MONTHLY NEWSLETTER

OCTOBER 2024

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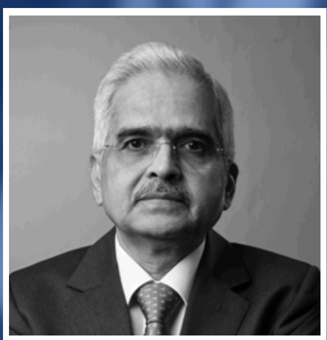
Making Equity Easy.

Sriharsha Majety
Founder, Swiggy

> Quick Commerce can become a bigger business than food delivery in India and, unlike food delivery, it won't be duopoly.



Shaktikanta Das
RBI Governor

> Rate cut at this stage will be premature risky;
> RBI would like to wait and watch

WHAT'S INSIDE

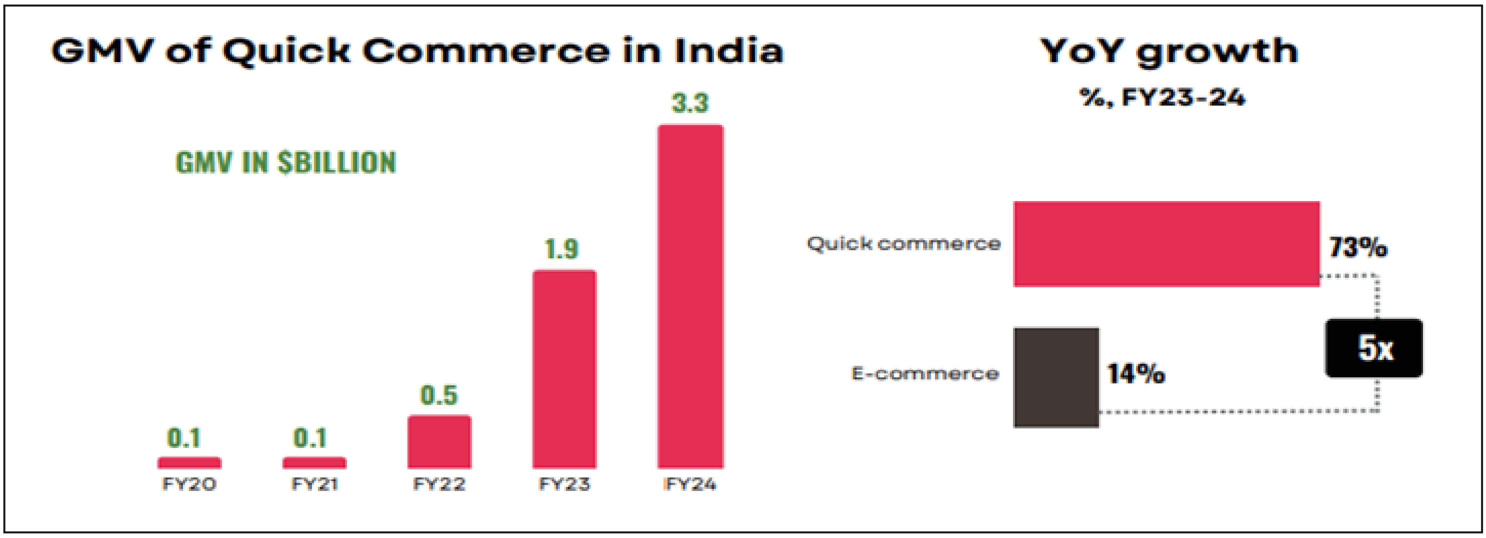
UNPARALLELED CONVENIENCE + ULTRA-FAST DELIVERY = QUICK COMMERCE BOOM IN INDIA

Quick commerce refers to the rapid delivery of small orders, typically within a short time frame of 10 to 30 minutes.

Quick commerce (Q-commerce) is a revolution within the country's e-commerce space, fast becoming a prominent trend reflecting the shifting tendencies of consumer behaviour in the retail and last-mile delivery landscape. The industry continues to catch investors' fancy, with Swiggy listing earlier this month, following in the footsteps of its peer Zomato. The growth of Q-commerce in India's metros reflects the fast-paced lives where the convenience of getting essentials delivered in minutes is not only about instant gratification but better use of time, especially for digital natives, millennials, and Gen Z.

Drivers fuelling India's Q-commerce growth

According to Redseer, India's Q-commerce industry is estimated at $3.34 bn in 2024 and is expected to reach $9.95 billion by 2029, growing at a CAGR of ~24%. Q-commerce in India remains largely untapped, with a penetration rate of only 7% of the total addressable market of $45 bn presently, a strong potential for growth as demand continues to surge for quick access to multiple product categories.

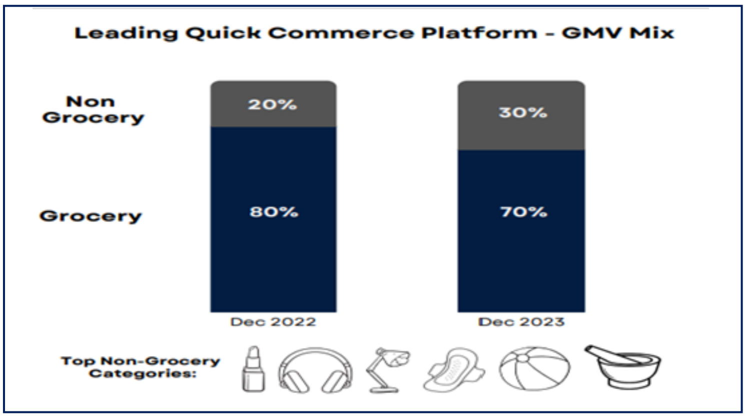


Source: Chryseum Report, Redseer

Q-commerce growth in India is expected to be strong and dominated by metro cities (~90% of the market), driven by a rapidly evolving consumer landscape and rising user base. According to Redseer, Average Monthly Transacting Users (MTU) grew by >40% in FY 24, while users' monthly ordering frequency jumped from 4.4 in FY 21 to nearly 6 in FY 24. In FY25, it expects Q-commerce to grow 75-85% on the back of ~5 mn new MTUs and ~20% more spends by existing MTUs led by habit formation behaviour, and increased expenditure across non-essential categories such as beauty, home decor, gifting, and other general merchandise. Event days and category diversification led to Average Order Values (AOV) for Q-commerce platforms >15% in FY24.

