Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	85,572	-0.3	18.5
Nifty-50	26,179	-0.1	20.5
Nifty-M 100	60,381	-0.1	30.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,738	-0.1	20.3
Nasdaq	18,120	-0.4	20.7
FTSE 100	8,321	0.4	7.6
DAX	19,474	1.2	16.2
Hang Seng	7,300	3.0	26.5
Nikkei 225	39,830	2.3	19.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	72	0.0	-6.6
Gold ($/OZ)	2,665	-0.3	29.2
Cu (US$/MT)	9,983	0.4	17.9
Almn (US$/MT)	2,647	1.9	12.8
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.7	0.1	0.6
USD/EUR	1.1	-0.1	1.1
USD/JPY	143.0	-1.2	1.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.8	0.04	-0.4
10 Yrs AAA Corp	7.3	0.00	-0.5
Flows (USD b)	**27-Sep**	**MTD**	**CYTD**
FIIs	-0.1	1.25	11.8
DIIs	0.82	6.58	40.0
Volumes (INRb)	**27-Sep**	**MTD***	**YTD***
Cash	1,828	1307	1302
F&O	1,32,947	3,96,670	3,80,718

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Technology 2QFY25 Preview: A slow but certain revival

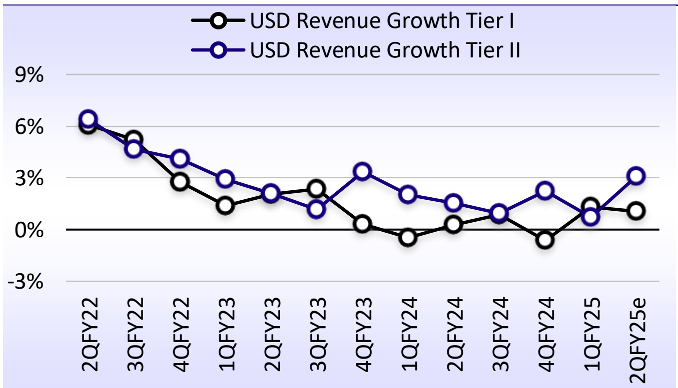
- **2QFY25 revenue growth likely to be decent but could disappoint elevated expectations:** As we noted in our recent thematic report (Technology: Bounce-back! Charting the path to revival for IT services), we are enthusiastic about a change in client spend behavior but believe that the recovery will be gradual and could be initially restricted to some pockets, e.g. US banking.
- In that context, while we expect decent revenue growth in 2Q, expectations are elevated and could lead to short-term disappointment. Healthcare and manufacturing segments would continue to shoulder the growth burden for the industry, in our view.
- **That said, we are not too concerned about variance in revenue growth in 2Q** and believe it should not lead to a meaningful change in estimates, sentiments, or valuations (short-term gyrations aside). **The most important catalyst for the sector now would emerge after 3Q,** when client budgets for CY25 would be finalized and the magnitude of changes in client behavior would become clearer. We expect aggregate revenue/EBIT/PAT to grow by 5.1/5.0/5.3% YoY (all in INR terms) for our coverage universe.

Research covered

Cos/Sector	Key Highlights
Technology 2QFY25 Preview	A slow but certain revival
Bank of Baroda	Asset quality steady; remain watchful on the pace of deposit mobilization
Financials – Non Lending	Rate cuts to boost flows in longer-duration funds
Automobiles	Demand yet to pick up; dealers optimistic for festive revival

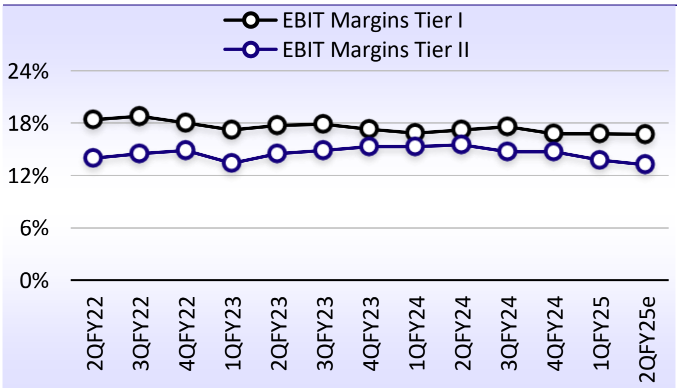
Chart of the Day: Technology 2QFY25 Preview (A slow but certain revival)

Revenue growth should see an uptick for Tier -2 companies post subdued 1Q



Source: MOFSL, Company

Margins to remain a mixed bag for both Tier- I and Tier-II companies



Source: MOSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

NSE, BSE revise transaction fees; new charges effective from October 1

NSE, BSE has updated transaction charges today following a Securities and Exchange Board of India (Sebi) circular issued on July 1, 2024, in relation to charges levied by Market Infrastructure Institutions (MIIs).

2

IDFC to merge with IDFC FIRST Bank, effective October 1

DFC Ltd will merge into IDFC First Bank effective October 1, following approval from the National Company Law Tribunal. The merger will dissolve IDFC financial holdings and simplify the corporate structure.

3

Smartphones overtake diamonds in India's exports to US

In the June quarter of 2024-25, smartphone exports hit $2 billion, well ahead of non-industrial diamond (cut or otherwise but not mounted) exports, which stood at $1.44 billion, according to the latest data from the Department of Commerce

4

Zydus gets USFDA approval to produce its generic prostate cancer drug

Zydus Lifesciences has received approval from the US health regulator to produce generic prostate cancer treatment drug. The company has received approval from the US Food and Drug Administration (USFDA) to manufacture Enzalutamide capsules (40 mg).

5

Lupin says USFDA issues three observations for its Pithampur facility

The USFDA inspected the facility from September 16 to September 27. The pharma company said it is addressing the observations comprehensively and will respond to the US drug regulator within the stipulated timeframe

6

US FDA issues four observations for Biocon's Bengaluru API facility

Biocon has not disclosed the specifics of the observations, but in an exchange filing, the company said that it would address the cited observations within the stipulated time. "The Company does not foresee any impact on the business

7

Welspun Enterprises declared lowest bidder for Rs 1,990-crore Mumbai water tunnel project

Welspun Enterprises has been declared the lowest bidder for a water tunnel project in Mumbai. The bids were invited by the Brihanmumbai Municipal Corporation, the city's civic body.

