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EQUITY MARKETS

India	Change %			
	21-Sep	1-day	1-mo	3-mo
Sensex	59,457	(0.4)	1.2	14.7
Nifty	17,718	(0.5)	1.3	15.0
Global/Regional indices				
Dow Jones	30,184	(1.7)	(8.7)	(1.0)
Nasdaq Composite	11,220	(1.8)	(9.4)	1.5
FTSE	7,238	0.6	(3.9)	2.1
Nikkei	27,015	(1.1)	(6.2)	3.3
Hang Seng	18,028	(2.3)	(8.3)	(14.2)
KOSPI	2,313	(1.5)	(6.1)	(1.3)
Value traded – India				
Cash (NSE+BSE)	620		666	357
Derivatives (NSE)	111,172		99,437	67,607
Deri. open interest	12,674		11,368	9,844

Forex/money market

	Change, basis points			
	21-Sep	1-day	1-mo	3-mo
Rs/US\$	80.2	13	31	198
10yr govt bond, %	7.2	(3)	(3)	(25)

Net investment (US\$ mn)

	19-Sep	MTD	CYTD
FIs	92	(767)	23,258
MFs	60	(498)	(6,429)

Top movers

Best performers	Change, %			
	21-Sep	1-day	1-mo	3-mo
BJFIN in Equity	1,802	0.1	10.6	53.4
IIB in Equity	1,224	(3.2)	15.1	53.3
RBK in Equity	127	(0.2)	27.4	53.0
BJHI in Equity	6,941	(0.3)	26.2	51.0
ACEM in Equity	541	(5.7)	28.8	50.8
Worst performers				
BIOS in Equity	289	(3.1)	(6.1)	(11.0)
HCLT in Equity	901	(1.4)	(7.1)	(8.7)
VOLT in Equity	904	(0.6)	(10.9)	(7.8)
TCS in Equity	3,001	(1.3)	(11.4)	(6.6)
ONGC in Equity	131	(1.7)	(2.7)	(5.9)

September 21, 2022

BSE-30: 59,720

FDI, welcome to India. We expect India's fast-growing economy, large domestic market and favorable investment policy to attract large FDI inflows. In addition, we see structural opportunities such as (1) re-globalization and (2) faster technological transfers providing further impetus to FDI. However, the recent exit of a few MNCs from India and their limited success in several sectors in India and other countries highlight that MNCs will have to contend with sector-specific issues (competition, regulations).

FDI flows: Set to grow

We estimate India to receive gross FDI of around US\$1.7-4.5 tn over the next 10-20 years led by (1) larger GDP size and (2) higher FDI-to-GDP ratio. India's gross FDI-to-GDP ratio has been around 2.7% over the past 10 years, significantly lower than its Asian peers. We expect India to attract FDI due to (1) large domestic market opportunity, (2) expanding export opportunities, (3) re-globalization, (4) established outsourcing model and (5) liberal FDI rules. India's economy will provide ample growth opportunities and solid returns to FDI investors in return.

Varied outcome and position of MNCs in India—market dynamics relevant

The experience of the past 20 years suggests different outcomes for FDI investors/MNCs in India. We attribute the different outcomes to (1) market dynamics, (2) market position of domestic and MNC companies and (3) regulations. MNCs enjoyed tremendous success in certain sectors but failed miserably in others. They dominate sectors such as 4W PVs, capital goods and consumer staples and have strong positions in pharmaceuticals and retailing. At the same time, they have been largely unsuccessful in banking and insurance and failed spectacularly in telecom.

MNC exits: Successes and failures are part of any market

We attribute the recent exits of a few MNCs from India to (1) the changed priorities of their parents (Citi, Holcim), (2) their declining presence in their respective markets (2W automobiles, banks, construction materials insurance) and (3) restrictive FDI regulations (insurance). These MNCs failed to build a meaningful presence in the Indian market given strong local competition and/or their individual growth and investment strategies. Nonetheless, most MNCs continue to thrive in India, which should drive strong FDI inflows.

Failures of major MNCs in various markets offer useful lessons

In our view, (1) the strong financial position of domestic companies, (2) easy availability of capital from capital markets and (3) increased confidence of the domestic incumbents after their strong performance against MNCs in several sectors in the past 5-10 years will make them sufficiently emboldened to tackle the MNCs. We note that several MNCs built dominant-to-strong businesses in their home geographies but they have been/were unable to leverage their capabilities in foreign geographies due to (1) stiffer-than-expected competition from domestic rivals, (2) 'tilted' regulatory framework and (3) conservative growth strategy.

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Sanjeev Prasad

Anindya Bhowmik

Sunita Baldawa

kspcg.research@kotak.com
Contact: +91 22 6218 6427

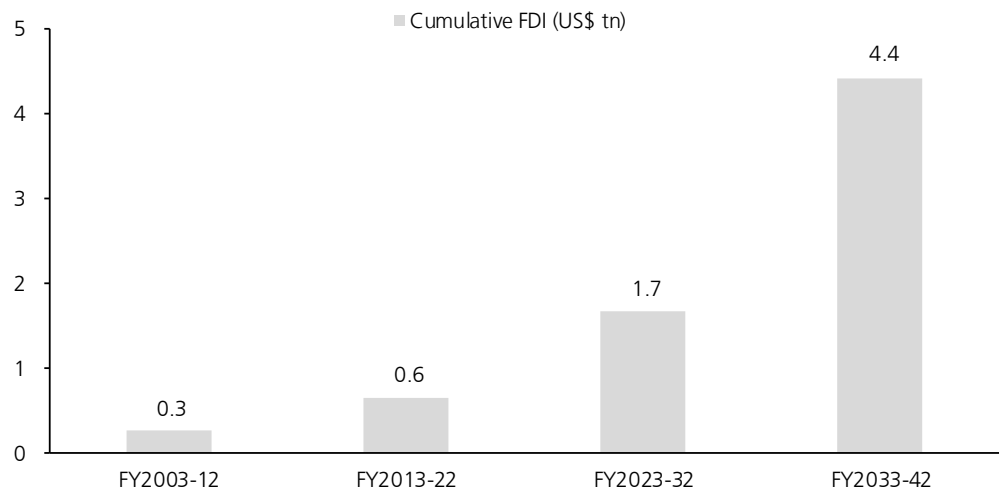
OVERVIEW: FDI WELCOME IN INDIA BUT NO EASY WINS FOR MNCs

We expect India to receive US\$1.7-4.5 tn of FDI over the next 10-20 years led by (1) massive size of the Indian domestic market, (2) large export opportunity for foreign companies in both manufacturing and services and (3) global factors such as re-globalization. Our analysis of the performance of MNCs in India and foreign markets shows that MNCs have been generally successful in the past but are facing stiff competition from domestic players leading to their retreat from certain sectors and geographies.

FDI opportunity size is large

We estimate the size of FDI opportunity at about US\$1.7 tn over the next decade and around US\$4.5 tn over the next two decades (see Exhibit 1). We expect India to attract large FDI over the next few decades due to (1) large and growing domestic market driven by strong growth in GDP and GDP/capita, (2) expanding export opportunity in both manufacturing and services; India is already a reliable supplier of chemicals and pharmaceuticals in the case of manufactured items and of IT services in the case of services, (3) re-globalization (or globalization in a different form with MNCs using their own subsidiaries and/or partners in 'friendly' countries to build new supply chains) and (4) supportive investment policy framework of the Indian government.

Exhibit 1: Steady increase in cumulative FDI expected over the next two decades
Cumulative gross FDI in India, March fiscal year-ends, 2003-42 (US\$ tn)

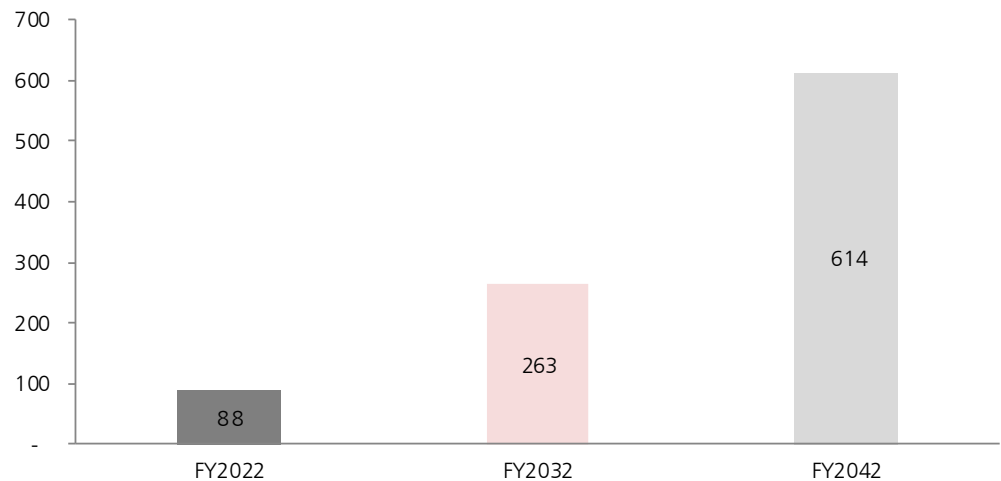


Source: CEIC, Kotak Institutional Equities estimates

We estimate gross FDI inflows to increase to around US\$250 bn by FY2032 and around US\$600 bn by FY2042 led by the aforementioned factors (see Exhibit 2). This compares with gross FDI of US\$88 bn in FY2022 and average annual gross FDI of US\$75 bn over FY2017-22. We see GDP growth and higher FDI-to-GDP ratio as the key drivers of FDI inflows but other factors such as India's growing export capabilities in manufacturing and services both, a stable investment climate and continued liberal FDI policies will be equally important to attract FDI.

Exhibit 2: Annual FDI flows in India to increase to around US\$250 bn by FY2032 and around US\$600 bn by FY2042

Gross FDI opportunity in India, March fiscal year-ends, 2022-42 (US\$ bn)



Source: CEIC, Kotak Institutional Equities estimates

We use a top-down approach to estimate the potential FDI opportunity and flows to India. We do not make bottom-up forecasts by sectors given the huge challenges in making such forecasts arising from the large number of sector-specific variables (current and potential size of market, nature of competition, especially from well-capitalized domestic players, regulations that may or may not favor foreign companies).

Notwithstanding the large opportunity size for FDI in India, the extent of FDI flows will depend on financial returns (real and perceived) of FDI in India. In this context, the historical experience of FDI in India and other EM countries becomes quite relevant. We discuss the same in detail in later sections.

MNCs have had mixed experience in India

We note that MNCs have had both great successes and spectacular failures in India. They have been (1) very successful in sectors such as 4W automobiles, consumer internet and consumer staples and (2) moderately successful in sectors such as pharmaceuticals but (3) largely unsuccessful in banking, construction materials (cement) and insurance and (4) complete failures in telecom. MNCs have had similar experience in other countries too.

We also note that MNCs will face tougher competition from strong local players in the future. Many of the domestic companies have the ambition, capital and courage to (1) defend their strong positions in sectors dominated by domestic players (most sectors in India following the gradual exit of the MNCs in a few sectors) or (2) even attack the strong position of MNCs in sectors dominated by MNC players (4W PV, consumer staples, e-tailing) currently.

We do not see capital or even technology (except in high-technology areas) being an issue for many of the domestic companies. Many of the domestic companies have a larger market capitalization than their MNC counterparts in India. In fact, a few even have comparable market capitalization to the MNC parent of the MNCs operating in India. Exhibit 3 shows the market capitalization of the top-5/top-10 companies (domestic or MNC) in the major sectors in India. Exhibit 4 compares the market capitalization of the large Indian companies in a particular sector with the market capitalization of the parent entity of the MNCs operating in India in the same sector. Lastly, the high ownership of the majority shareholders (promoters) will allow them to dilute their stake and raise capital if required to fight the MNCs in India.

Exhibit 3: Many domestic companies have a larger market cap. than MNCs operating in India

Market capitalization of the top domestic or MNCs in the major sectors in India (US\$ bn)

Automobile-2W		Banks		Capital goods		Cement	
Bajaj Auto	14	HDFC Bank	106	L&T	34	UltraTech Cement	23
Eicher Motors	13	ICICI Bank	80	Siemens	13	Ambuja Cements	14
Hero Motocorp	7	State Bank of India	64	Hindustan Aeronautics	10	Shree Cement	11
TVS Motor Co.	6	Kotak Mahindra Bank	48	Havells India	10	ACC	6
Automobile-4W		Axis Bank	31	ABB	8	Dalmia Bharat	4
Maruti Suzuki	35	IndusInd Bank	12	Honeywell Auto	5		
M & M	20			Cummins India	4		
Tata Motors	19			Thermax	4		
Ashok Leyland	6			Grindwell Norton	3		
Consumer staples		Insurance		Pharmaceuticals		Retail	
Hindustan Unilever	76	Life Insurance	52	Sun Pharma	27	Reliance Industries	212
ITC	52	SBI Life Insurance	16	Divi's Labs	12	Avenue Supermarts	35
Nestle India	23	HDFC Life Insurance	15	Cipla	11	Titan Company	30
Adani Wilmar	13	ICICI Pru Life	10	Dr Reddy's Labs	9	Trent	6
Dabur India	12	ICICI Lombard	7	Torrent Pharma.	6	Aditya Birla Fashion	4
Godrej Consumer	12	Star Health Insurance	5	Alkem Lab	5	Bata India	3
Britannia Industries	11	General Insurance	3	Gland Pharma	5	Telecommunication services	
Tata Consumer	9	New India Assurance	2	Abbott India	5	Bharti Airtel	57
Varun Beverages	9			Zydus Lifesciences	5	Tata Communication	4
Marico	9			Biocon	4	Vodafone Idea	4
United Spirits	8					Tata Teleservices Maharashtra	3

Notes:

- (a) We have shown market cap. of Reliance Industries for Reliance Retail.
 (b) We have highlighted MNCs operating in India.

Source: Bloomberg, Capitaline, Kotak Institutional Equities

Exhibit 4: Indian companies will not be pushovers in their home market given their large market capitalization and ability to raise capital
Market cap. of the large Indian companies versus market cap. of the parent entity of MNCs operating in India in the same sector (US\$ bn)

Automobile	Banks	Capital goods	Cement
Toyota Motor Corp. 233	Bank of America Corp. 275	Honeywell International Inc 119	Holcim 28
Volkswagen AG 91	Morgan Stanley 150	Siemens AG 84	UltraTech Cement 23
Mercedes-Benz Group AG 61	HSBC Holdings 121	ABB-Reg 53	Ambuja Cements 14
Honda Motor Co 45	Goldman Sachs Group Inc 115	L&T 34	Shree Cement 11
Maruti Suzuki 35	American Express Co. 115	Cummins Inc 30	
Hyundai Motor Co 30	HDFC Bank 106	Siemens 13	
Kia Corp. 23	Citigroup Inc 92	Hindustan Aeronautics 10	
M & M 20	ICICI Bank 80	Havells India 10	
Tata Motors 19	State Bank of India 64		
Suzuki Motor Corp. 17	Kotak Mahindra Bank 48		
Nissan Motor Co 16	Barclays 31		
Bajaj Auto 14	Axis Bank 31		
Eicher Motors 13	Standard Chartered 20		
	Deutsche Bank AG 19		
Consumer staples	Insurance	Pharmaceuticals	Retail
Johnson & Johnson 434	Allianz SE 70	Pfizer Inc 251	Amazon 1,245
Procter & Gamble Co. 329	AXA SA 58	Abbott Laboratories 179	Walmart 362
Nestle SA 303	LIC 52	Astrazeneca 178	Reliance Industries 212
Unilever 115	American International Group 41	Sanofi 101	Avenue Supermarts 35
Diageo 97	SBI Life Insurance 16	GSK 61	Titan Company 30
Hindustan Unilever 76	HDFC Life Insurance 15	Sun Pharma 27	
Colgate-Palmolive Co. 63		Divi's Labs 12	
ITC 52		Cipla 11	
Reckitt Benckiser Group 51			

Notes:

- (a) We have shown market cap. of Reliance Industries for Reliance Retail.
- (b) We have highlighted Indian companies and subsidiaries of MNCs in India.
- (c) Holcim has exited India but we have included it for comparison purposes.

Source: Bloomberg, Capitaline, Kotak Institutional Equities

FDI: GROWTH (IS) CAPITAL

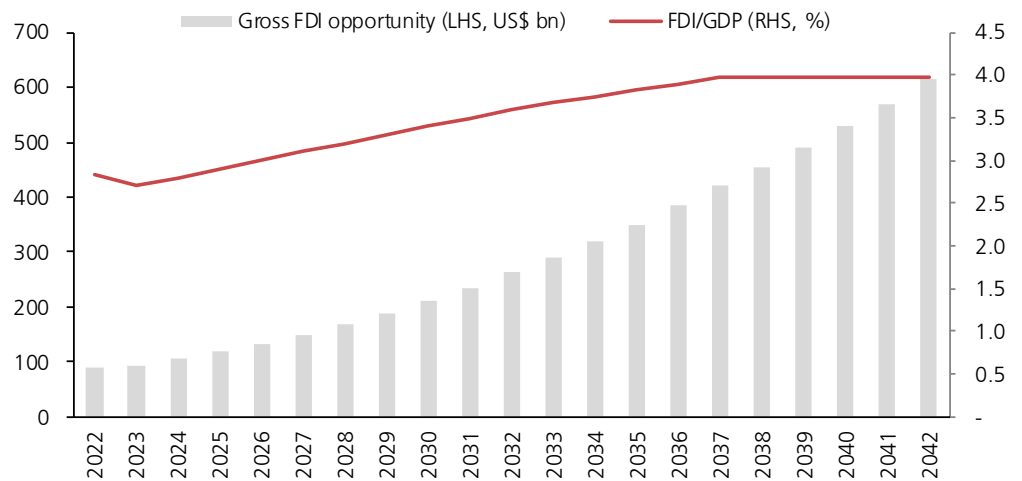
We model India to receive US\$1.7-4.5 tn of gross FDI flows over the next 10-20 years led by (1) larger GDP size and (2) higher FDI-to-GDP ratio. In our view, (1) a large and growing domestic market, (2) rising exports and outsourcing, (3) higher share of manufacturing in GDP and (4) re-globalization along with diversification of global supply chains will provide large opportunities for foreign capital.

FDI opportunity size of US\$1.7-4.5 tn over the next 10-20 years

We estimate the size of FDI opportunity at US\$1.7 tn over the next decade and US\$4.5 tn over the next two decades (see Exhibit 5). The numbers may look very large after the next few years but we believe our estimates are quite achievable given several positive drivers. India's gross FDI inflows have been strong over the past few years with India receiving a cumulative US\$647 bn over the past 10 years on a gross basis and US\$331 bn on a net basis (see Exhibit 6).

Exhibit 5: We project cumulative FDI opportunities in India at US\$1.7 tn over FY2023-32 and US\$4.5 tn over FY2033-42

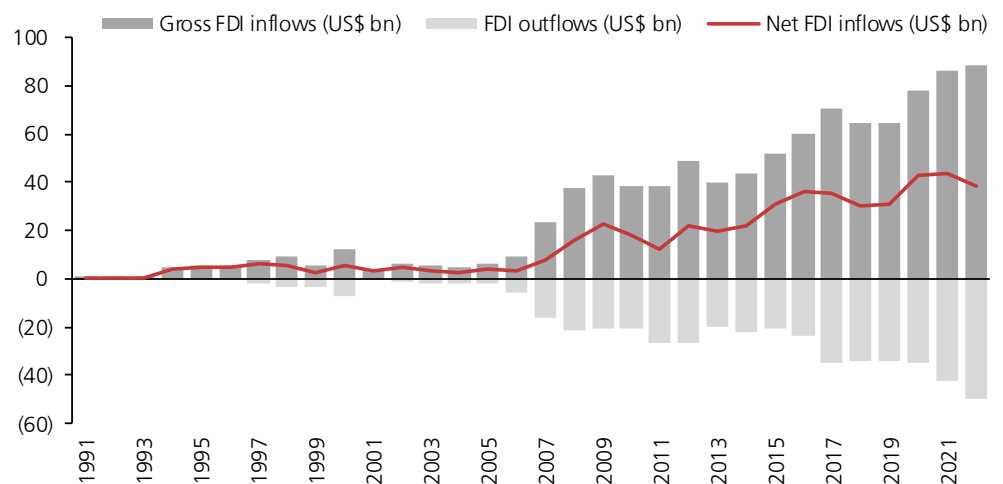
Gross FDI opportunity in India, March fiscal year-ends, 2022-42 (US\$ bn)



Source: CEIC, Kotak Institutional Equities estimates

Exhibit 6: India's gross FDI increased at 6% CAGR over FY2012-22

Gross and net FDI inflows, March fiscal year-ends, 1991-2022 (US\$ bn)



Source: CEIC, Kotak Institutional Equities

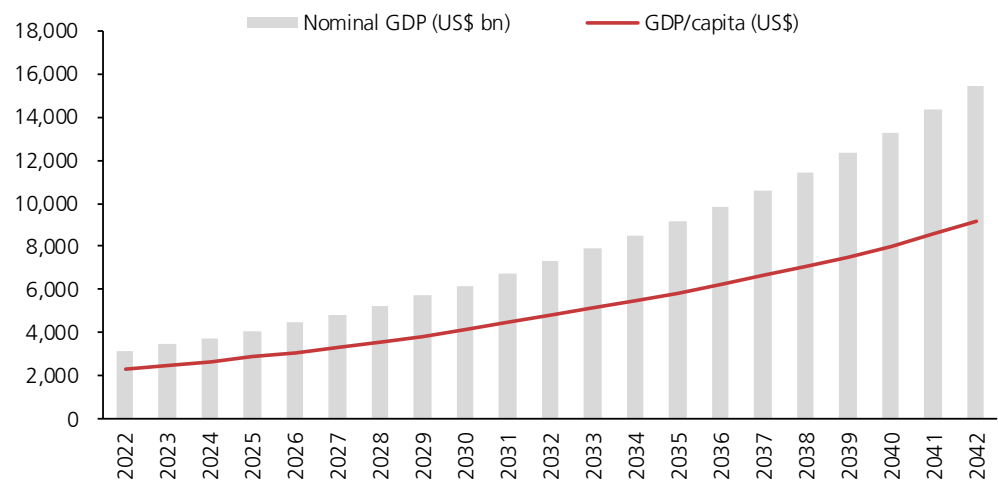
We note that net FDI numbers will be significantly lower than gross FDI figures as MNC subsidiaries and FDI-recipient companies will also return profits to their parent entity and investors. We do not project net figures as those will depend on individual strategies of the companies—continued investment in the Indian market versus remittance of capital.

We discuss the key drivers for higher FDI inflows below.

- ▶ **Larger size of the Indian economy driven by investment.** We model India's GDP to reach US\$7 tn by FY2032 and US\$15 tn by FY2042, which will translate to GDP/capita of US\$4,800 by FY2032 and US\$9,100 by FY2042 (see Exhibit 7). We assume 11-12% nominal GDP growth, 3% depreciation in the INR versus the USD and 1% population growth for our estimates. A larger economy will require more capital (investment) and also, absorb more capital (domestic and foreign).

Exhibit 7: We expect a long runway for growth for India

Nominal GDP and GDP/capita of India, March fiscal year-ends, 2022-42



Source: Kotak Institutional Equities estimates

In our view, investment will be the primary pillar of economic growth of India. We note that the strong growth in India's economy over FY2004-11 was driven largely by strong growth in investment over the same period (see Exhibit 8). The FY2004-11 period is relevant as it was a period of sustained high growth rates in India. However, investment growth has slumped to 4.8% CAGR over FY2012-22, which has pulled GDP CAGR to 5.4% over the same period. India's GFCF-to-GDP declined to 27% in FY2021 from 39% in FY2012 (see Exhibit 9).

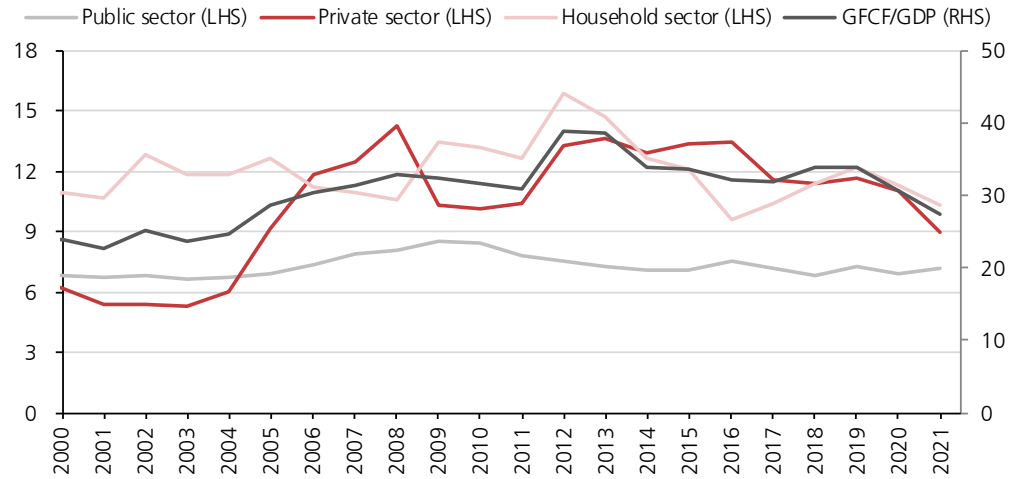
Exhibit 8: Strong GDP growth over FY2004-11 driven by strong investment growth over the same period

Growth in components of GDP (constant price), March fiscal year ends, 2002-22 (%)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Private final consumption expenditure	6.0	2.9	5.9	5.2	7.5	4.9	7.3	4.5	5.0	6.7	7.4	5.5	7.3	6.4	7.9	8.1	6.2	7.1	5.2	(6.0)	4.1
Government final consumption expenditure	2.4	(0.2)	2.8	4.0	8.8	4.1	9.4	11.4	14.2	5.2	6.5	0.6	0.6	7.6	7.5	6.1	11.9	6.7	3.4	3.6	11.0
Gross fixed capital formation	15.3	(0.4)	10.6	24.0	16.4	13.9	16.3	3.2	7.7	11.0	12.1	4.9	1.6	2.6	6.5	8.5	7.8	11.2	1.6	(10.4)	17.4
Change in stocks	(120)	(676)	8	270	27	32	31	(51)	68	45	(43)	(3)	(36)	112	(13)	(49)	68	27	(59)	(111)	(1,549)
Valuables	(5.4)	(4.1)	66.6	57.2	(1.6)	13.7	2.9	26.9	57.6	32.4	6.6	2.7	(42.7)	26.2	(1.0)	(18.6)	40.2	(9.7)	(14.2)	26.4	41.4
Exports	4.3	21.1	9.6	27.2	26.1	20.4	5.9	14.8	(4.8)	19.5	15.5	6.8	7.8	1.8	(5.6)	5.0	4.6	11.9	(3.4)	(9.2)	23.0
Less: Imports	2.9	12.0	13.9	22.2	32.3	21.5	10.0	22.4	(1.9)	15.8	20.4	6.0	(8.1)	0.9	(5.9)	4.4	17.4	8.8	(0.8)	(13.8)	29.5
Real GDP growth	4.8	3.8	7.9	7.9	7.9	8.1	7.7	3.1	7.9	8.5	5.2	5.5	6.4	7.4	8.0	8.3	6.8	6.5	3.7	(6.6)	8.8

Source: CSO, Kotak Institutional Equities

Exhibit 9: India's GFCF-to-GDP ratio below 30% after peaking at 39% in FY2012
 Gross fixed capital formation as a % of GDP, March fiscal year-ends, 2000-21 (%)

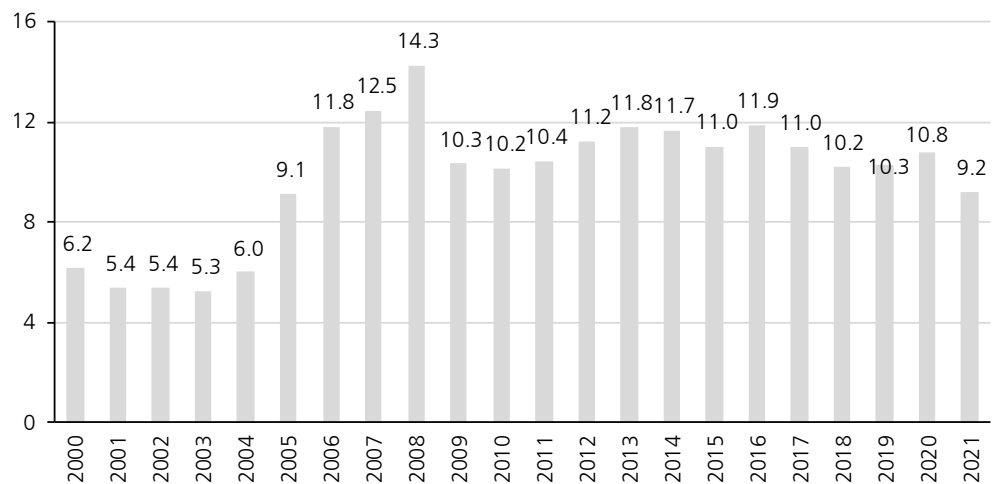


Source: CEIC, Kotak Institutional Equities

India will require significantly larger participation from the private sector in order to achieve a higher investment rate. We expect private sector investment to revive led by higher investment by (1) domestic companies through production-linked incentive (PLI) schemes and other positive investment drivers and (2) foreign companies through extant companies expanding their footprint in India in line with India's economic growth and new MNCs seeking opportunities in new sectors. The share of the private sector in overall investment has declined sharply in the past 10 years (see Exhibit 10).

Exhibit 10: Private sector GFCF-to-GDP ratio has declined from peak levels; stuck at 10% of GDP over the past few years

Private sector gross fixed capital formation as a % of GDP, March fiscal year-ends, 2000-21 (%)



Notes:

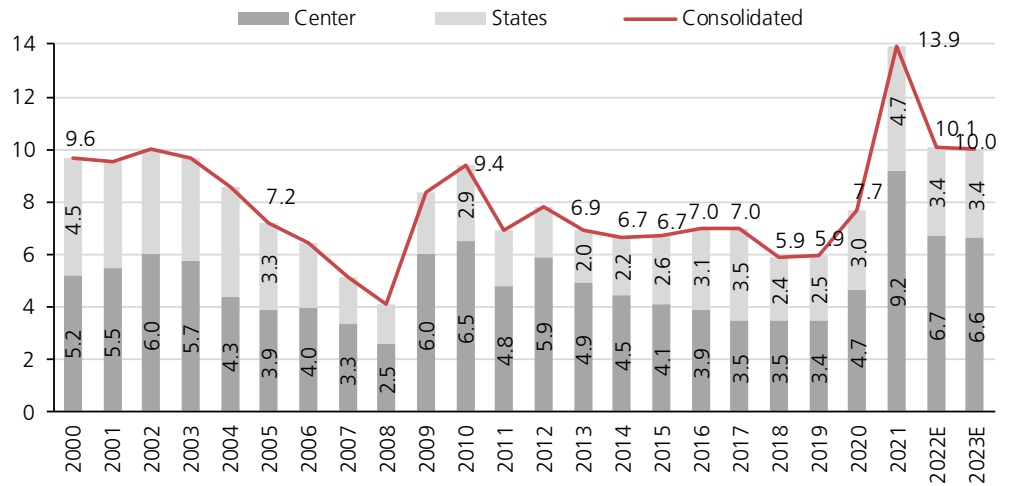
(a) Data from 2012 onwards is based on new GDP series.

Source: RBI, Kotak Institutional Equities

We do not see any major change in the public sector investment rate, which has languished at 7-8% of GDP. The weak P&L (high consolidated fiscal deficits; see Exhibit 11) and balance sheet (high public debt-to-GDP; see Exhibit 12) of the Indian government (central and state) leave limited room for the government to be a big driver of investment. The government has rightly redefined its role as an enabler of investment.

Exhibit 11: India runs a high consolidated fiscal deficit

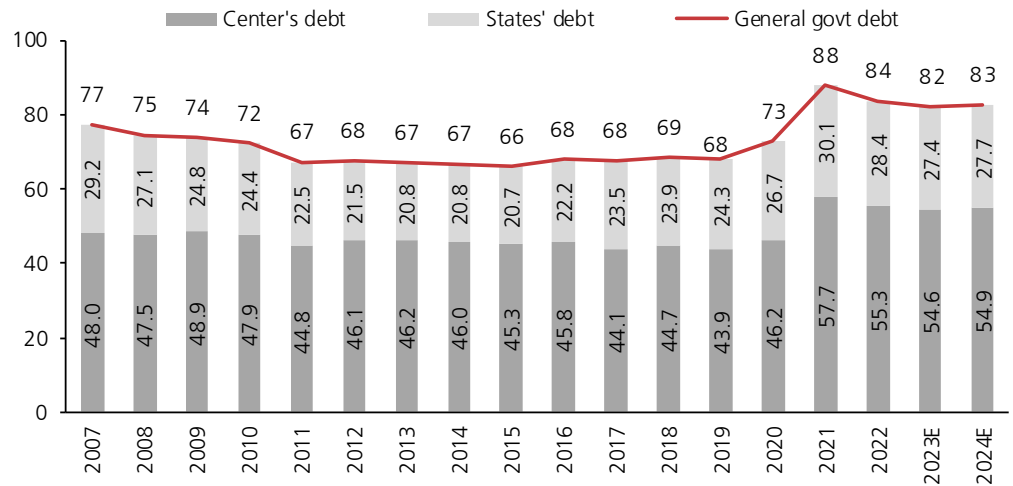
Consolidated fiscal deficit of center and states, March fiscal year-ends, 2000-23E



Source: Ministry of Finance, Kotak Institutional Equities estimates

Exhibit 12: Sharp increase in public debt-to-GDP in FY2021 due to Covid-19 response; will take time to consolidate

Trend in debt of center, state and general government, as a proportion of GDP, March fiscal year-ends, 2007-24E



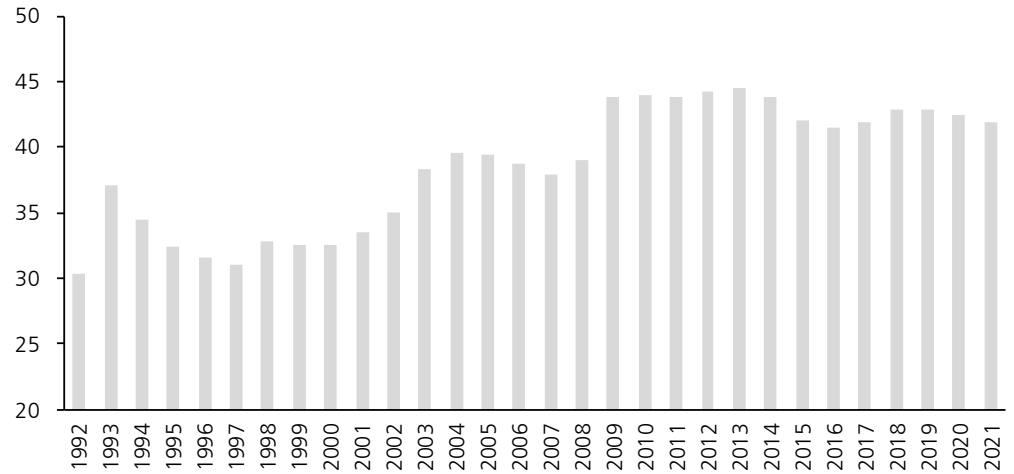
Notes:

(a) Center's liabilities have been adjusted for loans to states and state liabilities have been adjusted for investment in center's T-bills.

Source: CEIC, Kotak Institutional Equities estimates

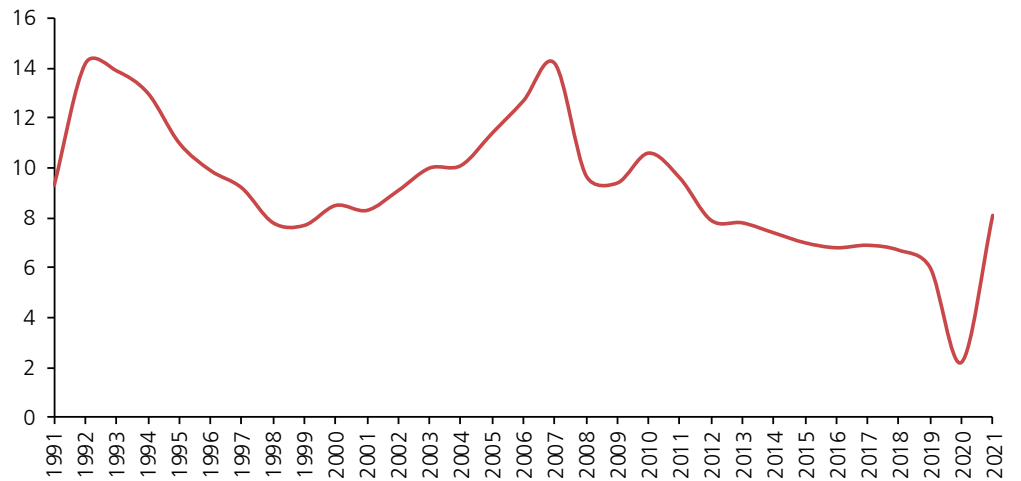
We note that China's average GFCF-to-GDP was 41% over the past 20 years (see Exhibit 13), which helped it to achieve strong GDP growth over the same period (see Exhibit 14). It witnessed large private participation even as the government capex had an outsized presence. China's net FDI-to-GDP averaged 2.9% over the past 20 years (see Exhibit 15). If India were to follow China's growth trajectory, it will have enough opportunity to consume meaningfully higher amounts of capital than current rates.

Exhibit 13: China's average GFCF-to-GDP ratio was 39% over CY1992-2021
 Gross fixed capital formation of China as a % of GDP, calendar year-ends, 1992-2021 (%)



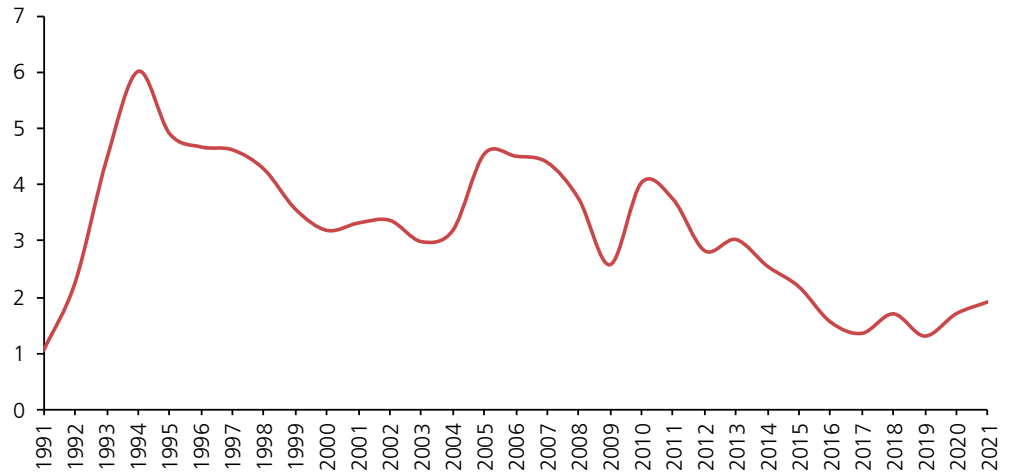
Source: CEIC, Kotak Institutional Equities

Exhibit 14: China's average GDP growth was 9.2% over 1991-2021
 Real GDP growth of China, calendar year-ends, 1991-2021 (%)



Source: CEIC, IMF, Kotak Institutional Equities

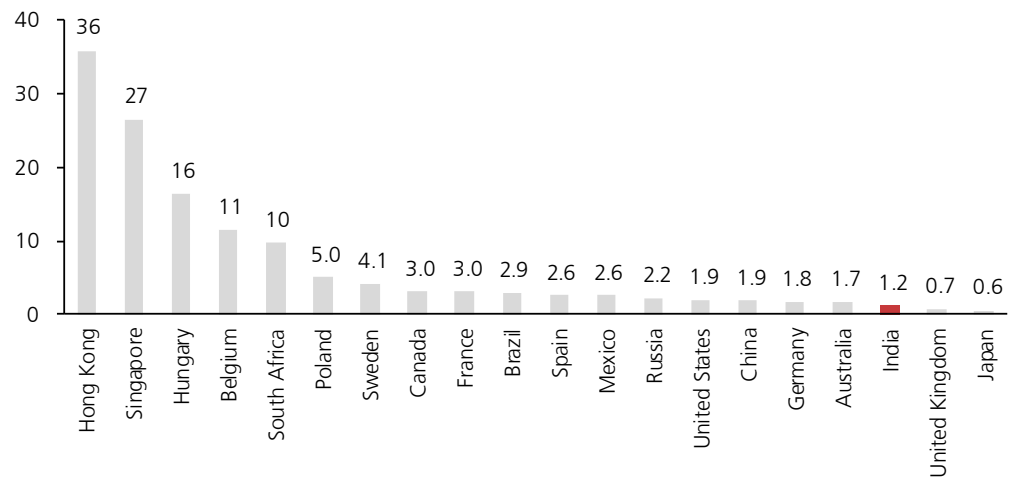
Exhibit 15: China's net FDI-to-GDP ratio averaged 3.2% over CY1991-2021
 Net FDI-to-GDP of China, calendar year-ends, 1991-2021 (%)



Source: CEIC, IMF, Kotak Institutional Equities

- **Higher FDI-to-GDP ratio over time.** We expect India’s FDI-to-GDP ratio to increase over time given the ‘low’ ratio currently. We note that India significantly trails other major economies on this parameter (see Exhibit 16). Thus, there is ample room for a higher FDI-to-GDP ratio. We note that the FDI-to-GDP ratio has remained relatively stable and India’s gross FDI inflows have largely grown in line with the growth in the Indian economy over the past two decades (see Exhibit 17).

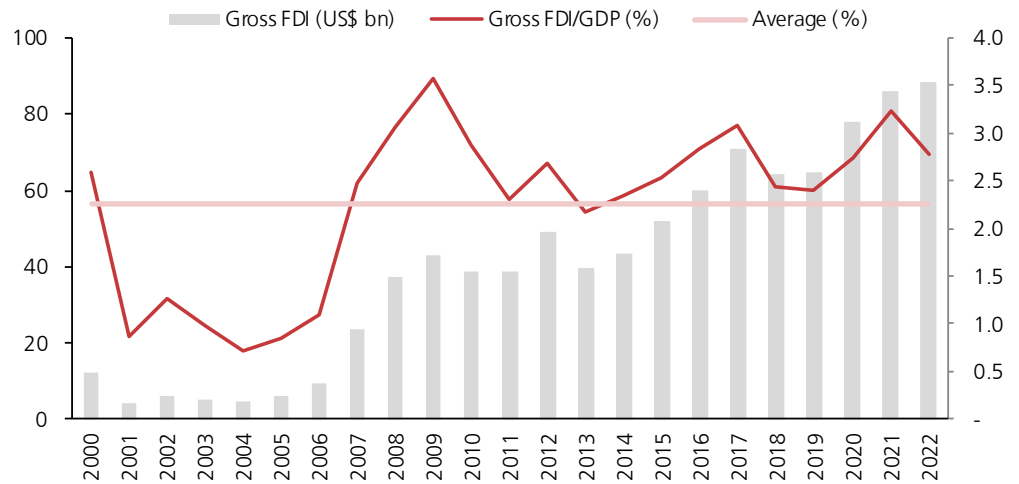
Exhibit 16: India trails many economies on net FDI-to-GDP ratio
 Net FDI-to-GDP ratio of major economies, calendar year-end, 2021 (%)



Notes:
 (a) Data for India is for FY2022.

Source: UNCTAD, IMF, Kotak Institutional Equities

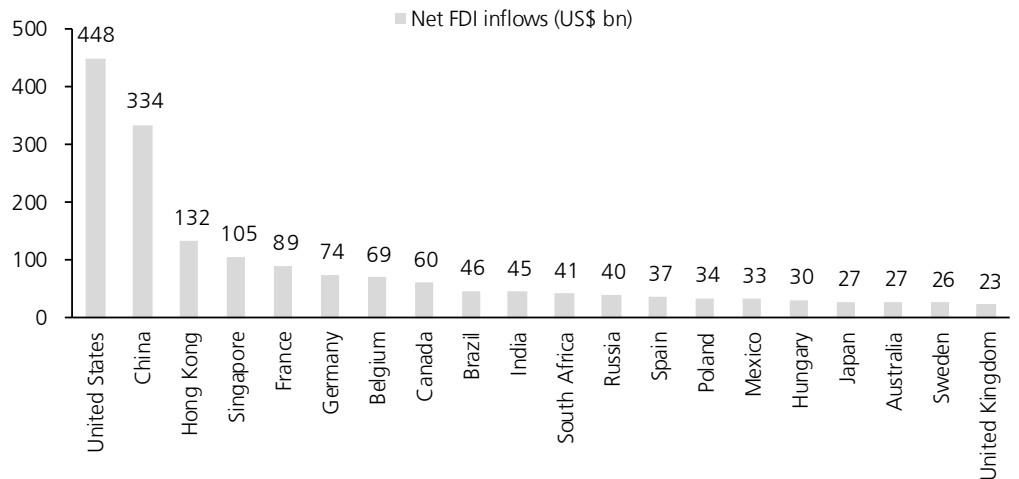
Exhibit 17: India's FDI inflows have been 2-2.5% of GDP over the past 20 years
 Gross FDI received by India and gross FDI-to-GDP ratio, March fiscal year-ends, 2000-22



Source: CEIC, IMF, Kotak Institutional Equities

India ranks reasonably high in the list of FDI recipients (see Exhibit 18) but it receives only 2.7% share of total annual FDI and is dwarfed by countries such as China and the US. This is understandable given the much higher size of their economies. As a corollary, it is apparent that the size of an economy is very relevant for FDI inflows. The sheer scale of FDI in China and the US simply reflects their GDP heft and their capacity to absorb large FDI. We assume India will be in a position to absorb much larger amounts of FDI as its economy grows rapidly over the next 1-2 decades.

Exhibit 18: India ranks 9th in net FDI inflows
 Net FDI inflows of major economies, calendar year-end, 2021 (US\$ bn)

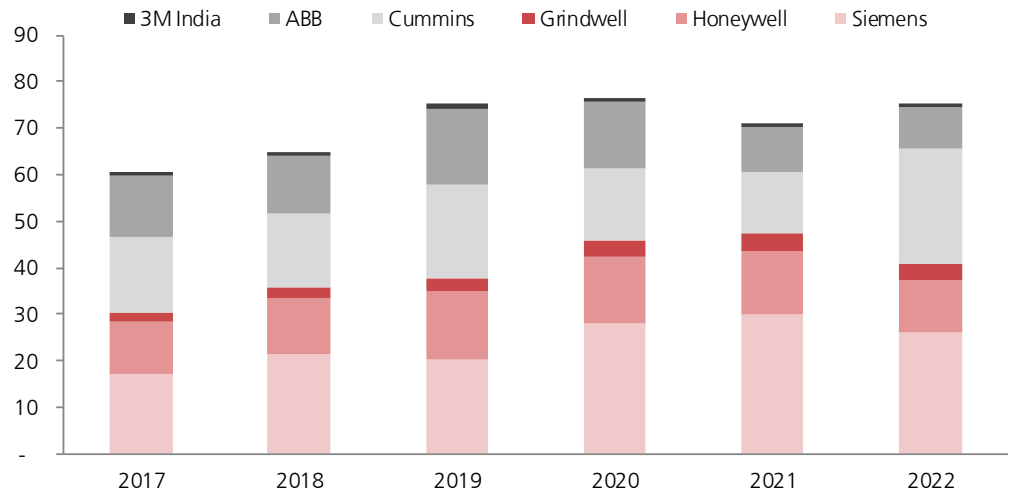


Source: UNCTAD, Kotak Institutional Equities

- **Expanding export opportunities.** We expect new export opportunities for India in the manufacturing sector. Manufacturing exports have not been a strong point for India historically. In fact, India is a large importer of all sorts of manufactured goods. However, several MNCs are using India as (1) a low-cost manufacturing base for exports to other emerging markets (electrical goods; see Exhibit 19 for exports of listed MNC capital goods companies) and (2) a high-tech manufacturing base for certain high-value components (aerospace, automobiles).

Exhibit 19: Exports of capital goods increased over FY2017-20; declined over FY2021-22 due to Covid-19 pandemic

Export of capital goods by MNCs, March fiscal year-ends, 2017-22 (Rs bn)

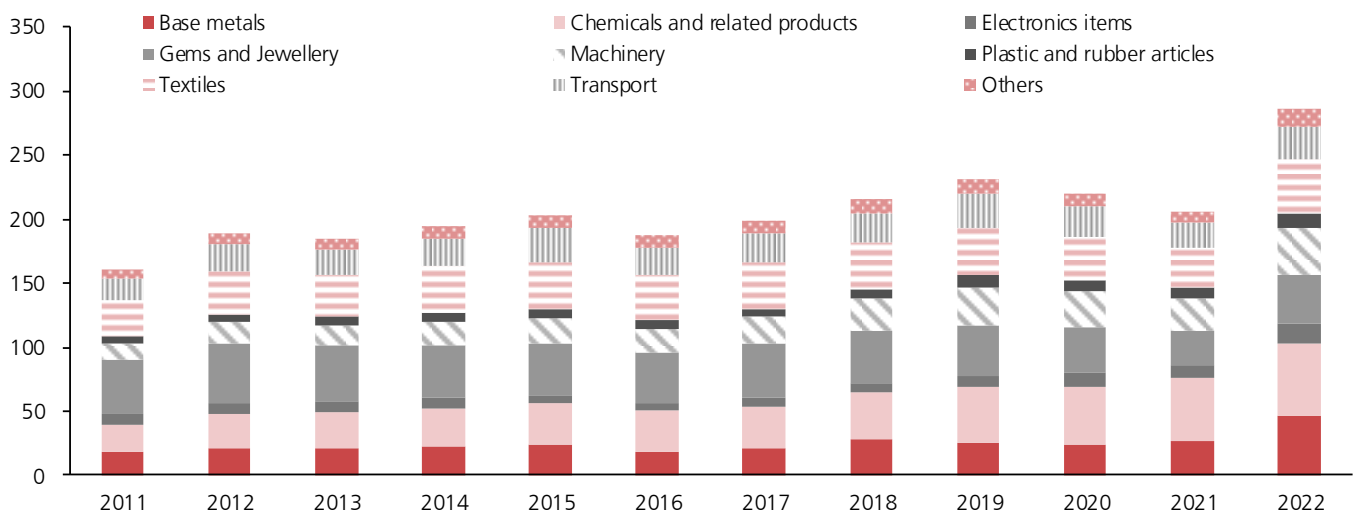


Source: Capitaline, Kotak Institutional Equities

We note that India’s export composition is gradually improving with the share of manufactured goods witnessing steady increase led by exports of high-value goods (see Exhibit 20). In particular, we highlight the strong performance of chemicals, electronic items, machinery and transport items in the past few years. As a result, India has seen decent increase in exports over the past five years despite Covid-related global slowdown (see Exhibit 21), with non-oil exports growing at a 7.8% CAGR. However, India’s share of global exports continues to be relatively low (see Exhibit 22).

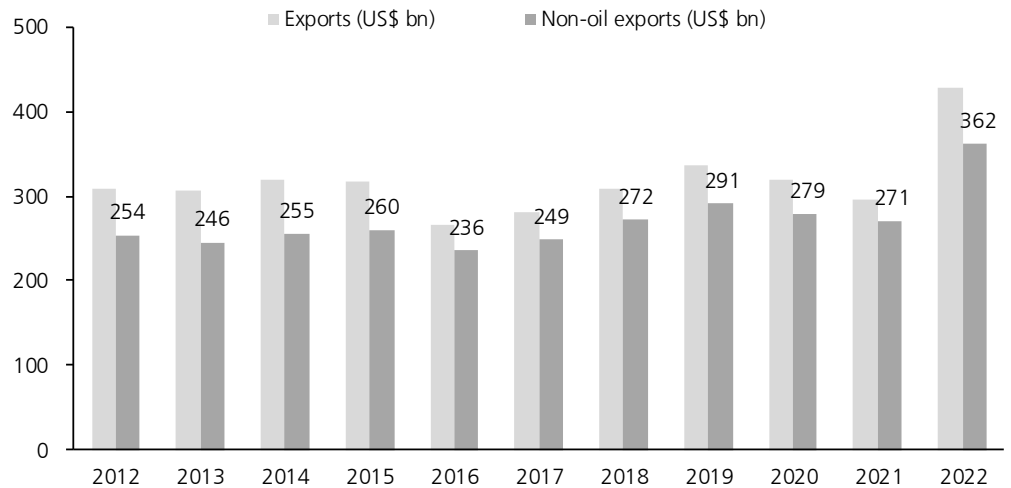
Exhibit 20: India's manufacturing exports growth was driven by base metals, chemicals, electronic items and machinery goods over the past 10 years

Composition of India's manufacturing exports, March fiscal year-ends, 2011-22 (US\$ bn)



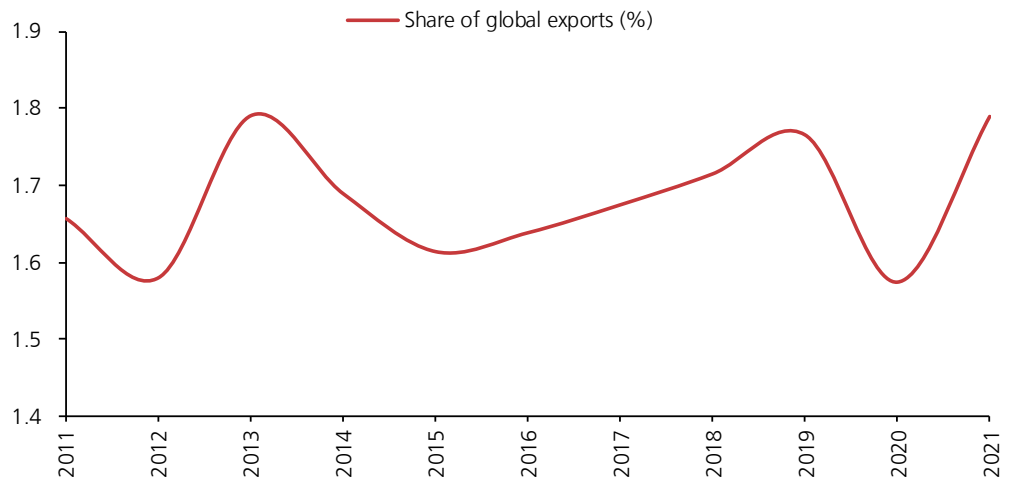
Source: CEIC, Kotak Institutional Equities

Exhibit 21: India's non-oil exports increased at a 7.8% CAGR over the past five years
Exports and non-oil exports of India, March fiscal year-ends, 2012-22 (US\$ bn)



Source: CEIC, Kotak Institutional Equities

Exhibit 22: India's share of global exports has remained relatively low over the past 10 years
India's share of global exports, calendar year-ends, 2011-21 (%)



Source: UNCTAD, Kotak Institutional Equities

We note that higher export potential of a country increases the attractiveness of that country to foreign capital. This was the case for Asia's export power-houses in the past few decades. The emergence of various global value chains resulted in (1) foreign companies investing in their supply-chain partners, in order to ensure timely delivery of components initially and finished goods later and (2) establishment of a few reliable suppliers, which attracted other global players to that region resulting in the development of a complete ecosystem for a particular sector. This resulted in creation of a virtuous investment cycle for entire sectors, regions and countries. We see a similar journey for India.

- ▶ **Re-globalization.** India may emerge as a front-runner in the 'China+1' strategy, as it can provide (1) a large domestic market, (2) favorable demographics (large labor force at low cost) and (3) massive scale of manufacturing. Despite the focus on near-shoring and on-shoring, we do not expect developed countries to be self-sustainable in production of all goods given their high costs. They may diversify their supply chains to 'friendlier' trade partners to reduce perceived and real risks from being over-reliant on China.

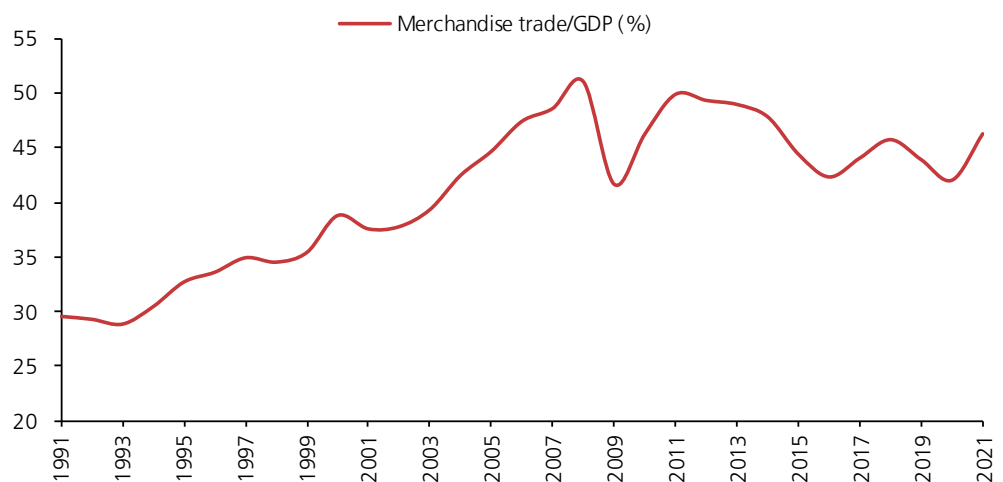
In this context, we see faster technological transfers from developed countries to India versus in the past. MNCs would be keen to use their own subsidiaries and/or dependable partners to fill in the gaps in the supply chains or build new (alternatives to China) supply chains. MNCs would not have to worry about misappropriation of IP rights and technology by their own subsidiaries in India or would worry less about the theft of IP rights and technology by their long-term Indian supply partners.

Three factors have contributed to the changed attitude of both DM and EM countries towards globalization—(1) ongoing technology and trade tensions between China and the US, which will force realignment of trade patterns between countries deemed friendly or unfriendly to a country, (2) deleterious impact of Covid-19 pandemic (and disjointed global policy response) on global supply chains and (3) geopolitical concerns arising from the ongoing Russia-Ukraine war and simmering China-Taiwan tensions.

We believe the resurgence in global trade in CY2021 may be an aberration as it reflects the sharp increase in global demand for goods during the Covid-19 pandemic. The ratio of merchandise trade-to-global GDP has declined since 2008 leading to the 2008-20 period being dubbed as 'slowbalization' (see Exhibit 23). Global trade grew slowly compared to global growth over this period with global trade volumes falling in 2019. The period was marked by low growth in trade as the world's two largest economies (China and the US) became increasingly hostile to each other. The US embraced an inward-looking trade policy by erecting trade barriers as well as raising import tariffs on Chinese imports. Meanwhile, China exports-to-GDP declined to 18% in 2019 from 33% in 2008 (see Exhibit 24).

Exhibit 23: Importance of trade on global growth declined over CY2011-19; recovered somewhat in CY2021

Global merchandise trade as a proportion of global GDP, calendar year-ends, 1991-2021 (%)



Source: World Bank, Kotak Institutional Equities

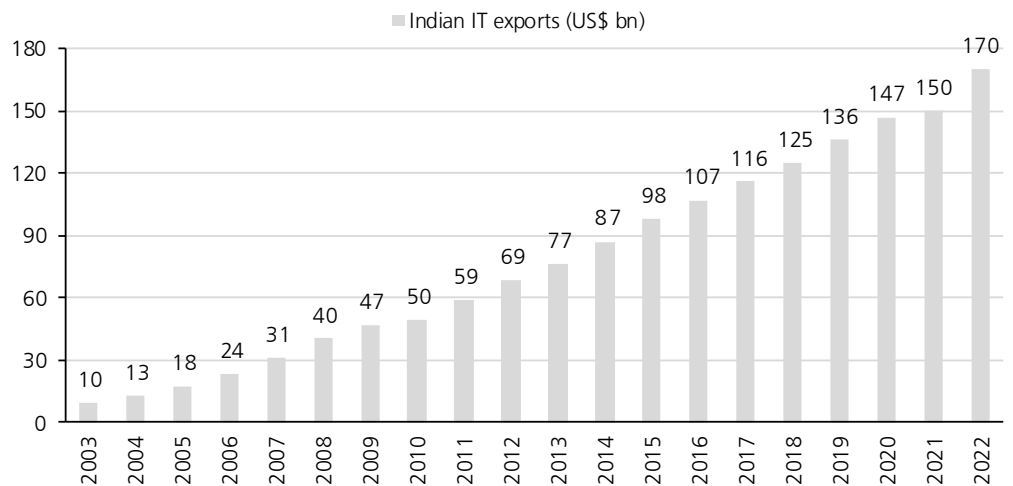
Exhibit 24: China has witnessed a steady decline in its exports-to-GDP ratio
Exports-to-GDP ratio of China, calendar year-ends, 2000-19 (%)



Source: WITS, Kotak Institutional Equities

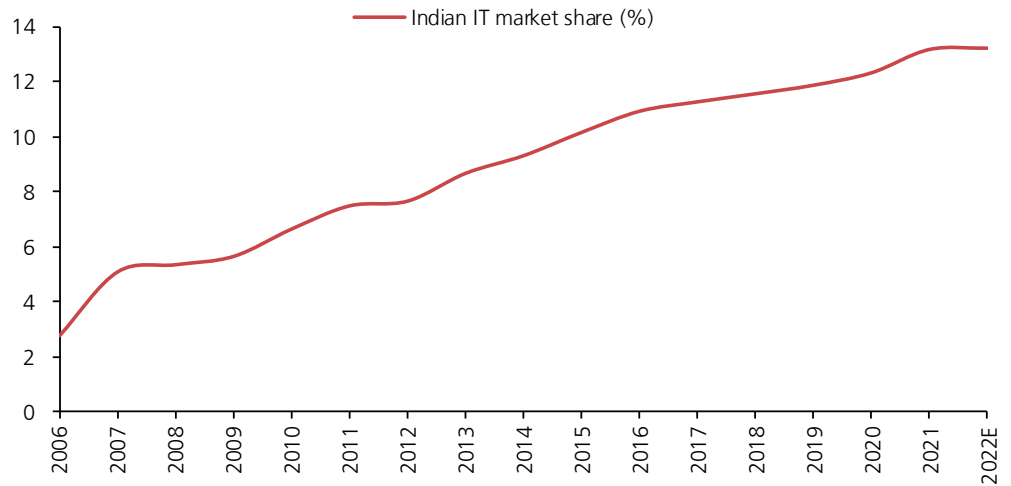
- ▶ **Established and reliable outsourcing model for services.** India has seen strong growth in exports of IT services over the past two decades (see Exhibit 25) given its established reputation of a reliable outsourcing partner for IT services. India has steadily increased its market share in global IT spends to 13.2% in CY2021 from 2.8% in CY2006 (see Exhibit 26). It has also seen rapid growth in other outsourcing fields such as business services, banking, etc.

Exhibit 25: India's IT exports have increased at a CAGR of 17% over the past 20 years
Indian IT exports, March fiscal year-ends, 2003-22 (US\$ bn)



Source: Nasscom, Kotak Institutional Equities

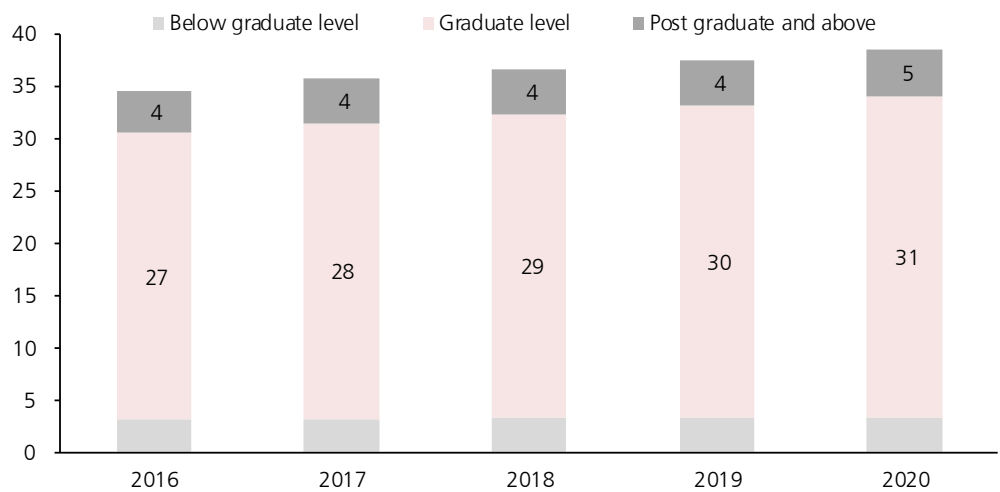
Exhibit 26: The share of Indian IT exports has increased to 13% in 2021 from 7% in 2011
 Indian IT's market share in global IT spends, calendar year-ends, 2006-22E (%)



Source: Nasscom, Kotak Institutional Equities

We note a steady increase in headcount of foreign consulting and financial services companies in India, as they outsource several jobs and roles to improve efficiencies and manage costs. India has a large talent pool of fresh graduates (see Exhibit 27) as also experienced professionals. Exhibits 28-29 show the trend of foreign investments in various services in India over the past decade.

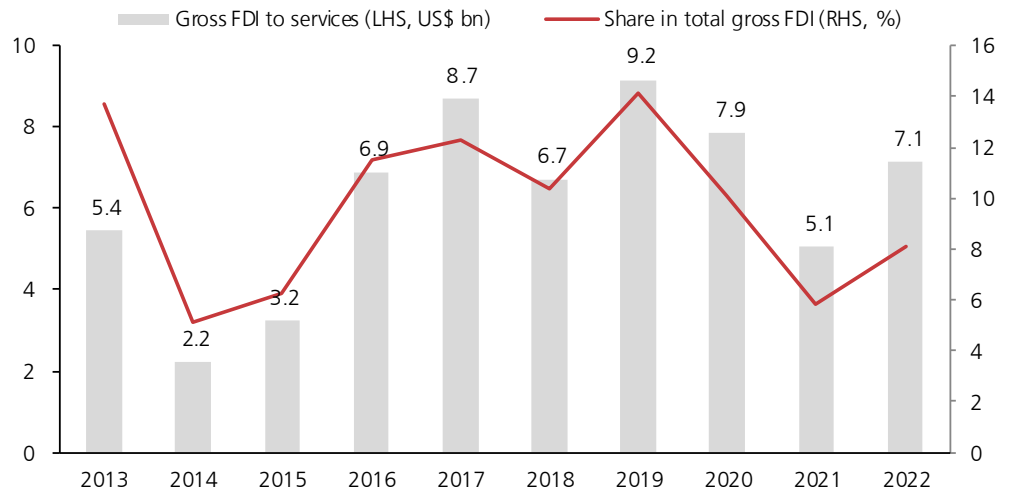
Exhibit 27: India has an annual pool of 35 mn graduates and postgraduates
 Annual enrolment in higher education by level, March fiscal year-ends, 2016-20 (mn)



Source: Aishe, Kotak Institutional Equities

Exhibit 28: Large annual FDI in services sectors in India

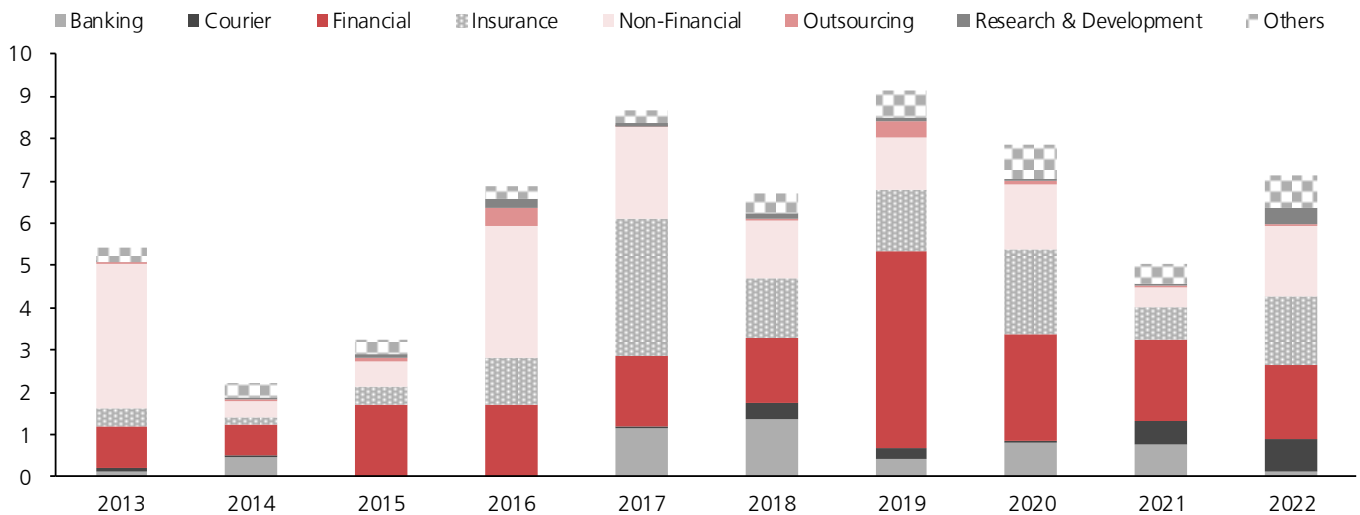
Gross FDI in Indian services sector, March fiscal year-ends, 2013-22 (US\$ bn)



Source: CEIC, Kotak Institutional Equities

Exhibit 29: Financial and insurance sectors were major recipients of FDI in the services sector

Sector-wise break-up of India's gross FDI receipts in the services sector, March fiscal year-ends, 2013-22 (US\$ bn)



Source: CEIC, Kotak Institutional Equities

- ▶ **Liberalized FDI policy in addition to increasing ease of doing business.** India has steadily eased investment approvals and investment limits for foreign entities over the past 25 years through (1) relaxation in sectoral investment caps across sectors, (2) extension of 'automatic' route approval to more sectors instead of the earlier approval route and (3) reduction in approval requirements for various sectors. Exhibit 30 shows the FDI limits in different sectors as well as the current approval route. India is currently more 'open' to foreign capital compared to several other emerging economies (see Exhibit 31).

Exhibit 30: Foreign direct investment norms liberalized in many sectors

FDI limit in different sectors

Sectors	FDI Limit	Entry route and remarks
Asset reconstruction companies	100%	Automatic
Banking – Private Sector	74%	Automatic up to 49%, above 49% & up to 74% under govt route
Banking – Public Sector	20%	Government
Broadcasting	100%	Automatic
Broadcasting content services	49%	Government
Civil Aviation – Green field projects & existing projects/Non-scheduled air transport service	100%	Automatic
Civil Aviation – Scheduled air transport service/domestic scheduled passenger airline/regional air transport service	100%	Automatic up to 49%, above 49% under govt route
Construction development: Townships, housing, built-up infrastructure	100%	Automatic
Defense manufacturing	100%	Automatic up to 74%, above 74% under govt route
Industrial parks	100%	Automatic
Infrastructure company in the securities market	49%	Automatic
Insurance	49%	Automatic
Multi brand retail trading	51%	Government
Non-Banking Finance Companies (NBFC)	100%	Automatic
Pension sector	49%	Automatic
Power exchanges	49%	Automatic
Print media	26%	Government
Railway infrastructure	100%	Automatic
Single brand retail trading	100%	Automatic
Telecom services	100%	Automatic up to 49%, above 49% under govt route
Textiles	100%	Automatic

Source: DIPP, Kotak Institutional Equities

Exhibit 31: India has higher FDI limit across major sectors compared to most emerging Asian economies

FDI limit in major sectors across major Asian economies, calendar year-end, 2021 (%)

	Automobiles	Banking	Broadcasting content	Civil aviation	Construction	Insurance	Mining	Multi-brand retail	Power generation	Print media	Telecom
China	100	51	—	50	NA	100	Prohibits rare earth, radioactive	100	50% in nuclear plant	—	50
India	100	74	49	100	100	49	100	51	100	26	100
Indonesia	49	99	20	49	67% for high value, 49%	80	49	Mostly prohibited	100% through PPP	—	67
Korea	50	100	49	50	100	100	100	100	30	25	49
Malaysia	49	30% in domestic; 100% for foreign subsidiaries	30	—	30	70	100	—	30	30	70
Philippines	40	Based on reciprocity	20% in radio; none in TV	100	40	NA	40	100	40	—	100
Thailand	75	49	49	75	49	49	75	50, based on approvals	Through approval route	49	49
Vietnam	51	30	No condition for radio and TV	30	—	NA	NA	51% for specified products	NA	51	49

Source: OECD, DIPAM, Media sources, Kotak Institutional Equities

Also, the government's focus on improving India's investment climate has resulted in improvement in its ranking on various global investment rankings (see Exhibit 32). We note strong progress in the areas of (1) taxation (through GST and reduction in corporate tax rates), (2) labor (through creation of labor codes, which simplifies extant labor laws; the codes have not yet been notified despite them being passed by the parliament), (3) energy (market pricing; there has been some regression of late) and (4) banking sector (resolution of stressed assets) (see Exhibit 33).

Exhibit 32: India's ranking on ease of doing business has improved sharply in recent years

Trend of India's ranking in 'ease of doing business' parameters

	2013	2014	2015	2016	2017	2018	2019	2020
Overall ease of doing business	132	134	134	131	130	100	77	63
Starting a business	173	179	158	155	155	156	137	136
Dealing with construction permits	182	182	184	183	185	181	52	27
Getting electricity	105	111	137	70	26	29	24	22
Registering property	94	92	121	138	138	154	166	154
Getting credit	23	28	36	42	44	29	22	25
Protecting minority investors	49	34	7	8	13	4	7	13
Paying taxes	152	158	156	157	172	119	121	115
Trading across borders	127	132	126	178	143	146	80	68
Enforcing contracts	184	186	186	133	172	164	163	163
Resolving insolvency	116	121	137	136	136	103	108	52

Notes:

(a) Economies are ranked on their 'ease of doing business', from 1–190.

