Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	72,708	0.4	0.6
Nifty-50	22,122	0.4	1.8
Nifty-M 100	49,311	0.4	6.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,006	0.0	4.9
Nasdaq	15,776	0.0	5.1
FTSE 100	7,729	0.2	-0.1
DAX	17,092	-0.1	2.0
Hang Seng	5,485	-1.3	-4.9
Nikkei 225	38,470	0.0	15.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	86	0.2	11.1
Gold ($/OZ)	2,017	0.2	-2.2
Cu (US$/MT)	8,354	-0.7	-1.3
Almn (US$/MT)	2,176	-1.0	-7.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.0	0.0	-0.2
USD/EUR	1.1	0.0	-2.4
USD/JPY	150.1	-0.1	6.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	0.00	-0.1
10 Yrs AAA Corp	7.7	0.00	-0.1
Flows (USD b)	**19-Feb**	**MTD**	**CYTD**
FIIs	-0.1	6.93	-3.8
DIIs	0.05	1.61	5.3
Volumes (INRb)	**19-Feb**	**MTD***	**YTD***
Cash	1,034	1361	1279
F&O	2,34,647	3,88,368	3,97,385

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Coal India: Robust demand to drive volumes; e-auction premium softens amid high supply

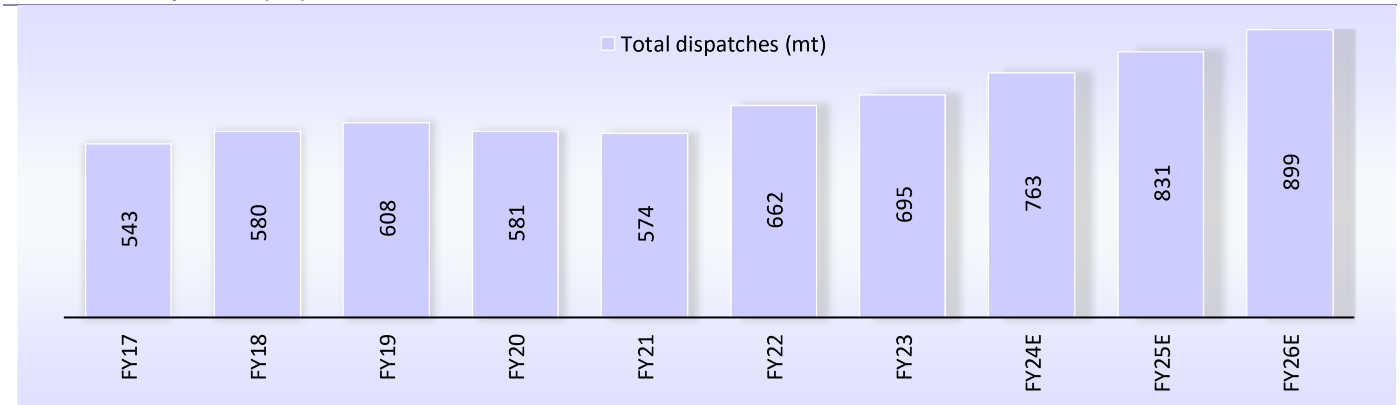
- COAL is targeting to achieve production of 770mt in FY24 and 838mt by FY25. While e-auction premiums have softened in 4QFY24 to 35-50%, volumes via the e-auction route have improved (15% vs. 8-9% in 9MFY24). The company is committed to supplying at least 610mt to the power sector in FY24 and increasing the dispatch by 50mt p.a. going forward.
- Domestic power generation is expected to grow by 7.7% to 1,750bu in FY24, which will drive coal demand. In line with the recent trend in e-auction premiums, we have trimmed our e-auction premium for FY26E while increasing e-auction volumes.
- As a result, we have increased FY26E revenue/EBITDA/APAT by 1%/9%/7%. We reiterate our BUY rating with a TP of INR520 (5.5x EV/EBITDA). We believe COAL is well placed to capitalize on the growth opportunity ahead.

