

TOP DOWN & BOTTOM UP

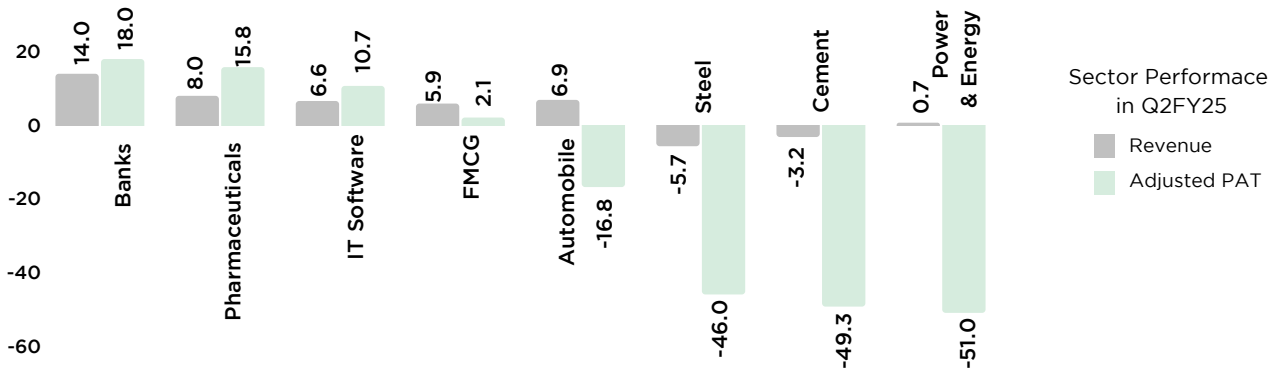
BSE Mcap: ₹445.6 tn | Composite PMI: 59.1 | GST Collection: ₹1.9 tn | Forex Reserves: \$685 bn

THE SIGNS OF SLOWDOWN

Macro Data



- ▲ RBI lowered its Q2 GDP growth forecast, reducing it from 7.2% to 6.8%
- ▲ 1129 companies that reported results in Q2FY25 (as of 5th November) ; combined revenue growth at 8% and PAT decline by 2.8%



- ▲ Corporate India's capacity utilisation falls off 44-quarter peak of 76.8%, muting at 74% in Q1FY25

Consumption Slowdown



POWER & ENERGY

- ▲ Diesel sales were flat in Oct, volumes expanded by just 1.8% in the first 10 months, slowest pace since 2020
- ▲ India's peak power demand in Oct'24 was 219.2 GW, a 1% decline YoY. DAM price in Oct'24 at Rs 3.92/unit, a 39% YoY drop

INFRASTRUCTURE & CAPEX

- ▲ Government capex falls by 15% YoY in the H1FY25 & CPSE capex falls 11% during the same period
- ▲ Jio and Airtel are delaying further expansion of their 5G networks due to low capacity utilization and pending monetization
- ▲ India's cement producers reduced their FY25 growth outlook, due to extreme weather, slowed government spending, & election-related labour shortages
Major cement manufacturers reported decline in margins in the Sep quarter, mainly on account of lower prices

Consumption Slowdown



REAL ESTATE

- ▲ Sales in top 30 tier-II cities have fallen by 13% in Q2FY24 while new launches have declined by 34%

RETAIL

- ▲ Festive sales growth reached approx. 15% YoY, down from 32% in 2023 and 88% in 2022, suggesting a tapering off from post-pandemic consumption surge
- ▲ HUL, Godrej, Marico, ITC, and Tata Consumer Products, have reported a decline in margins for September Quarter due to higher input costs & food inflation
- ▲ Consumer durable and automobile makers witnessed an increase in logistic costs with shipping expenses surging upto 200%
- ▲ QSRs in India are facing profitability challenges this festive season due to high prices of edible oils, vegetables, and wheat
Same-store sales declined 8% at KFC restaurants & fell 3% at Pizza Hut stores across the country
- ▲ Nokia reported 8% decline in sales, largely attributed to a weaker market in India
Co suffering from operators cutting back on investments in 5G due to economic uncertainty and high financing costs
- ▲ Dmart faces pressure from quick commerce. SSG slipped to 5.5% in Q2FY25, lower than 8.6% seen year-ago and 9.1% reported in Q1FY25

