# India Strategy

**BSE Sensex: 59,842** **Nifty-50: 17,825**

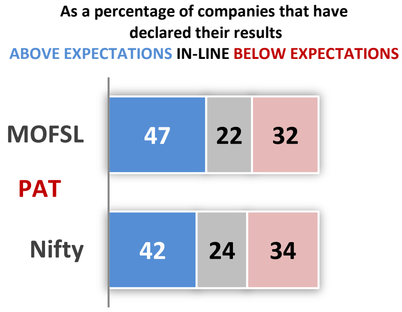


## A miss led by Oil & Gas; Healthy internals and spread of earnings

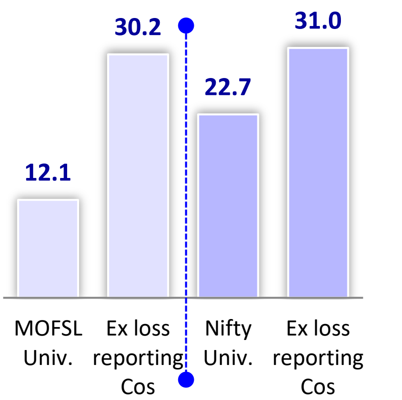
### BFSI leads the show, once again; Cut FY23 Nifty EPS est. by ~3%

- Corporate earnings for Nifty and MOFSL Universe were below our expectation. Miss in heavyweights such as RIL, TTMT and OMCs' like BPCL, HPCL drove the aggregate miss. However, the spread of earnings has been decent, with 68% of the MOFSL Universe either meeting or exceeding our profit expectations. 14 out of 20 sectors have met/beaten expectations. Like in 4QFY22, profit in 1QFY23 was entirely driven by BFSI, aided by a moderation in credit cost. O&G dragged the aggregates while Consumer, Metals and Cement have beaten expectations. Metals, Healthcare, and Cement reported an earnings decline YoY, while IT earnings were flat in 1QFY23.
- The earnings downgrade/upgrade ratio for the MOFSL Universe for FY23 stands balanced as 78 companies have seen upgrades of more than 3%, while 79 companies have been downgrades of over 3%.
- Profit for the MOFSL Universe grew 12% YoY (est. 20%). ***Excluding BFSI, profit has been flat YoY (est. 13%).*** Excluding Metals and O&G, profit has grown by 35% YoY (est. 40%). EBITDA margin for the MOFSL Universe (excluding Financials) contracted by 490bp YoY to 14.2%.
- Profit for Nifty rose 23% YoY (est. 31%), led by BFSI. Excluding BFSI, profit grew 18% YoY (est. 28%). Heavyweights, such as RIL, TTMT, SBIN, HDFC, and BPCL posted a weaker-than-expected performance, thus weighing on the Nifty's earnings. On a three year basis, over 1QFY20-1QFY23, MOSL/Nifty earnings have posted a 16%/20% CAGR.
- 11 companies from the MOFSL Universe posted a loss in 1QFY23. Excluding the same, profit grew 30%. Among Nifty constituents, TTMT and BPCL posted a loss. Excluding the same, profits for Nifty has grown by 31% (est. 34%).
- Of the 20 sectors that we track, eight/six/six posted a profit that was above/ inline/below our estimate. Of the 215 companies under our coverage, 100 exceeded estimates, 68 delivered a miss, and 47 were in line on the PAT front.
- BFSI accounted for the entire incremental profits YoY for the MOFSL Universe in 1QFY23. EBIDTA and PAT growth for the MOFSL Universe was the slowest since Sep'20.
- **Cut our Nifty FY23 EPS estimate by 2.7%:** We have cut our FY23 Nifty EPS estimate by 2.7% to INR843 (earlier: INR866) due to notable earnings downgrades in ONGC, RIL, BPCL, and TTMT. We now expect the Nifty EPS to grow by 15%/18% in FY23/ FY24.
- **Key sectoral highlights:** 1) **Technology:** 1QFY23 was marginally below our estimate, with eight out of the 13 companies reporting a PAT growth that was inline/above our estimate. Attrition inched up across the industry and remains a near-term concern. 2) **Private Banks:** Loan growth has been strong, propelled by a recovery in the Corporate portfolio, while growth in Retail, Business Banking, and SME segments continued to shine. 3) **NBFCs:** Momentum across Vehicle and Mortgages remained strong. Margin impact hasn't reflected yet, while an improvement (or stability) in asset quality in a seasonally weak quarter was hearening. 4) **Consumer:** Price hikes continue to drive revenue growth as volume growth remains muted. Even as high inflation led to a tightening of consumer wallets, discretionary demand remained strong. 5) **Automobiles:** The quarter under review was a mixed bag, with a recovery in volumes across segments on a low base of 1QFY22, aided by an improvement in the supply of semiconductors. 6) **Oil and Gas:** While GRMs were very strong for OMCs, it was offset by higher

**1QFY23: Expectations v/s delivery**




**1QFY23: PAT growth YoY (%)**

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losses in marketing margin. Hence, companies reported higher losses in 1QFY23. RIL's earrings came in below our estimate, with the lower-than-estimated standalone O2C performance leading to the 10% miss each in EBITDA/PAT.

- **The top earnings upgrades in FY23E:** COAL (21%), TATA (13%), HNDL (11%), UTCEM (8%), and UPL (8%).
- **The top earnings downgrades in FY23E:** BPCL (-70%), TTMT (-62%), ONGC (-21%), APHS (-17%), and SRCM (-15%).
- **Our view:** Corporate earnings in 1QFY23, were a miss after several quarters, with some heavyweights from cyclical sectors driving the aggregate miss even as spread of the earnings and accompanying corporate commentary was good. Good monsoons and a normal festive season after two years should augur well for Consumption oriented sectors. However, the growth is still lopsided and is being led by BFSI. As the benefit of the recent moderation in commodity cost starts to accrue in 2HFY23E, we expect other sectors like Consumer, Autos and Cement to contribute too. The market has bounced back smartly in the last one-and-a-half month, wiping out its entire decline YTD. The Nifty is now trading ~2% higher YTD and is strongly outperforming global markets, despite a sharp FII selling from Oct'21 to Jun'22. With this rally, the Nifty now trades at 21x FY23E EPS, comfortably above its LPA, and offers limited upside in the near term, in our view. The upside from here on will be a function of stability in global and local macros, and continued earnings delivery v/s our expectations. In our model portfolio, we maintain our OW stance on BFSI, IT, Consumer, Telecom and Auto with UW/Neutral stance on Energy/Metals/Healthcare .

**Exhibit 1: Preferred ideas**

| Company | MCap | CMP | EPS (INR) | | | EPS CAGR (%) | PE (x) | | | PB (x) | | | ROE (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (USDb) | (INR) | FY22 | FY23E | FY24E | FY22-24 | FY22 | FY23E | FY24E | FY22 | FY23E | FY24E | FY22 | FY23E | FY24E |
| **Preferred large cap stocks** | | | | | | | | | | | | | | | |
| Reliance Inds. | 209.5 | 2,633 | 86.4 | 116.1 | 118.3 | 17.0 | 30.5 | 22.7 | 22.3 | 2.2 | 2.0 | 1.8 | 7.9 | 9.6 | 9.0 |
| Infosys | 91.5 | 1,595 | 52.4 | 57.5 | 67.6 | 13.6 | 30.4 | 27.8 | 23.6 | 8.9 | 8.5 | 8.2 | 29.2 | 31.4 | 35.4 |
| Hind. Unilever | 76.6 | 2,595 | 37.7 | 41.4 | 47.9 | 12.8 | 68.9 | 62.6 | 54.1 | 12.5 | 12.9 | 13.3 | 18.4 | 20.3 | 24.2 |
| ICICI Bank | 76.4 | 875 | 33.7 | 42.3 | 51.3 | 23.4 | 26.0 | 20.7 | 17.1 | 3.6 | 3.1 | 2.6 | 15.0 | 16.2 | 16.8 |
| State Bank | 59.5 | 531 | 39.6 | 50.6 | 67.3 | 30.3 | 13.4 | 10.5 | 7.9 | 1.6 | 1.4 | 1.2 | 13.0 | 14.7 | 17.0 |
| Bharti Airtel | 52.4 | 710 | 5.6 | 12.2 | 18.2 | 80.4 | 127.0 | 58.4 | 39.0 | 6.0 | 4.5 | 4.0 | 5.0 | 8.7 | 10.8 |
| ITC | 47.5 | 308 | 12.2 | 14.5 | 16.4 | 15.8 | 25.2 | 21.3 | 18.8 | 6.2 | 5.9 | 5.5 | 25.0 | 28.4 | 30.2 |
| Maruti Suzuki | 33.0 | 8,699 | 128.3 | 230.0 | 377.3 | 71.5 | 67.8 | 37.8 | 23.1 | 4.9 | 4.4 | 3.9 | 7.0 | 11.6 | 17.0 |
| Titan Company | 27.6 | 2,472 | 26.2 | 34.6 | 41.9 | 26.4 | 94.3 | 71.4 | 59.0 | 23.5 | 19.9 | 16.3 | 27.7 | 30.2 | 30.5 |
| Ultratech Cement | 23.8 | 6,569 | 196.3 | 178.4 | 223.3 | 6.7 | 33.5 | 36.8 | 29.4 | 3.8 | 3.5 | 3.2 | 12.0 | 9.8 | 11.3 |
| Hindalco | 12.3 | 436 | 61.3 | 49.7 | 53.8 | -6.3 | 7.1 | 8.8 | 8.1 | 1.8 | 1.5 | 1.3 | 28.0 | 18.8 | 17.5 |
| Apollo Hospitals | 7.5 | 4,310 | 68.1 | 62.7 | 94.0 | 17.5 | 63.3 | 68.7 | 45.9 | 10.6 | 9.1 | 7.6 | 19.1 | 14.7 | 18.6 |
| **Preferred midcap/smallcap stocks** | | | | | | | | | | | | | | | |
| Macrotech Developers | 6.6 | 1,095 | 25.0 | 29.8 | 45.2 | 34.6 | 43.9 | 36.8 | 24.2 | 4.4 | 3.9 | 3.5 | 14.4 | 11.2 | 15.1 |
| Ashok Leyland | 5.4 | 147 | 0.1 | 3.1 | 7.2 | 728.0 | N.A. | 47.1 | 20.3 | 5.9 | 5.6 | 4.7 | 0.4 | 12.2 | 25.2 |
| Jubilant Foodworks | 4.8 | 574 | 6.6 | 7.9 | 10.1 | 23.5 | 87.0 | 72.7 | 57.0 | 19.5 | 17.9 | 15.2 | 22.4 | 24.7 | 26.7 |
| Clean Science | 2.2 | 1,622 | 21.5 | 30.6 | 41.5 | 38.8 | 75.4 | 53.0 | 39.1 | 22.4 | 16.5 | 12.1 | 34.9 | 35.9 | 35.7 |
| M & M Financial | 1.5 | 197 | 8.0 | 11.8 | 13.1 | 27.6 | 24.6 | 16.7 | 15.1 | 1.6 | 1.5 | 1.4 | 6.6 | 9.3 | 9.7 |
| Angel One | 1.3 | 1,281 | 75.4 | 86.7 | 97.9 | 13.9 | 17.0 | 14.8 | 13.1 | 6.7 | 5.2 | 4.1 | 46.0 | 39.5 | 35.0 |
| Lemon Tree Hotel | 0.7 | 75 | -1.0 | 1.1 | 1.6 | LP | NA | 71.1 | 45.8 | 7.0 | 6.4 | 5.6 | -8.7 | 9.4 | 13.1 |
| VRL Logistics | 0.7 | 620 | 18.1 | 24.0 | 28.4 | 25.1 | 34.2 | 25.9 | 21.9 | 8.4 | 6.8 | 5.4 | 25.6 | 28.9 | 27.6 |

Note: LP = Loss to profit

## BFSI led the earnings growth; global cyclicals drag

- The MOFSL Universe reported a sales/EBITDA/PBT/PAT growth of 42%/5%/13%/ 12% YoY (est. 42%/7%/20%/20%). Excluding Metals and O&G, profit for the MOFSL Universe grew 35% (est. 40%).
- Earnings came in below our estimate dragged by O&G. The adverse impact of higher commodity and energy prices has impaired gross margin across sectors.
- Earnings of Private Banks were above our estimate as loan growth has been strong over 1QFY23, propelled by a recovery in the Corporate portfolio, while growth in Retail, Business Banking, and SME segments continued to shine.
- BFSI accounted for 99% (or INR177b) of the incremental profit of INR179b for the MOFSL Universe in 1QFY23. EBIDTA and PAT growth for the MOFSL Universe was the slowest since Sep'20.
- EBITDA margin for the MOFSL Universe, excluding Financials, contracted 490bp YoY to 14.2% (est. 14.4%). Major sectors saw a margin contraction on a QoQ and YoY basis. Telecom, Oil and Gas, and Automobiles saw a margin contraction of more than 250bp.

**Exhibit 2: BFSI performance stands out; Oil and Gas, Metals, Healthcare, and Cement drag**

| Sector | Sales | | | | EBIDTA | | | | PBT | | | | PAT | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (no of companies) | Jun-22 | Chg. % QoQ | Chg. % YoY | Var. over Exp. % | Jun-22 | Chg. % QoQ | Chg. % YoY | Var. over Exp. % | Jun-22 | Chg. % QoQ | Chg. % YoY | Var. over Exp. % | Jun-22 | Chg. % QoQ | Chg. % YoY | Var. over Exp. % |
| Automobiles (23) | 2,087 | 0 | 28 | 3 | 172 | -26 | 12 | -16 | 52 | -56 | 16 | -38 | 13 | -85 | 66 | -78 |
| Cement (11) | 475 | 1 | 33 | 5 | 81 | 0 | -11 | 9 | 60 | 4 | -15 | 8 | 44 | 8 | -13 | 9 |
| Chemicals-Spec. (9) | 76 | 10 | 41 | 5 | 15 | 5 | 16 | 11 | 14 | 7 | 17 | 14 | 10 | 8 | 17 | 15 |
| Consumer (18) | 765 | 11 | 32 | 8 | 171 | 9 | 32 | 5 | 160 | 7 | 33 | 3 | 120 | 5 | 35 | 4 |
| Financials (41) | 1,839 | -9 | 16 | -2 | 1,016 | -10 | -2 | -6 | 693 | -8 | 46 | 3 | 537 | -8 | 49 | 3 |
| Banks-Private (12) | 591 | 4 | 18 | 0 | 432 | -6 | 3 | -4 | 355 | -7 | 49 | 5 | 267 | -8 | 48 | 6 |
| Banks-PSU (6) | 665 | 2 | 11 | -2 | 383 | -15 | -15 | -6 | 182 | -9 | 10 | 3 | 133 | -12 | 9 | 3 |
| Insurance (5) | 338 | -38 | 20 | -4 | 11 | -61 | LP | -59 | 11 | -4 | 2,356 | 6 | 11 | -15 | 426 | 5 |
| NBFC (18) | 247 | 2 | 18 | 0 | 191 | -1 | 13 | -1 | 146 | -9 | 104 | -1 | 125 | 1 | 127 | -1 |
| Healthcare (23) | 620 | 2 | 4 | 2 | 121 | 1 | -12 | 1 | 95 | -7 | -15 | -3 | 72 | -1 | -17 | -3 |
| Infrastructure (4) | 68 | 8 | 23 | 18 | 19 | 32 | 42 | 41 | 12 | 24 | 89 | 90 | 9 | 20 | 98 | 98 |
| Logistics (5) | 61 | 4 | 31 | 3 | 9 | 2 | 42 | 1 | 7 | 3 | 64 | 3 | 5 | 1 | 67 | 4 |
| Media (3) | 40 | 10 | 52 | 2 | 12 | 21 | 65 | -3 | 9 | 13 | 53 | -5 | 7 | 29 | 44 | -9 |
| Metals (10) | 2,883 | -7 | 29 | 6 | 638 | -14 | -4 | 11 | 494 | -13 | -6 | 15 | 334 | -18 | -11 | 10 |
| Oil & Gas (15) | 8,252 | 18 | 75 | -4 | 638 | -22 | 6 | -9 | 370 | -38 | -11 | -31 | 241 | -46 | -20 | -31 |
| Ex OMCs (12) | 3,654 | 14 | 74 | -2 | 789 | 28 | 85 | -4 | 608 | 35 | 107 | -8 | 426 | 23 | 107 | -11 |
| Real Estate (4) | 53 | -26 | 69 | 17 | 14 | -27 | 63 | -9 | 13 | -31 | 88 | -15 | 13 | -14 | 128 | -9 |
| Retail (12) | 292 | 20 | 139 | -3 | 40 | 36 | 927 | -1 | 26 | 51 | LP | -3 | 19 | 38 | LP | -3 |
| Staffing (3) | 85 | 3 | 27 | 0 | 3 | -14 | 6 | -4 | 2 | -15 | 11 | -4 | 2 | -14 | 65 | 11 |
| Technology (13) | 1,640 | 5 | 20 | 1 | 356 | -3 | 6 | -2 | 326 | -4 | 3 | -4 | 242 | -8 | 1 | -5 |
| Telecom (4) | 544 | 2 | 16 | 1 | 242 | -6 | 14 | -7 | -24 | PL | Loss | PL | -48 | Loss | Loss | Loss |
| Others (17) | 504 | 6 | 65 | 9 | 78 | 7 | 112 | 14 | 40 | 18 | LP | 24 | 30 | 18 | LP | 41 |
| **MOFSL Universe (215)** | **20,284** | **6** | **42** | **0** | **3,627** | **-11** | **5** | **-2** | **2,350** | **-16** | **13** | **-6** | **1,650** | **-20** | **12** | **-7** |
| **Nifty (50)** | **12,354** | **1** | **35** | **0** | **2,860** | **-7** | **14** | **-4** | **1,942** | **-8** | **23** | **-5** | **1,380** | **-13** | **23** | **-6** |
| **Sensex (30)** | **7,835** | **1** | **32** | **0** | **2,219** | **-4** | **12** | **-5** | **1,558** | **-4** | **25** | **-4** | **1,122** | **-8** | **24** | **-5** |

LP: Loss to profit

**Exhibit 3: Corporate earnings for MOFSL and Nifty universe at a glance**

| | PAT (INR b) | Growth (%) | | | |
|---|---|---|---|---|---|
| **Sector** | **Jun-22** | **est YoY** | **actual YoY** | **Var. over Exp. (%)** | **Vs Exp** |
| MOFSL Universe (215) | 1,650 | 20 | 12 | -7 | Below |
| MOFSL Ex OMCs (212) | 1,835 | 38 | 33 | -3 | In Line |
| MOFSL Ex Metals & Oil (190) | 1,076 | 40 | 35 | -4 | In Line |
| MOFSL Ex Financials (174) | 1,114 | 13 | 0 | -11 | Below |
| Nifty (50) | 1,380 | 31 | 23 | -6 | Below |
| Nifty Ex OMCs (49) | 1,443 | 38 | 30 | -5 | Below |
| Nifty Ex Metals & Oil (43) | 896 | 29 | 22 | -5 | In Line |
| Nifty Ex Financials (39) | 991 | 28 | 18 | -8 | Below |
| Nifty Ex loss making companies (48)** | 1,508 | 34 | 31 | -2 | In Line |
| **MOFSL Ex Nifty companies** | **398** | **-5** | **-11** | **-6** | **Below** |

**BPCL and TAMO posted losses in Nifty

**Exhibit 4: PAT growth for MOFSL Universe at 12% YoY**

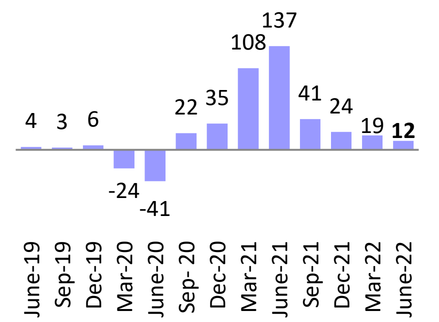



**Exhibit 5: Flat YoY PAT growth for MOFSL Universe, excluding Financials**

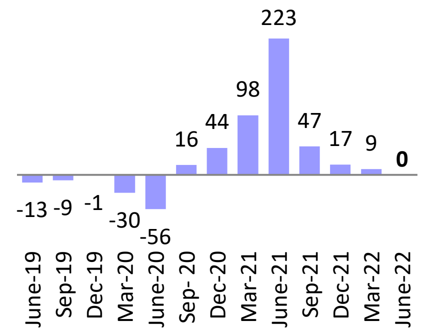



**Exhibit 6: PAT for MOFSL Universe grew 35% YoY, sans Metals and O&G**

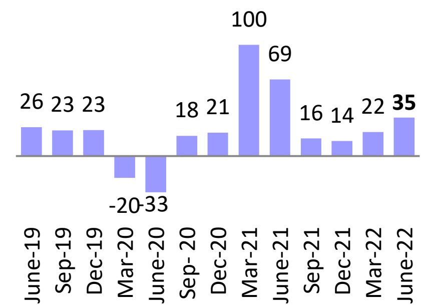



**Exhibit 7: PAT growth for the Nifty Universe at 23% YoY**

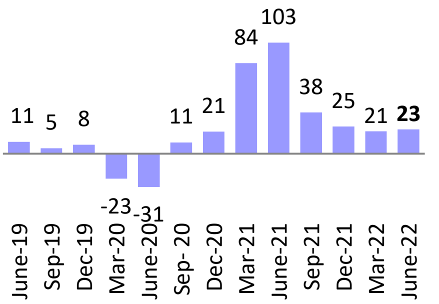



**Exhibit 8: PAT growth for the Nifty Universe, sans Financials, at 18% YoY**

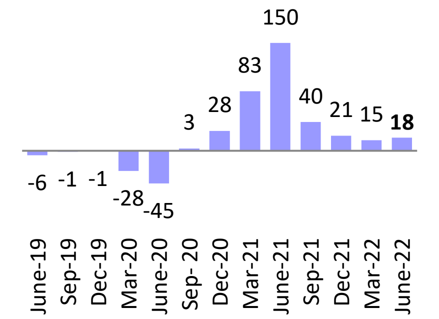
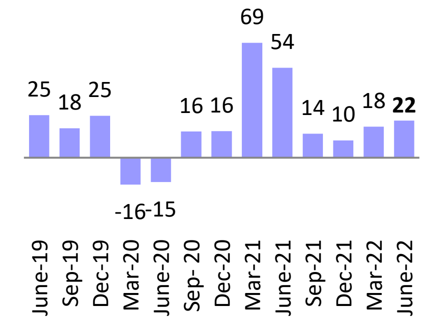


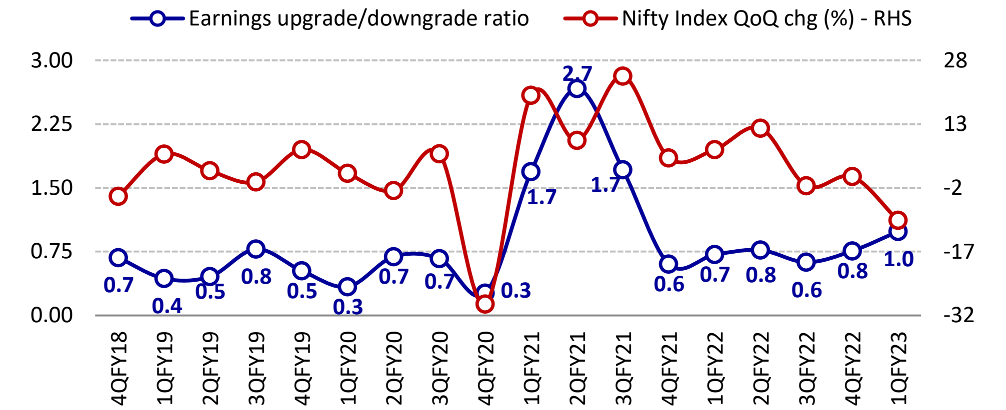

**Exhibit 9: PAT grew 22% YoY for the Nifty Universe, sans Metals and O&G**



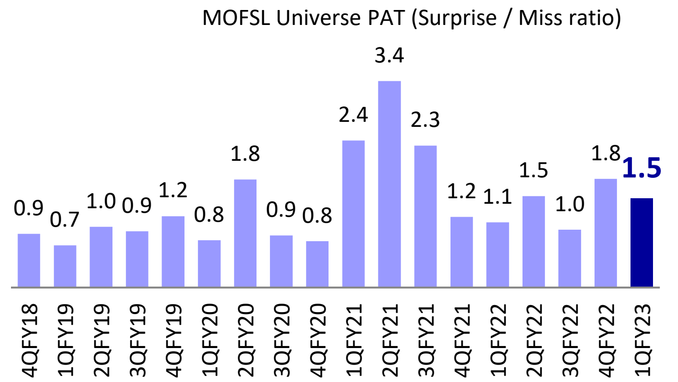

## Earnings downgrade/upgrade ratio balanced for the MOFSL Universe

- The earnings downgrade/upgrade ratio for the MOFSL Universe for FY23 stands balanced as 78 companies have seen upgrades of more than 3%, while 79 companies have been downgrades of over 3%.
- The spread of earnings has been decent, with 68% of the MOFSL Universe either meeting or exceeding our profit expectations. Of the 215 companies under our coverage, 100 exceeded estimates, 68 delivered a miss, and 47 were in line on the PAT front.
- Of the 20 sectors that we track, eight/six/six posted a profit that was above/inline/below our estimate.

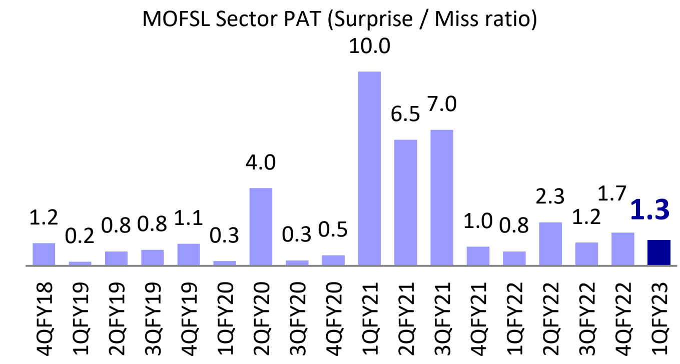
### Exhibit 10: Upgrade/downgrade ratio trend for the MOFSL Universe v/s change in the Nifty




### Exhibit 11: Surprise/miss ratio for the MOFSL Universe at 1.5x in 1QFY23




### Exhibit 12: Sectoral surprise/miss ratio at 1.3x for the MOFSL Universe in 1QFY23




### Exhibit 13: Low base of 1QFY21 drives 63% two-year profit CAGR for MOSL Universe over 1QFY21–1QFY23

| | EBIDTA (INR b) | | | Two-year | PBT (INR b) | | | Two-year | PAT (INR b) | | | Two-year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sector** | **1QFY21** | **1QFY22** | **1QFY23** | **CAGR (%)** | **1QFY21** | **1QFY22** | **1QFY23** | **CAGR (%)** | **1QFY21** | **1QFY22** | **1QFY23** | **CAGR (%)** |
| Automobiles | 10 | 153 | 172 | 306 | -79 | 45 | 52 | LP | -95 | 8 | 13 | LP |
| Cement | 53 | 91 | 81 | 24 | 32 | 70 | 60 | 37 | 23 | 50 | 44 | 39 |
| Chemicals – Specialty | 8 | 13 | 15 | 38 | 7 | 12 | 14 | 39 | 5 | 9 | 10 | 40 |
| Consumer | 99 | 130 | 171 | 32 | 93 | 120 | 160 | 31 | 70 | 89 | 120 | 31 |
| Financials | 953 | 1038 | 1016 | 3 | 355 | 476 | 693 | 40 | 277 | 360 | 537 | 39 |
| Banks – Private | 400 | 420 | 432 | 4 | 182 | 238 | 355 | 39 | 139 | 180 | 267 | 38 |
| Banks – PSU | 385 | 451 | 383 | 0 | 64 | 166 | 182 | 69 | 47 | 123 | 133 | 68 |
| Insurance | 16 | -1 | 11 | -19 | 14 | 0 | 11 | -11 | 14 | 2 | 11 | -13 |
| NBFC | 152 | 168 | 191 | 12 | 95 | 71 | 146 | 24 | 76 | 55 | 125 | 29 |
| Healthcare | 120 | 138 | 121 | 1 | 92 | 112 | 95 | 2 | 68 | 87 | 72 | 3 |
| Infrastructure | 8 | 13 | 19 | 52 | 3 | 7 | 12 | 95 | 1 | 4 | 9 | 144 |
| Logistics | 0 | 7 | 9 | 418 | -2 | 4 | 7 | LP | -1 | 3 | 5 | LP |
| Media | 5 | 7 | 12 | 58 | 2 | 6 | 9 | 129 | 2 | 5 | 7 | 68 |
| Metals | 147 | 665 | 638 | 108 | 14 | 526 | 494 | 501 | -13 | 373 | 334 | LP |
| Oil and Gas | 387 | 603 | 638 | 28 | 191 | 416 | 370 | 39 | 162 | 301 | 241 | 22 |
| Real Estate | 0 | 8 | 14 | LP | -4 | 7 | 13 | LP | -2 | 6 | 13 | LP |
| Retail | -3 | 4 | 40 | LP | -12 | -7 | 26 | LP | -8 | -5 | 19 | LP |
| Staffing | 3 | 3 | 3 | 4 | 1 | 2 | 2 | 24 | 1 | 1 | 2 | 61 |
| Technology | 274 | 337 | 356 | 14 | 254 | 317 | 326 | 13 | 189 | 239 | 242 | 13 |
| Telecom | 186 | 212 | 242 | 14 | -33 | -35 | -24 | Loss | -46 | -55 | -48 | Loss |
| Others | 23 | 37 | 78 | 83 | -7 | -1 | 40 | LP | -13 | -3 | 30 | LP |
| **MOFSL Universe** | **2273** | **3459** | **3627** | **26** | **907** | **2077** | **2350** | **61** | **621** | **1472** | **1650** | **63** |

**Exhibit 14: Sales for the MOFSL Universe up 42% YoY (inline)**

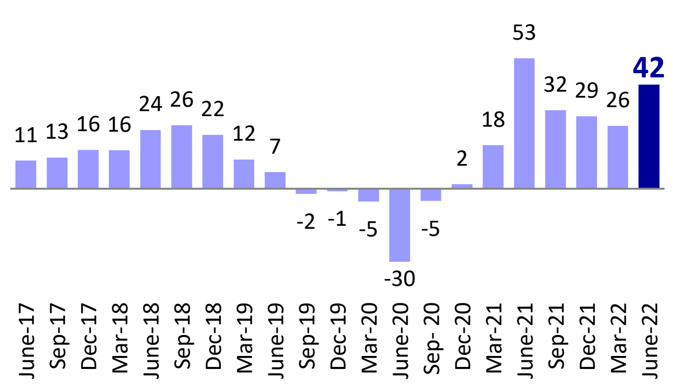



**Exhibit 15: EBITDA for MOFSL Universe up 5% YoY (est. 7%)**

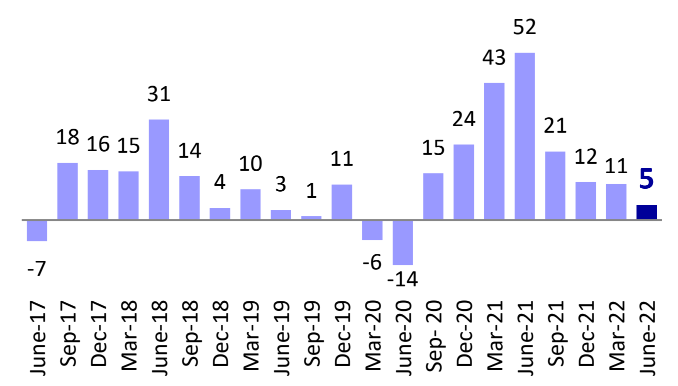



**Exhibit 16: PAT growth for the MOFSL Universe at 12% YoY, below our estimate of 20% growth**

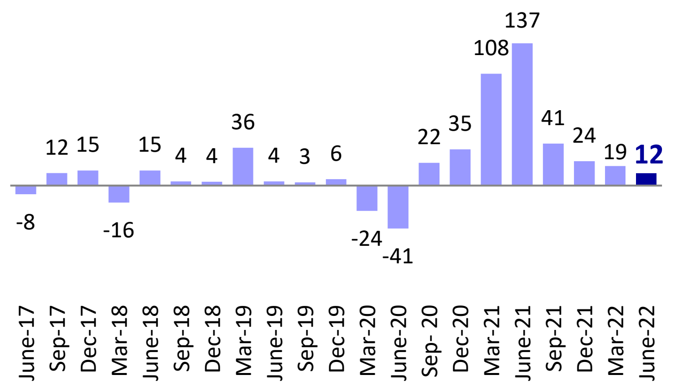



**Exhibit 17: EBITDA margin, excluding Financials, declines 490bp YoY to 14.2%**

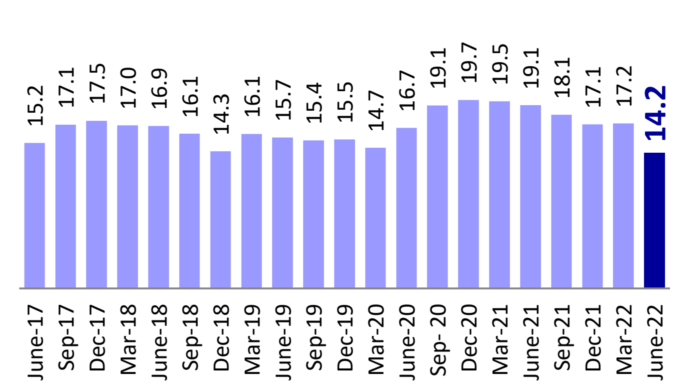



**Exhibit 18: MOSL Universe-ex-Nifty post a 11% YoY decline in profits on a high base**

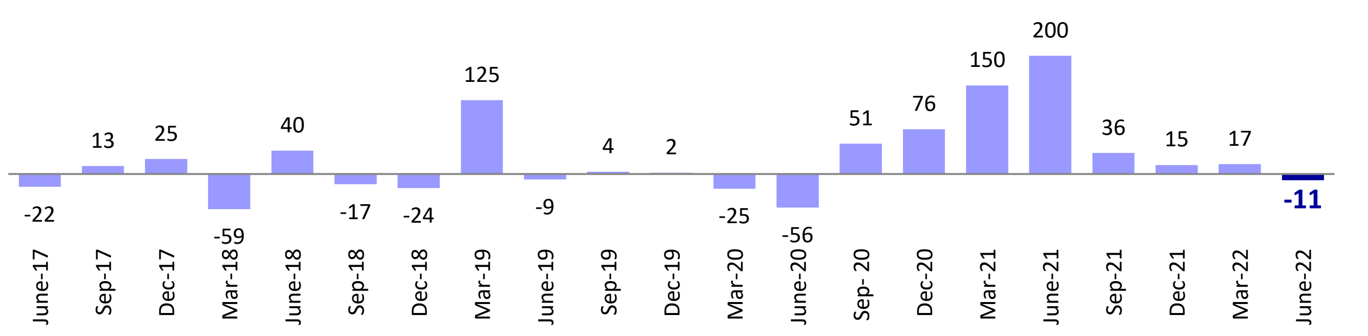



**Exhibit 19: YoY sales growth for the MOFSL Universe, excluding Nifty companies**

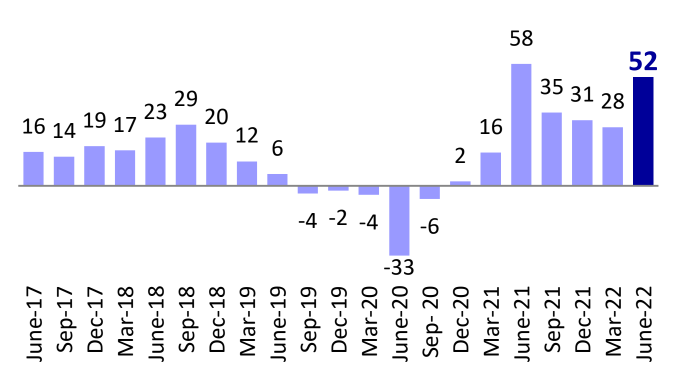
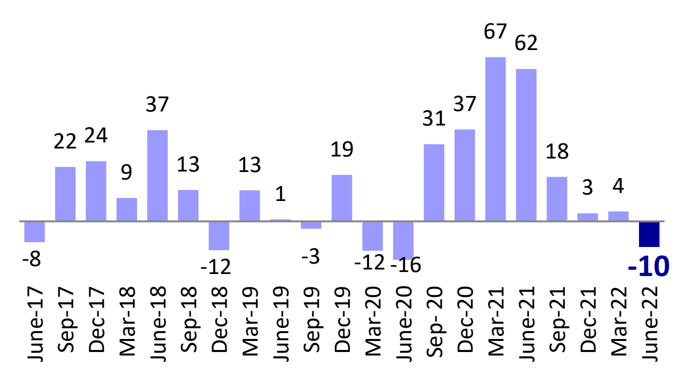



**Exhibit 20: YoY EBIDTA growth for the MOFSL Universe, excluding Nifty companies**



## Sectoral performance: Broad-based margin contraction

- Sales for the MOFSL Universe grew 42% YoY. Excluding Metals and O&G, sales growth stood at 25% YoY (est. 23%).
- Retail, Oil and Gas, Real Estate, Media, Specialty Chemicals, Cement, Consumer, and Metals posted a sales growth of 139%, 75%, 69%, 52%, 41%, 33%, 32%, and 29% YoY, respectively.
- However, gross margin for most sectors contracted sharply. In 1QFY23, 11 out of the 14 major sectors under MOFSL's coverage saw a decline in gross margin YoY. Cement, Oil and Gas, Metals, Specialty Chemicals, Automobiles, and Technology reported gross margin declines of 1,131bp, 750bp, 652bp, 434bp, 344bp, and 277bp YoY, respectively.
- EBITDA for MOFSL Universe grew 5% YoY (est. 7%). EBITDA margin, excluding Financials, dipped 490bp YoY to 14.2% (est. 14.4%).
- PAT for our MOFSL Universe rose 12% YoY, led by BFSI (49% YoY) & Consumer (35%). Profits for MOFSL Universe ex-BFSI were flat YoY. Excluding BFSI, Metals, and O&G, the earnings growth for the MOFSL Universe stood at 23% YoY (est. 37%).