Technology

Result Preview

A slow but certain revival

Expect decent revenue growth against elevated expectations

- 2QFY25 revenue growth likely to be decent but could disappoint elevated expectations: As we noted in our recent thematic report (Technology: Bounce-back! Charting the path to revival for IT services), we are enthusiastic about a change in client spend behavior but believe that the recovery will be gradual and could be initially restricted to some pockets, e.g. US banking. In that context, while we expect decent revenue growth in 2Q, expectations are elevated and could lead to short-term disappointment. Healthcare and manufacturing segments would continue to shoulder the growth burden for the industry, in our view. That said, we are not too concerned about variance in revenue growth in 2Q and believe it should not lead to a meaningful change in estimates, sentiments, or valuations (short-term gyrations aside). The most important catalyst for the sector now would emerge after 3Q, when client budgets for CY25 would be finalized and the magnitude of changes in client behavior would become clearer. We expect aggregate revenue/EBIT/PAT to grow by 5.1/5.0/5.3% YoY (all in INR terms) for our coverage universe.
- We expect YoY revenue growth of ~5.5%/5.9%/4.9% for INFO/TCS/HCLT in FY25. Mid-tier companies should continue to do well though, especially companies with strong offerings in data engineering and ERP modernization and we expect their growth outperformance to be sustained over the medium term.
- Cross-currency impact in 2Q: On an average, we expect 30-60bp cross-currency tailwinds for our coverage companies on a sequential basis.
- Guidance: We expect INFO to upgrade its guidance in 2Q, in line with consensus estimates. We expect minimal risk of guidance downgrade for the sector overall.
- We expect revenue growth of Tier-I companies to be in the range of flat to +3.0% QoQ CC. Revenue growth for Tier-II players is expected to be in the range of flat to +4.5% QoQ CC.
- Margins for the sector are likely to be largely range-bound in 2Q as wage hikes have been deferred to 2HFY25: We expect margin declines for INFO (reversal of one-offs) and TCS (continued large deal ramp-up), which should be partly offset by the absence of visa costs and cost optimization benefits. Most companies, however, have deferred wage hikes to 3Q and beyond, which means 2HFY25 margins would see headwinds from wage hikes as well as furloughs. We believe FY25 will be a year of restrained wage hikes across the industry. Further, considering the demand recovery curve will be gradual, companies can be more measured about their hiring plans. This should lead to better margin defense in the short to medium term.
- Among Tier-I players, we prefer HCLT and LTIM for their strong capabilities in data engineering, ER&D offerings (HCLT) and ERP modernization, making them well-suited for pre-GenAI spending.
- For Tier-II players, our top picks are PSYS and COFORGE, both poised for strong performance. PSYS stands out for its focus on high-growth sectors like healthcare and BFS. Meanwhile, despite uncertainties related to the Cigniti integration, COFORGE is likely to realize cost synergies sooner than expected, which could lead to upside risk to our estimates.

Growth expectations across our coverage

- We expect INFO and TCS to report relatively robust 3.0% and 1.0% CC QoQ growth, respectively, whereas HCLT is anticipated to report flat growth in 2Q (~1% QoQ organic). TECHM and WIPRO could be flat QoQ as well. LTIM could report a relatively healthy 3% growth.
- Among mid-tier companies, we expect PSYS to lead the pack with 4.5% QoQ revenue growth, driven by continued momentum in the healthcare vertical. COFORGE is also likely to have a strong quarter with 4.0% QoQ growth, while Mphasis is expected to grow 2% QoQ.
- We expect Cyient DET to report a soft quarter as well, potentially putting its FY25 guidance under risk. We are factoring in a modest cross-currency impact for most companies (~30-60bp positive impact).

Margins are expected to show varied performance

- We expect EBIT margins for TCS to slightly decline by 20bp QoQ, largely due to the BSNL deal ramp-up and investments made in talent development and training. For HCLT, margins might see a slight uptick, but could face headwinds in 2H as wage hikes come into the picture. For INFO, we expect margins to decline by 80bp as the reversal of one-offs and large deal investments will weigh on profitability. TECHM's margins are expected to inch up by 50bp, whereas WIPRO should see a minor decline.
- Among mid-caps, we expect a mixed margin performance sequentially. COFORGE's margins should be down ~100bp, primarily due to wage hike impact, whereas large deal ramp-ups and wage hikes will pressure margins, though optimization measures will help to offset this pressure for PSYS. MPHL's margins are expected to remain range-bound, while LTTS should see a 90bp QoQ gain, driven by offshoring and a favorable pyramid structure.

We see uptick in demand, but in pockets; HCLT and LTIM our top picks

- Client spending behavior is showing positive trends, indicating a potential return of modernization and discretionary spending, albeit in some pockets.
- Among Tier-I players, we prefer HCLT and LTIM for their strong capabilities in data engineering, ER&D offerings (HCLT) and ERP modernization, making them well-suited for pre-GenAI spending. Their portfolio mix of discretionary and non-discretionary businesses should also support growth in the current business environment.
- For Tier-II players, our top picks are PSYS and COFORGE, both poised for strong performance. PSYS benefits from its focus on high-growth sectors like BFS and healthcare. For COFORGE, despite uncertainties surrounding the Cigniti integration, we believe it can achieve cost synergies sooner than anticipated, presenting upside risk to our estimates.

Bank of Baroda

BSE SENSEX	S&P CNX
85,572	25,416

CMP: INR248 TP: INR290 (+17%) Buy

Stock Info

Bloomberg	BOB IN
Equity Shares (m)	5171
M.Cap.(INRb)/(USDb)	1290.8 / 15.4
52-Week Range (INR)	300 / 188
1, 6, 12 Rel. Per (%)	-5/-22/-17
12M Avg Val (INR M)	4779
Free float (%)	36.0

Financials & Valuations (INR b)

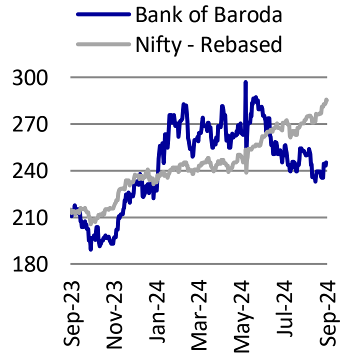
Y/E March	FY24	FY25E	FY26E
NII	447.2	471.9	511.4
OP	309.7	324.6	360.0
NP	177.9	195.5	210.2
NIM (%)	3.1	2.9	2.9
EPS (INR)	34.4	37.7	40.6
EPS Gr. (%)	26.1	9.9	7.5
BV/Sh. (INR)	211	241	273
ABV/Sh. (INR)	194	224	254
Ratios			
RoE (%)	17.8	17.0	16.1
RoA (%)	1.2	1.2	1.1
Valuations			
P/E(X)	7.2	6.6	6.1
P/BV (X)	1.2	1.0	0.9
P/ABV (X)	1.3	1.1	1.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	64.0	64.0	64.0
DII	16.0	16.3	16.0
FII	11.5	12.4	12.3
Others	8.6	7.3	7.7

FII Includes depository receipts

Stock's performance (one-year)



