Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	69,585	0.0	14.4
Nifty-50	20,926	0.1	15.6
Nifty-M 100	44,947	0.9	42.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,707	1.4	22.6
Nasdaq	14,734	1.4	40.8
FTSE 100	7,548	0.1	1.3
DAX	16,766	-0.2	20.4
Hang Seng	5,551	-1.1	-17.2
Nikkei 225	32,926	0.3	26.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	74	0.8	-8.9
Gold ($/OZ)	2,028	2.4	11.2
Cu (US$/MT)	8,237	-0.3	-1.5
Almn (US$/MT)	2,101	1.2	-10.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.4	0.0	0.8
USD/EUR	1.1	0.7	1.6
USD/JPY	142.9	-1.8	9.0
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.3	-0.01	-0.1
10 Yrs AAA Corp	7.7	-0.01	0.0
Flows (USD b)	**13-Dec**	**MTD**	**CYTD**
FIIs	0.6	3.47	17.3
DIIs	-0.11	0.57	21.5
Volumes (INRb)	**13-Dec**	**MTD***	**YTD***
Cash	1,099	1149	696
F&O	5,82,570	3,64,551	2,73,712

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

The Corner office | IPRU Life Insurance: Building a robust business model for long-term growth

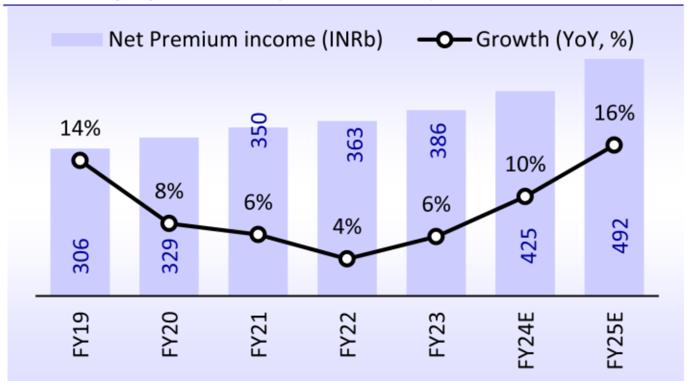
- The Indian insurance industry has strong growth opportunities given stark under-penetration. After the implementation of Expense of Management regulations, IPRU is working on new models of commission on a pilot basis to ensure better and consistent rewarding to quality distributors (lower claims and better persistency).
- The focus areas for the management include: 1) implementing stronger processes and policies across verticals, 2) benchmarking all products with competition and adding best-in-class features at reasonable pricing (believes IPRU can command premium), 3) analyzing requirements of products in each channel and ensuring suitable product availability, and 4) enhancing communication with customers. Among the distribution channels, the company aims to grow its agency and direct channels at a faster pace.
- A diversified distribution channel will go long way in terms of reducing the risk, and hence the company's dependence on ICICI Bank should not increase further.
- IPRU achieved its stated guidance of doubling its FY19 VNB by FY23 and expects healthy growth in VNB to continue, aided by: 1) opportunities in the long-term savings/Protection businesses, and 2) improving persistency and cost ratios. We estimate IPRU to deliver a 16% CAGR in VNB over FY23-25. VNB growth will be fueled by premium growth and a slight improvement in margins, thereby enabling an operating RoEV of ~17% over FY23-25E.

Research covered

Cos/Sector	Key Highlights
IPRU Life Insurance	The Corner Office: Building a robust business model for long-term growth
InterGlobe Aviation	International expansion to provide runway for growth
V-MART	Winds of change
Consumer	Value pack drives growth; volume recovery on the horizon

