WEEKLY SPOTLIGHT – 11th November 2024

INDIAN MACRO NEWS:

- ### Rising prices of commodities have FMCG companies worried:

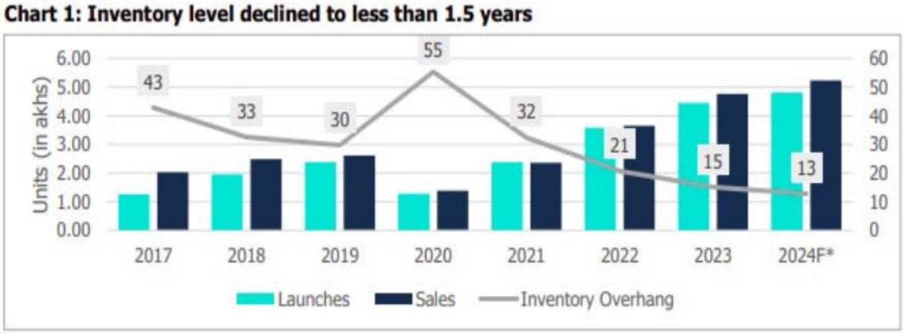
Leading FMCG companies reported a decline in margins in the September quarter on account of higher input costs and food inflation, which ultimately slowed down the pace of urban consumption. Rising prices of commodity inputs such as palm oil, coffee and cocoa were also accentuated and some FMCG firms have hinted at a price hike.

HUL, Godrej Consumer Products Ltd (GCPL), Marico, ITC, and Tata Consumer Products Ltd (TCPL) have expressed concerns over squeezing urban consumption, which according to industry experts forms 65-68% of FMCG total sales. Rising prices of commodity inputs such as palm oil, coffee and cocoa were also accentuated and some FMCG firms have hinted at a price hike. The rural markets, which were earlier lagging behind, continued their growth journey ahead of urban areas. Besides, FMCG players reported growth from premium products and from sales through quick-commerce channels.

- ### Factors driving India's Real Estate:

A key measure in real estate that shows how long it would take to sell all the unsold homes at the current sales pace. Previously, this figure was over 30 months, meaning it would take more than two years to clear out all available homes. Now, it's dropped to under 18 months, and experts believe it could fall to 15 months within the next two years. This shift shows homes are selling faster, indicating strong demand and a much healthier market.

Chart 1: Inventory level declined to less than 1.5 years



*CareEdge Ratings' Projections
Note: Accumulated for top 7 cities (MMR, NCR, Pune, Bengaluru, Hyderabad, Chennai, and Kolkata). Above period refers to calendar year
Data Source: Anarock (2017-2023)

A major factor behind this revival is the Real Estate Regulatory Authority (RERA), a regulation introduced to make the market more transparent. RERA brought in stricter rules, pushing out many smaller, less stable players and leading to market consolidation. Now, large developers dominate, with over 70% of their bookings happening in the early construction stages. In contrast, smaller developers need to wait until their projects are nearly complete to get half of their bookings. This shift is creating a more stable and reliable industry, making customers feel more secure in their purchases.

In the financial year 2024 (FY24), the top listed real estate companies achieved impressive pre-sales—bookings that happen before a property is fully constructed—totaling over ₹1 lakh crore, marking a 36% growth compared to the previous year. Collections, or the money developers received from these pre-sales, doubled from ₹30,000 crore in FY19 to over ₹67,000 crore in FY24.

Looking forward to FY25, experts anticipate further growth, with pre-sales and collections projected to reach ₹1,30,000 crore and ₹80,000 crore, respectively—a 15-20% increase over FY24. But for this momentum to continue, developers will need to stay attuned to real demand and avoid oversupplying the market.

