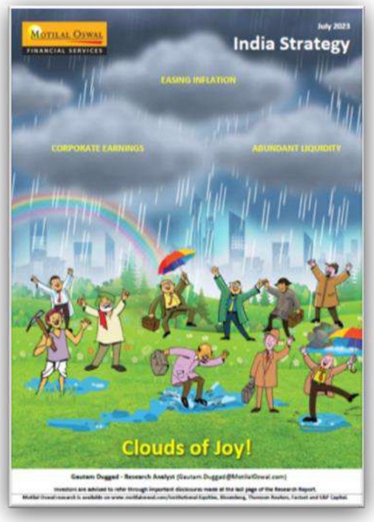
August 2023

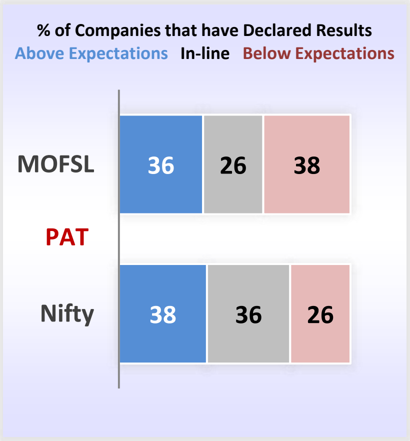
India Strategy

BSE Sensex: 65,539 | **Nifty-50: 19,465**

Refer to our Jun'23 Quarter Preview



1QFY24: Expectations vs. delivery



Earnings review – 1QFY24: Heavyweights on the march!

Nifty beats estimates; upward revision in FY24E earnings

- **Corporate earnings – domestic Cyclicals propel growth: Corporate earnings for 1QFY24 came in strong and could underpin the underlying overall optimistic narrative of India.** After a solid 23% earnings CAGR over FY20-23, Nifty posted 32% earnings growth in 1QFY24, a beat vs. our expectations of 25%. MOFSL Coverage Universe recorded the highest earnings growth in the last eight quarters, fueled by domestic cyclicals, such as BFSI and Auto. Healthcare has made a strong comeback with 24% earnings growth after six consecutive quarters of flattish earnings.
- **BFSI and Auto drive the quarter, as expected:** Aggregate earnings of the MOFSL Universe companies were in line with our estimates and rose 52% YoY (vs. est. of +49% YoY). Nifty posted a beat with EBITDA/PAT growth of 22%/32% YoY vs. expectation of 18%/25%. Once again, the earnings growth was propelled by domestic cyclicals, such as BFSI and Auto. BFSI coverage universe recorded a 60% YoY profit growth while Auto posted a significant profit of INR179b (vs. a profit of INR13b only in 1QFY23). Ex-Tata Motors, the Auto Universe registered a healthy 83% earnings growth in 1QFY24 vs. expectation of 59%. OMC's profitability surged to INR305b in 1QFY24 vs. a loss of INR185b in 1QFY23 due to strong marketing margins. **Ex-OMC, MOFSL/Nifty's earnings rose 19% YoY each vs. expectations of 12%/11%.** Metals continued to drag the aggregates with a 40% YoY decline in earnings, led by Tata Steel (-92% YoY), Vedanta (-81% YoY), and Hindalco (-40%).
- **The beat-miss dynamics:** The beat-miss ratio for the MOFSL Universe was largely balanced as 36% of the companies beat our estimates, while 38% missed estimates at the PAT level. For MOFSL Universe, however, the earnings upgrade to downgrade ratio has also been a bit unfavorable for FY24E as 66 companies have reported earnings upgrades of >3%, while 76 companies' earnings have been downgraded by >3%. EBITDA margin of MOFSL Universe (ex-Financials) rose 330bp YoY to 17.6%.
- **Heavyweights drive the quarter:** Earnings performances of both MOFSL Universe and Nifty were led by heavyweights. The top five companies within MOFSL Universe contributed 84% to the incremental YoY accretion in earnings (three OMCs contributed 59%, followed by SBI – 13% and Tata Motors – 12%). Similarly, within Nifty, five companies (BPCL, SBI, Tata Motors, HDFC Bank, and ICICI Bank) contributed 100% to the incremental YoY accretion in earnings during the quarter.
- **Report card:** Of the 21 sectors under our Coverage, 7/8/6 sectors reported profits above/in-line/below our estimates. Of the 231 companies under our Coverage, 84 exceeded profits estimates, 87 posted a miss, and 60 were in line.
- **FY24E earnings highlights:** The MOFSL Universe is likely to deliver sales/EBITDA/ PAT growth of 7%/22%/33% YoY in FY24. The Auto, O&G, and Banks (Private and PSU) are expected to be the key growth drivers with 77%, 56% and 30% YoY earnings growth, respectively, and are likely to contribute 71% to earnings growth.
- **We raise our FY24E EPS of Nifty by 2.5%:** We raise our FY24E Nifty EPS by 2.5% to INR988 (earlier: INR964) due to notable earnings upgrades in Tata Motors, JSW Steel, Bharti Airtel, SBI, and Kotak Mahindra Bank. We now expect the Nifty EPS to grow ~22%/16% YoY in FY24/ FY25.

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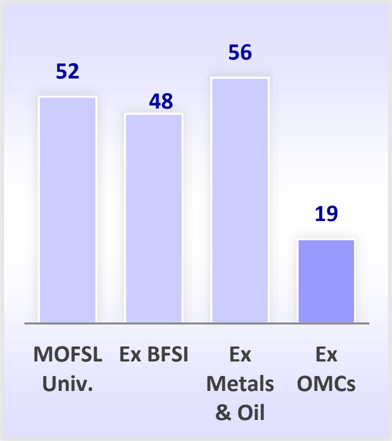
1QFY24: PAT growth YoY (%)



Key sectoral highlights – 1) **Technology:** IT Services companies reported weak performance in 1QFY24 with flattish median revenue growth QoQ in CC, in an otherwise seasonally strong quarter. The weakness in key verticals continued through 1Q with BFSI and Retail reporting a median USD revenue decline of 1.2% and 0.4% QoQ, respectively. 2) **Banks:** The banking sector posted a mixed 1QFY24, driven by healthy loan growth and sustained improvement in asset quality; however, margin trajectory reversed due to a sharp rise in funding costs. 3) **NBFCs – Lending:** Most of the NBFCs (except HFCs) reported a sequential contraction in NIM, surpassing our initial projections. For a majority of the NBFCs, the principal reason behind this NIM compression was the substantial increase in borrowing costs. 4) **Auto:** The quarter saw upgrades for FY24E largely to factor in the benefits of better gross margin, thus aiding overall profitability and commentaries related to a sequential improvement in exports. 5) **Consumer:** The overall performance of MOFSL Universe was a mixed bag with a few companies reporting healthy volume growth while others posted healthy value growth during the quarter.

- **The top earnings upgrades in FY24E:** JSW Steel (34%), Tata Motors (28%), Dr Reddy's Lab (15%), Bharti Airtel (13%), and M&M (10%).
- **The top earnings downgrades in FY24E:** Tech Mahindra (-10%), UPL (-7%), Tata Steel (-5%), Apollo Hospital (-5%), and HUL (-4%).
- **Our view:** The corporate earnings for FY24 have begun on a healthy note. After a solid 22% earnings CAGR over FY20-23, Nifty opened FY24 with a 32% earnings growth. The spread of earnings was decent with 62% of our Universe either meeting or exceeding profit expectations. Going forward, we expect the earnings to remain healthy and pencil in 20%+ earnings growth for Nifty in FY24. The profit pool of MOFSL Universe is expected to grow at 33% YoY in FY24 and surpass the INR10t mark. Nifty is trading at a 12-month forward P/E of 18.5x, at an 8% discount to its own long period average (LPA). We remain OW on Financials, Consumption, and Automobiles. We are UW on Metals, Energy and Utilities and Neutral on IT, Healthcare and Telecom within our model portfolio**.**

Exhibit 1: Preferred ideas

Company	MCap	CMP	EPS (INR)			EPS CAGR (%)	PE (x)			PB (x)			ROE (%)		
	(USDb)	(INR)	FY23	FY24E	FY25E	FY23-25	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Preferred large cap stocks															
ICICI Bank	80.7	956	45.8	55.9	63.7	17.9	20.9	17.1	15.0	3.4	2.9	2.5	17.5	18.3	17.9
ITC	66.3	450	15.1	17.0	19.4	13.3	29.8	26.4	23.2	8.3	7.9	7.4	29.0	30.5	32.9
Bajaj Fin.	51.1	6979	190.4	239.6	302.2	26.0	36.7	29.1	23.1	7.8	6.4	5.2	23.7	24.1	24.7
Larsen & Toubro	46.1	2691	73.5	88.0	107.0	20.7	36.6	30.6	25.1	4.2	3.9	3.5	14.3	15.7	17.2
HCL Technologies	38.3	1177	54.8	57.9	67.2	10.8	21.5	20.3	17.5	4.9	4.9	5.0	23.3	24.1	28.4
Titan Company	32.2	3009	36.8	44.2	54.9	22.2	81.8	68.0	54.8	22.4	18.4	15.1	30.8	29.8	30.3
Avenue Supermarts	27.4	3500	36.7	44.4	59.4	27.2	95.3	78.9	58.9	13.6	11.5	9.6	16.0	16.4	18.4
Sun Pharma Industries	32.8	1144	35.8	40.4	47.1	14.8	32.0	28.3	24.3	4.9	4.3	3.7	16.6	16.2	16.5
M & M	22.3	1570	64.9	86.5	92.8	19.7	24.2	18.2	16.9	4.3	3.7	3.1	19.1	21.9	20.0
Zomato	9.6	92	Loss	LP	1.0	LP	NM	621.4	94.9	3.8	4.0	3.9	NM	NM	NM
Preferred midcap/smallcap stocks															
Ashok Leyland	6.6	189	4.5	9.6	12.1	64.1	41.8	19.7	15.5	6.6	5.2	4.1	16.8	29.4	29.4
Indian Hotels	6.6	383	7.0	8.9	10.3	20.9	54.4	43.2	37.2	6.8	6.0	5.2	13.3	14.7	14.9
Godrej Properties	5.2	1548	22.4	27.9	43.9	40.1	69.3	55.5	35.3	4.6	4.3	3.8	6.9	8.1	12.5
APL Apollo tubes	4.8	1577	23.1	33.4	51.7	49.5	68.1	47.2	30.5	14.6	11.5	8.6	24.4	27.3	32.4
M & M Fin. Serv.	4.2	277	16.1	17.6	23.3	20.3	17.2	15.7	11.9	2.1	1.9	1.7	12.6	12.8	15.4
Metro Brands	3.6	1086	13.3	13.5	18.4	17.6	81.7	80.7	59.1	18.6	16.2	13.8	25.7	22.0	25.8
Kajaria Ceramics	2.8	1445	21.4	30.5	37.8	32.9	67.6	47.4	38.3	9.9	8.9	8.1	15.2	19.8	22.1
Angel One	1.8	1771	107.5	122.2	146.4	16.7	16.5	14.5	12.1	6.8	5.3	4.2	47.6	40.9	38.5
CreditAccess	2.7	1397	52.0	89.6	107.7	43.9	26.9	15.6	13.0	4.3	3.4	2.7	18.2	24.5	23.2
Lemon Tree Hotel	0.9	95	1.5	2.0	3.2	45.6	62.7	48.2	29.6	8.7	7.4	5.9	14.0	16.5	22.1

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

Performance in line: BFSI and Auto drive 1QFY24 earnings

- The MOFSL Universe's sales/EBITDA/PBT/PAT grew at 3%/28%/44%/52% YoY (vs. est. +0%/28%/42%/49%). Excluding OMCs, the MOFSL Universe companies recorded a sales/EBITDA/PBT/PAT growth of 6%/11%/15%/19% YoY (v/s est. +5%/8%/8%/12%) in 1QFY24.
- Corporate earnings were in line with MOFSL estimates in 1QFY24, being driven by Financials and Auto while Metals dragged the aggregate profitability.
- The banking sector posted a mixed 1QFY24, driven by healthy loan growth and sustained improvement in asset quality; however, margin trajectory reversed due to a sharp rise in funding costs. Several factors propelled credit expansion, with the Retail and MSME sectors exhibiting robust growth along with a recovery in the corporate book.
- EBITDA margin of the MOFSL Universe (ex-Financials) expanded 330bp YoY to 17.6%. Gross margin for major sectors expanded sharply, while margin for a few contracted. In 1QFY24, eight of the 13 major sectors under MOFSL Coverage reported an expansion in gross margin YoY, while five sectors saw a contraction.

Exhibit 2: Sector-wise 1QFY24 performance of MOFSL Universe companies (INR b)

Sector	Sales				EBIDTA				PBT				PAT			
(no of companies)	Jun-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Jun-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Jun-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Jun-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. %
Automobiles (24)	2,628	0	26	1.4	342	4	96	9.1	236	10	346	25.0	179	-4	1328	26.5
Cement (11)	531	-2	11	2.1	82	5	1	1.7	54	6	-9	4.8	41	15	-6	12.0
Chemicals-Spec.(9)	63	-10	-16	-9.3	11	-22	-26	-19.6	10	-25	-30	-22.0	7	-24	-30	-22.3
Consumer (18)	793	5	4	-4.8	199	10	16	-1.0	192	11	20	1.1	143	10	19	0.1
Financials (46)	2,299	-9	23	0.1	1,371	0	37	3.5	1,093	3	63	8.9	808	1	60	7.8
Banks-Private (13)	780	2	26	-1.4	581	0	32	1.2	491	-1	36	3.6	369	-2	36	3.5
Banks-PSU (6)	826	-1	24	-2.1	580	2	52	8.0	431	9	137	20.6	307	2	130	17.2
Insurance (6)	434	-36	14	6.8	20	-55	-3	-15.9	19	-8	25	-5.3	18	-10	25	-2.1
NBFC - Lending (15)	235	5	23	1.5	180	8	25	0.9	140	4	35	0.6	106	6	36	1.8
NBFC-Non Lending (6)	25	3	17	-2.0	10	-8	2	-8.5	11	-3	11	-5.5	8	-1	11	-6.2
Healthcare (23)	725	4	16	2.0	159	14	29	9.2	123	19	28	13.1	92	17	24	9.8
Infrastructure (3)	47	-2	-11	-1.9	13	0	-26	-1.8	7	3	-37	9.0	5	0	-42	-0.4
Logistics (6)	64	-4	2	-8.4	8	-10	-15	-17.5	6	-14	-23	-22.1	4	-17	-22	-20.7
Media (3)	46	13	0	-10.9	10	59	-22	-41.5	8	107	-21	-26.8	6	51	-22	-20.9
Metals (10)	2,772	-8	-4	3.2	457	-10	-28	15.3	293	-9	-41	32.5	201	-12	-40	27.3
Oil & Gas (15)	7,461	-3	-10	5.3	1,154	23	71	-10.4	868	29	134	-14.7	629	19	158	-15.0
Ex OMCs (12)	3,236	-5	-11	0.0	679	6	-15	-0.5	464	13	-24	-2.7	324	2	-24	-3.2
Real Estate (9)	90	-30	-3	-12.4	24	-26	0	-14.7	21	-25	20	3.7	18	-41	25	-1.2
Retail (17)	383	13	20	1.9	46	20	-4	-11.2	26	28	-16	-18.8	19	25	-18	-19.0
Staffing (3)	97	3	14	-0.3	3	0	7	-3.4	2	7	-8	-9.0	2	7	-4	-3.7
Technology (12)	1,813	0	11	-0.7	391	-5	10	-3.2	366	-4	12	-2.5	271	-5	12	-3.4
Telecom (4)	599	4	10	1.3	283	3	17	0.4	-3	PL	Loss	PL	-32	Loss	Loss	Loss
Others (18)	594	-6	9	3.2	115	13	65	17.3	68	26	113	24.6	63	37	182	55.3
MOFSL Universe (231)	**21,006**	**-3**	**3**	**2.3**	**4,669**	**5**	**28**	**-0.1**	**3,370**	**8**	**44**	**1.8**	**2,455**	**4**	**52**	**1.4**
Ex Financials (185)	**18,707**	**-2**	**1**	**2.6**	**3,297**	**7**	**24**	**-1.5**	**2,277**	**11**	**37**	**-1.3**	**1,647**	**5**	**48**	**-1.5**
Ex Metals & Oil (206)	**10,773**	**-2**	**16**	**0.1**	**3,057**	**2**	**30**	**2.4**	**2,209**	**4**	**50**	**6.7**	**1,625**	**1**	**56**	**6.7**
Ex OMCs (228)	**16,781**	**-4**	**6**	**0.6**	**4,194**	**1**	**11**	**3.2**	**2,965**	**4**	**15**	**7.1**	**2,150**	**-1**	**19**	**6.6**
Nifty (50)	**13,481**	**-5**	**5**	**2.7**	**3,485**	**1**	**22**	**3.6**	**2,476**	**5**	**29**	**6.7**	**1,786**	**-1**	**32**	**5.6**
Sensex (30)	**9,820**	**-3**	**11**	**0.9**	**2,748**	**-2**	**22**	**3.0**	**1,902**	**-1**	**29**	**6.3**	**1,350**	**-8**	**33**	**4.6**

PL: Profit to loss

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

	PAT (INR b)	Growth (%)		PAT	
Sector	Jun-23	est YoY	actual YoY	Var. over Exp. (%)	v/s Exp
MOFSL Universe (231)	2,455	49	52	1	In Line
MOFSL Ex OMCs (228)	2,150	12	19	7	Above
MOFSL Ex Metals & Oil (206)	1,625	46	56	7	Above
MOFSL Ex Financials (185)	1,647	50	48	-1	In Line
Nifty (50)	1,786	25	32	6	Above
Nifty Ex OMCs (49)	1,681	11	19	7	Above
Nifty Ex Metals & Oil (43)	1,286	41	49	5	Above
Nifty Ex Financials (40)	1,226	17	22	4	In Line
MOFSL Ex Nifty Companies	**816**	**121**	**103**	**-8**	**Below**

Exhibit 4: PAT grew 52% YoY for MOFSL Universe

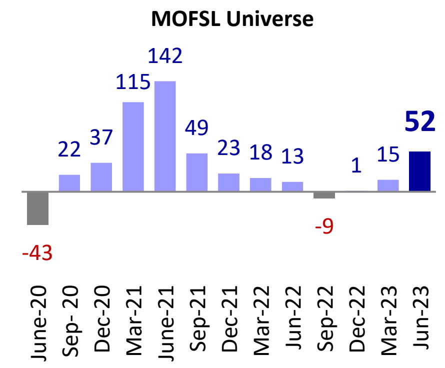


Exhibit 5: PAT grew 48% YoY for MOFSL Universe, excluding Financials

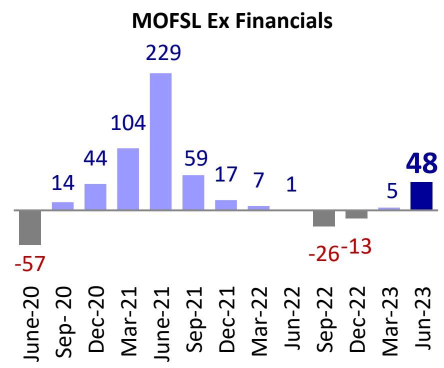


Exhibit 6: PAT rose 19% YoY for MOFSL Universe, sans OMCs

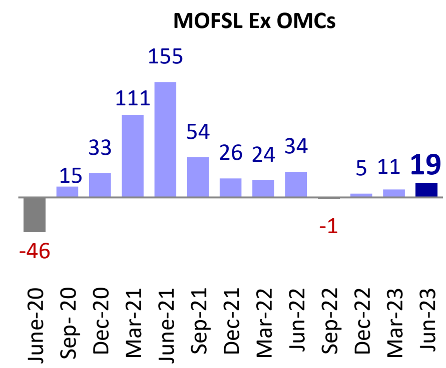


Exhibit 7: PAT growth for the Nifty Universe stood at 32% YoY

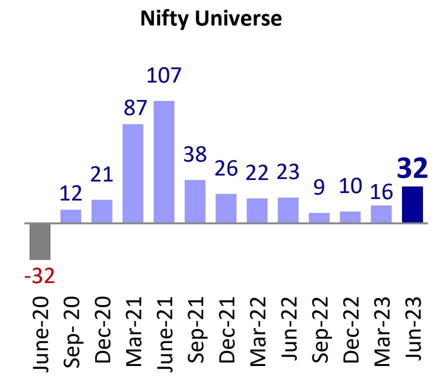


Exhibit 8: PAT for the Nifty Universe, sans Financials, grew 22% YoY

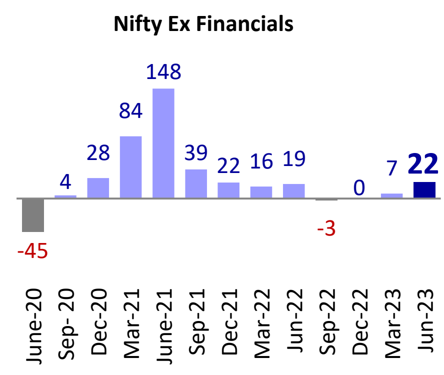
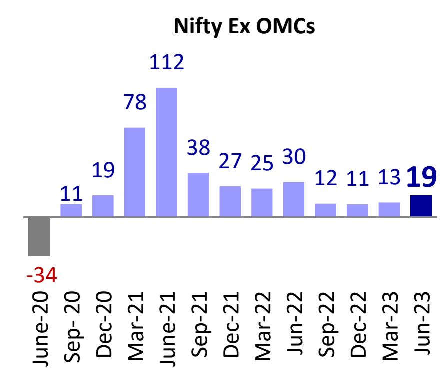


Exhibit 9: PAT grew 19% YoY for the Nifty Universe, sans OMCs



Earnings upgrade to downgrade ratio a bit unfavorable for FY24E

- For MOFSL Universe, however, the earnings upgrade to downgrade ratio was a bit unfavorable for FY24E as 66 companies reported earnings upgrades of >3%, while 76 companies' earnings were downgraded by >3%.
- The spread of earnings was decent with 62% of our Universe either meeting or exceeding profit expectations. Of the 231 companies under our Coverage, 84 exceeded estimates, 87 recorded a miss, and 60 were in line on the PAT front.
- Of the 21 sectors under our Coverage, seven/eight/six sectors reported profits above/in-line/below our estimates.
- Further, the upgrade to downgrade ratio for MOFSL Universe (ex-Nifty) has been marginally unfavorable (at 0.8x) for FY24E as 54 companies have reported earnings upgrades of >3%, while 64 companies' earnings have been downgraded by >3%.

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

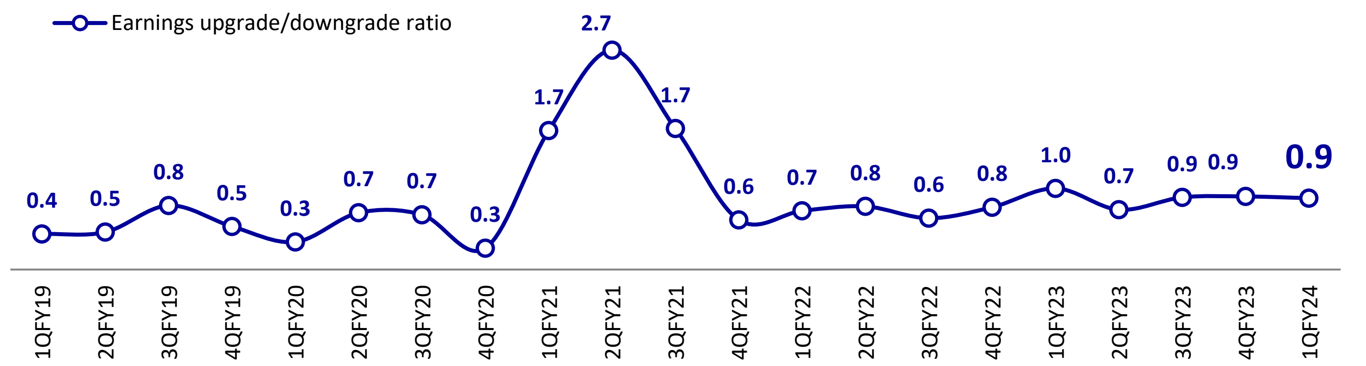


Exhibit 11: Surprise/miss ratio for the MOFSL Universe at 1x in 1QFY24

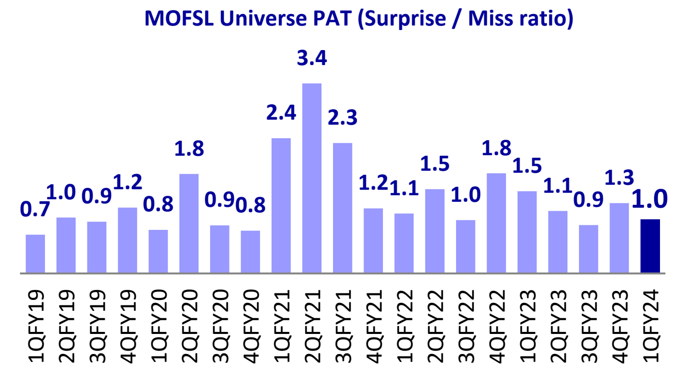


Exhibit 12: Sectoral surprise/miss ratio at 1.2x for the MOFSL Universe in 1QFY24

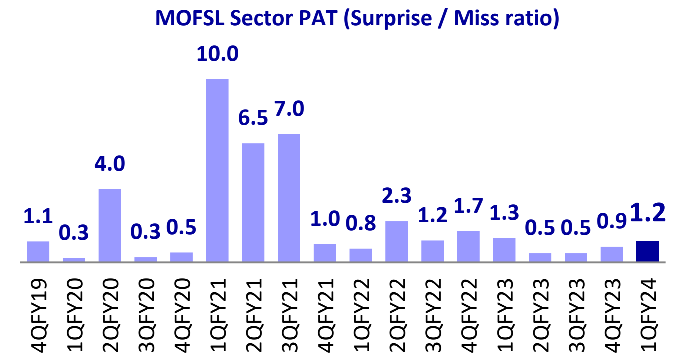


Exhibit 13: Two and three-year profit CAGR for MOFSL Universe

	EBIDTA (INR b)			CAGR (%)		PBT (INR b)			CAGR (%)		PAT (INR b)			CAGR (%)	
Sector	**1QFY21**	**1QFY22**	**1QFY24**	**2-yr**	**3-yr**	**1QFY21**	**1QFY22**	**1QFY24**	**2-yr**	**3-yr**	**1QFY21**	**1QFY22**	**1QFY24**	**2-yr**	**3-yr**
Automobiles	11	154	342	49	215	-79	45	236	128	LP	-95	8	179	377	LP
Cement	53	91	82	-5	16	32	70	54	-12	20	22	51	41	-10	23
Chemicals-Spec.	8	13	11	-8	12	7	12	10	-9	11	5	9	7	-10	11
Consumer	99	130	199	24	26	93	120	192	26	27	70	89	143	27	27
Financials	927	1,016	1,371	16	14	335	441	1,093	57	48	258	332	808	56	46
Banks-Private	409	430	581	16	12	184	229	491	46	39	140	174	369	46	38
Banks-PSU	385	451	580	13	15	64	166	431	61	89	47	123	307	58	86
Insurance	10	3	20	168	24	19	3	19	152	0	18	4	18	111	-1
NBFC - Lending	118	124	180	20	15	63	33	140	106	31	48	25	106	106	30
NBFC: Non-Lending	5	9	10	9	31	6	9	11	9	23	4	7	8	10	23
Healthcare	117	139	159	7	11	91	113	123	4	11	67	89	92	2	11
Infrastructure	7	12	13	3	20	2	5	7	15	44	1	3	5	14	78
Logistics	0	7	8	8	180	-2	5	6	10	LP	-1	4	4	12	LP
Media	5	7	10	20	30	2	6	8	16	66	2	5	6	12	35
Metals	147	665	457	-17	46	14	526	293	-25	178	-13	373	201	-27	LP
Oil & Gas	387	609	1,154	38	44	191	416	868	45	66	162	301	629	45	57
Real Estate	7	14	24	30	53	-5	7	21	69	LP	-3	6	18	76	LP
Retail	-4	5	46	195	-331	-13	-7	26	LP	LP	-9	-6	19	LP	LP
Staffing	3	3	3	6	5	1	2	2	1	13	1	1	2	23	34
Technology	275	337	391	8	12	255	317	366	7	13	190	239	271	6	13
Telecom	186	212	283	15	15	-33	-35	-3	LP	LP	-46	-55	-32	Loss	Loss
Others	19	30	115	97	82	-12	-9	68	LP	LP	-17	-11	63	LP	LP
MOFSL Universe	**2,247**	**3,445**	**4,669**	**16**	**28**	**879**	**2,035**	**3,370**	**29**	**57**	**594**	**1,438**	**2,455**	**31**	**60**
Nifty Universe	**1,773**	**2,487**	**3,485**	**18**	**25**	**766**	**1,539**	**2,476**	**27**	**48**	**532**	**1,102**	**1,786**	**27**	**50**

Exhibit 14: Sales for the MOFSL Universe up 3% YoY (est. 0%)

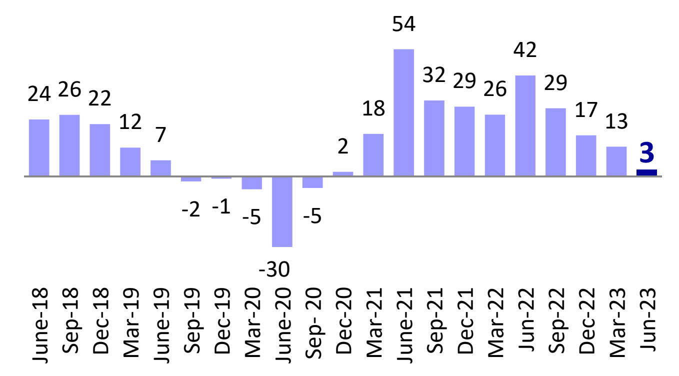


Exhibit 15: EBITDA for MOFSL Universe up 28% YoY (est. 28%)

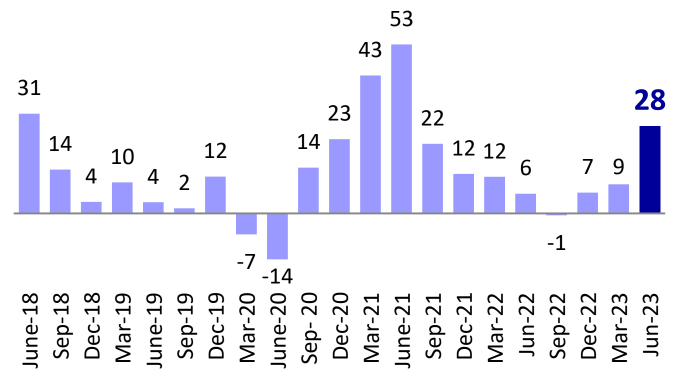


Exhibit 16: PAT growth for the MOFSL Universe at an eight-quarter high of 52% YoY (est. 49%)

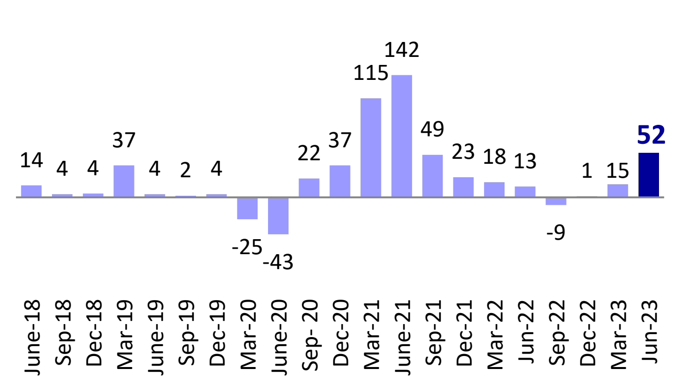


Exhibit 17: EBITDA margin, excluding Financials, expanded 330bp YoY to 17.6%

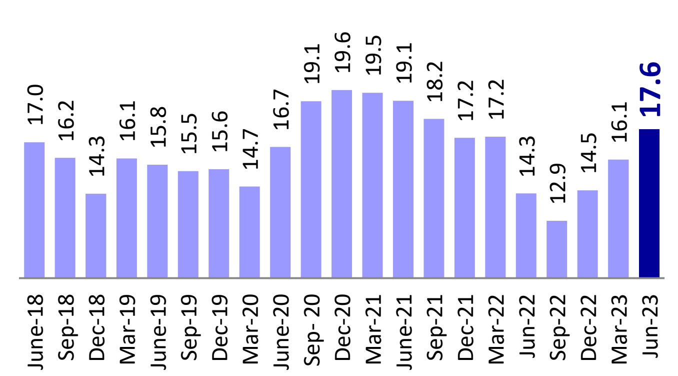


Exhibit 18: MOFSL Universe (ex-Nifty) posted 103% YoY growth in profits, driven by OMCs

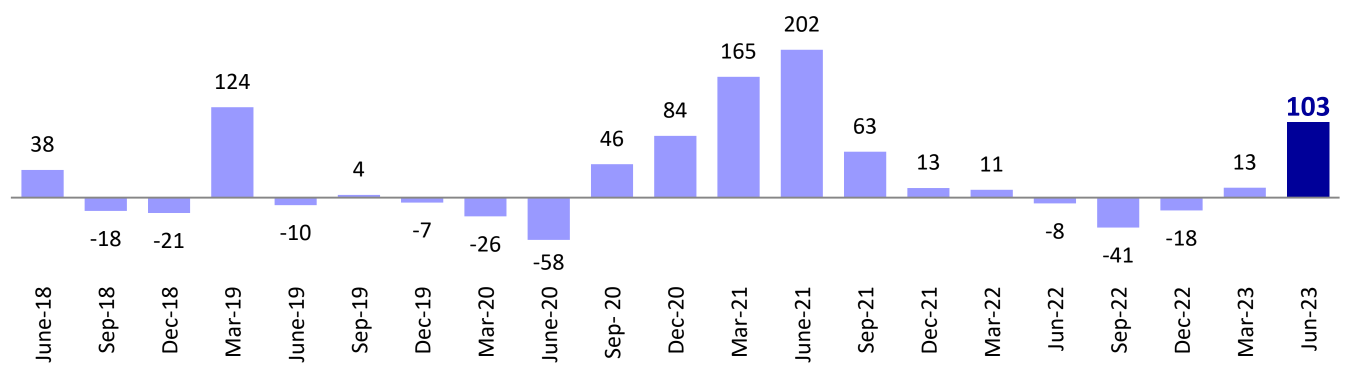


Exhibit 19: Sales growth YoY for the MOFSL Universe, excluding Nifty companies

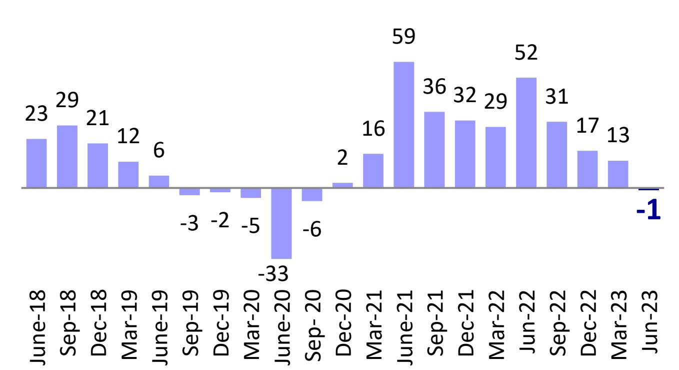
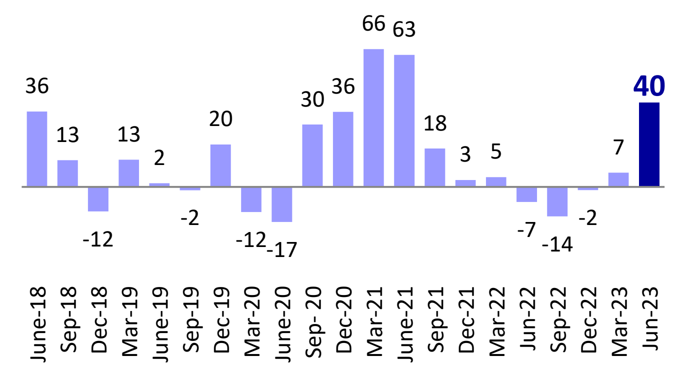


Exhibit 20: EBITDA growth YoY for the MOFSL Universe, excluding Nifty companies



Margin shows sign of recovery

- Sales for the MOFSL Universe grew 3% YoY. Excluding Metals and O&G, sales growth stood at 16% YoY (est. +16% YoY).
- Sectoral sales growth: Automobile (26%), Private Banks (26%), PSU Banks (24%), Retail (20%), Healthcare (16%), and Technology (11%).
- EBITDA margin of the MOFSL Universe (ex-Financials) rose 330bp YoY to 17.6%. Gross margin for major sectors spiked, while margin for a few contracted.
- In 1QFY24, eight of the 13 major sectors under MOFSL Coverage reported an expansion in gross margin YoY, while five sectors saw a contraction.
- PAT for our MOFSL Universe was up 52% YoY, driven by OMCs. PAT for MOFSL Universe, ex-OMCs, grew 19% YoY. Excluding BFSI, Metals and O&G, the earnings growth for the MOFSL Universe stood at 52% YoY (est. +44% YoY).

