India Strategy

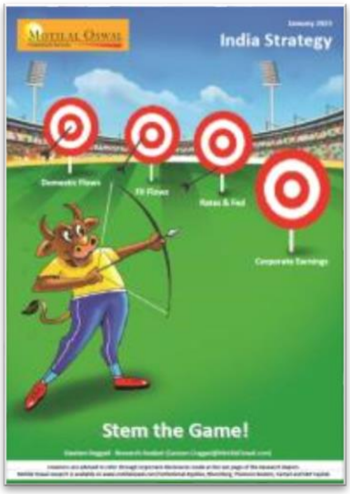
BSE Sensex: 61,320 | **Nifty-50: 18,036**

Earnings review – 3QFY23: Modest quarter; dragged by global cyclicals

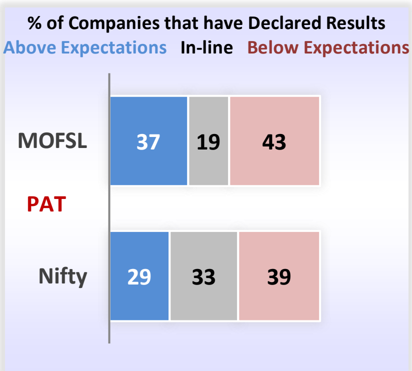
BFSI in the vanguard once again; Auto reviving but consumption slowdown a worry

- **Corporate earnings moderate:** India Inc.'s profitability moderated in 3QFY23. Corporate earnings were below our expectations during the quarter dragged by Commodities while Financials and auto held the fort. Broad-based slowdown in Consumption, both Staples and Discretionary, also hit corporate earnings.
- **Global Cyclicals continue to weigh down the aggregates:** Earnings of the MOFSL Universe companies grew marginally by 1% YoY (est. +8% YoY) in 3QFY23 while for Nifty, earnings growth stood at 11% YoY (v/s est. of +14% YoY). The aggregate performance was impaired by a sharp drag from global commodities such as Metals and O&G, which posted a 63% and 19% YoY earnings decline, respectively. Excluding these, the MOFSL Universe and Nifty reported a solid 29% and 31% YoY earnings growth (v/s expectations of +27% and +26% YoY), respectively, fueled by BFSI and Autos. Along with Metals and O&G sectors, Cement, Healthcare and Retail sectors too dragged the 3QFY23 earnings.
- **BFSI on the forefront again:** Excluding BFSI, profits declined 14% YoY (v/s est. decline of 3%) for MOFSL Coverage. For our Coverage Universe, the earnings upgrade to downgrade ratio turned adverse for FY24E as 47 companies saw earnings upgrades of >3%, while 92 companies' earnings were downgraded by >3%.
- **The beat-miss dynamics:** The beat-miss ratio for the MOFSL Coverage Universe was unfavorable as 37% of the companies beat our estimates, while 43% missed our estimates at the PAT level. Further, EBITDA margin of the MOFSL Universe (excluding Financials) contracted 280bp YoY to 14.5%. Gross margins for most of the sectors contracted sharply. In 3QFY23, 10 of the 13 major sectors under MOFSL Coverage posted a contraction in gross margin YoY.
- **Heavyweights deliver:** Profit for Nifty rose 11% YoY (est. +14% YoY) fueled by BFSI and Auto. Excluding BFSI, profit remained flat (est. 6% growth). Heavyweights, such as Reliance Industries, SBI, ITC, Tata Motors, Kotak Mahindra Bank, HUL, Maruti Suzuki, M&M, Bajaj Auto, Dr Reddy's Lab and Britannia recorded a stronger-than-expected performance. On a three-year basis (3QFY20-3QFY23), MOFSL/Nifty's earnings posted a 20%/19% CAGR, respectively.
- **Report card:** Of the 21 sectors under our coverage, four/nine/eight sectors reported profits above/in-line/below our estimates, respectively. Of the 222 companies under our Coverage, 83 exceeded estimates, 96 recorded a miss, and 43 were in line on the PAT front.
- **The 9MFY23 snapshot:** Nifty/MOFSL Universe posted 14%/1% earnings growth, respectively, in 9MFY23. Excluding Metals and O&G, Nifty and MOFSL Universe reported 29% and 28% YoY earnings growth, respectively.
- **Nifty EPS cut for FY23E; unchanged for FY24E:** We have pruned our FY23E Nifty EPS by 1% to INR812 (earlier: INR820) due to notable earnings downgrade in the Metals stocks. We now expect Nifty EPS to grow 11.6% in FY23. Our Nifty EPS for FY24E remains largely unchanged at INR993 , as downgrades in Reliance Industries, Bharti Airtel, Tata Steel and JSW Steel are offset by upgrades in ONGC, SBI, Tata Motors, and Coal India.

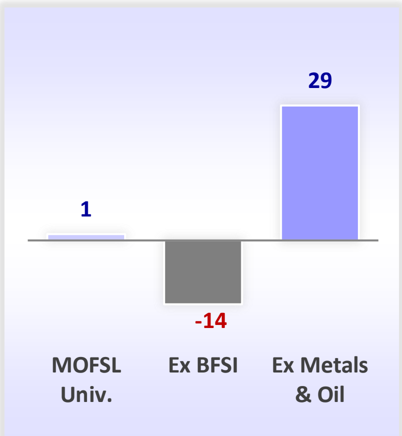
Refer to our Dec'22 Quarter Preview



3QFY23: Expectations v/s delivery



3QFY23: PAT growth YoY (%)



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Key sectoral highlights – 1) **Technology:** in-line quarter for IT companies despite the challenging macro environment and easing supply headwinds. After six consecutive quarters of underperformance v/s tier-2, the tier-1 companies' revenue growth has outpaced the tier-2 pack within our Coverage Universe. 2) **Banks**: reported a resilient 3QFY23 fueled by healthy loan growth, robust margin expansion, and consistent asset quality improvement. Growth trends were broad-based, with the corporate segment too exhibiting a strong recovery. PSBs posted an improvement in their operating performance driven by strong 3-6% QoQ loan growth across banks amid a sharp recovery in the Corporate segment. 3) **Automobiles:** volumes in 3QFY23 grew YoY across segments, except 2Ws. Healthy volume growth was underpinned by improvement in the supply of semiconductor chips and strong order book, especially in case of PVs. 4) **Consumer**: The overall performance of our Coverage Universe was mainly driven by value, as volume growth remained soft. During the quarter, commodity costs showed signs of stabilization (albeit at high levels in some cases) or decline in some cases, and with the full effect of price hikes kicking in, a few companies reported gross margin expansions too.

- **The top earnings upgrades in FY24E:** Tata Motors (19%), ONGC (11%), Bajaj Auto (6%), Dr Reddy's Labs (5%), and Coal India (4%).
- **The top earnings downgrades in FY24E:** Divi's Lab (-33%), Bharti Airtel (-25%), Eicher Motors (-11%), JSW Steel (-8%), and Tata Steel (-6%).
- **Our view:** Corporate earnings for 3QFY23 were below our expectations led by weak demand environment and macro headwinds, with Financials and Autos holding the fort once again. Slowdown in Consumption is a material concern if trends don't reverse immediately. Markets are trading flat YTD and valuations are in the fair value zone with Nifty trading at ~18x FY24E EPS and thus offering room for modest upside if corporate earnings do not see material downgrades ahead. **We prefer BFSI, IT, Industrials, Auto and Cement while we are UW on Energy in our model portfolio.**

Exhibit 1: Preferred ideas

Company	MCap	CMP	EPS (INR)			EPS CAGR (%)	PE (x)			PB (x)			ROE (%)		
	(USD b)	(INR)	FY23E	FY24E	FY25E	FY22-24	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Preferred large cap stocks															
TCS	159.5	3,519	116.3	136.1	156.4	14	30.3	25.9	22.5	14.4	14.4	14.3	47.6	55.6	63.7
ITC	56.6	382	15.0	17.5	19.7	20	25.4	21.9	19.4	7.4	6.9	6.4	29.6	32.6	34.2
Bharti Airtel	55.8	785	13.6	18.1	28.2	69	57.7	43.4	27.8	5.9	4.2	3.6	10.8	11.3	14.0
Bajaj Finance	47.1	6,486	190.7	228.6	289.9	40	34.0	28.4	22.4	7.4	6.0	4.9	23.9	23.3	24.0
Axis Bank	32.2	868	70.3	80.4	92.7	38	12.3	10.8	9.4	2.2	1.8	1.5	18.2	18.0	17.3
Sun Pharma	28.8	995	35.7	41.7	47.6	15	27.9	23.9	20.9	4.3	3.7	3.2	16.5	16.6	16.4
Titan Company	27.1	2,524	36.8	44.7	55.8	31	68.7	56.5	45.2	19.2	15.4	12.6	31.2	30.4	30.8
ONGC	22.9	148	38.7	49.1	51.6	23	3.8	3.0	2.9	0.7	0.6	0.5	18.3	20.6	19.0
Mahindra & Mahindra	19.9	1,379	62.3	85.4	102.6	41	22.1	16.1	13.4	3.7	3.1	2.6	18.0	21.1	21.3
Samvardhana Motherson	6.6	80	2.1	3.9	5.3	80	38.4	20.3	15.2	2.5	2.3	2.1	6.7	11.9	14.5
P I Industries	5.7	3,121	84.6	99.8	115.8	34	36.9	31.3	26.9	6.5	5.5	4.6	19.2	19.0	18.5
Preferred midcap/smallcap stocks															
Dalmia Bharat	4.4	1,923	36.1	47.1	63.6	9	53.2	40.9	30.3	2.2	2.1	2.0	4.2	5.3	6.9
APL Apollo Tubes	3.7	1,233	24.0	35.2	44.7	32	51.3	35.0	27.6	11.6	9.0	7.0	25.6	29.0	28.7
Jubilant Foodworks	3.6	453	6.4	7.6	10.1	8	71.1	59.4	44.8	15.2	13.7	12.5	21.4	23.1	28.0
Poonawalla Fincorp	2.9	315	7.5	12.1	17.1	78	42.0	26.0	18.4	3.9	2.3	2.1	9.6	11.2	12.0
Metro Brands	2.7	837	13.9	16.5	20.3	46	60.4	50.7	41.1	13.8	11.0	8.8	26.2	24.8	24.4
Angel One	1.1	1,127	103.0	111.6	131.4	22	10.9	10.1	8.6	4.4	3.4	2.8	45.8	37.9	36.1
Lemon Tree Hotel	0.7	78	1.7	1.8	3.1	LP	47.3	44.4	25.6	7.2	6.2	5.0	15.4	15.0	21.6

Note: LP = Loss to profit; Large Cap, Mid Cap and Small Cap Stocks listed above are as per SEBI Categorization

Performance below expectation: BFSI leads earnings growth once again

- The MOFSL Universe reported sales/EBITDA/PBT/PAT of 17%/6%/2%/1% YoY (est. 15%/7%/8%/8% YoY), respectively, in 3QFY23. Excluding Metals and O&G, profit for the MOFSL Universe grew 29% (in line with estimate).
- Corporate earnings were below MOFSL expectations in 3Q, dragged by Metals and O&G but offset by continued strong performance of Financials and Autos.
- The banking sector reported a resilient 3QFY23 fueled by healthy loan growth, robust margin expansion, and consistent improvement in asset quality. Growth trends were broad-based, with the corporate segment too exhibiting a strong recovery. PSBs posted an improvement in operating performance, led by strong 3-6% QoQ loan growth across banks amid a sharp revival in the Corporate segment.
- EBITDA margin of the MOFSL Universe (excluding Financials) contracted 280bp YoY to 14.5%. Gross margins for most of the sectors contracted sharply. In 3QFY23, 10 of the 13 major sectors under MOFSL Coverage reported a contraction in gross margin YoY.

Exhibit 2: Sector-wise 3QFY23 performance of MOFSL Universe companies (INR b)

Sector (no of companies)	Sales				EBITDA				PBT				PAT			
	Dec-22	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Dec-22	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Dec-22	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Dec-22	Chg. % QoQ	Chg. % YoY	Var. over Exp. %
Automobiles (22)	2,331	3.6	22.0	4.6	267	19.3	38	7.3	174	41.3	95.9	34.7	137	45.6	139.3	39.7
Cement (11)	468	7.6	15.5	0.4	60	27.5	-12.1	-5.6	33	16	-26.4	-9.4	23	11.9	-27.6	-8.7
Chemicals-Specialty (9)	71	-5.7	14.8	-3.6	13	2.3	18	4.7	12	1.3	18.8	5.2	9	3.2	19.0	6.0
Consumer (18)	720	-0.1	7.0	-1.8	170	4.5	9.5	-0.1	165	7	11.1	2.3	125	7.7	11.1	3.1
Financials (46)	2,395	8.8	20.3	2.3	1,357	12.0	27	5.6	997	12.0	38.5	4.4	747	10.2	39.9	3.7
Banks-Private (12)	723	9.2	27.1	2.9	561	11.6	24.2	2.5	453	11	30.6	1.7	341	11.7	30.6	2.0
Banks-PSU (6)	808	9.1	23.2	3.7	568	14.0	31	10.3	352	15.6	61.7	9.7	252	11.6	67.7	6.7
Insurance (6)	580	8.5	10.9	-0.8	10	3.6	LP	-41.4	16	-3	157.3	-16.2	17	12.3	111.5	-3.6
NBFC - Lending (16)	261	8.3	17.6	4.2	207	8.9	15	6.0	164	9.9	19.9	4.1	129	4.3	21.6	3.9
NBFC - Non Lending (6)	23	3.5	6.9	2.2	11	-0.7	0.2	2.6	11	-3	-1.8	0.5	8	-1.8	-2.9	-1.6
Healthcare (22)	676	3.5	12.9	2.2	145	1.0	10	3.4	110	-5.6	5.8	1.2	84	-6.5	1.6	-2.2
Infrastructure (3)	42	6.9	9.8	-0.9	12	5.7	2.2	0.7	6	0	7.5	2.2	4	10.0	38.4	2.3
Logistics (5)	63	1.5	9.6	-2.8	9	-6.5	-8	-9.6	7	-1.5	-6.9	-8.6	5	-0.2	-7.4	-7.3
Media (3)	39	11.3	3.5	-2.7	10	26.8	-17.2	-8.2	9	27	-14.9	-7.1	6	22.6	-16.5	-8.2
Metals (10)	2,710	-2.9	1.5	-4.3	402	9.5	-39	-23.1	231	5.6	-53.6	-37.3	132	-5.2	-62.6	-48.4
Oil & Gas (15)	7,850	-1.3	21.6	5.4	747	21.3	2.3	2.6	458	21	-18.4	-10.4	337	22.5	-19.4	-6.4
Ex OMCs (12)	3,515	-3.7	22.4	1.5	630	13.6	12	14.7	433	4.8	-0.9	8.8	311	2.8	-3.5	12.0
Real Estate (8)	93	33.3	22.0	7.1	27	53.0	28.9	18.6	22	93	36.2	25.9	18	33.5	8.2	-2.4
Retail (16)	375	15.9	20.6	0.5	48	13.2	-1	-12.1	30	12.6	-11.3	-17.5	23	12.3	-12.2	-18.2
Staffing (3)	94	4.2	16.5	0.1	3	9.9	-12.3	-0.1	1	6	-35.2	-11.5	2	26.4	-10.2	20.6
Technology (12)	1,814	5.1	19.4	0.7	416	7.9	13	2.2	381	7.3	11.2	0.7	284	7.6	11.0	0.5
Telecom (4)	577	0.3	13.9	-0.1	249	-3.0	6.8	-9.4	-37	Loss	Loss	PL	-59	Loss	Loss	Loss
Others (15)	582	4.0	33.4	2.9	110	49.4	33	-6.5	68	102.4	57.0	-15.7	54	128.8	47.1	-8.9
MOFSL Universe (222)	**20,901**	**1.6**	**17.2**	**2.3**	**4,044**	**12.6**	**6.2**	**-0.9**	**2,666**	**13.4**	**2.0**	**-5.6**	**1,932**	**12.5**	**1.4**	**-6.2**
Ex Metals & Oil (197)	**10,341**	**5.3**	**18.8**	**1.9**	**2,894**	**11.0**	**19.5**	**2.2**	**1,977**	**12.7**	**27.1**	**1.6**	**1,463**	**12.3**	**28.9**	**1.4**
Nifty (49)	**13,354**	**1.3**	**18.2**	**2.2**	**3,243**	**11.7**	**13.0**	**0.4**	**2,204**	**11.3**	**12.3**	**-2.0**	**1,594**	**9.3**	**10.7**	**-2.8**
Sensex (29)	**9,181**	**2.4**	**18.3**	**1.6**	**2,622**	**11.2**	**15.8**	**2.3**	**1,772**	**12.3**	**16.9**	**1.4**	**1,259**	**9.5**	**13.8**	**0.0**

PL: Profit to loss

Exhibit 3: Earnings at a glance for MOFSL and Nifty Universe

	PAT (INR b)	Growth (%)		PAT	
Sector	Dec-22	est YoY	actual YoY	Var. over Exp. (%)	v/s Exp
MOFSL Universe (222)	1,932	8	1	-6	Below
MOFSL Ex OMCs (219)	1,906	9	5	-4	In Line
MOFSL Ex Metals & Oil (197)	1,463	27	29	1	In Line
MOFSL Ex Financials (176)	1,185	-3	-14	-11	Below
Nifty (49)	1,594	14	11	-3	In Line
Nifty Ex OMCs (48)	1,575	14	12	-3	In Line
Nifty Ex Metals & Oil (42)	1,234	26	31	4	In Line
Nifty Ex Financials (38)	1,049	6	0	-5	Below
MOFSL Ex Nifty Companies	**486**	**-3**	**-18**	**-15**	**Below**

** Tata Steel posted losses in Nifty

Exhibit 4: PAT remains flat YoY for MOFSL Universe

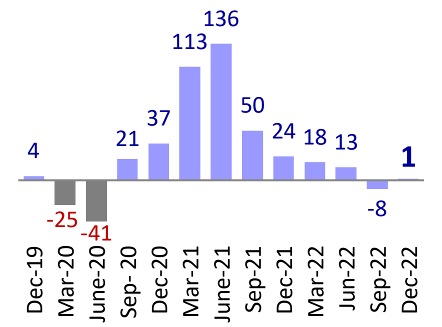


Exhibit 5: PAT declines 14% YoY for MOFSL Universe, excluding Financials

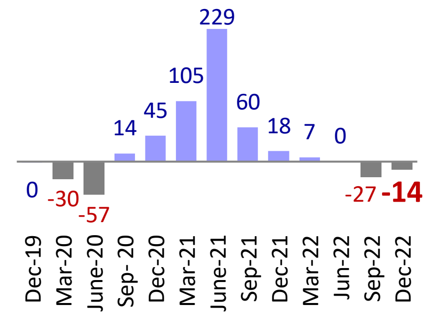


Exhibit 6: PAT rises 29% YoY for MOFSL Universe, sans Metals and O&G

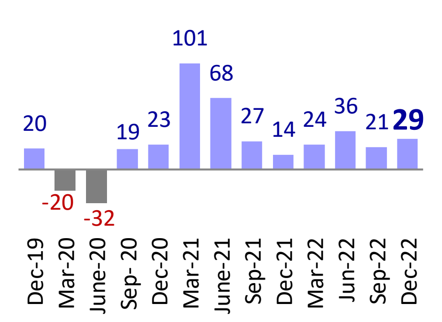


Exhibit 7: PAT growth for the Nifty Universe at 11% YoY

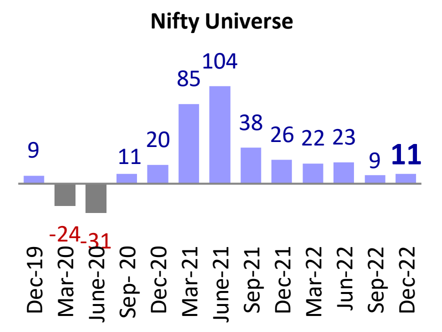


Exhibit 8: PAT for the Nifty Universe, sans Financials is flat YoY

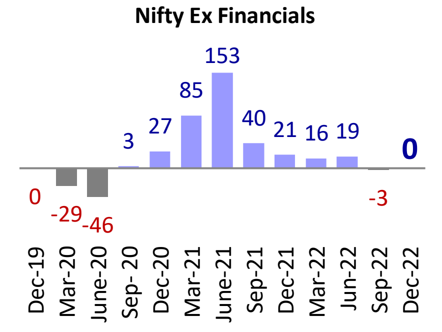
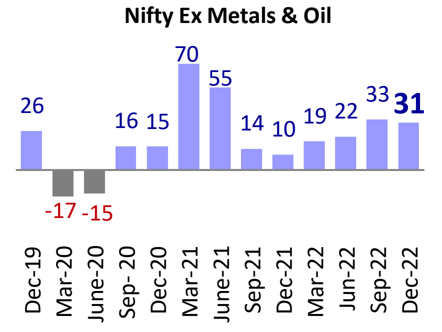


Exhibit 9: PAT grows 31% YoY for the Nifty Universe, sans Metals and O&G



Earnings downgrade/upgrade ratio adverse for the MOFSL Universe

- For our Coverage Universe, the earnings upgrade to downgrade ratio turned adverse for FY24E as 47 companies saw earnings upgrades of >3%, while 92 companies' earnings were downgraded by >3%.
- The spread of earnings has been decent with 57% of our Universe either meeting or exceeding our profit expectations. Of the 222 companies under our Coverage, 83 exceeded estimates, 96 recorded a miss, and 43 were in line on the PAT front.
- Of the 21 sectors under our coverage, four/nine/eight sectors reported profits above/in-line/below our estimates, respectively.

Exhibit 10: Upgrade-downgrade ratio trend for the MOFSL Universe

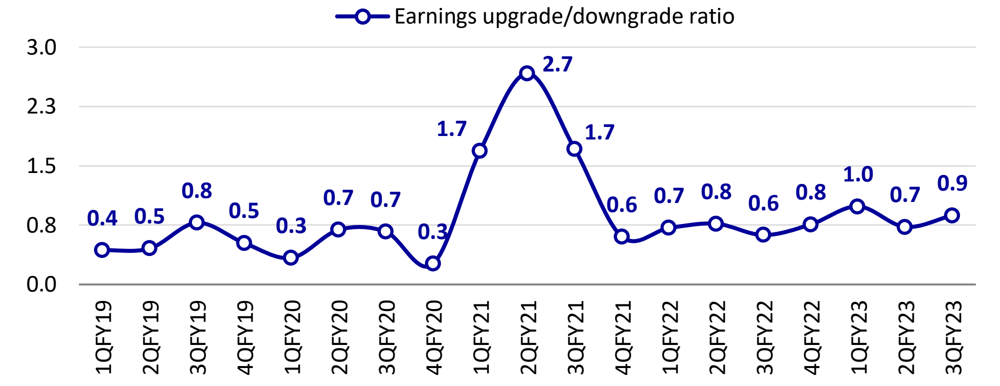


Exhibit 11: Surprise/miss ratio for the MOFSL Universe at 0.9x in 3QFY23

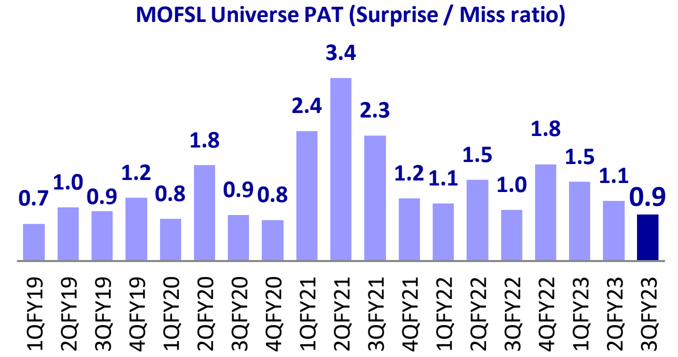


Exhibit 12: Sectoral surprise/miss ratio at 0.5x for the MOFSL Universe in 3QFY23

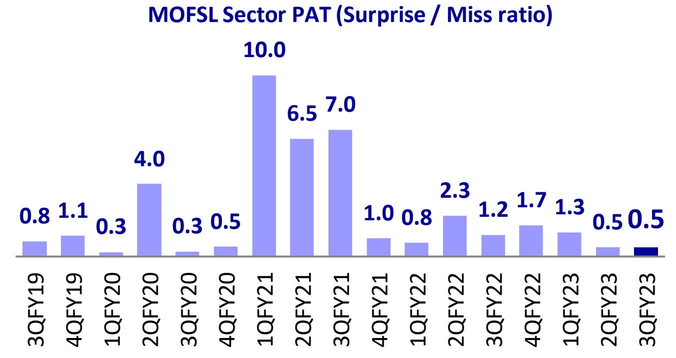


Exhibit 13: Two and three-year profit CAGR for MOFSL Universe

	EBITDA (INR b)			CAGR (%)		PBT (INR b)			CAGR (%)		PAT (INR b)			CAGR (%)	
Sector	**3QFY20**	**3QFY21**	**3QFY23**	**2-year**	**3-year**	**3QFY20**	**3QFY21**	**3QFY23**	**2-year**	**3-year**	**3QFY20**	**3QFY21**	**3QFY23**	**2-year**	**3-year**
Automobiles	194	276	267	-2	11	111	187	174	-3	16	92	140	137	-1	14
Cement	59	86	60	-17	0	31	63	33	-28	1	24	44	23	-27	-1
Chemicals- Spec	9	11	13	10	14	8	10	12	9	15	6	8	9	8	16
Consumer	129	143	170	9	10	126	140	165	9	9	99	106	125	9	8
Financials	865	1,017	1,357	16	16	454	494	997	42	30	319	376	747	41	33
Banks-Private	363	417	561	16	16	223	257	453	33	27	165	192	341	33	27
Banks-PSU	336	419	568	16	19	99	115	352	75	53	48	87	252	70	73
Insurance	11	4	10	52	-5	13	9	16	31	6	14	11	17	23	7
NBFC - Lending	151	169	207	10	11	114	105	164	25	13	88	81	129	27	14
NBFC - Non Lending	4	7	11	26	40	5	8	11	21	33	4	6	8	19	31
Healthcare	101	130	145	6	13	70	106	110	2	16	55	82	84	1	15
Infrastructure	8	13	12	-6	12	3	7	6	-9	20	2	5	4	-8	24
Logistics	6	8	9	5	11	4	6	7	8	16	3	4	5	8	16
Media	12	12	10	-7	-4	9	10	9	-7	-3	7	8	6	-11	-2
Metals	275	505	402	-11	14	120	357	231	-20	24	77	246	132	-27	20
Oil & Gas	531	526	747	19	12	328	379	458	10	12	238	296	337	7	12
Real Estate	16	21	27	14	18	9	12	22	33	34	8	10	18	37	31
Retail	30	32	48	23	17	19	19	30	25	17	13	14	23	26	19
Staffing	3	3	3	-3	-4	2	2	1	-15	-5	2	1	2	13	-1
Technology	277	333	416	12	14	263	309	381	11	13	205	231	284	11	12
Telecom	162	209	249	9	15	-52	-36	-37	Loss	Loss	-55	-48	-59	Loss	Loss
Others	66	58	110	38	19	35	22	68	74	24	28	17	54	81	25
MOFSL Universe	**2,744**	**3,383**	**4,044**	**9**	**14**	**1,541**	**2,087**	**2,666**	**13**	**20**	**1,124**	**1,539**	**1,932**	**12**	**20**
Nifty Universe	**2,157**	**2,469**	**3,243**	**15**	**15**	**1,278**	**1,548**	**2,204**	**19**	**20**	**953**	**1,147**	**1,594**	**18**	**19**

Exhibit 14: Sales for the MOFSL Universe up 17% YoY (est. 15%)

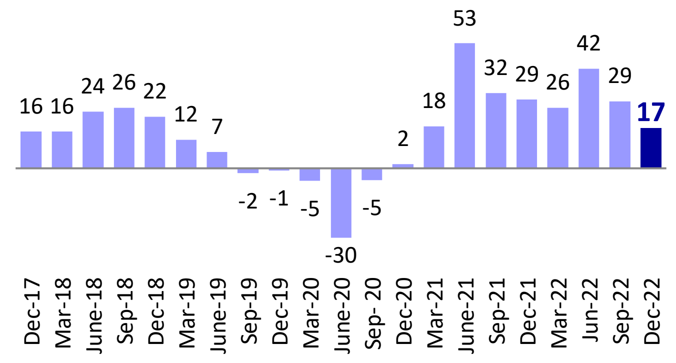


Exhibit 15: EBITDA for MOFSL Universe up 6% YoY (est. 7%)

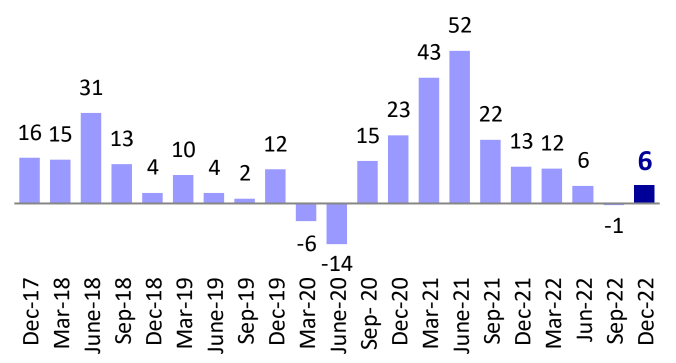


Exhibit 16: PAT growth muted for the MOFSL Universe at 1% YoY, below our estimate of 8%

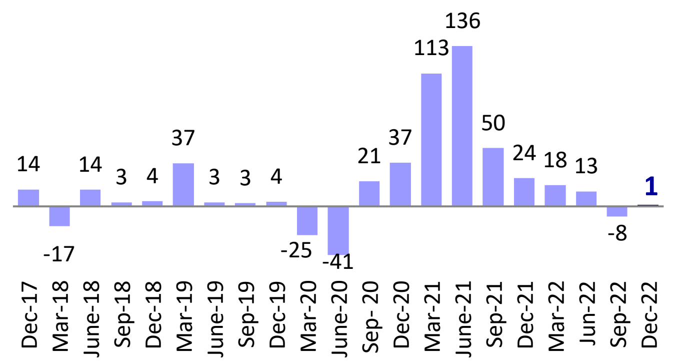


Exhibit 17: EBITDA margin, excluding Financials, contracts 280bp YoY to 14.5%

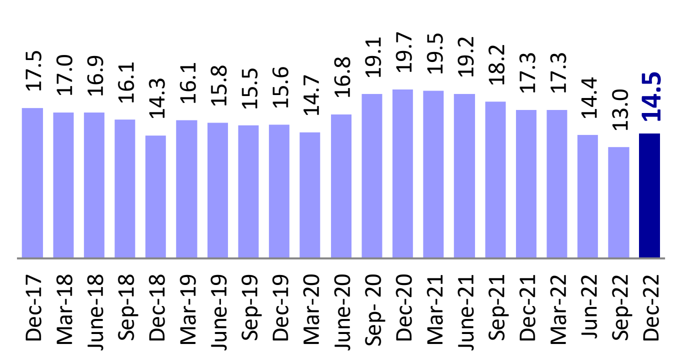


Exhibit 18: MOFSL Universe (ex-Nifty) posts an 18% YoY decline in profits ; third consecutive quarter of YoY decline

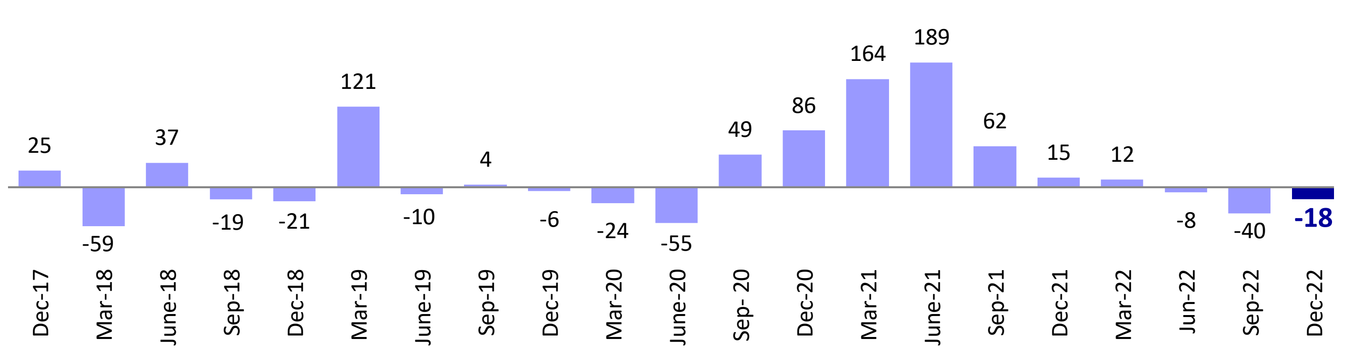


Exhibit 19: Sales growth YoY for the MOFSL Universe, excluding Nifty companies

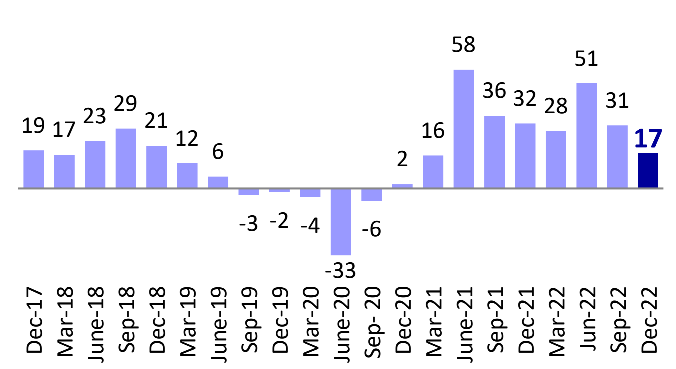
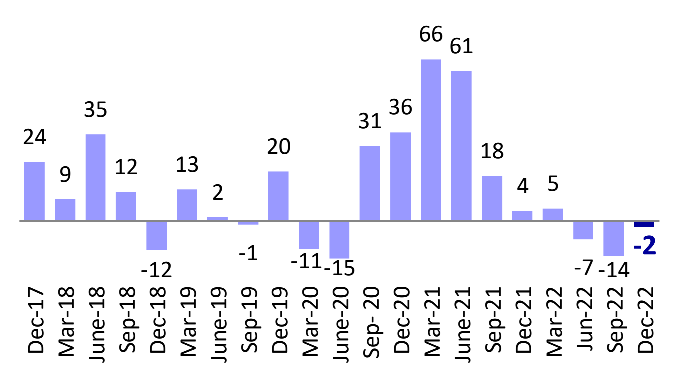


Exhibit 20: EBITDA growth YoY for the MOFSL Universe, excluding Nifty companies



Broad-based margin contraction

- Sales for the MOFSL Universe grew 17% YoY. Excluding Metals and O&G, sales growth stood at 19% YoY (est. +17% YoY).
- Sectoral sales growth: Private Banks (27%), PSU Banks (23%), Automobile (22%), O&G (22%), Retail (21%), Technology (19%) and Cement (16%).
- However, gross margins for most of the sectors contracted sharply. In 3QFY23, 10 of the 13 major sectors under MOFSL's coverage saw a decline in gross margin YoY. Cement, Metals, logistics, Oil & Gas, Retail, Technology and Specialty Chemicals reported gross margin declines of 521bp, 446bp, 315bp, 238bp, 121bp, 83bp and 38bp YoY, respectively.
- EBITDA for MOFSL Universe grew 6% YoY (est. +7% YoY). EBITDA margin, excluding Financials, contracted 275bp YoY to 14.5% (est. 15.5%).
- PAT for our MOFSL Universe was marginally up 1% YoY, hit by global cyclicals. PAT for MOFSL Universe, ex-BFSI, was down 14% YoY. Excluding BFSI, Metals and O&G, earnings growth for the MOFSL Universe was at 19% YoY (est. +20% YoY).

