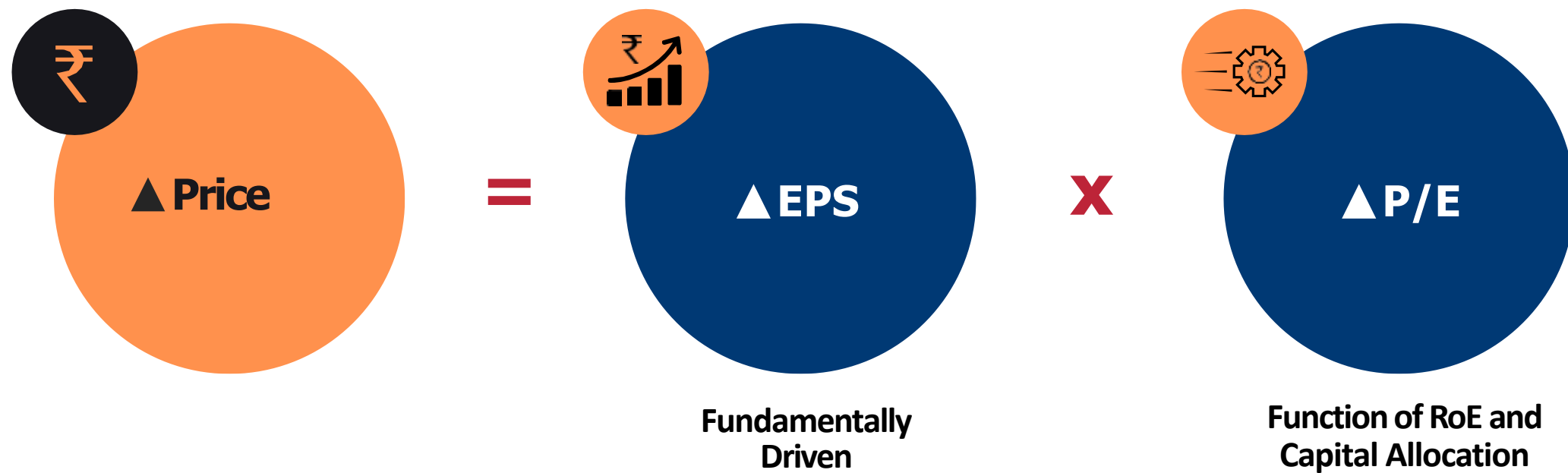


October 2024 Newsletter



Presented By:
Moneyvesta Capital

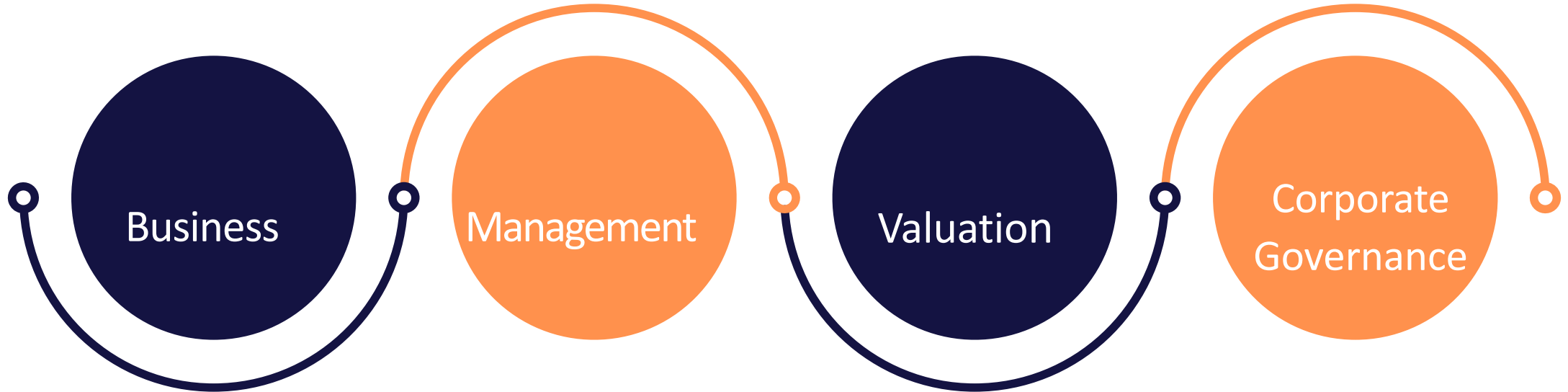
1) Drivers of Stock Price



Price Benefitting from Both Earnings growth & P/E rerating.
For earnings growth... Change in P/E is function of RoE and capital allocation.

2) Investment Framework

In search of companies with meaningful earnings growth and sustainable competitive advantage



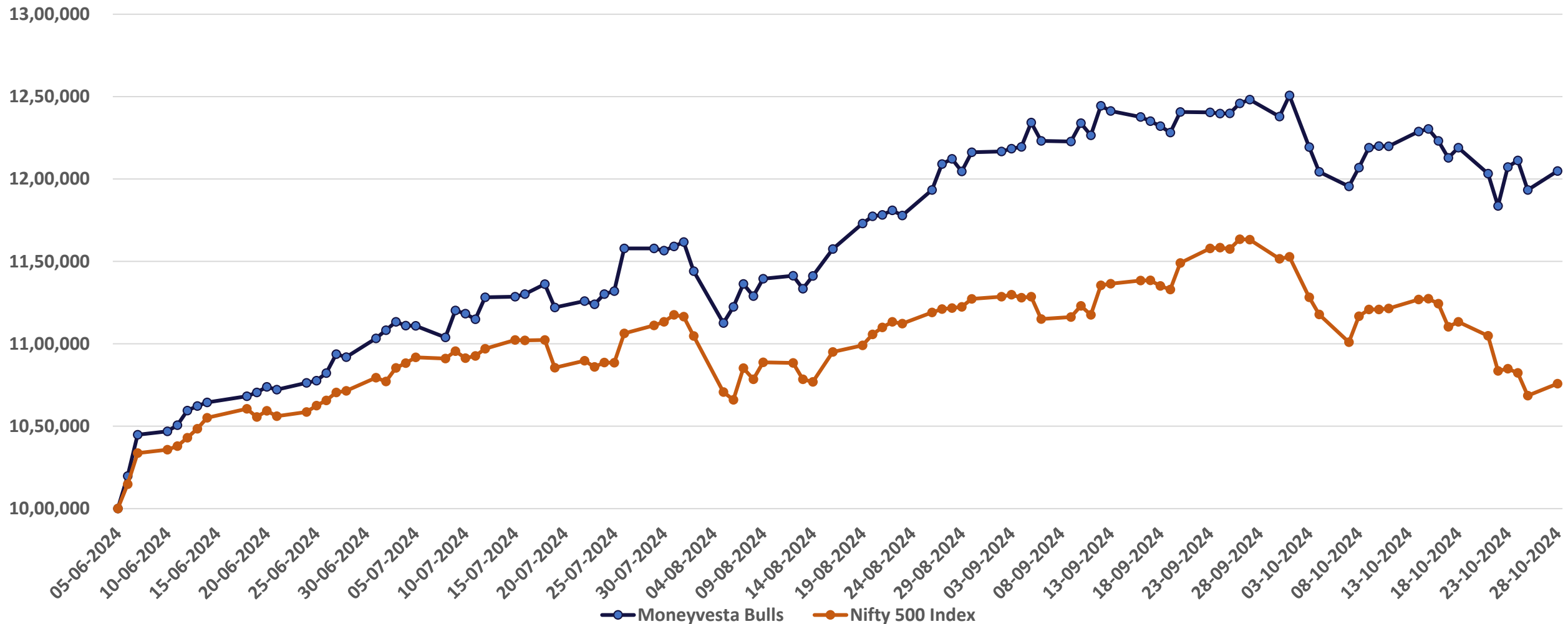
Aims to Identify Prominent businesses, with Competent Management, at Reasonable Valuations

The strategies offered by the Investment Manager may or may not follow the above framework at all times. The framework is developed in order to select the right companies through a filtration process and endeavor the strategy to attain their investment objective. These models are based on various broad market parameters prevalent in the market and are dynamic in nature.

3) Return

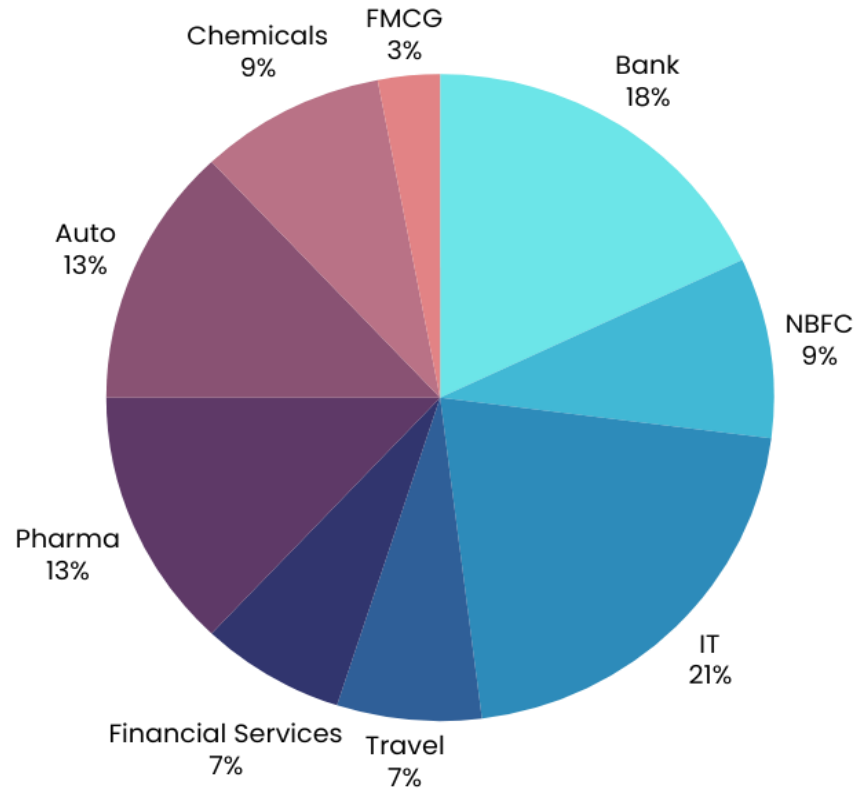
i) Moneyvesta Bulls Portfolio 144 days Returns: **20.0%**

ii) Nifty 500 Index Benchmark 144 days Returns: **7.6%**

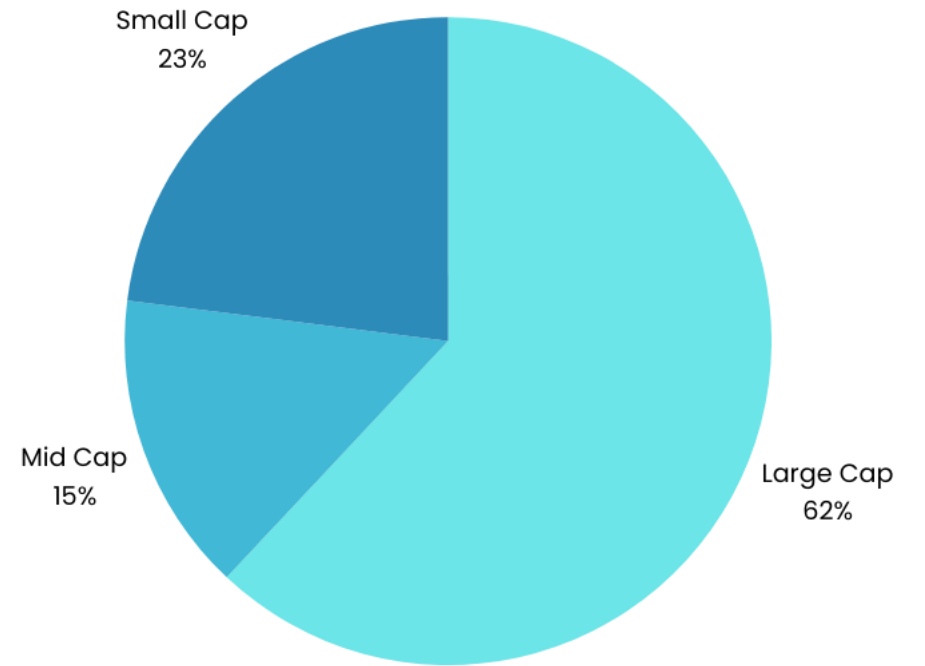


4) Allocation

Sector Allocation



Market Cap Allocation



Moneyvesta Bulls Portfolio Stocks (Strong Business at Reasonable Valuations)

| S.No. | Company | 10 Year Revenue CAGR (%) | 10 Year PAT CAGR (%) | Debt/Equity | ROCE (%) | PEG Ratio |
|-------|-----------------------------------|--------------------------|-----------------------|-------------|-----------------------|-----------------------|
| 1) | ICICI Bank | 23% | 22% | # | 22% | 0.9 |
| 2) | Axis Bank | 11% | 14% | # | 21% | 1.3 |
| 3) | State Bank of India | 18% | 22% | # | 15% | 0.9 |
| 4) | ICICI Prudential Life Insurance | 29% | 36% | # | 22% | 0.9 |
| 5) | ICICI Prudential Finance | 11% | 9% | 0 | 64% | 3.3 |
| 6) | ICICI Prudential Technology | 12% | 9% | 0.1 | 40% | 2.7 |
| 7) | ICICI Prudential Real Estate | 23% | 21% | 0.1 | 31% | 1.6 |
| 8) | ICICI Prudential Health Insurance | 15% | 13% | 0.2 | 28% | 3.5 |
| 9) | ICICI Prudential Investment | 16% | 34% | 0 | 31% | 1.4 |
| 10) | ICICI Prudential Infrastructure | 29% | 46% | 0 | 43% | 1.2 |
| 11) | ICICI Prudential Education | 12% | 17% | 0 | 24% | 1.6 |
| 12) | ICICI Prudential Wealth | 13% | 15% | 0 | 31% | 2.2 |
| 13) | ICICI Prudential Retirement | 17% | 24% | 0 | 24% | 1.4 |
| 14) | ICICI Prudential Digital | 11% | 16% | 0.1 | 38% | 3.2 |
| 15) | ICICI Prudential Insurance | 25% | 24% | 0 | 40% | 2 |
| 16) | ICICI Prudential Services | 26% | 33% | 0 | 27% | 0.7 |
| 17) | ICICI Prudential Finance | 8% | 11% | 0 | 27% | 1.7 |
| | Total | Median 16% | Median 21% | | Median 28% | Median 1.6 |

Note: # represent that Debt-to-equity ratio is not relevant for banks and financial companies.

Moneyvesta Capital Services

October 2024 Newsletter

Table of Content

- 1) Global Macros
- 2) Indian Macros
- 3) Equity Market
- 4) Debt & Currency Market
- 5) Commodity Market

1.1) GDP

| Quarterly GDP (YoY growth) | Q1 FY25 | Q2 FY25 |
|----------------------------|---------|---------|
| U.S.A | 1.6% | 3.0% |
| China | 5.3% | 4.7% |
| Japan | -2.3% | 2.9% |
| India | 6.7% | 7.8%* |
| U.K. | 0.3% | 0.7% |

Source: HSBC Mutual Fund

*INDIA's GDP is as of Q4 FY24

US GDP grew 3.0%, up from 1.6% in the last quarter fueled by strong consumer spending and business investments. Consumer spending, which accounts for about 70% of U.S. economic activity, rose at a 2.9% YoY and Business investment expanded at a 7.5% YoY, led by a 10.8% YoY jump in investment in equipment. Nondurable-goods manufacturing, finance and insurance, and health care and social assistance were the leading contributors to growth in real GDP nationally. The underlying growth mix shows domestic demand retained solid momentum through midyear.

