INSTITUTIONAL RESEARCH

Quarterly Tracker
Q3FY24

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20 YEARS

Input cost benefits drive earnings growth; revenue contribution muted

- **Lending financials (Mixed) (YoY Revenue/PAT growth: 12%/1%, Ex-SBI: 16%/18%)**
  - Healthy credit growth led by retail but deposit growth lags; continued NIM compression led NII moderation as Cost of funds rise amid deposit scramble. Mixed trend of slippages but higher recovery and upgrades kept NPAs under check.
  - Strong loan growth by NBFCs; NIM moderated for affordable housing sector as borrowing costs rose while it remained stable for vehicle financiers. Stress observed in small ticket personal loans. MFI reported weaker asset quality.

- **Non lending financials (Strong) (YoY Revenue/PAT growth: 14%/16%)**
  - Strong cash and derivatives volumes for brokers; healthy APE but subdued VNB margin for life insurers as share of non-par reduced in the product mix; higher loss ratios in health segment for GI players but motor profits improved

- **Technology (Weak) (YoY Revenue/PAT growth: 2%/0.4%)**
  - Softness continues for the sector as key verticals viz. BFSI, consumer and communications continue to be muted. Demand recovery and discretionary spendings remained uncertain and Q4FY24 execution was under pressure.
  - Continued softness in deal closures were noticed as deal TCV growth witnessed QoQ moderation. Companies anticipate higher furloughs which made them go slower on hiring front.

- **Consumer staples (Weak) (YoY Revenue/PAT growth: 3%/3%)**
  - Muted volume growth due to slower rural recovery, subdued festive season and delayed winter. Benign input costs environment gave rise to increased local competition. Price cuts taken to help volume growth led to subdued revenue growth. Gross margin expansion benefits due to soft input costs were used for brand promotions.

- **Consumer discretionary (Mixed) (YoY Revenue/PAT growth: 18%/7%)**
  - Healthy revenue growth for Jewellery aided by festive season. Weak show by QSR pack as demand momentum fizzled off post festive/CWC spurt. Muted performance continued for footwears despite favorable RM prices

- **Home improvement (Mixed) (YoY Revenue/PAT growth: 8%/22%)**
  - Paints sector witnessed healthy revenue and strong margin expansion led by benign input costs. Demand environment for durables continued to be weak and awaited recovery. Tiles volume were subdued but fuel cool-off helped profitability.

- **Industrials and Infrastructure (Strong) (YoY Revenue/PAT growth: 16%/16%)**
  - Continued strong order inflows for capital goods companies with healthy executions however a transient softness in government ordering expected for next two quarters. Mixed bag executions by infra companies amid muted awarding activity by NHAI in FY24TD, which is expected to improve only post general elections.

Input cost benefits drive earnings growth; revenue contribution muted

- **Real Estate (Strong) (YoY Pre-sales growth: 86%)**
  - Strong pre-sales growth continued with focus of developers gradually tilting towards premium segment as realisations show steady growth. Healthy collections and limited inventory prompted sturdy growth in new launches.

- **Automobiles (Strong) (YoY Revenue/PAT growth: 21/76%)**
  - Strong YoY revenue growth for 2W led by continued momentum in volume growth of 125CC+segment in the festive season; entry level 2Ws demand was supported by discounts. Tractor's growth declined due to sub-par monsoon.
  - High single digit volume growth for PVs as UVs continue to outpace cars; CV growth rate tapered off over a high base on the expected lines. Margins and earnings growth for all sub-sectors were supported by benign commodity prices.

- **Chemicals (Weak) (YoY Revenue/PAT growth: -8%/-27%)**
  - Pressure on chemical prices continued while inventory rationalisation by end user agrochemical companies seem to be getting over. Weak product demand and continued Chinese dumping resulted in subdued revenues and margins.

- **Cement (Strong) (YoY Revenue/PAT growth: 9%/102%)**
  - Healthy high single digit volume growth by cement companies with marginal price increase resulted in healthy revenue growth. This translated into a very strong earnings growth led by reduced input material costs and freight costs. EBITDA/ton expanded in a significant way. Large players continued their capex journeys.

- **Energy (Oil & Gas) (Strong) (YoY Revenue/PAT growth: -1%/36%)**
  - Lower refining margins for OMCs but mixed trend in marketing margins. Earnings growth were supported by lower crude prices. Muted performance by upstream companies as oil/gas price upsides were capped. Healthy volume growth but mixed margin trends reported by CGD companies led by input gas cost variations.

- **Pharmaceuticals (Strong) (YoY Revenue/PAT growth: 13%/34%)**
  - Strong YoY revenue growth performance in both US and India markets. Profitability supported by reduced intensity of price erosion of generic products in US markets, lower input materials costs and operating leverage.

- **Metals (Strong) (YoY Revenue/PAT growth: 3%/99%)**
  - Muted sales volume growth by ferrous companies, mixed performance by non-ferrous and strong volume growth by coal miner. Profitability for the sector improved due to stable ASPs, lower input costs and better operational efficiency.

Q3FY24 Sectoral trends

Auto, energy, cement and pharma lead aggregate earnings growth, but IT & power remain weak

HSIE Coverage (INR Bn)	Q3 FY21		Q3 FY22		Q3 FY23		Q2 FY24		Q3 FY24		YoY Growth (Q3 FY23 to Q3 FY24)		QoQ Growth (Q2 FY24 to Q3 FY24)	
	Revenue	PAT	Revenue	PAT	Revenue	PAT	Revenue	PAT	Revenue	PAT	Revenue	PAT	Revenue	PAT
BFSI	**1,219**	**356**	**1,385**	**479**	**1,732**	**634**	**2,193**	**725**	**2,290**	**695**	**32%**	**10%**	**4%**	**-4%**
Lenders overall	927	310	1,043	437	1,373	567	1,794	658	1,879	618	**37%**	**9%**	**5%**	**-6%**
Large Banks *	702	248	787	340	1,053	438	1,427	505	1,493	458	**42%**	**4%**	**5%**	**-9%**
Rest of the Banks	103	25	113	35	134	46	149	56	157	57	**17%**	**26%**	**5%**	**3%**
NBFCs	122	37	143	63	186	83	218	98	229	102	**23%**	**23%**	**5%**	**5%**
Insurance	264	32	304	26	320	53	346	46	354	53	**11%**	**1%**	**2%**	**16%**
Capital markets	**29**	**14**	**38**	**15**	**39**	**14**	**53**	**21**	**56**	**24**	**44%**	**71%**	**7%**	**14%**
Consumers	**2,977**	**329**	**3,225**	**281**	**3,790**	**358**	**4,210**	**434**	**4,337**	**472**	**14%**	**32%**	**3%**	**9%**
Autos	1,541	105	1,526	43	1,889	108	2,223	169	2,269	192	**20%**	**78%**	**2%**	**13%**
Consumer-staples	445	87	518	96	559	113	579	112	576	116	**3%**	**3%**	**0%**	**3%**
Consumer-discretionary	241	14	322	27	395	27	412	21	467	29	**18%**	**7%**	**13%**	**38%**
Home improvement	253	34	295	30	314	26	321	30	337	31	**7%**	**21%**	**5%**	**5%**
Chemicals	75	12	111	19	119	15	107	11	109	11	**-8%**	**-26%**	**2%**	**-3%**
Pharma	422	77	453	66	514	69	568	90	578	92	**13%**	**34%**	**2%**	**3%**
Industrials	**6,872**	**598**	**9,759**	**813**	**11,532**	**608**	**11,250**	**931**	**11,734**	**839**	**2%**	**38%**	**4%**	**-10%**
Infrastructure	541	35	597	29	703	35	773	42	841	44	**20%**	**27%**	**9%**	**3%**
Capital Goods	68	6	77	6	89	9	100	10	105	11	**18%**	**17%**	**5%**	**12%**
Real estate	84	12	83	17	103	20	101	19	106	21	**3%**	**5%**	**5%**	**12%**
Power/utilities	550	92	653	102	828	112	895	127	832	115	**0%**	**3%**	**-7%**	**-9%**
Energy (Oil & gas)	4,067	294	6,226	410	7,549	336	7,048	594	7,497	456	**-1%**	**36%**	**6%**	**-23%**
Cement	366	43	381	28	449	23	461	34	490	46	**9%**	**102%**	**6%**	**35%**
Metals	1,196	116	1,742	222	1,810	73	1,872	104	1,862	146	**3%**	**99%**	**-1%**	**40%**
Information Technology	1,262	230	1,525	251	1,819	280	1,823	271	1,858	280	**2%**	**0%**	**2%**	**3%**
Total	**12,331**	**1,514**	**15,895**	**1,824**	**18,873**	**1,880**	**19,475**	**2,361**	**20,218**	**2,286**	**7%**	**22%**	**4%**	**-3%**

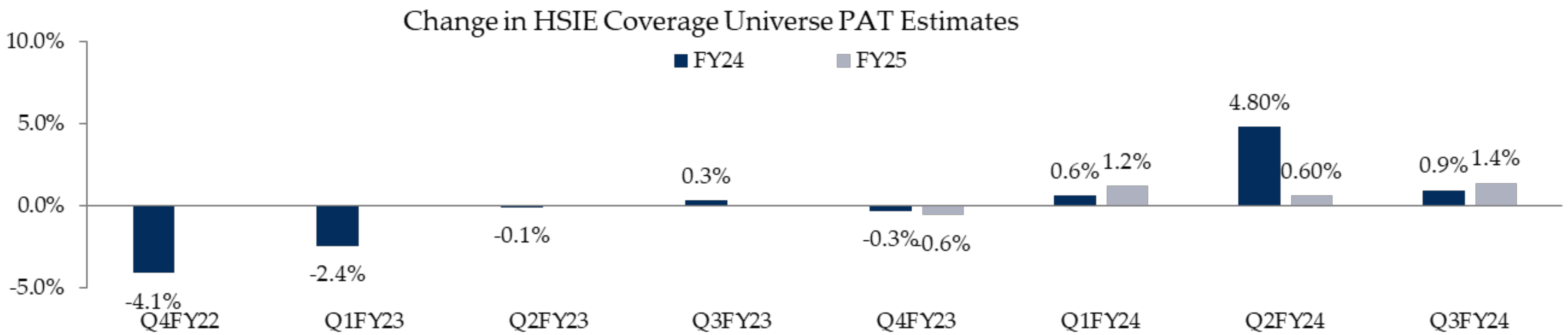
Annual earnings upgrades/downgrades

Autos, energy, cement and pharma drive the upgrades while IT, Chemicals and staples lead downgrades

Sector	FY24							
	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY24	Q1FY24	Q2FY24	Q3FY24
Autos	-23.2%	5.8%	2.5%	-0.7%	0.1%	4.8%	12.3%	11.5%
Banks and NBFCs	-2.7%	-0.3%	1.9%	5.5%	3.1%	3.3%	0.5%	-0.7%
Insurance	-0.4%	7.9%	5.7%	-2.2%	0.3%	0.1%	0.0%	-4.8%
Capital Markets	16.9%	-5.5%	4.8%	-3.4%	-5.9%	-0.2%	0.0%	2.6%
Consumer- Staples	-0.6%	1.4%	1.0%	1.9%	0.1%	0.3%	-0.6%	-1.7%
Consumer Discretionary	-3.3%	1.5%	-1.3%	-1.0%	-1.7%	-8.0%	-3.3%	-8.3%
Infra+ Cap Goods	-6.6%	-0.3%	-2.5%	2.9%	2.2%	2.5%	1.3%	-1.9%
Real Estate	-11.8%	3.0%	5.1%	-0.8%	-3.8%	1.0%	4.5%	-1.2%
IT and Exchanges	-6.1%	-3.2%	-2.4%	1.8%	-3.5%	-3.2%	-2.5%	-0.3%
Energy (Oil & Gas)	-1.6%	-4.9%	-0.9%	-1.7%	-1.4%	0.9%	18.4%	3.9%
Cement & Building Materials	-2.2%	-6.7%	-2.3%	-3.1%	-1.4%	2.3%	0.5%	2.7%
Home Improvement	-1.6%	-0.1%	-6.6%	-5.5%	1.1%	1.6%	-2.3%	-1.9%
Power/Utilities	-1.2%	0.1%	0.2%	0.5%	5.8%	1.9%	1.8%	-0.8%
Chemicals	-1.0%	2.8%	-6.9%	-4.1%	-8.2%	-22.6%	-12.2%	-6.7%
Pharma	-4.4%	-3.2%	1.5%	-2.9%	-2.8%	2.8%	6.2%	5.4%
Metals	-1.1%	-10.7%	-1.8%	-4.6%	-3.3%	-3.5%	-3.1%	-7.7%

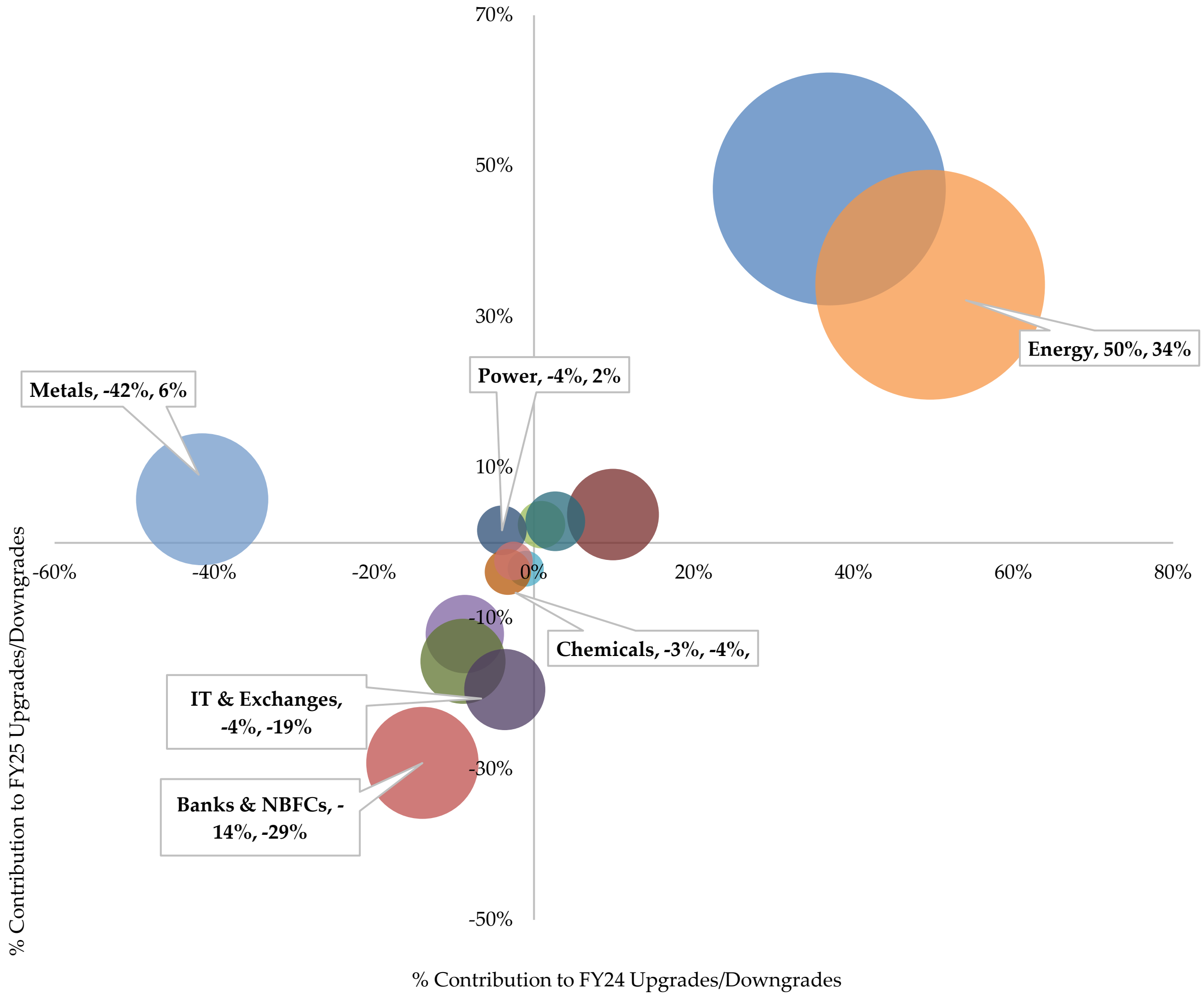
Sector	FY25			
	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Autos	0.1%	0.4%	5.3%	16.6%
Banks and NBFCs	2.2%	3.5%	0.8%	-1.1%
Insurance	-0.2%	-0.4%	0.0%	-6.3%
Capital Markets	-5.8%	1.4%	0.0%	6.7%
Consumer- Staples	-0.2%	0.9%	-0.8%	-2.4%
Consumer Discretionary	-3.2%	-5.6%	1.4%	-7.6%
Infra+ Cap Goods	3.6%	2.8%	4.2%	1.6%
Real Estate	-10.1%	1.6%	4.7%	-2.9%
IT and Exchanges	-2.5%	-0.4%	-0.9%	-1.3%
Energy (Oil & Gas)	-1.7%	1.6%	-2.1%	3.8%
Cement & Building Materials	5.0%	1.1%	3.7%	2.9%
Home Improvement	0.4%	1.7%	-1.4%	-1.3%
Power/Utilities	4.4%	4.8%	2.3%	0.7%
Chemicals	-7.3%	-18.6%	-9.8%	-4.9%
Pharma	-6.1%	2.6%	4.7%	2.2%
Metals	-3.0%	-2.8%	3.9%	1.9%

Note: FY25 estimates have been introduced for the first time in Q4FY24



Annual earnings upgrades/downgrades

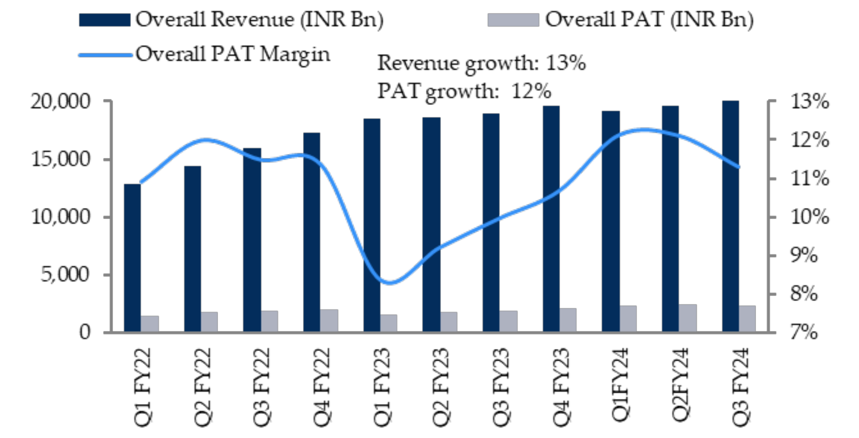
Large upgrades in auto and energy in FY24 while IT, lenders & chemicals witnessed downgrades

