A CLOSE LOOK

ANALYST VIEW ON SECTORAL TRENDS & CORPORATE CREDIT

Aditya Birla Sun Life AMC Ltd.

(A part of Aditya Birla Capital Ltd.)

ADITYA BIRLA CAPITAL

STEERING THROUGH THE CROSSCURRENTS

From the Fixed Income Desk

Aditya Birla Sun Life AMC Limited's Fixed Income Outlook (Credit) 2023-24 takes a close look at corporate India's financial health, with sector specific analysis, to form our view on corporate credit and the sectoral trends ahead. Factoring the macro environment, we try and present our base-case forecasts, assumptions, and key challenges for what would be a year when the lag effect of tighter policies of 2022 will play out in the global economy.

Why a credit outlook is important? Because it gives a sense of how corporate India stacks up when it comes to credit quality, against which it raises debt in the market. It is indicative of a sector or company's financial health and as such its quality as an investment. In an interaction with our sector experts, we find out what the year ahead looks like for specific sectors and corporate India at large.

As per our investment research and analysis, we expect a "mild slowdown" as the base case for the global economy for next year. Consensus expects global inflation to ease significantly both in 2023 and 2024, and Central bankers are likely to pause sooner than implied by markets. While inflation scare won't be driving policy making and asset classes in 2023, but fear of renewed inflation will remain in mind share. Hence, sufficient conditions for policy easing are unlikely in 2023 unless there are some economic accidents. In India, since uncertainties around "growth" is more than "inflation", policy normalization will continue to lean towards growth once financial stability is secured. Although the risks from the external front have subsided recently, we expect RBI to choose the middle path for now: allow for orderly and gradual depreciation of the currency (FY23E year-end USDINR at 85) while keeping its policy stance in sync with global monetary tightening.

India's growth is on a path of steady recovery from the pandemic. However, it is still a K-shaped recovery and while indicators of formal sectors and top of the pyramid have recovered quite well from pandemic lows, informal sector and bottom of pyramid segments are still some way away from full recovery. We expect India's GDP growth to be 5.75% in 2023, and even at that rate it will still be the fastest-growing major economy in the world.
We remain optimistic on the steady pickup in credit growth amidst healthy bank and corporate balance sheets, healthy financial services sector, return to normalcy of tourism and hospitality sector, healthy pick up in construction and still strong, although declining, fiscal support.
For corporate India this will be a year of navigating the crosscurrents as fundamentals remain strong, domestic demand continues to be steady, but macro headwinds prevail.

CORPORATE INDIA REMAINS IN GOOD HEALTH

Sunaina da Cunha
Co-Head
Fixed Income (Credit)

1 What is your assessment of corporate India in terms of balance sheet and growth prospects? What are the key contributory factors?

Corporate India remains in good health due to balance sheet deleveraging and lower interest rates experienced over the last two years. We've seen a slight increase in leverage in H1 FY23 due to capex in select sectors (Telecom, Renewable) and higher working capital requirements - however, the overall debt metrics remain comfortable. As expected, operating margins have moderated in H1 FY23 mainly due to higher input costs, and are likely to improve in H2 FY23 given some cool off in input costs.

2 Is there a case for Credit Funds in India?

Within a portfolio for appropriate asset allocation, we believe that there should always be some allocation to Fixed Income assets. There are three broad aspects of fixed income investments – Liquidity, Duration and Credit. Liquidity is more of a tactical or surplus deployment strategy. In Duration - in order to make money, one needs to time not only entry but also exit perfectly to earn the capital gains (history shows these gains can be in excess of ~20% if perfectly timed) from falling interest rates. Otherwise, a passive investment would yield a 7% centric annualized return. Credit Funds offer an all season / through the cycle kind of investment possibility that allows investors to invest in various corporate bonds and earn the spread that protects and cushions the volatility seen due to rate fluctuations in duration play; provided of course that there is a disciplined approach to underwriting the credit exposure to minimize adverse movement in it, coupled with a nimble active management in case the said adverse movement does materialize.

Generally, at a broader level, investments made in Credit papers (AA+ to A-) tend to earn on an average a spread of 100 basis points over the past decade. Assuming an average portfolio rating of A, if we look at the probability of default (PD), as per CRISIL study, over a 10-year period it works out to 0.16% on a one year transition basis. Even if we were to assume a 75% Loss Given Default (LGD) this works out to 0.12% ultimate loss assuming a 1% of portfolio investment at the time of credit event. ***Thus, if one can cherry pick and sift through various opportunities and try and reduce the PD and LGD – and is a patient investor through the cycles, there is a clear cut case for investment in Credit Funds.***

"As credit growth picks up and with liquidity having normalised, we expect credit spreads will also start inching up."