Japan GDP grew 2.9% in Q2, due to strong domestic demand. Consumer spending grew 0.9% from Q-o-Q, while both residential and nonresidential private investments picked up.

The People Bank Of China, stimulus packages to revive the second largest economy was a bold move to promote high-quality development. Expected to lower reserve requirement ratio by 50 bps, lowering mortgage rates on existing homes by 50 bps in the stimulus packages. China's central bank injected 234.6 billion yuan into the banking system, marking its first 14-day cash supply in months and also cut the medium-term lending facility by 30 bps.

1.2) Inflation

| Inflation (YoY) | Aug-2024 | Sept-2024 |
|------------------|----------|-----------|
| U.S.A | 2.5% | 2.4% |
| China | 0.6% | 0.4% |
| Japan | 3.0% | 2.5% |
| India | 3.7% | 5.5% |
| U.K. | 2.2% | 1.7% |

Source: CPI data site of different countries

US inflation fell to 2.4% in September, from 2.5% in August, moving the inflation towards the Fed's 2.0%. This fell was due to low gas prices and a slight rise in food costs.

India's inflation up at 5.5% in September 2024, because of rising vegetable price momentum and an unfavorable base effect. The food inflation, which accounts for around half of the overall CPI basket, jumped to 9.2% in Sept, 2024 from 5.7% in Aug, 2024.

India's wholesale inflation accelerated to 1.8% y-o-y in September , as against 1.3% y-o-y in August 2024 due to rising food prices.

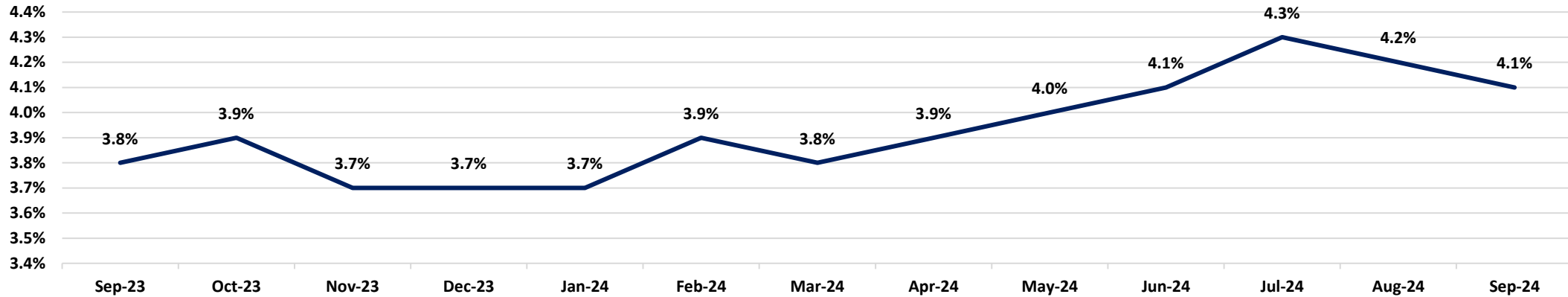
China's inflation grew 0.4% y-o-y in Sept,2024, as compared to 0.6% y-o-y on Aug, 2024 highlighting continued sluggish demand despite aggressive stimulus package.

Japan's consumer price inflation slowed in Sept, 24 mainly due to the impact of the government's energy subsidies. The pace of inflation slowed for the first time in five months as the government reintroduced its program to cut household utility bills.

1.3) U.S.A Economy

Total nonfarm payroll employment increased by 2,54,000 in September, and the unemployment rate changed little at 4.1%, as per the U.S. Bureau of Labor Statistics. Employment continued to trend up in food services and drinking places, health care, government, social assistance, and construction.

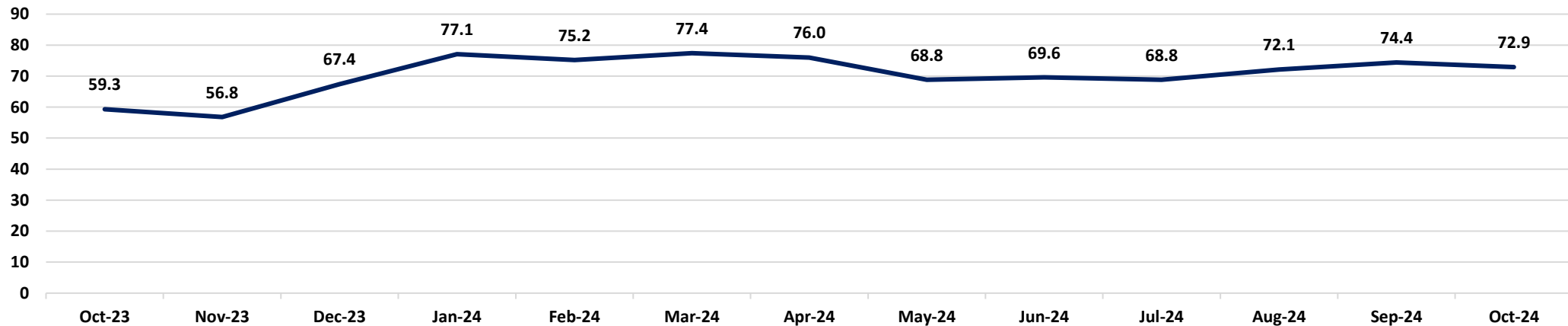
US Unemployment rate (in %)



Source: Bureau of Labor Statistics

Index of consumer expectations: The index fell by -2.0% m-o-m and up by 22.9% y-o-y.

Index of Consumer Expectations



Source: University of Michigan, Trading Economics

INDIAN MACROS

| Particulars | Sept-23 | Apr-24 | May-24 | Jun-24 | July-24 | Aug-24 | Sept-24 |
|--|---------|--------|--------|--------|---------|--------|---------|
| 2.1) GST Collection (Lakh Cr.) | 1.62 | 2.10 | 1.72 | 1.74 | 1.82 | 1.74 | 1.73 |
| GST Collection (YoY growth) | 10.2% | 12.4% | 10% | 7.7% | 10.3% | 10.0% | 6.5% |
| 2.2) Manufacturing & Services | | | | | | | |
| Power (YoY growth) | 10.3% | 10.5% | 15.3% | 8.9% | 8.5% | -4.9% | 0.6% |
| Manufacturing PMI Index | 57.5 | 58.8 | 57.5 | 58.3 | 58.1 | 57.5 | 56.5 |
| Services PMI Index | 61.0 | 60.8 | 60.2 | 60.5 | 60.3 | 60.9 | 57.7 |
| 2.3) Vehicle | | | | | | | |
| Two-Wheeler (YoY growth) | 21.6% | 33.1% | 2.4% | 4.7% | 17.3% | 6.3% | -8.5% |
| Passenger Vehicle (YoY growth) | 6.5% | 15.7% | -0.2% | -6.5% | 11.0% | -3.8% | -18.1% |
| Light Commercial Vehicle (YoY growth) | 1.0% | -2% | 1.4% | -8.3% | 1.9% | -6.7% | -11.1% |
| Medium & Heavy CV (YoY growth) | 12.8% | -5.6% | -3.9% | -5.0% | 10.0% | -8.2% | -11.3% |
| Tractors (YoY growth) | -6.6% | 2.5% | -1% | -27% | -13.6% | -12.4% | 16.6% |
| 2.4) Digital Spending (UPI+IMPS) | 32.8% | 32.6% | 31.6% | 32.1% | 29.9% | 26.2% | 26.0% |
| 2.5) Unemployment % | 7.1% | 8.1% | 7.3% | 9.2% | 7.7% | 8.5% | 7.8% |

Source: HDFC Mutual Fund

2.1) GST Collection: The GST collections for September 2024 is approximately ₹1.73 lakh crore as reported on 1st Oct 2024, marking 6.5% YoY and -0.5% sequentially. The net GST collection in September 2024 saw a 3.9% annualized growth at ₹1.52 lakh crore on higher refunds, a trend that is seen from last month because of increased efficiency in returns processing.

Cumulatively, gross GST collection in the first half (H1) of current fiscal year saw 9.5% annualized growth to ₹10.87 lakh crore.

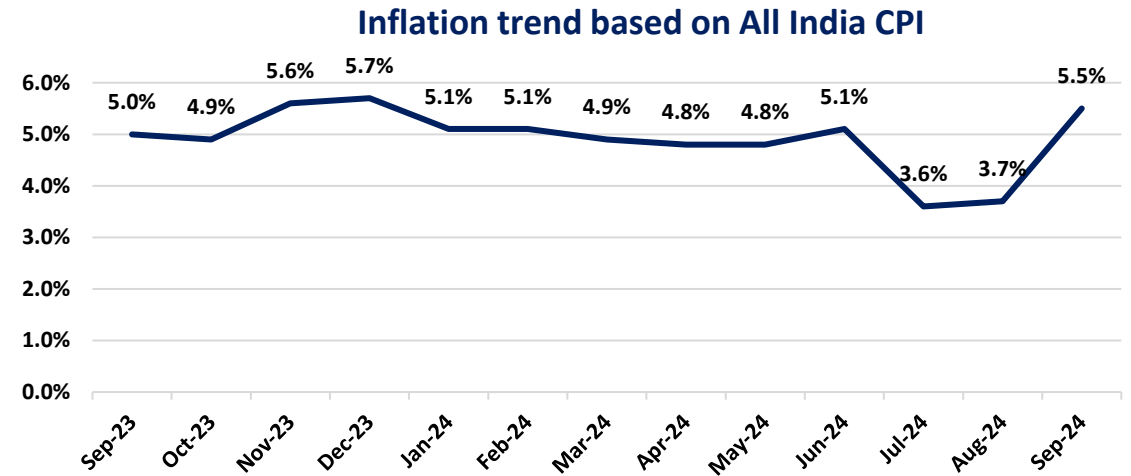
2.2) Manufacturing PMI and Services PMI: Manufacturing PMI index fell to 56.5 due to slowdown evident in consumer and capital goods segment, while growth remained steady in the intermediate goods sector. On the other hand, Service PMI fell to 57.7 due to cost pressure and as domestic firms saw a subdued rise in international orders, but it saw major job creation and strengthening business confidence in this sector. .

2.3) Vehicle Registration: PV segment fell by 18% y-o-y largely due to seasonal factors such as heavy rainfall and 'Sharadha' a period to avoid purchasing new products. This has resulted huge inventory pile up with inventory cycle of 80-85 days with inventory worth Rs. 79000 crore. The near-term outlook remains cautiously optimistic as both Navratri and Diwali fall in the same month.

2.4) Unemployment: Unemployment Rate in India fell to 7.8% in September from 8.5% in August in 2024.

| YoY% | Aug-2024 | Sept-2024 (Prov.) | Change in % |
|--------------------------------|-------------|-------------------|--------------|
| CPI | 3.7% | 5.5% | -1.8% |
| Food & Beverages | 5.3% | 8.4% | -3.1% |
| Fuel & Light | -5.3% | -1.4% | -3.9% |
| Housing | 2.7% | 2.8% | -0.1% |
| Transportation & Communication | 2.7% | 2.8% | -0.1% |
| Core CPI | 3.6% | 3.5% | 0.1% |

Source: Press Information Bureau



Source: Press Information Bureau

2.5) Inflation: The consumer price index rose significantly to 5.5% in September, 2024, driven by the increase in vegetable prices and lower year-ago base effect. This exceeded the RBI target of 4% inflation for the economy.

The food inflation (excluding beverages), accounts for half of the overall CPI inflation jumped to 9.2% from 5.7% in August, 2024. Vegetable Inflation surged from 10.7% to 36.0% in September.

Rural inflation was 5.9% and urban inflation was 5.1% in the month of September, 2024.

Rural India, however, faced a relatively milder food inflation of 9.1% compared with a 9.6% rise faced by urban consumers.

| Central Government Finances | FY 2023 (in Rs. billion) | FY 2024 (in Rs. billion) | % Change (YoY) | | 5MFY24 | 5MFY25 | Change (YoY) |
|-----------------------------------|-----------------------------|-----------------------------|-------------------|--|---------------|---------------|---------------|
| Gross Tax Revenue | 30,538 | 34,648 | 13.5% | | 11,892 | 13,327 | 12.1% |
| Direct Tax | 16,341 | 19,220 | 17.6% | | 5,993 | 6,769 | 12.9% |
| Indirect Tax | 14,197 | 15,428 | 8.7% | | 5,899 | 6,558 | 11.2% |
| Less: Share of States | 9,564 | 11,383 | 19% | | 3,852 | 4,589 | 19.1% |
| Net Tax Revenue | 20,974 | 23,265 | 10.9% | | 8,039 | 8,738 | 8.7% |
| Non Tax Revenue | 2,862 | 4,019 | 40.4% | | 2,096 | 3,345 | 59.6% |
| Total Revenue Receipts | 23,835 | 27,284 | 14.5% | | 10,135 | 12,083 | 19.2% |
| Total Capital Receipts | 722 | 605 | -16.2% | | 154 | 89 | -42.4% |
| Total Receipts | 24,557 | 27,889 | 13.6% | | 10,289 | 12,172 | 18.3% |
| | | | | | | | |
| Total Revenue Expenditures | 34,525 | 34,940 | 1.2% | | 12,980 | 13,514 | 4.1% |
| Total Capital Expenditures | 7,363 | 9,485 | 28.8% | | 3,738 | 3,010 | -19.5% |
| Total Expenditures | 41,888 | 44,425 | 6.1% | | 16,718 | 16,524 | -1.2% |
| | | | | | | | |
| Gross Fiscal Deficit | 17,331 | 16,537 | -4.6% | | -6428 | -4352 | -32.3% |
| Fiscal Deficit as % of GDP | 6.4% | 5.6% | | | -2.3% | -1.4% | |

Source: CMIE

2.6) Central Government Finances

Fiscal Deficit: FY24 fiscal deficit narrowed to 5.6%. This improvement was driven by better-than-expected revenue collection from income taxes and customs duties. Non-tax revenues also exceeded expectations, primarily due to higher interest and dividend income. The fiscal deficit for FY25 estimated to be 4.9% of the GDP. The government has given the estimated fiscal deficit of 4.5% by FY26.

April-August: Fiscal deficit as % of GDP declined in five months of FY25 on back of robust growth in direct tax collections primarily driven by personal income tax. Notably, corporate tax collection declined YoY in first 5 months of FY25 indicating subdued growth in corporate profits.

Debt and Interest payment: The internal debt of the Indian government is Rs. 163 lakh crore and the external debt is Rs. 5 lakh crore, which makes total debt of Rs. 168.72 lakh crore. Government borrowing has surged to ₹15.4 lakh crore in FY 2023-24. The government estimates that its debt will increase to Rs. 185 lakh crore, or 56.8% of the GDP in FY25.

Subsidies: In FY 2024, Out of total revenue expenditure of Rs. 34.9 lakh crore government paid Rs. 4.1 lakh crore for major subsidies.

Capital Expenditure: The Union budget for FY25 allocated Rs 11.1 lakh crore for capex, indicating the government's continued emphasis on infrastructure spending. Although private sector capital expenditure remains low, there are signs of improvement.

| Foreign Trade | July-24 (USD Billion) | Aug-24 (USD Billion) | Change % (USD Billion) |
|------------------------------|--------------------------|-------------------------|---------------------------|
| Net Oil Imports | 8.6 | 5.1 | -41.5% |
| Net Gold Imports | 2.8 | 10.7 | 283.0% |
| Net Non Oil Non Gold Imports | 12.1 | 13.9 | 15.2% |
| Trade Deficit | 23.5 | 29.6 | 26.2% |

Source: Ministry of Commerce.

Net Gold Imports includes gold, silver, and pearls precious & semiprecious stones adjusted for gems and jewellery exports.

2.7) Foreign Trade: Trade deficit rose to \$29.6 bn due to major rise in gold imports. The reduction in import duties in the budget along with upcoming festive season resulted in sharp rise in gold imports.