**Exhibit 21: Sharp across-the-board contraction in gross margin in 1QFY23**

| Sector | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | Change in GM bps YoY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cement | 61.7 | 60.6 | 60.0 | 63.5 | 64.9 | 64.6 | 63.7 | 63.7 | 65.7 | 61.6 | 56.6 | 55.3 | 54.4 | -1,131 |
| O&G | 21.4 | 23.1 | 21.8 | 21.0 | 33.0 | 28.3 | 25.6 | 25.1 | 24.3 | 22.6 | 20.5 | 21.8 | 16.8 | -750 |
| Metals | 63.0 | 60.0 | 59.6 | 67.5 | 62.2 | 60.8 | 65.8 | 67.9 | 66.5 | 63.3 | 61.3 | 58.5 | 60.0 | -652 |
| Specialty Chem. | 46.2 | 47.5 | 46.3 | 47.0 | 49.6 | 49.3 | 47.7 | 47.5 | 44.9 | 39.9 | 40.9 | 42.3 | 40.6 | -434 |
| Autos | 34.6 | 36.6 | 34.9 | 35.2 | 36.9 | 35.8 | 34.9 | 33.8 | 34.0 | 31.5 | 32.4 | 31.9 | 30.6 | -344 |
| Technology | 34.6 | 35.1 | 35.6 | 35.8 | 35.1 | 36.7 | 37.6 | 36.4 | 35.7 | 35.4 | 35.0 | 34.4 | 32.9 | -277 |
| Consumer | 53.5 | 53.5 | 53.3 | 53.8 | 51.4 | 52.3 | 52.4 | 50.9 | 48.9 | 49.4 | 48.5 | 48.6 | 46.8 | -218 |
| Logistics | 31.7 | 32.4 | 30.9 | 32.1 | 31.0 | 33.2 | 32.9 | 32.7 | 32.7 | 33.0 | 32.6 | 33.2 | 31.1 | -159 |
| Others | 54.1 | 49.8 | 53.6 | 51.5 | 49.5 | 48.7 | 53.5 | 49.8 | 49.7 | 46.8 | 50.8 | 47.8 | 48.3 | -138 |
| Healthcare | 63.6 | 63.3 | 62.9 | 62.7 | 64.1 | 63.9 | 63.4 | 63.7 | 62.1 | 62.4 | 61.9 | 61.3 | 61.5 | -64 |
| Infra | 44.6 | 42.1 | 39.9 | 40.0 | 46.0 | 44.3 | 40.6 | 39.0 | 37.8 | 42.0 | 42.3 | 35.1 | 39.5 | 166 |
| Retail | 32.9 | 32.9 | 31.6 | 30.9 | 22.3 | 29.7 | 28.9 | 28.3 | 27.3 | 29.8 | 30.7 | 30.1 | 29.9 | 270 |

Source: Like-for-like comparison of 150 companies that form part of the MOFSL Universe, excluding Financials, Telecom, Media, Staffing, and Utilities

**Exhibit 22: Major sectors saw a YoY drop in operating margin**

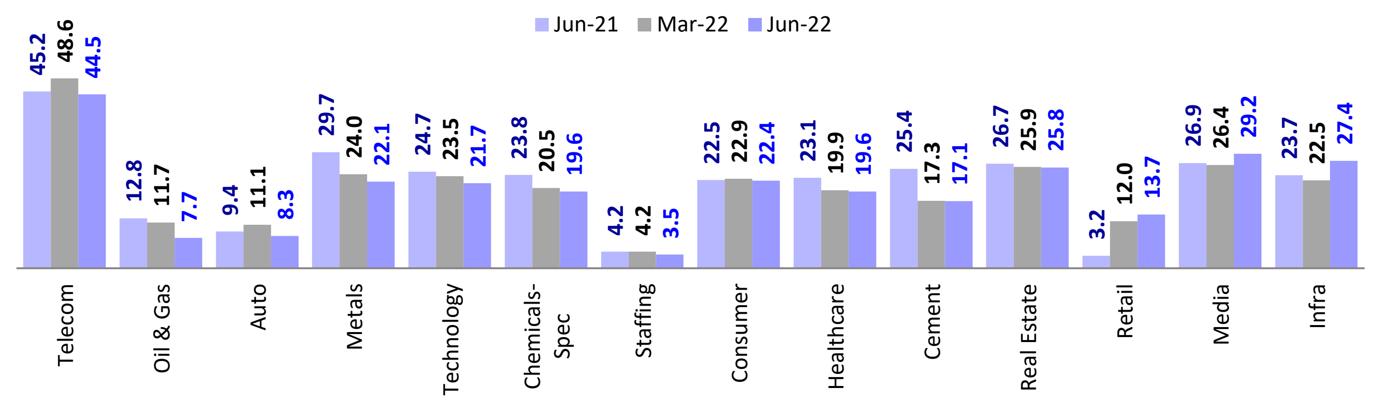


**Exhibit 23: Metals' PAT contribution to the MOFSL Universe stable over the last three quarters…**

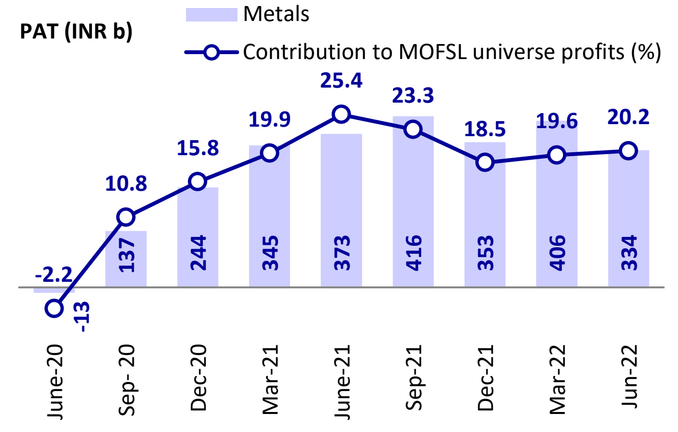



**Exhibit 24: …while the same for O&G declines 11.5pp from Jun'20 to Jun'22, owing to losses in OMCs**

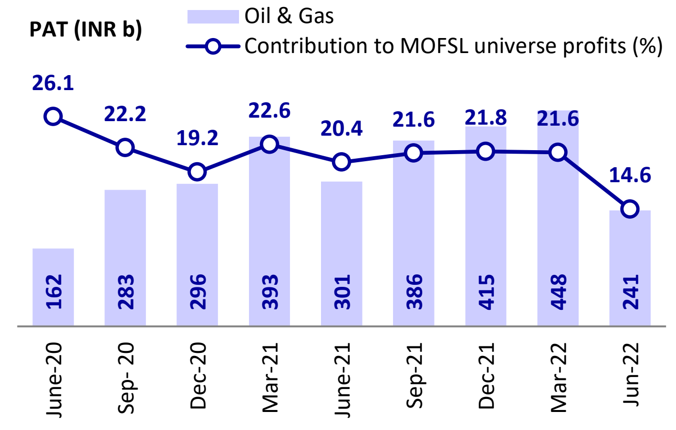



**Exhibit 25: Financials account for 1/3rd of the overall profit pool and steadily picking up**

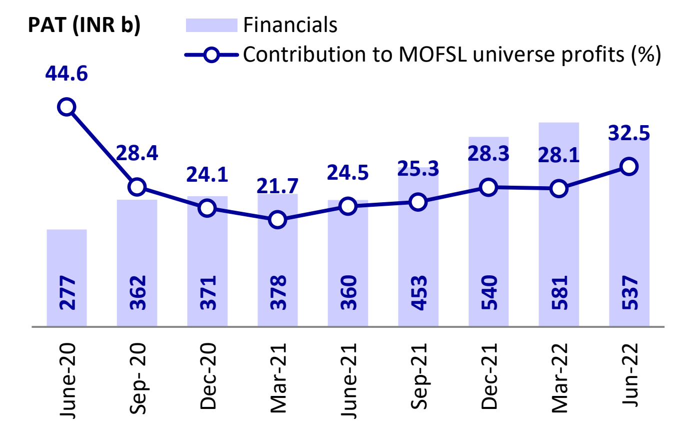



**Exhibit 26: IT sector's contribution to the overall profit pool steady around 13-16%**

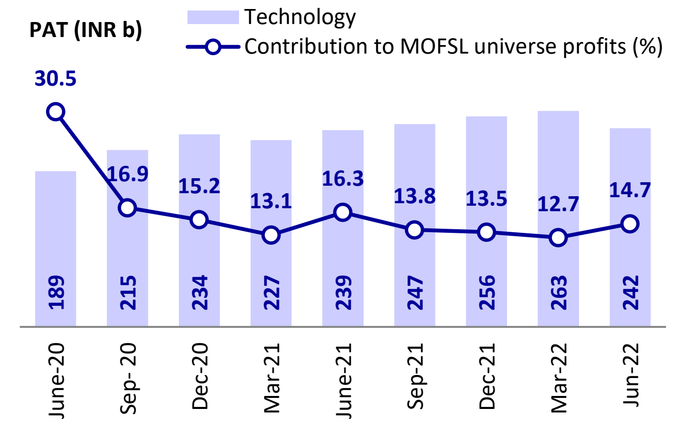



**Exhibit 27: Auto sector's contribution to the overall profit pool drops due to big loss in Tata Motors**

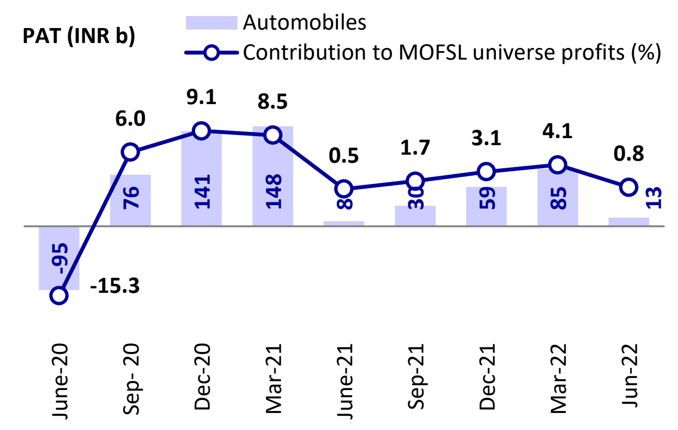
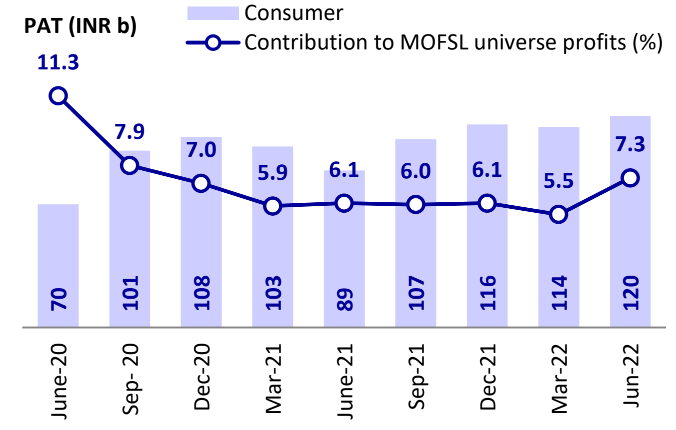



**Exhibit 28: Consumer sector's contribution improves QoQ**



## Performance highlights for Nifty constituents in 1QFY23

### BFSI and O&G account for 74% of incremental profit YoY

- Sales/EBITDA/PBT/PAT growth for Nifty constituents was below our estimate of 35%/19%/29%/31% at 35%/14%/23%/23% YoY in 1QFY23.
- Among Nifty constituents, 42% beat our PAT estimate, while 34% missed.
- Excluding Financials, profit for Nifty constituents rose 18% YoY (est. 28%).
- HNDL, UPLL, SUNP, TATA, BAF, GRASIM, AXSB, BJAUT, UTCEM, EIM, CIPLA, IIB, APNT, APHS, TATACONS, HDFCLIFE, ICICIBC, and MM reported higher-than-estimated earnings. While SRCM, JSTL, RIL, DRRD, SBIN, HMCL, TTAN, WPRO, HDFC, MSIL, BRIT, TECHM, INFO, NEST, and TCS missed our profit estimates.
- Eleven Nifty companies saw an upgrade of over 5% in their FY23 EPS estimate, while nine saw a downgrade of over 5%.

**Exhibit 29: Nifty sales up 35% YoY (est. 35%) in 1QFY23**

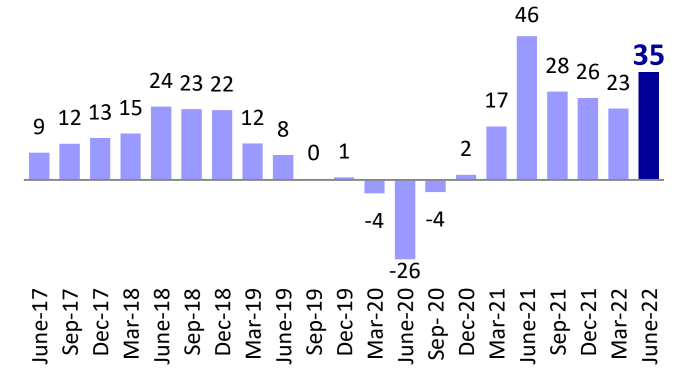



**Exhibit 30: Nifty EBITDA up 14% YoY (est. 19%) in 1QFY23**

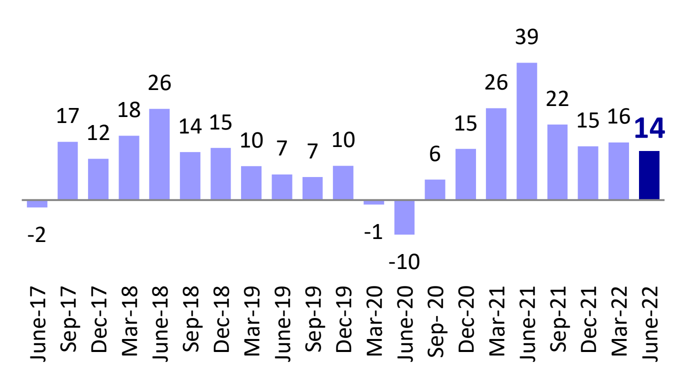



**Exhibit 31: Nifty PAT up 23% (est. 31%) in 1QFY23**

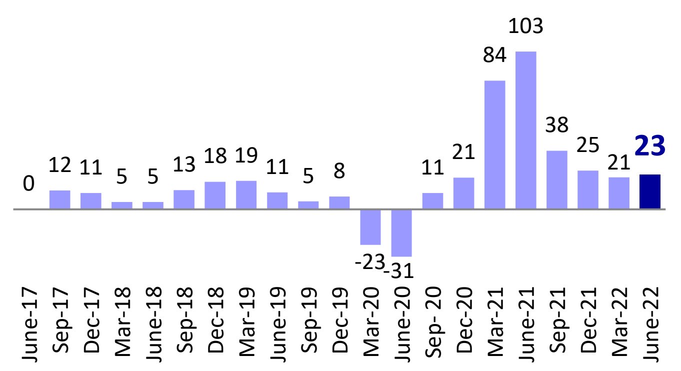



**Exhibit 32: Nifty EBITDA margin (excluding Financials) falls 260bp to 19% YoY in 1QFY23**

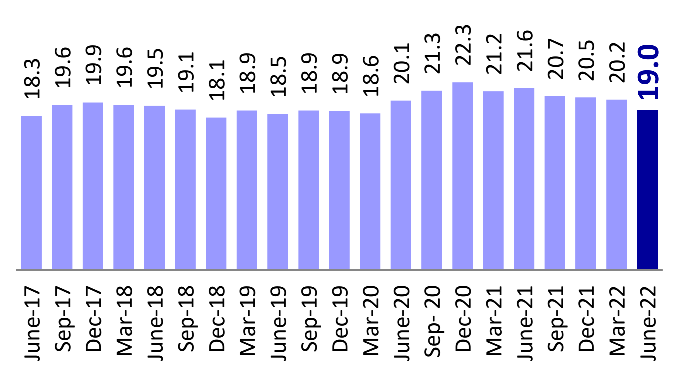


**Exhibit 33: BFSI, Autos, and Consumer to drive earnings for the Nifty in FY23E; Metals to post big decline on a high base**

| Sector | PAT (INR b) | | | | | | Growth YoY (%) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E | FY20 | FY21 | FY22 | FY23E | FY24E |
| Agro Chemicals | 25 | 27 | 35 | 49 | 57 | 61 | 8 | 30 | 40 | 17 | 7 |
| Automobiles | 216 | 103 | 179 | 77 | 281 | 454 | -53 | 74 | -57 | 266 | 62 |
| Banking | 605 | 896 | 1,115 | 1,527 | 1,917 | 2,364 | 48 | 25 | 37 | 26 | 23 |
| Capital Goods | 80 | 89 | 69 | 86 | 111 | 132 | 11 | -22 | 24 | 30 | 19 |
| Cement | 80 | 116 | 123 | 153 | 136 | 154 | 45 | 6 | 25 | -11 | 13 |
| Consumer | 240 | 289 | 292 | 319 | 376 | 438 | 20 | 1 | 9 | 18 | 17 |
| Healthcare | 84 | 93 | 129 | 172 | 188 | 222 | 10 | 38 | 33 | 10 | 18 |
| Infrastructure | 45 | 53 | 44 | 60 | 81 | 95 | 18 | -17 | 36 | 36 | 17 |
| Metals | 233 | 71 | 215 | 745 | 469 | 520 | -70 | 203 | 246 | -37 | 11 |
| Oil and Gas | 832 | 649 | 776 | 1,205 | 1,395 | 1,637 | -22 | 20 | 55 | 16 | 17 |
| Retail | 14 | 15 | 10 | 23 | 31 | 37 | 9 | -35 | 138 | 32 | 21 |
| Technology | 711 | 741 | 792 | 919 | 984 | 1,128 | 4 | 7 | 16 | 7 | 15 |
| Telecom | -35 | -41 | -7 | 31 | 68 | 102 | Loss | Loss | LP | 117 | 50 |
| Utilities | 387 | 411 | 404 | 481 | 593 | 554 | 6 | -2 | 19 | 23 | -7 |
| **Nifty** | **3,517** | **3,511** | **4,175** | **5,847** | **6,686** | **7,896** | **0** | **19** | **40** | **14** | **18** |

**Exhibit 34: Sectoral upgrades/downgrades for the MOFSL Universe**

| Sector | PAT (INR b) – preview | | PAT (INR b) – review | | Upgrade/downgrade (%) | | Growth YoY (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E | FY22 | FY23E | FY24E |
| Automobiles | 468 | 673 | 436 | 681 | -6.8 | 1.2 | -30 | 124 | 56 |
| Cement | 185 | 224 | 185 | 224 | -0.1 | -0.1 | 17 | -17 | 21 |
| Chemicals – Specialty | 41 | 48 | 42 | 48 | 2.6 | 0.7 | 16 | 23 | 14 |
| Consumer | 486 | 568 | 498 | 591 | 2.5 | 4.1 | 12 | 17 | 19 |
| Financials | 2,546 | 3,183 | 2,582 | 3,219 | 1.4 | 1.1 | 38 | 30 | 25 |
| Banks – Private | 1,232 | 1,531 | 1,245 | 1,523 | 1.1 | -0.6 | 29 | 30 | 22 |
| Banks – PSU | 771 | 1,019 | 793 | 1,064 | 2.9 | 4.5 | 81 | 30 | 34 |
| Insurance | 54 | 65 | 52 | 63 | -2.9 | -3.3 | -12 | 86 | 21 |
| NBFC | 489 | 568 | 491 | 569 | 0.4 | 0.2 | 20 | 23 | 16 |
| Healthcare | 371 | 444 | 350 | 433 | -5.6 | -2.5 | 6 | 5 | 24 |
| Infrastructure | 22 | 27 | 24 | 28 | 12.2 | 5.6 | 25 | 25 | 16 |
| Logistics | 24 | 29 | 25 | 30 | 3.0 | 3.8 | 105 | 27 | 21 |
| Media | 32 | 37 | 32 | 38 | -1.3 | 3.3 | 14 | 42 | 18 |
| Metals | 1,044 | 1,145 | 1,154 | 1,237 | 10.5 | 8.0 | 117 | -25 | 7 |
| Oil and Gas | 2,195 | 2,290 | 1,784 | 2,131 | -18.7 | -7.0 | 45 | -1 | 19 |
| Excluding OMCs | 1,911 | 1,991 | 1,683 | 1,825 | -11.9 | -8.3 | 73 | 24 | 8 |
| Real Estate | 77 | 99 | 66 | 99 | -13.7 | 0.0 | 49 | 55 | 50 |
| Retail | 75 | 95 | 78 | 99 | 3.6 | 4.6 | 815 | 91 | 27 |
| Staffing | 9 | 13 | 8 | 12 | -7.4 | -4.3 | 36 | 23 | 48 |
| Technology | 1,122 | 1,289 | 1,089 | 1,252 | -2.9 | -2.9 | 17 | 8 | 15 |
| Telecom | -95 | -38 | -127 | -52 | Loss | Loss | Loss | Loss | Loss |
| Others | 175 | 223 | 190 | 237 | 8.3 | 6.5 | 165 | 166 | 25 |
| **MOFSL Universe** | **8,777** | **10,349** | **8,417** | **10,308** | **-4.1** | **-0.4** | **42** | **11** | **22** |
| **Nifty EPS (INR)** | **866** | **1,006** | **843** | **994** | **-2.7** | **-1.2** | **36** | **15** | **18** |

### Exhibit 35: Nifty delivers 23% profit growth in 1QFY23

| Company | Sales | | | | EBITDA | | | | PBT | | | | PAT | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jun 2022 | Chg. YoY (%) | Chg. QoQ (%) | Var. (%) | Jun 2022 | Chg. YoY (%) | Chg. QoQ (%) | Var. (%) | Jun 2022 | Chg. YoY (%) | Chg. QoQ (%) | Var. (%) | Jun 2022 | Chg. YoY (%) | Chg. QoQ (%) | Var. (%) |
| **High PAT growth** | | | | | | | | | | | | | | | | |
| Titan Company | 94 | 172 | 21 | -9 | 12 | 773 | 37 | -15 | 11 | 2,649 | 36 | -17 | 8 | **4,289** | 19 | -19 |
| Bharti Airtel | 328 | 22 | 4 | 2 | 165 | 27 | 3 | 0 | 36 | 106 | -13 | -26 | 15 | **469** | -18 | 0 |
| ONGC | 423 | 84 | 23 | -6 | 259 | 113 | 39 | 0 | 203 | 201 | 74 | 5 | 152 | **251** | 72 | 5 |
| Coal India | 351 | 39 | 7 | 13 | 127 | 178 | 2 | -1 | 121 | 179 | 29 | 0 | 88 | **178** | 32 | -3 |
| Bajaj Finance | 53 | 43 | 10 | 6 | 43 | 37 | 7 | 11 | 35 | 156 | 7 | 17 | 26 | **159** | 7 | 23 |
| Eicher Motors | 34 | 72 | 6 | 2 | 8 | 129 | 10 | 8 | 8 | 107 | 1 | 12 | 6 | **158** | 0 | 15 |
| Maruti Suzuki | 265 | 49 | -1 | 3 | 19 | 133 | -21 | -1 | 13 | 135 | -40 | -11 | 10 | **130** | -45 | -11 |
| Axis Bank | 94 | 21 | 6 | 1 | 59 | -5 | -9 | -3 | 55 | 92 | 1 | 20 | 41 | **91** | 0 | 20 |
| Asian Paints | 86 | 54 | 9 | 10 | 16 | 70 | 8 | 11 | 14 | 82 | 9 | 12 | 11 | **85** | 7 | 12 |
| Grasim Industries | 73 | 93 | 14 | 8 | 13 | 78 | 75 | 13 | 10 | 87 | 115 | 14 | 8 | **81** | 132 | 21 |
| Hero Motocorp | 84 | 53 | 13 | -4 | 9 | 83 | 14 | -13 | 8 | 70 | 3 | -19 | 6 | **71** | 0 | -19 |
| HDFC | 44 | 8 | -3 | -7 | 42 | 8 | -9 | -11 | 37 | 15 | -12 | -14 | 44 | **70** | 26 | -12 |
| IndusInd Bank | 41 | 16 | 4 | 0 | 34 | 10 | 2 | 6 | 22 | 62 | 14 | 11 | 16 | **61** | 16 | 11 |
| M&M | 196 | 67 | 15 | -1 | 23 | 43 | 20 | -1 | 18 | 52 | 26 | 0 | 15 | **57** | 26 | 6 |
| Bajaj Finserv | 159 | 14 | -16 | -18 | 159 | 14 | -16 | -18 | 36 | 103 | 4 | 4 | 13 | **57** | -3 | -4 |
| Hindalco | 580 | 40 | 4 | 9 | 84 | 38 | 15 | 35 | 60 | 54 | 20 | 52 | 41 | **55** | -1 | 48 |
| ICICI Bank | 132 | 21 | 5 | 0 | 103 | 16 | 0 | -1 | 92 | 52 | -1 | 8 | 69 | **50** | -2 | 7 |
| Reliance Inds. | 2,193 | 57 | 6 | -6 | 380 | 63 | 21 | -10 | 273 | 58 | 23 | -23 | 180 | **46** | 11 | -26 |
| Tata Consumer | 33 | 11 | 5 | 1 | 5 | 14 | 3 | 2 | 4 | 19 | 0 | 2 | 3 | **45** | 18 | 9 |
| Larsen & Toubro | 359 | 22 | -32 | 9 | 40 | 25 | -39 | 8 | 29 | 29 | -47 | 1 | 17 | **45** | -53 | 3 |
| Dr Reddy' s Labs | 50 | 1 | -5 | -5 | 10 | 15 | -2 | 1 | 10 | 36 | -45 | -26 | 8 | **44** | 26 | -21 |
| ITC | 173 | 42 | 11 | 16 | 56 | 41 | 8 | 11 | 55 | 38 | 2 | 2 | 42 | **38** | -1 | 3 |
| Adani Ports | 46 | 2 | 21 | -4 | 30 | 15 | 26 | 0 | 21 | 13 | 30 | -2 | 23 | **33** | 47 | 20 |
| Power Grid Corp. | 105 | 2 | 10 | -6 | 89 | -2 | 8 | -13 | 43 | 0 | 16 | -5 | 38 | **27** | -13 | 8 |
| Kotak Mah. Bank | 47 | 19 | 4 | 0 | 28 | -4 | -17 | -13 | 28 | 26 | -24 | -3 | 21 | **26** | -25 | -3 |
| HDFC Life Ins. | 93 | 23 | -35 | 0 | 2 | 318 | -55 | -27 | 4 | 19 | 14 | 7 | 4 | **21** | 2 | 8 |
| **Med/Low PAT growth** | | | | | | | | | | | | | | | | |
| HDFC Bank | 195 | 15 | 3 | -1 | 154 | 2 | -6 | -6 | 122 | 18 | -7 | -3 | 92 | **19** | -9 | -1 |
| SBI Life Insurance | 110 | 33 | -37 | 0 | 3 | 144 | -79 | -74 | 3 | 15 | -61 | -4 | 3 | **18** | -61 | -5 |
| NTPC | 383 | 47 | 17 | 30 | 90 | 21 | -11 | -2 | 50 | 16 | -23 | 16 | 37 | **17** | -35 | 8 |
| Hind. Unilever | 143 | 20 | 6 | 7 | 32 | 14 | 0 | 3 | 31 | 17 | 1 | 5 | 23 | **17** | 0 | 4 |
| Bajaj Auto | 80 | 8 | 0 | 4 | 13 | 16 | -5 | 7 | 15 | 12 | -2 | 19 | 12 | **11** | -4 | 18 |
| TCS | 528 | 16 | 4 | 1 | 133 | 5 | -4 | -2 | 128 | 5 | -4 | -5 | 95 | **5** | -4 | -5 |
| Nestle | 40 | 16 | 1 | 3 | 8 | 2 | -9 | -6 | 7 | 2 | -10 | -5 | 5 | **4** | -9 | -6 |
| Infosys | 345 | 24 | 7 | 2 | 78 | 6 | 0 | -1 | 75 | 5 | 0 | -2 | 54 | **3** | -6 | -6 |
| UPL | 108 | 27 | -32 | 12 | 23 | 26 | -35 | 9 | 11 | 67 | -46 | 10 | 10 | **3** | -45 | 39 |
| Divis Labs | 23 | 15 | -10 | 2 | 8 | -1 | -23 | -6 | 8 | 0 | -24 | -5 | 7 | **3** | -22 | -2 |
| HCL Technologies | 235 | 17 | 4 | 0 | 50 | 2 | -4 | -4 | 43 | 5 | 0 | -2 | 33 | **2** | -9 | -3 |
| **Negative PAT Growth** | | | | | | | | | | | | | | | | |
| Sun Pharma | 106 | 10 | 13 | 12 | 26 | -3 | 24 | 24 | 21 | -9 | 26 | 23 | 19 | **-4** | 21 | 35 |
| Ultratech Cement | 152 | 28 | -4 | 5 | 31 | -6 | 1 | 11 | 23 | -9 | 2 | 17 | 16 | **-7** | 8 | 15 |
| State Bank | 312 | 13 | 0 | -4 | 128 | -33 | -35 | -28 | 84 | -6 | -33 | -19 | 61 | **-7** | -33 | -20 |
| Cipla | 54 | -1 | 2 | 0 | 11 | -12 | 20 | 13 | 10 | -9 | 38 | 23 | 7 | **-13** | 13 | 15 |
| Britannia | 37 | 9 | 4 | -2 | 5 | -10 | -9 | -7 | 5 | -13 | -11 | -8 | 3 | **-14** | -11 | -11 |
| Tata Steel | 634 | 19 | -9 | 3 | 150 | -7 | 0 | 30 | 118 | -3 | -2 | 49 | 78 | **-14** | -22 | 30 |
| Tech Mahindra | 127 | 25 | 5 | 1 | 19 | 0 | -10 | -2 | 15 | -17 | -21 | -10 | 11 | **-16** | -25 | -7 |
| Wipro | 215 | 18 | 3 | 1 | 42 | 2 | -4 | -4 | 34 | -13 | -10 | -12 | 26 | **-21** | -17 | -12 |
| Apollo Hospitals | 38 | 1 | 7 | 1 | 5 | -6 | 6 | 1 | 3 | -14 | 14 | 3 | 2 | **-41** | -7 | 10 |
| Shree Cement | 42 | 22 | 3 | 4 | 8 | -19 | -10 | -5 | 4 | -52 | -41 | -37 | 3 | **-52** | -42 | -36 |
| JSW Steel | 381 | 32 | -19 | -2 | 43 | -58 | -53 | 3 | 13 | -84 | -78 | -18 | 8 | **-86** | -74 | -27 |
| Tata Motors | 719 | 8 | -8 | 1 | 32 | -40 | -64 | -51 | -50 | Loss | PL | Loss | -65 | **Loss** | Loss | Loss |
| BPCL | 1,211 | 71 | 16 | -9 | -49 | PL | PL | Loss | -77 | PL | PL | Loss | -63 | **PL** | PL | Loss |
| **Nifty Universe** | **12,354** | **35** | **1** | **0** | **2,860** | **14** | **-7** | **-4** | **1,942** | **23** | **-8** | **-5** | **1,380** | **23** | **-13** | **-6** |

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

## Cut our Nifty FY23 EPS estimate by 2.7%

- We have cut our FY23 Nifty EPS estimate by 2.7% to INR843 (earlier: INR866) due to notable earnings downgrades in ONGC, RIL, BPCL, and TTMT.
- We now expect the Nifty EPS to grow by 15% in FY23 and 18% in FY24. We expect earnings growth in FY23 to be led by: a) **Automobiles –** benefitting from a low base of FY22 and improvement in semiconductor supplies, and b) **BFSI –** gaining from a pick-up in loan growth and an improvement in asset quality.
- We expect the BFSI, Auto, and O&G sectors to constitute ~93% of incremental earnings growth in FY23.
- The top earnings upgrades for FY23E: COAL (21%), TATA (13%), HNDL (11%), UTCEM (8%), and UPL (8%).
- The top earnings downgrades for FY23E: BPCL (-70%), TTMT (-62%), ONGC (-21%), APHS (-17%), and SRCM (-15%).

**Exhibit 36: FY23E EPS revision: 11 Nifty constituents see upgrades of over 5%, while nine see downgrades of more than 5%**

| Company | Current EPS (INR) | | | EPS upgrade/downgrade (%) | | EPS growth (%) | | |
|---|---|---|---|---|---|---|---|---|
| | FY22 | FY23E | FY24E | FY23E | FY24E | FY22 | FY23E | FY24E |
| Coal India | 28.2 | 43.8 | 31.5 | 21.1 | 11.1 | 36.9 | 55.3 | -28.1 |
| Tata Steel | 33.0 | 17.8 | 15.3 | 12.8 | -9.4 | 377.4 | -46.0 | -13.9 |
| Hindalco | 61.3 | 49.7 | 53.8 | 11.0 | 6.8 | 149.5 | -19.0 | 8.3 |
| UltraTech Cement | 196.3 | 178.4 | 223.3 | 8.2 | 9.5 | 3.1 | -9.1 | 25.2 |
| UPL | 63.5 | 74.2 | 79.6 | 8.1 | 8.9 | 39.9 | 16.9 | 7.3 |
| Mahindra & Mahindra | 43.0 | 55.7 | 73.3 | 7.4 | 7.0 | 26.2 | 29.6 | 31.6 |
| Bajaj Finance | 116.5 | 173.5 | 213.3 | 7.1 | 1.1 | 58.6 | 48.9 | 23.0 |
| Axis Bank | 42.5 | 57.9 | 71.1 | 6.9 | 1.7 | 89.7 | 36.4 | 22.7 |
| Hind. Unilever | 37.7 | 41.4 | 47.9 | 6.4 | 6.7 | 9.0 | 10.0 | 15.7 |
| Bajaj Auto | 183.6 | 226.0 | 250.4 | 6.4 | 2.4 | 9.4 | 23.1 | 10.8 |
| IndusInd Bank | 62.1 | 93.6 | 113.3 | 5.0 | 0.9 | 60.5 | 50.8 | 21.1 |
| Sun Pharma. | 31.3 | 34.4 | 40.6 | 4.9 | 3.4 | 24.9 | 9.9 | 18.0 |
| Titan Company | 26.2 | 34.6 | 41.9 | 4.0 | 8.1 | 137.8 | 31.9 | 21.2 |
| SBI Life Insurance | 15.1 | 17.9 | 20.6 | 3.4 | 9.1 | 3.4 | 18.7 | 15.2 |
| Tata Consumer | 10.6 | 13.3 | 17.5 | 3.3 | 4.3 | 11.8 | 26.0 | 31.5 |
| Asian Paints | 33.4 | 49.5 | 61.0 | 3.2 | 7.6 | -0.2 | 48.3 | 23.3 |
| Eicher Motors | 61.3 | 109.3 | 150.6 | 3.2 | 5.0 | 21.1 | 78.3 | 37.7 |
| ITC | 12.2 | 14.5 | 16.4 | 3.1 | 4.2 | 15.4 | 18.4 | 13.3 |
| Cipla | 35.3 | 39.5 | 46.5 | 2.7 | 1.8 | 18.0 | 11.8 | 17.7 |
| JSW Steel | 85.5 | 57.9 | 87.1 | 1.2 | 27.9 | 165.7 | -32.3 | 50.5 |
| Maruti Suzuki | 128.3 | 230.0 | 377.3 | 0.8 | 1.2 | -11.7 | 79.3 | 64.1 |
| ICICI Bank | 33.7 | 42.3 | 51.3 | 0.6 | 0.0 | 39.2 | 25.5 | 21.3 |
| Larsen & Toubro | 61.0 | 79.1 | 94.1 | 0.0 | 0.0 | -26.0 | 29.6 | 18.9 |
| Britannia | 63.0 | 65.8 | 78.6 | -0.4 | -5.2 | -18.0 | 4.6 | 19.4 |
| HDFC Bank | 66.8 | 79.5 | 95.6 | -0.8 | -1.7 | 18.1 | 18.9 | 20.3 |
| Dr. Reddy’s Labs. | 175.9 | 219.9 | 234.7 | -1.0 | 0.3 | 22.5 | 25.0 | 6.7 |
| HCL Technologies | 49.8 | 51.8 | 58.3 | -1.0 | -3.4 | 13.8 | 3.9 | 12.6 |
| HDFC Life Insur. | 5.7 | 6.7 | 7.7 | -1.5 | -3.0 | -15.2 | 17.7 | 14.2 |
| HDFC | 62.4 | 74.3 | 84.1 | -1.7 | -1.5 | 14.5 | 19.1 | 13.1 |
| Kotak Mahindra Bank | 60.9 | 68.1 | 81.0 | -1.8 | -2.5 | 20.8 | 11.7 | 19.0 |
| Bharti Airtel | 5.6 | 12.2 | 18.2 | -1.9 | 4.3 | LP | 117.4 | 49.8 |
| Nestle | 240.8 | 249.9 | 300.6 | -2.0 | 1.4 | 10.8 | 3.8 | 20.3 |
| Tech Mahindra | 62.6 | 61.3 | 73.9 | -3.0 | -1.3 | 21.2 | -2.0 | 20.5 |
| Infosys | 52.4 | 57.5 | 67.6 | -3.3 | -2.5 | 15.0 | 9.6 | 17.7 |
| State Bank of India | 39.6 | 50.6 | 67.3 | -3.7 | 0.9 | 57.9 | 27.6 | 33.0 |
| TCS | 104.0 | 117.2 | 133.1 | -3.8 | -3.6 | 19.9 | 12.7 | 13.5 |

| Company | Current EPS (INR) | | | EPS upgrade/downgrade (%) | | EPS growth (%) | | |
|---|---|---|---|---|---|---|---|---|
| | FY22 | FY23E | FY24E | FY23E | FY24E | FY22 | FY23E | FY24E |
| Grasim Industries | 111.5 | 106.6 | 107.6 | -4.4 | -8.1 | 64.2 | -4.4 | 1.0 |
| Divi's Labs. | 110.4 | 107.2 | 128.8 | -6.4 | -2.8 | 46.1 | -2.9 | 20.1 |
| Wipro | 21.9 | 21.8 | 24.4 | -6.8 | -5.7 | 16.9 | -0.5 | 11.7 |
| Reliance Ind. | 86.4 | 116.1 | 118.3 | -10.2 | -6.7 | 27.5 | 34.4 | 1.9 |
| Hero MotoCorp | 123.8 | 149.9 | 190.8 | -14.0 | -4.4 | -16.6 | 21.1 | 27.2 |
| Shree Cement | 629.7 | 386.8 | 512.8 | -14.6 | -5.2 | -1.3 | -38.6 | 32.6 |
| Apollo Hospitals | 68.1 | 62.7 | 94.0 | -17.5 | -4.5 | 1024.9 | -7.9 | 49.9 |
| ONGC | 39.9 | 45.6 | 58.8 | -20.8 | -12.7 | 147.4 | 14.3 | 28.8 |
| Tata Motors | **-28.2** | 5.3 | 26.5 | -62.2 | -2.2 | PL | LP | 395.5 |
| BPCL | 52.0 | 11.6 | 39.5 | -70.0 | -1.6 | -17.8 | -77.8 | 241.9 |
| **Nifty (50)** | **734** | **843** | **994** | **-2.7** | **-1.2** | **35.5** | **14.9** | **18.0** |

**Exhibit 37: We estimate a 16% CAGR for Nifty free-float PAT over FY22–24**

| Company | Sales (INR b) | | | Sales CAGR % 22-24 | EBIDTA Margin (%) | | | EBITDA CAGR % 22-24 | PAT (INR b) | | | PAT CAGR % 22-24 | Contbn to Delta % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY22 | FY23E | FY24E | | FY22 | FY23E | FY24E | | FY22 | FY23E | FY24E | | |
| **High PAT Growth (20%+)** | **16,824** | **20,566** | **22,633** | **16** | **28** | **28** | **31** | **22** | **2,028** | **2,751** | **3,573** | **33** | **75** |
| Tata Motors | 2,785 | 3,451 | 3,962 | 19 | 9 | 11 | 12 | 39 | -108 | 20 | 101 | LP | 10 |
| Bharti Airtel | 1,165 | 1,366 | 1,519 | 14 | 49 | 51 | 53 | 18 | 31 | 68 | 102 | 80 | 3 |
| Maruti Suzuki | 884 | 1,150 | 1,354 | 24 | 6 | 9 | 11 | 63 | 39 | 69 | 114 | 72 | 4 |
| Eicher Motors | 101 | 145 | 172 | 30 | 21 | 25 | 27 | 45 | 17 | 30 | 41 | 57 | 1 |
| Bajaj Finance | 175 | 218 | 270 | 24 | 82 | 80 | 79 | 22 | 70 | 105 | 129 | 35 | 3 |
| Asian Paints | 291 | 362 | 409 | 19 | 17 | 19 | 21 | 32 | 32 | 47 | 59 | 35 | 1 |
| IndusInd Bank | 150 | 174 | 199 | 15 | 87 | 83 | 84 | 13 | 48 | 72 | 88 | 35 | 2 |
| Tata Consumer | 124 | 139 | 154 | 11 | 14 | 14 | 16 | 19 | 10 | 12 | 17 | 31 | 0 |
| Mahindra & Mahindra | 574 | 773 | 910 | 26 | 12 | 12 | 14 | 33 | 51 | 67 | 88 | 31 | 2 |
| State Bank | 1,207 | 1,372 | 1,627 | 16 | 62 | 58 | 63 | 17 | 354 | 452 | 601 | 30 | 12 |
| Axis Bank | 331 | 409 | 492 | 22 | 75 | 72 | 74 | 21 | 130 | 178 | 218 | 29 | 4 |
| Titan Company | 288 | 366 | 440 | 24 | 12 | 13 | 13 | 27 | 23 | 31 | 37 | 26 | 1 |
| Bajaj Finserv | 218 | 257 | 309 | 19 | 74 | 70 | 64 | 11 | 46 | 57 | 73 | 26 | 1 |
| Adani Ports | 159 | 190 | 225 | 19 | 61 | 63 | 63 | 21 | 60 | 81 | 95 | 26 | 2 |
| Hero MotoCorp | 292 | 345 | 379 | 14 | 12 | 12 | 14 | 24 | 25 | 30 | 38 | 24 | 1 |
| Larsen & Toubro | 1,565 | 1,764 | 1,970 | 12 | 12 | 12 | 12 | 16 | 86 | 111 | 132 | 24 | 2 |
| ICICI Bank | 475 | 569 | 705 | 22 | 83 | 81 | 81 | 20 | 233 | 294 | 356 | 24 | 6 |
| ONGC | 5,318 | 6,653 | 6,490 | 10 | 16 | 17 | 21 | 26 | 512 | 585 | 754 | 21 | 12 |
| HDFC Bank | 720 | 864 | 1,047 | 21 | 89 | 86 | 85 | 18 | 370 | 441 | 530 | 20 | 8 |
| **Medium PAT Growth (0-20%)** | **21,640** | **25,519** | **27,481** | **13** | **23** | **23** | **23** | **11** | **3,075** | **3,499** | **3,845** | **12** | **38** |
| Apollo Hospitals | 147 | 164 | 194 | 15 | 15 | 13 | 14 | 12 | 10 | 9 | 14 | 18 | 0 |
| Reliance Inds. | 7,000 | 8,616 | 8,899 | 13 | 16 | 17 | 17 | 15 | 584 | 785 | 800 | 17 | 11 |
| SBI Life Insurance | 584 | 698 | 854 | 21 | 3 | 3 | 3 | 23 | 15 | 18 | 21 | 17 | 0 |
| HDFC Life Insur. | 454 | 556 | 674 | 22 | 2 | 2 | 2 | 11 | 12 | 14 | 16 | 16 | 0 |
| ITC | 563 | 667 | 713 | 13 | 34 | 34 | 36 | 16 | 151 | 178 | 202 | 16 | 3 |
| HDFC | 171 | 197 | 223 | 14 | 96 | 96 | 96 | 14 | 128 | 151 | 172 | 16 | 2 |
| Bajaj Auto | 330 | 400 | 438 | 15 | 16 | 17 | 18 | 23 | 53 | 64 | 71 | 16 | 1 |
| Dr Reddy' s Labs | 212 | 229 | 250 | 9 | 21 | 23 | 24 | 15 | 29 | 37 | 39 | 16 | 0 |
| Kotak Mahindra Bank | 168 | 199 | 237 | 19 | 72 | 69 | 69 | 17 | 121 | 135 | 161 | 15 | 2 |
| Cipla | 217 | 231 | 258 | 9 | 22 | 23 | 24 | 14 | 28 | 32 | 37 | 15 | 0 |
| Sun Pharma | 383 | 437 | 492 | 13 | 26 | 25 | 27 | 15 | 75 | 83 | 98 | 14 | 1 |
| Infosys | 1,216 | 1,449 | 1,609 | 15 | 26 | 24 | 25 | 14 | 221 | 241 | 284 | 13 | 3 |
| Hind. Unilever | 512 | 588 | 644 | 12 | 24 | 24 | 25 | 12 | 89 | 97 | 113 | 13 | 1 |
| TCS | 1,918 | 2,221 | 2,428 | 13 | 28 | 27 | 28 | 12 | 384 | 429 | 487 | 13 | 5 |
| NTPC | 1,327 | 1,468 | 1,541 | 8 | 30 | 31 | 32 | 11 | 167 | 181 | 211 | 12 | 2 |
| UPL | 462 | 527 | 582 | 12 | 22 | 22 | 22 | 13 | 49 | 57 | 61 | 12 | 1 |
| Britannia | 141 | 156 | 168 | 9 | 16 | 15 | 16 | 11 | 15 | 16 | 19 | 12 | 0 |
| Nestle | 147 | 167 | 188 | 13 | 24 | 23 | 24 | 11 | 23 | 24 | 29 | 12 | 0 |
| Tech Mahindra | 446 | 537 | 594 | 15 | 18 | 16 | 17 | 12 | 56 | 54 | 65 | 8 | 0 |
| HCL Technologies | 857 | 992 | 1,096 | 13 | 24 | 22 | 22 | 10 | 135 | 140 | 158 | 8 | 1 |
| Divis Labs | 90 | 93 | 106 | 9 | 43 | 39 | 41 | 6 | 29 | 28 | 34 | 8 | 0 |
| Ultratech Cement | 526 | 604 | 639 | 10 | 22 | 18 | 20 | 5 | 57 | 52 | 64 | 7 | 0 |
| Coal India | 1,097 | 1,219 | 1,224 | 6 | 23 | 32 | 24 | 8 | 174 | 270 | 194 | 6 | 1 |
| Wipro | 791 | 906 | 988 | 12 | 21 | 20 | 20 | 9 | 122 | 120 | 134 | 5 | 1 |
| Power Grid Corp. | 416 | 429 | 442 | 3 | 88 | 88 | 88 | 3 | 141 | 141 | 149 | 3 | 0 |
| JSW Steel | 1,464 | 1,770 | 2,002 | 17 | 27 | 17 | 20 | 2 | 207 | 142 | 213 | 2 | 0 |
| **PAT de-growth (<0%)** | **8,210** | **9,287** | **8,717** | **3** | **14** | **9** | **11** | **-12** | **744** | **436** | **479** | **-20** | **-13** |
| Grasim Industries | 209 | 279 | 269 | 14 | 15 | 15 | 16 | 16 | 73 | 70 | 71 | -2 | 0 |
| Hindalco | 1,951 | 2,043 | 1,975 | 1 | 15 | 12 | 13 | -4 | 136 | 110 | 120 | -6 | -1 |
| Shree Cement | 143 | 163 | 172 | 9 | 25 | 19 | 23 | 4 | 23 | 14 | 19 | -10 | 0 |
| BPCL | 3,468 | 4,266 | 3,862 | 6 | 5 | 2 | 4 | -5 | 109 | 24 | 83 | -13 | -1 |
| Tata Steel | 2,440 | 2,537 | 2,439 | 0 | 26 | 18 | 17 | -20 | 402 | 217 | 187 | -32 | -11 |
| **Nifty (PAT free float)** | **46,673** | **55,372** | **58,831** | **12** | **23** | **22** | **24** | **14** | **3,228** | **3,696** | **4,360** | **16** | **100** |