AUTO

- ▲ Even on a low base of Oct-23 (Shradh month) & on a very high growth month of Oct-24 (convergence of all major festivals i.e. Navratri, Dusshera & Diwali); YTD numbers of auto sector remained subdued
OEMs continue to stock dealers, resulting inventory levels at a high of 75-80 days

Category	Oct YoY Growth %	YTD Growth %
PV	32.4%	6.6%
CV	6.4%	0.5%
2W	36.3%	13.5%
3W	11.5%	8.2%
TRACTOR	3.1%	-7.4%

URBAN

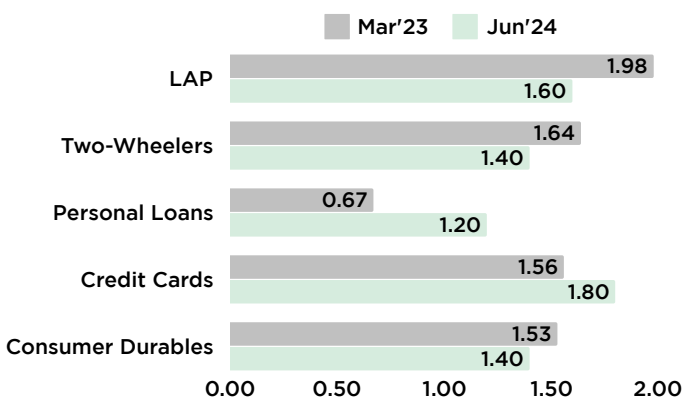
- ▲ Consumer companies in India are struggling with declining urban middle-class spending due to inflation and unemployment
RILs retail arm, HUL, Nestle, Maruti Suzuki, Bajaj Auto have flagged concerns over softer demand in urban consumption
- ▲ Urban consumption growth in Q2 was 2.8%, while rural growth increased to 6.0%, 2x faster growth than Urban
- ▲ RBI is 'watchful' of unsecured loan flows potentially entering into stock market
Heavy losses incurred in F&O by individual traders could also have an impact on urban consumption slowdown

Credit Slowdown

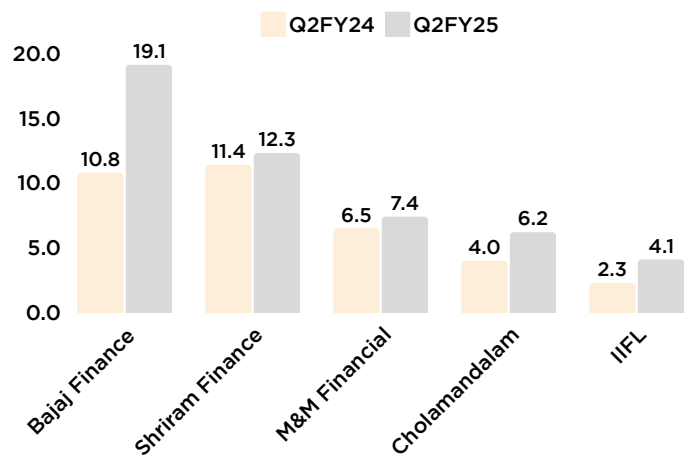


- ▲ Banks' personal loan growth halved to 12.1% in Sep-24 from a year ago. Banks' credit grew at 14.4% YoY in Sep-24, slower than the 15.3% increase in Sep-23
A rise in defaults by over-leveraged small borrowers is hitting India's top lenders
- ▲ Pockets of stress build again in shadow banks. Most NBFCs posted higher delinquencies on unsecured loans in their Q2 earnings.; made more provisions and had lower profits than expected

Under Stress (in %)



Provisions for NBFCs increasing (%)