-Sunaina da Cunha, *Co-Head, Fixed Income (Credit)*

3 Will 2023 be a good time to enter credit-oriented funds?

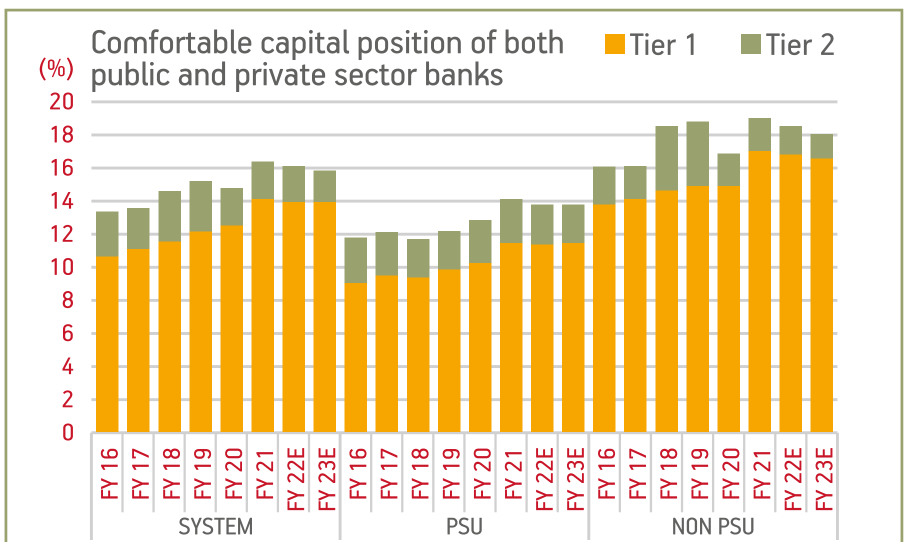
From a Credit Underwriting perspective, Corporate India remains well positioned given balance sheet strength and profitability as explained earlier. However, over the last two years the Credit spreads were at historic lows which have now begun to normalize. As credit growth picks up and with liquidity having normalized, we expect credit spreads to also start inching up, offering risk adjusted opportunities to invest in. Supply of good quality investment grade papers is also likely to increase in the bond market with the arbitrage with banking rates narrowing. We continue to prefer cash flow generating companies and sectors with good promoters, performance track record, and a conservative capital structure and accordingly, will selectively invest in those sectors and companies that meet these criteria.

INDIAN BANKS ON A STRONG MOMENTUM

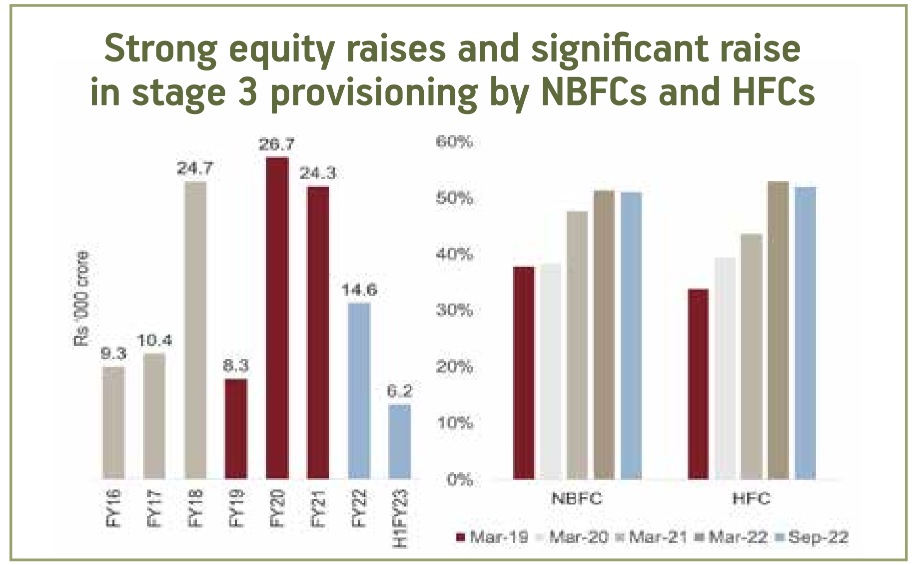
Sundeep Allamraju
Analyst
Sector Specialisation – BFSI

1 The financial sector's credit quality outlook is expected to remain stable. How sustainable is this in your opinion?

It is very much sustainable in my view. The headline asset quality metrics have shown gradual but material improvement from the peak stress scenario in FY18. Further, both banks and non-banks have significantly beefed up their balance sheets through timely equity capital raises and increase in provisions over the last 2-3 years.



Source: Company data, India Ratings



Source: Company data, CRISIL Ratings

This, in conjunction with the bounce back in collection efficiency trends to pre-Covid levels across asset classes and lower bounce rates, gives me confidence that the financial sector will continue to do well over the next 12-18 months. One key monitorable, however, is the performance of restructured loans which are gradually exiting moratorium in stages, given the higher inflation and ballooning repayments in some loans. From a longer-term perspective, the regulatory development around the transition to ECL (expected credit loss) based provisioning for banks is something to be watched out for.

