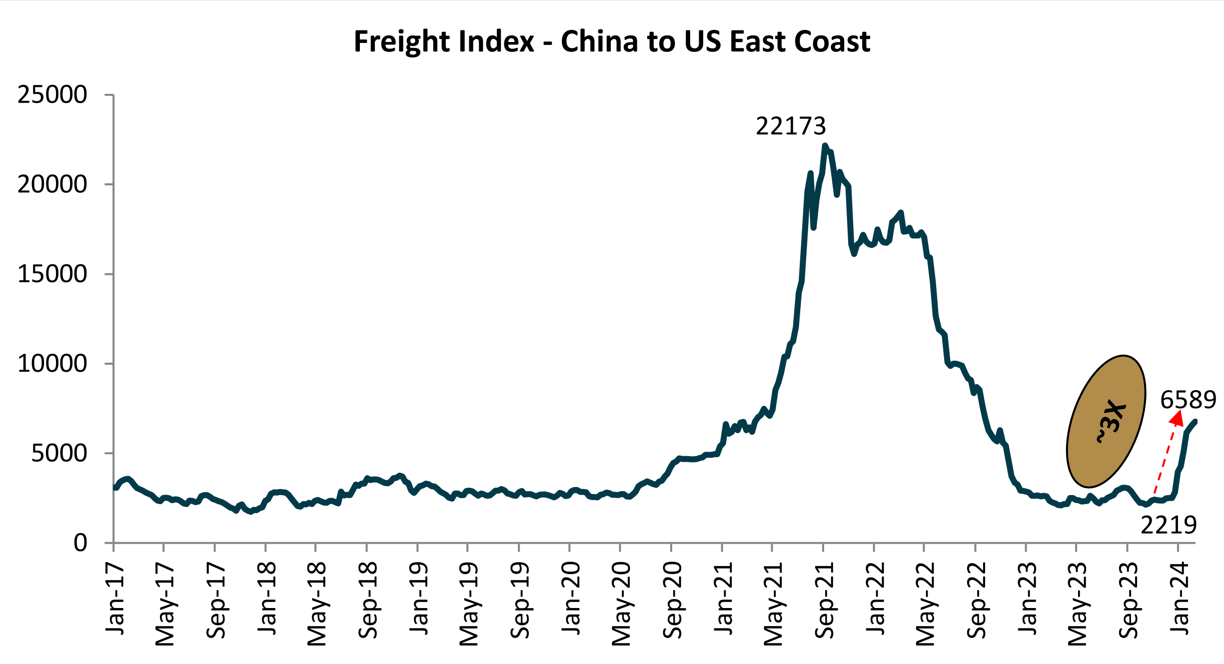
Dear Investors,

Markets continued their ying-yang focusing on short term inflationary pressure and its potential impact on central bank policies. Despite the prospects of FED rate cuts, the overall market sentiment was overshadowed by concerns, fueled by unsettling inflation data from the US. The ECB's cautious approach towards policy easing, in anticipation of possible inflation rebounds, alongside the UK's economic downturn, underscored the multifaceted challenges confronting the markets during the month. In Asia, Japan's slide into a technical recession and China's battle with deflationary trends further highlighted the contrasting economic conditions impacting global equity markets. Amidst this backdrop, MSCI World was up 4.3% in February. MSCI EM outperform, rising 4.8%, led by gains in China (+9.1%), Hong Kong (+6.5%). India despite being up 1.5% in USD terms till date in February, relatively underperformed most of its EM peers.
In the short term, Red sea crisis has further impacted global trade and also performance of some corporates depended on exports. Logistic costs have inched up by 200% from the recent lows and can have some inflationary led impact in the short term.



Source: Bloomberg, ASK IM Research

Let us now dwell into the performance of India Inc the quarter gone by. By and large performance has been in line. Following are the key takeaways:

- EBITDA is now converging with top line, but PAT is still holding up: The BSE500's top line remained subdued at 6% YoY (similar to H1FY24). But EBITDA growth, which was strong in H1FY24 at 29%, has dwindled to 10%. This is mainly due to fading input price tailwinds and operating de-leverage. PAT growth, however, has held up.

BSE 500	Sales Growth	OP Growth	PBT Growth	PAT Growth
Q3FY24 – YoY	5.3%	14.6%	21.0%	24.6%
Q2FY24 – YoY	2.2%	29.8%	40.1%	40.6%
Q1FY24 – YoY	4.6%	29.0%	39.6%	49.5%

- Domestic consumption: The performance has been a mixed bag. Demand has been strong in SUVs, 2 wheelers, jewellery, hotels, aviation, consumer durables. Staples demand has stabilized now at lower levels. We believe rural demand should start to improve as the negative impact of high inflation start to recede

(Q3FY24 – YoY)	Sales Growth	OP Growth	PAT Growth
CONSUMPTION	8.7%	15.9%	20.0%
Staples	-0.3%	2.8%	10.0%
Retail	22.5%	22.6%	19.3%
Discretionary Impersonal	5.8%	30.1%	38.7%
Textiles	2.7%	24.2%	86.7%
Building Products	0.8%	25.4%	32.2%
Footwear	3.0%	-8.8%	-19.9%
Consumer Durables	14.3%	14.5%	4.6%
Entertainment	8.7%	2.6%	2.7%
Airlines	29.4%	65.8%	106.2%
Beverages	17.0%	77.8%	21.3%
QSR	6.0%	1.2%	-62.7%

- Domestic investment: Real Estate companies, companies beneficiary on government capex reported strong performances. Cement companies' profitability has improved too. Meanwhile, we await improvement in companies that are dependent on industrial capex (like abrasives, bearings, material handling)

(Q3FY24 – YoY)	Sales Growth	OP Growth	PAT Growth
INFRASTRUCTURE AND ENGINEERING	11.0%	24.2%	15.5%
Capital Goods	12.4%	12.8%	14.5%
Cement	9.2%	56.8%	33.6%
Logistics	5.9%	-6.2%	-5.6%
Consumables	-6.2%	-11.7%	-29.8%
Manufacturing	18.3%	36.6%	54.6%
Defence	12.6%	45.6%	35.3%
Real Estate	2.3%	2.6%	-0.1%
Construction	17.3%	10.5%	19.0%

- Global exporters: Pharma companies posted a strong quarter with improvement in US generic pharma cycle, IT companies reported in line results, while chemicals suffered a deep contraction in both top line and profits. Going ahead, ending global destocking should put a floor to exporters' earnings which are impacted by destocking cycle.
- Financials: Banks NIM's expectedly moderated and opex stayed elevated, while credit growth is sustaining. Challenges on deposit front can continue to have an impact on NIMs.

Overall, performance of India Inc has been largely in line with estimates. Earnings outlook remain all right despite headwinds of global growth and moderate rural demand. Election led slowdown may impact earnings in the short term though. Markets have reacted positively to the sharp earnings growth. However, going forward, as margins led tailwinds are receding, earnings will have to driven by improvement in revenue growth. We believe a sustained higher and secular growth will differentiate.

Happy investing.

Happy investing!
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ENDS

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