INDIAN EQUITY MARKETS:

- **GMM Pfaudler: Q2FY25 Result Update**

Revenue from operation declined 14% to Rs 805.42 cr. in Q2 FY25 from Rs 937.48 cr. recorded in the corresponding quarter previous year. On QoQ basis it declined by 2.6%. EBITDA for this quarter was at Rs 93 cr. at a margin of 11.6%, which was at 15.1% in Q2FY24 and Rs 142 cr. in amount. PAT slipped 75% to Rs 17 cr. In Q2FY25 from Rs 70 cr in same quarter last year. Margin also slipped to 2.1% from 7.5% in Q2FY24. The order intake for this quarter was at Rs 762 cr. increased from Rs 626 cr. in Q2FY24, but down by 13.6% on QoQ basis.

The business environment remained challenging due to slowdown in the chemical and agrochemical sectors, but management is expecting it to bottom out but is not sure about how long it will take, maybe 2 - 3 quarters. The management noted a significant improvement in order intake from last quarter, especially in Heavy Engineering, Mixing, and Systems businesses. There are some capex plans by pharmaceutical companies, which makes management optimistic for prospects. Management is exploring new markets and industry segments, including metals and minerals, food and beverages, and fermentation. Commenting on the company's Q2FY results, Tarak Patel, MD said "while the outlook remains mute for this financial year, we continue to focus our efforts on strengthening our market share, reducing costs and improving efficiency". Management is expecting a flattish 3-4% revenue growth, and margin will under pressure for the next half of the financial year.

Particulars	Q2FY25	Q2FY24	YoY %	Q1FY25	QoQ %
Revenue from Operation	805	937	-14.1%	785	2.6%
EBITDA	93	142	-34.2%	89	5.6%
EBITDA margin	*11.6%*	*15.1%*	*-354 bps*	*11.3%*	*33 bps*
PAT	17	70	-75.4%	24	-27.6%
PAT margin	*2.1%*	*7.5%*	*-535 bps*	*3.0%*	*-89 bps*
Order Intake	762	626	21.7%	882	-13.6%
Order Backlog	1,773	1,705	4.0%	1,777	-0.2%

Segment Information

Total Income	Q2FY25	Q2FY24	YoY %	Q1FY25	QoQ %
India	196	235	-16.6%	213	-7.9%
Overseas	609	702	-13.3%	572	6.5%

Segment Information

PBT Margin	Q2FY25	Q2FY24	YoY %	Q1FY25	QoQ %
India	8.6%	12.7%	*-413 bps*	10.2%	*-165 bps*
Overseas	7.0%	12.6%	*-558 bps*	7.7%	*-74 bps*

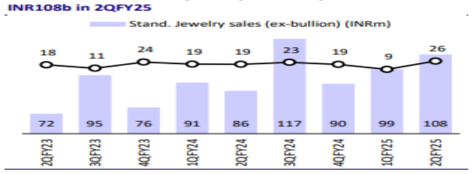
- **Titan: Q2FY25 Result Update**

Titan's consolidated revenue grew 16% YoY to INR145.3b (est. INR144.3b). Jewellery sales grew 15% YoY to INR127.7b (est. 127.1b) (ex-bullion sales grew by 27% to INR117.8b). Standalone sales (excl. bullion) grew by 26% to INR107.6b (est. INR102.9) and Caratlane's sales grew 28% YoY. The number of jewellery stores grew 20% YoY to 1,009. Watches, Eyewear, and Others segments clocked revenue growth of 19%, 7%, and 30% YoY.

After adjusting the customs duty effect, EBITDA grew 8% YoY to INR15.3b (est. INR16.4b) in 2QFY25. PBT declined 1% YoY to INR12.4b (est. INR14.3b) on higher interest (+ 71% YoY to INR2.4b) and higher depreciation (+19% YoY to INR1.7b). Adj. PAT was up 2% YoY to INR9.3b. Reported EBITDA/PBT/APAT (due to customs duty reduction) declined 12%/24%/23%.