Exhibit 21: Sharp across-the-board contraction in gross margins in 3QFY23

	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	Change in GM bps YoY
Cement	60.0	63.5	64.9	64.6	63.7	63.7	65.6	61.5	56.3	55.2	54.4	50.2	51.1	-521
Metals	57.3	64.7	59.3	58.8	63.5	65.7	62.7	60.7	57.5	55.6	58.1	49.9	53.1	-446
Logistics	30.4	32.2	32.8	33.3	32.8	32.5	32.8	33.0	32.7	33.2	31.2	30.1	29.5	-315
Oil & Gas	21.8	21.0	33.0	28.3	25.6	25.1	24.3	23.0	20.9	21.8	16.8	17.0	18.5	-238
Infrastructure	47.8	46.8	39.5	43.6	40.5	35.2	35.3	40.8	41.4	36.0	40.7	71.4	39.1	-238
Others	53.6	51.5	49.5	48.7	53.5	49.8	49.7	46.8	50.8	47.8	48.8	43.7	49.0	-173
Retail	29.5	28.5	19.8	28.1	27.4	27.0	31.8	33.6	34.3	34.0	34.9	34.6	33.1	-121
Technology	35.6	35.8	35.2	36.8	37.6	35.8	35.8	35.5	35.2	34.5	33.1	33.6	34.4	-83
Spec. Chemicals	46.3	47.0	50.5	50.2	48.5	48.3	45.6	40.6	41.7	43.0	41.6	39.4	41.3	-38
Real Estate	53.2	61.6	51.9	57.8	45.1	51.5	44.7	45.0	49.0	38.9	42.8	51.1	48.8	-14
Consumer	53.0	53.5	51.2	52.2	52.3	50.6	48.7	49.2	48.2	48.2	46.4	47.3	48.9	66
Healthcare	62.7	62.7	64.3	64.0	63.5	64.1	62.2	62.5	62.1	61.7	61.4	62.9	62.8	75
Automobiles	31.6	31.5	32.4	31.9	31.4	30.7	30.4	28.8	29.6	29.1	31.4	31.8	33.2	360

Source: 163 companies that form part of the MOFSL Universe, excluding Financials, Telecom, Media, and Staffing

Exhibit 22: Major sectors record a YoY drop in operating margins

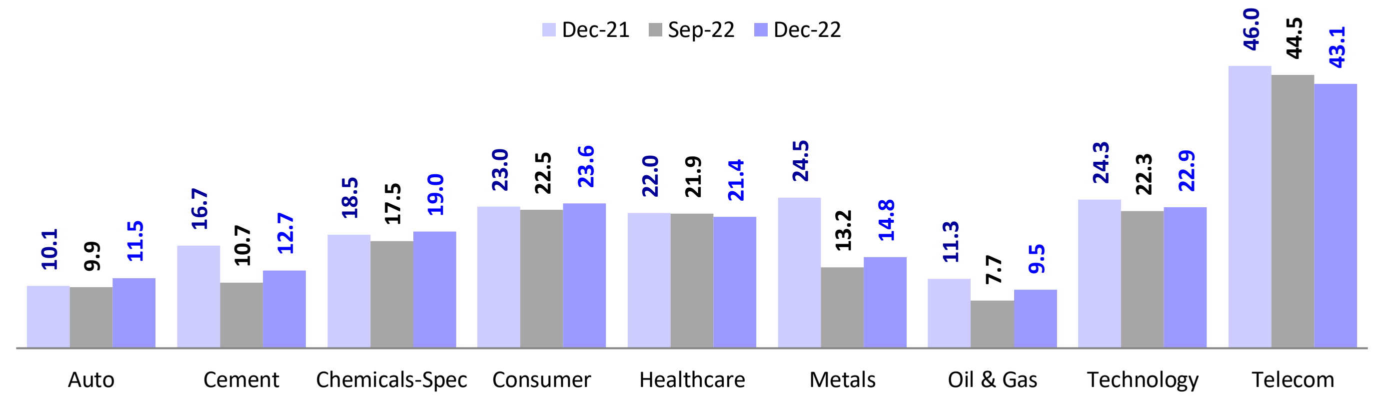


Exhibit 23: Metals' PAT contribution to the MOFSL Universe further declines in 3QFY23…

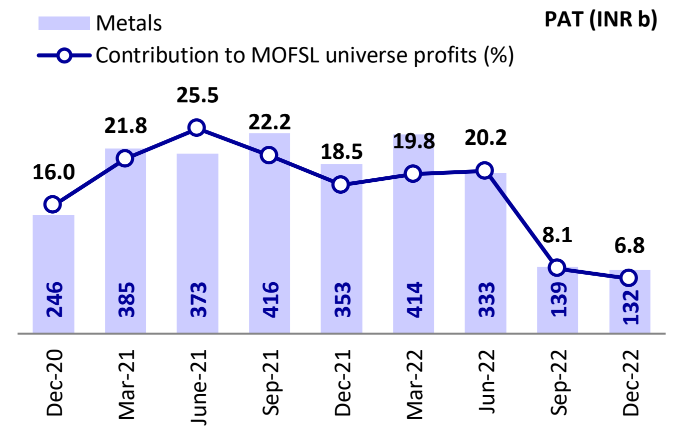


Exhibit 24: …while the same for O&G increases 1.4pp in 3QFY23

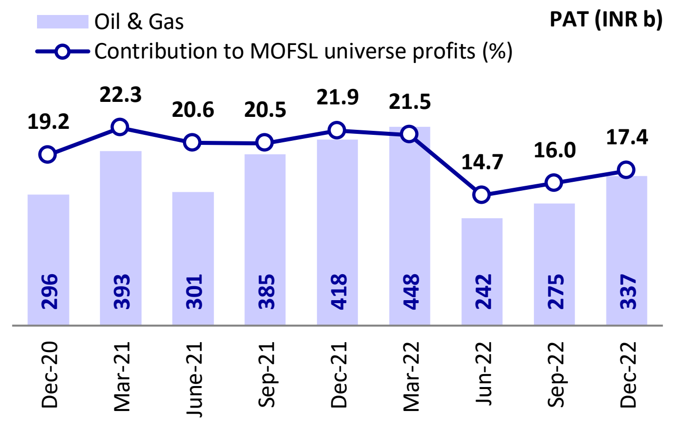


Exhibit 25: Financials' contribution near highs since Sep'20; accounts for over 1/3rd of the overall profit pool

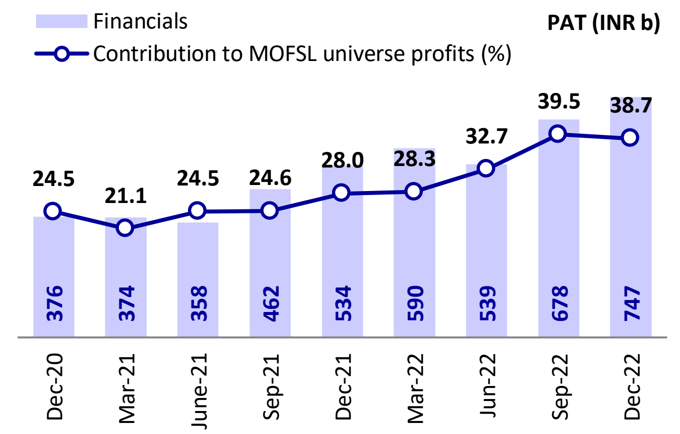


Exhibit 26: IT sector's contribution to the overall profit pool steady around 14-15%

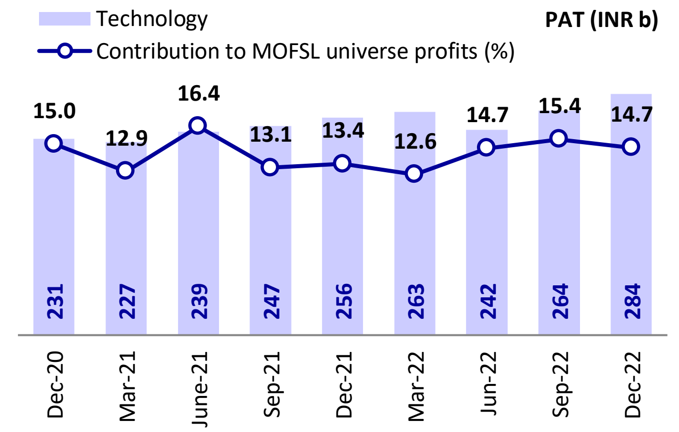


Exhibit 27: Auto sector's contribution to the overall profit pool further jumps in 3QFY23

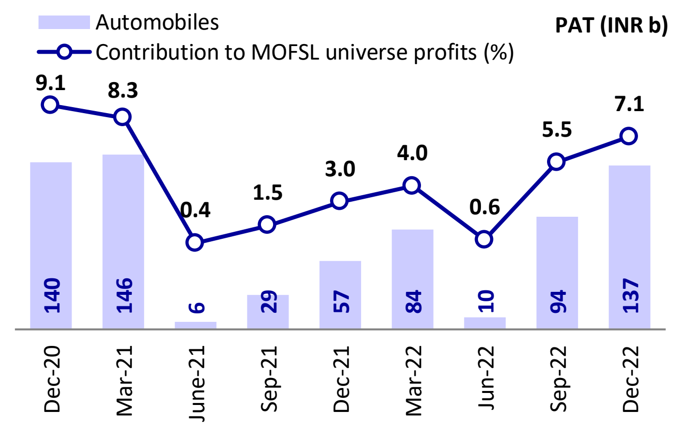
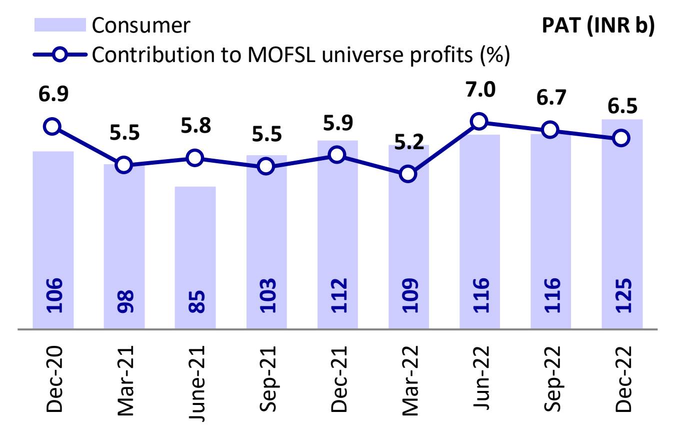


Exhibit 28: Consumer sector's contribution down from Jun'22 high



Performance highlights for Nifty constituents in 3QFY23

BFSI and Autos account for 100% of incremental profit YoY

- Sales/EBITDA/PBT/PAT growth for Nifty constituents was in line with our estimates of 18%/13%/12%/11%, respectively, in 3QFY23.
- Among Nifty constituents, 29% beat our PAT estimates, while 39% missed.
- Excluding Financials, profit for Nifty constituents was flat YoY (est. 6% growth).
- Reliance Industries, SBI, ITC, Tata Motors, Wipro, Kotak Mahindra Bank, HUL, Maruti Suzuki, M&M, Bajaj Auto, Dr Reddy's Lab, Hero Motocorp, and Britannia reported higher-than-estimated earnings. While Tata Steel, JSW Steel, Divi's Labs, Grasim Industries, Hindalco, SBI Life Insurance, Bharti Airtel, BPCL, Apollo Hospitals, Titan Company, Cipla, HDFC Life, Asian Paints, Coal India, UPL, and Ultratech Cement missed our profit estimates.
- Four Nifty companies saw an upgrade of over 5% in their FY24 EPS estimates; while nine saw a downgrade of over 5%.

Exhibit 29: Nifty sales up 18% YoY (est. 16%) in 3QFY23

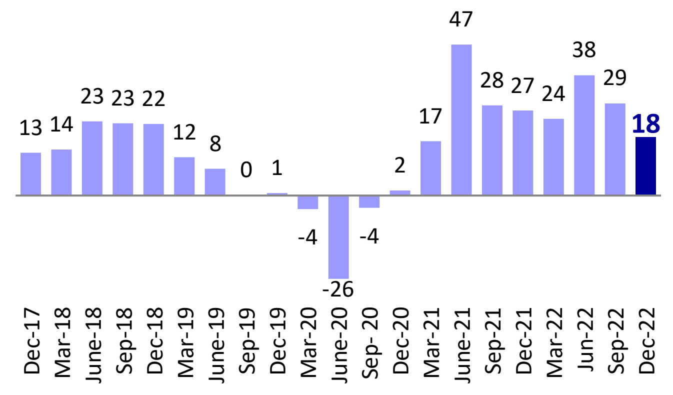


Exhibit 30: Nifty EBITDA up 13% YoY (in-line) in 3QFY23

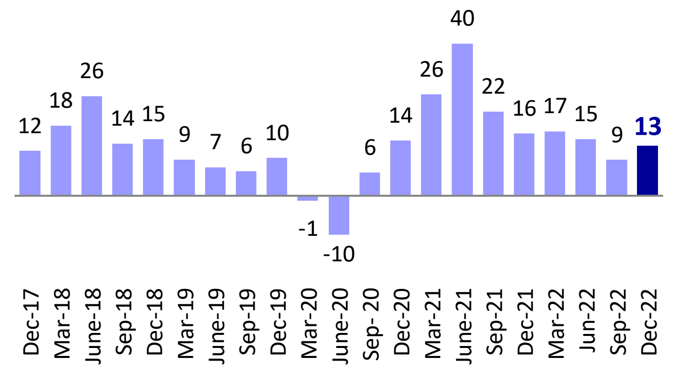


Exhibit 31: Nifty PAT up 11% YoY (est. 14%) in 3QFY23

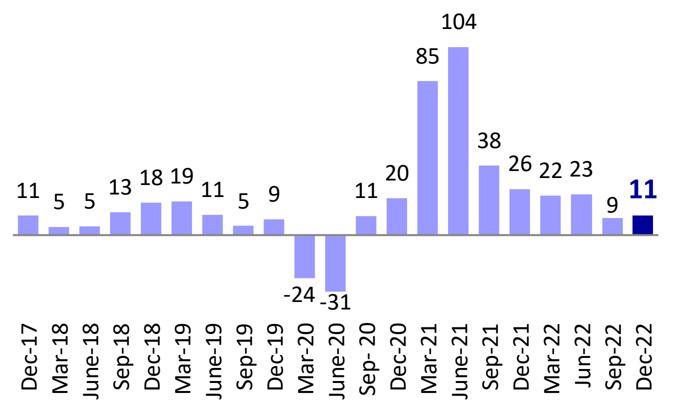


Exhibit 32: Nifty EBITDA margin (excluding Financials) contracts 180bp to 18.6% YoY

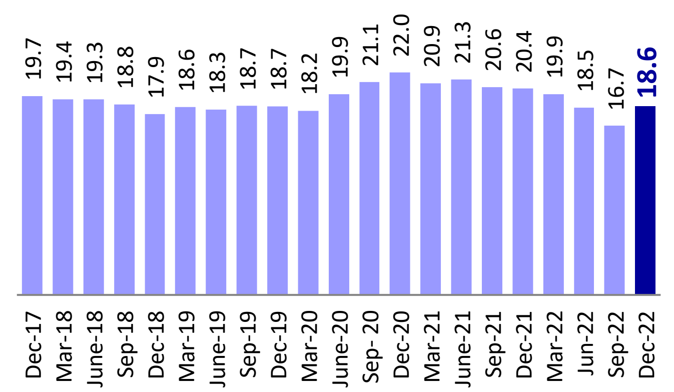


Exhibit 33: BFSI and Autos to drive earnings for the Nifty in FY23E; Metals to post meaningful decline

Sector	PAT (INR b)						Growth YoY (%)					
	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY20	FY21	FY22	FY23E	FY24E	FY25E
Automobiles	103	179	77	250	457	543	-53	74	-57	226	83	19
Banking	896	1,116	1,527	2,111	2,477	2,930	48	25	37	38	17	18
Capital Goods	89	69	86	111	135	161	11	-22	24	29	22	19
Cement	96	100	130	117	128	137	40	4	31	-10	9	8
Consumer	289	292	319	380	448	511	20	1	9	19	18	14
Healthcare	93	129	172	185	209	241	10	38	33	8	13	15
Infrastructure	53	44	60	79	88	99	18	-17	36	32	12	12
Metals	69	216	753	241	543	637	-70	213	249	-68	125	17
Oil & Gas	649	776	1,107	1,113	1,441	1,552	-22	20	43	1	29	8
Retail	15	10	23	33	40	50	9	-35	138	40	22	25
Technology	741	792	919	989	1,148	1,311	4	7	16	8	16	14
Telecom	-41	-7	35	76	101	158	Loss	Loss	LP	115	33	56
Utilities	411	404	480	657	552	566	6	-2	19	37	-16	3
Others	36	46	56	80	85	93	11	26	23	42	7	10
Nifty	**3,499**	**4,164**	**5,743**	**6,422**	**7,852**	**8,990**	**0**	**19**	**38**	**12**	**22**	**14**

Exhibit 34: Sectoral upgrades/downgrades for the MOFSL Universe

Sector	PAT (INR b) - preview			PAT (INR b) - review			Upgrade/downgrade (%)			Growth YoY (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Automobiles	342	657	806	393	675	813	14.9	2.7	0.9	108	72	21
Cement	181	219	259	177	213	245	-2.3	-3.1	-5.4	-20	20	15
Chemicals-Specialty	38	47	55	38	47	55	0.9	-0.7	-0.8	12	23	16
Consumer	482	574	656	478	572	660	-0.7	-0.5	0.7	17	20	16
Financials	2,814	3,401	4,063	2,874	3,469	4,121	2.1	2.0	1.4	43	21	19
Banks-Private	1,305	1,576	1,880	1,331	1,586	1,896	2.0	0.6	0.9	40	19	20
Banks-PSU	921	1,125	1,347	939	1,179	1,412	2.0	4.8	4.8	54	26	20
Insurance	70	84	100	68	79	94	-2.1	-5.8	-6.1	67	16	18
NBFC - Lending	485	577	691	502	587	675	3.5	1.7	-2.4	32	17	15
NBFC - Non Lending	34	39	45	34	39	44	-1.8	-1.4	-1.3	3	15	15
Healthcare	337	414	481	331	400	468	-1.8	-3.4	-2.6	-1	21	17
Infrastructure	20	23	27	20	23	28	-0.7	0.2	4.1	34	18	20
Logistics	22	29	37	22	28	36	-0.4	-5.5	-4.9	14	26	28
Media	26	35	40	24	32	38	-8.5	-8.6	-6.3	7	32	17
Metals	1,130	1,281	1,463	916	1,222	1,360	-19.0	-4.7	-7.0	-41	33	11
Oil & Gas	1,312	1,874	1,975	1,276	1,901	2,012	-2.8	1.4	1.9	-25	49	6
Excl. OMCs	1,319	1,562	1,672	1,340	1,591	1,709	1.6	1.8	2.2	7	19	7
Real Estate	72	112	117	71	95	129	-0.9	-15.4	10.0	40	33	36
Retail	88	114	142	79	107	138	-9.7	-6.3	-2.9	65	35	29
Staffing	6	10	14	6	9	13	-2.7	-10.3	-5.1	-6	43	46
Technology	1,082	1,276	1,384	1,090	1,269	1,455	0.8	-0.5	5.1	8	16	15
Telecom	-140	-46	95	-178	-81	30	26.8	Loss	Loss	Loss	Loss	LP
Others	186	234	263	185	235	268	-0.5	0.5	1.8	174	27	14
MOFSL Universe	**7,998**	**10,256**	**11,877**	**7,803**	**10,216**	**11,868**	**-2.4**	**-0.4**	**-0.1**	**4**	**31**	**16**

Exhibit 35: Nifty delivers 11% profit growth in 3QFY23

	Sales				EBITDA				PBT				PAT			
Company	Dec 2022	Chg. YoY %	Chg. QoQ %	Var. %	Dec 2022	Chg. YoY %	Chg. QoQ %	Var. %	Dec 2022	Chg. YoY %	Chg. QoQ %	Var. %	Dec 2022	Chg. YoY %	Chg. QoQ %	Var. %
High PAT growth																
Tata Motors	885	23	11	7	96	43	56	10	32	LP	LP	2,402	30	**LP**	LP	1,788
Adani Enterprises	266	42	-30	0	16	111	-13	0	8	LP	16	0	8	**LP**	78	0
Bharti Airtel	358	20	4	1	185	26	5	0	44	68	2	-17	20	**147**	-3	-24
Maruti Suzuki	290	25	-3	8	28	82	2	10	30	142	12	28	24	**133**	14	33
Dr Reddy' s Labs	68	27	7	18	21	71	14	52	17	76	4	59	13	**84**	15	51
Coal India	352	24	18	-3	112	52	40	-9	106	68	38	-7	77	**69**	28	-10
State Bank	381	24	8	1	252	36	19	12	195	69	8	7	142	**68**	7	7
Eicher Motors	37	29	6	1	9	47	4	-3	9	63	9	2	7	**62**	13	2
Axis Bank	115	32	11	3	93	51	20	10	78	62	9	4	59	**62**	10	4
IndusInd Bank	45	18	4	1	37	11	4	0	26	58	9	1	20	**58**	9	1
Mahindra & Mahindra	217	41	3	0	28	56	13	3	26	60	-12	10	20	**52**	-13	13
Britannia	42	17	-4	-4	8	51	15	16	8	52	17	18	6	**50**	13	13
Bajaj Finserv	218	23	5	-11	218	24	5	-11	44	36	4	-12	18	**42**	14	-7
Bajaj Finance	59	25	7	0	49	24	8	2	40	40	7	0	30	**40**	7	0
ICICI Bank	165	35	11	6	133	31	14	8	110	35	10	4	83	**34**	10	3
Kotak Mahindra Bank	57	30	11	5	38	43	8	2	37	31	8	5	28	**31**	8	5
ONGC	386	36	1	-1	204	28	9	4	147	28	-10	-3	110	**26**	-14	-3
Bajaj Auto	93	3	-9	8	18	29	1	23	20	25	-3	17	15	**23**	-3	17
ITC	162	2	1	-3	62	22	6	4	67	22	12	8	50	**21**	13	9
Cipla	58	6	0	-9	14	14	1	-12	12	16	5	-12	9	**20**	3	-12
Med/Low PAT growth																
HDFC	48	13	4	1	45	11	4	-1	42	12	7	0	37	**19**	-11	0
HCL Technologies	267	20	8	0	64	18	16	6	54	21	17	3	41	**19**	17	4
HDFC Bank	230	25	9	1	190	13	9	-2	162	18	15	-1	123	**19**	16	0
Larsen & Toubro	464	17	8	3	51	12	4	-7	42	18	7	-7	24	**18**	8	-12
HDFC Life Insur.	144	19	10	-6	3	79	34	-16	3	14	-4	-12	3	**15**	-3	-10
Infosys	383	20	5	1	93	11	5	1	89	12	6	2	66	**13**	9	2
Hind. Unilever	152	16	3	2	35	8	5	4	35	13	8	8	26	**13**	8	8
UPL	137	21	9	3	30	14	10	-5	15	7	17	-27	13	**11**	28	-6
TCS	582	19	5	2	155	15	7	1	146	11	4	-2	109	**11**	4	-3
Power Grid Corp.	110	11	3	3	96	12	8	3	40	-5	-1	-17	37	**11**	1	-1
Sun Pharma	110	12	2	-1	28	8	-10	-4	24	3	-11	-4	21	**9**	-17	-2
Tata Consumer	35	8	3	1	5	-2	5	-1	4	1	9	0	3	**7**	20	6
Asian Paints	86	1	2	-7	16	4	31	-11	14	5	35	-11	11	**6**	36	-10
NTPC	414	37	1	30	132	36	39	30	78	41	81	40	45	**5**	34	2
Hero Motocorp	80	2	-12	4	9	-4	-11	3	9	3	-2	11	7	**4**	-1	11
Wipro	232	14	3	0	47	7	13	9	40	5	16	11	31	**3**	15	10
Adani Ports	48	18	-8	2	30	15	-8	3	18	2	-16	-4	16	**2**	-19	-5
Negative PAT Growth																
Reliance Inds.	2,172	17	-6	1	352	19	13	18	230	3	12	13	158	**-3**	16	15
Tech Mahindra	137	20	5	2	21	4	8	4	18	-6	4	1	13	**-5**	-1	2
Ultratech Cement	155	20	12	0	23	-3	25	-3	15	-7	38	-6	11	**-10**	40	-5
Titan Company	116	16	27	3	13	-7	8	-12	12	-7	9	-11	9	**-10**	9	-15
SBI Life Insurance	192	6	16	11	3	26	-14	-59	3	-19	-20	-28	3	**-16**	-19	-29
BPCL	1,192	25	4	16	44	-14	117	-19	21	-44	LP	-38	20	**-31**	LP	-23
Apollo Hospitals	43	17	0	1	5	-14	-11	2	3	-21	-16	8	2	**-33**	-24	-18
Hindalco	532	6	-5	6	35	-52	-34	-38	12	-76	-61	-64	14	**-60**	-38	-42
Grasim Industries	62	7	-8	0	5	-48	-50	-31	2	-69	-84	-45	2	**-67**	-84	-45
Divi's Labs	17	-32	-8	-10	4	-63	-34	-37	4	-62	-33	-36	3	**-67**	-42	-45
JSW Steel	391	3	-6	-13	45	-50	160	-18	10	-83	LP	-68	5	**-89**	LP	-79
Tata Steel	571	-6	-5	-11	40	-75	-33	-59	2	-99	-93	-97	-24	**PL**	PL	PL
Nifty Universe	**13,354**	**18**	**1**	**2**	**3,243**	**13**	**12**	**0**	**2,204**	**12**	**11**	**-2**	**1,594**	**11**	**9**	**-3**
Ex Metals & Oil	**7,760**	**20**	**4**	**3**	**2,409**	**23**	**11**	**3**	**1,675**	**30**	**12**	**4**	**1,234**	**31**	**11**	**4**

Note: PL: Profit to loss; LP: Loss to profit

Nifty EPS cut of ~1% for FY23E

- We have pruned our FY23E Nifty EPS by 0.9% to INR812 (earlier: INR820) due to notable earnings downgrades in Tata Steel, JSW Steel, Hindalco, Bharti Airtel, and Divi’s Labs.
- We now expect the Nifty EPS to grow 11.6% in FY23. We expect FY23 earnings growth to be led by: a) **Automobiles –** gaining from a low base of FY22 along with benefits of softening commodity prices and operating leverage, and b) **BFSI –** benefitting from a pick-up in loan growth as well as an improvement in asset quality.
- We expect the BFSI and Auto sectors to constitute ~112% of the incremental earnings growth in FY23, while the Metals and O&G sectors are likely to drag earnings.
- The top earnings upgrades for FY24E: Tata Motors (19.3%), ONGC (10.7%), Bajaj Auto (5.9%), Dr Reddy’s Labs (5.3%), and Coal India (4.2%).
- The top earnings downgrades for FY24E: Divi’s Lab (-32.9%), Bharti Airtel (-25.4%), Eicher Motors (-11.1%), JSW Steel (-7.7%), and Tata Steel (-5.8%).

Exhibit 36: FY24E EPS revision: Four Nifty constituents see upgrades of over 5%, while nine see downgrades of more than 5%

Company	Current EPS (INR)			EPS Upgrade / Downgrade (%)			EPS Growth (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Tata Motors	-5.3	27.1	33.4	Loss	19.3	8.4	Loss	LP	23.3
ONGC	38.7	49.1	51.6	3.1	10.7	11.0	20.1	27.0	5.1
Bajaj Auto	213.0	241.0	266.3	4.5	5.9	3.5	16.0	13.2	10.5
Dr Reddy’ s Labs	248.2	247.9	276.1	10.8	5.3	5.4	41.1	-0.1	11.4
Coal India	54.0	33.0	30.7	0.2	4.2	4.0	91.4	-38.8	-7.0
State Bank	60.3	71.5	83.4	0.8	4.0	3.8	52.2	18.5	16.6
Titan Company	36.8	44.7	55.8	-0.8	3.7	4.1	40.2	21.5	25.0
ITC	15.0	17.5	19.7	-0.3	3.5	4.9	23.0	16.2	13.0
Britannia	80.1	89.0	101.8	6.0	3.1	3.8	27.2	11.1	14.3
Mahindra & Mahindra	62.3	85.4	102.6	3.4	3.0	3.1	45.0	37.0	20.1
UPL	77.4	84.4	95.2	0.2	2.4	2.9	22.0	9.0	12.8
Hind. Unilever	42.7	48.8	56.4	2.2	2.1	1.8	13.2	14.4	15.6
Kotak Mahindra Bank	73.9	85.4	100.0	3.1	1.8	1.5	21.3	15.6	17.1
ICICI Bank	46.7	52.8	61.6	5.0	1.8	0.8	38.8	13.1	16.7
Hero MotoCorp	140.1	174.7	194.5	4.4	1.2	-2.2	13.2	24.6	11.4
IndusInd Bank	97.4	124.5	160.5	0.5	0.8	4.4	57.0	27.8	28.9
Axis Bank	70.3	80.4	92.7	2.4	0.8	2.9	65.6	14.4	15.2
BPCL	-1.8	41.9	42.3	PL	0.7	-2.9	PL	LP	0.8
Infosys	59.0	67.9	76.9	0.6	0.5	2.4	12.6	14.9	13.3
Maruti Suzuki	262.3	367.0	436.0	14.0	0.1	0.3	104.2	40.0	18.8
Nestle	253.8	308.2	355.6	0.0	0.0	0.0	5.4	21.5	15.4
Bajaj Finance	190.7	228.6	289.9	1.8	-0.1	0.4	63.7	19.9	26.8
Tech Mahindra	58.4	68.2	79.7	1.5	-0.2	1.4	-6.7	16.7	16.9
HDFC Bank	79.6	94.8	112.8	-0.4	-0.3	-0.6	19.0	19.1	19.1
HDFC	70.8	80.4	92.2	0.7	-0.3	-0.7	13.5	13.5	14.8
TCS	116.3	136.1	156.4	-0.9	-0.6	10.7	11.8	17.0	14.9
HCL Technologies	54.6	63.4	72.2	-0.9	-0.6	2.5	9.5	16.2	13.9
Wipro	20.9	23.9	27.0	3.5	-0.7	3.5	-4.7	14.3	13.1
Sun Pharma	35.7	41.7	47.6	0.5	-0.8	-0.7	14.1	16.8	14.2
Grasim Industries	100.5	100.5	98.7	-1.4	-2.6	-12.1	-9.9	0.0	-1.8
Asian Paints	42.1	54.4	61.8	-2.9	-3.8	-4.4	26.3	29.2	13.6
Reliance Inds.	91.7	106.9	118.4	-2.4	-3.9	-2.7	6.1	16.6	10.8
Hindalco	47.4	70.0	79.9	-6.2	-4.2	1.7	-22.7	47.7	14.1

Company	Current EPS (INR)			EPS Upgrade / Downgrade (%)			EPS Growth (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Tata Consumer	11.8	15.9	18.8	1.4	-4.6	-4.3	11.2	34.9	18.4
Apollo Hospitals	57.4	87.8	127.2	-4.8	-4.8	-2.2	-15.6	52.8	44.9
Ultratech Cement	176.0	212.8	250.9	-1.6	-5.2	-4.8	-10.4	20.9	17.9
Cipla	40.5	46.5	49.7	-5.1	-5.7	-5.9	14.5	14.9	6.9
Tata Steel	8.7	15.8	17.9	-41.2	-5.8	-6.7	-73.6	82.3	13.2
HDFC Life Insur.	6.5	7.5	8.7	-4.8	-7.5	-8.7	13.2	15.5	16.5
JSW Steel	12.3	79.6	98.6	-74.0	-7.7	-11.3	-86.1	546.8	23.9
Eicher Motors	102.5	134.7	170.4	-1.5	-11.1	-10.6	67.1	31.4	26.5
SBI Life Insurance	16.7	18.7	20.8	-7.8	-14.0	-17.8	10.8	12.2	11.1
Bharti Airtel	13.6	18.1	28.2	-10.9	-25.4	-26.4	115.5	33.1	56.0
Divis Labs	64.5	65.2	84.9	-20.8	-32.9	-23.9	-41.6	1.2	30.1
Nifty (50)	**812**	**993**	**1,144**	**-0.9**	**0.2**	**0.8**	**11.6**	**22.2**	**15.2**

Exhibit 37: We estimate a 17% CAGR for Nifty free-float PAT over FY22–24

Company	Sales (INR b)			Sales CAGR % 22-24	EBITDA Margin (%)			EBITDA CAGR % 22-24	PAT (INR b)			PAT CAGR % 22-24	Contbn to Delta %
	FY23E	FY24E	FY25E		FY23E	FY24E	FY25E		FY23E	FY24E	FY25E		
High PAT Growth (20%+)	**21,842**	**24,284**	**26,099**	**19**	**24**	**26**	**27**	**22**	**2,554**	**3,224**	**3,766**	**38**	**72**
Tata Motors	3,392	4,193	4,426	23	9	12	12	41	-20	104	128	LP	10
Bharti Airtel	1,399	1,567	1,718	16	51	52	53	19	76	101	158	69	3
Maruti Suzuki	1,164	1,411	1,575	26	9	10	11	61	79	111	132	69	3
Adani Enterprises	1,305	1,305	1,305	37	5	5	5	32	21	21	21	63	1
Eicher Motors	142	165	192	28	24	25	26	38	28	37	47	48	1
IndusInd Bank	177	210	259	18	82	83	82	15	75	96	124	42	2
Mahindra & Mahindra	844	1,050	1,188	35	12	14	14	43	75	102	123	41	2
Bajaj Finance	230	283	349	27	81	79	81	25	115	138	175	40	3
Axis Bank	434	502	585	23	75	77	80	25	216	252	297	39	6
State Bank	1,449	1,649	1,817	17	59	61	63	16	538	638	744	34	13
Bajaj Finserv	271	324	392	22	79	75	71	23	70	81	99	33	2
Titan Company	389	464	554	27	12	13	13	31	33	40	50	31	1
Asian Paints	342	382	439	15	18	20	21	27	40	52	59	28	1
Larsen & Toubro	1,789	2,072	2,320	15	12	12	12	18	111	135	161	26	2
ICICI Bank	618	691	808	21	80	81	81	19	325	367	428	25	6
Tata Consumer	137	150	161	10	13	15	15	14	11	15	17	25	0
ONGC	6,888	6,907	6,955	14	14	17	17	17	497	630	662	23	10
Adani Ports	196	225	248	19	64	64	64	22	79	88	99	22	1
ITC	675	735	808	14	36	38	39	21	185	215	243	20	3
Medium PAT Growth (0-20%)	**27,182**	**29,453**	**32,274**	**14**	**23**	**23**	**24**	**13**	**3,652**	**4,068**	**4,587**	**12**	**40**
HDFC Bank	879	1,038	1,211	20	82	81	82	15	441	525	626	19	7
Hero MotoCorp	341	381	417	14	12	13	13	20	28	35	39	19	0
Britannia	164	178	198	12	17	17	18	18	19	21	25	19	0
Dr Reddy' s Labs	235	266	295	12	26	24	24	19	41	41	46	19	1
Kotak Mahindra Bank	215	243	283	20	67	69	71	18	147	170	199	18	2
HDFC	190	215	243	12	96	95	96	12	153	174	198	16	2
Sun Pharma	436	496	552	14	26	26	27	15	86	100	114	15	1
HDFC Life Insur.	558	674	816	22	2	2	2	11	14	16	19	15	0
UPL	557	615	656	15	23	23	23	17	59	65	73	15	1
Cipla	228	251	274	7	23	24	25	13	33	37	40	15	0
TCS	2,258	2,520	2,818	15	27	27	28	14	427	499	574	14	5
Hind. Unilever	590	645	723	12	23	25	25	13	100	115	133	14	1
Apollo Hospitals	169	202	243	17	13	14	14	12	8	13	18	14	0
Infosys	1,489	1,662	1,841	17	25	25	25	14	248	285	323	13	3
Bajaj Auto	372	414	452	12	18	19	19	23	60	68	75	13	1
Nestle	169	191	216	14	22	23	24	12	24	30	34	13	0
HCL Technologies	1,020	1,158	1,294	16	22	23	23	14	148	172	196	13	2
SBI Life Insurance	689	837	1,037	20	3	3	3	17	17	19	21	12	0
Reliance Inds.	8,918	9,529	10,293	17	16	16	17	18	620	723	801	11	7
NTPC	1,615	1,723	1,903	14	29	29	29	11	177	197	218	10	2
Coal India	1,364	1,268	1,294	8	32	22	20	6	333	203	189	8	1
Hindalco	2,208	2,230	2,274	7	11	14	15	6	105	155	177	7	1
Tech Mahindra	536	591	647	15	16	16	17	10	52	60	71	4	0
Ultratech Cement	621	669	730	13	17	19	20	5	51	61	72	4	0
Wipro	909	988	1,079	12	19	20	21	9	115	131	148	4	0
Power Grid Corp.	451	467	485	6	85	85	84	4	147	151	159	3	0
PAT de-growth (<0%)	**8,999**	**8,935**	**9,392**	**8**	**7**	**12**	**13**	**-10**	**216**	**559**	**636**	**-18**	**-13**
JSW Steel	1,676	1,944	2,123	15	11	20	22	1	30	195	241	-5	-1
Grasim Industries	265	277	313	15	13	13	11	5	66	66	65	-5	0
BPCL	4,573	4,219	4,243	10	1	4	4	-2	-4	88	88	-10	-1
Divis Labs	76	79	87	-6	31	29	33	-23	17	17	23	-23	-1
Tata Steel	2,409	2,416	2,626	0	14	17	19	-20	106	193	219	-31	-10
Nifty (PAT free float)	**58,023**	**62,673**	**67,765**	**15**	**21**	**23**	**24**	**14**	**3,587**	**4,383**	**5,051**	**17**	**100**

SECTOR-WISE: Highlights / Surprise / Guidance

AUTOS: Domestic demand momentum to sustain; exports to take 1-2 quarters for broad-based recovery

- **Healthy demand momentum sustains as supply-side issues are largely over:** Auto volumes in 3QFY23 grew YoY across segments, except 2Ws. Healthy volume growth was underpinned by improvement in the supply of semiconductor chips and strong order book, especially, in case of PVs. Consequently, wholesale volumes for Tractors/PVs/LCVs/MHCVs/3Ws grew 7%/23%/5%/25%/9% YoY, respectively. 2W volumes were flat YoY led by weakness in exports (-23% YoY), though domestic volumes grew 7% YoY. Total revenue for our Auto Universe (ex-TTMT) jumped 25% YoY driven by healthy volume growth and price hikes while EBITDA rose 51% YoY primarily due to moderating commodity cost inflation and FX benefits. Adj. PAT for the quarter grew 62% YoY. We believe wholesale growth across PVs/CVs/2Ws in 4QFY23 should remain under check due to BS6 phase-2 transition, resulting in price hikes and inventory management. Post that, we expect demand to remain robust for PVs and CVs, while 2Ws should witnesses gradual recovery. Demand sentiments for tractors too appear optimistic led by healthy reservoir levels and positive agri sentiments.
- **Some benefits of softening commodity prices yet to flow through in 4Q, while the major benefits already captured in 3QFY23:** Commodity cost inflation moderated for the second quarter in a row, along with favorable FX and mix. The same got reflected in gross margin improvement of 130bp YoY/100bp QoQ for Auto OEMs (ex-TTMT) to 27%. This was further supported by operating leverage benefits (+80bp YoY/-10bp QoQ) resulting in EBITDA margin expansion of 200bp YoY/80bp QoQ to 12.2%. Major benefits of softening RM costs have already been reflected in 3Q while partial benefits are expected to flow through in 4QFY23. Tyre companies' further benefits would reflect in 4QFY23, which would be the full reflection of the entire input price correction. For companies with global operations (especially in the EU), inflationary pressure has started to recede with softening commodity prices as well as energy costs, which is likely to reflect only from 4QFY23.
- **Exports – demand bottomed out; might take a couple of quarters for broad-based recovery:** As per the management commentaries, 3QFY23 demand across most of the export geographies remained under pressure due to uncertain macro headwinds, currency devaluation in key geographies such as Africa/South Asia and inventory de-stocking. While managements indicated that exports have bottomed out, broad-based recovery might still take a couple of quarters. Demand situation in European markets is still volatile, thus impacting key Ancillary players (such as MOTHERSO, ENDU, APTY, BIL and MACA) adversely. However, recovery in exports will be driven by: i) stabilizing macroeconomic situation (v/s CY22), ii) improving chip shortage-related issues and iii) normalizing shipping time. Almost all the relevant OEMs and auto component players indicated towards improving chip supply situation and believe supply challenges are not a major concern anymore.
- **Decrease in net debt:** Healthy operating performance and correction in inventory levels led to a sequential decline in net debt levels for companies such as AL (by INR6.3b to INR20.4b), MOTHERSO (by INR1.1b to INR84.4b), APTY (by INR7b to INR48b) and TTMT (by INR24b to INR575b).
- **Mixed trends of upgrades/downgrades for FY24E:** The quarter saw upgrades for FY24E largely to factor in the benefits of softening commodity prices as well as favorable FX and mix. FY24E EPS upgrades are as follows: BJAUT (+5.9%), TTMT (+19%), AMRJ (+5%), Sona BLW (+7%) and TIINDIA (+5%). Conversely, there are FY24E EPS downgrades in EIM (-11%), ESCORTS (-10%), ENDU (-5.5%) and MRF (-15%) largely due to a cut in estimates for volumes and pressure in overseas businesses.
- **Valuation and view**: Sustained demand recovery, improving chip supplies, and softening commodity prices are expected to drive performance going forward. We prefer 4Ws over 2Ws, aided by strong demand and a stable competitive environment. We expect the CV cycle to sustain its healthy growth momentum going forward while PV should benefit from strong order book and traction for new launches. We prefer companies with: a) higher visibility in terms of a demand recovery, b) a strong competitive positioning, c) margin drivers, and d) balance sheet strength. Our top picks in the sector are **MOTHERSO, BHFC and AL.**
- **Surprises:** AMRJ, AL, BJAUT, BOS, CEAT, MSIL, MOTHERSO, SONACOMS, and TTMT
- **Misses:** BIL, ENDU, ESCORTS, and TIINDIA

Guidance highlights:

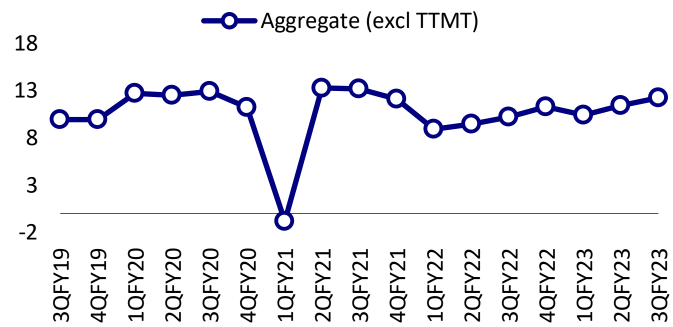
- **MSIL:** The management indicated towards healthy demand scenario, with both urban and rural markets doing well. MSIL expects to grow faster than the industry in FY24. Driven by the new product launches, MSIL is looking at the SUV segment market leadership in FY24. Its order book stands at 366k units (v/s 412k as of Sep'22), of which, 119k is for the recently launched products.
- **MM:** In FY23, the tractor industry is expected to grow by over 10%. The improved demand outlook has been driven by higher government spending and favorable terms of trade. It has passed on all the material costs so far, but the benefits of lower commodity costs have yet to accrue meaningfully. It estimates a 4pp impact of not passing on margins on RM cost pass through.
- **TTMT: JLR outlook** – Positive EBIT margin and FCF in 4QFY23 on wholesales of 80k or more are expected to help JLR achieve breakeven FCF (9MFY23 FCF outflow of GBP294m) and a positive EBIT margin for the full year. FCF in 4QFY23 would be slightly lower than in 3Q, as it expects lower working capital release on QoQ basis. Further, the order book would start tapering as supplies and production improve, but the order book will still be higher than the normal level over the next 12 months.
- **AL:** The company expects to sustain the strong demand momentum, fueled by a recovery in the macro environment, a pickup in construction and infra-led activities (such as mining) and growth in replacement demand. The industry is inching towards the historical peak.
- **BJAUT: Exports outlook** – BJAUT expects normalcy to return from May-Jun'23, firstly in LatAM, followed by Africa. Nigeria is likely to recover by Mar'23-end after national elections. **India 2Ws outlook:** The industry has been growing at 3-5% (adj. for the base) and should continue to grow at the same rate. A large part of the benefit has already been reflected in its 3Q margins. Meanwhile, prices of metals such as aluminum, nickel and copper have started rising; hence, it expects gross margin to be flat QoQ in 4Q.
- **HMCL**: Rural uptick has been slower than urban. But the company is seeing green shoots in rural geographies in states such as MP, UP, Bihar, Rajasthan, etc. This will be followed by better crop output and marriage season (to last for six months). It expects replacement demand to revive (~20% mix in overall demand).
- **TVSL**: Domestic demand is forecasted to improve sequentially in 4Q, supported by better rural market sentiment due to strong Rabi crop sowing and higher MSPs. **Exports:** Retail sales have been ahead of wholesales in most of the markets; however, there are some green shoots visible in 4Q. Further, the company plans to double its iQube volumes in 4QFY23.
- **EIM:** Management indicated that the supply chain is normalizing and production is no longer a major constraint. If required, production for Hunter can be increased by 25-30% largely through de-bottlenecking. **VECV –** BS6-Phase 2 (RDE) to result in a price increase of 3-5%.
- **MOTHERSO:** Availability of semiconductor chips has started to improve though challenges still remain. Global Supply Chain Pressure Index is now inching closer to pre-COVID levels. As per the management, a large part of the inflationary pressure is already reflected in numbers, and the benefits should start reflecting from 4QFY23.
- **BHFC:** The US Class 8 truck market is not seeing any demand slowdown yet, and the company expects FY24 to be as good as FY23 as most of the OEM production slots are full until Nov'23. Commodity cost benefits are yet to reflect in BHFC's P&L, though the company did not witness any cost increase in 3Q.
- **BIL**: The company expects further benefits, because of freight, to reflect in 4QFY23 and fully in 1QFY24. It expects lower RM cost benefit to partly reflect from 4Q and fully from Apr'23. EBITDA margin should improve by a minimum of 300bp in FY24E due to lower RM/freight costs.
- **APTY**: **India –** It expects demand momentum to remain healthy in the OEM segment, although demand in replacement and the export segments is anticipated to remain subdued in the near term. For the EU, near-term demand is likely to remain subdued though 4Q revenue would grow due to pricing. It expects mid-single digit decline in the RM basket in 4QFY23.