Multiple factors driving Q-commerce growth

- Urbanization and changing lifestyles
- High convenience and speed over costs
- Increased internet and smartphone penetration
- Technological advancements
- Event days and category diversification



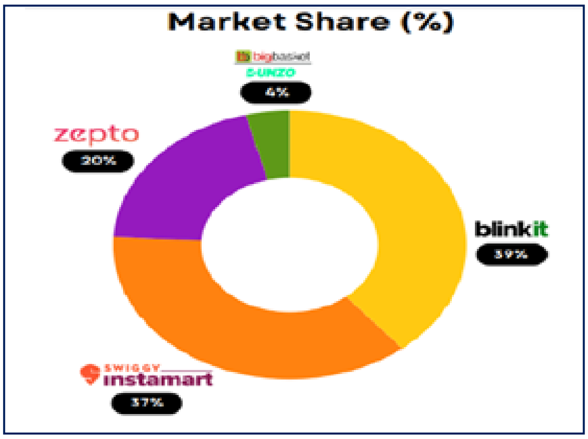
Source: Chryseum Report, Redseer

Presently, Q-commerce platforms focus on diversifying their category offerings beyond essentials to higher-value products, including earphones, beauty, accessories, toys, etc. For example, during Dhanteras, consumers ordered gold and silver coins from the comfort of their homes without visiting crowded stores, offering unparalleled convenience. High-profile brands are also capitalizing on the growing trends and tying up with key players; for example, Blinkit sells products from brands such as Fabindia, Adidas, U.S. Polo, Hamleys, BoAt, etc.

3-4 players dominate domestic Q-commerce market

India's Q-commerce industry is experiencing intense competition. Established players like Blinkit, Swiggy Instamart, and Zepto are being challenged by newer players like Flipkart Minutes, Jio Mart, etc.

As of FY24, Blinkit remains the market leader, followed closely by Instamart. Companies are focusing on expanding categories, optimizing delivery networks, innovating and enhancing their platforms combined with discount offerings and loyalty points to attract and retain customers continuously. Most of the quick commerce players are aggressively spending on capex in building dark stores network, and it is expected that about 500 new dark stores will be added in FY25 across 30-50 cities. Dark stores, which function as warehouses, are strategically located to ensure timely deliveries and are used only for online order fulfilment.



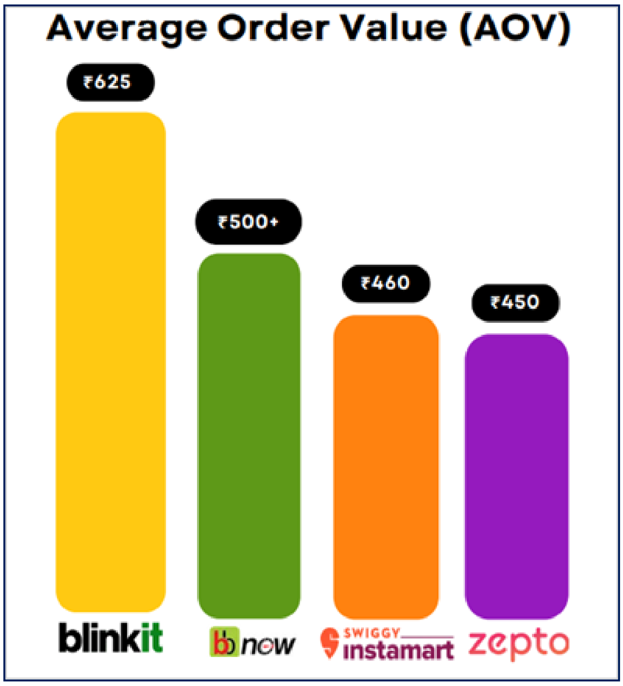
Source: Chryseum Report, Data as of FY24

Peer Comparison: Swiggy Instamart and Zomato Blinkit		
FY24	**Swiggy Instamart**	**Zomato Blinkit**
Quick Commerce Business		
Total Orders (in mn)	176	203
Total Orders (YoY Growth)	37.4%	70.8%
GOV (in mn)	81,000	1,24,690
GOV (YoY Growth)	58.8%	93.3%
Take rate	13.6%	18.5%
Active Dark Stores	523	526

Source: Swiggy RHP

Execution on delivery, category expansion, and throughput per dark store will remain the key monitorable as companies compete for market share and growth. Presently, the AOV for Blinkit is the highest at Rs 625 in FY24. Top value drivers for Q-commerce in India will include:

- AOV will be the biggest lever, and it can even go up to Rs. 700-800 as per experts. Buying fresh food, cooking essentials, groceries, personal care, etc., are key categories in which customers' spending will continue to rise.
- The realization margin per order will be another crucial factor aided by category expansion.
- Cost of delivery will play an integral role as companies use technological innovation for better analytics.



Data as on FY24; Source: Chryseum Report

Conclusion:

Q-commerce is revolutionizing the way Indians shop for daily essentials. Grocery remains the mainstay of the Q-commerce business with a huge TAM. In contrast, companies continue to expand their category offerings to non-grocery to drive higher-order values. A large market, Q-commerce is set to continue its upward growth trajectory driven by multiple factors, including addressing consumers' need for speed and convenience. Going forward, as competitive intensity rises, how Q-commerce players balance pricing, convenience, and affordability of products across categories will be important in achieving growth and market share.

Q2 FY25 REVIEW

EARNINGS GROWTH IMPACTED BY WEAK COMMODITIES AND SLOWDOWN IN CONSUMPTION

In Q2FY25, Nifty50 (ex-financials) recorded revenue and PAT growth of ~4% YoY and ~9% YoY, respectively. NSE200 excl. financials, revenue and PAT both grew at subdued ~5% YoY impacted by weak commodities and slowdown in consumption. NSE200 excl. commodity PAT growth in Q2FY25 was 9.4% YoY.