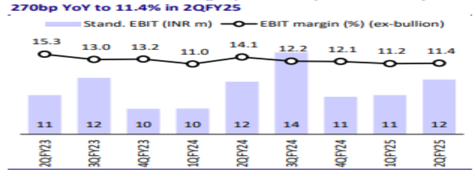
After adjusting the customs duty effect, 1HFY25 net sales grew 14%, EBITDA was up 9%, and APAT was down 2%. Titan management expects 2H will see better margins than 1H. They expect jewellery EBIT margin of 11% to 11.5% for FY25. Margin has been impacted due to one time inventory loss of 290 cr. caused by reduction in custom duty, lower studded mix and drop in demand for large-carat jewellery. There is also some delay in launching studded jewellery.

Exhibit 6: Stand. Jewelry sales (ex-bullion) rose 26% YoY to INR108b in 2QFY25



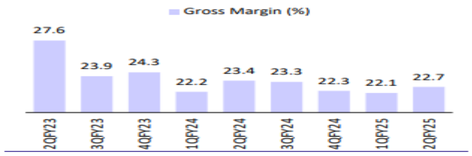
Sources: Company reports, MOFSL

Exhibit 7: Stand. EBIT margin (ex-bullion) contracted by 270bp YoY to 11.4% in 2QFY25



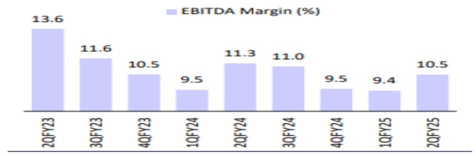
Sources: Company reports, MOFSL

Exhibit 8: Consol. gross margin declined 70bp YoY to 22.7%



Sources: Company reports, MOFSL

Exhibit 9: Consol. EBITDA margin down 80bp YoY to 10.5%



Sources: Company reports, MOFSL

- **Indian Hotel: Q2FY25 Result Update**

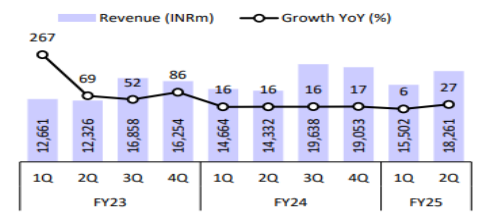
Indian Hotels (IH) reported a strong consolidated revenue growth of 27% YoY in 2QFY25 led by healthy demand across regions. Like for like revenue growth stood at ~16% YoY (ex. consolidation of TajSATS). Standalone business revenue grew ~16% YoY, driven by an increase in ARR (up 10% YoY) and better occupancy (up 150bp YoY). Management contract revenue rose 15% YoY to INR1b.

EBITDA for this quarter went up 41% to Rs 501 cr. vs Rs 355 cr. in Q2FY24, and 12% from the previous quarter. Margin expanded by 270 basis points to 27.5% in Q2FY25 vs 24.8% in Q2FY24. PAT went up 226% to RS 583 cr. versus Rs 179 cr. in Q2FY24 which included an exceptional gain of 307 cr. on TajSATS consolidation, removing impact of this one-time gain, PAT grew by 54% YoY.

IHCL continue to command premium over industry of 44% in ARR and 67% in RevPAR. IHCL's ARR and RevPAR were Rs 10,100 and Rs 7,200 respectively compared to industry averages of Rs 7,000 and Rs 4,300 respectively. 23 hotels signed and 6 opened in this quarter, crossing a total portfolio of 350 hotels, 232 operational and 118 in pipeline. 80% of pipeline portfolio will be under managed contracts, this will allow IHCL to increase scale while keeping the balance sheet lean leading to higher RoCE on an incremental basis.

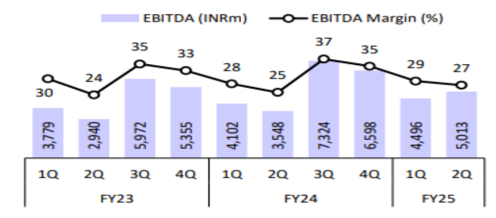
IH maintains its double-digit revenue guidance with new and reimagined businesses likely to accelerate the growth trajectory. We expect a strong performance in 2H, led by strong wedding seasons (~30% YoY higher wedding dates), increase in FTA, and healthy traction within the MICE segment aided by convention centres and favourable demand-supply dynamics.