Asset quality steady; remain watchful on the pace of deposit mobilization

Earnings to clock modest ~10% CAGR; RoA steady at 1.1%

- **Bank of Baroda (BOB) posted ~17% CAGR in loan growth over FY22-FY24 as it deployed excess liquidity on the balance sheet. Its CD ratio, thus, increased ~600bp over the past two years to 80.3%.**
- **With intense competition for deposits, we estimate BoB's deposit growth to remain broadly in line with the system at ~11%. We, thus, estimate advances growth to moderate to 11.5% CAGR over FY24-FY27 led by RAM segments, thereby resulting in a slight rise in CD ratio to 81.6%.**
- **NIM is expected to remain range-bound in the near term, while potential turn in the rate-cycle will likely drive slight contraction in margins.**
- **However, opex growth is expected to moderate after a surge in FY24, allowing for sustained improvement in the cost ratios. We estimate C/I ratio to improve to ~45% by FY27.**
- **Asset quality remains robust and we estimate continued improvement in GNPA ratios with credit cost staying well within the guided range (<0.75%).**
- **BoB reported strong RoA expansion from 0.57% in FY22 to 1.17% in FY24. We estimate earnings to clock ~10% CAGR over FY24-FY27, while RoA remains steady at 1.1%. We reiterate BUY with a TP of INR 290 (premised on 1.1x FY26E ABV).**

Loan book to post 11.5% CAGR; RAM mix to increase

BoB reported a healthy loan growth of 13% YoY in FY24, driven by robust growth in RAM segments (21% YoY growth in retail). The bank's retail book forms ~21% of the total and is expected to continue leading the overall loan growth with an estimated 20% YoY growth in FY25. Overall, the bank expects RAM segments to dominate the portfolio growth with its share growing from the current 45% to 60% over the next few years. This will also help improve margins and overall profitability. We estimate a modest 11.5% CAGR in loan growth over FY24-FY27, reflecting a moderation in systemic growth and higher CD ratio for BOB compared to its peers.

Deposit accretion remains a challenge; cost of funds to tighten further

The deposit growth continues to be a challenge for the system and we estimate BOB to clock 11% CAGR in deposits over FY24-FY27. The bank has reduced its dependency on bulk deposits mix, which now stands at ~15%, down from ~17% in 1QFY24, and continues to prioritize further reductions in this area. We estimate the CD ratio to increase slightly to 81.6% by FY27. Intense competition for deposits and the upward pressure on funding costs, mainly led by deposit re-pricing and slower CASA growth, will keep deposit costs high over the near term. We estimate the cost of deposits to sustain at 5.3% over FY25/26 (~5.1% in 1QFY25).

NIM to remain range-bound in the near term; expect 19bp contraction over FY26

BoB's margin contracted 35bp from the peak of 3.53% in 4QFY23 to 3.18% in 1QFY25, primarily since the cost of deposits increased 63bp over the same period. The bank's initiatives to reduce dependency on higher cost deposits while maintaining a strong control on the CASA ratio have helped protect margins. 50% of the bank's loan book is linked to MCLR while 30% is linked to repo. This will enable a calibrated progression in margins, particularly as the rate-cycle turns. A controlled growth in international book and distinct focus on RAM segments will help maintain healthy portfolio yields and limit margin contraction. We, thus, estimate NIM to moderate 19bp over FY26.

Opex growth to remain controlled; C/I ratio to improve to ~45% by FY27

Opex growth is likely to moderate after a surge in FY24, which will enable sustained improvement in cost ratios over FY25-FY27. The bank's opex is expected to post a 9% CAGR over FY26/27 (flattish in FY25 on a high base) while revenues are expected to clock 11% CAGR during the same period, with a distinct focus on driving up the traction in fee income, where BOB currently trails its peers and has significant potential for improvement. We, thus, expect C/I ratio to decline from 47.7% in FY24 to 45.1% by FY27.

Asset quality remains robust; credit cost to remain well within guidance

BoB's GNPA improved to 2.9% in FY24 from 9.4% in FY20. With no notable stress across most lending segments and healthy collection efficiency, we estimate continued improvement in GNPA ratio, projecting it to reach 2.4% by FY27. Fresh slippages are likely to stay in control (SMA 1/2 stands at 18bp) while the bank has guided for recoveries and upgrade of INR100b from GNPA. Further, the credit cost is likely to stay well within the guided range (<0.75%), while PCR sustains at healthy 77-78%. However, we remain watchful on the final ECL guidelines and resultant provisioning requirements for the PSU banking space.

Valuation & view: Reiterate BUY with a TP of INR290

BOB clocked ~17% CAGR in loan growth over FY22-FY24 as it deployed excess liquidity on the balance sheet. Its CD ratio, thus, increased ~600bp over the past two years to 80.3%. We estimate advances growth to moderate to 11.5% CAGR over FY24-FY27, led by faster growth in RAM segments. NIM is expected to remain range-bound in the near term, while potential turn in the rate-cycle will likely drive slight contraction in margins. Asset quality remains robust and we estimate continued improvement in GNPA ratio, with credit cost staying well within the guided range (<0.75%). **We estimate earnings to grow at a modest ~10% CAGR over FY24-FY27, while RoA remains steady at 1.1%. We reiterate BUY with a TP of INR 290 (premised on 1.1x FY26E ABV).**

BoB underperformed compared to other PSU banks on 1/2/3 year basis (barring SBI)

Return	6M	1 Year	2 Year	3 Year
BOB	**(4.1)**	**15.5**	**35.7**	**46.1**
CBK	(0.1)	50.8	53.9	51.0
INBK	7.1	24.0	63.2	60.1
PNB	(11.4)	33.5	69.5	39.1
SBIN	9.4	36.0	22.3	20.6
UNBK	(19.2)	19.3	68.7	54.3

As of 27th Sept, 2024; Source: MOFSL, Bloomberg

Financials – Non Lending

Indian AMCs

AUM Mix

	Aug'24
Debt	13.2%
Liquid	11.7%
Equity	57.7%
Index funds	3.9%
ETFs	11.7%
Others	1.7%
Total AUM (INRt)	**66.0**

Debt AUM Inflows (INRb)

	FY24	YTD FY25
Overnight	-412.0	222.5
Ultra Short Dur	-21.6	193.3
Low Dur	-35.6	119.3
Short Dur	4.3	83.3
Medium Dur	-30.9	-17.4
Med to Long Dur	8.0	3.8
Long Dur	30.0	31.1
Gilt	43.5	66.5
Others	-206.9	-50.5