> *"...the strong credit growth and tight liquidity conditions will force banks to aggressively chase deposits and, in the process, hike deposit rates."*
>
> ***-Sundeep Allamraju**, Analyst*

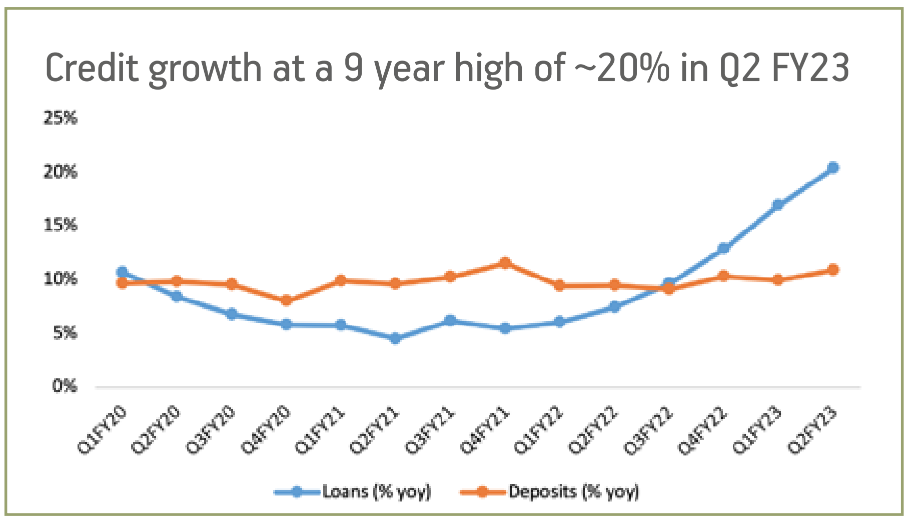
2 Bank credit growth has picked up significantly and outpaced deposit growth over the past few quarters. How do you anticipate the trend to pan out going ahead? And what are its implications?

Banks' credit growth rose sharply in the last 3 quarters and hit a 9-year high of ~20% in Q2 FY23, while the deposit growth remained stable at 8-10% (see chart).

This was predominantly driven by banks becoming more aggressive in MSME and prime retail (housing, cars, gold loans) loans. Growth was also driven by many corporates and non-banks which shifted to bank borrowings given the cost arbitrage in relation to capital market borrowings during the interest rate hiking cycle.

With bank lending rates eventually catching up with bond yields in the coming months, one can expect the bank credit growth to slow down a bit but remain healthy in double digits. This would mean that it will continue to outpace deposit growth resulting in further increase in credit-to-deposit ratio from 74.8% as of December 2022.

In terms of implications, the strong credit growth and tight liquidity conditions will force banks to aggressively chase deposits and, in the process, hike deposit rates. Banks have so far relied on higher borrowings through certificates of deposits (CDs) to fund this growth but will have to incrementally raise deposit rates resulting in some pressure on NIMs (net interest margins).



Credit growth at a 9 year high of ~20% in Q2 FY23

Source: RBI, Axis Capital Research

3 We have seen a series of positive rating action in banks. Do you expect the trend to continue? What is the outlook on PSU Banks specifically?

Bank balance sheets have seen a significant turnaround post the asset quality review and strengthening of NPA (non-performing asset) resolutions under IBC (Insolvency and Bankruptcy Code) over the last few years. This has resulted in higher upward rating movements in banks. Specifically for PSU banks, RBI broadened the definition of distributable reserves to include share premium account which resulted in upgrades of their AT 1 bonds.
We expect the ratings to continue to have an upward bias over the medium term. However, credit profiles of some banks with high restructured loans and/or weak capital cushions will have to be closely monitored.

4 Do you anticipate demand slowdown for Housing Finance Companies (HFCs) in a rising interest rate scenario? What is the near to medium term outlook?

HFCs benefited from the strong demand for housing loans amid low interest rates over the last two years. However, the recent rise in interest rates could result in some softening of the robust demand for housing loans - this will likely have more impact on prime HFCs' growth (vs banks in an intensely competitive segment) given their higher cost of funds. Affordable HFCs should continue to see growth higher than overall housing industry average, driven by factors like largely underpenetrated market, government's housing push, favourable tax regime etc.

Further, with wafer-thin spreads in prime HLs (home loans) and most players having moved out of higher-margin developer funding book, we anticipate the ROAs (return on assets) of prime HFCs to remain under pressure over the medium term. Affordable HFCs may, however, see slight ROA improvement driven by moderation in operating costs (with higher scale) and credit costs (good recovery in collections post covid).

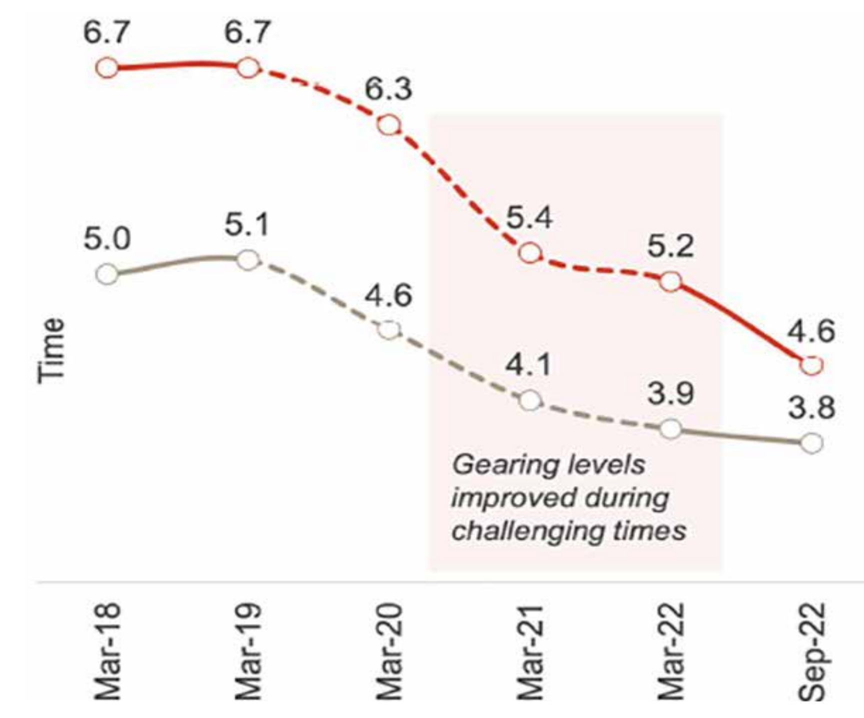
NON-BANKING FINANCIAL COMPANIES TURNING A CORNER

