INDIAN ECONOMY

GDP and GVA growth may be capped at 7.0% in H2 FY2019, printing at levels similar to the performance in Q2 FY2019

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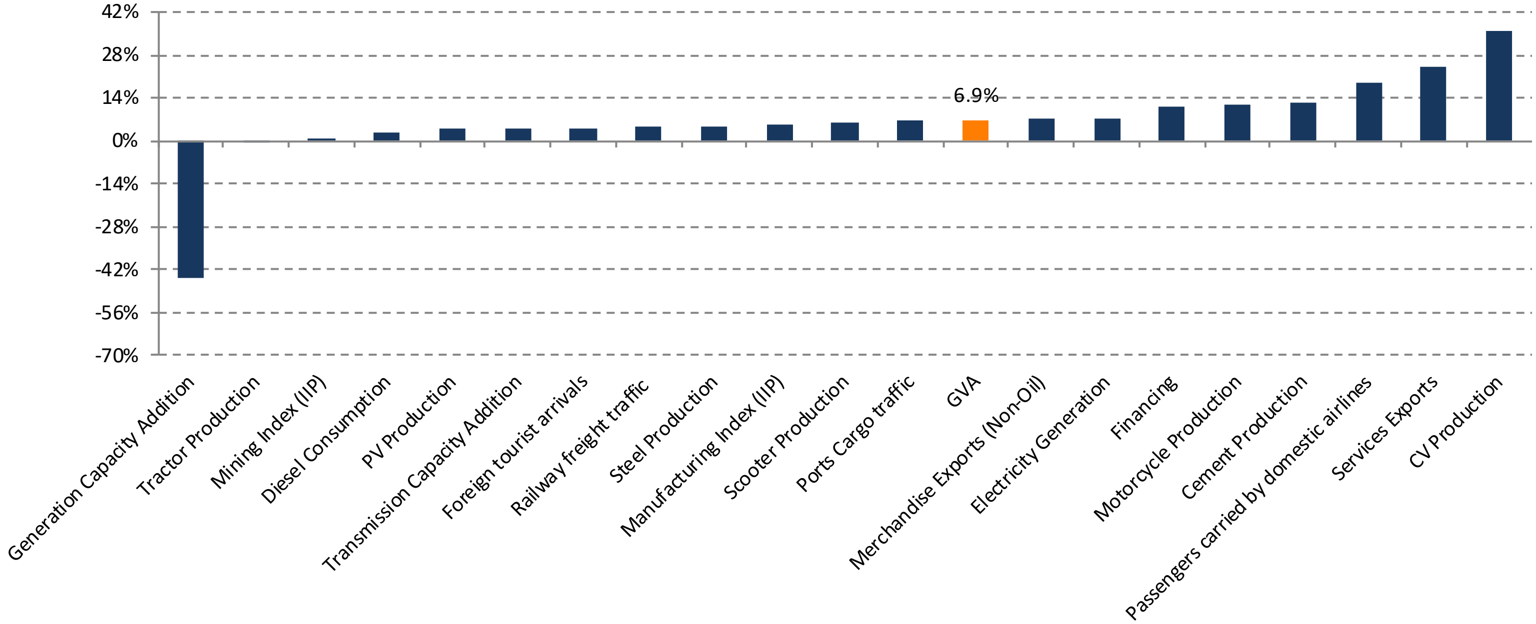
Both GDP and GVA growth may be capped at 7.0% in H2 FY2019, printing at levels similar to Q2 FY2019, despite the benefit related to the recent correction in crude oil prices on corporate margins and consumer sentiment (vide lower retail fuel prices). Moreover, the delays in rabi sowing and the depreciation of the INR on a year-on-year (YoY) basis pose risks to the growth outlook. Additionally, the curtailment on fresh lending by many non-banking financial companies (NBFCs, including housing finance companies or HFCs) and hence credit supply constraints to certain borrower segments, may impact demand. Based on such factors, we continue to expect GDP and GVA to grow by 7.2% and 7.1%, respectively, in FY2019.

Exhibit 1: Sectoral growth trends were clustered below the GVA growth in Q2 FY2019



Source: Central Statistics Office (CSO), Centre for Monitoring Indian Economy (CMIE), Society of Indian Automobile Manufacturers (SIAM), Ministry of Commerce and Industry, Government of India (GoI), Office of the Economic Adviser, Reserve Bank of India (RBI), Ports Authority of India, Indian Railways, Central Electricity Authority (CEA), Ministry of Tourism; ICRA Research, Securities and Exchange Board of India (SEBI)

As expected, GDP and GVA growth posted a slowdown to 7.1% and 6.9%, respectively, in Q2 FY2019 from 8.2% and 8.0%, respectively, in Q1 FY2019. Moreover, the pace of growth was uneven across the various sectors. Commercial vehicle (CV) and motorcycle production, services exports, passengers carried by domestic airlines, cement production, non-oil merchandise exports, financing and electricity generation had displayed a healthy performance in Q2 FY2019. In contrast, capacity addition in power generation and transmission, tractor and passenger vehicles (PV) output, mining, diesel consumption, foreign tourist arrivals, steel production, railway freight and ports cargo traffic recorded a subdued performance in that quarter.

The deficit in post-monsoon rainfall, lagging rabi sowing and disinflation in food prices pose concerns for the outlook for rural sentiment, notwithstanding the recent announcements of crop loan waivers by some state governments, and reservoir storage that is largely tracking year-ago levels. ICRA expects agriculture, forestry and fishing to grow by 3-3.4% in FY2019, lower than the 4.6% rise in H1 FY2019.

The curtailment on fresh lending by many NBFCs (including HFCs) and hence credit supply constraints to certain borrower segments, may impinge upon demand in H2 FY2019. However, the staggered pay revision by various state governments, the recent GST rate cuts and a correction in retail fuel prices would support urban consumption demand. This, as well as the benefits of the implementation of the GST, are expected to support volume growth going forward, which would boost capacity utilisation for the organised sector, and set the stage for a broadening of the investment recovery. Completion of the resolution process of cases admitted to the NCLT would improve utilisation of existing capacity and promote consolidation in some sectors. Manufacturing GVA growth should benefit from a pickup in volumes in FY2019. While the recent correction in crude oil prices should help to ease the pressure on margins in H2 FY2019, the YoY rise in interest rates and depreciation of the INR may continue to weigh upon margins in some sectors. Overall, ICRA expects the manufacturing GVA growth to improve to 9.2% in FY2019 from 5.7% in FY2018.

Global economic growth is expected to remain stable in the current year. The correction in the INR on an REER basis is likely to modestly improve the volume growth of Indian exports in certain sectors, although concerns regarding trade wars prevail. ICRA expects non-oil merchandise exports to rise by ~7-8% in FY2019, similar to the ~8% growth recorded in April-November 2018.

The outlook for mining and quarrying GVA growth would take a cue from commodity prices, as well as volume growth in key sectors such as coal, crude oil, natural gas and iron ore. Following the subdued performance in H1 FY2019, ICRA expects mining and quarrying GVA growth to ease to around 2.0% in FY2019 from 2.9% in FY2018. ICRA expects electricity demand to grow by about 6% in FY2019, given the strong focus of the GoI on improving household electrification and the expected increase in demand from industrial segment. This in turn would boost the thermal PLF level from 60.7% in FY2018 to around 63-64% by FY2020 on an all-India basis, although it would remain subdued. The pace of growth of total generation capacity addition is expected to ease to ~4.5-5% in FY2019 from 6.5% in FY2018, owing to an expected slowdown in solar-based capacity addition due to the relatively subdued bidding in CY2017 and the uncertainty over duty on imported PV modules till July-2018.

The introduction of the RER(A)D Act and the GST is likely to support a gradual improvement in the sentiments towards real estate sector. However, following the recent stress in the NBFC sector, a slowdown in disbursements to developers and retail borrowers, and rising interest rates have emerged as an evolving risk to the outlook for real estate. Based on the healthy trends in H1 FY2019, ICRA expects the construction GVA growth to improve to around 7.4% in FY2019 from 5.7% in FY2018.

The recent stress in the NBFC sector, as well as elevated bond yields, has led to a shift in demand to bank credit, which recorded a YoY expansion of 15.1% as on December 7, 2018. The decision of the Government of India (GoI) to raise the capital infusion into public sector banks (PSBs), coupled with the Central Bank's decision to defer the scheduled increase in capital conservation buffer for FY2019 by one year, will be positive for credit growth from the banking sector. Excess SLR holdings of the PSBs coupled with increased open market operations by the Central Bank, is also expected to improve the ability of the banks to support credit growth without significant further hardening of deposit rates and hence lending rates, in the near future. Private banks continue to pursue strong credit growth, though they are constrained by their ability to attract incremental deposits, as the deposit franchise of the PSBs largely remains intact. With continued risk aversion in corporate sector lending by PSBs, the credit flow is expected to remain focused towards retail and MSME sector, which in-turn will determine the business sentiment and economic growth in FY2019.