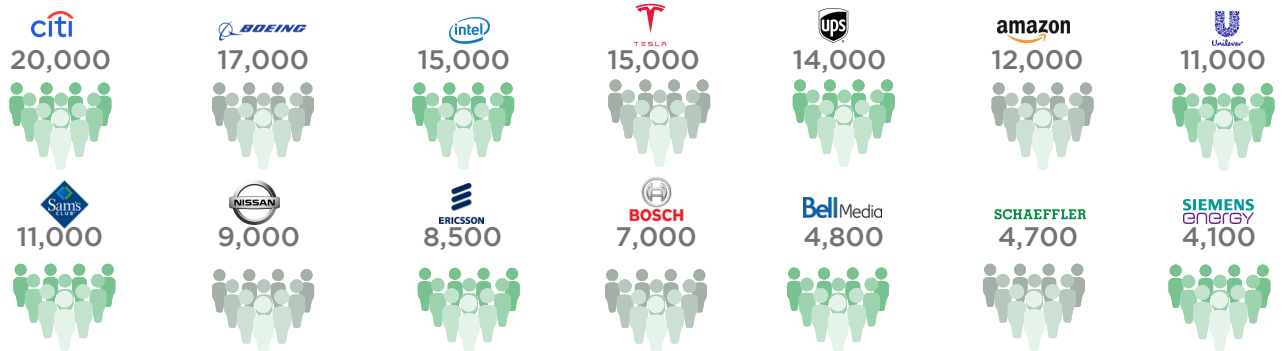


- ▲ Large private banks see corporate loan contraction in Q2FY25; target higher yielding corporate bonds & other SME loans
- ▲ New credit card issuances have decreased by over 64% YoY in Sep-24 & delinquencies might be reaching 6%, a level not seen in years

Global Slowdown



- ▲ U.S. budget deficit grew to \$1.8 tn for fiscal 2024, highest outside of COVID era, as interest on the federal debt exceeded \$1 tn for the first time, a 29% YoY increase
- ▲ Since Jan 2024, 4975+ companies have announced mass layoffs



- ▲ Luxury brands report 16% Asia sales drop and 6% revenue decline from China as economic woes weigh, though government stimulus targets revival
LVMH, Estée Lauder, Richemont, Kering reported decline in sales due to slowdown in luxury in China

STRAIGHT FROM THE HORSE'S MOUTH

 <p>RBI Governor</p>	<p>"Some high-frequency indicators have, however, shown a slackening of momentum in the second quarter of 2024-25, partly attributable to idiosyncratic factors like unusually heavy rains in August and September"</p>
	<p>"It is extremely clear that the market is facing muted demand. The growth in F&B sector, which used to be in double-digits a couple of quarters ago, is now down to 1.5-2 per cent"</p>
	<p>"Steel companies will find it difficult to support significant expansion in the coming quarters if the price of steel does not recover" ; "At current steel prices, margins don't justify investments"</p>
	<p>"Motorcycle sales in the ongoing festive season so far are below expectations as demand is muted and the industry will be lucky if it sees 3-5 per cent growth compared to last year. The responses in the motorcycle industry are a little bit muted in the sense that we thought that about 6 to 8 per cent growth will be there in the festive period, but it is not that much. It is 1-2 per cent, almost very similar to last year, same period"</p>
	<p>"The demand environment remains challenging across retail and mass consumption categories. Community related external issues have been prolonged, particularly impacting dining traffic. Furthermore, erratic weather patterns are not just impacting business operations, but also leading to heightened volatility of input costs"</p>
	<p>"GCPL has had a good quarter given the headwinds of oil costs & tough consumer demand in India. Standalone EBITDA margin at 24.3% is at the lower end of our targeted band and is caused entirely by high inflation on palm oil"</p>
	<p>"The cement prices declined during Q2 due to weak demand scenario, particularly in South and Eastern markets. These markets saw a decline of 5% to 7% Q-o-Q and about 10% to 12% on Y-o-Y basis"</p>
	<p>"Among the middle and the lower middle class in urban, food inflation and muted sentiment overall has affected the consumption"</p>
	<p>"Credit costs were elevated as due to increase in delinquencies driven by industry stress and as the company decided to provide additional Macro enabled overlay of 312.4 million in Q2"</p>
	<p>"Consumer sentiment has remained relatively muted. This coupled with seasonality has meant that retail businesses have faced headwinds"</p>
	<p>"As we have been pointing maybe for three quarters now. There has been enhanced increased delinquency. So, the Bank has taken a conservative contingency provision of Rs. 315 crores"</p>

INDIA UPDATE

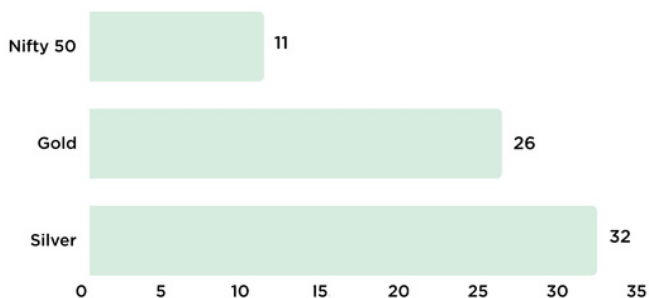
▲ India to join FTSE Russell EMGB index starting September 2025