Research covered

Cos/Sector	Key Highlights
Coal India	Robust demand to drive volumes; e-auction premium softens amid high supply
EMS	Strong revenue and orderbook growth; margin weakened
CIE Automotive	Lower than est. growth across geographies dents overall performance
EcoScope	Decoding consumption: Rural spending declined again in 3QFY24

Chart of the Day: Coal India (Robust demand to drive volumes)

Total sales / dispatches (mt); FY23-26E CAGR of 9%



Source: Government, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Whirlpool promoter entity plans to sell up to 24% stake worth $451 million

On November 30, 2023, Whirpool Corp said it would sell up to 24 percent of its ownership interest in Whirlpool of India Ltd in an effort to reduce debt levels

2

HDFC Bank merger catalyzed loan growth, need to raise funds to keep pace: MD Jagdishan

HDFC Bank currently has a 14-15 percent market share in loans and a 11-12 percent market share in deposits

3

FMCG companies to limit B2B sales to level field for distributors

Leading consumer goods companies like Britannia, Dabur, Amul, and Parle are restricting sales to organized wholesalers like Flipkart Wholesale, Udaan, and Reliance Cash and Carry to avoid margin issues and cannibalization by traditional distributors. This helps them reach the vast network of kirana stores in India.

4

Meta doubling down on WhatsApp Business in India: MD Sandhya Devanathan

Around 60 percent of WhatsApp users in India are interacting a business every week through the messaging app

5

Coal India to bid for 3 mines in critical minerals auctions in February

Coal India's stockpiles and inventories held by power plants are currently at record highs, resulting in the miner lowering its annual production target for fiscal 2025 by 1.4% to 838 million tonnes

6

Finolex Cables to more than double optic fibre cable capacity for Rs 580 cr investment

Finolex Cables has an existing capacity of 4 million fibre km per year which will touch 10 million fibre km per year after the commissioning of the new plant. The new plant will be solely catering to fibre optic cables, the company said in a statement.

7

Supreme Court directs SpiceJet to clear $1.25 million dues to Credit Suisse by March 15

The Supreme Court instructed SpiceJet to settle its outstanding dues of $1.25 million to Credit Suisse by March 15 in a payment dispute totaling $24 million. The court directed SpiceJet chairman Ajay Singh to appear on March 22.

Coal India

BSE SENSEX	S&P CNX
72,708	22,122

Stock Info

Bloomberg	COAL IN
Equity Shares (m)	6207
M.Cap.(INRb)/(USDb)	2841 / 34.2
52-Week Range (INR)	488 / 208
1, 6, 12 Rel. Per (%)	18/88/89
12M Avg Val (INR M)	3433
Free float (%)	36.9

Financials Snapshot (INR b)

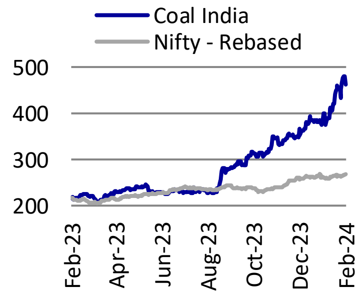
Y/E MARCH	2024E	2025E	2026E
Sales	1,431	1,528	1,749
Adj. EBITDA	400	419	523
Adj. PAT	291	275	336
EBITDA Margin (%)	27.9	27.4	29.9
Cons. Adj. EPS (INR)	47.2	44.6	54.6
EPS Gr. (%)	3.3	-5.6	22.4
BV/Sh. (INR)	116	138	164
Ratios			
Net D:E	-0.6	-0.4	-0.3
RoE (%)	40.8	32.4	33.2
RoCE (%)	44.9	34.9	35.8
Payout (%)	50.0	50.0	50.0
Valuations			
P/E (x)	9.8	10.3	8.4
P/BV (x)	4.0	3.4	2.8
EV/EBITDA(x)	6.1	5.9	4.9
Div. Yield (%)	5.1	4.8	5.9
FCF Yield (%)	2.7	1.5	1.7

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	63.1	63.1	66.1
DII	23.2	24.2	21.3
FII	8.6	7.8	7.9
Others	5.1	5.2	4.7