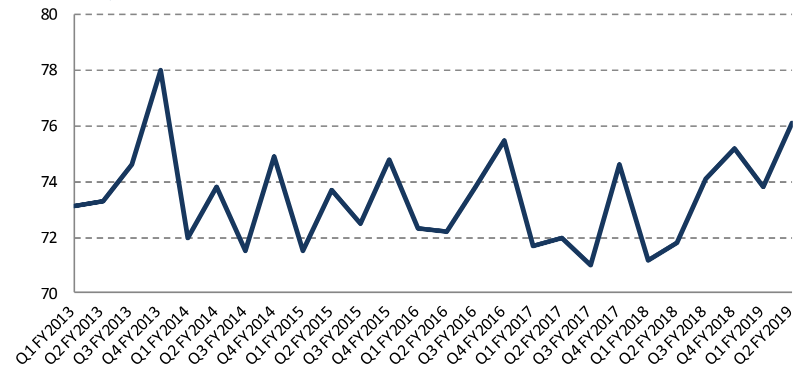
The fiscal space for spending by the in the remainder of FY2019 is contingent on several revenue and expenditure risks, such as the likelihood of meeting the targets for the GST, dividends and profits, and disinvestment, and the adequacy of outlays for revised MSPs, the National Health Protection Scheme, fuel and other subsidies. Additionally, a trend of expenditure announcements from various state governments over the recent months may result in a fiscal slippage, unless revenues exceed the targeted level or there is a cutback in budgeted expenditure. Overall, there could be some curtailment of capital spending to offset higher-than-budgeted revenue expenditure, which would support consumption growth at the cost of infrastructure spending in FY2019.

Notwithstanding the benefit related to the recent correction in crude oil prices on corporate margins and consumer sentiment (vide lower retail fuel prices), both GDP and GVA growth may be capped at 7.0% in H2 FY2019, printing at levels similar to Q2 FY2019, in our view. Moreover, the delays in rabi sowing and the depreciation of the INR on a YoY basis pose risks. Additionally, the curtailment on fresh lending by many NBFCs (including HFCs) and hence credit supply constraints to certain borrower segments, may impact demand. Overall, we continue to expect GDP and GVA to grow by 7.2% and 7.1%, respectively, in FY2019.

UPDATE ON PROJECT ACTIVITY

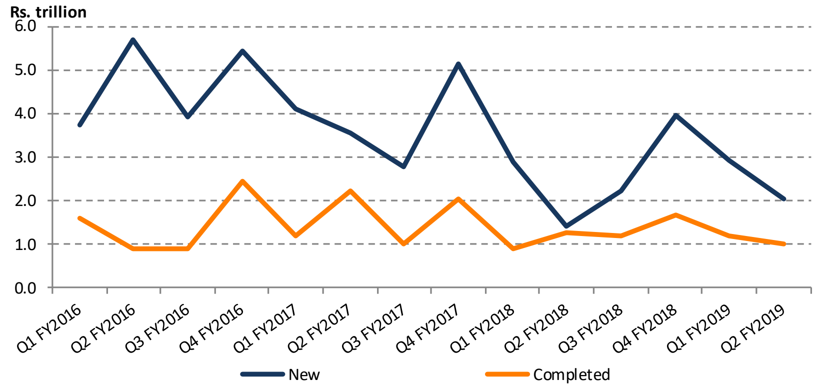
- **Capacity utilisation posted a sharp increase to a 22-quarter high 76.1% in Q2 FY2019 from 73.8% in Q1 FY2019 (Source: Order Books, Inventories and Capacity Utilisation Survey conducted by the RBI), and printed considerably higher than the level of 71.8% in Q2 FY2018.**
    - **Moderately healthy consumption demand, as well as the benefits of the implementation of the GST, are expected to support volume growth going forward, which would boost capacity utilisation for the organised sector and set the stage for a broadening of the investment recovery.**
    - **Completion of resolution process of cases admitted to NCLT would improve utilisation of existing capacity and promote consolidation in some sectors.**
- **Gross fixed capital formation (GFCF) growth doubled to 12.5% in Q2 FY2019 from 6.1% in Q2 FY2018, in line with the turnaround in state governments' capital spending and some improvement in the growth of capital goods output.**
- **Moreover, revised data on project announcement indicates a steep 45.7% expansion to Rs. 2.1 trillion in Q2 FY2019 from Rs. 1.4 trillion in Q2 FY2018.**
    - **New project announcements in Q2 FY2019 were concentrated in transport services and metal and metal products.**
- **The value of revived projects rose to Rs. 0.5 trillion in Q2 FY2019 from Rs. 0.3 trillion, each in Q2 FY2018 and Q1 FY2019.**
- **Moreover, available data indicates that the value of projects that stalled during Q2 FY2019 declined to Rs. 0.5 trillion in Q2 FY2019 from Rs. 0.7 trillion in Q2 FY2018, while remaining higher than the value of Rs. 0.3 trillion in Q1 FY2019.**
- **Encouragingly, the value of revived projects outpaced the value of stalled projects after a gap of seven quarters.**
- **In contrast, the value of project completion eased to Rs. 1.0 trillion in Q2 FY2019 from Rs. 1.3 trillion in Q2 FY2018 and Rs. 1.2 trillion in Q1 FY2019. The YoY decline in the value of completed projects was led by the private sector (to Rs. 0.4 trillion in Q2 FY2019 from Rs. 0.6 trillion in Q2 FY2018).**

Exhibit 2: Capacity utilisation rose to 22-quarter high 76.1% in Q2 FY2019 from 71.8% in Q2 FY2018



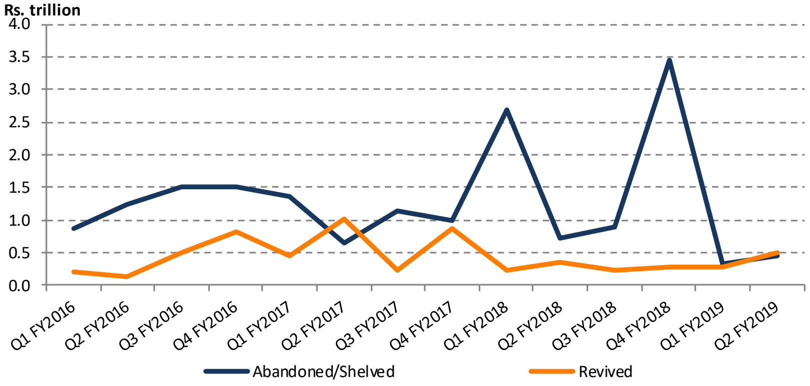
Source: RBI; ICRA research

Exhibit 3: YoY rise in the value of new projects announced, even as the value of completed projects declined in Q2 FY2019 relative to Q2 FY2018



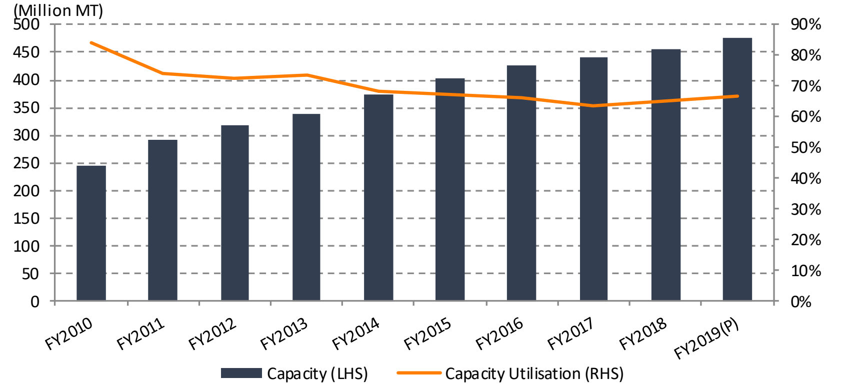
Source: CMIE, www.economicoutlook.cmie.com, December 21, 2018

Exhibit 4: YoY decline in stalled projects in Q2 FY2019 was coupled with a YoY pickup in revived projects; encouragingly, value of revived projects outpaced the value of stalled projects after a gap of seven quarters in Q2 FY2019



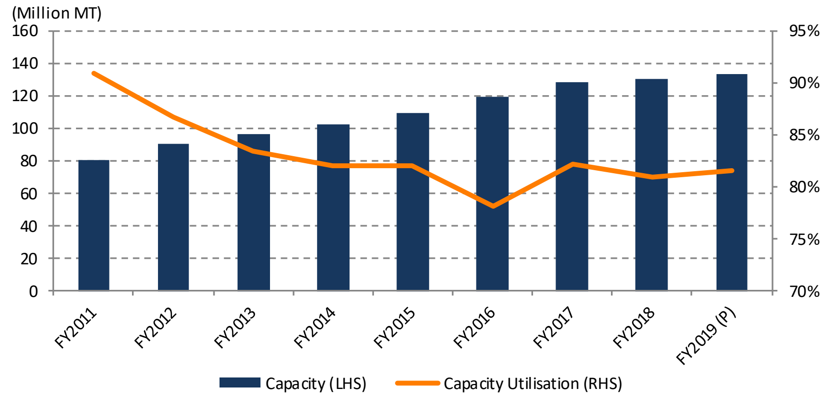
Source: CMIE, www.economicoutlook.cmie.com, December 21, 2018

Exhibit 5: Cement capacity utilisation is projected to rise modestly in FY2019, while remaining below 70%, given the continued capacity overhang and moderate demand growth



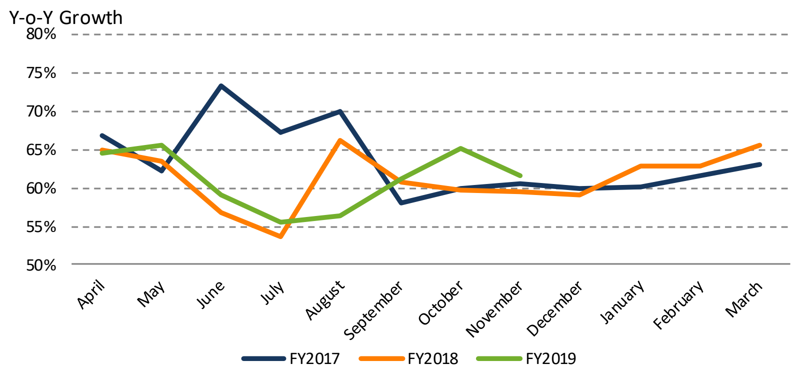
P: Projected
Source: Company Announcements and Media Releases, Company Annual Reports, Cement Manufacturers Association, Office of Economic Advisor, ICRA estimates

