Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	81,523	-0.5	12.9
Nifty-50	24,918	-0.5	14.7
Nifty-M 100	58,938	-0.2	27.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,554	1.1	16.4
Nasdaq	17,396	2.2	15.9
FTSE 100	8,194	-0.1	6.0
DAX	18,330	0.4	9.4
Hang Seng	5,983	-0.7	3.7
Nikkei 225	35,620	-1.5	6.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	71	0.5	-8.5
Gold ($/OZ)	2,512	-0.2	21.8
Cu (US$/MT)	8,965	0.7	5.9
Almn (US$/MT)	2,351	1.5	0.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	84.0	0.0	0.9
USD/EUR	1.1	-0.1	-0.2
USD/JPY	142.4	-0.1	0.9
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.8	-0.02	-0.3
10 Yrs AAA Corp	7.3	-0.02	-0.4
Flows (USD b)	**11-Sep**	**MTD**	**CYTD**
FIIs	0.2	1.60	6.9
DIIs	0.03	5.78	38.1
Volumes (INRb)	**11-Sep**	**MTD***	**YTD***
Cash	1,153	1213	1297
F&O	6,52,623	4,03,418	3,79,928

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Piramal Enterprises: Making efforts to strengthen retail and rundown legacy wholesale

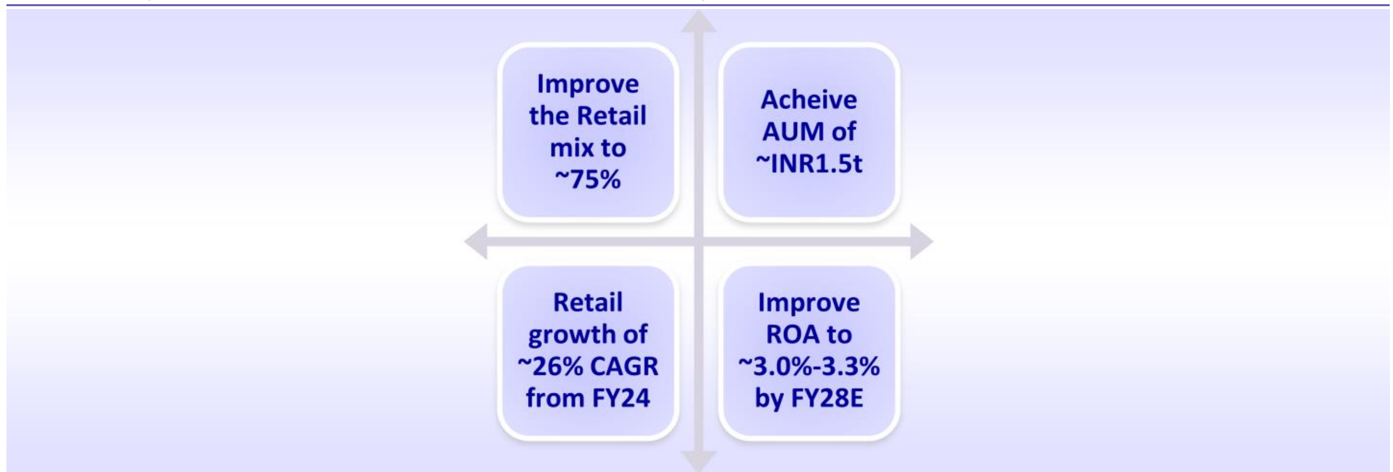
- PIEL is committed to reducing its legacy AUM from ~INR130b as of Jun'24 to ~INR60-70b by Mar'25 and expectsthat a ~25% haircut could be required to run down the residual stressed legacy book.
- As in the past, the rundown will not impair the company's net worth thanks to pockets of value in Shriram Life/General investments, AIF recoveries and tax-related gains. The behavior and credit requirements of customers acquired digitally are different from those of customers acquired through physical channels.
- PIEL is making efforts to further strengthen its retail franchise; however, the reduction in opex ratios and improvements in the RoA profile will be only linear and gradual (no quick fixes). We value the lending business at 0.6x FY26E P/BV (unchanged). **Retain Neutral with a revised TP of INR1,000 (premised on Mar'26 SOTP).**

