Q1 FY23 Earnings Preview

YES Sec universe (Ex Financial & OMC): Topline to grow 36% y/y

- Topline growth of 36% y/y (ex-financial & OMCs) is largely driven by E&P companies like Reliance and ONGC, while sectors like Automobiles and IT are also likely to see impetus, estimated to witness a low double-digit growth. Performance in 12 out of 15 sectors under our coverage (ex-financial & OMCs) is likely to see flattish growth in the quarter, indicating that only three sectors are doing most of the heavy lifting.
- After seeing three consecutive quarters of contraction operating margins are likely to remain flat (up 15bps y/y) on account of strong margin expansion in Oil & Gas space (excluding OMCs). Auto sector is also likely to witness an expansion after three consecutive quarters of contraction. On the negative side, Cement, Pharma & IT are likely to witness margin collapse by 9.4, 3.4, and 2.3 ppts y/y basis respectively.
- PAT growth of 74% is predominantly driven by 147% PAT growth y/y for Oil & Gas (ex-OMC) space, (accounting for 45% of our earnings ex-Finance and OMC). While, Auto and Telecom, which reported losses in Q1 FY22 are also likely to witness significant positive traction.

For Financials: PAT to grow at 48% y/y, spearheaded by NBFC

- NII for Banks is expected to register a healthy 16% y/y growth, boosted by a decent uptake in credit demand. Even though PPoP is likely to register a de-growth of 1.4% y/y, the lowest number on recent records as an unfavourable rise in G-Sec yield translates into a weak treasury income. Lower provisioning and higher NII will improve PAT by 29% y/y.
- NBFC & SFB are likely to witness one of the strongest growth post-COVID. Both the topline and bottom-line are expected to grow by 25% and 145% y/y respectively.

Exhibit 1: YES Sec Universe: Stocks on the Radar

Sector	Earning Expectations	
	Strong	Weak
Automobiles	Eicher Motors, Hero Moto	Ashok Leyland, Sona coms
Banks	Axis Bank, Federal Bank	
Building Materials	GreenPanel	Prince Pipes
Cement	Ultratech, Dalmia Bharat	India Cements
Consumer Durables	Amber, Blue star, Dixon	Bajaj electricals, IFB industries
Consumer Staples & Discretionary	Britannia, Tata Consumer, D-Mart	Godrej Consumer, Bajaj Consumer
Insurance	ICICI Prudential	
IT	Infosys, Coforge	Tech M
Oil & Gas	Reliance, ONGC	IOC, HPCL & BPCL
Pharma	Torrent, Dr Reddy's	Gland, Alkem
Rating Agency	CRISIL, ICRA	CARE
Real Estate	DLF, Prestige Estate	Oberoi Realty
SFB & NBFC	AU SFB, Bajaj Finance, SBI Cards, Home First	Muthoot, Manappuram
Telecom/Platform Business	Airtel, InfoEdge	Tanla

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Exhibit 2: Revenue growth estimated to beat last three quarters on strong performance in Oil E&P segment

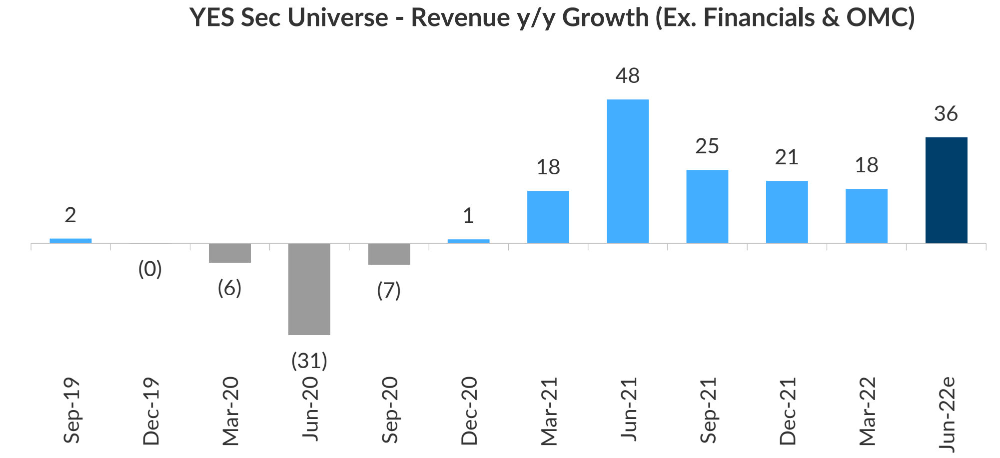
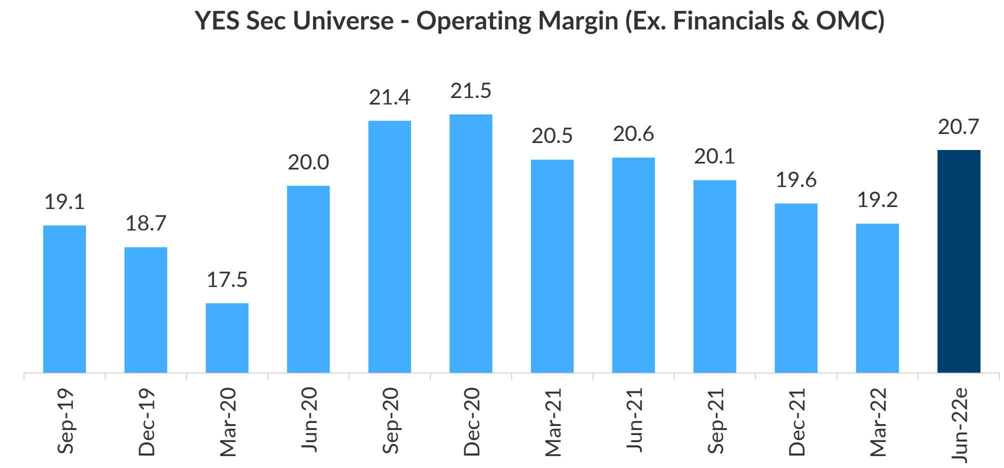


Exhibit 3: Reversal of trend in Operating Margins…



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

Exhibit 4: …Q1 margins likely to expand after three consecutive quarters of contraction, driven by expansion in energy space

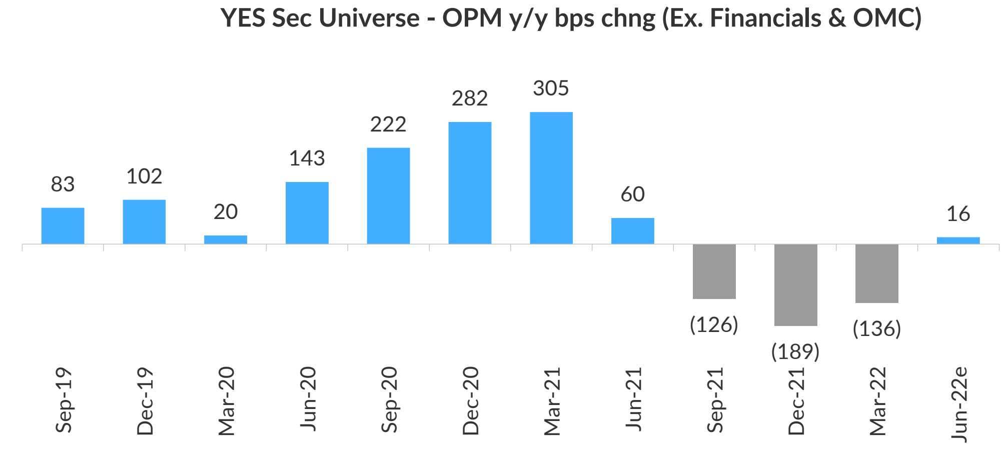


Exhibit 5: PAT to grow by healthy 74%, aided by strong performance in Reliance & ONGC

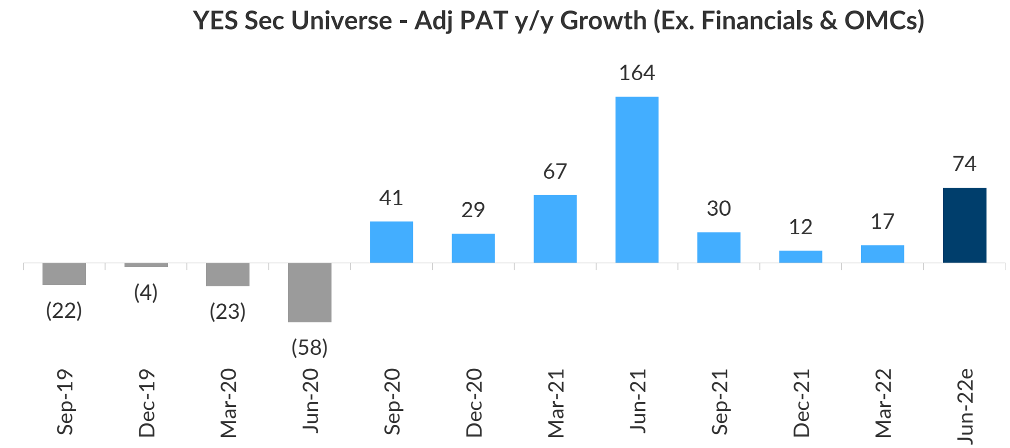


Exhibit 6: NII growth for Financials to be strongest in the last nine quarters, thanks to steady pick up in credit offtake

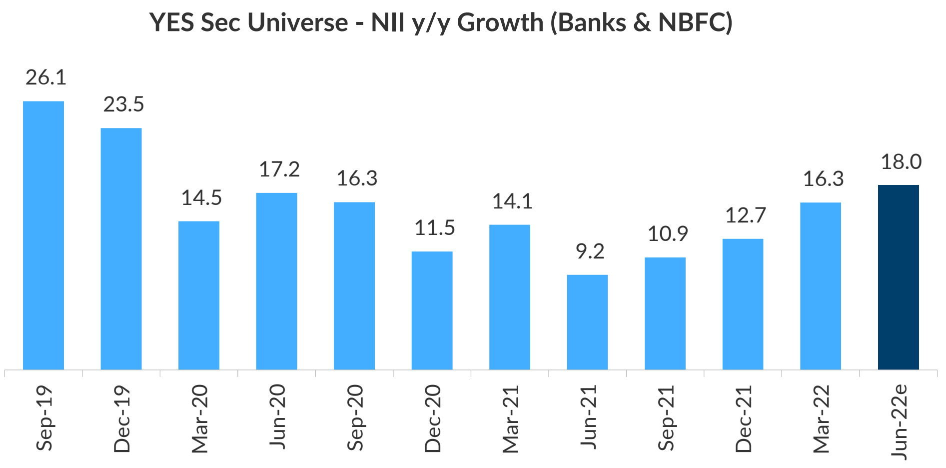
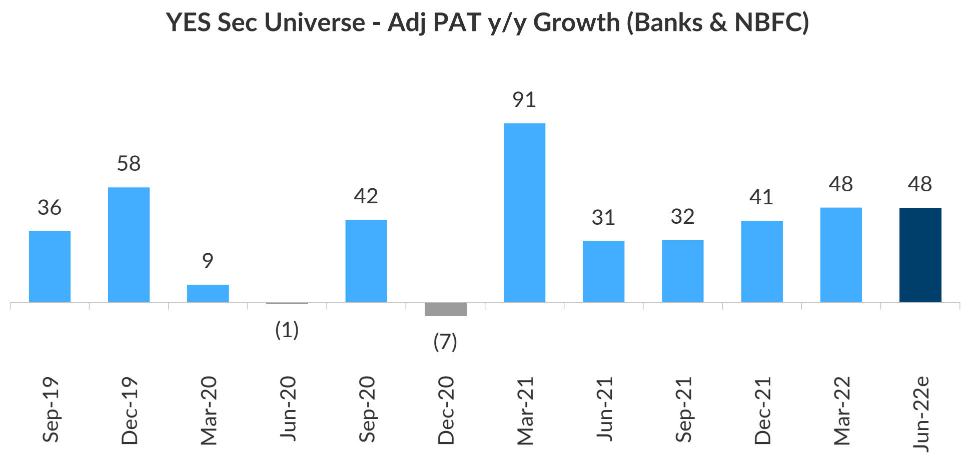


Exhibit 8: Strong bottom-line performance by NBFC and lower provisioning in Banks will drive earnings growth despite poor PPoP performance



Note: This calculation excludes Life Insurance, General Insurance

Exhibit 7: PPOP growth for Q4 likely to be low dented by weak treasury income

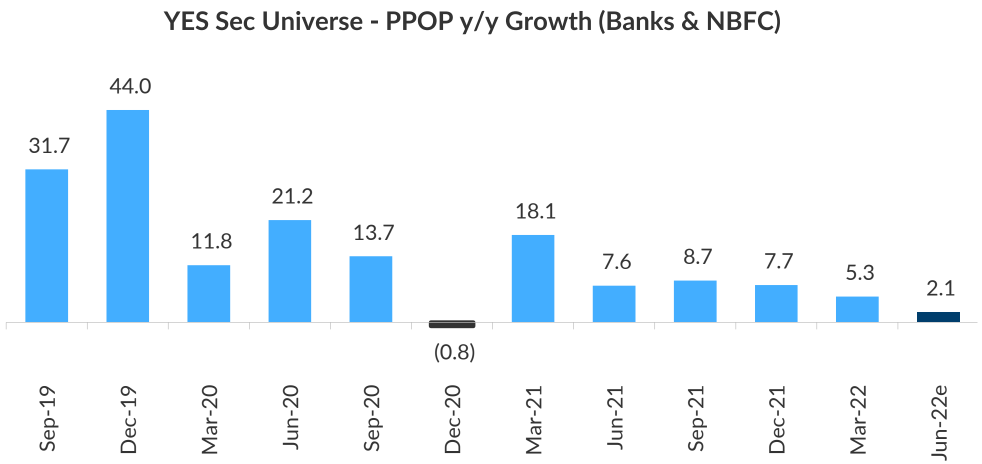
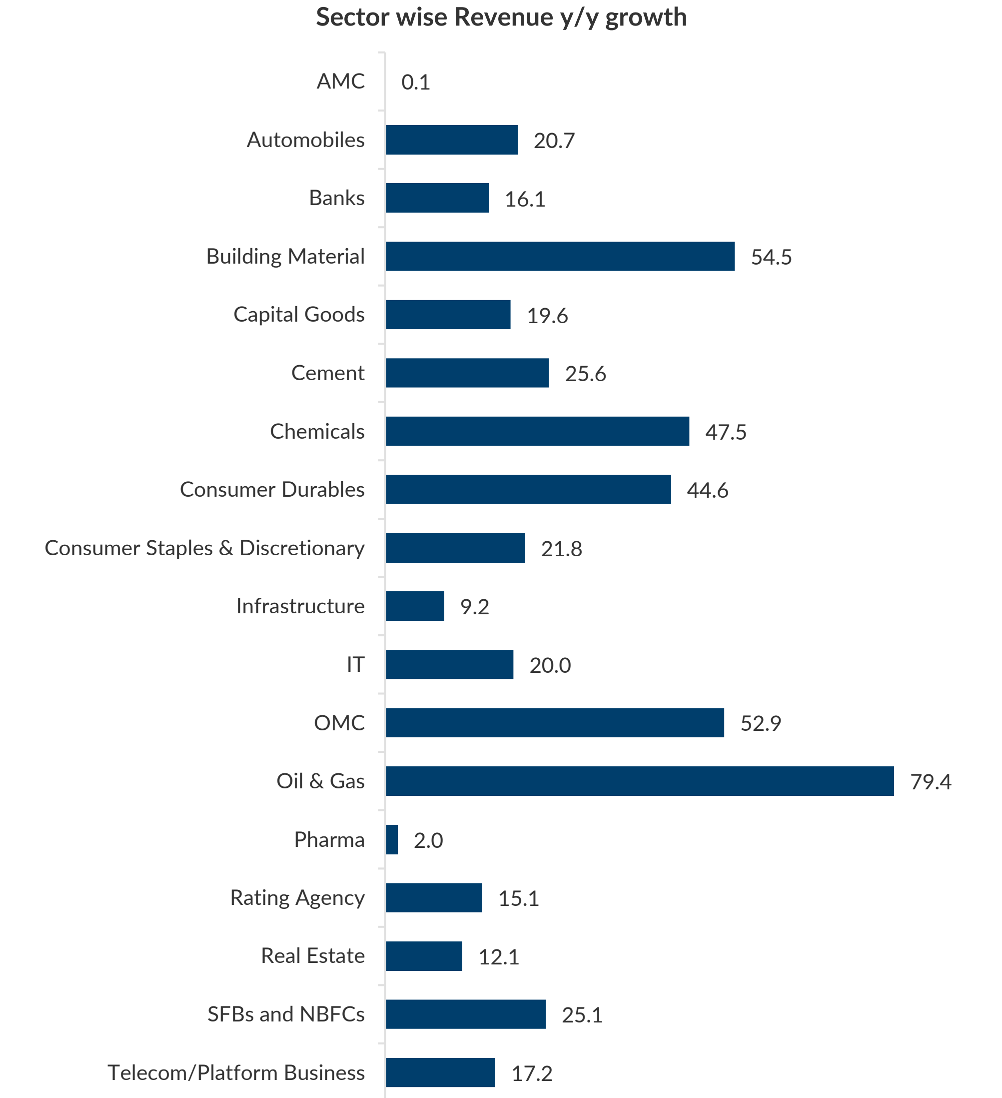
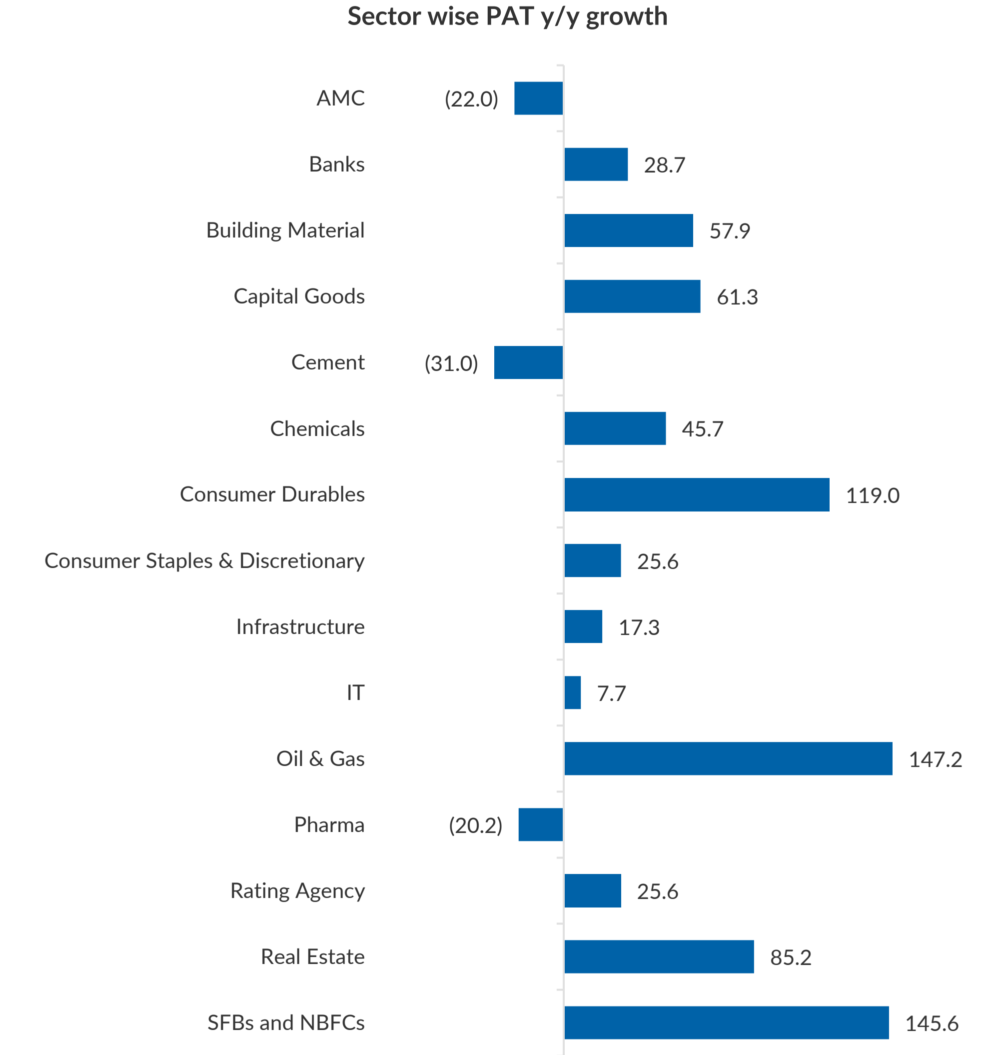