Automotives saw muted demand in Q2FY25, except for 2Ws which benefitted from festive sales while margins remained stable. Pharma sector reported good earnings performance driven by strong growth in domestic sales and healthy US business benefiting from stable pricing and new launches. IT reported healthy performance though outlook remains cautious with no material change in discretionary spending. FMCG companies results were below expectations due to continued slowdown in urban consumption, while growth in the rural markets is reviving gradually. Increasing raw material costs and high food inflation led to some margin pressure which offset price increase benefits. Consumer discretionary reported strong growth led by inventory stocking prior to the festive seasons. Banks Q2FY25 performance was in line with expectations, though continues to grapple with concerns of slowing growth, NIM pressure and normalizing credit costs. In NBFCs, the performance was a mixed bag. Cement companies were severely affected by persistent weak prices and declining volumes. Oil & Gas companies fell short of Q2FY25 expectations due to subdued marketing & refining margins and reported weak performance. Metals had a subdued quarter with weak EBITDA.

Q2 FY25: NSE200 sectoral free-float earnings distribution

Free float, INR bn	NSE 200 Index	Sales			EBITDA			PAT		
Sector	**Weights**	**Q2FY25**	**YoY**	**QoQ**	**Q2FY25**	**YoY**	**QoQ**	**Q2FY25**	**YoY**	**QoQ**
Consumption										
Automotives	6.3%	1,187	1.7%	-1.5%	152	-2.6%	-13.3%	88	-2.4%	-4.9%
Cigarettes	2.8%	144	16.8%	13.7%	47	4.9%	0.6%	38	3.1%	3.2%
FMCG	5.0%	242	6.6%	-0.7%	43	2.7%	-7.9%	29	1.9%	-6.7%
Discretionary	4.2%	280	38.9%	8.6%	28	15.1%	-6.5%	17	27.5%	-2.7%
Real Estate	1.2%	34	30.7%	12.6%	11	23.3%	5.5%	9	16.0%	3.8%
Internet	1.3%	51	31.0%	12.3%	1	-37.4%	LtoP	6	LtoP	LtoP
Auto Ancillaries	1.4%	238	11.5%	-2.8%	28	2.4%	-8.6%	13	7.0%	-8.9%
Aviation	0.5%	76	13.6%	-13.3%	7	-25.9%	-68.4%	-3	PTL	PTL
Agriculture	0.4%	87	8.5%	20.1%	12	16.0%	15.2%	0	-122.2%	loss maker
Paints	0.9%	38	-5.3%	-10.5%	6	-27.8%	-26.8%	4	-24.4%	NM
Exports										
Technology	10.7%	922	6.7%	4.0%	185	12.8%	4.8%	140	11.7%	3.9%
Pharma *	4.8%	354	11.3%	4.6%	88	17.7%	5.1%	57	16.6%	3.3%
Financials										
Banks	21.0%	NM	NM	NM	NM	NM	NM	558	13.0%	1.0%
Financial Services	5.3%	NM	NM	NM	NM	NM	NM	78	16.5%	11.1%
NBFCs	2.8%	NM	NM	NM	NM	NM	NM	48	9.5%	-4.2%
Industrials and capex										
Power/Mining	5.3%	598	3.0%	-5.4%	209	3.7%	-5.9%	93	-9.2%	-16.0%
Reliance Industr	5.9%	1,159	-0.2%	-0.1%	195	-4.7%	0.7%	83	-4.8%	9.4%
Industrials	5.2%	673	19.7%	10.2%	82	16.3%	16.0%	46	12.3%	29.6%
Oil & Gas	2.6%	1,721	1.1%	-8.5%	130	-45.8%	-13.7%	71	-53.0%	-3.3%
Telecom	3.3%	284	10.2%	5.9%	142	15.2%	9.7%	3	LtoP	-57.0%
Metals	3.6%	1,262	-1.8%	-0.8%	179	4.0%	-6.5%	71	LtoP	11.4%
Logistics	0.9%	48	7.6%	2.8%	17	14.1%	-5.2%	10	47.5%	-18.5%
Defense	1.4%	49	15.1%	20.4%	14	27.1%	35.6%	12	31.8%	14.3%
Cement	2.0%	155	2.3%	-8.0%	17	-24.2%	-27.7%	10	-30.8%	-4.7%
Building Material	0.6%	28	1.2%	-8.0%	5	0.7%	-9.2%	3	-1.1%	-13.2%
Speciality Chemicals	0.3%	41	3.0%	2.7%	6	-19.8%	-0.8%	2	-39.4%	5.4%
Total NSE 200	**99.6%**	**9,669**	**4.9%**	**-0.6%**	**1,605**	**-2.5%**	**-3.5%**	**1,487**	**8.7%**	**0.1%**
Ex-financials	70.5%	9,669	4.9%	-0.6%	1,605	-2.5%	-3.5%	803	5.1%	-1.3%
Ex-Commodity	93.4%	6,687	7.3%	1.6%	1,296	5.0%	-1.9%	1,345	9.4%	-0.3%
Ex-Financials & Ex-commodity	64.3%	6,687	7.3%	1.6%	1,296	5.0%	-1.9%	660	5.8%	-2.3%
Nifty 50 (ex-financials)	**100.0%**	**6,384**	**4.1%**	**0.0%**	**1,165**	**1.1%**	**-1.9%**	**607**	**9.4%**	**0.6%**

Source: ICICI Securities and Equentis Research
*Notes: *Pharma includes healthcare services companies.*

WILL RBI FOLLOW THE FED ON RATE CUT?

