759	1,027	907	1,188	1,041	1,487	1,059	877	4,463	1,114	-5.0	17%	-29%
Net Profit	**2,208**	**3,045**	**2,602**	**3,400**	**2,927**	**4,234**	**2,816**	**2,331**	**12,308**	**3,173**	**-11.3**	8%	-34%
Change YoY (%)	21.6	42.5	13.9	27.3	32.5	39.1	8.2	-31.4	9.4	21.9	-62.6		
Key Operating Parameters (%)													
Cost to Income Ratio	51.4	48.7	56.0	55.2	62.3	50.1	58.0	64.2	58.3	52.6	537bps	199bps	787bps
PBT Margin	47.2	49.9	42.4	43.2	35.6	47.7	39.3	33.0	39.3	44.4	-511bps	-311bps	-844bps
Tax Rate	25.6	25.2	25.8	25.9	26.2	26.0	27.3	27.3	26.6	26.0	133bps	147bps	133bps
PAT Margins	35.1	37.3	31.4	32.0	26.3	35.3	28.6	24.0	28.8	32.9	-431bps	-288bps	-677bps
Revenue from Operations (INR M)													
Gross Broking Revenue	5,575	7,270	7,084	9,240	9,173	9,356	8,182	7,872	34,583	8,049	1.6	15%	-13%
F&O	4,683	6,180	5,951	7,854	7,705	7,578	6,627	5,965	27,876	6,063	9.3	11%	-13%
Cash	558	800	779	1,016	1,009	1,216	982	1,285	4,492	1,376	-28.7	26%	-19%
Commodity	279	291	354	370	459	561	573	623	2,215	610	-6.1	62%	2%
Net Broking Revenue	3,933	5,199	5,107	6,822	6,762	6,934	6,236	6,000	25,933	5,966	4.5	22%	-10%
Net Interest Income	1,265	1,548	1,767	1,920	2,388	2,840	2,659	2,674	10,560	2,472	7.6	50%	-6%
Revenue from Operations Mix (%)													
As % of Gross Broking Revenue													
F&O	84.0	85.0	84.0	85.0	84.0	81.0	81.0	75.8	80.6	75.3	568bps	-300bps	0bps
Cash	10.0	11.0	11.0	11.0	11.0	13.0	12.0	16.3	13.0	17.1	-510bps	100bps	-100bps
Commodity	5.0	4.0	5.0	4.0	5.0	6.0	7.0	7.9	6.4	7.6	-58bps	200bps	100bps
Net Broking (As % Total Revenue)	75.7	77.1	74.3	78.0	73.9	70.9	70.1	69.2	71.1	70.7	-59bps	-419bps	-83bps
Net Interest Income (As % Total Revenue)	24.3	22.9	25.7	22.0	26.1	29.1	29.9	30.8	28.9	29.3	59bps	419bps	83bps
Expense Mix (%)													
Employee Expenses	37.1	32.5	29.7	26.4	28.0	36.8	39.7	37.0	35.1	46.3	-668bps	995bps	290bps
Admin Cost	59.7	64.3	67.1	70.4	68.3	59.3	55.9	58.8	61.0	48.3	756bps	-1121bps	-341bps
Depreciation	2.7	2.7	2.7	2.8	3.2	4.1	4.5	4.2	4.0	5.3	-87bps	171bps	37bps

Anand Rathi Wealth

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	ANANDRAT IN
Equity Shares (m)	42
M.Cap.(INRb)/(USDb)	165.9 / 1.9
52-Week Range (INR)	4646 / 2573
1, 6, 12 Rel. Per (%)	0/5/36
12M Avg Val (INR M)	264

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Revenues	9.6	12.2	14.4
Rev Gr. (%)	32.7	27.1	18.0
Opex	5.5	6.8	7.9
PBT	4.1	5.3	6.4
PAT	3.0	3.9	4.8
EPS (INR)	73.0	95.2	114.8
EPS Gr. (%)	35.0	30.3	20.6
BV/Sh. (INR)	169.2	240.1	324.5
Ratios (%)			
EBIDTA Margin	43.3	44.3	45.1
PAT margin	31.5	32.3	33.0
RoE	44.8	46.3	40.5
Div. Payout	27.4	25.2	26.1
Valuations			
P/E (x)	54.4	41.7	34.6
P/BV (x)	23.5	16.5	12.2
Div. Yield (%)	0.5	0.6	0.8