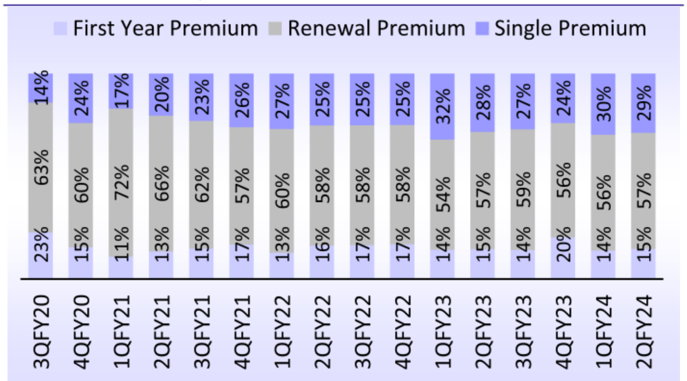
Chart of the Day: IPRU Life Insurance (Building a robust business model for long-term growth)

Double digit growth is expected in Net premium income



Source: MOFSL, Company

Share of renewal premium increased to 57% in 2QFY24



Source: MOFSL, Company

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In the news today

Kindly click on textbox for the detailed news link

1

US Fed Policy: FOMC keeps key rates steady at 22-year high-mark in last verdict of 2023, signals end of rate hikes

US Federal Reserve Policy: Rate-setting FOMC led by Fed Chair Powell voted to keep the key interest rates unchanged at 5.25-5.5 per cent for the third straight meeting.

2

Mahindra, others to invest Rs 875 cr in Jawa, Yezdi bikemaker

M&M will continue to hold 60% of the paid-up capital of Classic Legends.

3

Weight loss drugs not a threat to Nestle biz: CEO Mark Schneider

Nestle CEO Mark Schneider has defended its strategy of building a lower-calorie product portfolio, stating that the threat of GLP-1 weight-loss drugs is less significant.

4

Coca-Cola to invest Rs 3,000 cr in Gujarat

Some of the most popular products by HCCB are Coca-Cola, Thums Up, Sprite, Minute Maid, Maaza, SmartWater, Kinley, Limca and Fanta.

5

EIA: Crude prices likely to stay around $83 per barrel in 2024

"We expect OPEC+ production cuts will offset lower global demand growth, prevent increases in global oil inventories, and keep Brent prices above $80/barrel next year," EIA said in its latest short-term energy outlook.

6

Open RAN deployments to rise in India by next year: Mavenir

India is expected to see a surge in Open Radio Access Network (O-RAN) deployments starting in 2024, according to Sanjay Bakaya, country head for India at US-based Mavenir.

7

Indian automobile market fastest growing among top 10 globally

Led by positive macro-economic factors, passenger vehicle sales in India have been advancing month-on-month since FY22. Fuelled by the festive season, November dispatches touched a new high of 334,000 units.

Building a robust business model for long-term growth

We hosted Mr. Anup Bagchi, CEO of ICICI Prudential Life Insurance (IPRU), for meetings with investors to discuss the company's growth outlook. Here are the key takeaways from the discussion:

Under-penetration offers strong growth opportunities

The Indian insurance industry has strong growth opportunities given stark under-penetration. To the liking of insurers, the importance of taxation in the purchase of insurance products is waning, and there is an increased focus on insurance in financial planning. Among financial savings instruments, the company expects strong growth across products, with life insurance slightly less popular than NPS/mutual funds but more popular than fixed deposits (FD). In the long-term, strong underwriting has a relatively better correlation with a robust healthcare system and higher per capita income. After the implementation of new taxation regulations, there has been a shift toward ULIPs and PAR products. Moreover, with multiyear-high FD interest rates, there is pressure on single-premium annuity product, which has been detrimental to VNB margins.

Strong processes and policies for better risk management

The focus areas for the management include: 1) implementing stronger processes and policies across verticals, 2) benchmarking all products with competition and adding best-in-class features at reasonable pricing (believes IPRU can command premium), 3) analyzing requirements of products in each channel and ensuring suitable product availability, and 4) enhancing communication with customers. While the first two areas have been worked on extensively, currently distributor analysis is the key focus area. In the medium term, risk in life insurance products emanates from early claims and higher fraud frequency. Significant efforts are being made on scaling up fraud detection through the usage of machine learning, data analytics and other digital tools.

