



Monthly Research Compendium

January 2024





Click to Provide Feedback

Research Compendium is a compilation of some of ICRA's key research reports released in the previous month.

The ICRA Research compendium offers a summary of some of the most thought-provoking research reports published during the month



Each slide communicates key excerpts from the respective reports through charts and tables

Follow the link in the caption of each slide to access the detailed report on ICRA's website

ICRA's Sectoral Outlook: as of December 2023

Climate series: COP28 - Global NDCs need to re-align to limit global warming; policies on energy transition while balancing economic growth are critical

Climate series: Demand for critical minerals for clean energy to increase multi-fold; domestic production & bilateral ties to ensure consistent supply

Cross sectoral trends & outlook: India-Russia trade and financial flows

Economy: GDP growth in FY2024 likely to print at 6.5%

Hospitals: Private sector players to add ~30,000 beds at a capital outlay of at least Rs. 32,500 crore over the next five years

Pharma: US Generics Market - Healthy revenue growth for Indian pharma companies in FY2024; regulatory risks persist

Poultry: Earnings improved in H1 FY2024; commodity inflation could disrupt the momentum in H2 FY2024

Real estate – Commercial: Occupancy levels in MMR are estimated to improve by 650-700 bps by March 2024 over March 2022

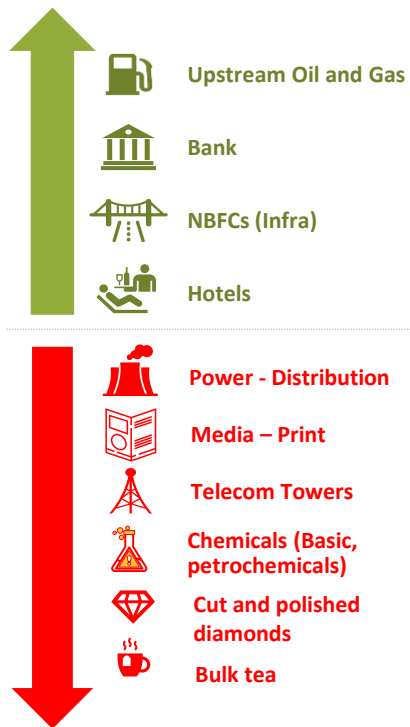
Real estate – Residential: Years-to-sell in NCR to remain comfortable, supported by healthy sales momentum and decadal low inventory

Shipping: Container freight rates firm up amid the Red Sea conflict; long-term outlook remains subdued


Structured finance: Vehicle loan securitisation to cross pre-pandemic peak to reach ~Rs. 70,000 crore in FY2024





























Sugar: Firm sugar prices to support margins of the industry players; ethanol blending ratio to fall in ESY2024

Outlook for FY2024



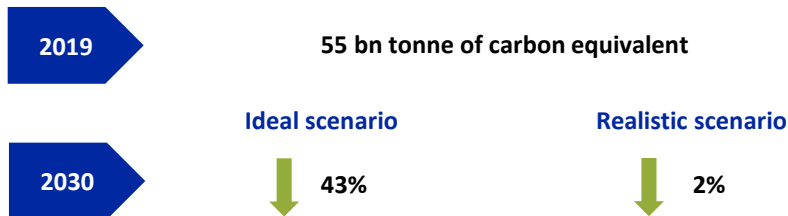
 Positive
  Negative
  Stable



 Construction & construction equipment	 Tyres	 NBFCs (retail NBFCs, HFC, MFI) and SFC
 Cement	 Renewable energy/Power transmission/thermal	 Dairy
 Ferrous metals	 Oil refining and marketing	 Retail (fashion, consumer durables and electronics)
 Non-ferrous metals	 Gas utilities	 Insurance (life and general)
 Roads & road logistics	 Media – Broadcasting and exhibitors	 Airlines and airport infra
 Real estate – residential, commercial & retail	 Ports	 IT services
 Jewellery - Retail	 Pharma	 Telecom services
 Brokerage	 Healthcare	 Chemicals (Speciality)
 Automobile and automobile dealership	 Fertilisers	
 Auto components	 Sugar	