(b) A high 'ease of doing business' ranking means the regulatory environment is more conducive to the starting and operation of a local firm.

Source: World Bank, Kotak Institutional Equities

Exhibit 33: Several reforms have achieved critical mass but others are still work-in-progress

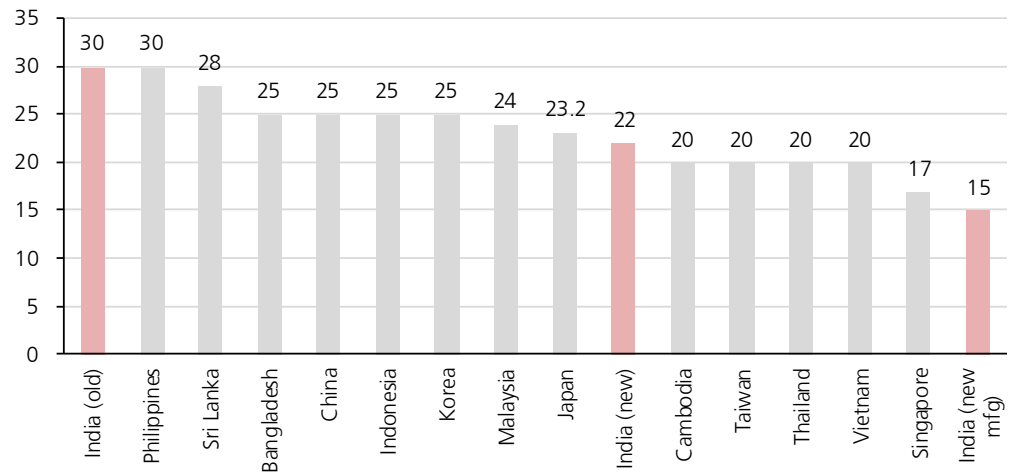
Potential reforms and schedule

	Action	Schedule	Remarks
(A) Fiscal			
1	Structure and implementation of GST	Complete	GST implemented on July 1, 2017. GST will likely result in higher tax-to-GDP ratio in the long term and reduce India's consolidated fiscal deficit
2	Direct benefit transfer (DBT) schemes	Meaningful progress	The government implemented direct cash transfer subsidy for LPG from January 1, 2015 and for kerosene from April 1, 2016. Direct cash transfers for subsidies on fertilizers, food and fuels as and when brought under the scope of DBT will reduce leakages in the current public distribution system
3	Auto fuel subsidies; LPG subsidy curtailment; kerosene and LPG monthly price increases	Largely complete	Auto fuels such as diesel and gasoline fully deregulated. However, subsidies on LPG and kerosene have continued
4	Power subsidies, tariff increases	Work-in-progress	This is outside the central government's domain as power distribution is a state subject. However, several states have increased power tariffs over the past 3-4 years. Further power tariff increases will reduce the subsidies of states' and India's consolidated fiscal deficit. This will also address potential increase in NPLs in the Indian banking system
5	Divestment program, privatization and improved management of PSUs	Work-in-progress	The government consolidated 27 PSU banks into 12 PSU banks over FY2017-19 to improve their market position. It also reduced its stake in several CPSEs by selling to ETFs as well as through mergers (such as HPCL being acquired by ONGC). It has announced privatization of BPCL, Concor and SCI but not privatized any government company as yet
(B) Investment			
1	Auction of coal and other mineral ore blocks; private sector commercial mining allowed in the case of coal	Legislation in place; allocation work-in-progress	The amendment to Coal Mines Act and Mines and Minerals (Development and Regulation) Act have enabled the central and state governments to allocate coal and other mineral ore blocks through transparent auctions
2	Approvals	Work-in-progress	Online application for forest and environment approvals started by the central government in July 2014; several other state governments have implemented similar systems. This is an executive area and thus, implementation is more important
3	Labor reforms	Largely complete	Central government has passed four labor codes to simplify earlier labor laws, easing compliance burden on firms and allow them flexibility on hiring and retrenchment of workers. Some states have suspended certain provisions till FY2023 to encourage setting up of new firms
4	Land reforms	Work-in-progress	Government let the Land Acquisition Ordinance lapse in August 2015 due to political opposition to its proposed amendments to the LARR Act, 2013.
5	Market pricing of energy (oil & gas)	Meaningful progress	Pricing formula for oil (nominated blocks of government companies) finalized. The government has deregulated gas pricing for new (production post January 1, 2016) deep-water, ultra deep-water HPHT blocks by linking it to landed price of alternative fuels. New hydrocarbon policy is positive—(1) single and uniform license for all hydrocarbons, (2) market pricing for hydrocarbons, (3) revenue-sharing contract (RSC) policy instead of production-sharing contract for NELP blocks and (4) open acreage licensing
6	Power distribution	Work-in-progress	State-owned power distribution companies have started offering letter of credit to generation companies for power purchases from August 2019. Government has introduced the Electricity (Amendment) Bill, 2020 to (1) ensure better enforceability of PPAs, (2) implement DBT of subsidies, (3) have a renewable energy policy, (4) faster adoption of changes in tariffs, etc.
7	Taxation	Meaningful progress	The government has implemented simpler taxation systems for both direct and indirect taxes. In the case of direct taxes, it reduced the corporate tax rate to 22% (effective from FY2020) from 30% subject to companies not availing any exemptions. In the case of indirect taxes, GST will result in a simpler and transparent system
(C) Banking sector			
1	Financial inclusion	Meaningful progress	The government's 'Jan Dhan Yojna' was started in August 2014 with a target of financial inclusion for all. Over 400 mn new bank accounts have been opened under this scheme. The new accounts are already being used for saving and payments. The accounts can be used for DBT-related cash transfers
2	Restructuring of PSU banks	Largely complete	The government has completed the merger of (1) BOB, DBNK and VJBK, (2) CBK and SNDB), (3) PNB, OBC and UNTDB, (4) UNBK, ANDB and CRPBK and (5) INBK and ALBK. It has infused significant capital in the PSU banks, resulting in five PSU banks exiting the PCA framework of the RBI
3	NPL situation	Largely complete	The parliament passed the insolvency and bankruptcy code (IBC) bill on May 11, 2016. Most large cases admitted to National Company Law Tribunal (NCLT) courts under IBC have seen satisfactory outcomes within reasonable time limits

Source: Kotak Institutional Equities estimates

The simplification in the indirect tax regime through GST has already started to bear fruit with (1) unification of the Indian market into one large market (removal of inter-state inefficiencies in movement of goods and services), (2) greater formalization of the economy and (3) higher revenue collections for the government. India's new corporate tax regime has brought India's corporate tax rates to below those in other EM countries (see Exhibit 34).

Exhibit 34: Corporate tax rate is lower in India versus other countries in Asia
Base corporate tax rate in major Asian economies, calendar year-end, 2021 (%)



Source: Deloitte, KPMG, Kotak Institutional Equities

We expect India's production-linked incentive (PLI) scheme to give further impetus to FDI in various nascent as well as emerging sectors. We expect the PLI scheme to garner Rs4.3 tn investments over 5-7 years, while generating Rs11.3 tn value-addition (see Exhibit 35). We note that investments in sectors such as automobiles, advanced chemistry cells, electronics, semiconductors and telecom equipment have seen strong FDI participation. Exhibit 36 shows the major foreign companies participating under PLI schemes in these sectors.

Exhibit 35: We estimate Rs30-35 tn of revenues and average of Rs2 tn of value addition over next 5-7 years
Estimates of capex, production, and value addition through key PLI schemes (Rs bn)

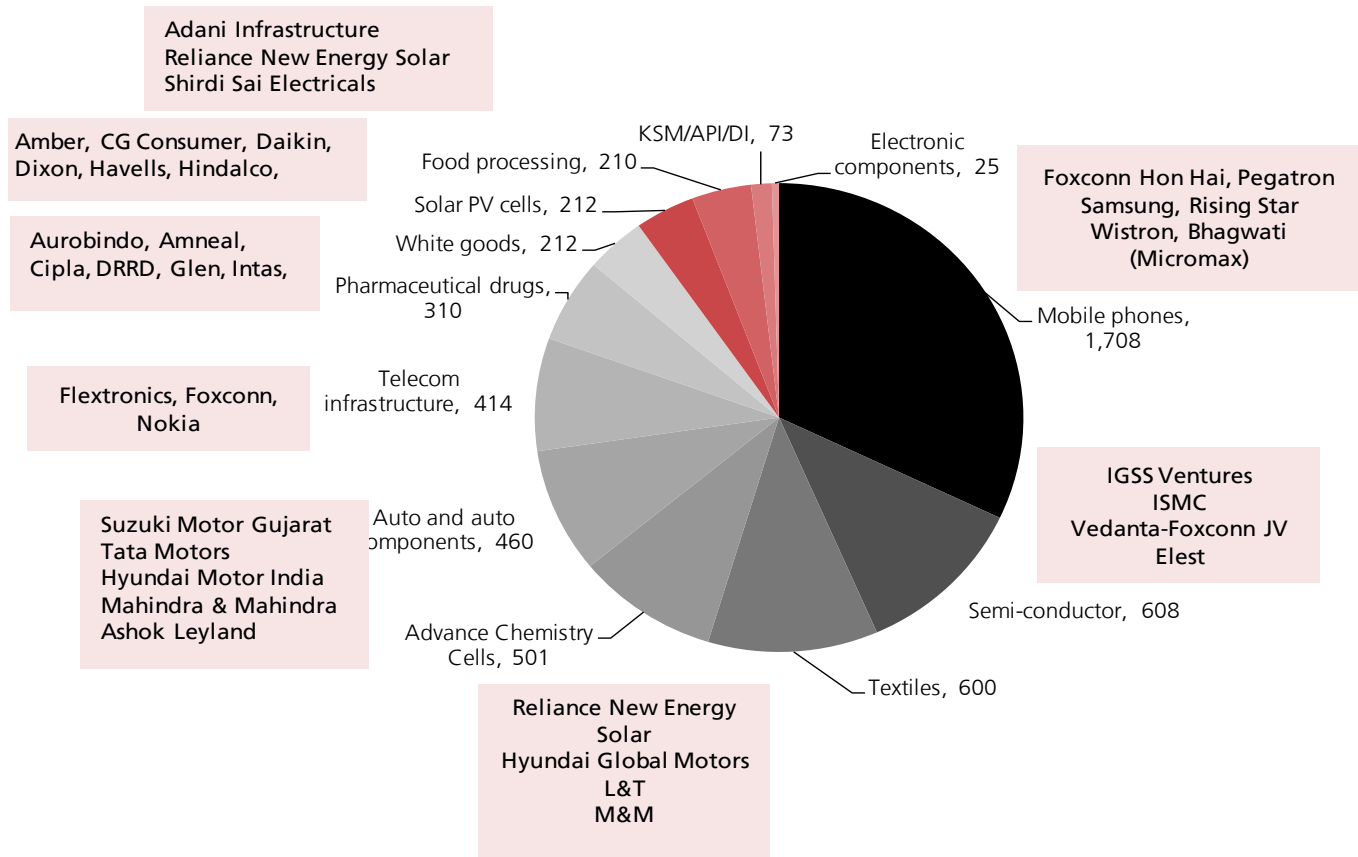
	Financial outlay	Incentive rates	Capex	Production value	Value added	Value added/year
Advance Chemistry Cells	181	Max. Rs2000/kWh	450	2,503	1,126	225
Auto and auto components	259	13-16%/8-13%	425	2,300	805	161
Food processing	109	8-10%	60	1,260	1,008	168
KSM/API/DI	69	5-20%; 10%	54	510	408	68
Mobile phones		4-6%	100	10,250	2,819	470
Electronic components	410	4-6%	12	150	49	8
Pharmaceutical drugs	150	8-10%; 3-5%	150	1,861	1,117	186
Semiconductor, display fabs	760	30-50% of project cost	1,350	3,040	912	182
Solar PV cells	240	Rs2.25-3.50/Wp	990	1,265	443	89
Specialty steel	63	3-15%	396	1,706	427	85
Telecom infrastructure	122	4-6%	31	2,072	622	124
Textiles	107	3-15%	190	3,000	1,200	240
White goods	51	4-6%	79	1,058	423	85
Total	2,521		4,287	30,975	11,357	2,091

Notes:

(a) Wherever details are yet to be released/notified, details as available in media articles and our estimates are used.

Source: PIB, Extra Ordinary Gazettes of India, Kotak Institutional Equities estimates

Exhibit 36: Several foreign companies have applied under India's PLI scheme
Annual average revenue pool of various sectors on 100% achievement of PLI targets (Rs bn)



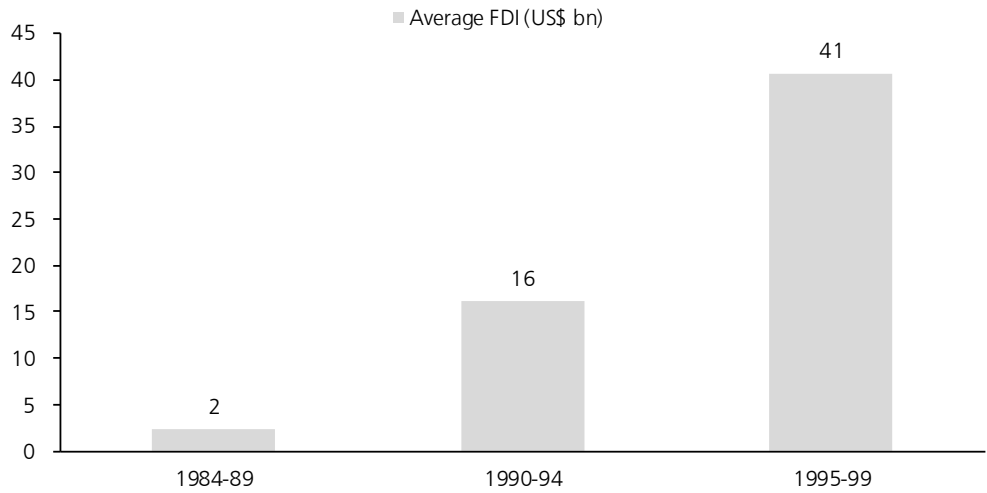
Source: PIB, Kotak Institutional Equities estimates

The Chinese FDI experience

China has gone through a three-stage journey with respect to FDI ever since it started economic liberalization in the late 1970s.

- Early phase (1980-1999).** China reopened its economy to foreign investment in 1978 in a bid to hasten technological adoption, increase productivity and drive economic growth. China provided preferential treatment in the form of tax incentives, looser administrative requirements and SEZs to attract foreign capital. However, the velocity of foreign capital increased after a decade in the 1990s (see Exhibit 37). Hong Kong and Taiwan were the major sources of foreign capital in initial years (see Exhibit 38). Nonetheless, the importance of these two economies gradually diminished as global MNCs entered China. Rapid liberalization helped China to integrate itself with the global economy, with average import tariff rate declining to 15% in 2000s from 50% in 1980s.

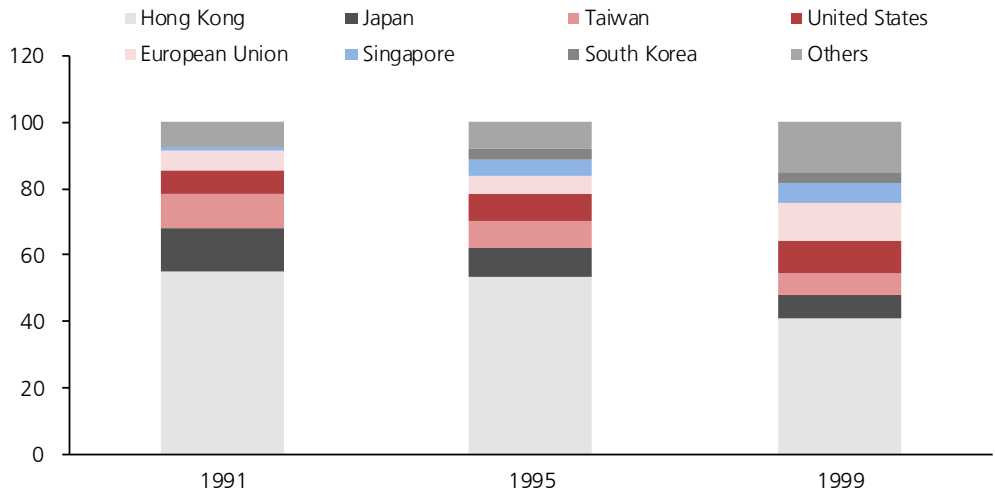
Exhibit 37: Velocity of FDI flows into China increased in the late 1990s
Average annual FDI in China, calendar year-ends, 1984-99 (US\$ bn)



Source: IMF, Kotak Institutional Equities

Exhibit 38: Importance of Hong Kong and Taiwan gradually declined, while that of US and Europe increased

Composition of FDI into China by country of origin, calendar year-ends, 1991-99 (%)



Source: IMF, Kotak Institutional Equities

The major factors driving rapid inflows of FDI into China were (1) large and growing market size, (2) abundance of cheap labor, (3) infrastructure, (4) scale effects and (5) a supportive policy environment. Market size was important for MNCs from Europe and the US looking to invest in order to grow in the domestic market, while FDI from Hong Kong and Taiwan was directed towards export units. Meanwhile, strong public GFCF aided in rapidly improving Chinese infrastructure facilities, resulting in sharp improvement in major infrastructure indicators over CY1990-99 (see Exhibit 39). Finally, steady liberalization through greater autonomy on operations of foreign-owned enterprises along with incentives for high-value sectors further boosted MNC participation. China effectively encouraged investments in projects and industries that introduced new technologies, improved product quality and expanded export capabilities. By 2001, about 400 of the world's 500 largest MNCs had entered China.

Exhibit 39: Sharp improvement in infra outcome as a result of large public GFCF
Outcome in key infrastructure in China, calendar year-ends, 1990-98

	1990	1998
Power consumption (kwh/capita)	471	746
Air transport (mn ton-km)	8.18	3,345
Road transport of goods (bn ton-km)	336	548
Telephone (per 1,000 people)	5.9	69.6
Mobile phones (per 1,000 people)	0.02	19

Source: IMF, Kotak Institutional Equities

- ▶ **Late phase (2000-current).** After its entry in WTO in 2001, China pursued attracting higher quality FDI for transforming the economy from labor-intensive to knowledge-intensive producer. The rapid transfer of technologies by global MNCs and adoption of technology by Chinese companies enabled China to become an integral part of global value chains (GVCs) and attract even larger amounts of FDI over 2000-20. MNCs were the major driver of GVCs as they unbundled their production processes and favored large-scale network centers. China opened 100 of the country's 160 services sectors over CY2001-07 and revised its laws and regulations to create an encouraging business environment for MNCs.

MNCS IN INDIA: DIFFERENT OUTCOME ACROSS SECTORS

In our view, the different outcome for MNCs over the past decade reflects the different market dynamics at play in various sectors. MNCs have been broadly successful on an aggregate basis although several have failed and retreated from the Indian market. We observe a few common trends—(1) MNCs have been successful in technology-intensive industries, (2) MNCs have failed in sectors with strong domestic competition and/or complex regulations and (3) MNCs have succeeded and failed in the same sector depending on their strategy.

We explore the experience of MNCs in several sectors and draw some broad conclusions regarding the successes and failures of MNCs and reasons for different outcomes for MNCs.

Automobiles: PVs dominated by MNCs, other segments by domestic companies

MNCs have been very successful in the 4W PV (passenger vehicles) segment but they haven't made any headway in other segments (2W, CVs and tractors), which are largely dominated by domestic companies. Even within the 4W space, MNCs have had varied outcomes with a couple (Maruti, Hyundai) doing exceedingly well and several others struggling and ultimately exiting the Indian market.

The interesting thing to watch in the 2W and 4W space would be whether the same entities continue to dominate or new entrants (domestic or foreign) upset the current order, aided by technological disruption (EV from ICE) and policy/regulatory changes. We are already seeing changing demographics (higher per capita income) having a meaningful impact on market composition of the 4W industry and also, relative market shares of 4W players.

- ▶ **MNCs have struggled in the 2W segment.** MNCs have become increasingly irrelevant in the Indian 2W segment as their market share has declined steadily in the past few years (see Exhibit 40). We attribute two factors—(1) well-entrenched domestic players and (2) a low-growth market; the latter may have dampened the initial enthusiasm of the MNCs to invest and pursue a long-term investment strategy. We note that domestic 2W volumes have been effectively flat over FY2012-22 although FY2021-22 volumes were impacted negatively by the Covid-19 pandemic (see Exhibit 41). As an aside, the inability of the MNCs to provide competition to the domestic companies has allowed the latter to enjoy extraordinarily-high returns (see Exhibit 42).

Exhibit 40: 2W market is dominated by Indian companies

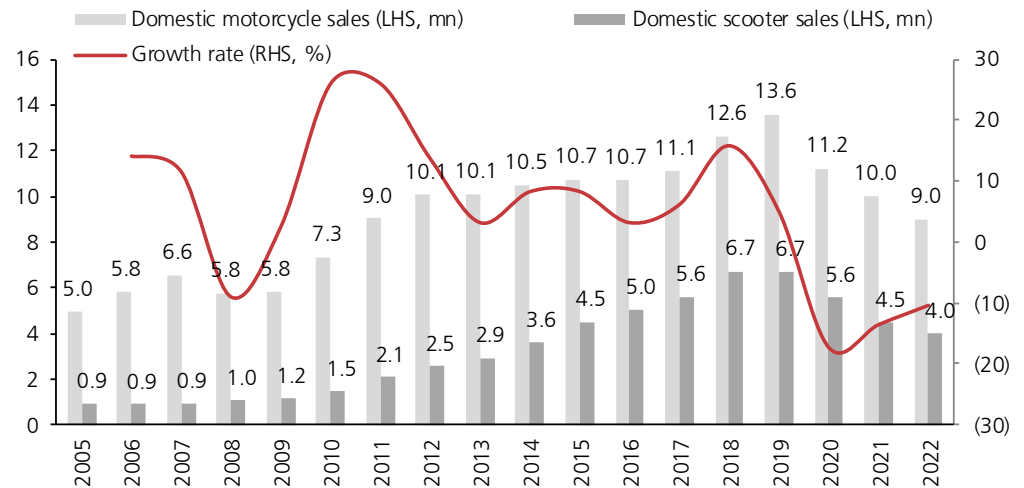
Domestic market share of major 2W companies, March fiscal year-ends, 2010-22 (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bajaj	19.1	20.5	19.2	17.8	14.1	11.1	11.5	11.1	9.5	12.0	11.9	12.0	12.2
Hero	48.1	44.7	45.3	42.9	41.4	40.2	39.0	36.9	36.6	35.9	35.8	37.0	34.5
Honda	12.7	13.1	14.9	18.9	24.0	26.6	26.0	26.9	28.6	26.1	27.0	25.5	25.5
Royal Enfield	0.5	0.4	0.6	0.9	1.3	2.0	3.0	3.7	4.0	3.8	3.8	3.8	3.9
TVS	14.5	15.1	14.2	12.8	11.9	13.2	13.4	14.2	14.2	14.8	13.8	14.3	15.2
Others	5.1	6.2	5.8	6.7	7.2	6.9	6.9	7.3	7.1	7.4	7.6	7.4	8.7
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: SIAM, Kotak Institutional Equities

Exhibit 41: Indian 2W market has been largely flat over FY2012-22

Domestic 2W industry volumes (mn) and growth rate (%), March fiscal year-ends, 2005-22



Source: SIAM, Kotak Institutional Equities

Exhibit 42: Indian 2W companies have made extraordinarily-high returns historically

Key financial and return metrics of Indian 2W OEMs, March fiscal year-ends, 2014-22

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bajaj Auto									
Volumes (units)	3,870,077	3,811,201	3,894,906	3,625,904	4,006,791	5,019,503	4,615,212	3,972,914	4,308,433
EBITDA margin (%)	21.8	19.0	21.2	20.3	19.2	17.1	17.0	17.8	15.9
EBITDA per vehicle (Rs/unit)	11,553	10,801	12,278	12,196	12,073	10,345	11,042	12,405	12,205
RoAE (%)	36.5	32.1	32.3	24.8	22.1	22.4	23.9	19.8	19.0
RoACE (%)	123.4	150.1	121.9	78.5	105.5	119.5	116.2	104.3	99.8
CRoCI (%)	114.5	153.4	74.8	66.9	93.5	78.2	93.4	72.6	75.5
Eicher Motors									
Volumes (units)	178,121	302,611	601,000	666,490	820,492	822,724	697,582	612,350	602,268
EBITDA margin (%)	18.4	24.2	27.6	31.3	31.9	30.1	24.3	20.7	20.9
EBITDA per vehicle (Rs/unit)	17,613	24,241	28,422	33,096	34,775	35,787	31,592	29,175	35,093
FCF (Rs mn)	4,173	7,352	15,874	17,454	22,914	17,833	19,958	19,753	18,040
RoAE (%)	37.9	53.5	72.1	48.9	42.6	32.1	23.9	14.4	15.1
RoACE (%)	NA	413.2	158.9	382.1	572.1	152.2	100.5	53.7	62.3
CRoCI (%)	353.9	523.2	259.7	324.9	219.6	105.7	61.3	40.0	40.3
Hero MotoCorp									
Volumes (units)	6,245,895	6,631,703	6,632,152	6,664,046	7,587,193	7,820,745	6,409,719	5,786,374	4,944,148
EBITDA margin (%)	10.7	12.2	15.7	16.3	16.4	14.7	13.7	13.0	11.5
EBITDA per vehicle (Rs/unit)	4,343	5,062	6,717	6,965	6,966	6,304	6,175	6,946	6,814
RoAE (%)	39.7	39.9	40.7	34.5	32.4	26.4	26.0	19.7	15.6
RoACE (%)	120.3	79.9	63.1	65.9	64.2	54.1	49.2	43.9	49.5
CRoCI (%)	38.7	31.9	35.0	33.9	35.9	26.4	23.6	25.2	19.7
TVS Motors									
Volumes (units)	2,080,161	2,541,146	2,678,702	2,926,958	3,466,410	3,912,702	3,263,302	3,051,861	3,309,578
EBITDA margin (%)	6.1	6.0	7.3	7.1	7.7	7.9	8.2	8.5	9.4
EBITDA per vehicle (Rs/unit)	2,318	2,387	3,023	2,928	3,390	3,663	4,124	4,681	5,927
RoAE (%)	20.0	22.7	27.2	25.6	25.1	21.5	17.7	15.7	19.9
RoACE (%)	13.8	16.9	18.0	15.4	18.1	17.7	14.4	14.2	20.1
CRoCI (%)	13.8	15.3	18.8	17.9	22.5	23.6	22.9	32.4	40.1

Source: Companies, Kotak Institutional Equities

- ▶ **MNCs dominate the Indian 4W PV market but have seen mixed outcomes.** The market share of MNCs in the 4W PV segment has stayed high over the past 20 years (see Exhibit 43). However, the relative share of MNCs has changed significantly over the past 10 years. Hyundai (and Kia) have gained market share, MSIL (Maruti) has retained market share although its market went up and then declined and a few European and US OEMs have exited the market completely given their growing irrelevance.

Exhibit 43: PV market is dominated by MNCs such as Maruti and Hyundai; however, most MNCs are marginal players and several have exited the Indian market

Domestic market share of major PV companies, March fiscal year-ends, 2010-22 (%)

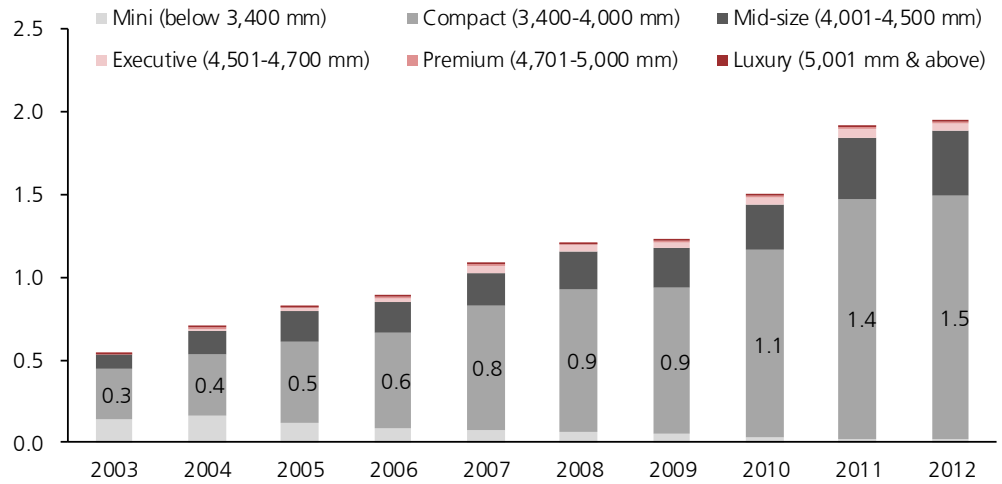
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fiat	1.3	0.8	0.6	0.3	0.5	0.4	0.3	0.2	0.6	0.5	0.3	0.2	0.4
Ford	1.9	3.9	3.5	2.9	3.4	2.9	2.9	3.0	2.7	2.8	2.4	1.8	0.5
General Motors	4.5	4.3	4.2	3.3	3.2	2.0	1.2	0.8	0.1	—	—	—	—
Honda	3.2	2.4	2.1	2.8	5.4	7.3	6.9	5.2	5.2	5.4	3.7	3.0	2.8
Hyundai	16.2	14.3	14.8	14.4	15.2	16.2	17.4	16.7	16.3	16.1	17.5	17.4	15.7
Kia Motors	—	—	—	—	—	—	—	—	—	—	3.0	5.7	6.1
Mahindra & Mahindra	8.0	7.2	9.4	11.7	10.2	8.6	8.5	7.8	7.6	7.5	6.8	5.8	7.4
Maruti	44.7	44.9	38.5	39.4	42.1	45.0	46.8	47.4	50.0	51.2	51.0	47.7	43.4
MG Motors	—	—	—	—	—	—	—	—	—	—	0.8	1.3	1.3
Nissan Motors/Renault	0.0	0.5	1.4	3.4	3.8	3.5	4.0	6.3	4.7	3.4	3.9	4.1	4.1
Skoda	0.9	0.9	1.3	1.1	0.8	0.6	0.6	0.5	0.5	0.5	0.5	0.4	1.1
Tata Motors Ltd	14.7	14.0	14.2	11.8	7.9	6.2	5.4	5.7	6.4	6.9	5.0	8.3	12.2
Toyota	3.3	3.3	6.1	6.2	5.1	5.4	4.6	4.7	4.3	4.4	4.1	3.4	4.0
Volkswagen	0.2	2.2	3.1	2.5	2.1	1.7	1.5	1.6	1.3	1.0	0.9	0.7	1.0
Others	1.3	1.3	0.7	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: SIAM, Kotak Institutional Equities

We note that the ability or inability of car manufacturers to anticipate India's changing demographics and related customer preferences has played a key role in determining relative winners and losers in the Indian 4W industry.

- **Early growth phase dominated by small cars (hatchbacks).** The success of MNCs such as Hyundai and Maruti has been built on them winning the entry-level segment over FY2000-10 through an early start and building on to their early success. We note that hatchbacks were the major driver of overall industry volumes in the early years (see Exhibit 44). Maruti and Hyundai were able to continuously gain share by (1) relaunching/refreshing their successful models in this segment and (2) investing in their distribution networks. MNCs such as Ford and GM too had decent share in this segment over FY2011-13, but were unable to build upon their initial success (see Exhibit 45).

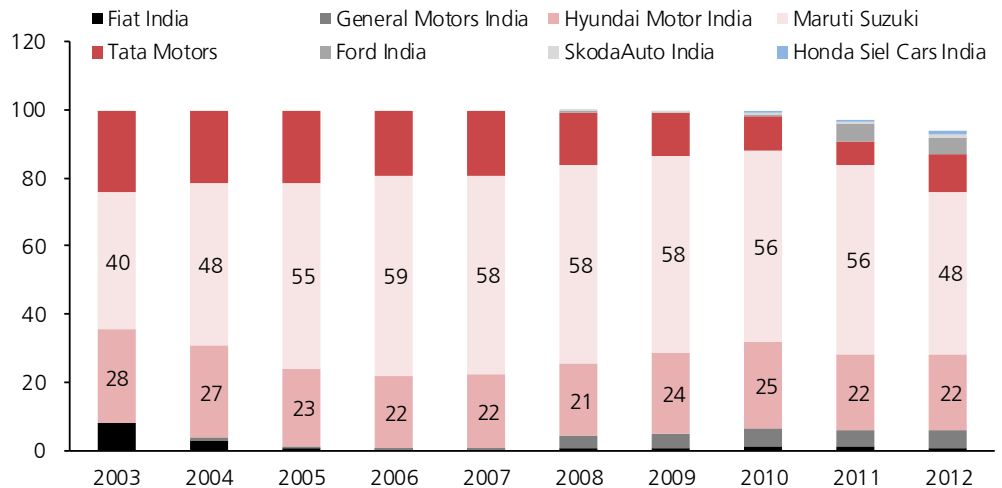
Exhibit 44: Compact cars were the major driver of India's car market over FY2003-12
 India's passenger car sales by categories, March fiscal year-ends, 2003-12 (mn)



Source: SIAM, Kotak Institutional Equities

Exhibit 45: Hyundai and Maruti dominated the compact car segment

Market share of 4W OEMs in the compact car segment, March fiscal year-ends, 2003-12 (%)



Source: SIAM, Kotak Institutional Equities

We note that Maruti and Hyundai launched 14 and 8 cars respectively in this segment over the past decade compared to 1 by Ford, 1 by GM and 3 by Tata Motors. Hyundai's success started with the success of Santro over 1998-2014, which was then followed through with similar value-proposition of i10, i20 and Eon models. Meanwhile, Maruti built on the success of its small car Maruti 800 and followed it through with models such as Alto, WagonR, Swift, etc. On the other hand, companies such as Ford and GM did not launch any successor to their earlier successful models (Figo for Ford, Spark and Beat for GM). The lack of new launches for Ford and GM probably reflected their global strategy of focusing on their home markets post the global financial crisis. Both the US companies were badly affected by the GFC, with GM needing a bailout from the US government.

- **Current phase seeing shift to SUVs.** India's higher per-capita income over the past 10 years has resulted in growing preference for SUVs (compact and mid-level) from upwardly-mobile customers versus hatchbacks from price-sensitive customers (see Exhibit 46). The compact SUV segment has also seen mixed outcomes for MNC players.

Exhibit 46: Share of SUVs in PV volumes has increased to 40% in FY2022 from 7% in FY2014
Segment-wise domestic volumes, March fiscal year-ends, 2014-22 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Segment-wise domestic volumes (units)									
Hatchback segment	1,284,437	1,260,309	1,397,720	1,533,289	1,578,027	1,566,758	1,291,778	1,236,548	1,151,687
Sedan segment	506,203	622,060	632,081	574,964	601,316	628,745	396,494	297,714	313,996
Compact SUV (< 4m)	155,112	152,635	179,934	304,091	446,551	466,919	426,740	510,611	742,332
Mid SUV (> 4m)	138,772	140,759	206,984	238,575	269,925	278,052	280,984	330,165	459,132
Premium SUV	25,791	28,131	23,160	22,243	34,055	31,049	22,093	19,858	25,555
SUV segment	319,675	321,525	410,078	564,909	750,531	776,020	729,817	860,634	1,227,019
MUVs	301,016	326,125	298,182	284,620	287,272	324,656	298,313	273,777	375,861
Total	2,411,331	2,530,019	2,738,061	2,957,782	3,217,146	3,296,179	2,716,402	2,668,673	3,068,563
PV segment-wise mix (%)									
Hatchback segment	53	50	51	52	49	48	48	46	38
Sedan segment	21	25	23	19	19	19	15	11	10
Compact SUV (< 4m)	6	6	7	10	14	14	16	19	24
Mid SUV (> 4m)	6	6	8	8	8	8	10	12	15
Premium SUV	1	1	1	1	1	1	1	1	1
SUV segment	13	13	15	19	23	24	27	32	40
MUVs	12	13	11	10	9	10	11	10	12
Total	100	100	100	100	100	100	100	100	100

Source: SIAM, Kotak Institutional Equities

Ford had 31% share in the compact SUV segment, while Nissan-Renault had 32% market share in mid-sized SUV segment in FY2015 (see Exhibit 47) but they crumbled under the onslaught from Hyundai (Creta) and Maruti (Brezza). Among domestic players, Tata Motors has done exceedingly well in the past two years with a slew of new launches (Harrier and Nexon). The competition has intensified in the segment with the entry of new MNCs such as Kia and MG in the past 3-4 years, attracted by strong growth of 17% CAGR in SUV volumes over FY2017-22. At the same time, MSIL has lost significant market share in the compact SUV segment to new MNC entrants and domestic companies.

Exhibit 47: MNCs dominate the SUV segment, even as some MNCs such as Ford and Nissan have lost significant share
Market share of 4W OEMs in the SUV segment, March fiscal-year-ends, 2014-22 (%)

		2014	2015	2016	2017	2018	2019	2020	2021	2022
Market share based on segment (%)										
Compact SUV (< 4m)										
	Models									
Fiat India	Avventura	—	—	—	—	4.3	3.4	2.0	1.3	1.6
Ford India	Freestyle, EcoSport	26	31	20	15	11	15	10.5	7.0	1.5
Honda SIEL Cars India	WR-V	—	—	—	1.3	10.8	7.1	2.8	1.9	0.8
Hyundai Motors India	Venue	—	—	—	—	—	—	22	18	14
Kia Motors	Sonet	—	—	—	—	—	—	—	12	10
Mahindra & Mahindra	Bolero, Thar, TUV, KUV, XUV300	74	67	71	46	33	28	26	22	21
Maruti Suzuki India	Brezza	—	—	3.1	36	33	34	26	19	15
Nissan-Renault	Go+, Magnite, Kiger	—	2.1	5.7	2.3	1.4	1.1	0.4	3.3	8.5
Tata Motors	Nexon	—	—	—	—	6.2	11.8	10.1	12.5	24
Toyota Kirloskar Motor	Urban Cruiser	—	—	—	—	—	—	—	3.2	3.6
Total compact SUV (< 4m)		100	100	100	100	100	100	100	100	100
Mid SUV (> 4m)										
	Models									
Honda SIEL Cars India	BR-V	—	—	—	8.3	4.3	1.9	0.7	—	—
Hyundai Motors India	Creta, Alcazar	—	—	31	37	40	45	30	37	34
Kia Motors	Seltos	—	—	—	—	—	—	29	27	23
Mahindra & Mahindra	Scorpio, XUV500, XUV700	59	61	41	32	30	27	18	13	16
Maruti Suzuki India	S-Cross	—	—	11.6	9.0	11.5	13.7	4.2	5.3	4.9
MG India	Hector, Astor	—	—	—	—	—	—	7.9	10.1	9.0
Nissan-Renault	Terrano, Kicks, Duster, Captur	34	32	13	9.4	8.0	6.3	4.3	1.5	0.9
Tata Motors	Harrier, Aria, Hexa, Safari	7.5	7.0	4.1	4.0	6.8	6.4	5.8	6.9	11.8
Total mid SUV (> 4m)		100	100	100	100	100	100	100	100	100

Source: SIAM, Kotak Institutional Equities

- **Government policies and regulations also played a role in different outcomes for MNCs.** We note that government taxation policies have favored purchase of small cars but dis-incentivized purchase of larger cars. This probably sustained the hegemony of Hyundai and MSIL, the dominant players in the small car segment. Exhibit 48 shows the current taxation structure of taxation on 2Ws and 4Ws in India.

Exhibit 48: Bigger cars attract higher taxes in India
Total tax on automobiles in India, March fiscal year-end, 2023 (%)

Vehicle type	GST rate (%)	Compensation		Total tax (%)
		Cess (%)		
Petrol/CNG/LPG car less than 1,200 cc and length less than 4 meters	28	1		29
Petrol/CNG/LPG car less than 1,200 cc and length more than 4 meters	28	15		43
Petrol/CNG/LPG car over 1,200 cc (irrespective of length)	28	22		50
Diesel car less than 1,500 cc and length less than 4 meters	28	3		31
Diesel car less than 1,500 cc and length more than 4 meters	28	20		48
Diesel car over 1,500 cc engine capacity, greater than 4 meters length and ground clearance of 170mm or more	28	22		50
Electric cars (all sizes including 2 and 3 wheelers)	12	—		12
Vehicles fitted for use as an ambulance	28	—		28
Three wheeler motorized vehicles	28	—		28
Fuel cell vehicles including hydrogen fuel cell vehicles	12	—		12
Motorcycles/mopeds with engine capacity of up to 350 cc	28	—		28
Motorcycles with engine capacity greater than 350 cc	28	3		31

Source: Ministry of Finance, Kotak Institutional Equities

The government has progressively tightened regulations pertaining to fuel emission and vehicle safety standards (see Exhibit 49), which has resulted in higher cost of production for all players. However, the higher cost of production affected the smaller players disproportionately given (1) lower industry volumes over FY2018-22, (2) steep increase in RM costs and negative impact on gross margins/profitability and (3) related severe impact on operating profits through lower gross profitability and negative operating leverage.

Exhibit 49: India progressively tightened fuel emission and safety standards in the automobile sector

Major regulations unveiled for the passenger vehicles industry, March fiscal year-ends, 2010-22

Year	Regulation	Category	Key details
2010	BS-III	Emissions	Enforced across rest of India excluding 13 metros
2010	BS-IV	Emissions	Enforced across 13 metros
2014			Enforced in 20 additional cities
2015	BS-IV	Emissions	Enforced in 29 additional cities
2017			Enforced all over India
2017	Collision tests	Safety	All new models of cars to be tested in full frontal and offset tests at 56 kmph
2019	Reverse parking gear sensors, driver airbags, seatbelts	Safety	Enforced all over India
2019	ABS	Safety	Enforced all over India
2020	BS-VI	Emissions	Enforced all over India
2021	Dual air bags	Safety	Mandatory dual air bags for all cars manufactured after April 2021 and sold after December 2021; enforced all over India
2022	CAFÉ norms	Emissions	CO2 emission of 113 gm per km based on an average industry kerb weight of 1,145 kg on a fleet average basis; enforced all over India
2022	6-air bags	Safety	Mandatory six air bags in all new cars from October 2022

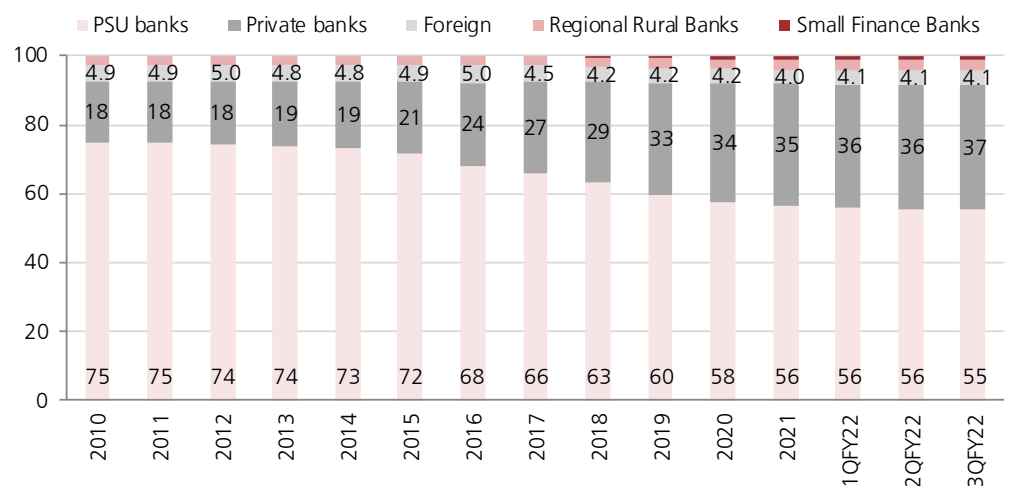
Source: MORTH, Kotak Institutional Equities

Banks: MNC banks remained confined to certain profitable niches

MNC banks have stayed the course in India but their presence has remained confined to certain profitable niches. Their share of credit and deposits has remained below 5% for the past decade (see Exhibits 50-51). They have been largely sidelined by domestic private sector banks who have taken market share from public sector banks.

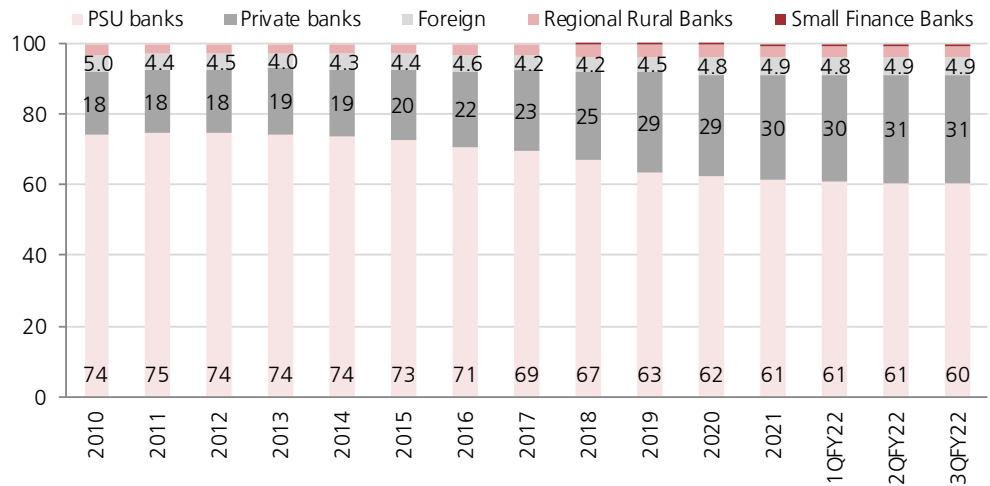
Exhibit 50: Credit market share of foreign banks has stayed below 5% over the past decade

Credit market share by bank group, March fiscal year-ends, 2010-22 (%)



Source: RBI, Kotak Institutional Equities

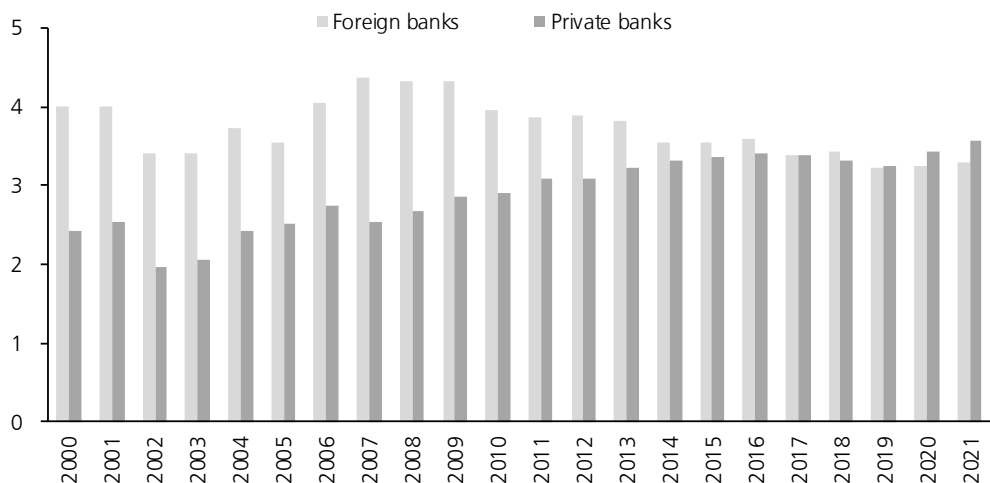
Exhibit 51: Deposit market share of foreign banks has stayed around 5% over the past decade
Deposit market share by bank group, March fiscal year-ends, 2010-22 (%)



Source: RBI, Kotak Institutional Equities

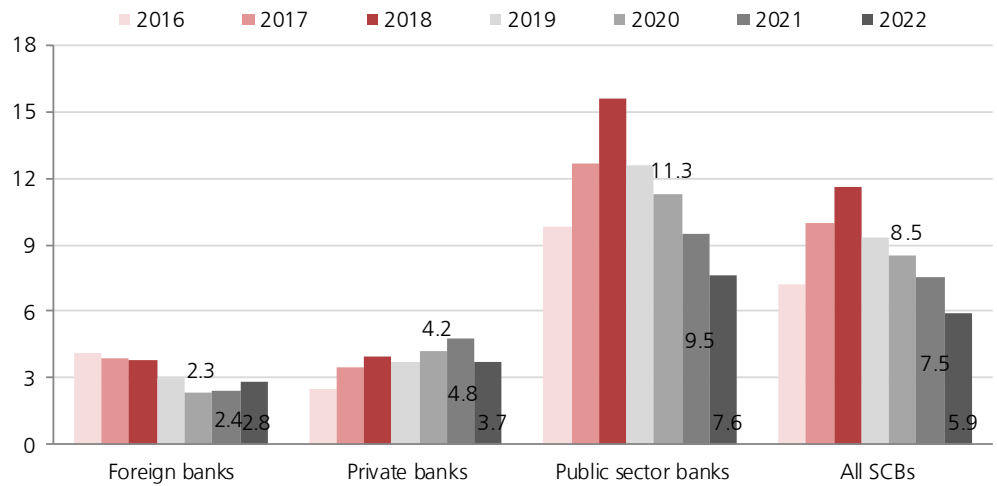
- ▶ **Steady and profitable growth strategy of foreign banks.** Foreign banks have restricted their presence to certain niche products and services despite (1) their head start in the Indian market; many of them have been present in India for decades and (2) weak competition from incumbent public sector banks. They have followed a somewhat low-investment, low-risk strategy, which has resulted in superior asset quality and RoAs compared to domestic private banks (see Exhibits 52-54) but confined them to a marginal presence in the Indian banking sector. It would appear that their investment strategy was dictated by their inability and/or unwillingness to invest aggressively in the Indian market.

Exhibit 52: Foreign banks enjoyed higher margins compared to domestic banks over FY2000-18
NIMs of private banks and foreign banks in India, March fiscal year-ends, 2000-21 (%)



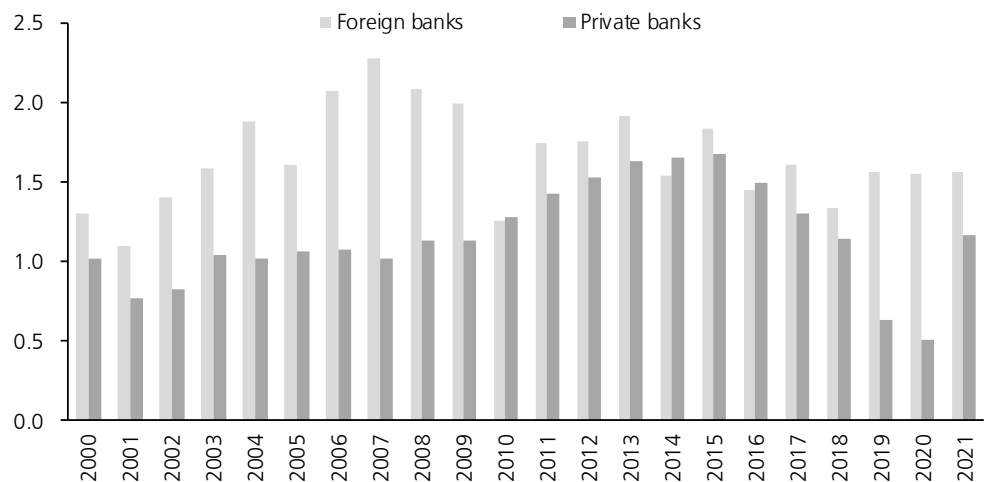
Source: RBI, Kotak Institutional Equities

Exhibit 53: Foreign banks had better asset quality during the recent NPA crisis in India
Gross NPLs across type of banks, March fiscal year-ends, 2016-22 (%)



Source: RBI, Kotak Institutional Equities

Exhibit 54: Foreign banks have enjoyed higher returns compared to domestic private banks
RoAs of private banks and foreign banks in India, March fiscal year-ends, 2000-21 (%)

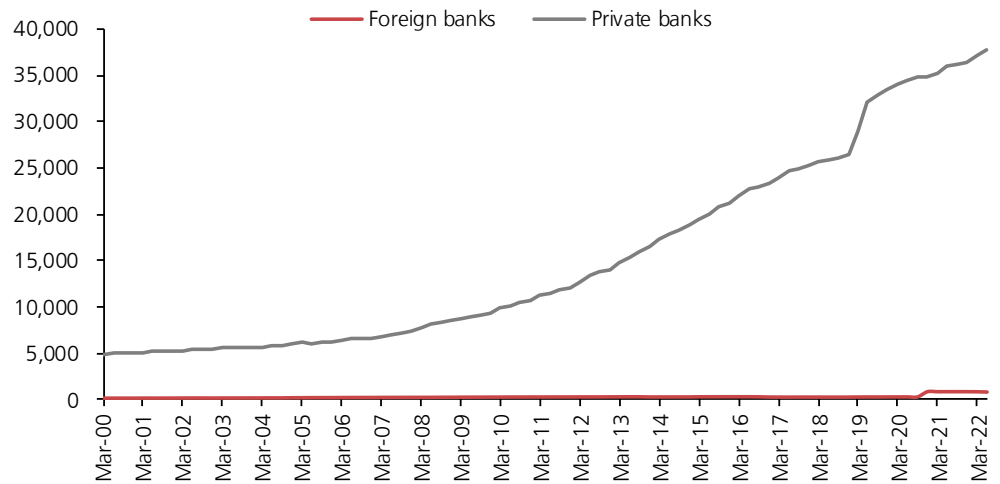


Source: RBI, Kotak Institutional Equities

Foreign banks have focused on certain profitable and premium segments (corporate, credit card, cross-border trade, wealth) while private banks have focused on all the credit segments including affluent, mass-affluent and mass segments. As part of their strategy, domestic private banks expanded their footprint aggressively through a massive increase in their branch network while foreign banks confined themselves to a few top cities (see Exhibit 55). Domestic private banks were decisive both in generating liabilities (by giving higher deposit rates than their public counterparts) and building assets (by lending aggressively to corporate and retail borrowers both).

Exhibit 55: Low branch addition by foreign banks in India

Bank branches of foreign banks and domestic private banks, March fiscal year-ends, 2000-23 (#)



Source: RBI, CEIC, Kotak Institutional Equities

- ▶ **Regulatory challenges.** In our view, India's banking regulations may have also played a major role in determining the growth strategy of foreign banks although (1) the eligibility criteria for foreign banks to start operations in India is not very onerous and (2) the regulatory criteria for branch licenses etc. are the same for domestic private and foreign banks (above a certain size in terms of branches). We note that foreign banks can operate in India either through single mode of presence (branch mode) or wholly-owned subsidiary (WOS) mode, whereby they are treated at par with domestic banks. Exhibit 56 shows the eligibility criteria for setting up a WOS in India. The minimum paid-up equity capital for a WOS is Rs5 bn.

Exhibit 56: Eligibility criteria for obtaining a WOS license for a foreign bank is not very tough

Key criteria taken into consideration by RBI while granting a foreign bank a WOS license in India

Eligibility criteria

Setting up of WOS by a foreign bank in India should have the approval of the home country regulator/supervisor

A foreign bank applying for setting up a WOS in India must satisfy RBI that it is subject to adequate prudential supervision as per internationally accepted standards, which includes consolidated supervision in its home country

Economic and political relations with the country of incorporation of the parent bank

Reciprocity with home country of the parent bank

Financial soundness

Ownership pattern

International and home country ranking of the parent bank by a reputed agency

Home country/parent bank rating by a rating agency of international repute

International presence of the bank

Adequate risk management and internal control systems

Source: RBI, Kotak Institutional Equities

Banking regulations in India have focused on democratization of credit and banks are mandated to increase penetration of credit among unbanked and under-banked citizens through priority sector (PSL) loans. Similarly, banks need to open a certain proportion of branches in underpenetrated regions, if they are to expand their overall branch network. Exhibit 57 shows the priority sector loan (PSL) targets if a foreign bank was to operate at the same scale as domestic private banks.

Exhibit 57: Large banks (with more than 20 branches) have stiffer PSL targets
Priority sector lending rules for large banks in India

	Domestic commercial banks (excl. RRBs & SFBs) & foreign banks with 20 branches and more	Foreign banks with less than 20 branches
Total Priority Sector	40% of ANBC or CEOBE whichever is higher	40% of ANBC or CEOBE whichever is higher; out of which up to 32% can be in the form of lending to exports and not less than 8% can be to any other priority sector
Agriculture	18% of ANBC or CEOBE, whichever is higher; out of which a target of 10% is prescribed for small and marginal farmers (SMFs)	NA
Micro enterprises	7.5% of ANBC or CEOBE, whichever is higher	NA
Advances to weaker sections	12% of ANBC or CEOBE, whichever is higher	NA

Notes:

(a) ANBC is adjusted net bank credit.

(b) CEOBE is credit equivalent of off-balance sheet exposures.

Source: RBI, Kotak Institutional Equities

Foreign banks may have found and find it hard to reconcile their strategy of focusing on super-premium and premium borrowers with Indian banking regulations. Also, foreign banks have higher operating cost per branch compared to domestic private lenders. Thus, a branch-intensive strategy may not have worked well for foreign banks.

Capital goods: MNCs have kept the faith and may be suitably rewarded

MNCs dominate the capital goods industry in India and their strong position reflects their technology edge compared to their domestic rivals. Also, the government's thrust on investment and accompanying reforms over the past 7-8 years and hopes of eventual revival in investment may have played a role in MNCs maintaining their faith in India despite a decade of muted growth in the capital goods sector.

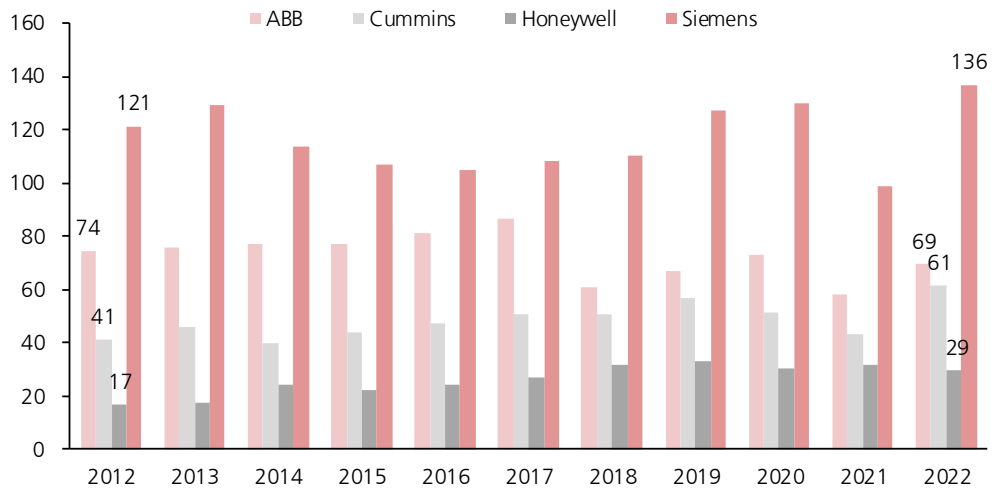
- ▶ **Weak sales growth and returns for MNCs in the past decade.** The revenues of the capital goods sector increased at a sluggish 2.4% CAGR over FY2012-22 (see Exhibit 58). MNCs struggled in a low-growth environment, which resulted in their sales growing at a CAGR of 1.6% over the same period (see Exhibit 59). We note that companies operating in the segments of electricity, EPC and industrial automation were somewhat able to buck this trend. In particular, the industrial automation segment witnessed comparatively robust growth at 4.6% CAGR over FY2011-21 (see Exhibit 60). The industrial automation segment is broadly dominated by MNC companies, although their relative market shares have changed over this period (see Exhibit 61).

Exhibit 58: India's capital goods sector grew at 2% revenue CAGR over FY2012-22
 Net sales of Indian listed capital goods companies, March fiscal year-ends, 2012-22 (Rs bn)



Source: Capitaline, Kotak Institutional Equities

Exhibit 59: MNC capital goods companies reported weak growth over FY2012-22
 Revenues of major MNC capital goods companies, March fiscal year-ends, 2012-22 (Rs bn)

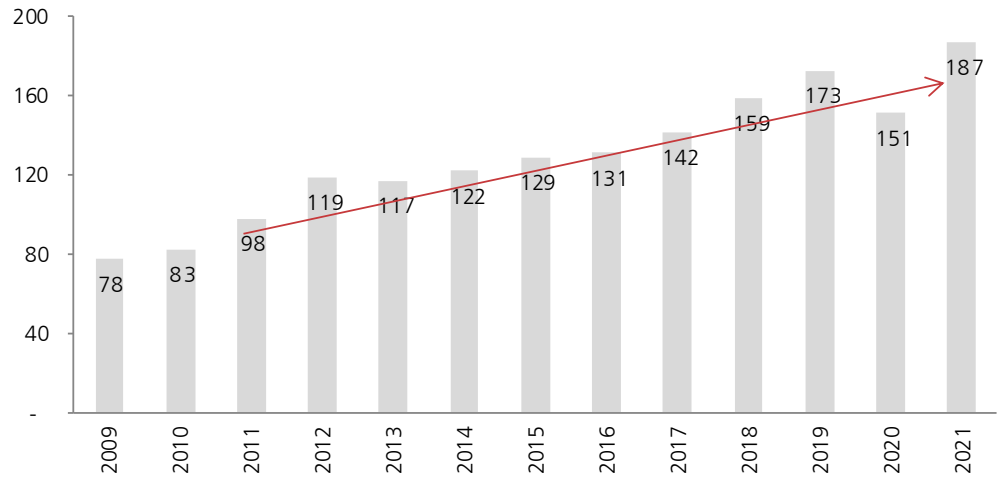


Notes:

(a) ABB reports annual data on December year-ends, while Siemens reports on September year-ends. For comparison, we use CY2021 for FY2022 for ABB and Siemens.

Source: Companies, Kotak Institutional Equities

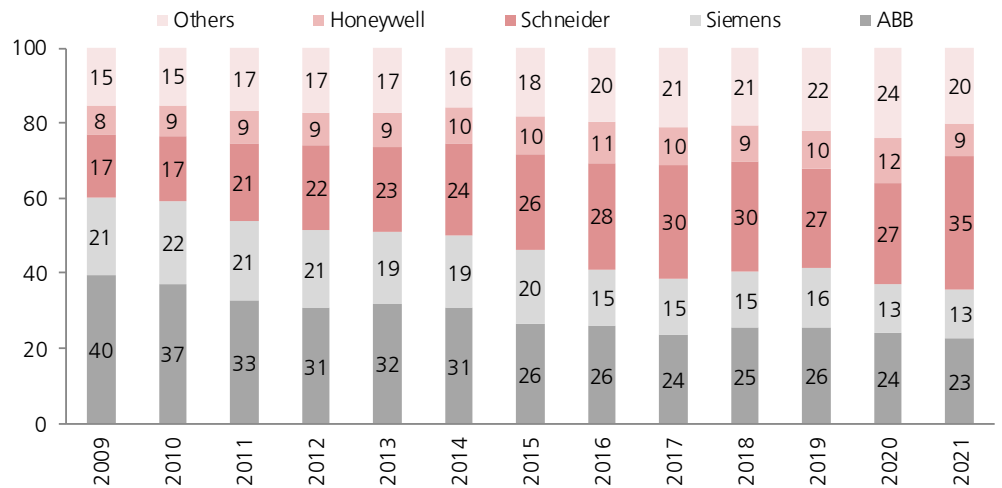
Exhibit 60: Indian automation market has grown at 9% CAGR over the past decade
 India automation market revenues, March fiscal year-ends, 2009-21 (Rs bn)



Notes:
 (a) ABB and Siemens' revenues have been adjusted to reflect consistent segment financials.

Source: Companies, Kotak Institutional Equities estimates

Exhibit 61: ABB has largely maintained its market share over the past 4-5 years
 Revenue share of automation majors within the US\$3 bn India automation market, March fiscal year-ends, 2009-21 (%)



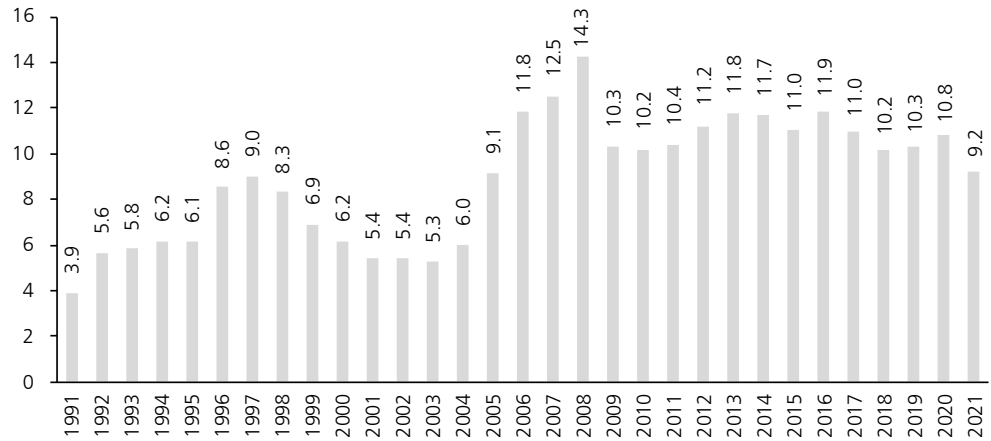
Notes:
 (a) ABB and Siemens' revenues have been adjusted to reflect consistent segment financials.
 (b) Schneider has possibly benefitted from the acquisition of L&T's business in FY2021.

Source: Companies, Kotak Institutional Equities estimates

The weak financial position of infrastructure companies with excessive leverage and related high NPLs of banks were the major reasons for low investment by the Indian private sector in the past 10 years. India's private sector capex has been quite weak over the past 10 years, with private sector GFCF growing at a CAGR of 7.1% over FY2012-21 and its share of GDP declining sharply from high levels of the late 2000s (see Exhibit 62).

Exhibit 62: Private sector GFCF has remained muted over the past few years

Private sector gross fixed capital formation as a % of GDP, March fiscal year-ends, 2000-21 (%)



Notes:

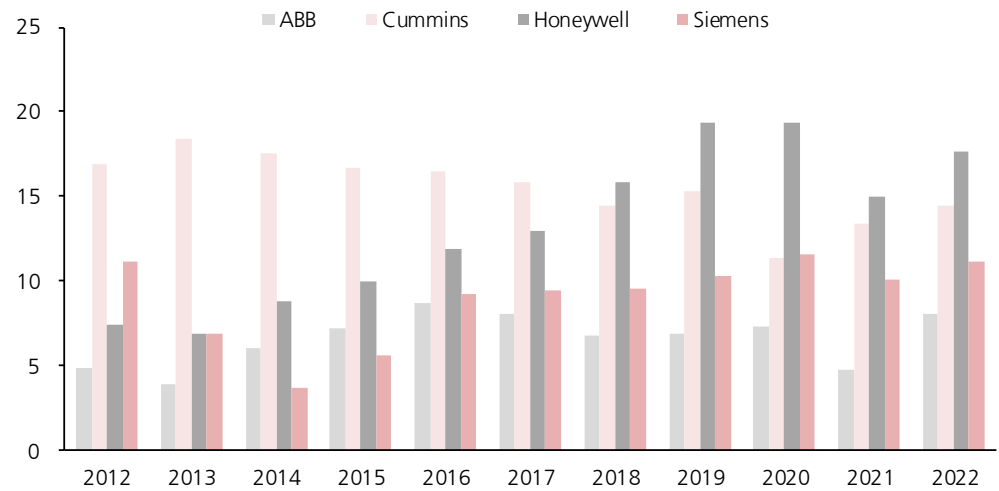
(a) Data from 2012 onwards is based on new GDP series.

Source: RBI, Kotak Institutional Equities

Capital goods companies, irrespective of their ownership status, reported weak margins in general (see Exhibit 63) and low returns (see Exhibit 64). We note that a few MNCs operating in niche growing segments were still able to report superior margins.

Exhibit 63: Most capital goods companies reported low margins over FY2012-22

EBITDA margin of multi-national capital goods companies in India, March fiscal year-ends, 2012-22 (%)

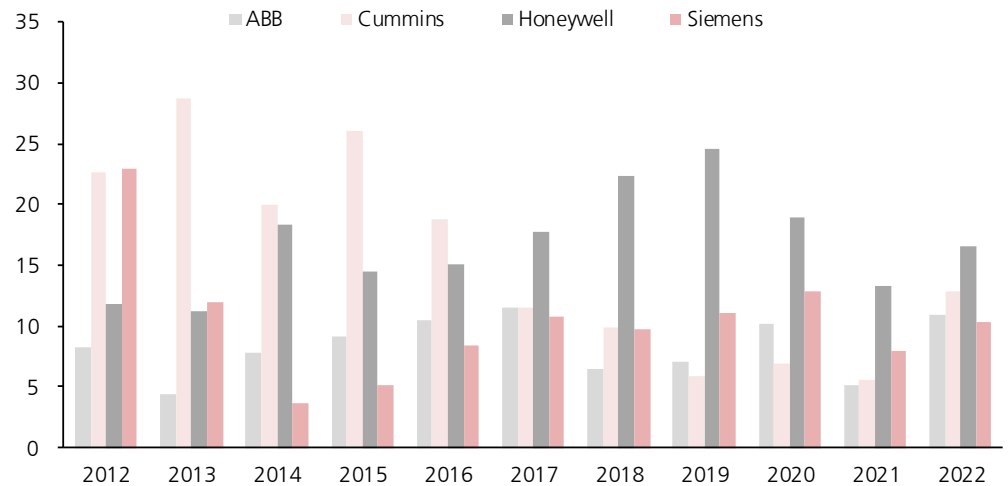


Notes:

(a) ABB reports annual data on December year-ends, while Siemens reports on September year-ends. For comparison, we use CY2021 for FY2022 for ABB and Siemens.

Source: Companies, Kotak Institutional Equities

Exhibit 64: Most capital goods companies reported mediocre returns over FY2012-22
RoCE of multi-national capital goods companies in India, March fiscal year-ends, 2012-22 (%)



Notes:

(a) ABB reports annual data on December year-ends, while Siemens reports on September year-ends. For comparison, we use CY2021 for FY2022 for ABB and Siemens.

Source: Companies, Kotak Institutional Equities

- **Reform-driven policy environment kept the MNCs interested.** We expect the 'patient' MNCs to benefit from a possible multi-year capex cycle in India. We note a steady improvement in demand side, reflecting in the growing order book of capital goods companies in recent quarters (see Exhibit 65).

Exhibit 65: Order inflows were strong for large companies in recent quarters

Order inflows of key industrials and construction companies, 1QFY20-1QFY23

	Order inflows (Rs bn)							Yoy growth (%)						
	1QFY20	1QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	1QFY20	1QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
ABB	20	12	17	19	22	23	28	(20)	(40)	41	46	53	26	64
BHEL	24	NA	33	129	33	43	25	(36)	NA	NA	147	36	(2)	(23)
Larsen & Toubro	297	147	151	301	299	417	283	55	(51)	3	85	(53)	33	87
Siemens	30	19	46	46	53	53	50	6	(39)	148	148	65	61	8
Thermax	12	6	17	19	25	34	23	43	(51)	183	67	57	127	36
Voltas	7	4	2	3	4	5	9	59	(46)	(45)	(1)	(43)	(40)	355
Total	390	187	265	516	436	575	418	32	(52)	42	98	(40)	33	57

Notes:

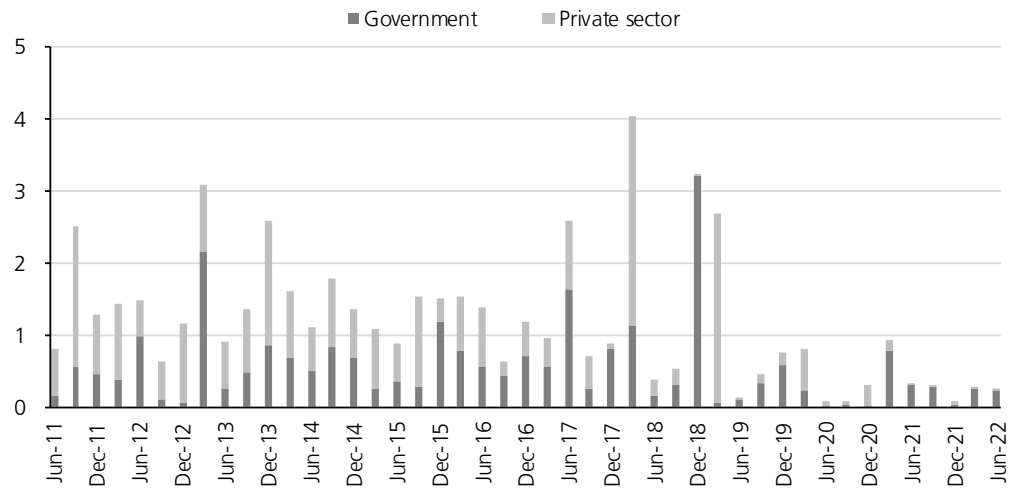
(a) We use domestic order inflows for L&T; for others, we use total order inflows.

