April 07, 2023

SENSE & SENTIMENT

Q1 FY24 Earnings Preview

YES Sec universe (Ex Financial & OMC): Topline to grow 6% y/y, the slowest run rate in the last 9 quarters, However, rebound in EBITDA margins (an improvement of 79bps, a first expansion after 7 quarters) will drive PAT growth of 22%, the best in the last 6 quarters

- Topline growth of 6% (ex-Financial & OMCs) is the weakest in the last 9 quarters, impacted by a high base and some degree of tapering down in realisation. The revenue growth is largely driven by sectors like Auto, Cement and Capital goods. While Metals, Chemicals is estimated to report a de-growth in topline numbers.

- Q1 will end the seventh consecutive quarter of contraction, with operating margins likely to expand by 79bps on a y/y. On the sequential front, margins are set to improve by 40bps, making it the third consecutive quarter of a sequential uptick in margins. Further, 11 out of 15 sectors are likely to witness improvement, indicating margin contraction is well behind for major sectors. Sectors that have a higher degree of exposure to global markets like chemicals and metal are witnessing some reduction in margins.

- Margin expansion drives PAT growth of a 22% y/y, the best traction seen in the last 6 quarters. In the current quarter, sectors like Auto, and Telecom are likely to turn black (Q1 FY23 reported losses on an aggregate basis). On the negative side, margin erosion in Cement and Metal is likely to impact aggregate profitability.

For Financials: Robust credit offtake to translate into NII expansion of 30% y/y

- NII for Banks is expected to register a healthy 30% y/y growth, boosted by a decent uptake in credit demand. This will translate into PPoP growth of 48 y/y. While PAT is likely to grow by 65% y/y best in the last 8 quarters

- NBFC & SFB are likely to witness strong growth both on the top line and bottom line by 31% & 45% y/y respectively.

Exhibit 1: YES Sec Universe: Stocks on the Radar

Sector	Earning Expectations	
	Strong	Weak
Auto	Maruti, Motherson Sumi	
Banks	Axis Bank, Bank of Baroda, Indian Bank	
Building Material	Cera, Apollo Pipes	Greenpanel Ind
Capital Goods & Defence	Voltamp, Triveni Turbine	
Cement	Dalmia Bharat, Ultratech	India Cements
Chemicals	Deepak Nitrite	
Durables and Electricals	BlueStar, Dixon	TTK Prestige
Energy	Indraprastha Gas	
Infrastructure	HG Infra, PNC Infra, ITD Cementation	
Insurance	ICICI Prudential Life, SBI Life	
IT	Coforge	Wipro
Telecom	Bharti	IDEA
NBFC and SFB	Bajaj Finance, Muthoot Cap, Aptus	
Pharma	Lupin	Alkem, Ipca
Real Estate	Prestige, Sunteck	Oberoi
Staples and Discretionary	Britannia, Nestle	Dabur

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Exhibit 2: Revenue growth estimated to clock +6% y/y, the slowest in the last 9 quarters

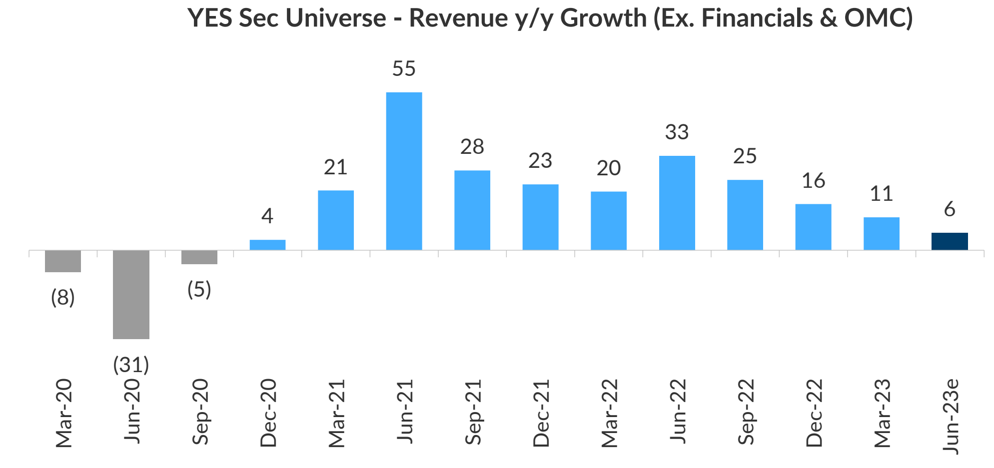
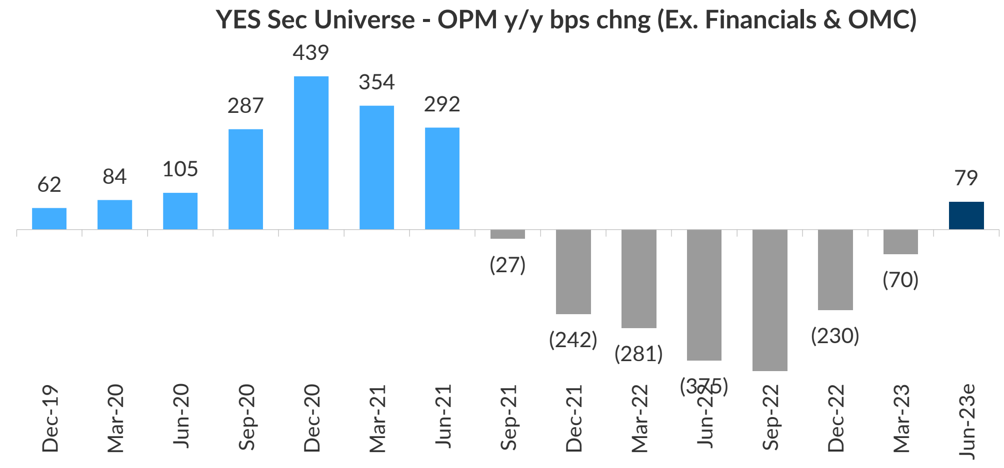


Exhibit 3: Margins likely to expand by 79bps y/y basis, ending the 7 consecutive quarters of decline



Note: This calculation excludes Banks, SFB, NBFC, Life Insurance, General Insurance, and Fintech.

Exhibit 4: On a q/q basis Operating Margins are likely to rebound for the third consecutive quarter for coverage universe, while margins for IT, Metals is likely to drop q/q

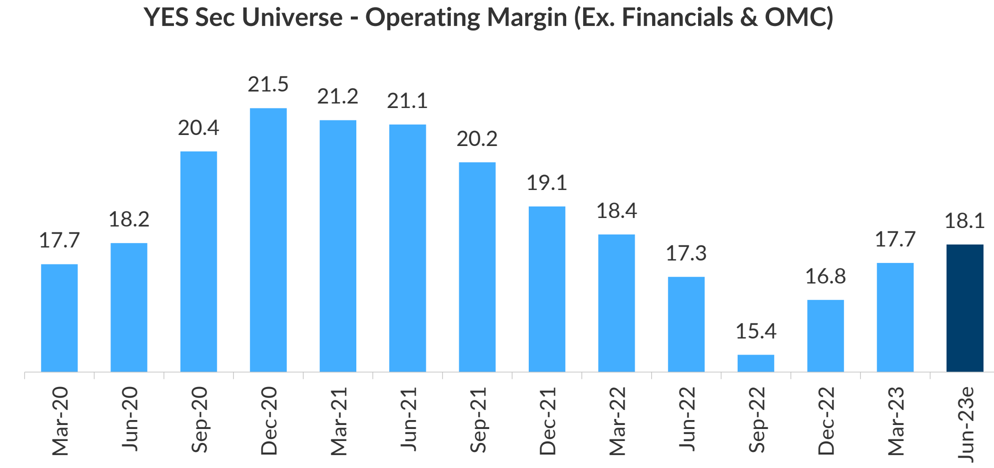


Exhibit 5: PAT growth of 22% is driven by topline growth and expansion in margins

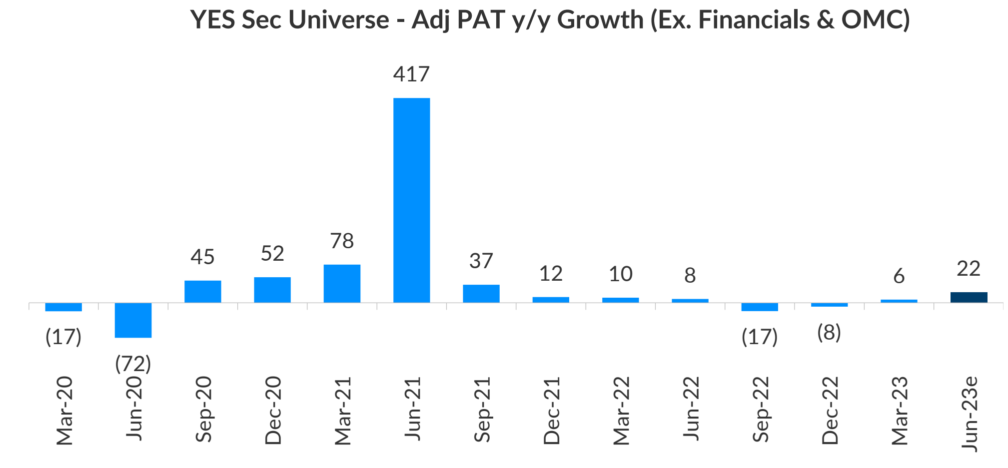


Exhibit 6: NII growth for Financials to be strong, thanks to momentum in credit offtake and NIM expansion

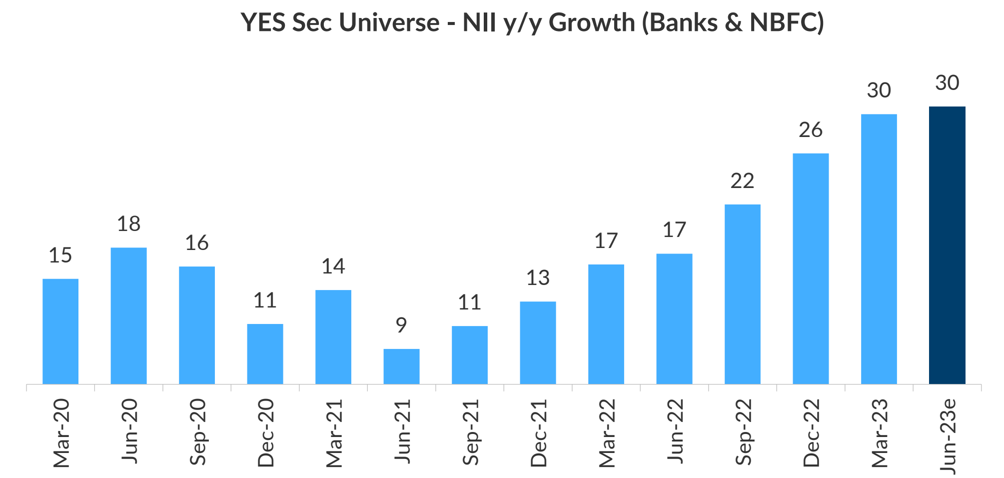


Exhibit 7: PPOP growth for Q1 is likely to be strongest seen in near future

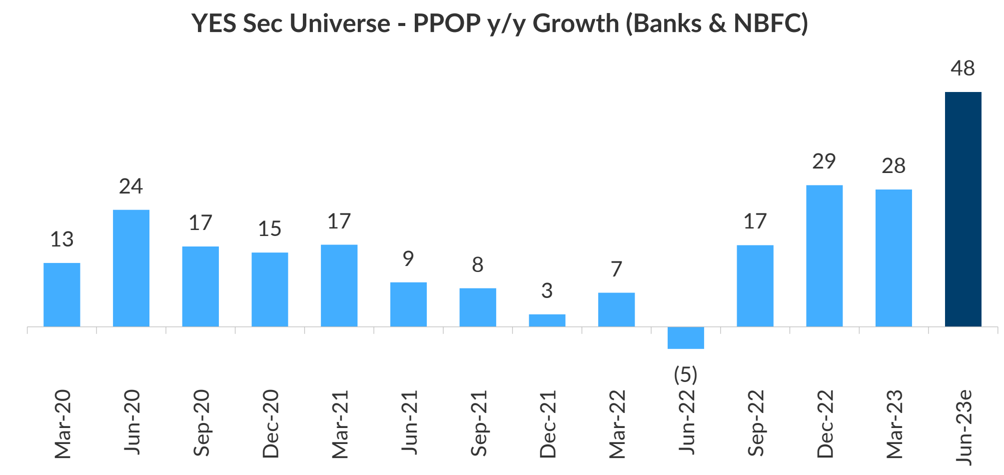
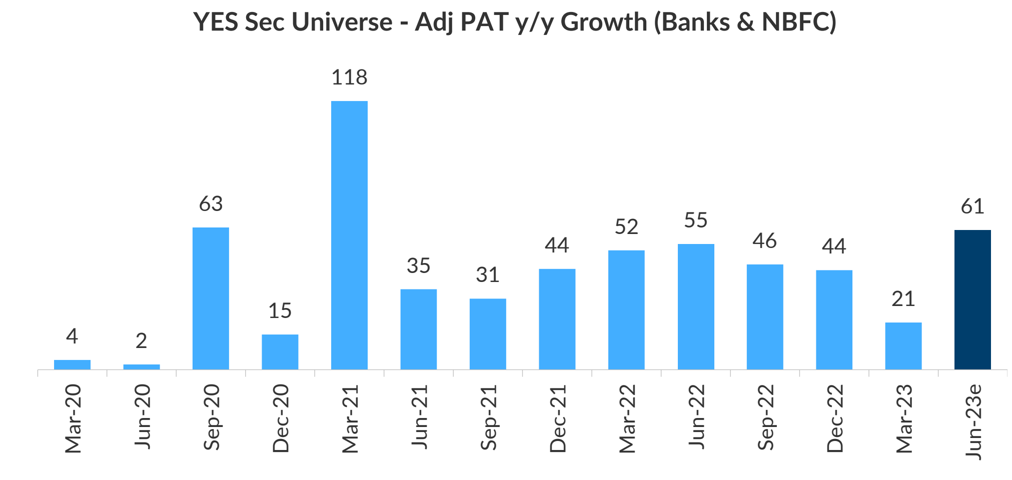


Exhibit 8: Strong PPOP and NII growth will drive a 61% y/y jump in bottom-line



Note: This calculation excludes Life Insurance, General Insurance

Exhibit 9: YES Securities: Sectoral expectation

	Revenue / NII / NEP / NBP		EBITDA / PPOP / APE / Underwriting Profit		PAT / VNB	
Sector	YoY (%)	QoQ (%)	YoY (bps)	QoQ (bps)	YoY (%)	QoQ (%)
AMC	10.6	7.4	(40)	130	57.3	24.8
Automobiles	27.9	(1.4)	428	(26)	LP	(12.0)
Banks	30.2	3.0	1010	7	65.2	24.9
Building Material	2.9	(9.2)	107	(287)	9.1	(31.6)
Capital Goods	14.5	(26.3)	97	(119)	20.6	(41.6)
Cement	13.3	(3.2)	128	243	10.5	2.3
Chemicals	(1.3)	3.0	(80)	44	(6.6)	(4.4)
Consumer Durables	0.7	(11.9)	80	(61)	16.9	(21.7)
FMCG	4.8	3.6	212	(24)	18.8	2.0
Infrastructure	10.2	(7.5)	(188)	108	(4.2)	2.4
IT	13.1	0.3	73	(26)	16.4	(2.0)
Metals	(12.5)	(21.0)	(504)	(106)	(60.1)	(41.8)
Oil & Gas	(6.5)	(2.4)	23	100	(12.4)	(11.3)
OMC	(3.0)	4.6	1182	416	LP	37.6
Pharma	11.0	0.9	400	113	15.8	16.8
Rating Agency	18.1	6.8	133	(189)	24.6	5.1
Real Estate	10.5	(3.8)	405	765	36.6	(8.2)
SFBs and NBFCs	31.2	4.2	126	84	45.1	4.0
Telecom/Platform Business	8.7	1.5	292	32	LP	457.0
Coverage	**5.1**	**(2.2)**	**568**	**155**	**72.7**	**6.2**
Coverage (Ex. Financials)	**3.1**	**(2.7)**	**444**	**140**	**78.9**	**0.2**
Coverage (Ex. Financials & OMC)	**6.0**	**(5.6)**	**79**	**45**	**21.7**	**(9.9)**

Source: Capitaline, YES Sec. Note: LL is loss in previous quarter and loss in current quarter. LP is loss to profit

AUTOMOBILE

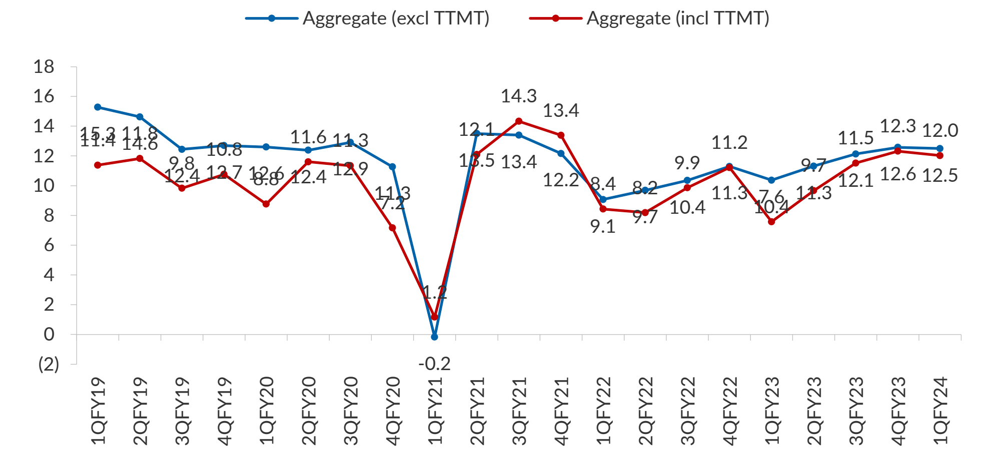
Fourth consecutive quarter of margins Expansion - 1QFY24 EBITDA margins for our coverage universe (ex-TTMT) to expand 30bp QoQ at ~12.9% (v/s 12.6% in 4QFY23 and 10.4% in 1QFY23). This will be led by continued price hikes, gross margins expansion and cost savings partially offset by lower volumes, especially in CVs. We anticipate, margins expansion to be broad based across OEMs with sharp QoQ margins expansion expected for M&M (+70bp at 13.1%), Escorts (+180bp at 12.6%). On the other hand margins to contract for AL (-260bp at 8.4%) and TVSL (-70bp at 9.6%). Key RM prices such as Copper/Aluminium/Lead/NR decreased by ~5%/6%/1%/2% which should aid to recent price hikes. OEM margins including TTMT to to be flat QoQ at 12.2% (v/s 7.6% in 1QFY23).

Mixed demand trends as CV and tractors positive while PV and 2W are stable QoQ - 1QFY24 volumes were weak for CVs due to seasonality and pre-buy ahead of OBD-2 norms effective Apr'23. Demand largely remained intact across segments, except for the entry-level PV and 2W segment, with no signs of meaningful recovery as yet. Demand in 2W segment has still been muted after seeing some traction in recently concluded marriage season. On the other hand, despite unseasonal rains in key states, healthy demand in tractor segment continued led by healthy infra spend ahead of elections and continued subsidy flow by key state governments.