Building new commission structures, calibrated approach for low-tier cities

After the implementation of Expense of Management regulations, IPRU is working on new models of commission on a pilot basis to ensure better and consistent rewarding to quality distributors (lower claims and better persistency). Some of IPRU's tech initiatives include same-day issuance of life insurance policies (possibly first time in the industry) and automatic underwriting. In low-tier cities, it is cognizant of lower persistency and early claims, and hence the company will take a calibrated approach.

IPRU Life Insurance

Mr. Anup Bagchi, CEO - IPRU Life

Mr. Anup Bagchi has been associated with IPRU since Oct'18 when he was appointed as Non-executive Director. During his tenure as the Executive Director of ICICI Bank, he headed Wholesale Banking, Transaction Banking, Markets Group and Proprietary Trading Group. He has also served as the Managing Director & CEO of ICICI Securities for five years. His qualifications include a Management degree from IIM Bangalore and an Engineering degree from IIT Kanpur.

Customer- and risk management-centric approach

The Indian insurance industry has seen product innovations owing to several regulatory changes. IPRU will focus on product launches that suit its risk management and will ensure product availability in line with competition. In terms of customer experience, IPRU focuses on three parameters: 1) claim settlement, 2) persistency, and 3) reasonable return with low volatility. The company has already implemented measures pertaining to claim settlement and persistency.

Agency and direct distribution channels to grow faster

Among the distribution channels, the company aims to grow its agency and direct channels at a faster pace. A diversified distribution channel will go long way in terms of reducing the risk, and hence the company's dependence on ICICI Bank may likely remain modest. IPRU, over the past couple of years, has invested in building capacity in the agency and bancassurance (banca) channels, which will boost growth over the next couple of years. Overall the banca channel has been growing at a relatively slower pace than other channels. Going ahead, the management expects the growth in banca channel to trail other channels.

Regulatory environment encouraging for growth

Over the past few quarters, there have been several growth-enabling measures implemented by the insurance regulator. Moreover, the implementation of risk-based solvency and IFRS will also support growth in the future. Account aggregation, although at a nascent stage, is expected to improve underwriting capabilities of insurers and reduce the information gap between the banca and other distribution channels.

Other highlights:

- Investment guidelines have empirically been tight, which has enhanced the safety of customers. However, product innovation has increased the risk, which needs to be further regulated.
- IPRU has a 10% advantage in terms of acquisition costs compared with smaller players.
- RoEV for IPRU is lower vs. other industry players owing to its larger base of EV (built due to faster growth in the initial part of past 20 years) and slower growth in the past couple of years.

Valuations and view:

IPRU has diversified its product mix as well as distribution mix over the past few years. ULIPs have seen an increased traction owing to the optimism in the Indian equity markets. Protection momentum is picking up with supply-side pressures easing. On the distribution side, the share of the banca channel (ex-ICICIBC) has increased to ~15% (from 4% in FY19). The company has been investing in building the agency and distribution channels over the past couple of years. IPRU achieved its stated guidance of doubling its FY19 VNB by FY23 and expects healthy growth in VNB to continue, aided by: 1) opportunities in the long-term savings/Protection businesses, and 2) improving persistency and cost ratios. In FY23, the Protection business accounted for ~39% of total VNB, while the Non-Linked business made up 53%. **We estimate IPRU to deliver a 16% CAGR in VNB over FY23-25. VNB growth will be fueled by premium growth and a slight improvement in margins, thereby enabling an operating RoEV of ~17% over FY23-25E. We reiterate our BUY rating with a TP of INR630 (based on 1.8x Mar'25E EV).**

MOTILAL OSWAL | MORNING INDIA

13 December 2023

Update | Sector: Aviation

InterGlobe Aviation

BSE SENSEX	S&P CNX
69,585	20,926

Stock Info

Bloomberg	INDIGO IN
Equity Shares (m)	385
M.Cap.(INRb)/(USDb)	1150.6 / 13.8
52-Week Range (INR)	3007 / 1810
1, 6, 12 Rel. Per (%)	10/16/34
12M Avg Val (INR M)	2259
Free float (%)	36.8