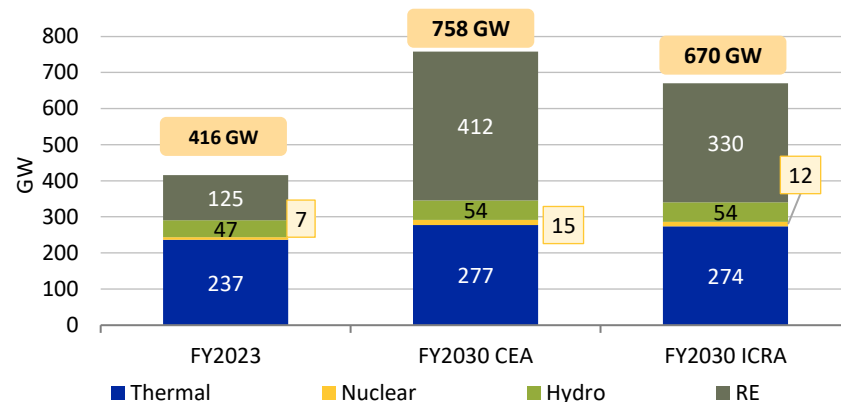
Climate series: COP28 - Global NDCs need to re-align to limit global warming; policies on energy transition while balancing economic growth are critical

Exhibit: Expected GHG emissions reduction



Source: The Emissions Gap Report 2022 by United Nations Environment Programme

Exhibit: Projected installed power generation capacity mix, as per the National Electricity Plan released by Central Electricity Authority and ICRA's estimate

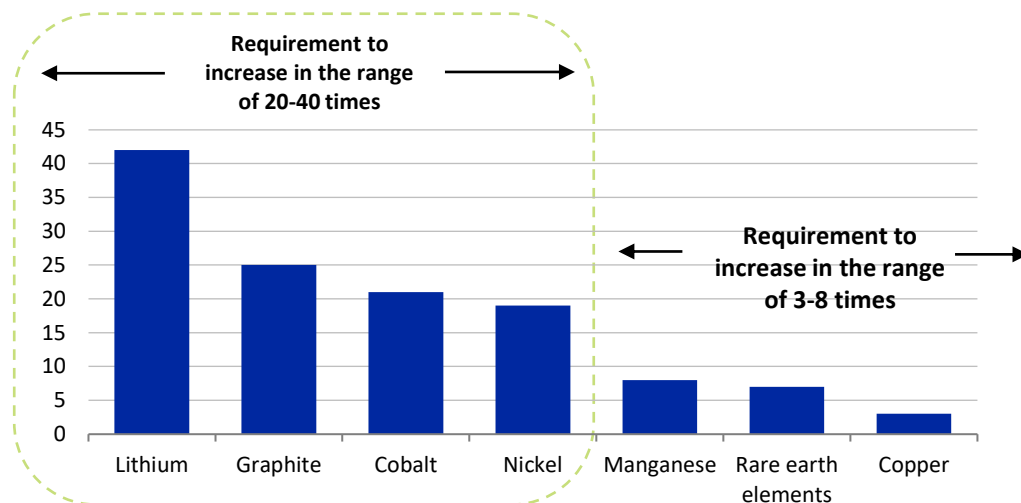


Source: ICRA Research, CEA; capacity estimate by CEA for Mar-2027 and March-2032 is as per the National Electricity Plan; capacity estimate by CEA for Mar-2030 is as per the optimal generation mix report released by CEA

- To meet the 1.5°C temperature target, NDCs of countries need to re-align in the coming years; increasing RE capacity is one of the measures suggested in COP28.
- RE capacity in India is expected to reach ~50% share of the total power installed capacity by 2030, meeting the current NDC for RE.
- However, considering the upward trajectory of GHG emissions for India and the COP28 suggestions on increasing RE capacity, policy decisions for the transition from fossil fuels while maintaining economic development will play a critical role.

Climate series: Demand for critical minerals for clean energy to increase multi-fold; domestic production & bilateral ties to ensure consistent supply

Exhibit: IEA's forecast on growth in demand for selected minerals in 2040 relative to 2020 under sustainable development scenario*



- Depending upon the evolution of climate policies, the choice of technology adopted and policy support by the Government, the requirement of minerals may differ.
- As per the IEA's analysis basis the Paris Agreement goals, the requirements for some of the minerals will go up multi-fold.

- India lacks reserves for critical minerals for clean energy and depends on imports for the same. Demand for these reserves is set to surge amid the evolution of climate policies.
- Though the Gol is taking steps to ensure a stable supply of critical minerals, a faster pace of strategic partnerships and domestic production may help meet the demand in the near future.