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	48.0	48.1	48.7
DII	8.0	8.3	10.3
FII	5.3	5.0	1.8
Others	38.7	38.6	39.2

FII includes depository receipts

CMP: INR3,998 TP: INR4,200 (+5%) Neutral

PAT in line with estimates; EBITDA margins expand QoQ

- Anand Rathi Wealth (ARWL) reported operating revenue at INR 2.4b in 3QFY25, up 30% YoY (6% miss). The overall revenue growth was driven by a 52% YoY increase in the MF business revenue, which reached INR1.1b. For 9MFY25, the overall revenue from operations grew 33% YoY to INR7.2b.
- Opex grew 27% YoY to ~INR1.3b, but declined 6% sequentially due to 8% decline in employee costs to INR1b. As a result, the cost-to-income ratio improved 141bp YoY and 224bp QoQ, reaching 54.8% in 3QFY25 (vs 56.3% in 3QFY24 and our estimate of 56.6%).
- PAT for the quarter stood at INR773m, reflecting a 33% YoY growth (in line with our estimates). For 9MFY25, it grew 34% YoY to INR2.3b. PAT margins for 3QFY25 expanded 79bp YoY to 32.6%. (MOFSLe at 31.6%).
- We expect ARWL to report an AUM/revenue/PAT CAGR of 26%/26%/28% during FY24-27. With a robust cash generation (INR8.9b of OCF during FY24-27E), an RoE of 40%+, and a healthy balance sheet, the company's valuation is well-priced at 42x FY26E P/E. We have cut our FY25/26/27 EPS estimates by 3%/7%/6% to factor in slower AUM growth. **We maintain a NEUTRAL rating on the stock with a one-year TP of INR4,200 (premised on 40x Sep'26E P/E).**

AUM growth backed by MF flows, given the guidance is maintained

- The total AUM came in at INR764b (+39% YoY) as the ticket size of clients increased, leading to robust inflows. The Private Wealth/Digital Wealth AUM grew 39%/23% YoY to INR745.7b/INR18.3b, respectively.
- The company has seen the highest-ever quarterly net inflows of INR34.5b, up 18% YoY, with equity net flows at INR27.2b, up 39% YoY, despite weak market sentiments. Management expects some equity net flows to moderate going ahead. For 9MFY25, it grew 69% YoY to INR91.5b, with equity flows growing 51% YoY to INR58.3b.
- The share of customers with AUM of INR500m+ has increased to 25% in 3QFY25 from 22% in 3QFY24.
- It aims to gain ~4% market share (currently 1.8%) in equity net flows. The share of equity in AUM grew to 55% from 52% in 3QFY24.
- Opex grew 27% YoY to ~INR1.3b but declined 6% sequentially due to an 8% decline in employee costs to INR1b. This resulted in a 140bp YoY and 225bp QoQ decline in the cost-to-income ratio to 54.8% (vs our estimate of 56.6%). Other expenses increased 21% YoY to INR294m.
- EBITDA for 3QFY25 grew 34% YoY to INR1.1b, with EBITDA margins up 140bp YoY to 45.2%. For 9MFY25, it grew 34% YoY to INR3.1b. Management guides to maintain PBT margins at 40-41%.
- The company recorded one of the lowest regret RM attrition rates in the industry at 0.14% in 3QFY25 vs 0.29% in 3QFY24.
- Of the FY25 guidance for Revenue/PAT at INR9.8b/2.95b, the company has already achieved 75%/77% of the guidance as of 9MFY25.

Highlights from the management commentary

- Client attrition was lower at 0.14% in 3QFY25/0.32% in 9MFY25. The company has added 1,785 clients over the last 12 months, bringing the total to 11,426 families.
- Management guides for structured products to be in the range of 25-35% of the overall AUM mix.
- The company plans to begin its operations in the wealth management business in the UK market, though it will take 6-9 months to establish.