Anuj Jain
Fund Manager
Sector Specialisation – BFSI

1 You have cited that non-banks are geared for growth. What is your rationale and which segments are likely to see highest growth?

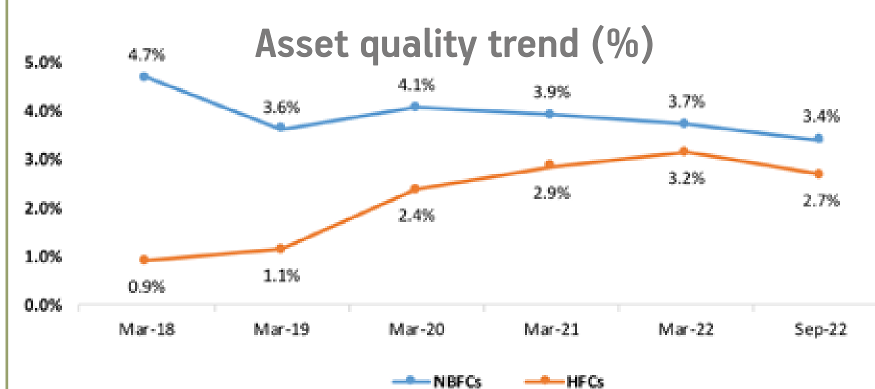
NBFCs shored up their capital levels and also tightened lending parameters during the Covid period resulting in muted growth and gearing levels going down for the sector. This means they are well prepared with more firepower for lending going forward. On asset quality front also, all Covid related losses are broadly provided and post Covid book is performing well for most lenders as the weaker borrowers slipped into stressed book during this period. Hence, the worst is behind them in terms of credit losses. With economic growth also back in the economy, both demand and supply of credit appears to be in good shape. Hence, we feel that the environment is now conducive for credit growth going forward. While all segments are likely to see growth, segments like MFI, personal loan and business loan may see relatively higher growth.

Substantial improvement in gearing...



Source: Company data, CRISIL Ratings

Improving asset quality of NBFCs



Source: ABSL AMC Research; Based on a sample of NBFCs and HFCs that account for 70-75% of industry assets

2 How do you anticipate retail credit growth in the non-bank space to grow? Which segments will support this growth?

Pick up in credit growth during the current financial year for banks has been led by retail credit. Retail credit has always been a strong forte of NBFCs, hence, the pick-up in the segment will lead to growth in NBFCs as well. Many banks have actually tied up with NBFCs to aid their retail portfolio origination. All segments of retail credit have already seen pick up in credit growth and the trend is likely to continue during next year as well unless some external factor derails growth momentum for the economy.

3 What is the status of slippages? Any red flags?

Slippages across Banks and NBFCs have fallen sharply, and we feel the worst is behind in terms of credit costs for the sector. Also, thus far the portfolio originated post Covid has been doing well for most players, this gives us the belief that next year slippages are likely to be lower than the current year.

"NBFCs are well prepared with more firepower for lending going forward."

-Anuj Jain, *Fund Manager*

4 What is the outlook on Micro Finance Institutions (MFIs)? Has there been any improvement in credit demand?

For MFIs the worst is behind in terms of asset quality for most players. Most of them have already provided and cleaned their balance sheets, others are also likely to provide fully by the next one or two quarters. Credit growth in the MFI sector has picked up well and is likely to continue for next year as well, aided by both improvement in underlying credit demand with the pick-up in economy, as well as change in RBI guidelines allowing them to increase the ticket size per borrower. With cap in NIMs now lifted and incremental credit costs expected to be lower next year, profitability would see a major boost in spite of the likely increase in their cost of borrowings. Collection efficiency of portfolio originated post Covid is back to pre-Covid days, which again points to lower credit cost going forward.

DOMESTIC DEMAND TO KEEP METALS & POWER SECTOR ROBUST

Monika Gandhi
Fund Manager
Sector Specialisation – Metals & Power

1 Do you expect the demand for metals to be more domestically driven this year given global macros? What would be the impact of China reopening?

Indian metal demand remained resilient amid global slowdown and has been driven by both infrastructure and discretionary demand. Over the medium term, we expect that steel demand would be more domestic driven and is expected to grow at ~6-7% during FY 23/FY 24 supported by government infrastructure and construction capex ahead of India's national elections and automobile demand.

