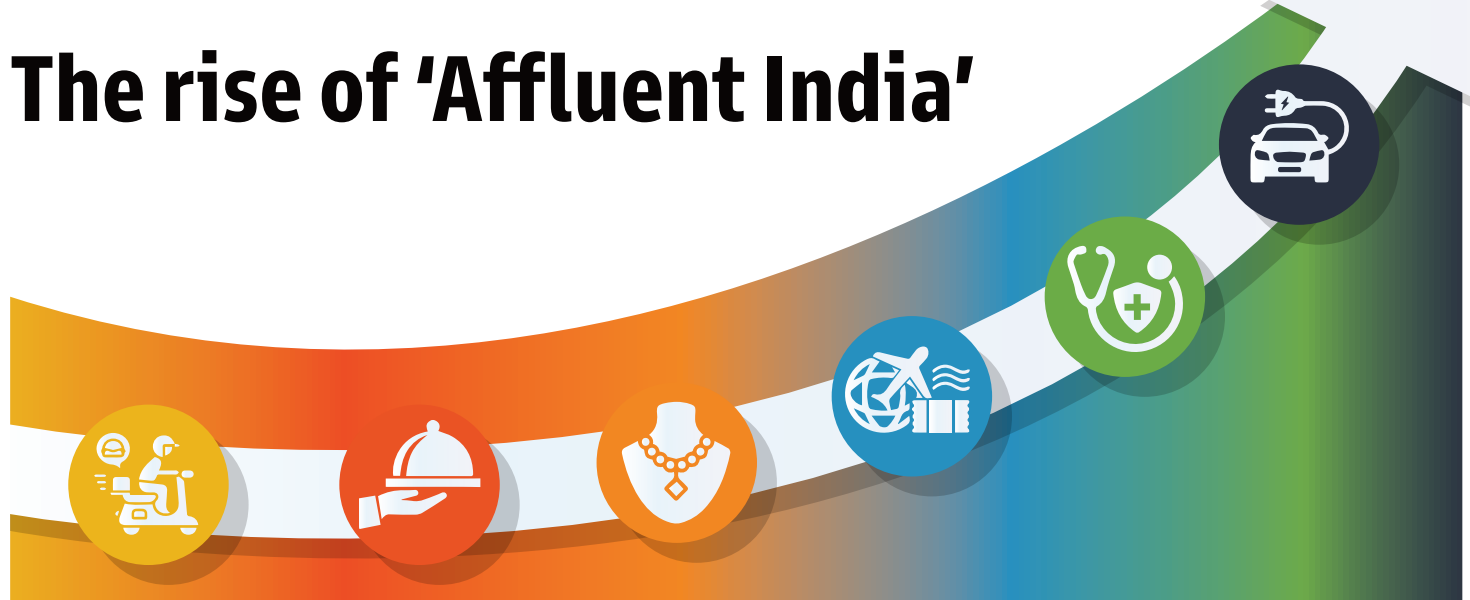


# The rise of 'Affluent India'



**The rapidly growing cohort of 'affluent' consumers in India:** Only ~4% of India's working age population has a per capita income of over US\$10,000, projecting to ~60mn consumers. Corroborating data across tax filings, bank deposits, credit cards and broadband connections, we estimate that this consumer cohort has grown at a 2019-23 CAGR of over 12%, compared to ~1% CAGR of India's population. If the current trajectory continues, we expect 'Affluent India' will grow to ~100mn consumers by 2027.

**Strong wealth effect kicking in:** India's market cap has increased over 80% over the past 3 years with rising retail participation. Gold price also rose 65% over 2020-23. As a result, the total value of Indian holdings of equities and gold has increased from US \$1.8tn to US\$2.7tn. Property prices rose ~30% over FY19-23, compared to an increase of ~13% over FY15-19.

**'Higher for longer' growth for top end consumption; we prefer businesses with a moat:** The largest beneficiary of rising 'Affluent India' are categories such as leisure, jewellery, out-of-home food and healthcare, and premium brands within all categories. With double digit CAGR in the consumers in the 'Affluent India' cohort, we expect mid-teens growth in these categories over the medium term. This 'higher for longer' growth will imply sustenance of rich valuations. While there are many stocks that are exposed to these segments, we prefer companies that also have a competitive moat. Our top ideas are **Titan, Apollo, Phoenix, Makemytrip, Zomato, Devyani, Sapphire and Eicher**. They derive their moat from 1) strong brand (eg Titan, Eicher), 2) entry barriers from high cost/gestation of creating new business (eg Apollo, Phoenix), 3) network effect (eg Zomato).

**'Affluent India' outperforming broad-based consumption, seeing consensus upgrades:** In the past 3 years, companies which address top end consumption have grown faster compared to those that address broad based consumption. In the past 12 months, our 'Affluent India' list of stocks has seen 7% upgrade in FY24 consensus revenue estimates, vs 3% downgrade for the broad-based consumption names. Key risks include rising competitive intensity and a sharp correction in asset prices that impairs the wealth effect.

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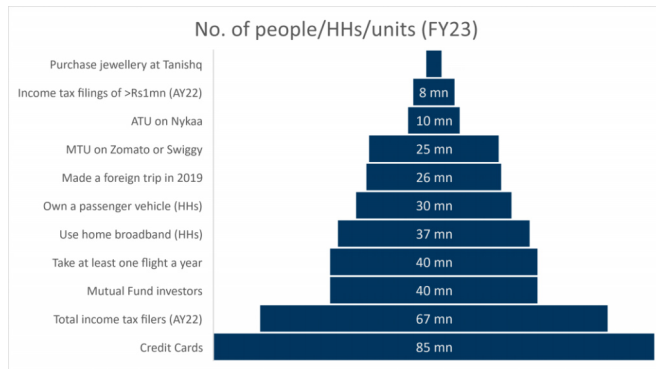
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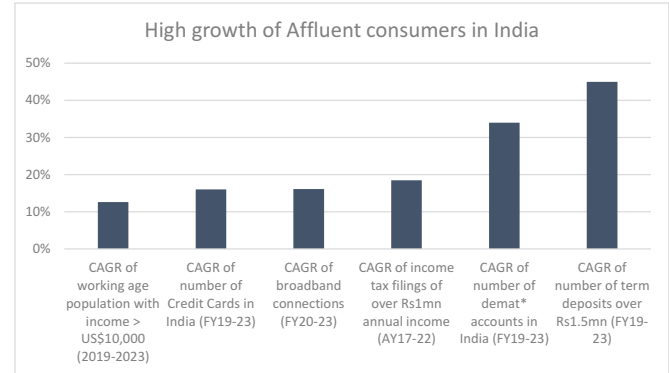
# Focus charts

**Exhibit 1: Affluent India - number of consumers for discretionary products/services and tax filings below 100mn**



Source: Company data, RBI, Government of India, Goldman Sachs Global Investment Research

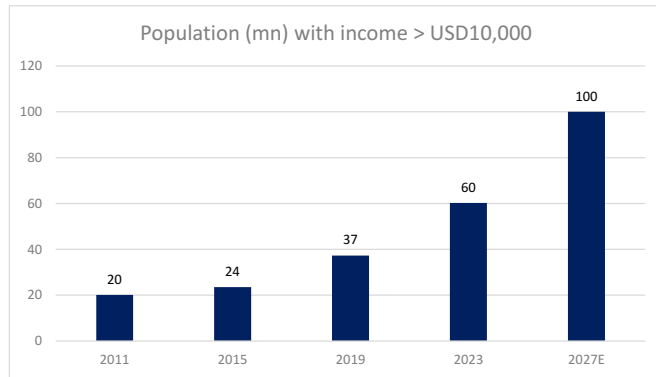
**Exhibit 2: Multiple data points corroborate mid teens growth in number of 'Affluent' consumers in India**



\*Demat accounts are stock trading accounts in India

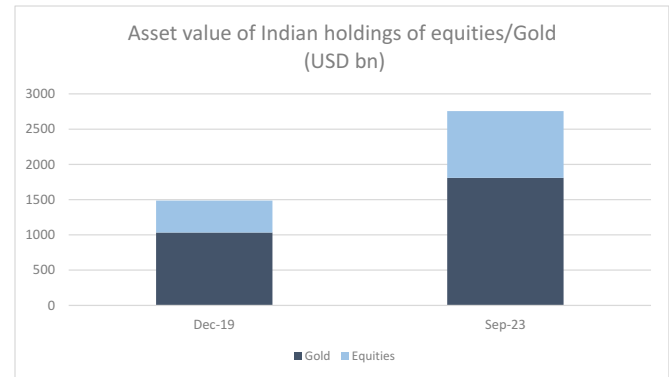
Source: Company data, RBI, Government of India, Goldman Sachs Global Investment Research

**Exhibit 3: We expect the population with income of more than US\$ 10,000 to rise to over 100mn by 2027, growing at a 13% CAGR**



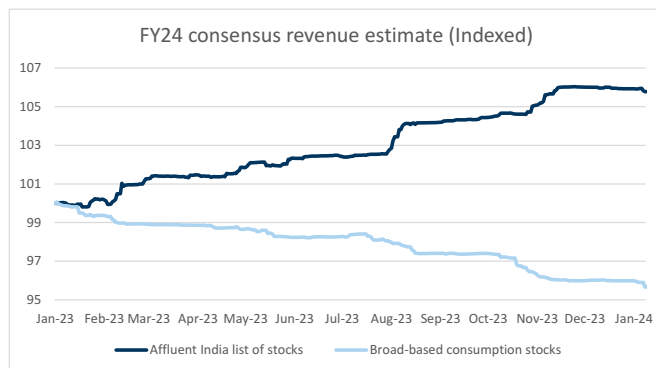
Source: Euromonitor, Goldman Sachs Global Investment Research

**Exhibit 4: Equities and gold have driven a strong increase in wealth in India over the past 4 years**



Source: Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 5: 'Affluent India' list of stocks has seen consensus upgrades, compared to downgrades for broad-based consumption stocks**



Source: Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 6: Top investment ideas from GS India coverage on 'Affluent India'**

	Play on rising 'Affluent India'?		Play at the premium end	Competitive advantage / entry barriers
	Headroom* vs China/Brazil > 5x	Headroom* vs top 10% of Urban India > 5x		
Titan		High	Yes	High
Makemytrip	High	High		Mid
Apollo	High	High	Yes	High
Zomato	High	High		High
Devyani	High	High		Mid
Sapphire	High	High		Mid
Eicher			Yes	High
Phoenix		High	Yes	High

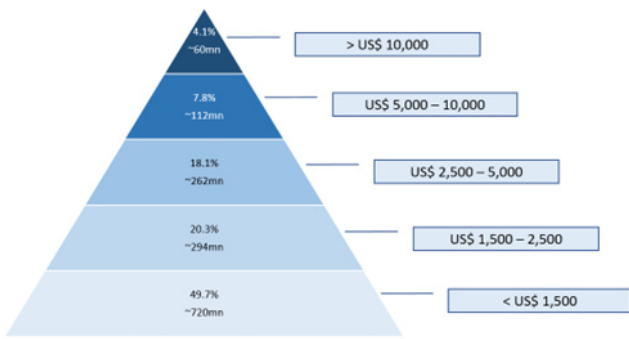
\*Headroom is the per capita consumption vs India's average consumption

Source: Goldman Sachs Global Investment Research

# 'Affluent India' comprises ~60mn consumers, and is growing by double digits

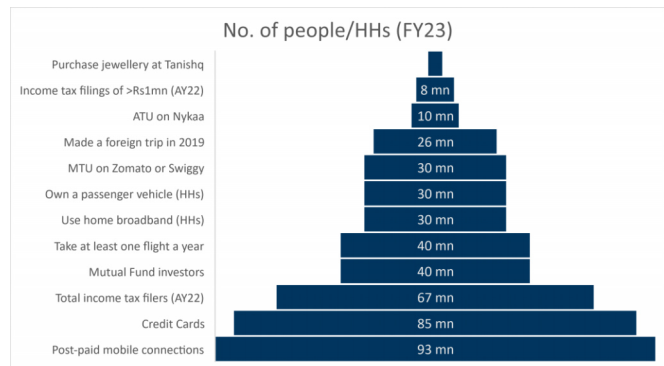
The top 4% of the working age population in India has a per capita income greater than ~US\$10,000 per annum, compared to India's average per capita income of ~US\$2,100. We refer to this top income consumer cohort as 'Affluent India'. 'Affluent India' comprises ~44mn of the working age population in 2023, which can be projected to ~60mn of the total population (based on ~1.07bn working age population and ~1.42bn total population). This number of consumers (~60mn) and households (~12-14mn) also corroborate with the household penetration or number of consumers utilising various discretionary products and services in India. For example, there are ~40mn consumers who travel by air in India every year, ~30mn monthly transacting users for online food aggregators, ~30mn broadband connections and ~26mn international travelers from India.

**Exhibit 7: India's income pyramid - ~4% of the working age population at an income level of over US\$ 10,000/annum (2022)**



Source: Euromonitor, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 8: Affluent India - number of consumers for discretionary products/services and tax filings below 100mn**



Source: Company data, RBI, Government of India, Data compiled by Goldman Sachs Global Investment Research

## Affluent India's population is growing by double digits

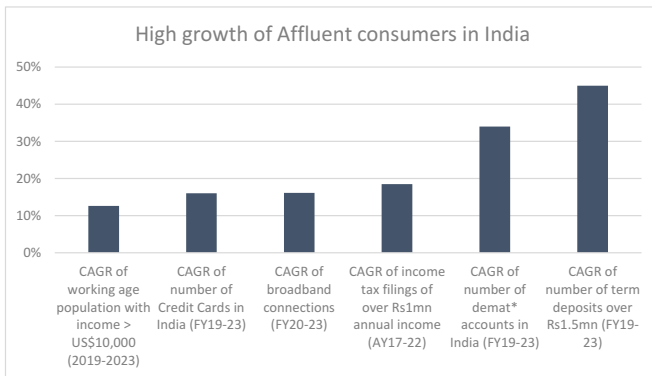
The number of people in 'Affluent India' has been growing by a double digit CAGR over FY19-23, compared to the overall population CAGR in India of ~1%. We looked at various data points which corroborate the disproportionate growth of 'Affluent India'. Assuming the growth rate at ~13% CAGR of the past 4 years sustains over the next 4 years as well, we expect Affluent India's population to rise from ~60mn in 2023 to ~100mn in 2027.

- Income segmentation:** The total number of people with an income over US\$10,000 in the working age population of India has grown at a CAGR of 12.6% over FY19-23, as per Euromonitor. This compares with the overall working age population CAGR in India of 1.4% over FY19-23.
- Income tax filing data in India:** The total number of individuals filing income tax returns disclosing income of over Rs1mn (~US\$12,000) has grown at a CAGR of ~19% over AY17-22, compared to the overall growth of income tax filings which has

grown at a CAGR of 8% in the same period.

- **Bank term deposits:** The number of individual term deposits in banks above Rs1.5mn (~US\$18,500) has grown at a CAGR of 45% over FY19-23, while the number of term deposits below the Rs1.5mn has grown at a CAGR of 3% over the same period.
- **Credit Card numbers:** The number of credit cards in India has grown at a CAGR of 16% over FY19-23, compared to the number of debit cards which grew at a CAGR of ~1% in the same period. There were ~85mn credit cards in India in FY23, compared to ~960mn debit cards.