Exhibit 9: Revenue growth across the board, Energy steals the show



Note: 1. NII considered for Financials, NBP for Life Insurance, NEP for General Insurance while calculating revenues`

Exhibit 10: Earnings growth a mixed bag, as RM inflation continues to pose trouble for some sectors

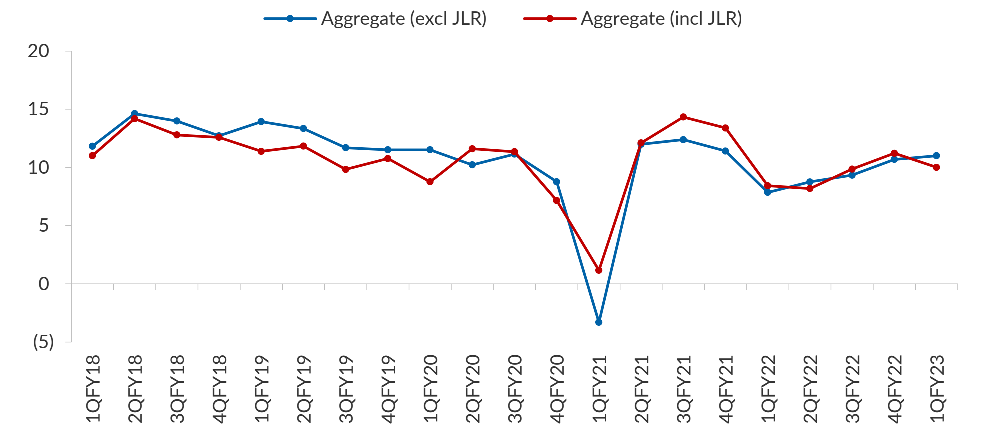


Note: 1. Considered VNB margins for Life Insurance Cos

AUTOMOBILE

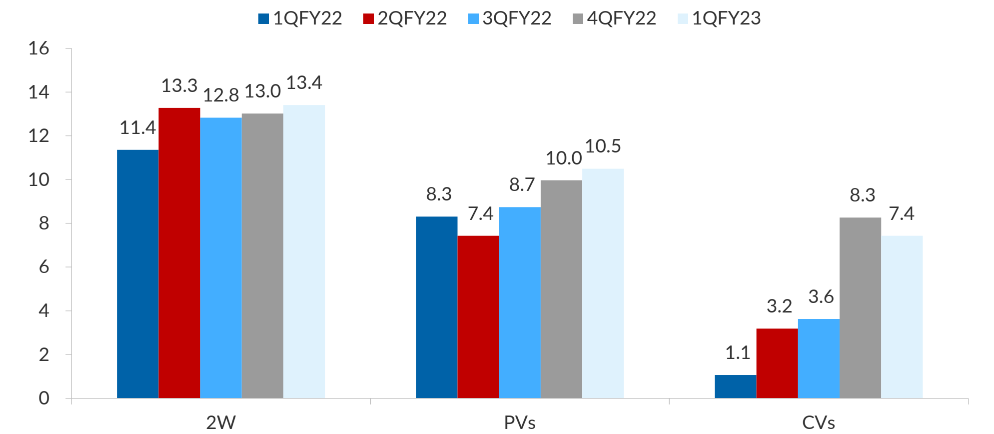
- **1QFY23 EBITDA margins for our coverage universe (ex-JLR) to expand 30bp QoQ at 11%** (v/s 10.7% in 4QFY22 and 7.9% in 1QFY22). This is despite, gross margins expected to contract for most OEMs by 20-100bps ex of MM (+30bp), AL (+35bp), ESC (+40bp). However, with incremental RM pressure easing down during 1Q coupled with price hikes (~1.5-2%) across OEMs to result in aggregate gross margins expansion by 2QFY23. Key RM prices such as Copper/Aluminium/Lead declined ~2%/10%/3% while NR prices continue to increase by ~7% QoQ (v/s ~21% cumulative increase in past 2 quarters), which will necessitate further price hikes in 1HFY23 for tyre cos. Margins including JLR however to decline to 10% (v/s 11.2% in 4QFY22). Among OEMs, HMCL/MM/EIM/ESC margins to expand sequentially healthy by ~210bp/110bp/80bp/130bp to 13.2%/12.5%/24.3%/14.4%.
- **PV and 2ws to see QoQ margins expansion while CVs to see high impact of RM inflation and product mix -** Demand in 2W segment has still been muted despite reopening of institutions and offices primarily driven by price hikes. However, with some recovery in low base and one of highest price hikes (among segments), overall aggregate margins are expected to expand 40bp to 13.4%. PVs margins expansion too continue for 3rd consecutive quarter by 50bp to 10.5%. However, CV segment margins to decline 90bp QoQ to 7.4% led by mix impact and lag in RM price inflation pass through. However, continued discount moderation to partially help manage inflation in CV OEMs. We expect Revenue/EBITDA/Adj. PAT to grow QoQ by ~1.3%/~4.3%/~7.3% for our OEM coverage universe (ex-JLR).
- **Chip shortage withstanding, no incremental impact on supply chain visible yet-** We noted supply chain situation remained broadly intact (slightly better visibility related to chip issue) while we don't foresee any incremental impact of geopolitical tensions and China lockdown in 1QFY23. This should aid operating leverage in PVs/CVs with significant ramp-up expected in premium variants across segments.
- **Key ratings, TP and EPS change-** While we have maintain estimates across coverage universe, we downgrade MM to ADD (from BUY), HMCL to ADD (from BUY) and TVSL to ADD (from BUY) given limited upside in the stock after recent valuation expansion.
- **Top Picks – TTMT (BUY) and AL (BUY) from OEMs, BHFC (BUY), ENDU (BUY) and Sona (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.

Exhibit 11: Aggregate margins to expand ~30bp QoQ led by op leverage at 11%



Source- Company, Yes Sec

Exhibit 12: 2W/PV margins likely to expand 40bp/50bp QoQ, CV to contract 90bp



Source- Bloomberg, Yes Sec

Exhibit 13: Automobile- Earnings expectation snapshot

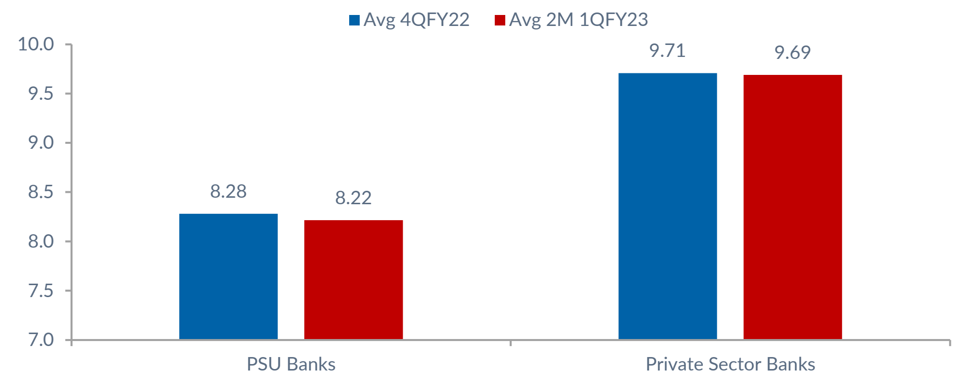
Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Ashok Leyland	73,302	148.4	(16.2)	5,571	1,235	(127)	2,338	(183.2)	(41.9)	We expect revenues to de-grow 16% QoQ at Rs73.3b led by ~19% QoQ de-growth in volumes partially offset by ~3% QoQ growth in ASPs at Rs1.85m/unit. We expect AL to report EBITDA of Rs5.6b (-28% QoQ) with margins of 7.6% (-130bp QoQ) largely led by impact of lower volumes sequentially (1Q being a weak quarter in terms of volumes).
Bharat Forge	17,071	24.4	2.0	4,101	(447)	(170)	2,229	4.5	(15.5)	We expect standalone revenues to grow ~2% QoQ at ~Rs17.1b in 1QFY23, to be driven by ~3% QoQ growth in shipment tonnage (~59.3k) partially offset by ~1% QoQ decline in realizations (~Rs288k/ton). We expect margins to contract 170bp QoQ at 24% led by higher RM impact (~30bp) and higher opearting expenses (~140bp).
Bajaj Auto	79,743	8.0	0.4	13,000	114	(50)	11,611	9.4	(2.9)	Overall volume for the quarter de-grew ~4% QoQ, offset by realizations growth of ~5% QoQ at Rs85.4k/unit. This should result in flattish revenue growth of 0.4% QoQ at Rs79.7b. We expect margins to contract ~50bp QoQ at 16.3% due to higher RM impact. We believe BJAUT is relatively better placed to face margin headwinds due to higher exports mix and lean cost structure.
CEAT	27,533	44.4	6.2	2,178	(81)	68	582	163.2	92.0	Ceat is expected to report ~6% QoQ/ 44% YoY growth in revenues at Rs27.5b on account of recovery in OE production and healthy replacement. Increased RM (~140bp QoQ impact) is expected to get offset by operating leverage and cost control resulting in margins expansion of ~70bp QoQ at 7.9%.
Eicher Motors	33,176	68.0	3.9	8,068	593	61	6,662	180.9	9.2	RE 1QFY23 volumes growth have remained flat QoQ at ~187.2k units, while VECV volumes have de-grown ~~13% QoQ to 17.5k units. We expect EIM to report consolidated revenue growth of ~4% QoQ at Rs33.2b, with margins to expand 80bp QoQ at 24.3% (v/s 18.4% in 1QFY22).
Endurance Tech.	22,915	37.6	10.5	3,046	35	110	1,608	53.7	21.1	Endu is expected to report revenue growth of ~11% QoQ at Rs22.9b led by growth in domestic 2W volumes while Eur PV volumes largely remain flat. EBITDA margins are expected to expand ~110bp QoQ at 13.3% led by softening RM cost (~90bp benefit) and stabiling overall cost inflation coupled with op leverage.
Escorts	19,921	19.2	7.0	2,869	45	133	2,359	27.4	16.7	Escorts tractor volumes grew ~22% QoQ/3% YoY in 1QFY23. This coupled with expected realisations growth of ~3% QoQ/18% YoY to led revenue growth of 7% QoQ/ 19% YoY at Rs19.9b. This also includes revenue growth in CE (-54% QoQ/ +5% YoY) and Railways (-27% QoQ/+5% YoY). RM to sales is expected to contract ~40bp QoQ at ~70%. This will be further benefitted by op leverage resulting in margin expansion by 130bp QoQ at 14.4%.
Exide Inds.	32,723	31.6	(4.0)	3,732	92	117	2,017	60.8	0.3	We expect 4QFY22 revenue to decline 4% QoQ/ (+32% YoY) at Rs32.7b led by ramup up in OE production, stable replacement demand and recovery in industrial battery. Lead prices in 1QFY23 declined ~3% QoQ at Rs169.2k/ton. Better gross margins (+150bp QoQ) should drive overall margins expansion of ~120bp QoQ at 11.4%
Hero Motocorp	89,386	62.9	20.4	11,822	384	208	8,764	139.8	39.8	With volume growth of ~17% QoQ coupled with realization growth of ~3% QoQ at Rs64.3k/units on account of price hikes, revenue to grow ~20% QoQ at Rs89.4b. EBITDA margins are expected to expand ~210bp QoQ at 13.2% led by operating leverage, while gross margins are expected to contract ~70bp QoQ at 30%.
M & M	195,418	66.1	14.1	24,427	(137)	114	17,003	82.0	42.9	M&M's S/A volume for 4Q grew ~19% QoQ/ (+46% YoY), wherein tractors volume grew 19% YoY while automotive sales grew 77% YoY/ (-2% QoQ). We expect MM's standalone revenues to grow 14% QoQ led by

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
										healthy volume growth, partially offset by ASP decline of 4% QoQ at Rs7.19L. We expect EBITDA margins at 12.5% (+110bp QoQ) to be driven by lower RM (-40bp QoQ) and operating leverage.
Maruti Suzuki	262,367	47.6	(1.9)	23,613	438	(8)	18,247	314.0	(0.8)	Volume decline of 4% QoQ (due to chip shortage) was partially offset by realisations growth of 2.5% QoQ at Rs5.61L, to result in revenue de-growth of ~2% QoQ at Rs262.4b. However margins are expected to remain flat QoQ at 9% as higher RM cost (+50bp QoQ) to offset by lower operating expenses.
Motherson Sumi	177,004	9.5	3.0	11,032	(132)	(81)	1,685	(20.2)	22.0	For 1QFY23, we expect MSS to report ~3% QoQ/ (+9.5% YoY) consol revenue growth at Rs177b. SMP, SMR, PKC margins are likely to be ~5% (+30bp QoQ), ~9% (+10bp QoQ), ~5% (-50bp QoQ) respectively. We hence, expect consol EBITDA margin to contract ~80bp QoQ at 6.2% (-140bp YoY) while absolute EBITDA is expected to degrow ~9% QoQ at Rs11b.
Sona BLW Precis.	5,577	11.4	1.4	1,350	(351)	(41)	669	(7.5)	(36.1)	We expect Sona to report ~1% QoQ decline in revenue at Rs5.4b (+9% YoY) led by recovery in global PV volumes and backed by healthy orderbook. RM is expected to remain stable (-10bp QoQ) as most of the commodity prices (steel, copper) gets cheaper. This shall result in flattish margins growth QoQ (-10bp QoQ) at 24.5% (v/s 27.7% in 1QFY22).
Tata Motors	635,344	(4.3)	(19.0)	84,450	537	215	2,408	(105.4)	(208.0)	We expect TTMT's consol revenue to de-growt 19% QoQ at Rs635.3b, wherein JLR revenue is expected to de-grow 7% QoQ at GBP4.4b. Moreover, consol margins are expected to expand at 13.3% (+120bp QoQ) while JLR margins to contract to 11.6% (-100bp QoQ).
TVS Motor Co.	59,724	51.8	8.0	5,858	285	(26)	2,972	256.8	8.3	TVSL's 4QFY22 volume grew ~5% QoQ. This coupled with expected realizations growth of ~2% QoQ at Rs65.9k to result in revenue growth of ~8% QoQ at Rs59.7b. Led by higher RM, we expect margins to contract 30bp QoQ at 9.8%.

BANKS

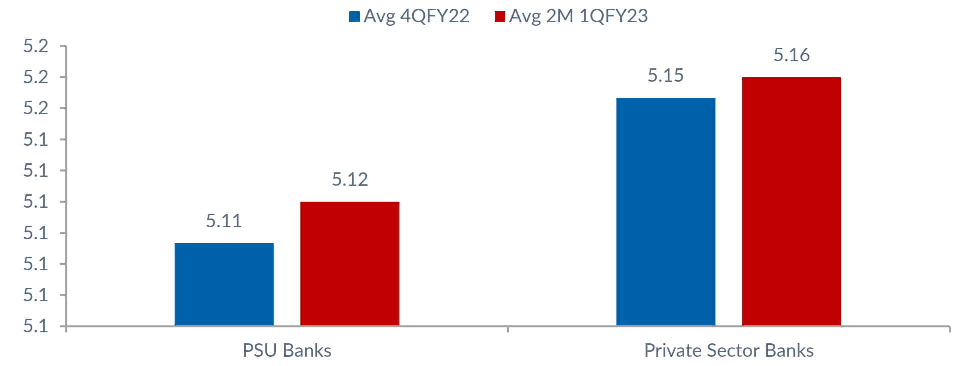
- **Asset quality:** Fresh slippages in 1QFY23 would generally be stable to slightly higher on sequential basis for our coverage banks. Some incipient underlying stress may have formed due to the third wave of Covid-19 and due to the disruption caused by the Russia-Ukraine war. However, we think that the third wave was short-lived and its impact on asset quality should be minimal. Similarly, the impact from the Russia-Ukraine war should not be widespread and severe. 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, ICICI, KMB, FED and CSB and a moderate rise for HDFCB and DCB. On the other hand, provisions are expected to be broadly flat for RBL and INBK, while we see a decline in provisions for SBI, BOB, IIB and CUB.
- **Net interest margin:** NIM would expand for coverage banks since yield on advances would have moved up faster than cost of deposits due to repo rate-linked loans re-pricing immediately. The average Weighted Average Domestic Term Deposit Rate (WADTDR) for private sector banks for 2M1QFY23 rose 1 bp, to 5.16%, compared with the average for 4QFY22. The corresponding Weighted Average Lending Rate (WALR) declined 2 bps to 9.69%, implying that Loan Spread declined 3 bps. For PSU banks, the WADTDR rose 1 bp to 5.12% and the WALR declined 6 bps to 8.22%, with implied Spread declining 7 bps. We note that the WALR excludes June month and hence, the impact of the repo rate hikes would not have fully reflected in the average for 2M1QFY23.
- **Loan growth:** Sequential loan growth in 1QFY23 would be aided, ceteris paribus, due to pent-up demand from 4QFY22 spilling over to 1QFY23 due to the third wave of Covid-19 transpiring during 4QFY22. At the same time, 1Q is a seasonally weak quarter and hence, the pent-up demand would only serve to somewhat offset the impact from seasonality. The environment for corporate lending would continue to be positive but would likely see moderation from super-normal growth seen in 4QFY22. Overall, we expect to see healthy sequential growth for ICICI, KMB and FED, reasonable sequential growth for AXSB, SBI, IIB and DCB and moderate sequential growth for HDFCB, BOB, INBK, RBL, CSB and CUB.
- **Core fee income:** Core fee income would grow at a reasonable pace despite seasonality due to reasonable traction for card fees due to pent up demand playing out to some extent during the quarter.
- **Treasury profit:** Treasury profit would be subdued or negative in 1QFY23 due a significant rise in treasury yields. However, the impact on AXSB, ICICI, HDFCB, KMB and RBL would be well contained given treasury income, on average, is a relatively smaller part of total non-interest income for these banks. For other banks, the needle would move relatively more.

Exhibit 14: Change in Weighted Average Lending Rate, %



Source: RBI, YES Sec

Exhibit 15: Change in Weighted Average Domestic Term Deposit Rate, %



Source: RBI, YES Sec

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 16: Banks - Earnings expectation snapshot – Part 1 – Stocks in respective tables are as per order of investment preference

Rs mn	NII			PPOP			PAT			Remarks
	Q1 FY23E	YoY (%)	QoQ (%)	Q1 FY23E	YoY (%)	QoQ (%)	Q1 FY23E	YoY (%)	QoQ (%)	
Axis Bank	91,285	17.6	3.5	63,475	2.6	-1.8	36,356	68.3	-11.7	Sequential loan growth would be reasonable due to the bank would be bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak but this would move this needle less, relatively speaking, since treasury income is a relatively small part of total non-interest income for the bank. Provisions would rise materially on sequential basis due to lower recoveries.
State Bank of India	321,755	16.4	3.1	170,392	-10.2	-13.6	76,206	17.2	-16.4	Sequential loan growth would be reasonable due to the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak and this would move this needle more, relatively speaking, since treasury income is a relatively material part of total non-interest income for the bank. Provisions would decline somewhat on sequential basis.
ICICI Bank	131,464	20.2	4.3	106,043	19.2	3.0	65,392	41.7	-6.8	Sequential loan growth would be healthy due to strong organic trajectory coupled with the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak but this would move this needle less, relatively speaking, since treasury income is a relatively small part of total non-interest income for the bank. Provisions would rise materially on sequential basis due to lower recoveries.
Federal Bank	16,178	14.1	6.1	8,686	-16.2	8.8	5,001	36.2	-7.5	Sequential loan growth would be healthy due to idiosyncratic aspects and the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak and this would move this needle more, relatively speaking, since treasury income is a relatively material part of total non-interest income for the bank. Provisions would rise materially on sequential basis.