Bonds to constitute 9.35% of index on a market-value weight basis

▲ India signs \$4 bn deal to procure 31 US Predator drones

Aims at enhancing combat capabilities of Indian military

YTD Returns (as of 31st October) in %



▲ Gold prices touched an all time high of ₹81780 per 10 grams in October

▲ Silver prices touched an all time high of ₹100000 per kg in October

▲ UPI volume up 52% in H1CY24, transaction value rises 40% to ₹116.6 tn

▲ Govt repurchases ₹244.5 bn worth of bonds through buyback auction

Kharif agriculture production (mn tonnes)

Company Name	2024-25	Change(%)
Rice	119.93	5.9
Maize	24.54	10.3
Total foodgrains	164.7	5.7
Total pulses	6.95	-0.3
Total oilseeds	25.74	6.5
Sugarcane	439.93	-2.9
Cotton	29.92	-8.0
Jute	8.45	-12.8

▲ Govt approves railway project worth ₹45.5 bn for north Bihar

▲ Aadar Poonawala to acquire 50% of Dharma Productions for ₹10 bn

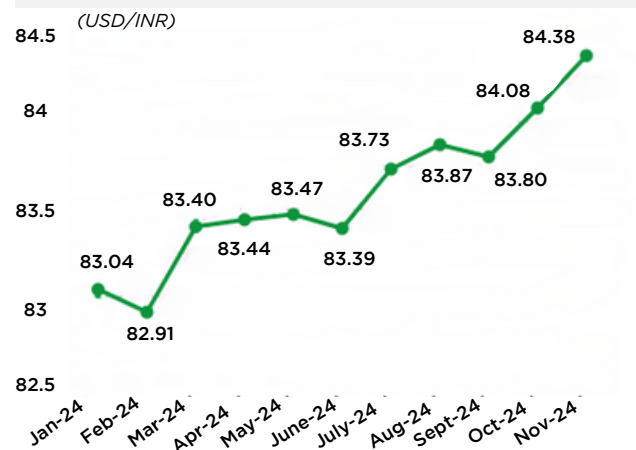
▲ Allianz considering an exit of its 26% stake from Bajaj insurance JVs

▲ Airbus to double sourcing from India to \$2 bn annually over next couple of years

Co has more than 100 suppliers in India currently

▲ India to invest ₹920 bn in airport expansion, targets 200 airports by 2025

▲ Indian rupee drops to all-time low of ₹84.38 on bullish dollar outlook



▲ India's drug pricing regulator increases ceiling price of 11 drugs by 50%, in a bid to ensure availability

Includes drugs for asthma, glaucoma, thalassemia, tuberculosis and mental health disorders

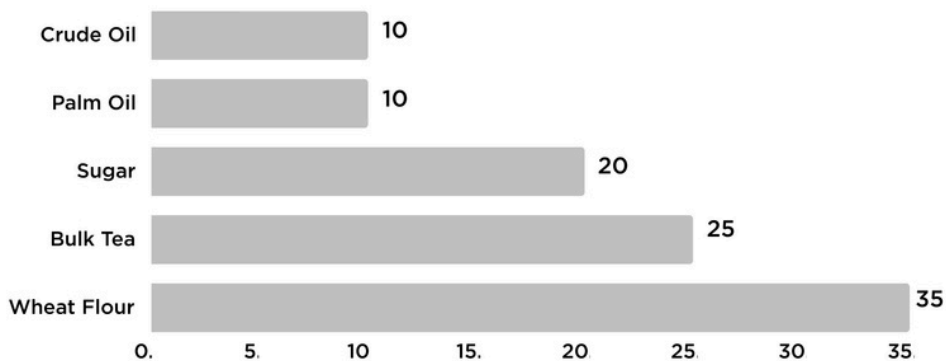
▲ HUDCO to lend ₹110 bn for Amaravati greenfield capital construction

▲ Raymond Lifestyle plans major workforce expansion, to hire 9,000 workers for new stores

INDIA UPDATE (Contd...)