# SECTOR-WISE: Highlights / Surprise / Guidance

## AUTOS: Worst of commodities reflected in 1QFY23, moderation likely from 2Q

- **Demand recovery getting broad based; supply-side issues easing:** Auto volumes in 1QFY23 recovered across segments on low base of 1QFY22, supported by some improvement in the supply of semiconductor chips. Demand momentum sustained in PVs and CVs, while 2Ws and tractors witnessed some signs of recovery. Wholesale volumes for Tractors/2Ws/PVs/LCVs/MHCVs grew 21%/37.5%/38%/87%/132% YoY, respectively. Total revenue for our Auto OEM (ex-TTMT) Universe stood at ~INR890.6b (+54% YoY /+3% QoQ). EBITDA grew 102% YoY (-7% QoQ) to ~INR98b (in line). Adj. PAT surged 175% YoY (-9% QoQ) to ~INR55.9b (in line) – primarily due to strong volume growth and price hikes offset by commodity cost inflation. We expect demand to remain robust for PVs and CVs, whereas 2W volumes recovery is likely to sustain. However, tractor volumes are expected to be muted for the rest of FY23.
- **Raw material (RM) cost inflation and operating deleverage hurt margins sequentially:** Commodity cost inflation continued in 1QFY23, with RM cost (% of sales; ex TTMT) expanding 90bp QoQ (+190bp YoY) due to steel price-driven higher cost inflation. EBITDA margin (ex-TTMT) contracted 90bp QoQ (+150bp YoY) to 10.4%. However, a majority of the management commentaries indicated about the softness in commodity prices from 2Q/3QFY23 onwards. OEMs continue to take price hikes in 2QFY23 across segments to offset the adverse impact of commodities.
- **Chip supplies improving; commodity prices cooling off:** Almost all the relevant OEMs and auto component players indicated that chip supplies are improving, with further improvement expected from 2QFY23. They expect full normalcy to restore by end of CY23. Further, most of the OEMs indicated that commodity prices are stabilizing, which should lead to some improvement in gross margins from 2QFY23 as the benefits of stable commodity prices and price hikes reflect in P&L. However, companies with operations in the EU are highlighting delay in pass through of hyper-inflation in the energy prices.
- **Debt increases QoQ:** Lower cash flow generation from operations and rise in working capital (due to inventory) led to increase in net debt in 1QFY23 for companies such as AL (by ~INR15.6b to INR22.8b), TTMT (~INR120b to INR607b), MOTHERSON (~INR6.5b to INR97.9b), and CEAT (~INR0.4b to INR21.4b).
- **More downgrades than upgrades for FY23E:** The quarter saw more downgrades than upgrades because of: a) higher commodity prices, b) uncertainty in the EU markets, and c) MTM losses. There were downgrades for FY23E EPS for TTMT (-62%), ENDU (-16%), HMCL (-14%), AMRJ (-11%), MOTHERSON (-8%) and ESC (-7%). Conversely, we have raised our EPS for MCIE (+17%), TVSL (+11%), MM (+7%), AL (+7%) and BJAUT (+6%).
- **Valuation and view**: Sustained demand recovery, improving chip supplies, and softening commodity prices are expected to drive performance from 2QFY23 onwards. We prefer 4Ws over 2Ws, aided by strong demand and a stable competitive environment. We expect CV cycle to gather momentum in 2HFY22. 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. **MSIL** and **AL** are our top OEM picks. Among auto component stocks, we prefer **MSWIL** and **APTY.**
- **Positive surprises:** APTY, CEAT, BOS, BHFC, EXID, AMRJ, EIM, BJAUT
- **Negative surprises:** TTMT, AL, ESC, ENDU, HMCL, MRF, MOTHERSON

**Guidance highlights:**

- **MSIL**: With commodity prices correcting, it expects 2Q RM basket to be much lower than 1QFY23. The JPY benefit on imports comes with a lag. The quarter had negligible benefit, with full benefit likely in 2QFY23.
- **MM**: Tractor industry to see 3-5% growth for FY23E, as despite near-normal monsoon and similar acreage close to last year, there are risks in the form of: a) unfavorable terms of trades for farmers, and b) lower government spending on agriculture and rural. RM cost benefit will reflect in 3Q, as MM has inventory and contracts, and hence benefit would not be much in 2QFY23.

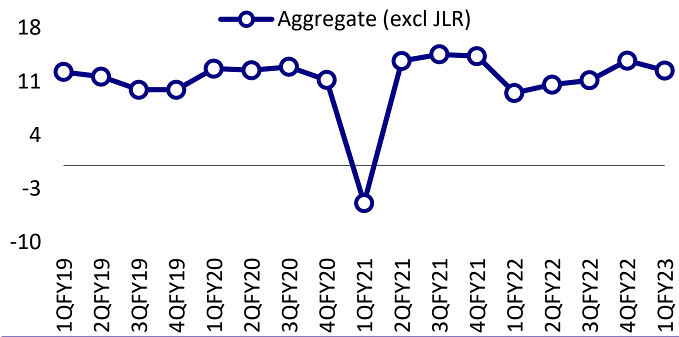
- **TTMT: JLR outlook** – demand continues to be strong, as reflected in surging order book to 200k units (v/s 168k in Mar'22). JLRs' production should improve each quarter from 2QFY23 onwards. It expects wholesale volumes in 2Q at ~90k units (+40% YoY, +25% QoQ) led by improved visibility of chip supply. Hence, it has maintained its FY23 guidance of 5% EBIT margin and FCF of GBP1b. **India** – domestic business outlook for both CVs and PVs remains positive. TTMT has stepped up capex to INR60b for FY23E (~INR10.6b in 1QFY23, INR36.6b in FY22).
- **AL:** Overall demand remains strong for M&HCV and it is seeing some demand improvement from the small fleet operators. For LCVs, AL is yet to go on pan-India business in a big way due to capacity constraints. Commodity cost has ~2pp impact QoQ, which is expected to more than reverse in 2QFY23. However, if steel export duty is removed, then there could be increase in steel prices.
- **BJAUT:** FY23 export volume growth could be lower than the earlier planned 10% growth, due to FX devaluation and availability of USD, which are hurting a few export markets. BJAUT's 2QFY23 exports will be soft as Africa is 50-55% of volumes, though demand in other markets remains good. Domestic 2W industry demand is showing signs of recovery sequentially, with urban market revival being ahead of rural market. Chip supplies are likely to improve from Jul'22 onwards.
- **HMCL**: Demand in 1QFY23 was better than 4QFY22, and 1Q retails were better than wholesales. Jul'22 stock build-up is lower due to chip shortages in XTec variants and the premium segment. Softening in commodity prices (steel and aluminum) would reflect from 2QFY23.
- **TVSL**: It expects the festival season sales to better than the last two years backed by: a) opening up of economy post-Covid, b) normal monsoons aiding rural markets, and c) chip issues resolving due to sourcing from alternate supplier. It is, however, experiencing stress in some export markets due to depreciation of currency as well as stress in Nigeria and other African countries.
- **EIM:** Inquiries are very good but conversion was a bit weaker in the last 30-40 days. With Hunter coming in, conversion would improve. Supply chain is improving with no major challenges foreseen and hence it expects sustained growth in the coming quarters.
- **MSS:** The management indicated that demand in global market remains strong and there were signs of volume recovery towards the end of 1QFY23. Discussions are going on with customers to offset inflationary pressures.
- **BHFC:** The US Class 8 volumes for CY22E would be ~300k v/s ~270k in CY21. Class 7-8 orders from OEMs are secured until end of next year (CY23) and the rate of cancellation is not high.
- **BIL**: It expects sluggish demand in 2QFY23 given macro challenges in Europe coupled with heat wave and inflationary trends in the US. Retail demand is good, but distributors are reducing stock due to uncertainty at market level. It expects FY23 volumes at 320-330k units (10-14% growth).
- **Tube Investments**: EVs will continue to be the biggest focus area for the company's TI-2 strategy. It will need to have four platforms (three already there in 3Ws, CVs and tractors) and management sees opportunity in the fourth one. It is looking to invest INR2.5b per platform (total INR10b) to take these to the market.
- **Mahindra CIE**: Energy cost pass-through negotiations in the EU business are largely concluded, with most of the customers agreeing for partial pass-through (at 60-70%) and the balance to be absorbed by MACA. For the EU business, the 2HCY22E production schedule is strong and MACA expects 2H to be better than 1H. While order book shows a big increase for 2H, considering the uncertain macro environment, 2H may still be only slightly better than 1H.

### Exhibit 38: Key operating indicators

| | Volumes ('000 units) | | | | | EBITDA margins (%) | | | | | Adj PAT (INR M) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1QFY23 | 1QFY22 | YoY (%) | 4QFY22 | QoQ (%) | 1QFY23 | 1QFY22 | YoY (bp) | 4QFY22 | QoQ (bp) | 1QFY23 | YoY (%) | QoQ (%) |
| BJAUT | 934 | 1006 | -7.2 | 976.7 | -4.4 | 16.2 | 15.2 | 100 | 17 | -90 | 11,733 | 10.6 | -4.3 |
| HMCL | 1,390 | 1024 | 35.7 | 1,188.9 | 16.9 | 11.2 | 9.4 | 180 | 11 | 10 | 6,245 | 70.9 | -0.4 |
| TVS Motor | 907 | 658 | 37.9 | 856.5 | 5.9 | 10.0 | 7.0 | 300 | 10 | -10 | 3,205 | 325.3 | 16.8 |
| MSIL | 468 | 354 | 32.3 | 488.7 | -4.2 | 7.2 | 4.6 | 260 | 9 | -190 | 10,128 | 129.8 | -44.9 |
| MM | 272 | 187 | 45.6 | 228.8 | 18.9 | 11.9 | 13.9 | -190 | 11 | 60 | 14,710 | 57.5 | 26.0 |
| TTMT India CV** | 101 | 50 | 104.2 | 119.8 | -15.6 | 5.4 | 1.1 | 430 | 6.1 | -60 | 3,020 | NA | -50.3 |
| TTMT India PV** | 130 | 15 | 793.2 | 123.6 | 5.5 | 6.2 | 4.0 | 220 | 7.0 | -80 | 140 | NA | -66.7 |
| TTMT (JLR) * | 83 | 97 | -15.0 | 89.1 | -7.4 | 6.3 | 9.0 | -270 | 13 | -620 | -591 | 106.5 | 3,310.0 |
| TTMT (Cons) | | | | | | 4.4 | 7.9 | -350 | 11 | -670 | -65,002 | 46.0 | 1,937 |
| Ashok Leyland | 40 | 18 | 120.4 | 48.7 | -18.6 | 4.4 | -4.7 | 920 | 9 | -440 | 588 | -121.0 | -86.0 |
| Eicher (RE) | 187 | 124 | 51.4 | 185.7 | 0.8 | 24.3 | 17.5 | 670 | 24 | 60 | 5,802 | 117.1 | 4.8 |
| Eicher (VECV) | 17 | 6 | 200.9 | 20.1 | -13.0 | 5.3 | 1.1 | 420 | 7 | -140 | 622 | -187.7 | -38.0 |
| Eicher (Consol) | | | | | | 24.3 | 17.5 | 670 | 24 | 60 | 6,107 | 157.5 | 0.1 |
| **Agg. (ex JLR)** | **4,446** | **3491** | **27.4** | **4,234** | **5.0** | **12.4** | **9.5** | **290** | **13.7** | **-130** | **55,876** | **174.9** | **-9.3** |

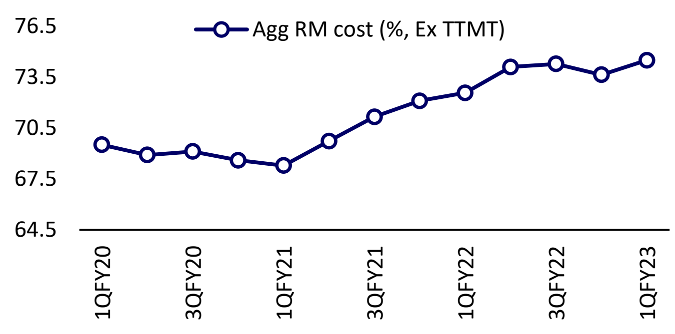
JLR in GBP m; Source: MOFSL, Company

### Exhibit 39: Aggregate EBITDA margin improves QoQ due to operating leverage




Source: MOFSL, Company

### Exhibit 40: RM cost increases on a QoQ basis




Source: MOFSL, Company

### Exhibit 41: Revised EPS estimates

| | FY23E | | | FY24E | | |
|---|---|---|---|---|---|---|
| | Rev | Old | Chg (%) | Rev | Old | Chg (%) |
| Bajaj Auto | 226.0 | 212.6 | 6.3 | 250.4 | 242.7 | 3.1 |
| Hero MotoCorp | 149.9 | 174.4 | -14.0 | 190.8 | 199.5 | -4.4 |
| TVS Motor | 31.2 | 28.0 | 11.7 | 36.4 | 34.9 | 4.4 |
| Eicher Motors * | 109.3 | 105.9 | 3.2 | 150.6 | 143.4 | 5.0 |
| Maruti * | 230.7 | 231.0 | -0.1 | 382.8 | 378.4 | 1.2 |
| M&M (incl MVML) | 55.7 | 51.9 | 7.4 | 73.3 | 68.5 | 7.0 |
| Tata Motors * | 5.3 | 14.1 | -62.2 | 26.5 | 27.1 | -2.2 |
| Ashok Leyland | 3.1 | 2.9 | 6.7 | 7.2 | 7.2 | 0.5 |
| Escorts | 70.1 | 75.6 | -7.3 | 81.0 | 86.5 | -6.4 |
| Amara Raja | 31.6 | 35.4 | -10.9 | 45.1 | 40.7 | 10.7 |
| Exide Industries | 11.2 | 10.9 | 2.2 | 13.2 | 13.0 | 1.3 |
| BOSCH | 452 | 448 | 1.0 | 603 | 574 | 5.1 |
| Endurance Tech* | 38.6 | 45.7 | -15.6 | 55.6 | 58.6 | -5.1 |
| Mahindra CIE * | 19.2 | 16.3 | 17.3 | 22.3 | 21.3 | 4.9 |
| Bharat Forge * | 26.5 | 26.3 | 0.9 | 33.3 | 32.7 | 1.8 |
| SAMIL * | 3.8 | 4.1 | -7.6 | 7.0 | 7.2 | -3.1 |
| Sona BLW | 7.2 | 7.6 | -5.5 | 11.1 | 12.2 | -8.9 |
| Ceat | 34.4 | 33.5 | 2.6 | 94.8 | 83.0 | 14.2 |
| Apollo Tyres* | 13.3 | 13.3 | 0.0 | 20.6 | 20.6 | 0.0 |
| Balkrishna Ind | 76.6 | 80.6 | -5.1 | 98.4 | 98.2 | 0.2 |
| MRF | 1,851.2 | 1,958.3 | -5.5 | 3,574.6 | 3,195.0 | 11.9 |
| MSUMI | 1.9 | 1.9 | 4.2 | 2.5 | 2.3 | 9.3 |
| TIINDIA | 58.9 | 60.1 | -2.0 | 76.7 | 75.2 | 1.9 |

* Consolidated estimates; Source: MOFSL, Company

## CEMENT: Hurt by cost inflation; OPM and EBITDA/t contracts 9pp and 30% YoY, respectively

- **Sales volume up 17% YoY; realization improves 7% YoY:** Sales volume for our Coverage Universe grew 17% YoY (6% CAGR over 1QFY20-23) on a low base of last year and continued infrastructure spending by the government. Retail and individual housing demand witnessed some weakness until mid-May'22, but improved thereafter. TRCL posted the highest volume growth of 55% YoY, whereas JKLC reported the lowest growth at 5%. Among large players, DALBHARA clocked 27% YoY volume growth (saw higher growth in southern markets), followed by 16% growth for UTCEM. Sales volume of ACC and SRCM grew 10-11% YoY; while ACEM reported a growth of 15% YoY. Blended realization for our Coverage Universe improved 7% YoY (up 6% QoQ), leading to a revenue growth (excluding GRASIM) of 26% YoY (down 1% QoQ) during the quarter. GRASIM benefitted from higher sales volume/ realization in both its key business segments; VSF and Chemicals. As a result, the aggregate revenue for our Coverage Universe rose 33% YoY (up 1% QoQ) to INR475b in 1QFY23.
- **Cost inflation hurts margin:** Higher energy costs (average variable cost up 43% YoY) continued to impact the profitability adversely and gross margin of our Coverage Universe contracted 11pp YoY and 1pp QoQ. Freight costs/t rose 5% YoY, while other expenses/t grew 10% YoY. As a result, aggregate EBITDA for cement companies declined 18% YoY (down 11% including GRASIM that witnessed an EBITDA growth of 78% YoY), while OPM dropped 9.2pp YoY to 16.9% (drop of 8.3pp YoY to 17.1% including GRASIM). JKLC and JKCE reported flat EBITDA YoY. ICEM posted the highest decline of 81% YoY in EBITDA, followed by a 51%/29% decline for ACC/ACEM, respectively. Other coverage companies saw an EBITDA decline in the range of 6-25% YoY during the quarter. Average EBITDA/t stood at INR975 v/s INR1,401/ INR989 in 1QFY22/4QFY22, respectively.
- **Profit declines 13% YoY for our coverage companies:** The aggregate interest expense for our coverage companies declined 6% YoY. Depreciation expense rose 14% YoY, while other income was up 21% YoY (primarily due to higher dividend income of ACEM; excluding ACEM, other income fell 51% YoY). Lower operating profit led to a 13% YoY drop in aggregate profit to INR43.8b. ICEM saw the highest drop in profit and reported a net loss of INR720m v/s a profit of INR374m in 1QFY22. Among large players – ACC and SRCM – saw a profit decline of 60% and 52% YoY, whereas profits for DALBHARA and UTCEM decreased 30% and 7%, respectively. On the other hand, ACEM's profit rose 18% YoY (led by higher dividend income of INR5.5b v/s INR1.3b in 1QFY22).
- **Raise our earnings estimates:** We have raised the aggregate EBITDA estimate for our Coverage Universe (excluding JKCE) by 4.6%/3.7% for FY23/FY24, respectively. DALBHARA has seen an upgrade of 10%/2% for FY23/24, followed by 9%/5% for Grasim and 8%/7% for TRCL, respectively. ICEM and ACC have witnessed downward revision in EBITDA estimates. Aggregate profit estimate for our Coverage Universe (excluding JKCE) has been revised up by 4% for FY23/FY24 each. We have downgraded ACC and TRCL (given their expensive valuations) to Neutral (from Buy) and ICEM to Sell from Neutral (given its continuous market share loss, lack of clarity over expansion plans and high leverage).
- **Top picks:** UTCEM is our top pick in the largecap space. We prefer DALBHARA and BCORP in the midcap space. We also prefer GRASIM owing to its: 1) focus on backward integration, which should aid higher chlorine usage, 2) strong VSF demand in domestic markets, and 3) foray into the Paints business.
- **Positive surprises:** UTCEM, GRASIM, TRCL, ACEM, JKCE and DALBHARA
- **Negative surprise:** ICEM and SRCM

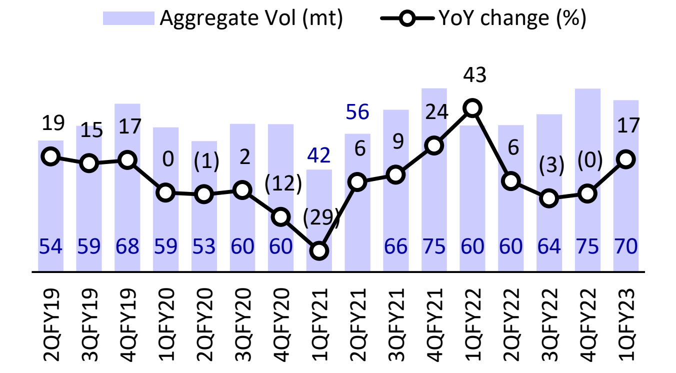
**Guidance highlights:**

A majority of the management teams indicated some softness in demand and cement prices with pick-up in monsoon. However, they remained positive on the underlying demand growth of the sector, which will be driven by a pick-up in infrastructure, housing and real estate segments. Exit cement price in Jun'22 was 3-5% below 1QFY23 average price and there was a further decline of INR5-10/bag across markets. Energy cost is expected to peak in 2QFY23 as petcoke prices have declined from their peak level.

- **UTCEM:** The cement demand momentum continued after a robust 4QFY22. Demand is likely to report 8% CAGR over the next five years. Cement prices grew by over 10% QoQ in North and Central India and by 5-6% in West and East India. However, prices remained flat QoQ in South India. Exit cement prices in Jun'22 was 3-5% lower v/s its 1QFY23 average. Fuel cost is forecasted to remain at elevated levels over the next few quarters as the company is carrying high-priced coal inventory. The recently announced capacity expansion plan of 22.6mtpa was a part of its earlier growth plan of 50mt and it aims to achieve 200mtpa capacity by FY29-30.

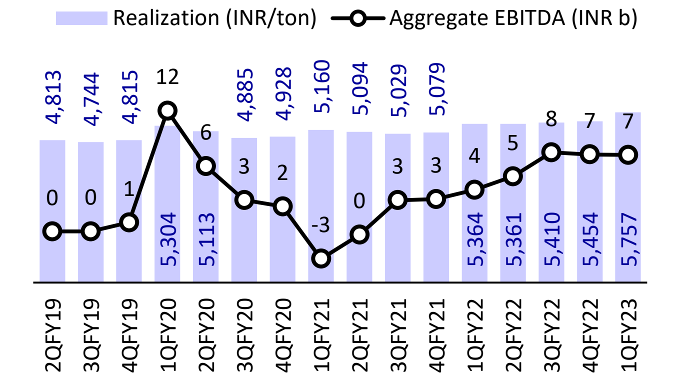
- **DALBHARA:** The government's push toward capital expenditure and constant focus on infrastructure development will continue to boost cement demand. Exit cement price in Jun'22 was 3% lower than its 1QFY23 average and there was a further price decline in East India in Jul'22. Fuel consumption cost is likely to be at USD220/t in 2QFY23 (v/s USD218/t in 1Q). However, energy cost should start declining from 3QFY23E onwards (spot petcoke price is at USD180-190/t). DALBHARA is on track to achieve a clinker/cement capacity of 23.7mtpa/49mtpa by FY24E, respectively.
- **JKLC:** Cement demand in Jul'22 was better than last year; though; cement price declined by INR10/bag in North and Gujarat markets. Fuel cost is estimated to remain elevated but peak in 2QFY23 (20% QoQ rise expected) based on the current petcoke/coal prices. The company is focusing on: a) improving its geographical mix by selling more into nearby markets, b) increasing its trade mix (currently has sold ~56% into trade segment) and c) higher share of premium products (sold only in North markets currently and it contributes ~14% to volumes). The expansion at UCWL (1.5mtpa clinker and 2.5mtpa cement) is estimated to be completed by Mar'24.
- **TRCL:** Volume growth was higher in the East region (over 30% of volumes v/s ~20% in 4QFY22). Volume growth should be at ~15% YoY in FY23E. Increased competition is restricting price increases in the South region. Energy cost was under control (average coal cost at USD173 in 1QFY23) as the company procured coal at much cheaper rates. There could be 5-6% increase in energy costs in Jul-Aug'22, but it should start declining from Sep'22.
- **GRASIM:** Caustic soda prices in the global markets have softened to USD650/t v/s USD769/t in 1QFY23. Price increase globally was led by geopolitical issues as well as higher Covid-19 cases in China. Coal prices still remain at the higher side and there could be some pressure on margins going forward. Project execution is on track for the Paints business and production should start by 4QFY24E.
- **ICEM:** Unprecedented cost increase and inability to pass on the same through price hikes impacted ICEM's performance severely. Fuel cost was at INR2.7/Kcal in 1QFY23 v/s INR1.6/kcal in 1QFY22. Cost of power generation from CPP was higher than grid prices.

**Exhibit 42: Sales volume up 17% YoY for coverage universe**



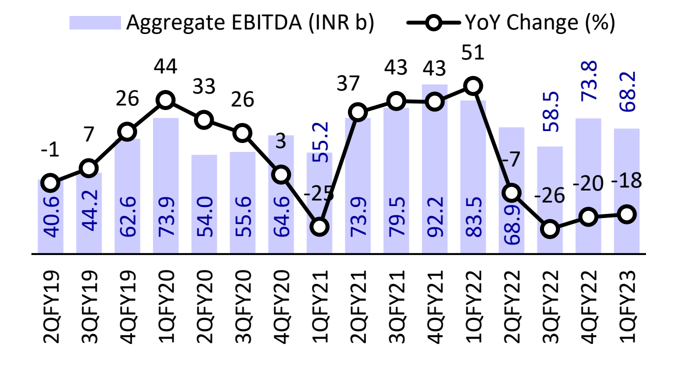

Source: Company, MOFSL

**Exhibit 43: Blended realization improves 7% YoY and 6% QoQ**



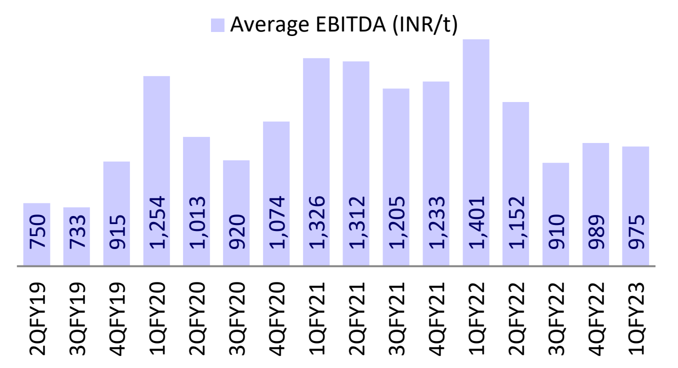

Source: Company, MOFSL

**Exhibit 44: EBITDA for cement companies dips 18% YoY**




Source: Company, MOFSL

**Exhibit 45: Average EBITDA/t down 30% YoY**




Source: Company, MOFSL

## CHEMICALS - SPECIALTY: Margin contracts even as strong demand drives robust revenue

- **Aggregates:** Revenue was in line (as AACL, ATLP, CLEAN, DN, and GALSURF reported an in line revenue). EBITDA was 11% above our estimate, led by a beat in AACL, FINEORG, GALSURF, and NOCIL (with the same for DN, NFIL, and VO was below our estimate). PBT was above our estimate by 14%. PAT was above our estimate by 15% (the same for CLEAN, DN, NFIL, and VO was below our estimate).
- **Margin contracts both QoQ and YoY:** Raw material prices continued to remain high in 1QFY23, due to global supply-chain issues. The higher freight cost was on account of container unavailability. These factors led to a YoY and QoQ contracting in gross margin. EBITDA margin for companies in our Coverage Universe declined in 1QFY23, as operating costs remained elevated (fuel costs at a record high), with aggregate margin falling by 90bp QoQ. But managements are of the view that supply-chain issues have eased, input costs have started normalizing, and future quarters should see a better margin performance.
- Aggregate gross margin compression for our coverage universe was 400bp YoY and 140bp QoQ to 41.6% in 1QFY23. On a YoY basis, only AACL, FINEORG and VO saw a margin expansion, while it remained flat for NFIL. The highest GM compression was seen in CLEAN and DN.
- The story is similar for EBITDA margin as well, with a compression of 420bp YoY and 90bp QoQ to 19.6%. ATLP, CLEAN, DN, and VO reported the highest YoY decline in margin at 6-12%.
- **Ratings and earnings change:** After the 1QFY23 earnings, we have upgraded estimates for five companies in our Coverage Universe. We raise our FY23/FY24 revenue estimate by 8% each, due to expected strength in phenol prices for DN. We expect gross margin to improve to 38% over the next couple of years, EBITDAM to remain around similar levels in FY23-24, and raise our FY23/FY24 revenue estimate by 20%/17% for FINEORG. We raise our EBITDA/EPS estimate by 33%/35% for FY23 and the same for FY24 by 12% each. Owing to the beat in our estimate in GALSURF, we raise our FY23 EBITDA/EPS estimate by 11%/13%, while raising our EBITDA/kg margin estimate to INR20. Due to the beat in our estimate in 1Q, we factor in an EBITDA/kg of INR50 for FY23 (up from INR45/kg), leaving our FY24 estimate unchanged at INR45/kg for NOCIL. Owing to this, we raise our FY23 absolute EBITDA/EPS estimate by 16%/18%, and raise our FY24 revenue estimate by 8%, ceteris paribus, for NOCIL. We raise our FY24 EBITDA/EPS estimate by 9% each for NFIL after the announcement of new capex, in addition to the already announced capex.
- **Our top picks** are NOCIL (with valuations relatively cheaper as compared to its growth prospects) and GALSURF (given its strong R&D focus on sustainability and green products). We maintain our Buy rating on VO as well.
- **CLEAN:** Margin was impacted in 1QFY23 as operating leverage benefits were negated by inflation in key raw materials and energy costs, particularly coal. The management expects prices of the same to fall in 2HFY23. It commercialized a new plant for the manufacture of MEHQ and Guaiacol at its Unit III facility, which resulted in a 50% capacity increase. Demand from PBQ remains strong. It remains an export-oriented product for the company. **CLEAN expects production of HALS to start from Dec'22. Construction at its wholly-owned subsidiary (Clean Fino-Chem) should begin in the next couple of months.**
- **GALSURF:** Against the guided EBITDA/kg of INR16-18, it reported an EBITDA/kg of INR26.8 (61% higher than our estimate, up 48% YoY). The management said global demand continues to witness a cutback, although demand from the Indian market remains stable (expected to gain momentum from 2QFY23 due to festive demand). Signs of a slowdown are also visible in Europe, which adversely affected volumes of its Specialty Care products. Supply-side constraints are improving and ushering a stability in earnings, with a sustainable EBITDA/kg of INR16-18. Its US performance has been robust over the past 18-24 months, with the introduction of new products in the Specialty Care segment
- **NOCIL:** The management's focus remains on growing its volumes, which it has been successfully executing. We expect a 22% CAGR in volumes sold over FY22-24, with a 13% revenue growth. The management sees some slowdown in near-term demand and expects optimal utilization of its expanded capacity to be delayed by three to six months (earlier guidance of full utilization by Sep'23). **We have been conservative for the past four quarters and had estimated for the same by the end of FY24.**
- **Positive surprises:** AACL, FINEORG, GALSURF, and NOCIL
- **Negative surprises:** DN, NFIL, and VO

**Guidance highlights:**

- **ATLP** has been focusing on key aspects such as: a) enhancing people productivity and manufacturing efficiencies, b) deploying technologies in every function, and c) working with customers on ideas of high potential. The management believes in prioritizing FCF, which will enable greater innovation and guide investments in assets that pay off faster. ATLP is implementing projects at a total investment of INR17.5b in the parent company, Atul Products, Amal Specialty, and Atul Finserv. At full capacity, revenue is expected to touch INR60b.
- **DN** has committed to a capital investment of INR15b over the next two years in new upstream and downstream products (MIBK, MIBC, and polycarbonate), besides debottlenecking projects at its existing product lines, bolstered by strong end-use demand, an expanding Indian economy, and a China+1 strategy. It also plans to get into new chemistries like fluorination and photo chlorination. The management aims to become the largest player in Solvents, with a play on import substitution.
- **NFIL**: The board has approved a debottlenecking capex of INR800m for a new molecule in HPP, which is expected to be completed by Jul'23 (revenue potential of INR1.5b). The debottlenecking in cGMP-3 is expected to be completed in 3QFY23. The business case for cGMP-4 is being prepared to take to the board for approval, which is a potential growth opportunity. All capex is on schedule. The commissioning of MPP will be undertaken in stages from 2QFY23. A large upgradation of its R&D facility and pilot plant in Surat is also being undertaken.
- **VO:** Veeral Organics Pvt. (a wholly-owned subsidiary) is set to commence production of MEHQ, Guaiacol, and Iso Amylene in 1HFY24, which should propel VO to the next level of growth. Veeral Additives will commence production of AOs from Butyl Phenol, thus resulting in forward integration. Post amalgamation, VO will become the largest and only doubly integrated manufacturer of AOs in India. VO has guided at a sales growth of 25%/30% YoY in FY23/FY24.

**Exhibit 46: Gross margin for our Coverage Universe**

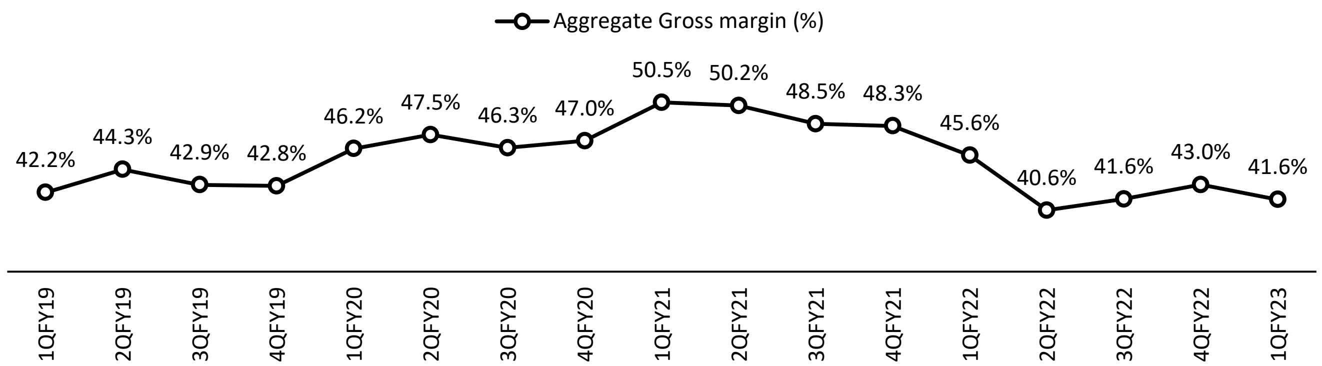



**Exhibit 47: EBITDA margin for our Coverage Universe**

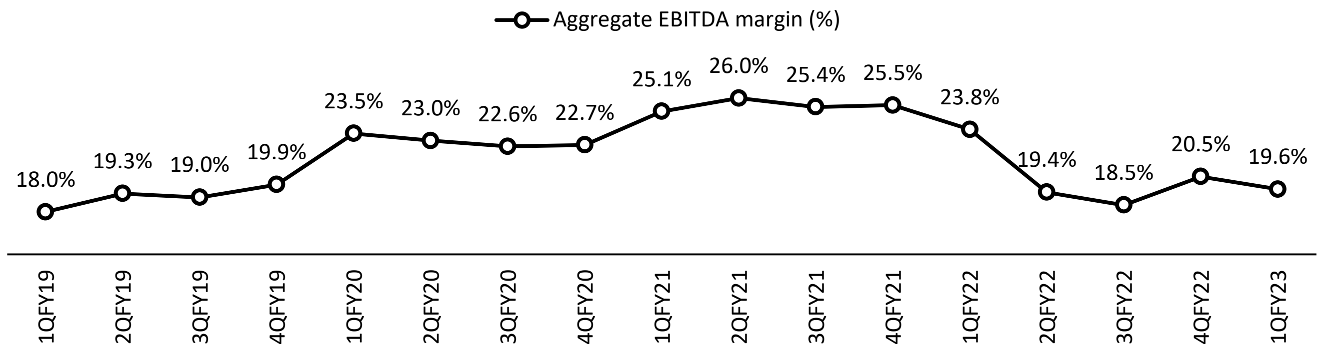
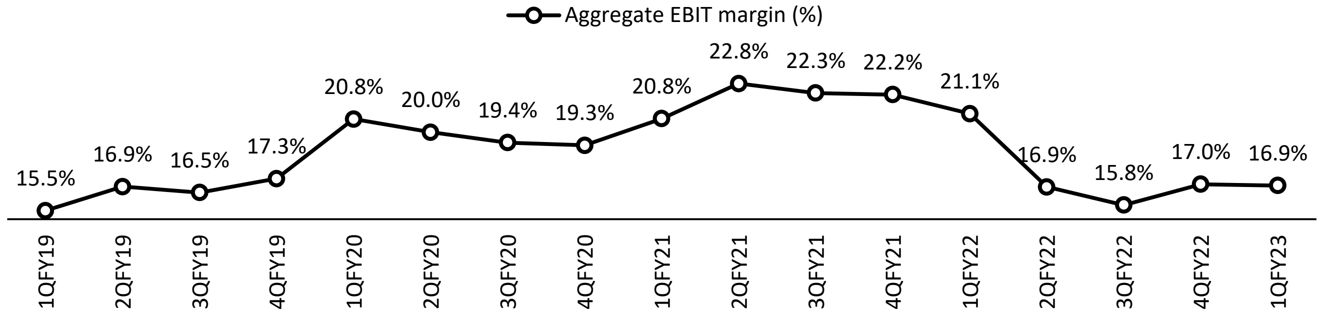


**Exhibit 48: EBIT margin for our Coverage Universe**




## CONSUMER: Price hikes drive revenue growth as volume growth remains muted

- **Price hikes result in a realization-led revenue growth:** 1QFY23 was the first quarter in the last three years where there were no COVID-led disruptions and mobility was at normal levels. Given the favorable base, the companies under our Coverage Universe delivered cumulative sales growth of 32.5% YoY (est. 22.8% YoY) in 1QFY23. As expected, the growth was largely led by Discretionaries, which delivered a strong double-digit performance, while most of the Staples companies saw single-digit growth, due to weak volume growth and a base that was relatively less favorable. Of the 18 companies in our Coverage Universe, 10 reported double-digit sales growth in 1QFY23, while the same for PAG, UBBL, and VBL more than doubled YoY. While sales growth was largely in line (for 10 of the 18 companies under our Coverage Universe), there were some notable beats as well (APNT, HUVR, ITC, PAG, PIDI, UBBL, and VBL). Besides UNSP, none of the companies in our Coverage Universe missed our sales expectations. Overall performance was driven by price hikes, due to sustained high commodity inflation, and a return to normalcy in terms of mobility. While commodity costs have shown signs of stabilization towards the end of 1QFY23, the environment remains volatile. 1QFY23 saw the adverse impact of sharply higher commodity costs flowing into the P&L of companies after their low-cost inventory was exhausted in 4QFY22. The management guidance for most companies suggests that gross margin pressures are likely to continue in 2QFY23, but should stabilize, if not improve meaningfully, in 2HFY23.
- **A low base and normalized mobility revived discretionary demand:** Even as higher consumer CPI inflation led to a tightening of consumer wallets, discretionary demand remained strong. This was especially true for categories like Beer, Paints, as well as Out-of-Home categories, which had seen two previous fiscals of muted demand in the summer season. Since a large part of the discretionary demand accrues from urban centers, the impact of inflation on this consumer demographic was not as severe as their rural counterparts, which contributed to their strong performance.
- **Commentary on rural demand weak, but improving:** Rural India continues to deliver a weak performance, with the overall FMCG sector experiencing a YoY volume decline in 1QFY23 for the second consecutive quarter. Most management teams, however, do not expect this trend to sustain, and some are seeing early green shoots. Healthy fertilizer subsidies, a near-normal monsoon, and long-term average crop sowing should drive a recovery in demand.
- **PBT/PAT broadly in line:** PBT for 11 of the 18 companies in our Coverage Universe was ahead/in-line of our estimate, with notable misses from UNSP, INDIGOPN, and HMN. Cumulative PBT growth, at 32.9% YoY, though was in line. Cumulative PAT growth, at 34.8% YoY, was also in line.
- **Top picks – ITC, GCPL, DABUR, and VBL:** A revival in the demand for Cigarettes, recovery in some profitable FMCG-Others categories, a reduced lag in the Hotels business, lower input cost pressures than peers, and attractive valuations make **ITC** a top pick from a one-year perspective. The appointment of a new CEO at **GCPL** offers scope for a transformative change, especially if it is able to grow the domestic business strongly and introduce better capital allocation. We like **DABUR** on account of: a) its focus on the core Healthcare business, b) its power brand strategy, c) increasing direct distribution reach, and d) cost savings being plowed back in the form of higher advertisements. We like **VBL** owing to: a) a revival in out-of-home consumption, b) rising penetration in newly acquired regions (South and West India), and c) the growing penetration of Refrigerators in households in rural and semi-rural areas as well as longer availability of power.