3-4% EPS upgrade across companies within OEM and ancillary coverage universe – We revise our FY24E EPS for select companies to account for 1) continued demand evolution in the domestic market, 2) bottoming out exports, and 3) RM/FX benefits. We raise EPS across global facing business such as BHFC, MSS, ENDU and SONACOMS by 1-3% to factor in for demand stability post uncertainty due to prevailing macro challenges. Among OEMs, we have upgraded FY24/25 EPS by 2-3% to factor in for likely volume upgrade as domestic demand environment remain buoyant supported by new product launches as well as RM cost decline consecutive for second quarters in 1QFY24.

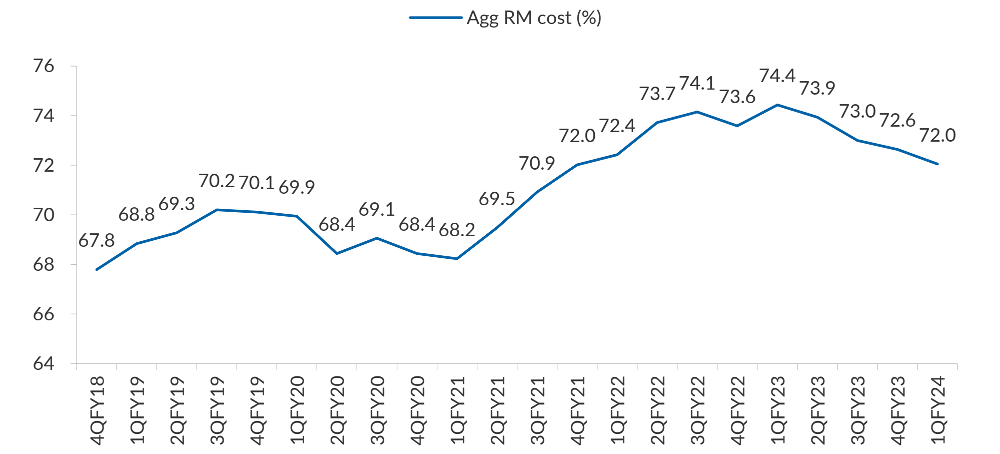
Top Picks – , TTMT (BUY), AL (ADD), TVSL (ADD), MSIL (ADD) from OEMs and BHFC (BUY), MOTHERSO (BUY), ENDU (BUY) from ancs- We continue to remain positive on CVs (owing to the pick-up in replacement demand led by increasing fleet utilization and signs of recovery in bus segment) and PVs (led by higher bookings and upcoming new launches). We are selective in 2Ws as we like EIM and TVSL. With recent correction in MSIL, we believe its valuations offers favorable risk reward as PV demand continues to be in better shape.

Exhibit 10: Aggregate margin (ex-TTMT) to expand ~30bp QoQ at 12.9%



Source- Company, YES Sec

Exhibit 11: Aggregate RM (ex-TTMT) to decline 60bp QoQ to ~72%



Source - Company, YES Sec

Exhibit 12: Automobile- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Ashok Leyland	78,071	8.1	(32.8)	6,570	398	(256)	3,052	410.0	(55.2)	We expect revenues to decline ~33% QoQ at Rs78.7b led by ~31% QoQ decline in volumes coupled with ~2% QoQ fall in ASPs at Rs1.88m/unit, due to lower contrinution from MHCV. We expect AL to report EBITDA of Rs6.5b (-48.5% QoQ) with margins of 8.4% (-260bp QoQ) led by negative operating leverage.
Bharat Forge	19,567	11.2	(2.0)	5,273	80	78	3,011	22.4	9.0	We expect standalone revenues to fall ~2% QoQ at ~Rs19.6b in 1QFY24, to be driven by ~3% QoQ decline in shipment tonnage (~62.7k ton) offset by ~1% QoQ increase in realizations (~Rs312k/ton). We expect margins to expand 80bp QoQ at 26.9% led by mix impact.
Bajaj Auto	104,263	30.2	17.1	20,218	319	11	17,096	45.7	19.3	Overall volume for the quarter grew ~10% YoY/ 19.5% QoQ, while realizations are expected to grow ~18.4% YoY/-2% QoQ at Rs101.5k/unit. This should result in revenue growth of 30% YoY/+17% QoQ at Rs104.3b. We expect margins to expand ~320bp YoY/+10bp QoQ at 19.4%.
CEAT	29,021	3.0	0.9	3,383	579	(114)	1,138	1,211.8	(17.5)	Ceat is expected to report ~3% YoY/ ~1% QoQ growth in revenues at Rs29b on account of weak volumes partially offset by price hikes. ~40bp QoQ gross margins contraction and higher other expense due to IPL promotion spends, should result in margins to be contract ~90bp QoQ at 11.7%.
Eicher Motors	40,702	19.8	7.0	9,951	(1)	(9)	8,016	31.3	(11.5)	EIM's 1QFY24 S/A volumes grew ~21.6% YoY/+4.2% QoQ at 228k units, while VECV volumes grew ~12% YoY and fell 26% QoQ to 19.6k units. We expect EIM to report consolidated revenue of Rs40.4b, with margins expected to remain flat QoQ at 24.6%.
Endurance Tech.	23,350	12.1	4.5	3,150	343	73	1,477	67.8	8.5	Endu is expected to report revenue growth of ~12% YoY/ 4.5% QoQ at Rs23.3b led by growth in domestic 2W volumes as well underlying growth in EUR PV industry. EBITDA margin is likely to expand ~70bp QoQ at 13.5% led by stabiling overall cost inflation coupled with op leverage.
Escorts Kubota	23,007	14.2	5.4	2,791	212	133	2,343	58.9	15.0	Escorts tractor volumes declined ~1% YoY and growth of 7% QoQ in 1QFY24. This coupled with expected realisations growth of 7% YoY and ~2% QoQ to led revenue growth of 14% YoY/ +5.4% QoQ at Rs23b. This also includes revenue growth in CE (42% YoY/4% QoQ) and Railways (+40% YoY/ -10% QoQ). RM to sales is expected to contract ~70bp QoQ at ~70.8%. This coupled with price hikes and op leverage will result in margins expansion of ~130bp QoQ at 12.1%.
Exide Inds.	37,201	(4.6)	5.0	4,244	149	105	2,593	14.6	24.8	We expect EXID's 1QFY24 revenue to decline ~5% YoY while grow QoQ by 5% at Rs37.2b led by ramp-up in seasonal decline in OEM segment while stable replacement sales. This would partially offset by better growth in exports and replacement segment. Lead prices in 1QFY24 declined by ~1% QoQ at Rs173.9k/ton. Gross margins to expand ~70bp QoQ at 30.5% while EBITDA margins to expand to 11.4%.
Hero Motocorp	90,026	(69.2)	8.4	11,934	174	22	9,272	(62.5)	8.0	With volume growth of ~6.5% YoY/ -2.7% QoQ coupled with realization growth of ~1.8% QoQ/ +10.3% YoY at Rs66.6k/units on account of price hikes, revenue to grow +7.3% YoY/+8.4% YoY at Rs90b. EBITDA margins are likely to expand ~30bp QoQ at ~13.3% led by operating leverage, while gross margin is expected to expand 40bp QoQ at 32.4%.
M & M	234,400	19.5	3.8	30,706	116	71	21,965	49.3	6.6	M&M's overall volumes for 1QFY24 grew ~7% QoQ (+9.8% YoY), wherein tractors volume grew 28% QoQ. Tractor contribution in volume mix stood at 38.9% in 1Q v/s 32.6% in 4Q. We expect MM's revenues to grow ~19.5%YoY/+3.8% QoQ at Rs234.4b and ASP of Rs784.8k/unit. We expect EBITDA margins at 13.1% (+120bp YoY/ 70bp QoQ).
Maruti Suzuki	322,362	21.6	0.6	34,815	358	35	26,366	160.3	0.5	Volume decline of 3.3% QoQ offset by ~4% QoQ ASP growth at Rs6.5L/unit, to result in flat revenues of ~Rs322b. EBITDA margins are expected to expand 35bp QoQ (+350bp YoY) at 10.8% led by RM decline and price hikes.

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Samvardh. Mothe.	238,255	35.3	6.0	21,162	277	(11)	7,046	399.0	7.7	For 1QFY24, we expect MSS to report ~6% QoQ/ (+35% YoY) consol revenue growth at Rs238b. SMP and SMR margins are likely to be ~6.8% (+20bp QoQ), ~11% (-40bp QoQ). We hence, expect consol EBITDA margin to remain flat QoQ/+280bp YoY at 8.9% while absolute EBITDA is expected to grow ~97% YoY/ 5% QoQ at Rs21.6b.
Sona BLW Precis.	7,277	24.6	(2.0)	1,890	243	(96)	1,063	40.3	(13.3)	We expect Sona to report ~25% YoY growth but ~2% QoQ decline in revenue at Rs7.3b despite challenges in European/North American markets. While RM/sales is expected to remain flat QoQ , EBITDA margins are expected to contract 90bp QoQ at 26% (+240bp YoY).
Tata Motors	1,006,357	39.9	(5.0)	116,134	712	(54)	34,421	(153.4)	(40.5)	We expect TTMT's consol revenue to decline 5% QoQ at Rs1006b. Consol margins are expected to contract ~60bp QoQ at 11.5%. However, we expect PAT to be at Rs34.4b.
TVS Motor Co.	72,716	21.0	10.1	6,981	(38)	(69)	3,844	19.9	(6.3)	TVSL's 1QFY24 volume grew ~5% YoY/ 8.5% QoQ. This coupled with expected realizations growth of ~15% YoY and ~1.5% QoQ at ~Rs76.3k/unit to result in revenue growth of ~21% YoY and 10% QoQ at Rs72.7b. EBITDA margin to contract ~60bp QoQ at 9.6% as we expect higher other expense due to compensation related to EV subsidy.

BANKS

- **Asset quality:** Fresh **slippages** in 1QFY24 would generally be stable on sequential basis for our coverage banks. We see slippages remain at similar levels, sequentially, in 1QFY24 as the restructured book should throw up some more slippages. Furthermore, the macro environment has also changed due to elevated interest rates, which may also cause some incipient build-up of stress. Sequential evolution of **provisions** would be a function of not only slippages but also of recoveries and upgrades and pre-existing provision buffers. Hence, we see a material rise in provisions, sequentially, for AXSB, FED, HDFCB, ICICI, IIB, KMB, RBL, and CSB, and a moderate rise for BOB and IDFCB, whereas we see a decline in provisions for INBK, DCB and CUB.

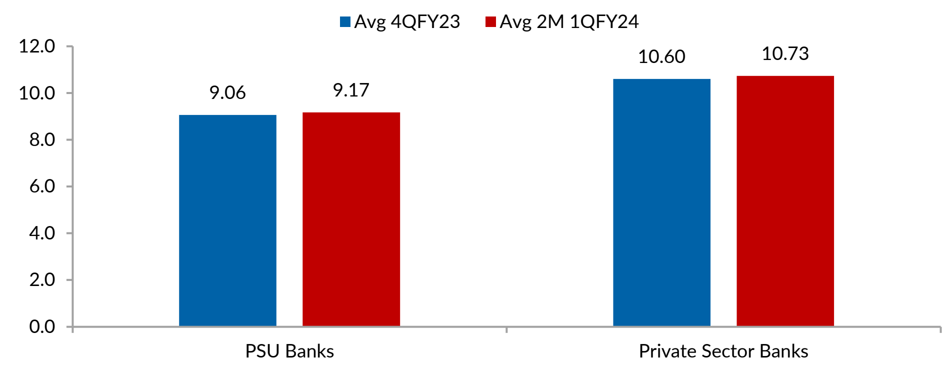
- **Net interest margin:** Except in cases where loan mix change was favourable enough, NIM would decline marginally on sequential basis since the rise in deposit cost would outpace the rise in yield on advances, leading to spread compression. Furthermore, there would have been little or no support from liquidity unwind during the quarter gone by. The average Weighted Average Domestic Term Deposit Rate (WADTDR) for private sector banks for 2M1QFY24 rose 28 bps, to 6.40%, compared with the average for 4QFY23. The corresponding Weighted Average Lending Rate (WALR) rose 13 bps to 10.73%, implying that **Loan Spread** declined 15 bps. For PSU banks, the WADTDR rose 30 bps to 6.32% and the WALR rose 11 bps to 9.17%, with implies that Spread declined 19 bps. It may be noted that the WADTDR and WALR for 2M1QFY24 excludes June month. We see NIM marginally lower (2-10 bps) sequentially for AXSB, BOB, ICICI, SBI, INBK, IIB, IDFCB, KMB, CSB, CUB and DCB, whereas we see broadly stable NIM for FED, HDFCB and RBL.

- **Loan growth:** Sequential loan growth has been / will be healthy (>4.5%) for FED, ICICI, KMB and IDFCB, reasonable (3.5-4.5%) for AXSB, IIB, RBL and DCB, moderate (2.5-3.5%) for BOB, SBI and INBK and weak (<2.5%) for HDFCB, CSB and CUB.

- **Core fee income:** Core fee income would broadly match loan growth for BOB, INBK, IIB, IDFCB, KMB, CSB, CUB. DCB due to being mainly driven by disbursement activity. It would slightly lag loan growth for AXSB and FED and mentionably lag for HDFCB, ICICI and RBL.

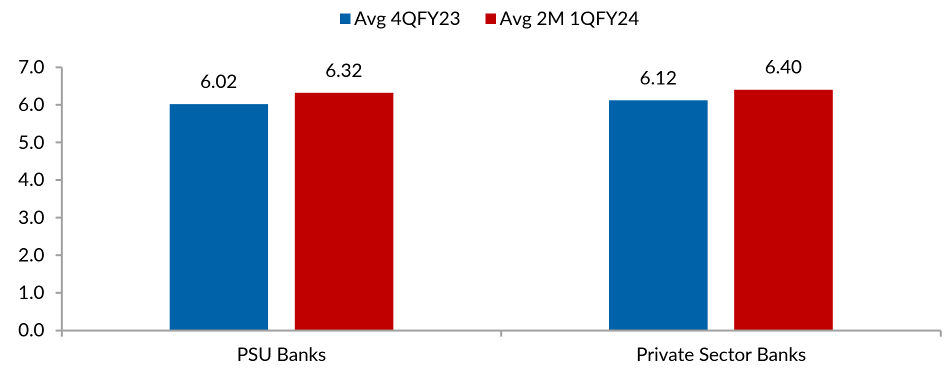
- **Treasury profit:** Treasury profit would be somewhat higher sequentially as average long-term bond yields have declined on sequential basis, with the 10-year averaging 7.07% over 1QFY24, lower by 28 bps QoQ. For AXSB, ICICI, HDFCB, KMB and RBL, treasury income, it may be noted, on average, is a relatively smaller part of total non-interest income.

Exhibit 13: Change in Weighted Average Lending Rate, %



Source: RBI, YES Sec – Research

Exhibit 14: Change in Weighted Average Domestic Term Deposit Rate, %



Source: RBI, YES Sec – Research

N.B. For stock specific trends for various aspects, such as slippages, provisions and net interest margin, kindly refer to the Remarks portion on the next page.

Exhibit 15: Banks - Earnings expectation snapshot – Part 1 – Stocks in respective tables are as per order of Market Capitalisation

Bank (Rs mn)	NII			PPOP			PAT			Remarks (Commentary on sequential evolution)
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
HDFC Bank	239,356	22.9	2.5	191,532	24.6	2.9	121,149	31.7	0.6	Sequential loan growth has been in the 1% ballpark. NII growth will be slightly faster than loan growth due to favourable loan mix change. Consequently, NIM will be broadly stable sequentially. Sequential fee income growth will lag loan growth due to linkage to seasonal payments business. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
ICICI Bank	183,950	39.3	4.1	143,501	39.2	3.8	93,243	35.0	2.2	Sequential loan growth will be in the 4.5% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will lag loan growth due to linkage to seasonal payments business. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
State Bank of India	413,415	32.5	2.3	252,456	98.0	2.5	155,093	155.6	-7.1	Sequential loan growth will be in the 3% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
Kotak Mahindra Bank	63,586	35.4	4.2	48,561	74.5	4.5	34,921	68.6	-0.1	Sequential loan growth will be in the 4.5% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
Axis Bank	121,507	29.5	3.5	94,616	60.7	3.2	63,318	53.5	NA	Sequential loan growth will be in the 4% ballpark due to idiosyncratic growth trajectory and seasonality. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will slightly lag loan growth due to linkage to seasonal payments business. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.

Source: Companies, YES Sec

Exhibit 16: Banks - Earnings expectation snapshot – Part 2 - Stocks in respective tables are as per order of Market Capitalisation

Bank (Rs mn)	NII			PPOP			PAT			Remarks (Commentary on sequential evolution)
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
Indusind Bank	48,295	17.1	3.4	39,254	15.7	4.6	20,386	27.2	-0.1	Sequential loan growth has been in the 4% ballpark. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
Bank of Baroda	117,989	33.5	2.4	82,780	82.8	2.5	50,085	131.0	4.9	Sequential loan growth will be in the 3% ballpark due to idiosyncratic growth trajectory and seasonality. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be moderately higher sequentially due to low base in the fourth quarter and prudential provisioning.
Indian Bank	56,399	24.4	2.4	41,198	15.6	2.6	15,898	31.0	9.9	Sequential loan growth will be in the 3% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially lower sequentially due to upfronted prudential provisioning.
IDFC First Bank	38,202	38.9	6.2	16,341	73.1	4.8	8,483	78.8	5.7	Sequential loan growth has been in the 7% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be slightly higher sequentially due to low base in the fourth quarter and prudential provisioning.
Federal Bank	20,048	24.9	5.0	13,932	43.1	4.4	9,299	54.8	3.0	Sequential loan growth has been in the 5% ballpark. NII growth will be similar to loan growth due to the absence of negative one-offs that impacted 4Q. Consequently, NIM will be stable, sequentially. Sequential fee income growth will slightly lag loan growth due to linkage to seasonal payments business. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be higher sequentially due to low base in the fourth quarter and prudential provisioning.

Source: Companies, YES Sec

Exhibit 17: Banks - Earnings expectation snapshot – Part 3 – Stocks in respective tables are as per order of Market Capitalisation

Bank (Rs mn)	NII			PPOP			PAT			Remarks (Commentary on sequential evolution)
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
City Union Bank	5,184	-1.2	0.8	4,212	-5.8	1.0	2,088	-7.3	-4.2	Sequential loan growth will be in the 1.5% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be lower sequentially.
RBL Bank	12,596	22.6	4.0	6,076	14.8	2.3	2,301	14.4	-15.1	Sequential loan growth has been in the 4% ballpark. NII growth will be similar to loan growth despite cost of deposits catch up due to favourable loan mix change. Consequently, NIM will be broadly stable sequentially. Sequential fee income growth will lag loan growth due to linkage to seasonal payments business. Opex growth will be similar loan growth due to focus on small-ticket loans. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
CSB Bank	3,540	13.9	1.6	2,058	33.0	2.0	1,427	24.7	-8.7	Sequential loan growth has been in the 2% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
DCB Bank	5,019	34.2	3.3	2,521	51.7	3.3	1,511	55.6	6.3	Sequential loan growth will be in the 4% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be lower sequentially.