Financials Snapshot (INR b)

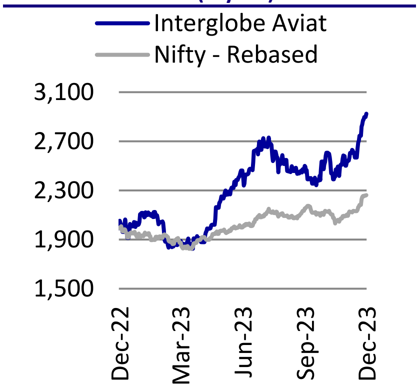
Y/E March	FY23	FY24E	FY25E
Sales	544.5	664.1	718.1
EBITDAR	68.1	178.4	165.8
NP	-3.2	90.2	84.8
EPS (INR)	-8.2	233.8	220.0
Growth (%)	Loss	LP	-5.9
BV/Sh (INR)	-164.0	70.6	291.2
Ratios			
Net D:E	-3.6	6.1	1.0
RoE (%)	5.1	-502.1	122.0
RoCE (%)	11.0	39.9	29.0
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	-363.4	12.8	13.6
P/BV (x)	-18.2	42.3	10.3
Adj.EV/EBITDAR(x)	20.2	7.7	7.9
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	1.1	6.9	5.6

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	63.2	67.8	71.9
DII	13.3	10.5	7.8
FII	20.3	19.8	18.1
Others	3.2	2.0	2.2

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR2,981 TP: INR2,800 (-6%) Neutral

International expansion to provide runway for growth

We met with InterGlobe Aviation's (IndiGo) management at the company's office in Gurugram on 7th Dec'23. Here are the key highlights:

- **The management noted that domestic demand has not peaked yet despite it being flat in the past couple of months as MoM data is not comparable. After Diwali, operations have normalized, with average yields expected to be flat YoY in 3QFY24.**
- **IndiGo is the seventh largest airline in the world currently (market share of 18.5%) and plans to expand its international footprint significantly. The international market behaves differently compared to the domestic market, and hence it would tread accordingly on the expansion plans.**
- **However, the number of grounded aircraft for IndiGo stood at over 40 in 2Q, and it expects 35 more to be grounded in 4QFY24, being recalled by Pratt & Whitney (P&W) for various issues (including powder metal issue). We remain wary of rising competition in the domestic market, and retain our Neutral rating on the stock.**

Demand remains robust, not peaked yet

- India is one of the fastest-growing aviation markets in the world, and it is estimated that 1,100 passenger aircraft will be needed by CY27 to cater to India's ever-growing demand for air travel. Domestic demand has been above the pre-Covid level since Dec'22. India's domestic air passenger traffic increased ~9% YoY to 12.7m in Nov'23 (vs. ~11% YoY growth in Oct'23).
- Demand remained healthy, aided by the festive season, even as some demand got delayed due to 'Shradh' in Oct'23 and a few long weekends (when people do not tend to return from their hometowns). As per the management, demand has not peaked as of now and MoM data is not comparable.
- Yields are expected to be flat in 3Q as operations have normalized after Diwali for IndiGo. The management in its 2Q concall highlighted that yields declined in Oct'23, casting a shadow on yields in one of the strongest quarters in a financial year. International traffic has also slowed, though Indigo is expected to maintain its yields in 3QFY24 on YoY basis.

International expansion to provide new growth avenues

- IndiGo is the seventh largest airline in the world right now with a market share of 18.5%. It aims to become the third largest in the world and has strategies in place to expand its global footprint significantly. The management highlighted that the international market behaves differently compared to the domestic market, and hence it would tread accordingly on the expansion plans.
- Mr. Pieter Elbers, CEO since Sep'22, has rich experience of holding important positions in international airlines. The company is adding wide-body aircraft and signing up sales agents for marketing and branding. IndiGo will add more destinations.