Exhibit 6: Steel capacity utilisation is projected to improve further to around 82% in FY2019, buoyed by healthy domestic consumption; however, threat from steel imports, particularly, from free-trade countries like Japan and South Korea may weigh upon capacity utilisation



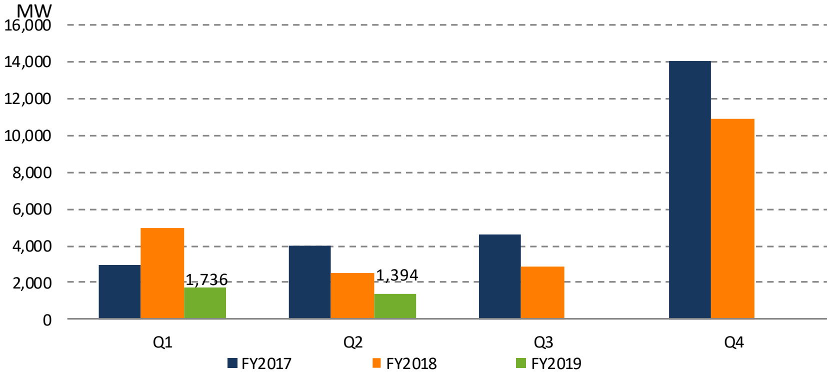
P: Projected
Source: Ministry of Steel; JPC; ICRA estimates

Exhibit 7: After easing to 55.4% in July 2018, the plant load factor for thermal power plants rose to 65.2% in October 2018, before dipping to 61.6% in November 2018



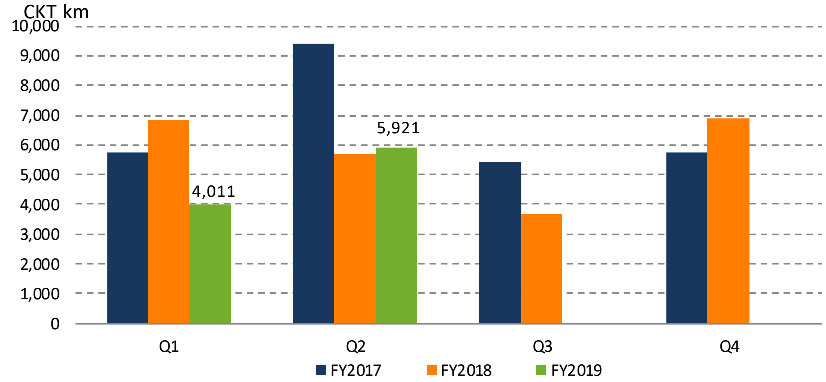
Source: CEA; ICRA research

Exhibit 8: Power generation capacity addition (including renewables) declined to 1,394 MW in Q2 FY2019 from 2,515 MW in Q2 FY2018; with improved tariff competitiveness and strong policy thrust, renewable energy segment would remain major driver of capacity addition in medium term



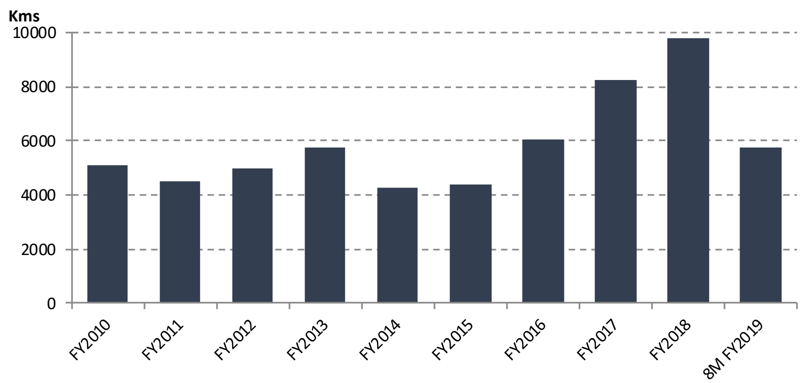
Source: CEA; ICRA research

Exhibit 9: However, power transmission capacity addition rose to 5,921 MW in Q2 FY2019 from 5,696 MW in Q2 FY2018 and 4,011 MW in Q1 FY2019 MW; nevertheless, on a YTD basis, power transmission capacity addition declined to 9,932MW in H1 FY2019 from 12,551 MW in H1 FY2018



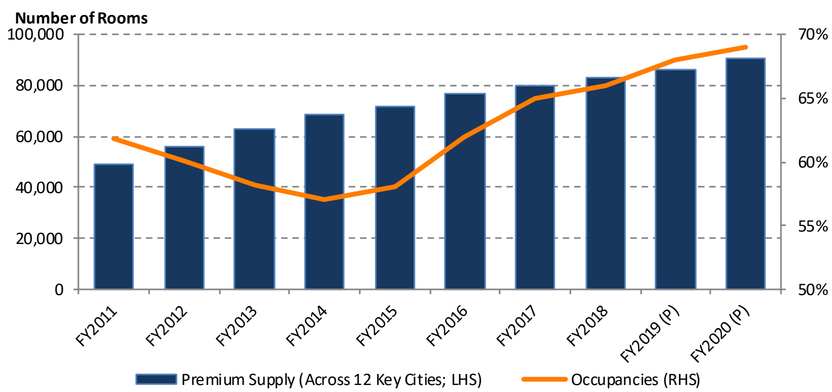
Source: CEA; ICRA research

Exhibit 10: Road execution under the Ministry of Road Transport and Highways (MoRTH) stood at 5,759 kms in April-November 2018; notwithstanding this healthy pace of execution, ICRA believes that the GoI's FY2019 target of 17,000 km would be missed



Source: ICRA research

Exhibit 11: Muted active supply pipeline amidst robust demand is expected to aid in healthy occupancy levels in hotels



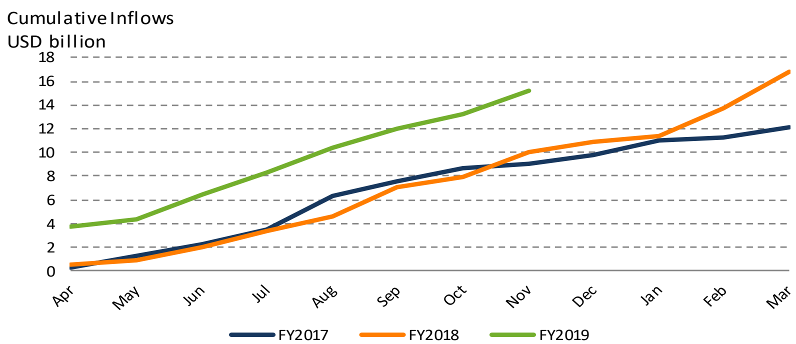
P: Projected

Source: ICRA research

UPDATE ON FINANCING

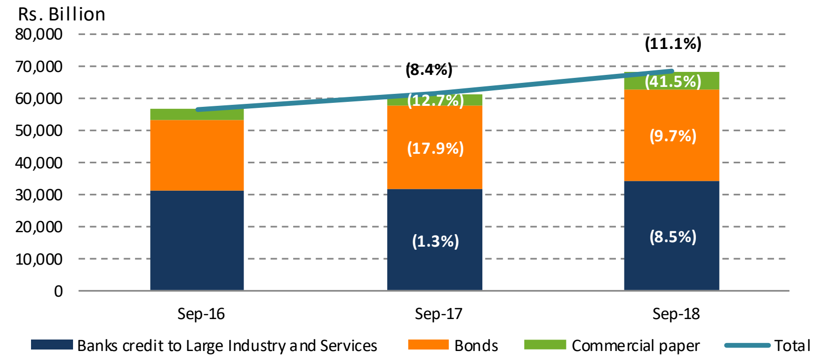
- **Growth in total financing through bank credit to large industry and services, commercial paper (CP), and bonds rose to 11.1% at end-September 2018 from 8.4% at end-September 2017, led by CP outstanding (to +41.5% from +12.7%) and bank credit to large industry and services (to +8.5% from +1.3%), even as the growth in bonds outstanding halved to 9.7% from 17.9%.**
  - ***Non-food bank credit growth rose sharply to 15.1% on Dec 7, 2018 from 9.9% on Dec 8, 2017, reflecting the shift in credit demand from the bond markets to banks, amid elevated bond yields. Moreover, deposit growth rose to 9.7% from a muted 2.7% between these two dates.***
- **Gross external commercial borrowings (ECB) volumes rose to US$20.0 billion in April-Nov 2018 from US$17.3 billion in April-Nov 2017, led by refinancing and rupee expenditure on local capital goods. Net of refinancing, ECB rose to US$15.2 billion in April-Nov 2018 from US$10.0 billion in April-Nov 2017.**
- **Rupee denominated bonds (RDB) volumes fell to US$0.2 billion in April-Nov 2018 from US$1.6 billion in April-Nov 2017, led by lower RDB availed for road and on-lending/sub-lending.**
- **Recent announcements regarding easing in ECB and RDB norms, such as allowing OMCs to raise ECBs, reducing minimum average maturity requirements in infrastructure, introducing a dynamic limit for outstanding ECBs etc., may support ECB and RDB volumes to an extent, going forward.**
- **Domestic equity fund raising fell sharply to Rs. 280.7 billion in Apr-Nov 2018 from Rs. 1,166.8 billion in Apr-Nov 2017, led by lower public issue of IPOs and qualified institutional placement (QIP).**