Exhibit 38: Key operating indicators

	Volumes ('000 units)					EBITDA margin (%)					Adj PAT (INR m)		
	3Q FY23	3Q FY22	YoY (%)	2QFY23	QoQ (%)	3Q FY23	3Q FY22	YoY (bp)	2Q FY23	QoQ (bp)	3Q FY23	YoY (%)	QoQ (%)
BJAUT	983	1181	-16.8	1,151.0	-14.6	19.1	15.2	390	17.2	180	14,914	22.8	-2.5
HMCL	1,240	1292	-4.1	1,428.2	-13.2	11.5	12.2	-70	11.4	10	7,111	3.6	-0.7
TVS Motor	879	879	0.1	1,027.4	-14.4	10.1	10.0	10	10.2	-10	3,527	22.4	-13.4
MSIL	466	431	8.2	517.4	-10.0	9.8	6.7	300	9.3	50	23,513	132.5	14.1
MM	282	214	31.6	273.2	3.2	13.0	11.7	130	11.9	110	20,290	52.0	-13.2
TTMT India CV**	95	101	-5.8	100.4	-5.4	8.5	2.6	590	5.1	340	9,380	-705.2	221.2
TTMT India PV**	132	100	33.0	142.8	-7.4	7.0	3.0	400	5.7	130	3,210	-197.6	92.2
TTMT (JLR) *	92	83	11.1	89.9	2.7	11.9	12.0	-10	10.3	160	261	-489.6	-366.3
TTMT (Cons)						10.9	9.4	150	7.8	310	29,581	-284.6	-335.3
Ashok Leyland	48	34	39.6	45.3	5.0	8.8	4.0	480	6.5	230	3,569	-1,054.5	83.9
Eicher (RE)	221	170	30.6	207.8	6.6	23.9	20.5	340	23.7	20	6,807	61.2	10.7
Eicher (VECV)	18	16	13.2	17.6	3.2	6.9	6.7	20	5.9	100	1,176	82.9	45.2
Eicher (Consol)						23.9	20.5	340	23.7	20	7,408	62.4	12.8
Agg. (ex JLR)	**4,365**	**4442**	**-1.7**	**4,936**	**-11.6**	**12.2**	**10.2**	**210**	**11.4**	**80**	**80,333**	**62.2**	**1.6**

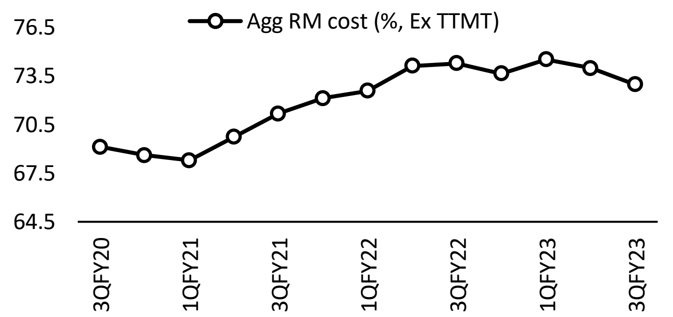
** PBT instead of PAT; JLR in GBP m; Source: MOFSL, Company

Exhibit 39: Aggregate EBITDA margin improves QoQ due to softening RM, price hikes, favorable FX and mix



Source: MOFSL, Company

Exhibit 40: RM costs decline on a QoQ basis



Source: MOFSL, Company

Exhibit 41: Revised EPS estimates

	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Bajaj Auto	213.0	203.8	4.5	241.0	227.6	5.9
Hero MotoCorp	140.1	134.2	4.4	174.7	172.6	1.2
TVS Motor	32.0	31.0	3.1	42.3	41.1	2.9
Eicher Motors *	102.5	104.0	-1.5	134.7	151.5	-11.1
Maruti *	262.3	230.0	14.0	367.0	366.7	0.1
M&M (incl MVML)	62.3	60.3	3.4	85.4	82.9	3.0
Tata Motors *	-5.3	-14.8	-64.4	27.1	22.7	19.3
Ashok Leyland	3.9	3.3	17.1	7.7	7.4	4.1
Escorts	58.2	61.7	-5.7	74.3	82.4	-9.9
Amara Raja	45.9	41.8	9.9	49.5	47.1	5.1
Exide Industries	11.5	11.1	3.7	13.0	13.3	-2.4
BOSCH	495	471	5.1	635	608	4.4
Endurance Tech*	35.5	37.6	-5.4	53.3	56.4	-5.5
Bharat Forge *	16.9	21.8	-22.8	33.3	34.4	-3.2
SAMIL *	2.1	2.2	-4.5	3.9	4.1	-2.9
Sona BLW	6.9	6.4	8.7	10.1	9.4	6.9
Ceat	40.6	39.2	3.6	119.0	119.0	0.0
Apollo Tyres*	17.7	16.8	5.4	25.3	24.6	2.8
Balkrishna Ind	52.5	71.1	-26.2	81.5	84.7	-3.8
MRF	1,595.6	1,491.3	7.0	3,124.7	3,679.3	-15.1
MSUMI	1.1	1.1	-3.1	1.8	1.8	-0.4
TIINDIA	66.8	60.8	9.7	82.1	78.0	5.3

* Consolidated estimates; Source: MOFSL, Company

CEMENT: Healthy volume growth; cost pressure led to EBITDA/t declining 16% YoY

- **Sales volume up 11% YoY; realization improves by 5%:** Sales volume for our Coverage Universe grew 11% YoY, aided by favorable base and strong volume recovery post the festive season. SRCM posted the highest volume growth of 23% YoY, followed by TRCL/JKCE at 19%/18%, respectively. While ACEM, UTCEM, DALBHARA, and BCROP clocked a volume growth of 8-12% YoY, ACC, ICEM, and JKLC reported a growth of 3-6% YoY. Blended realization for our Coverage Universe improved 5% YoY and 2% QoQ, leading to a revenue growth (excluding GRASIM) of 17% YoY and 10% QoQ. GRASIM revenue grew 7% YoY, due to sales volume/realization growth of 2%/8.5%, respectively, in the Chemical segment. VSF segments' sales volume/realization declined 4%/1% YoY. **As a result, aggregate revenue for our Coverage Universe rose 15% YoY (up 8% QoQ) to INR468b in 3QFY23**.
- **Elevated energy costs** (average variable cost/t up 19% YoY) resulted in a 5.5pp YoY decline in gross margin for our Coverage Universe. Freight costs/t rose 4% YoY, while other expense/employee cost per tonne was down 5% each. **As a result, aggregate EBITDA for Cement companies declined 6% YoY (down 12%, including GRASIM, which registered an EBITDA decline of 48%, due to margin pressure in both VSF and the Chemical segment), OPM fell 3.4pp to 13.5% (a 4pp drop to 12.7%, including GRASIM)**. DALBHARA clocked an EBITDA growth of 57% YoY, while ICEM reported an operating loss of INR696m. ACEM, TRCL, and JKLC reported an EBITDA growth of 9-23% YoY; UTCEM EBITDA declined by a mere 3%. Other companies in our Coverage Universe saw EBITDA fall 14-48% YoY. **Average EBITDA/t stood at INR764 v/s INR910/INR567 in 3QFY22/2QFY23, respectively**.
- **Profits declined 20% YoY:** Aggregate interest/depreciation expense for our Coverage Universe grew 31%/17% YoY, respectively. Other income rose 54% YoY. **Lower operating profit led to a 20% YoY drop in aggregate profit to INR21.7b for Cement companies (profits declined 27% YoY to INR23.3b, including GRASIM)**. ICEM/BCORP reported a net loss of INR1.4b/INR499m v/s a net profit of INR33m/INR605m, respectively, in 3QFY22. Profit fell 2% YoY for JKLC, followed by 10-37% for UTCEM/TRCL/JKCE and 44-67% for SRCM/ACC/GRASIM. DALBHARA/ACEM profit grew 2.8x/38% YoY.
- **Trim our earnings estimates:** We have reduced our aggregate FY24/FY25 EBITDA estimate by 1% each for our Coverage Universe (including GRASIM). DALBHARA has seen an EBITDA upgrade of 3% each for FY24/FY25. The aggregate profit estimate for our Coverage Universe (including GRASIM) has been cut by 3% each for FY24/FY25.
- **Top picks:** While UTCEM is our top pick in the largecap space, DALBHARA and JKCE are our preferred picks in the midcap space. We also prefer GRASIM, owing to its: 1) focus on backward integration, which should aid higher chlorine usage, 2) likely recovery in VSF business as VSF prices bottom out and recovery in demand, and 3) foray into the Paints business.
- **Surprises:** DALBHARA, ACC, ACEM, and TRCL
- **Misses:** JKCE, BCORP, and GRASIM

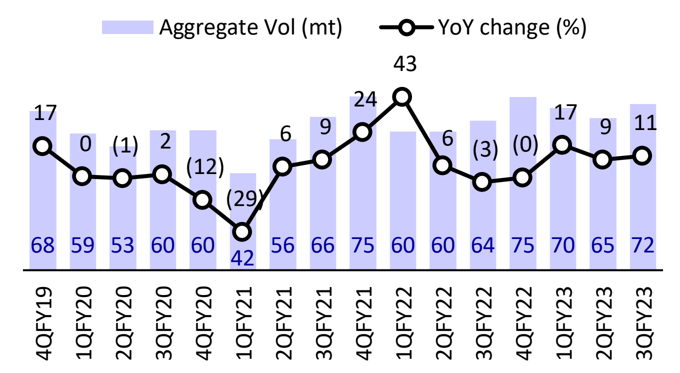
Guidance highlights:

Most managements continue to be positive on the cement demand, led by the government's thrust on infrastructure projects, pick-up in urban real estate, and likely recovery in the rural segment. Cement prices remain stable from Dec'22-exit and no price hike has yet been witnessed. However, improvement in capacity utilization is likely to support price hike in the near term. Fuel cost for most of the companies is expected to remain flat to marginally lower in 4Q, given the volatility in petcoke prices (currently hovering in the range of USD170-185/t vs average price of USD182-185/t in 3QFY23).

- **UTCEM:** Capacity utilization (CU) in Dec'22 has reached ~92%. CU has been at 95-100% in 4Q for the last few years and this year, it is expected to see similar trends. The industry seems to be focused on operating leverage and cement prices should witness a stable to rising trend. It consumed the highest priced coal in 3Q and this is expected to decline from hereon. Average fuel cost stood at INR2.6/kcal in 3QFY23 v/s INR2.5/Kcal in 2QFY23. It commissioned 6.6mtpa grinding capacity in 9MFY23 and the remaining 10mtpa will be commissioned in 4Q.
- **ACEM:** There were no specific details shared about its future growth plans; however, it aims to double its capacity in the next five years. Focus will be on cost savings, led by improvement in operational efficiencies and leveraging synergies with the group. Average fuel cost stood at INR2.32/kcal in 3QFY23 v/s INR2.72/Kcal in 2QFY23. WHRS capacity is likely increase to ~60MW by FY23-end v/s 6.5MW as of CY21-end.
- **ACC:** Greenfield expansion in Ametha (2.7mtpa clinker and 1mtpa grinding unit) is now estimated to be commissioned in 2QFY24. Average fuel cost stood at INR2.61/kcal in 3QFY23 v/s INR3.17/Kcal in 2QFY23. Commissioned WHRS facilities at Kymore and Jamul.

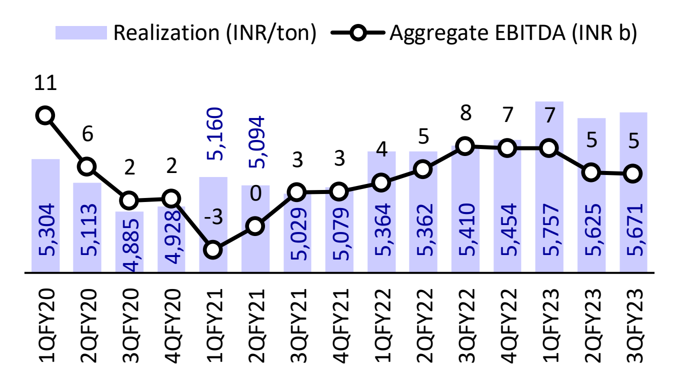
- **SRCM:** Capacity utilization stood at 72% v/s 61% in 3QFY22. Capacity utilization stood at ~73% in North and East, and ~62% in South. Volume guidance of 32mt implies a 15% YoY growth in FY23 and a 12% YoY/QoQ growth for 4QFY23. Cement prices remained largely flat in Jan-Feb'23 v/s Dec'22-exit price. Average fuel consumption cost stood at INR2.53/Kcal v/s INR2.83/Kcal in 2QFY23. Current fuel consumption cost stands at INR2.35/Kcal.
- **DALBHARA:** Aims to grow at 1.5x industry average volume growth in FY23. Cement prices were largely stable in its key markets with no price hike in Jan'23. The fuel cost stood at INR2.42/kcal v/s INR2.52/Kcal in 2QFY23 and expects fuel costs to decline 2-5% QoQ in 4QFY23. It has signed a definitive agreement (part of the earlier announcement) with JP group for acquiring clinker/cement capacities of 3.3mtpa/5.2mtpa, respectively.
- **TRCL:** It expects a volume growth of 30%/10% YoY in FY23/FY24, respectively. Cement prices remain volatile and expects some increase in prices going forward. The fuel cost stood at INR2.43/kcal v/s INR2.70/Kcal in 2QFY23. Average fuel price in 4Q is expected to remain at similar levels of 3QFY23. The company is looking to monetize non-core assets (mainly Land) of INR3-4b, which will be used to repay debt.
- **JKCE:** Demand remains robust and should support price hikes going forward. The North region is seeing higher demand growth. Average fuel consumption cost stood at INR2.60/Kcal v/s INR2.4/Kcal in 2QFY23. Fuel cost in 4Q should be at similar levels as that of 2QFY23. Capex in FY23/FY24 is pegged at INR19b/INR14b, respectively.
- **JKLC:** Cement volume is estimated to grow 12% YoY in FY23 (~10% in 9MFY23). The current demand-supply situation is favorable and should support price hikes. The average fuel cost stood at INR2.57/kcal v/s INR2.3 in 2QFY23 and is expected to remain flat QoQ in 4QFY23. It targets to improve EBITDA/t by INR300, driven by a better geo-mix, trade sales (INR200/t) and cost savings in manufacturing and logistics (INR50/t each).
- **GRASIM:** Capacity utilization of VSF stood at 71%; however, it is expected to be ~85% in 4Q, backed by demand improvement. There are signs of VSF prices bottoming out as current prices are unviable for most of the players. The Commerce ministry has suggested the imposition of anti-dumping duties from Indonesia and there are chances that these duties will be imposed. Capex stood at INR35b in FY23 (excluding Paints), out of which, INR13.7b has been spent in 9MFY23. Also, approved an additional capex of INR3.63b for Chlorine derivatives.

Exhibit 42: Sales volume grew 11% YoY for our Coverage Universe in 3QFY23



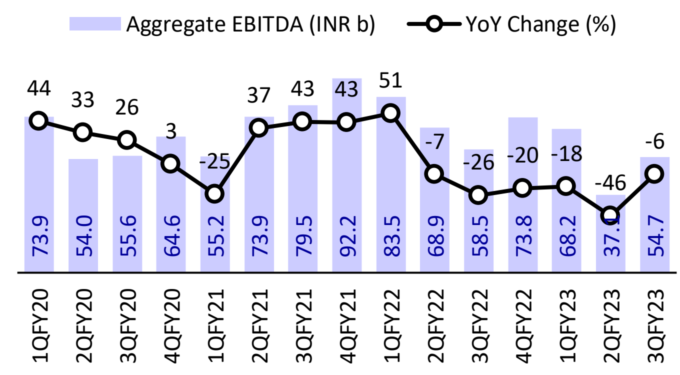
Source: Company, MOFSL

Exhibit 43: Blended realization up 5% YoY and 1% QoQ in 3QFY23



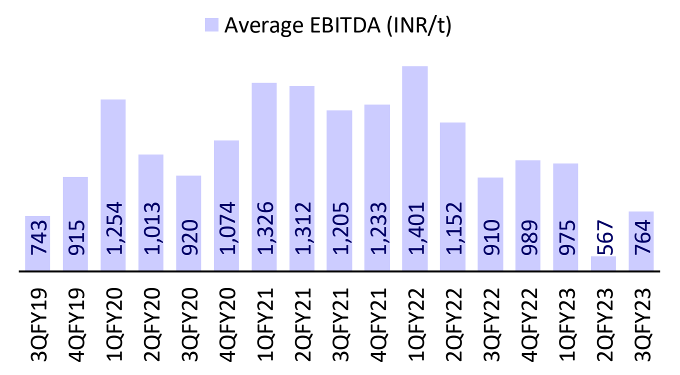
Source: Company, MOFSL

Exhibit 44: EBITDA fell 6% YoY in 3QFY23



Source: Company, MOFSL

Exhibit 45: Average EBITDA/t down 16% YoY in 3QFY23



Source: Company, MOFSL

CHEMICALS - SPECIALTY: Short-term demand concerns remain

- **Aggregates:** Revenue was largely in line with our estimates (with AACL, ATLP, FINEORG, NOCIL, and VO reporting below estimate revenues). EBITDA was primarily in line (with AACL, ATLP, FINEORD, and NOCIL below our estimates). PBT was PAT was above our expectations (in line for VO and above estimates for CLEAN, DN, FINEORG, and GALSURF).
- **Long-term vision intact despite near-term headwinds:** While input cost pressures have subsided for most companies in our coverage universe, product demand has started slow down on concerns of a looming recession. Volumes are expected to remain subdued in the near term, with realizations also normalizing in line with decline in input costs for many companies. The long-term outlook remains robust with most companies on track to complete most of their existing expansion plans in FY24, even as they evaluate further growth plans.
- Aggregate gross margin compression for our coverage universe stood at 40bp YoY, while the same increased 190bp QoQ (down 120bp YoY in 2QFY23). FINEORG and NOCIL posted a QoQ decline in gross margin. VO (up 660bp), GALSURF (up 470bp), and CLEAN (up 470bp) witnessed a spike in gross margin YoY. Aggregate EBITDA margin increased 50bp YoY and 150bp QoQ (v/s decline of 190bp YoY in 2QFY23). CLEAN, FINEORG, GALSURF, and VO clocked the highest increase in EBITDAM YoY, posting an increase of 4-7%.
- **Ratings and earnings change:** The quarter saw upgrades in estimates for three companies and downgrades for two companies in our coverage universe. Considering the robust demand outlook for CLEAN's Performance and Pharma chemicals and the management's plans to capture a higher market share for its products, we raise our EBITDA/EPS estimates by 8%/13%, respectively, for FY23. For GALSURF, we have raised our EBITDA/EPS estimate each by 13% for FY23, due to an improvement in EBITDA/kg to INR26.4 (up 101% YoY), led by cooling off of key raw materials and favorable product mix. For NFIL, we raise our FY23 revenue/EBITDA/EPS by 5%/ 12%/9%, respectively, led by ramp-up in capacity and outperformance in 3QFY23.
- For ATLP, we cut our Revenue/EBITDA/EPS estimates by 7%/11%/14%, respectively, for FY23 and by 5%/4%/8% for FY24, respectively, while also marginally cutting our FY25 estimates due to underperformance in 3QFY23 as well as demand and input cost concerns in Performance & Other Chemicals segment. For NOCIL, we cut our EBITDA/EPS estimates for FY23 by 13%/15%, respectively, while reducing our revenue estimates by 12% for FY23 and by 8% each for FY24/25 on volume concerns due to recessionary pressures.
- **Top picks:** Demand for VO's existing products remains strong and the company has also commenced production of AOs. Post-amalgamation with Viral Additives, VO would become the largest and the only doubly integrated manufacturer of AOs in India. We are positive on the growth prospects of the company and VO remains a high conviction idea for us. We have a buy rating on GALSURF and NOCIL as well.
- **GALSURF:** The management highlighted that the overall volumes should make a comeback in FY24 as local Egypt volumes are getting better and customers are confident of volumes recovery in Turkey as well. Indian demand continues to be stable with GALSURF well in line to cross 100tmta sales volumes in the domestic market.
- **FINEORG:** All the plants (barring Patalganga) are currently running at optimum capacity and the management expects full capacity utilization by end-Mar'23 for all including the Patalganga plant. FINEORG's customers are also expanding their capacities, and therefore, the management foresees huge opportunities in the existing product portfolio. It plans to set up a new plant by Mar'24E.
- **CLEAN:** HALS production (HALS701 and HALS770 series) started in early Dec'22 with CLEAN receiving its maiden order in Jan'23. Commercialization of rest of the products in the HALS series is expected between Dec'23 and Mar'24, with the company undertaking a capex of INR1.5b for FY24, which would be funded through internal accruals.
- **DN:** All the plants of the DN group operated at high utilization rates, except for the Nandesari plant. The company recorded the highest ever production of DASDA and achieved the highest ever sales volume and turnover for OBA.
- **Surprises:** CLEAN, GALSURF, NFIL
- **Misses:** ATLP, AACL, NOCIL

Guidance highlights:

- **CLEAN:** The management highlighted that demand for Performance and Pharma chemicals remains robust with softness to be seen in the Agrochemical Intermediates. PBQ's performance has been underwhelming with subdued volumes but the management expects it to bounce back after Mar'23.
- **DN**: Management believes the performance momentum will sustain in the AI segment, given its competitive positioning with assured supply of key inputs. Further, with demand-supply situation stabilizing, the management expects steady prices for the Phenolic business.
- **GALSURF**: Management had raised its EBITDA guidance to INR21-22/kg from INR16- 18/kg for FY23 in the previous quarter, due to improvement in margins, driven by pricing, product mix, and exchange gain. However, it believes that with volumes recovering from FY24 onwards, there would be a decline in the per kg margins.
- **NFIL:** Management highlighted that NFIL would start production of two molecules in 4QFY23 and one molecule in 2HCY23 in the MPP plant and expects optimum utilization by end-FY24. The management expects some headwinds in 2HCY23 in the HFO business, due to recessionary fears in the US, as well as some agrochemical molecules getting hit by inventory buildup (because of a drought in Brazil last year).
- **NOCIL:** Management announced that some new products could be introduced in 1HFY24. NOCIL is also working with customers on specific products that are yet to be commercialized. Recessionary pressure continues to exist and optimal capacity utilization could well go beyond FY24E (earlier guidance of full utilization was by Sep'23E)
- **VO:** The management is focusing on its already announced capacity expansion to 60ktpa from 40ktpa (commissioning not before Dec'23E), while Ibuprofen demand also remains strong. Veeral Additives has commenced production of AOs and samples are being sent to customers for approvals.

Exhibit 46: Revenue for our coverage universe

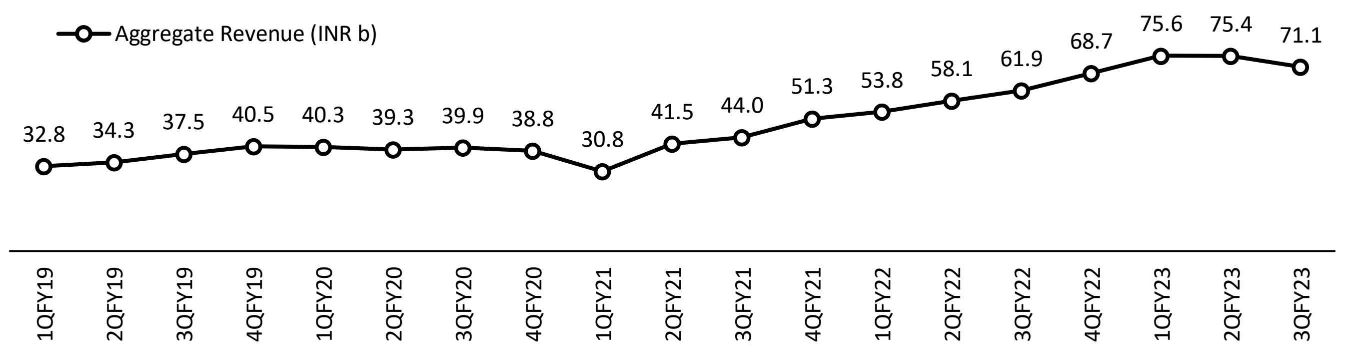


Exhibit 47: Gross margin for our coverage universe

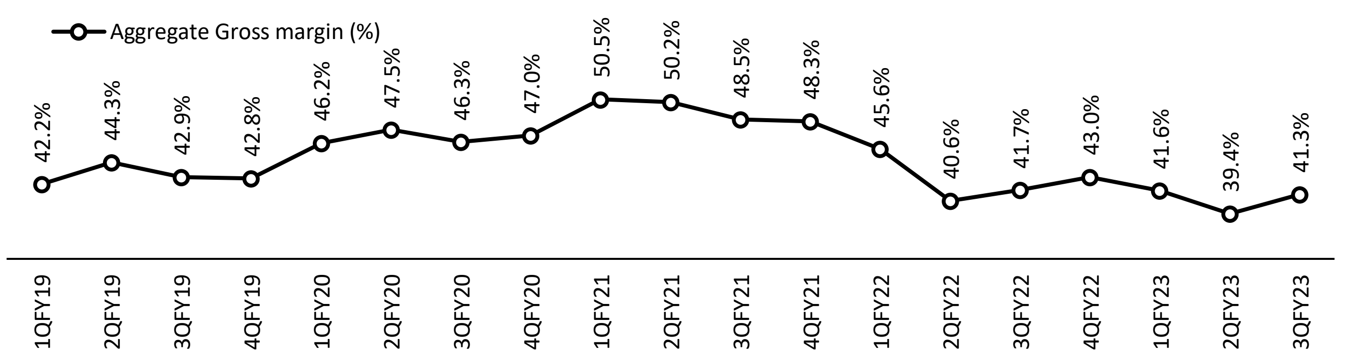


Exhibit 48: EBITDAM for our coverage universe

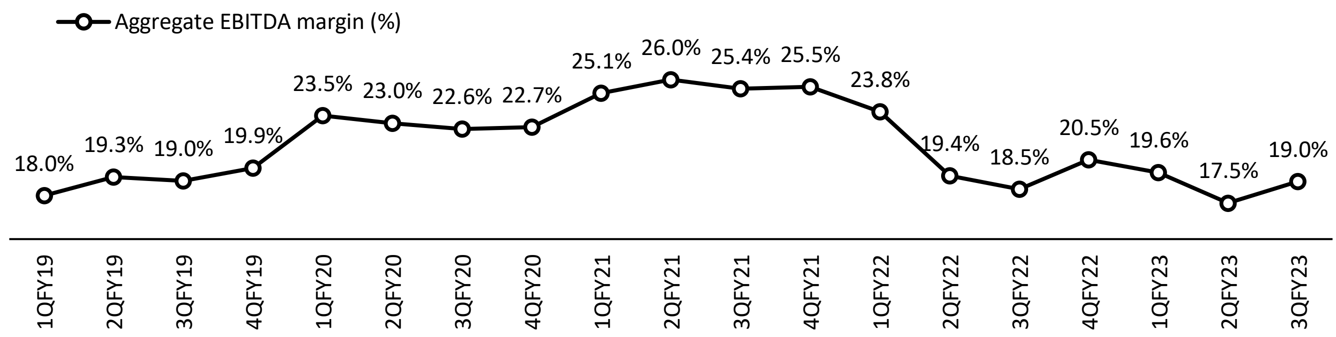
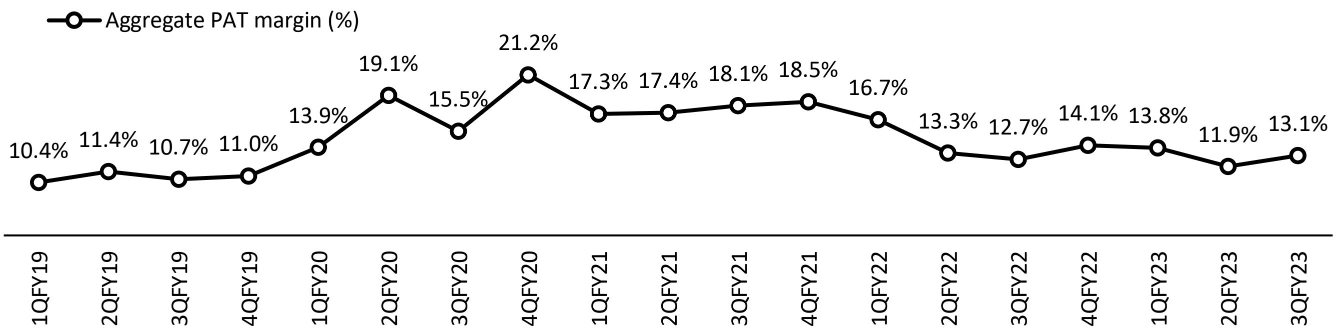


Exhibit 49: PAT margin for our coverage universe



CONSUMER: One more quarter of muted volumes

- **Weak rural demand continues as expected:** Companies under our Coverage Universe delivered cumulative sales growth of ~7.0% YoY (est. 9.0%) in 3QFY23. Growth was driven by both Staples and Discretionaries but discretionaries are evidently starting to witness weakness in demand and largely contributed to the relative sales miss. Volume growth continues to remain weak in 3QFY23, led by continued softness in demand in rural India. Of the 18 companies in our Coverage Universe, only 4 companies reported double-digit sales growth in 3QFY23, while it remained flat YoY for ten companies. Overall sales growth was largely in-line (for 13 of the 18 companies under coverage), there were some notable miss as well (INDIGOPN, PAGE and APNT).
- **Initial signs of margin recovery:** Overall performance for our Coverage Universe was majorly value driven as volume growth continues to remain soft. Commodity costs have shown signs of stabilization (albeit at elevated levels in some cases) or decline in some cases and with full effect of price hikes kicking in, few companies have seen gross margin expansion both sequentially as well as yearly. Nevertheless, it may take 2-3 quarters for margins to get back to normalized levels of the past. Exceptions are alcobev stocks like UBBL and UNSP where raw material prices are rising. GCPL and PIDI have seen the maximum decline in RM and are thus likely to see/ already starting to witness sharp gross margin improvement. The management commentary for most of the companies suggested that ad-spends were back to their normal levels and companies won't shy away from investing in A&P going forward.
- **Discretionary demand slows after 8 quarters:** Discretionary, especially urban discretionary seems to be under pressure compared to earlier expectations and its track record in recent years. Categories like paints and retail had weaker commentary for the first time in several quarters. High base and return of small and unorganized peers due to post-Covid normalization and material cost stability/ decline are also factors behind this.
- **Commentary on rural demand weak, turning positive at the margin:** Rural India continues to deliver a weak performance, however commentary of a few companies suggested there were some small green shoots witnessed in rural demand in Dec'22. Corporates are still unsure of timing of full-fledged recovery which may also depend on a normal monsoon this year on which initial reports are not encouraging. The likely good Rabi

harvest proceeds and the low base of rural growth going forward could lead to some improvement in the interim.

- **PBT and PAT are broadly in line:** PBT for 8 of the 18 companies in our Coverage Universe was ahead of our estimates or in-line, with a better than expected performance from JYL, GCPL, BRIT, PGHH, ITC and notable misses from discretionaries like UBBL, PAGE, UNSP and paint companies (APNT and INDIGOPN). Cumulative PBT growth, at 11.1% YoY, though was in line. Cumulative PAT growth also stood at 11.1% YoY, was in-line.
- **Top picks – ITC, GCPL, and VBL:** We are positive on **ITC** fueled by: a) a better-than-expected demand recovery and a healthy margin outlook in Cigarettes, b) a healthy sales momentum in the FMCG business, c) a smart recovery in the Hotels business, and d) a better capital allocation in recent years. **GCPL** has been on the right path towards improving the India business sales growth in recent years, FY23 is likely to be the third consecutive year of close to double digit sales growth after a tepid FY16-FY20 period, where growth decelerated (~4% CAGR). Working capital improvement (especially in overseas) is also on track and profitability outlook is also gradually improving in the overseas business. **VBL's** medium term investment case is underpinned by: 1) increased penetration in newly acquired territories of South and West India, 2) higher acceptance of newly launched products, and 3) growing refrigeration in rural and semi-rural areas.

- **Surprises:** ITC, BRIT, JYL, PGHH.
- **Misses:** UBBL, APNT, PIDI, UNSP and PAGE.

Guidance highlights:

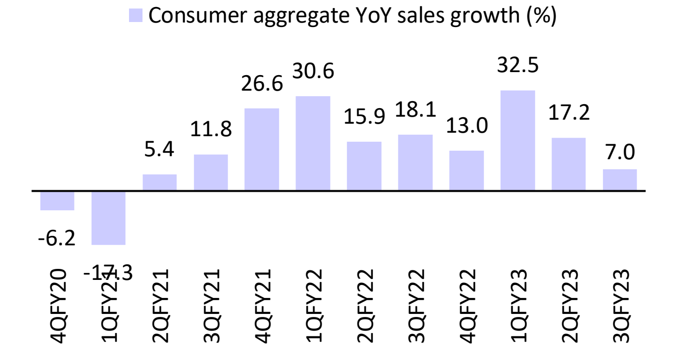
- **APNT:** Margins are expected to improve going forward. The product mix will also improve sequentially in 4QFY23. Management indicated that APNT may see 4-6% gap between volume and value growth going forward (flat in 3QFY23). It maintained an EBITDA margin band guidance of 17-20% and gross margin band guidance of 38-40%.
- **DABUR:** Management expects commodity inflation to moderate; however, specific commodities may hurt going forward. Against an 8.4% input cost inflation, Dabur only took 6.5% price hike. Management believes that there will be another two quarters of pain before gross margin recovers notably.
- **HUVR:** Management remains cautiously optimistic. The worst of RM inflation seems to be over but YoY inflation still remains high in its RM basket.
- **GCPL:** Domestic gross margin is likely to go up going forward in 4QFY23 and FY24E. Indonesia and Africa will also see margin improvement YoY and sequentially going forward in 4QFY23E and 1QFY24E. A few MAT benefits will be available in FY24E and the company will see a ~25% tax rate in FY25E.
- **MRCO:** Management believes that the worst of inflation and volatility is over. Domestic gross margin should remain steady sequentially and move upward gradually YoY. EBITDA margin would be ~18-19% in FY23 and over 19% in FY24.
- **HMN:** The management is targeting ~10-12% sales growth in FY24. Both gross margin and EBITDA margin are likely to improve YoY from 4QFY23 onwards.
- **PIDI:** VAM consumption costs in 3QFY23 stood at USD2,000/ton, down from USD2,500/ton in 2QFY23. The current ordering rate is however much lower at USD1200/ton. The benefits of lower VAM prices may reflect from 4QFY23. The management has noted some softening in other input costs as well. The company is on track to achieve the EBITDA margin of 20-24% going ahead.
- **TATACONS:** The management expects the salt and tea volumes growth to settle at midsingle digits over the mid to long term. In 3Q, TATACONS lost market share in Tea (down 46bp/113bp volume/value) but gained in Salt (up 90bp). The management is confident of regaining its market share in Tea in coming quarters.
- **UNSP:** For the next 12-18 months, there will be operating deleverage due to part sale of popular segment in 2QFY23. The gross impact of this sale will be ~120bp on margins.
- **UBBL:** Pressure on barley costs and glass bottle costs will remain high in 4QFY23 and 1QFY24, which the company is hoping to offset through price increases.
- **VBL:** They aim to increase their distribution network from over 3m outlets to ~3.5m outlets and deploy ~70,000 to 80,000 visi-coolers in CY23. Management has guided for net capex of ~INR15b in CY23 (including the CWIP of ~INR6b as on Dec'22).