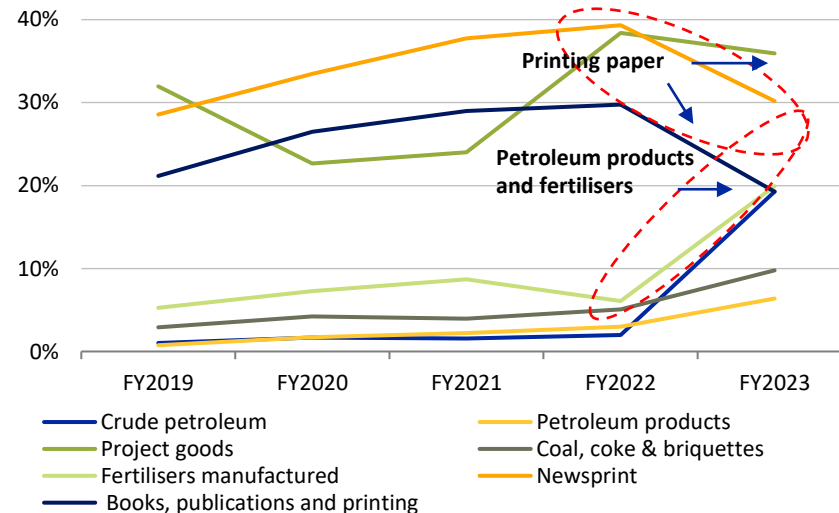
Source: IEA, ICRA Research, * Note : Sustainable development scenario is a scenario that meets the Paris Agreement goals

Exhibit: Imports from Russia, which have major share in total imports of India, for a category

Indian Imports from Russia	Russia's share in total imports	
Project goods	36%	
Newsprint	30%	Printing paper
Books, publications and printing	19%	
Fertilisers manufactured	20%	Fertilisers
Crude petroleum	19%	
Other crude minerals	13%	
Coal, coke & briquettes	10%	

Source: DGCI&S, Ministry of Commerce and Industry; ICRA Research

Exhibit: Trend of Russian imports, which are significant for India



- Russia's share in Indian trade rose in FY2023 because of the western sanctions on Russia. This was led by the import of petroleum products and fertilisers by India and electrical and electronic exports from India. However, for Russia, Indian trade is not significant, apart from the import of some agricultural and textile products.
- Russia contributes marginally to the overall pie of FDI equity inflows, FPIs and remittances to India. A few pharma and banking entities from India are present in Russia, which may be impacted by the ongoing war-like situation. However, the Russian share of revenue is not significant for these entities

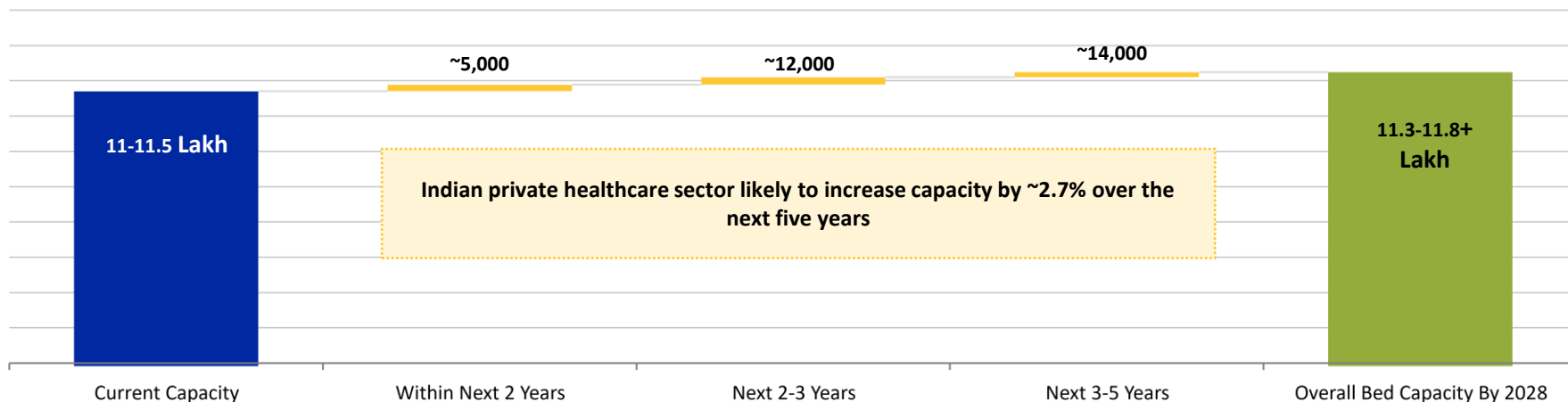
Economy: GDP growth in FY2024 likely to print at 6.5%

ICRA's Macroeconomic Projections	FY2023	FY2024
GDP Growth (at 2011-12 prices)	7.2%	6.5%
GDP Growth (at current prices)	16.1%	8.5-9.0%
CPI Inflation (average)	6.7%	5.4%
WPI Inflation (average)	9.4%	-0.3%
Current Account Deficit (CAD)	Deficit of \$67.0 billion; 2.0% of GDP	Deficit of \$52-55 billion; 1.5% of GDP
INR	USD/INR pair to trade in the range of 83.0-83.5/\$ over the next two months	
G-sec Yields	10-year yield to be in the range of 7.15-7.30% in the remainder of FY2024	
Gol's Fiscal Deficit	Rs. 17.3 trillion (6.4% of GDP)	Rs. 17.9 trillion or 6.0% of GDP (slightly higher than BE of 5.9% of GDP)
Policy Repo Rate	Earliest rate cut foreseen in Q2 FY2025, amid shallow rate cut cycle of 50-75 bps	