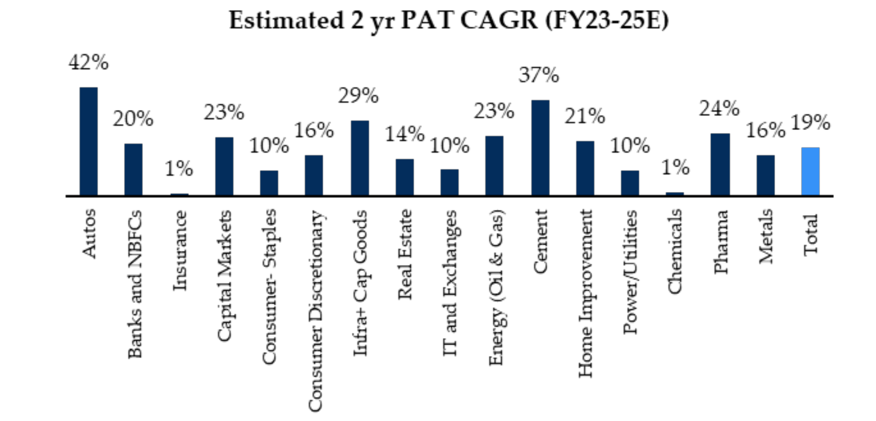


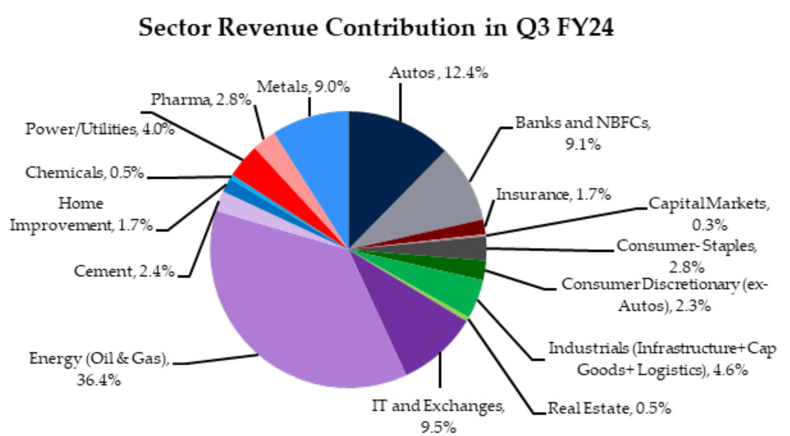
- *The size of the bubble represents the quantum of earning upgrades or downgrades for each sector.*
- *A positive percentage represents the sector's contribution to **total corporate earnings' upgrades**. Similarly, a negative percentage represents the sector's contribution to **total corporate earnings' downgrades.***

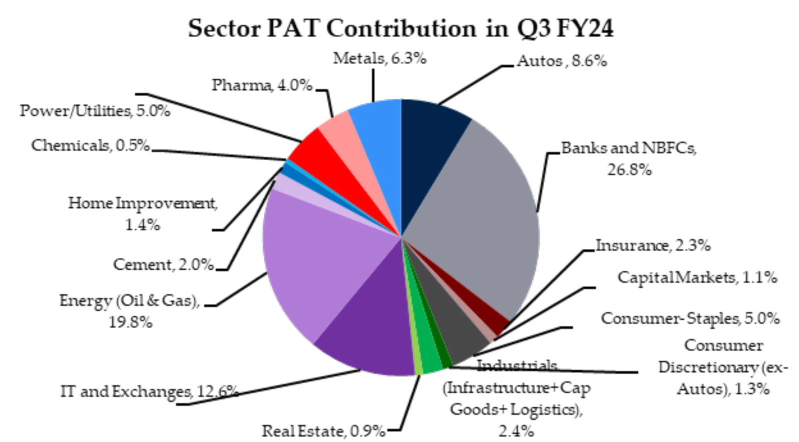
Overall sectoral snapshot

Earnings growth led by profitability; input cost deflation benefits getting over as PAT margin declines



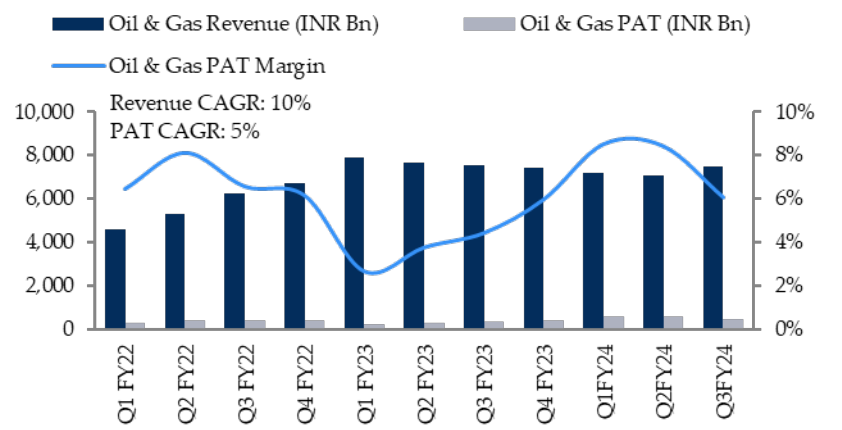


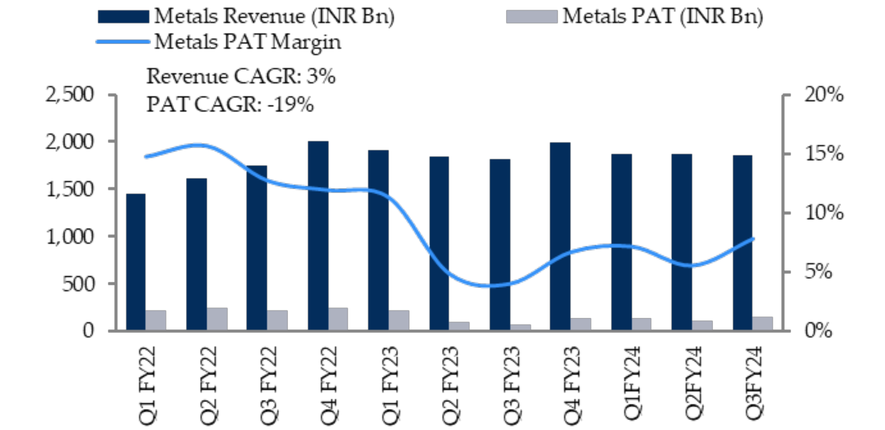


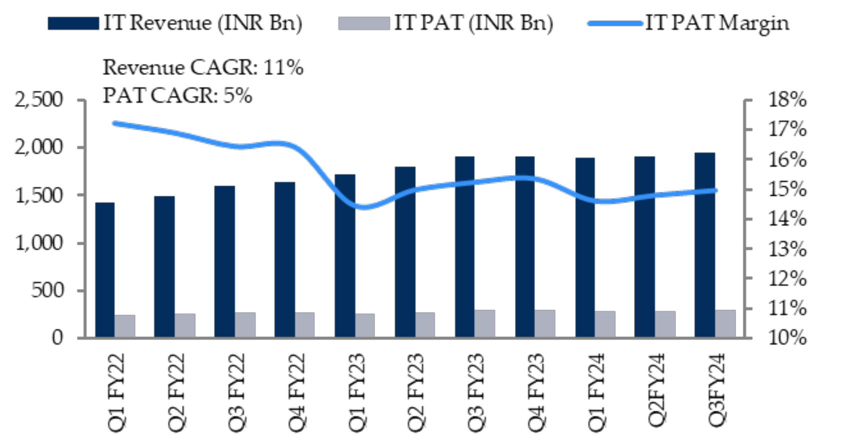


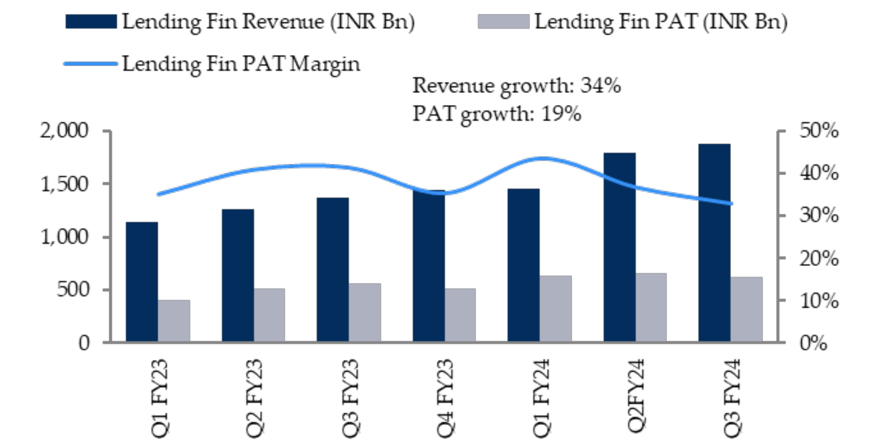
Heavy weight sectors: Energy drives up earnings

Lending financials and energy healthy but metal and IT yet to show any remarkable growth





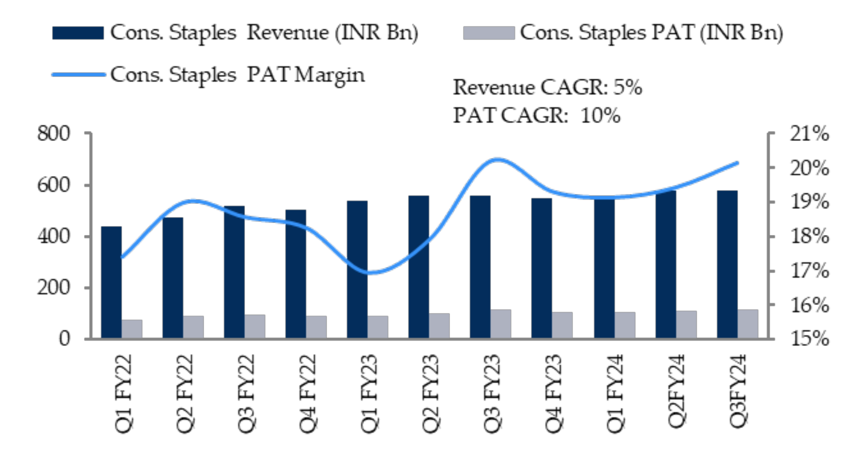


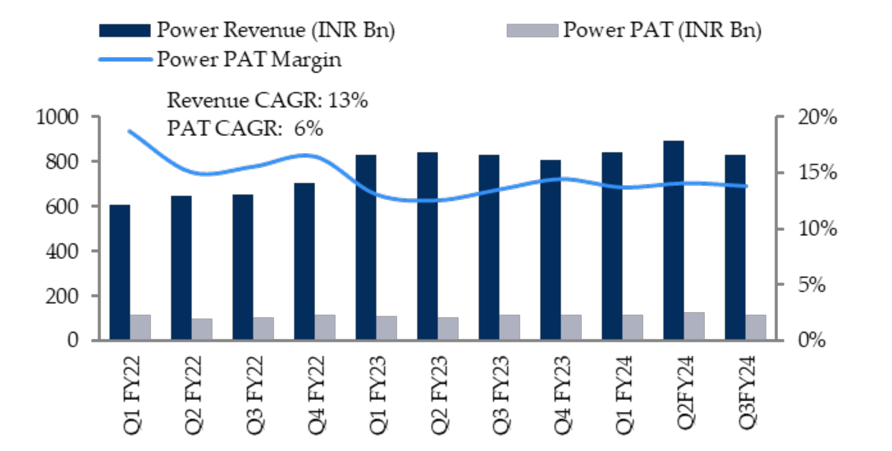


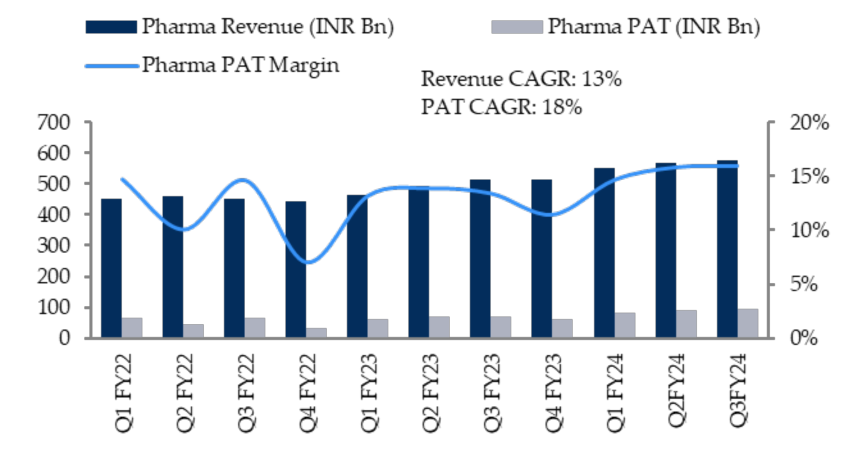
Revenue and PAT CAGR for all sectors are for two years (Q3FY22 to Q3FY24)

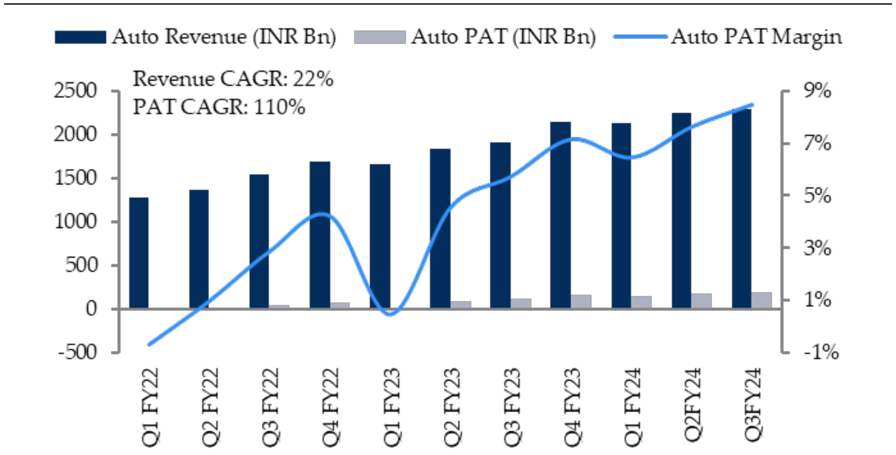
Steady growth sectors: Commodity deflation benefits continue

Earnings growth of all sectors(ex-power) healthy as input cost deflation benefits aid profitability



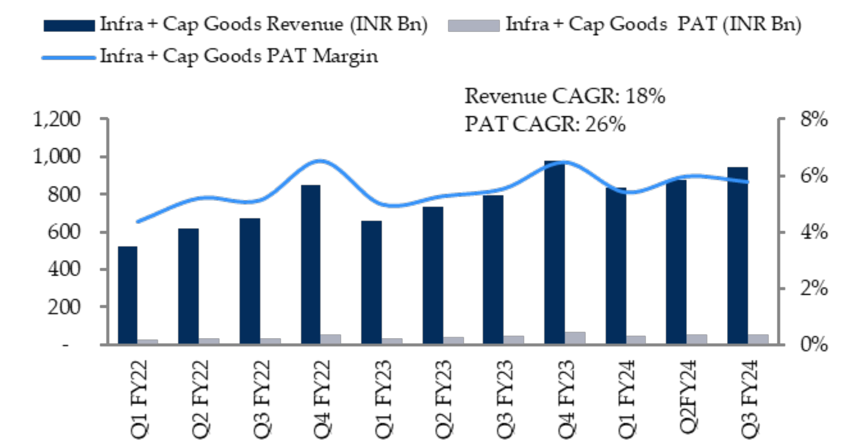


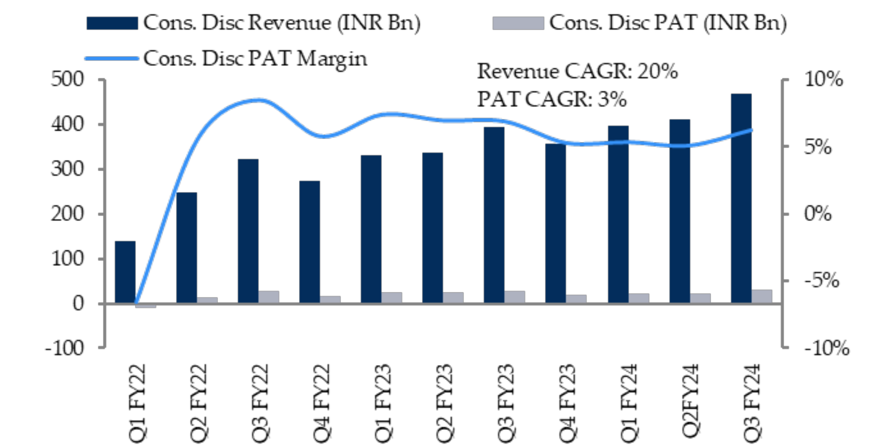


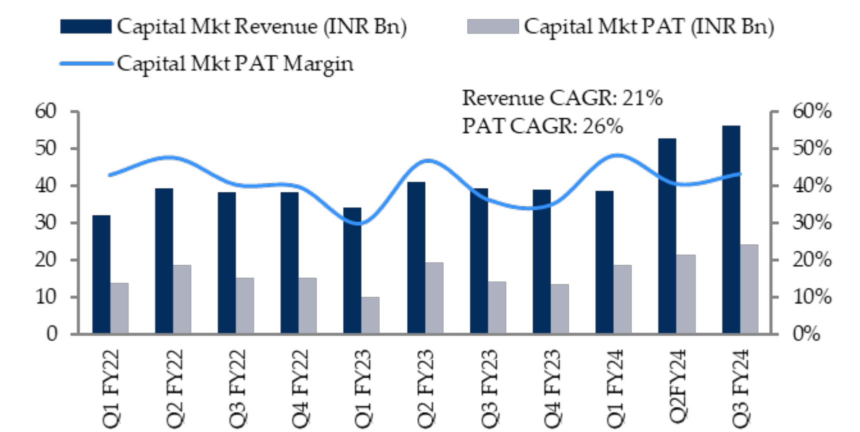


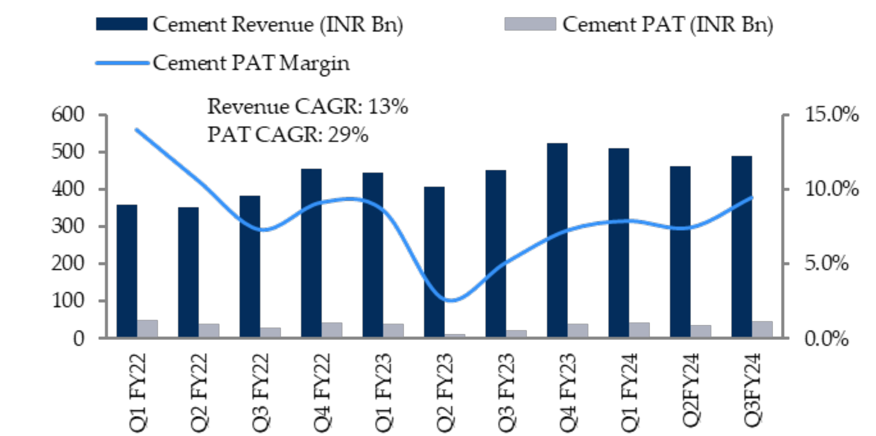
Structural tailwind sectors: Investment theme strong

Infrastructure, cement and capital markets robust while consumer discretionary stable