Inflation on the rise

- India's retail inflation surged to a nine-month high of 5.5% in September. Food inflation shot up to 9.2% in September from 5.7% in August
- Price hike to cope with inflation:
 - Bluedart express to take a 9-12% price hike effective Jan 2025
 - Gati announced a 10.2% average GPI effective Jan 2025, for its Express Distribution services
 - Jio and Airtel increased mobile service rates in July 2024, with Jio's hikes ranging from 12-25% and Airtel's ranging from 11-21%
 - Cable operators have begun 5-10% tariff hike amid rising costs from broadcasters
 - Jet fuel sees 3.3% hike; commercial LPG rates rise by ₹62
- FMCG Cos hint at price hike with rising prices of commodity inputs such as palm oil, coffee and cocoa

Recent Price Rise In Raw Materials (in %)

GOVT. INITIATIVES

- ▲ Cabinet approves 3% DA hike for govt employees, now DA to be 53% of basic pay

Total financial burden on the exchequer due to the DA and DR revisions will be ₹95 bn annually

- ▲ Cabinet approves supply of fortified rice under welfare schemes till Dec 2028 at cost of ₹171 bn

- ▲ Govt approves ₹350 bn for PM Annadata Aay Sanrakshan Abhiyan

- ▲ AP government rolled out a new liquor policy aimed at boosting revenue by ₹300 bn, curbing illegal trade

UP cabinet approves bio plastic policy:

- Benefits for investments in manufacture of biodegradable and compostable plastic
- Projects worth ₹10 bn or more will get 50% subsidy for 7 years
- 100% reimbursement of state GST for 10 years
- No duties to be levied on electricity supply
- Benefits to not exceed 2% of investments made over 10 years

COMPANY UPDATE

Power & Energy

- Tata Power is seeking bids for supply of wind turbines with a capacity of over 3GW
- Torrent Power receives LOA from MSEDCL for long-term supply of 2,000MW energy storage capacity
- JSW Energy signs 40 year agreement for 1,500 MW energy storage agreement with MSEDCL
To receive a fixed capacity charge of ₹8.46 mn per MW per year
- Tata Power Approves ₹56.6 bn for 1,000 MW pumped storage project
Overall capacity at 15.2GW currently
- Mahagenco-NTPC consortium has emerged as leading bidder at ₹38 bn, to take over 1,350 MW Sinnar Thermal Power plant
- Tata Power acquires 40% stake in Khorlochhu Hydro Power for ₹8.3 bn

Oil & Gas

- GAIL cuts APM gas allocation by:
 - 16% for Adani Total Gas
 - 21% for IGL
 - 20% for Mahanagar Gas
- Will reduce margins of CGD players as they will have to procure gas from costlier sources*

Real Estate

- Prestige Group acquires 17.5 acres of land in Whitefield, Bengaluru for ₹4.6 bn
Potential to develop residentials across 2.7 mn sqft
- Kalpataru Projects to sell 100% stake in Vindhyachal Expressway for ₹7.7 bn

Automobiles & Auto Ancillaries

- Mercedes-Benz car sales in India grew over 13% to 14,379 units in Jan-Sep 2024
- Tata Motors to supply 1,000 units of Tata diesel bus chassis to UPSRTC
- Ashok Leyland secures order for 500 e-buses from Chennai MTC

Construction & Infrastructure

- Ambuja Cement acquires 46.8% stake in Orient Cement at ₹81 bn equity value
Acquisition adds 16.6 MTPA

Banks & NBFCs

- RBI orders ban on sanction and disbursal of loans from four NBFCs
 - Asirvad Micro Finance Ltd, Arohan Financial Services Ltd, DMI Finance Pvt Ltd and Navi Finserv Ltd
 - Weighted average lending rate and Interest spread charged over cost of funds found to be excessive
- HDFC Bank approves ₹125 bn IPO for its NBFC- HDB Financial
HDFC Bank to sell about ₹100 bn stake, HDB to issue fresh equity worth ₹25 bn

Telecommunication

- Vodafone Idea inks network deal worth ₹140 bn with Ericsson, Nokia, Samsung
To buy equipment over 3 years for 4G expansion and 5G roll out
- Bharti Airtel signs multi-billion dollar 5G equipment contract with Ericsson