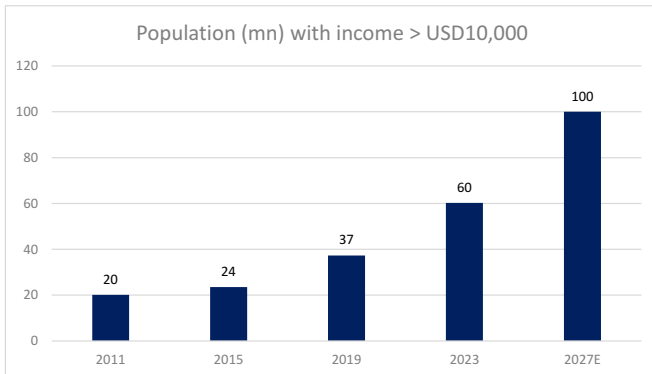
**Exhibit 9: Multiple data points corroborate mid teens growth in the number of 'Affluent' consumers in India**



\*Demat account is a stock trading account in India

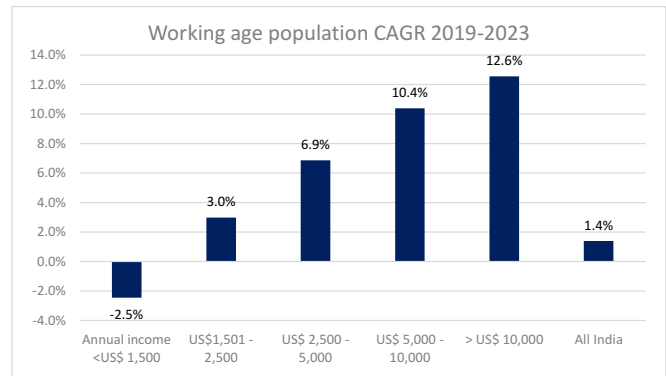
Source: Company data, Euromonitor, RBI, Government of India, Goldman Sachs Global Investment Research

**Exhibit 11: We expect the population with income of more than US\$ 10,000 to rise to over 100mn by 2027, implying double-digit CAGR**



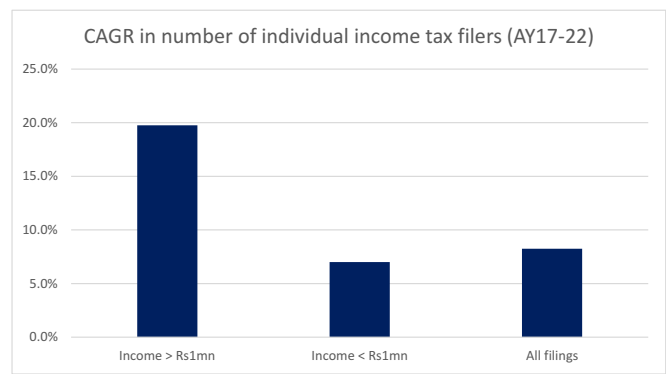
Source: Euromonitor

**Exhibit 10: Working age population with income over US\$ 10,000 has been growing at 12.6% CAGR over 2019-2023**



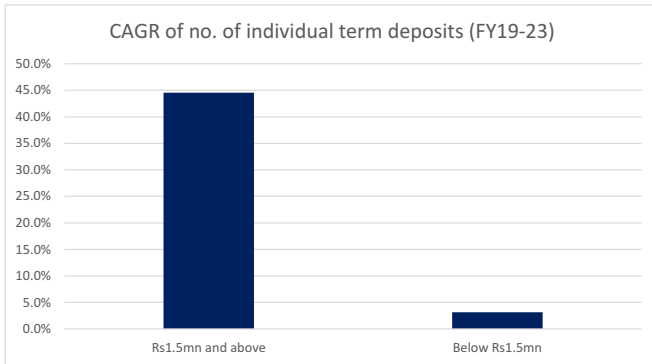
Source: Euromonitor

**Exhibit 12: The CAGR of income tax filers disclosing over Rs1mn of annual income grew is growing at a 19% CAGR**



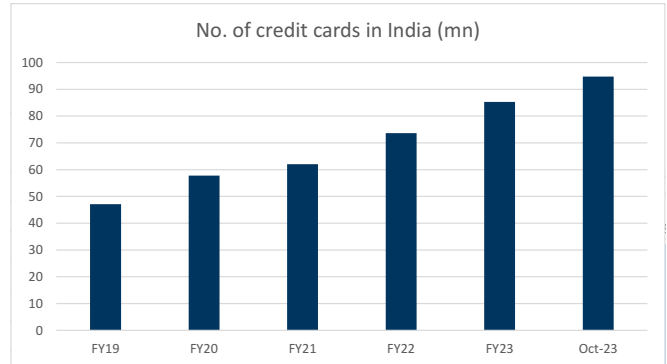
Source: Government of India, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 13: There has been rapid growth in bank term deposits over Rs1.5mn**



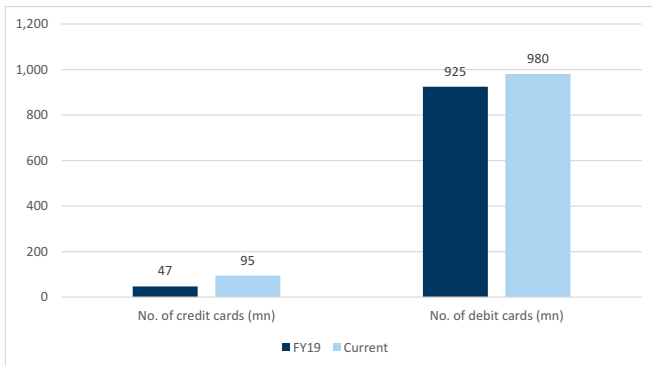
Source: RBI

**Exhibit 14: Credit cards have doubled in India since FY19 from below 50mn to just above 90mn**



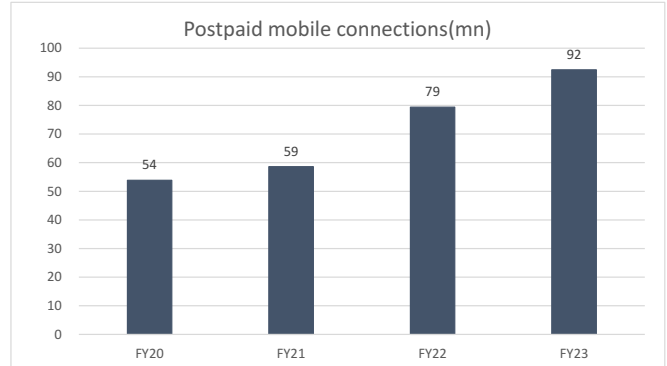
Source: RBI

**Exhibit 15: Number of credit cards issued have doubled since FY19; while debit cards have seen only a marginal increase**



Source: Company data, RBI

**Exhibit 16: The number of postpaid mobile connections has grown strongly over FY20-23**

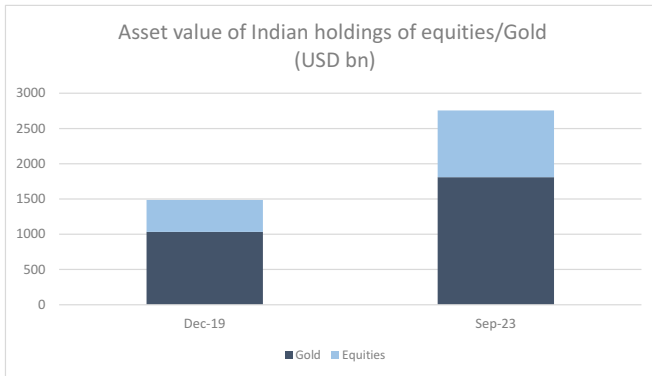


Source: Company data

## Wealth effect has been very strong in the past few years

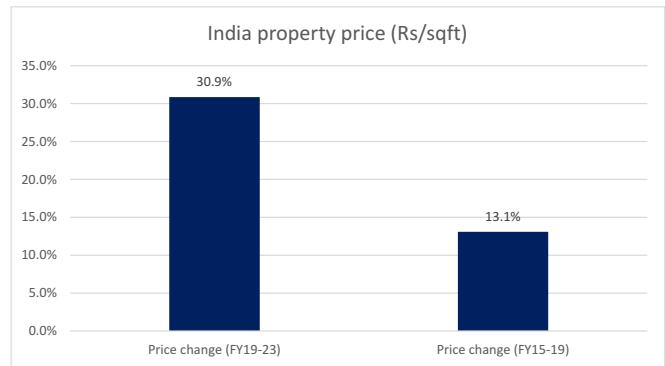
There has been a significant increase in the value of financial and physical assets in India in the past 3 years which is driving an increasing wealth effect in 'Affluent India'. The three key asset classes that have seen a large increase in value over FY19-23 have been 1) equities, 2) gold and 3) property. The increase has been the largest for equities and gold, while property prices have seen a higher rate of appreciation in the past 3-4 years.

**Exhibit 17: Equities and gold have driven a strong increase in wealth in India over the past 4 years**



Source: Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 18: The rate of property price appreciation has increased post FY19**

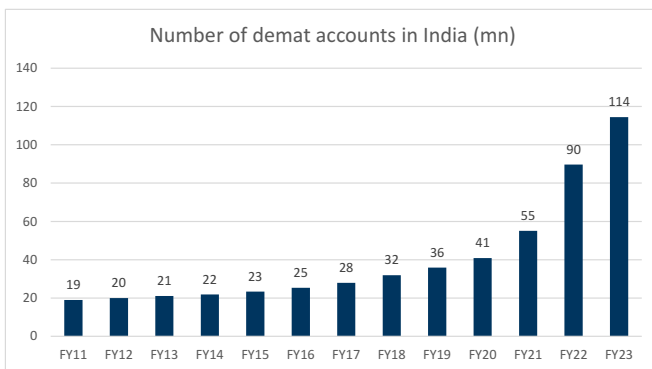


Source: Propequity, Goldman Sachs Global Investment Research

**Equities - rising value of holdings and increasing participation in the market**

The market cap of the Indian stock market has risen by 80% from 1st January 2020 (just before the COVID disruption led market fall) to 1st January 2024. In the same period we have also seen the participation of retail investors rising in the Indian equity market. The number of ‘demat accounts’ (electronic accounts to trade shares in the stock market) has increased from ~41mn in FY20 to ~114mn in FY23. Also, the net flow of household savings into shares has seen a large increase since FY17 and has been consistently high over FY17-23, which could imply continued rising participation in the equity markets, in a period of strong market returns. The ownership of equities by consumers is held through direct retail shareholding and through mutual funds. Both of these have seen an increase in the past few years. The total ownership of BSE 200 by direct retail investors has increased from 8.5% in Dec-19 to 9.8% in Sep-23, while the ownership of domestic mutual funds has increased from 8.1% in Dec-19 to 9.2% in Sep-23.

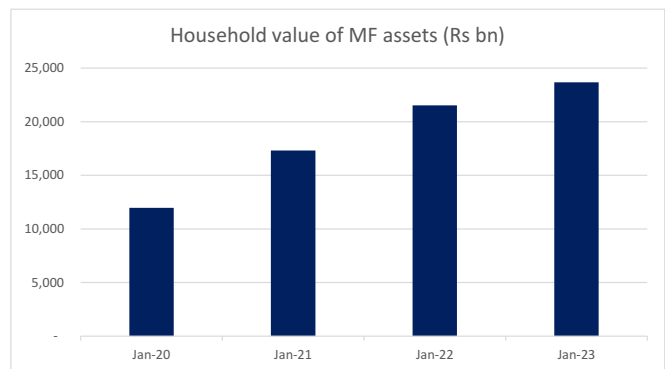
**Exhibit 19: The number of ‘demat’ accounts in India before FY20 was only 40mn**



\*Demat account is a stock trading account in India

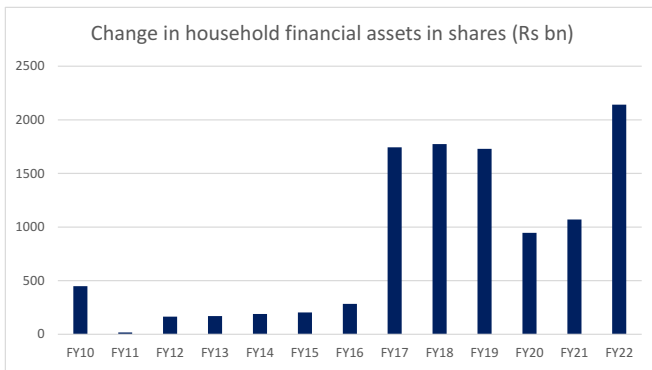
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 20: The household value of mutual fund assets has doubled in the past 3 years**



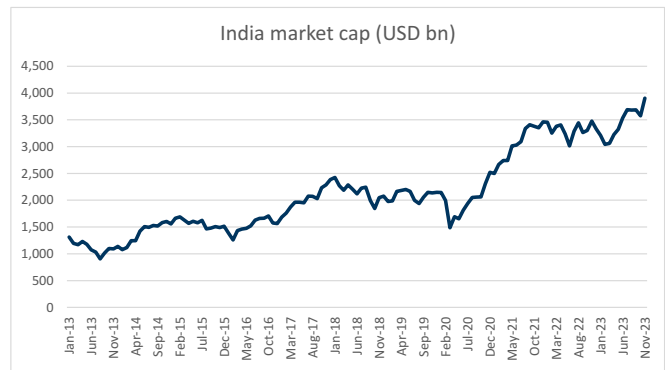
Source: RBI

**Exhibit 21: Households have been deploying more savings into shares in the past 5 years**



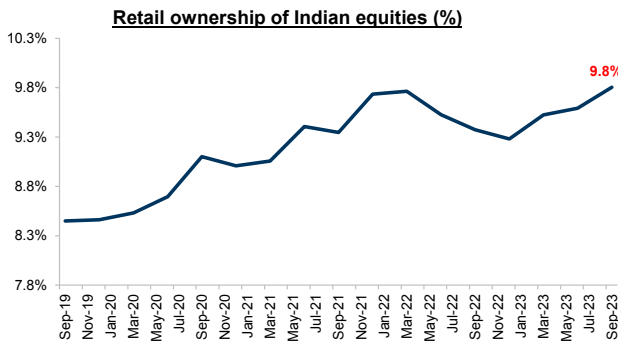
Source: RBI

**Exhibit 22: India's market cap has more than doubled since 2019**



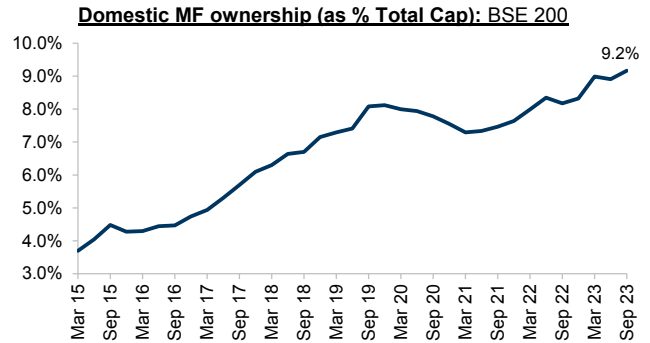
Source: Bloomberg

**Exhibit 23: Retail ownership of Indian equities has risen significantly post 2019**



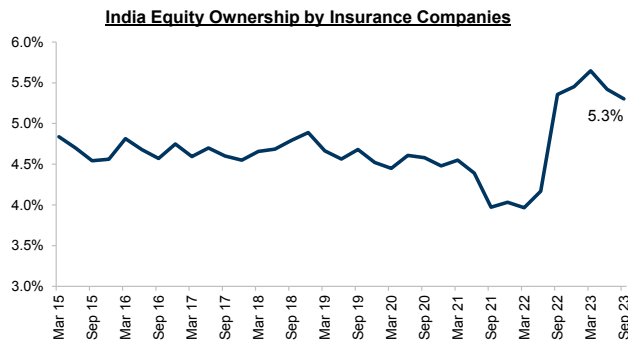
Source: Capitaline, Goldman Sachs Global Investment Research

**Exhibit 24: Domestic mutual fund ownership in BSE 200 has more than doubled post 2015**



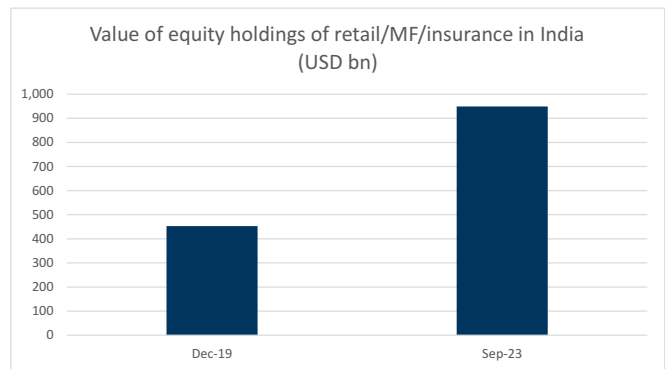
Source: Capitaline, Goldman Sachs Global Investment Research

**Exhibit 25: Indian equity ownership by insurance companies has also risen since 2019**



Source: Capitaline, Goldman Sachs Global Investment Research

**Exhibit 26: Value of equity holdings of individuals has risen ~2x since Dec-19**



Source: Capitaline, Goldman Sachs Global Investment Research

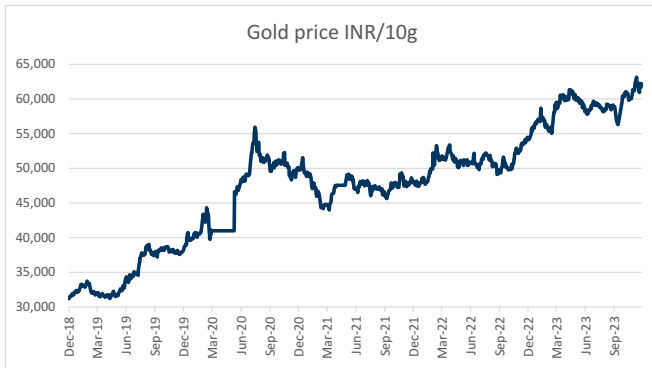
**Indian households own ~10% of global physical gold, which has appreciated sharply over FY20-23**

Indian households hold ~25,000 tons of gold representing ~10-11% of the world's physical gold stock, as per the World Gold Council. The price of gold has increased from



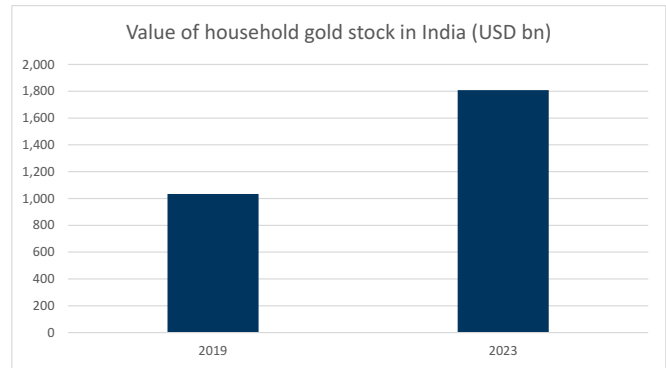
an average of Rs39,900/10gm in January 2020 to an average of Rs62,200/10gm in December 2023, a ~65% increase. The value of the total stock of household gold in India has increased from US\$1.1tn to US\$1.8tn over 2019 to 2023. This sharp increase would be a key component of the rising wealth effect on 'Affluent India'. While a significant amount of gold is held as jewellery in households, it is still seen as a store of value and this contributes to the wealth effect.