Source: Companies, YES Sec

BUILDING MATERIALS

Q1FY24 is likely to be tepid for building material companies (seasonal impact) owing to sluggishness in demand. However, demand for Plastic Pipes has been robust on account of strong demand from irrigation coupled with stellar pick-up in Jal Jeevan Mission. Sanitaryware & Faucets should also register flattish growth, however buoyancy in Tier-II&III will enable Cera to outperform industry growth. Woodpanels and Tiles are likely to underperform due to weak demand scenario & growing competitive intensity. Input cost has fairly remained steady for the quarter, however timbers cost has gone-up sequentially for woodpanel companies & there has been considerable reduction in gas cost for ceramic manufacturers.

Plastic pipes: Demand during Q1FY24 has been strong on account of sharp pick-up in Jal-Jeevan mission and healthy traction from plumbing end. Hence, we expect strong volume growth for all companies barring Prince Pipes where performance was adversely impacted due to transition to global ERP system. Though PVC resin prices contracted by Rs6/Kg, we do not foresee major inventory losses as the same occurred in staggered manner. Though margins could contract due to change in product mix as compared to previous quarter, as irrigation and Jal Jeevan Mission require more of PVC & HDPE pipes. We reckon, Supreme Industries & Apollo Pipes to register strong performance.

Woodpanels: In Q1FY24, demand for each product category viz plywood, MDF, Particle boards remained muted, however laminates manufacturers having presence in exports could outperform on account of growing preference for Indian products (Europe+1). Timber cost surged sequentially & chemicals witnessed minor contraction over similar period, but due to lower volume off-take & no price hikes, we believe margins for the segment will be under pressure. MDFs continued to witness pressure from imports while plywood demand remained bleak. We expect Greenpanel to register disappointing results while Stylam & Greenlam are likely to report decent numbers.

Tiles, Sanitaryware & Faucets: Demand for tiles remained flattish during the quarter as new constructions in Metros & Tier-I have slowed down. Exports from Morbi has picked up pace as demand from new geographies increased. Reduction in gas could enable companies to expand their margins, however managements stated that the benefit of the same will be passed on to trades. Resilient demand from Tier-II&III cities, will enable CERA to continue its northward march.

We expect strong numbers from CERA SANITARYWARE & APOLLO PIPES, however weak set is expected by GREENPANEL INDUSTRIES LTD.

Exhibit 18: PVC prices contracted by Rs6/kg

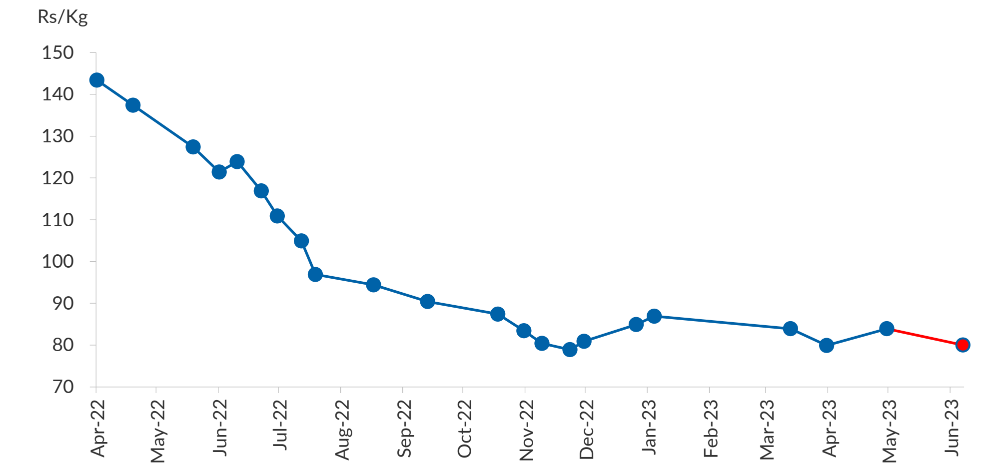


Exhibit 19: Export prices improved QoQ.

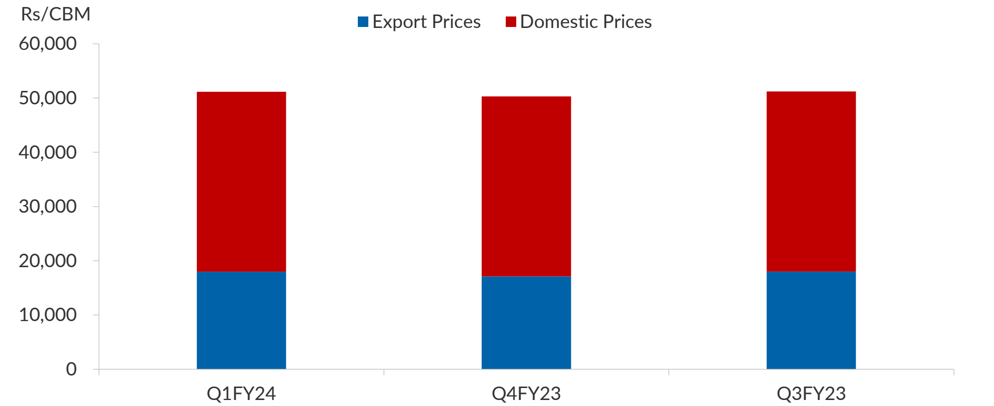


Exhibit 20: Building Materials- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Greenpanel Inds.	3,890	(16.2)	(11.9)	696	(1,046)	62	415	(46.6)	(39.8)	Greenpanel is likely to report revenue of Rs3.89Bn, a degrowth of 16%YoY & 12%QoQ. MDF volumes are expected to decline by 7%YoY & 15%QoQ, realizations should decline by 8%YoY & remain flattish QoQ. Margin are expected to come in at 17.9% as compared to 28.4%/17.3% in Q1FY23/Q4FY23 respectively, on account of better plywood margins QoQ. Company is expected to report a net profit of Rs415 Mn, decline by 47%YoY & 40%QoQ.
Greenply Industr	5,119	12.9	9.1	512	116	(14)	237	20.4	105.6	Greenply is expected to report decent set of number due to commencement of MDF segment. Revenue is likely to grow by 13%YoY & 9%QoQ to Rs5.12Bn, EBITDA margins are likely to came in at 10% in Q1FY24 as compared to 8.8%/10.1% in Q1FY23/ Q4FY23. Net Profit should come in at Rs 237Mn, registering a growth of 20%YoY.
Greenlam Industr	4,941	5.0	(7.4)	618	180	(138)	336	36.5	(27.2)	Though domestic demand was muted, the export demand continues to remain healthy, Hence we believe Greenlam's topline to grow by 5%YoY & decline by 7% sequentially to Rs4.9Bn. Operating margins are likely to came in at 12.5% Vs 10.7%/13.9% in Q1FY23/Q4FY23 respectively. Net profit should increase by 37%YoY & decline by 26%QoQ to Rs336Mn.
Century Plyboard	8,798	(1.0)	(8.9)	1,426	10	(76)	969	4.6	(15.5)	Century is expected to report revenue of Rs8.79Bn, a degrowth of 9%QoQ and remain flat YoY. EBITDA Margins are like to come in at 16.2% in Q1FY24 as compared to 16.1% & 17.0% in Q1FY23 & Q4FY23 respectively. Increase in timber cost & benign demand scenario is likely to keep margins under pressure. Hence absolute EBITDA should contract by 13%QoQ & remain flat YoY to Rs1.42Bn. Company should report net profit of Rs969Mn,a decline of 16% sequentially.
Stylam Industrie	2,467	5.0	4.2	422	208	0	285	35.6	6.2	Stylam Industries should continue to report steady numbers wherein revenue is expected to stand at Rs2.46Bn, a growth of 5%YoY & 4%QoQ. EBITDA margins are likely to come in at 17.1% in Q1FY24, as compared to 15%/17.1% in Q1FY23/Q4FY23 respectively. Hence, absolute EBITDA is expected to grow by 20%YoY to Rs422Mn. Net profit is likely to come in at Rs285Mn, an increase of 36%YoY & 6%QoQ.
Apollo Pipes	2,474	13.0	(1.8)	300	298	45	137	55.4	(9.1)	Apollo Pipes Ltd is likely to report volume growth of 32%YoY & 2%QoQ. ASP should decline by 15%YoY & 4%QoQ to Rs130/Kg, due to which revenue is expected to grow by 13%YoY & decline by 2%QoQ. EBITDA/kg is expected to come in at Rs16 as compared to Rs14/16 in Q1FY23/Q4FY23 respectively. We reckon, Net profit to stand at Rs137Mn as compared to Rs88Mn/ Rs151Mn in Q1FY23/Q4FY23 respectively.
Prince Pipes	5,332	(11.7)	(30.3)	591	381	(833)	278	72.3	(70.5)	Prince Pipes Q1 performance was adversely impacted owing to company's transition to Global ERP system. However, owing to buoyancy in demand, we expect volume growth of 5%YoY & a decline of 26%QoQ. Revenue is like to decline by 12%YoY & 30% QoQ. ASP should come in at Rs162/kg as compared to Rs193/Rs172 in Q1FY23/Q4FY23 respectively. EBITDA/Kg is likely to stand at Rs18/kg as compared to Rs14/Rs33 in Q1FY23/ Q4FY22 respectively.
Supreme Inds.	24,796	12.4	(4.6)	3,471	181	(448)	2,127	(0.5)	(40.8)	Supreme Industries is expected report robust volume growth of 35%YoY. Revenue is expected increase 12%YoY but decline by 5% QoQ to Rs24.8Bn, wherein pipe biz's revenue is likely to increase by 12%YoY but decline sequentially by 7% & other segment's revenue is expected to grow at 16% YoY and 3% QoQ. EBITDA margins are likely to come in at 14% in Q1FY24 Vs 12.2%/18.5% in Q1FY23/Q4FY23 respectively. Net profit should come in at Rs2.13Bn, a decline of 41% sequentially.
Finolex Inds.	11,115	(6.6)	(2.6)	1,512	302	(546)	1,198	20.7	(28.0)	Finolex Industries revenue is expected to decline by 7%YoY & 3%QoQ to Rs11.1Bn. Pipe volume is expected to increase by 15%YoY & 2%QoQ. EBITDA margin is like to come in at 13.6% in Q1FY24 as compared to 19.1% & 11% in Q1FY23 & Q4FY23 respectively. Net Profit is expected to decline sequentially by 28% to Rs1.19Bn

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Astral	12,792	5.5	(15.1)	2,123	253	(391)	1,285	37.0	(35.4)	Astral's Revenue is expected to grow by 6%YoY & decline by 15%QoQ to Rs12.8Bn, wherein Plumbing segment is expected to decline by 4%YoY & 23%QoQ largely owing to contraction in ASP. Paints & Adhesive Biz is expected to grow by 10%YoY and decline by 4%QoQ. EBITDA/Kg for Plumbing biz is should come in at Rs196 as compared to Rs246/Rs206 in Q1FY23 & Q4FY23 respectively. Blended margin is likely to come in at 16.6% vs 20.5%/14.1% in Q1FY23/Q4FY23 respectively. Net profit is expected to come in at Rs1.28Bn, decline of 36%QoQ.
Cera Sanitary.	4,645	16.9	(12.8)	761	56	0	590	47.8	(6.7)	CERA is expected to register revenue of Rs4.64Bn, a growth of 17%YoY & decline of 13%QoQ. EBITDA margins are likely to come in at 16.4% as compared to 15.8% /16.4% in Q1FY23/Q4FY23 respectively. Net profit is expected to stand at Rs590Mn, a growth of 48%YoY & decline of 7%QoQ.
Kajaria Ceramics	10,040	(0.4)	(16.7)	1,506	(23)	40	870	(6.4)	(21.4)	Kajaria Ceramics tile volumes are expected to come in at 23.1msm, a degrowth of 1%YoY & 18%QoQ, due to which Tiles revenue is likely to remain flatish YoY & decline by 17%QoQ. Overall revenue is expected to remain flattish YoY and decline by 17%QoQ to Rs10.04Bn. We believe KJC's margins should come in at 15% as compared to 14.6%/15.2% in Q1FY23/Q4FY23 respectively on account of reduction in gas cost. Net Profit should came in at Rs870Mn, decline by 6%YoY & 21%QoQ.
Carysil	1,528	(10.8)	5.0	275	(166)	0	126	(32.8)	1.1	Carysil is expected to register sluggish quarter due to benign demand scenario on account of recessionary trends across globe. Revenue in expected to decline by 11%YoY & increase by 5%QoQ to Rs1.52Bn. EBITDA margin is like to remain stable at 18% as compared to 19.7% & 18% in Q1FY23 & Q4FY23 respectively. Company is expected to report net profit of Rs126Mn, decline of 33%YoY & remain flat QoQ.

CAPITAL GOODS

As capacity utilization level continues to ramp up led by pick-up in economic activities, execution of government's capex outlay (FY24 budgetary allocation at Rs13.7trn) as well as private sector projects along with easing of supply side bottlenecks, we expect 1Q for our coverage universe to be a healthy quarter (a revenue growth of 14%). We expect project companies to report a revenue growth of 13% owing to healthy execution of the order book while for Product companies we expect revenue growth of 18% YoY. Margin pressures are largely behind us as commodity inflation has cooled off significantly, and the unrecovered portion has been passed on in the form of price hikes.

Domestic enquiry levels for most companies continue to remain healthy as order conversions have picked up led by government's continued thrust on infrastructure development and pickup witnessed in private capex cycle. **Sectors such as data centers, railway, metro, T&D, pharma, cement, chemicals, mining, and F&B continue to witness strong traction.** On the exports front, ordering and enquiry seemingly have lost some momentum on the back inflationary pressures and. attendant tightening monetary policy. However, certain geographies like North America and Middle East are witnessing a strong infrastructure push and green energy shift which coupled with the China +1 phenomenon is benefiting Indian players. Key monitorables would be ordering pipeline given that FY24 is an election year, margin trajectory given that commodity prices have cooled off, execution guidance, working capital levels and key growth drivers.

Strong results expected from Triveni Turbine, Voltamp and ABB. We prefer companies with strong balance sheet, low debt levels, good corporate governance, well managed working capital cycle and long-term scalability. Our top picks in the sector are Voltamp Transformers & KEC International.

Exhibit 21: Quarterly order inflow (Rs bn)

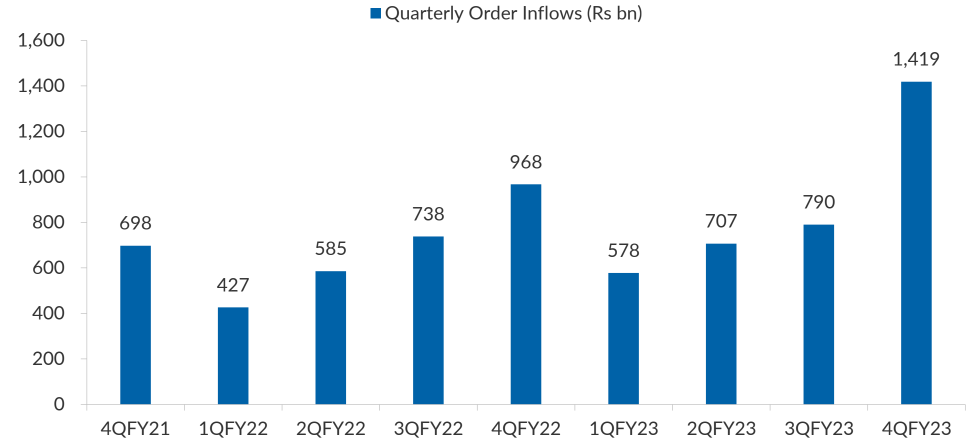


Exhibit 22: Q1FY24 witnessed robust execution at ~Rs7.3trn

Rs trillion	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
New projects	5.8	4.6	6.9	12.2	6.0
YoY gr.(%)	106%	39%	72%	41%	3%
Completed projects	1.2	1.4	1.8	1.8	7.3
YoY gr.(%)	68%	8%	-35%	35%	502%
Stalled projects	0.5	0.1	0.0	0.0	NA
YoY gr.(%)	64%	-71%	-88%	-95%	
Revived projects	0.3	0.2	0.7	0.5	NA
YoY gr.(%)	107%	-59%	-66%	45%	
Implementation stalled projects	0.3	0.3	0.1	0.5	NA
YoY gr.(%)	-24%	8%	-83%	489%	

Source: CMIE

Exhibit 23: Capital Goods- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Bharat Electron	32,485	4.4	(49.7)	5,797	135	(1,042)	4,250	(1.5)	(68.9)	BHE is expected to post a revenue growth of 4% YoY while margins are expected to expand by ~130bps YoY as RM pressures have eased significantly. Key monitorable would be updates on new products and progress of non-defence business
Triveni Turbine	3,240	25.1	(12.4)	611	6	91	488	27.3	(12.2)	We expect revenue growth of 25% YoY led by increasing utilisation levels while margins are expected to be flattish YoY. Conversion of traction into order inflows from Latin America, South East Asia, European region and Southern Africa in the export segment, status of aftermarket business and API segment would be the key monitorables.
Thermax	19,165	15.8	(17.1)	1,388	144	(141)	1,070	81.5	(38.3)	For 1Q, revenue is expected to grow 16% YoY led by pickup in dispatches and execution of short cycle orders. EBITDA margins are expected to expand by ~140bps YoY on account of RM inflation cooling off. Key monitorable would be management commentary on order pipeline and margins.
A B B	25,044	22.0	3.9	3,105	272	57	2,535	72.4	3.4	We expect 22% revenue growth as utilisation improves and demand trends are healthy. We expect ordering momentum to pick up as economic activity and capex increases primarily from Govt.
Volt.Transform.	3,306	22.4	(24.8)	556	341	(427)	497	86.4	(35.0)	Revenue is expected to grow by 22% YoY while margins are expected to expand by ~340bps YoY. Key monitorable would be demand trends and margin trajectory
Siemens	46,649	19.2	4.5	6,387	401	127	4,959	67.8	(3.9)	We expect SIEM to report 19% YoY revenue growth. Gross margins are expected to expand ~300bps YoY led by price hikes and cooling off of RM inflation. Management commentary on order inflows both in domestic and international markets and its conversion would be key monitorable.
Larsen & Toubro	407,893	13.8	(30.1)	46,366	33	(35)	24,726	7.8	(44.4)	Consolidated revenues are expected to grow by 14% YoY led by pick up in execution across segments such as IT, Financial Services and Infrastructure. Key monitorables would be guidance on order execution and inflows. Q4 order inflows stand at Rs270bn at the higher range
K E C Intl.	39,418	18.8	(28.7)	2,247	62	57	467	50.7	(35.2)	We expect revenue growth of 19% YoY led by healthy execution. Margins are expected to expand ~60bps YoY. Key monitorable would be management guidance on margins and progress on Civil business
Apar Inds.	35,969	16.3	(12.0)	3,278	144	(125)	1,769	44.5	(27.1)	We expect 16% YoY revenue growth while margins are expected to expand ~140bps YoY. Key monitorables would be volume and EBITDA/ton for conductor business
GE T&D India	6,098	2.8	(13.3)	244	23	4	64	0.4	(158.6)	We expect revenue growth at 3% YoY. EBITDA margin is expected to expand ~20bps YoY
Cummins India	19,916	18.1	3.4	3,110	294	(131)	2,932	37.6	(7.9)	Revenue is expected to grow by 18% YoY while margins are expected to expand ~300bps YoY. Key monitorable would be outlook on export markets and impact of CPCB norms
Engineers India	8,838	9.8	2.0	911	459	(851)	986	95.2	(37.9)	Revenue is expected to grow 10% YoY led by better execution while margins are expected to expand ~460bps YoY. Key monitorable would be order inflow and share of consultancy business