- IndiGo also plans to increase its international presence through strategic partnerships (codeshare agreement with Turkish Airlines) and loyalty programs. Currently, it has partnerships with eight airlines.

P&W engine issues a near-term headwind

- As of Sep'23, over 40 aircraft of IndiGo were grounded due to P&W engine issues. P&W has now identified a new issue with powder metal, and around 35 more engines will be removed for inspection from Jan'24 onward, thereby hurting operating fleet further.
- The management has been engaged with P&W over monetary compensation (have received in the past), but IndiGo insists that faulty engines should be replaced. The management highlighted that the redelivery cycle back to the lessors was anyway going to happen in the next two years.
- IndiGo has been able to get 12 additional CEO aircraft from the secondary market to serve passengers. While the CEO aircraft came at incremental costs, the management does not expect any material impact on the cost of available seat kilometer (CASK). The company's long-term growth plans remain intact with the addition of 50-60 aircraft every year.

Valuation and view

- The company plans to increase its fleet size to 350 in FY24 from 306 in FY23 (334 as of Sep'23) to cater to the increased demand in the domestic market, and also plans to add 10-15 new destinations. The management also expects passenger traffic to increase to 100m in FY24 from 85m in FY23.
- IndiGo has been taking several measures to increase its global brand awareness, as it expects to increase the growth share from its international operations. However, competition in the sector is expected to intensify with the resurgence of Air India and the entry of Akasa Air.
- While we remain positive on the Indian aviation industry, IndiGo will have to navigate through various challenges, such as highlighted above, in the near to medium term. Reiterate Neutral with a TP of INR2,800 (premised on 7.5x FY25E EV/EBIDTAR).

Demand remains strong in the domestic market

	Total Domestic Passengers (m)											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	12.5	11.3	11.6	11.0	12.2	12.0	11.9	11.8	11.5	12.3	12.9	13.0
2020	12.7	12.3	7.7	-	0.3	2.0	2.1	2.8	3.9	5.3	6.3	7.3
2021	7.7	7.8	7.8	5.7	2.1	3.1	5.0	6.7	7.1	9.0	10.5	11.2
2022	6.4	7.6	10.0	10.4	11.4	10.7	9.1	10.1	10.3	11.4	11.7	12.9
2023	12.5	11.9	13.0	12.0	13.2	12.5	12.2	12.5	12.3	12.6	12.7	5.3*

*Dec'23 data is till date

Source: MoCA, MOSL

V-MART

BSE SENSEX	S&P CNX
69,585	20,926

CMP: INR1,750 TP: INR1,800 (+3%) Neutral

Winds of change

V-MART (VMART) has reported a weak earnings trajectory over the last few years, primarily due to factors such as weakness in the core business, sluggish performance/ recovery in the Unlimited format, and losses within Limeroad. However, we believe there are signs of gradual reversal in trend, with noticeable changes in the business. These changes are being driven by strong actions taken by the management, which may bring about a significant transformation. The key trends of visible changes are outlined below:

- **Improvement in the core business is expected from 3QFY24 onwards, driven by healthy same-store sales growth (SSSG) due to increased demand during festive periods. Although it is expected to be below the normalized level, this trend is now seen to have bottomed out.**
- **Unlimited, which is operating with suboptimal profitability (3-4% pre IND-AS 116 EBITDA margin) due to weak revenue productivity, is likely to close more than 15 stores in 4QF24. These stores have low productivity and high rental costs. This should help in recovering margins to reach levels of 6-7% from FY25 onwards. The newer stores opened with smaller footprints, better locations, and lower rentals are already experiencing higher productivity.**
- **Management is now looking to reduce investments in Limeroad, revisit the previous strategy of higher spending to expand the business and achieve operating leverage. This should help in curbing losses from INR600m to breakeven in FY25 (we estimate FY24 losses at INR900m).**