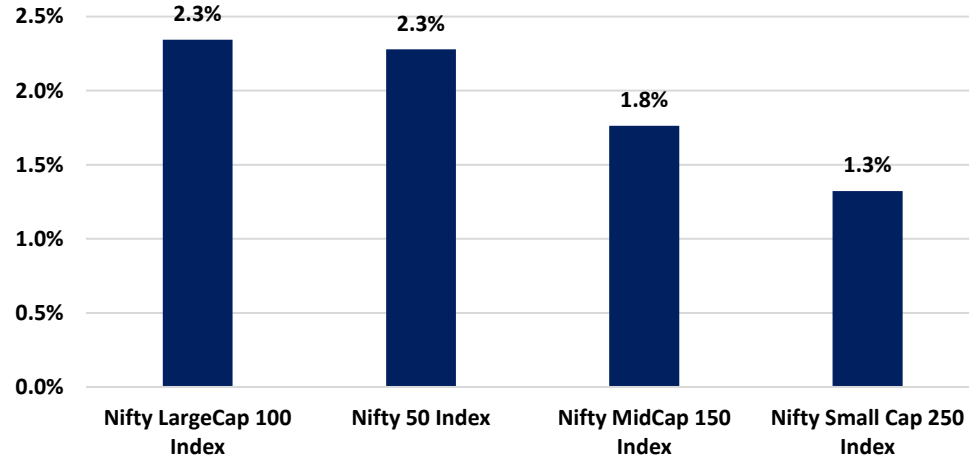
Further, rise in NONG imports driven by ferrous goods, transport equipment and machinery along with relatively flat exports resulted in trade deficit being widened in the month of August.

The merchandise export fell to \$34.7 bn in August 2024, a decline from \$38.3 in August 2023, whereas merchandise import rose to \$64.4 bn, up from \$62.3 bn in August 2023.

EQUITY MARKETS

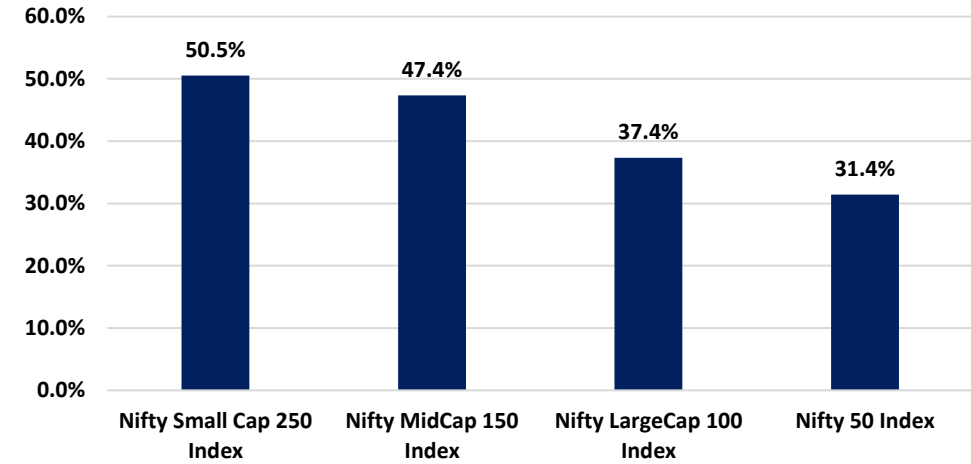
3.1) Market Capitalization based Indices

September MoM % Change



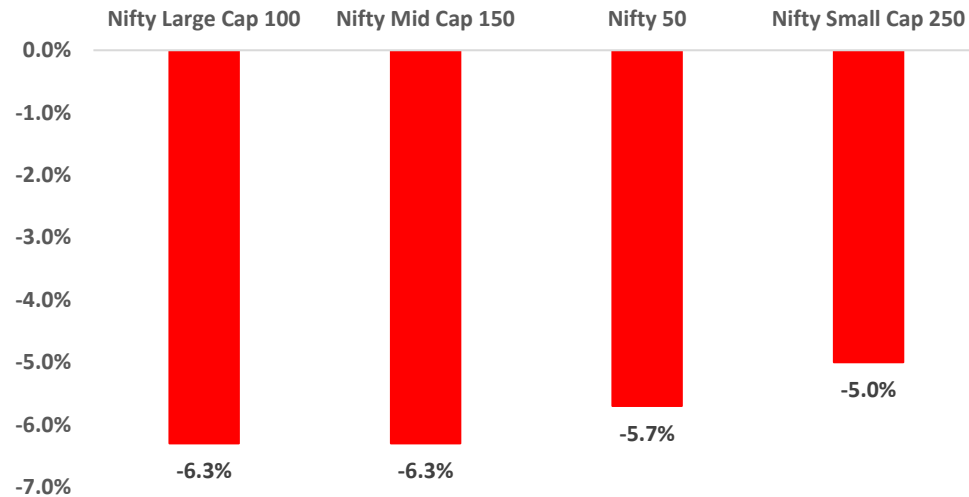
Source: Moneyvesta Capital

YoY% Change



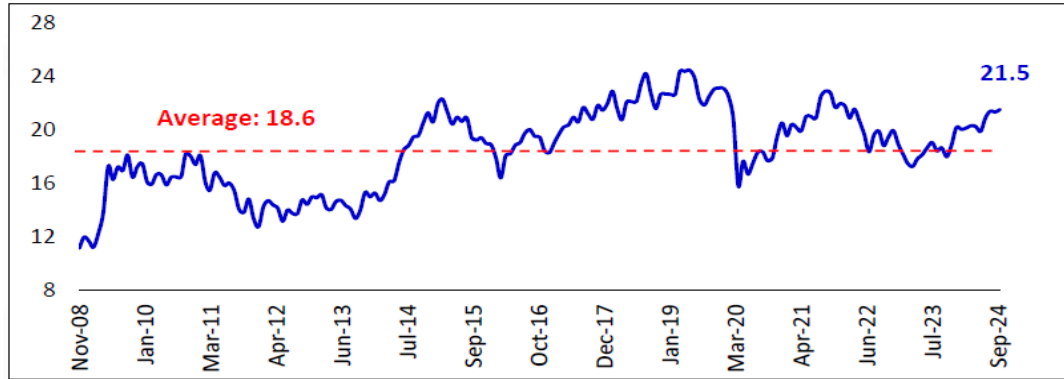
Source: Moneyvesta Capital

October Month/Month % Change



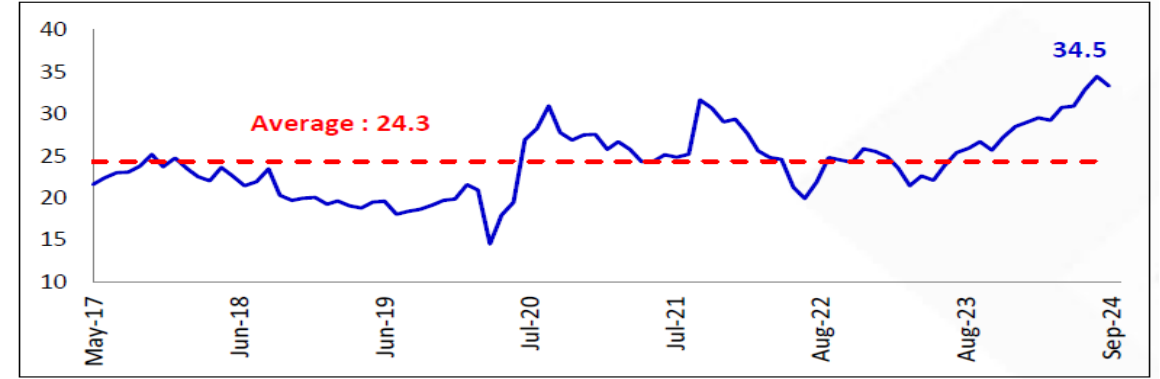
Source: Moneyvesta Capital

NIFTY P/E (x) - 1 Year Forward



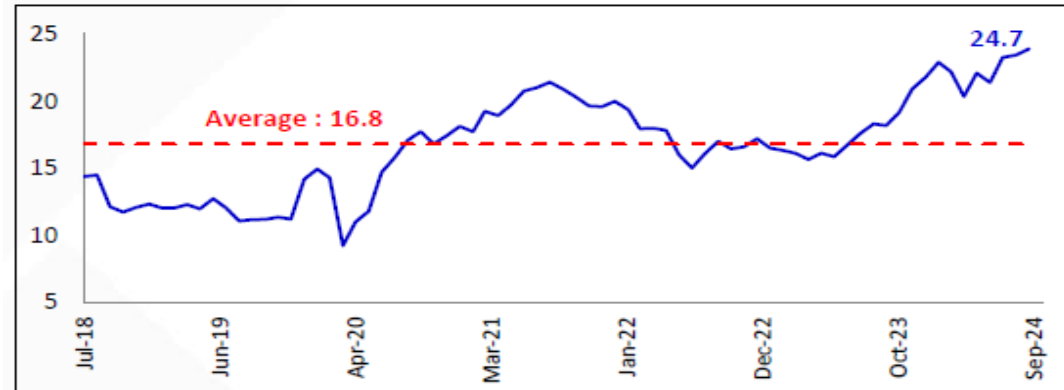
Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg.

NIFTY Midcap 150 P/E (x) - 1 Year Forward



Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg

NIFTY Smallcap 250 P/E (x) - 1 Year Forward



Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg

| Valuation | |
|-----------|-----------------------------------|
| Largecap | 16% premium to historical average |
| Midcap | 42% premium to historical average |
| Smallcap | 47% premium to historical average |

Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg

Market Capitalization based Indices

September Month

- In September 2024, India's equity markets saw a good performance, with benchmark indices showing varied gains. The Nifty 50 Index rose by 2.3% month-on-month (MoM), supported by stable global cues and strong domestic investor sentiment. Indian equity markets continued their positive momentum in September, bolstered by strong domestic institutional participation and tempered by a mixed global macroeconomic environment.
- Further gains were capped because of profit booking at record levels during the last few trading sessions of the month.

October Month

The market correction observed in October can be attributed to several key factors:

- Foreign Institutional Investors (FIIs) have been net sellers, offloading around ₹1 lakh crores in the past month.
- The upcoming U.S. elections have created considerable uncertainty regarding future policies and economic direction. Investors are wary of potential volatility and policy shifts that could impact global markets, further fuelling caution in the Indian market.
- Anticipation of a rate cut by the Reserve Bank of India (RBI) has not materialized, leading to disappointment among investors. A delay in monetary easing can hinder growth prospects and affect market liquidity, contributing to the current correction.
- Companies have reported weaker-than-expected earnings for the second quarter of FY25. This disappointing performance has raised concerns about corporate profitability and overall economic health, prompting investors to reassess their positions.

Valuations:

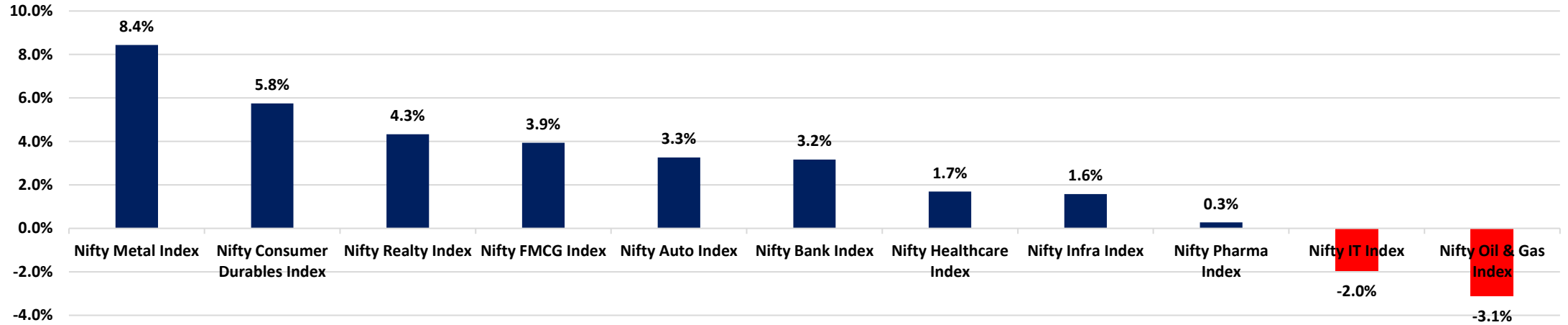
- The Nifty Index in September traded at a 1-year forward P/E ratio of 21.5, compared to its long-term average of 18.6. This indicates that the index is trading at a 16% premium to its historical average.

FIIs and DIIs:

- The markets were supported by continued buying by domestic institutional investors (DIIs) and foreign institutional investors (FIIs). DIIs bought Rs 31,860 crores worth of Indian equities in September, compared with Rs 48,278 crores in August. FIIs bought Indian equities worth Rs 57,359 crores in September, compared to Rs 7,322 crores in August.

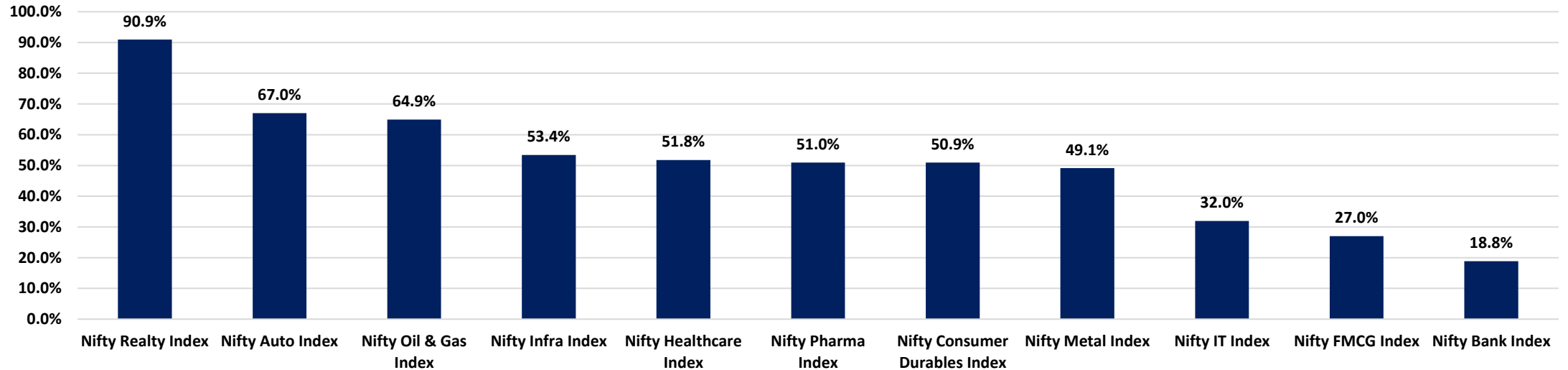
3.2) Sectoral Indices

Sector based Indices MoM% Change - September



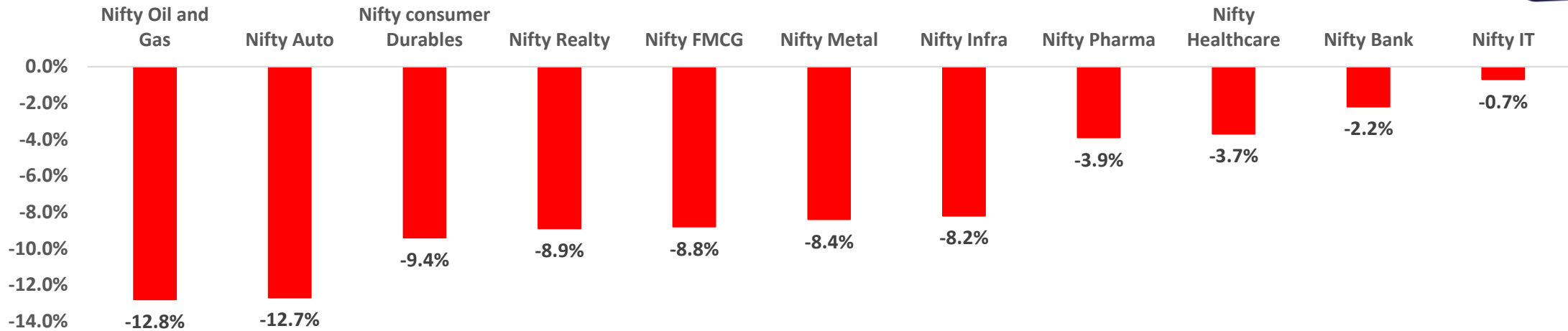
Source: Moneyvesta Capital

YoY % Change



Source: Moneyvesta Capital

October Month to Month % Change



Source: Moneyvesta Capital

Sectoral Indices Valuation vs. Long-Term Average

| Sectoral Indices | P/E 30 September 2024 | Long Term Average P/E | Discount/Premium |
|------------------------|-----------------------|-----------------------|------------------|
| IT Services | 27.4 | 20.6 | 33% |
| Pharma | 31.7 | 24 | 32% |
| Consumer Discretionary | 69.6 | 53.6 | 29.8% |
| Metals | 12.8 | 10.1 | 27.4% |
| Consumer staples | 44.7 | 35.5 | 26.1% |
| Oil & Gas | 15.3 | 12.3 | 24.1% |
| PSU Banks | 1.3 | 1.1 | 20.3% |
| Auto | 23.3 | 19.7 | 17.9% |
| Private Banks | 2.5 | 2.6 | -4.2% |

Source: HDFC Mutual Fund

3.2.1) Metal Industry

Nifty Metal Index: Nifty Metal Index, was the top performing index going up to 8.4% in the month of September, 2024.