China reopening was faster than expected after Beijing changed zero-Covid policy to zero-control. Demand sentiments are expected to improve given potential pick up in infrastructure demand, less tight property policy and prevailing low inventory in China. These fuelled expectations of a faster demand recovery for metals although global demand concerns in key importing geographies (US, EU) might allow for only a gradual demand recovery in rest of the world.

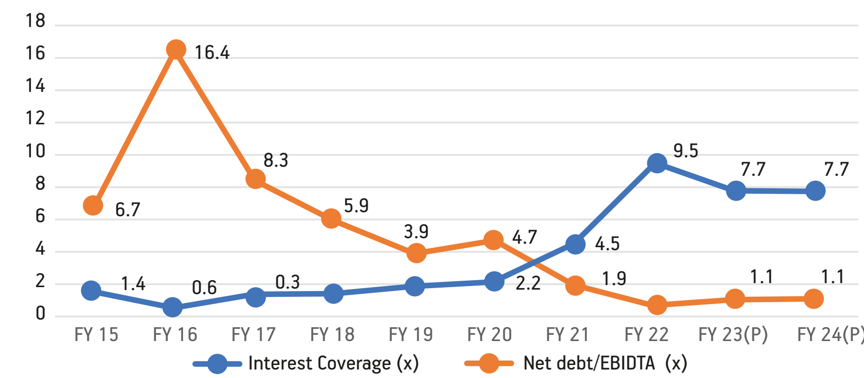
The Indian government has announced a roll back of the export duties on steel and iron ore, which it had imposed in May 2022. We believe that these measures would facilitate export volume revival marginally from depressed levels, given the global demand concerns in US & EU.

With higher expected domestic demand and lower export from China, we expect that price would remain range bound in near term though upside potential exist post March 2023.

2 What is the outlook on credit profiles of metal companies?

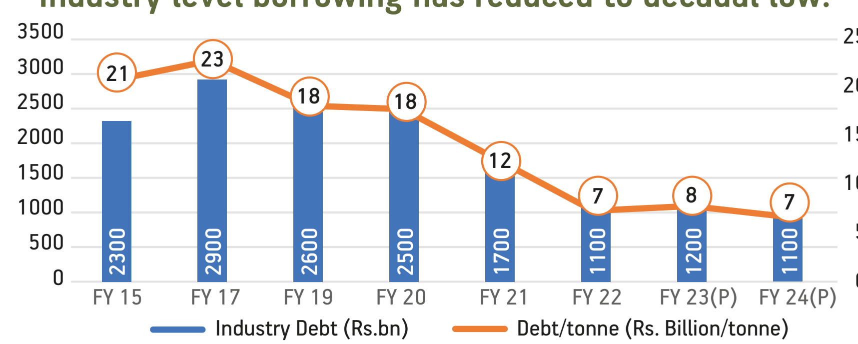
EBITDA margin is expected to stabilize/marginally improve in FY24 after a sharp contraction by ~7-8% in FY23 to 22-24% from elevated FY22 levels. With the increased focus on deleveraging by metal companies in the last 2 years, balance sheets are now stronger to support credit profile despite capex announcements by large players. Indian steel players are comfortably placed with Net Debt/EBITDA expected to be at decade low at ~1.1x in FY24 compared to ~16x in FY 2016. The same is expected to keep the credit profiles of the steel players stable.

Despite fall in operating cash flow, balance sheets to remain strong owing to deleveraging undertaken in the past two years



Source: ABSL AMC Research

Industry level borrowing has reduced to decadal low.



Source: ABSL AMC Research

3 On the non-ferrous metal side, what is going to be the likely demand trajectory?

With re-opening of China, global aluminum demand is expected to increase with 1) infrastructure acceleration with Covid relaxation; 2) improving consumption sentiment; 3) low inventory; and 4) potential voluntary production cuts for aluminum given prevailing losses. Overall growth in the domestic market would be led by improved demand across all sectors, mainly in the electrical and power sectors. The global aluminum market is expected to be balanced with a marginal surplus of 0.3 mt in CY 23. The same is expected to support prices in the near term with upside potential in the second half of CY23.

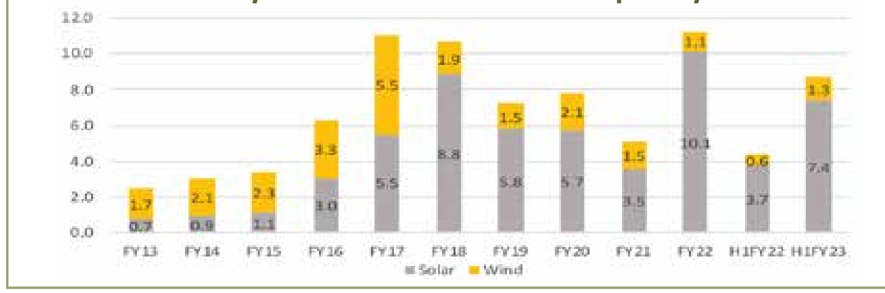
Global zinc market is expected to remain in balanced situation against earlier expected deficit of ~300 kt led by softer demand and restricted supply. This is expected to keep Zinc LME prices range bound. Any significant upside in the second half would depend on global steel demand revival. Copper supply is challenged and is expected to keep surpluses contained to 300 kt for CY 23, while demand from renewables due to energy transition, as well as EV, to boost demand.