Weakness in core business bottoming out

The weak performance of the core segment is now seeing a recovery. We expect the festive period to see decent traction, with high single-digit SSSG. The wedding category is also expected to perform well during this time. However, while the Oct-Nov'23 period saw a strong traction with a high single-digit LTL growth led by the festive season compared to the previous year, the delayed onset of winter could potentially hurt demand in Dec'23. This situation is similar to what was experienced in 3QFY23. VMART's EBITDA margin for 3QFY24 could be affected by the inventory clean-up, low SSSG, and the decision to pass on the benefits of raw material (RM) pricing to stimulate growth (as competition remains stiff from regional players who operate at a 20% gross margin). The decrease in average selling prices (ASPs) is expected to be offset by increased demand, which will help revive volume growth.

Limeroad to curtail losses

The company's plan to accelerate growth and drive operating benefits within the Limeroad segment is now undergoing a change. The management is now focusing on reducing marketing expenses and prioritizing profitability over growth. As a result, losses within the segment could further decline ~40% QoQ to INR120m in 3QFY24 vs. INR198m in 2QFY24 (our estimate of INR220m in 3QFY24) and further drop by 50% (~INR50m) in 4QFY24). This will help meet the company's guidance of INR600m losses vs. our estimate of INR900m losses for FY24 (i.e. 20% of overall EBITDA and 2% margin impact). Subsequently, operating losses may reduce to INR150m in FY25, thereby resulting in a benefit of ~200bp on EBITDA. On the other hand, prioritizing profitability over growth may lead to a sequential decline in revenue at Limeroad. This, however, could be expected to remain inconsequential.

Stock Info

Bloomberg	VMART IN
Equity Shares (m)	20
M.Cap.(INRb)/(USDb)	34.6 / 0.4
52-Week Range (INR)	3110 / 1591
1, 6, 12 Rel. Per (%)	-5/-23/-51
12M Avg Val (INR M)	93
Free float (%)	55.7

Financials Snapshot (INR b)

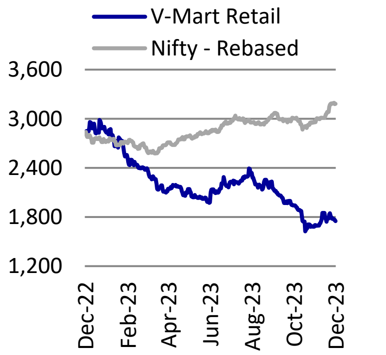
Y/E March	FY23	FY24E	FY25E
Sales	24.6	28.2	33.2
EBITDA	2.7	1.6	3.5
NP	-0.1	-1.1	0.3
EBITDA Margin (%)	10.9	5.5	10.5
Adj. EPS (INR)	-4.3	-60.9	15.5
EPS Gr. (%)	NM	NM	-125.5
BV/Sh. (INR)	469.1	408.2	423.7
Ratios			
Net D:E	1.5	1.8	1.7
RoE (%)	NM	NM	3.7
RoCE (%)	3.2	-0.7	5.9
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	NM	108.6
EV/EBITDA (x)	17.3	29.9	13.4
EV/Sales (x)	1.4	1.2	1.1
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-2.1	1.3	3.4

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	44.3	44.3	46.1
DII	32.6	31.0	31.5
FII	14.3	14.8	11.5
Others	8.7	9.9	10.9

FII Includes depository receipts

Stock Performance (1-year)



Unlimited to shut down loss-making stores

In line with the company's strategy of aligning the Unlimited store economics with VMART and improving efficiency, the company plans to close a total of 20 stores from 4QFY24 onwards, with the majority of them being Unlimited stores (~15 stores). The segment's old stores, which were generating a revenue throughput of INR400-500/sqft (INR5,000-6,000/sqft annualized), were making operating losses of 2-3% mainly due to their premier market locations (resulting in weak footfalls) and larger store sizes (10,000 and 12,000 sqft) with a rent of INR100/sqft. The benefits of these closures are expected to take time to accrue, possibly in FY25, which would include inventory clean-up. However, the new Unlimited stores in South are doing well, with a revenue throughput of INR800/sqft and improved productivity. This can be attributed to factors such as: 1) smaller store sizes (7,500 sqft store size), 2) improved focus on strategic locations to attract more customers, and 3) lower rental costs, thereby improving store economics. The business has also reduced ASPs, which has helped achieve volume growth. The overall revenue growth, however, remains flat on LTL basis.