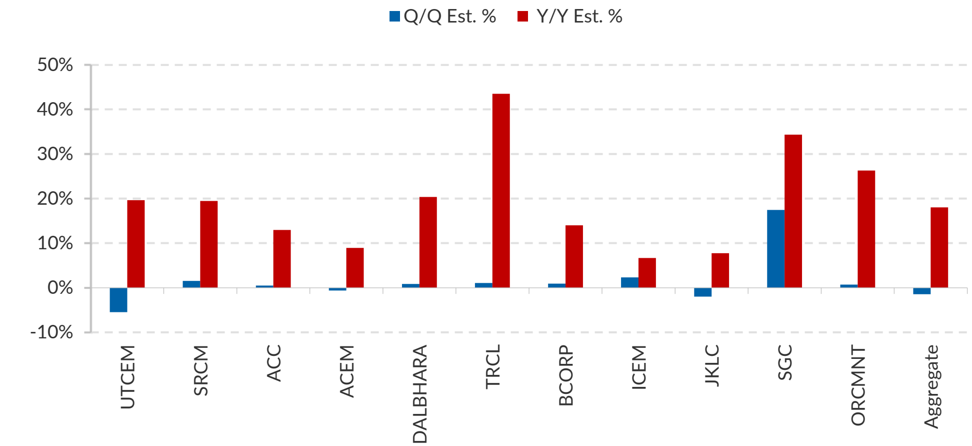
CEMENT

For the cement industry, Q1FY24E was a busy quarter before the monsoon season. The demand remained strong aided by the infra & real estate segment, as a result we believe the industry to see a volume growth of 18% y/y in Q1FY24E. During Apr-Jun'23, cement prices moderated q/q as players pushed higher dispatches to sustain sequential volume growth. Consequently, we believe industry's NSR to moderate by 4% y/y and 2% q/q, although revenue is expected to grow by 13% y/y, primarily driven by strong volume growth in Q1FY24E. Given the steady fall in energy cost (Imported Coal $114/te and Pet-coke $105/te), we believe industry power & fuel cost to decline further by Rs100-150/te by Q1FY24E v/s Q4FY23. Accordingly, industry EBITDA is expected to improve by Rs100-150/te q/q to +Rs1000/te, despite muted NSR in Q1FY24E.

- **Demand Outlook:** We expect volumes of our coverage companies to increase by +18% y/y owing to strong demand momentum backed by the infra segment, while sequentially it is expected to stay flat to marginal decline. According to DPIIT, cement volume increased by +14% y/y during Apr-May'23 and our channel check indicated that the demand momentum continued in Jun'23. In Q1FY24E, demand was largely driven by the strong infra & construction activities. While the retail demand momentum continues to grow gradually.
- **Pricing Outlook:** We expect NSR of our coverage companies to decline by +4% y/y and 2% q/q in Q1FY24E. During Apr-Jun'23, All-India average cement price declined by 2% y/y and q/q both to Rs377/bag as players pushed higher dispatches to sustain sequential volume growth. Regionally, the players operating in south/west/east & north could witness NSR fall by 1-2% q/q, while the central region NSR could decline by 2-3% q/q in Q1FY24E.
- **Cost Outlook:** The fuel prices witnessed major correction as Pet coke down to US$105/te in Jun'23 v/s US$240/te in Jun'22 and the imported coal (South African NAR 6000) cooled off to US$114/te in Jun'22 v/s US$355/te in Jun'22. As a result, 3-month trailing blended fuel cost corrected to Rs1.5 per kcal/kg vis-à-vis ~Rs2.33 per kcal/kg (indicated by the companies) in Q4FY23. Therefore, we expect the industry power & fuel cost to decline further by Rs100-150/te in Q1FY24E as compared to Q4FY23, which translates in industry EBITDA trajectory towards +Rs1,000/te, even after NSR moderation.

We remained positive on the sector on the back of strong demand & healthy cement price with normalizing cost. We like UTCEM, DALBHARA, SGC and ORCMNT.

Exhibit 24: Industry to report strong volume growth of +18% y/y in Q1FY24E owing to strong demand momentum backed by the infra segment



Source: YES Sec

Exhibit 25: Region-wise Quarterly Average Cement Prices - (Rs/Per bag)

Region	Trade Price	Change Q/Q	Non Trade Price	Change Q/Q	Wtd. Avg.	Change Q/Q
North	380	0.1%	323	-4.2%	363	-1.0%
Central	366	-3.3%	317	-3.2%	356	-3.3%
East	381	-1.3%	338	-2.3%	360	-1.8%
South	429	-1.8%	364	-1.7%	403	-1.8%
West	413	0.0%	383	-2.5%	401	-1.0%
PAN India	**394**	**-1.2%**	**347**	**-2.9%**	**377**	**-1.8%**

Exhibit 26: Cement - Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
UltraTech Cem.	174,781	15.3	(6.3)	35,167	(29)	232	18,702	18.1	12.3	Double-digit volume growth y/y to drive revenue growth by 15% y/y despite NSR moderation EBITDA/te to reach +1100/te with easing of power & fuel cost in this quarter
Shree Cement	46,838	11.4	(2.1)	9,859	157	240	4,559	44.5	(16.5)	NSR to dip by 4% q/q and 7% y/y due to its higher presence in the north, which will witness a sharp correction q/q as compared to other regions. However, Strong volume growth to aid revenue growth despite moderating NSR
ACC	47,948	7.3	0.1	6,273	354	330	3,838	68.8	27.1	Revenue to growth by 7% y/y, whereas cost increased by 3% y/y aid to improve margin to 13% in Q1FY24 as compared to 10% in Q1FY23 & Q4FY23
Ambuja Cements	41,731	4.5	(2.0)	8,565	338	200	6,240	(40.5)	7.0	ACEM to witness high single-digit y/y volume growth due low production headroom. However, easing cost will help to report an EBITDA margin of 20% in Q1FY24 as compared to 19% in Q4FY23.
Dalmia BharatLtd	38,679	17.1	(1.1)	8,088	316	284	3,403	73.6	(53.5)	Newly added capacity will aid DALBHARA to deliver 20% y/y volume growth will drive revenue growth of 17% y/y, although NSR would decline by 3% y/y. EBITDA/te to reach +1000/te with easing of power & fuel cost in this quarter
The Ramco Cement	25,722	44.6	(0.0)	4,632	97	200	2,030	86.2	34.5	TRCL volume will remain flat q/q but will grow by +40% y/y aided by newly installed capacity. This will translate in Revenue/EBITDA/PAT growth of 45/53/86% y/y in Q1FY24E.
Birla Corpn.	24,192	9.8	(1.8)	3,360	212	275	953	53.8	12.1	With stabilizing mukutban capacity and normalizing cost, the EBITDA/te will improve to Rs750/te. Whereas, robust volume growth will drive Absolute revenue/EBITDA/PAT by 10/30/54% in this quarter.
India Cements	14,999	(1.0)	1.0	22	(248)	332	(928)	(216.0)	(59.1)	ICEM would continue to report net loss in this quarter due to elevated power cost on account of higher OPC. Volume to improve 7% y/y but weak NSR will pressure the margin. However, cost normalisation would mitigate some pressure from the margin.
JK Lakshmi Cem.	16,158	4.2	(6.5)	2,245	(10)	295	1,605	59.0	64.9	JKLC EBITDA would improve to +Rs700/te led moderating cost. Whereas the volume is expected to grow by 8% y/y due to low production headroom.
Sagar Cements	7,186	28.8	15.6	747	(55)	414	219	(403.3)	(78.2)	Ramping up of recently added capacities (MP/orissa) and operationalisation of acquired Andhra cement would drive the volume up by 34% y/y and 17% q/q. Whereas, cost moderation would improve EBITDA/te by 60% q/q despite week NSR
Orient Cement	8,644	21.1	(1.3)	1,474	273	113	686	83.3	1.8	Volume to grow by 26% y/y resulting in revenue growth of 21% y/y. We expect EBITDA to come at ~Rs850/te due to moderating total cost

CONSUMER DURABLES

- After a early and strong start to the summer season demand for cooling products has faltered on back of erratic weather conditions. Demand for cooling products have seen decline in seasonally strong months of April and May. Decline was largely on back of erratic weather conditions and high base of the previous year which was best ever for cooling products. June saw the recovery and demand is expected to have surged by ~12%, however it was not enough and Q1 would see decline in revenue for the cooling product companies.
- Wires and Cables have continued to see strong demand traction with Cables as per the dealers check is expected to grow more than 15%, while housing wires have seen high single digit growth. Copper and Aluminum prices although have corrected, however strong volume growth would still result in mid to high single digit revenue growth for the companies.
- Primary sales are expected to be impacted in Q1 and early part of Q2 as well as dealers have been cautious on buying new inventory as they are still carrying higher than normal inventory with them. Companies have resorted to production cuts to adjust for higher inventory in the channel.
- Dealers are carrying higher than normal inventory as there was some moderation in demand on account of unseasonal rainfall and moderating heat wave. According to dealers it will take another 30-35 days to clear off the old inventory. Companies have not taken any price increase as they were focusing on protecting their gross margins. Dealers feel some of the smaller brand could start giving discounts to clear off their inventory which could result in some kind of discounting in the market.
- Electricals companies are also expected to have a subdued quarter with Fans having demand remaining subdued and below the expectation. B2B sales continues to remain encouraging and B2B demand is growing in strong double digits across the product categories.
- Commodity prices which had posed headwinds has stabilized and lower than its historic peak which it hit in march last year giving comfort to the companies as they would not have to increase product prices further. Infact few of the companies have passed on the lower commodity prices fully.
- Gross margins are expected to improve as companies would now have the advantage of low cost raw material prices. Avg. Gross Margins for the companies in Q4 should be around 29.6% still lower than their highs of 33.6%.
- Our top result picks in the space would be Blue star, Dixon technologies and Polycab.

Exhibit 27: Avg gross margins continues to improve on stable commodity prices

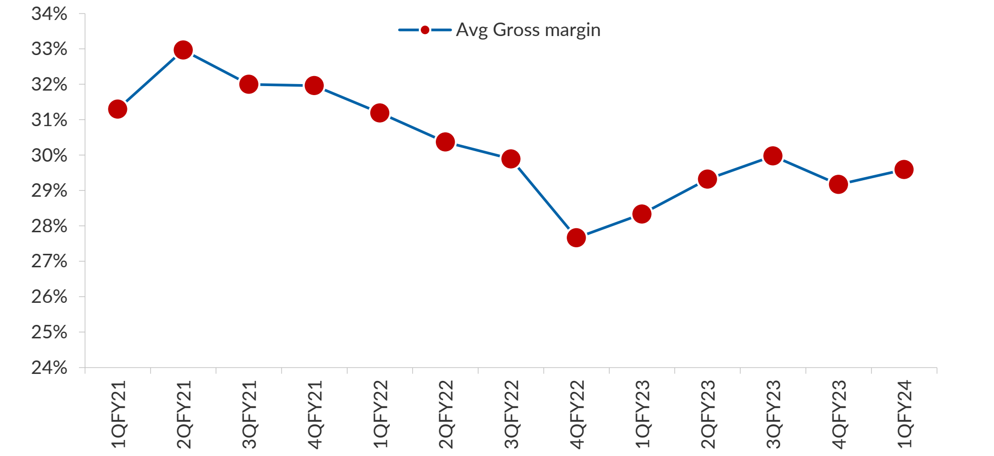


Exhibit 28: Q1 FY24 (Avg Prices)

	price	% yoy	% qoq
Copper (Rs/kg)	718	-5.1%	-7.5%
Aluminum (Rs/kg)	204	-13.5%	-3.9%
Polyprolelene	1077	-18.2%	10.0%
Container freight index	1429	-82.8%	-24.6%

Exhibit 29: Consumer Durables- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Amber Enterp.	18,075	(1.0)	(39.8)	812	(95)	(229)	245	(41.8)	(76.4)	Revenue growth is expected to remain flattish as erratic weather conditions and unseasonal rains have impacted RAC sales resulting in higher inventory. We expect Amber's component revenue to grow, while its RAC business would be declining
Bajaj Electrical	12,366	0.6	(17.0)	715	(30)	4	470	14.2	(9.3)	Consumer products revenue is expected to decline fans market has been subdued and channel is flooded with higher inventory of non-star rated fans, while EPC revenue is expected to growth on low base and improved execution. EBITDA margin is expected to be lower on lower gross marings as company has liquidated inventory of air-coolers at discount.
Blue Star	21,077	7.0	(19.7)	1,285	(16)	(73)	1,003	34.9	(55.5)	Strong performance of commercial AC & Refrigeration products and increased execution is expected to drive revenue growth. Unitary products is expected to decline 4% on high base and subdued summer sales, while softer commodity prices will aid some gross margin improvement
Crompton Gr. Con	18,328	(1.6)	2.3	2,245	44	44	1,375	9.1	4.5	Consolidation of Butterfly should result in revenue growth despite high base; EBITDA margin is expected to improve sequentially while contract on yoy basis as butterfly margin are lower than the Crompton's margin thereby dragging overall margins
Dixon Technolog.	31,283	9.6	2.0	1,542	142	(17)	787	73.2	(2.4)	Growth would be driven by strong order-book in washing machines and addition of new customers in mobile phones ; EBITDA margin is expected to improve yoy on higher gross margins.
Havells India	42,396	0.2	(12.8)	4,409	186	(45)	2,999	23.7	(16.2)	Havells is expected to see flattish revenue on decline in Lloyds and ECD as summer sales were soft and previous year base was high on back of pent up demand after omicron wave. Wires and cables is expected to deliver high single digit growth for the company. Gross margin is expected to expand from its lows as commodity prices have stabilized resulting into higher EBITDA margin on yoy basis
Johnson Con. Hit	8,684	(14.0)	58.6	455	389	98	202	(1,126.4)	(1,989.8)	Revenue is expected to decline as hitachi has been loosing market share; while gross margin is expected to remain at lower levels on change in pricing strategy
IFB Industries	10,773	0.9	6.6	458	100	140	62	227.6	(162.7)	New products introduction in washing machine category and higher utilisation of RAC plant and increased volume in motors division should lead to flattish revenue growth despite challenging environment, while stable commodity prices should result in higher EBITDA and increased profitability
Orient Electric	6,197	(0.3)	(5.8)	430	80	(11)	226	19.2	(8.3)	Strong growth in B2B lighting aided by strong industrial capex will lead to 12% growth in lighting and switchgears, while ECD is expected to register decline on back of high channel inventory and subdued demand.
Polycab India	29,245	6.9	(32.4)	3,655	113	(160)	2,543	14.3	(40.6)	Strong demand for wires and cables should drive the revenue growth for the company. EBITDA margin is estimated to be 12.5% on better product mix towards the Cables
Stove Kraft	3,007	9.3	8.2	202	(113)	407	54	(33.0)	(188.7)	Higher growth in entry level products and pick-up in rural demand in the latter part of the quarter should benefit stove kraft.

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Symphony	3,066	(6.8)	(0.5)	314	(10)	277	242	(16.4)	51.5	Domestic growth should register decline on back of subdued demand for air-coolers on back of erratic weather conditions this along with subdued performance of US gegoraphy on impending recession should result in lower sales in international subsidiaries. Gross margin is expected to improve on sequential basis.
TTK Prestige	5,226	(12.9)	(7.7)	625	(188)	(212)	408	(29.3)	(31.3)	demand for premium kitchen appliances has been lower as urban demand has moderated after two very strong years, EBITDA margin is expected to be lower on negative operating leverage
V-Guard Industri	10,401	2.1	(8.8)	937	96	36	526	(1.5)	(0.3)	Consolidation of sunflame revenue would result in marginal positive growth for the company. EBITDA margin is expected to remain steady on sequential basis
Voltas	27,980	1.1	(5.4)	1,826	13	(85)	1,452	32.6	1.4	UCP is expected to register decline on subdued market demand and market share loss. EMPS business should register strong growth on improving order-book and low base.
Bharti Airtel	365,491	11.4	1.5	190,710	179	26	43,528	76.3	3.0	Wireless ARPU by 1% QoQ, 3mn increase in the subscribers sequentially

FINANCIALS- SFBs, NBFCs, HFCs & CRAs

ANOTHER STRONG QUARTER

As per our channel checks and management interactions, the credit demand across products from the low-income/informal/self-employed borrower segments remained strong during Q1 FY24. Much lesser rate increase has been transmitted to these customer segments in comparison to the prime customer segment. Except in Microfinance where risk-based pricing has been implemented, the rate hikes for fresh loans in products like VF, SBL/LAP and AHL has been not more than 120 bps. Further, sustained progression in cash flows/income of the borrowers has ensured that loan eligibility/underwriting remains largely unchanged.

We expect largely stable asset quality in an otherwise usually tepid first quarter (generally higher fwd. flows and lower recoveries) for our coverage SFBs, HFCs and NBFCs. Creation of fresh delinquencies (sustained robust X bucket collections) has been under control as per channel checks and management interactions. Limited buckets movements, healthy ECL coverage levels and lower/normalized write-offs to drive moderate provisions/credit cost during the quarter. Except for prime and affordable HFCs, the NBFCs/SFBs are likely to witness a transient dip in margins due to a sharp increase in CoF and slower repricing of assets.

In summary, we expect earnings growth momentum to continue in affordable housing & vehicle finance and improve for microfinance players. Gold Loan NBFCs are likely to again pleasantly surprise on AUM growth and earnings. We estimate strong performance (causing some earnings upgrade) from BAF, MMFS, Ujjivan SFB, HOME FIRST, APTUS and MUTHOOT.

We expect following dynamics to play out during Q1 FY24 in each product segments:

- Home Loan disbursements growth would likely witness some moderation in prime segment while remaining resilient in affordable segment. The discrepancy can largely be explained by the divergence in rate increases for new/fresh loans in current rate cycle. Asset quality performance of home financiers in prime segment will remain strong and 1+/90+ dpd portfolios of affordable HFCs should be stable on firm collections.

- In Vehicle Financing, disbursements growth is expected to decelerate (move towards normalization) on higher base. Traction in demand/retail sales of PVs and LCVs/MHCVs slowed down a bit in Q1 FY24. Buoyancy has likely continued in used vehicle financing. Stabilized fuel cost, gradually improving freight rates and high vehicle utilization supported transporters' cash flows and loan repayment capacity.

- Small business loans/LAP has likely seen a pronounced revival with calibration of caution by lenders and improving demand from borrowers to fund higher business volumes/capacity. Buckets and NPLs could witness an improvement backed by strong collection trends and pick-up in recoveries/resolutions.