**Exhibit 27: Price of gold has seen a sharp increase post 2019**



Source: Bloomberg

**Exhibit 28: The value of the household stock of gold has increased sharply in the past 4 years**



Source: Bloomberg, Goldman Sachs Global Investment Research

**Property prices have seen a change in trajectory**

While property prices have not risen as sharply as gold and equities, there has clearly been a change in the pace of increase in property prices in India in the past few years. The average property prices in India have risen ~30% over FY19-23, compared to a much slower increase of ~13% over FY15-19, according to Propequity data.

**Top end consumption growing much faster than broad based consumption**

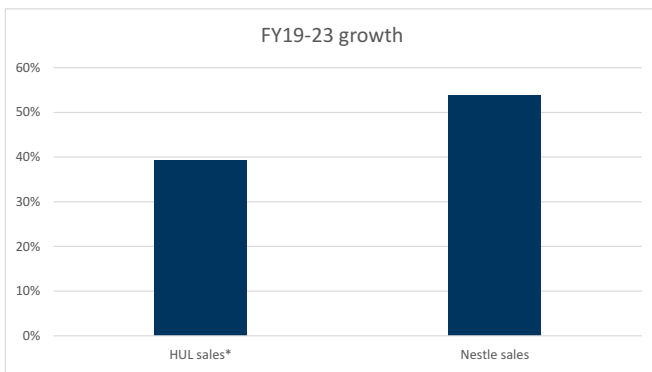
In the past 3 years we have seen a large divergence in growth rates of consumer companies and categories in India. One of the key factors driving this is that companies which address consumption from the top end of India’s income pyramid have grown much faster compared to companies in the same category which address broad based consumption in India.

- **Premium players within the same category growing faster:** In most industries, we have seen companies which address relatively more affluent consumers have been growing faster than companies which address broad based or mass consumption. These trends are visible in FMCG (Nestle India growing faster than Hindustan Unilever), footwear (Metro growing faster than Bata), fashion (Trent growing faster than V-Mart), passenger vehicles (SUVs growing faster than entry level cars) and 2-wheelers (Eicher growing faster than the industry).
- **Within companies, premium segments have grown faster:** Within the same company, we have seen a sharp divergence in the premium portfolio and the mass portfolio. HUL’s premium portfolio has grown 2x that of the company’s overall

revenue growth. For United Spirits, the 'Prestige & above' segment brands have grown much faster than 'popular' segment brands. These trends are in concurrence with the data showing the much faster growth of Affluent India, which is likely to continue going forward.

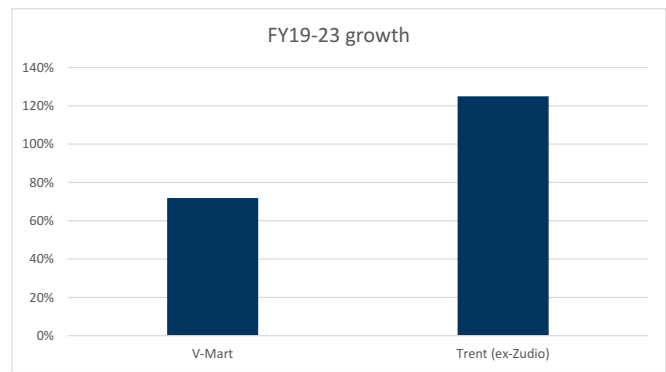
- Companies exclusively addressing premium consumers growing rapidly:** Companies in categories which largely address top income consumption like jewellery (Titan), travel (Makemytrip, Indian Hotels), premium retail (Phoenix Mills), premium online beauty (Nykaa) and premium healthcare (Apollo Hospitals) have seen strong growth.
- Credit Card spending has increased 2.5x since FY19:** Credit cards tend to be largely used by upper income consumers. There are slightly more than 90mn credit cards in India (having grown from slightly below 50mn in FY19). Many consumers have more than one credit card. Thus, most credit cards are likely to be owned by our definition of 'Affluent India', which compares to ~60mn consumers. The total spend on credit cards has increased 2.5x if we take the trailing 12 months vs FY19.

**Exhibit 29: Nestle India has grown faster than HUL in the past 4 years**



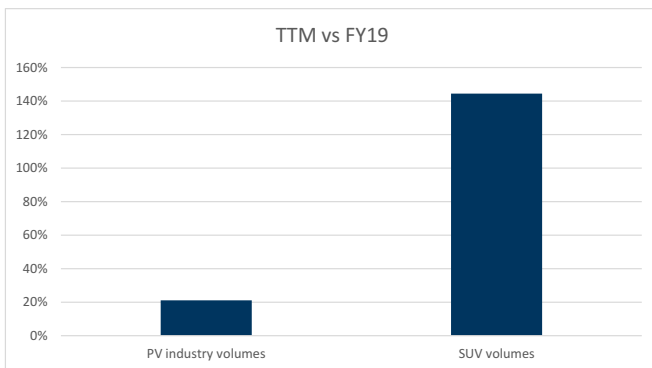
Source: Company data, Goldman Sachs Global Investment Research, \*HUL organic sales growth (ex-Nutrition)

**Exhibit 30: Trent has seen much faster growth than V-Mart in the past 4 years**



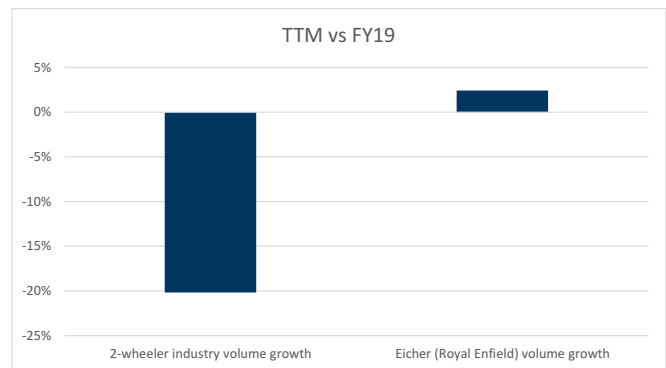
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 31: SUV volume growth has outpaced overall car sales substantially**



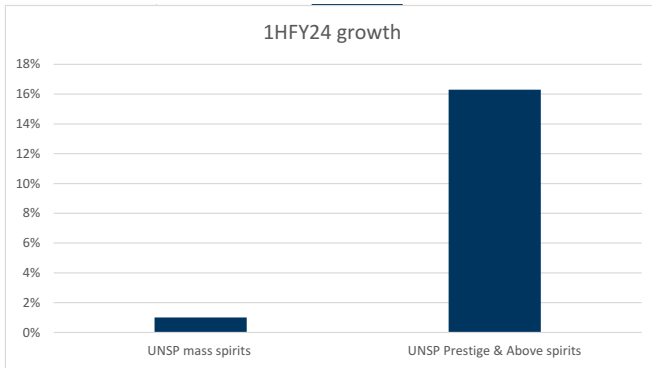
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 32: Royal Enfield volumes have recovered slightly above pre-Covid levels but 2-wheeler industry volumes continue to be substantially below**



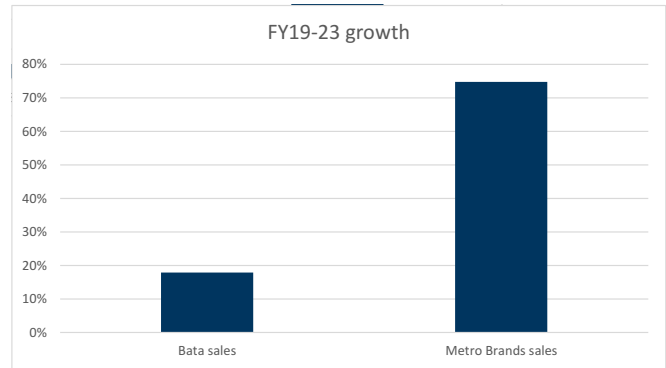
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 33: The 'Prestige & above' brands of United Spirits have grown much faster than the company's 'popular' brands**



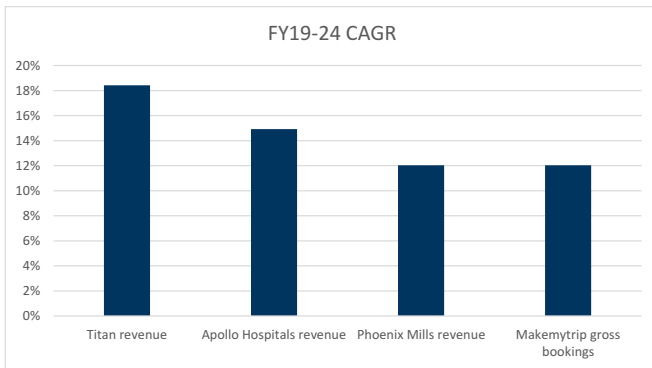
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 34: Metro has grown much faster than Bata in the past 4 years**



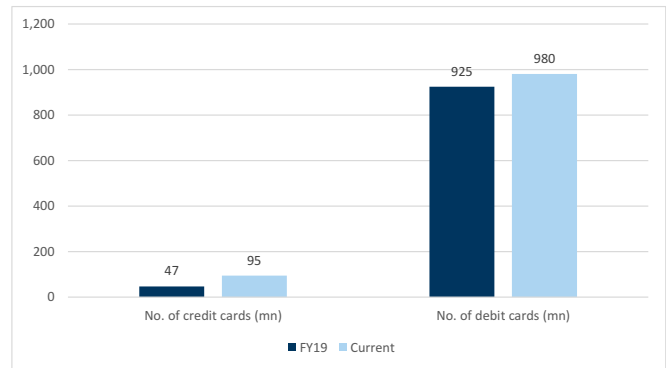
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 35: Companies which largely address upper income consumers have seen a strong CAGR over FY19-24E**



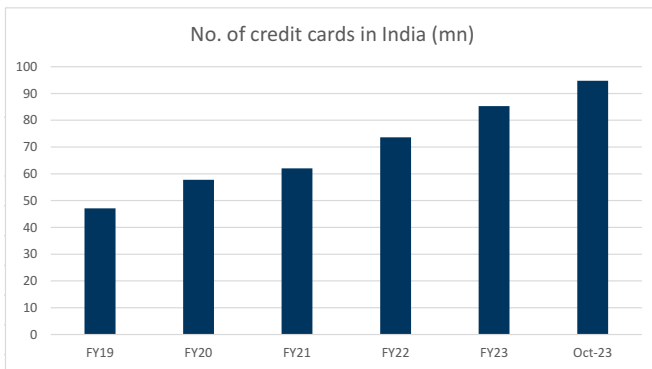
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 36: Number of credit cards issued have doubled since FY19; while debit cards have seen a marginal increase**



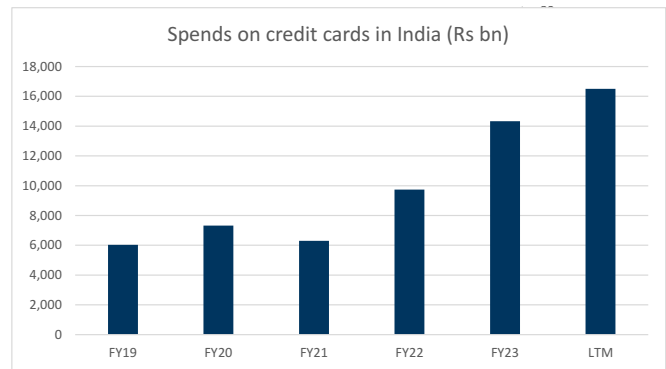
Source: Company data, RBI

**Exhibit 37: The number of credit cards have doubled over FY19**



Source: RBI, Goldman Sachs Global Investment Research

**Exhibit 38: Spending on credit cards in the last twelve months are 2.5x higher than FY19 levels**



Source: Company data, RBI, Goldman Sachs Global Investment Research

**Top end consumption has continued to outperform even post the removal of COVID restrictions**

The initial hypothesis was that the divergence in consumption for companies that

address top end consumption compared to those that address broad based consumption was due to the impact of COVID restrictions. COVID restrictions had a greater impact on low income jobs like those in the service industries such as hotels and restaurants. However, COVID restrictions were fully lifted in early 2022, and yet the divergence in growth rates has continued till the end of 2023. We are now 24 months post the lifting of all restrictions, and most services shut down during COVID have fully opened up. The divergence was not just caused by COVID restrictions, but by fundamentally faster growth of 'Affluent India', due to the many factors we discussed.

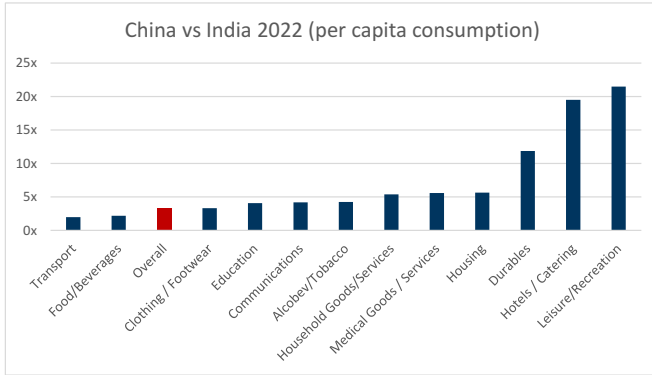
## Leisure, Jewellery, Out-of-home food, Healthcare likely to be the key beneficiaries

The rapid growth of 'Affluent India' is likely to have a disproportionate impact on categories which derive a large part of their consumption from the top 50-60mn consumers in India. Also, as the size of Affluent India expands to ~100mn over the next 4 years, more categories could become net beneficiaries. To identify which categories see the largest increase in consumption as the number of consumers in Affluent India rises rapidly, we look at three different approaches.

- **Comparison of consumption in India with other countries at ~USD10,000 per capita income:** We compared the category wise per capita consumption of India with other large economies such as China/Brazil, which have a per capita income of ~USD10,000. The largest gap in per capita consumption for China/Brazil (which are at an average per capita income of ~USD10,000) with the India average is in categories like leisure/hotels/recreation/out of home food/durables, followed by medical services. In China/Brazil, the per capita consumption in leisure/hotels/recreation/out-of-home food is ~18-20x that of India, compared to overall consumption which is 2-3x that of India. As the population of 'Affluent India' grows at a double digit CAGR, we expect high growth in these categories in India.
- **Comparison of India's average consumption with the top 10% of urban India:** We compared the category wise per capita expenditure of the top 10% of urban India with the overall India average consumption expenditure. The top 10% of urban India represents ~3.5% of the population, very similar to the population proportion of 'Affluent India' as per our calculations. The largest gap in per capita consumption for the top 10% of urban India compared to the average per capita consumption in India, is in durable goods, healthcare services, jewellery, and out of home food. In these categories, the per capita consumption in the top 10% of urban India was 8-10x that of the average of India. As the population of 'Affluent India' grows at a double digit CAGR, we expect high growth in these categories in India.
- **Current consumer base of various premium brands/categories:** We look at brands / categories which largely address the top 15-20 million households or the top 60mn consumers in India. The bottom up data in some of these categories also indicate that they largely address Affluent India currently. For example, there are ~40mn flight passengers in India every year, the total monthly active users for online

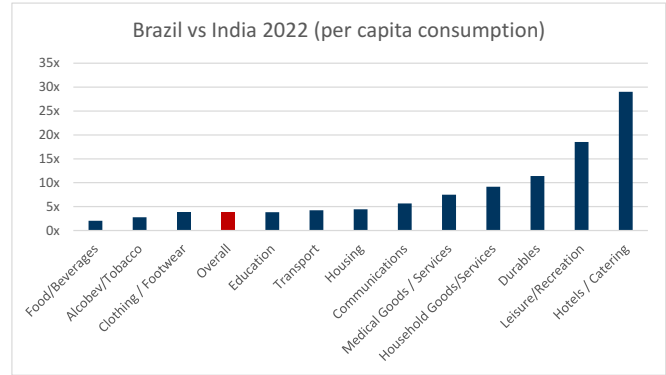
food delivery is ~25-30mn, Titan's jewellery business has an annual transacting user base of less than 3mn consumers in India and Nykaa's online beauty business has ~10mn annual transacting consumers. Travel/leisure, out of home food (online food delivery/QSR) and jewellery largely address Affluent India and thus are likely to benefit as this segment grows rapidly. Also, premium brands within categories largely address Affluent India. These would be premium 2-wheelers/cars, premium fashion retail, premium personal care and premium healthcare.