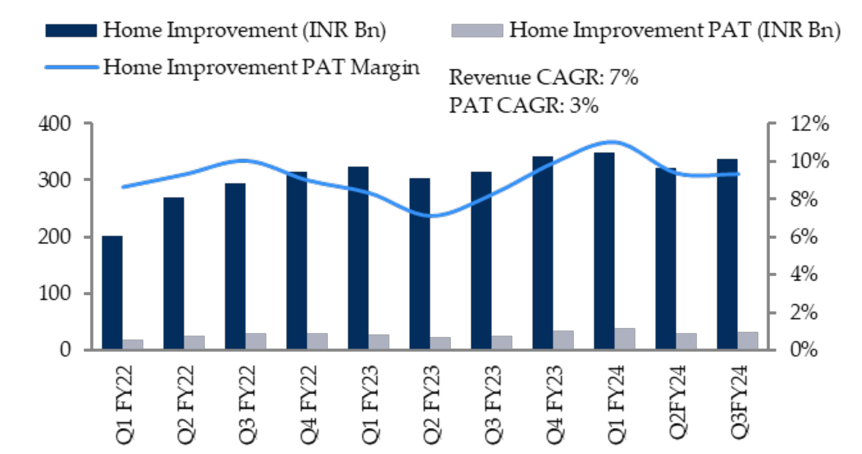


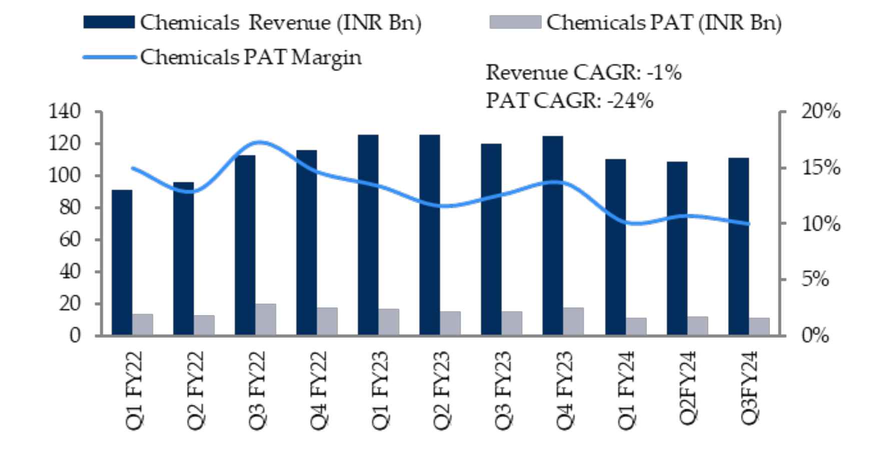


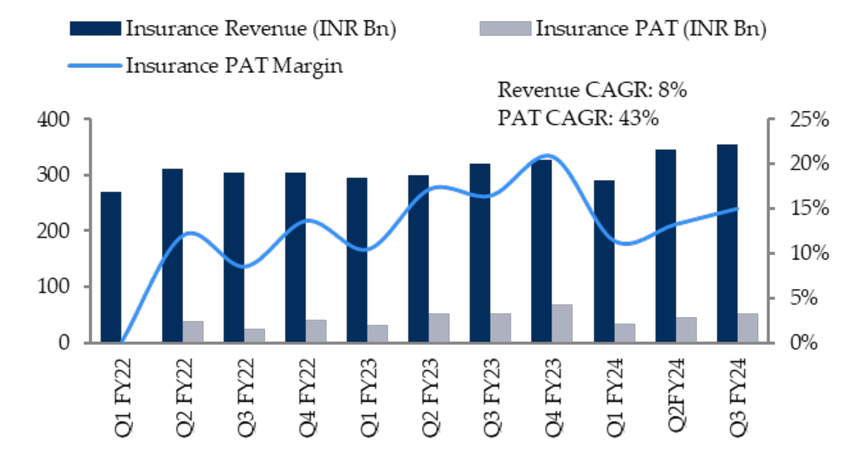


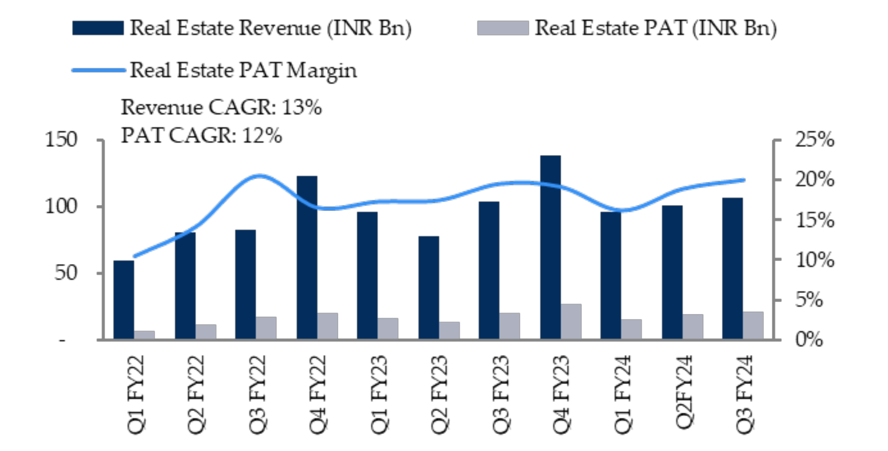
Volatile sectors: mixed performance

Real estate and insurance strong while home improvement and chemicals reflect weakness



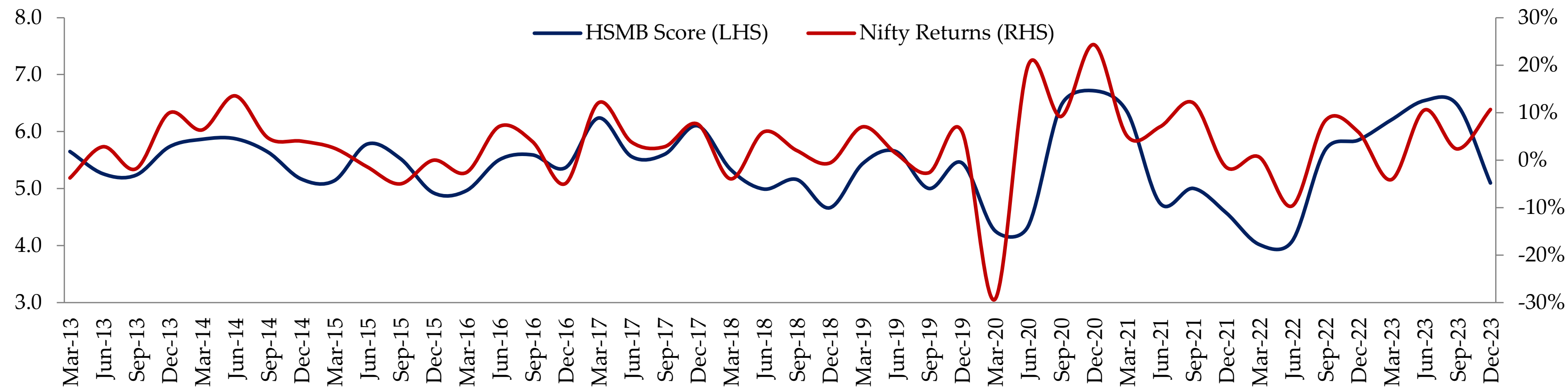


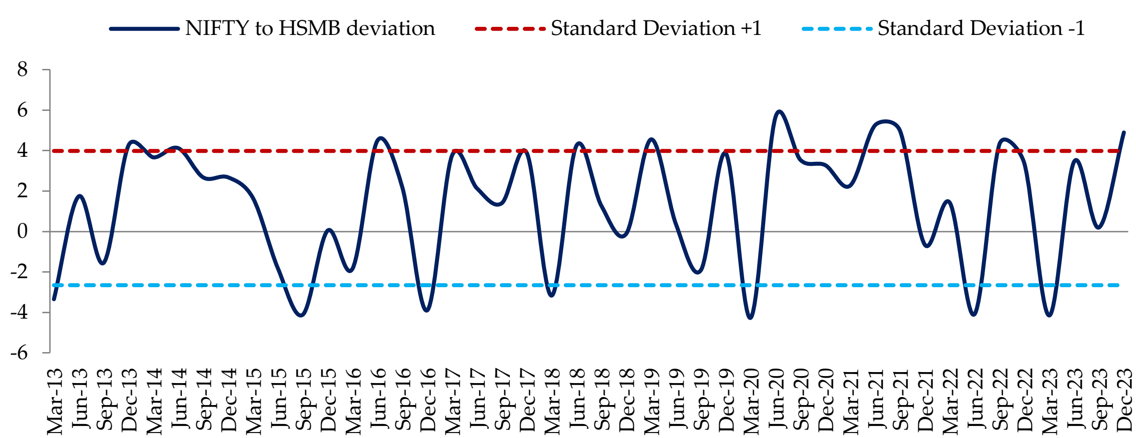




HSIE Market Barometer (HSMB)

HSMB model suggests expensiveness of Nifty as deviation crosses upper band





- The deviation refers to the difference between the model's score and the scaled NIFTY returns for the period.
- A high deviation value means that the NIFTY is running ahead of the model's market score.

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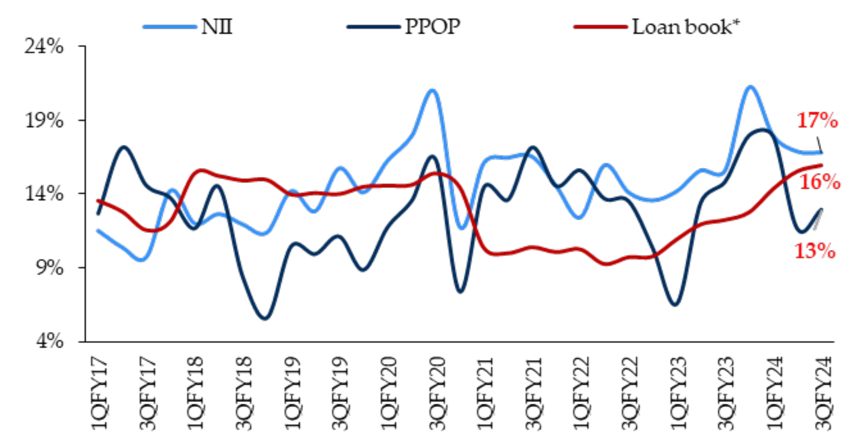
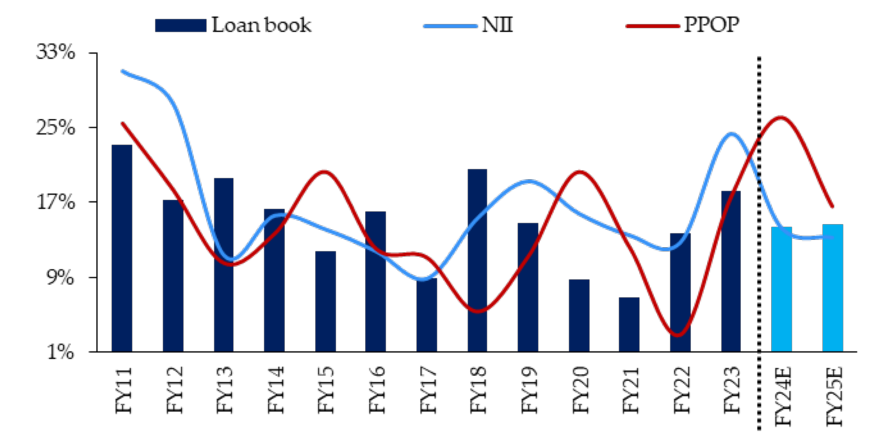
Financials - Banks + NBFCs

Tight liquidity and continued deposit re-pricing drag earnings growth and valuations

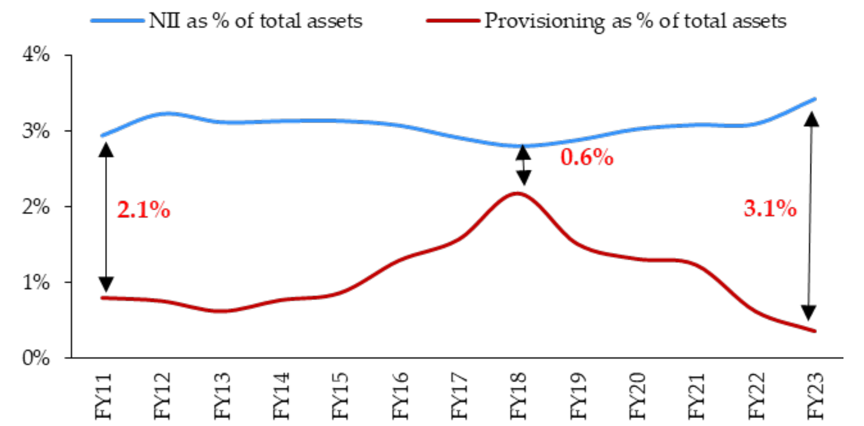
3 year CAGR - NII, PPOP and loan book*



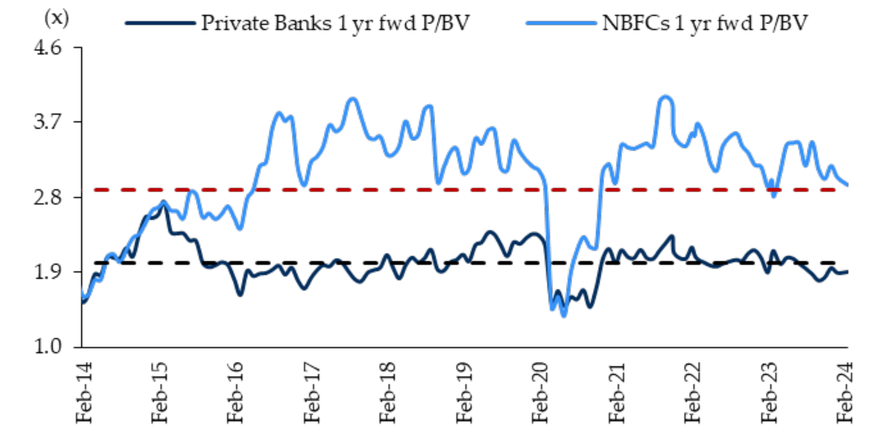
Loan growth expected to trend lower; NII growth to soften



Risk-adjusted margins at an all-time high



NBFCs starting to converge to 10-year mean (1yr-fwd P/BV)



Source: Company, Bloomberg, HSIE Research | Banks: ICICIBC, AXSB, SBIN, KMB; NBFCs: BAF, LICHF, CIFC, MMFS | IND AS for NBFCs since Q1FY18; *AUM for NBFCs

Financials - Banks + NBFCs

Q3FY24	PPOP trend Q3FY24/3-yr CAGR (YoY)	Loan growth Q3FY24/3-yr CAGR (YoY)	Strategic/Others	Valuation
ICICIBC	11%/19% Sustained credit momentum, strong fee income, offset by NIM moderation	18%/18% Strong loan growth across segments	With bulk of asset repricing behind expect NIM compression to continue; Systemic challenge of tight liquidity	Sustaining sector leadership is key; benign asset quality trends to limit slippages and credit costs
SBIN	-19%/5% Healthy loan growth; offset by flattish NIM, one-offs in opex	15%/14% Broad-based growth across segments led by SME and Retail	Prolific sourcing edge and maturing digital stack driving higher throughput	Needs to inch up other avenues of productivity to drive RoA reflation
KMB	19%/16% Strong credit growth, offset by NIM moderation and trading loss	16%/19% Healthy loan growth, especially in CV/CE & unsecured segments	Front-loading investments across retail assets/liabilities, payments, ETB/NTB journeys	Growth and margin trade-off given tight liquidity environment and elevated CoF
AXSB	-1%/14% Strong credit growth; offset by non-retail deposit growth leading to NIM moderation	22%/18% Modest growth in home loans offset by growth in PL/CC, LAP and business banking	LDR remains elevated; calls for utilisation of excess SLR to meet targeted growth	RoA accretive elements in place; but higher opex, margin compression, poor pricing power to keep medium-term RoA in check
BAF	27%/28% Strong loan growth, along with broadly steady NIM and opex efficiency	35%/29% Sustained traction in loan growth, customer acquisitions	Regulatory embargo and increase in risk weights near-term headwinds; management succession in place	Recent dislocation in stock price offers value
CIFC	40%/15% Healthy loan growth with favorable loan mix drives earnings growth	40%/25% Sustained momentum in loan growth across segments	Soft CV, PV cycle to moderate loan growth; diversification to offer cushion	Limited margin of safety in light of stretched valuations
MMFS	6%/1% Sharp squeeze in margins drove soft PPOP growth	25%/13% Strong loan growth although incremental disbursals muted	On course to building customer and product diversification, translating into better quality of earnings	Operational turnaround factored in; sustainability key to re-rating
LICHF	39%/18% Positive surprise in steady NIMs drives PPoP growth	5%/8% Elevated competitive intensity from banks	Total absence of competitive moat in core mortgage business	Inferior franchise translating into low valuation multiples

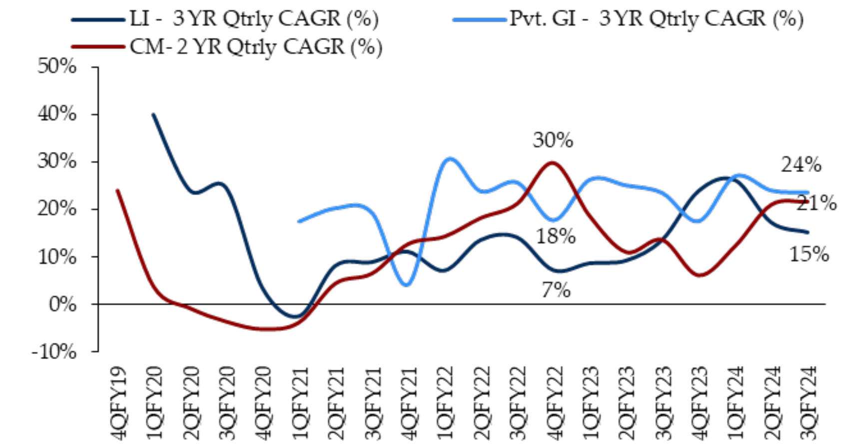
Positive | Medium | Negative

Source: Company, HSIE Research | Sorted by market capitalisation (as on 19-Feb-2024)

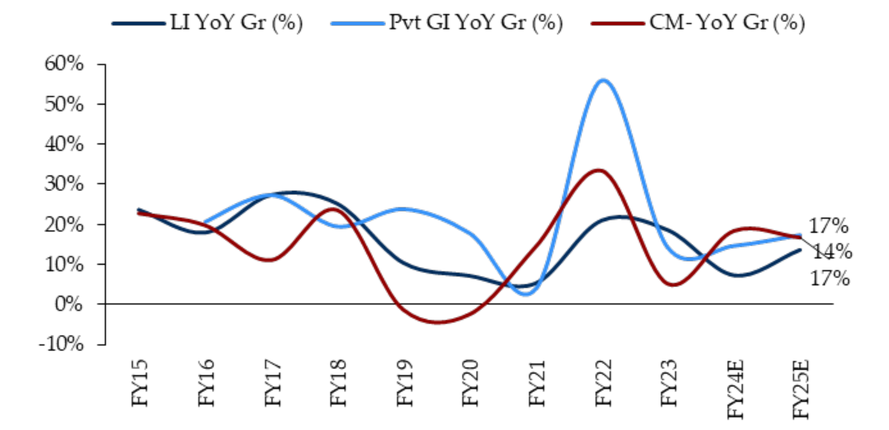
Financials - Insurance and Capital markets

Long-term growth runway driven by under penetration; current valuations inexpensive

Revenue Growth: First signs of fatigue in capital market businesses

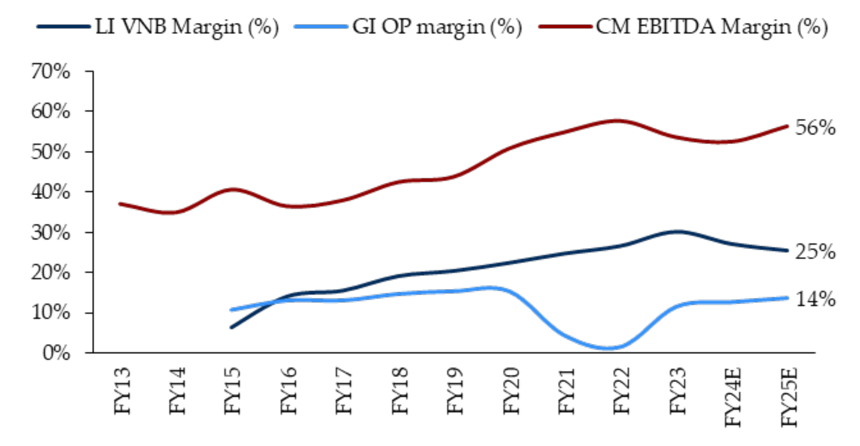


Revenue Growth: Healthy but moderating from high base

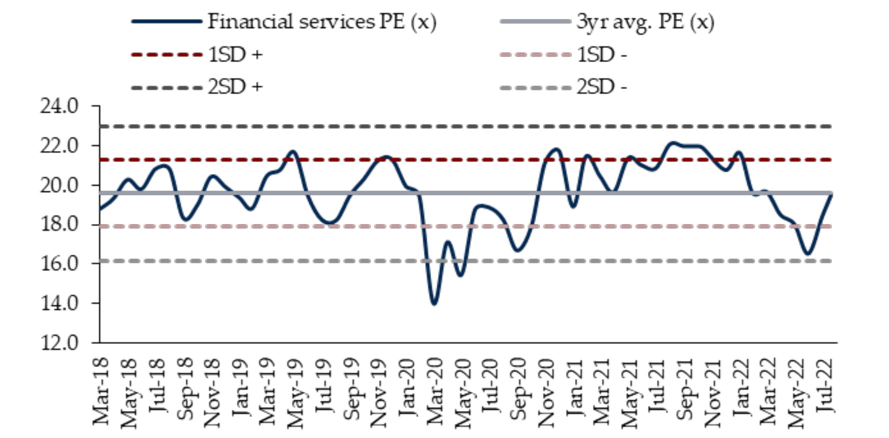


Note: For ICICIGI, FY22 includes Bharti AXA merger and hence shows spike in growth, normalized growth is 14% over FY21-23E.