Exhibit 17: Banks - Earnings expectation snapshot – Part 2 - Stocks in respective tables are as per order of investment preference

Rs mn	NII			PPOP			PAT			Remarks
	Q1 FY23E	YoY (%)	QoQ (%)	Q1 FY23E	YoY (%)	QoQ (%)	Q1 FY23E	YoY (%)	QoQ (%)	
CSB Bank	3,147	17.5	3.6	1,206	-31.0	-15.1	603	-1.2	-53.9	Sequential loan growth would be moderate due to idiosyncratic aspects and the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthier given yield on advances would have evolved higher faster than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak and this would move this needle more, relatively speaking, since treasury income is a relatively material part of total non-interest income for the bank. Provisions would rise materially on sequential basis.
HDFC Bank	196,062	15.3	3.9	170,085	12.4	4.0	101,314	31.1	0.8	Sequential loan growth would be moderate due to idiosyncratic aspects and the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be particularly healthy given yield on advances would have evolved higher faster than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak but this would move this needle less, relatively speaking, since treasury income is a relatively small part of total non-interest income for the bank. Provisions would rise somewhat on sequential basis.
IndusInd Bank	41,833	17.4	5.0	32,999	5.4	-0.9	15,749	61.5	15.7	Sequential loan growth would be reasonable due to the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthy given yield on advances would have evolved higher faster than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak but this would move this needle only to some extent, relatively speaking, since treasury income is a relatively small part of total non-interest income for the bank. Provisions would decline on sequential basis.
Bank of Baroda	87,408	10.8	1.5	51,674	-7.7	-8.3	16,255	34.5	-8.6	Sequential loan growth would be moderate due to idiosyncratic aspects and the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthier given yield on advances would have evolved higher faster than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak and this would move this needle more, relatively speaking, since treasury income is a relatively material part of total non-interest income for the bank. Provisions would decline on sequential basis.

Exhibit 18: Banks - Earnings expectation snapshot – Part 3 - Stocks in respective tables are as per order of investment preference

Rs mn	NII			PPOP			PAT			Remarks
	Q1 FY23E	YoY (%)	QoQ (%)	Q1 FY23E	YoY (%)	QoQ (%)	Q1 FY23E	YoY (%)	QoQ (%)	
Indian Bank	43,190	8.1	1.5	20,845	-39.0	-23.9	1,568	-86.7	-84.1	Sequential loan growth would be moderate due to idiosyncratic aspects and the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthier given yield on advances would have evolved higher faster than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak and this would move this needle more, relatively speaking, since treasury income is a relatively material part of total non-interest income for the bank. Provisions would be broadly flat on sequential basis.
RBL Bank	11,540	19.0	2.0	6,309	-17.6	-4.0	1,727	-137.6	-12.7	Sequential loan growth would be moderate due to the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthier given yield on advances would have evolved higher faster than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak but this would move this needle less, relatively speaking, since treasury income is a relatively small part of total non-interest income for the bank. Provisions would be broadly flat on a sequential basis.
Kotak Mahindra Bank*	62,011	19.4	4.5	25,732	-23.8	-45.1	16,299	-9.2	-57.8	Sequential loan growth would be healthy due to strong organic trajectory coupled with the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a somewhat faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak but this would move this needle less, relatively speaking, since treasury income is a relatively small part of total non-interest income for the bank. Premium income would be materially lower due to seasonality. Provisions would rise materially on sequential basis due to lower recoveries.

Exhibit 19: Banks - Earnings expectation snapshot – Part 4 - Stocks in respective tables are as per order of investment preference

Rs mn	NII			PPOP			PAT			Remarks
	Q1 FY23E	YoY (%)	QoQ (%)	Q1 FY23E	YoY (%)	QoQ (%)	Q1 FY23E	YoY (%)	QoQ (%)	
City Union Bank	5,159	15.3	3.0	4,009	4.7	-8.9	1,957	13.1	-6.3	Sequential loan growth would be moderate due to the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthier given yield on advances would have evolved higher faster than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak and this would move this needle more, relatively speaking, since treasury income is a relatively material part of total non-interest income for the bank. Provisions would decline on sequential basis.
DCB Bank	3,946	27.8	3.7	1,850	-8.5	-16.2	823	143.8	-27.5	Sequential loan growth would be reasonable due to the bank bouncing back from the impact of the third wave of Covid-19 in 4QFY22, which would somewhat offset the seasonal impact of a tepid first quarter of the financial year. Sequential NII growth would be healthy given yield on advances would have evolved higher faster than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be healthy due to a bounce-back in payments-related fees somewhat offsetting seasonal sluggishness. Treasury income would be weak and this would move this needle more, relatively speaking, since treasury income is a relatively material part of total non-interest income for the bank. Provisions would rise on sequential basis.

Source: Companies, YES Sec – Research; **N.B.** * KMB figures are for the consolidated bank. The rest are standalone figures.

BUILDING MATERIALS

- Q1 is usually a soft quarter for building material companies & this year was no exception. Demand remained sluggish during the quarter owing to higher RM prices & lower real-estate demand due to rising interest rates. April'22 started on a decent note however May&June'22 were tepid in terms of demand. Agri demand continued to remain muted while urban demand was decent. Housing demand from tier-II&III were comparatively better during the quarter. Overall, we reckon revenues of our universe to increase by 55%YoY & decline by 14%QoQ.
- RM cost also remained extremely volatile during the quarter; cost of timber was on an upward trend while chemical & PVC resin prices witnessed contraction. Energy cost continued to be at elevated levels which could impact the margins of building material manufacturers. Though manufacturers took price increases, the same was implemented with a lag-impact & in some cases the full cost was not passed-on due to soft demand. Hence, we believe operating margins to contract by ~141bps sequentially & improve by ~51bps as against Q1FY22.
- From our universe, we reckon woodpanel companies to report a decent quarter wherein MDFs and particle boards are expected to report a strong topline as demand from domestic & export markets remained sturdy. However, demand for plywoods & laminates was subdued during Q1FY23. Overall, we expect woodpanel company's revenue to decline by 9%QoQ & increase by ~50%YoY. Margins are likely to contract sequentially by ~132bps for the industry. We believe Greenpanel industries to report better set of numbers as compared to other peers.
- For plastic pipe companies, Q1 is a dull quarter wherein demand is largely driven by rural segment. However due to muted rural demand in Q1FY23 & slowdown from urban sector, plastic pipe companies are likely to register a revenue of decline of ~20%QoQ & report a growth of ~61%YoY. PVC resin prices witnessed a sharp decline during the quarter under review which lead to lower offtake in demand & is likely to impact manufacturer's EBITDA/Kg. Apollo pipes ltd is expected to outperform industry growth in Q1FY23.
- Ceramic companies witnessed moderation in demand during Q1FY23. Hence, we reckon revenue to increase by 66%YoY & decline by 11%QoQ for the industry. Higher input cost and elevated power & fuel cost is likely to impact operating margins of the industry even though manufacturers took price hikes of ~2%. Therefore, we expect margins to contract by ~200bpsQoQ & expand by ~352bpsYoY.

Exhibit 20: PVC resin prices witnessed a sharp contraction…

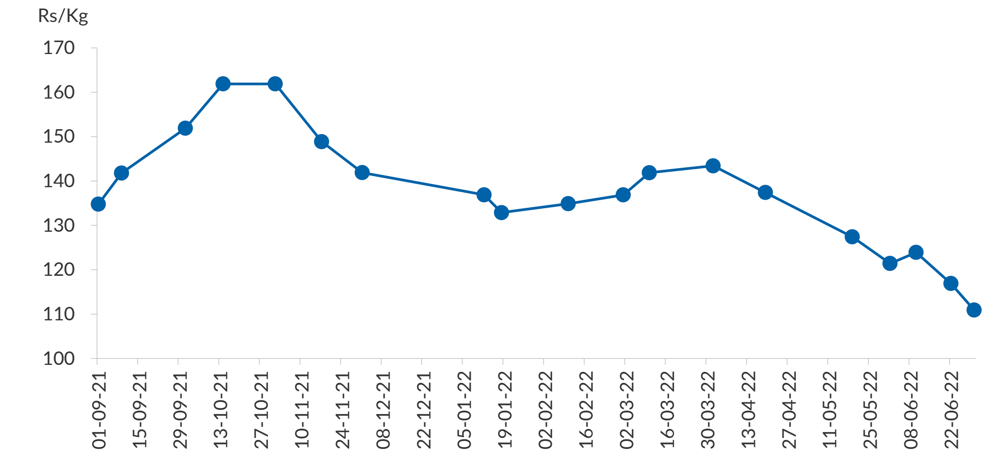


Exhibit 21: MDF prices continued to remain elevated…

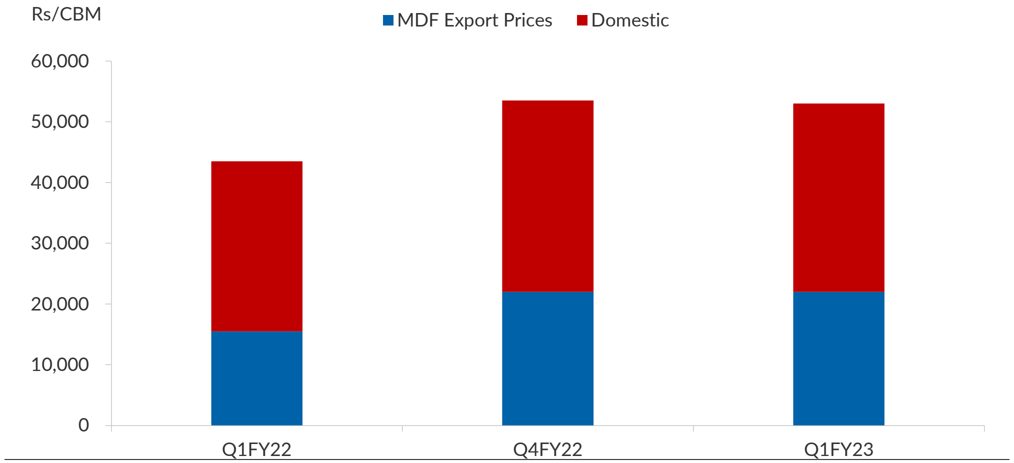


Exhibit 22: Building Materials - Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Greenpanel Inds.	4,607	49.4	(2.0)	1,244	476	(232)	753	152.8	(6.6)	Greenpanel ltd is likely to report the best numbers as compared to other companies of our universe. MDF demand remained strong in both domestic & export markets, similarly prices were also sturdy during Q1FY23. We expect revenue to remain flattish as compared to Q4FY22 wherein MDF margins should come in at ~30% & overall margins are likely to contract to 27% owing to higher power & employee cost, also there will be no EPCG benefit from this quarter. We expect net profit to decline by 7% QoQ to Rs753Mn.
Greenply Industr	3,902	49.6	(13.0)	351	393	(93)	218	438.5	(24.8)	Greenply is expect to register a lackluster set of numbers for Q1FY23 as demand for plywoods was benign. Moreover escalation in cost of timber & other RM should lead to contraction in margins. We expect a revenue decline of 13%QoQ & 50% growth as against Q1FY22. EBITDA margins are likely to come in at 9% in Q1FY23 Vs 9.9%/5.1% in Q4FY22/Q1FY22 respectively. Net profit should stand at Rs218 Mn Vs Rs290Mn in Q4FY22.
Greenlam Industr	4,151	23.5	(10.4)	436	(86)	(20)	207	19.3	(19.1)	We expect laminates revenue to increase by 23%YoY but decline by 10%QoQ during Q1FY23. Demand for laminates remained volatile during the quarter, exports & domestic demand was soft for Q1FY23. Though chemical cost have cooled-off from peak, cost of paper & freight are still at elevated levels. Hence overall we reckon revenue to degrow by 10.5% QoQ & increase by 23%YoY. Operating margins should come in at 10.5% Vs 11.4%/10.5% in Q1FY22/Q4FY22 respectively.
Century Plyboard	8,208	79.4	(8.9)	1,313	284	(184)	827	165.8	(6.9)	For centuryply, the plywood & laminates performance is expected to be subdude while MDF & Particle boards are likely to remain sturdy. Overall we believe, revenue to decline by 9%QoQ & grow by 79%YoY to Rs8.2Bn. Blended EBITDA margins are likely to contract by ~180bps sequentially to 16% largely on account of higher input & employee cost. Hence we expect net profit to stand at Rs827Mn, degrowth of 7% as compared to Q4FY22.
Apollo Pipes	2,238	62.6	(9.6)	224	(268)	(147)	109	23.9	(30.4)	Apollo pipes is expected to continue its outperformance in Q1FY23 as well. We expect company to report 2nd best quarterly volumes at ~15,700Te, reporting a growth of 51%YoY & degrowth of 5%QoQ. Owing to lower PVC spreds & discounting policy of Apollo Pipes to gain marketshare, we foresee sequential contraction of 5% in realization. EBITDA/kg should come in at Rs14 in Q1FY23 Vs Rs17 in Q1FY22&Q4FY22.
Prince Pipes	6,501	96.6	(27.9)	949	212	(98)	554	212.2	(37.1)	Q1FY23 is expected to be lackluster for Prince Pipes. We expect volumes to stand at 33,000Te, registering a 79%YoY growth but a sequential decline of 27%. Amidst the sharp decline in PVC prices, realizations are likely to contrac as well. EBITDA/kg is expected to decline from Rs 31 in Q4FY22 to Rs29 in Q1FY23. Overall EBITDA is expected to degrow by 32.4%QoQ. Net profit is expected to stand at Rs554Mn.
Supreme Inds.	20,961	56.2	(18.0)	2,935	(254)	(131)	2,312	35.8	(28.6)	Supreme Industries revenue is expected to grow by 56%YoY & decline by 18%QoQ to Rs20.9Bn, wherein pipe biz's volumes (75% of total vol) is expected to increase by 71%YoY & report a sequential decline of 15%. Revenue of other biz is expected to degrow by 13%QoQ but increase by 31%YoY. EBITDA margins are likely to come in at 14% as compared to 15.3%/16.5% in Q4FY22/Q1FY22 respectively. Hence absolute EBITDA is expected to increase by 32.2%YoY & degrow by 18%QoQ.
Finolex Inds.	12,438	28.8	(22.0)	1,866	(669)	(160)	1,387	(4.7)	(31.8)	Rural demand continued to remain tepid during Q1FY23, hence performance of Finolex industries is likely to get impacted in Q1FY23. We estimate company's revenue to decline by 22%QoQ & improve by 29%YoY to Rs 12.4Bn. EBITDA is expected to degrow by 11%YoY & 29.5%QoQ wherein EBITDA margins are likely to come in at 15% in Q1FY23 as compared to 16.6%/21.7% in Q4FY22/Q1FY22 respectively.

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Cera Sanitary.	3,565	56.2	(13.0)	570	687	(346)	410	254.2	(22.2)	For CERA, we expect revenue to come in at Rs3.5Bn in Q1FY23, reporting a growth of 56%YoY & a sequential decline of 13%, wherein sanitaryware & faucets biz is likely to report revenue decline of 12% & 10% QoQ respectively. On account of higher input & fuel cost, we believe EBITDA margins to come in at 16% Vs 9.1%/19.5% in Q1FY22/Q4FY22. The EBITDA margins for previous quarter were higher due to reversal of entries related to the JVs that company divested in Q4FY22.
Kajaria Ceramics	9,919	76.6	(10.0)	1,438	18	(56)	892	115.1	(8.3)	Kajaria ceramic is likely to report better numbers as compared to its peers, wherein revenue should come in at Rs9.9Bn, reporting a growth of 76%YoY & 10%sequential decline. Company's tiles volumes are estimated to increase by 53%YoY & degrow by 10%QoQ. Other biz's revenue is expected to decline by 14%QoQ to Rs 875Mn. Higher gas cost should continue to weigh on company's margins, hence we expecte EBITDA margins to come in at 14.5% Vs 14.3%/15.1% in Q1FY22/Q4FY22 respectively.
Acrysil	1,181	21.1	(15.0)	230	(226)	(81)	124	(8.0)	(25.0)	Acrysil Ltd's revenue is expected to increase by 21% as compared to Q1FY22, however due to higher dealer stocking in previous quarter, revenue is likely to decline by 15%QoQ to Rs1.2Bn in Q1FY23. On account of higher input cost & elevated ocean freight cost, EBITDA margins are expected to contract from 21.8%/20.3% in Q1FY22/Q4FY22 to 19.5% in Q1FY23E. Hence absolute EBITDA is estimated to increase by 8.5%YoY but decline by 18%QoQ to Rs230Mn. Net profit is expected to degrow by 8%YoY & 25%QoQ.

CAPITAL GOODS

- As capacity utilization level continues to ramp up led by pick-up in economic activities, execution of government's capex outlay 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 20%). We expect project companies to report a revenue growth of 20% led by pick up in execution of order book and labour availability reaching pre-covid levels. For Product companies we expect revenue growth of 18% YoY on a low base of 1QFY22. We expect margins to remain under pressure owing to rise in commodity inflation and elevated freight costs. However, new orders have been booked at prevailing input costs so margins should improve going ahead.
- 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, chemical, mining and F&B continue to witness strong traction.** On the exports front, ordering and enquiry remains strong from geographies like Africa, Middle East, US, Europe and SAARC regions. However, rising inflation and attendant tightening monetary policy both globally and in India have the potential to act as a dampener to economic activity which had seemed to recover from pandemic-related shocks. Key monitorables would be conversion of huge tender pipeline in both domestic and International markets, margin trajectory given that commodity prices have cooled off, execution guidance, working capital and key growth drivers.
- **Strong results expected from Bharat Electronic and Voltamp while GE T&D would be noticeably weaker.** 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 L&T, BHE, KEC & EIL.