Valuation and view

- Improved growth trajectory within the core segment, a focus on enhanced productivity within the Unlimited segment, and reducing cash burn within the online segment are expected to drive growth for the company in the coming period. These could also potentially lead to a re-rating. We continue to monitor the developments closely.
- The stock is trading at a Price/Sales ratio of around 1x on FY25E, which is much lower than the 3-6x ratio for most retailers. With improvements in each of the above factors, earnings can recover to a 7% EBITDA margin and a 4% PAT margin, which implies an EV/EBITDA and P/E of 15x and 23x, respectively.
- Despite the recent weakness seen within the mass segment, the huge growth opportunity in the Value Fashion segment and VMART's strong execution capability remain key drivers of its success. This has the potential to generate sustainable double-digit revenue growth for a prolonged period, supported by new store additions. Low price points, cost leadership, strong liquidity, and prudent inventory management give VMART an edge over its competitors.
- With the onset of the festive period and the company's decision to lower ASPs to revive volume growth, it is expected that the company will experience a revenue recovery in 2HFY24. However, prolonged weakness in the macro environment and a delayed winter would remain the key monitorables.
- We are not modeling any recovery in numbers yet. We value the stock at 11x EV/EBITDA on FY26E basis with a TP of INR1,800. **Maintain Neutral.**

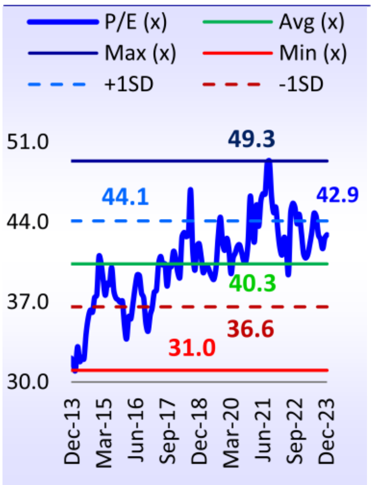
Valuation based on FY23E EBITDA

	Methodology	Driver (INR m)	Multiple (x)	Fair value (INR m)	Value/share (INR)
EBITDA	FY26 EV/EBITDA	4,531	11	48,574	2,459
Less: Net debt				13,030	659
Total Value				**35,544**	**1,800**
Shares o/s (m)				19.8	
CMP (INR)					1,750
Upside (%)					**3**

Source: MOFSL, Company

Consumer

Consumer P/E



Consumer - P/E relative to Nifty PE (%)

Value pack drives growth; volume recovery on the horizon

The 14th CII FMCG Summit highlighted the critical growth enablers that will ensure business continuity and drive momentum across the industry in the future.

- FMCG is a sizable and profitable sector, with total spending of nearly INR5.4t in the last five years and EBITDA margin of ~20%.
- Over the last 15 years (FY08-23), India's real GDP has seen a CAGR of 5.9% and household consumption has increased at a CAGR of 6.1%, whereas the FMCG industry has seen volume growth of 3.4%.
- In 15 years, the first half (FY08-FY16) saw 3.5% growth, while the second half (FY17-23) saw 2.9% due to disruptions caused by demonetization, GST implementation and Covid. In India, people in the middle-income group account for the majority of FMCG consumption.
- Affluent segments, such as aviation, have also grown, reflecting higher incomes. In the last 15 years, income distribution has widened, and rural and urban households have expanded.
- In the last few years, there has been a shift in the retail landscape, as the channel mix is evolving, consumer spending is moving from offline to online, and multiple new formats are emerging in both the offline and online channels. Many of these new formats have also driven significant changes in consumer shopping behavior by making it more convenient and faster and providing access to large varieties.
- Despite stable consumption, volume is decreasing due to factors like distribution, media spending, and pricing, all moving in the upward direction.
- In the next 10 years, volume growth is expected to be driven by category development, expansion in distribution, innovation, customer education initiatives, and improvements in supply-side constraints.