Valuation and view

- ARWL is one of the few companies in the listed universe space that has consistently outperformed its stated guidance. For FY23/FY24, it beat its revenue guidance by 9%/14% and PAT guidance by 8%/10%.
- We expect ARWL to report an AUM/revenue/PAT CAGR of 26%/26%/28% during FY24-27. With a robust cash generation (INR8.9b of OCF during FY24-27E), RoE of 40%+, and a healthy balance sheet, the company's valuation is well-priced at 42x FY26E P/E. We have cut our FY25/26/27 EPS estimates by 3%/7%/6% to factor in slower AUM growth. **We maintain a NEUTRAL rating on the stock with a one-year TP of INR4,200 (premised on 40x Sep'26E P/E).**

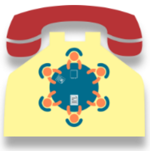
Quarterly Performance **(INR m)**

Y/E March	FY24				FY25				FY25E	3QFY25E	Act. Vs Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE					
MF – Equity & Debt	522	625	715	804	890	1,057	1,087	1,102	4,136	1,099	-1	52.0	2.8
Distribution of Financial Products	1,215	1,187	1,095	1,024	1,471	1,352	1,267	1,323	5,413	1,406	-10	15.7	-6.3
Other Operating revenue	13	14	14	15	15	15	16	18	64	16	-1	14.3	6.7
Revenue from Operations	**1,750**	**1,826**	**1,824**	**1,843**	**2,376**	**2,424**	**2,370**	**2,443**	**9,613**	**2,522**	-6	29.9	-2.2
Change YoY (%)	33.0	34.2	32.2	28.9	35.8	32.7	29.9	32.6	32.7	4.0			
Operating Expenses	1,016	1,051	1,026	1,111	1,394	1,384	1,300	1,376	5,453	1,428	-9	26.7	-6.1
Change YoY (%)	33.9	38.8	34.5	35.2	37.2	31.6	26.7	23.8	30	3			
EBIDTA	734	775	798	732	982	1,040	1,070	1,068	4,161	1,094	-2	34.1	2.9
Depreciation	45	46	50	52	57	61	65	65	248	63	4	30.0	6.5
Finance Cost	14	16	16	18	14	30	35	38	116	32	11	115.9	19.8
Other Income	34	65	48	129	78	72	72	80	301	77	-7	48.3	0.2
PBT	709	778	780	790	990	1,021	1,041	1,045	4,097	1,076	-3	33.5	2.0
Change YoY (%)	34.1	35.2	33.8	32.8	39.6	31.3	33.5	32.3	34	5			
Tax Provisions	177	200	200	221	256	259	269	287	1,070	280	-4	34.6	3.8
Net Profit	533	577	580	569	734	762	773	758	3,028	797	-3	33.2	1.4
Change YoY (%)	34.3	34.5	34.5	33.3	37.9	32.0	33.2	33.3	34	4			
Key Operating Parameters (%)													
EBIDTA Margin	41.9	42.4	43.8	39.7	41.3	42.9	45.2	43.7	43.3	43.4	179 bps	141 bps	224 bps
Cost to Income Ratio	58.1	57.6	56.3	60.3	58.7	57.1	54.8	56.3	56.7	56.6	-179 bps	-141 bps	-224 bps
PBT Margin	40.5	42.6	42.7	42.9	41.7	42.1	43.9	42.8	42.6	42.7	125 bps	119 bps	181 bps
Tax Rate	24.9	25.8	25.6	28.0	25.8	25.3	26.0	26.0	26.1	26.0	0 bps	40 bps	66 bps
PAT Margins	30.4	31.6	31.8	30.9	30.9	31.4	32.6	31.0	31.5	31.6	101 bps	79 bps	115 bps

Shoppers Stop

BSE SENSEX	S&P CNX
76,500	23,176

Conference Call Details



Date: 14th Jan 2025

Time: 11am IST

Financials & Valuations (INR b)