Two Wheeler Performance	Oct'24	Sept'24	MoM	Y-o-Y	Apr-Sept	Y-o-Y
Hero Motorcorp	657403	616706	6.6%	▲ 17.4%	29,40,666	▲ 9.7%
Honda	597711	583633	11.4%	▲ 21.0%	3158377	▲ 32.4%
TVS Motor Co.	344957	369138	-6.6%	▲ 13.0%	22,46,000	▲ 15.2%
Bajaj	255909	259333	-1.3%	▼ -8.0%	12,19,298	▲ 16.0%
Royal Enfield	101886	86978	17.1%	▲ 26.0%	4,54,779	▼ -0.5%

CAPEX UPDATE

Power & Energy

- Avaada to invest ₹136 bn in MIDC, Nagpur solar plant
- Adani Group plans 10 GW overseas hydroelectric projects

Electronics and Electricals

- Foxconn to infuse ₹130bn to set up factory in Tamil Nadu for assembly of smartphone display modules
Expected to generate 14k jobs
- Hitachi Energy plans ₹20 bn investment in India in next 5 years

Construction & Infrastructure

- IndoSpace to invests ₹45 bn in Tamil Nadu logistics parks over 3 years
- Dalmia Cement to set up ₹30 bn plant in Madhya Pradesh
To be first cement plant in India to run entirely on renewable energy

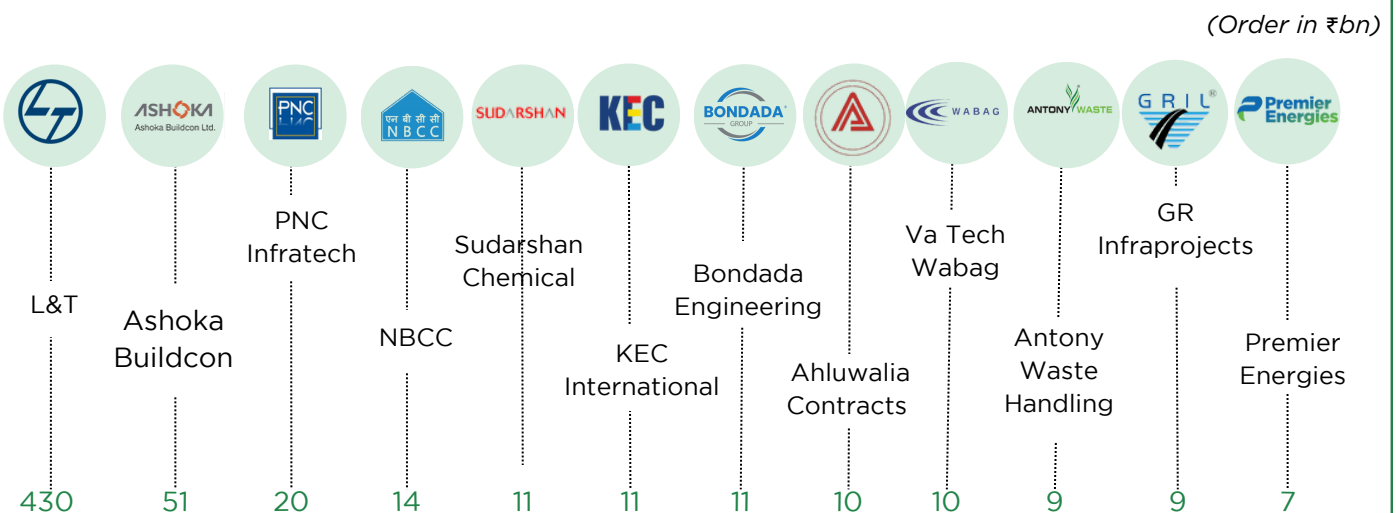
Defence

- Reliance Infra to invest ₹100 bn in India's largest defence project in Maharashtra over 10 years
Co. granted 1000 acres of land to develop Dhirubhai Ambani Defence City