Rate cuts to boost flows in longer-duration funds

- **Positive for AMCs' profitability**
- **Over the past couple of years, AUM of the MF industry has recorded a 29% CAGR driven by strong growth across categories except the Debt segment, which grew at a modest pace of 2.9%. Equity/Hybrid/Liquid/ETFs have reported a 41%/33%/20%/ 31% CAGR over the same period.**
- **Since achieving an all-time high of INR11t in Jan'21, the AUM of debt-oriented schemes declined to reach INR7.7t in Mar'23. The decline was led by ~250bp hike in interest rates during the same period and the scrapping of indexation benefits for taxation. Nevertheless, with rate cut expectations round the corner, recent trends are indicating increased traction in inflows.**
- **While investments in liquid schemes maintain their momentum, longer-duration schemes (1-10 years) witnessed significant outflows during FY22-FY23. In FY24, the trends reversed with modest inflows, and in FY25 the momentum seems to have picked up.**
- **The US Fed rate cut in Sep'24 after four years may signal the start of declining RBI repo rates in the near future. This would improve the attractiveness of the longer-duration schemes for investors, aided by likely capital appreciation gains and improved yields. After the commencement of the RBI repo rate cuts in Jan'19, in one-year, the returns of the long-duration schemes and Gilt were at an all-time high of 14.4% and 13.4% in Jan'20.**
- **As the AUM mix in the debt segment tilts towards longer duration funds, the yield on debt AUMs is likely to improve for AMCs. This could partially cushion the impact of the telescopic structure on equity yields.**

Debt-oriented schemes facing challenges

- While the spotlight on equity schemes remains constant, debt-oriented schemes' growth has been tepid, with debt fund AUM at INR8.7t (as of Aug'24) reporting a two-year CAGR of 3% vs. 39% for equity schemes. However, the segment has gained traction recently, reflected in net inflows in four of the last five months.
- During the past couple of years, the rising interest rate environment translated into an increase in interest rates on fixed deposits, making them a compelling investment avenue vs. debt mutual funds. Most banks are offering attractive interest rates in the range of 6.6-8.5% for FDs of 9-36 months.
- The previous interest rate cut cycle (Jan'19-May'20 repo rate cut of 250bp), led to ~2x+ growth of debt AUM in Mar'20/Mar'21 vs. growth of bank deposits. The RBI rate hike in Apr'22, after stable repo rates for two years, led to a 12%/17% YoY decline in the AUM of debt-oriented schemes in Mar'22/Mar'23, while bank deposits grew ~10% YoY during both time periods. While there have been inflows in debt-oriented schemes in FY24 as well as in FY25YTD, AUM growth remains below the deposit growth trajectory.
- The Union budget 2023 scrapped the indexation benefits available on the long-term gains generated from debt mutual funds, and the same will now be taxed as per the investor's tax slab. This removed the tax-related advantage of debt schemes over FDs, making it less attractive.

- Investor interests in active duration strategies drive inflows in sub-categories of debt asset class. FY25 began with preference for shorter maturity profiles for temporary parking of funds, with flows in overnight funds, ultra-short duration funds, and short duration funds remaining strong.
- During FY25YTD, net inflows across most schemes with 1-10-year duration have already surpassed the inflows witnessed during FY24. Net inflows in short duration funds (1-3 years) have been at INR83.3b (INR4.3b in FY24), medium- to long-duration funds (4-7 years) at INR3.8b (INR8b in FY24), long duration funds (7+ years) at INR31.1b (INR 30b in FY24), and Gilt funds at INR66.5b (INR43.5b in FY24).
- The US Fed interest rate cut in Sep'24 after four years raises similar expectations from the RBI, which will likely enhance the flow momentum in long-duration funds, going forward. The long-duration funds are highly sensitive to interest rate changes, and hence, a declining interest rate will lead to capital gain appreciation, making it an attractive investment.
- Historical trends suggest improvement in returns of long term duration funds during a declining interest rate environment. After the commencement of the RBI repo rate cuts in 2018, the one-year CAGR of long-duration schemes and Gilt was at an all-time high of 14.4% and 13.4%, respectively, in FY20.
- Interest rate cuts also increase the attractiveness of long-term guaranteed products. During the previous interest rate cut cycle (Jan'19 to May'20 repo rate cut of 250bp), the average growth rate of the life insurance industry until May'22 (repo rate was stable for two years) was 14% (reporting a sharp decline during Covid-19 and taking taxation changes of ULIPs into consideration). Within the same period, deposit growth was 10%. However, with taxation on INR0.5m+ ticket size, the larger ticket size can flow to debt funds.

Competition intensifying with rising popularity of private credit

- Private credit has become one of the most rapidly emerging asset classes in the country, with deals aggregating to USD6b in 1HCY24, compared to USD8.6b in CY23 and USD5.9b in CY22. On the other hand, the AUM of credit risk funds has gone down to USD2.8b in FY24 from USD9.9b in FY19 (source: EY).
- Private credit funds have emerged as popular providers of debt capital for the rapidly growing mid-market, SMEs, and new-age companies due to various limitations in the traditional lending avenues.
- Private credit's correlation with public markets is lower than other asset classes in the debt category, reducing the portfolio volatility and improving risk-adjusted returns. Yields ranging between 12% and 18% provide better returns to investors compared to debt mutual fund schemes.

Additional investment avenue for debt mutual funds

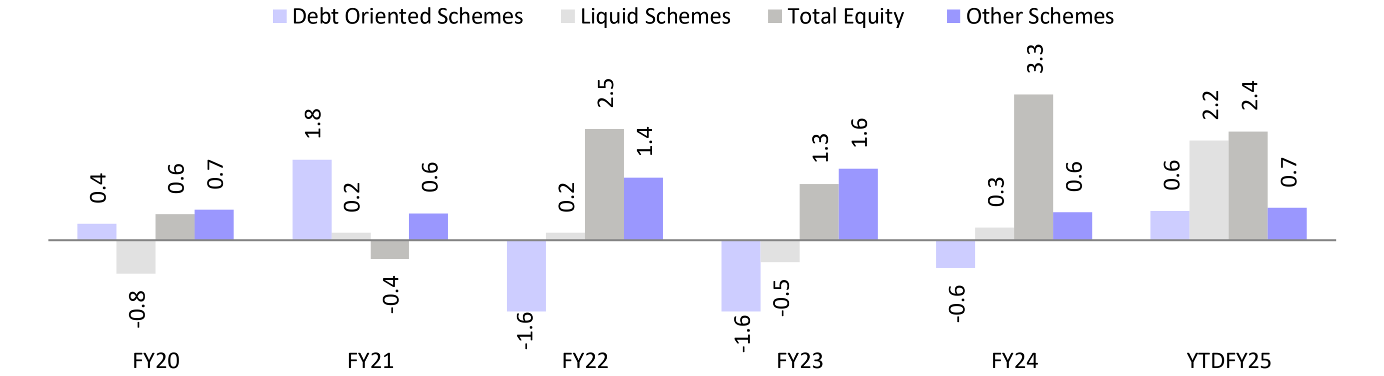
- Recently, SEBI allowed mutual funds to engage in the buying and selling of credit default swaps (CDS) to enhance liquidity in the corporate bond market. Previously, mutual funds were limited to participating in CDS transactions in a buyer capacity only.
- MF Schemes are allowed to sell CDS on a reference obligation that is backed by cash, government securities (G-Sec), or treasury bills. Overnight and liquid schemes are prohibited from selling CDS contracts.

- This provides MFs an opportunity to expand their role in CDS transactions and add another investment avenue.

