



Monthly Research Compendium

MARCH 2023





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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

Ceramic tiles: Healthy demand prospects and softening input prices to spur recovery in H2 FY2023

Climate series: Union Budget 2023-24 prioritises Green Growth to ensure creation of green ecosystem

Commercial vehicle: Volumes continue on path of steady recovery

Cut and polished diamonds: Sparkling rise of lab-grown diamonds

Data Centres: Is data localisation and data explosion paving the way for a DC revolution in India?

Economy: India's GDP growth set to moderate to 5.1% in Q3 FY2023, print at 6.0% in FY2024 amid external headwinds

Economy: Rabi crop prospects bright amid healthy sowing trends; agri GVA to grow by 4% in Q4 FY2023

NBFC - Retail: Growth revival, amidst asset quality improvement, to drive NBFC profitability

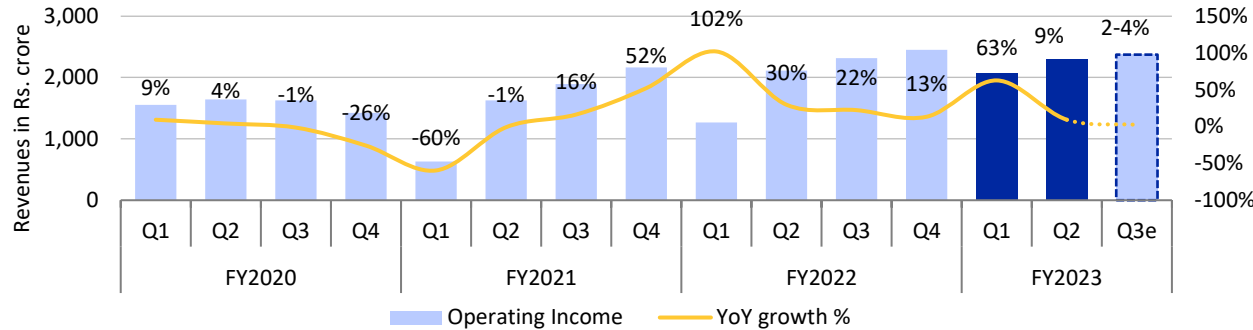
Security Broking: SEBI aims to fortify investor interest; final regulations could be critical for profitability of various intermediaries

Structured finance: Securitisation volumes for FY2023 expected to be closer to pre-pandemic levels

Structured finance: Retail pools report stable performance across various asset classes in the current fiscal

Ceramic tiles: Healthy demand prospects and softening input prices to spur recovery in H2 FY2023

Exhibit: Quarterly trend in industry revenues



While the industry's performance remained impacted amid elevated PNG prices and sluggish export demand till H1 FY2023, healthy demand prospects and softening input prices are expected to spur recovery in H2 FY2023

Exhibit: Trend in PNG and Coal Prices

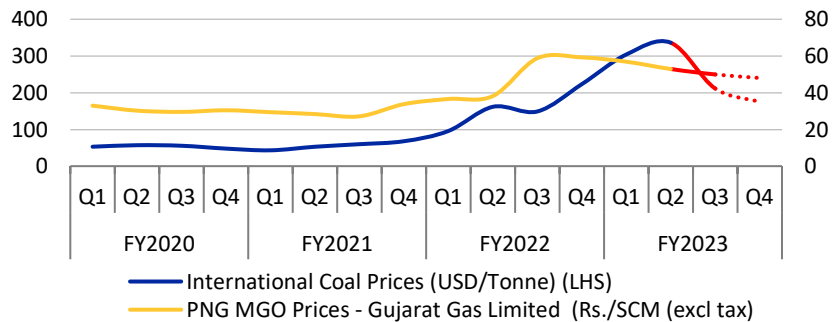
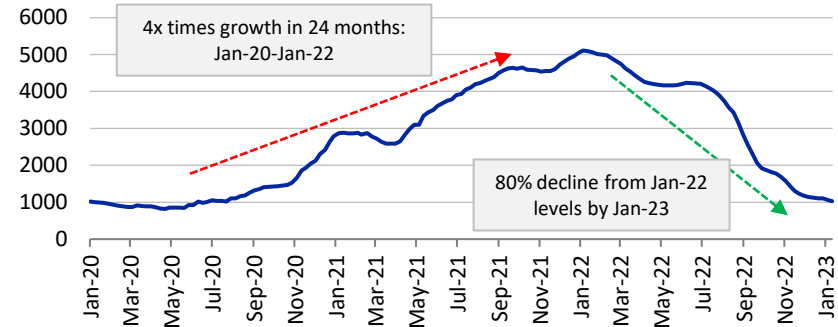