Research covered

Cos/Sector	Key Highlights
Piramal Enterprises	Making efforts to strengthen retail and rundown legacy wholesale
Equitas Small Finance Bank	Factoring in near-term pain!
Consumer	Expert Speak: Recovery and growth visible in F&B
Automobiles	FAME to be replaced by PM E-drive with INR109b outlay

Chart of the Day: Piramal Enterprises (Making efforts to strengthen retail and rundown legacy wholesale)

Goals PIEL aspires to achieve in the Financial Services business by FY28



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Kindly click on textbox for the detailed news link

1

Nazara acquires 15.86% stake in Stan for $2.2 million

Nazara Technologies, a diversified gaming, esports and sports media company, through its wholly-owned subsidiary Nazara Dubai FZ, has acquired a 15.86% stake in Stan, a blockchain-based e-sports fan engagement startup.

2

Strides Pharma gets shareholders' nod to set up speciality pharma CDMO

The company has secured the approval of its shareholders and secured creditors with overwhelming majority, along with those of OneSource Specialty Pharma and SteriScience Specialties

3

Bharat Electronics secures ₹1,155-crore orders as indigenous defence production surges

Bharat Electronics gets orders worth ₹1,155 crore, including ₹850 crore for a multi-function radar from Cochin Shipyard and ₹305 crore for various naval systems.

4

Tata Steel signs £500 million deal with UK government for Port Talbot

The UK government has awarded Tata Steel Ltd a £500 million grant for its green steel project in Port Talbot.

5

India Gets A New EV Subsidy Scheme That Skips Electric, Hybrid Cars

The government has approved for two years a new Rs 10,900 crore EV subsidy scheme, in yet another attempt to step up adoption of electric mobility in the world's third largest automotive industry.

6

Microsoft acquires 16.4-acre land parcel for Rs 520 crore in Pune

Microsoft has recently purchased a 16.4-acre land parcel for Rs 520 crore in Pune’s Hinjewadi area, over two years after buying a 25-acre plot in city’s Pimpri-Chinchwad area for Rs 328 crore as the tech major doubles down on its efforts to develop large data centres in big Indian cities.

7

NBCC Signs MoU With MTNL For Rs 1,600-Crore Project

NBCC (India) Ltd. and Mahanagar Telephone Nigam Ltd. have signed a memorandum of understanding on Wednesday for a Rs 1,600 crore project that involves development of a land parcel of MTNL in New Delhi.

11 September 2024

Update | Sector: Financials - NBFC

Piramal Enterprises

BSE SENSEX	S&P CNX
81,523	24,918

Stock Info

Bloomberg	PIEL IN
Equity Shares (m)	225
M.Cap.(INRb)/(USDb)	235.3 / 2.8
52-Week Range (INR)	1140 / 737
1, 6, 12 Rel. Per (%)	5/9/-32
12M Avg Val (INR M)	1409
Free float (%)	54.0

Financials Snapshot (INR b)

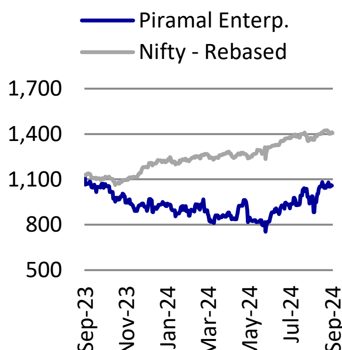
Y/E March	FY24	FY25E	FY26E
PPOP	12.0	18.2	27.4
PAT	-16.8	9.2	17.6
PAT (ex exceptional)	-15.4	-2.8	12.6
EPS	-75	41	78
EPS Gr. (%)	-	-	92
Consol BV/Sh. (INR)	1,182	1,213	1,275
RoA (%)	-2.0	1.0	1.7
RoE (%)	-5.8	3.4	6.3
Valuation			
P/E (x)	-13.9	25.6	13.4
P/BV (x)	0.9	0.9	0.8
Dividend yield (%)	1.0	1.6	1.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	46.0	46.2	43.5
DII	13.4	13.2	11.9
FII	16.7	17.5	26.5
Others	23.9	23.2	18.1

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR1,043 TP: INR1,000 (-4%) Neutral