**Exhibit 39: Per capita consumption gap between India and China is highest in Leisure, Hotels, Durables and Catering**



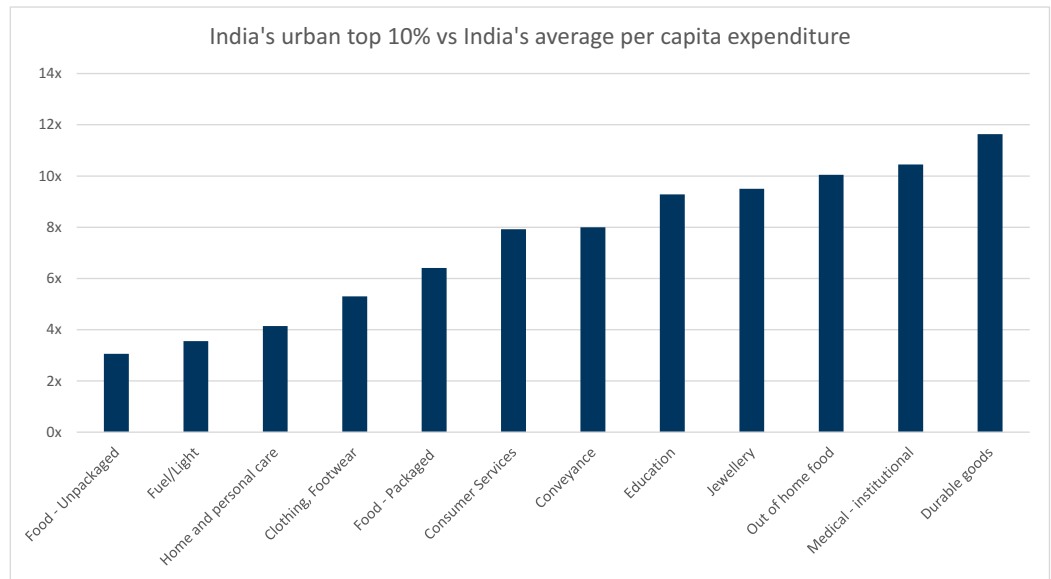
Source: Euromonitor

**Exhibit 40: Per capita consumption gap between India and Brazil is highest in Leisure, Hotels, Durables and Catering**



Source: Euromonitor

**Exhibit 41: The largest increase in consumption for top 10% of urban India vs the average consumption in India are in durable goods, medical services, out of home food and jewellery**















Source: NSSO, Goldman Sachs Global Investment Research

## Investment ideas exposed to the rise of 'Affluent India' - higher growth for longer

We look at investment ideas based on the analysis in the above section, which either play on 1) categories like jewellery, healthcare, travel/leisure and out of home food or 2)

have a major focus on premium brands within any category. These categories are likely to see high growth rates sustain for a longer period, given the double digit CAGR of the 'Affluent India' consumer cohort. The following is a list of categories that benefit from rising 'Affluent India' and a list of stocks (including stocks not in GS coverage) which have exposure to these categories.

**Exhibit 42: Companies with exposure to categories which benefit from rising Affluent India and those positioned at the premium end of large categories**

Category	Headroom vs. China/Brazil	Headroom vs. top 10% of urban India	Key companies
 Travel	HIGH ↑	HIGH ↑	Makemytrip, Interglobe
 Leisure	HIGH ↑	HIGH ↑	Indian Hotels, Lemon Tree
 Healthcare	HIGH ↑	HIGH ↑	Apollo, Max, Medanta, Fortis
 Jewellery		HIGH ↑	Titan, Kalyan
 Out of home food	HIGH ↑	HIGH ↑	Zomato, Jubilant, Devyani, Sapphire, Westlife
 Packaged Foods		HIGH ↑	Nestle, Tata Consumer
 Premium Retail		HIGH ↑	Phoenix Mills
 Premium 2-wheelers		HIGH ↑	Eicher
 Premium cars / SUV		HIGH ↑	M&M
 Premium Beauty		HIGH ↑	Nykaa, Honasa
 Premium Fashion		HIGH ↑	Trent, Vedant, Page
 Premium Real Estate		HIGH ↑	Oberoi Reality, DLF, Prestige

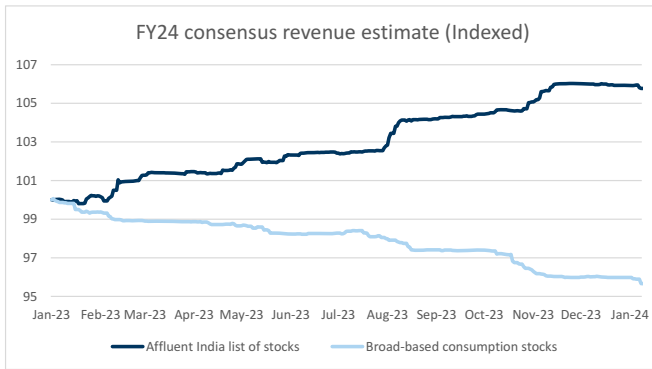
\*Headroom is the per capita consumption vs India's average consumption

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

### **Consensus estimates for 'Affluent India' exposed stocks have seen consistent upgrades, while that of broad based consumption has seen downgrades**

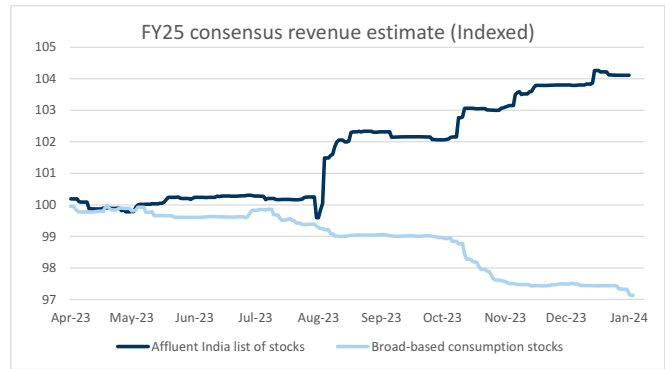
Our analysis also shows that the Bloomberg consensus revenue estimate of this list of stocks has seen consistent upgrades in the past 2 years, as they have continued to positively surprise the market on growth expectations. On the other hand, the list of consumer stocks which address broad based consumption (home and personal care, mass 2-wheelers, paints, mass footwear, mass fashion) has seen downgrades in consensus revenue estimates in the same period. Thus, the positive surprise delivered by the 'Affluent India' list has not been driven by a broad based tailwind in overall consumption growth in India. Rather, it has grown in an environment where broad based consumption has been muted.

**Exhibit 43: 'Affluent India' list has seen consensus sales upgrades for FY24, in an environment where there have been downgrades for the 'broad-based' India consumption names**



Source: Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 44: 'Affluent India' list has seen consensus sales upgrades for FY25, in an environment where there have been downgrades for the 'broad-based' India consumption names**



Source: Bloomberg, Goldman Sachs Global Investment Research

**Top picks within GS India coverage - marrying the top down and bottom up factors**

While there are many stocks which benefit from the rapid consumption growth of 'Affluent India', not all of these businesses have the competitive advantages and business model strength to sustain their competitive positions as competition rises. Hence, we combine the 1) top down beneficiaries of rising Affluent India and 2) the bottom up view of these companies in terms of business model strength, past execution track record and future plans. The top stock ideas within GS India coverage to play this theme are **Titan, Apollo Hospitals, Makemytrip, Eicher Motors, Zomato, Devyani, Sapphire and Phoenix Mills**. Not only do these benefit from the rise of 'Affluent India', but we also see these as high quality businesses with strong competitive advantages, proven track records of past performance and market leadership within their segments. This gives us greater confidence that they will be able to hold their competitive position within these high growth categories. We have detailed sections in the report on each of these companies and their investment theses and the impact of rising consumption in 'Affluent India'.

## Exhibit 45: Top investment ideas from GS India coverage on our 'Affluent India' framework

	Does the category play on rising 'Affluent India'?		Does the company play at the premium end?	Does the company have a strong competitive advantage?
	Headroom* of per capita consumption vs. China/Brazil > 5x	Headroom* of per capita consumption vs. top 10% of Urban India >5x		
Titan		High ↑	Yes	High - Aspirational brand 'Tanishq' and the trust of the Tata corporate brand in jewellery
Makemytrip	High ↑	High ↑		Mid- Scale helps in better supplier terms, and higher ability to invest in customer acquisition
Apollo	High ↑	High ↑	Yes	High - Entry barriers due to High capex and long gestation period, and trusted healthcare brand
Zomato	High ↑	High ↑		High - Network effects in food delivery, scale/sourcing advantage in grocery
Devyani	High ↑	High ↑		Mid - KFC has a near monopoly in fried chicken, with a profitable store model
Sapphire	High ↑	High ↑		Mid - KFC has a near monopoly in fried chicken, with a profitable store model
Eicher			Yes	High - Unique adventure motorcycle brand 'Royal Enfield'
Phoenix		High ↑	Yes	High - Entry barriers given shortage of quality retail space in large cities and relationship with anchor tenants

\*Headroom is the per capita consumption vs India's average consumption

Source: Company data, Goldman Sachs Global Investment Research

### Key risks to the investment case based on the sustained growth of 'Affluent India'

We discuss the key risks to the investment case for stocks which play on the growth of 'Affluent India'.

- Rise of competitive intensity in attractive categories can hurt incumbents and the profit pool:** The high growth in categories which address the top end of the income pyramid in India will naturally attract competition from new entrants (including international brands) and also from existing companies. This can hurt the incumbents' market share and can also lower the profit pool of the category if there is aggressive price led competition. For example, premium beauty is seeing many new brands scale up (Mamaearth being a good example) and restaurants are seeing many new brands expanding (La Pino Pizza is an example). Thus, the incumbents will have to have strong competitive advantages to be able to hold their market shares and pricing power in these segments.
- A correction in asset prices could affect the wealth effect:** The wealth effect from the sharp increase in the stock market and gold can reverse if there is a substantial correction in asset prices. This can impact the positive sentiment and affluent consumers could also slow down the rate of consumption growth.
- Significant change in government policies on taxation could hurt purchasing power:** There could be a risk to disposable income growth for affluent consumers if



the government significantly raises income tax rates for upper income consumers. As only ~6.5% of the Indian working age consumers pay income tax, the impact of tax increases will largely be on upper income consumption.

## Titan Company: Industry tailwinds coupled with execution, maintain Buy

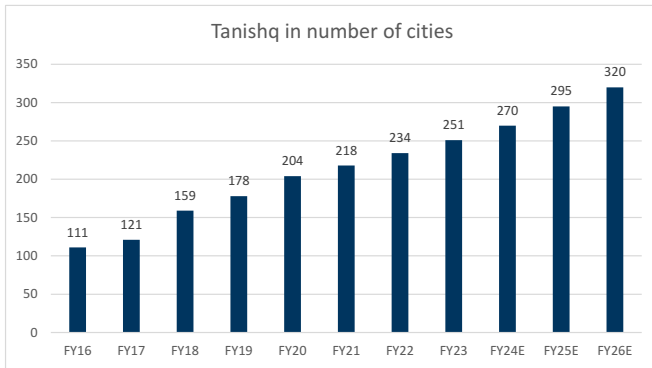
TITN.BO		12m Price Target: Rs4125	Price: Rs3714.35	Upside: 11.1%	
<b>Buy</b>		<b>GS Forecast</b>			
		<b>3/23</b>	<b>3/24E</b>	<b>3/25E</b>	<b>3/26E</b>
Market cap: Rs3.3tr / \$39.7bn	<b>Revenue (Rs mn) New</b>	<b>405,750.0</b>	<b>465,380.4</b>	<b>556,288.4</b>	<b>656,926.2</b>
Enterprise value: Rs3.4tr / \$40.6bn	Revenue (Rs mn) Old	405,750.0	460,595.9	550,594.8	646,141.9
3m ADTV: NA	EBITDA (Rs mn)	48,790.0	54,612.9	67,505.0	81,637.7
India	<b>EPS (Rs) New</b>	<b>36.61</b>	<b>40.71</b>	<b>52.06</b>	<b>63.35</b>
India Consumer	EPS (Rs) Old	36.61	40.70	51.50	61.40
	P/E (X)	66.4	91.2	71.4	58.6
M&A Rank: 3	P/B (X)	18.2	23.0	18.6	15.1
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	0.5	0.3	0.4	0.4
	CROCI (%)	30.3	23.6	23.4	25.6
		<b>3/23</b>	<b>6/23E</b>	<b>9/23E</b>	<b>12/23E</b>
	EPS (Rs)	8.22	8.48	10.31	11.96

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Jan 2024 close.

**Titan plays on rising consumption of Affluent India:** Titan has a ~7-8% market share in jewellery (FY22), which is largely the upper income end of jewellery consumption given the higher mix of diamond jewellery and complex gold jewellery compared to other large organized jewellers and mom-and-pop stores. Thus, the total number of annual transacting consumers at Titan's flagship retail brand for jewellery 'Tanishq' is less than 3 million a year, likely at the top end of our estimate of 'Affluent India'. Titan is priced at a premium to most other jewellers in the market due to its aspirational brand, range of offerings and transparent policies around exchange of old jewellery. As we expect the cohort of 'Affluent India' consumers to grow by a double digit CAGR, Titan will have a natural tailwind of increasing consumer footfall and rising market share.

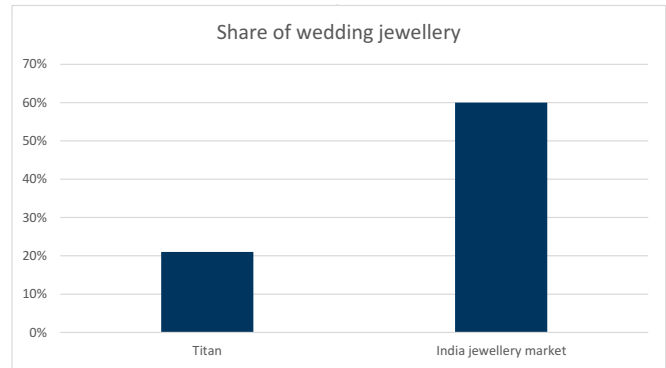
**Titan has a strong market share gain led growth story:** Nearly ~65% market share in the jewellery market is with standalone mom-and-pop jewellery stores. Titan is gaining market share in the jewellery market through 1) entering new cities, 2) increasing its share of wedding jewellery by greater regional customization and 3) international business expansion. We expect Titan's jewellery network for the flagship format 'Tanishq' to expand from 250 cities in FY23 to 320 cities in FY26. The company continues to focus on regionalization of wedding jewellery designs, as Titan is significantly under indexed in wedding jewellery vs the overall India jewellery market.

**Exhibit 46: Store expansion a key growth driver for Tanishq**



Source: Company data, Goldman Sachs Global Investment Research

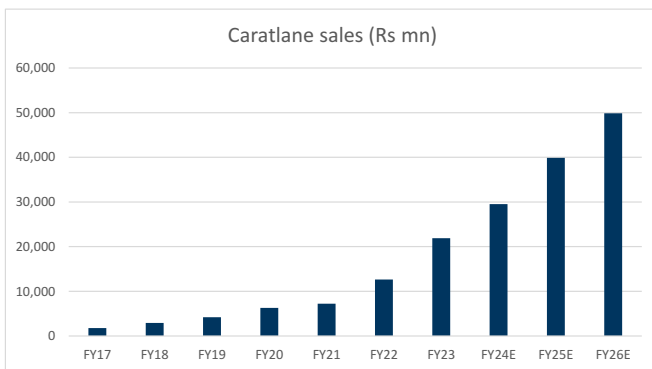
**Exhibit 47: Tanishq is focusing on increasing its share of wedding jewellery, where the company is under indexed**



Source: Company data, Goldman Sachs Global Investment Research

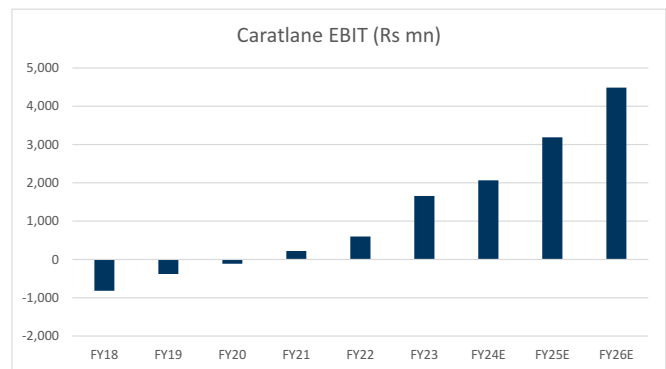
**Caratlane is a new growth engine for Titan:** Caratlane is India’s leading digital first omni channel jewellery brand, and represents ~7% of Titan’s sales in FY24E. Successful expansion of the Caratlane brand has meaningfully expanded the relevant jewellery TAM for Titan, creating a new long-term growth driver. Caratlane caters to 1) younger consumers, 2) lower ticket diamond jewellery and 3) gifting occasions. These consumers, products and occasions are to a great extent different from Titan’s flagship jewellery business Tanishq, which has average ticket sizes 5x that of Caratlane, a high 70% sales of gold jewellery and has more middle-aged consumers. We estimate Caratlane’s FY23E gross margins were higher than Titan’s core jewellery business by ~1000bps, while EBIT margins were ~500bps lower. As operating leverage kicks in with scale, we expect Caratlane’s EBIT margins to converge with Titan’s core jewellery business.