Impact on AMCs

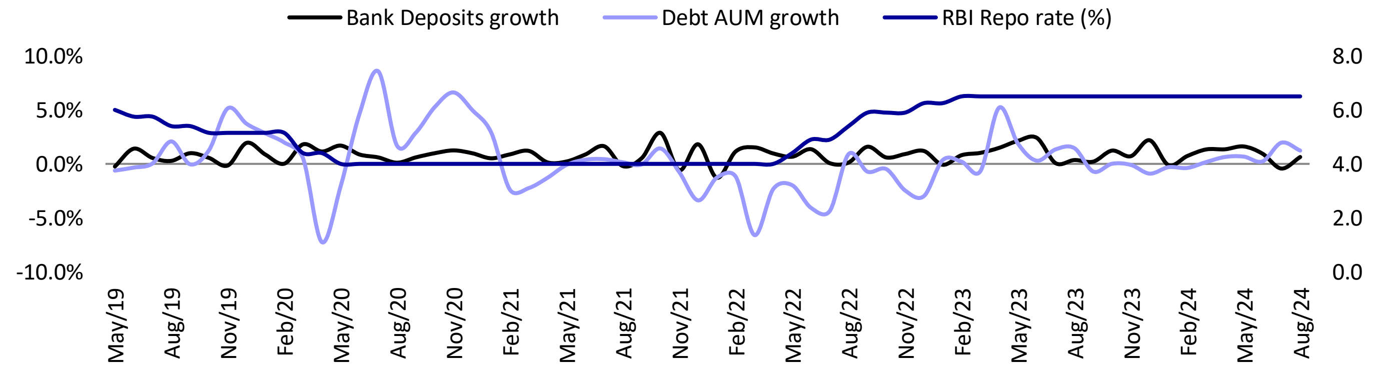
- Expectation of rate cuts by the RBI is expected to improve the mix of longer-term duration schemes in the debt AUM mix of AMCs, driven by opportunity to harness capital gains and improvement in yields.
- TER of various schemes within 1-10-year duration (including Gilt) ranges between 30-70bp, while highly liquid schemes operate in a TER range of 8-15bp. A change in mix of longer-duration products can contribute towards revenue growth and can also serve as an approach to improving yields with the telescopic TER structure impacting the yield of equity schemes.

MF flow trends – equity continues to shine while debt drags (INRt)



Source: MOFSL

Debt AUM's growth was better than bank deposits during interest rate down cycle (Jan'19-May'20)



Source: MOFSL

Automobiles

Demand yet to pick up; dealers optimistic for festive revival

Onset of festivities fails to spark a resurgence in demand as yet

> “We expect to see some green shoots with festivals coming from October onwards. The market is not bad. Monsoon is very good this year, so harvesting is going to be good too. Money will come in for circulation.”
>
> Mr. Partho Banerjee
> **Senior Executive Officer, Marketing and Sales, MSIL**

- Demand trends in Sep’24 remained weak across segments despite festivals such as the Ganesh festival and Onam. The demand weakness was further accentuated by the inauspicious Shraddh period in September. As a result, retail sales are likely to decline on a YoY basis across categories. The 2W retails are expected to dip 3-5% YoY in Sep’24. Further, 2W dealers have seen a flat to marginal decline YoY in retail sales in the 10-day Ganesh festival in Maharashtra. However, in anticipation of a good month-long festival season starting with the Navratras, dealers have seen an inventory buildup by OEMs. PV retails continue to remain weak and are likely to decline 8-10% YoY. CV retails are projected to decline 10-12% YoY due to weak underlying demand, though fleet utilization has remained steady. Tractor retails are also expected to drop 10-12% YoY. In Sep’24, dispatches are anticipated to grow YoY for 2Ws (+10%), tractors (+1%), 3Ws (+3%), and PVs (+4%), while dispatches are likely to decrease for CVs (-5%).
- **2Ws:** Retail sales are expected to decline 3-5% YoY in Sep’24 primarily due to the inauspicious Shraddh period falling entirely in this month (vs. being split between Sep and Oct last year). Inquiries and bookings currently remain slow. To counter this, OEMs like HMCL have come up with a unique offer: whoever books a HMCL 2W with a token amount of INR1,100 between 18th Sep and 2nd Oct’24 (Shraddh period), would get a discount of INR1,000 during the delivery of the new vehicle in the Navratras. Despite this offer, bookings currently remain weak. In the 10-day Ganesh festival in Maharashtra, 2W dealers (that we interacted with) have seen a flat to marginal decline YoY across major regions, barring a few. However, retails on the day of Vishwakarma Pooja saw a strong double-digit growth in Bihar. However, demand for the entry-level 100cc motorcycle segment is not showing any major improvement. For HMCL, dealers have started receiving adequate supply of its Xtreme 125R. Bookings and inquiries for BJAUT’s Freedom 125cc motorcycle are largely stable, with some decline witnessed in a few regions where the motorcycle was initially launched. The on-road price of Freedom 125cc base variant with drum brakes is around INR109.2k (vs. INR90k/ INR91k for Splendor Plus/Passion Plus). For TVS, the newer version of Jupiter 110cc is well received by customers as it offers a 10% higher mileage and much better features for a marginal increase in pricing vis-à-vis the outgoing model. There has been a price hike of INR500-700 in TVSL’s Raider and Apache. There are no discounts offered by OEMs to customers in Sep’24. In anticipation of a good festival season starting next month, inventory levels have risen with HMCL at 75-80 days, TVSL/HMSI at 50-55 days, BJAUT at 60 days, and RE at 30 days. We expect dispatches for BJAUT/HMCL/TVSL to grow ~14%/11%/8% YoY, while it is anticipated to decline ~2% YoY for RE.
- **PVs:** Retails are expected to decline 8-10% YoY. Conversion to bookings from inquiries is taking longer than expected across regions. As highlighted in our last channel check note, discounts have moderated by 5-10% MoM in Sep’24 for MSIL depending upon variants. TTMT announced price cuts across its range of

vehicles except Punch. Price reductions have been in the range of INR10-80k / INR15-30k/INR15-60k/ INR50k-180k/INR50-160k for Nexon/Tigor/Tiago/Safari/ Harrier. Despite these reductions, there are additional discounts of INR15-25k on the models, including Punch. Test drive cars for TTMT's ICE variant of Curvv have not yet reached the dealerships, leading to postponement of purchases by customers. MSIL is seeing an improvement in its Grand Vitara strong hybrid retails in UP mainly due to a reduction in road tax announcements by the government. M&M's Thar Roxx test drives have commenced, with bookings open from 3rd Oct'24. Strong initial response to Thar Roxx has led to a discount of INR150k on the 3-door Thar. Inventory levels for MSIL stand at around 55-60 days, TTMT at 60 days, while the same for MM stand at 40-45 days. We expect dispatches for MSIL (including LCVs)/ M&M/TTMT to grow 3% /3.5%/7% YoY.