- Growth momentum was strong in Q3 FY2024, amid festive-led increase in demand and movement of goods.
- Sustained deflation in commodity prices likely to favour industrial margins, and hence the GDP growth in Q3.
- ICRA projects FY2024 GDP growth at 6.5%, with a slower 5.0-5.5% growth in H2 amid concerns over rural economy, discretionary consumption post regulatory tightening and a slowdown in capex before the General Elections.

Hospitals: Private sector players to add ~30,000 beds at a capital outlay of at least Rs. 32,500 crore over the next five years

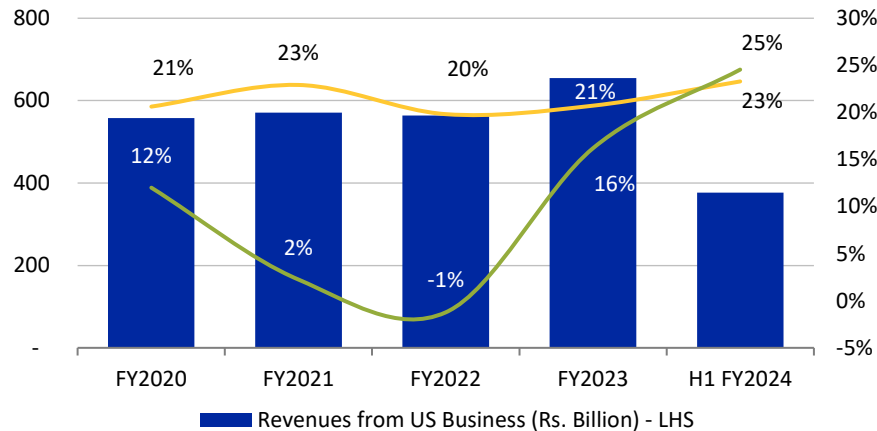
Exhibit: Trend in expected bed addition over the next five years by private hospitals



- Current bed capacity for the private sector is expected to be in the range of 11-11.5 lakh. With an expected capacity addition of 30,000+ beds (as per current plans announced) over FY2024 to FY2028, ICRA expects the bed capacity to increase to 11.3-11.8 lakh over the next five years, i.e. ~2.7% capacity addition.

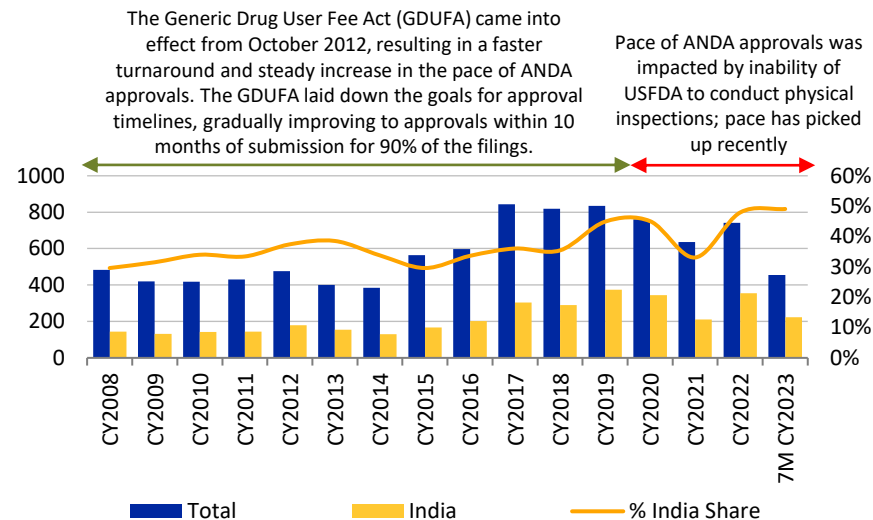
Pharma: US Generics Market - Healthy revenue growth for Indian pharma companies in FY2024; regulatory risks persist

Exhibit: Annual trend in revenues from US market for select companies (in Rs. billion)



Source: Company data, ICRA Research; Note: ^Cumulated for 13 companies; *aggregate OPM refers to OPM of sample set and not specifically for the US business