Exhibit 50: Quarterly volume growth

(%)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
APNT (domestic decorative)*	33.0	48.0	106.0	34.0	10.0	8.0	37.0	10.0	0.0
BRIT (base business)	3.0	8.0	1.0	5.0	6.0	4.0	(2.0)	4.0	2.0
CLGT (toothpaste)	6.0	16.0	8.0	4.0	1.0	(4.0)	(1.0)	0.0	-2.0
DABUR (domestic FMCG)	18.1	25.4	34.4	10.0	2.0	2.0	5.0	2.0	-3.0
HMN (domestic)	13.0	39.0	38.0	6.2	0.0	0.0	9.6#	-1#	-3.9#
HUVR (domestic)	17.0	31.0	9.0	4.0	2.0	0.0	6.0	4.0	5.0
ITC (cigarette)*	(7.0)	7.0	31.0	9.0	12.5	9.0	26.0	21.0	15.0
MRCO (domestic)	15.0	25.0	21.0	8.0	0.0	1.0	(6.0)	3.0	4.0
PIDI (consumer bazaar)	22.0	45.3	105.0	24.5	9.0	20.2	44.0	1.0	1.0

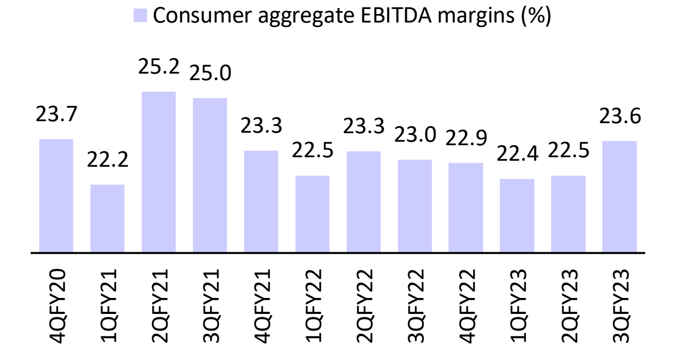
*Our estimate; #includes Dermicool acquisition Source: Company, MOFSL

Exhibit 51: Sales growth primarily led by price hikes



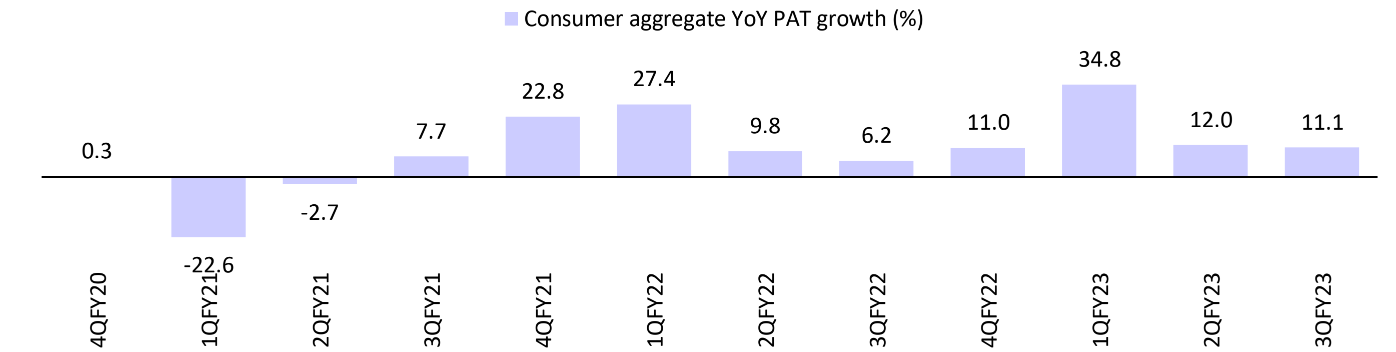
Source: Company, MOFSL

Exhibit 52: Aggregate EBITDA margin rose ~60bp YoY



Source: Company, MOFSL

Exhibit 53: Aggregate adjusted PAT up 11% YoY, led by sales growth, but offset by consumption of high cost RM



Source: Company, MOFSL

FINANCIALS – BANKS AND LIFE INSURANCE: Earnings momentum steady; deposit growth remains the key

- The banking sector reported a resilient 3QFY23, led by healthy loan growth, a robust margin expansion, and consistent improvement in asset quality. Growth trends were broad-based, with the corporate segment too showing a strong recovery. Deposit growth was supported by term deposits, while SA growth moderated across banks, leading to a sequential decline in the CASA mix, though some banks saw healthy growth in CASA deposits.
- NII growth was healthy with an expansion of up to 54bp QoQ across banks (barring BANDHAN). Robust fee income and controlled treasury gains supported PPOP growth. Core PPOP grew at a healthy pace of 19-64% YoY (barring RBK).
- Slippages continued to moderate across banks, barring BANDHAN, which continued to see high slippages. Moreover, better recoveries and upgrades resulted in a sequential decline in GNPA/NNPA ratios, with PCR remaining healthy. The restructured and SMA book too witnessed a gradual decline.

- **Private Banks – business growth intact; NII/core PPoP growth buoyant:** Advances continued to grow with a sequential uptick of 2-6%. Deposits grew ~3-7% QoQ, supported by healthy trends in term deposits. SA growth moderated across banks, while CASA witnessed muted trends, except for IDFCFB and RBK, which reported strong growth. The CASA mix, thus, witnessed moderation across banks, barring RBK. NII grew 14-35% YoY, except for BANDHAN, which reported a decline of 2%. Margin expanded by 30-38bp QoQ for AXSB/ICICBC/KMB/ IDFCFB and 20bp QoQ for the rest. HDFCB and AUBANK reported flat trends, while BANDHAN saw a 50bp decline. Core PPOP, however, grew 19-64% YoY (barring RBK which declined 12% YoY). Slippages continued to moderate across segments. The GNPA ratio improved by up to 27bp across banks. While AXSB kept its provision buffer unchanged, ICICIBC raised it. IIB, KMB and HDFCB, on the other hand, utilized the provisions.
- **Public Sector Banks – healthy loan/NII growth aids margin expansion; asset quality continues to improve:** PSBs posted an improvement in their operating performance, led by strong loan growth of 3-6% QoQ across banks amid a sharp recovery in the Corporate segment. Deposits saw modest growth, except for BoB, which reported strong growth of 5% QoQ. NII and fee income saw healthy growth, with margins expanding up to 54bp. Slippages moderated in 3QFY23, which, coupled with healthy recoveries and upgrades, resulted in a 38-78bp QoQ improvement in GNPA ratios. The restructured and SMA book too witnessed a decline.
- **Small Finance Banks – solid momentum in business growth; asset quality resilient:** AUBANK reported healthy loan and NII growth (41% YoY), which, along with lower provisions, drove earnings. Asset quality improved due to strong recoveries, with PCR stable at ~72%. Collection efficiency remained healthy. EQUITASB reported a strong 3QFY23, with healthy AUM growth across segments. Lower provisions supported earnings. Deposit growth was supported by healthy traction in CASA deposits. On the asset quality front, headline ratios improved, while the restructuring book moderated to 2.9% of loans.
- **Life Insurance – VNB margin remains buoyant; Retail Protection improves QoQ:** APE growth remained healthy for HDFCLIFE (+26%) and SBILIFE (+19%), while it was tepid for others, with IPRU and MAXLIFE posting a decline of 5-6% YoY. All insurers reported healthy trends in the Non-PAR savings and Annuity segments, while ULIP growth was modest. Group Protection continued to see strong trends, while Retail protection saw a QoQ recovery. VNB margin rose 100bp/290bp QoQ for HDFCLIFE/IPRU but moderated 370bp QoQ for SBILIFE. MAXLIFE saw a strong expansion of ~800bp QoQ in VNB margin to 39.3%. We remain watchful of the recent budget announcement, which can hurt growth momentum, particularly in the Non-Par segment.
- **Our view:** We expect earnings to remain resilient, guided by robust traction in loan growth and a benign credit cost. However, a challenging macro environment could slow the demand recovery. The CD ratio remains elevated and thus healthy growth in liabilities will be critical to sustain loan growth. We expect competition for deposits to intensify further, thus driving a sharper rise in funding costs in coming quarters. The margin trajectory, however, is likely to remain stable or positive over 4QFY23 but could witness pressure over FY24. Banks with a higher CASA mix and floating loans are well positioned to navigate the rising rate environment, even as the funding cost is likely to increase. The asset quality outlook remained encouraging, with a moderation in slippages, healthy PCR, and contingent buffers driving benign trends in core credit costs. We marginally raise our FY23-25 earnings estimates for the sector by 2-3% (up 5-6% for FB, 4-6% for AUBANK and 13-14% for BoB). Other PSU banks too saw a healthy increase. BANDHAN, DCBB and RBK saw a decline of 3-5%, while PNB saw a sharp decline of 39% in FY23 earnings estimates. **We retain our preference for AXSB, ICICIBC & SBIN. In the Life Insurance space, our preferred pick remains SBILIFE.**
- **Surprises:** FB, BoB, AUBANK and all PSBs barring PNB
- **Misses:** BANDHAN, PNB, DCB and RBK

Guidance highlights

- **HDFCB** continues to strengthen its geographical footprint (to add ~600 branches in the short term) for growth, even as it invests in digital initiatives and boosts its employee strength. It plans to launch several new apps, along with other digital initiatives. The margin trajectory is likely to depend on the loan mix. However, the management expects a positive bias on margin. The merger is likely to be completed by 2QFY24.
- **KMB** remains focused on growth, led by healthy traction across most segments. It aims to grow loans and deposits at a healthy pace. It will continue to focus on growing its unsecured book and aspires to increase the share to mid-teens from 9.3% currently. The bank will continue to make investments in building a digitally savvy franchise for a couple of quarters and aims to invest in technology and hire people. Margins could rise further, driven by repo rate hikes and the re-pricing of the MCLR book. However, the quantum is likely to be modest.
- **ICICIBC** aims to grow its core operating profit in a risk-calibrated manner with a 360-degree focus on customers. It will continue to invest in people and tech and operate within the strategic framework of 'One Bank, One RoE'. Going forward, the management expects the cost of funds to rise at a faster pace. Loan growth is likely to remain healthy, with Retail, SME and BB being the key growth drivers.
- **AXSB** expects loan growth in FY23 to be around the industry level, while post FY23, the bank aims to grow loans by 500-600bp higher than the industry level. It is committed to attaining a cost-to-assets ratio of ~2% by the end of FY25. The Citi deal is expected to be completed by 4QFY23 and consume capital of ~180bp. As of now, it has no intention to raise capital and will continue to evaluate the same till the acquisition is completed.
- **SBIN** expects to sustain the strong traction in credit growth and loan growth of ~14-16% in FY23. It expects margins to remain stable at around the current levels. The estimated provision on account of the wage revision is expected to be~INR5b on a monthly basis. The credit cost is expected to remain flat QoQ in 4QFY23 and the bank expects recoveries of INR30-35b in 4QFY23.
- **IIB** aims to end FY23 with loan growth of ~20% and margin in the 4.15-4.25% range. However, it expects to deliver loan growth of 20-25% over the medium term, with the CD ratio ranging between 85% and 93%. The cost of deposits could increase by ~25-30bp on a quarterly basis going ahead. The management has maintained its credit cost guidance. As branch expansion plays an important role in deposit mobilization, it plans to increase its branch count to 2,500 by FY23 and to 3,500 over the next three years.
- **FB:** Margin is likely to be around 3.35-3.4% in FY23/FY24, although 4Q could see some moderation. Loan growth is expected to be in high teens in FY23/24, with the CD ratio of ~84-85%. The management is looking to add another 15-20 branches in FY23 and a total of 250 branches in three years. The bank aspires to bring the C/I ratio to 47.5-48% in FY24. RoA expansion is on track and ahead of the bank’s expectation. It now expects RoA of 1.25% in FY23 (up from its earlier estimate of 1.2%), and a further improvement of 10bp in FY24. The bank may look at a capital raise in early FY24.

Exhibit 54: Strong traction in NII; treasury performance modest; core PPOP remains buoyant

	NII			PPOP			Core PPOP (calculated)			PAT		
INR b	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (%)	QoQ (%)
AXSB	114.6	32.4	10.6	92.8	50.6	20.2	88.5	52.7	13.4	58.5	61.9	9.8
BANDHAN	20.8	-2.1	-5.1	19.2	-1.4	23.8	NA	NA	NA	2.9	-66.2	38.8
DCBB	4.5	29.3	8.5	1.9	-2.4	6.3	NA	NA	NA	1.1	51.1	1.3
HDFCB	229.9	24.6	9.4	190.2	13.4	9.4	187.6	19.3	6.3	122.6	18.5	15.6
ICICIBC	164.6	34.6	11.3	132.7	30.8	13.6	132.4	31.6	12.5	83.1	34.2	10.0
IDFCFB	32.9	27.3	9.4	12.6	63.8	7.9	12.2	64.5	16.3	6.0	115.1	8.8
IIB	45.0	18.5	4.5	36.9	11.3	4.0	35.5	20.2	4.3	19.6	58.2	8.8
KMB	56.5	30.4	10.9	38.5	42.5	7.9	36.0	27.0	6.7	27.9	31.0	8.2
FB	19.6	27.1	11.1	12.7	39.4	5.1	12.8	52.3	12.3	8.0	54.0	14.2
RBK	11.5	13.6	7.9	5.7	-10.1	10.7	5.4	-11.7	13.7	2.1	33.9	3.7
AUBANK	11.5	40.5	6.4	5.6	21.2	11.4	5.5	21.8	10.5	3.9	30.1	14.7
SBIN	380.7	24.1	8.2	252.2	36.2	19.4	222.8	23.7	7.8	142.1	68.5	7.1
BOB	108.2	26.5	6.3	82.3	50.1	36.5	72.7	44.3	15.9	38.5	75.4	16.3
CBK	86.0	23.8	15.7	69.5	19.8	0.7	65.7	19.8	2.0	28.8	91.8	14.1
INBK	55.0	25.1	17.4	40.6	23.5	11.9	38.6	26.9	10.7	14.0	102.4	13.9
PNB	91.8	17.6	11.0	57.2	12.6	2.7	58.2	30.8	4.6	6.3	-44.2	52.9
UNBK	86.3	20.3	3.9	66.2	29.8	0.6	61.5	36.0	-2.1	22.4	106.8	21.5

Source: MOFSL, Company

Exhibit 55: Margin witnesses a healthy expansion across banks, barring BANDHAN

NIM (%)	3QFY23	YoY (bp)	QoQ (bp)
AXSB	4.26	73	30
BANDHAN	6.50	(130)	(50)
DCBB	4.02	41	14
HDFCB	4.10	-	-
ICICIBC	4.65	69	34
IDFCFB	6.36	18	38
IIB	4.27	17	3
KMB	5.47	85	30
FB	3.49	22	19
RBK	4.74	40	19
AUBANK	6.20	(10)	-
SBIN	3.50	35	18
BOB	3.37	24	4
CBK	3.05	22	19
INBK	3.74	71	54
PNB	3.16	23	16
UNBK	3.21	21	6

Source: MOFSL, Company

Exhibit 56: Healthy loan growth led by the Retail and SME segment, while Corporate too revives; deposit growth modest, with CASA under pressure

	Loans			Deposits			CASA deposits			CASA ratio (%)		
INR b	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (bp)	QoQ (bp)
AXSB	7,621	14.6	4.3	8,482	9.9	4.6	3,777	9.5	0.8	45.0	-	(100)
BANDHAN	921	14.7	2.1	1,023	21.0	2.9	372	-3.4	-8.2	36.4	(922)	(440)
DCBB	330	20.6	5.4	395	22.6	6.9	109	30.5	0.6	27.6	167	(173)
HDFCB	15,068	19.5	1.8	17,332	19.9	3.6	7,630	12.0	0.4	44.0	(310)	(140)
ICICIBC	9,740	19.7	3.8	11,220	10.3	2.9	5,088	5.9	0.2	45.3	(190)	(130)
IDFCFB	1,471	26.4	4.9	1,330	43.4	7.8	665	38.9	5.0	50.0	(159)	(128)
IIB	2,728	19.3	4.9	3,253	14.3	3.1	1,364	13.7	2.1	42.0	(20)	(40)
KMB	3,107	22.9	5.7	3,447	12.9	6.0	1,836	0.4	0.5	53.3	(660)	(290)
FB	1,682	19.5	4.3	2,014	14.8	6.5	690	7.2	0.1	34.2	(244)	(217)
RBK	667	14.7	5.9	817	11.0	2.9	299	18.3	4.2	36.6	220	40
AUBANK	556	38.4	7.5	611	38.0	4.7	235	35.1	-4.9	38.0	(100)	(400)
SBIN	30,582	18.6	3.6	42,136	9.5	0.6	18,007	5.9	0.2	44.5	(126)	(15)
BOB	8,907	21.7	6.5	11,495	17.5	5.4	4,178	7.6	1.9	41.6	(265)	(114)
CBK	8,164	18.0	3.5	11,635	11.5	2.6	3,515	2.8	-2.2	32.6	(204)	(147)
INBK	4,262	14.2	3.4	5,971	6.1	1.4	2,412	2.9	0.1	40.4	(127)	(54)
PNB	8,004	15.5	3.5	12,104	7.4	1.4	5,165	2.1	-1.5	43.7	(193)	(119)
UNBK	7,564	22.6	4.0	10,650	13.6	2.1	3,760	8.4	1.2	35.3	(169)	(33)

Source: MOFSL, Company

Exhibit 57: Asset quality continues to improve, with a robust PCR; credit cost undershoots across Banks

Asset quality	2QFY23 (%)			3QFY23 (%)			QoQ change (bp)			3QFY23
(%)	GNPA	NNPA	PCR	GNPA	NNPA	PCR	GNPA	NNPA	PCR	Slippage Ratio
AXSB	2.50	0.51	79.9	2.38	0.47	80.8	-12	-4	90	2.1
BANDHAN	7.19	1.86	75.5	7.15	1.86	75.4	-4	0	(9)	15.2
DCBB	3.89	1.54	61.3	3.62	1.37	63.0	-27	-17	161	5.3
HDFCB	1.23	0.33	73.3	1.23	0.33	73.2	0	0	(10)	1.9
ICICIBC	3.19	0.61	81.3	3.07	0.55	82.6	-12	-6	135	2.6
IDFCFB	3.18	1.09	66.3	2.96	1.03	66.0	-22	-6	(36)	NA
IIB	2.11	0.61	71.5	2.06	0.62	70.6	-5	1	(99)	2.3
KMB	2.08	0.55	73.7	1.90	0.43	77.6	-18	-12	382	1.1
FB	2.46	0.78	68.7	2.43	0.73	70.4	-3	-5	170	1.0
RBK	3.80	1.26	67.8	3.61	1.18	68.0	-19	-8	17	3.9
AUBANK	1.90	0.56	71.1	1.81	0.51	72.1	-9	-5	99	1.9
SBIN	3.52	0.80	77.9	3.14	0.77	76.1	-38	-3	(181)	0.5
BOB	5.31	1.16	79.1	4.53	0.99	78.8	-78	-17	(30)	1.4
CBK	6.37	2.19	67.1	5.89	1.96	68.1	-48	-23	106	1.7
INBK	7.30	1.50	80.7	6.53	1.00	85.5	-77	-50	483	1.3
PNB	10.48	3.80	66.3	9.76	3.30	68.5	-72	-50	218	2.2
UNBK	8.45	2.64	70.6	7.93	2.14	74.6	-52	-50	395	1.5

Exhibit 58: Snapshot of restructuring book across Banks (%)

INR b	Restructured book							
	Absolute	Mar'21	Sep'21	Dec'21	Mar'22	Jun'22	Sep'22	Dec'22
AXSB	24.8	0.30	0.66	0.63	0.52	0.45	0.38	0.30
BANDHAN	NA	0.76	11.18	8.22	5.20	2.35	0.20	NA
DCBB	16.3	4.26	6.80	6.81	6.42	6.10	5.45	4.94
HDFCB	64.0	0.57	1.50	1.40	1.14	0.76	0.53	0.42
ICICIBC	49.9	0.54	1.27	1.19	1.00	0.80	0.70	0.50
IIB	34.1	1.80	3.60	3.30	2.60	2.10	1.50	1.25
KMB	7.7	0.19	0.54	0.54	0.44	0.39	0.34	0.25
FB	30.4	1.07	2.49	2.45	2.44	2.22	2.03	1.81
RBK	11.2	1.58	3.66	3.44	3.27	2.90	2.21	1.67
AUBANK	7.8	1.85	3.60	3.10	2.50	2.10	1.70	1.40
BOB	167.0	1.34	2.95	2.65	2.44	2.46	2.12	1.87
SBIN	260.4	0.73	1.24	1.20	1.13	1.00	0.93	0.85
INBK	152.1	1.64	5.85	5.09	4.73	4.20	3.90	3.37
PNB	123.3	NA	2.60	2.76	2.36	2.00	1.80	1.54
UNBK	191.2	1.10	3.69	3.32	2.99	2.92	2.60	2.38
CBK	143.0	NA	2.85	2.78	2.77	2.41	2.09	1.75

Exhibit 59: Earnings progression on track; raise aggregate earnings by ~3% over FY23-25, implying ~20% CAGR over FY23-25E

PAT (INR b)	Old estimates			Revised estimates			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Private Banks									
AXSB	210.8	250.5	288.9	215.9	252.5	297.4	2.4%	0.8%	2.9%
BANDHAN	23.7	45.9	57.9	24.3	44.1	55.2	2.5%	-3.9%	-4.7%
DCBB	4.7	5.4	6.1	4.5	5.2	6.3	-2.7%	-3.1%	2.7%
HDFCB	442.8	527.2	629.4	441.2	525.5	625.7	-0.4%	-0.3%	-0.6%
ICICIBC	309.2	360.6	424.8	324.6	367.0	428.4	5.0%	1.8%	0.8%
IDFCFB	22.5	30.8	41.6	23.4	32.1	43.2	4.0%	4.2%	3.9%
IIB	75.1	95.7	119.1	75.5	96.5	124.4	0.5%	0.8%	4.4%
KMB	100.8	116.5	134.9	105.1	119.4	137.7	4.3%	2.5%	2.1%
FB	27.6	32.2	37.5	29.4	33.9	39.7	6.8%	5.1%	5.9%
RBK	8.7	12.1	14.8	8.5	11.5	15.0	-2.5%	-4.7%	1.4%
AUBANK	13.7	16.9	20.8	14.4	17.6	22.0	5.0%	4.1%	6.1%
EQUITAS	4.7	7.3	10.0	5.6	8.0	10.4	17.4%	9.0%	4.4%
Total Private Banks	**1,244.2**	**1,501.0**	**1,785.9**	**1,272.4**	**1,513.1**	**1,805.5**	**2.3%**	**0.8%**	**1.1%**
YoY growth	**37.5%**	**20.6%**	**19.0%**	**40.6%**	**18.9%**	**19.3%**			
PSU Banks									
BOB	114.1	142.2	163.7	137.6	161.2	186.7	20.5%	13.4%	14.1%
CBK	99.7	129.8	164.0	104.7	136.3	169.8	5.0%	5.0%	3.5%
INBK	53.2	67.3	81.3	55.2	70.3	83.2	3.8%	4.4%	2.4%
PNB	38.9	63.8	86.8	23.9	66.0	88.0	-38.7%	3.6%	1.4%
SBIN	482.1	540.7	615.1	486.6	565.3	642.5	0.9%	4.6%	4.4%
UNBK	80.8	108.4	135.0	79.4	107.6	140.2	-1.7%	-0.8%	3.8%
Total PSU Bank	**868.8**	**1,052.2**	**1,246.0**	**887.4**	**1,106.7**	**1,310.4**	**2.1%**	**5.2%**	**5.2%**
YoY growth	**51.7%**	**21.1%**	**18.4%**	**55.0%**	**24.7%**	**18.4%**			
Total for Banks	**2,113.1**	**2,553.2**	**3,031.8**	**2,159.8**	**2,619.8**	**3,115.9**	**2.2%**	**2.6%**	**2.8%**
YoY growth	**43.0%**	**20.8%**	**18.7%**	**46.2%**	**21.3%**	**18.9%**			
Other Financials									
SBICARD	24.0	32.5	43.2	22.7	30.3	40.5	-5.2%	-6.6%	-6.1%

FINANCIALS – NBFCs: Margins largely stable contrary to expectations; asset quality steady

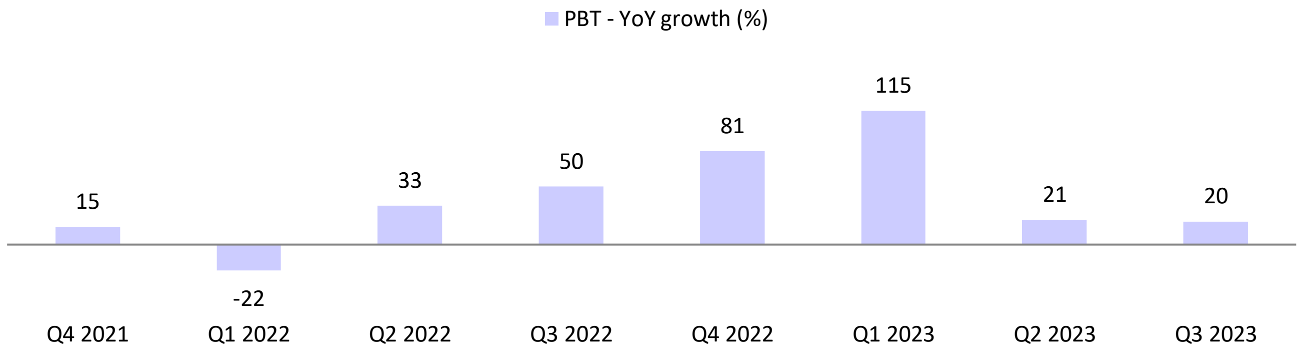
- Our coverage universe of NBFCs/HFCs reported an AUM growth of ~14% YoY/3% QoQ. Within this, the vehicle financiers clocked an AUM growth of 19% YoY, large HFCs grew 11% YoY, affordable and small-ticket HFCs rose 18% YoY and gold loan portfolio of NBFCs grew 1% YoY. In 3QFY23, ex-PIEL NII/PPoP/PAT grew 17%/15%/20% YoY and 8%/3%/2% QoQ, respectively.

- Against MOFSL (and consensus) expectations of a sharp margin compression for the NBFCs in general (and vehicle financiers in particular) in 3QFY23, most of the NBFCs reported sequentially stable margins (or a minor compression). The NBFCs/HFCs' ability to manage their ALMs well, change in product mix translating into an improvement in yields, transmission of higher borrowing costs to customers, decline in surplus liquidity on the balance sheet and retirement of higher-cost borrowings resulted in stable margins. Having said this, we continue to believe that margin compression for NBFCs is not over yet and there is a lurking danger that it might resurface more strongly over the next two quarters.
- With the exception of CIFC (~40bp QoQ NIM contraction in vehicle finance), other vehicle financiers reported steady margins. For large mortgage lenders, such as HDFC and LICHF, because of the lag in transmission of higher borrowing costs, their margin compression remained pronounced until 2QFY23. However, yields improved in 3QFY23 aided by interest rate transmission that resulted in a marginal sequential rise in margins.
- Disbursements across product segments continued to remain healthy even though there was some sluggishness in the prime mortgages. Within vehicle finance, disbursements remained strong across product segments even though the 2W volumes have not yet fully recovered. Higher interest rates appeared to have a sentimental impact on demand for prime mortgages but demand for affordable housing loans continued to remain strong.
- Asset quality was stable or exhibited marginal improvement. MUTH/PIEL/LTFH reported a minor deterioration in GS3 while CIFC/MMFS reported a sequential improvement in asset quality.
- **HFCs – Sluggishness in prime mortgages while affordable home loan demand still buoyant.** Given the rising interest rate environment, we believe that the large HFCs will be able to maintain their margins in the medium term, although, there will be a transitory impact on margins in FY23E because of the delay in transmission of higher borrowing costs. PIEL reported that it has prudently increased the provision buffers by ~INR10b to take benefits of one-time gains from the taxation side and fair valuation of investments in the Shriram group. Retail disbursements for PIEL have continued to exhibit strong growth and we expect this momentum to sustain going forward.
- **Affordable housing financiers witnessed continued demand and stable/improving asset quality.** Aavas, HomeFirst, and Aptus (Not Rated) reported a sequential growth in disbursements in 3QFY23, implying healthy demand in the affordable housing segment. HomeFirst demonstrated a QoQ improvement in asset quality while it was stable for Aavas and CANF.
- **Vehicle financiers – strong business momentum; asset quality continues to improve:** Disbursements grew 47% YoY for the cohort of three vehicle financiers. While SHFL and CIFC have a diversified AUM mix, we have classified them under vehicle financiers for this exercise. Asset quality improved for both CIFC and MMFS. Write-offs continued to remain elevated (v/s normalized run-rate) for all the three vehicle financiers.
- **Diversified financiers – asset quality improved; rebound continued in 3QFY23:** Disbursements further gained momentum with improved outlook on the self-employed customer segment as well as the lower risk aversion of diversified financiers to SME/personal loans. Even as the AUM growth was only slightly lower than expectations, asset quality was largely stable for BAF. It is now working on multiple levers to expand its customer acquisition engines, scale newer product lines and improve its market share in overall credit.
- **Gold financiers – outlook for gold loan growth clouded due to a stiff competitive landscape:** Gold loan growth remained muted for both MUTH/MGFL. Both companies reported an improvement in yields and benign CoF has also aided spreads/margins. In the face of stiff competition in gold loans, both MUTH/MGFL would deliver stronger growth in the non-gold product segments.
- **Our view:** We would remain watchful of the impact on NIM and credit growth for the non-bank lenders and continue to remain **neutral** on the sector in the near term. The next two quarters will be an inter-play between credit growth and impact on margins, given that all NBFCs are largely wholesale-funded. NIM compression would relatively be more pronounced for the vehicle financiers (v/s HFCS) even though they have a largely fixed-rate liability book to match their fixed-rate vehicle finance loan book. Asset quality should improve further in 4QFY23E with resultant lower credit costs (aided by utilization of management overlays). Our preferred ideas are MMFS, SHFL, and HomeFirst.
- **Surprises:** MMFS, CIFC and SHFL

- **Misses:** LICHF and PIEL
- **Rating changes:** None

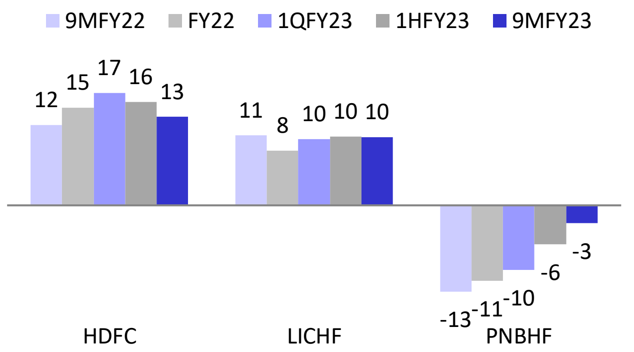
Guidance highlights: a) Broader guidance is for strong disbursement growth in 4QFY23 along with improvement in asset quality that will lead to benign credit costs; b) MUTH guided for 10% gold loan growth in FY24, while MGFL guided for stronger loan growth in the non-gold segments; MUTH continues to guide for NIM of 11-12%; c) BAF guided that it is on track to deliver: 11m+ customer additions, credit costs of 1.4-1.5% and INR52-53b of core AUM growth in FY23E; and d) CIFC guided that it will remain steadfast to deliver a pre-tax RoA of 3.5-4.0%.