Source: Companies, Kotak Institutional Equities

We are quite enthused by the meaningful investment-related reforms of the Indian government in the past 6-7 years. We have seen a remarkable reduction in the value of stalled projects (see Exhibit 66) and recovery in new project announcements (see Exhibit 67). We expect the government's broad economic and specific investment areas to drive private capex over the next several years.

Exhibit 66: Stalled projects are at low levels in recent years

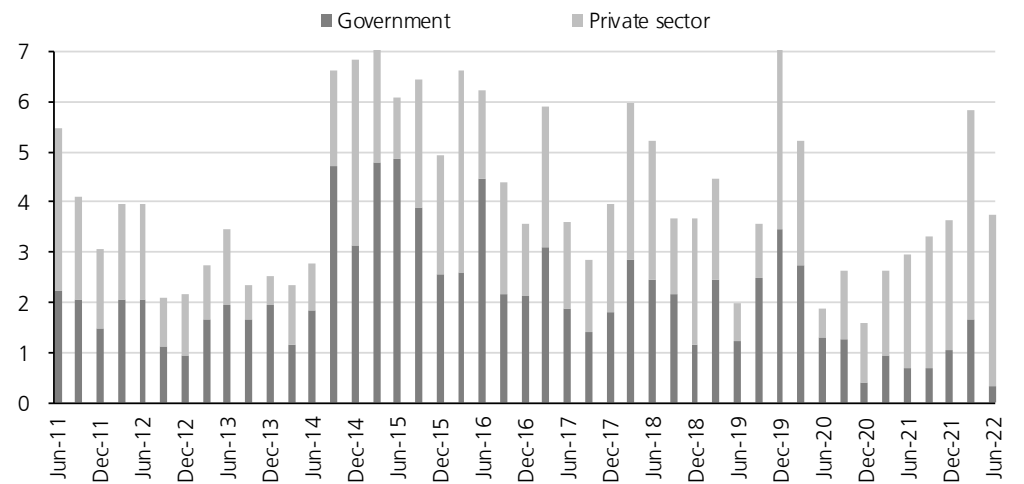
Value of stalled projects of government and private sector, March fiscal year-ends, 2012-22 (Rs tn)



Source: CMIE, Kotak Institutional Equities

Exhibit 67: New project announcements have seen steady recovery in recent quarters

Value of new project announcements by government and private sector, March fiscal year-ends, 2012-22 (Rs tn)



Source: CMIE, Kotak Institutional Equities

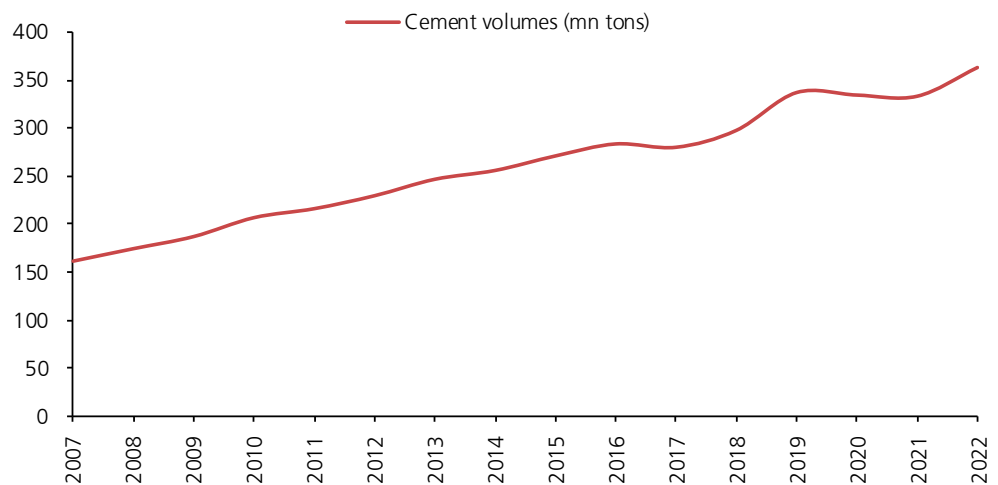
The government has implemented specific ‘investment’ reforms in areas such as allocation of resources, approvals, bankruptcy, labor, taxation (both direct and indirect), etc., which directly matter for investment. Lastly, we expect the PLI schemes to result in meaningful investment in domestic manufacturing in sectors where (1) India imports significant quantities of manufactured items currently (chemical intermediates, electronics among others) and/or (2) India may import significant quantities of manufactured items in the future without domestic manufacturing (automotive and grid storage batteries, solar PV modules, among others).

Cement: Aggressive entry to marginalization to exit of MNCs

Holcim's decision to sell its cement assets in India to the Adani Group effectively marks the end of MNC presence in the Indian construction materials (cement) sector for all practical purposes. Heidelberg Cement is the only MNC cement company in India now. Holcim's decision to exit India reflects a combination of factors—(1) change in global strategy to value-added construction materials products from commodity cement business of the parent; this resulted in its exit from several EM markets and (2) declining market presence in India.

- ▶ **Gradual marginalization of MNCs.** MNCs have been gradually marginalized in the Indian cement sector over the past decade despite cement volumes growing at a CAGR of 4.7% over FY2012-22 (see Exhibit 68). The incremental demand was entirely met by domestic cement companies. Companies such as SRCM and UTCEM installed large capacities, while MNC companies such as ACC and ACEM (subsidiaries of Holcim) hardly added any cement capacity over this period and lost meaningful market share in terms of both capacity and volumes (see Exhibits 69-70). They did not participate in the consolidation in the cement sector even as the stronger domestic companies acquired weaker cement companies to strengthen their market positions.

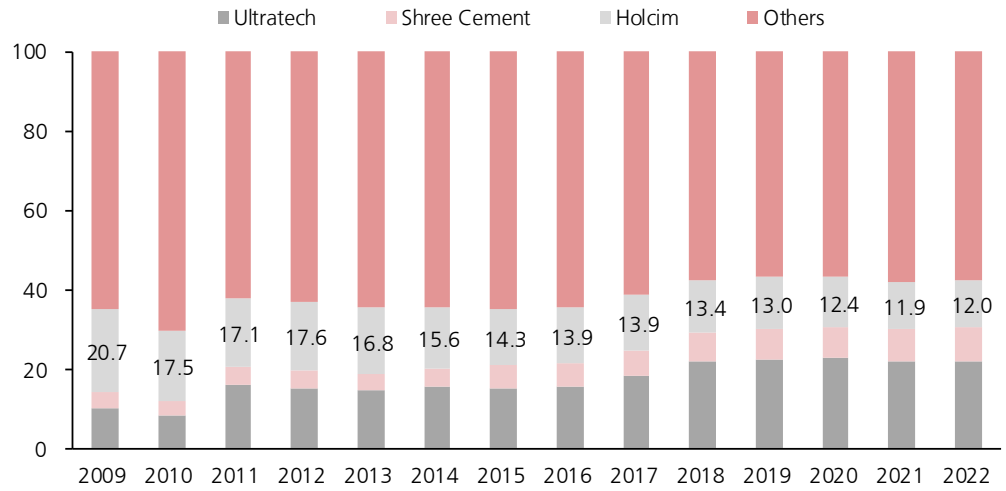
Exhibit 68: India's cement volumes increased at a 5% CAGR over FY2012-22
Cement volumes in India, March fiscal year-ends, 2007-22 (mn tons)



Source: CMA, Kotak Institutional Equities

Exhibit 69: Steady decline in capacity market share of Holcim over the past decade

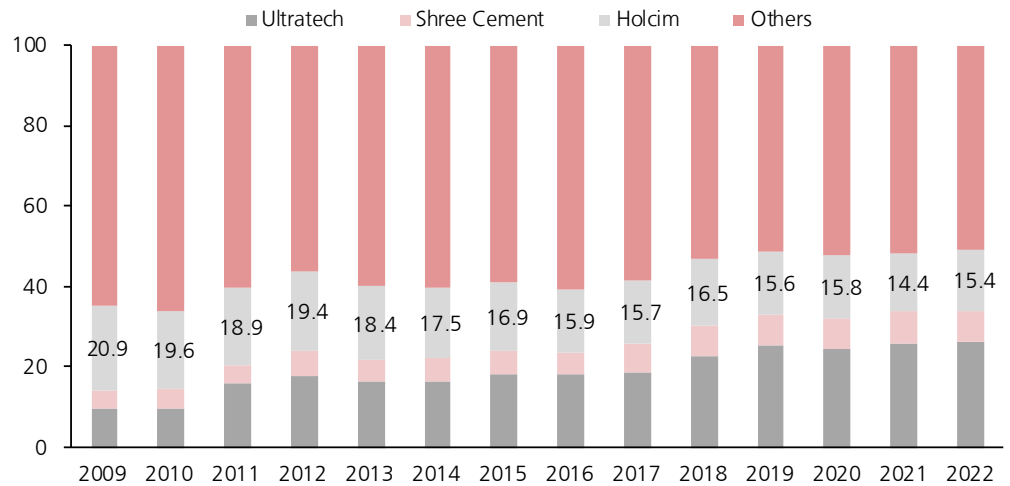
Capacity market share of Holcim versus other major cement companies, March fiscal year-ends, 2009-22 (%)



Source: Companies, Kotak Institutional Equities

Exhibit 70: Steady decline in volume market share for Holcim over the past decade

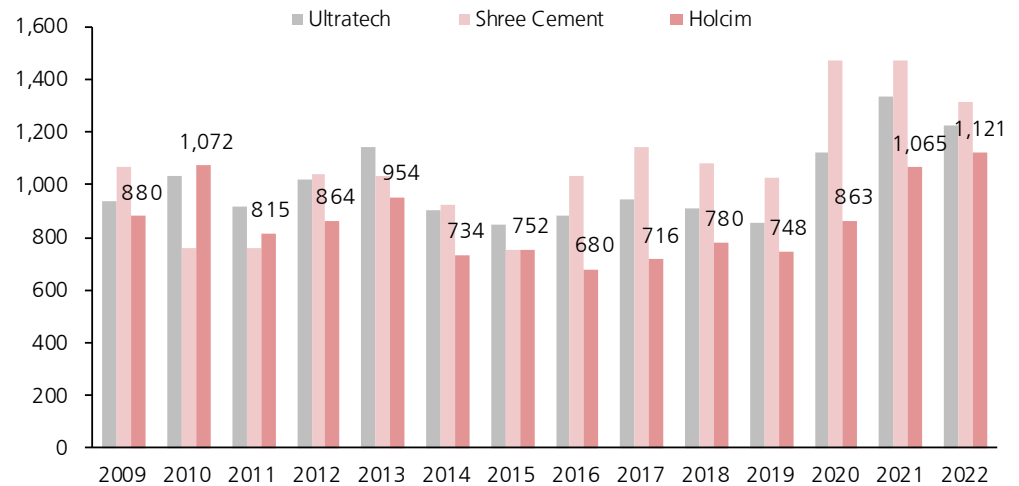
Volume market share of Holcim versus other major cement companies, March fiscal year-ends, 2009-22 (%)



Source: Companies, Kotak Institutional Equities

At the same time, both SRCM and UTCM did much better than ACC and ACEM in terms of profitability and returns over this period (see Exhibits 71-72). Domestic companies derived superior profitability from investing in various cost-saving measures as well as increasing economies of scale from higher capacities, whereas both ACC and ACEM were conservative on this aspect also.

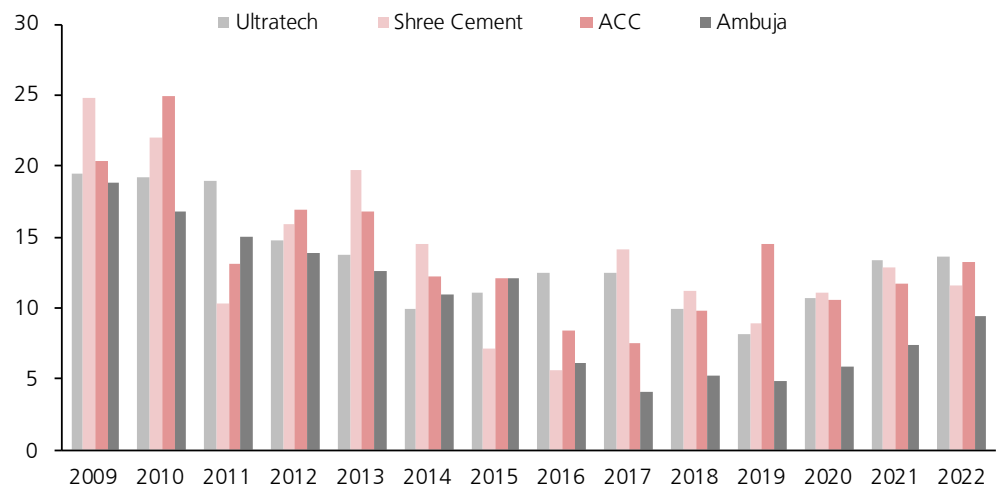
Exhibit 71: Holcim (ACC + ACEM) had lower profitability versus Shree and UltraTech
EBITDA/ton of Holcim versus other major cement companies, March fiscal year-ends, 2009-22 (Rs/ton)



Source: Companies, Kotak Institutional Equities

Exhibit 72: ACC and Ambuja witnessed sharper deterioration in their return ratios over the past decade

RoCE of ACC and ACEM versus other major cement companies, March fiscal year-ends, 2009-22 (%)



Source: Companies, Kotak Institutional Equities

- **External factors probably affected focus on businesses.** Holcim completed its merger with Lafarge in 2015, while the operations got fully integrated by 2017. Lafarge had high leverage with net debt of EUR9 bn versus EBITDA of EUR2.7 bn in FY2014. As such, the merged entity focused on deleveraging its balance sheet. Meanwhile, Holcim also attempted to restructure the operations of ACC-ACEM as well as attempted to merge the two companies over FY2017-18 unsuccessfully. Also, Holcim took out decent payout in the form of dividends and royalties, which resulted in lower growth capital for the Indian businesses. Holcim's subsidiaries perhaps did not have sufficient capital to acquire stressed capacities such as Binani cement, Jaypee cement, etc. at low valuations, which were acquired by domestic companies.

Consumer staples: MNCs gradually losing to domestic companies

MNCs still dominate the consumer staples sector but they have gradually lost market share over the past few years to domestic competitors. A few home-grown companies have become more aggressive in the consumer staples space and they have large capital to compete for market share against the entrenched MNC players. Also, deep-pocketed retailing companies have entered and will progressively continue to launch their own private-label brands, which could eat into the market share of the MNCs.

- ▶ **Stiff competition from domestic companies.** Domestic consumer companies grew slightly faster at a CAGR of 9% compared to 8.2% for MNC companies over FY2012-22 (see Exhibit 73). The domestic companies have challenged the large market shares of MNCs in a number of product categories. As a result, Nestle has lost 20% market share in the noodles segment over FY2011-21 (see Exhibit 74), with ITC gaining the most at its expense. Similarly, HUL has lost 14% share in the domestic soaps market over FY2011-21 (see Exhibit 75). Colgate lost 11% market share over FY2011-21 (see Exhibit 76) in the toothpaste category to domestic players (Dabur and Patanjali).

Exhibit 73: Domestic companies have grown at a slightly faster pace than MNCs in the past 10 years

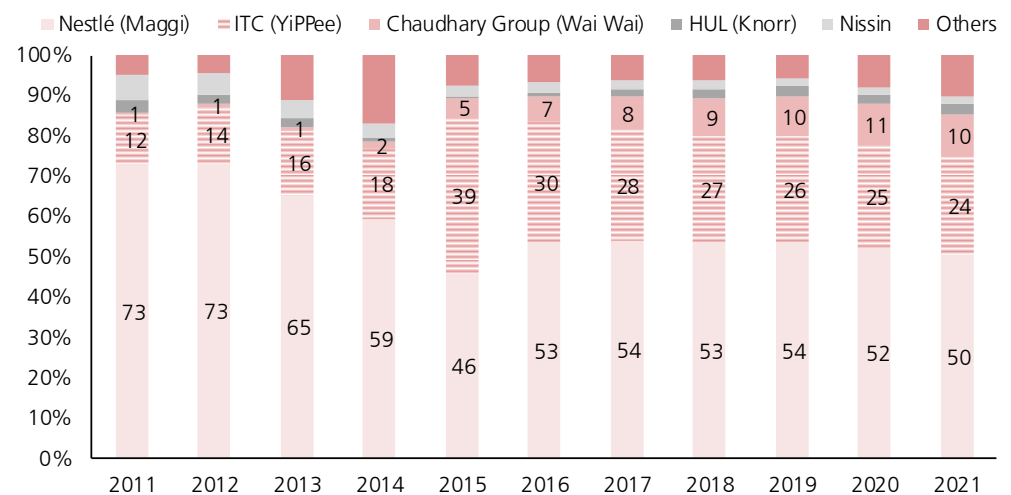
Sales of major consumer staples companies under coverage, March fiscal year-ends, 2012-22 (Rs bn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CAGR (%)
Britannia Industries	55	62	69	79	84	91	99	111	116	131	141	9.9
Colgate-Palmolive (India)	27	32	36	40	39	40	42	45	45	48	51	6.6
Dabur India	53	62	71	78	79	77	77	85	87	96	109	7.5
Godrej Consumer Products	49	64	76	83	84	93	98	103	99	110	123	9.7
Hindustan Unilever	221	258	280	307	311	319	345	382	388	460	512	8.8
ITC (non-cigarette FMCG)	55	70	81	90	97	105	113	125	128	147	160	11.2
Marico	40	46	47	57	60	59	63	73	73	80	95	9.1
Nestle India	75	83	91	98	81	91	100	112	123	133	146	6.9
Tata Consumer Products	66	74	77	80	66	68	68	73	96	116	124	6.5
Domestic companies	318	377	421	467	470	492	520	570	600	681	752	9.0
MNCs	323	373	407	445	431	449	487	539	556	641	709	8.2

Source: Companies, Kotak Institutional Equities

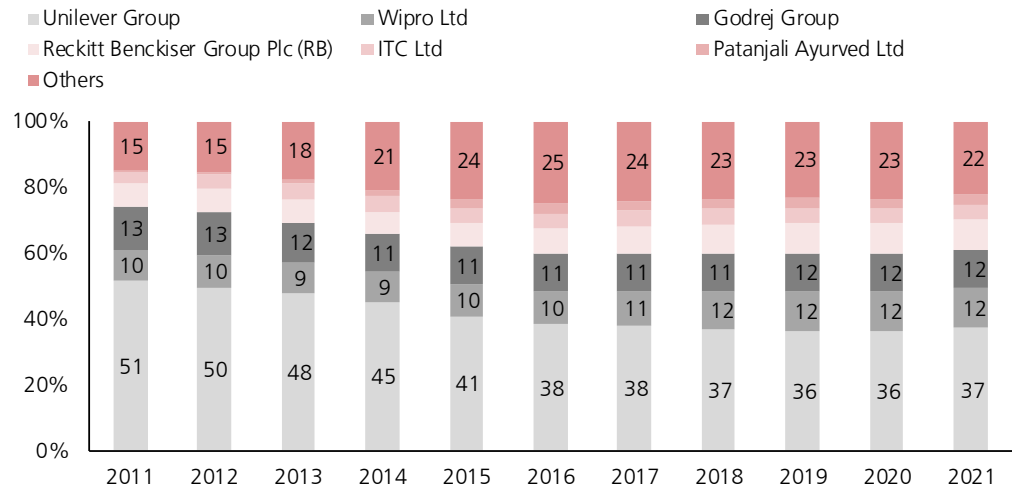
Exhibit 74: Maggi lost significant market share to ITC's YIPee following a five-month ban by FSSAI in 2015

Market shares in noodles market in India, calendar year-ends, 2011-21 (%)



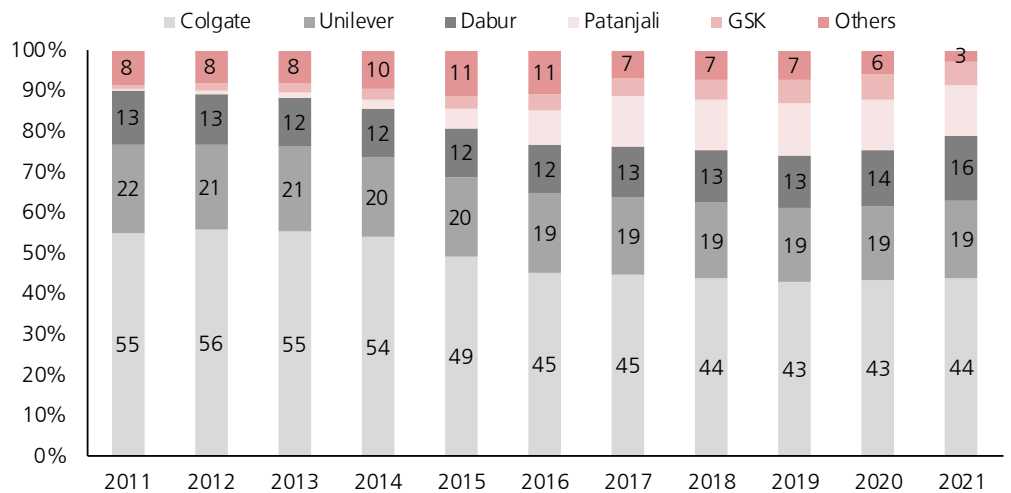
Source: Euromonitor, Kotak Institutional Equities

Exhibit 75: Unilever has lost 14% market share in bar soaps over past 10 years in India
Market shares in bar soaps market in India, calendar year-ends, 2011-21



Source: Euromonitor, Kotak Institutional Equities

Exhibit 76: Colgate has lost share to naturals focused players like Dabur and Patanjali
Market shares in toothpastes market in India, calendar year-ends, 2011-21



Source: Euromonitor, Kotak Institutional Equities

- **Focus on high profitability by MNC creates room for competition.** We note that MNCs made strong returns on the back of high profitability over FY2012-22 (see Exhibit 77). We concede that capital/investment is not a very relevant metric in the consumer staples business but note that MNCs are facing certain challenges to their moats of (1) brand and (2) distribution.

Exhibit 77: MNCs enjoy significantly better return ratios than domestic companies

RoEs of major consumer staples companies under coverage, March fiscal year-ends, 2012-22 (%)

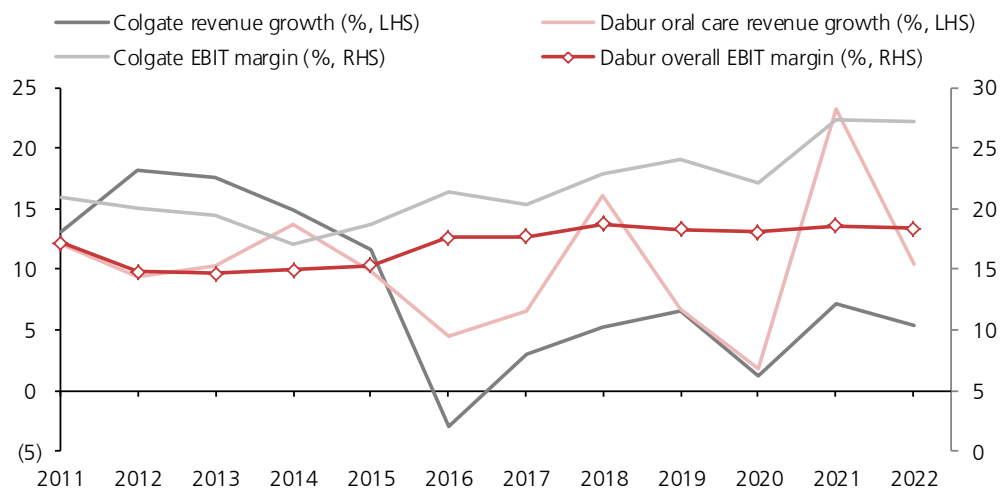
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Britannia Industries	54	54	58	53	49	37	33	30	32	46	50
Colgate-Palmolive (India)	109	107	90	82	68	49	46	49	51	75	74
Dabur India	41	40	38	35	33	28	26	25	25	24	23
Godrej Consumer Products	23	22	21	22	27	27	25	22	19	20	17
Hindustan Unilever	83	106	119	107	82	67	76	83	86	29	18
ITC	30	31	30	27	21	18	19	20	23	21	23
Marico	31	23	28	36	34	35	33	34	35	37	37
Nestle India	90	70	53	45	30	32	37	45	70	106	116
Tata Consumer Products	8	8	6	6	6	6	7	6	7	6	7

Source: Companies, Kotak Institutional Equities

In our view, the steady push towards 'premiumization' by MNCs to extract higher gross margins may have left them vulnerable in certain segments and allowed an entry point to domestic companies. We note that domestic companies such as Dabur and ITC were content with lower EBIT margins compared to Colgate and Nestle respectively, as they were able to grow faster (see Exhibit 78). Also, new distribution channels (D2C, modern retailing) other than the historical general trade have enabled increased competition from local brands as well as private labels of various retailers.

Exhibit 78: MNCs remain focused on margins while domestic players chase market share

Revenue growth and EBIT margin of Colgate and Dabur, March fiscal year-ends, 2011-22



Source: Company, Kotak Institutional Equities

Insurance: Confidence of local JV partners forced exit of MNCs

Foreign players have reduced their presence or exited from the Indian life insurance sector (see Exhibit 79) despite (1) strong growth in the sector and (2) relaxation in foreign ownership limits in the insurance sector over time. MNC insurance companies entered into joint ventures with Indian private companies with 26% stake (as per regulations at that time) but could not increase their stakes in most cases as (1) the Indian joint venture partners were reluctant to reduce their stakes given their strong balance sheets and 'control' of distribution and/or (2) Indian regulations did not allow them to do so in the early stages of the sector being opened up for foreign participation; the need for growth capital was the highest at that time.

Exhibit 79: Foreign promoter shareholding declined in the case of most life insurance companies

Foreign promoter shareholding, March fiscal year-ends, 2012-22 (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Aviva	26.0	26.0	26.0	26.0	26.0	49.0	49.0	49.0	49.0	49.0	49.0
Bajaj Allianz	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Bharti Axa	22.2	22.2	22.2	22.2	49.0	49.0	49.0	49.0	49.0	49.0	49.0
Birla Sun Life	26.0	26.0	26.0	26.0	26.0	49.0	49.0	49.0	49.0	49.0	49.0
Exide	26.0	—	—	—	—	—	—	—	—	—	—
HDFC Life	26.0	26.0	26.0	26.0	26.0	34.9	29.3	24.7	12.3	8.9	3.7
ICICI Prudential Life	26.0	26.0	25.9	25.9	25.9	25.8	25.8	22.1	22.1	22.1	22.1
Kotak	26.0	26.0	26.0	26.0	26.0	26.0	—	—	—	—	—
Max Life	26.0	—	—	—	—	—	—	—	—	—	—
PNB Metlife	26.0	26.0	26.0	26.0	26.0	26.0	26.0	32.1	32.1	32.1	46.9
Reliance Nippon Life	—	—	—	26.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0
SBI Life	26.0	26.0	26.0	26.0	26.0	26.0	22.0	7.7	5.2	0.2	0.0
Shriram Life	26.0	—	—	—	—	23.0	23.0	23.0	23.0	23.0	23.0
Star Union Daichi	26.0	26.0	26.0	26.0	26.0	45.9	45.9	45.9	45.9	45.9	45.9
TATA AIA	26.0	26.0	26.0	26.0	26.0	49.0	49.0	49.0	49.0	49.0	49.0

Source: Company, Kotak Institutional Equities

- **Growth was not an issue for the sector.** The Indian life insurance sector saw strong growth by private companies at the expense of PSU companies over the past decade, both in life as well as general insurance. The life insurance sector grew at 12.4% CAGR over FY2012-22, driven by 7.3% CAGR growth for the private sector (see Exhibit 80). As a result, the market shares of private life insurance companies in adjusted business premium increased to 56% in FY2022 from 35% in FY2012 (see Exhibit 81). Their shares also increased steadily in the group business (see Exhibit 82).

Exhibit 80: India's insurance sector grew at 7% CAGR over FY2012-22, driven by a 12% CAGR for private companies

Total adjusted business premium, March fiscal year-ends, 2012-23 (Rs mn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	5MY22	5MFY23
Total adjusted business premium (Rs mn)													
Aviva	5,163	4,442	3,335	3,232	1,720	1,581	2,007	1,775	1,250	1,564	2,019	565	401
Bajaj Allianz	14,003	13,763	11,435	9,400	9,165	12,326	16,800	20,491	22,448	28,456	42,030	18,518	11,411
Bharti Axa	1,987	2,183	3,025	3,637	3,767	4,098	4,709	6,349	6,130	5,823	7,291	2,538	1,655
Birla Sunlife	12,474	11,105	9,188	8,558	8,324	10,793	12,110	19,083	18,872	21,876	25,340	9,713	5,297
Exide	6,073	5,151	4,998	4,421	4,865	6,167	6,324	6,774	6,824	6,016	7,386	2,443	1,568
HDFC Life	28,074	32,449	25,223	31,854	36,160	40,851	53,022	57,459	68,518	80,096	94,069	34,894	22,883
ICICI Pru Life	30,206	34,492	32,853	46,467	51,089	64,966	76,378	73,419	70,901	59,721	68,726	23,156	15,676
Kotak	5,091	5,092	5,275	6,961	10,534	13,436	17,153	18,293	19,161	20,497	23,970	7,675	3,961
Max Life	15,254	15,310	17,871	19,694	21,301	26,750	32,526	39,224	41,237	49,301	55,221	16,952	12,426
PNB Metlife	5,305	5,722	5,865	7,232	9,235	10,266	12,388	14,005	13,433	14,960	18,184	6,576	3,219
Reliance Nippon Life	11,436	10,042	11,961	12,870	9,587	7,241	7,449	8,918	8,996	9,207	9,735	3,521	2,310
SBI Life	24,268	26,265	29,959	32,975	44,889	63,056	80,466	93,805	103,059	110,369	137,684	51,692	26,685
Shriram Life	1,675	2,028	1,941	2,750	3,975	4,064	4,689	4,920	4,822	5,489	5,751	2,058	1,248
Star Union Daichi	3,013	2,942	3,551	4,142	3,883	6,116	5,836	5,919	5,648	7,186	10,980	5,070	2,049
TATA AIG	6,315	3,246	2,603	2,417	6,177	10,556	14,074	22,528	27,079	34,354	44,898	19,766	8,835
Private	185,756	188,574	182,682	212,100	242,204	305,566	377,244	428,043	450,948	488,604	595,840	220,803	125,413
LIC	343,244	326,233	330,534	253,262	278,583	324,000	360,741	382,007	441,321	432,431	468,901	200,159	110,065
Total	529,000	514,807	513,216	464,366	521,126	629,566	737,985	810,050	892,269	921,035	1,064,742	420,962	235,478
Yoy (%)													
Private	(22)	2	(3)	16	14	26	22	13	5	8	22		(43)
LIC	12	(5)	1	(23)	10	16	11	6	16	(2)	8		(45)
Total	(3)	(3)	(0)	(10)	12	21	16	10	10	3	16		(44)

Source: Companies, Kotak Institutional Equities

Exhibit 81: Private players gained significant market share in individual business

Trend in adjusted individual business market share, March fiscal year-ends, 2008-22 (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bajaj Allianz	10.7	8.0	5.8	3.7	2.7	2.6	2.2	1.9	1.6	1.9	2.2	2.5	2.6	3.3	4.2
Birla Sunlife	3.3	5.2	4.1	3.2	2.5	2.2	1.8	1.8	1.5	1.7	1.7	2.4	2.3	2.6	2.5
Canara HSBC							0.6	0.8	1.0	1.2	1.3	1.3	1.3	1.4	1.6
HDFC Standard Life	4.2	4.9	4.6	5.9	5.7	6.7	5.2	7.3	7.6	6.8	7.5	7.2	8.1	9.2	9.3
ICICI Prudential	12.7	10.9	9.3	7.3	5.9	7.0	7.2	11.3	11.3	12.0	11.8	10.3	9.0	7.2	7.2
Max Life	2.5	3.4	2.9	3.4	3.1	3.2	3.9	4.8	4.8	5.0	5.1	5.6	5.5	6.4	6.2
Met Life	1.5	2.3	1.7	1.0	1.1	1.2	1.3	1.8	2.1	1.9	1.9	2.0	1.8	1.9	2.0
Reliance Nippon Life	3.6	6.3	5.7	4.0	2.3	2.1	2.5	3.0	2.0	1.3	1.1	1.3	1.2	1.2	1.1
SBI Life	5.0	6.1	7.2	6.0	4.4	5.1	6.2	7.7	9.7	11.2	12.3	12.9	13.3	13.5	14.7
Private sector	50.5	57.0	52.4	45.7	36.5	37.9	37.9	48.9	51.5	53.9	56.2	58.0	57.2	59.7	62.9
LIC	49.5	43.0	47.6	54.3	63.5	62.1	62.1	51.1	48.5	46.1	43.8	42.0	42.8	40.3	37.1
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Companies, IRDA, Insurance Council

Exhibit 82: Private players have 25% market share in group business

Market share in group business, March fiscal year-ends, 2010-22 (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bajaj Allianz	2.1	2.0	1.9	3.4	2.4	2.8	2.5	2.3	2.7	2.6	2.0	2.3	2.7
Birla Sunlife	2.4	1.0	1.4	1.8	1.4	2.0	1.9	1.6	1.5	1.8	1.2	1.5	1.7
HDFC Life	1.8	1.3	1.9	2.6	2.5	3.8	3.5	4.6	5.3	6.2	5.6	6.2	6.7
ICICI Prudential	4.1	5.7	4.2	3.2	0.6	0.9	1.8	0.9	1.7	2.1	2.8	3.2	3.0
Max Life	0.3	0.3	0.4	0.4	0.3	0.4	0.3	0.4	0.4	0.4	0.3	0.4	0.4
Reliance Nippon Life	1.9	0.9	0.8	0.6	1.3	1.5	0.8	0.3	0.2	0.1	0.0	0.1	0.2
SBI Life	9.2	6.5	6.5	5.5	3.1	3.1	2.6	3.8	2.5	3.6	3.4	4.9	4.7
Private sector	25	20	20	21	18	21	19	19	20	23	19	22	24
LIC	75	80	80	79	82	79	81	81	80	77	81	78	76

Source: Company, IRDA, Insurance Council

- ▶ **Strong balance sheet and distribution strength of domestic JV partners.** The strong balance sheets of the domestic promoters (mostly banks) of the large private insurers enabled them to maintain their investments and keep control of the JVs despite high capital requirements in the first few years of operations. Also, the distribution strength of majority partners (bancassurance partner) in many life insurance companies probably convinced the Indian partners in the JVs to retain their majority stake in the insurance companies. Foreign partners were keen to get majority stake in most cases but most Indian promoters did not face any capital constraints. Thus, the foreign JV partners in HDFC Life, Kotak Life and Max Life reduced their stakes or even completely exited the business.

Life insurance companies followed two distinct approaches in distribution of life insurance products: (1) rely on their own individual partners or agents (such as LIC and insurance companies with non-bank promoters) or (2) rely on the strength of the banking partner. We note that most large private insurance companies followed the latter model as many were subsidiaries of banks. This resulted in high share of bancassurance in their channel-wise collection of individual premium (see Exhibit 83). This was particularly true for bank-promoted insurance companies.

Exhibit 83: Private players relied heavily on their bank partners, while LIC's premium growth is driven by individual agents
Channel-wise break-up of individual new business premium, March fiscal year-ends, 2013-22 (%)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
HDFC Life										
Individual agents	17	16	17	13	15	13	14	13	12	13
Bancassurance	70	65	67	68	61	59	47	42	46	44
Corporate agents- others	3	2	2	3	4	5	5	4	4	5
Others	11	16	14	16	19	23	35	41	38	38
ICICI Prudential Life										
Individual agents	36	31	25	25	23	26	22	22	25	28
Bancassurance	45	53	58	57	57	53	55	50	47	45
Corporate agents- others	4	4	5	4	4	3	3	4	5	5
Others	16	11	13	14	16	19	20	25	23	23
Max Life										
Individual agents	35	31	28	28	25	24	23	22	26	24
Bancassurance	48	51	56	58	62	64	63	61	64	64
Corporate agents- others	10	9	6	4	3	3	2	2	2	2
Others	8	8	10	11	10	10	11	15	8	10
SBI Life										
Individual agents	53	50	46	38	34	31	30	29	28	27
Bancassurance	44	47	52	61	65	67	69	67	65	65
Corporate agents- others	1	1	1	0	0	1	1	2	3	3
Others	3	2	1	1	1	1	1	2	4	5
Private players										
Individual agents	40	40	28	32	30	28	26	25	23	23
Bancassurance	43	44	37	52	54	54	54	53	55	55
Corporate agents- others	6	4	3	3	3	3	3	3	3	3
Others	11	12	33	13	13	15	17	19	19	19
Private players except HDFC Life, ICICI Prudential Life, Max Life and HDFC Life										
Individual agents	46	50	26	41	39	34	31	30	23	23
Bancassurance	32	29	16	35	40	43	45	47	52	54
Corporate agents- others	9	4	2	4	4	4	4	4	4	4
Others	13	17	55	20	18	19	20	19	21	19
LIC										
Individual agents	96	96	96	96	96	96	96	95	94	96
Bancassurance	3	3	3	2	2	3	2	3	3	3
Corporate agents- others	0	0	0	0	0	0	0	0	0	0
Others	1	1	1	1	2	2	2	2	3	1
Industry										
Individual agents	77	78	64	68	69	66	62	60	58	55
Bancassurance	16	16	19	24	23	25	27	27	29	32
Corporate agents- others	2	1	1	1	1	1	1	2	2	2
Others	4	5	16	6	6	8	9	11	11	11

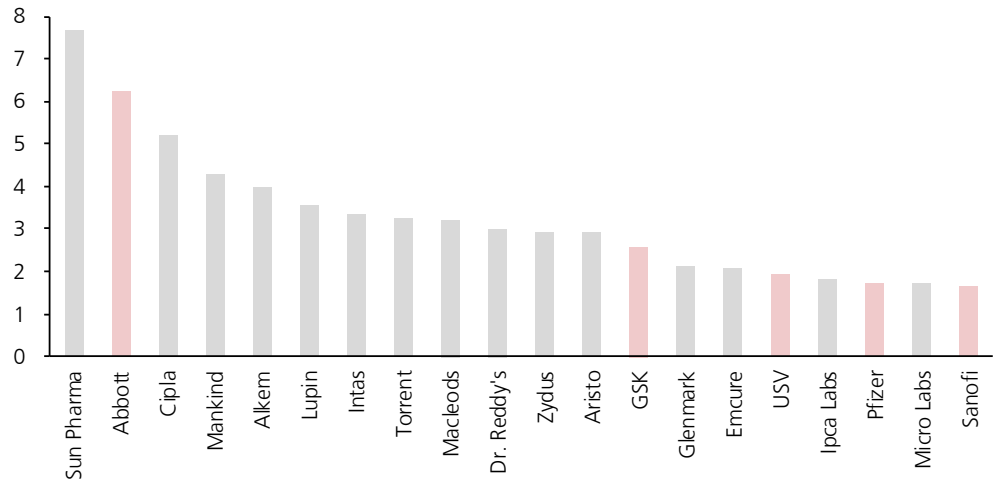
Source: Companies, Kotak Institutional Equities

- **Exit of foreign capital happened even as the sector got gradually liberalized.** The government gradually increased the foreign investment limit from 26% in FY2012 to 49% in FY2016 and later to 74% in FY2022. The government also updated the regulatory norms governing the sector, notably with the Insurance Laws (Amendment) Act, 2015. The Act notified insurance as a 'capital-intensive' industry and raised foreign investment cap to 49% from 26%. It also allowed insurance companies to raise all forms of capital versus the earlier restriction to equity capital only.

Pharmaceuticals: Strong presence in certain therapeutic segments

The foreign pharmaceuticals companies have a decent presence in India and a strong presence in certain therapeutic segments. Indian domestic companies have focused on growing their US generic business while MNCs have focused on dominating certain segments. Exhibit 84 gives the current market share of the top-20 players in the Indian pharmaceuticals market.

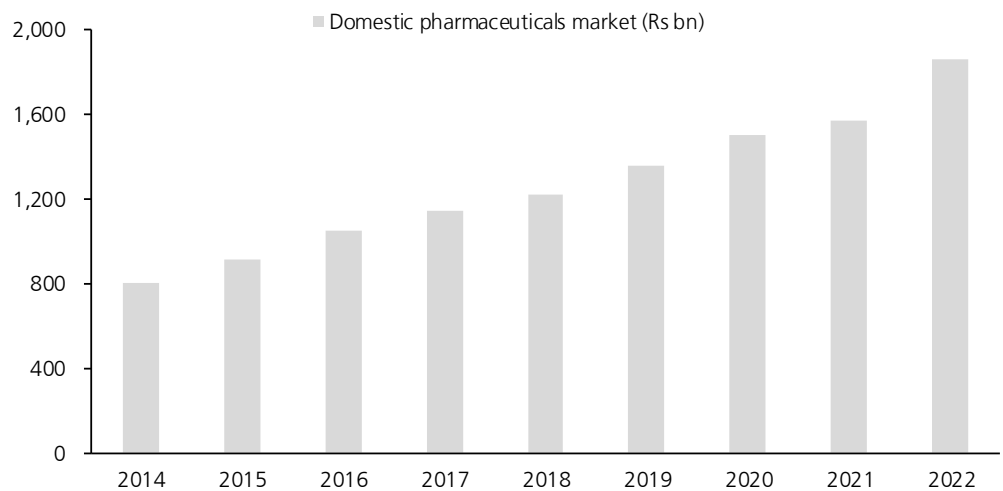
Exhibit 84: Domestic pharmaceuticals companies have a dominant market share in India
Market share of major pharmaceuticals companies on trailing 12-month basis in India, August 2022 (%)



Source: IQVIA, Kotak Institutional Equities

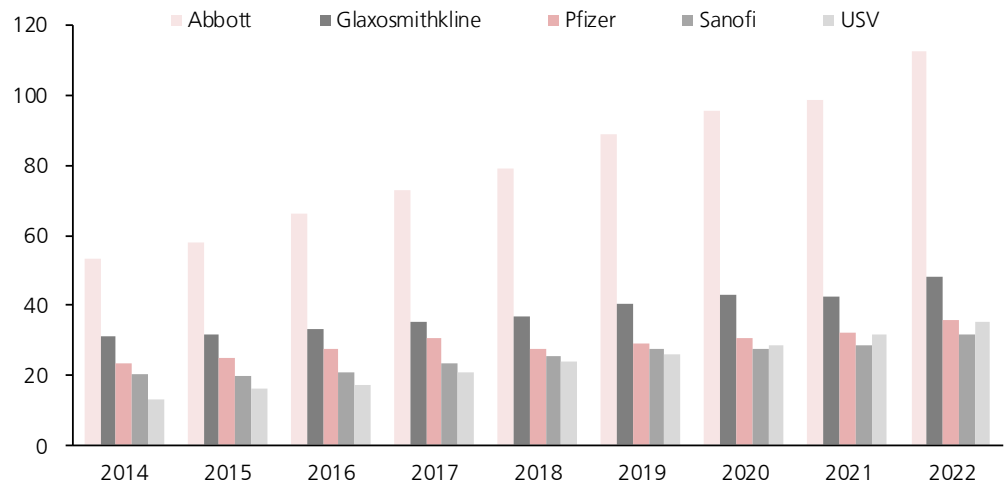
- **Moderate growth for foreign players.** India's domestic pharmaceuticals market has grown at 11% CAGR over FY2014 to FY2022 (see Exhibit 85). Foreign companies such as Abbott, Glaxosmithkline, Pfizer, Sanofi and USV were the major beneficiaries of the expanding domestic pharmaceuticals market (see Exhibit 86). However, their FY2014-22 CAGR of 8% was lower than industry growth rate, resulting in some loss in market share. As a result, the combined market share of these five companies declined to 14% in FY2022 from 17.5% in FY2014.

Exhibit 85: India's pharmaceuticals market increased at a 11% CAGR over FY2014-22
India's domestic pharmaceuticals market, March fiscal year-ends, 2014-22 (Rs bn)



Source: IQVIA, Kotak Institutional Equities

Exhibit 86: Major foreign pharmaceuticals companies witnessed steady growth over FY2014-22
Sales of major foreign pharmaceuticals companies in India, March fiscal year-ends, 2014-22 (Rs bn)



Source: IQVIA, Kotak Institutional Equities

- **Differentiated strategy of MNCs based on their core strength.** We note that most of the MNCs have a strong presence in at least one of the top therapeutic segments (see Exhibit 87). As a result, the top 2-3 therapies account for a majority of their revenues. The domestic pharmaceuticals market is concentrated around a small number of therapies with the top-nine therapies having an annual market size of more than Rs100 bn (see Exhibit 88). We note that the market sizes of the top therapies are quite similar.

Exhibit 87: MNCs have dominant positions in the major therapies in the domestic market

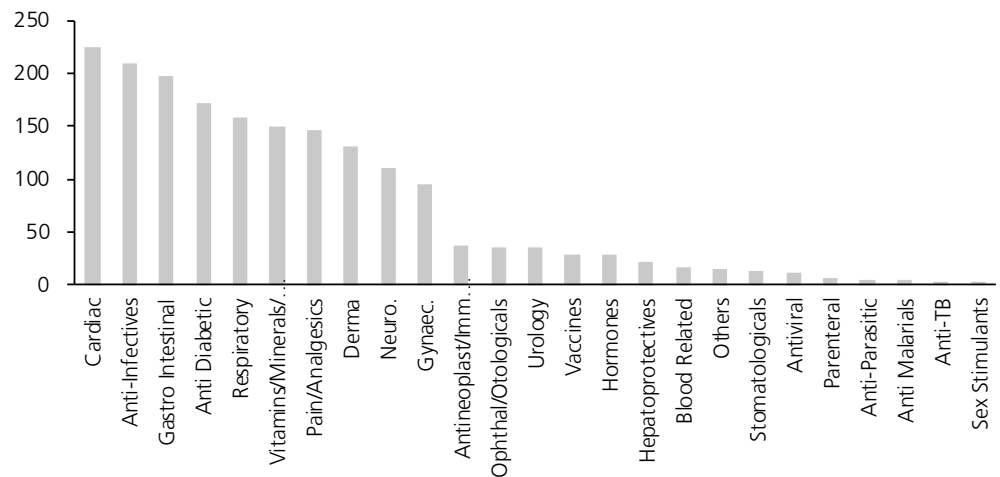
Ranking of major pharmaceutical companies in the domestic market in major therapies, July 2022 (#)

	Cardiac	Anti-infectives	Gastro Intestinal	Anti-diabetic	Respiratory	Vitamins/ Minerals/ Nutrients	Pain/ Analgesics	Derma
Abbott	10	8	2	1	9	1	12	7
Glaxosmithkline	27	7	26	30	14	11	5	1
Pfizer	22	13	15	29	12	6	17	27
Sanofi	18	22	18	5	10	29	18	30
USV	4	25	25	2	28	16	29	14

Source: IQVIA, Kotak Institutional Equities

Exhibit 88: Cardiac, anti-infectives, gastro-intestinal and anti-diabetic therapies are top therapeutic segments in India

Market size of various therapies, July 2021-July 2022 (Rs bn)

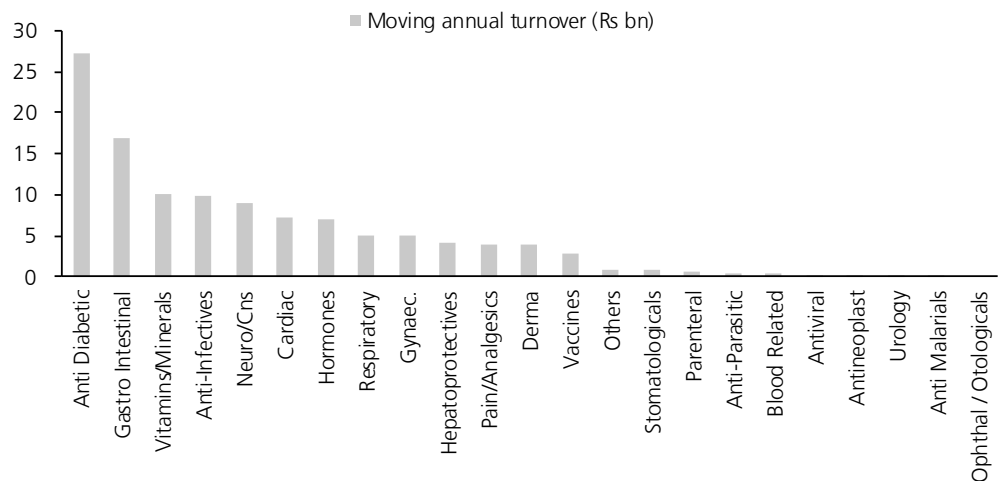


Source: IQVIA, Kotak Institutional Equities

Exhibits 89-93 show the portfolio composition of the major MNC pharmaceutical companies. We note that (1) Abbott derives 47% of its revenues from anti-diabetics, GI and vitamins/minerals/nutrients, (2) GSK derives 64% of its revenues from derma, anti-infectives and vaccines, (3) Sanofi derives 51% of its revenues from anti-diabetics and cardiac and (4) USV gets 85% of its revenues from anti-diabetics and cardiac therapies. Pfizer is the only exception as it has a relatively diversified portfolio, with no single therapy contributing more than 12% of its revenues.

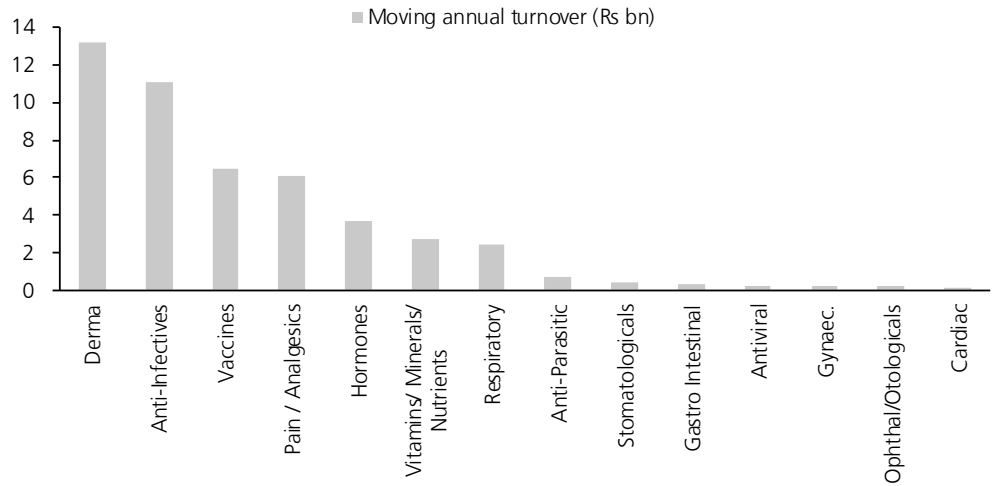
Exhibit 89: Top-5 therapies contribute more than 60% of Abbott's revenues

Portfolio composition of Abbott in trailing 12 months, July 2022 (Rs bn)



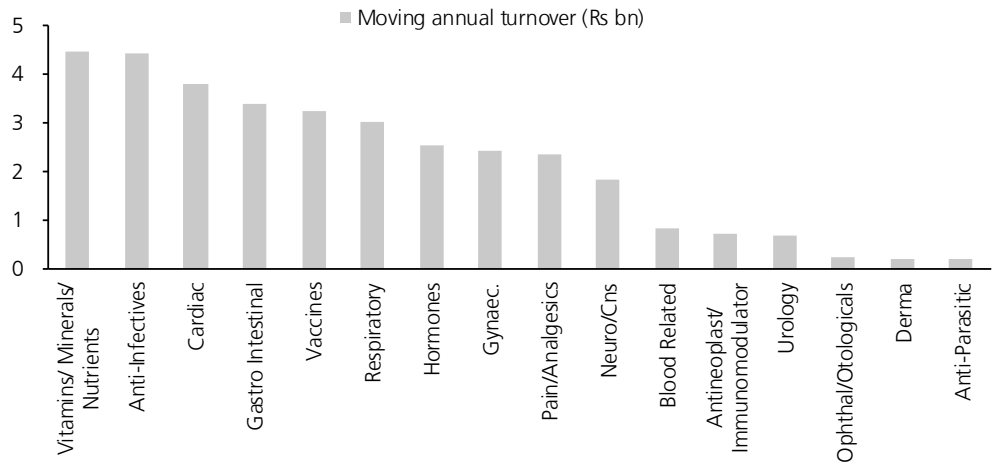
Source: IQVIA, Kotak Institutional Equities

Exhibit 90: Top-4 therapies contribute more than 77% of GSK's revenues
 Portfolio composition of GSK Pharma in trailing 12 months in India, July 2022 (Rs bn)



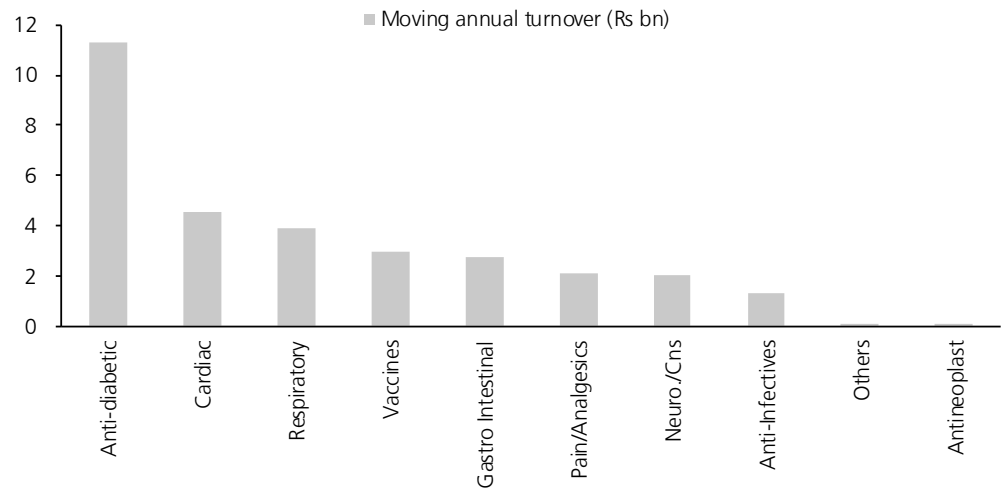
Source: IQVIA, Kotak Institutional Equities

Exhibit 91: Top-5 therapies contribute more than 56% of Pfizer's revenues
 Portfolio composition of Pfizer in trailing 12 months in India, July 2022 (Rs bn)



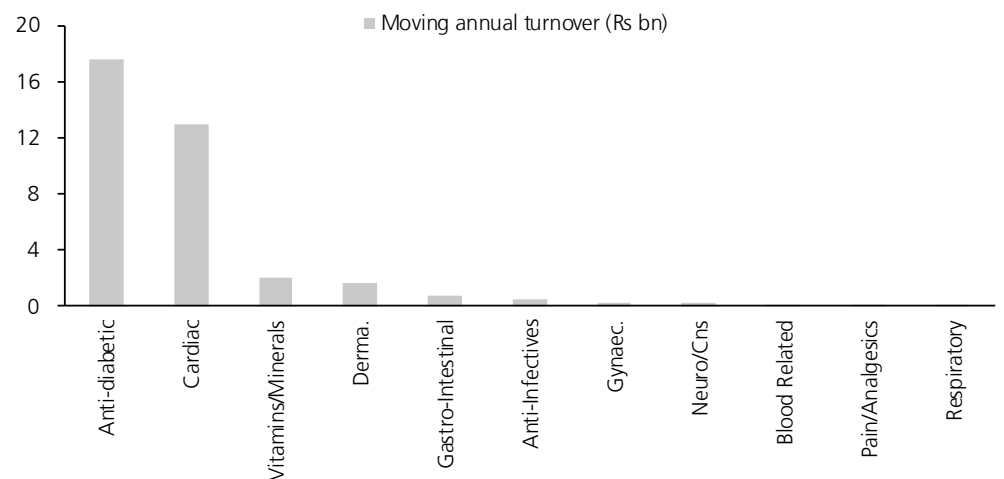
Source: IQVIA, Kotak Institutional Equities

Exhibit 92: Top-2 therapies contribute more than 50% of Sanofi's revenues
Portfolio composition of Sanofi in trailing 12 months in India, July 2022 (Rs bn)



Source: IQVIA, Kotak Institutional Equities

Exhibit 93: Top-2 therapies contribute more than 85% of USV's revenues
Portfolio composition of USV in trailing 12 months in India, July 2022 (Rs bn)



Source: IQVIA, Kotak Institutional Equities

Retailing: Large foreign capital and companies

The Indian retailing sector has a large presence of foreign retailers or domestic retailers backed by FDI (PE money). Almost all the foreign companies have focused on e-tailing with Amazon and Flipkart focusing on horizontal e-commerce (platform model) and smaller retailers focusing on specific verticals. The horizontal retailers have been fairly successful so far but it remains to be seen if they can use their global expertise to continue to dominate the sector given certain inherent limitations of their business models in India.

India's FDI regulations do not permit FDI in inventory-based model of e-commerce, which means foreign retailers have to necessarily adopt the marketplace model of e-commerce. Indian companies have full flexibility to operate the inventory-based model of e-commerce. In our view, the inventory-based model has certain advantages—(1) higher flexibility on prices (and discounts) of goods sold on the platform; technically, a marketplace e-tailer cannot influence prices of goods on its platform as it is supposed to operate as a pure marketplace and (2) greater engagement with sellers on the platform. Exhibit 94 gives current FDI regulations for the Indian retailing sector.

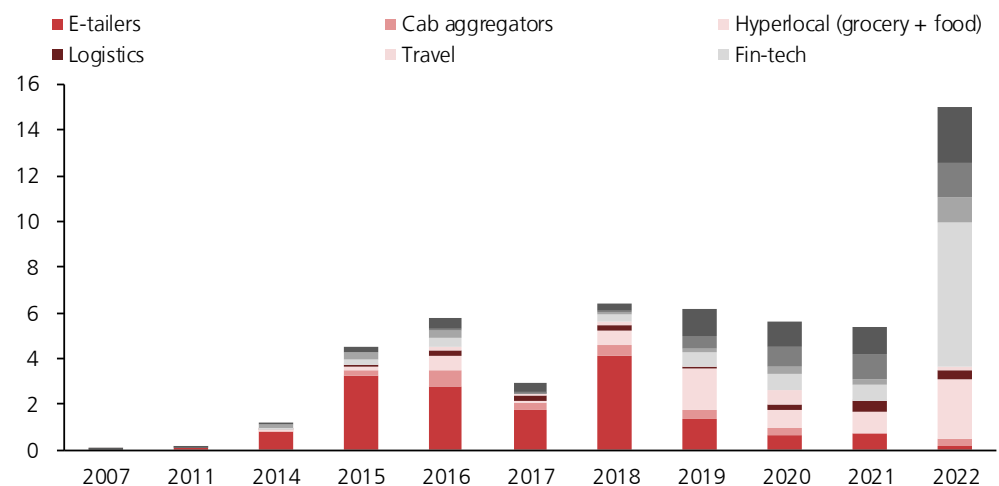
Exhibit 94: Suitably liberal regulatory regime for FDI in Indian retail sector
Current FDI norms governing the Indian retail sector

Retailing category	FDI cap (%)	Route	Comments
Cash & carry wholesale trading	100	Automatic	(1) Wholesale trading (WT) imply sales for the purpose of trade, business and profession, as opposed to sales for the purpose of personal consumption (2) WT of goods is permitted among group companies, not exceeding 25% of total turnover (3) A wholesale/cash & carry trader can undertake single brand retail trading, subject to the conditions applicable to SBRT. Maintenance of separate books required for these two arms
Single brand product retailing	100	Automatic	(1) Products to be sold should be of a single brand only and should be under the same brand internationally (2) Single brand product-retail trading would cover only products which are branded during manufacturing (3) For proposals involving foreign investment beyond 51%, sourcing of 30% of the value of goods purchased, will be done from India, preferably from MSMEs. Entity can set off its incremental sourcing of goods from India for global operations during initial 5 years, beginning 1st April of the year of the opening of first store, against the mandatory sourcing requirement of 30% of purchases from India
Multi-brand prdocut retailing	51	Government	(1) Minimum amount to be brought in, as FDI, by the foreign investor, would be US\$100 mn (2) At least 50% of total FDI brought in the first tranche shall be invested in 'back-end infrastructure' within 3 years (3) At least 30% of the value of procurement of manufactured/processed products purchased shall be sourced from Indian MSMEs
E-commerce	100	Automatic	(4) Retail sales outlets may be set up only in cities with a population of more than 1 mn as per 2011 Census or any other cities as per the decision of the respective State Governments (1) 100% FDI under automatic route is permitted in marketplace model of e-commerce (2) FDI is not permitted in inventory based model of e-commerce (3) Marketplace e-commerce entity can enter into transactions with sellers registered on its platform on B2B basis (4) An e-commerce entity will not permit more than 25% of the sales affected through its marketplace from one vendor or their group companies (5) E-commerce entity providing a marketplace will not exercise ownership over the inventory (6) Payments for sale may be facilitated by the e-commerce entity in conformity with the guidelines of RBI

Source: PIB, Invest India, Government of India, Kotak Institutional Equities

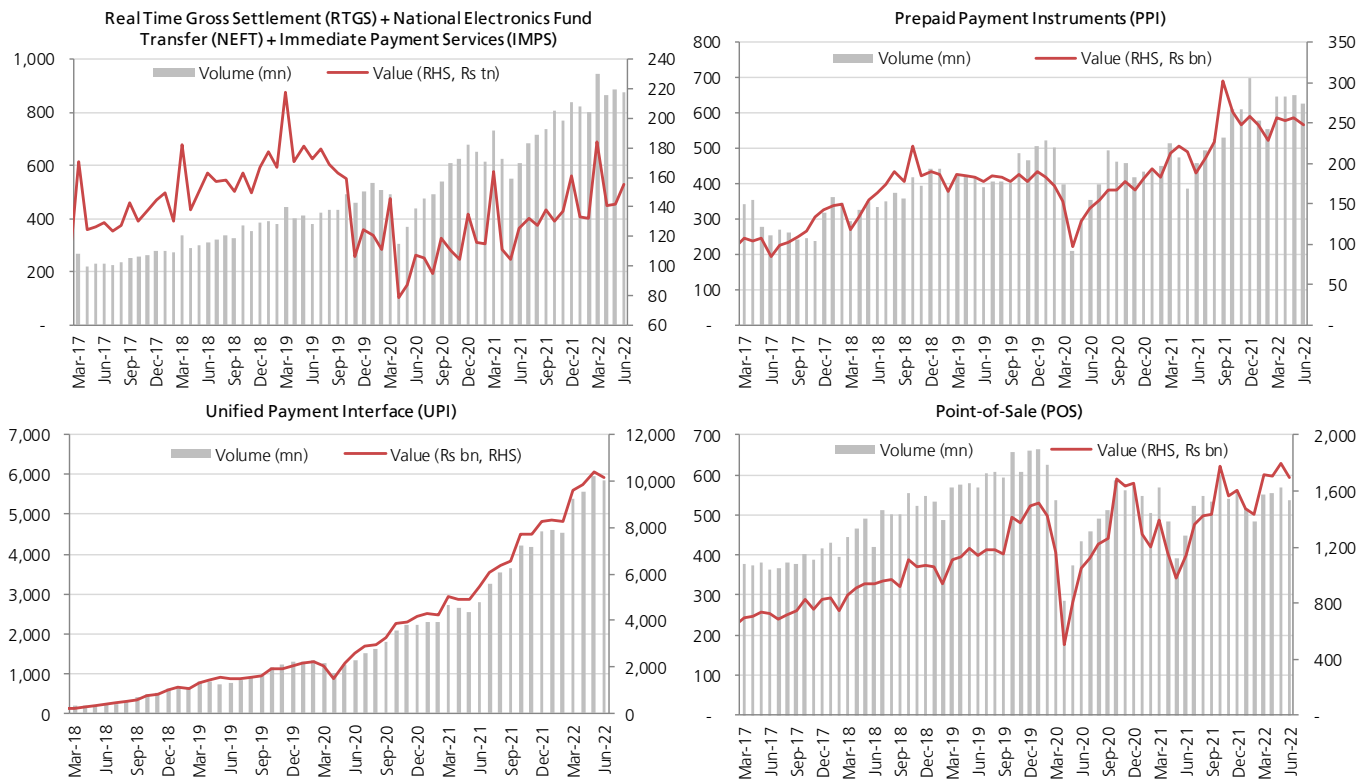
► **Large influx of foreign capital and foreign companies over the past decade.** The strong growth and expected strong growth in the Indian retailing sector has attracted large inflows of foreign capital across various major retail segments. We estimate US\$53 bn FDI inflows across various retail categories over FY2011-22, with e-tailers attracting US\$16 bn, hyper-local retailers getting US\$8 bn and logistics getting US\$2 bn (see Exhibit 95). The expanding organized retail market as well as a favorable regulatory environment drove a revolution in the payment space as well, resulting in a sharp increase in digital payment adoption (see Exhibit 96), which has also driven adoption of e-commerce in the country.

Exhibit 95: E-tailers witnessed slowdown in funding, while fintechs witnessed sharp increase
FDI in various retail categories, March fiscal year-ends, 2007-22 (US\$ bn)



Source: Companies, Industry discussions, Kotak Institutional Equities

Exhibit 96: Strong adoption of digital payment systems aided the growth of organized retail
Payment statistics, March fiscal year-ends, 2018-22



Source: RBI, Kotak Institutional Equities

- **MNCs have built some strong businesses in e-tailing.** We note that India's e-tailing is dominated by Amazon and Flipkart (Walmart). Amazon India's revenues were US\$2.2 bn in FY2021 and Flipkart's US\$5.8 bn. They accounted for 6% of India's organized retailing market in FY2021. However, these two companies are being challenged by domestic companies such as Reliance Retail and the Tata Group in horizontal e-commerce. Meanwhile, several 'vertical' e-commerce entities, backed by PE capital, have established strong businesses (see Exhibit 97). We note strong support from foreign capital in these businesses.

Exhibit 97: Majority of Indian e-tailers are backed by foreign capital

Major players in Indian e-tail space and their PE/VC backers

B2B marketplace	
IndiaMART	Accion Frontier Inclusion Mauritius, Amadeus DPF, Brijesh K Agrawal, DC Agarwal, Intel Capital(Mauritius), Westbridge Crossover Fund
Jumbotail	BNK Ventures, Capria Ventures, Heron Rock fund, Kalaari, Nexus Ventures
Moglix	Accel Partners, Jungle Ventures, Venture Highwat, Tiger Global, Sequoia Capital, IFC, Composite Capital
Ninjacart	Accel India, Flipkart-Walmart, Syngenta, Tiger Global,Trifecta Capital, Qualcomm Ventures,
ShopX	Fungs Capital Holdings, Kewal Nohria, Nandan Nilekani
Udaan	Altimeter Capital, DST Global, GGV Capital, Lightspeed Ventures, Moonstone Capital, Octahedron Capital, Tencent
Zetwerk	Accel Partners, D1 Capital Partners, Greenoaks Capital, IIFL, Ligthspeed Venture Partners, Sequoia Capital,
Food-tech	
Box 8	Mayfield, Trifecta Capital
Freshmenu	Lightspeed Ventures, Zodiuss Capital
Rebel Foods	Coatue, Lightbox, Ru-Net Holdings, Sequoia Capital India, Sistema Asia Fund
Swiggy	DST Global, Meituan Dianping, Naspers, Tencent
Zomato	Alibaba, InfoEdge, Sequoia Capital India,Temasek, Tiger Global, Uber, Vy Capital
Horizontal e-commerce	
Amazon	Amazon
Flipkart	Walmart
Myntra	Walmart-Flipkart
Paytm Mall	Alibaba, eBay, Elevation Capital, Softbank Group, Vijay S Sharma
Reliance Jio/Reliance Retail	ADIA, Facebook, General Atlantic, GIC, Google, Intel, KKR, L Catterton, Mubadala, Qualcomm, PIF, Reliance Industries, TPG, Silverlake, Vista
Tata CLiQ	Tata Group
Home appliances	
Atomberg	A91 partners, IDFC Parampara capital, Survam Partners (Munjal Family), Whiteboard Capital
Wonderchef	Amicus, Capvend
Mobiles and other electronic accessories	
boAt	Fireside Fund, Innvoven Capital, Navi Tech
iBall	Brand Equities Treaties, Girik Advisors
Online grocers	
Big Basket	Alibaba, Actis, CDC Group, Matrix Partners, Mirae Asset, Saama Capital, Sequoia, Tata Sons
Grofers	Sequoia Capital, Softbank, Sprint Corp, Tiger Global, Zomato
Social commerce	
Bulbul	Info Edge Venture Funds, Leo Capital, Sequoia Capital
Meesho	DST Partners, RPS Ventures, Sequoia India, Shunwei Capital, Y Combinator, Venture Highway
Vertical marketplaces	
Firstcry	Chrys Capital, Elevation capital, MegaDelta Capital Advisors, PremJi Invest, TPG, Vertex Partners,
LivSpace	Bessemer Ventures, Helin Venture Partners, Jungle Ventures, TPG
Nykaa	Falguni Nayar and family, Fidelity, Steadview, TPG
Pepperfry	Bertelsmann India, Goldman Sachs, Norwest Venture Partners, State Street Advisors

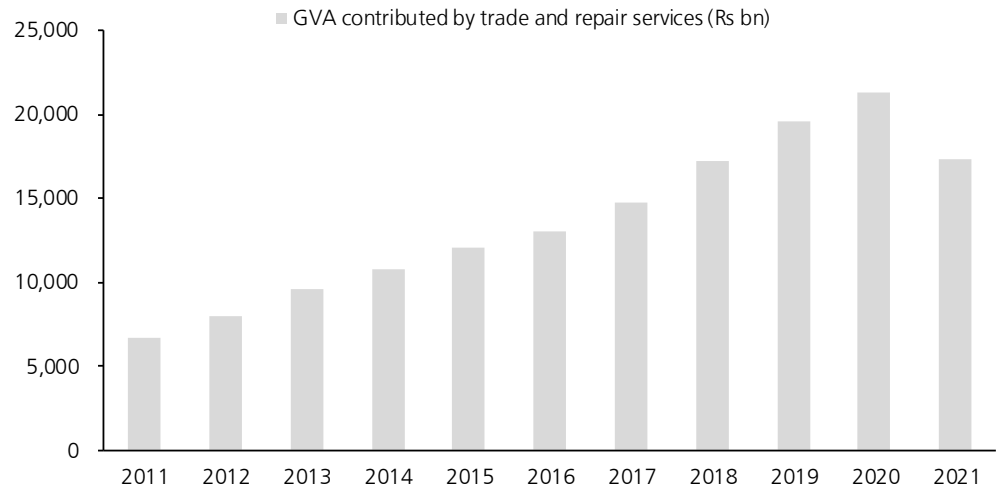
Source: Companies, Kotak Institutional Equities

The strong interest of foreign capital in the Indian retailing sector reflects expectations of (1) strong growth in the Indian retailing sector linked to strong growth in GDP and GDP/capita over the next few decades and (2) rapid shift of the Indian retailing market to organized players from unorganized players.

- ▶ **Strong growth in retailing.** The Indian retailing sector saw strong growth over the past decade, driven by GDP expansion as well as rising GDP/capita. The retailing sector, comprising mainly of trade and repair services in national accounts, grew at 14% CAGR versus 11% CAGR for overall GDP over FY2011-20 (see Exhibit 98), resulting in the share of retail to increase to 10.6% in FY2020 from 8.7% in FY2011. As a result, market sizes of a number of major retail segments witnessed sharp expansion during this period. Exhibit 99 shows the estimated market size of major categories over FY2012-20. We note sharp growth in consumer electronics, home living, jewelry & watches and pharmacy & wellness segments over this period.