**Exhibit 48: We expect strong growth in Caratlane revenues to continue**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 49: We also expect Caratlane’s EBIT to grow as scale benefits kick in**



Source: Company data, Goldman Sachs Global Investment Research

**We increase our estimates, and raise target price:** We increase our FY25E/FY26E earnings estimates by ~1%/3%, to build in 1) faster growth in the core Tanishq business, 2) margin expansion in Caratlane. We also raise our target multiple to ~65x (from 60x), which is in-line with the 5-year average 1-year forward PE for Titan. Given the past track record, visibility of market share gains, greater conviction on stronger growth in ‘Affluent India’ consumption and scale up of new growth drivers like Caratlane, we

believe Titan is unlikely to trade at a discount to its 5-year average PE in the medium term. As a cross-check, the reverse DCF on Titan implies a 15% revenue CAGR. The number of consumers in the Affluent India cohort is growing at 13-15% CAGR, and hence a company like Titan which is gaining market share and also scaling up new business segments is likely to grow ahead of 15%. We also roll forward valuation to Q5 to Q8 earnings. Our target price increases to Rs4,125 (prior Rs3,525). We maintain Buy.

## Eicher Motors: Moat in premium 2W segment + unique position in EV transition; Buy

EICH.BO	12m Price Target: Rs4700	Price: Rs3887.45	Upside: 20.9%		
<b>Buy</b>	<b>GS Forecast</b>				
		<b>3/23</b>	<b>3/24E</b>	<b>3/25E</b>	<b>3/26E</b>
Market cap: Rs1.1tr / \$12.8bn	<b>Revenue (Rs mn)</b>	<b>144,422</b>	<b>163,167</b>	<b>182,961</b>	<b>207,554</b>
Enterprise value: Rs1.0tr / \$12.6bn	EBITDA (Rs mn)	34,436	42,657	51,231	59,262
3m ADTV: NA	<b>EPS (Rs)</b>	<b>106.34</b>	<b>147.91</b>	<b>174.35</b>	<b>201.52</b>
India	P/E (X)	29.4	26.3	22.3	19.3
India Autos	P/B (X)	5.7	5.9	5.0	4.2
	Dividend yield (%)	1.2	1.2	1.4	1.6
M&A Rank: 3	CROCI (%)	17.5	19.3	20.3	20.9
Leases incl. in net debt & EV?: Yes					
		<b>9/23</b>	<b>12/23E</b>	<b>3/24E</b>	<b>6/24E</b>
	EPS (Rs)	37.06	36.14	41.22	42.77

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11 Jan 2024 close.

### Usually the 2nd or 3rd motorcycle in a customers' ownership journey,

**representing aspirational positioning:** 350cc+ segment volumes have been consistently outgrowing the broader 2W market. Eicher Motors is India's market leader in premium motorcycles (cruisers, roadsters, adventure motorcycles marketed under the Royal Enfield brand name). ~85% of its revenue is from the domestic India market where the 350cc+ motorcycle category has been growing at a +11% CAGR over FY15 to FY23 vs the broader 2W market which has been flat over this time frame. In FY24 YTD, 350cc+ motorcycles saw growth of +15% vs the broader 2W market of +7%. Approximately 85% of Royal Enfield customers upgraded to Royal Enfield from other 2W brands. Royal Enfield is typically not the first motorcycle that a customer owns (only 7% of Royal Enfield customers are first time motorcycle buyers).

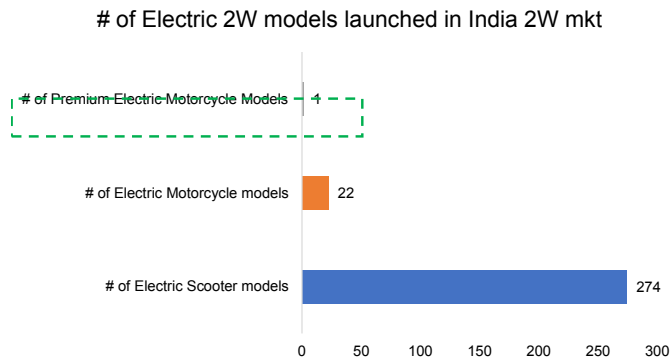
**Premium pricing, superior scale setup profitable growth journey:** Royal Enfield's ASP is ~3x compared to the ASP of the average motorcycles sold by peers like Hero, Bajaj or TVS Motor. The strong brand legacy (established in the 1950s), evolved product offering, lifestyle appeal (many car owners also own Royal Enfield motorcycles as a second vehicle for leisurely rides – breakfast rides, hill expeditions and so on); and the strong sense of community building as part of the 'Royal Enfield Owner Group' are all strong draws for aspirational motorcycling customers. This is manifested in Eicher Motors' industry high profitability. At 26%+ EBITDA margin profile as of end Sept, 2023, it is the most profitable auto OEM in India and the third most profitable Auto OEM globally after Ferrari and Porsche. The company's long history of manufacturing and evolving this segment has helped it to build more durable moats including the market leading brand status, wide aftersales network (important for premium motorcyclists and offroaders), efficient cost structure, as well as faster time to market between product

conceptualization and launch.

**Resilience to competitive challenges built on merit of product design and portfolio evolution:**

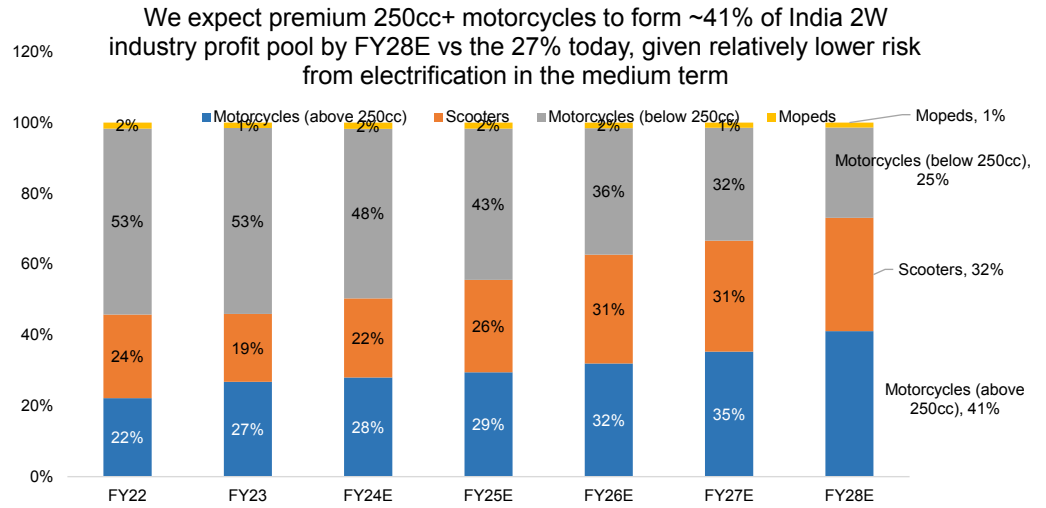
The company expects the domestic India premium motorcycling market to reach 2mn units by 2030 vs 1mn units today, representing forward volume growth potential in this category of 10%+ CAGR. Royal Enfield presently enjoys ~85% market share in the India 350cc+ motorcycles segment. More than 80% of Eicher Motors’ SOTP value comes from the Royal Enfield business. We like the investment case at Royal Enfield given the company’s exposure to the premiumization trend that characterizes automotive purchasing in India as well as (1) Lower near term risk from electrification in premium motorcycling; (2) Strong pipeline of upcoming product launches (Shotgun 650 unveiled, ~10 new models / refreshes expected over the next 3 years); (3) Ability to withstand multiple competitive threats (initially from Bajaj, Honda, Jawa Motorcycles Yezdi, TVS Motor) and more recently from Harley Davidson and Triumph; and (4) Upside optionality from higher contribution by more profitable accessories / merchandising business. We are Buy rated with a SOTP based TP of Rs4,700.

**Exhibit 50: Only 1 out of the ~300 electric 2Ws launched so far have comparable performance to the premium motorcycle (250cc+) segment where Royal Enfield is active**



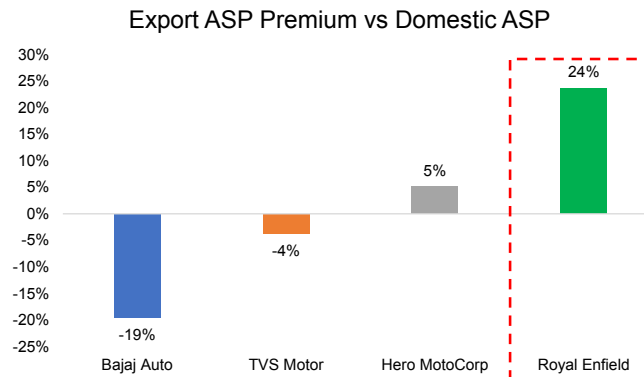
Source: Bikedekho, Zigwheels, Goldman Sachs Global Investment Research

**Exhibit 51: We expect premium 250cc+ motorcycles to form ~41% of India 2W industry EBITDA profit pool by FY28E vs 27% today, given relatively lower risk from electrification in the medium term**



Source: SIAM, Company data, Goldman Sachs Global Investment Research

**Exhibit 52: Export sales are most accretive to overall ASP for Royal Enfield vs other listed motorcycle companies in India, as their motorcycles sell in more developed markets vs peers who sell into emerging markets**



Source: Company data, Goldman Sachs Global Investment Research

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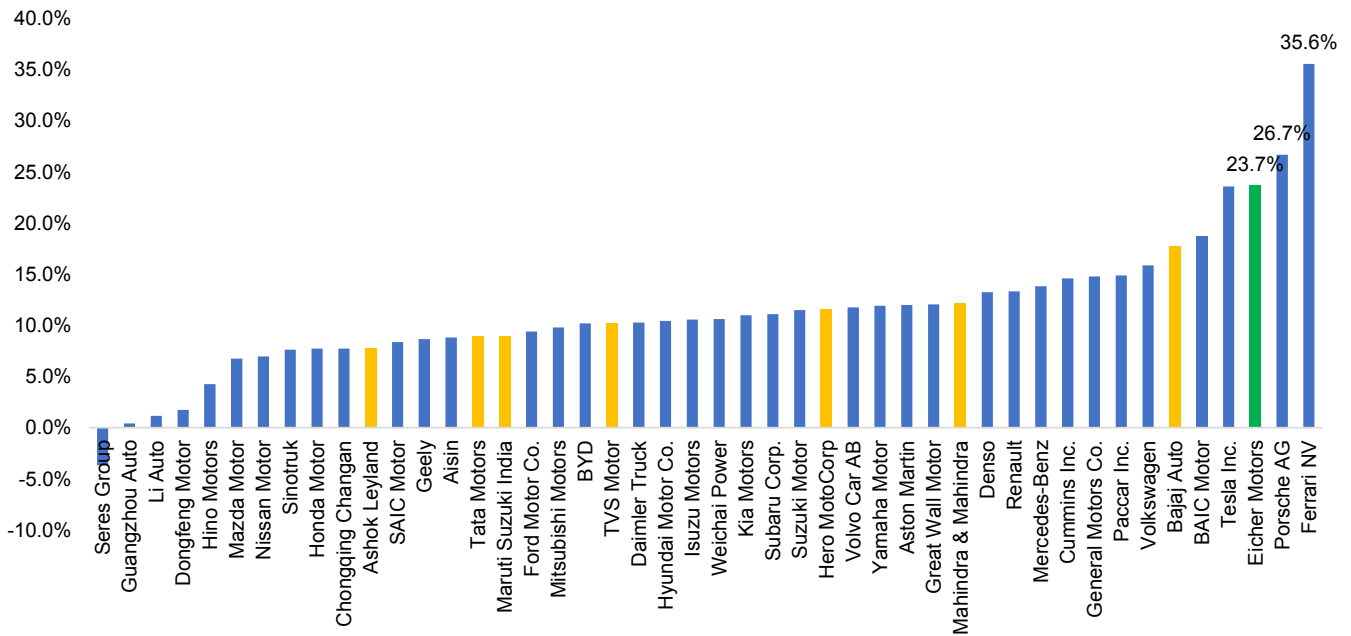
**Exhibit 53: 250cc+ motorcycles have been the fastest growing motorcycle category (by volume) in 7 of the past 10 years in the Indian 2W mkt**

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
75-110cc Motorcycles	5%	1%	-3%	-3%	15%	13%	-24%	-15%	-8%	5%
110-125 cc Motorcycles	-1%	-9%	1%	6%	16%	-11%	22%	2%	-9%	22%
125-250cc Motorcycles	1%	15%	0%	18%	5%	12%	-25%	-11%	-23%	22%
<b>250cc+ Motorcycles</b>	<b>71%</b>	<b>62%</b>	<b>52%</b>	<b>31%</b>	<b>25%</b>	-1%	-18%	-10%	<b>-6%</b>	<b>38%</b>
Scooters	23%	25%	12%	11%	20%	0%	-17%	-20%	-11%	22%
Mopeds	-8%	5%	-4%	23%	-3%	2%	-28%	-3%	-23%	-7%

Source: SIAM, Goldman Sachs Global Investment Research

**Exhibit 54: Eicher Motors is currently the 3rd most profitable listed Automotive OEM globally, behind Ferrari and Porsche**

Last Financial Year EBITDA margin (%) of Global Auto OEMs



Source: Company data, Datastream, Data compiled by Goldman Sachs Global Investment Research



## Devyani and Sapphire (Yum India franchisees): KFC poised for rapid store expansion

<b>DEVY.BO</b>	<b>12m Price Target: Rs210</b>	<b>Price: Rs186.85</b>	<b>Upside: 12.4%</b>
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Buy		GS Forecast			
		3/23	3/24E	3/25E	3/26E
Market cap: Rs225.2bn / \$2.7bn	<b>Revenue (Rs mn)</b>	<b>29,977</b>	<b>33,731</b>	<b>42,210</b>	<b>51,091</b>
Enterprise value: Rs240.6bn / \$2.9bn	EBITDA (Rs mn)	6,556	6,692	9,200	11,685
3m ADTV: NA	<b>EPS (Rs)</b>	<b>2.37</b>	<b>1.22</b>	<b>2.23</b>	<b>3.20</b>
India	P/E (X)	72.3	153.7	84.0	58.4
India Consumer	P/B (X)	21.4	20.3	16.4	12.9
	Dividend yield (%)	--	--	--	--
M&A Rank: 3	CROCI (%)	27.0	21.8	24.2	25.4
Leases incl. in net debt & EV?: Yes					
		<b>6/23</b>	<b>9/23E</b>	<b>12/23E</b>	<b>3/24E</b>
	EPS (Rs)	0.49	0.39	0.13	0.17

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Jan 2024 close.

### Exhibit 55:

<b>SAPI.BO</b>	<b>12m Price Target: Rs1850</b>	<b>Price: Rs1440.35</b>	<b>Upside: 28.4%</b>
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Buy		GS Forecast			
		3/23	3/24E	3/25E	3/26E
Market cap: Rs91.5bn / \$1.1bn	<b>Revenue (Rs mn)</b>	<b>22,656</b>	<b>26,033</b>	<b>32,647</b>	<b>39,238</b>
Enterprise value: Rs100.9bn / \$1.2bn	EBITDA (Rs mn)	4,284	4,833	6,492	8,086
3m ADTV: NA	<b>EPS (Rs)</b>	<b>36.73</b>	<b>11.01</b>	<b>20.60</b>	<b>30.45</b>
India	P/E (X)	34.3	130.9	69.9	47.3
India Consumer	P/B (X)	6.4	6.9	6.3	5.6
	Dividend yield (%)	0.0	0.0	0.0	0.0
M&A Rank: 2	CROCI (%)	21.0	18.4	20.9	21.8
Leases incl. in net debt & EV?: Yes					
		<b>6/23</b>	<b>9/23E</b>	<b>12/23E</b>	<b>3/24E</b>
	EPS (Rs)	3.93	2.40	3.07	1.56

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Jan 2024 close.

**QSR players will continue to benefit as number of 'Affluent Indians' grow at double-digits:** QSR has been the fastest growing restaurant format in India with ~25% CAGR over FY10-20. We believe that demand from the Affluent India cohort has been a key driver of QSR growth. The customer base of QSR in India at ~30mn is a subset of our estimate of ~60mn 'Affluent Indians'. QSR players are highly likely to benefit as the population of this cohort rises (to ~100mn by FY27, assuming the double-digit population growth rate of this cohort over FY19-23 continues). Despite the very high ~25% CAGR

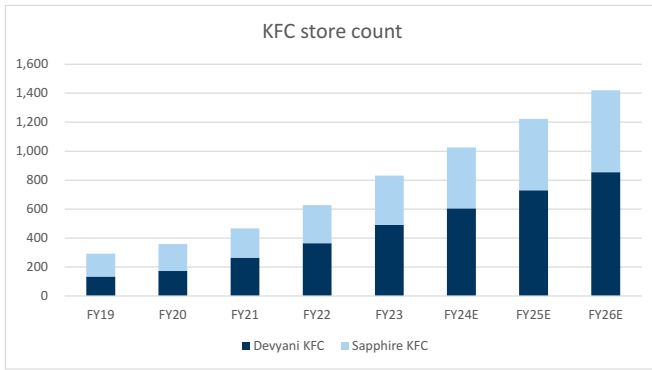
over FY10-20, QSR penetration within overall out of home food consumption in India remains low at about ~5% (FY20). Hence, the QSR sector has a long growth runway in India. Higher disposable incomes for the 'Affluent India' cohort is also likely to increase frequency/ premiumisation in QSR. The urban population in India spends ~USD10 per capita on out of home food consumption at chained restaurants, vs ~USD140 for China (2022, Euromonitor).