Telecommunication

- HFCL to set up facility in NCR for manufacture of telecom and network products

ORDERBOOK INFLOW UPDATE

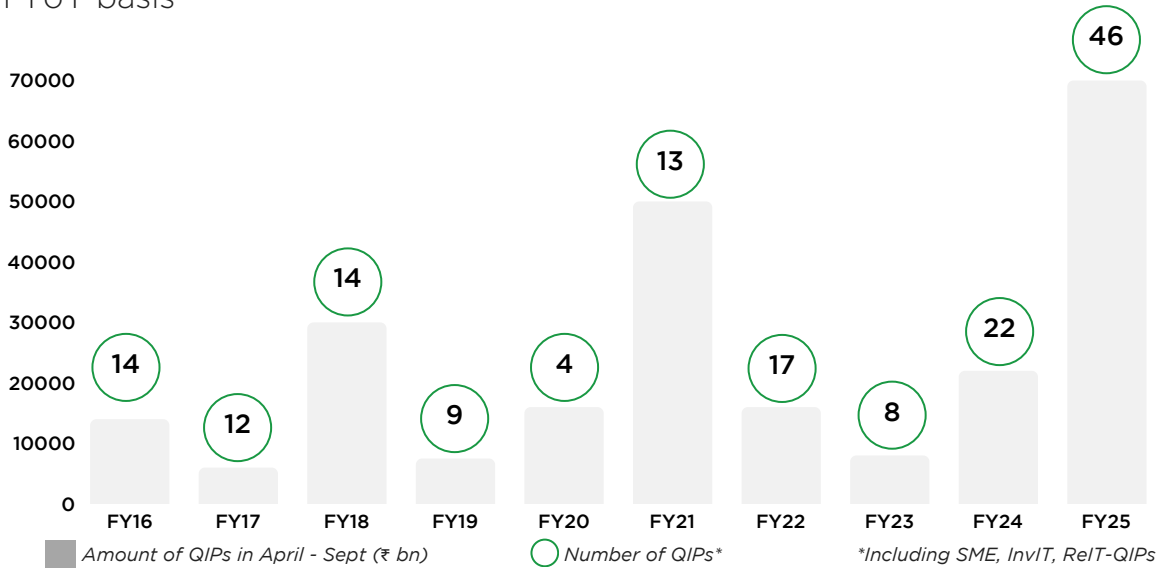


CAPITAL MARKET UPDATE

- ▲ To curb F&O frenzy, SEBI came up with some big changes in F&O trading (wef 20-Nov-24):
 - Limit weekly contracts to just one major index per exchange
 - Minimum investment for index derivatives from ₹5-10 lakhs to ₹15-20 lakhs
 - Increase in exposure margin by 2% on the day of expiry for short option contracts

CAPITAL MARKET UPDATE

▲ Fundraising via QIP at a 10-year record high of ₹697.3 bn in H1 FY25, 180% growth on YoY basis



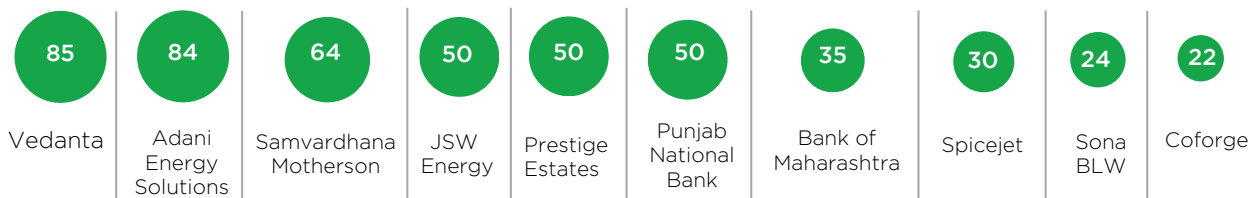
Major IPOs Concluded During October

Company Name	Date	Price Range (₹)	Issue Size (₹ bn)	Gains Since Listing
Hyundai Motor	Oct 15, 2024	₹ 1865-1960	278.7	-0.2%
Waaree	Oct 21, 2024	₹ 1427-1503	43.2	7.6%
Afcons Infrastructure	Oct 25, 2024	₹ 440-463	54.3	3.5%
Deepak Builders & Eng.	Oct 21, 2024	₹ 192-203	2.6	-3.5%
Garuda Construction & Eng.	Oct 8, 2024	₹ 90-95	2.6	-17%



Locked-in shares worth ₹1.58 tn of 48 companies that got listed recently will be lifted between now and end of 2024

Top QIPs in H1F25



▲ Sebi approves creation of a new asset class that will bridge gap between MFs & PMS