INRb	FY24	FY25E	FY26E
Sales	42.1	44.8	49.9
EBITDA	7.1	6.9	8.3
Adj. PAT	0.6	-0.3	0.0
EBITDA Margin (%)	16.9	15.4	16.7
Adj. EPS (INR)	5.5	-2.3	0.1
EPS Gr. (%)	-50.1	NA	NA
BV/Sh. (INR)	29.5	35.7	35.8
Ratios			
Net D:E	8.2	11.1	13.4
RoE (%)	21.8	-8.3	0.3
RoCE (%)	8.6	6.2	5.6
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	113	NA	9,091
EV/EBITDA (x)	13	15	13
EV/Sales (x)	2	2	2

CMP: INR620 — Neutral

In-line results; slight pick-up in growth

- Shoppers Stop standalone revenue grew 9% YoY to INR13.1b (in-line, 4% YoY in 2Q) driven by 4% LFL growth, while net store additions remained muted for the quarter.
  - Private Brands revenue declined ~2% YoY to INR1.9b (vs. 15% YoY decline in 2Q), while the Beauty segment reported 3% YoY growth in revenue to INR2.7b (excl. the distribution channel) and 6% YoY growth (incl the distribution channel).
  - Revenue from Intune stood at INR630m (vs. INR410m QoQ), with its presence expanding to 59 stores (vs. 50 QoQ). The company expects to open 26 Intune stores in 4Q.
- The company added 1 Department store (closed 4), 6 Beauty stores (closed 8), and 9 new Intune stores. The respective store counts stand at 109, 85, and 59 for the total store count of 284 (net addition of 4 stores QoQ).
- Gross profit was up 11% YoY to INR5.3b (in-line) as gross margins expanded ~90bp YoY to 40.7%, likely due to higher intake margins in private brands, lower write-offs, and optimized markdowns.
- Employee cost/other expenses increased 10%/11% YoY.
- EBITDA rose 11% YoY to INR2.4b (in-line) as EBITDA margins expanded 45bp YoY to 18.3%. This was driven by gross margin expansion, which was partly offset by other expenses.
  - The company generated INR1.1b EBITDA (Pre Ind-AS) for 3QFY25, with pre Ind-AS margin expanding 100bp YoY to 7.8%.
- Depreciation and interest costs were up 16%/12% YoY.
- Reported PAT came in at INR488m (vs. est. of INR408m), driven primarily by higher other income.
- Net debt declined INR0.8b QoQ to INR0.9b.

Management commentary:

- Q3 ended on a fairly positive note, with the growth trajectory heading in the right direction. The company delivered volume-led revenue growth of 9% YoY and 4% LFL growth, despite higher inflation and lower consumer spending.
- Private brands generated healthy margin growth, driven by lower markdowns and reduced obsolescence. Management is focused on making private brands' portfolio profitable.

Standalone P&L (INR m)	3QFY24	2QFY25	3QFY25	YoY%	QoQ%	3QFY25E	v/s Est (%)
Total Revenue	**12,068**	**10,681**	**13,115**	**9**	**23**	**12,938**	**1**
Raw Material cost	7,272	6,423	7,783	7	21	7,698	1
Gross Profit	**4,796**	**4,259**	**5,332**	**11**	**25**	**5,240**	**2**
Gross margin (%)	**39.7**	**39.9**	**40.7**	**92**	**79**	**40.5**	**16**
Employee Costs	964	1,014	1,064	10	5	1,035	3
SGA Expenses	1,678	1,777	1,869	11	5	1,837	2
EBITDA	**2,154**	**1,468**	**2,399**	**11**	**63**	**2,368**	1
EBITDA margin (%)	**17.8**	**13.7**	**18.3**	**45**	**455**	**18.3**	**-1**
Depreciation and amortization	1,112	1,214	1,293	16	7	1,262	2
EBIT	1,042	254	1,106	6	335	1,105	0
EBIT margin (%)	8.6	2.4	8.4	-19.7	605.2	8.5	-11
Finance Costs	579	638	647	12	1	658	-2
Other income	33	97	223	568	130	98	127
Exceptional item	0	-21	0	NM	NM	0	NM
Profit before Tax	**496**	**-307**	**682**	**NM**	**NM**	**545**	**25**
Tax	141	-87	195	NM	NM	137	42
Tax rate (%)	28.3	28.3	28.5	16.7	22.5	25.2	332
Profit after Tax	**356**	**-220**	**488**	**37**	**NM**	**408**	**20**
Adj Profit after Tax	**356**	**-199**	**488**	**37**	**NM**	**408**	**20**