- **Positive surprises:** APNT, PAG, PIDI, and VBL
- **Negative surprises:** CLGT, HMN, INDIGOPN, and UNSP

**Guidance highlights**

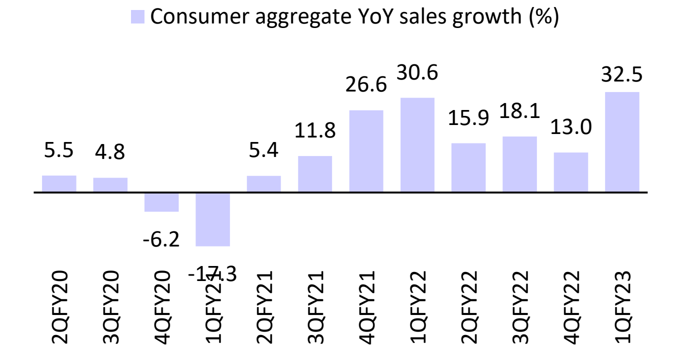
- **APNT:** Sequential inflation in 2QFY23 is likely to be in low single-digits (and ~25% YoY). APNT is likely to raise prices by 0.5% in the first week of Aug'22. Gross margin is likely to remain in the 38-40.5% band for some time.
- **BRIT:** RM inflation has moderated recently, and the situation is likely to ease going forward. Some price hikes were taken in 1Q, and further hikes will be taken in 2Q (cumulative price hikes of 6-7% in 1HFY23).
- **DABUR:** The Food category is likely to achieve sales of INR2b in FY23 and INR5b over the next three-to-four years. The Drinks category is likely to end FY23 with INR2b in sales. While margin in 2Q is likely to stay subdued, 3Q and 4QFY23 will see an improvement in gross margin, led by higher inflation in FY22 and further price hikes.
- **HMN:** Margin pressure will be seen in 2Q due to the high cost of materials purchased in 1QFY23. The management expects a margin recovery in 2HFY23. The full-year impact on gross margin will be ~200bp. Ad-spends will be 17-18% of sales for FY23.
- **HUVR:** Cost inflation in 2Q is likely to be more than 1QFY23, due to a high-cost inventory pipeline and with prices of most RMs being at elevated levels. If commodity costs decelerate significantly, the extent of the price drop will be sharper than the pace of price increases in an inflationary environment.
- **GCPL** reiterated its double-digit revenue growth guidance for FY23, with low-to-mid single-digit volume growth. It expects an improvement in margin in 2HFY23, led by a fall in commodity costs and cost savings.
- **MRCO:** The management said it will be able to maintain its FY23 margin guidance, even with increased A&P spends. The third and fourth quarter has a soft volume base and should see a good traction. The management expects to deliver double-digit value growth in 9MFY23.
- **PIDI:** A large part of the inputs purchased in 1Q will see an impact on profitability in 2QFY23. Hence, the cost of consumption can be USD2,300-2,500/MT in 2QFY23.
- **PAG:** Raw material inflation was seen in cotton yarn, logistics, and packaging. The management expects cotton prices to reduce by Oct-Nov'22.
- **TATACONS:** Tea prices in India have come off significantly from their peak in FY21. In Aug'22, prices in North India have seen an uptick, due to a severe rainfall, resulting in a production loss. Prices in South India remained range bound in 1QFY23 and significantly lower on a YoY basis.
- **UNSP:** About 65% of COGS is glass and ENA, with crude-based derivatives constituting the lion's share. Higher inflation is being seen in all costs, with no signs of respite. Hence, margin is likely to remain under pressure in 2Q and 3QFY23 as well.
- **UBBL:** The management is targeting 6-8% volume growth on a steady-state basis in coming years. Higher input costs will impact 2Q more than 1Q, but the full extent of price hikes in 1QFY23 will offset some of that impact.
- **VBL:** The management is expecting double-digit volume growth going forward as the Juices, Energy Drink, and Dairy products segment is growing very well. It expects current margin levels to sustain. However, the same can improve further, if the price of key raw material – PET resins – softens.

**Exhibit 49: Quarterly volume growth**

| (%) | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 |
|---|---|---|---|---|---|---|---|---|---|
| APNT (domestic decorative)* | (38.0) | 11.0 | 33.0 | 48.0 | 106.0 | 34.0 | 10.0 | 8.0 | 37.0 |
| BRIT (base business) | 21.0 | 9.0 | 3.0 | 8.0 | 1.0 | 5.0 | 6.0 | 4.0 | (2.0) |
| CLGT (toothpaste) | 0.0 | 4.0 | 6.0 | 16.0 | 8.0 | 4.0 | 1.0 | (4.0) | (1.0) |
| DABUR (domestic FMCG) | (9.7) | 16.8 | 18.1 | 25.4 | 34.4 | 10.0 | 2.0 | 2.0 | 5.0 |
| HMN (domestic) | (28.0) | 10.0 | 13.0 | 39.0 | 38.0 | 6.2 | 0.0 | 0.0 | 9.6# |
| HUVR (domestic) | 4.0 | 14.0 | 17.0 | 31.0 | 9.0 | 4.0 | 2.0 | 0.0 | 6.0 |
| ITC (cigarette)* | (37.0) | (12.0) | (7.0) | 7.0 | 31.0 | 9.0 | 12.5 | 9.0 | 26.0 |
| MRCO (domestic) | (14.0) | 11.0 | 15.0 | 25.0 | 21.0 | 8.0 | 0.0 | 1.0 | (6.0) |
| PIDI (consumer bazaar) | (58.6) | 7.4 | 22.0 | 45.3 | 105.0 | 24.5 | 9.0 | 20.2 | 44.0 |

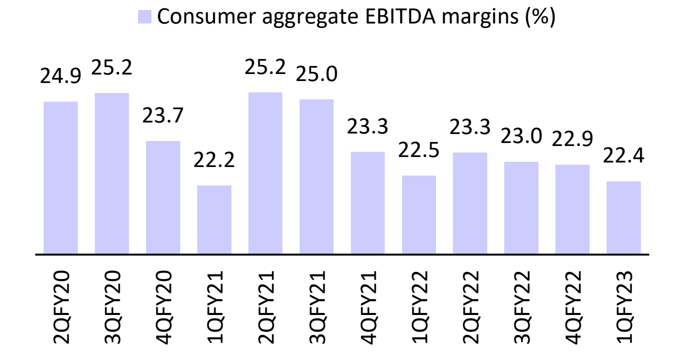
*Our estimate ; # 1QFY23 includes Dermicool acquisition Source: Company, MOFSL

**Exhibit 50: Strong sales growth primarily led by price hikes**



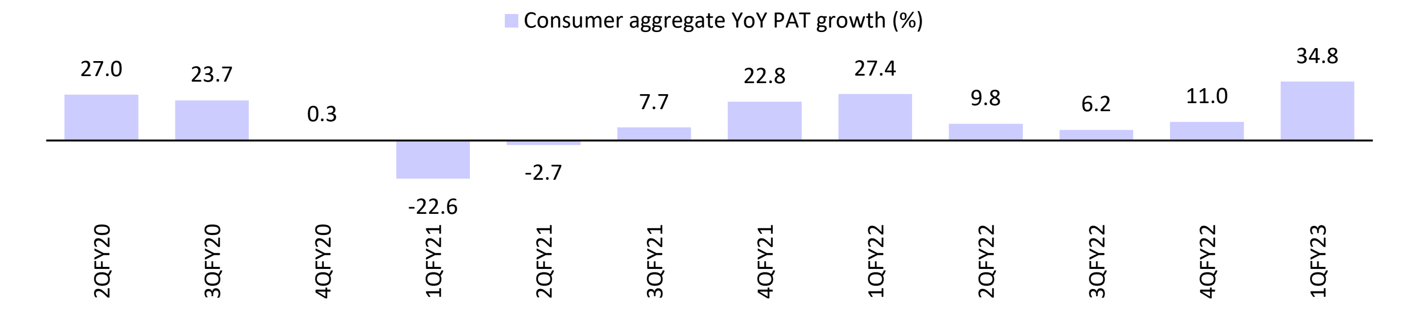

Source: Company, MOFSL

**Exhibit 51: Aggregate EBITDA margin declines by 10bp YoY**




Source: Company, MOFSL

**Exhibit 52: Aggregate adjusted PAT up 34.8% YoY, led by robust sales growth, but offset by higher RM prices**




Source: Company, MOFSL

## FINANCIALS – BANKS: Loan growth robust while deposit trends remain tepid; banks with high mix of CASA and floating rate loans to benefit

- The banking sector has reported strong 1QFY23 earnings propelled by healthy recovery in loan growth and controlled provisions. Loan growth was led by healthy traction in Retail and SME segments along with a sharp revival in Corporate (led by PSU Banks). Deposit growth however was tepid, with CASA ratios witnessing divergent trends – large private and PSU banks experiencing a moderation in CASA mix while small and mid-size banks reporting a further increase.
- NII growth was healthy with a positive outlook on margins. Banks reported NII growth in the range of ~4-21% YoY barring AUBANK (+35% YoY) in 1QFY23. NIMs exhibited mixed trends with stable to improving trajectory for large private/PSU banks while small/mid-size banks posted a decline. Incrementally high mix of floating rate loans and CASA would support margins. Banks reported healthy trends in fee income (1QFY22 was adversely impacted by Covid 2.0); however, muted treasury performance kept PPoP growth under pressure. Core PPoP, though, grew 11%-30% YoY barring RBK, which saw a decline of 26% YoY.
- Slippages (ex of restructuring) continued to moderate with most banks witnessing a sequential decline, barring PSU and mid-size banks. Corporate/Retail slippages declined while MSME slippages remained elevated. Healthy recoveries, however, resulted in a sequential decline in GNPA/NNPA with stable PCR ratios. Restructured book too witnessed a decline.
- **Private Banks – business growth sustains; weak treasury performance hurts PPoP growth:** Growth in advances accelerated, with banks reporting a sequential uptick of 2–6%, though Bandhan and AXSB disappointed with declines of 3% and 1%, respectively. Deposit growth remained tepid with a sequential growth of -4 to +4% for most banks. CASA growth witnessed mixed trends with large private banks witnessing a moderation in CASA mix while small and mid-size banks reporting an increase. NII grew in the range of ~6-21% YoY – ICICIBC/AXSB's NII rose 21% YoY, while it stood the lowest at +6% YoY for RBK. Margins exhibited mixed trends with HDFCB/ICICBC/IIB's margins being almost flat sequentially while that of KMB/AXSB recording an increase of 14/11bp QoQ. Small and mid-size banks such as Bandhan/DCB and RBK registered a QoQ decline in the range of 32-70bp. Banks

reported a sequential pick-up in fee income (1QFY22 was adversely affected by Covid) underpinned by improved business activities. However, weak treasury performance and high opex kept PPoP growth modest. Core PPoP, however, grew ~15%-30% YoY. Slippages (ex-restructuring) continued to moderate with most banks witnessing a sequential decline, barring mid-size banks. Corporate/Retail slippages declined while MSME slippages remained elevated. GNPA ratio declined in the range of 6-32bp across banks (barring Bandhan/HDFCB/IIB, which saw an increase of 79/11/8bp QoQ, respectively). While AXSB/HDFCB kept provisions buffer unchanged, ICICIBC further raised its provisioning buffer. IIB and KMB, on the other hand, utilized the provisions.

- **PSU Banks – healthy loan growth aided by revival in corporate segment; asset quality improves:** PSBs reported an improvement in operating performance, led by a healthy pick-up in loan growth (2-6% QoQ) across all banks, supported by a sharp recovery in corporate segment. Deposit trend was tepid with a marginal QoQ decline in CASA deposits. NII / fee income saw healthy growth with margins exhibiting mixed trends QoQ. Modest treasury performance impacted PPoP growth adversely. Slippages increased during the quarter; however, healthy recoveries/ upgrades resulted in 6–89bp QoQ improvement in GNPA ratios. Restructured book declined in 1Q.
- **Small Finance Banks – solid momentum in business growth; asset quality resilient:** AUBANK reported a healthy loan/NII growth (33%/43% YoY) with lower provisions. However, margin contraction was surprising. Asset quality improved due to strong recoveries with moderate QoQ decline in PCR at ~72%. Collection efficiency also remained healthy. EQUITAS reported a mixed quarter, with healthy AUM growth across all segments. While operating performance was healthy, elevated provisions led to an in-line PAT. The growth in deposits was supported by healthy traction in CASA deposits. On the asset quality front, headline ratios improved, while the restructuring book was elevated at ~4.5% of loans.
- **Life Insurance – VNB margin robust; Non-PAR savings/annuity continue to witness healthy traction while retail protection remains soft:** APE growth remained healthy for all the players with growth in the range of 15% to 78%. SBI Life was the outlier with a robust growth momentum of 78% YoY in APE compared to 22%/25%/15% for HDFC Life/IPRU Life/ Max Life, respectively. All insurers reported strong trends in the Non-PAR savings segment. Despite volatile capital markets, ULIP growth remained healthy. Retail protection was weak for the industry during 1QFY23. However, group protection was strong led by improved disbursement momentum across lending institutions. VNB margin rose in the range of 60-670bp YoY across the top private players. However, sequentially the trend was mixed with a decline in margin by HDFC Life and Max Life. SBI Life and IPRU Life, though, posted an improvement sequentially. The YoY expansion in margin was primarily driven by a better product mix with a larger share of high-margin products.
- **Our view:** We expect earnings to remain resilient, guided by robust traction in loan growth, improving margin trajectory aided by rate hikes and improving asset quality. However, high inflationary environment and aggressive rate hikes can impact the pace of demand recovery adversely. Banks with higher CASA mix and healthy mix of floating loans are well positioned to navigate through the rising rate environment. We believe that large banks with strong liability franchises are well placed to gain incremental market share. Banks reported healthy trends in fee income (1QFY22 was hurt by Covid 2.0); however, muted treasury performance kept PPoP growth under pressure. Core PPoP, albeit, grew 11%-30% YoY barring RBK that saw a decline of 26% YoY. Asset quality outlook remained encouraging with moderation in slippages, healthy PCR and contingent buffers driving benign trends in core credit cost. We have raised our earnings estimates on an average by 2% for FY23/24. **We retain our preference for ICICIBC, SBIN, HDFCB and IIB. Within midcaps, we prefer FB. In Life Insurance space, our top idea remains SBILIFE.**
- **Positive surprises:** ICICIBC, IIB and FB
- **Negative surprises:** DCBB and BANDHAN

**Guidance highlights**

- **HDFCB** is focused on strengthening its geographical footprint for growth, while continuing to invest in digital initiatives and boosting employee strength. It plans to launch several new apps along with other digital initiatives over 2QFY23. The bank expects Retail growth momentum to pick-up further. C/I ratio is likely to increase in the near term due to focus on expanding branch presence and higher tech spends. However, it is likely to revert to mid-30s over the next 3-5 years.

- **KMB** remains focused on growth, driven by healthy traction across most segments and building further digital capabilities. Going forward, the bank will place a higher focus on growing unsecured advances. It will continue to invest in technology and launch new digital initiatives to increase customer engagement and boost acquisition.
- **ICICIBC** continues to focus on improving its core operating performance in a risk-calibrated manner, supported by a higher focus on digital adoption; this would aid market share gains across business segments. The aim is to continue to grow its loan book in a granular manner.
- **AXSB** continues to grow loans in preferred areas and aims to grow higher than the system as well as exit FY23 with a double-digit loan growth. Margin is likely to improve on the back of an improved product mix (in favor of Retail), a granular liability franchise and more rate hikes in future. The bank will sustain investments in technology, and thus opex levels will remain elevated. The management is, however, committed to meeting its 18% RoE target by FY25E.
- **SBIN:** The bank reported treasury losses of INR65.5b in 1QFY23. However, it does not expect to record an actual loss on this book. Growth outlook is encouraging buoyed by healthy growth trends due to a pick-up across most segments including corporate demand. The endeavor is to keep credit cost as low as possible, with a limit of sub-1% and management aspires to have a net NPA of less than 1% for the bank.
- **IIB** maintained its loan growth guidance at 15-18% for FY23. NIM is likely to remain in the 4.1-4.25% range, while PPOP margin will stay above 5%. Its credit cost guidance remains in the 120-150bp range. C/I ratio should remain in the range of 41-43%.
- **FB:** It expects loans to grow in mid-teens or even higher for FY23. NIM is likely to improve by another 3-5bp in FY23E, and is thus likely to be in the range of ~3.25%-3.27%. Asset quality should continue to improve and the Bank estimates credit cost of 50bp in FY23. It also expects RoA to improve to 1.1% in FY23, which is likely to increase subsequently to ~1.2% going forward.

**Exhibit 53: Strong traction in NII; weak treasury performance drags PPoP; core PPoP remains buoyant**

| | NII | | | PPOP | | | Core PPoP (calculated) | | | PAT | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| INR b | 1QFY23 | YoY (%) | QoQ (%) | 1QFY23 | YoY (%) | QoQ (%) | 1QFY23 | YoY (%) | QoQ (%) | 1QFY23 | YoY (%) | QoQ (%) |
| AXSB | 93.8 | 20.9 | 6.4 | 58.9 | -4.8 | -9.0 | 65.5 | 16.4 | 5.1 | 41.3 | 91.0 | 0.2 |
| BANDHAN | 25.1 | 18.9 | -1.0 | 18.2 | -7.0 | -27.8 | NA | NA | NA | 8.9 | 137.6 | -53.4 |
| DCBB | 3.7 | 21.1 | -1.7 | 1.7 | -17.8 | -24.8 | NA | NA | NA | 1.0 | 187.8 | -14.4 |
| HDFCB | 194.8 | 14.5 | 3.2 | 153.7 | 1.5 | -6.0 | 166.8 | 14.7 | 1.7 | 92.0 | 19.0 | -8.5 |
| ICICIBC | 132.1 | 20.8 | 4.8 | 103.1 | 15.9 | 0.2 | 102.7 | 19.4 | 1.1 | 69.0 | 49.6 | -1.6 |
| IIB | 41.3 | 15.8 | 3.5 | 34.3 | 9.9 | 1.5 | 32.8 | 25.8 | 5.3 | 16.3 | 60.5 | 16.5 |
| KMB | 47.0 | 19.2 | 3.9 | 27.8 | -3.7 | -16.7 | 32.0 | 18.0 | -0.5 | 20.7 | 26.1 | -25.2 |
| FB | 16.0 | 13.1 | 5.2 | 9.7 | -14.1 | 21.9 | 9.6 | 30.0 | 22.3 | 6.0 | 63.5 | 11.1 |
| RBK | 10.3 | 6.0 | -9.2 | 5.3 | -30.9 | -19.5 | 4.5 | -26.3 | -32.2 | 2.0 | NM | 1.7 |
| AUBANK | 9.8 | 34.8 | 4.2 | 3.9 | -18.2 | -18.3 | 4.5 | 28.4 | -7.7 | 2.7 | 31.8 | -22.6 |
| SBIN | 312.0 | 12.9 | 0.0 | 127.5 | -32.8 | -35.3 | 193.0 | 14.4 | -1.2 | 60.7 | -6.7 | -33.4 |
| BOB | 88.4 | 12.0 | 2.6 | 45.3 | -19.2 | -19.7 | 53.0 | 11.4 | -16.1 | 21.7 | 79.4 | 21.9 |
| CBK | 67.8 | 10.2 | -3.2 | 66.1 | 20.5 | 6.5 | 57.2 | 17.5 | 0.7 | 20.2 | 71.7 | 21.4 |
| INBK | 45.3 | 13.5 | 6.6 | 35.6 | 4.3 | 30.2 | 37.0 | 29.4 | 39.3 | 12.1 | 2.7 | 23.3 |
| PNB | 75.4 | 4.3 | 3.3 | 53.8 | -15.9 | 2.2 | 62.2 | 24.8 | 18.3 | 3.1 | -69.9 | 53.0 |
| UNBK | 75.8 | 8.1 | 12.0 | 54.5 | 5.1 | -1.3 | 52.8 | 25.9 | 15.3 | 15.6 | 32.0 | 8.3 |

Source: MOFSL, Company

**Exhibit 54: Margin trends mixed; large banksl print stable to higher margins while smaller banks record some moderation**

| | NIM (%) | | | |
|---|---|---|---|---|
| | 1QFY23 | YoY (bp) | QoQ (bp) | Mar'21 |
| AXSB | 3.60 | 14 | 11 | |
| BANDHAN | 8.00 | -50 | -70 | |
| DCBB | 3.61 | 30 | -32 | |
| HDFCB | 4.00 | -10 | 0 | |
| ICICIBC | 4.01 | 12 | 1 | |
| IIB | 4.21 | 15 | 1 | |
| KMB | 4.92 | 32 | 14 | |
| FB | 3.22 | 7 | 6 | |
| RBK | 4.36 | 0 | -68 | |
| AUBANK | 5.90 | -10 | -40 | |
| SBIN | 3.02 | 10 | -10 | |
| BOB | 3.02 | -2 | -6 | |
| CBK | 2.78 | 7 | -4 | |
| INBK | 3.10 | 25 | 23 | |
| PNB | 2.79 | 5 | 3 | |
| UNBK | 3.00 | -8 | 25 | |

Source: MOFSL, Company

**Exhibit 55: Healthy loan growth led by retail and SME while corporate segment revives; deposit growth tepid while CASA trends remain divergent across banks**

| | Loans | | | Deposits | | | CASA deposits | | | CASA ratio (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| INR b | 1QFY23 | YoY (%) | QoQ (%) | 1QFY23 | YoY (%) | QoQ (%) | 1QFY23 | YoY (%) | QoQ (%) | 1QFY23 | YoY (bp) | QoQ (bp) |
| AXSB | 7,011 | 14.0 | -0.9 | 8,036 | 12.6 | -2.2 | 3,512 | 14.0 | -5.0 | 44.0 | 100 | (100) |
| BANDHAN | 909 | 21.6 | -3.3 | 931 | 20.3 | -3.4 | 402 | 21.1 | 0.3 | 43.2 | 26 | 158 |
| DCBB | 298 | 17.9 | 2.5 | 351 | 14.6 | 1.1 | 100 | 51.0 | 8.0 | 28.6 | 688 | 182 |
| HDFCB | 13,951 | 21.6 | 1.9 | 16,048 | 19.2 | 2.9 | 7,346 | 20.1 | -2.2 | 45.8 | 30 | (240) |
| ICICIBC | 8,956 | 21.3 | 4.3 | 10,503 | 13.4 | -1.3 | 4,921 | 15.8 | -5.1 | 46.9 | 100 | (30) |
| IIB | 2,480 | 17.7 | 3.7 | 3,027 | 13.3 | 3.2 | 1,305 | 16.2 | 4.1 | 43.1 | 101 | 41 |
| KMB | 2,802 | 28.8 | 3.3 | 3,165 | 10.4 | 1.5 | 1,839 | 6.6 | -2.8 | 58.1 | (210) | (260) |
| FB | 1,517 | 16.9 | 4.7 | 1,834 | 8.2 | 0.9 | 675 | 14.6 | 0.6 | 36.8 | 203 | (10) |
| RBK | 603 | 6.6 | 0.4 | 792 | 6.4 | 0.3 | 285 | 13.7 | 2.3 | 36.0 | 240 | 70 |
| AUBANK | 487 | 43.3 | 5.6 | 546 | 47.6 | 3.9 | 212 | 123.6 | 8.2 | 39.0 | 1,300 | 200 |
| SBIN | 28,152 | 15.8 | 3.0 | 40,457 | 8.7 | -0.1 | 17,677 | 6.5 | -0.4 | 45.3 | -64 | 5 |
| BOB | 7,996 | 19.6 | 2.9 | 10,327 | 10.9 | -1.3 | 4,249 | 11.2 | -2.0 | 44.2 | 97 | (6) |
| CBK | 7,469 | 15.2 | 6.2 | 11,181 | 9.4 | 2.9 | 3,611 | 8.8 | -2.1 | 34.3 | 8 | (158) |
| INBK | 3,979 | 9.2 | 2.3 | 5,843 | 8.2 | -1.6 | 2,380 | 7.7 | -4.0 | 40.7 | (17) | (104) |
| PNB | 7,426 | 12.3 | 2.0 | 11,367 | 3.6 | -0.8 | 5,166 | 6.0 | -3.2 | 46.3 | 119 | (109) |
| UNBK | 6,764 | 15.7 | 2.3 | 9,928 | 9.3 | -3.8 | 3,593 | 8.7 | -4.7 | 36.2 | (20) | (35) |

Source: MOFSL, Company

**Exhibit 56: Asset quality continues to improve across banks with robust PCR; credit cost undershoots across banks**

| Asset quality | As on 4QFY22 (%) | | | As on 1QFY23 (%) | | | QoQ Change (bp) | | | 1QFY23 |
|---|---|---|---|---|---|---|---|---|---|---|
| (%) | GNPA | NNPA | PCR | GNPA | NNPA | PCR | GNPA | NNPA | PCR | Slippage Ratio |
| AXSB | 2.82 | 0.73 | 74.7 | 2.76 | 0.64 | 77.3 | -6 | -9 | 253 | 2.2 |
| BANDHAN | 6.46 | 1.66 | 75.5 | 7.25 | 1.92 | 74.9 | 79 | 26 | -59 | 5.4 |
| DCBB | 4.32 | 1.97 | 55.6 | 4.21 | 1.82 | 57.8 | -11 | -15 | 225 | 9.0 |
| HDFCB | 1.17 | 0.32 | 72.7 | 1.28 | 0.35 | 72.9 | 11 | 3 | 20 | 2.1 |
| ICICIBC | 3.60 | 0.76 | 79.5 | 3.41 | 0.70 | 79.9 | -19 | -6 | 45 | 2.7 |
| IIB | 2.27 | 0.64 | 72.3 | 2.35 | 0.67 | 72.0 | 8 | 3 | -27 | 3.8 |
| KMB | 2.34 | 0.64 | 73.2 | 2.24 | 0.62 | 72.6 | -10 | -2 | -58 | 2.1 |
| FB | 2.80 | 0.96 | 66.3 | 2.69 | 0.94 | 65.8 | -11 | -2 | -51 | 1.2 |
| RBK | 4.40 | 1.34 | 70.4 | 4.08 | 1.16 | 72.5 | -32 | -18 | 208 | 4.6 |
| AUBANK | 1.98 | 0.50 | 75.0 | 1.96 | 0.56 | 71.7 | -2 | 6 | -337 | 3.0 |
| SBIN | 3.97 | 1.02 | 75.0 | 3.91 | 1.00 | 75.1 | -6 | -2 | 2 | 1.7 |
| BOB | 6.61 | 1.72 | 75.3 | 6.26 | 1.58 | 75.9 | -35 | -14 | 66 | 2.0 |
| CBK | 7.51 | 2.65 | 66.5 | 6.98 | 2.48 | 66.2 | -53 | -17 | -26 | 2.2 |
| INBK | 8.47 | 2.27 | 74.9 | 8.13 | 2.12 | 75.5 | -34 | -15 | 63 | 3.4 |
| PNB | 11.78 | 4.80 | 62.2 | 11.27 | 4.28 | 64.8 | -51 | -52 | 255 | 3.9 |
| UNBK | 11.11 | 3.68 | 69.5 | 10.22 | 3.31 | 69.9 | -89 | -37 | 48 | 2.9 |

Source: MOFSL, Company

**Exhibit 57: Snapshot of restructuring book across banks (%)**

| INR b | Restructured book | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Absolute | Dec'20 | Mar'21 | Jun'21 | Sep'21 | Dec'21 | Mar'22 | Jun'22 |
| AXSB | 40.3 | 0.42 | 0.30 | 0.44 | 0.66 | 0.63 | 0.52 | 0.45 |
| BANDHAN | 54.2 | NA | 0.76 | 7.06 | 11.18 | 8.22 | 5.20 | 2.35 |
| DCBB | 18.7 | 2.70 | 4.26 | 5.39 | 6.80 | 6.81 | 6.42 | 6.10 |
| HDFCB | 157.0 | 0.50 | 0.57 | 0.80 | 1.50 | 1.40 | 1.14 | 0.76 |
| ICICIBC | 82.7 | 0.40 | 0.54 | 0.66 | 1.27 | 1.19 | 1.00 | 0.80 |
| IIB | 62.2 | 0.60 | 1.80 | 2.70 | 3.60 | 3.30 | 2.60 | 2.10 |
| KMB | 12.1 | 0.28 | 0.19 | 0.25 | 0.54 | 0.54 | 0.44 | 0.39 |
| FB | 35.4 | 0.90 | 1.07 | 1.86 | 2.49 | 2.45 | 2.44 | 2.22 |
| RBK | 19.6 | 1.00 | 1.58 | 2.03 | 3.66 | 3.44 | 3.27 | 2.90 |
| AUBANK | 11.8 | 0.80 | 1.85 | 3.73 | 3.60 | 3.10 | 2.50 | 2.10 |
| BOB | 190.0 | 1.40 | 1.34 | 2.86 | 2.95 | 2.65 | 2.44 | 2.46 |
| SBIN | 309.6 | 0.77 | 0.73 | 0.83 | 1.24 | 1.20 | 1.13 | 1.00 |
| INBK | 184.2 | 1.62 | 1.64 | 2.70 | 5.85 | 5.09 | 4.73 | 4.20 |
| PNB | 172.0 | 1.82 | NA | 2.02 | 2.60 | 2.76 | 2.36 | 2.00 |
| UNBK | 214.4 | 0.56 | 1.10 | 2.70 | 3.69 | 3.32 | 2.99 | 2.92 |
| BOI | 110.6 | 2.54 | NA | 3.04 | 3.61 | 2.97 | 2.63 | 2.35 |
| CBK | 195.0 | 1.62 | NA | 2.82 | 2.85 | 2.78 | 2.77 | 2.41 |

## FINANCIALS – NBFCS: Momentum across vehicle and mortgages remains strong; margin impact has not reflected yet while asset quality improvement (or stability) in a seasonally weak quarter augurs well

- Disbursements across product segments continued to remain healthy with improved new vehicle sales volumes leading to a lower proportion of used vehicle in the disbursement mix for the vehicle financiers. SHTF, the leader in used vehicle financing, continued to exhibit healthy disbursements even in a seasonally weaker 1Q of the fiscal year and so did the others (such as CIFC and MMFS). Even mortgages, consumer durable financing, personal loans and MSME loans reported healthy demand. 2W demand seems to be improving marginally with NBFCs such as Shriram City and LTFH having maintained/improved their market shares in 2W financing.
- Despite the increase of ~90bp in policy repo rate (during 1QFY23), the cost of borrowings (CoB) either remained stable or exhibited marginal decline except for the mortgage heavyweights (like HDFC/LICHF), which reported a sequential increase in their CoB. For the others, increase in CoB will start reflecting from 2QFY23E onwards.
- Margins, therefore, either remained stable or posted marginal sequential improvement for the vehicle financiers while there was a minor sequential deterioration in margins for large mortgage lenders, such as HDFC and LICHF, because of a lag in transmission of higher borrowing costs. We expect the margin profile for the vehicle financiers to turn adverse over the next three quarters led by the higher CoB and a fixed-rate back book.
- Except for MMFS, all other NBFCs/HFCs in our coverage have implemented the RBI NPA circular in their respective book of accounts. Most of them classify the NPAs that are an outcome of this aforesaid circular as

part of Stage 3 while there are others who still report it as part of their Stage 1 or 2. **Sequentially, NBFCs reported an improvement in GS3/NS3, but for the vehicle financiers this improvement was led by elevated write-offs/repossession costs suggesting that a large part of the pandemic-induced asset quality stress (except restructured pool) is now behind.**

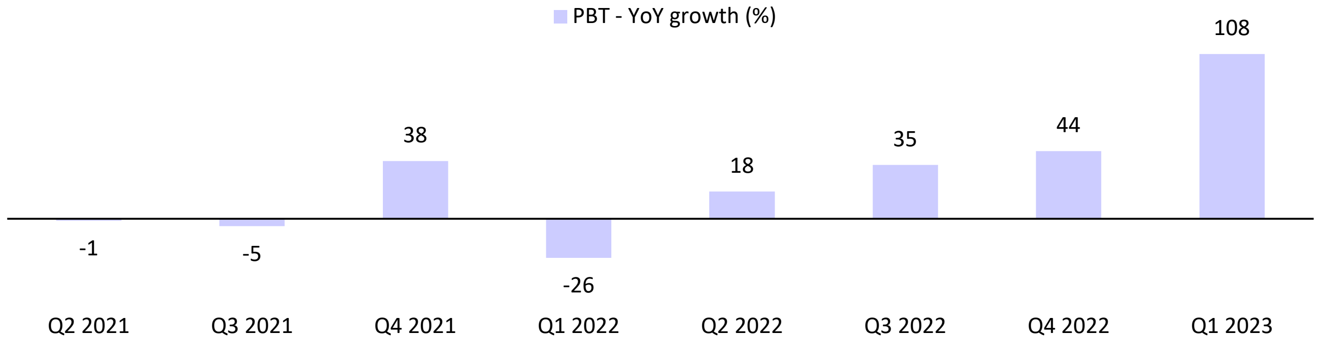
- Moratoriums on restructured loans have largely ended and repayments have resumed. Most lenders reported a decline in restructured pool. However, lenders such as LICHF, which reported slippages from the restructured pool still remain vulnerable to more potential slippages from restructured exposures where moratoriums still persist.
- Used vehicles (particularly used CVs) continued to witness a healthy demand. Shriram Transport continued to remain the biggest beneficiary and delivered the best-ever 1Q disbursements of any fiscal year.
- **Most lenders reported an improvement (or stability) in asset quality while there were a few notable exceptions.** Aavas and LICHF (contrary to our expectations) reported deterioration in their asset quality, owing to slippages from the restructured pool.
- **Normalization of excess liquidity on the balance sheet largely completed:** Non-bank lenders have largely rationalized the excess liquidity on their balance sheets, which reduced the negative carry and partly supported margins. Most of the non-bank lenders utilized this lever of rationalizing excess liquidity in a rising interest rate environment and did not report any significant increase in CoB by Jun'22.
- **HFCs – demand remained strong in housing loans and both HDFC/LICHF indicated that wholesale disbursements would now improve and the transitory impact on margins in 1QFY23 will be offset over the remainder of FY23: Retail home loan demand was buoyant.** LRD/Construction Finance disbursements have accelerated with expectations of an improvement in real estate activity in FY23. Given the rising interest rate environment, we believe that the large HFCs will be able to maintain their margins in the medium term even though there could be a transitory impact on margins over 1HFY23 because of the delay in transmission of higher borrowing costs. PIEL reported that the integration of DHFL with PCHFL has progressed well and it has scaled-up disbursements notably. Disbursements are likely to improve further from current levels over the next two to three quarters. PIEL reported a slippage from its wholesale non-RE exposure and further classified (technically) two wholesale large accounts in Stage 2 and made accelerated provisions.
- **Affordable housing financiers (except Aavas and CanFin) reported sequential improvement in disbursements.** Repco, HomeFirst (Not rated) and Aptus (Not rated) reported a sequential growth in disbursements despite a seasonally weak 1Q implying healthy demand even in the affordable housing segment. Repco demonstrated an improvement in asset quality by ~50bp QoQ to 6.4% and increased the PCR on S3 loans by ~5pp QoQ to ~37%.
- **Vehicle financiers – Healthy disbursement momentum; while both CIFC/SHTF reported an improvement in asset quality, MMFS reported a minor deterioration:** CIFC reported an improvement in asset quality driven by LAP/HL despite its VF asset quality remaining stable. SHTF reported a minor ~10bp QoQ improvement in the asset quality while MMFS reported a minor deterioration that was primarily seasonal in nature. However, write-offs/repossession costs were elevated (v/s run-rate in 1Q of prior fiscal years) for all the three vehicle financiers under our coverage universe.
- **Diversified financiers – asset quality improved; rebound continued in 1QFY23:** 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. BAF reported a remarkable improvement in asset quality with a ~3bp sequential improvement in GS3**.** SCUF also posted a ~20bp QoQ decline in its GS3 loans, while personal loan (PL) disbursements continued to remain strong.
- **Gold financiers – MUTH reported a sharp compression in margins led by teaser rates while MGFL posted a ~90bp improvement in spreads; gold loan growth remained muted for both:** Both the Gold Financiers – MUTH and MGFL – had an unusual quarter. MUTH reported a sequential decline in yields/spreads along with a ~2.5% QoQ decline in gold loans primarily because of teaser-rate gold loans it disbursed over Dec'21-Mar'22. While MGFL's gold AUM was sequentially flat, it reported a sequential improvement in spreads/margins driven by an improvement in yields. Demand environment for gold loans is not very buoyant especially in the INR40K-INR80K ticket size. MGFL reported yet another quarter of higher credit costs in its MFI business but guided that credit costs will normalize and moderate significantly over 2HFY23E.
- **Our view:** In the current increasing rate environment, 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. FY23 will

be an inter-play between credit growth and impact on margins given that all NBFCs are largely wholesale-funded. NIM compression would be relatively 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 FY23E with resultant lower credit costs (aided also by utilization of management overlays). Our preferred ideas are: CIFC, MMFS and Piramal Enterprises.

- **Positive surprises:** BAF, MGFL and CIFC
- **Negative surprises:** MMFS, LICHF, PIEL and MUTH
- **Rating changes:** MUTH

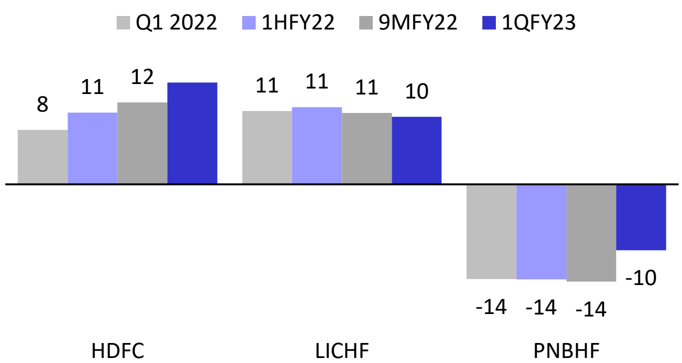
**Guidance highlights:** a) Among lending institutions, the broader guidance is for strong disbursement growth in FY23 and improvement in asset quality leading to benign credit costs; b) MGFL guided for 10% gold loan growth while MUTH guided for loan growth in the range of 10%-15% and spreads of ~10%; c) SCUF guided for AUM growth of 18%-20% and SHTF guided in the range of 11%-12%. Combined, it is looking at 14-15% AUM growth for the merged entity; d) BAF guided that it would almost double its AUM by FY25 and that credit costs should be similar to or lower than what it delivered in FY18-19; and e) CIFC guided that AUM can grow at over 20% in FY23 with a pre-tax RoA of 3.5%-4.0%.