Exhibit 98: Trade and repair services, a proxy to the retailing economy, grew at 14% CAGR over FY2011-20

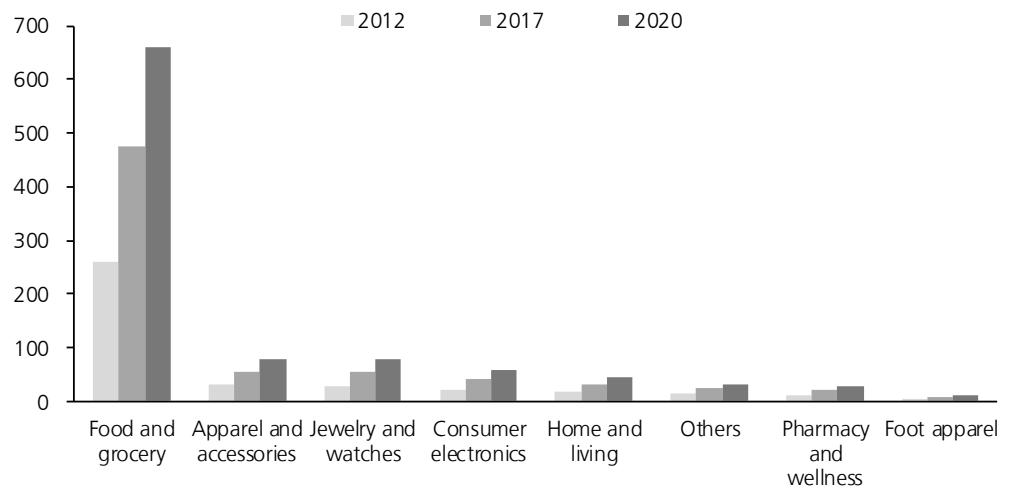
Trade and repair services GVA, March fiscal year-ends, 2011-21 (Rs bn)



Source: Bloomberg, CEIC, Kotak Institutional Equities

Exhibit 99: Sharp increase in retailing market size across categories

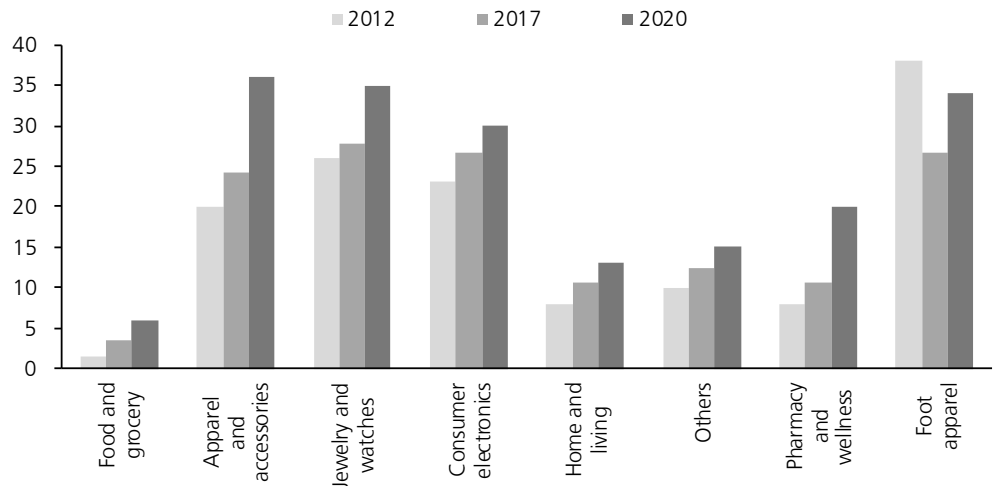
Market size of various retail categories, March fiscal year-ends, 2012-20 (US\$ bn)



Source: Companies, Kotak Institutional Equities

- **Steady shift from unorganized to organized.** We note that the organized retailing grew significantly faster at 21.7% CAGR over FY2012-20 versus the 11.5% CAGR for the unorganized sector. Organized players were able to gain large market shares in (1) apparel and accessories (to 36% in FY2020 from 20% in FY2012), (2) pharmacy and wellness (to 20% in FY2020 from 8% in FY2012), (3) jewelry and watches (to 35% in FY2020 from 26% in FY2012) and (4) consumer electronics (to 30% in FY2020 from 23% in FY2012). Exhibit 100 shows the steady gain in market share of organized players across major categories over the past eight years. However, we note that the organized sector is still in the minority across all major retail segments with only 13% of the overall retailing sector in FY2020, suggesting large market opportunity for the organized players.

Exhibit 100: Organized players have seen steady increase in market share
Share of organized retail across categories, March fiscal year-ends, 2012-20 (%)



Source: Companies, Kotak Institutional Equities

Telecom: MNCs wilted under intense competition in the telecom sector

The Indian telecom sector has seen the maximum number of casualties among foreign companies in India across sectors and the largest destruction of invested capital. Almost all the foreign players who entered into India with great expectations in the mid-1990s at the time of the first round of telecom licensing and in the 2000s during subsequent rounds of telecom licensing have left the country with large write-downs on their invested capital.

Their inability to compete against aggressive domestic competitors (primarily Reliance Jio) was the key reason for exit of MNCs from the Indian wireless market. The sector has seen robust subscriber and data subscriber addition in the past decade led by rapid decline in data and voice rates (see Exhibits 101-102). The proportion of data subscribers in overall subscribers has increased to almost 70% in December 2021 from 17% in FY2013.

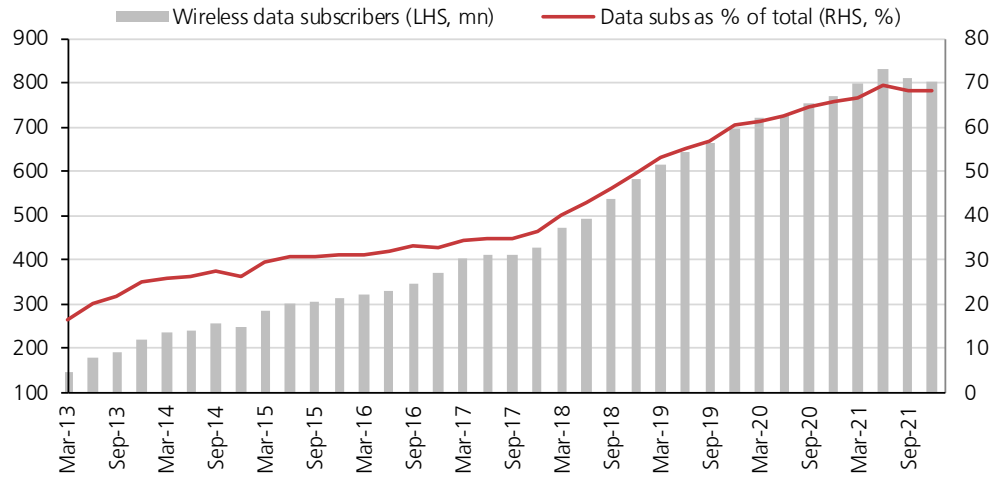
Exhibit 101: India's wireless subscribers grew at 13% CAGR over the past 15 years
Wireless subscribers in India, March fiscal year-ends, 2008-23 (mn)



Source: TRAI, Kotak Institutional Equities

Exhibit 102: Share of data subscribers in total subscribers increased to 70% in FY2022 from 17% in FY2013

Wireless data subscribers as a % of total subscribers in India, March fiscal year-ends, 2013-22

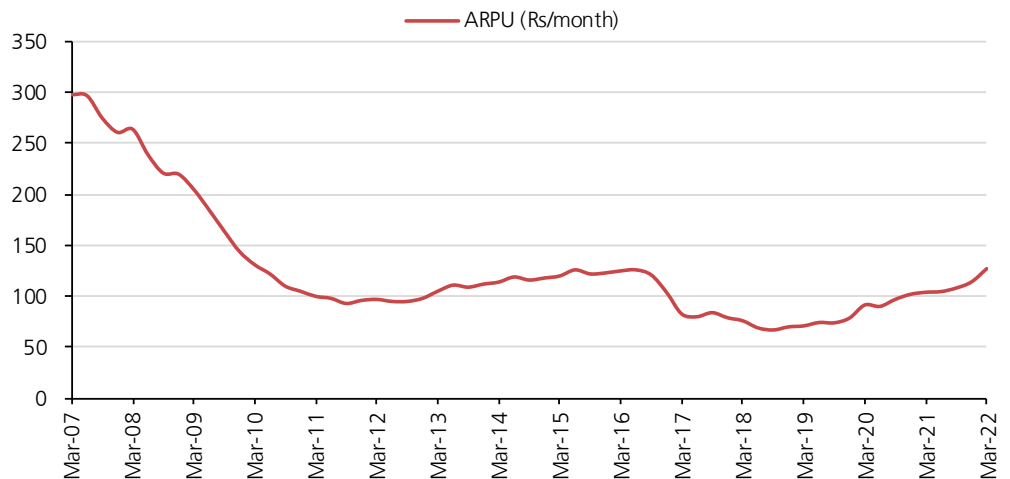


Source: TRAI, Kotak Institutional Equities

► **Intense price competition curbed the companies’ ability to evolve.** The Indian telecom sector in FY2011 had a large number of players with MNCs such as Aircel, Sistema Shyam Teleservices and Vodafone Essar competing against the domestic companies such as Bharti Airtel, BSNL, Idea, Reliance Communications and Tata Teleservices. The sector had already witnessed stiff price competition over FY2007-11, during which period ARPUs declined to Rs100 from Rs300 (see Exhibit 103). The companies struggled to increase prices over FY2011-16 resulting in low asset monetization and consequently weak balance sheet positions. However, the sector was in a state of limbo, with no major change in subscriber market shares among the major players.

Exhibit 103: Sharp decline in telecom ARPU over FY2007-19

Average revenue per user (ARPU) in the telecom sector, March fiscal year-ends, 2007-22 (Rs/month)



Source: TRAI, Kotak Institutional Equities

The entry of Reliance Jio convulsed the sector as its aggressive pricing strategy resulted in large subscriber losses for incumbents including MNCs (see Exhibit 104). As a result, MNCs such as Sistema Shyam Teleservices and Vodafone Essar merged with domestic companies (Reliance Communications and Idea respectively), while Aircel filed for bankruptcy in FY2018. Reliance Communications went bankrupt in FY2019, leaving Vodafone as the only foreign telecom company currently operating in India.

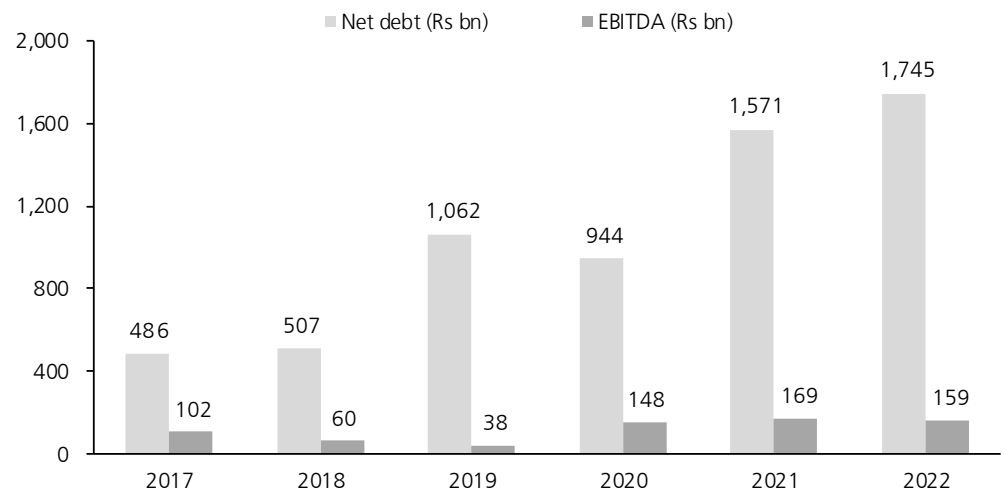
Exhibit 104: Most foreign-promoted telecom companies have exited; only Vodafone remains in partnership with Idea
Wireless subscriber market share of telecom companies in India, March fiscal year-ends, 2010-22 (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Aircel	6	7	7	7	8	8	8	8	6	—	—	—	—
Bharti Airtel	22	20	20	22	23	23	24	23	26	28	28	30	32
BSNL	12	11	11	12	10	8	8	9	9	10	10	10	10
Idea	11	11	12	14	15	16	17	17	18	—	—	—	—
Loop Telecom	0	0	0	0	0	—	—	—	—	—	—	—	—
MTNL	1	1	1	1	0	0	0	0	0	0	0	0	0
Quadrant	0	0	0	0	0	0	0	—	—	—	—	—	—
Reliance Communications	18	17	17	14	12	11	10	7	0	0	0	0	0
Reliance Jio	—	—	—	—	—	—	—	9	16	26	33	36	35
Sistema Shyam Teleservices	1	1	2	1	1	1	1	0	—	—	—	—	—
Tata Teleservices	11	11	9	8	7	7	6	4	3	1	—	—	—
Vodafone Essar	17	17	16	18	18	19	19	18	19	—	—	—	—
Vodafone Idea	—	—	—	—	—	—	—	—	—	34	28	24	23

Source: TRAI, Kotak Institutional Equities

- ▶ **Court ruling on adjusted gross revenues (AGR) dues further crippled Vodafone-Idea.** The Supreme Court in October 2019 upheld the government's definition of AGR for telecom companies, whereby non-core revenues of telecom companies also came under the ambit of license fee and spectrum usage fees. This had large financial impact on Vodafone-Idea, which saw its net debt increase to Rs1,062 bn in FY2019 from Rs507 bn in FY2018, while it reported an EBITDA of Rs38 bn in FY2019 (still impacted by low ARPUs). The weak balance sheet of Vodafone-Idea over FY2018-22 (see Exhibit 105) rendered it incapable to invest in network infrastructure, resulting in further market share loss over this period.

Exhibit 105: Sharp deterioration in Vodafone-Idea's balance sheet post the AGR ruling
Net debt and EBITDA of Vodafone-Idea, March fiscal year-ends, 2017-22 (Rs bn)



Source: Company, Kotak Institutional Equities

MNCs: EXITS DICTATED BY PERFORMANCE AS WELL AS STRATEGY

We do not see a dominant position of a company in its home market as a guarantee of success in overseas markets. Several MNCs have not succeeded beyond their home markets for various reasons. The key to success for MNCs in foreign markets are—(1) ability to operate as a local company with quality local management (if available), (2) willingness to invest for an extended period of time given inevitable challenges in execution and (3) ability and willingness to deal with complex local regulations.

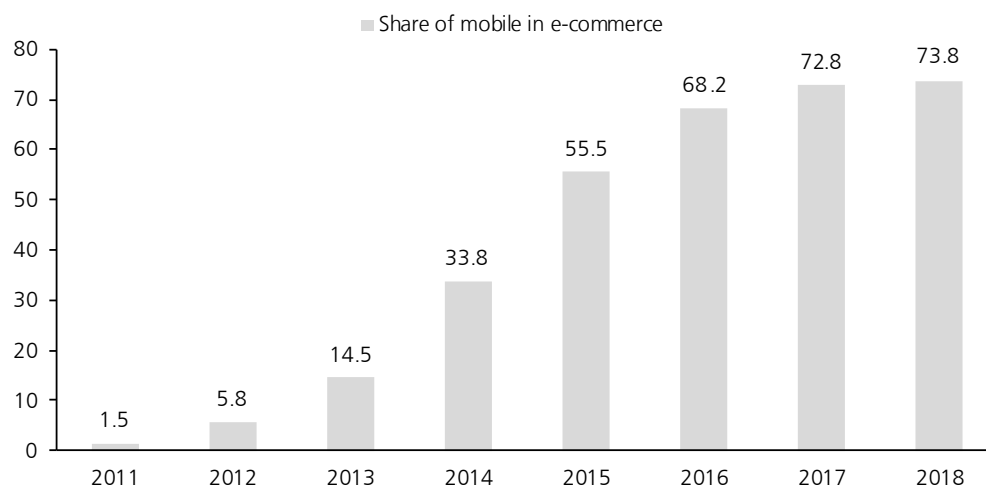
We look at a few examples where MNCs have not been able to win against local competition. We examine the case of Amazon in China where Amazon could not succeed despite its mastery of e-commerce. We also discuss the two recent well-publicized exits of Citi (in consumer banking) and Holcim from India as their exit has raised a fair amount of consternation among financial investors about the intent and strategy of MNCs in India.

Amazon: Failed against aggressive local competitors in China

We discuss the key reasons as to why Amazon could not win against its Chinese competitors despite being a behemoth in the US e-commerce business and having extensive knowledge of the e-commerce business. Amazon decided to close its marketplace in China in 2018 after entering China in 2004. It bought Joyo, the biggest online book seller in 2004 and rebranded it as Amazon China in 2011, but could not make any major inroads over the next few years. Even after re-branding, its market share did not increase materially. Its share was stagnant around 1% over 2011-18 (until its exit) while Alibaba and JD had a combined 80% market share over the same period.

- ▶ **Local Chinese companies leveraged the evolving landscape better.** Chinese e-commerce companies such as Alibaba and JD (1) partnered aggressively with large number of small manufacturers and retailers to operate as large marketplaces while Amazon invested in large fulfillment centers to manage inventory and (2) built strong ecosystems to participate in the growth of the mobile commerce market; mobile commerce drove the Chinese e-commerce market growth with shopping via mobile increasing to 74% in 2018 from 1.5% in 2011 (see Exhibit 106). The mobile commerce segment was dominated by Alibaba with an 84% share in 2015 (see Exhibit 107). The dominance of Alipay in the third-party mobile payment market further helped in its dominance of mobile commerce. Similarly, JD, backed by Tencent, leveraged Tencent's open platform, including Wechat, to grow its mobile commerce segment.

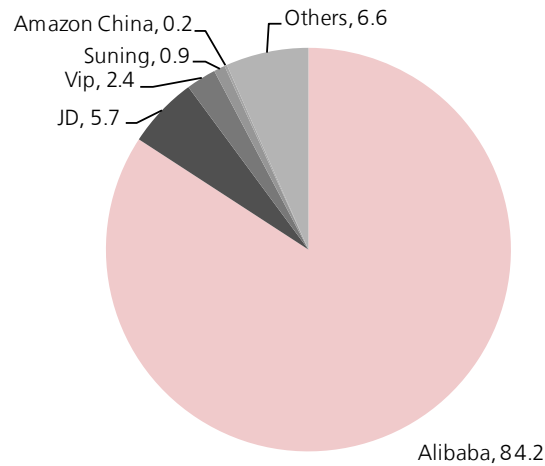
Exhibit 106: Mobile commerce became the dominant medium in China
Share of mobile commerce in total online GMV, calendar year-ends, 2011-18 (%)



Source: iResearch, Kotak Institutional Equities

Exhibit 107: Alibaba dominated the mobile commerce market in CY2015

Share of major companies in the Chinese mobile commerce market, calendar year-end, 2015 (%)



Source: iResearch, Kotak Institutional Equities

- ▶ **Amazon lacked competitive advantage versus peers.** Amazon's major competitive advantage in the US stemmed from its ability to leverage consumer data, strict quality control through holding inventories for fast-moving goods as well as fast shipping (subscription-based). However, it lacked the digital eco-system in China to amass consumer data and create technology-driven customer experience, while lagging significantly in onboarding manufacturers and retailers.

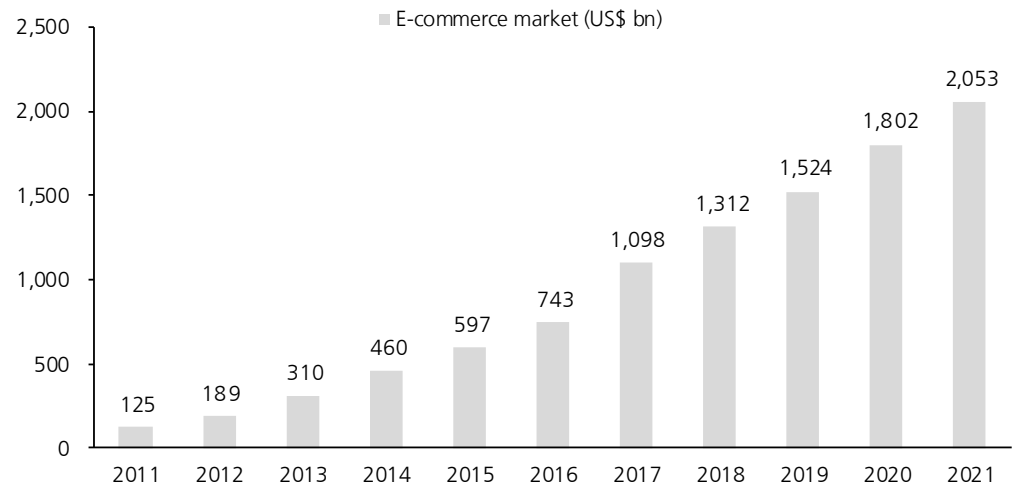
It provided fast-shipping in major Chinese cities only. However, competitors were already incumbents in the sector and had the digital eco-system to match Amazon China's offerings. Chinese companies also offered free shipping, irrespective of location. Furthermore, their size allowed them to host large sales promotions such as Singles Day as well as be first movers in mobile commerce and live commerce.

- ▶ **Tilted playing field in the form of unfavorable regulations.** We note that Chinese regulations for online market-places were quite restrictive—(1) foreign investment limit at 49% prior to 2004 (revised to 100%), (2) liability for goods sold on platform, (3) mandatory Chinese operating partners and (4) data localization. As a result, Amazon was unable to launch many of its flagship services such as kindle store, AWS, etc. in time, resulting in it ceding more competitive advantage to its Chinese peers. Amazon's market share remained stagnant throughout the growth phase of the Chinese e-commerce sector with no signs of it cracking the market at any juncture.

We note that Amazon's travails in China occurred despite the Chinese e-commerce market growing by 16.5X over 2011-21 and it continuing to do brilliantly well in its home market of the US (and certain European markets), which also grew handsomely over the same period.

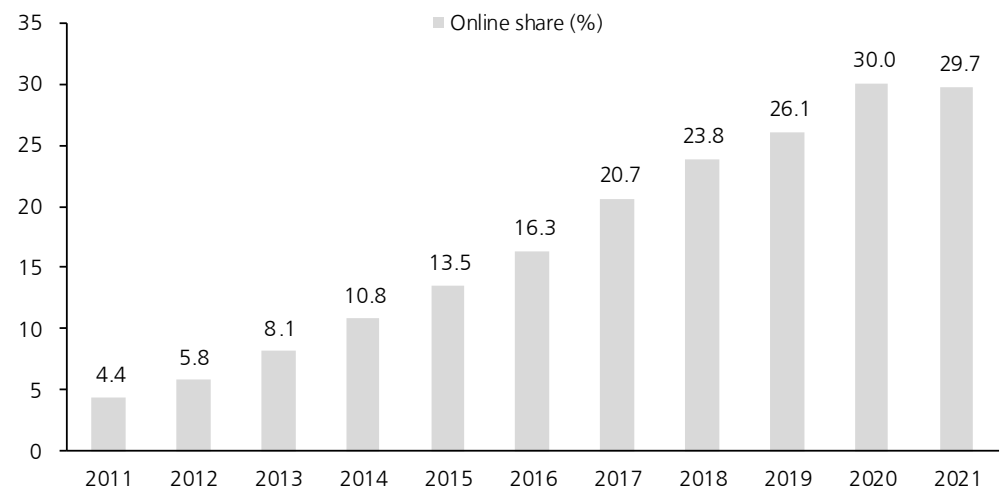
The Chinese e-commerce market grew at a strong 32% CAGR over 2011-21, with GMV increasing to US\$2 tn in 2021 from US\$125 bn in 2011 (see Exhibit 108). The share of online retail sales to total retail sales increased to 30% in 2021 from 4% in 2011 (see Exhibit 109). Local companies such as Alibaba, JD were the prime beneficiary of this growth as they maintained their grasp on the Chinese market during this period. Exhibit 110 shows the market share of major companies in Chinese e-commerce market in 2012 and 2017.

Exhibit 108: Chinese e-commerce sales increased at 32% CAGR over FY2011-21
Total online retail gross merchandise value, calendar year-ends, 2011-21 (US\$ bn)



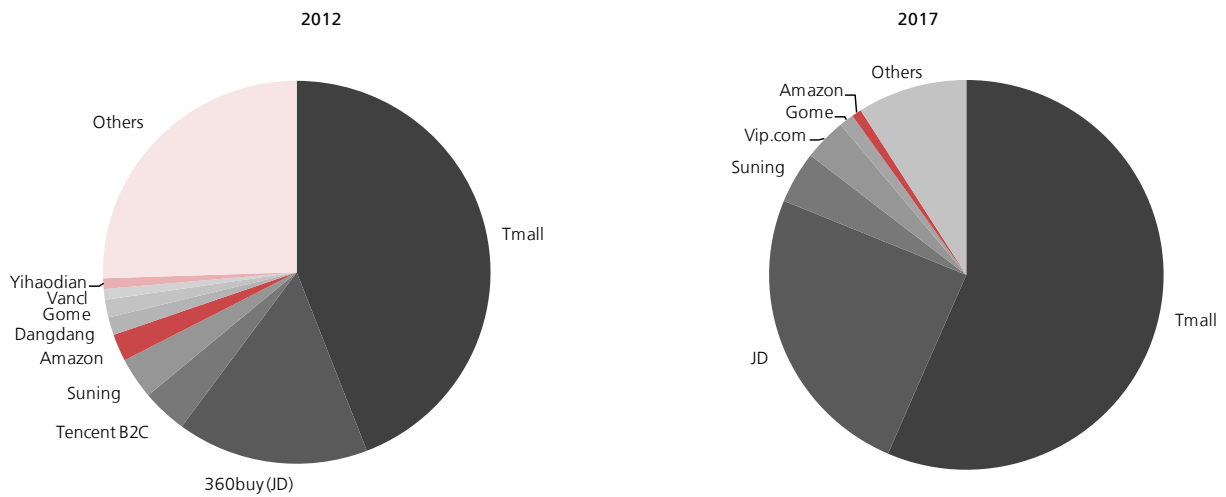
Source: Media articles, Kotak Institutional Equities

Exhibit 109: Share of online sales increased to 30% in CY2021 from 4.4% in CY2011 in China
Share of online in total retail sales in China, calendar year-ends, 2011-21 (%)



Source: Media articles, Kotak Institutional Equities

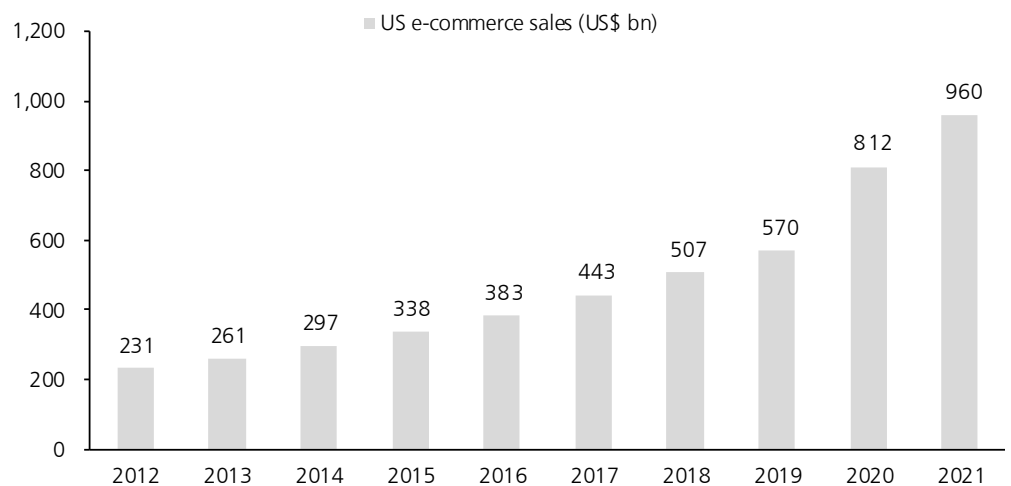
Exhibit 110: Tmall (Alibaba) and JD dominated the Chinese B2C market, while Amazon's small market share eroded further over CY2012-17
Market share of major players in the Chinese online B2C market, CY2012-17 (%)



Source: Media articles, Kotak Institutional Equities

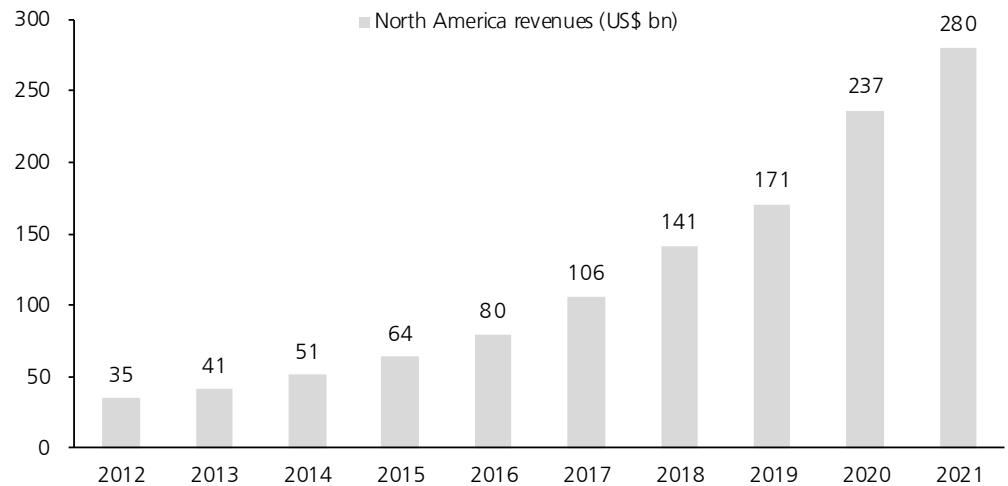
The US e-commerce market increased to US\$960 bn in 2021 from US\$230 bn in 2012 at a CAGR of 17% (see Exhibit 111). Amazon was successfully able to ride this growth wave, with its North American revenues increasing to US\$280 bn in 2021 from US\$35 bn in 2012 at 26% CAGR (see Exhibit 112). The strong growth in the sector resulted in increased competition in the US market, with more companies competing for the same customers along with multiple brands adopting a digital strategy to sell through their own stores. Despite the huge capital poured in by competitors, Amazon was able to build on its early-mover advantage and maintain its strong market share in the sector.

Exhibit 111: US e-commerce market grew at 17% CAGR over FY2012-21
US e-commerce sales, calendar year-ends, 2012-21 (US\$ bn)



Source: Census.gov, Kotak Institutional Equities

Exhibit 112: Amazon's North America revenues increased at 26% CAGR over FY2012-21
North America revenues of Amazon, calendar year-ends, 2012-21 (US\$ bn)



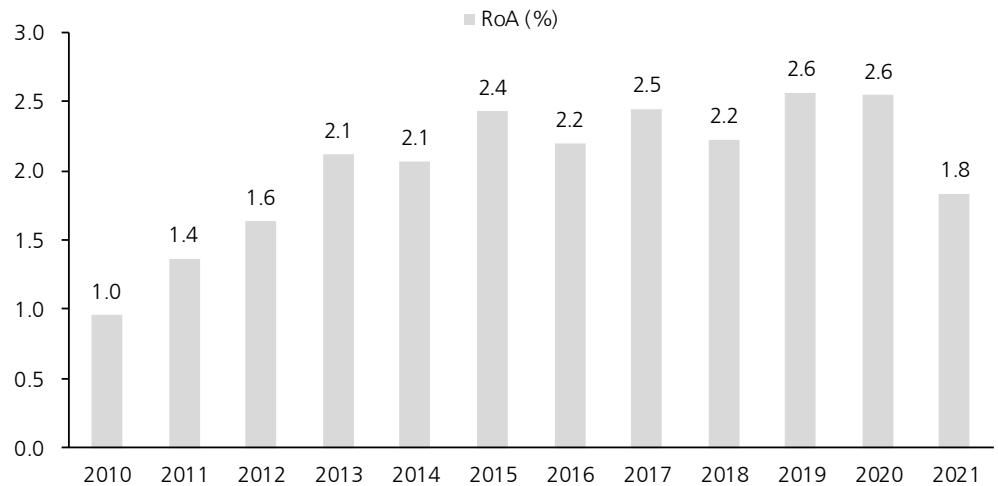
Source: Factset, Company, Kotak Institutional Equities

Citi: Stunted by narrow focus and lack of ambition perhaps

Citi recently sold its consumer business to Axis Bank. This is a reversal given that Citi was a pioneer in the Indian consumer banking business having entered India in 1902 and starting its consumer banking business in 1985. It was one of the leading players in the credit card business for a considerable period of time. We attribute Citi's modest success in the banking business in India to its inability to scale up business, which private banks have been able to do. This could be due to the parent's decision to have a more cautious approach post GFC. We note that most foreign banks have had to take serious decisions with respect to building their presence in India, especially with RBI asking these foreign banks to have wholly owned subsidiaries rather than having a branch-based approach.

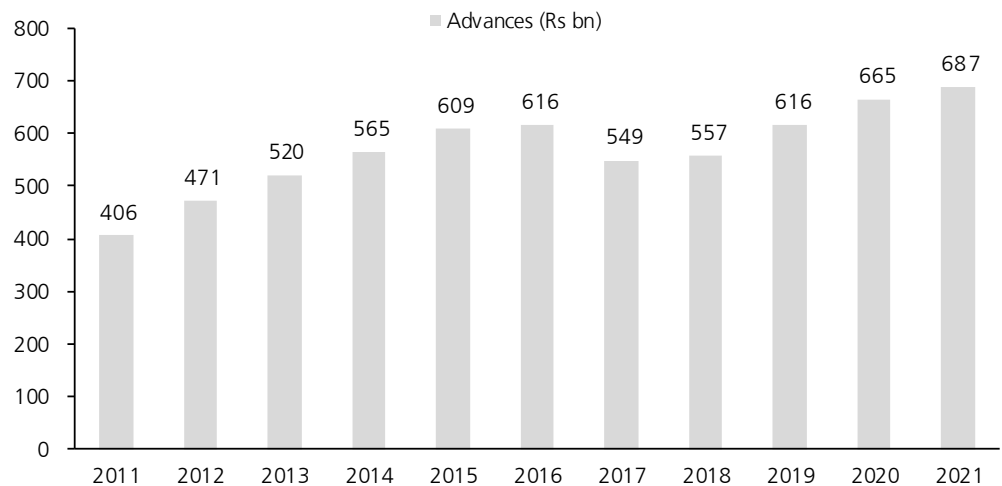
- ▶ **Niche portfolio in India.** Citi primarily focused on large corporates and high-net worth customer segments. It was able to leverage its long relationships with premier clients and grow its Indian operations without taking undue risks. Citi's strategy was quite rewarding for the company as it could generate high profitability and strong returns, without investing in expanding operations (see Exhibit 113), which may further encouraged it to stick to its niche strategy. However, the company's reticence to take risks and invest aggressively in new segments resulted in it growing its loan book at a significantly slower pace than its domestic peers (see Exhibit 114).

Exhibit 113: Citi's Indian operations enjoyed strong returns over CY2013-20
RoA of Citibank India, March fiscal year-ends, 2010-21 (%)



Source: RBI, CEIC, Kotak Institutional Equities

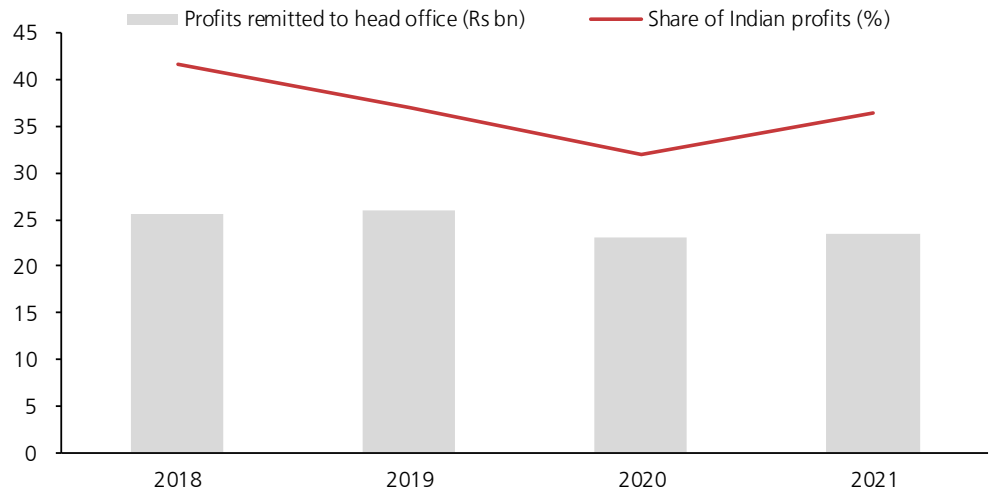
Exhibit 114: Citibank's Indian loan book increased at 5% CAGR over FY2011-21
Advances of Citibank's Indian operations, March fiscal year-ends, 2011-21 (Rs bn)



Source: RBI, CEIC, Kotak Institutional Equities

- **Lack of ambition from the parent perhaps.** We infer lack of aggressiveness and ambition from Citi's parent entity based on its capital allocation policies. Citi repatriated 37% of its profits over FY2018-21 to its parent instead of investing in growing the Indian business (see Exhibit 115). On the other hand, domestic peers had been reinvesting all of their profits along with raising capital for growth over the past decade in order to fund their aggressive growth plans. The lack of ambition is quite perplexing given that (1) industry retail loans grew at 18% CAGR over FY2011-20 (see Exhibit 116) and (2) domestic competition was quite hobbled over FY2015-20; many private and most public Indian banks had large corporate NPAs over FY2015-20.

Exhibit 115: Citibank India remitted a meaningful portion of its profits in India to the parent entity
 Profit remitted to parent from Citi's Indian operations, March fiscal year-ends, 2018-21



Source: Company, Kotak Institutional Equities

Exhibit 116: Strong retail loan growth in India over FY2017-20; FY2021-22 growth impacted by Covid-19 pandemic
 Growth in retail loans in India, March fiscal year-ends, 2017-23 (%)



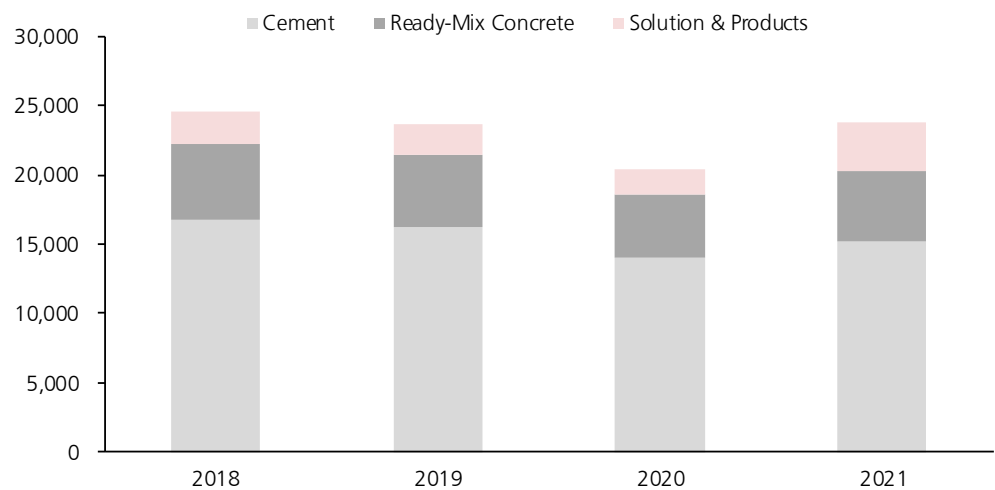
Source: RBI, Kotak Institutional Equities

Holcim: Exit from India and other EMs reflects shift in global priorities

Holcim’s decision to exit India reflects its changed global priorities. It is focusing on (1) a ‘green’ future and (2) its solutions and products business instead of the carbon-intensive commodity cement business. However, the decision to exit India may also reflect its inability to build a larger presence in India due to balance sheet challenges of the parent entity after its merger with Lafarge. It hardly added any capacity in India in the past few years despite strong growth in market volumes or participated in industry consolidation despite ample opportunities to acquire cement capacities at cheap valuations.

- ▶ **Choosing portfolio over market.** We note the company's 'green' direction was already visible under its 'Strategy 2022-Building for Growth' vision, announced in November 2018. The company had divested its stake in a number of markets such as Brazil, Indonesia and North Ireland for CHF3.1 bn over CY2019-21. India contributed 23% of the company's global capacities and 27% of its annual sales in CY2021 but 26% of its global emissions. While the company is selling the Indian business for US\$6.4 bn, it has already invested US\$5 bn over the past 15 months to acquire businesses in its non-cement portfolio.
- ▶ **Betting on 'green' future.** Holcim decided to focus on becoming the global leader in innovative and sustainable building solutions under its 'Strategy 2025-Accelerating Green Growth' vision, announced in November 2021. The company aims to expand its solutions and products business to reach 30% of group sales, positioning itself in the most attractive segments of the construction value chain with new technologies. The division currently contributes 15% of group sales (see Exhibit 117). The strategic decision to undergo a 'green' transformation also required the company to reduce its footprint in high-carbon segments and geographies, as it hastens group-level green targets. The company aims to cut its revenue contribution from cement to 35% in CY2025 from 55% in CY2021.

Exhibit 117: Holcim's solutions and products business currently contributes 15% of its revenues
Sales mix of Holcim, calendar year-ends, 2018-21 (CHF mn)

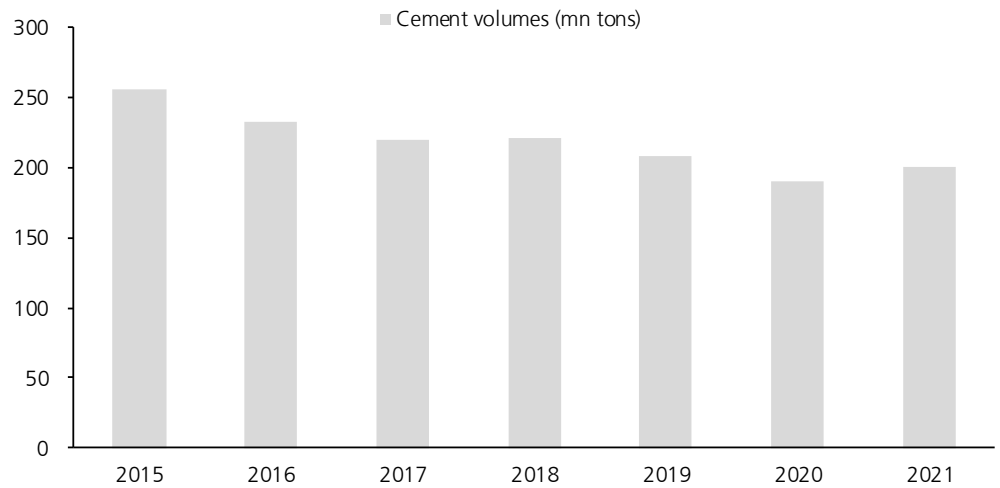


Source: Factset, Kotak Institutional Equities

- ▶ **Strong global presence but weak balance sheet after merger with Lafarge.** Holcim did not expand its capacities in India despite (1) strong growth in the Indian market and (2) availability of several cement assets at cheap valuations. It witnessed steady erosion in its capacity market share in India as other domestic players such as Shree Cement and Ultratech Cement set up capacities to grab the incremental demand.

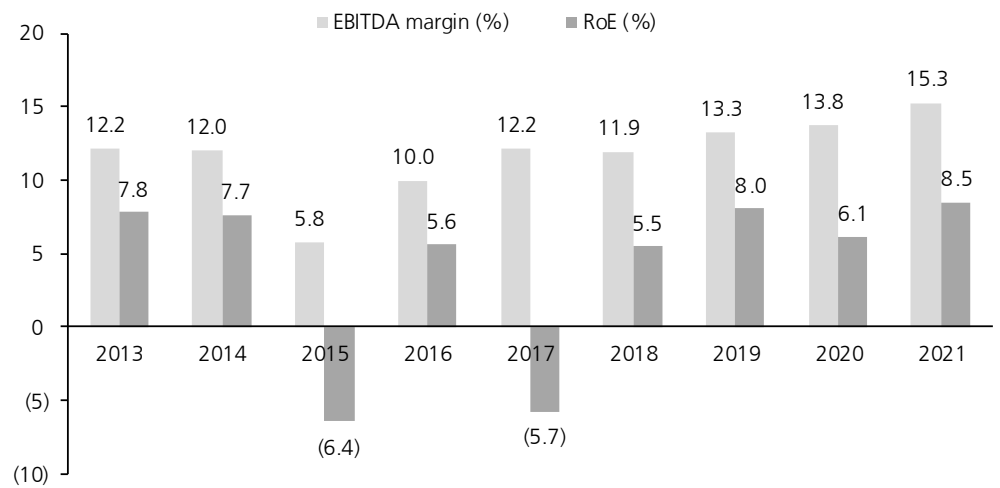
Holcim's net debt-to-EBITDA stood at 3.4X in CY2015 post the completion of its merger with Lafarge. As a result, the company focused on reducing its debt and improving its operating abilities to service its net debt of CHF17.3 bn in CY2015. It became one of the world's largest cement producers with an aggregate capacity of 293 mn tons currently. The company had strong presence across geographies. However, it had stretched its balance sheet during its merger with Lafarge and its deleveraging exercise took longer than the company's initial expectations. The company's global cement volumes declined to 208 mn tons in CY2019 from 256 mn tons in CY2014 (see Exhibit 118). Despite steady improvement in operating metrics, high leverage resulted in the company reporting weak RoEs over this period (see Exhibit 119).

Exhibit 118: Steady decline in cement volumes for Holcim over CY2015-21
 Cement volumes of Holcim, calendar year-ends, 2015-21 (mn tons)



Source: Company, Kotak Institutional Equities

Exhibit 119: Weak RoEs of Holcim after its merger with Lafarge in 2015
 Operating margin and RoE of Holcim, calendar year-ends, 2013-21 (%)



Source: Factset, Kotak Institutional Equities

SEPTEMBER 21, 2022

UPDATE

BSE-30: 59,457

Who made who bullish? We struggle with the purported reasons for optimism in the Indian market—(1) flows, (2) TINA/decoupling and (3) narratives. In our view, (1) flows only reflect expectations of market participants; there is no net money in the secondary market anyway, (2) TINA/decoupling argument may only be a way to rationalize India's strong outperformance against a backdrop of expensive valuations and (3) narratives generally give nasty surprises given execution and implementation issues.

Bullishness on flows is a flawed argument; reasons for optimism (expectations) more relevant

We have long argued against using flows (retail or institutional) as an investment thesis. Flows only reflect the actions of market participants based on their expectations of returns from the market. Anyway, the net figure is always zero in the secondary market. We can only hope that institutional investors are not taking any cues from the continued bullishness of retail investors as reflected in their continued large investments into equity mutual funds (see Exhibits 1-3) and direct participation into equity markets (see Exhibits 4-7).

Bullishness after India's outperformance may reflect *post facto* rationalization

We wonder if the recent bullishness of institutional investors (as reflected in net positive FPI flows from July after several months of large outflows; see Exhibit 8) reflects (1) 'forced' conversion to a more positive view on the Indian market given the large outperformance of the Indian market versus other EMs (see Exhibit 9) and (2) 'rationalization' of the decision through 'selective' focus on India's current positives (decent growth, declining inflation) and negatives (large consolidated fiscal deficit, high trade deficit/CAD and expensive valuations).

Bullishness on narratives is a slippery path to potential large wealth destruction

We would caution against building narratives around stocks and ascribing large value to new projects or potential M&A. We have seen several instances in the past where narratives have not played out in line with expectations given execution and implementation challenges. This was particularly true in 2007-08 when the market was ascribing large value to new projects and potential project announcements of electric utilities, infrastructure, oil & gas, metals and real estate companies. Current optimism with respect to the investment cycle (some of which is probably justified) is thankfully confined to pockets of the market (capital goods, construction materials) unlike the widespread mania of 2007-08. We note that it took several years for stock prices to go back to peak 2007-08 levels; stock prices of several companies are still below those levels and many 'narrative' companies went bankrupt in the past decade (see Exhibit 10).

Fundamentals are a mixed bag and valuations are rich

We find the current fundamentals of India a mixed bag. Growth outlook looks good (see Exhibit 11) but other parameters of inflation, fiscal deficit and trade/CA look mediocre or worrisome (see Exhibits 12-14). India's macro-economic situation can deteriorate meaningfully at higher energy prices; current oil prices provide a fair bit of respite but that may not last. Valuations are quite rich for the market (see Exhibits 15-17) and for consumption and investment stocks (see Exhibits 18-19). Even large-cap. banks may not see further re-rating from current levels although there is reasonable value in the smaller banks and NBFCs (see Exhibit 20).

QUICK NUMBERS

- Nifty-50 Index down 5%, MSCI EM Index down 23% in USD terms CYTD22
- GDP growth at 6.8%, CPI inflation at 6.5% and 4.7% for FY2023E and FY2024E, GFD/GDP at 10%, CAD/GDP at 3.4% in FY2023E
- Nifty-50 Index is trading at 21.9X FY2023E and 19.1X FY2024E net profits

Sanjeev Prasad

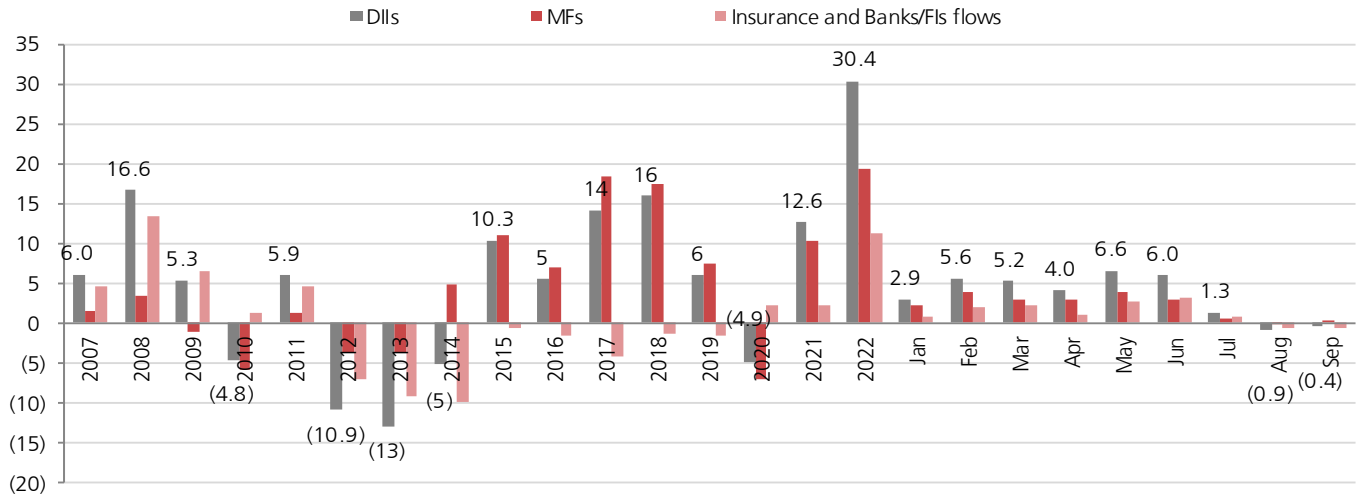
Anindya Bhowmik

Sunita Baldawa

kspcg.research@kotak.com
Contact: +91 22 6218 6427

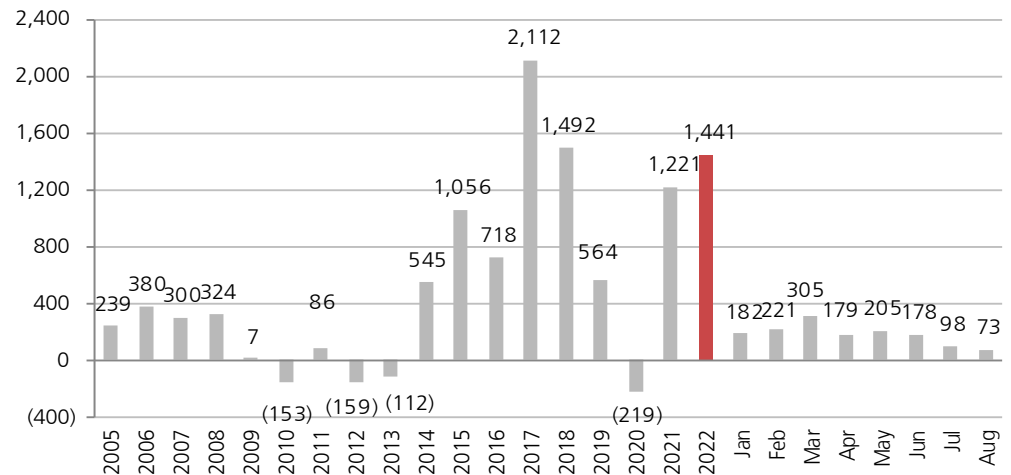
Exhibit 1: DIIs inflows at US\$30 bn in CYTD22

Equity flows by domestic institutions, calendar year-ends, 2007-22 (US\$ bn)



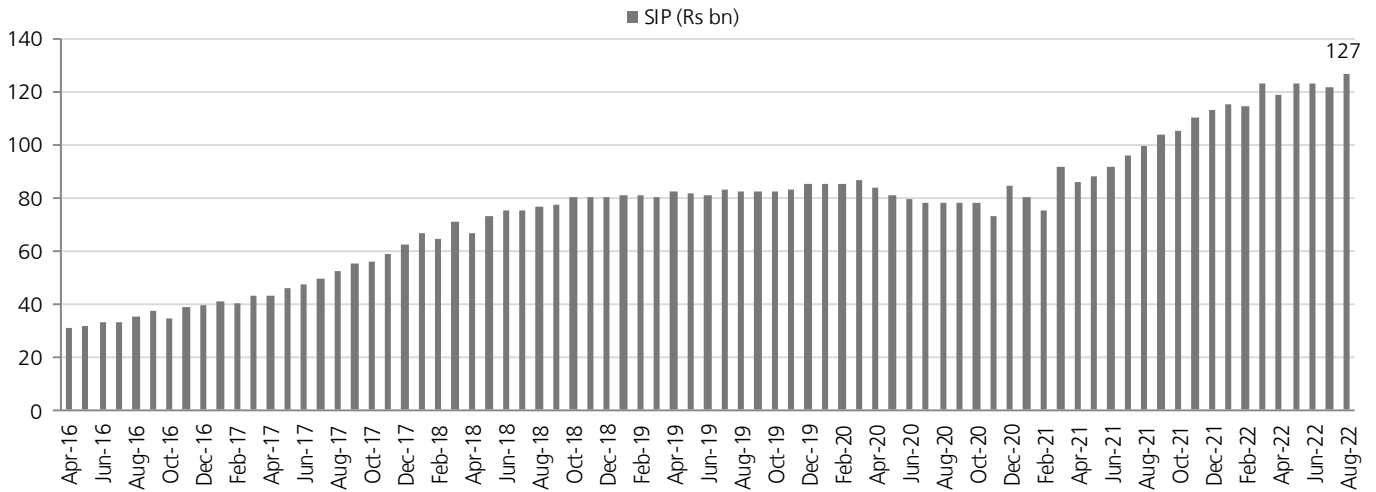
Source: Bloomberg, Kotak Institutional Equities

Exhibit 2: Equity MFs saw equity inflows of Rs73 bn in August; down versus previous months' figure
 Net MF flows (Equity + ELSS+70% balanced), calendar year-ends, 2005-22 (Rs bn)



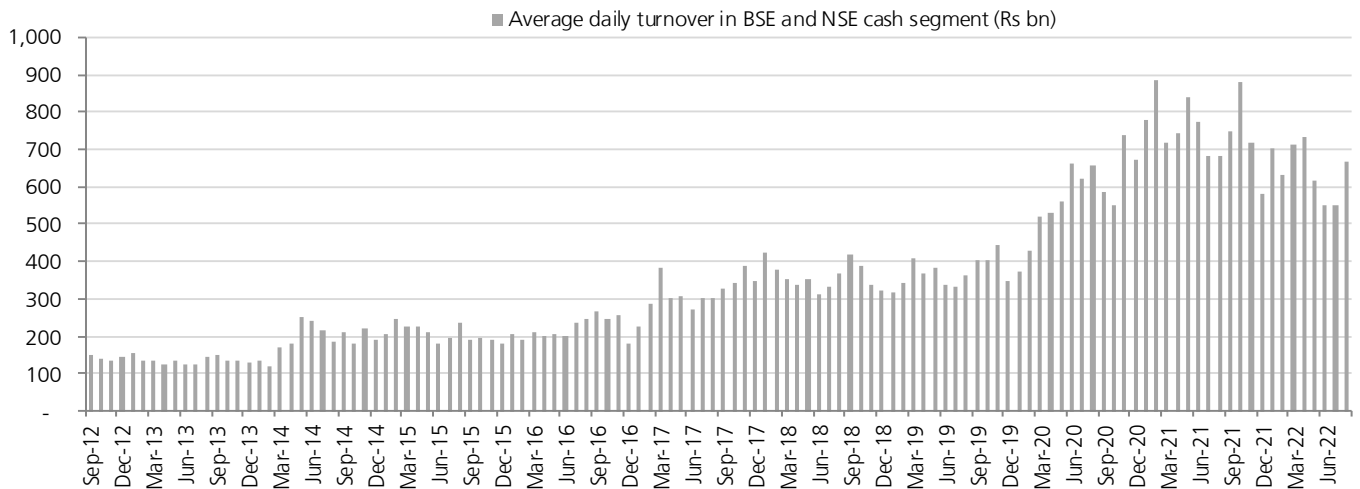
Source: AMFI, Kotak Institutional Equities

Exhibit 3: Total amount collected through SIP in August was Rs127 bn
SIP flows, March fiscal year-ends, 2017-23 (Rs bn)



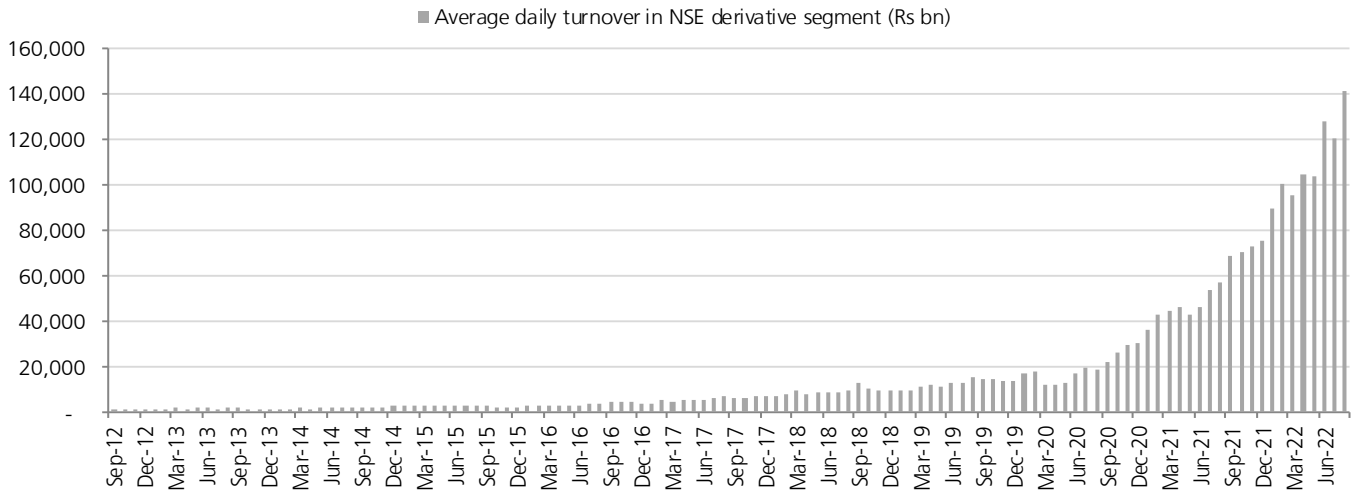
Source: AMFI, Kotak Institutional Equities

Exhibit 4: Average daily turnover in cash segment has come off recently
Average daily turnover in BSE and NSE cash segment (Rs bn)



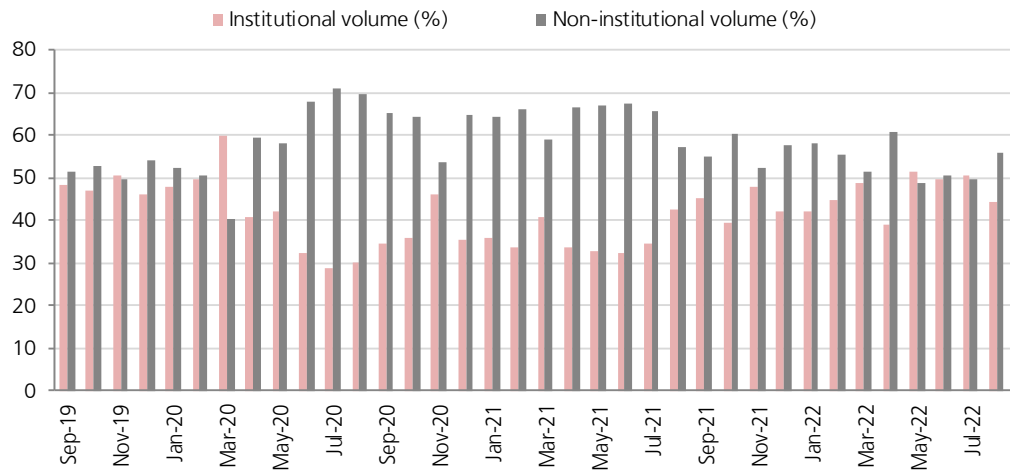
Source: Bloomberg, Kotak Institutional Equities

Exhibit 5: Average daily turnover in derivatives segment increased consistently since March 2020
Average daily turnover in NSE derivatives segment (Rs bn)



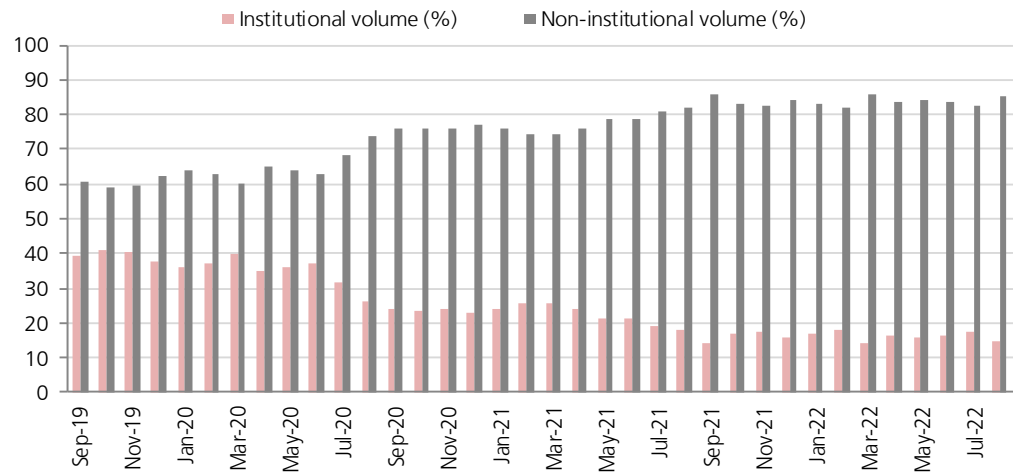
Source: Bloomberg, Kotak Institutional Equities

Exhibit 6: Retail participation has increased substantially since March 2020
Institutional and non-institutional share in cash segment (BSE+NSE) (%)



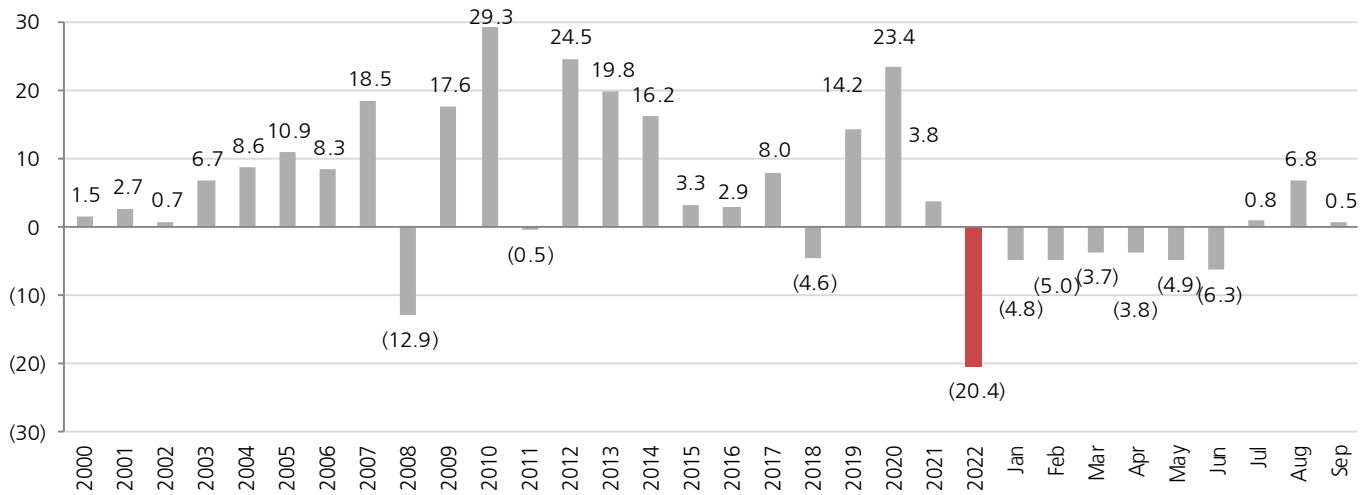
Source: Bloomberg, Kotak Institutional Equities

Exhibit 7: Retail participation has increased substantially since March 2020
 Institutional and non-institutional share in NSE derivative segment (%)



Source: Bloomberg, Kotak Institutional Equities

Exhibit 8: FPI equity outflows at US\$20 bn in CYTD22; turned positive in the past three months
 Net FPI flows, calendar year-ends, 2000-22 (US\$ bn)



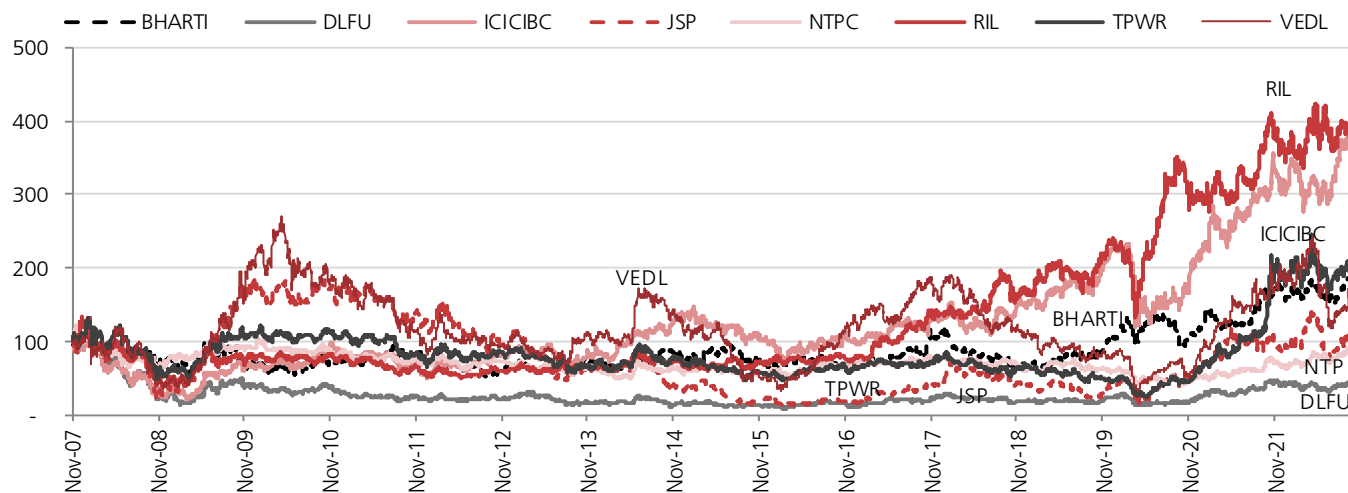
Source: Bloomberg, Kotak Institutional Equities

Exhibit 9: India has been a strong outperformer in the past few months
Performance (not annualized) of emerging and developed markets over period of time (%)

	% change in local currency								% change in USD							
	1-mo	3-mo	6-mo	CYTD	1-yr	3-yr	5-yr	10-yr	1-mo	3-mo	6-mo	CYTD	1-yr	3-yr	5-yr	10-yr
Developed markets																
Australia	(6)	3	(8)	(10)	(8)	(0)	18	52	(9)	(2)	(17)	(17)	(15)	(2)	(0)	(3)
France	(8)	0	(9)	(16)	(9)	5	14	70	(9)	(5)	(18)	(27)	(23)	(5)	(5)	30
Germany	(6)	(5)	(12)	(20)	(17)	2	1	70	(7)	(10)	(20)	(30)	(30)	(8)	(16)	30
Hong Kong	(7)	(14)	(13)	(21)	(24)	(30)	(34)	(11)	(7)	(14)	(13)	(22)	(24)	(30)	(35)	(12)
Japan	(6)	4	2	(5)	(8)	24	34	200	(10)	(1)	(16)	(24)	(31)	(7)	5	63
Singapore	—	5	(3)	4	6	3	1	6	(1)	3	(7)	(0)	2	1	(3)	(8)
UK	(4)	1	(3)	(2)	4	(1)	(0)	24	(8)	(6)	(16)	(18)	(14)	(10)	(17)	(14)
US (Dow Jones)	(9)	1	(11)	(15)	(9)	14	37	126	(9)	1	(11)	(15)	(9)	14	37	126
US (Nasdaq)	(10)	3	(17)	(27)	(23)	41	78	259	(10)	3	(17)	(27)	(23)	41	78	259
US (S&P500)	(9)	2	(14)	(19)	(11)	29	54	164	(9)	2	(14)	(19)	(11)	29	54	164
MSCI World									(8)	0	(15)	(21)	(16)	16	28	91
Emerging markets																
Brazil	1	13	(3)	7	2	7	49	83	2	12	(7)	16	5	(13)	(10)	(28)
MSCI China	(5)	(15)	(12)	(26)	(30)	(20)	(27)	12	(5)	(15)	(12)	(27)	(31)	(20)	(27)	11
India	(0)	13	4	2	1	57	75	211	(0)	11	(1)	(5)	(7)	40	42	107
Indonesia	0	2	3	9	19	15	22	69	(1)	1	(1)	4	13	8	8	8
Korea	(6)	(3)	(13)	(21)	(25)	12	(2)	17	(10)	(10)	(24)	(33)	(37)	(4)	(21)	(6)
Malaysia	(4)	(1)	(9)	(8)	(5)	(9)	(18)	(11)	(5)	(4)	(16)	(16)	(13)	(17)	(25)	(40)
Mexico	(3)	(2)	(15)	(12)	(7)	8	(7)	17	(2)	(1)	(14)	(10)	(7)	5	(17)	(25)
Russia	(5)	(20)	18	(31)	(35)	(20)	(1)	(27)	(5)	(20)	18	(31)	(35)	(20)	(1)	(27)
Taiwan	(6)	(8)	(18)	(21)	(17)	32	36	86	(11)	(13)	(26)	(30)	(26)	30	31	73
Thailand	0	4	(2)	(1)	1	(0)	(2)	27	(3)	(1)	(12)	(12)	(9)	(18)	(13)	5
MSCI EM									(6)	(7)	(15)	(23)	(25)	(7)	(15)	(6)

Source: Bloomberg, Kotak Institutional Equities

Exhibit 10: It took several years for stock prices to go back to peak 2007-08 levels
Select stock performance from November 2007 onwards (base=100)



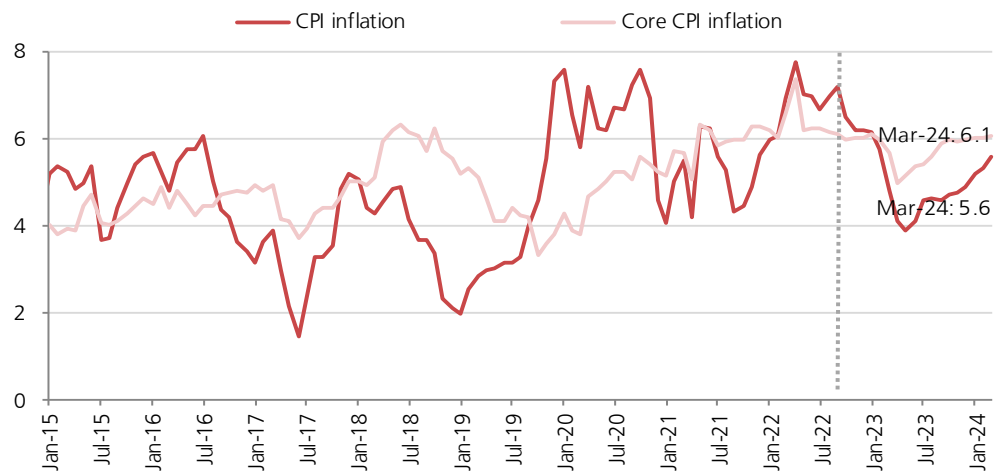
Source: Bloomberg, Kotak Institutional Equities

Exhibit 11: We estimate FY2023 and FY2024 GDP growth at 6.8% and 6.0%
Real GVA and components growth, March fiscal year-ends, 2017-24E (%)

	2017	2018	2019	2020	2021	2022	2023E	2024E
Real GVA	8.0	6.2	5.8	3.8	(4.8)	8.3	6.4	5.9
Agriculture and allied	6.8	6.6	2.1	5.5	3.3	3.3	3.1	3.0
Industry	7.7	5.9	5.3	(1.4)	(3.3)	10.3	5.0	4.3
Mining	9.8	(5.6)	(0.8)	(1.5)	(8.6)	12.6	4.8	4.4
Manufacturing	7.9	7.5	5.4	(2.9)	(0.6)	10.5	4.3	3.4
Electricity	10.0	10.6	7.9	2.2	(3.6)	7.8	8.7	4.6
Construction	5.9	5.2	6.5	1.2	(7.3)	10.0	5.8	6.3
Services	8.5	6.3	7.2	6.3	(7.8)	8.6	8.1	7.5
Trade, hotel, transport, communication	7.7	10.3	7.2	5.9	(20.2)	11.6	8.4	8.7
Financial, real estate, professional services	8.6	1.8	7.0	6.7	2.2	4.3	6.0	7.2
Public admin, defence, and others	9.3	8.3	7.5	6.3	(5.5)	12.5	11.3	6.4
Real GDP	8.3	6.8	6.5	3.7	(6.6)	8.7	6.8	6.0