4 What is the outlook on credit profiles of power generation companies - thermal and renewable?

Power demand remained higher, led by higher residential demand, and improved industrial and agriculture activities. With the expected power demand growth and increased focus for stable base supply to avoid energy crisis (as faced by European countries due to energy transition/war), focus would be towards more base supply. We expect that India would continue to install thermal plants through public sector entities to avoid black outs in medium term until large-scale storage for renewable at viable rates is set up to cater to the base power demand. The stance of phasing out of thermal power plants would be changed to phasing down of thermal power plants. This coupled with improved realization of overdue receivables would result in an improved outlook for thermal generating companies.

With respect to renewables, strong policy support, and the government's target to reach 500 GW of renewable energy by 2030 would support capex in the sector. Large players are expected to become larger through greenfield as well as inorganic expansion. Credit profile is expected to remain stable with industry leverage ratio at ~6x despite investment requirement of ~Rs. 2.4 lakh crore in renewables capacity addition during FY23-25. Strong global investor interest in the sector and benefits of owning diversified and large asset base, are likely to result in further consolidation in the industry. Companies with diversified portfolios are expected to benefit.

Solar and Hybrid would dominate capacity addition



Source: ABSL AMC Research

"Indian metal demand remained resilient amid global slowdown and has been driven by both infrastructure and discretionary demand."

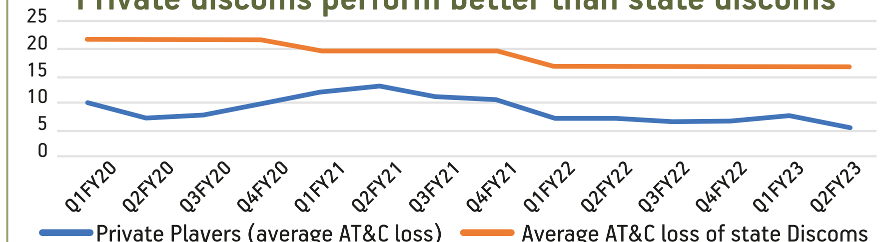
***-Monika Gandhi,** Fund Manager*

5 How far before state discoms see improvement in operating efficiencies? Where do private discoms stand in comparison?

As per various data sources from Ministry of Power, Media sources, PRAAPTI Portal, and our internal research, performance of state discoms remained tepid with aggregate technical losses still at ~17% at all India level compared to average of ~6% for private discoms. Though with the implementation of Late Payment Surcharge scheme in July 22 (wherein outstanding discom dues including late payment surcharge on cutoff date are converted into 24-48 monthly EMI), discom outstanding dues have reduced significantly by ~27000 crore, more efforts are required to improve operational efficiencies of the state discoms including timely and adequate tariff revision, privatization, delicensing, and smart metering.

Private distribution players are more efficient as seen is the lower operating losses. Robust & regulatory business models provide revenue as well as return assurance for private discoms.

Private discoms perform better than state discoms



Source: ABSL AMC Research

GOVERNMENT FOCUS ON INFRASTRUCTURE TO KEEP ROAD SECTOR VIBRANT

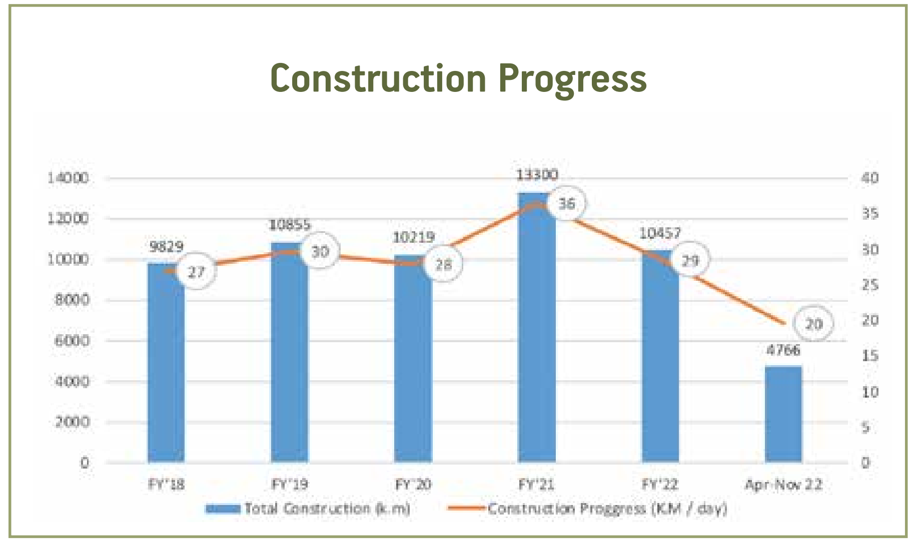
Sachin Wankhede
Fund Manager
Sector Specialisation – Telecom, Roads & Real Estate

1 What is the outlook on Telecom sector?

Indian telecom sector has already experienced a consolidation especially post launch of telecom services by Reliance Jio with its aggressive pricing strategy in 2016. At present, 3 large private sector players are controlling more than 90% of subscriber market share in the country. With the consolidation in the sector, tariffs have been on the rise and are expected to increase going forward mainly to part finance 5G roll out and deferred payment to be made towards the 5G spectrum auction acquired in 2022. Outlook for the telecom sector is positive despite increase in leveraging of telecom players due to consolidation in the sector, and rising tariff, which would help stronger players to further strengthen their position in the industry.