**Exhibit 58: PBT up 108% YoY for our NBFC coverage universe***



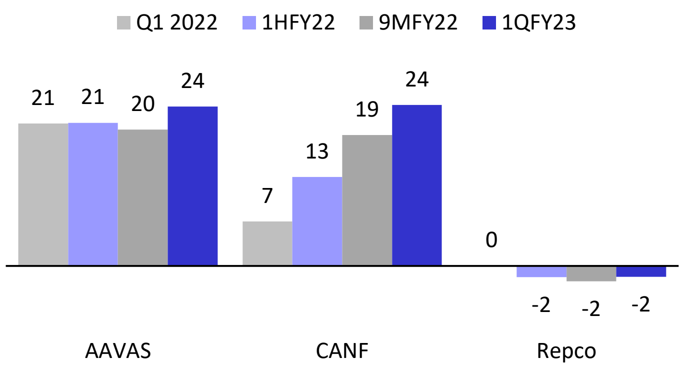

Source: MOFSL, Company, *MOFSL universe excl. PIEL, ABCAP and Indostar

**Exhibit 59: HDFC and LICHF have been growing in line with the industry while PNBHF has been quite a laggard**



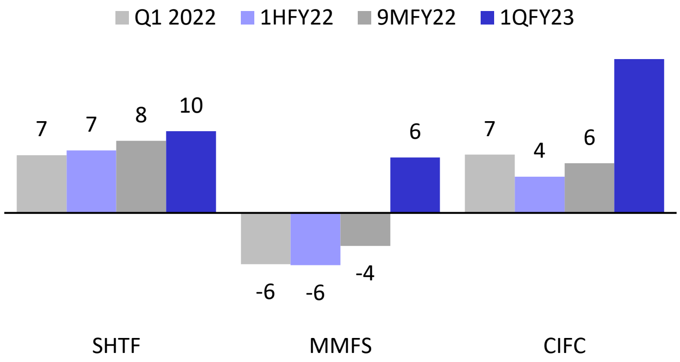

Source: MOFSL, Company;
Note: YoY AUM growth for large HFCs

**Exhibit 60: CANF loan growth has picked up, Aavas' has been steady while that for Repco continues to decline**



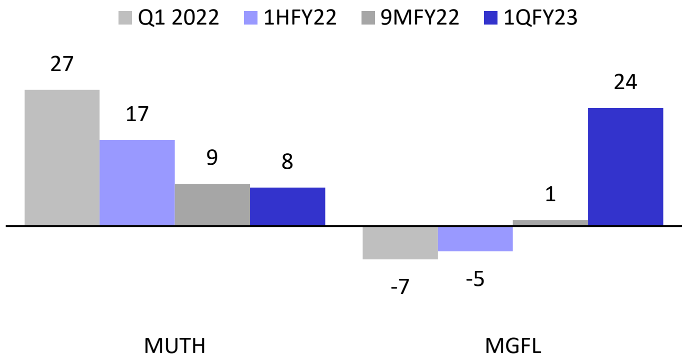

Source: MOFSL, Company;
Note: YoY AUM growth for affordable housing financiers

**Exhibit 61: 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 62: MGFL has been able to cover a lot of lost ground after the elevated auctions in FY22**




Source: MOFSL, Company
Note: YoY AUM growth for gold financiers
Note: Data in charts above is for our coverage universe excluding IRB

**Exhibit 63: PBT up 108% YoY for our NBFC coverage universe***

| INR m | NII | | | PPOP | | | PAT | | | NIM | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1QFY23 | YoY (%) | QoQ (%) | 1QFY23 | YoY (%) | QoQ (%) | 1QFY23 | YoY (%) | QoQ (%) | 1QFY23 | YoY (bp) | QoQ (bp) |
| AAVAS | 1,802 | 19.9 | -0.1 | 1,156 | 25.7 | -14.8 | 892 | 49.0 | -22.9 | 7.7 | -0.1 | -0.4 |
| BAF | 52,745 | 42.5 | 9.8 | 42,575 | 36.6 | 7.3 | 25,963 | 159.0 | 7.3 | 13.2 | 1.7 | 0.4 |
| CANF | 2,504 | 38.2 | 5.5 | 2,150 | 40.9 | 10.5 | 1,622 | 49.0 | 32.0 | 3.7 | 0.4 | 0.0 |
| CIFC | 14,636 | 15.5 | 7.0 | 10,305 | 3.8 | 13.0 | 5,567 | 70.4 | -19.3 | 7.5 | 0.1 | 0.1 |
| HDFC | 44,469 | 7.8 | -3.3 | 51,038 | 11.2 | 1.6 | 36,688 | 22.3 | -0.9 | 3.1 | -0.2 | -0.2 |
| LTHF | 16,652 | 2.1 | 0.6 | 11,549 | 0.9 | 1.7 | 2,612 | 47.5 | -23.5 | 7.6 | 0.4 | -0.1 |
| LICHF | 16,407 | 28.7 | 0.2 | 14,306 | 39.2 | -5.1 | 7,845 | 411.3 | -29.9 | 2.6 | 0.4 | -0.0 |
| MMFSL | 15,052 | 34.2 | 4.5 | 9,458 | 26.3 | 5.3 | 2,229 | -114.6 | -62.9 | 9.4 | 2.2 | 0.0 |
| MASFIN | 732 | 25.4 | 6.8 | 698 | 9.6 | 15.3 | 464 | 26.0 | 9.0 | 6.5 | 0.6 | 0.5 |
| MGFL | 9,295 | -9.6 | 3.4 | 4,903 | -30.8 | -3.0 | 2,833 | -35.2 | 8.6 | 13.1 | -3.2 | 0.8 |
| Muthoot | 18,233 | 7.2 | 6.0 | 14,263 | 6.9 | 16.7 | 10,480 | 7.9 | 9.1 | 10.9 | -2.2 | -1.5 |
| PNBHF | 3,669 | -27.9 | -0.5 | 3,324 | -30.0 | -10.0 | 1,617 | -33.5 | -4.6 | 2.4 | -0.8 | 0.0 |
| REPCO | 1,514 | 3.3 | -3.1 | 1,185 | -2.9 | -0.8 | 507 | 57.8 | 20.6 | 4.6 | -0.2 | -0.5 |
| SCUF | 9,822 | 11.7 | 2.0 | 4,720 | 34.2 | 2.0 | 2,836 | 36.4 | -6.3 | 12.6 | 0.7 | 0.8 |
| SHTF | 24,030 | 21.3 | -4.8 | 20,222 | 20.8 | -4.2 | 9,503 | 459.2 | -12.5 | 9.1 | 1.2 | -0.2 |

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

**Exhibit 64: Loan growth**

| INR b | Loans | | |
|---|---|---|---|
| | 1QFY23 | YoY (%) | QoQ (%) |
| AAVAS | 119 | 23.7 | 4.8 |
| BAF | 2,040 | 28.3 | 3.3 |
| CANF | 275 | 23.9 | 3.1 |
| CIFC | 809 | 20.8 | 6.5 |
| HDFC | 6,714 | 16.9 | 2.7 |
| LTHF | 881 | -0.4 | -0.3 |
| LICHF | 2,532 | 10.0 | 1.8 |
| MMFSL | 677 | 6.5 | 4.2 |
| MASFIN | 67 | 29.5 | 7.0 |
| MGFL | 307 | 24.3 | 1.6 |
| Muthoot | 590 | 7.7 | -2.3 |
| PNBHF | 661 | -9.7 | -1.7 |
| REPCO | 118 | -1.0 | 0.9 |
| SCUF | 340 | 16.9 | 4.3 |
| SHTF | 1,294 | 9.5 | 2.9 |

Source: MOFSL, Company

**Exhibit 65: Asset Quality snapshot**

| Asset quality (%) | As on 4QFY22 (%) | | | As on 1QFY23 (%) | | | QoQ change (bp) | | |
|---|---|---|---|---|---|---|---|---|---|
| | GNPA | NNPA | PCR | GNPA | NNPA | PCR | GNPA | NNPA | PCR |
| AAVAS | 1.0 | 0.8 | 23.1 | 1.1 | 0.8 | 22.9 | 9.1 | 7.1 | -10.6 |
| BAF | 1.6 | 0.7 | 58.0 | 1.3 | 0.5 | 59.9 | -34.6 | -16.9 | 187.8 |
| CANF | 0.6 | 0.3 | 52.7 | 0.7 | 0.3 | 54.4 | 1.0 | 0.0 | 173.4 |
| CIFC | 4.4 | 2.7 | 39.7 | 4.2 | 2.5 | 40.7 | -21.0 | -17.6 | 100.4 |
| HDFC | 2.3 | 1.3 | 54.3 | 2.1 | 1.3 | 54.0 | -14.6 | -1.5 | -32.9 |
| LTFH | 4.1 | 2.0 | 52.6 | 4.1 | 1.9 | 55.3 | 0.0 | -11.0 | 265.7 |
| LICHF | 4.6 | 2.7 | 43.1 | 5.0 | 3.0 | 40.4 | 32.0 | 32.4 | -265.4 |
| MMFSL | 7.7 | 3.4 | 58.1 | 8.0 | 3.5 | 58.1 | 37.0 | 17.0 | 0.0 |
| MASFIN | 2.1 | 1.4 | 34.4 | 2.1 | 1.3 | 37.0 | 6.9 | -0.9 | 256.4 |
| MGFL | 1.3 | 1.0 | 0.0 | 1.4 | 1.3 | 0.0 | 10.0 | 35.0 | 0.0 |
| Muthoot | 3.0 | 0.0 | 0.0 | 2.1 | 0.0 | 0.0 | -86.0 | 0.0 | 0.0 |
| PNBHF | 8.1 | 5.2 | 37.7 | 6.3 | 4.3 | 32.9 | -177.6 | -87.2 | -476.9 |
| REPCO | 7.0 | 4.9 | 31.8 | 6.4 | 4.2 | 36.8 | -53.8 | -70.9 | 494.3 |
| SCUF | 6.3 | 3.3 | 49.3 | 6.1 | 3.3 | 47.1 | -20.3 | 2.3 | -217.5 |
| SHTF | 7.1 | 3.7 | 50.0 | 7.0 | 3.5 | 51.6 | -6.6 | -15.1 | 164.6 |

## FINANCIALS – NON-LENDING: A weak equity market impacted the performance of Capital Market players; General Insurance companies saw a strong growth momentum

- **Broking/Wealth Management firms see a pressure from a weakness in the equity market:** In 1QFY23, demat accounts increased by 7m from 9m in 4QFY22. The run-rate was the lowest since 4QFY21. In terms of NSE active clients, the additions stood at 2m v/s 4.5m in 4QFY22 – the lowest since 3QFY21. With respect to volumes in the Retail segment, overall volumes were higher by 11% QoQ, led by the 11% growth in the F&O segment, as Cash segment volumes fell 13%. The slower activity in client acquisitions and cash volumes was led by the overall weakness in the equity market, with the Nifty correcting by 10% on an EOP basis in 1QFY23. This translated into weak revenue trends from brokers, with ISEC reporting a revenue decline of 11% QoQ and ANGELONE reporting a marginal revenue growth of 3% in 1QFY23. For ISEC, weakness in revenue from Investment Banking, due to weak primary activity, was an additional drag. With increments, variable payouts, and investments related to technology and marketing for future growth, margin was under pressure, with ISEC/ANGELONE reporting a PBT margin decline of 480/674bp QoQ. On the other hand, IIFLWAM witnessed pressure on flows, with 1QFY23 witnessing net flows of INR60.8b v/s INR70.4b in 4QFY22. Profitability improvement (EBIT margin improvement of 320bp QoQ) was strong, led by lower employee costs, due to completion of the transition from TBR to ARR.
- **Exchanges witness pressure on volumes and profitability:** Along similar lines with brokers, exchanges too faced the brunt of a weak equity market and a slowdown in demat addition. BSE reported a 10% QoQ decline in revenue in 1QFY23, led by 23% dip in transaction charges and 44% fall in services to corporates as there was a sharp fall in primary market activity. The impact of a lower revenue as well as higher technology cost, resulted in the PAT margin contracting by 1,172bp QoQ. MCX, on the other hand, saw strong volume growth of 50% YoY and 10% QoQ, majorly driven by strong crude and natural gas volumes. This, in turn, translated into a revenue growth of 24% YoY. PAT grew by 13% QoQ. Revenue growth was aided by the Option segment, where the exchange started levying charges from 3QFY22.
- **General Insurers see strong premium growth as well as an improvement in profitability:** In 1QFY23, the General Insurance industry registered a strong growth of 22.7% YoY in GDPI to INR488b, led by a 28%/21%/14% growth in Motor/Health/Commercial lines. While Motor OD saw a growth of 30% YoY, led by a surge in new motor vehicle sales, Motor TP grew 26%, driven by new sales as well as an increase in tariffs from Jun'22. In the Health segment, Group Health outperformed with a growth of 27% YoY v/s 11% growth in the Retail segment. Among our coverage names, ICICIGI, inclusive of Bharti AXA, registered a GDPI growth of 28% YoY to INR53.7b, led by strong growth across segments. STARHEAL saw a relatively muted overall growth (up 12.7% YoY) at INR24.7b, as the industry-beating growth in the Retail segment was offset by a 41% decline in the Group Health business. Profitability improvement was evident in both companies, with the combined ratio for ICICIGI/STARHEAL improving by 2000/2300bp YoY, led by an improvement in the claims ratio.

- **Our view:** Since the end of 1QFY23, the equity market has staged a strong comeback which should bode well for the performance of Capital Market-related plays such as brokers, exchanges, and wealth managers. The customer acquisition trajectory remained muted in Jul'22. But with penetration remaining low, we expect the same to recover over the medium term. Cash volumes have started inching higher, and with the impact of tightening regulations (peak margin norms and collateral v/s cash margin) in the base, the recovery should sustain. Since F&O volumes have a strong correlation with market volatility, we expect steady trends in this segment. Primary market activity should gain momentum once there is stability in the equity market. Product launches and possible resolution of SGF for the Crude Oil segment can be a driver of volumes for MCX. We see an improvement in profitability once the transition to the TCS platform is complete. General insurers will continue to witness strong premium growth and an improvement in profitability, led by better Health Insurance loss ratios, improved pricing for Motor TP, and a lower expense ratio with scale benefits. Our top picks in the overall Non-Lending space include IIFLWAM, ICICIGI, and ANGELONE.
- **Positive surprises:** MCX and IIFLWAM
- **Negative surprises:** ISEC and STARHEAL
- **Rating changes:** None

**Guidance highlights:**

- **ISEC:** Considering the current tough market conditions, the management has calibrated its FY23 investment plans. It will now spread the same over the next six quarters.
- **ANGELONE** expects the cost of acquisition to start flattening out over the next few quarters, but sees the employee cost run-rate remaining in the current range. With the launch of the SuperApp, the management expects the activation rate to inch up to 50% from 40% at present.
- **IIFLWAM** remains confident of achieving its guidance in all parameters, including inflows of INR350-400b on a steady-state basis. However, the guidance on inflows may get negatively impacted in case the market continues to remain subdued, which will adversely affect its FY24 performance. For 2QFY23, the management's focus will be on launching fixed income products, within the asset management business. It is also raising investments in a structured credit fund, REITs, and InvITs funds.
- **BSE** revised its listing fees in Apr'22, which will result in higher listing income. It also launched its Power Exchange on 6th Jul'22, beginning with the Contingency Market segment, where it has already managed to gain 20% market share. In the last week of Jul'22, it launched other market segments such as Green Contingency contracts. Currently, it is offering promotional discounts to participants.
- **MCX** expects the current employee cost run-rate to continue. In terms of launching Electricity derivatives, it is awaiting approval. The management has already received approval for the launch of monthly Gold options and the product is expected to be launched soon.
- **ILOM** as well as **STARHEAL** guided at a strong growth momentum in the Health business, along with an improvement in the combined ratio.

**Exhibit 66: Performance snapshot**

| INR m | Revenue | | | EBITDA | | | PAT | | |
|---|---|---|---|---|---|---|---|---|---|
| **Broking/Wealth** | **1QFY23** | **YoY (%)** | **QoQ (%)** | **1QFY23** | **YoY (%)** | **QoQ (%)** | **1QFY23** | **YoY (%)** | **QoQ (%)** |
| ISEC | 7,935 | 6.5 | -11.0 | 3,671 | -11.9 | -19.4 | 2,736 | -11.9 | -19.6 |
| ANGELONE | 2,600 | 61.7 | 3.4 | 1,544 | 80.3 | -12.6 | 1,816 | 49.6 | -11.3 |
| IIFLWAM | 3,750 | 32.3 | -11.3 | 2,080 | 59.5 | 10.8 | 1,571 | 34.5 | -5.1 |
| **Exchanges** | | | | | | | | | |
| BSE | 1,731 | 13.4 | -9.9 | 452 | -2.5 | -21.1 | 400 | -22.9 | -44.1 |
| MCX | 1,088 | 24.2 | 2.2 | 493 | 33.7 | -7.5 | 415 | 4.3 | 13.3 |
| **General Insurance** | **Gross Premium** | | | **Underwriting Profit/(Loss)** | | | **PAT** | | |
| | **1QFY23** | **YoY (%)** | **QoQ (%)** | **1QFY23** | **YoY (%)** | **QoQ (%)** | **1QFY23** | **YoY (%)** | **QoQ (%)** |
| ICICIGI | 55,298 | 29.6 | 10.6 | -1,933 | NA | NA | 3,490 | 79.6 | 11.7 |
| STARHEAL | 24,637 | 12.7 | -33.2 | 1,568 | NA | NA | 2,132 | NA | NA |

Source: MOFSL, Company

## HEALTHCARE: Covid-led high base and opex headwinds impair 1QFY23 earnings

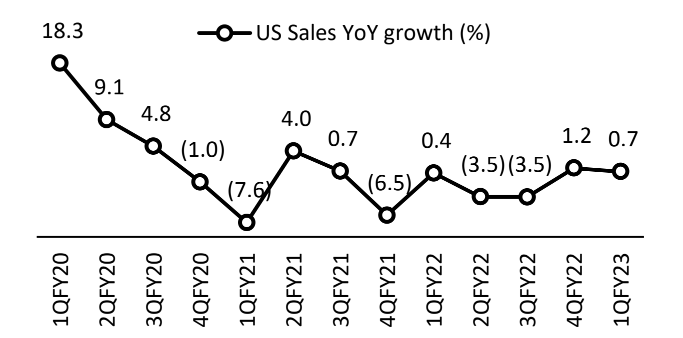
- The pharma companies under our coverage universe exhibited 4% YoY revenue growth to INR582b , while EBITDA/PAT declined 12.4%/15% YoY to INR116b/INR71b, respectively, (excluding APHS). The quarterly earnings run-rate continues to decelerate for five quarters now. Particularly, the YoY earnings has been on declining mode for three quarters now. The EBITDA and PAT numbers were largely in line with our estimates. The intense price erosion in the US generics and evident cost pressures marred the performance of pharma companies under our coverage. This was further aggravated by the high base of domestic formulation (DF) segment last year.
- Of the 22 companies (excluding JUBLPHARM), 9 companies each have beaten/missed our earnings estimates. ALPM, ALKEM, BIOS, and DRRD missed our expectations by a huge margin.
- From our coverage universe, ALPM/LPC/ALKEM/BIOS reported a 57%/49%/32%/22% YoY decline in EBITDA in 1QFY23, respectively, dragging performance at the aggregate level. The pricing pressure in the US, high base of Covid-19 sales last year and raw material cost pressures hurt profitability of ALPM/LPC/ALKEM. BIOS saw a decline in sales/EBITDA on account of reduced traction in generics business and higher operational cost.
- Conversely, SUNP/LAURUS/AJP/ERIS were outliers in 1QFY23, delivering a 24%/24%/23%/13% YoY growth in EBITDA, respectively. The strong traction in Specialty/DF business (SUNP), synthesis business becoming 3x in size (LAURUS), sustained growth momentum across branded formulations segment (AJP) and outperformance against IPM in key therapies (ERIS) drove superior growth for these companies.
- Segment-wise, growth in **DF** was down 2.5% YoY on an aggregate basis for our coverage universe. The decline in DF business segment was largely because of the Covid-led high base of last year. As the Covid wave subsided, non-Covid sales picked up in 1QFY23 and spiked 22% YoY in Jun'22-end. From our coverage companies, AJP, ERIS, TRP, IPCA, and DRRD were the top performers owing to: a) a strong growth across its major therapies, especially 44% YoY growth in Ophthalmic (AJP), b) superior performances in Cardio-Metabolic/CNS therapies (ERIS), c) outperformance by Gastro/CNS/VMN/Anti-Diabetic therapies against IPM (TRP), d) a strong off-take in the Pain/Cardiac segments (IPCA), and e) its focus on key therapies and optimization of portfolio (DRRD).
- **The US sales** have been stable on an aggregate basis in 1QFY23 for companies under our coverage universe. SUN/CIPLA/ARBP/ZYDUSLIF exhibited 13%/13%/11%/7% growth in the US sales, respectively, in 1QFY23. Growth was driven by steady momentum in core portfolio (CIPLA/ARBP), strong traction in the Specialty portfolio (SUNP) and new launches (ZYDUSLIF). Conversely, ALKEM/LPC/GNP clocked an 8%/24%/16% YoY decline in the US sales, respectively, due to an intense price erosion (ALKEM/LPC/GNP), one-off adjustments (LPC) and regulatory issues (GNP) in 1QFY23. DRRD/TRP/ALPM reported almost flat growth due to price erosion offset by new launches (DRRD), market share gains (ALPM) and strong performance from g-Dapson (TRP).
- A majority of the EPS estimates for our coverage companies has seen downgrades on an average v/s the period prior to the 4QFY22 results. The maximum downgrades in FY23/FY24 earnings were seen in ALPM (49%/25%), LPC (35%/3%), ALKEM (24%/13%) and BIOS (20%/6%), respectively. Conversely, GRAN (8%/8%), GNP (6%/3%), ZYDUSLIF (5%/ 2%) and SUNP (5%/3%) witnessed maximum upgrades in earnings estimates, respectively.
- **Top picks: APHS, DRRD, and GLAND**
- **Positive surprise:** SUNP, CIPLA , LAURUS, AJP and GRAN
- **Negative surprise:** ALPM, ALKEM, BIOS, LPC and GLXO

### Guidance highlights

- **SUNP**'s Global Specialty sales stood at USD191m in 1QFY23 with Illumya, Cequa, and Odomzo being the key growth drivers. Excluding the sale of Covid-related products, total sales grew 14% YoY in 1QFY23.
- **DRRD's** G-Revlimid (Lenalidomide) launch with limited volume is expected in Sep'22. The 13% QoQ decline in NAM sales to USD230m was largely because of the increased competition in g-Suboxone and g-Vasopressin.
- **DIVI's** guided to maintain 40% EBITDA margin (including other income) for FY23. With capacity expansion in place for the generics segment, DIVI's expects sales to pick-up going forward. Further, one of the capacity expansion projects related to custom synthesis is also complete.
- **CIPLA** guided for an EBITDA margin of 21-22% in FY23. The recently launched Peptide asset has been on track in terms of gaining market share in the US market (i.e. up to mid-teens by end-CY23).
- **BIOS**' core EBITDA margin for the Biologics segment is likely to remain in the mid--to-high 30s for FY23. Annual revenue for the integrated Viatris-BIOS will be ~USD1.1b.

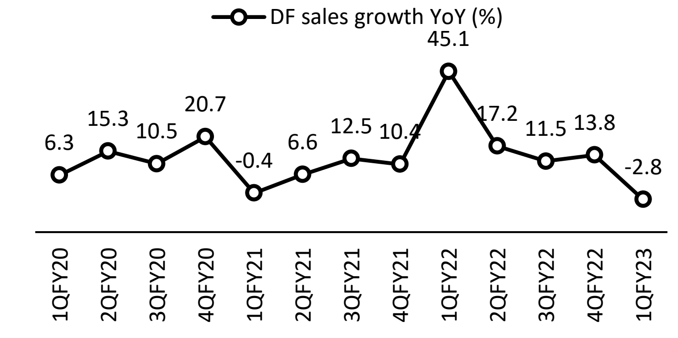
- **ERIS** guided for a 30%/16-17% YoY growth in revenue/ EBITDA for FY23, respectively. From an EBITDA margin of 32.4% in 1QFY23, management expects the same to recover to 36% by FY25.
- **LPC** expects recovery of the US quarterly sales run-rate to USD150-160m in the coming quarters. Upside from launches such as g-Suprep, g-Spiriva, etc. would also drive the US sales.
- **APHS** plans to spend INR5.5b towards Apollo 24/7 v/s earlier guidance of INR4.4b. Management guided for overall pharmacy sales (including online pharmacy) to increase 27-28% YoY for FY23.
- **IPCA** guided for overall sales growth of 9-10% YoY and EBITDA margin of 21% for FY23. Management guided for 12-13% YoY growth in DF sales for FY23. IPCA indicated 13-15% YoY growth in branded exports sales for FY23.
- **LAURUS** reiterated its USD1b revenue target (at INR70/USD) and 30% EBITDA margin guidance for FY23. The supply challenges are likely to abate with China back to normal and gradual easing of geopolitical risks.

**Exhibit 67: The US sales flattish YoY in 1QFY23**



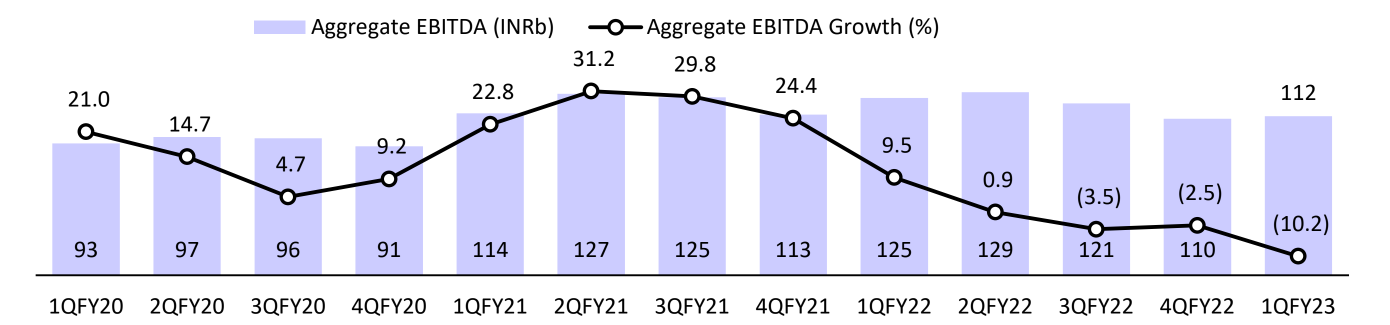

Source: MOFSL, Company

**Exhibit 68: DF sales down 3% YoY in 1QFY23**




Source: MOFSL, Company

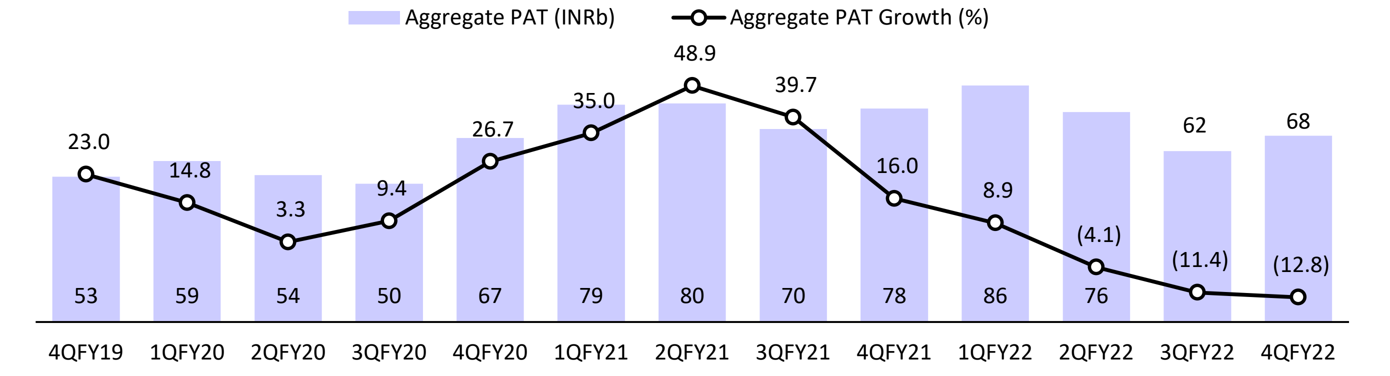
**Exhibit 69: Aggregate EBITDA (excluding GLAND and JUBILANT) declines 10% YoY to INR112b in 1QFY23**




*GLAND excluded from our comparison due to the lack of historical data, JUBILANT excluded as its earnings are not comparable after the Ingrevia demerger

Source: MOFSL, Company

**Exhibit 70: PAT continues to decline YoY for the third consecutive quarter**




*GLAND excluded from our comparison due to the lack of historical data, JUBILANT excluded as its earnings are not comparable after the Ingrevia demerger

Source: MOFSL, Company

## INFRASTRUCTURE: Robust execution across the board

- **Robust execution, despite a seasonally weak quarter:** Infrastructure companies in our Coverage Universe (excluding IRB) clocked a 25% YoY growth in revenue, which was higher than our estimate. Execution was also supported by projects, which started during the latter part of FY22. Construction revenue was strong and toll revenue improved, as economic activity picked up and mobility improved. The rollout of FASTag also positively impacted toll collections as electronic toll collection constitutes 90-95% of total collections at present.
- **Elevated input costs keep margin under check:** Companies in our Coverage Universe reported flattish EBITDA margin due to elevated input costs. Margin for companies like GRINFRA were aided by receipt of an early completion bonus. Metal prices have begun to fall, but the impact of the same will be felt more in 2HFY23. Companies having greater fixed price contracts under execution saw an impact on margin.
- **Awarding muted in 1QFY23; order book decent for most players:** Ordering by government authorities has been muted, which is typically the case in the first quarter. Companies are now increasingly looking for new projects in sectors like Water and Irrigation, Mining, and Metros to increase their addressable market. The tender pipeline is robust and most managements have guided at very strong order inflows in FY23.
- **Focus on asset monetization:** Almost all Infra companies are focusing on asset sales, via different routes, to free up capital and bid for more projects. Companies like GRINFRA are all set to launch an InVIT in FY23 to offload operational HAM assets. GRINFRA has already registered its InvIT with SEBI. Other companies are also in talks with potential buyers to sell stake their BOT assets to free up capital and bid for new projects.
- **Top picks:** Despite muted order inflows, firms are now sitting on a robust order book. Execution should pick up post monsoon. We prefer companies with: a) a strong order book and execution capabilities, b) a diversified segmental presence, and c) a comfortable balance sheet. The timely receipt of appointed dates in recently won projects will be a key monitorable for most companies. Our top picks are KNRC and GRINFRA in this space.

**Exhibit 71: Sales jumps 25% YoY for our Coverage Universe…**

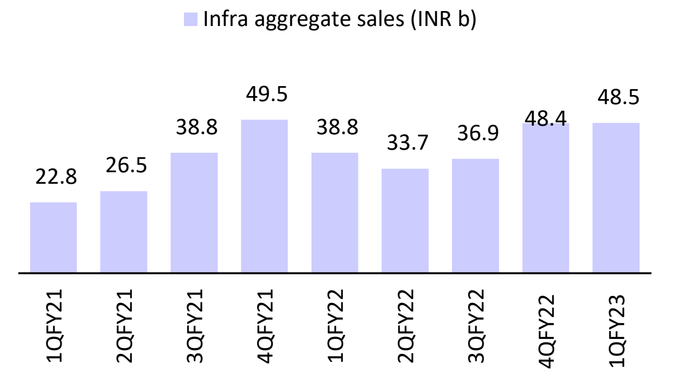



**Exhibit 72: …with stable gross margin, despite higher input costs in 1QFY23**

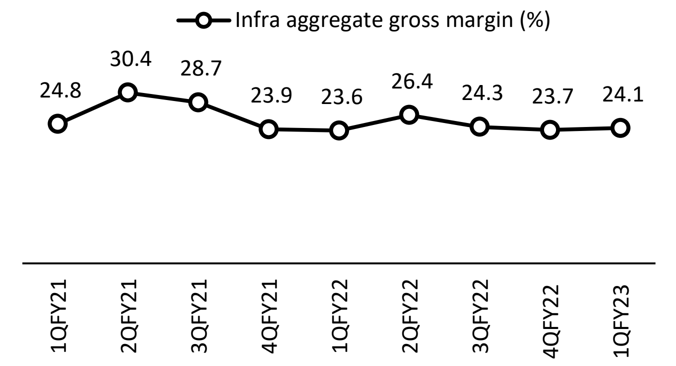



**Exhibit 73: EBITDA margin improves by 80bp YoY in 1QFY23**

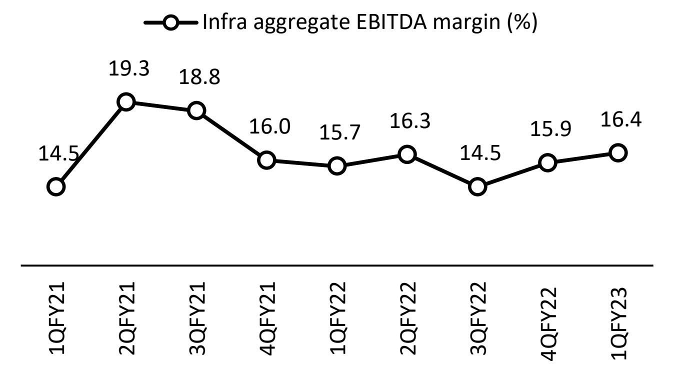
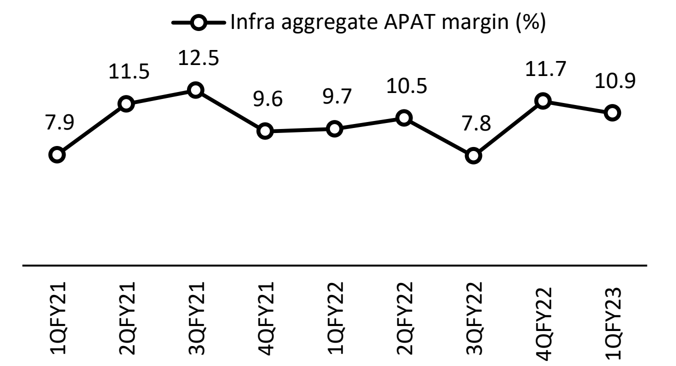



**Exhibit 74: Improvement in operating efficiencies boosts APAT in 1QFY23**




Note: Data in the charts above are for our Coverage Universe excluding IRB

## LOGISTICS: Robust volume growth; lower diesel prices will result in a higher margin in 2HFY23

- **Volumes remain strong in 1QFY23:** Logistics companies in our Coverage Universe clocked a 31% YoY growth in revenue. The YoY growth was on a low base of 1QFY22, which was impacted by the second COVID wave. In 1QFY23, growth was driven by strong volumes and elevated freight rates. Strong demand was seen across end-user industries, especially the Auto sector, which led to a pick-up in utilization to ~85%. Normalization of economic and manufacturing activity after two years of COVID-related disruptions has led to a higher e-way bill generation in 1QFY23. Despite being a seasonally weak quarter for the industry, volume growth remained robust. Amid a strong demand environment, Logistics companies were able to pass on the increase in fuel prices by charging higher freight rates.
- **Operating leverage and higher freight rates aid margin, despite an increase in fuel costs:** For a large part of 1QFY23, fuel and energy prices remained elevated, fueled by the Russia-Ukraine war and partial COVID-related lockdowns in China. With higher volume growth in 1QFY23, companies were able to increase freight prices, and thus saw only a marginal drop in gross margin (down 160bp YoY and 200bp QoQ to ~31%). Cost efficiency measures by companies over the last couple of years continued to deliver a positive impact. The EBITDA margin for our coverage universe grew 110bp YoY, supported by higher volumes and tight cost controls.
- **Aggressive expansion plans underway to garner a higher market share:** With an improved demand outlook, companies are now investing in growing their fleet, setting up warehouses, sorting centers, branch offices, etc. With mandatory e-invoicing for businesses with a turnover of over INR1b (from over INR2b at present) from Oct'22, the addressable market size for Road Logistics operators will increase significantly, resulting in a better utilization and margin in 2HFY23. 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 like VRLL, which own assets, have added 68 branches in 1QFY23 in anticipation of good festive demand from Sep'22. With the tightening of compliance regulations under GST and e-way bill, the market share of organized operators will improve significantly.
- **Top picks:** Despite a seasonally weak 1QFY23, the growth in volumes has been pretty robust, led by a pickup in economic activity in the Auto and e-commerce segments. The momentum is likely to sustain with the onset of the festive season in Sep'22. The easing of commodity and crude prices is expected to improve consumer sentiment in 2HFY23. Over the long term, we expect the share of business to shift towards the organized sector as the positive impact of e-way bill and GST start to play out. We prefer companies with: a) an established presence in their areas of operations; b) cost-efficient operations, and c) a comfort on valuations. VRLL is our top pick in this space.

**Guidance highlights:**

With a structural shift in the formalization of the sector (~90% of the Logistics sector is unorganized), supported by stricter implementation of GST and mandatory e-invoicing, the addressable market size for the organized operators will increase significantly. In order to garner a higher market share, companies have announced aggressive investment plans for growing their fleet and storage facilities. Companies have been optimistic about volume growth in their post-earnings call, and expect the momentum to continue through FY23.

- **VRLL** added 68 new branches in 1QFY23 and plans to add 20-25 branches per quarter to expand its geographical presence and garner a higher market share. It expects a volume growth of 20% over the next three years, and plans to incur a capex of INR3.5b in FY23 towards increasing capacities via new fleet additions.
- **TRPC:** Sea freight rates remain elevated, which will aid a higher margin in the near term. Given the strong growth across business segments (Freight/Supply Chain/Seaways), the management has guided at a capex of INR3b towards the expansion of its fleet and warehousing capacities (ships, warehouses, container, and rakes).
- **BDE:** The Surface Express segment is expected to grow faster than Air Express, with higher double-digit growth for Ground v/s high single-digit growth in the Air segment. The management expects to increase its share in the Surface segment going forward. The company is looking to add two Boeing 737 aircraft, which will result in a 15-20% capacity addition from current levels. EBITDA margin is expected to remain at current levels.
- **CCRI** aims to handle over 5m TEUs in FY23. It expects 10-12%/25% growth in EXIM/domestic volumes, leading to a 20% growth in PAT in FY23. Commercial trials of cement shipments have started. The management expects strong volumes accruing from this segment ahead.

- **MAHLOG** expects to add 20m sq. ft. of warehousing space by early FY24, with launches in cities like Guwahati, Patna, and Lucknow. The management aims to improve margin by 30-50bp annually.

**Exhibit 75: Sales up 31% YoY for our Coverage Universe in 1QFY23**

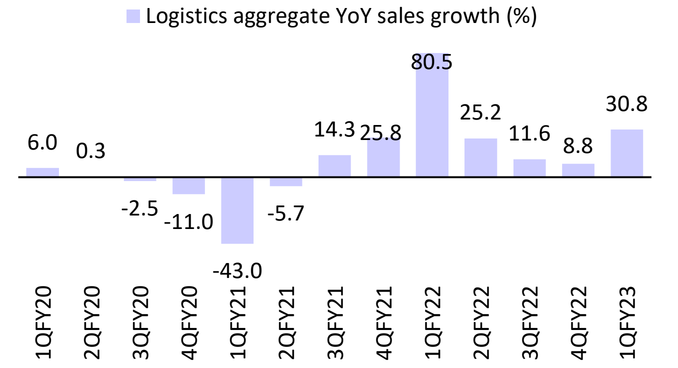



**Exhibit 76: Higher fuel price hits gross margin in 1QFY23**

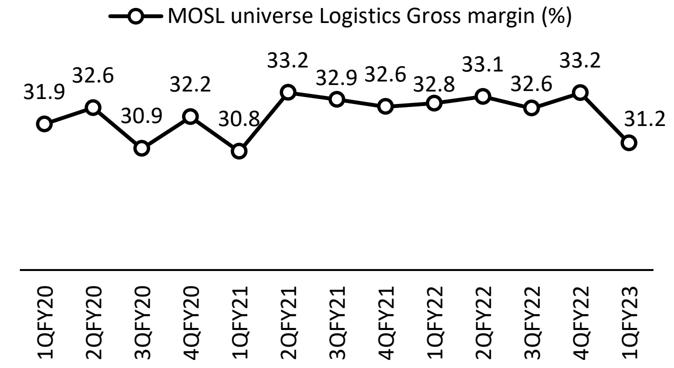
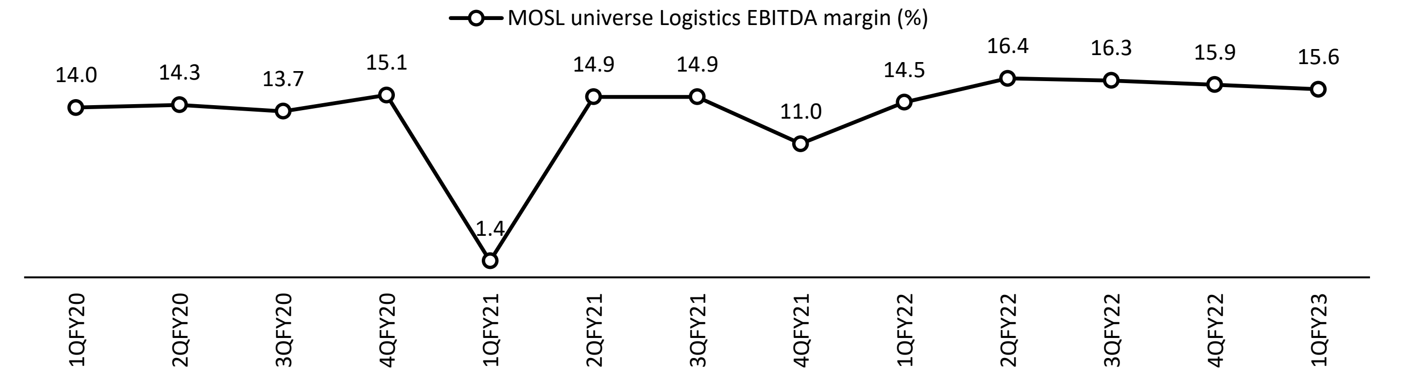



**Exhibit 77: EBITDA margin remains healthy in 1QFY23**




Source: Company, MOFSL

## METALS: Levy of export duty eats into steel margin, China slowdown hits non-ferrous players; COAL shines

- **Steel - ASP surprises, margin disappoints:** 1QFY23 began with a strong pricing for steel players, with HRC prices increasing to INR76,000/t in Apr'22 from INR72,000/t in Mar'22. However, prices failed to sustain at these levels as demand remained tepid. Prices continued to slide from the middle of Apr'22. An export duty of 15% was imposed, with effect from 22nd May'22, on several steel products, covering ~95% of exports by value. Wide flats (over 600mm), pig iron, and long products were brought under the ambit of export duty, with an objective to cool domestic prices, which were trending with the global market. Simultaneously, export duty of 45% on iron ore pellets and 50% on all varieties and grades of iron ore was also imposed. This brought to an immediate halt, entire iron ore and pellet exports. Domestic steel prices crashed by ~INR10,000/t in a week after the imposition of export duty and iron ore prices corrected by INR1,750-2,000/t. At the same time, international steel prices weakened sharply due to continued weakness in the Chinese economy and rising exports from Russia, amid a slowdown in Vietnam. As a result, domestic HRC prices corrected by INR15,200/t (~20%) while iron ore corrected by INR 2,810/t (~54%). However, during the same period, the steel companies consumed coking coal procured at the highest prices (coking coal consumption cost is at a lag of almost 60 days from procurement prices) impacting the EBITDA margins significantly.
- **Slowdown in domestic consumption, inventory rises:** With the imposition of export duty, consumption in India nearly halted for a few days as prices slid. Steel consumers postponed consumption in anticipation of a further price correction. This resulted in the pile-up of inventory at mills, forcing steel producers to cut prices further to move volumes, which, in turn, led to a further halt in steel purchases. Domestic consumption was also impacted as international prices remained weak. Domestic consumption fell 4% in 1QFY23, while crude steel production

was flat QoQ, resulting in an additional inventory build-up of 0.5mt (which we believe will be revised upwards in subsequent quarters). **All steel companies in our Coverage Universe have reported a working capital build up on account of higher inventory of FG/SFG, which should be liquidated in 2HFY23.**

- **Steel sales contract after the imposition of export duty:** Steel companies under our Coverage Universe reported a volume de-growth of 1% YoY and a massive 22% QoQ. However, ASP remains higher QoQ for most companies under our coverage, except for JSTL. Revenue for our Coverage Universe grew 19% YoY, but fell 12% QoQ in 1QFY23, as higher ASP was offset by lower volumes. Peak coking coal costs negated a large part of the strong revenue, with average EBITDA/t at INR14,399/t (down 34% YoY, but up 5% QoQ). We expect a sharp contraction in EBITDA/t for steel companies across the board in 2QFY23.
- **Non-ferrous – Impact of a slowdown in China visible in prices:** Copper/aluminum/lead/alumina prices corrected by 5%/12%/5%/8% QoQ in 1QFY23 driven by continued slowdown in china. The frequent lockdowns in China resulted in demand and supply chain breakdown while production continued unabated. However, zinc and nickel prices rose 5% and2%, respectively supported by demand supply imbalance in the short run. The Chinese PMI fell below 50 in Apr'22 and May'22, and only recovered above 50 in Jun'22, indicating an economic contraction for most of 1QFY23.
- **COAL – Strong 1QFY23, best yet to come:** Commodity prices hit the roof after the start of the Russia-Ukraine war. While the rest of the commodities has cooled off, due to inflationary pressures in the US, a slowdown in China, and economic contraction in Europe (following a restriction in gas supplies from the Russia), thermal coal continued to shine. Europe is right now in the midst of a multi-year transition from NG to renewables. In the interim, dependence on thermal coal will rise sharply and demand for coal will outweigh supply. We are already witnessing this phenomenon currently. As a result, thermal coal prices are higher than coking coal prices, a phenomenon not witnessed in more than last 10 years.
- **Steel/non-ferrous PAT fell 38%/12% QoQ, mining outperforms with 18% higher PAT for COAL:** As EBITDA contracted, steel companies in our Coverage Universe reported a sharp decline in PAT. TATA/JSTL/SAIL/JSP reported a QoQ decline of 22%/74%/68%/25%. From our non-ferrous Coverage Universe, VEDL/HNDL/NACL reported a PAT decline of 24%/1%/44% QoQ, while HZ reported a 6% QoQ growth. On the mining front, NMDC reported a 27% QoQ decline, while COAL reported a 32% growth in APAT.
- **Top picks:** COAL, HNDL, and JSP
- **Positive surprises:** TATA, JSP, NMDC, SAIL, and HNDL
- **Negative surprise:** NACL

**Guidance highlights:**

**Ferrous:** All ferrous companies in our Coverage Universe expressed their reservations on EBITDA in 2QFY23 as the correction in ASP will significantly outweigh the meager benefits of a reduction in coking coal costs. Managements, however, expect exit 2QFY23 margin to be strong and the benefit from a reduction in coking coal costs to fully reflect in the 3QFY23 earnings.