Exhibit 23: Quarterly order inflow (Rs bn)

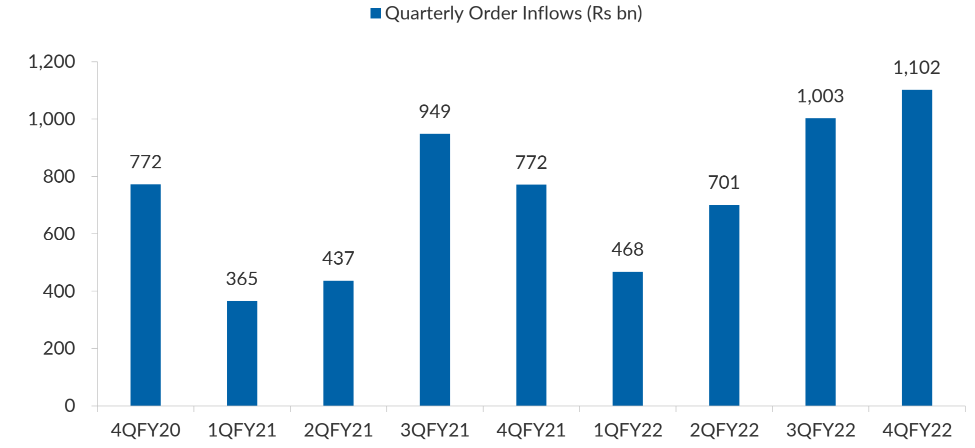


Exhibit 24: Q1 witnessed seasonally weak capex activity

Rs trillion	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
New projects	2.8	3.3	3.5	5.9	3.6
YoY gr. (%)	243%	45%	137%	174%	29%
Completed projects	0.7	1.3	2.8	1.2	0.9
YoY gr. (%)	188%	66%	217%	6%	24%
Stalled projects	0.3	0.3	0.1	0.3	0.2
YoY gr. (%)	200%	250%	-74%	15%	-36%
Revived projects	0.1	0.4	2.0	0.3	0.3
YoY gr. (%)	-79%	44%	1213%	27%	93%
Implementation stalled projects	0.4	0.3	0.7	0.1	0.1
YoY gr. (%)	322%	189%	225%	-78%	-79%

Exhibit 25: Capital Goods - Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Bharat Electron	25,661	57.0	(59.4)	3,388	936	(1,159)	1,999	1,692.9	(82.5)	BHE is expected to post a revenue growth of 57% YoY while margins are expected to expand by ~935bps YoY on account of a low base. Key monitorable would be updates on new products and margin guidance
Triveni Turbine	2,629	42.8	11.1	483	(104)	66	358	31.0	8.5	We expect revenue growth of 43% YoY led by increasing utilisation levels while margins are expected to contract by ~100bps YoY. Conversion of traction into order inflows from Latin America, South East Asia, European region and Southern America in the export segment along with API markets would be the key monitorable.
Thermax	14,659	39.3	(26.4)	1,026	101	21	703	65.9	(31.3)	For 1Q, revenue is expected to grow 39% YoY led pickup in dispataches and execution of short cycle orders. EBITDA margins are expected to expand by ~100bps YoY on account of RM inflation cooling off. Key monitorable would be management commentary on ordering activity and margins.
A B B	18,599	30.5	(5.5)	1,559	173	(116)	1,167	70.8	(21.8)	We expect 31% revenue growth as utilisation improves and lot of suuply side constraints have been addressed. We expect ordering momentum to be pick up as economic activity and capex increases primarily from Govt.
Volt.Transform.	2,554	57.8	(34.0)	254	584	(728)	245	55.2	(52.8)	Revenue is expected to grow by 58% YoY on a low base while margins are expected to expand by ~600bps YoY led by improved gross margins and operating leverage. Key monitorable would be order negotiation due to elevated commodity inflation
Siemens	30,614	13.1	(15.6)	2,940	117	(267)	2,250	39.3	(31.6)	We expect company to report 13% YoY revenue growth. Gross margins are expected to remain under pressure owing to partial recovery of commodity inflation. Management comentary on order inflows both in domestic and international markets and its conversion would be key monitorable.
Larsen & Toubro	350,115	19.4	(33.8)	37,849	(0)	(153)	19,801	25.8	(50.6)	Consolidated revenues are expected to grow by 19% 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. Q1 order inflows stand at Rs325bn at the higher range
K E C Intl.	28,172	10.9	(34.1)	1,900	45	86	512	11.0	(54.3)	We expect revenue to grow by 11% YoY on a low base. Margins are expected to expand ~45bps YoY. Key monitorable would be management guidance on margins and order inflows
Apar Inds.	18,612	2.8	(38.2)	1,129	(107)	31	334	(46.5)	(59.6)	We expect 3% YoY revenue growth while margins are expected to contract ~100bps YoY owing to RM inflation. Key monitorables would be volume and EBITDA for conductor business
GE T&D India	6,795	6.5	2.6	(318)	(491)	1,939	(517)	168.4	(61.0)	We expect revenue to grow by 6% YoY led by uptick in execution. EBITDA is expected to be in the negative due to weak operational performance
Cummins India	13,568	14.5	(9.2)	1,578	(93)	(220)	1,527	46.5	(19.2)	Revenue is expected to grow by 15% YoY while margins are expected to contract ~100bps YoY due to RM pressure and high employee costs. Key monitorable would be outlook on export markets
Engineers India	7,160	(2.6)	(11.2)	931	(120)	(40)	911	0.5	(27.9)	Revenue is expected to be flattish YoY while margins are expected to contract 110bps YoY. Key monitorable would be order inflow.

CEMENT

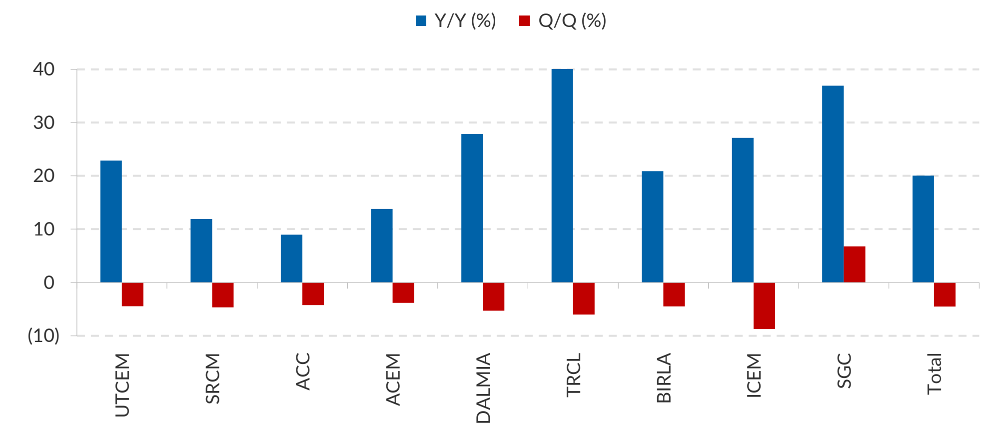
For the cement industry, Q1FY23E begin with strong demand (higher dispatches as compared to Mar'22) & healthy pricing (hiked price by Rs20-25/bag) in Apr'22. However, the demand failed to sustain the elevated pricing and labor shortage (North/East/West) softened the demand which resulted in price rolled back to Mar'22 exit during May-Jun'22. Therefore, we expect volumes of our coverage companies to decline by 5% sequentially (+20% y/y over low base) in Q1FY23E. The All-India average price for Q1FY23E stood at Rs377/bag up by +3% q/q and +7% y/y, translates in NSR growth of +4% q/q (+5% y/y) for our coverage companies in Q1FY23E. Due to the elevated fuel & other input cost, the total cost/te of our coverage companies likely to surge by +5% q/q (+18% y/y) that might dent our EBITDA/te by 2% q/q and 33% y/y in Q1FY23E.

- **Demand Outlook:** We expect volumes of our coverage companies to increase by +20% y/y (over weak base), whereas sequentially volume to decline by 5% due to weak demand in Q1FY23E. On account of a) severe summer in North/Central b) Higher commodity prices c) Shortage of labour – North/East & West (Migrated due to Rabi corps harvesting) d) Onset of monsoon & flood in Assam. In Q1FY23E, Infra & construction and Real Estate activity remained weak sequentially across regions, except the West which saw a steady trend.

- **Pricing Outlook:** Despite the price correction, the All-India average cement prices up by +3% q/q (+7% y/y) in Q1FY23E because of the substantial price hike in Apr'22. North witnessed strong price improvement of Rs14/bag, while West/South price increased by Rs12/bag in Q1FY23E. Despite, strong m/m correction in May-Jun'22, the East average price remained up by Rs10/bag, while Central prices remained resilient in Q1FY23E.

- **Cost Outlook:** The unprecedented surge in fuel & other input cost is likely to impact the H1FY23E earnings significantly of the industry. The imported coal prices jumped to >US$350/te and the pet-coke prices have gradually inched up to US$240/te by Jun'22, as cement companies switched to Pet-coke (as economical substitute) over imported coal. Consequently, as per our report (Sector Update: Price hikes imminent, long-term potential intact), on every US$20/te increase in fuel consumption cost, a price hike of ~3-5% (+Rs10-17/bag based on product-mix) will become imperative to maintain EBITDA/te at previous quarter levels. Therefore, we expect the overall cost to increase by +5% q/q (+18% y/y) and would decline the overall EBITDA/t of our coverage universe to +Rs963 (-2% q/q and -33% y/y) in Q1FY23E. **We remained cautiously positive on sector on the back of intrinsic demand and healthy cement price. Our preferred picks are UTCEM, DALBHARA, and SGC.**

Exhibit 26: Industry to report strong volume growth of +20% y/y over weak base, while industry average volume to decline by ~5% sequentially in Q1FY23E.



Source: YES Sec

Exhibit 27: Region-wise Quarterly Average Cement Prices - (Rs/Per bag)

REGION	Q1FY23	Q4FY22	Chg in Rs.	QoQ (%)	YoY (%)
NORTH	381	367	14	3.8	4.1
WEST	384	372	12	3.2	12.2
SOUTH	416	403	12	3.1	12.3
CENTRAL	370	368	3	0.8	1.9
EAST	336	325	10	3.2	5.3
PAN-INDIA	**377**	**367**	**10**	**2.8**	**7.2**

Source: YES Sec

Exhibit 28: Cement - Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
UltraTech Cem.	155,763	31.7	(1.2)	28,618	(959)	(112)	13,900	(18.4)	(43.5)	- Volume is expected to decline by 5% q/q led by high base but to remain up by 23% y/y in 1QFY22 - Power/te is likely to increase by 10% q/q in 1QFY23E. - Cement Realization would improve by 4% q/q will help largely to mantain the EBITDA/t at 4QFY22 level v/s Rs1536/te in 1QFY22
Shree Cement	40,830	18.4	(0.4)	8,508	(854)	(138)	4,842	(26.8)	(25.0)	- We expect SRCM would be reporting the best EBITDA/te of Rs1112/te among its peers in this infalted cost scanerios. - Volume is expected to decline by 5% Q/Q but remain up by 12% y/y in 1QFY23E, due to weak base. While NSR is expected to increase by 5% q/q and 6% y/y would drive the revenue growth of 18% y/y and marginal decline in q/q.
ACC	43,652	12.4	(1.4)	6,128	(834)	(30)	3,061	(46.2)	(22.8)	- Volume would increase by 9% y/y (-4% q/q) led by the ramping up of new increamental capacity. - Increase in realisation by 3% y/y (+3% Q/Q) would aid to report strong revenue growth of 12% y/y (-2% q/q) and would able to maintain the EBITDA/te at 4QFY22 level of +Rs800/te in 1QFY23E.
Ambuja Cements	38,884	15.3	(0.9)	7,171	(1,003)	(170)	4,183	(42.2)	(15.5)	- ACEM volume to decline by 4% q/q but healthy NSR of 3% q/q would drive flat q/q revenue in 1QFY23. - While Increase in total cost by 1% q/q would dent the EBITDA/te by 9% q/q in 1QFY23E. We expect ACEM to report EBITDA/te of Rs995 v/s Rs1516 in previous quarter last year.
Dalmia BharatLtd	33,596	29.9	(0.6)	6,234	(901)	(165)	2,050	(26.0)	(65.4)	- Despite decline in volume by 5% q/q the strong NSR +5% q/q would lead the revenue flat q/q and +30% y/y. while increase in total cost/te by 7% q/q and 14% y/y would dent the EBITDA/te by 4% q/q and 31% y/y
The Ramco Cement	16,722	35.4	(2.4)	2,611	(1,407)	(160)	953	(44.0)	(22.7)	- Led by the incremental added capacity we expect it would to increase by 40% y/y (-6% q/q) in 1QFY23. - Cement Realisation to stood strong (+4% q/q and -2% y/y) but would not able to offset the cost inflation led EBITDA to decline by 12% q/q and 29% y/y
Birla Corpn.	22,493	28.6	(0.7)	2,861	(692)	50	1,034	(26.9)	(6.9)	- We expect BCORP report strong volume growth of 21% y/y due to incremental capacity but decline by 5% q/q in 1QFY23 due to high base. - Revenue to remain flat q/q but EBITDA would improve by 4% q/q led by strong NSR aid to mitigate the cost.
India Cements	13,394	28.1	(5.5)	491	(1,209)	(77)	(462)	(207.4)	337.0	- Volume to remain under pressure (-8% q/q) led by high price dispatches. - Strong realisation up by 3.5% q/q and 1% y/y would not be sufficient to offset the inflating cost impact led the EBITDA/te to decline at ~Rs204/te in 1QFY23 v/s Rs239/te 4QFY22
Sagar Cements	5,597	42.6	11.6	856	(1,200)	311	29	(94.3)	(125.3)	- SGC volume is expected to increase by +6% q/q and 37% y/y in 1QFY23 due to Incremental capacity. - Backed by healthy realisation 4.5% q/q would aid deliver strong revenue growth of 12% q/q and 43% y/y and improve the Margin in this quarter.

CONSUMER DURABLES

- Q1 saw strong demand for summer products like RAC, coolers and Fans. RAC has registered best ever summer aided by onset of early summer and heat wave across the companies. Most of the durables and electrical companies is expected to register strong growth yoy basis as base quarter was impacted by lockdowns due to covid second wave.
- Volume in cooling products have been encouraging. We expect strong Q1FY23 for the cooling product companies given the harsh summer resulting in heatwaves across the country and un-interrupted summer season sales after two years.
- Dealers have managed to clear all their inventory and are left with lower than normal inventory levels. Companies have announced price increase from July to compensate for increase in costs owing to increased commodity prices.
- Witnessing strong demand companies have significantly ramped up their production of cooling products and are now operating at optimum capacities.
- Electricals companies are also expected to have a steady quarter with some signs of an uptick in demand especially on the B2B side.
- Commodity prices continue to pose headwinds as it continues to remain at elevated levels, and companies are not being able to fully pass on the price increase fearing competition and disruption in demand.
- Gross margins are expected to remain at lower levels as commodity prices continues to remain at elevated and companies are unable to fully pass on the increased input prices.
- Our top result picks in the space would be Blue star and Dixon.

Exhibit 29: Q1FY23 (Avg Prices)

Q1FY23 (Avg Prices)	price	% yoy	% qoq
Copper (Rs/kg)	756	1.6%	-2.3%
Aluminum (Rs/kg)	235	19.7%	-11.9%
Polypropylene	1353	3.0%	2.8%
Container freight index	8311	39.0%	-14.0%

Exhibit 30: Aggregate margins to remain flat QoQ despite cost/production issues

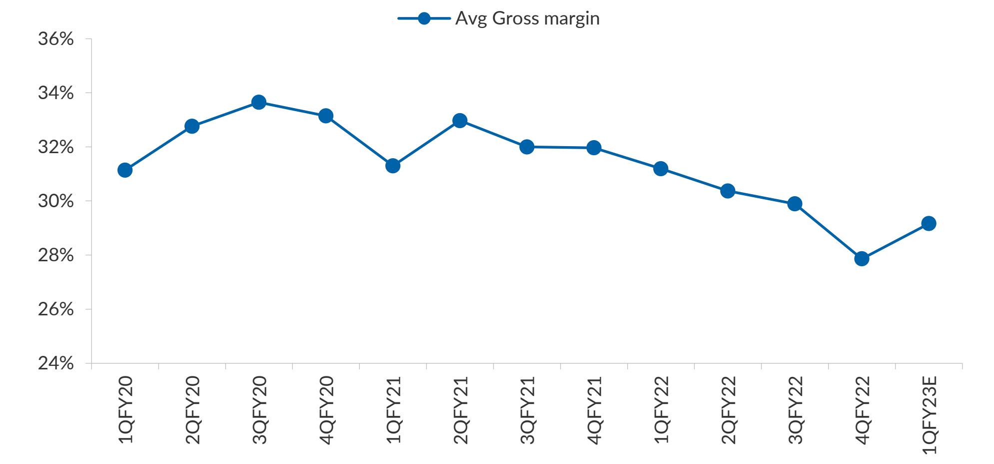


Exhibit 31: CV/PV margins likely to expand 150bp/140bp QoQ; 2W to contract 60bp

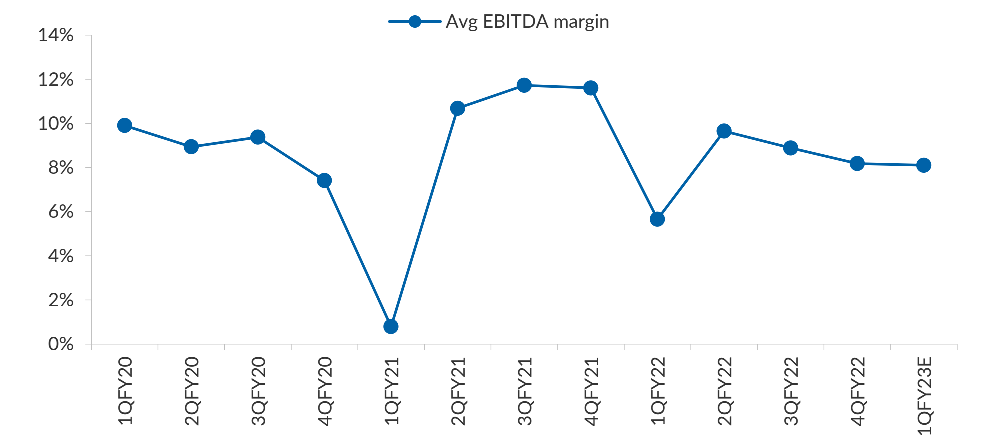


Exhibit 32: Consumer Durables - Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Amber Enterp.	11,168	57.8	(42.3)	605	(54)	(105)	228	83.2	(60.2)	Strong revenue growth is expected on back of favorable base and lower channel inventory, while gross margin is expected to expand sequentially due to passing of increased input costs and stabilization in commodity prices
Bajaj Electrical	10,508	22.6	(21.2)	464	435	(31)	225	(190.2)	(41.7)	Consumer durables revenue is expected to deliver strong (+32% growth) on back of demand for summer products like fans and coolers, while EPC revenue is expected to see marginal decline
Butterfly Gan Ap	1,440	(0.2)	(27.7)	(59)	(952)	462	(126)	(1,424.5)	(35.0)	Revenue is expected to remain flattish as the company is still undergoing transition and performance is expected to remain subdued. Gross margins is expected to improve 500bps sequentially on absence of one-time write-offs. EBITDA loss is expected on negative operating leverage.
Blue Star	17,154	63.1	(23.7)	1,154	271	37	653	413.1	(14.2)	Strong demand for Unitary products and market share gains is expected to lead to revenue growth. Unitary products is expected to grow 85.5% on favorable base, price increase and strong demand for RAC; while projects business is expected to grow by 40% on better execution
Crompton Gr. Con	16,017	52.5	3.5	2,030	77	(210)	1,474	17.9	(35.6)	Market share gains and premiumization should result in revenue growth despite high base; EBITDA margin is expected to trend lower on consolidation of butterfly.
Dixon Technolog.	32,336	73.2	9.5	1,229	123	(20)	550	202.6	(12.9)	Increased capacities across product categories coupled with manufacturing of new products should lead to strong revenue growth; EBITDA margin is expected to remain flat, while gross margin is expected to remain flattish sequentially
Havells India	35,168	35.4	(20.4)	4,306	(135)	46	3,005	28.3	(14.9)	Havells is expected to see revenue growth on market share gains in Lloyd and strong performance of ECD and wires and Cables segment . Gross margin is expected to expand from its lows as commodity prices have stabilized resulting into higher EBITDA margin
Johnson Con. Hit	7,442	51.3	7.2	627	746	273	329	(401.7)	100.4	Lower base, market share gains and price increase should result in strong revenue growth; while gross margin should expand from historic lows in 4Q. EBITDA margin should improve on higher operating leverage
IFB Industries	7,679	34.2	(14.7)	78	653	217	(27)	(93.4)	(90.3)	Lower base and improved traction in air-conditioning segment (both in own brand and contract manufacturing) should drive revnue growth, while front load washing machine should continue to see market share loss. Engineering products continues to face supply chain issues.
Orient Electric	6,053	43.3	(19.6)	653	550	10	473	842.4	(2.8)	Strong demand for Fans and resumption of exports should result in aurgur well for ECD. Lighting and switchgear segment should see strong growth of 44% led by favorable base and increase in industrial capex
Polycab India	24,489	30.2	(38.3)	2,799	402	(57)	1,825	142.5	(43.9)	Higher copper prices and strong demand for house wires should result in revenue growth for the company. EBITDA margin is estimated to be 11.4% contraction of 60bps sequentially as copper prices have cooled off from their peaks
Stove Kraft	2,689	25.5	2.9	243	(38)	309	115	(14.8)	33.3	Resolving of e-commerce related issues and re-starting of exports should result in double digit growth. Margins are expected to improve sequentially due to higher operating levarage
Symphony	2,583	12.3	(32.7)	366	982	(719)	294	389.7	(54.1)	Rationalization of channel inventory should result in strong domestic growth, while fresh disruption and lockdowns in China should result in subdued performance of its international subsidiaries. Gross margin is expected to remain stable

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
TTK Prestige	5,286	48.1	(18.4)	671	175	(364)	497	82.7	(37.2)	Prices increases and increased capacity in cookware would lead to revenue growth for the company, EBITDA margin is expected to contract due to lower gross margins
V-Guard Industri	8,335	47.5	(21.2)	753	98	(145)	459	79.9	(48.7)	Electronics should lead the growth for the company on back of strong growth in RAC stabilizers, followed by Electricals led by higher copper prices. EBITDA margin should improve on higher operating leverage
Voltas	25,388	42.2	(4.8)	2,168	93	(125)	1,931	57.7	5.7	UCP is expected to deliver strong growth as there was strong demand for RAC. Voltas is expected to regain some of its lost market share leading to higher than industry growth. EMPS business should see decline on lower order book, while margins should see improvement on selective execution
Whirlpool India	19,610	46.3	21.8	1,830	519	90	1,137	387.1	42.9	Resurgence in demand for refrigerator after two lost summer should perk up revenue growth for the company. EBITDA margin should improve on gross margin expansion as commodity prices have corrected from their peak

CONSUMER STAPLES

- We expect a mixed performance in this quarter with muted volume growth from a high base offset by some increase in pricing across categories.
- Rural demand continues to be lackluster due to inflation in Q1FY23 in addition to a high base but we expect higher urban growth aided by alternate channels like modern trade and ecommerce to make up for that.
- We estimate low single digit volume growth for HPC companies on a strong base while discretionary categories continue to outgrow non-discretionary categories and should benefit companies with brand equity and well penetrated distribution network.
- We see muted volume growth across HPC companies like HUL, GCPL led by inflationary pressures in palm oil and crude prices, companies like Dabur and Marico to register better performances driven by limited RM inflation, food companies like Nestle and Britannia may also see some pressure in margins due to higher milk and wheat prices. Smaller companies like Zydus Wellness, Jyothy Labs and Bajaj Consumer are expected to have a weak quarter.
- While inflation in prices like commodities like copra, tea, mentha oil and sugar are relatively benign; others like palm oil, PFAD, crude oil, coffee, packing material and milk have surged between 8%-80% in Q1FY23 and inflationary pressure is expected to continue even in Q2FY23. We believe gross margin might benefit QoQ driven by aggressive price hikes taken while EBITDA margin may remain flat or lower owing to increase in A&P spends partially offset by cost saving measures.