RATE CUT CONUNDRUM

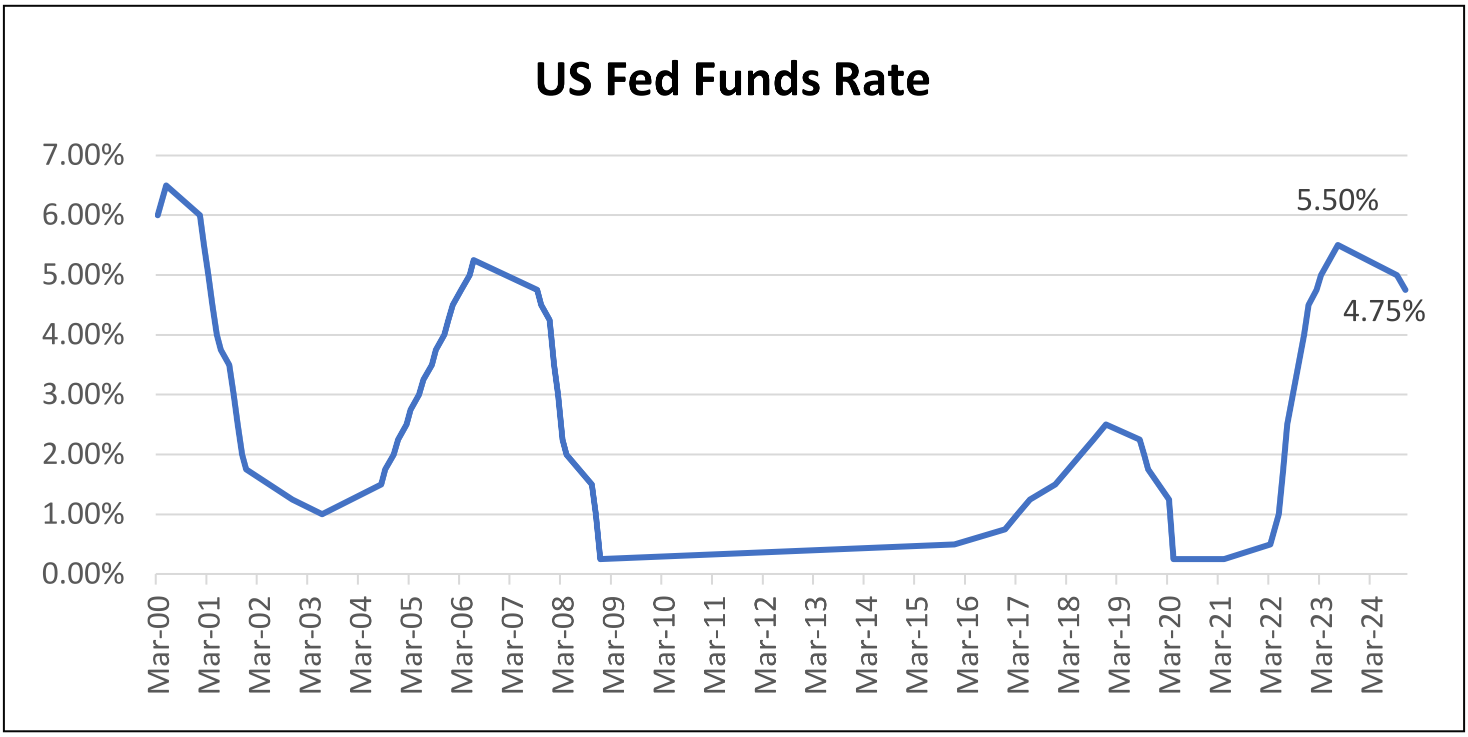
The US Fed has cut policy rates sharply by 75bps cumulatively in its last two policy meetings held in September and November '24. The Fed funds rate, the US benchmark rate, was cut from 5.5% to 5.0% in its September '24 policy meeting and further cut from 5.0% to 4.75% in its November '24 policy meeting. With such a sharp cut in the US policy rate and Fed officials indicating further cuts, all eyes are on the RBI to start cutting rates.

But will the RBI do so and follow the Fed? Have we followed the Fed historically?

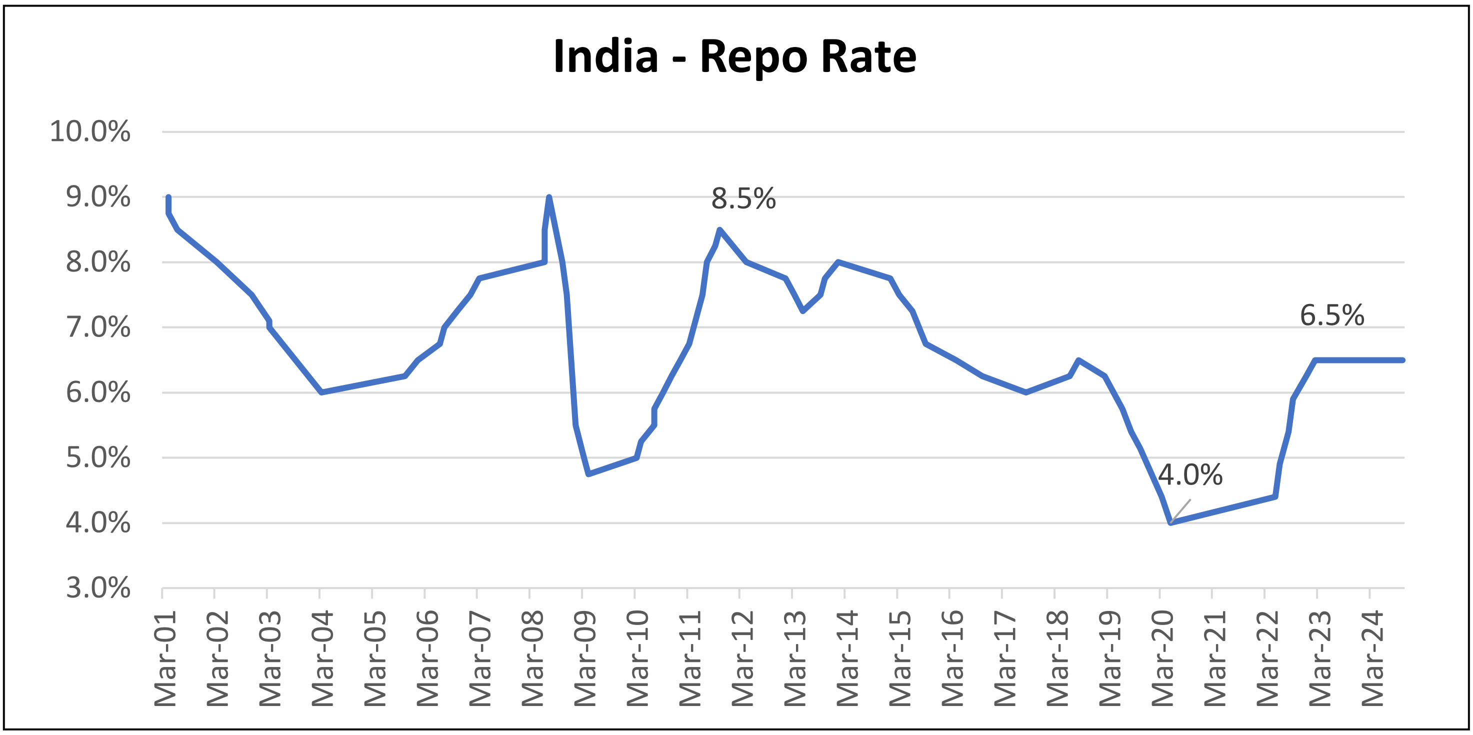
Let's delve in to find out...

