

WEEKLY SPOTLIGHT – 28th October 2024

INDIAN MACRO NEWS:

- **IMF retains India's GDP growth forecast at 7% for FY25, 6.5% for FY26**

The IMF retained its growth rate projects for India of 7% in current FY and 6.5% in next FY by highlighting that the pent-up demand during pandemic is diminishing as the economic returns to its potential. The IMF in its update raised the growth rate for the US in 2024 while holding overall global growth steady. For the US, the forecast for growth this year was increased to 2.8 per cent from 2.6 per cent in its July estimate while also raising the 2025 projection to 2.2 per cent from 1.9 per cent. Global growth remained at 3.2 per cent this year and next. The growth rate for China was reduced to 4.8 per cent from 5 per cent previously but remained unchanged at 4.5 per cent for 2025.

- **Indian manufacturers aims for multi fold profit growth as per PwC report:**

According to PwC India's recent report, Industry 5.0 could help Indian manufacturers boost profits by 2-3 times in 3-5 years. This next industrial phase emphasizes a human-centered approach, sustainability, and digital technologies, such as AI and IoT, to optimize production. Over 50% of companies are investing in renewable energy, while 46% focus on cybersecurity and supply chain resilience. Despite automation, Industry 5.0 is expected to enhance workforce collaboration with technology, not replace it. Key growth areas include chemicals, cement, and textiles.

INDIAN EQUITY MARKETS:

- **ITC: Q2FY25 Result Update**

ITC has delivered an excellent growth of 16.7% on a YoY basis during the quarter on the back of growth hotel and Agri business. Few of the segments like Hotel and paper experienced major operating margin contraction, otherwise all segments reported margin contraction, which weighed on the overall margins, which contracted by 370 Bps on a YoY basis. Margin contraction in hotel business is temporary but paper business continues to struggle on the margin front.

Particulars (Rs. Cr)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1 FY25	H1 FY24	YoY (%)	Comments
Revenue	20,736	17,774	16.7%	18,457	12.3%	39,193	34,939	12%	Revenue growth driven by Agri & Hotel business
Gross Margin %	56%	60%	-433 Bps	61%	-463 Bps	58%	61%	-294 Bps	Due to higher share of low margin Agri portfolio, and higher raw material prices (leaf & wood)
EBITDA %	33%	36%	-370 Bps	37%	-395 Bps	34%	38%	-309 Bps	Margin contraction across all segments

EBIT %	30%	34%	-366 Bps	34%	-376 Bps	32%	35%	-313 Bps	
PAT (Shareholder)	4,993	4,898	1.9%	5,092	-1.9%	10,084	10,003	1%	
PAT %	24%	28%	- 348 bps	28%	- 351 bps	26%	29%	- 290 bps	

- **Pidilite industries: Q2FY25 Result Update**

- Consol. sales grew at a slow pace of 5% YoY (4% in 1QFY25) to INR32.4b (est. INR32.9b), partially impacted by extended monsoon. The Underlying Volume Growth (UVG) remained strong at 8% growth (9.6% in 1QFY25). UVG was 6% for the C&B businesses and 21% for B2B businesses, led by the industrial and project verticals.
- **Segmental performance:** The Consumer & Bazaar (C&B) segment revenues rose 3% YoY to INR25.8b (est. INR26.1b), EBIT grew 11% YoY to INR7.7b (est. INR7.6b), and EBIT margins expanded 220bp YoY to 29.9%. B2B segment revenues grew 14% YoY to INR7.0b (est. INR6.5b), EBIT rose 52% to INR1.0b (est. INR0.7b), and EBIT margins expanded 370bp YoY to 14.8%.
- **Margin expansion:** Gross margins expanded ~300bp YoY to 54.4% (est. 53.3%) on benign RM prices. As a percentage of sales, employee expenses increased by 170bp YoY to 13.5% and other expenses declined 30bp YoY to 17.1%. EBITDA margin expanded 170bp YoY to 23.8% (est. 23.2%).
- **EBITDA up 13% YoY:** With GM expansion, EBITDA grew 13% YoY to INR7.7b (est. INR7.6b). PBT grew 16% YoY to INR7.3b (est. INR7.2b). Adj. PAT increased 18% YoY to INR5.4b (est. INR5.3b).

- **SBI Life: Q2FY25 Result Update**

- SBI Life Insurance (SBILIFE) reported a weak performance in 2QFY25. APE grew 3% YoY to INR53.9b (11% miss). For 1HFY25, it grew 9% YoY to INR90.3b.
- Absolute VNB declined 3% YoY to INR14.5b (14% miss). For 1HFY25, it grew 3% YoY to INR24.2b. The management expects VNB growth to remain in the range 12-15% in FY25.
- VNB margins came in at 26.9% vs. 28.5% in 2QFY24 and 26.8% in 1QFY25 (est. 28%).
- However, the management expects margins to remain in the range of 26-27% in FY25 on the back of new product launches in the protection segment and a minimal impact of surrender charges.
- In 2QFY25, shareholder PAT grew 39% YoY to INR5.3b (in line). For 1HFY25, it grew 38% YoY to INR10.5b.

GLOBAL NEWS:

- **IMF predicts global public debt will be at 93% of GDP by end of 2024:**

The IMF's latest *Fiscal Monitor* report, released in October 2024, highlights that global public debt levels are on track to exceed \$100 trillion this year, with projections indicating a further rise over the medium term. The IMF attributes this growth primarily to pandemic recovery costs, ongoing inflation, geopolitical tensions, slowing economies of major players like China and increased borrowing in various countries. The report underscores a particular

challenge for middle- and low-income nations, where interest payments on debt are expected to consume significant portions of government revenue.

The IMF suggests that failing to manage these debt levels could result in heightened risks to global financial stability, especially if countries resort to more aggressive borrowing.

- **European central bank rate cuts reflect inflation easing:**

The ECB recently cut interest rate by a quarter-point, setting the rate to 3.25%, marking the third cut in just five months. The decision, made during a meeting in Ljubljana, Slovenia, was driven by a significant easing in eurozone inflation, which dropped to 1.8% in September. This is below the ECB's 2% target, signalling that the intense inflationary period might be nearing its end. In addition to combating low inflation, the ECB aimed to support the eurozone's slowing economic growth.

Commodity

Gold - International gold prices **increased by 1.0%** to close at \$2,747.69/Oz

Silver - International silver prices **increased by 0.13%** to close at \$33.70/Oz

Brent Crude - International crude prices **increased by 4.1%** to close at \$76.05/bl

Indian Equity Benchmarks			
INDEX	18-Oct-24	11-Oct-24	Change%
SENSEX	79,402	81,225	-2.24%
NIFTY 50	24,181	24,854	-2.71%
NIFTY Bank	50,787	52,094	-2.51%
NIFTY Mid Cap 150	20,564	21,756	-5.48%
NIFTY Small Cap 250	16,956	18,237	-7.02%
US 10 Yr. bond yield	4.232	4.075	15.7 bps
India 10 Yr. bond yield	6.845	6.809	3.6 bps
INR/USD	84.095	84.065	-0.04%

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 (Sep'24)	56.5	Mfg. PMI (Aug'24)	57.9