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR461 TP:INR520 (+13%) Buy

Robust demand to drive volumes; e-auction premium softens amid high supply

- In a recent investor interaction, Coal India (COAL) management highlighted the following points: a) COAL would achieve production of 770mt in FY24 and 838mt by FY25; b) e-auction premiums have softened in 4QFY24 to 35-50%, but volumes via the e-auction route have improved (15% vs. 8-9% in 9MFY24); and c) the company is committed to supplying at least 610mt to the power sector in FY24 and increasing the dispatch by 50mt p.a. going forward.
- Based on the YTD performance, COAL is confident of achieving 770mt of production during FY24, with five subsidiaries on track to achieve 100% of the annual production target. The number is lower than earlier guidance as SECL subsidiary would fall short by 8-9mt due to some pending clearance for mine.
- Though e-auction premiums have declined in Jan-Feb'24 to 35-50% from 117% in 3QFY24, the increase in e-auction volumes (~15% of the quarterly dispatches vs. 8-9%) would largely offset the impact.
- Domestic power generation is expected to grow by 7.7% to 1,750bu in FY24, which will drive coal demand. Dispatches to coal-fired plants till Jan'24 stood at 509mt (up 7.3mt YoY) and are expected to cross 610mt in FY24E.
- In line with the recent trend in e-auction premiums, we have trimmed our e-auction premium for FY26E while increasing e-auction volumes. As a result, we have increased FY26E revenue/EBITDA/APAT by 1%/9%/7%. COAL trades at EV/EBITDA of 4.9x FY26E. We reiterate our BUY rating on the stock with a revised TP of INR520 (5.5x EV/EBITDA). We believe COAL is well placed to capitalize on the growth opportunity ahead.

Key takeaways from investor interaction

- E-auction premiums dropped to ~48-50% in Jan'24 and to ~38% in Feb'24. E-auction premiums for FY24E are expected to be ~80%.
- E-auction volumes in Jan'24 stood at 13% of the sales and improved to 17% in Feb'24. COAL aims to achieve quarterly e-auction volumes of over 15% in 4Q.
- COAL has slightly lowered its FY24E volume guidance to 770mt and FY25E production target to 838mt. This was due to lower mining at SECL subsidiary.
- The company is expected to dispatch over 610mt to the power sector in FY24E, and volumes to the power sector are expected to grow ~50mt in FY25E and FY26E. No FSA price hike is expected in the near term.
- COAL has earmarked a capex of ~INR165b for FY24E and ~INR175-185b for FY25E and FY26E, which will be utilized for the railway capacity expansion, first-mile connectivity projects (FMCP), land acquisition, setting up coal washeries, and infrastructure development.
- Employee costs are expected to slightly decline going forward. The demand momentum is expected to remain intact and COAL does not foresee any offtake issues.

E-auction to remain stable; e-auction volumes to see strong growth

- Though the premiums have declined from the recent high of 117% in 3QFY24 to 50-60% in Jan'24 and further to ~40% in Feb'24, higher volumes in 4QFY24 will offset the impact.
- COAL is expected to sell ~15% of its total volumes under e-auction at auction-determined prices in FY25E. We expect COAL to clock total sales of ~90-92mt via e-auction in FY25E and 112-115mt in FY26E.
- Higher sales via the auction route help garner better profitability as the prices are higher than FSA-determined prices. If the linkages are adequately met, COAL can take its e-auction volumes to 20%, which is otherwise expected to be ~15%.
- Initially e-auction was linked to international coal prices; however, as the supply by COAL in the domestic market increases, the e-auction prices would be determined by the inventory the company carries, inventory at power plants and demand from non-regulated sectors.

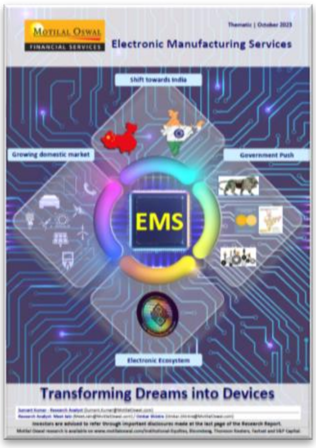
COAL targets production of 770mt in FY24E and 838mt in FY25E

- COAL is on track to achieve 100% of its yearly production target for BCCL, CCL, NCL, WCL and MCL; however, due to issues at the beginning of FY24, the actual production at SECL would be 8-9mt lower than its yearly production target of 197-200mt. Hence, COAL could end the year with volumes of 770mt. The company has slightly lowered its FY25 volume guidance to 838mt.
- As a part of its ACQ, COAL supplies around 90% of its production to the power sector and is expected to supply 610mt to power plants in FY24E, which would increase by ~50mt in FY25E and FY26E.
- India's power demand reached its peak at over 243gw in Oct'23, which helped COAL generate strong volumes. COAL's supply to coal-fired plants till Jan'24 stood at 509mt (up 7.3mt YoY).