Exhibit 60: PBT up 20% YoY for our NBFC coverage universe*



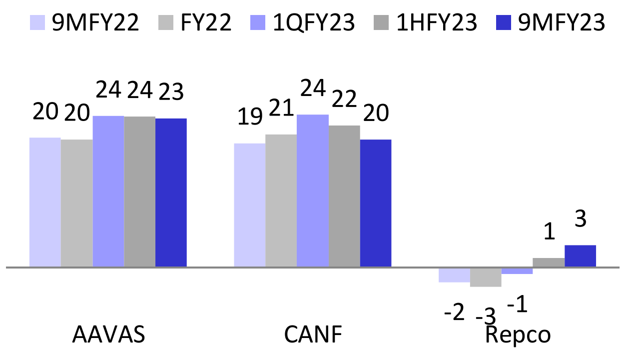
Source: MOFSL, Company, *MOFSL universe excl. PIEL, ABCAP and Indostar

Exhibit 61: HDFC and LICHF have been growing in line with the industry while PNBHF has been quite a laggard



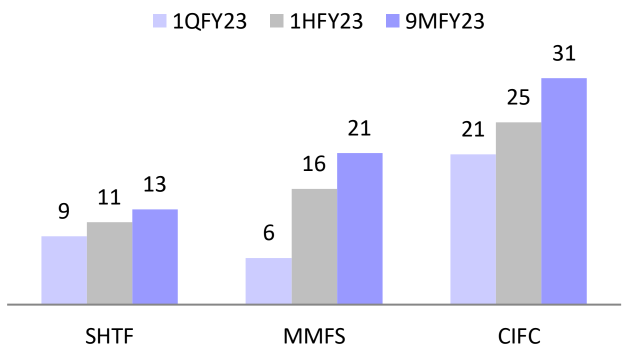
Source: MOFSL, Company;
Note: YoY AUM growth for large HFCs

Exhibit 62: CANF loan growth has picked up; Aavas has been steady



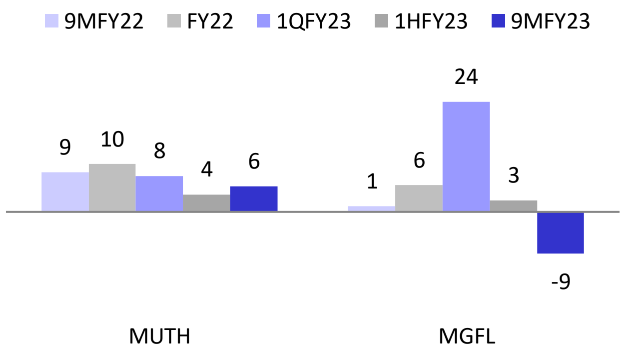
Source: MOFSL, Company;
Note: YoY AUM growth for affordable housing financiers

Exhibit 63: CIFC is best placed among the vehicle financiers to exhibit strong growth in the subsequent quarters



Source: MOFSL, Company
Note: YoY AUM growth for vehicle financiers

Exhibit 64: Gold loan growth declined for MGFL



Source: MOFSL, Company
Note: YoY AUM growth for gold financiers

Note: Data in charts above is for our coverage universe excluding IRB

Exhibit 65: PBT up 20% YoY for our NBFC coverage universe*

INR m	NII			PPOP			PAT			NIM (%)		
	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (bp)	QoQ (bp)
AAVAS	2,082	31.8	10.9	1,415	11.6	1.5	1,073	20.4	0.4	8.1	0.6	0.4
BAF	59,222	25.3	6.9	48,529	23.8	8.2	29,729	39.9	6.9	13.2	-0.5	-0.0
CANF	2,517	22.2	0.2	2,129	23.8	-1.5	1,515	30.9	6.9	3.4	0.0	-0.1
CIFC	15,983	17.2	7.4	10,797	13.4	4.2	6,843	30.6	21.5	7.0	-0.7	-0.0
HDFC	48,401	13.0	4.3	49,818	12.2	-15.4	36,908	13.2	-17.1	3.2	-0.0	0.1
HomeFirst	1,106	54.2	8.9	816	25.3	10.1	586	27.6	8.0	6.8	0.8	0.1
LTHF	19,318	16.1	10.0	12,476	6.1	4.9	5,069	64.6	25.0	8.7	0.9	0.8
LICHF	16,059	10.4	38.1	13,557	2.9	43.5	4,803	-37.4	57.5	2.4	0.0	0.6
MMFSL	15,528	1.1	7.3	9,983	-6.0	15.6	6,290	-29.6	25.1	8.7	-1.3	0.0
MASFIN	961	49.7	15.4	827	36.3	6.7	513	27.8	4.4	6.8	0.5	-0.1
MGFL	10,917	19.3	1.1	5,919	30.7	-6.5	3,935	50.8	-3.9	14.7	2.0	-0.1
Muthoot	17,043	-9.6	8.4	12,624	-13.9	9.9	9,017	-12.4	4.0	12.2	-1.8	1.0
PIEL	10,469	11.6	24.2	17,551	152.4	336.4	35,454	369.4	-330.8	6.5	3.0	1.9
PNBHF	7,173	72.8	13.2	6,740	75.9	15.5	2,691	42.8	2.5	4.7	2.0	0.5
PFL	3,012	23.6	10.0	1,558	35.6	23.9	1,504	87.5	15.6	9.6	-0.4	0.3
REPCO	1,515	-1.4	2.1	1,160	-2.7	1.6	729	131.6	2.4	-	-5.0	-4.8
SHFL	40,620	26.8	7.5	33,016	31.4	10.3	17,770	82.6	14.3	9.4	1.1	0.3
Total (ex PIEL)	**2,61,454**	**17.0**	**8.3**	**2,11,363**	**15.2**	**3.0**	**1,28,973**	**20.2**	**1.9**			

Source: MOFSL, Company, *MOFSL universe excl. PIEL, ABCAP and Indostar

Exhibit 66: Advances/AUM growth

INR b	Advances/AUM		
	3QFY23	YoY (%)	QoQ (%)
AAVAS	131	23.3	4.3
BAF	2,308	27.4	5.7
CANF	301	20.0	4.5
CIFC	955	31.3	8.9
HDFC	7,015	13.3	1.6
HomeFirst	68	35.2	7.6
LTHF	884	3.4	-1.9
LICHF	2,684	10.3	2.3
MMFSL	773	21.0	4.8
MASFIN	76	32.5	6.6
MGFL	319	4.9	4.0
Muthoot	577	5.6	0.9
PIEL	649	-1.4	1.7
PNBHF	658	-2.7	0.0
PFL	139	27.6	5.8
REPCO	122	3.8	1.3
SHFL	1,775	13.2	4.8
Total	**19,435**	**13.6**	**2.9**

Exhibit 67: Asset quality snapshot

Asset quality	As on 2QFY23 (%)			As on 3QFY23 (%)			QoQ change (bp)		
(%)	GNPA	NNPA	PCR	GNPA	NNPA	PCR	GNPA	NNPA	PCR
AAVAS	1.1	0.84	23.78	1.13	0.87	23.88	4	3	10
BAF	1.17	0.44	62.33	1.14	0.41	64.21	-3	-3	188
CANF	0.62	0.35	43.39	0.6	0.3	50.71	-2	-5	732
CIFC	3.84	2.31	41.45	3.51	2.07	40.96	-33	-24	-50
HDFC	1.91	0.85	54	1.82	0.8	54	-9	-5	0
HomeFirst	1.93	1.42	26.42	1.78	1.27	29.08	-14	-15	266
LTFH	4.02	1.85	55.03	4.21	1.72	60.06	19	-13	503
LICHF	4.9	2.83	43.74	4.75	2.4	50.93	-15	-43	719
MMFSL	6.7	2.91	58.2	5.93	2.56	58.99	-77	-35	79
MASFIN	2.19	1.4	36.02	2.19	1.43	34.72	0	3	-130
MGFL	2	1.8	NA	2	1	NA	0	-80	NA
Muthoot	1.67	NA	NA	2.58	NA	NA	91	NA	NA
PIEL	3.7	1.3	66.74	4	1.7	67.24	30	40	50
PNBHF	6.06	3.68	40.69	4.87	3.22	35.02	-119	-47	-567
PFL	1.77	0.94	47.32	1.69	0.89	47.53	-8	-5	21
REPCO	6.51	3.87	43.08	6.15	3.46	46.18	-36	-42	310
SHFL	6.31	3.42	49.06	6.29	3.3	50.71	-2	-12	165

Source: MOFSL, Company

FINANCIALS – NON-LENDING: Muted performance by capital market related stocks; GI players report strong numbers on improved claim ratios

- **Healthy F&O volumes but weak client addition:** In 3QFY23, ADTO for stock exchanges was higher by 22% QoQ to INR161t, led primarily by F&O ADTO (up 22% QoQ). However, cash ADTO declined 5% QoQ. In the retail segment, while overall/F&O increased by 18% each QoQ, cash ADTO was down 7%. Higher volumes were led by a strong market performance as the Nifty was up 8% on an end-to-end basis. The number of Demat accounts increased by 5.7m in 3QFY23 (vs 6.1m in 2QFY23) to 108m — the lowest run rate since 4QFY21. In terms of NSE active clients, there was a decline of 2.0m accounts in 3QFY23 – the second consecutive month of decline (a 0.7m drop in 2QFY23). While ADTO was higher for ANGELONE, the number of orders decreased by 8%/1% in the cash/F&O segments. As a result, ANGELONE reported a 2% QoQ decline in gross broking revenue, which was offset by a 12% QoQ increase in net interest income. Similarly, ISEC reported a 4% QoQ decline in retail broking revenue, which was offset by a 16% QoQ jump in gross interest income on the MTF book. The cost-to-income ratio for ISEC surged 370bp, driven by higher interest costs.
- **Lower cash volumes hurt BSE; MCX bears high software costs:** For MCX, overall volumes improved 13% QoQ and 89% YoY to INR40.7t. Volumes for Futures were down 3% YoY/flat QoQ at INR15.5t in 3QFY23, while volumes for Options grew 24% QoQ to INR25.2t. EBIT margin, however, stood at 19.8% (vs 35.2% in 3QFY22 and 47% in 2QFY23), hit by higher-than-expected software costs (extension of 63moons contract). For BSE, transaction charges were flat YoY as cash volumes were muted, offset by higher volumes on currency and mutual funds (Star MF). Revenue from services given to corporates was down 8% YoY as book building fees fell 46% YoY. Profitability, however, was affected by a higher contribution to the settlement guarantee fund, a jump in depreciation and a higher tax rate.
- **General insurers see improvement in claim ratios:** In 3QFY23, the general insurance industry registered a strong growth of 18% YoY in GDPI to INR620b, led by 25%/13%/31% growth in Health/Motor/others. Growth in the Motor segment's premium was driven by higher vehicle sales, as well as a 3% tariff hike in Motor TP. In the Health segment, Group Health and Retail Health grew 32%/17% YoY. Among our coverage names, ICICIGI's GDPI grew 17% YoY to INR55b, led by strong growth across segments, except for the Motor OD and Marine Cargo segments. STARHEAL's GDPI rose 10% YoY to INR31b. The Retail Health/Personal Accident segments grew 26%/19.5% YoY, while the Group Health segment declined 23% YoY. Profitability improved for both companies, with the loss ratio declining 250bp QoQ for ICICIGI and 450bp QoQ for STARHEAL.
- **Muted performance by asset management:** AUM of the MF Industry stood at INR40.2t as of 3QFY23, up 5.4% YoY/3.1% QoQ. Equity AUM grew 5% QoQ, while non-Equity AUM saw just 1.5% growth. Inflows stood at INR318b compared to INR473b in 2QFY23 and INR801b in 3QFY22. SIP flows continued to gain traction with INR399b flows in 3QFY23 vs INR328b/INR378b in 3QFY22/2QFY23. For CAMS, total QAAUM stood at INR28t (up 3% QoQ), while Equity AUM rose 6% in Dec'22 over Sep'22. Operating revenue was flat QoQ/up 3% at INR2.4b. EBITDA came in at INR1,082m (9% below our estimate) and EBITDA margin stood at 44.4% v/s 47.7% in 3QFY22. For IIFLWAM, total AUM on a closing basis grew 5% YoY to INR2.75t (v/s our estimate of INR2.77t). ARR AUM rose 20% YoY to INR1.7t. TBR AUM fell 12% YoY to INR1.08t. The contribution of ARR assets to total AUM stood at 60% v/s 58%/57% in 2QFY23/1QFY23.
- **Valuation and view**: Since the end of 3QFY23, the equity market has witnessed higher volatility, which has boosted option volumes, which should support the performance of capital market-related players such as brokers and exchanges. The customer acquisition trajectory remained muted in Jan'23, but with low penetration, we expect it to recover over the medium term. Primary market activity should gain momentum once the equity market stabilizes. For MCX, the transition to the TCS platform is key. Once the transition is complete, cost savings as well product launches will aid the company's performance. General insurers will continue to witness strong premium growth and improvements in profitability, led by better Health Insurance loss ratios, improved pricing for Motor TP, and a lower expense ratio with scale benefits.
- **Surprises:** ANGELONE, STARHEAL
- **Miss:** MCX

Guidance highlights:

- **ISEC:** The new discount broking platform will see a soft launch during CY23, followed by an official launch. The product, under a new brand, will use the "Powered by ICICI Direct" approach.
- **ANGELONE:** The company aims to reach 18-20% market share of NSE active clients and 30-35% of ADTO in the next few years. This is driven by a change in the customer acquisition strategy from focusing on breakeven within six months to the lifetime value of customers. It will focus on penetrating markets selectively.
- **IIFLWAM:** Carry revenue for the current pipeline is expected to last for four years, with ~INR1b to be recognized every year. Its product offerings for the mid-market segment are likely to be launched over the next couple of quarters.
- **CAMS:** The company expects a strong uptick in revenue from the non-MF businesses, such as account aggregator, insurance repository and AIF/PMS RTA, from 1QFY24. Investments in new businesses would continue, especially in technology, but profitability improvement should start from FY24.
- **BSE**: BSE will sell a 2.5% stake in CDSL in 4QFY23 and has to sell an additional 2.5% stake to reduce its total holding to 15% by Oct'23 from 20%.
- **MCX:** A delay in technology migration to TCS software led to higher software charges in 3Q. Additional charges of INR810m will be paid to 63moons in 4QFY23 and 1QFY24 each. SEBI has permitted mini-contracts and an application for the same has been filed. While mini-contracts for bullions are already there, MCX will launch mini-contracts for energy and base metals, subject to SEBI approval.
- **STARHEAL:** STARHEAL will implement a 25% price hike in its flagship product - Family Health Optima - w.e.f. 1st Feb'23 for new policies and from 1st May'23 for renewal policies. Management has aggressive plans to grow its bancassurance channel, as banks are now allowed to tie up with nine insurance companies in each segment.
- **ICICIGI:** The combined ratio is likely to improve from FY24, driving RoE to high-teens in a couple of years. Investments in retail health have started yielding results and the management expects to sustain growth in the medium term.

Exhibit 68: Quarterly performance

INR m	Revenue			EBITDA			PAT		
Broking/Wealth	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (%)	QoQ (%)	3QFY23	YoY (%)	QoQ (%)
ANGELONE	4,625	31.7	1.4	3,103	37.5	6.0	2,284	38.7	6.9
ISEC	8,799	-6.6	1.6	3,774	-26.0	-6.5	2,810	-26.1	-6.5
Exchanges									
MCX	1,436	60.3	12.7	327	-14.4	-50.1	388	12.9	-39.5
BSE	1,884	2.4	4.4	492	-14.9	17.8	477	-18.6	62.1
AMCs									
CAMS	2,436	2.5	0.5	1,082	-4.5	2.0	736	-4.9	2.0
IIFLWAM	4,150	0.1	0.1	2,286	46.4	12.6	1,715	12.0	-1.6
General Insurance	Gross Premium			Underwriting Profit/(Loss)			PAT		
	3QFY23	YoY (%)	QoQ (%)	3QFY23	3QFY22	2QFY23	3QFY23	YoY (%)	QoQ (%)
ICICIGI	55,997	17.0	5.6	-2,935	-2,692	-1,523	3,525	11.0	-23.8
STARHEAL	30,967	14.5	-3.0	1,258	-5,783	931	2,105	-136.4	126.0

Source: MOFSL, Company

HEALTHCARE: In-line 3QFY23; performance improves for the second consecutive quarter on a YoY basis

- The pharma companies within our coverage universe delivered in-line financial performance for the quarter. Sales/EBITDA/PAT grew 11.8%/11.0%/4.7% YoY to INR588b/INR130b/INR79b, respectively, for 3QFY23. The key geographies (US/India) exhibited improved growth momentum for the quarter aided by new launches (US) and enhanced marketing efforts (India). However, the performance was impacted adversely to some extent by elevated operating cost as well as interest outgo.
- Interestingly, after reaching trough in terms of YoY growth in Sales/EBITDA/PAT for our coverage universe in FY22, 9MFY23 has witnessed healthy revival in financial performance on YoY basis.

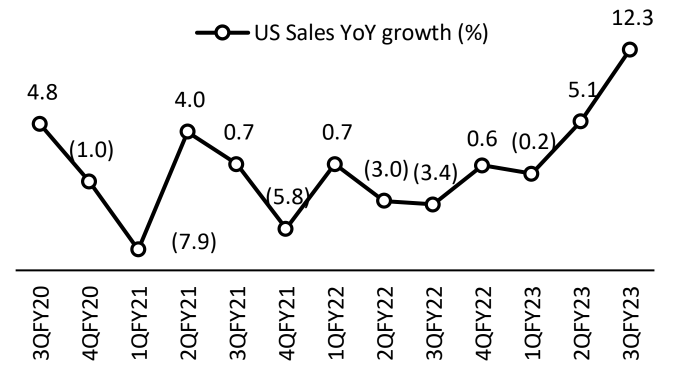
- Of the 20 companies, five had beaten our earnings estimates while nine had missed our estimates. Specifically, DRRD, ALKEM and ALPM had beat by a wide margin. Conversely, DIVI, GLAND and LPC missed our estimates materially.
- From YoY perspective, DRRD/GRAN/LAURUS/ZYDUSLIF/TRP exhibited 84%/41%/31%/30%/29% growth in earnings, respectively, for the quarter. Particularly, g-Revlimid led the strong traction in case of DRRD. Strong off-take in Paracetamol led robust YoY growth of GRAN. Syntheses/Non-ARV API businesses drove performance for LAURUS, while the US/API led growth for the quarter for ZYDUSLIF.
- From our coverage universe, the underperformers on YoY basis were DIVI, LPC, ALPM and GLAND, which witnessed EBITDA declines of 67%/38%/25%/15%, respectively. Increased competition in API segment hurt the performance of DIVI. Increased opex/depreciation/interest adversely impacted LPC's earnings for the quarter. Inventory rationalization by key customers and supply chain issues hit the performance of GLAND for the quarter.
- Domestic formulation (**DF)** was up 8% YoY for our coverage universe. The YoY growth has been stable since the past two quarters now. The high single-digit YoY growth is despite the Covid-led high base in last year. The top therapies (cardiac/diabetes/gastro) continue to witness robust growth aided by new introductions. The seasonality has led to healthy growth in anti-infective therapy as well. From our coverage companies, ERIS, AJP, ALKEM, GNP, TRP, SUNP, IPCA and ALPM were the top performers. Particularly, superior execution resulted in better-than-average growth for AJP/CIPLA/DRRD. Acquisition supported YoY growth for ERIS/TRP. Genericization of certain brands hit the performance of LPC for the quarter.
- **The US sales** witnessed 12.3% YoY growth in CC terms on an aggregate basis in 3QFY23 for companies under our coverage universe. The uptrend in YoY growth is witnessed in the US generics sales for three quarters now. DRRD/CIPA/ ZYDUSLIFE exhibited 49%/30%/18% YoY growth backed by niche launches. Particularly, in case of DRRD/CIPLA, the YoY growth was supported by g-Revlimid and increased market share in respiratory products (CIPLA). ALKEM/TRP also delivered 23%/ 16% YoY growth in the US sales aided by low base of past year. Conversely, ARBP/LPC/ALP clocked a 0.3%/12.0%/0.9% YoY decline in the US sales, respectively, due to an intense price erosion (ARBP), reduced pace of new product launches and price erosion in base portfolio (LPC). The decline for LPC was despite some traction in seasonal products. While the performance has been muted for ALPM, it is expected to improve with approvals in injectable space. On overall basis, companies within our research coverage have filed 41 ANDA in total and received approvals for 45 ANDA in 3QFY23.
- Under our coverage, 11 companies have seen earnings downgrades, while seven has seen earnings upgrades. The maximum downgrades in FY23/FY24/FY25 earnings were seen in LPC (41%/6%/5%), DIVI (21%/33%/24%) and BIOS (22%/6%/4%), respectively. Conversely, ZYDULIF (11%/11.5%/9%) and DRRD (12%/5%/5%) witnessed maximum upgrades in earnings estimates, respectively.
- **Top picks: SUNP, APHS**
- **Surprises:** ZYDUS, ALKEM, DRRD, and ALPM
- **Misses:** DIVI, BIOS, CIPLA, IPCA, LAURUS, LPC, and GLAND

Guidance highlights

- **SUNP's** increased R&D investment on the specialty portfolio is partly on trials related to additional indication for Illumya. The increased prescription and on-boarding of Pharmacy Benefit Manager (PBM) is driving sales of Winlevi.
- **DRRD** indicated that even on the current base, it intends to grow by mid-single digits in the NA segment in FY24. It plans to launch 30 products in the US in FY24E.
- **DIVI's** gross margin for 3QFY23 was adversely impacted by suppressed pricing of API as well as higher raw material cost. DIVI is firming up plans to start construction at Kakinada.
- **CIPLA** guided for 21-22% EBITDA margin in FY23. While CIPLA achieved the highest ever quarterly US sales run-rate, the gRevlimid sales was marginally lower QoQ. The revised target action date for g-Advair is in Apr'23. With respect to G-Abraxane, the company indicated the likely approval in 2HFY24E.
- **BIOS** guided for INR20b of revenue in biologics business in 4QFY23. BIOS remains on track to launch low strengths of b-adalimumab in Jul'23. The regulatory approvals may delay start of vaccines business to 2QFY24.
- **ERIS** guided for consolidated revenue growth of 25-26% YoY and EBITDA growth of 14-15% YoY (including Oaknet) for FY23. The EBITDA growth is anticipated to be higher than revenue growth for FY24, considering better profitability from recent launches/acquisitions.

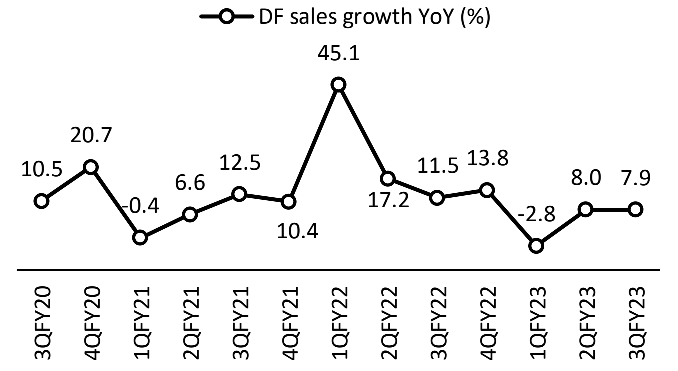
- **LPC** guided for a delay in g-Spiriva approval with the target action date for g-Spiriva would either be in Apr'23 or in Jul'23 (if the USFDA wants to inspect the manufacturing site). LPC expects to sustain its 3Q-level EBITDA margin in 4QFY23 as well.
- **APHS** expects to achieve EBITDA break even in Apollo 24/7 by 4QFY24. APHS intends to improve occupancy to 70% from 65% currently, which would drive growth in the healthcare segment over the next 12-18 months.
- **LAURUS** maintained its guidance of INR65b revenue and stable EBITDA margin at 28% for FY23. It received supply orders from Global fund for ARV drugs for FY23-25. The Non-ARV formulation/API business would ramp up over the medium term, driving better operating leverage for the company.

Exhibit 69: The US sales grew 12.3% YoY in 3QFY23



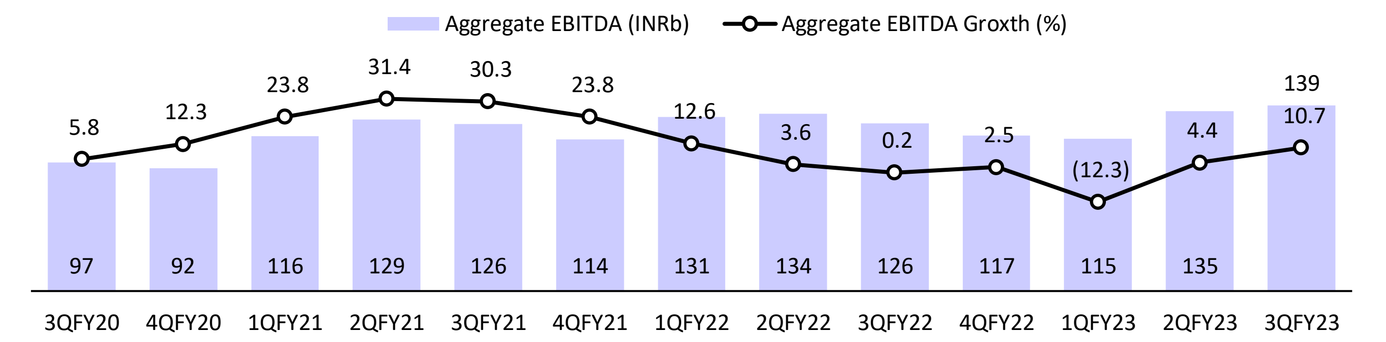
Source: MOFSL, Company

Exhibit 70: DF sales grew 8% YoY in 3QFY23



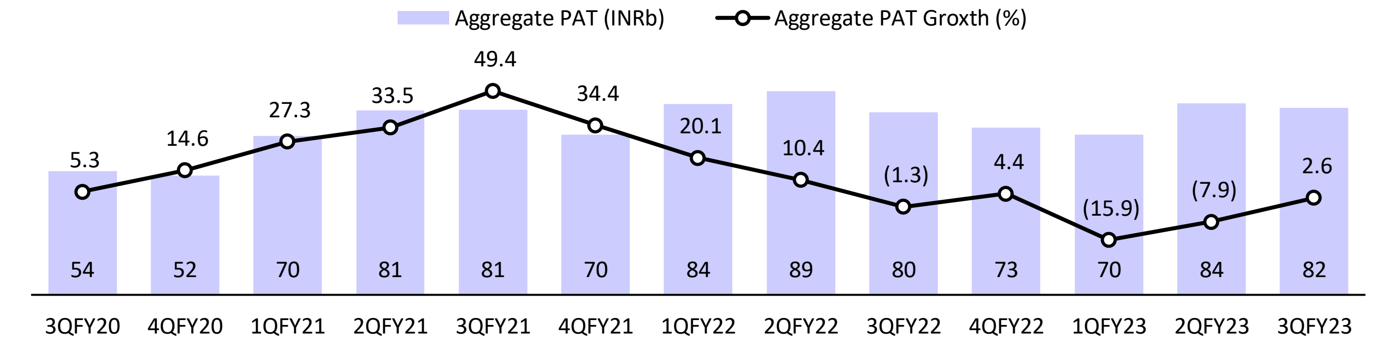
Source: MOFSL, Company

Exhibit 71: Aggregate EBITDA (excluding STRIDES) up 11% YoY to INR139b in 3QFY23



Source: MOFSL, Company

Exhibit 72: Aggregate PAT up 2.6% YoY in 3QFY23



Source: MOFSL, Company

INFRASTRUCTURE: Execution picks up; margins muted in 3QFY23

- **Execution picks up gradually, post monsoon:** Infrastructure companies in our coverage universe (ex- IRB) clocked a 6% YoY growth in revenue, largely in line with our estimates. With extended monsoon in some parts of the country, growth in execution was expected to be gradual. While construction revenues were soft, toll revenues with improved economic activity and mobility across the country. Companies, such as GR Infra, are diversifying their order book into other segments such as power transmission, railway, and irrigation. GR Infra is bidding for projects worth INR 50-60b in new areas.
- **Elevated input costs keep margins under check:** Companies in our coverage reported a 100bp drop in EBITDA margins YoY, due to elevated input costs in 3QFY23. Steel prices have been under pressure, post the Government measures to curb exports and improve domestic supplies. The prices of Steel and Aluminum declined ~25%/30%, respectively, from their levels in Apr'22. Most contractors are expecting profitability to improve during 4QFY23.
- **Project awarding muted in 9MFY23; expectations high from last quarter:** Project awarding by Government authorities has been muted in 9MFY23. With a target of 6,500 Kms in FY23, 4QFY23 would require massive project awarding to achieve the targets. The tender pipeline is robust and most companies have guided for very strong order inflows during the remaining part of FY23.
- **Companies focus on Asset Monetization:** Almost all companies in the sector continue to focus on asset sales through different routes to free up capital and bid for more projects. Companies such as GR Infra has established an Investment Trust – Bharat Highways InVIT and registered the trust with SEBI. The InVIT will be a publicly listed entity and operational HAM projects would be transferred to the trust. Other companies are also in talks with potential buyers to sell stake in BOT assets.
- **Top picks:** While order inflows have been muted, the tender pipeline is robust. The execution should pick up in 4QFY23. Players with a decent order book in hand and presence in two or more segments with strong balance sheets are better placed to receive projects from NHAI in 4QFY23. Our top pick in this space is KNR Constructions.

Exhibit 73: Revenues up 6% YoY for our coverage universe…

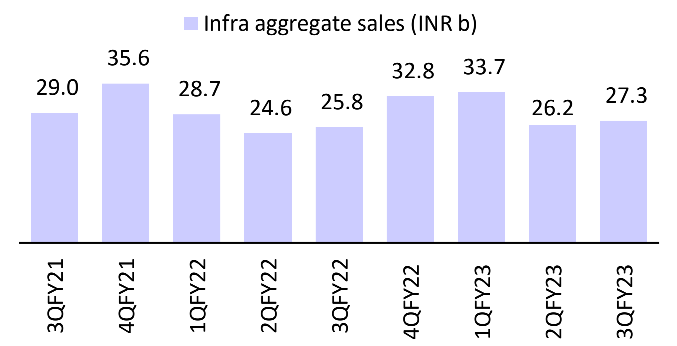


Exhibit 74: Gross margins marginally lower YoY

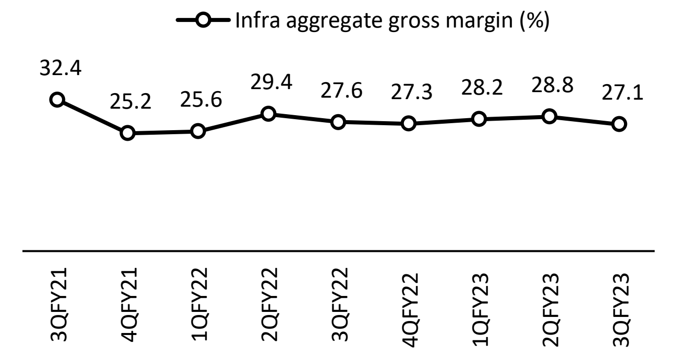


Exhibit 75: EBITDA margin decreased 100bp YoY

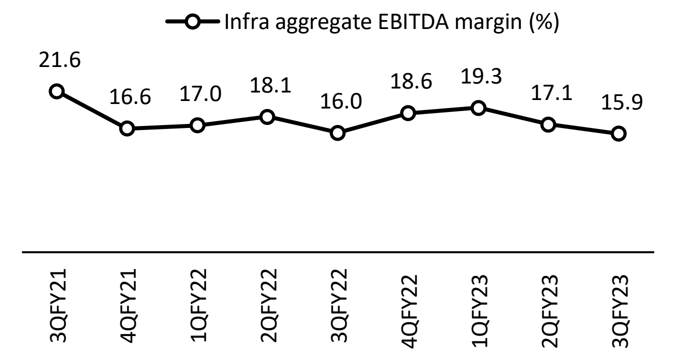
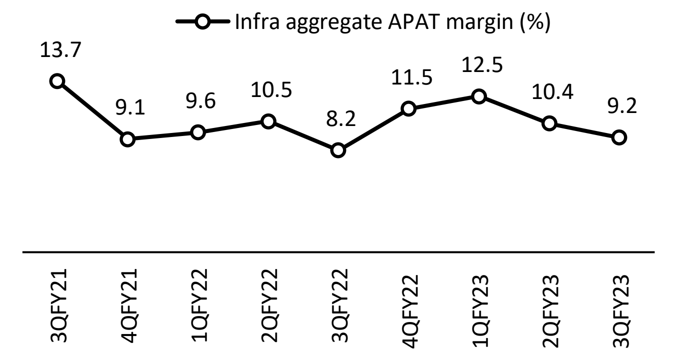


Exhibit 76: Weak operating performance adversely impacts PAT



Note: Data in charts above is for our coverage universe excluding IRB

LOGISTICS: Volume growth remains strong; margin pressure persists

- **Demand steady in 3QFY23 post the festive season:** Logistics companies in our coverage universe clocked 10% YoY growth in revenue. Post the Sep'22 festive season, demand remained steady across key sectors in 3QFY23. While Oct'22 was soft, Nov-Dec'22 recorded a strong pick-up in volume. The growth momentum remained intact in e-commerce, fueled by: 1) better logistics infrastructure, 2) greater technology-driven platforms, and 3) an increasing number of offers in online shopping.
- **Margin under pressure due to elevated fuel costs and high other costs:** Average gross margin for our coverage universe stood at ~30% in 3Q (down 320bp YoY and 50bp QoQ). Margin remained under pressure due to elevated fuel prices and higher toll charges. Despite the decline in global crude oil prices, aviation turbine fuel (ATF) prices remained high, which significantly dented margin for the Air Express Logistics companies.
- **Expansion plans underway to increase market share:** The implementation of GST, e-way bill, and mandatory e-invoicing for businesses with a turnover of INR1b and above (from INR2b and above) from Oct'22 has resulted in a shift in volumes to organized players from unorganized players. This is expected to increase utilization in the near to medium term. Express companies are looking to add aircraft and storage facilities like sorting centers to cater to additional demand that is likely to emanate going forward. Companies are regularly opening new branches to garner market share and volumes in new geographies.
- **Top picks:** Post the festive season, volumes have been steady. Over the long term, we see a shift in business to the organized sector as the benefits of e-way bill and GST start to play out. Margin is expected to improve gradually in 4QFY23 with price hikes by companies and a reduction in ATF prices. We prefer companies with: 1) multimodal capabilities, 2) cost-efficient operations, and 3) comfortable valuations. TRPC is our preferred pick in this space.

Guidance highlights: The recently announced National Logistics Policy and the Gati-Shakti National master plan will be the key catalysts for the sector. They will enhance digitization and multi-modal logistics and lower costs. With a structural shift to the formalization of the sector (~85% of the Logistics sector is unorganized), aided by the stricter implementation of GST and mandatory e-invoicing, the addressable market size for organized operators will significantly increase. Companies have been optimistic about volume growth in their post-earnings calls and expect the momentum to continue in 4QFY23.

- **TRPC:** The freight, supply chain and seaways businesses performed well in 3QFY23. The management's focus remains on increasing the share of LTL revenue to 40% by FY25, which will result in an improvement in margin. Capex guidance for FY23 has been pegged at INR1.1-1.3b (excluding the cost of a new ship) and will mainly be spent on assets like warehouses, containers, and rakes. The management maintains FY23 revenue and PAT growth guidance of 10-15%.
- **BDE:** In 3QFY23, as domestic ATF fuel prices did not correct in line with global crude prices, it hurt margin. Inflationary pressure remained high in 3QFY23, leading to a rise in other costs. The Surface Express segment has been clocking strong growth, and now constitutes over 30% of aggregate revenue. The e-commerce segment continued to perform well and constituted nearly one-fourth of BDE's business. With ATF prices already cut in Jan'23, EBITDA margin is likely to improve in 4QFY23. Aircraft procurement is on track and will be completed by the end of FY23.
- **CCRI:** It is on track to achieve volume growth of over 30% due to product launches, system improvements, and the use of high-capacity containers. The company targets handling of over 5m TEUs in FY23. With high growth expected in domestic volumes, the mix of EXIM and domestic volumes is expected to be 60:40 (currently at 70:30). With phase-wise commissioning of DFCs, volumes are expected to shift to Rail from Road Logistics. The Land License Fee (LLF) is expected at INR4.5b in FY23. EBITDA margins for the EXIM/Domestic businesses are projected to be 26%/18%. PAT is expected to be at INR12b for FY23.
- **MAHLOG:** It intends to increase the scale of network services and achieve a faster turnaround of recent acquisitions. It remains focused on improving the revenue mix by increasing the share of Non-M&M revenue, warehousing revenue and value-added services. The company is looking to focus on cost optimization and improve the efficiency and integration of the mobility business solutions. After facing headwinds for the last

three to four years, the auto sector is seeing stability. Semiconductor supply is getting better and auto demand remains strong despite inventory corrections post the festive season. Rivigo is currently clocking an annualized revenue run rate of ~INR3.6b. MLL is targeting a PAT breakeven for the Rivigo business in FY24.

Exhibit 77: Sales up 10% YoY for our Coverage Universe

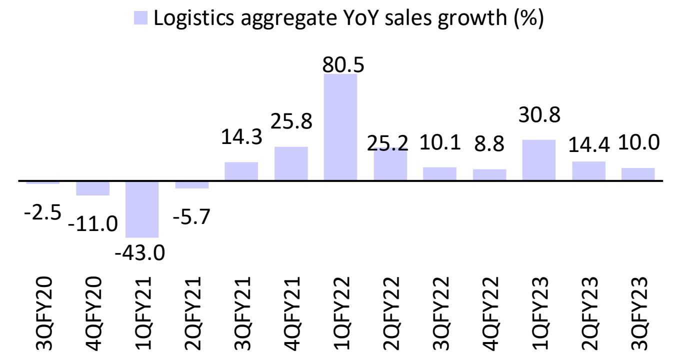


Exhibit 78: High fuel price and other costs hit gross margin

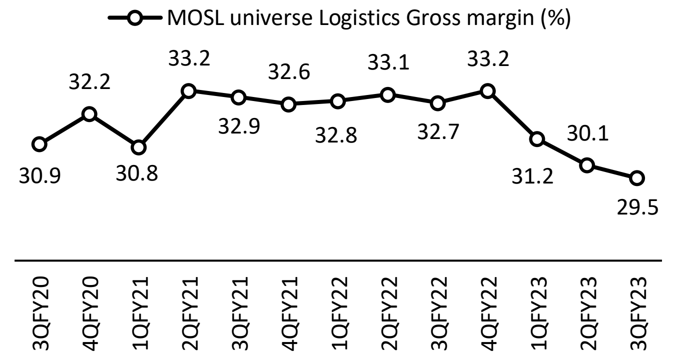
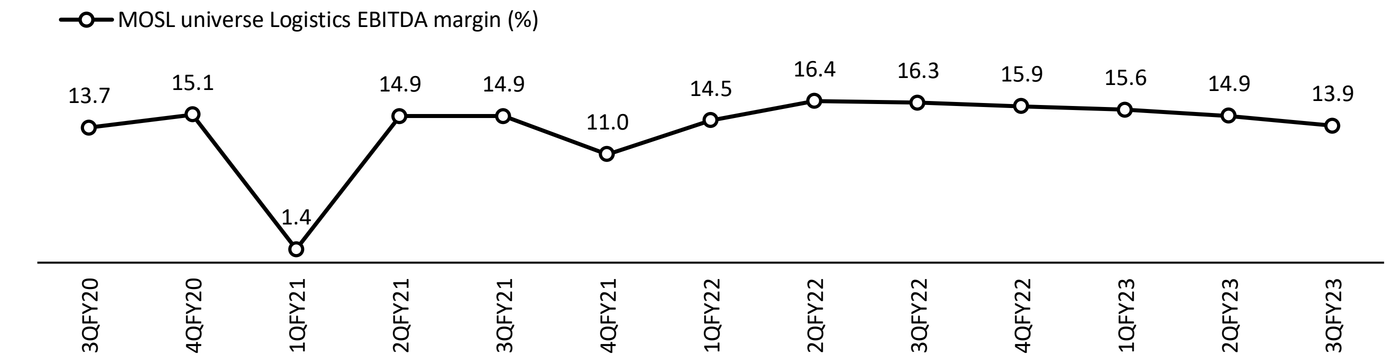


Exhibit 79: EBITDA margin under pressure, but in line with gross margin



Source: Company, MOFSL

METALS: Ferrous ASP plunges but demand remains strong; mining continues to outperform; non-ferrous impacted by lower LME and higher input costs

- **Pricing remains weak for ferrous metals:** 3QFY23 started with a weak pricing scenario, with steel witnessing a notable drop in Nov/Dec'22. The reduction in ASP, lower export volumes and an increase in input costs hurt margins across the sector. The average price reduction was ~12% YoY across the segment, with JSP seeing the lowest price correction of INR3,411/t YoY to INR 62,275/t and JSTL witnessing the highest price correction of INR28,832/t YoY to INR68,536/t. EBITDA was affected by a weak macroeconomic environment and higher input costs, which dented the overall performance. The steel sector witnessed an average EBITDA erosion of 48% YoY in 3Q. The reduction in ASP and the increase in input costs were strong enough to deflate the profitability of the steel companies under our coverage universe. We believe profitability margins have likely bottomed out in 3QFY23. With cost reductions picking up pace and higher demand for steel products in India, we expect the steel companies to post a better performance in 4QFY23, which is seasonally the strongest quarter for the sector.
- **Steel consumption in India to pick up further:** Steel companies under our coverage experienced a demand uptick in 3Q. Sales rose ~16% YoY but were flat QoQ due to headwinds in international markets (especially Europe) and lower exports from India in 3Q. Steel companies have guided for a strong demand pickup in 4Q on the back of higher government spending on infrastructure and construction, higher business investment and a pickup in exports. For 4Q, TATA has guided for an incremental volume increase of 0.5mt. For FY23, JSTL has guided for a production target of 23.6mt and sales target of 22.6mt, while SAIL has guided for a yearly sales target of ~16mt. Though JSP did not give any volume guidance, the company said it was seeing higher enquiries from the export markets. 4Q is a seasonally strong quarter and prices of HRC and TMT have started rising (up INR5,300/t and INR 5,600/t, respectively) from the start of Jan'23. TMT prices have been firm and are currently

trading at a premium to HRC (~6-8% premium). **We have a Buy rating on JSP**, which has a strong product portfolio of long steel products to cater to the domestic market.

- **EBITDA/t recovers after hitting bottom in 2QFY23:** After witnessing a sharp correction in 2QFY23, EBITDA/t improved across the sector (except for TATA consol.) in 3QFY23 owing to the benefits of lower coking coal prices. TATA's consolidated EBITDA/t declined 32% QoQ to INR5,661/t due to recessionary headwinds in Europe (TATA standalone EBITDA/t was up 10% QoQ). SAIL witnessed the best recovery in EBITDA/t. COAL's EBITDA/t also improved by INR590/t (up 25% QoQ) despite a reduction in the e-auction premiums QoQ from 329% to 241%. HNDL's copper vertical also witnessed expansion in EBITDA/t by 3% QoQ to INR50,092/t; however, consolidated EBITDA fell due to lower EBITDA at Novelis, which was hit by higher input costs, an adverse forex impact and unfavorable macros.
- **The slowdown in non-ferrous continues:** Prices of alumina/aluminum/zinc were down 1.3%/1.3%/8.3% QoQ, while prices of lead/copper/silver were up 6.2%/3.2%/13.8% QoQ. However base metal prices have started correcting in recent weeks, with aluminum/zinc/lead/copper down 3%/6%/5%/2% MoM in Jan'23. Non-ferrous prices have remained week after the reopening of China post New Year holidays and due to excess aluminum inventory from Russia, which has led to price fluctuations. Companies such as HNDL have guided for temporary headwinds for the next few quarters; however, these headwinds may not dent structurally strong demand from India and other emerging economies. In the non-ferrous space, **we have a Buy rating on HNDL**.
- **COAL – strong performance to continue in 4Q:** We believe the world has come to terms with the fact that fossil fuels cannot be ignored in the near term due to problems faced by renewable energy (RE) sources such as unreliability, availability, costs, safety, etc. Demand for coal is expected to be strong in the near term and 4Q is seasonally the best quarter for Coal India. Though e-auction premiums have come down from their highs of 2QFY23, they are likely to be near the 3QFY23 level in 4QFY23 with higher volumes. The management has guided for a volume of 700mt in FY23E.
- **Steel/non-ferrous profitability fell QoQ (PL/19%), whereas mining profitability improved 11% QoQ:** TATA slipped into the red with a loss of INR24b, which dragged the Steel sector into loss for the quarter. On the non-ferrous front, APAT for HZ/VEDL/HNDL declined by 20%/1%/38% QoQ; however, NACL in a positive surprise posted 104% QoQ growth in PAT. The mining sector had a relatively better quarter, with APAT up 11% QoQ.
- **Top picks:** COAL, JSP and HNDL
- **Surprise:** NACL
- **Miss:** TATA

Guidance highlights:

Ferrous: The consensus guidance is for: 1) higher domestic volumes, 2) reduction in input costs, 3) working capital release to a certain extent, 4) higher ASP, and 5) headwinds related to the macroeconomic environment, especially in Europe. Though a better performance from Indian operations on the back of strong domestic demand should aid volumes and margins in the near term, global headwinds and an increase in coking coal costs in recent weeks will pose challenges in the short term.