- Microfinance disbursements would remain strong, adjusted for seasonality. Collections have held well in early buckets and new PAR creation has been marginal. Lower write-offs and NPL addition should drive lower (near normal) credit cost.

- Field checks suggests a marked improvement in AUM growth of Gold Loans NBFCs. Besides the benefit of higher gold prices, the portfolio growth would be driven by increase in customer base. There has been reverse migration of customers - many customers who had left for lower rates are coming back, and notably both high-value and low-value customers.

- In Credit Cards, trends in spends, category mix and receivables have been strong in recent months. While share of Revolvers is unlikely to significantly change, improvement in the share of EMI/TL portfolio is probable. Lower revolver base, normalized portfolio buckets and healthy ECL coverage should underpin a BAU credit cost.

For our Rating Agencies coverage, we expect healthy growth in domestic ratings revenue to continue underpinned by steady momentum in credit growth and incremental revival in issuances of Bonds/CPs. ICRA and CARE are expected to hold market share on incremental basis. Both for CRISIL and ICRA, the strong growth momentum in non-ratings businesses is likely to continue. Brisk revenue growth is likely to benefit margins.

Exhibit 30: Expected sequential growth in AUM

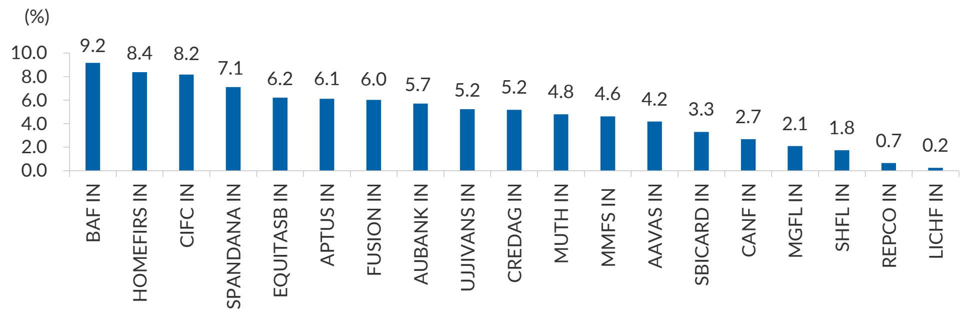


Exhibit 31: FINANCIALS- SFBs, NBFCs, HFCs & CRAs- Earnings expectation snapshot

Co. name (Rs mn)	Console / Standalone	NII / Revenues			PPOP / EBITDA			PAT			Comments
		Q1 FY24E	Q1 FY23	Q4 FY23	Q1 FY24E	Q1 FY23	Q4 FY23	Q1 FY24E	Q1 FY23	Q4 FY23	
AUBANK IN	Standalone	12,754	9,760	12,132	5,510	3,941	5,709	3,752	2,679	4,246	Strong growth in Gross Advances of 8% qoq/29% yoy. Prior deposit rate hikes and decline in CASA drove a sharp increase in CoF, which in turn would cause a NIM decline. Moderate slippages, significant upgradations & recoveries, low write-offs, possible utilization of contingent provisions and some release of std. restructured provisions to drive lower credit cost.
EQUITASB IN	Standalone	7,533	5,806	7,070	3,332	2,682	3,864	1,787	970	1,900	Robust growth in Gross Advances of 6% qoq/36% yoy. TD repricing and CASA decline drove a significant increase in CoF. NIM to witness compression on limited and gradual re-pricing of loans. Strong collections/recoveries and normalization of write-offs to underpin moderate credit cost.
UJJIVANS IN	Standalone	7,860	5,997	7,380	4,237	3,006	4,106	2,803	2,029	3,095	Strong growth in Gross Advances of 5% qoq/31% yoy. While CoF would increase on TD repricing and CASA decline, the impact on NIM would be mitigated by lending rate hikes and absorption of excess liquidity. Credit cost to be within guidance with almost stable PAR buckets.
BAF IN	Console	82,881	66,376	77,676	55,300	42,575	51,190	33,788	25,963	31,578	Strong AUM growth of 9% qoq/32% yoy with stable AUM mix. Step-up in velocity of loan bookings and new customer addition. NIM to marginally come-off due to larger increase in CoF. Credit cost to remain stable on sequential basis
AAVAS IN	Standalone	2,729	2,181	2,845	1,517	1,156	1,649	1,152	892	1,268	Disbursements impacted by new LOS/LMS implementation. Recent lending rate hikes to support a largely stable Spread/NIM delivery. Likely stable asset quality to cause stable credit cost.
LICHF IN	Standalone	19,301	16,454	20,274	16,779	14,481	17,515	10,264	9,255	11,803	Disbursement impacted by tech/system changes, and thus portfolo growth to further moderate. April PLR hike and incremental trends in CoF suggest that NIM will be much better YoY. Slightly higher-than-usual fwd. flow from Stage-2 likely. Credit cost estimated at 50-55 bps.
CANF IN	Standalone	2,827	2,551	2,729	2,365	2,150	2,218	1,687	1,622	1,658	Resilient disbursements momentum to underpin sturdy loan growth. Spread/NIM could marginally improve on substantial loan book re-pricing and peaking of CoF. Stable asset quality trends to underpin benign provisioning.
HOMEFIRS IN	Standalone	1,385	1,065	1,271	926	699	910	670	513	640	Robust AUM growth momentum to sustain on increasing disbursements traction. Spread/NIM to improve on benefits from recent rate hikes and availament of low-cost NHB funds. Further reduction in delinquent pool to drive modest provisions.
APTUS IN	Console	2,351	1,861	2,208	1,949	1,618	1,841	1,445	1,188	1,353	AUM growth to remain strong on steady disbursements momentum. Spread/NIM may only marginally dip on increase in CoF. Controlled movement in 30+/GNPL pool to underpin moderate provisions.

Co. name (Rs mn)	Console / Standalone	NII / Revenues			PPOP / EBITDA			PAT			Comments
		Q1 FY24E	Q1 FY23	Q4 FY23	Q1 FY24E	Q1 FY23	Q4 FY23	Q1 FY24E	Q1 FY23	Q4 FY23	
REPCO IN	Standalone	1,559	1,370	1,547	1,209	1,078	1,203	843	621	821	Sequential loan growth to be modest on seasonally lower disbursements. MLR hikes and shift to quarterly portfolio repricing to support NIM/Spread amidst an increase in CoF. Stage-2 bucket expected to improve while GNPLs could remain stable. Credit cost to be benign.
CIFC IN	Standalone	21,145	16,142	19,667	13,925	10,604	12,731	8,287	5,657	8,528	AUM growth likely to be around 8% qoq/41% yoy on robust disbursements of ~Rs200bn. NIM could remain stable with increase in CoF offset by yield benefit from product mix changes. Credit cost to be modest on likely steady delinquency buckets.
SHFL IN	Standalone	46,121	39,845	45,141	33,931	29,676	30,810	17,801	13,389	13,083	Near 15% yoy AUM growth to continue, aided by traction in used CV/PV financing, MSME loans and Personal Loans. NIM delivery could be stable with only mild increase in CoF. Credit cost to be around the guidance range of 2-2.2%
MMFS IN	Standalone	17,422	15,544	16,602	10,139	9,458	9,441	4,918	2,229	6,841	Sustained disbursements momentum has led to a significant growth in Business Assets (up 5% qoq/28% yoy). Expect NIM to marginally come-off due to increase in CoF. Credit cost to be much lower than historical trends with likely lower write-offs. Asset quality peformance has been better with controlled increase in Stage-2 and marginal decline in Stage-3.
CREDAG IN	Console	7,447	4,798	7,198	5,208	2,897	5,029	3,106	1,379	2,918	Disbursement momentum was strong with higher volume of borrower addition. NIM to improve as portfolio yield further moves towards disbursement yield. Credit cost to normalize as write-offs normalize and as collections remain strong.
SPANDANA IN	Standalone	3,034	1,397	3,291	1,969	402	2,446	1,096	(2,227)	1,162	Disbursements momentum has sustainably picked-up on stabilization of operational changes and improvement in funding mobilization. Thus, portfolio growth to remain strong. NIM to improve as new lending rates (much higher) reflect incrementally in the portfolio yield. Reduced delinquency buckets, healthy ECL coverage and strong colections to drive lower cedit cost.
FUSION IN	Standalone	3,368	1,995	3,267	2,211	1,202	2,211	1,163	751	1,145	Disbursement momentum to remain strong on the back of distribution franchise expansion in recent years. NIM will improve on reflection of risk-based pricing and restrained increase in CoF due to rating upgrade. Credit cost to be sequentially lower on likely lesser addition to management overlay and lower write-offs.
SBICARD IN	Standalone	33,559	27,919	32,549	15,021	12,912	14,294	6,141	6,269	5,965	Strong momentum in retail spends (across categories) and receivables growth. Receivables mix to shift towards EMI/TLs with revolvers' share being stagnant. Increase in CoF to lead to flattish NIM. Stable opex on lower card addition and absence of festive offers. Fee income to be higher on full impact of increased fee on rental payments. Credit cost to be elevated on higher write-offs.

Co. name (Rs mn)	Console / Standalone	NII / Revenues			PPOP / EBITDA			PAT			Comments
		Q1 FY24E	Q1 FY23	Q4 FY23	Q1 FY24E	Q1 FY23	Q4 FY23	Q1 FY24E	Q1 FY23	Q4 FY23	
MGFL IN	Console	12,678	9,974	11,826	6,803	5,091	6,139	4,541	2,819	4,153	Expect Gold AUM to grow by 2-4% qoq on higher gold prices and customer growth. Gold portfolio yield to improve by 50 bps qoq. Marginal sequential growth in MFI portfolio due to liquidity management. Provisions in Asirvad MFI to be lower on sustained strong collections.
MUTH IN	Console	22,999	17,374	21,837	15,885	11,020	14,427	11,508	8,250	10,093	Expect Gold AUM growth of 5-6% qoq on higher gold prices and meaningful tonnage/customer growth. Portfolio yield to stabilize on stabilization of customer mix. Credit cost to be significantly lower on resolution of Stage-2/NPL customers (however, its impact on yield would be a key monitorable)
CRISIL IN*	Console	7,914	6,685	7,149	2,112	1,691	2,035	1,571	1,369	1,458	While growth traction across businesses should continue, any hint/commentary of potential slowdown in GR&RS and GBA would be a key monitorable. EBITDA margin is expected to be better yoy (adj. for forex loss) on sustained strong revenue growth.
CARE IN	Console	628	546	775	189	161	273	188	141	202	Regained traction in domestic ratings to sustain. Growth contribution of subsidiaries to remain weak. EBITDA margin to remain firm on improved business volumes and better realized pricing.
ICRA IN	Console	1,088	925	1,091	388	317	380	382	216	386	Growth momentum to continue in ratings business and ICRA Analytics (sustained flow of work from the Parent). EBITDA margin trajectory to improve on better business volumes.

FMCG

Demand steady - In 1QFY24, demand trends in the sector remained stable during the quarter. The anticipated meaningful pickup in rural demand remained elusive during the quarter but hopes of a gradual recovery in rural demand stays. Urban market continues to be steady.

Price tailing off to weigh on revenue growth - Revenue growth in 1QFY24 will have some impact from price growth tailing off. We expect minor change in volume growth trends (on a CAGR basis) for FMCG companies in June quarter (1QFY24). We see ITC's cigarette business and Nestle's domestic business to be the standouts on volume front (refer exhibit 1). We expect our FMCG coverage universe to clock revenue growth of 4.8% YoY with double digit growth from NEST (18.2%) and BRIT (10%) while ITC and MRCO are estimated to see a decline of 2.3% and 1.5%, respectively dragged down by the agri export business ban for the former and destocking, inventory adjustment along with price cuts impacting the latter. Please refer "Earnings expectation snapshot" for details on company wise 1QFY24 estimates.

Gross margins continue to build back as inflation tapers down but A&SP spends also expected to improve sharply – YoY inflation is coming down and companies across the board are building back their gross margins. Our internal Consumer Staples Raw Material Inflation Index, which tracks the movement of key commodity prices at a basket level, has now actually entered the negative territory after almost 30 months (1.4% decline in May'23 versus May'22). 5-year CAGR inflation is also coming down slowly and now stands at 4.7% in May'23. We expect aggregate gross margin for our coverage universe to improve by ~400bps YoY. With gross margins building back to earlier levels, companies have already started to build back A&SP spends (to support growth and innovations) which will lead to curtailed ~210bps YoY improvement in EBITDA margins. Consequently, we are building in aggregate EBITDA/APAT growth of 13.4%/18.6% YoY for our FMCG coverage.

Companies to watch out for: We expect strong (higher than average) operating profit growth for BRIT (+50.4%) and NEST (+23.6%) in 1QFY24 followed by CLGT (+12.9%), HUL (+12%) and ITC (+10.6%). While we expect NEST to deliver the strongest earnings growth over FY23-25E, valuations are out of our comfort. We also fundamentally like BRIT and ITC but near-term valuations keep us restricted on the stocks. Banking on rural recovery led volume growth improvement in FY24, we continue to have ADD rating on HUL, DABUR and Marico on one-year forward basis. We will revisit our estimates, target price and recommendations during the 1QFY24 earnings season. Pace of rural demand recovery, possible impact of El Nino and competitive intensity are key monitorables.

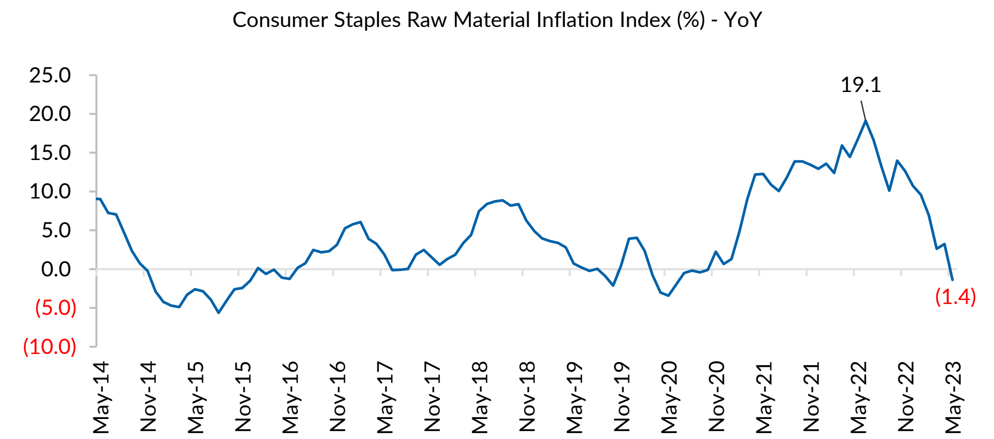
Exhibit 32: Volume growth trend for coverage FMCG companies

Volume growth (%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24e
Britannia (Base business)	1.0	2.0	6.0	4.5	-2.0	5.0	2.5	2.0	3.0
Colgate (Toothpaste)*	6.0	4.0	2.0	-3.0	-2.0	-2.0	-3.0	-1.0	4.0
Dabur (Domestic FMCG)	34.4	10.0	2.0	2.0	5.0	1.0	-3.0	0.0	3.0
Hindustan Unilever (UVG)	9.0	4.0	2.0	0.0	6.0	4.0	5.0	4.0	5.5
ITC (Cigarette)*	30.0	9.0	13.0	9.0	26.0	20.0	15.0	12.0	11.0
Marico (Domestic)	21.0	8.0	0.0	1.0	-6.0	3.0	4.0	5.0	2.0
Nestle (Domestic)	25.2	6.3	5.0	7.0	6.4	8.1	-0.8	5.0	10.0

Source- Company, YES Sec

*Our estimate; UVG = Function of volume growth & mix

Exhibit 33: YoY inflation rate in FMCG commodity basket coming down



Source - Office of Economic Adviser, YES Sec

Exhibit 34: FMCG- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
Hind. Unilever	154,792	8.5	3.9	36,376	12	5	26,176	14.4	5.9	We expect HUL to post UVG of 5.5% YoY (4-yr CAGR: ~3%), leading to 8.5% YoY revenue growth. We expect gross margin to improve by 80bps QoQ (+210bps YoY) as net material inflation (NMI) has moderated sequentially, resulting in EBITDA margin expansion of 70bps YoY to 23.5%. EBITDA and APAT are likely to grow by 12% YoY and 14.4% YoY, respectively.
ITC	168,836	(2.3)	3.0	62,469	11	1	49,609	19.0	(1.4)	We expect ITC's overall topline to be down by 2.3% YoY even while we expect 13.5% YoY revenue growth in cigarette business led by a volume growth of 11% YoY (4-yr CAGR: ~3.5%). Other-FMCG business is expected to grow at ~16% YoY. While decline in Agri Business (sitting on high base) and subdued PPP will drag ITC's overall revenue growth on a YoY basis. At the company level, we expect EBITDA margin to expand ~430bps YoY to 37% led by gross margin improvement. EBITDA and APAT are thus likely to grow by 10.6% YoY and 19% YoY, respectively.
Nestle India	47,704	18.2	(1.2)	10,495	24	(5)	7,055	29.4	(6.1)	Continuing from its strong performance from the previous quarter, we expect NEST to post a strong topline growth of 20% YoY with high-single digit volume growth in 2QCY23. We build ~20bps QoQ (flat YoY) improvement in gross margins to 54%, leading to EBITDA margin expansion of ~100bps YoY to 22% led by economies of scale, implementation of procurement strategies and accelerated SHARK savings programme. EBITDA and APAT are likely to grow by 23.6% YoY and 29.4% YoY, respectively.
Britannia Inds.	40,711	10.0	1.2	7,531	50	(6)	5,173	53.3	(7.4)	We estimate BRIT's base business volumes to grow by ~3% in 1QFY24 (4-yr CAGR: ~5.5%). This along with double-digit realization in standalone business, should lead to a consolidated revenue growth of 10% YoY. With lower food inflation on a YoY basis, we expect gross margin to improve YoY by ~680bps leading to EBITDA margin of 18.5% (~500bps YoY). EBITDA and APAT are thus estimated to grow by 50.4% YoY and 53.3% YoY, respectively.
Dabur India	31,047	10.0	15.9	5,980	10	42	4,587	4.2	52.5	We expect Dabur to post ~3.0% YoY domestic FMCG volume growth (4-yr CAGR: ~7%), leading to ~8% domestic FMCG value growth. This, along with double-digit CC revenue growth in the international business should lead to an overall revenue growth of 8.5% YoY. Even as gross margin is expected to improve YoY/QoQ (110bps/120bps), we estimate EBITDA margin to be flattish YoY to 19.3% due to expected pickup in A&SP. Consequently, EBITDA and APAT are expected to grow by 10.0% and 4.2% YoY, respectively.
Marico	25,188	(1.5)	12.4	5,541	5	41	4,112	10.8	42.6	Marico's domestic volumes are expected to be in low single digit (4-yr CAGR: flattish) affected by significant trade destocking in Saffola Edible Oils and channel inventory adjustments. This along with pricing coming into base and further pricing drops in Edible Oils will lead to consolidated revenue decline of ~1.5% YoY. As a result of a moderating RM basket, gross margin is expected to expand materially, we build ~60bps QoQ (+300bps YoY) leading to EBITDA margin of ~22% (+140bps YoY). EBITDA and APAT are thus likely to grow by 5% and 10.8% YoY, respectively.
Colgate-Palmoliv	12,915	7.9	(4.4)	3,675	13	(19)	2,550	17.6	(19.7)	Category growth coming back, relaunch, innovations and share improvement should lead to a better growth of ~7.9% for the quarter with volume growth of 4% YoY (4-yr CAGR: ~1.4%) on a negative base. We see moderate QoQ improvement in gross margins for the quarter. At operating level, even while we expect sharp increase in A&SP investment to support flagship relaunch of Colgate Strong Teeth, we see operating margin improvement of ~120bps YoY on a low base to 28.5%. EBITDA and APAT are thus expected to grow by 12.9% and 17.6% YoY, respectively.