  Our top picks would be HUL, Britannia and Tata Consumer in large caps and CCL Products among midcaps where we find further scope for re-rating and hence outperformance over peers.

CONSUMER DISCRETIONARY

- On the discretionary side, we expect companies to report strong topline on YoY basis on a low base impacted by Covid. Operating efficiency would also benefit companies and help post strong operating performance.
- Q3 sales were seen at pre-Covid levels across mall-based stores as well as standalone stores and Q4 also saw similar trends. Apparel retailers continue to strengthen their omni channel capabilities and focus on digital infrastructure to drive online sales.
- All key categories like jewelry, innerwear, footwear, QSR and paints are likely to witness strong growth during the quarter.
- We expect the top brands across categories to keep gaining market share from smaller brands and unorganized players who have weak digital capabilities, liquidity and distribution.
- Our top picks in the space would be Page Industries and Trent.

Exhibit 33: Inflation in key raw material

% YoY	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23
Arabica coffee (USD/lb)	27%	-8%	10%	-1%	3%	51%	75%	81%	104%	54%
Robusta Coffee (USD/MT)	-19%	-18%	-1%	1%	13%	29%	66%	80%	71%	36%
Mentha Oil (Rs/kg)	-25%	-19%	-22%	-20%	-17%	0%	-2%	-2%	1%	6%
Copra (Rs/quintal)	-27%	-8%	-14%	14%	44%	23%	33%	15%	13%	7%
Palm oil (Rs/quintal)	15%	22%	26%	26%	40%	51%	38%	20%	7%	8%
Wheat (Rs/quintal)	12%	7%	1%	-3%	-9%	-10%	-7%	-1%	4%	17%
Milk (Rs/quintal)	3%	10%	7%	6%	8%	4%	6%	7%	4%	7%
Sugar (Rs/quintal)	6%	6%	3%	1%	-3%	0%	4%	5%	6%	4%
Tea (Rs/quintal)	4%	3%	9%	14%	25%	27%	22%	13%	6%	1%
Rice bran (Rs/quintal)	2%	27%	25%	33%	74%	36%	53%	7%	5%	19%
Crude oil (Rs/bbl)	-60%	-26%	-24%	-20%	161%	60%	89%	62%	55%	79%

Exhibit 34: Consumer Staples & Discretionary- Earnings expectation snapshot

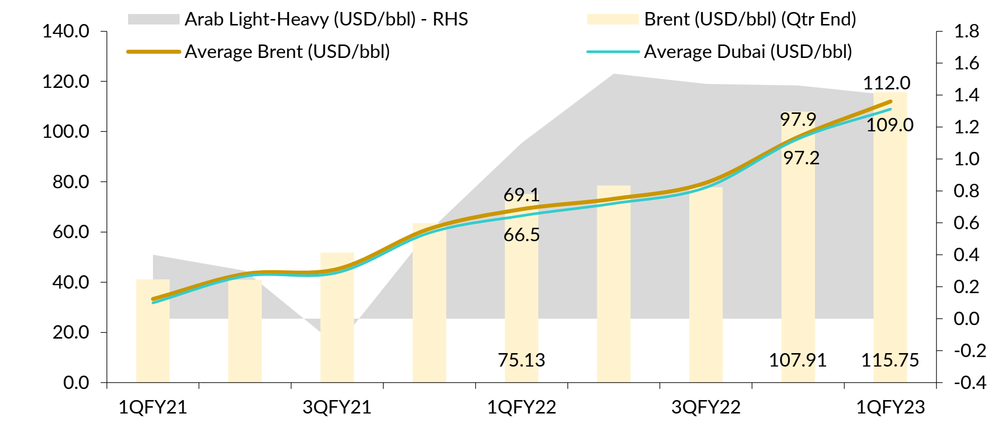
Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Bajaj Consumer	2,254	4.0	3.3	376	(751)	79	384	(21.4)	7.3	Rural slowdown continue to impact topline, gross margin and EBITDA margin to remain under pressure
Britannia Inds.	36,757	8.0	3.5	5,808	(47)	32	4,017	3.1	5.8	Expect 5%/3% volume /price growth to lead topline growth, margin to see pressure due to higher wheat and palm oil prices
CCL Products	3,750	15.0	(0.3)	825	(7)	(40)	527	20.2	0.0	Expect 15% revenue growth led by strong order book and new capacity additions, expect margins to be stable QoQ
Colgate-Palmoliv	12,009	3.0	(7.7)	3,627	(27)	(280)	2,464	5.6	(23.9)	Revenue to grow by 3% on a high base of 12%, margins to be impacted by inflation in input costs partially offset by cost savings measures
Dabur India	27,421	5.0	8.9	5,649	(54)	259	4,774	9.2	25.9	Volume growth to moderate on a very high base, margins may also come off YoY
Emami	6,808	3.0	(11.6)	1,607	(208)	232	727	(6.5)	(43.6)	Expect 3% revenue growth on a base of 37%, operating margins to be lower YoY due to lower gross margin partially offset by cost savings
Godrej Consumer	30,536	5.5	4.7	5,130	(393)	76	4,292	3.4	11.8	GCPL to see flat to negative volume growth, margins to remain under pressure due to higher and crude oil prices
Hind. Unilever	126,299	6.0	(6.2)	30,059	(9)	(30)	20,855	(0.1)	(8.1)	Expect muted revenue growth of 6% on a base of 13%, margins to remain stable YoY
ITC	134,388	10.0	(13.5)	46,767	212	116	36,880	22.4	(12.0)	Growth in topline to continue with 10% revenue growth led by strong performance from cigarette business, strong margin performance to continue led by operational efficiency
Jyothy Labs	5,727	9.0	4.8	624	(114)	43	424	3.4	11.6	Volume/value growth of 6%/3% to lead topline, believe margins should improve QoQ
Marico	26,513	5.0	22.7	4,905	(55)	249	3,672	3.1	46.3	Marico to deliver mid-single digit revenue growth on a 31% base, margins to remain stable YoY
Nestle India	37,548	8.0	(5.7)	8,486	(179)	(63)	5,373	(0.2)	(9.7)	Nestle to see topline growth in high single-digit on a base of 14% growth, margins to be lower YoY due to higher RM
Tata Consumer	33,093	10.0	4.2	4,732	102	31	2,723	33.4	5.7	TCPL should see muted revenue growth of ~10% on a base of 11% , margins to improve YoY given tea deflation and price hikes
Varun Beverages	34,298	40.0	21.3	8,437	130	582	5,006	57.0	84.7	VBL to post robust revenue growth led by summer season, margins to improve YoY led by operating leverage
Zydus Wellness	6,334	6.0	(1.0)	1,413	(120)	19	1,331	1.7	(0.1)	ZWL to see mid-single digit revenue growth on a high base, margins to improve QoQ led by operating leverage

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Aditya Bir. Fas.	25,405	212.9	11.3	4,446	3,828	116	834	(123.7)	171.3	Q1 to be strong after 2 years of disruption, operating efficiency to boost PAT
Avenue Super.	98,069	94.9	14.0	8,238	400	(22)	5,336	363.5	14.4	Growth momentum to be impacted by slowdown and high inflation while margins to be under pressure led by operating cost of Dmart Ready business and inferior mix due to higher inflation
Page Industries	10,854	116.4	(2.3)	2,258	1,398	(324)	1,529	1,296.6	(19.7)	Expect industry tailwinds continue to benefit Page the most with robust performance on revenue, margins may see some pressure due to increase in yarn prices
V-Mart Retail	6,026	239.6	31.3	603	1,110	(97)	8	(102.7)	(129.2)	Normal operations during the quarter should help post positive SSSG, performance at unlimited to be watched during the quarter

ENERGY & CHEMICALS

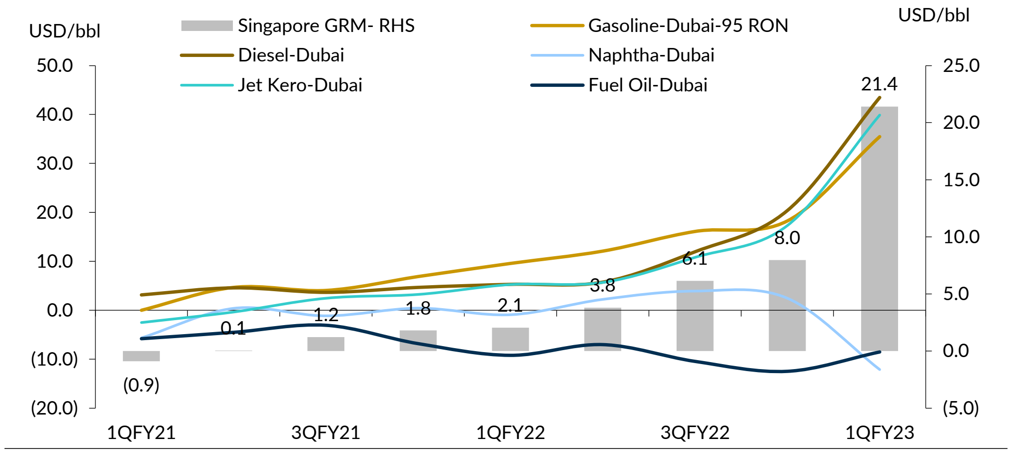
- The 1QFY23 was marked by a) sequentially higher crude oil prices at an average of USD 112/bbl (3QFY22: USD 97.9/bbl); b) depreciation in INR to an average of Rs 77.2/USD (3QFY22: Rs 75.2/USD) ; c) QoQ moderation global spot LNG prices to an average of ~USD 27/mmbtu (4QFY22: USD 31/mmbtu), d) QoQ increase in domestic natural gas prices to USD 6.1/mmbtu (4Q: USD 2.9), e) QoQ improvement in Sgp. benchmark GRMs to ~USD 21.4/bbl (3QFY22: ~ USD 8.0/bbl) and f) MS and HSD consumption likely higher YoY and QoQ, however, retailing margins plausibly weighed down by high under-recoveries (Rs 13-16/liter).
- In above backdrop, we expect significant, QoQ and YoY improvement in earnings for upstream (ONGC, OINL). Standalone Refiners while expected to benefit from strong refining environment, but OMCs (IOCL, BPCL and HPCL) would likely suffer on account of marketing under-recovery (MS & HSD) along with marketing inventory loss offsetting the gains on the refining side. CGD companies are more likely to report QoQ weaker to flat earnings, as margins get impacted by increase in domestic gas prices, partially offset by QoQ moderation in LNG prices and increase in CNG, PNG prices. Among other gas utilities, GAIL likely stands to benefit from high LPG prices.

Exhibit 35: .Crude oil price rises sequentially to ~USD 112/bbl



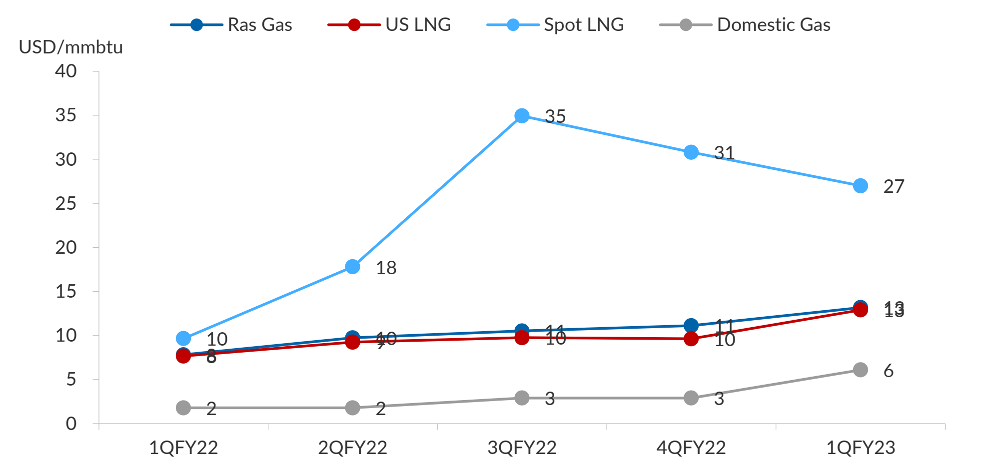
Source: Bloomberg, YES Sec – Research

Exhibit 36: GRMs improve QoQ on higher MS and HSD cracks



Source: Bloomberg, YES Sec – Research

Exhibit 37: Global LNG prices moderate QoQ



Source: Bloomberg, YES Sec – Research

Exhibit 38: Energy- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Reliance Industr	2,443,226	74.6	17.8	443,184	144	301	288,916	109.3	60.3	RIL expected to report strong growth in earning on both YoY and QoQ basis, backed by significantly stronger refining profitability, along with continued improvement in Telecom ARPU
O N G C	430,519	87.0	24.8	252,056	1,076	1,202	153,668	254.5	73.4	ONGC also expected to report strong growth in earnings on YoY and QoQ basis, backed by strong crude oil realizaton
Oil India	61,995	106.2	38.4	30,970	895	623	19,595	285.8	20.2	On lines of ONGC, OINL also expected to report strong growth in earnings on YoY and QoQ basis, backed by stronge crude oil realizaton
I O C L	1,914,169	61.3	8.0	(13,977)	(1,011)	(739)	(121,220)	(304.0)	(297.1)	IOCL estimated to report loss at operating level on account of high under-recovery in retail petrol & diesel sales, along with possibility of marketing inventory loss
B P C L	1,104,028	55.7	1.5	(68,992)	(1,084)	(1,016)	(61,509)	(489.5)	(388.7)	BPCL estimated to report loss at operating level on account of high under-recovery in retail petrol & diesel sales, along with possibility of marketing inventory loss
H P C L	988,134	36.4	1.3	(84,354)	(1,294)	(1,069)	(71,309)	(497.3)	(497.2)	HPCL estimated to report loss at operating level on account of high under-recovery in retail petrol & diesel sales, along with possibility of marketing inventory loss
GAIL (India)	367,244	111.3	36.2	44,363	(179)	(170)	30,361	98.4	13.2	GAIL estimated to report QoQ and YoY stronger earnings primarily on stronger LPG prices
Petronet LNG	142,190	65.4	26.3	12,009	(382)	(278)	7,509	18.1	(8.6)	Earnings estimated largely flat QoQ, where imrpovement in terminal utilization could be offset by QoQ moderation in trading margins
Gujarat Gas	53,601	78.0	14.8	5,163	(1,438)	(531)	3,145	(34.0)	(29.3)	Earnings estimated to stand weaker QoQ and YoY on weaker Ebitda margin, but sales volume likely to stand better QoQ
Indraprastha Gas	30,928	146.0	28.6	4,987	(1,417)	(468)	3,303	35.2	(8.7)	Earnings estimated higher YoY as base quarter was impacted by Covid lockdown; However on a sequential basis higher gas costs could impact margins and therefore earnings
Mahanagar Gas	12,159	97.5	11.9	1,722	(3,523)	(566)	1,025	(49.8)	(22.2)	Ebitda per unit likely to stand QoQ lower on sequentially higher domestic gas prices
Guj.St.Petronet	4,536	(14.0)	4.7	3,161	(132)	(100)	2,007	(14.0)	(0.7)	Earnings estimated sequentially higher on improvement in gas throughput
Adani Total Gas	10,006	102.4	(1.1)	1,448	(2,743)	151	926	(33.1)	22.1	Earnings QoQ higher but YoY lower as Ebitda per unit likely to stand lower on YoY basis
Castrol India	11,117	25.0	(10.0)	2,619	136	(211)	1,862	33.0	(18.5)	Earnings likely to stand weaker QoQ on sequentual moderation in sales volume and impact of high raw material cost on margins
Gulf Oil Lubric.	5,600	34.2	(12.4)	624	105	(280)	495	62.9	(22.0)	Earnings likely to stand weaker QoQ on sequentual moderation in sales volume and impact of high raw material cost on margins

Exhibit 39: Chemicals- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Aarti Industries	19,767	50.1	12.6	3,829	(446)	5	2,152	30.3	11.3	Operating earning estimated 22% YoY and 13% QoQ higher on continued growth in sales volume
SRF	37,493	70.4	5.6	9,775	257	(64)	5,886	101.9	(2.8)	Earnings likely to stand stronger on YoY and QoQ basis on sustained growth in sales volume along with healthy pricing
Deepak Nitrite	18,878	23.7	0.8	4,138	(766)	1	2,747	(9.2)	2.8	Earnings likely to be impacted by weakness in Phenol prices and margins
Rossari Biotech	4,558	97.2	3.8	608	(273)	142	314	27.8	30.2	Operating profits estimated 63% higher YoY and 16% QoQ on continued business traction and improvement in margins as raw material costs get passed on to consumer
Chemplast Sanmar	18,568	93.3	2.8	3,506	314	(29)	2,217	669.3	(4.3)	A strong YoY growth estimated on weak base quarter impacted by Covid lockdown. Sequential growth in earnings impacted by weakness in PVC prices

FINANCIALS-SFBs, NBFCs, HFCs & CRAs

As per our channel checks and management interactions, the credit demand across products (except for Gold Loans) in the low-income/informal/self-employed borrower segments was resilient to the spike in inflation and interest rate during the quarter. Continued momentum in cash flows of the borrowers would likely drive stable or improved asset quality for our SFBs, HFCs and NBFCs coverage universe. The flow from std. OTR pool has been on expected lines and from the non-delinquent pool has been marginal with further normalization of bounce rates and X bucket collections. Except for microfinance (non-paying NPL portfolio will be written-off), the credit cost is expected to be moderate in other product segments. On NIM/Spread front, no significant adverse movement is expected for our coverage universe in Q1 FY23; however, coming quarters could reflect transient challenges due to quicker re-pricing of liabilities.