**Non-ferrous** companies remain focused on cost reduction initiatives and have guided at a better performance in 2QFY23.

**Mining:** We expect mining companies to report divergent trends, with COAL likely to report a stellar margin, while NMDC should report a contraction in both volumes and margin in 2QFY23.

- **TATA:** The management expects coking coal costs to start trending lower, with a modest USD40/t reduction in 2QFY23. However, the correction in steel prices in the second half of 1QFY23 was very steep. Spreads will normalize in 3QFY23. **At TSE, ~30% of volume will accrue for re-pricing in 3QFY23,** which will be significantly lower than the current contracted price. Debt reduction of at least USD1b per annum will continue. Since the management is focused on domestic sales, any impact from the imposition of export duty is minimal.
- **JSTL:** Due to the imposition of export duty, profitability has taken a hit. The company has moderated its capex for FY23 after the imposition of export duty. **It has, however, maintained its production and sales guidance for FY23, despite a weak 1Q** as it expects the duty to be removed soon, though there is no timeline on the same. JSTL has also started buying thermal coal, anthracite coal, and soft coking coal from Russia at a discount to lower its costs. Auto contracts have been partly settled, but negotiations are still on with major customers.

- **JSP:** The management reiterated its FY23 sales guidance of 8.2-8.4mt, with a continuously improving cost structure on lower coal and ore costs. It has already committed its entire capex of up to 15mt and has no room for delaying or deferring the same. **It expects to operationalize the Utkal coal block by the end of FY23.**
- **SAIL:** The management has no plans to reduce output, despite holding a higher level of inventory. It said that domestic consumption has started to pick up as sales in Jul'22 are strong. **The gains from the reduction in coking coal cost will fully reflect from 3QFY23.** Prices in Jul'22 fell by INR1,200-1,300/t MoM.
- **HNDL:** **Its cost of production for the domestic aluminum business should be in the 15-18% QoQ range** due to the hardening of coal cost. Lower LME prices should lead to the release of working capital in 3QFY23, and its leverage should come fall further. Novelis raised its EBITDA/t guidance to USD525/t from USD500, implying an EBITDA of USD505/t for 9MFY23. The easing of semiconductor shortages is leading to strong demand from the Auto sector for Novelis. Smelter expansion in India is the least priority capex for the management, and it is at least 18-24 months away from that capex.
- **VEDL:** Costs are likely to reduce in 2QFY23 as the management expects new tranche V linkage coal to augment the share of FSA coal in its total coal requirement. The reduction in its net debt target at the parent level (USD5b in four years) remains intact, with over USD1.5b already been repaid in FY23 till date.

**Exhibit 78: Summary of change in EBITDA and PAT under coverage**

| | | | Revised | | | | Earlier | | | | Change (%) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rating | TP | EBITDA | | PAT | | EBITDA | | PAT | | EBITDA | | PAT | |
| | | | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| **Ferrous** | | | | | | | | | | | | | | |
| TATA | Neutral | 106 | 448 | 403 | 217 | 187 | 404 | 434 | 193 | 207 | 11 | -7 | 13 | -9 |
| JSTL | Neutral | 565 | 303 | 409 | 142 | 213 | 291 | 335 | 140 | 167 | 4 | 22 | 1 | 28 |
| JSP | Buy | 405 | 107 | 107 | 142 | 52 | 99 | 125 | 47 | 65 | 8 | -15 | 2 | -19 |
| SAIL | Buy | 96 | 102 | 184 | 42 | 110 | 80 | 142 | 34 | 83 | 27 | 30 | 23 | 32 |
| **Non-ferrous** | | | | | | | | | | | | | | |
| HNDL | Buy | 525 | 254 | 263 | 110 | 120 | 240 | 251 | 103 | 112 | 6 | 5 | 7 | 7 |
| VEDL | Neutral | 260 | 372 | 413 | 154 | 168 | 410 | 403 | 166 | 153 | -9 | 3 | -7 | 10 |
| HZL | Neutral | 245 | 171 | 179 | 105 | 110 | 175 | 183 | 110 | 114 | -4 | -3 | -4 | -3 |
| NACL | Buy | 92 | 31 | 45 | 19 | 30 | 25 | 41 | 15 | 27 | 22 | 10 | 30 | 12 |
| **Mining** | | | | | | | | | | | | | | |
| COAL | Buy | 275 | 402 | 302 | 270 | 194 | 331 | 276 | 223 | 175 | 21 | 9 | 21 | 11 |
| NMDC | Neutral | 124 | 56 | 68 | 44 | 51 | 54 | 68 | 43 | 52 | 5 | 0 | 4 | -1 |
| **Aggregate** | | | | | | | | | | | | | | |
| Ferrous | | | 960 | 1,104 | 542 | 563 | 874 | 1,036 | 414 | 521 | 10 | 6 | 31 | 8 |
| Non-ferrous | | | 828 | 900 | 389 | 427 | 849 | 877 | 394 | 405 | -3 | 3 | -1 | 6 |
| Mining | | | 458 | 369 | 315 | 245 | 384 | 344 | 266 | 226 | 19 | 7 | 18 | 8 |
| **Sector aggregate** | | | **2,246** | **2,373** | **1,246** | **1,235** | **2,108** | **2,257** | **1,074** | **1,153** | **7** | **5** | **16** | **7** |

Source: MOFSL

**Exhibit 79: Domestic spot steel spreads (USD/t) contract sharply in 4QFY22, but revive in 2QFY23**

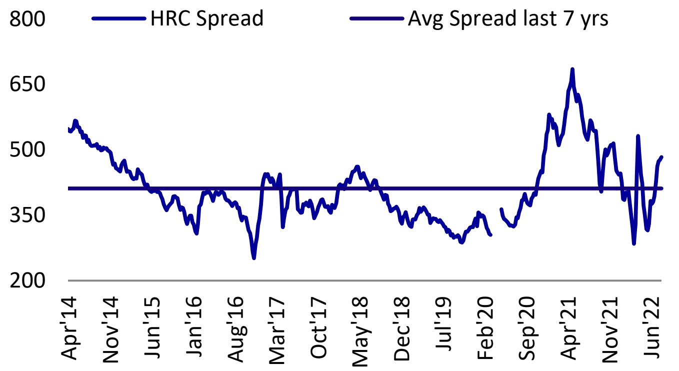



**Exhibit 80: Coking coal corrects sharply in the last two months. The same will fully reflect in the 3QFY23 earnings**

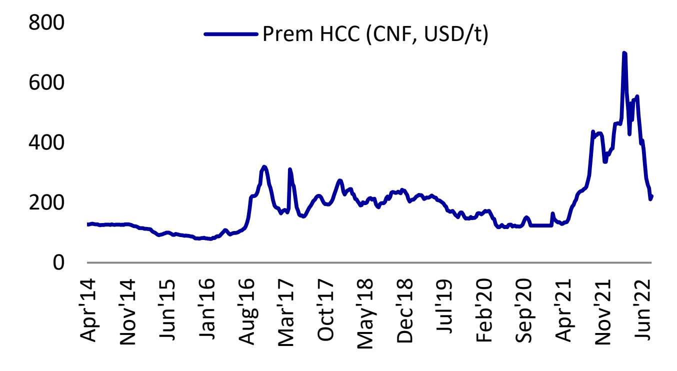
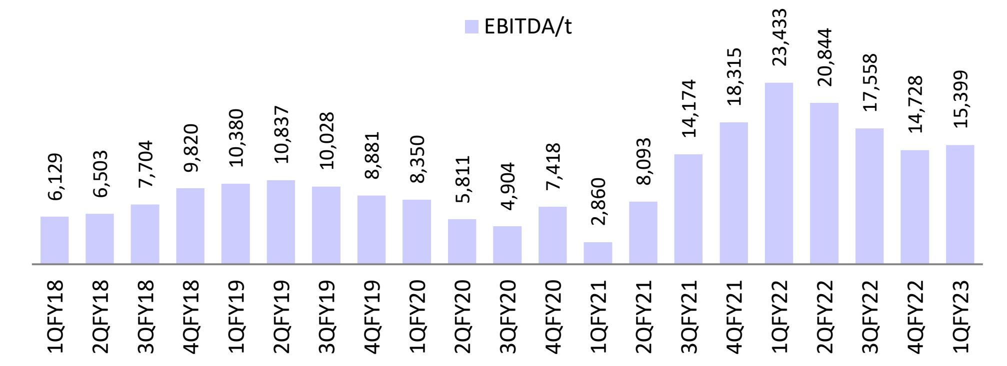


**Exhibit 81: Steel sector posts healthy EBITDA/t in 1QFY23, aided by the ASP tailwind**




Source: MOFSL

**Exhibit 82: Realization/t for steel companies at a record high, up 12% QoQ**

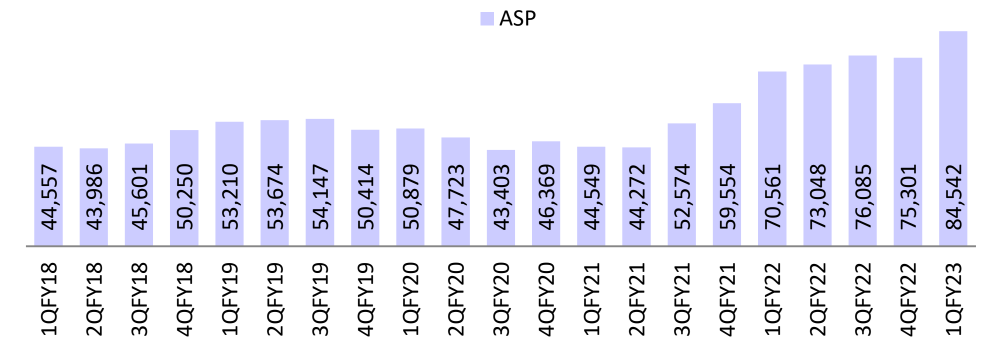
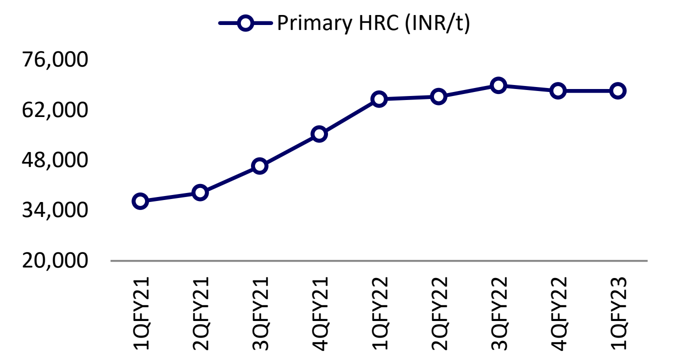
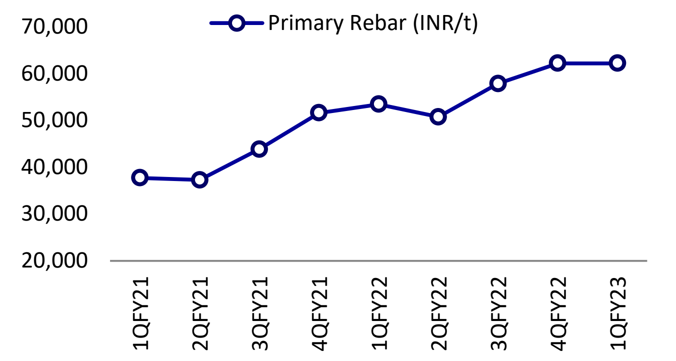



**Exhibit 83: HRC prices grew 4% QoQ in 1QFY23**



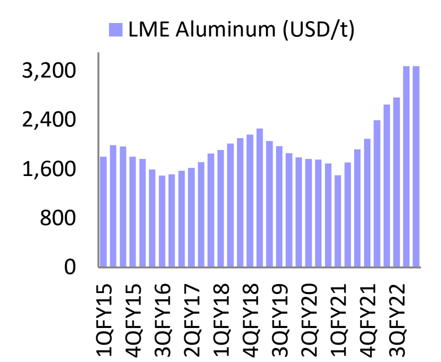

Source: MOFSL, Steelmint

**Exhibit 84: Primary Rebar up 8% QoQ in 1QFY23**



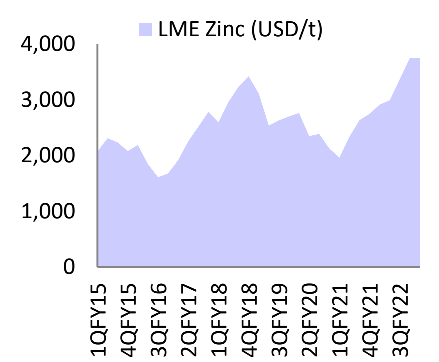

Source: MOFSL, Steelmint

**Exhibit 85: LME aluminum prices**



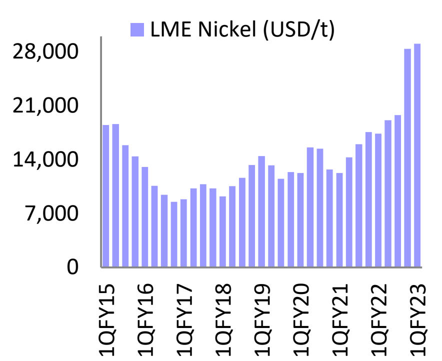

Source: MOFSL, Bloomberg

**Exhibit 86: LME zinc prices**




Source: MOFSL, Bloomberg

**Exhibit 87: LME nickel prices**



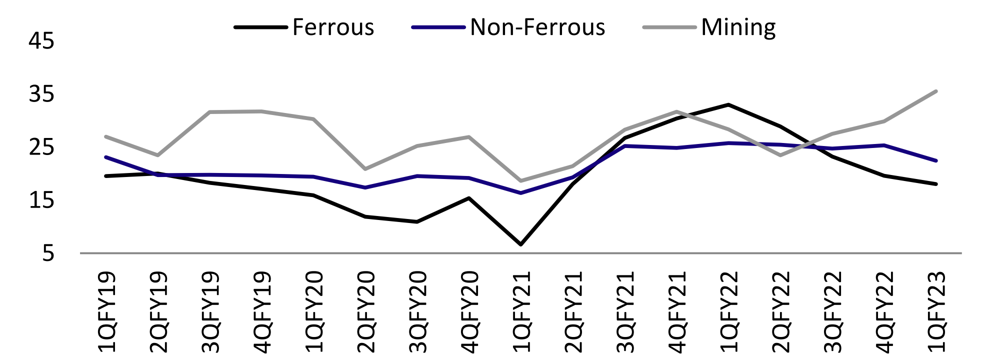

Source: MOFSL, Bloomberg

**Exhibit 88: EBITDA/t for steel companies under our coverage**

| Company | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | Abs YoY | % YoY | Abs QoQ | % QoQ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TATA (Cons.) | 1,110 | 7,834 | 13,401 | 18,115 | 22,659 | 22,268 | 22,673 | 18,764 | 22,618 | -41 | -0.2 | 3,854 | 21 |
| JSTL (Cons.) | 4,806 | 10,087 | 15,053 | 20,788 | 29,608 | 27,198 | 23,355 | 17,903 | 9,597 | -20,011 | -67.6 | -8,306 | -46 |
| SAIL | -1,801 | 4,518 | 12,241 | 14,145 | 19,728 | 16,395 | 8,881 | 9,196 | 7,295 | -12,433 | -63.0 | -1,901 | -21 |
| TATA (s/a) | 5,940 | 11,754 | 14,926 | 20,417 | 33,327 | 30,385 | 28,631 | 24,616 | 24,622 | -8,705 | -26.1 | 5 | 0 |
| JSP (s/a) | 10,949 | 12,585 | 20,833 | 25,569 | 28,098 | 21,216 | 17,404 | 14,695 | 19,028 | -9,070 | -32.3 | 4,333 | 29 |

Source: MOFSL, Company

**Exhibit 89: EBITDA margin for steel and non-ferrous players (%) contract, mining starts moving up**




Source: MOFSL, Company

## OIL AND GAS: Higher losses in marketing margin diluted strong GRMs for OMCs; rising crude oil prices led to higher realizations for upstream companies

- **Aggregates:** Revenue was broadly in line (4% lower than our estimate; up 75% YoY) – with a miss on RIL, IOCL, HPCL, and CSTRL. Excluding OMCs, revenue was in line (up 74% YoY). EBITDA was 9% lower than our estimate (up 5.8% YoY,) with a beat in GAIL, GUJGA, IGL, and MRPL. Excluding OMCs, EBITDA was inline (4% lower than our estimate, up 85% YoY). PAT was below our estimate (down 20% YoY). Excluding OMCs, PAT was 11% below our estimates (up 107% YoY).
- **OMCs – Higher marketing margin losses diluted strong GRM:** Implied marketing margin loss (including investments) for OMCs fell to INR7.6-9.8/liter owing to a spike in Brent crude oil prices, which resulted in a record high retail fuel prices. However, OMCs are estimated to be generating losses of INR6.7/INR16 per liter on petrol/diesel at prevailing benchmark prices in 2QFY23 till date. In the current environment, with Brent prices currently hovering ~USD95/ bbl, the pressure on marketing margin is likely to continue for OMCs in the near term.
- **Even strong GRMs were unable to offset the higher loss in marketing margin:** As SG GRM was high at USD21/bbl in 1QFY23, BPCL/IOCL reported a GRM of USD27.5/USD31.8 per bbl (IOCL's core GRM stood at USD25.3/bbl), while the same for HPCL/MRPL stood at USD16.6/USD24.4 per bbl. GRMs are now cooling off from their peak as Singapore GRM has fallen to USD8.8/bbl in 2QFY23 till date, which may curb the strong refining margin in 3QFY23. HPCL has the highest marketing leverage and will suffer from mounting losses in the Marketing segment. However, declining crude oil prices may propel the Marketing segment into the black.
- **Muted performance by RIL**: Consolidated PAT rose 46% YoY and 11% QoQ in 1QFY23 (26% miss), underpinned by a revenue/EBITDA growth of 57%/63% YoY. Lower-than-estimated 'standalone' performance led to the 10% miss in EBITDA/PAT. RJio posted a healthy ARPU-led EBITDA growth – up 27% YoY and 4% QoQ (in line), while Retail EBITDA jumped 98% YoY due to a recovery in operations. O2C EBITDA came in 14% below our estimate at INR220b (up 92% YoY). EBITDA/mt grew 80% YoY and 52% QoQ to ~USD169.8, fueled by better refining margin and higher inventory gains, amid higher crude oil prices. This was offset by a weak petchem margin. Production meant for sale stood at 16.9mmt.
- **ONGC- Rising crude oil prices resulted in a higher realization:** ONGC reported an in line EBITDA of INR259.3b (up 113% YoY and 39% QoQ), with an inline oil realization at USD108.5/bbl (up 65% YoY and 14% QoQ) and

crude oil sales at 5mmt (flat YoY and QoQ). Although we expect crude oil prices to hover at USD60-70/bbl in the long run, the prevailing strength made us raise our current realization estimate to USD79/USD90 per bbl for FY23/FY24, after taking into account the impact of the levy of a windfall tax. In our base case, we have assumed continuation of the windfall tax till Dec'22.

- **CGDs – Volumes modest, but margin under check:** Volumes for IGL/MAHGL improved QoQ and YoY to 7.9mmscmd/3.4mmscmd, while the same for GGL decreased to 9.8mmscmd. While EBITDA margin/scm for GUJGA fell QoQ to INR6.8, the same for IGL/MAHGL grew to INR8.6/INR9.1. While spot LNG prices are currently trading ~USD42/mmBtu in Jul'22, cool off in spot LNG prices will result in a further volume recovery for GUJGA, while headwinds of a further upward revision in APM gas prices in 2HFY23 and current high Brent crude oil prices will continue to exert pressure on IGL and MAHGL's margin.
- **Ratings and earnings change:** We have left unchanged our ratings in 1QFY23.
- **Top picks:** GAIL is our top pick in the Gas space. We prefer GUJGA among CGD plays. As an improvement in GRM will benefit IOCL the most, we prefer it among OMCs.
- **GAIL is our top pick in the largecap space:** GAIL reported strong gains in the trading business, which was offset by other weak segments. Its operating performance in transmission and petrochemicals decreased on a YoY and QoQ basis. Gazprom enforced a *force majeure* on ~2.5mmt of volumes (~14mmt of its total LNG portfolio), forcing GAIL to take some unallocated cargoes from the UK on a 'pay and take' basis. Till the time the same remains in force, we expect some impact on overall gas supplies. The management expects volumes of ~120mmscmd once its fertilizer plants run at full utilization. The petchem plant operated at a utilization rate of 83% in 1QFY23. It will achieve a utilization rate of over 100% in FY23 due to the opening up of the economy and better demand from the PATA plant.
- **GUJS:** Available LNG capacity in Gujarat is expected to grow by 55% to 42.5mmtpa over the next three-to-four years. Most of this volume is likely to flow through GUJS' network. In 2HCY22, we expect volumes to stay muted, led by higher spot LNG prices (USD42/mmBtu in Jul'22). We expect volumes of ~30mmscmd /42mmscmd in FY23/FY24 as the company is a beneficiary of: a) the upcoming LNG terminals in Gujarat; b) increased demand, owing to the government's focus on reducing industrial pollution – Gujarat has five geographical areas identified as severely/critically polluted; and c) the commissioning of the Mehsana-Bhatinda pipeline. Phase I of the Mehsana-Bhatinda pipeline has turned cash flow profitable. After Phase II gets commissioned in FY23, total volumes through this pipeline should reach 9.5-10mmscmd.
- **Positive surprises:** GAIL, GUJGA, IGL, and MRPL
- **Negative surprises:** RIL, HPCL, CSTRL, and IOCL

**Guidance highlights:**

- **RIL** Opening up of the economy and removal of travel restrictions will enable a faster improvement in demand, with higher footfalls in the Retail segment. Singapore GRM, ~USD21/bbl in 1Q, has now fallen to USD8.8/bbl in 2Q till date, which will curtail strong refining margin in 3QFY23. The management said a recovery in Aviation demand, subsiding of COVID-related woes, and lower Chinese exports will underpin product margin going forward. Although PX, PTA, and MEG margins are forecasted to be range bound due to a capacity overhang, demand for polyester/polymer is likely to improve in the upcoming festive season. While the GoI has already raised the gas price ceiling to USD9.92/mmBtu for 1HFY23, we expect this price to rise further after a revision in domestic gas prices from 1$^{st}$ Oct'22. Considering the current high gas price environment, the management expects subsequent revisions in the ceiling to be even higher. A short-term impact is expected due to higher gas prices, but the outlook remains positive for RIL, given the growth in its pipeline infrastructure and CGD network.
- **OMCs:** While GRMs were strong, it was offset by higher losses in marketing margin, resulting in higher losses in 1QFY23. Consumption of petroleum products has bounced back due to pent up demand, with good refinery throughput across the board. OMCs expect FY23 to see a positive effect from higher throughput and better GRM. Even after a record high GRM, HPCL has the highest marketing leverage and will suffer from mounting losses in the Marketing segment. While petchem margin was modest in 1QFY23 (up 9%/4%/1% QoQ for PE/PP/PVC), we expect margin to remain soft in 2HCY22, backed by lower product prices. IOCL is likely to gain the most, v/s its peers, from an uptick in refining margin, further supported by a modest petchem margin in the near term.

- **GAIL**: Gazprom enforced a *force majeure* on ~2.5mmt of volume (~14mmt of its total LNG portfolio), which forced GAIL to take some unallocated cargoes from the UK on a 'pay and take' basis. Till the same remains in enforce, we expect an impact on overall gas supply. In the longer term, the management expects higher demand from the commissioning of fertilizer plants, ongoing refinery and petchem expansions, and the development of CGDs. Commissioning of the new fertilizer plant at Sindri, Barauni, and Gorakhpur will increase demand and aid profitability from CY23. It has guided at a capex of ~INR75b in FY23. GAIL is executing projects worth INR300b, spread over the next three years. Utilization from the Urja Ganga pipeline will touch 60-75% by FY23-end. Petchem expansion at the PATA and Usar plants are on schedule (contract and licensing work have already been completed). The 10MW hydrogen plant in Madhya Pradesh will be fully commissioned over the next 18 months. The management has guided at a capacity of 35MW by CY30.
- **CGDs:** GGL's Morbi volumes stood at 4.7mmscmd in 1QFY23. The same is currently at 4.3mmscmd and is expected to decline further in Aug'22, led by plant shutdowns, amid a high inventory and weak demand. Spot LNG prices in Jul'22 rose to ~USD42/mmBtu v/s USD28/mmBtu in 1QFY23. GUJGA has contracted short-term cargoes for most of its requirements for the rest of FY23, thereby shielding it from the high spot LNG prices at present. Cooling of these prices will result in a further recovery in volumes, with an improvement in EBITDA/scm from current levels. Volumes for MAHGL were at a record high of 3.4mmsmd, though margin was subdued at INR9.1/scm due to higher cost of input gas. Though volumes for IGL were strong at 7.9mmscmd, with margin at INR8.6/scm, we expect pricing pressure to persist and margin to remain subdued in coming months, led by higher APM gas cost.

**Exhibit 90: Implied gross marketing margin**

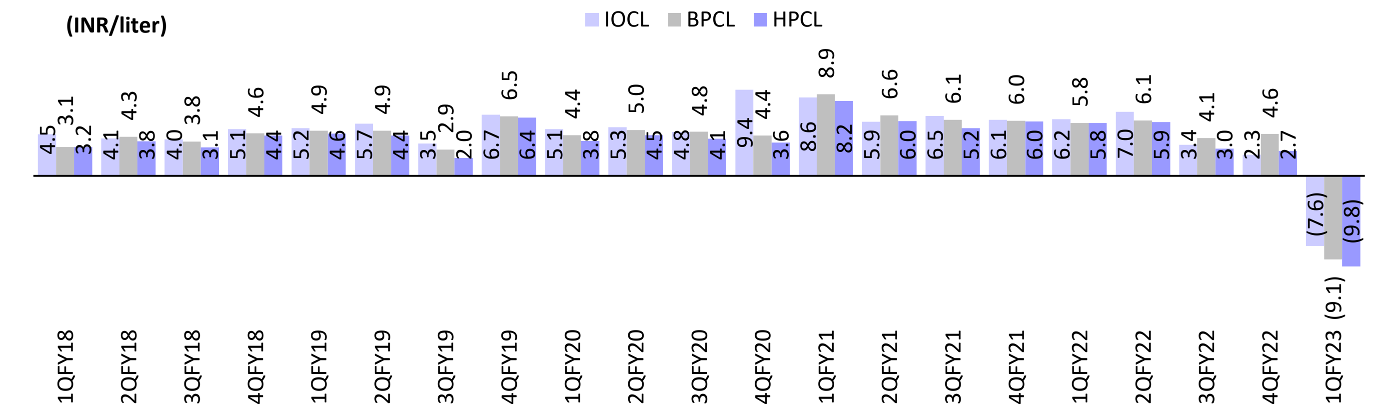



**Exhibit 91: Reported refining margin (USD/bbl)**

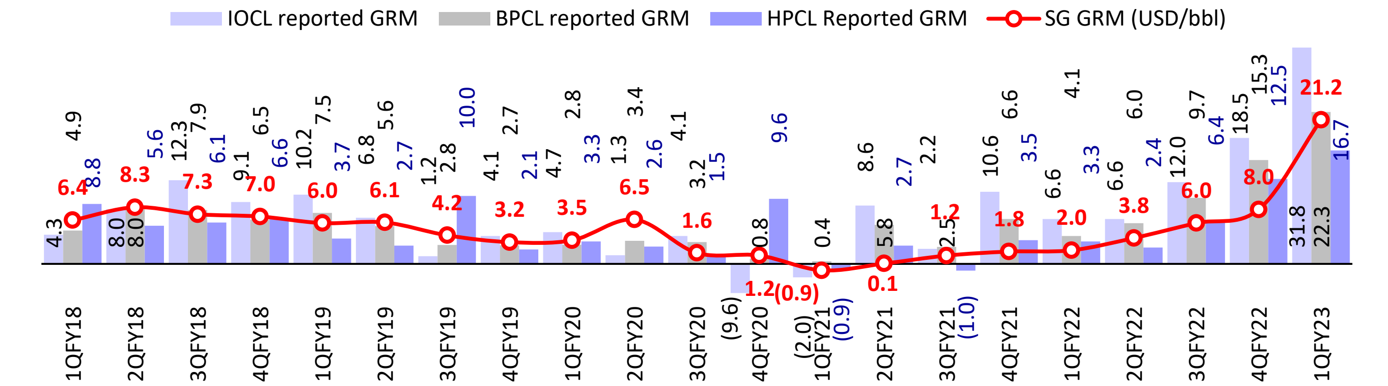


**Exhibit 92: Sales volume of CGDs (mmscmd)**

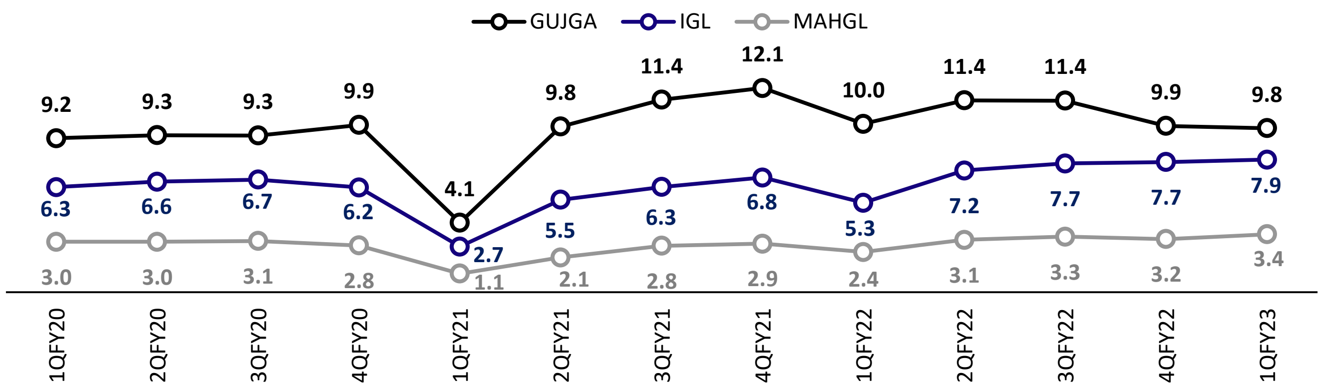
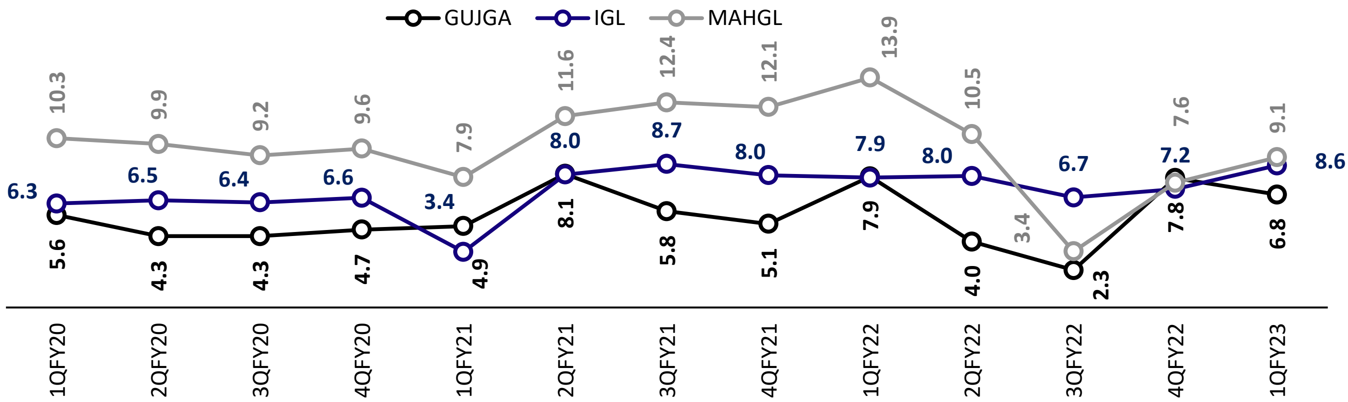



**Exhibit 93: EBITDA/scm trend for CGDs (INR)**




## REAL ESTATE: Seasonal decline in pre-sales, but strong outlook reiterated despite a rising interest rate risk

- **Pre-sales fell 21% QoQ:** While the performance for all companies looks optically strong on a YoY basis, due to a low base, pre-sales fell 21% QoQ largely due to seasonality. **DLFU** reported new sales bookings of INR20b, which was in line with the quarterly run-rate indicated by management and marginally higher than our estimate of INR18b, although it declined by 25% QoQ (doubled YoY). **LODHA** reported a 19% QoQ decline, but posted its best ever first quarter performance. It also forayed into the Bengaluru market by signing a JDA project with a GDV of INR12b. Sales for **GPL** fell 22% QoQ to INR25b, but it had a stand out quarter in terms of its performance in Mumbai as it had the highest ever contribution of 41% (INR10b) to overall sales. OBER delivered a steady 1QFY23 in terms of bookings, which fell 18% QoQ to INR7.6b. The company witnessed a moderation in sales velocity at Sky City (Borivali) and Maxima (JVLR project) due to limited inventory. On a blended basis, realization for our Coverage Universe grew 9% YoY and 21% QoQ, largely driven by a change in the project mix and moderate price hikes taken over the last few months.
- **Slated for healthy growth in FY23:** Except for LODHA, which launched 2.7msf across seven projects, the new launches for our Coverage Universe were relatively moderate, with GPL/DLF launching just 1.2/0.7msf in 1QFY23. Barring the strong response to small launches, pre-sales had a higher share of sustenance sales, driven by sustained sales momentum across its ongoing portfolio. This holds true especially for DLF, which continues to witness strong traction at Independent floors. Given the new project pipeline for the rest of FY23, we expect our Coverage Universe to deliver healthy bookings growth of 27% YoY in FY23. **DLF** plans to launch 6.6msf of projects across the Luxury and Commercial segment in FY23. **OBER** will launch its project along Pokhran Road (Thane), along with a tower launch in Sky City (Borivali). **LODHA** has raised its launch guidance to 11.2msf, including the 2.7msf launched in 1QFY23, from 9msf planned earlier. **GPL** has the largest pipeline among our Coverage Universe, with the management looking to launch projects with a development potential of 20msf.

- **Focus on business development to continue:** LODHA closed three new deals in 1QFY23, with a cumulative GDV of INR62b. It remains on track to sign new projects with a GDV of INR150b in FY23. It entered the Bengaluru market by signing one JDA project. The city has only four-to-five large developers, and the management is targeting 10% market share over the next five years. GPL too intends to make significant progress on the BD front in FY23. It is approaching BD with a target of achieving pre-sales of INR150b over the next few years. OBER recently signed two new projects in Mumbai, and intends to launch them in FY23. It is also strategically looking to expand into non-MMR markets of NCR and Pune.
- **P&L performance a mixed bag:** **OBER** reported a better than expected revenue/EBITDA due to recognition of revenue from the high margin Elysian Tower A, which reached the 25% threshold in 1QFY23. **GPL's** P&L performance was impacted sequentially due to the absence of any new deliveries in 1QFY23. It expects to deliver 25msf of projects over the next two years. Revenue for **LODHA** declined in line with pre-sales, but was better than expected. However, recognition of the low-margin NCP (Wadala) impacted profitability. Revenue for **DLF** was in line, but EBITDA margin came in lower than expected due to a lag in cost and revenue recognition.
- **Valuation and view:** We largely retain our FY23-24 pre-sales estimate for OBER/DLF/LODHA, but increase it by 5% for GPL to incorporate its better than expected performance in Mumbai in 1QFY23. We raise our FY22-23 collection estimate for DLF/GPL by 2%/6% to incorporate the recent quarterly run-rate. We continue to see a re-rating potential in companies, which will provide further growth visibility, on the back of strong business development through robust cash flows. We prefer **LODHA**/**OBER** over DLF/GPL.
- **Positive surprises:** GPL and LODHA

**Key highlights:**

**Construction costs:** After seeing a sharp uptick in construction cost till 4QFY22, companies saw some moderation in inflation, as highlighted by LODHA, which saw a 2% sequential decline in cost.

**Interest rate:** GPL said that while mortgage rates are moving upwards, the starting point for the increase was the lowest level India has ever seen. Despite the recent hikes, the management added that rates remain well below the levels seen in the previous cycle.

**Pricing:** While minor price hikes have already been taken to mitigate the cost impact, companies will be on the lookout for gradual (5–8%) price hikes across the portfolio. This is likely to further expedite demand as prices move up at a gradual pace (below wage growth).

**Company commentary:**

- **LODHA:** In the backdrop of rising mortgage rates, it is adopting certain measures to help maintain affordability for home purchasers, without impacting its operating metrics. In order to deliver on its guidance of achieving over 20% growth, the company forayed into Pune and Bengaluru. It is on track to achieve its 1x debt/OCF ratio target. Given the strong visibility on cash flows, the management has now adopted a formal dividend policy to distribute 15-20% PAT from FY23.
- **OBER** has not witnessed any slowdown on account of rising property cost and mortgage rates. Pricing at its projects in Mulund and Borivali look optically higher, as it has removed flexibility like subvention. The company will restart sales at Three Sixty West as it received the OC in 1QFY23. Considering the pricing of projects in the vicinity, OBER is looking to raise prices by at least 10-20%. The project along Pokhran road (Thane) will be launched during the festive season. The management is targeting another tower launch in Borivali and Goregaon as there is very little inventory available in these projects.
- **DLF:** On-ground demand remains strong, as reflected by the strong traction across projects. The management feels the impact of the recent hike in mortgage rates may be transitory, and that another 100-125bp hike can have an impact on demand. It has a strong launch pipeline of 7msf in the Residential segment, which will enable it to achieve pre-sales of INR80b. In the Commercial segment, it aims to return to mid-single digit vacancy over the next few quarters from 11% at present.
- **GPL:** The management is confident about delivering strong growth on the BD front, and is approaching BD with a target of achieving pre-sales of INR150b over the next few years. GPL raised prices by 5-6%/3-4% in 4QFY22/ 1QFY23, which has helped in mitigating commodity inflation. At 20msf, its launch plans remain strong. The Ashok Vihar project will be launched in 3QFY23. Given the strong response at its Wadala project, it will launch a second phase in FY23.