Making efforts to strengthen retail and rundown legacy wholesale

We hosted the senior management team of Piramal Enterprises (PIEL), represented by Mr. Jairam Sridharan, MD, PCHFL, for investor meetings in Mumbai. Here are the key highlights from investor engagements:

- PIEL is committed to reducing its legacy AUM from ~INR130b as of Jun'24 to ~INR60-70b by Mar'25 and expects (not guidance) that a ~25% haircut could be required to run down the residual stressed legacy book.
- As in the past, the rundown will not impair the company's net worth thanks to pockets of value in Shriram Life/General investments, AIF recoveries and tax-related gains.
- Unsecured digital loans are still a difficult but unavoidable channel (necessary evil) for lenders primarily focused on customer acquisition.
- The behavior and credit requirements of customers acquired digitally are different from those of customers acquired through physical channels.
- Retail (at industry level) has been benign for the last two years, and growth/asset quality metrics could deteriorate by FY25 end.
- PIEL is making efforts to further strengthen its retail franchise; however, the reduction in opex ratios and improvements in the RoA profile will be only linear and gradual (no quick fixes).

Despite moderation in digital unsecured, Retail continues to strengthen

- Piramal Retail began its journey in 2021 with the acquisition of DHFL's loan book, which was valued on its balance sheet at INR170b-180b. Back then, PIEL had deliberately shifted from being a mono-line lender to a multi-product lender, offering a diverse range of financial services.
- As of Jun'24, its retail loan book stood at over INR500b. The target product mix in the retail division would include 40-45% housing loans, 20-25% loan against property (LAP), and 5% in used car loans and gold loans. Unsecured loans would make up 25% of the retail loan portfolio (including business loans, salaried personal loans and digital loans).
- The target mix between secured loans and unsecured loans will be 75% and 25%, respectively. PIEL's strong leadership team in Retail, composed of veterans from mortgage finance and vehicle finance, helped guide the business toward success.
- Retail business (because of its gestation period requiring investments in branches and manpower) reported losses in its first two years and achieved a break-even in Jun'23. It has been improving its RoA profile and aspires to improve its retail RoA to ~2.5% by FY27. This is based on the assumption of a decline in opex cost ratios and normalized steady-state credit costs of 1.75%-2.0%.

Remains steadfast to run down legacy AUM without impairing its net worth

- PIEL's wholesale lending business is undergoing significant changes. The legacy wholesale loan book will continue to decline as the company focuses on "Wholesale 2.0," which yields 13.5-14.0% with operating expenses between 1.0-1.5% and credit costs of around 2%. The company plans to downsize its legacy wholesale portfolio to INR60-70b by the end of FY25.
- To downsize its stressed legacy book, PIEL has taken a ~25% haircut on its stressed outstanding pool over the past 24-30 months. It expects that net worth will not be impaired as it attempts to further run down the residual legacy AUM to ~INR60-70b (from ~INR130b as of Jun'24). Net worth accretion is anticipated to come from the newer retail and Wholesale 2.0 segments.

Branch expansions to moderate with focus on improving productivity

- Following the DHFL acquisition, PIEL has expanded its branch network significantly, from 300 to 500 branches. It added 225 branches after the DHFL acquisition. It plans to moderate the branch expansion and may add ~100 more over the next several quarters.
- Operational efficiency has improved, with the operating expense ratio (as % of AUM) declining by ~150bp over the past five quarters. By FY25 end, PIEL expects the opex-to-average AUM ratio to stabilize between 3.5% and 4.0%. All new branches initially offer only home loans and LAP, with other retail products gradually introduced over the course of time.

Presence in digital personal loans necessary for customer acquisition

- PIEL's salaried personal loan segment has an average ticket size of INR410k, with a disbursement yield of 17.7%. Borrowers in this segment have an average CIBIL score of ~770.
- An interesting, yet worrying, statistic shared by the management was that, at the industry level, more than 10% of customers seeking unsecured credit have over 10 open credit lines, adding complexity to risk assessments.
- In terms of distribution channels, PIEL has emphasized physical channels over digital ones, using a credit bureau score juxtaposed with a leverage score to filter out high-risk customers. However, the digital channel is still critical for future growth, especially in the context of customer acquisition, even though it incurs high costs. While PIEL still does monthly disbursements of INR300-400m in small-ticket digital unsecured loans, the management admitted that it was a tough business segment and it continues to exercise caution in this segment.