Current Scenario

- World crude steel production stood at 1,251.07 MnT in January-August 2024, registering 1.5% decline y-o-y.
- India was the 2nd largest producer of crude steel with an output of 98.522 MnT in January-August 2024, showing a y-o-y growth of 6.5%. The country accounted for 7.9% of world crude steel production during the period.
- Aluminum prices rise by more than 6% in September, because of the deployment of China’s stimulus package to revive the economy, while supply remain tight due to past outputs cuts in several Australian alumina refineries.
- Nickel is still falling, and we will see a dip in the alloy surcharges in October.

Outlook:

- Global zinc consumption will likely rise by 2.6% in 2024 but it will be outweighed by sluggish growth in the world economy.
- As China unleashes stimulus blitz to boost ailing economy, metal industries especially steel can see some sign of price increase in the coming months.
- India's steel demand is expected to grow at a CAGR of 7% to touch 190 Million tonnes (MT) level by 2030.

| Commodity | 31 September, 2024 Price USD | September Change % m/m | FYTD25 % Change |
|-----------------------|---------------------------------|---------------------------|-----------------|
| Steel (per tonne) | 480 | 2.1% | -5.9% |
| Aluminium (per tonne) | 2,609 | 7.6% | 13.7% |
| Copper (per tonne) | 9,767 | 6.0% | 11.9% |
| Zinc (per tonne) | 3,076 | 7.5% | 28.6% |
| Lead (per tonne) | 2,071 | 2.2% | 5.4% |

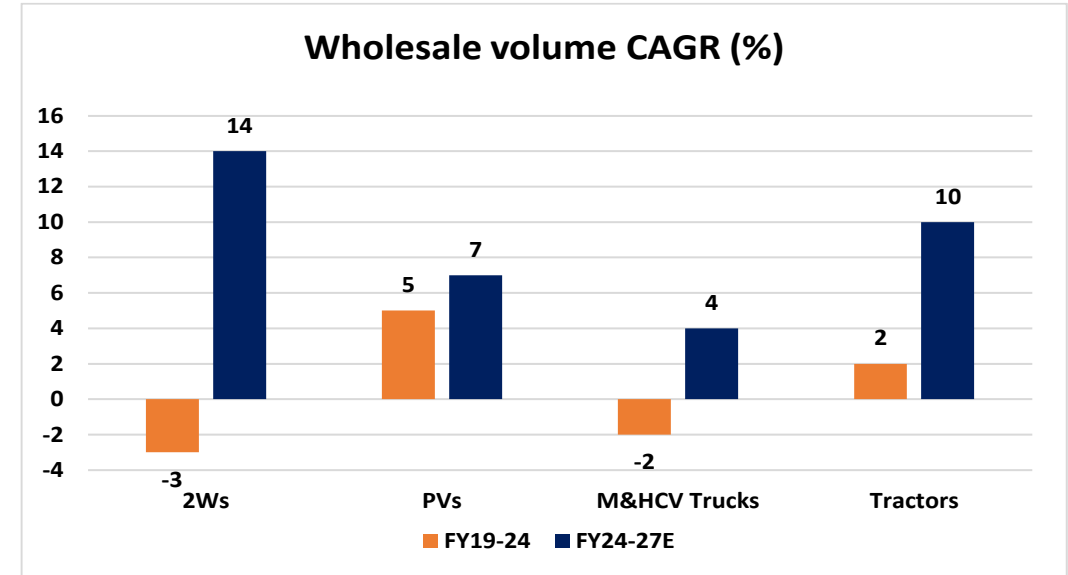
Source: HDFC Mutual Fund

3.2.2) Auto Industry

Nifty Auto Index: In September 2024, the Nifty Auto Index saw a rise of 3.3%.

Current Scenario

- **PV performance:** Passenger vehicle retail sales in India witnessed a 18.8% year-on-year decline in September on account of delayed customer purchases, poor consumer sentiment and persistent heavy rains. The overall passenger vehicle (PV) registrations last month stood at 2,75,681 units.
- **Inventory levels:** Inventory levels of PV have reached alarming levels, with stock days now stretching to 80-85 days and inventory totaling 7,90,000 vehicles, valued at an alarming Rs 79,000 crore.
- **Two-wheeler Performance:** Two-wheeler sales decline 8.5% year-on-year to 12,04,259 units in September, as compared to 13,16,300 units in the same month last year.



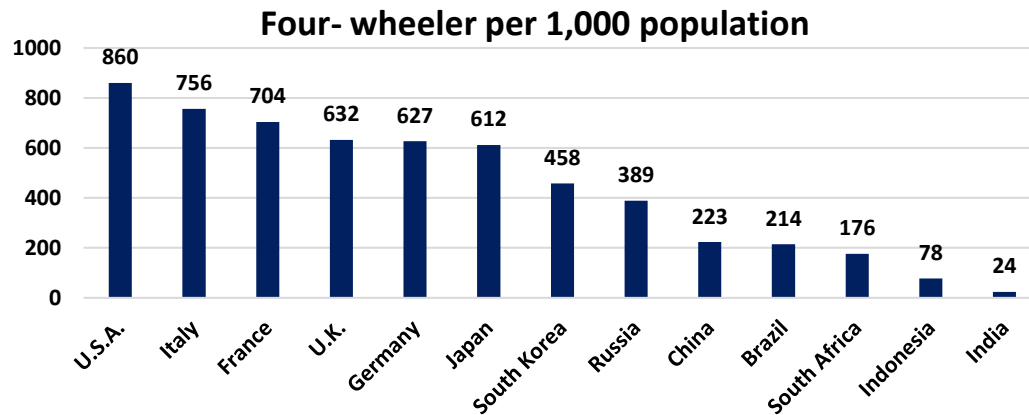
Source: CMIE, Moneyvesta Capital

Tailwinds

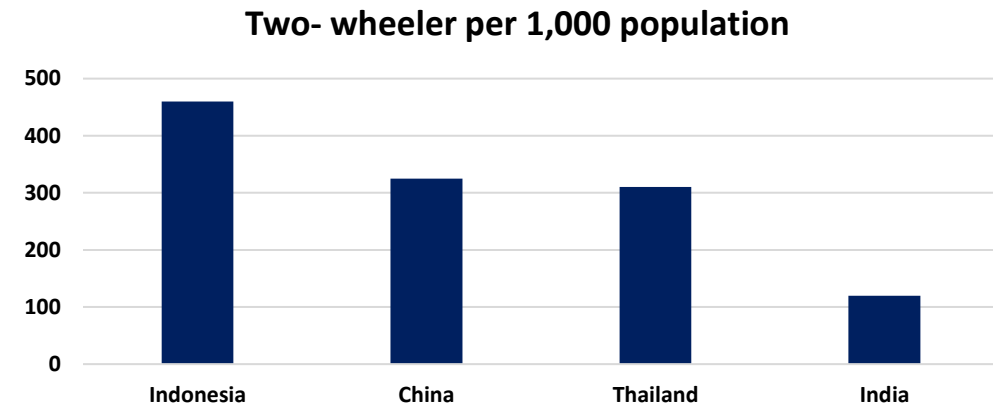
- The share of SUVs in total revenue is increasing significantly. This trend reflects a growing desire among consumers to own higher-end vehicles, driving premiumization-led value growth in the market.
- EV GST rate at 5% vs 28% for ICE
- Over the last decade, average vehicle price growth has been lower than the rise in per capita income allowing for better affordability today. The future potential of upgradation by consumers is very much possible.
- Aggressive launch of new products by existing players spanning multiple price points and powertrains.

• **Low Penetration:**

i) **Two-wheelers and four-wheelers penetration:** Penetration of 2W and 4W in India per 1000 people is still significantly low as compared to other economies thereby offering huge headroom for growth in the future.

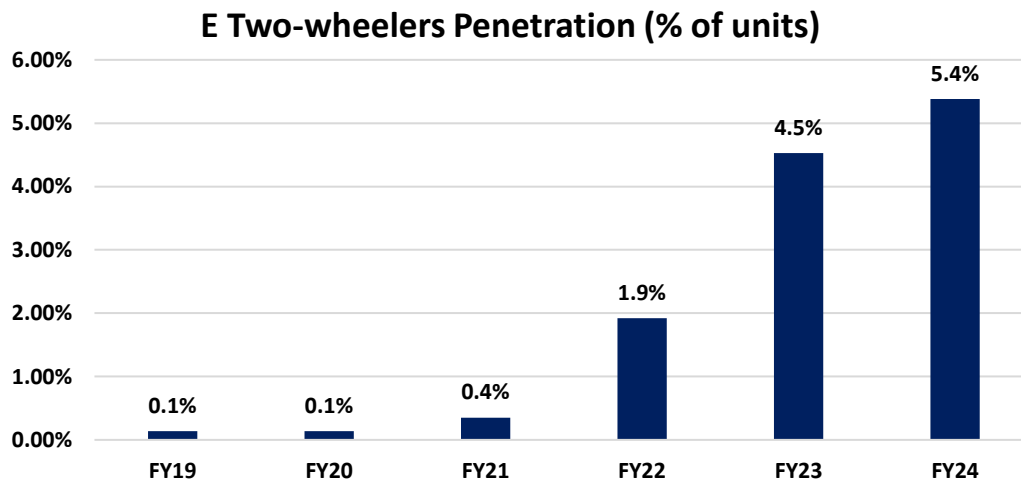


Source: SBI Mutual Fund, Moneyvesta Capital

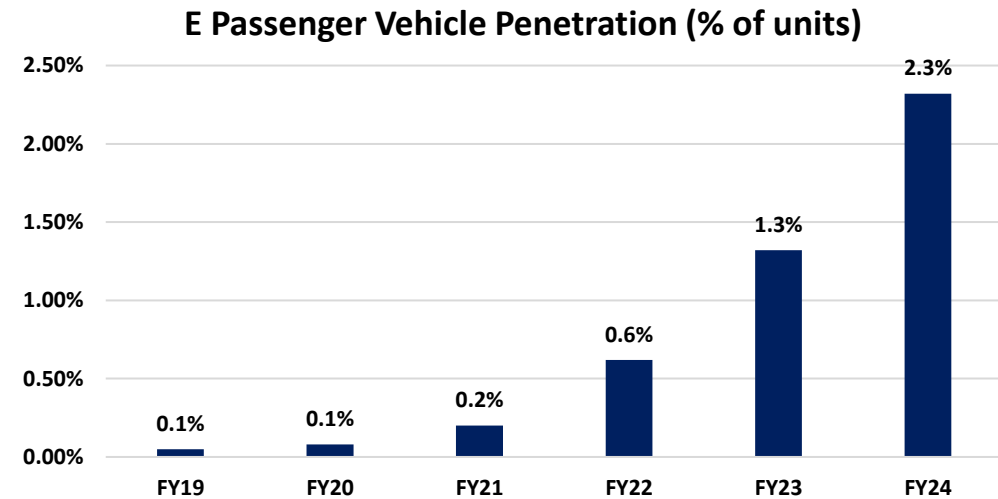


Source: SBI Mutual Fund, Moneyvesta Capital

ii) **Electric Vehicles Penetration:** Share of EVs in 2W sales rose from just 0.4% in FY21 to 4.5% by FY23 led by rising subsidies and new launches. However, the government has reduced E2W incentives twice since Jun'23, resulting in share of E2Ws remaining in 4-7% range for most of the last 24 months.



Source: SBI Mutual Fund, Moneyvesta Capital



Source: SBI Mutual Fund, Moneyvesta Capital

3.2.3) Realty Industry:

Total India residential housing sales in H1 CY2024 reached 1,73,241 , a 11% increase from the previous year period. Average residential property prices across the top 7 cities have seen a significant jump in the last one year – ranging between 10-32%, mainly due to an increase in the prices of construction raw materials and overall rise in demand.

Current Scenario

Nifty Realty, the top performing sectoral index over the last year, rise 4.3% in September. Volumes for listed players in the sector may not follow the strong growth trajectory that has been recorded in the past few quarters, due to a build-up of supply.

Office Market: Office market continued its strong performance in Q2 CY2024, registering 15.8 million square feet of office leasing across the top six cities, marking a notable 16% rise over previous quarter.

PE Investments in Residential Sector: Residential sector experienced a staggering 209% YoY surge in PE investments, reaching USD 854 million in H1 CY2024, surpassing the annual investments received in 2022 and 2023.

AIFs Investment: The post-COVID era has seen a substantial boost in the real estate sector, and the capital-intensive nature of the industry has fueled the rise of AIFs as a viable funding mechanism. As of June 16, 2024, SEBI has close to 1,345 registered AIFs with around 49 of them specifically targeting real estate.

Institutional Investments in Realty: Institutional investments in Indian real estate reached a new high of USD 2.5 billion in Q2 CY2024, with the residential segment witnessing a 7.5x increase compared to Q2 CY2023.

City-specific Insights:

Bengaluru: Strong demand for industrial and warehousing space driven by sectors like 3PL (Third Party Logistics), retail, and manufacturing.

Mumbai: Notable dip in quarterly residential launches, but improved connectivity is expected to boost capital values.

Indian Retail Sector: Rise of omnichannel strategies as brands harmonize digital and physical shopping experiences, leading to higher customer engagement and satisfaction.

Key Real Estate Trends: Technology and Engineering & Manufacturing sectors were key drivers of office demand in H1 CY2024. Flex space leasing reached 2.6 million square feet across the top six cities in Q2 CY2024, the highest in any quarter.