Non-Ferrous: While management has guided for a stronger 4Q in the domestic market and better global demand after destocking in 3QFY23, Some headwinds might prevail, and a weak European scenario and an increase in coal costs remain the key risks to the sector.

Mining: As Coal India did not hold a post-earnings concall, there is limited guidance on its performance in 4Q/ 2HFY23 from management. However, as per various news articles and press releases, COAL has guided for FY23 production of ~700mt. NMDC has guided for a strong demand in the domestic market and expects to reach a production target of 50mt within the next two years.

- **TATA:** The management expects realization in India to improve by INR1,500/t in 4QFY23, with 0.5mt of incremental volumes expected on the consolidated level. TSE's margins are expected to improve, with a reduction in consumption input costs. However, TATA may not achieve its annual deleveraging target of USD1b.
- **JSTL:** Annual production and sales targets were lowered by 1.5mt due to production slippages at Ohio facility and JISPL. Coal costs are expected to be range-bound in 4QFY23; however, the impact of higher coking coal costs will be from 1QFY24 onward. BPSL is expected to post a better performance in 4Q. Debt is expected to be

reduced by INR35-40b due to inventory liquidation. The 5mt Vijaynagar plant is expected to be completed by Mar'24.

- **SAIL:** Management expects to clock sales of 4.5-4.8mt in 4QFY23 and the company is currently operating at full crude steel production capacity. SAIL will enjoy low coal consumption costs in Jan/Feb'23; however, rising coking coal prices will dent the performance in Mar'23 as the management has guided for an increase of INR4,000/t in coking coal costs.
- **JSP**: Management did not provide sales and production guidance; however, JSP is witnessing strong demand in the domestic market and has been getting a lot of export inquiries. The 6mt pellet plant at Angul is set to be commissioned and would be used in house. About 50% of the thermal coal requirement is expected to be met by captive mines. JSP is witnessing buoyant demand from the domestic market in sectors, such as infrastructure, RE, construction, etc., where JSP has a strong presence. It expects coking coal costs to stabilize; however, JSP is cautious about China's role in shaping coking coal prices in the international market. NSR is expected to improve by at least 1-2% in 4QFY23.
- **HNDL: The long-term sustainable EBITDA/t target at Novelis has been retained at USD525/t.** 32% of the Indian aluminum business is hedged at USD2,500/t for 4QFY23 and 7% at USD2,900/t for FY24. Kathautia mine is expected to produce 0.8-1mt of coal in FY23 and Chakla mine is expected to commence commercial production from FY25 onward. HNDL expects a 3-4% CAGR in demand from the beverage can industry and an 11% CAGR in demand from automobile. Aluminum CoP is expected to decline by 5% in 4QFY23, which is expected to improve aluminum upstream margins. Energy and logistics costs have started coming down in Europe. Some contracts are due for a reset in Apr'23 at higher rates, which will help the company improve profitability margins.
- **VEDL:** Management continued to highlight its journey to 100% coal self-sufficiency, which will structurally move toward a reduction in CoP. Aluminum CoP is expected to reduce by 3-5% in 4QFY23. Zinc international operations are steady at 250ktpa; Gamsberg Phase II expansion is progressing well and will double the current capacity to 8mt. Management has not offered any comments on divestment in HZL but has indicated that the government has started roadshows. VEDL continues to monitor debt levels at the holding company. In the next six months, debt of USD2.5b at the holding company level will come up for repayment/refinancing. Part of the debt will be refinanced, and the company is already in discussions with Oaktree and a bunch of international and PSU banks.

Exhibit 80: Domestic spot steel spreads (USD/t) contracted in 3QFY23 and is below its LTA

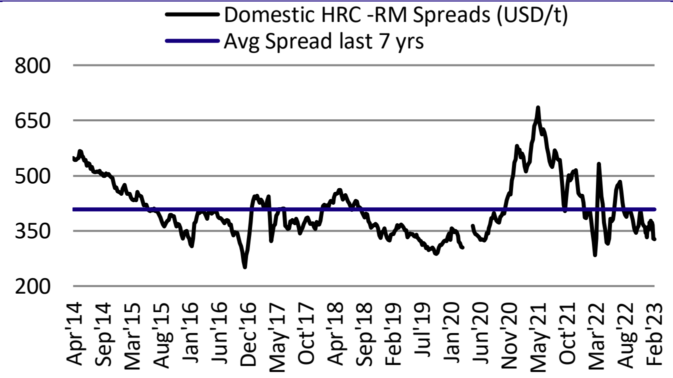


Exhibit 81: Coking coal (USD/t), which corrected at the start of 3QFY23, has rebounded sharply now to USD380/t

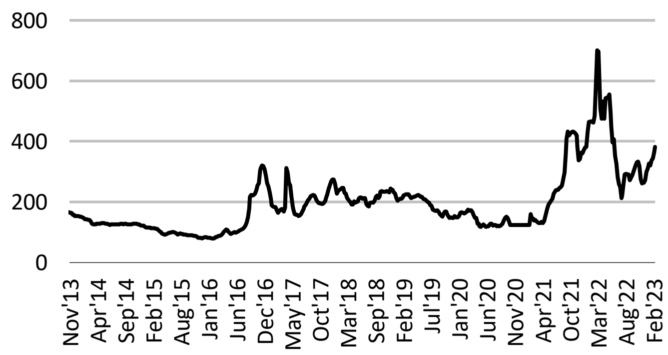
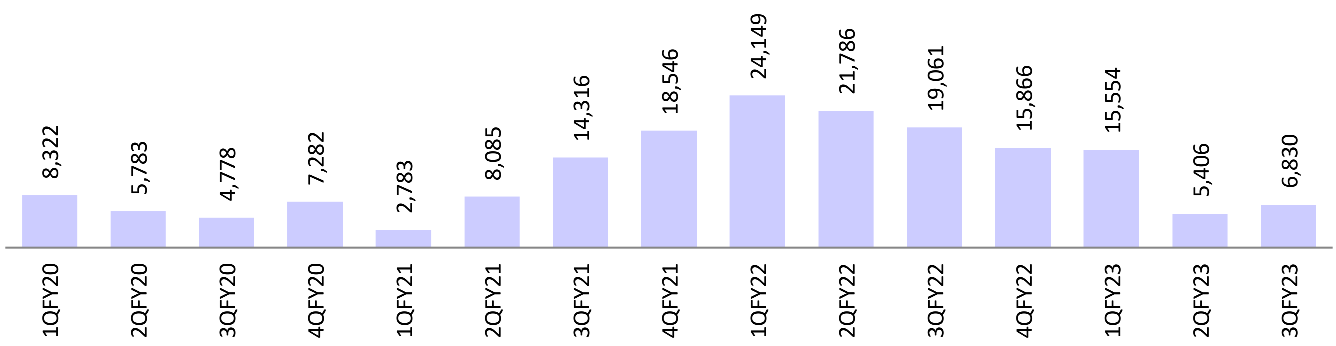
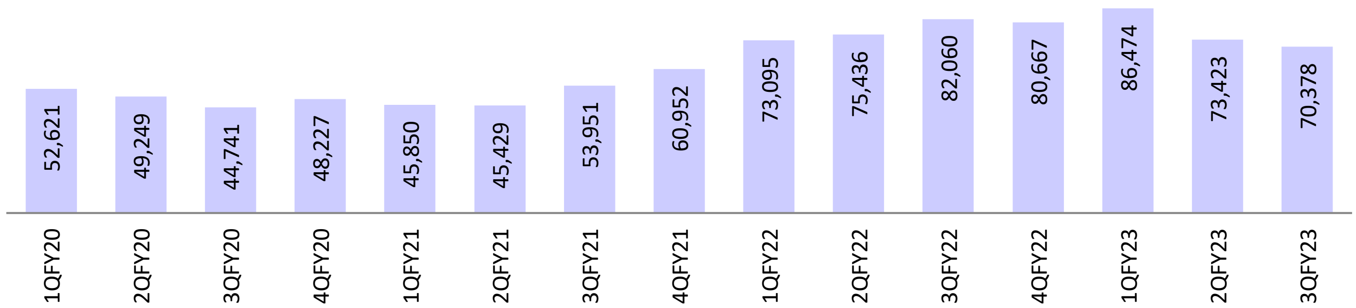


Exhibit 82: EBITDA/t for the steel sector improved after bottoming out in 2QFY23



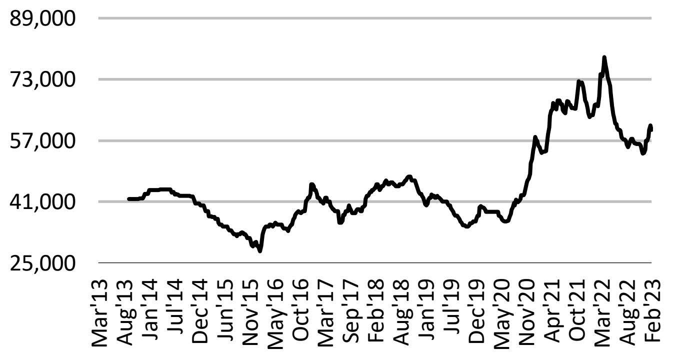
Source: MOFSL

Exhibit 83: Realization/t for steel companies muted in 3QFY23



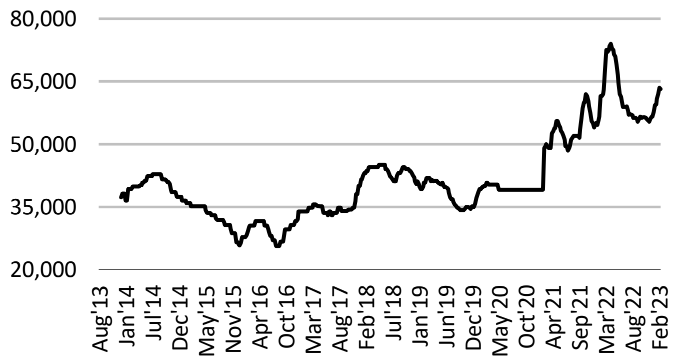
Source: MOFSL

Exhibit 84: HRC (INR/t) has started moving up since the start of CY23 after falling to a recent low in 3QFY23



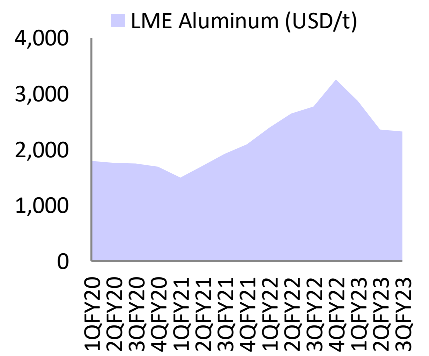
Source: MOFSL, Steelmint

Exhibit 85: Rebar (INR/t) prices have been more resilient to a correction in the steel sector and is at premium to HRC



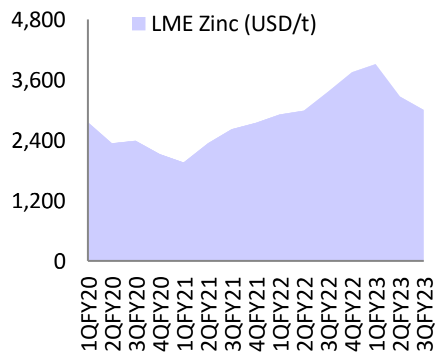
Source: MOFSL, Steelmint

Exhibit 86: LME aluminum prices



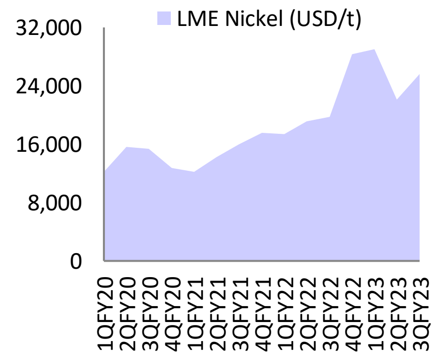
Source: MOFSL, Bloomberg

Exhibit 87: LME zinc prices



Source: MOFSL, Bloomberg

Exhibit 88: LME nickel prices



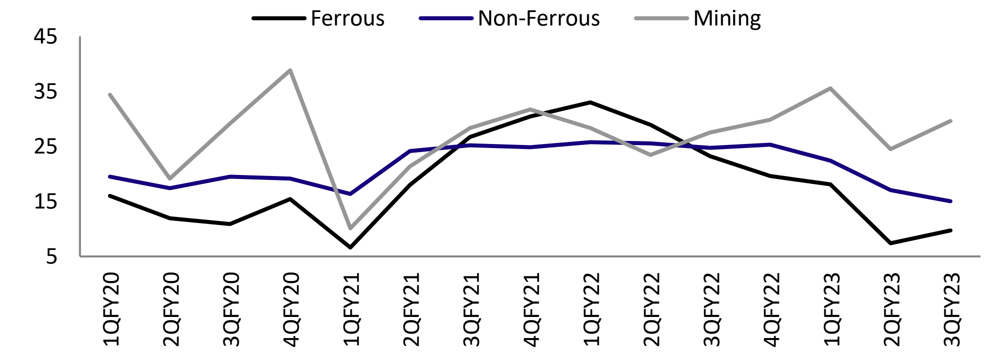
Source: MOFSL, Bloomberg

Exhibit 89: EBITDA/t for steel companies under our coverage

Company	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	Abs YoY	% YoY	Abs QoQ	% QoQ
TATA (C)	13,401	18,115	22,659	22,268	22,673	18,764	22,618	8,382	5,661	-17,012	-75.0	-2,721	-32.5
JSTL (C)	15,053	20,788	29,608	27,198	23,355	17,903	9,597	3,052	7,963	-15,392	-65.9	4,911	160.9
SAIL	12,241	14,145	19,728	16,395	8,881	9,237	7,295	1,740	5,003	-3,878	-43.7	3,263	187.5
TATA (s/a)	14,926	20,417	33,327	30,385	28,631	24,616	24,622	10,177	11,241	-17,390	-60.7	1,065	10.5
JSP (s/a)	20,833	25,569	28,098	21,216	17,404	14,695	19,028	9,075	11,813	-5,591	-32.1	2,738	30.2

Source: MOFSL, Company

Exhibit 90: EBITDA margin (%) for steel, non-ferrous, and mining. In the last 15 quarters, mining has commanded a better EBITDA margin in the sector



Source: MOSL, Company

OIL AND GAS: OMCs disappoint, barring HPCL; EBITDA/scm better than expected for CGDs

- **Aggregates:** Revenue was above our estimate (up 21.6% YoY), with beat on BPCL, GUJGA, IOCL, MRPL, and PLNG; excluding OMCs, revenue was in line with our estimate (up 22.4% YoY). EBITDA was in line with our estimate (down 2.3% YoY,) with beat in AGIS, GUJGA, HPCL, IGL, MAHGL, MRPL, OINL, PLNG, and RIL (excluding OMCs, EBITDA was above our estimate - up 12.1% YoY). PAT was below our estimate (down 19.4% YoY); excluding for OMCs, PAT was above our estimate (down 3.5% YoY).
- **OMCs – GRM better than expected, marketing gross margins positive:** Implied marketing gross margins (including inventory) for OMCs recovered to an average of INR1.4/liter, owing to lower Brent prices, even as OMCs did not exercise any price hikes during the quarter. OMCs are earning marketing gross margin on petrol of INR8.6/liter and marketing gross margin on diesel of INR1.4/liter in 4QFY23'td. Benchmark Singapore GRMs in 4QFY23 also bode well for companies with an average of USD8.8/bbl till date (higher than both 2Q and 3Q in FY23). Pressure on OMCs is expected to continue with SAED also in place.
- **Improved realizations help RIL post robust performance:** Reliance Industries (RIL)'s 3QFY23 consolidated revenue was in line with our estimate, up 17% YoY/down 6% QoQ. EBITDA grew 19% YoY/13% QoQ (18% beat), driven by a big beat in Standalone results. Adjusted for an extraordinary gain in 3QFY22, PAT declined 3% YoY as the improvement in operating margin was offset by higher depreciation and finance cost. O2C EBITDA came in 38% higher than our estimate at INR150b (up 8% YoY) in 3QFY23. EBITDA/mt stood at ~USD113 (up 7% YoY, up 21% QoQ). Production meant for sale stood at 16.2mmt in 3QFY23.
- **CGDs – better than expected as volumes disappoint:** GUJGA's total volumes came in line with our estimate of 7.3mmscmd; Morbi volumes stood at 2mmscmd, with the current volumes also at similar levels. EBITDA margin was better than expected at INR8.7/scm (our estimate of INR5/scm). Mahanagar Gas (MAHGL) reported higher-than-estimated EBITDA of INR2.6b (est. INR1.6b), mainly led by higher-than-estimated EBITDA/scm of INR8.2 (est. INR5.0). Volumes were in line with our estimates of 3.4mmscmd in 3QFY23. Indraprastha Gas (IGL) reported a beat on EBITDA in 3QFY23, driven by higher-than-expected EBITDA/scm of INR5.7 (down 14% YoY/19% QoQ). Volumes were flat QoQ at 8.1mmscmd (up 6% YoY).
- **Ratings and earnings change:** Our ratings remain unchanged in 3QFY23.

- **Top picks:** We prefer GUJGA among CGD players with it long-term volume growth prospects looking robust. We prefer IOCL among the OMCs as uptick in refining margins would benefit it the most. GAIL is our top pick in the gas space, while we favor GUJS in the midcap gas space.
- **GAIL:** The management expects the PATA plant to reach full utilization, if LNG prices come down to ~USD16/mmBtu. Most of the pipelines are now up for tariff revision, which could be a big trigger for the stock. The management expects a gain of ~INR10/mmBtu in the overall tariff. The board has also approved a 50ktpa Isopropanol unit at Usar, where the PDHPP plant is already under construction. It is expected to be completed by Mar'25.
- **GUJS:** We reiterate our belief that GUJS' volumes would jump to ~37mmscmd in FY25E, as the company is also a beneficiary of: a) the upcoming LNG terminals in Gujarat, b) increased demand, owing to the focus on reducing industrial pollution – Gujarat has five geographical areas (GAs) identified as severely/critically polluted, and c) the commissioning of the Mehsana–Bhatinda pipeline.
- **Surprises:** AGIS, CGDs, HPCL, MRPL, OINL, PLNG, RIL
- **Misses:** BPCL, CSTRL, GAIL, GSPL, IOCL

Guidance highlights:

- **RIL**: Easing Covid restrictions in China would see demand improving, with cracks likely to remain elevated on lower inventories, seasonal demand, and impending loss of Russian supply. RIL, however, believes that higher Chinese export quotas could bring supplies in the region, despite expected higher Chinese domestic demand. There is a positive momentum in the domestic demand for both polymers and polyesters and their demand is projected to track economic growth. Margins for both are also likely to improve as demand from China, EU, and the US pick up. RIL believes that there is uncertainty on the EU restocking and that demand from China is going to keep the market volatile, thus maintaining gas price realization high in the near term.
- **ONGC**: Peak oil from KG Basin should be 45,000bopd with the company already having spent INR215b till Jan'23, out of the total envisaged capex of INR340b. First, oil from the same is expected in May/Jun'23 with incremental oil production of 1.9mmt and gas production of 2.8bcm in FY24 and 2.2mmt and 3.8bcm, respectively, in FY25. The company is working with the Vietnam government for extension of license in existing fields and also getting license for new fields. Survey expenditure increased due to increase in exploratory activity and the same is likely to stay elevated due to aggressive exploratory plans in the future.
- **OMCs:** IOCL is set to commission various projects over the next two years, driving growth further. Refinery projects, currently underway, are expected to be completed as follows: Panipat refinery (25mmtpa) by Sep'24, Gujarat refinery (18mmtpa) by Aug'23, and Baruni refinery (9mmtpa) by Apr'23, according to the earlier guidance. Completion of various ongoing projects is expected to drive growth over the next three to five years such as: Bhatinda refinery expansion, expansion of Vizag refinery, and new Rajasthan (Barmer) refinery in FY24.
- **CGDs:** Total consumption at Morbi across all fuels stands at 5.5-6mmscmd, suggesting a weak ceramic market. LPG prices are at a premium of INR1/scm (expected to rise further in Mar'23), compared to gas currently. The company's long-term volume growth prospects remain robust with the addition of new industrial units, expansion of existing units, and the emergence of a new ceramic cluster at Aniyari (potential of ~0.5mmscmd). IGL management expects input cost pressures to subside by ~INR6/scm, if Kirit Parekh recommendations are implemented. It also highlighted that IGL will partially pass on the cost benefit to the end-customer. Management further anticipates volumes to rise to ~9mmscmd in FY24 and ~10mmscmd in FY25. MAHGL management highlighted that the government's recent order to allocate HPHT gas to the priority sector, ahead of other sectors, should help reduce input costs in CNG and domestic PNG segments.

Exhibit 91: Implied gross marketing margin (INR/lit)

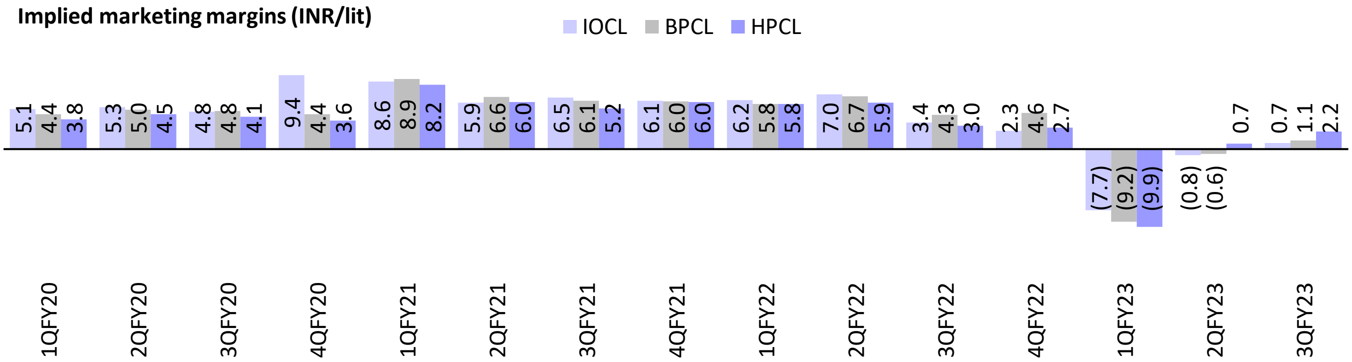


Exhibit 92: Reported refining margin (USD/bbl)

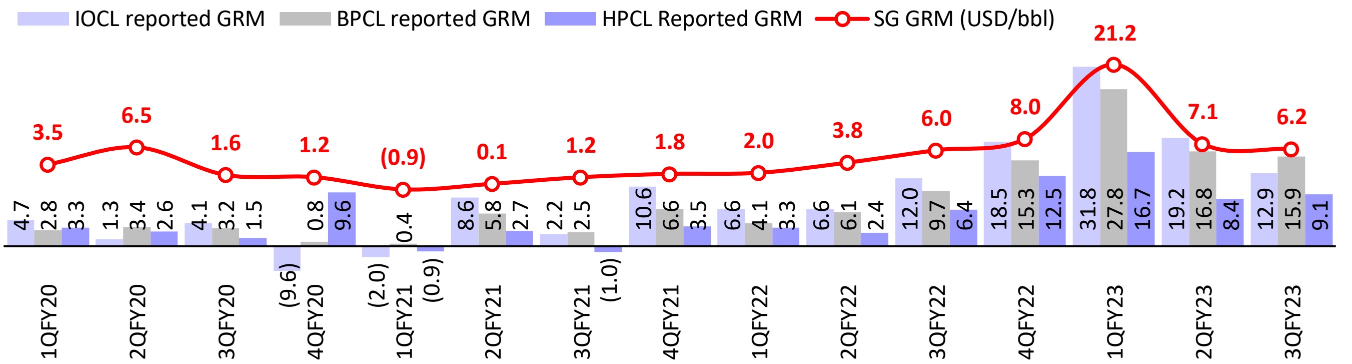


Exhibit 93: Sales volume of CGDs (mmscmd)

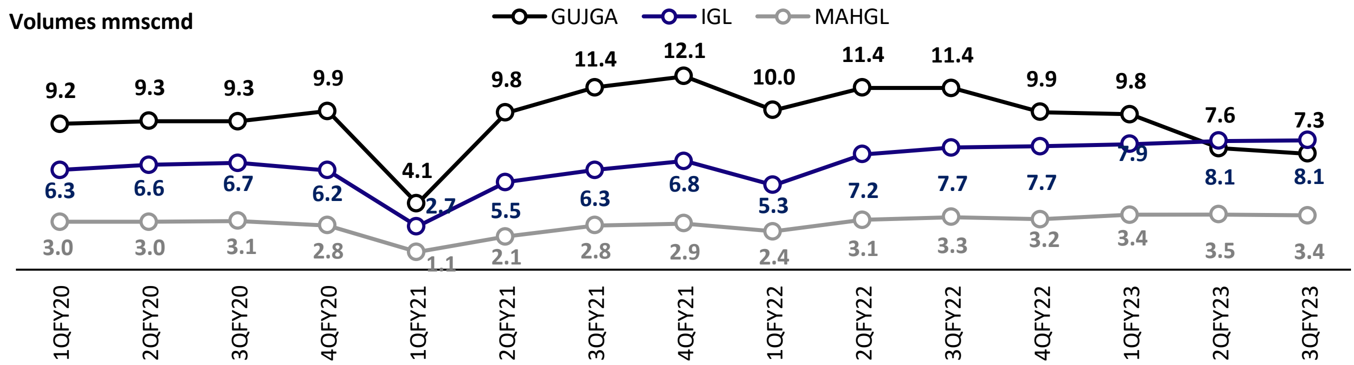
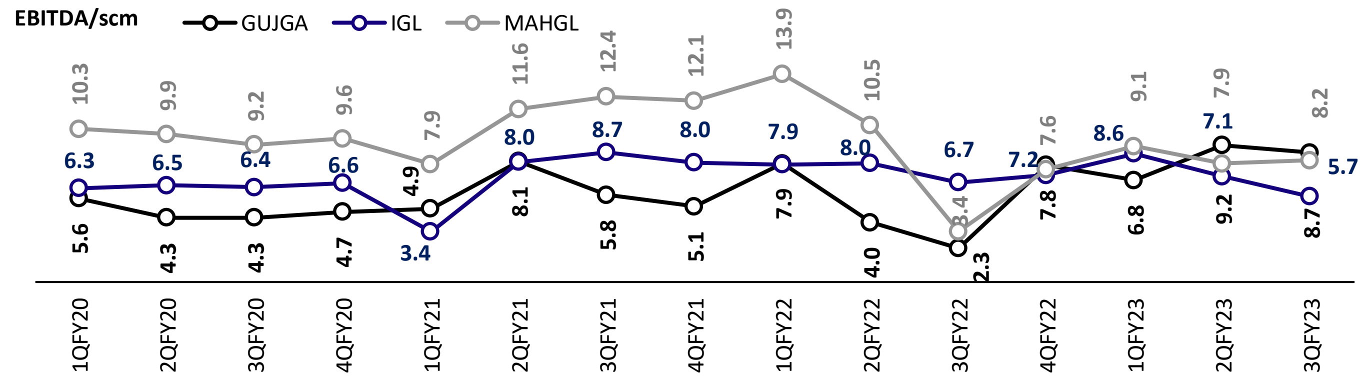


Exhibit 94: EBITDA/scm trend for CGDs (INR)



REAL ESTATE: Companies on track to achieve their full-year guidance; BD momentum to continue

- **Demand sustained sequentially:** MOFSL coverage stocks sustained the sales run rate aided by strong sustenance demand and healthy launches. The collective bookings stood at INR148b, flat YoY/QoQ. DLF reported sales bookings of INR25b, up 24% YoY/22% QoQ and were in-line with our estimate of INR24b. Strong sales performance was driven by INR16b contribution from the luxury floors project, The Grove in DLF Phase V, which was fully sold out within two weeks of launch in Sep'22. LODHA reported its best-ever third quarter pre-sales with sales bookings of INR30b, up 16% YoY but down 4% QoQ. The bookings were higher than our estimate of INR28b. However, OBER's sales bookings declined 68% YoY and 45% QoQ to INR6.3b (37% below estimate), hit by bookings of only one unit at Elysian, Goregaon (v/s 141 in 3QFY22, the launch quarter), and nil booking at 360-West (v/s eight in 2QFY23). Despite poor launches, BEL's 3QFY23 pre-sales grew 48% YoY/27% QoQ to over INR10b (12% above our estimate) driven largely by sustenance sales.
- **Healthy pipeline to drive growth:** Except for GPL, OBER and MLIFE, new launches were relatively moderate as the collective launches from our coverage universe dropped to 11msf v/s 13.6msf in 2QFY23. MLIFE received a strong response to its second phase launch in Bengaluru and new launches contributed INR3.5b to overall pre-sales (78% of total). Cumulatively, our coverage stocks delivered 42% YoY growth (on low base of 1QFY22) in 9MFY23 and given the new project pipeline for 4Q, we expect them to deliver a healthy 29% YoY growth in bookings in FY23. **OBER** will launch its Pokhran road project at Thane; **LODHA** will launch 4.2msf in 4QFY23 with a GDV potential of INR58b that will have an equal mix of own and JDA projects. **GPL** has also lined up new projects with development potential of 7msf in 4Q. Similarly, **PEPL** will launch 20msf of new projects across Bengaluru, Mumbai and Hyderabad. 4QFY23 is shaping up strongly for **BRGD** as it has a new project/phase pipeline of 2.5msf, of which 1.2msf will be in the plotted segment. Over next 12 months, BEL has a robust pipeline of 9msf under residential/plotted segments.
- **Strong business development performance to continue:** Until 9MFY23, **LODHA** has signed new projects with a revenue potential of INR178b v/s targeted additions of INR150b. **GPL** too has made significant progress on BD front as it added 17msf of projects in 3Q with revenue potential of INR230b. This has taken the cumulative project addition to ~23msf with GDV of INR275b, thus surpassing its guidance of INR150b for FY23. Lately, the management has been focusing on increasing its economic interest in new projects and consequently, bulk of recent project additions are outright purchases. **PEPL**'s upcoming residential pipeline rose to 73msf (from 57msf in 2QFY23) driven by increased development potential at a few existing projects along with new additions in Bengaluru. **MLDL** added two new projects post the quarter-end that includes its first society redevelopment project in Mumbai and a project in Hosur, Bengaluru with cumulative revenue potential of INR9b. It also has an active BD pipeline of INR55b and the management expects to close a few of them over the next few months.
- **P&L performance – mixed bag:** Revenue for PEPL increased 75% YoY/62% QoQ to INR23b driven by completions worth 11msf. Similarly, **OBER**'s revenue doubled YoY to INR16b (85% above estimate) as it received part OC at Eternia and Enigma (contributed 50% to overall revenue) and as Tower B at Elysian, Goregaon, reached a 25% revenue recognition threshold. **GPL** only delivered 1.7msf of area across four projects resulting in muted revenue recognition for the quarter. Revenue declined 30% YoY to INR2.0b, while reported EBITDA was negative at INR168m. However, adjusted EBITDA including other income, grew 31% YoY and 63% QoQ to INR1.6b. In the first nine months, the company has delivered 2.5msf of projects and is on track to deliver over 10msf of projects in FY23. **LODHA's** revenue declined 14% YoY to INR18b and was 26% below our estimates, due to higher contribution from low-realization projects. The company expects to deliver 3.6msf of projects in 4Q, of which, ~80% is already sold out. Hence, revenue recognition is expected to improve materially in 4QFY23.
- **Valuation and picks:** We largely retain our FY23-24E pre-sales for DLF/LODHA/PEPL/SOBHA, but increase it by 10%/8% for GPL/BRGD to incorporate better-than-expected performance during the quarter. We continue to see re-rating potential in companies, which would provide further growth visibility aided by strong business development through robust cash flows. We retain LODHA, PEPL and BRGD as our top picks.
- **Surprises:** BRGD and SOBHA

Key highlights:

Interest rate: Housing demand momentum remains intact given that prevailing rates are in-line with levels witnessed before pandemic. While the launch plans of large developers remain on track, companies would remain watchful in near term for any potential impact of increased rates on demand.

BD traction: Companies continue to remain positive on maintaining BD momentum. LODHA continues to see land owner's preference towards large developers as it has surpassed its full-year BD guidance. GPL will continue to focus on gaining market share in four core markets especially MMR and Bengaluru. While a large part of its recent project additions was on an outright purchase basis, BD pipeline continues to have JV deals with higher share of GPL. MLDL is aiming to add new projects with GDV potential of INR30-40b.

Management commentaries:

- **LODHA:** The manufacturing-led growth in India's GDP is just about starting driven by key government policies in this area and the company expects Mumbai to benefit from this trend by way of front office and BFSI demand. LODHA expects Mumbai's housing demand to grow at 11-12% driven equally by pricing and volume. On mortgage rate impact, management highlighted that so far footfalls, conversions, enquiries are intact.
- **OBER:** It is on track to launch the Kolshet road (Thane) project in 4Q and the Pokhran road (Thane) project is expected to be launched by 1QFY24. The new tower at Goregaon is scheduled for launch during festive season of FY24. The new land acquired at Thane will have a residential potential of 2.2msf and commercial potential of 1.5msf. Management continues to remain very much focused on BD with preference for large parcels, which is in-line with its historical strategy.
- **DLF:** 4QFY23 will see launch of 0.8msf in value segment along with 2msf of premium project at Sector 63. The balance inventory at One Midtown will be launched in 1HFY24. Overall, the company targets to launch 9.4msf in FY24. The rising mortgage rates have had no negative impact yet and management is confident that the guidance of INR80b will be surpassed.
- **GPL:** Underlying demand continues to remain strong especially for large developers and mortgage rates continue to remain in attractive range. The company does not see any material risk that could derail the momentum. Management is focusing on achieving sales of INR100b (INR81b for 9MFY23) and would target 20% annual growth on that base. The strong BD over last few months is supportive of that aspiration.
- **BEL:** It highlighted that the demand continues to remain strong with no slowdown in footfalls but it would remain watchful over the next few months. As per the management, 4QFY23 is shaping up strongly given the new project/phase pipeline of 2.5msf of which 1.2msf will be in the plotted segment. Over the next 12 months, BEL has a large pipeline of 9msf under residential and plotted segments. In commercial segment, the company achieved a net leasing of 0.33msf and is targeting to lease out the entire vacant area over next 2-3 quarters.
- **MLIFE:** While demand in mid-income segment is growing significantly, it is relatively weak in less than INR4m segment. This is the reason for slower traction at Kalyan project. The original guidance of IRN25b sales by FY25 is maintained and management will revisit this post-closure of a few more new transactions.
- **Sobha:** If new launches go as per plan, the company can achieve 3.0-3.5msf in 2HFY23 (v/s 2.7msf in 1HFY23). In the near term, SOBHA can achieve sales volume of 7-8msf and can increase up to 10msf over the medium term.

Exhibit 95: Pre-sales for coverage universe remain flat on YoY/QoQ basis….