Exhibit 21: Gross margin revived in many sectors for the quarter

	FY21				FY22				FY23				FY24	Change in GM bps YoY
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	
Oil & Gas	33.0	28.3	25.6	25.1	24.3	23.0	20.9	21.8	16.8	17.0	18.5	22.6	26.2	941
Real Estate	53.9	59.0	47.1	53.1	44.9	46.9	51.4	41.6	46.0	54.7	52.0	46.1	51.1	502
Others	47.9	46.6	51.2	47.6	47.2	44.1	47.8	45.4	47.6	42.9	47.8	46.4	52.6	502
Consumer	51.5	52.6	52.7	51.0	49.2	49.6	48.7	48.7	46.8	47.6	49.2	50.4	50.9	407
Cement	64.7	64.5	63.6	63.5	65.5	61.5	56.2	55.1	54.5	50.4	51.1	51.0	58.4	398
Automobiles	32.7	32.2	31.7	31.0	30.8	29.1	29.8	29.3	31.6	32.0	33.4	34.0	34.8	317
Healthcare	64.3	64.0	63.5	64.1	60.9	61.1	60.8	60.4	60.0	61.4	61.5	61.3	62.6	261
Technology	34.6	36.1	37.0	35.8	35.8	35.5	35.2	34.5	33.1	33.6	34.4	34.5	33.8	78
Logistics	32.9	33.3	32.8	32.5	32.7	33.0	32.6	33.3	31.1	30.2	29.5	31.0	30.5	-65
Chemicals-Specialty	50.5	50.2	48.5	48.3	45.6	40.6	41.7	42.9	41.6	39.4	41.3	42.4	40.8	-76
Retail	19.8	28.1	28.4	26.8	32.2	33.9	34.7	34.4	35.2	34.9	33.5	33.2	33.0	-222
Metals	59.3	58.8	63.5	65.7	62.7	60.7	57.5	55.6	58.1	49.9	53.1	55.8	54.6	-348
Infrastructure	39.5	43.6	40.5	35.2	35.3	40.8	41.4	36.0	40.7	71.4	39.1	36.6	36.7	-393

Source: 174 companies that form part of the MOFSL Universe, excluding Financials, Telecom, Media, and Staffing

Exhibit 22: Several sectors recovered YoY in terms of operating margin

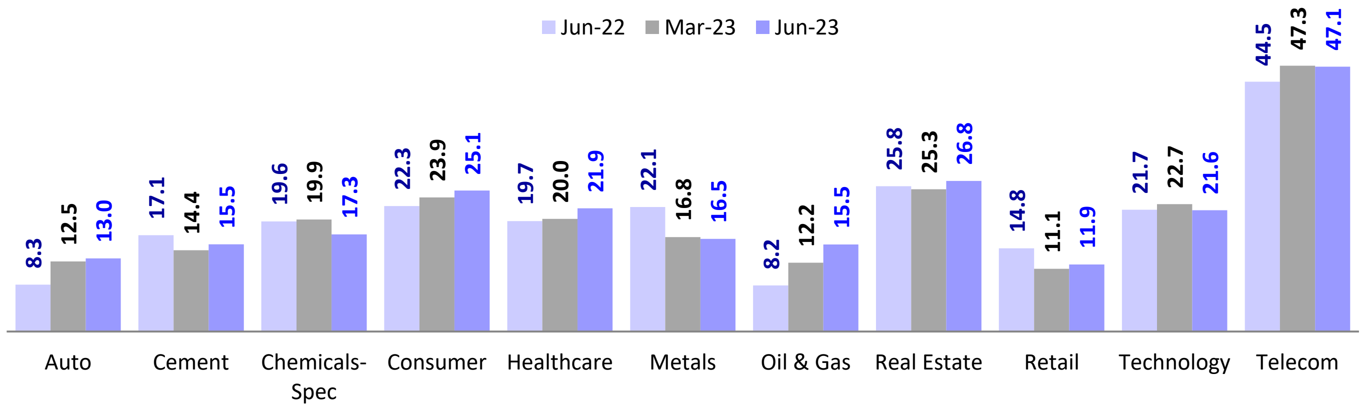


Exhibit 23: Metals' PAT contribution to the MOFSL Universe declined in 1QFY24…

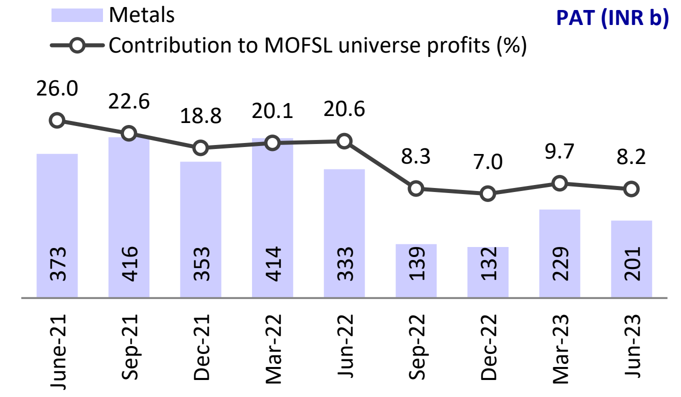


Exhibit 24: …while the same for O&G increased 3.3pp

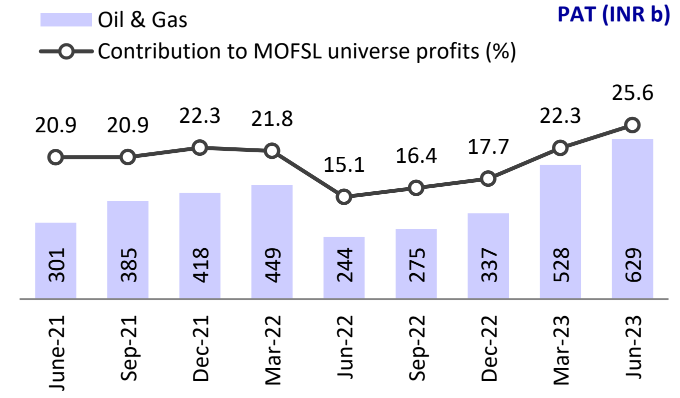


Exhibit 25: Financials' contribution continued to moderate; it accounted for over 1/3rd of the overall profit pool though

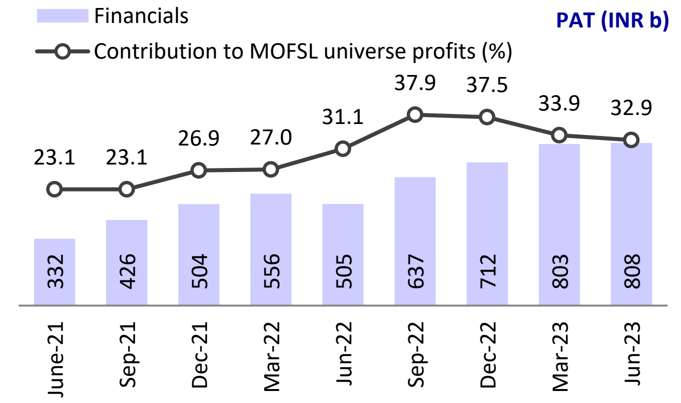


Exhibit 26: IT sector's contribution to the overall profit pool continued to decline

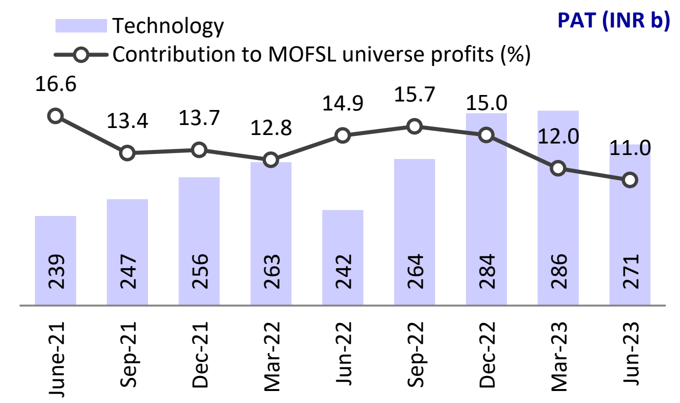


Exhibit 27: Auto sector's contribution to the overall profit pool stable over the last three quarters

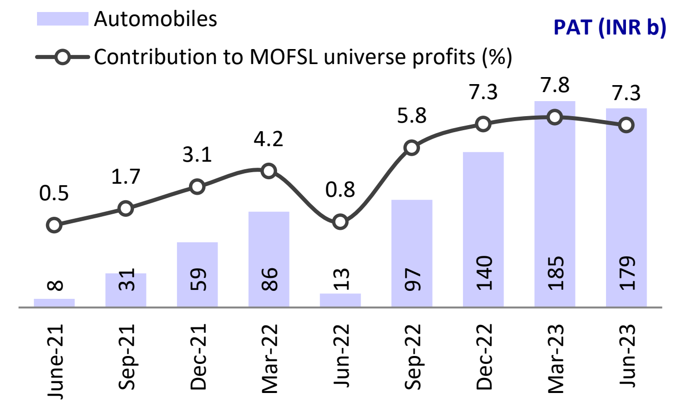
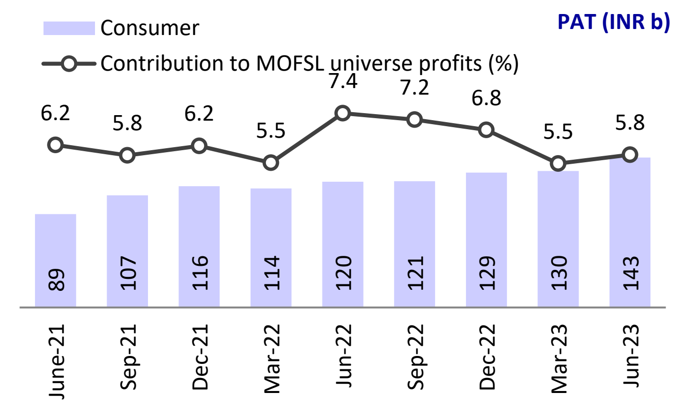


Exhibit 28: Consumer sector's contribution continued to be range bound over the past few quarters



Performance highlights for Nifty constituents in 1QFY24

Top five stocks account for 100% of the incremental profit YoY

- Sales/EBITDA/PBT/PAT growth for Nifty constituents was marginally better than our estimates of +5%/+22%/+29%/+32% YoY in 1QFY24.
- Among Nifty constituents, 38% beat our PAT estimates while 26% missed.
- Excluding Financials, profit for Nifty constituents rose 22% YoY (est. +17%).
- SBI, HDFC Bank, ONGC, Coal India, Kotak Mahindra Bank, Maruti Suzuki, Hindalco, Mahindra & Mahindra, Tata Motors, Asian Paints, Dr Reddy' s Labs, Hero Motocorp, JSW Steel, Cipla, Nestle, SBI Life Insurance, Grasim Industries, and UPL reported higher-than-estimated earnings. While BPCL, Infosys, ITC, HCL Technologies, Hind. Unilever, LTI Mindtree, Tech Mahindra, Titan Company, Tata Steel, Divis Labs, Tata Consumer, Apollo Hospitals missed our profit estimates.
- Seven Nifty companies saw an upgrade of over 5% in their FY24 EPS estimates; conversely, five companies witnessed a downgrade of over 5%.

Exhibit 29: Nifty sales up 5% YoY (est. 3%) in 1QFY24

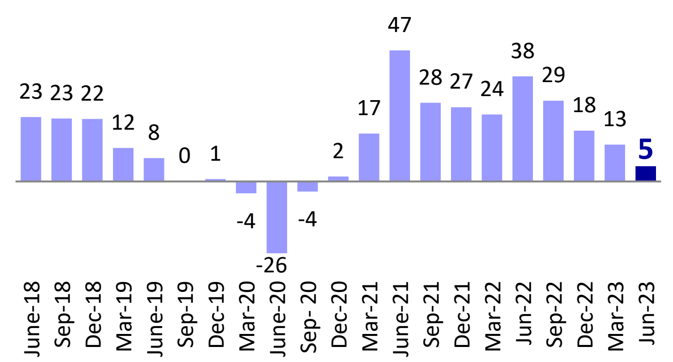


Exhibit 30: Nifty EBITDA up 22% YoY (est. 18%) in 1QFY24

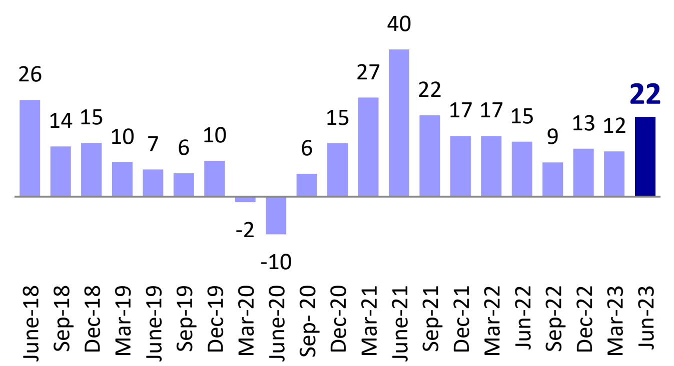


Exhibit 31: Nifty PAT up 32% YoY (est. 25%)

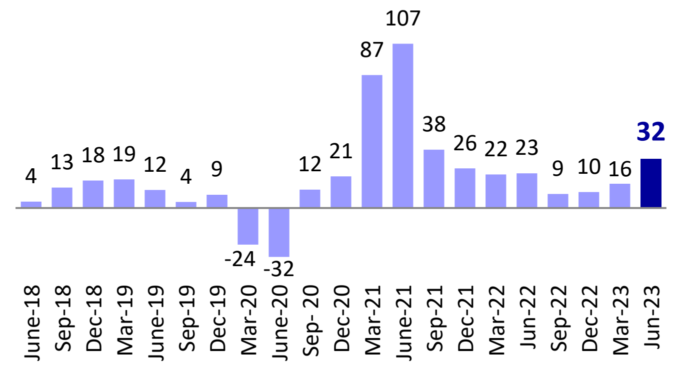


Exhibit 32: Nifty EBITDA margin (ex-Financials) expanded 190bp YoY to 20.4%

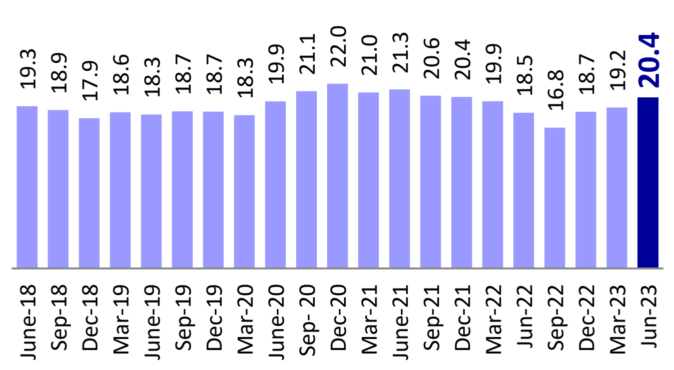


Exhibit 33: BFSI and Auto to drive earnings for the Nifty in FY24E

Sector	PAT (INR b)						Growth YoY (%)					
	FY20	FY21	FY22	FY23	FY24E	FY25E	FY20	FY21	FY22	FY23	FY24E	FY25E
Automobiles	103	179	76	287	529	563	-53	74	-57	275	85	6
BFSI	799	1,009	1,395	1,971	2,492	2,960	55	26	38	41	26	19
Capital Goods	89	69	86	103	133	165	11	-22	24	21	28	25
Cement	100	100	130	115	131	145	46	0	31	-11	14	10
Consumer	289	292	319	384	447	503	20	1	9	20	16	13
Healthcare	93	129	172	181	209	242	10	38	33	6	15	16
Infrastructure	53	44	61	82	79	100	18	-17	40	34	-4	26
Metals	69	216	753	223	319	423	-70	213	249	-70	44	33
Oil & Gas	649	776	1,107	1,076	1,446	1,472	-22	20	43	-3	34	2
Retail	15	10	23	33	39	49	9	-35	138	40	20	24
Technology	781	836	958	1,022	1,088	1,285	4	7	15	7	7	18
Telecom	-41	-7	35	76	126	192	Loss	Loss	LP	115	66	52
Utilities	411	404	480	605	557	597	6	-2	19	26	-8	7
Others	36	46	56	72	75	80	11	26	23	27	4	8
Nifty	**3,447**	**4,101**	**5,652**	**6,230**	**7,670**	**8,776**	**-1**	**19**	**38**	**10**	**23**	**14**

Exhibit 34: Sectoral upgrades/downgrades for the MOFSL Universe

	PAT (INR b) - preview		PAT (INR b) - review		Upgrade/downgrade (%)		Growth YoY (%)		
Sector	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY23	FY24E	FY25E
Automobiles	713	830	772	851	8.2	2.4	127	77	10
Cement	215	254	219	260	1.9	2.1	-21	24	18
Chemicals-Specialty	42	49	38	47	-9.6	-3.2	12	0	22
Consumer	590	686	590	676	0.0	-1.5	17	18	15
Financials	3,561	4,278	3,557	4,249	-0.1	-0.7	46	29	19
Banks-Private	1,785	2,124	1,744	2,101	-2.3	-1.1	40	30	20
Banks-PSU	1,217	1,475	1,250	1,495	2.7	1.4	58	29	20
Insurance	81	96	80	95	-1.2	-0.5	61	22	19
NBFC - Lending	440	536	441	511	0.3	-4.6	40	26	16
NBFC - Non Lending	38	47	41	46	8.8	-1.1	3	23	11
Healthcare	392	467	405	480	3.3	2.9	-5	23	19
Infrastructure	22	25	22	24	1.4	-1.6	34	10	12
Logistics	26	33	24	31	-7.5	-6.5	6	9	31
Media	28	35	30	36	5.8	3.5	-10	41	22
Metals	844	1,046	878	1,060	4.0	1.3	-46	5	21
Oil & Gas	2,206	1,976	2,132	1,973	-3.3	-0.1	-20	56	-7
Excl. OMCs	1,541	1,651	1,512	1,642	-1.9	-0.6	3	17	9
Real Estate	91	126	96	132	5.4	5.2	49	21	38
Retail	104	138	99	133	-4.3	-3.8	58	22	34
Staffing	9	13	9	13	0.4	0.8	-5	39	46
Technology	1,179	1,378	1,153	1,364	-2.2	-1.1	7	7	18
Telecom	-87	12	-83	37	Loss	214.2	Loss	Loss	LP
Others	218	269	269	293	23.0	8.8	284	99	9
MOFSL Universe	**10,153**	**11,615**	**10,208**	**11,658**	**0.5**	**0.4**	**4**	**33**	**14**

Exhibit 35: Nifty delivered 32% YoY profit growth in 1QFY24

	Sales				EBITDA				PBT				PAT			
Company	Jun 2023	Chg. YoY %	Chg. QoQ %	Var. %	Jun 2023	Chg. YoY %	Chg. QoQ %	Var. %	Jun 2023	Chg. YoY %	Chg. QoQ %	Var. %	Jun 2023	Chg. YoY %	Chg. QoQ %	Var. %
High PAT growth																
Tata Motors	1,022	42	-3	2	136	326	6	22	53	LP	7	116	37	**LP**	-34	110
BPCL	1,130	-7	-4	15	158	LP	42	-14	140	LP	48	-16	106	**LP**	40	-15
JSW Steel	422	11	-10	6	70	64	-11	45	35	171	-17	216	23	**179**	-36	190
State Bank	389	25	-4	-6	253	98	3	10	228	173	7	22	169	**178**	1	23
Maruti Suzuki	323	22	1	4	30	56	-11	-4	32	141	-2	8	25	**145**	-5	10
M&M	241	22	7	1	32	39	16	5	33	86	50	35	28	**98**	40	45
Bharti Airtel	374	14	4	1	196	19	5	1	53	47	5	1	29	**91**	12	-1
Kotak Mah. Bank	62	33	2	1	49	78	7	17	46	66	2	15	35	**67**	-1	14
Dr Reddy' s Labs	67	35	12	9	20	98	55	44	18	78	61	52	14	**67**	69	52
Hero Motocorp	88	4	6	-2	12	28	11	2	13	52	9	11	9	**51**	10	11
Eicher Motors	40	17	5	-2	10	23	9	1	11	47	13	3	9	**50**	1	1
Asian Paints	92	7	4	-3	21	36	14	12	21	46	21	22	16	**49**	23	25
Bajaj Finserv	233	47	-1	11	233	47	-1	11	51	43	13	7	19	**48**	10	6
Larsen & Toubro	479	34	-18	10	49	23	-29	-10	43	48	-27	17	25	**46**	-37	-3
Cipla	63	18	10	5	15	31	27	13	14	41	48	23	10	**45**	41	25
SBI Life Insurance	131	19	-34	7	9	-1	-40	-9	4	46	-51	28	4	**45**	-51	27
Adani Enterprises	254	-38	-19	0	25	45	-22	0	11	71	-8	0	7	**44**	-29	0
Bajaj Auto	103	29	16	-2	20	51	14	-5	22	43	17	-2	17	**42**	16	-2
Axis Bank	120	27	2	-2	88	50	-4	0	78	41	-12	-2	58	**41**	-13	-3
ICICI Bank	182	38	3	1	141	37	2	2	128	40	5	2	96	**40**	6	2
Britannia	40	8	0	-2	7	38	-14	-3	6	34	-18	-3	5	**35**	-18	-4
Bajaj Finance	67	27	7	0	55	30	8	1	46	30	7	-1	34	**32**	9	1
IndusInd Bank	49	18	4	0	38	12	2	-2	28	30	4	-2	21	**30**	4	-2
HDFC Bank	236	21	1	-4	188	22	1	0	159	31	0	8	120	**30**	-1	8
Nestle	47	15	-4	2	11	25	-5	3	9	30	-6	6	7	**30**	-7	6
Med/Low PAT growth																
Sun Pharma	118	11	10	-1	32	21	24	12	28	31	18	13	23	**18**	8	4
ITC	158	-8	-3	-13	63	11	1	-8	65	18	0	-5	49	**18**	-2	-5
Tata Consumer	37	12	3	1	5	19	7	2	5	23	8	5	3	**17**	17	-8
TCS	594	13	0	0	150	12	-5	0	150	17	-3	2	111	**17**	-3	2
HDFC Life Ins.	115	17	-41	9	6	18	-60	-6	4	15	54	0	4	**15**	16	2
Wipro	228	6	-2	-1	43	8	-7	-5	38	13	-5	0	29	**12**	-7	-2
Infosys	379	10	1	0	89	13	0	-1	84	11	-1	-3	59	**11**	-3	-6
NTPC	391	-2	-5	-4	114	17	2	13	62	20	-10	-4	41	**9**	-28	-17
Hind. Unilever	151	6	2	-3	35	8	1	-4	34	10	2	-3	25	**9**	1	-6
HCL Technologies	263	12	-1	-1	54	9	-9	-9	47	8	-10	-9	35	**8**	-11	-10
Ultratech Cement	177	17	-5	1	30	-1	-8	-8	23	-1	-9	-8	17	**6**	1	0
LTI Mindtree	87	14	0	-1	16	10	2	-1	15	4	6	-6	12	**4**	3	-6
Apollo Hospitals	44	16	3	2	5	4	4	-1	3	-1	6	-5	2	**3**	-3	-14
Negative PAT growth																
Titan Company	119	26	15	9	11	-6	3	-17	10	-7	1	-18	8	**-4**	3	-17
Power Grid Corp.	101	-4	-12	-8	88	-1	-13	-8	41	-4	-20	-13	35	**-6**	-16	-5
Coal India	360	3	-6	6	112	-12	29	55	107	-11	40	60	80	**-10**	44	59
Reliance Inds.	2,076	-5	-3	2	381	0	-1	-1	243	-11	1	-4	160	**-12**	-17	-5
Adani Ports	62	24	8	7	38	14	15	4	25	9	21	0	20	**-13**	-11	2
Tech Mahindra	132	4	-4	-2	16	-15	-21	-16	12	-17	-30	-21	10	**-16**	-28	-16
ONGC	338	-20	-7	7	195	-25	19	8	134	-34	62	10	100	**-34**	62	10
Hindalco	530	-9	-5	11	57	-32	7	10	33	-45	17	21	25	**-40**	2	22
Divis Labs	18	-21	-9	-10	5	-40	2	-4	5	-38	5	-2	4	**-46**	10	-9
Grasim Industries	62	-14	-6	-2	7	-49	58	28	4	-61	193	85	4	**-56**	280	124
UPL	90	-17	-46	-6	16	-32	-47	5	0	-97	-97	-79	4	**-62**	-62	204
Tata Steel	595	-6	-6	1	52	-65	-28	2	21	-82	-34	63	6	**-92**	-63	-36
Nifty Universe	**13,481**	**5**	**-5**	**3**	**3,485**	**22**	**1**	**4**	**2,476**	**29**	**5**	**7**	**1,786**	**32**	**-1**	**6**
Nifty Ex OMCs	**12,351**	**7**	**-5**	**2**	**3,327**	**14**	**0**	**5**	**2,336**	**17**	**3**	**8**	**1,681**	**19**	**-3**	**7**

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

Raise our Nifty FY24E EPS by 2.5%

- We raise our FY24E Nifty EPS by 2.5% to INR988 (earlier: INR964) due to notable earnings upgrades in Tata Motors, JSW Steel, Bharti Airtel, SBI, and Kotak Mahindra Bank. We now expect the Nifty EPS to grow ~22%/16% in FY24/ FY25.
- The top earnings upgrades in FY24E: JSW Steel (34%), Tata Motors (28%), Dr Reddy's Lab (15%), Bharti Airtel (13%), and M&M (10%).
- The top earnings downgrades in FY24E: Tech Mahindra (-10%), UPL (-7%), Tata Steel (-5%), Apollo Hospital (-5%), and HUL (-4%).

Exhibit 36: FY24E EPS revision – Seven Nifty constituents saw upgrades of over 5%, while five saw downgrades of over 5%

Company	Current EPS (INR)			EPS Upgrade / Downgrade (%)		EPS Growth (%)		
	FY23	FY24E	FY25E	FY24E	FY25E	FY23	FY24E	FY25E
JSW Steel	14.7	47.0	72.8	34.1	1.6	-83.4	219.5	55.0
Tata Motors	2.2	41.1	42.1	28.2	10.6	LP	1811.5	2.4
Dr Reddy' s Labs	244.7	282.8	297.1	15.2	8.7	39.2	15.5	5.1
Bharti Airtel	13.6	22.5	34.3	13.0	14.9	115.5	65.8	52.0
Mahindra & Mahindra	64.9	86.5	92.8	9.6	4.9	51.6	33.3	7.4
Cipla	37.8	44.1	50.1	6.2	6.3	6.8	16.8	13.5
Kotak Mahindra Bank	75.9	90.7	103.2	6.2	4.8	28.6	19.5	13.8
Sun Pharma	35.8	40.4	47.1	3.4	5.1	14.4	13.0	16.7
Maruti Suzuki	271.8	381.0	417.0	3.2	-1.0	111.7	40.2	9.5
Coal India	45.6	33.5	34.9	3.1	0.1	61.8	-26.5	4.1
Grasim Industries	98.4	92.8	94.6	2.9	3.4	-11.8	-5.7	1.9
Hindalco	45.3	42.7	45.2	2.6	10.2	-26.2	-5.8	5.9
Eicher Motors	106.5	142.9	164.2	2.5	-3.4	73.7	34.1	14.9
State Bank	62.4	76.5	87.6	2.0	-1.6	57.3	22.6	14.6
ICICI Bank	45.8	55.9	63.7	1.5	0.7	36.0	22.0	13.9
Bajaj Auto	214.2	270.8	303.5	1.2	2.6	16.7	26.4	12.1
Asian Paints	44.2	54.6	62.4	0.5	0.6	32.6	23.4	14.2
Hero MotoCorp	145.6	187.4	199.7	0.2	0.2	17.7	28.7	6.6
HDFC Life Insur.	6.3	7.5	8.9	0.0	0.0	10.7	18.8	18.3
SBI Life Insurance	17.2	19.1	21.9	0.0	0.0	14.3	11.2	14.3
Nestle	247.9	298.3	360.9	0.0	0.6	3.1	20.3	21.0
ONGC	30.4	42.7	43.7	-0.5	-0.7	-5.8	40.7	2.2
Bajaj Finance	190.4	239.6	302.2	-0.8	-2.1	63.4	25.8	26.1
Wipro	20.7	21.4	24.4	-0.9	-2.5	-5.5	3.1	14.4
TCS	115.3	128.2	151.6	-1.1	-0.2	10.9	11.3	18.2
Titan Company	36.8	44.2	54.9	-1.3	-0.7	40.2	20.3	24.1
IndusInd Bank	96.0	121.0	154.2	-1.4	0.6	54.7	26.0	27.4
Axis Bank	71.4	80.7	96.8	-1.7	0.2	68.0	13.1	19.9
Reliance Inds.	98.6	106.2	121.9	-1.8	-0.1	14.2	7.7	14.9
HCL Technologies	54.8	57.9	67.2	-2.0	-1.3	10.0	5.6	16.2
BPCL	9.4	85.7	41.3	-2.3	4.8	-81.9	809.3	-51.8
ITC	15.1	17.0	19.4	-2.4	-2.5	23.5	12.8	13.8
Tata Consumer	11.7	15.1	19.2	-2.5	-0.8	10.3	29.1	27.4
Britannia	80.3	89.0	102.6	-2.6	-0.9	27.6	10.8	15.3
Ultratech Cement	175.4	243.8	286.2	-2.7	-2.6	-10.6	39.0	17.4
Divis Labs	64.9	66.2	86.5	-3.4	-4.5	-41.2	2.0	30.7
LTI Mindtree	151.8	164.2	204.3	-3.5	-3.7	14.8	8.2	24.4
Infosys	57.6	59.8	70.6	-3.8	0.0	9.8	3.9	18.1
Hind. Unilever	42.7	46.5	53.1	-3.9	-2.8	13.2	9.1	14.2
Apollo Hospitals	48.2	76.7	113.2	-5.2	-5.1	-29.3	59.3	47.6
Tata Steel	7.1	9.1	12.0	-5.4	2.0	-78.5	28.7	32.2
UPL	58.5	59.6	67.0	-7.2	-7.6	-7.8	1.9	12.5
HDFC Bank	79.3	85.9	105.1	-7.3	-4.7	18.6	8.4	22.3
Tech Mahindra	57.3	50.9	63.7	-10.0	-8.2	-8.6	-11.1	25.2
Nifty (50)	**807**	**988**	**1,143**	**2.5**	**2.7**	**10.8**	**22.5**	**15.6**

Exhibit 37: We estimate a 20% CAGR for Nifty free-float PAT over FY23–25

Company	Sales (INR b)			Sales CAGR % 23-25	EBIDTA Margin (%)			EBITDA CAGR % 23-25	PAT (INR b)			PAT CAGR % 23-25	Contbn to Delta %
	FY23	FY24E	FY25E		FY23	FY24E	FY25E		FY23	FY24E	FY25E		
High PAT Growth (20%+)	**27,310**	**28,837**	**31,242**	**7**	**15**	**20**	**20**	**22**	**1,664**	**2,684**	**3,056**	**36**	**55**
Tata Motors	3,460	4,422	4,667	16	9	13	13	39	8	157	155	333	6
JSW Steel	1,660	1,791	2,025	10	11	17	20	46	36	114	176	123	6
BPCL	4,732	4,167	4,290	-5	2	7	4	35	20	179	86	109	3
Bharti Airtel	1,391	1,558	1,709	11	51	53	54	14	76	126	192	59	5
Apollo Hospitals	166	185	213	13	12	14	14	22	7	11	16	51	0
HDFC Bank	868	1,221	1,446	29	81	83	84	31	441	647	791	34	14
Tata Steel	2,434	2,368	2,443	0	13	12	15	5	86	111	147	30	2
Ultratech Cement	632	701	742	8	17	20	21	21	51	70	83	28	1
Tata Consumer	138	154	168	11	13	14	15	17	11	14	18	28	0
IndusInd Bank	176	210	254	20	82	80	81	19	74	94	120	27	2
Larsen & Toubro	1,833	2,098	2,377	14	11	12	12	18	103	133	165	26	2
Bajaj Finance	230	290	367	26	81	81	81	26	115	145	183	26	3
Eicher Motors	142	167	193	17	24	26	26	21	29	39	45	24	1
Maruti Suzuki	1,176	1,407	1,544	15	9	11	11	26	82	115	126	24	2
Titan Company	406	475	561	18	12	12	13	21	33	39	49	22	1
Nestle	169	248	229	16	22	23	24	20	24	38	35	21	0
ONGC	6,848	6,355	6,908	0	13	17	16	15	390	548	560	20	7
Mahindra & Mahindra	850	1,021	1,106	14	12	13	14	20	78	104	111	20	1
Medium PAT Growth (0-20%)	**27,301**	**29,482**	**33,191**	**10**	**26**	**27**	**27**	**13**	**4,120**	**4,623**	**5,342**	**14**	**48**
Axis Bank	429	500	595	18	75	78	80	22	219	254	311	19	4
Bajaj Auto	364	449	501	17	18	19	19	21	61	77	86	19	1
Asian Paints	345	387	441	13	18	20	20	20	42	52	60	19	1
HDFC Life Insur.	568	682	826	21	6	6	6	18	14	16	19	19	0
State Bank	1,448	1,611	1,833	13	58	60	60	14	556	682	782	19	9
ICICI Bank	621	738	852	17	79	77	77	15	319	390	445	18	5
Hero MotoCorp	338	366	399	9	12	14	13	16	29	38	40	17	0
Kotak Mahindra Bank	216	256	291	16	69	73	73	19	151	180	205	17	2
LTI Mindtree	332	363	415	12	19	19	20	16	45	49	61	16	1
Divis Labs	78	80	93	9	30	29	32	11	17	18	23	15	0
Cipla	228	250	274	10	22	23	24	12	30	36	40	15	0
Sun Pharma	432	490	547	12	26	26	27	16	86	97	113	15	1
TCS	2,255	2,445	2,756	11	27	27	28	13	423	471	557	15	5
NTPC	1,762	1,765	1,909	4	27	29	30	9	169	194	219	14	2
Bajaj Finserv	280	325	394	19	72	69	66	14	64	64	83	14	1
ITC	660	727	807	11	36	37	38	13	187	212	241	14	2
Britannia	163	178	197	10	17	18	18	12	19	21	25	13	0
SBI Life Insurance	666	791	947	19	8	7	7	17	17	19	22	13	0
Hind. Unilever	591	643	716	10	23	24	24	13	100	109	125	12	1
Reliance Inds.	8,795	9,592	10,944	12	16	17	16	12	667	718	825	11	6
HCL Technologies	1,015	1,101	1,243	11	22	21	22	10	148	157	182	11	1
Adani Ports	209	234	275	15	62	62	63	16	82	79	100	10	1
Infosys	1,468	1,547	1,731	9	24	24	25	10	241	248	293	10	2
Dr Reddy' s Labs	241	271	298	11	26	27	26	12	41	47	49	10	0
Wipro	905	920	1,021	6	19	20	20	9	114	118	137	10	1
UPL	536	539	583	4	21	21	21	6	45	46	51	7	0
Tech Mahindra	533	537	594	6	15	14	16	7	51	45	56	6	0
Adani Enterprises	1,370	1,216	1,216	-6	6	8	8	5	27	29	29	4	0
Power Grid Corp.	456	476	493	4	86	86	85	3	154	156	162	3	0
PAT de-growth (<0%)	**3,883**	**3,722**	**3,789**	**-1**	**16**	**14**	**14**	**-8**	**447**	**363**	**378**	**-8**	**-3**
Hindalco	2,232	2,055	2,092	-3	10	11	11	0	101	95	100	0	0
Grasim Industries	268	261	301	6	12	11	10	-1	65	61	62	-2	0
Coal India	1,383	1,406	1,396	0	27	19	20	-14	281	207	215	-13	-3
Nifty (PAT free float)	**58,494**	**62,040**	**68,223**	**8**	**20**	**23**	**23**	**15**	**3,510**	**4,353**	**5,033**	**20**	**100**

FY24E earnings highlights: O&G, Banks and Auto led incremental earnings

- The MOFSL Universe is likely to deliver sales/EBITDA/ PAT growth of 7%/22%/33% YoY in FY24. The Auto, O&G, and Banks (Private and PSU) are expected to be the key growth drivers with 77%, 56% and 30% YoY earnings growth, respectively, and are likely to contribute 71% to earnings growth.
- O&G, led by OMCs, to add 31% to the incremental profits, followed by Private Banks (16%), Auto (13%), and PSU Banks (11%).

Exhibit 38: O&G, Banks and Auto led the incremental profits for FY24E (PAT, INR b)

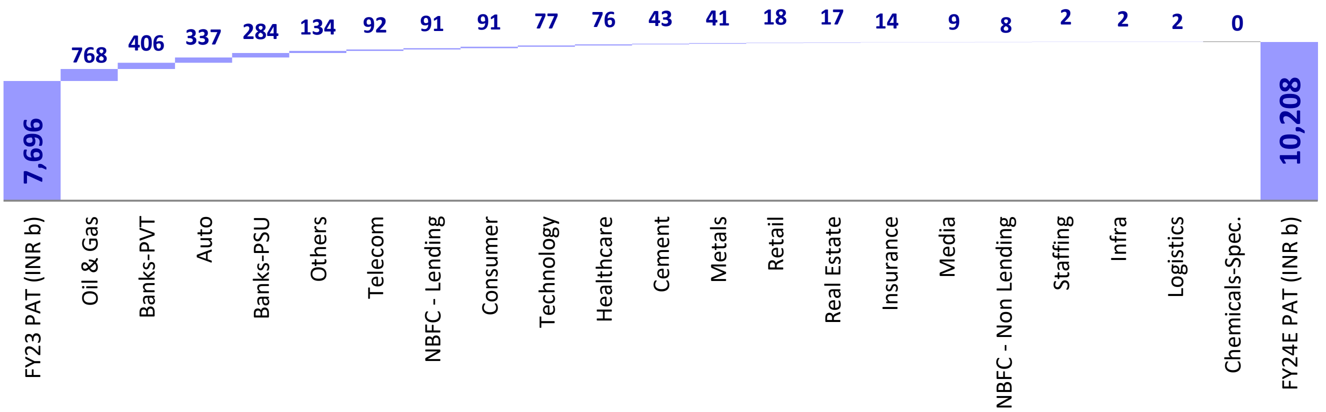
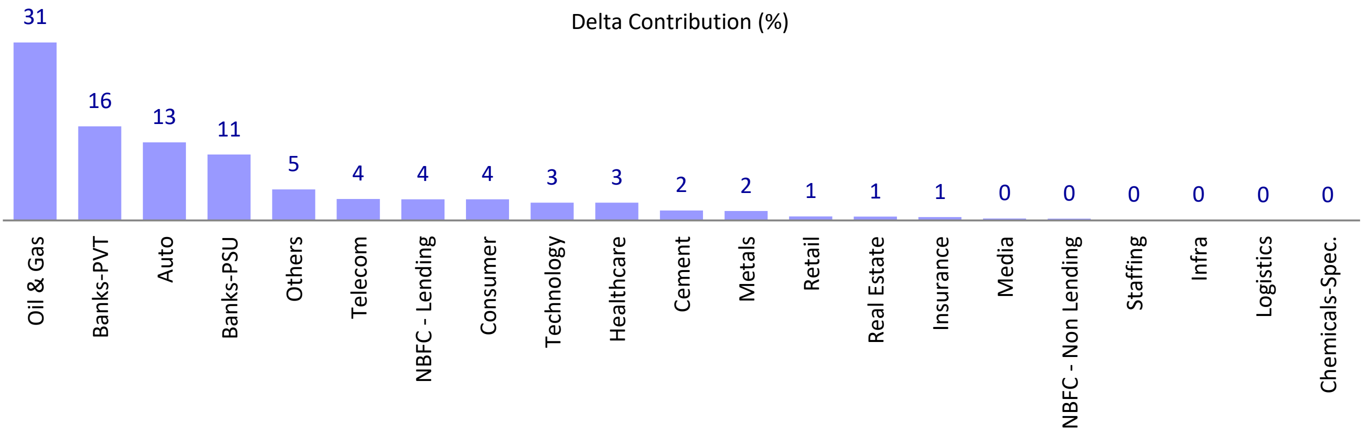


Exhibit 39: Delta contribution to FY24E profit for MOFSL Universe (%)

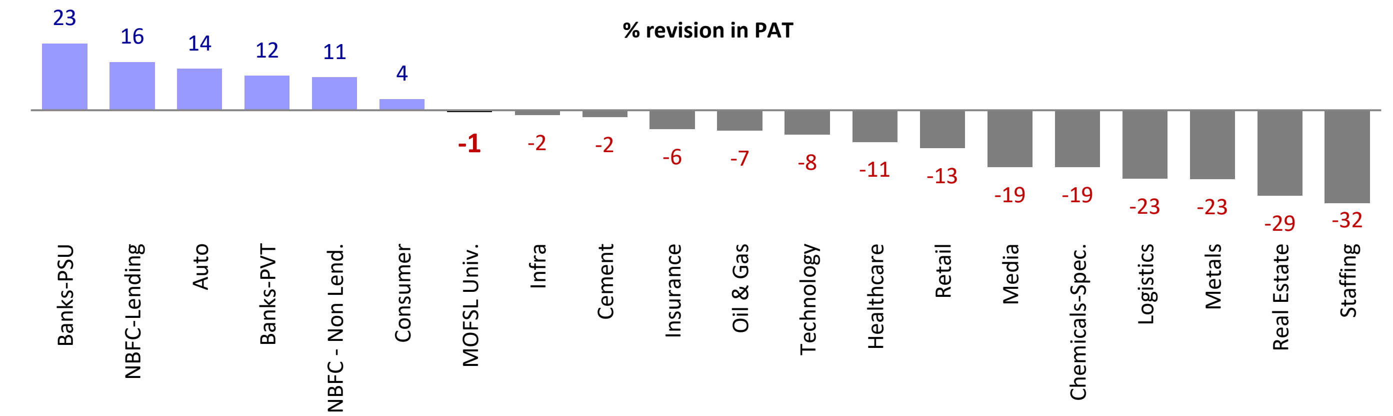


MOFSL universe earnings revision stable for 12 months for FY24

BFSI, Auto and Consumer witness upgrades

- Over the last one year, earnings for MOFSL Universe saw downgrades of just 1% vs. its estimates made in 1QFY23.
- PSU Banks, NBFCs-Lending, Autos, and Private Banks saw major earnings upgrades of 23%/16%/14%/12%, while Real Estate, Metals saw the maximum earnings downgrades of 29%/23%.
- For MOFSL Telecom Universe, we estimated a loss of INR38b a year back; the same stood at INR83b now for FY24E.