▲ FII sell-off surpasses ₹1000 bn in October 2024, highest in 4.5 years
Key triggers were high valuations & muted Q2 results

Bull run takes personal loans against shares to record highs. O/s loans against shares & bonds rise to ₹97 bn, up 27% y-o-y by Aug-24



INTERNATIONAL UPDATE

- ▲ Wage inflation to hit companies globally:
 - Boeing offers 38% pay hike over 4 years to end 7 week strike
 - Samsung India workers reached a settlement with wage increase of INR 5000/month
 - 1000s of German workers initiated nationwide strikes, primarily aimed at demanding significant wage increases, impacting major cos like Porsche, BMW, & Mercedes
 - US port workers won a 62% wage increase over 6 years after a strike that disrupted supply chains and halted shipping operations
 - Japan's largest labour union group might seek wage hikes of at least 5% in 2025, similar to this year's hefty increase
- ▲ Short selling in Hong Kong falls to 9.7% of market's total, lowest since 2021 in October
- ▲ China's property market shows signs of recovery as deals surge
Shanghai, Beijing and Shenzhen record multi-month highs in property transactions
- ▲ China buybacks (\$49 bn) exceeded equity financing (\$48.8 bn) for the first time this year
- ▲ Maersk sees no return to sailing through the Suez Canal until 2025 due to the threat of Red Sea attacks. Higher container freight rates to continue
- ▲ Nearly 80% of the listed companies in China reaped profits in Q3; Cos reported a 4.9% increase in net profits for Q3 of 2024
Reversing trend of rising revenue and muted profit growth that has persisted for several years
- ▲ GIC is looking to sell its 50% stake in Greenko for \$5 bn

Implications of Donald Trump's win as President of the US

Key points in Trump's manifesto:

- Reduce corporate income tax rates from 21% to 15% for US producing domestically
 - Impose 10-20% across-the-border tariffs and 60% on Chinese goods
 - Reduce regulations on the auto industry, cancelling electric vehicles requirements, and prevent the import of Chinese vehicles
 - Deregulate energy production and build a wide range of sources of electricity
 - Promote homeownership through tax incentives and support for first-time buyers
- These tariffs hikes could be inflationary, negatively affecting consumer demand and hit US manufacturers dependent on global imports*

Implications on India

- Indian major exporting sectors i.e. IT & Pharma could get affected negatively
- Indian currency might weaken as the dollar becomes stronger
- Policies on the H-1B visa policy could have a significant impact on India's IT sector



Berkshire Hathaway now has a record \$325 billion cash on hand; more than the GDP of many economies

INDIA ECONOMIC DATA

Economic Indicator	Sept'24	Aug'24	Sept'23	MoM	YoY
WPI Growth	1.8%	1.3%	-0.3%	41.5%	700%
CPI Growth	5.5%	3.7%	5.0%	50.4%	9.4%
Core Sector Growth	2.0%	-1.8%	8.1%	-211.1%	-75.3%
Trade Deficit (in bn\$)	20.8	29.7	19.4	-30.0%	7.4%

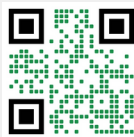
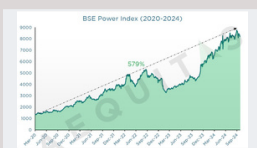
Economic Indicator	Sep'24	Aug'24	Sep'23	MoM	YoY
Composite PMI	59.1	58.3	58.4	1.4%	1.2%
GST Collection (in ₹tn)	1.9	1.7	1.7	11.8%	11.8%
AVG USD INR	84.1	83.8	83.2	0.3%	1.1%
Forex Reserves (US\$ bn)	684.8	704.9	586	-2.9%	16.9%
Air Passenger Traffic (mn)	13.9	13.0	12.6	6.5%	9.9%

In October, among global peers, India saw the highest FPI outflow at 10 Bn USD & Japan saw the highest FPI inflow at 17 Bn USD (data excl. China)
Source: Business Line

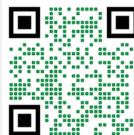


*All the numbers are rounded to a single decimal place

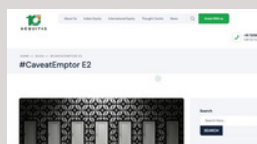
AEQUITAS: WHAT'S TRENDING



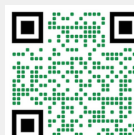
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