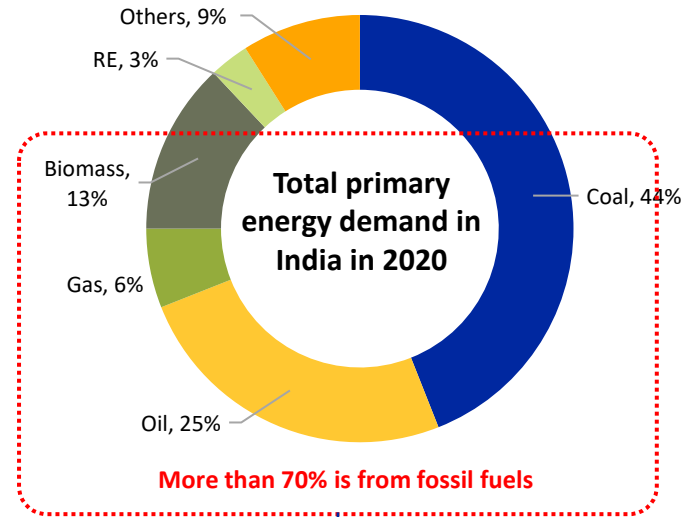
Exhibit: Shanghai Containerized Freight Index



Source: Bloomberg, ICRA research, Aceequity, Industry aggregate above consists of 5 listed companies – Kajaria Ceramics Limited (KCL), Asian Granito Limited (AGL), Somany Ceramics Limited (SCL), Orient Bell Ltd (OBL) and Murudeshwar Ceramics Ltd

Climate series: Union Budget 2023-24 prioritises Green Growth to ensure creation of green ecosystem

Exhibit: Total primary energy demand in India, 2020



40% of the primary energy requirement is met through imports currently

- To reduce import dependence and increase the use of green energy going forward. The Budget has included 'Green Growth' as one of the seven priorities (Saptarishi) for the next 25 years

Seven priorities (Saptarishi) adopted for next 25 years

1. Inclusive Development

2. Reaching the Last Mile

3. Infrastructure and Investment

4. Unleashing the Potential




5. Green Growth

6. Youth Power

7. Financial Sector

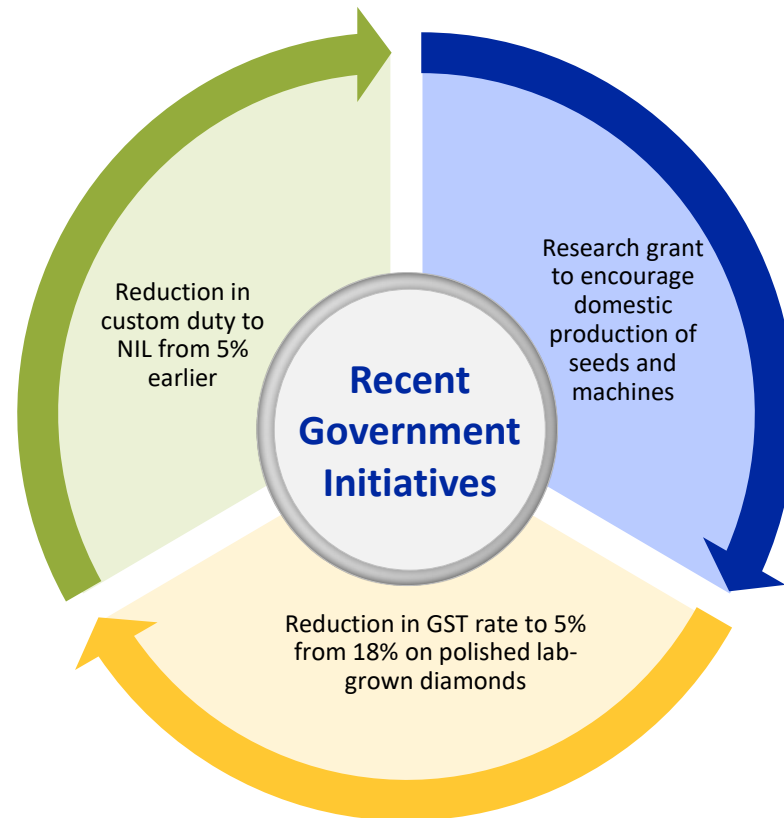
Commercial vehicle: Volumes continue on path of steady recovery