Record capex to intensify evacuation infrastructure and help product diversification

- COAL has intensified its focus on capex over the last few years. Capex, which used to hover around INR65-85b until FY20, tripled in FY23 to INR186b and COAL has earmarked INR165b as capex for FY24E and INR175-185b for FY25E and FY26E.
- COAL envisages the expansion of coal mines to be done via internal accruals; however, the company might borrow to undertake diversification projects such as setting up RE facility and coal gasification. COAL recently acquired a 300mw solar RE contract in Gujarat.
- MCL has commissioned a 10mt non-coking coal washery at Lakhanpur, Odisha, and a trial run has recently been completed. This washery will improve the coal quality by bringing down ash content.
- BCCL has recently commissioned its Madhuban coal washery and is currently operating at 5,000t/day capacity. Compliance is underway for the 3mt Kathara and 2.5mt Dhori coking coal washeries, which are expected to be commissioned by FY27E. BCCL's 2mt Bhojudih coking coal washery is under construction and expected to be commissioned by Jul'24.
- After the completion of all the washeries, the washed coking coal capacity is expected to increase from 1.5mt to over 7mt.

Kindly refer our thematic report on EMS: Transforming Dreams into Devices



Strong revenue and orderbook growth; margin weakened

The quarter maintained a strong revenue growth momentum, although margins continued to remain under pressure due to company-specific factors. In this report, we present insights based on 3QFY24 results and management commentaries of major EMS players – KAYNES, AVALON, SYRMA, CYIENTDL, DATAPATT, DIXON, and AMBER.

- **The 3QFY24 performance was characterized by strong revenue growth, but margins were adversely impacted by a change in product mix for multiple players and other company-specific business adjustments/investments opex to sustain strong growth for the long term.**
- **Among EMS players, DIXON posted the highest revenue growth (up 2x YoY), while SYRMA and Kaynes recorded the highest order inflow (up 2.1x/48% YoY).**
- **The EMS basket witnessed margin pressure, with SYRMA/AVALON reporting a contraction of 380bp/100bp due to unfavorable product mix and adverse operating leverage, respectively. DATAPATT registered the highest margin expansion (100bp YoY).**
- **The growth momentum is expected to continue in FY25, led by strong execution of the large order book as on 9MFY24, coupled with continued order inflows from the existing and newer end-user industries.**

Revenue growth continues remain strong…

- EMS companies registered a strong revenue growth of 57% YoY, driven by healthy order inflow, up 44% YoY and 26% since Mar'23 (order book growth excludes Dixon and Amber).
- Dixon led the pack with 2x YoY revenue growth, driven by a healthy growth in mobile and EMS division revenues (up 251% YoY on a low base), followed by Kaynes (76%), Cyient DLM (50%), Syrma SGS (38%), and Data Patterns (25%). Avalon/Amber reported a revenue decline of 8%/4% YoY.
- A major decline in Avalon's performance was led by a continued slowdown in the US business (reported a loss of ~INR200m in 9MFY24). However, the India business registered a growth of 12% in 9MFY24.

…with healthy order inflow providing near term growth visibility

- Strong traction from both global and domestic OEMs in the Indian EMS industry is evident from the healthy sequential and YoY growth in order flows across players and verticals in 3QFY24.
- The order inflow spanned diverse industries. For instance, Kaynes secured large orders in the aerospace and industrial segment (educational robots and UPS), as well as motor controllers in the EV segment. Avalon reported order inflow across power, industrial, clean energy, automotive, and rail sectors; Cyient DLM witnessed an increasing mix of its aerospace and defense vertical; Syrma experienced strong growth in the industrials, automotive, and consumer segments.
- Among the EMS basket, Syrma and Kaynes witnessed the highest order inflow, up 2.1x/48% YoY (up 50%/43% since Mar'23), followed by Data Patterns (up 25% YoY/ down 25% since Mar'23) and Avalon (up 7% YoY/4% since Mar'23).