INFORMATION TECHNOLOGY

- IT companies are facing near term challenges due to macroeconomic concerns in the US and Europe. Deal booking momentum has slowed down over last few months due to concerns in the US and Europe as clients remain watchful regarding new deals. It has led to increase in deal conversion cycle. The expected near term weakness in deal booking would adversely impact revenue growth for FY24, which is expected to be significantly lower than that of FY23. Also, IT companies have slightly reduced the headcount addition to manage the near term uncertainty. The focus currently is on improving utilization and overall productivity. IT companies plan to stick with hybrid work model for the time being and that will support operating margin. We may witness more divergence in the performance of IT companies in FY24 versus last two years that saw broad-based growth across the sector.
- Revenue growth for Q1FY24 is expected to be muted for IT companies led by recent moderation in deal booking. There are clear signs of softness in demand from verticals such as Retail, Telecom, Hitech, Mortgage etc.
- We expect cross currency tailwind of around 10-60bps in the quarter that would support the reported USD revenue growth. Revenue growth is expected to be -1.5% to 0.5% QoQ in USD terms for large cap IT companies. Average INR/USD exchange rate remained almost flat sequentially. Tier 2 IT companies are expected to report revenue growth of 1% to 3% in USD terms QoQ.
- Annualised quarterly attrition has started coming down for the IT sector and any commentary on attrition trend would be keenly watched. We expect operating margin to sequentially decline due to impact from wage hike and pressure on revenue. EBIT margin performance is expected to be flat to (-)60bps QoQ for Tier 1 IT companies; while operating margin is expected to (+) 80 bps to (-)200bps QoQ for Tier 2 IT companies.
- We expect that deal booking momentum would show quite moderation as a result of concerns around economic growth in the US/European markets. Management commentary on FY24E guidance, offshoring trend, supply side constraints, hiring trend and the momentum in deal booking would be the key thing to watch out for in the quarter.
- Select Tier 2 IT companies would continue to outperform Tier 1 IT companies in terms of financial performance in Q1FY24. Among tier 1 IT companies, we prefer Infosys and TCS; while among tier 2 IT companies, we prefer LTIMindtree, Coforge and Happiest Minds.

Exhibit 35: INR was flattish QoQ with respect to USD

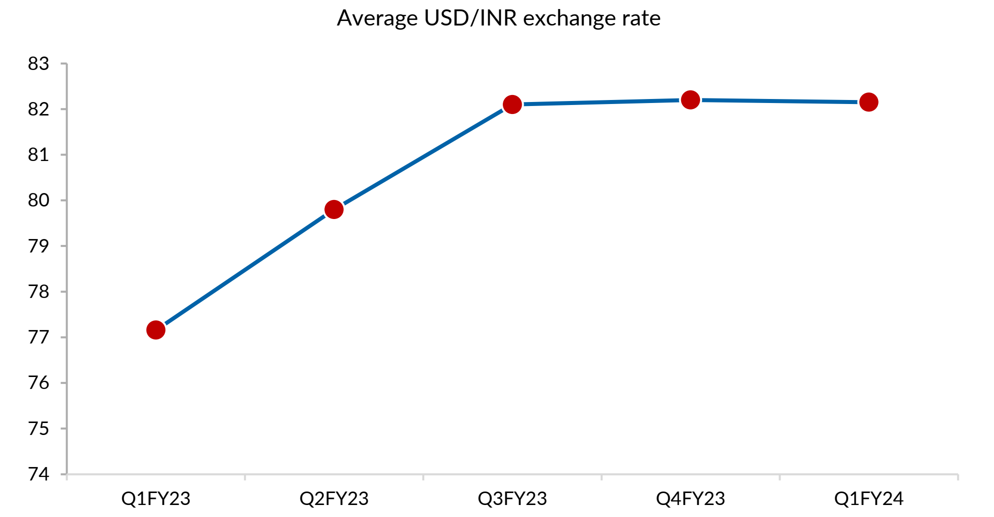


Exhibit 36: QoQ USD Growth Q1 FY24E

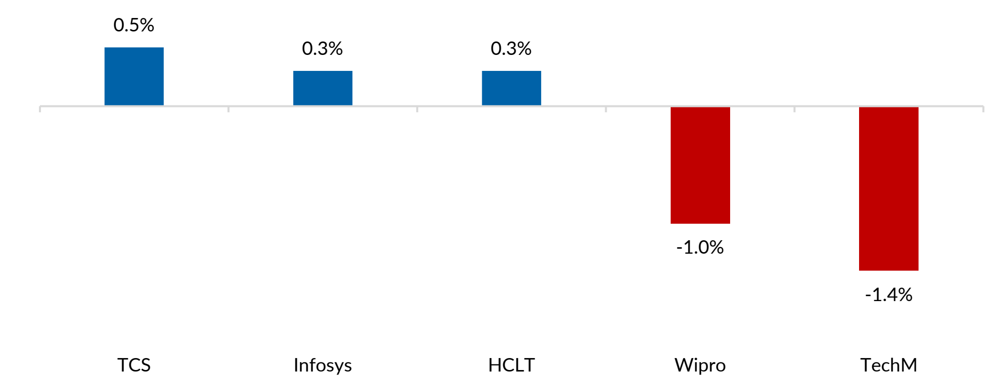


Exhibit 37: Information Technology- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
TCS	594,025	12.6	0.4	155,040	67	(56)	109,441	15.5	(3.9)	Expect sequential dip in margin on impact from wage hike. Management commentary on demand environment would be key thing to watch out for.
Infosys	375,233	8.9	0.2	89,345	100	(22)	61,095	14.0	(0.3)	Growth to be muted in the quarter due to ramp down by selet clients Commentary on outlook on attrition; deal environment and FY24 revenue and margin guidance would be key to watch out for.
HCL Technologies	266,553	13.6	0.2	59,250	103	19	38,390	16.9	(3.6)	Expect muted quarter on both revenue and margin front Commentary on the Product and Platform business would be key to watch out for.
Wipro	229,589	6.6	(1.0)	44,239	134	(49)	29,674	15.8	(4.1)	Q2FY24 guidance and the commentary on M&A and large deal wins would be key thing to watch out for.
Tech Mahindra	135,075	6.3	(1.5)	19,046	(69)	(63)	10,822	(4.4)	(3.2)	Degrowth in revenue expected due to softness in demand 'Commentary on 5G deals, margin outlook and M&A strategy would be key thing to watch out for.
LTI Mindtree	88,177	15.4	1.5	17,106	(14)	95	11,881	7.9	6.6	Management commentary on FY24 revenue growth and synergies actually realized would be key to watch out for
L&T Technology	23,052	23.0	10.0	4,651	(123)	(125)	3,092	12.8	(0.1)	Expect dip in margin due to impact of acquisition of SWC. Commentary on performance of Telecom and Hi-tech vertical would be key to watch out for.
Mphasis	35,696	4.6	6.2	6,283	1	(21)	4,276	6.4	5.5	Growth to be muted on concerns in US mortgage segment Commentary on demand environment, deal flow and talent supply situation would be key thing to watch out for
Coforge	22,372	22.3	3.1	3,747	80	(203)	2,211	47.7	(10.7)	Sequential dip in margin due to wage hike impact Management guidance on FY24 revenue growth and overall margin outlook would be key to watch out for.
Happiest Minds	4,007	21.8	6.0	990	(166)	32	641	13.7	11.1	Revenue growth to be robust on strong deal booking. Management commentary on revenue growth and margin outlook for FY24 key to watch out for.
eMudhra	822	57.4	7.0	266	(709)	138	175	27.7	10.8	Growth to be led by the strong traction in Enterprise business. Management commentary on new customer addition and outlook of Trust Services are key to watch out for.

INFRASTRUCTURE

- During 1Q, we expect our infra coverage universe to report a revenue growth of 10.2% YoY on back of strong execution momentum and delayed monsoon. With the pickup in economic activity we expect toll revenues to grow by 12-14% led by toll rate hike of 5-7%. On margins front, with raw material prices settling down and increase in tariff rates we expect EBITDA margins to improve by (100-120bps YoY) to 19.6% (barring AHLU, ITCE and KNRC where margins will be impacted by lower margin orders, delayed and legacy projects). Adjusted PAT is expected to improve QoQ at 8.7% with finance cost being stabilized.

- Highway construction in 1Q of this year being 2,057kms constructed is higher than the average of the last four years. Execution momentum is mainly be driven by a) sharp uptick in execution of order book b) timely payments from Govt. authorities and private sector clients c) delayed monsoon, d) upcycle in real estate with key markets like MMR, Pune, Bangalore, NCR eyeing surge in registrations and new launches being lined up and e) continued uptick in traffic volumes backed by economic recovery along with toll tariff hikes.

- However awarding activity has been at the backfoot with only 410kms being awarded in 1Q. With elections expected in the year end, awarding activities are expected to pickup pre-elections in Q2 and Q3. Apart from roads, other sectors witnessed good momentum with our coverage universe bagging orders worth Rs181bn in 1Q. Most players have a healthy order book (order book-to-sales ratios in the range of ~3.3x its TTM revenues) providing comfortable revenue visibility over the next 2-3 years. Key monitorable for the quarter would be working capital cycle, appointed dates in some projects, and update on asset monetization plans of certain companies.

- With ramp up in execution and softening of raw material prices along with NHAI's strong bid pipeline to be awarded in next 3 months, we expect strong momentum in infra sector. Other sectors such as water, urban infra, railways, etc. are also witnessing good traction in ordering activity. With healthy OB, strong bid pipeline, rising toll revenues and strong infra push given by the NIP, GATI Shakti and budget 2023-24, most infra companies are expected to witness a robust fundamental performance going ahead. We continue to prefer companies with strong balance sheet, low debt levels, good corporate governance, well managed working capital cycle and high book to bill ratio provides a robust revenue visibility over next 2-3 years. HGINFRA, PNCL and CAPACITE are our top picks.

Exhibit 38: Robust order inflow of Rs181bn witnessed in our infra coverage universe

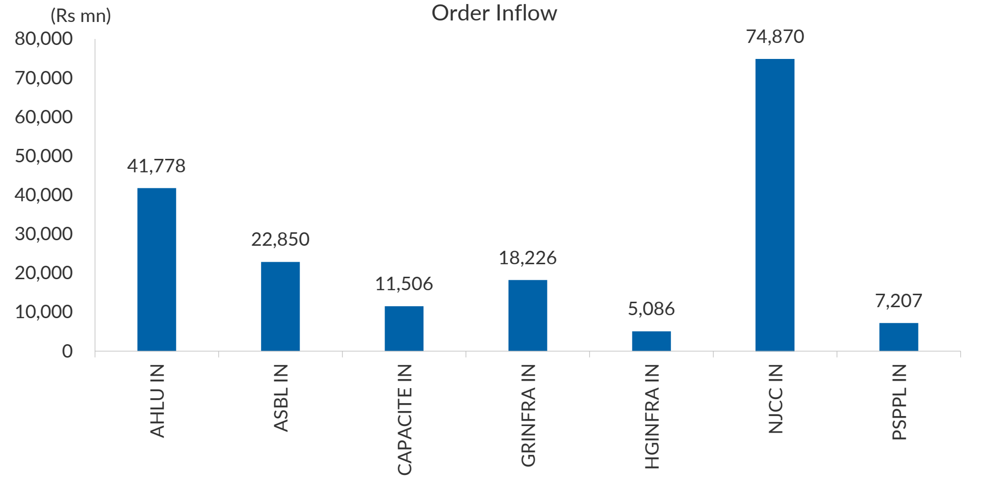


Exhibit 39: OB-to-sales continues to remain health at avg 3.3x TTM revenues

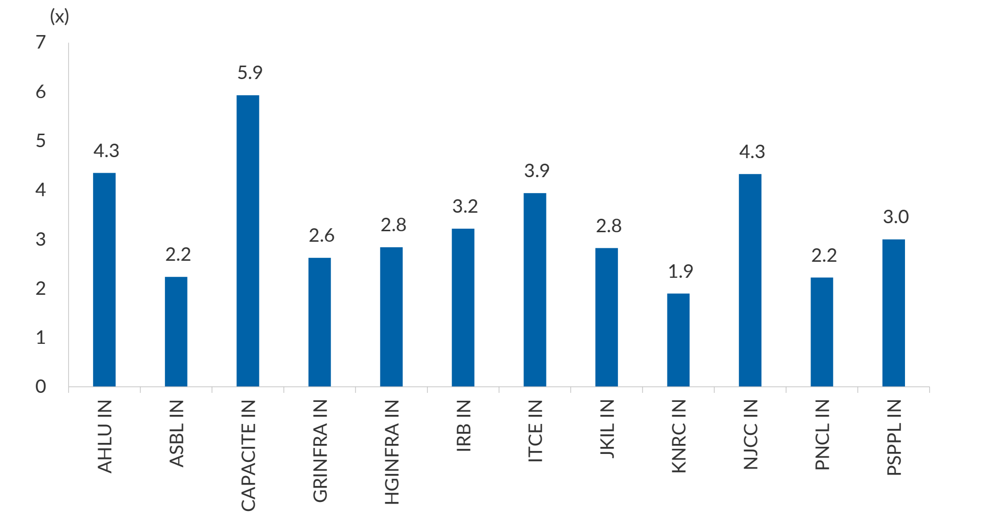


Exhibit 40: Infrastructure- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Ahluwalia Contr.	7,358	20.8	(14.7)	819	118	(165)	501	32.7	(30.6)	We expect execution be strong led by strong executable order backlog and delayed monsoon. EBITDAM is expected to be at 11.1% as execution ramp ups and softening of raw material prices happen.
Ashoka Buildcon	19,425	3.4	(20.7)	4,758	(127)	180	842	(37.4)	146.2	Order inflows were healthy as ASBL bagged orders worth Rs22.8bn during 1Q. Revenues are expected to grow by 3.4% with blended EBITDAM expected to improve marginally at 24.5%. Guidance on working capital cycle and monetization of its HAM portfolio would be key monitorable.
Capacit'e Infra.	5,221	9.4	16.9	972	(211)	(11)	297	4.2	37.1	Capacite's revenues are expected to grow by 9.4% YoY as execution ramps up across its portfolio. EBITDAM is expected to be at 18.6% led by better execution. Recent fund raising activity has further strengthen its balance sheet and aid the company in managing its working capital and interest costs.
G R Infraproject	24,719	(0.2)	23.9	4,072	(317)	194	2,719	(15.3)	41.5	Revenue is expected to improve by 5.5% YoY (excl one time bonus in 1QFY22) with execution picking up pace. With raw material prices settling down, EBITDAM is expected to come at 16.5%.
H.G. Infra Engg.	12,061	13.2	(17.9)	1,865	22	(71)	1,072	9.8	(27.4)	We expect HGInfra's revenues to grow by 13.2% YoY with EBITDAM expected to be at 15.5%. Update on AD's for newly awarded projects and execution ramp up in order book would be key monitorable.
IRB Infra.Devl.	18,342	(4.7)	13.2	9,193	(499)	328	2,578	(35.0)	54.5	In 1Q, revenue is expected to grow by 21% YoY while EBITDAM inproving significantly to 50.1% due to higher share of BOT revenue led by (increase in tariff rates and traffic volumes). Pickup in construction and receipt of PCOD in projects nearing completion would be the key monitorable.
ITD Cem	13,789	25.6	(15.5)	1,159	25	(58)	407	34.9	8.1	Revenues for the quarter are expected to witness a double digit growth. EBITDAM expected to be muted with implementation of strong cost control measures.
J Kumar Infra	11,367	14.4	0.2	1,608	2	9	724	17.0	(2.0)	We expect a strong growth in topline, as contribution from Metro projects are going on full swing. EBITDA margins are expected to be healthy at 14.1%. Guidance on order inflow, revenue growth and EBITDA margins would be key monitorable.
KNR Construct.	9,407	5.6	(20.0)	1,515	(242)	(192)	844	(16.3)	(34.4)	Revenue is expected to grow at 5.6% YoY with EBITAM expected to be impacted on account of delayed irriagtion projects. Status on execution and receivable of irrigation projects would be a key monitorable
NCC	34,409	16.3	(14.3)	3,327	16	(88)	1,569	30.7	(11.7)	We expect revenue to grow by 16.3% YoY with EBITDAM being muted. We continue to expect 18% revenue CAGR for next 2years, driven by its robust order book. Update on AP receivables and monetization of its non core asset would be key monitorable.
PNC Infratech	19,810	12.7	(6.3)	2,615	(146)	(9)	1,625	(2.4)	(11.9)	With pickup in execution, PNCL is expected to post revenue growth of 12.7% YoY. Plans to monetize HAM portfolio and infusion of equity for HAM projects would be key monitorable.
PSP Projects	5,297	53.4	(27.2)	614	(206)	91	387	35.7	(16.5)	In 1Q, the company has received robust order inflow of Rs7.2bn. We expect revenue to grow materally on account of lower base and better execution. Rampup in execution of new awarded projects would be a key monitorable.
Container Corpn.	21,012	6.2	(3.0)	4,834	(87)	248	3,032	4.1	8.4	We expect CCRI to report a top-line of ~Rs21bn, up 6.2%YoY, on account of volume growth in domestic. On the EBITDA margins front, we expect the company to report blended margins of 23% on a hike in realization for value-added services, rise in double stacking and strong operational efficiency. Pick up in EXIM volumes would be key monitorable.
Va Tech Wabag	8,018	26.9	(13.5)	883	741	(68)	764	172.0	(40.2)	Revenue growth is likely to be strong YoY backed by robust order backlog and lower base. EBITDA margin to remain at ~11%.

INSURERS, ASSET MANAGERS AND FINTECH

LIFE INSURERS

- **New business growth:** Growth trend for 2M1QFY24 (April and May 2023) is publicly available on the IRDA website and we expect new business growth for the whole of 1QFY24 to be broadly along similar lines, penciling in QoQ APE de-growth of -59%, -58%, -56%, -36% and -26% for MLI, IPRU, HDFL, LIC and SBIL respectively.
- **New business margin:** We expect VNB margin to contract/expand -234 bps QoQ for MLI, -136bps QoQ for LIC, -51bps QoQ for SBIL, -27bps for HDFL and 52bps for IPRU due to idiosyncratic reasons.