Open to acquisitions in few pockets of lending but not at expensive valuations

- PIEL is open to M&A opportunities in the gold and MFI segments. However, the company has no current interest in expanding into new car financing, prime housing loans, two-wheelers (2W), or medium/heavy commercial vehicles. It may consider small commercial vehicles in the future.
- PIEL already has a presence in the micro-LAP segment, which is reported as part of LAP in the loan mix.
- PIEL could explore new product lines such as loans against shares (LAS) and mutual funds (MF) in the future. Additionally, it might consider entering the payments business (without large capital-intensive investments), with a focus on creating fee-income-generating products like co-branded credit cards. These initiatives reflect the company's long-term ambition to diversify its income streams and create a capital-light model for some segments.

Valuation and view

- Our earnings estimates for FY25 and FY26 only factor in exceptional gains from PIEL's AIF exposures and no tax incidence in the foreseeable future. Because of the uncertainty and unpredictability around the timing of the monetization of its stake in Shriram Life and General Insurance, we have not factored it in our estimates. It does, however, provide streams of one-off gains, which can help offset the credit costs required to dispose of the stressed legacy AUM.
- We do not see catalysts for any meaningful improvement in the core earnings trajectory of the company. We expect PIEL to deliver ~1.7% RoA and ~6% RoE in FY26. We value the lending business at 0.6x FY26E P/BV (unchanged). **Retain Neutral with a revised TP of INR1,000 (premised on Mar'26 SOTP).**

PEL: SOTP - Mar'26

	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
Lending Business	183	2.2	816	82	❖ 0.6x Mar'26E PBV
Shriram Group	32	0.4	142	14	❖ Based on its stake in Shriram Life/General Insurance Businesses
Life Insurance	4	0.1	19	2	❖ 0.4x FY23 EV
Alternatives	5	0.1	23	2	❖ 0.5x FY23 Equity
Target Value	**225**	**2.7**	**1,000**	**100**	
CMP			**1,046**		

Motilal Oswal | MORNING INDIA

11 September 2024

Company Update | Sector: Financials

Equitas Small Finance Bank

BSE SENSEX	S&P CNX
81,523	24,918

Bloomberg	EQUITASB IN
Equity Shares (m)	1136
M.Cap.(INRb)/(USDb)	92.7 / 1.1
52-Week Range (INR)	117 / 75
1, 6, 12 Rel. Per (%)	1/-28/-31
12M Avg Val (INR M)	482
Free Float (%)	100.0

Financials & Valuation (INR b)

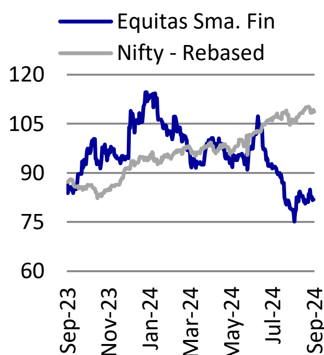
Y/E March	FY24	FY25E	FY26E
NII	30.8	34.4	41.7
OP	13.8	15.0	19.2
NP	8.0	6.4	10.1
NIM (%)	8.5	7.6	7.4
EPS (INR)	7.1	5.6	8.9
BV/Sh. (INR)	53	57	64
ABV/Sh. (INR)	50	55	62
Ratios			
RoE (%)	14.4	10.3	14.7
RoA (%)	2.0	1.3	1.7
Valuations			
P/E(X)	11.5	14.5	9.2
P/BV (X)	1.5	1.4	1.3
P/ABV (X)	1.6	1.5	1.3

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	45.4	45.2	43.0
FII	19.7	19.5	21.5
Others	34.9	35.3	35.6

FII includes depository receipts

Stock Performance (one-year)



CMP: INR81 TP: INR100 (+23%) Buy

Factoring in near-term pain!