Exhibit 40: Banks saw major earnings upgrades, while global cyclicals saw earnings downgrades over the last one year



Note: Comparable MOFSL Universe of 207 companies

Exhibit 41: Annual Sales/EBITDA/PAT estimates for MOFSL Universe

	Sales (INR b)			Growth YoY (%)			EBIDTA (INR b)			Growth YoY (%)			PAT (INR b)			Growth YoY (%)		
Sector	**FY23**	**FY24E**	**FY25E**	**FY23**	**FY24E**	**FY25E**	**FY23**	**FY24E**	**FY25E**	**FY23**	**FY24E**	**FY25E**	**FY23**	**FY24E**	**FY25E**	**FY23**	**FY24E**	**FY25E**
Automobiles	9,497	11,457	12,389	27	21	8	1,013	1,516	1,674	34	50	10	435	772	851	127	77	10
Cement	2,010	2,107	2,292	25	5	9	281	363	432	-13	29	19	176	219	260	-21	24	18
Chemicals-Spec.	293	298	338	20	2	13	56	57	69	12	3	21	38	38	47	12	0	22
Consumer	3,011	3,397	3,756	16	13	11	692	824	933	16	19	13	499	590	676	17	18	15
Financials	8,963	10,587	12,364	20	18	17	4,902	5,898	6,954	17	20	18	2,753	3,557	4,249	46	29	19
Banks-Private	2,777	3,493	4,136	24	26	18	2,091	2,665	3,186	17	27	20	1,337	1,744	2,101	40	30	20
Banks-PSU	3,051	3,409	3,846	21	12	13	2,016	2,285	2,609	14	13	14	966	1,250	1,495	58	29	20
Insurance	2,218	2,598	3,072	15	17	18	128	144	181	91	13	26	66	80	95	61	22	19
NBFC-Lending	822	977	1,185	20	19	21	618	748	910	17	21	22	350	441	511	40	26	16
NBFC-Non Lend.	96	110	125	12	15	13	50	57	69	11	15	21	33	41	46	3	23	11
Healthcare	2,696	3,034	3,388	10	13	12	561	672	774	3	20	15	329	405	480	-5	23	19
Infrastructure	183	202	232	8	10	15	53	56	63	11	7	11	20	22	24	34	10	12
Logistics	261	296	350	15	13	19	38	41	51	5	10	24	22	24	31	6	9	31
Media	155	196	225	19	26	15	38	50	60	0	33	20	21	30	36	-10	41	22
Metals	11,412	11,223	11,847	8	-2	6	1,820	1,818	2,082	-31	0	14	837	878	1,060	-46	5	21
Oil & Gas	37,084	37,536	41,834	34	1	11	2,993	4,137	4,034	-4	38	-2	1,364	2,132	1,973	-20	56	-7
Excl. OMCs	19,528	19,473	21,588	31	0	11	2,664	3,059	3,325	14	15	9	1,297	1,512	1,642	3	17	9
Real Estate	399	474	550	20	19	16	109	138	171	26	27	24	79	96	132	49	21	38
Retail	1,377	1,651	2,021	41	20	22	177	215	273	43	21	27	82	99	133	58	22	34
Staffing	364	422	498	20	16	18	12	15	20	-7	27	33	6	9	13	-5	39	46
Technology	6,997	7,461	8,389	19	7	12	1,584	1,677	1,972	12	6	18	1,076	1,153	1,364	7	7	18
Telecom	2,275	2,473	2,690	14	9	9	1,021	1,182	1,327	10	16	12	-175	-83	37	Loss	Loss	LP
Others	2,417	2,656	3,032	40	10	14	343	499	540	61	46	8	135	269	293	284	99	9
MOFSL Universe	**89,395**	**95,470**	**1,06,195**	**24**	**7**	**11**	**15,691**	**19,159**	**21,429**	**4**	**22**	**12**	**7,696**	**10,208**	**11,658**	**4**	**33**	**14**

Source: MOFSL

SECTOR-WISE: Highlights / Surprise / Guidance

AUTOS: Gearing up for festive demand; Rebound in exports rather slow

- **Volume grows YoY despite pre-buy effect in previous quarter:** Auto volumes in 1QFY24 grew ~2% YoY despite the pre-buy effect of OBD-II norms during the previous quarter. Growth was driven by- i) relatively better demand for SUVs and execution of order backlogs, ii) initial recovery in 2W demand especially in the domestic markets, and iii) healthy demand sentiment in MHCVs. Consequently, wholesales for 3W/PV/2W grew ~26%/ 7%/1% YoY, while they declined for tractors/LCV by 5%/8% YoY. MHCV volume growth was flat YoY. In 2W, export volume declined 31% YoY, while domestic volumes grew 11% YoY. Total revenue for our coverage companies (ex-JLR) grew 16% YoY, led by volume growth and price hikes. EBITDA grew 45% YoY primarily due to moderating commodity cost inflation, operating leverage and Fx benefits. Adj. PAT for the quarter grew 98% YoY. We expect healthy volume growth to follow until the festive season, led by i) stable macro outlook and normal monsoons so far, ii) execution of order backlog in PVs, iii) recovery in 2W demand followed by ramp-up in exports, and iv) normal inventory levels creating further headroom for channel filling.
- **Gross margin improves for 4th consecutive quarter, fully reflects the benefits of softening RM costs:** Gross margin improved ~210bp YoY/20bp QoQ to 26.5% for Auto OEMs (ex- JLR), which now fully reflects the benefits of moderating RM costs. The management of most companies indicated a stable RM trend, which was further supported by operating leverage benefits, resulting in EBITDA margin expansion of 220bp YoY/-30bp QoQ to 11.4%. While RM prices are expected to remain in the similar range, we believe EBITDA margin expansion in the coming quarters should be driven by operating leverage and cost control. For companies with global operations (especially in EU), inflationary pressure continues to ease with a softening in commodity prices and energy costs, while benefits due to recovery in volumes will be seen in 3QFY24.
- **Exports – Broad-based recovery expected in 2HFY24:** As per management commentaries, exports in 1QFY24 remained under pressure with initial signs of recovery in some markets. Most of the companies indicated a gradual recovery in 2Q. However, demand is expected to improve in 2HFY24, improving utilization and profitability thereafter. Demand in European markets is still volatile, impacting key ancillary players such as MOTHERSO, ENDU, APTY, BIL and CIE Automotive. However, a recovery in exports would largely be driven by better availability of Fx in some geographies and easing supply issues, which are largely showing signs of easing.
- **Mixed leverage trend during the quarter:** Healthy operating performance and correction in inventory levels led to a sequential decline in net debt for TTMT (declined by INR20b QoQ to INR417b) and tyre names such as APTY (by INR5b QoQ to INR38b), CEAT (by INR1b QoQ to INR20b) and BIL (by INR3.5b QoQ to INR28.5b). However, the quarter also witnessed an increase in debt for few companies such as MOTHERSO (by INR8.7b QoQ to INR83.1b) due to accumulation of inventory, TVSL (by INR2.5b QoQ) and AL (INR14.7b vs. net cash of INR2.4b as of Mar'23), due to a seasonal increase in working capital.
- **The quarter witnessed more upgrades than downgrades:** The quarter saw upgrades for FY24E largely to factor in the benefits of better gross margin, thus aiding overall profitability and commentaries related to a sequential improvement in exports. There were upgrades in FY24E EPS for MM (+10%), TTMT (+28%), AL (+12%), ESC (+21%), MOTHERSO (+6%), CEAT (+11%), APTY (+8%), MRF (+38%) and CRAFTSMA (+7%). Notable downgrades for the quarter included AMRJ (-9%), EXID (-7%), BIL (-12%) and MSUMI (-10%).
- **Valuation and view**: Sustained demand recovery, especially in the domestic market, improving chip supplies, and stable commodity prices are expected to drive performance going forward. We prefer CVs due to healthy demand and a stable competitive environment and we believe CVs should sustain healthy growth momentum going forward. We prefer companies with: a) higher visibility in terms of a demand recovery, b) strong competitive positioning, c) margin drivers, and d) balance sheet strength. Our top picks in the sector are **TTMT, AL and BHFC.**
- **Surprises:** AL, BHFC, CRAFTSMA, ESCORTS, MRF, MOTHERSO, TTMT
- **Mises:** AMRJ, BJAUT, BIL, BOS, EXID, MSUMI, TIINDIA

Guidance highlights:

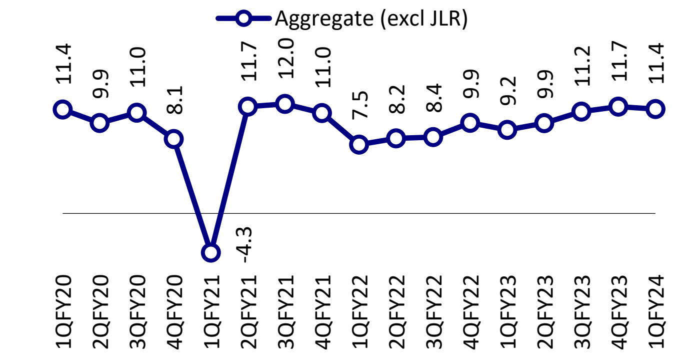
- **MSIL:** At present, demand is normal and the momentum should continue, driven by new product launches. The high base of last year in 2Q will keep YoY growth in check. There was a production loss of 28k units during the quarter due to the semiconductor shortage. Visibility about the supply situation is still not clear, but it seems to be improving. The order book at the end of the quarter stood at 355k units.
- **MM:** FY24 outlook for the FES industry is too early to predict, though there are positive factors, such as a) good rains until Jul'23, b) good Kharif sowing, and c) improving terms of trade for farmers. However, a high base and one less day in Navratras in FY24 are the negative factors. In SUVs, MM is witnessing a moderation in demand in its portfolio of products priced <1m (Bolero and XUV300).
- **TTMT: JLR outlook** – 2Q production and cash flows are expected to be lower than 1Q due to the annual summer plant shutdown. However, wholesales and profitability (EBIT margins of 6.5%-7.5%) are expected to be more in line with recent quarters. **CV-** It expects demand to sequentially improve in the remainder of FY24, with TTMT focusing on driving up retail market share and delivering double-digit EBITDA in FY24. **PV-** Demand for PVs should remain steady with the onset of the festive season, with TTMT expected to grow ahead of the market.
- **AL:** The M&HCV industry is likely to grow 8-10% and the LCV industry is projected to grow 5-6%. The management sees a scope to increase market share in: a) North and East India from 25% to 30%, and b) product-specific areas like in ICV buses (66% of the bus industry) where it has just 15% market share. This can help it increase the overall market share to 35% (from 32% in FY23). AL expects near-term EBITDA margin to be in double digits.
- **BJAUT: Domestic – Downward volume trend slows:** Stability in the domestic market was aided by improvement during the marriage season and continued momentum in the 125CC segment. Triumph – garnered over 17k bookings from 15 centers. By 2QFY24, it plans to expand to 44 towns with 50 stores (vs. 17 towns now). **Exports-** Cautiously optimistic outlook for 2Q.
- **HMCL**: The company has maintained its earlier guidance of double-digit revenue growth for FY24. Several favorable factors contribute to the demand outlook: a) significantly elevated government spending over the past two years, with the associated benefits, typically manifesting with a time lag; b) inflation and interest rates have peaked, and c) favorable monsoon conditions have prevailed.
- **TVSL**: **Domestic demand outlook:** TVSL expects moderate growth in rural areas but healthy growth in urban markets. Delayed monsoon was a concern initially, but it seems normal now. An even distribution of rainfall would be important, and the government's support on high MSP will aid buying sentiment in rural areas. **Exports- 1QFY24 retails were higher sequentially-** It expects export markets to recover in 2QFY24 and many markets should come back to normalcy in 2HFY24.
- **EIM: Domestic-** Retail demand is improving gradually. Festive demand is expected to be positive and now discretionary spending is expected to improve. **Exports** - Despite challenging macros, the company gained market share across most of the regions. EU continues to face headwinds. While APAC is not growing, RE has managed to gain some market share. **CV-** Expect industry growth to be driven by healthy infra demand and positive monsoon. Demand for buses is strong and higher demand is coming from STUs and schools.
- **BHFC:** The management sees clear demand visibility for US/EU CVs over the next 12 months. Demand is primarily driven by healthy build rates and inventory levels. Order books of OEMs have not been initiated for CY24. PVs are also maintaining a solid position, led by the addition of new customers.
- **APTY**: **India-** The company expects domestic demand growth to remain stable. Replacement volumes grew ~3% YoY and the recovery should sustain. 2HFY24 should be much better for exports. **Europe-** APTY expects demand to remain weak in the coming quarter and some recovery in 3Q. As inventory is higher than normal, the company will focus on de-stocking.
- **BIL:** Demand challenges are likely to continue in 2Q. Recessionary pressure and heatwaves would impact overall volumes in both the US and EU. The company has indicated a softening in demand in Agri and OTR. Channel inventory is now close to the normal level. Demand in the Indian market is better off. Maintain EBITDA margin guidance of 26-28% (vs. ~23% in 1QFY24).

Exhibit 42: Key operating indicators

	Volumes ('000 units)					EBITDA margins (%)					Adj PAT (INR M)		
	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	1QFY24	1QFY23	YoY (bp)	4QFY23	QoQ (bp)	1QFY24	1QFY23	YoY (%)
BJAUT	1,027	934	10.0	859.9	19.5	19.0	16.2	270	19.3	-30	16,648	11,733	41.9
HMCL	1,353	1390	-2.7	1,270.5	6.5	13.8	11.2	250	13.0	70	9,451	6,245	51.3
TVS Motor	953	907	5.1	866.5	10.0	10.6	10.0	60	10.3	30	4,677	3,205	45.9
MSIL	498	468	6.4	514.9	-3.3	9.2	7.2	200	10.5	-120	24,851	10,128	145.4
MM	301	272	10.7	278.9	8.0	13.4	11.8	160	12.4	110	27,737	14,040	97.6
TTMT India CV**	89	104	-14.6	118.7	-25.4	9.4	5.4	390	10.2	-80	9,360	3,020	209.9
TTMT India PV**	140	130	7.7	135.5	3.6	5.2	6.2	-100	7.3	-200	1,860	140	1,228.6
TTMT (JLR) *	106	83	28.7	107.4	-1.1	16.3	6.7	960	14.8	140	323	-389	N
TTMT (Cons)						13.3	4.4	880	12.1	120	37,239	-65,002	NA
Ashok Leyland	41	40	4.2	59.7	-30.8	10.0	4.4	560	11.0	-100	5,768	595	868.8
Eicher (RE)	228	187	21.6	218.5	4.2	26.0	24.3	170	24.7	130	9,139	5,802	57.5
Eicher (VECV)	20	17	12.0	26.4	-25.8	7.8	5.5	220	9.9	-220	1,809	690	162.1
Eicher (Consol)						26.0	24.3	170	24.7	130	9,183	6,107	50.4
Agg. (ex JLR)	**4,708**	**4470**	**5.3**	**4,407**	**6.8**	**11.4**	**9.2**	**230**	**11.7**	**-30**	**1,09,535**	55,214	**98.4**

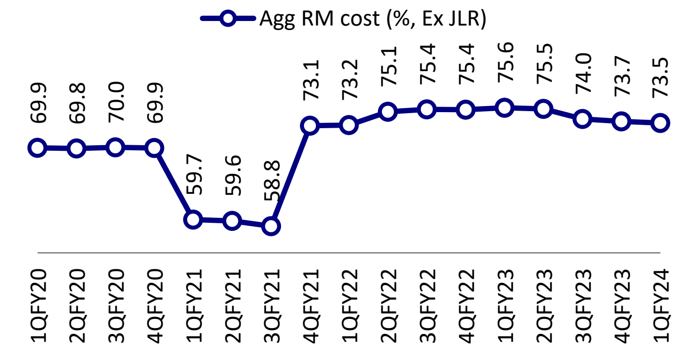
** PBT instead of PAT; JLR in GBP m; Source: MOFSL, Company

Exhibit 43: Aggregate EBITDA margin contracted 30bp QoQ to 11.4%



Source: MOFSL, Company

Exhibit 44: RM cost declined on a QoQ basis



Source: MOFSL, Company

Exhibit 45: Revised estimate table

	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
BJAUT	270.8	267.5	1.2	303.5	295.8	2.6
HMCL	187.4	186.9	0.2	199.7	199.3	0.2
TVSL	43.6	42.9	1.6	49.8	50.6	-1.4
EIM *	142.9	139.3	2.5	164.2	170.0	-3.4
MSIL *	381.0	369.1	3.2	417.0	421.1	-1.0
MM	86.5	78.9	9.6	92.8	88.5	4.9
TTMT *	41.1	32.1	28.2	42.1	38.1	10.6
AL	9.6	8.6	11.7	12.1	10.5	15.3
ESCORTS	91.0	75.0	21.4	104.8	95.9	9.3
AMRJ	48.0	53.0	-9.4	53.7	58.7	-8.5
EXID	12.6	13.6	-7.3	15.3	16.1	-4.7
BOSCH	595	620	-3.9	705	700.7	0.6
ENDU	52.1	52.1	0.2	62.6	64.2	-2.5
MACA	29.3	29.9	-1.9	34.0	34.2	-0.6
BHFC	29.1	30.3	-4.1	39.7	38.0	4.5
MOTHERSO *	4.3	4.1	6.0	4.9	4.9	0.4
SONACOMS	8.9	8.6	3.9	11.6	11.4	2.5
CEAT	158.9	143.1	11.0	190.3	174.7	8.9
APTY *	28.6	26.4	8.4	32.4	33.2	-2.4
BIL	72.1	81.6	-11.7	92.1	97.1	-5.2
MRF	4,916.2	3,551.3	38.4	4,964.1	4,151.0	19.6
MSUMI	1.5	1.7	-10.1	1.9	2.0	-6.2
TIINDIA	58.6	60.2	-2.6	71.7	74.2	-3.4
CRAFTSMA	187.3	174.6	7.2	232.7	225.0	3.4

** Consolidated estimates; Source: MOFSL, Company

CEMENT: Higher volume growth; in-line operating performance; EBITDA/t at INR905 (est. INR928)

- **Sales volume up 19% YoY; realization down 3%:** Sales volume for our coverage universe grew 19% YoY, led by strong demand from the non-trade segment (infrastructure, real-estate and private capex) and a pick-up in demand from the housing segment (affordable housing, IHB and urban housing). TRCL posted the highest volume growth of 30% YoY, followed by JKCE, ACC, ACEM and UTCEM (20%-25%). BCORP, DALBHARA and SRCM reported volume growth of 12-19% and JKLC clocked volume growth of 6% YoY. ICEM posted flat volume YoY. Blended realization for our coverage universe declined 3% YoY. Consequently, revenue grew (excl. GRASIM) 16% YoY. GRASIM standalone revenue fell 14% YoY. The VSF segment's (including VFY) volume declined 5% YoY and realization dropped 12% YoY. Chemical segment volume grew 5% YoY, while realization declined 25% YoY. **As a result, aggregate revenue for our coverage universe rose 11% YoY to INR531b in 1QFY24**.
- **Elevated energy costs** (average variable cost/t up 4% YoY) resulted in a 2.6pp YoY decline in gross margin for our coverage universe. Freight cost/t declined 1% YoY and other expense/t and employee cost/t declined 13% YoY (each), befitting from higher volume. **Aggregate EBITDA for cement companies increased by 10% YoY (up 1%, including GRASIM, which registered an EBITDA decline of 49%, due to lower profitability in both VSF and chemical), OPM fell 80bp to 16.2% (down 160bp to 15.5%, including GRASIM)**. ACC/ACEM reported EBITDA growth of 81%/39% YoY, while ICEM EBITDA declined 84% YoY. SRCM/TRCL/BCORP reported EBITDA growth of 14%-15% YoY, whereas DALBHARA and JKCE EBITDA grew by 1%-4%. UTCEM/JKLC EBITDA fell 1%/24% YoY. **Average EBITDA/t stood at INR905 vs. INR975/INR876 in 1QFY23/4QFY23**.
- **Profits declined 9% YoY:** Aggregate interest/depreciation expenses for our coverage universe grew 29%/16% YoY. Other income fell 5% YoY. **Aggregate profit was up 1% YoY at INR37.8b for cement companies (profits declined 9% YoY to INR41.3b, including GRASIM)**. ICEM reported a net loss of INR753m vs. INR720m in 1QFY23. Profit grew 109% YoY for ACC, 84% for SRCM and 6% for UTCEM. Profit declined by 24-38% YoY for ACEM, JKCE, DALBHARA, JKLC and TRCL. For BCORP, profit was down 16%. GRASIM's profit declined 56% YoY.
- **Changes in our earnings estimates:** We have raised our EBITDA estimates for FY24/FY25 by 25%/23% for ACC and 13%/12% for ACEM. We cut EBITDA estimate for FY24/25 by 5% each for DALBHARA and 5%/4% for JKLC. For ICEM, we cut EBITDA estimate by 40% for FY24. For other coverage companies, we have broadly maintained our EBITDA estimates.
- **Top picks:** While UTCEM is our top pick in the large-cap space, DALBHARA and JKCE are our preferred picks in the mid-cap space. We also like JKLC in the small-cap space.
- **Surprises:** ACC, ACEM, JKCE and GRASIM
- **Misses:** UTCEM, DALBHARA, ICEM, JKLC, TRCL

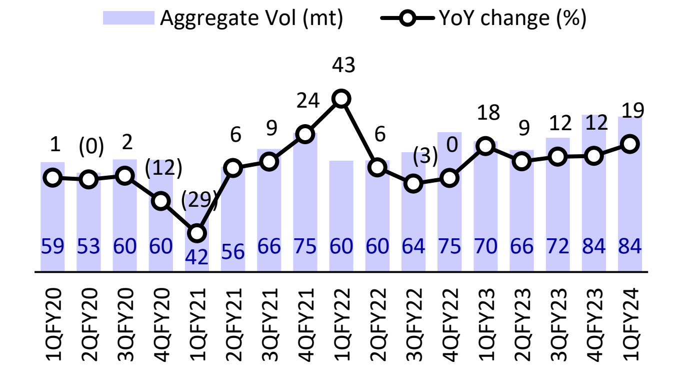
Guidance highlights:

Most managements remained positive about cement demand, led by sustained demand from the government's infrastructure projects, pick-up in real estate, private capex and housing demand from tier-II/III/IV cities. Cement prices have largely been stable from Jun'23-exit across regions, except for north, where prices have increased in Jul'23. In 1QFY24, fuel consumption costs for cement players declined by 1-15% QoQ to INR2.0-INR2.4/Kcal and will further decline in coming quarters given sharp correction in fuel prices.

- **UTCEM:** Cement demand remains strong and industry volume growth is expected to be in double digits in FY24. Cement prices remained stable in South and East markets, but prices marginally increased in North and West markets. Grinding capacity will be increased by 4mtpa in FY24 through debottlenecking. Capex is estimated to be at INR60-70b in FY24.
- **ACEM**: The company targets 10-15% consolidated volume growth in FY24. It targets sustainable cost reductions of INR400/t through lower energy, freight, and other costs. ACEM is expanding grinding capacity by 14mtpa in next 24-months. Capex is pegged at INR70b in FY24, out of which 60-65% is for ACEM and the remaining for ACC.
- **SRCM:** Capacity utilization was 80% in 1QFY24 as volume grew in double digits YoY across its key markets. It announced the next leg of expansion of 12mtpa at an estimated capex of INR70b to be completed by end-FY25. Capex is pegged at INR35b for FY24E/FY25E each and will be funded through a mix of internal accruals and debt.
- **DALBHARA**: The company expects volume growth of 15-17% in FY24. The acquisition deal for the cement assets of JP group is experiencing delays due to pending external approvals. However, the deal, with the exception of JP super Dalla clinker plant (currently under arbitration between UTCEM and JP group), is likely to be completed by the end-FY24 (earlier guidance of 1QFY24). Total capex is estimated to be INR63b in FY24 (includes INR33-35b for JP cement assets acquisition).

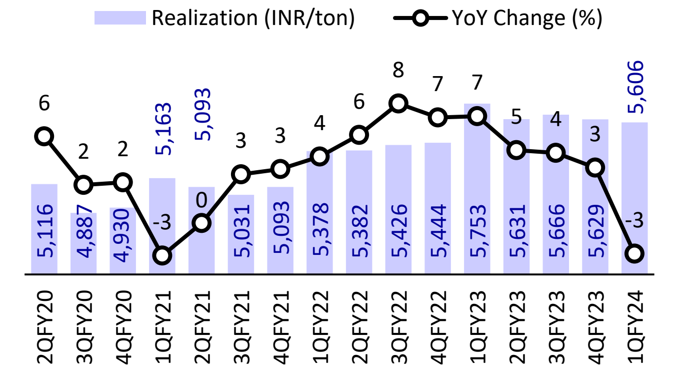
- **JKLC**: Clinker/cement capacity utilization stood at 97%/85% in 1QFY24. It maintains its cement volume growth guidance of 19% for FY24 and expects EBITDA/t to improve to INR1,000 in the next 18 months. Trial runs have started for the clinker plant of 1.5mtpa at subsidiary company, which will increase volumes in 2HFY24.
- **BCORP:** The capacity utilization (ex-Mukutban plant) stood at +105% and overall cement capacity utilization stood at 91% (vs. 88% in 1QFY23). Cement prices are expected to remain soft in 2Q due to the monsoon season. Prices are likely to remain stable in FY24. Capex pegged at INR10b in FY24E, including pending capex for the Mukutban plant.
- **GRASIM:** Margins in both the key business segments, VSF and Chemical, have almost bottomed out. Lower input costs, aided by profitability improvement for the VSF segment and higher sales of VAPs. There should not be much pressure on caustic prices, though 2Q realization is likely be lower than 1Q. However, margins seem to be sustaining at current levels with a change in the product-mix. The company has invested INR36.4b in the Paints business until Jun'23 and will further invest INR32.4b in 9MFY24.

Exhibit 46: Sales volume grew 19% YoY in 1QFY24



Source: Company, MOFSL
Source: Company, MOFSL

Exhibit 47: Blended realization declined 3% YoY



Source: Company, MOFSL
Source: Company, MOFSL

Exhibit 48: EBITDA grew 10% YoY in 1QFY24

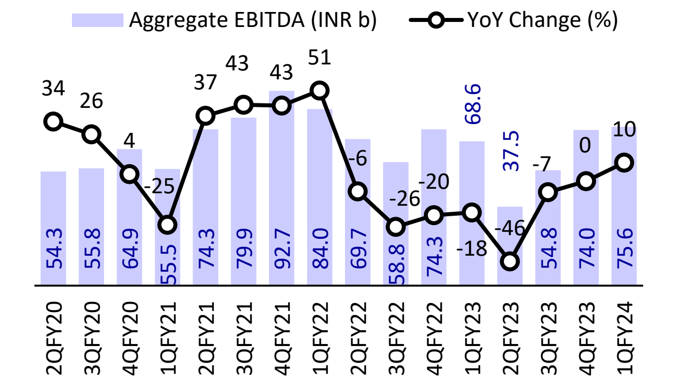
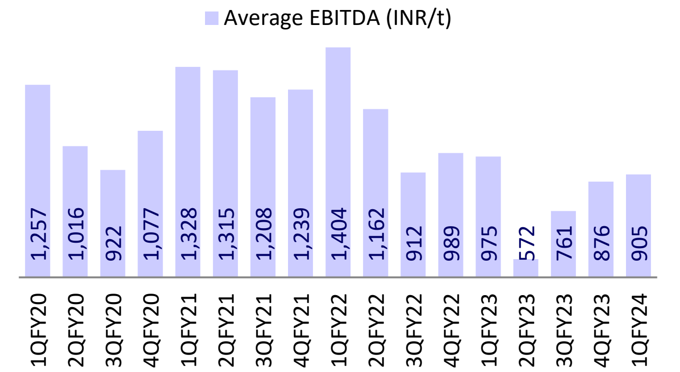


Exhibit 49: Average EBITDA/t down 7% YoY in 1QFY24



CHEMICALS – SPECIALTY: Long road to recovery as near-term headwinds persist

- **Overall performance:** Revenue was below our estimates (GALSURF beat our estimates while AACL and ATLP reported in-line performance). EBITDA was below our estimates too (but AACL, ATLP and GALSURF beat our estimates). PAT was also below our expectations (ATLP, FINEORG and NOCIL reported in-line performance, while GALSURF and AACL posted a beat).
- **Long-term vision intact despite near-term headwinds:** While input cost pressures and high freight charges have subsided for most of the companies within our coverage universe, realizations have declined as companies passed on the raw material benefit to customers. Demand has not picked up as expected, with Chinese players dumping at aggressive prices thus hurting domestic players who are unable to compete. Volumes are likely to remain subdued in the near term amid ongoing inventory destocking, which is majorly seen in the developed markets at the customer's end. However, the long-term outlook remains robust, even as some companies have announced delays in project commissioning from mid-FY24 to year-end due to the aforementioned reasons.

- Aggregate gross margin for our coverage universe contracted 80bp YoY (down 60bp YoY in 4QFY23). CLEAN, FINEORG, GALSURF, NFIL and VO posted a YoY improvement in gross margin. AACL (down 620bp), ATLP (down 200bp), DN (down 310bp), NOCIL (down 370bp) witnessed a contraction in gross margin YoY. Aggregate EBITDA margin dipped 230bp YoY. AACL, DN, NFIL and NOCIL reported the highest decline in EBITDAM YoY, down 170-640bp..
- **Ratings and earnings revisions:** The quarter saw downgrades in estimates for six companies within our coverage universe. For AACL, we cut our EBITDA/EPS estimates by 9%/10% for FY24 due to underperformance in 1QFY24. For CLEAN, we have revised down our revenue estimate by 13%, and EBITDA/EPS estimate by 14% each for FY24, and cut our revenue/EBITDA/EPS estimates by 7% each for FY25 amid continued demand challenges in 2QFY24. For DN, we cut our revenue/EBITDA/EPS estimates by 6%/19%/21% for FY24 and by 6%/6%/8% for FY25, primarily due to headwinds in Phenolic segment. For FINEORG, we trimmed our revenue/EBITDA/PAT estimates by 11%/9%/8% for FY24, and by 11%/8%/8% for FY25 owing to near-term challenges. Given the underperformance of NFIL in 1QFY24, we cut our revenue/EBITDA/EPS estimates by 7%/11%/11% for FY24. For NOCIL, we cut our revenue/EBITDA/EPS estimates by 7%/ 6%/5% for FY24 amid uncertainty around timeline for optimal capacity utilization as well as ongoing macro headwinds.
- **Top picks:** We have a BUY rating on GALSURF, NOCIL and VO. After the amalgamation with Veeral Additives, VO would become the largest and the only doubly integrated manufacturer of AOs in India and hence, we are positive about its long-term growth prospects. For GALSURF, increased wallet share from its existing customers is likely to drive volume growth and the management has reiterated its focus on volumes with growth at 6-8% in FY24. Despite the global market slowdown, NOCIL has achieved growth, five times the global market growth and three times the domestic market growth. Management expects ‘Europe+1’ strategy to play out in the medium term.
- **Surprises:** AACL, and GALSURF
- **Misses:** CSTL, DN, NFIL, and VO

Guidance highlights:

- **CLEAN:** The company launched HALS701 and HALS770 in Dec '22 and started fulfilling commercial orders in 4QFY23. However, the uptake has been slower due to reduced global demand for master batches. The current p-BQ utilization stands at ~20%, falling short of the expected specifications. However, a recovery is anticipated in the next three months, which is likely to result in a decreasing trend in p-BQ imports.
- **DN**: Management highlighted that a glut in the Phenol market led to such a sharp drop in margin. To aggravate the situation, there was a plant shut down for the first 15 days during the quarter. Supply of Phenol in the domestic market is expected to remain in excess, thereby putting pressure on segment margin going forward.
- **GALSURF**: Management expects EBITDA/kg to be in the INR20.0-22.75 range in FY24. However, the company has also cautioned that food inflation is on the rise again, which may put upward pressure on Fatty Alcohol and Fatty Acid prices. Consumption is anticipated to make a comeback in FY24 led by easing inflation and the EU coming to terms with new normal.
- **NFIL:** Management highlighted that the miss on volumes in HFO in 1QFY24 would be recovered in the next couple of quarters; with the full-year offtake by Honeywell remaining unchanged. HFO plant would run at optimal capacity now. Discussion on debottlenecking is also going on with Honeywell for which a small capex would be undertaken (capacity to be expanded by 25%) and would be completed by CY24E.
- **NOCIL:** Chinese players are selling rubber chemicals at lower prices due to weak domestic demand, creating tough competition for NOCIL. However, the management foresees price normalization in 2HFY24 when China's domestic demand is expected to recover.