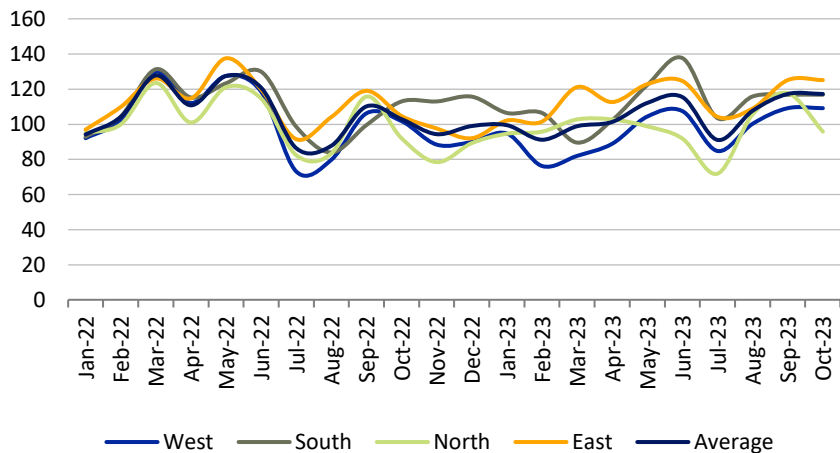
Exhibit: Trend in ANDA approvals and Indian companies' share



- Despite higher growth in H1 FY2024, ICRA expects the sample set's revenue from the US market to rise by 11-13% in FY2024 due to a high base of H2 FY2023.
- The growth is backed by product launches, reduced pricing pressures in addition to faster abbreviated new drug application (ANDA) approvals and some product shortages.
- However, the impact of increased regulatory risks on the future earnings of the sample set of companies remains a key monitorable.

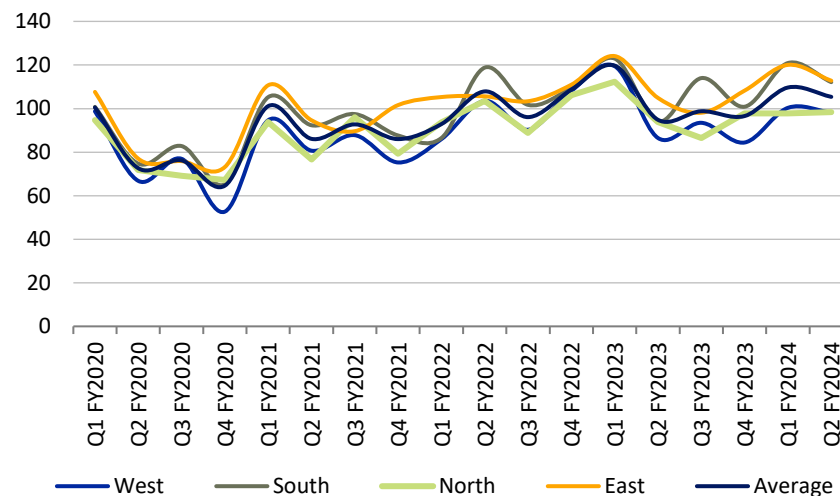
Poultry: Earnings improved in H1 FY2024; commodity inflation could disrupt the momentum in H2 FY2024

Exhibit: Monthly broiler price movement in various regions (In Rs/kg)



Source: Poultrybazaar, industry data; Note: Indicative average farm gate broiler per kg

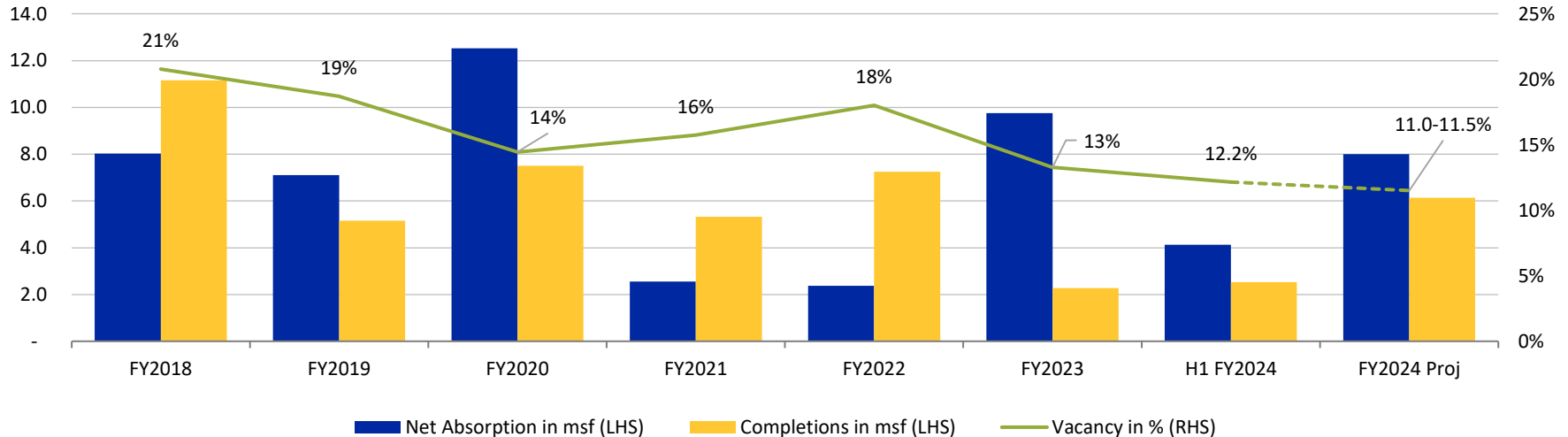
Exhibit: Quarterly broiler price movement in various regions (In Rs/kg)