Steady RoA recovery; growth to drive medium-term stock performance

- **Equitas Small Finance Bank (EQUITASB) has demonstrated a strong business growth trajectory with a 26% CAGR in its loan book and 38% CAGR in deposits from FY22-FY24. This growth has improved the bank's CD ratio from 102% in FY22 to 86% currently, and increased the retail deposit mix to 69%.**
- **The ongoing stress in the MFI segment has impacted profitability, but MFI business exposure has reduced to ~17% from 19% in FY22. The bank's ability to recover from credit cycles suggests potential asset quality improvement from 2HFY25 onwards.**
- **EQUITASB's stock price, which peaked at INR115 in January 2024, has corrected by 29%. We believe sustained loan growth estimated at 23% CAGR and improvement in RoA to 1.7% by FY26E will enable improvement in stock performance, particularly as confidence in asset quality improves.**
- **We have adjusted our earnings estimates for EQUITASB by incorporating higher credit costs, which would result in an 11%/12% reduction for FY25/26E. Despite this, we project a strong earnings recovery in FY26, with RoA/RoE improving to 1.7%/14.7%**
- **We, thus, find the stock's current valuation attractive at 1.3x FY26 BV, a 51% discount to AUBANK. We maintain our BUY rating with a revised TP of INR100 (based on 1.6x FY26E ABV).**

Growth outlook steady; business mix shifting toward secured products

EQUITASB reported a robust 20% YoY loan growth in FY24, fueled by strong performances in Small Business Loans, Vehicle Finance, and Housing Finance, which grew 30%, 19%, and 46% YoY, respectively. However, in 1QFY25, growth moderated to 16% YoY, partly due to a cautious approach and a 16.7% YoY decline in disbursements to INR39.6b. The bank is strategically shifting toward secured products and reducing the microfinance loan concentration to ~17% of AUM. While new CV growth is expected to align with industry trends, demand recovery in the SBL segment, especially micro-LAP, is anticipated to drive overall growth. The management remains confident in achieving a 25% growth for FY25. We estimate a 23% CAGR in loans over FY24-FY26, reaching INR468b by FY26.

Robust liability franchise; mix of retail deposits growing steadily to 69%

EQUITASB has significantly scaled up its liability franchise, achieving a 30% CAGR in total deposits over the past four years. Although the CASA ratio has declined sharply to 31% YoY due to customers favoring higher-rate term deposits, the retail deposit mix remains strong at 69%. The bank's focus on the mass affluent and high-net-worth segments has helped retain and grow its customer base, as it adjusts savings account rates. With deposit growth outpacing advances, the CD ratio (after reducing refinance borrowings from advances) has improved from 90% in 1QFY24 to 83% in 1QFY25, positioning the bank well to sustain healthy margins and a stable savings account profile. We estimate deposits to grow at a 23% CAGR over FY24-FY26.

Pace of NIM moderation to ease; potential turn in rate-cycle to aid margins

The bank has reported a 64bp decline in margins over FY24. During 1QFY25, NIMs further declined 20bp QoQ to 7.97%, affected by a continued rise in funding costs and a shift in asset mix from high-yield MFI business to secured products. However, a stabilizing cost of funds, CD ratio reaching the comfortable range of 85-86%, and lever to moderate SA rate as the rate cycle turns will help the bank maintain steady margins. We, thus, estimate NIMs to sustain at ~7.6% for FY25. The fixed-rate nature of the loan book (~85% being fixed rate) will support margins particularly as the interest rate cycle turns.

Estimate C/I ratio to maintain in mid-60s and recover to ~64% by FY26

The bank has consistently been investing in its business by adding new branches and building digital infrastructure and capabilities, which has kept operating expenses elevated. As a result, the bank’s C/I ratio increased to ~64.5% in FY24. With continued investments in the business, technology, and employees, we expect the C/I ratio to maintain in the mid-60s and recover gradually to ~64% by FY26.

Asset quality showing weakness; credit cost to remain elevated in FY25

EQUITASB experienced a rise in the GNPA ratio to 2.7% in 1QFY25, driven by increased slippages in MFI (INR850m) and vehicle finance (INR1.5b), pushing the overall slippage ratio to 4.5% and surpassing the management's 4% comfort level. MFI stress is widespread across multiple regions, mainly driven by over-leveraging issues in the industry; however, with the bank successively reducing the MFI mix to 17% and anticipated recovery in vehicle finance, we expect slippage run-rate to ease from 2HFY25 onward. We estimate 2Q to remain weak for most MFI players as the forward flows begin to pick up during 1Q, driving the NPA formation over 2Q/3Q. We, thus, expect the overall credit cost to stay elevated at 1.8% for FY25. However, as the vehicle business regains its asset quality and MFI slippages also improve from 2HFY25 onwards, we expect credit costs to moderate to 1.3% by FY26.