Margin Trend: Margins stabilising



Sector (Fin. serv) P/E: Trading just below 3yr mean valuations



Qtrly charts exclude CAMS and UTIAM due to unavailability of data. VNB – Value of new business, revenue for life insurers is annual premium equivalent (APE). Capital markets (CM) represent brokers, AMCs, exchanges and depositories and include CAMS, HDFCAMC, NAMC, ISEC, BSE, CDSL and MCX. Life insurance (LI) represents SBILIFE, HDFCLIFE, IPRU and MAXF. General Insurance (GI) represents ICICIGI.

Financials - Insurance and Capital markets

Q3FY24	Revenue Trend **Q3FY24/ 3-Yr CAGR (YoY)**	EBITDA Trend **Q3FY24/ 3-Yr CAGR (YoY)**	**Strategic/Others**	**Valuation**
Life Insurance				
SBILIFE	13%/+20% All-round distribution strength reflects in strong growth	16%/+31% Adverse mix drove margin miss	Strongest LI franchise; Focus on driving high margin NPAR savings and retail protection, least impacted by Surrender charges draft	Significant upside potential
IPRU	5%/+5% ICICIBC channel stabilising; incremental focus on growth instead of margins	-29%/+1% Increase in actuarial unit cost assumptions and higher ULIP mix	Stability in ICICIBC channel to drive growth and higher VoNB; impact of surrender charges draft lower than Max Life	Growth pivot offers modest reflation in valuation multiple
General Insurance				
STARHEAL	15%/32% Growth not picking up despite price hike; drop in number of policies	38%/NM Loss ratio remains at elevated levels	Lower retentions ratio resulting in lower float; entering new Banca partnerships	Negatives priced in; positive catalysts around re-calibrated portfolio mix offer upside risk
Asset Management Company				
NAM-INDIA	20/16% Equity yields stable on YoY basis	22%/21% Gradual optimisation translating into steady operating leverage	High-yield AUM churn largely behind; sustained market share gains in SIP flows	Best-in-class; re-rating potential on equity yields bottoming out ahead of peers
Brokers				
ANGELONE	46%/+55% Buoyant acquisition engine and strong growth in MTF book	21%/+49% Super-app journeys drive efficiency gains	Monthly client additions likely to have peaked at 0.5mn; soft customer activation evident from sequentially lower order growth	Less cyclical compared to full-service brokers; however, steep upmove erodes potential upside
Exchanges and Depositories				
CDSL	52%/36% Stable annuity revenue, strong growth in market-linked revenue	54%/33% Margin >60% due to growth, target range is ~58-60%	BO account addition has picked up in the last three months, market share gain continues.	Growth recovery, market share gains and strong return ratios will keep the multiples elevated
MCX	18%/19% Revenue growth led by strong growth in options volume	-131%/-159% EBITDA impacted, benefit of tech shift will be reflected in FY25E.	Option growth will be driven by new product launches and and cost benefit due to tech shift will lead to non-linearity .	Commodity options volume still at infancy, further re-ratting with volume growth and profitability
BSE	82%/46% Market share gain continues, higher revenue from derivatives will boost revenues	186%/150% Margins to expand with growth and higher profits in derivatives segment	Focus on market share gains, improving FPI/DII participation, and volume growth in the derivative segment	Further re-rating possible as derivatives volume and market share scale with BANKEX

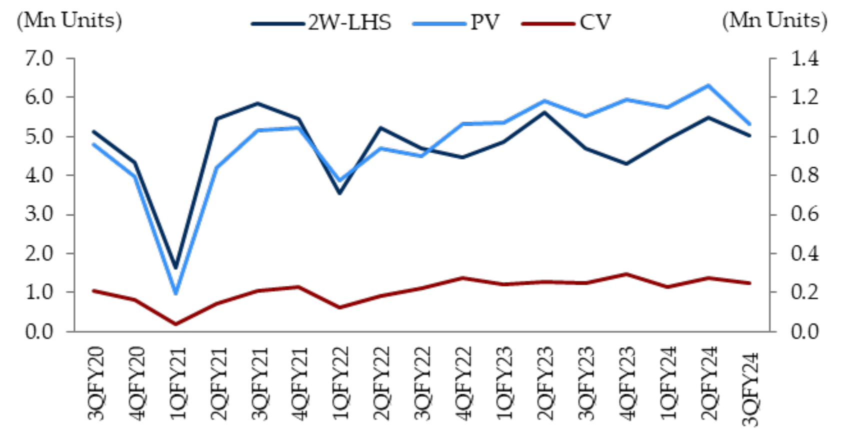
Positive   Medium   Negative

Note: ULIP- Unit linked insurance plan, ADTV- average daily turnover volumes, NPAR- non-participating, BO: Beneficiary Owner. Sorted in order of Market cap

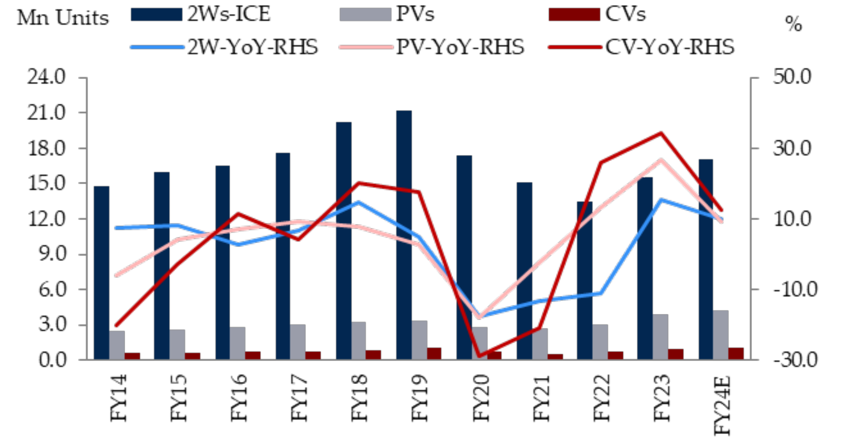
Automobiles

Margins improve on higher volumes and soft input costs

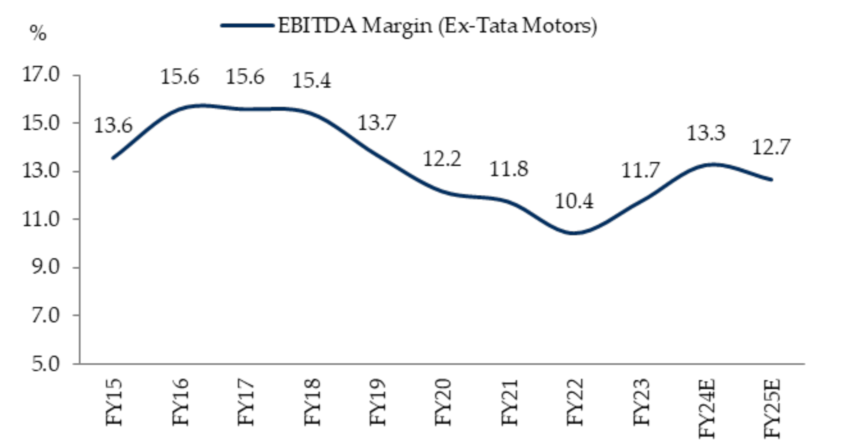
Volume (in mn units): Premium 2W drive growth



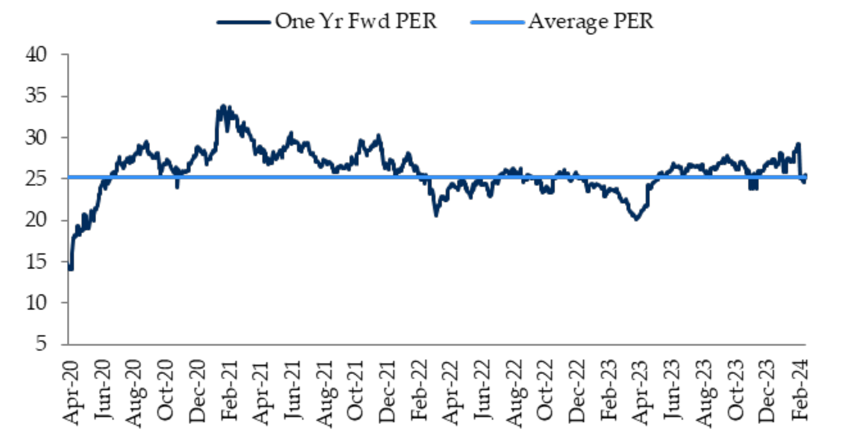
Volume (in mn units): Growth rates to normalise across segments in FY24



Margin Trend: Sector margins recovering on the back of softening RM



P/E band (x): Select stocks offer attractive valuations



Automobiles and Auto Ancillaries

Q3FY24	Revenue Trend Q3FY24/3-yr CAGR (YoY)	EBITDA Trend Q2FY24/3-yr CAGR (YoY)	Strategic/Others	Valuation
Bajaj Auto	+30% / +11% Revenue growth led by 22% YoY growth in volumes even as ASP grew just 7% YoY	+36.8% / +11% Both margins and earnings came higher than our estimates. Margin improvement QoQ led by improved mix and better export realisation	Exports growth outlook remains weak due to inflation and ongoing Red Sea crisis.	Valuations are unfavorable relative to outlook
Hero MotoCorp	+21%/-0.2% Volumes up 18% YoY with exports driving the growth	+47.4%/-1.2% Margin down 10bps QoQ despite 3% QoQ volume growth and soft input costs due to higher promotional spends	Despite its multiple launches over past few quarters, HMC continues to lose share in motorcycles . With multiple launches planned in 125cc and above category, we do not expect a significant share recovery given its patchy track record.	Valuations are unfavorable relative to outlook
TVS Motors	+26% / 15.2% TVS continues to outperform peers	+40.3% / 21.8% Margin at 11.2% has further improved by 20bps QoQ despite the continued ramp-up of i-Qube	We expect the company's outperformance to continue due to the healthy demand for its products like Raider, i-Qube, Jupiter125, etc. In exports, having established its presence in Africa, its outperformance is likely to be driven by its focus on penetrating Latin America in the coming years.	Premium valuation appears justified
Eicher Motors	+12.8%/ +12.8% RE volume was up 3% YoY in Q3 (-1% QoQ), realisation up 10% YoY	+27.5%/ +19.2% EBITDA margin was better than estimates led by lower input costs	With significant increase in competitive intensity in the 250-500cc segment, RE would be forced to reconsider its pricing/brand strategy very quickly, which will in turn drive margin pressure. The export momentum is also derailed given the geopolitical challenges at least in the near term. It has planned 20-24 new models in the medium term, which would keep margins under pressure due to higher marketing spending.	Competitive pressure to hurt growth outlook, hence valuation premium no longer justified
Tata Motors (Consolidated)	+25%/ +13.5% JLR Q2 volumes grew by 27% YoY	+47% / +12.3% JLR EBITDA margin improved 130bps QoQ to 16.2% due to: improved mix, China mix being favourable QoQ. EBITDA margin in CV business improved 70bps QoQ to 11.1% due to better realisation and soft input costs.	Expect JLR to be impacted by multiple headwinds from FY25: 1) Demand uncertainty in key regions, 2) Normalization of the mix, 3) Potential impact from the ongoing Red Sea crisis. Demand macro in India is less encouraging, with muted volume growth expected for both CVs and PVs over the high base of the last two years.	Too much optimism seems to be factored in
Ashok Leyland	+2.7% / +24% Volume declined 1% YoY	39.7% / 64% EBITDA margin at 12% came in ahead of our estimate of 10.8% driven by better realisation.	With a decelerating growth trend in CVs, and need to support Switch in the foreseeable future which is likely to hurt margins, its a double whammy for AL.	Expensive valuations
M&M	16.8% / 22% While Auto volumes grew by 20% YoY, tractor volume declined by 4% YoY	+15% / +10.7% Margin came below our estimates at 12.8%; however, while auto segment margin came in line with our estimate at 8.3%, tractor segment margins were below our estimate at 15.5% (vs estimate of 16.5%)	We continue to remain positive on the business momentum, given: (1) a strong order backlog for UVs (2) the target to increase its market share in tractors led by new launches; (3) focused strides taken to achieve a strong position in EVs.	UV market share recovery driving re-rating
Maruti	+14.7%/ 12% Revenue growth driven by 6% YoY growth in ASP, volumes up 8% YoY	12.3%/ 21% EBITDA margin declined 120bps QoQ due to lower wholesale share, higher discounts and higher marketing spending in the festive season.	Acceptance of MSIL's models in the >Rs1500k segment to open up a huge market for MSIL.	Market share gains would continue to drive re-rating

Positive Medium Negative

Automobiles and Auto Ancillaries

Q3FY24	Revenue Trend Q3FY24/3-yr CAGR (YoY)	EBITDA Trend Q3FY24/3-yr CAGR (YoY)	Strategic/Others	Valuation
Apollo Tyres	2.7%/9% Revenue growth largely driven by Europe and America business	+32.3%/6.9% Higher marketing and promotion expenses led to EBITDA margin decline of 20bps QoQ to 18.3%.	Its focus on profitable growth is visible in the improving return ratios each quarter	At 16x FY25, valuations are getting expensive
Balkrishna Industries	+4.5%/15.7% Tonnage grew 9.4% YoY in Q3 even as the decline in APS continues QoQ.	38.5% / 8% Margins have improved 620bps YoY (+90bps QoQ) to 25.3% and was in line with our estimate.	Freight costs are expected to inch up due to the ongoing Red Sea crisis. Margins likely to remain under pressure in the near term.	Given the uncertain outlook, at 23x FY26 earnings, stock appears expensive
Bharat Forge	+15.3%/31% Revenue growth was driven by strong growth in PVs and defense exports	48.7%/35% Consolidated margin was 150bps ahead of our estimate at 18% led by better-than-expected performance at standalone entity (margin at 29.3%).	BHFC's growth drivers include: 1) strong ramp-up in defense and aerospace, 2) robust PV exports demand. The turnaround at overseas subsidiaries might be delayed due to challenges in underlying markets.	Valuations attractive relative to peers
Endurance	+22.2%/ 8% Revenue growth was largely driven by currency translation gain	25%/ -5% India margins declined 100bps QoQ to 11.6%, while Europe margins were flat QoQ at 15.5%.	While premium 2Ws are witnessing good demand, prospects for entry level 2W segment appear bleak. Geopolitical issues and recessionary trends in Europe have dampened the consumer sentiment.	At 28.5x FY26E earnings, the stock seems expensive.
Motherson Sumi Wiring	+25.5% Outperformed the industry growth due to higher sales of content for premium models.	+46.4% Key surprise was the 60bps QoQ margin improvement to rising premiumisation across segments, cost optimisation and operating leverage.	Major beneficiary of the evolving trends (premiumisation + EVs) with established scale advantage, backward integration capabilities and localisation efforts.	Given its strong franchise and superior returns, premium valuation relative to peers seems justified
Sansera Engineering	+28% / 13% Notwithstanding seasonal slowdown in autos and impact of geopolitical challenges on the Sweden subsidiary, revenue came in line with our estimates	+39% / 8% EBITDA margin dipped 10bps QoQ due to higher other expenses	Focus on diversification evident with 30%/23% of incremental orders from auto-tech agnostic & xEV/non-auto respectively.	Valuations are attractive relative to peers

Positive Medium Negative

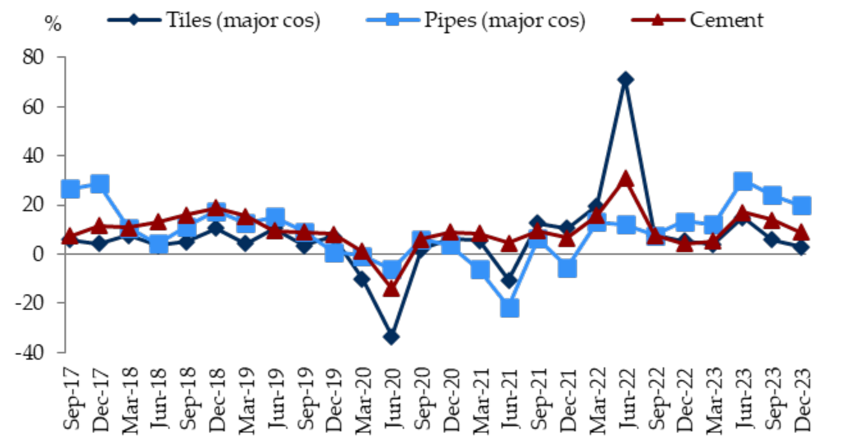
Automobiles and Auto Ancillaries

Q3FY24	Revenue Trend Q3FY24/3-yr CAGR (YoY)	EBITDA Trend Q3FY24/3-yr CAGR (YoY)	Strategic/Others	Valuation
Samvardhana Motherson	+27.1% / 15%	50.4%/ 12%	Wage pressure remains a concern across geographies. With majority of operations located close to clients, minimal impact on operations expected from the Red Sea crisis.	Trading at 24/18x FY25/26E earnings. Valuations seem justified considering its diversified presence across components, geographies and customer base.
	Revenue growth was lower than expected due to a slowdown in the light vehicle production across regions.	With copper prices down 2%, EBITDA margin expanded by 120bps QoQ to 9.2%.		
Suprajit Engineering	+4.6% / 13%	8%/ flat		
	Revenue growth led by the auto business. Non-auto segment remained weak.	EBITDA margin at 12.1% came in higher than our estimate of 10.8% due to lower employee costs.	Major beneficiary of global de-risking strategy by OEMs in the cable business as it is one of the few players with the ability to supply from multiple low-cost locations globally.	Trading at 24x/17x FY25/26E earnings. Valuation appears appropriate given the track record of outperformance compared to the auto industry.