Exhibit: Segment-wise growth estimates

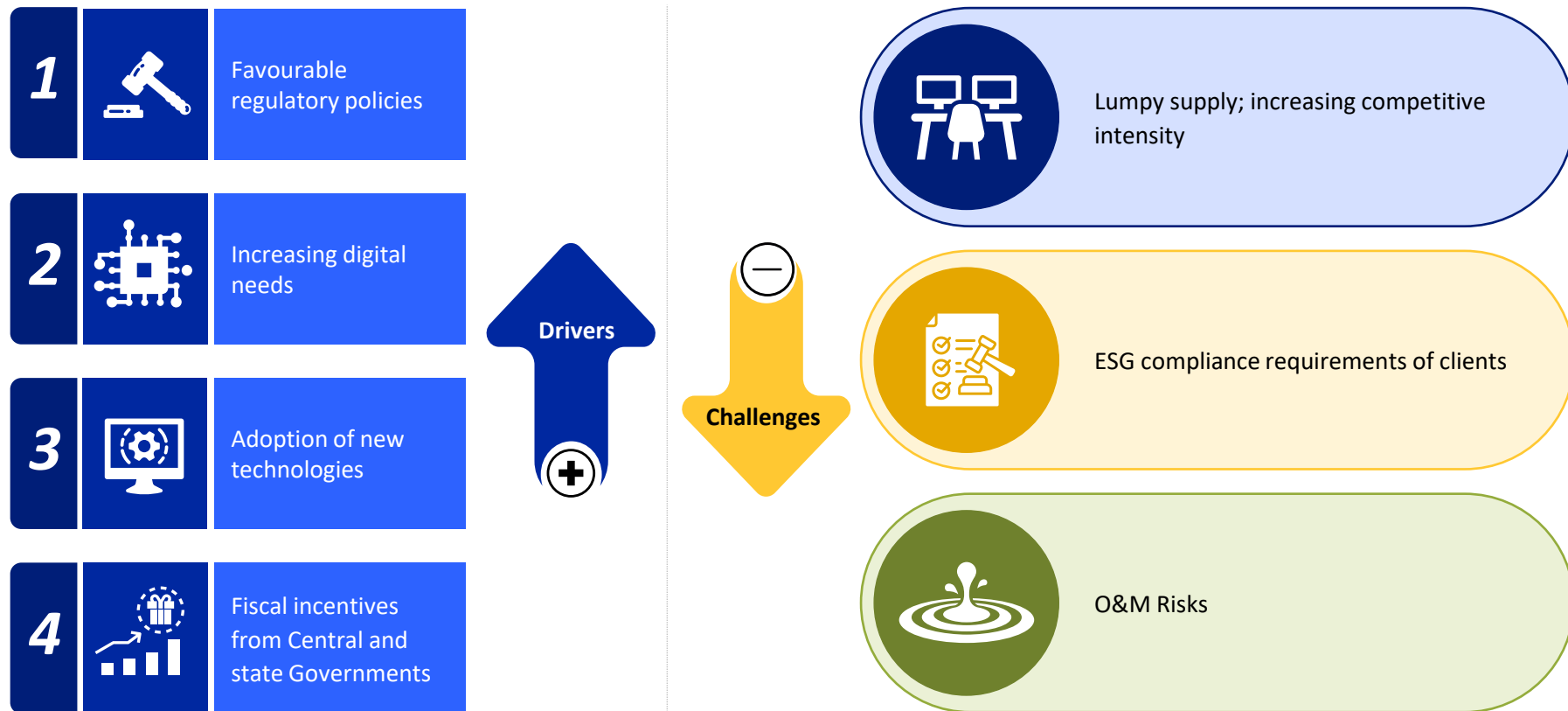
Segment Wise		FY2021	FY2022	FY2023P	FY2024P	Near-term Growth Drivers
	M&HCV (trucks)	-17%	49%	25%-30%	8%-10%	<ul style="list-style-type: none"> Improving economic environment Replacement demand Pick-up in construction, mining activities
	LCV (trucks)	-12%	15%	15%-17%	4%-6%	<ul style="list-style-type: none"> Improving economic environment Replacement demand Demand from e-commerce and for last-mile transportation
	Buses	-77%	64%	120%-130%	12%-15%	<ul style="list-style-type: none"> Re-opening of offices and educational institutions Mandatory scrapping of older Government Vehicles Replacement demand Reduced risk aversion towards public transportation