- Broiler meat realisations improved in H1 FY2024 on the back of healthy demand and controlled supply. ICRA expects the improvement to sustain with the ongoing festive and wedding season demand.
- Feed costs moderated in H1 FY2024. However, with a decline in kharif output of soyabean and maize, and a lag in rabi sowing for the latter, grain prices may rise again and could exert pressure on poultry companies' margins in H2 FY2024.

Real estate – Commercial: Occupancy levels in MMR are estimated to improve by 650-700 bps by March 2024 over March 2022

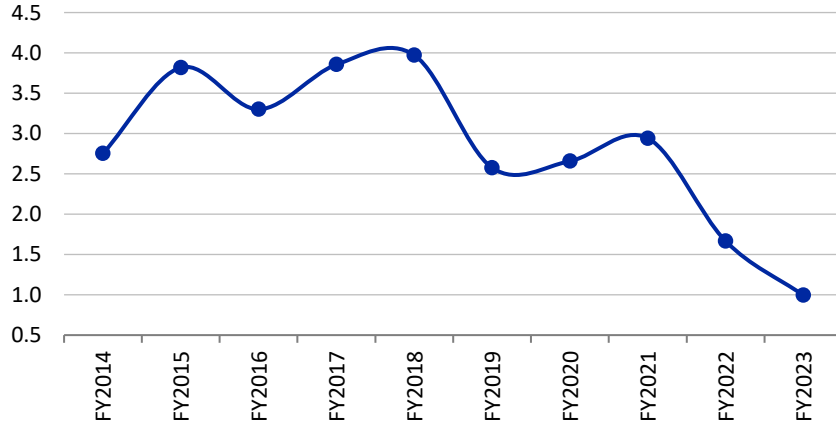
Exhibit: Trends in incremental supply, absorption and vacancy for MMR



- MMR is expected to witness supply of ~6.0 msf in FY2024. Vacancy levels are expected to improve to 11.0-11.5% in FY2024 (18% in FY2022) as the net absorption outpaces supply addition.
- Vacancy levels are likely to trail the aggregate vacancy levels of the top six cities at ~15.5%.

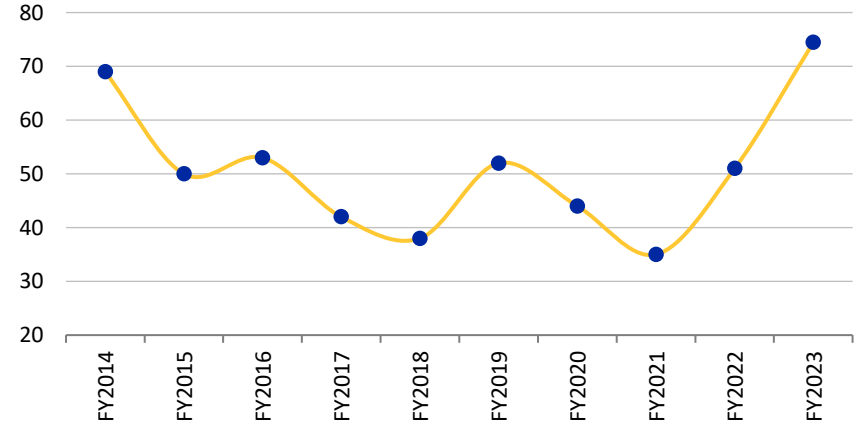
Real estate – Residential: Years-to-sell in NCR to remain comfortable, supported by healthy sales momentum and decadal low inventory

Exhibit: Trend in years to sell (YTS) for NCR



Source: Propequity and ICRA Research; YTS= Unsold Inventory/ Area sold in last four quarters

Exhibit: Trend in yearly sales in NCR (msf)