Exhibit 50: Revenue for our coverage universe

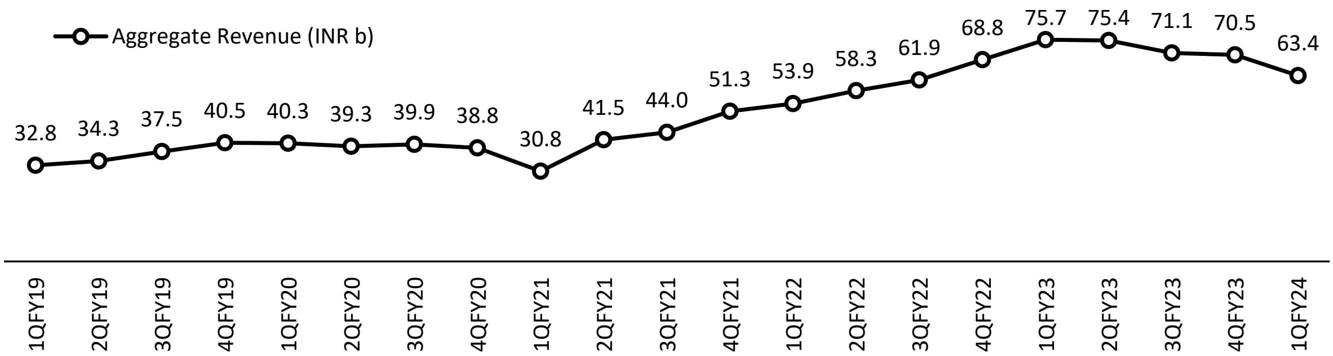


Exhibit 51: Gross margin for our coverage universe

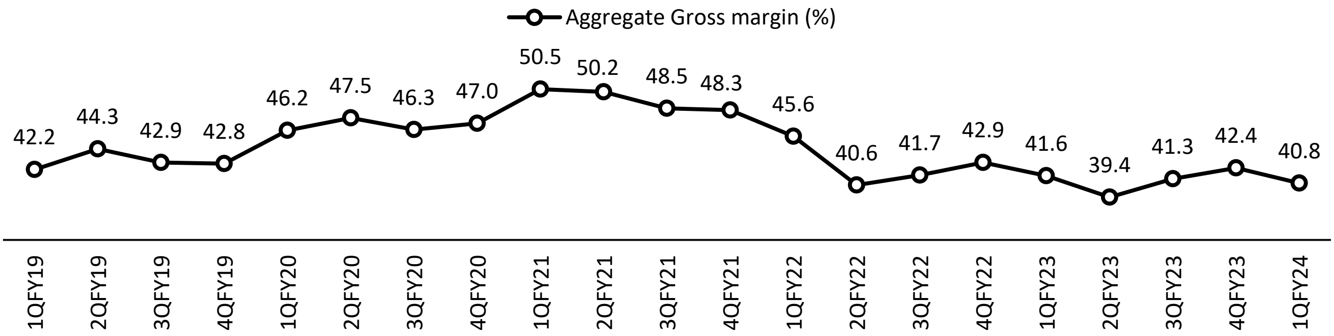


Exhibit 52: EBITDAM for our coverage universe

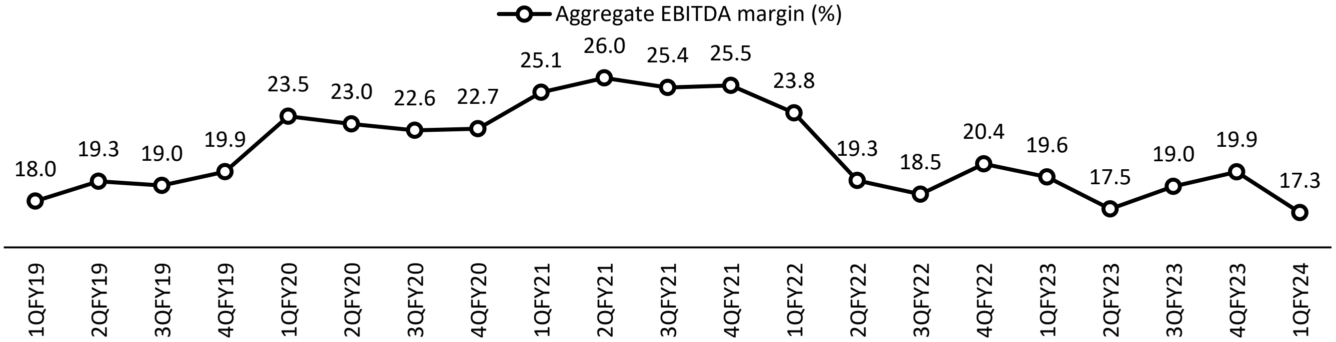
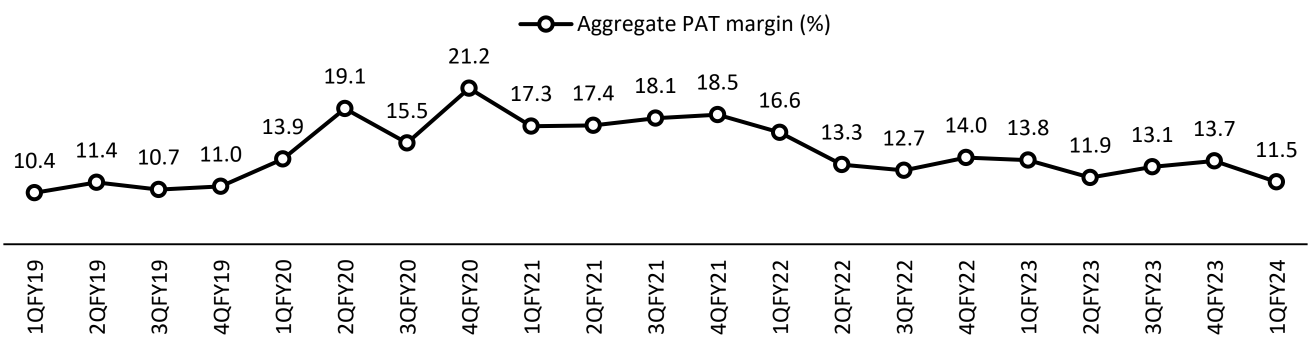


Exhibit 53: PAT margin for our coverage universe



CONSUMER: Muted sales; margin expansion leads profitability

- **Sales broadly in line with estimates:** Companies in our coverage universe delivered cumulative sales growth of 3.6% YoY (est. 8.8%) in 1QFY24. Volume growth has exhibited a partial recovery during the quarter; however, it continues to hover at subdued levels due to the ongoing weakness in rural India. However, unexpected rains have adversely affected the performance of summer portfolio of companies. Out of the 18 companies in our coverage universe, eight companies reported YoY double-digit sales growth while four reported a decline in sales growth. Large players (HUVR, BRIT) reported single-digit revenue growth and muted volume growth, due to the rising competition from small players. Overall sales growth was largely in line (12 out of 18 companies), but there were a few notable misses as well (MRCO, PAG, PIDI, UBBL, and ITC).
- **Margins recover, A&P investments step up:** The overall performance of our coverage universe was a mixed bag with a few companies reporting healthy volume growth and others reporting healthy value growth. Companies have exhibited annual margin expansion attributed to the softening of RM prices; however, a few companies reported flat or a decline in margin sequentially as they pass on the cost benefits to consumers. Elevated glass cost and volume decline resulted in a decline in the UBBL gross margin. Due to the decrease in crude and palm oil prices, APNT/GCPL/PIDI/JYL saw a significant improvement in gross margin. Both MRCO and HMN margins have also expanded due to the softening of input prices. Management highlighted that ad-spends has returned to usual levels as the benefit of GP margin expansion is being directed toward increased allocation for A&P spends.
- **Commentary on rural demand recovery:** The performance of rural India has exhibited signs of recovery due to a decrease in inflation; however, certain companies have noted a slowdown in the pace of this recovery, accompanied by muted volume growth. Companies are constantly strengthening their distribution reach to gain market share. We need to keep a close watch on the recovery as erratic weather patterns, early onset of El-Nino, and spatial distribution of rainfall could influence the pace of the recovery.
- **PBT and PAT broadly in line:** PBT for 14 out of the 18 companies in our coverage universe was ahead of or in line with our estimates, with a better-than-expected performance from APNT, CLGT, JYL, MRCO, NEST and alcobev companies (UBBL and UNSP), and notable misses from HMN, GCPL, PAGE, and ITC. Cumulative PBT growth was in line at 20.4% YoY. Cumulative PAT growth stood at 19.2% YoY (in line).
- **Top picks – ITC, GCPL and TATACONS:** We are positive on **ITC** given: 1) a better-than-expected demand recovery and a healthy margin outlook in Cigarettes, 2) healthy sales momentum in the FMCG business, 3) a smart recovery in the Hotels business, and 4) better capital allocation in the recent years. **GCPL** has shown healthy earnings growth with; 1) superior growth in highly profitable markets such as India and Indonesia; 2) volume growth; 3) continuing capacity enhancement by capex in the organic portfolio; and 4) working capital improvement (especially in overseas) is also on track and the profitability outlook is gradually improving for the overseas business. **TATACONS** is backed by its two-pronged growth strategy: 1) By focusing on new growth engines such as Tata Sampann, NourishCo, Tata Soulful, and the ready to-eat/ready-to-consume business (Tata Smart Foodz); and 2) by swiftly expanding its distribution network and enhancing digital capabilities throughout the supply chain. These initiatives are poised to propel the company into its next phase of growth.
- **Positive surprises:** APNT, CLGT, JYL, MRCO, UNSP, UBBL.
- **Misses:** GCPL, HMN, HUL, PAG, TATACONS.

Guidance highlights:

- **APNT:** Management targets to increase the contribution from the home décor business to 7%-8% of decorative sales by FY26. It plans to operate 65 to 70 Beautiful home stores by the end of FY24. The EBITDA margin would remain in the range of 18%-20%. Capex for the next three years would be ~INR87.5b, primarily designated for capacity expansion.
- **DABUR:** Media investments will be 8-9% of revenue in FY24. The EBITDA margin would remain in the range of 19-19.5%. In FY24, capex is expected to be INR4-4.5b. Within the health portfolio, the therapeutics division aims to establish connections with 70k allopathic doctors. Its direct outreach is projected to encompass 1.5m individuals by FY24, with the current figure standing at 1.4m.
- **HUVR:** The management highlighted that price reduction benefit will be visible in the next two-three quarter and focus is on increasing its customer base and sustaining its volume growth. In 1QFY24, effective tax rate stood at 26.5% and is expected to decrease on a full-year basis.

- **GCPL:** A capex of INR 9b is planned for the organic portfolio within the next 18-36 months. International business would be affected by the depreciation in Nigerian currency.
- **MRCO:** In FY24, while gross margin may increase ~200-250bp and EBITDA margin is expected to increase ~100-150bp YoY. Revenue growth would be flat in 2Q, but could improve in 2HFY24, led by the bottoming out of domestic portfolio price deflation. International business expects to grow in double-digits in FY24.
- **PIDI:** VAM consumption costs fell to USD1,150/ton in 1QFY24 from USD2,250/ton in 1QFY23. The current ordering rate is, however, much lower at USD850-900/ton. EBITDA margin would be in the range of 20-24% going ahead. Capex will be 3.5-4.5% of sales.
- **TATACONS:** The management is targeting a revenue of ~INR10b from NourishCo in FY24. Management has guided for expansion in depth (over 1m split routes) as well as width (~20,000 trade accounts) of the distribution network. They expect to complete the integration of the Tata coffee business in the current financial year.
- **UNSP:** Management targets double-digit sales growth in FY24 and EBITDA margin of ~14.5-15% in FY24 thereafter. It has wiped out all accumulated losses in 1QFY24 and will soon come up with a dividend distribution policy. The management indicated that a 20% hike in excise duty in Karnataka would result in a 14-17% increase in the MRP of products; however, this is not expected to impact the company's actual revenue.
- **UBBL:** The management indicated that the volume base will be normalizing in Q3. The hike in excise duty in Karnataka led to a 3-5% price increase. Capex for FY24 would be ~NR2.5-3b.
- **VBL:** The management expects a total capex of ~INR24-25b in India for full-year CY23. It is currently in the process of establishing greenfield facilities in the states of Uttar Pradesh, Maharashtra, and Odisha and are expected to be fully operational before the peak season next year.

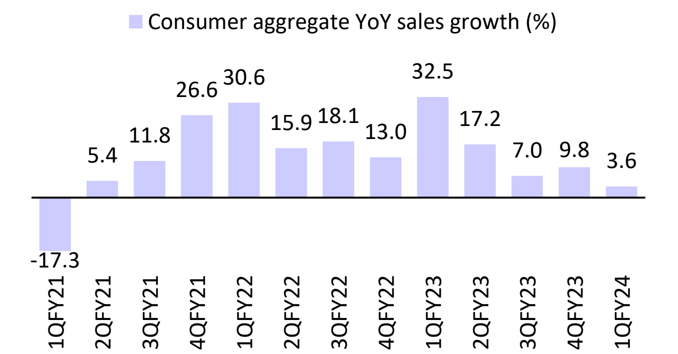
Exhibit 54: Quarterly volume growth

(%)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
APNT (domestic decorative)*	106.0	34.0	10.0	8.0	37.0	10.0	0.0	16.0	10.0
BRIT (base business)	1.0	5.0	6.0	4.0	(2.0)	4.0	2.0	3.0	0.0
CLGT (toothpaste)	8.0	4.0	1.0	(4.0)	(1.0)	0.0	-2.0	0.0	5.0
DABUR (domestic FMCG)	34.4	10.0	2.0	2.0	5.0	2.0	-3.0	1.0	3.0
HMN (domestic)	38.0	6.2	0.0	0.0	9.6	-1	-3.9	2.0	2.0
HUVR (domestic)	9.0	4.0	2.0	0.0	6.0	4.0	5.0	4.0	3.0
ITC (cigarette)*	31.0	9.0	12.5	9.0	26.0	21.0	15.0	12.0	8.0
MRCO (domestic)	21.0	8.0	0.0	1.0	(6.0)	3.0	4.0	5.0	3.0
PIDI (consumer bazaar)	105.0	24.5	9.0	20.2	44.0	1.0	1.0	7.0	12.0

*Our estimate

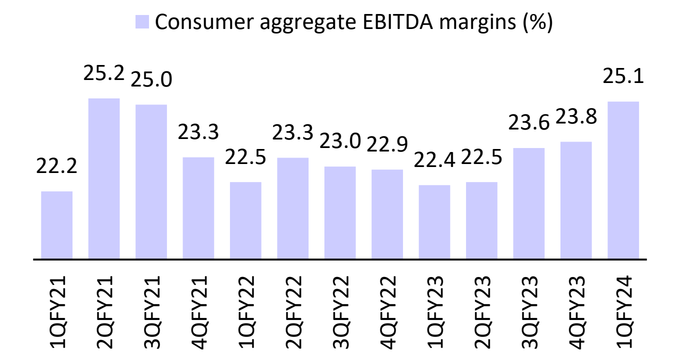
Source: Company, MOFSL

Exhibit 55: Sales grew 3.6% YoY for our consumer universe



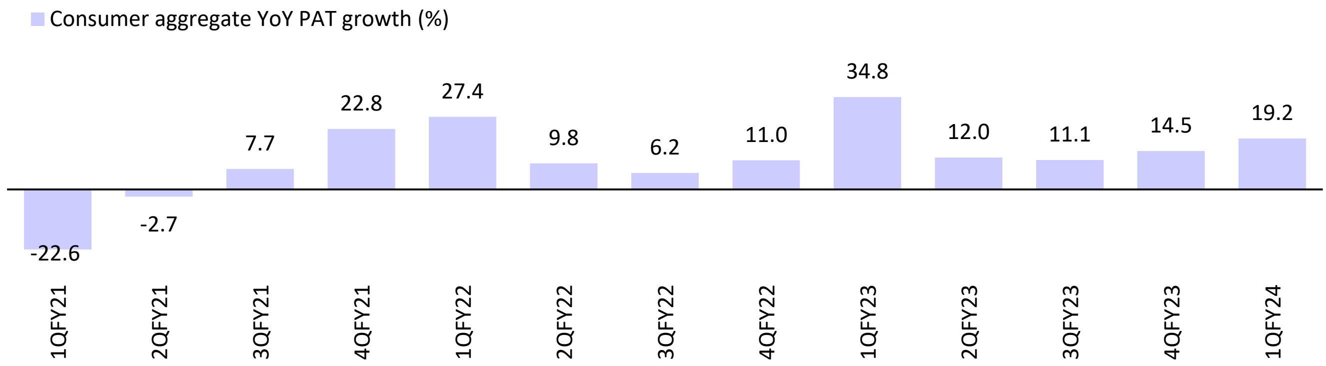
Source: Company, MOFSL

Exhibit 56: Aggregate EBITDA margin rose ~270bp YoY



Source: Company, MOFSL

Exhibit 57: Aggregate adjusted PAT up 19.2% YoY, led by margin expansion



Source: Company, MOFSL

FINANCIALS – BANKS AND LIFE INSURANCE: Earnings upgrade cycle showing signs of saturation; Margin trajectory reverses

- The banking sector reported a mixed performance in 1QFY24, driven by healthy loan growth and sustained improvement in asset quality. However, the margin trajectory reversed, led by a sharp rise in funding cost. Several factors supported credit expansion, with the Retail and MSME sectors exhibiting robust growth, along with a recovery in the corporate book. Deposit growth was muted due to sluggish CASA trends across the industry, contributing to a sharp sequential rise in funding cost across the sector.
- Both private and public sector banks witnessed modest NII growth, except for IIB/IDFCFB/UNBK, which reported healthy QoQ growth of 4%/4%/7%. NII growth moderation was attributed to stagnating yields and elevated cost of funds due to the re-pricing of liabilities, resulting in margin pressure. Thus, most banks showed stagnation or decline in margins, barring UNBK, which reported 15bp NIM expansion. Healthy fee income and robust treasury gains supported PPOP growth.
- Since 1Q is a seasonally weak quarter, slippages saw a QoQ rise in 1QFY24 but they were still lower than 1QFY23 (barring BANDHAN which saw a YoY rise), driving further improvement in asset quality across banks. Moreover, better recoveries and upgrades resulted in a sequential decline in GNPA/NNPA ratios, with PCR remained healthy. The restructured and SMA book too witnessed a gradual decline.
- **Private Banks – business growth mixed; margins witness moderation:** Advances saw a mixed trend with sequential growth of 1-8% (BANDHAB declined 6% QoQ). Deposit growth was modest, except for IDFCB, which witnessed 7% QoQ growth. NII grew 18%-38% YoY, except for BANDHAN, which reported flat NII. Margins witnessed stagnation/moderation for most banks, which saw a range of +2bp to -40bp QoQ change in 1QFY24. Slippages continued to moderate across segments. The GNPA ratio improved by an average of 4bp QoQ across banks, barring BANDHAN, which posted a 189bp QoQ decline.
- **Public Sector Banks – earnings growth steady; asset quality continues to improve:** PSBs posted a sequential improvement in their operating performance, led by healthy loan growth of 14-21% YoY across banks, aided by a recovery in the corporate segment and steady trends in the RAM portfolio. Deposits saw modest growth across the sector. NII and fee income saw flat growth, while treasury income was robust, leading to improvement in PAT across the sector. Slippages rose sequentially in 1QFY24 due to seasonality, but banks reported healthy recoveries and upgrades during the quarter, resulting in a 2-101bp QoQ improvement in GNPA ratios. Higher provisions enabled a reduction in the NNPA ratios in the range of 11-74bp QoQ, barring SBI, which saw a sequential increase. The restructured and SMA book too witnessed a decline.
- **Small Finance Banks – solid momentum in business growth; mixed asset quality trends:** AUBANK reported healthy loan and NII growth (29% YoY), which, along with lower provisions, drove earnings. Asset quality saw pressure due to a 53% QoQ (15% YoY) increase in slippages. PCR thus moderated by 600bp to ~69% in 1QFY24. Collection efficiency remained healthy. EQUITASB reported a healthy 1QFY24, with healthy AUM growth across segments. Healthy NII and lower provisions resulted in 97% YoY growth in PAT. Deposit growth was supported by healthy traction in term deposits; hence, the CASA ratio moderated to 38.4% vs. 42.3% in 4QFY23.

- **Life Insurance – VNB margin drops sequentially; protection shows further recovery:** Private life insurers witnessed a muted quarter as growth in premiums was affected by new taxation rules for INR0.5m+ ticket size policies. This led to a drop in the share of the non-par segment sequentially for the listed private life insurers. However, management commentary indicated that the magnitude of impact has been much lower than perceived initially. Retail protection, nevertheless, gained further momentum with HDFC Life, IPRU Life and Max reporting 34%, 62% and 26% growth YoY, respectively, in retail protection. As reinsurers are now comfortable with the underwriting practices (post COVID) and the impact of price hikes is in the base, the momentum is expected to sustain. Demand for ULIPs has started gaining traction with equity markets doing well. VNB margins were down QoQ by 300bp/200bp/290bp/815bp for HDFC Life/IPRU Life/SBI Life/Max, primarily driven by product mix. As per guidance by all companies, they would focus on growing VNB via premium growth rather than margin expansion. Mixed trends were witnessed in persistency, with some weakness in the shorter-tenure cohorts but improvement in longer-tenure cohorts.
- **Our view:** We expect full-year earnings growth to remain resilient, guided by robust traction in loan growth and a benign credit cost, even though quarterly earnings growth is expected to decline sharply. As the CD ratio remains elevated, healthy growth in liabilities will be critical to sustaining loan growth. We expect competition for deposits to intensify further, resulting in a significant rise in funding costs in the coming quarters. The margin trajectory would witness further pressure over coming quarters. Banks with a higher CASA mix are well positioned to navigate the rising rate environment, even as the funding cost is likely to increase. The asset quality outlook remains encouraging, with a moderation in slippages, healthy PCR, and contingent buffers driving benign trends in core credit costs. We broadly maintain our earnings estimates for FY24/FY25 for private banks. Among PSUs, we raise our earnings estimates for FY25 by 6%/6%/12% for INBK/PNB /UNBK, with minor changes in SBIN and BOB. **We retain our preference for ICICIBC, HDFCB, IIB, SBIN and BOB. In the Life Insurance space, SBILIFE continues to be our preferred pick.**
- **Surprises:** IDFCFB, RBK, UNBK
- **Misses:** SBI, BoB, AUBANK

Guidance highlights

- **HDFCB** continues to strengthen its geographical footprint (to add ~1400-1500 branches in FY24), even as it invests in digital initiatives and boosts its employee strength. It plans to launch several new apps. The margin trajectory is likely to depend on the loan mix. However, the management expects a positive bias on margin. The merger is completed as on 1st Jul'23. The bank estimates 17%-18% growth in advances in FY24.
- **KMB** remains committed to its growth strategy, driven by robust performance across various sectors. The primary goal is to achieve substantial growth in both loan portfolios and deposits. The bank recently introduced a novel product called 'ActivMoney', which currently constitutes 7% to 8% of the total deposits as of 1QFY24 and anticipates a further rise in this proportion. Although this move might exert pressure on margins, the bank believes that ActivMoney will enhance customer loyalty and facilitate cross-selling of other financial products. Furthermore, the bank is dedicated to enhancing its digital capabilities over the next few quarters. It plans to add 150 branches in FY24 (added 100 branches in FY23).
- **ICICIBC** aims to increase its fundamental operating earnings while maintaining a prudent approach to risk and keeping customers at the center of its strategy. The bank's commitment includes ongoing investments in both human resources and technology, aligning with the overarching principle of 'One Bank, One RoE'. Although the bank acknowledges that NIM has reached the peak and is expected to exhibit moderation from the current level, it anticipates consistent loan growth, driven by the Retail, SME and Business Banking (BB) segments.
- **AXSB** expects its FY24 loan growth to significantly surpass the industry average by 400-600bp. The bank is determined to achieve a cost-to-assets ratio of around 2% by FY25 (excluding Citibank expense and integration costs). The integration of Citibank has yielded synergies as reflected in improved credit card spending and vehicle loan disbursements. The bank's corporate segment remains robust with a promising pipeline, ensuring continued strong performance. AXSB saw a 31bp QoQ rise in COD, with expectations of a further increase in the coming quarters.

- **SBIN** expects to sustain the strong traction in credit growth and loan growth of ~12-14% in FY24. Margin declined by 27bp QoQ to 3.33%, driven by higher deposit costs and stagnant yields. The C/I ratio reached 50% in 1QFY24 on account of monthly wage provisions of ~INR5b. The bank might see a further increase in opex as it plans to add ~300 branches in the upcoming quarters and further improve technology. The credit cost for FY24 is expected to be consistent with FY23 at 32bp.
- **IIB** targets loan growth of 18%-23%, with retail comprising 55%-60% of share. Margin is projected to be in the range of 4.25% to 4.35% from FY23 to FY26. Despite an elevated C/I ratio of about 45% in the near term, the bank expects to improve efficiency, leading C/I to moderate to 41%-42%. Credit cost guidance remains steady at 110-130bp for FY23-26. Branch expansion is vital for deposits, aiming for 3,250-3,750 branches by FY26. Overall, the bank aims for an RoA of 1.9%-2.2% during FY23-FY26.
- **BOB:** Advances are expected to grow by 14%-15% in FY24, led by retail book growth of 18%-20%. Yields are expected to improve by 10bp in the upcoming quarters, with the MCLR book re-pricing and change in retail mix. The C/I ratio stood at 45% as of 1QFY24 and is expected to be lower in the subsequent quarters. BOB expects recoveries/upgradations of INR120b in FY24 and is upholding its ROA target of 1% for the same period.

Exhibit 58: Mixed quarter for banks: NII moderation supported by healthy treasury income and controlled credit costs

	NII			PPOP			PAT		
INR b	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (%)	QoQ (%)
AUBANK	12.5	28.0	2.7	5.5	38.57	(4.4)	3.9	44.4	(8.9)
AXSB*	119.6	27.0	1.8	88.1	49.73	(3.9)	58.0	40.5	(12.5)
BANDHAN	24.9	(0.9)	0.8	15.6	(14.19)	(13.0)	7.2	(18.7)	(10.8)
BoB	110.0	24.4	(4.6)	78.2	72.80	(3.1)	40.7	87.7	(14.8)
CBK	86.7	27.7	0.6	76.0	15.10	4.9	35.3	74.8	11.3
DCBB	4.7	25.9	(3.1)	2.1	25.61	(14.5)	1.3	30.7	(10.7)
FB	19.2	19.6	0.5	13.0	33.80	(2.4)	8.5	42.1	(5.4)
HDFCB	236.0	21.1	1.1	187.7	22.15	0.8	119.5	30.0	(0.8)
ICICIBC	182.3	38.0	3.2	141.4	37.15	2.3	96.5	39.7	5.8
IDFCFB	37.5	36.0	4.1	15.0	58.96	(3.7)	7.7	61.3	(4.7)
IIB	48.7	18.0	4.2	38.3	11.68	2.0	21.2	30.3	4.0
INBK	57.0	25.8	3.5	41.3	16.00	3.0	17.1	40.8	18.1
KMB	62.3	32.7	2.1	49.5	77.83	6.5	34.5	66.7	(1.2)
PNB	95.0	26.0	0.1	59.7	10.95	1.7	12.6	307.0	8.4
RBK	12.5	21.3	2.9	6.5	22.37	9.0	2.9	43.2	6.3
SBIN	389.0	24.7	(3.7)	253.0	98.40	2.7	168.8	178.2	1.1
UNBK	88.4	16.6	7.1	71.8	31.79	5.2	32.4	107.7	16.3

Source: MOFSL, Company

Exhibit 59: Margin saw QoQ moderation/stagnation for most banks except UNBK

NIM (%)	4QFY23	1QFY24	YoY (bp)	QoQ (bp)
AUBANK	6.10	5.70	(20)	(40)
AXSB	4.22	4.10	50	(12)
BANDHAN	7.30	7.30	(70)	-
BoB	3.53	3.27	25	(26)
CBK	3.07	3.05	27	(2)
DCBB	4.18	3.83	22	(35)
FB	3.31	3.15	(7)	(16)
HDFCB	4.10	4.10	10	-
ICICIBC	4.90	4.78	77	(12)
IDFCFB	6.41	6.33	56	(8)
IIB	4.28	4.29	8	1
INBK	3.59	3.61	51	2
KMB	5.75	5.57	65	(18)
PNB	3.24	3.08	29	(16)
RBK	5.01	4.84	48	(17)
SBIN	3.60	3.33	31	(27)
UNBK	2.98	3.13	13	15

Source: MOFSL, Company

Exhibit 60: Loan growth steady in a seasonally weak quarter; Deposit growth remains modest with CASA under pressure

	Loans			Deposits			CASA ratio (%)		
INR b	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (bp)	QoQ (bp)
AUBANK	629	29.2	7.6	693	26.88	(0.1)	35.0	(400)	(340)
AXSB	8,585	22.4	1.6	9,417	17.19	(0.6)	46.0	200	(100)
BANDHAN	982	8.0	(6.3)	1,085	16.57	0.4	36.0	(717)	(327)
BoB	9,635	20.5	2.4	11,999	16.19	(0.3)	40.3	(385)	(192)
CBK	8,551	14.5	2.9	11,925	6.65	1.1	33.0	(130)	(48)
DCBB	355	19.0	3.2	430	22.6	4.3	26.0	(260)	(45)
FB	1,835	21.0	5.2	2,225	21.3	4.3	31.9	(499)	(83)
HDFCB	16,157	15.8	0.9	19,131	19.2	1.6	42.5	(330)	(190)
ICICIBC	10,576	18.1	3.7	12,387	17.9	4.9	43.3	(360)	(250)
IDFCFB	1,674	26.3	7.0	1,544	36.24	6.8	46.5	(354)	(327)
IIB	3,013	21.5	3.9	3,470	14.5	3.3	40.0	(320)	(10)
INBK	4,568	13.7	1.7	6,291	7.67	1.3	40.3	(47)	(173)
KMB	3,286	17.3	2.7	3,863	22.0	6.4	49.0	(910)	(380)
PNB	8,637	16.3	4.0	12,979	14.18	1.3	41.9	(444)	(110)
RBK	731	21.3	4.1	856	8.1	0.9	37.3	130	(10)
SBIN	32,350	14.9	1.1	45,312	12.00	2.4	42.9	(245)	(92)
UNBK	7,705	13.9	1.1	11,281	13.63	0.9	34.6	(159)	(102)

Source: MOFSL, Company

Exhibit 61: Asset quality continues to improve, with a robust PCR; credit cost remains in control across banks

Asset quality	4QFY23 (%)			1QFY24 (%)			QoQ change (bp)			1QFY24
(%)	GNPA	NNPA	PCR	GNPA	NNPA	PCR	GNPA	NNPA	PCR	Slippage Ratio
AUBANK	1.66	0.42	75.0	1.76	0.55	69.0	10	13	(598)	2.39
AXSB	2.02	0.39	80.9	1.96	0.41	79.6	(6)	2	(127)	2.05
BANDHAN	4.87	1.17	76.8	6.76	2.18	69.2	189	101	(757)	7.90
BoB	3.79	0.89	77.2	3.50	0.78	78.5	(29)	(11)	132	1.23
CBK	5.35	1.73	68.9	5.15	1.57	70.6	(20)	(16)	165	0.41
DCBB	3.19	1.04	68.2	3.26	1.19	64.1	7	15	(409)	4.59
FB	2.36	0.69	71.2	2.37	0.74	71.3	1	5	6	1.18
HDFCB	1.12	0.27	75.8	1.17	0.30	75.0	5	3	(76)	1.91
ICICIBC	2.81	0.48	83.5	2.76	0.48	83.1	(5)	-	(38)	1.95
IDFCFB	2.51	0.86	66.4	2.17	0.70	68.1	(34)	(16)	168	NA
IIB	1.98	0.59	70.6	1.94	0.58	70.6	(4)	(1)	3	2.00
INBK	5.95	0.90	85.7	5.47	0.70	87.8	(48)	(20)	216	1.84
KMB	1.78	0.37	79.3	1.77	0.40	78.0	(1)	3	(134)	1.49
PNB	8.74	2.72	70.8	7.73	1.98	75.8	(101)	(74)	505	1.29
RBK	3.37	1.10	68.1	3.22	1.00	69.6	(15)	(10)	157	3.68
SBIN	2.78	0.67	76.4	2.76	0.71	74.8	(2)	4	(157)	1.12
UNsBK	7.53	1.70	78.8	7.34	1.58	79.8	(19)	(12)	100	1.70

Exhibit 62: Snapshot of restructured book across Banks (%)

INR b	Restructured book									
	Absolute	Mar'21	Sep'21	Dec'21	Mar'22	Jun'22	Sep'22	Dec'22	Mar'23	Jun'23
AXSB	19.1	0.30	0.66	0.63	0.52	0.45	0.38	0.30	0.22	0.21
BANDHAN	NA	0.76	11.18	8.22	5.20	2.35	0.20	NA	NA	NA
DCBB	15.9	4.26	6.80	6.81	6.42	6.10	5.45	4.94	4.51	3.97
HDFCB	NA	0.57	1.50	1.40	1.14	0.76	0.53	0.42	0.31	NA
ICICIBC	NA	0.54	1.27	1.19	1.00	0.80	0.70	0.50	0.40	NA
IIB	19.9	1.80	3.60	3.30	2.60	2.10	1.50	1.25	0.84	0.66
KMB	6.1	0.19	0.54	0.54	0.44	0.39	0.34	0.25	0.22	0.19
FB	25.7	1.07	2.49	2.45	2.44	2.22	2.03	1.81	1.62	1.40
RBK	7.7	1.58	3.66	3.44	3.27	2.90	2.21	1.67	1.21	1.05
AUBANK	6.4	1.85	3.60	3.10	2.50	2.10	1.70	1.40	1.20	1.00
BOB	130.0	1.34	2.95	2.65	2.44	2.46	2.12	1.87	1.50	1.31
SBIN	226.7	0.73	1.24	1.20	1.13	1.00	0.93	0.85	0.80	0.69
INBK	104.9	1.64	5.85	5.09	4.73	4.20	3.90	3.37	2.51	2.19
PNB	NA	NA	2.60	2.76	2.36	2.00	1.80	1.54	1.32	NA
UNBK	163.7	1.10	3.69	3.32	2.99	2.92	2.60	2.38	2.20	2.00
CBK	NA	NA	2.85	2.78	2.77	2.41	2.09	1.75	NA	NA

Exhibit 63: Earnings upgrade cycle showing stabilization signs

PAT (INR b)	Old estimates		Revised estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Private Banks						
AXSB	257.1	309.2	254.0	311.5	-1.2%	0.8%
BANDHAN	40.5	48.5	38.6	46.9	-4.6%	-3.3%
DCBB	5.6	6.8	5.5	6.8	-1.2%	0.5%
HDFCB	650.5	790.3	646.7	791.0	-0.6%	0.1%
ICICIBC	384.6	441.4	390.2	444.6	1.5%	0.7%
IDFCFB	32.1	41.7	32.6	42.3	1.6%	1.6%
IIB	95.2	118.9	93.9	119.6	-1.4%	0.6%
KMB	124.2	140.2	132.8	147.4	6.9%	5.1%
FB	35.8	42.4	34.6	41.7	-3.2%	-1.5%
RBK	11.7	14.7	12.5	15.6	7.2%	6.0%
AUBANK	17.6	24.1	17.4	23.5	-1.0%	-2.6%
EQUITASB	8.1	10.5	8.1	9.8	0.0%	-6.5%
Total Private Banks	**1,663.0**	**1,988.7**	**1,667.1**	**2,000.8**	**0.2%**	**0.6%**
YoY growth	**31.9%**	**19.6%**	**30.9%**	**20.0%**		
PSU Banks						
BOB	174.8	205.2	168.6	203.7	-3.6%	-0.8%
CBK	131.9	156.5	137.0	163.0	3.8%	4.2%
INBK	67.8	85.3	74.1	90.6	9.3%	6.2%
PNB	70.0	98.5	64.5	104.6	-7.8%	6.2%
SBIN	593.3	688.7	606.7	675.9	2.3%	-1.9%
UNBK	103.5	135.1	123.4	151.5	19.2%	12.1%
Total PSU Bank	**1,141.3**	**1,369.2**	**1,174.3**	**1,389.3**	**2.9%**	**1.5%**
YoY growth	**28.1%**	**20.0%**	**28.8%**	**18.3%**		
Total for Banks	**2,804.3**	**3,357.9**	**2,841.4**	**3,390.1**	**1.3%**	**1.0%**
YoY growth	**30.3%**	**19.7%**	**30.1%**	**19.3%**		
Other Financials						
SBICARD	26.7	37.7	26.5	36.8	-0.7%	-2.2%
PAYTM	-7.6	2.6	-10.0	1.9	-31.6%	-24.5%

FINANCIALS – NBFCs: NIM compression higher than expectations, but demand momentum strong

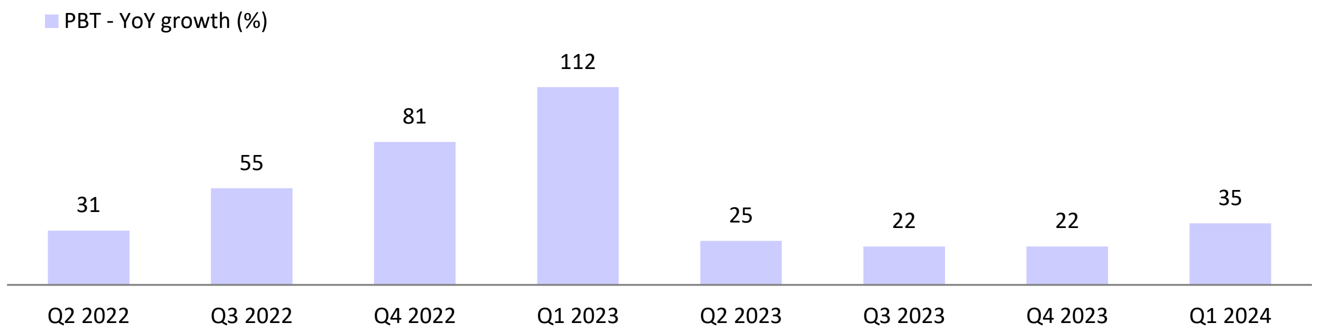
- Our coverage universe of NBFCs/HFCs reported an AUM growth of ~19% YoY/4% QoQ. Within this, the vehicle financiers clocked an AUM growth of 26% YoY; large HFCs (ex-HDFC) grew 7% YoY, affordable and small-ticket HFCs rose 18% YoY, NBFC-MFIs grew 42% YoY, and Gold loan NBFCs grew ~14% YoY. In 1QFY24, ex-PIEL NII/PPoP/PAT grew 25%/29%/44% YoY and 6%/8%/8% QoQ.
- Most of the NBFCs (except HFCs) reported a sequential contraction in NIM, surpassing our initial projections. For a majority of the NBFCs, the principal driver behind this NIM compression was the substantial increase in the borrowing costs. However, for the vehicle financiers, the NIM compression was further compounded by moderated yields (because of shifts in product composition and intense competitive dynamics).
- For large mortgage lenders, such as PNBHF and LICHF, yields improved for the third consecutive quarter, aided by interest rate transmission that resulted in a sequential rise in margins.
- Within vehicle finance, disbursements remained strong across product segments, translating into overall healthy disbursements.
- Unlike a typical 1Q, the asset quality remained largely stable (or a minor deterioration) and the credit costs remained benign. Affordable housing financiers and Gold financiers viz. HomeFirst, Aavas, CANFIN, and MGFL reported a minor deterioration in GS3, while MUTH reported a ~45bp QoQ increase in GS3. LICHF reported the steepest sequential deterioration in GS3 of ~60bp among the NBFCs.
- **HFCs/ AHFCs – Improving/stable margins across HFCs and AHFCs; strong momentum in affordable home loans.** Disbursements across product segments continued to remain healthy, despite external factors causing a slight slowdown in prime mortgage disbursements for LICHF. Demand for affordable housing loans remained strong. PIEL is actively undertaking monetization transactions to run down its wholesale book. Large HFCs delivered stable

to improving margins as interest rates have stabilized and the higher borrowing costs have been transmitted to the borrowers. HomeFirst reported strong growth in disbursements in 1QFY24. However, the AHFCs (AAVAS, HomeFirst, CANF) demonstrated a marginal seasonal deterioration in asset quality.

- **Vehicle financiers – Healthy business growth momentum amid lingering margin pressure:** Disbursements grew 32% YoY for the cohort of three vehicle financiers. While SHFL and CIFC have a diversified AUM mix, we have classified them under vehicle financiers for this exercise. Asset quality improved for both SHFL and MMFS. Write-offs moderated for MMFSL and SHFL, while CIFC reported write-offs in line with its normalized run-rate. The cohort of vehicle financiers viz. MMFS, CIFC, and SHFL reported ~50bp/30bp/30bp QoQ NIM contraction.
- **Diversified financiers – retail-focused growth, driving asset quality improvement:** Retail Disbursements further gained momentum with improved outlook on the self-employed customer segment as well as the lower risk aversion of diversified financiers toward SME loans. Lenders have been selectively acknowledging some early signs of stress and the consequent risk aversion in the Rural personal loans segment. AUM growth was in line with expectations, while asset quality improved sequentially for LTFH, which is now working on multiple levers to transform into a retail franchise, while actively running down its wholesale book.
- **Gold financiers – Sustained growth in gold loans but margins could come under pressure:** MUTH/MGFL reported a 7%/4% QoQ growth in gold loans with MGFL delivering a sequential improvement in margins. Both MUTH/MGFL shared that the strong gold loan growth was aided by both higher gold prices as well as lesser aggression from banks. All non-gold product segments exhibited strong growth across MUTH/MGFL.
- **Micro Financiers (MFIs) – Demand remained strong even as NIM continues to expand:** CREDAG and Fusion reported a ~80bp/30bp QoQ expansion in NIM. Spandana reported a ~50bp QoQ compression in margins, due to a sharper increase in CoF. Disbursement growth was healthy with CREDAG/Fusion and Spandana reporting a YoY disbursement growth of 97%/ 15% /25%, along with an improvement in asset quality.
- **Our view:** The third consequent pause in policy rates by the RBI suggests that interest rates are near peak levels. As rates stabilize, the impact of margin compression on the earnings should alleviate, supporting better valuations. We have a **positive** stance on the sector, driven by expectations of margin expansion from 2HFY24 onwards and benign credit costs. Vehicle financiers are better placed than other product segments as rates peak and margins bottom out over the next one-two quarters. Subsequently, we expect margins to stabilize, and then gradually expand as the existing book is replaced with higher yielding new loans. Asset quality is expected to improve further in FY24 with resultant lower credit costs. Our preferred ideas are MMFS, CIFC, and CREDAG.
- **Positive surprises:** LTFH, LICHF, CREDAG, MGFL
- **Misses:** CIFC, MMFS, PIEL
- **Rating changes:** CANF

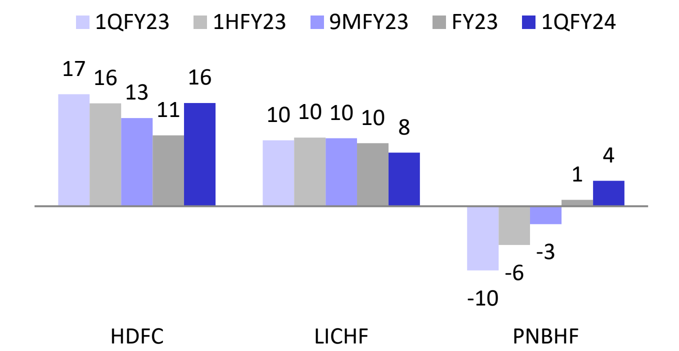
Guidance highlights: a) Broader guidance is for continued strong disbursement growth in FY24 along with improvement in asset quality that will lead to benign credit costs; b) MUTH continues to guide for ~15% YoY growth in gold loans and spreads of ~10% in FY24, while MGFL guided for stronger loan growth in the non-gold segments; c) BAF guided RoA of 4.6-4.8% and RoE of 22-23% and d) CIFC guided for credit costs of <1% in the Vehicle Finance business in FY24.