Exhibit 13: Net of refinancing, ECB volumes rose significantly to US$15.2 billion in April-Nov 2018 from US$10.0 billion in April-Nov 2017



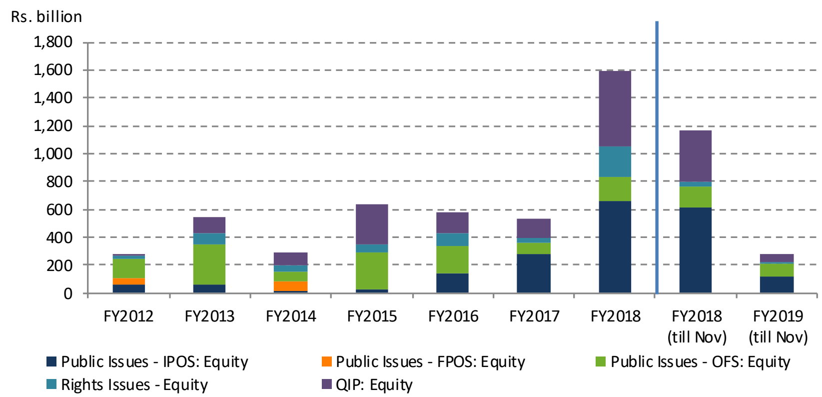
Source: RBI; ICRA research

Exhibit 12: YoY growth of bank credit to large industry and services, bonds and CP improved at end-Sep 2018 relative to end-Sep 2017



Figures in parentheses refer to YoY growth rates
Source: RBI; SEBI; ICRA research

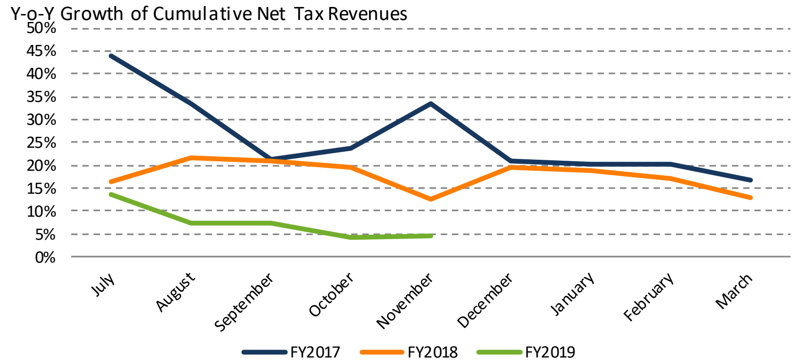
Exhibit 14: Domestic equity fund raising declined in April-Nov 2018 relative to April-Nov 2017, led by lower IPOs and QIPs



Source: Prime Database; ICRA research

UPDATE ON UNION GOVERNMENT FINANCES

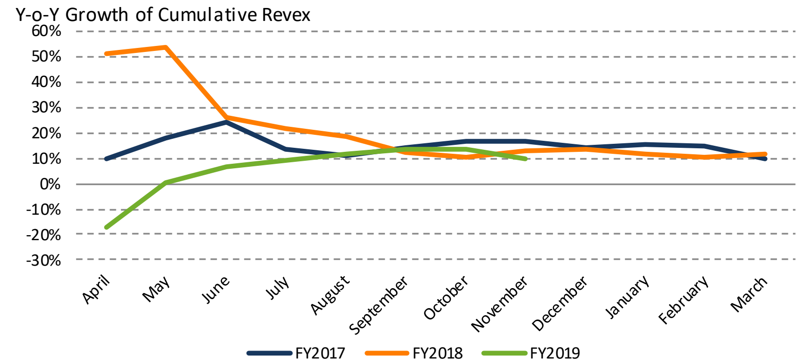
Chart 15: GoI's net tax revenue* expanded by muted 4.6% during April-November 2018, considerably lower than the budgeted growth of 19.2% for FY2019; indirect tax revenues appear likely to fall short of the budgeted amount, led by shortfalls in CGST and excise duty on fuels



**Net of Devolution to State Governments*

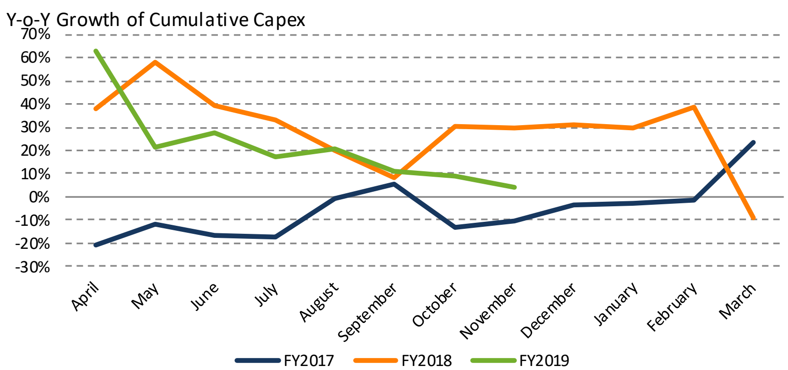
Source: Controller General of Accounts (CGA); ICRA research

Chart 16: Revenue expenditure expanded by 9.8% in April-November 2018, lower than the budgeted growth of 14.0%; with ~83% of the budget estimates (BE) for major subsidies released in April-November 2018, concerns remain on the BE being overshot



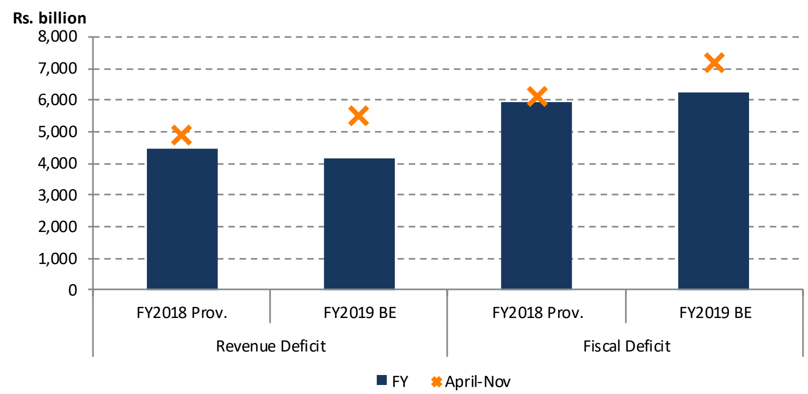
Source: CGA; ICRA research

Chart 17: YoY contraction in September-November 2018, resulted in a muted 4.0% growth of capital expenditure during the first eight months of this fiscal, sharply lower than the 13.7% growth included in FY2019 BE; given the anticipated shortfall in revenues and potential overshooting of subsidies, the GoI may have to curtail its capital spending to limit the extent of fiscal slippage in FY2019



Source: CGA; ICRA research

Chart 18: The GoI's fiscal and revenue deficits stood at 114.8% and 132.4% of the BE, respectively, in April-November 2018, reflecting the lower growth of revenue receipts (8.1%) relative to that of total expenditure (9.1%); fiscal deficit may be placed at 3.3-3.4% of GDP in the RE for FY2019 (3.3% of GDP in FY2019 BE)

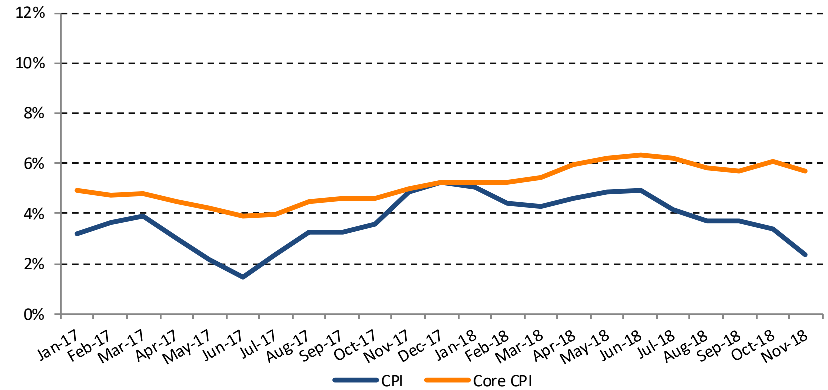


Source: CGA; ICRA research

UPDATE ON INFLATION

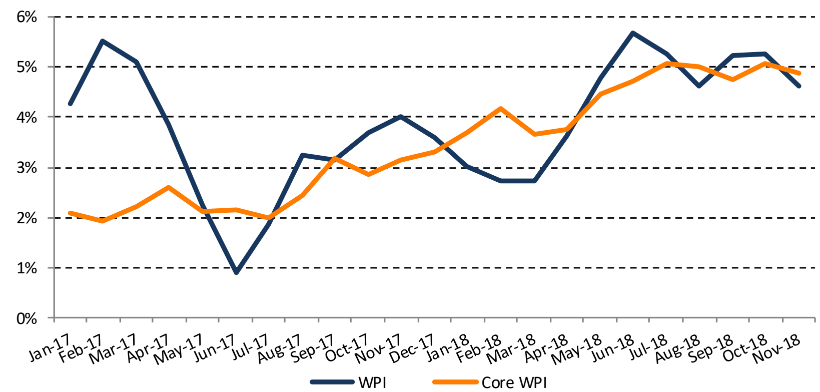
- The CPI inflation corrected to a 17-month low print of 2.3% in November 2018, remaining below the Monetary Policy Committee's (MPC's) medium term target of 4.0% for the fourth month in a row. Moreover, the core-CPI inflation dipped to 5.7% in November 2018 from 6.0% in October 2018.
- The WPI inflation also declined to 4.6% in November 2018, driven by deeper disinflation for primary food articles, as well as lower inflation for fuel and power, crude petroleum and natural gas, manufactured non-food products and manufactured food products. Moreover, the core-WPI inflation eased to 4.9% in November 2018, partly reflecting the impact of the INR appreciation during the month on the landed price of imports and a favourable base effect.
- The MPC had voted unanimously for a pause in the repo rate, while retaining the stance of calibrated tightening (by a 5 to 1 vote) in the December 2018 Policy review.
- While it is too early to assess whether a rate cut would be forthcoming in the February 2019 MPC review, there is a significant likelihood of a change in the monetary policy stance back to neutral from calibrated tightening.
- This is likely to serve as a precursor to a repo rate cut in Q1 FY2020, if inflationary risks remain in check.