- **CVs:** Both MHCV and LCV retails are estimated to decline 10-12% YoY due to the seasonal effects of the monsoon. We are not seeing any major improvement in tendering processes by the government leading to postponement of purchases by fleet operators, especially in tippers. Fleet utilization levels remain steady at 65-70%. This was driven by better off-take in consumer-based sectors such as agri, auto, and FMCG. Dispatches for AL/TTMT are likely to decline 5.0%/13.5% YoY.
- **Tractors:** Retails are likely to dip 15-20% YoY, as demand sentiments have not turned positive. In areas of UP where tractors are used for commercial purposes, retails are likely to decline 25-30% YoY. Retails during the Ganesh festival in Maharashtra have largely remained flat YoY. Rainfall has been satisfactory across regions. While regions like eastern UP were having deficit rainfall, it is now being compensated by extremely heavy rains in the last 4-5 days. Dealers believe that the positive effect of normal rainfall is expected to be seen in the next 2-3 months. There are discounts of INR10-15k/tractor for ESC, while it is INR4-5k for M&M (in the form of scratch card offers). The Tiger range of tractors launched by Sonalika is well accepted in the markets. Current inventory levels are around eight weeks, which we consider normal as we approach the festive season. We expect dispatches for MM/Escorts to remain flat YoY.
- **Valuation and view**: While we anticipate the 2W segment to continue outperforming other segments even in FY25, this appears to be fully priced-in after the recent strong rally in 2W stocks. MSIL is our top pick among auto OEMs as it continues to be a play on rural recovery with attractive valuation. We also like MM, given its healthy demand momentum in both SUVs and tractors for FY25.

Hyundai Motor India IPO Set To Be Country's Biggest; BVR Subbu, Former Hyundai India President

- The company is youthful, vibrant, and ambitious but faces concerns over becoming stodgy and management weight.
- Going public will bring greater scrutiny, especially on related-party transactions in logistics.
- The organizational culture is weak, with limited success from external hires and concerns about bringing in problematic individuals.
- The Creta model, lacking hybrid technology and offering low fuel efficiency, may face increasing pressure in the market.

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Teamlease: After 5 Qtrs Of Decline, IT Hiring Has Seen Some Stability & There Has Been No Fall; Ramani Dathi, CFO

- IT Hiring stabilized after five quarters of decline; H2 growth expected at 8-8.5% YoY.
- Strong growth in FMCG, retail, e-commerce (20% growth); BFSI single digits; manufacturing, pharma, telecom picking up.
- Edtech is ₹100 Cr business, margins at 6-8%, 40-50% profit growth this year, full profits to be booked in H2 FY25.
- Focus on Indian HR tech acquisitions, active in discussions for inorganic growth.

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Yatharth Hospital: Average Revenue Per Occupied Bed Has Increased 10% YoY; Yatharth Tyagi, Whole-Time Director

- Expect Occupancies To Be 65%+ By FY27
- Two Hospitals Are Still In The Growing Phase Where Occupancy Ramp Up Will Be Seen
- ARPOB Has Increased By 10% YoY & We Expect This Growth To Continue
- Noida & Greater Noida Hospitals Should Touch Occupancy Of 70-75%
- Expect To Breakeven In The First Year Of The Faridabad Hospital

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Group Debt Cut To Rs 13,000-14,000 Cr From Rs 50,000 Cr, No Hurry To Sell Nuvama Stake; Rashesh Shah, Co-Founder Edelweiss Group

- We sold slightly under 14% of our Nuvama Wealth stake, keeping the rest for future opportunities.
- Group debt is down from ₹50,000 Cr to ₹13,000-14,000 Cr, a 75% reduction.
- By October-end, we plan to finalize a 10-20% stake sale in Edelweiss Alt, raising ₹1,000-2,000 Cr.
- Post debt reduction, we'll focus on new businesses and unlocking value in housing finance.

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Index	1 Day (%)	1M (%)	12M (%)
Sensex	**-0.3**	**4.7**	**29.4**
Nifty-50	**-0.1**	**4.6**	**32.8**
Nifty Next 50	**0.9**	**4.0**	**72.1**
Nifty 100	**0.0**	**4.5**	**38.7**
Nifty 200	**0.0**	**4.1**	**40.1**
Company	**1 Day (%)**	**1M (%)**	**12M (%)**
Automobiles	**0.4**	**6.6**	**69.6**
Amara Raja Ener.	4.7	-11.4	118.0
Apollo Tyres	-3.0	8.6	45.4
Ashok Leyland	-0.7	-8.6	33.6
Bajaj Auto	0.4	20.6	151.7
Balkrishna Inds	1.0	7.9	19.1
Bharat Forge	-0.4	-5.3	39.7
Bosch	2.2	17.6	97.6
CEAT	2.5	13.0	53.8
Craftsman Auto	-2.9	2.5	36.7
Eicher Motors	1.4	4.0	45.5
Endurance Tech.	-0.7	-5.7	47.9
Escorts Kubota	-0.5	12.0	30.4
Exide Inds.	5.4	-0.3	91.2
Happy Forgings	-2.5	-1.0	
Hero Motocorp	-1.6	11.2	99.2
M & M	0.1	14.5	100.3
CIE Automotive	-1.0	-6.6	14.6
Maruti Suzuki	0.8	8.0	26.4
MRF	1.5	1.6	27.8
Sona BLW Precis.	-1.2	4.0	24.6
Motherson Sumi	1.0	7.6	121.3
Motherson Wiring	0.2	0.9	13.2
Tata Motors	0.0	-7.8	60.6
TVS Motor Co.	2.0	7.6	93.0
Tube Investments	0.7	-0.3	33.8
Banks-Private	**-1.0**	**5.0**	**16.5**
AU Small Fin. Bank	-0.7	15.1	-2.0
Axis Bank	-0.3	7.8	24.2
Bandhan Bank	-1.0	1.1	-19.5
DCB Bank	0.6	0.0	-1.2
Equitas Sma. Fin	6.5	5.6	123.7
Federal Bank	0.6	-1.6	28.7
HDFC Bank	-1.7	7.0	14.8
ICICI Bank	-1.7	6.5	38.5
IDFC First Bank	0.2	-0.5	-23.9
IndusInd Bank	0.7	5.7	1.8
Kotak Mah. Bank	-1.6	3.8	6.1
RBL Bank	-0.2	-10.3	-15.4
SBI Cards	0.6	6.7	-0.4
Banks-PSU	**0.7**	**-1.9**	**31.0**
BOB	1.8	-0.6	16.2
Canara Bank	2.7	2.0	51.1
Indian Bank	1.3	-1.7	24.9
Punjab Natl.Bank	1.8	-5.8	34.0
St Bk of India	0.1	-1.6	36.1
Union Bank (I)	-2.7	-0.8	20.6