Shoppers Stop performance

	3QFY24	2QFY25	3QFY25	YoY%	QoQ%	3QFY25E	v/s Est (%)
SSSG (%)	**0.0%**	**-4.0%**	**4.0%**			**2.0%**	
Shoppers Stop stores	**105**	**112**	**109**	4	-3	**110**	**-1**
Net SS stores added	3	-2	-3	NM	NM	-2	NM
Intune stores	**10**	**50**	**59**	NA	18	**60**	**-2**
Net Intune stores added	4	19	9	NM	NM	10	NM

WPI rises to 2.4% in Dec'24

Food prices remain elevated

- **The Wholesale Price Index (WPI)-based inflation inched up to 2.4% in Dec'24 (vs. 1.9% in Nov'24 and 0.9% in Dec'23), mainly led by elevated food prices (especially vegetables) and a slower pace of contraction in prices of fuel & power items (the slowest contraction in the past four months). WPI-based inflation remained positive for the 12th consecutive month after having been in the deflationary zone for the majority of the previous financial year *(Exhibit 1)*. Sequentially, WPI dipped 0.4% in Dec'24, similar to Nov'24. The figure was higher than the Bloomberg consensus of 2.2%, but it was in line with our expectation of 2.2%.**
- **The acceleration in WPI was primarily driven by elevated food prices (8.9% YoY in Dec'24, similar to Nov'24). WPI, excluding food, contracted 0.3% in Dec'24 vs. a contraction of 1.0% in Nov'24. *(Exhibit 2)*. Within the food category, prices of primary food articles increased 8.5% in Dec'24 vs. 8.6% in Nov'24 (the lowest in four months), while prices of manufactured food products increased 9.7% in Dec'24 vs. 9.4% in Nov'24. Within the primary food articles category, higher food inflation was driven by an increase in the prices of vegetables and fruits.**
- **Additionally, WPI for fuel and power contracted 3.8% in Dec'24 (the lowest contraction in four months), following a contraction of 5.8% in Nov'24, led by a slower pace of contraction in the prices of mineral oils (-3.8% in Dec'24 vs. -5.8% in Nov'24) and electricity (-10.4% in Dec'24 vs. -5.7% in Nov'24).**
- **WPI for non-food manufacturing products increased 0.7% in Dec'24 (vs. 0.5% in Nov'24, the highest in five months), led by a rise in the prices of textiles, basic chemicals, fertilizers, non-metallic mineral products, and motor vehicles & transport equipment.**
- **Agro inflation mounted to 7.4% in Dec'24 from 6.9% in Nov'24. Simultaneously, agro-input prices contracted 1.6% YoY in Dec'24 (a slower contraction than the last month) vs. a contraction of 4.1% YoY in Nov'24. Consequently, the agricultural terms of trade growth decelerated to 9.1% in Dec'24 (vs. 11.5% in Nov'24, the highest in four months; *Exhibit 4)*. Prices of imported items increased to a five-month high of 1.0% in Dec'24 (0.3% in Nov'24). Conversely, non-agro domestic inflation rose 0.7% YoY in Dec'24 (vs. +0.3% in Nov'24; *Exhibit 3)*.**
- **We expect WPI inflation to mount in the coming months as the favorable base effect wanes. We anticipate WPI to rise to ~2.5-3.0% in Nov'24.**