Exhibit 19: CPI inflation eased to 2.3% in November 2018, while core CPI softened to 5.7%



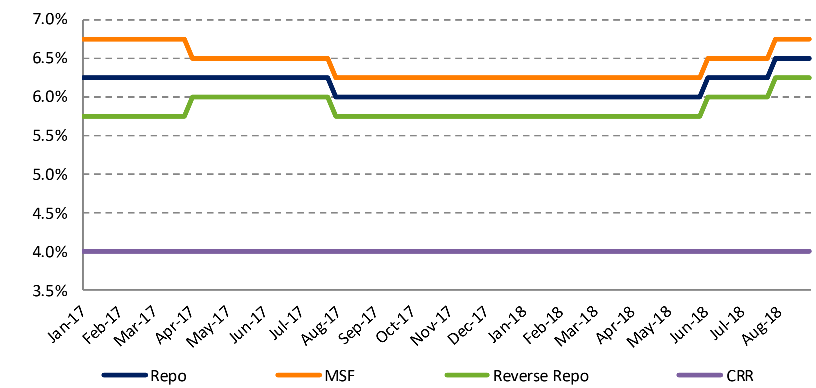
Source: CSO; ICRA research

Exhibit 20: WPI inflation declined to 4.6% in November 2018, while core WPI inflation eased to 4.9%



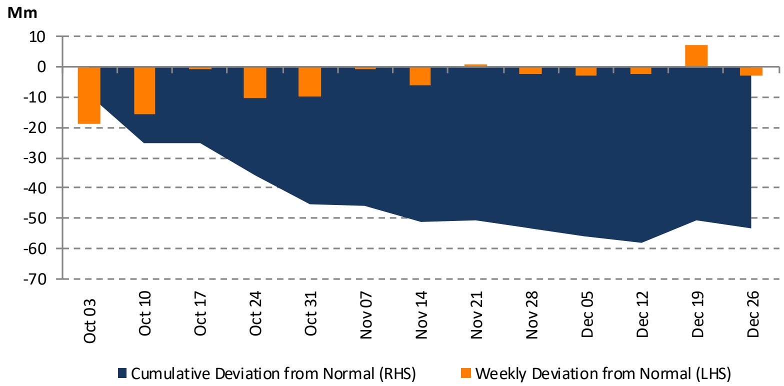
Source: Bloomberg; ICRA research

Exhibit 21: MPC voted unanimously for a pause in repo rate, while retaining the stance of calibrated tightening in December 2018



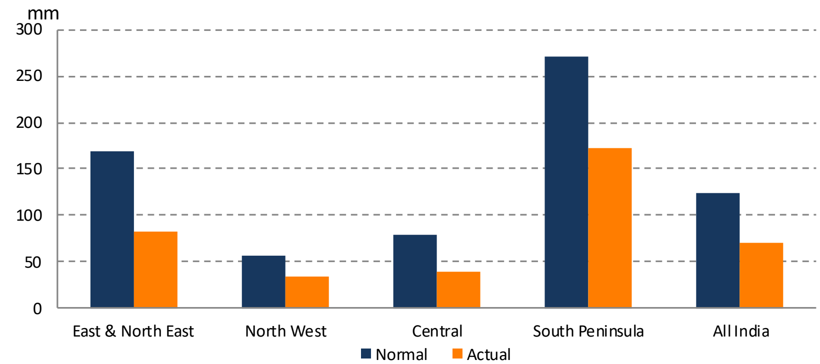
Source: RBI; ICRA research

Exhibit 22: Post-monsoon season has chartered an unfavourable trajectory, with cumulative rainfall at 43% below Long Period Average (LPA) till Dec 26, 2018



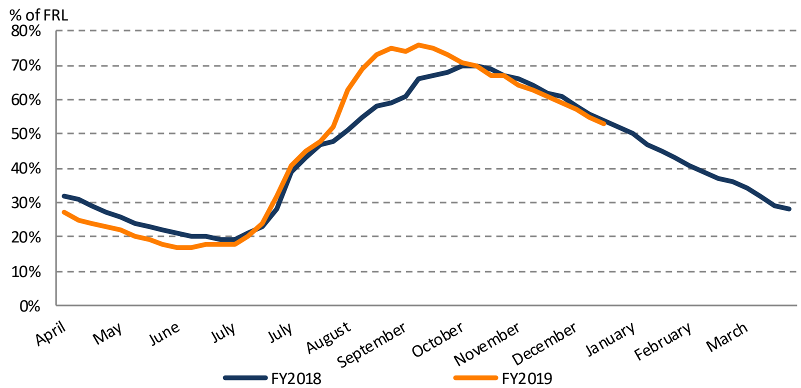
Oct-Dec: Post-monsoon season or northeast monsoon season
Source: Indian Meteorological Department (IMD); ICRA research

Exhibit 23: Spatial distribution of northeast monsoon rainfall reveals deficit in cumulative precipitation across all sub-divisions as on Dec 26, 2018



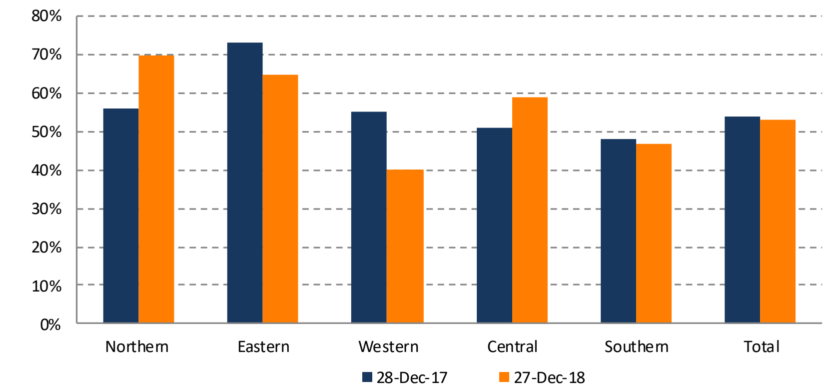
Source: IMD; ICRA research

Exhibit 24: Reservoir storage stood at 53% of Full Reservoir Level (FRL) as on Dec 27, 2018, similar to the year-ago level of 54%



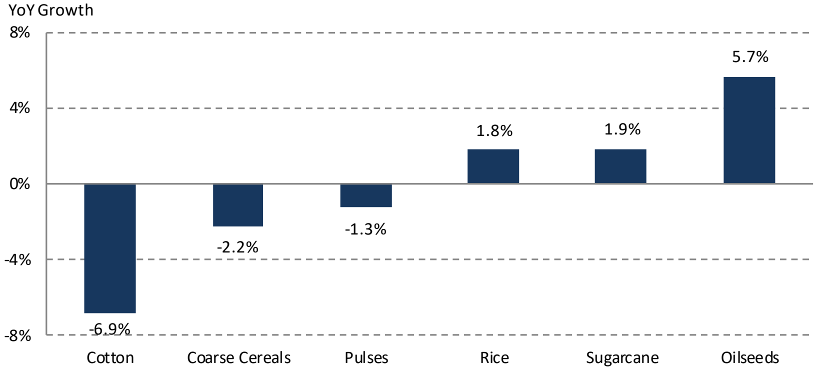
Source: Central Water Commission (CWC); ICRA research

Exhibit 25: Reservoir storage as on Dec 27, 2018 exceeded year-ago levels only for northern (710 vs. 56%), and central (59% vs. 51%) regions



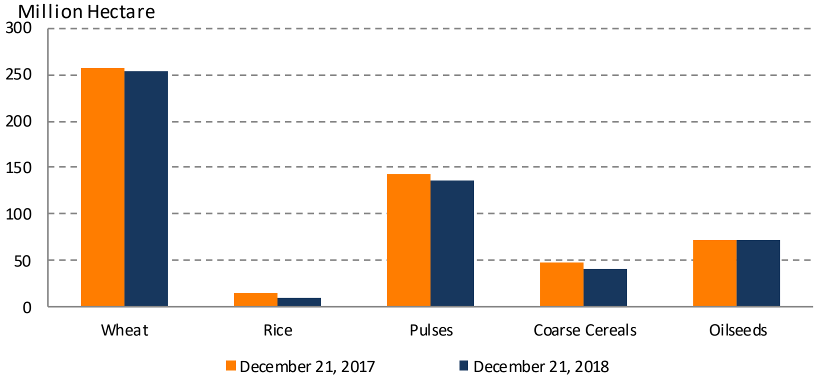
Source: CWC; ICRA research

Exhibit 26: First Advance Estimates of kharif crop production forecast a rise in output in 2018 compared to 2017 for rice, sugarcane and oilseeds, and a YoY decline for cotton, coarse cereals and pulses