Aggregate revenue up 57% YoY

%	Change YoY	Change QoQ
Kaynes	76%	41%
Avalon	-8%	7%
Cyient DLM	50%	10%
Syrma SGS	38%	-1%
Data Patterns	25%	29%
Dixon	100%	-3%
Amber	-4%	40%
Aggregate	**57%**	**6%**
Aggregate (ex Dixon & Amber)	**39%**	**13%**

EBITDA performance

Growth %	Change YoY	Change QoQ
Kaynes	70%	43%
Avalon	-18%	31%
Cyient DLM	43%	25%
Syrma SGS	-19%	-21%
Data Patterns	28%	47%
Dixon	66%	-7%
Amber	0%	32%
Aggregate	**30%**	**10%**
Aggregate (ex Dixon & Amber)	**21%**	**23%**

- Cyient DLM reported muted order inflow down 2% YoY and 6% since Mar'23 despite reporting order wins (USD10m) in the A&D. This was on the back of the high order execution this quarter (revenue up 50% YoY) and lumpy order flow nature of its key-end industry, i.e., A&D.
- Overall, the order book-to-bill ratio for the basket (excluding Dixon and Amber) has been stable at 1.8x for the last three quarters, indicating a strong revenue growth and order inflows for the sector.

Margins continued to remain under pressure

- Despite recording healthy revenue, the EMS basket's margins have been under pressure. EBITDA margins for the basket has contracted 120bp YoY. Excluding Dixon and Amber, the basket witnessed a contraction of 160bp YoY.
- Gross margin for the EMS basket declined 360bp YoY/170bp QoQ, led by the major contraction in EBIDTA margins.
- The companies who reported the strongest revenue growth such as Dixon, Kaynes, Syrma have reported major gross margin contraction of 220bp/550bp/280bp YoY. This was majorly on the back of a change in product mix (toward high volume low margin products) – for Dixon and Syrma; and higher initial prototyping cost for new order/clients added in 2Q/3QFY24 - for Kaynes. However, Amber, Avalon, Data Patterns, and Cyient DLM witnessed gross margin expansion of 270bp/220bp/130bp/60bp YoY, led by improvement in product mix.
- While revenue increased 57% YoY for the basket, EBITDA grew by only 30% YoY/10% QoQ. Gross margin contraction coupled with higher SG&A costs (mainly top tier recruitments) has led to an overall contraction of EBITDA margin.
- EBITDA margins witnessed contraction for all the companies (except DATAPATT and Amber) with Syrma leading the pack (down 380bp YoY) led by an unfavorable business mix and a spillover of revenue in 4QFY24. This is followed by Avalon (100bp), Dixon (80bp), Kaynes (50bp), and Cyient DLM (50bp).
- Despite reporting a strong gross margin expansion of 220bp, Avalon reported a 100bp contraction in EBITDA margins. This was due to a revenue decline in the US business and high operational cost (adverse operating leverage).
- Data Patterns had a strong quarter. EBITDA margins expanded 100bp YoY/ 540bp QoQ on the back of a favorable business mix and operating leverage.

Emerging opportunities for the EMS companies

High performance computing (HPC) servers

- Recently, the government has increased its focus on HPC servers, which has multiple applications, such as weather forecasting, drug discovery, and artificial intelligence.
- Currently, India relies majorly on the import of HPC and to curb that the government has launched the National Supercomputing Mission. Under this mission, the Center for Development of Advanced Computing (CDAC) has entered into transfer of technology (TOT) agreement with three EMS companies, namely **Kaynes, Avalon, and VVDN Technologies** for the development of HPC servers called 'Rudra'.
- The government is providing financial and technical support to the project and the companies are in the process of setting up manufacturing facilities and developing prototypes.