Exhibit 64: PBT up 35% YoY for our NBFC coverage universe*



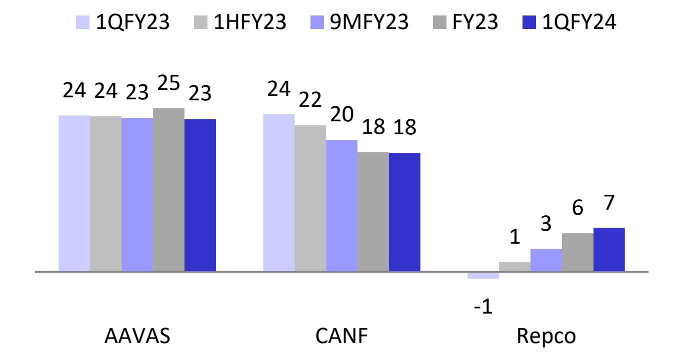
Source: MOFSL, Company, *MOFSL universe excl. PIEL and Indostar

Exhibit 65: HDFC and LICHF have been growing in line with the industry, while PNBHF has been quite a laggard



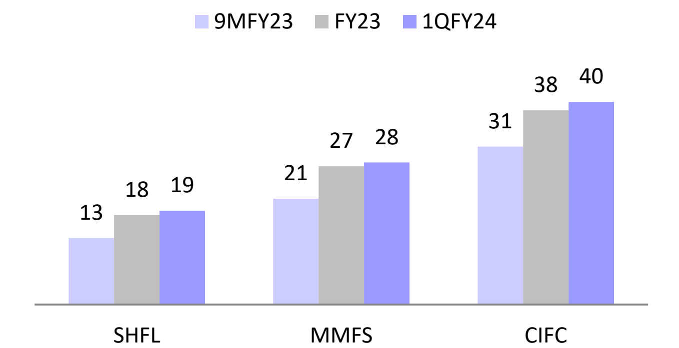
Source: MOFSL, Company;
Note: YoY AUM growth for large HFCs

Exhibit 66: Repco loan growth has been picking up; Aavas has been steady



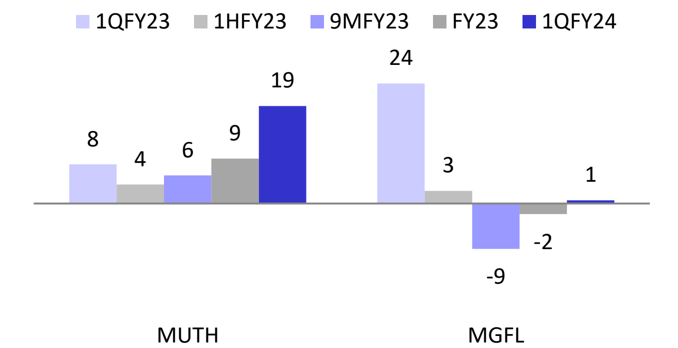
Source: MOFSL, Company;
Note: YoY AUM growth for affordable housing financiers

Exhibit 67: 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 68: Gold loan growth witnessing improvement



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

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

Exhibit 69: PAT up 44% YoY for our NBFC coverage universe*

INR m	NII			PPOP			PAT			NIM		
	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (bp)	QoQ (bp)
AAVAS	2,262	25.5	2.3	1,464	26.6	-11.3	1,097	23.0	-13.4	7.7	0.0	-0.3
ABCAP (NBFC)	14,337	61.2	6.8	9,967	63.3	13.9	5,160	54.0	13.7	6.9	0.6	-0.1
ABCAP (HFC)	1,900	28.4	12.4	895	2.1	-4.6	650	16.1	-	5.1	0.3	0.1
BAF	67,186	27.4	7.4	55,437	30.2	8.3	34,369	32.4	8.8	13.0	-0.2	-0.0
CANF	2,851	13.9	9.1	2,476	15.2	11.6	1,835	13.1	10.7	3.6	-0.1	0.2
CIFC	18,421	24.3	4.4	13,399	26.4	5.2	7,260	28.3	-14.9	6.7	-0.8	-0.3
HomeFirst	1,246	32.6	11.4	978	39.9	7.5	692	35.1	8.1	6.7	-0.0	0.2
LTHF	18,596	11.7	5.0	12,348	6.9	4.1	5,305	103.1	27.2	9.3	1.8	1.0
LICHF	22,094	37.2	11.0	20,098	38.8	14.7	13,237	43.0	12.1	3.2	0.7	0.3
MMFSL	15,844	5.3	-1.0	10,000	5.7	5.9	3,527	58.2	-48.5	7.5	-1.6	-0.5
MASFIN	935	24.9	5.0	946	33.8	6.7	573	23.1	3.1	6.7	0.1	0.2
MGFL	12,879	34.6	14.5	8,020	57.5	30.6	4,980	76.7	19.9	14.8	1.7	0.9
Muthoot	18,939	23.0	2.2	14,006	36.8	8.4	9,751	21.6	8.0	12.0	1.1	-0.7
PIEL	6,812	-31.6	-25.7	9,698	54.5	393.2	5,088	-93.8	-359.8	8.0	2.8	2.0
PNBHF	6,194	68.1	6.6	5,072	41.1	5.1	3,473	47.8	24.4	3.9	1.5	0.1
PFL	4,212	57.8	10.9	2,941	149.8	45.9	2,002	61.9	10.8	10.4	0.8	-0.4
REPCO	1,639	15.7	3.6	1,247	15.7	3.7	891	43.5	8.5	5.1	0.5	-
SHFL	42,004	9.7	0.5	31,262	5.3	1.5	16,754	25.1	28.1	8.9	-0.7	-0.3
CREDAG	3,849	37.6	11.4	5,438	88.3	8.1	3,485	151.3	17.5	13.0	1.9	0.8
FUSION	2,955	58.7	6.9	2,354	95.8	6.5	1,205	60.2	5.2	10.9	1.5	0.3
SPANDANA	2,934	99.3	8.5	1,891	273.5	-27.5	1,195	-154.4	13.2	14.7	3.7	-0.5
Total (ex Piramal)	**2,61,276**	**25.1**	**5.6**	**2,00,239**	**28.5**	**7.7**	**1,17,440**	**44.1**	**7.7**			

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

Exhibit 70: Advances/AUM growth

INR b	Advances/AUM		
	1QFY24	YoY (%)	QoQ (%)
AAVAS	147	23.2	3.4
ABCAP (NBFC)	859	48.5	6.6
ABCAP (HFC)	145	20.4	5.1
BAF	2,701	32.4	9.2
CANF	325	18.0	3.0
CIFC	1,148	40.1	7.8
HomeFirst	78	33.3	8.0
LTHF	786	-10.8	-2.9
LICHF	2,764	8.1	0.5
MMFSL	867	28.1	4.8
MASFIN	84	25.9	4.0
MGFL	371	20.6	4.6
Muthoot	676	19.3	7.0
PIEL	639	-1.0	-0.1
PNBHF	673	3.8	1.1
PFL	178	41.0	10.1
REPCO	127	6.7	1.7
SHFL	1,932	18.6	4.1
CREDAG	218	39.7	3.7
FUSION	97	31.4	4.5
SPANDANA	88	60.5	4.0
Total	**14,904**	**19.0**	**4.2**

Source: MOFSL, Company

Exhibit 71: Asset quality snapshot

	4QFY23			1QFY24			Change (bp)		
Asset Quality (%)	GNPA	NNPA	PCR	GNPA	NNPA	PCR	GNPA	NNPA	PCR
AAVAS	0.9	0.7	26.9	1.0	0.7	26.9	7	5	5
ABCAP (NBFC)	3.1	1.7	46.2	2.8	1.5	46.6	-32	-18	40
ABCAP (HFC)	3.2	NA	NA	2.7	NA	NA	-56	NA	NA
BAF	0.9	0.3	63.8	0.9	0.3	64.8	-7	-3	97
CANF	0.6	0.3	52.3	0.6	0.3	46.6	8	8	-571
CIFC	3.0	1.7	46.0	3.1	1.7	45.4	5	5	-59
HomeFirst	1.6	1.1	34.0	1.6	1.1	31.0	3	7	-292
LTFH	4.7	1.6	69.3	4.0	1.6	71.4	-70	0	215
LICHF	4.4	2.5	44.8	5.0	2.9	42.3	59	47	-252
MMFSL	4.5	1.9	59.5	4.3	1.8	60.1	-14	-9	68
MASFIN	2.0	1.2	38.6	1.8	0.9	47.6	-26	-32	894
MGFL	1.3	1.1	NA	1.4	1.2	NA	10	10	NA
Muthoot	3.8	NA	NA	4.3	NA	NA	46	NA	NA
PIEL	3.3	1.8	49.5	2.4	1.3	48.0	-91	-48	-151
PNBHF	3.8	2.8	28.8	3.8	2.6	32.0	-7	-17	326
PFL	1.4	0.8	46.2	1.4	0.8	46.5	-2	-2	31
REPCO	5.8	3.0	49.6	5.5	2.8	51.4	-28	-25	179
SFL	6.2	3.3	50.1	6.0	3.1	52.5	-17	-25	240
CREDAG	1.2	0.4	65.7	0.9	0.3	69.6	-32	-15	390
FUSION	3.5	0.9	75.5	3.2	0.8	76.2	-26	-9	72
SPANDANA	2.1	0.7	69.3	1.6	0.5	70.1	-44	-16	80

FINANCIALS – NON-LENDING: Strong performance by capital market-related stocks; GI players report higher claim ratios

- **Recovery in cash volumes but weak client addition:** In 1QFY24, ADTO for stock exchanges was higher by 17% QoQ to INR252t. F&O volumes remained buoyant in 1QFY24 (up 17% QoQ), while cash volumes saw a strong comeback (up 18% QoQ). In the retail segment, while total/F&O ADTO grew 14% each QoQ and cash ADTO recovered by registering 5% QoQ growth. Overall positive market sentiment continued throughout 1QFY24, with the Nifty50 reaching an all-time high. The number of Demat accounts increased by 6m in 1QFY24 (vs. 6.2m in 4QFY23) to 121m. In terms of NSE active clients, there was a decline of 1.8m accounts in 1QFY24 (vs. 2.7m in

4QFY23). For ANGELONE, the number of orders declined 5% QoQ, resulting in a 4% QoQ decline in gross broking revenue primarily due to fewer trading days.

- **Software migration still an overhang for MCX; traction in re-launch of derivatives for BSE:** The tech transition continues to loom over MCX, with the 63moons contract further extended until Dec'23 at a higher cost of INR1.25b per quarter. However, MCX's volumes continue to be on a strong footing with options volumes jumping 33% QoQ. Profitability was hit by higher software costs. BSE had re-launched derivative contracts on Sensex and Bankex in May'23. It is witnessing healthy traction from market participants. Transaction charges grew 23% YoY owing to improvement in cash volumes and a higher contribution from mutual funds (Star MF). BSE divested a 5% stake in CDSL with profit amounting to INR4.06b. Considering this, the board has approved 3.39% share buyback via a tender route.
- **General insurers see high claim ratios:** In 1QFY24, the general insurance industry registered strong growth of 18% YoY in GDPI to INR642b, led by 21%/21%/6% growth in Health/Motor/Fire. Growth in the Motor segment's premium was driven by high vehicle sales and premiumization. In the Health segment, Group Health/ Retail Health grew 23%/18% YoY. Among our coverage names, ICICIGI's GDPI grew 20% YoY to INR66b, led by strong growth across segments (except for Fire). STARHEAL's GDPI rose 20% YoY to INR29b. Retail Health grew 19% YoY, while Group Health grew 28% YoY. Profitability missed estimates for both companies, with the loss ratio coming higher than expected for both entities (310bp/140bp for ICICIGI/STARHEAL). Both ICICIGI and STARHEAL missed our expectations.
- **Strong performance by asset management firms:** AUM of the MF Industry stood at INR44.8t as of 1QFY24, up 21% YoY/12% QoQ. Equity AUM grew 11% QoQ, while non-Equity AUM grew 13% QoQ. Inflows stood at INR1.77t compared to INR17b in 4QFY23. SIP flows continued to gain traction with INR432b flows in 1QFY24 vs. INR418b/INR364b in 4QFY23/1QFY23. For CAMS, while MF business saw some pressure on yields, non-MF business share has increased to 12.6%. For 360ONE, inflows continued to be on a strong trajectory but costs were higher than estimates due to employee costs.

Valuation and view: Since the end of 1QFY24, the equity market has continued its strong rally, led by rising FII/DII flows as the central bank has paused its interest rate hike trajectory. Strong FFI/DII flows have boosted option volumes, resulting in consistently strong performance by capital market-related players such as brokers and exchanges. The customer acquisition trend remained muted, but with low penetration, we expect it to recover in the medium term. During the quarter, primary market activity has gained some momentum. For MCX, the transition to the TCS platform remains the key monitorable. Once the transition is complete, cost savings and product launches will boost its performance. General insurers will continue to witness strong premium growth and improvements in profitability, led by improving Health Insurance loss ratios, better pricing for Motor TP and a low expense ratio with scale benefits.

- **Surprises:** 360ONE WAM,
- **Misses:** ANGELONE, CAMS, STARHEAL, ICICIGI

Guidance highlights:

- **ANGELONE:** Angel One is in the process of creating the entire infrastructure and has incorporated the Trustee and AMC. Angel One will soon be launching personal loan distribution, followed by credit cards. The company plans to focus only on distribution and not take any risk on its own balance sheet. Also, there will be increased thrust toward developing the AP channel.
- **360ONE:** The company aims to significantly reduce the share of transaction revenues, which currently stands at about INR3.7b. The previous guidance remains intact but in the worst-case scenario, revenues of about INR750-1,000m could shift from ARR to TBR.
- **CAMS:** CAMS expects 20% contribution from the non-MF business over the next two to three years. At an aggregate level, EBIDTA margins stood at mid to higher 20's (with AIFs in 40s). Margins are expected to scale up gradually. CAMS invests ~INR 180-200m annually in the non-MF business in the following order of preference - account aggregator business, NPS business, MFCentral, and then insurance
- **BSE**: BSE had re-launched derivative contracts on Sensex and Bankex in May'23 and is witnessing healthy traction from market participants. BSE charges INR500 per INR10m of premium turnover and this shall change once BSE gains sustainable momentum in overall equity derivatives volumes.

- **MCX:** The non-completion of necessary audits and other compliances delayed the software transition. In Aug'23, MCX plans to conduct mock runs for member brokers. Earlier, the audits were done as a parallel activity but now the systems are audited sequentially. MCX plans to introduce more options contracts once the software transition is completed.
- **STARHEAL:** STARHEAL hikes the price of the Family Health Optima plan (renewal plan), with effect from 1st May'23. The earnings benefits would accrue in 2HFY24. The company has maintained its guidance for a combined ratio to be in the range of 93-95% and claims ratio at 63-65%.
- **ICICIGI:** EOM would rationalize expenses for the Motor OD segment. There was a continuous improvement in Motor OD on account of better sourcing and claims management using data analytics. Growth in new private cars has come back on a relatively better claims ratio. Investments have been made to accelerate growth in Health distribution. Pricing accretion has been seen in Group Health.

Exhibit 72: Quarterly performance

INR m	Revenue			EBITDA			PAT		
Broking/Wealth	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (%)	QoQ (%)
ANGELONE	5,198	23	-2	3,056	23	-18	2,208	22	-17
ISEC	9,344	17	6	3,644	-1	3	2,708	-1	3
Exchanges									
MCX	1,458	34	9	107	-78	416	197	53	261
BSE	2,156	15	-5	719	17	-31	4,401	1000	397
AMCs									
CAMS	2,613	10	5	1,101	12	1	757	17	2
IIFLWAM	4,050	8	3	1,960	-6	-6	1,850	18	19
General Insurance	Gross Premium			Underwriting Profit/(Loss)			PAT		
	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (%)	QoQ (%)	1QFY24	YoY (%)	QoQ (%)
ICICIGI	66,221	7	-5	-3195	N.A	N.A	3,903	12	-11
STARHEAL	29,468	20	-30	1454	-7	N.A	2,879	35	183

Source: MOFSL, Company

HEALTHCARE: Quarter's Gem: US Generics leading from the front!

- 1QFY24 performance of the pharma companies under our coverage universe exhibited in-line sales. EBITDA/PAT outperformed our estimates, driven by a significant decrease in price erosion, heightened momentum in higher-margin niche products, and successful mitigation of cost pressures. Sales/EBITDA/PAT grew 16%/31%/24% YoY on an aggregate basis for 1QFY24. Within hospitals, MAXHEALTH delivered a slight miss on EBITDA, while APHS operational performance was in line with our estimates for the quarter.
- 7 out of 21 companies exhibited below expected performance for 1QFY24. Specifically, LAURUS/GRAN/BIOS/GLXO/GNP/ALPM/IPCA/DIVI missed earnings estimate by 75%/26%/26%/21%/13%/10%/ 10%/9% for 1QFY24. 5 out of 22 companies delivered significant beat on estimates. DRRD/LPC/ZYDUSLIF/GLAND/AJP beat our estimates by 52%/37%/27%/27%/23% for the quarter.
- **US sales** delivered robust 27% YoY (in cc terms) growth on an aggregate basis for the companies under coverage. The YoY growth would be multi-quarter high in 1QFY24. The US sales grew 10% QoQ to USD2.2b, due to abatement of price erosion and niche launches. Interestingly, companies having exposure to US generics have a good pipeline of limited competition products, which would not only offset the impact of price erosion, but also sustain the growth momentum.
- Company-wise, DRRD delivered the highest YoY growth of 69% in US sales, led by limited competition products such as g-Revlimid. In fact, g-Revlimid has led robust YoY growth of 48%/43% for ZYDUSLIF/CIPLA as well. Market share gain in g-Lanreotide also supported YoY growth for Cipla. Superior execution in the specialty portfolio led to 10.5% YoY growth in US sales for SUNP. LPC delivered 50% YoY growth, due to robust demand for products such as Albuterol, Lisinopril, and Suprep, and the low base of last year. However, ALPM witnessed 2% YoY decline in US sales, due to continued price erosion in the US and limited improvement due to new launches.
- On an overall basis, companies within our research coverage have filed 33 ANDA in total and received approvals for 51 ANDA in 1QFY24.
- On an aggregate basis, **Domestic formulation (DF)** exhibited YoY growth of 8% for 1QFY24. Therapy-wise, pain/respiratory/anti-infectives/cardiac each delivered 10% YoY growth for the quarter. Among the companies

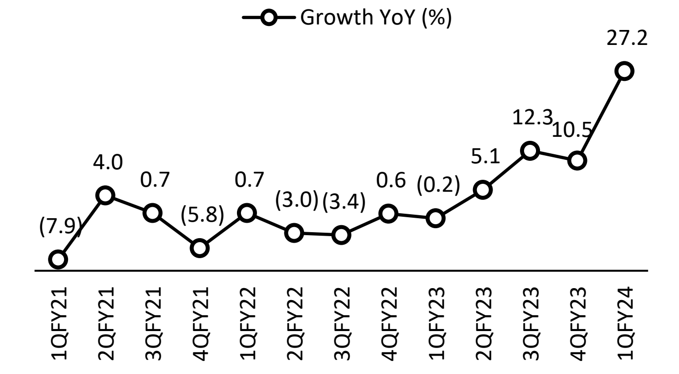
under coverage, ERIS delivered the highest YoY growth of 17%, while IPCA/TRP/AJP delivered 14% YoY growth each. TRP/ERIS growth was supported by inorganic initiatives. Due to the addition of products under the NLEM list, GLXO exhibited moderate 3% YoY sales growth for the quarter.

- Under our coverage, 12 companies have seen earnings downgrades, while 11 has seen earnings upgrades. The maximum downgrades in FY24/FY25 earnings were seen in PIRPHARM (46%/45%), BIOS (14%/5%), and GRAN (12%/4%). Conversely, ZYDUSLIF (9%/4%), LPC (9%/6%), GLAND (9%/5%), ERIS (8%/5%), and AJP (8%/8%) witnessed maximum upgrades in earnings estimates.
- **Top picks: SUNP, MAXHEALTH**
- **Surprises:** DRRD, LPC, ZYDUSLIF, GLAND, CIPLA, AJP
- **Misses:** ALPM, BIOS, GRAN, GLXO, LAURUS

Guidance highlights

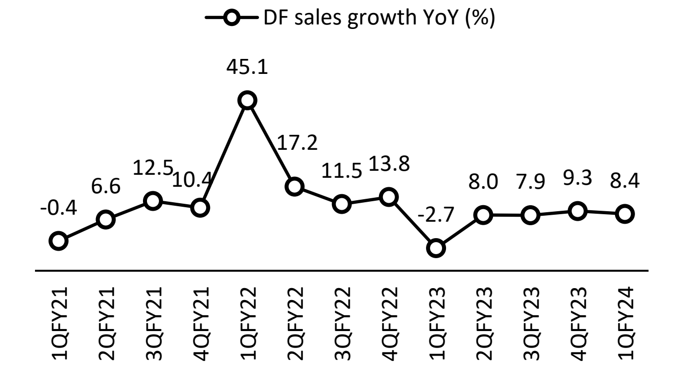
- **SUNP** is accelerating the enrollment of patients in phase III clinical trials of Illumya and also starting phase II clinical trials for GL0034 shortly.
- **DRRD** expects gross margin to be 56-59% for FY24. The product pipeline for the China market is on track and expects good traction FY25 onwards. DRRD guided R&D spend to be INR5b for FY24, of which 20% would be in biosimilars.
- **DIVI's** is working on the contrast media/sartans products and products nearing patent expiry, which are poised to be significant drivers of growth. It intends to capture gadolinium-based contrast media opportunity FY25 onwards.
- **CIPLA** has raised the guidance to 23% EBITDA margin in FY24 from its earlier 22%. It expects a quarterly run rate of USD210-215m in the US market, aided by reduced competition/lesser price erosion and market share gains.
- **BIOS** guided mid-teen growth in the generic business in FY24. BIOS has launched Hulio (b-adalimumab) and expects gradual traction. Further, BIOS guided capex of USD150m/USD80-100m/USD80m for biologics/generics/research services.
- **LPC** guided to launch g-Spiriva in 2QFY24. G-Prolensa is another near-term opportunity for LPC. DF growth would be affected in the near term as its flagship brand Ondero would go off patent.
- **APHS** guided for combined Pharmacy EBITDA margin to improve with new stores achieving breakeven. APHS plans to add 500-600 stores in FY24. The management indicated that ARPOB is expected to grow to INR60k with optimization of case/payer mix by FY24.
- **LAURUS** guided for stable sales YoY in FY24. It expects commercial validation batch in animal health contract to be introduced from 2HFY24, with plans for subsequent scaling in FY25 and beyond. LAURUS has secured multi-year contract with the global crop protection company and manufacturing is scheduled to commence from 2HFY25 onwards.
- **GNP** guided for YoY sales growth/EBITDA margin of 10-11%/19-20% for FY24. GNP guided for 8% YoY growth in DF sales, while mid-single digit growth for the US in FY24. It expects the EU market to grow at 25-30% YoY in FY24. Ryaltris sales is expected to be USD40-45m in FY24.
- **ZYDUSLIF** expects high single-digit YoY growth in US sales, while DF business growth is expected to be in line with the market in FY24. Overall EBITDA margin is expected to expand by 150-200bp YoY in FY24. It expects the introduction of g-Vascepa and REMS products in 3QFY24 and two transdermal products by the end of FY24.
- **GLAND** would launch 12-13 products in FY24. It indicated the launch of a niche product in 4QFY24/1QFY25. GLAND plans to introduce a product in the Chinese market in the near term. Cenexi entered into a new CDMO contract for a Liposomal product.
- **TRP** expects tender wins to drive growth in Germany. It expects a favorable response from the USFDA for its Dahej site. With a good response to its pilot program for Shelcal 500, TRP is geared up to start a national campaign for it.
- **MAXHEALTH** has planned a capex of INR9b in FY24. Alongside the 44 beds recently added at Shalimar Bagh, an additional 40 beds are scheduled for inclusion in FY24. Furthermore, the completion of Mohali and Nanavati hospitals is targeted to be completed by 4QFY25.

Exhibit 73: The US sales grew 27.2% YoY in 1QFY24



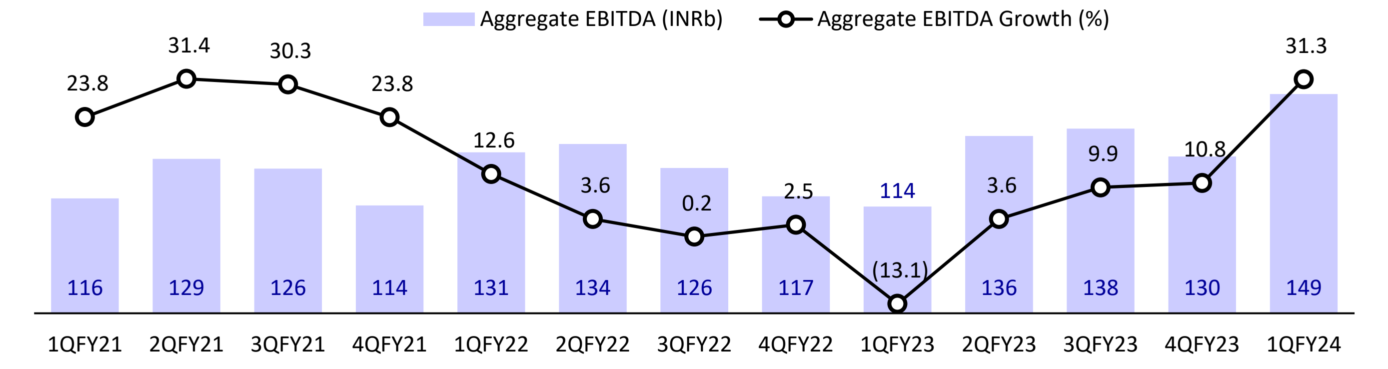
Source: MOFSL, Company

Exhibit 74: DF sales grew 8.4% YoY in 1QFY24



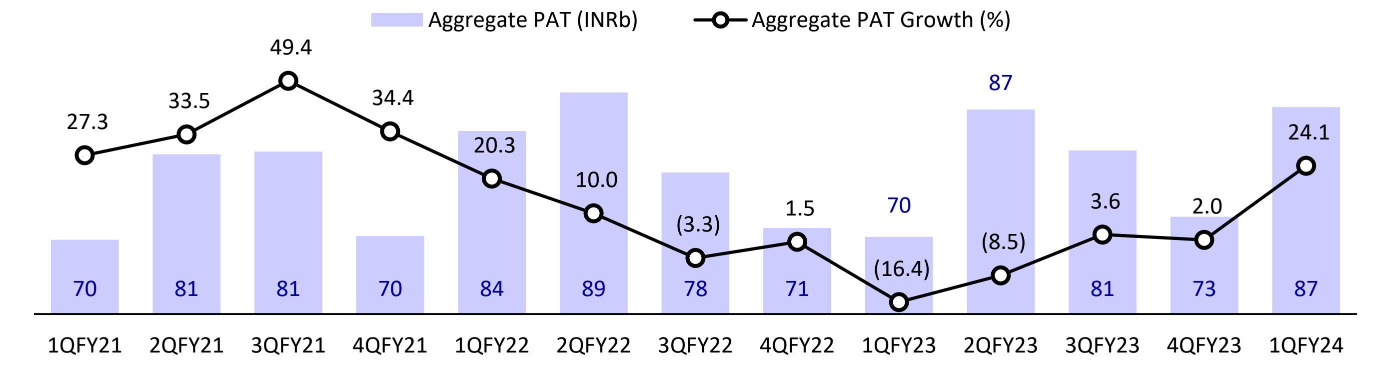
Source: MOFSL, Company

Exhibit 75: Aggregate EBITDA up 31.3% YoY to INR149b in 1QFY24 for pharma universe



Source: MOFSL, Company

Exhibit 76: Aggregate PAT up 24.1% YoY in 1QFY24 for pharma companies under coverage



Source: MOFSL, Company

Infrastructure: Execution & order inflows muted, order book & tender pipeline robust

- **Execution remains subdued due to a delay in appointed date/LoA:** Infrastructure companies within our Coverage Universe (excluding IRB) reported 8% YoY decline in 1QFY24, which is a seasonally soft quarter for road construction companies. KNR's revenue grew ~4% YoY. GRIL saw 13% YoY decline in execution as it is yet to receive an appointed date for some of the projects. Execution is expected to be strong in 2HFY24 across our Coverage based on the strong order backlog and recent receipt of appointed dates in certain projects.
- **Order book remains robust, providing visibility for the next two years**: Order book of several road construction companies picked up as NHAI's awarding increased in the last quarter of FY23. Further, push towards infrastructure development, smart irrigation and higher allocation to Jal Jeevan Mission (JJM) in the Union Budget of 2023 has led to higher order inflows from sectors such as railways, metros, and irrigation. GRIL is witnessing a robust order pipeline (~INR900b worth of projects), which is likely to be bid in the next two months. It expects to secure orders worth INR200b in FY24.

- **Elevated input costs keep margins under check:** Companies within our Coverage reported 350bp YoY drop in EBITDA margin due to elevated input costs in 1QFY24 and also because of higher base of 1QFY23 led by certain one-offs like early completion bonus received. Though Steel and Aluminum prices have corrected ~23% and 34%, respectively, from their highs in Apr'22, the prices continue to remain at elevated levels. Besides, cement prices have increased ~5% from their lows in Jul'22, mainly due to input cost pressures. Most of the contractors, however, are expecting improvement in margins in FY24.
- **Awarding activity picks up pace post-May'23:** Project awarding activity picked up pace in 4QFY23, with NHAI awarding total projects of 6,003km in FY23. Following a relatively subdued beginning of FY24, the NHAI started awarding projects in Jun'23. The pace of awarding escalated in Jul'23, with additional four projects being awarded, encompassing ~300km. The tender pipeline is robust and most of the companies have guided for strong order inflows in FY24.
- **Companies focus on asset monetization:** In FY24, NHAI plans to monetize 1,987km of highways through ToT/ InvIT/toll securitization modes. It has identified 30 national highway sections for the same. In line with this, a majority of companies in the sector is focusing on freeing up capital and bidding for additional projects by selling assets through various avenues. In addition, some companies are in discussions with potential buyers to sell stakes in BOT assets.
- **Top picks:** Although 1QFY24 witnessed sluggish order inflows, the order books for most road construction companies remain robust due to significant order inflows in 4QFY23. Additionally, there is a robust order pipeline indicating growth potential for the upcoming quarters. Execution is expected to improve in 2HFY24. Companies with substantial order backlogs, solid financial positions, and involvement in multiple segments are well-positioned to benefit from project awarding in FY24. Our preferred choice in the space is KNR.

Exhibit 77: Revenue decreases 8% YoY for our Coverage Universe

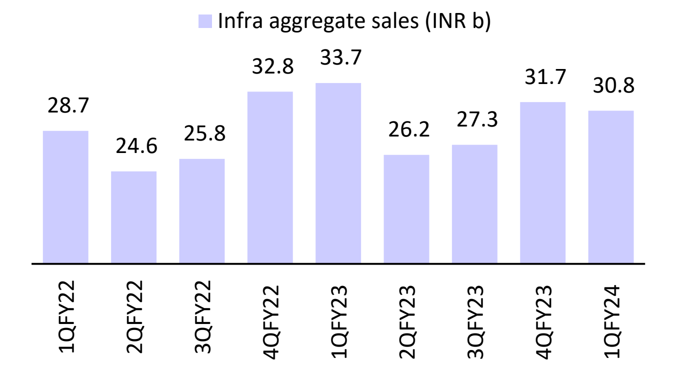


Exhibit 78: Gross margin remains under pressure

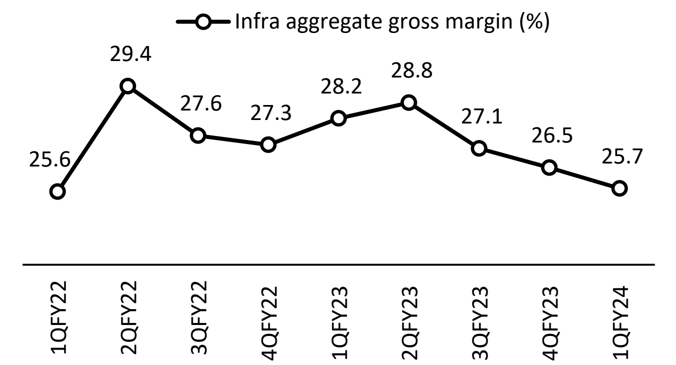


Exhibit 79: EBITDA margin contracts 350bp YoY

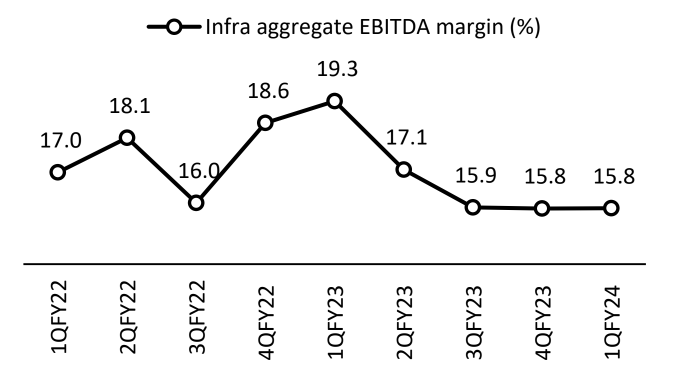
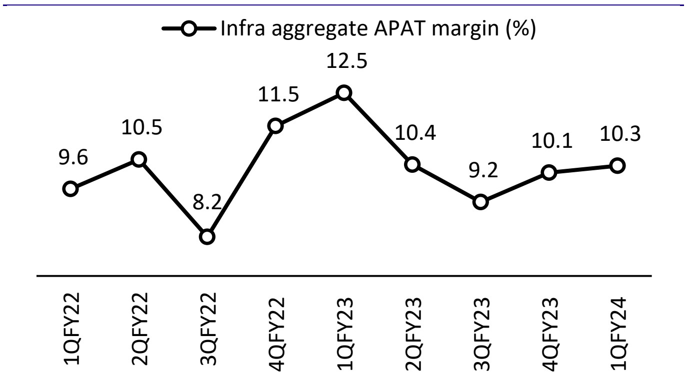


Exhibit 80: Weak operating performance hurts PAT margin on YoY basis



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

Logistics: Volume growth subdued and margins under pressure; expansion of infrastructure remains the focus area for most of the logistics companies

- **Economic activity muted in 1QFY24:** Logistics companies within our Coverage Universe reported flattish revenue growth on YoY basis. After witnessing decent demand in end-FY23, the first quarter has been muted primarily due to high inflation and lower discretionary spends. Demand moderation has also been visible in the e-Commerce segment and capacity utilization has remained subdued. As the festive season-induced demand kicks in from 2QFY24, the capacity utilization is expected to improve.
- **Margins continue to remain under pressure YoY:** Average gross margin for our Coverage Universe stood at 30.5% in 1QFY24 (down 70bp YoY/down 40bp QoQ). Margin remained under pressure on YoY basis due to elevated fuel prices, higher toll charges, subdued EXIM volumes and moderation of demand in the e-commerce segment. Elevated Aviation Turbine Fuel (ATF) prices continue to hurt margins of air express logistic companies; however, management of Bluedart Express Ltd (BDE) – which holds 60% market share in organized air express market – has indicated that high ATF prices or the disparity between Brent and ATF prices will not significantly hit margins in future.
- **Volume shift in favor of organized players supported by policy changes:** Regulatory changes such as GST implementation, e-way-bills and reduction of turnover limit for e-invoicing have led to a shift in volumes in favor of organized players from the unorganized ones. Express companies, in particular, are proactively responding to this shift by expanding their infrastructure. They are exploring opportunities to add aircraft and storage facilities such as sorting centers to cater to the anticipated surge in demand.
- **Top picks**: VRLL is our preferred choice in this space.

Guidance

- **TRPC:** Management is actively working towards increasing the share of LTL revenue to 40% by FY25E, which will lead to margin improvement in the freight division. It is confident to maintain a 20% growth rate in the Supply Chain business in FY24E. In FY24, TRPC expects only one ship to undergo dry-dock maintenance, resulting in a higher capacity availability vs. FY23. To bolster its volumes, the company aims to acquire an additional ship into its fleet in FY24E.
- **BDE:** As capacity increases gradually, BDE's standalone EBITDA margin is anticipated to reach ~12%. High ATF prices continued to hurt margins during the quarter. However, ATF prices have corrected materially during 1QFY24 and the positive impact of the same could be more visible in 2QFY24E.
- **CCRI:** CCRI expects volumes to improve in the coming quarters and has kept its volume growth guidance unchanged for FY24, with EXIM volumes likely to grow at 10% in FY24. It believes Land License Fees (LLF) to be at INR5b in FY24E.
- **MAHLOG:** Management is focusing on volume recovery in the express business, which experienced a loss of 25-30% on baseline volume during integration. Volumes have already started to recover from Jul'23, and the aim is to achieve breakeven at EBITDA level by 2HFY24.
- **TCIE:** The management targets to increase the share of value-added services to 25% of total revenue by FY25. The MSME sector is likely to play a significant role ahead. TCIE aims to achieve an annual margin expansion of 100bp, with efforts to improve margins by around 75-80bp in FY24. Utilization is expected to remain above 85%, with the introduction of new value-added services such as rail express.
- **VRLL:** After sale of non-core businesses, VRL is now a pure play GT operator. VRL has introduced a barcode/QR mechanism for handling consignments. Although there were some initial interruptions, the operations are now back on track. The implementation of QR codes has significantly improved the turnaround time for vehicles, reducing it to 2-3 hours from 4-5 hours. VRLL expects volumes to improve in the coming quarters and has kept its 15% volume growth guidance unchanged for FY24.