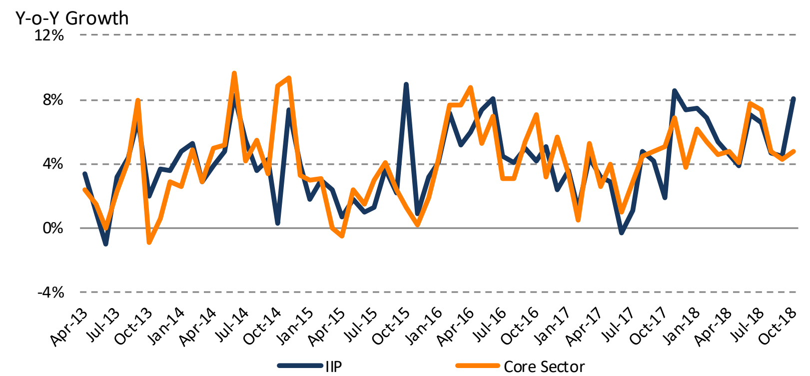
Source: Directorate of Economics and Statistics, Department of Agriculture, Cooperation and Farmers Welfare, Ministry of Agriculture, GoI; ICRA research

Exhibit 27: Subsequently, rabi sowing has recorded unfavourable trends, with the area sown under all major crops lagging year-ago levels till December 21, 2018



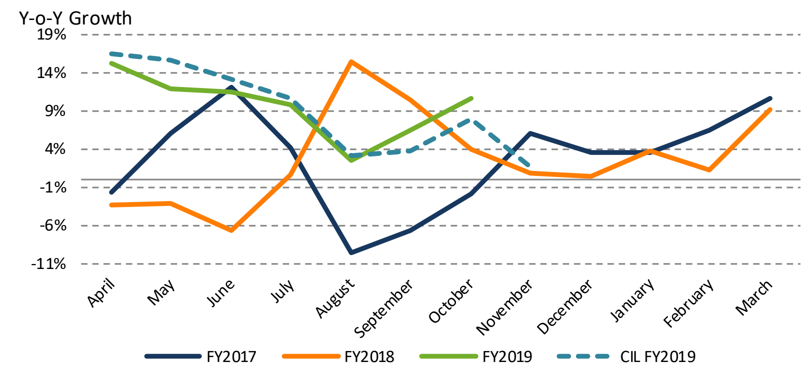
Source: Directorate of Economics and Statistics, Department of Agriculture, Cooperation and Farmers Welfare, Ministry of Agriculture, GoI; ICRA research

Exhibit 28: Pace of growth of core sector posted a mild uptick to 4.7% in Oct 2018, whereas IIP growth increased sharply to 8.1%; available data for November 2018 displays sequential deterioration in YoY growth of most early indicators



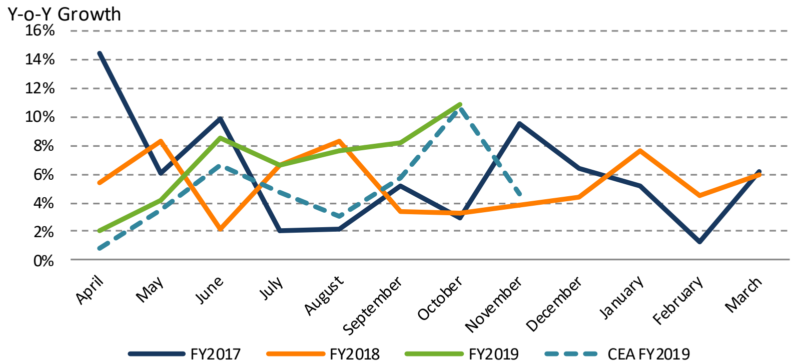
Source: CSO; Office of the Economic Adviser, GoI; ICRA research

Exhibit 29: YoY growth in coal output has remained volatile, falling from 9.7% in July 2018 to a low 2.5% in August 2018 before rebounding to 10.6% in October 2018; subsequently, growth in output of the predominant producer CIL eased to a modest 1.6% in November 2018



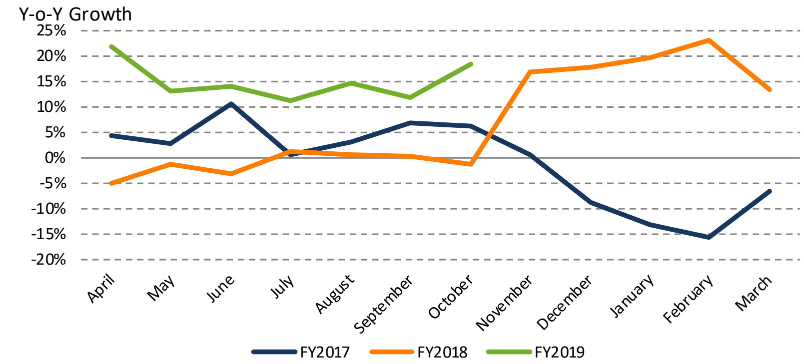
Source: Office of the Economic Adviser, GoI; CIL; ICRA research

Exhibit 30: YoY growth in electricity generation increased to 10.8% in October 2018 from 8.2% in September 2018 (Source: CSO); CEA data indicates a decline in the growth of electricity generation to 4.6% in November 2018 from 10.6% in October 2018, reflecting the trend for thermal electricity generation



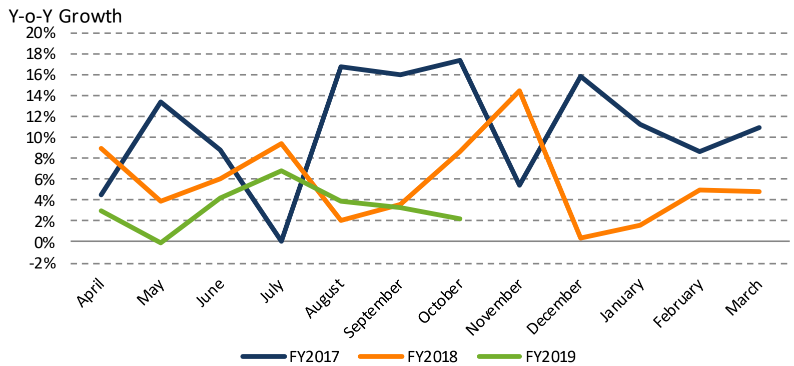
Source: CSO; CEA; ICRA research

Exhibit 31: Cement output growth rose rapidly to 18.5% in October 2018 from 11.8% in September 2018; double-digit growth in cement output is unlikely sustain in Q4 FY2019, given the impending waning of the favourable base effect



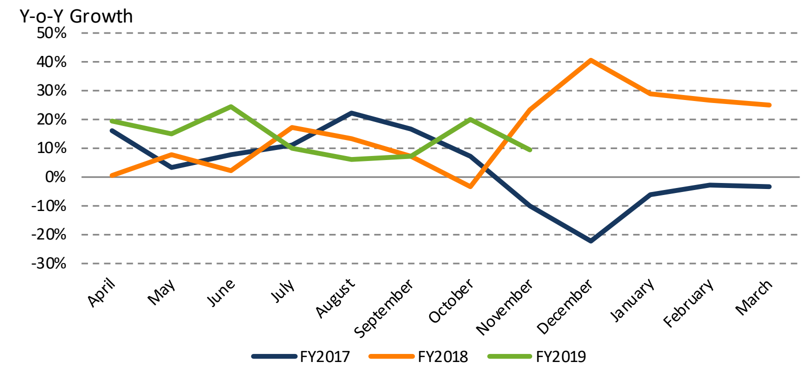
Source: Office of the Economic Advisor, GoI; ICRA research

Exhibit 32: Pace of growth of steel output remained modest, easing from 4.0% in August 2018 to a subdued 3.2% and 2.2%, respectively, in September 2018 and October 2018; sharp decline in steel prices, recent strengthening in INR, are likely to promote steel imports, and keep domestic steel production in check in FY2019



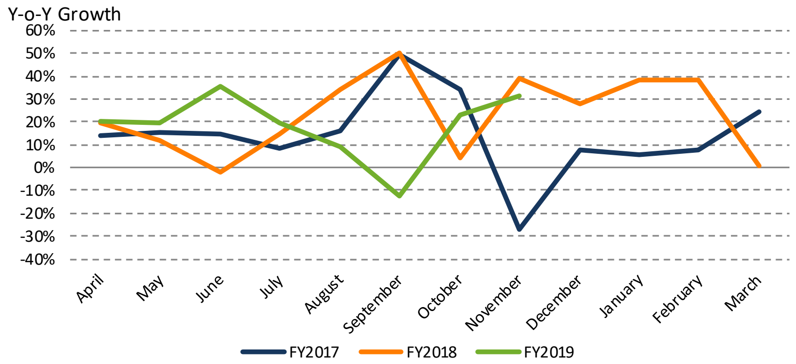
Source: Office of the Economic Advisor, GoI; ICRA research

Exhibit 33: Growth of motorcycle sales moderated, albeit, to a healthy 9.4% in November 2018 from 20.1% in October 2018; growth momentum has been dampened by high interest rates, increased on-road prices, unfavourable base effect etc.