Source: SIAM, ICRA Research

Recent announcements in the Union Budget 2023 will spur the indigenous production of LGD












Data Centres: Is data localisation and data explosion paving the way for a DC revolution in India?



Source: ICRA Research

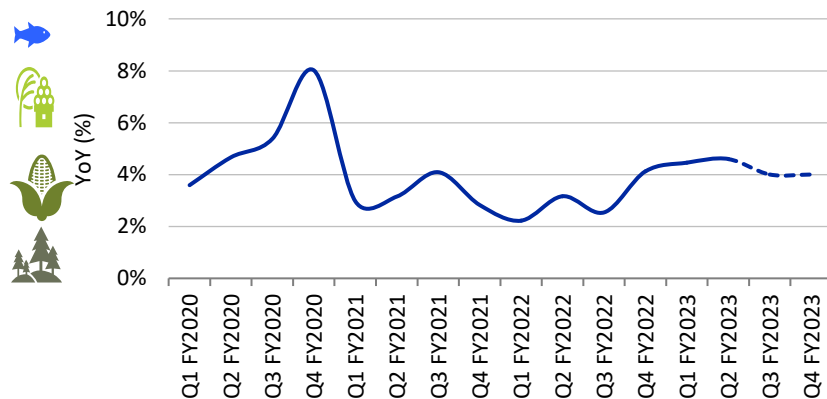
Economy: India's GDP growth set to moderate to 5.1% in Q3 FY2023, print at 6.0% in FY2024 amid external headwinds

ICRA's Macroeconomic Projections		FY2023	FY2024
	GDP Growth (in real terms)	7.2%	6.0%
	GVA Growth (in real terms)	7.0%	6.0%
	CPI Inflation (average)	6.7%	5.4%
	WPI Inflation (average)	9.7%	2.6%
	Current Account Balance	Deficit of \$96-99 billion; 2.9% of GDP	Deficit of \$113-116 billion; 3.2% of GDP
	Gol's Fiscal Deficit	Fiscal deficit to print in line with the RE of Rs. 17.6 trillion (6.4% of GDP), amidst some modest downsides to direct tax, disinvestment and capex targets	Fiscal deficit to print in line with the BE of Rs. 17.9 trillion (5.9% of GDP)
	G-sec Yields	Yield for the newly issued benchmark 07.26 GS 2033 to range between 7.25-7.5% in the immediate term	
	Repo Rate	Following the surge in the Jan 2023 CPI inflation print, another print over the 6%-mark in Feb 2023 is likely to push the MPC to hike rates further in its April 2023 meeting	
	INR	USD/INR pair to trade between 81.0 and 83.5 over the next 2-3 months	