Our top picks

We prefer ITC, Godrej Consumer Products (GCPL) and Tata Consumer Products (TATACONS): For **ITC**, The cigarettes business continues to deliver volume growth and market share gains in the absence of competition from illicit trade. The FMCG - Others segment has also delivered strong growth across markets and product lines, and as input prices decline, we also expect margin expansion. **GCPL** has been moving in the right direction in terms of enhancing sales growth in the Indian market. Here, GCPL is still exhibiting double-digit growth with strong volume growth across all categories and improvements in the quality of earnings. We anticipate that GCPL's profitable growth will be led by its focus on category development, brand investment, market penetration, and product introductions. We are bullish on **TATACONS** due to its two-pronged growth strategy: 1) focusing on new growth engines such as Tata Sampann, NourishCo, Tata Soulful, and the ready to-eat/ready-to-consume business (Tata Smart Foodz); and 2) rapid expansion in its distribution network while enhancing digital capabilities throughout the supply chain.

Manappuram Finance: 50% Gold Loans & 50% Of Non-Gold Loans Is The Ideal Mix; VP Nandakumar, MD & CEO

- Expect 7-8% YoY growth in gold loans for FY24
- Consolidated loan growth is seen at 20% for FY24
- 50% gold loans & 50% of non-gold loans is the ideal mix
- Cost of funds is at 8.5%, expect a 20 bps increase
- Average duration of loans is 3 months & ticket size is Rs 15,000 in gold loans

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DOMS Industries: Total Capex Close To ₹450 Cr, Will Focus On Domestic Market To Drive Sales; Santosh Rasiklal Raveshia, MD

- Total capex is close to ₹450 cr, ₹280 cr to be funded via issue proceeds
- Wooden pencil contributes 32% to overall sales
- All product segments are manufactured in-house
- Have seen pent-up demand FY23 onwards

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PI Industries: Huge Headroom For Growth In Pyroxasulfone Market, Expect 18-20% Growth In FY24; Rajnish Sarna, Joint MD

- Maintain 18-20% Growth Guidance For FY24
- Don't See An Impact On Our Outlook For The Current Year Or Coming Years
- There Is Huge Headroom For Growth In Pyroxasulfone Market
- Current Pyroxasulfone Mkt Size Is $600-700 m, See Potential Of A Multi- billion $ Mkt
- Don't See Near & Mid-term Threats For The Innovators

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Spandana Sphoorty Financial: Intend To Take Banks' Share Of Funds From 50% To About 70%; Shalabh Saxena, MD & CEO

- Way forward will be digital collections vs physical now
- We track customer leverage before lending
- We will see cost of borrowing only going down
- Intend to take bank share of funds from 50% to about 70%

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Fedbank Financial: Small Mortgage Business Will Continue To See Growth Momentum; Anil Kothuri, MD & CEO

- 25-30% AUM growth is achievable for FY24
- Small mortgage business will continue to see growth momentum
- Will need to add people & capacity to maintain this loan growth trend
- Cost to income to improve by 4-5% over the next 18 months
- Expect spreads to remain flat, but NIMS to trend up

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WOW! MOMO: Seeing mall footfalls & consumption spends coming down; Sagar Daryani, Founder & CEO

- FY23 revenues grew 90% for co to approx Rs 400 cr
- September was bad for the industry, October was good for the co
- November was buoyed by the world cup
- Seeing mall footfalls & consumption spends coming down
- Not very bullish for full year
- Expect momentum to pick up April onwards

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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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