GENERAL INSURERS

- **Net earned premium:** Our coverage universe consists of only ICICI Lombard and hence, our commentary applies to only this name. We pencil in NEP growth of 19% QoQ for ICICGI based on the trends observed till May 2023.
- **Under-writing profit:** We expect overall loss ratio to improve since we expect Motor and Health loss ratio would be marginally lower on sequential basis. Hence, we see a moderate sequential decline in under-writing loss.
- **Profit after tax:** ICICIGI would continue to generate enough investment return to remain in the black during 1QFY24. We expect PAT to grow 26.6% QoQ.

ASSET MANAGERS

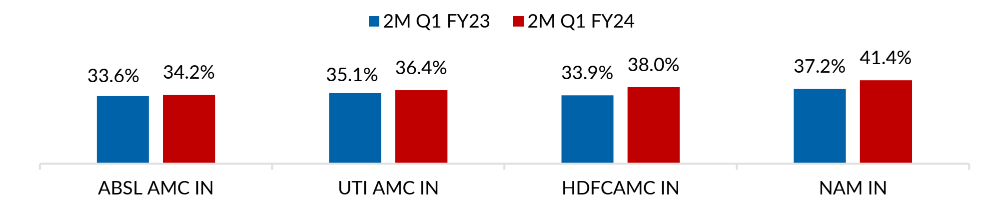
- **Revenue growth:** Revenue growth for Asset Managers is a direct function of AUM growth and fund category mix. Overall AUM for all four coverage Asset Managers has seen growth in May 2023 compared with March 2023 levels. The share of Equity AUM has also improved sequentially for HDFCAMC, NAM and UTI whereas, it has deteriorated for ABSLAMC. We note that the trend as of June 2023 would have a 3.5% Nifty return overlay over May. We have assumed higher revenue yield estimates QoQ for HDFCAMC, UTI and NAM whereas stable for ABSLAMC. **CAMS:** We assume revenue growth would be broadly in-line with the AUM growth for CAMS.
- **EBITDA:** We have assumed sequentially higher EBITDA margin for UTI and ABSLAMC due to sequentially lower other operating expense assumption. We have assumed stable EBITDA margin for NAM whereas we have assumed marginally lower EBITDA margin for HDFCAMC due to higher employee expense assumption. **CAMS:** We assume EBITDA margin to be stable sequentially.
- **Profit after tax:** It may be noted that Asset managers earn return on their investment book, which is counted below EBITDA as other income. We estimate Other Income to be higher QoQ for all coverage asset managers, leading to higher profitability QoQ. **CAMS:** We assume stable profit margin for CAMS QoQ.

FINTECH

- **One 97 Communications (Paytm):** We pencil in an overall growth in Revenue from operations of 14% QoQ. We forecast Payment Processing Charges (PPC) as a proportion of Payments Revenue to be at 62%, a metric that was 54.0% in 4QFY23 due to UPI incentives. We arrive at a Total Expenses (ex PPC) growth of 9% QoQ, compared with a growth of 2% in 4QFY23, resulting in an EBITDA margin (ex Other Income and after ESOP cost) of -7.8%, a deterioration of -227 bps QoQ as Paytm had received UPI incentives in 4QFY23.

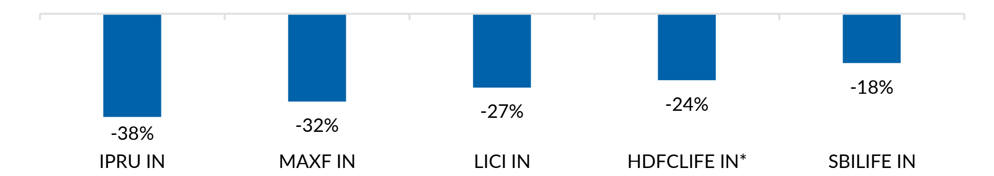
N.B. For stock specific trends for various aspects, kindly refer to the next page, including the Remarks portion.

Exhibit 41: Evolution in share of equity in AUM of Asset Managers



Source: Companies, YES Sec

Exhibit 42: Growth in APE for Life Insurers, 2M1QFY24 Vs. 2M4QFY23



Source: IRDAI, YES Sec

Exhibit 43: Life Insurance - Earnings expectation snapshot- Stocks are as per order of market Capitalisation

Life Insurance (Rs mn)	NBP			APE			VNB			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
LICI IN	414,462	-14	-26	122,037	19	-36	21,967	57	-41	We pencil in new business growth assumptions based on trends observed till May 2023, when LIC had displayed NBP/APE de-growth of -27%/-27% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). We pencil in an APE margin contraction of -136 bps QoQ based on expected business mix changes.
HDFCLIFE IN*	57,933	17	-44	22,790	20	-56	6,609	30	-56	We pencil in new business growth assumptions based on trends observed till May 2023, when HDFC Life had displayed NBP/APE de-growth of -24%/-36% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). We pencil in an APE margin contraction of -27 bps QoQ based on expected business mix changes.
SBILIFE IN	74,290	33	-8	33,982	17	-26	10,534	20	-27	We pencil in new business growth assumptions based on trends observed till May 2023, when SBI Life had displayed NBP/APE de-growth of -18%/-30% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). We pencil in an APE margin contraction of -51 bps QoQ based on expected business mix changes.
IPRU IN	32,308	-4	-44	13,916	-8	-58	4,523	-4	-57	We pencil in new business growth assumptions based on trends observed till May 2023, when IPRU had displayed NBP/APE de-growth of -38%/-49% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). We pencil in an APE margin expansion of 52 bps QoQ based on expected business mix changes.
MAXF IN	17,005	15	-49	10,462	4	-59	2,929	38	-62	We pencil in new business growth assumptions based on trends observed till May 2023, when MAXF had displayed NBP/APE de-growth of -32%/-39% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). We pencil in an APE margin contraction of -234 bps QoQ based on expected business mix changes and also due to the seasonality in margins on account of calculation based on actual cost basis.

Source: Companies, YES Sec, *For HDFC Life 1QFY24E and Q4FY23 NBP, APE and VNB are Post-Merger number and Q1FY23 are Pre-Merger numbers

Exhibit 44: General Insurance - Earnings expectation snapshot

General Insurance (Rs mn)	NEP			Underwriting Profit			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
ICICI Lombard	44,238	27.6	18.7	(2,433)	25.9	-3.0	5,530	58.4	26.6	We pencil in net earned premium growth assumption based on trends observed till May 2023, when ICICIGI had displayed GDPI growth of 27% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). Motor and Health Loss Ratio would be marginally lower on sequential basis due to better pricing.

Source: Company, YES Sec

Exhibit 45: Asset Managers - Earnings expectation snapshot - Stocks are as per order of market Capitalisation

Asset Managers (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
HDFC AMC	5,866	12.5	8.4	4,370	12.2	6.4	4,146	32.0	10.2	Overall AUM for HDFCAMC grew 5.1% as of May 2023 compared with Mar 2023. Equity AUM grew by 6.7% over the same period leading to an increase in share of pure Equity AUM QoQ by 0.6% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2023 would be dependent on the trends seen till May while we additionally factor in Nifty Return of 3.5% for June 2023. We pencil in an overall AUM growth of 6.5% QoQ for HDFCAMC. We expect EBITDA margin will be marginally lower sequentially due to general trend of higher employee expense in 1Q but expect other income to be strong during the quarter.
Nippon Life AMC	3740	18.3	7.4	2244	25.3	7.5	2269	98.4	14.7	Overall AUM for NAM grew 4.8% as of May 2023 compared with Mar 2023. Equity AUM grew by 5.9% over the same period leading to an increase in share of pure Equity AUM QoQ by 0.4% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2023 would be dependent on the trends seen till May while we additionally factor in Nifty Return of 3.5% for June 2023. We pencil in an overall AUM growth of 6.3% QoQ for NAM. We expect EBITDA margin will be similar sequentially and other income to be strong during the quarter.
ABSL AMC	3,178	4.4	7.0	1,780	-2.0	12.6	1,785	73.5	31.6	Overall AUM for ABSLAMC grew 5.7% as of May 2023 compared with Mar 2023. Equity AUM grew by 1.6% over the same period leading to a decrease in share of pure Equity AUM QoQ by -1.4% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2023 would be dependent on the trends seen till May while we additionally factor in Nifty Return of 3.5% for June 2023. We pencil in an overall AUM growth of 7.0% QoQ for ABSLAMC. We expect EBITDA margin will be higher sequentially due to relatively higher other operating expense in 4QFY23 and expect other income to be strong during the quarter.
UTI AMC	2,829	-1.5	5.0	1,160	-15.5	27.8	1,807	91.4	110.9	Overall AUM for UTIAMC grew 1.7% as of May 2023 compared with Mar 2023. Equity AUM grew by 2.6% over the same period leading to an increase in share of pure Equity AUM QoQ by 0.3% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2023 would be dependent on the trends seen till May while we additionally factor in Nifty Return of 3.5% for June 2023. We pencil in an overall AUM growth of 3.0% QoQ for UTIAMC. We expect EBITDA margin will be higher sequentially due to relatively higher other operating expense in 4QFY23 and expect other income to be strong during the quarter.
CAMS	2,706	14.3	8.6	1,184	21.0	8.6	812	25.7	9.2	Overall mutual fund industry AUM grew 7.2% as of May 2023 compared with March 2023. We additionally factor in Nifty return of 3.5% for June 2023 for industry AUM. Hence, we pencil in a revenue growth of 8.6% QoQ for CAMS. EBITDA margin for 1QFY24 is expected to be similar to 4QFY23.

Source: Companies, YES Sec – Research

Exhibit 46: Fintech - Earnings expectation snapshot

Fintech (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
PAYTM	26,619	58.5	14.0	(2,077)	-67.2	60.9	(2,503)	-60.9	51.5	With steady loan disbursements and new device addition, we expect Paytm to post healthy sequential growth in revenue. We arrive at an overall growth in Revenue from operations of 14% QoQ. We forecast Payment Processing Charges (PPC) as a proportion of Payments Revenue to be at 62%, a metric that was 54.0% in 4QFY23 due to UPI incentives. We arrive at a Total Expenses (ex PPC) growth of 9% QoQ, compared with a growth of 2% in 4QFY23, resulting in an EBITDA margin (ex Other Income and after ESOP cost) of -7.8%, a deterioration of -227 bps QoQ as Paytm had received UPI incentives in 4QFY23.

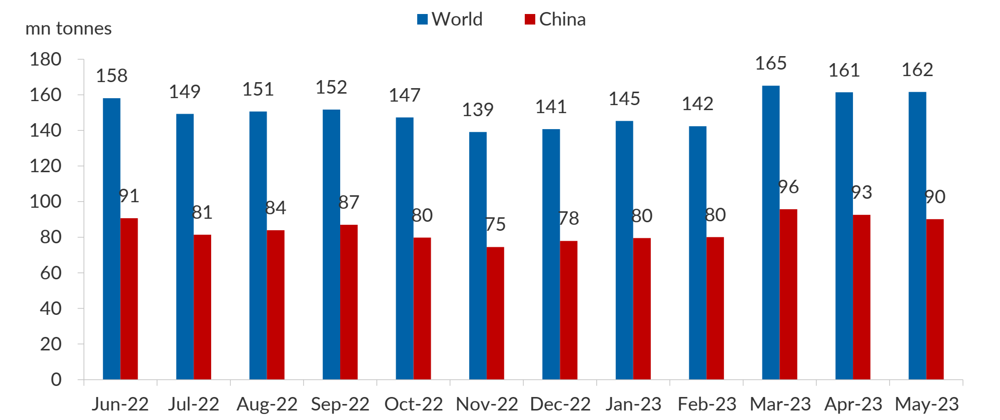
Source: Company, YES Sec – Research

METALS

The ferrous metals sector has gone through a lot of raw material pricing volatility since the start of the year 2023 majorly because of China reopening from the Zero-Covid Policy. We see Q1 FY24E to be slow with falling margins for the companies under our coverage. The steel prices have eased over Q-o-Q and the companies would have to tackle the high-cost coking coal inventory.

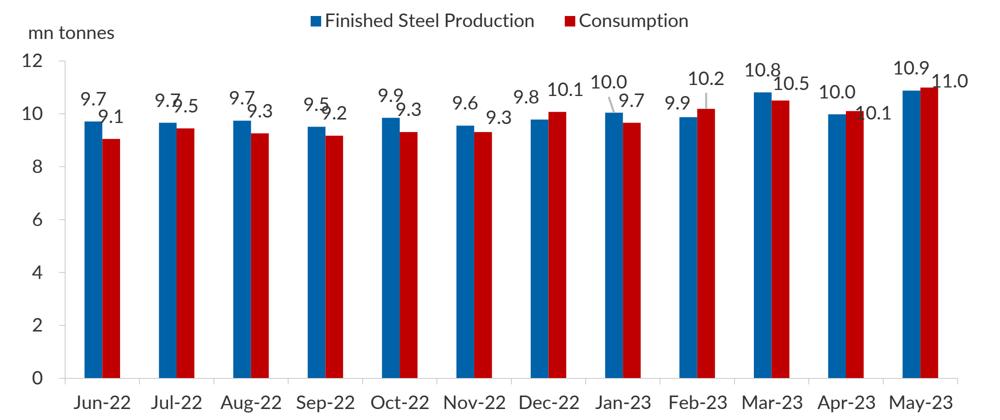
- **Global Industry Scenario:** The global steel production has seen a rise over the last 3 months after comfort in the raw material pricing especially for coking coal. With China reopening, we are yet to see how the demand outlook shapes as the country accounts for~50% of the global demand for the metal. With a slowdown in the Chinese infrastructure sector, a rise in exports can be expected in order as the Chinese steel production continues to hit peak levels. Coking coal prices have come down sharply from over $320/tonne to ~$210/tonne, thereby giving some relief to the steel manufacturers on the raw material price inflation.
- **Indian Steel Picture:** The Indian steel production has been rising and so is the demand for the metal. India rightfully so is becoming a nation to drive growth on the back of a solid foundation of the steel sector. The production levels have been rising for the country majorly on the back of capacity additions by major steel producers and with demand arising from various industries in the country. We see domestic HRC and iron ore prices to stabilize going into the second quarter where the companies will surely benefit from cost deflation in key raw materials.
- **The macro-economic impact:** The Indian steel industry is expected to show falling margins for Q1 FY 2024E majorly due to falling steel prices and the utilization of higher cost raw materials especially for coking coal. We see that companies under our coverage would suffer from the diminishing spreads during the quarter, however, we expect to see a positive change during the year where the raw material pricing is expected to stabilize thereby improving margins for the steel players.

Exhibit 47: Global Steel Production Scenario



Source: World Steel Association, YES Sec

Exhibit 48: Indian Steel Industry Picture



Source: Ministry of Steel, YES Sec

Exhibit 49: Metals- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Tata Steel	502,607	(20.8)	(20.2)	58,821	(1,190)	24	18,249	(76.3)	16.5	We expect the revenues to fall because of the falling steel prices in Q1 FY24E. The global steel sentiment has been negative however, China opening up could potentially help in the recovery of steel prices globally as well as margins for the companies. We expect revenues to fall from Rs629b to Rs502b, a change of (20%) Q-o-Q on account of falling steel prices, high-cost raw material utilization and Tata Steel's european plant closure for maintenance for the majority of the first quarter. We expect the EBITDA margins to hover around 11.7% for the quarter with a PAT margin of 3.6% on account of the macro-economic conditions affecting the industry.
S A I L	227,928	(5.1)	(21.8)	24,502	96	23	5,563	(22.3)	(46.1)	We expect the margins for SAIL to fall on account of the macro-economic and high-cost raw material utilization issues. On a Y-o-Y basis, we see SAIL to increase its production levels based on the company's focus to expand utilization levels at its current plants and by removing bottlenecks. However, we believe that the falling steel prices and high costs would cause a dent to the company's earnings.
JSW Steel	368,191	(3.3)	(21.6)	49,048	201	(358)	13,100	56.1	(65.0)	As for the companies in the steel sector, we see margins taking a hit for JSW Steel over the course of the first quarter due to poor macro-economic outcomes and high raw material price volatility. JSW’s cost would have taken a hit substantially however, with falling coking coal and iron ore price we expect to see a turnaround in the story.

PHARMA & HEALTHCARE

Q1 FY24 could see across the board margin improvement YoY as companies to see partial relief from elevated cost pressures. Domestic growth would be healthy on back of successive price hikes linked to WPI from June onwards. US would continue to be a pain point for many including Lupin as Q1 is seasonally weak though Revlimid and acquisitions (DRL, Gland) would make YoY comparison favourable. Gross margin and OPM set to improve as freight trends lower coupled with healthy domestic growth. Expect strong numbers from Aurobindo and Alkem while JB Chem, Gland (ex-Cenexi) and IPCA would report relatively weaker results.