Valuation and view

EQUITASB has demonstrated robust growth with a 26% CAGR in its loan book and a 38% CAGR in deposits from FY22-FY24, significantly improving its CD ratio from 102% to 86% and increasing the retail deposit mix to 69%. Despite current challenges in the MFI sector, where its contribution has decreased to ~17%, the bank's ability to rebound from credit cycles with controlled credit cost suggests potential asset quality improvement from 2HFY25. The stock has corrected 29% from its January 2024 peak. However, with sustained growth expected, a projected improvement in RoA to 1.7% by FY26, and a current valuation of 1.2x FY26 BV, EQUITASB remains an attractive long-term investment. **We reiterate a BUY rating with a revised TP of INR100 (based on 1.6x FY26E ABV).**

Expert Speak

Recovery and growth visible in F&B

We hosted an interaction with Mr. Sameer Seth, Co-Founder & CEO, Hunger Inc. Hospitality Pvt. Ltd. Here are the key insights from the discussion: A) Hunger Inc. focuses on delivering exceptional dining experiences and expanding its culinary reach in India. B) The food and beverage (F&B) business operates in a cyclical demand pattern, with peak demand typically occurring during the festive season, especially from Rakhi to Holi. C) The quick service restaurant (QSR) industry is currently grappling with challenges from the demand side as well as the input side. D) Entry barriers in the QSR industry have significantly eased in recent years.

Mr. Sameer Seth
Co-Founder & CEO,
Hunger Inc. Hospitality

Mr. Seth previously worked in finance and business roles across various industries. He has done MMH in Hotel Administration from Cornell University and MBA in Finance and Marketing from IIM Kozhikode.

Company overview

- Hunger Inc. is a renowned Indian hospitality company founded in 2014 by Sameer Seth, Yash Bhanage, and the late celebrity chef Floyd Cardoz. It operates several popular dining establishments in Mumbai, including The Bombay Canteen, O Pedro, Bombay Sweet Shop, and the newer Veronica's sandwich shop.
- The Bombay Canteen is famous for its reinterpretation of regional Indian dishes, while O Pedro is inspired by Goa's rich culinary heritage, combining Portuguese and local flavors. The Bombay Sweet Shop brings a fresh twist to traditional Indian mithai, turning classic sweets into fun, contemporary treats. Meanwhile, Veronica's offers sandwiches and beverages.
- The company also publishes a food magazine called 'enthucutlet,' which explores unique stories about Indian food and culture.

Brand Expansion

- The introduction of **Bombay Sweet Shop** and **Veronica's** is part of the company's brand expansion efforts. The Bombay Sweet Shop capitalized on India's gifting culture, becoming a go-to destination for festival gifts and celebrations, adding another steady revenue stream. Veronica's, though new, has quickly gained recognition and now complements the company's brand portfolio by focusing on casual yet gourmet food.
- Hunger Inc.'s business model is driven by its restaurants as well as **digital content**, **e-commerce**, and innovative food experiences.

Pandemic response

- When the pandemic hit, Hunger Inc. quickly adapted by creating digital experiences like **online cooking workshops** and selling **recipe books**. This was a way to engage with its customer base while in-restaurant dining was not feasible, thus diversifying its income sources. The company also invested in outdoor seating options when restaurants reopened with limited capacity.
- Despite facing challenges during the pandemic, including the loss of co-founder Chef Cardoz, Hunger Inc. continued to innovate through digital experiences and delivery services. Its approach to hospitality emphasizes creativity, sustainability, and a deep respect for local ingredients and traditions.

Financial overview

- Hunger Inc. generated ~**INR1,300m in revenue in FY24**. Revenue primarily comes from its flagship restaurant brands, **The Bombay Canteen**, **O Pedro**, and **Bombay Sweet Shop**, driven by their high demand during peak seasons.
- The **average ticket size** for Hunger Inc.'s restaurant business is **INR2,200-2,400**. Meanwhile, the average ticket size for its **sweet shop** is lower at around **INR1,300-1,500**, reflecting the different product offerings and price points across its business verticals.
- The **gross profit margin** from the sale of sweets at Bombay Sweet Shop is notably high at around **60-70%**, due to the premium pricing. The overall business enjoys an **EBITDA margin** of ~**30%** from its F&B operation, showing strong profitability in various outlets.