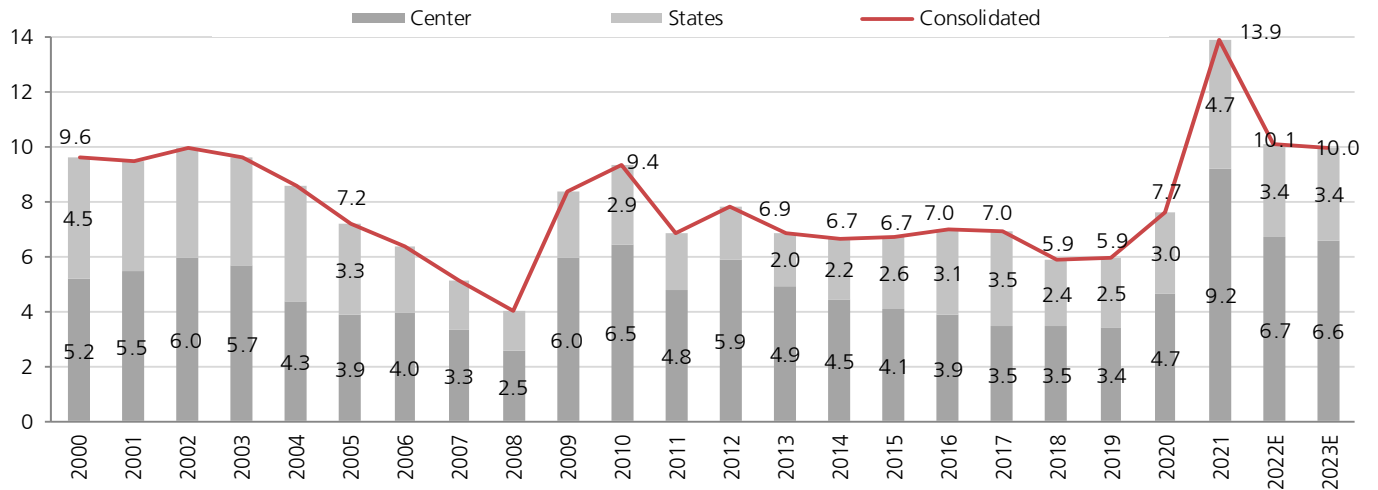
Source: CEIC, Kotak Institutional Equities estimates

Exhibit 12: We expect CPI inflation to average 6.5% in FY2023, 4.7% in FY2024
Headline and core CPI inflation (%)



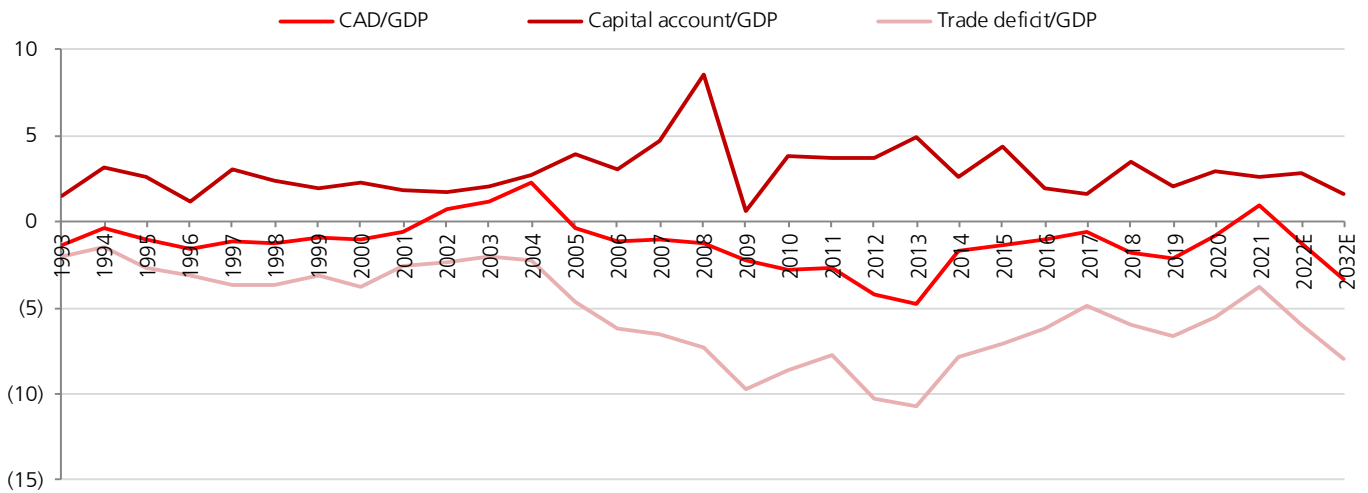
Source: CEIC, Kotak Institutional Equities estimates

Exhibit 13: Consolidated fiscal deficit at 10% in FY2023 versus 10.1% in FY2022
 Consolidated fiscal deficit of center and states, March fiscal year-ends, 2000-23E



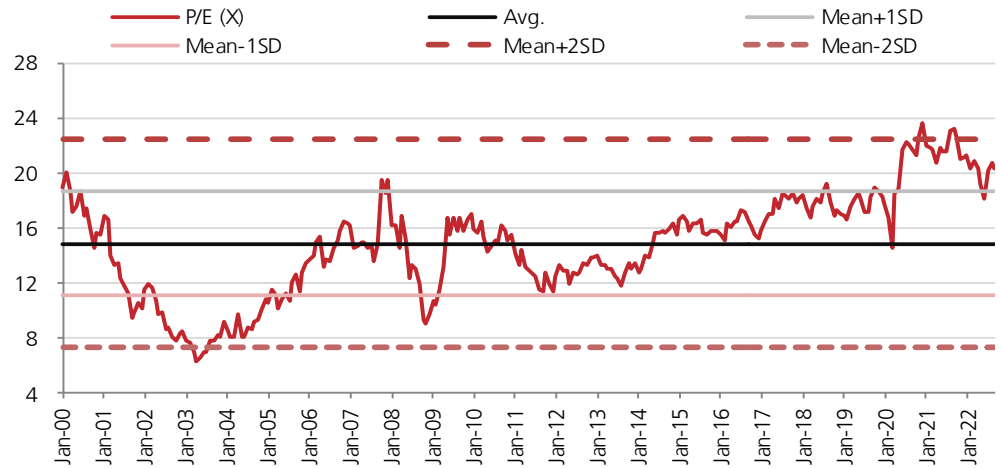
Source: Ministry of Finance, Kotak Institutional Equities estimates

Exhibit 14: CAD and BOP may weaken in FY2023
 Trade deficit and CAD as a percentage of GDP, March fiscal year-ends, 1993-2023E (%)



Source: CEIC, Kotak Institutional Equities estimates

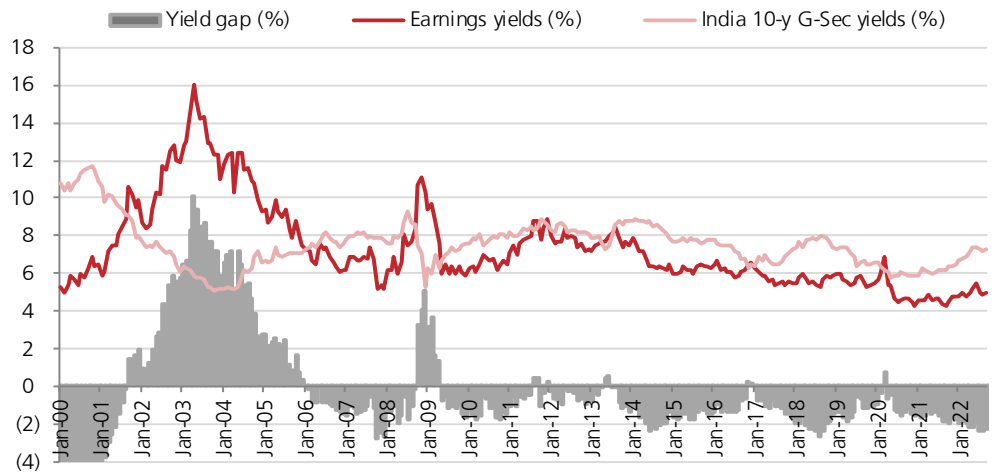
Exhibit 15: Nifty index is trading at expensive valuations after the recent rally
 1-y rolling forward P/E of Nifty-50 Index, March fiscal year-ends, 2000-23 (X)



Source: Kotak Institutional Equities estimates

Exhibit 16: Yield gap (earnings yield less bond yield) is on the higher (negative) side in the historical context

Nifty earnings yield and bond yield, March fiscal year-ends, 2000-23 (%)



Source: Kotak Institutional Equities estimates

Exhibit 17: We expect earnings of the Nifty-50 Index to grow 10% in FY2023 and 16% in FY2024

Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2023E-25E (based on current constituents)

	Mcap. (US\$ bn)	Adj. mcap. (US\$ bn)	Earnings growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			Div. yield (%)			RoE (%)		
			2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Automobiles & Components	107	59	307.9	63.7	13.5	30.2	18.4	16.2	11.4	8.5	7.3	4.2	3.6	3.1	1.3	1.6	1.7	13.9	19.6	19.2
Banks	339	262	27.6	10.7	15.1	17.5	15.8	13.7	—	—	—	2.6	2.3	2.1	1.0	1.2	1.3	14.7	14.6	15.0
Capital Goods	33	29	22.2	27.6	18.5	25.4	19.9	16.8	17.4	15.0	13.2	3.6	3.3	3.1	1.6	2.1	2.4	14.2	16.7	18.2
Commodity Chemicals	40	19	39.8	23.0	1.3	73.2	59.5	58.7	48.6	40.2	39.6	20.7	18.3	21.0	0.8	1.1	1.1	28.3	30.8	35.8
Construction Materials	47	21	(1.1)	27.1	11.3	22.7	17.8	16.0	11.0	9.0	7.9	2.4	2.1	1.9	0.5	0.6	0.7	10.5	11.9	11.9
Consumer Staples	173	87	13.7	15.3	12.0	42.5	36.8	32.9	30.4	26.4	23.6	10.3	9.9	9.4	2.0	2.3	2.6	24.2	26.8	28.6
Diversified Financials	150	95	29.9	18.3	19.8	36.4	30.8	25.7	—	—	—	5.3	4.6	4.0	0.5	0.5	0.6	14.6	15.0	15.6
Electric Utilities	40	20	7.4	7.4	8.3	10.0	9.3	8.6	7.5	6.9	6.1	1.4	1.3	1.2	4.9	5.2	5.5	14.0	13.9	14.0
Fertilizers & Agricultural Chemicals	7	5	16.5	17.6	20.0	13.2	11.2	9.3	6.8	5.7	4.8	2.3	1.9	1.7	1.4	1.9	2.3	17.2	17.4	17.8
Health Care Services	8	6	41.8	30.3	33.7	61.3	47.1	35.2	28.8	23.5	19.4	10.5	9.3	8.0	0.7	0.9	1.1	17.2	19.7	22.8
IT Services	279	128	4.3	13.6	13.6	23.4	20.6	18.1	15.1	13.3	11.7	6.4	5.9	5.4	2.9	3.4	3.9	27.2	28.5	29.7
Insurance	31	14	17.2	16.4	8.4	77.8	66.8	61.6	—	—	—	8.5	7.9	7.3	0.3	0.3	0.3	11.0	11.8	11.8
Metals & Mining	48	26	(39.8)	(12.8)	11.4	8.5	9.8	8.8	5.6	5.7	5.1	1.3	1.2	1.0	1.7	1.3	1.5	15.0	11.8	11.8
Oil, Gas & Consumable Fuels	246	118	(5.2)	11.9	11.9	15.8	14.1	12.6	8.2	7.2	6.3	1.6	1.5	1.4	1.5	1.8	1.9	10.2	10.5	10.8
Pharmaceuticals	58	31	5.6	21.5	13.8	27.0	22.2	19.5	17.1	13.9	11.8	4.1	3.6	3.1	0.4	0.5	0.6	15.2	16.1	15.9
Retailing	30	14	36.0	21.8	20.1	77.3	63.5	52.8	50.5	41.7	34.9	20.9	17.2	14.3	0.5	0.6	0.7	27.0	27.2	27.0
Telecommunication Services	56	25	400.1	81.7	45.9	33.8	18.6	12.7	7.8	5.8	4.5	5.6	4.1	3.3	0.5	0.8	1.1	16.5	22.2	25.8
Transportation	25	8	24.1	22.1	31.8	27.5	22.5	17.1	17.8	14.9	12.2	4.5	3.8	3.2	0.0	0.4	0.6	16.2	16.8	18.5
Nifty-50 Index	1,719	967	9.5	15.5	14.8	21.9	19.0	16.5	11.6	10.0	8.7	3.2	2.9	2.6	1.5	1.7	1.9	14.6	15.2	15.7
Nifty-50 Index (ex-energy)	1,473	849	13.8	16.4	15.5	23.4	20.1	17.4	12.9	11.2	9.7	3.8	3.4	3.1	1.5	1.7	2.0	16.4	17.1	17.6
Nifty-50 Index (ex-banks)	1,380	705	4.6	17.0	14.7	23.3	20.0	17.4	11.6	10.0	8.7	3.4	3.1	2.8	1.6	1.9	2.1	14.6	15.5	16.0

Notes:

(a) We use consensus numbers for Kotak Mahindra Bank.

Source: Bloomberg, Kotak Institutional Equities estimates

Exhibit 18: Most 'growth' stocks are trading at expensive valuations

12-m forward P/B multiple of growth stocks in KIE universe, March fiscal year-ends, 2011-23E

Company	Sector	12-m forward P/E multiple (X)												
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Current
Eicher Motors	Automobiles & Components	15	14	16	25	38	33	33	29	21	17	32	27	33
Hero Motocorp	Automobiles & Components	14	15	14	16	16	17	17	18	13	10	18	16	17
Maruti Suzuki	Automobiles & Components	14	16	13	17	21	18	22	26	23	18	30	38	30
Motherson Sumi Systems	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	23	68	33
ABB	Capital Goods	41	48	32	60	67	60	51	43	53	42	65	77	90
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	18	20	22
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	43	53	58
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	41	39	57
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	49	63	69	66
Ambuja Cements	Construction Materials	18	18	14	24	23	29	34	29	26	16	24	22	42
Shree Cement	Construction Materials	NA	27	14	24	46	34	36	31	37	34	37	36	35
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	19	28	27	22
Britannia Industries	Consumer Staples	21	27	24	22	38	32	38	49	53	40	49	44	49
Colgate-Palmolive (India)	Consumer Staples	24	30	28	32	40	32	40	38	40	37	41	38	38
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	49	47	46
Godrej Consumer Products	Consumer Staples	20	22	30	31	31	35	37	43	38	29	40	40	46
Hindustan Unilever	Consumer Staples	26	29	28	33	40	39	41	47	50	56	59	49	56
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	46	47
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	68	65	65
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	48	50	58
United Spirits	Consumer Staples	22	16	37	59	90	57	53	58	43	33	40	58	58
HCL Technologies	IT Services	16	13	14	15	18	13	14	14	14	10	19	21	17
Infosys	IT Services	22	17	16	15	19	18	15	16	18	15	26	31	23
TCS	IT Services	23	18	20	19	20	18	17	19	22	20	30	32	25
Tech Mahindra	IT Services	11	10	11	13	15	13	12	16	14	11	17	21	17
Wipro	IT Services	18	15	14	15	16	14	14	15	15	11	22	25	18
Cipla	Pharmaceuticals	21	18	18	19	30	20	24	20	22	18	24	23	23
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	23	20	18
Lupin	Pharmaceuticals	18	20	20	20	31	20	20	19	21	22	25	20	24
Torrent Pharmaceuticals	Pharmaceuticals	14	13	12	15	22	17	21	22	30	29	30	33	31
Sun Pharmaceuticals	Pharmaceuticals	22	23	23	20	29	24	21	25	23	17	24	26	24
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	86	100	98
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	67	75	70
SRF	Specialty Chemicals	3	3	5	7	14	14	15	16	18	16	24	37	30

Source: Companies, FactSet, Kotak Institutional Equities estimates

Exhibit 19: Most 'growth' stocks trade at expensive multiples

12-m forward P/E multiple of mid-cap. 'growth' stocks in KIE universe, March fiscal year-ends, 2011-23E

Company	Sector	12-m forward P/E multiple (X)													Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22		
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	28	26	25	
Exide Industries	Automobiles & Components	17	19	17	19	21	18	24	22	20	12	18	13	15	
Motherson Sumi Systems	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	23	68	33	
Schaeffler India	Automobiles & Components	11	14	12	17	31	27	31	29	30	25	36	36	54	
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	41	34	40	
Timken	Automobiles & Components	NA	NA	NA	NA	40	24	31	34	29	23	36	40	40	
Berger Paints	Commodity Chemicals	17	17	25	27	36	35	45	44	49	58	76	57	48	
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	50	40	37	
Crompton Greaves Consumer	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	39	36	31	24	39	32	34	
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	60	72	70	
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	54	48	
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	45	40	53	
Indraprastha Gas	Gas Utilities	14	15	10	11	13	16	22	24	23	21	22	18	15	
Mahanagar Gas	Gas Utilities	NA	NA	NA	NA	NA	NA	20	18	17	10	12	10	10	
Aster DM Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	22	10	14	19	21	
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	62	65	
Metropolis Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	34	54	45	38	
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	43	42	36	
Jubilant Foodworks	Hotels & Restaurants	36	48	41	40	54	52	54	58	48	45	69	61	67	
L&T Infotech	IT Services	NA	NA	NA	NA	NA	NA	12	18	17	15	32	38	27	
L&T Technology Services	IT Services	NA	NA	NA	NA	NA	NA	16	23	21	14	31	45	30	
Mindtree	IT Services	9	9	10	11	17	15	14	21	18	17	27	37	25	
Mphasis	IT Services	10	11	10	11	11	13	14	17	15	10	24	37	21	

Source: Companies, FactSet, Kotak Institutional Equities estimates

Exhibit 20: Most large banks and NBFCs have limited scope for re-rating; smaller banks and NBFCs can re-rate from current inexpensive levels

12-m forward P/B multiple of growth stocks in KIE universe, March fiscal year-ends, 2011-23E

Company	Sector	12-m forward P/B multiple (X)													Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22		
AU Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	7.0	4.6	3.0	6.2	4.7	3.9	
Axis Bank	Banks	2.6	1.8	1.7	1.6	2.6	1.8	2.1	1.9	2.7	1.1	2.0	1.9	1.9	
Bandhan Bank	Banks	NA	NA	NA	NA	NA	NA	NA	5.2	4.9	1.7	2.7	2.5	2.1	
Bank of Baroda	Banks	1.7	1.1	0.8	0.9	0.9	1.0	1.2	0.9	0.9	0.4	0.6	0.7	0.8	
Canara Bank	Banks	1.3	0.9	0.7	0.5	0.6	0.5	0.9	0.9	1.3	0.2	0.7	0.8	0.8	
Federal Bank	Banks	1.3	1.2	1.2	1.1	1.3	0.9	1.7	1.4	1.4	0.5	1.0	1.0	1.2	
HDFC Bank	Banks	3.8	3.5	3.5	3.5	3.6	3.2	3.8	3.8	3.8	2.5	3.8	3.1	2.8	
ICICI Bank	Banks	2.2	1.6	1.7	1.8	2.1	1.5	1.8	1.7	2.3	1.7	2.6	2.8	3.2	
Indusind Bank	Banks	2.8	2.8	2.5	2.6	3.8	2.9	3.7	4.0	3.4	0.6	1.7	1.4	1.7	
State Bank of India	Banks	1.9	1.7	1.4	1.3	1.6	1.2	1.5	1.2	1.4	0.8	1.4	1.6	1.7	
Bajaj Finance	Diversified Financials	1.6	1.4	1.5	1.9	3.5	4.2	5.7	5.3	7.3	3.4	7.0	8.3	8.0	
Cholamandalam	Diversified Financials	1.6	1.6	1.8	1.6	2.6	2.8	3.2	3.8	3.2	1.3	3.9	4.6	4.4	
HDFC	Diversified Financials	5.1	4.4	4.8	4.4	5.9	4.5	5.8	4.7	4.6	3.1	3.8	3.4	3.2	
L&T Finance Holdings	Diversified Financials	NA	1.6	2.1	1.8	1.4	1.5	2.6	2.8	2.0	0.6	1.1	0.8	0.8	
LIC Housing Finance	Diversified Financials	2.2	2.1	1.5	1.4	2.3	2.3	2.5	1.9	1.6	0.6	1.1	0.9	1.0	
Mahindra & Mahindra Financial	Diversified Financials	2.7	2.0	2.2	2.5	2.3	2.2	2.7	3.1	2.3	0.8	1.6	1.2	1.7	
Muthoot Finance	Diversified Financials	NA	1.1	1.3	1.4	1.5	1.2	2.1	1.9	2.4	1.7	2.7	2.4	1.8	
Shriram City Union Finance	Diversified Financials	1.7	1.7	2.2	1.9	2.7	2.0	2.7	2.3	1.8	0.6	1.0	1.1	1.3	
Shriram Transport	Diversified Financials	3.0	1.9	1.8	1.8	2.4	2.0	2.0	2.3	1.7	0.7	1.5	1.1	1.1	

Source: Companies, FactSet, Kotak Institutional Equities estimates

SEPTEMBER 21, 2022
UPDATE

Sector view: **Attractive**

CMP (₹): **1,765**

Fair Value (₹): **2,200**

BSE-30: **59,720**

This too shall pass. A streak of flops from Bollywood has impacted business recovery for multiplexes and raised structural concerns. We note that (1) content volatility is not new to multiplexes (even though it is more acute this time around); (2) regional/English movies have fared well, suggesting no visible change in consumer behavior. We expect business to gradually recover. Separately, the PVR-INOX merger is almost certain given the CCI's recent rejection of a complaint against it. We cut FY2023E EBITDA sharply and trim FY2024E EBITDA, as we model weak occupancy/ad revenue recovery (Exhibit 1). PVR is trading at 11X FY2024E proforma pre-Ind AS 116 EV/EBITDA. Reiterate BUY with an unchanged FV of Rs2,200, valuing PVR at 14X EV/EBITDA (FY2024E).

PVR				Forecasts/valuations			
Stock data				2022	2023E	2024E	
CMP(Rs)/FV(Rs)/Rating	1,765/2,200/BUY			EPS (Rs)	(68.7)	50.6	59.1
52-week range (Rs) (high-low)	2,215-1,224			EPS growth (%)	37.3	173.7	16.8
Mcap (bn) (Rs/US\$)	108/1.4			P/E (X)	(25.7)	34.9	29.8
ADTV-3M (mn) (Rs/US\$)	1,794/23			P/B (X)	4.5	4.1	3.6
Shareholding pattern (%)				EV/EBITDA (X)	(50.3)	14.5	12.6
Promoters	17.0			RoE (%)	(16.4)	12.3	12.8
FPIs/MFs/BFIs	40.1/17.9/5.6			Div. yield (%)	(0.4)	0.3	0.3
Price performance (%)				Sales (Rs bn)	13	42	47
Absolute	1M	3M	12M	EBITDA (Rs bn)	(2)	8	9
Rel. to BSE-30	(2.4)	4.5	24.0	Net profits (Rs bn)	(4)	3	4
	(2.5)	(11.3)	21.9				

Source: Bloomberg, Kotak Institutional Equities estimates

Volatility in content is not new to multiplexes although more acute this time around

The streak of box office failures from Bollywood can be attributed to (1) poor content quality; (2) fading fan-following of top Bollywood actors and it is not replenished by next-gen actors; and (3) #boycott appeal/trends on social media. An emerging view is that (a) Bollywood has not nurtured talent (or it promoted nepotism) and it is now reflecting on content quality, (b) streaming platforms have raised content expectations (or reduced tolerance for poor content); essentially, content is not catching up with fast-changing consumer preferences.

While these arguments/concerns have merit and trends need to be closely watched, we do note that content volatility is not new to multiplexes even though it is more acute this time around. Exhibit 6 shows quarterly volatility in PVR's occupancy trends and strong bounce-back thereafter. We expect gradual recovery in business in 2HFY23. In addition, we highlight a few positives: (1) continued rise in preference for English movies; and (2) success of domestic crossovers (select Southern regional movies appealing to pan-India audience).

2HFY23 movie pipeline looks decent and can reverse trend

The content line-up for 2HFY23 looks decent in view of several star-studded Hindi films (1 each from Akshay Kumar, Salman Khan, Hrithik Roshan, Ayushmann Khurrana, Kartik Aryan, Ranveer Singh, Varun Dhawan, SRK and 2 from Ajay Devgn) and Hollywood content (Avatar and Black Panther sequels). We expect a gradual recovery in business (occupancy + ad revenues).

PVR-INOX merger expected to conclude in 4QFY23; reiterate BUY.

With the CCI recently dismissing CUTS' (NGO) complaint against the merger, we don't foresee any hurdles and expect the merger to conclude by Jan/Feb-2023. Pending steps— (1) shareholders (SH)/creditors' meeting in Oct; (2) final approval from NCLT thereafter (Dec-22/Jan-23). We estimate (1) 15% EBITDA upside (Rs2.15 bn incremental EBITDA for MergeCo in FY2024E), driven by merger synergies; (2) 10% valuation re-rating. We value PVR at about 14X FY2024E proforma pre-Ind AS 116 EV/EBITDA. Reiterate BUY with an unchanged FV of Rs2,200.

Jaykumar Doshi

Umang Mehta

Praneeth Reddy

Exhibit 1: Revised earnings estimates of PVR, FY2023-24E (Rs mn)

	Revised		Previous		Change (%)	
	2023E	2024E	2023E	2024E	2023E	2024E
Ticket sales (net)	19,921	24,193	22,284	25,021	(10.6)	(3.3)
F&B sales	12,025	14,603	13,247	14,874	(9.2)	(1.8)
Ad revenues	2,721	3,944	3,516	4,079	(22.6)	(3.3)
Convenience fees	1,222	1,473	1,367	1,523	(10.6)	(3.3)
Other operating income	1,500	1,809	1,500	1,809	0.0	0.0
Total revenues	37,388	46,023	41,915	47,307	(10.8)	(2.7)
Film hire charges	(8,516)	(10,500)	(9,694)	(10,859)	(12.1)	(3.3)
F&B consumption	(2,886)	(3,505)	(3,179)	(3,570)	(9.2)	(1.8)
Employee costs	(4,016)	(4,724)	(4,417)	(5,197)	(9.1)	(9.1)
Rent	(7,344)	(8,369)	(7,200)	(8,061)	2.0	3.8
Other operating costs	(8,558)	(10,424)	(9,429)	(10,535)	(9.2)	(1.1)
Total operating costs	(31,320)	(37,522)	(33,919)	(38,222)	(7.7)	(1.8)
EBITDA	6,068	8,501	7,995	9,085	(24.1)	(6.4)
PAT	1,743	3,392	3,087	3,607	(43.5)	(6.0)
EPS (Rs/share)	28.6	55.6	50.6	59.1	(43.5)	(6.0)
Key assumptions						
EBITDA margin (%)	16.2	18.5	19.1	19.2		
Screen additions (#)	100	90	100	90	—	—
Footfalls (mn)	94	110	105	113	(10.6)	(3.3)
ATP gross (Rs)	250	260	250	260	—	—
SPH gross (Rs)	132	137	130	135	1.5	1.5
Ad revenue growth (%)	278	45	388	16		
Occupancy (%)	29.5	32.2	33.0	33.3		
F&B revenue growth (%)	191.0	21.4	220.5	12.3		
F&B gross margin (%)	76.0	76.0	76.0	76.0		
F&B gross profit (Rs mn)	9,139	11,099	10,068	11,304	(9.2)	(1.8)

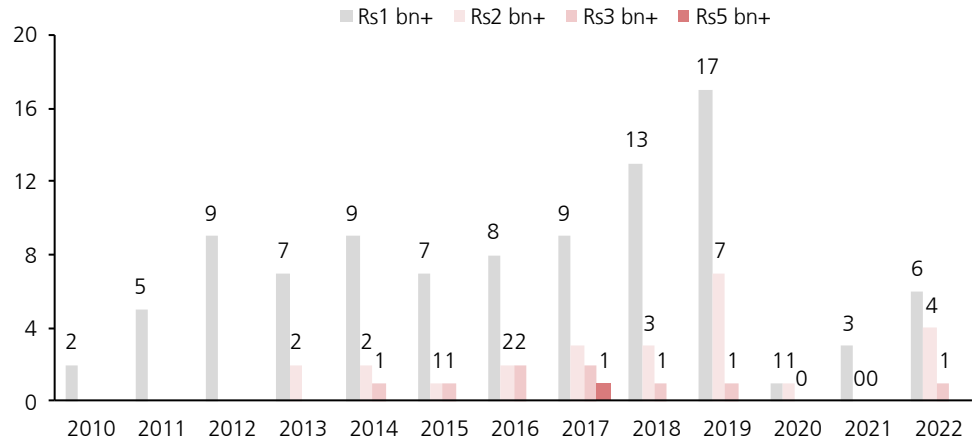
Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Consolidated P&L and pro forma forecast of MergeCo (Pre-Ind AS 116 basis), March fiscal year-ends (Rs mn)

Pre-Ind AS 116 basis	INOX		PVR		2024E			Comments
	2019	2020	2019	2020	MergeCo	Synergy benefits	MergeCo with synergy gains	
Profit and loss statement								
Revenues								
Ticket Sales	9,754	11,046	16,354	17,312	41,083	—	41,083	
F&B Sales	4,359	4,972	8,584	9,605	22,373	880	23,253	INOX's SPH is about 20-25% lower
Ad Revenues	1,767	1,790	3,535	3,759	6,006	400	6,406	INOX's ad rev/screen is ~35% lower
Convenience fees	500	668	1,304	1,719	2,141	338	2,479	INOX's convenience fee/footfall is ~40-45% lower
Other Operating Income	542	499	1,171	1,776	2,308	—	2,308	
Revenues from operations	16,922	18,974	30,947	34,171	73,910	1,618	75,528	
Operating expenses								
Direct costs	5,567	6,227	9,406	9,972	23,662	238	23,899	
Film hire costs	4,442	4,965	7,019	7,335	18,176	—	18,176	Potential to optimize film hire costs in the medium term
Film hire costs as % of sales	45.5	44.9	42.9	42.4	44.2		44.2	
F&B COGS	1,125	1,262	2,387	2,637	5,486	238	5,724	
F&B gross margin (%)	74.2	74.6	72.2	72.5	75.5	73.0	75.4	
Employee costs	1,152	1,421	3,373	3,938	6,816	(357)	6,459	
Rent	3,186	3,684	5,059	5,763	13,702	—	13,702	Potential to optimize rental in the medium term
Other expenses	3,933	4,342	7,154	8,699	15,875	(413)	15,462	
Total operating costs	13,838	15,674	24,992	28,372	60,054	(532)	59,522	
EBITDA	3,083	3,301	5,955	5,799	13,856	2,150	16,007	
EBITDA margin (%)	18.2	17.4	19.2	17.0	18.7	132.9	21.2	
Depreciation	954	1,078	1,913	2,324	4,771	—	4,771	
Other income	149	172	240	352	850	—	850	
Finance costs	237	116	1,280	1,521	1,387	—	1,387	
Loss of equity accounted investees	—	—	12	5				
PBT	2,042	2,278	2,991	2,301	8,548	2,150	10,698	
Minority interest			4	5	—	—	—	
Tax expense	656	869	1,096	978	2,222	538	2,760	
PAT before exceptional items	1,386	1,409	1,890	1,318	6,325	1,613	7,938	
Exceptional Items	(50)	—	—	—	—	—	—	
PAT after exceptional items	1,336	1,409	1,890	1,318	6,325	1,613	7,938	
Shares outstanding (mn)					97.7	97.7	97.7	
Earnings per share (Rs)					64.8	16.5	81.3	
Key Metrics								
Screens (#)	574	626	763	845	1,869	—	1,869	
Occupancy (%)	28.0	27.5	36.2	34.9	29.6	—	30	
Footfalls (admits in mn)	63	66	99	102	190	—	190	
ATP - reported (Rs)	197	200	207	204	255	—	255	
SPH - reported (Rs)	74	80	91	99	122	4.8	126	
Ad Revenue per screen (Rs)	3.3	3.0	5.1	4.7	3.4	0.2	3.6	
Net ATP calculated (Rs)	156	167	165	170	217		217	
SPH calculated (Rs)	70	75	86	94	118	4.6	123	
Ad Revenue per head (Rs)	28	27	36	37	32	2	34	
Convenience fees per footfall (Rs)	8	10	13	17	11	1.8	13	
ARPU per visitor (Rs)	262	280	300	319	378	8.5	386	

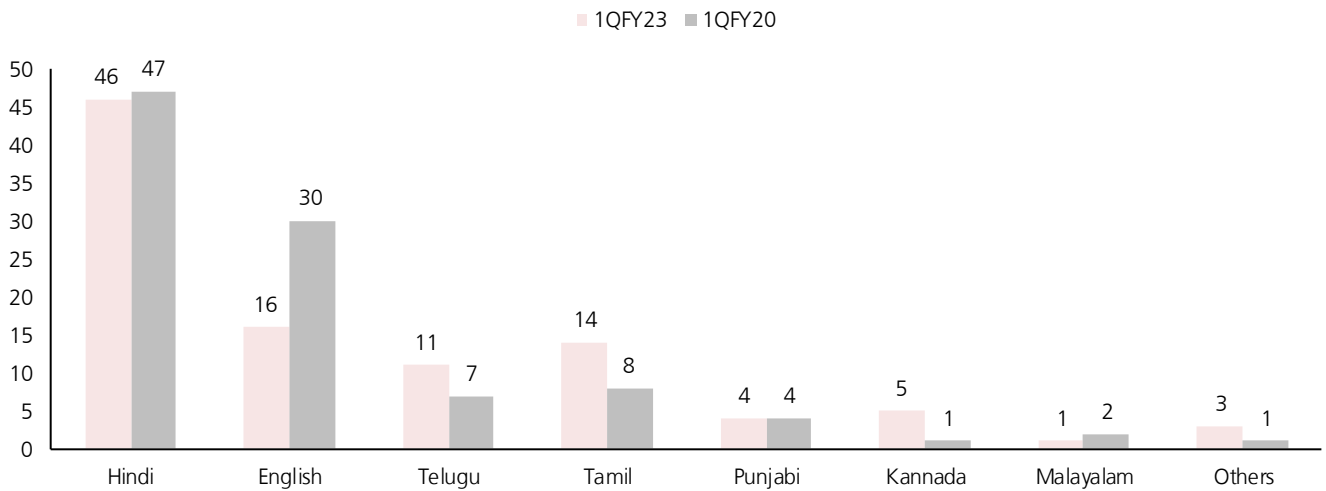
Source: Company, Kotak Institutional Equities estimates

Exhibit 3: Recovery in Rs1 bn+ movies in CY2022 led by Hindi-dubbed regional movies
 Count of Hindi movies with NBOC of Rs1 bn+, Rs2 bn+, Rs3 bn+ and Rs5 bn+, Calendar year-ends



Source: koimoi.com, Kotak Institutional Equities

Exhibit 4: Share of regional movies in PVR's Box Office collections has increased to 38% in 1QFY23 versus 23% in 1QFY20
 Language-wise Box Office contribution (%)



Note: Hindi includes Hindi-dubbed regional movies

Source: Company, Kotak Institutional Equities

Exhibit 5: Bollywood stars seem to be losing their fan-following post pandemic
Average NBOC of movies led by select Bollywood stars pre and post pandemic, Calendar year-ends

	2019		2020-22	Change
Akshay Kumar	NBOC		NBOC	%
	(Rs mn)		(Rs mn)	
Mission Mangal	2,002	Sooryavanshi	1,950	
Good Newwz	2,011	Samrat Prithviraj	660	
Housefull 4	2,060	Bachchan Paandey	503	
Kesari	700	Raksha Bandhan	387	
		Bell Bottom	265	
Average	1,693		753	(55.5)

	2018		2020-22	Change
Ranveer Singh	NBOC		NBOC	%
	(Rs mn)		(Rs mn)	
Padmaavat	3,003	83	1,020	
Simmba	2,402	Jayeshbhai Jordaar	175	
Average	2,702		598	(77.9)

	2018-19		2020-22	Change
Ajay Devgn	NBOC		NBOC	%
	(Rs mn)		(Rs mn)	
Total Dhamaal	1,543	Tanhaji	2,795	
De De Pyaar De	1,024	Runway 34	320	
Raid	1,015			
Average	1,194		1,558	30.4

	2018-19		2020-22	Change
Tiger Shroff	NBOC		NBOC	%
	(Rs mn)		(Rs mn)	
Baaghi 2	1,650	Baaghi 3	973	
Student of the Year 2	707	Heropanti 2	265	
Average	1,179		619	(47.5)

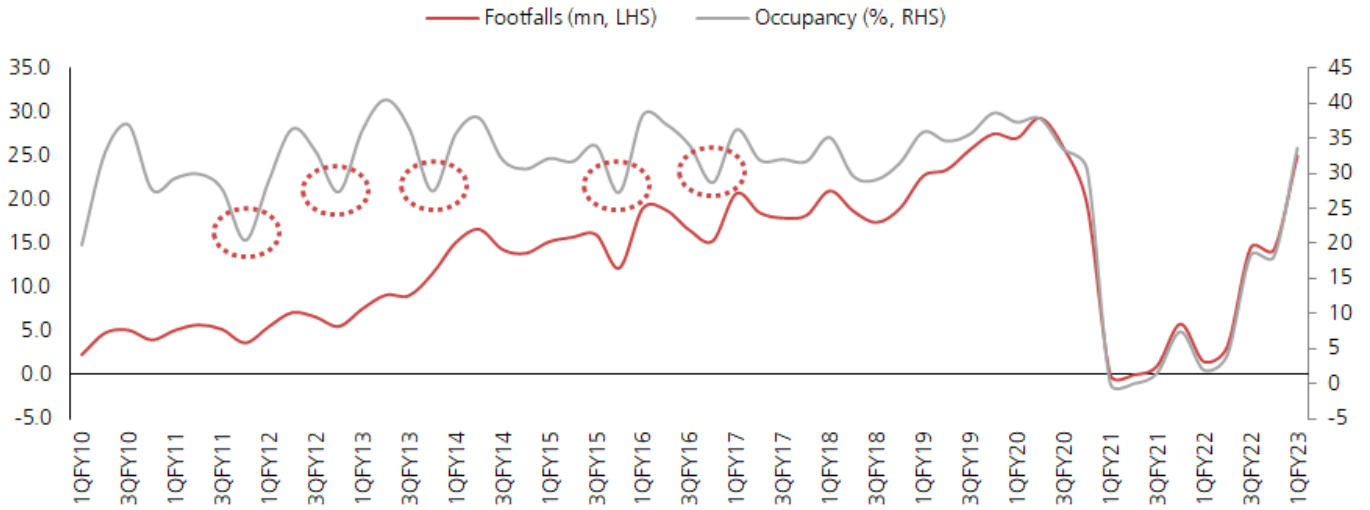
	2019		2020-22	Change
Ayushmann Khurrana	NBOC		NBOC	%
	(Rs mn)		(Rs mn)	
Dream girl	1,397	Shubh Mangal Zyada Saavdhan	625	
Bala	1,164	Chandigarh Kare Aashiqui	285	
Article 15	631	Anek	75	
Average	1,064		328	(69.1)

	2018-19		2020-22	Change
Kartik Aaryan	NBOC		NBOC	%
	(Rs mn)		(Rs mn)	
Sonu Ke Titu Ki Sweety	1,087	Bhool Bhulaiyaa 2	1,856	
Luka Chuppi	942	Love Aaj Kal 2	377	
Pati Patni Aur Woh	868			
Average	965		1,117	15.7

	2017-18		2020-22	Change
Ranbir Kapoor	NBOC		NBOC	%
	(Rs mn)		(Rs mn)	
Sanju	3,412	Brahmastra Part One: Shiva	2,130	
Jagga Jasoos	534	Shamshera	430	
Average	1,973		1,280	(35.1)

Source: koimoi.com, Kotak Institutional Equities

Exhibit 6: PVR's quarterly occupancy has always been volatile depending on box office performance of movies
 Quarterly footfall (mn) and occupancy (%) of PVR, March fiscal year-ends, 1QFY10-1QFY23



Source: Company, Kotak Institutional Equities

Exhibit 7: Net box office collections (NBOC) of key movies, March fiscal year-ends, 2020-23

	FY2020		FY2021		FY2022		FY2023E	
	Movie	NBOC (Rs mn)	Movie	NBOC (Rs mn)	Movie	NBOC (Rs mn)	Movie	NBOC (Rs mn)
1Q	Hits							
	Avengers: Endgame	3,655					KGF Chapter 2 (Hindi)	4,346
	Kabir Singh	2,782					Bhool Bhulaiyaa 2	1,856
	Bharat	2,094					Doctor Strange	1,269
	De De Pyaar De	1,024					JugJugg Jeeyo	853
	Kesari	700					Jurassic World: Dominion	695
	Article 15	631					Top Gun: Maverick	343
	Aladdin	500					Major (Hindi)	122
	Annabelle Comes Home	256					Vikram (Hindi)	110
	PM Narendra Modi	236					777 Charlie (Hindi)	75
	11,877						9,669	
2Q	Flops							
	Kalank	810					Samrat Prithviraj	660
	Student of the Year 2	707					Runway 34	320
	Shazam	210					Heropanti 2	265
	Men in Black: International	176					Jersey	205
	Godzilla: King of the Monster:	176					Jayeshbhai Jordaar	175
	X-Men Dark Phoenix	173					Attack	150
	India's most wanted	115					Anek	75
		2,367						1,918
	Hits							
Mission Mangal	2,002					Brahmastra Part One: Shiva	2,130	
The Lion King	1,500					Thor: Love and Thunder	1,015	
Saaho	1,490					Karthikeya 2 (Hindi)	300	
Chhichhore	1,504					Rocketry	260	
Super 30	1,461							
Dream girl	1,397							
Batla house	972							
Spider-man Far from Home	857							
Fast & Furious: Hobbs & Shaw	688							
	11,870						3,705	
3Q	Flops							
	Judgemental hai kya	383			Bell Bottom	265	Laal Singh Chaddha	573
	Jabariya Jodi	145			Shang-Chi and the Leger	153	Shamshera	430
	Section 375	125			Fast & Furious 9	136	Ek Villain Returns	411
					Chehre	35	Raksha Bandhan	387
					Thalaivii	3	Liger (Hindi)	165
		653				591		2,268
	Hits							
	War	3,190			Spider-Man: No Way Hor	2,120		
	Housefull 4	2,060			Sooryavanshi	1,950		
Good Newwz	2,011			Pushpa (Hindi)	1,060			
Dabangg 3	1,500							
Bala	1,164							
Pati Patni Aur Woh	868							
Joker	640							
Jumanji: The next level	580							
	13,729				5,130			
4Q	Flops							
	Panipat	343			83	1,020		
	Pagalpanti	330			Antim	376		
	Saand Ki Aankh	231			Chandigarh Kare Aashiqu	285		
		1,284				2,537		
	Hits							
	Tanhaji: The Unsung Warrior	2,795	Godzilla vs Kong	466	RRR (Hindi)	2,770		
	Shubh Mangal Zyada Saavdh	625			The Kashmir Files	2,525		
	Malang	590			Gangubai Kathiawadi	1,289		
		4,010		466	The Batman	440		
					7,024			
Flops								
Baaghi 3	973	Roohi	259	Bachchan Paandey	503			
Street Dancer 3D	750	Mumbai Saga	170	Badhai Do	195			
Love Aaj Kal 2	377			Radhe Shyam	193			
Chhapaak	341			Jhund	173			
Bhoot: Part One	312			Valimai (Hindi)	15			
	3,216		429		1,078			

Source: koimoi.com, Kotak Institutional Equities

Exhibit 8: Key Bollywood and Hollywood movies expected to be released in FY2023

Rel Date	Movie	Language	Cast
Bollywood- key titles			
Sep-22	Chup Revenge Of The Artist	Hindi	Dulquer Salmaan, Sunny Deol, Pooja Bhatt, And Shreya Dhanwanthary.
Sep-22	Dhokha Round D Corner	Hindi	R. Madhavan, Aparshakti Khurana, Darshan Kumaar, Krushali Kumar
Sep-22	Ishq Pashmina	Hindi	Bhavin Bhanushali, Malti Chahar, Zarina Wahab, Malti Chahar, Brijendra Kala, Kainaat Arora
Sep-22	Prem Geet 3	Hindi,Nepali	Shiva Shreshtha, Pradeep Khadka, Kristina Gurung,
Sep-22	Vikram Vedha	Hindi	Hrithik Roshan, Saif Ali Khan
Sep-22	Woh 3 Din	Hindi	Sanjay Mishra, Rajesh Sharma, Chandan Roy Sanyal, Payel Mukherjee, Purva Parag
Oct-22	Goodbye	Hindi	Amitabh Bachchan, Rashmika Mandanna, Neena Gupta, Sunil Grover, Elliavir Ram, Sahil Mehta
Oct-22	Doctor G	Hindi	Ayushman Khurana
Oct-22	Code Name : Tiranga	Hindi	Parineeti Chopra, Harrry Sandhu
Oct-22	Tara Vs Bilal	Hindi	Harshvardhan Rane, Sonia Rathee, Yash Agnihotri
Oct-22	Ram Setu - Diwali	Hindi	Akshay Kumar
Oct-22	Har Har Mahadev	Marathi,Hindi, Tamil, Telugu, Kannada	Gauri Sukhatankar, Sanjay Narvekar, Arun Nalawade,Amita Khopkar
Oct-22	Thank God	Hindi	Ajay Devgn, Sidharth Malhotra, Rakul Preet
Nov-22	Phone Bhoot	Hindi	Katrina Kaif, Siddhant Chaturvedi, Ishaan Khatter
Nov-22	Kutney	Hindi	Konkana Sen Sharma, Kumud Mushra, Tabu, Arjun Kapoor, Naseeruddin Shah
Nov-22	Banaras	Hindi	Zaid Khan, Sonal Moterio
Nov-22	Uunchai	Hindi	Amitabh Bachchan, Anupam Kher, Boman Irani, Neena Gupta, Sarika, Parineeti Chopra
Nov-22	Rocket Gang	Hindi	Aditya Seal, Nikita Dutta
Nov-22	Drishyam 2	Hindi	Ajay Devgn, Tabu, Shriya Saran, Ishita Dutta
Nov-22	Bhediya	Hindi	Varun Dhawan, Kriti Sanon
Dec-22	Pippa	Hindi	Ishaan Khatter, Mrunal Thakur
Dec-22	An Action Hero	Hindi	Ayushmann Khurrana
Dec-22	Cirkus	Hindi	Ranveer Singh,Jacqueline Fernandez,Pooja Hegde ,Varun Sharma
Dec-22	Kisi Ka Bhai Kisi Ki Jaan	Hindi	Salman Khan
Jan-23	Adipurush - 3D	Hindi,Tamil,Telugu, Kannada, Malayalam	Prabhas, Saif Ali Khan
Jan-23	Pathan	Hindi	Shah Rukh Khan,John Abraham
Feb-23	Shehzada (Ala Vaikunthapurramuloo Remake)	Hindi	Kartik Aaryan, Kriti Sanon, Paresh Rawal
Mar-23	Luv Ranjan Untitled	Hindi	Ranbir Kapoor,Shraddha Kapoor
Mar-23	Bholaa	Hindi	Ajay Devgn, Tabu
Hollywood (English)			
Sep-22	Avatar Re-Release 3D Imax Dbox	English	Sam Worthington, Zoe Saldanha, Stephen Lang, Michelle Rodriguez, Sigourney Weaver
Sep-22	Don T Worry Darling	English	Florence Pugh, Harry Styles, Olivia Wilde Gemma Chan
Oct-22	Ticket To Paradise	English	George Clooney, Julia Roberts, Kaitlyn Dever, Billie Lourd
Oct-22	The Woman King 4Dx. Imax, Dbox	English,Tamil	Viola Davis, Thuso Mbedu, Lashana Lynch
Oct-22	Mrs. Harris Goes To Paris	English	Lesley Manville, Alba Baptista, Jason Isaacs, Lambert Wilson,
Oct-22	Halloween Ends- Imax Dbox	English	Jamie Lee Curtis, Judy Greer, Andy Matichak, Nick Castle
Oct-22	White Bird : A Wonder Story	English	Gillian Anderson, Helen Mirren
Oct-22	Black Adam - Imax -4Dx Dbox	English, Hindi, Tamil, Telugu	Dwayne Johnson, Noah Centineo, Aldis Hodge, Sarah Shahi
Oct-22	Prey For The Devil	English	Virginia Madsen, Ben Cross, Colin Salmon
Oct-22	Coldplay - Music Of The Spheres - Live Broadcast From Buer	English	Guy Berryman, Jonny Buckland, Will Champion, Chris Martin
Nov-22	Lyle Lyle Crocodile	English	Javier Bardem, Winslow Fegley, Constance Wu
Nov-22	Bros	English	Billy Eichner, Luke Macfarlane,Ts Madison, Monica Raymund
Nov-22	Black Panther - Wakanda Forever - Imax -4Dx	English	Danai Gurira
Nov-22	Golda	English	Helen Mirren, Live Schriber
Nov-22	The Menu	English	Ralph Fiennes, Anya Taylor- Joy,Nicholas Hoult, Hong Chau, Janet Mcteer
Nov-22	Strange World	English	Alan Tudyk
Nov-22	Devotion	English	Serinda Swan, Jonathan Majors, Glen Powell, Joe Jonas
Nov-22	Bones And All	English	Taylor Russell, Timothee Chalamet, Mark Rylance, Michael Stuhlbarg
Nov-22	She Said	English	Zoe Kazan, Carey Mulligan, Patricia Clarkson, Andre Braugher
Dec-22	Violent Night	English	David Harbour, John Leguizamo, Beverly D'Angelo
Dec-22	House Party	English	Jacob Latimore, Tosin Cole
Dec-22	Avatar : The Way Of Water (3D) Imax Dbox	English/Hindi/Tamil/Telegu	Zoe Saldana, Kate Winslet, Oona Chaplin, Stephen Lang, Sigourney Weaver, Sam Worthington
Dec-22	I Wanna Dance With Somebody	English	Naomi Ackie, Ashton Sanders, Stanley Tucci
Dec-22	A Man Called Otto	English	Tom Hanks, Mariana Trevino, Rachel Keller
Dec-22	Puss In Boots: The Last Wish	English	Antonio Banderas, Chris Miller,
Jan-23	M3Gan	English	Allison Williams, Voilet Mcgraw, Ronny Chieng
Jan-23	Harold And The Purple Crayon	English	Zachary Levi, Zooey Deschanel, Lil Rel Howery
Jan-23	The Plane	English	Gerard Butler, Daniella Pineda, Mike Colter, Tony Goldwyn
Jan-23	Till	English	Haley Bennett, Whoopi Goldberg, Jayme Lawson
Feb-23	Babylon	English	Brad Pitt, Margot Robbie
Feb-23	Knock At The Cabin	English	Jonathan Groff, Dave Bautista, Rupert Grint
Feb-23	Its All Coming Back To Me	English	Priyanka Chopra, Sam Heughan, Celine Dion, Russell Tovey
Feb-23	Ant-Man And The Wasp Quantumania	English	Paul Rudd, Evangeline Lily, Michael Douglas, Michelle Pfeiffer, Kathryn Newton
Feb-23	Cocaine Bear	English	Keri Russell, O'Shea Jackson Junior, Ray Liotta
Feb-23	Tar	English	Cate Blanchett, Mark Strong, Julian Glover
Mar-23	Dungeons And Dragons	English	Chris Pine, Sophia Lillis, Justice Smith
Mar-23	Creed Iii	English	Michael B Jordan, Tessa Thompson, Phylicia Rashad, Wood Harris
Mar-23	Haunted Mansion	English	Rosario Dawson, Tiffany Haddish, Lakeith Stanfield, Owen Wilson, Danny Devito
Mar-23	65	English	Adam Driver, Ariana Greenblatt, Chloe Coleman
Mar-23	Shazam : The Fury Of Gods - Imax	English	Zachary Levi, Asher Angel, Jack Dylan Grazer
Mar-23	John Wick 4	English	Keanu Reeves

Source: Kotak Institutional Equities

Exhibit 9: Key regional movies expected to be released in FY2023

Rel Date	Movie	Language	Cast
Regional			
Sep-22	Pagaa Pagaa Pagaa	Telugu	Abhilash Sunkara, Deepika Aaradhya, Karate Kalyani
Sep-22	Shin Ultraman - 4Dx	Japanese	Takumi Saitoh, Masami Nagasawa, Hidetoshi Nishijima
Sep-22	Guru Shishyaru	Kannada	Sharan, Nishvika Naidu
Sep-22	Swachcha Karnataka	Kannada	Arjun Shreeram, Anjali
Sep-22	Raja Rani Roarer Rocket	Kannada	Bhushan, Manya
Sep-22	Dhum	Kannada	Srijeet, Eerlin Adhikary, Shayaji Shinde
Sep-22	Romancham	Malayalam	Soubin Shahir, Arjun Asokan, Chemban Vinod
Sep-22	My Name Azhakan	Malayalam	Binu Thrikkakkara, Saranya Ramachandran
Sep-22	Chattambi	Malayalam	Sreenath Bhasi, Cheban Vinod Jose
Sep-22	Ormakalil	Malayalam	Shaju Sreedhar
Sep-22	Raada	Marathi	Akash Shetty Tuptewar, Yogita Chavan, Ajay Rathod, Shilpa Thakre, Milind Gunaji
Sep-22	Neighbours	Marathi	Chetan Chitnis, Krutika Gaikwad, Siddharth Bodke, Prasad Jawade, Shailesh Datar, Neha Bam
Sep-22	Criminal	Punjabi	Neeru Bajwa, Prince Kanwaljit Singh, Dheeraj Kumar, Raghveer Boli
Sep-22	Trigger	Tamil	Aatharva Murali, Tanya Ravichandran
Sep-22	Aadhaar	Tamil	Iniya Sawant, Karunas, Riythvika
Sep-22	Drama	Tamil	Kishore
Sep-22	Buffoon	Tamil	Vaibhav Reddy
Sep-22	Lilly Rani	Tamil	Chaya Singh, Dushyanth
Sep-22	Rendagam (Except Keerala)	Tamil	Kunchacko Boban, Eesha Rebba, Arvind Swamy, Jinse Baskar, Jackie Shroff, Aadukalam Naren
Sep-22	Alluri	Telugu	Sree Vishnu, Kayadu Lohar, Tanikella Bharani, Suman, Raja Ravindra, Prudhvi Raj, Ravi Varma
Sep-22	Dongalunnaru Jaagratha	Telugu	Sri Simha Koduri, Preethi Asrani, Samuthirakani
Sep-22	Matrudevobhava	Telugu	Patanjali Srinivas, Amrutha Chowdhary, Sudha, Gemini Suresh, Sri Harsha, Chammak Chandra
Sep-22	Ikshu	Telugu	Agnivesh Ram, Rajeev Kanakala, Bahubali, Prabhakar, Chitram Seenu, Chammak Chandra
Sep-22	Krishna Vrindha Vihari	Telugu	Naga Shourya, Shirley Setia, Radhika Sarathkumar, Venella Kishore, Satya Akkala, Brahmaji
Sep-22	Naane Varuven	Tamil	Dhanush
Sep-22	Kacher Manush	Bengali	Prosenjit Chatterjee, Ishaa Saha And Dev
Sep-22	Karnosuborner Guptadhan	Bengali	Abir Chatterjee, Arjun Chakrabarty, Ishaa Saha
Sep-22	Boudi Canteen	Bengali	Parambrata Chatterjee, Subhasree Ganguly
Sep-22	Mission Everest	Bengali	Chandreyee Ghosh, Shantilal Mukherjee
Sep-22	Kantara	Kannada	Rishab Shetty, Sapthami Gowda
Sep-22	Once Upon A Time In Jamaligudda (Tentative)	Kannada	Dhananjaya, Aditi Prabhudeva
Sep-22	Mei Hoom Moosa	Malayalam	Suresh Gopi, Poonam Bajwa, Saiju Kurup, Harish Kanaran
Sep-22	Saturday Night	Malayalam	Nivin Pauly, Aju Varghese, Saiju Kurup, Siju Wilson, Saniya Jayppan, Grace Antony
Sep-22	Ponniyin Selvan - Imax	Tamil, Hindi, Telugu, Malayalam, Kannada	Karthi, Vikram, Jayam Ravi, Vikram Prabhu, Trisha, Aishwarya Rai Bachchan, Jayaram
Sep-22	Ravanaasura	Telugu	Ravi Teja, Sushant
Oct-22	Aapdi Thaapdi	Marathi	Shreyas Talpade, Mukta Barve, Nandu Madhav, Sandeep Pathak, Khushi Hajare, Ruturaj Shinde
Oct-22	Babe Bhangra Pounce Ne	Punjabi	Diljit Dosanjh, Sargun Mehta, Sohail Ahmed
Oct-22	Swathimuthyam	Telugu	Ganesh Bellamkonda, Varsha Bollamma
Oct-22	The Ghost	Telugu	Nagarjuna Akkineni, Sonal Chauhan, Gul Panag
Oct-22	Godfather	Telugu	Chiranjeevi, Salman Khan, Nayanthara, Satyadev Kancharana
Oct-22	Medal	Gujarati	Jayesh More, Kinjal Rajpuria, Chetan Daiya
Oct-22	Hu Taari Heer	Gujarati	Puja Joshi, Ojas Rawal, Bharat Chawda
Oct-22	One Piece Film : Red Imax 4Dx	Japanese	Chō, Hiroaki Hirata, Shūichi Ikeda, Kazuya Nakai
Oct-22	Masand	Punjabi	Rabbi Kandola, Nishan Bhullar, R.P. Singh
Oct-22	Coffee With Kadhal	Tamil	Jai, Jiiva, Amritha Aiyer, Yogi Babu, Aishwarya Dutta
Oct-22	Madhav	Gujarati	Hitu Kanodia
Oct-22	Congratulations	Gujarati	Sharman Joshi, Manasi Parekh, Hitu Kanodia
Oct-22	Dj Wale Babu	Haryanavi	Gulzaar Chhaniwala, Mahi Gaur, Mukesh Tiwari, Joginder Kund
Oct-22	Bhinna	Kannada	Payal Radhakrishna, Shashank Purushotham

Source: Kotak Institutional Equities

Exhibit 9 Contd: Key regional movies expected to be released in FY2023

Rel Date	Movie	Language	Cast
Oct-22	Rorschach /13Th Oct	Malayalam	Mammootty, Sharafudheen, Jagadish, Grace Antony
Oct-22	Chal Jindiye	Punjabi	Neeru Bajwa, Kulwinder Billa, Gurpreet Ghuggi, Jass Bajwa, Aditi Sharma
Oct-22	Vich Bolunga Tere	Punjabi	Ravinder Grewal, Molina Sodhi, Gurmeet Saajan
Oct-22	Upendra And Manju Mandavya Movie (Title Not Finalized)	Kannada	Upendra
Oct-22	Khaimara	Kannada	Priyanka Upendra, Priyamani
Oct-22	Bollobhpurer Rupkatha	Bengali	To Be Discussed
Oct-22	Padavettu	Malayalam	Nivin Pauly, Sunny Vane, Aditi Balan
Oct-22	Naalam Mura	Malayalam	Biju Menon, Guru Somasundaram
Oct-22	Har Har Mahadev	Marathi,Hindi, Tamil, Telugu, Kannada	Gauri Sukhatankar, Sanjay Narvekar, Arun Nalawade,Amita Khopkar
Oct-22	Chobbar	Punjabi	Jayy Randhawa, Drishty Talwar, Honey Mattu,Sukhi Chahal
Oct-22	Prince	Tamil, Telugu	Sivakarthiskeyan, Maria Ryaboshapka , Sathyaraj
Oct-22	Honeymoon	Punjabi	Gippy Grewal, Jasmin Bhasin
Oct-22	Bumper	Kannada	Dhanveer, Ramachandra Raju
Oct-22	Gandhada Gudi	Kannada	Amoghavarsha J S
Oct-22	Head Bush	Kannada	Dhananjay, Payal Rajput
Oct-22	Kranti	Kannada	Darshan, Rachita Ram
Oct-22	Baagad Billa	Gujarati	Chetan Dhanani, Dinesh Lamba, Cheta Daiya
Nov-22	Doctor Bakshi	Bengali	Subhashree Ganguly, Parambrata Chattopadhyay , Bonny Sengupta, Maahi Kar
Nov-22	Chabutaro	Gujarati	Raunaq Kamdar
Nov-22	Man Kasturi Re	Marathi	Abhinay Berde, Tejasswi Prakash, Vinamra Babhal
Nov-22	Nishaana	Punjabi	Kulwinder Billa, Saanvi Dhiman, Guggu Gill
Nov-22	Kahi De Prem Che	Gujarati	Vishal Solanki, Smit Pandya, Manisha Trivedi, Kalpesh Patel
Nov-22	The Story Of Rayagada	Kannada	Ganesh
Nov-22	Raja Veera Madakari Nayaka	Kannada	Darshan
Nov-22	Padachone Ningalu Kathilin	Malayalam	Sreenath Bhasi, Grace Antony Johny, Harish Kanaran
Nov-22	Kulche Chhoe	Punjabi	Dilraj Grewal
Nov-22	Untitled	Gujarati	Malhar Thakkar , Arohi
Nov-22	Gandhigiri	Kannada	Prem, Ragini Dwivedi
Nov-22	Sunny	Marathi	Lalit Prabhakar
Nov-22	Cheta Singh	Punjabi	Prince Kanwaljit Singh, Japji Khaira, Mintu Kapa
Nov-22	Lakiro	Gujarati	Raunaq Kamdar, Vishal Shah, Deeksha Joshi
Nov-22	Char Fera Chakdol	Gujarati	Sanjay Goradia, Smit Pandya
Dec-22	Chal Man Jeetva Jaiye 2	Gujarati	Karan Bhanushali, Krishna Bharadwaj, Dharmendra
Dec-22	Vaathi/Sir	Tamil/Telugu	Dhanush
Dec-22	Hit 2	Telugu	Adivi Sesh, Meenakshi Chaudhary
Dec-22	Flop	Kannada	
Dec-22	Karma	Gujarati	Chetan Dhanani
Dec-22	Haami 2	Bengali	Prosenjit Chatterjee , Broto Banerjee
Dec-22	Projapati	Bengali	Dev
Dec-22	Kushi	Telugu, Tamil, Kannada, Malayalam	Vijay Deverakonda, Samantha, Jayaram, Sachin Khedekar, Murali Sharma
Dec-22	Autograph	Marathi	Ankush Choudhary, Amruta Khanvilkar
Jan-23	Var Padharo Savdhan	Gujarati	Kijal Rajpriya
Feb-23	Kali Jotta	Punjabi	Neeru Bajwa, Satinder Sartaj, Wamiqa Gabbi
Mar-23	Hoysala	Kannada	Dhananjaya
Mar-23	Rabb Da Radio 3	Punjabi	Tarsem Jassar
Mar-23	Kikli	Punjabi	Jobanpreet Singh, Mandy Thakkar, Wamiqa Gabbi

Source: Kotak Institutional Equities

Exhibit 10: Condensed consolidated financials for PVR, March fiscal year-ends (Rs mn), 2014-24E

	2017	2018	2019	2020	2021	2022	2023E	2024E
Profit model								
Revenues	21,628	23,478	30,947	34,170	2,704	13,310	37,388	46,023
Ticket sales (net)	11,256	12,471	16,354	17,312	1,019	6,699	19,921	24,193
F&B sales	5,794	6,250	8,584	9,605	756	4,133	12,025	14,603
Ad revenues	2,518	2,969	3,535	3,759	178	721	2,721	3,944
Other operating income	2,060	1,788	2,474	3,495	752	1,758	2,722	3,282
EBITDA	3,570	4,155	5,955	5,799	(4,641)	(2,328)	6,068	8,501
Other income	189	177	240	352	401	777	650	650
Depreciation	1,384	1,537	1,913	2,324	2,383	2,642	2,846	3,279
Interest expense	806	837	1,280	1,521	1,490	1,546	1,382	1,287
Pretax profits	1,528	1,952	3,002	2,305	(8,113)	(5,737)	2,490	4,584
Tax	570	704	1,096	978	(1,463)	(1,548)	747	1,192
PAT before minority interest	958	1,247	1,906	1,327	(6,651)	(4,189)	1,743	3,392
Minority interest	1	0	-	1	4	-	-	-
PAT	958	1,247	1,906	1,326	(6,655)	(4,189)	1,743	3,392
Diluted earnings per share (Rs)	20.5	26.7	40.8	24.1	(113.7)	(62.7)	28.6	55.6
Balance sheet								
Total equity	9,650	10,754	12,395	22,482	27,301	23,829	25,363	28,347
Deferred taxation liability	9	6	955	14	7	25	25	25
Total borrowings	8,196	8,305	12,824	12,947	11,013	15,052	14,052	13,052
Minority interest	405	8	2,566	3	0	(3)	(3)	(3)
Current liabilities	3,925	4,316	7,896	7,069	7,675	6,858	9,031	10,158
Total liabilities and equity	22,257	23,488	39,090	44,257	47,481	46,477	49,184	52,295
Cash and cash equivalents	309	339	352	3,246	7,323	5,786	4,746	5,467
Other current assets	5,363	5,880	5,861	6,834	5,308	6,087	7,962	8,973
Tangible fixed assets	10,447	11,270	14,900	16,358	14,903	15,179	17,234	18,796
Goodwill and Intangibles	4,640	4,629	13,108	12,455	12,294	12,110	11,927	11,744
CWIP	1,056	1,017	2,208	1,547	2,172	645	645	645
Total assets	22,257	23,488	39,090	44,257	47,481	46,477	49,184	52,295
Free cash flow								
Operating cash flow, excl. working capital	3,442	3,880	5,312	10,518	(3,323)	1,234	5,321	7,309
Working capital changes	(246)	582	2,984	(2,647)	(803)	434	299	115
Interest expense (net)	(617)	(660)	(1,041)	(1,169)	(1,090)	(768)	(732)	(637)
Capital expenditure	(3,024)	(3,287)	(4,362)	(3,851)	(1,167)	(1,249)	(4,718)	(4,658)
Free cash flow	(445)	516	2,894	2,851	(6,384)	(349)	170	2,129
Key ratios and assumptions								
Footfalls (mn)	75.2	76.1	99.3	101.7	6.8	33.5	93.8	109.6
Average Ticket Price (ATP) (Rs)	196	210	207	204	180	235	250	260
F&B spends per head (SPH) (Rs)	81	89	91	99	96	124	132	137
Ad revenue growth (%)	17.3	17.9	19.1	6.3	(95.3)	304.9	277.6	45.0
Screens (#)	579	625	763	845	842	854	954	1,044
EBITDA margin (%)	16.5	17.7	19.2	17.0	(171.6)	(17.5)	16.2	18.5
Net debt/equity (X)	0.8	0.7	1.0	0.4	0.1	0.4	0.4	0.3
RoAE (%)	10.4	12.2	16.5	7.6	(26.7)	(16.4)	7.1	12.6
RoACE (%)	9.1	9.2	11.8	7.0	(18.2)	(11.3)	6.7	10.9

Source: Company, Kotak Institutional Equities estimates

Gogoro – refueling EVs instantly. We interacted with Bruce Atiken, CFO at Gogoro, recently. Key takeaways from the discussion are – (1) e-mobility is on the cusp of rapid adoption, especially in the 2W segment, (2) swapping batteries is better than charging batteries due to lower upfront cost and space constraints in densely populated metro cities, (3) the company has a fully vertically integrated ecosystem with in-house hardware and software capabilities and (4) partnerships will be the key to expand into multiple geographies. We believe battery swapping is an ideal solution in the commercial 2W segment; however, issues of interoperability may restrict its mass adoption.

Gogoro – bringing battery swapping to the world’s urban riders

Gogoro, since its launch in 2015, has expanded from a local e-scooter maker in Taiwan to a worldwide leader in swappable battery technology. To date, the company has tied up with 10 vehicle makers and boasts massive 325 mn battery swaps since it began its operations. The company believes that their battery swapping solution addresses the critical needs of consumers, especially in urban areas, which include benefits such as (1) eliminate range anxiety – modular stations can be installed quickly and affordably, (2) battery swapping is 100X faster than traditional charging, (3) battery swapping is proven safe as the batteries are charged in a controlled environment and countries such as China are banning home charging due to fire safety incidents and (4) an affordable solution as the upfront cost of an EV comes down by 30-40%. The company believes that battery swapping is an ideal solution for urban areas where space and time remain big constraints.

Full vertical integration creates unique, best-in-class user experience

Gogoro’s technology differentiation and holistic approach towards vertical integration have various features that make it a pioneer in the battery-swapping industry. Their offerings include (1) fully connected, upgradable and secure smart vehicles, (2) digital e-powertrain technology equivalent of 125cc ICE 2W performance, (3) smart portable & powerful battery designed for swapping, (4) cloud connected battery swapping stations and (5) an AI-driven operating system. The company has developed in-house motors with power output ranging from 2.4-13 kW. The company also highlighted that they can integrate any cell chemistry (LFP, NMC, solid state) and form factor with its interoperable battery-swapping platform. Across Taiwan, the company has deployed battery-swappable stations (GoStation) and their key features include – (1) modular design, (2) intelligent charging, which minimizes battery degradation and (3) self-diagnosing capabilities underpinned by proprietary software and network capabilities.

All set for international expansion in Indian, Chinese and Indonesian markets

After conquering the domestic market of Taiwan, the company has set its sights on global markets. The company has announced a partnership with Hero MotoCorp for entering the Indian market. Also, the company announced a partnership with Yadea and DCJ to enter the Chinese market and Gojek for venturing into the Indonesian market. The company highlighted that it would opt for the route of partnership for international expansion mainly because local partners have better understanding of the consumers and government policies alongside a well-established supply chain. In international markets, the company will form a JV with its partner, where the domestic partner will focus on brand & distribution, marketing and equity investment whereas Gogoro will bring on-board its hardware and software capabilities and operational knowhow. A jointly owned entity will operate the swapping network in which Gogoro will receive the upfront revenue for providing its proprietary hardware and license fee through subscription revenue sharing whereas it opens up a new business opportunity for OEMs. In India, the company will unroll its program in the cities of New Delhi and Bangalore in CY2023.

Rishi Vora

Eswar Bavineni

Battery swapping is an ideal solution for commercial 2W applications

Our analysis of total cost of ownership for e-2W without battery versus Honda Activa FI implies breakeven of ~0.4 years compared to ~0.9 years for Ola Electric S1 Pro (see Exhibit 5) for commercial usage. For purchasing an e-2W without battery, consumers will pay Rs27.6k lower as compared to Ola Electric S1 Pro after considering (1) 30% lower upfront cost and (2) 60% lower incentives for e-2W without battery as compared to Ola Electric S1 Pro. Instead, the customer will have to pay monthly rental cost of Rs1.2k as battery rental cost. Since breakeven for a customer is less than <0.5 years, economics of e-2W without battery is even more favorable as compared to e-2W with a fixed battery, especially for commercial applications (riders of Zomato, Swiggy, Zepto, etc.). Also, the users can almost instantly swap battery at the station resulting in zero vehicle downtime.

Focus on creating recurring revenue model via battery-swapping subscription

The company highlighted that they generate revenues via two modes, which include (1) hardware sales to consumers and its partners and (2) Swap & Go subscription revenues.

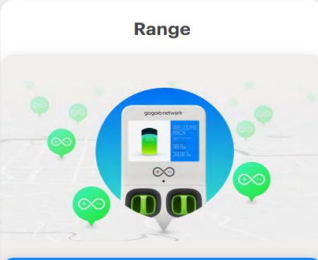



- ▶ Hardware sales will be basically an upfront revenue stream, which will include selling (1) Gogoro branded scooters to end-consumers, (2) component and kit sales to OEM partners, which include smart batteries, EV core components including powertrain products and (3) swapping stations for network partners.
- ▶ Swap & Go subscription revenue stream includes either recurring subscription revenue from self-owned network or platform licensing to network partners. This revenue stream is super sticky with 10+ years of predictable earning inflows.

However, the key hurdle to scale up battery-swapping technology will be interoperability of batteries and software for battery management system among various players. The company highlighted that interoperability still remains an overhang; however, it believes that superior safety standards (the company has not witnessed any fire incidents to date) and government push may lead to some level of standardization.

Other key takeaways from the call




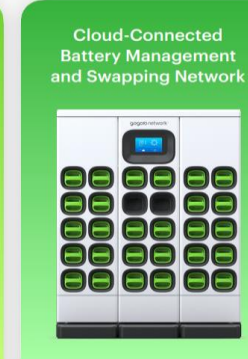

- ▶ The company has an open platform and will opt for more partnerships across different geographies.
- ▶ The company believes swappable battery technology will work out in top 8-10 cities in India, which are densely populated.
- ▶ Post the degradation of automotive batteries, the company highlighted that these recycled batteries can be used for varied applications, which include smart parking meters and lights, smart traffic lights, energy storage solutions, among others.
- ▶ The company tied up with Foxconn in 2021. Foxconn and Gogoro will begin collaborating on multiple projects including smart batteries, vehicle engineering and manufacturing.

Exhibit 1: Advantages of battery swapping over fixed battery technology

Range	Time	Safety	Cost
 <p>Limitless Range</p> <p>Battery swapping removes range anxiety</p> <p><small>Modular GoStation design can be installed quickly and affordably wherever required for subscriber demand.</small></p>	 <p>Time Saving</p> <p>>100x faster than traditional charging</p> <p><small>Battery swapping with Gogoro versus standard charging times</small></p>	 <p>Proven Safe</p> <p>Complies with international safety standards</p> <p><small>Countries such as China are introducing bans on home charging of batteries due to fire safety incidents</small></p>	 <p>Affordable</p> <p>Price parity at purchase and lower total cost of ownership</p> <p><small>Subscribing to battery swapping service removes battery cost from vehicle purchase price</small></p>

Source: Company, Kotak Institutional Equities

Exhibit 2: Gogoro has well-established vertically integrated business model

<p>Fully Connected Upgradable, and Secured</p>  <p>Smart Vehicles</p>	<p>Advanced All-Digital E-Powertrain with 125cc Performance</p>  <p>Powertrain Technology</p>	<p>Smart, Powerful Portable LEV Battery Designed For Swapping</p>  <p>Smart Battery Designed for Swapping</p>	<p>Cloud-Connected Battery Management and Swapping Network</p>  <p>Battery Swap Stations</p>	<p>AI-Driven Operating System and User Experience</p>  <p>Consumer App and Network Software</p>
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Source: Company, Kotak Institutional Equities

Exhibit 3: Gogoro's swapping stations – GoStation



Smart GoStation
Always on, always connected, always ready.