- India's economic activity remained distinctly uneven in Q3 FY2023, despite upsides offered by healthy demand for services and upbeat festive sentiment. ICRA projects YoY GDP growth to decelerate to 5.1% in Q3 FY2023 from 6.3% in Q2 FY2023
- While India's growth trajectory for FY2024 is likely to be challenged by the slowdown in external demand, the outlook for domestic consumption and investment demand appears buoyant. ICRA expects GDP growth to moderate to ~6% in FY2024 largely on account of a bleak outlook for exports

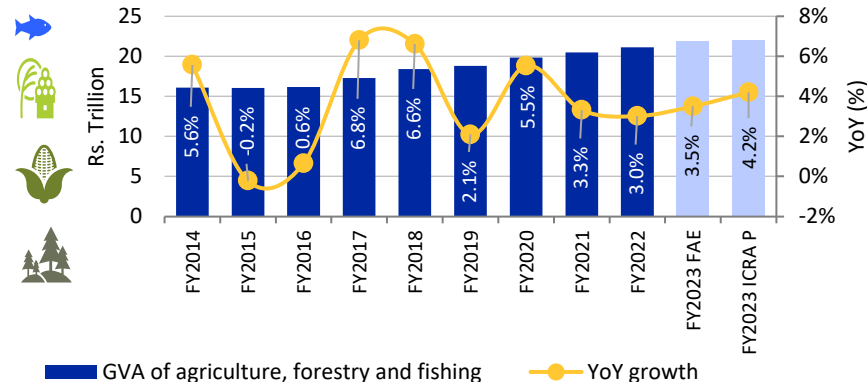
Economy: Rabi crop prospects bright amid healthy sowing trends; agri GVA to grow by 4% in Q4 FY2023

Exhibit: Quarterly GVA of agriculture, forestry and fishing at 2011-12 prices



*Dotted line represents ICRA's projections; Source: National Statistical Office (NSO); ICRA Research

Exhibit: Annual GVA of agriculture, forestry and fishing at 2011-12 prices

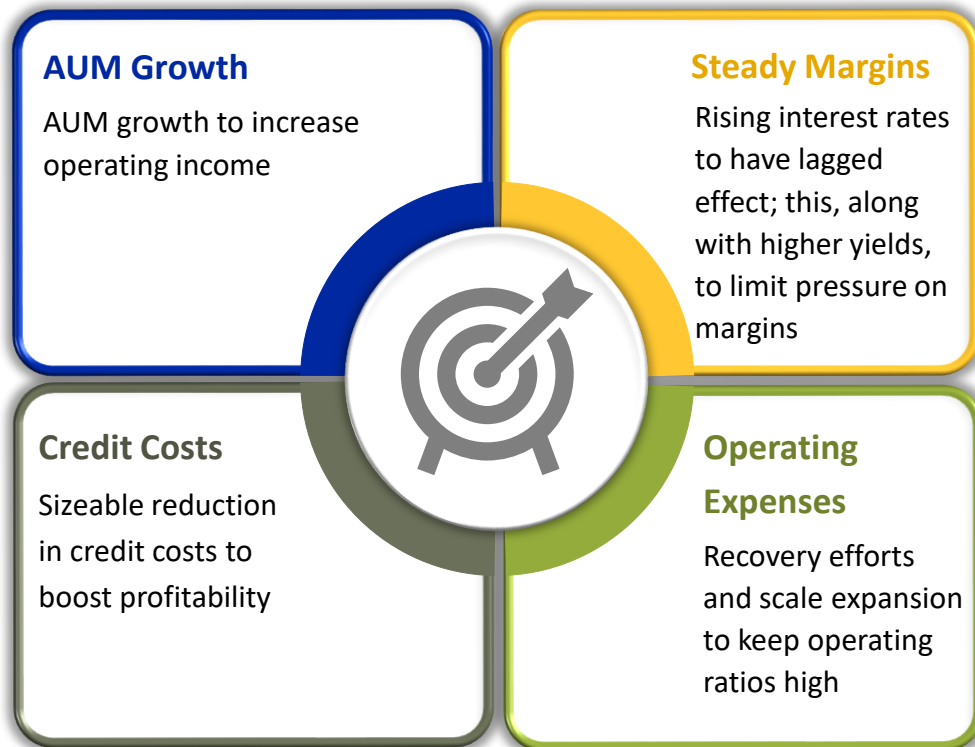


P: Projected; FAE: First Advance estimates released by the NSO; Source: NSO; ICRA Research