**Exhibit 94: Pre-sales for our Coverage Universe grew 3x YoY on a low base, but fell 21% QoQ due to seasonality…**

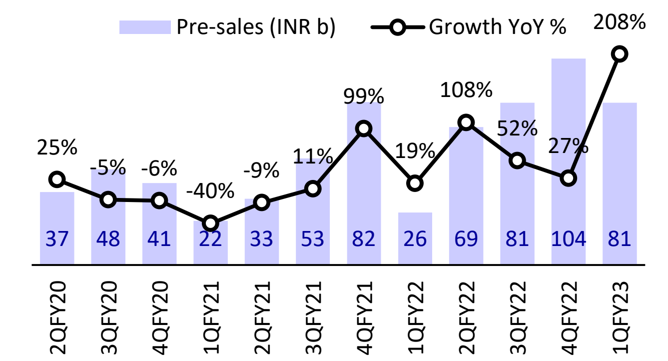



**Exhibit 95: …while volumes grew 2.8x YoY in 1QFY23**

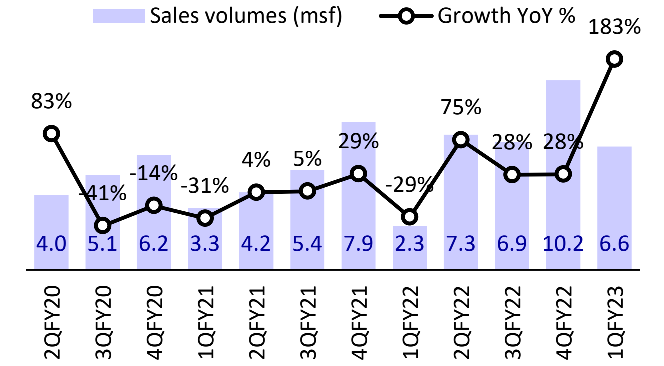



**Exhibit 96: Estimate change for our Coverage Universe**

| | Revenue | | | | | |
|---|---|---|---|---|---|---|
| | Old | | New | | Change | |
| INR b | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| DLF | 69 | 70 | 69 | 70 | 0 | -1 |
| Godrej Properties | 10 | 30 | 10 | 30 | -2 | -1 |
| Macrotech | 94 | 94 | 95 | 94 | 1 | 0 |
| Oberoi Realty | 43 | 48 | 43 | 48 | 0 | 0 |
| | EBITDA | | | | | |
| | Old | | New | | Change | |
| INR b | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| DLF | 31 | 28 | 24 | 25 | -23 | -10 |
| Godrej Properties | -3 | 7 | -3 | 7 | NM | NM |
| Macrotech | 24 | 26 | 22 | 24 | -9 | -5 |
| Oberoi Realty | 20 | 22 | 20 | 22 | 2 | 1 |
| | PAT | | | | | |
| | Old estimate | | New estimate | | Change | |
| INR b | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| DLF | 34 | 49 | 27 | 47 | -19 | -5 |
| Godrej Properties | 5 | 12 | 5 | 13 | 0 | 1 |
| Macrotech | 17 | 19 | 14 | 18 | -15 | -1 |
| Oberoi Realty | 19 | 18 | 20 | 19 | 2 | 1 |
| | Pre-sales | | | | | |
| | Old estimate | | New estimate | | Change | |
| INR b | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| DLF | 86 | 93 | 86 | 93 | 0 | 0 |
| Godrej Properties | 100 | 123 | 105 | 122 | 5 | -1 |
| Macrotech | 119 | 141 | 119 | 142 | 0 | 1 |
| Oberoi Realty | 48 | 52 | 48 | 52 | 0 | 0 |
| | Collections | | | | | |
| | Old estimate | | New estimate | | Change (%) | |
| INR b | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| DLF | 67 | 69 | 71 | 71 | 6 | 3 |
| Godrej Properties | 96 | 121 | 98 | 121 | 2 | 0 |
| Macrotech | 100 | 113 | 100 | 113 | 0 | 1 |
| Oberoi Realty | 40 | 44 | 40 | 44 | 0 | -1 |

**Exhibit 97: Collections rose 45% YoY, but fell 24% QoQ in 1QFY23**

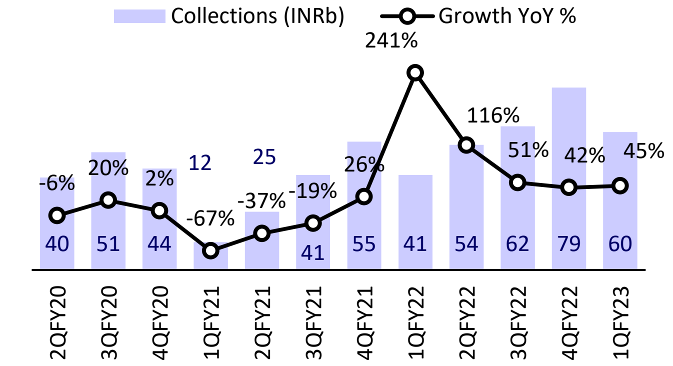



**Exhibit 98: Expect average growth of 27% YoY in pre-sales for our Coverage Universe in FY23**

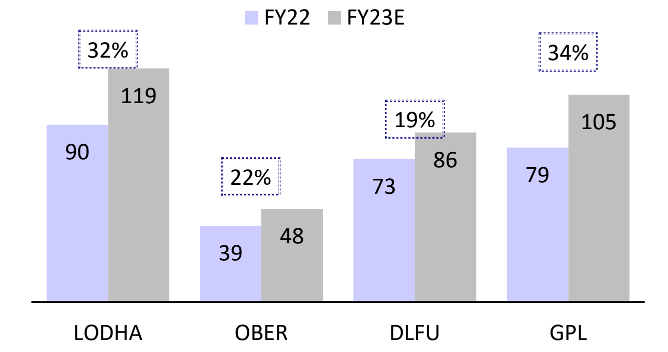



**Exhibit 99: P&L highlights for our Coverage Universe**

| (in INR m) | 1QFY23 | 4QFY22 | 1QFY22 | YoY (%) | QoQ (%) | 1QFY23E | Variance (%) |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| DLF | 14,416 | 15,473 | 11,395 | 27 | -7 | 15,175 | -5 |
| Godrej Properties | 2,447 | 13,306 | 862 | 184 | -82 | 1,575 | 55 |
| Macrotech | 26,758 | 34,446 | 16,054 | 67 | -22 | 18,854 | 42 |
| Oberoi Realty | 9,131 | 8,235 | 2,843 | 221 | 11 | 9,251 | -1 |
| **EBITDA** | | | | | | | |
| DLF | 4,137 | 3,675 | 3,954 | 5 | 13 | 6,677 | -38 |
| Godrej Properties | -142 | 2,580 | -635 | -78 | -106 | -985 | -86 |
| Macrotech | 4,667 | 8,713 | 3,759 | 24 | -46 | 5,902 | -21 |
| Oberoi Realty | 4,922 | 3,518 | 1,249 | 294 | 40 | 4,251 | 16 |
| **EBITDA Margin** | | | | | | | |
| DLF | 29 | 24 | 35 | -601bp | 494bp | 35 | -622bp |
| Godrej Properties | NM | 19 | NM | NM | NM | NM | NM |
| Macrotech | 17 | 25 | 23 | -597bp | -785bp | 24 | -657bp |
| Oberoi Realty | 54 | 43 | 44 | 998bp | 1119bp | 46 | 796bp |
| **PAT** | | | | | | | |
| DLF | 4,692 | 4,055 | 3,371 | 39 | 16 | 6,896 | -32 |
| Godrej Properties | 433 | 2,587 | 170 | 155 | -83 | 844 | -49 |
| Macrotech | 2,713 | 5,380 | 1,608 | 69 | -50 | 2,988 | -9 |
| Oberoi Realty | 4,031 | 2,324 | 806 | 400 | 74 | 2,916 | 38 |

Source: Company, MOSL

## RETAIL: Clocks strong revenue recovery

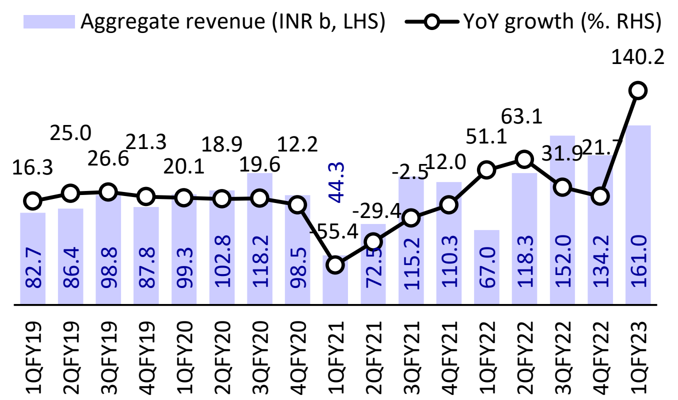
- **Witnesses a strong overall recovery:** The Retail industry saw a healthy recovery, with the sector recording its first COVID-impact free quarter after two years, on the back of improved footfalls and the easing of restrictions. Revenue for all retailers crossed pre-COVID levels (1QFY20) in 1QFY23. Aggregate revenue for 1QFY23 grew over 62% as compared to 1QFY20 levels to INR161b, indicating a strong recovery after the lifting of COVID-related restrictions. Apparel retailers saw a revenue growth of 47% over pre-COVID levels (up ~4x YoY). Grocery retailer DMART reported a revenue growth of 73% over pre-COVID levels on the back of strong footprint additions.
- **Lower ASP retailers still facing higher inflation**: Companies, with higher ASP products, saw a strong growth in demand, while the Value Retail segment, with lower ASP, continued to bear the brunt of inflationary pressures. This is evident from VMART (excluding Unlimited) and Pantaloons' soft performance, which saw a 25%/8% decline in same store sales from pre-COVID (1QFY20) levels. Sales in lower ASP Discretionary category (merchandise and apparel) for DMART too remained muted. Retailers like SHOP, Lifestyle (ABFRL), and Westside in the Apparel segment, which caters to the relatively high ASP categories, saw a positive LTL performance. TRENT reported a strong revenue growth of ~2.2x from 1QFY20 levels, led by a strong footprint addition and LTL growth.

- **Improvement in margin and profitability:** Easing of raw material prices and delayed end of season sales led to a margin improvement across retailers. Aggregate gross margin expanded by 820bp YoY to 29.1%. This, however, remained lower by 80bp as compared to 1QFY20 levels, possibly due to higher RM inflation. Aggregate net profit improved in 1QFY23, led by a strong revenue recovery. Impact of inflationary pressures on the Value Retail segment is expected to remain for a couple of quarters, which may see some impact on earnings. Similarly, strong store additions for players like DMART and TRENT can also impact margin.
- **Store additions:** Typically, the first quarter sees the lowest store additions as most companies target early completion by the fourth quarter to meet their yearly targets. Yet, the momentum in store additions continued and the management commentary on FY23 targets remain buoyant. Store additions for DMART stood strong at 10, taking its total count to 294 as of Jun'22. Westside/Zudio added a relatively lower number (net three/14) of stores in 1QFY23, taking their total count to 203/247. Zudio and Westside aim to double their pace of store additions from FY22 levels. VMART saw healthy (11) store additions in 1QFY23.
- **Inflationary pressure to remain a key monitorable:** While the sector continues to see green shoots in the form of improved footfalls and normalization of raw material prices, continued inflationary pressures and the impact of a delayed monsoon can remain an overhang on demand for couple of quarters.
- **Top picks:** ABFRL and TRENT
- **Positive surprises:** ABFRL and SHOP

**Guidance highlights:**

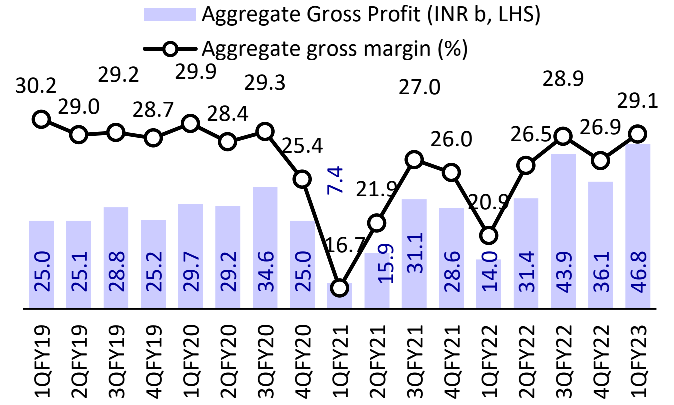
- **ABFRL:** 1) The proceeds from the GIC fund raise is expected to be received in 2QFY23. 2) It will look to open 30 new Pantaloons stores in 1HFY23 and is on track to meet its 70 store additions target in FY23.
- **VMART:** 1) The company will reduce prices of its new season inventory from 15th Aug'22 to attract additional customers and recoup the impact of the recent product price hikes. 2) It is planning to add more than 60 stores in both VMART and Unlimited in FY23 and also expand its online presence. 3) The management has guided at a gross margin of 32-34%. 4) It aims to deliver high single-digit EBITDA in the coming period.
- SHOP: 1) The company has a robust pipeline of store additions in place and is well on track to open 12/15 Departmental/Beauty stores in FY23. The management expects to fund this growth via internal cash flows. 2) It expects gross margin to sustain at 39-40%, and sees EBITDA margin touching double-digits over the next three years on a non-GAAP basis.

**Exhibit 100: Revenue grew 2.4x YoY in 1QFY23…**



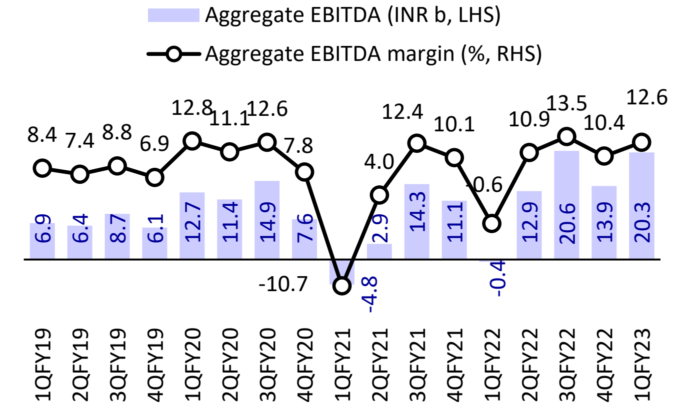

Source: Company, MOFSL

**Exhibit 101: …along with an improvement in gross profit**



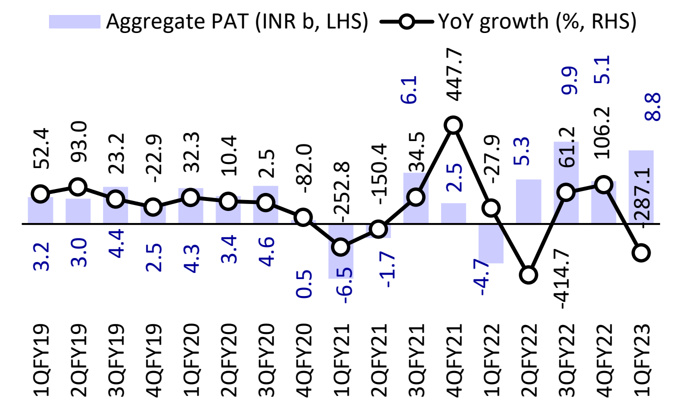

Source: Company, MOFSL

**Exhibit 102: EBITDA margin expands sequentially**




Source: Company, MOFSL

**Exhibit 103: Profitability for retailers improve**




Source: Company, MOFSL

**Exhibit 104: Snapshot of Retail store additions**

| | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 |
|---|---|---|---|---|---|---|---|---|---|
| **Total store count** | | | | | | | | | |
| Madura Stores | 2,662 | 2,686 | 2,813 | 2,866 | 2,874 | 2,917 | 3,036 | 3,091 | 3,112 |
| Pantaloons | 342 | 339 | 344 | 346 | 342 | 347 | 361 | 377 | 375 |
| DMART | 216 | 220 | 221 | 234 | 238 | 246 | 263 | 284 | 294 |
| Shoppers Stop | 84 | 85 | 84 | 84 | 83 | 80 | 83 | 88 | 90 |
| Westside | 166 | 166 | 169 | 174 | 184 | 191 | 197 | 200 | 203 |
| V-Mart | 266 | 264 | 274 | 279 | 282 | 368 | 374 | 380 | 391 |
| Zudio | 84 | 88 | 101 | 133 | 137 | 147 | 177 | 233 | 247 |
| **Store additions** | | | | | | | | | |
| Madura | -37 | 24 | 127 | 53 | 8 | 43 | 119 | 55 | 21 |
| Pantaloons | - | -3 | 5 | 2 | -4 | 5 | 14 | 16 | -2 |
| DMART | 2 | 4 | 1 | 13 | 4 | 8 | 17 | 21 | 10 |
| Shoppers Stop | - | 1 | -1 | - | -1 | -3 | 3 | 5 | 2 |
| Westside | 1 | - | 3 | 5 | 10 | 7 | 6 | 3 | 3 |
| V-Mart | - | -2 | 10 | 5 | 3 | 86 | 6 | 6 | 11 |
| Zudio | 4 | 4 | 13 | 32 | 4 | 10 | 30 | 56 | 14 |
| **Total** | **-34** | **24** | **145** | **78** | **20** | **146** | **165** | **106** | **45** |

Source: Company, MOFSL

## TECHNOLOGY: Companies remain positive on near-term growth, margin under pressure

- **Aggregate performance:** IT Services segment witnessed USD revenue growth of +1.9% QoQ and 14.3% YoY on a high base. Margin contracted 160bp QoQ due to ongoing supply-side challenges and high wage hikes offered by companies in 1QFY23. Aggregate EBIT/PAT grew at a slower pace of 4.9%/1.0% YoY due to lower margins. The deal wins and pipeline saw some moderation on a high base, but the management commentaries suggested that the demand momentum remained intact despite macro concerns with small pockets of softness especially in retail. Continued hiring momentum offered further visibility on demand and deal ramp-ups.
- **Growth moderates on high base:** 1QFY23 saw some moderation in revenue growth on a high base, with overall USD revenue growth of 1.9% QoQ and 14.3% YoY. Tier 1 IT services companies registered USD revenue growth of 1.7% QoQ / 13.1% YoY. Nonetheless, Tier II companies outpaced their Tier I peers with 3.2% QoQ / 23.5% YoY USD revenue growth during the quarter. Management commentaries suggested that the demand remains intact albeit, there is some weakness in a few areas due to the ongoing macro situation.
- **Deal wins moderate in 1QFY23:** Deal wins were down 24% QoQ and 6.9% YoY on a high base. Deal wins were softer for Infosys but management indicated stronger pipeline in the coming quarters. The aggregate deal pipeline remains robust led by continued strength in the demand environment.
- **Digital and cloud migration:** Cloud migration continues to see strong traction, and companies would continue to benefit from this over the next 3–5 years. Cloud migration, 5G, digital transformation, and IoT remain in focus

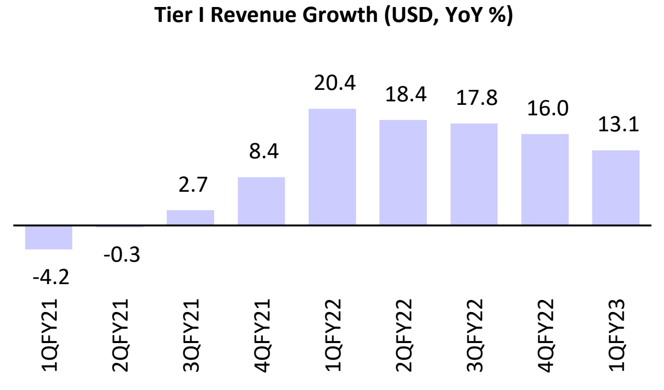
along with renewed traction in cyber-security. Native cloud applications would continue to be the major growth drivers for Indian IT companies over the long term.

- **Strong headcount additions continue**: The IT companies under our coverage universe together added strong ~73k employees in 1QFY23, on a very high base of last year (~320k). This hiring spree reinforces the expectations of a strong demand environment and sustained deal win momentum. IT companies continue to rationalize their pyramid structures with robust fresher hiring.
- **Margins:** The cumulative EBIT margin for our IT Services universe was down 160bp QoQ due to wage hikes, lower utilization, higher employee additions, revival of travel and facility spends, and attrition, partly offset by better pricing, favorable FX and operating leverage. While continued hiring and supply-side cost pressures remain the key concerns for margins, lower sub-contractor expenses, higher utilization, pyramid rationalization, and robust growth should be margin accretive going forward.
- **Top picks:** We expect tech spending to remain a critical enabler for enterprises to transform in preparation for the new normal. Current valuations already factor in the possible demand weakness. We continue to like INFO, HCLT, and TCS among Tier I companies and LTTS and MPHL among the Tier II players primarily driven by their robust business models, high return ratios, and strong management teams.
- **Positive Surprises:** INFO (Guidance upgrade), LTI (Margin), PSYS (Growth, Margin and TCV)
- **Negative surprises:** WPRO, TECHM and COFORGE(Margin drop)
- **Earnings downgrades for most companies:** Barring Tier II companies such as LTI, LTTS, MTCL, PSYS and CLY the IT Universe has seen an up to 8% EPS downgrade for FY23E/FY24E mainly on account of lower margins.

**Guidance highlights**

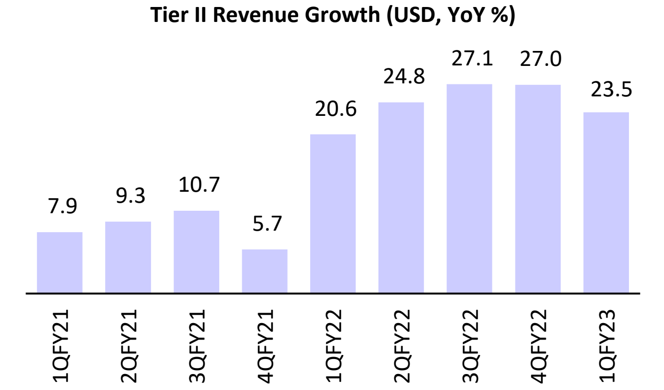
- **TCS:** It continues to see a strong demand environment aided by clients' Cloud adoption, operating model transformation, and vendor consolidation. Management indicated a good pipeline visibility over the next few months. It is not witnessing any budget cuts or deferments in client spend, although some European clients have expressed concerns on macroeconomic demand. Management expects North America to lead the growth in FY23 and anticipates margins to improve sequentially for the rest of FY23, leading to flat YoY margins by 4QFY23.
- **INFO:** The management guided that demand environment remains conducive and it upgraded its FY23 growth guidance by 100bp (14-16% in CC terms). It is seeing small pockets of weakness in Mortgage, Lending, and Retail in terms of slower decision making, but the pipeline remains strong. While INFO maintained its margin guidance of 21-23% in FY23E, it indicated margin at the lower end of the guided band.
- **WPRO:** The management guided for a 2QFY23 USD CC revenue growth of 3-5% QoQ and double-digit USD revenue growth for FY23. Despite weak macro environment, the management suggested that it is not seeing any demand slowdown and clients are not signaling any spending cuts. It maintained its EBIT margin guidance in the range of 17-17.5%. Management further suggested that margin has bottomed out at 15%.
- **HCLT:** The management is not seeing any slowdown in demand and maintained its FY23 USD CC revenue growth guidance of 12-14%. Though it maintained its margin guidance of 18-20%, management now expects margin to be at the lower end of its guided band.
- **TECHM:** In the CME vertical, while a weakening macro environment is coming up in client conversations, TECHM is not seeing any budget cuts and the deal pipeline remains strong. 5G spends remain robust. There is a strong focus on capacity building and carrier additions. It is not seeing any adverse impact from the macro-related concerns. TECHM aims to raise margin guidance by 100-150bp per quarter to reach 14% exit margin in 4QFY23E.
- **LTI:** While the company suggested that clients are monitoring the economy, it has not started impacting the deal pipeline or the decision cycle adversely as tech budgets are intact. The management reiterated its industry-leading growth guidance for FY23 and stated that the deal pipeline remains strong and should see good deal announcements in 2QFY23. LTI is not seeing any spends or budget cuts yet, but clients indicated some caution during conversations. However, client budgets to stay intact in CY22E according to the management.
- **LTTS:** The management indicated that the demand environment remains strong despite the weakening macro environment. LTTS continued with its sustainable long-term margin guidance of over 18%. While its current margin performance trends over 18%, it sees a few headwinds from: 1) a gradual increase in travel cost, 2) supply-side challenges and a wage hike, and 3) inorganic investments. Tailwinds to margin include: a) growth and the quality of revenue, b) economies of scale, and c) productivity improvements.

**Exhibit 105: Revenue growth momentum for Tier I players…**



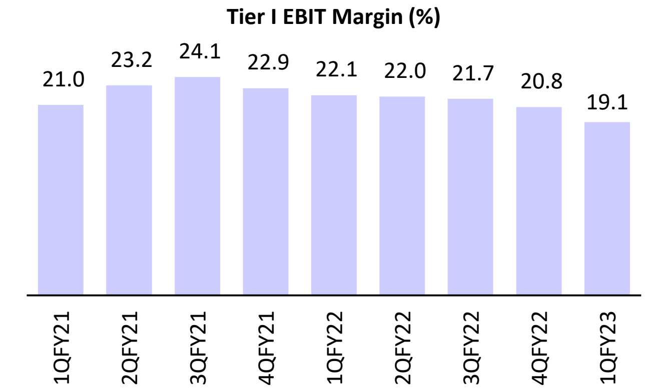

Source: Company, MOFSL

**Exhibit 106: …and Tier II companies moderates on a high base**



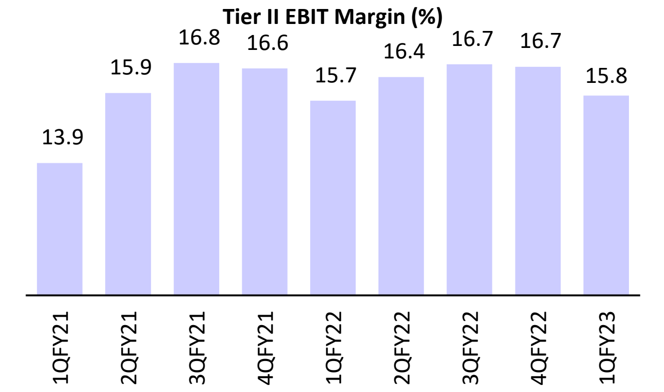

Source: Company, MOFSL

**Exhibit 107: Tier I EBIT margin and…**



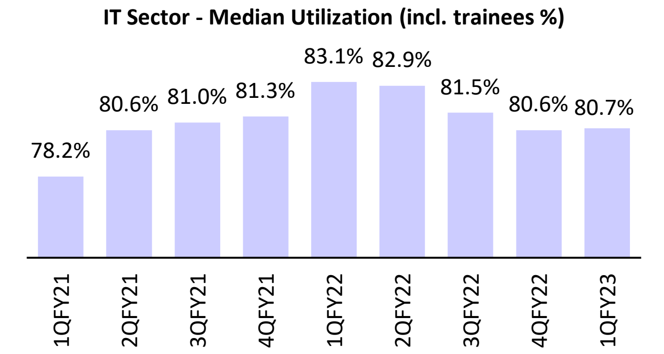

Source: Company, MOFSL

**Exhibit 108: …Tier II EBIT margin moderate due to wage hikes**



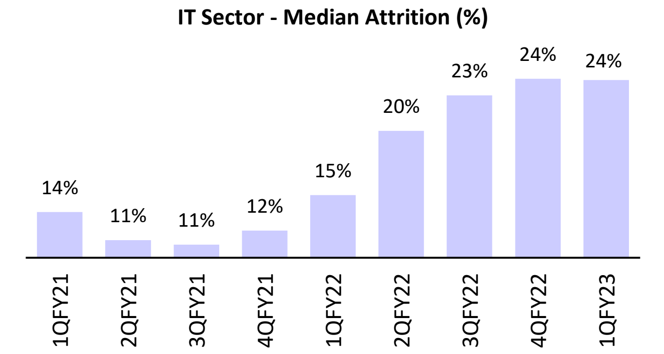

Figures exclude ZENT. Source: Company, MOFSL

**Exhibit 109: Median utilization remains stable**




Figures exclude TCS, HCLT, MPHL; Source: Company, MOFSL

**Exhibit 110: Median attrition remains elevated**




Figures exclude MPHL. Source: Company, MOFSL

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

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

Source: MOFSL

## TELECOM: Revenue growth stabilizes owing to the flow through of tariff hikes in 1QFY23

- **Tariff hike benefit on ARPU subsides:** After witnessing a notable tariff hike-led ARPU improvement in the last couple of quarters, telcos saw a 3-5% sequential growth in ARPU in 1QFY23 due to improved subscriber mix, higher exit ARPUs and consolidation of SIM cards. Telcos have further indicated another round of tariff hike in the current fiscal, which will improve the ARPUs further.
- **Subscriber base stabilizes:** The subscriber base that saw a sharper churn in previous quarters on account of tariff hikes, has stabilized. VIL, however, continued to see a decline in subscriber base by ~3m sequentially, while RJio's subscriber base grew by ~10m. Bharti's subscriber base remained flattish with 1m subscriber additions during the quarter.
- **Margin profile:** Revenue growth, which was mainly fueled by ARPU growth, was offset by higher operating costs. Higher costs were mainly attributed to higher diesel prices. As a result, telcos' margin performance was a mixed bag during 1QFY23. While Bharti (India Wireless) saw a mere 60bp margin improvement on a sequential basis – with incremental EBITDA margin of ~67% – margins for VIL and RJio contracted 390bp/20bp, respectively, during the quarter.
- **Indus tower creates provision on receivable:** During 1QFY23, Indus Tower created a provision of INR12.3b towards doubtful debts on account of the weak liquidity position of VIL. VIL has offered a revised payment structure that is still under consideration. This payment plan is likely to further lead to short-term increase in debtors for Indus Towers in near future.
- **Capex intensity and deleveraging:** Capex intensity, which remained moderate during the quarter, is expected to inch up because of the spending in the recent 5G auctions and associated capacity building. Bharti's FCF at INR45b was strong v/s INR17b YoY, which reflected in healthy INR40b deleveraging after the last few quarters of one-offs and Indus investment-led dilution. On the other hand, VIL's net debt rose INR20b QoQ to INR1.98t, which included government obligation worth INR1.84t.
- **Top picks:** Bharti
- **Positive surprise:** Bharti and RJio

**Guidance highlights:**

- **Bharti:** 1) Expects three-year capex to remain at the same level (INR 750b). However, some increase will be seen in FY23E, which will normalize after 18 months; 2) the management reiterated its expectation of ARPU improvement to INR200 and further to INR300 from the current level of INR183.
- **VIL:** 1) The management expects a tariff hike by the end-CY22, which will result in a rise in ARPU; 2) it forecasts cash EBITDA to improve aided by a reduction in SUC charges (3% of AGR) and lower tower rent.
- **Tata Communication:** 1) The order book remains strong and grew by double-digits YoY, which led to a healthy funnel. The management expects the pipeline to remain strong going forward; 2) the company reiterated its

margin guidance at 23-25%, despite a higher operating cost expectation in FY23; 3) monetization of 10-11 properties held for sale, with a book value of INR1.5b, should occur over the next 12 months.

- **Indus Tower:** 1) The company completed MSA renewals for two customers, with an exit allowance of ~9% and an annual escalation of 2.5%. The lease equalization impact of these renewals is pegged at INR500/tenancy; 2) acceptance of the revised payment plan by the customer (VIL) can lead to a rise in trade receivables in the near term; 3) the management expects average loading in 5G to be higher than 4G due to power and antenna requirements.

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

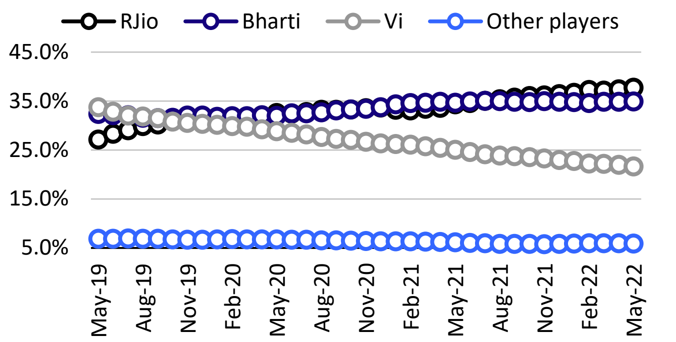



**Exhibit 113: Operator-wise ARPU (INR)**

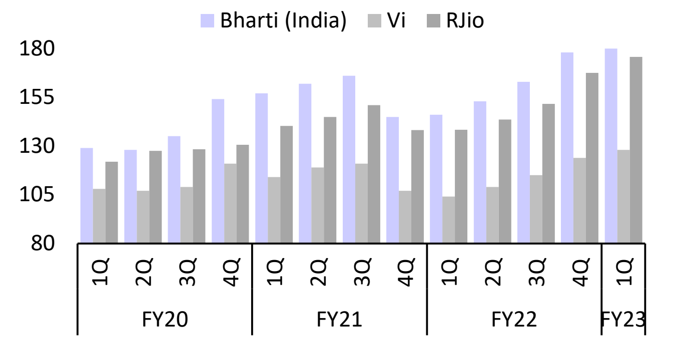



**Exhibit 114: Wireless KPI comparison**

| | FY20 | | | | FY21 | | | | FY22 | | | | FY23 | YoY | QoQ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | (%) | (%) |
| **EOP Wireless SUBS (m)** | | | | | | | | | | | | | | | |
| Bharti (India) | 277 | 279 | 283 | 284 | 280 | 294 | 308 | 321 | 321 | 323 | 323 | 326 | 327 | 1.9 | 0.4 |
| Idea | 320 | 311 | 304 | 291 | 280 | 272 | 270 | 268 | 255 | 253 | 247 | 244 | 240 | -5.9 | -1.4 |
| RJio | 331 | 355 | 370 | 388 | 398 | 406 | 411 | 426 | 441 | 430 | 421 | 410 | 420 | -4.7 | 2.4 |
| **Avg. Wireless Subs (m)** | | | | | | | | | | | | | | | |
| Bharti (India) | 280 | 278 | 281 | 283 | 282 | 287 | 301 | 315 | 321 | 322 | 323 | 324 | 327 | 1.7 | 0.7 |
| Idea | 327 | 316 | 308 | 298 | 285 | 276 | 271 | 269 | 262 | 254 | 250 | 246 | 242 | -7.5 | -1.4 |
| RJio | 319 | 343 | 363 | 379 | 393 | 402 | 408 | 419 | 433 | 435 | 425 | 416 | 415 | -4.2 | -0.1 |
| **ARPU (INR/month)** | | | | | | | | | | | | | | | |
| Bharti (India) | 129 | 128 | 135 | 154 | 157 | 162 | 166 | 145 | 146 | 153 | 163 | 178 | 183 | 25.3 | 2.8 |
| Vi | 108 | 107 | 109 | 121 | 114 | 119 | 121 | 107 | 104 | 109 | 115 | 124 | 128 | 23.1 | 3.2 |
| RJio | 122 | 128 | 128 | 131 | 140 | 145 | 151 | 138 | 138 | 144 | 152 | 168 | 176 | 27.0 | 4.8 |
| **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 | 5.7 | 2.1 |
| Idea | 690 | 669 | 674 | 688 | 678 | 673 | 673 | 657 | 641 | 630 | 620 | 610 | 620 | -3.3 | 1.6 |
| RJio | 821 | 789 | 760 | 771 | 756 | 773 | 796 | 820 | 815 | 835 | 901 | 962 | 1004 | 23.1 | 4.3 |
| **Wireless traffic (B min)** | | | | | | | | | | | | | | | |
| Bharti (India) | 737 | 717 | 759 | 822 | 820 | 861 | 925 | 997 | 1,002 | 1,020 | 1,030 | 1,051 | 1,079 | 7.7 | 2.6 |
| Idea | 676 | 631 | 624 | 616 | 579 | 555 | 547 | 529 | 503 | 480 | 465 | 449 | 450 | -10.5 | 0.2 |
| RJio | 786 | 813 | 826 | 876 | 891 | 932 | 975 | 1030 | 1060 | 1090 | 1150 | 1200 | 1250 | 17.9 | 4.2 |
| **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 | 5.3 | 3.7 |
| 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 | 0.4 | 3.6 |
| 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 | 33.2 | 5.4 |
| **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 | 16.6 | 6.0 |
| 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 | -1.3 | 3.6 |
| 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 | 27.6 | 5.3 |

Source: Company, MOFSL

## ANNEXURE: MOFSL UNIVERSE (ACTUAL VS EXPECTATION)

| | Sales (INR m) | | | | EBITDA (INR m) | | | | PAT (INR m) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gr (%) | | | | Gr (%) | | | | Gr (%) | | |
| | Jun-22 | YoY | QoQ | Var. over Exp. (%) | Jun-22 | YoY | QoQ | Var. over Exp. (%) | Jun-22 | YoY | QoQ | Var. over Exp. (%) |
| **Automobiles** | **20,86,502** | **28.0** | **-0.2** | **3.1** | **1,72,201** | **12.5** | **-26.1** | **-16.4** | **12,666** | **66.3** | **-85.1** | **-78.4** |
| Amara Raja Batt. | 26,200 | 38.9 | 20.1 | 15.8 | 2,609 | 4.4 | 18.7 | 9.7 | 1,315 | 6.1 | 33.4 | 18.8 |
| Apollo Tyres | 59,420 | 29.6 | 6.5 | 7.3 | 6,898 | 21.7 | 10.1 | 14.2 | 1,907 | 48.4 | 68.0 | 112.9 |
| Ashok Leyland | 72,229 | 144.8 | -17.4 | 5.7 | 3,203 | LP | -58.7 | -22.2 | 588 | LP | -86.0 | -48.5 |
| Bajaj Auto | 80,050 | 8.4 | 0.4 | 4.0 | 12,970 | 15.8 | -5.0 | 7.1 | 11,733 | 10.6 | -4.3 | 18.2 |
| Balkrishna Inds | 27,263 | 49.1 | 12.1 | 10.4 | 5,355 | 1.5 | -4.0 | -1.4 | 3,197 | -10.6 | -13.7 | -4.9 |
| Bharat Forge | 17,594 | 28.2 | 5.1 | 6.4 | 4,600 | 17.7 | 6.8 | 11.6 | 2,459 | 14.8 | -6.8 | 6.4 |
| Bosch | 35,444 | 45.1 | 7.0 | 7.4 | 4,495 | 46.6 | 3.2 | 12.6 | 3,342 | 28.7 | -4.7 | 16.3 |
| CEAT | 28,184 | 47.8 | 8.7 | 9.5 | 1,653 | -0.5 | -11.9 | 12.6 | 97 | -59.4 | -66.4 | LP |
| Eicher Motors | 33,975 | 72.1 | 6.4 | 2.0 | 8,311 | 129.0 | 9.8 | 8.1 | 6,107 | 157.5 | 0.1 | 15.0 |
| Endurance Tech. | 21,138 | 24.8 | 1.7 | 3.6 | 2,398 | -1.9 | -6.8 | -14.5 | 1,112 | -8.3 | -18.4 | -21.5 |
| Escorts Kubota | 20,149 | 20.5 | 7.8 | -5.1 | 2,016 | -13.6 | -19.8 | -21.7 | 1,475 | -20.4 | -27.1 | -21.4 |
| Exide Inds. | 38,994 | 56.8 | 14.4 | 16.2 | 3,866 | 48.4 | 10.8 | 10.8 | 2,263 | 80.5 | 0.6 | 20.3 |
| Hero Motocorp | 83,925 | 53.0 | 13.1 | -4.0 | 9,408 | 82.7 | 13.7 | -12.6 | 6,245 | 70.9 | -0.4 | -18.8 |
| Mahindra & Mahindra | 1,96,126 | 66.7 | 14.5 | -0.7 | 23,410 | 43.5 | 20.3 | -1.3 | 14,710 | 57.5 | 26.0 | 5.8 |
| Mahindra CIE | 27,072 | 32.5 | 5.3 | 5.7 | 3,044 | 17.2 | 8.9 | 1.3 | 1,889 | 38.7 | 17.0 | 26.0 |
| Maruti Suzuki | 2,64,998 | 49.1 | -0.9 | 3.0 | 19,121 | 132.9 | -21.2 | -0.7 | 10,128 | 129.8 | -44.9 | -11.3 |
| Motherson Wiring | 16,709 | 50.0 | 0.6 | 7.0 | 2,028 | 85.5 | -16.2 | -2.0 | 1,260 | 106.5 | -21.1 | 1.9 |
| MRF | 55,989 | 35.6 | 7.7 | 6.8 | 4,783 | -1.8 | -9.3 | -7.9 | 1,123 | -30.4 | -28.3 | -19.7 |
| Samvardhana Motherson | 1,76,147 | 7.4 | 2.6 | 8.8 | 10,768 | -21.2 | -11.9 | -6.5 | 1,412 | -55.1 | 0.0 | -35.2 |
| Sona BLW Precis. | 5,892 | 17.7 | 7.1 | -0.7 | 1,425 | 2.7 | 5.3 | 0.1 | 758 | 5.0 | -16.8 | -4.0 |
| Tata Motors | 7,19,347 | 8.3 | -8.3 | 1.1 | 31,805 | -39.5 | -63.6 | -51.1 | -65,002 | Loss | Loss | Loss |
| Tube Investments | 19,570 | 55.7 | 12.8 | 8.0 | 2,040 | 29.4 | 17.0 | 2.2 | 1,343 | 38.5 | -1.5 | 2.9 |
| TVS Motor | 60,087 | 52.7 | 8.7 | 1.4 | 5,995 | 119.0 | 7.7 | 2.8 | 3,205 | 325.3 | 16.8 | 10.8 |
| **Cement** | **4,75,235** | **32.9** | **0.9** | **4.8** | **81,376** | **-10.5** | **0.0** | **8.8** | **43,907** | **-13.0** | **8.3** | **9.3** |
| ACC | 44,684 | 15.0 | 0.9 | 2.8 | 4,253 | -51.4 | -32.9 | -0.9 | 2,222 | -60.3 | -42.9 | -1.3 |
| Ambuja Cements | 39,935 | 18.5 | 1.7 | -0.6 | 6,845 | -28.7 | -13.4 | 12.6 | 8,534 | 18.0 | 72.4 | 13.5 |
| Birla Corporation | 22,038 | 26.0 | -2.7 | 4.4 | 2,593 | -24.5 | -6.3 | 12.0 | 736 | -48.0 | -46.8 | 75.9 |
| Dalmia Bharat | 33,020 | 27.4 | -2.3 | 3.2 | 5,860 | -17.8 | -14.2 | 13.8 | 1,960 | -30.0 | -24.6 | 45.0 |
| Grasim Industries | 72,530 | 92.8 | 13.7 | 8.1 | 13,202 | 78.4 | 75.4 | 13.2 | 8,086 | 81.3 | 131.8 | 20.8 |
| India Cements | 14,462 | 41.4 | 3.9 | 10.7 | 308 | -81.0 | -49.9 | -50.2 | -720 | PL | Loss | Loss |
| J K Cements | 21,664 | 32.6 | -4.5 | 1.8 | 4,001 | 0.1 | 4.6 | 12.7 | 1,915 | -8.0 | 1.8 | 20.4 |
| JK Lakshmi Cem. | 15,510 | 25.9 | 3.6 | 10.1 | 2,170 | 0.4 | -21.5 | -3.2 | 1,009 | -15.0 | -10.7 | -16.3 |
| Ramco Cements | 17,725 | 44.3 | 3.7 | 10.6 | 3,007 | -17.4 | 1.9 | 24.6 | 1,123 | -33.6 | -8.8 | 56.5 |
| Shree Cement | 42,027 | 21.8 | 2.5 | 4.3 | 8,188 | -19.2 | -10.1 | -5.3 | 3,156 | -52.3 | -42.1 | -35.8 |
| Ultratech Cement | 1,51,640 | 28.2 | -3.8 | 4.8 | 30,949 | -6.4 | 0.7 | 11.2 | 15,887 | -6.7 | 7.5 | 15.3 |
| **Chemicals-Specialty** | **75,559** | **40.6** | **9.9** | **4.6** | **14,816** | **15.7** | **5.2** | **11.4** | **10,463** | **17.1** | **8.3** | **15.2** |
| Alkyl Amines | 4,735 | 20.8 | 11.2 | 2.3 | 1,158 | 4.4 | 57.5 | 39.8 | 819 | 4.3 | 76.4 | 48.9 |
| Atul | 14,769 | 36.7 | 7.8 | 2.8 | 2,330 | -1.3 | 13.5 | 3.5 | 1,635 | 1.4 | 23.0 | 10.7 |
| Clean Science | 2,341 | 60.0 | 14.4 | 2.0 | 913 | 28.0 | 9.1 | 2.0 | 629 | 15.2 | 0.9 | -6.2 |
| Deepak Nitrite | 20,580 | 34.8 | 9.9 | 4.4 | 3,560 | -21.2 | -13.2 | -12.1 | 2,346 | -22.5 | -12.2 | -13.0 |
| Fine Organic | 7,526 | 109.1 | 25.3 | 49.9 | 2,056 | 312.1 | 40.7 | 136.7 | 1,573 | 350.2 | 42.9 | 160.7 |
| Galaxy Surfactants | 11,589 | 40.2 | 10.1 | -2.3 | 1,480 | 36.4 | 2.1 | 30.0 | 1,004 | 30.7 | 2.0 | 39.6 |
| Navin Fluorine | 3,868 | 23.3 | -2.9 | -15.8 | 999 | 28.1 | 4.3 | -14.8 | 790 | 39.9 | 0.3 | -8.4 |
| NOCIL | 5,089 | 47.7 | 10.0 | 16.3 | 1,012 | 39.3 | -8.5 | 70.3 | 656 | 39.4 | -4.1 | 80.5 |
| Vinati Organics | 5,063 | 31.0 | 4.2 | -6.3 | 1,309 | 28.9 | -5.7 | -12.9 | 1,012 | 25.0 | 0.1 | -11.2 |
| **Consumer** | **7,65,264** | **32.5** | **11.4** | **7.9** | **1,71,157** | **31.6** | **8.8** | **5.4** | **1,20,414** | **34.8** | **5.5** | **3.8** |
| Asian Paints | 86,069 | 54.1 | 9.0 | 10.1 | 15,560 | 70.3 | 7.8 | 10.6 | 10,602 | 84.6 | 7.1 | 11.9 |
| Britannia | 37,010 | 8.7 | 4.2 | -1.6 | 5,007 | -9.6 | -8.9 | -6.7 | 3,344 | -13.5 | -11.5 | -11.2 |
| Colgate | 11,968 | 2.6 | -8.0 | -1.3 | 3,257 | -8.3 | -24.2 | -11.9 | 2,190 | -6.1 | -24.9 | -10.6 |
| Dabur | 28,224 | 8.1 | 12.1 | 0.1 | 5,437 | -1.5 | 19.9 | 0.4 | 4,403 | 0.7 | 16.1 | -0.1 |
| Emami | 7,783 | 17.8 | 1.0 | 3.3 | 1,733 | 2.1 | 5.7 | -8.0 | 1,454 | 3.5 | -27.8 | -5.2 |
| Godrej Consumer | 31,250 | 8.0 | 7.2 | 0.0 | 5,326 | -12.8 | 6.0 | 1.4 | 3,470 | -16.4 | -9.6 | -0.2 |
| Hind. Unilever | 1,42,720 | 19.8 | 6.0 | 7.0 | 32,470 | 14.0 | 0.1 | 3.1 | 22,890 | 16.7 | 0.3 | 3.6 |
| Indigo Paints | 2,240 | 43.6 | -22.3 | -1.0 | 353 | 74.9 | -34.4 | -8.3 | 199 | 71.5 | -42.4 | -17.8 |
| ITC | 1,72,897 | 41.5 | 11.3 | 16.2 | 56,475 | 41.5 | 8.1 | 11.2 | 41,694 | 38.4 | -0.5 | 2.6 |
| Jyothy Labs | 5,858 | 12.2 | 9.0 | 0.2 | 598 | -8.0 | 5.2 | -17.8 | 434 | 8.2 | 12.6 | -5.6 |
| Marico | 25,580 | 1.3 | 18.4 | -0.7 | 5,280 | 9.8 | 52.6 | 6.8 | 3,710 | 4.2 | 48.4 | 5.1 |