Modular Design
Easy to install, all-in-one module, makes deployment in new cities or expansion within a city quick and easy.

Intelligent Charging
Charging speed varies based on data tracking efficiency of overall network to maximize battery availability while minimizing degradation due to fast charging.

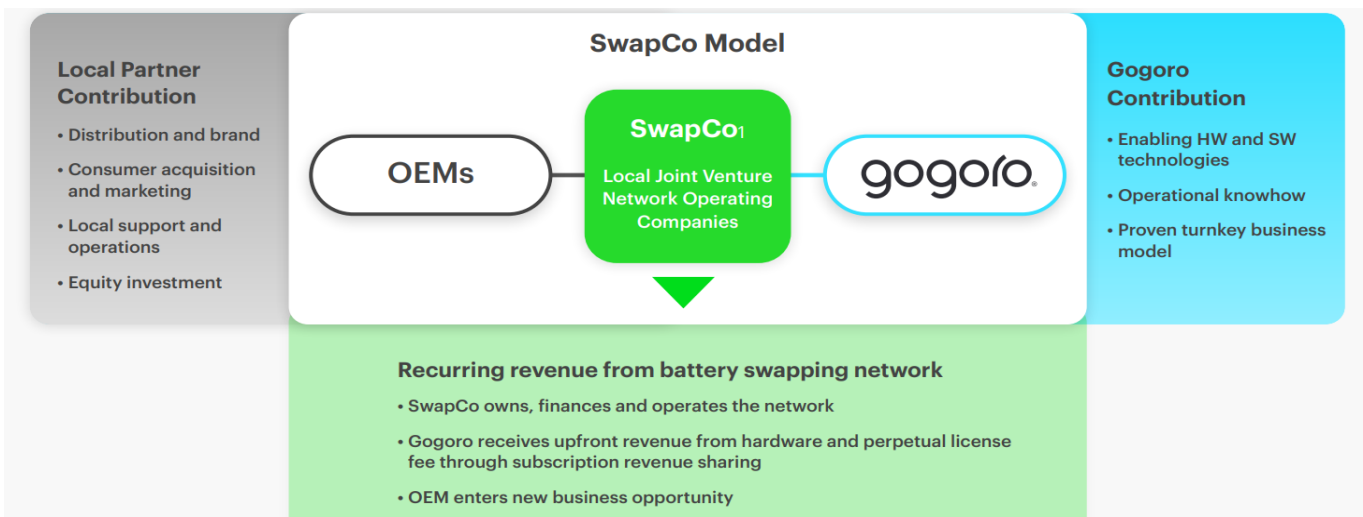
Smart & Self-Diagnosing
Software and remote monitoring enables 24/7 operations with minimal amount of staff per region.

Smart Grid Ready
Designed for bidirectional energy exchange; and distribution with urban micro grids.

64 hours Self-Powered
If grid power fails due to weather or emergency, GoStation can run independently and without interruption to swapping service.

Source: Company, Kotak Institutional Equities

Exhibit 4: Gogoro's swapping stations – GoStation



Source: Company, Kotak Institutional Equities

Exhibit 5: Cost of ownership will be lower for e-2W with battery swapping (commercial use-case) as compared to Ola S1 Pro
Comparison of the total cost of ownership of an e-2W with battery swapping and Ola Electric S1 with Honda Activa FI over 125k km

	Ola S1 Pro	Honda Activa FI		Electric 2W with battery swapping	Honda Activa FI
Battery prices (in \$ per kW-hr)			Battery prices (in \$ per kW-hr)		
		200		200	
On road price (Rs)	181,999	89,978	On road price (Rs)	127,399	89,978
Incentives	45,000	—	Incentives	18,000	—
Cost to consumer (Rs)	136,999	89,978	Cost to consumer (Rs)	109,399	89,978
Battery size (Kwh)	4.0	—	Battery size (Kwh)	4.0	—
Electricity cost (Rs/kwh)	6.0	—	Electricity cost (Rs/kwh)	—	—
Range at full charge (km)	127	—	Range at full charge (km)	—	—
Electricity cost (Rs/km)	0.2	—	Electricity cost (Rs/km)	—	—
Electricity cost (Rs)	23,500	—	Electricity cost (Rs)	—	—
Battery rental cost	—	—	Battery rental cost	94,002	—
Government subsidies	—	—	Government subsidies	18,800	—
Net battery rental cost (Rs)	—	—	Net battery rental cost (Rs)	75,201	—
Fuel cost (Rs)	—	328,125	Fuel cost (Rs)	—	328,125
Maintenance cost (Rs)	2,500	7,500	Maintenance cost (Rs)	2,500	7,500
Replacement value of battery	37,219	—	Replacement value of battery	—	—
Total cost of ownership of vehicle over 50,000 kms (Rs)	200,218	425,603	Total cost of ownership of vehicle over 50,000 kms (Rs)	187,101	425,603
Break-even (km)	—	21,577	Break-even (km)	9,412	—
Break-even (years)	—	0.9	Break-even (years)	0.4	—

Key assumptions:

- (1) We have assumed two-wheeler runs 25,000 kms per year (commercial usage)
- (2) We have assumed fuel cost of Rs105 per litre in our calculations
- (3) We have taken replacement cost of battery at price of \$125 per kW-hr

Key assumptions:

- (1) We have assumed two-wheeler runs 25,000 kms per year (commercial usage)
- (2) We have assumed fuel cost of Rs105 per litre in our calculations
- (3) We have taken 30% lower upfront of the vehicle without EV battery
- (4) We have taken 20% government subsidies on battery rental cost and 40% of the current subsidies for EV without battery
- (5) We have assumed 4X running cost of EV vehicle without battery as compared to EV vehicle with battery

Source: Company, Kotak Institutional Equities estimates

SEPTEMBER 22, 2022

UPDATE

BSE-30: 59,457

Mean reversion at play. We keep an unchanged investment thesis as we see (1) strong traction on loan growth; (2) lenders confident in their portfolio; and (c) borrowers' intent getting better with improving visibility of income or revenue. If this thesis plays, we should not only see better loan growth but also a sharper improvement in asset quality and a faster normalization of return ratios. In this backdrop, we believe that the probability of tier-2 banks outperforming frontline banks is higher.

From famine to feast: the investment thesis remains unchanged

Despite the sharp increase in stock prices in the past few months in the public sector, mid-tier private and regional banks, we maintain our positive outlook on these banks. We have revised our fair value in select banks as the traction on the ground seems to be getting better on loan growth and asset-quality metrics. We keep our investment thesis unchanged. We are seeing a combination of better asset-quality trends, recovery in loan growth and normalization in RoEs across lenders to result in higher valuation multiples. We expect the mid-tier private banks, regional banks and small finance banks to outperform frontline private banks.

Asset-quality metrics likely to see further improvement

Despite the apprehension immediately post Covid, the direction of impairment ratios continues to show improvement. After an increase in the stressed book immediately after Covid 2, we are now starting to see a reduction for nearly all lenders. We believe that the confidence that we had with frontline banks on asset-quality improvement is gradually shifting toward these banks as well. Public banks, given their relatively lower exposure to customer segments that were affected by Covid 2, are showing the fastest improvement. The mid-sized private and regional banks were impacted by Covid, especially in the services and retail portfolio, which had a higher exposure to the self-employed segment. We are seeing an improvement in impairment ratios in these banks as well. Importantly, the collateral covering these loans usually tends to be real estate, where the ability of the lender to enforce the collateral is stronger.

Intent to lend is getting stronger and willingness to borrow is gaining traction as well

We are seeing a combination of higher intent to lend as well as a willingness to borrow in the market. The confidence of lenders is coming from the improvement in credit metrics that they are seeing, which is giving greater comfort to shift focus to growth, while borrowers are seeing greater confidence to borrow based on the improvement in business conditions. This combination should result in the loan growth holding up at elevated levels despite interest rates going up in recent months. Interestingly, the breadth of sectors demanding loans is showing an improvement though the intensity of growth has room for improvement.

Return ratios likely to show convergence across the entire spectrum of lenders

In the past decade, we have seen return ratios diverge across lenders. Corporate-oriented banks saw deterioration post FY2016, while retail-oriented banks saw the impact coming through after FY2020. This has resulted in a period where forecasting earnings was quite challenging, especially with credit costs consistently surprising on the negative or higher side. However, post FY2020, after the first set of downgrades to our earnings, we are seeing better trends with credit costs declining for banks that were impacted by the corporate NPL cycle. We are seeing the recovery in RoEs getting stronger for these banks, and with slower growth in recent years, we would expect these banks to have credit costs well below the long-term averages. A similar trend is likely for banks that have been impacted by the retail NPL cycle after Covid.

M B Mahesh, CFA

Nischint Chawathe

Ashlesh Sonje, CFA

Abhijeet Sakhare

Varun Palacharla

Valuations are still not expensive in our view

Exhibit 1 shows the current changes to our fair value across for stocks under coverage. We revise them upward through a combination of price rollover and/or factoring in higher confidence to the underlying business. Note that most of these banks have gone through challenging times either in the corporate NPL cycle or post Covid 2, and there has been a lot of scrutiny on the long-term outlook of these financiers.

Exhibit 1: Rating changes and valuations

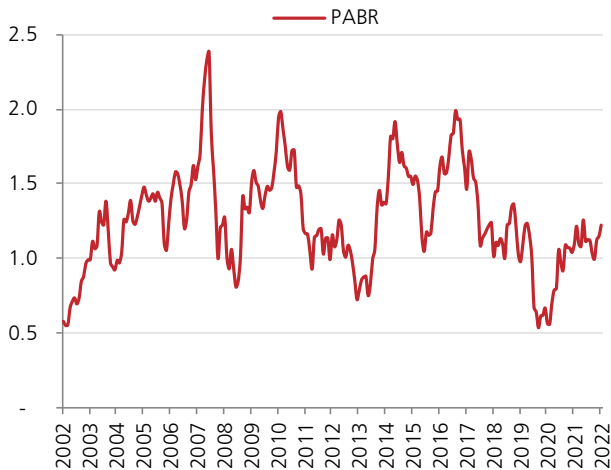
	Rating		Target Price (Rs)		Market price (Rs)	Upside (%)	Target PER (X)			Target PBR (adj, X)			Current PER (X)			Current PBR (adj, X)		
	New	Old	New	Old			2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Public banks																		
Bank of Baroda	ADD	ADD	155	125	141	10	8	6	5	1.0	0.9	0.8	7	5	4	0.9	0.8	0.7
Canara Bank	ADD	ADD	260	260	247	5	8	6	5	0.9	0.8	0.7	7	6	5	0.9	0.8	0.7
PNB	ADD	REDUCE	45	30	40	12	10	7	6	0.7	0.6	0.5	9	6	5	0.6	0.5	0.5
SBI - Bank standalone	BUY	BUY	700	700	570	23	10	8	8	1.7	1.4	1.2	8	6	6	1.3	1.1	0.9
Union Bank	ADD	ADD	50	45	46	8	7	4	4	0.6	0.5	0.5	6	4	4	0.5	0.5	0.4
Old private banks																		
City Union	REDUCE	ADD	180	170	186	(3)	16	13	10	2.1	1.8	1.6	16	13	10	2.1	1.9	1.6
Federal Bank	BUY	BUY	145	120	123	18	11	10	8	1.5	1.4	1.2	10	9	7	1.3	1.2	1.0
Karur Vysya Bank	BUY	BUY	100	70	82	22	8	6	5	1.1	1.0	0.9	7	5	4	0.9	0.8	0.7
New private banks																		
Axis Bank	BUY	BUY	960	960	807	19	16	30	12	2.3	2.2	1.9	14	25	10	1.9	1.8	1.6
DCB	BUY	BUY	145	145	108	35	9	7	6	1.2	1.0	0.8	6	5	4	0.9	0.7	0.6
HDFC Bank - standalone	BUY	BUY	1,750	1,650	1,518	15	22	21	17	3.4	2.8	2.5	18	18	14	2.9	2.4	2.2
ICICI Bank - standalone	BUY	BUY	1,070	1,025	915	17	21	21	18	3.5	3.0	2.6	18	17	16	2.9	2.5	2.2
IndusInd Bank	ADD	ADD	1,350	1,100	1,224	10	16	13	11	2.0	1.8	1.6	14	12	10	1.8	1.6	1.4
Yes Bank	SELL	SELL	14	13	17	(17)	60	31	14	1.2	1.1	1.0	72	37	17	1.4	1.3	1.2
Ujjivan SFB	ADD	BUY	27	22	25	9	10	8	6	1.5	1.3	1.1	9	7	6	1.4	1.2	1.0
Equitas SFB	ADD	ADD	56	56	50	12	14	11	8	1.5	1.3	1.1	13	9	7	1.4	1.2	1.0
Bandhan	ADD	ADD	360	360	289	25	11	9	8	3.1	2.3	1.8	9	7	7	2.5	1.9	1.5
AU Small Finance Bank	SELL	SELL	600	550	666	(10)	31	23	19	3.8	3.3	2.8	35	26	21	4.2	3.7	3.1

Source:

Exhibit 2 and 3 show the price to book ratios for public and private banks. Note that, despite the strong price movement in recent months, they are still either close to their long-term averages or marginally higher. Public banks are just marginally higher than where they were pre-Covid despite substantial improvement in their asset quality ratios. On the other hand, the improvement in valuations for private banks has been relatively slower. A part of this can be attributed to HDFC Bank, the largest private bank, which has been underperforming in recent years. Outside of this, we have seen relatively subdued recovery in multiple in Axis Bank as investors continue to watch a combination of internal factors and implication of the Citi merger before gaining confidence. The tier-2 private banks and regional banks had struggled post Covid as their portfolios were skewed to a customer segment that was vulnerable to this slowdown. However, the performance on asset quality in the past two quarters gives comfort that the asset-quality issues are gradually fading and these banks are ready for growth.

Exhibit 2: Valuations of public banks have recovered but still inexpensive

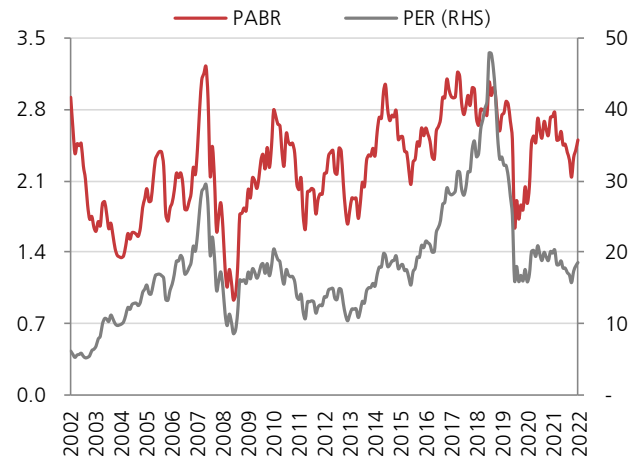
Historical valuation multiples for public sector banks on a 1-year forward book basis, March fiscal year-ends, 2002-23 (X)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 3: Recovery in multiples in private banks has been slow largely due to HDFC Bank

Historical valuation multiples for private sector banks on a 1-year forward book basis, March fiscal year-ends, 2002-23 (X)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 4 shows the valuation gap between retail and corporate banks. We had seen a sharp divergence in price to book multiples as the corporate NPL cycle was unfolding. However, we see a reversal in trends today as these corporate NPL heavy banks have shown much better resilience during the Covid cycle. Most of this resilience is primarily due to their lower exposure to sectors impacted by Covid, while their existing exposures to corporate were not only resilient but were able to substantially deleverage their balance sheets, giving comfort and confidence to investors to be lot more optimistic.

Exhibit 4: “Retail banks” trading at a 1.5X premium over “corporate banks”

Price to book (rolling one year-forward) premium of ‘retail banks’ over ‘corporate banks’



Notes:

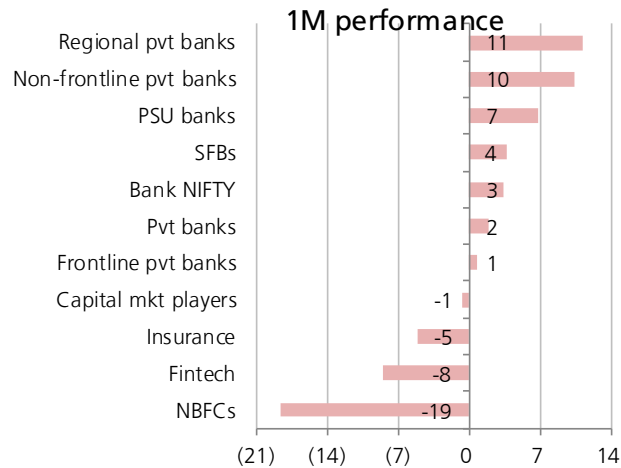
- (a) Corporate banks include Axis Bank, Bank of Baroda, Canara, Federal Bank, ICICI Bank, J&K Bank, Karur Vysya Bank, Punjab National Bank, State Bank of India, Union Bank and Yes
- (b) Retail banks include AU SFB, Bandhan Bank, City Union Bank, DCB Bank, Equitas Holdings, HDFC Bank, IndusInd Bank, RBL Bank, DCB Bank and Ujjivan Financial Services

Source: Bloomberg, Company, Kotak Institutional Equities

The following exhibits show the performance of the various types of BFSI players. Unlike the previous few years and especially immediately after Covid, where the preference was toward frontline private banks, we are now seeing a reversal or a mean revision playing off currently. We see greater comfort and confidence in the second tier players. It is a thesis which we believe has more room for upside.

Exhibit 5: Revival in stock prices in most segments of BFSI over past month

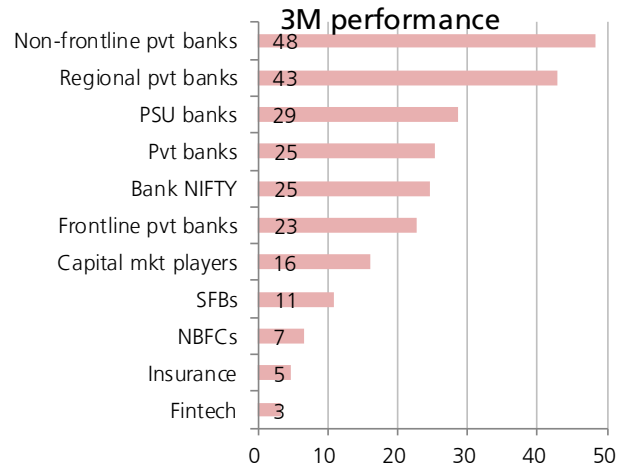
1-month returns of BFSI indices (%)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 6: 3-month performance has been broadly similar

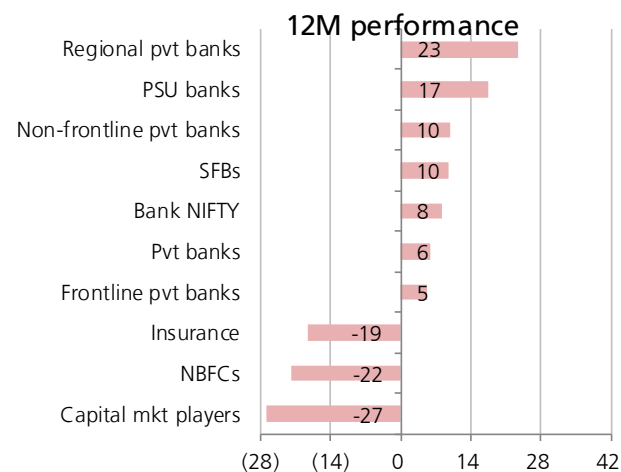
3-month returns of BFSI indices (%)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 7: PSU banks have outperformed over the past year

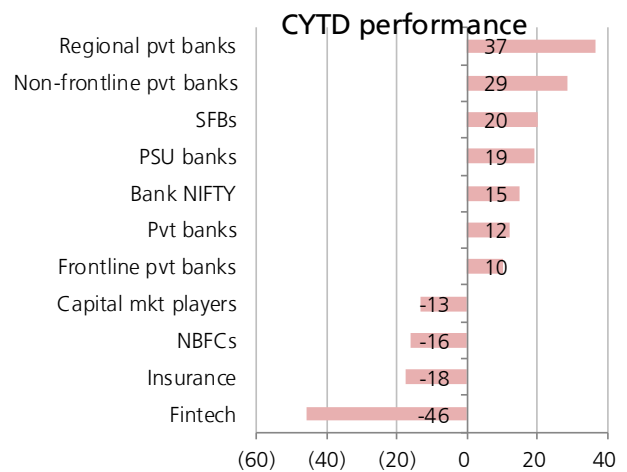
12-month returns of BFSI indices (%)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 8: Fintechs have lost significant market cap in CY2022

CYTD returns of BFSI indices (%)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 9 is a price index where we look at frontline private banks with other banks. We saw a sharp outperformance from FY2018 which is reversing today having peaked last year. A similar trend is also visible where we see the regional banks outperforming the frontline banks as well.

Exhibit 9: After a period of strong outperformance since FY2018, we are now seeing a reversal
Ratio of frontline bank index to other bank index (X)

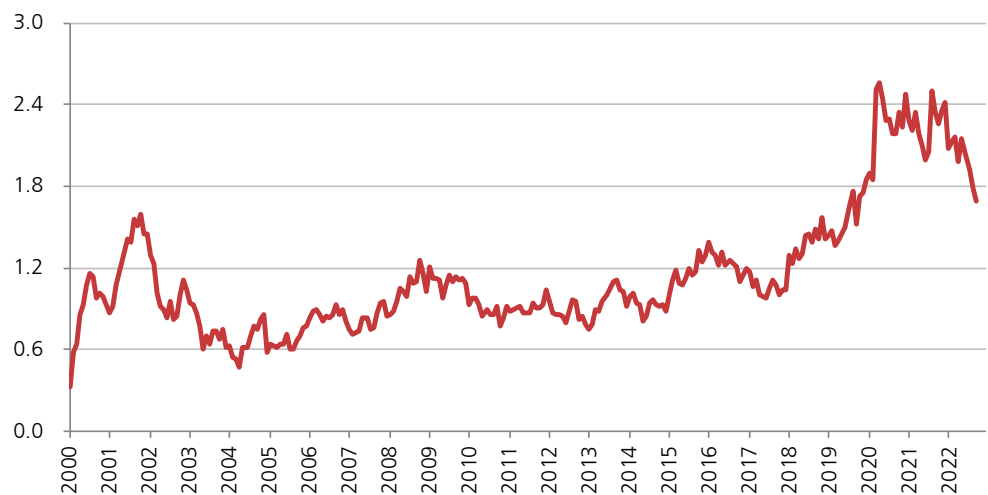


Notes:

- (a) Index ratio = Frontline bank index/ Other bank index. Both series indexed at 100 in January 2000.
 (b) Frontline bank index includes HDFCB, ICICIBC, AXSB.
 (c) Other bank index includes IIB, RBK, YES, FB, DCBB, KVB, CSBBANK, IDFCB, CUBK.

Source: Bloomberg, Kotak Institutional Equities

Exhibit 10: We are seeing a reasonable shift reversal in premium of regional over top private banks
Ratio of regional bank index to nifty bank index (X)



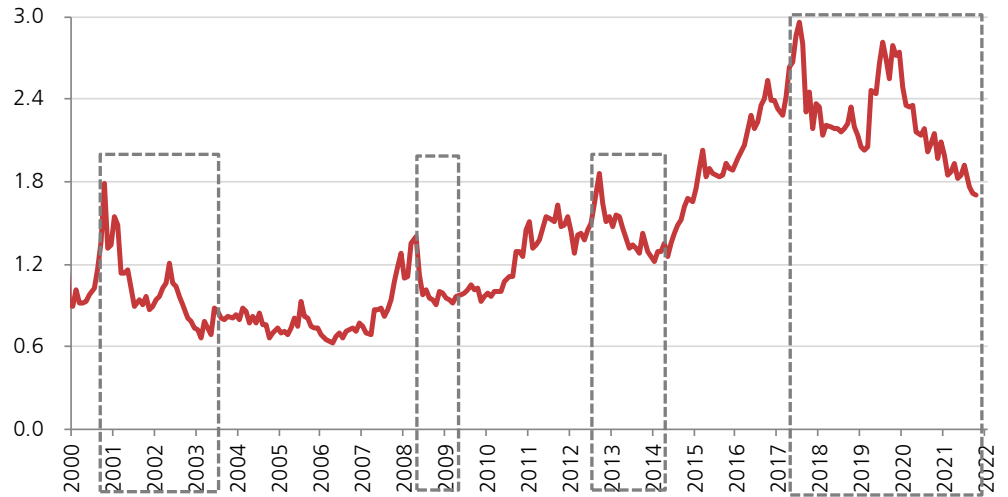
Notes:

- (a) Index ratio = Nifty Bank index/ Regional bank index. Both series indexed at 100 in January 2000.
 (b) Regional bank index includes FB, CUBK, KVB, CSBBANK, KBL, SIB and JKBK.

Source: Bloomberg, Kotak Institutional Equities

In the large private banks, Exhibit 11 shows the relative price movement of Axis/ICICI Bank with HDFC Bank. The sharp outperformance that HDFC Bank delivered during FY2014-18 has started to reverse from FY2020. From a stock price perspective, we believe that the big outperformance between these two banks has played out. We believe that ICICI Bank is still relatively well placed in the frontline banks. They have fewer issues to work with and the key focus would be to keep delivering on consistent growth and lower negative surprises in a down cycle. HDFC Bank, on the other hand, would have to work on its merger with the key overhang being the transition of liabilities.

Exhibit 11: ICICI Bank and Axis Bank have shown a strong outperformance over HDFC Bank
Ratio of HDFC Bank to Axis Bank and ICICI Bank index (X)

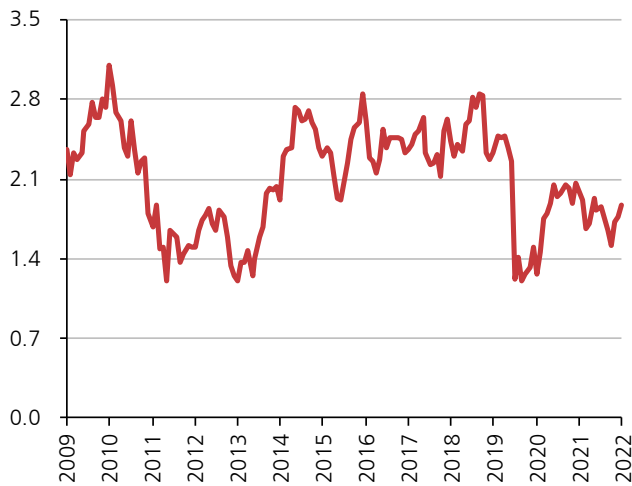


Notes:
(a) Index ratio = HDFCB stock price/ ICICIBC-AXSB index. Both series indexed at 100 in January 2000.

Source: Bloomberg, Kotak Institutional Equities

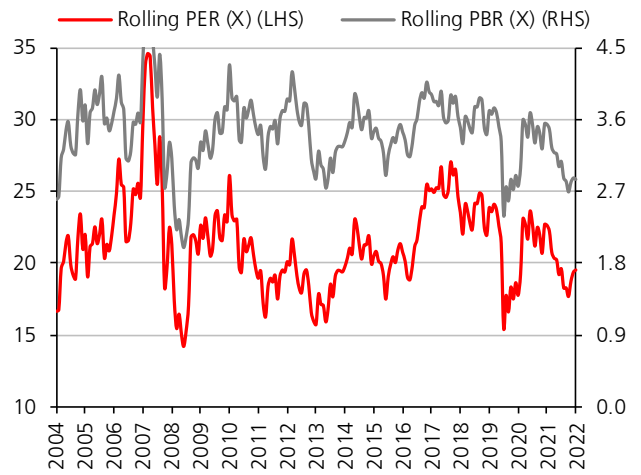
The exhibits below show the price-to-book movement of the various banks that are under our coverage.

Exhibit 12: Axis Bank
Price-to-book ratio, March fiscal year-ends, 2009-23 (X)



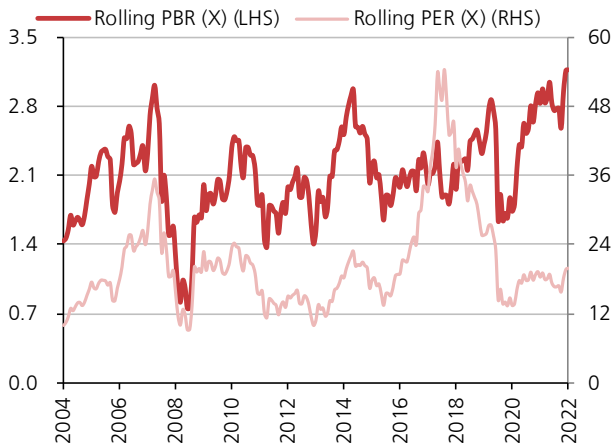
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 13: HDFC Bank
PBR and PER, March fiscal year-ends, 2009-23 (X)



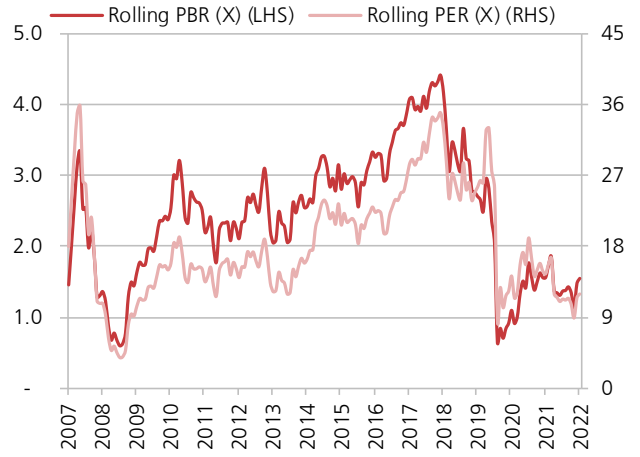
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 14: ICICI Bank
PBR and PER, March fiscal year-ends, 2009-23 (X)



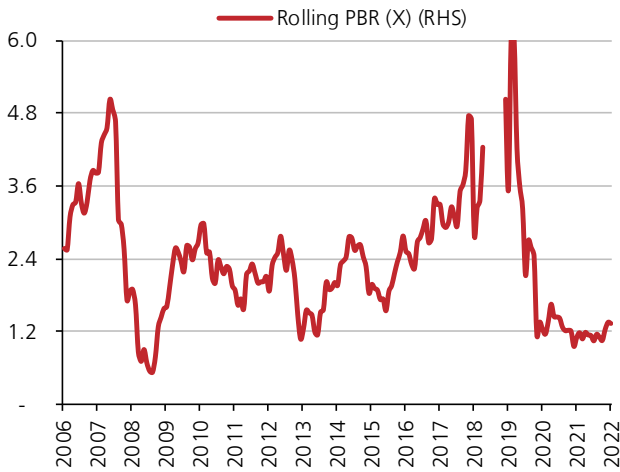
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 15: IndusInd Bank
PBR and PER, March fiscal year-ends, 2009-23 (X)



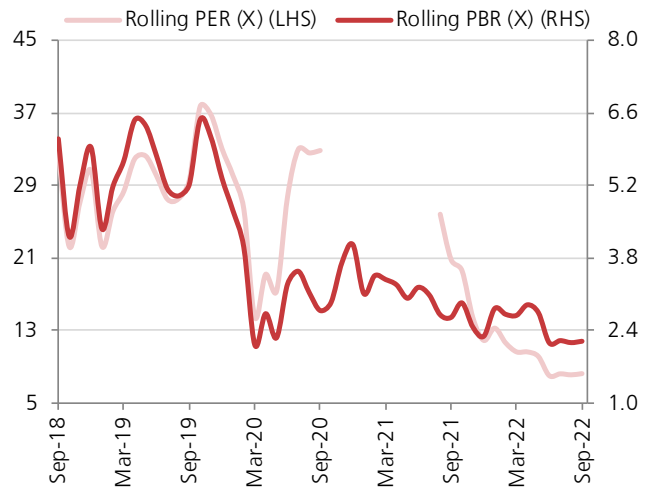
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 16: Yes Bank PBR and PER
Price-to-book ratio, March fiscal year-ends, 2009-23 (X) (X)



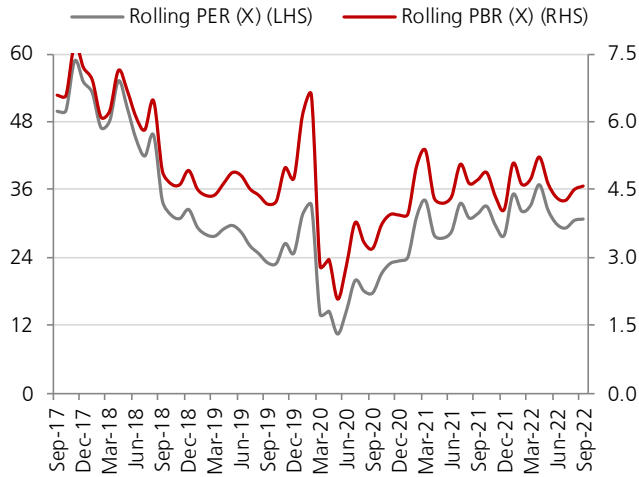
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 17: Bandhan Bank PBR and PER
Price-to-book ratio, March fiscal year-ends, 2009-23 (X) (X)



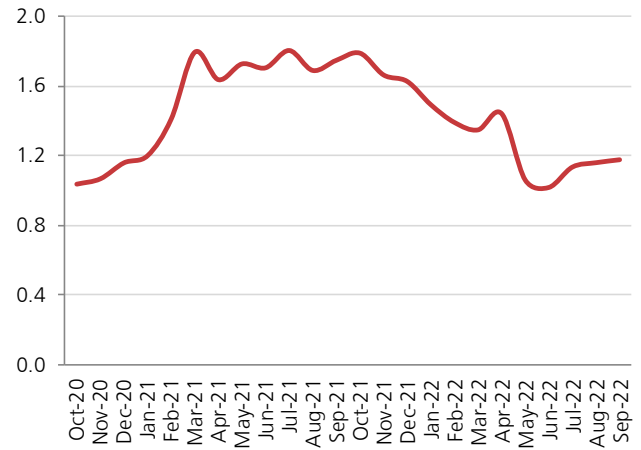
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 18: AU Small Finance Bank
PBR and PER, March fiscal year-ends, 2009-23 (X) (X)



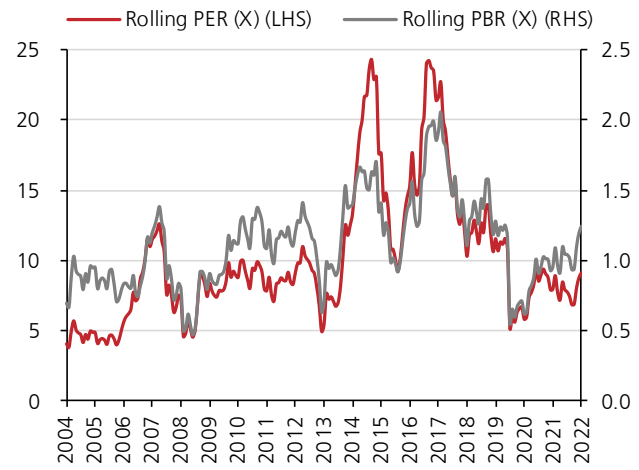
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 19: Equitas Small Finance Bank
PBR and PER, March fiscal year-ends, 2009-23 (X) (X)



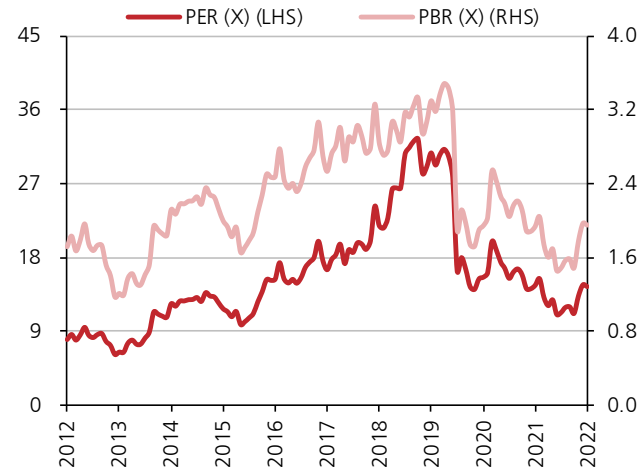
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 20: Federal Bank
PBR and PER, March fiscal year-ends, 2009-23 (X) (X)



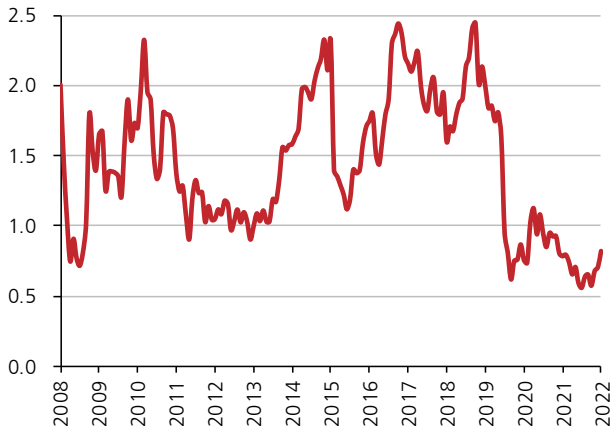
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 21: City Union Bank
PBR and PER, March fiscal year-ends, 2009-23 (X) (X)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 22: DCB Bank PBR and PER
Price-to-book ratio, March fiscal year-ends, 2009-23 (X) (X)



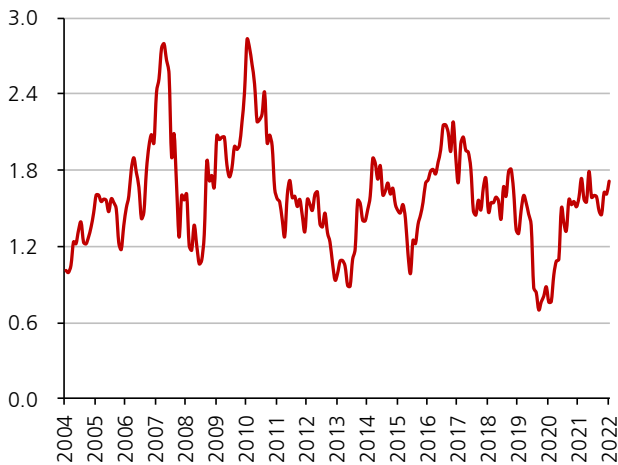
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 23: Karur Vysya Bank
PBR and PER, March fiscal year-ends, 2009-23 (X) (X)



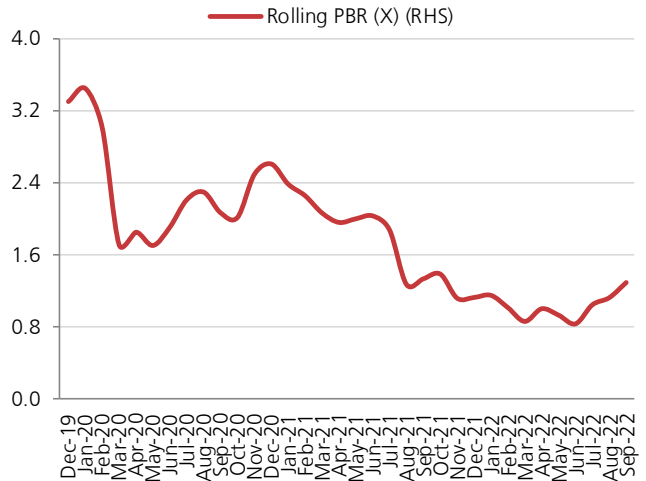
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 24: State Bank of India
Price-to-book ratio, March fiscal year-ends, 2009-23 (X) (X)



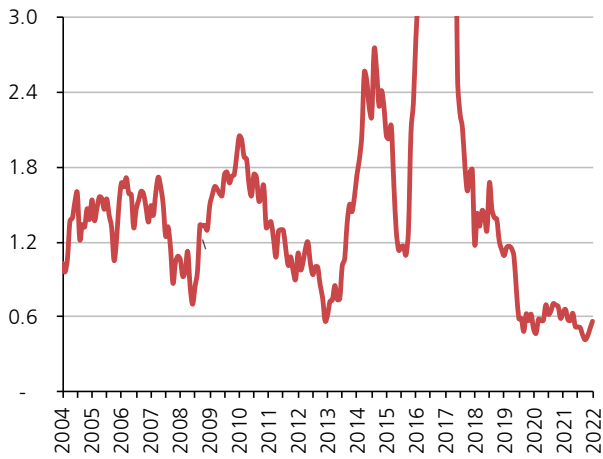
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 25: Ujjivan Small Finance Bank
Price-to-book ratio, March fiscal year-ends, 2009-23 (X) (X)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 26: Punjab National Bank
Price-to-book ratio, March fiscal year-ends, 2009-23 (X) (X)



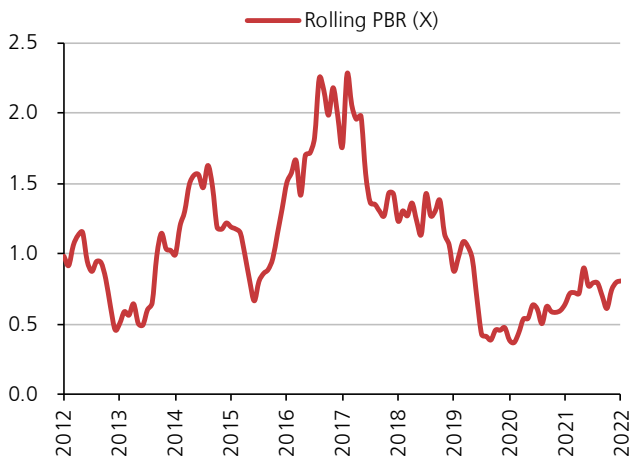
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 27: Bank of Baroda
Price-to-book ratio, March fiscal year-ends, 2009-23 (X) (X)



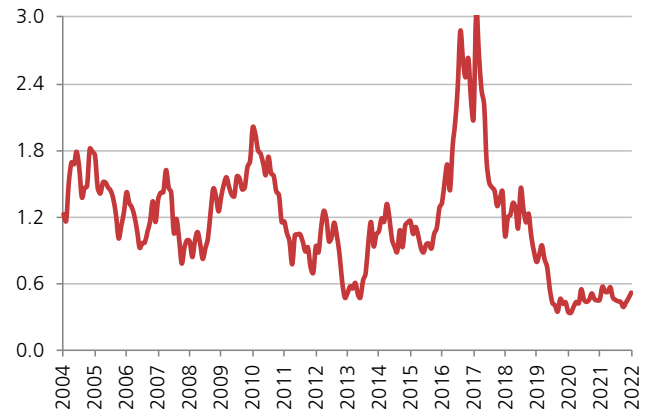
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 28: Canara Bank
Price-to-book ratio, March fiscal year-ends, 2009-23 (X) (X)



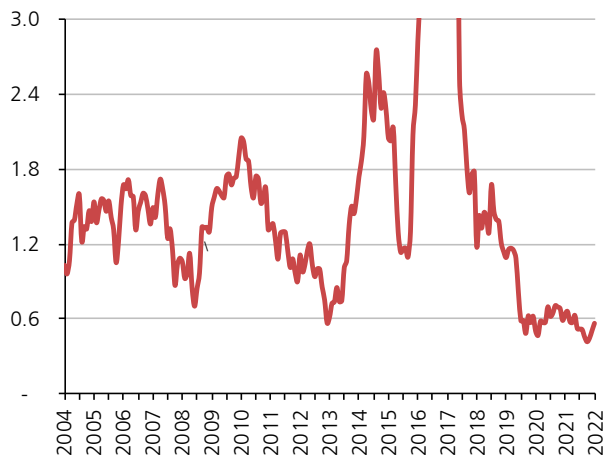
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 29: Union Bank
Price-to-book ratio, March fiscal year-ends, 2009-23 (X) (X)



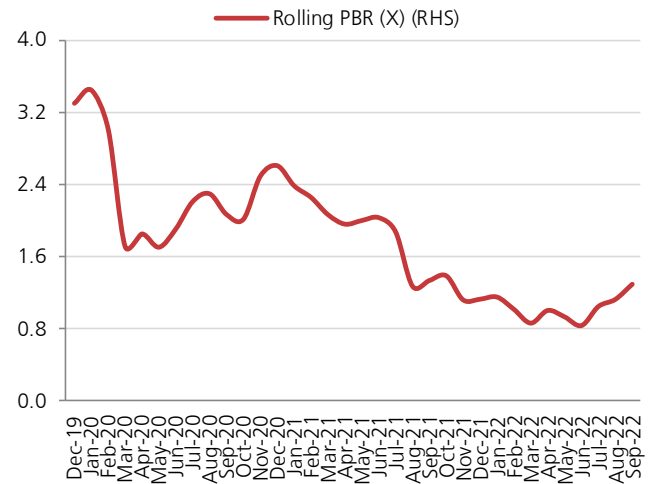
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 30: Punjab National Bank
Price-to-book ratio, March fiscal year-ends, 2009-23 (X)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 31: Ujjivan Small Finance Bank
Price-to-book ratio, March fiscal year-ends, 2009-23 (X)



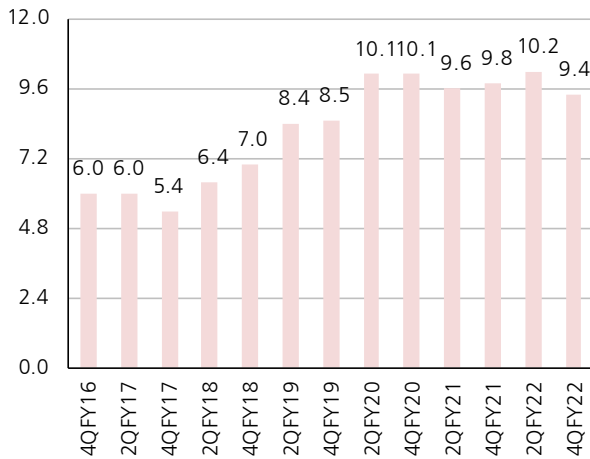
Source: Bloomberg, Company, Kotak Institutional Equities

Asset quality showing comfortable improvement across all players and segments

Exhibits 32-35 show the improvement in asset-quality ratios for the sector. We saw the corporate NPL cycle peaking at ~23% and it has consistently declined since then. There was no negative impact during Covid as this segment had already seen higher levels of stress recognition and the remaining players had the strength to absorb a slowdown. Most importantly, the rising commodity prices which led to strong cash flows as well as a higher focus on infrastructure segment which resulted in the sector being resilient during Covid aided in further improvement in asset-quality ratios.

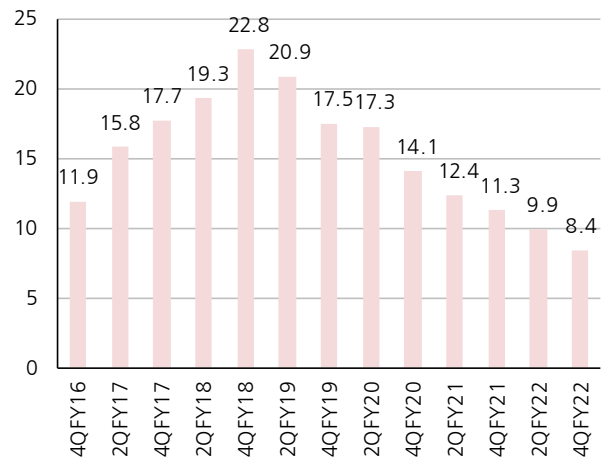
The portfolio that was impacted the most was in the retail and services sector, and this segment had a higher presence from private banks which were outside of the large private banks. These banks had reported higher moratorium, restructuring and/or had to resort to ECLGS. The results in recent quarters show an improvement in these ratios as they are now firmly behind the impact caused due to Covid. These portfolios usually have a higher presence through collateralized loans which is mostly backed by real estate. A combination of recovery in business, along with better liquidity through collateral sale of defaulting borrowers, has enabled these banks to show improvement and focus on growth and profitability.

Exhibit 32: NPLs in the agriculture book remains high
Gross NPL in agriculture, March fiscal year-ends (%)



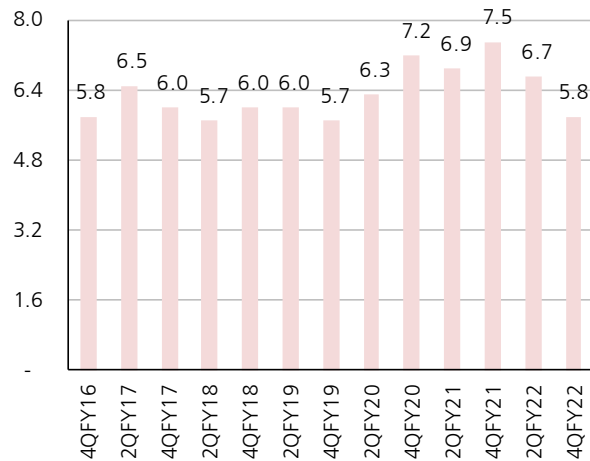
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 33: NPL ratios has declined by half since FY2018
Gross NPL in industry, March fiscal year-ends (%)



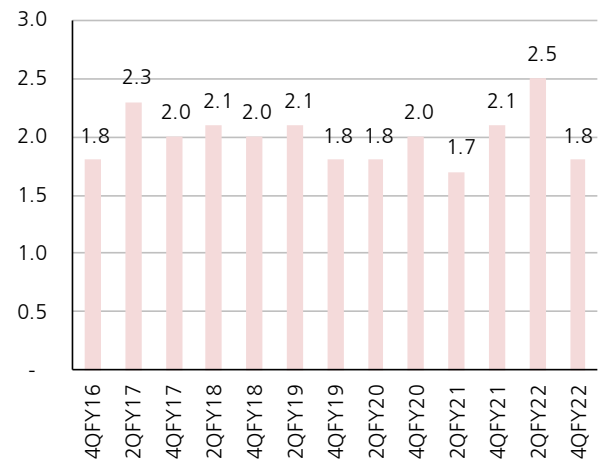
Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 34: Increase in stress in the services sector has reversed
Gross NPL in services, March fiscal year-ends (%)



Source: Bloomberg, Company, Kotak Institutional Equities

Exhibit 35: Retail book has worsened a bit in 1HFY22
Gross NPL in retail, March fiscal year-ends (%)

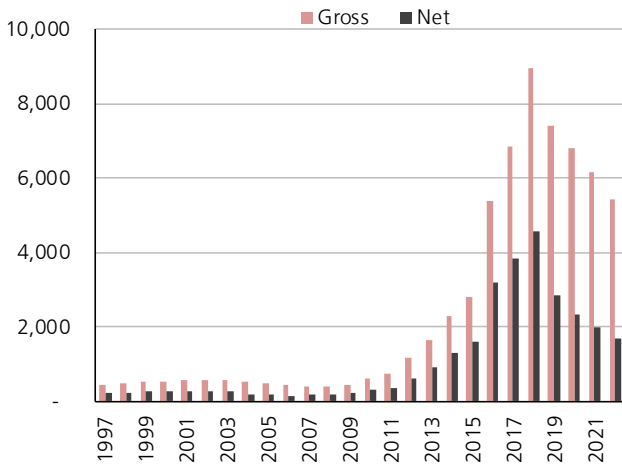


Source: Bloomberg, Company, Kotak Institutional Equities

We went into the Covid cycle with lot more apprehension on public banks. However, recent data shows that the trends for improvement have not stalled. Impairment ratios continue to show a declining trend along with improvement in provision coverage. There is decelerating trends on slippages and better trends on recovery and upgrades as well. As a consequence, we are seeing lower credit costs as well as lower write-offs for these banks.

Exhibit 36: FY2015-18 saw a sharp increase in NPL but is now declining quite sharply

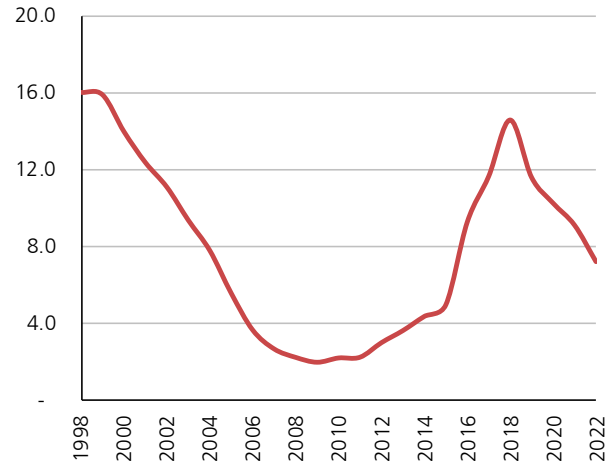
Gross and net NPL ratios of public banks, March fiscal year-ends, 1997-2022 (Rs bn)



Source: RBI, Company, Kotak Institutional Equities

Exhibit 37: Gross NPL peaked at ~15% in this cycle while it was at 18% in the previous one

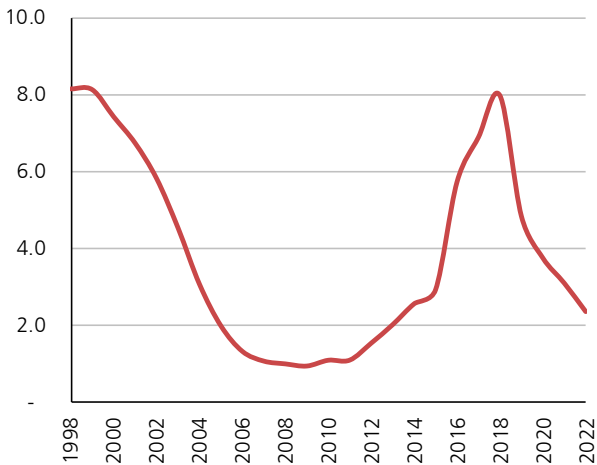
Gross and net NPL ratios of public banks, March fiscal year-ends, 1997-2022 (%)



Source: RBI, Company, Kotak Institutional Equities

Exhibit 38: Net NPL peaked at ~7% in this cycle while it was at 9% in the previous one

Net NPL ratio of public banks, March fiscal year-ends, 1997-2022 (%)



Source: RBI, Company, Kotak Institutional Equities

Exhibit 39: PCR improving led by higher provisions and better recovery trends

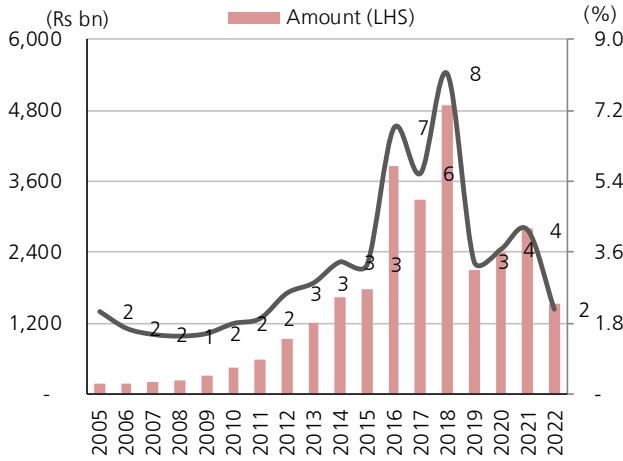
Provision coverage ratio of public banks, March fiscal year-ends, 1997-2022 (%)



Source: RBI, Company, Kotak Institutional Equities

Exhibit 40: Slippages have come off sharply in FY2022

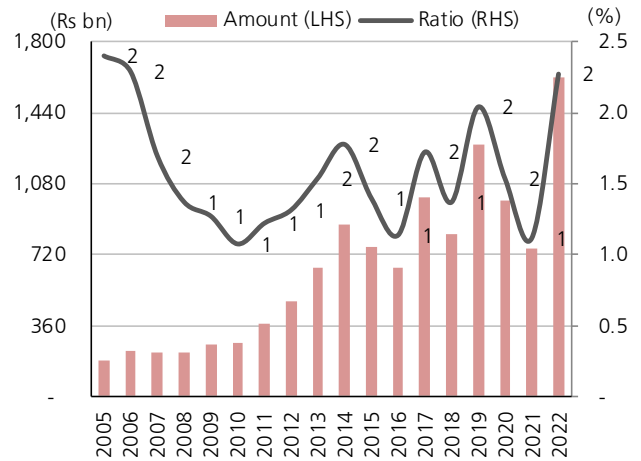
Slippages in public banks, March fiscal year-ends, 1997-2021 (Rs bn)



Source: RBI, Kotak Institutional Equities

Exhibit 41: FY2022 saw one of the highest recoveries and upgrades, partly on account of late recognition in FY2021

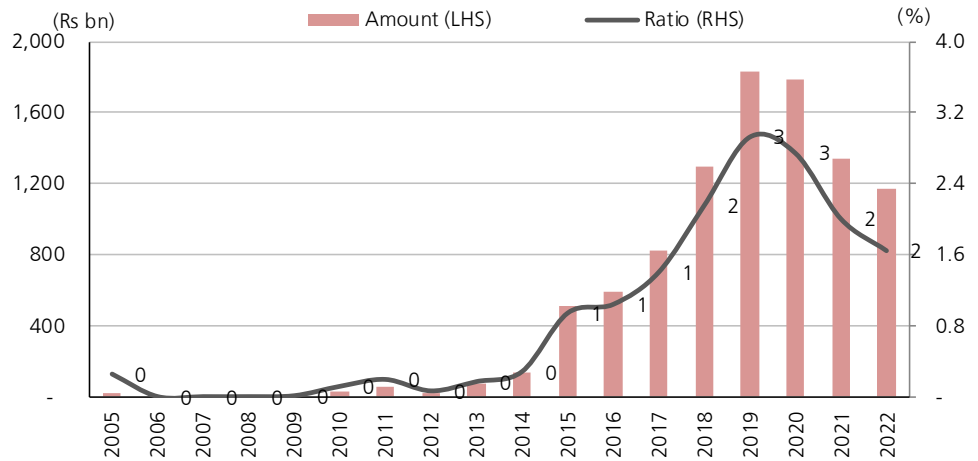
Upgradation/recovery in public banks, March fiscal year-ends, 1997-2021 (Rs bn)



Source: RBI, Kotak Institutional Equities

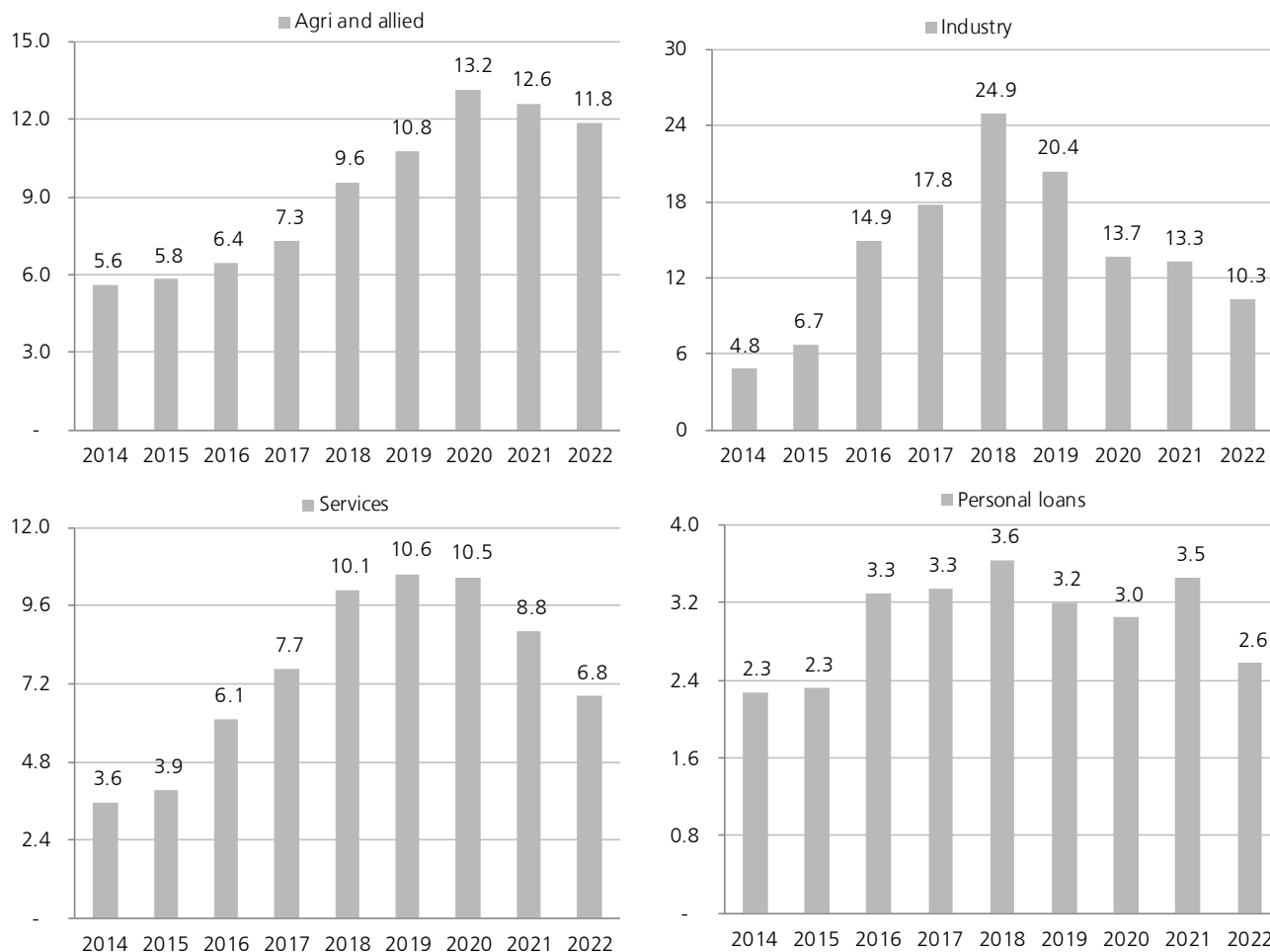
Exhibit 42: Write-offs have started to come off for public banks as well

Write-off in public banks, March fiscal year-ends, 1997-2021 (Rs bn)



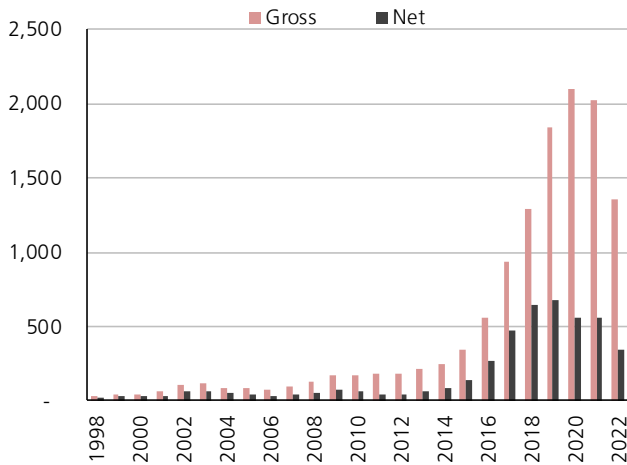
Source: RBI, Kotak Institutional Equities

Exhibit 43: Impact of Covid for public banks has been negligible
 Break-up of NPLs for public banks across sectors, March fiscal year-ends, 2014-22 (%)



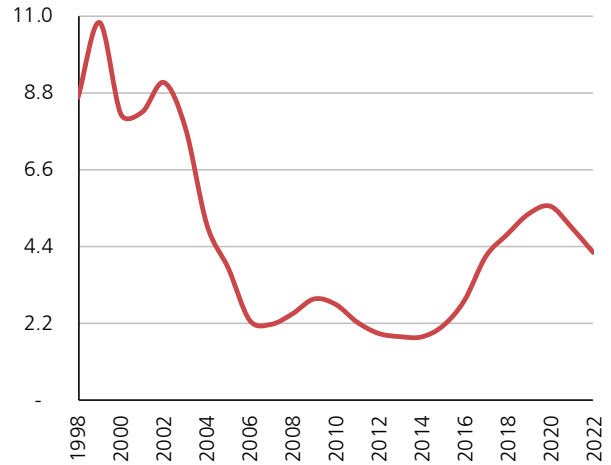
Source: Company, Kotak Institutional Equities

Exhibit 44: Setbacks from Yes Bank have resulted in higher NPLs while the large private banks started to show improvement
Gross and net NPL ratios of private banks, March fiscal year-ends, 1997-2022 (Rs bn)



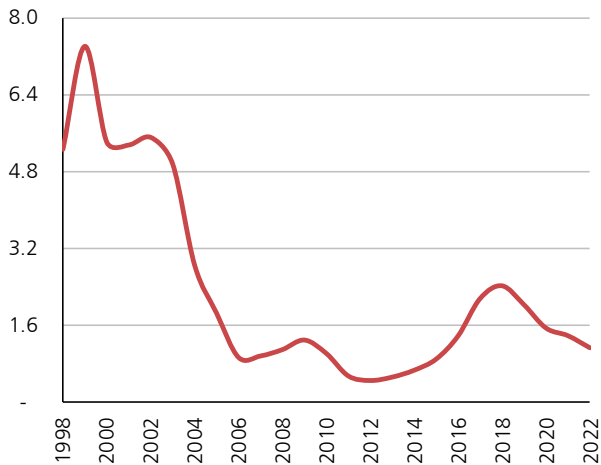
Source: RBI, Company, Kotak Institutional Equities

Exhibit 45: Gross NPL ratio peaked at ~11% in this cycle while it was at 5% in the previous one
Gross and net NPL ratios of private banks, March fiscal year-ends, 1997-2022 (%)



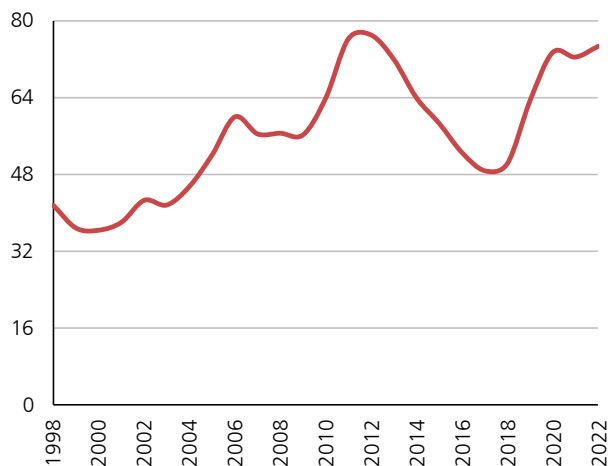
Source: RBI, Company, Kotak Institutional Equities

Exhibit 46: Net NPL ratio peaked at ~2.5% in this cycle while it was at 7% in the previous one
Net NPL ratio of private banks, March fiscal year-ends, 1997-2022 (%)



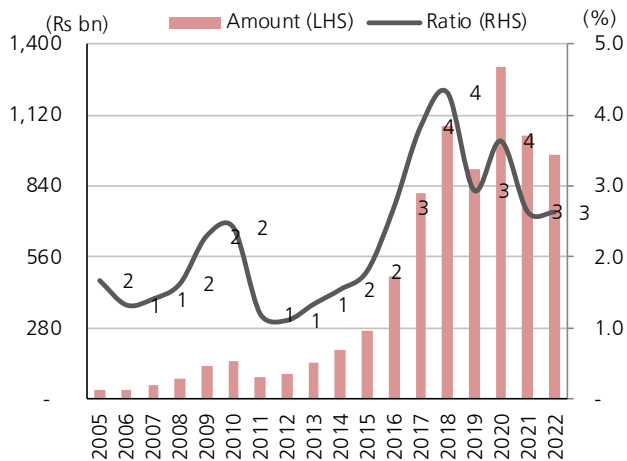
Source: RBI, Company, Kotak Institutional Equities

Exhibit 47: PCR for private banks has been consistently higher than public banks
Provision coverage ratio of private banks, March fiscal year-ends, 1997-2022 (%)



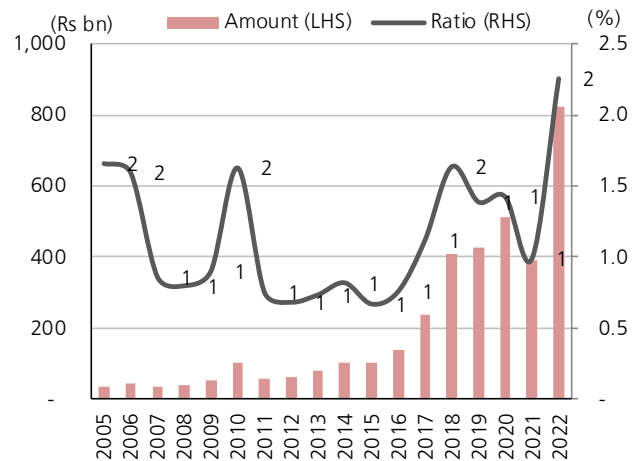
Source: RBI, Company, Kotak Institutional Equities

Exhibit 48: Slippages have been relatively higher post Covid given the nature of customer segment that these banks cater to
Slippages in private banks, March fiscal year-ends, 1997-2022 (Rs bn)



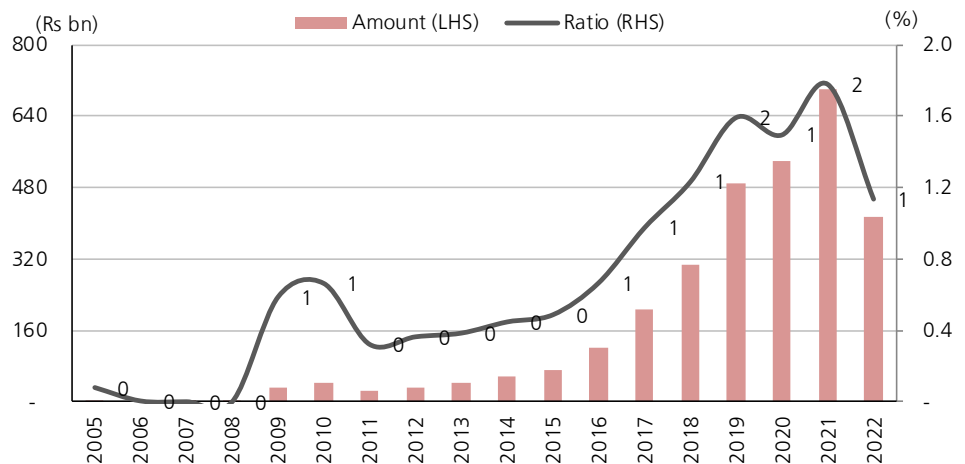
Source: RBI, Kotak Institutional Equities

Exhibit 49: Stronger trends in recovery and upgradation of bad loans
Upgradation/recovery in private banks, 1997-2022



Source: RBI, Kotak Institutional Equities

Exhibit 50: Write-offs have started to come off for private banks as well
Write-off in private banks, March fiscal year-ends, 1997-2021 (Rs bn)

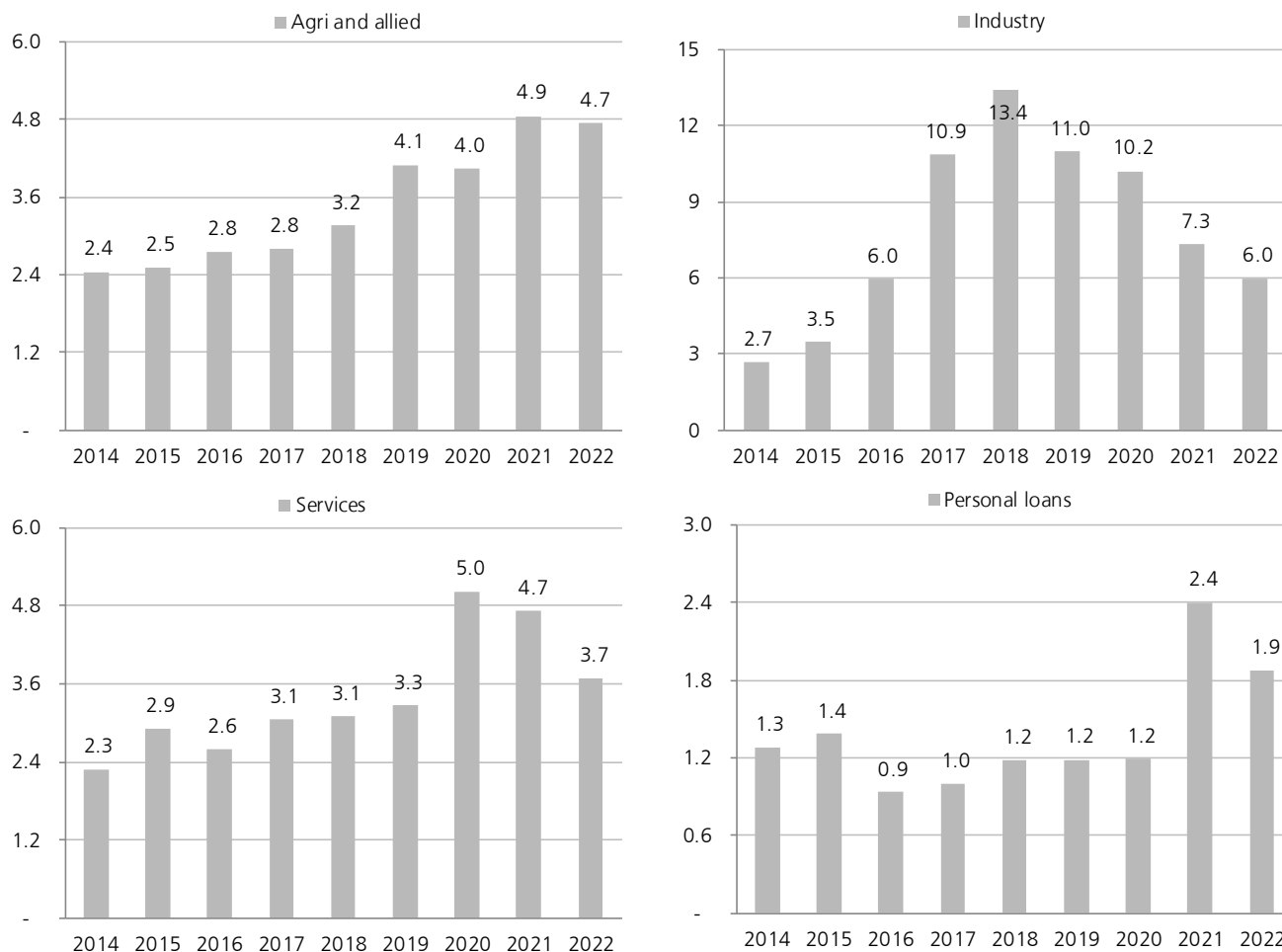


Source: RBI, Kotak Institutional Equities

Exhibit 51 shows the break-up of NPLs for the private banks. While these banks saw a relatively lower impact on their corporate portfolios relative to public banks, it nevertheless was skewed to a few large private banks. These banks had shifted focus toward better-quality retail loans which showed much better resilience during Covid. However, the impact was visible outside the large private banks. These portfolios were mostly to borrowers in the self-employed segment or in exposures that took most of the brunt of the slowdown during Covid.