Index	1 Day (%)	1M (%)	12M (%)
Nifty 500	**0.0**	**3.7**	**41.2**
Nifty Midcap 100	**-0.1**	**2.0**	**48.6**
Nifty Smallcap 100	**-0.1**	**-0.5**	**51.8**
Nifty Midcap 150	**0.0**	**2.2**	**47.5**
Nifty Smallcap 250	**-0.2**	**1.0**	**51.0**
NBFCs	**-1.0**	**5.6**	**26.0**
Aditya Birla Capital Ltd	0.0	6.1	30.9
Angel One	2.3	-2.7	30.3
Bajaj Fin.	-0.2	13.0	-1.0
BSE	-3.0	35.0	178.8
Cholaman.Inv.&Fn	-2.0	11.4	34.3
Can Fin Homes	0.0	2.8	15.0
Cams Services	-0.5	1.8	79.9
CreditAcc. Gram.	-1.1	-0.6	-9.1
Fusion Microfin.	2.2	-18.5	-58.3
Five-Star Bus.Fi	0.5	9.3	15.5
Home First Finan	-7.0	9.7	47.3
Indostar Capital	-1.8	7.9	73.5
IIFL Finance	-2.3	3.2	-15.9
L&T Finance	0.6	9.9	48.8
LIC Housing Fin.	-0.4	-2.9	42.2
MCX	-0.2	17.5	194.4
M & M Fin. Serv.	-2.1	4.1	11.9
Muthoot Finance	0.5	3.6	63.4
Manappuram Fin.	-0.5	-6.9	37.8
MAS Financial Serv.	-4.2	0.6	-5.5
360 One	-1.1	-3.0	107.5
PNB Housing	-2.6	10.4	46.8
Repco Home Fin	-0.4	6.3	38.8
Shriram Finance	-0.2	12.1	91.3
Spandana Sphoort	0.5	-4.5	-23.7
Insurance			
HDFC Life Insur.	0.1	-1.3	12.7
ICICI Pru Life	0.9	6.1	36.1
ICICI Lombard	-1.0	3.8	71.5
Life Insurance	-0.4	-5.1	58.8
Max Financial	-1.1	9.0	28.7
SBI Life Insuran	-0.8	2.4	44.7
Star Health Insu	0.2	-0.3	-0.2
Chemicals			
Alkyl Amines	-1.7	7.9	-1.9
Atul	1.4	-3.2	9.2
Clean Science	-1.3	0.6	7.7
Deepak Nitrite	2.7	0.9	35.2
Fine Organic	0.3	-6.6	7.4
Galaxy Surfact.	-1.5	1.5	15.1
Navin Fluo.Intl.	1.8	4.7	-22.5
NOCIL	2.6	-0.4	23.8
P I Inds.	0.6	4.4	34.7
SRF	0.1	-3.7	8.8
Tata Chemicals	1.2	-1.8	2.3
Vinati Organics	4.2	2.6	10.8

Company	1 Day (%)	1M (%)	12M (%)
Capital Goods	**-4.0**	**-8.4**	**2.1**
A B B	0.8	2.9	92.1
Bharat Electron	1.0	-2.5	114.8
Cummins India	1.9	2.6	123.2
Hitachi Energy	1.0	12.1	228.9
K E C Intl.	0.3	18.6	55.0
Kalpataru Proj.	6.5	5.6	123.7
Kirloskar Oil	2.0	-5.8	136.3
Larsen & Toubro	-1.5	0.1	25.0
Siemens	3.1	4.2	95.9
Thermax	-1.5	17.2	70.8
Triveni Turbine	-1.8	-6.9	57.2
Zen Technologies	2.0	-7.4	119.6
Cement			
Ambuja Cem.	1.4	1.5	47.3
ACC	0.4	5.8	23.0
Birla Corp.	-1.2	-6.6	3.1
Dalmia Bhar.	-1.1	4.0	-20.1
Grasim Inds.	1.4	3.1	44.7
India Cem	-0.8	-2.0	54.5
J K Cements	1.2	3.1	44.9
JK Lakshmi Cem.	0.0	-3.9	20.9
The Ramco Cement	0.3	5.1	-6.5
Shree Cement	0.5	5.8	-0.7
UltraTech Cem.	-0.9	5.8	44.7
Consumer	**-0.5**	**4.5**	**25.8**
Asian Paints	1.0	4.6	0.3
Britannia Inds.	0.2	8.8	35.5
Colgate-Palm.	1.8	6.3	84.3
Dabur India	1.2	-1.6	12.8
Emami	1.3	-9.9	46.8
Godrej Consumer	-2.4	-4.6	38.9
Hind. Unilever	-0.7	7.2	18.6
ITC	0.0	4.4	16.4
Indigo Paints	-0.6	1.3	-2.0
Jyothy Lab.	0.9	-2.2	48.4
Marico	-0.2	2.5	18.6
Nestle India	-0.4	8.9	20.0
Page Industries	0.0	1.2	8.6
Pidilite Inds.	2.2	8.5	34.6
P & G Hygiene	-0.1	-3.5	-10.4
Tata Consumer	-1.0	-0.7	36.9
United Breweries	1.1	7.3	38.2
United Spirits	-2.9	11.7	57.0
Varun Beverages	-2.9	-2.8	57.3
Consumer Durables	**0.6**	**7.1**	**48.1**
Polycab India	4.6	4.2	31.6
R R Kabel	-0.2	5.3	42.2
Havells	0.5	7.2	44.4
Voltas	0.5	7.1	114.3
KEI Industries	0.1	-7.6	60.5
EMS			
Amber Enterp.	-0.2	8.3	52.6