2 The road sector has been lagging, what is the way forward? Have toll revenues improved?

There is a significant thrust from the government to build and improve infrastructure across the country and the road sector is contributing the largest share in it. During H1FY'23, awards in the sector were not upto the mark driven by many factors such as land acquisition (which is a



Source: ABSL AMC Research

time-consuming process), obtaining requisite approvals, making DPRs (Detailed Project Reports) etc. On the execution front too, progress was slower due to longer than usual monsoon.

To reduce the cost of land acquisition, its implementation time and travel time, the government is not only awarding projects where widening of existing road infrastructure is involved, but also developing Green Expressways between two major cities. This will also promote the development of the surrounding area along the Expressway.

There is still a lot of scope to improve road infrastructure of the country. There may be headwinds intermittently such as rising commodity prices, growing competition etc. Meanwhile, developers or EPC (Engineering, procurement, and construction) contracting companies having unlevered balance sheets, maintaining working capital within manageable limit would benefit in the long run.

Toll revenues improved substantially post implementation of FASTag. Average Daily toll collection improved to Rs. 140 crore (as per the National Payments Corporation of India) during H1'FY23 and it would get a substantial boost with the commencement of Green Expressways over the next 2-3 years.

"There is significant thrust from the government to build and improve infrastructure across the country."

*-**Sachin Wankhede,** Fund Manager*

3 There is significant Government focus on infrastructure, what does it mean for the sector from a credit quality point of view?

The Government has been developing infrastructure across various segments such as Road, Airport, Power, Railways, Irrigation either through EPC and / or PPP (public–private partnership) basis. Every year, Budgetary allocation of Central Government for these has been rising. In this year's Union Budget too, significantly high allocation to infrastructure segments by way of increased capital expenditure to Rs.10 lakh crore, the highest ever, will massively boost the infrastructure sector.

In the road sector, many EPC contractors experienced funding issues in execution of projects on PPP basis due to their small size, lack of technical knowhow and modest balance sheet size and therefore, Government started to award projects on EPC and HAM (hybrid annuity model) basis since 2016. Timely payment on a milestone basis improved their working capital substantially and helped them grow bigger over a period without taking substantial leverage on their balance sheets. This led to an increase in competition in the road sector. Certain players successfully offloaded their investments in HAM and / or Toll Projects into InvITs (Infrastructure Investment Trusts) and freed up their capital for future growth.

Right policies, efficient management of working capital, timely capital raise through asset monetization for future growth and deleveraging have benefitted players in the infrastructure sector immensely.

4 Between residential and commercial real estate, which segment looks promising in 2023?

Growth in the residential segment appears better as compared to commercial segment, however rising interest cost may have some adverse impact. Average quarterly sales for the past 4 quarters have been higher and remain consistently above the pre-Covid era, despite rising interest rate by RBI to contain inflation.

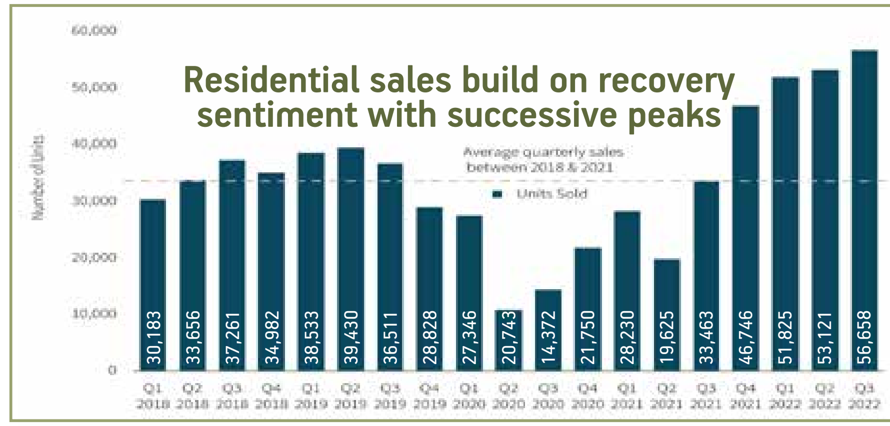
However, sales in FY'23 are expected to be only a tad above FY'2012 - 2013 level (which was ~ 1,92,000 units). Real Estate sector has been under pressure for the past 8-9 years due to various macro-economic issues either internationally or domestically and Covid-19 was responsible for consolidation of Residential Real market. Demand for residential properties increased significantly and clear shift in preferences can be seen tilting towards large and reputed developers.

Due to robust demand, developers could pass on the cost increase to end users. Homebuyers have become more cautious while making home purchase decisions. Their willingness to pay premium increased for projects by large developers, with an established track record. These developers are also adopting new technologies to improve efficiency and product developments, taking into account homebuyers' preferences.

The performance of commercial real estate has been resilient. Occupancy of Grade A property developers has been stable for the past few quarters despite absorption being lower than supply.