Exhibit 51: Impact of Covid for private banks has been relatively higher but has started to decline

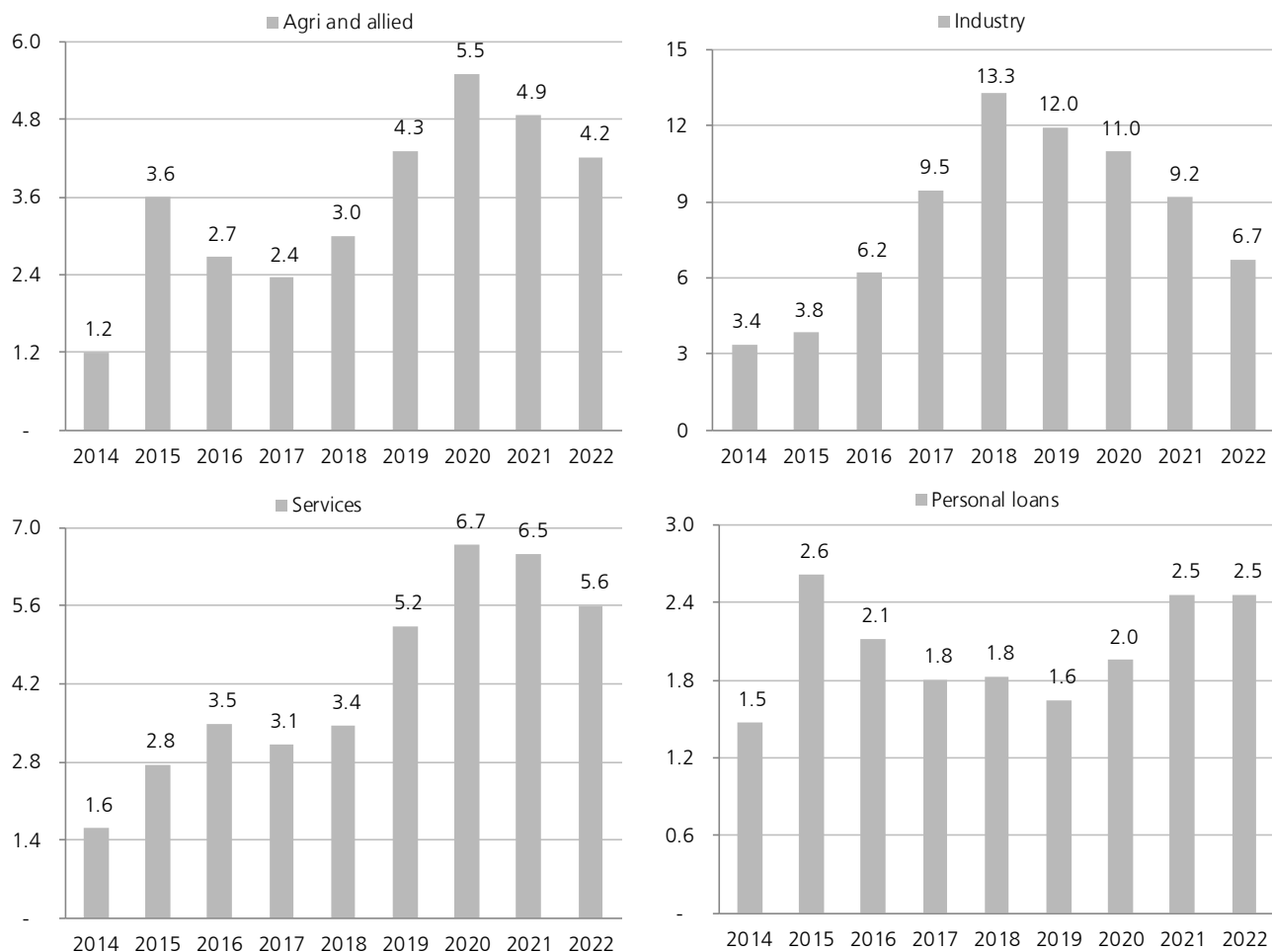
Break-up of NPLs for private banks across sectors, March fiscal year-ends, 2014-22 (%)



Source: Company, Kotak Institutional Equities

Regional banks had struggled from two counts when we look at their impairment ratios (Exhibit 52). While a few of these banks struggled during the corporate NPL cycle, they had to take additional pain in the retail and services portfolio post Covid given that their customer segment in these portfolios largely catered to the self-employed segment. There was a higher share of hand holding that needs to be done through restructuring, ECLGS or loan moratorium. These portfolios have now been tested and with a recovery in the economy we are now seeing either these loans getting regularized or lenders have been able to exercise the collateral that is backing these loans.

Exhibit 52: Impact of Covid for regional banks has been relatively higher but has started to decline here as well
 Break-up of NPLs for regional banks across sectors, March fiscal year-ends, 2014-22 (%)



Source: Company, Kotak Institutional Equities

SEPTEMBER 22, 2022

UPDATE

BSE-30: 59,457

A weak month, may get better. The non-life insurance industry reported muted 12% premium growth in August 2022, the lowest in the last five months. While motor was muted at 12%, retail health was higher at 19% yoy. With a single-digit base ahead, we expect the motor business to pick up (20% YTD). Retail health, up 14% YTD, is also catching up. Among the listed players, Star Health reported 25% growth in retail health (22% YTD), but ICICI Lombard was up just 2% in the competitive motor segment, losing share to Digit, HDFC Ergo and Tata AIA.

Motor likely at nadir, ICICI Lombard weak

Motor insurance premiums were up 12% in the month of August with similar growth in motor OD and motor TP, after delivering 16-42% growth in the first three months of FY2023. With a low base (low-single digits in the next seven months), we expect yoy growth rate to pick up from hereon. As such, August may be the weakest month. Within this segment, Digit (up 61%, 70% YTD), HDFC Ergo (up 36%, 33% YTD) and Tata AIA (up 20%, 31% YTD) continued to gain share. ICICI Lombard (adjusting for Bharti Axa in the base period) was weak with just 2% growth during the month (2% in July), leading to 15% YTD growth.

Retail health up 19% yoy

Retail Health insurance industry reported 19% premium growth for the month, translating to 14% YTD. While the momentum was weak in the initial months, it is gradually picking up even as a double-digit base hereon raises the bar. SAHIs continued to gain share by 400 bps yoy to 53.4%, with Star Health at 33.6% from 32.1% in August 2021. Private players were flat, while PSUs lost share.

Key highlights for select players

- ▶ **Standalone health insurers strong.** Standalone health insurers (SAHI) reported 28% yoy growth in August 2022. In the retail segment, SAHI's grew at 29% yoy, higher than industry growth of 19%. Standalone health insurers continued to gain market share (53.4% in August 2022 versus 49.4% in August 2021) in the retail segment. Among the health insurers, Care (up 30 bps to 7.2%), Max Bupa (160 bps to 8.3%) and Aditya Birla (50 bps to 2.6%) have gained share; Star Health was up 150 bps to 33.6%.
- ▶ **New-age players: Acko and Digit remain strong.** Acko reported strong 65% yoy growth (excluding crop) and Digit was up 47% yoy in August 2022, significantly higher than industry growth of 12% yoy. In the motor segment, Digit reported strong 61% yoy growth and Acko was up 32% yoy in August 2022, higher than 12% yoy growth for the overall motor segment. Consequently, Acko and Digit's market share in motor segment increased to 5.8% in August 2022 from 4.1% in August 2021. In the group health segment, these players reported 3.9% market share in August 2022 from 3.0% in August 2021.
- ▶ **ICICI Lombard: Motor weak; group business lifts overall growth.** ICICI Lombard reported 16% yoy growth in premium (ex-crop) in August 2022. Motor premium growth was muted at 2% yoy. The 40% growth in health was driven primarily by the group health segment (up 39% yoy in August 2022); market share in retail health was flat. The company lost overall market share in the last three months, falling to 9.9% in August 2022 (11.3% in May 2022 and 11% in August 2021). Market share in the health segment increased to 6.3% in August 2022 from 5.1% in August 2021.

QUICK NUMBERS

- **12% (ex-crop) yoy premium growth in August 2022**
- **Motor up 12% yoy in August 2022**
- **Retail health up 11% yoy in August 2022**

Nischint Chawathe

M B Mahesh, CFA

Varun Palacharla

Abhijeet Sakhare

Ashlesh Sonje, CFA

- ▶ **Bajaj GI: Motor significantly lower than industry.** Bajaj GI's premiums declined 24% yoy in August 2022 due to a 64% yoy decline in crop premiums; ex-crop premium growth was 10% compared to 17% growth of private peers. Motor premiums grew at a muted 3% yoy in August 2022 lagging industry growth of 12%. Health segment fared better with 25% yoy growth driven by 26% yoy growth in group segment and 13% in retail health segment.
- ▶ **HDFC ERGO: Motor drives growth.** HDFC's overall premium grew 54% yoy in August 2022, driven by crop (up 91% yoy) and motor (up 36% yoy). Its market share in the motor segment increased to 6.4% from 5.7% in August 2021. In the retail health segment, the company has maintained its market share at 9.4% (9.2% in August 2021).
- ▶ **Chola MS: Motor steady, health strong.** Chola MS's overall premiums grew 17% yoy in August 2022. Motor premiums were up 13% yoy, broadly in line with industry. Growth in health at 31% yoy was higher than the industry; retail health also grew at 34% yoy.
- ▶ **SBI: Weak month.** SBI General reported a 12% yoy decline in premiums (ex-crop) in August 2022. Health premiums were down 36% yoy, primarily due to a decline in government business. Retail and group health grew at a healthy 43% and 54%, respectively. Motor premiums were also down 13% yoy in August 2022.

Exhibit 1: Overall gross premium for general insurers (excluding crop) up 12% yoy in August 2022
Segment-wise gross direct premium, March fiscal year ends, August 2021-August 2022 (Rs mn)

	Aug-22	Aug-21	yoy growth (%)	5MFY23	5MFY22	yoy growth (%)
Fire	13,977	12,309	14	120,785	107,797	12
Marine	3,758	2,903	29	23,036	17,827	29
Marine hull	981	577	70	5,448	4,049	35
Marine cargo	2,777	2,326	19	17,588	13,778	28
Motor	63,307	56,487	12	282,152	234,593	20
Engineering	3,254	2,287	42	17,423	14,672	19
Health	63,728	55,819	14	361,897	300,420	20
Retail health	28,196	23,680	19	129,544	113,908	14
Group health	32,964	26,845	23	192,681	151,378	27
Government schemes	1,558	4,918	(68)	35,018	33,980	3
Overseas medical	1,010	376	169	4,654	1,154	303
Aviation	280	501	(44)	3,450	3,347	3
Liability	3,240	2,328	39	24,501	17,106	43
PA	5,240	7,586	(31)	30,294	27,358	11
Other	87,935	78,460	12	160,037	140,172	14
Crop insurance	82,855	74,500	11	131,326	116,712	13
Credit insurance	1,191	839	42	6,257	4,977	26
Others	3,889	3,122	25	22,454	18,482	21
Total	244,720	218,679	12	1,023,573	863,290	19
Total (ex motor ex crop)	98,558	87,692	12	610,096	511,985	19
Total ex crop	161,865	144,180	12	892,248	746,578	20

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 2: Retail health up 11% and motor up 12% yoy in August 2022

Segment-wise gross direct premium yoy growth, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
Fire	5	15	8	9	7	3	37	(2)	15	11	9	8	14	5	12	9	35	27	7
Marine	39	20	22	25	22	15	(23)	26	25	17	30	48	29	30	29	12	9	(1)	20
Marine hull	34	(3)	28	15	(5)	15	(72)	13	14	(31)	44	122	70	18	35	21	6	21	(0)
Marine cargo	40	29	20	33	33	15	21	34	27	45	25	24	19	34	28	9	9	(8)	29
Motor	9	1	(0)	6	3	1	5	(83)	29	42	16	12	12	5	20	9	7	(2)	4
Engineering	8	24	1	29	26	3	17	12	16	12	24	5	42	28	19	11	7	13	20
Health	24	17	34	25	23	6	22	30	26	20	18	20	14	32	20	21	14	13	26
Retail health	14	2	12	16	10	19	14	22	6	8	12	15	11	21	11	16	16	16	16
Group health	37	37	41	20	42	29	41	38	33	29	16	34	31	26	29	14	14	14	14
Government schemes	22	(27)	184	24,674	(18)	(56)	(24)	85	36	(4)	59	1	(68)	164	3	85	85	85	85
Overseas medical	82	35	70	168	146	81	96	166	186	510	662	313	169	53	303	17	17	17	17
Aviation	(53)	44	16	164	(7)	(8)	(36)	(9)	(14)	(41)	199	55	(44)	24	3	34	26	9	14
Liability	16	24	49	51	40	50	56	32	43	57	42	36	39	20	43	19	11	16	33
PA	113	85	8	10	(4)	26	18	87	8	(10)	(1)	134	(31)	43	11	23	(4)	(2)	36
Other	38	(28)	(2)	(35)	(24)	85	(28)	(7)	16	37	78	2	12	13	14	11	11	(3)	(3)
Crop insurance	40	(29)	(9)	(44)	(30)	104	(37)	(9)	(39)	36	134	1	11	15	13	12	12	12	12
Credit insurance	(15)	16	(2)	15	8	10	12	9	252	(3)	12	(4)	42	2	26	3	3	3	3
Others	17	(12)	28	2	14	5	12	3	9	56	31	8	25	9	21	7	7	7	7
Total	24	(3)	11	7	6	16	7	(62)	23	25	20	16	12	17	18	13	11	5	11
Total ex crop	17	12	13	14	12	5	13	17	24	24	17	19	12	18	19	13	11	7	14

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 3: Private insurers reported 13% yoy growth in August 2022

Company-wise gross direct premium, March fiscal year ends, August 2021-August 2022 (Rs mn)

	Aug-22	Aug-21	yoy growth (%)	5MFY23	5MFY22	yoy growth (%)
General insurers						
Acko General	1,390	841	65	5,712	3,251	76
Bajaj Allianz	10,214	13,374	(24)	66,169	64,684	2
Cholamandalam MS	4,843	4,137	17	22,631	17,165	32
Go Digit	4,814	3,276	47	24,647	14,157	74
HDFC ERGO General	20,680	13,412	54	63,019	46,837	35
ICICI -Lombard	16,726	13,831	21	90,029	59,696	51
IFFCO -Tokio	7,734	9,982	(23)	36,075	36,274	(1)
New India	22,512	22,798	(1)	147,908	138,492	7
Reliance General	8,098	7,314	11	40,685	34,863	17
Royal Sundaram	2,677	2,395	12	12,880	11,330	14
SBI General	15,008	14,110	6	39,320	30,972	27
Shriram General	2,018	1,387	46	7,936	6,192	28
Tata-AIG	8,774	6,953	26	49,465	35,516	39
United India	12,126	12,996	(7)	73,223	63,500	15
Universal Sampo	4,538	3,779	20	15,062	10,528	43
Others	27,868	25,384	10	157,389	143,625	10
Total	171,018	156,486	9	856,226	719,292	19
Total (PSU)	55,271	54,301	2	342,034	305,756	12
Total (private)	115,747	102,184	13	514,192	413,537	24
Standalone health insurers						
Max Bupa	3,118	2,092	49	14,104	10,178	39
Religare	4,340	3,113	39	19,537	13,615	43
Star Health	10,190	9,006	13	45,745	40,896	12
Others	1,001	736	36	4,901	3,622	35
Total	20,594	16,098	28	94,704	74,391	27
Specialised insurers						
AIC (Crop)	52,361	45,470	15	68,432	66,100	4
ECGC (Export & Credit)	748	626	19	4,212	3,507	20
Total	53,108	46,096	15	72,644	69,607	4
Industry total	244,720	218,679	12	1,023,573	863,290	19

Note:

(1) Star Health restated their premium figures for August 2021 and 5MFY22

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 4: SAHI players up 28% yoy in August 2022; Digit and HDFC ERGO up 47-54% yoy
 Player-wise gross direct premium yoy growth, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Acko General	187	134	122	103	141	103	109	77	86	71	103	61	65	192	76	15,387	165	13	132
Bajaj Allianz	11	8	4	(8)	(27)	27	6	16	25	41	14	(6)	(24)	18	2	17	16	(2)	9
Cholamandalam MS	16	8	15	13	11	6	8	10	45	60	29	21	17	9	32	8	(1)	0	10
Digit	60	44	61	NM	81	273	NM	51	140	86	61	51	47	35	74	1,186	61	25	93
HDFC ERGO General	43	5	39	(61)	6	8	(4)	26	27	36	25	21	54	50	35	18	8	32	10
ICICI-Lombard	1	3	(12)	(4)	6	7	9	19	20	34	36	29	21	8	27	19	(2)	4	5
IFFCO -Tokio	(2)	(10)	(16)	(9)	(10)	1	7	16	1	20	28	(12)	(23)	6	(1)	24	14	6	0
New India	31	7	35	10	14	(9)	1	6	18	(0)	0	9	(1)	23	7	5	12	7	14
Reliance General	17	14	15	18	22	11	13	7	20	20	21	12	11	12	17	22	21	11	13
Royal Sundaram	13	0	(11)	(3)	(20)	(6)	(2)	12	17	18	18	6	12	13	14	21	16	(23)	2
SBI General	96	2	26	(6)	16	(7)	21	15	45	61	47	30	6	19	27	33	44	22	11
Shriram General	(23)	(17)	(10)	(9)	(15)	(22)	(15)	(13)	11	10	26	40	46	(24)	28	12	5	(13)	(18)
Tata-AIG	15	17	15	14	15	17	89	75	42	44	35	47	26	15	39	42	(5)	9	25
United India	6	(22)	(13)	13	0	(21)	(6)	14	17	22	16	28	(7)	(4)	15	(6)	7	(4)	(6)
Universal Sompo	14	14	15	14	14	17	14	(8)	19	98	108	29	20	17	43	23	1	7	13
Total	19	2	10	(3)	4	2	10	14	23	25	20	19	9	15	19	13	9	4	9
Total (PSU)	16	(5)	9	5	8	(15)	(2)	3	16	8	5	25	2	12	12	1	7	(2)	5
Total (private)	21	8	11	(8)	1	14	19	21	30	42	33	16	13	17	24	25	11	8	12
Standalone health insurers																			
Max Bupa	60	64	57	54	55	53	43	49	42	25	37	40	49	76	39	26	31	41	60
Care	45	49	45	64	66	60	46	53	38	49	56	38	39	47	43	67	31	7	52
Star Health	16	36	20	20	3	21	21	21	18	12	10	9	13	27	12	30	27	36	23
Total	10	23	15	30	23	34	28	29	29	24	33	24	28	19	27	37	27	17	23
Specialised insurers																			
AIC (Crop)	54	(47)	21	(14)	8	317	(58)	(26)	(97)	33	(43)	(19)	15	41	4	(8)	33	27	15
ECGC (Export & Credit)	(11)	7	(10)	27	2	0	2	13	NM	(14)	6	(2)	19	1	20	1	(14)	(1)	4
Total	52	(45)	13	(10)	7	279	(53)	(22)	19	(2)	(21)	(19)	15	38	4	(7)	26	24	14
Industry total	24	(2)	11	7	6	16	7	13	24	25	21	16	12	17	19	13	11	5	11

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 5: AIC (Crop) share elevated in August due to crop cycle;
 Segment-wise gross direct premium market share, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Acko General	0.4	0.4	0.6	0.5	0.5	0.4	0.5	0.5	0.5	0.6	0.7	0.5	0.6	0.4	0.6	0.1	0.2	0.2	0.4
Bajaj General	6.1	4.5	5.6	5.2	5.9	6.8	4.9	4.6	6.0	5.8	5.2	10.7	4.2	7.5	6.5	6.5	6.8	6.3	6.2
Cholamandalam MS	1.9	1.8	2.6	2.8	2.2	2.1	2.6	2.3	2.2	2.5	2.5	2.1	2.0	2.0	2.2	2.6	2.3	2.2	2.2
Go Digit	1.5	1.6	2.8	2.9	2.3	2.4	3.0	2.3	2.8	3.1	2.5	1.9	2.0	1.6	2.4	0.7	1.0	1.2	2.1
HDFC ERGO	6.1	8.2	7.0	5.0	5.3	5.0	6.7	8.1	6.1	5.6	5.3	5.0	8.5	5.4	6.2	5.1	4.9	6.2	6.1
ICICI-Lombard	6.3	6.8	9.5	9.6	8.0	8.4	8.5	6.7	11.1	9.3	8.9	8.4	6.8	8.2	8.8	9.9	8.7	8.6	8.1
IFFCO -Tokio	4.6	3.3	3.8	4.1	3.4	3.1	4.0	3.7	3.1	3.7	5.0	3.0	3.2	4.2	3.5	4.1	4.2	4.2	3.8
Magma HDI	0.5	0.5	1.0	0.9	0.8	1.2	1.0	0.8	0.9	1.0	1.1	0.9	0.7	0.7	0.9	0.6	0.6	0.6	0.8
National	4.5	7.5	5.1	7.4	6.0	3.6	5.8	6.1	5.5	5.0	6.6	6.4	4.9	6.0	5.7	8.8	8.0	7.1	5.9
New India	10.4	13.6	15.3	14.3	19.2	10.5	13.6	12.0	21.5	14.3	15.5	12.8	9.2	16.0	14.5	14.1	14.1	14.3	14.8
Oriental	4.0	8.7	6.4	5.2	6.8	4.9	6.5	5.6	6.1	7.3	6.9	7.6	3.6	6.0	6.1	7.8	7.2	6.3	6.2
Reliance General	3.3	7.1	4.2	4.3	3.8	3.4	3.8	3.9	4.5	4.1	4.9	3.4	3.3	4.0	4.0	3.6	3.9	4.2	4.3
Royal Sundaram	1.1	1.0	1.4	1.4	1.3	1.3	1.4	1.4	1.3	1.4	1.4	1.2	1.1	1.3	1.3	1.9	1.9	1.4	1.3
SBI General	6.5	4.6	3.7	3.6	3.2	5.7	5.5	4.8	2.8	3.5	3.5	2.9	6.1	3.6	3.8	2.8	3.6	4.2	4.2
Tata-AIG	3.2	3.6	5.2	5.2	4.5	4.8	5.6	5.2	5.4	5.7	5.0	4.9	3.6	4.1	4.8	4.6	3.9	4.0	4.5
United India	5.9	5.7	6.6	7.6	6.6	7.7	6.8	7.9	7.6	9.3	7.1	7.7	5.0	7.4	7.2	9.6	9.3	8.4	7.1
Universal Sompo	1.7	2.3	1.7	2.0	1.7	2.2	1.1	1.3	1.2	1.7	1.7	1.0	1.9	1.2	1.5	1.7	1.5	1.5	1.6
Total	71.6	85.0	88.5	86.2	85.0	77.6	85.6	81.9	82.8	88.1	87.8	84.0	69.9	83.3	83.7	88.4	86.7	85.5	83.7
Total (PSU)	24.8	35.5	33.4	34.4	38.5	26.7	32.6	31.6	40.8	35.9	36.0	34.4	22.6	35.4	33.4	40.3	38.6	36.1	34.0
Total (private)	46.7	49.5	55.1	51.7	46.5	51.0	53.0	50.3	42.0	52.2	51.8	49.6	47.3	47.9	50.2	48.0	48.1	49.3	49.7
Standalone health insurers																			
Aditya Birla	0.5	0.7	0.8	0.7	0.8	1.0	0.8	1.0	0.8	1.1	1.6	0.9	0.8	0.7	1.0	0.3	0.5	0.7	0.8
HDFC ERGO Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.3	1.3	-	-
Cigna TTK	0.3	0.4	0.5	0.5	0.4	0.4	0.5	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.5	0.3	0.3	0.4	0.4
Max Bupa	1.0	1.0	1.2	1.2	1.4	1.2	1.5	1.7	1.1	1.7	1.6	1.3	1.3	1.2	1.4	0.6	0.7	0.9	1.3
Reliance Health (S)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0	(0.0)	-
Religare	1.4	1.4	1.8	1.8	1.9	1.9	2.0	2.2	1.7	2.2	2.2	1.8	1.8	1.6	1.9	1.1	1.3	1.3	1.8
Star Health	4.1	5.0	4.8	5.4	4.6	4.9	6.2	7.5	3.1	5.6	5.3	4.7	4.2	4.7	4.5	3.2	3.6	4.7	5.2
Total	7.4	8.5	9.1	9.6	9.2	9.4	11.1	13.0	7.3	11.1	11.3	9.2	8.4	8.6	9.3	6.7	7.7	7.9	9.5
Specialised insurers																			
AIC (Crop)	20.8	6.0	1.9	3.6	5.3	12.5	2.7	4.3	0.0	0.3	0.4	6.4	21.4	7.7	6.7	4.2	5.0	6.1	6.3
ECGC (Export & Credit)	0.3	0.5	0.5	0.6	0.5	0.4	0.6	0.8	0.3	0.5	0.6	0.4	0.3	0.4	0.4	0.7	0.6	0.5	0.5
Total	21.1	6.5	2.4	4.2	5.8	12.9	3.4	5.1	0.3	0.8	0.9	6.8	21.7	8.1	7.1	5.0			

Exhibit 6: Private general insurers premium (ex-crop) grew 17% yoy in August 2022

Player-wise gross direct premium (ex-crop) yoy growth, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Acko General	187	134	122	103	141	103	109	77	86	71	103	61	65	192	76	15,387	165	13	132
Bajaj Allianz	11	13	3	7	(9)	5	6	20	25	41	10	(36)	10	33	1	26	7	(3)	16
Cholamandalam MS	16	8	15	13	11	6	8	11	45	60	29	21	17	9	32	11	10	0	10
Go Digit	60	44	61	NM	81	273	NM	51	140	86	61	51	47	35	74	935	100	25	93
HDFC ERGO General	48	43	32	(61)	10	7	7	14	29	36	28	23	28	53	28	28	10	36	11
ICICI -Lombard	4	1	(5)	(3)	2	7	11	22	20	34	24	18	16	9	22	21	13	5	6
IFFCO -Tokio	(10)	12	11	13	10	(7)	(0)	31	1	19	(10)	23	5	9	6	11	20	13	9
New India	31	17	35	8	14	(10)	1	7	18	(0)	0	9	(1)	23	7	8	9	11	15
Reliance General	21	18	20	24	(10)	19	15	4	16	17	19	8	9	7	14	20	22	1	10
Royal Sundaram	13	0	(11)	(3)	(3)	(5)	(2)	12	17	18	18	6	12	13	14	6	5	(5)	4
SBI General	54	15	21	19	17	4	6	12	43	67	40	29	(12)	25	27	12	43	31	16
Shriram General	(23)	(17)	(10)	(9)	(15)	(22)	(15)	(13)	11	10	26	40	46	(24)	28	11	5	(13)	(18)
Tata-AIG	16	18	15	14	15	17	89	75	42	44	35	48	26	17	39	31	6	15	26
United India	10	(9)	(12)	33	9	(18)	(5)	17	17	22	14	28	(7)	(1)	15	(4)	2	2	(1)
Universal Sompo	82	46	71	37	93	103	(1)	(47)	21	73	79	29	20	36	39	5	33	14	31
Total	18	12	12	2	11	3	12	15	23	25	16	19	10	17	19	12	9	7	12
Total (PSU)	18	8	12	9	12	(12)	0	7	16	8	5	25	1	13	12	2	3	4	8
Total (private)	18	16	13	(3)	10	14	20	21	29	42	26	14	17	20	24	23	16	9	15
Standalone health insurers																			
Max Bupa	60	64	57	54	55	53	43	49	42	25	37	40	49	76	39	26	31	41	60
Religare	45	49	45	64	66	60	46	53	38	49	56	38	39	47	43	67	31	7	52
Star Health	16	36	20	20	3	21	21	21	18	12	10	9	13	27	12	30	27	36	23
Total	10	23	15	30	23	34	28	29	29	24	33	24	28	19	27	37	27	17	23
Industry total	17	13	13	14	12	5	13	17	24	25	17	19	12	17	20	13	11	7	14

Note:

(1) Star Health restated their premium figures for August 2021 and 5MFY22

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 7: Private general insurers have gained share by 210 bps yoy in August 2022; SAHIs up 150 bps yoy

Segment-wise gross direct premium (excluding crop) market share, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Acko General	0.6	0.5	0.6	0.5	0.6	0.5	0.5	0.6	0.5	0.6	0.7	0.6	0.9	0.4	0.6	0.1	0.2	0.3	0.5
Bajaj General	5.3	6.0	6.0	5.6	5.4	6.2	5.3	5.4	6.0	5.9	5.5	5.5	5.3	6.7	5.7	6.8	6.6	6.0	6.1
Cholamandalam MS	2.9	2.4	2.8	3.0	2.4	2.6	2.9	2.7	2.2	2.5	2.6	2.5	3.0	2.3	2.5	2.8	2.8	2.6	2.5
Go Digit	2.3	2.2	3.0	3.1	2.6	2.9	3.2	2.6	2.8	3.2	2.7	2.3	3.0	1.9	2.8	0.7	1.2	1.4	2.4
HDFC ERGO	5.4	5.3	6.1	5.2	5.5	5.8	5.7	6.6	5.6	5.6	5.6	5.8	6.1	5.4	5.8	4.6	4.6	5.8	5.6
ICICI -Lombard	8.5	7.6	10.1	10.1	8.5	10.2	9.2	7.7	11.1	9.5	8.6	8.1	8.8	9.1	9.3	9.7	10.0	9.7	9.1
IFFCO -Tokio	4.8	3.7	4.0	3.7	3.7	3.2	4.0	4.3	3.1	3.8	3.7	3.5	4.4	4.1	3.7	3.6	3.9	4.1	3.9
Magma HDI	0.8	0.7	1.1	1.0	0.9	1.5	1.0	0.9	0.9	1.0	1.2	1.1	1.1	0.8	1.1	0.7	0.8	0.8	0.9
National	6.8	9.8	5.6	7.9	6.4	4.6	6.2	6.2	5.5	5.2	7.0	7.5	7.3	7.0	6.5	10.0	8.4	7.7	6.8
New India	15.8	15.3	16.4	15.3	20.5	12.6	14.7	12.4	21.6	14.6	16.4	15.1	13.9	18.6	16.6	16.0	15.8	16.4	16.5
Oriental	6.1	9.7	6.8	5.6	7.5	6.1	6.4	5.4	6.1	7.4	7.3	8.9	5.4	6.9	7.0	8.0	7.4	7.0	6.8
Reliance General	3.3	3.2	3.4	3.8	2.4	3.5	3.3	2.9	4.4	2.9	3.1	2.8	3.2	3.5	3.3	3.3	3.6	3.4	3.3
Royal Sundaram	1.7	1.3	1.5	1.5	1.4	1.5	1.5	1.6	1.3	1.4	1.4	1.5	1.7	1.5	1.4	2.0	1.9	1.7	1.5
SBI General	4.5	3.0	3.7	3.8	3.5	4.8	4.5	4.6	2.8	3.5	3.4	3.2	3.5	3.0	3.2	2.3	2.9	3.6	3.6
Tata-AIG	4.8	4.9	5.6	5.6	5.0	5.8	6.1	6.0	5.4	5.8	5.3	5.8	5.4	4.8	5.5	4.6	4.4	4.8	5.2
United India	9.0	7.6	7.2	8.1	7.3	9.4	6.9	9.1	7.6	9.4	7.4	9.1	7.5	8.5	8.2	10.8	9.9	9.4	8.2
Universal Sompo	1.3	0.9	1.2	0.9	1.6	1.7	1.1	0.9	1.2	1.4	1.4	1.1	1.4	1.1	1.3	0.8	0.9	1.0	1.2
Total	88.4	87.9	89.8	89.0	89.3	88.0	87.3	84.1	92.4	88.1	87.5	88.7	86.8	89.6	88.9	91.1	90.1	90.0	88.5
Total (PSU)	37.8	42.4	36.0	36.9	41.7	32.7	34.2	33.2	40.8	36.7	38.0	40.5	34.1	41.0	38.3	44.8	41.6	40.4	38.4
Total (private)	50.6	45.5	53.8	52.1	47.5	55.3	53.1	50.9	51.6	51.5	49.5	48.2	52.7	48.6	50.6	46.3	48.5	49.6	50.2
Standalone health insurers																			
Aditya Birla	0.8	0.9	0.9	0.7	0.9	1.2	0.9	1.1	0.8	1.1	1.7	1.1	1.2	0.8	1.2	0.4	0.6	0.8	0.9
Max Bupa	1.5	1.4	1.2	1.3	1.6	1.5	1.6	2.0	1.1	1.7	1.7	1.6	1.9	1.4	1.6	0.7	0.8	1.0	1.5
Care	2.2	1.9	1.9	1.9	2.2	2.4	2.2	2.6	1.7	2.2	2.3	2.1	2.7	1.8	2.2	1.3	1.5	1.5	2.0
Star Health	6.2	6.7	5.2	5.8	5.0	6.0	6.7	8.6	3.1	5.7	5.6	5.5	6.3	5.5	5.1	3.8	4.4	5.6	6.0
Total	11.2	11.4	9.7	10.3	10.2	11.5	12.0	14.9	7.3	11.3	11.9	10.8	12.7	10.0	10.6	8.0	9.2	9.4	10.9
Specialised insurers																			
AIC (Crop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ECGC (Export & Credit)	0.4	0.7	0.5	0.6	0.6	0.5	0.7	0.9	0.3	0.5	0.6	0.5	0.5	0.5	0.5	0.9	0.7	0.6	0.6
Total	0.4	0.7	0.5	0.6	0.6	0.5	0.7	0.9	0.3	0.5	0.6	0.5	0.5	0.5	0.5	0.9	0.7	0.6	0.6

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 8: Motor premiums up 12% yoy in August 2022

YoY growth in gross direct premiums for motor insurance, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
Acko General	111	90	74	78	80	73	73	58	75	60	34	34	32	121	43	9,199	190	23	87
Bajaj Allianz	11	(1)	(3)	(1)	(1)	(6)	(0)	6	25	38	11	4	3	10	14	17	8	(10)	3
Cholamandalam MS	20	9	13	14	10	3	3	9	36	61	24	18	13	12	27	14	8	(4)	10
Go Digit	16	22	33	(4,542)	60	254	11	28	71	113	66	56	61	24	70	1,044	93	19	54
HDFC ERGO General	12	5	(3)	(3)	(1)	(4)	1	2	26	44	30	30	36	15	33	33	11	1	4
ICICI -Lombard	(0)	57	(14)	(11)	(4)	(5)	5	24	28	44	15	2	2	2	15	20	9	1	(1)
IFFCO -Tokio	12	1	8	7	18	(17)	(5)	(19)	13	27	0	0	0	3	6	9	8	6	(0)
New India	(3)	(12)	(13)	(6)	(4)	(5)	(1)	3	21	26	4	5	10	(8)	12	(3)	1	(1)	(6)
Reliance General	17	19	16	22	(21)	16	6	(2)	5	35	13	(7)	(5)	8	5	15	9	15	8
Royal Sundaram	16	4	(4)	(9)	(10)	(9)	1	12	32	27	13	11	14	12	18	2	0	(5)	2
SBI General	40	29	27	18	13	3	(9)	(18)	69	87	28	11	(13)	61	27	(6)	71	37	17
Shriram General	(27)	(20)	(13)	(11)	(16)	(25)	(17)	(14)	7	9	26	41	46	(27)	28	10	6	(14)	(20)
Tata-AIG	12	7	11	2	(3)	(11)	133	72	44	49	25	27	20	14	31	35	6	7	18
United India	0	(8)	(7)	(1)	(5)	(10)	(7)	1	17	25	(1)	(3)	3	(6)	6	(5)	(3)	(11)	(6)
Universal Sompo	51	45	61	56	163	254	4	(53)	305	218	97	108	89	19	131	8	26	15	34
Total	9	1	(0)	6	3	1	5	6	29	42	16	12	12	5	20	9	7	(2)	4
Total (PSU)	(1)	(10)	(11)	(4)	(5)	(10)	(6)	0	15	20	(1)	(0)	5	(6)	7	(5)	(3)	(9)	(6)
Total (private)	14	6	5	11	7	7	10	9	36	53	25	18	15	12	27	21	14	2	9

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 9: HDFC ERGO and Digit gain market share

Segment-wise gross direct premium (motor) market share, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers	0.7	0.7	0.7	0.8	0.8	0.7	0.7	0.6	0.7	0.8	0.8	0.8	0.9	0.7	0.8	0.1	0.3	0.4	0.7
Bajaj General	7.1	7.1	7.0	6.8	6.8	6.6	6.4	6.8	6.9	6.6	6.7	6.6	6.5	7.1	6.7	7.5	7.6	7.0	6.9
Cholamandalam MS	5.2	4.9	4.8	5.0	4.6	4.7	4.8	4.8	5.1	5.2	5.3	5.4	5.3	5.0	5.3	4.7	4.7	4.6	4.9
Go Digit	3.4	4.4	4.7	4.7	4.6	4.7	5.1	4.9	4.9	4.6	4.8	4.4	4.9	3.4	4.7	1.3	2.4	2.9	4.3
HDFC ERGO	5.3	5.2	5.3	5.0	5.0	4.9	4.7	4.6	5.0	5.1	5.8	6.2	6.4	5.2	5.7	4.7	4.9	5.0	5.0
ICICI -Lombard	11.0	18.1	12.8	13.4	11.6	11.4	11.4	12.8	12.2	11.3	10.6	10.1	9.9	11.2	10.7	11.7	12.0	12.4	11.8
IFFCO -Tokio	5.7	5.3	5.5	5.3	5.7	4.7	5.3	4.7	4.4	4.9	4.6	4.7	5.1	5.4	4.8	5.1	5.1	5.5	5.3
Magma HDI	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.0	2.6	2.6	2.5	2.4	2.3	1.8	2.5	1.2	1.5	1.4	1.9
National	6.7	7.0	6.1	6.4	6.6	5.8	5.9	6.1	5.9	6.1	6.2	6.1	6.1	7.3	6.1	9.5	8.3	7.2	6.6
New India	11.7	11.8	10.7	11.0	12.4	11.9	11.8	11.0	11.3	11.3	11.2	11.2	11.5	12.1	11.3	13.7	12.9	13.0	11.7
Oriental	4.7	5.1	4.6	4.5	5.1	4.8	4.7	4.6	4.3	4.5	4.2	4.1	4.4	5.0	4.3	7.0	6.1	5.5	4.8
Reliance General	5.6	5.9	5.6	6.1	3.9	6.1	5.6	5.7	4.5	4.6	4.6	4.6	4.8	5.3	4.6	4.4	4.5	5.3	5.5
Royal Sundaram	3.1	2.9	2.8	2.5	2.7	2.8	2.8	3.1	2.8	2.8	2.9	3.0	3.2	3.0	2.9	3.2	3.0	2.9	2.9
SBI General	3.5	3.3	3.7	3.6	3.7	3.7	4.1	3.8	4.1	3.6	3.6	3.4	2.7	3.3	3.4	1.4	2.3	3.2	3.6
Tata-AIG	7.2	7.2	7.7	7.3	6.4	6.5	8.1	8.4	8.0	7.5	7.7	7.8	7.7	7.1	7.7	5.9	5.9	6.4	7.3
United India	7.9	8.1	7.3	7.5	7.9	7.3	7.7	7.3	7.3	7.6	7.2	7.0	7.2	8.2	7.3	10.5	9.5	8.6	7.8
Universal Sompo	1.7	1.6	1.7	1.5	3.3	3.6	1.8	1.6	2.2	3.1	3.1	2.9	2.8	1.5	2.9	1.1	1.3	1.5	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total (PSU)	31.0	32.0	28.6	29.4	31.9	29.9	30.1	29.0	28.8	29.5	28.8	28.4	29.1	32.6	28.9	40.7	36.8	34.2	30.9
Total (private)	69.0	68.0	71.4	70.6	68.1	70.1	69.9	71.0	71.2	70.5	71.2	71.6	70.9	67.4	71.1	59.3	63.2	65.8	69.1

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 10: New-age players and HDFC ERGO gain market share in Motor OD

Segment-wise gross direct premium (motor OD) market share, March fiscal year-ends, August 2021- August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.6	0.5	0.6	0.6	0.7	0.7	0.5	0.6	0.1	0.0	0.2	0.5
Bajaj General	7.6	7.5	7.5	7.1	7.2	7.1	6.9	7.3	7.4	7.3	7.0	7.6	7.2	7.8	7.3	7.9	8.6	6.7	7.4
Cholamandalam MS	4.7	4.6	4.4	4.7	4.3	4.5	4.6	4.8	5.1	5.2	4.9	5.4	5.0	4.5	5.1	3.9	-	3.0	4.5
Go Digit	2.7	3.0	3.2	3.2	3.0	3.2	3.3	3.2	3.7	3.8	3.7	4.0	4.3	2.6	3.9	0.9	1.1	1.8	3.0
HDFC ERGO	5.6	5.7	5.8	5.6	5.6	5.6	5.5	5.4	5.5	5.7	6.3	7.1	7.2	5.8	6.4	6.2	7.5	6.2	5.7
ICICI -Lombard	14.3	26.1	15.8	16.4	15.1	14.7	14.8	15.8	14.2	13.4	12.3	12.8	12.0	14.4	12.9	15.4	23.6	21.2	15.0
IFFCO -Tokio	6.6	6.1	6.3	5.7	6.1	5.1	6.1	5.5	5.2	5.8	5.3	5.8	6.0	6.5	5.6	6.0	6.8	5.3	6.1
Magma HDI	1.4	1.5	1.5	1.7	1.6	1.8	1.8	1.9	2.4	2.5	2.1	2.1	1.9	1.4	2.2	0.8	0.5	0.7	1.6
National	6.4	5.7	5.0	5.1	5.3	4.8	4.6	4.7	4.8	4.8	8.9	1.0	5.1	6.0	4.9	8.6	4.6	2.9	5.3
New India	9.4	9.4	8.7	9.1	10.3	10.1	10.1	9.3	9.7	9.3	9.2	10.1	10.1	9.7	9.7	11.4	11.2	11.2	9.6
Oriental	3.1	3.3	3.0	3.0	3.3	3.3	3.2	2.9	2.8	2.9	2.7	2.9	2.8	3.3	2.8	5.6	3.1	3.2	3.2
Reliance General	5.8	6.4	6.1	6.5	5.6	6.2	5.9	6.0	5.7	5.2	5.0	5.2	4.8	5.8	5.1	5.0	3.8	4.5	6.0
Royal Sundaram	4.0	4.1	3.7	3.3	3.4	3.4	3.3	3.4	3.0	3.2	3.1	3.2	3.6	3.9	3.2	4.6	6.2	4.4	3.7
SBI General	4.0	4.1	4.4	4.2	4.8	4.8	4.7	4.7	4.7	4.0	4.0	4.0	3.2	3.9	3.9	2.3	3.6	3.5	4.3
Tata-AIG	8.2	8.6	8.5	8.7	8.4	8.9	8.7	9.2	8.9	8.7	8.4	9.2	8.8	8.2	8.8	7.1	6.8	11.0	8.5
United India	5.1	5.3	5.1	5.4	5.2	4.9	5.2	4.9	5.0	5.0	4.7	5.1	5.0	5.3	5.0	6.9	4.0	4.4	5.2
Universal Sompo	2.6	2.7	2.8	2.5	2.9	2.9	3.1	2.6	3.1	4.3	4.1	4.0	3.5	2.2	3.8	1.2	1.6	2.3	2.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total (PSU)	23.9	23.8	21.9	22.7	24.0	23.1	23.1	21.9	22.3	21.9	25.5	19.0	23.1	24.3	22.4	32.4	23.0	21.6	23.4
Total (private)	76.1	76.2	78.1	77.3	76.0	76.9	76.9	78.1	77.7	78.1	74.5	81.0	76.9	75.7	77.6	67.6	77.0	78.4	76.6

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 11: Motor TP premiums up 13% yoy in August 2022

YoY growth in gross direct premiums for motor TP insurance, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
Acko General	122	84	75	79	87	72	68	(20)	73	62	32	27	25	127	39	6,116	(43)	46	786
Bajaj Allianz	12	(0)	0	5	3	(4)	3	(52)	29	37	13	6	1	8	15	35	(74)	(10)	347
Cholamandalam MS	17	8	12	13	7	2	3	69	32	46	19	15	9	6	21	19	(96)	66	1,553
Go Digit	7	18	31	(613)	64	459	7	(25)	69	102	66	54	54	12	66	813	(46)	10	501
HDFC ERGO General	18	9	0	(1)	(3)	(2)	2	(53)	32	43	31	30	31	17	33	52	(78)	28	394
ICICI -Lombard	6	(2)	(3)	2	5	5	15	42	54	33	21	12	12	7	24	36	(92)	32	1,052
IFFCO -Tokio	16	5	12	14	29	(13)	(4)	(65)	17	29	3	3	(0)	3	8	11	(77)	48	258
New India	(4)	(13)	(13)	(7)	(6)	(8)	(4)	(48)	17	22	1	2	5	(9)	8	2	(80)	(8)	418
Reliance General	7	11	8	20	(45)	14	6	(55)	(4)	30	14	(6)	(1)	(8)	4	20	(74)	44	288
Royal Sundaram	26	4	(9)	(15)	(16)	(9)	4	25	56	44	34	33	32	26	38	7	(95)	149	846
SBI General	29	17	26	18	4	(7)	(20)	(88)	83	102	28	17	(15)	63	31	(4)	158	54	7
Shriram General	(24)	(17)	(9)	(8)	(14)	(24)	(14)	87	10	14	34	47	51	(26)	33	15	(96)	12	1,654
Tata-AIG	11	4	11	(2)	(15)	(25)	719	65	46	52	28	28	20	15	33	59	(82)	(34)	1,157
United India	(1)	(9)	(10)	(5)	(6)	(11)	(7)	(64)	14	24	(3)	(5)	(0)	(7)	4	0	(75)	(8)	261
Universal Sompo	20	19	45	31	303	456	(46)	(83)	278	155	185	162	154	(0)	174	21	(87)	490	132
Total	7	(0)	1	10	3	3	5	(56)	31	55	6	15	13	3	20	15	(73)	4	306
Total (PSU)	(3)	(10)	(11)	(5)	(6)	(12)	(10)	(71)	13	64	(25)	4	4	(6)	5	(0)	(66)	(12)	189
Total (private)	13	7	8	19	9	12	15	(41)	43	50	29	23	18	10	30	34	(80)	28	423

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 12: New-age players and HDFC ERGO gain market share in Motor TP

Segment-wise gross direct premium (motor TP) market share, March fiscal year-ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Acko General	0.9	0.8	0.9	0.9	0.9	0.8	0.7	0.7	0.9	0.9	0.9	0.9	1.0	0.8	0.9	0.1	0.3	0.4	0.8
Bajaj General	6.7	6.8	6.7	6.6	6.6	6.3	6.2	6.5	6.6	6.2	6.5	6.0	6.0	6.6	6.3	7.3	6.9	5.9	6.5
Cholamandalam MS	5.6	5.1	5.1	5.2	4.8	4.9	4.9	4.8	5.1	5.2	5.6	5.4	5.4	5.3	5.4	5.2	0.8	1.2	5.1
Go Digit	3.9	5.2	5.7	5.7	5.6	5.5	6.1	5.8	5.7	5.2	5.6	4.7	5.4	3.8	5.3	1.6	3.3	3.4	5.1
HDFC ERGO	5.1	4.9	5.0	4.7	4.6	4.6	4.3	4.1	4.6	4.6	5.5	5.6	5.9	4.8	5.3	3.8	3.1	3.8	4.7
ICICI -Lombard	8.6	13.5	10.9	11.5	9.4	9.5	9.4	11.1	10.8	9.8	9.4	8.5	8.5	9.0	9.3	9.2	2.7	3.4	9.7
IFFCO -Tokio	5.1	4.8	4.9	5.0	5.5	4.4	4.9	4.3	3.8	4.3	4.2	4.0	4.5	4.6	4.2	4.4	3.8	5.4	4.7
Magma HDI	2.1	2.0	2.0	2.1	2.1	2.2	2.1	2.1	2.7	2.7	2.8	2.6	2.6	2.0	2.7	1.4	0.5	0.4	2.0
National	6.9	7.7	6.7	7.1	7.4	6.4	6.7	6.8	6.7	7.0	4.4	9.3	6.8	8.3	6.9	10.1	30.4	25.0	7.4
New India	13.4	13.2	12.0	12.1	13.7	13.0	12.7	12.0	12.5	12.7	12.5	11.8	12.4	13.8	12.4	15.4	11.5	10.2	13.0
Oriental	5.9	6.1	5.6	5.5	6.3	5.7	5.6	5.6	5.4	5.6	5.3	4.9	5.4	6.0	5.3	8.1	5.2	4.3	5.9
Reliance General	5.4	5.7	5.3	5.9	2.8	6.1	5.4	5.5	3.7	4.1	4.3	4.2	4.7	4.9	4.2	4.1	3.9	5.4	5.1
Royal Sundaram	2.5	2.3	2.2	2.0	2.3	2.5	2.6	2.9	2.6	2.4	2.8	2.8	2.9	2.4	2.7	2.2	0.4	1.0	2.4
SBI General	3.2	2.9	3.2	3.2	3.1	3.1	3.8	3.3	3.6	3.3	3.3	3.0	2.4	2.8	3.1	0.8	8.0	11.8	3.1
Tata-AIG	6.5	6.5	7.2	6.5	5.1	5.0	7.7	7.9	7.3	6.8	7.2	6.9	6.9	6.4	7.0	5.1	3.3	2.1	6.5
United India	9.9	9.7	8.7	8.8	9.6	8.8	9.1	8.6	8.9	9.3	8.9	8.3	8.7	10.2	8.8	13.0	12.0	10.6	9.4
Universal Sompo	1.0	0.9	1.0	0.8	3.5	4.1	1.0	1.0	1.6	2.4	2.4	2.3	2.3	1.0	2.2	1.0	0.5	2.6	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total (PSU)	36.0	36.7	33.0	33.5	37.0	34.0	34.1	33.1	33.4	34.6	31.1	34.3	33.3	38.3	33.3	46.4	59.1	50.0	35.7
Total (private)	64.0	63.3	67.0	66.5	63.0	66.0	65.9	66.9	66.6	65.4	68.9	65.7	66.7	61.7	66.7	53.6	40.9	50.0	64.3

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 13: Health insurance up 14% yoy in August 2022

YoY growth in gross direct premiums for health insurance, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Acko General	551	222	366	151	340	137	191	94	90	65	222	107	108	438	112	29,320	227	23	240
Bajaj Allianz	4	32	14	26	(44)	18	22	82	27	74	21	(71)	25	117	(25)	56	(6)	(5)	51
Cholamandalam MS	(14)	(7)	(1)	22	35	25	36	27	50	35	78	40	31	(17)	45	4	15	34	2
Go Digit	183	163	198	279	365	640	405	24	195	(49)	(21)	8	45	103	9	423	137	415	133
HDFC ERGO General	184	200	188	(80)	22	21	14	22	28	25	22	22	18	202	23	29	1	189	16
ICICI-Lombard	8	6	(8)	18	29	31	36	34	30	40	49	39	40	11	38	28	16	(3)	16
IFFCO -Tokio	(35)	(25)	2	21	(31)	10	(15)	268	(22)	25	(41)	89	1	5	(0)	20	64	18	12
New India	55	28	135	19	35	(21)	21	(9)	27	2	(5)	10	6	48	11	18	14	14	34
Reliance General	48	5	52	51	27	88	84	37	28	(13)	31	67	67	(5)	29	37	38	(39)	14
Royal Sundaram	16	10	(9)	13	21	26	(5)	3	32	56	4	8	9	14	21	26	11	(14)	10
SBI General	224	62	41	65	61	13	69	181	32	105	69	68	(36)	32	24	9	45	69	48
Shriram General	1,011	506	219	182	85	(60)	(90)	(88)	(101)	(83)	(85)	(83)	(67)	1,573	(83)	464	120	173	88
Tata-AIG	31	39	44	38	37	45	39	57	80	88	84	81	32	22	71	45	28	12	35
United India	14	(23)	(19)	135	41	(27)	(17)	38	22	25	26	59	(20)	4	22	(4)	(1)	17	1
Universal Sompco	(2)	2	(50)	(6)	6	(35)	(23)	(3)	(5)	(54)	57	(44)	19	21	(12)	34	19	52	1
Total (PSU)	31	13	49	21	31	(19)	11	9	26	9	7	36	1	31	18	9	5	11	21
Total (private)	31	36	34	(42)	9	27	28	60	30	35	29	(4)	18	45	19	35	18	23	27
Standalone health insurers																			
Max Bupa	64	67	62	61	60	60	49	53	45	27	32	40	49	78	38	23	29	42	65
Care	45	44	46	66	63	57	44	50	35	44	58	40	44	45	44	70	33	5	50
Star Health	15	37	20	20	2	21	21	22	17	12	10	9	13	27	12	31	27	37	23
Total	10	22	15	31	22	34	29	29	29	23	32	24	29	18	27	36	28	9	33
Industry total	24	20	34	25	23	6	22	30	27	20	19	20	14	31	20	21	14	13	26

Note:

(1) Star Health restated their premium figures for August 2021 and 5MFY22

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 14: ICICI Lombard and SAHs gain market share in August 2022

Segment-wise gross direct premium (health) market share, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Acko General	0.6	0.6	0.7	0.4	0.6	0.5	0.5	0.8	0.6	0.8	1.0	0.6	1.2	0.5	0.8	0.1	0.2	0.2	0.5
Bajaj General	2.8	4.6	3.6	3.2	2.6	3.8	3.0	3.4	3.4	4.8	2.8	3.3	3.1	5.5	3.4	5.1	4.3	3.6	4.3
Cholamandalam MS	0.7	0.5	0.6	0.7	0.5	0.6	0.7	0.6	0.6	0.6	0.7	0.6	0.8	0.5	0.7	0.6	0.6	0.7	0.6
Go Digit	0.8	0.3	0.4	0.4	0.4	0.5	0.4	0.4	1.0	0.8	0.6	0.5	1.0	0.9	0.8	0.0	0.1	0.3	0.6
HDFC ERGO	5.5	4.7	5.6	5.5	5.8	6.7	7.0	9.6	6.1	5.7	5.3	4.9	5.7	5.0	5.1	2.8	2.5	6.4	5.9
ICICI-Lombard	5.2	3.9	4.7	5.1	4.0	6.6	5.3	3.7	6.8	6.9	5.3	4.5	6.3	5.2	5.9	6.1	6.2	5.3	4.9
IFFCO -Tokio	3.9	1.5	1.6	1.2	1.5	1.7	1.8	4.2	1.7	2.3	2.0	2.7	3.4	2.9	2.4	1.8	2.6	2.7	2.4
Magma HDI	0.2	0.1	0.2	0.2	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1
National	8.1	14.9	5.4	12.2	6.9	4.0	7.7	6.4	6.4	4.7	8.2	7.9	8.9	7.6	7.2	13.0	10.2	9.5	7.9
New India	16.0	15.4	24.3	19.0	28.9	12.9	16.1	9.1	32.0	14.7	19.2	18.9	14.9	22.5	20.7	18.1	18.2	18.3	19.6
Oriental	7.3	14.5	9.7	6.2	10.1	7.5	8.9	5.2	7.0	9.8	9.8	12.3	5.9	8.2	9.0	8.7	9.0	8.1	8.6
Reliance General	1.3	1.0	1.1	1.2	0.9	1.3	1.4	1.0	2.6	1.8	2.0	1.2	1.9	1.8	1.9	2.4	2.9	1.5	1.4
Royal Sundaram	0.6	0.4	0.5	0.5	0.4	0.6	0.5	0.5	0.5	0.8	0.5	0.5	0.6	0.6	0.6	0.8	0.8	0.6	0.5
SBI General	4.5	1.5	1.8	2.0	1.8	5.4	3.4	4.1	1.3	2.6	2.1	2.0	2.5	2.0	2.0	1.1	1.4	2.1	2.5
Tata-AIG	2.2	2.1	2.4	2.3	2.2	2.4	2.8	2.7	1.9	3.0	2.6	2.5	2.5	1.7	2.5	1.8	2.0	2.0	2.1
United India	10.3	6.8	7.0	8.9	6.7	12.6	5.2	10.1	9.7	10.6	6.7	11.0	7.3	9.0	9.2	11.8	10.3	10.7	8.6
Universal Sompco	0.3	0.3	0.2	0.2	0.3	0.3	0.2	0.2	0.6	0.2	0.4	0.2	0.3	0.5	0.4	0.3	0.3	0.4	0.3
Total	72.1	74.3	71.7	71.1	75.0	70.6	67.1	63.5	71.3	72.0	71.2	75.6	68.6	76.0	74.7	76.3	73.2	74.2	72.7
Total (PSU)	41.6	51.6	46.4	46.2	52.6	37.0	37.8	30.8	55.0	39.8	43.9	50.2	36.9	47.3	46.2	51.7	47.7	46.6	44.8
Total (private)	30.5	22.6	25.3	24.9	22.4	33.6	29.2	32.7	16.4	32.2	27.2	25.4	31.6	28.8	28.5	24.6	25.5	27.6	27.9
Standalone health insurers																			
Aditya Birla	1.9	2.0	2.5	2.0	2.1	2.9	2.4	2.6	2.0	2.7	3.9	2.4	2.9	1.8	2.7	0.9	1.5	2.0	2.2
Max Bupa	3.7	3.2	3.7	3.8	4.0	4.0	4.5	5.0	2.6	4.4	4.2	3.6	4.8	3.3	3.8	2.0	2.3	2.9	3.7
Care	5.1	3.9	5.2	5.0	4.9	5.6	5.5	5.8	3.9	5.3	5.4	4.6	6.5	4.2	5.0	3.7	4.3	4.0	4.7
Star Health	15.9	15.5	15.5	16.6	12.8	15.6	18.9	21.5	7.5	14.4	13.9	12.6	15.8	13.4	12.5	11.6	13.0	15.7	15.3
Total	27.9	25.7	28.3	28.9	25.0	29.4	32.9	36.5	17.2	28.0	28.8	24.4	31.4	24.0	25.3	23.7	26.8	25.8	27.3

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 15: Retail health insurance up 11% yoy in August 2022

Growth in gross direct premiums yoy for retail health insurance, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Bajaj Allianz	(12)	(2)	2	5	11	(1)	(6)	(4)	(14)	(15)	(2)	3	13	11	(3)	15	14	16	4
Cholamandalam MS	0	4	8	(407)	14	52	(44)	(407)	82	81	104	59	34	(3)	68	5	3	5	33
HDFC ERGO General	284	309	303	(83)	16	15	14	17	3	6	12	12	13	286	10	(31)	16	335	13
ICICI-Lombard	15	9	3	13	17	18	17	21	5	9	10	11	16	21	10	(10)	(38)	25	17
IFFCO -Tokio	(25)	(35)	(24)	(18)	(9)	(12)	5	(4)	(22)	(11)	(12)	2	5	(0)	(8)	12	13	33	(9)
New India	(2)	(3)	0	1	1	3	1	(1)	(5)	(12)	(3)	(0)	3	8	(3)	9	1	10	3
Reliance General	4	4	584	20	22	33	20	31	43	20	36	43	56	14	39	18	16	43	26
Royal Sundaram	1	(4)	(6)	6	13	8	3	2	1	(20)	(4)	(0)	2	6	(5)	17	9	(11)	4
SBI General	12	3	(1)	29	36	39	42	53	76	87	67	41	43	10	58	77	64	22	23
Tata-AIG	47	59	46	54	61	67	53	66	40	37	41	36	37	48	38	72	(60)	79	55
United India	3	(0)	2	6	0	(1)	(4)	(2)	(5)	(3)	(3)	(2)	2	5	(2)	4	15	12	2
Universal Sompo	(14)	(13)	(14)	(7)	(0)	(1)	(6)	(12)	(1)	(18)	(16)	(23)	(16)	9	(15)	22	8	16	(1)
Total	12	15	17	(48)	6	9	4	10	0	(0)	5	6	10	26	4	6	1	38	7
Total (PSU)	(6)	(5)	(5)	(2)	(1)	1	(0)	(3)	(6)	(9)	(4)	(3)	2	8	(4)	8	5	15	2
Total (private)	44	51	56	(65)	14	19	9	27	9	10	17	16	19	60	14	3	(7)	85	14
Standalone health insurers																			
Max Bupa	55	56	58	62	67	62	50	45	35	28	36	40	48	65	37	16	18	56	59
Care	26	28	32	40	43	44	29	31	16	17	25	23	24	32	21	41	32	42	34
Star Health	11	38	19	18	1	23	21	34	21	20	20	23	25	23	22	29	25	40	23
Total	2	16	8	(970)	16	31	26	34	22	20	22	25	29	10	24	30	26	18	28
Industry total	6	16	12	16	10	19	14	22	10	9	14	16	19	18	14	16	12	28	17

Note:

(1) Star Health restated their premium figures for August 2021 and 5MFY22

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 16: Standalone health insurers' market share in retail health at ~53%

Segment-wise gross direct premium (retail health) market share, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Bajaj General	2.8	2.8	2.8	2.6	2.6	2.4	2.4	2.5	2.6	2.5	2.6	2.6	2.7	3.0	2.6	3.3	3.4	3.1	2.7
Cholamandalam MS	1.2	1.1	1.2	1.3	1.2	1.1	1.2	1.0	1.5	1.3	1.5	1.4	1.3	0.9	1.4	1.3	1.2	0.9	1.1
Go Digit	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.1
HDFC ERGO	9.9	9.5	9.9	9.7	10.6	9.9	9.9	10.9	10.1	9.8	9.6	9.3	9.4	9.8	9.5	2.9	3.1	10.4	10.0
ICICI-Lombard	3.0	2.6	2.8	2.9	2.9	2.9	2.9	2.7	3.0	2.9	2.9	2.9	3.0	3.0	2.9	5.4	2.9	2.9	2.9
IFFCO -Tokio	0.7	0.6	0.6	0.5	0.7	0.5	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.6	0.8	0.8	0.8	0.6
Magma HDI	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1
National	7.7	6.7	6.7	7.4	7.6	7.0	7.3	6.1	7.9	6.8	6.5	6.3	6.5	7.9	6.8	8.9	8.5	7.9	7.3
New India	8.9	7.9	8.7	8.1	9.2	8.1	8.8	7.5	9.7	7.6	7.8	8.1	7.7	9.6	8.1	12.8	11.5	9.9	8.7
Oriental	5.8	5.3	5.5	5.1	6.2	5.2	5.5	4.5	6.1	5.1	5.0	4.9	5.0	6.3	5.2	8.3	7.6	7.1	5.6
Reliance General	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.8	0.7	0.7	0.7	0.7	0.6	0.7	0.5	0.5	0.5	0.6
Royal Sundaram	0.7	0.6	0.7	0.7	0.6	0.6	0.6	0.5	0.7	0.7	0.6	0.6	0.6	0.8	0.6	1.1	1.1	0.7	0.7
SBI General	1.5	1.3	1.5	1.6	1.6	1.5	1.8	1.6	1.3	1.5	1.7	1.6	1.8	1.1	1.6	1.0	1.4	1.3	1.4
Tata-AIG	1.5	1.4	1.5	1.5	1.7	1.7	1.7	1.8	1.8	2.0	2.0	1.8	1.8	1.5	1.9	2.4	0.9	1.2	1.6
United India	4.7	4.4	4.6	4.6	4.8	4.2	4.3	3.9	4.9	4.0	4.0	3.9	4.0	4.8	4.1	5.8	5.9	5.2	4.5
Universal Sompo	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.4	0.3	0.5	0.5	0.4	0.4
Total	50.6	46.3	48.6	48.2	51.9	47.2	48.8	45.3	49.1	47.3	46.9	46.3	46.6	51.8	47.6	55.5	50.0	53.8	49.3
Total (PSU)	27.1	24.4	25.4	25.3	27.8	24.4	25.8	22.0	28.6	23.6	23.2	23.2	23.2	28.6	24.2	35.8	33.5	30.1	26.2
Total (private)	23.5	21.9	23.2	22.9	24.1	22.8	23.0	23.3	20.6	23.7	23.6	23.1	23.4	23.3	23.4	19.7	16.4	23.7	23.1
Standalone health insurers																			
Aditya Birla	2.1	2.0	2.1	1.8	2.3	2.3	2.3	2.2	2.4	2.5	2.5	2.5	2.6	2.3	2.5	1.1	1.7	2.1	2.2
Cigna TTK	1.6	1.5	1.6	1.4	1.4	1.4	1.4	1.6	1.5	1.5	1.5	1.6	1.7	1.6	1.6	1.5	1.5	1.5	1.5
Max Bupa	6.7	6.6	7.0	6.7	7.4	7.4	7.0	7.3	8.4	8.6	8.4	8.3	8.3	6.9	8.4	4.0	4.2	5.2	7.0
Care	6.9	6.8	7.4	6.9	7.8	7.8	6.8	6.8	8.0	7.0	7.3	7.3	7.2	6.9	7.4	4.7	5.6	6.2	7.1
Star Health	32.1	36.7	33.2	34.9	29.2	33.9	33.7	36.9	27.9	33.1	33.5	34.0	33.6	30.4	32.6	25.5	28.6	31.3	32.9
Total	49.4	53.7	51.4	51.8	48.1	52.8	51.2	54.7	50.9	52.7	53.1	53.7	53.4	48.2	52.4	44.5	50.0	46.2	50.7

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 17: Group health up 31% yoy in August 2022

Growth in gross direct premiums yoy for group health insurance, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Bajaj Allianz	14	46	18	34	25	18	33	44	39	6	20	36	26	20	28	56	(6)	(2)	27
Cholamandalam MS	(34)	(38)	(25)	(75)	615	(22)	(112)	(89)	21	(45)	5	(10)	24	(34)	3	7	96	109	(42)
HDFC ERGO General	53	67	64	(68)	36	33	12	29	73	106	55	45	32	87	59	217	1	62	24
ICICI -Lombard	4	7	(13)	17	34	34	46	39	32	42	57	46	39	7	41	83	56	(3)	14
IFFCO -Tokio	28	21	9	36	2	59	81	19	(21)	31	35	103	(3)	18	18	32	51	9	22
New India	89	39	55	24	42	47	32	75	33	25	(6)	24	14	28	18	15	39	20	36
Reliance General	74	31	23	57	29	90	32	34	38	44	44	61	25	7	41	52	3	(6)	21
Royal Sundaram	35	39	(13)	20	31	45	(19)	2	53	200	10	15	15	24	45	38	14	(16)	18
SBI General	56	122	78	94	77	10	81	231	22	111	70	80	54	(3)	65	(10)	35	99	40
Tata-AIG	23	33	42	23	18	35	30	47	92	94	79	85	15	12	69	29	250	14	25
United India	7	(6)	15	15	36	40	27	22	19	32	(18)	33	(14)	14	13	(2)	0	(26)	17
Universal Sompo	20	30	(86)	(3)	14	(55)	(66)	48	(5)	(77)	167	(58)	63	29	(10)	72	43	117	4
Total	46	30	41	8	41	26	40	45	32	29	11	36	22	25	26	11	22	11	29
Total (PSU)	58	26	54	12	42	19	31	45	30	24	(5)	25	18	26	18	(4)	17	10	29
Total (private)	32	39	22	(0)	38	31	54	45	36	38	53	55	28	22	41	62	32	15	28
Standalone health insurers																			
Max Bupa	106	119	79	59	45	54	47	99	99	22	21	41	51	152	41	66	77	1	91
Care	85	87	72	114	100	76	76	97	57	80	108	60	67	73	72	56	23	16	82
Star Health	50	30	29	40	11	5	11	(55)	(15)	(44)	(54)	(60)	(56)	60	(50)	47	41	19	21
Total	47	49	45	364	46	48	43	8	48	28	58	19	27	54	35	45	34	(3)	51
Industry total	46	31	41	20	42	29	41	38	33	29	16	34	23	27	27	14	23	10	31

Note:

(1) Star Health restated their premium figures for August 2021 and 5MFY22

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 18: Private players gained market share in group business on mom basis

Segment-wise gross direct premium (group health) market share, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Acko General	1.3	1.0	1.5	0.8	1.1	1.0	1.2	1.9	1.0	1.5	1.9	1.4	2.2	0.9	1.5	0.1	0.4	0.4	1.1
Bajaj General	3.2	6.2	4.9	3.7	2.2	5.4	3.3	2.9	4.2	3.1	2.9	4.2	3.3	3.6	3.6	6.0	4.6	4.1	3.9
Cholamandalam MS	0.4	0.2	0.3	0.4	0.1	0.3	0.2	0.2	0.4	0.2	0.2	0.2	0.5	0.4	0.3	0.2	0.3	0.7	0.3
Go Digit	1.5	0.5	0.8	0.8	0.6	0.9	0.8	0.8	1.5	1.4	1.0	1.1	1.7	1.6	1.4	0.0	0.1	0.6	1.1
HDFC ERGO	2.7	1.9	3.2	2.7	3.0	5.1	4.3	8.7	3.5	3.1	3.0	3.6	2.9	2.6	3.2	3.0	2.5	3.6	3.4
ICICI -Lombard	7.7	5.0	7.0	7.1	5.0	10.8	8.5	4.9	9.3	10.1	7.3	7.4	8.7	7.8	8.6	7.4	9.3	8.2	7.1
IFFCO -Tokio	7.5	2.3	2.8	1.9	2.4	3.2	3.7	2.5	2.6	3.9	3.4	5.4	5.9	4.4	4.1	2.9	3.6	3.6	3.4
Magma HDI	0.2	0.1	0.3	0.2	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.4	0.3	0.2	0.3	0.4	0.1	0.2	0.2
National	7.6	22.0	5.6	17.6	5.5	1.6	5.9	5.6	5.2	3.5	8.4	8.1	11.6	8.2	7.2	10.3	7.8	10.7	9.0
New India	25.3	22.0	21.9	30.2	46.6	19.7	27.0	24.9	37.2	21.8	30.9	21.3	23.6	30.2	28.1	22.3	25.3	27.7	28.8
Oriental	8.0	18.1	15.4	7.7	7.6	10.8	11.5	6.1	8.4	14.1	8.7	10.4	6.4	9.3	9.5	11.4	10.8	9.6	10.4
Reliance General	2.1	1.2	1.7	1.6	1.1	2.0	1.2	1.4	3.4	2.3	2.3	2.0	2.2	2.3	2.6	2.8	2.3	2.0	1.8
Royal Sundaram	0.7	0.3	0.5	0.5	0.3	0.7	0.4	0.4	0.6	1.0	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.5	0.5
SBI General	2.6	1.8	2.4	2.5	2.1	10.1	5.9	7.2	1.6	3.6	2.8	3.3	3.3	2.1	2.8	1.6	1.8	3.3	3.5
Tata-AIG	2.9	2.5	3.2	2.7	2.3	3.1	4.0	3.6	1.9	3.2	2.8	3.5	2.7	2.1	2.7	0.9	2.6	2.7	2.6
United India	8.7	3.3	10.4	4.2	7.0	5.0	4.1	11.2	7.4	12.8	5.8	11.8	6.1	9.7	8.6	15.8	12.9	8.7	7.8
Universal Sompo	0.3	0.2	0.1	0.1	0.3	0.3	0.1	0.1	0.8	0.1	0.5	0.2	0.4	0.6	0.5	0.2	0.2	0.5	0.4
Total	85.8	90.0	84.7	87.4	88.8	85.7	85.7	85.0	87.0	88.1	85.1	87.5	85.3	88.7	88.1	89.0	88.0	89.3	87.7
Total (PSU)	49.7	65.4	53.2	59.7	66.7	37.1	48.5	47.8	58.3	52.2	53.8	51.6	47.7	57.4	53.3	59.8	56.8	56.7	55.9
Total (private)	36.1	24.6	31.5	27.7	22.1	48.7	37.2	37.1	28.7	35.9	31.4	36.0	37.6	31.4	34.7	29.2	31.2	32.7	31.8
Standalone health insurers																			
Aditya Birla	2.1	2.3	3.3	2.3	2.3	4.0	2.8	3.4	2.2	3.1	5.6	3.4	3.3	1.9	3.4	1.1	1.6	2.2	2.5
HDFC ERGO Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.9	2.5	-	-
Cigna TTK	1.3	1.0	1.8	1.8	1.3	1.5	1.9	1.9	1.4	1.4	1.5	1.4	1.6	1.2	1.4	1.0	1.0	1.3	1.4
Max Bupa	1.7	1.3	1.7	1.7	2.0	1.7	2.1	2.3	0.9	1.6	1.8	1.6	2.1	1.4	1.5	0.8	1.2	1.1	1.6
Reliance Health (5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0	-	-
Care	4.4	2.2	4.4	3.6	3.1	4.6	4.4	4.6	2.8	4.1	4.4	4.3	6.0	3.1	4.1	2.4	2.4	2.5	3.4
Star Health	4.8	3.2	4.0	3.2	2.6	2.4	3.1	2.7	0.9	1.8	1.6	1.7	1.7	3.7	1.5	2.9	3.3	3.6	3.3
Total	14.2	10.0	15.3	12.6	11.2	14.3	14.3	15.0	13.0	11.9	14.9	12.5	14.7	11.3	11.9	11.0	12.0	10.7	12.3