- **Alkem** - Margin improvement YoY would be eyed as Q1 last year had one-offs due to forex and additional other expenses; QoQ factor in 2% US growth while gross margin to get better due to seasonality tailwind in domestic business
- **Indoco** - Domestic business likely to grow in early double digit as new launches maintain their share; US share of profit would be higher at Rs120mn vs Rs70mn last year
- **Gland Pharma** - Consolidation of Cenexi but with much lower margin than Gland to impact overall OPM; core Gland US business may rebound QoQ by 2-3% but pressure still persists. Penem shut down to reverse in Q1 but lower Heparin prices to pressure ROW sales
- **Dr Reddys'** - Revlimid is likely to rebound after a weak seasonality in Q4 while there were few other inj launches like Regadenoson and Remodulin. India business included Rs2.3bn in brand divestment income last year adjusted for which expect domestic growth of 10%
- **Aurobindo** - US injectable growth of double digit and oral solids growth of 6-7% YoY to lead to ~6-7% growth YoY in US; Q1 last year had excess freight cost to the tune of Rs600mn and also Q4 had certain one-offs which would lead to margin improvement both YoY and QoQ. Q4 had PLI incentives Rs480mn
- **Lupin** - Weak seasonality in US would lead to fall in sales QoQ; presume some cost control would continue QoQ while probable lack of PLI incentive would keep margin lower QoQ at ~11%
- **Diagnostics** – Dr Lal to report subdued volume growth YoY while Metropolis would be affected by loss of PPP revenues to the tune of Rs170mn. Vijaya would report better topline growth on back of hubs and spokes addition in last 1 year leading to better margin YoY.
- **IPCA** - Improved gross margin and 13% growth in domestic business to drive OPM to ~15% especially as increased MR costs are already build in Q4 FY23 numbers; Unichem not yet factored for Q1 FY24

Exhibit 50: Trend in domestic growth across pharma cos, % YoY

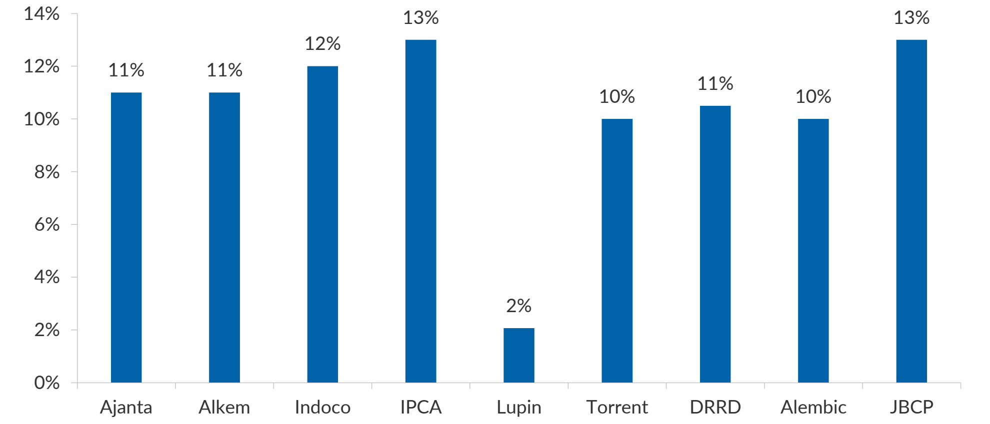


Exhibit 51: Trend in US growth across pharma cos, % QoQ

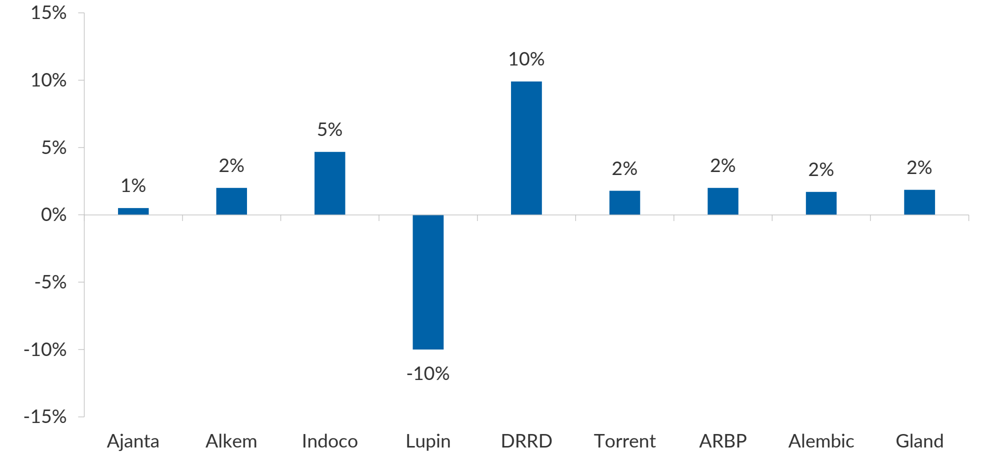


Exhibit 52: Pharma & Healthcare- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Dr Reddy's Labs	63,814	21.9	1.0	16,664	813	97	10,606	(10.8)	10.5	Revlimid is likely to rebound after a weak seasonality in Q4 while there were few other inj launches like Regadenoson and Remodulin. Build in Mayne Pharma revenues into US business. India business included Rs2.3bn in brand divestment income last year adjusted for which expect domestic growth of 10%
Aurobindo Pharma	63,777	2.3	(1.5)	10,315	70	69	5,449	4.7	7.6	US injectable growth of double digit and oral solids growth of 6-7% YoY to lead to ~6-7% growth YoY in US; Q1 last year had excess freight cost to the tune of Rs600mn and also Q4 had certain one-offs whch would lead to margin improvement both YoY and QoQ. Q4 also included Rs480mn in PLI incentives recorded in domestic formulations which is not factored in Q1 numbers
Lupin	41,032	9.6	(7.4)	4,685	704	(222)	813	(191.3)	(65.5)	Weak seasonality in US would lead to fall in sales QoQ; presume some cost control would continue QoQ while probable lack of PLI incentive would keep margin lower QoQ at ~11%
Torrent Pharma.	26,402	12.5	6.0	8,094	32	147	3,573	0.9	24.5	Robust all round growth and improved margins seen for the quarter; Domestic increase of 12% as Curatio still not in the base. Margin to improve as operating leverage supports
Ajanta Pharma	9,645	1.4	9.4	2,271	23	415	1,595	(8.7)	30.4	Low double digit growth in domestic business, rebound in Africa branded market after protests disrupted business in Q4. Improved gross margin YoY as last year included 2% inventory write off in US while OPM to benefit from lower freight costs QoQ
Alkem Lab	27,694	7.5	(4.6)	4,136	705	277	3,171	141.2	368.5	Margin improvement YoY would be eyed as Q1 last year had one-offs due to forex and additional other expenses; QoQ factor in 2% US growth while gross margin to get better due to seasonality tailwind in domestic business
Indoco Remedies	4,457	9.2	4.1	787	17	254	394	2.0	52.5	Domestic business likely to grow in early double digit as new launches maintain their share; US share of profit would be higher at Rs120mn vs Rs70mn last year. Gross margin to improve QoQ and margin to hover around 16%
Ipca Labs.	16,387	3.3	8.4	2,561	(135)	365	1,460	2.0	90.7	Improved gross margin and 13% growth in domestic business to drive OPM to ~15% especially as increased MR costs are already build in Q4 FY23 numbers; Unichem not yet factored for Q1 FY24
Dr Lal Pathlabs	5,379	7.0	9.5	1,291	63	46	645	11.9	13.8	Moderate volume growth similar to Q4 performance with possibly some price benefit (marginal); margin stable QoQ at around 24%
Metropolis Healt	2,936	4.9	3.9	734	52	12	367	9.3	10.0	Lack of PPP revenues YoY (Rs170mn per quarter) would suppress growth; factor in early double digit growth in volumes in ex-PPP business with flat margin QoQ
Syngene Intl.	7,798	21.0	(21.6)	2,266	172	(295)	1,072	45.1	(40.0)	YoY growth to be >20% on back of high teens base business rise coupled with currency benefit YoY; Q1 last year had lower staff costs and higher other expenses due to increased power costs combined with supply chain issues. Expect margin to be impacted due to hedging loss mirroring the gain in topline

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Gland Pharma	12,344	44.1	57.2	2,750	(922)	82	1,636	(28.6)	107.9	Consolidation of Cenexi (Euro184mn sales or ~Euro45mn per quarter) but with much lower margin than Gland to impact overall OPM; core Gland US business may rebound QoQ by 2-3% but pressure still persists. Penem shut down to reverse in Q1 but lower Heparin prices to continue to keep ROW sales slightly depressed (Q1 FY23 had shortfall due to syringe shortages and Q4 was affected by lower Heparin prices)
Alembic Pharma	14,090	11.6	0.2	1,964	1,278	(115)	657	(199.8)	(56.9)	Healthy base in domestic business last year would lead to 10% growth; margin to improve on very weak base YoY including lower COGS and smaller Aleor write off
Sequent Scien.	3,618	6.0	(1.3)	163	(139)	182	(72)	(201.2)	(92.3)	QoQ improvement in revenues but margin pressure would persist save for one-offs of Q4 that would reverse itself; company says meaningful improvement only from H2
Vijaya Diagnost.	1,190	14.0	(1.7)	470	127	(109)	226	29.5	(17.8)	Vijaya to report healthy topline growth on back of several hubs and spokes opened in last 1 year; margin to be better YoY but would trail Q4 on lower revenues
J B Chem & Pharm	8,739	11.3	14.6	2,010	99	154	1,150	9.5	31.3	YoY domestic growth of 12% with additonal boost from DRL and Razel brand consolidation (not present last year); gross margin slightly better YoY but COGS pressure still lingers; CMO business seen flat QoQ while margin includes ESOP costs

REAL ESTATE

As per PropEquity, the residential market is on a stable footing in first two months of Q1FY24 with absorption of 75,836 units across top 7 cities against the launches of 57402units. Strong demand resulted in reducing the quarters to sell inventory level to 12qtrs from 16qtrs a year ago. Interestingly, Bengaluru & Pune's quarter to sell inventory is equal or below 10months. Mumbai and Pune contribute 57% of total sales in the Top 7 cities covered by PropEquity and more importantly preliminary trend shows higher sales velocity in Hyderabad compared to Bengaluru which never happened in history. While sales volumes have been stable in Q1FY24, prices have grown significantly across most markets with NCR, Bengaluru, Pune and Hyderabad growing by 29%, 11%, 10% and 9% YoY respectively. With the strong intrinsic demand management bandwidth for all the players is now focusing on the business development activity to create strong pipeline for future launches. Listed developers in Q1FY24 are expected to report strong operational numbers with the continuation of demand. Additionally, Tier-I /listed developers are well placed and will gain most out of consolidation witnessed in the sector.

During Q1FY24, 14.8msf transacted represents a modest 2%YoY growth and H1CY23 records strong leasing of 26.2msf against average of 40msf per year which clearly depicts the strong demand for Grade-A assets. Occupier activity in Chennai & NCR grew by a substantial 107%/24% YoY in H1CY23. The four largest markets accounted for 68% of the area transacted and saw growth in YoY terms. Flex spaces continued to find the occupier's favor and constituted 26% of the transacted space during H1CY23. Flex space operators were particularly active in Ahmedabad. Rental levels have continued to stabilize or grow across all markets. Rental levels in the larger office markets of Bengaluru, Mumbai and NCR grew by 2%, 1% and 3% YoY respectively, while rental rate moved up by 10% YoY in Kolkata and Chennai also witnessed 3% YoY growth on the back of strong leasing momentum.

Retail assets in every quarter are showing encouraging trend with trading density surpassing every quarter backed by the strong consumption trend. For Hospitality, leisure hotels recovered long back as domestic travel resumed while drag was due to the business hotels which has also recovered with restoration of international travel, increased corporate and social/family events, which should reflect in occupancy and ARR going north for current fiscal.

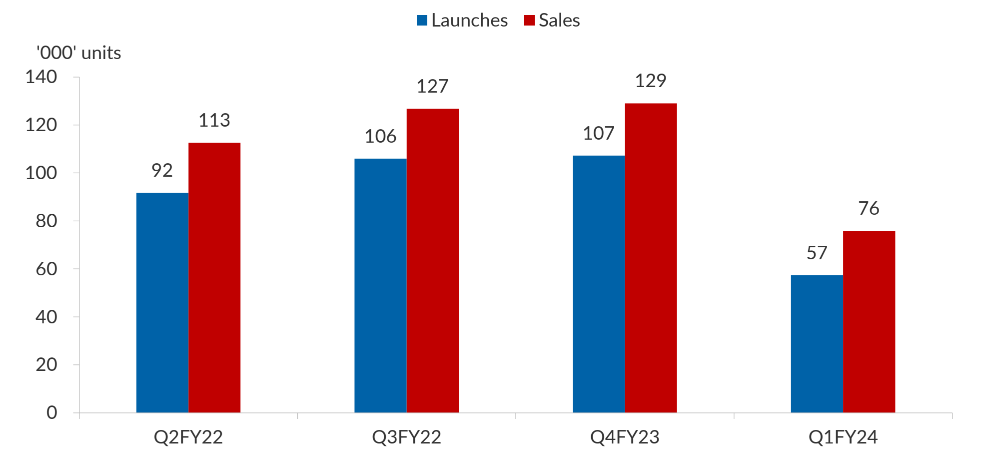
We remain structurally positive on the real estate sector on the back of strong demand in the residential space, increased leasing traction, mall operating at full capacity and recovery of business hotels. Our preferred picks for the sector are PEPL & OBER while we believe SRIN would be tactical buy at current price.

Exhibit 53: Market wise average price changes

Market	YoY Change	QoQ Change
Bengaluru	11%	2%
Mumbai	5%	1%
Chennai	2%	5%
Hyderabad	9%	1%
Pune	10%	2%
NCR	29%	1%
Kolkata	3%	-1%

Source: PropEquity, YSEC

Exhibit 54: Launches & Absorption of last 4-Qtrs for Top 7 cities



Source: PropEquity, YSEC (Note: Q1FY24 includes only April & May data)

Exhibit 55: Real Estate- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
DLF	15,367	6.6	5.5	4,758	227	360	6,351	35.3	11.4	It is important to understand the future launches of the company and revenue recognition of the independent floor projects along with the execution status of projects launched in the last 2years.
Oberoi Realty	12,390	35.7	28.9	7,364	553	2,108	5,103	26.6	6.2	It is critical to understand the timelines for the company's project launches and plan for Glaxo's worli land. Additionally closely monitoring of OC received projects is required to understand the velocity.
Prestige Estates	19,519	0.7	(25.8)	4,776	65	(144)	1,739	(15.1)	(62.9)	Need to monitor MMR projects sales velocity and BD activity along with launch pipeline for Pune & NCR portfolio. Additionally, timelines for commissioning the annuity assets and its construction progress.
Sunteck Realty	1,760	22.6	260.0	702	841	5,851	404	62.1	(244.8)	Critical to see the quarterly sales velocity of the projects and how it tallies to the annual guidance. Understand the launch pipeline for some of the new projects.

TELECOM AND INTERNET/PLATFORM

- Reliance Jio is expected to add 4.5mn subscribers QoQ to reach 444 mn subscribers, with growth in ARPU by 1% QoQ to Rs 181, led by improving customer mix. Bharti Airtel is expected to add 3mn subscribers QoQ to 338mn subscribers, with ARPU growing by 1% QoQ to Rs 195, driven by ongoing migration of subscribers from 2G to 4G and increase in entry level tariff to Rs 155 from Rs 99.

- Vodafone Idea is expected to report decline of 3mn subscribers QoQ, with growth in ARPU of 2% QoQ to Rs 138, driven by migration of users from 2G to 4G technology. The Management commentary on any progress on fund raising activity would be the key thing to watch out for in the quarter.

- RJio and Airtel have been ramping up 5G services in India and any update on progress in 5G implementation would be keenly watched by investors.

- Tata Communication is expected to report modest revenue growth led by improving traction in Digital Platform and services of the data segment.

- Infoedge would likely show muted revenue growth due to slowdown in IT hiring, with EBITDA margin to be flat sequentially.

- The rising digital penetration would support the overall performance of these Internet based companies as the pandemic has accelerated the market share gain towards internet-based companies in their respective segments.

- The management guidance on growth in billings and competitive intensity in the segment would be key to watch out for in the quarter.

- Tanla Platform is expected to report mid-single digit sequential revenue growth; while Nazara Technologies is expected to report high single digit revenue growth QoQ, with slight improvement in margin.

- For SIS Ltd, the growth in the quarter would be led by strong performance in India security business and sustained high growth in facilities management business. The commentary on the International business is being keenly watched by investors.

Exhibit 56: The growth in ARPU to be primarily led by migration from 2G to 4G customers

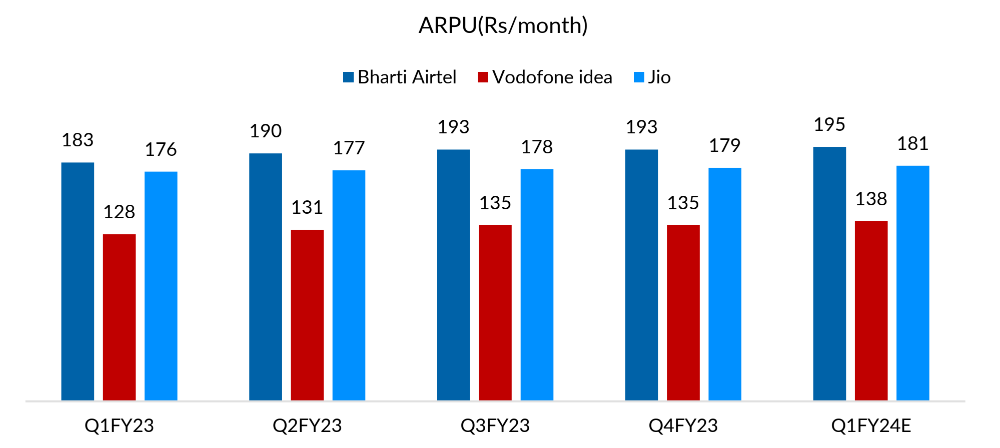


Exhibit 57: VIL's subscribers is expected to decline by 3mn QoQ

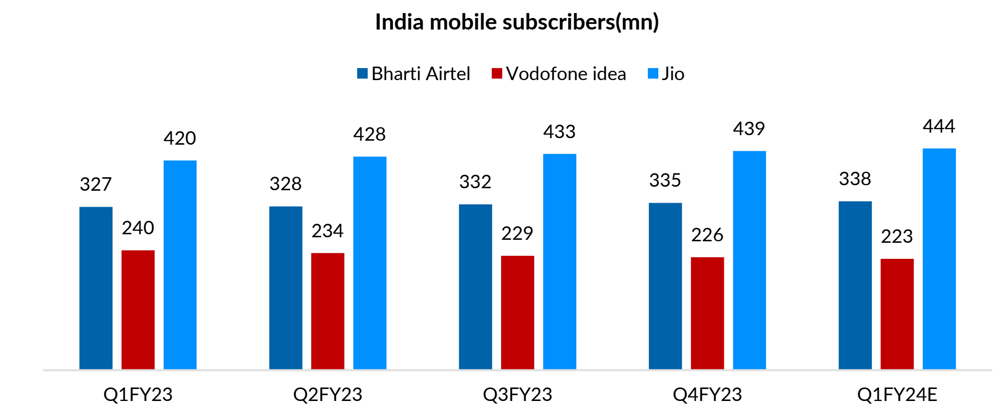


Exhibit 58: Telecom and Internet/Platform- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (bps)	QoQ (bps)	Q1 FY24	YoY (%)	QoQ (%)	
Info Edg.(India)	5,843	15.1	3.6	2,291	707	14	1,972	32.9	(0.2)	Growth to be muted to slowdown in IT hiring. Key thing to watch out would be the performance of 99acres.com and Jeevansathi
Indiamart Inter.	2,833	26.1	5.4	730	(283)	116	681	45.8	22.0	Growth to remain strong as addition of paid customers remain robust Commentary on growth in paid suppliers and traffic would be key thing to watch out for.
Nazara Technolo.	3,116	39.7	7.7	315	(337)	55	147	27.6	464.5	Expect to report mid single digit sequential revenue growth. Commentary on performance of subsegments would be key thing to watch out for.
Tanla Platforms	8,749	9.3	5.0	1,758	376	17	1,152	14.7	(4.2)	Revenue to grow at around mid single digit sequentially ; EBITDA margin to remain flat on sequential basis
Tata Comm	46,561	8.0	1.9	11,058	(124)	111	4,325	(20.5)	32.1	Growth to be led by traction in the data services. Voice business would continue to decline QoQ. Commentary on traction in new generation solutions to be keenly watched.
Indus Towers	68,382	(0.9)	1.3	35,114	1,768	31	14,407	201.8	3.0	Revenue growth to remain modest and to be led by increase in the number of co-locations. Management commentary on receivables form VIL would be key thing to watch out for.
Vodafone Idea	106,049	1.9	0.7	42,864	(116)	44	(62,336)	LL	LL	ARPU expected to grow by ~2% QoQ due to migration from 2G to 4G users. Subscriber base is expected to decline by 3mn QoQ
Sterlite Tech.	18,885	27.2	0.9	2,606	296	12	851	373.0	3.8	Revenue and margin to remain flat sequentially due to softness in Services; Commentary on revenue and margin outlook would be key to watch out for.
SIS	30,905	15.4	3.2	1,481	29	30	946	14.6	1.6	Growth will be led by strong performance by India Security business and facilities management business. Management commentary on international business is key thing to watch out for.
Bharti Airtel	365,491	11.4	1.5	190,710	179	26	43,528	76.3	3.0	Wireless ARPU by 1% QoQ, 3mn increase in the subscribers sequentially

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