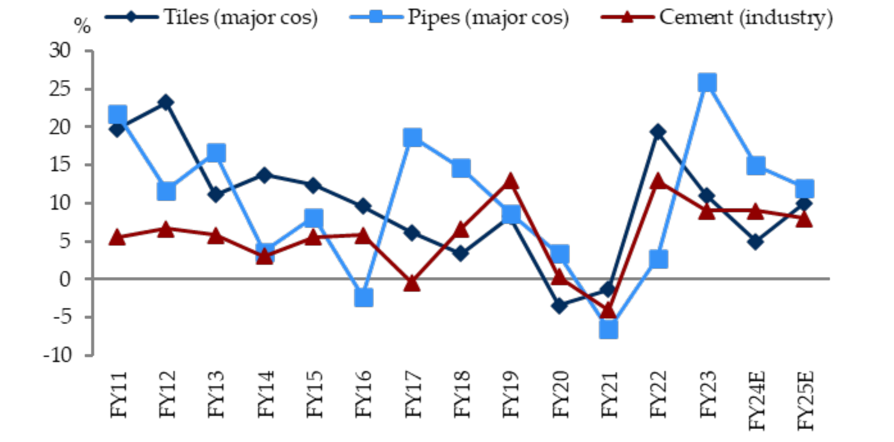
Positive   Medium   Negative

Building Materials

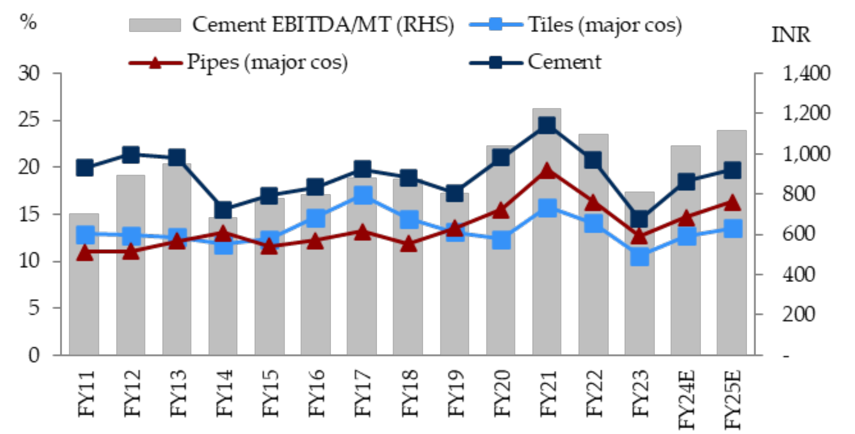
2-year quarterly volume growth: Growth slowed across segments



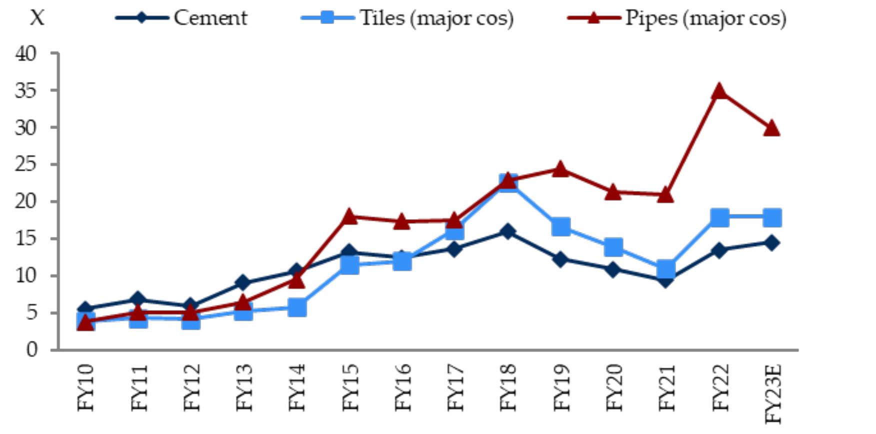
Volume Growth: Industry leaders across all three segments to grow at faster pace



Margin Trend: Cost pressure easing of, margin will improve from FY24 onwards for all segments



Sector 1 year forward EV/EBITDA trends: Reasonable valuation in cement , tiles and pipes valuation trades at premium vs past



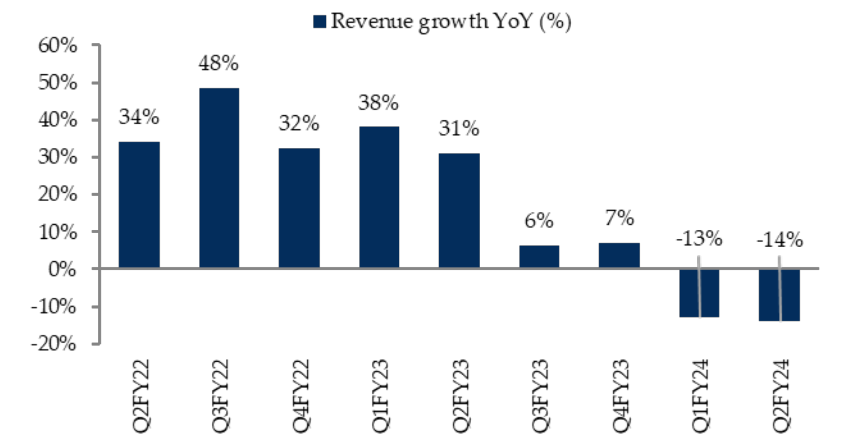
Building Materials

Q3FY24	Revenue growth trend Q3FY24/ 4 Yr CAGR (YoY)	EBITDA growth trend Q3FY24/ 4 Yr CAGR (YoY)	Strategic /Others	Valuation
UltraTech	8%/13% Volume growth slowed down	39%/11% Op-lev loss YoY	Continued asset sweating and cost reduction	More rerating possible
Shree	20%/15% Healthy volume and pricing	74%/10% Healthy pricing	Robust margin; large cash pile	Expensive valuations
ACC	8%/5% Volume growth picked up	139%/14% Reduction in logistics and fixed cost	Cost rationalisation/ increase share of green energy	More rerating possible
Ambuja	8%/9% Volume growth picked up	33%/12% Lower fixed cost	Cost rationalisation/ major expansion in pipeline	Valuation upside
Dalmia	7%/10% East volume recovered	20%/14% Lower fuel cost	Fast expansion supported by strong cashflow	More rerating possible
Nuvoco	-7%/2% Sub-par volume growth	53%/-2% Op-lev loss	Focus on balance sheet	More rerating possible
Ramco	5%/13% Weak realisation	39%/18% Cool-off in fuel cost and op-lev loss	Focus on gaining market share, product offerings	Valuation upside
Birla Corp	15%/8% New capacity ramp up	162%/6% Sharp fall in fuel cost	Various cost reduction efforts underway, Mukutban ramp-up	More rerating possible
JK Cement	20%/18% Panna ramps up	153%/21% Better pricing led margin uptick	Cement focus in north/ central. Foray in paints a dampener.	Expensive valuations
Supreme Ind.	6%/16% Healthy volume growth	25%/14% Inventory loss impacts profitability	Continued expansion, and focus on value added products (VAP)	Expensive valuations
Astral	8%/20% Strong plumbing demand	10%/15% Inventory loss impacts margin	Focus on VAPs, ramp up bathware/ paints business	Valuation upside
Century Ply	6%/12% Muted demand	-18%/6% Increasing timber price - margin dips	Aggressive expansion to gain market share	Valuation upside
Kajaria	6%/12% Gained market share	34%/13% Fuel prices corrects YoY	Continued focus on market share gains and margin	Valuation upside
Somany	-2%/9% Weak demand	46%/10% Lower fuel prices partially retained	Brand premiumisation and cost control	More rerating possible

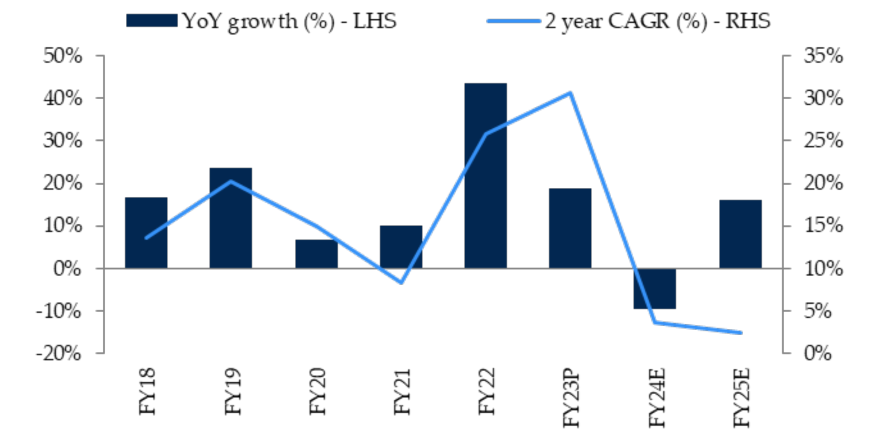
Positive Medium Negative

Chemicals

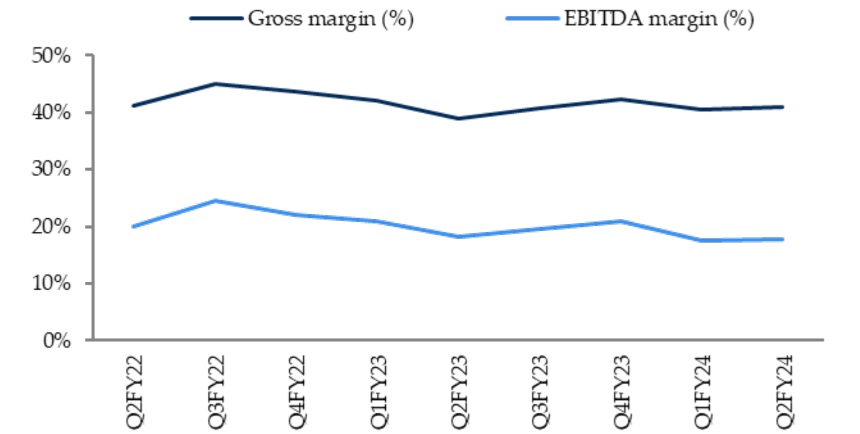
Revenue Growth: Revenue fell 8% YoY in Q3 owing to reduced realisations owing to the Chinese dumping and global slowdown



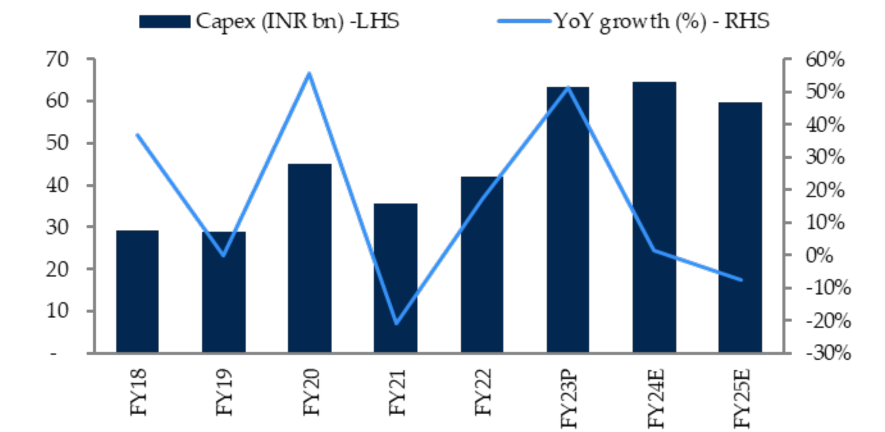
Annual revenue trend: Revenue growth over the years



Margin trend: Margins fall owing to reduced realisations



Capex: Growth to be backed by consistent investments in Capex



Note: The above charts are made from the aggregate data of these companies: Aarti Industries, Alkyl Amines, Deepak Nitrite, Fine Organics ,Galaxy Surfactants, Navin Fluorine, Neogen Chemicals, NOCIL, SRF Ltd, Vinati Organics and Sudarshan Chemical

Chemicals

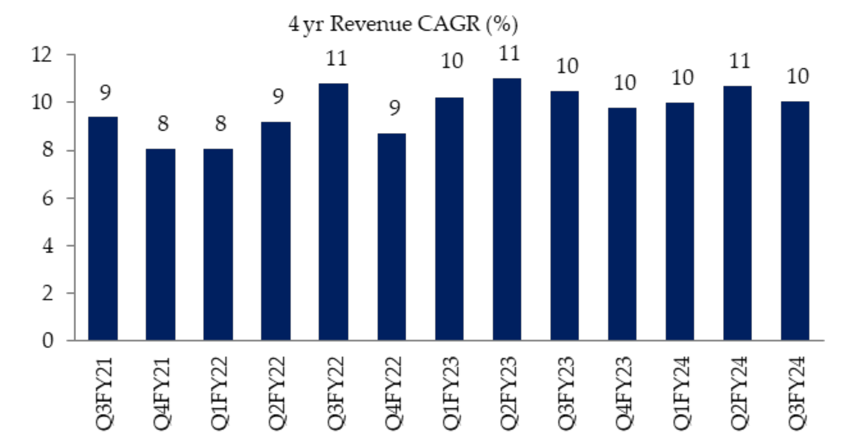
Q3FY24	Revenue Trend Q3FY24/ 3-Yr CAGR (YoY)	EBITDA Trend Q3FY24/ 3-Yr CAGR (YoY)	Strategic/Others	Valuation
Navin Fluorine	-11%/18% Sales were lower due to (1) sales of a campaign in CDMO deferred to Q3 due to a change in product specification and method of analysis and (2) the deferral of sales of two new products in specialty chemicals BU	-51%/-2% EBITDA came in at INR 757mn (-23/+51% QoQ/YoY), with EBITDA margin deteriorating to ~15% (-576/-1253bps QoQ/ YoY.The cost of goods sold increased because of higher-value inventory destocking. Other operating expenses increased owing to one-time expenses	(1) earnings visibility, given long-term contracts; (2) tilt in sales mix towards high-margin high-value business; (3) capacity expansion led growth; and (4) strong R&D infrastructure	Valuation upside
Deepak Nitrite	1%/18% Revenue improved owing to the volume growth of Deepak Phenolics Ltd.	-3%/-3% The EBITDA margin decreased to 15% (-64/-184 bps YoY/QoQ), owing to increased raw material costs.	Focus on downstream of phenol with lower margins and high input, utility and logistic costs will continue to put pressure on the company's margin	Valuation downside
Fine Organic	-36%/18% The fall in revenue by 10/36% QoQ/YoY to INR4.88bn is attributed to the fall in exports by 12/57/% QoQ/YoY. The exports were low courtesy sluggish demand in the US and European markets.	-26%/36% EBITDA margin remains flat at 24.2%. EBITDA came in at INR1.18bn (-9.8/-26% QoQ/YoY) and Other operating expenses declined by 10/12% QoQ/YoY to INR 644mn owing to (1) an increase in the proportion of sales in the domestic market to 49% (+100bps QoQ) and (2) a change in product mix.	Unique business model with high entry barriers and the company has leadership in oleo-chemical based additives in the domestic and global markets with a loyal customer base	Valuation upside
Galaxy Surfactants	-13%/12% Fall in realisation for both performance surfactants and specialty care	-27%/-2% EBITDA was impacted by the sudden increase in freight cost in the second fortnight of December	Stickiness of business, as over 50% of the revenue mix comes from MNCs	Valuation upside
Neogen Chemicals	-12%/25% Growth was achieved despite the prevailing global headwinds, such as inventory destocking, the rapid reopening of China and a slowdown in the EU and other markets	-10%/-3% EBITDA decreased to INR 203 mn (-33%/-22% YoY/QoQ).Margins impacted owing to one-time impact of the liquidation of high-cost inventory in the subsidiary and parent company. This led to higher raw material costs by INR45-50mn in BuLi chemicals and by INR25mn in the standalone entity.	Entry into the new age electrolyte manufacturing business, increasing contribution of the high-margin CSM business to revenue, capacity-led growth momentum in legacy business	Valuation upside
Aarti Industries	4%/13% The performance improved on a sequential basis due to volume gains in several products. Headwinds related to inventory destocking, demand pressure in export markets, and geopolitical uncertainties, among others, persisted in Q3.	-33%/6% EBITDA improved by 11% QoQ but decreased 10%YoY to INR 2.6bn. EBITDA margin decreased by 230/108bps YoY/QoQ to 15% in Q3 owing to higher raw material costs.	The company's constant focus on Capex and R&D will enable it to remain competitive and expand its customer base.	Valuation upside
Vinati Organics	-13%/26% Q3 revenue down 13%/3 YoY/QoQ at INR 4.5bn. The company expects inventory destocking to cease, with overall sales and demand poised to rise.	-23%/17% EBITDA improved by 9.4% QoQ while it decreased by 23% YoY to INR 1.14 bn. EBITDA margin was 25.6% (down 306 bps/up 296 bps YoY/QoQ), owing to a fall in other operating expenses and raw materials by 15% and 6% QoQ respectively.	Shift to lower-margin products in the product mix and decline in ATBS volumes	Valuation downside

Positive Medium Negative

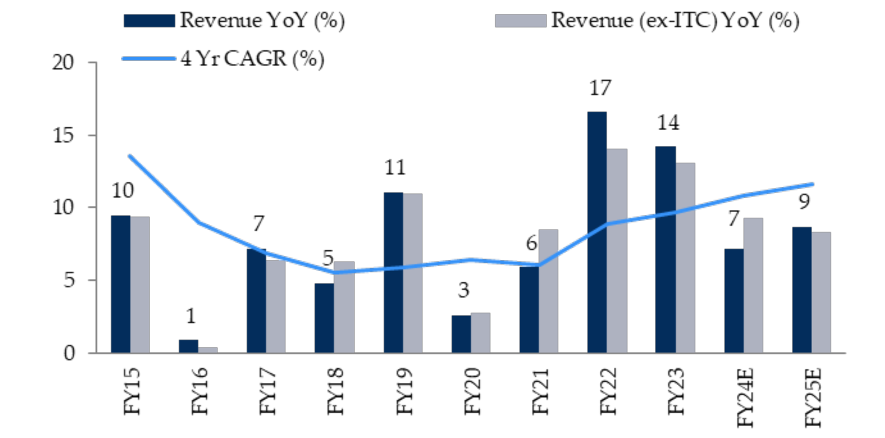
Consumer – FMCG

Demand recovery remains gradual; margins expand on easing RM inflation

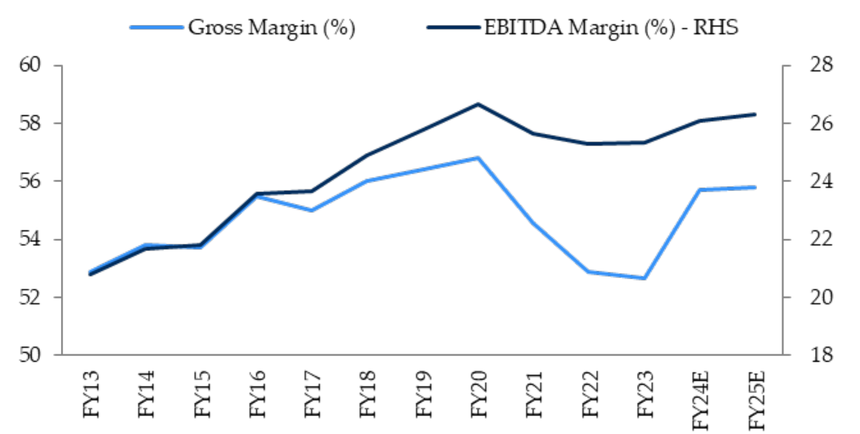
Volumes recovery slower than expected



Growth to be largely volume led



Softening commodity inflation to aid margin expansion



Decent correction seen from all time high P/E (1-year fwd)