CIE Automotive

BSE SENSEX	S&P CNX
72,708	22,122

Conference Call Details

Date: 20th Feb 2024
Time: 9.30AM IST
Concall registration: [Link]

Financials & Valuations (INR b)

INR b	CY23	CY24E	CY25E
Sales	92.8	104.7	114.8
EBITDA (%)	15.3	16.1	16.6
Adj. PAT	8.0	10.1	11.6
EPS (INR)	21.1	26.6	30.8
EPS Growth (%)	16.8	26.0	15.8
BV/Share (Rs)	158	180	204
Ratio			
RoE (%)	14.4	15.7	16.0
RoCE (%)	13.0	14.1	14.5
Payout (%)	23.8	16.7	16.7
Valuations			
P/E (x)	23.0	18.2	15.7
P/BV (x)	3.1	2.7	2.4
Div. Yield (%)	1.0	0.9	1.1
FCF Yield (%)	4.7	3.7	5.1

CMP: INR484 **Buy**

Lower than est. growth across geographies dents overall performance

- 4QCY23 consol. revenues remained flat YoY at ~INR22.4b (vs. est. INR24.6b), due to weaker growth in both geographies. India grew 6% YoY (vs. est. growth of 11%), while EU declined 11% YoY (vs. flat growth estimated).
- EBITDA stood at ~INR3.3b (vs. est. INR3.8b), up 12% YoY. EBITDA margins stood at 14.6% (vs. est. 15.5%).
- Adj. PAT stood at INR1.8b (vs. est. INR2.2b), up 6% YoY.
- CY23 revenues/EBITDA/adj. PAT grew 6%/21%/17% YoY.
- **India business performance**: Revenue grew 6% YoY to ~INR14.8b (vs. est. ~INR16b). India EBITDA margin stood at 14.7% (vs. est. 15.9 %). India business growth was above the underlying weighted average industry growth.
- **EU business performance**: Revenue declined 11% YoY to ~INR7.6b (vs. est. ~INR8.6b). 4QCY22 had higher other operating revenues accounted for energy cost compensation. EBITDA margins stood at 14.5% (vs. est. 15.6%). Market slowdown in EU operations and off-highway market drop in the US impacted the performance.
- The company declared a final dividend of INR5/share for CY23 (vs. INR2.5/share for CY22).
- FCFF for CY23 stood at INR8.7b (vs. INR6.75b in CY22) due to improved cash flow operations at INR13.8b (vs. INR11.2b in CY22). Capex stood at INR5.1b (vs. INR4.4b in CY22).

Key highlights from the presentation:

- **India light vehicle:** IHS global forecasts a production growth of 3.5% during CY23-24 and a 4.8% CAGR over CY23-28.
- **India MHCVs:** IHS global forecasts a production growth of 2% during CY23-24 and a 5.1% CAGR over CY23-28.
- **India tractor:** CRISIL forecasts a 2-4% decline for the domestic tractor industry in FY24 and a 3-5% CAGR over FY23-28.
- **India 2W:** CRISIL forecasts 9-11% growth for the domestic 2W industry in FY24 and an 8-10% CAGR over FY23-28.
- **EU light vehicles:** IHS Global forecasts that passenger vehicle production will grow 2.8% in CY24 and will clock a 0.3% CAGR over CY23-28.
- Based on our current estimates, the stock trades at 18.2x/15.7x CY24E/CY25E consolidated EPS. Maintain BUY.