A careful analysis of the past 25 years reveals that the US and India do not always follow the same trend in terms of the quantum and timing of policy rate changes. US policy rate changes are more volatile, whereas India follows a more measured approach.

- **Since 2000,** the US Fed funds rate has operated between 0.25-6.5%, whereas India has operated between 4-9%
- During **2000-2008,** the US and India followed similar directions in terms of rate hikes and rate cuts as global trends were dominant. However, the US policy rates gyrated in a much higher range of 625bps (peak to trough) than India, which stood at just 300bps.
- However, **post-2008 - Jan 2020 (pre-COVID),** there was a significant divergence between India and the US. The US interest rates remained the same until December '15 and gradually inched up from December '15 to December '18, whereas in India, rates peaked out in October '11 and steadily declined thereafter.
- From **January 2020 (pre-COVID) to the present,** policy rates are higher in the US and India. However, the rise in India's policy rate is only 140bps v/s 300bps in the US policy rate. This is despite the US Fed having reduced its policy rate by 75bps since September '24.
- **India's current policy rate of 6.5% is exactly the midpoint** of the peak rate (9%) and trough rate (4%) since 2000. However, the **US policy rate of 4.75% is much higher than the midpoint** (3.4%) of the US peak rate (6.5%) and trough rate (0.25%) since 2000.

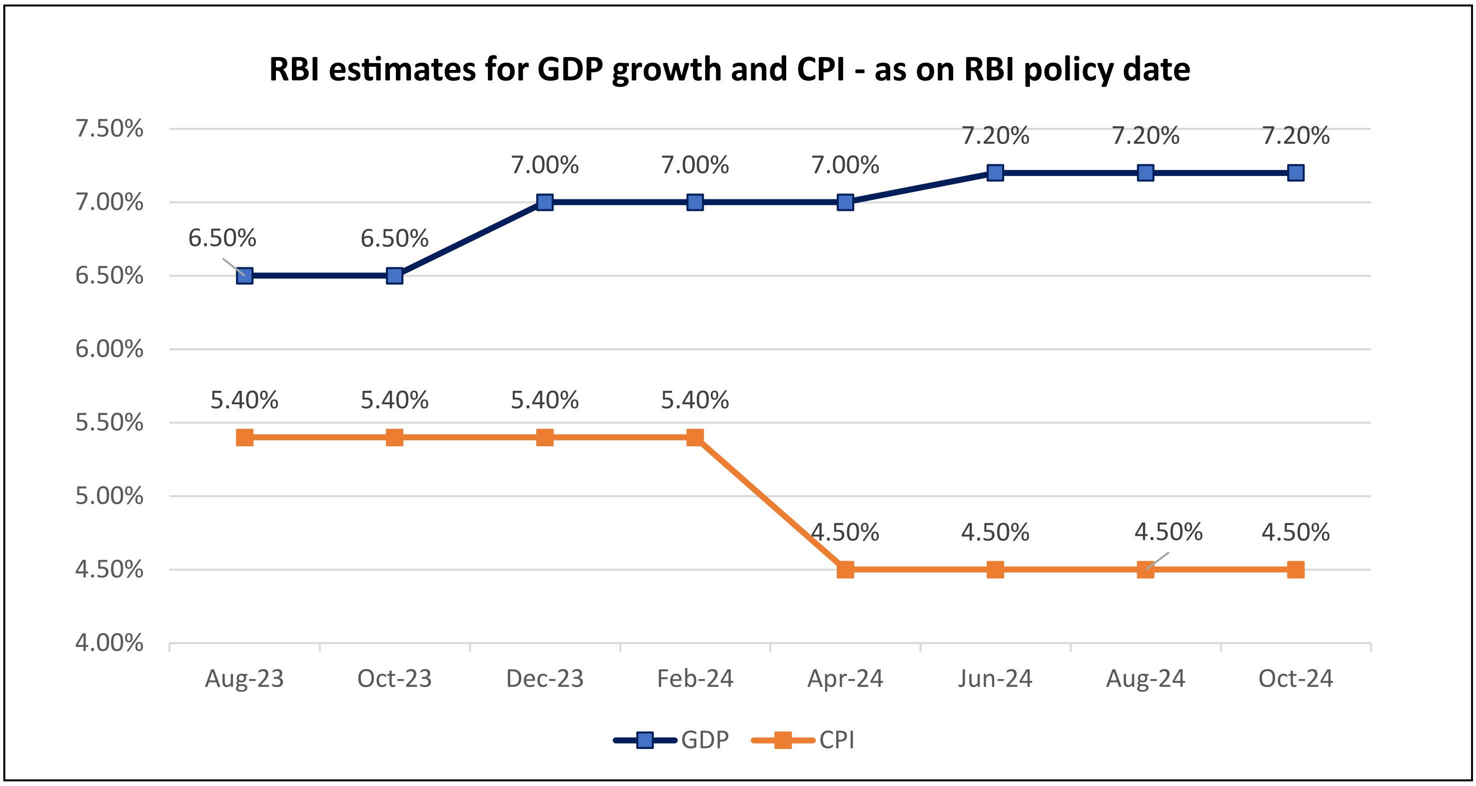


Source: Trading Economics, Equentis Research



Source: RBI, Equentis Research

Having understood that India has delinked from the US policy rate trajectory, let's look at the factors influencing India's future rate cut expectations.