Tailwinds for industry:

- Rising Urbanization
- Rising per capita income
- Benefit from the continued premiumization and formalization of the sector
- Introduction of the RERA act leads to separate escrow accounts that need to be maintained for each project where a minimum of 70% of the money from buyers will have to be deposited and proceeds can only be used for construction of the project and cost-borne towards the land, potential refunds with interest and Buyers' redressal mechanism including compensation in case of builders delaying possession

Headwinds for industry:

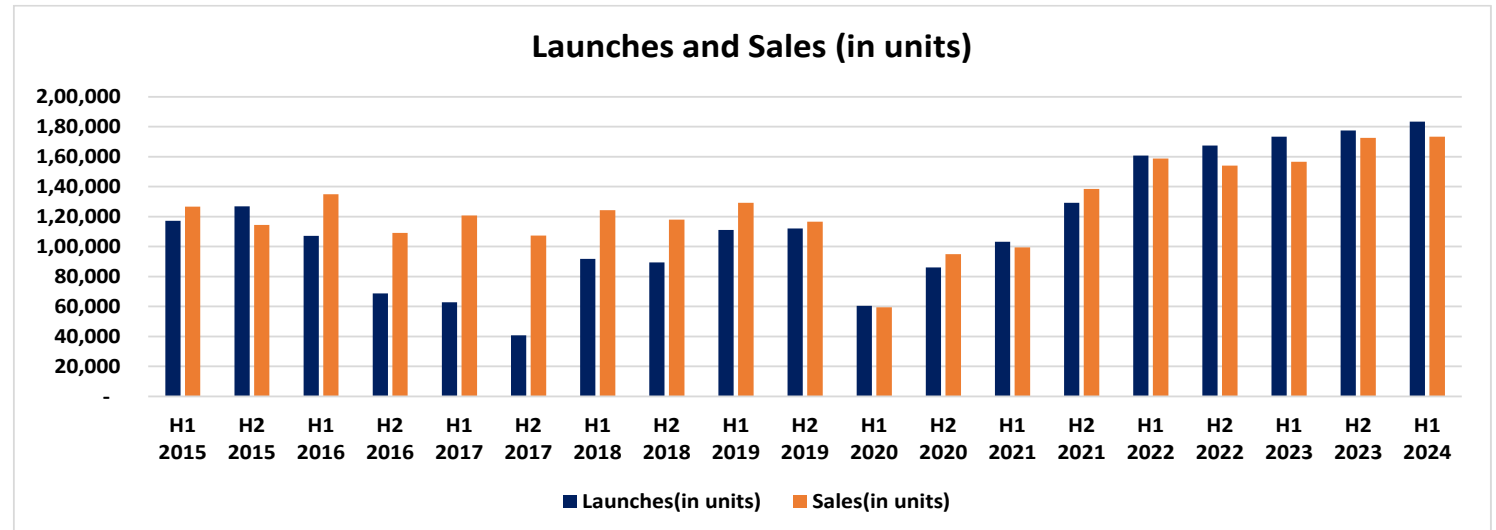
- The Real Estate sector is cyclical in nature.
- Rising inflation rates increase the cost of construction materials and labor, putting pressure on developers' margins and making housing less affordable for buyers.
- The removal of the indexation benefit has led to higher capital gains tax on real estate investments, reducing investor returns and confidence. This policy change may slow down the property market, impact liquidity, and shift investments to other asset classes. Developers could face challenges in sales and may need to offer additional incentives to attract buyers. Overall, the change introduces uncertainty and potential negative effects on the real estate sector's growth and stability.

A) Residential Property

Three main indicators for residential property:

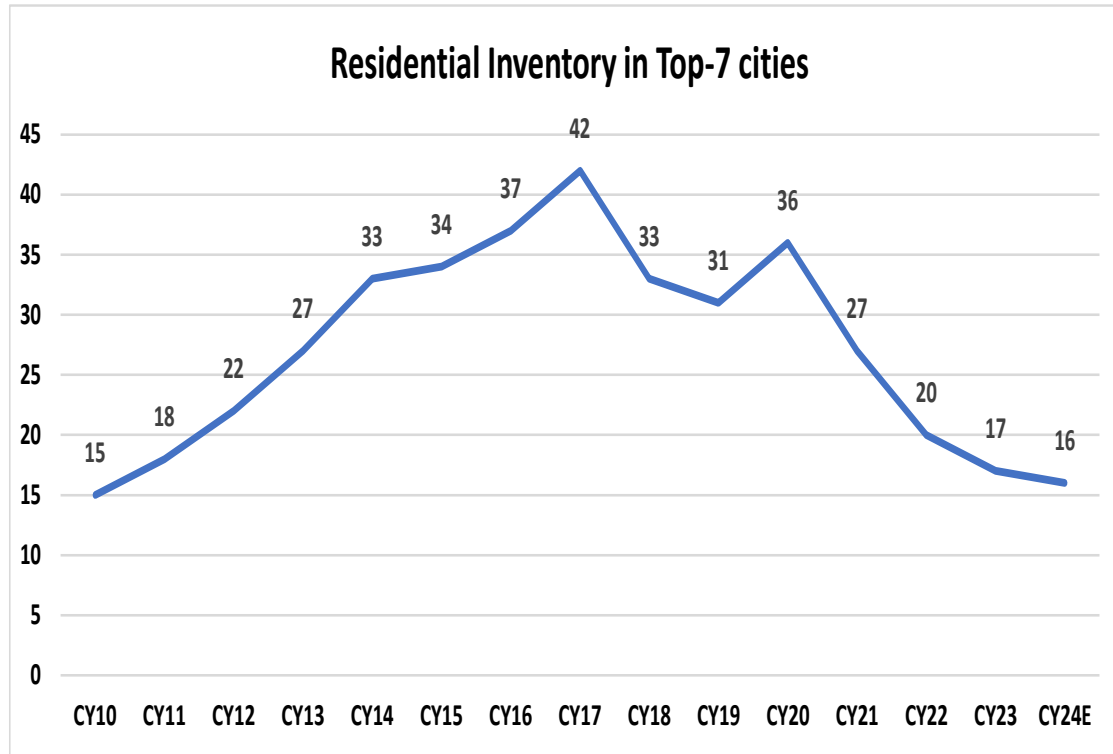
- New launches & Sales
- Inventory levels
- Price change

All three main indicators suggest that the realty sector made its bottom in 2017.



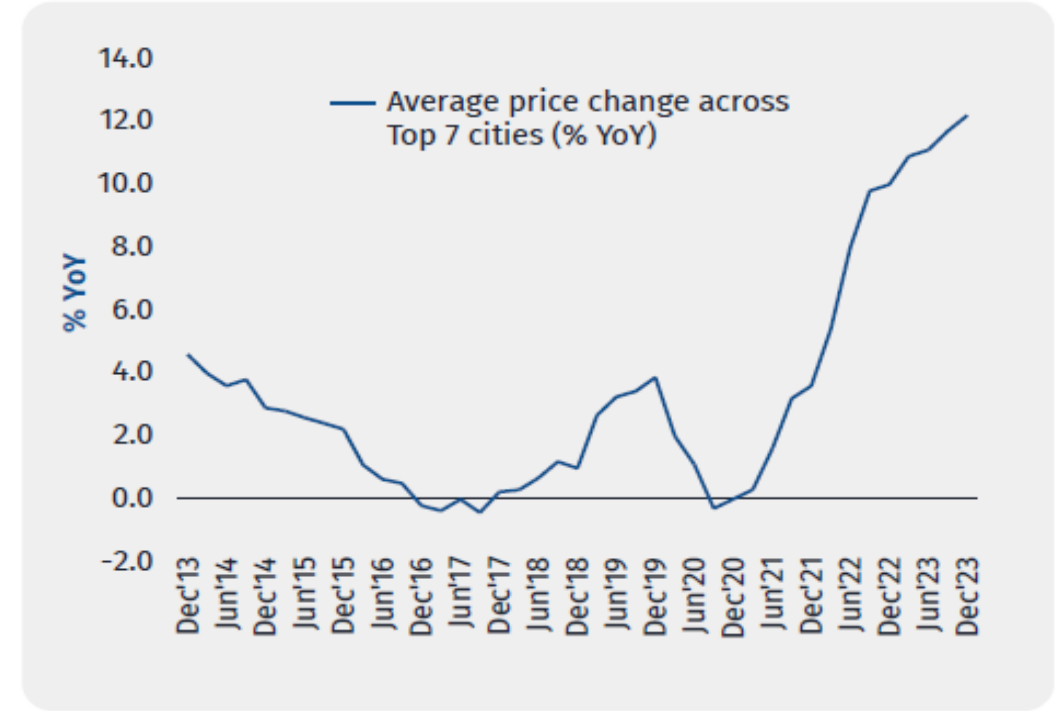
Source: Knight Frank, Moneyvesta Capital

Residential Property



Source: HDFC Mutual Fund, Moneyvesta Capital

House prices are recovering after low growth over 2013-21



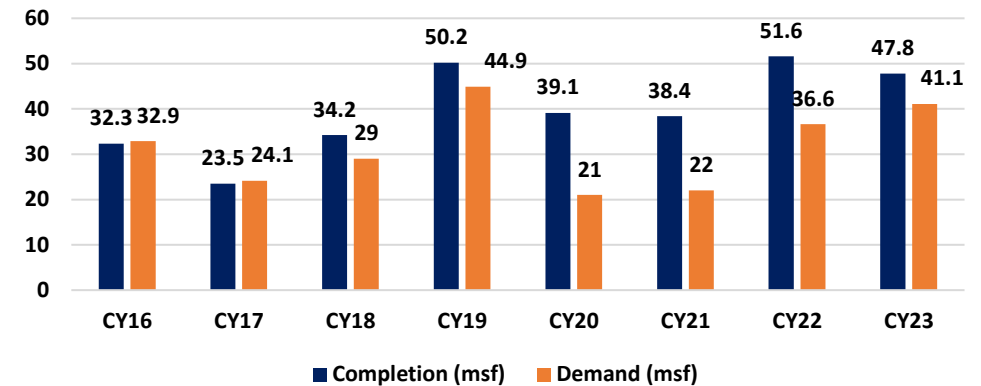
Source: HDFC Mutual Fund

- **Inventory levels declining:** Since 2016, there has been a notable decline in inventory levels, indicating faster sales and reduced unsold stock. This decline is consistent across all regions, reflecting a healthier demand-supply balance in the market.
- **House prices recovering:** house prices have been recovering significantly since 2021. This sharp increase suggests a resurgence in the real estate market, likely driven by various factors such as economic recovery, increased demand, and possibly supportive government policies.

B) Office Space

- After a decline in absorption during the peak of the COVID-19 pandemic (CY20) due to the work-from-home policy of offices, there has been a significant recovery.
- By CY23, both supply and demand have rebounded, with demand almost matching supply.

Office Space completion & demand(MSF)

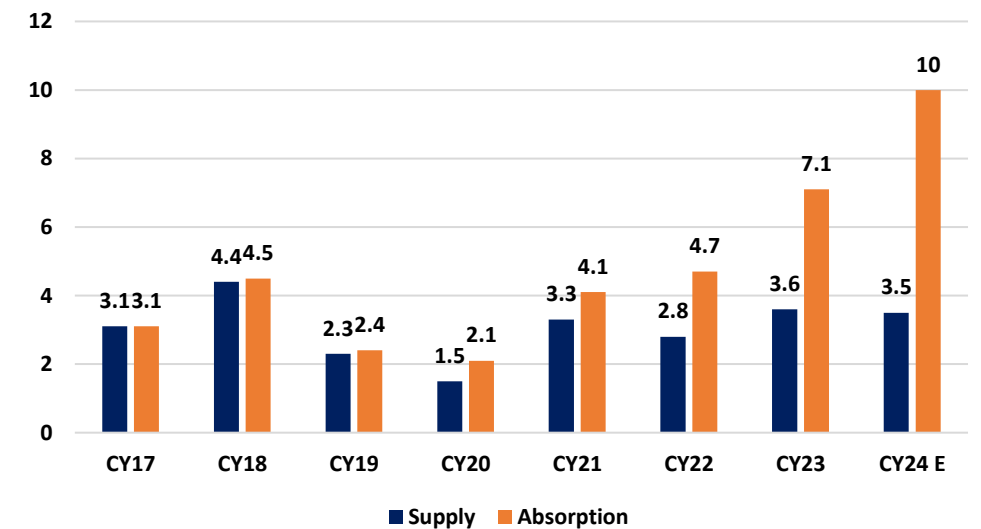


Source: HDFC Mutual Fund, IIFL, Moneyvesta Capital

C) Retail Space

- Demand (absorption) has consistently been outpacing supply in recent years, particularly notable in CY22 and CY23, where demand nearly doubled supply.
- The forecast for CY24 further accentuates this trend, with demand projected to be nearly three times the supply. This indicates a robust consumer market and a strong preference for high-quality retail spaces, driving growth in this segment.

Grade-A mall supply and absorption(MSF)



Source: HDFC Mutual Fund, IIFL, Moneyvesta Capital

3.2.4) Infrastructure Industry

The government have maintained a strong fiscal support for infrastructure over the next five years, while balancing other priorities and fiscal consolidation. An allocation of ₹11.11 lakh crore for capital expenditure, which is 3.4% of GDP, has been made for FY25.

Capital expenditure as a percentage of total budget increased to 22% compared with 12% in most of the last decade. India's government debt to GDP is lower than many developed countries and developing peers.

Current Scenario

The 821 new building projects incorporated in September 2024 cover a combined 245.57 Million-Square fit, with a total construction cost of Rs. 90,983 crores.

Railways:

- Capex allocation of Rs. 2.6 lakh crore in union budget for FY25.
- The Cabinet Committee on Economic Affairs (CCEA), chaired by Prime Minister Narendra Modi, has approved three significant railway projects under the Ministry of Railways, with a total estimated cost of approximately ₹6,456 crore on August.
- The three projects span seven districts across four states- Odisha, Jharkhand, West Bengal, and Chhattisgarh and will expand the Indian Railways network by approximately 300 kms

Roadways:

- India has about 63.73 lakh km of road network, which is the second largest in the world
- 8 national high-speed road corridor projects of length 936 km with the investment of Rs. 50,655 crore to improve logistics and connectivity across countries.
- 17 times growth in capex on roads in the last 15 years.

Airways:

- The Cabinet Committee on Economic Affairs (CCEA), approved the proposal of Airport Authority of India for the development of a new civil enclave at Bagdogra Airport, Siliguri, West Bengal with an estimated cost of Rs. 1549 crore
- Development of civil enclave at Bihar, Patna, at an estimated cost of Rs. 1413 crore, announced on August.
- Delhi, Bangalore, Hyderabad, Lucknow, Mangalore, Guwahati and Ahmedabad airports have earmarked a capital expenditure of Rs.10,550 crore (US\$ 1.2 billion), Rs.13,552 crore (US\$ 1.6 billion), Rs. 6,288 crore (US\$ 759 million), Rs.1,383 crore (US\$ 167 million), Rs.567 crore (US\$ 68.4 million), Rs.1,232 crore (US\$ 148.7 million) and Rs.376 crore (US\$ 45.3 million), respectively for the period 2019-25.

Water Supply and Sanitation:

- The government allocated 1 trillion for FY2025 for water supply and sanitation capex.
- A massive water and sanitation project costing \$110 million funded by India was delivered to the Maldives across 28 islands and 7% of the archipelagic nation’s population.

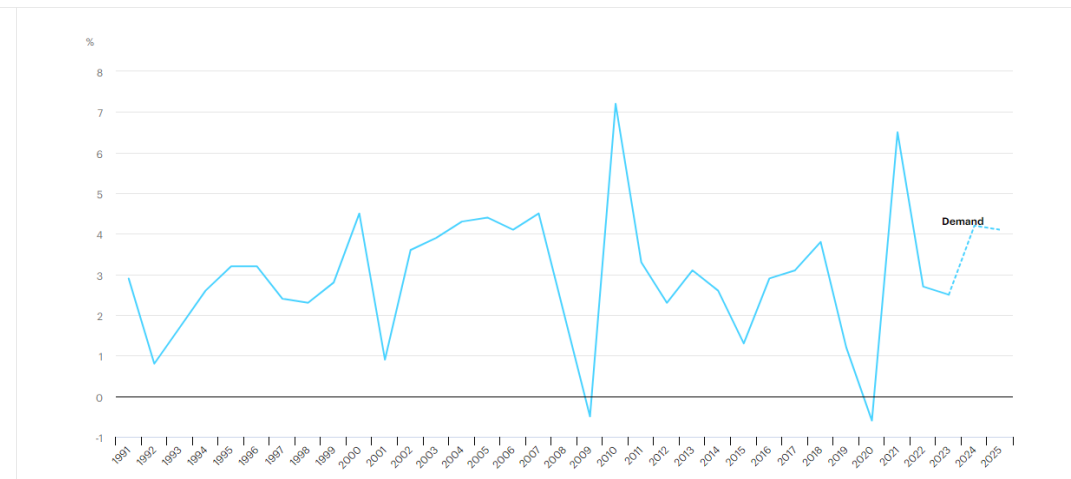
Electricity:

- The Indian national electric grid has an installed capacity of 442.0 GW as of FY24.
- India's power consumption dropped by 4.7% to 144.21 billion units in August compared to the previous year, due to above-normal rainfall across the country. This reduced the use of cooling appliances like air conditioners.