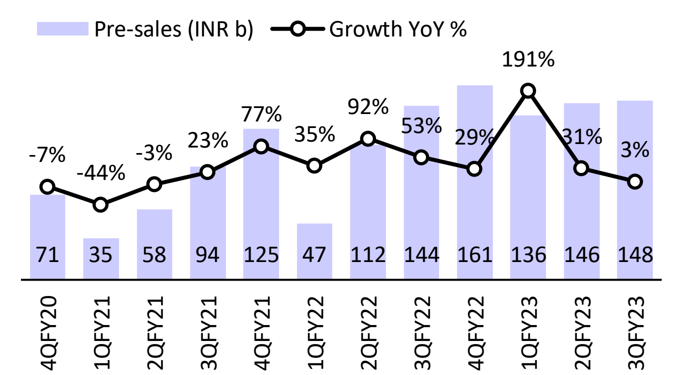


Exhibit 96: …with volumes exhibiting similar trend

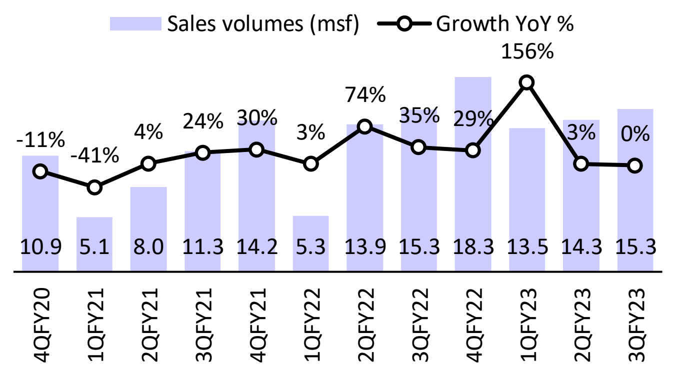


Exhibit 97: Collections up 7% YoY

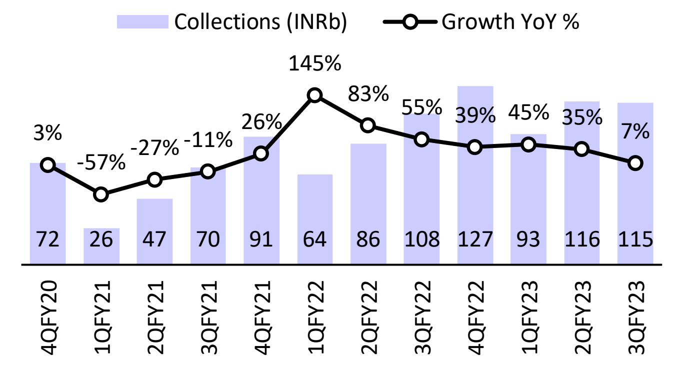


Exhibit 98: Expect coverage stocks to deliver 29% YoY growth

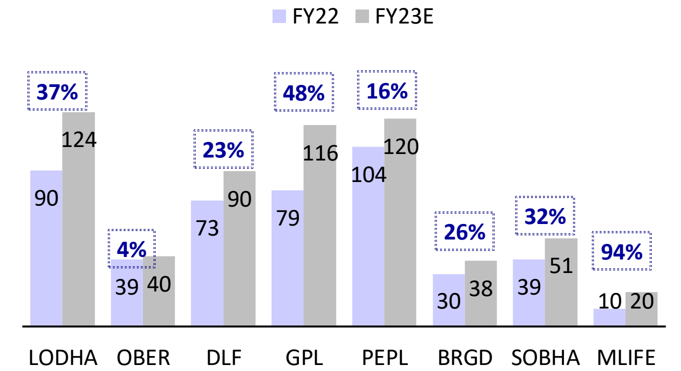


Exhibit 99: Estimate changes for our coverage universe (INR b)

	Old		New		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
DLF	59	78	59	74	0	-5
Godrej Properties	14	31	14	31	1	0
Macrotech	95	104	95	103	0	-1
Oberoi Realty	37	43	41	41	10	-5
Prestige Estates	74	82	74	82	0	0
Brigade	37	41	36	42	-5	0
Sobha	28	36	28	36	0	-1
Mahindra Lifespaces	5	6	6	5	36	-15
EBITDA						
DLF	19	26	19	27	0	3
Godrej Properties	1	9	0	8	NM	NM
Macrotech	22	29	21	27	-3	-6
Oberoi Realty	18	20	21	19	18	-6
Prestige Estates	17	22	18	22	4	0
Brigade	10	12	9	13	-7	1
Sobha	5	8	4	8	-19	0
Mahindra Lifespaces	-1	-1	-1	-1	-35	24
PAT						
DLF	23	47	22	33	-3	-31
Godrej Properties	8	14	8	13	2	-4
Macrotech	14	22	14	19	0	-14
Oberoi Realty	15	15	18	15	19	-3
Prestige Estates	4	6	3	5	-26	-8
Brigade	3	5	3	5	-15	1
Sobha	2	4	1	4	-42	8
Mahindra Lifespaces	1	2	1	2	0	-1
Pre-sales						
DLF	89	113	90	114	0	1
Godrej Properties	105	122	116	122	10	0
Macrotech	119	142	124	150	4	6
Oberoi Realty	45	60	40	60	-11	0
Prestige Estates	120	126	120	126	0	0
Brigade	35	41	38	42	8	2
Sobha	49	53	51	56	4	5
Mahindra Lifespaces	20	23	20	24	-1	1
Collections						
DLF	55	81	54	75	-2	-8
Godrej Properties	98	121	92	119	-6	-2
Macrotech	100	113	102	120	2	6
Oberoi Realty	41	49	38	49	-8	1
Prestige Estates	75	90	80	90	7	-1
Brigade	31	38	32	40	4	5
Sobha	45	58	43	48	-5	-17
Mahindra Lifespaces	11	17	11	17	0	0

Exhibit 100: P&L highlights for our coverage universe (INR m)

	3QFY23	2QFY23	3QFY22	YoY %	QoQ %	3QFY23E	Variance (%)
Revenue							
DLF	14,948	13,023	15,497	-4	15	14,732	1
Godrej Properties	1,962	1,651	2,788	-30	19	2,271	-14
Macrotech	17,738	17,654	20,594	-14	0	23,821	-26
Oberoi Realty	16,295	6,886	8,320	96	137	8,806	85
Prestige Estates	23,170	14,277	13,275	75	62	18,604	25
Brigade	8,203	8,792	9,210	-11	-7	9,372	-12
Sobha	8,682	6,673	6,223	40	30	7,890	10
Mahindra Lifespaces	1,869	698	243	668	168	1,193	57
EBITDA							
DLF	4,772	4,367	5,213	-8	9	4,714	1
Godrej Properties	-168	-674	-51	229	-75	-96	75
Macrotech	4,038	4,240	4,858	-17	-5	7,338	-45
Oberoi Realty	9,404	3,104	3,316	184	203	4,130	128
Prestige Estates	5,742	3,686	3,646	57	56	4,175	38
Brigade	2,079	2,165	2,575	-19	-4	2,486	-16
Sobha	888	922	1,503	-41	-4	1,320	-33
Mahindra Lifespaces	-114	-394	-388	-71	-71	-324	-65
EBITDA Margin							
DLF	32	34	34	-5	-5	32	-6bp
Godrej Properties	NM	NM	NM	NA	NA	NM	NM
Macrotech	23	24	24	-4	-5	25	-264bp
Oberoi Realty	58	45	40	45	28	47	1081bp
Prestige Estates	25	26	27	-10	-4	22	234bp
Brigade	25	25	28	-9	3	27	-118bp
Sobha	10	14	24	-58	-26	17	-650bp
Mahindra Lifespaces	NM	NM	NM	NA	NA	NM	NM
PAT							
DLF	5,189	4,772	3,795	37	9	6,109	-15
Godrej Properties	564	670	390	45	-16	1,942	-71
Macrotech	4,050	-9,330	2,864	41	-143	4,141	-2
Oberoi Realty	7,026	3,186	4,675	50	121	3,508	100
Prestige Estates	1,278	1,407	866	48	-9	922	39
Brigade	569	776	768	-26	-27	847	-33
Sobha	318	192	610	-48	66	559	-43
Mahindra Lifespaces	341	-77	250	36	-541	371	-8

Source: Company, MOFSL

RETAIL: Demand pressure sustains as footfalls ebb post-festive season

- **Revenue growth tapers post-festive season:** Retail sector, which saw a strong pick-up in revenue growth during the start of 3QFY23, witnessed demand slowdown post-Oct'23. This was mainly because of the inflationary impact, which led to deferment of demand for discretionary spending. Aggregate revenue for 3QFY23 rose 23.6% YoY, which was primarily led by footprint additions and continued outperformance in the premium category. Trent was a clear outlier with 61% YoY revenue growth. Excluding Trent, the aggregate revenue growth was 20.6%. The value retail segment, however, continues to report demand pressure that was evident from a weaker performance by V-Mart and Relaxo. Premium segment players such as Metro/Shoppers Stop, on the other hand, reported a healthy revenue growth of 23.8%/19.0% YoY, respectively, aided by a combination of LFL growth and footprint additions. Similarly, Lifestyle (ABFRL) and Westside (Trent), which cater to higher ASP segment, reported a healthy single-digit LFL growth during 3QFY23. Grocery retailer DMART clocked a 25.5% YoY revenue growth aided by strong footprint additions even though weak discretionary demand pulled down overall SSSG.
- **Margin remains under pressure hit by EOSS and weak demand:** 3QFY22 witnessed a pent-up demand post-Covid re-opening, which led to lower discount sales. As a result, 3QFY23 witnessed contraction in gross and

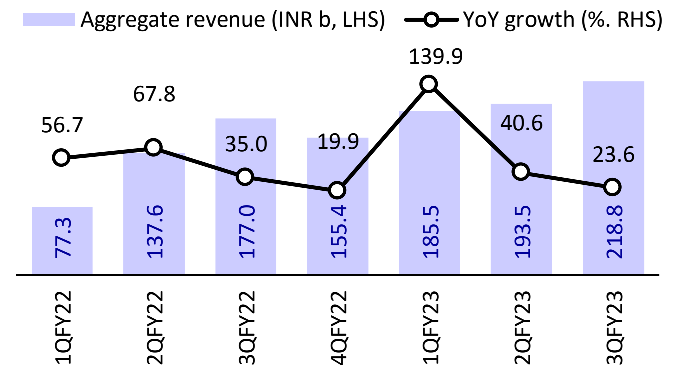
operating profit margins. The margin contraction was led by the higher scale of EOSS and some weakness in demand which restricted retailers to pass on the increased costs to customers. Aggregate gross margin contracted 120bp YoY to 31.2%. Increased costs, attributed to footprint additions and promotional activities during EOSS and festive season, further led to EBITDA margin compression. Aggregate EBITDA margin dipped 270bp YoY to 12%. Continued inflationary pressure that is impacting the demand within Value Retail segment adversely is expected to remain for a couple of quarters more. This may hurt earnings to some extent. However, cooling-off in raw material prices could lead to an improvement in gross margins in the next couple of quarters.

- **Store addition momentum continues:** Continued momentum in store additions was witnessed during 3QFY23 as the companies look to meet their FY23 targets. Aggregate footprint addition stood at 60% QoQ for all players. Trent, VMART, Metro and BATA were among the retailers that added footprints aggressively. Westside/Zudio added 11/93 stores in 9MFY23 taking the total store count to 211/326, respectively. They have plans to double the pace of store additions in FY23. VMART saw healthy addition of 14 stores in 2QFY23. Store addition for Metro remains strong at 28 as it remains on track to add 85 stores annually. DMART's additions were slower in 3QFY23, taking its total store additions for 9MFY23 to 22.
- **Inflationary pressure to remain a key monitorable:** While the sector witnessed a strong recovery in footfalls during the festive period, demand post-Oct'23 decelerated due to deferment of discretionary spend led by inflationary pressure. Recovery of demand within the discretionary space would remain a key factor for growth going ahead and continues to remain a key monitorable.
- Top picks: TRENT and METRO Brands
- **Surprise:** METRO Brands

Guidance highlights:

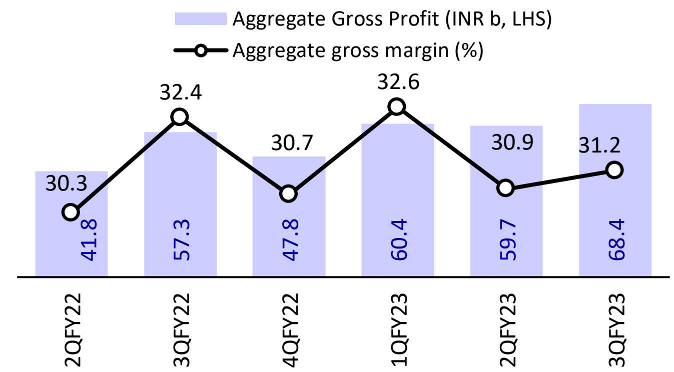
- **ABFRL:** 1) Losses within D2C at INR190m in 3QFY23 may go up in the near term to INR200-220m, while Reebok losses of INR130m were towards integration cost that may subside with scale benefits. 2) The company expects a recovery in overall consumption within the economy, which will revive the revenue for Pantaloons. 3) It expects the "Other business" to breakeven within the next 9-12 months with a long-term goal to achieve close to double-digit margins.
- **VMART:** 1) Margins and the return profile are expected to remain under pressure for the next six quarters owing to increased investments in new businesses. 2) It expects to exit FY23 with 55-60 store additions. 3) VMART exited the quarter with a higher inventory level, hit by delayed winters. It plans to reduce inventory days to a historical level of 90. 4) The company has reiterated that its target investment in the online segment will remain in the range of 20% of total EBITDA.
- **SHOP:** 1) Management reiterated its target to double revenue from FY20 aided by mid-to-high single digit LFL growth and footprint expansion. 2) Margins are likely to remain in high single digit for the next two years and in low double digit thereafter. 3) It targets to open 12-15 departmental stores and 10-15 beauty stores annually with a total capex of INR1.5-2.0b, entirely funded through internal accruals.
- **Relaxo:** 1) Price corrections were made to counter the competitive and challenging market environment and its full effect is likely to reflect from 4QFY23 onwards. 2) With a major portion of the high-cost inventory getting cleared, the business showing signs of improvement, and raw material costs stabilizing, margins are expected to improve while the company regains its market share in the near term. 3) The management expects the closed footwear segment to exhibit healthy growth momentum as wholesale distribution channels and online penetration improve.
- **BATA:** 1) Management announced plans to introduce the apparel segment with expectations to go live by 2HFY24. 2) It guided for a store opening count of 150-170 annually with expected mix of COCO:Franchise to be at 20:80. 3) BATA witnessed a hit on operating profits on account of inflation, GST hike (50% of portfolio), weak performance in retail category and incremental investments in IT. Management expects profitability to resume with improvement in scale and recovery from pre-Covid levels.
- **Metro Brands:** 1) Management has maintained its target of 260 store additions by the end of FY25, excluding FitFlops's five store opening guidance and FILA. 2) Management has also retained its gross margin guidance of 55-57%. The delta between Pre- and Post-IndAS-116 EBITDA margin would be 8-9%. Hence, Pre-IndAS EBITDA margin would be 25-26%. 3) For FILA, management plans to: a) clean old inventory (~INR500m cost), b) reposition the brand and rationalize distribution, and c) unlock value in FILA and Proline brands in India for sportswear and accessories.

Exhibit 101: Revenue grew 24% YoY in 3QFY23



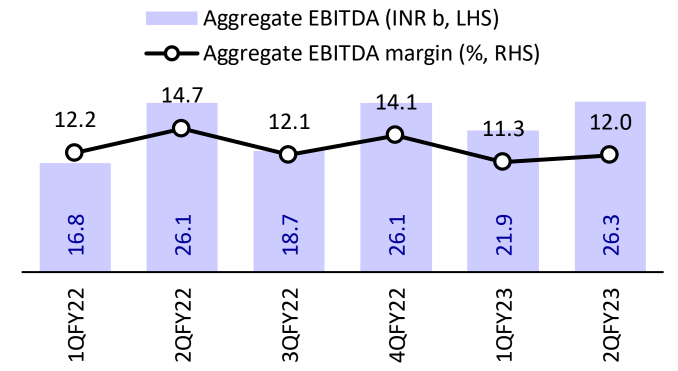
Source: Company, MOFSL

Exhibit 102: Gross margins witnessed a contraction YoY



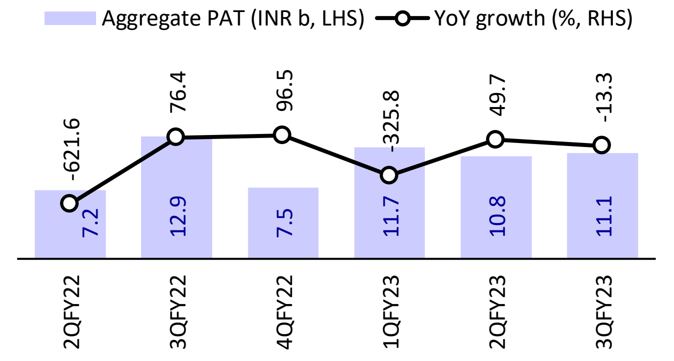
Source: Company, MOFSL

Exhibit 103: EBITDA margin too saw a contraction in 3QFY23 YoY



Source: Company, MOFSL

Exhibit 104: Profitability for retailers improved sequentially



Source: Company, MOFSL

Exhibit 105: Snapshot of Retail store additions

	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Total Store count									
Madura Stores	2,813	2,866	2,874	2,917	3,036	3,091	3,112	3,197	3,442
Pantaloons	344	346	342	347	361	377	375	396	406
DMART	221	234	238	246	263	284	294	302	306
Shoppers Stop	84	84	83	80	83	88	90	91	96
Westside	169	174	184	191	197	200	203	208	211
V-Mart	274	279	282	368	374	380	391	405	414
Zudio	101	133	137	147	177	233	247	285	326
Metro	N.A	586	N.A	N.A	629	624	644	672	720
BATA (Incl SIS)		1,688	1,700	1,737	1,772	1,814	1,888	1,956	2,021
Store adds									
Madura EBO's	127	53	8	43	119	55	21	85	245
Pantaloons	5	2	-4	5	14	16	-2	21	10
DMART	1	13	4	8	17	21	10	8	4
Shoppers Stop	-1	-	-1	-3	3	5	2	1	5
Westside	3	5	10	7	6	3	3	5	3
V-Mart	10	5	3	86	6	6	11	14	9
Zudio	13	32	4	10	30	56	14	38	41
Metro	-	-	-	-	-	-5	20	28	48
Bata	-	-	12	37	35	42	74	68	65
Total	**158**	**110**	**36**	**193**	**230**	**199**	**153**	**268**	**430**

Source: Company, MOFSL

TECHNOLOGY: Growth momentum intact, impressive deal wins, healthy pipeline

- **Aggregate performance:** Our IT Services coverage universe (ex-CYL and ZENT) clocked CC revenue performance to the tune of -2.5% to +5.0% QoQ in a seasonally weak quarter. Margin performance came in the range of -10bp to +250bp QoQ (ex-LTIM) on account of a low 2Q base and better SG&A absorption. PAT grew to the tune of -1.5% to +21.6% QoQ in 3QFY23. The deal win momentum was robust in 3Q, with few companies reporting record-high TCV/ACV wins while building a healthy deal pipeline on top of it.
- **Tier-1 pack outpaced Tier-2:** After being defeated by tier-2 companies for six consecutive quarters, tier-1 companies under our coverage outperformed the tier-2 pack in revenue growth in 3Q. Tier-1 companies reported USD growth to the tune of 0.2% to 5.3% QoQ, while growth for tier-2 remained range-bound at -0.4% to 3.4% (ex-CYL and ZENT). The muted growth was on account of the impact of furloughs and holidays on few pockets: Mortage, Capital Market, non-essential Retail and Hi-Tech.
- **Impressive deal signing activities:** Despite furloughs and a lower number of working days, the deal wins rose 4.1% QoQ and 10.7% YoY. There was a common theme across companies: clients reprioritizing cost take-outs and efficiency-driven projects. Vendor consolidation was more pronounced among large enterprise clients.
- **Headcount addition turned negative**: Talent hiring continued to moderate in Q3, with a decline of 3,734 in headcount vs net addition of 37k+ in Q2. With consecutive rounds of strong hiring over the past couple of quarters, outsourcing vendors are overstaffed with the lateral bench and fresher talent sufficient to meet the incremental demand.
- **Steady margin recovery:** The companies have witnessed a steady recovery in margins post the H1 wage hikes and easing supply pressure. The margin performance was in the range of -10bp to +250bp QoQ in Q3 for the MOFSL universe. The attrition rate has cooled off notably (Avg. 200bp QoQ) across the entire IT pack, while the quarterly annualized rate has fallen even more sharply. Normalizing attrition is letting the service providers keep lower bench through lateral hires and repurpose employees more effectively, resulting in better utilization and lower retention costs.
- **Top picks:** Considering the weak economic environment and fears of a global slowdown, the enterprise operation mode is shifting toward cost savings and efficiency-driven schemes, which we believe will benefit tier-1 firms due to their broader scale and end-to-end service offerings. We continue to prefer TCS, HCLT and CYL for their robust business models, high return ratios, and strong management teams.
- **Surprises:** TCS (revenue growth), HCLT (revenue growth and margin), Infosys (revenue growth), and PSYS (margin)
- **Misses:** LTIM (Margins) and Coforge (Revenue Growth)
- **Earnings upgrades/downgrades:** Mphasis FY23E and FY24E EPS were downgraded by 3.9% and 7.1%, respectively. Zensar FY23E and FY24E EPS were upgraded by 10.6% and 4.8%, respectively. The rest of the companies did not witness any meaningful changes.

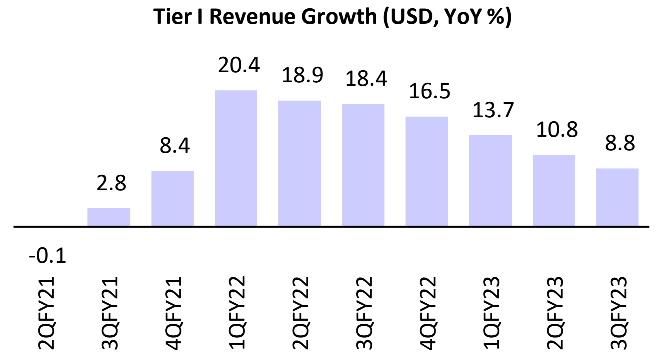
Guidance highlights

- **TCS**: It is witnessing an uptick in vendor consolidation deals, with a large number of clients preferring full-service offerings. It is seeing more consolidation deals in the pipeline in areas such as BFSI, Heathcare and Telecom. The management indicated caution in the near term despite consistent growth in the deal pipeline, as North America and continental Europe see a near-term deal conversion slowdown on account of macroeconomic challenges. However, the company has reiterated its target of double-digit growth in the medium to long term. TCS expects the supply issue to ease further, which would provide headroom for margins in the near to medium term.
- **INFO:** Management sees strong traction in the large deal pipeline despite an adverse demand environment. The company posted a strong large deal TCV of USD3.3b, the largest ever since 3QFY21. However, weakness remains in some pockets: Retail, Hi-Tech, Financials (Mortgages and IB), and Telecom. Though retail is certainly affected, there are new opportunities in the D2C space. Despite weakness, INFO has raised its FY23 revenue growth guidance to 16.0-16.5% YoY in CC terms from 15-16% earlier, implying a limited impact from macro headwinds in

4Q. The management also indicated that there are strong opportunities in vendor consolidation, which comes up in a lot of discussions where clients are looking to consolidate vendors to 1-3 from current 6-7.

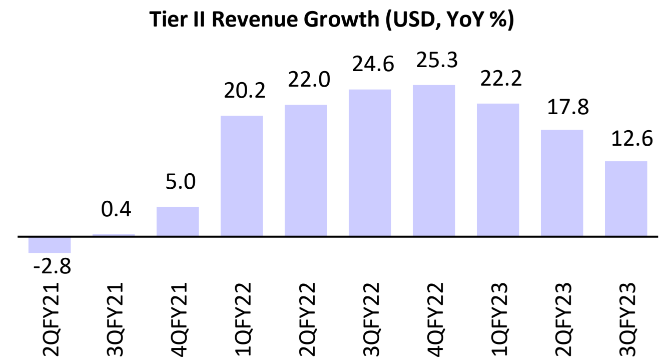
- **WPRO:** Q4 revenue guidance was subdued despite the continued strength in deal momentum over the past couple of quarters. Management indicated that the near-term deal conversion was hit by slow decision-making (macro overhang) and the longer tenure (4-5 years) of transformation deals, especially the ones with hyperscalars (contributes 44% of the total TCV). However, Wipro remains optimistic that the strong deal pipeline and robust order bookings in Q3FY23, with similar optimism building in Q4, will help it deliver better growth in FY24. Even though ramp-ups are slower and discretionary spends are slowing down, Wipro did not witness any customer losses or material deal terminations. The management has guided for 11-12.5% CC growth in FY23.
- **HCLT:** The management indicated that many customers have made large commitments to cloud. Migration should only accelerate as there is an urgency to migrate in order to rationalize the cost. HCLT is seeing a large number of cost optimization deals in the unqualified pipeline, which would help offset the impact on discretionary spends. The Financial Services and Technology verticals were affected by higher furloughs. Though Technology clients are optimizing costs (took hit on some large clients), which would have a near-term impact, management sees a strong opportunity in the medium term with increased propensity to offshore and vendor consolidation deals. Growth in Financial Services is expected to come back, driven by large deals (USD500m in 3Q and one deal in 2Q). Overall, 4QFY23 is expected to be weak due to seasonality in HCL Software, while IT Services should see better growth. Management expects FY23 margin at 18-18.5% vs 18-19% earlier. It has reiterated its medium-term margin target of 19-20%.
- **TECHM:** The macro environment remains weak. TECHM is seeing slower decision-making for projects, cuts in discretionary spending and shrinking budgets for short-term tactical deals. Customer experience in the BPS business had a record quarter and was ahead of the industry in 3QFY23 (seasonally strong). The outlook for BPO remains strong. The Communications vertical continues to benefit from 5G. Despite near-term weakness, the medium to long-term demand for Communications remains strong, with deals expected to come back in 2-3 quarters and with good vendor consolidation opportunities. The performance of Top-5 accounts remained muted due to internal restructuring initiatives for some clients. This should bottom out in 4QFY23 before growing in FY24.
- **LTIM:** Management commentary indicates that the combined entity is bringing a lot of strengths in terms of the vertical and horizontal mix, and it should help the company participate in large multi-year projects. The large deal pipeline remains healthy, and LTIM is focusing on winning new logos in the areas of cost optimization, customer experience and regulatory. The management indicated that it will take two quarters to get the integration properly aligned and post that it should return to industry-leading growth as demonstrated by the two entities individually. The management aspires to generate incremental USD1b in revenue and a 200bp improvement in margin (through synergy) over 4-5 years.
- **LTTS:** The demand environment for three of its five segments remains strong, with Telecom (especially ISV and Semicon) and Medical Devices facing structural challenges and expected to remain soft for a few quarters. On the recent acquisition of SWC, the company expects the margin to decline by 180-200bp QoQ due to one-off integration charges in 1QFY24. The low-margin business of SWC would keep the company’s margin low for an extended period. However, LTTS aspires to bridge the gap and reach the 18% margin level again by FY26. On the margin front, it expects offshore to move even higher to 60% from the current level of 57%, which will lead to further margin improvement. The company has lowered its USD CC revenue growth guidance to 15.0% YoY v/s earlier 15.5-16.5% YoY in FY23.

Exhibit 106: Revenue growth moderated for Tier I players



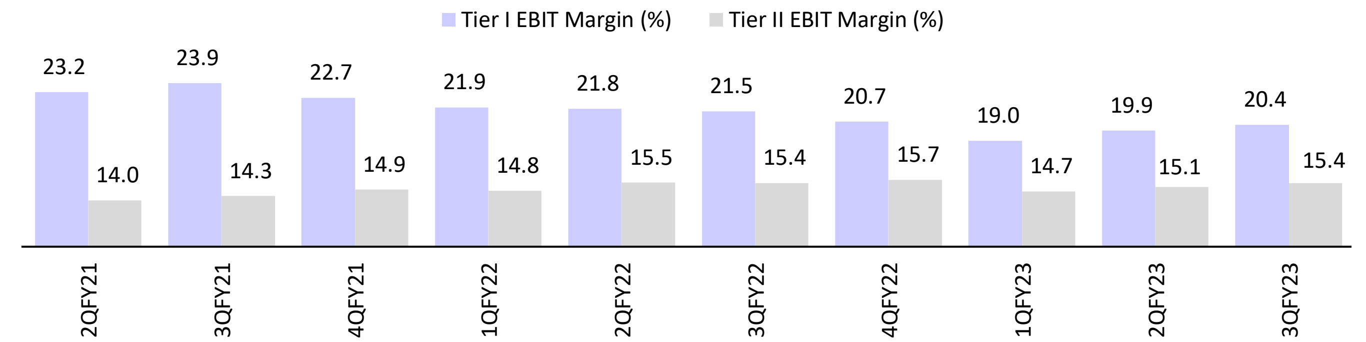
Source: Company, MOFSL

Exhibit 107: Tier II saw sharper revenue growth moderation



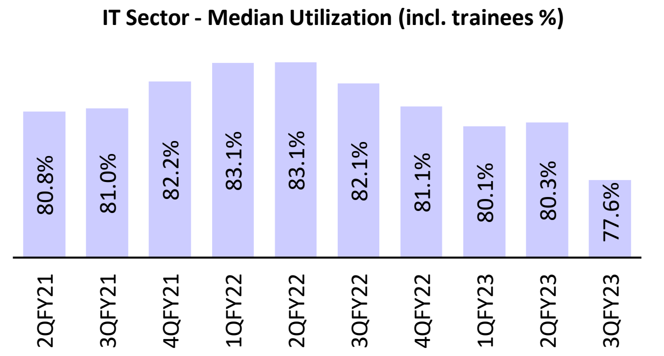
Source: Company, MOFSL

Exhibit 108: Tier I and Tier II EBIT margin (%) improved sequentially



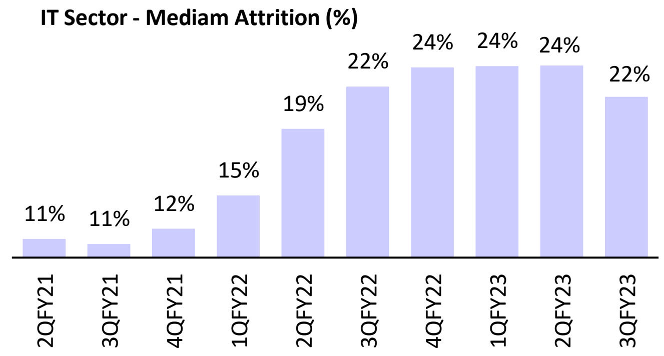
Figures exclude ZENT; Source: Company, MOFSL

Exhibit 109: Median utilization (%) in the IT sector moderated



Figures exclude TCS, HCLT, and LTTS; Source: Company, MOFSL

Exhibit 110: Median attrition (%) started cooling off



Figures exclude MPHL; Source: Company, MOFSL

Exhibit 111: Exhibit 6: Upgrades/downgrades to our EPS estimates show strength in the sector (%)

Company	4QFY22		1QFY23		2QFY23		3QFY23	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
TCS	1	2	-4	-4	-1	1	-1	-1
INFO	-5	-5	-3	-2	1	-1	1	1
WPRO	-1	-2	-7	-6	-6	-2	4	-1
HCLT	-7	-7	-1	-3	4	6	-1	-1
TECHM	-2	-1	-3	-1	-1	-4	2	0
LTIM	NA	NA	NA	NA	NA	NA	NA	NA
LTTS	-4	-5	3	1	-1	-1	-1	-2
MPHL	0	0	0	-1	0	3	-4	-7
COFORGE	-1	1	-2	-2	0	4	0	3
PSYS	8	8	2	5	4	4	3	6
CYL	-5	-6	7	8	6	5	2	2
ZENT	-7	-5	-8	-3	1	0	10	5

Source: MOFSL, Company

TELECOM: Accelerated 5G capex; SUC benefit drives EBITDA improvement

- **Improved subscriber mix supports ARPU growth:** The telecom sector registered sequential revenue growth of 2% (barring VIL), led by growth in ARPU and subscribers. VIL reported flat revenue growth. ARPU increased marginally by ~1-3% in the absence of tariff hikes. ARPU growth was driven by an improved subscriber mix, device upgrades, and the consolidation of SIM cards.
- **RJio/Bharti continue to gain share:** RJio and Bharti continue to gain market share in subscribers and revenue. RJio/Bharti added 5m/4m subscribers (1.2%/1.4% growth) against VIL's 6m decline. RJio/Bharti added 5m/6m 4G subscribers (1.2%/6% growth), while VIL added a mere 1m 4G subscribers. As a result, revenue market share of RJio/Bharti grew 2% QoQ v/s VIL's flat growth.
- **Margin profile:** The increase in ARPU and subscribers, coupled with the benefit of SUC reduction, led to an aggregate 110bp QoQ gain in EBITDA margin. This was the last quarter of SUC benefits. Revenue growth will be the key driver of incremental margin improvement.
- **Increased capex:** 5G-led capex intensity is clearly on the rise, putting pressure on FCF and leverage. Bharti increased its capex to INR93b (>50% YoY) with a slower pace of deleveraging. VIL's capex was down 40% QoQ due to its inability to raise funds. Bharti's net debt declined to INR1.5t, while VIL's ballooned to INR2.2t.
- **VIL's weak liquidity creating system-wide pressure for Indus and others:** Indus booked a provision of INR23b toward VIL's doubtful debts (booked INR53b in 9MFY23). VIL has partly paid the sum due as per the payment plan in 3QFY23 but Indus's large receivable and continued provisions not recognizing 3QFY23 revenue would pose risks. Bharti has previously acquired a 4.7% stake in Indus from Vodafone plc to release some liquidity. This could repeat in coming quarters.
- **TCOM - growth led by data segment:** TCOM's enterprise data segment, the key growth driver, remained soft with 3% QoQ/11% YoY growth compared to Bharti's 2% QoQ/16% YoY enterprise data growth. Its continued investments in new growth engines led to a 170bp QoQ decline in EBITDA margin (in line with guidance) v/s Bharti's 70bp QoQ improvement.

- **Top picks:** Bharti
- **Surprise:** NA

Guidance highlights:

- **Bharti:** The company's key strategic focus will be on 1) expanding its footprint in the revenue-accretive rural market, 2) growing in the home and enterprise segments, 3) prioritizing the top 150 cities (40% of the telecom market), 4) building a network experience, and 5) reducing waste. The company continues to focus on improving RoCE from its current 11.9% at the consolidated level vs <9% at the India business. The India business capex could be INR250b annually for the next three years, with front-loading in the initial period due to 5G/4G expansions and rural expansion, which may also increase network costs.
- **VIL:** The company has seen market share benefits from price actions taken by peers in the minimum recharge segment. VIL wants to focus on unlimited data plans, instead of the lower segment, to ensure that higher usage is charged additionally. Out of INR132b of bank debt, nearly INR80b is payable in the next one year, while the

four-year spectrum and AGR moratorium will end in FY26 and the combined annual installment due would be ~INR430b. VIL is awaiting the completion of its fund raise to start the 5G rollout and it is engaging with banks, which earlier required Govt conversion.

- **Tata Communication:** The company maintains its double-digit growth ambition on the back of 23-25% EBITDA growth expectations in the DPS segment and 25-30% RoCE guidance. Margins are affected by inflation in employee and energy costs and long-term contracts, which offer lower pricing power. High FCF allows TCOM to explore organic and inorganic opportunities. It acquired the Switch business for USD58.8m.
- **Indus Tower:** The rapid migration to 4G and 5G, supplemented by strong data consumption, should continue to fuel demand for passive telecom infrastructure in the form of both loading on existing sites (5G) and installing new sites (4G). VIL has paid a part of its total outstanding amount due till Dec'22. A substantial part of VIL outstanding has been provided in 3Q. Also, the earlier payment plan between Indus and VIL remains unchanged. A leaner tower is capex and opex light and better than a macro tower. A leaner tower generates ROCE in high single to low double digits. The opportunity lies in rural densification.