Exhibit 81: Sales remain flattish YoY for our Coverage Universe

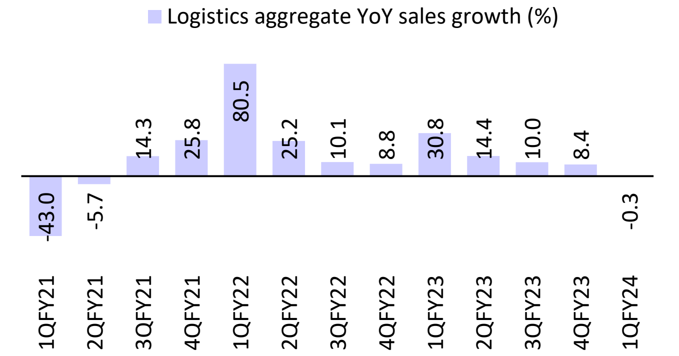


Exhibit 82: Margins decline YoY due to subdued logistics activity

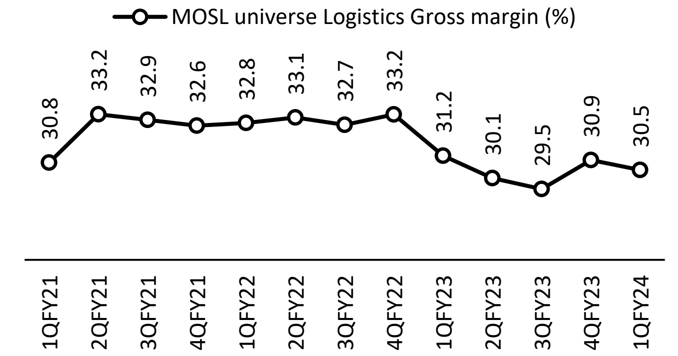
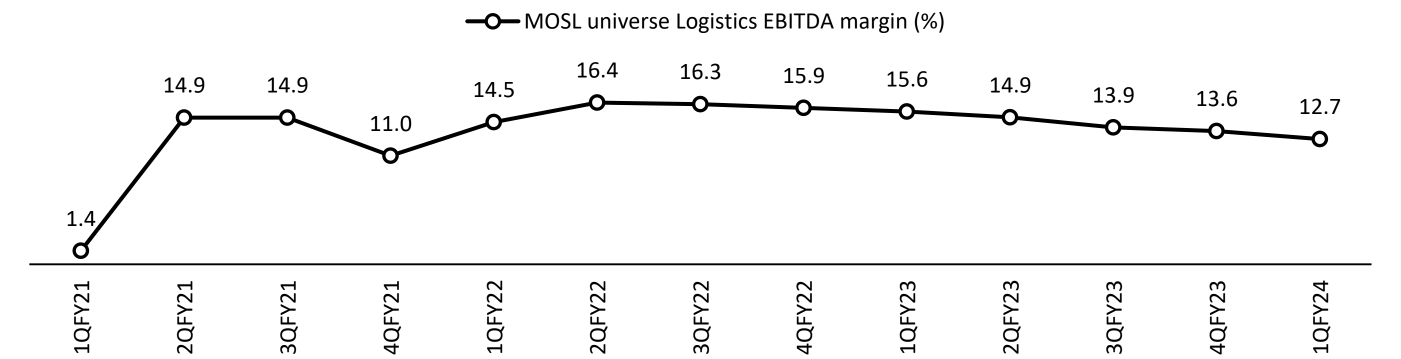


Exhibit 83: EBITDA margin under pressure



Source: Company, MOFSL

METALS: Ferrous and non-ferrous performances deteriorate QoQ and YoY owing to higher costs; mining continues to outperform

- **Volumes stable amid global volatility:** Ferrous sales volume dipped 11% QoQ but improved 16% YoY driven by higher dispatches in the domestic market and higher share of VAP. Steel manufacturers have kept their FY24E sales target unchanged, indicating a robust pick-up in domestic demand especially in 2HFY24. SAIL is expected to sell 19mt in FY24E, JSTL is likely to sell ~25mt while TATA has maintained its guidance of an incremental sale of 1.5mt for FY24.
- **Revenue under pressure as ASP's remain soft:** Metals and mining companies within our Coverage Universe reported 4% YoY decline in revenue during 1QFY24 (down 8% QoQ). While revenue of ferrous companies was flat YoY and down 9% QoQ, non-ferrous revenue dipped 11% YoY and 8% QoQ. Revenue for mining companies rose 4% YoY and was down 6% QoQ. ASP for the ferrous coverage universe improved by an average of INR1,300/t QoQ. JSTL witnessed the best increment in ASP of INR2,011/t QoQ, while SAIL's ASP improved ~INR468/t QoQ.
- **EBITDA/t drags due to higher input costs:** EBITDA/t for the ferrous sector (except for JSTL) was down in 1QFY24, owing to higher input costs. JSTL's EBITDA/t was up 2% QoQ and 29% YoY to INR12,340/t. COAL's EBITDA/t improved INR135/t QoQ (up 29% QoQ) and NMDC's EBITDA/t improved INR74/t to INR1,816/t. HNDL witnessed an improvement in EBITDA/t across downstream/Novelis, which was up by 45%/11% QoQ due to higher price/mix improvement.

Capacity enhancement: **a) Ferrous:** TATA is doubling its existing crude steel capacity to 40mt from 21mt. Similarly, JSP is also undertaking INR240b expansion, which will augment its crude steel capacity to 15.9mt by FY25E from 9.6mt. JSTL is expanding its domestic steel capacity to 37mt. **b) Non-ferrous**: HNDL is expanding its FRP and extrusion capacity. Similarly, HZ is also undertaking multiple capex, which will augment its mined metal capacity to 1.35mt from 1.2mt. **c) Mining:** NMDC is increasing its capacity to 70mt from 50mt.
We have a BUY rating on JSP, NMDC, HNDL and COAL.

- **Top picks:** COAL and JSP

Guidance highlights:

- **TATA:** Management expects realization in India to be lower by ~USD40/t and European operations' ASP is expected to be lower by USD48/t. However the reduction in coal cost by USD57/t for India and USD46/t for Europe should provide cushion. Volume increment for FY24E is kept unchanged at 1.5mt.
- **JSTL:** JSTL expects to sell around 25mt of steel in FY24 and expects the coking coal cost to reduce by USD45-50/t in 2QFY24.
- **SAIL:** Management expects to clock sales of 19mt in FY24 and the coal cost is expected to reduce by INR2,800-3,800/t QoQ.
- **JSP**: Management did not provide sales and production guidance. JSP signed mining lease for Gare Palma IV/6 and Utkal C, with total R&R of 294mt and EC 7.37PRC p.a.
- **HNDL:** Novelis revised its EBITDA/t guidance upwards for the next few quarters to USD450-500 from USD425-450 while maintaining its long-term sustainable EBITDA/t target at USD525/t, which is expected to be achieved by 4QFY24. Coal cost is likely to reduce by 3% in 2QFY24. Going forward, linkages which stood at 41% is expected to improve to ~57-60% and are expected to remain at similar levels.
- **VEDL:** Management has maintained its zinc CoP guidance at USD1,125-1,175/t for FY24. VEDL has recently acquired Sijimalli bauxite mines with proven reserves of ~311mt, which is expected to commence production from 3QFY25. The first phase, Train-I, with a capacity of 1.5mt at Lanjigarh, is expected to be operational in 3QFY24. Following that, Train-II, an additional 1.5mt capacity, is projected to be operational by the end of FY24. Post-expansion, it will take the VAP portfolio of VEDL Aluminum to 90% from 60%.

Exhibit 84: Domestic spot steel spreads (USD/t) contracted and is currently below the LTA

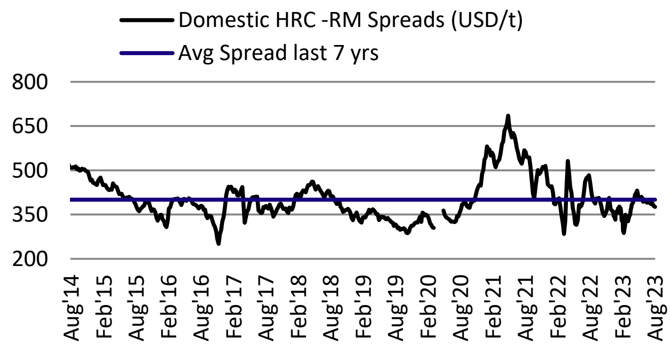


Exhibit 85: Coking coal (USD/t), which moderated in 1QFY24 has started moving up over the last few weeks

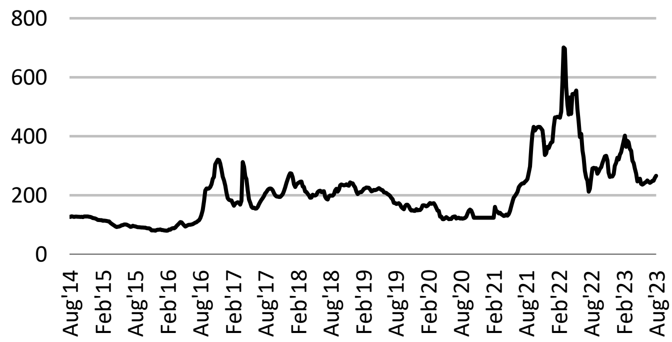
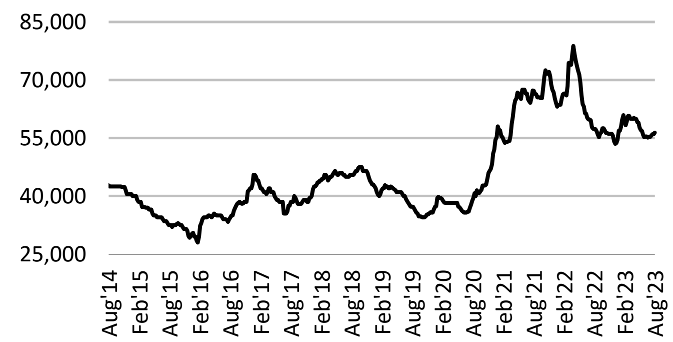
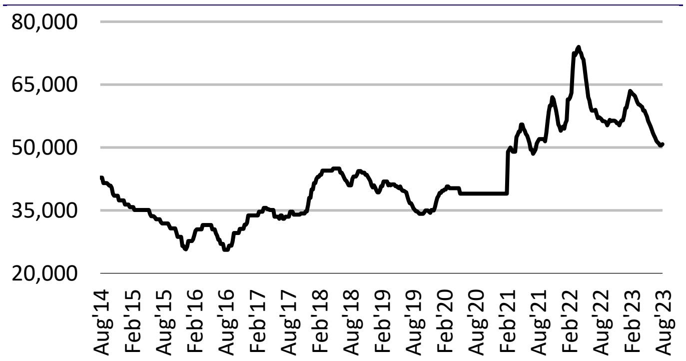


Exhibit 86: HRC (INR/t) has started improving over the last few weeks



Source: MOFSL, Steelmint

Exhibit 87: Rebar (INR/t) prices witnessed first price uptick recently after a gap of six months



Source: MOFSL, Steelmint

Exhibit 88: Aluminum prices (USD/t) have remained range bound over the last few quarters

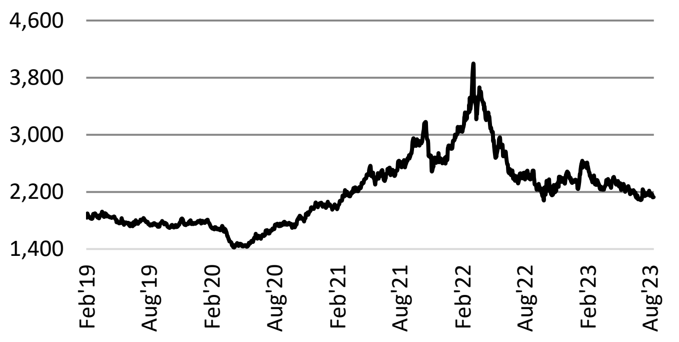


Exhibit 89: Zinc prices (USD/t) have witnessed maximum price correction in 1QFY24

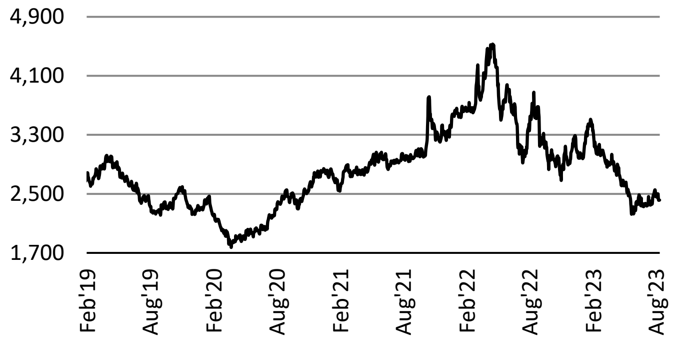
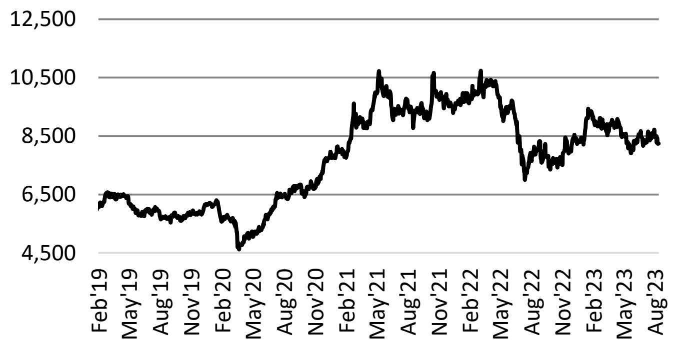
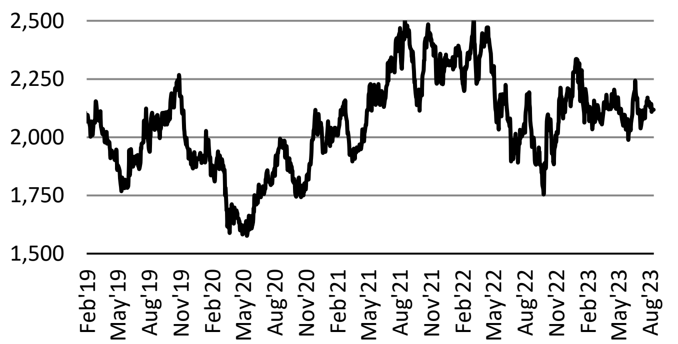


Exhibit 90: Copper prices (USD/t) have posted improvement in 2QFY24



Source: MOFSL, Bloomberg

Exhibit 91: Lead prices (USD/t) have remained range bound; lead is a recession-proof base metal



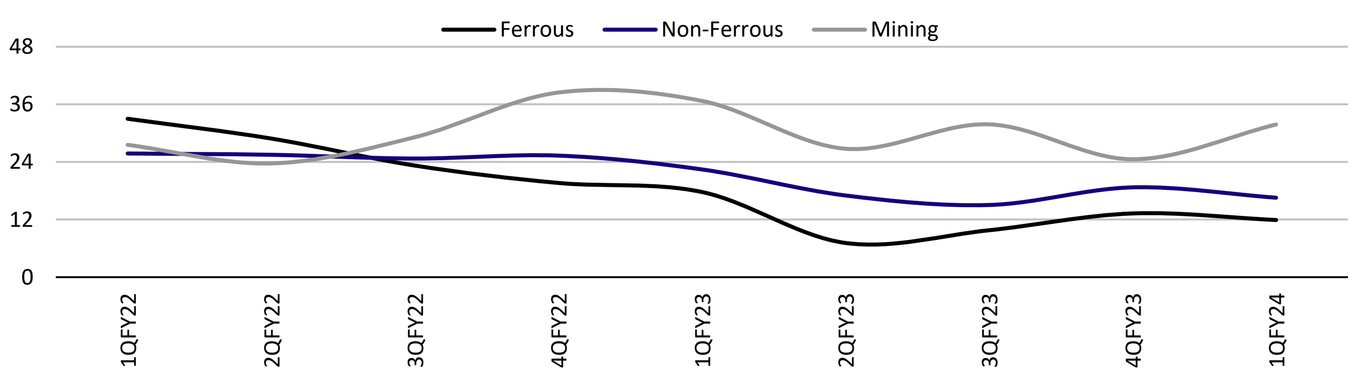
Source: MOFSL, Bloomberg

Exhibit 92: EBITDA/t for steel companies under our coverage (Consolidated)

EBITDA/t	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
JSW Steel	29,608	27,198	23,355	17,903	9,597	3,052	7,963	12,158	12,340
Tata Steel	22,659	22,268	22,673	18,764	22,584	8,382	5,661	9,279	7,186
SAIL	19,728	16,395	8,881	9,237	7,295	1,740	5,003	6,226	4,241
JSPL	28,192	21,569	18,188	14,761	17,200	7,559	12,513	10,775	14,283

Source: MOFSL, Company

Exhibit 93: EBITDA margin (%) for steel, non-ferrous, and mining; in the last nine quarters, mining has commanded a better EBITDA margin within the sector



Source: MOFSL, Company

OIL & GAS: OMCs disappoint; margins better than expected for CGDs, except for GUJGA

- **Overall performance:** Revenue was above our estimate (down 9.6% YoY), mainly driven by BPCL, HPCL and ONGC. Excluding OMCs, revenue was in line with our estimate (down 11.4% YoY). EBITDA missed our estimate (up 70.8% YoY), but AGIS, IGL, MAHGL and ONGC posted a beat. Excluding OMCs, EBITDA was in line with our estimate (down 14.8% YoY). PAT was also below our estimate (~2.6x YoY). PAT, excluding OMCs, was in-line with our estimate too (down 24.3% YoY).

- **OMCs – GRM lower than expected, marketing gross margin robust:** Implied marketing gross margin (including inventory) for OMCs improved to INR8.8/liter (from INR3.1/liter in 4QFY23), owing to lower Brent prices and unchanged retail fuel prices during the quarter. OMCs are estimated to be earning marketing gross margin of INR9.3/INR10.0 per liter on petrol/diesel in 2QFY24 to date. Benchmark Singapore GRMs have increased to USD8.6/bbl in 2QFY24 till date, which may lead to improvement in refining performance.
- **Weak transportation fuel cracks and lower downstream chemical margins drag RIL's performance:** RIL's consolidated revenue declined 5% YoY (in line), while EBITDA remained flattish YoY (in line) in 1QFY24, as 3% beat in Retail EBITDA was offset by a miss in standalone segment. O2C EBITDA came in 11% below our estimate at INR164b (-22% YoY) in 1QFY24. EBITDA/mt for O2C stood at ~USD87.1 (-38% YoY). The outlook continues to remain murky amid global capacity additions expected in both refining and petrochem segments.
- **CGDs – margins beat estimates (except for GUJGA), volumes lower:** GUJGA's total volumes came in 6% below our estimate at 9.2mmscmd, with Morbi volumes improving to ~4mmscmd. EBITDA margin at INR4.6/scm missed our estimate of INR5/scm. MAHGL reported higher-than-estimated EBITDA of INR5.2b (est. INR4.2b), mainly led by higher-than-estimated EBITDA/scm of INR16.8 (est. INR13). Volumes were 5% lower than our estimates at 3.4mmscmd. IGL reported higher-than-estimated EBITDA of INR6.4b as EBITDA/scm came is above our estimate at INR8.6 (est. INR7.4); volumes were 4% below our estimates at 8.2mmscmd.
- **Ratings and earnings revisions:** Our ratings remained unchanged in 1QFY24.
- **Top picks:** ONCG is our top pick for CY23. The company intends to add more than 100,000 sq. km of exploratory area each year while also spending INR100b each year on exploration. The capex guidance stands at INR301b for FY24. GAIL is our top pick in the gas space. Transmission segment recorded a benefit of INR6.6b in 1QFY24 due to a tariff hike implemented on 1st Apr'23 and is likely to increase going ahead as volumes ramp up further. The management expects gas transmission volumes to reach 123mmscmd by the end of FY24 and ~138-140mmscmd over the next 2-3 years from 116mmscmd currently.
- **Surprises:** AGIS, IGL, MAHGL, OINL, ONGC, and PLNG
- **Misses:** BPCL, HPCL, IOCL, GAIL, GUJGA, and MRPL

Guidance highlights:

- **RIL**: There is a healthy momentum in domestic demand for both polymers and polyesters and they are likely to track economic growth. Margins, however, are anticipated to be largely constrained by the increased supply from China.
- **ONGC**: The peak oil production from KG-DWN-98/2 is likely to be ~40-45kbopd with production commencing by Aug'23 in an optimistic scenario and by Oct'23 in a worst case scenario. Every year, ~6-8% of APM gas production comes from new wells that will attract 20% premium as per the new pricing policy.
- **IOCL:** IOCL is set to commission various projects over the next two years, driving further growth. Refinery projects, currently underway, are expected to be completed as follows: Panipat refinery (25mmtpa) by Sep'24, Gujarat refinery (18mmtpa) by Aug'23, and Baruni refinery (9mmtpa) by Dec'24.
- **HPCL:** The completion of various ongoing projects is expected to drive growth for HPCL over the next three to five years, such as: Bhatinda refinery expansion, expansion of Vizag refinery, and new Rajasthan (Barmer) refinery in May'24.
- **GUJGA:** Morbi volumes stood at ~4mmscmd in 1QFY24 while peak volume potential at stands at ~8-8.5mmscmd. The company is aggressively investing in infrastructure to push industrial gas adoption in Thane rural, Ahmedabad rural and newly acquired areas in Rajasthan.
- **IGL:** Management expects volumes to reach 9mmscmd by the end of FY24, driven primarily by growth in new GAs. Volume growth will also be aided by improved CNG conversions to ~14,000/month in 1QFY24 from lows of ~8,000/month when gas prices were high.
- **MAHGL:** MAHGL expects volume growth over the next couple of quarters to be driven by the addition of 500-600 CNG buses to MSRTC's fleet vs. ~120 currently. The company is also looking to target commercial customers by incentivizing aggregators and fleet owners to use CNG.

Exhibit 94: Implied gross marketing margin (INR/liter)

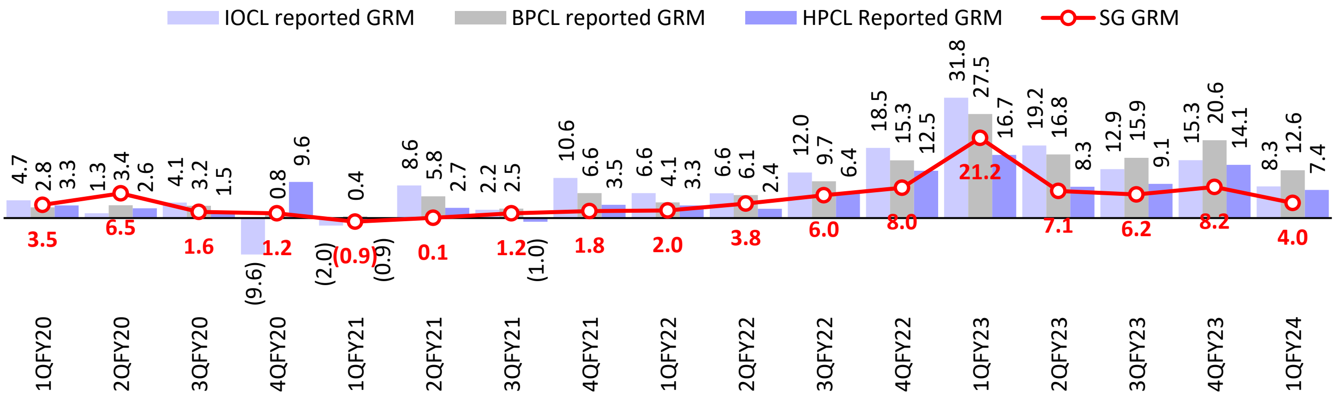


Exhibit 95: Reported refining margin (USD/bbl)

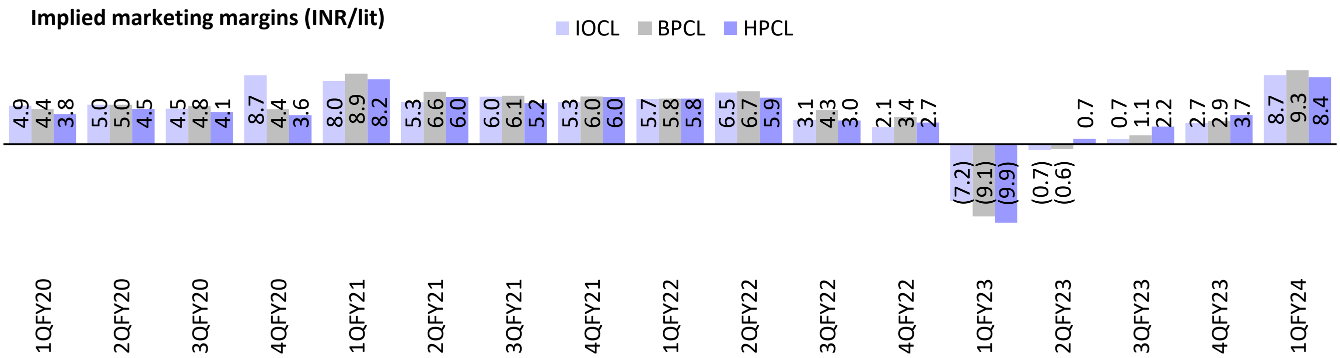


Exhibit 96: Sales volume of CGDs (mmscmd)

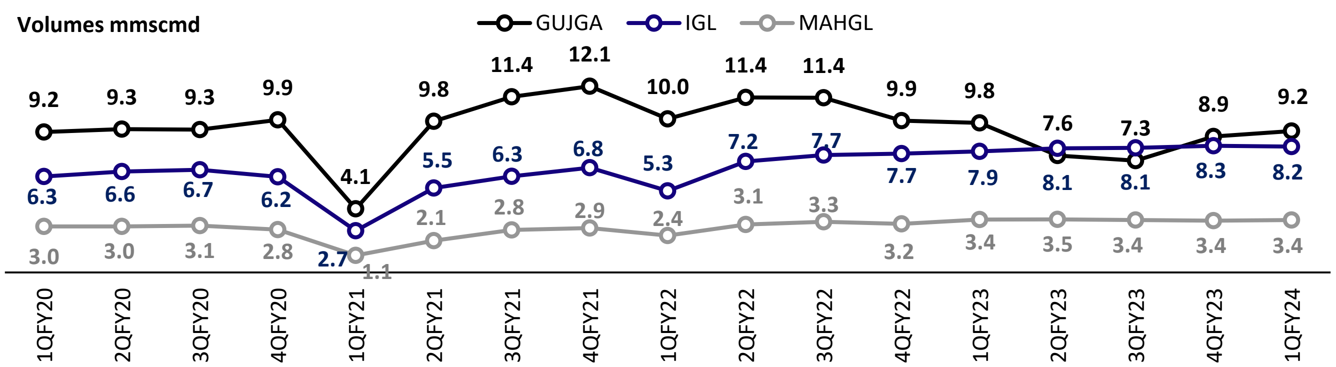
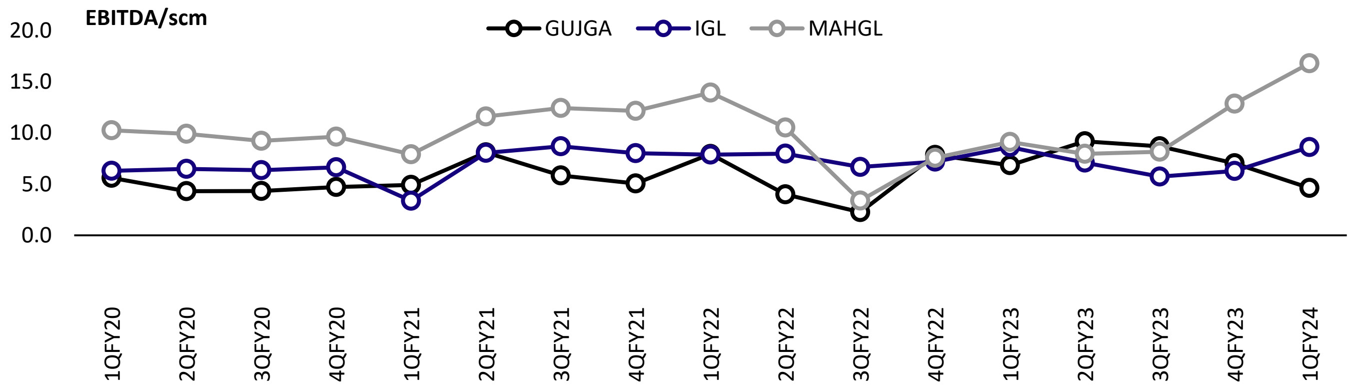


Exhibit 97: EBITDA/scm trend for CGDs (INR)



Real Estate: Companies witnessed healthy sustenance demand; delayed completions impact P&L

- **Healthy performance despite muted launches:** Our coverage companies recorded 9% YoY growth in aggregate pre-sales, which stood at INR148b, driven by consistently strong demand in ongoing projects as new launches remained muted. Our coverage universe cumulatively launched 7msf in 1QFY24, the lowest in the last eight quarters. Among our coverage companies, LODHA and PEPL reported a strong quarter as they bettered their 4Q performance (which is seasonally strongest quarter), while OBER witnessed the weakest performance due to low sales velocity across projects in Borivali, Goregaon and Mulund, and zero sales in 360 West. Bookings growth in 1Q was aided by price hikes and product mix (especially for DLF and PEPL) as realization grew 12% YoY. Aggregate volume for our coverage universe declined 3% YoY.
- **Expect new launches to pick-up:** After delivering a significant growth of 43% YoY (32% ex-DLF) in pre-sales in FY23, companies remain optimistic about the demand scenario and aim for 15-20% growth in the medium term. Momentum in business development remained intact as GPL and LODHA have already achieved 43% and 70%, respectively, of their full-year guidance in terms of new project additions. At the start of FY24, most of the players already had inventory of less than 12 months and with 1Q performance being largely driven by sustenance sales, the inventory has further declined which can potentially trigger acceleration in new launches. We expect our coverage universe to cumulatively launch ~90msf of projects over next three quarters.
- **Weak project deliveries impact P&L performance:** Aggregate revenue for our coverage universe decreased 3% YoY to INR90b (12% below our estimate). Most of our coverage companies witnessed muted project deliveries, which impacted revenue recognition. Contrary to historical trends, GPL reported a strong quarter as it delivered projects of 5msf, resulting in 4x YoY growth in revenue to INR9b. Cumulative EBITDA stood at INR32b, flat YoY, with EBITDA margin of 26% (25% in 1QFY23). Despite significant growth in revenue, GPL's profitability remained weak as the company took provisions of INR1.6b for fixing quality issues at one of its projects in Gurugram. Adjusting for the provision, EBITDA stood at INR58m vs. a loss of INR140m last year. Subdues project deliveries of 0.7msf impacted Lodha's performance as it recognized revenue of INR16b, down 40% YoY (35% lower than estimate) and EBITDA came in at INR3.3b, down 29% YoY.
- **Valuation and picks:** Except GPL and OBER, the operational performance of our coverage universe was better than our expectations. We retain our FY24E pre-sales given the strong launch pipeline for the rest of the year. We continue to see re-rating potential in companies, which would provide further growth visibility on the back of strong business development through robust cash flows. We retain LODHA, PEPL and GPL as our top picks.
- **Surprises:** PEPL
- **Misses:** OBER

Company commentary:

- **LODHA:** Demand remains buoyant, with the conversion rate of over 8%. The management believes that the sector is in the third year of its 15-year uptrend and that real estate will be one of the largest GDP growth drivers over the next few years.
- **OBER:** The company will launch the Pokhran road project in 3QFY24 and the Kolshet road project is expected to follow in a couple of months. The company's expansion efforts are already in motion, with an ongoing deal in Gurugram, which is nearing its conclusion. Additionally, it has signed an LoI for a redevelopment project in Mumbai and is awaiting the signing of the development agreement.
- **DLF:** DLF is planning to launch ~10msf of projects in the residential segment, with most of them expected to materialize in 2HFY24. Key projects include – 3.5msf super luxury high-rise project in DLF5, 1.2msf high-rise luxury project in Chennai, mid/high-rise project in sector 76/77 of Gurugram, and a low-rise project in Chandigarh. The company plans to launch Tower D at One Midtown by end-2QFY24 and DLF has already received bookings for ~80% of the inventory.
- **GPL:** GPL is on track to launch 19msf of projects in the remainder of FY24, with further upside potential from the launch of recently added Gurugram projects. The management has re-iterated its guidance to achieve INR140b of pre-sales in FY24. Among larger projects, Ashok Vihar is on track for 4QFY24 launch, the first phase of the Mahalaxmi project is scheduled for launch in 2Q and the Carmichael road project is scheduled for launch in 2HFY24.

- **PEPL:** PEPL has a robust project pipeline, which includes few large developments in Hyderabad (Prestige City), Chennai (Pallava Gardens), Mumbai (Nautilus and Ocean Tower) and NCR (Bougainvillea Gardens). It has spent INR30b+ on these projects, which have GDV of ~INR275b and are expected to be launched over the next 15 months. The under-construction annuity assets can by valued at USD4-5b+ and the company is open to monetize it at appropriate time depending on cash flow needs.
- **BEL:** Upcoming launches are spread out at a price range of INR7,000/sqft to INR10,000/sqft. The GDV of ~8msf of launch pipeline is INR67b with BEL's share at INR44b. The TVS land in Chennai is on track for 4QFY24 launch. The management intends to scale up sales to 10msf in the medium term with 40-50% coming from Hyderabad and Chennai.
- **MLIFE:** The Company plans to grow its pre-sales (Residential + IC&IC) by 5x over the next five years. A bulk of growth is expected to come from the residential business, with IC&IC leasing expected to remain steady at INR5b.
- **Sobha:** The 15msf forthcoming project pipeline will be launched over the next two years and Sobha has an 80% share in it. There has been a delay in approvals in Karnataka due to a change of government. The company had previously envisaged 7msf launches in FY24, but expected it to be slightly less, given the current approval scenario. In any case, the company aims to launch 6-7msf of projects in FY24
- **PHNX:** Trading occupancy for all malls will be at 95%+ by 3QFY24 (89% now) and the commencement of new malls will complement consumption. Historically, the company has witnessed 8-10% SSG at high trading occupancy and expects a similar trend to pan out. A strong content pipeline, subsiding monsoon and long weekends, along with festivals, will further drive consumption growth in 2QFY24.