Quarterly performance (Consol.) **(INR Million)**

(INR m)	CY22				CY23				CY22	CY23	
Y/E December	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**			**4QE**
Net Sales	**20,608**	**22,160**	**22,294**	**22,468**	**24,402**	**23,203**	**22,794**	**22,404**	**87,530**	**92,803**	**24,570**
YoY Change (%)	-5.9	8.5	6.6	34.6	18.4	4.7	2.2	-0.3	29.4	6.0	9.4
EBITDA	**2,804**	**3,058**	**2,934**	**2,924**	**3,806**	**3,704**	**3,454**	**3,274**	**11,720**	**14,239**	**3,797**
Margins (%)	13.6	13.8	13.2	13.0	15.6	16.0	15.2	14.6	13.4	15.3	**15.5**
Depreciation	717	747	731	767	825	833	783	781	2,962	3,222	822
Interest	40	-1	109	79	240	221	310	303	227	1,074	250
Other Income	107	98	134	244	160	195	200	265	583	820	226
Share of profit from associates	4	11	3	4	3	-3	-2	-3	22	-5	9
PBT before EO expense	**2,155**	**2,409**	**2,229**	**2,321**	**2,901**	**2,846**	**2,561**	**2,455**	**9,114**	**10,763**	2,952
EO Exp/(Inc)	0	0	0	-379	0	0	0	0	-379	0	0
PBT after EO exp	**2,155**	**2,409**	**2,229**	**2,700**	**2,901**	**2,846**	**2,561**	**2,455**	**9,492**	**10,763**	**2,952**
Tax Rate (%)	23.9	23.8	24.9	28.0	24.2	24.9	27.0	27.8	25.3	25.8	25.4
Adj. PAT	**1,643**	**1,847**	**1,676**	**1,664**	**2,203**	**2,136**	**1,867**	**1,770**	**6,829**	**7,976**	**2,212**
YoY Change (%)	7.7	35.6	12.4	96.5	34.1	15.7	11.4	6.4	69.3	16.8	32.9
Revenues											
India	12,811	13,778	15,311	13,977	14,449	14,348	15,354	14,833	55,862	58,985	15,956
Growth (%)	15	47	34	23	13	4	0	6	29	6	14.2
EU	7,768	8,315	7,094	8,491	9,954	8,855	7,440	7,570	31,668	33,819	8,599
Growth (%)	-28	-25	-25	51	28	6	5	-11	26	7	1.3
EBITDA Margins											
India	13.4	13.3	13.4	16.9	15.0	14.8	15.1	14.7	14.3	14.9	15.9
EU	14.0	14.7	12.3	11.0	16.4	17.8	15.3	14.5	13.0	16.1	15.6

E: MOFSL Estimates; AEL merged w.e.f 2QCY19

Decoding consumption: Rural spending declined again in 3QFY24

Urban sector growth hits five-quarter high

- **A simple average of 12 proxy indicators suggests that rural spending declined for the second successive quarter in 3QFY24, the worst in 18 quarters. Rural spending contracted 1.9% YoY in 3QFY24 vs. a contraction of 0.5% in 2QFY24 and a growth of 4.8% in 3QFY23. This was mainly led by a sharp contraction in fiscal real rural spending (down 30.6% YoY in 3QFY24, the first contraction in six quarters), continuous deterioration in reservoir levels, farm exports and tractor sales, along with muted rural wage growth. They outpaced improvements in two-wheeler sales, farm terms of trade, fertilizer availability, and real credit to the agricultural sector.**
- **In contrast, urban consumption – compiled by using nine proxy indicators – grew 9.8% YoY in 3QFY24, the highest in five quarters and compared to 6.9% YoY growth in the previous quarter. This is mainly led by continued robustness in PV sales (five-quarter high, average growth of 19% in the last five quarters); personal credit (average growth of 13% in the last five quarters) and real salary & wage bill of BSE500 companies (10.5% in 3QFY24 vs. 8.7% in 2QFY24). Additionally, both non-farm consumer imports and IIP of consumer durable goods posted a six-quarter high growth in 3QFY24.**
- **Overall, it is clear that rural spending, especially the agricultural sector, remained weak in 3QFY24. This was the eleventh consecutive quarter when the urban sector growth outpaced the rural sector. Despite rural spending declining for the second successive quarter at the highest pace in 18 quarters, it is very likely that personal consumption expenditure (PCE) growth accelerated toward 4.5% YoY in 3QFY24 (up from 3.1% YoY in 2QFY24). This growth surge is predominantly driven by the urban sector, which saw its highest growth in five quarters.**

Rural spending weakened to 18-quarter low of -1.9% YoY in 3QFY24 vs. 4.8%/-0.5%/ in 3QFY23/2QFY24

Rural consumption weakened to 18-quarter low in 3QFY24: A simple average of 12 proxy indicators[1] suggests that rural spending declined for the second successive quarter in 3QFY24, the worst in 18 quarters. Rural spending contracted 1.9% YoY in 3QFY24 vs. a contraction of 0.5% in 2QFY24 and a growth of 4.8% in 3QFY23 *(Exhibit 1)*. This was mainly led by a sharp contraction in fiscal real rural spending (-30.6% YoY in 3QFY24, the first contraction in six quarters), continuous deterioration in reservoir levels, farm exports and tractor sales, along with muted rural wage growth. They outpaced improvements in two-wheeler sales, improving farm terms of trade, fertilizer availability, and farm real credit *(Exhibit 2).*