Outlook:

- The infrastructure sector in India is poised to grow at a CAGR of 8.2% by 2027. Despite India's significant infrastructure investments (about 35% of GDP), the government estimates that it requires \$1.5 trillion in infrastructure investments over the next decade.
- India, the fastest growing major economy in the world, is forecast to post an 8% rise in electricity consumption in 2024, matching the rapid growth it saw in 2023 supported by rapid GDP growth and increased cooling demand due to long and intense heatwaves.

YoY growth rate in global electricity demand



Source: HDFC Mutual Fund

3.2.5) Pharma Industry:

India is a major exporter of Pharmaceuticals, with over 200+ countries served by Indian pharma exports. India supplies over 50% of Africa’s requirement for generics, 40% of generic demand in the US, and ~25% of all medicine in the UK. The Indian pharmaceutical industry ranks third globally in pharmaceutical production by volume and 13th largest by value and is known for its generic medicines and low-cost vaccines.

Indian pharmaceutical market (IPM) grew by 5% in September, with major therapies such as anti-infectives, cardiac and gastrointestinal showing positive value growth.

Tailwinds

➤ **Domestic spending:**

- The increasing elderly population and rising life expectancy are pivotal demographic trends that significantly impact the pharmaceutical industry.
- India’s healthcare spending to GDP ratio is amongst the lowest. An increase in penetration will create an opportunity for the pharma sector.

➤ **Exports opportunity:**

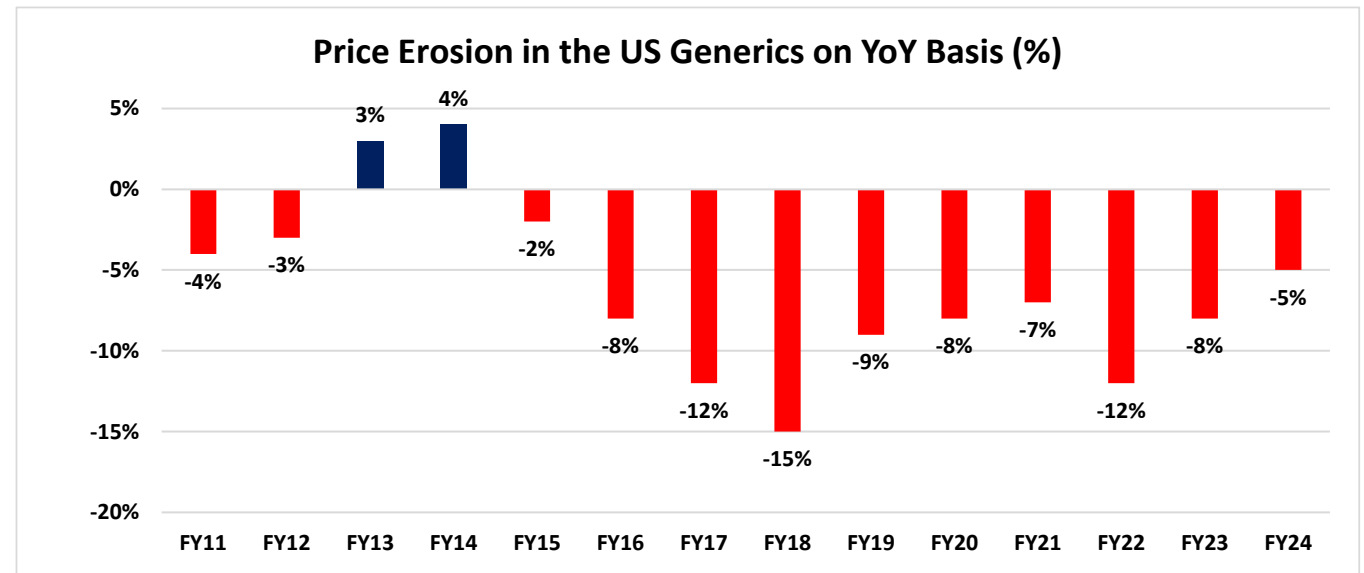
- India has export opportunities in generics, biosimilars, and CDMO.
- ~USD 98 bn worth of small molecules will go off-patent in the next 5 years vs ~USD 38 bn in the preceding 5 years.

Price Erosion in the U.S. Generics

Price erosion in the U.S. generics market is a significant challenge for Indian pharmaceutical companies.

Simple Generics continue to face high single-digit to double-digit price erosion, driven by increased competition, customer consolidation, and regulatory measures by the U.S. government to lower drug prices.

Outlook for complex generics, such as injectables and inhalers, is slightly more favorable, with some price recovery due to factors like drug shortages and manufacturing challenges.



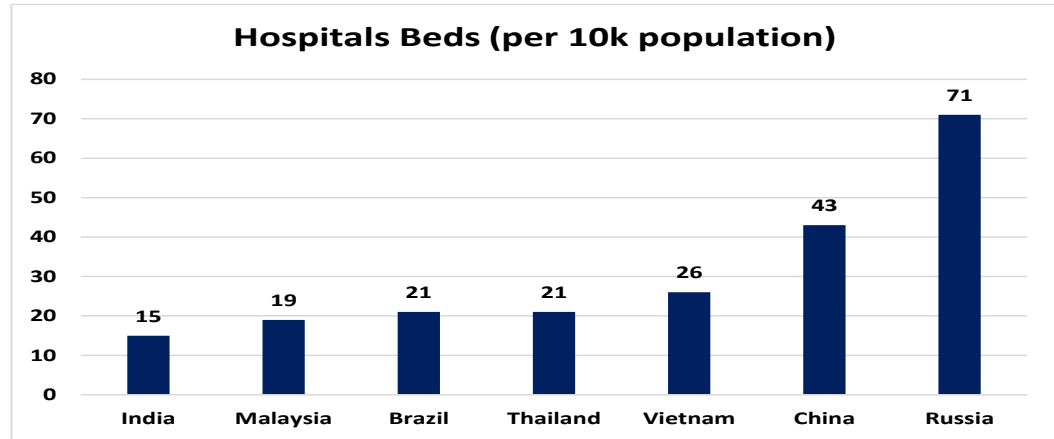
Source: Jefferies, Moneyvesta Capital

3.2.6) Healthcare Industry:

Nifty Healthcare Index: The 1.7% rise in the Nifty Healthcare Index in September 2024 was driven by increase health insurance penetration, increased healthcare spending, favorable government policies.

A) Hospitals

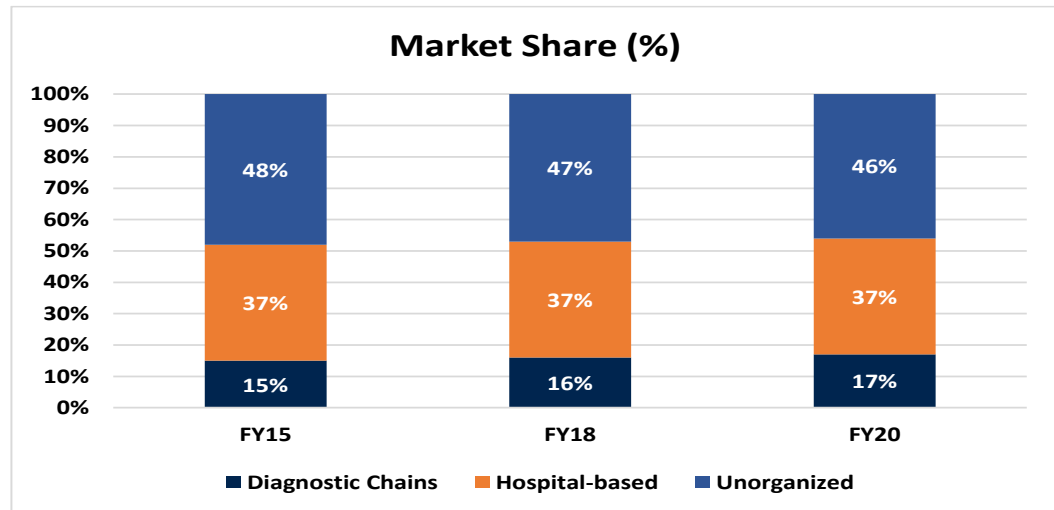
- India’s hospital beds per 10,000 of the population are the lowest compared to other emerging markets, with significant under penetration.
- The hospitals segment is growing at 10-12% CAGR and has a Total Addressable Market (TAM) of ₹5.6tn as of FY23
- The hospital market in India is expected to grow at 10-12% CAGR.



Source: HDFC Mutual Fund, Moneyvesta Capital

B) Diagnostic:

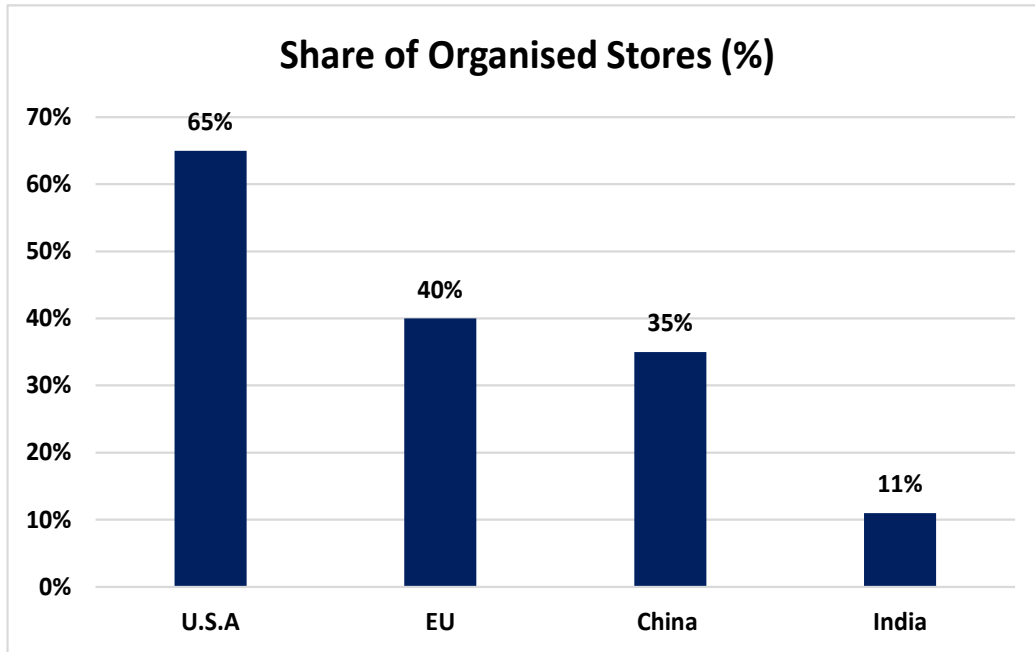
- Organized diagnostic chains are steadily gaining market share. Most organized diagnostic chains operate on hub and spoke business model, which brings economies of scale benefits.
- Diagnostic players are entering into outsourcing contracts with hospitals, whereby they would handle the entire diagnostic operations for them
- Around 150-200K labs in the country, the diagnostics industry in India is highly fragmented.



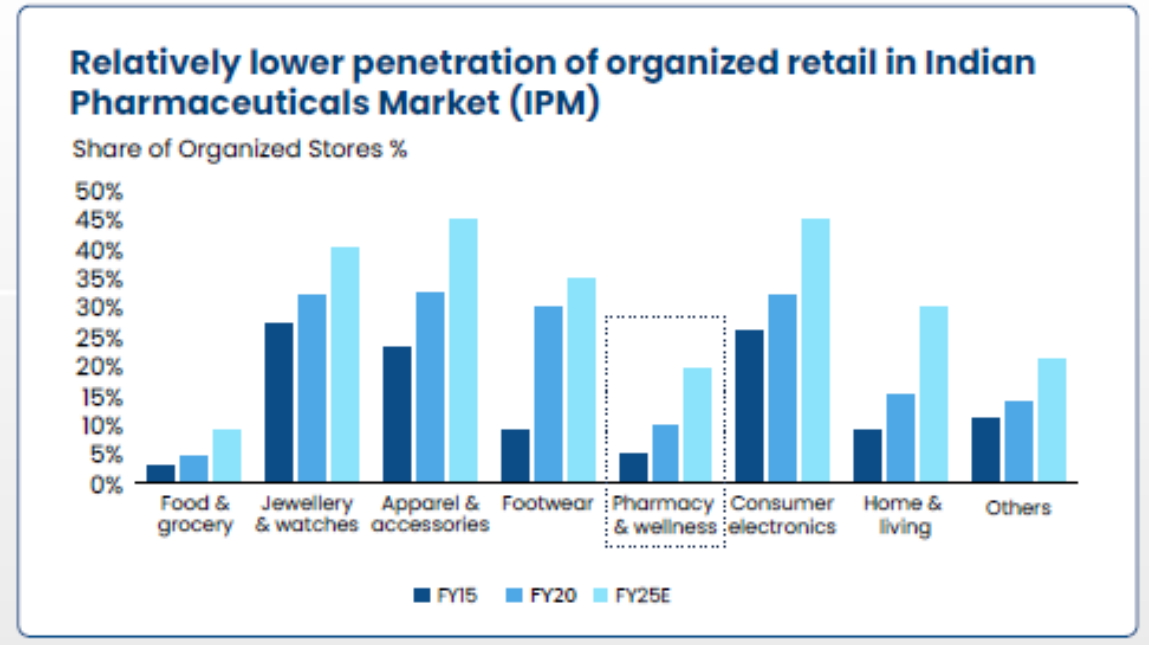
Source: HDFC Mutual Fund, Moneyvesta Capital

C) Retail Pharmacy

- The Indian Pharma sector has one of the lowest penetration of organized retail across all sectors.
- Unorganized small players still dominate the market with ~90% share. Organized players command a 40-60% market share in other countries like China, USA, EU.
- Moving from fragmented structure to consolidated structure.



Source: HDFC Mutual Fund, Moneyvesta Capital



Source: HDFC Mutual Fund

3.2.7) Technology Industry

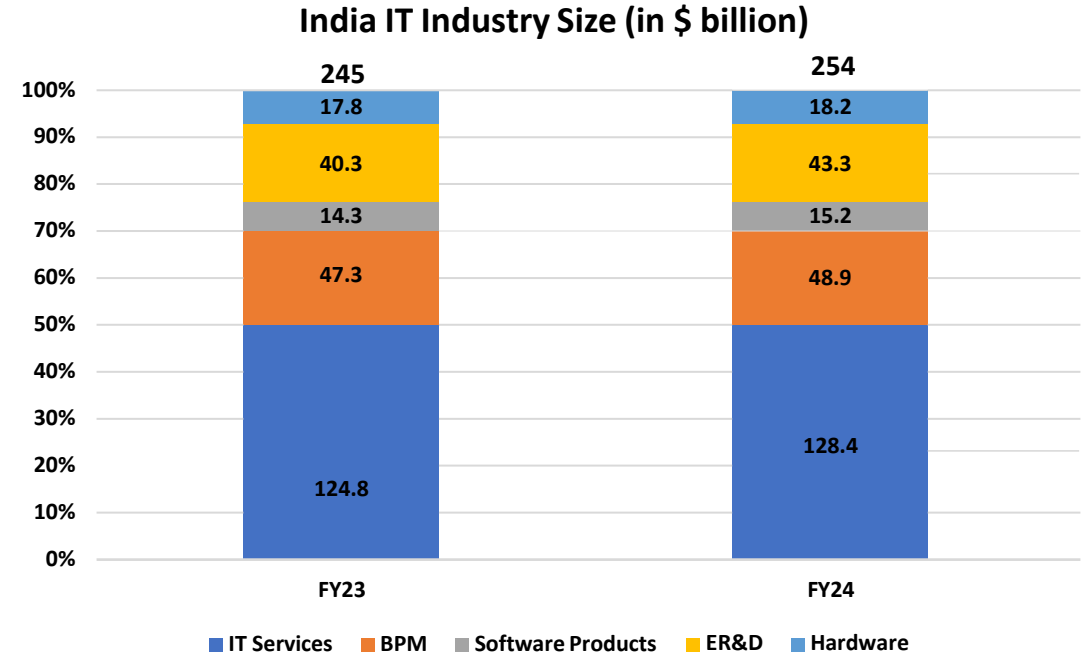
Nifty IT Index: IT index, fell by 2% in the month of September, with anticipated muted growth in Q2 results.