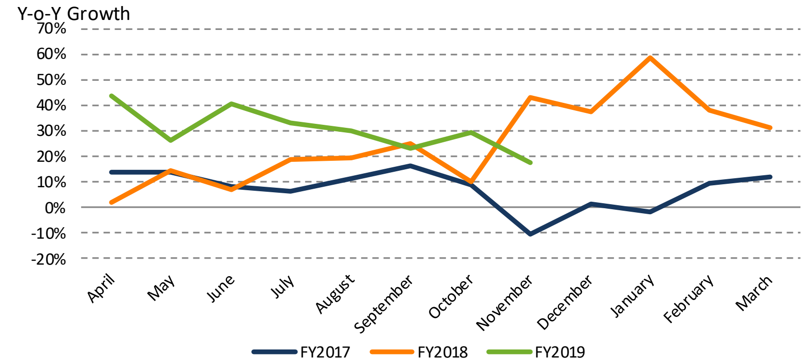
Source: SIAM; ICRA research

Exhibit 34: YoY growth in tractor sales rebounded sharply from a base-effect led contraction of 12.3% in September 2018 to a robust expansion of 23.2% and 31.2%, respectively, in October 2018 and November 2018 (supported by demand from the construction sector), despite distress in parts of the rural economy



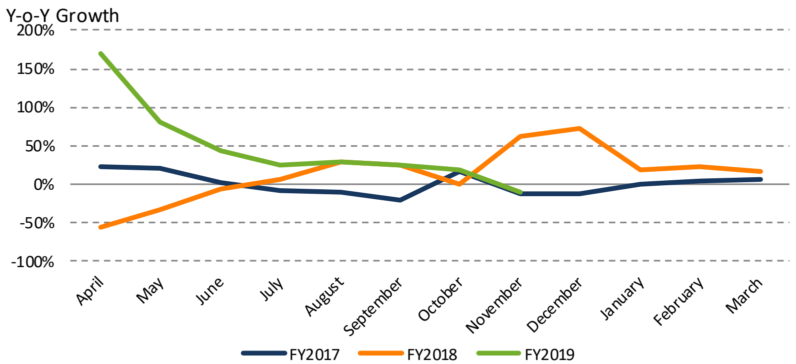
Source: CMIE; ICRA research

Exhibit 35: Growth of sales of light commercial vehicles (LCVs) stood at healthy 29.1% and 17.5%, respectively, in October 2018 and November 2018: FY2019 growth is estimated at 18-20%, supported by replacement-led demand, as well as demand from consumption-driven sectors and E-commerce sector



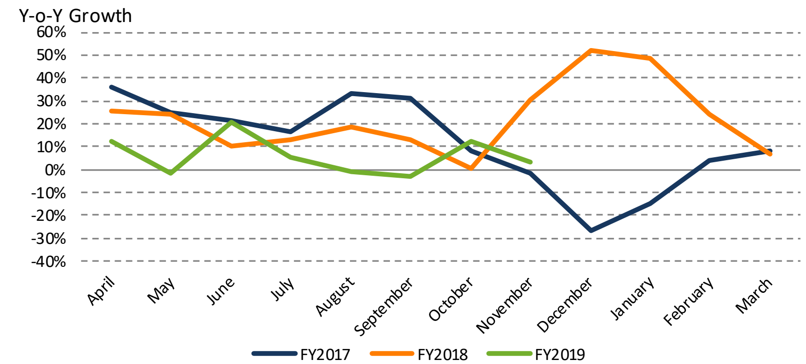
Source: SIAM; ICRA research

Exhibit 36: Sales of medium & heavy commercial vehicles (M&HCVs) contracted by 11.0% in November 2018, in sharp contrast to the 17.8% expansion in October 2018, reflecting the impact of tighter liquidity conditions, inventory correction and weakening viability for small fleet operators



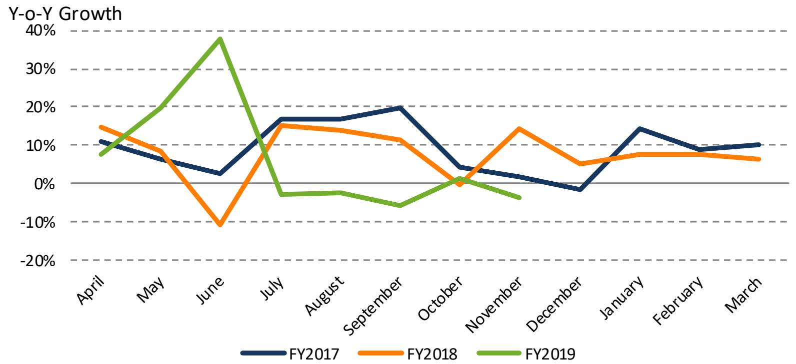
Source: SIAM; ICRA research

Exhibit 37: Scooter sales recorded a modest growth of 3.0% in November 2018, considerably lower than the 12.6% expansion witnessed in October 2018; cumulative growth in scooter sales has remained tepid at 5.6% during April-November 2018



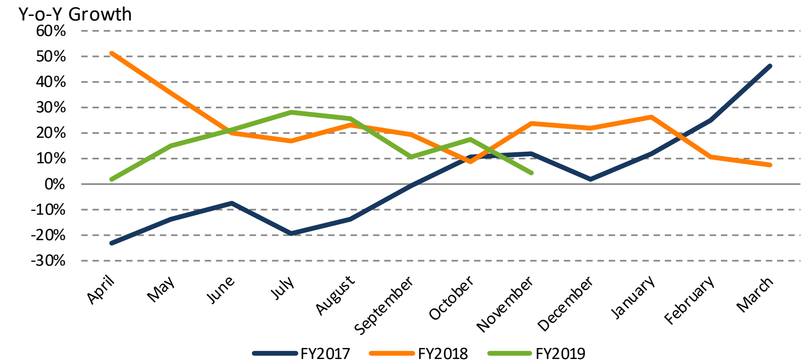
Source: SIAM; ICRA research

Exhibit 38: Trends in passenger vehicles sales have been unfavourable in the last few months, with a low growth of 1.6% and contraction of 3.4%, respectively, in October 2018 and November 2018; subdued urban demand, high fuel costs, and availability of financing have weighed upon the outlook of passenger vehicle sales in FY2019



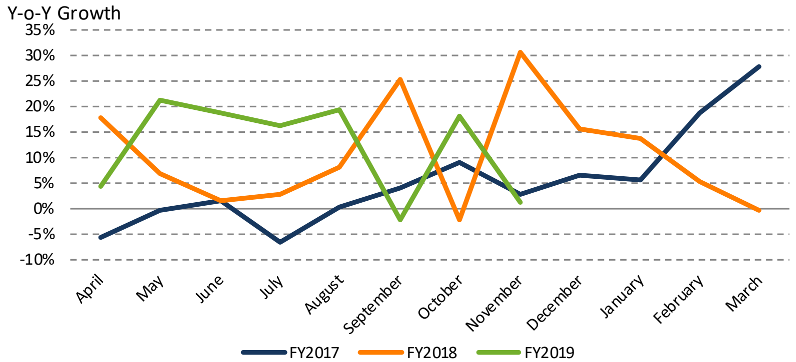
Source: SIAM; ICRA research

Exhibit 39: Growth of merchandise imports (in US$ terms) recorded a base effect-led decline to 4.3% in November 2018 from 17.6% in October 2018; imports of gold, precious and semi-precious stones, transport equipment and pulses contracted in November 2018, while crude oil imports expanded



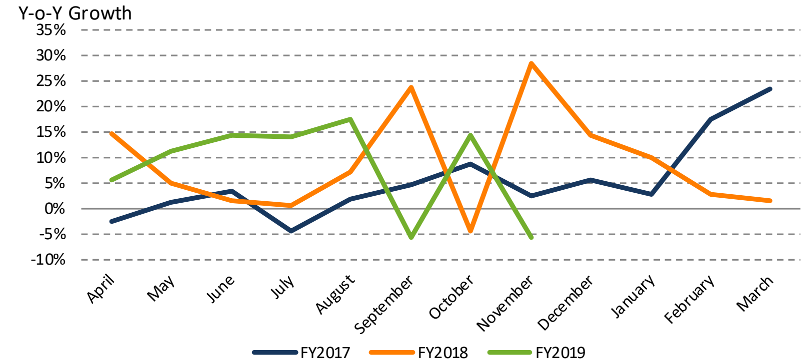
Source: Ministry of Commerce, GoI; ICRA research

Exhibit 40: Growth in merchandise exports in US$ terms has recorded a volatile trend in recent months led by base effects, falling to a muted 0.8% in November 2018 from 17.9% in October 2018; growth of oil exports moderated, albeit, to a high 42.7% in November 2018 from 49.4% in October 2018



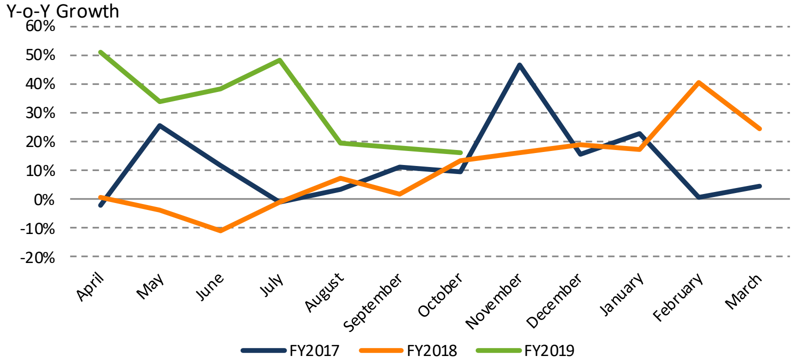
Source: Ministry of Commerce, GoI; ICRA research