Source: RBI, Equentis Research

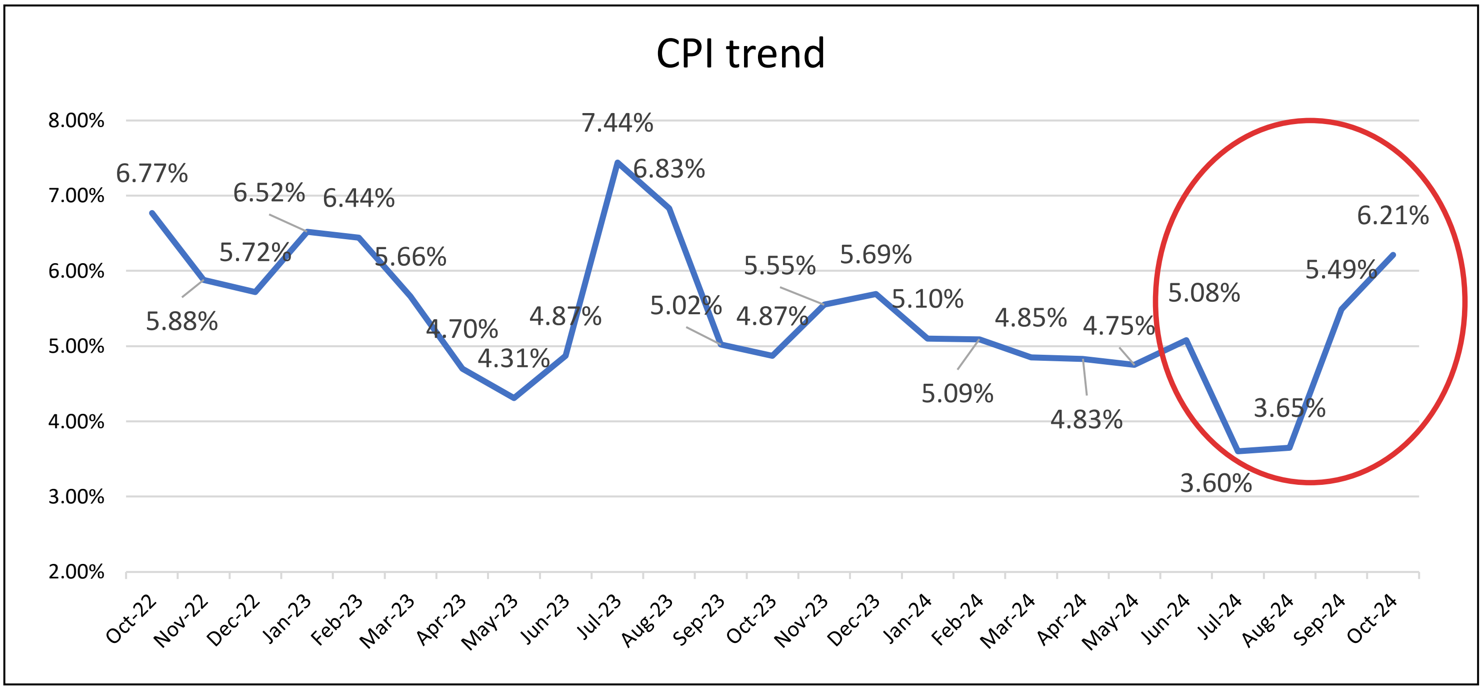
Note: GDP growth and CPI estimates till Feb-24 were for FY24, thereafter, the GDP and CPI estimates are for FY25

Why should RBI cut rates?

RBI's analysis of its GDP growth and CPI estimates shows a clear divergent trend between the two. RBI has been more confident in its GDP growth estimates, revising them from 6.5% a year ago to 7.2%. Subsequently, the RBI also sees CPI cooling off to 4.5% going forward compared to the 5.4% they envisaged a year ago. This should be directionally positive and prompt a rate cut.

Why is RBI not cutting rates, then?

While the trend has been somewhat favorable since hitting a 2-yr high in Jul '23, CPI has increased sharply from a bottom of 3.6% in Jul '24 to 6.2% in Oct '24. The Oct '24 CPI print is above the RBI's upper tolerance level of 6%. Moreover, achieving RBI's guidance of 4.8% in Q3FY25 implies the Nov '24 and Dec '24 run rate should be 4.1%, which RBI would be careful of.



Source: RBI, Equentis Research

RBI's quarterly CPI estimates in Oct '24	
Q2FY25	4.1%
Q3FY25	4.8%
Q4FY25	4.2%
Q1FY26	4.3%

Source: RBI, Equentis Research

Actual FY24 GDP growth of 8.2% came in much higher than RBI's expectations of 7%. Higher GDP growth puts less pressure on the central bank to lower rates and focus shifts on inflation. Considering GDP growth is trending well, RBI would want to be doubly sure inflation is tamed before starting the rate cut cycle.

	GDP growth	CPI
FY24 Actual	8.20%	5.09%
RBI's FY24 estimates	7.00%	5.40%

Source: RBI, Equentis Research

Conclusion:
Post 2008, India has exhibited divergent policy rate trajectory trends compared to the US. Policy rates in India also gyrate in a much smaller band than in the US. The US policy rate level is presently higher than India when compared to respective historical averages and when compared to respective Jan 2020 (pre-COVID) levels despite the 75bps cut by the US Fed since September '24. The RBI will ensure CPI is tamed well enough before starting the rate cut cycle, given that the GDP growth estimates are good.