We expect following dynamics to play out during Q1 FY23 in each product segments:

- Home Loan disbursements likely to remain strong in both prime and affordable housing segments, underpinned by structural demand uptick across ticket-size, customer segments and locations. Asset quality performance of home financiers in prime segment will remain strong, and 30+ dpd portfolio of affordable HFCs is expected to decline on healthy collections.
- In Vehicle Financing, disbursement volumes will remain strong on sustained demand/sales of PVs, LCV and MHCVs. Our checks suggest that higher fuel cost has not dented loan repayments (collections for financiers), though further improvement/recovery in freight rates is desirable.
- Small business loans/MSME lending is likely to post a pronounced revival with calibration of caution by lenders and an improving demand from borrowers to fund higher business volumes/capacity. Asset quality should further stabilize backed by collection recovery.
- In Microfinance segment, disbursements would be transiently impacted by the implementation of new Microfinance guidelines. With collections remaining firm, the loan portfolio is estimated to decline from the March level. Delinquent/NPL portfolio is expected to come-off on arrears collection and sizeable write-off.
- Gold Loan NBFCs' portfolio accretion/tonnage growth would likely be impacted by lower disbursements (impacted by change in product rates), higher releases (seasonality) and auction trends. Portfolio yield could stabilize/improve for Muthoot/Manappuram with the stoppage of low-rate schemes and running-off of such loans.
- In Credit Cards, customer addition/mix, spend growth/mix and receivables continue to evolve favourably. Any positive movement in the share of Revolvers would be a key monitorable. Less-risky customers onboarded during Covid and portfolio construct/ECL coverage at pre-pandemic level to underpin benign credit cost.

For our rating agencies coverage, we expect healthy domestic rating revenue growth and consequent margin expansion. Both for CRISIL and ICRA, the strong growth momentum in non-ratings businesses is likely to continue in Q1 FY23.

We expect strong results from Bajaj Finance, SBI Cards, AU SFB, Home First and CRISIL from within our coverage of SFBs, HFCs, NBFCs and Rating Agencies.

Exhibit 40: Expected sequential growth in AUM

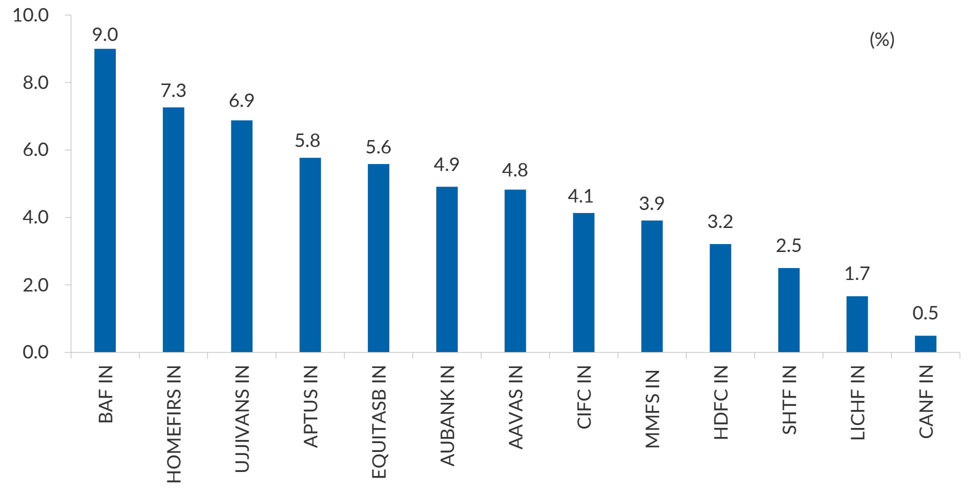


Exhibit 41: FINANCIALS-SFBs, NBFCs & HFCs- Earnings expectation snapshot

Rs mn	NII / Revenues			PPOP / EBITDA			PAT			Comments
	Q1 FY23E	Q1 FY22	Q4 FY22	Q1 FY23E	Q1 FY22	Q4 FY22	Q1 FY23E	Q1 FY22	Q4 FY22	
AUBANK IN	9,866	7,240	9,366	5,283	4,811	4,823	3,493	2,032	3,461	Loan AUM grew by 5% qoq/37% yoy, with disbursements down 18% qoq and up 3.5x yoy. Incr. CoF witnessed an increase, so have the disbursements yield. Continuation of strong collection trends suggest further improvement in asset quality and marginal credit cost.
EQUITASB IN	6,011	4,610	5,525	2,781	1,618	2,839	1,355	119	1,195	A broad-based pick-up in disbursements likely with focus shifting back to growth. Sustenance of CASA gains and normalization of slippages to support NIM. With the susceptible restructured pool having already slipped in Q4 FY22, both NPL additon and credit cost should be relatively lower.
UJJIVANS IN	6,072	3,844	5,440	2,702	1,610	2,172	1,276	(2,334)	1,265	Expect a QoQ decline in Gross Adv. with substantially lower MFI disbursements. Sustenance of strong collection trends to aid credit cost and NIM. Likely successive healthy profitability quarter.
BAF IN	66,338	44,884	60,640	44,028	31,162	39,671	26,759	10,024	24,195	Expect sturdy AUM growth led by all segments except Auto Finance. Q1 is a seasonally strong growth quarter for consumer finance business. Limited increase in funding cost (less floating rate borowings) and favourable shift in asset mix to aid NIM. Credit cost to be benign with credit metrics and collection efficiencies even better than pre-Covid
HDFC IN	46,629	41,252	46,009	45,953	38,859	46,010	41,055	30,007	37,003	Resilient momentum in Individual Loans to drive AUM growth; signs of recovery in construction finance portfolio likely. Limited increase in funding cost (majority funding from NCDs & Deposits) and lending rate inreases to help in delivering a near-stable spread/NIM. Consistent collections and significant provisions on BS to drive benign credit cost.
AAVAS IN	1,994	1,591	2,414	1,035	919	1,357	766	599	1,157	With emphasis back on business and the disbursements momentum coming back, the AUM growth could further improve. Further marginal reduction in 1+ dpd/90+ dpd to drive lower provisions.
LICHF IN	16,622	13,071	17,479	14,474	10,276	15,070	9,184	1,534	11,187	Healthy home loan disbursements to sustain overall loan portfolio growth. Limited increase in funding cost (majority funding from NCDs) and lending rate inreases to help in delivering a firm NIM. A stable PAR 30 portfolio should drive moderate credit cost, unless the co. raises coverage levels.
CANF IN	2,373	1,828	2,424	1,986	1,526	1,946	1,322	1,088	1,229	Disbursements momentum to take a hit due to ongoing inspections and focus on asset quality management. NIM to correct on sharp re-pricing of borrowings (higher CP & Bank mix), despite some improvement in portfolio yield. Stable asset quality to underpin benign provisioning
HOMEFIRS IN	1,041	847	1,003	685	607	659	467	351	602	Portfolio growth to accelerate as disbursements remain robust. Spread/NIM may only marginally dip as increase in CoF would be restricted by rating upgrades. Reduction in delinquent pool to drive moderate provisions.
APTUS IN	1,828	1,265	1,760	1,574	1,023	1,548	1,135	735	1,099	Portfolio growth to accelerate as the disbursement momentum remains strong. Spread/NIM may only marginally dip as increase in CoF would be restricted by rating upgrades. Reduction in 30+/GNPL pool to drive moderate provisions.

Rs mn	NII / Revenues			PPOP / EBITDA			PAT			Comments
	Q1 FY23E	Q1 FY22	Q4 FY22	Q1 FY23E	Q1 FY22	Q4 FY22	Q1 FY23E	Q1 FY22	Q4 FY22	
REPCO IN	1,462	1,444	1,503	1,175	1,221	1,195	640	321	420	Loan book to remain flattish with lower disbursements as well as lower BT Out. Marginal impact on NIM/Spread likely from re-pricing of borrowings. Collections and NPLs to be stable, but credit cost could be higher given management's intent of holding higher provisions on the BS.
CIFC IN	15,903	13,631	15,092	9,965	9,927	9,120	6,310	3,268	6,896	AUM growth to accelerate on sustained robust disbursements momentum and relatively lower portfolio run-off than preceding quarters. Though a significant reduction in Stage 2&3 assets is unlikely, the credit cost could stay marginal due to utilization of management overlay. Absence of interest reversal (present in Q4 FY22) may mitigate the impact of CoF increase on the NIM.
SHTF IN	25,521	21,497	26,779	19,826	16,743	21,114	9,112	1,699	10,861	No change expected in AUM growth trajectory and the incremental growth mix, with demand and price buoyancy continuing in used CV/PV financing. Net bucket movements unlikely to be significant as collections remain strong and impact of daily stamping being better managed. Credit cost to be stable with substantial provisions held on standard assets and NPLs.
MMFS IN	15,535	11,580	15,067	10,156	7,488	8,979	3,757	(15,288)	6,008	Improved disbursements have led to a growth uptick in Business Assets (up 4% qoq/6% yoy). Collection efficiency was strong, leading to a reduction in Stage-2 assets and only marginal increase in Stage-3 assets. Credit cost should be moderate, unless the co. decides to make provisions for bringing NNPL down.
CREDAG IN	4,902	3,668	5,547	2,919	2,165	3,688	1,377	225	1,571	Disbursements signifcantly lower for co./industry due to process alignment with new Microfinance guidelines. Income from DA and write-off recoveries to be substantially lower. Credit cost to remain elevated due to write-off of non-paying portfolio, notwithstanding normalized collections on the paying pool.
SBICARD IN	26,629	21,329	25,829	11,535	10,540	11,720	5,056	3,046	5,809	Customer acquisition at BAU/pre-Covid level, and improving activation and spend ticket sizes to support spends growth. Receivables build-up would continue and share of revolvers could inch-up. Less-risky customers onboarded in FY21/22 and portfolio construct/ECL coverage being at pre-pandemic level to underpin normalized credit cost
MGFL IN	9,811	10,702	9,865	4,919	7,086	5,053	2,707	4,369	2,610	Expect Gold AUM to be flattish, likely an outcome of lower disbursements (impacted by change in product rates), higher releases (seasonality) and lower auctions. Portfolio yield could marginally improve on stoppage of low-rate schemes and running-off of such portfolio. Credit cost to remain elevated on the back of higher provisioning requirement in MFI business.
MUTH IN	20,408	18,703	19,887	15,045	13,917	13,664	10,879	9,786	10,062	Expect tepid QoQ Gold AUM growth on account of lower disbursements (impacted by change in product rates), higher releases (seasonality) and higher auctions (significant stress pool as of March). Portfolio yield should be stable after the stoppage of low-rate schemes.

Rs mn	NII / Revenues			PPOP / EBITDA			PAT			Comments
	Q1 FY23E	Q1 FY22	Q4 FY22	Q1 FY23E	Q1 FY22	Q4 FY22	Q1 FY23E	Q1 FY22	Q4 FY22	
CRISIL IN	6,112	5,285	5,949	1,714	1,393	1,763	1,238	1,008	1,216	Expect sustained growth traction across businesses, mainly GR&RS, GBA, India Research and Domestic Ratings. EBITDA margin to be higher YoY on operating leverage and turnaround in Greenwich profitability.
CARE IN	553	492	659	150	86	227	154	115	233	Expect relatively tepid revenue growth versus CRISIL and ICRA. Q1 is seasonally a weak quarter for CARE with lower revenue recognition and much lower margins
ICRA IN	906	799	937	341	247	386	314	243	337	Revenue growth momentum to continue in Ratings business (led by pricing improvement) and ICRA Analytics (sustained flow of work from the Parent). EBITDA margin to be materially higher YoY on better volumes and pricing.

INFORMATION TECHNOLOGY

- The demand environment remains strong even in the face concerns around global macroeconomic concerns. However, some smaller IT companies have sounded out that clients have become watchful of evolving macroeconomic situation. The WFH model continue to serve them well and they are planning to implement hybrid work model.
- Revenue growth is expected to remain strong for IT companies driven by accelerated adoption of digital technologies and migration to cloud based solutions in the aftermath of this covid19 pandemic. The performance would be broad-based with improving traction across BFSI, Telecom, Healthcare, Manufacturing and Retail sectors would drive the revenue growth.
- We expect cross currency headwind of around 20-130bps in the quarter that would slightly dampen the reported USD revenue growth. Revenue growth is expected to be 2-4% QoQ in USD terms for large cap IT companies. The depreciation of average INR vs USD by 2.7% QoQ during the quarter would boost revenue growth in INR terms by around 200-240bps QoQ. Tier 2 IT companies are expected to report revenue growth of 2-5% 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. EBIT margin performance is expected to be down 80-100 bps QoQ for Tier 1 IT companies; while it is expected to be down 120-200bps QoW for Tier 2 IT companies, mainly led by wage hike and increase in other expenses.
- The deal volume is expected to include fairly large number of mid and small sized deals with adequate number of large/mega sized deals for Tier 1 Companies.
- Management commentary on FY23E 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.
- Tier 2 IT companies are expected to report higher sequential growth compared to Tier 1 IT companies. Among Large Cap IT companies, we prefer Infosys, TCS and HCL Technologies; while among tier 2 IT companies, we prefer LTI and Coforge.

Exhibit 42: There was depreciation in INR during the quarter

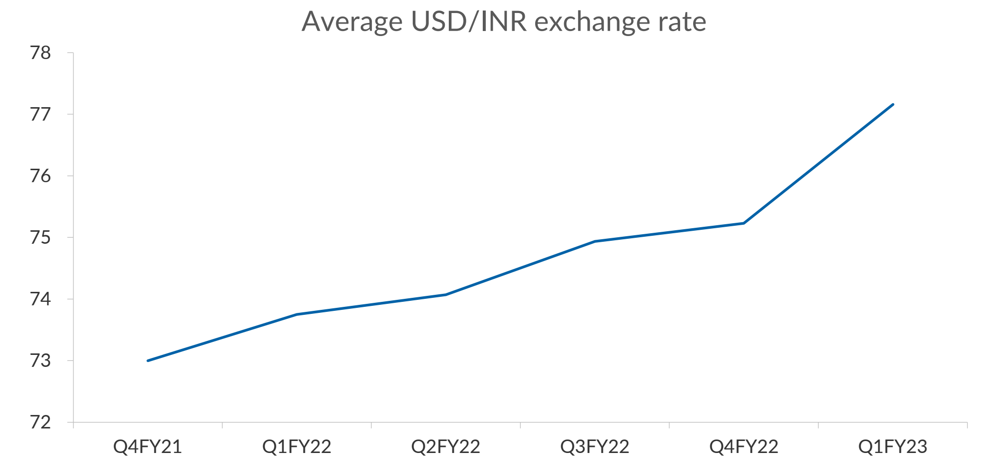


Exhibit 43: Infosys expected to report highest QoQ growth among large caps

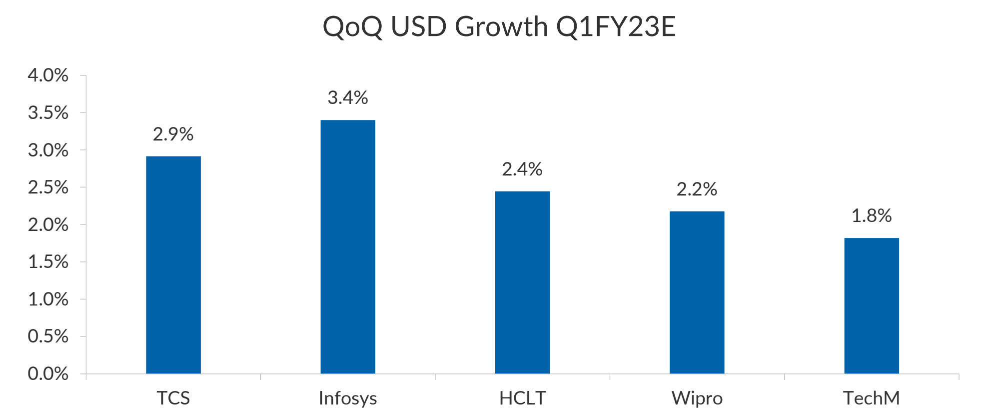


Exhibit 44: Information Technology- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
TCS	531,719	17.1	5.1	141,155	(134)	(82)	100,106	11.1	0.9	Expect sequential dip in margin due to wage hike and increase in other expenses. Management commentary on Outlook on growth environment would be key thing to watch out for.
Infosys	341,473	22.4	5.8	80,780	(299)	(65)	57,432	10.6	1.0	Growth to be broadbased across industry verticals. Commentary on outlook on attrition; deal environment and FY23 revenue and margin guidance would be key to watch out for.
HCL Technologies	236,596	17.9	4.7	51,621	(264)	(54)	32,704	1.7	(9.0)	Expect growth in product business to be muted, while IT services would be able to maintain growth momentum Commentary on the Product and Platform business would be key to watch out for.
Wipro	218,006	19.4	4.5	42,596	(227)	(30)	29,757	(7.9)	(3.8)	Q2FY23 guidance and the commentary on M&A and large deal wins would be key thing to watch out for.
Tech Mahindra	126,329	23.9	4.3	19,960	(260)	(144)	13,475	(0.4)	(10.5)	Growth to be led by ramp up of deal wins in cloud, 5G, data analytics. 'Commentary on 5G deals, margin outlook and M&A strategy would be key thing to watch out for.
L & T Infotech	45,339	30.9	5.4	8,252	(51)	(148)	6,165	24.1	(3.3)	Growth to be broadbased across verticals led by wins in cloud and data analytucs 'Commentary on growth environment,deal pipeline and large deal wins would be key things to watch out for.
L&T Technology	18,410	21.2	4.8	3,877	13	(60)	2,662	23.1	1.6	Growth to be led by robust demand of engineering services across verticals. Commentary on margin outlook and performance of verticals would be key to watch out for.
Mindtree	30,662	33.8	5.8	6,226	4	(69)	4,771	38.9	0.8	Growth to be led by Travel and Hitech verticals Commentary on attrition and deal win momentum to be key to watch out for
Mphasis	34,793	29.3	6.1	5,984	(99)	(41)	4,070	19.8	3.8	Growth to be led by strong traction in direct international, while DXC revenue contribution has become insignificant. Commentary on demand environment and pricing would be key thing to watch out for
Coforge	18,601	27.3	6.7	3,436	342	(69)	1,986	60.7	(4.4)	Growth to be led by strong performance in BFS and Insurance verticals. Management guidance on FY23 revenue growth guidance and overall margin outlook would be key to watch out for.