Exhibit 1: Rural consumption contracted 1.9% YoY in 3QFY24, the worst in 18 quarters…

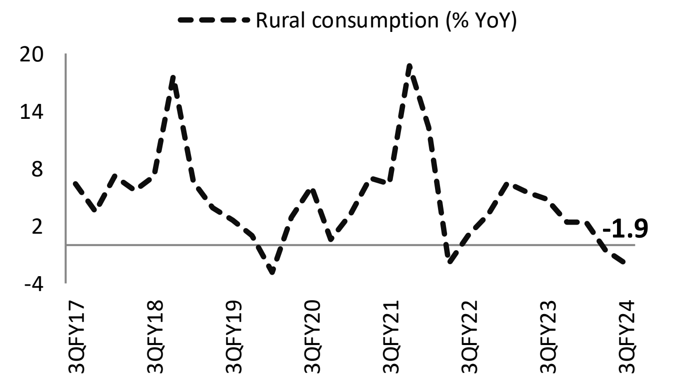
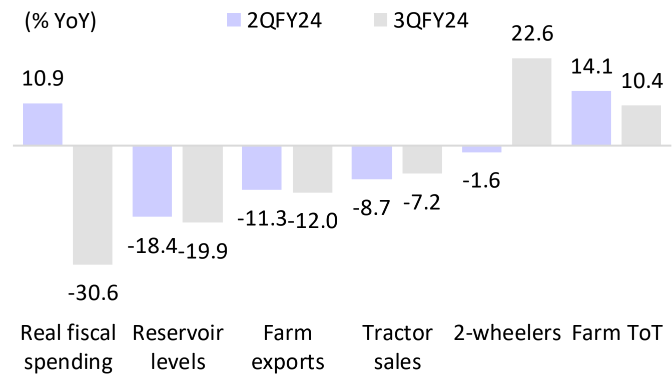


Exhibit 2: …mainly led by contraction in fiscal spending, farm exports and tractor sales



Source: Various national sources, CEIC, MOFSL

[1] **The 12 proxy indicators include:** 1) Two-wheeler sales, 2) Farmers' terms of trade (ToT), 3) Tractor sales, 4) Real agricultural exports, 5) Fertilizer sales, 6) Real agricultural credit, 7) IIP food products, 8) Real agri wages, 11) Real non-agri wages 10) Fiscal real rural spending 11) Reservoir levels, and 12) Real farm GVA. The rural consumption spending growth is estimated as simple average of these 11 indicators. Data on real agricultural and non- agricultural wages are not included in our analysis because they are not available for 2QFY24.

Quess: Shareholders will benefit from clarity in each of the 3 business verticals; Ajit Isaac, Founder

- Co has grown at 25% CAGR, staffing will grow at 17-18% CAGR, on higher base
- Bluspring will grow at 4x GDR growth rate
- Expect further reduction on gross debt post demerger; demerger will take 12-15 months
- Bluspring 100 bps margin improvement opportunity

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NHPC: By the end of FY26, regulated equity will be Rs 22,600 cr.; R.P. Goyal, Director-Finance

- Subansiri Project will be fully commissioned by May'25
- Parbati-II likely to be commissioned by Oct 2024
- New regulation indicates that RoE will be 17% vs current 16.5%
- CERC regulations indicate 70:30 debt equity funding for projects

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- Co will be EBITDA positive in Q4FY24
- India biz does Rs.1,100 cr of turnover in a good quarter, will revert back to it
- US biz impacted by pricing pressure, expect expenses to reduce by $25-30m
- Hopefully, a US FDA inspection will take place in Q4 or Q1 for the Monroe facility

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- Alumina is typically 15-17% of LME aluminium prices
- Expect prices for LME aluminium to be above Rs 2,100/T in Q4
- Captive coal mines have been made operational before schedule, to aid bottom-line
- Have signed an agreement with Argentina gov for lithium extraction

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