**We expect KFC to be the fastest growing QSR player:** We prefer KFC over other QSR formats in India because of its under-penetration. There are ~1000 KFC outlets in India vs more than 3000 pizza QSR outlets. KFC is also by far the dominant fried chicken player in India, with Popeye's being the second with less than 50 stores. The reason for KFC's under-penetration was the lack of attractive unit economics before FY19, when the payback period was ~6 years. Since then, a combination of initiatives like lowering store sizes and higher share of delivery due to the rise of food aggregators have turned around KFC's unit economics, and the payback period for a KFC store in India has reduced to ~3 years. With this, we have been seeing a rapid scale up in KFC as it catches up to other QSR formats to address its under-penetration.

**Cyclical demand slowdown in QSR has likely bottomed out:** We see the current demand slowdown in QSR as cyclical. The main reason for the slowdown was sharp price hikes (10-15%) implemented a year ago, as commodity prices had risen. Now that there has been pricing stability for ~12 months, we expect demand to revive. As per the companies, most QSR players have already arrested the decline in average ticket size while footfall has been steady. Our hypothesis of the recovery is based on 1) stable product prices for QSR chains over the past 12 months (after high price hikes in 2022) helping affordability and 2) the lower overall inflation levels should reduce the pressure on consumer disposable income in the top 10-15 cities. For this imminent cyclical recovery in QSR demand, we prefer KFC because of lower competition in the fried chicken category vs rising competition in the Pizza category.

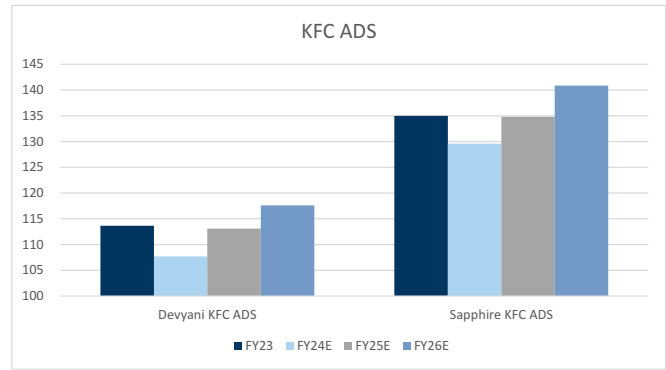
**We are Buy rated on Devyani and Sapphire, the two KFC franchisees:** Given the structural tailwinds (improved payback periods) and relative store under-penetration catch-up playing out, KFC will continue to add stores at ~20% CAGR over FY24-26 vs ~10% for the largest player. Despite the high store addition, KFC's SSSG has outperformed other formats, and is likely to do so going forward as well because of the low competitive threat in fried chicken. We have a Buy rating on both the KFC franchisees in India, Devyani (TP Rs210, based on 34x EV/EBITDA) and Sapphire (TP Rs1,850, based on a blend of 85% fundamentals and 15% M&A-target multiple based methodology).

**Exhibit 56: KFC store count to grow by ~20% CAGR over FY23-26**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 57: We expect a cyclical recovery in KFC's average daily sales per store (ADS) to start in FY25**



Source: Company data, Goldman Sachs Global Investment Research

# Apollo Hospitals: Improving clinical outcomes for lifestyle diseases, maintain Buy

APLH.BO

12m Price Target: Rs6675

Price: Rs5797.9

Upside: 15.1%

Buy		GS Forecast			
		3/23	3/24E	3/25E	3/26E
Market cap: Rs806.9bn / \$9.7bn	<b>Revenue (Rs mn) New</b>	<b>166,124.5</b>	<b>191,705.9</b>	<b>229,397.2</b>	<b>273,193.9</b>
Enterprise value: Rs878.3bn / \$10.6bn	Revenue (Rs mn) Old	166,124.5	192,722.1	229,007.3	270,711.4
3m ADTV: NA	EBITDA (Rs mn)	20,496.1	24,616.3	35,097.3	44,500.8
India	<b>EPS (Rs) New</b>	<b>46.77</b>	<b>72.60</b>	<b>135.38</b>	<b>183.82</b>
India Healthcare	EPS (Rs) Old	46.77	74.98	134.55	178.58
	P/E (X)	91.6	79.9	42.8	31.5
M&A Rank: 3	P/B (X)	9.9	11.9	9.7	7.9
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	0.4	0.3	0.4	0.8
	CROCI (%)	14.9	17.0	20.9	23.3
		<b>9/23</b>	<b>12/23E</b>	<b>3/24E</b>	<b>6/24E</b>
	EPS (Rs)	16.11	21.00	23.89	30.44

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Jan 2024 close.

**Geared for growth from tertiary/quaternary care:** Apollo is India's largest hospital chain with c. 9155 beds spread across the country. The large metros account for 60% of APLH's operational beds where they earn an ARPOB (Average revenue per occupied bed day) of c. US\$1000 or c. US\$3500 per inpatient admission. Given the disease burden in the country is shifting towards "Lifestyle" vs. Communicable, Apollo's ARPOB is industry leading on a combination of performing the largest number of tertiary/quaternary care procedures by virtue of its brand underpinned by the depth of its 13,200 practicing doctors (both employed and service fee based) in the entire network.

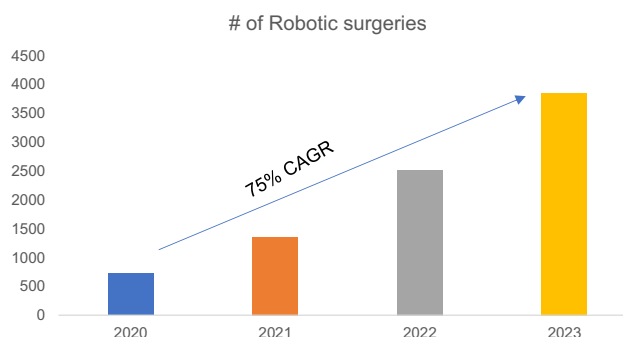
## Exhibit 58: Apollo hospitals perform the largest # of tertiary and quaternary care

Key figures for few types of tertiary/quaternary care

Procedures	# in FY23
Radiotherapy fractions	270,000
Chemotherapy Cycles	103,000
Cardiac procedures	73,500
Neuroscience discharges	37,400
Joint/Ortho procedures	35,900
Robotic Surgeries	2,400
Kidney transplants	1,300
Bone Marrow transplants	270
Liver transplants	250

Source: Company data

## Exhibit 59: Reporting solid growth in more advanced technologies like robotic surgeries



Source: Company data

Alongside the capacity and capability for these procedures, Apollo has been delivering

on **clinical outcomes that are best in class**, comparable with western world benchmarks (as seen below). Affluent Indians will likely be paying very close attention to these metrics, given they have the ability to fly abroad and get treated at centers of excellence, all over the world.

**Exhibit 60: Apollo has been delivering best in class clinical outcomes**

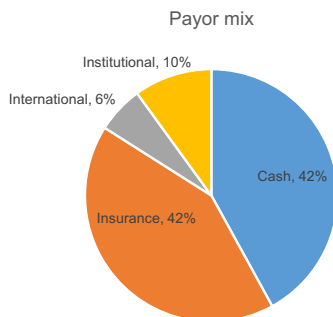
As of FY23 for Apollo

#	Parameter	Unit	Reference	Benchmark	Apollo	vs.
1	Catheter Related Blood Stream Infection	%	Cleveland clinic 2013	2.00%	0.33%	✓
2	ALOS post Angioplasty	days	US National average 2011	2.50	2.58	=
3	ALOS post Total hip replacement	days	Agency for healthcare research US 2012	4.20	3.45	✓
4	Complication rate post Total Knee replacement	%	CIHI 2016	0.60%	0.21%	✓
5	Door to CT/MRI time under stroke in ER	minutes	Internal Apollo	45.00	32.17	✓
6	Catheter Related Blood Stream Infection	per 1000 central line days	National healthcare safety network 2012	1.00	0.59	✓
7	Ventilator Associated Pneumonia	per 1000 ventilator line days	National healthcare safety network 2012	0.90	0.68	✓
8	Catheter related Urinary track infection	per 1000 catheter line days	National healthcare safety network 2012	2.00	0.66	✓

Source: Company data

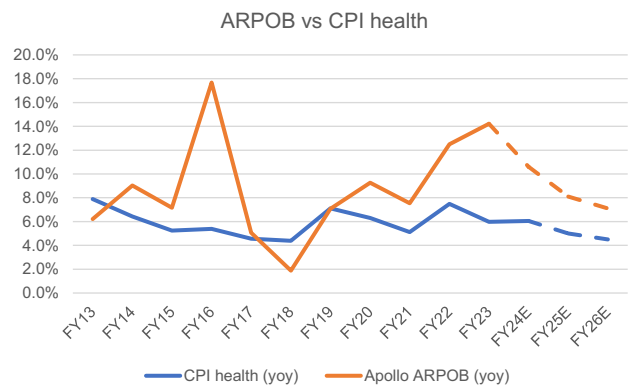
**Higher health awareness and rising insurance penetration driving ARPOB:** We see Apollo Hospitals as a beneficiary of exposure to the 'Affluent India' cohort which includes households with a high per capita income with a propensity to pay for high end tertiary/quaternary care either out of pocket (cash) or that are sufficiently covered by health insurance. As of FY23, 84% of APLH's payor mix comprised of these two segments, and we expect them to remain dominant going forward with further shifts towards insurance as awareness increases.

**Exhibit 61: Growth in health insurance has been one of the drivers of higher ARPOB**



Source: Company data

**Exhibit 62: Apollo to continue growing ARPOB ahead of CPI health**



Source: Haver Analytics, Company data

**We increase our estimates, and raise target price:** We increase our FY25E-FY26E earnings estimates by upto 3%, to build in 1) higher ARPOB increase of c. 7.6% p.a vs

5.4% earlier, 2) margin expansion on the back of operating leverage. Our 12-m SOTP based target price increases to Rs6,675 (previous Rs5,830) driven by estimate changes as well as Q5-Q8 roll forward. We maintain Buy with c. 17% upside potential.

## Phoenix Mills: Significant asset additions + exposure to growing 'Affluent India' cohort; Buy

[See our separate note on Phoenix Mills](#)

PHOE.BO	12m Price Target: Rs2740	Price: Rs2445	Upside: 12.1%		
<b>Buy</b>	<b>GS Forecast</b>				
		<b>3/23</b>	<b>3/24E</b>	<b>3/25E</b>	<b>3/26E</b>
Market cap: Rs436.5bn / \$5.3bn	<b>Revenue (Rs mn) New</b>	<b>26,383.5</b>	<b>34,623.6</b>	<b>42,274.6</b>	<b>46,438.6</b>
Enterprise value: Rs498.9bn / \$6.0bn	Revenue (Rs mn) Old	26,383.5	34,969.9	41,394.0	44,942.8
3m ADTV: NA	EBITDA (Rs mn)	15,189.4	22,048.2	27,389.2	30,603.2
India	<b>EPS (Rs) New</b>	<b>74.74</b>	<b>55.54</b>	<b>71.44</b>	<b>81.89</b>
India Materials & Property	EPS (Rs) Old	74.74	52.57	59.37	69.58
	P/E (X)	17.4	44.0	34.2	29.9
M&A Rank: 3	P/B (X)	2.8	4.7	4.2	3.7
Leases incl. in net debt & EV?: No	Dividend yield (%)	0.4	0.2	0.2	0.2
	CROCI (%)	14.9	10.7	11.9	12.2
		<b>6/23</b>	<b>9/23E</b>	<b>12/23E</b>	<b>3/24E</b>
	EPS (Rs)	13.47	14.15	16.53	10.98

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 11 Jan 2024 close.

We believe Phoenix's mall portfolio is poised for 25% EBITDA growth CAGR (FY23-FY27), driven by (1) the rising cohort of 'Affluent India', (2) in-mall tenant premiumization and densification, and (3) new mall additions. Beyond FY27, we expect its mall portfolio could deliver ~10-12% annual organic consumption growth, in-line with consumer discretionary growth. In addition, mature malls for Phoenix generate post-tax ROCE of ~15%, which provides cash flows to reinvest in construction of new malls (with JV partners), without taking up leverage. Given the higher (and long run-way) growth and re-investment potential, we believe Phoenix's mall portfolio should trade at a premium to REITs (Embassy (offices) trades at 7.5% cap rate, Nexus Select Trust (malls) at 7%), which distribute most of their cash flows as dividend, and therefore require debt to acquire/construct new assets. We note other asset-heavy 'affluent' consumption plays similar to malls are premium hotels, which currently trade at 18-24X EV/EBITDA, or closer to 5% cap rate. We are raising our TP to Rs2,740 (from Rs1,667), valuing the mall portfolio at 5.0% cap rate (from 7.5% earlier), and commercial assets at 7.5% cap rate (unchanged), both all rolling-forward valuation to FY26 - as we expect the recently commissioned malls to ramp up fully by FY26. Remain Buy-rated.

**Growth Visibility:** Consumer discretionary spends are increasing, driven by the rise of

the 'affluent' class (growing at ~12.5% CAGR over 2019-2023) and the wealth effect, which should drive healthy organic consumption growth in malls. Also, the company has commenced operations in two new malls recently (in Pune and Bangalore), which will contribute meaningfully in FY25/FY26, in our view, and we expect consumption CAGR of ~24% between FY23-FY26 (~11% organic (ex-new malls)). Additionally, new malls in Surat, Kolkata, and Thane will add to inorganic growth beyond FY26, providing double-digit consumption growth visibility, at least for the next 4-5 years, in our view. Historically, rentals as a % of consumption, have remained largely consistent (barring COVID), as Phoenix has managed to re-base the fixed rentals, as they come up for renewals. Additionally, we believe the risk around new mall constructions is low, given (1) Phoenix has a large tenant base of premium retailers in existing malls, which act as anchor tenants for new malls. Given the premium positioning of Phoenix, retailers generally prefer to enter new markets with them. As a result, pre-leasing activity in new malls appears strong, and (2) Phoenix's new mall constructions are part of its JVs with GIC and CPPIB, and therefore we see minimal risk to financing, supporting leverage and significantly reducing the risk on these assets.

**Exhibit 63: ~90% of consumption in Phoenix malls is in discretionary categories, which cater to the 'Affluent India' cohort**

Consumption and trade area mix, as of 1HFY24

Category	Consumption mix	Trade Area mix
Fashion & Accessories	50%	53%
Electronics	12%	4%
Jewellery	12%	1%
F&B	11%	10%
Multiplex	5%	15%
<b>Affluent' India total</b>	<b>90%</b>	<b>83%</b>
Hypermarket	3%	7%
Others	7%	10%

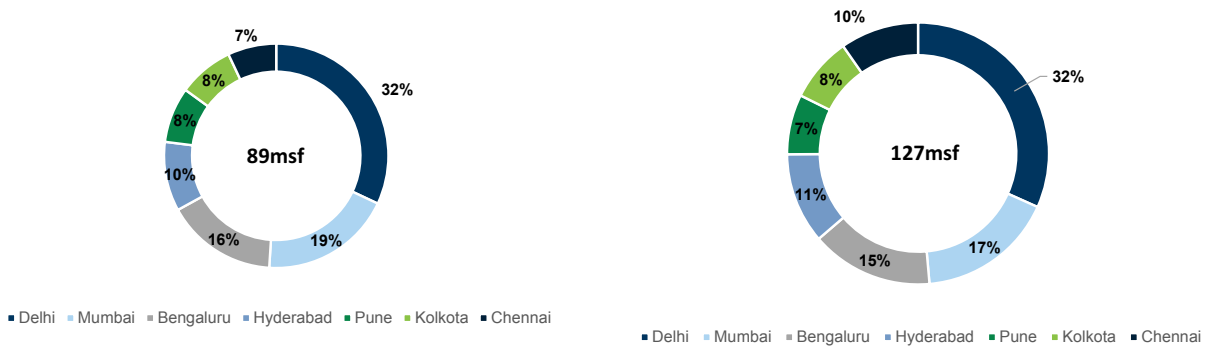
Source: company data

**Reinvestment Potential:** India ranks amongst major economies, the lowest in modern retail penetration and mix of organized retail. Mall additions have seen strong growth over the last decade, and the trend is continuing with 38 msf of new malls coming up in next 3-4 years (source: JLL). We believe, as cities outside of the major metros also develop driven by urbanization, there will be room for multiple premium malls in these cities. Phoenix is currently present in only 8 cities, and we believe it could continue to add malls in newer cities and existing geographies for the foreseeable future. **The company estimates that there are about 35-40 cities in India that have space for at least one such premium mall over the next decade.** While we acknowledge that a new mall addition would typically take at least 3 years (given the construction cycle etc) and another 1-2 years to fully ramp-up (based on historical trends), and therefore cash flow compounding would likely be relatively slower, we believe the run-way for growth still remains large. With financing commitments from 2 large global financial institutions, we see minimal risk to project financing and believe Phoenix is well positioned for growth.