Q2FY25 Highlights:

- Top five listed IT companies, ranked by market capitalization, have demonstrated decent financial performance. These industry giants recorded a revenue increase of 5.8% year-on-year, alongside a rise in profit after tax (PAT) of 7.6% year-on-year.
- Industry getting good traction in manufacturing and BFSI sector, with some improvement in discretionary spending in BFSI segment, but some softening in consumer business that will pick up in coming quarters.
- The Indian tech sector saw deals worth \$635 million during July-September quarter 2024, marking a 31% YoY increase.
- Mid-tier IT companies in India are scaling back on volume growth to focus more on margins.

Outlook

- Increased adoption of digital technologies like cloud computing and artificial intelligence with expected share of data annotation market to reach \$7 billion by 2030.
- Quantum Computing, which was used in the development of vaccine, have also finds application to manage credit risk in BFSI is expected to cross \$8.6 billion by 2027.
- RPA (Robotic process automation) have helped streamlines workflows, making the company more profitable, agile and responsive, and also improving employee satisfaction, with expecting good cost efficiency projects inputs in future.
- According to a survey by Amazon Web Services (2021), India is expected to have nine times more digitally skilled workers by 2025. This increase in digital skills will support the industry's growth and enhance its global competitiveness.
- Spatial computing, is poised for growth as with the recent release of Apple's Vision Pro, as well as Microsoft's Hololens2 and Meta's Quest Pro, spatial computing devices are quickly gaining mainstream popularity.
- Hiring in the IT sector is set to see a growth of 8.5 per cent in the FY25, owing to demand for skilled IT talent in the country, according to data from hiring platform Indeed.

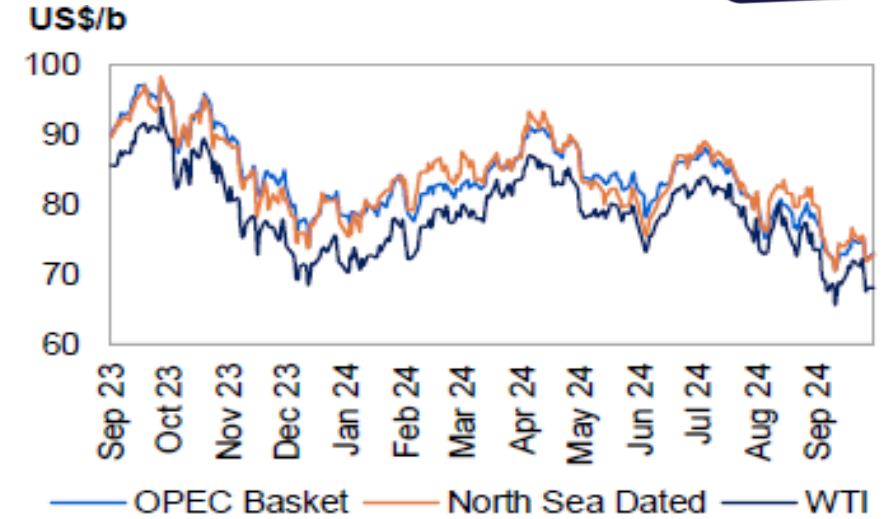


Source: Moneyvesta Capital, NASSCOM

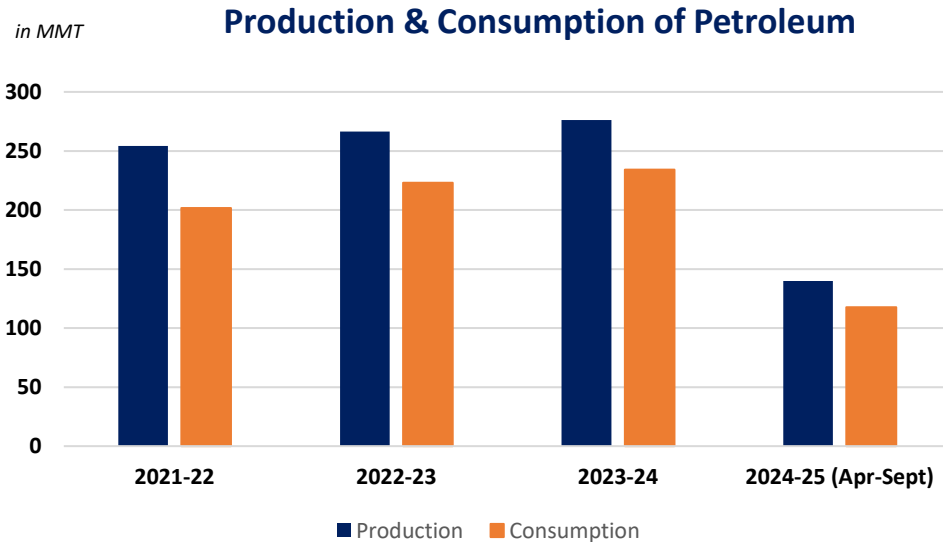
3.2.8) Oil and Gas Industry

Current Scenario

- With a recent Fed rate cut, there is an expectation of the revival of oil demand.
- India's crude oil import rises by 6.5% y-o-y in September, 2024, with total crude oil bill reaching to \$10.6 bn
- Global oil supply plunged by 640 kb/d in September to 102.8 mb/d, with Libya's political quagmire disrupting the country's oil production and exports, and as field maintenance work in Kazakhstan and Norway lowered output.
- Refining margins slumped further in September as gasoline, jet and diesel cracks deteriorated while crude prices improved on a relatively tighter market.
- The price of Brent Crude averaged \$74.33/bbl during Sept 2024 as against \$80.91/bbl during Aug 2024 and \$94.00/bbl. during Sept 2023.



Source: Argus, OPEC and Platts



Source: Moneyesta Capital, Ministry of Petroleum and Natural Gas, India

Outlook

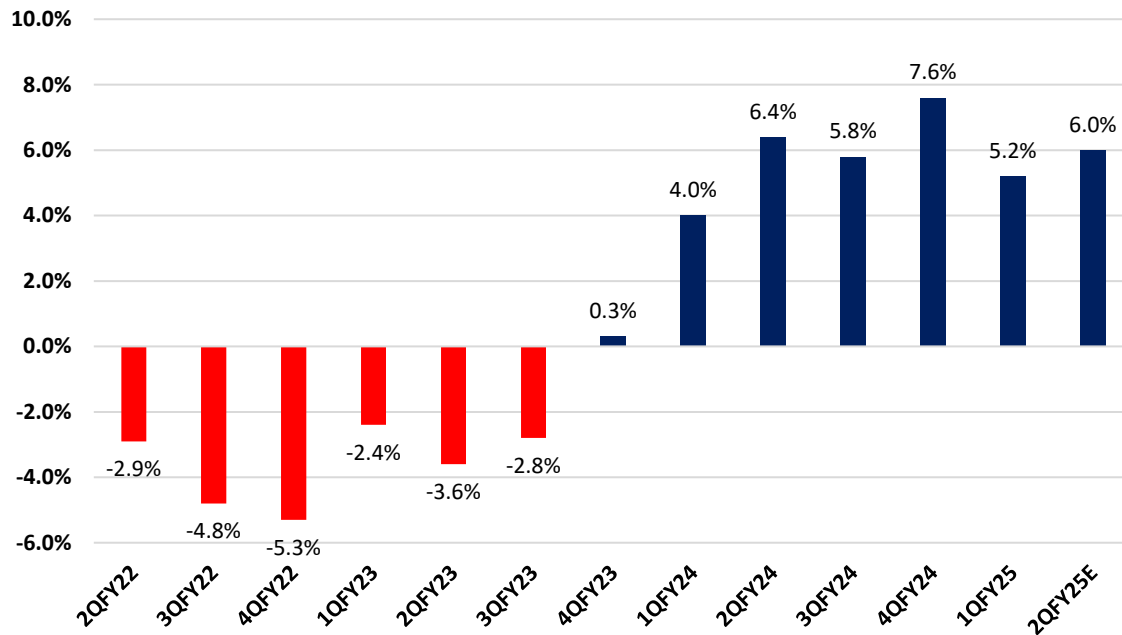
- Short term outlook, natural gas prices will remain relatively flat in the upcoming shoulder season during October before generally rising in 2025 as per US Energy Information Administration.
- In light of the economic growth trend, oil demand in 2024 is forecast to grow by a healthy 2.0 mb/d, y-o-y, well above the pre-COVID average. It is expected to continue at a solid pace of 1.7 mb/d, y-o-y, in 2025..
- Although crude oil prices have fallen recently, they continue to expect crude oil prices will rise in the second half of 2024 as per US Energy Information Administration
- Indian refiners would add 56 million tonnes per annum (mtpa) by 2028 to increase domestic capacity to 310 mtpa as per IBEF.

3.2.9) FMCG Industry:

Current Scenario

- In Q2 FY25, there has been gradual pick up in rural demand but that has been offset by stagnant urban demand.
- Higher palm oil prices, and advertising & promotion expenses impacted the margin of FMCG industry in Q2 FY25.
- Competition has been intense with, retail feeling heat from quick commerce and paint industries battling new competition.
- Despite several headwinds, the sector remains an attractive growth opportunity for medium to long term.

Rural Demand Growth Rates



Source: NielsenIQ, Moneyvesta Capital

Outlook

- The FMCG industry's value is increasing, up by 6%, bolstered by a 6.4% rise in volume.
- To witness a growth rate ranging between 4.5% and 6.5% in 2024, signifying a some deceleration from the robust 9.3% growth experienced in 2023, but the prospects are positive due to pick in rural demand as per market research firm Nielsen Report.
- Volume growth from urban consumers will remain steady at 7-8% during FY2025 supported by rising disposable incomes and continued focus on premium offerings by the players.
- India's quick commerce market will grow to \$6 billion by 2025, a significant increase from its negligible level just three years ago.
- With growing demand of 10-minutes delivery, major players coming with Amazon taking the front seat to launch its quick commerce in India.

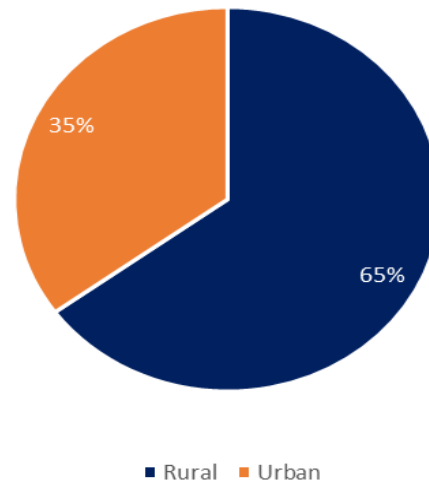
3.2.10) Consumer Durables

The consumer durable industry in India includes long-lasting products like home appliances, electronics, and kitchen gadgets. Driven by rising incomes, urbanization, and technological advancements, the sector has seen substantial growth. Consumers are increasingly drawn to energy-efficient and smart products, with e-commerce playing a growing role in distribution. Despite challenges such as price sensitivity and intense competition, the market is expected to continue expanding as technology and lifestyle changes drive demand.

Outlook

- Sales of consumer durables are predicted to rebound by 14.6% in 2024, after a 9.2% decline last year. The recovery is driven by higher sales of domestic appliances and furniture (up 12% and 20% respectively).
- The cables and wires Segment is poised to grow at 2 times GDP growth in FY24-FY30 due to increased capacities, robust household demand bolstered by capital expenditure in transmission and distribution.
- Healthy volume growth and better margins in RAC/Unitary Cooling Products to continue in Q2 FY25, led by strong seasonal demand.
- Personal Care Appliances (Dryers, Trimmers and Straighteners) Market in India to increase to \$1.4 Bn by FY26 from \$435 Mn in FY21 at a CAGR of 21%.
- With the demand recovery in rural areas, companies are increasing their distribution with Havells introducing a Rural Vistaar project to expand its reach in rural markets, while Crompton is working on growing its rural reach in FY25.

Market Share in Indian Consumer Durables



Source: Moneyvesta Capital

3.2.11) Banking Industry

A) Q2FY25 Highlights

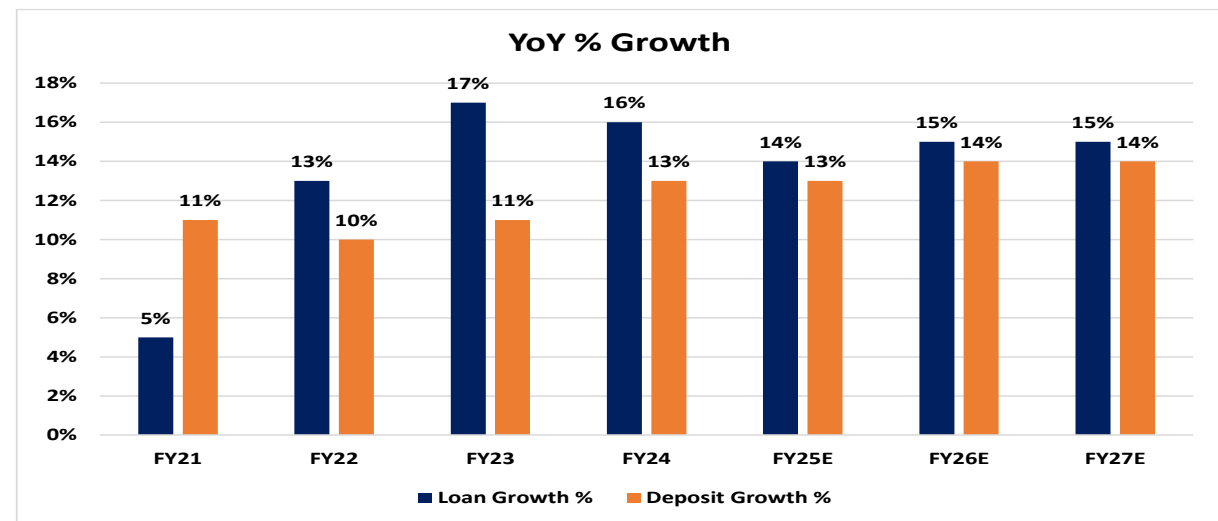
- **Increase in provisions and contingencies:** While HDFC Bank maintained a steady performance, other major private banks reported a significant rise in provisions and contingencies. This increase can primarily be attributed to the high levels of unsecured lending that these banks engaged in during previous periods. As the economic landscape evolves, banks are taking a more cautious approach, leading to enhanced provisioning to mitigate potential risks.
- **Shift in deposit growth compared to advances growth:** Deposits growth had lagged behind advances, but this quarter marked a reversal. Deposits grew at a higher rate than advances, driven by customers opting for time deposits to secure higher interest rates. This strategic move reflects a broader confidence in the banking sector and a proactive approach by customers looking to capitalize on favourable rates amidst changing market conditions.
- **High interest income growth:** In Q2 FY25, most banks reported robust growth in interest income, with many achieving double-digit or high single-digit increases. Additionally, the shift in customer behaviour towards fixed deposits has also contributed positively, as banks benefit from the influx of deposits while maintaining competitive lending rates.