WHAT CAUGHT OUR ATTENTION THIS MONTH!

India's smartphone exports surpass the $2 bn mark in Oct, setting a new record

India's smartphone exports have reached a new milestone, surpassing the $2 billion mark in October—setting a record for the highest monthly total ever, as per ICEA estimates.

In the first 7 months of FY25, smartphone exports in value terms have exceeded $10.6 bn, up 37% YoY from the $7.8 bn recorded in the same period last year, largely driven by Apple's iPhone.

If current trends continue, ICEA expects exports to reach between $18 billion and $20 billion by the end of FY25.

GST mop-up sees a six-month high in Oct with Rs 1.87 trillion, up 8.9% YoY

GST collections surged to a six-month high of Rs 1.87 trillion in October, staying above the Rs 1.7 trillion mark for the eighth consecutive month.

Collections increased 8.1% M-o-M and 8.9%YoY to Rs 1.87 trillion. This also marked the second-highest GST collections in any month to date.

The surge in GST revenues reflects stronger economic performance and festival demand compared to recent months when collections had declined.

Monthwise Gross GST Collections (in ₹ Crore)

	FY24	FY25	% Growth (YoY)
April	187,035	210,267	12.4
May	157,090	178,484	13.6
June	161,497	173,813	7.6
July	165,105	182,075	10.3
Aug	159,068	174,962	10.0
Sep	162,712	1,73,240	6.5
Oct	172,003	1,87,346	8.9

Source: The Economic Times

Market Correction: Nifty 50 down 10% from peak

The Indian stock market recorded its sixth loss in seven weeks as concerns over a slowdown in consumption, combined with worries about moderating earnings and foreign fund outflows, weighed on investor sentiment.

After hitting several record highs earlier this year, the benchmarks Sensex and Nifty 50 entered correction territory, with the Nifty 50 index falling more than 10% from its September peak of 26,277.35.

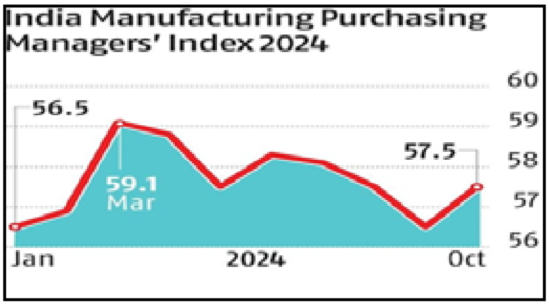
Persistent foreign fund outflows, disappointing corporate earnings, elevated valuations, and broader macroeconomic uncertainties drove the decline.

Manufacturing activity revives from an 8-month low to hit 57.5 in Oct

India's manufacturing activity rebounded in October, recovering from an eight-month low, fuelled by faster growth in total new orders and international sales.

HSBC final India Manufacturing Purchasing Managers' Index (PMI), increased to 57.5 in October, up from 56.5 in September.

This positive momentum signals a strong beginning for the economy in the final quarter of the fiscal year, reinforcing expectations of 7% growth.



Source: Business Standard

India Inc. faces mounting earnings downgrades as growth slowdown weighs

Disappointing earnings from several large-cap companies have led brokerages to lower their earnings forecasts for the remainder of the year, driven by a slowing economy and weakening urban demand.

As per Bloomberg data, the Nifty50 EPS estimates for FY25 saw a cut of 10.5% in October. Consensus EPS estimates for the index now stand at Rs 1,134, down from a high of Rs 1,279 clocked in early August.

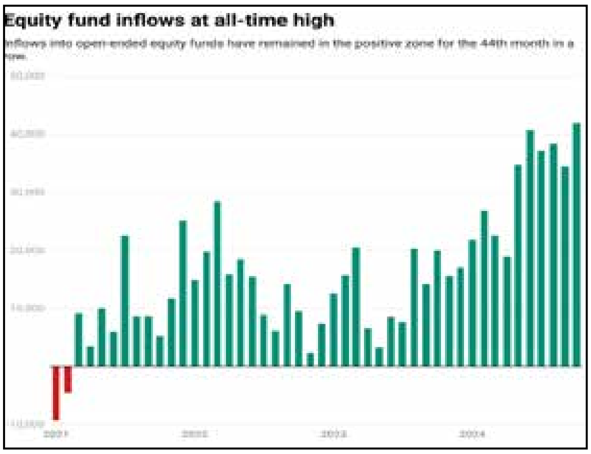
Key sectors like cement, energy, lenders, mid-caps, automobiles, and consumer staples saw significant cuts, while technology, non-lending financial services, and property developers saw slight upgrades.

India's renewable energy capacity to touch 250 GW mark by March 2026: Icra

According to ICRA, India's renewable energy capacity is projected to reach 250 GW by March 2026, up from 201 GW in September 2024, supported by a strong project pipeline and increased tendering activity

This growth will be fuelled by over 80 GW in planned projects, particularly in the rooftop solar and commercial & industrial segments, following a surge in tendering in FY2024.

However, challenges such as land acquisition and transmission connectivity issues may pose certain challenges toward the 500 GW target set for 2030.



Source: Money Control

Equity fund inflows hit a record high of Rs 41,887cr in Oct; SIPs reach a record high despite weak markets

Equity mutual fund inflows rose by 21.69% MoM, reaching Rs 41,887 cr in October, according to the latest AMFI data released on November 11. This marks the 44th consecutive month of net inflows into equity-oriented funds.

Strong demand was seen across all three segments—small-cap, mid-cap, and large-cap. Monthly SIP investments in mutual funds surpassed the Rs 25,000 cr mark for the first time in October, totaling Rs 25,323 cr, up from Rs 24,509 cr in September.

This surge in equity fund inflows occurred despite weak equity market performance during the month.

India expects 48 lakh weddings in the next two months may generate Rs 6 lakh crore in business: CAIT

The Confederation of All India Traders (CAIT) has estimated that there will be an impressive 48 lakh weddings across India this November and December.

These weddings are projected to generate a total business of Rs 6 lakh crore.