Consumer – FMCG

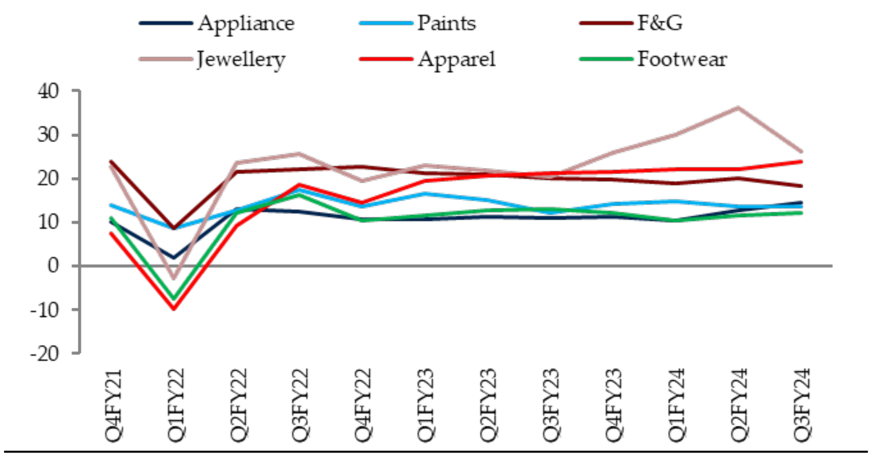
Q3FY24	Revenue Trend Q3FY24 (YoY)/ 4-Yr CAGR	EBITDA Trend Q3FY24 (YoY)/ 4-Yr CAGR	Strategic/Others	Valuation
HUL	0%/9% Challenging demand enviornment. Continue to take price cuts	0%/10% Margin recovery to sustain	Growth to be volume led. Defend market share. Build back gross margins	No trigger for re-rating
ITC	2%/10% Resilient FMCG/ Hotels. Cigarette soft. Agri/Paper remain weak	-3%/7% Resilient FMCG/ Cigarette margins.	FMCG scaling-up and margin expansion	Fairly valued
Nestle	8%/10% Broad based growth. Healthy balance of volume, pricing, mix	14%/13% Softening RM, cost efficiencies aid margin recovery	Category, distribution and capacity expansion	No trigger for further re-rating
Dabur	7%/8% Growth led by F&B/HPC. Healthcare impacted by delayed winter	10%/8% Margin recovery to sustain	Double F&B in 3-4 years	Re-rating potential
Britannia	1%/9% Healthy volume growth. Price cuts amidst high competition	0%/13% Softening RM, cost efficiencies aid margins	Focus on tactical pricing action to defend market share. Distribution expansion, product launches.	Fairly valued
GCPL	2%/7% Organic growth 2%. HI saw LSD volume growth	18%/9% RM softening improving margin, Indonesia improves	Category Development, Expanding India TAM, Simplify International	Fairly valued
Marico	-2%/7% Price cuts and channel inventory correction impact growth	13%/8% Margin recovery to sustain	Focus on core brands, drive D2C/ foods	Re-rating potential
Colgate	8%/5% Pricing led growth. Volume growth in LSD	30%/10% Margins improve led by RM softening and cost control	Increase per capita consumption, innovation, build personal care	Fairly valued
Emami	-2%/4% Impacted by weak consumer demand & delayed onset of winter	7%/5% Softening input boost gross margins. Higher A&P spends.	Regaining the lost momentum	Fairly valued
UNSP	7%/6% P&A growth moderates	37%/NA Softening RM cost, lower opex aid margin expansion	Continue to drive P&A. Improve mix	Marginal re-rating potential
Radico	47%/16% Strong performance in P&A segment	47%/9% Margins improve on soft RM, price hikes, product mix	Improving P&A mix, backward integration to aid margins	New CAPEX plans mars re-rating potential
Jubilant	3%/6% Store addition led growth, LFL volume 1% on 4-yr CAGR	-2%/3% Negative oplev due to weak SSSG led to margin pressure	Tech, digital, supply-chain and store expansion	Fairly valued
Devyani	7%/na Store addition led growth, SSSG weak across brands	-16%/na Negative oplev due to weak SSSG led to margin pressure	Store expansion and Product innovation	Steep valuation
Westlife	-2%/9% SSSG falls by 9%.	-13%/8% Negative oplev due to weak SSSG led to margin pressure	Product innovation, store expansion, chicken scale-up	Fairly valued
Sapphire	12%/na Store addition led growth, SSSG weak across brands	4%/na Negative oplev due to weak SSSG led to margin pressure	Store expansion and Product innovation	Steep valuation

Positive   Medium   Negative

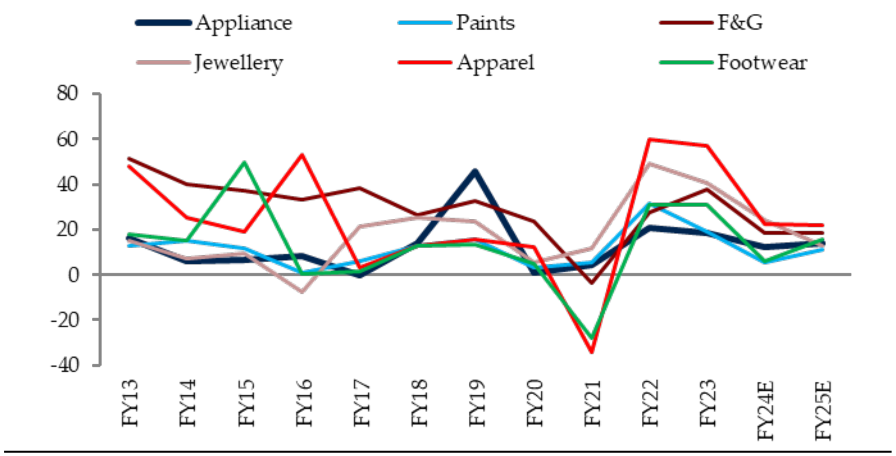
Consumer Sector – Discretionary

Demand environment continues to remain challenging

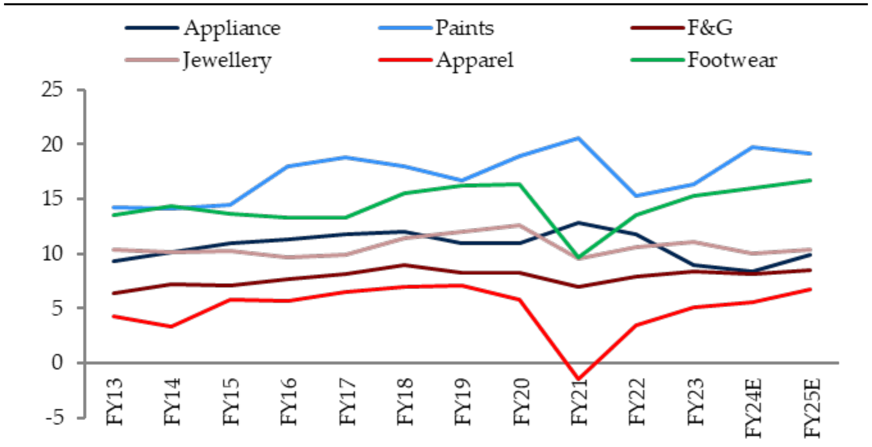
4-yr Revenue CAGR: Most categories (ex-jewellery) sustaining similar trend



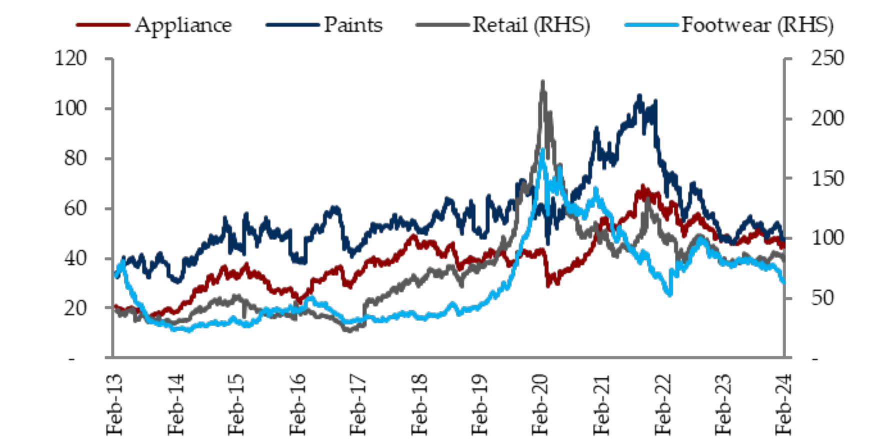
Long term growth prospects remains intact



Softening RM prices to aide margin expansion



Sector P/E (1 Year Fwd): Decent correction seen from all time high P/E



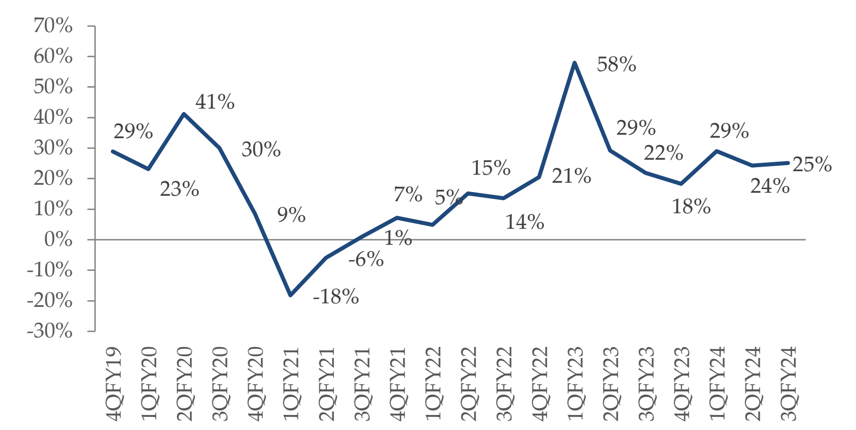
Consumer Sector – Discretionary

Q3FY24	Revenue Trend Q3FY24 (YoY)/ 4-Yr CAGR	EBITDA Trend Q3FY24 (YoY)/ 4-Yr CAGR	Strategic/Others	Valuation
DMART	17.2%/18.4% General Merch. share has stabilized; demand trends encouraging post Diwali.	15.0/17.2% GM/EBITDAM largely remained flat YoY (lower 9/16 bps); mix stabilization led to normalised margins	Focus on striking a balance between growth & Unit economics. E-Comm strategy not as aggressive as peers	Fully priced. Valuation downside limited
Titan	Standalone Jewellery-ex-bullion growth (23%/21.3%) Festive purchases resulted in double-digit buyer growth in jewellery; moderation was seen after Nov-23	Standalone Jewellery ex-bullion EBIT (15.9%/19.5%) Jewellery margins contracted by 96 bps courtesy higher A&P spends to defend market share and lower studded ratio	Focus likely on gaining volumes as gold price tailwind at fag end	Valuation downside as no margin of safety
ABFRL	16.1%/12.9% Pantaloons/Lifestyle grew 11.9/-3% YoY Tepid consumer demand; Focus on protecting margins over driving growth in core businesses	PBT margin stood at -2.2% vs. +0.4% in Q3FY23 GM/EBITDAM expanded 187/114 bps YoY led by contained discounted sales, lower inventory markdowns etc. Accelerated dep. & interest outgo led to PBT losses of INR 922mn.	Aggressive expansion startegy, rising debt and inefficient working capital are concerning Earnings power are less than interest servicing power	Weak fundamentals; balance sheet stress warrants lower valuations
Trent	Best-in-class print (52.5%/39.7%). Westside growth balanced/Zudio continues to swing big	GM expanded 57bps despite rising skew of Zudio in mix. Pre INDAS EBITDAM expanded 450bps led by operating leverage Q3 PBT/PAT more than doubled	Aggressive store expansion plans (esp for Zudio)	Valuation downside as no margin of safety
Asian Paints	5.4/13.8% Decorative business clocked Vol/Val Gr - 12/5.5%	27.6/14.7% GM/EBITDAM expanded 504/393bps YoY led by RM cost moderation, formulation gains	Investing heavily in Capacity increase/ Backward Integration/Acquisition. Dealer additions healthy	Fully priced
Berger Paints	7.0/14.2% Volume/Value growth stood at 9.1/6.4%	37.3/12.8% GM/EBITDAM expanded 638/368bps YoY led by moderation in RM prices and formulation gains	Building capacity to improve inventory management	Fully priced
Havells	7%/18% Sluggish B2C enviornment. B2B remains resilient	2%/13% Gradual recovery in margin	Focus on Lloyds, share gain for core	Marginal re-rating potential
Crompton	12%/12% ECD outperformance continues, weak Butterfly	-2%/2% Negative oplev in Butterfly, higher brand spends impact margins	Focus on profit led growth. Higher brand investments. Turnaround lighting	Attractive valuations post recent correction
Voltas	31%/15% Strong festive led UCP growth. Domestic EMPS execution improves	-63%/-27% UCP margins in-line but provisionings in EMPS impact profitability	Regain RAC share. Industry leading margins	Marginal re-rating potential
V-Guard	19%/17% Broad based growth across categories	54%/14% Soft RM aids margin recovery	Scaling up non-south. Increase in-house manufacturing mix.	Fairly priced
Orient Electric	2%/11% ECD muted on high base. Lighting resilient	-11%/2% Strategic investments impacting margins	Strengthening appliances; Lighting scale-up, distribution expansion	Re-rating potential
TTK	5%/6% Reduction in consumer wallet share for KEA and shift in festive season	10%/1% Negative oplev, high competitive intensity	Product innovation. Strengthening alternate channel	Fairly priced

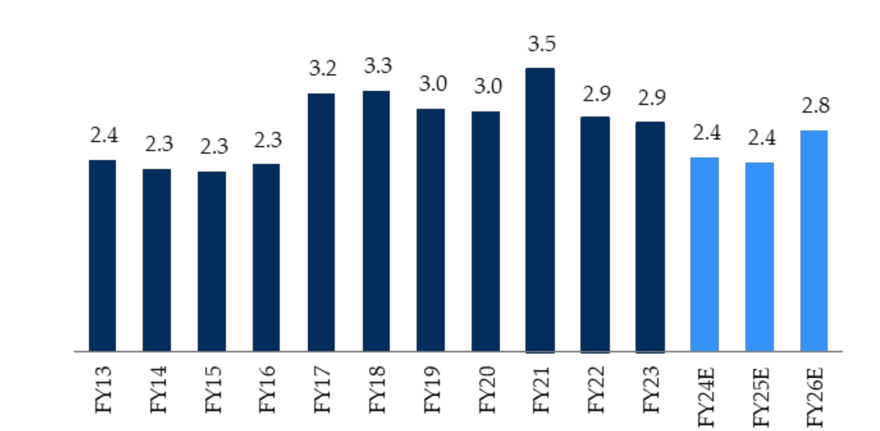
Positive   Medium   Negative

Infra

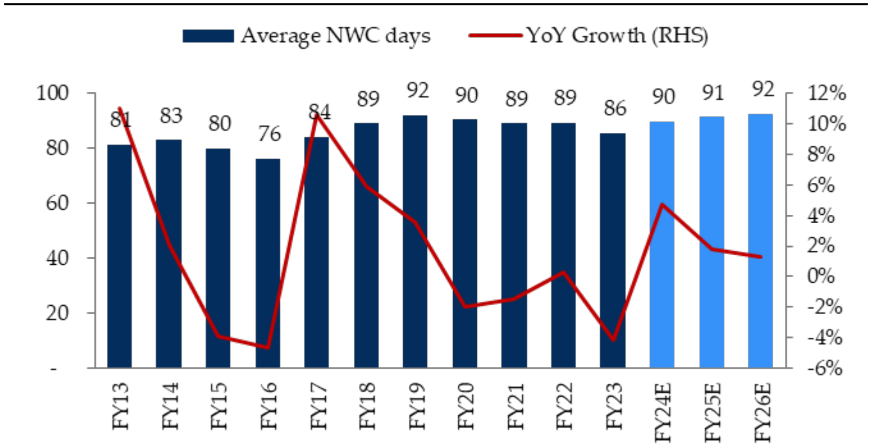
Quarterly revenue growth trend (2-year CAGR %)



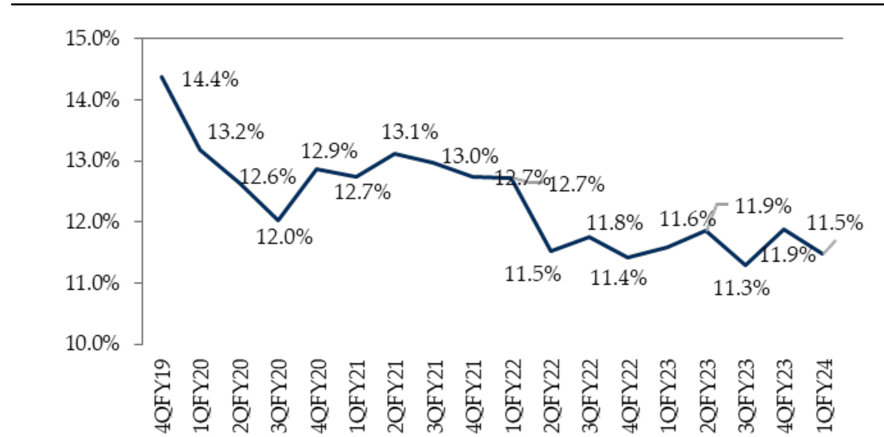
Annual order book to sales (x)



Average net working capital days



Quarterly EBIDTA margins (%)