B) Loan Growth and Deposit Growth

Over the next three years, Indian banks are expected to continue reaping the benefits of a buoyant economic environment, driven by an uptick in capital expenditure (capex) and rising demand for consumption credit.

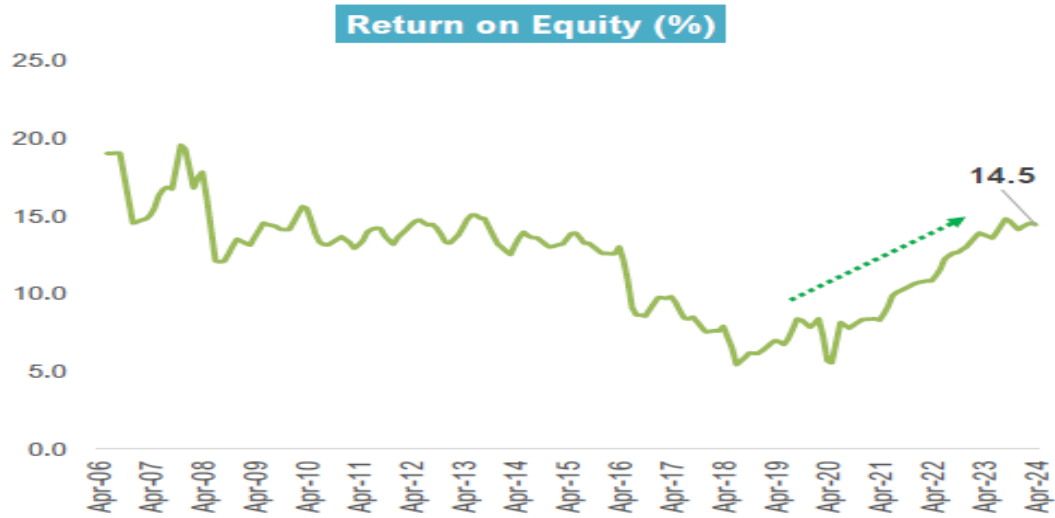
While credit growth has been strong, it is projected to moderate to around 15%, as banks are likely to adhere to the Reserve Bank of India's (RBI) guidance, aligning credit expansion more closely with the pace of deposit growth.

Additionally, improvements in asset quality, stable interest margins, and a robust focus on digital banking initiatives are likely to further strengthen the sector's performance during this period.

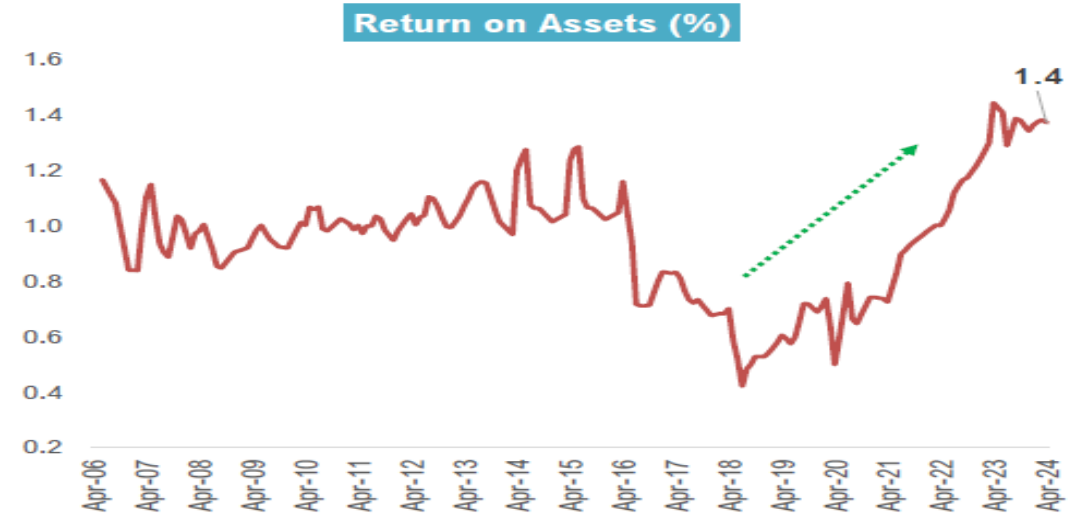


Source: Moneyvesta Capital

C) Nifty Bank Index- ROE% & ROA%

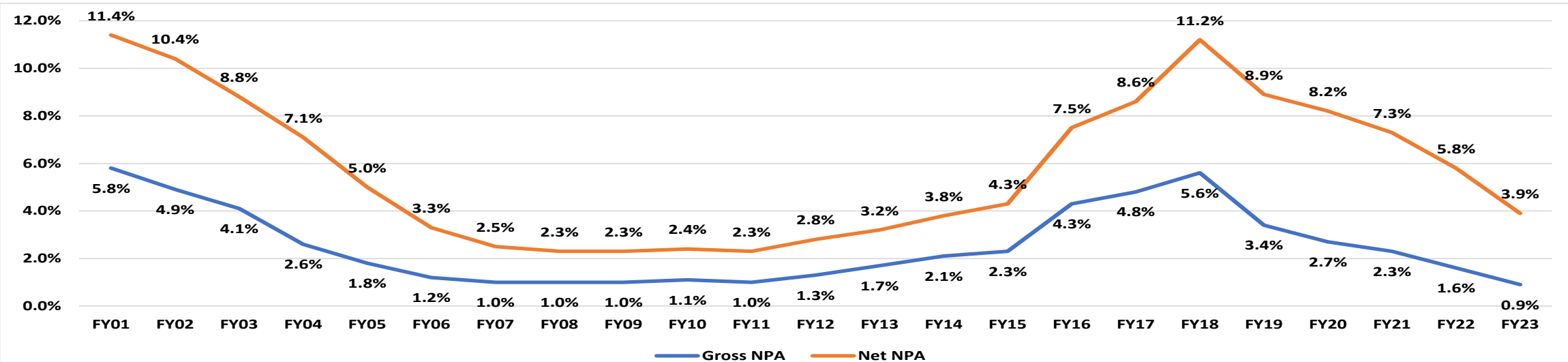


Source: DSP Mutual Fund



Source: DSP Mutual Fund

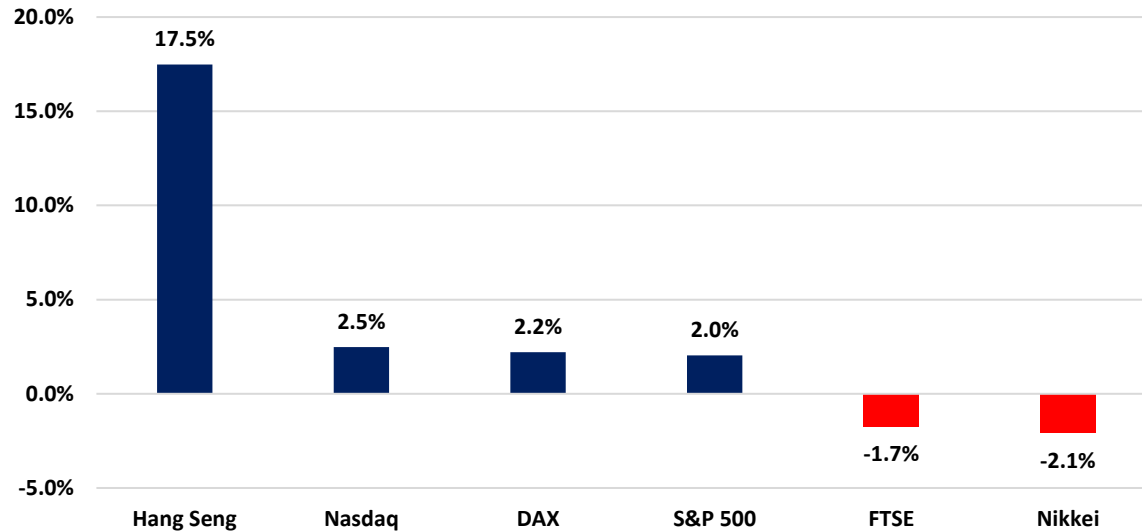
D) Gross NPA (%) & Net NPA (%)



Source: Moneyvesta Capital

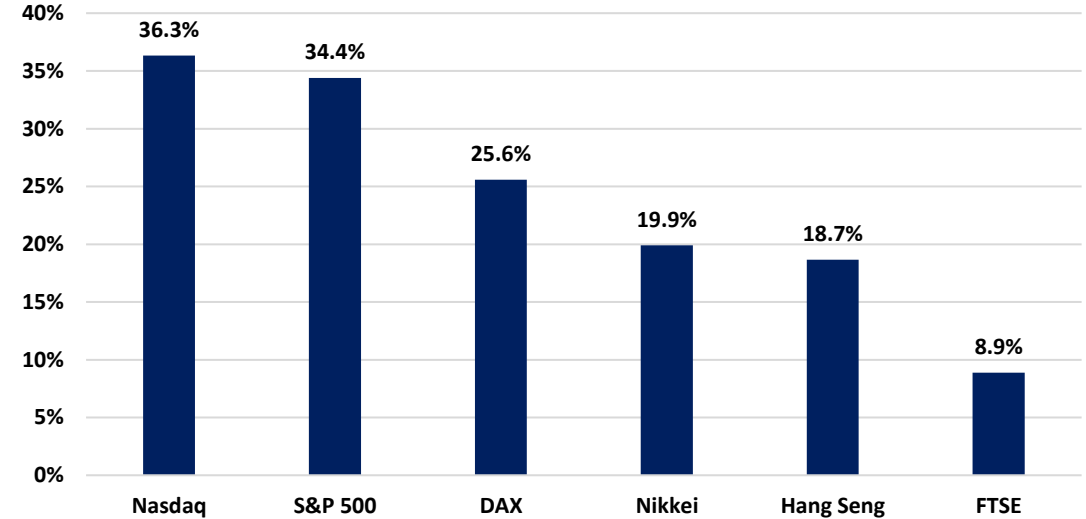
3.3) Foreign Indices

September % Change



Source: Moneyvesta Capital

YoY % Change



Source: Moneyvesta Capital

Equities:

- The Hang Seng Index led global markets in September 2024, rising by 17.5%. This surge was driven by renewed investor optimism following China’s economic stimulus measures.
- The S&P 500 posted a gain of 2.0%, U.S. companies has shown mixed result.
- The FTSE 100 saw a slight decline of 1.7%. Slower economic growth and persistent inflation challenges in the U.K. weighed on investor sentiment.

Global Trend:

- In response to ongoing economic slowdown concerns, China rolled out significant fiscal and monetary stimulus measures, including cutting interest rates and increasing government spending. These efforts aimed at reviving growth in key sectors such as real estate, infrastructure, and technology, which had been under pressure. This move was particularly well-received in Asian markets, with the Hang Seng Index seeing the most significant gains globally.
- Inflation in the U.S. continued to decelerate in September, marking a key turning point in the Federal Reserve’s policy.

DEBT MARKET & CURRENCY MARKET

| Particulars | August-2024 | September-2024 | September Change m/m |
|---|-------------|----------------|----------------------|
| 10 Year Benchmark G-Sec Yield (%) | 6.86% | 6.75% | -11 bps |
| AAA 10 Year Corporate Bond Yields (%) | 7.46% | 7.24% | -22 bps |
| Repo Rate | 6.50% | 6.50% | - |
| Average net liquidity absorbed/infused by RBI (INR billion) | 1,509 | 1,009 | -33.1% |

Source: HDFC Mutual Fund, Moneyvesta

4.1) In line with July and August 2024, liquidity in the Indian banking system remained in surplus for most of September.

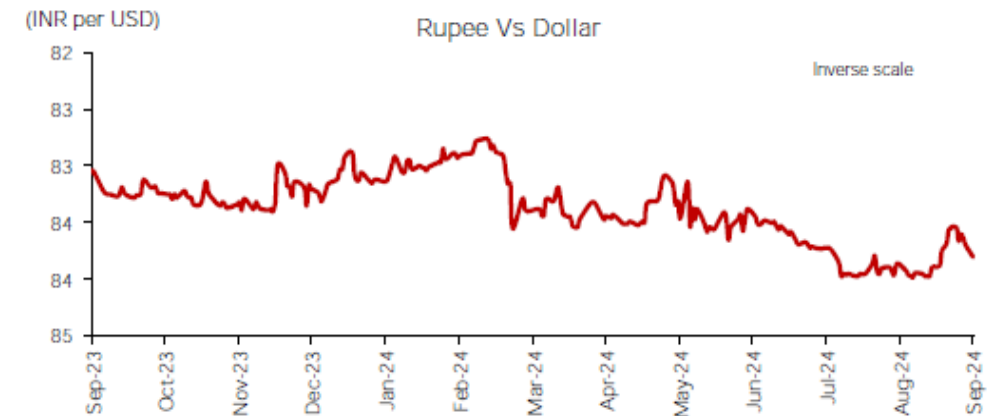
4.2) RBI Indian government bond yields were pushed to their lowest level in September. The yield dropped to 6.72% by September 26, the lowest level witnessed since February 2022, before eventually settling at 6.75% on September 30 vs 6.86% on August 30.

4.3) Fixed income was quite favorable in medium-term due to the Inclusion of Govt. Securities in J.P Morgan global bond indices.

4.4) The Indian rupee snapped a two-month losing streak in September 2024 and ended the month at Rs 83.80 per US dollar, about 0.07% higher compared with August-end.

4.5) The rupee made some sizeable gains against the US dollar following the decision by the US Federal Reserve (US Fed) decision to reduce its policy rates by 50 basis points, intermittent weakness in the dollar index and certain positive global cues.

4.6) Significant foreign fund inflows and a firm domestic equity market also supported the currency.



Source: HSBC Mutual Fund

COMMODITY MARKET

| Precious Commodity | 30 August 2024 | 30 September 2024 | % Change m/m |
|--------------------------------|----------------|-------------------|--------------|
| Gold (INR/10 gms) | 71,958 | 75,197 | 4.5% |
| Silver Future-MCX (INR per kg) | 85,210 | 90,641 | 6.4% |

Source: Gold-> India Bullion and Jewellers Association

Gold: Gold prices ended at Rs 75,197 per 10 grams on Sept 30, up 4.5% from Rs 71,958 per 10 grams on Aug 30. according to the India Bullion and Jewellers Association Ltd.

More gains will be seen on improved domestic demand ahead of Diwali festival.

| Commodity | 30 September, 2024 Price USD | September Change % m/m | FYTD25 % Change |
|---------------------------|---------------------------------|---------------------------|-----------------|
| Crude Oil (\$ per barrel) | 68.17 | -7.3% | -18% |
| Steel (per tonne) | 480 | 2.1% | -5.9% |
| Aluminium (per tonne) | 2,609 | 7.6% | 13.7% |
| Copper (per tonne) | 9,767 | 6.0% | 11.9% |
| Zinc (per tonne) | 3,076 | 7.5% | 28.6% |
| Lead (per tonne) | 2,071 | 2.2% | 5.4% |

Source: Industrial Commodities-> HDFC Mutual Fund

Crude oil: Crude oil prices on the New York Mercantile Exchange closed at \$68.17 per barrel on September 30, 2024, down 7.3% from \$73.55 on August 30, 2024. The decline came after the Organisation of the Petroleum Exporting Countries (OPEC) trimmed demand outlook.

Industrial commodity: In September, industrial commodities experienced a notable increase, largely due to expectations of heightened demand from China following its government's latest stimulus announcements. China, a major consumer of industrial metals and other raw materials, implemented measures aimed at bolstering its economy, which has faced slowdowns in growth.

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