- Taking into account the higher acreage, early sowing, improved fertiliser availability and healthy reservoir storage, ICRA projects the GVA growth of agriculture, fishing and forestry at 4.0% in Q4 FY2023, similar to our expectations for Q3 FY2023.
- Overall, the GVA growth is projected to rise to 4.2% in FY2023 from 3.0% in FY2022. This is likely to be higher than NSO's expected growth of 3.5% indicated in the first advance estimates for FY2023 released in early-January 2023.

NBFC - Retail: Growth revival, amidst asset quality improvement, to drive NBFC profitability

RoMA: 2.6-2.9% for FY2023



Security Broking: SEBI aims to fortify investor interest; final regulations could be critical for profitability of various intermediaries



Aggregate profit of top 50 securities broking and allied services entities:
~Rs. 10,000-Rs. 11,000 crore (FY2022)

Client funds/float available with brokers/CMs:

On January 6, 2023, which was the day of the last running account settlement, approximately Rs. 46,000 crore of investor funds were held with brokers and CMs. On a routine basis, a quantum of over Rs. 1,00,000 crore cannot be ruled out

Contribution of float income to profits under current framework:

Estimated to be 20% to over 50% of net profit, depending on nature of operations (broker vs CM; discount broking vs full stack broking; retail broking vs institutional broking)

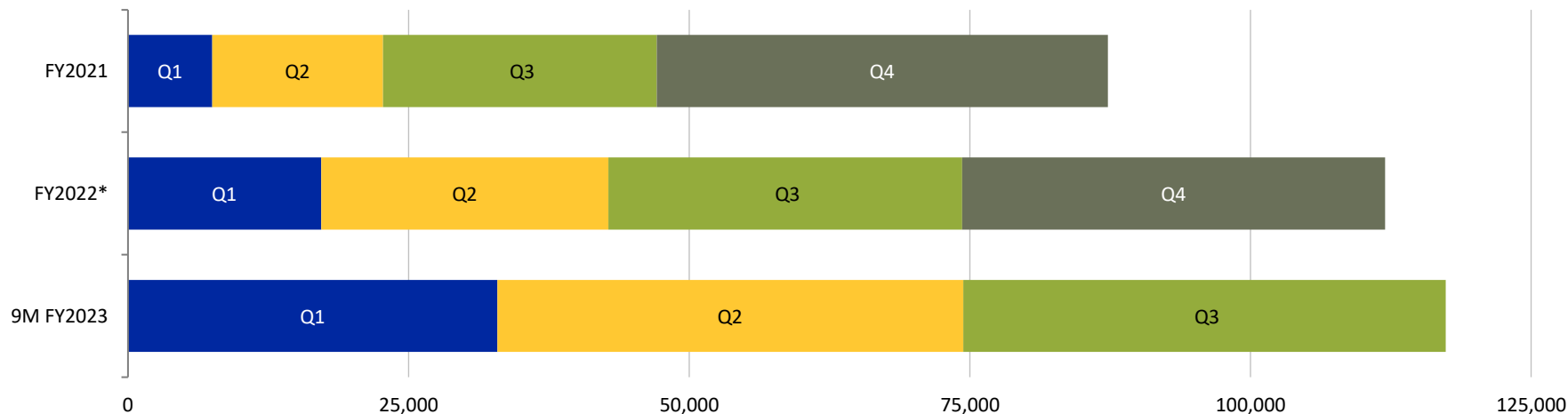
Likely impact:

Impact on stockbrokers and CMs can be sizeable and may necessitate increase in brokerage charges. However, amicable understanding between CCs, CMs and stockbrokers is likely, which may curtail the downside risk. Also, if CMs are not strictly required to follow the transfer of funds to the CC on an 'as is' basis, they may be able to convert the client funds into FDs and BGs before upstreaming to CCs. In this scenario, the extent of impact on stockbrokers and CMs will vary. Moreover, it is noted that bank brokers with 3-in-1 offerings are not earning much float income and hence could be least impacted.