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 19: Crop insurance premiums up 11% yoy in August 2022

Gross direct premiums for crop insurance collected by general insurers, March fiscal year ends, August 2021-August 2022 (Rs mn)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23
Bajaj Allianz	5,664	241	0	74	2,067	3,678	17	(174)	3	(3)	20	#####	1,714	14,909	15,713
Cholamandalam MS	-	-	-	-	-	-	-	(1)	-	-	-	-	-	-	-
HDFC ERGO General	5,631	9,669	2,220	299	519	550	2,401	5,222	2	83	36	22	10,747	6,240	10,890
ICICI -Lombard	1,554	5,827	2	200	526	75	22	11	2	1	1,401	3,622	2,425	3,243	7,452
IFFCO -Tokio	3,126	1,300	124	1,000	45	1,003	467	91	15	6	2,645	13	551	5,376	3,230
New India	-	5,030	-	-	1,200	281	-	2,730	-	-	-	-	-	-	-
Reliance General	2,529	#####	1,788	1,238	2,979	1,124	1,218	3,055	292	1,986	3,466	2,370	2,876	8,778	10,990
Royal Sundaram	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SBI General	7,691	5,277	527	106	93	3,782	2,218	1,777	69	14	520	506	9,348	8,313	10,457
Tata-AIG	-	31	2	-	3	2	1	0	-	(0)	22	(22)	23	3	22
United India	-	77	(241)	2	19	-	630	7	118	-	47	-	-	(91)	165
Universal Sampo	1,870	3,628	1,070	1,914	421	1,679	250	1,254	-	503	508	-	2,250	2,057	3,261
Total (only general insurers)	29,030	44,326	8,283	4,834	8,177	12,203	8,152	19,365	504	2,611	8,743	20,542	30,494	50,612	62,894
yoy growth (%)	23	(21)	(17)	(60)	(51)	(4)	(13)	(2)	93	36	205	30	5		24
Total (PSU general)	(193)	9,125	(345)	3	1,525	(181)	1,552	6,053	119	(27)	88	30	0	(155)	210
yoy growth (%)	(130)	(51)	(137)	(100)	(59)	(111)	(48)	(28)	98	(270)	(178)	(60)	(100)		(235)
Total (private general)	29,223	35,201	8,627	4,831	6,652	12,383	6,600	13,312	385	2,639	8,654	20,512	30,494	50,767	62,684
yoy growth (%)	28	(6)	(5)	(53)	(48)	12	4	27	92	39	191	25	4		23
Industry total (incl. specialized insurers)	74,500	57,840	11,668	10,482	18,189	38,985	12,662	28,757	523	3,080	9,390	35,479	82,855	116,712	131,326
yoy growth (%)	40	(29)	(9)	(44)	(30)	104	(37)	(9)	(39)	36	134	1	11		13

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 20: ~60% market share for specialized crop insurers in August 2022

Segment-wise gross direct premium (crop) market share, March fiscal year ends, August 2021-August 2022 (%)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	5MFY22	5MFY23	2019	2020	2021	2022
General insurers																			
Bajaj General	7.8	1.1	3.0	3.4	11.2	9.6	2.6	0.9	7.4	5.4	3.4	34.5	2.5	12.1	11.3	5.9	8.4	8.4	7.4
Cholamandalam MS	0.1	0.1	0.4	0.4	0.3	0.2	0.4	0.3	0.2	0.6	0.4	0.1	0.1	0.1	0.2	1.4	0.1	0.1	0.2
Go Digit	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.0	0.3	0.3	0.1	0.1	0.0	0.1	0.7	0.0	0.0	0.1
HDFC ERGO	7.4	16.0	14.5	2.9	2.9	1.7	14.3	15.1	8.4	2.4	1.3	0.7	12.3	5.0	7.4	6.6	6.2	7.6	8.3
ICICI -Lombard	2.3	10.0	2.3	3.4	3.8	0.9	2.3	0.8	2.8	4.3	11.8	9.7	3.2	3.2	5.8	9.9	3.1	3.2	2.8
IFFCO -Tokio	4.4	2.7	3.5	8.9	1.9	3.1	4.9	1.4	3.9	5.3	21.3	1.0	1.1	5.1	3.4	6.3	5.6	4.9	3.9
Magma HDI	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National	0.2	1.5	0.2	1.4	2.4	(0.5)	1.6	5.1	1.3	3.1	1.6	1.2	0.4	1.1	1.3	4.1	6.1	4.5	1.5
New India	0.9	8.9	5.4	4.6	7.9	2.3	3.8	12.7	5.6	10.6	6.3	4.2	1.2	4.2	3.8	6.6	7.8	6.2	6.0
Oriental	0.2	5.9	2.4	2.0	1.7	0.7	7.4	6.4	2.9	5.6	3.2	1.1	0.4	1.2	1.3	7.1	6.5	3.3	2.9
Reliance General	3.3	17.0	11.1	8.5	13.2	2.6	7.1	8.6	8.9	25.4	23.8	5.8	3.3	6.4	7.1	4.6	4.9	7.1	8.8
Royal Sundaram	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	1.2	2.0	0.2	0.0
SBI General	9.9	8.6	4.1	1.7	1.0	9.0	13.2	5.3	6.8	1.4	4.4	1.4	10.8	6.4	6.9	4.8	6.3	6.7	6.7
Tata-AIG	0.1	0.3	0.7	0.6	1.2	0.5	1.4	0.9	0.5	3.2	2.3	0.4	0.3	0.4	0.9	3.8	1.4	0.4	0.6
United India	0.4	0.7	0.3	2.1	1.7	0.7	5.7	1.6	1.2	4.7	3.0	0.7	0.4	1.1	1.3	5.0	6.7	3.7	1.3
Universal Sampo	2.4	5.8	6.6	13.1	1.9	4.0	2.2	3.5	3.6	6.7	3.7	0.1	2.6	1.6	2.2	5.2	3.8	3.9	3.6
Total	41.2	76.6	74.9	55.4	52.0	36.9	68.7	69.3	57.0	84.3	88.7	62.2	39.6	50.3	54.6	75.3	72.0	64.2	57.7
Total (PSU)	1.7	17.0	8.3	10.0	13.7	3.2	18.5	25.8	11.0	24.0	14.2	7.2	2.4	7.6	7.7	22.7	27.0	17.7	11.7
Total (private)	39.5	59.7	66.5	45.4	38.3	33.7	50.2	43.6	46.0	60.2	74.5	55.0	37.2	42.7	46.9	52.7	44.9	46.4	46.0
Specialised insurers																			
AIC (Crop)	58.0	21.6	20.3	38.1	43.5	61.0	25.4	25.9	40.0	5.7	4.4	35.6	59.5	47.2	42.8	21.0	25.2	32.9	39.2
ECGC (Export & Credit)	0.8	1.8	4.8	6.4	4.4	2.0	5.9	4.8	3.0	10.0	6.9	2.2	0.9	2.5	2.6	3.7	2.8	2.9	3.1
Total	58.8	23.4	25.1	44.6	48.0	63.1	31.3	30.7	43.0	15.7	11.3	37.8	60.4	49.7	45.4	24.7	28.0	35.8	42.3
Industry	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 21: HDFC ERGO premium (ex-crop) up 28% yoy in August 2022
Segment-wise gross direct premium for HDFC ERGO, March fiscal year-ends, August 2022

	Gross direct premium (Rs mn)		YoY growth (%)		% of total	
	Aug-22	5MFY23	Aug-22	5MFY23	Aug-22	5MFY23
Fire	1,037	8,899	60	35	5	14
Marine	130	1,079	21	29	1	2
Marine hull	4	105	(76)	(12)	0	0
Marine cargo	126	974	37	36	1	2
Motor	4,070	16,208	36	33	20	26
Engineering	130	866	8	(1)	1	1
Health	3,635	18,628	18	23	18	30
Retail health	2,654	12,280	13	10	13	19
Group health	955	6,220	32	59	5	10
Government schemes	-	-	NM	NM	-	-
Overseas medical	27	129	189	376	0	0
Aviation	10	70	73	(0)	0	0
Liability	342	2,453	97	51	2	4
PA	483	2,988	(4)	22	2	5
Other	10,843	11,829	87	67	52	19
Crop insurance	10,747	10,890	91	75	52	17
Credit insurance	31	392	41	64	0	1
Others	66	547	(50)	(6)	0	1
Total	20,680	63,019	54	35	100	100
Total (ex-crop)	9,933	52,129	28	28		

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 22: Go Digit motor premiums up 70% yoy in August 2022
Segment-wise gross direct premium for Go Digit, March fiscal year-ends, August 2022

	Gross direct premium (Rs mn)		YoY growth (%)		% of total	
	Aug-22	5MFY23	Aug-22	5MFY23	Aug-22	5MFY23
Fire	2,020	7,229	62	53	8	9
Marine	262	1,106	172	139	1	1
Marine hull	-	-	NM	NM	-	-
Marine cargo	262	1,106	172	139	1	1
Motor	13,369	38,237	70	75	54	50
Engineering	235	824	82	127	1	1
Health	2,831	9,018	9	12	11	12
Retail health	171	474	58	46	1	1
Group health	2,631	8,459	6	10	11	11
Government schemes	-	-	NM	NM	-	-
Overseas medical	29	85	750	842	0	0
Aviation	-	-	NM	NM	-	-
Liability	5,129	17,641	375	451	21	23
PA	585	1,769	(46)	8	2	2
Other	216	611	319	269	1	1
Crop insurance	-	-	NM	NM	-	-
Credit insurance	-	-	NM	NM	-	-
Others	216	611	319	269	1	1
Total	24,647	76,434	74	89	100	100
Total (ex-crop)	24,647	76,434	74	89		

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 23: Bajaj Allianz: Premiums (excluding crop) up 10% yoy in August 2022
Segment-wise gross direct premium for Bajaj Allianz, March fiscal year-ends, August 2022

	Gross direct premium (Rs mn)		YoY growth (%)		% of total	
	Aug-22	5MFY23	Aug-22	5MFY23	Aug-22	5MFY23
Fire	1,220	10,480	23	15	12	16
Marine	143	1,440	(27)	38	1	2
Marine hull	-	234	(100)	41	-	0
Marine cargo	143	1,206	5	38	1	2
Motor	4,121	18,837	3	14	40	28
Engineering	230	1,341	59	29	2	2
Health	1,978	12,429	25	(25)	19	19
Retail health	749	3,333	13	(3)	7	5
Group health	1,083	6,977	26	28	11	11
Government schemes	(3)	1,331	NM	(82)	(0)	2
Overseas medical	149	788	123	362	1	1
Aviation	(5)	50	(188)	(40)	(0)	0
Liability	190	2,709	35	13	2	4
PA	164	850	(5)	4	2	1
Other	2,174	18,033	(64)	6	21	27
Crop insurance	1,714	15,713	(70)	5	17	24
Credit insurance	8	58	618	24	0	0
Others	452	2,263	(1)	9	4	3
Total	10,214	66,169	(24)	2	100	100
Total (ex-crop)	8,500	50,456	10	1		

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 24: Cholamandalam MS premiums (excluding crop) up 17% yoy in August 2022
Segment-wise gross direct premium for Cholamandalam MS, March fiscal year ends, August 2022

	Gross direct premium (Rs mn)		YoY growth (%)		% of total	
	Aug-22	5MFY23	Aug-22	5MFY23	Aug-22	5MFY23
Fire	524	2,997	43	42	11	13
Marine	90	552	32	41	2	2
Marine hull	18	45	368	349	0	0
Marine cargo	72	507	12	33	1	2
Motor	3,336	14,863	13	27	69	66
Engineering	21	116	2	(7)	0	1
Health	515	2,395	31	45	11	11
Retail health	365	1,789	34	68	8	8
Group health	149	602	24	3	3	3
Government schemes	-	-	NM	NM	-	-
Overseas medical	1	3	800	750	0	0
Aviation	-	-	NM	NM	-	-
Liability	22	111	28	25	0	0
PA	272	1,289	(1)	40	6	6
Other	65	309	43	102	1	1
Crop insurance	-	-	NM	NM	-	-
Credit insurance	-	-	NM	NM	-	-
Others	65	309	43	102	1	1
Total	4,843	22,631	17	32	100	100
Total (ex-crop)	4,843	22,631	17	32		

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 25: ICICI Lombard: 16% yoy increase in premiums (excluding crop) in August 2022
Segment-wise gross direct premium for ICICI Lombard, March fiscal year ends, August 2022

	Gross direct premium (Rs mn)		YoY growth (%)		% of total	
	Aug-22	5MFY23	Aug-22	5MFY23	Aug-22	5MFY23
Fire	1,635	15,898	15	10	10	18
Marine	606	3,726	21	31	4	4
Marine hull	73	299	104	36	0	0
Marine cargo	533	3,427	15	31	3	4
Motor	6,286	30,308	2	15	38	34
Engineering	451	2,628	21	9	3	3
Health	4,018	21,420	40	38	24	24
Retail health	833	3,805	16	10	5	4
Group health	2,861	16,556	39	41	17	18
Government schemes	-	-	NM	NM	-	-
Overseas medical	324	1,059	206	249	2	1
Aviation	30	585	35	34	0	1
Liability	500	3,787	34	25	3	4
PA	412	2,360	53	52	2	3
Other	2,788	9,318	54	110	17	10
Crop insurance	2,425	7,452	56	130	14	8
Credit insurance	46	271	340	59	0	0
Others	317	1,595	29	57	2	2
Total	16,726	90,029	21	27	100	100
Total (ex-crop)	14,301	82,577	16	22		

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 26: SBI General: 12% yoy decline in premiums (excluding crop) in August 2022
Segment-wise gross direct premium for SBI General, March fiscal year ends, August 2022

	Gross direct premium (Rs mn)		YoY growth (%)		% of total	
	Aug-22	5MFY23	Aug-22	5MFY23	Aug-22	5MFY23
Fire	1,116	6,750	28	32	7	17
Marine	54	396	7	44	0	1
Marine hull	-	-	NM	NM	-	-
Marine cargo	54	396	7	44	0	1
Motor	1,729	9,684	(13)	27	12	25
Engineering	62	313	54	42	0	1
Health	1,605	7,384	(36)	24	11	19
Retail health	513	2,067	43	58	3	5
Group health	1,090	5,303	54	65	7	13
Government schemes	-	-	(100)	(100)	-	-
Overseas medical	2	13	340	639	0	0
Aviation	-	0	(100)	(40)	-	0
Liability	46	271	(8)	3	0	1
PA	922	3,438	13	38	6	9
Other	9,475	11,084	22	23	63	28
Crop insurance	9,348	10,457	22	26	62	27
Credit insurance	23	114	(7)	(5)	0	0
Others	103	513	42	(8)	1	1
Total	15,008	39,320	6	27	100	100
Total (ex-crop)	5,660	28,863	(12)	-		

Source: General Insurance Council, Kotak Institutional Equities

Exhibit 27: Tata AIG: Strong growth in health and motor segments

Segment-wise gross direct premium for Tata AIG, March fiscal year ends, August 2022

	Gross direct premium (Rs mn)		YoY growth (%)		% of total	
	Aug-22	5MFY23	Aug-22	5MFY23	Aug-22	5MFY23
Fire	1,001	9,460	1	17	11	19
Marine	412	2,646	18	24	5	5
Marine hull	-	-	NM	NM	-	-
Marine cargo	412	2,646	18	24	5	5
Motor	4,859	21,790	20	31	55	44
Engineering	114	659	48	30	1	1
Health	1,615	8,899	32	71	18	18
Retail health	498	2,411	37	38	6	5
Group health	882	5,263	15	69	10	11
Government schemes	-	-	NM	NM	-	-
Overseas medical	235	1,224	158	255	3	2
Aviation	6	356	NM	NM	0	1
Liability	278	2,164	44	21	3	4
PA	258	1,976	200	237	3	4
Other	232	1,515	133	146	3	3
Crop insurance	23	22	NM	594	0	0
Credit insurance	88	449	30	44	1	1
Others	121	1,044	282	245	1	2
Total	8,774	49,465	26	39	100	100
Total (ex-crop)	8,752	49,442	26	39		

Source: General Insurance Council, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT-3M
		21-Sep-22	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	(US\$ mn)
Automobiles & Components																													
Amara Raja Batteries	SELL	513	480	(6)	88	1.1	171	37	45	49	23	24	9	14	11	10	7	6	5	1.7	1.5	1.4	13	14	14	1.4	1.8	2.0	4
Apollo Tyres	REDUCE	287	220	(23)	182	2.3	638	13	16	20	25	30	25	23	18	14	8	7	6	1.5	1.4	1.3	7	8	10	1.2	1.4	1.6	12
Ashok Leyland	ADD	162	160	(1)	476	6.0	2,936	3	7	10	485	132	34	51	22	16	23	14	10	5.8	5.0	4.2	12	24	28	0.8	1.8	2.4	29
Bajaj Auto	REDUCE	3,731	3,800	2	1,080	13	283	193	221	245	17	15	11	19	17	15	14	12	11	3.8	3.6	3.5	20	22	23	4.1	4.7	5.3	24
Balkrishna Industries	SELL	1,924	1,650	(14)	372	4.6	193	75	78	88	1	3	13	26	25	22	16	14	13	4.7	4.2	3.7	20	18	18	1.3	1.4	1.6	11
Bharat Forge	REDUCE	767	720	(6)	357	4.5	466	25	34	40	9	36	18	30	22	19	17	14	12	4.8	4.1	3.5	17	20	20	0.8	0.9	0.9	15
CEAT	SELL	1,582	1,000	(37)	64	0.8	40	24	75	106	24	208	42	65	21	15	11	8	6	1.9	1.8	1.6	3	9	12	0.8	1.1	1.3	5
Eicher Motors	SELL	3,682	2,580	(30)	1,007	12.6	272	98	124	141	59	27	14	38	30	26	27	23	20	7.9	6.7	5.7	23	25	24	0.7	0.7	0.7	38
Endurance Technologies	SELL	1,425	1,325	(7)	200	2.5	141	40	58	72	16	46	23	36	24	20	17	13	10	4.6	4.0	3.5	13	16	17	0.6	0.9	1.1	2
Escorts Kubota	SELL	2,084	1,480	(29)	230	3.4	111	64	82	95	(15)	28	16	33	25	22	26	20	18	2.7	2.5	2.3	8	10	10	0.5	0.6	0.7	15
Exide Industries	REDUCE	163	155	(5)	138	1.7	850	10	11	12	15	8	4	16	15	14	9	8	7	1.2	1.2	1.1	8	8	8	1.5	1.5	1.5	6
Hero Motocorp	REDUCE	2,777	2,500	(10)	555	6.9	200	147	180	196	19	22	9	19	15	14	11	9	8	3.3	3.1	2.9	18	21	21	3.7	4.5	4.9	24
Mahindra CIE Automotive	SELL	278	235	(15)	105	1.3	378	19	21	22	79	9	6	15	13	13	8	7	6	1.8	1.7	1.5	13	13	12	—	—	—	3
Mahindra & Mahindra	BUY	1,307	1,500	15	1,624	20.3	1,159	60	73	80	36	22	10	22	18	16	16	13	11	3.4	2.9	2.5	17	17	17	0.7	0.8	0.9	63
Maruti Suzuki	SELL	9,248	8,150	(12)	2,794	34.9	302	271	336	373	117	24	11	34	27	25	20	16	14	4.7	4.3	3.9	14	16	16	1.2	1.5	1.6	78
Motherson Sumi Systems	ADD	123	135	10	554	6.9	4,518	2	6	8	47	220	34	69	22	16	14	8	7	2.6	2.4	2.1	4	12	14	0.5	0.5	0.6	12
MRF	SELL	84,282	62,500	(26)	357	4.5	4	1,607	3,242	4,105	2	102	27	52	26	21	15	10	8	2.4	2.2	2.0	5	9	10	0.1	0.2	0.2	13
Schaeffler India	SELL	3,340	2,600	(22)	522	6.5	156	57	68	76	42	18	13	59	49	44	38	32	28	12.5	10.8	9.4	23	23	23	0.1	0.1	0.1	7
SKF	SELL	4,599	3,400	(26)	227	2.8	49	107	122	133	34	14	9	43	38	35	30	26	23	9.8	8.1	6.8	23	21	20	0.4	0.4	0.4	3
Sona BLW Precision	REDUCE	498	550	10	291	3.6	583	7	11	14	17	51	30	69	45	35	40	28	22	12.4	10.1	8.2	19	25	26	0.3	0.4	0.5	25
Tata Motors	BUY	428	500	17	1,637	19.1	3,829	7	40	48	125	473	19	61	11	9	6	4	3	3.5	2.6	2.0	6	28	26	0.0	0.0	0.0	89
Timken	SELL	2,844	2,500	(12)	214	2.7	75	64	79	94	47	23	19	44	36	30	30	24	20	10.4	8.4	6.8	26	26	25	0.1	0.1	0.1	3
TVS Motor	SELL	1,068	775	(27)	508	6.3	475	30	37	43	62	23	15	35	29	25	19	16	14	8.5	6.9	5.6	27	26	25	0.5	0.6	0.7	22
Uno Minda	ADD	542	550	1	310	3.9	571	11	14	17	69	35	21	51	38	32	27	21	17	7.7	6.4	5.3	15	17	17	0.2	0.3	0.4	3
Varrroc Engineering	ADD	391	400	2	60	0.7	153	14	19	27	120	35	43	28	20	14	13	9	7	2.9	2.6	2.2	11	13	15	—	—	—	1
Automobiles & Components		Cautious			13,954	173.7					159.4	58.8	15.9	32.7	20.6	17.8	13.2	9.9	8.4	4.1	3.6	3.1	12.5	17.4	17.5	1.0	1.2	1.4	508
Banks																													
AU Small Finance Bank	SELL	666	600	(10)	443	5.5	664	19	26	32	6	34	26	35	26	21	—	—	—	4.2	3.7	3.1	14	15	16	—	—	—	17
Axis Bank	BUY	807	960	19	2,478	31.0	3,070	59	72	79	40	21	11	14	11	10	—	—	—	1.9	1.8	1.6	15	16	16	1.1	0.6	1.5	79
Bandhan Bank	ADD	289	360	25	466	5.8	1,611	32	41	43	3,944	28	5	9	7	7	—	—	—	2.5	1.9	1.5	26	26	22	0.5	2.1	2.2	29
Bank of Baroda	ADD	141	155	10	731	9.1	5,178	20	27	32	45	32	19	7	5	4	—	—	—	0.9	0.8	0.7	13	15	16	2.9	3.8	4.5	40
Canara Bank	ADD	247	260	5	449	5.6	1,814	33	40	47	6	21	18	7	6	5	—	—	—	0.9	0.8	0.7	9	10	11	2.8	3.4	4.0	29
City Union Bank	REDUCE	186	180	(3)	138	1.7	740	12	14	18	12	20	29	16	13	10	—	—	—	2.1	1.9	1.6	12	13	15	1.2	1.5	1.9	7
DCB Bank	BUY	108	145	35	33	0.4	311	17	21	25	80	27	19	6	5	4	—	—	—	0.9	0.7	0.6	13	15	15	2.4	3.1	3.7	2
Equitas Small Finance Bank	ADD	50	56	12	63	0.8	1,252	4	5	7	78	33	31	13	9	7	—	—	—	1.4	1.2	1.0	11	13	15	—	—	—	1
Federal Bank	BUY	123	145	18	259	3.2	2,103	13	14	17	44	10	22	10	9	7	—	—	—	1.3	1.2	1.0	14	13	15	2.1	2.3	2.8	21
HDFC Bank	BUY	1,518	1,750	15	8,452	105.7	5,546	76	79	99	14	4	25	20	19	15	—	—	—	3.1	2.6	2.3	16	16	15	1.2	1.2	1.5	120
ICICI Bank	BUY	915	1,070	17	6,375	79.7	6,950	45	46	52	33	3	12	20	20	18	—	—	—	3.4	3.0	2.6	17	15	15	1.0	1.0	1.1	122
IndusInd Bank	ADD	1,224	1,350	10	949	11.9	775	86	106	122	44	24	15	14	12	10	—	—	—	1.8	1.6	1.4	13	15	15	1.0	1.2	1.4	52
Karur Vysya Bank	BUY	82	100	22	66	0.8	800	12	16	19	48	29	17	7	5	4	—	—	—	0.9	0.8	0.7	13	15	15	4.0	5.1	6.0	6
Punjab National Bank	ADD	40	45	12	442	5.5	11,011	4	6	8	37	44	24	9	6	5	—	—	—	0.6	0.5	0.5	5	7	8	2.1	3.1	3.8	17
SBI Cards and Payment Services	BUY	948	1,150	21	895	11.2	943	27	34	48	60	24	42	35	28	20	—	—	—	8.8	6.7	5.1	29	27	30	0.2	0.2	0.2	19
State Bank of India	BUY	570	700	23	5,084	63.6	8,925	50	60	64	40	20	8	11	10	9	—	—	—	1.8	1.6	1.4	15	16	15	1.6	1.9	2.2	86
Ujjivan Small Finance Bank	ADD	25	27	9	49	0.6	1,955	3	4	4	205	35	19	9	7	6	—	—	—	1.4	1.2	1.0	16	17	17	0.0	0.0	0.0	1
Union Bank	ADD	46	50	8	317	4.0	6,835	8	11	13	(2)	50	11	6	4	4	—	—	—	0.5	0.5	0.4	7	10	11	4.0	6.0	6.7	4
YES Bank	SELL	17	14	(17)	423	5.3	28,751	0	0	1	(45)	95	111	72	37	17	—	—	—	1.4	1.3	1.2	2	3	7	0.0	0.0	0.0	28
Banks		Attractive			28,112																								

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.	O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT-3M	
		21-Sep-22	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	(US\$ mn)
Capital goods																													
ABB	REDUCE	3,130	3,150	1	663	8.3	212	28	42	53	42	53	25	114	74	60	71	54	43	13.9	12.1	10.4	13	17	19	0.2	0.2	0.3	15
Bharat Electronics	REDUCE	108	90	(17)	793	9.9	7,310	3	4	4	6	7	16	31	29	25	21	19	16	5.7	5.3	4.8	19	19	20	1.5	1.6	1.8	30
BHEL	SELL	59	32	(46)	206	2.6	3,482	(0)	2	5	(130)	696	124	NM	28	13	107	12	5	0.8	0.8	0.7	NM	3	6	(0.2)	1.1	2.2	17
Carborundum Universal	ADD	838	900	7	159	2.0	190	22	28	34	25	30	19	38	29	25	23	18	15	5.9	5.1	4.4	16	19	19	0.5	0.7	0.8	2
Cochin Shipyard	BUY	427	450	5	56	0.7	132	32	31	34	(29)	(1)	7	13	14	13	7	6	5	1.2	1.2	1.1	9	9	9	3.2	3.4	3.5	2
Cummins India	BUY	1,254	1,360	8	347	4.3	277	34	42	50	14	24	19	37	30	25	34	27	22	6.6	6.1	4.9	19	21	22	1.5	1.9	0.0	10
G R Infraprojects	SELL	1,270	1,200	(6)	123	1.5	97	88	99	112	11	13	13	14	13	11	9	8	8	2.4	2.0	1.7	16	16	15	0.0	0.0	0.0	1
IRB Infrastructure	BUY	221	320	45	133	1.7	604	14	15	15	142	1	5	15	15	14	9	7	7	1.0	1.0	0.9	7	7	7	1.2	1.8	2.2	4
Kalpataru Power Transmission	BUY	431	450	4	64	0.8	164	35	44	53	75	27	20	12	10	8	5	4	4	1.5	1.3	1.1	12	14	15	0.8	0.9	1.1	1
KEC International	BUY	439	490	12	113	1.4	257	17	33	40	18	92	20	25	13	11	13	8	7	2.8	2.4	2.0	12	20	20	0.4	0.8	1.0	4
L&T	BUY	1,896	2,000	6	2,664	33.3	1,405	75	95	113	22	28	18	25	20	17	17	15	13	3.6	3.3	3.1	15	17	19	1.6	2.1	2.4	47
Siemens	SELL	2,913	2,350	(19)	1,037	13.0	356	46	55	78	21	21	41	64	53	37	43	36	25	8.4	7.6	6.6	14	15	19	0.4	0.5	0.7	15
Thermax	ADD	2,560	2,100	(18)	305	3.8	113	37	53	66	33	43	26	70	48	39	50	36	29	50.4	35.9	28.5	12	16	19	0.9	1.2	1.6	3
Capital goods	Attractive				6,664	83.3					17.6	28.9	22.6	33.3	25.8	21.1	20.0	16.6	14.0	3.8	3.5	3.2	11.4	13.6	15.2	1.1	1.4	1.6	152
Commercial & Professional Services																													
SIS	BUY	427	550	29	63	0.8	148	23	31	39	4	36	24	19	14	11	13	10	9	2.7	2.4	2.0	15	18	20	1.3	1.8	2.2	1
TeamLease Services	REDUCE	3,224	3,735	16	55	0.7	17	81	111	143	250	38	28	40	29	23	32	24	19	6.6	5.4	4.4	18.1	21	21	—	—	—	1
Commercial & Professional Serv.	Attractive				118	1.5					30.2	36.4	25.2	24.8	18.2	14.5	17.0	13.2	10.9	3.7	3.2	2.7	15.1	17.6	18.6	0.7	0.9	1.2	2
Commodity Chemicals																													
Asian Paints	REDUCE	3,356	2,950	(12)	3,219	40.2	959	46	56	57	40	23	1	73	59	59	49	40	40	20.7	18.3	21.0	30	33	33	0.8	1.1	1.1	49
Berger Paints	REDUCE	623	600	(4)	605	7.6	971	12	14	15	37	19	8	53	45	41	34	29	27	13.2	11.2	9.7	27	27	25	0.8	0.9	1.0	9
Kansai Nerolac	REDUCE	479	460	(4)	258	3.2	539	11	14	15	64	28	4	42	33	32	27	22	21	5.8	5.4	5.1	14	17	17	1.3	1.8	1.9	3
Tata Chemicals	BUY	1,097	1,240	13	280	3.5	255	89	83	83	80	(7)	1	12	13	13	7	7	6	1.4	1.3	1.2	12	10	9	1.5	1.7	1.7	26
Commodity Chemicals	Cautious				4,362	54.5					50.1	14.6	2.4	51.7	45.2	44.1	32.6	28.7	27.9	9.8	8.8	8.7	18.9	19.5	19.8	0.9	1.1	1.2	86
Construction Materials																													
ACC	REDUCE	2,531	2,650	5	475	5.9	188	58	113	162	(40)	95	44	44	22	16	21	13	9	3.2	3.0	2.7	7	14	18	1.1	2.2	3.2	22
Ambuja Cements	SELL	541	440	(19)	1,075	13.4	2,105	11	15	22	(27)	41	46	51	36	25	19	11	8	3.6	2.7	2.5	8	9	11	0.7	0.9	1.4	66
Dalmia Bharat	ADD	1,679	1,800	7	315	3.9	185	40	61	84	(36)	55	38	42	27	20	13	10	8	1.9	1.8	1.7	5	7	9	0.4	0.5	0.8	6
Grasim Industries	ADD	1,720	1,675	(3)	1,132	14.2	658	118	138	151	8	18	9	15	12	11	7	6	5	1.4	1.2	1.1	10	10	10	0.4	0.4	0.4	17
J K Cement	SELL	2,769	2,150	(22)	214	2.7	77	81	112	126	(9)	37	13	34	25	22	16	12	11	4.4	3.8	3.3	14	16	16	0.4	0.4	0.4	5
Nuvoco Vistas Corp	ADD	420	390	(7)	150	1.9	357	5	16	24	411	259	44	92	25	18	12	9	-	1.7	1.6	1.4	2	6	8	0.0	0.0	0.0	3
Orient Cement	ADD	132	130	(1)	27	0.3	205	8	13	12	(42)	67	(7)	18	11	11	8	8	7	1.6	1.5	1.3	10	15	12	1.5	1.5	1.5	1
Shree Cement	SELL	22,024	15,850	(28)	795	9.9	36	500	742	804	(24)	48	8	44	30	27	23	17	15	4.2	3.8	3.4	10	13	13	0.3	0.5	0.5	17
The Ramco Cements	SELL	750	575	(23)	177	2.2	236	18	37	49	(53)	110	31	42	20	15	18	11	9	2.5	2.3	2.0	6	12	14	0.2	0.5	0.6	5
UltraTech Cement	REDUCE	6,314	6,500	3	1,823	22.8	289	242	320	365	(2)	32	14	26	20	17	15	12	10	3.3	2.9	2.5	13	15	16	0.6	0.8	0.9	35
Construction Materials	Cautious				6,183	77.3					(10.1)	39.1	19.8	28.2	20.2	16.9	12.5	9.6	8.0	2.5	2.2	2.0	9.0	10.8	11.7	0.5	0.8	1.0	177

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT-3M
		21-Sep-22	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	(US\$ mn)
Consumer Durables & Apparel																													
Crompton Greaves Consumer	ADD	414	410	(1)	263	3.3	628	11	13	16	16	23	17	38	31	26	28	23	19	8.7	7.1	5.8	25	25	24	0.6	0.6	0.6	14
Havells India	SELL	1,314	1,025	(22)	823	10.3	626	21	25	30	11	18	19	62	53	44	42	36	30	12.3	11.0	9.7	21	22	23	0.6	0.8	0.9	13
Page Industries	SELL	51,140	42,000	(18)	570	7.1	11	658	799	958	37	21	20	78	64	53	54	44	37	43.5	37.1	32.1	61	63	64	1.0	1.2	1.5	11
Polycab	REDUCE	2,604	2,105	(19)	390	4.9	149	76	86	99	34	14	15	34	30	26	23	20	17	6.1	5.4	4.7	19	19	19	0.7	0.8	1.0	11
TCNS Clothing Co.	SELL	653	500	(23)	40	0.5	69	10	14	19	1,313	37	36	63	46	34	20	16	12.3	6.1	5.1	4.3	10	12	14	—	—	—	1
Voltas	SELL	904	895	(1)	299	3.7	331	16	22	27	2	44	21	58	41	33	42	30	27	5.2	4.8	4.4	9	12	14	0.6	0.9	1.1	15
Whirlpool	SELL	1,705	1,460	(14)	216	2.7	127	23	41	53	22	75	31	73	42	32	39	24	18	6.0	5.4	4.7	8	13	15	0.2	0.4	0.5	3
Consumer Durables & Apparel	Cautious				2,603	32.5					21.4	24.9	19.6	54.8	43.9	36.7	36.6	29.6	24.9	9.5	8.4	7.4	17.3	19.1	20.1	0.7	0.8	1.0	68
Consumer Staples																													
Britannia Industries	ADD	3,766	4,000	6	907	11.3	241	70	85	97	11	21	14	54	44	39	38	31	28	35.1	27.4	23.6	65	69	65	1.5	2.0	2.3	17
Colgate-Palmolive (India)	ADD	1,600	1,650	3	435	5.4	272	39	44	49	(0)	12	10	41	36	33	27	24	22	24.6	23.4	22.2	61	66	69	2.3	2.6	2.9	7
Dabur India	ADD	562	605	8	995	12.4	1,768	11	13	15	9	15	12	50	43	39	41	35	31	10.9	10.0	9.2	23	24	25	1.1	1.2	1.4	11
Godrej Consumer Products	BUY	927	960	4	948	11.8	1,023	18	22	25	2	25	13	52	42	37	36	30	26	7.8	7.2	6.7	15	18	19	1.2	1.5	1.7	16
Hindustan Unilever	ADD	2,624	2,750	5	6,164	77.1	2,350	42	51	59	13	21	16	62	51	45	44	36	31	12.2	11.7	11.1	20	23	26	1.4	1.7	2.0	57
ITC	ADD	341	337	(1)	4,225	52.8	12,342	14	15	17	15	10	9	24	22	20	18	16	15	6.6	6.5	6.2	26	29	31	3.5	3.9	4.2	53
Jyothy Laboratories	ADD	184	185	1	68	0.8	367	6	8	9	34	36	11	31	23	21	21	16	14	4.4	3.9	3.6	15	18	18	1.6	1.9	2.4	1
Marico	REDUCE	535	510	(5)	692	8.7	1,290	11	12	14	12	13	14	50	45	39	35	31	27	19.3	18.0	16.7	40	42	44	1.7	1.9	2.1	9
Nestle India	ADD	18,650	19,750	6	1,798	22.5	96	259	314	357	5	21	14	72	59	52	47	40	35	76.0	66.8	65.1	112	120	126	1.2	1.5	1.9	14
Tata Consumer Products	ADD	804	800	(1)	741	9.3	922	13	16	18	24	22	14	61	50	44	36	30	27	4.7	4.5	4.2	8	9	10	0.8	0.9	1.1	21
United Breweries	ADD	1,664	1,725	4	440	5.5	264	23	35	40	66	52	15	73	48	42	44	30	26	10.3	9.3	8.6	15	21	22	1.0	1.6	1.8	6
United Spirits	ADD	873	890	2	634	7.9	727	14	17	20	1	22	18	64	53	45	43	35	30	9.6	8.7	8.0	17	17	19	0.6	0.8	1.1	18
Varun Beverages	ADD	1,124	1,025	(9)	730	9.1	650	20	25	30	90	23	18	55	45	38	29	24	21	13.8	10.8	8.6	28	27	25	0.1	0.2	0.3	18
Consumer Staples	Attractive				18,778	234.8					14.1	16.6	12.4	44.7	38.4	34.1	31.6	27.2	24.1	10.5	9.9	9.3	23	26	27	1.8	2.1	2.3	247
Diversified Financials																													
Aavas Financiers	REDUCE	2,171	2,250	4	172	2.1	79	52	64	78	15	23	22	42	34	28	—	—	—	5.3	4.6	3.9	14	15	15	0.0	0.0	0.0	3
Aptus Value Housing Finance	ADD	298	315	—	148	1.9	497	9	10	11	22	12	12	33	29	26	—	—	—	4.4	3.8	3.3	14	14	14	0.0	0.0	0.0	2
Bajaj Finance	SELL	7,691	5,400	(30)	4,656	58.2	603	172	194	239	47	13	24	45	40	32	—	—	—	8.7	7.3	6.1	21	20	21	0.2	0.3	0.3	106
Bajaj Finserv	REDUCE	1,802	1,405	(22)	2,868	35.9	1,592	52	63	77	80	23	21	35	28	24	—	—	—	6.8	5.8	4.9	20	22	23	0.1	0.1	0.1	82
Cholamandalam	ADD	773	790	2	635	7.9	821	30	35	44	15	16	26	26	22	18	—	—	—	4.8	4.0	3.4	19	19	20	0.3	0.3	0.4	16
Computer Age Management Serv.	SELL	2,441	2,050	(16)	119	1.5	49	55	67	78	(7)	23	17	45	36	31	—	—	—	15.9	13.6	11.7	38	40	41	1.5	1.8	2.1	6
HDFC	BUY	2,460	2,750	12	4,468	55.9	1,813	79	94	108	4	19	15	31	26	23	—	—	—	3.4	3.1	2.8	11	12	13	1.0	1.2	1.3	84
HDFC AMC	ADD	1,940	1,950	1	414	5.2	214	66	77	90	1	18	16	29	25	22	—	—	—	6.8	6.1	5.5	24	26	27	2.2	2.6	3.0	16
Home First Finance	BUY	901	970	8	79	1.0	88	26	30	36	21	17	20	35	30	25	—	—	—	4.4	3.8	3.3	13	14	14	—	—	—	2
IIFL Wealth	BUY	1,873	1,950	4	166	2.1	89	68	81	99	6	19	23	28	23	19	—	—	—	5.3	5.0	4.7	20	22	26	2.7	3.2	4.0	1
L&T Finance Holdings	ADD	80	95	19	198	2.5	2,474	5	8	11	14	72	27	16	9	7	—	—	—	0.9	0.8	0.7	6	9	10	0.6	0.6	0.6	7
LIC Housing Finance	BUY	420	600	43	231	2.9	550	65	70	83	56	8	18	6	6	5	—	—	—	1.1	0.9	0.9	14	13	14	3.2	3.4	4.0	11
Mahindra & Mahindra Financial	ADD	224	215	(4)	276	3.5	1,233	15	19	22	89	22	19	15	12	10	—	—	—	1.8	1.6	1.4	12	13	14	3.0	1.7	2.0	12
Muthoot Finance	ADD	1,036	1,200	16	416	5.2	401	94	126	147	(5)	35	16	11	8	7	—	—	—	1.9	1.6	1.4	19	22	21	1.8	2.4	2.8	14
Shriram City Union Finance	BUY	1,901	2,600	37	127	1.6	67	178	218	275	9	22	26	11	9	7	—	—	—	1.3	1.2	1.1	13	14	15	1.4	1.7	2.2	3
Shriram Transport	BUY	1,273	1,675	32	344	4.3	271	153	167	194	52	9	16	8	8	7	—	—	—	1.2	1.1	0.9	15	14	15	1.8	2.0	2.3	15
Diversified Financials	Attractive				15,317	191.5					28.4	18.6	19.7	27.9	23.5	19.6				4.0	3.5	3.0	14.2	14.8	15.4	0.7	0.8	0.9	380

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.	O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT-3M	
		21-Sep-22	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	(US\$ mn)
Electric Utilities																													
CESC	BUY	80	100	25	106	1.3	1,326	13	15	16	27	13	8	6	5	5	5	4	4	0.8	0.7	0.7	13	14	14	4.9	5.5	5.9	2
JSW Energy	SELL	337	120	(64)	555	6.9	1,640	7	7	11	0	7	55	51	48	31	19	18	12	3.0	2.9	2.7	6	6	9	0.6	0.6	0.6	7
NHPC	ADD	38	38	(0)	382	4.8	10,045	4	4	5	17	1	17	9	9	8	9	8	5	1.0	1.0	0.9	12	11	12	6.2	6.3	7.4	6
NTPC	ADD	169	165	(2)	1,635	20.4	9,895	18	20	22	7	11	12	9.3	8.4	8	8	7	6	1.1	1.0	1.0	12	13	13	4.0	4.5	4.8	34
Power Grid	BUY	227	250	10	1,584	19.8	6,975	21	21	22	8	3	4	11.0	10.6	10	7	6	6	1.9	1.8	1.7	18	18	17	5.7	5.9	6.1	29
Tata Power	SELL	231	230	(1)	739	9.2	3,196	9	10	12	22	16	16	26	22	19	17	14	13	2.9	2.6	2.3	12	12	13	—	—	—	57
Electric Utilities	Attractive				5,000	62.5					9.7	7.6	10.9	11.9	11.0	9.9	8.5	7.8	6.8	1.5	1.4	1.3	12.9	12.9	13.3	3.8	4.0	4.3	136
Fertilizers & Agricultural Chemicals																													
Bayer Cropscience	SELL	4,860	4,845	(0)	218	2.7	45	160	189	209	19	18	11	30	26	23	21	18	16	7.0	5.8	4.8	26	25	23	0.7	0.8	0.9	1
Godrej Agrovet	ADD	522	540	3	100	1.3	192	20	25	31	(6)	24	21	25	21	17	16	13	11	3.4	3.0	2.7	14	16	17	1.8	2.0	2.5	1
Rallis India	REDUCE	224	210	(6)	44	0.5	195	9	11	13	12	18	15	24	20	17	14	12	10	2.4	2.2	2.1	11	12	12	1.6	1.8	2.0	1
UPL	ADD	718	875	22	539	6.7	751	54	64	77	19	18	20	13	11	9	7	6	5	2.3	1.9	1.7	18	19	19	1.4	1.9	2.3	23
Fertilizers & Agricultural Chemi	Neutral				901	11.3					14.7	18.2	18.6	16.7	14.2	11.9	8.5	7.2	6.1	2.8	2.5	2.1	17.0	17.3	17.7	1.3	1.7	2.0	26
Gas Utilities																													
GAIL (India)	SELL	89	77	(13)	585	7.3	6,575	10	7	7	(36)	(26)	1	9	12	12	7	10	9	1.0	1.0	0.9	11	8	8	5.2	5.6	6.0	19
GSPL	SELL	242	200	(17)	136	1.7	564	9	9	10	(31)	4	4	27	26	25	10	10	9	1.6	1.5	1.5	6	6	6	0.9	1.2	1.4	3
Indraprastha Gas	BUY	419	515	23	294	3.7	700	26	29	32	19	11	11	16	14	13	12	10	9	3.7	3.2	2.9	25	24	23	1.9	2.4	3.0	13
Mahanagar Gas	BUY	857	1,050	23	85	1.1	99	80	84	87	32	6	3	11	10	10	7	6	6	2.1	1.9	1.8	21	20	19	4.3	5.1	5.7	6
Petronet LNG	REDUCE	208	225	8	312	3.9	1,500	16	20	22	(26)	22	12	13	10	9	7	6	5	2.1	1.9	1.8	18	20	20	4.1	5.0	6.1	5
Gas Utilities	Attractive				1,412	17.6					(26.6)	(7.6)	6.1	11.6	12.5	11.8	7.7	8.3	7.7	1.5	1.4	1.4	12.9	11.4	11.5	3.8	4.3	4.9	45
Health Care Services																													
Apollo Hospitals	BUY	4,605	4,850	5	662	8.3	144	75	98	131	42	30	34	61	47	35	29	23	19	10.5	9.3	8.0	18	21	24	0.7	0.9	1.1	30
Aster DM Healthcare	BUY	254	245	(3)	127	1.6	500	11	14	17	16	26	22	23	18	15	9	7	6	2.9	2.5	2.2	13	15	16	—	—	—	2
Dr Lal Pathlabs	SELL	2,388	1,725	(28)	199	2.5	83	33	40	50	(25)	21	24	72	59	48	36	31	26	12.0	10.8	9.6	18	19	21	0.6	0.8	0.9	7
Max Healthcare	ADD	438	425	(3)	424	5.3	970	10	12	14	13	13	20	42	38	31	29	25	21	5.5	4.8	4.2	14	14	14	0.0	0.0	0.0	27
Metropolis Healthcare	REDUCE	1,368	1,400	2	70	0.9	51	32	40	49	(19)	27	23	43	34	28	23	20	16	7.1	6.2	5.4	17	19	21	0.7	0.9	1.1	5
Narayana Hrudayalaya	ADD	706	700	(1)	144	1.8	204	19	20	24	13	7	18	37	35	30	19	17	15	7.7	6.3	5.2	23	20	19	—	—	—	2
Health Care Services	Attractive				1,626	20.3					14.1	21.1	25.2	47.2	38.9	31.1	23.4	19.9	16.8	7.1	6.2	5.4	15.0	15.9	17.3	0.4	0.5	0.6	74
Hotels & Restaurants																													
Devyani International	REDUCE	195	179	(8)	235	2.9	1,204	2	3	3	40	26	27	95	76	60	33	26	21	25.1	18.9	16.3	30	28	29	0.0	0.0	0.0	11
Jubilant Foodworks	ADD	623	615	(1)	411	5.1	660	9	10	11	29	19	13	73	62	54	30	25	23	16.9	13.5	11.0	26	24	22	0.2	0.2	0.2	28
Lemon Tree Hotels	ADD	86	74	(14)	68	0.9	791	1	3	5	225	110	56	63	30	19	19	14	9	8.0	7.1	5.9	13	25	34	1.0	1.6	1.9	6
Restaurant Brands Asia	ADD	124	126	2	61	0.8	493	(0)	1	1	80	264	109	NM	200	96	28	18	13	3.2	3.1	3.0	NM	2	3	0.0	0.0	0.0	2
Sapphire Foods	BUY	1,471	1,550	5	93	1.2	64	14	21	29	96	48	38	103	69	50	20	16	13	8.5	7.6	6.6	9	12	14	0.0	0.0	0.0	3
Westlife Development	ADD	692	640	(7)	108	1.3	156	7	10	13	6,917	43	26	95	66	52	29	23	19	18.7	14.6	11.4	22	25	24	0.0	0.0	0.0	2
Hotels & Restaurants	Attractive				976	12.2					131.8	39.2	27.7	88.5	63.6	49.8	27.6	21.9	17.9	12.5	10.6	9.1	14.1	16.7	18.3	0.1	0.2	0.2	52

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.	O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT-3M	
		21-Sep-22	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	(US\$ mn)
Insurance																													
HDFC Life Insurance	BUY	551	710	29	1,165	14.6	2,020	7	8	9	21	22	11	80	65	59	—	—	—	7.2	6.9	6.6	9	11	11	0.3	0.4	0.4	34
ICICI Lombard	REDUCE	1,200	1,300	8	589	7.4	491	37	44	51	44	19	16	32	27	23	—	—	—	5.6	4.9	4.2	19	19	19	0.8	0.9	1.1	12
ICICI Prudential Life	BUY	559	650	16	803	10.0	1,437	6	7	8	15	15	15	93	81	70	—	—	—	8.1	7.5	6.9	9	10	10	0.6	0.6	0.6	8
Max Financial Services	BUY	809	1,100	36	279	3.5	345	11	12	13	281	8	8	71	66	61	—	—	—	—	—	—	6	6	6	0.0	0.0	0.0	5
PB Fintech	BUY	510	730	43	229	2.9	467	(13)	(7)	(1)	27	49	93	NM	NM	NM	—	—	—	—	—	—	NM	NM	NM	0.0	0.0	0.0	8
SBI Life Insurance	BUY	1,306	1,600	22	1,307	16.3	1,003	17	19	20	14	12	6	76	68	64	—	—	—	10.2	9.1	8.1	14	14	13	0.2	0.2	0.2	19
Star Health and Allied Insurance	REDUCE	720	700	(3)	416	5.2	576	11	18	23	162	58	28	65	41	32	—	—	—	8.0	6.7	5.5	13	18	19	0.0	0.0	0.0	7
Insurance	Attractive				4,789	59.9					112.0	27.0	17.8	76.2	60.0	51.0				7.2	6.5	5.9	9.4	10.9	11.6	0.2	0.3	0.3	94
Internet Software & Services																													
Cartrade Tech	REDUCE	654	690	5	31	0.4	51.5	6	10	14	123	61	41	109	67	48	50	31	21	1.7	1.6	1.6	2.5	3.4	0.0	0.0	0.0	1	
FSN E-commerce Ventures	BUY	1,316	1,770	35	624	7.8	479.2	2	6	11	182	148	88	541	219	116	214	115	66	43.3	36.1	27.6	8.3	18.0	27	—	—	—	6
Info Edge	ADD	4,072	4,830	19	525	6.6	128.7	51	69	86	212	34	25	79	59	48	70	52	40	3.6	3.5	3.3	4.6	6.0	7.1	0.3	0.4	0.5	23
Just Dial	BUY	575	880	53	48	0.6	83.6	9	32	39	3	266	20	66	18	15	11	6	3	1.3	1.3	1.2	2.1	7.2	8.1	—	—	—	3
Zomato	BUY	63	85	34	542	6.8	8,966	(2)	(1)	(0)	(22)	27	64	NM	NM	NM	(20)	(24)	(40)	2.8	3.0	3.0	NM	NM	NM	0.0	0.0	0.0	119
Internet Software & Services	Attractive				1,771	22.1					60	141	438	NM	594	110	(166)	(159,484)	108	4.3	4.2	4.0	NM	0.7	3.7	0.1	0.1	0.2	153
IT Services																													
HCL Technologies	BUY	901	1,165	29	2,445	30.6	2,714	52	57	66	4	11	16	17	16	14	10	9	8	3.8	3.6	3.4	22	23	26	5.0	5.5	6.1	43
Infosys	BUY	1,377	1,690	23	5,795	72.5	4,204	56	65	75	7	15	15	24	21	18	16	14	12	6.9	6.3	5.8	30	31	33	2.5	3.3	4.1	114
L&T Infotech	REDUCE	4,411	4,150	(6)	773	9.7	176	152	173	203	17	14	17	29	25	22	20	18	15	7.3	6.1	5.1	28	26	26	0.9	1.0	1.1	25
L&T Technology Services	SELL	3,456	3,050	(12)	365	4.6	106	110	120	144	22	9	20	31	29	24	21	19	16	7.3	6.2	5.3	26	23	24	0.8	0.9	1.0	17
Mindtree	REDUCE	3,152	3,150	(0)	520	6.5	165	122	131	143	21	7	10	26	24	22	18	17	15	7.8	6.5	5.5	33	29	27	1.5	1.7	1.8	29
Mphasis	ADD	2,075	2,580	24	390	4.9	188	90	103	126	18	15	22	23	20	16	15	13	11	5.1	4.6	4.1	23	24	26	2.7	2.9	3.1	16
TCS	ADD	3,001	3,400	13	10,982	137.3	3,660	113	128	145	9	14	12	27	23	21	18	16	14	11.0	10.1	9.2	43	45	46	3.0	3.4	3.9	100
Tech Mahindra	BUY	1,060	1,200	13	929	11.6	889	58	68	80	(8)	17	19	18	16	13	10	9	8	3.4	3.2	2.9	19	21	23	3.8	4.0	4.1	45
Wipro	REDUCE	401	415	4	2,198	27.5	5,487	21	23	25	(5)	10	9	19	17	16	11	10	9	2.9	2.7	2.4	17	16	16	1.2	2.2	2.2	39
IT Services	Attractive				24,397	305.0					5.3	13.4	13.8	23.6	20.8	18.3	15.3	13.5	11.9	6.4	5.9	5.3	27.1	28.1	29.2	2.8	3.3	3.7	430
Media																													
PVR	BUY	1,741	2,200	26	106	1.3	61	51	59	63	174	17	6	34	29	28	14	12	11	4.0	3.6	3.2	12	13	12	0.3	0.3	0.4	22
Sun TV Network	BUY	509	550	8	200	2.5	394	44	52	56	5	18	8	12	10	9	7	6	5	2.2	2.0	1.8	20	21	21	3.9	4.9	5.9	8
Zee Entertainment Enterprises	ADD	271	260	(4)	261	3.3	960	11	14	16	(1)	26	14	24	19	17	14	12	10	2.2	2.1	1.9	10	11	12	0.9	1.1	1.5	32
Media	Attractive				568	7.1					34.5	20.8	10.1	18.2	15.1	13.7	11.1	9.1	7.9	2.4	2.2	2.0	13.3	14.6	14.7	1.9	2.3	2.8	63
Metals & Mining																													
Hindalco Industries	BUY	411	550	34	924	11.6	2,220	43	51	51	(31)	19	(0)	10	8	8	5.1	4.8	4.5	1.0	0.9	0.8	11	12	11	1.0	1.2	1.2	62
Hindustan Zinc	REDUCE	281	265	(6)	1,188	14.9	4,225	28	21	19	20	(23)	(9)	10	13	15	5.4	6.6	7.0	3.5	3.5	3.5	34	26	24	9.8	7.6	6.9	4
Jindal Steel and Power	REDUCE	432	400	(7)	441	5.5	1,011	40	43	70	(53)	7	64	11	10	6	5.8	5.8	3.8	1.1	1.0	0.9	11	10	15	0.5	0.5	0.8	23
JSW Steel	SELL	685	500	(27)	1,655	20.7	2,417	41	58	75	(53)	40	30	17	12	9	9.3	7.7	6.2	2.2	1.9	1.6	14	17	19	1.0	1.3	1.6	29
National Aluminium Co.	ADD	74	85	15	136	1.7	1,837	10	10	8	(43)	1	(20)	7	7	9	3.7	3.8	4.8	1.0	0.9	0.8	14	13	9	4.0	4.1	3.3	16
NMDC	ADD	129	140	9	377	4.7	2,931	17	15	12	(47)	(13)	(18)	8	9	10	5.1	5.7	6.8	1.0	1.0	0.9	14	11	9	6.6	5.8	4.8	20
SAIL	SELL	80	60	(25)	331	4.1	4,130	7	7	7	(75)	(3)	(5)	11	11	12	6.0	5.6	5.4	0.6	0.6	0.6	6	5	5	4.2	4.2	4.2	27
Tata Steel	REDUCE	104	110	5	1,276	15.9	12,224	21	12	12	(36)	(45)	2	5	9	9	3.8	4.9	4.6	0.9	0.9	0.8	21	10	9	3.0	1.3	1.5	102
Vedanta	REDUCE	278	230	(17)	1,033	12.9	3,717	39	33	32	(25)	(16)	(2)	7	8	9	3.9	4.3	4.2	1.7	1.6	1.5	23	19	18	18.4	7.8	7.5	59
Metals & Mining	Cautious				7,362	92.0					(38.2)	(13.1)	6.7	8.6	9.9	9.3	5.2	5.5	5.1	1.4	1.2	1.1	15.8	12.6	12.3	5.7	3.6	3.5	341

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.	O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT-3mo	
		21-Sep-22	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	(US\$ mn)
Oil, Gas & Consumable Fuels																													
BPCL	SELL	320	245	(23)	694	8.7	2,093	(43)	6	40	(203)	114	573	NM	53	8	(15.3)	12.5	5.3	1.5	1.5	1.3	NM	3	18	(5.2)	0.7	4.8	16
Coal India	REDUCE	232	225	(3)	1,427	17.8	6,163	35	22	25	25	(38)	15	7	11	9	4.7	8.8	7.0	2.7	2.7	2.5	45	25	28	8.6	8.6	8.6	27
HPCL	SELL	232	165	(29)	329	4.1	1,419	(79)	12	64	(279)	115	443	NM	20	4	(9.1)	17.1	6.7	1.2	1.2	1.0	NM	6	29	-	2.0	11.0	15
IOCL	SELL	68	55	(20)	967	12.1	9,181	(37)	14	30	(240)	137	121	NM	5	2	(7.1)	5.7	3.5	0.6	0.6	0.5	NM	12	25	-	9.9	21.9	16
Oil India	SELL	185	150	(19)	201	2.5	1,084	29	31	33	(18)	9	5	6	6	6	6.2	5.6	5.2	0.6	0.6	0.6	10	10	10	6.2	6.8	7.1	10
ONGC	SELL	131	105	(20)	1,647	20.6	12,580	32	31	31	(15)	(3)	0	4	4	4	2.6	2.5	2.3	0.6	0.5	0.5	15	13	12	9.6	9.8	9.8	52
Reliance Industries	BUY	2,510	2,980	19	15,935	199.2	6,352	113	135	146	24	19	8	22	19	17	11.2	9.4	8.3	1.9	1.7	1.6	9	10	10	0.3	0.4	0.4	229
Oil, Gas & Consumable Fuels	Neutral				21,200	265.1					(50.0)	89.6	25.0	25.6	13.5	10.8	11.1	7.2	5.9	1.5	1.4	1.3	6.0	10.5	12.0	1.5	2.0	2.7	365
Pharmaceuticals																													
Aurobindo Pharma	ADD	525	630	20	308	3.8	586	46	51	57	3	12	11	11	10	9	6	5	5	1.2	1.1	1.0	10	10	11	2.0	2.5	2.9	10
Biocon	REDUCE	289	325	12	347	4.3	1,202	9	14	15	47	50	12	32	21	19	14	10	9	3.3	3.0	2.6	10	14	14	1.1	1.6	1.8	8
Cipla	BUY	1,070	1,215	14	864	10.8	806	41	53	61	33	29	15	26	20	17	15	11	10	3.6	3.2	2.8	14	16	16	0.7	1.0	1.1	19
Divis Laboratories	REDUCE	3,574	3,475	(3)	949	11.9	265	96	105	120	(14)	9	14	37	34	30	26	23	20	7.1	6.2	5.5	19	18	18	0.9	1.0	1.2	22
Dr Reddy's Laboratories	ADD	4,153	4,520	9	691	8.6	166	198	256	301	5	29	18	21	16	14	13	9	8	3.1	2.6	2.3	15	16	16	0.8	0.8	0.9	24
Gland Pharma	REDUCE	2,166	2,325	7	357	4.5	164	73	88	107	(1)	21	21	30	25	20	22	18	14	4.3	3.6	3.1	14	15	15	—	—	—	12
Laurus Labs	REDUCE	516	510	(1)	277	3.5	536	24	25	31	53	7	21	22	20	17	13	12	10	6.0	4.6	3.6	27	23	22	—	—	—	10
Lupin	ADD	661	700	6	301	3.8	450	18	37	45	(25)	108	22	37	18	15	13	9	7	2.3	2.1	1.9	6	12	13	—	0.8	1.0	10
Sun Pharmaceuticals	ADD	905	1,040	15	2,172	27.2	2,406	34	40	45	4	19	12	27	22	20	18	15	13	4.0	3.5	3.0	15	15	15	0.7	0.9	1.0	32
Torrent Pharmaceuticals	ADD	1,501	1,600	7	508	6.3	338	43	54	65	15	27	20	35	28	23	18	15	13	7.1	5.9	4.8	20	21	21	0.5	0.6	0.7	5
Pharmaceuticals	Neutral				6,773	84.7					7.0	23.9	14.8	26.2	21.2	18.4	15.5	12.5	10.6	3.7	3.2	2.8	14.0	15.2	15.3	0.5	0.6	0.7	151
Real Estate																													
Brigade Enterprises	BUY	530	565	7	122	1.5	230	14	15	22	302	7	46	38	35	24	12	10	7	3.9	3.5	3.1	11	10	14	0.5	0.5	0.5	2
Brookfield India Real Estate Trust	ADD	328	335	2	110	1.4	335	8	14	14	(6)	77	5	43	24	23	17	14	13	1.3	1.3	1.3	3	5	6	4.1	4.8	5.2	1
DLF	BUY	380	410	8	940	11.8	2,475	9	18	20	37	103	14	44	22	19	51	31	26	2.5	2.2	2.0	6	11	11	0.5	0.5	0.5	24
Embassy Office Parks REIT	ADD	355	405	14	337	4.2	948	11	13	17	18	19	34	32	27	20	16	14	12	1.3	1.4	1.5	4	5	7	5.9	6.9	8.5	9
Godrej Properties	SELL	1,282	1,310	2	356	4.5	278	35	41	88	175	17	115	37	31	15	91	244	25	3.7	3.3	2.7	11	11	20	—	—	—	12
Macrotech Developers	BUY	1,076	1,320	23	518	6.5	482	36	54	69	43	52	27	30	20	16	23	15	12	3.7	3.2	2.6	13	17	18	—	—	—	6
Mindspace REIT	ADD	369	380	3	219	2.7	593	11	13	15	28	23	11	34	27	25	17	15	14	1.4	1.4	1.5	4	5	6	5.6	6.1	6.4	1
Oberoi Realty	ADD	1,007	950	(6)	366	4.6	364	40	45	61	37	13	35	25	22	17	20	14	10	3.1	2.7	2.4	13	13	15	0.2	0.2	0.2	9
Phoenix Mills	BUY	1,427	1,405	(2)	255	3.2	179	40	52	68	127	31	30	36	27	21	17	12	10	3.5	3.1	2.8	10	12	14	0.2	0.2	0.3	4
Prestige Estates Projects	BUY	459	560	22	184	2.3	401	18	30	34	107	68	13	26	15	14	11	8	5	1.9	1.7	1.5	8	12	12	0.3	0.3	0.3	3
Sobha	BUY	681	880	29	65	0.8	95	44	50	81	258	13	62	16	14	8	7	6	3	2.3	2.0	1.6	16	15	21	1.0	1.0	1.0	4
Sunteck Realty	BUY	454	540	19	66	0.8	140	18	20	31	889	13	56	26	23	15	19	18	13	2.1	1.9	1.7	9	9	13	0.2	0.2	0.2	3
Real Estate	Attractive				3,538	44.2					58.9	45.3	31.0	33.3	22.9	17.5	21.2	15.9	12.0	2.4	2.2	2.0	7.1	9.7	11.6	1.3	1.4	1.6	78
Retailing																													
Aditya Birla Fashion and Retail	BUY	342	380	11	321	4.0	965	5	7	8	541	30	25	67	52	41	16	13	11	8.2	5.7	5.0	14	13	13	—	—	—	9
Avenue Supermarts	SELL	4,309	3,650	(15)	2,791	34.9	648	39	49	66	69	28	33	112	87	66	70	55	42	17.3	14.4	11.8	17	18	20	—	—	—	22
Titan Company	ADD	2,667	2,600	(2)	2,367	29.6	888	34	42	50	36	22	20	77	63	53	50	42	35	20.9	17.2	14.3	30	30	30	0.5	0.6	0.7	42
Vedant Fashions	SELL	1,412	1,075	(24)	343	4.3	248	16	19	23	30	15	20	86	74	62	52	45	37	25.6	20.4	16.3	33	31	29	—	—	—	3
Retailing	Neutral				5,479	72.8					64.1	25.0	25.4	90.1	72.1	57.5	51.6	42.0	34.1	17.7	14.2	11.8	19.6	19.7	21	0.2	0.2	0.3	75

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.	O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT-3mo	
		21-Sep-22	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	(US\$ mn)
Specialty Chemicals																													
Aarti Industries	SELL	862	730	(15)	312	3.9	363	23	29	34	4	29	16	38	29	25	23	19	16	4.7	4.1	3.6	13	15	15	0.3	-	—	8
Atul	SELL	9,293	8,020	(14)	274	3.4	30	250	307	361	23	23	18	37	30	26	25	20	17	5.5	4.7	4.1	16	17	17	0.3	0.5	0.7	4
Castrol India	BUY	115	130	13	114	1.4	989	9	10	11	14	12	14	13	12	10	8	7	6	6.8	6.5	5.9	52	57	60	7.4	7.8	8.3	1
Clean Science & Technology	REDUCE	1,878	1,630	(13)	200	2.5	106	26	33	43	20	27	32	73	57	43	52	42	32	19.9	15.4	11.8	31	30	31	0.2	0.3	0.3	4
Navin Fluorine	ADD	4,680	4,300	(8)	232	2.9	50	70	111	156	33	60	40	67	42	30	47	30	21	10.9	9.0	7.1	17	23	26	0.3	0.4	0.4	13
Pidilite Industries	REDUCE	2,819	2,450	(13)	1,433	17.9	508	33	43	50	38	29	17	86	66	56	57	45	39	19.6	16.7	14.2	24	27	27	0.5	0.6	0.7	14
PI Industries	ADD	3,154	3,270	4	478	6.0	152	77	96	119	39	25	23	41	33	27	30	25	20	6.7	5.7	4.8	18	19	20	0.3	0.4	0.5	9
S H Kelkar and Company	BUY	143	175	23	20	0.2	138	9	11	-	(21)	23	(100)	15	13	-	9	8	-	1.8	1.7	#DIV/0!	12	14	NM	2.3	3.0	-	0
SRF	BUY	2,627	2,830	8	779	9.7	296	81	95	110	27	18	16	32	28	24	21	17	15	7.3	5.9	4.8	25	24	22	0.4	0.5	-	23
Vinati Organics	ADD	2,130	2,305	8	219	2.7	104	44	63	79	31	42	25	48	34	27	37	26	20	9.4	7.7	6.3	22	25	26	0.3	0.6	0.7	2
Specialty Chemicals	Attractive				4,060	50.8					25.2	25.1	17.7	45.8	36.6	31.1	30.4	24.5	20.8	9.0	7.6	6.6	19.7	20.9	21.1	0.6	0.7	0.7	77
Telecommunication Services																													
Bharti Airtel	BUY	780	830	6	4,491	56.2	5,759	23	41	59	385	76	46	34	19	13	8	6	4	5.6	4.3	3.4	18	25	29	0.5	0.8	1.0	82
Indus Towers	ADD	197	215	9	532	6.7	2,695	17	22	22	(22)	31	2	12	9	9	4	4	3	2.2	1.9	1.7	19	23	21	4.1	5.3	5.4	9
Vodafone Idea	RS	9	—	—	295	3.7	32,119	(8)	(8)	(7)	NM	NM	NM	NM	NM	NM	12	11	10	(0.3)	(0.3)	(0.2)	36	24	18	—	—	—	16
Tata Communications	ADD	1,209	1,150	(5)	345	4.3	285	59	55	63	21	(7)	16	21	22	19	9	9	8	17.3	12.0	8.5	114	64	52	1.9	1.8	2.1	10
Telecommunication Services	Attractive				5,663	70.8					59	191	206	NM	82.6	27.0	8.2	6.5	5.4	31	22	16	NM	27	59	0.9	1.2	1.5	117
Transportation																													
Adani Ports and SEZ	REDUCE	933	810	(13)	1,971	24.6	2,157	33	41	53	24	22	32	28	23	17	18	15	12	4.6	3.9	3.2	17	18	20	0.0	0.4	0.6	61
Container Corp.	REDUCE	742	730	(2)	452	5.7	609	24	31	38	35	30	23	32	24	20	19	15	12	3.8	3.5	3.1	13	15	17	0.6	1.2	1.5	19
Delhivery	REDUCE	593	540	(9)	430	5.4	725	(5)	(1)	5	69	72	407	NM	NM	131	319	75	34	4.3	4.2	4.0	NM	NM	3	—	—	—	6
Gateway Distriparks	BUY	74	95	28	37	0.5	500	4	5	6	0	17	22	17	14	12	9	7	5	2.0	1.8	1.6	13	14	15	1.0	1.0	1.0	—
GMR Infrastructure	BUY	38	43	13	230	2.9	6,036	(1)	(2)	(1)	(152)	(50)	18	NM	NM	NM	26	19	15	(17.8)	(11.0)	(8.5)	61	57	33	—	—	—	4
Gujarat Pipavav Port	BUY	89	105	18	43	0.5	483	5	6	7	22	15	13	18	16	14	8	7	6	2.1	2.1	2.1	12	14	16	5.4	6.2	6.8	1
InterGlobe Aviation	BUY	1,878	2,710	44	724	9.0	383	79	132	167	149	66	27	24	14	11	5	4	3	(24.0)	35.2	2.6	NM	NM	122	—	—	—	27
Mahindra Logistics	ADD	530	540	2	38	0.5	71	11	19	27	91	71	37	46	27	20	14	10	8	5.8	5.0	4.1	13	20	23	—	—	—	1
Transportation	Attractive				3,925	49.1					8,385.5	36.7	34.9	35.2	25.7	19.1	14.7	11.5	9.1	5.9	4.9	4.0	16.9	19.0	21	0.2	0.4	0.6	119
KIE universe					196,349	2,454					0.2	28.5	18.5	25.2	19.6	16.5	13.4	10.9	9.3	3.1	2.8	2.5	12.5	14.2	15.1	1.5	1.7	2.0	

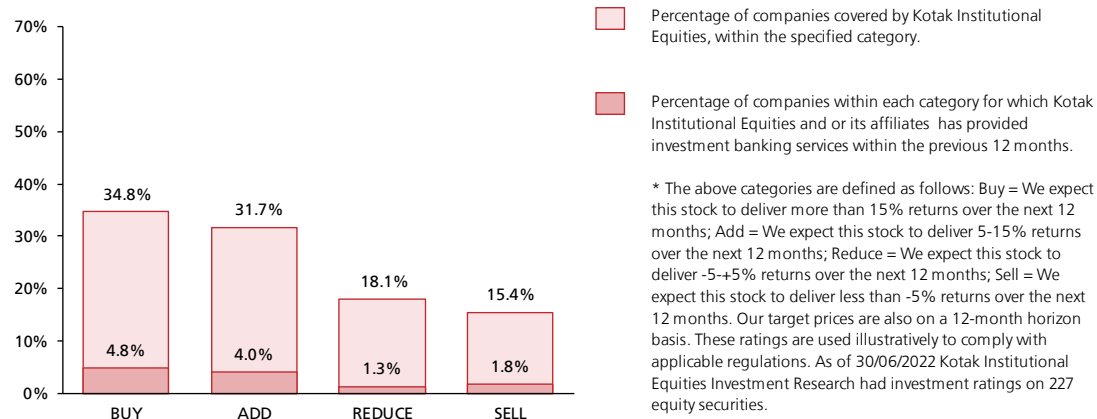
Notes:

- (a) We have used adjusted book values for banking companies.
(b) 2022 means calendar year 2021, similarly for 2023 and 2024 for these particular companies.
(c) Exchange rate (Rs/US\$)= 79.98

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of June 30, 2022

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

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Corporate Office

Kotak Securities Ltd.
27 BKC, Plot No. C-27, "G Block"
Bandra Kurla Complex, Bandra (E)
Mumbai 400 051, India
Tel: +91-22-43360000

Kotak Mahindra (UK) Ltd
8th Floor, Portoken House
155-157 Minories
London EC3N 1LS
Tel: +44-20-7977-6900

Overseas Affiliates

Kotak Mahindra Inc
369 Lexington Avenue
28th Floor, New York
NY 10017, USA
Tel: +1 212 600 8856

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