Exhibit 112: Operator-wise active subscriber market share (%)

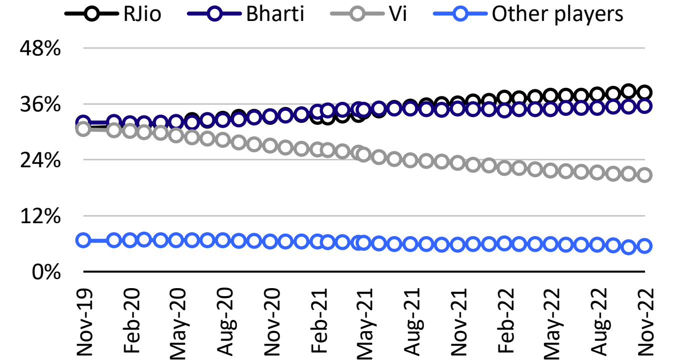


Exhibit 113: Operator-wise ARPU (INR)

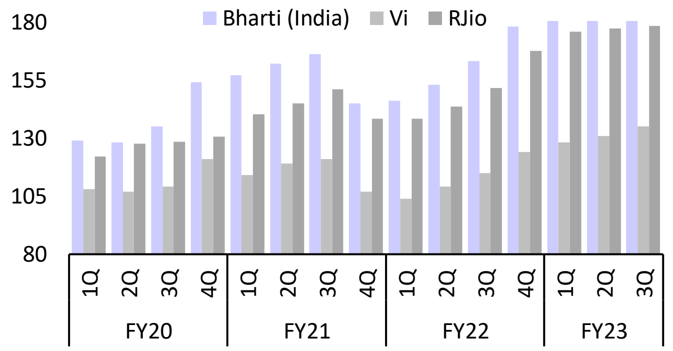


Exhibit 114: Wireless KPI comparison

	FY20				FY21				FY22				FY23			YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	(%)	(%)
EOP Wireless SUBS (m)																	
Bharti (India)	277	279	283	284	280	294	308	321	321	323	323	326	327	328	332	2.9	1.4
Idea	320	311	304	291	280	272	270	268	255	253	247	244	240	234	229	-7.5	-2.5
RJio	331	355	370	388	398	406	411	426	441	430	421	410	420	428	433	2.8	1.2
Avg. Wireless Subs (m)																	
Bharti (India)	280	278	281	283	282	287	301	315	321	322	323	324	327	328	330	2.1	0.8
Idea	327	316	308	298	285	276	271	269	262	254	250	246	242	237	232	-7.4	-2.5
RJio	319	343	363	379	393	402	408	419	433	435	425	416	415	424	430	1.2	1.5
ARPU (INR/month)																	
Bharti (India)	129	128	135	154	157	162	166	145	146	153	163	178	183	190	193	18.4	1.6
Vi	108	107	109	121	114	119	121	107	104	109	115	124	128	131	135	17.4	3.1
RJio	122	128	128	131	140	145	151	138	138	144	152	168	176	177	178	17.5	0.6
MOU/Sub (min)																	
Bharti (India)	888	848	898	965	994	1,005	1,027	1,053	1,044	1,053	1,061	1,081	1,104	1,082	1,094	3.1	1.1
Idea	690	669	674	688	678	673	673	657	641	630	620	610	620	599	613	-1.1	2.3
RJio	821	789	760	771	756	773	796	820	815	835	901	962	1004	968	984	9.2	1.7
Wireless traffic (B min)																	
Bharti (India)	737	717	759	822	820	861	925	997	1,002	1,020	1,030	1,051	1,079	1,063	1,082	5.1	1.8
Idea	676	631	624	616	579	555	547	529	503	480	465	449	450	427	426	-8.5	-0.2
RJio	786	813	826	876	891	932	975	1030	1060	1090	1150	1200	1250	1230	1270	10.4	3.3
Data usage/Sub (Gb)																	
Bharti (India)	11.9	13.1	13.9	15.0	16.7	16.4	16.8	16.8	18.9	19.1	18.7	19.2	19.9	20.8	20.8	11.0	0.1
Idea	7.4	8.2	9.0	9.7	11.0	10.6	10.9	11.7	13.3	13.5	12.8	12.9	13.3	14.1	14.2	10.7	0.9
RJio	11.4	11.7	11.1	11.3	12.0	11.8	13.0	13.3	15.6	17.6	18.3	19.7	20.8	22.2	22.5	22.5	1.3
Data traffic (B Gb)																	
Bharti (India)	4.2	4.8	5.5	6.5	7.2	7.6	8.5	9.2	10.8	11.3	11.3	11.8	12.6	13.5	13.9	22.5	2.7
Idea	3.2	3.5	3.8	4.1	4.5	4.3	4.5	4.9	5.5	5.5	5.2	5.2	5.4	5.7	5.8	9.9	0.8
RJio	10.9	12.0	12.1	12.8	14.2	14.2	15.9	16.7	20.3	23.0	23.4	24.6	25.9	28.2	29.0	23.9	2.8

Source: MOFSL, Company

ANNEXURE: MOFSL UNIVERSE (ACTUAL V/S EXPECTATIONS)

	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Dec-22	YoY	QoQ	Exp. (%)	Dec-22	YoY	QoQ	Exp. (%)	Dec-22	YoY	QoQ	Exp. (%)
Automobiles	**23,30,502**	**22.0**	**3.6**	**4.6**	**2,67,069**	**38.1**	**19.3**	**7.3**	**1,37,389**	**139.3**	**46**	**39.7**
Amara Raja Batt.	26,372	11.5	-2.3	-1.3	3,969	39.7	10.2	17.0	2,228	54.0	10.2	17.9
Apollo Tyres	64,228	12.5	7.8	1.6	9,134	22.9	28.3	2.9	2,921	30.5	50.2	-6.3
Ashok Leyland	90,297	63.1	9.2	6.7	7,973	256.1	48.4	26.3	3,569	LP	83.9	30.4
Bajaj Auto	93,151	3.3	-8.7	8.0	17,768	29.5	1.0	23.2	14,914	22.8	-2.5	17.0
Balkrishna Inds	22,153	6.6	-21.1	-4.9	4,233	-16.4	-25.0	-9.1	995	-69.7	-75.4	-64.1
Bharat Forge	19,521	21.8	4.7	4.2	4,936	22.4	9.1	2.6	2,860	8.6	6.5	0.0
Bosch	36,599	17.7	0.0	2.4	4,037	12.9	-6.4	5.5	3,189	35.7	-14.4	13.5
CEAT	27,272	13.0	-5.8	-1.7	2,376	77.2	17.0	6.8	357	LP	50.5	-14.9
Eicher Motors	37,210	29.2	5.7	1.0	8,572	47.2	4.3	-2.7	7,408	62.4	12.8	1.9
Endurance Tech.	20,952	10.9	-11.2	-9.3	2,395	17.9	-11.8	-12.4	1,082	14.4	-17.7	-16.3
Escorts Kubota	22,637	15.6	20.2	2.6	1,903	-28.1	24.7	-17.9	1,864	-7.5	30.9	-0.3
Exide Inds.	34,053	6.5	-8.4	-8.2	4,005	7.5	-2.9	2.2	2,232	9.3	-9.4	-2.5
Hero Motocorp	80,310	1.9	-11.5	4.0	9,241	-3.7	-11.0	3.2	7,111	3.6	-0.7	11.3
Mahindra & Mahindra	2,16,537	41.1	3.1	0.2	28,142	56.1	12.7	2.9	20,290	52.0	-13.2	12.8
Maruti Suzuki	2,90,443	24.9	-3.0	8.3	28,331	81.7	2.3	9.6	23,513	132.5	14.1	33.1
Motherson Wiring	16,868	15.6	-8.1	-4.3	1,790	-10.6	-1.0	-0.8	1,062	-19.6	-8.8	-3.6
MRF	55,349	14.6	-3.2	-2.9	5,486	13.0	17.4	-0.1	1,692	16.0	36.5	-1.3
Samvardhana Motherson	2,02,262	23.1	10.8	6.5	15,753	27.9	12.3	6.6	4,546	100.3	45.1	17.5
Sona BLW Precis.	6,850	38.6	4.2	3.4	1,862	42.6	12.3	7.1	1,071	23.9	15.7	10.9
Tata Motors	8,84,886	22.5	11.2	7.0	96,430	42.6	55.6	9.9	29,581	LP	LP	1,788.1
Tube Investments	17,097	0.5	-10.3	-11.0	2,144	15.0	-14.6	-12.8	1,377	14.3	-13.7	-17.3
TVS Motor	65,454	14.7	-9.3	3.3	6,589	16.0	-10.5	1.9	3,527	22.4	-13.4	4.5
Cement	**4,68,266**	**15.5**	**7.6**	**0.4**	**59,511**	**-12.1**	**27.5**	**-5.6**	**23,318**	**-27.6**	**11.9**	**-8.7**
ACC	45,370	7.4	13.8	2.3	3,783	-31.8	2,353.2	8.9	1,690	-47.4	LP	5.8
Ambuja Cements	41,285	10.5	12.5	5.8	6,261	10.3	105.7	9.7	4,119	38.4	177.3	50.1
Birla Corporation	20,161	15.2	0.8	-7.6	1,444	-35.1	53.7	-19.5	-499	PL	Loss	Loss
Dalmia Bharat	33,550	22.7	12.9	-0.4	6,440	57.5	69.9	7.2	2,010	279.2	644.4	17.3
Grasim Industries	61,956	7.1	-8.1	-0.1	4,770	-48.3	-50.1	-31.4	1,609	-67.1	-84.4	-45.0
India Cements	12,195	10.0	-2.8	-2.4	-696	PL	Loss	Loss	-1,432	PL	Loss	Loss
J K Cements	22,880	17.9	6.8	1.0	2,628	-29.1	-11.4	-24.3	1,062	-36.6	-21.6	-38.2
JK Lakshmi Cem.	14,885	24.7	14.3	2.6	1,596	9.0	15.1	-0.2	736	-1.6	24.8	7.3
Ramco Cements	20,088	29.7	12.6	2.7	2,846	23.3	54.9	9.3	674	-18.4	487.5	29.2
Shree Cement	40,688	14.6	7.6	-1.8	7,080	-14.2	35.4	-5.4	2,768	-43.7	46.0	-22.5
Ultratech Cement	1,55,209	19.5	11.7	0.3	23,359	-3.5	25.1	-3.3	10,582	-9.7	40.0	-5.4
Chemicals-Specialty	**71,133**	**14.8**	**-5.7**	**-3.6**	**13,494**	**18.0**	**2.3**	**4.7**	**9,296**	**19.0**	**3.2**	**6.0**
Alkyl Amines	3,885	3.1	-5.0	-5.8	697	4.7	-14.2	-15.6	457	-0.4	-12.8	-16.7
Atul	12,683	-8.1	-14.7	-12.0	1,723	-31.5	-21.8	-20.4	1,029	-32.1	-30.5	-26.5
Clean Science	2,374	31.3	-4.1	3.1	1,082	42.1	11.0	26.1	838	44.5	23.3	40.9
Deepak Nitrite	19,911	15.6	1.5	3.0	3,146	-10.6	16.1	8.1	2,091	-13.8	19.8	11.8
Fine Organic	7,499	60.1	-9.4	-7.5	1,747	119.1	-18.3	-6.3	1,313	135.6	-20.0	-8.8
Galaxy Surfactants	10,803	16.3	-12.3	-4.0	1,541	101.7	17.0	35.1	1,062	132.8	26.6	51.7
Navin Fluorine	5,636	48.7	34.4	20.4	1,556	57.8	65.8	39.8	1,066	54.9	84.3	42.2
NOCIL	3,257	-16.2	-16.3	-16.1	366	-26.8	-40.5	-22.0	188	-37.2	-47.8	-25.1
Vinati Organics	5,087	37.9	-10.2	-11.1	1,638	76.5	10.3	5.7	1,254	50.6	8.1	3.2
Consumer	**7,19,924**	**7.0**	**-0.1**	**-1.8**	**1,69,880**	**9.5**	**4.5**	**-0.1**	**1,24,628**	**11.1**	**7.7**	**3.1**
Asian Paints	86,367	1.3	2.1	-7.1	16,114	4.5	31.3	-10.9	10,971	6.4	36.5	-9.9
Britannia	41,968	17.4	-4.2	-3.8	8,176	51.5	14.9	15.8	5,553	49.7	13.2	12.7
Colgate	12,913	0.9	-6.9	-5.7	3,615	-5.0	-11.4	-11.4	2,432	-3.6	-12.5	-13.0
Dabur	30,432	3.4	1.9	-5.1	6,099	-2.8	1.5	-6.3	4,767	-5.3	-2.7	-9.2
Emami	9,827	1.1	20.8	1.1	2,943	-13.8	50.6	-2.3	2,577	-10.0	23.9	-0.8
Godrej Consumer	35,989	9.0	6.1	0.0	7,675	9.8	33.7	18.4	5,538	7.8	45.1	25.1
Hind. Unilever	1,52,280	16.3	3.2	2.0	35,370	7.9	4.7	3.9	25,810	12.6	8.5	8.0
Indigo Paints	2,813	6.0	15.9	-11.7	406	4.9	20.1	-18.9	263	8.1	26.5	-19.9
ITC	1,62,257	2.3	0.6	-2.8	62,232	22.0	6.1	3.6	50,310	21.0	12.6	9.2

	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Dec-22	YoY	QoQ	Exp. (%)	Dec-22	YoY	QoQ	Exp. (%)	Dec-22	YoY	QoQ	Exp. (%)
Jyothy Labs	5,986	13.2	-7.4	3.9	844	39.5	5.3	20.1	617	74.2	-1.1	24.6
Marico	24,700	2.6	-1.0	-0.4	4,560	5.8	5.3	2.2	3,280	5.8	9.0	6.8
P&G Hygiene	11,374	4.1	9.1	4.1	2,905	-2.0	35.8	16.5	2,075	-2.2	34.4	14.6
Page Industries	12,233	2.8	-2.5	-7.4	1,928	-23.1	-19.0	-23.2	1,237	-29.1	-23.7	-28.4
Pidilite Inds.	29,976	5.2	-0.5	-4.4	4,959	-9.7	-0.8	-11.2	3,061	-13.9	-8.5	-15.9
Tata Consumer	34,746	8.3	3.3	1.2	4,537	-1.7	4.6	-1.2	2,928	6.5	19.7	6.1
United Breweries	16,110	1.9	-4.1	-0.1	766	-63.4	-65.0	-63.1	226	-80.6	-83.1	-80.0
United Spirits	27,811	-3.6	-3.4	1.5	3,678	-25.0	-17.5	-23.1	2,235	-23.2	-21.6	-30.1
Varun Beverages	22,142	27.7	-30.3	0.5	3,075	48.1	-56.0	4.1	748	353.3	-80.4	36.9
Financials	**23,95,139**	**20.3**	**8.8**	**2.3**	**13,56,759**	**26.6**	**12.0**	**5.6**	**7,47,413**	**39.9**	**10.2**	**3.7**
Banks-Private	**7,22,741**	**27.1**	**9.2**	**2.9**	**5,61,006**	**24.2**	**11.6**	**2.5**	**3,41,037**	**30.6**	**11.7**	**2.0**
AU Small Finance	11,527	40.5	6.4	2.6	5,557	21.2	11.4	0.7	3,928	30.1	14.7	8.1
Axis Bank	1,14,593	32.4	10.6	2.9	92,775	50.6	20.2	9.8	58,531	61.9	9.8	4.3
Bandhan Bank	20,804	-2.1	-5.1	-7.7	19,222	-1.4	23.8	-1.7	2,906	-66.2	38.8	3.8
DCB Bank	4,460	29.3	8.5	2.8	1,941	-2.4	6.3	-9.4	1,139	51.1	1.3	-8.5
Federal Bank	19,565	27.1	11.1	4.4	12,742	39.4	5.1	3.1	8,036	54.0	14.2	13.3
HDFC Bank	2,29,878	24.6	9.4	1.2	1,90,241	13.4	9.4	-2.3	1,22,595	18.5	15.6	-0.4
ICICI Bank	1,64,650	34.6	11.3	6.3	1,32,712	30.8	13.6	7.6	83,119	34.2	10.0	3.4
IDFC First Bank	32,853	27.3	9.4	4.5	12,608	63.8	7.9	5.5	6,046	115.1	8.8	3.2
IndusInd Bank	44,954	18.5	4.5	1.4	36,864	11.3	4.0	0.2	19,635	58.2	8.8	0.7
Kotak Mahindra Bank	56,529	30.4	10.9	5.0	38,498	42.5	7.9	1.9	27,919	31.0	8.2	5.0
RBL Bank	11,482	13.6	7.9	2.6	5,672	-10.1	10.7	-2.7	2,090	33.9	3.7	-3.4
SBI Cards	11,446	14.9	2.5	-0.9	12,174	6.4	-2.7	-4.8	5,095	32.1	-3.1	-13.2
Banks-PSU	**8,07,935**	**23.2**	**9.1**	**3.7**	**5,68,000**	**31.3**	**14.0**	**10.3**	**2,52,090**	**67.7**	**11.6**	**6.7**
Bank of Baroda	1,08,183	26.5	6.3	10.9	82,322	50.1	36.5	43.0	38,527	75.4	16.3	39.1
Canara Bank	86,000	23.8	15.7	8.1	69,521	19.8	0.7	0.5	28,815	91.8	14.1	11.4
Indian Bank	54,992	25.1	17.4	12.5	40,614	23.5	11.9	10.8	13,958	102.4	13.9	-0.2
Punjab National Bank	91,794	17.6	11.0	6.2	57,159	12.6	2.7	-3.2	6,289	-44.2	52.9	-55.9
State Bank	3,80,686	24.1	8.2	0.7	2,52,193	36.2	19.4	12.5	1,42,053	68.5	7.1	6.8
Union Bank	86,281	20.3	3.9	-2.8	66,192	29.8	0.6	-2.8	22,448	106.8	21.5	4.3
Insurance	**6,39,173**	**12.1**	**8.3**	**-0.8**	**58,368**	**63.6**	**7.4**	**-9.0**	**46,699**	**59.5**	**8.8**	**-1.4**
Bajaj Finance	59,222	25.3	6.9	0.1	48,529	23.8	8.2	2.4	29,729	39.9	6.9	-0.1
HDFC Life Insur.	1,43,794	18.6	9.7	-5.8	3,300	79.1	33.6	-16.5	3,152	15.2	-3.4	-10.0
ICICI Lombard	55,997	17.0	5.6	-2.5	-2,935	Loss	Loss	Loss	3,525	11.0	-23.8	-21.9
ICICI Pru Life	94,645	4.3	-1.2	-13.0	5,247	28.3	0.3	-29.3	2,206	-29.0	10.6	-17.9
Max Financial	62,840	12.2	8.3	-3.5	NA	NA	NA	NA	2,940	155.7	454.7	226.2
SBI Life Insurance	1,91,708	6.4	16.3	11.5	2,968	25.5	-13.9	-59.1	3,041	-16.5	-19.3	-28.7
Star Health	30,967	14.5	-3.0	6.9	1,258	LP	LP	110.6	2,105	LP	126.0	21.9
NBFC - Lending	**2,01,962**	**15.5**	**8.6**	**5.4**	**1,58,399**	**12.4**	**9.1**	**7.2**	**99,260**	**17.0**	**3.5**	**5.1**
AAVAS Financiers	2,082	31.8	10.9	4.2	1,415	11.6	1.5	6.1	1,073	20.4	0.4	4.3
Can Fin Homes	2,517	22.2	0.2	-2.6	2,129	23.8	-1.5	-3.6	1,515	30.9	6.9	-1.1
Chola. Inv & Fin.	15,983	17.2	7.4	2.7	10,797	13.4	4.2	0.3	6,843	30.6	21.5	12.3
HDFC	48,401	13.0	4.3	0.7	45,443	10.5	3.8	-1.2	37,386	19.1	-11.4	0.1
Home First Fin.	1,106	54.2	8.9	1.5	816	25.3	10.1	4.1	586	27.6	8.0	0.7
L&T Fin.Holdings	18,209	24.1	10.5	8.1	12,476	6.1	4.9	6.9	4,528	47.0	11.6	8.1
LIC Housing Fin	16,059	10.4	38.1	3.0	13,557	2.9	43.5	-1.8	4,803	-37.4	57.5	-38.9
M & M Financial	16,206	2.6	6.8	5.0	9,983	-6.0	15.6	16.0	6,290	-29.6	40.3	54.6
Manappuram Finance	10,917	19.3	1.1	8.3	5,919	30.7	-6.5	10.3	3,935	50.8	-3.9	12.2
MAS Financial	1,248	40.7	4.7	2.4	827	36.3	6.7	6.1	513	27.8	4.4	-2.2
Muthoot Finance	17,043	-9.6	8.4	6.0	12,624	-13.9	9.9	11.1	9,017	-12.4	4.0	7.2
PNB Housing	7,173	72.8	13.2	51.4	6,740	75.9	15.5	59.5	2,691	42.8	2.5	24.0
Poonawalla Fincorp	3,012	23.6	10.0	-0.8	1,558	35.6	23.9	2.1	1,504	87.5	15.6	4.2
Repco Home Fin	1,387	-7.0	1.1	0.8	1,101	-7.7	-3.6	-5.1	808	156.6	13.5	10.8
Shriram Finance	40,620	26.8	7.5	7.3	33,016	31.4	10.3	17.2	17,770	82.6	14.3	19.0
NBFC - Non Lending	**23,329**	**6.9**	**3.5**	**2.2**	**10,985**	**0.2**	**-0.7**	**2.6**	**8,326**	**-2.9**	**-1.8**	**-1.6**
360 ONE WAM	4,150	9.7	8.5	0.3	2,286	46.4	12.6	0.2	1,715	12.0	-1.6	-12.0
Angel One	4,625	31.7	1.4	6.2	3,023	36.9	5.8	16.0	2,284	38.7	6.9	16.9
BSE	1,884	2.4	4.4	1.5	492	-14.9	17.8	1.1	393	-18.0	68.1	-24.4

	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Dec-22	YoY	QoQ	Exp. (%)	Dec-22	YoY	QoQ	Exp. (%)	Dec-22	YoY	QoQ	Exp. (%)
Cams Services	2,436	2.5	0.5	-4.8	1,082	-4.5	2.0	-9.4	736	-4.9	2.0	-10.6
ICICI Securities	8,799	-6.6	1.6	3.4	3,774	-26.0	-6.5	1.4	2,810	-26.1	-6.5	0.7
MCX	1,436	60.3	12.7	1.3	327	-14.4	-50.1	-21.3	388	12.9	-39.5	-8.1
Healthcare	**6,75,695**	**12.9**	**3.5**	**2.2**	**1,44,551**	**9.6**	**1.0**	**3.4**	**83,766**	**1.6**	**-6.5**	**-2.2**
Ajanta Pharma	9,718	16.0	3.6	5.4	2,163	-9.7	4.8	-0.2	1,718	-10.4	4.6	2.6
Alembic Pharma	15,090	18.7	2.3	7.1	2,488	-2.7	6.9	17.7	1,324	-24.9	-10.2	13.6
Alkem Lab	30,409	16.1	-1.2	0.9	5,991	20.2	32.0	25.8	4,547	12.2	37.4	21.7
Apollo Hospitals	42,636	17.2	0.3	1.1	5,054	-13.9	-10.6	1.5	1,623	-33.3	-23.7	-17.8
Aurobindo Pharma	64,071	6.7	11.6	7.0	9,544	-6.1	-9.3	5.6	4,820	-14.3	-27.4	-7.0
Biocon	29,411	35.3	26.8	1.2	6,891	21.9	46.3	14.0	1,796	-28.1	6.9	-15.6
Cipla	58,101	6.0	-0.3	-9.0	14,076	14.3	1.3	-12.2	8,760	20.2	2.8	-12.2
Divis Labs	17,077	-31.5	-7.9	-9.7	4,083	-62.9	-34.3	-36.7	2,740	-67.1	-41.6	-45.1
Dr Reddy' s Labs	67,700	27.3	7.4	18.0	20,564	71.1	14.0	51.9	13,103	84.2	14.9	51.3
ERIS Lifescience	4,233	27.4	-8.1	-0.4	1,372	12.7	-9.4	-0.1	1,002	-0.5	-16.0	3.5
Gland Pharma	9,383	-11.8	-10.2	-14.4	2,896	-17.0	-5.9	-11.6	2,319	-15.0	-3.5	-13.9
Glenmark Pharma	34,639	15.4	5.6	4.5	6,202	18.8	17.6	7.5	2,227	-1.9	21.6	-19.3
Granules India	11,461	17.0	-0.4	6.6	2,313	47.8	-4.8	1.5	1,243	41.3	-14.3	-8.9
GSK Pharma	8,023	-1.7	-12.5	-3.5	2,287	15.6	-11.0	9.2	1,759	12.6	-9.0	9.4
Ipca Labs.	15,460	8.1	-3.4	-0.6	2,319	-24.7	-14.8	-10.7	1,188	-37.2	-36.2	-20.0
Laurus Labs	15,448	50.2	-2.0	7.0	4,036	41.5	-10.1	0.2	2,031	31.0	-13.1	-5.7
Lupin	43,222	3.9	4.3	4.9	5,560	-1.4	28.1	5.4	1,684	-37.5	43.1	-28.0
Piramal Pharma	17,160	11.5	-0.2	-3.6	1,197	-46.9	-30.6	-48.3	-578	PL	Loss	PL
Solara Active Pharma	3,948	293.4	16.7	6.3	450	LP	63.2	27.6	5	LP	LP	LP
Sun Pharma	1,09,974	12.1	1.7	-0.7	27,632	7.6	-9.5	-4.4	20,664	8.7	-17.5	-1.5
Torrent Pharma	24,910	18.2	8.7	4.1	7,388	37.3	8.8	2.2	3,200	28.5	2.6	-4.2
Zydus Lifesciences	43,623	19.8	5.5	5.3	10,046	33.7	7.4	9.4	6,589	30.0	7.8	8.6
Infrastructure	**42,431**	**9.8**	**6.9**	**-0.9**	**11,775**	**2.2**	**5.7**	**0.7**	**3,932**	**38.4**	**10.0**	**2.3**
G R Infraproject	18,988	4.4	6.8	2.6	2,769	8.7	6.5	-0.2	1,742	31.9	6.0	9.1
IRB Infra	15,141	18.4	12.7	-2.3	7,446	0.8	11.9	2.2	1,414	94.5	65.6	12.8
KNR Constructions	8,302	8.3	-2.0	-5.7	1,560	-1.8	-17.4	-4.1	777	-2.1	-27.8	-21.8
Logistics	**63,033**	**9.6**	**1.5**	**-2.8**	**8,574**	**-8.0**	**-6.5**	**-9.6**	**5,084**	**-7.4**	**-0.2**	**-7.3**
Blue Dart Express	13,371	6.6	0.9	5.5	1,506	-26.1	-7.5	3.8	869	-28.9	-5.5	16.0
Concor	19,884	3.6	0.9	-9.5	4,264	-6.4	-14.5	-18.2	2,965	3.5	-2.1	-13.2
Mahindra Logistics	13,296	17.0	0.2	2.5	627	38.4	-7.2	-6.1	14	-21.5	-88.6	-90.8
Transport Corp.	9,667	15.4	3.7	-0.5	1,144	4.8	19.2	11.1	858	4.5	18.6	19.2
VRL Logistics	6,815	13.3	4.1	-9.5	1,033	-12.1	11.7	-8.0	378	-33.1	25.4	-15.8
Media	**39,095**	**3.5**	**11.3**	**-2.7**	**10,394**	**-17.2**	**26.8**	**-8.2**	**6,271**	**-16.5**	**22.6**	**-8.2**
PVR	9,408	49.4	37.0	0.3	1,284	140.0	LP	-26.7	252	LP	LP	-49.5
Sun TV	8,575	-17.0	7.7	-5.1	5,731	-20.6	9.2	-0.2	4,163	-9.0	3.9	5.2
Zee Entertainment	21,112	-0.1	4.1	-3.1	3,380	-29.5	13.7	-11.8	1,855	-41.2	10.6	-21.8
Metals	**27,10,102**	**1.5**	**-2.9**	**-4.3**	**4,02,072**	**-38.6**	**9.5**	**-23.1**	**1,32,180**	**-62.6**	**-5.2**	**-48.4**
Coal India	3,51,693	23.7	17.9	-3.2	1,12,357	52.1	40.1	-9.3	77,191	69.3	27.7	-9.9
Hindalco	5,31,510	5.7	-5.4	6.0	35,480	-51.9	-33.8	-38.4	13,600	-60.3	-38.3	-42.1
Hindustan Zinc	78,660	-1.6	-5.6	2.0	37,070	-15.2	-15.9	-4.6	21,560	-20.2	-19.6	-8.3
JSPL	1,24,524	-0.6	-7.9	-10.6	23,775	-28.2	56.5	-0.5	8,971	-44.8	30.7	-23.0
JSW Steel	3,91,340	2.8	-6.3	-12.7	45,470	-50.2	159.5	-17.8	4,900	-88.8	LP	-79.2
Nalco	32,900	-12.8	-5.7	12.1	4,598	-61.4	37.5	116.2	2,693	-67.6	75.7	264.9
NMDC	37,200	-36.7	11.8	-4.4	11,406	-56.3	34.0	-8.0	9,041	-55.9	2.1	-9.5
SAIL	2,50,419	-0.8	-4.6	-5.7	20,768	-39.1	183.5	31.3	2,456	-85.7	LP	3.9
Tata Steel	5,70,836	-6.1	-4.7	-11.2	40,478	-74.5	-33.2	-59.2	-23,842	PL	PL	PL
Vedanta	3,41,020	0.0	-7.0	4.4	70,670	-34.6	-8.2	-24.4	15,610	-63.4	-0.8	-51.7
Oil & Gas	**78,50,163**	**21.6**	**-1.3**	**5.4**	**7,47,344**	**2.3**	**21.3**	**2.6**	**3,37,107**	**-19.4**	**22.5**	**-6.4**
Oil Ex OMCs	**35,15,148**	**22.4**	**-3.7**	**1.5**	**6,29,895**	**12.1**	**13.6**	**14.7**	**3,11,307**	**-3.5**	**2.8**	**12.0**
Aegis Logistics	20,867	71.9	-3.0	-4.6	2,161	45.1	28.1	32.6	1,253	23.2	34.2	32.2
BPCL	11,91,581	25.3	3.8	16.0	43,757	-14.1	116.7	-19.4	19,596	-30.7	LP	-23.2
Castrol India	11,760	7.8	4.9	-0.8	2,506	-5.7	-2.5	-8.7	1,933	2.5	3.3	-2.8
GAIL	3,53,804	37.3	-8.1	-9.0	2,613	-93.8	-85.2	-82.1	2,457	-92.5	-84.0	-77.2
Gujarat Gas	36,843	-28.4	-7.3	9.0	5,823	145.2	-9.4	66.6	3,713	204.5	-8.1	99.4

	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Dec-22	YoY	QoQ	Exp. (%)	Dec-22	YoY	QoQ	Exp. (%)	Dec-22	YoY	QoQ	Exp. (%)
Gujarat State Petronet	3,484	-12.7	-9.5	-16.6	2,699	-19.8	-19.1	-25.1	1,709	-19.9	-45.6	-26.5
HPCL	10,96,032	13.5	1.1	-6.1	20,748	10.9	LP	225.0	1,724	-80.2	LP	LP
Indraprastha Gas	37,108	67.5	4.4	-4.7	4,285	-8.8	-18.8	8.2	2,783	-9.8	-33.1	4.4
IOC	20,47,402	22.8	-1.3	14.3	52,944	-46.4	5.6	-55.3	4,480	-92.4	LP	-93.3
Mahanagar Gas	16,714	62.6	7.0	-3.0	2,561	148.4	1.3	60.8	1,721	203.0	4.9	92.0
MRPL	2,65,574	30.1	7.9	34.1	5,358	-69.1	LP	LP	-1,896	PL	Loss	Loss
Oil India	53,762	43.9	15.8	-1.5	28,553	125.3	54.5	30.0	17,461	40.3	1.5	8.2
ONGC	3,85,833	35.5	0.7	-1.5	2,04,112	27.8	8.5	4.4	1,10,447	26.0	-13.9	-2.7
Petronet LNG	1,57,759	25.2	-1.3	7.4	16,754	-3.3	42.8	102.0	11,805	3.2	58.6	134.9
Reliance Inds.	21,71,640	17.4	-5.6	0.8	3,52,470	18.7	12.9	17.9	1,57,920	-2.8	15.6	15.0
Real Estate	**92,867**	**22.0**	**33.3**	**7.1**	**26,640**	**28.9**	**53.0**	**18.6**	**17,945**	**8.2**	**33.5**	**-2.4**
Brigade Enterpr.	8,203	-10.9	-6.7	-12.5	2,079	-19.3	-3.9	-16.4	569	-25.9	-13.5	-31.6
DLF	14,948	-3.5	14.8	1.5	4,772	-8.5	9.3	1.2	5,189	-16.7	8.7	-15.1
Godrej Properties	1,962	-29.6	18.9	-13.6	-168	Loss	Loss	Loss	564	44.8	-15.9	-71.0
Macrotech Developers	17,738	-13.9	0.5	-25.5	4,038	-16.9	-4.8	-33.3	3,000	7.5	-18.3	-27.5
Mahindra Lifespace	1,869	667.9	167.8	56.7	-114	Loss	Loss	Loss	1	-99.5	LP	-99.7
Oberoi Realty	16,295	95.8	136.6	85.0	9,404	183.6	202.9	127.7	7,026	50.3	120.5	100.3
Prestige Estates	23,170	74.5	62.3	24.5	5,742	57.5	55.8	37.5	1,278	47.6	242.4	38.6
Sobha	8,682	39.5	30.1	10.0	888	-40.9	-3.7	-32.7	318	-47.9	65.6	-43.1
Retail	**3,75,053**	**20.6**	**15.9**	**0.5**	**47,672**	**-0.9**	**13.2**	**-12.1**	**22,568**	**-12.2**	**12.3**	**-18.2**
Aditya Birla Fashion	35,888	20.1	16.7	4.9	4,356	-25.2	9.8	-11.5	67	-96.6	-77.8	-92.2
Avenue Supermarts	1,15,691	25.5	8.7	0.3	9,653	11.4	8.2	-9.2	5,896	6.7	8.2	-12.1
Barbeque Nation	3,282	14.5	5.7	-6.2	620	-5.7	6.3	-18.0	50	-66.1	16.0	-71.5
Bata India	9,002	7.0	8.5	-4.8	2,061	22.2	28.1	-16.1	831	14.9	51.7	-28.9
Campus Activewear	4,656	7.4	39.8	-8.2	919	-1.0	111.6	-12.9	483	-11.8	235.8	-22.4
Devyani Intl.	7,906	26.6	5.8	-7.8	1,739	17.7	5.1	-13.7	798	22.0	18.7	6.1
Jubilant Foodworks	13,166	10.3	2.3	-4.1	2,900	-8.6	-7.2	-13.8	886	-35.5	-25.7	-33.5
Metro Brands	5,987	23.8	25.7	3.1	2,052	22.2	39.4	2.4	1,128	11.8	45.6	-2.7
Relaxo Footwear	6,810	-8.4	1.7	-10.2	722	-40.6	21.5	-38.1	301	-57.1	34.1	-53.7
Restaurant Brands	3,698	32.1	0.5	-10.7	479	45.8	13.7	-14.3	-112	Loss	Loss	Loss
Sapphire Foods	5,961	17.5	5.9	-4.5	1,167	1.9	13.1	-2.5	327	-35.9	21.7	-5.7
Shoppers Stop	11,317	19.0	12.2	-0.5	2,121	16.0	26.9	-7.7	621	23.7	208.1	-11.2
Titan Company	1,16,090	15.7	26.7	2.9	13,470	-6.6	8.0	-11.5	9,120	-9.9	9.2	-14.9
Trent	21,715	61.1	19.7	3.0	3,356	15.0	25.4	-19.2	1,610	21.1	-13.4	-2.0
V-Mart Retail	7,769	12.3	53.5	-2.6	1,037	-23.4	93.5	-26.5	200	-65.0	LP	-61.1
Westlife Foodworld	6,115	28.2	6.8	0.2	1,022	28.8	6.5	-2.1	364	74.7	15.3	10.8
Staffing	**93,781**	**16.5**	**4.2**	**0.1**	**3,036**	**-12.3**	**9.9**	**-0.1**	**1,753**	**-10.2**	**26.4**	**20.6**
Quess Corp	44,656	21.2	4.5	0.0	1,456	-18.6	8.1	-4.2	428	-51.6	8.1	-28.9
SIS	29,043	11.7	4.9	1.3	1,264	-2.5	15.1	5.7	1,034	35.5	53.4	75.2
Team Lease Serv.	20,083	14.0	2.7	-1.2	316	-16.1	-0.1	-2.8	290	-4.0	-8.2	11.0
Technology	**18,14,264**	**19.4**	**5.1**	**0.7**	**4,15,927**	**12.8**	**7.9**	**2.2**	**2,84,461**	**11.0**	**7.6**	**0.5**
Coforge	20,558	24.0	4.9	-2.6	3,615	17.8	4.8	-8.6	2,282	21.1	13.2	-6.1
Cyient	16,182	36.7	15.9	1.3	2,783	30.8	21.5	3.1	1,627	23.6	33.6	9.9
HCL Technologies	2,67,000	19.6	8.2	0.0	63,505	17.9	16.2	5.6	40,960	19.0	17.4	3.7
Infosys	3,83,180	20.2	4.9	1.0	92,766	10.5	4.7	0.8	65,860	13.4	9.4	2.0
L&T Technology	20,486	21.4	2.7	-1.1	4,412	20.1	4.6	0.0	3,036	22.0	7.5	-1.4
LTI Mindtree	86,200	25.3	4.8	0.0	14,548	2.0	-11.1	-10.2	10,807	2.9	-9.1	-9.6
Mphasis	35,062	12.2	-0.4	-3.9	6,175	11.7	0.0	-4.9	4,123	15.3	-1.5	-7.7
Persistent Systems	21,694	45.4	5.9	-0.1	4,016	59.9	9.1	3.3	2,676	51.7	21.6	6.8
TCS	5,82,290	19.1	5.3	1.6	1,54,643	15.3	7.4	1.3	1,08,830	11.0	4.0	-3.0
Tech Mahindra	1,37,346	19.9	4.6	1.8	21,440	4.1	8.1	3.9	12,966	-5.3	-1.0	1.7
Wipro	2,32,290	14.4	3.1	0.0	46,675	7.5	13.1	8.9	30,529	2.9	14.8	10.4
Zensar Tech	11,976	8.6	-3.0	-1.4	1,349	-14.8	28.0	15.7	765	-15.8	34.7	31.0
Telecom	**5,77,183**	**13.9**	**0.3**	**-0.1**	**2,48,740**	**6.8**	**-3.0**	**-9.4**	**-59,440**	**Loss**	**Loss**	**Loss**
Bharti Airtel	3,58,044	19.9	3.7	0.6	1,84,532	25.5	4.9	-0.2	19,938	147.0	-2.8	-24.2
Indus Towers	67,650	-2.3	-15.1	-3.2	11,626	-68.6	-58.6	-68.6	-3,416	PL	PL	PL
Tata Comm	45,283	8.2	2.2	-0.9	10,774	-0.5	-4.6	-4.9	3,939	1.9	-13.6	3.3
Vodafone Idea	1,06,206	9.3	0.1	0.1	41,808	9.5	2.0	1.4	-79,900	Loss	Loss	Loss

	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Dec-22	YoY	QoQ	Exp. (%)	Dec-22	YoY	QoQ	Exp. (%)	Dec-22	YoY	QoQ	Exp. (%)
Others	**5,82,363**	**33.4**	**4.0**	**2.9**	**1,10,315**	**33.3**	**49.4**	**-6.5**	**54,284**	**47.1**	**128.8**	**-8.9**
APL Apollo Tubes	43,271	34.0	9.0	11.4	2,729	34.9	17.7	2.5	1,692	46.4	12.6	-2.4
Coromandel International	83,096	63.8	-17.8	22.2	7,806	43.5	-26.2	17.5	5,269	38.1	-28.9	17.1
EPL	9,449	7.0	-0.3	-3.1	1,490	7.4	0.3	-6.8	628	10.0	35.9	9.5
Godrej Agrovet	23,235	11.8	-5.0	1.7	1,363	0.1	-9.3	3.2	640	-17.8	-10.8	-6.6
Indiamart Inter.	2,514	33.7	4.5	-0.5	702	-10.9	4.5	-1.4	612	-12.8	-10.5	-24.5
Indian Hotels	16,858	51.7	36.8	6.7	5,972	85.6	103.1	10.7	3,826	357.2	240.7	40.5
Info Edge	5,552	33.4	4.4	2.9	2,168	79.3	17.8	19.7	-843	PL	PL	PL
Interglobe Aviation	1,49,330	60.7	19.5	-0.3	31,836	67.1	4,211.4	-20.4	14,182	1,004.1	LP	-19.0
Kaveri Seed	1,440	14.2	-13.8	10.8	132	79.0	55.2	49.1	381	398.3	618.6	253.9
Lemon Tree Hotel	2,335	62.6	18.7	1.3	1,265	99.8	35.1	7.7	400	LP	138.4	76.9
P I Industries	16,132	18.9	-8.9	-7.1	4,151	40.0	-3.9	-1.3	3,518	58.0	5.1	9.1
SRF	34,697	3.7	-6.9	-11.7	8,486	0.1	5.4	9.1	5,259	11.4	1.7	15.3
Tata Chemicals	41,480	32.0	-2.1	-2.1	9,220	69.1	0.2	-6.9	3,980	32.2	-37.1	-30.6
Trident	16,184	-17.3	14.0	-6.3	2,656	-34.1	75.2	-4.3	1,350	-42.5	179.9	4.0
UPL	1,36,790	21.1	9.4	2.7	30,340	13.8	9.6	-4.8	13,390	11.1	28.1	-6.2

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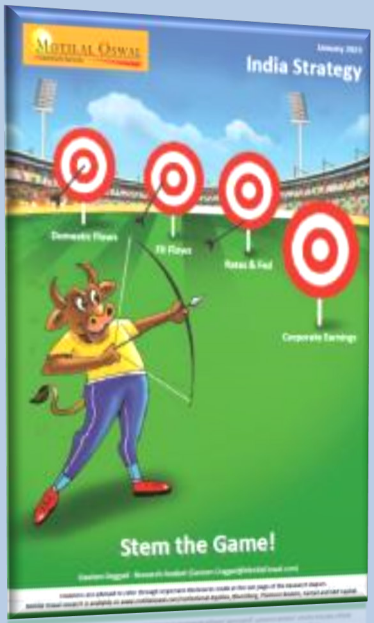

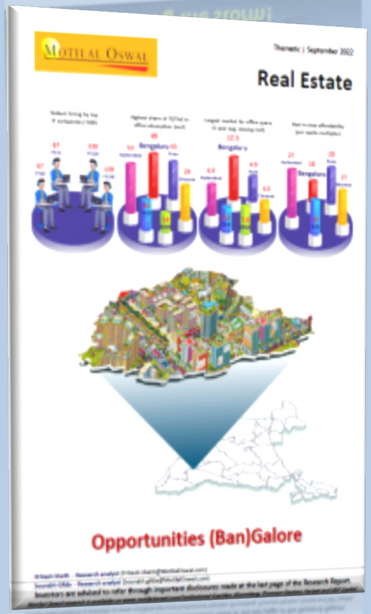

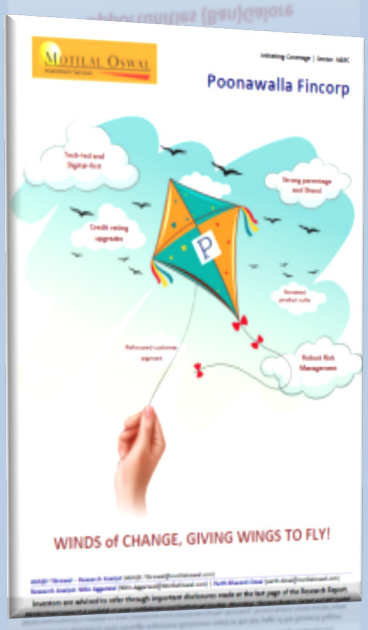

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SELL	< - 10%
NEUTRAL	> - 10 % to 15%
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