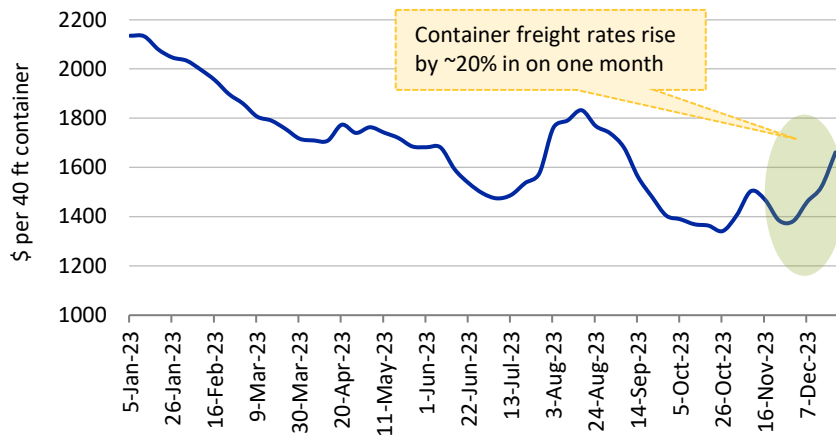


Source: Propequity and ICRA Research

- In the National Capital Region (NCR), the years-to-sell (YTS) is likely to remain comfortable at below 1 year as of March 2024.
- This is supported by healthy sales momentum and decadal low levels of unsold inventory on account of calibrated launches.

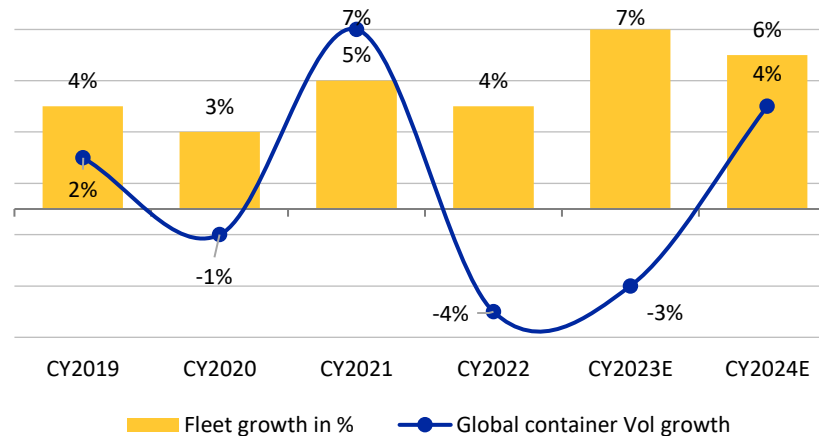
Shipping: Container freight rates firm up amid the Red Sea conflict; long-term outlook remains subdued

Exhibit: Container freight rates spike



Source: Bloomberg, ICRA Research

Exhibit: Strong fleet growth expected over CY2023-2024

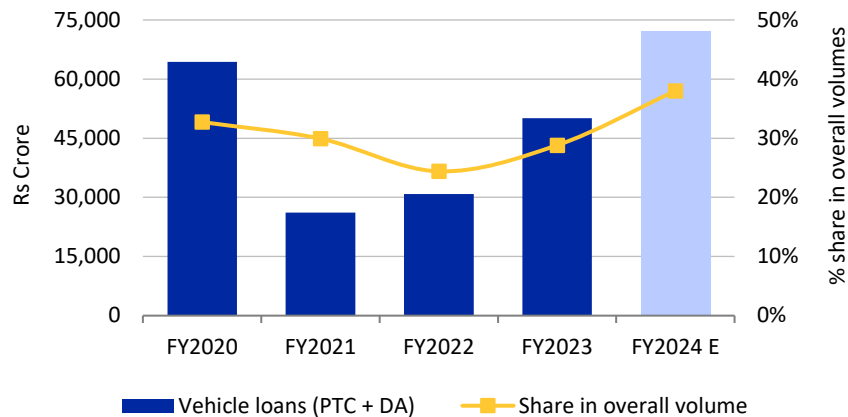


Source: Industry, ICRA Research

- Container freight rates have firmed up, given the conflict in the Red Sea, forcing ships to take longer routes along with moderating vessel availability.
- The medium-to-long-term outlook for freight rates remains weak, given the slated capacity addition to the extent of 20% of the current shipping fleet in CY2023 and CY2024, even as growth in freight volumes is likely to remain subdued.