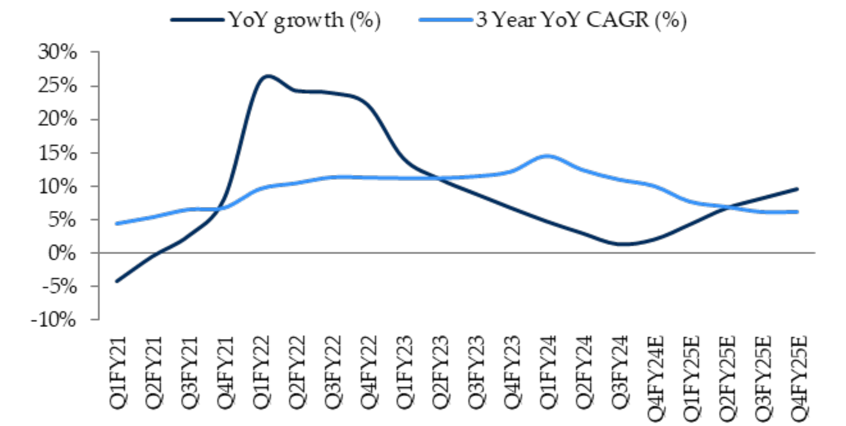


Infra and Cap goods Sector

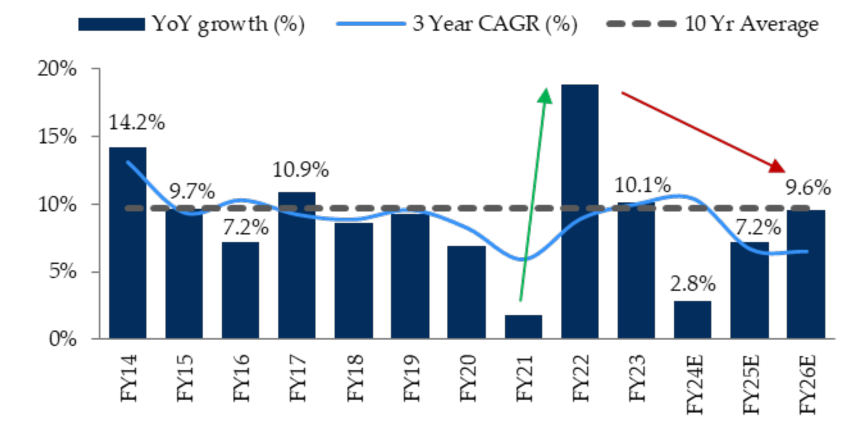
	Revenue	Net Debt to Equity (x)	Strategic/Others	Valuation
	Q3FY24	3QFY24 vs. 2QFY24		
Larsen & Toubro	INR 551.3bn (+18.8/+8% YoY/QoQ)	0.81x vs. 0.77x	Infra margins bottoming-out, record high OB, improved subsidiary performance, higher public capex towards green economy	Valuation upside
	All-time high OB; balance sheet managed well	NWC to TTM sales 16.6% vs. 16.7%		
Cummins	INR 25.3bn (+16%/+33% YoY/QoQ)	Export sales of INR 3.3bn (-41%/-36% YoY/QoQ). Weak exports demand, though CIL believes worst is behind	CIL has multiple tailwinds, namely, stringent emission norms, Capex cycle recovery, adoption of alternative fuels with lesser carbon footprint, revival in industrials and supporting manufacturing policies	Valuation upside
	Domestic sales strong at INR 21.8bn (+36%/+16% YoY/QoQ)	Gross margin: 37% (+322bps/+32bps Q3FY23/Q2FY24) on account of lower commodity cost, a high share of HHP, and favourable pricing		
Thermax	INR 23.2bn (+13%/+1% YoY/QoQ)	Received orders worth INR 25.1bn (+14%/+27% YoY/QoQ). Expected baseline quarterly run-rate of INR 23-24bn in ordering and expects ordering ramp-up in H2	TMX stands to benefit from the investment in clean energy, sustainability, decarbonisation, normalisation of the international market and impetus on cleaner air and water.	Valuation upside
	YoY improvement in EBIT margin in all the segments except Industrial Infra	The margin improved by 20bps YoY. Impacted by INR 100mn one off expense in Refinery order		
Kalpataru Power	INR 41.5bn (+18/+8% YoY/QoQ)	Net debt at INR 25.9bn vs. INR 22.2bn	Improving growth outlook, stable margins, well-diversified order book, robust balance sheet	Valuation upside
	FY24 revenue guidance slashed from 25% to 20-25% YoY growth with PBT margin at 4.5-5%	Debt reduction possible backed by Indore real asset and road BOOT assets monetization		
KEC International	INR 50bn (+14.4/+11.3% YoY/QoQ)	Concerning debt levels; INR 60.5bn vs. INR 63.4bn, a decrease of INR 2.9bn	Multiple increase reflects improving visibility on margin recovery. Rerating continues to depend upon debt reduction and margin recovery.	Fairly valued
	High debt a concern; high interest cost	Revenue visibility over 2 years backed by stable order book. Order inflows have been below guidance		
Hitachi Energy	INR 12.7bn (+23.2/+3.8% YoY/QoQ)	Export target of 25% of OB meeting the target well before time	Strong bid pipeline, acceleration in the digital offering, likely improvement in margins on high industry capacity utilisation and robust drivers in place for long-term growth; punchy valuations	Limited upside
	Margins impacted due to higher logistics cost and forex loss	All-time high OB provides good revenue visibility for ~22 months.		
PNC	INR 18bn (+11/7% YoY/QoQ)	Net cash at INR 0.4bn vs INR 2bn net debt QoQ	Stable order book of ~2.5x FY23 revenue, comfortable balance sheet, equity infusion to be funded by internal accruals	Valuation upside
	FY24 revenue guidance at 10% YoY growth (vs. 15% earlier, owing to weak order inflows) with EBITDA margin of 13.3-13.5%	HAM asset monetisation with KKR closed for equity consideration of INR 29bn		
KNR	INR 9bn (+9/-4% YoY/QoQ)	Irrigation recievables stand at INR 6.5bn	FY24 revenue guidance of INR 40bn+, with EBITDA margins lower by 200-300bps from FY23 (at 18.6%)	Valuation upside
	Awaiting order inflows	Looking for projects from different segments in he infra space		
NCC	INR 47.5bn (+41/+6% YoY/QoQ)	Gross debt at INR 14.7 vs. INR 14.7bn, FY24-end debt to be ~INR 13-15bn	All-time high and diversified OB at ~4.3x FY23 revenue, pick-up in execution, robust balance sheet	Valuation upside
	FY24 revenue growth guidance increased from 20% to 30-35%+ YoY with margins at 10-10.15% and EBITDA/PAT margins at 10.2/4.5%	Expect slowdown in ordering in 1HFY25 due to election	NCC received INR 1.46bn from Sembcorp with INR 0.5bn pending. Sembcorp is claiming the pending amount as legal and other charges	
HG Infra	INR 13.5bn (+19/+55% YoY/QoQ)	The standalone gross/net debt, as of Dec'23 stood at INR 4.7/3.3bn vs. INR 6/4.8bn, as of Sep'23	On OI, expect INR 50-60bn, given the truncated ordering period owing to elections and weaker-than-expected NHAI ordering.	Valuation upside
	FY24 revenue guidance 20% YoY growth with EBITDA Margins at 16%	Balance HAM project equity infusion INR 0.7/4.6/2bn in Q4FY24/FY25/26	Stable OB at 2.2x FY23 revenue, likely pick-up in project execution, healthy balance sheet,	

IT Sector

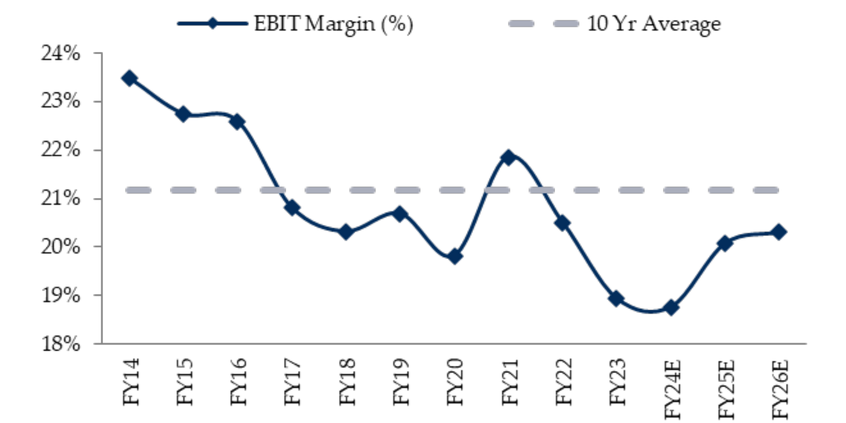
USD Revenue: Delay in decision making and slowdown in discretionary spend led growth moderation



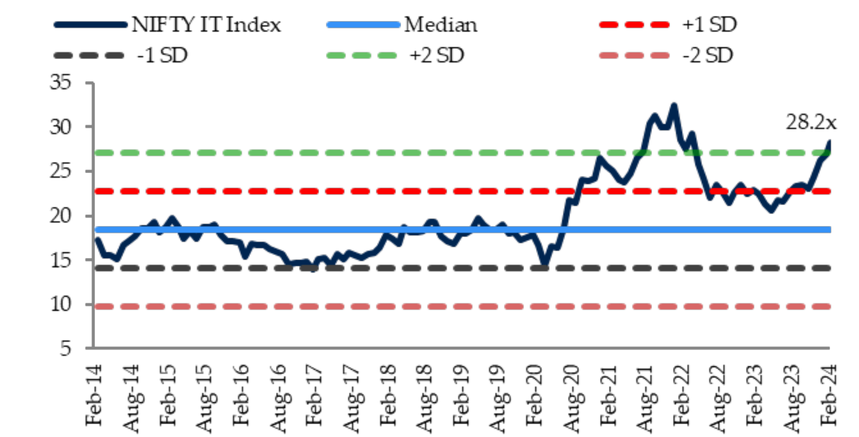
USD Revenue: Growth moderation in FY24E (below 10 yr avg)



Margin Trend: Recovery expected in FY25/FY26E



Sector P/E: Nifty IT index trading at +2SD



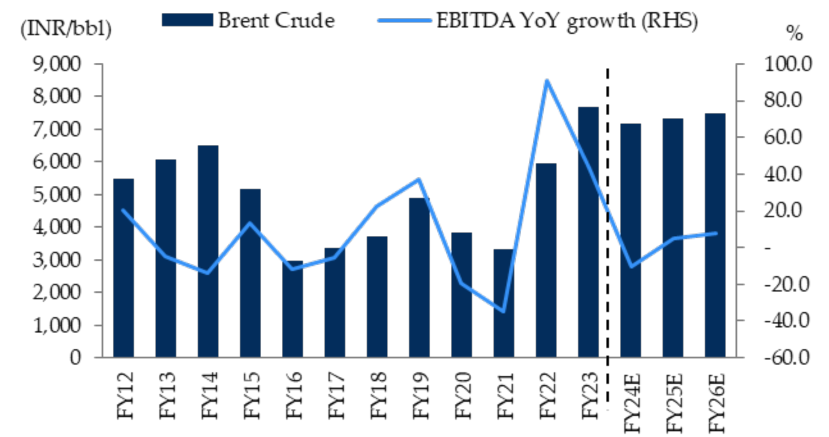
IT Sector

Q3FY24	USD Revenue Trend Q3FY24/ 3-Yr CAGR (YoY)	EBIT Trend Q3FY24/ 3-Yr CAGR (YoY)	Strategic/others	Valuation
TCS	3%/8% Strongest sequential performance in the last four quarters perhaps indicating that the peak drawdown in renewals is behind.	6%/11% Margins supported by sub-con reduction, better productivity and realization.	Growth visibility from mega deals (Q3/Q4 sequential improvement from BSNL deal and JLR deal) and deal market-share gain.	FCF & payout yield at ~4% and RoE 50% will support valuations
Infosys	0%/10% Growth impacted by furloughs and seasonality.	-3%/7% Margin impacted by wage hike and cyber security incident	Revenue guidance for FY24E was tweaked to 1.5 to 2% CC (1 to 2.5% earlier)	INFO trades at ~16% discount to TCS' valuations (at a historical average discount).
WPRO	-5%/9% Growth impacted due to weakness in discretionary portfolio and decline in BFSI, Communication verticals.	-10%/-1% Margin remained flat QoQ and management expects margins to be range-bound	Flat revenue guide for Q4 (-1.5% QoQ to +0.5% QoQ)	Stock currently trading (FY25E) at 10 year average P/E
HCLT	5%/9% Revenue growth supported by ramp-up of Verizon mega deal and ASAP consolidation full quarter impact and stronger growth in Software business.	7%/8% Margin supported by expansion in ER&D services margin and Software segment margin.	Revenue growth guidance for FY24E tweaked to 5 to 5.5% (5-6% earlier)	Valuations are supported by >4% FCF yield and >3.5% dividend yield. (FCF/payout intensity higher than historical average).
TECHM	-6%/6% Growth impacted by flat CME and decline in Tech M&E and BFSI vertical	-57%/-23% Margins impacted by higher SG&A and re-structuring cost.	Weak bookings and a high share of CME will keep the growth in check even as the margin revives.	Trading at expensive valuation of 23x FY26E (>10 yr avg valuation of 16x)
LTIM	4%/NA Growth impacted by higher-than-usual furlough and weakness in discretionary projects.	16%%/NA Margins impacted from furlough, lower billing days, pass-through seasonality.	LTIM has deferred its outlook of 17-18% EBITM (earlier by end-FY24E).	LTIM is trading at 28x and 24x FY25E and FY26E EPS.
Mphasis	-6%/6% Growth impacted by higher-than-expected furloughs and muted growth in the BFS vertical.	-7%/7% Margins impacted mainly by the Silverline acquisition and furloughs.	Revenue recovery to be led by the BFS & TMT vertical with an EBIT margin band of 15.25% to 16.25% (ex- M&A impact) for Q4FY24E.	Valuations are factoring recovery in Direct Business in FY25E following a decline in FY24E.
LTTS	17%/15% Revenue growth was impacted by softness in the Telecom & Hi-Tech vertical (adj. for SWC seasonality).	9%/25% Margins supported by improvement in plant engineering and transportation segmental margin.	Company maintained its FY24E revenue outlook of 17.5-18.5% for FY24E implying a strong exit in Q4FY24E	Risk-reward is unfavourable for LTTS as current valuations imply >16% USD revenue CAGR over FY23-33E.
Tata Elxsi	10%/19% Growth was led by EPD & IDV growth, offset by softness in Media & Communication vertical.	9%/23% Margins impacted by higher travel & visa costs, investment in building AI capabilities and higher employee cost.	TELX has lost market share in the transportation vertical (39% of revenue) to peers on account of a lower mix of OEM customers vs Tier-1s.	The current valuation implies USD revenue growth of 18% CAGR over FY23-33E.
Persistent	14%/27% Revenue supported by ramp-up of large deals in healthcare vertical and broad-based growth	9%/39% Margin supported by the accretive composition of IP revenue, higher utilization, lower travelling expenses and SG&A leverage	Over the past year, >70% of incremental growth has been driven by T10 clients and the company has demonstrated consistent deal velocity. Utilisation and SG&A optimization can drive margin expansion of 200-300bps over 2-3 years.	PSYS is trading at a valuation of 36x FY26E (vs. 5Y average at 26x and mid-tier average at 27x) and with a highest EPS CAGR of 30% (FY24-26E) vs mid-tiers.

Positive Medium Negative

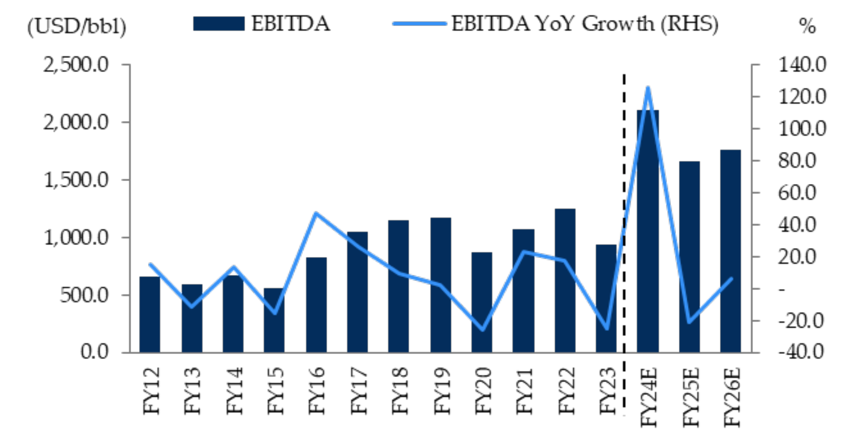
Oil & Gas – *crude oil prices remains the key monitorable for OMCs; CGD volume growth levers in place*

Upstream^ EBITDA Growth: Windfall tax and freezing of APM gas prices limit earnings growth



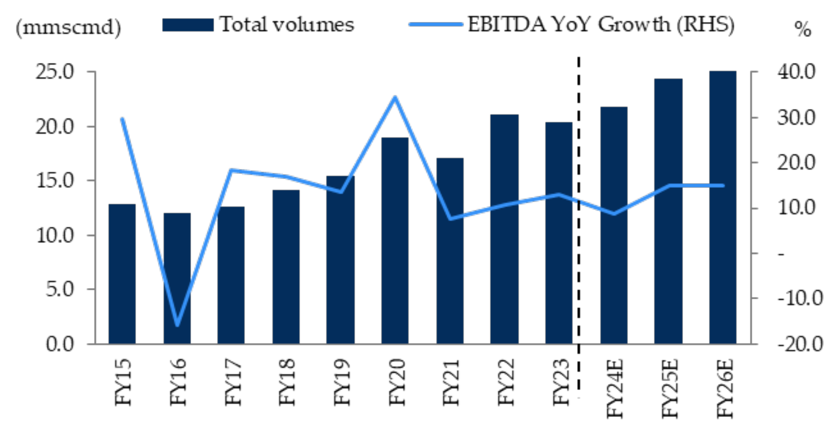
^Note: Upstream includes standalone ONGC and Oil India

Downstream* EBITDA Growth: Refining margins remain robust; crude oil prices remains the key monitorable



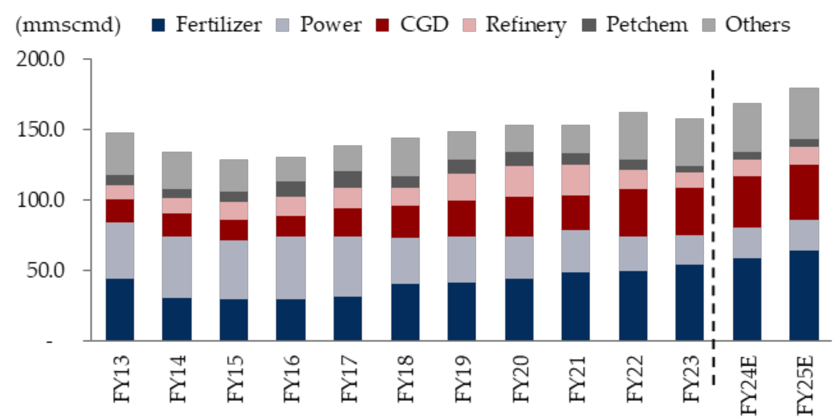
*Note: Downstream includes standalone RIL, IOCL, BPCL and HPCL

CGD# EBITDA growth: Fundamentals in place



#Note: CGD includes Gujarat Gas, IGL and MGL

Gas sector consumption: Growth across sectors to continue



Oil & Gas

Q3FY24	Revenue Trend Q3FY24/ 2-Yr CAGR (YoY)	EBITDA Trend Q3FY24/ 2-Yr CAGR (YoY)	Strategic/Others	Valuation
RIL	+4%/+10% O2C segment remained weak in Q3 and was impacted by weak downstream chemical margins and maintenance and inspection shutdown; earnings from O&G segment remained robust due to higher gas production and higher realisation; while ARPU remained flat QoQ, improvement in net additions for JIO and better than expected pick up in demand from the Retail segment supported earnings.	+16%/+17% EBITDA declined marginally QoQ impacted by weak O2C segment profitability; higher gas production and realisation supported profitability in the O&G segment; improvement in subscriber additions for JIO and steady ARPU and healthy EBITDA margins for the Retail segment also supported operating profitability.	Value unlocking in the Digital platform and Retail segment; focus on new energy businesses	Marginal re-rating potential
IOCL	-3%/+9% Pick up in domestic demand and robust refining and marketing margins aid earnings in Q3; weak petchem earnings and elevated debt level remains an overhang	+331%/+25% EBITDA improvement on account of robust refining and marketing margins partially offset by weak petchem segment earnings	Domestic demand remains robust; refining segment could see some moderation due to additional refining capacity commissioning in the near term; recovery in petchem demand and crude oil price movement remains a key monitorble	Valuation downside
BPCL	-3%/+10% Pick up in domestic demand and robust refining and marketing margins aid earnings in Q3	+47%/+11% EBITDA improvement on account of robust refining and marketing margins	Domestic demand remains robust; refining segment could see some moderation due to additional refining capacity commissioning in the near term; crude oil price movement remains a key monitorble	Valuation downside
GAIL	-3%/+15% Highest-ever transmission volumes and improvement in petchem production improved earnings	NA/-5% EBITDA came in above estimates driven by highest-ever transmission volumes and higher marketing margins, recovery in petchem earnings and LPG+LHC segments.	Connectivity with fertilizer plants and LNG prices remain a key monitorable	Valuation upside
HPCL	+1%/+7% Pick up in domestic demand and robust refining and marketing margins aid earnings in Q3; high capex and elevated debt level remains an overhang	-29%/+8% Reported EBITDA came in below our estimates impacted by lower GRMs, suppressed marketing margins and inventory losses.	Domestic demand remains robust; refining segment could see some moderation due to additional refining capacity commissioning in the near term; crude oil price movement remains a key monitorble	Valuation downside
IGL	-4%/+27% Margin weakness was offset by higher-than-expected volume growth	+32%/+10% Margins in Q3 were impacted due to shortfall in allocation of the APM gas; healthy volume growth supported earnings	Volume growth from new GA's	Valuation upside