INFRASTRUCTURE

- During 1Q, we expect our infra coverage universe to report a revenue growth of 9% YoY on back of pickup in execution, labour availability and lower base of 1QFY22 (Rs151bn). With rising inflation and pickup in economic activity we expect toll revenues to grow by 12-13% led by toll rate hike of 9-10%. On margins front, with softening of raw material prices and increase in tariff rates we expect EBITDA margins to improve marginally (30 bps QoQ) to 18.6%. Adjusted PAT is expected to remain muted QoQ at 7.6% owing to higher finance cost.
- Execution momentum in 1Q would be driven by a) sharp uptick in execution of order book b) timely payments from Govt. authorities and private sector clients, c) upcycle in real estate with key markets like MMR, Pune, Bangalore, NCR eyeing surge in registrations and new launches being lined up and d) continued uptick in traffic volumes backed by economic recovery along with toll tariff hikes.
- Pickup in awarding activities were witnessed across sectors which led to our coverage universe bagging orders worth Rs215bn in 1Q (Rs67bn in 1QFY22). Most players have a healthy order book (order book-to-sales ratios in the range of ~3.5x its TTM revenues) providing comfortable revenue visibility over the next 3-4 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 2022-23, 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. GRINFRA, HGINFRA and PNCL are our top picks

Exhibit 45: Robust order inflow of Rs215bn witnessed in our infra coverage universe

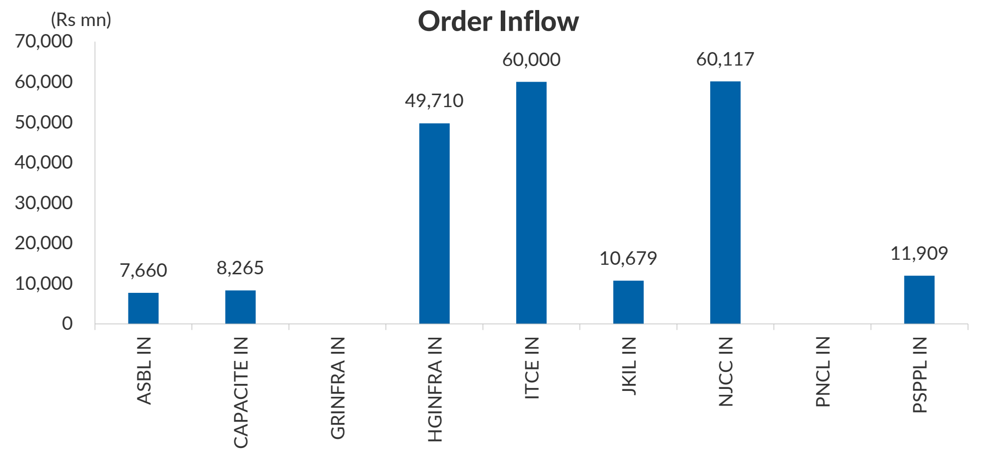


Exhibit 46: OB-to-sales continues to remain health at avg 3.5x TTM revenues

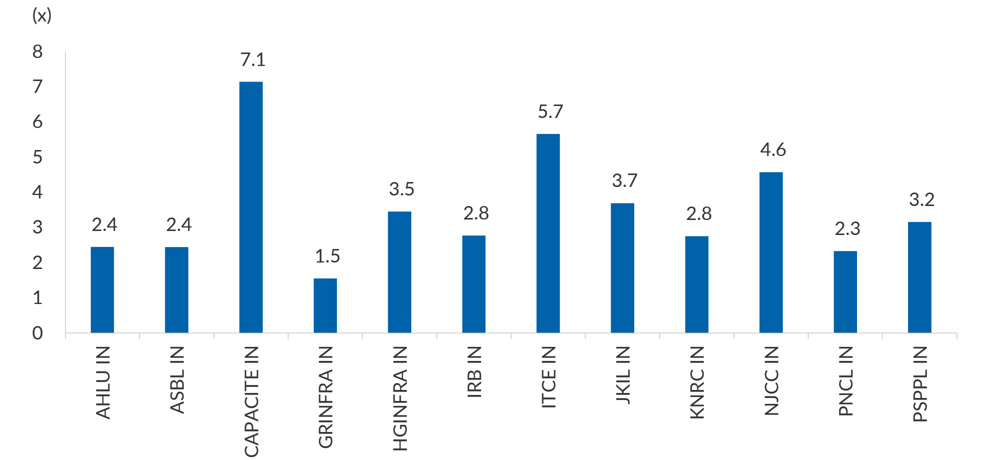


Exhibit 47: Infrastructure- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Ahluwalia Contr.	6,999	20.6	(4.2)	805	109	280	489	40.6	15.5	We expect execution to pick up owing to lower base. EBITDAM exlSpected to be improve to 11.5% as execution ramp ups and softening of raw material prices happen. Execution ramp up in key projects such as Auditorium in West Bengal, Bhubaneshwar high rise,Sion hospital,etc. would be key monitorable.
Ashoka Buildcon	11,970	(6.7)	(38.8)	3,441	(218)	152	731	(8.1)	(67.5)	Order inflows were healthy as ASBL bagged orders worth Rs7.7bn during 1Q. Revenues are expected to de-grow by 6.7% with blended EBITDAM expected to improve marginally at 28.7%. Guidance on order inflow, working capital cycle and monetization of its HAM portfolio would be key monitorable.
Capacit'e Infra.	3,993	42.6	15.4	631	173	(31)	163	280.7	53.5	Capacite's revenues are expected to grow by 8.2% YoY as execution ramps up across its portfolio and lower base of FY22. EBITDAM are expected to be muted at 15.8% led by change in revenue mix. Update on liquidity situation and CIDCO project would be key monitorable.
G R Infraproject	19,598	(13.5)	(18.2)	3,580	(251)	(297)	1,628	(26.4)	(41.1)	Owing the delay in receiving appointed dates for newly awarded HAM projects and higher base of last year, revenues are expected to de-grow by 28.4% YoY. EBITDAM is expected to come at 18.3% due to impact of lower execution.
H.G. Infra Engg.	10,086	7.1	(5.3)	1,585	(297)	(236)	829	(18.0)	(20.3)	We expect HGInfra's revenues to grow by 7.1% YoY with EBITDAM expected to soften to 15.7%. Update on monetization, AD's for newly awarded projects and execution ramp up in order book would be key monitorable.
IRB Infra.Devl.	14,050	(13.6)	(2.0)	6,528	342	171	1,169	62.6	(33.0)	in 1Q, Revenue are expected to degrow by 13.6% YoY while EBITDAM inproving significantly to 46.5% due to higher share of BOT revenue led by (increase in tariff rates and traffic volumes). With receipt of arbitration award of Rs3.8bn, we expect cashflow to ease and further strengthening of balance sheet. Pickup in construction and receipt of PCOD in projects nearing completion would be the key monitorable.
ITD Cem	9,928	20.3	(15.4)	709	(233)	1	85	(52.6)	(48.5)	During 1Q, ITCE saw healthy order inflows as it bagged projects worth over Rs60bn. Revenues for the quarter are expected to grow by 20.3% YoY on higher base. EBITDAM expected to be muted with implementation of strong cost control measures.
J Kumar Infra	8,422	24.8	(24.4)	1,161	(55)	(50)	442	37.6	(40.3)	JKIL's revenue is expected to grow at 24.8% YoY with EBITDAM expected to de-grow marginally to 13.8%. The company has received orders worth Rs10.7bn, which is further likely to boost its order book. Guidance on revenue growth and EBITDA margins would be key monitorable.
KNR Construct.	8,378	13.2	(17.1)	1,559	(76)	(197)	952	30.4	(15.6)	Revenue is expected to pick up in 1Q with 13.2% YoY growth. EBITAM is expected to be marginally down to 18.6% due to slowdown in execution of irrigation projects.
NCC	24,569	29.8	(21.6)	2,481	(45)	158	1,036	100.6	(4.6)	We expect revenue to grow by 29.8% YoY with EBITDAM being muted. We continue to expect 12% revenue CAGR for next 2-3 years, driven by its robust order book. Update on deleverage of balance sheet and monetization of its non core asset would be key monitorable.
PNC Infratech	16,227	29.7	(15.4)	2,028	(152)	78	1,239	32.8	(10.3)	We expect execution to pick up as the majority of the key EPC have started getting requisite approvals. Given the low leverage and better working capital cycle, interest costs are likely to remain under control. Plans to monetize 5 HAM and 1 BOT project and infusion of equity for HAM projects would be key monitorable.

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
PSP Projects	4,217	32.9	(24.1)	533	22	(323)	303	20.6	(43.8)	In 1Q, the company has received robust order inflow of Rs11.9bn. We expect revenue to de-grow by 15.8% YoY with EBITDAM expected to soften to 12.6%. Completion of Surat Diamond Bourse will enhance the technical bid qualification to Rs 15-20bn thereby allowing the company to bid for bigger projects
Container Corpn.	19,920	10.2	(2.5)	5,072	148	526	3,311	29.9	28.9	We expect CONCOR to report a top-line of ~Rs19.9bn, up 10.2%YoY, on account of volume growth in domestic and EXIM. On the EBITDA margins front, we expect the company to report blended margins of 25.5% on a hike in realization for value-added services, rise in double stacking and strong operational efficiency.
Va Tech Wabag	7,036	6.9	(21.1)	580	328	23	252	65.3	(45.6)	We expect VATW's revenue to grow by 6.9% YoY to Rs7.0bn with EBITAM being sustainable at 8.2%. The company has bagged orders worth Rs19.6bn in 1Q. Guidance on revenue growth and EBITDA margins would be key monitorable.

INSURERS, ASSET MANAGERS AND FINTECH

LIFE INSURERS

- **New business growth:** Growth trend for 2M1QFY23 (April and May 2022) is publicly available on the IRDA website and we expect new business growth for the whole of 1QFY23 to be broadly along similar lines, penciling in QoQ APE de-growth of -39%, -30% and -30% for IPRU, SBIL and HDFL, respectively.
- **New business margin:** We expect VNB margin to expand 58 bps QoQ for IPRU, 36bps QoQ for SBIL and 25bps QoQ for HDFL. We see sequential margin improvement across all the 3 insurers due to favorable product mix.

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 15% QoQ for ICICGI based on the trends observed till May 2022.
- **Under-writing profit:** We expect Motor loss ratio would be somewhat lower on sequential basis due to upward revision in both motor OD and TP prices. Health loss ratio would remain elevated due to distribution spends to build Retail Indemnity business. We see a moderate sequential decline in under-writing loss.
- **Profit after tax:** ICICIGI would still generate enough investment return to remain in the black during 1QFY23 just as it was even in 1QFY22, a quarter of high loss ratio.

ASSET MANAGERS

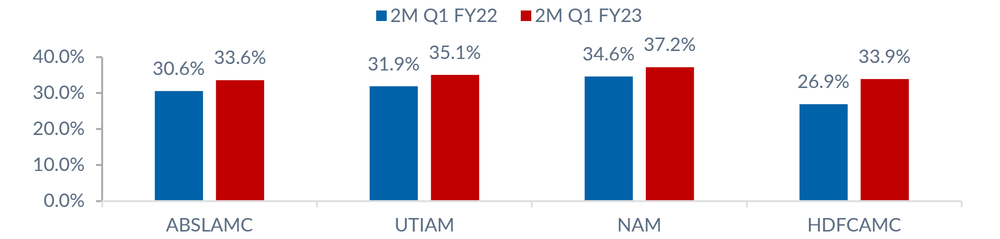
- **Revenue growth:** Revenue growth for Asset Managers is a direct function of AUM growth and fund category mix. Overall AUM for ABSLAMC, NAM and HDFCAMC has seen de-growth in May 2022 compared with Mar 2022 levels whereas UTI has seen growth. ABSLAMC and UTI saw de-growth in Equity AUM whereas NAM and HDFCAMC saw growth over the same period. The share of Equity AUM is similar QoQ for all Asset Managers, except HDFCAMC. We believe that trends as of Jun 2022 would have a -4.8% Nifty return overlay over May. We have assumed marginally lower revenue yield estimates QoQ except for HDFCAMC, as per share of Equity expected in the AUM. **CAMS:** We assume revenue de-growth would be broadly in-line with the AUM de-growth for CAMS.
- **EBITDA:** With lower revenue QoQ, we have assumed sequentially lower EBITDA margin except for UTI, which had higher variable expense in Q4FY22. **CAMS:** We assume EBITDA margin to be marginally lower sequentially.
- **Profit after tax:** It may be noted that Asset managers earn investment return on their investment book, which is counted below EBITDA as other income. We estimate Other Income to be significantly lower both YoY and QoQ. CAMS: We assume a suitable profit margin for CAMS.

FINTECH

- **One 97 Communications (Paytm):** After factoring in the loan disbursements, new device addition and RBI's embargo effective 11th March, we arrive at an overall growth in Revenue from operations of 17.5% QoQ. We forecast an improvement in Payment Processing Charges (PPC) as a proportion of Payments Revenue at 72%, a metric that was 74% in 4QFY22. We arrive at a Total Expenses (ex PPC) growth of 11% QoQ, compared with 2% in 4QFY22, resulting in an EBITDA margin (ex Other Income) of -39.8%, an improvement of 750 bps QoQ.

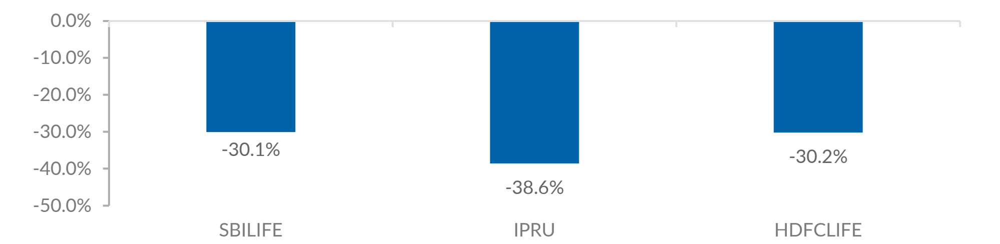
N.B. For stock specific trends for various aspects, kindly refer to the next page, including the Remarks portion.

Exhibit 48: Change in share of equity in AUM of Asset Managers



Source: Company, YES Sec

Exhibit 49: Growth in APE for Life Insurers, 2M1QFY23 Vs. 2M4QFY22



Source: IRDAI, YES Sec – Research

Exhibit 50: Life Insurance - Earnings expectation snapshot- Stocks are as per order of investment preference

Life Insurance (Rs mn)	NBP			APE			VNB			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (%)	QoQ (%)	
ICICI Pru Life	38,567	51	-19	15,815	30	-39	4,792	34	-38	We pencil in new business growth assumptions based on trends observed till May 2022, when IPRU had displayed NBP/APE de-growth of -19%/-39% for 2M1QFY23 (April and May 2022) over 2M4QFY22 (January and February 2022). We pencil in an APE margin expansion of 58 bps QoQ based on expected business mix changes.
SBI Life	48,980	46	-27	28,820	78	-30	7,868	102	-29	We pencil in new business growth assumptions based on trends observed till May 2022, when SBIL had displayed NBP/APE de-growth of -28%/-30% for 2M1QFY23 (April and May 2022) over 2M4QFY22 (January and February 2022). We pencil in an APE margin expansion of 36 bps QoQ based on expected business mix changes.
HDFC Life	53,250	41	-25	21,305	36	-30	6,306	54	-30	We pencil in new business growth assumptions based on trends observed till May 2022, when HDFCLIFE had displayed NBP/APE de-growth of -25%/-30% for 2M1QFY23 (April and May 2022) over 2M4QFY22 (January and February 2022). We pencil in an APE margin expansion of 25 bps QoQ based on expected business mix changes.

Source: Companies, YES Sec – Research

Exhibit 51: General Insurance - Earnings expectation snapshot

General Insurance (Rs mn)	NEP			Underwriting Profit			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (%)	QoQ (%)	
ICICI Lombard	38,154	21.0	15.0	(2,671)	-57.3	-13.6	3,815	96.4	22.1	We pencil in net earned premium growth assumption based on trends observed till May 2022, when ICICIGI had displayed GDPI growth of 18% for 2M1QFY23 (April and May 2022) over 2M4QFY22 (January and February 2022). Motor loss ratio would be somewhat lower on sequential basis due to upward revision in both motor OD and TP prices. Health loss ratio would remain elevated due to distribution spends to build Retail Indemnity business.

Source: Company, YES Sec – Research

Exhibit 52: Asset Managers - Earnings expectation snapshot - Stocks are as per order of investment preference

Asset Managers (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (%)	QoQ (%)	
UTI AMC	2,937	12.3	-0.4	1,321	13.5	15.5	604	-61.0	12.0	Overall AUM for UTI grew 1.7% as of May 2022 compared with March 2022. However, equity AUM de-grew by -0.3% over the same period leading to a decrease in share of pure Equity AUM QoQ by -0.7% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2022 would be dependent on the trends seen till May while we additionally factor in Nifty Return of -4.8% for June 2022. We pencil in an overall AUM de-growth of -0.1% QoQ for UTI. EBITDA margin will be significantly higher sequentially as Q4FY22 had higher employee expense, however YoY PAT growth would be impacted due to significantly lower other income
Nippon Life AMC	3298	9.1	-2.4	2012	13.4	-3.2	1509	-16.8	-13.7	Overall AUM for NAM de-grew -0.2% as of May 2022 compared with March 2022. However, equity AUM grew by 0.5% 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 2022 would be dependent on the trends seen till May while we additionally factor in Nifty Return of -4.8% for June 2022. We pencil in an overall AUM de-growth of -2.0% QoQ for NAM. EBITDA margin will be lower sequentially, whereas YoY PAT growth would be impacted due to significantly lower other income
ABSL AMC	3,057	0.8	-5.5	1,834	0.1	-6.4	1,311	-15.4	-17.3	Overall AUM for ABSLAMC de-grew -3.4% as of May 2022 compared with March 2022. Equity AUM de-growth was relatively lower at -1.8% over the same period leading to an increase in share of pure Equity AUM QoQ by 0.5% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2022 would be dependent on the trends seen till May while we additionally factor in Nifty Return of -4.8% for June 2022. We pencil in an overall AUM de-growth of -5.0% QoQ for ABSLAMC. EBITDA margin will be lower sequentially, whereas YoY PAT growth would be impacted due to significantly lower other income
CAMS	2,383	18.5	-2.0	1,084	16.7	-3.3	691	9.3	-6.4	Overall mutual fund industry AUM de-grew -0.9% as of May 2022 compared with March 2022. We additionally factor in Nifty return of -4.8% for June 2022 for industry AUM. Hence, we pencil in a revenue de-growth of -2% QoQ for CAMS. EBITDA margin for 1QFY23 is expected to be marginally lower to 4QFY22.
HDFC AMC	4,917	-3.0	-4.8	3,737	-1.9	-5.0	2,902	-16.0	-15.5	Overall AUM for HDFCAMC de-grew -3.6% as of May 2022 compared with March 2022. However, equity AUM grew by 1.0% over the same period leading to a increase in share of pure Equity AUM QoQ by 1.5% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2022 would be dependent on the trends seen till May while we additionally factor in Nifty Return of -4.8% for June 2022. We pencil in an overall AUM de-growth of -5.2% QoQ for HDFCAMC. EBITDA margin will be similar sequentially, whereas YoY PAT growth would be impacted due to lower other income

Source: Companies, YES Sec – Research

Exhibit 53: Fintech - Earnings expectation snapshot

Fintech (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (%)	QoQ (%)	
PAYTM	18,106	103.3	17.5	(7,207)	94.3	-1.1	(7,219)	95.2	-0.3	With steady loan disbursements and new device addition, we expect Paytm to post healthy sequential growth in revenue. However, RBI's embargo on customer additions for the Payments Bank on 11th March would have its impact. We arrive at an overall growth in Revenue from operations of 17.5% QoQ. We forecast an improvement in Payment Processing Charges (PPC) as a proportion of Payments Revenue at 72%, a metric that was 74% in 4QFY22. We arrive at a Total Expenses (ex PPC) growth of 11% QoQ, compared with 2% in 4QFY22, resulting in an EBITDA margin (ex Other Income) of -39.8%, an improvement of 750 bps QoQ.

Source: Companies, YES Sec – Research

PHARMA & HEALTHCARE

After input costs impacted 4Q, reckon pharma & diagnostic cos would have to contend with a high base (in most cases) in 1Q FY23. Our working suggested Alkem, Indoco & Alembic may be sitting on an elevated base of last year in domestic business which would make YoY India growth difficult. US business to remain weak as most companies did not get more than 1-2 approvals during the quarter. Our interactions indicate price erosion may have somewhat moderated QoQ (after a surprise QoQ increase in 4Q) along with some softening of input prices. Overall, we expect 1.5% YoY increase in sales and ~15% YoY decline in EBIDTA across our coverage universe. Notable weakness would be seen in Gland, Alkem and Indoco (last 2 owing to the base) while Torrent and Dr Reddys' would report margin improvement QoQ.

- Sun Pharma did have an element of Covid business last year which would dampen domestic growth YoY though US business would be boosted by Galderma purchase and decent approvals like gMesalamine. Margin to be lower YoY on base + increased R&D
- Dr Reddys' to exhibit better US growth on back of Nexavar, Pemetrexed Sodium & Vascepa ramp up. Better margin performers of the quarter in our view
- Lupin - US business to be flattish QoQ. Not much Covid in base while margin may rebound from abysmal level of 4Q
- Gland to clock weak quarter as US declines YoY for second successive quarter though up QoQ; gross margin to further weaken QoQ on tepid US performance
- Indoco and Alembic had elevated base last year leading to domestic YoY decline; US to be better for both on weak base and one-off opportunities for the latter
- Torrent to report margin improvement sequentially as US bounces on Dapsone support; IPCA to contend with high Covid base though GM to improve to 68%. Ajanta to report smallest +ve growth in India as it has not taken price hikes in non NLEM biz while US struggles due to no approvals in 1Q. Sequent API sales decline QoQ on weak seasonality while margin to be slightly better due to partial price hike impact
- Diagnostic to see YoY revenue & margin decline which is baked in – anything below 23-24% OPM for DLPL, METROHL would be a negative surprise. Vijaya is not seeing pricing pressure but opex from increased centres opening to dent margin to 40%.