Physical occupancy has improved significantly in the past few quarters across 7 major cities in India post resumption of office activity. Average lease rentals increased by 4% Y-O-Y in Q3'CY23 (JLL Report).

Meanwhile, India is expected to remain a preferred choice for Global Capability Center (GCC) as it can provide Grade A property at affordable rate and availability of large talent pool at significantly lower cost than other geographies. However, due to global headwinds such as geopolitical tensions, slow down in U.S and Europe, there would be delay in decision making with respect to renting office space by these GCCs.



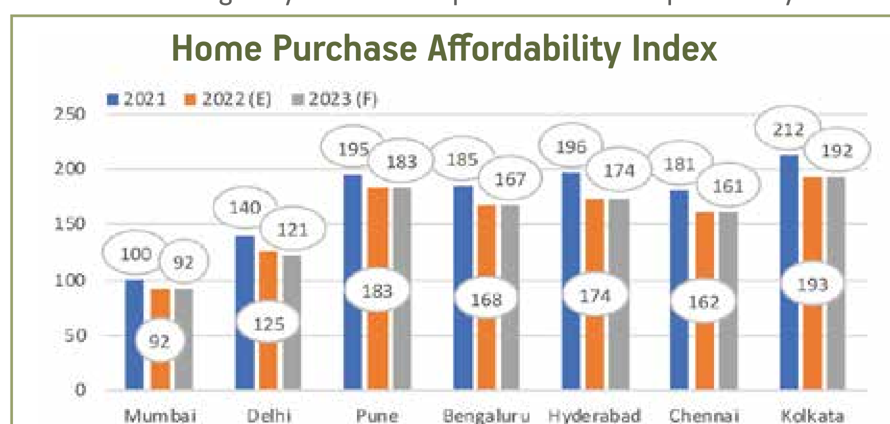
Source: JLL

5 In a high interest rate scenario would demand be sticky? To what extent would it impact growth?

Post Covid, demand from home buyers increased substantially. As per Jones Lang LaSalle (JLL) report, residential sales across the top seven cities of India for the first nine months of 2022 (Jan-Sep 2022) recorded at over 161,000 units. The strong sales were backed by healthy consumer demand and quality launches by developers. Increased demand from both mid and premium segments could be seen.

A major price hike was experienced during Covid period, when interest rates were low and price hike was possible due to robust demand.

The Home Purchase Affordability Index was highest during 2021, however, the same has marginally deteriorated post increase in repo rates by RBI.



Source: JLL

PASSENGER & COMMERCIAL VEHICLES TO LEAD AUTO SECTOR GROWTH

Subir Sen
Senior Analyst
Sector Specialisation – Diversified

1 What is the overall outlook for the auto sector in 2023 and which segments are to drive growth?

Our outlook covers broadly the following segments: Passenger Vehicles (PV), Commercial Vehicles (CV), Tractors, and 2-Wheelers.

We have a positive outlook on the PV segment and expect good growth to sustain. We expect demand to be led by new model launches and Utility vehicles. The demand in the small car segment is likely to be weak. The chip shortage issue that was of concern is now almost behind us. The domestic demand growth in CVs is broad-based (across tonnages) and replacement cycles are reviving. The Light Commercial Vehicles (LCV) segment has surpassed FY19 level (in H1), though Medium and Heavy Commercial Vehicles are still falling behind. The momentum in CVs is likely to continue with FY24 expected to be new CV cycle peak. Government's planned increase in infra-structure spending, booming e-commerce business and recovery in economic activity will aid in improvement in fleet utilization rates, freight rates and profitability of fleet operators. 9month-FY23 domestic volumes were highest for the Tractor segment as compared to corresponding period in last 5 years (FY19 to FY23); volumes are now closer to cyclical peak. We expect low to mid-single digit domestic volume growth in FY23 and flattish growth in FY24. The 2-wheeler segment looks lacklustre with a slow pace of recovery.

2 Could there be some demand pressure with likely increase in vehicle prices in CY23?

Tougher BS VI Stage 2 (or Real Driving Emission) norms effective April 2023 will push up vehicle cost (more so for certain diesel car variants); 6 air bags norm effective October 2023 will push up entry level car prices, which will put pressure on their demand. Certain low selling car models, which may become economically unviable with the new norms, may be discontinued. Though there will be some cost increase in CVs due to BS VI Stage 2 implementation, that will not deter the demand momentum. In general, we expect OEMs (original equipment manufacturers) to take price hikes only in those variants where the demand is good, as otherwise, they will try to hold prices and even offer discounts to support demand. Discounts in entry level segments can increase.

3 How long before the 2-wheeler and 3-wheeler segment turn a corner? With the likely revival of rural economy, do you expect a recovery soon?

At the current run rate, FY23 domestic volume for two-wheelers will be behind FY18 level. With normal monsoon and expectation of government's support to boost rural economy prior to 2024 General Elections, ~10% growth is expected in FY24. Thus, volume will not be able to surpass FY19 peak even in FY24. Three-wheeler domestic volume will take somewhat longer time (maybe FY26 or thereabout) to be closer to previous peak of FY19.

"Though there will be some cost increase in CV due to BS VI Stage 2 implementation, that will not deter the demand momentum."

*-**Subir Sen,** Senior Analyst*

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