Exhibit 1: WPI inched up to 2.4% YoY in Dec'24 vs. 1.9% in Nov'24…

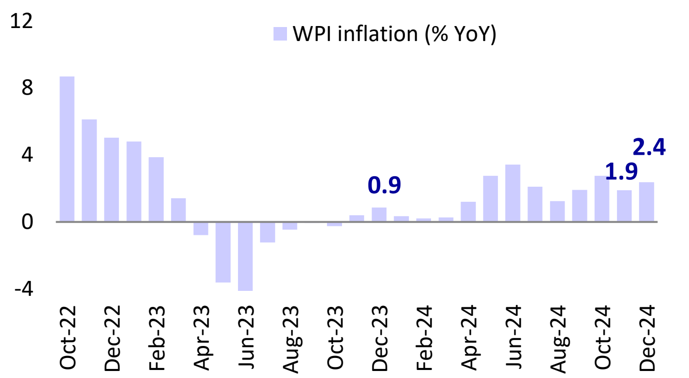


Exhibit 2: …mainly led by elevated food inflation

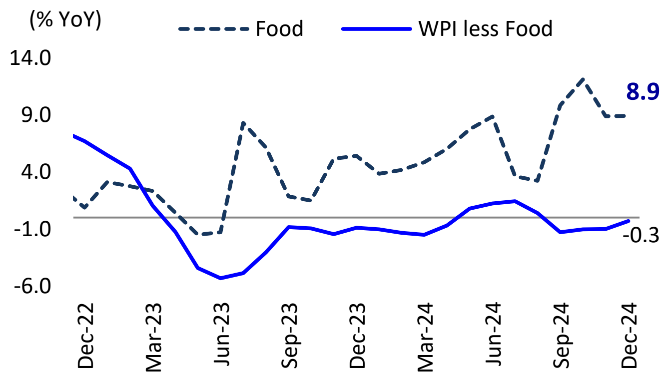
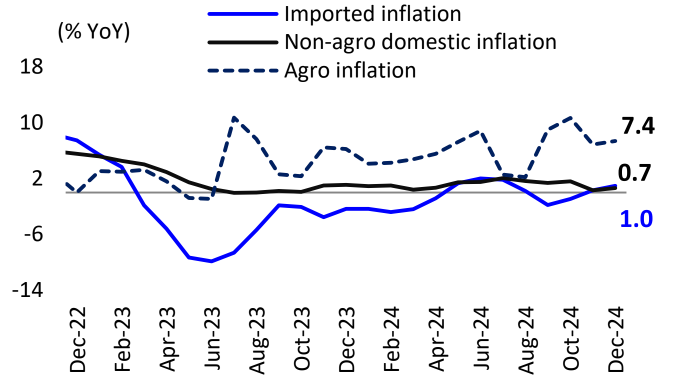
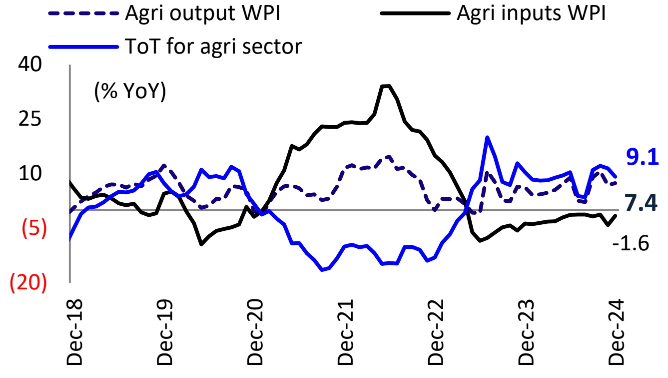


Exhibit 3: Agro inflation mounted to 7.4% in Dec'24 from 6.9% in Nov'24



*Constituting ~41.8% weightage in the WPI basket
**Constituting ~38.8% weightage in the WPI basket
@Constituting ~19.4% weightage in the WPI basket

Exhibit 4: Terms of trade for the agri sector decelerated to 9.1% in Dec'24, the lowest in four months



Source: Office of Economic Adviser, MOFSL

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- Raised lower end of guidance by 1% on account of HPE acquisition & organic growth
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- Momentum across vertical is continuing to pick up
- Seeing deals around GenAI application, data modernisation

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- Have seen healthy growth in January'25 as well
- Total orderbook @32k Cr. out of which EPC order book is @4.5k Cr.

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- 95.5% achieved by 9MFY25
- Got to 4.8% market share without discounting

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