Exhibit 54: Trend in domestic growth across pharma cos, % YoY

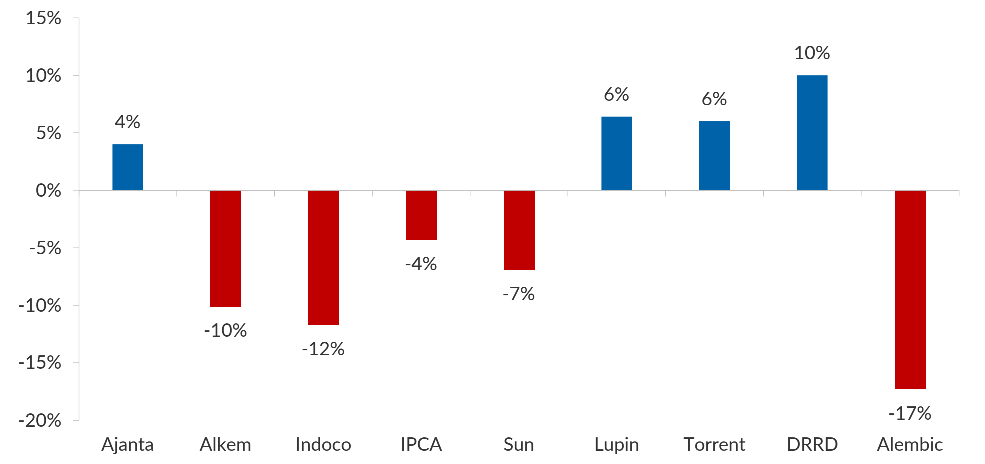


Exhibit 55: Trend in US growth across pharma cos, % QoQ

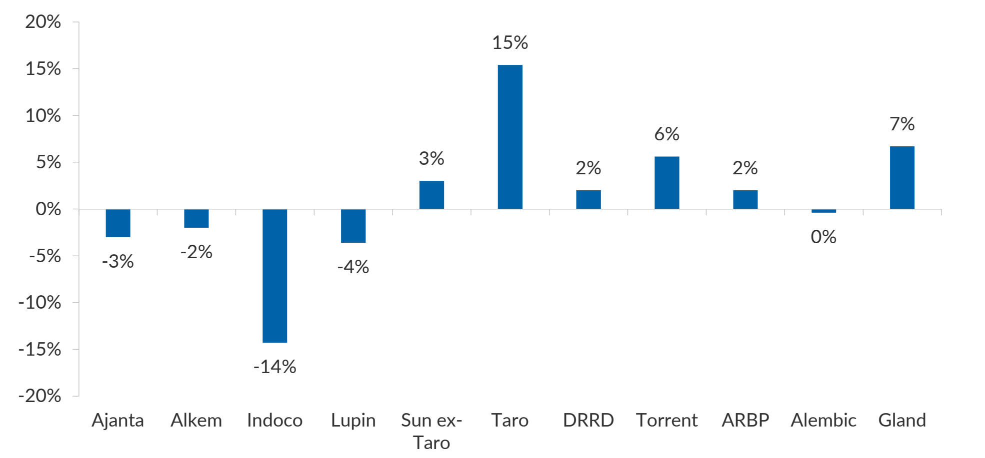


Exhibit 56: Pharma & Healthcare- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Sun Pharma.Inds.	96,902	(0.3)	2.6	22,263	(523)	(10)	13,705	(5.1)	(8.5)	Galderma full impact seen in Q1; gMesalamine approval would be decent while Lacosamide & Brovana might be competed away. Margin to be impacted on higher R&D, lower gross margin YoY
Dr Reddy's Labs	57,188	15.6	4.5	12,968	411	89	8,159	114.5	(2.7)	US traction to persist - Pemextred Sodium & Nexavar approvals to support along with Vascepa. No major base inflation due to Covid last year. Margin to rebound QoQ
Aurobindo Pharma	59,249	3.9	2.0	10,315	(380)	64	6,053	(21.4)	(18.1)	Subdued quarter in store as gross margin remain under pressure; price erosion to eyed in US business after negative surprise in 4Q
Lupin	42,336	(0.9)	9.0	5,375	(903)	686	1,209	(77.7)	(121.6)	US business to be flattish QoQ. Domestic business did not have much of Covid in base quarter and expect high single digit growth. Margin at ~12.5% to be better QoQ
Torrent Pharma.	22,654	6.2	6.3	6,570	(272)	263	3,263	(1.1)	(11.3)	-India business to be driven by price hikes of 6-7% - US business to bounce from lows of 4Q - Dapsone to support - Margins to improve by 250bps to 29% - Higher tax rate to affect PAT QoQ
Ajanta Pharma	7,858	5.0	(9.7)	1,898	(528)	41	1,404	(19.2)	(7.1)	- India business to see moderate growth as no price hikes taken in non NLEM business in 1Q - Branded business to see strong growth whereas US to see some slowdown due to price erosion and lack of approvals - Margins to improve sequentially as gross margin hovers around 72-73% mark
Alkem Lab	24,512	(10.3)	(1.3)	3,307	(821)	(8)	2,192	(54.4)	77.9	Reckon domestic business had large Covid relate sales in base quarter and expect a YoY decline in India sales. US to be lackluster on lack of approvals while gross margin to be lower YoY pulling down EBIDTA too
Indoco Remedies	4,023	4.0	(1.7)	725	(444)	(165)	385	(3.1)	(5.0)	- Slowdown in India business to be compensated by strong growth YoY in US. Gross margin to decline QoQ while OPM unlikely to match last years' elevated level of 22%
Ipca Labs.	13,818	(11.8)	7.2	2,657	(737)	222	1,608	(48.0)	14.2	- Domestic business to decline YoY as guided in 4Q - Branded and generics business to soften on a high base. - Margins to improve QoQ with gros margin around 68%
Dr Lal Pathlabs	5,000	(17.6)	3.0	1,225	(666)	(44)	653	(51.2)	5.2	- Non-covid revenues to include Suburban business - Margins to remain under pressure as post-acquisition costs pile up, disruption in volumes/pricing
Metropolis Healt	3,120	(4.5)	2.0	735	(778)	(91)	405	(31.5)	0.7	- Non-covid revenues to increase in mid teens - YoY comparison not feasible due to inclusion of Ganesh HiTech revenues - Margins to remain under pressure as post-acquisition costs pile up, potential disruption in volumes/pricing
Syngene Intl.	5,673	(4.6)	(25.2)	1,645	384	(282)	739	19.3	(46.7)	- High base of Q1 FY22 due to Remdisivir to lead to YoY decline; ex-one off sales growth of 17% YoY - Margins to come down sequentially as other expenses rise - Increase in tax rates as some SEZ benefits are ending

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Gland Pharma	10,247	(11.2)	(7.1)	3,101	(755)	(132)	2,561	(27.0)	(10.4)	US business appears under pressure largely due to vials/PFS shortages that persisted through 1Q; gross margin decline QoQ on lackluster US though margin would not fall to the same extent
Alembic Pharma	13,784	3.9	(2.6)	2,218	(170)	479	673	(59.1)	89.9	India business to decline on high base of Azithro last year; US expected to be flat as one-off opportunities still persist as per commentary in 4Q call
Apollo Hospitals	39,105	4.0	10.3	5,445	10	86	2,050	(58.1)	127.5	ARPOB trajectory would in focus as company had guided to continued strength; case mix would also be eyed as at least one of the diagnostic player (Vijaya) has alluded weak OPD footfalls
Sequent Scien.	3,834	19.6	(0.1)	412	(42)	68	100	988.2	11.5	API revenues could be seasonally weak while gross margin would hover above 4Q base of 43%; PAT includes Rs85mn of ESOP cost (not included in OPM of 10.7%)
Vijaya Diagnost.	1,030	(16.1)	(11.4)	412	(637)	(122)	192	(42.3)	(19.0)	- Non-covid revenues to grow at low double digits - Higher opex in opening 6 centres in 1Q to dampen margin; we understand disruption would have less of an impact as pricing is especially stable in both radiology and pathology
Divi's Lab.	23,589	20.3	(6.3)	9,579	(285)	(325)	6,935	24.5	(22.5)	-
Cipla	54,361	(1.2)	3.3	11,161	(392)	628	6,536	(18.2)	67.6	-

REAL ESTATE

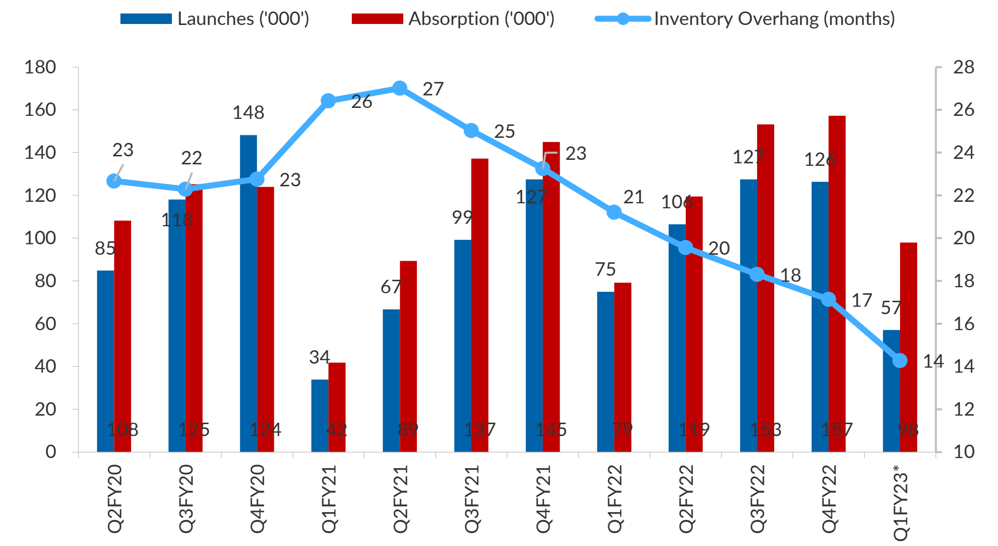
As per PropEquity, in last 12 quarters on Pan-India basis only once launches were higher than absorption which aided inventory overhang months to further come down to 14months from 17months in last quarter. Cyclically, after strong last quarter of fiscal, residential real estate witnesses lower demand in first quarter and subsequently further demand drags with onset of monsoon season as construction activity remains very low. But this time due to lower base of last year, Q1FY23 will optically be better on year on year basis. Absorption in first two months of Q1FY23 already surpassed the Q1FY22 absorption level and interestingly inventory overhang months came down from 26months (in Q1FY21) to 14months (~2.2years of inventory) which is lowest in last 12years. With such a low inventory in system, it is important to monitor the companies launch pipeline and approval status of to be launch projects to determine the sales velocity of the developers in the listed space vis-e-vis coverage companies. Average price realizations (APR) on a Pan India basis is up by 4.4%Y/Y. Out of top 7 cities covered by PropEquity, Hyderabad/NCR/Chennai witnessed highest growth in APR (5.9%/5.5%/5.4%Y/Y) while MMR remained flat and Bengaluru clocked 2.9%Y/Y growth and Pune 3.1%Y/Y. Finally, with the strong inherent demand for residential real estate, it is equally important to look out for business development activity which will determine the developers launch pipeline for coming years.

Office assets are on the path of the recovery with increase in the physical occupancy as more and more associates are back to the office. As physical occupancies go back to the historical levels it will be difficult to accommodate current strength and new hires as dedensification norms requires larger space. This will increase the enquires and subsequently will translate in transactions. We believe office assets are at inflection point and from here vacancies will drop and rentals will strengthen as well.

Retail & hospitality assets recovered fast in Q4FY22 as restriction eased out and we expect the same traction to continue for Q1FY23 too as not only all restrictions are eased but now international travel too resumed. Retails assets recovered fully and surpassed the pre-covid trading volumes in Q4FY22 with F&B/cinema back to 100% capacity. In Q1FY23, we believe the retail assets might see one of the best trading volumes on the back of pent up demand and negligible fear factor of covid-19 infection. For Hospitality, leisure hotels recovered long back as domestic travel resumed while drag was due to the business hotels which are on recovery path. Post restoration of international travel and corporate events are back in numbers the occupancy and ARR is expected full recoverin the 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 Prestige Estate Projects, DLF & Sunteck Realty.

Exhibit 57: PAN India launches, absorption and inventory overhang months



Source: Industry, YES Sec – Research (Note: Q1FY23* is till May-22)

Exhibit 58: Real Estate- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
DLF	11,715	2.8	(24.3)	3,859	(177)	918	5,165	53.2	27.4	Key is to monitor the launches and sales velocity.
Oberoi Realty	6,521	129.4	(20.8)	3,373	780	901	2,263	180.7	(2.6)	360 West OC need to be monitered along with the comentary on Thane launch.
Prestige Estates	12,289	(13.2)	(48.8)	3,502	411	769	866	51.1	(64.5)	Need to monitor MMR projects sales velocity and specifically for Mulund. And BD activity as PEPL has only 7 months piepline.
Sunteck Realty	2,335	151.8	49.7	926	1,744	3,751	559	1,744.7	(1,395.3)	Sales velocity of Vasai projects needs to understood along with status of Borivali projects. Launch pipeline and BD activity is another moniterables as well

TELECOM AND INTERNET/PLATFORM

- Bharti Airtel is expected to report 3.8% QoQ growth in revenue, primarily led by around 4% increase in India wireless ARPU. It is expect to add 1.3mn India wireless subscribers QoQ.
- Vodafone Idea is expected to report decline of 2mn subscribers QoQ, with growth in ARPU of 4% QoQ mainly driven by some remaining impact of tariff hike taken in Nov'21 and migration from 2G to 4G technology. Management commentary on any progress on fund raising activity and future plan ahead would be the key thing to watch out for in the quarter.
- Telecom operators would continue to ramp up 4G coverage/capacity and this would lead to addition of more co-locations on the part of Indus Towers.
- For telcos, any update on their plans for coming 5G auction and the timeline of the implementation of 5G technology would be keenly watched by investors.
- Tata Communication is expected to report pickup in sequential revenue growth led by improved traction in Growth services of the data segment.
- For Internet companies, Infoedge, led by strong traction in Naukri.com, is expected to report strong performance. Indiamart is expected to maintain the traction seen in its performance IN Q4FY22, with sequential revenue growth of around 5.1% QoQ expected in Q1FY23.
- 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.
- Management guidance on growth in billings and competitive intensity in the segment would be the key things to watch out for in the quarter.
- Tanla Platform, the performance in the quarter would be led by Q4 seasonality (sequential performance to be modest).
- For SIS Ltd, the growth in the quarter would be led by strong performance in India security business and robust recovery in facilities management business.

Exhibit 59: The growth in ARPU to be led by tariff hike and migration from 2G to 4G customers

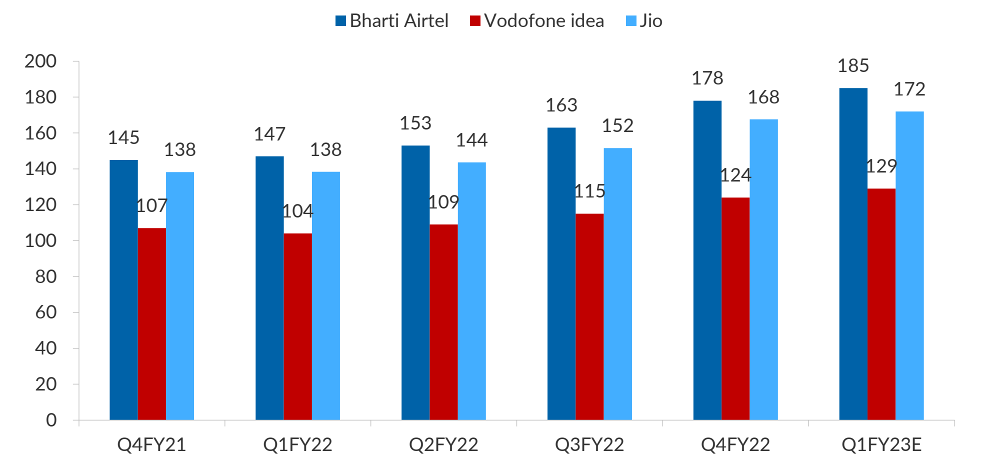


Exhibit 60: VIL's subscribers is expected to decline by 2mn QoQ

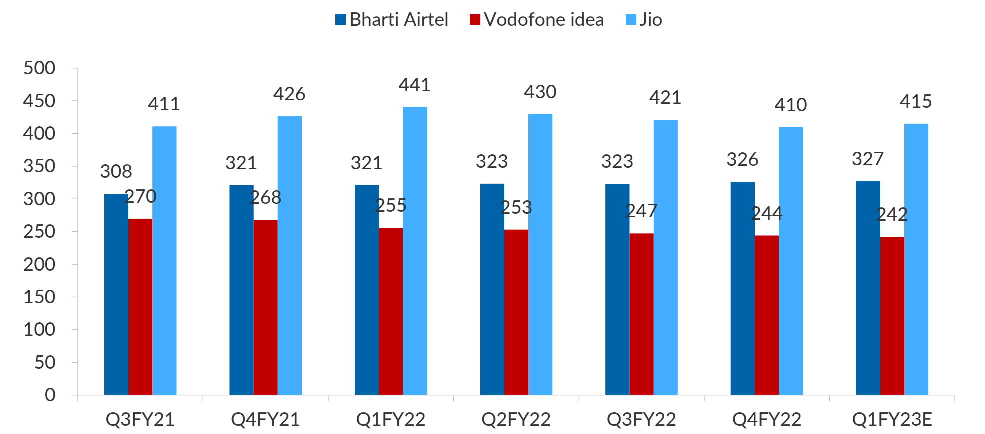


Exhibit 61: Telecom/Platform Business- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY23	YoY (%)	QoQ (%)	Q1 FY23	YoY (bps)	QoQ (bps)	Q1 FY23	YoY (%)	QoQ (%)	
Info Edg.(India)	4,860	52.0	6.7	1,341	(358)	(50)	1,244	23.2	3.1	Naukri.com to be key driver of revenue growth. Key thing to watch out would be the performance of 99acres.com and Jeevansathi
Just Dial	1,763	6.6	5.8	88	1,539	868	269	NA	22.2	Overall growth to remain modest but should pickup led by growth in paid customers Management commentary on traction in the B2B segment would be ke thing to watch out for.
Matrimony.com	1,157	9.7	4.6	208	(314)	111	135	(2.1)	15.6	Growth is expected to be low double digit YoY. Management commentary on international operations would be key thing to watch out for.
Indiamart Inter.	2,116	16.5	5.1	720	(1,479)	560	714	(18.8)	24.3	Growth to improve sequentially led by improvement in business environment for SMEs Commentary on growth in paid suppliers and traffic would be key thing to watch out for.
Nazara Technolo.	1,875	42.9	7.1	268	(863)	581	135	153.9	511.7	Sequential growth to be muted on seasonality factors Commentary on performance of subsegments would be key thing to watch out for.
Tanla Platforms	8,511	35.9	(0.2)	1,853	29	19	1,423	36.2	1.2	Revenue to be flatish QoQ on seasonalty factors; While strong focus on cost control would help to maintain margin
Tata Comm	43,538	6.1	2.1	10,406	(13)	(62)	4,186	44.1	8.5	Growth to be led by traction in the data services. Voice business would continue to decline QoQ. Margin would remain strong due to continuos focus on cost optimization.
Indus Towers	71,134	4.7	(0.0)	40,551	509	(18)	18,108	27.9	(1.0)	Growth to be mainly led by increase in the number of co-locations. Management commentary on client negotiations would be key thing to watch out for.
Vodafone Idea	105,059	14.8	2.6	47,893	508	18	(63,078)	NA	NA	ARPU expected to grow by ~9% QoQ due to migration from 2G to 4G users and tariff hike in prepaid segment in Nov'21. Subscriber base is expected to decline by 2mn QoQ
Sterlite Tech.	16,077	22.8	1.6	1,286	(971)	226	(10)	NA	NA	Sequential revenue growth to be strong led by strong performance in product business; while margin would be on weaker side due to cost inflation/logistics cost. Commentary on margin outlook would be key to watch out for.
SIS	27,534	15.7	4.0	1,425	7	48	856	43.9	(12.1)	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	327,173	20.9	3.8	165,272	178	(43)	34,831	270.0	(6.2)	Earnings likely to stand higher YoY and QoQ primarily on improvement in ARPU

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