Positive   Medium   Negative

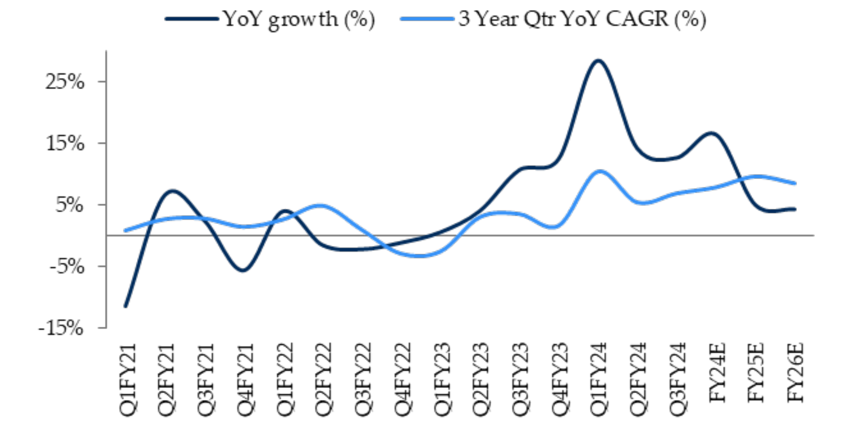
Oil & Gas

Q3FY24	Revenue Trend Q3FY24/ 2-Yr CAGR (YoY)	EBITDA Trend Q3FY24/ 2-Yr CAGR (YoY)	Strategic/Others	Valuation
Gujarat Gas	+7%/-13% Volumes decline sequentially; impacted by increase in gas cost QoQ	-31%/+30% Margin weakness persists; volumes grew YoY however declined QoQ due to increase in gas cost QoQ; APM shortfall in Nov'23 and Dec'23 and competition from alternate fuels kept margins under pressure.	Volume growth from new GA's	Fairly valued
OINL	-1%/+25% Impact of decline in crude oil and gas realisations; production improved in Q3	-26%/+29% Windfall tax limit earnings growth; oil and gas production improved	Earnings growth is limited given windfall tax on crude oil prices and decline in APM gas prices. However, production outlook healthy and remains a key monitorable	Fairly valued
ONGC	-10%/+11% Impact of decline in crude and gas realisations; production declined in Q3	-16%/+4% Windfall tax limit earnings growth; oil and gas production remains weak	Earnings growth is limited given windfall tax on crude oil prices and decline in APM gas prices; ramp up of oil and gas production remains a key monitorable	Expensive given limited earnings growth over FY24-26E
MGL	-6%/+24% Volume growth improves; realisation declined QoQ owing to cut in CNG prices in Q3	+75%/+109% Higher volumes and robust margins supported profitabitility	Acqusition of Unison Enviro's 3 GA's to support volume growth.	Valuation upside
IRM	-12%/NA Impact of decline in realisation; volumes improved sequentially; on a YoY basis volumes remain muted due to loss of industrial volume	+1%/NA EBITDA margin remained resilient in Q3; gas cost declined QoQ despite shortfall in APM allocation implying favourable gas sourcing mix	Volume growth remains a key monitorable	Valuation upside

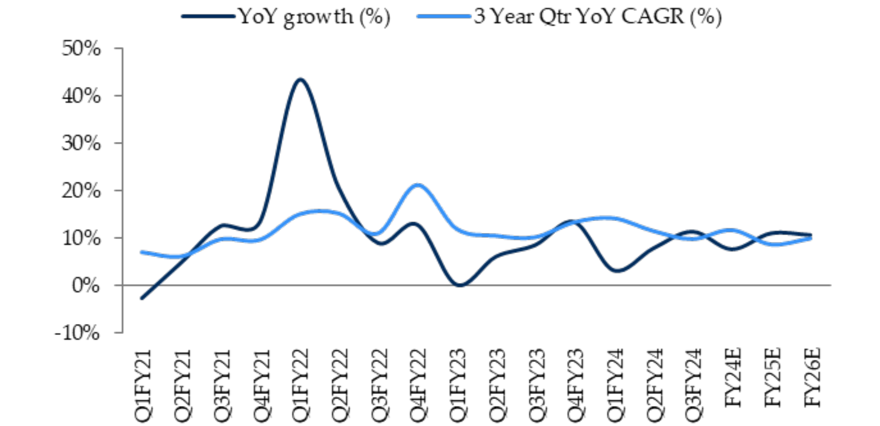
Positive Medium Negative

Pharma

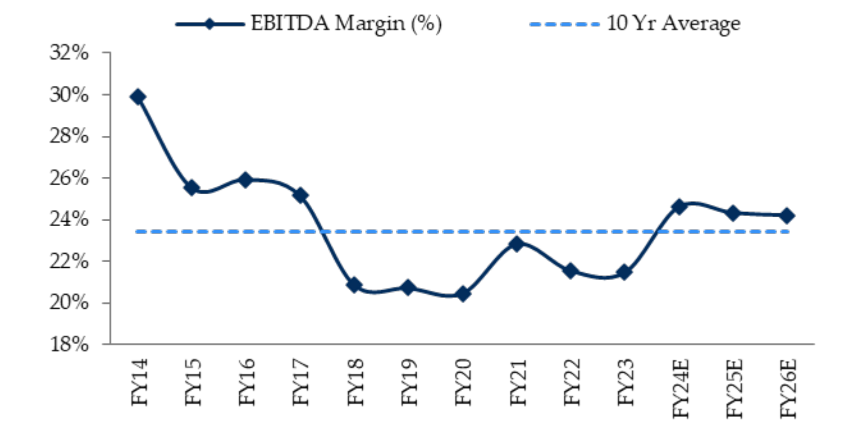
US revenue: New launches, moderation in price erosion driving growth



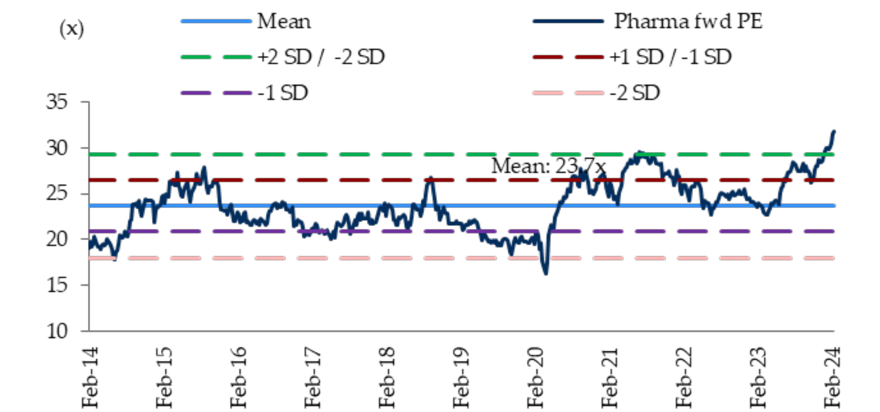
India revenue: Steady growth momentum to continue



Margin Trend: To see gradual improvement in FY25/26E



Sector P/E: Healthcare index trading above +2SD



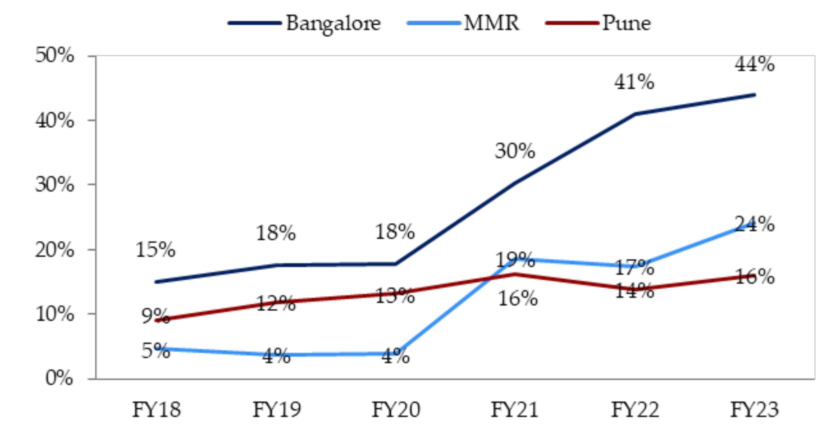
Pharma

Q3FY24	Revenue Trend	EBITDA Trend	Strategic/others	Valuation
ARBP	Steady US sales growth over the last 4-5 quarters was largely led by new launches (including gRevlimid launch in Oct'23); USFDA issue at its Eugia Unit 3 could impact growth in next few quarters	Margins supported by steady US growth, normalization in input cost improved gross margin and overall cost controls.	Steady US growth visibility and value unlocking in key R&D assets (biosimilars, respiratory, and specialty). While the outlook remains steady, any escalation at Unit 3 poses a risk to both growth and margin.	Stock currently trends at ~16x FY26E EPS, which factors near term pressure due to USFDA issue
DRRD	Strong sequential performance in the last four quarters was led by gRevlimid; which is expected to continue over next 4-5 quarters; ex-gRevlimid performance to remain under check	Margins supported by strong US growth	gRevlimid opportunity will play out, but we are cautious about base business performance due to intense competition and escalating costs (especially R&D).	Stock currently trends at ~22x FY26E EPS, phasing out of gRevlimid could lead to de-rating
LPC	US growth recovery in last 3-4 quarters was largely led by new launches as well as traction in gSpiriva; India business was muted due to the impact of patent expiry in its key products; US growth momentum to remain steady	Margin improvement in last 3-4 quarters was largely supported by recovery in the US business and cost optimization	US business to see single-digit growth on traction in gSpiriva and new launches; India business to see double-digit growth and EBITDA margin of 19.5-20% in the next two years	Trading at expensive valuation of 27x FY26E (>10 yr avg valuation of 24x)
SUNP	Revenue growth supported by ramp-up in its specialty business, new launches in US generics, and steady India growth; overall growth momentum to continue for next few quarters	Margins supported by steady growth and better business mix	Growth drivers are specialty scale-up, traction in US generics (new launces), India (MR addition, new launches, in-licensing), and steady margin	Valuations are supported by steady traction in specialty and India business; approval of few specialty products like Deuruxolitinib and progress in pipeline could lead to further re-rating
ZYDUSLIF	US reported muted growth in Q3 after strong growth momentum in the US in last 4-5 quarters; US sales is expected to recover from Q4 and steady outlook for FY25	Margins impacted by higher SG&A and re-structuring cost.	US business to sustain growth, led by new launches, traction in gRevlimid, launch visibility of 1-2 meaningful products over per year for the next 3-5 years. Steady growth in India, led by traction in key therapies and innovative portfolio and MR addition (to add 700 in FY24).	Stock currently trends at ~23.5x FY26E EPS, scale-up in US and specialty monetization are key re-rating triggers

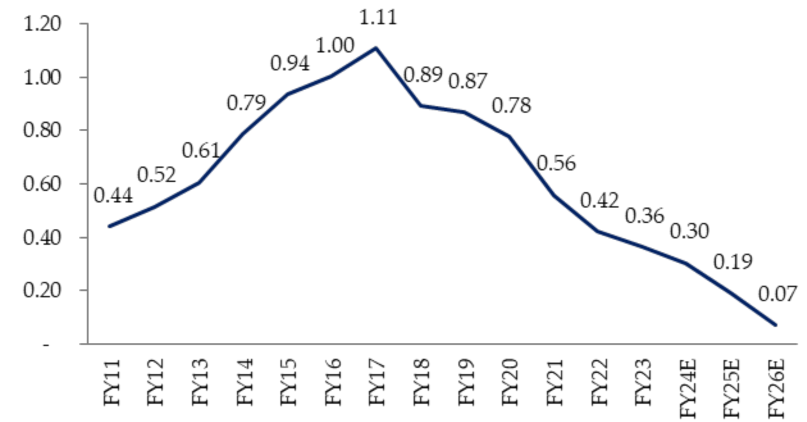
Positive   Medium   Negative

Realty Sector

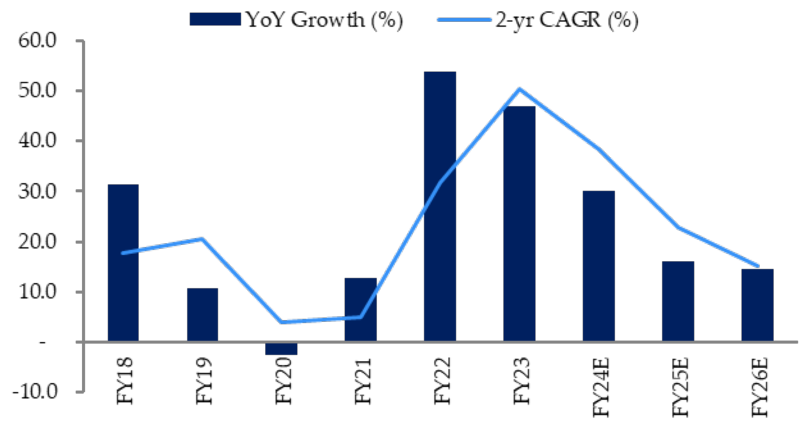
Market share of coverage universe (%)



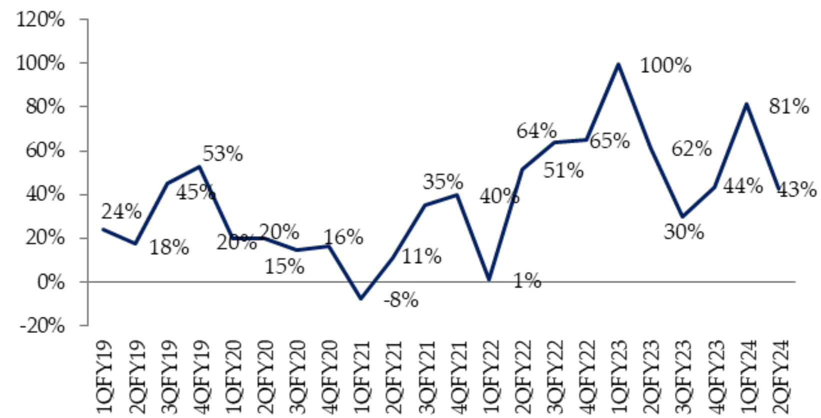
Average net D/E of coverage universe (x)



Annual presales trend (%)



2-yr qtr CAGR of Presales (%)



Realty Sector

Q3FY24	Presales value	Leverage	Strategic/Others	Valuation
DLF	Presales were INR 90.5bn (+3.6x/+4.1x YoY/QoQ)	Net cash at INR 12.5bn	Strong presales momentum; Robust launch pipeline and increasing office rentals	Valuation upside
	DCCDL portfolio rental in Q3FY24 was INR 10.9bn (+9%/+2% YoY/QoQ)	Highest-ever collection of INR 24.3bn (+85.5%/+6.3% YoY/QoQ) Cash in hand at INR 42bn		
Macrotech Developers	Presales of INR 34.1bn (+12/-3% YoY/QoQ)	Debt flat at INR 67.5bn from INR 67bn at Sep'23 end	Asset-light land bank addition, non-core land bank monetisation and new product introduction	Fairly valued
	Added GDV worth INR 60bn. 9MFY24 GDV addition 203bn v INR 175bn guidance	Collections were INR 25.9bn (-3.4/-6% YoY/QoQ)		
Godrej	Presales at INR 57.2bn (+76/+14% YoY/QoQ),	Net debt, however, rose to INR 69bn (INR 62bn in Sep'23) with net D/E at 0.72x	The profitability and margin is expected to improve plus higher proportion of outright BD at better realisation	Fairly valued
	APR was INR 13,180psf (+79%/+37%, YoY/QoQ)	Collections were at INR 24.1bn (+43/+1% YoY/QoQ)		
Oberoi	Presales at INR 7.9bn (+25.2%/-18% YoY/QoQ)	consolidated gross/net debt decreased to INR 29.6/20bn	Robust cash flows from RTM inventory in the 360W and Mulund projects. Besides new BD outside MMR to support re-rating	Valuation upside
	Pokhran launch is now expected in Q3FY25 vs Q4FY24	Closing cash balance decreased marginally to INR 9.3bn .		
Prestige	INR 53bn (+111%/-25% YoY/QoQ)	Net debt increased to INR 69.8bn, from INR 69.6bn in Sep-23	Annual BD target of INR 200bn. First NCR launch planned in Q1FY25.	Valuation upside
	Realisation stood at INR 9,755psf (+13%/-6% YoY/QoQ)	Total collections were at INR 31.1bn (+36/+18% YoY/QoQ)		
Phoenix Mills	Retail consumption at INR 32.9bn (+24 YoY). On like to like basis adjusted for trading occupancy rampup, consumption de-grew 1.7% YoY.	Consolidated gross/net debt increased marginally to INR 42.9/22.3bn	New mall addition NAV accretive; robust pre-leasing. Strong BD pipeline	Valuation upside
	Ex-new malls, leased occupancy across malls stable at 98%; trading occupancy improving to 95%+	PHNX generated INR 17.2/4.2bn of CFO during 3QFY24/9MFY24		
Brigade	Presales at INR 15.2bn (+51%/+22% YoY/QoQ)	Consolidated gross/net debt increased t0 INR 43.4/27.7bn (INR 41/25bn as of Sep-23)	Robust business development pipeline, and a healthy balance sheet	Valuation upside
	New launches contributed 50% to the Q3FY24 presales	The projected net free cash flow from sold/unsold units is INR 38bn		
Sobha	Highest-ever quarterly presales at INR 19.5bn (+37%/+13% YoY/QoQ)	Net debt decreased to INR 13.4bn (INR 14.4bn in Q2FY24)	SDL expects to spend INR 2-3bn towards BD in FY24. SDL has launch pipeline of 22.4 msf and is preparing to add 20 msf additionally to the above	Valuation upside
	APR was highest ever at INR 11,732 (+22%/+15%, YoY/QoQ).	OCF from completed & ongoing / Forthcoming projects expected at INR 65bn/INR 56bn resp.		
Mlife	Presales subdued at INR 4.4bn (-1.8%/-2.6% YoY/QoQ)	Residential net debt stood at INR 1.9bn (vs net cash of INR 80mn in Q2FY24)	The total GDV potential of the launches planned for FY24 is INR 25-35bn. MLDL expects to add GDV worth INR 400-500bn	Valuation upside
	The average price realisation was INR 8,358 (13%/25% YoY/QoQ)	IC&IC net debt is at INR 1.3bn (vs INR 2.4bn in Q2FY24)		
Kolte-Patil	Presales was decent at INR 7.5bn (+4%/18% YoY/QoQ	Net cash stood at INR 320mn (INR 490mn net debt in Q2FY24)	Comfortable liquidity position with net cash paves the way for accelerated BD activities	Valuation upside
	APR increased to INR 7,579 per sq. ft. (+19%/+18% YoY/QoQ)	9MFY24 Net OCF stood at INR 2.7bn		

Positive Medium Negative

Disclosure:
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