**Superior/premium malls leading to lower earnings risk:** Phoenix has the best-in-class premium malls in India, and premium malls in India tend to perform far better than other malls, as both customers and brands generally gravitate to premium malls, leading to lower vacancy and higher trade density. We believe the stability and sustainability of growth is higher in Phoenix’s mall portfolio, compared to other malls, given the potential of premiumization, and footfall share gains overtime, which warrants a premium valuation. **Also, with Phoenix having established a track record amongst retailers, we see lower earnings risk for Phoenix, compared to other malls, as typically any new mall announcement in a new city would lead to at least 70% of the space being pre-leased with those retailers (based on historical trends)**

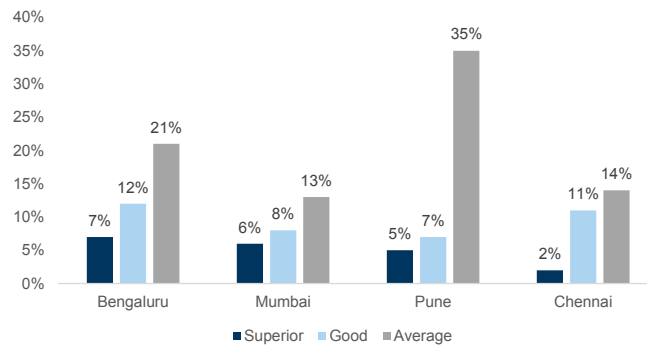
**Exhibit 64: Significant mall additions are expected over the next few years, in metro cities**

Industry mall area in metro cities: 89msf (2023) to 127msf (in 2027)



Source: JLL, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 65: Superior/Premium malls have substantially lower vacancy levels, compared to other malls**



Superior, good, average our classifications by JLL, based on construction quality, tenants, services etc

Source: JLL

**Changes to estimates and TP:** We increase our average FY25/FY26 revenue/EBITDA/PAT estimates by 3%/6%/10% to reflect higher consumption growth. For the premium malls in the portfolio (i.e. Palladium Mumbai, Pune and Bangalore), we increase the consumption growth from 7% to 9% driven by the affluent cohort which drives the changes in our estimates. Our NAV-based 12-month TP increases to Rs2,740 (from Rs1,667) (see our note on Phoenix).



## Exhibit 66: SOTP valuation

	FY26				
	GAV	Debt	NAV	Adjusted NAV	Rs/share
Retail	531,841	49,873	481,968	351,759	1,969
Hotel	50,801	3,910	46,891	35,154	197
Commercial	71,725	980	70,745	67,801	278
Residential	7,206	300	6,906	15,115	85
Others/Cash		(7,088)	7,088	7,088	40
Rise					173
<b>Grand Total</b>	<b>661,572</b>	<b>47,975</b>	<b>613,597</b>	<b>476,916</b>	<b>2,740</b>
<b>Implied Value</b>					<b>2,740</b>

Source: Company data, Goldman Sachs Global Investment Research

## Zomato: Large TAMs with improving market structure; Buy

See our separate note on Zomato

ZOMT.BO	12m Price Target: Rs160	Price: Rs134.65	Upside: 18.8%		
<b>Buy</b>	<b>GS Forecast</b>				
		<b>3/23</b>	<b>3/24E</b>	<b>3/25E</b>	<b>3/26E</b>
Market cap: Rs1.2tr / \$14.2bn	<b>Revenue (Rs mn)</b>	<b>70,794</b>	<b>120,880</b>	<b>172,958</b>	<b>219,419</b>
Enterprise value: Rs1.1tr / \$12.7bn	EBITDA (Rs mn)	(12,103)	1,004	14,524	27,858
3m ADTV: NA	<b>EPS (Rs)</b>	<b>(1.20)</b>	<b>0.38</b>	<b>1.82</b>	<b>2.57</b>
India	P/E (X)	NM	NM	73.9	52.4
India TMT	P/B (X)	2.7	5.8	5.3	4.8
	Dividend yield (%)	0.0	0.0	0.0	0.0
M&A Rank: 3	CROCI (%)	NM	5.0	14.6	18.3
Leases incl. in net debt & EV?: Yes					
		<b>6/23</b>	<b>9/23</b>	<b>12/23E</b>	<b>3/24E</b>
	EPS (Rs)	0.00	0.04	0.13	0.23

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Jan 2024 close.

**'Affluent India' cohort a core target segment for online food/grocery delivery:** We estimate the number of transacting users in India's online grocery and food delivery industry (of 25-30 mn MTUs each) are a subset of the 'Affluent India' cohort, and expect growth in these segments to be indexed to the 13% population growth of this cohort; we see this being further aided by AOV (average order value) and frequency growth, and shift to online, resulting in c.20%/35% GOV (gross order value) CAGR across food delivery/online grocery industries over FY24E-27E. We forecast 22%/45% FY24E-27E GOV CAGR for Zomato's food delivery/online grocery, with MTUs (monthly transacting users; 14%/36% FY24E-27E CAGR) the biggest growth driver.

**Zomato the fastest growing company within our global food delivery and India internet coverage:** We forecast 30% FY24E-27E adjusted revenue CAGR for Zomato, the highest within our India Internet/global food coverage, with strong growth across all

segments. The food delivery market has consolidated between two players, with Zomato having about 55% market share (as of 1HCY23). Additionally, Blinkit is among the top three online grocery platforms in India (by GOV; GSe) and this has been achieved within two years of its launch (with a c.14% market share currently) and we forecast Blinkit's GOV to grow at a 45% FY24E-27E CAGR, higher than the industry (34% CAGR) on the back of our expectation of market share gains and consolidation in the segment. Given the potential TAM for online grocery is 8-10x larger than that for food delivery per our estimates, Zomato achieving positive unit economics in this segment recently could result in revenue growth remaining elevated for a multi-year period.

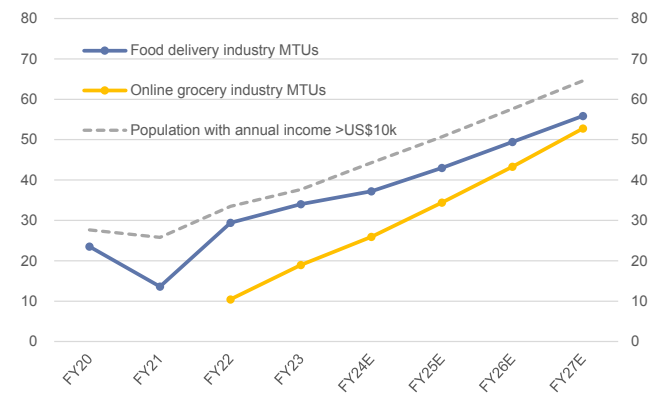
**Improving economics in quick commerce to aid overall profitability:** Blinkit's rising scale has resulted in overall adjusted EBITDA margin for Zomato improving from -14% in Dec '22 to +1% in Sep '23; we expect further improvement (to 13% in FY26E) and forecast Blinkit to reach adjusted EBITDA breakeven by mid-CY24 (Sep '23 was the first full quarter of contribution breakeven), which would place it amongst the few food delivery companies globally to reach this milestone. We also note that trading losses for Swiggy (Zomato's key competitor, Not Covered) was 4x that of Zomato in 1HCY23, and with Swiggy aiming to achieve group level profitability by CY24, we expect competitive intensity across both food delivery and quick commerce to remain benign for Zomato.

**Reiterate Buy with c.19% potential upside:** Our 12m SOTP based target price for Zomato is Rs160, implying c.19% upside. Zomato is trading at 70x/50x FY25/FY26 P/E, or 1x PEG in FY26; the stock is trading in line with our India consumer coverage FY26E median P/E of 55x, despite a 2-3x faster growth profile.

**Catalysts for Zomato include** (1) continued strong growth in food delivery, (2) further reduction in Blinkit losses and subsequent adjusted EBITDA profit breakeven; and (3) potential consolidation in the quick commerce industry.

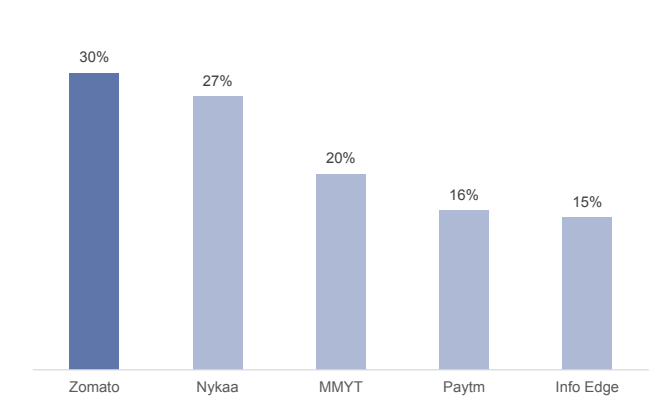
**Exhibit 67: We expect India's food delivery and online grocery MTU base to track growth in income levels**

MTU (in mn) for India's online food delivery and grocery industries, vs working age population with annual income levels of more than US\$10k



Source: Euromonitor, Goldman Sachs Global Investment Research

**Exhibit 68: We forecast Zomato's revenue to grow at a 30% FY24E-27E CAGR, the highest within our India Internet coverage...**  
FY24E-27E sales CAGR for our India Internet coverage

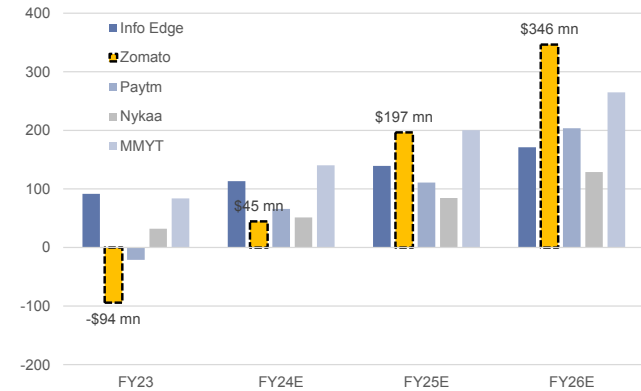


Zomato adjusted sales includes delivery fee.

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 69: ... with the company also generating the most profits from FY26E**

Adjusted EBITDA (in US\$ mn) for our India Internet coverage

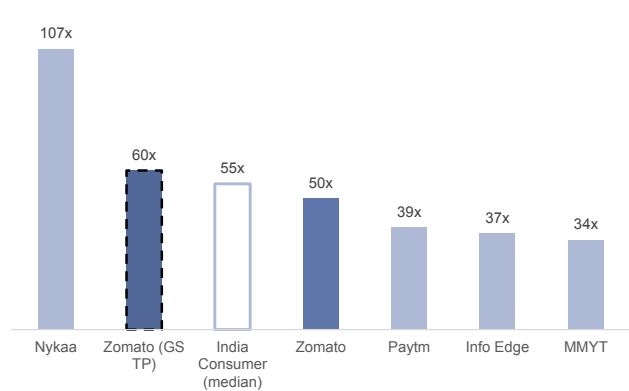


Info Edge EBITDA is non-adjusted.

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 70: Zomato trades in line with India consumer coverage (for 3x growth), and at a meaningful discount to Nykaa**

FY26E P/E for our India internet coverage



Source: Goldman Sachs Global Investment Research

# MakeMyTrip: Key beneficiary of growth in travel, aided by benign competition; reiterate Buy

[See our separate note on MakeMyTrip](#)

MMYT	12m Price Target: \$59	Price: \$45.41	Upside: 29.9%		
<b>Buy</b>	<b>GS Forecast</b>				
Market cap: \$5.0bn	<b>Revenue (\$ mn)</b>	<b>3/23</b>	<b>3/24E</b>	<b>3/25E</b>	<b>3/26E</b>
Enterprise value: \$4.7bn	EBITDA (\$ mn)	651	809	987	1,175
3m ADTV :\$20.7mn	<b>EPS (\$)</b>	(0.10)	0.56	1.17	1.33
India	P/E (X)	NM	80.9	38.8	34.2
India TMT	P/B (X)	3.4	5.1	4.3	3.7
	Dividend yield (%)	0.0	0.0	0.0	0.0
M&A Rank: 2	CROCI (%)	10.1	14.5	19.5	20.5
Leases incl. in net debt & EV?: No					
	<b>EPS (\$)</b>	<b>6/23</b>	<b>9/23</b>	<b>12/23E</b>	<b>3/24E</b>
		0.17	0.02	0.19	0.18

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Jan 2024 close.

**Travel sector to benefit from double-digit growth in the 'Affluent India' cohort:** We refresh our travel TAM to reflect the 'higher-for-longer' growth of this cohort, and expect the India travel industry to grow at 13% FY24E-27E CAGR (inline with growth in the cohort), with online growing faster at 15% CAGR over the same period. Within travel, we expect relatively premium categories such as international travel and mid/high-end hotels to be the fastest growing segments (>20% growth), driven by both a shift to online and rising income levels; our analysis suggests that there is a large overlap

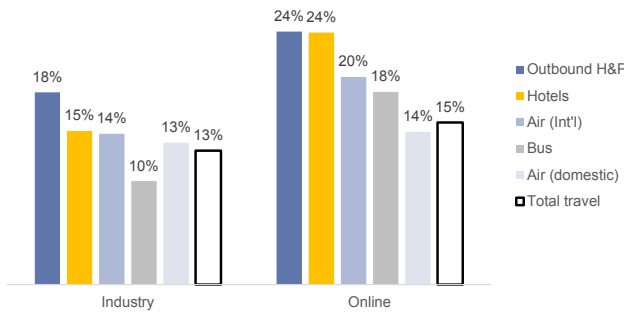
between Indian nationals traveling abroad and the 'Affluent India' cohort (working population cohort with annual income >US\$10k).

**MMYT well-positioned to capture share of rising travel spend:** MMYT is India's largest online travel platform, with c.50% market share; we forecast 20%/34% FY24E-27E revenue/EBITDA CAGR (fastest within our global travel coverage), and view MMYT as a key beneficiary of double-digit growth in India's 'affluent' income cohort, the core user base of the company. In addition, we expect a continued online shift to aid MMYT's revenue growth, with MMYT growing faster than the underlying market due to its favourable exposure to under-penetrated segments of hotels and international travel. Lastly, the competitive environment in India's online travel has been one of the most benign in recent years, and we foresee limited change to these dynamics, which should help the market leader MMYT improve profitability. We note that MMYT's scale is at least 5x that of its closest competitor, and MMYT has a strong balance sheet (US\$500 mn+ of gross cash as of Sep '23); we thus see limited risks to the company's market share (and thus growth and margin profile). Our cash EBITDA forecast of US\$140 mn/US\$200 mn in FY24E/25E for MMYT is at the **higher end of our India internet coverage**.

**Attractive valuations with favourable risk-reward; reiterate Buy with 30% potential upside:** MMYT stock is up 65% over the last 6 months (vs Nasdaq Comp +9%), but its valuations (on FY26 P/E) is still at the lower end of our India internet coverage group, and on a growth-adjusted basis, the stock screens attractively on EV/EBITDA vs India internet and global travel peers. With our expectation of a steady c.20% revenue growth coupled with a fairly benign competitive environment in the medium term, we expect to see profitability improve, and we believe MMYT should trade at a higher multiple. Our TP implies 30x FY25 EV/EBITDA (or 44x FY26 P/E), in line with global travel/India internet peers on a growth-adjusted basis. Our refreshed scenario analysis suggests a favourable risk reward for MMYT, with the bull case implying 54% potential upside vs 34% downside in the bear case. We reiterate Buy with 12m TP of US\$59, implying 30% upside potential.

**Exhibit 71: We forecast outbound travel and domestic hotels to be the fastest growing travel segments in India...**

Industry: FY24E-27E CAGR across different travel segments in India

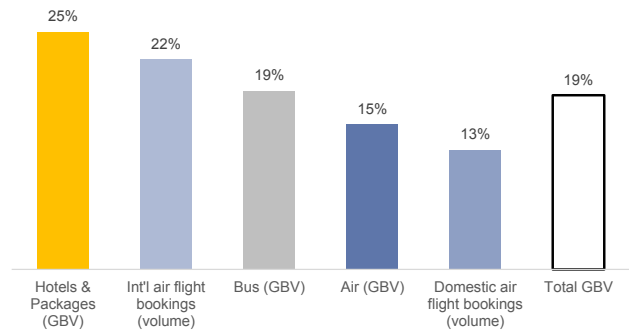


H&P = hotels & packages.