Exhibit 98: Pre-sales for coverage universe grew 9% YoY…

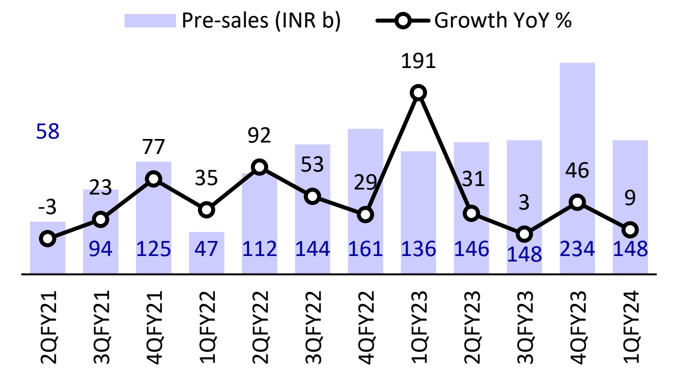


Exhibit 99: …while volumes declined 3% YoY

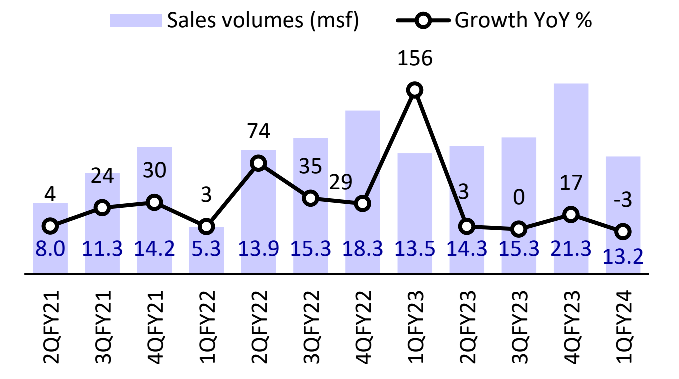


Exhibit 100: Collections improved 31% YoY in 1QFY24

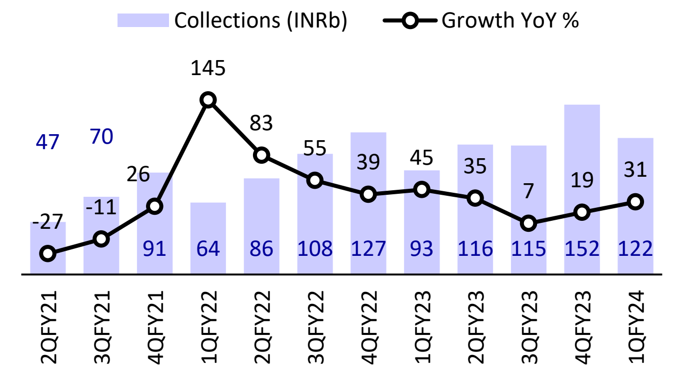


Exhibit 101: Expect coverage stocks to deliver 18% YoY growth in pre-sales

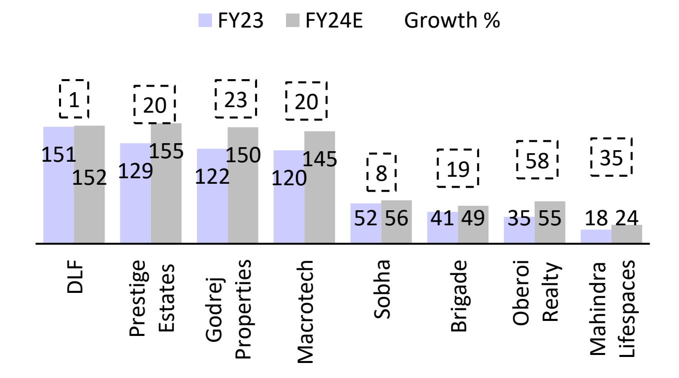


Exhibit 102: Estimate changes for our Coverage Universe

	Revenue					
INR b	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
DLF	80	84	80	84	0%	0%
Godrej Properties	23	35	22	35	-3%	1%
Macrotech	100	112	113	135	13%	20%
Oberoi Realty	46	56	46	56	0%	0%
Prestige Estates	102	83	96	104	-6%	25%
Brigade	41	47	41	47	0%	0%
Sobha	36	41	36	41	0%	0%
Mahindra Lifespaces	7	7	6	7	-11%	0%

	EBITDA					
INR b	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
DLF	25	28	25	28	0%	0%
Godrej Properties	3	8	3	8	3%	-5%
Macrotech	24	28	29	36	23%	26%
Oberoi Realty	20	27	20	27	0%	0%
Prestige Estates	25	21	24	25	-4%	22%
Brigade	12	15	12	15	0%	0%
Sobha	4	7	4	7	0%	0%
Mahindra Lifespaces	-1	-1	-1	-1	18%	0%

	PAT					
INR b	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
DLF	30	45	30	45	0%	0%
Godrej Properties	9	14	8	13	-15%	-4%
Macrotech	14	18	18	23	31%	30%
Oberoi Realty	14	19	14	19	0%	0%
Prestige Estates	6	5	8	6	25%	20%
Brigade	5	7	5	7	0%	0%
Sobha	2	4	2	4	0%	0%
Mahindra Lifespaces	1	2	1	2	-13%	0%

	Pre-sales					
INR b	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
DLF	152	88	152	88	0%	0%
Godrej Properties	150	184	150	189	0%	3%
Macrotech	145	180	145	180	0%	0%
Oberoi Realty	56	63	56	63	0%	0%
Prestige Estates	155	168	156	168	0%	0%
Brigade	49	57	49	57	0%	0%
Sobha	60	69	60	68	0%	-1%
Mahindra Lifespaces	24	31	24	31	0%	0%

	Collections					
INR b	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
DLF	75	106	75	106	0%	0%
Godrej Properties	127	161	140	192	10%	19%
Macrotech	115	127	115	127	0%	0%
Oberoi Realty	46	59	46	59	0%	0%
Prestige Estates	118	84	97	117	-17%	40%
Brigade	40	47	49	57	23%	21%
Sobha	47	55	44	55	-6%	-1%
Mahindra Lifespaces	17	25	17	25	0%	0%

RETAIL: Early onset of EOSS drags profitability for the quarter

Demand momentum remains weak; recovery expected from 2HFY24

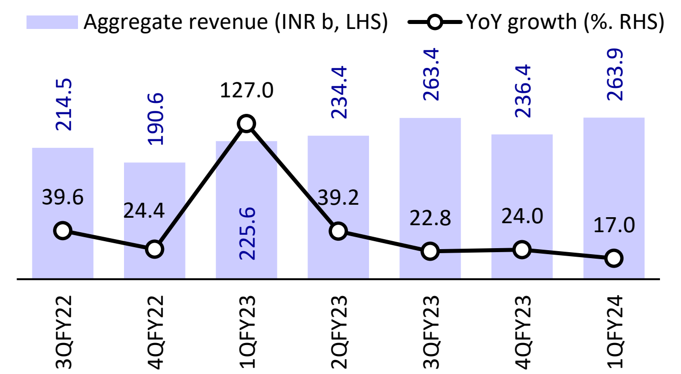
- **Revenue growth supported by footprint additions:** Aggregate Retail revenue reported 17% YoY growth in 1QFY24. The growth was primarily driven by strong footprint additions, while LFL growth remained muted for a majority of the players. The lower LFL growth was hit by a higher base, as 1QFY23 witnessed strong resumption post-Covid. Within the apparel space, Trent continued to outperform with a 53.5% YoY revenue growth to INR25.4b driven by strong footprint additions and healthy 12% LFL growth in Westside. D-Mart reported a 19% YoY revenue growth, aided by 4% improved throughput that indicated a bottoming of larger size store impact. Within QSR, RBA posted a healthy 30.5% YoY growth driven by healthy store additions and 3.6% SSSG. Industry wide commentary indicates that demand would remain muted due to unseasonal rains, fewer wedding dates and a shift in festive dates. Recovery is likely from 3QFY24 with the onset of the festive period.
- **Early End of Season Sale (EOSS) hits margins:** 1QFY24 gross margin contracted ~140bp YoY as a majority of retailers opted for an early EOSS to clear their old inventory. This, along with continued addition in footprints, led to higher opex for the quarter that resulted in lower operating profits for the companies. EBITDA margin for the quarter (aggregate) contracted 260bp YoY to 13.1% despite a healthy growth in revenue. However, the recent moderation in raw material prices is likely to aid gross margin and improve demand in the coming period. Trent's EBITDA margin contracted ~400bp YoY due to lower gross margin and higher opex on account of footprint additions. ABFRL too reported a contraction in margins, which was attributed to funding the losses within the newer brands (Tasva and TMRW). Within the QSR segment, RBA saw a margin expansion of 380bp YoY to 13.7%, driven by strong cost-control measures. Within footwear space, Campus/Relaxo reported margin improvement by 40bp/160bp YoY fueled by improved RM pricing.
- **Store addition supports revenue:** Muted LFL growth for the quarter was offset by healthy store additions across the segment, which underpinned revenue growth. Trent, Metro and BATA continued with their healthy footprint additions. Westside/Zudio added 7/36 stores in 1QFY24 taking the total store count to 221/388. Store additions for Metro were strong at 25 in 1QFY24. However, store additions for Pantaloons moderated to three. Management indicated a slowdown in store expansion plans until demand revives.
- **Demand to improve from 2HFY24:** The weakness in demand continues as revenue growth across the retail segment remained moderate for 1QFY24. Companies such as V-Mart and Vedant Fashion have attributed the slower growth to fewer wedding dates during the quarter. Industry wide commentary on demand situation indicates that while there has been a MoM improvement in demand in 2QFY24, healthy recovery is expected from 2HFY24 with the onset of festive period. Additionally, the recent moderation in RM prices could further aid the demand recovery. DMart has indicated that demand within its non-food category, which constituted ~30% of revenue historically, would remain subdued.
- Top picks: TRENT and METRO Brands
- **Surprises:** Trent and RBA.

Guidance highlights:

- **ABFRL:** 1) Despite a challenging near term, management expects the market to rebound in 2HFY24 following the festive period; 2) it completed the integration of Reebok. The segment is currently at break-even level and is expected to turn profitable by FY24; 3) losses within TMRW (on annual basis) are likely to be in the range of INR800m-INR1b. The company expects to raise fund by the end of FY24.
- **VMART:** 1) It expects LFL growth of 5% in value and 8-9% in volume terms for FY24; it also expects recovery to flow in from 3QFY24 with the onset of festive period. 2) Management expects debt levels to rise by end of 2QFY24 as it will build inventory for festive period, which will then normalize by the end of FY24. 3) It reiterated its cap of 20% of overall EBITDA to fund losses in the online segment.
- **SHOP:** 1) It expects subdued revenue growth for 2QFY24, mainly attributed to a shift in the festive period. However, a recovery is likely from 3QFY24. 2) It maintained its margin guidance, expecting it to remain in high-single digits. Despite making newer investments, the company does not foresee significant dilution of margins. 3) Management reiterated its store addition guidance; planning to add 10/12 departmental stores and beauty stores. The allocated capex for these expansions is set at INR2b.
- **Metro Brands:** 1) Plans to add 200 stores (excl FILA) over a period of two years. It would additionally look to add 300-400 stores under FILA in long run. 2) Management indicated that 1QFY24 hit was mainly due to higher base of last year, but consumer demand in premium segment remained strong. Moderation in ASP and GM mainly due to EOSS could see GM retracing to 55-57% in FY24 from 58.1% in FY23.

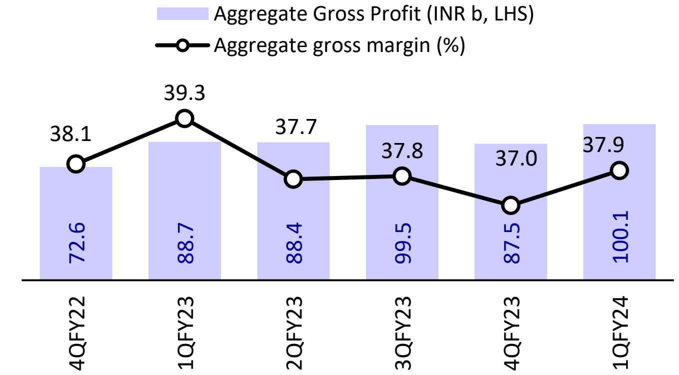
- **Vedant Fashions:** 1) Witnessed weaker performance in 1QFY24 on account of fewer wedding dates; it expects recovery from 2HFY24. 2) It launched three exclusive stores under Twamev brand, along with the introduction of women wear category; management plans to open ~10 stores by FY24 on a pilot basis and then plans to expand accordingly. 3) It maintains its long-term target to achieve mid to high single-digit SSSG, with gross margin likely to remain at similar levels.
- **Campus Active Wear:** 1) Macro environment remained weak from the last 12-14 months. However, the upcoming election, strong monsoon season, and the festive season in 2H could overhaul revenue growth and margin improvement in 2HFY24. 2) The gross margin improved as a result of better sourcing and an improved channel/product mix. Expect margins to improve as 2HFY24 (the closed footwear season) approaches. Hence, it anticipates EBITDA margin expansion to 19.5%–20.5%. Post that, it expects margin to rise by 100bp annually.
- **Restaurant Brands (RBA):** 1) Guidance for India business remains intact with target to reach 450/700 stores by FY24/FY27, SSSG of ~10%/8% in FY24/FY25 onwards, GM of 67% for FY24 and improvement of 200bp from FY25 onwards. 2) For Indonesia, the company is: a) rationalizing BK Indonesia, b) targeting cash breakeven in FY24 and c) expecting to reach 325 stores by FY27. Popeyes is seeing good response and likely to add 45 stores by Dec'23. 3) Marketing spend is around 5% of topline on an annual basis, although 1Q is typically higher (incurred 6.8% in 1QFY24). RBA anticipates increased efficiencies in employee spending going forward.
- **Jubilant FoodWorks:** 1) Aiming for a long-term EBITDAM of 23-24% as it is difficult to generate 25-26% margin achieved during Covid period. Further, volatile RM prices make it difficult to guide for gross margin. 2) The company has a strong pipeline of store additions and hence continues to guide for 200-225 store additions for Dominos and 30-35 for Popeyes. 3) The current demand environment is still unpredictable. The company continues to launch a new range of products to meet the volume and value-based demand.

Exhibit 103: Revenue grew 17% YoY in 1QFY24



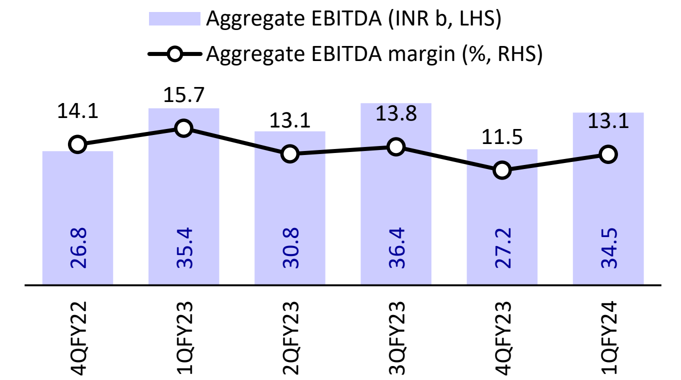
Source: Company, MOFSL

Exhibit 104: Gross margin witnessed a contraction YoY



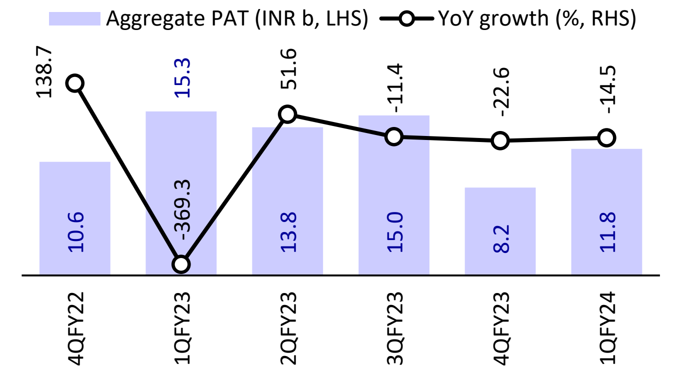
Source: Company, MOFSL

Exhibit 105: EBITDA margin too contracted YoY



Source: Company, MOFSL

Exhibit 106: Profitability for retailers remained subdued



Source: Company, MOFSL

Exhibit 107: Snapshot of Retail store additions

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Total Store count									
Madura Stores	2,380	2,754	2,488	2,522	2,585	2,670	2,601	2,650	2,643
Pantaloons	342	347	361	377	375	396	406	431	434
DMART	238	246	263	284	294	302	306	324	327
Shoppers Stop	83	80	83	88	90	91	96	98	98
Westside	184	191	197	200	203	208	211	214	221
V-Mart	282	368	374	380	391	405	414	423	431
Zudio	137	147	177	233	247	285	326	352	388
Metro	N.A	N.A	629	624	644	672	720	764	789
Bata (Incl SIS)	1,700	1,737	1,772	1,814	1,888	1,956	2,021	2,053	2,100
Store adds									
Madura EBO's	1	374	-266	34	63	85	-69	49	-7
Pantaloons	-4	5	14	16	-2	21	10	25	3
DMART	4	8	17	21	10	8	4	18	3
Shoppers Stop	-1	-3	3	5	2	1	5	2	-
Westside	10	7	6	3	3	5	3	3	7
V-Mart	3	86	6	6	11	14	9	9	8
Zudio	4	10	30	56	14	38	41	26	36
Metro	-	-	-	-5	20	28	48	44	25
Bata	12	37	35	42	74	68	65	32	47

Source: Company, MOFSL

TECHNOLOGY: Weakness continued through Q1, building optimism for 2HFY24

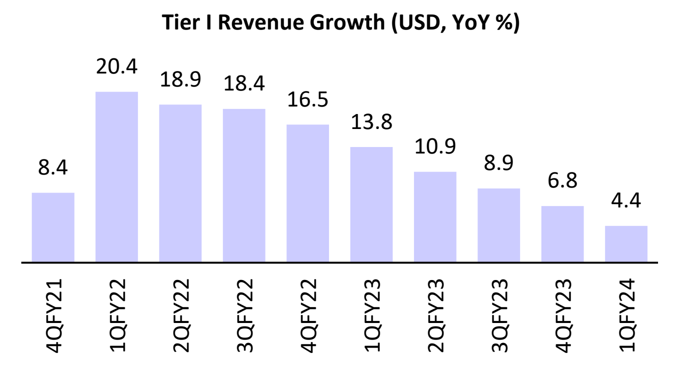
- **Aggregate performance:** The IT Services companies (MOFSL universe) reported weak performance in Q1 with a median revenue growth of flat QoQ CC, in an otherwise seasonally strong quarter. The weakness in key verticals continues through Q1 with BFSI and Retail witnessing a median USD revenue decline of 1.2% and 0.4% QoQ, respectively. The continued unfavorable macro-economic environment had an adverse impact on discretionary spends, leading to reprioritize activities on enterprises' core operations, while pausing or deferring projects that are non-critical to them. EBIT margin declined 90bp QoQ and up 20bp YoY in Q1. INR PAT growth declined 5.2% QoQ and up 11.9% YoY. Q1 deal wins moderated compared to Q4, while still favoring the cost take-out and vendor consolidation initiatives.
- **Tier-2 pack outpaced tier-1**: The Tier-1 saw a median revenue decline of 0.7% QoQ CC, while Tier-2 companies reported a growth of 0.6% QoQ CC. TECHM (-4.2% QoQ CC) and LTTS (-2.9% QoQ CC) were clear misses. Tier-1 companies (TECHM and WPRO) faced a more significant impact from reductions in discretionary spending, in contrast to Tier-2 counterparts (PSYS and COFORGE), which achieved relatively positive performance despite the spending cuts. On margins, Tier-1 companies reported ~90 bp QoQ margin decline, while Tier-2 companies saw a decline of ~60 bp QoQ, which is primarily attributed to muted revenue growth and a wage hike on selected names.
- **Deal TCV moderated:** Cumulative TCV (Tier-1 +Tier 2) was weak sequentially (down 1% QoQ) on account of slower decision-making and deal pushouts; however, the YoY growth still remains healthy. TCS (our top pick) reported TCV growth of 24% YoY, even amidst the challenging business environment. In contrast, its close peers (TECHM, HCLT) reported a YoY decline in TCV. TCS is benefiting disproportionately as its clients are reprioritizing cost take-outs and efficiency-driven projects for immediate outcomes and returns, where TCS has a major play.
- **Headcount movement**: The hiring activities were weak in Q1; the net headcount reported a sharp decline of 23.6k for Tier-1, while Tier-2 saw a net addition of 2.3k. The attrition rate cooled off and utilization improved further across the board in 1QFY24.
- **Top picks:** Despite a few tier-2 companies outpacing tier-1 players over the last couple of quarters, we still remain positive on tier-1 companies, given their wider range of offerings and disproportionate benefits in a cost-focused environment. Moreover, the current valuation of tier-1 companies (median ~20x one-year forward PE) with robust payout yields (~+4% in FY25E) provides us with a sense of reassurance. We continue to prefer TCS, HCLT, and Infosys (in that order) for their robust business models, high return ratios, and strong management teams.
- **Significant Miss:** TechM (revenue growth and margin), LTTS (revenue growth)
- **Significant Surprise:** Infosys (revenue guidance cut)

- **Significant Beat:** Zensar (margin)
- **Major EPS upgrades/downgrades:** TechM FY24E and FY25E EPS were lowered by 10.0% and 8.2%, respectively. Coforge FY24E and FY25E EPS were lowered by 9.5% and 3.2%, respectively. Zensar FY24E/FY25E EPS were upgraded by 15.6%/7.4%.

Guidance highlights

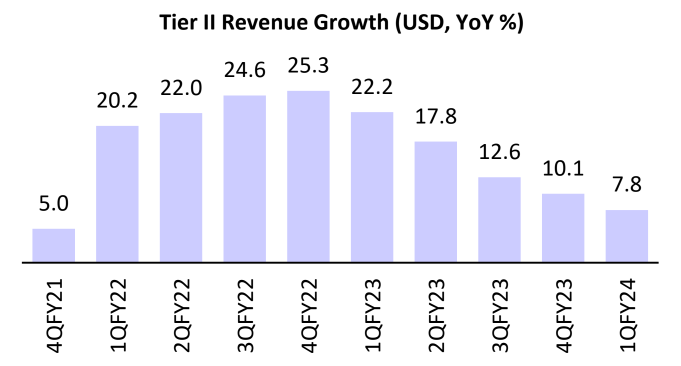
- **TCS:** It remains cautious about near-term demand amid adverse macros, while it is quite optimistic about the secular long-term demand. The management sees further scope of improvement in utilization, productivity, and pricing to support margins.
- **INFO:** It has sharply lowered its FY24 revenue growth guidance to 1.0-3.5% YoY CC from 4.0-7.0% YoY CC earlier. The guidance cut was attributed to push-outs in anticipated mega deals and cut in discretionary spends. Despite the steep revenue guidance cut, INFO has maintained its FY24 EBIT margin guidance at 20-22%.
- **WPRO:** Due to its broader presence in the discretionary areas, the conversion is a challenge as enterprises are cautious and have reprioritized spends. The management indicated that slower decision-making and cuts in discretionary spends should affect 2QFY24 growth. The company has given out revenue guidance to the tune of -2% to +1% CC in 2QFY24.
- **HCLT:** It is confident about the guidance in anticipation of fast scale-up of large deals in IT services and a rebound in ER&D business in Q2. The management has maintained FY24 growth guidance in the range of 6-8% CC, with +6.5-8.5% CC in Service Business, despite weak 1QFY24 growth. The margin guidance has been retained within the range of 18-19%.
- **TECHM:** Conversion continues to pose a challenge due to the stringent budgets of global telcos, as they reprioritize opex and reduce discretionary spending. However, the deal pipeline is healthy at this moment, and the management expects stabilization in 2Q, with a projected recovery in the segment during the latter half of the year.
- **LTIM:** Client budgets remained intact, but revenue conversion was adversely impacted by slower decision-making and cuts in discretionary spending. The management retracted from providing FY24 guidance and acknowledged the apparent challenge of achieving double-digit growth in FY24.

Exhibit 108: Tier-1 Revenue growth continues to moderate



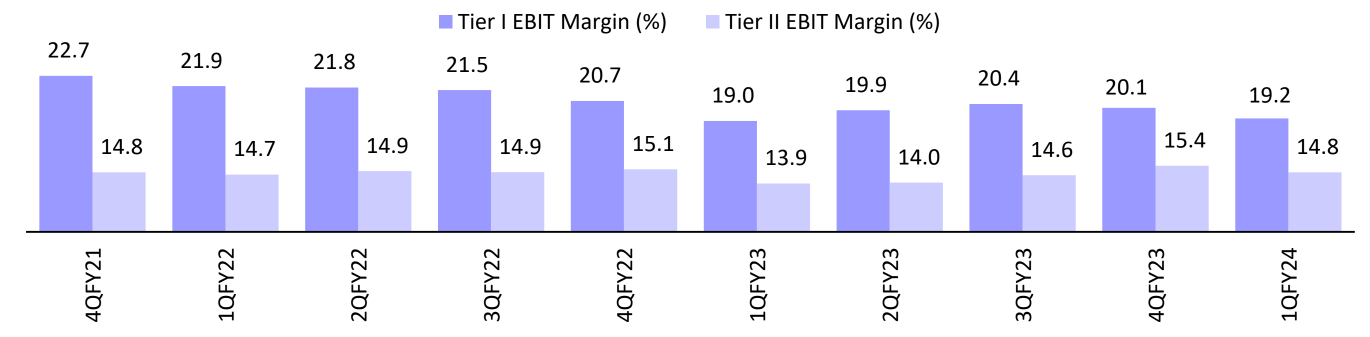
Source: Company, MOFSL

Exhibit 109: Tier-2 revenue growth moved below double-digits



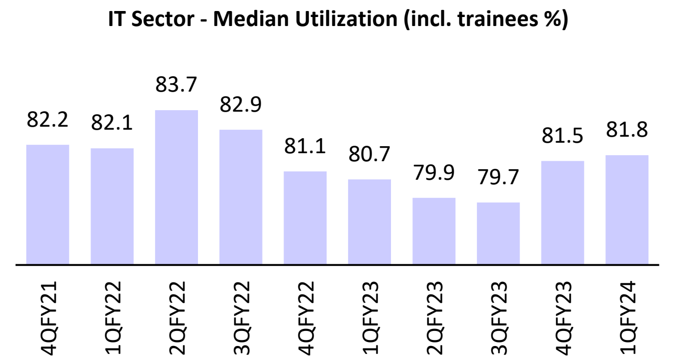
Source: Company, MOFSL

Exhibit 110: Tier-1 margins fell sharper than Tier-2's



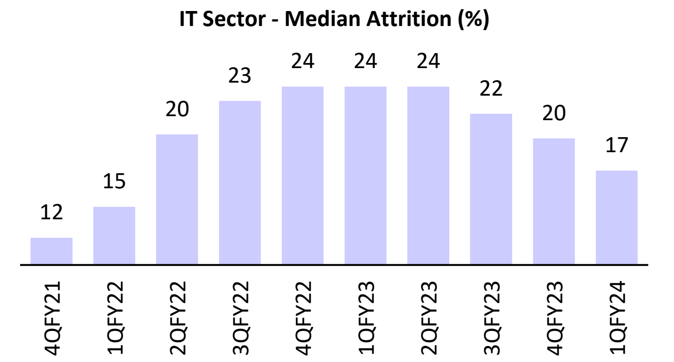
Source: Company, MOFSL

Exhibit 111: Median utilization (%) inched up 30 bp QoQ in Q1



Figures excl. TCS and HCLT; CYL excl. from 1QFY24; LTTS excl. from 1QFY23; MPHL (Offshore); Source: Company, MOFSL

Exhibit 112: Median attrition (%) cooled off further



Figures exclude MPHL; Source: Company, MOFSL

Exhibit 113: Upgrades/downgrades to our EPS estimates (%)

Company	2QFY23		3QFY23		4QFY23		1QFY24	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
TCS	-1	1	-1	-1	0	0	-1	0
INFO	1	-1	1	1	-4	-5	-4	-1
WPRO	-6	-2	4	-1	-7	-4	-4	-5
HCLT	4	6	-1	-1	-4	-3	-2	-1
TECHM	-1	-4	2	0	-5	-5	-10	-8
LTIM	NA	NA	NA	NA	-2	-2	-4	-4
LTTS	-1	-1	-1	-2	3	3	-3	-0
MPHL	0	3	-4	-7	-10	-6	-2	-2
COFORGE	0	4	0	3	1	0	-10	-3
PSYS	4	4	3	6	6	5	-4	-1
CYL	6	5	2	2	5	5	+1	+5
ZENT	1	0	10	5	18	16	+16	+7

Source: MOFSL, Company

TELECOM: Uptick in revenue growth with elevated capex

Earnings growth sees uptick:

The telecom sector registered sequential revenue growth of 3% in 1QFY24, led by a 1% increase in subscribers and a 3% increase in ARPU. Growth was driven by 4G mix-led benefits, higher number of days and a tariff hike by Bharti in the 2G minimum recharge category. Telecom companies continued to witness steady 4G subscriber growth. Additionally, the churn rate improved sequentially by 20bp for RJio, remained flat for Bharti and declined 10bp for VIL. Data traffic remained strong for the industry, growing at 2% QoQ.

RJio/Bharti continue to gain share:

RJio and Bharti continued to gain market share in the subscriber base and revenue, albeit at a slower pace. RJio/Bharti added 9m/3m subscribers (up 2%/1%). VIL's subscriber base declined by 5m (down 2% QoQ) vs. a 3m decline in 4QFY23 (average 5m decline per quarter in the last 8 quarters). On the other hand, both RJio/Bharti added around 9m/6m 4G subscribers (up ~2% QoQ), while VIL's 4G subscribers remained flat for the quarter.

Margin profile:

Incremental margin remained steady at 60-75%. Margin improvement was led by lower network operating costs, even in the aggressive rollout phase. Bharti (India Mobile)/RJio reported 90bp/10bp improvement in margin to 54.8%/52.3%, while VIL reported a 100bp decline in margin to 39%.

Elevated capex:

Being in the early stage of the new 5G technology upgrade cycle, Bharti/RJio continue to spend aggressively on 5G and rural densification, which is putting pressure on the near-term FCF and leverage. Bharti increased its capex to

INR78b in 1QFY24 (+18% QoQ). VIL's capex was far lower than Bharti/RJio capex due to its inability to raise funds. Bharti/VIL net debt stood at INR2.0t/INR2.4t as of 1QFY24. RJio's net debt stood at INR1.5t in FY23.

VIL's provision continues to dent Indus margin: Indus booked a provision of INR870m toward VIL's doubtful debts of INR55.3b. However, VIL has been paying the monthly billing amount from Jan'23 onward. They are holding off on dividend payments given elevated capex for the next 12 months and VIL uncertainty.

TCOM: Data segment, the key growth driver, reported strong 4% QoQ growth, primarily driven by a significant 7% QoQ increase in data usage. EBITDA declined 1% QoQ due to the significant impact on its voice business, while Data EBITDA grew 5% QoQ. The next few quarters might present some challenges for earnings as there could be margin dilution.

- **Top pick:** Bharti
- **Surprise:** Tata communication

Guidance highlights:

- **Bharti:** a) Capex will remain elevated due to the frontloading of capex in 1QFY24 and probably 2QFY24. It expects major capex to be done by Nov/Dec'23. The company is not deploying any 4G capacity capex other than coverage-related capex, i.e., rollout of rural sites. b) In the short to medium term, cash will be essentially used to deliver sources of finance, reduce interest costs and pay dividends. There is no necessity to call for rights residual monies. c) Since most of the costs are fixed, the company can witness operating leverage kick in, supported by its war-on-waste program (reduces opex) and capacity investment in rural areas.
- **Tata Communication:** a) Margins may remain soft in the short term (1-2 years), below its 23-25% EBITDA margin guidance. This is primarily due to the recent acquisition and ongoing investments made by the company in pursuing growth opportunities. b) Core connectivity expects to grow at low to mid-single digits. DPS will contribute 50% of data business. c) The company continues to focus on a healthier balance sheet with +25% ROCE. It may be diluted by some significant investments, but there is long-term room for growth.
- **Indus Tower:** a) Demand for new sites increased due to an aggressive 5G rollout and an increase in leaner towers in the urban area. This will lead to increase in business of passive telecom infrastructure. b) Net debt is at a comfortable level of INR50b.

Exhibit 114: Operator-wise active subscriber market share (%)

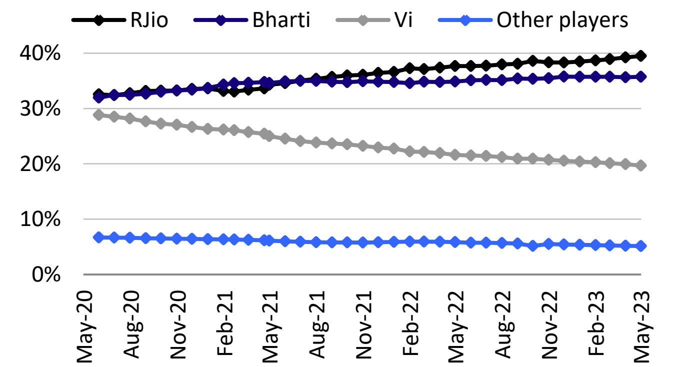


Exhibit 115: Operator-wise ARPU (INR)

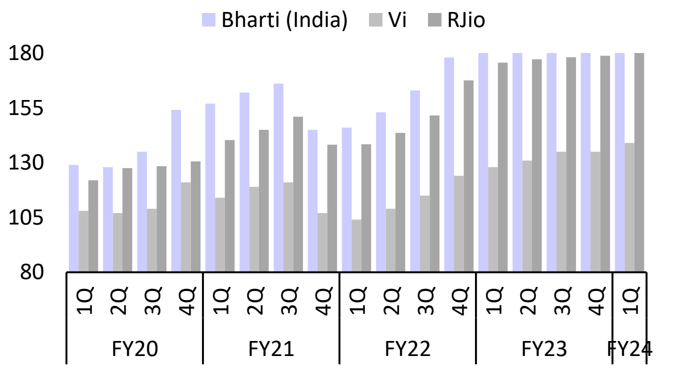


Exhibit 116: Wireless KPI comparison

	FY21				FY22				FY23				FY24	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	(%)	(%)
EOP Wireless SUBS (m)															
Bharti (India)	280	294	308	321	321	323	323	326	327	328	332	335	339	3.4	0.9
Idea	280	272	270	268	255	253	247	244	240	234	229	226	221	-7.9	-2.0
RJio	398	406	411	426	441	430	421	410	420	428	433	439	449	6.8	2.1
Avg. Wireless Subs (m)															
Bharti (India)	282	287	301	315	321	322	323	324	327	328	330	334	337	3.2	0.9
Idea	285	276	271	269	262	254	250	246	242	237	232	227	224	-7.6	-1.6
RJio	393	402	408	419	433	435	425	416	415	424	430	436	444	7.0	1.8
ARPU (INR/month)															
Bharti (India)	157	162	166	145	146	153	163	178	183	190	193	193	200	9.3	3.6
Vi	114	119	121	107	104	109	115	124	128	131	135	135	139	8.6	3.0
RJio	140	145	151	138	138	144	152	168	176	177	178	179	181	2.7	1.0
MOU/Sub (min)															
Bharti (India)	994	1,005	1,027	1,053	1,044	1,053	1,061	1,081	1,104	1,082	1,094	1,122	1,138	3.1	1.4
Idea	678	673	673	657	641	630	620	610	620	599	613	623	627	1.1	0.6
RJio	756	773	796	820	815	835	901	962	1004	968	984	1001	1006	0.2	0.5
Wireless traffic (B min)															
Bharti (India)	820	861	925	997	1,002	1,020	1,030	1,051	1,079	1,063	1,082	1,124	1,149	6.5	2.2
Idea	579	555	547	529	503	480	465	449	450	427	426	425	421	-6.6	-1.0
RJio	891	932	975	1030	1060	1090	1150	1200	1250	1230	1270	1310	1340	7.2	2.3
Data usage/Sub (Gb)															
Bharti (India)	16.7	16.4	16.8	16.8	18.9	19.1	18.7	19.2	19.9	20.8	20.8	20.8	21.6	8.4	4.1
Idea	11.0	10.6	10.9	11.7	13.3	13.5	12.8	12.9	13.3	14.1	14.2	14.2	14.7	10.4	3.2
RJio	12.0	11.8	13.0	13.3	15.6	17.6	18.3	19.7	20.8	22.2	22.5	23.2	24.9	19.9	7.6
Data traffic (B Gb)															
Bharti (India)	7.2	7.6	8.5	9.2	10.8	11.3	11.3	11.8	12.6	13.5	13.9	14.2	15.3	21.6	7.2
Idea	4.5	4.3	4.5	4.9	5.5	5.5	5.2	5.2	5.4	5.7	5.8	5.8	6.0	10.6	3.4
RJio	14.2	14.2	15.9	16.7	20.3	23.0	23.4	24.6	25.9	28.2	29.0	30.3	33.2	28.2	9.6

Source: MOFSL, Company

ANNEXURE: MOFSL UNIVERSE (ACTUAL V/S EXPECTATIONS)

	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Jun-23	YoY	QoQ	Exp. (%)	Jun-23	YoY	QoQ	Exp. (%)	Jun-23	YoY	QoQ	Exp. (%)
Automobiles	**26,28,049**	**25.8**	**-0.3**	**1.4**	**3,41,597**	**96.0**	**4.0**	**9.1**	**1,78,758**	**1,328**	**-3.5**	**26.5**
Amara Raja Batt.	27,699	5.7	14.0	-2.1	3,535	35.5	4.8	-13.3	1,925	46.4	11.3	-15.4
Apollo Tyres	62,446	5.1	0.0	-4.7	10,515	52.4	5.3	0.9	4,066	113.2	3.5	-0.3
Ashok Leyland	81,893	13.4	-29.6	3.8	8,208	156.3	-35.7	17.1	5,768	868.8	-19.3	72.4
Bajaj Auto	1,03,098	28.8	15.8	-2.1	19,539	50.6	13.8	-5.0	16,648	41.9	16.2	-2.2
Balkrishna Inds	21,150	-22.4	-9.0	-15.4	4,863	-11.1	-1.6	-17.9	3,125	-2.3	21.3	-12.0
Bharat Forge	21,273	20.9	6.5	6.3	5,530	20.2	5.8	6.3	3,115	26.7	13.1	8.0
Bosch	41,584	17.3	2.3	6.7	4,679	4.1	-10.4	-8.6	4,090	22.4	2.5	0.0
CEAT	29,352	4.1	2.1	-3.6	3,871	134.2	5.2	2.6	1,446	1,382.7	3.5	6.8
CIE Automotive	23,203	4.7	-4.9	-8.1	3,704	21.1	-2.7	-4.7	2,136	15.7	-3.0	-4.8
Craftsman Auto	10,376	53.5	5.8	0.9	2,142	31.1	13.7	9.5	745	34.0	-7.2	20.4
Eicher Motors	39,864	17.3	4.8	-2.5	10,208	22.8	9.3	0.8	9,183	50.4	1.4	1.5
Endurance Tech.	24,500	15.9	9.7	0.9	3,213	34.0	12.6	-0.7	1,635	47.0	19.8	-2.5
Escorts Kubota	23,277	15.5	6.6	4.7	3,269	62.2	38.6	36.2	2,828	91.8	38.7	40.3
Exide Inds.	40,726	4.4	14.9	1.4	4,322	11.8	17.7	-5.6	2,419	6.9	16.4	-11.4
Hero Motocorp	87,673	4.5	5.5	-1.6	12,063	28.2	11.4	1.9	9,451	51.3	10.0	11.4
Mahindra & Mahindra	2,40,561	22.0	6.6	0.8	32,351	38.6	15.6	4.8	27,737	97.6	40.4	44.6
Maruti Suzuki	3,23,269	22.0	0.9	4.0	29,830	56.0	-11.0	-4.0	24,851	145.4	-5.3	9.9
Motherson Wiring	18,588	11.2	-0.3	0.7	1,941	-4.3	-7.2	-12.4	1,231	-2.2	-11.1	-10.8
MRF	63,233	12.9	10.4	4.6	11,142	133.0	32.2	29.1	5,814	417.6	64.4	56.9
Samvardhana Motherson	2,24,622	27.2	-0.1	3.1	19,246	72.4	-4.7	13.8	6,009	325.5	-8.1	36.3
Sona BLW Precis.	7,322	24.3	-1.6	0.5	2,034	42.7	1.0	3.4	1,142	50.6	-7.3	8.2
Tata Motors	10,22,361	42.1	-3.5	1.9	1,35,595	326.3	5.9	21.7	37,239	LP	-33.8	110.1
Tube Investments	17,801	-9.0	7.0	-4.7	2,160	5.9	2.6	-6.1	1,477	10.0	-45.9	-2.7
TVS Motor	72,179	20.1	9.3	-1.2	7,638	27.4	12.4	-1.4	4,677	45.9	28.5	8.8
Cement	**5,30,640**	**11.2**	**-2.1**	**2.1**	**82,311**	**0.6**	**5.2**	**1.7**	**41,309**	**-6.5**	**14.9**	**12.0**
ACC	52,011	16.4	8.6	13.9	7,690	80.8	64.9	56.5	4,639	108.8	62.4	79.8
Ambuja Cements	47,297	18.4	11.1	14.2	9,486	38.6	20.3	23.1	6,449	-28.2	14.6	19.4
Birla Corporation	24,085	9.3	-2.2	-2.3	2,978	14.9	8.6	1.4	597	-16.2	-16.1	-2.5
Dalmia Bharat	36,240	9.8	-7.4	-3.4	6,100	4.1	-13.7	-15.1	1,300	-33.3	-50.2	-44.8
Grasim Industries	62,376	-14.0	-6.1	-2.0	6,734	-49.0	58.1	28.4	3,553	-56.1	279.9	123.8
India Cements	13,930	-3.7	-4.6	-0.5	50	-83.7	LP	-86.1	-753	Loss	Loss	Loss
J K Cements	27,626	21.7	-0.5	1.1	4,078	1.0	16.7	9.3	1,241	-23.7	10.5	6.3
JK Lakshmi Cem.	17,303	4.6	-7.1	-3.1	1,962	-23.6	-15.7	-18.3	798	-30.7	-30.5	-35.7
Ramco Cements	22,411	26.4	-12.8	-7.6	3,415	13.6	-17.3	-11.2	789	-29.7	-48.2	-40.5
Shree Cement	49,991	18.9	4.5	3.8	9,326	13.9	4.5	-3.1	5,811	84.2	48.3	37.4
Ultratech Cement	1,77,371	17.0	-5.0	1.3	30,492	-1.5	-8.2	-7.6	16,885	6.3	1.4	-0.3
Chemicals-Specialty	**63,410**	**-16.2**	**-10.1**	**-9.3**	**10,947**	**-26.1**	**-22.0**	**-19.6**	**7,284**	**-30.1**	**-24.4**	**-22.3**
Alkyl Amines	4,098	-13.5	-0.5	-0.3	740	-36.1	-3.8	5.6	498	-39.2	2.3	10.5
Atul	11,820	-20.0	-1.1	0.1	1,823	-21.8	22.0	18.0	1,021	-37.6	10.7	3.5
Clean Science	1,881	-19.6	-13.3	-13.9	761	-16.6	-27.6	-25.5	589	-6.3	-26.8	-20.7
Deepak Nitrite	17,683	-14.1	-9.8	-12.0	2,098	-41.1	-39.7	-45.7	1,499	-36.1	-35.9	-43.4
Fine Organic	5,321	-29.3	-23.8	-15.6	1,519	-26.1	-18.9	3.9	1,142	-27.4	-17.3	2.6
Galaxy Surfactants	9,418	-18.7	-3.4	6.0	1,232	-16.8	-8.4	8.6	752	-25.1	-17.0	5.9
Navin Fluorine	4,912	23.6	-29.5	-32.5	1,142	15.2	-43.4	-44.4	615	-17.4	-54.9	-56.3
NOCIL	3,967	-22.1	1.0	-12.1	544	-46.6	10.9	-3.7	336	-48.8	18.3	1.1
Vinati Organics	4,310	-14.9	-14.4	-8.7	1,090	-16.7	-28.4	-14.5	832	-17.7	-27.9	-15.7
Consumer	**7,93,211**	**3.6**	**4.9**	**-4.8**	**1,98,881**	**16.4**	**10.3**	**-1.0**	**1,43,295**	**19.2**	**9.8**	**0.1**
Asian Paints	91,823	6.7	4.5	-3.4	21,213	36.3	13.8	11.6	15,749	48.5	22.7	24.6
Britannia	40,107	8.4	-0.3	-1.7	6,889	37.6	-14.0	-2.9	4,525	34.7	-18.3	-4.2
Colgate	13,237	10.6	-2.0	3.3	4,181	28.4	-7.5	9.9	2,932	33.9	-7.8	14.3
Dabur	31,305	10.9	16.9	1.0	6,047	11.2	47.6	1.8	4,639	5.4	54.2	-1.7
Emami	8,257	6.8	-1.2	-1.5	1,900	9.6	-4.9	-4.8	1,599	17.0	-11.5	-6.7
Godrej Consumer	34,489	10.4	7.8	1.1	6,818	28.0	2.6	0.9	4,006	15.5	-15.5	-14.7
Hind. Unilever	1,51,480	6.1	1.7	-3.3	35,210	8.4	1.4	-3.9	25,000	9.2	1.2	-5.8
Indigo Paints	2,884	28.8	-11.4	4.3	491	39.2	-31.5	-1.4	315	58.3	-35.3	-1.6