Exhibit 1: Consolidated revenue trend



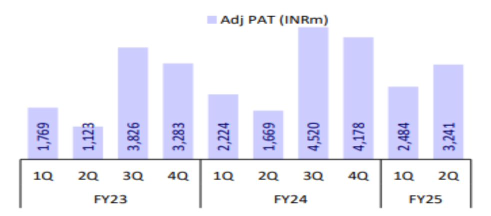
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



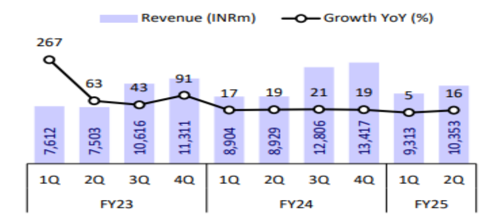
Source: Company, MOFSL

Exhibit 3: Consolidated adjusted PAT trend



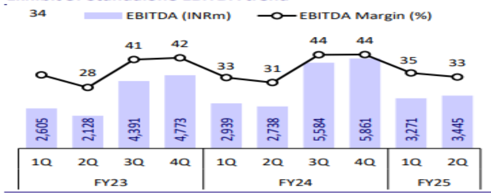
Source: Company, MOFSL

Exhibit 4: Standalone revenue trend



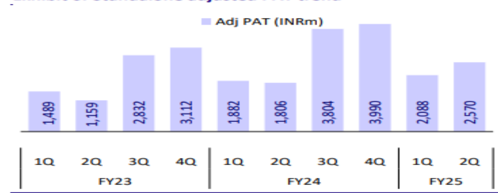
Source: Company, MOFSL

Exhibit 5: Standalone EBITDA trend



Source: Company, MOFSL

Exhibit 6: Standalone adjusted PAT trend



Source: Company, MOFSL

- ## PB Fintech: Q2FY25 Result Update

The company reported positive PAT in 4th consecutive quarter, driven by growth in health and life insurance premium, net profit grew to 55 cr. from -21cr in same quarter last year. Total insurance premium collection was Rs 5450 cr., a growth of 57%. Core Insurance New Premium grew 61% YoY, Health & Life Insurance New Premium grew 69% YoY. Adj. EBITDA margin improved to 5% from 2% from a year ago but remained steady on QoQ basis.

ARR renewal premium for second quarter was Rs 516 cr. which typically has 85% margins, this was Rs 436 cr. in Q2FY24. Credit business saw a decline in revenue in this quarter due to a slowdown in unsecured credit growth, even though loan disbursal remained flat at Rs 4237cr. Management will take some corrective action by controlling operating exp. We will need to be patient for a while before we receive more information regarding the PB Health venture.

GLOBAL NEWS:

- **[The US Fed announces another rate cut by 25 bps]**

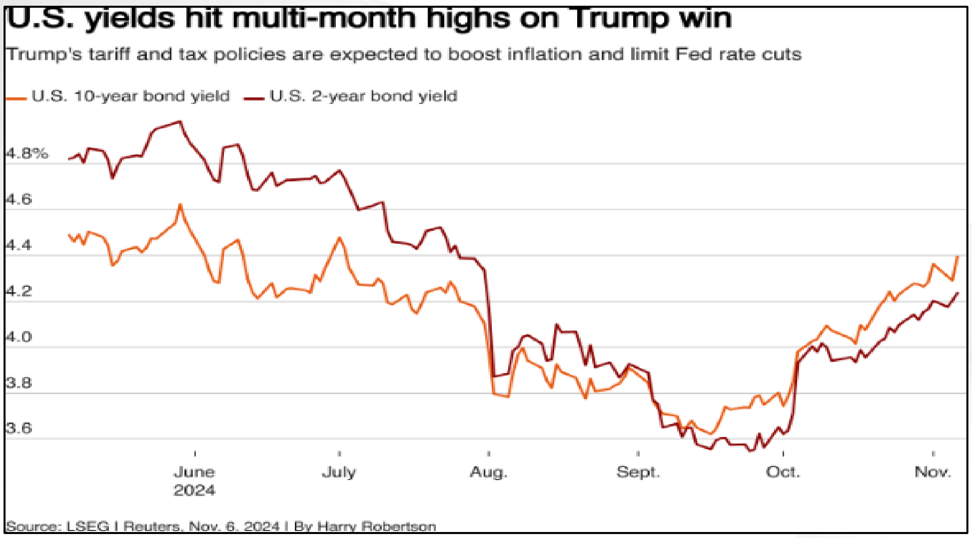
Earlier on Thursday, the Federal Open Market Committee (FOMC) decided to lower its policy interest rate by 25 bps continuing a shift towards monetary easing aimed at supporting economic stability, lowered the rate target to a range of 4.5 per cent to 4.75 per cent.

Fed Chair Jerome Powell stated "We continue to be confident that with an appropriate recalibration of our policy stance, strength in the economy and labour market can be maintained with inflation moving sustainably down to 2 per cent." And said they would be monitoring economic data while deciding whether they will go ahead for a final rate cut in December.

- **[Implications of US elections for global & US economy.]**

After the election of Republican candidate as the POTUS, the bond markets have reacted with a clear bear steepening. Bond markets generally react with a bear steepening when the uncertainty has grown substantially, hence to extend down the curve and face more interest rate risk investors are demanding higher term premium. Markets expect widening fiscal deficit which is also pushing bond yields higher.

The 10-year yield rose to 4.479%, its highest since July. The yield on the 30-year Treasury note last traded 16.5 bps higher at 4.612%, after earlier hitting 4.678%, the highest since late May.



Republicans have advocated cutting corporate income tax rates from 21% to 15% and deregulation which is likely to boost business optimism about growth and is likely to lift investment spending. Although rising geopolitical tensions across globe and aggressive Republican stance towards increasing tariffs on China could lead to further tensions which could have negative impact on global growth and global trade.

Commodity

Gold - International gold prices increased by 0.43% to close at $2,747.6/Oz
Silver - International silver prices decreased by 3.51% to close at $31.3/Oz
Brent Crude - International crude prices increased by 0.88% to close at $73.97/bl

Indian Equity Benchmarks

INDEX	8th Nov'24	1st Nov'24	Change%
SENSEX	79,486	79,724	-0.30%
NIFTY 50	24,148	24,305	-0.65%
NIFTY Bank	51,561	51,674	-0.22%
NIFTY Mid Cap 150	20,920	21,021	-0.48%
NIFTY Small Cap 250	17,634	17,939	-1.70%
US 10 Yr. bond yield	4.31%	4.39%	-1.85%
India 10 Yr. bond yield	6.77	6.841	-1.04%
INR/USD	84.395	84.13	0.31%

Latest Indian Economic Numbers

Name	Value	Name	Value
Nominal GDP- Q1FY25	Rs 77.31 lakh crore	Nominal GDP- Q4FY24	Rs 78.28 lakh crore
CPI (Sep'24)	5.49%	CPI (Aug'24)	3.65%
WPI (Sep'24)	1.84%	WPI (Aug'24)	1.31%
Mfg. PMI (Oct'24)	57.4	Mfg. PMI (Sep'24)	56.5
FII Net Outflow - Week ended 8th Nov'24		Rs 19,849.53 crores	
DII Net Inflow- Week ended 8th Nov'24		Rs 14,014.18 crores	
Indian Fx Reserves - Week ended 8th Nov'24		$682.13 billion (8th Nov)	$684.8 billion (1st Nov)