- **SEBI proposes daily upstreaming of all client funds by stockbrokers and CMs to CCs without being converted into BGs or FDs.**
- **Final regulations could be critical for profitability of various intermediaries, given the potential impact on the float available with stockbrokers and CMs.**

Structured finance: Securitisation volumes for FY2023 expected to be closer to pre-pandemic levels

Exhibit: Quarterly trends in securitisation volumes (PTC + DA)

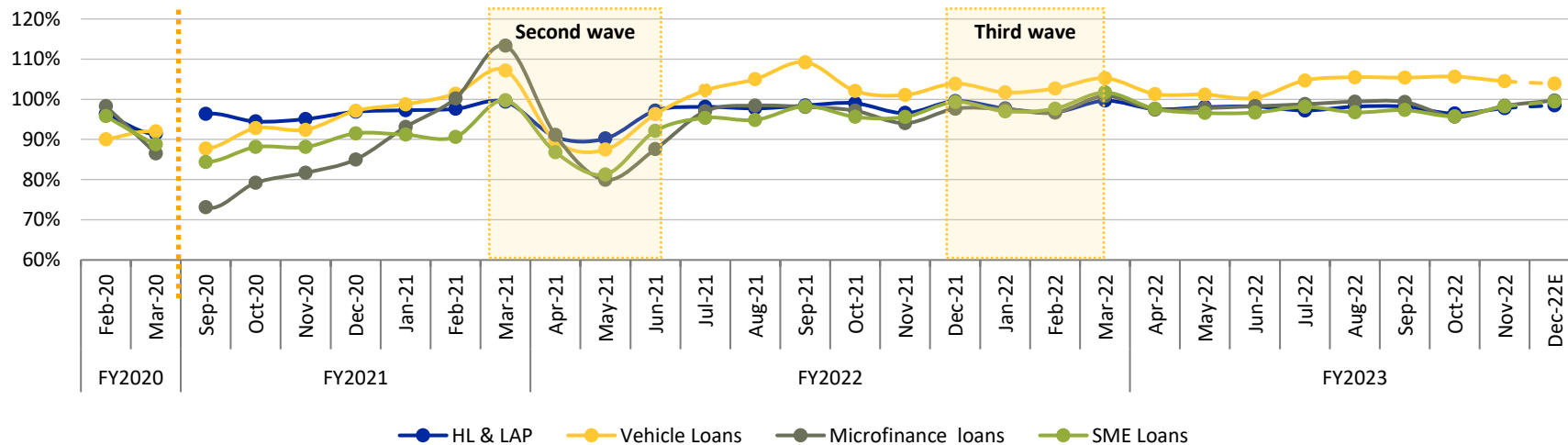


- Securitisation volumes for 9M FY2023 were 1.58x compared to 9M FY2022. YTD securitisation has surpassed retail securitisation volumes of FY2022.
- Mortgage loans and vehicle loans continue to dominate the overall securitisation market; vehicle loans were slightly more than mortgage loans after a long gap. Annual volumes are expected to be around Rs. 1.7 lakh crore, which is closer to pre-pandemic levels.

Source: ICRA Research; * Securitisation of retail loans (additionally wholesale loans of ~Rs. 14,500 crore were securitised during the year)

Structured finance: Retail pools report stable performance across various asset classes in the current fiscal

Exhibit: Monthly collection efficiency of ICRA-rated pools



- Collections are expected to remain stable over the near to medium term, should there be no material macro events or other business disruptions. This, coupled with the tighter underwriting process and pool selection criteria adopted by originators and investors respectively, post Covid, would also support the credit profile of retail pools.

Source: ICRA Research, Dec-22E represents estimated collection numbers, Monthly collection efficiency = (current collections + overdue collections)/current billings



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