According to a recent CAIT study, the retail sector, including goods and services, is expected to see a turnover of Rs 5.9 lakh crore during this festive period.

Source: Money Control

India rises as a global player in petroleum, gemstone, and sugar exports with a surging market share in 5 years

According to data from the Commerce Ministry India has seen significant gains in export competitiveness across several sectors, including petroleum, gemstones, agrochemicals, and sugar, over the past five years, with these industries increasing their share in global trade.

Petroleum exports reached $84.96 billion in 2023, boosting India's market share to 12.59%, up from 6.45% in 2018, making it the second-largest global exporter.

Similarly, in the precious and semi-precious stones sector, India's share of global shipments rose to 36.53% in 2023 from 16.27% in 2018, securing the top position in this category.

Global News Of This Month

Donald Trump makes historic comeback, wins second term

Donald Trump was elected president, marking a stunning political comeback just four years after losing the White House after he was voted out of the White House and ushering in a new American leadership likely to test democratic institutions at home and relations abroad.

Trump regained the presidency by securing more than the 270 Electoral College votes required for victory.

UK inflation hits a six-month high of 2.3% on high energy bills

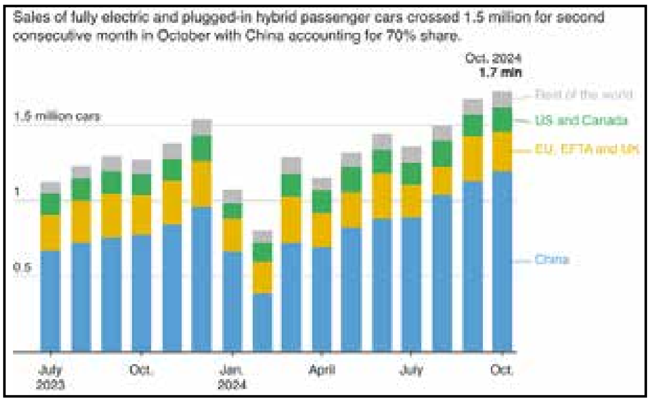
Inflation in the U.K. surged to a six-month high in October, surpassing the target set by the Bank of England.

According to the Office for National Statistics, higher domestic energy bills drove consumer price inflation up to 2.3% for the year ending in October, compared to a three-year low of 1.7% the previous month. This rise, which exceeded expectations for a more moderate increase, pushed inflation above the Bank's 2% target.

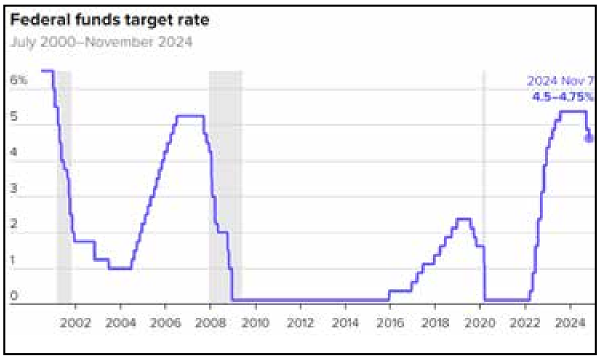
Global EV sales up 35% in October, Europe ekes out a gain

Global sales of fully electric and plug-in hybrid vehicles jumped 35% in October compared to the same month last year, with growth seen across all regions, driven by a 54% increase in sales in China, according to market research firm Rho Motion.

Sales in Europe rose by a modest 0.8%. However, the firm expects a good finish to the year in the region despite challenges such as high production costs, the transition to electric vehicles, and the influx of lower-cost models from Chinese competitors.



Source: Reuters



Source: CNBC -TV18

Fed cut interest rates by another 25 basis points

The Federal Reserve lowered its benchmark lending rate by 25 basis points, as anticipated by the market, to 4.50% to 4.75%. This follows a larger 50-basis-point cut in September, which reduced the rate from its peak of 5.25% to 5.50% for much of 2024.

In his September speech, Fed Chair Jerome Powell suggested that, provided current economic trends continue, another 25-basis-point cut could occur before 2025.

Bitcoin breaches $94,000 for the first time, record all-time high

Bitcoin has reached a new all-time high, surpassing $94,000 for the first time, fueled by reports that US President-elect Donald Trump's social media company is discussing acquiring crypto trading firm Bakkt.

The world's largest cryptocurrency has more than doubled in value throughout 2024. Since Trump's victory in the 2024 US Presidential Election in November, cryptocurrencies have surged, driven by his promised backing for digital assets.

THANK YOU

Contact us at:

MUMBAI OFFICE
Contact No : 022-61013838

Marathon Futurex, A-603 6th Floor, Mafatlal Mills Compound, N M Joshi Marg, Lower Parel East, Mumbai 400013

BENGALURU OFFICE
Contact No : 080-46013333

2nd floor, Attic Space – Moneta, 612, 80 Feet Rd, Koramangala 4th Block, Bengaluru – 560034

Equentis Wealth Advisory Services Limited
Investment Advisor
Registered Office: Marathon Futurex, A-603 6th Floor, Mafatlal Mills Compound, N M Joshi Marg, Lower Parel East, Mumbai 400013
Corporate Identification Number (CIN) - U74999MH2015PLC262812
Email: support@researchandranking.com **| Telephone:** +91 22 61013800
SEBI Registration No.: INA000003874 | Type of Registration – Non-Individual | Validity: Perpetual | Membership Number of **BASL -** 1816
Principal Officer: Mr. Manish Goel | Email: po@equentis.com, +91 22 61013800
Compliance Officer: Mr. Rakesh Gupta, Email: compliance@equentis.com, +91 22 61013800
Grievance officer: Mr. Swapnil Patil, Email: grievance@researchandranking.com, +91 22 61013800
SEBI Office Details: SEBI Bhavan BKC, Plot No.C4-A, 'G' Block Bandra-Kurla Complex, Bandra (East), Mumbai - 400051, Maharashtra | Tel : +91-22-26449000 / 40459000
SEBI SCORES: https://scores.gov.in/scores/Welcome.html | SMARTODR: https://smartodr.in/login

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