Company	1 Day (%)	1M (%)	12M (%)
Avalon Tech	0.8	14.7	8.6
Cyient DLM	-0.7	-13.9	-3.8
Data Pattern	-2.5	-17.1	14.5
Dixon Technolog.	-0.4	6.1	165.6
Kaynes Tech	1.3	11.2	149.1
Syrma SGS Tech.	-2.3	1.0	-21.1
Healthcare	**1.2**	**3.5**	**55.1**
Alembic Pharma	-0.1	11.8	57.4
Alkem Lab	-0.2	5.0	73.8
Apollo Hospitals	0.9	6.7	41.7
Ajanta Pharma	4.7	12.2	92.1
Aurobindo	-0.3	-2.6	71.7
Biocon	-1.1	4.6	39.4
Zydus Lifesci.	0.7	-3.4	77.8
Cipla	3.1	4.7	41.7
Divis Lab	1.5	11.3	44.8
Dr Reddy’s	0.1	-3.1	22.8
ERIS Lifescience	-0.4	-1.7	53.0
Gland Pharma	-3.5	-4.8	7.7
Glenmark	0.4	-1.3	117.1
Global Health	-2.7	-3.9	48.6
Granules	2.3	-17.5	59.0
GSK Pharma	-1.1	-6.1	76.9
IPCA Labs	-0.1	6.1	60.2
Laurus Labs	0.3	2.5	17.9
Lupin	1.4	2.2	95.9
Mankind Pharma	-3.5	6.8	47.6
Max Healthcare	-0.3	16.4	73.4
Piramal Pharma	-1.4	20.7	130.4
Sun Pharma	2.6	8.9	70.9
Torrent Pharma	2.1	3.6	88.5
Infrastructure	**0.3**	**3.7**	**55.8**
G R Infraproject	3.6	11.7	43.5
IRB Infra.Devl.	2.4	-4.4	100.0
KNR Construct.	-1.8	-0.8	20.4
Logistics			
Adani Ports	-1.1	-1.5	75.4
Blue Dart Exp.	-1.2	-2.2	22.3
Container Corpn.	2.2	-7.5	26.0
JSW Infrast	3.4	6.1	
Mahindra Logis.	0.0	-1.2	28.5
Transport Corp.	-1.2	-0.5	37.3
TCI Express	3.0	-3.1	-26.1
VRL Logistics	-1.9	8.1	-21.0
Media	**-1.5**	**-1.6**	**-6.3**
PVR INOX	-3.2	10.8	-1.8
Sun TV	0.2	2.7	41.6
Zee Ent.	-0.6	-10.0	-48.1
Metals	**0.8**	**6.7**	**48.5**
Hindalco	1.7	6.2	57.3
Hind. Zinc	1.2	-1.7	68.2
JSPL	0.0	6.1	48.4
JSW Steel	-0.4	6.1	28.5

Company	1 Day (%)	1M (%)	12M (%)
Nalco	2.0	11.6	122.6
NMDC	0.4	2.4	65.1
SAIL	1.0	3.4	51.3
Tata Steel	0.6	7.7	30.0
Vedanta	2.2	10.6	145.5
Oil & Gas	**2.6**	**-2.1**	**68.4**
Aegis Logistics	-1.3	-2.6	126.6
BPCL	6.4	5.2	110.5
Castrol India	-0.3	-11.1	76.5
GAIL	2.8	0.2	95.5
Gujarat Gas	0.9	1.8	45.1
Gujarat St. Pet.	2.9	6.9	45.3
HPCL	3.8	8.3	156.3
IOCL	5.0	3.9	99.1
IGL	0.1	2.9	20.8
Mahanagar Gas	-0.9	9.4	90.9
MRPL	1.1	-13.2	93.1
Oil India	4.0	-18.3	206.1
ONGC	0.7	-9.6	58.7
PLNG	0.9	-8.1	47.4
Reliance Ind.	1.9	1.7	28.9
Real Estate	**-1.2**	**7.7**	**94.1**
Brigade Enterpr.	5.2	19.0	142.2
DLF	-1.1	8.0	72.9
Godrej Propert.	-3.5	10.3	101.9
Kolte Patil Dev.	-0.3	-11.5	-11.9
Mahindra Life.	-4.0	-8.4	2.1
Macrotech Devel.	-6.1	5.1	64.6
Oberoi Realty Ltd	-2.9	9.8	66.7
SignatureGlobal	-0.7	6.8	247.0
Sobha	-1.4	14.8	196.4
Sunteck Realty	-1.8	-3.8	32.0
Phoenix Mills	2.5	1.7	101.5
Prestige Estates	2.3	9.5	208.9
Retail			
Aditya Bir. Fas.	2.9	9.4	63.3
Avenue Super.	-1.8	2.9	40.1
Bata India	1.7	-0.3	-9.8
Campus Activewe.	-1.8	23.9	20.5
Barbeque-Nation	-0.6	-2.0	-16.6
Devyani Intl.	-3.1	10.2	-6.1
Jubilant Food	0.1	4.1	24.8
Kalyan Jewellers	-1.4	14.9	215.2
Metro Brands	-0.1	-2.5	16.0
Relaxo Footwear	-0.4	0.5	-10.9
Restaurant Brand	-1.0	-0.5	-12.8
Sapphire Foods	-2.3	15.0	30.4
Senco Gold	0.9	35.8	140.6
Shoppers St.	-6.3	6.1	24.1
Titan Co.	1.6	7.5	18.7
Trent	-0.1	14.0	270.6
V-Mart Retail	1.2	8.8	96.7
Vedant Fashions	1.4	12.2	3.8

Company	1 Day (%)	1M (%)	12M (%)
Westlife Food	6.1	7.6	-4.0
Technology	**0.4**	**1.4**	**29.8**
Cyient	-3.5	-5.0	13.4
HCL Tech.	1.4	5.7	43.4
Infosys	0.3	0.3	30.7
LTIMindtree	-0.5	6.7	12.9
L&T Technology	-1.9	-2.4	13.1
Mphasis	0.9	1.6	24.8
Coforge	0.9	14.1	33.2
Persistent Sys	0.2	10.7	86.2
TCS	0.4	-4.2	20.6
Tech Mah	0.1	-0.9	24.9
Wipro	0.0	4.8	30.4
Zensar Tech	-1.2	-12.8	28.9
Telecom	**-0.7**	**-2.6**	**52.3**
Bharti Airtel	-2.1	13.9	88.5
Indus Towers	-0.3	-10.4	105.3
Idea Cellular	2.7	-33.5	-11.2
Tata Comm	-0.9	9.3	13.4
Utiltites	**-0.5**	**5.2**	**87.7**
Coal India	1.9	-2.9	77.0
NTPC	0.5	6.7	82.6
Power Grid Corpn	-3.1	5.6	77.7
Tata Power Co.	2.0	13.4	86.9
JSW Energy	-4.6	1.0	71.0
Indian Energy Ex	-1.2	5.5	56.1
Others			
APL Apollo Tubes	1.0	6.3	-6.0
Cello World	0.7	-2.8	
Coromandel Intl	1.4	-4.9	47.1
Dreamfolks Servi	-0.4	6.3	38.8
EPL Ltd	4.1	-1.8	35.7
Gravita India	2.6	26.4	178.1
Godrej Agrovet	1.5	-2.0	61.5
Havells	0.5	7.2	44.4
Indian Hotels	0.1	6.8	71.9
Indiamart Inter.	-1.0	3.8	71.5
Info Edge	-0.4	-5.1	58.8
Interglobe	1.6	4.2	107.1
Kajaria Ceramics	-1.4	8.9	10.2
Lemon Tree Hotel	0.0	-8.6	3.1
MTAR Technologie	-0.5	-3.9	-33.2
One 97	-4.7	23.3	-21.2
Piramal Enterp.	0.4	1.0	4.8
Quess Corp	-1.7	-2.1	84.4
SIS	0.8	1.6	-1.9
Team Lease Serv.	1.4	-2.4	19.0
UPL	1.6	4.8	-0.7
Updater Services	-1.1	5.6	
Voltas	0.5	7.1	114.3
Zomato Ltd	-2.0	8.6	177.9

NOTES

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

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

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