Source: Goldman Sachs Global Investment Research

**Exhibit 72: ...with MMYT's segment growth largely tracking online sector growth**

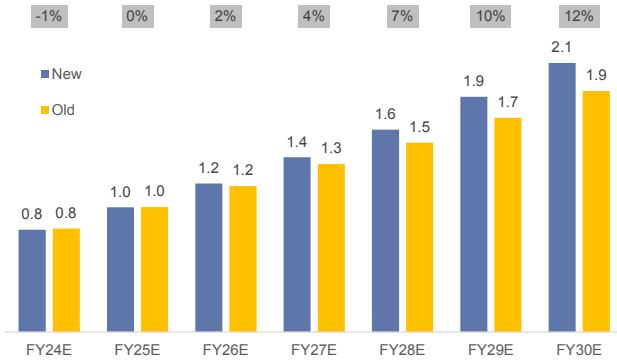
MMYT: FY24E-27E CAGR by segments



GBV = Gross Booking Value.

Source: Goldman Sachs Global Investment Research

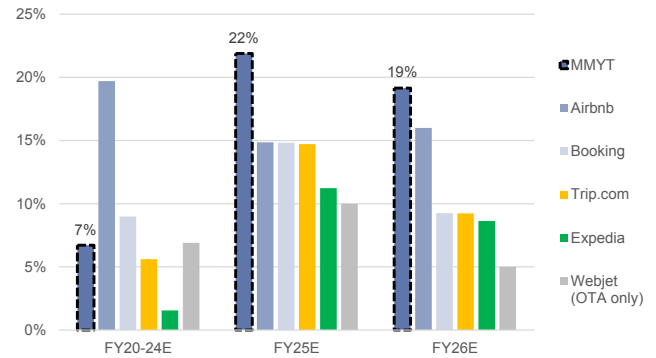
**Exhibit 73: On the back of strength in spend by the 'Affluent India' cohort, we raise our topline estimates for MMYT by up to 12%**  
 MMYT net revenues (in US\$ bn) - New vs previous estimates (grey boxes represent percentage change)



Source: Goldman Sachs Global Investment Research

**Exhibit 74: We forecast revenue growth for MMYT to be the highest within global peers; historical growth was impacted due to weakness in budget hotels**

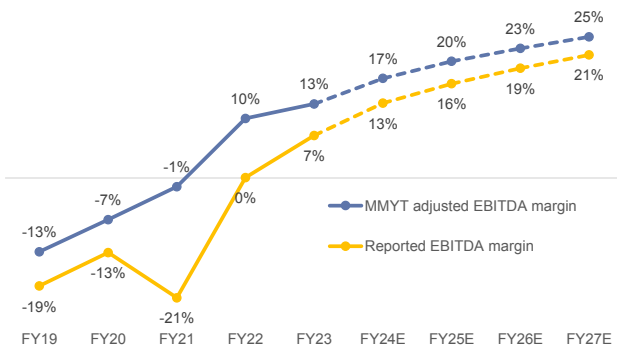
Topline growth of MMYT vs global travel peers



For global peers except Webjet, FY20=CY19, and so on. FY represents year ending March. MMYT topline growth adjusted for FX.

Source: Company data, Goldman Sachs Global Investment Research

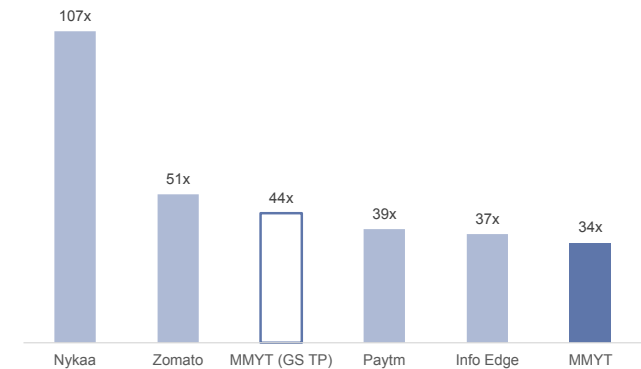
**Exhibit 75: MMYT's EBITDA margin profile has sharply improved over the years and we expect this trend to continue**  
 MMYT adjusted (cash) EBITDA and reported EBITDA margin



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 76: MMYT trades at the lower end vs India Internet peers on P/E**

FY26E P/E for our India internet coverage



MMYT P/E at GS TP is calculated on our 12m forward target price of US\$59.

Source: Goldman Sachs Global Investment Research

## Appendix

Titan is a consumer lifestyle company, which operates across consumer discretionary categories like jewellery, watches, eyewear and Indian ethnicwear. Titan is the leader in the jewellery industry with its brand Tanishq. Titan is also the market leader in watches and is now expanding into wearables. The company is also a leading player in branded eyewear with its retail brand Titan Eye Plus. Titan has also made a foray into new segments like ethnic Indian apparel with its retail brand Taneira. The main driver for the growth is market share gains, as we expect Titan's jewellery market share to grow from ~7% in FY22 to ~9-10% in FY25E. The two key initiatives we are most positive on are 1) retail network expansion into smaller cities and 2) increasing share in wedding jewellery. We expect Titan to grow faster than organized competitors due to the more rapid pace

of network expansion and the trust associated with the Tata brand which is very important in precious metals' jewellery. The company is also likely to see growth from online jewellery brand CaratLane which is scaling up rapidly, and the foray into international markets with the large Indian diaspora. Titan's watch business is likely to see improved margins as revenues improve after COVID related disruptions. Buy.

### **Price Target Risks and Methodology - Titan Co.**

**Valuation methodology:** We have a 12-month target price of Rs4,125. We value Titan based on 65x EPS for Q5 to Q8, in line with its 5-year average P/E. We expect the earnings CAGR over FY22-25E to be better than the earnings CAGR in FY16-19.

**Key risks** include 1) regulatory changes which restrict gold imports into India if there is severe pressure on the currency, 2) pricing pressure from regional / local jewellery chains, 3) a slowdown in urban discretionary consumption due to high inflation or weak income growth, and 4) failure to ramp up the wearables business.

Eicher Motors is an Indian automobile company, engaged in the manufacturing and marketing of premium motorcycles, spare parts and related services under its flagship brand Royal Enfield. Its portfolio also includes apparel and motorcycle accessories. It holds more than 90% market share in the domestic 350cc+ motorcycles market. Eicher is also engaged in the manufacture of Commercial Vehicles through its joint venture with Volvo AB, VE Commercial Vehicles Limited (VECV), which is the 3rd largest CV player in India. We are Buy-rated on the stock, given (1) Eicher faces the least risk vs. peers from EV disruption over the next 5 years due to a longer R&D cycle and a higher bar on specifications in premium electric motorcycles; (2) Favorable margin dynamics from improving 650cc mix with expansion in international markets; and (3) Low sensitivity of premium motorcycle demand to prevailing high interest rates. **Catalysts:** Customer response to recent Super Meteor 650 launch, ~13 product launches in the pipeline, and response to Hunter 350cc in rural and international markets. We see current valuation as attractive with the stock trading significantly below its historical median.

Our 12-month TP, based on an SOTP methodology applying historical median P/E multiples to Q5 to Q8 estimates on Eicher's standalone Royal Enfield business and its profit share from the VECV Joint Venture, is Rs4,700. **Downside risks:** Over-cannibalization by Hunter 350 into flagship Classic / Meteor 350 models, competition in premium motorcycle market, and slower-than-expected ramp up in export and rural Indian markets.

### **Investment Thesis - Devyani International Ltd.**

Devyani is the larger of the two Yum! Brands franchisees in India by revenue (FY22). KFC and Pizza Hut in India (Yum! Brands), and Costa Coffee form Devyani's core business. Devyani also runs some of its own brands like Vaango. We see Devyani significantly ramping up the addition of new stores and doubling the store count of its KFC and PH stores in India over the next 3-4 years, hence growing stores and revenues faster than the India QSR market over the medium term. We expect this rapid expansion to be driven by the improved unit economics as Devyani has made significant changes to the store operating model - new store sizes are ~50% smaller yet sales per store is

the same as or better than old stores because of increased focus on delivery sales. Store payback periods for KFC/PH have improved from ~5-6 years before FY20 to ~3 years for new stores currently. We also expect operating leverage led margin expansion in the medium term driven by maturing store mix, and corporate overheads as % of sales coming down as revenue scales. We have a Buy rating on Devyani International. Devyani trades at a discount to our consumer discretionary average EV/EBITDA, and we see the risk/reward as favorable. Key downside risks to our Buy rating are increased competitive intensity from new entrants and unorganized players, and pressure of increasing take rates from online food aggregators, longer-than-expected cyclical slowdown, unexpected Food Safety concerns and change in consumer preferences.

### **Price Target Risks and Methodology - Devyani International Ltd.**

Our 12m target price is Rs210. We value DEVY at a target EV/EBITDA multiple of 34x on Q5 to Q8 pre-Ind AS 116 EBITDA. This EV/EBITDA is a 20% discount over the average EV/EBITDA of our Indian consumer discretionary coverage (Titan, Asian Paints, Avenue Supermarts, Pidilite, Jubilant). Key downside risks to our Buy rating are increased competitive intensity from new entrants and unorganized players, pressure of increasing take rates from online food aggregators, longer-than-expected cyclical slowdown, unexpected food safety concerns and change in consumer preferences.

### **Investment Thesis - Sapphire Foods India Ltd.**

Sapphire is the smaller of the two Yum! Brands franchisees in India by revenue (FY22). Sapphire's key businesses include KFC and Pizza Hut in India, and Pizza Hut and Taco Bell stores in Sri Lanka. Sapphire is the market leader in Sri Lanka with ~35% share of the QSR market (FY21). We see Sapphire significantly ramping up store addition and doubling the store count of its KFC and PH stores in India over the next 3-4 years, growing stores and revenues faster than the India QSR market over the medium term. We expect this rapid expansion on the back of improved unit economics as Sapphire has made significant changes to the store operating model - new store sizes are ~50% smaller yet sales per store is same as or better than old stores because of increased focus on delivery sales. Store payback periods for KFC/PH have improved from ~5-6 years before FY20 to ~3 years for new stores currently. We also expect operating leverage led margin expansion in the medium term driven by maturing store mix, and corporate overheads as % of sales coming down as revenue scales. We have a Buy rating on Sapphire Foods. Sapphire trades at a discount to our consumer discretionary average EV/EBITDA, and we see the risk/reward as favorable. Key downside risks to our Buy rating are increased competitive intensity from new entrants and unorganized players, pressure of increasing take rates from online food aggregators, longer-than-expected cyclical slowdown, inorganic growth, unexpected Food Safety concerns, change in consumer preferences, and ownership.

### Price Target Risks and Methodology - Sapphire Foods India Ltd.

Our 12m blended target price is Rs1,850. Our valuation for SAPI is a blend of our fundamental (85%) and M&A (15%) based methodologies. **1) Fundamental:** We value SAPI at a target EV/EBITDA multiple of 22x on Q5 to Q8 pre-Ind AS 116 EBITDA. This EV/EBITDA multiple is at a ~40% discount to our India consumer discretionary coverage average to account for 1) the higher depreciation in SAPI vs. other consumer discretionary companies in India, and 2) SAPI's lower operational ROIC at 17% for FY25E. Our fundamentals based value (85% weight) is Rs1,790. **2) M&A:** Our 30x target EV/EBITDA multiple (on Q5 to Q8 pre-Ind AS 116 EBITDA) is derived from the peak multiple seen by sector leader Jubilant, which has a longer trading history. Our M&A based theoretical valuation (15% weight) is Rs2,200. Key downside risks include increased competitive intensity from new entrants and unorganized players, pressure of increasing take rates from online food aggregators, longer-than-expected cyclical slowdown, inorganic growth, unexpected Food Safety concerns, change in consumer preferences, and ownership.

Apollo is the largest hospital chain (in terms of hospitals as well as bed capacity) in India, along with being the largest pharma chain network in the country. Our Buy rating is predicated on: (1) ramp-up of occupancies in the coming quarters leading to higher margins on the back of better operating leverage, (2) scale-up of the pharmacy business (we expect the company to add >600 stores per year), and (3) Margin expansion at AHLL. The stock currently trades above its 5-yr hist. avg.

We are Buy rated on Apollo with a SOTP-based 12-m TP of Rs6,675, implying a company level EV/EBITDA of ~22x on Q5-Q8 EBITDA estimates. Key risks include price control of more medical devices; further losses at non-core segments in subsidiaries.

### Investment Thesis - Phoenix Mills

Phoenix Mills Limited (PML), a diversified real estate player focused on retail malls, will likely see a period of accelerated growth ahead, driven by 1) being India's largest owner and landlord of superior grade retail assets with no comparable listed peers, 2) Stable cash flow from existing assets that can comfortably support leverage, even in a low-occupancy environment for the newer assets, 3) Overall consumption growth in India leading to increased demand for high-quality real estate. In our view, the pre-leasing activity for upcoming malls and office space is encouraging, and with execution de-risked by equity infusion from CPPIB and GIC, we see minimal risk to project completions and financing, and believe Phoenix Mills is well positioned to gain share in a consolidating industry. We are Buy rated, based on attractive NAV valuation of the retail, residential and commercial assets.

### Price Target Risks and Methodology - Phoenix Mills

We are Buy rated on Phoenix Mills, with a FY26 NAV based TP of Rs2,740. We value the mall portfolio at 5.0% cap rate, and commercial assets at 7.5% cap rate. Downside risks to our thesis include: delays in construction, higher attrition, and cost overruns.



**Investment thesis - Zomato Ltd**

Zomato is one of India's two largest food delivery platforms and is well positioned across both online grocery and food delivery, which are both amongst the largest TAMs within India Internet. We see this to be a function of the continued shift to online and Zomato's dominant positioning in food-delivery, which helps the company in its quick commerce business through better insights into potential high-demand locations, lower cost of customer acquisition, and access to a ready supply chain; we forecast GOV/adjusted revenues for Zomato to grow at 32%/33% FY24E-26E CAGR to reach US\$9.5 bn/US\$3 bn by FY26E. Zomato trades at 1.7x FY25 EV/GMV, higher than its global peer group at 0.3x; however, Zomato's GMV growth is also materially faster (32% FY24E-26E GOV CAGR). Key catalysts for Zomato include i) continued strong growth in food delivery and quick commerce; ii) reduction in Blinkit losses and subsequent adjusted EBITDA profit breakeven (GSe mid-CY24E); and iii) potential consolidation in the quick commerce industry.

**Price Target Risks and Methodology - Zomato Ltd.**

We are Buy rated on Zomato with a 12-month DCF-based SOTP price target of Rs160 (WACC of 13% and terminal growth rate of 5%). Key risks to our thesis include continued demand headwinds from macro weakness, increased competitive intensity, regulatory changes, slower-than-expected adoption of online grocery, and a sub-optimal capital allocation.

**Investment Thesis - MakeMyTrip Ltd.**

We view MMYT, India's largest online travel platform, as one of the most compelling opportunities within our India TMT coverage as we see a strong growth outlook for the company (c.20% annual revenue growth over the next 3 years), sector-leading profitability (c.US\$200 mn in cash EBITDA in FY25E, one of the highest within our India Internet coverage), and valuations that are at the mid/lower end of the India Internet and global peer group. With our expectations of continued growth in travel demand and a fairly benign competitive intensity, we expect MMYT's profits to continue to expand, and forecast FY24E to be the first full year of net income profitability for MMYT since FY12. We believe the market is under-appreciating a higher-for-longer revenue growth trajectory for MMYT, in addition to the company's ability to be sustainably profitable. We are Buy rated.

**Price Target Risks and Methodology - MakeMyTrip Ltd.**

We are Buy-rated on MMYT with a 12-month price target of US\$59. Our price target is based 42.5% on DCF (WACC of 13% and 4% terminal growth), 42.5% on 48x P/E and 15% on M&A value based on 48x P/E — all based on Dec 2025E. Key risks to our investment view include weaker-than-expected travel demand, higher competition, pressure on take rates and sub-optimal capital allocation.

# Disclosure Appendix

## Reg AC

We, Arnab Mitra, Saurabh Kundan, Manish Adukia, CFA, Chandramouli Muthiah, Shyam Srinivasan, CFA, Pulkit Patni, Harshita Wadher, Karan Vora, CFA, Mrinal Maheshwari and Rishabh Gupta, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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Make in India: Footwear



India Mobility



India Clean Energy



China in Transition



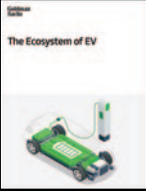
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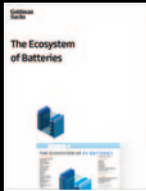
Artificial Intelligence



The Ecosystem of EV



The Ecosystem of Batteries



CHIPS Act Impact



Humanoid Robot: The AI accelerant



Healthcare Innovation



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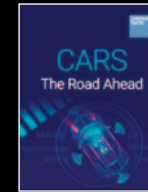
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Blockchain



Cars: The Road Ahead



Music in the Air



Byte-ology



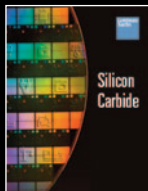
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Silicon Carbide



Carbonomics



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Black Womenomics



Inclusive Growth



Market Cycles



Top of Mind



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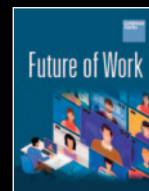
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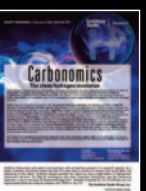
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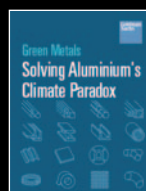
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