Industry trends

- The **F&B business** operates in a cyclical demand pattern, with peak demand typically occurring during the festive season, especially from **Rakhi to Holi**. This period sees increased consumer spending on dining out and gifting, significantly boosting revenue for companies like Hunger Inc.
- The QSR industry is currently grappling with challenges from both the demand side and the input side. On the demand side, shifting consumer preferences, economic uncertainties, and fluctuating disposable income levels are impacting the frequency of dining out. On the input side, the industry is facing rising costs due to inflation in raw materials, increased labor costs, and supply chain disruptions, all of which are squeezing margins. However, innovation in product offerings and consistency in service and quality can serve as critical drivers of growth for businesses in this sector. By continuously evolving menus and maintaining high standards of customer service, QSR brands can differentiate themselves and stay relevant in an increasingly competitive market.
- Entry barriers in the QSR industry have significantly eased in recent years. The rise of food aggregators and delivery platforms, such as Swiggy, Zomato and Uber Eats, has enabled new entrants to reach customers without the need for substantial investment in physical outlets. These platforms provide access to a large customer base while offering logistical and delivery support. However, this ease of entry also contributes to increased competition, as more players flood the market, making it harder for established brands to maintain market share. This competitive pressure forces businesses to innovate continuously and find ways to stand out through unique value propositions, brand loyalty, and customer experience enhancements.

Other points

- Hunger Inc. has chosen to locate its outlets predominantly on **high streets** to capitalize on visibility and foot traffic. However, it is open to exploring opportunities in **shopping malls** if a more favorable opportunity emerges, indicating a willingness to adapt to new market conditions and expand its reach.
- The **dine-in experience** constitutes a substantial portion of revenue for Hunger Inc.'s restaurant business, with **95% of total sales** coming from dine-in services. Conversely, in the sweet shop segment, the majority of its sales come from **delivery orders**, which account for **70-75%** of total revenue, highlighting the different customer behaviors in each segment.
- A large portion of sweet shop revenue is attributed to the **gifting segment**, particularly during festival seasons like Diwali.
- The company operates **18 dark stores** for Bombay Sweet Shop, which function as micro-fulfilment centers, optimizing their delivery operations and ensuring timely order fulfilment in urban areas.
- Hunger Inc. is also planning a significant strategic collaboration with all **Starbucks outlets** across the country.

Automobiles

BSE SENSEX	S&P CNX
81,523	24,918

Stock Info

Segmental Support	Deployment INR b
2.48m/316k e-2Ws/3Ws	36.8
14k e buses	43.9
Charging infra spend	20.0
Upgradation of Testing agencies	7.8
	109

FAME to be replaced by PM E-drive with INR109b outlay

New scheme is positive for e-2Ws, e-3Ws and e-buses

- The government on 11th Sep'24 launched the PM E-drive scheme, which would replace the FAME-2 scheme to promote the adoption of electric vehicles (EVs) by providing demand incentives for buyers. This scheme will be valid for two years with a total outlay of INR109b (vs. FAME -2 budget of ~INR120b).
- A total of INR36.8b is earmarked for e-2Ws, e-3Ws, e-ambulances, e-trucks (new category introduced) and other emerging EVs. This scheme is expected to support 2.48m e-2Ws and 316k e-3Ws. However, it seems that e-PVs are kept out of scope of this scheme. The total allocation has declined from INR50b in the FAME-2 scheme to INR36.8b in the present scheme.
- However, one has to note here that when FAME-2 was notified, it was initially providing much higher subsidy per vehicle. While the quantum of the subsidy is not known now and given that per vehicle subsidy has been drastically cut in the interim, the govt can now support many vehicles with the same budget.
- Around INR5b is specifically allocated for the deployment of e-ambulances. This is a new initiative of the govt to promote the use of e-ambulance. Also, INR5b is allocated to e-trucks as they are a major contributor to air pollution.
- About INR43.9b is provided for the procurement of 14k e-buses by STUs/public transport agencies. The demand aggregation will be done by CESL in the nine cities with a population of more than 4m, namely Delhi, Mumbai, Kolkata, Chennai, Ahmedabad, Surat, Bangalore, Pune and Hyderabad. Intercity and interstate e-buses will also be supported in consultation with states.
- The govt has specifically allocated INR20b for the installation of public EV charging stations (EVPCS). It proposes to install 22.1k/1.8k/48.4k fast chargers for e-PVs/e-buses/e-2Ws/e-3Ws.
- Testing agencies of MHI would be modernized with a total outlay of INR7.8b.
- The govt has now revamped the process of claiming subsidies, linking it with Aadhar of the buyer.
- However, details regarding the quantum of subsidy per vehicle and the localization level required will be available once the government comes out with a notification on the scheme.