	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Jun-23	YoY	QoQ	Exp. (%)	Jun-23	YoY	QoQ	Exp. (%)	Jun-23	YoY	QoQ	Exp. (%)
ITC	1,58,282	-8.5	-3.5	-13.4	62,501	10.7	0.7	-8.2	49,027	17.6	-2.2	-5.4
Jyothy Labs	6,864	15.1	11.5	7.1	1,175	96.2	29.7	25.6	874	123.9	48.1	32.5
Marico	24,770	-3.2	10.6	-11.6	5,740	8.7	46.1	6.5	4,270	15.1	41.4	12.2
Nestle	46,585	15.1	-3.6	1.6	10,588	25.4	-4.6	3.1	7,017	30.0	-6.6	6.4
Page Industries	12,400	-7.5	28.0	-8.5	2,419	-18.8	80.1	-4.5	1,584	-23.5	102.1	-7.1
Pidilite Inds.	32,751	5.6	21.8	-5.4	7,070	33.5	54.0	1.1	4,746	34.0	65.2	1.4
Tata Consumer	37,412	12.5	3.4	1.4	5,450	19.2	6.5	1.6	3,205	17.2	17.2	-7.8
United Breweries	22,732	-6.7	28.8	-10.6	2,228	-15.9	316.8	13.0	1,361	-15.8	1,298.6	25.5
United Spirits	21,719	0.1	-12.9	2.8	3,851	28.7	13.9	35.5	2,510	-8.3	18.2	45.3
Varun Beverages	56,114	13.3	44.1	-1.0	15,110	20.8	89.3	1.8	9,938	26.2	131.6	2.5
Financials	**22,99,397**	**22.6**	**-9.0**	**0.1**	**13,71,182**	**37.2**	**0.2**	**3.5**	**8,07,834**	**60.1**	**0.6**	**7.8**
Banks-Private	**7,79,788**	**26.2**	**2.2**	**-1.4**	**5,81,010**	**31.6**	**0.3**	**1.2**	**3,69,002**	**35.8**	**-1.5**	**3.5**
AU Small Finance	12,462	27.7	2.7	-0.3	5,461	38.6	-4.4	-2.0	3,869	44.4	-8.9	0.4
Axis Bank	1,19,588	27.4	1.8	-2.5	88,144	49.7	-3.9	-0.4	57,971	40.5	-12.5	-2.8
Bandhan Bank	24,906	-0.9	0.8	-5.2	15,623	-14.2	-13.0	-15.4	7,211	-18.7	-10.8	-12.6
DCB Bank	4,707	25.9	-3.1	-4.8	2,087	25.6	-14.5	-6.1	1,269	30.6	-10.8	-0.7
Equitas Small Fin.	7,431	28.0	5.1	0.2	3,121	16.4	-19.2	-4.1	1,912	97.1	0.6	8.8
Federal Bank	19,186	19.6	0.5	-2.3	13,024	33.8	-2.4	-0.4	8,537	42.1	-5.4	1.3
HDFC Bank	2,35,991	21.1	1.1	-3.9	1,87,720	22.2	0.8	0.1	1,19,518	30.0	-0.8	8.3
ICICI Bank	1,82,265	38.0	3.2	1.2	1,41,391	37.2	2.3	2.0	96,482	39.7	5.8	1.5
IDFC First Bank	37,451	36.1	4.1	1.6	15,003	59.0	-3.7	0.6	7,652	61.3	-4.7	5.8
IndusInd Bank	48,671	18.0	4.2	-0.3	38,315	11.7	2.0	-1.7	21,244	30.3	4.0	-2.5
Kotak Mahindra Bank	62,337	32.7	2.1	0.7	49,496	77.8	6.5	17.3	34,523	66.7	-1.2	14.4
RBL Bank	12,462	21.3	2.9	0.3	6,475	22.4	9.0	4.9	2,881	43.2	6.3	10.8
SBI Cards	12,332	14.3	5.8	0.9	15,151	17.3	6.0	5.4	5,933	-5.4	-0.5	-1.9
Banks-PSU	**8,26,147**	**24.3**	**-1.4**	**-2.1**	**5,80,072**	**51.5**	**2.4**	**8.0**	**3,06,898**	**130.1**	**2.2**	**17.2**
Bank of Baroda	1,09,967	24.4	-4.6	-2.8	78,243	72.8	-3.1	10.3	40,700	87.7	-14.8	-1.8
Canara Bank	86,657	27.7	0.6	2.9	76,040	15.1	4.9	8.5	35,348	74.8	11.3	13.8
Indian Bank	57,035	25.8	3.5	1.9	41,347	16.0	3.0	-1.6	17,088	40.8	18.1	5.7
Punjab National Bank	95,043	26.0	0.1	0.7	59,680	10.9	1.7	-6.6	12,554	307.0	8.4	-15.5
State Bank	3,89,050	24.7	-3.7	-5.7	2,52,969	98.4	2.7	9.5	1,68,843	178.2	1.1	22.7
Union Bank	88,397	16.6	7.1	5.8	71,793	31.8	5.2	21.2	32,364	107.7	16.3	55.7
Insurance	**4,34,064**	**14.2**	**-35.9**	**6.8**	**19,909**	**-2.7**	**-55.4**	**-15.9**	**17,844**	**24.6**	**-9.7**	**-2.1**
HDFC Life Insur.	1,14,798	16.6	-40.9	9.2	6,100	17.8	-59.6	-6.2	4,153	15.4	15.8	1.5
ICICI Lombard	38,873	12.1	4.3	-1.4	-3,195	Loss	Loss	Loss	3,903	11.8	-10.7	-17.8
ICICI Pru Life	70,200	2.0	-44.4	10.6	4,380	-7.0	-58.5	-2.4	2,069	32.9	-11.9	12.0
Max Financial	48,710	18.7	-46.8	9.2	2,470	16.0	-67.9	-1.0	1,030	13.2	53.7	4.3
SBI Life Insurance	1,31,045	18.7	-34.1	6.8	8,700	-1.1	-39.6	-8.8	3,810	45.0	-51.0	26.6
Star Health	30,438	13.3	4.5	-2.3	1,454	-7.2	LP	-43.2	2,879	35.0	182.8	-18.7
NBFC - Lending	**2,34,579**	**22.6**	**4.9**	**1.5**	**1,79,694**	**24.6**	**7.5**	**0.9**	**1,05,746**	**36.2**	**6.2**	**1.8**
AAVAS Financiers	2,262	25.5	2.3	-2.5	1,464	26.6	-11.3	-6.7	1,097	23.0	-13.4	-7.0
Bajaj Finance	67,186	27.4	7.4	0.2	55,437	30.2	8.3	1.0	34,369	32.4	8.8	0.6
Can Fin Homes	2,851	13.9	9.1	3.5	2,476	15.2	11.6	5.2	1,835	13.1	10.7	8.3
Chola. Inv & Fin.	18,421	24.3	4.4	-5.5	13,399	26.4	5.2	-9.9	7,260	28.3	-14.9	-18.0
Home First Fin.	1,246	32.6	11.4	4.8	978	39.9	7.5	5.9	692	35.1	8.1	0.7
L&T Fin. Holdings	17,527	14.3	-0.7	13.5	12,348	6.9	-2.8	4.1	5,305	103.1	5.9	1.9
LIC Housing Fin	22,094	37.2	11.0	22.3	20,098	38.8	14.7	22.8	13,237	43.0	12.1	34.3
M & M Financial	15,844	5.3	-1.0	-5.5	10,000	5.7	5.9	-4.6	3,527	58.2	-48.5	-23.4
Manappuram Finance	12,879	34.6	14.5	3.8	8,020	57.5	30.6	16.8	4,980	76.7	19.9	11.2
MAS Financial	1,373	30.2	8.3	0.0	946	33.8	6.7	2.9	573	23.1	3.1	1.2
Muthoot Finance	18,939	23.0	2.2	-3.8	14,006	36.8	8.4	-0.7	9,751	21.6	8.0	-5.3
PNB Housing	6,194	68.1	6.6	5.6	5,072	41.1	5.1	-5.9	3,473	47.8	24.4	7.5
Poonawalla Fincorp	4,212	57.8	10.9	2.0	2,941	149.8	45.9	13.3	2,002	61.9	10.8	-1.1
Repco Home Fin	1,546	16.5	4.9	6.0	1,247	15.7	3.7	5.5	891	43.5	8.5	9.4
Shriram Finance	42,004	9.7	0.5	-2.5	31,262	5.3	1.5	-7.4	16,754	25.1	28.1	3.2
NBFC - Non Lending	**24,819**	**17.0**	**2.6**	**-2.0**	**10,498**	**2.3**	**-7.7**	**-8.5**	**8,344**	**11.2**	**-1.5**	**-6.2**
360 ONE WAM	4,050	8.1	3.1	-0.4	1,960	-5.6	-5.7	-10.8	1,850	17.9	19.0	6.2
Angel One	5,198	23.7	-2.2	-6.0	2,967	22.3	-17.9	-13.8	2,208	21.6	-17.3	-14.5

	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Jun-23	YoY	QoQ	Exp. (%)	Jun-23	YoY	QoQ	Exp. (%)	Jun-23	YoY	QoQ	Exp. (%)
BSE	2,156	15.4	-5.0	1.2	719	17.3	-30.6	3.5	625	91.9	-24.0	-1.8
Cams Services	2,613	10.4	4.8	-1.6	1,101	12.4	0.9	-6.3	757	17.1	1.8	-4.5
ICICI Securities	9,344	17.6	5.6	-1.7	3,644	-0.7	3.2	-5.1	2,708	-1.0	3.1	-7.6
MCX	1,458	34.0	9.0	1.2	107	-78.3	416.4	-11.3	197	-52.6	260.7	-4.6
Healthcare	**7,24,516**	**16.1**	**4.3**	**2.0**	**1,58,722**	**29.4**	**14.1**	**9.2**	**91,648**	**24.0**	**16.8**	**9.8**
Ajanta Pharma	10,210	7.4	15.8	1.4	2,813	11.7	64.4	20.4	2,007	13.9	67.3	22.6
Alembic Pharma	14,862	17.7	5.7	3.2	1,987	73.3	-11.0	-14.8	1,206	160.8	16.7	-10.4
Alkem Lab	29,677	15.2	2.2	1.5	3,892	42.4	10.2	6.5	2,867	52.3	-2.5	6.9
Apollo Hospitals	44,178	16.4	2.7	1.7	5,090	3.7	4.3	-0.7	1,666	2.6	-3.4	-14.2
Aurobindo Pharma	68,505	9.9	5.8	4.6	11,514	12.4	14.9	8.6	4,913	-16.5	-4.5	-5.5
Biocon	34,220	57.9	-6.2	2.4	7,130	53.5	-18.2	-9.6	1,000	-52.1	-33.2	-25.8
Cipla	63,289	17.7	10.3	5.3	14,939	30.7	27.3	13.5	9,957	45.1	40.6	25.0
Divis Labs	17,780	-21.1	-8.9	-10.4	5,040	-40.5	2.5	-3.8	3,568	-45.6	10.2	-8.8
Dr Reddy' s Labs	67,384	35.2	11.7	9.4	20,450	97.8	55.1	44.4	13,654	66.6	69.1	51.6
ERIS Lifescience	4,666	17.1	15.8	-1.6	1,697	31.4	42.7	4.3	948	0.3	44.9	0.0
Gland Pharma	12,087	41.1	54.0	11.0	2,940	8.9	74.6	34.9	1,941	-15.3	63.6	27.0
Glenmark Pharma	34,016	22.5	0.8	5.3	6,312	33.6	4.3	12.9	1,769	5.2	-23.1	-12.6
Granules India	9,855	-3.3	-17.6	-0.8	1,579	-25.4	-33.1	-9.1	633	-50.4	-49.5	-26.3
GSK Pharma	7,617	2.2	-3.3	-5.2	1,439	-3.4	-15.2	-25.4	1,150	-1.1	-6.6	-20.9
Ipca Labs.	15,876	0.1	5.0	-7.5	2,941	3.8	62.5	-8.8	1,539	0.9	119.7	-10.3
Laurus Labs	11,818	-23.2	-14.4	-9.9	1,667	-63.3	-41.6	-39.4	268	-89.4	-74.5	-75.0
Lupin	46,087	23.1	4.0	3.8	6,513	297.3	7.8	9.5	2,855	LP	9.5	37.2
Max Healthcare	16,220	16.7	4.7	-0.3	4,290	16.7	-1.2	-7.5	3,055	28.3	-3.7	-8.9
Piramal Pharma	17,489	18.0	-19.2	3.4	1,323	55.5	-62.3	11.8	-986	Loss	PL	Loss
Solara Active Pharma	3,523	6.7	-7.4	-14.6	191	52.4	-60.8	-66.4	-196	Loss	PL	PL
Sun Pharma	1,17,852	10.7	10.5	-0.8	31,741	21.1	23.6	12.3	22,829	18.5	8.0	4.2
Torrent Pharma	25,910	12.2	4.0	1.0	7,910	17.4	7.3	-2.1	3,780	15.0	27.1	2.4
Zydus Lifesciences	51,396	29.6	2.6	1.9	15,324	111.5	16.6	17.2	11,225	155.4	45.4	27.3
Infrastructure	**47,162**	**-10.9**	**-1.6**	**-1.9**	**12,658**	**-26.1**	**0.4**	**-1.8**	**4,521**	**-42.4**	**0.2**	**-0.4**
IRB Infra	16,342	-15.1	0.9	-1.6	7,778	-26.7	2.5	-2.0	1,338	-63.2	2.7	-14.3
G R Infraproject	21,524	-13.1	7.9	-0.6	3,147	-35.3	8.6	0.3	2,080	-35.2	8.2	7.9
KNR Constructions	9,296	4.4	-20.9	-5.1	1,733	5.0	-18.3	-4.7	1,103	9.4	-14.3	4.7
Logistics	**63,790**	**1.6**	**-4.2**	**-8.4**	**8,206**	**-15.1**	**-10.1**	**-17.5**	**4,439**	**-21.8**	**-16.6**	**-20.7**
Blue Dart Express	12,376	-4.3	1.7	-6.2	1,133	-40.6	-11.6	-21.9	598	-49.0	-15.0	-28.4
Concor	19,193	-3.0	-11.4	-15.8	3,916	-17.1	-11.9	-22.7	2,441	-16.2	-12.3	-23.0
Mahindra Logistics	12,932	7.8	1.6	-3.1	666	1.4	4.6	-0.1	-86	PL	Loss	Loss
TCI Express	3,049	5.0	-6.6	-2.1	464	8.4	-14.3	-4.5	323	4.3	-15.9	-5.7
Transport Corp.	9,498	5.2	-3.0	-5.5	1,008	-3.1	-6.7	-9.5	823	5.9	-3.0	4.7
VRL Logistics	6,742	9.7	-3.4	-5.1	1,019	11.7	-10.7	-12.5	339	-7.5	-44.3	-27.8
Media	**46,065**	**0.1**	**13.2**	**-10.9**	**10,222**	**-22.1**	**58.6**	**-41.5**	**5,883**	**-21.6**	**51.4**	**-20.9**
PVR Inox	13,049	-16.5	14.2	0.5	808	-74.1	1,424.5	-17.4	-441	PL	Loss	Loss
Sun TV	13,178	10.4	62.0	-31.5	7,865	3.0	61.3	-49.5	5,828	18.5	59.3	-24.5
Zee Entertainment	19,838	7.5	-6.1	2.0	1,549	-34.3	2.1	70.3	496	-57.3	-25.9	206.1
Metals	**27,72,108**	**-3.8**	**-8.4**	**3.2**	**4,57,235**	**-28.4**	**-10.1**	**15.3**	**2,00,541**	**-39.9**	**-12.4**	**27.3**
Coal India	3,59,832	2.5	-5.7	6.5	1,11,596	-12.4	29.1	55.0	79,644	-9.8	44.1	58.5
Hindalco	5,29,910	-8.7	-5.1	11.5	57,140	-32.2	7.3	9.6	24,640	-39.6	2.3	21.7
Hindustan Zinc	72,820	-22.4	-14.4	-1.4	33,470	-34.8	-21.3	1.4	19,640	-36.5	-24.0	1.8
JSPL	1,25,883	-3.5	-8.1	-2.1	26,280	-12.2	20.2	16.4	16,869	15.3	173.8	97.4
JSW Steel	4,22,130	10.8	-10.1	6.3	70,460	63.5	-11.2	45.3	23,380	179.0	-36.2	190.0
Nalco	31,784	-16.0	-13.4	1.4	5,943	-31.6	-22.5	-14.1	3,452	-39.8	-35.4	-17.2
NMDC	53,947	13.2	-7.8	12.1	19,935	5.0	-7.8	22.5	16,612	13.2	4.9	31.1
SAIL	2,43,576	1.4	-16.4	-9.2	16,471	-28.4	-43.5	-36.0	1,498	-80.7	-86.1	-82.3
Tata Steel	5,94,897	-6.2	-5.5	0.6	51,739	-65.4	-28.3	1.8	6,205	-92.0	-63.4	-36.0
Vedanta	3,37,330	-12.7	-11.1	1.1	64,200	-37.0	-32.1	-6.2	8,600	-80.5	-73.3	-47.0
Oil & Gas	**74,60,943**	**-9.6**	**-3.0**	**5.3**	**11,54,422**	**70.8**	**22.6**	**-10.4**	**6,29,490**	**157.9**	**19.3**	**-15.0**
Oil Ex OMCs	**32,36,289**	**-11.4**	**-4.8**	**0.0**	**6,79,452**	**-14.8**	**6.2**	**-0.5**	**3,24,437**	**-24.3**	**1.6**	**-3.2**
Aegis Logistics	21,005	-6.0	-2.5	-2.1	1,959	33.6	-3.3	6.3	1,158	-24.9	-17.8	5.8
BPCL	11,29,782	-6.7	-4.3	15.2	1,58,098	LP	41.7	-14.5	1,05,509	LP	39.5	-15.0

	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Jun-23	YoY	QoQ	Exp. (%)	Jun-23	YoY	QoQ	Exp. (%)	Jun-23	YoY	QoQ	Exp. (%)
Castrol India	13,338	7.4	3.1	4.0	3,098	8.3	5.0	-2.4	2,253	9.2	11.2	-2.4
GAIL	3,22,275	-14.2	-1.9	-2.4	24,327	-44.3	692.0	-10.8	14,120	-51.6	134.0	-26.0
Gujarat Gas	37,815	-26.9	-3.7	-15.4	3,880	-36.0	-30.8	-12.8	2,151	-43.6	-41.7	-18.9
Gujarat State Petronet	3,937	-6.3	5.2	-3.7	3,364	-6.6	14.2	-1.4	2,293	-2.6	2.2	4.8
HPCL	11,19,606	-2.2	3.7	17.7	95,233	LP	104.6	-20.5	62,039	LP	92.5	-22.6
Indraprastha Gas	34,070	6.7	-7.6	-5.3	6,424	4.0	37.8	10.4	4,384	4.2	32.9	9.2
IOC	19,75,266	-11.9	-2.7	3.2	2,21,639	415.9	54.4	-26.5	1,37,504	LP	36.7	-31.5
Mahanagar Gas	15,378	5.7	-4.5	-1.3	5,213	82.5	33.8	23.0	3,684	98.9	37.0	30.7
MRPL	2,11,731	-34.4	-16.6	-10.7	20,617	-62.1	-39.3	-34.4	10,102	-62.7	-47.1	-48.5
Oil India	46,447	-22.1	-17.7	-11.7	23,289	-11.5	-0.8	1.1	16,134	3.7	-9.8	7.2
ONGC	3,38,143	-20.1	-6.8	6.7	1,94,534	-25.0	19.1	7.5	1,00,150	-34.1	62.1	10.1
Petronet LNG	1,16,561	-18.3	-16.0	-11.3	11,818	11.0	25.3	3.7	7,899	12.7	28.6	5.9
Reliance Inds.	20,75,590	-5.4	-2.5	2.0	3,80,930	0.3	-0.9	-1.3	1,60,110	-12.0	-17.1	-4.7
Real Estate	**90,381**	**-3.3**	**-30.4**	**-12.4**	**24,217**	**0.2**	**-26.4**	**-14.7**	**17,963**	**25.3**	**-40.5**	**-1.2**
Brigade Enterpr.	6,540	-27.5	-22.4	-31.3	1,748	-24.9	-13.5	-35.4	385	-52.0	-27.3	-61.9
DLF	14,232	-1.3	-2.3	-10.8	3,962	-4.2	-0.5	-15.0	5,261	12.1	-7.6	-14.4
Godrej Properties	9,360	282.6	-43.1	174.1	57	LP	-98.4	LP	2,248	419.3	-50.5	245.4
Macrotech Developers	16,174	-39.6	-50.3	-35.4	3,300	-29.3	-57.2	-48.9	1,700	41.7	-77.3	-55.3
Mahindra Lifespace	980	3.7	-61.6	-37.1	-431	Loss	Loss	Loss	-43	PL	PL	PL
Oberoi Realty	9,100	-0.3	-5.4	-5.4	4,737	-3.8	28.5	11.6	3,216	-20.2	-33.0	13.2
Phoenix Mills	8,106	41.1	11.2	5.3	4,923	52.5	14.3	8.6	2,405	48.5	16.9	21.5
Prestige Estates	16,809	-13.3	-36.1	-24.1	5,267	14.1	-22.7	0.9	2,669	174.0	-41.8	111.6
Sobha	9,079	60.8	-25.0	11.0	654	-10.2	-43.4	-28.4	121	168.3	-75.2	-62.8
Retail	**3,82,711**	**19.6**	**12.7**	**1.9**	**45,617**	**-3.7**	**20.5**	**-11.2**	**19,188**	**-17.5**	**24.8**	**-19.0**
Aditya Birla Fashion	31,961	11.2	11.0	-0.6	2,923	-37.6	51.6	-5.7	-1,620	PL	Loss	Loss
Avenue Supermarts	1,18,654	18.2	12.0	-0.2	10,353	2.7	34.2	-12.8	6,587	2.5	43.2	-12.0
Barbeque Nation	3,239	2.9	15.6	-1.3	468	-33.6	17.3	-5.0	-72	PL	Loss	Loss
Bata India	9,581	1.6	23.1	-8.9	2,395	-2.1	31.6	-10.3	1,069	-10.5	63.0	-18.7
Campus Activewear	3,538	4.8	1.7	-3.4	662	7.3	17.1	0.4	314	0.5	37.0	9.5
Devyani Intl.	8,466	20.1	12.1	-4.2	1,734	5.3	14.6	-4.7	457	-38.8	-24.5	13.5
Jubilant Foodworks	13,097	5.6	4.6	0.1	2,764	-9.2	9.6	2.8	752	-41.1	11.3	1.0
Metro Brands	5,825	14.7	7.1	-3.5	1,866	2.0	30.0	9.2	929	-12.2	35.1	7.9
Relaxo Footwear	7,388	10.7	-3.4	-5.1	1,076	24.9	-8.8	-7.2	563	45.6	-11.0	-9.8
Restaurant Brands	4,221	25.3	15.7	-5.1	485	45.9	14.7	-18.1	-222	Loss	Loss	Loss
Sapphire Foods	6,544	19.8	16.8	-0.7	1,214	10.0	23.8	2.2	249	-34.8	144.3	16.9
Shoppers Stop	9,816	4.2	7.1	1.3	1,723	6.1	9.7	2.4	149	-34.4	-8.1	-12.5
Titan Company	1,18,970	26.0	14.8	8.6	11,250	-5.9	3.3	-17.2	7,560	-4.3	2.7	-16.6
Trent	25,364	53.5	22.1	2.3	3,657	20.2	72.4	-24.4	1,483	44.5	41.0	-45.1
Vedant Fashions	3,116	-4.1	-8.8	-2.0	1,482	-9.1	-11.8	-2.9	919	-8.8	-15.5	-2.4
V-Mart Retail	6,785	15.4	14.2	0.1	525	-40.9	128.8	-31.2	-219	PL	Loss	Loss
Westlife Foodworld	6,145	14.2	10.5	-1.1	1,042	19.4	17.5	-0.8	288	22.3	43.5	-8.6
Staffing	**97,485**	**14.2**	**3.0**	**-0.3**	**3,193**	**6.6**	**-0.3**	**-3.4**	**1,631**	**-4.3**	**6.6**	**-3.7**
SIS	29,767	11.1	-0.6	-1.0	1,390	15.2	3.2	0.3	895	8.4	-3.9	13.7
Quess Corp	46,002	15.6	3.6	-0.8	1,539	0.3	1.2	-5.7	478	-22.0	44.3	-28.5
Team Lease Serv.	21,716	15.5	7.1	1.8	263	4.1	-21.8	-8.5	258	-2.9	-3.5	8.2
Technology	**18,13,114**	**10.5**	**-0.2**	**-0.7**	**3,91,482**	**10.2**	**-4.9**	**-3.2**	**2,70,776**	**11.9**	**-5.2**	**-3.4**
Coforge	22,210	21.4	2.4	-1.7	3,329	13.9	-18.3	-17.4	1,831	22.0	-21.3	-31.3
Cyient	16,865	34.9	-3.7	-0.7	3,156	62.2	-2.0	-1.2	1,767	52.2	0.3	-6.9
HCL Technologies	2,62,960	12.1	-1.2	-1.4	54,020	9.1	-8.8	-9.4	35,340	7.6	-11.2	-10.0
Infosys	3,79,330	10.0	1.3	0.2	89,152	12.8	-0.4	-1.2	59,450	10.9	-3.0	-5.8
L&T Technology	23,014	22.8	9.8	-2.3	4,528	12.9	0.8	-4.9	3,111	13.5	0.5	-7.5
LTIMindtree	87,021	13.8	0.1	-1.0	16,355	9.8	2.0	-1.0	11,523	4.2	3.4	-5.5
Mphasis	32,520	-4.7	-3.2	-3.1	5,869	-2.2	-2.0	-1.7	3,961	-1.5	-2.3	-2.3
Persistent Systems	23,212	23.6	3.0	-0.7	4,229	26.9	1.6	-1.7	2,774	31.1	10.3	-1.1
TCS	5,93,810	12.6	0.4	-0.3	1,49,589	12.0	-4.6	0.0	1,11,200	16.8	-2.8	1.9
Tech Mahindra	1,31,590	3.5	-4.1	-2.1	16,010	-14.8	-20.8	-16.1	9,555	-15.5	-28.2	-15.7
Wipro	2,28,310	6.0	-1.5	-0.8	42,944	7.8	-6.9	-5.3	28,701	12.0	-6.6	-2.3
Zensar Tech	12,272	2.0	1.2	-0.2	2,301	69.1	30.8	24.8	1,562	108.0	30.9	32.1

	Sales (INR m)				EBITDA (INR m)				PAT (INR m)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Jun-23	YoY	QoQ	Exp. (%)	Jun-23	YoY	QoQ	Exp. (%)	Jun-23	YoY	QoQ	Exp. (%)
Telecom	**5,99,428**	**10.1**	**3.6**	**1.3**	**2,82,590**	**16.8**	**3.2**	**0.4**	**-32,104**	**Loss**	**Loss**	**Loss**
Bharti Airtel	3,74,400	14.1	4.0	1.0	1,95,985	18.6	4.8	1.1	29,020	91.3	11.9	-1.0
Indus Towers	70,759	2.6	4.8	4.0	34,795	53.8	1.4	-0.1	13,479	182.4	-3.7	-2.4
Tata Comm	47,714	10.7	4.4	1.2	10,240	-4.9	-1.0	-5.1	3,797	-30.2	16.5	7.1
Vodafone Idea	1,06,555	2.4	1.2	0.7	41,570	-4.0	-1.3	-1.1	-78,400	Loss	Loss	Loss
Others	**5,93,518**	**9.4**	**-6.4**	**3.2**	**1,15,019**	**65.2**	**13.4**	**17.3**	**62,671**	**182.0**	**37.3**	**55.3**
APL Apollo Tubes	45,449	32.2	2.6	11.2	3,072	58.4	-4.8	-5.2	1,936	60.5	-4.1	-4.3
Coromandel International	56,934	-0.6	4.0	11.8	7,092	3.5	75.9	8.0	4,940	-1.0	100.5	4.7
EPL	9,102	9.4	-6.1	-5.7	1,590	26.6	2.8	-2.8	543	57.4	-35.6	14.9
Godrej Agrovet	25,102	0.0	19.8	-1.0	1,929	19.4	158.5	16.0	1,071	29.5	245.2	23.2
Indiamart Inter.	2,821	25.6	4.9	-0.8	773	20.4	16.9	8.2	849	81.8	52.2	36.2
Indian Hotels	14,664	15.8	-9.8	2.5	4,102	8.5	-23.4	-2.9	2,224	25.7	-32.2	7.2
Info Edge	5,843	15.1	3.6	-4.5	2,266	38.9	2.9	-1.4	1,999	34.7	11.7	0.3
Interglobe Aviation	1,66,831	29.8	17.8	17.1	51,624	679.0	78.6	47.6	30,872	LP	237.0	160.3
Kajaria Ceramics	10,642	5.6	-11.7	-2.0	1,692	10.2	-3.8	0.6	1,075	16.5	2.5	6.9
Kaveri Seed	7,361	7.4	899.0	-5.6	2,778	12.7	LP	-3.9	2,735	12.2	LP	-0.5
Lemon Tree Hotel	2,223	15.7	-12.0	-0.4	1,045	13.1	-25.3	-1.3	235	34.5	-46.6	-9.9
One 97 Comm.	23,420	39.3	0.3	-2.8	-2,930	Loss	Loss	Loss	-3,580	Loss	Loss	Loss
P I Industries	19,104	23.8	22.0	-1.7	4,678	35.4	36.5	3.9	3,829	45.9	36.5	10.9
SRF	33,384	-14.3	-11.6	-14.6	7,200	-29.4	-25.0	-21.6	3,830	-39.5	-35.1	-28.3
Tata Chemicals	42,180	5.6	-4.3	-7.6	10,430	2.8	8.1	1.5	5,230	-11.8	-26.4	-2.2
Trident	14,669	-12.0	-6.1	-3.0	2,237	-11.6	-10.1	-4.5	859	-30.0	-26.6	-16.8
UPL	89,630	-17.2	-45.9	-6.1	15,920	-32.1	-47.2	5.1	4,003	-61.7	-61.7	204.2
Zomato	24,160	70.9	17.5	7.0	-480	Loss	Loss	Loss	20	LP	LP	LP

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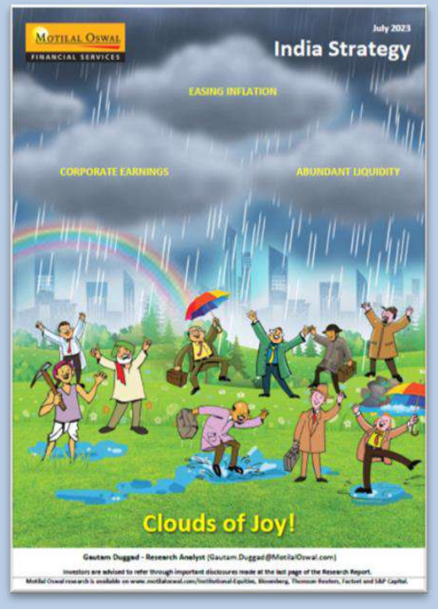
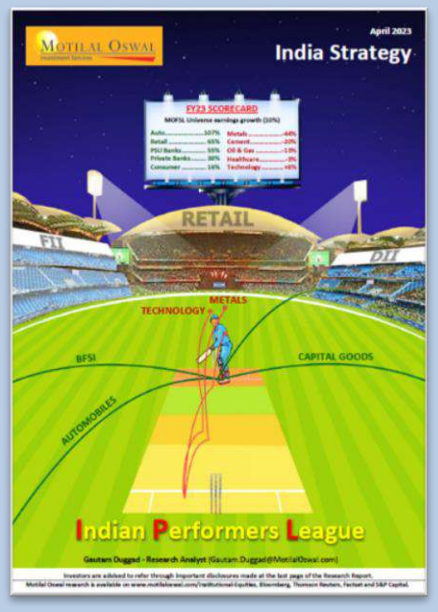
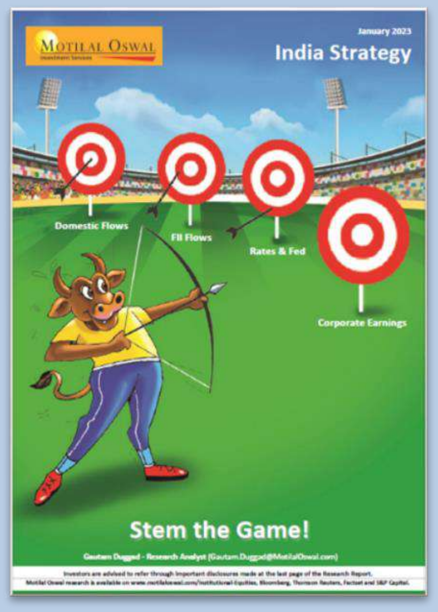
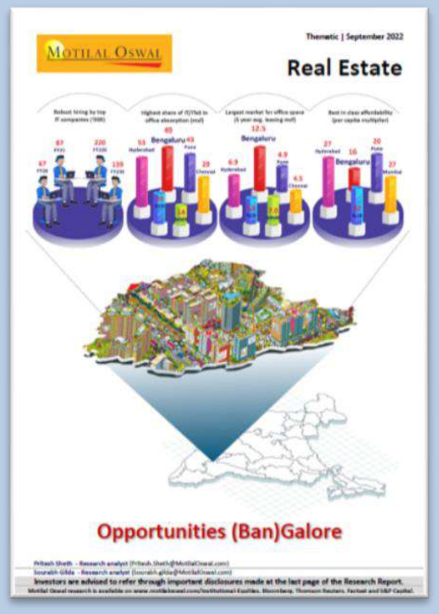
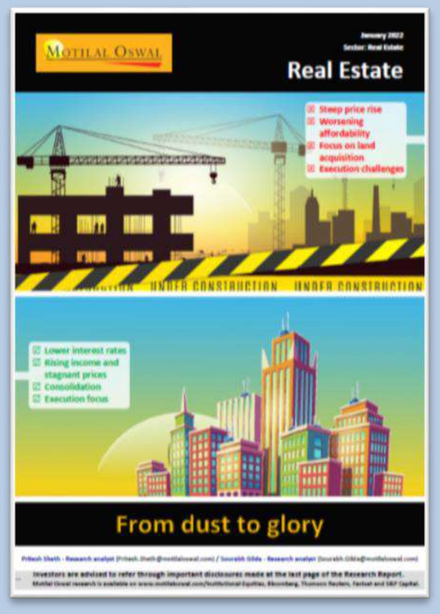
RECENT STRATEGY/THEMATIC REPORTS

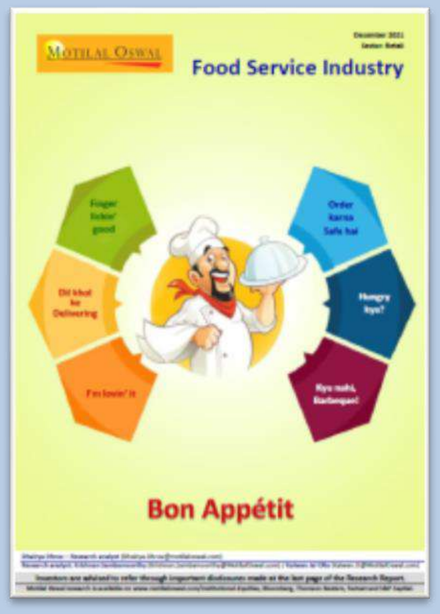












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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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