Exhibit 41: Non-oil merchandise exports in US$ terms contracted by 5.9% in November 2018, in contrast to the 13.0% rise in October 2018, led by double-digit contraction in exports of gems and jewellery and engineering goods; growth stands at 7.5% in April-Nov 2018, benefitting from higher commodity prices



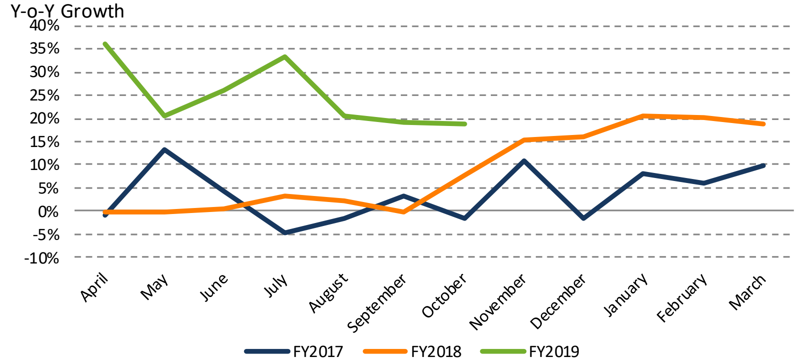
Source: Ministry of Commerce, GoI; ICRA research

Exhibit 42: Pace of growth of services imports fell from 47.9% in July 2018 to 17.7% and 16.1%, respectively, in September 2018 and October 2018; YTD growth stands at a substantial 31.1% in April-October 2018



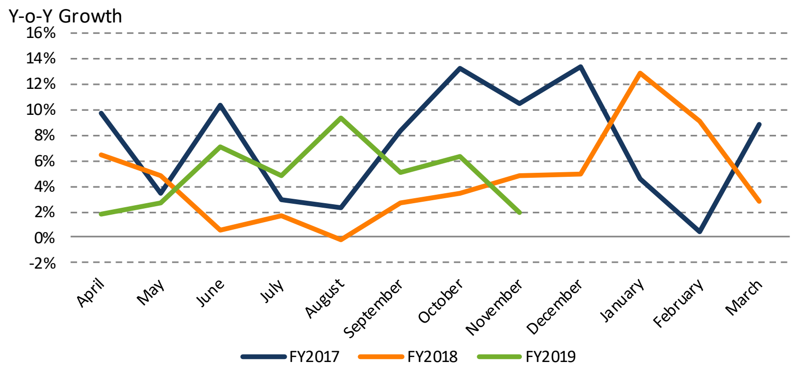
Source: RBI; ICRA research

Exhibit 43: Services exports growth also moderated from 33.2% in July 2018 to 19.3% and 18.8%, respectively, in September 2018 and October 2018, with YTD growth at a healthy 24.8%



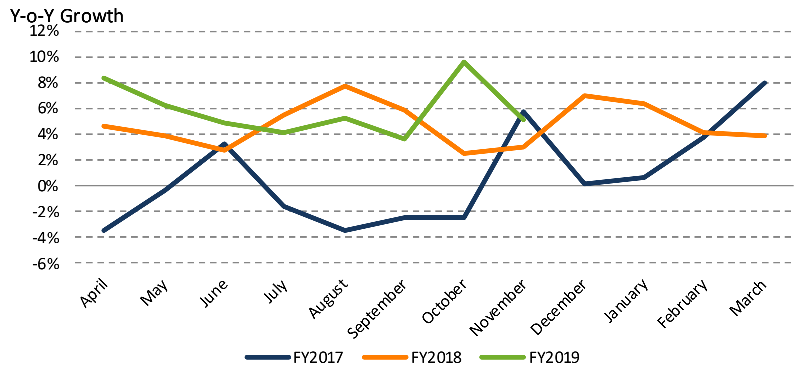
Source: RBI; ICRA research

Exhibit 44: Growth in cargo handled at major ports eased to a mild 1.6% in November 2018 from 6.4% in October 2018, led by crude oil shipments; YTD growth stands at a modest 4.8% in April-November 2018



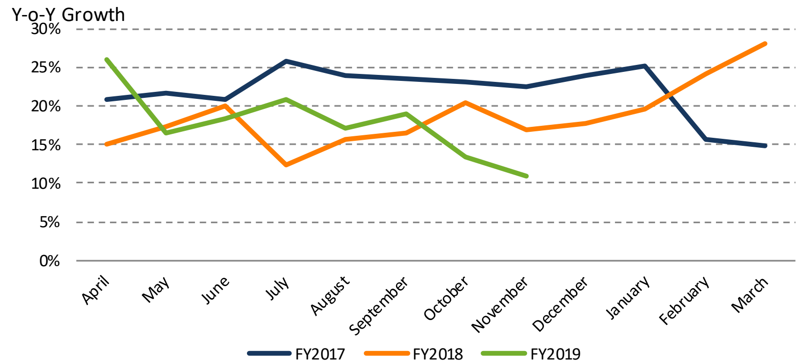
Source: Ports Authority of India, GoI; ICRA research

Exhibit 45: YoY growth of rail freight declined to 5.1% in November 2018 from 9.6% in October 2018, partly led by unfavourable base; YTD growth stands at a moderate 5.9% in April-November 2018



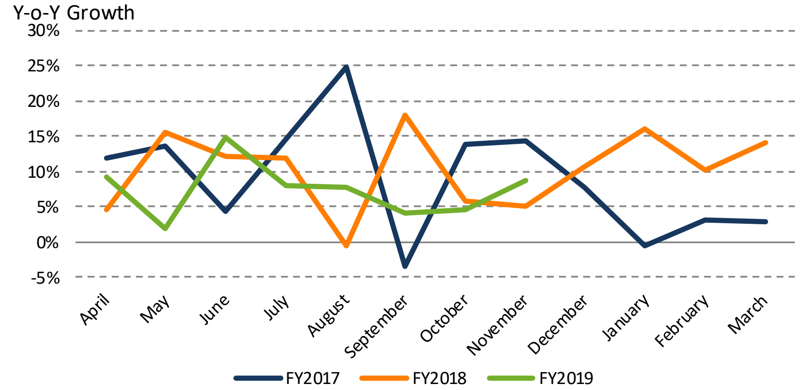
Source: Railway Board, GoI, CMIE; ICRA research

Exhibit 46: YoY growth passenger traffic by domestic airlines dipped to 11.0% in November 2018 from 13.3% in October 2018, which may be related to higher airfares following the lagged rise in ATF prices; nevertheless, YTD growth remains substantial at 17.6% in April-November 2018



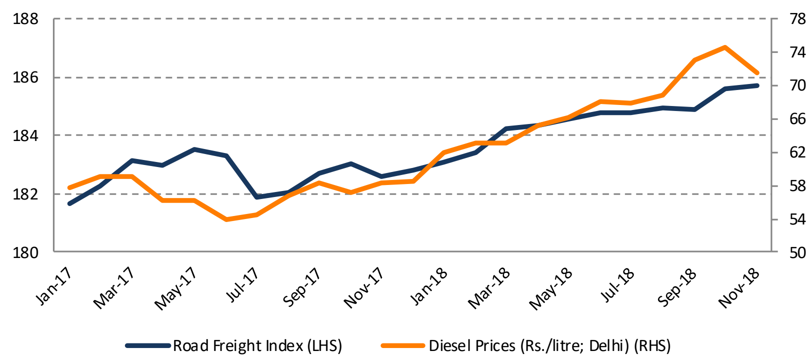
Source: Directorate General of Civil Aviation (DGCA); ICRA research

Exhibit 47: Pace of growth of petrol consumption continues to chart a volatile trend, doubling to 8.7% in November 2018 from 4.7% in October 2018; YTD growth stands at a healthy 7.3% in April-November 2018



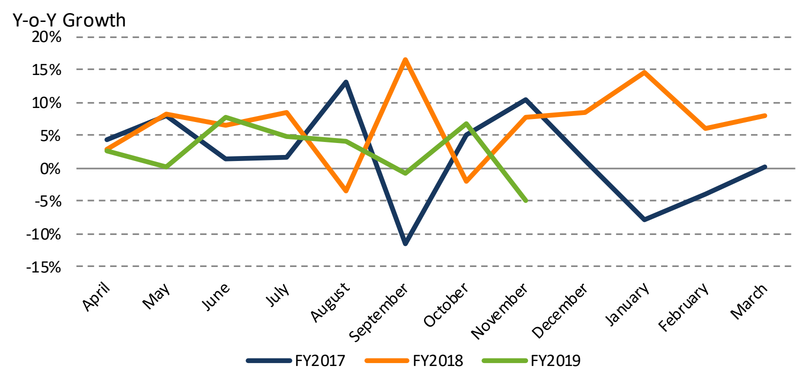
Source: PPAC, GoI; ICRA research

Exhibit 48: Road freight rates have recorded a muted uptick since the beginning of FY2019, despite the ~10% rise in diesel prices between April-November 2018



Source: Transport Corporation of India; ICRA research

Exhibit 49: Diesel consumption, which has also displayed volatility, recorded a YoY de-growth of 4.8% in November 2018, in contrast to the 6.8% growth in October 2018; YTD growth stands at a low 2.5% in April-November 2018



Source: PPAC, GoI; ICRA research

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