PM e-Bus Sewa payment security mechanism (PSM):

- The government has also approved PSM of INR34.35b for the procurement and operation of 38k e-buses by public transport authorities (PTAs).
- This scheme will support deployment of e-buses from FY25 to FY29. The scheme will support the operation of e-buses for a period of up to 12 years from the date of deployment.
- At present, the majority of buses operated by PTAs run on diesel/CNG, causing adverse environmental impact. However, it was anticipated that PTAs would find it challenging to procure and operate e-buses because of their high upfront cost and lower realization of revenue from operations. To address the high capital cost of e-buses, PTAs induct these buses through public private partnership on the gross cost contract (GCC) model. PTAs are not required to pay the upfront cost of the bus under the GCC model; instead OEMs/operators procure and operate e-buses for PTAs with monthly payments. However, OEMs/operators are hesitant to engage in this model due to concerns about potential payment defaults.

Our View:

- The key positive of the PM e-drive scheme is that it continues the subsidy support for e-2Ws, which was expected to be withdrawn soon. This will certainly help to sustain the momentum of EV transition in 2Ws and this is a positive for pure-play EV names like Ola Electric, Ather Energy and Greaves Electric. We did anticipate continued government support for e-3Ws, hence this is not a surprise.
- The other key positive of this scheme is that it focuses on EV transition for buses. The fact that it has also included a fund for payment security mechanism (a long held demand by major OEMs) highlights the government's focus to facilitate EV transition in buses. This is positive for pure-play e-bus players like JBM Auto and Olectra.
- On the other hand, the biggest negative seems to be that e-PVs have again not received such subsidy support from the government. Also, the support for e-trucks (at INR5b) seems miniscule.

L&T: Have Decided to separate EPC business from T&D vertical to focus more on projects; T Madhava das, Senior Exec VP

- Have Decided to separate the EPC business from T&D vertical to focus more on this project
- No immediate plans for listing this EPC business
- FY24 orderbook is around 7-8 GW, will be around 15 GW by the end of FY25
- Abu Dhabi & UAE among key focus areas for L&T, during solar parks, along with many projects in UAE

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Brigade Enterprises: Will be using growth capital in the residential segment; Pavitra Shankar, MD

- Will be using the growth capital in the residential segment
- Q1 saw an impact on sales due to issues including delay in approvals
- Have 12 msf coming up in terms of launches. 1.5-2 msf will be launched in Q2
- Expect 15-18% sales growth this year
- Chennai is around 55-60% of the Bengaluru residential market

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Chalet Hotels: Turn the tables on hotel industry challenges?; Sanjay Sethi, MD & CEO

- July looks better after a soft quarter for hospitality in Q1
- Pipeline in operation exceeds 4000+ keys now
- Expect EBITDA growth to be better than 10% for next few years
- Plans Capex of Rs ~1500 Crore for next 7 quarters

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- Expect double digit volume growth in FY25
- Rural market picking up, expect demand to recover
- 35-40% of raw material price will be impacted by lower crude
- Impact of lower crude will be seen in Q3
- Q3 volumes to be in mid-teens; Margins to cross 17% mark
- July & August have not fared very well, but that is temporary

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- Planning to open retail stores and will expand more for retail presence
- In talks with some investors and funds to raise funds for expansion
- Will see growth in all three segments
- Due to disturbance in Bangladesh, getting more inquiries from international market

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