| | Sales (INR m) | | | | EBITDA (INR m) | | | | PAT (INR m) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gr (%) | | | | Gr (%) | | | | Gr (%) | | |
| | Jun-22 | YoY | QoQ | Var. over Exp. (%) | Jun-22 | YoY | QoQ | Var. over Exp. (%) | Jun-22 | YoY | QoQ | Var. over Exp. (%) |
| Nestle | 40,366 | 16.1 | 1.4 | 2.7 | 8,492 | 1.8 | -8.8 | -6.0 | 5,450 | 3.9 | -9.3 | -5.7 |
| Page Industries | 13,413 | 167.4 | 20.7 | 18.3 | 2,978 | 770.7 | 11.5 | 16.8 | 2,070 | 1,790.9 | 8.7 | 18.4 |
| Pidilite Inds. | 31,011 | 60.1 | 23.7 | 21.3 | 5,295 | 52.3 | 32.0 | 30.8 | 3,541 | 64.4 | 42.1 | 40.9 |
| Tata Consumer | 33,268 | 10.6 | 4.8 | 0.6 | 4,573 | 14.5 | 2.9 | 2.2 | 2,734 | 45.4 | 18.1 | 8.8 |
| United Breweries | 24,367 | 117.9 | 42.8 | 16.0 | 2,825 | 196.1 | 8.5 | -9.3 | 1,617 | 424.3 | -0.8 | -15.7 |
| United Spirits | 21,693 | 34.3 | -10.9 | -13.3 | 2,992 | 78.4 | -29.9 | -23.6 | 2,737 | 217.1 | -11.5 | 13.8 |
| Varun Beverages | 49,548 | 102.3 | 75.2 | 15.5 | 12,506 | 119.1 | 135.5 | 11.0 | 7,874 | 155.5 | 209.8 | 11.0 |
| **Financials** | **18,39,459** | **15.6** | **-8.5** | **-1.7** | **10,16,433** | **-2.1** | **-10.1** | **-5.7** | **5,36,810** | **49.0** | **-7.6** | **3.2** |
| **Banks-Private** | **5,90,539** | **17.8** | **3.8** | **-0.2** | **4,32,204** | **2.9** | **-6.0** | **-4.3** | **2,67,056** | **48.4** | **-8.4** | **5.7** |
| AU Small Finance | 9,760 | 34.8 | 4.2 | 0.3 | 3,941 | -18.2 | -18.3 | -9.1 | 2,679 | 31.8 | -22.6 | 3.7 |
| Axis Bank | 93,840 | 20.9 | 6.4 | 1.3 | 58,870 | -4.8 | -9.0 | -3.3 | 41,253 | 91.0 | 0.2 | 19.5 |
| Bandhan Bank | 25,144 | 18.9 | -1.0 | 1.6 | 18,206 | -7.0 | -27.8 | -18.7 | 8,865 | 137.6 | -53.4 | 6.9 |
| DCB Bank | 3,740 | 21.1 | -1.7 | -3.0 | 1,661 | -17.8 | -24.8 | -23.7 | 971 | 187.8 | -14.4 | 5.6 |
| Equitas Holdings | 5,806 | 25.9 | 5.1 | 0.2 | 2,682 | 63.1 | -5.5 | 17.6 | 970 | 713.4 | -18.8 | 1.8 |
| Federal Bank | 16,045 | 13.1 | 5.2 | 2.1 | 9,734 | -14.1 | 21.9 | 6.6 | 6,007 | 63.5 | 11.1 | 18.9 |
| HDFC Bank | 1,94,814 | 14.5 | 3.2 | -1.3 | 1,53,678 | 1.5 | -6.0 | -6.0 | 91,960 | 19.0 | -8.5 | -0.9 |
| ICICI Bank | 1,32,100 | 20.8 | 4.8 | 0.2 | 1,03,089 | 15.9 | 0.2 | -0.6 | 69,049 | 49.6 | -1.6 | 7.1 |
| IndusInd Bank | 41,253 | 15.8 | 3.5 | 0.2 | 34,307 | 9.9 | 1.5 | 6.2 | 16,310 | 60.5 | 16.5 | 10.9 |
| Kotak Mahindra Bank | 46,970 | 19.2 | 3.9 | -0.1 | 27,833 | -3.7 | -16.7 | -13.5 | 20,712 | 26.1 | -25.2 | -2.9 |
| RBL Bank | 10,277 | 6.0 | -9.2 | -6.8 | 5,291 | -30.9 | -19.5 | -15.1 | 2,012 | LP | 1.7 | 14.8 |
| SBI Cards | 10,789 | 16.7 | 8.0 | 2.1 | 12,912 | 22.5 | 10.2 | 2.0 | 6,269 | 105.8 | 7.9 | 17.4 |
| **Banks-PSU** | **6,64,776** | **10.9** | **2.0** | **-2.3** | **3,82,775** | **-15.0** | **-15.1** | **-6.2** | **1,33,386** | **8.7** | **-12.2** | **2.6** |
| Bank of Baroda | 88,384 | 12.0 | 2.6 | -0.6 | 45,275 | -19.2 | -19.7 | -10.1 | 21,681 | 79.4 | 21.9 | 69.7 |
| Canara Bank | 67,847 | 10.2 | -3.2 | -6.8 | 66,062 | 20.5 | 6.5 | 14.0 | 20,220 | 71.7 | 21.4 | 45.8 |
| Indian Bank | 45,340 | 13.5 | 6.6 | 2.0 | 35,644 | 4.3 | 30.2 | 20.5 | 12,134 | 2.7 | 23.3 | 31.3 |
| Punjab National Bank | 75,428 | 4.3 | 3.3 | -1.2 | 53,792 | -15.9 | 2.2 | 16.0 | 3,084 | -69.9 | 53.0 | -45.7 |
| State Bank | 3,11,959 | 12.9 | 0.0 | -4.2 | 1,27,526 | -32.8 | -35.3 | -27.6 | 60,681 | -6.7 | -33.4 | -20.1 |
| Union Bank | 75,817 | 8.1 | 12.0 | 5.1 | 54,476 | 5.1 | -1.3 | 14.0 | 15,585 | 32.0 | 8.3 | 24.6 |
| **Insurance** | **3,37,588** | **20.0** | **-38.4** | **-4.5** | **10,716** | **LP** | **-61.1** | **-58.8** | **10,881** | **426.1** | **-15.4** | **5.2** |
| HDFC Life Insur. | 92,719 | 23.0 | -35.1 | 0.1 | 2,473 | 317.6 | -55.2 | -26.7 | 3,653 | 20.8 | 2.2 | 8.3 |
| ICICI Pru Life | 68,842 | 4.3 | -39.4 | -15.8 | 3,950 | 154.8 | -65.5 | -67.4 | 1,557 | LP | -15.7 | -20.1 |
| Max Financial | 41,030 | 17.8 | -48.7 | -2.9 | NA | NA | NA | NA | 910 | 18.2 | -40.9 | 6.3 |
| SBI Life Insurance | 1,10,360 | 32.8 | -36.7 | 0.2 | 2,726 | 143.6 | -78.7 | -73.7 | 2,629 | 17.8 | -60.9 | -4.7 |
| Star Health | 24,637 | 12.7 | -33.2 | -7.3 | 1,568 | LP | LP | 1,214.3 | 2,132 | LP | LP | 51.5 |
| **NBFC** | **2,46,557** | **17.6** | **1.6** | **-0.1** | **1,90,739** | **13.3** | **-1.0** | **-0.8** | **1,25,487** | **126.6** | **0.6** | **-1.3** |
| AAVAS Financiers | 1,802 | 19.9 | -0.1 | -2.6 | 1,156 | 25.7 | -14.8 | -2.7 | 892 | 49.0 | -22.9 | 0.7 |
| Angel One | 4,203 | 61.7 | 3.4 | 0.9 | 2,427 | 49.6 | -11.5 | 5.8 | 1,816 | 49.6 | -11.3 | 5.6 |
| Bajaj Finance | 52,745 | 42.5 | 9.8 | 6.2 | 42,575 | 36.6 | 7.3 | 10.7 | 25,963 | 159.0 | 7.3 | 23.1 |
| Can Fin Homes | 2,504 | 38.2 | 5.5 | 3.6 | 2,150 | 40.9 | 10.5 | 4.0 | 1,622 | 49.0 | 32.0 | 15.3 |
| Chola. Inv & Fin. | 14,814 | 16.9 | 8.3 | 1.2 | 10,604 | 6.8 | 16.3 | 2.9 | 5,657 | 73.1 | -18.0 | 1.6 |
| HDFC | 44,469 | 7.8 | -3.3 | -6.9 | 42,160 | 8.0 | -8.8 | -10.8 | 43,969 | 69.7 | 26.2 | -11.7 |
| ICICI Securities | 7,948 | 6.3 | -10.9 | 4.8 | 3,671 | -11.9 | -19.4 | 3.0 | 2,736 | -11.9 | -19.6 | 2.4 |
| IIFL Wealth Mgt | 3,750 | 32.3 | -11.3 | 5.3 | 2,080 | 59.5 | 10.8 | 17.7 | 1,571 | 34.5 | -5.1 | 3.8 |
| L&T Fin.Holdings | 15,334 | 2.3 | 0.5 | -1.2 | 11,549 | 0.9 | 1.7 | 13.4 | 2,612 | 47.5 | -23.5 | -2.9 |
| LIC Housing Fin | 16,102 | 26.3 | -1.7 | -1.9 | 14,481 | 40.9 | -3.9 | 1.2 | 9,255 | 503.2 | -17.3 | 18.0 |
| M & M Financial | 15,544 | 34.2 | 4.2 | -0.9 | 9,458 | 26.3 | 5.3 | -10.2 | 2,229 | LP | -62.9 | -40.8 |
| Manappuram Finance | 9,566 | -7.0 | 6.5 | 2.9 | 5,091 | -28.2 | 0.7 | 3.8 | 2,819 | -35.5 | 8.0 | -0.5 |
| MAS Financial | 1,055 | 34.3 | 17.4 | 10.9 | 707 | 11.1 | 16.9 | 1.4 | 465 | 26.3 | 9.3 | 0.3 |
| Muthoot Finance | 15,400 | -9.5 | -10.5 | -15.5 | 10,241 | -23.2 | -16.2 | -28.2 | 8,020 | -17.4 | -16.5 | -23.5 |
| PNB Housing | 3,684 | -27.6 | -0.1 | 0.4 | 3,603 | -24.1 | -2.4 | 8.4 | 2,359 | -3.0 | 39.1 | 45.9 |
| Repco Home Fin | 1,327 | -8.4 | -5.5 | -7.2 | 1,078 | -11.7 | -9.8 | -9.0 | 621 | 93.2 | 47.7 | 22.5 |
| Shriram City Union | 10,694 | 21.6 | 11.1 | 8.9 | 6,589 | 15.7 | 10.9 | 13.0 | 3,228 | 55.2 | 6.4 | 13.8 |
| Shriram Transport Fin. | 25,618 | 29.3 | 1.5 | 6.6 | 21,120 | 26.1 | 0.0 | 4.4 | 9,653 | 468.0 | -11.1 | 1.6 |
| **Healthcare** | **6,19,891** | **3.9** | **2.4** | **2.1** | **1,21,334** | **-12.1** | **0.7** | **1.4** | **72,307** | **-16.8** | **-1.4** | **-3.2** |
| Ajanta Pharma | 9,509 | 27.1 | 9.3 | 13.9 | 2,518 | 14.4 | 14.6 | 23.0 | 1,762 | 14.4 | 9.3 | 19.1 |
| Alembic Pharma | 12,621 | -4.8 | -10.8 | -7.4 | 1,147 | -51.4 | -59.5 | -57.3 | 463 | -71.9 | -74.1 | -74.8 |
| Alkem Lab | 25,764 | -5.7 | 3.7 | -0.2 | 2,732 | -53.9 | -19.0 | -31.7 | 1,882 | -59.8 | -17.9 | -36.0 |
| Apollo Hospitals | 37,956 | 0.9 | 7.0 | 1.1 | 4,908 | -5.6 | 5.9 | 0.6 | 1,690 | -40.9 | -7.2 | 10.1 |
| Aurobindo Pharma | 62,359 | 9.4 | 7.3 | 6.2 | 10,247 | -15.3 | 5.2 | 2.6 | 5,881 | -21.4 | 2.5 | -4.7 |
| Biocon | 21,397 | 21.5 | -11.2 | -10.0 | 4,367 | 12.3 | -26.2 | -21.5 | 1,801 | 49.3 | -33.9 | -31.0 |

| | Sales (INR m) | | | | EBITDA (INR m) | | | | PAT (INR m) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gr (%) | | | | Gr (%) | | | | Gr (%) | | |
| | Jun-22 | YoY | QoQ | Var. over Exp. (%) | Jun-22 | YoY | QoQ | Var. over Exp. (%) | Jun-22 | YoY | QoQ | Var. over Exp. (%) |
| Cipla | 53,752 | -1.4 | 2.2 | -0.1 | 11,434 | -11.7 | 20.4 | 13.0 | 6,864 | -12.9 | 12.5 | 14.6 |
| Divis Labs | 22,545 | 15.0 | -10.5 | 1.9 | 8,467 | -0.6 | -23.3 | -5.8 | 6,556 | 2.6 | -22.1 | -2.1 |
| Dr Reddy' s Labs | 49,853 | 1.3 | -4.5 | -4.7 | 10,337 | 14.5 | -1.7 | 0.9 | 8,197 | 43.6 | 25.6 | -21.1 |
| ERIS Lifescience | 3,986 | 14.1 | 30.3 | 6.7 | 1,292 | 2.1 | 33.3 | 13.4 | 931 | -12.7 | 16.4 | 6.0 |
| Gland Pharma | 8,569 | -25.7 | -22.3 | -13.8 | 2,699 | -38.1 | -22.5 | -13.2 | 2,292 | -34.6 | -19.8 | -10.3 |
| Glenmark Pharma | 27,773 | -6.3 | -8.0 | 1.8 | 4,726 | -17.6 | -5.9 | 8.3 | 1,896 | -32.2 | -1.4 | 8.7 |
| Granules India | 10,196 | 20.0 | -1.0 | -3.6 | 2,115 | 5.0 | 9.8 | 8.1 | 1,276 | 6.1 | 14.9 | 10.0 |
| GSK Pharma | 7,451 | 3.7 | -8.0 | -9.3 | 1,489 | 12.2 | -15.0 | -21.2 | 1,162 | 8.3 | -3.0 | -19.2 |
| Ipca Labs. | 15,857 | 1.3 | 23.0 | 14.4 | 2,835 | -31.9 | 17.5 | 1.7 | 1,579 | -48.5 | 6.4 | -16.4 |
| Jubilant Pharmova | 14,517 | -11.2 | -5.0 | -3.4 | 1,924 | -48.7 | -22.2 | -21.4 | 470 | -70.7 | -21.0 | -34.0 |
| Laurus Labs | 15,389 | 20.4 | 8.0 | 15.0 | 4,542 | 14.9 | 14.5 | 23.9 | 2,525 | 4.5 | 9.0 | 22.0 |
| Lupin | 37,438 | -3.9 | -3.6 | -6.3 | 1,639 | -70.4 | -41.9 | -48.7 | -1,552 | PL | PL | PL |
| Solara Active Pharma | 3,301 | -18.6 | -8.5 | -7.5 | 126 | -86.3 | -7.2 | -14.2 | -164 | PL | PL | Loss |
| Strides Pharma | 9,401 | 36.6 | 8.6 | 3.5 | 512 | LP | 23.3 | -18.3 | -934 | Loss | Loss | Loss |
| Sun Pharma | 1,06,440 | 10.1 | 13.4 | 11.6 | 26,209 | -2.6 | 23.7 | 23.9 | 19,152 | -4.0 | 21.1 | 34.6 |
| Torrent Pharma | 23,090 | 8.2 | 8.4 | 4.6 | 6,740 | -0.4 | 20.1 | 3.5 | 3,287 | -0.4 | 23.3 | -0.4 |
| Zydus Lifesciences | 40,727 | 1.8 | 5.4 | 4.6 | 8,330 | -14.3 | -3.3 | 2.5 | 5,290 | -11.4 | 0.1 | 7.6 |
| **Infrastructure** | **67,709** | **22.9** | **8.0** | **18.4** | **18,567** | **41.9** | **31.8** | **41.0** | **8,895** | **97.7** | **20.1** | **98.0** |
| Ashoka Buildcon | 14,790 | 46.2 | -5.1 | 23.3 | 1,446 | 20.6 | -7.5 | 14.8 | 1,043 | 2.9 | -44.5 | 11.1 |
| G R Infraproject | 24,767 | 16.1 | 9.2 | 23.8 | 4,864 | 40.8 | 20.7 | 53.9 | 3,211 | 57.7 | 21.1 | 77.7 |
| IRB Infra | 19,246 | 18.4 | 34.2 | 15.2 | 10,606 | 51.5 | 65.3 | 47.8 | 3,632 | 405.1 | 108.1 | 341.1 |
| KNR Constructions | 8,906 | 20.4 | -11.9 | 4.8 | 1,650 | 15.1 | -20.7 | 4.9 | 1,008 | 38.1 | -10.6 | 9.3 |
| Logistics | 60,915 | 30.6 | 3.9 | 2.8 | 9,472 | 41.5 | 2.2 | 0.8 | 5,491 | 67.2 | 1.5 | 3.8 |
| Blue Dart Express | 12,933 | 49.6 | 10.9 | 11.6 | 1,908 | 128.7 | -12.5 | 2.9 | 1,172 | 298.9 | -13.5 | 9.9 |
| Concor | 19,783 | 9.4 | -3.2 | -4.4 | 4,723 | 9.0 | 14.4 | 0.9 | 2,913 | 14.3 | 13.4 | 0.4 |
| Mahindra Logistics | 11,999 | 35.9 | 10.2 | 2.5 | 657 | 61.8 | 27.7 | 8.0 | 135 | 310.9 | 82.7 | 2.5 |
| Transport Corp. | 9,029 | 29.7 | 0.6 | 4.6 | 1,041 | 37.4 | -12.8 | 2.2 | 777 | 65.9 | -9.0 | 12.8 |
| VRL Logistics | 7,171 | 73.3 | 7.8 | 8.3 | 1,144 | 217.2 | -9.0 | -7.6 | 494 | LP | -12.1 | -1.9 |
| **Media** | **40,022** | **51.8** | **9.6** | **2.0** | **11,698** | **64.9** | **21.2** | **-2.7** | **6,761** | **44.2** | **29.0** | **-9.1** |
| PVR | 9,626 | 1,784.5 | 93.7 | 8.6 | 1,702 | LP | LP | 15.8 | 684 | LP | LP | 138.3 |
| Sun TV | 11,939 | 47.4 | 43.3 | 14.5 | 7,638 | 54.3 | 38.0 | 11.9 | 4,917 | 26.1 | 21.6 | 5.2 |
| Zee Entertainment | 18,457 | 4.0 | -20.5 | -7.5 | 2,358 | -31.5 | -51.5 | -36.8 | 1,160 | -47.5 | -46.2 | -53.2 |
| **Metals** | **28,82,596** | **28.6** | **-6.8** | **5.9** | **6,38,422** | **-4.0** | **-14.1** | **10.6** | **3,33,534** | **-10.6** | **-17.8** | **9.7** |
| Coal India | 3,50,922 | 38.8 | 7.3 | 12.9 | 1,27,328 | 177.6 | 2.1 | -0.9 | 88,342 | 178.3 | 31.6 | -2.6 |
| Hindalco | 5,80,180 | 40.2 | 4.0 | 9.5 | 84,330 | 37.5 | 15.4 | 35.1 | 40,780 | 55.1 | -0.8 | 48.4 |
| Hindustan Zinc | 93,870 | 43.7 | 6.7 | 4.7 | 51,370 | 44.4 | 3.5 | 2.8 | 30,920 | 46.1 | 5.6 | -3.1 |
| JSPL | 1,30,454 | 23.0 | -9.0 | 18.6 | 29,927 | -34.1 | -2.5 | 42.8 | 14,632 | -42.5 | -24.9 | 63.0 |
| JSW Steel | 3,80,860 | 31.8 | -18.8 | -1.7 | 43,090 | -58.1 | -53.1 | 2.7 | 8,380 | -85.8 | -74.1 | -27.3 |
| Nalco | 37,833 | 52.9 | -12.8 | -2.7 | 8,687 | 49.6 | -46.3 | -8.9 | 5,786 | 66.4 | -43.6 | -7.0 |
| NMDC | 47,671 | -26.8 | -28.9 | 2.7 | 18,984 | -54.5 | -29.2 | 17.0 | 14,678 | -54.0 | -27.1 | 14.0 |
| SAIL | 2,40,286 | 16.4 | -21.9 | 7.8 | 23,008 | -64.9 | -46.9 | 15.1 | 7,763 | -79.8 | -67.8 | 4.4 |
| Tata Steel | 6,34,301 | 18.6 | -8.5 | 2.8 | 1,49,728 | -7.1 | -0.4 | 30.3 | 78,042 | -14.1 | -22.2 | 29.7 |
| Vedanta | 3,86,220 | 35.9 | -3.0 | 4.7 | 1,01,970 | 1.8 | -25.2 | -9.4 | 44,210 | -1.3 | -28.3 | -5.4 |
| **Oil & Gas** | **82,52,070** | **74.8** | **17.9** | **-3.6** | **6,38,206** | **5.8** | **-21.9** | **-8.6** | **2,40,919** | **-19.9** | **-46.2** | **-31.3** |
| **Oil Ex OMCs** | **36,54,338** | **73.9** | **13.8** | **-1.6** | **7,89,481** | **85.0** | **27.5** | **-3.6** | **4,25,722** | **107.1** | **23.2** | **-10.7** |
| Aegis Logistics | 22,355 | 229.7 | 6.3 | 1.7 | 845 | -19.6 | -40.9 | -45.2 | 1,034 | 55.2 | 9.1 | 7.4 |
| BPCL | 12,10,659 | 70.7 | 16.3 | -9.1 | -49,373 | PL | PL | Loss | -62,908 | PL | PL | Loss |
| Castrol India | 12,417 | 39.6 | 0.5 | -14.8 | 2,861 | 44.9 | -9.8 | -23.9 | 2,063 | 47.3 | -9.7 | -25.5 |
| GAIL | 3,75,721 | 116.1 | 39.3 | 27.7 | 43,657 | 81.1 | 17.5 | 30.9 | 29,152 | 90.5 | 11.9 | 32.6 |
| Gujarat Gas | 51,701 | 71.7 | 10.7 | -9.5 | 6,066 | -16.1 | -13.0 | 16.0 | 3,811 | -20.0 | -15.9 | 18.6 |
| Gujarat State Petronet | 4,200 | -4.5 | 12.6 | -7.6 | 3,602 | -3.8 | 17.6 | -4.0 | 2,355 | 1.1 | 16.5 | -3.2 |
| HPCL | 11,44,547 | 58.0 | 17.3 | -6.0 | -1,15,492 | PL | PL | Loss | -1,01,969 | PL | PL | Loss |
| Indraprastha Gas | 31,939 | 154.0 | 32.7 | 5.2 | 6,175 | 62.1 | 23.4 | 30.6 | 4,209 | 72.3 | 16.4 | 33.3 |
| IOC | 22,42,526 | 89.0 | 26.5 | -2.2 | 13,589 | -87.8 | -88.3 | LP | -19,925 | PL | PL | Loss |
| Mahanagar Gas | 14,548 | 136.4 | 33.9 | 8.7 | 2,856 | -6.1 | 32.5 | -1.1 | 1,852 | -9.3 | 40.5 | -1.0 |
| MRPL | 3,22,897 | 185.8 | 30.2 | 13.1 | 47,140 | 1,188.1 | 60.3 | 20.5 | 27,075 | LP | -11.1 | 6.7 |
| Oil India | 59,676 | 98.7 | 33.2 | 3.3 | 26,364 | 114.4 | 34.6 | -11.4 | 15,555 | 206.2 | -4.6 | -18.7 |
| ONGC | 4,23,207 | 83.8 | 22.7 | -6.3 | 2,59,303 | 113.4 | 39.5 | -0.1 | 1,52,059 | 250.8 | 71.6 | 4.6 |
| Petronet LNG | 1,42,638 | 65.9 | 27.8 | 3.3 | 10,644 | 1.0 | -9.0 | -1.7 | 7,009 | 10.3 | -6.6 | 8.0 |
| Reliance Inds. | 21,93,040 | 56.7 | 5.8 | -6.5 | 3,79,970 | 62.6 | 21.1 | -10.4 | 1,79,550 | 46.3 | 10.8 | -26.4 |

| | Sales (INR m) | | | | EBITDA (INR m) | | | | PAT (INR m) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gr (%) | | | | Gr (%) | | | | Gr (%) | | |
| | Jun-22 | YoY | QoQ | Var. over Exp. (%) | Jun-22 | YoY | QoQ | Var. over Exp. (%) | Jun-22 | YoY | QoQ | Var. over Exp. (%) |
| **Real Estate** | **52,752** | **69.3** | **-26.2** | **16.6** | **13,584** | **63.1** | **-26.5** | **-9.4** | **12,708** | **128.3** | **-13.5** | **-9.0** |
| DLF | 14,416 | 26.5 | -6.8 | -5.0 | 4,137 | 4.6 | 12.5 | -38.0 | 4,692 | 39.2 | 15.7 | -32.0 |
| Godrej Properties | 2,447 | 184.0 | -81.6 | 24.7 | -142 | Loss | PL | Loss | 435 | 155.7 | -83.2 | -57.6 |
| Macrotech Developers | 26,758 | 66.7 | -22.3 | 41.9 | 4,667 | 24.2 | -46.4 | -1.1 | 3,550 | 191.0 | -38.0 | 13.6 |
| Oberoi Realty | 9,131 | 221.2 | 10.9 | -1.2 | 4,922 | 294.2 | 39.9 | 15.9 | 4,031 | 400.0 | 73.5 | 38.4 |
| **Retail** | **2,92,195** | **139.1** | **19.6** | **-2.7** | **39,985** | **927.1** | **36.3** | **-1.3** | **19,299** | **LP** | **37.8** | **-3.2** |
| Aditya Birla Fashion | 28,748 | 254.1 | 25.9 | 4.8 | 4,684 | LP | 25.6 | 19.4 | 938 | LP | 205.0 | 194.8 |
| Avenue Supermarts | 1,00,381 | 93.7 | 14.2 | 0.0 | 10,082 | 349.7 | 36.4 | 3.7 | 6,429 | 574.2 | 50.6 | 4.2 |
| Barbeque Nation | 3,149 | 208.8 | 25.4 | 23.5 | 705 | LP | 58.1 | 53.3 | 160 | LP | 3,190 | 258.9 |
| Devyani Intl. | 7,047 | 99.8 | 19.3 | -0.1 | 1,647 | 167.5 | 17.9 | 1.5 | 748 | LP | -4.9 | 22.6 |
| Jubilant Foodworks | 12,403 | 41.1 | 7.1 | 4.5 | 3,045 | 44.0 | 5.1 | 2.7 | 1,276 | 87.3 | 9.5 | 11.0 |
| Restaurant Brands | 3,369 | 125.0 | 25.4 | 7.2 | 332 | 2,064.8 | 9.9 | -7.9 | -227 | Loss | Loss | Loss |
| Sapphire Foods | 5,463 | 80.3 | 10.0 | 3.0 | 1,104 | 223.9 | 10.6 | 26.2 | 381 | LP | 44.0 | 173.3 |
| Shoppers Stop | 9,419 | 368.4 | 32.7 | 0.6 | 1,624 | LP | 111.7 | -5.8 | 228 | LP | LP | -41.9 |
| Titan Company | 94,430 | 171.9 | 21.1 | -9.4 | 11,960 | 773.0 | 36.5 | -14.8 | 7,900 | 4,288.9 | 19.2 | -18.6 |
| Trent | 16,529 | 405.0 | 39.5 | -5.0 | 3,041 | LP | 99.6 | -8.0 | 1,026 | LP | 36.8 | -16.1 |
| V-Mart Retail | 5,879 | 231.4 | 28.1 | -15.6 | 887 | LP | 76.3 | 7.6 | 205 | LP | LP | 8.8 |
| Westlife Development | 5,379 | 107.6 | 18.2 | 15.3 | 873 | 3,380.8 | 38.7 | 29.0 | 236 | LP | 53.9 | 44.4 |
| **Staffing** | **85,369** | **26.6** | **3.4** | **-0.3** | **2,994** | **5.5** | **-14.3** | **-4.0** | **1,768** | **65.4** | **-14.4** | **10.7** |
| Quess Corp | 39,793 | 33.2 | 4.9 | 0.0 | 1,534 | 15.5 | -16.7 | -3.6 | 677 | 121.0 | -13.2 | -2.4 |
| SIS | 26,782 | 12.6 | 1.1 | -1.8 | 1,207 | -0.5 | -3.0 | 3.7 | 825 | 59.0 | -15.2 | 36.0 |
| Team Lease Serv. | 18,794 | 36.5 | 3.4 | 1.1 | 253 | -14.3 | -38.3 | -30.2 | 265 | 8.9 | -14.4 | -10.6 |
| **Technology** | **16,40,184** | **20.2** | **4.9** | **1.0** | **3,55,872** | **5.7** | **-3.2** | **-2.1** | **2,41,923** | **1.1** | **-8.0** | **-5.4** |
| Coforge | 18,294 | 25.2 | 5.0 | -0.9 | 2,922 | 31.1 | -12.5 | -7.4 | 1,501 | 10.3 | -29.3 | -20.3 |
| Cyient | 12,501 | 18.1 | 5.8 | 1.4 | 1,946 | 3.6 | -8.9 | 1.8 | 1,161 | 0.9 | -24.7 | 15.4 |
| HCL Technologies | 2,34,640 | 16.9 | 3.8 | -0.4 | 49,948 | 1.8 | -4.1 | -4.4 | 32,830 | 2.1 | -8.7 | -2.6 |
| Infosys | 3,44,700 | 23.6 | 6.8 | 1.8 | 78,447 | 5.6 | -0.4 | -1.4 | 53,600 | 3.2 | -5.7 | -5.9 |
| L&T Infotech | 45,228 | 30.6 | 5.1 | 1.5 | 8,308 | 28.2 | -1.8 | 6.5 | 6,344 | 27.7 | -0.5 | 8.4 |
| L&T Technology | 18,737 | 23.4 | 6.7 | 2.9 | 4,010 | 26.2 | 5.4 | 3.4 | 2,742 | 26.8 | 4.7 | 1.4 |
| Mindtree | 31,211 | 36.2 | 7.7 | 2.0 | 6,581 | 41.7 | 8.2 | 3.9 | 4,716 | 37.3 | -0.3 | 1.1 |
| Mphasis | 34,113 | 26.8 | 4.1 | 0.4 | 6,001 | 22.6 | 4.0 | -1.3 | 4,020 | 18.3 | 2.5 | -3.2 |
| Persistent Systems | 18,781 | 52.7 | 14.7 | 3.0 | 3,333 | 59.5 | 18.5 | 8.2 | 2,116 | 33.3 | 5.3 | 0.5 |
| TCS | 5,27,580 | 16.2 | 4.3 | 0.8 | 1,32,712 | 4.8 | -4.1 | -2.3 | 95,190 | 5.4 | -4.4 | -5.2 |
| Tech Mahindra | 1,27,079 | 24.6 | 4.9 | 1.4 | 18,801 | 0.2 | -10.0 | -1.9 | 11,316 | -16.4 | -24.8 | -6.9 |
| Wipro | 2,15,286 | 17.9 | 3.2 | 1.0 | 41,502 | 1.7 | -4.0 | -4.0 | 25,636 | -20.7 | -17.0 | -12.3 |
| Zensar Tech | 12,034 | 28.5 | 4.3 | 1.4 | 1,361 | -21.1 | -17.1 | -1.1 | 751 | -25.6 | -42.1 | 4.9 |
| **Telecom** | **5,44,225** | **16.0** | **2.5** | **0.8** | **2,41,967** | **14.2** | **-6.2** | **-7.1** | **-47,585** | **Loss** | **Loss** | **Loss** |
| Bharti Airtel | 3,28,046 | 22.2 | 4.1 | 1.5 | 1,65,294 | 27.3 | 3.0 | 0.2 | 15,171 | 469.4 | -18.4 | -0.1 |
| Indus Towers | 68,973 | 1.5 | -3.1 | -0.9 | 22,619 | -35.7 | -44.3 | -42.2 | 4,773 | -66.3 | -73.9 | -72.8 |
| Tata Comm | 43,105 | 5.1 | 1.1 | -1.8 | 10,770 | 9.2 | 3.0 | -1.6 | 5,438 | 87.2 | 40.9 | 58.3 |
| Vodafone Idea | 1,04,101 | 13.7 | 1.7 | 1.1 | 43,284 | 16.7 | -6.9 | -4.3 | -72,967 | Loss | Loss | Loss |
| **Others** | **5,04,434** | **64.7** | **6.0** | **8.5** | **78,444** | **111.6** | **6.9** | **14.0** | **30,208** | **LP** | **17.7** | **41.0** |
| APL Apollo Tubes | 34,386 | 35.7 | -18.4 | 21.0 | 1,939 | -23.8 | -27.1 | -1.2 | 1,071 | -27.3 | -34.3 | -5.4 |
| BSE | 1,731 | 13.4 | -9.9 | 1.3 | 452 | -2.5 | -21.1 | -0.2 | 326 | -23.0 | -44.5 | -25.2 |
| Coromandel International | 57,291 | 56.4 | 35.5 | -6.4 | 6,854 | 41.9 | 80.5 | 39.1 | 4,991 | 47.8 | 72.2 | 45.5 |
| EPL | 8,318 | 4.1 | -5.5 | -7.1 | 1,256 | -13.3 | -5.6 | -6.5 | 345 | -40.4 | -29.2 | -23.5 |
| Godrej Agrovet | 25,099 | 25.9 | 20.6 | 8.1 | 1,616 | -4.7 | -4.5 | -30.5 | 827 | -22.0 | -32.4 | -43.7 |
| Indiamart Inter. | 2,246 | 23.7 | 11.5 | -0.4 | 642 | -27.5 | 12.2 | 8.4 | 467 | -46.9 | -18.6 | -32.3 |
| Indian Hotels | 12,661 | 267.5 | 45.2 | 7.9 | 3,779 | LP | 137.7 | 19.0 | 1,769 | LP | 185.7 | 65.5 |
| Info Edge | 5,077 | 58.8 | 11.4 | 3.1 | 1,631 | 63.6 | 27.4 | 17.2 | 1,484 | 47.0 | 23.0 | 10.7 |
| Interglobe Aviation | 1,28,553 | 327.5 | 60.3 | 17.3 | 6,627 | LP | 543.4 | 33.7 | -10,654 | Loss | Loss | Loss |
| Kaveri Seed | 6,856 | 8.9 | 929.7 | -5.8 | 2,466 | 23.5 | LP | 5.7 | 2,438 | 19.7 | LP | 6.6 |
| Lemon Tree Hotel | 1,920 | 355.6 | 60.6 | 4.3 | 924 | LP | 150.7 | 7.4 | 174 | LP | LP | -11.0 |
| MCX | 1,088 | 24.2 | 2.2 | 8.0 | 493 | 33.7 | -7.5 | 6.4 | 415 | 4.3 | 13.3 | -1.5 |
| P I Industries | 15,432 | 29.3 | 10.6 | 13.2 | 3,456 | 38.9 | 13.3 | 15.7 | 2,624 | 40.2 | 28.4 | 18.0 |
| SRF | 38,947 | 44.3 | 9.7 | 11.8 | 10,198 | 53.5 | 8.9 | 12.1 | 6,329 | 63.1 | 6.5 | 11.0 |
| Tata Chemicals | 39,950 | 34.2 | 14.8 | -2.2 | 10,150 | 68.9 | 54.5 | 33.0 | 5,930 | 105.9 | 28.1 | 60.0 |
| Trident | 16,671 | 12.9 | -9.7 | 1.2 | 2,530 | -32.2 | -20.0 | -8.7 | 1,227 | -37.8 | -24.4 | -9.0 |
| UPL | 1,08,210 | 27.1 | -31.8 | 11.7 | 23,430 | 25.8 | -34.8 | 8.8 | 10,445 | 2.9 | -44.7 | 38.9 |

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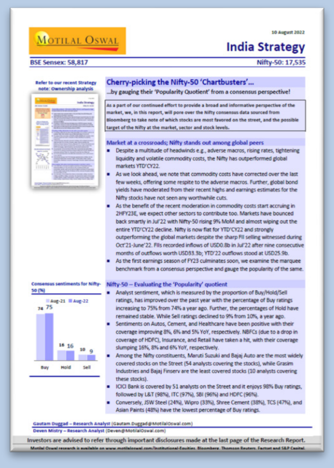






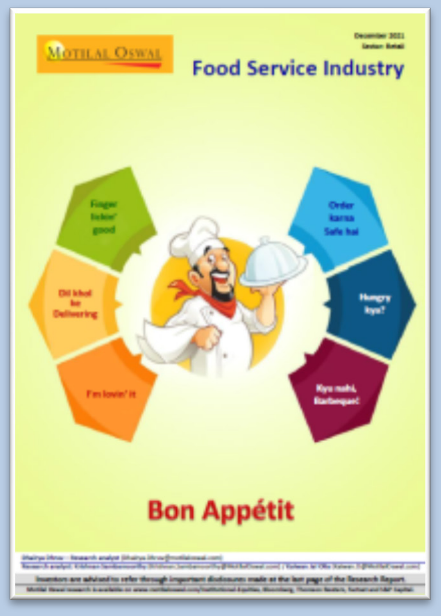




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