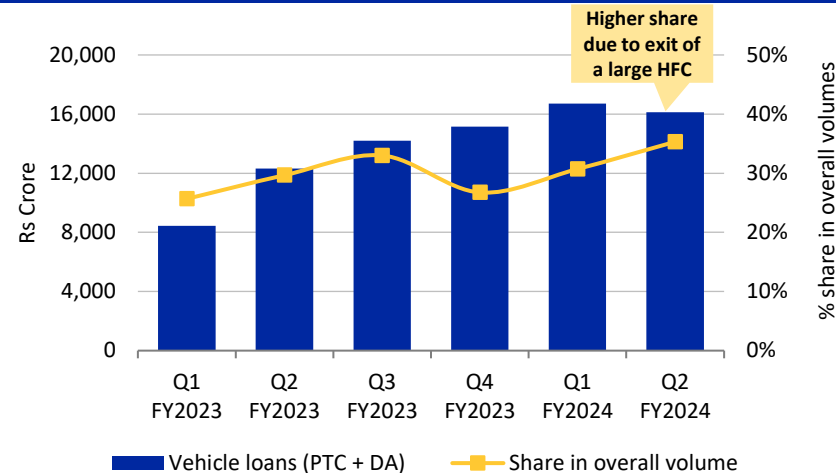
Structured finance: Vehicle loan securitisation to cross pre-pandemic peak to reach ~Rs. 70,000 crore in FY2024

Exhibit: Volume of vehicle loan securitisation and its share in overall market



Source: ICRA Research; amount in Rs. crore; share as percentage of retail loans

Exhibit: Trend of vehicle loan securitisation for last six quarters



Source: ICRA Research; amount in Rs. crore; share as percentage of retail loans

- Securitisation volumes for vehicle loans picked up significantly to ~Rs. 50,000 crore in FY2023 from ~Rs. 31,000 crore in FY2022. ICRA expects vehicle loan securitisation to cross the pre-pandemic peak levels to reach ~Rs. 70,000 crore in FY2024.
- ICRA-rated pools have shown healthy asset quality with no downgrades, post Q1 FY2021. After March 2022, the PTC yields have moved up with the rise in the repo rate.

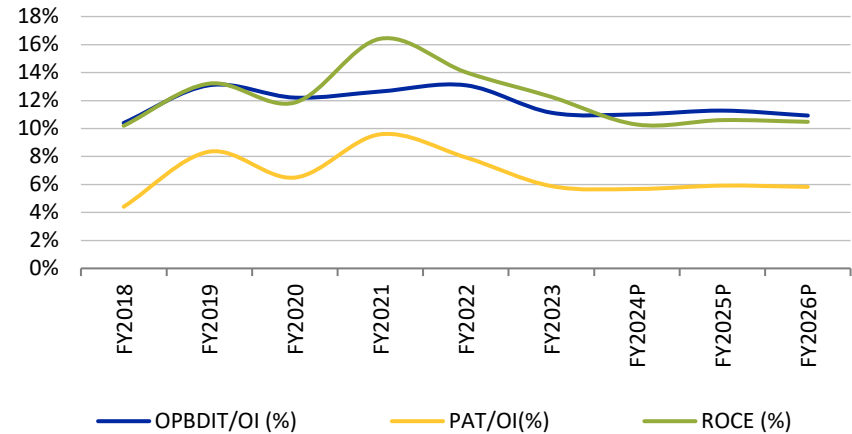
Sugar: Firm sugar prices to support margins of the industry players; ethanol blending ratio to fall in ESY2024

Exhibit: Yearly sector-wise ethanol supply quantity against the planned quantity

ESY	Planned Quantity (in crore liters)			Blending (in %)	Supply Quantity (in crore liters)		
	Grain	Sugar	Total		Grain	Sugar	Total
2020	16	157	173	5.0	16	157	173
2021	51	320	371	8.1	40	255	295
2022	83	377	460	10.0	68	340	408
2023	176	394	570	12.1	137	369	506

Source: ISMA

Exhibit: Trend in industry profit margins



Source: ICRA Research

- Considering the ethanol diversion of 1.7 million MT for ESY2024, ethanol from sugar-based feedstock (B-heavy ethanol and juice-based ethanol) is expected to be around 155 crore litres. Further, the Government has still not lifted the ban on the supply of FCI rice for ethanol production, which may impact the supply quantity from grain-based distillery to an extent. Therefore, the ethanol blending rate for ESY2024 is expected to drop to 9.5-10% from 12% in ESY2023.
- The operating margin for the sample set is likely to remain in the range of 10.5-11% in FY2024 (similar to FY2023 levels with some variation of 50 basis points), supported by improved sugar realisation, factoring in higher cane prices in SY2024.



Click to Provide Feedback



ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, Head – Research and Outreach	aditin@icraindia.com	0124 - 4545 385
Madhura Nejjur	Assistant Vice-President	madhura.nejjur@icraindia.com	022 - 6114 3417





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

Thank You!